

PRESENTATION TO THE CITY OF BRENTWOOD TENNESSEE

WATER AND SEWER RATE STUDY FINDINGS & RECOMMENDATIONS



Scope of the Rate Study

1. Data Review / Understand the System / Determine Key Issues
2. Review and recommend water and sewer financial policies
 - Reserve Levels
 - Debt Service Coverage
 - Tap Fees
3. Develop 5-year financial plan
4. Develop water and sewer rates

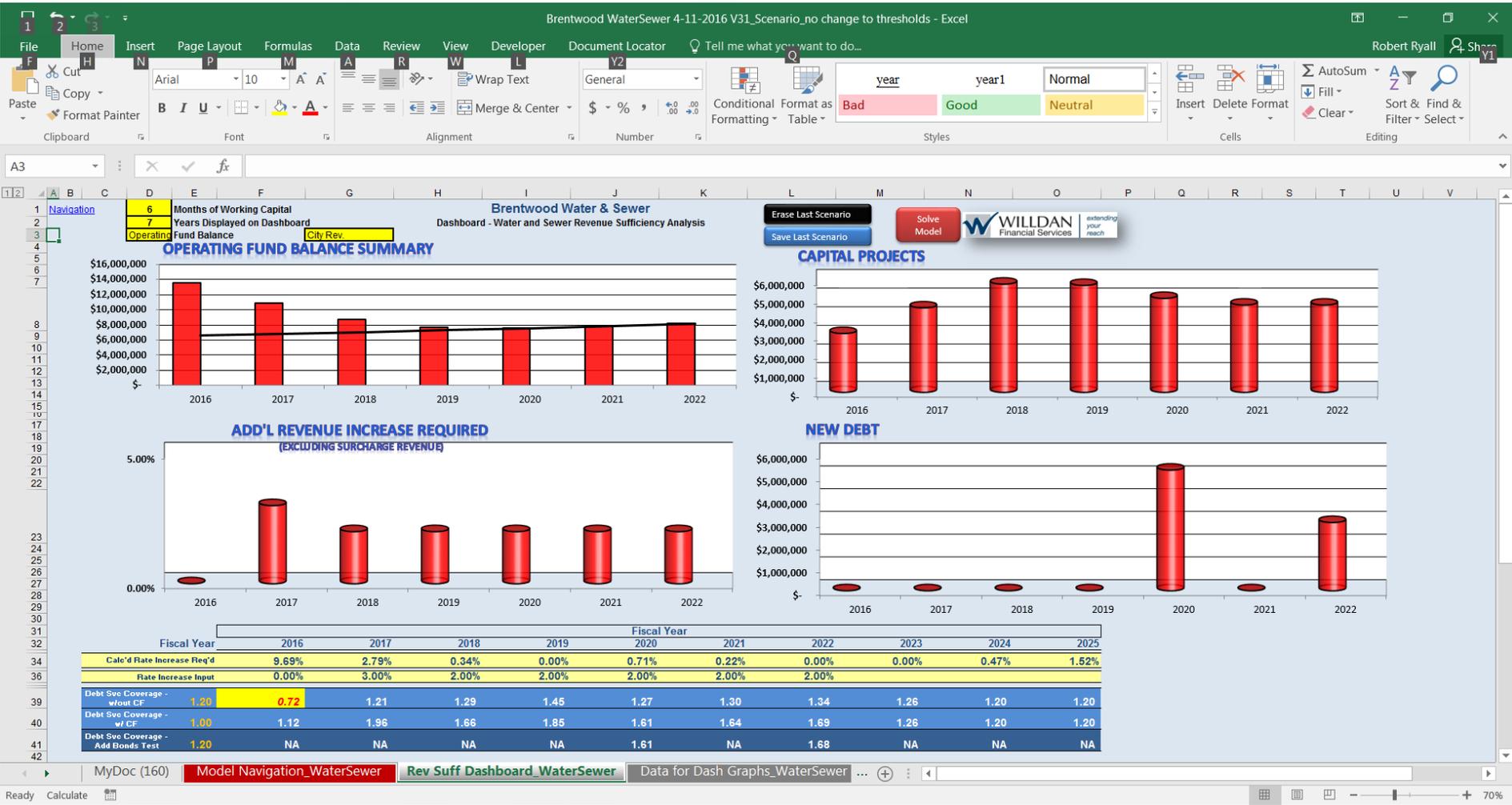
Policy Recommendations

Reserves: Target a minimum System reserve level of 180 days of annual operating expenses (annual operating expenses, for the purpose of the City, will include purchased water and sewer expenses).

