

# City of Key West, Florida

## Sewer Rate Study Presentation

### July 24, 2012



# Existing Sewer Rate Structure

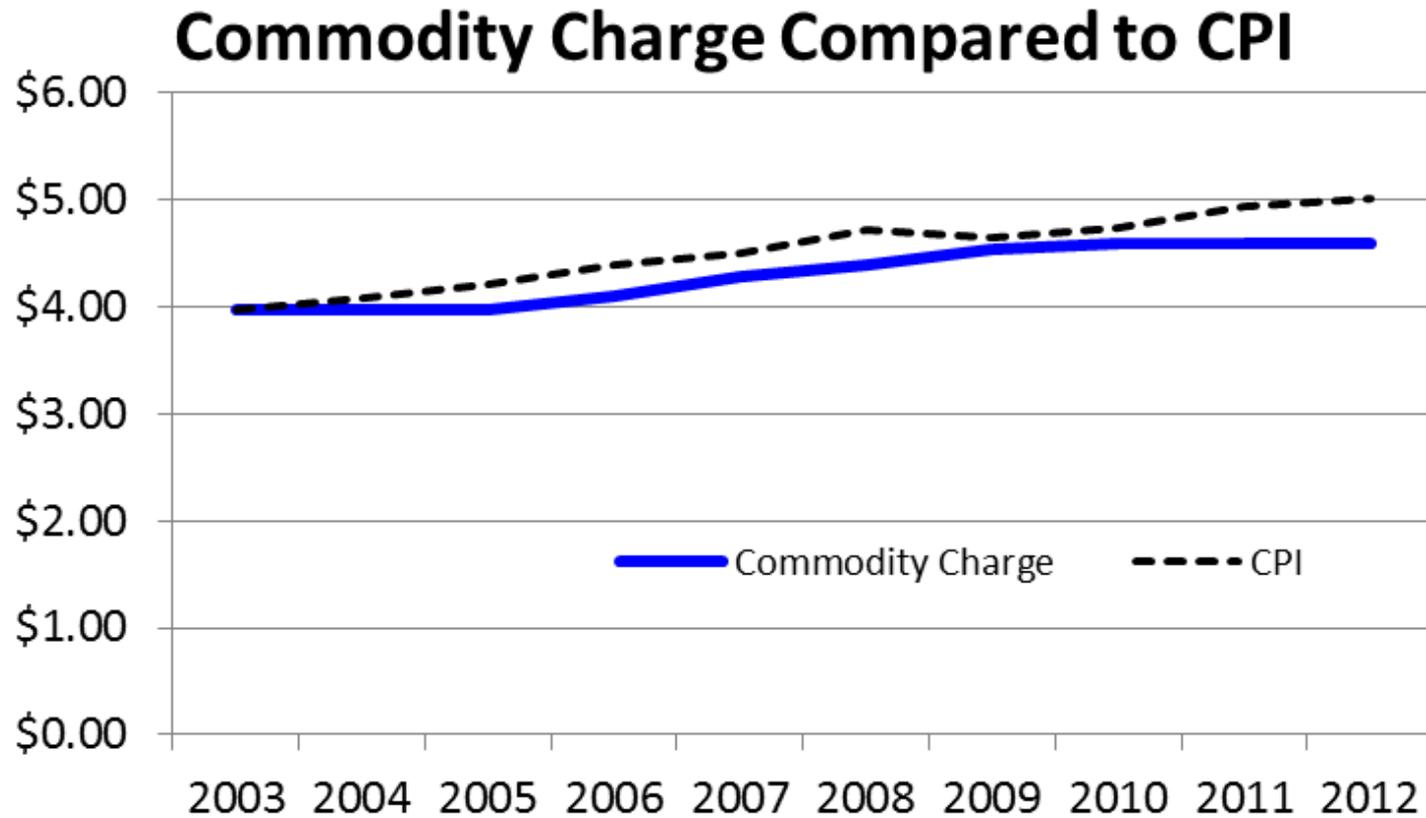
## 1. Base Charge

- \$23.23 per BCU per Month
- Base Charge Unit = 3,600 gallons/month

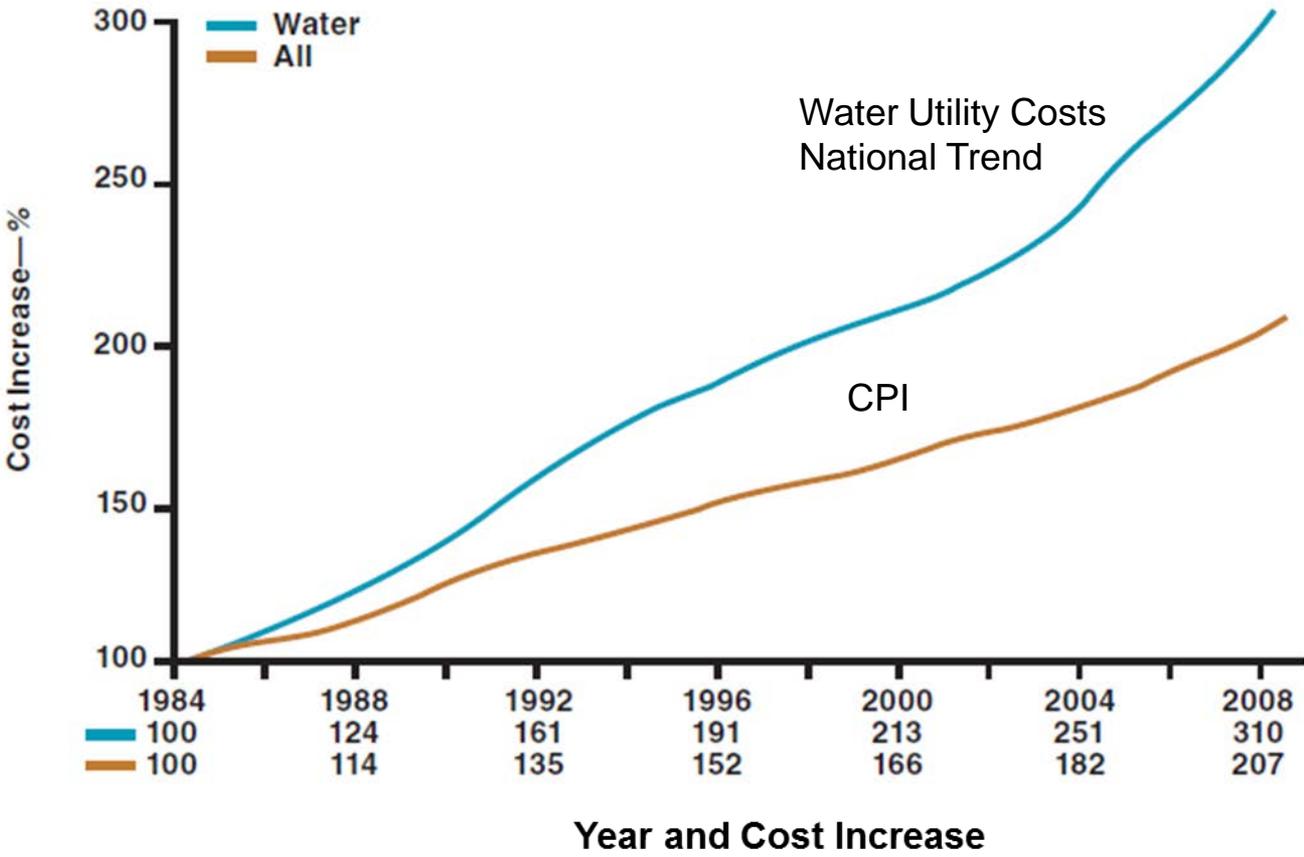
## 2. Commodity Charge

- \$4.60 per 1,000 gallons

