City of Key West, Florida

Sewer Rate Study Presentation

July 21, 2015

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Existing Sewer Rate Structure

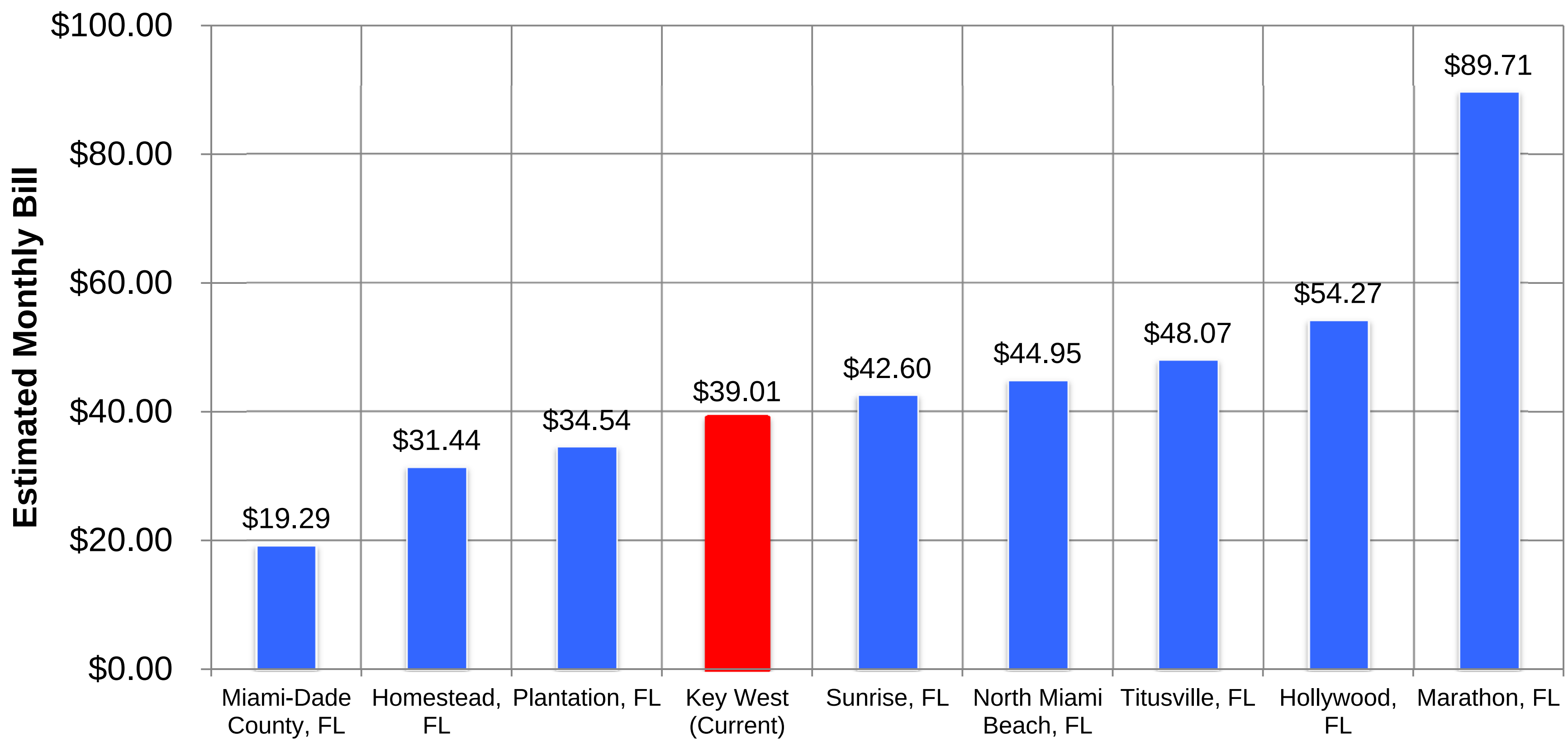
Base Charge

- $22.77 per month per BCU
- Base Charge Unit (BCU) = 3,600 gallons per month

Commodity Charge

- $4.51 per 1,000 gallons

Residential Bill Comparison



-Assumes 5/8-inch meter and 3,600 gallons per month.