Debt Service Coverage: Establish and maintain a minimum debt service coverage level, without tap fee revenue, of 1.20x annual debt service.

Tap Fees: Deposit revenues collected from water and sewer tap fees into segregated and restricted funds. Restrict proceeds from these funds, including interest earnings, for use to pay for growth related utility system improvements.

Financial Plan



Rate Design Background

Internal Considerations:

- From Financial Plan – 3.0% to 2.0% annual increase due to forecasted City cost increases

External Considerations:

- Increased purchased water cost due to added capacity for irrigation
- Increasing capacity from 12.5 MGD to 17.0 MGD; 36% more capacity

Rate Design Considerations

Proposed Rate Adjustments:

Water:

- Adjust second tier water rates (usage above 10,000 gallons)
- Increase water surcharge to capture remaining purchase water cost
- All other rates increase 3.0%; per Financial Plan
- FY2018 – FY2021; 2.0% annually

Sewer:

- Adjust rates 3.0%; per Financial Plan
- FY2018 – FY2021; 2.0% annually

Water Rates

	Existing Rates	Proposed					
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Water							
<i>Residential:</i>							
Minimum Bill	(per bill; First 2,000 gallons)	\$ 11.62	\$ 11.97	\$ 12.21	\$ 12.46	\$ 12.71	\$ 12.97
Next 8,000	(per 1,000 gallons)	4.07	4.19	4.28	4.37	4.46	4.55
Thereafter	(per 1,000 gallons)	4.65	6.08	6.21	6.34	6.47	6.60
<i>Institutional, retail, and certain other commercial customers:</i>							
Minimum Bill	(per bill; First 2,000 gallons)	\$ 11.62	\$ 11.97	\$ 12.21	\$ 12.46	\$ 12.71	\$ 12.97
Next 8,000	(per 1,000 gallons)	4.07	4.19	4.28	4.37	4.46	4.55
Thereafter	(per 1,000 gallons)	4.65	6.08	6.21	6.34	6.47	6.60
<i>Commercial office customers:</i>							
Gallons equivalent to total square footage of building space		\$0.005814	\$0.005988	\$0.006109	\$0.006232	\$0.006357	\$0.006485
Usage exceeding 1 gallon per square foot (up to 10,000 gallons)		4.07	4.19	4.28	4.37	4.46	4.55
Thereafter		4.65	6.08	6.21	6.34	6.47	6.60
Water Surcharge	(per 1,000 gallons)	\$ 0.84	\$ 1.20	\$ 1.31	\$ 1.42	\$ 1.54	\$ 1.66

Note:

The Water Surcharge rates shown are forecasted based on anticipated future purchased water costs. The Water Surcharge rates for FY2018 – FY2021 will be evaluated and updated annually based on the cost of purchased water. As such, the FY2018 – FY2021 Water Surcharge rates are not being included as part of this rate adoption.

Rate Design Water Bill Comparison

	Water Usage - Gallons						
	0	2,000	5,000	10,000	15,000	25,000	60,000
RESIDENTIAL							
Existing Rates	\$ 12.69	\$ 14.53	\$ 30.62	\$ 57.44	\$ 87.43	\$ 147.41	\$ 357.33
Proposed Rates	\$ 13.08	\$ 15.70	\$ 33.36	\$ 62.81	\$ 102.57	\$ 182.11	\$ 460.48
	3.0%	8.0%	9.0%	9.3%	17.3%	23.5%	28.9%

