

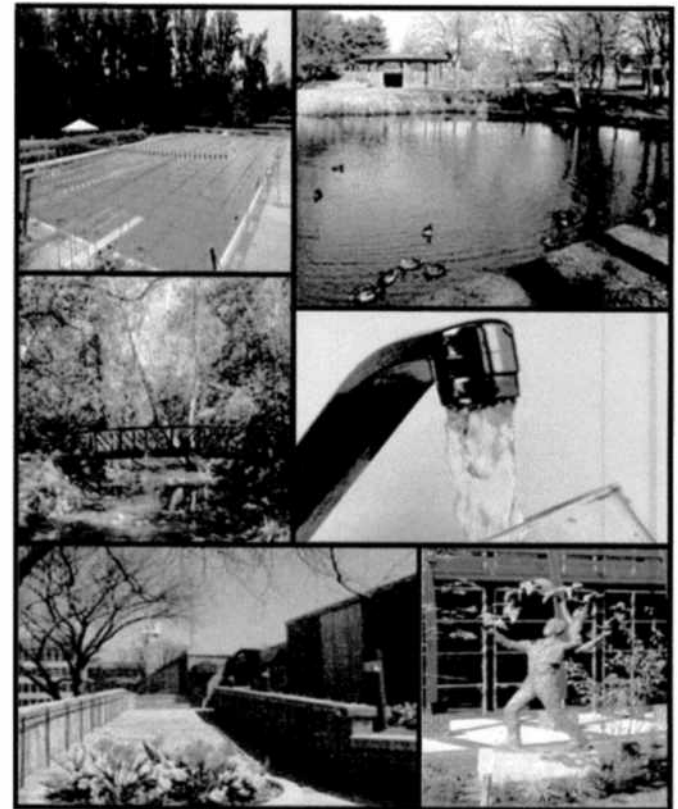


Town of Elkton

Water and Sewer Rate Study Update



July 13, 2011





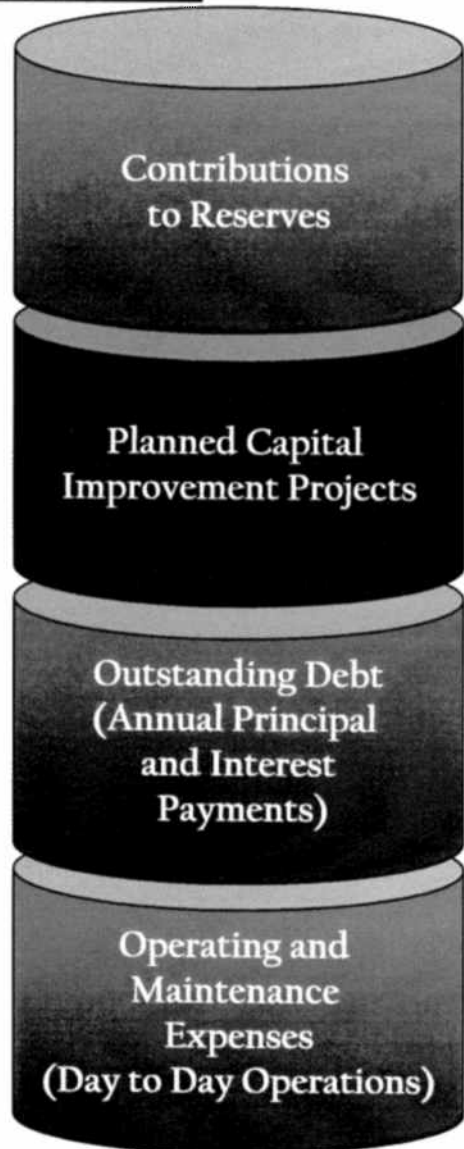
Updates

As of June 2010	FY11	FY12	FY13	FY14
Recommended Water Increase	30.0%	10.0%	10.0%	5.0%
Recommended Sewer Increase	10.0%	10.0%	5.0%	4.0%

