

Nassau County



Nassau-Amelia Utilities

FY 2015 Utility Rate Study County Commission Workshop March 16, 2016

Presented by:

Andrew J. Burnham, Senior Vice President

Vita Paltridge, Consultant

Executive Summary

Multi-Year Financial Management Plan

- ▶ Status quo will not address cost requirements of the system (capital needs)
 - ▶ Fund balances exhausted and in technical default by FY 2022
- ▶ 5.0% rate indexing adj. needed vs. 2.5% (similar to industry trends)

Rate Structure Evaluation

- ▶ Current rate structure generally compares well to local practices
 - ▶ Minor adjustments to first tier, monthly charge for water, and commercial usage rate

Impact Fee/Capital Charge Updates

- ▶ Impact fee decrease of about \$1,500 per unit for water & sewer combined
- ▶ Eliminate AFPI charges dating back to prior utility owner (private utility)

Updated miscellaneous fees and charges

- ▶ Fire protection charges, deposits, installation charges, premise visit, etc.
 - ▶ In some cases, changes are substantial given lack of recent update



Nassau-Amelia Utilities

FINANCIAL MANAGEMENT PLAN

Financial Management Plan: Source Data & Key Assumptions

- ▶ FY 2015 unaudited fund balances
- ▶ Revenues per 2015 actuals, adjusted by assumed rate increases and customer growth (with a 1% decrease in water usage per account)
- ▶ Operating expenses per FY 16 Budget, adjusted for:
 - ▶ Average annual cost inflation of approximately 3% per year
- ▶ 10-year project specific capital program per staff
- ▶ Use of impact fees for expansion portion of debt service
- ▶ Minimum fund balance reserve targets
 - ▶ Operating = 2 mos. of O&M expenses
 - ▶ Rate Stabilization = 10% of rate revenue
 - ▶ Contingency = 10% of operating expenses
 - ▶ Total reserves consistent with industry guidelines and rating agency criteria

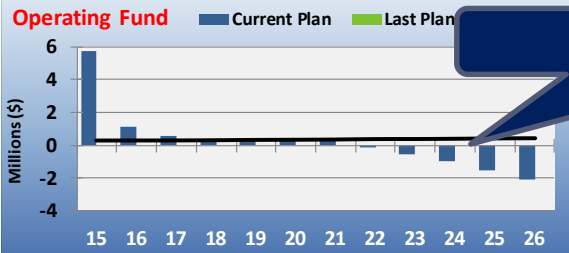
Financial Management Plan Summary: Status Quo With 2.5% Rate Indexing

FINANCIAL ANALYSIS AND MANAGEMENT SYSTEM (FAMS) SUMMARY

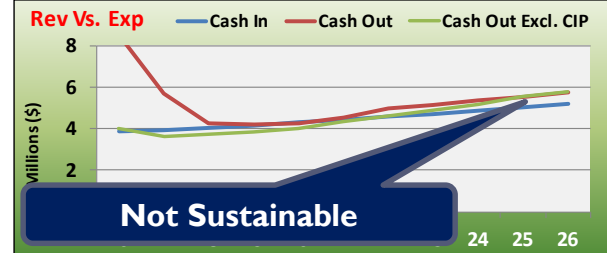
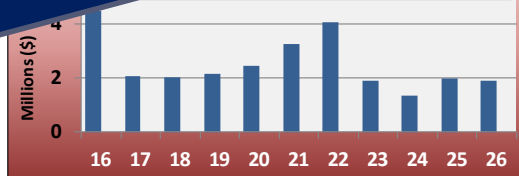
SAVE	CALC	ROLL	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Cumulative Change	
		Override		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	FY 2021	FY 2026
		Water Rate Increases	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	13.13%	27.95%
		Override		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	PS FY17	100.0%
		Sewer Rate Increases	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	OMF FY17	90.0%
		Rate Covenant	1.56	1.63	1.67		1.46	1.28	1.17	1.07	1.03	0.94	0.92	Elasticity	0.0%
		CIP \$ Redistribution	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	ERCs	Y
		CIP Executi					100%	100%	100%	100%					
		Operating Res					2	2	2	2					
		Average Bill (6,000 gals.)	\$69.65	71.38	73.19		76.86	78.81	80.78	82.1					

Current Plan of Rate Indexing

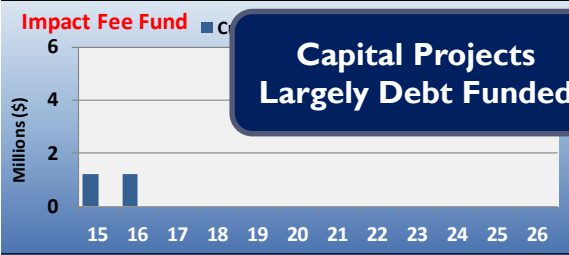
Technical Default on Debt



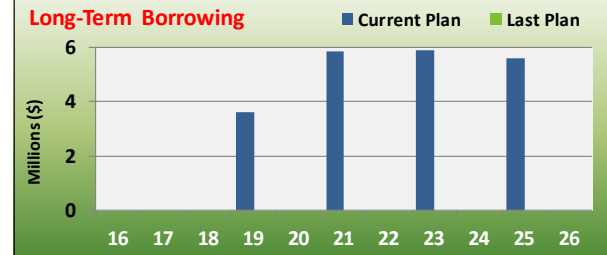
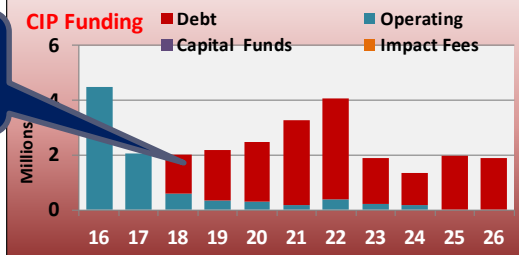
Reserve Balances Negative