	Water Usage - Gallons								
	0	2,000	5,000	10,000	15,000	25,000	60,000	100,000	500,000
COMMERCIAL									
Existing Rates	\$ 12.69	\$ 14.53	\$ 30.62	\$ 57.44	\$ 87.43	\$ 147.41	\$ 357.33	\$ 597.25	\$ 2,996.38
Proposed Rates	\$ 13.08	\$ 15.70	\$ 33.36	\$ 62.81	\$ 102.57	\$ 182.11	\$ 460.48	\$ 778.61	\$ 3,959.97
	3.0%	8.0%	9.0%	9.3%	17.3%	23.5%	28.9%	30.4%	32.2%

Sewer Rates

	Existing Rates	Proposed					
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
Sewer							
<i>In City Limits:</i>							
<i>Residential</i>							
Minimum Bill	(per bill; First 2,000 gallons)	\$ 14.53	\$ 14.97	\$ 15.27	\$ 15.58	\$ 15.90	\$ 16.22
Next 8,000	(per 1,000 gallons)	5.09	5.24	5.35	5.46	5.57	5.69
Thereafter	(per 1,000 gallons)	5.81	5.98	6.11	6.24	6.37	6.50
<i>Commercial office, institutional and certain other commercial customers</i>							
Minimum Bill	(per square foot of building)	\$0.009084	\$0.009357	\$0.009544	\$0.009735	\$0.009930	\$0.010129
Next 8,000	(per 1,000 gallons)	6.36	6.55	6.69	6.83	6.97	7.11
Thereafter	(per 1,000 gallons)	7.26	7.48	7.63	7.79	7.95	8.11
<i>Commercial retail customers - Minimum bill, per unit of tenant space</i>							
Minimum Bill	(per bill; First 2,000 gallons)	\$ 18.16	\$ 18.70	\$ 19.08	\$ 19.47	\$ 19.86	\$ 20.26
Next 8,000	(per 1,000 gallons)	6.36	6.55	6.69	6.83	6.97	7.11
Thereafter	(per 1,000 gallons)	7.26	7.48	7.63	7.79	7.95	8.11
Wastewater Surcharge	(per 1,000 gallons)	\$ 0.94	\$ 0.94	\$ 0.96	\$ 1.01	\$ 1.06	\$ 1.12

Note:

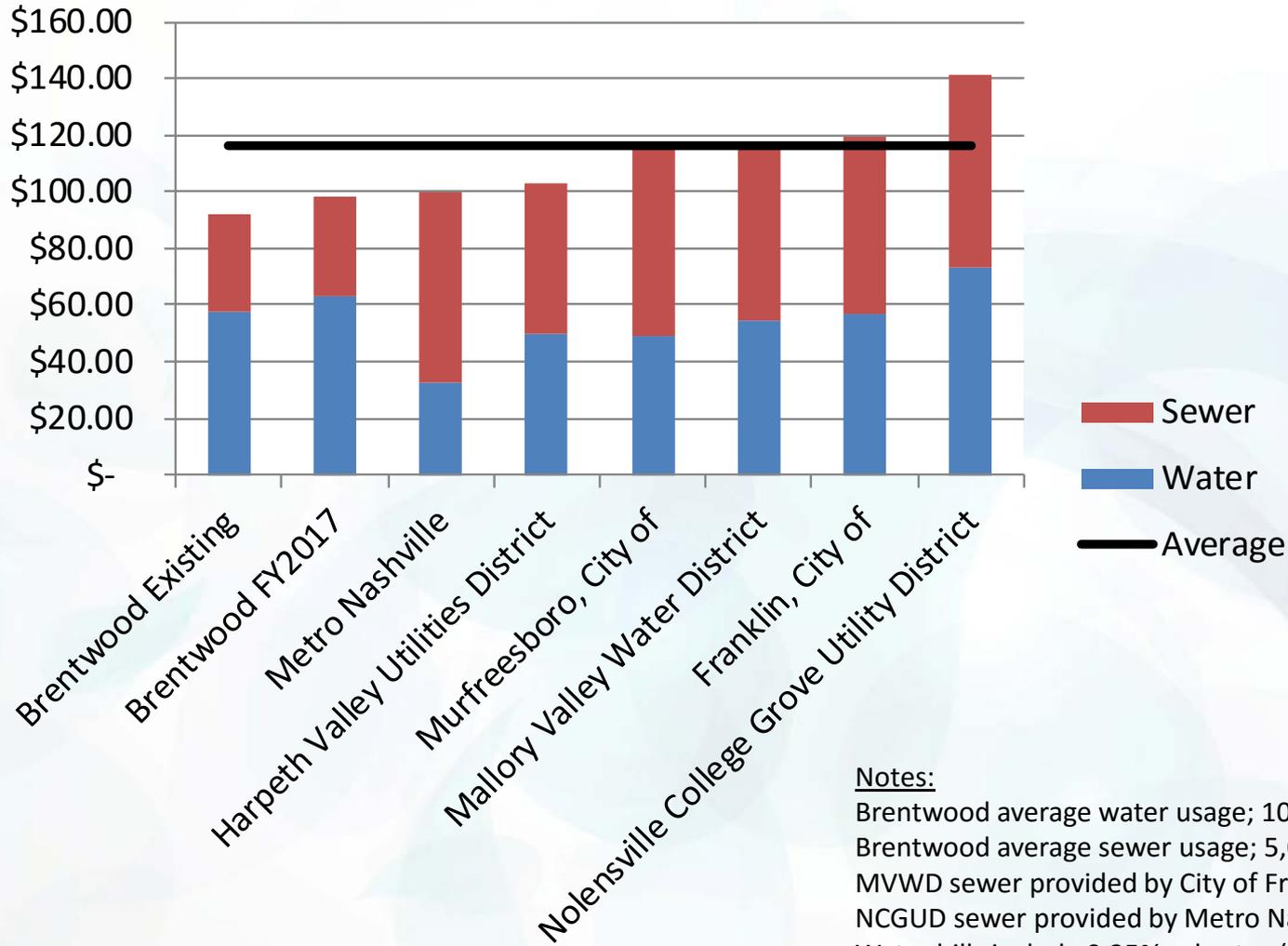
The Wastewater Surcharge rates shown are forecasted based on anticipated future sewer treatment costs. The Wastewater Surcharge rates will be evaluated and updated annually based on the cost of sewer treatment. As such, the Wastewater Surcharge rates are not being included as part of this rate adoption.

Sewer Bill Comparison

		Sewer Usage - Gallons						
		0	2,000	5,000	10,000	15,000	25,000	60,000
RESIDENTIAL								
Existing Rates		\$ 14.53	\$ 16.41	\$ 34.50	\$ 64.65	\$ 98.40	\$ 165.90	\$ 402.15
Proposed Rates		\$ 14.97	\$ 16.85	\$ 35.39	\$ 66.29	\$ 100.89	\$ 170.09	\$ 412.29
		3.0%	2.7%	2.6%	2.5%	2.5%	2.5%	2.5%

		Sewer Usage - Gallons								
		0	2,000	5,000	10,000	15,000	25,000	60,000	100,000	500,000
COMMERCIAL										
Existing Rates		\$ 18.16	\$ 20.04	\$ 41.94	\$ 76.56	\$ 119.44	\$ 201.44	\$ 488.44	\$ 816.44	\$ 4,096.44
Proposed Rates		\$ 18.70	\$ 20.58	\$ 43.05	\$ 78.62	\$ 122.60	\$ 206.80	\$ 501.50	\$ 838.30	\$ 4,206.30
		3.0%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%