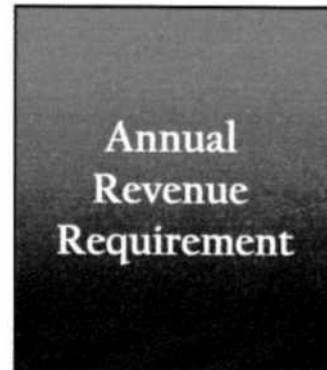
- Town implemented recommended increases of 30% and 10% to the Water and Sewer rates respectively as of the 12/1/10 billing cycle.
- Artesian Water costs increased due to purchasing more water. (50,000 gpd to 375,000 gpd)



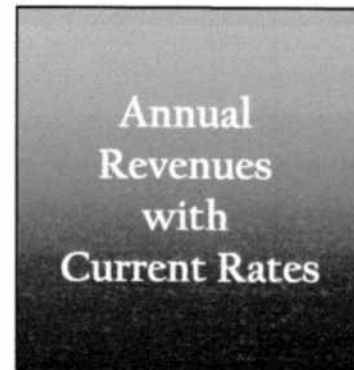
Revenue Requirements



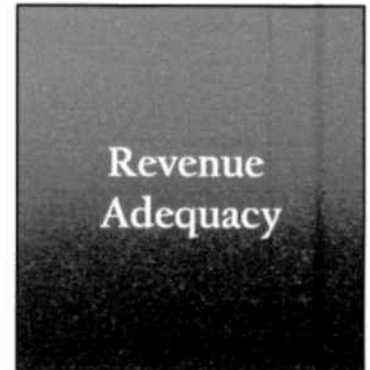
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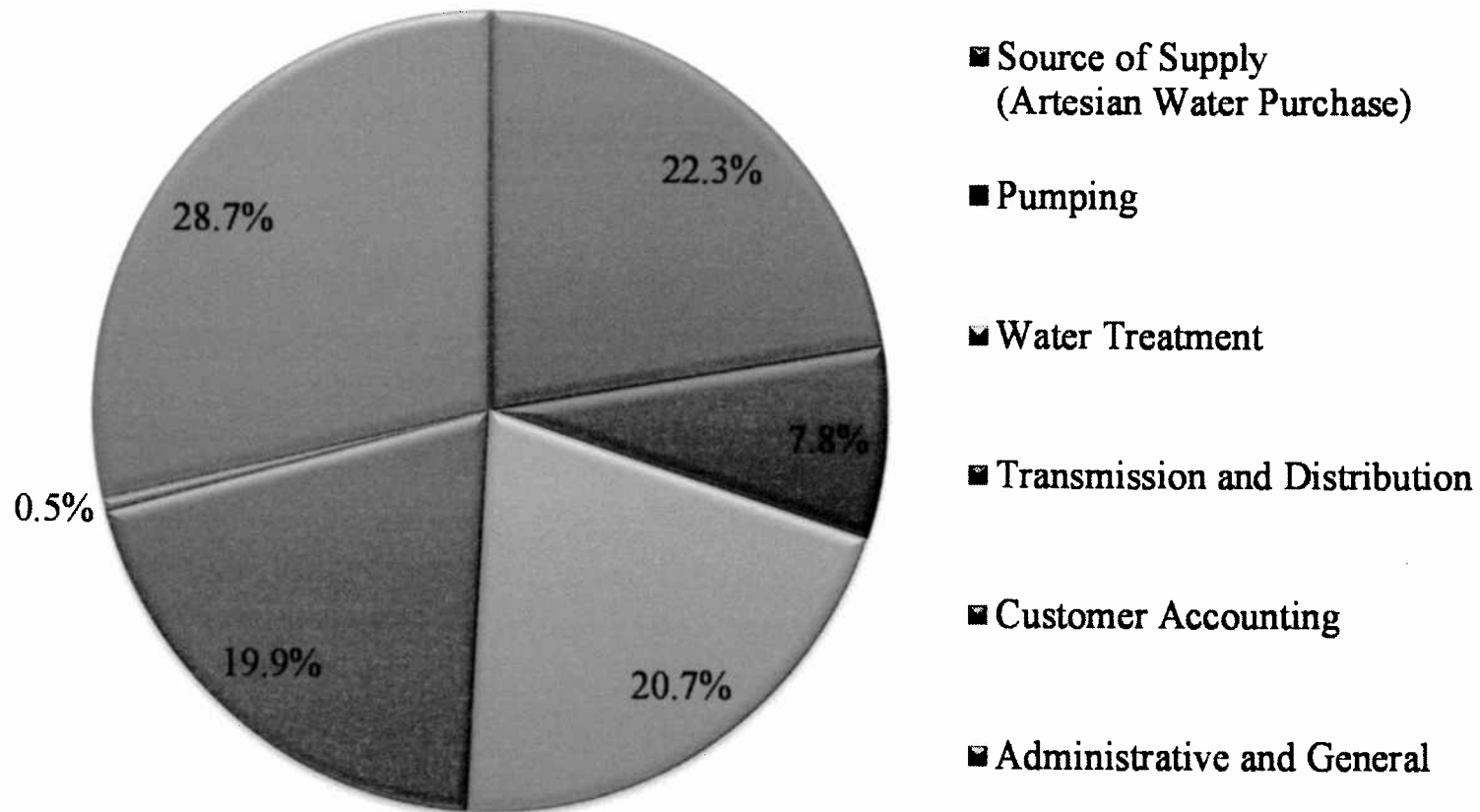
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O&M Expenses – Functionalized Breakdown FY 12

