



Water and Sewer Utility Revenue Sufficiency Study Update

Council Presentation

June 29, 2016

Presented by:

BURTON & ASSOCIATES

Background and Scope

▶ Background

- ▶ In FY 2010 Burton & Associates conducted a comprehensive Water, Sewer and Reclaimed Water Rate Study
- ▶ The City adopted the recommended rate adjustments for FY 2011 with 5% annual rate increases effective each October 1 thereafter subject to prior approval by Council
- ▶ The City contracted with Burton & Associates to verify and adjust as necessary the annual plan of rate adjustments for FY 2012 and beyond.
- ▶ FY 2015 Study identified 3% annual increases, adopted by the City

▶ Scope

- ▶ Update the ten (10) year financial plan originally developed in the above referenced study
- ▶ Verify, or adjust, the annual plan of rate increases as required

Basis for Analysis

- ▶ FY 2016 Budget and Estimates
- ▶ FY 2017 Preliminary Budget
 - ▶ Basis of projected expenses for future fiscal years through FY 2025
- ▶ FY 2016 – FY 2021 Capital Improvements Program
- ▶ Operating reserve equal to 5 Months of O&M Expenses
- ▶ Minimum debt service coverage of 1.50x debt service
 - ▶ Both levels based upon industry practices & rating agency criteria
- ▶ Significant Changes
 - ▶ X new FTEs beginning in FY 2017
 - ▶ Continued trend of reduced flows per account

Results

- ▶ Increased staffing and reduced flows results in reverting back to the original plan of rate adjustments of 5%

Water Only (90%)	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Rate Increase	N/A	5.0%	5.0%	5.0%	5.0%	5.0%
Res. Monthly Bill (5,000 Gal.)	\$27.86	\$29.24	\$30.71	\$32.26	\$33.85	\$35.53
\$ Change	N/A	\$1.38	\$1.47	\$1.55	\$1.59	\$1.68

Water & Sewer (10%)	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Rate Increase	N/A	5.0%	5.0%	5.0%	5.0%	5.0%
Res. Monthly Bill (5,000 Gal.)	\$72.36	\$75.95	\$79.76	\$83.79	\$87.94	\$92.32
\$ Change	N/A	\$3.59	\$3.81	\$4.03	\$4.15	\$4.38

Ten Year Financial Plan Projections

FINANCIAL ANALYSIS AND MANAGEMENT SYSTEM (FAMS) SUMMARY

City of Cocoa

SAVE

5% Annual Rate Adjustments

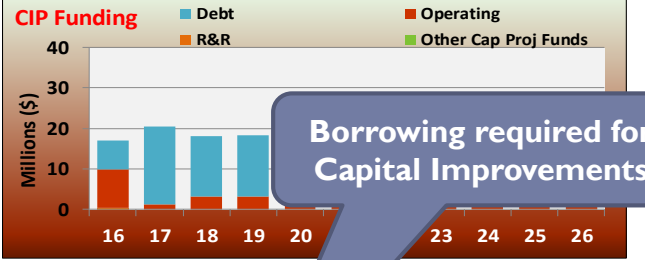
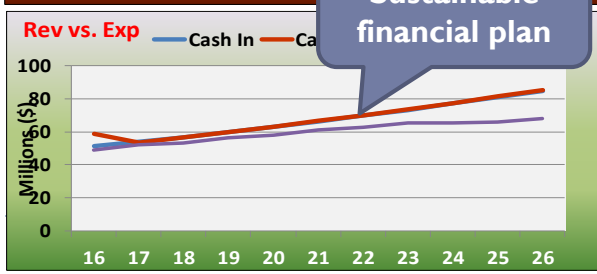
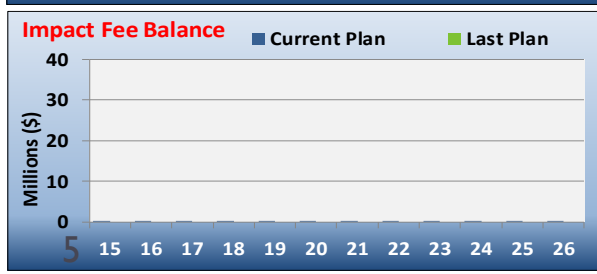
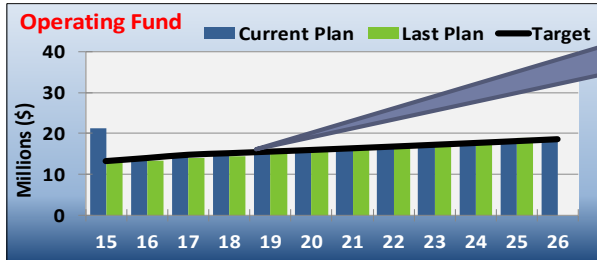
Debt Service Coverage is strong

