

City of Key West

Sewer Rate Study Update Presentation

July 27, 2010

Project Highlights

- **Financial Forecast Drivers**
 - Inflation (CPI), capital needs, debt service coverage, and ending cash balances
 - GIS Conversion
 - Debt Service (includes FEMA repayment)
- **Capital Improvement Program**
- **The Utility fulfills debt service coverage requirements over the forecast period (FY 2011 through FY 2015).**
- **Maintaining the minimum ending cash balances**
 - 60 – Day Cash Balance (Acceptable)
 - 90 – Day Cash Balance (Target)

Capital Improvement Program (“CIP”)

CIP Drivers:

- *North Roosevelt Force Main Replacement D.O.T.*
- *Pump Station F & Force Main Capacity Expansion*
- *30” Force Main Extension & Headworks Capacity Expansion*

| Description | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|--------------------|--------------------|--------------------|------------------|--------------------|
| Lightning Protection Rehab | \$125,183 | \$0 | \$0 | \$0 | \$0 |
| Misc Sewer System Repairs | 200,000 | 210,000 | 220,000 | 230,000 | 240,350 |
| Fleming Key Pipe Bridge Repair | 30,000 | 69,000 | 700,000 | 0 | 0 |
| N.Roosevelt Force Main Replacement D.O.T. | 1,986,000 | 0 | 0 | 0 | 0 |
| Pump Station F Force Main Capacity Exp. | 935,215 | 0 | 1,050,000 | 0 | 0 |
| 30" Forcemain Extention | 1,517,288 | 4,356,485 | 0 | 0 | 0 |
| Wastewater Reuse (City-FKAA) | 0 | 0 | 0 | 0 | 0 |
| P.S. B Gravity Front to Green | 0 | 0 | 0 | 250,000 | 2,993,500 |
| <u>CAT Generator Enclosure</u> | <u>313,000</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Capital Projects | \$5,106,686 | \$4,635,485 | \$1,970,000 | \$480,000 | \$3,233,850 |

Capital Improvement Program (“CIP”)

CIP Drivers:

- *North Roosevelt Force Main Replacement D.O.T.*
- *Pump Station F & Force Main Capacity Expansion*
- *30” Force Main Extension & Headworks Capacity Expansion*

| Description | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|--|------------------|------------------|------------------|------------------|------------------|
| Lightning Protection Rehab | \$0 | \$0 | \$0 | \$0 | \$0 |
| Misc Sewer System Repairs | 877,000 | 250,000 | 261,250 | 273,006 | 285,291 |
| Fleming Key Pipe Bridge Repair | 0 | 0 | 0 | 0 | 0 |
| N.Roosevelt Force Main Replacement D.O.T. | 0 | 0 | 0 | 0 | 0 |
| Pump Station F Force Main Capacity Expansion | 0 | 0 | 0 | 0 | 0 |
| 30" Forcemain Extention | 0 | 0 | 0 | 0 | 0 |
| Wastewater Reuse (City-FKAA) | 0 | 500,000 | 0 | 0 | 0 |
| P.S. B Gravity Front to Green | 0 | 0 | 0 | 0 | 0 |
| <u>CAT Generator Enclosure</u> | | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Capital Projects | \$877,000 | \$750,000 | \$261,250 | \$273,006 | \$285,291 |

Historical & Proposed BCUs (FY 2011)

| Line | Description | Calculated BCUs |
|----------------------------------|-------------------------|--------------------|
| 1 | 2003 | 3,625 |
| 2 | 2004 | 3,624 |
| 3 | 2005 | 3,619 |
| 4 | 2006 | 3,889 |
| 5 | 2007 | 3,626 |
| 6 | 2008 | 3,740 |
| 7 | 2009 | 3,467 |
| 8 | 2010 | 3,398 |
| Currently in Effect | | 3,700 |
| Calculated per City Code: | | |
| 9 | - 3-Yr Rolling Average | 3,535 |
| 10 | - 5-Yr Rolling Average | 3,624 |
| 11 | - 7-Yr Rolling Average | 3,623 |
| 12 | Proposed FY 2010 | 3,600 |

| Line | Fiscal Year | Monthly Flow (Gals.) | Residential BCUs | | |
|------|----------------|-------------------------|-----------------------------|----------|--------------|
| | | | Billed | Inactive | Active |
| 1 | 2008 | 42,313,387 | 11,313 | 316 | 10,997 |
| 2 | 2009 | 38,557,040 | 11,120 | 276 | 10,844 |
| 3 | 2010 | 38,586,880 | 11,357 | 274 | 11,083 |
| | | | Residential Wastewater Flow | | |
| | | | Billed | | Active |
| 4 | 2008 | | 3,740 | | 3,848 |
| 5 | 2009 | | 3,467 | | 3,556 |
| 6 | 2010 | | 3,398 | | 3,481 |
| 6 | | | Proposed BCU | | 3,600 |