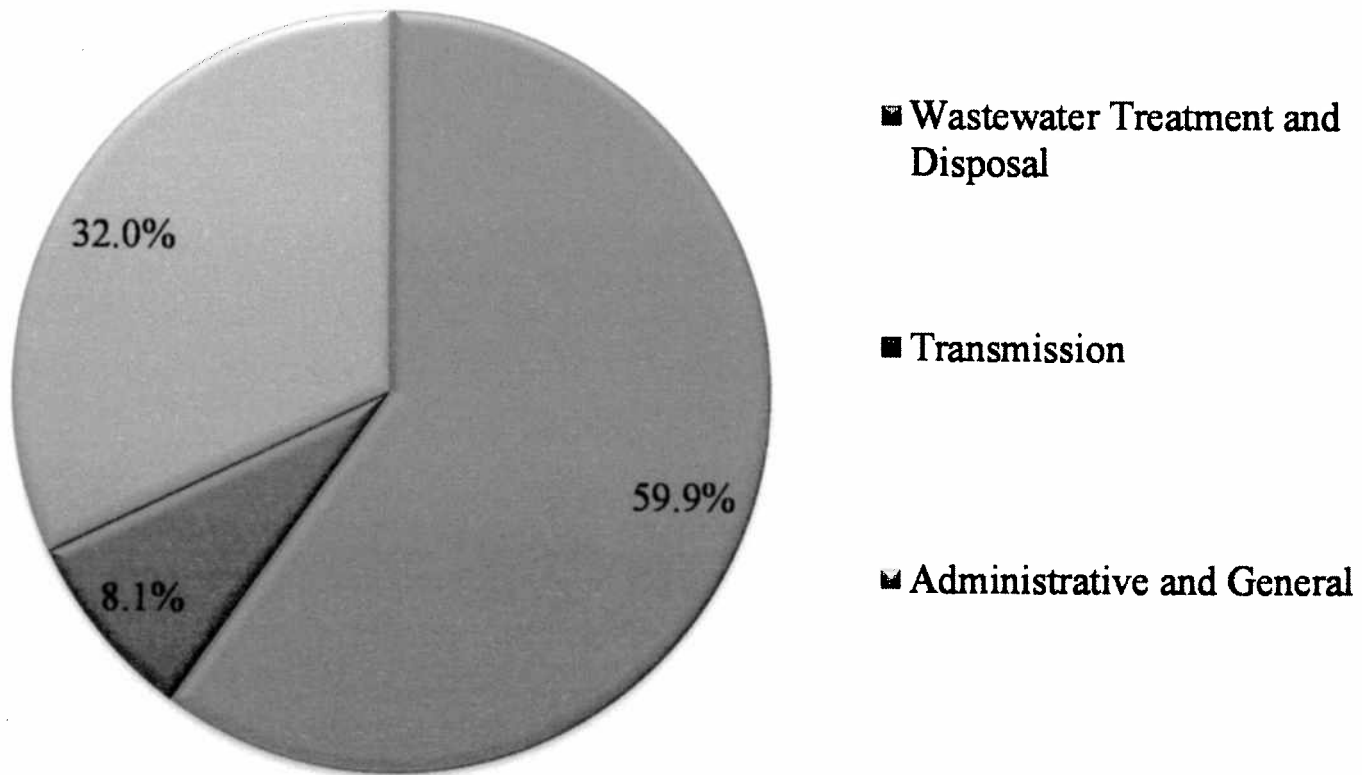
FY 12 Water O&M Expenses = \$2,788,869





O&M Expenses – Functionalized Breakdown FY 12

FY 12 Sewer O&M Expenses = \$3,537,216





Operating & Maintenance Reserve

- Serves as working capital reserve.
- Industry Practice is to maintain 90 days of operating expenses for each fund (25% of annual O&M) – typically required by PSC for investor-owned utilities.
- Target Balances for the O&M reserve in totals \$0.72 million in the water fund and \$0.89 million in the sewer fund.
- Annual contributions are calculated to maintain the recommended level of reserves.
- Annual contributions are capped at \$0.1 million when necessary.