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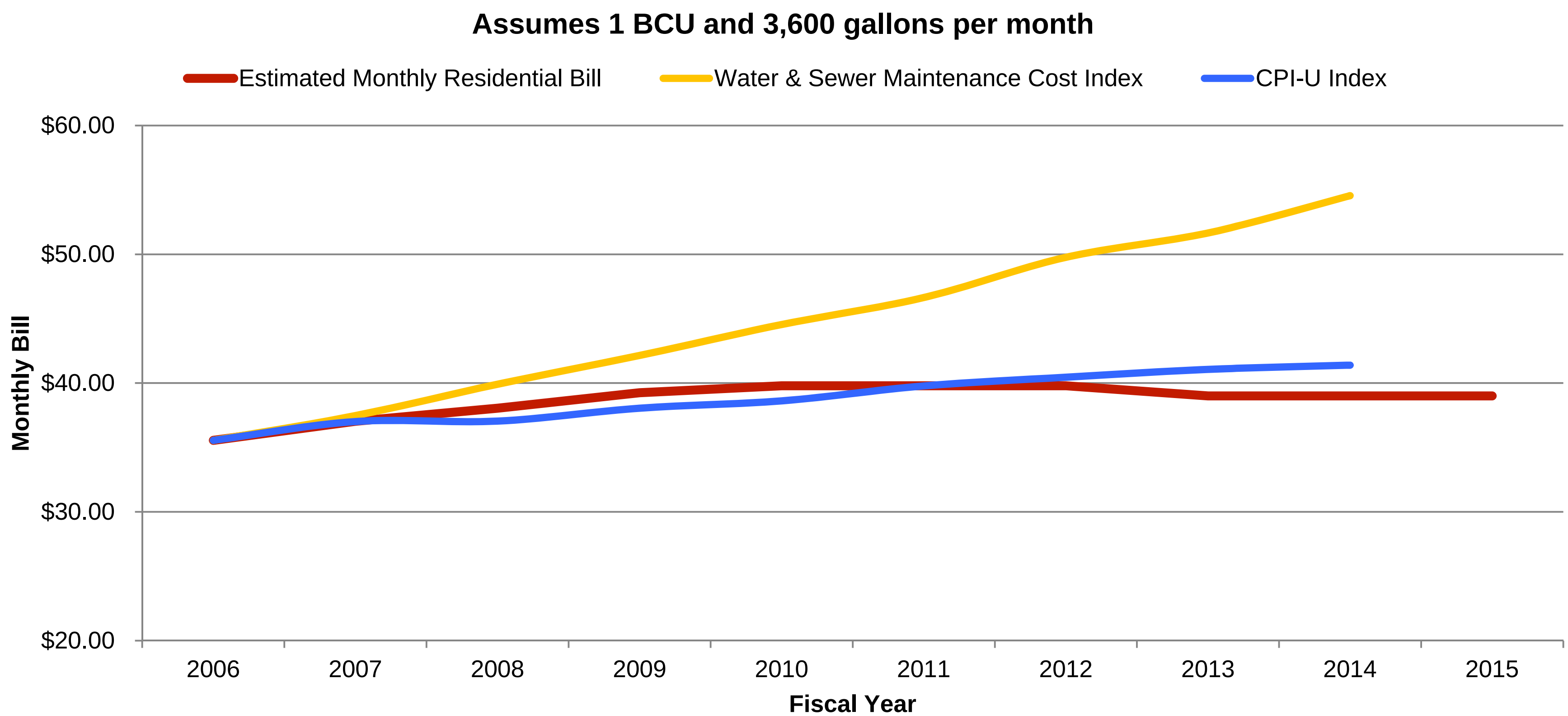
Historical Monthly Residential Bill



Monthly Bill	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
$ Change	-	$1.48	$1.01	$1.20	$0.54	$0.00	$0.00	-$0.78	$0.00	$0.00
% Change	-	4.2%	2.7%	3.2%	1.4%	0.0%	0.0%	-2.0%	0.0%	0.0%