Financial Highlights

Scenario 1:

- Hold Monthly BCU at 3,700, no FY 2011 rate increase

- Utilize a 0.3% annual customer growth rate

| Line | Description | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|------------------|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues: | | | | | | |
| 1 | Operating Revenues | \$ 11,902,333 | \$ 12,171,227 | \$ 12,484,432 | \$ 12,856,365 | \$ 13,241,770 |
| 2 | Other Income | 124,590 | 106,358 | 76,981 | 75,367 | 91,063 |
| 3 | Total Operating Revenues | \$ 12,026,923 | \$ 12,277,585 | \$ 12,561,414 | \$ 12,931,732 | \$ 13,332,833 |
| 4 | Total Operating Expenditures | \$ 8,096,571 | \$ 8,098,986 | \$ 8,301,460 | \$ 8,550,504 | \$ 8,807,019 |
| 5 | Operating Income | \$ 3,930,352 | \$ 4,178,599 | \$ 4,259,953 | \$ 4,381,228 | \$ 4,525,814 |
| 6 | Sewer Connection Fees | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| 7 | Net Revenues | \$ 3,990,352 | \$ 4,238,599 | \$ 4,319,953 | \$ 4,441,228 | \$ 4,585,814 |
| 8 | Debt Service Requirements | 2,908,443 | 2,906,513 | 2,907,063 | 2,904,833 | 2,910,283 |
| 9 | Income Avail. After Debt Service | \$ 1,081,909 | \$ 1,332,087 | \$ 1,412,891 | \$ 1,536,396 | \$ 1,675,532 |
| 10 | Debt Service Coverage | 1.37 | 1.46 | 1.49 | 1.53 | 1.58 |

Financial Highlights

Scenario 1 (cont'd):

- Hold Monthly BCU at 3,700, no FY 2011 rate increase

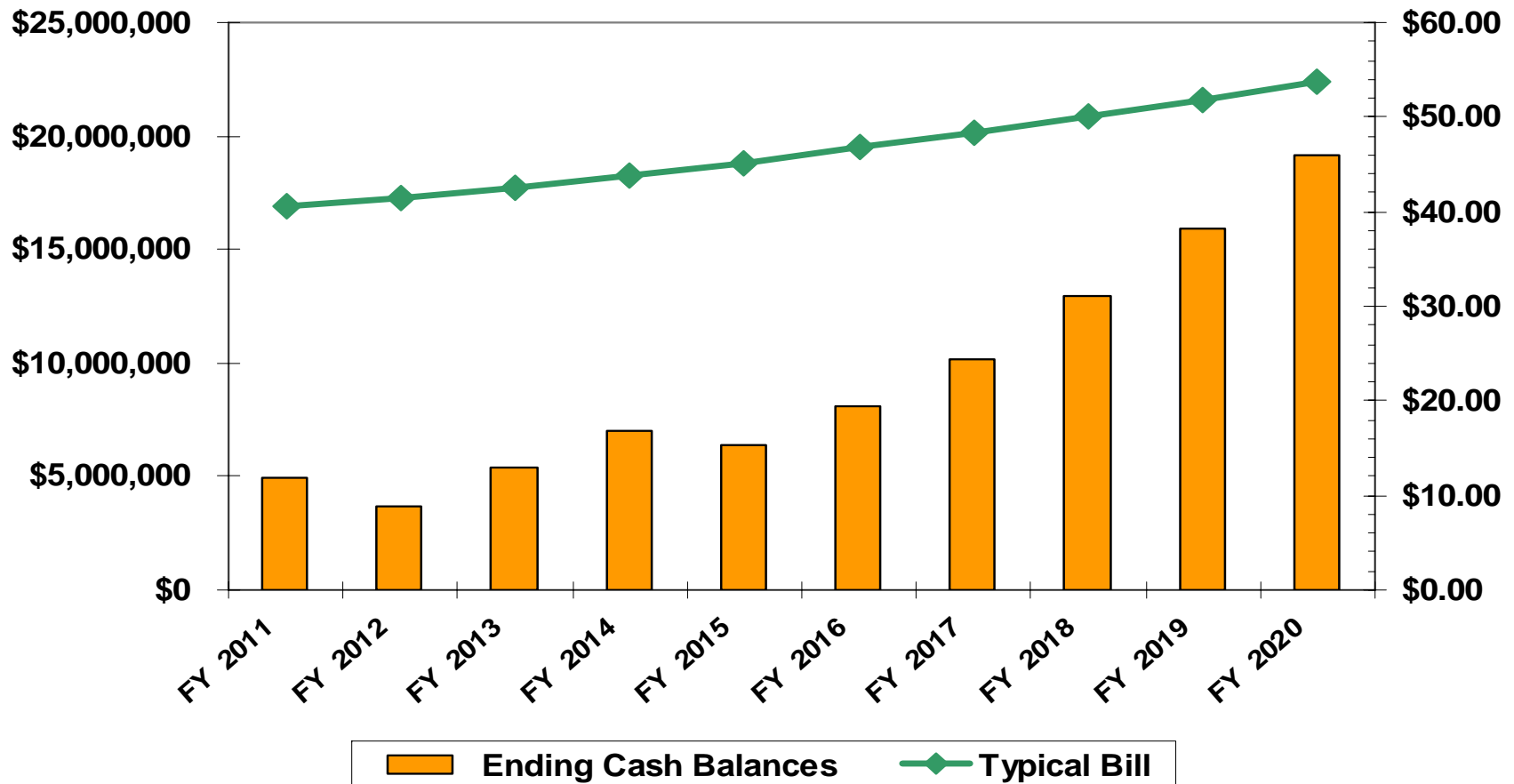
- Utilize a 0.3% annual customer growth rate