# Sewer Rate History



# Nationally, Utility Costs Have Increased Faster Than Inflation



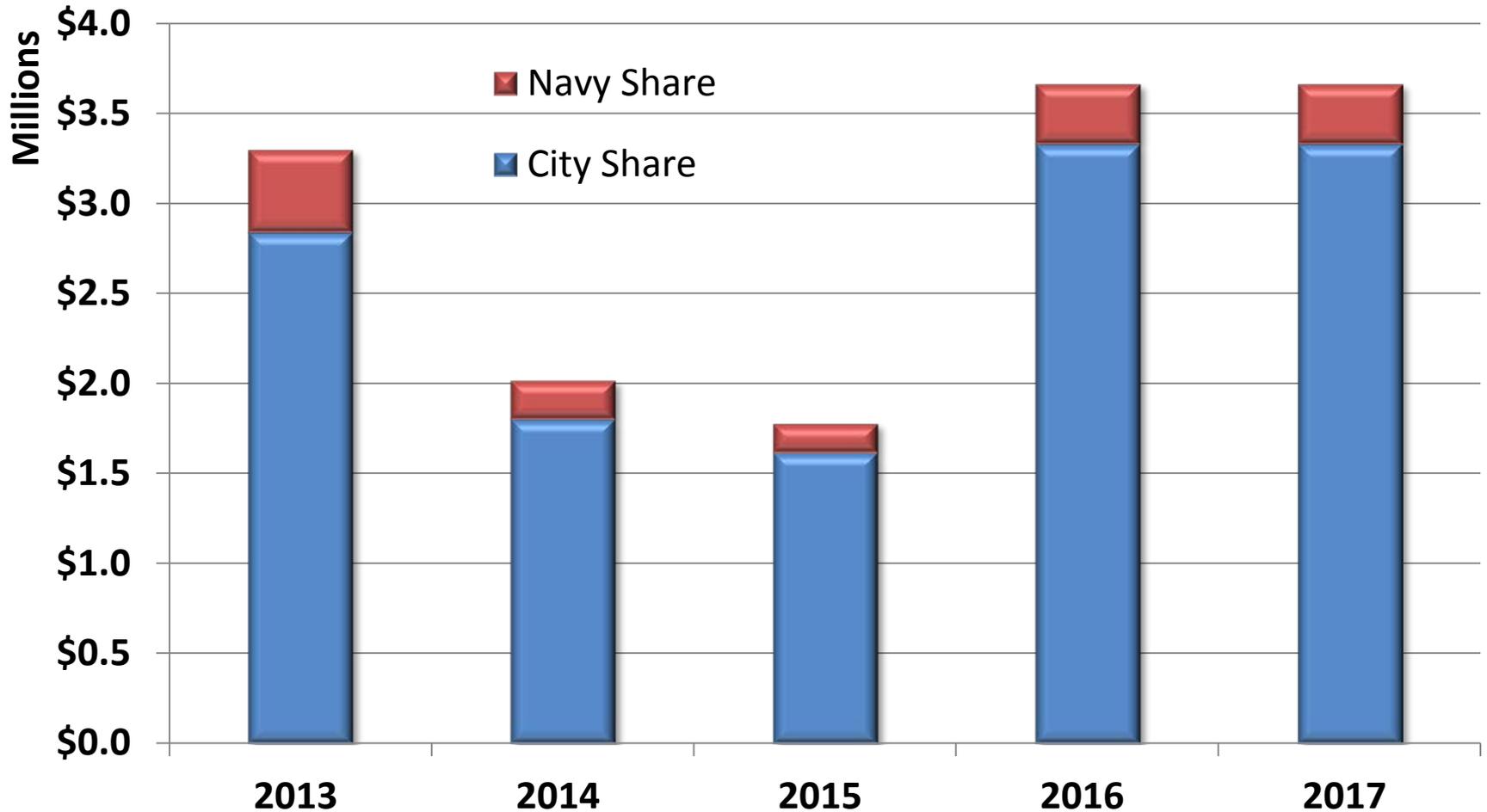
# Sewer Services Contract with OMI

- \$4.862 Million O&M cost per year
- Nearly 40% of the budget
- Future O&M Fees subject to increased facility operations costs
- OMI Contract Expires March 2014