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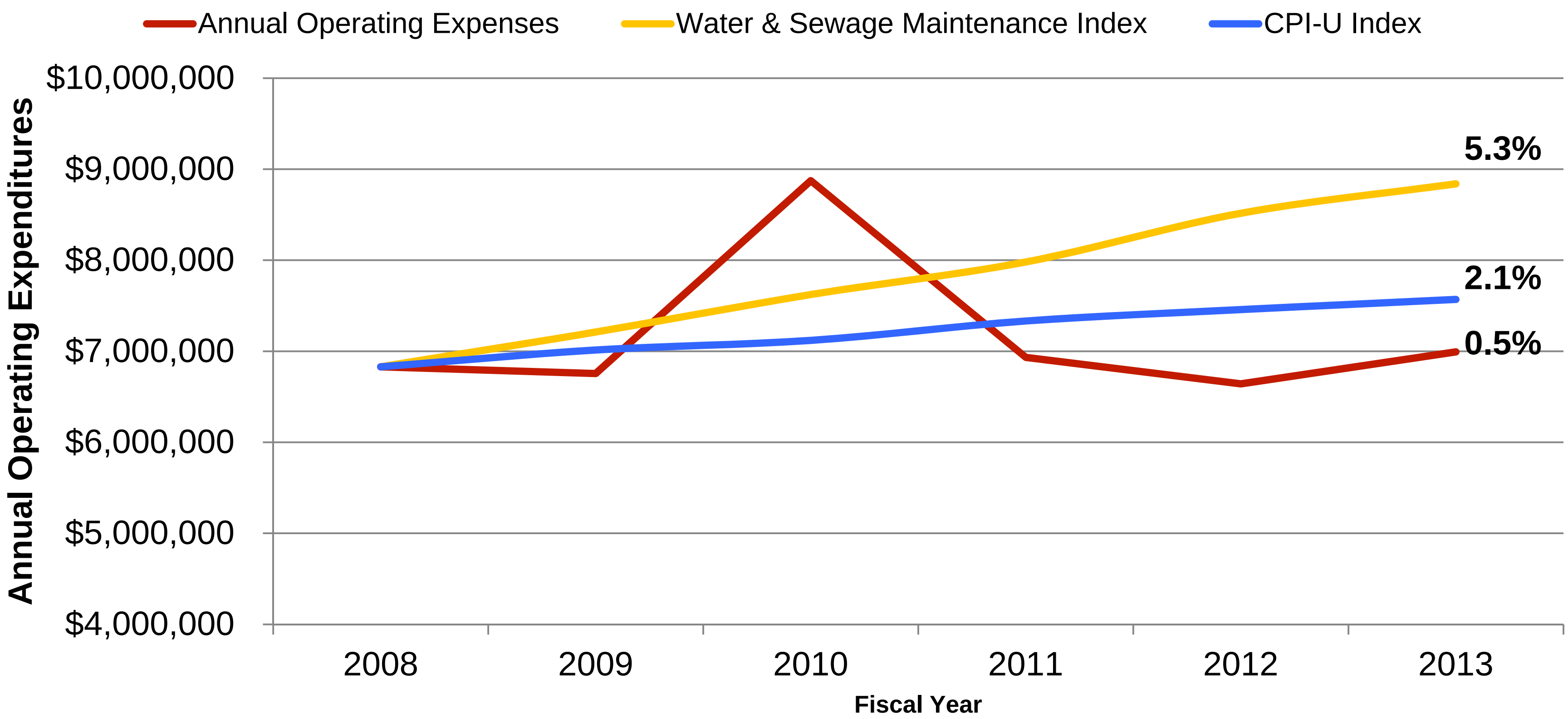
Historical Operating Costs



-Operating costs include amounts transferred to other funds.

FY2016 Capital Projects

	Description	City Share	Navy Share	Grant	Total
	WWTP Improvements				
1	Concrete Repair at WWTP	$152,450	$45,538	$1,302,012	$1,500,000
2	WWTP Roof Repair	249,480	74,520	-	324,000
3	In Line N & P Monitoring System	192,500	57,500	-	250,000
4	Metal Building at WWTP	115,500	34,500	-	150,000
					-
	Sewer System Improvements				-
5	Lift Station VFD Project	2,401,805	180,781	1,367,414	3,950,000
6	Pump Station F Force Main Expansion	1,023,000	77,000	-	1,100,000
7	Truman Waterfront Sewer System	930,000	70,000	-	1,000,000
8	Force Main Repairs at Bridge Crossing	308,000	92,000	-	400,000
9	Pump Station Fence Replacement	316,200	23,800	-	340,000
10	Fleming Bridge Pipe Bridge Repair			330,574	330,574
11	Misc Sewer System Repairs	190,650	14,350	-	205,000
12	Lift Station Concrete Repair	139,500	10,500	-	150,000
13	Mallory Square Sewer Improvements	69,750	5,250	-	75,000
	Total	$6,088,835	$685,739	$3,000,000	$9,774,574

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Capital Improvement Projects

Concrete Repair at WWTP

- Project cost - $1.5 million
- Project will repair concrete areas of the solids building, the clarifier, and utilidor at the WWTP.
- Project will be bid together with the Fleming Key Bridge Repair.