| Line | Description | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|-------------------------------------|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Other Needs & Transfers: | | | | | | |
| 11 | Renewal and Replacement | \$ 1,500,000 | \$ 1,500,000 | \$ 1,500,000 | \$ 1,500,000 | \$ 1,500,000 |
| 12 | Grant Funding - ACOE | (1,594,127) | 0 | 0 | 0 | 0 |
| 13 | Inter-Fund Loan | 0 | 0 | 0 | 0 | 0 |
| 14 | Inter-Fund Loan Repayment | (158,312) | (158,312) | (158,312) | (158,312) | (158,312) |
| 15 | Total Other Needs & Trans. | \$ (252,439) | \$ 1,341,688 | \$ 1,341,688 | \$ 1,341,688 | \$ 1,341,688 |
| 16 | Operating Balance | \$ 1,334,348 | \$ (9,601) | \$ 71,203 | \$ 194,708 | \$ 333,844 |
| Beginning Cash Balance: | | | | | | |
| 17 | Revenue Surplus/Deficit | \$ 7,967,541 | \$ 6,508,893 | \$ 4,158,661 | \$ 4,029,497 | \$ 5,285,263 |
| 18 | Operating Balance | 1,334,348 | (9,601) | 71,203 | 194,708 | 333,844 |
| 19 | Renewal and Replacement Func | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| 19 | Capital Funded from Rate Rev. | (4,292,996) | (3,840,630) | (1,700,367) | (438,942) | (2,957,234) |
| 20 | Ending Cash Balance | \$ 6,508,893 | \$ 4,158,661 | \$ 4,029,497 | \$ 5,285,263 | \$ 4,161,873 |
| 21 | Required Cash Balance | \$ 2,024,143 | \$ 2,024,746 | \$ 2,075,365 | \$ 2,137,626 | \$ 2,201,755 |
| 22 | Surplus/Deficit Cash Balance | \$ 4,484,750 | \$ 2,133,915 | \$ 1,954,132 | \$ 3,147,637 | \$ 1,960,118 |

Financial Highlights

Scenario 1 (cont'd):

Projected Ending Balances and
Monthly Bills for FY 2011 through FY 2020



Financial Highlights

Scenario 2:

- Adjust Monthly BCU to 3,600, no FY 2011 rate increase
- Assume a 0.0% annual customer growth rate

| Line | Description | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|------------------|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues: | | | | | | |
| 1 | Operating Revenues | \$ 11,996,425 | \$ 12,267,496 | \$ 12,582,955 | \$ 12,957,669 | \$ 13,345,930 |
| 2 | Other Income | 124,590 | 107,534 | 79,375 | 79,022 | 96,031 |
| 3 | Total Operating Revenues | \$ 12,121,015 | \$ 12,375,030 | \$ 12,662,330 | \$ 13,036,691 | \$ 13,441,961 |
| 4 | Total Operating Expenditures | \$ 8,096,571 | \$ 8,098,986 | \$ 8,301,460 | \$ 8,550,504 | \$ 8,807,019 |
| 5 | Operating Income | \$ 4,024,444 | \$ 4,276,045 | \$ 4,360,870 | \$ 4,486,187 | \$ 4,634,942 |
| 6 | Sewer Connection Fees | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| 7 | Net Revenues | \$ 4,084,444 | \$ 4,336,045 | \$ 4,420,870 | \$ 4,546,187 | \$ 4,694,942 |
| 8 | Debt Service Requirements | 2,908,443 | 2,906,513 | 2,907,063 | 2,904,833 | 2,910,283 |
| 9 | Income Avail. After Debt Service | \$ 1,176,001 | \$ 1,429,532 | \$ 1,513,808 | \$ 1,641,355 | \$ 1,784,659 |
| 10 | Debt Service Coverage | 1.40 | 1.49 | 1.52 | 1.57 | 1.61 |

Financial Highlights

Scenario 2 (cont'd):

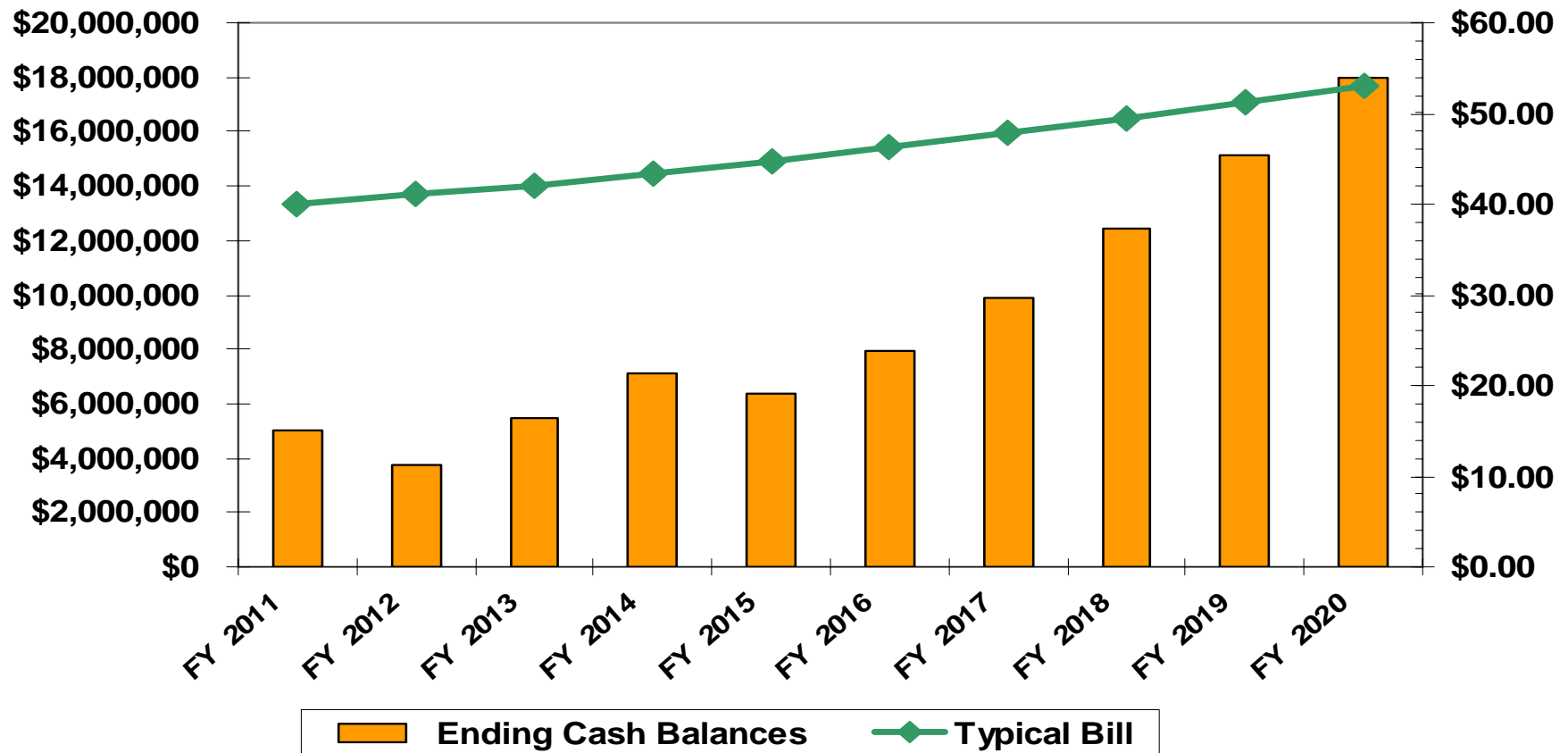
- Adjust Monthly BCU to 3,600, no FY 2011 rate increase
- Assume a 0.0% annual customer growth rate