# Revenue Requirement Drivers

## CIP Program



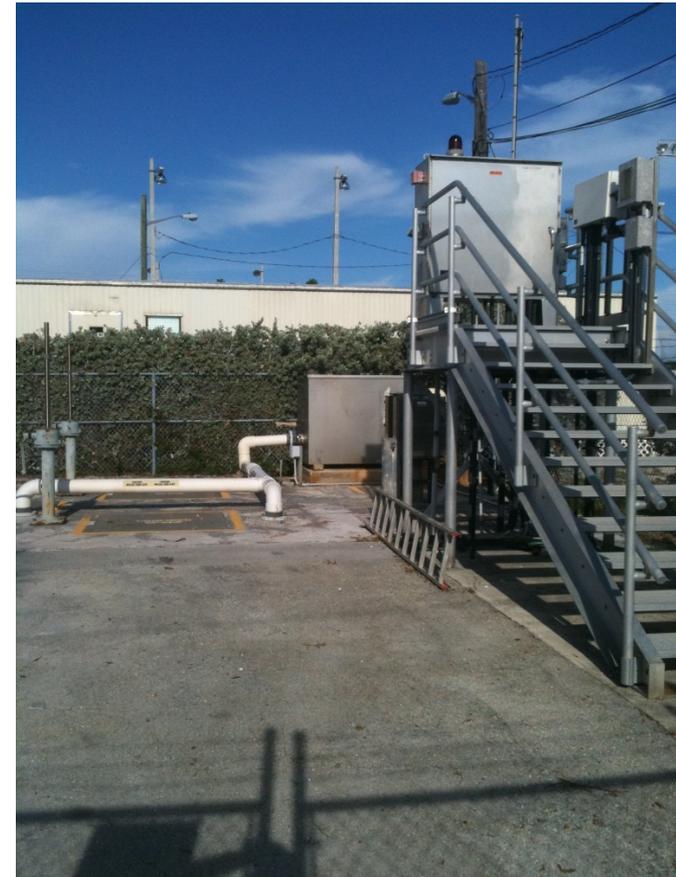
# North Roosevelt Force Main

- \$4 million project, \$2.1 million pre-paid to FDOT
- Project under contract, City has deferred payment agreement with FDOT.
- Project is a significant portion of City's collection expansion project.
- Force Main Connects our new main on 14<sup>th</sup> Street with our Existing System on Georgia Street.



# Sewer Pump Station F Upgrade

- Project cost - \$1.2 million
- Project will increase the size of the pumps to utilize new North Roosevelt Force Main, and increase size of generator.
- Project is scheduled to be bid in late FY2013 to coincide with completion of the North Roosevelt Force Main.



# Fleming Key Bridge Repair Project

- Project Cost - \$950,000. Project will repair City's sewer pipeline bridge to Fleming Key
- Bridge is located at a critical location in sewer collection system.
- Navy recently repaired their adjacent bridge.
- Repair project currently under analysis and design by CH2MHill



# Lift Station VFD Project

- \$1.8 million project
- Project will install VFD units on the City's 5 critical sewer lift stations
- Energy-saving green project
- Saves on wear-and-tear of lift station equipment
- Project is scheduled to be designed FY2013 and constructed in FY2015



## Revenue Requirement Drivers

### Capital Improvement Projects – Top 5

# Force Main Repairs at Bridge Crossing

- Project will rehabilitate two existing force mains on the Fleming Key Sewer Bridge.
- Project has been separated from the bridge repair project
- \$230,000 budgeted in FY2013 and \$230,000 in FY2014
- If bids are favorable, we may rehab both force mains in the same project



# Long-Range Capital Projects

- City's 10-year CIP average is \$2.5 million/year
- Industry guidelines recommend spending 2-4% of total utility assets (\$146M) on repair and rehabilitation projects annually.
- We have budgeted \$3.5 million (2.5%) per year in outlying years of the CIP for anticipated R&R projects.



# Sewer Rate Scenarios 2013-2017

1. No Rate Increases Over Next 5 Years
2. No Rate Increases in 2013  
Inflationary Rate Adjustments Thereafter
3. Inflationary Increases Each Year

# Key Metrics to Consider

## Debt Service Coverage

$$\frac{(\text{Operating Revenues} - \text{Operating Expenses})}{\text{Annual Debt Service}}$$