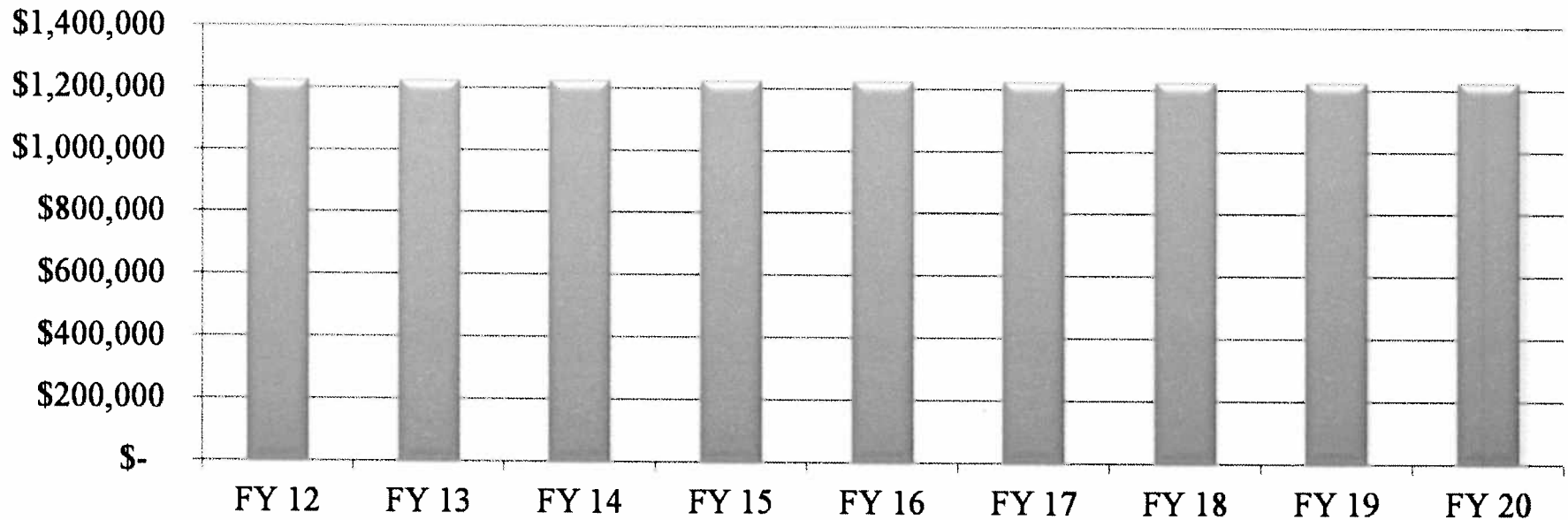


Existing Debt Service

Water Fund – No Existing Debt

Sewer Fund – Two Debt Issues: WWPT BNR ENR Upgrade and Expansion & WQSRF

Existing Debt Service Payments

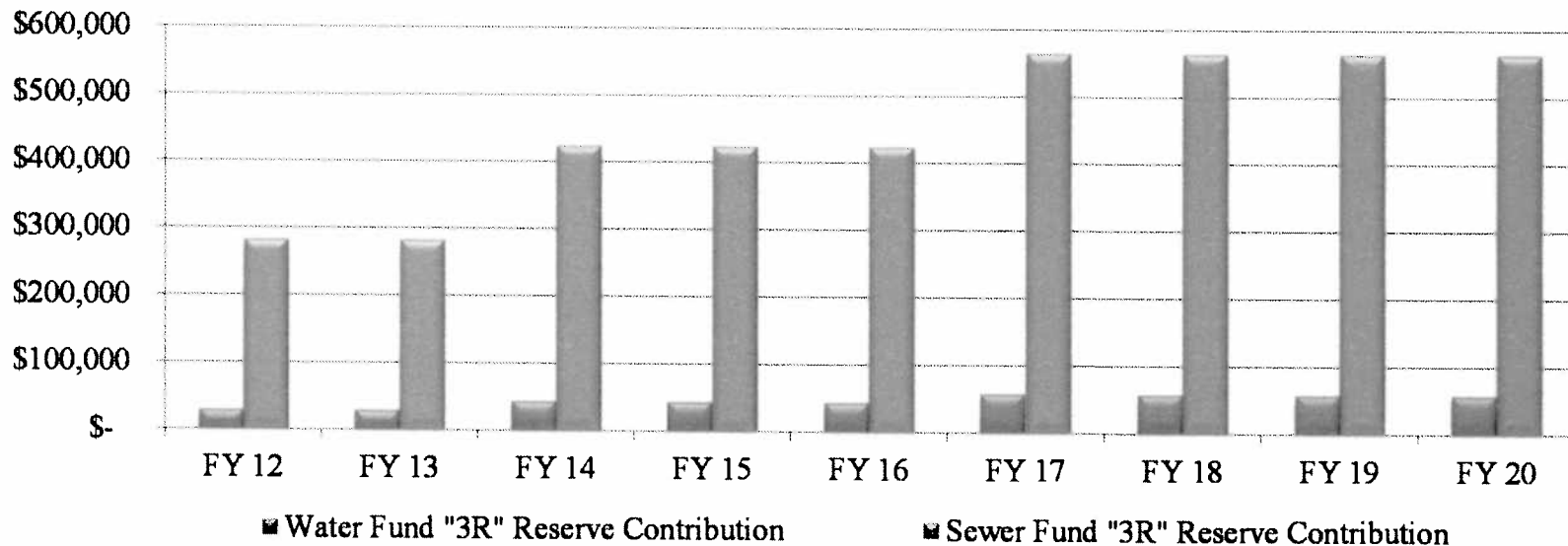


Currently all existing debt issuances are allocated to non-growth and will be funded through user fees.



Repair, Replacement & Rehabilitation "3R" Reserve

- Reinvestment Rate of % of useful life
 - 3R Contribution gradually increases from 0.5% in FY 10 to 0.75% in FY 14 (and 1.0% in FY17) to represent the 1% percent allocation of 100 years of useful life of the book value of Utility Plant and Equipment





Revenue Requirements – Water Operating System

	FY 11	FY 12	FY 13	FY 14	FY 15
Operating Costs					
Total Operating Expenses	\$2.57	\$2.79	\$2.93	\$3.07	\$3.23
Operating Reserve	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
Total Operating Expenses	\$2.67	\$2.89	\$3.03	\$3.17	\$3.33
Capital Costs					
Non-Growth Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Growth Cash Funded Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Growth Projected Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
3R Reserve	\$0.03	\$0.03	\$0.03	\$0.04	\$0.04
Total Capital Expenses	\$0.03	\$0.03	\$0.03	\$0.04	\$0.04
Total Revenue Requirement	\$2.70	\$2.92	\$3.05	\$3.22	\$3.37
Miscellaneous Other Revenues	\$0.06	\$0.07	\$0.07	\$0.07	\$0.07
Use of Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Net Revenue Requirement	\$2.63	\$2.85	\$2.99	\$3.15	\$3.31