| Line | Description | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|-------------------------------------|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Other Needs & Transfers: | | | | | | |
| 11 | Renewal and Replacement | \$ 1,500,000 | \$ 1,500,000 | \$ 1,500,000 | \$ 1,500,000 | \$ 1,500,000 |
| 12 | Grant Funding - ACOE | (1,594,127) | 0 | 0 | 0 | 0 |
| 13 | Inter-Fund Loan | 0 | 0 | 0 | 0 | 0 |
| 14 | Inter-Fund Loan Repayment | (158,312) | (158,312) | (158,312) | (158,312) | (158,312) |
| 15 | Total Other Needs & Trans. | \$ (252,439) | \$ 1,341,688 | \$ 1,341,688 | \$ 1,341,688 | \$ 1,341,688 |
| 16 | Operating Balance | \$ 1,428,440 | \$ 87,844 | \$ 172,120 | \$ 299,667 | \$ 442,971 |
| Beginning Cash Balance: | | | | | | |
| 17 | Revenue Surplus/Deficit | \$ 7,967,541 | \$ 6,602,985 | \$ 4,350,199 | \$ 4,321,952 | \$ 5,682,676 |
| 18 | Operating Balance | 1,428,440 | 87,844 | 172,120 | 299,667 | 442,971 |
| 19 | Renewal and Replacement Func | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| 19 | Capital Funded from Rate Rev. | (4,292,996) | (3,840,630) | (1,700,367) | (438,942) | (2,957,234) |
| 20 | Ending Cash Balance | \$ 6,602,985 | \$ 4,350,199 | \$ 4,321,952 | \$ 5,682,676 | \$ 4,668,414 |
| 21 | Required Cash Balance | \$ 2,024,143 | \$ 2,024,746 | \$ 2,075,365 | \$ 2,137,626 | \$ 2,201,755 |
| 22 | Surplus/Deficit Cash Balance | \$ 4,578,842 | \$ 2,325,453 | \$ 2,246,587 | \$ 3,545,050 | \$ 2,466,659 |

Financial Highlights

Scenario 2 (cont'd):

**Projected Ending Balances and
Monthly Bills for FY 2011 through FY 2020**



Customer Bill Impacts – Residential (Scenario 1)