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Capital Improvement Projects

Lift Station VFD Project

- $4.2 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 currently under design and will be constructed in FY2016

Capital Improvement Projects

Sewer Pump Station F Upgrade

- Project cost - $1.67 million
- Project will increase the size of the pumps to utilize new North Roosevelt Force Main, and increase size of generator.
- Station F will be the first to utilize a new energy saving VFD

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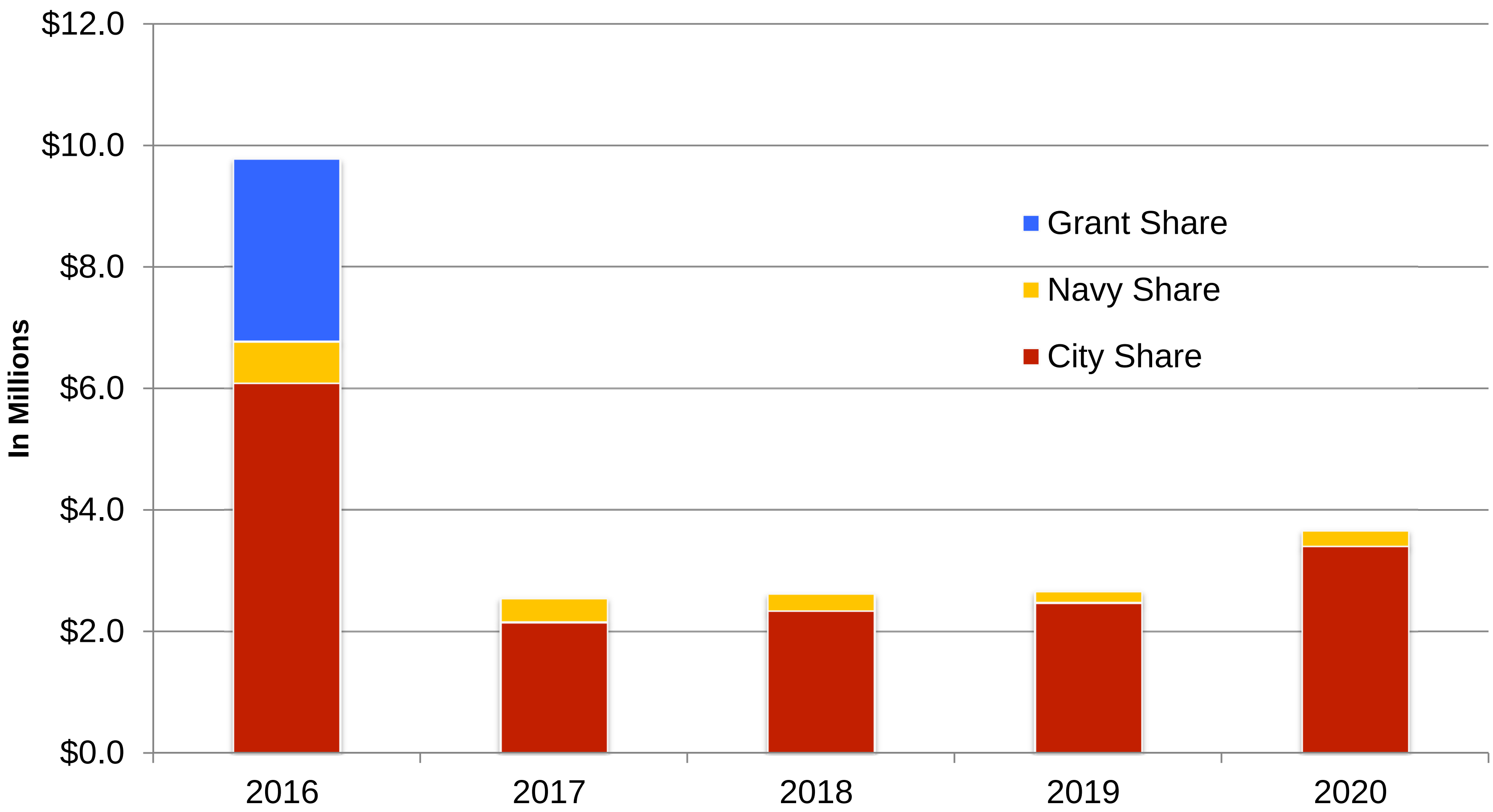
Capital Improvement Projects

Truman Waterfront Sewer System

- Project cost - $2.0 million
- This sewer system needs to be completely re-built prior to the construction of any new development on site.
- The project includes sewer lift stations and a new collection system.