Revenue Requirements – Sewer Operating System

	FY 11	FY 12	FY 13	FY 14	FY 15
Operating Costs					
Total Operating Expenses	\$3.44	\$3.54	\$3.63	\$3.73	\$3.84
Operating Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$3.44	\$3.54	\$3.63	\$3.73	\$3.84
Capital Costs					
Non-Growth Existing Debt Service	\$1.23	\$1.23	\$1.23	\$1.23	\$1.23
Non-Growth Cash Funded Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Growth Projected Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
3R Reserve	\$0.28	\$0.28	\$0.28	\$0.42	\$0.42
Total Capital Expenses	\$1.51	\$1.51	\$1.51	\$1.65	\$1.65
Total Revenue Requirement	\$4.95	\$5.05	\$5.14	\$5.38	\$5.48
Miscellaneous Other Revenues	\$0.07	\$0.07	\$0.07	\$0.07	\$0.07
Net Revenue Requirement	\$4.89	\$4.98	\$5.07	\$5.31	\$5.42

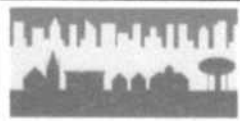


Preliminary Financial Plan

Water Fund (in millions)	FY 11	FY 12	FY 13	FY 14	FY 15
Net Revenue Requirement	\$2.63	\$2.85	\$2.99	\$3.15	\$3.31
Revenues under Current Rates*	\$1.67	\$1.86	\$1.86	\$1.86	\$1.86
Surplus / (Shortfall)	(\$0.96)	(\$0.99)	(\$1.13)	(\$1.29)	(\$1.45)
Required Breakeven Increase	NA	53.6%	5.7%	6.9%	6.6%
Financial Plan Increases	NA	57.5%	3.0%	3.0%	3.0%

Sewer Fund (in millions)	FY 11	FY 12	FY 13	FY 14	FY 15
Net Revenue Requirement	\$4.89	\$4.98	\$5.07	\$5.31	\$5.42
Revenues Under Current Rates*	\$4.12	\$4.30	\$4.30	\$4.30	\$4.30
Surplus / (Shortfall)	(\$0.77)	(\$0.68)	(\$0.77)	(\$1.01)	(\$1.12)
Required Breakeven Increase	NA	15.7%	1.1%	4.3%	1.1%
Financial Plan Increases	NA	10.0%	5.0%	4.0%	3.0%

***Revenues reflect most recent rate increases for the water and sewer funds.**



Municipal & Financial
Services Group

Proposed Rate Structure

	WATER		SEWER	
	Current Rates FY 11	Proposed Rates FY 12	Current Rates FY 11	Proposed Rates FY 12
In- Town Qtrly. Fixed Charge (9,000 gallons incl.)	\$25.16	\$39.62	\$62.87	\$69.15
Out-of-Town Qtrly Fixed Charge (9,000 gallons incl.)	\$50.31	\$79.24	\$125.73	\$138.30
In-Town Usage Charges				
Level 1: 9,000 – 30,000 gallons	\$2.80	\$4.40	\$6.99	\$7.68
Level 2: 30,001 – 100,000 gallons	\$2.94	\$4.63	\$7.34	\$8.07
Level 3: 100,001 – 200,000 gallons	\$3.08	\$4.86	\$7.70	\$8.47
Usage Charges go up 5% every 100,000 gallons				
Out-of-Town Usage Charges				
Level 1: 9,000 – 30,000 gallons	\$5.59	\$8.80	\$13.97	\$15.37
Level 2: 30,001 – 100,000 gallons	\$5.88	\$9.25	\$14.67	\$16.14
Level 3: 100,001 – 200,000 gallons	\$6.17	\$9.72	\$15.41	\$16.95
Usage Charges go up 5% every 100,000 gallons				



Water Customer/Consumption Data – FY 09 Actual*

Customer Type	Units	Usage (million of gallons)
In-Town Water And Sewer Single Unit Accounts	5,355	396.8
In-Town Water And Sewer Multiple Unit Accounts	903	30.1
In-Town Water Only Single Unit Accounts	33	2.2
In-Town Water Only Multiple Unit Accounts	19	1.0
Out-of-Town Water and Sewer Single Unit Accounts	516	25.6
Out-of-Town Water Only Single Unit Accounts	44	14.3
Out-of-Town Water Only Multiple Unit Accounts	7	0.4
Total	6,877	470.4