## Cash Balance

Target = 20-25% of Operating Expense

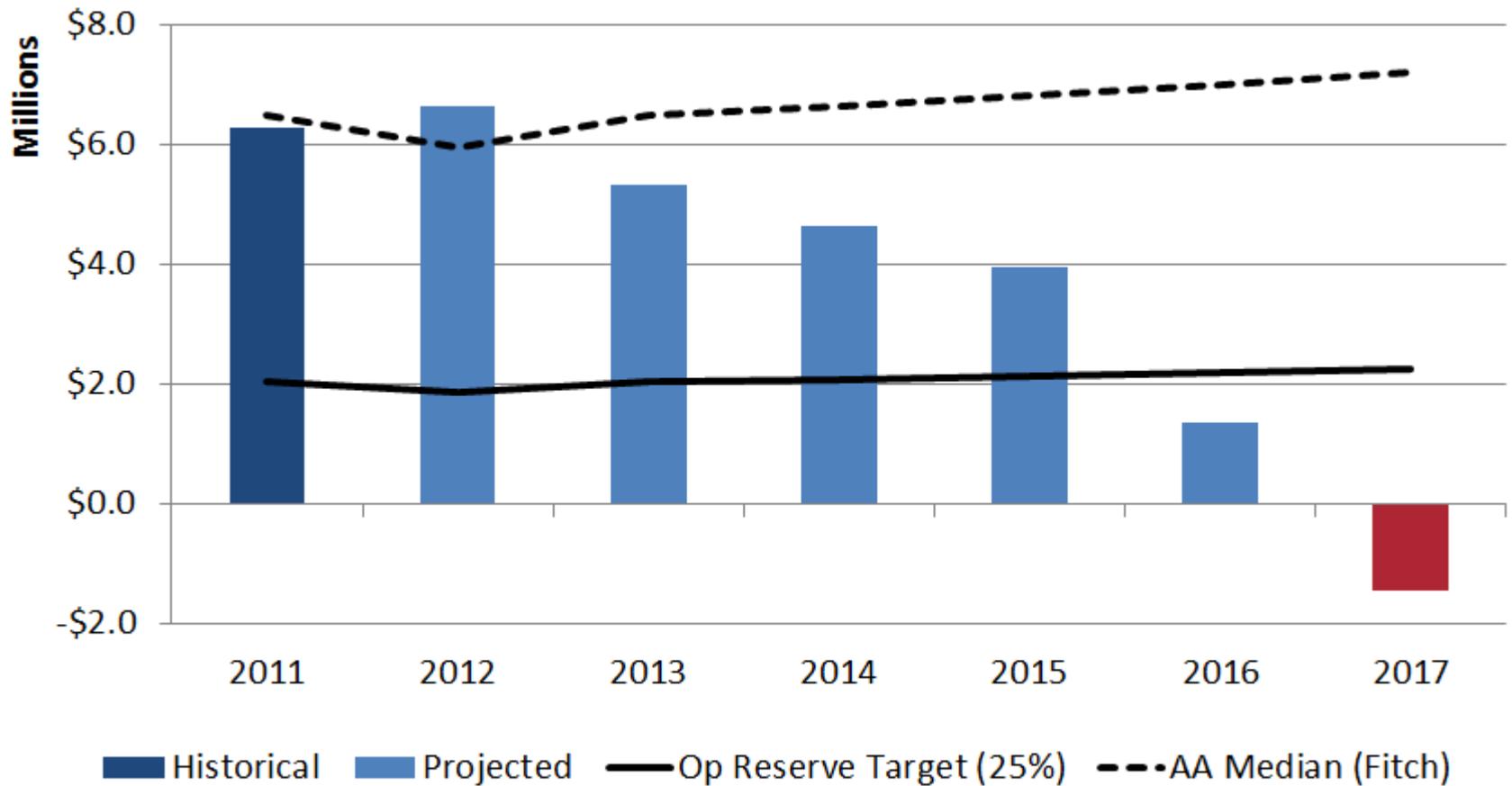
# Industry Medians

Metric	Industry Medians (Fitch Ratings) <sup>1</sup>			Key West
	AAA	AA	A	
<b>Days Cash on Hand</b>	625	<b>292</b>	231	<b>326</b>
<b>All-In DS Coverage</b>	2.1	<b>1.9</b>	1.8	<b>1.9</b>