Revenue Requirement Drivers:
Capital Improvement Program



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Revenue Requirement Drivers:

Management Services Contract with OMI

- $4.796 million fixed fee per year
- Fixed management fee subject to future increases in CPI-U
- Additional management fee subject to increases in future operational costs
- Approximately 60% of operating budget in FY2015
- Current OMI Contract Expires in 2019

Key Metrics to Consider

- Debt Service Coverage

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

- Cash Balance

Minimum Operating Target = 20-25% of O&M Expense

Industry Medians

	Industry Medians (Fitch Ratings)			
Metric:	AAA	AA	A	Key West
Days Cash On-Hand	671	398	254	597
All-In DS Coverage	2.6	2.0	1.7	1.5

-Key West Bond Rating = AA-
-Based on Fitch's 2014 Water and Sewer Medians

Sewer Rate Scenarios FY2016 - 2020

Scenario 1:

No Rate Increases FY2016-2020.

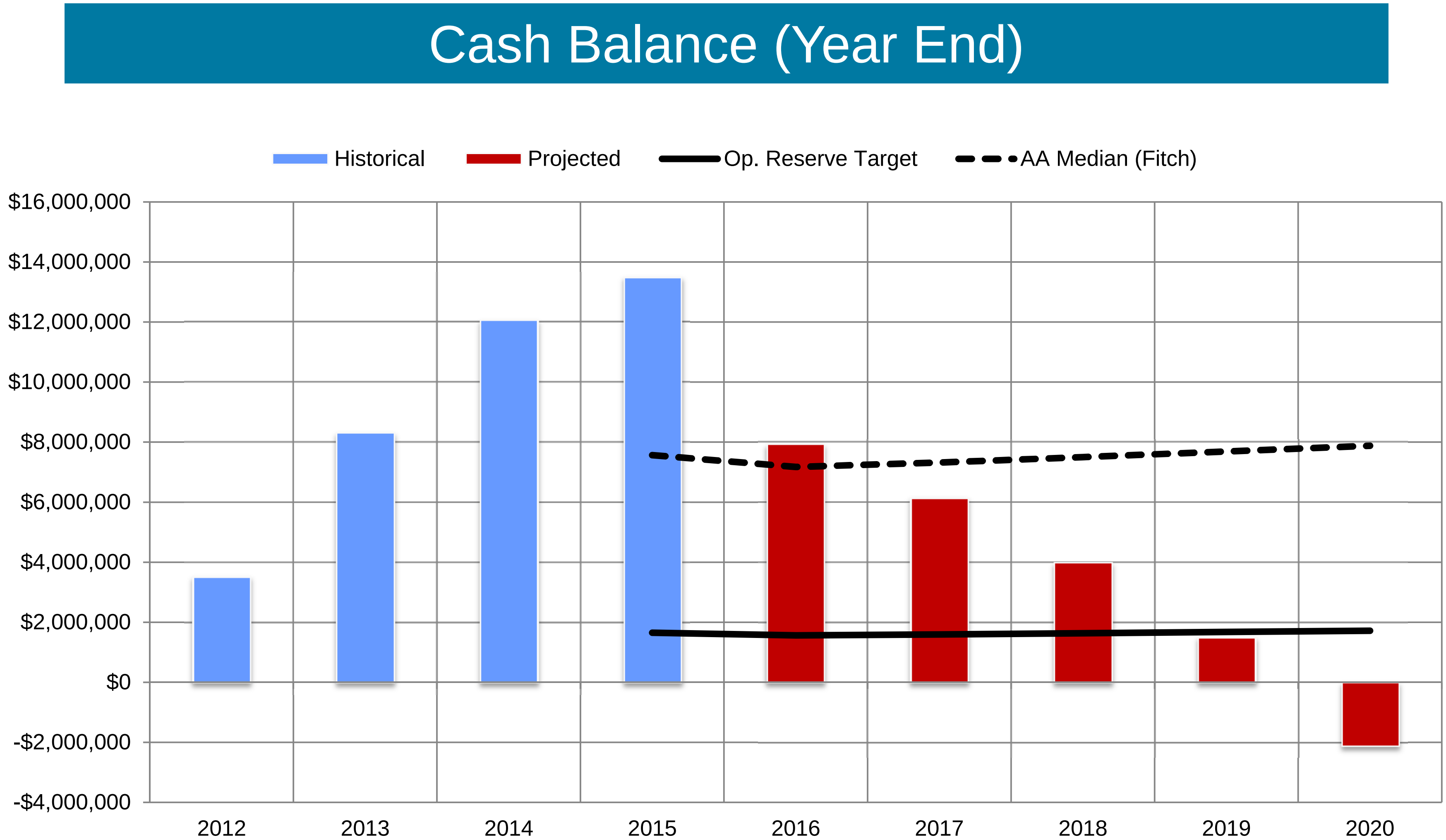
Scenario 2:

No Increase in FY2016, Moderate Increases in FY2017-2020.

Scenario 3:

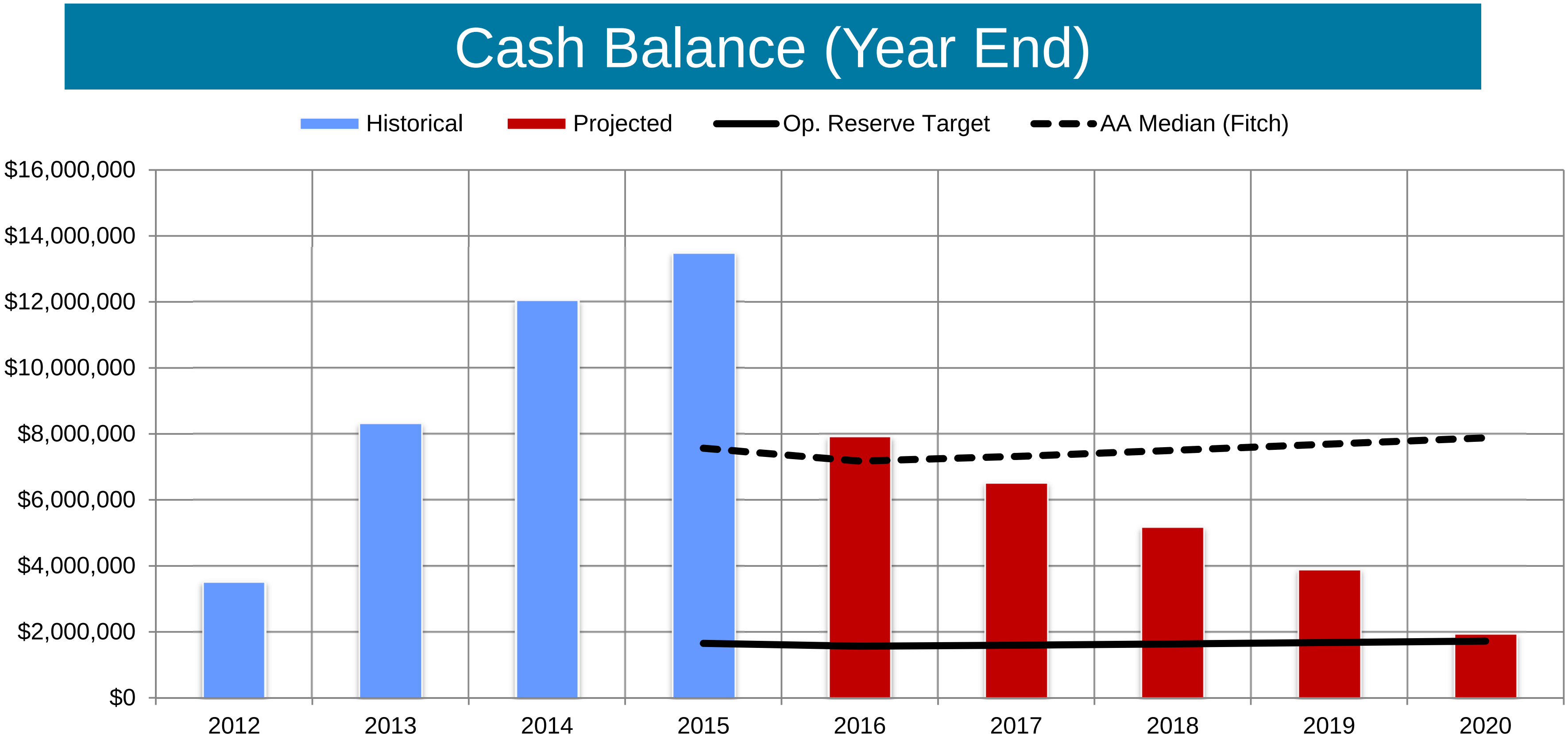
Moderate Rate Increases in FY2016-2020.