Not Sustainable



Capital Projects Largely Debt Funded



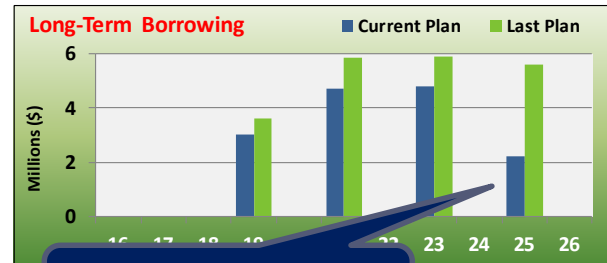
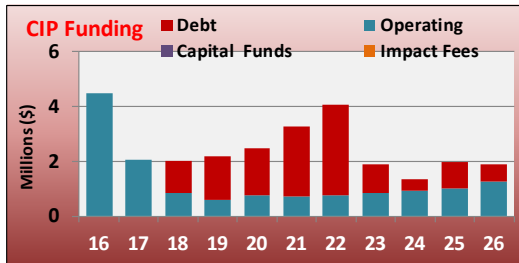
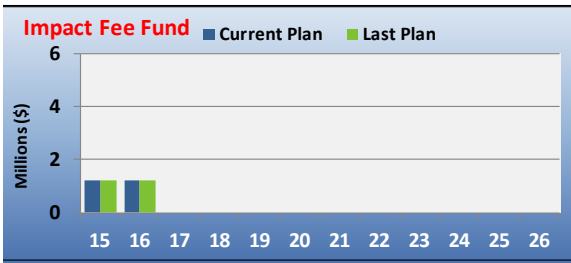
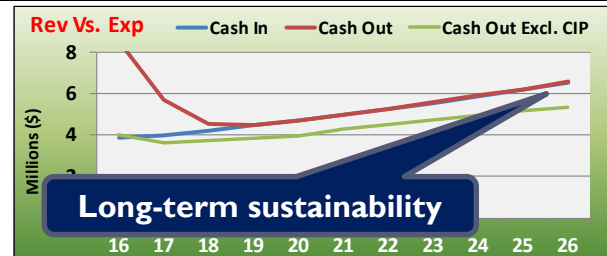
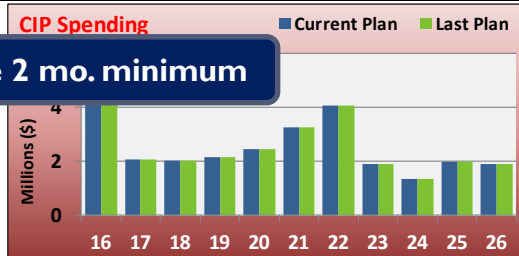
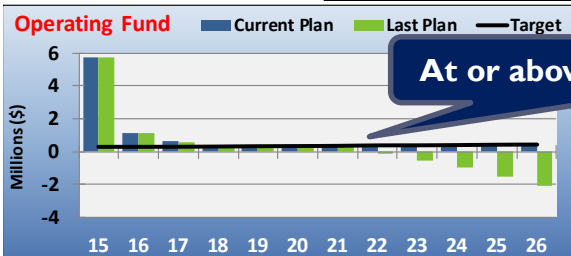
Financial Management Plan Summary: With 5.0% Rate Indexing vs. 2.5%

FINANCIAL ANALYSIS AND MANAGEMENT SYSTEM (FAMS) SUMMARY

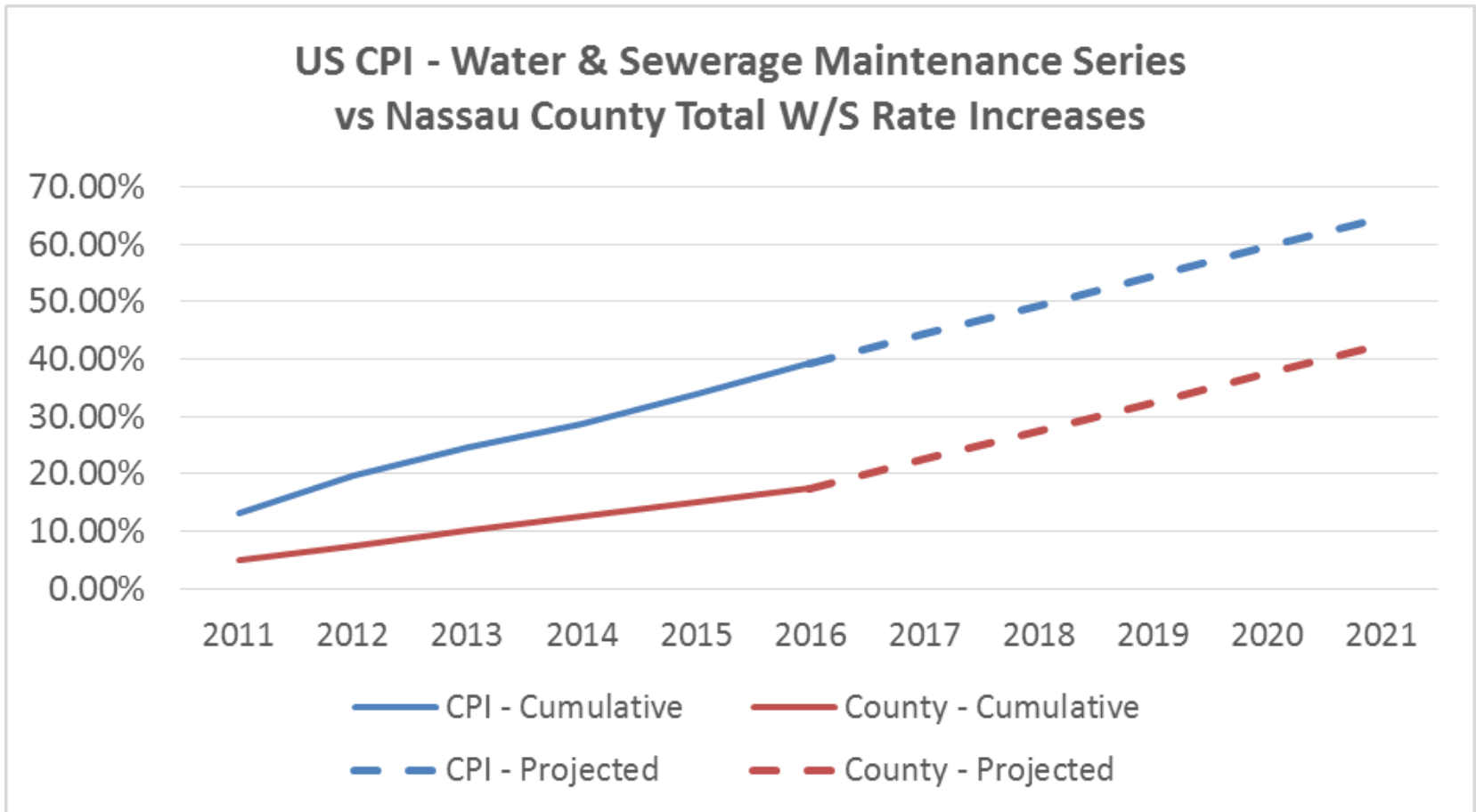
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		Override		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	FY 2021	FY 2026
		Water Rate Increases	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	27.81%	63.41%
		Last Plan	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	13.13%	27.95%
		Override		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	PS FY17	100.0%
		Sewer Rate Increases	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	MF FY17	90.0%
		Last Plan	0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	Exp % of DS	100.0%
		Rate Covenant	1.56	1.70	1.83	1.78	1.80	1.70	1.64	1.60	1.63	1.71	Elasticity	0.0%	
		Last Plan	1.56	1.63	1.67	1.63	1.46	1.28	1.17	1.03	0.94	0.92			
		CIP \$ Redistribution	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		Y	
		CIP					100%	100%							
		Operat					2	2							
		Average Bill (6,000 gals.)	\$69.65	73.11	76.79	80.60	84.63	88.88	93.36	98.04	102.97	108.13	113.54	Check	\$ -
		Last Plan	\$69.65	71.38	73.19	75.02	76.86	78.81	80.78	82.83	84.89	87.04	89.20		