<sup>1</sup>Key West Bond Rating = AA-

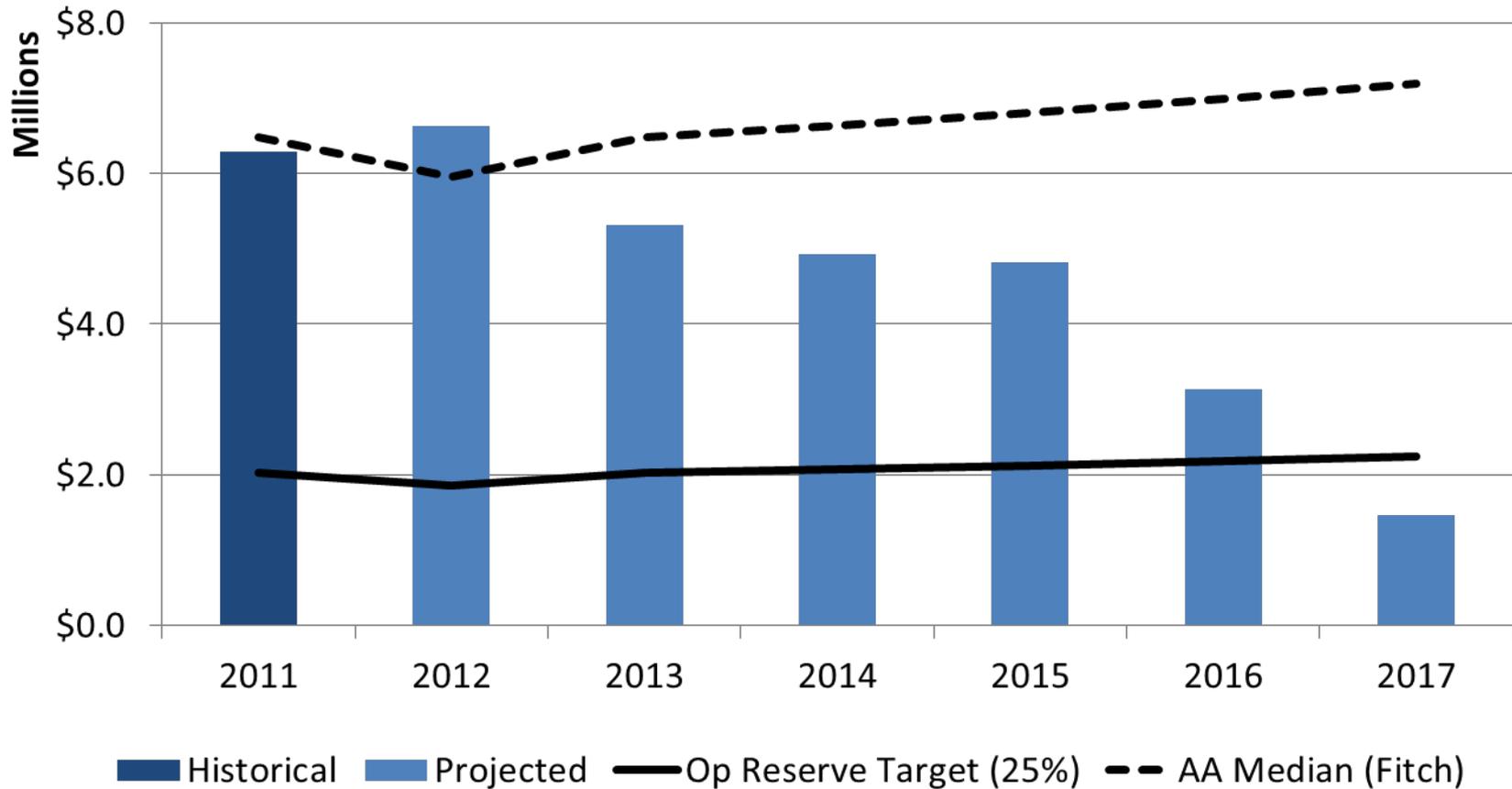
# Scenario 1 – No Rate Increases 2013-2017

## Cash Reserves



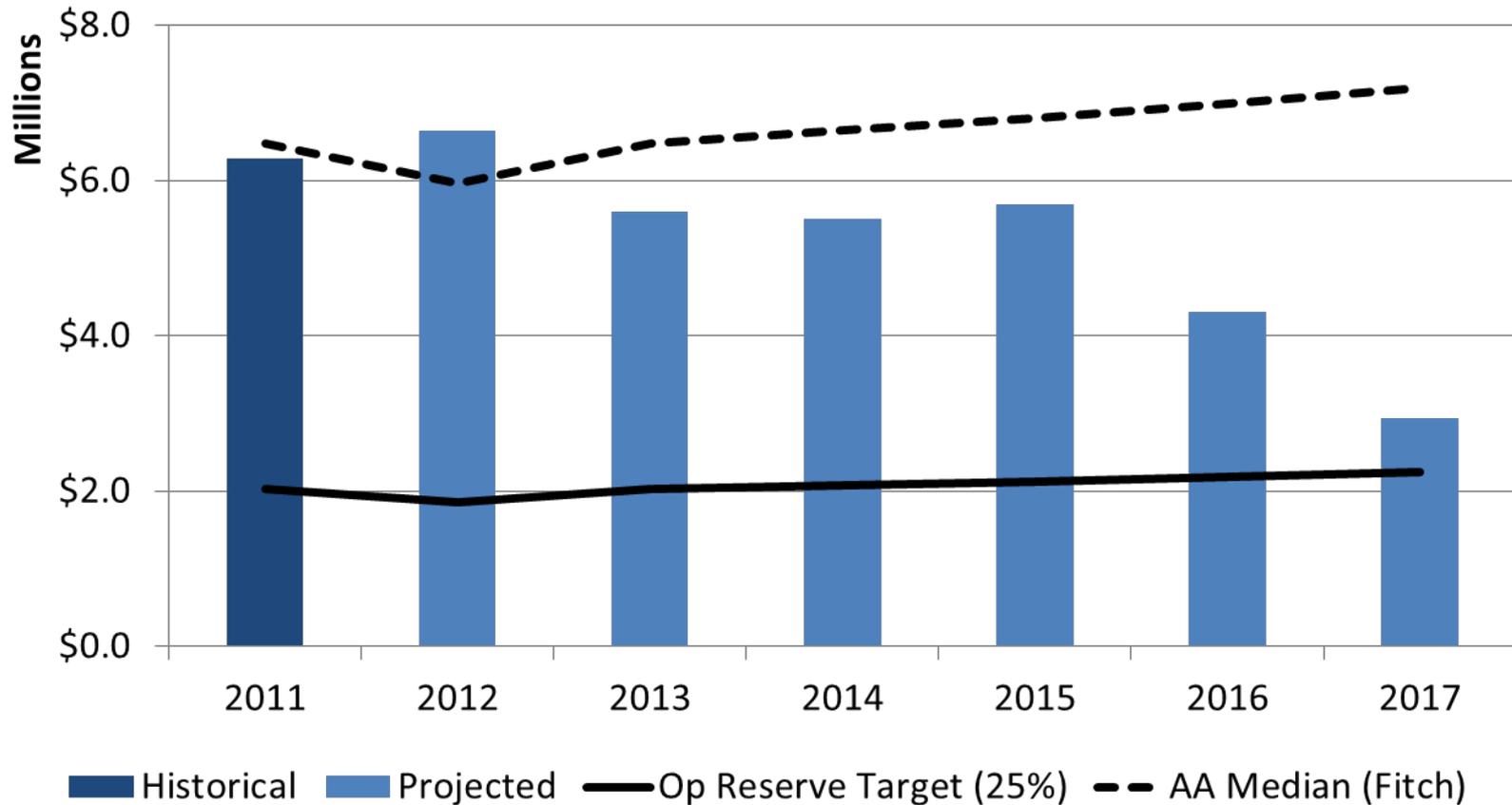
# Scenario 2 – No Rate Increases 2013 (Inflationary Rate Increases Thereafter)