Reserve balance target maintained

Sustainable financial plan

Borrowing required for Capital Improvements

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Cumulative Change	
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%	FY 2021	FY 2026
Last Plan	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	0.00%	15.93%	32.52%
Sewer Rate Increases	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	0.00%	FY 2016	
Last Plan	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	0.00%	PS Exec %	100.0%
OMV Exec %												OMV Exec %	100.0%
OMF Exec %												OMF Exec %	85.0%
CO Exec %												CO Exec %	100.0%
Rate Covenant	2.90	2.41	2.52	2.22	2.34	2.18	2.31	2.28	2.81	3.06	3.08	Usage Change	
Last Plan	3.80	3.84	3.16	3.10	2.99	3.07	2.99	3.07	3.93	3.81	0.00		-0.5%
Subordinate Debt Coverage	4.20	3.93	4.50	4.54	5.26	5.48	6.80	8.02	10.78	16.16	26.82		
Last Plan	6.56	6.86	6.52	6.72	6.90	7.32	8.05	9.23	11.55	15.62	0.00		
CIP \$ Redistribution	\$0.00	-\$22.00	\$8.00	\$7.00	\$7.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
CIP Execution %	100%	100%	75%	75%	75%	75%	75%	75%	75%	75%	75%		
Operating Reserve Mo	5	5	5	5	5	5	5	5	5	5	5		
Average Bill (5,000 gals.)	\$72.36	\$75.95	\$79.76	\$83.79	\$87.94	\$92.32	\$96.93	\$101.78	\$106.87	\$112.20	\$114.36		
Last Plan	\$72.36	\$74.57	\$74.57	\$74.57	\$74.57	\$74.57	\$74.57	\$74.57	\$74.57	\$74.57	\$74.57	Check	-

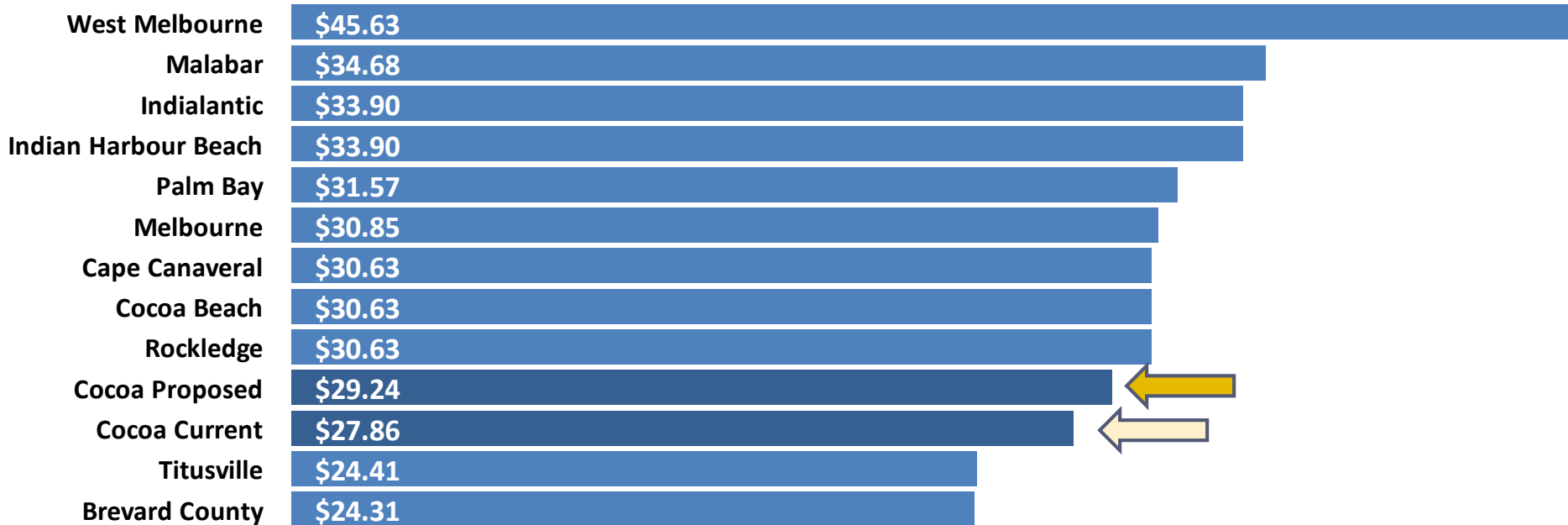


Recommendations

- ▶ Recommendations
 - ▶ Implement the original 5% across-the-board increase in all water, sewer and reclaimed water rates to be effective October 1, 2016
 - ▶ Meets financial planning targets and provides balanced/sustainable funding of capital improvement requirements (i.e. cash vs. debt)

FY 2016 Residential Water Bill Survey

Water Bill Survey at 5,000 Gallons per Month



Presented by:

BURTON & ASSOCIATES

FY 2016 Residential Sewer Bill Survey

Sewer Bill Survey at 5,000 Gallons per Month



Presented by:

BURTON & ASSOCIATES

FY 2016 Residential Water & Sewer Bill Survey

Combined Water & Sewer Bill Survey at 5,000 Gallons per Month



Discussion