Maintain adequate debt coverage

New plan of indexing adjustments



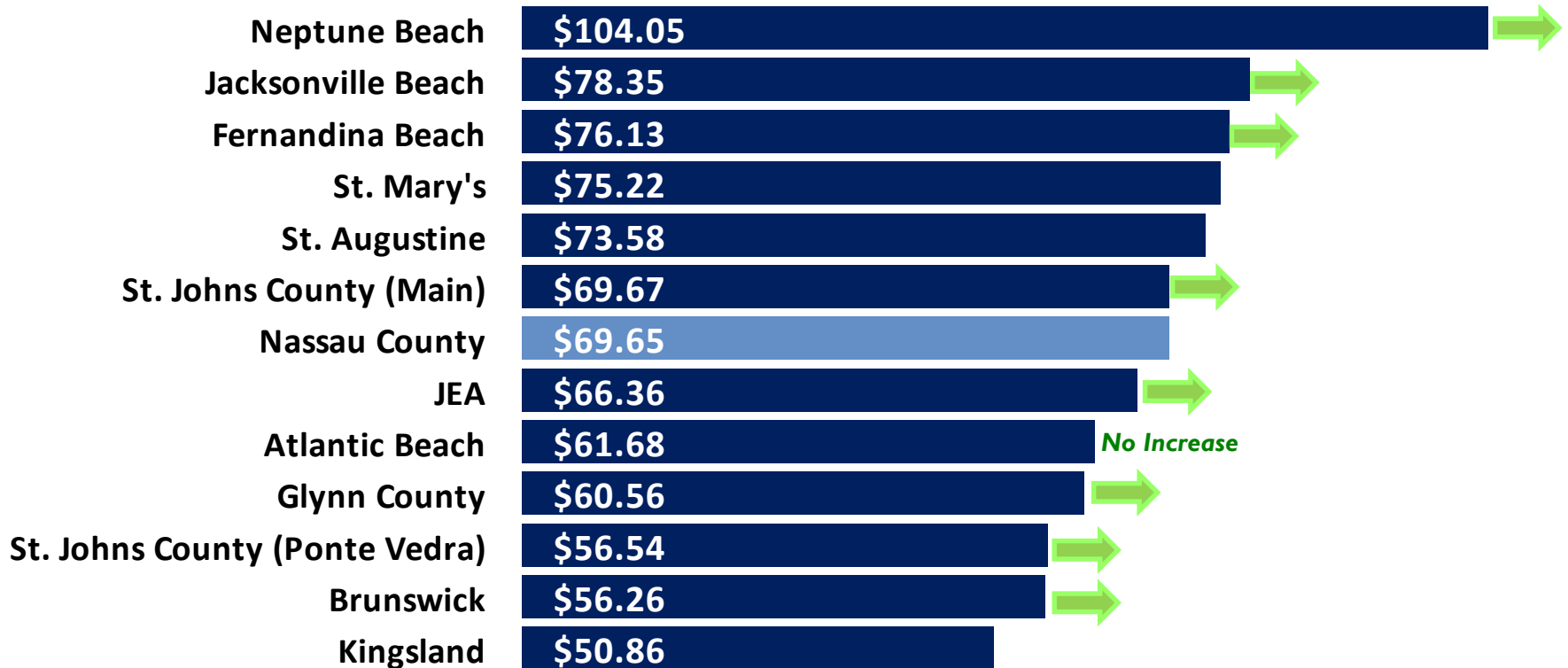
Comparison to National Industry Trends



- ▶ Measures the national average change in the cost of water and sewer service to households
- ▶ Much more specific and relevant to utilities than overall CPI (basis of current rate indexing plan)
- ▶ 10-year average annual increase = 5.7%; 20% higher than County adjustments

Comparison to Local Industry Trends

(FY16 Combined Water & Sewer Bill at 6,000 Gallons per Month)



LEGEND – Future Rate Increases (See next slide for details)

No Increase indicates no near-term future increases planned at this time

Blanks indicate no information available relative to future fees

 *Indicates approved, planned, or expected increases*

Potential Water & Sewer Rate Increases (Per Research & Inquiries*)

- ▶ **Neptune Beach**: Rate adjustments around FY 2008. Recently 3%. 2.5% increases beginning in FY 2017.
- ▶ **Jacksonville Beach**: Rate adjustments around FY 2011. Rates now indexed to US Water & Sewerage CPI; about 5% annually.
- ▶ **Fernandina Beach**: Greater of US CPI or 3% annual rate increases.
- ▶ **St. Mary's**: No rate increase since FY 2010. Future increases unknown
- ▶ **St. Augustine**: Future increases unknown.
- ▶ **St. Johns County (Main/Ponte Vedra)**: Indexed to US CPI; about 2% annually.
- ▶ **JEA**: No recent increases. Rate study to be performed this fall. Increases likely.
- ▶ **Atlantic Beach**: Rate adjustment around FY 2009. No increases planned.
- ▶ **Glynn County/Brunswick (JWSC)**: Facing significant rate pressure. Creating master plan to include plan of future rate increases.
- ▶ **Kingsland**: No rate increase since FY 2010. Future increases unknown.