## Cash Reserves



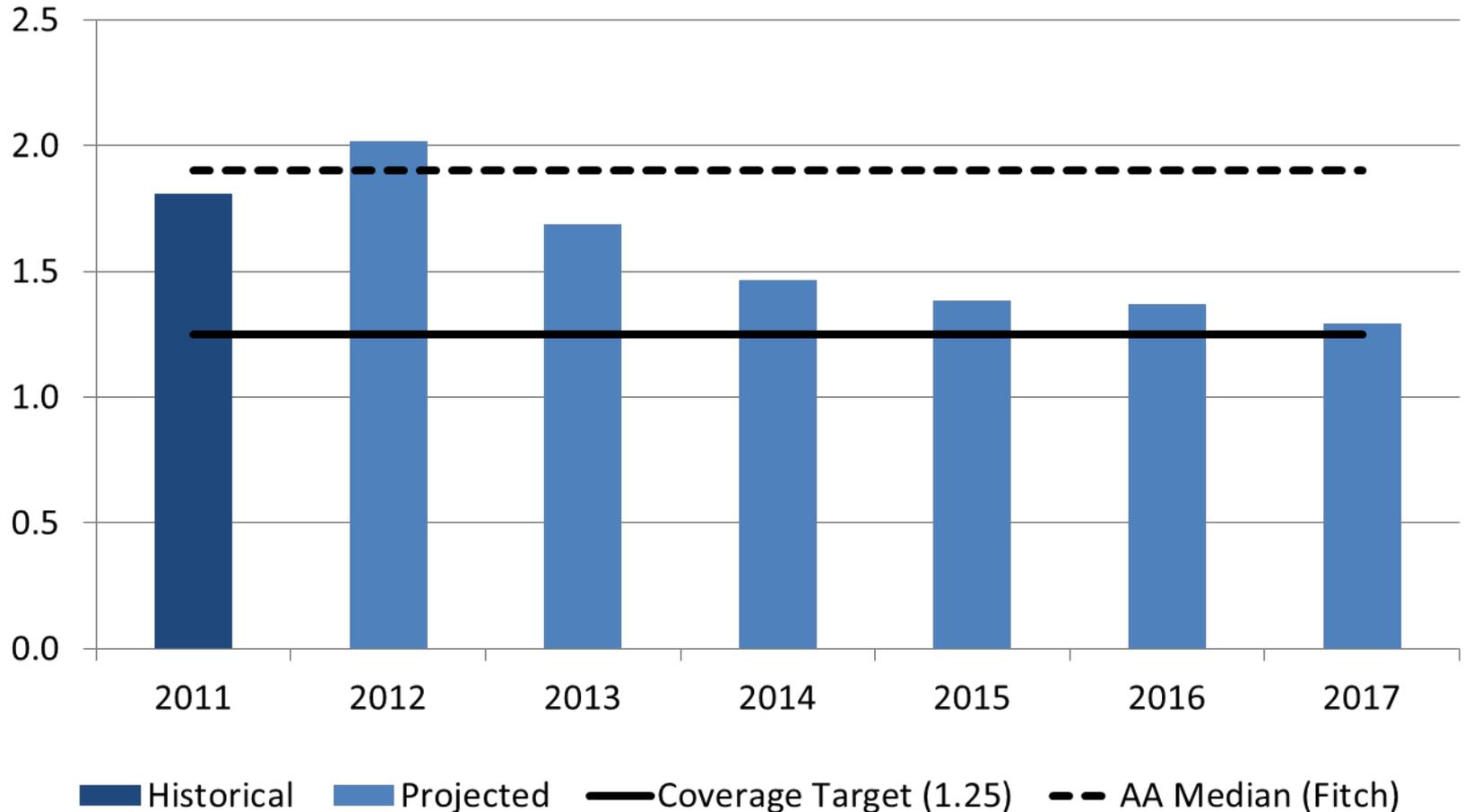
# Scenario 3 – Inflationary Rate Increases (Each Year)