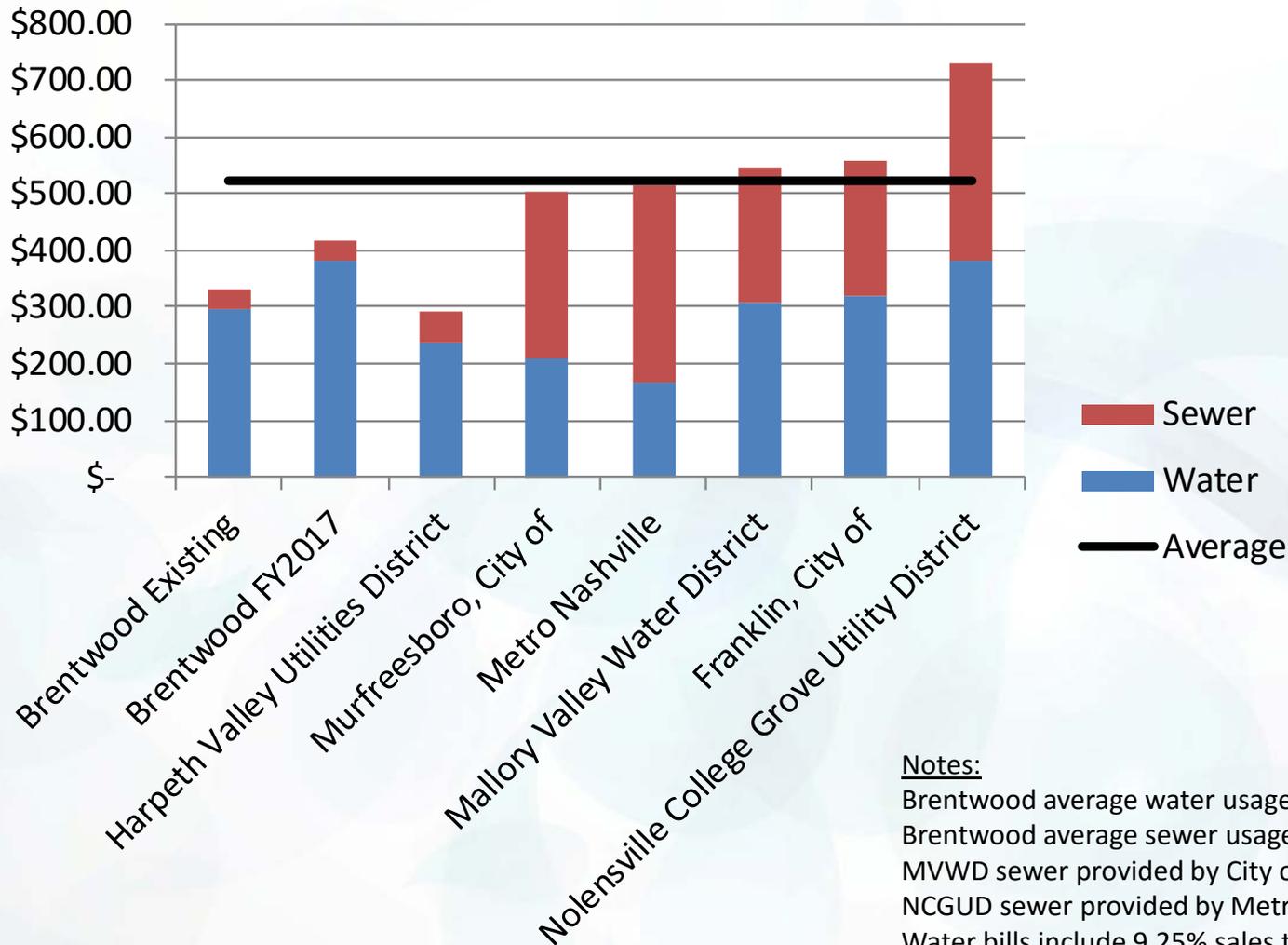
Average Residential Bill Comparison



Notes:

- Brentwood average water usage; 10,000 gallons per month
- Brentwood average sewer usage; 5,000 gallons per month
- MVWD sewer provided by City of Franklin
- NCGUD sewer provided by Metro Nashville
- Water bills include 9.25% sales tax (9.75% for City of Murfreesboro)

High Residential Bill Comparison



Notes:

- Brentwood average water usage; 10,000 gallons per month
- Brentwood average sewer usage; 5,000 gallons per month
- MVWD sewer provided by City of Franklin
- NCGUD sewer provided by Metro Nashville
- Water bills include 9.25% sales tax (9.75% for City of Murfreesboro)

Average Commercial Bill Comparison

