

# SANITARY SEWER RATE STUDY

CITY OF MUSCATINE



- Water Pollution Control Plant Fund
  - Funds the WPCP
  - Funds the pump stations
- Collection and Drainage
  - Funds the sanitary/combined sewers
  - Funds storm sewers

# HISTORY

- Prior to 2001 rates were set annually as part of budget
- Since 2001 rates are set for 3 to 5 year period
- System since 2001 provides predictability in revenues
- Allows planning for capital expenditures for several years in future
- Provides predictability of costs for rate payers

# WPCP FUND – RATE GROUPS

- Residential and small commercial
- Pay the base Class I rate
- Commercial Users – Higher Strength
  - Based on type of rate
  - Pay a multiplier of the base Class I rate
  - Most MPW Billed
  - Some City Direct Billed
- Heinz
  - Separate contract
  - Rate blocks by usage and loading annual basis
  - Based on rate structure
  - Provides predictability to both City and Heinz

# WPCP RATES

- Rate Structure – Class I
  - Monthly Sewer Charge – currently \$7.71
  - Usage charge – currently \$2.64 per 100 cf.
  - Senior discount – currently \$1.00 per month
- Class Rates
  - Same structure as Class I
  - Multiplier of Class I rate
  - Rate Multiplier depends on strength
- Rate History
  - Have increase averaging 3% per year for last several years
  - Keep up with operational cost increases
  - Fund Capital Improvements
- WPCP Fund
  - Current annual revenue about \$4,750,000
  - Current fund balance about \$1,500,000

# GOALS OF WCPC RATES

- Balance revenues and expenses over time
- Maintain fund balance range
- Ability to absorb short periods of higher capital expenditures
- Avoid large rate increases
- Allow for long term capital planning

## PERIOD FY14 THROUGH FY18

- Small annual gain FY14 – FY16
- Moderate annual loss FY17 – FY18
- About \$300,000 decrease in fund balance
- Still maintain about \$1,500,000 balance
- Primarily related to additional capital expenditures

## PERIOD FY19 THROUGH FY23

- Without rate increase further deplete fund balance or must significantly cut back capital expenditures
- With continuation of 3% annual increase
  - Stabilized fund balance
  - Allows for most capital improvements
- Need to fund the Biogas to Fuel Project
- Revenues will more than offset annual cost of debt service and operating
- Helps to control rate increases and still fund capital improvements

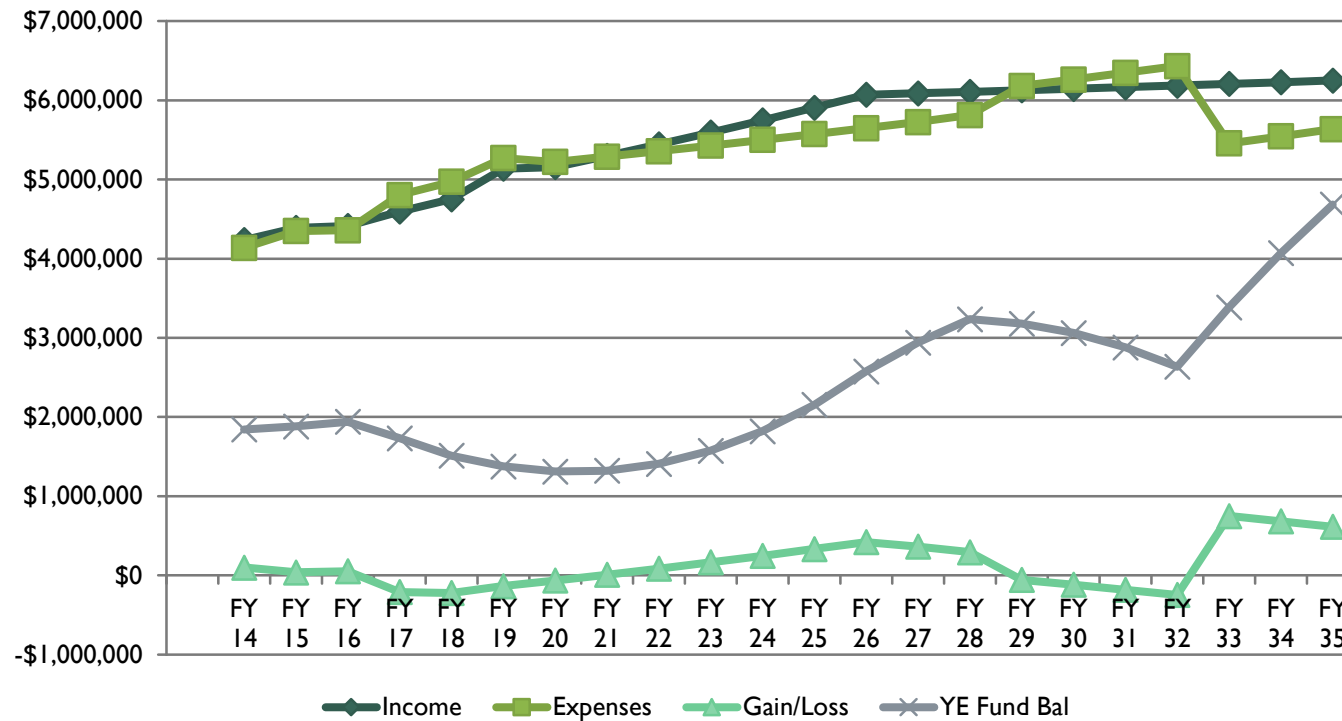


# RATE STUDY

- Project revenues and expenses out about 16 years for long term look
- Look at longer term view to better assess rates for next five years
- Set rates out 3 to 5 years