* As of November 5, 2015

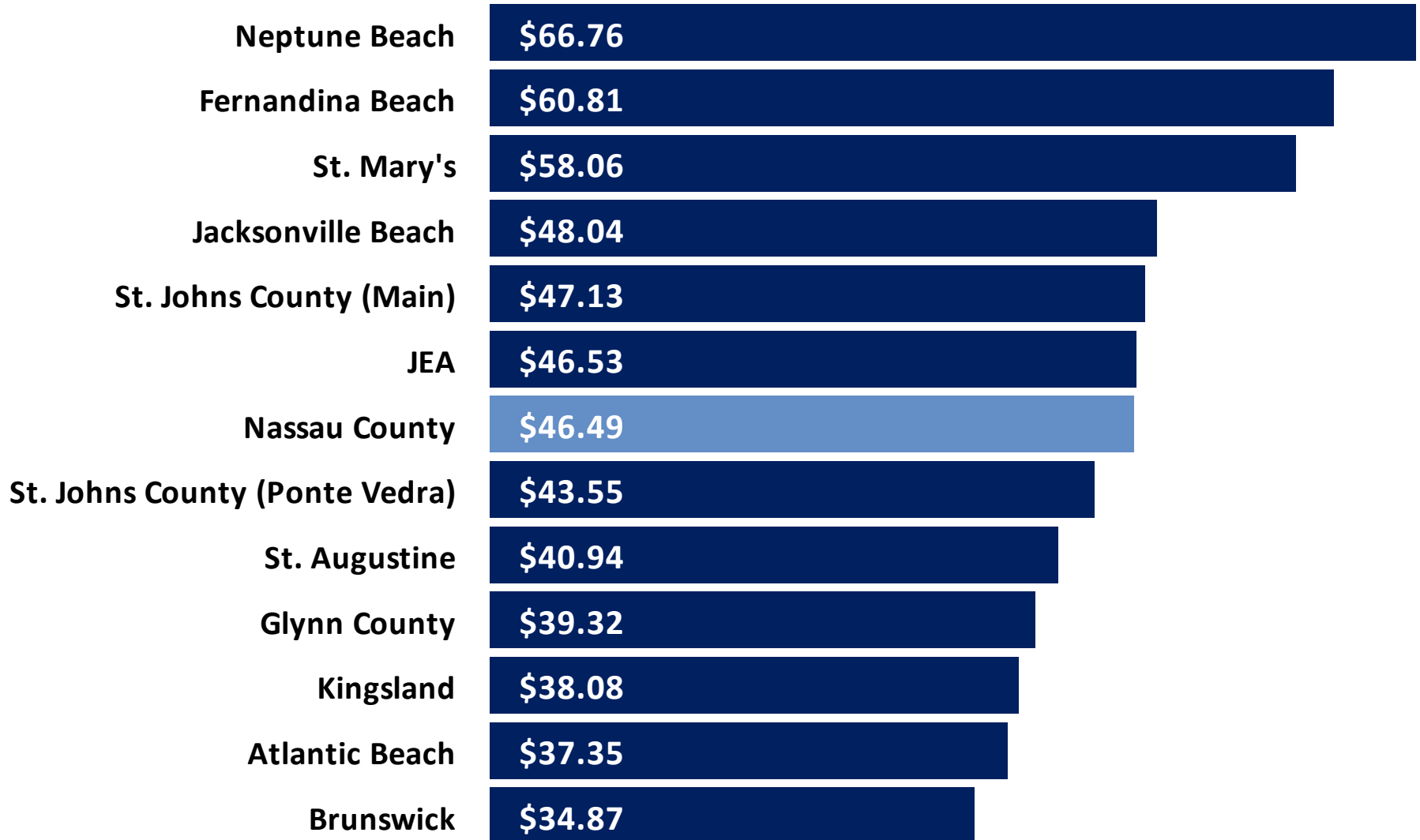


Nassau-Amelia Utilities

RATE STRUCTURE EVALUATION

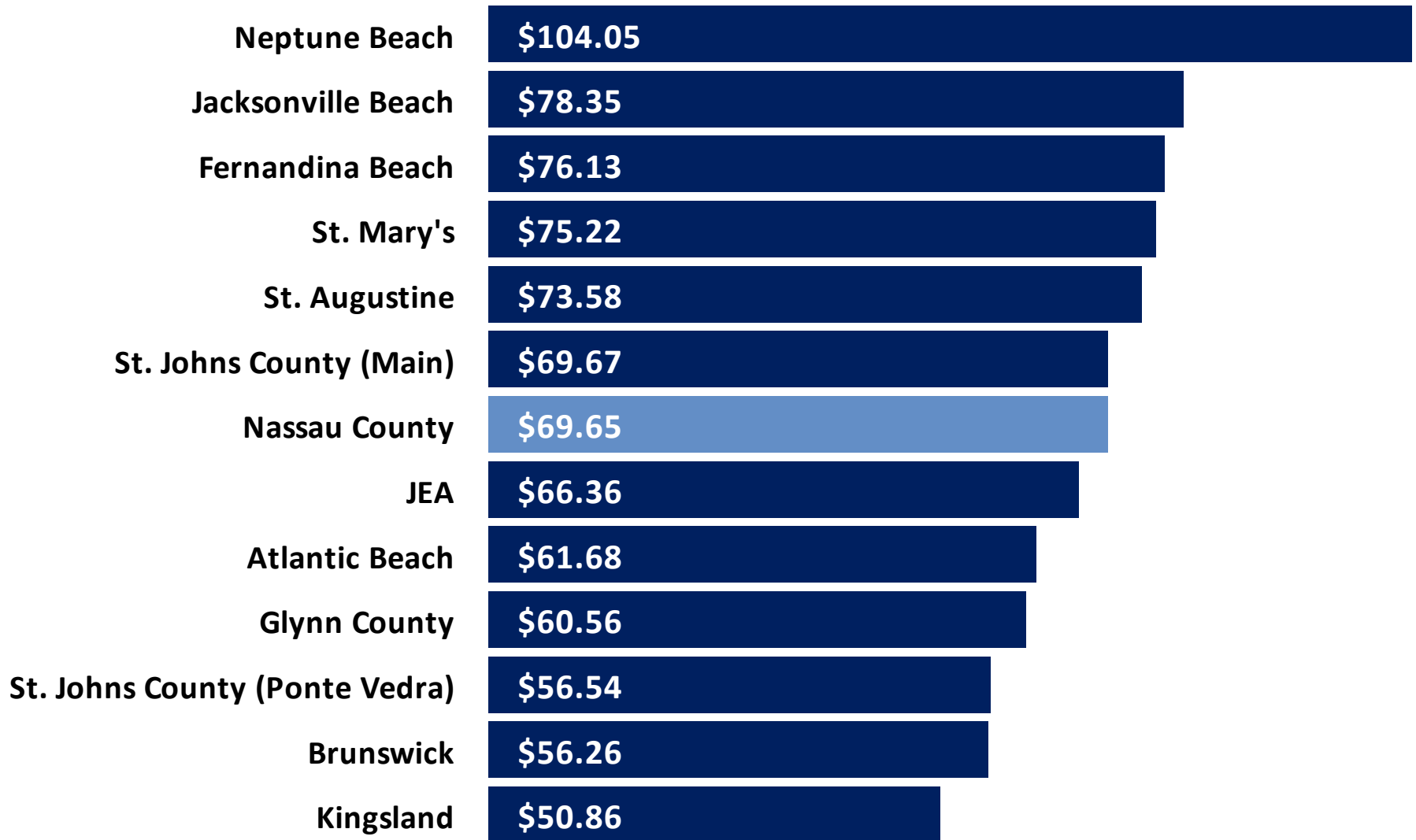
FY 2016 Residential Water & Sewer Bill

“Low User” - 3,000 Gallons



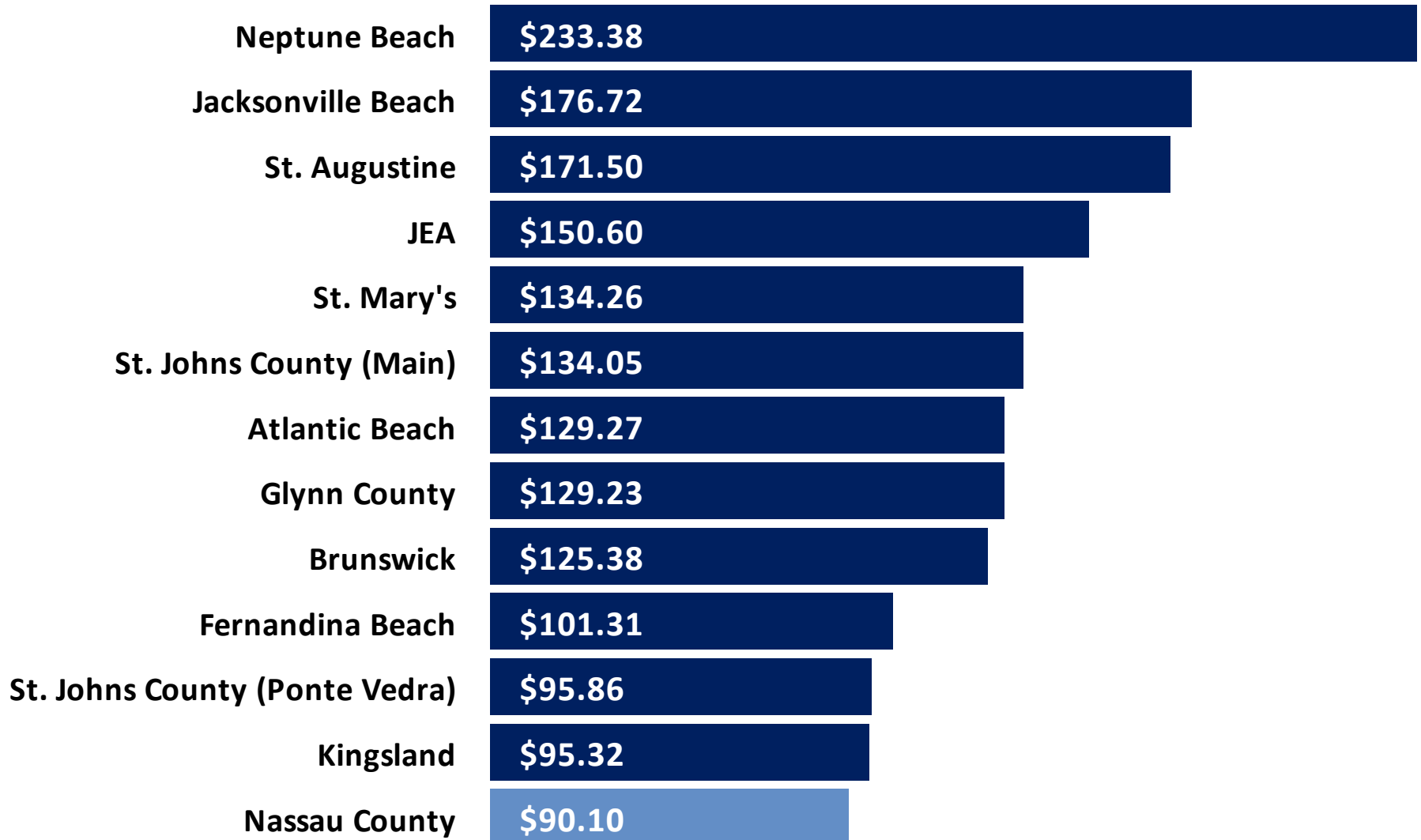
FY 2016 Residential Water & Sewer Bill

“Average User” - 6,000 Gallons



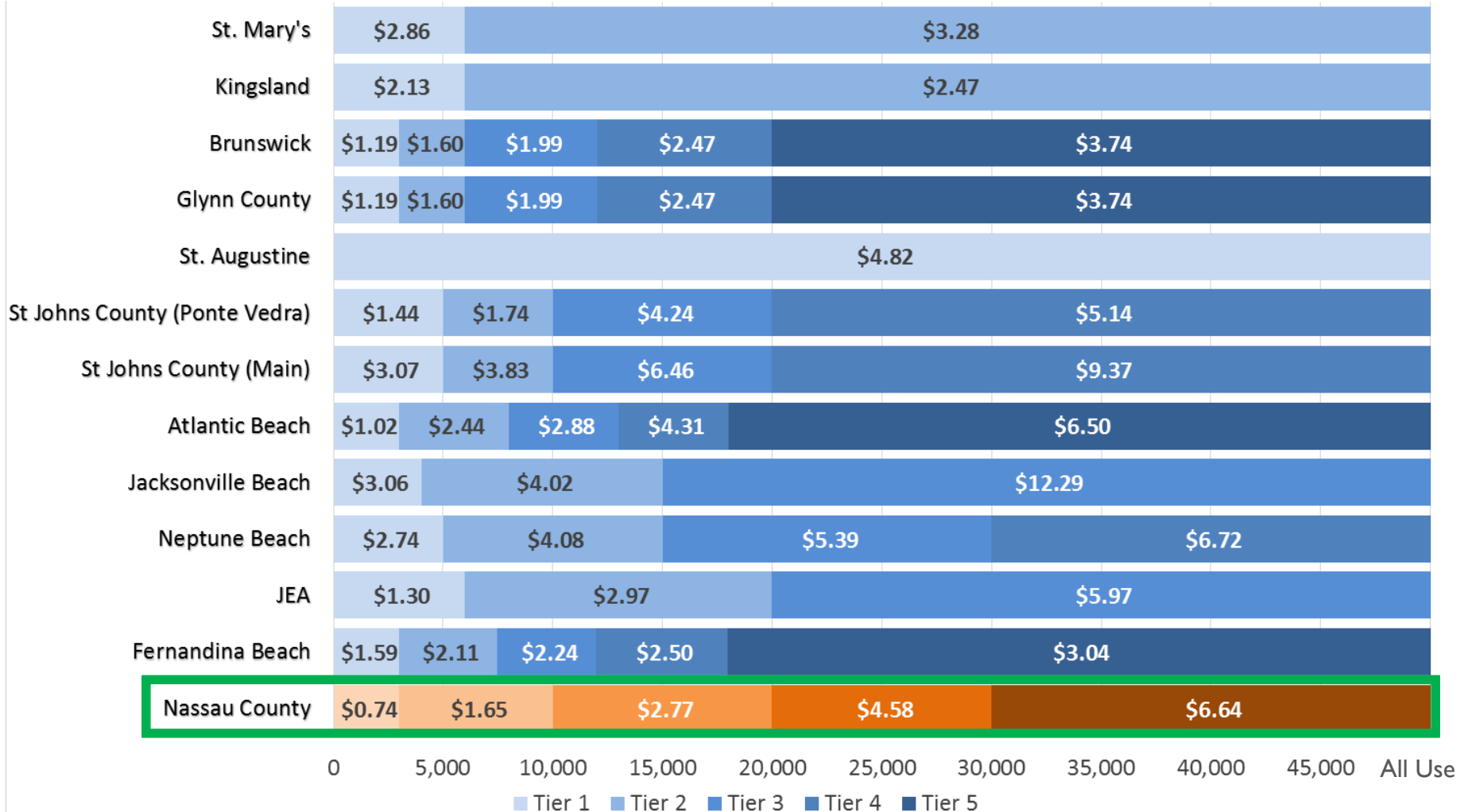
FY 2016 Residential Water & Sewer Bill

“Large User” - 15,000 Gallons



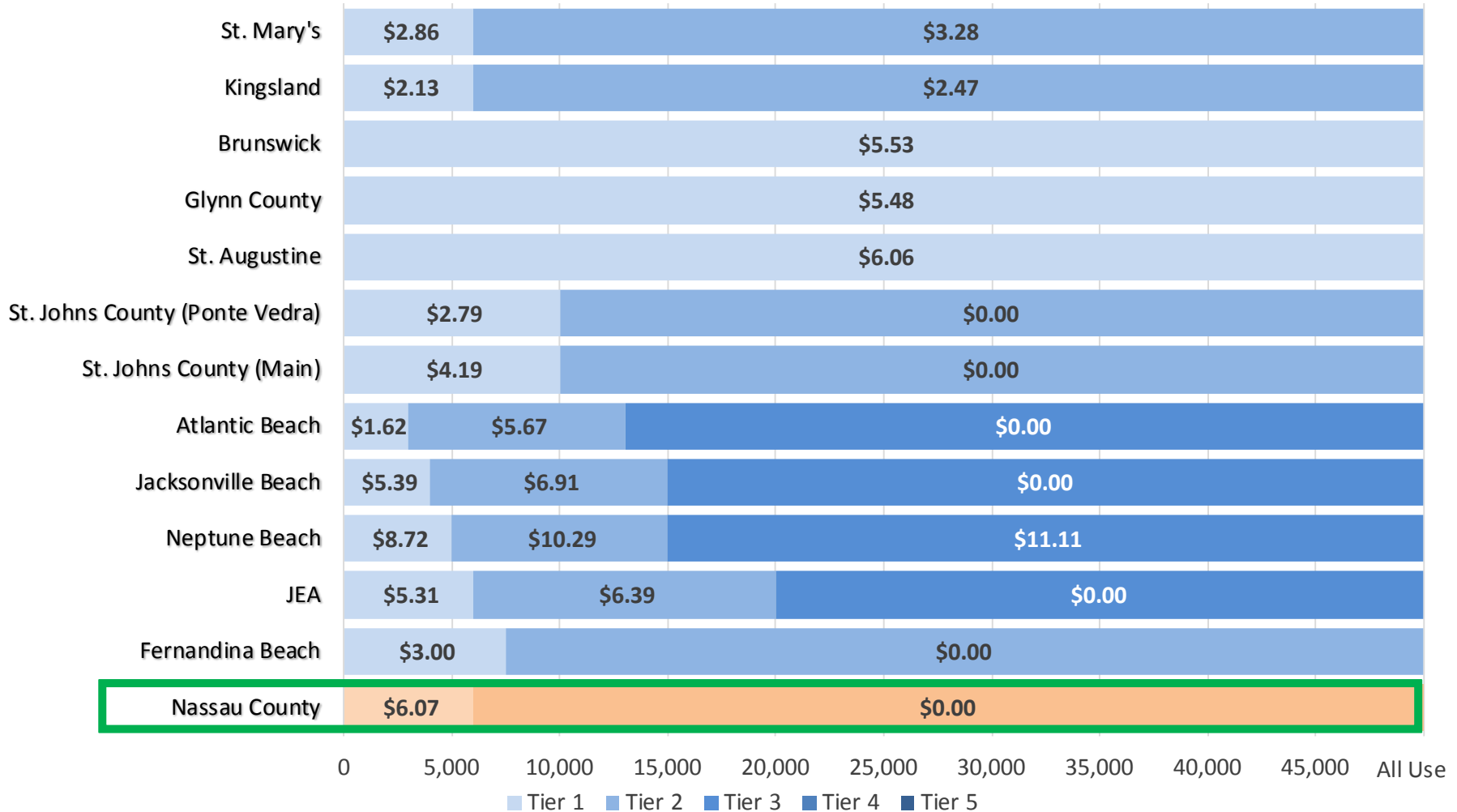
Local Water Rate Structures

Residential Usage Blocks (\$ per thousand gallons)



Local Sewer Rate Structures

Residential Usage (\$ per thousand gallons)



Local Rate Structures

Residential Fixed Charges (5/8" Meter)

Entity	Water Bill Details		Sewer Bill Details	
	Fixed	Fixed %	Fixed	Fixed %
Neptune Beach	\$12.14	40.57%	\$20.24	27.30%
Fernandina Beach	\$11.96	51.87%	\$35.09	66.12%
St. Mary's	\$20.45	54.37%	\$20.45	54.37%
Jacksonville Beach	\$10.82	34.79%	\$11.88	25.15%