No Rate Increases FY2016-2020



No Rate Increase in FY2016

-Moderate Rate Increases in FY2017-2020



Rate Increases				
2016	2017	2018	2019	2020
0.0%	3.8%	3.8%	3.8%	3.8%

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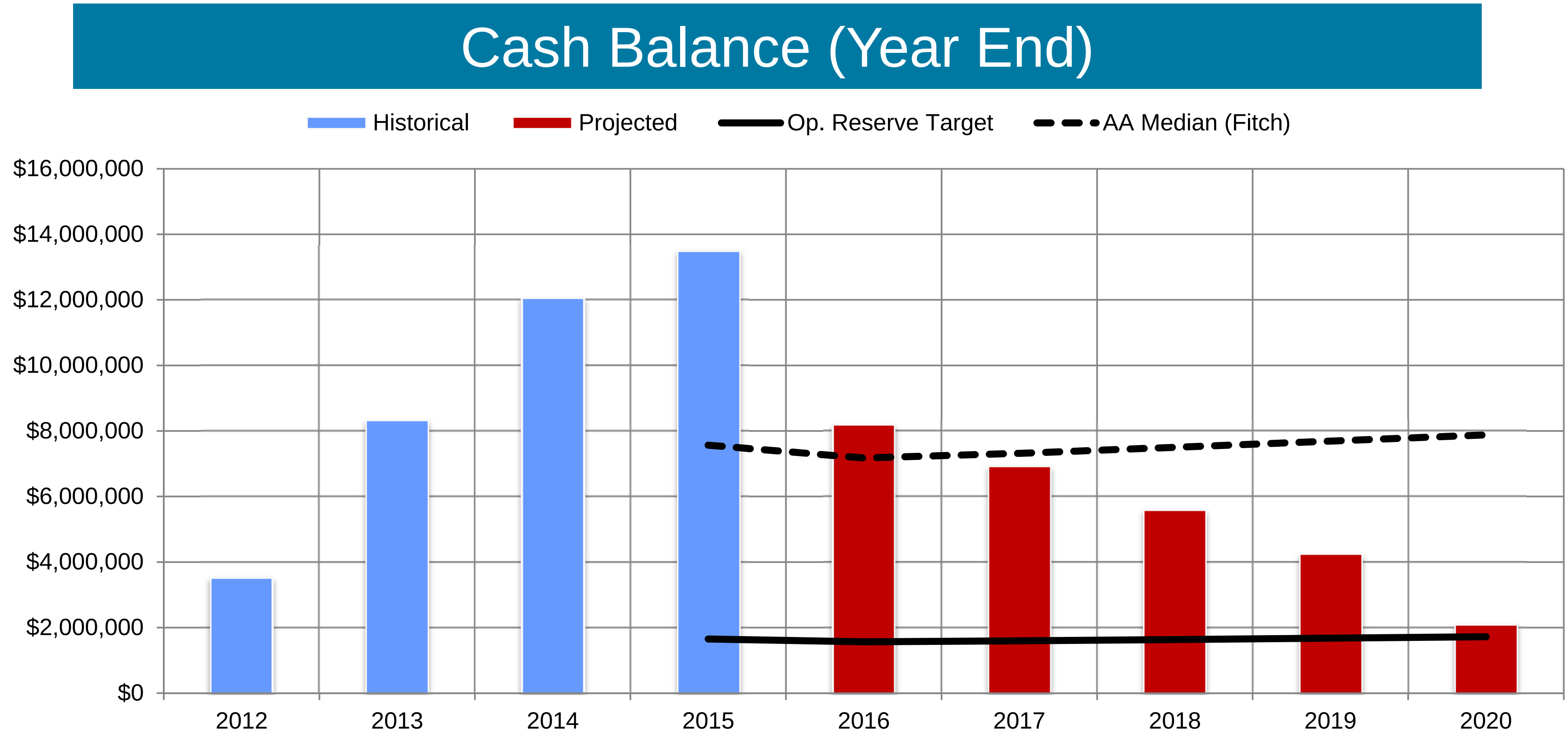
Moderate Rate Increases FY2016-2020