## Cash Reserves



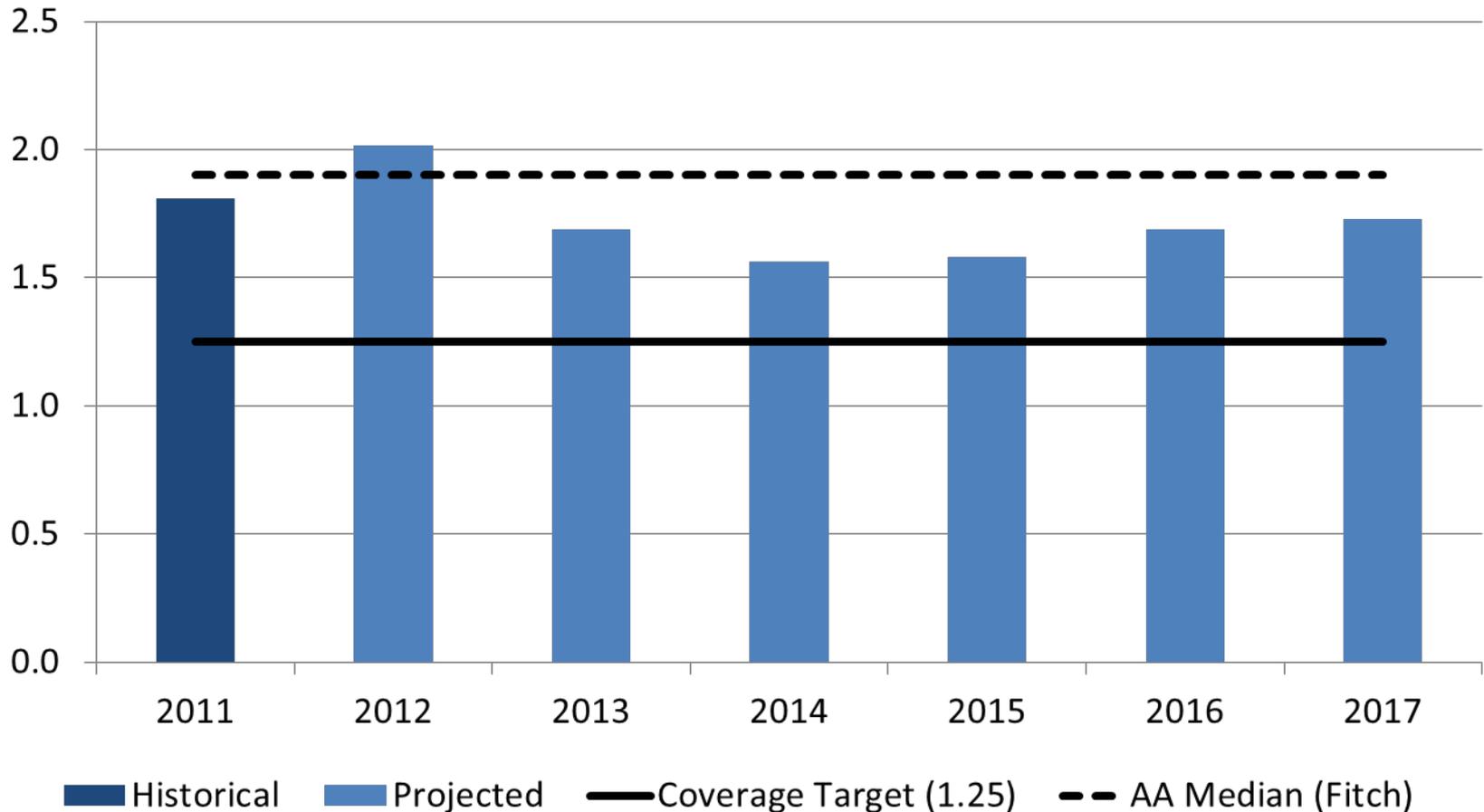
# Scenario 1 – No Rate Increases 2013-2017

## Debt Service Coverage (All-In)



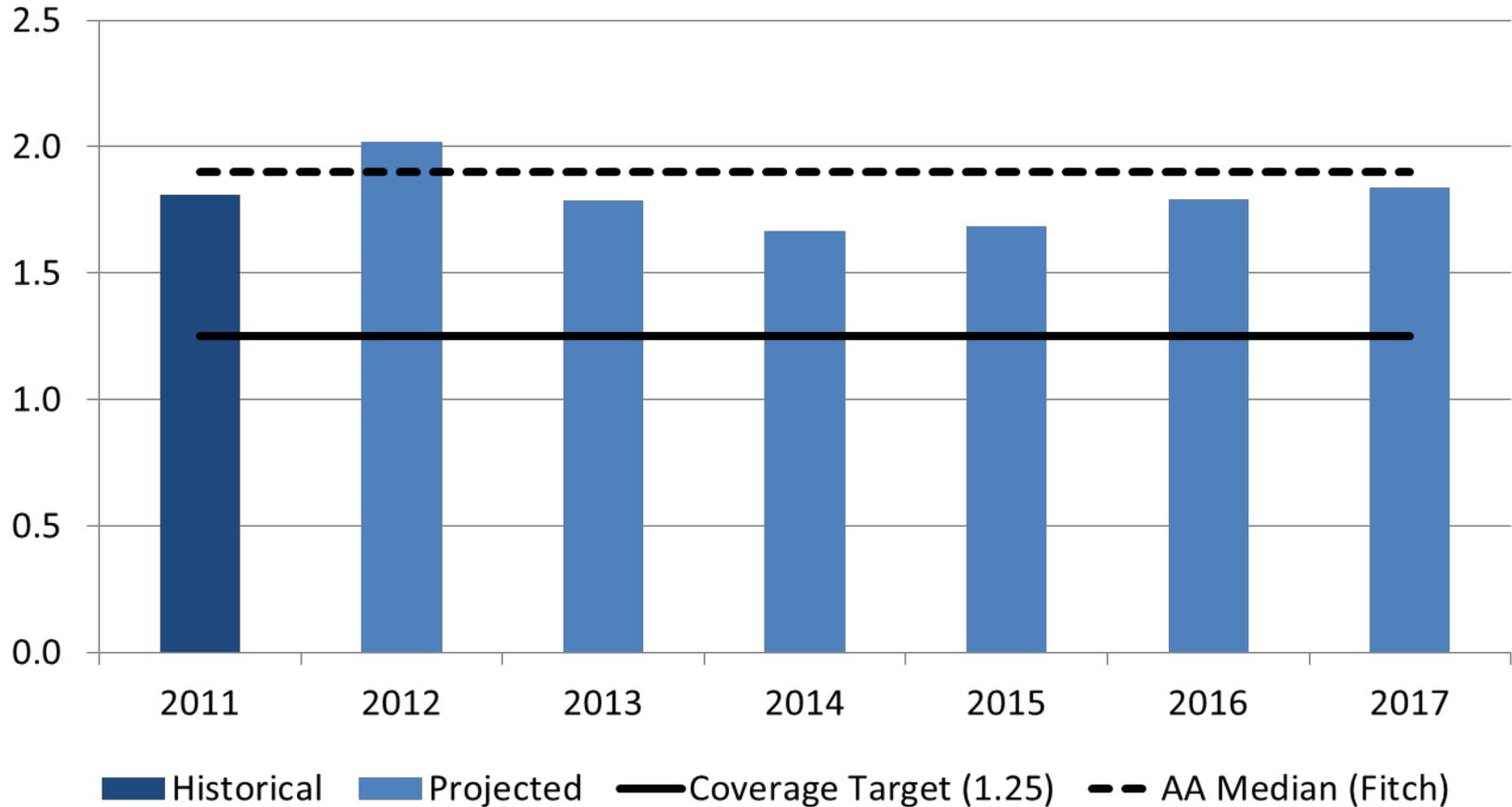
# Scenario 2 – No Rate Increases 2013 (Inflationary Rate Increases Thereafter)