St. Johns County (Main)	\$12.08	38.64%	\$13.27	34.55%
Nassau County	\$7.07	49.65%	\$18.99	34.27%
JEA	\$12.60	61.76%	\$14.10	30.68%
St. Augustine	\$17.30	54.47%	\$23.64	56.53%
St. Johns County (Ponte Vedra)	\$12.85	58.97%	\$18.01	51.83%
Glynn County	\$7.02	45.61%	\$12.29	27.21%
Atlantic Beach	\$8.97	46.36%	\$20.46	48.33%
Kingsland	\$12.65	49.74%	\$12.65	49.74%
Brunswick	\$7.20	46.24%	\$7.51	18.46%
Average	\$11.78	48.7%	\$17.58	40.3%

Recommended Rate Structure Modifications

- ▶ **Increase amount of use in first tier from 3,000 to 5,000 gal**
- ▶ **Increase water fixed monthly charge**
 - ▶ Bring closer to average of comparable local utilities
 - ▶ No increase to sewer fixed monthly charge (already comparable to average)
- ▶ **Raise residential sewer cap to 10,000 gallons**

Typical Residential Usage Profile

Description	Value	
People per Household	2.62	Source: 2010 Census Data Nassau County
Large Family - People per Household	5.24	
Typical Indoor Use (Gallons per Capita per Day)	65	Source: EPA