*FY 09 – July 2008 thru June 2009



Sewer Customer/Generation Data – FY 09 Actual*

Customer Type	Units	Usage (millions of gallons)
In-Town Water And Sewer Single Unit Accounts	5,355	396.8
In-Town Water And Sewer Multiple Unit Accounts	903	30.1
In-Town Sewer Only Flat Rate Customers	5	Assumed Usage**
Out-of-Town Water and Sewer Single Unit Accounts	516	25.6
Out-of-Town Sewer Only Flat Rate Customers	1	Assumed Usage**
Total	6,780	452.6

*FY 09 – July 2008 thru June 2009

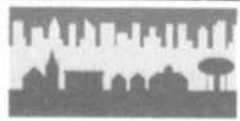
** Assumed Usage – Minimum Charge – 9,000 gallons per quarter per unit



Consumption Breakdown*

Usage	In-Town Water	Out-of-Town Water	In-Town Sewer	Out-of-Town Sewer
0 – 3,000 gallons	8%	6%	8%	5%
3,001 – 6,000 gallons	15%	15%	15%	15%
6,001 – 9,000 gallons	20%	22%	20%	23%
9,001 – 15,000 gallons	30%	32%	30%	33%
15,001- 20,000 gallons	13%	14%	13%	14%
20,001 – 30,000 gallons	9%	8%	9%	8%
Over 30,001 gallons	5%	3%	5%	2%
Total	100%	100%	100%	100%

*FY 09 – July 2008 thru June 2009



Municipal & Financial
Services Group

Sample Quarterly Combined Water and Sewer Bills – In-Town

Usage (gallons)	% of Customers using less than or equal to usage shown:	Current Bill FY 11	Proposed Bill FY 12	\$ Increase
0 - 3,000	8%	\$88.02	\$108.77	\$20.75
3,001 - 6,000	15%	\$88.02	\$108.77	\$20.75
6,001 - 9,000	20%	\$88.02	\$108.77	\$20.75
9,001 - 15,000	30%	\$146.70	\$181.28	\$34.58
15,001 - 30,000	22%	\$293.40	\$362.57	\$69.17
(Over 30,001) 50,000	5%	\$498.90	\$616.53	\$117.63



Sample Quarterly Combined Water and Sewer Bills – Out-of-Town

Usage (gallons)	% of Customers using less than or equal to usage shown:	Current Bill FY 11	Proposed Bill FY 12	\$ Increase
0 - 3,000	8%	\$176.04	\$217.54	\$41.50
3,001 - 6,000	15%	\$176.04	\$217.54	\$41.50
6,001 - 9,000	20%	\$176.04	\$217.54	\$41.50
9,001 - 15,000	30%	\$293.40	\$362.57	\$69.17
15,001 - 30,000	22%	\$586.80	\$725.14	\$138.34
(Over 30,001) 50,000	5%	\$997.80	\$1,233.06	\$235.26



Cash Flow under Financial Plan

Water Fund (601) (in millions)	FY 11	FY 12	FY 13	FY 14	FY 15
Net Revenue Requirement	\$2.63	\$2.85	\$2.99	\$3.15	\$3.31
Revenues under Financial Plan	\$1.67	\$2.95	\$3.07	\$3.20	\$3.33
Surplus / (Shortfall)	(\$0.96)	\$0.10	\$0.09	\$0.05	\$0.02
Water Fund (601) Cash Balance	(\$0.23)	\$0.00	\$0.21	\$0.41	\$0.57

Sewer Fund (602) (in millions)	FY 11	FY 12	FY 13	FY 14	FY 15
Net Revenue Requirement	\$4.89	\$4.98	\$5.07	\$5.31	\$5.42
Revenues Under Financial Plan	\$4.12	\$4.78	\$5.07	\$5.32	\$5.54
Surplus / (Shortfall)	(\$0.15)	(\$0.20)	(\$0.01)	\$0.01	\$0.12
Sewer Fund (602) Cash Balance	\$4.5	\$4.6	\$4.8	\$5.3	\$5.8