Rate Increases				
2016	2017	2018	2019	2020
2.5%	2.5%	2.8%	2.8%	2.8%

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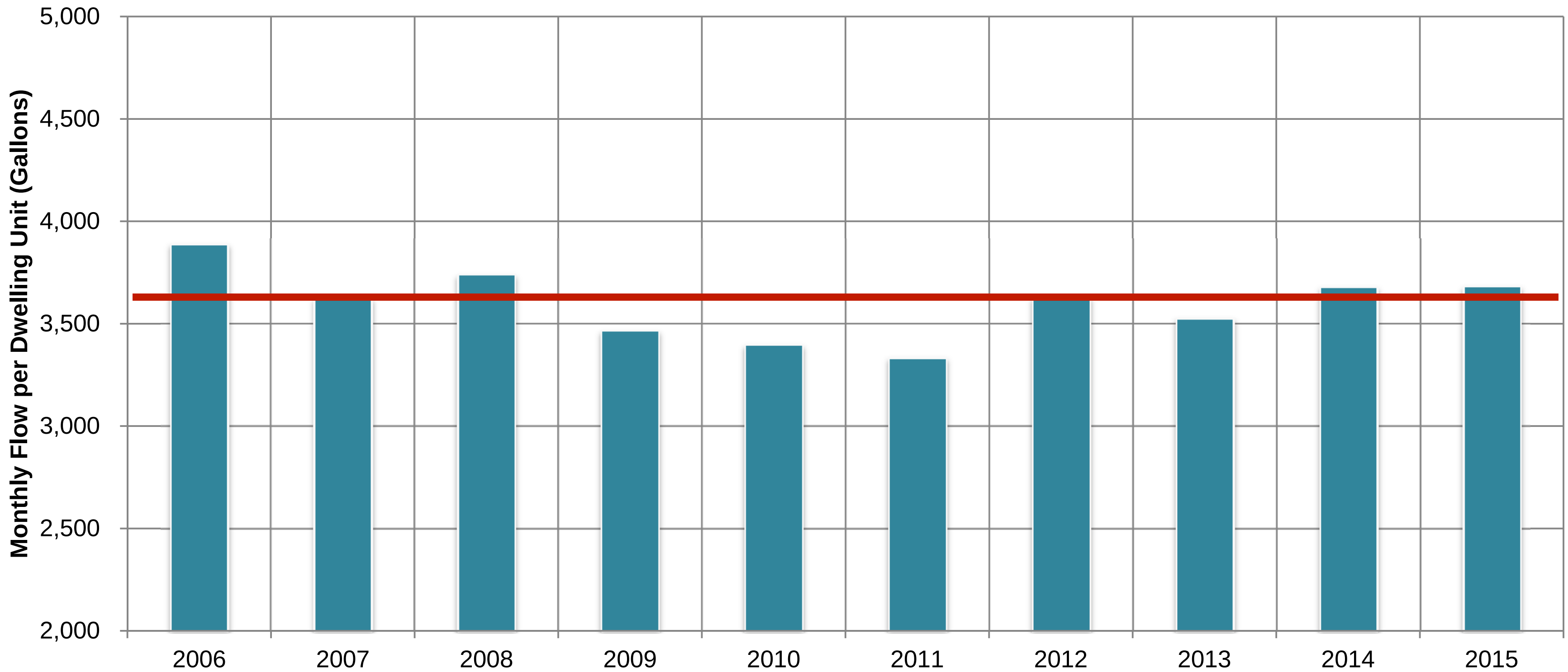
Projected Debt Service Coverage

Description	2016	2017	2018	2019	2020
Coverage Target	1.25	1.25	1.25	1.25	1.25
Scenario 1 – No Rate Increases	1.45	1.29	1.18	1.07	1.02
Scenario 2 – No Rate Increase in FY2016	1.45	1.44	1.48	1.53	1.64
Scenario 3 – Rate Increases in Each Year	1.55	1.49	1.49	1.50	1.57

Base Charge Unit Analysis



-Recommend the City maintain the Base Charge Unit at 3,600 gallons per month per residential dwelling unit.

Recommendations

1. **No Sewer Rate Adjustment in FY2016**
   - Continue to monitor financial performance
   - Adjust CIP timing or rate increases if grant funding not received

2. **No Adjustment to BCUs**
   - Keep at 3,600 gallons
   - Continue to monitor water consumption trends

Questions?

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