Typical Large Family Essential Domestic Use (Tgal/month)	10,360	

- ▶ Would capture use of larger families returning to sewer system
- ▶ **Update commercial usage rate to reflect current cost of service**
- ▶ **New rate structure includes 5% rate increase for FY 2017**

Customer Impacts: Single-Family Residential Users

Residential 5/8" Meter Water & Sewer Bill Calculations								Across-The-Board Increase		
Monthly Use (Gal)	# of Bills	% of Bills		Current	Proposed	\$ Chg	% Chg	FY 2017	\$ Chg	% Chg.
		Agg. %	FY 16	FY 17						
0	4,404	15.2%	15.2%	\$26.06	\$28.03	\$1.97	7.6%	\$27.36	\$1.30	5.0%
1,000	3,392	11.7%	26.8%	\$32.87	\$34.20	\$1.33	4.0%	\$34.51	\$1.64	5.0%
2,000	3,352	11.5%	38.4%	\$39.68	\$40.37	\$0.69	1.7%	\$41.67	\$1.99	5.0%
3,000	2,918	10.0%	48.4%	\$46.49	\$46.54	\$0.05	0.1%	\$48.81	\$2.32	5.0%
4,000	2,243	7.7%	56.1%	\$54.21	\$52.71	-\$1.50	-2.8%	\$56.92	\$2.71	5.0%
5,000	1,613	5.5%	61.7%	\$61.93	\$58.88	-\$3.05	-4.9%	\$65.03	\$3.10	5.0%