# RATE STUDY

## MUSCATINE WPCF FUND



# RECOMMENDATIONS

- Approve a 3 to 5 year rate structure with a 3% increase each year
- Work toward a 3 to 5 year extension of Heinz agreement with the same 3% annual increase

# COLLECTION AND DRAINAGE

- Rate Structure
  - Flat fee per bill
  - Currently \$12.15 per month
- Rate History
  - Flat fee has increased at 2% per year for last several years
- Revenue Fund
  - About \$1,335,000 per year
  - Fund Balance about \$670,000

# EXPENDITURES - OPERATIONS

- Personnel Costs
- Operating Costs
- Annual Sewer Replacement and Maintenance
- Total about \$800,000 per year

# EXPENDITURES – CAPITAL IMPROVEMENTS

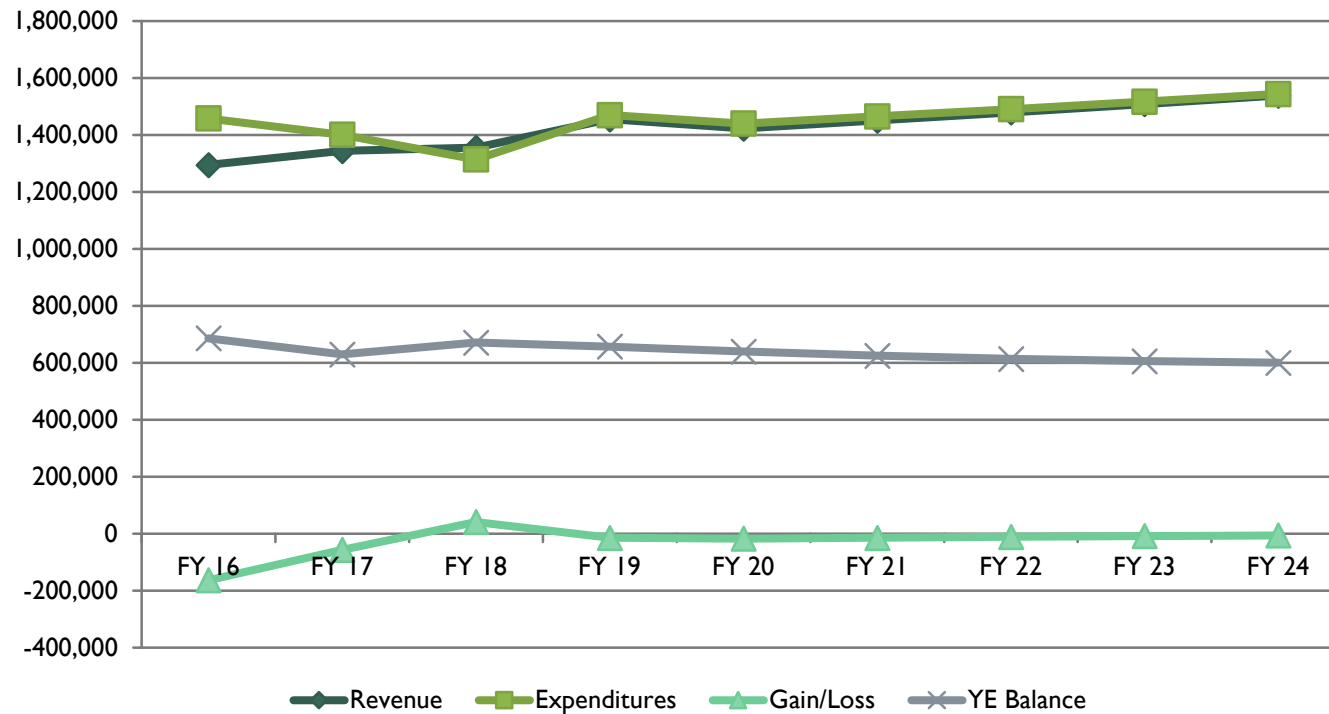
- Sewer Extension and Improvement Reserve
- West Hill Sewer Project
- Other smaller projects
- Total typically \$400,000 to \$500,000 annually

# EXPENDITURES – CAPITAL IMPROVEMENTS

- Fund is fairly stable except large unexpected expenses can deplete fund balance
- Goal to continue funding operations and maintenance
- Goal to continue funding 2 major ongoing capital projects and other occasional projects
- Goal to remain about annual break even – small decline in fund balance to the \$600,000 range

# COLLECTION AND DRAINAGE FUND

## COLLECTION AND DRAINAGE FUND





# RECOMMENDATIONS

- Approve 2% annual increase in monthly Collection and Drainage fee for next five years
- The \$12.15 fee would increase to \$12.40 next fiscal year
- The fee would increase to \$13.40 by FY23