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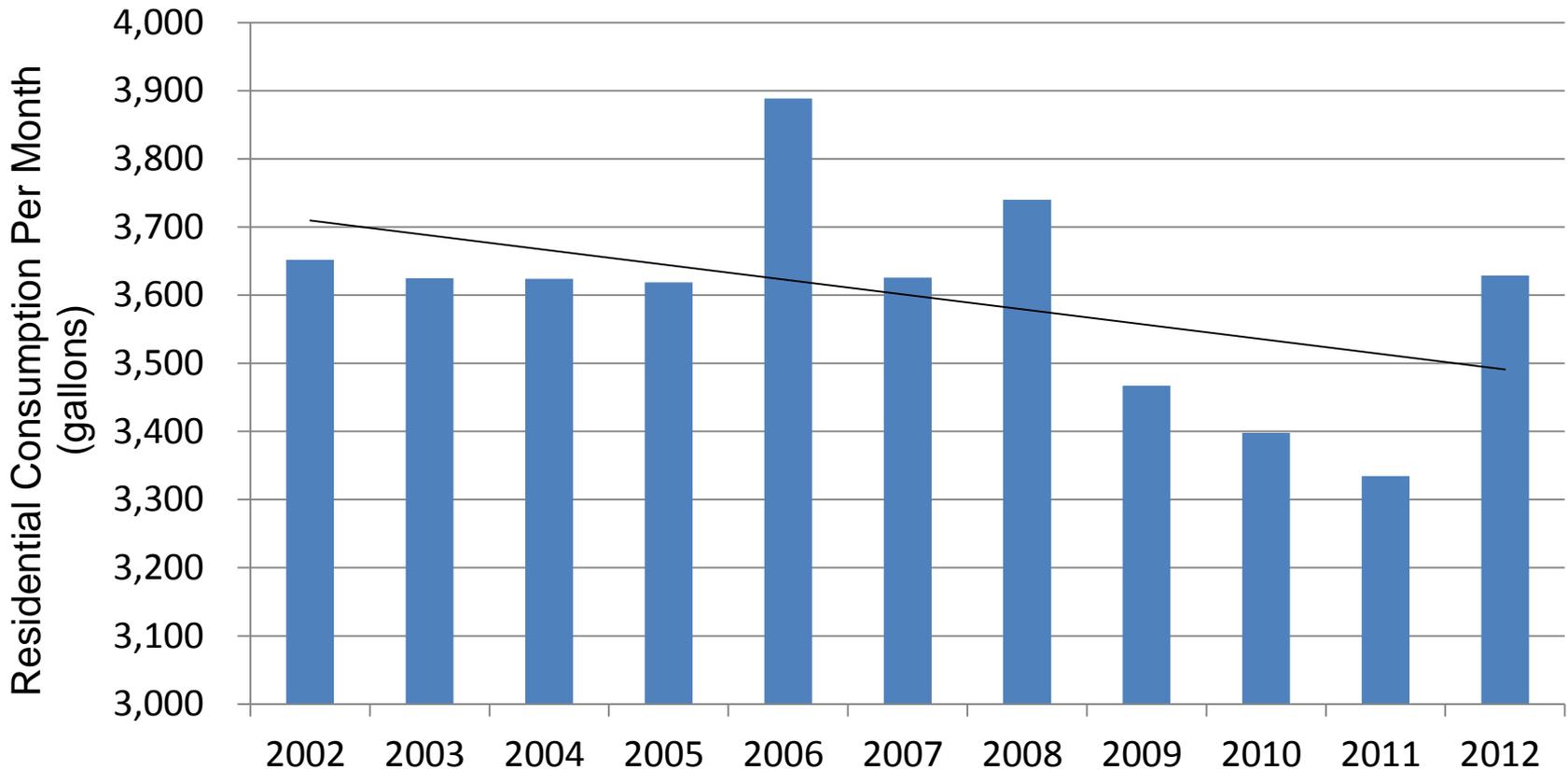
# Scenario 3 – Inflationary Rate Increases (Each Year)

## Debt Service Coverage (All-In)



# Base Charge Unit (BCU) Analysis

As required by City Code for rate equity



**Recommendation:**

**Maintain BCU at 3,600 gallons/month/account**

# Recommendations

## 1. No sewer rate increase in FY2013

- Continue to monitor financial performance

## 2. No Adjust to BCUs.

- Keep at 3,600 gallons
- Continue to monitor water consumption trends

# Questions?