6,000	1,186	4.1%	65.7%	\$69.65	\$65.50	-\$4.15	-6.0%	\$73.13	\$3.48	5.0%
7,000	919	3.2%	68.9%	\$71.30	\$72.12	\$0.82	1.2%	\$74.86	\$3.56	5.0%
8,000	741	2.5%	71.4%	\$72.95	\$78.74	\$5.79	7.9%	\$76.60	\$3.65	5.0%
9,000	606	2.1%	73.5%	\$74.60	\$85.36	\$10.76	14.4%	\$78.33	\$3.73	5.0%
10,000	565	1.9%	75.5%	\$76.25	\$91.98	\$15.73	20.6%	\$80.06	\$3.81	5.0%
15,000	430	1.5%	83.7%	\$90.10	\$102.63	\$12.53	13.9%	\$94.60	\$4.50	5.0%
20,000	308	1.1%	89.8%	\$103.95	\$113.28	\$9.33	9.0%	\$109.15	\$5.20	5.0%
30,000	117	0.4%	95.9%	\$149.75	\$156.88	\$7.13	4.8%	\$157.24	\$7.49	5.0%
40,000	51	0.2%	98.1%	\$216.15	\$226.68	\$10.53	4.9%	\$226.96	\$10.81	5.0%
50,000	26	0.1%	99.1%	\$282.55	\$296.48	\$13.93	4.9%	\$296.68	\$14.13	5.0%
100,000	1	0.0%	100.0%	\$614.55	\$645.48	\$30.93	5.0%	\$645.28	\$30.73	5.0%

1 - Approximately 29,114 of the FY 2015 utility bills reviewed were 5/8" residential metered accounts, representing approximately 91.0% of the Utility's residential accounts and approximately 74.7% of all water accounts.

Customer Impacts: Sample of Commercial Users

Monthly Water & Sewer Calculations - Various Commercial Users							Across the Board Increase		
Meter Size	% of Commercial Customers	Typical Mtly Usage (Gal)	Current FY 16	Proposed FY 17	\$ Chg	% Chg	FY 2016	\$ Chg	% Chg
5/8"	36.4%								
Large User		60,000	\$489.26	\$492.43	\$3.17	0.6%	\$513.72	\$24.46	5.0%
Average User		24,000	\$211.34	\$213.79	\$2.45	1.2%	\$221.91	\$10.57	5.0%
Low Volume User		10,000	\$103.26	\$105.43	\$2.17	2.1%	\$108.42	\$5.16	5.0%
1"	20.5%								
Large User		118,000	\$973.16	\$983.40	\$10.24	1.1%	\$1,021.82	\$48.66	5.0%
Average User		48,000	\$432.76	\$441.60	\$8.84	2.0%	\$454.40	\$21.64	5.0%
Low Volume User		20,000	\$216.60	\$224.88	\$8.28	3.8%	\$227.43	\$10.83	5.0%
1.5"	11.1%								
Average User		65,000	\$624.18	\$643.25	\$19.07	3.1%	\$655.39	\$31.21	5.0%
2"	14.1%								
Average User		80,000	\$812.20	\$843.44	\$31.24	3.8%	\$852.81	\$40.61	5.0%
3"	6.3%								
Average User		45,000	\$734.62	\$796.78	\$62.16	8.5%	\$771.35	\$36.73	5.0%
4"	4.7%								
Average User		100,000	\$1,375.87	\$1,474.75	\$98.88	7.2%	\$1,444.66	\$68.79	5.0%
6"	0.4%								
Average User		2,372,000	\$8,925.75	\$9,141.50	\$215.75	2.4%	\$9,372.04	\$446.29	5.0%



Nassau-Amelia Utilities

IMPACT FEES AND MISCELLANEOUS CHARGES

Updated Impact Fees

- ▶ Basis: reconstruction cost new less depreciation of existing assets

Fee per Unit	Water Impact	Sewer Impact	Total	Water AFPI	Sewer AFPI	Total
Current	\$1,602	\$2,531	\$4,133	\$660	\$1,102	\$1,762
Update	\$1,105	\$1,548	\$2,653	\$0	\$0	\$0
\$ Change	(\$497)	(\$983)	(\$1,480)	(\$660)	(\$1,102)	(\$1,762)
% Change	-31%	-39%	-36%	-100%	-100%	-100%

- ▶ Takeaway: Depreciation has exceeded the level of reinvestment. As planned reinvestment occurs, unit cost will increase over time
- ▶ Recommendations:
 - ▶ Adopt updated fees to maximize cost recovery from growth
 - ▶ Maximize benefit of impact fees and apply to expansion portion of debt service
 - ▶ Eliminate AFPI fees carried over from private utility (not used by public utilities)

Miscellaneous Fees & Charges: Fire Protection Charges

- ▶ What they are: fees for non-metered dedicated fire protection lines used for private fire suppression systems
 - ▶ Not many of them – Less than 30 connections
- ▶ Calculated in accordance with AWWA Manual M-1
- ▶ Charges should be increased for larger connections per cost of service (due to lack of recent updates)
 - ▶ Going forward could be adjusted by rate indexing adjustments

Size of Connection & Monthly Charges	Cost of Service	Current	\$ Change	% Change
2"	\$ 4.00	\$ 5.09	\$ (1.09)	-21.4%
3"	\$ 11.62	\$ 10.23	\$ 1.39	13.6%
4"	\$ 24.77	\$ 15.97	\$ 8.80	55.1%
6"	\$ 71.96	\$ 31.93	\$ 40.03	125.4%
8"	\$ 153.34	\$ 51.08	\$ 102.26	200.2%
10"	\$ 275.76	\$ 73.41	\$ 202.35	275.6%

Miscellaneous Fees & Charges: Water & Sewer Deposits

- ▶ Intent: Cover exposure in terms of lost revenue for service prior to shut-off (2 months)
- ▶ Basis: 2 times the monthly bill for average/typical use by customer class for various meter sizes
- ▶ Summary of Results:
 - ▶ Decrease in water deposits for most new residential customers
 - ▶ Increase in water deposits for most new commercial customers
 - ▶ Increase in sewer deposits for most new residential and commercial customers
 - ▶ Typical new residential customer with water and sewer: Deposit will increase by \$20 from \$125 to \$145

Miscellaneous Fees & Charges: Various Fees

- ▶ Small portion of annual revenue (less than 1%)
- ▶ Charges associated with the provision of specific services to individual customers
 - ▶ Ex: plan review, premise visit, meter tests, etc.
- ▶ Provided cost of service templates to County staff
 - ▶ For use in updating the existing fees and to calculate new ones
- ▶ Summary of Results:
 - ▶ Many fees do not reflect current cost of service due to lack of recent updates

Conclusions & Recommendations

Multi-Year Financial Management Plan

- ▶ Status quo will not address cost requirements of the system (capital needs)
- ▶ 5.0% rate indexing adjustment is needed (similar to industry trends)
- ▶ Update analysis in 2-3 years (account for changes & verify capital needs)

Rate Structure Evaluation

- ▶ Current rate structure generally compares well to local practices
- ▶ Adjustments to first tier, monthly charge (water) & commercial rate
- ▶ Enhance affordability for low volume and average residential users and conformance with local practices

Impact Fee/Capital Charge Updates

- ▶ Update impact fees (\$1,500 combined reduction) & eliminate AFPI charges

Update miscellaneous fees and charges to reflect current costs

Discussion & Next Steps



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