| | Metered Water Use (gallons) | Est. Sewer Volume (gallons) | Bill Under Prior Year Rates | | | Bill Under Current Year Rates | | | Percent Charge |
|---------|-----------------------------------|-----------------------------------|-----------------------------|---------------------|-----------------|-------------------------------|---------------------|-----------------|-------------------|
| | | | Base Charge | Commodity Charge | Total Charge | Base Charge | Commodity Charge | Total Charge | |
| FY 2011 | 2,500 | 2,000 | \$22.91 | \$9.08 | \$31.99 | \$22.91 | \$9.08 | \$31.99 | 0.00% |
| | 4,625 | 3,700 | \$22.91 | \$16.80 | \$39.71 | \$22.91 | \$16.80 | \$39.71 | 0.00% |
| | 5,000 | 4,000 | \$22.91 | \$18.16 | \$41.07 | \$22.91 | \$18.16 | \$41.07 | 0.00% |
| | 6,250 | 5,000 | \$22.91 | \$22.70 | \$45.61 | \$22.91 | \$22.70 | \$45.61 | 0.00% |
| FY 2012 | 2,500 | 2,000 | \$22.91 | \$9.08 | \$31.99 | \$23.48 | \$9.30 | \$32.78 | 2.47% |
| | 4,625 | 3,700 | \$22.91 | \$9.08 | \$31.99 | \$23.48 | \$9.30 | \$40.69 | 2.47% |
| | 5,000 | 4,000 | \$22.91 | \$16.80 | \$39.71 | \$23.48 | \$17.21 | \$42.08 | 2.46% |
| | 6,250 | 5,000 | \$22.91 | \$18.16 | \$41.07 | \$23.48 | \$18.60 | \$46.73 | 2.46% |
| FY 2013 | 2,500 | 2,000 | \$23.48 | \$9.30 | \$32.78 | \$24.07 | \$9.54 | \$33.61 | 2.53% |
| | 4,625 | 3,700 | \$23.48 | \$17.21 | \$40.69 | \$24.07 | \$17.65 | \$41.72 | 2.54% |
| | 5,000 | 4,000 | \$23.48 | \$18.60 | \$42.08 | \$24.07 | \$19.08 | \$43.15 | 2.54% |
| | 6,250 | 5,000 | \$23.48 | \$23.25 | \$46.73 | \$24.07 | \$23.85 | \$47.92 | 2.55% |
| FY 2014 | 2,500 | 2,000 | \$24.07 | \$9.54 | \$33.61 | \$24.79 | \$9.82 | \$34.61 | 2.98% |
| | 4,625 | 3,700 | \$24.07 | \$17.65 | \$41.72 | \$24.79 | \$18.17 | \$42.96 | 2.97% |
| | 5,000 | 4,000 | \$24.07 | \$19.08 | \$43.15 | \$24.79 | \$19.64 | \$44.43 | 2.97% |
| | 6,250 | 5,000 | \$24.07 | \$23.85 | \$47.92 | \$24.79 | \$24.55 | \$49.34 | 2.96% |
| FY 2015 | 2,500 | 2,000 | \$24.79 | \$9.82 | \$34.61 | \$25.53 | \$10.12 | \$35.65 | 3.00% |
| | 4,625 | 3,700 | \$24.79 | \$18.17 | \$42.96 | \$25.53 | \$18.72 | \$44.25 | 3.01% |
| | 5,000 | 4,000 | \$24.79 | \$19.64 | \$44.43 | \$25.53 | \$20.24 | \$45.77 | 3.02% |
| | 6,250 | 5,000 | \$24.79 | \$24.55 | \$49.34 | \$25.53 | \$25.30 | \$50.83 | 3.02% |
| FY 2016 | 2,500 | 2,000 | \$25.53 | \$10.12 | \$35.65 | \$26.42 | \$10.48 | \$36.90 | 3.51% |
| | 4,625 | 3,700 | \$25.53 | \$18.72 | \$44.25 | \$26.42 | \$19.39 | \$45.81 | 3.52% |
| | 5,000 | 4,000 | \$25.53 | \$20.24 | \$45.77 | \$26.42 | \$20.96 | \$47.38 | 3.52% |
| | 6,250 | 5,000 | \$25.53 | \$25.30 | \$50.83 | \$26.42 | \$26.20 | \$52.62 | 3.52% |

Customer Bill Impacts – Residential (Scenario 2)

| | Metered Water Use (gallons) | Est. Sewer Volume (gallons) | Bill Under Prior Year Rates | | | Bill Under Current Year Rates | | | Percent Charge |
|---------|-----------------------------------|-----------------------------------|-----------------------------|---------------------|-----------------|-------------------------------|---------------------|-----------------|-------------------|
| | | | Base Charge | Commodity Charge | Total Charge | Base Charge | Commodity Charge | Total Charge | |
| FY 2011 | 2,500 | 2,000 | \$22.91 | \$9.08 | \$31.99 | \$22.91 | \$9.08 | \$31.99 | 0.00% |
| | 4,500 | 3,600 | \$22.91 | \$16.34 | \$39.25 | \$22.91 | \$16.34 | \$39.25 | 0.00% |
| | 5,000 | 4,000 | \$22.91 | \$18.16 | \$41.07 | \$22.91 | \$18.16 | \$41.07 | 0.00% |
| | 6,250 | 5,000 | \$22.91 | \$22.70 | \$45.61 | \$22.91 | \$22.70 | \$45.61 | 0.00% |
| FY 2012 | 2,500 | 2,000 | \$22.91 | \$9.08 | \$31.99 | \$23.48 | \$9.30 | \$32.78 | 2.47% |
| | 4,500 | 3,600 | \$22.91 | \$9.08 | \$31.99 | \$23.48 | \$9.30 | \$40.22 | 2.47% |
| | 5,000 | 4,000 | \$22.91 | \$16.34 | \$39.25 | \$23.48 | \$16.74 | \$42.08 | 2.46% |
| | 6,250 | 5,000 | \$22.91 | \$18.16 | \$41.07 | \$23.48 | \$18.60 | \$46.73 | 2.46% |
| FY 2013 | 2,500 | 2,000 | \$23.48 | \$9.30 | \$32.78 | \$24.07 | \$9.54 | \$33.61 | 2.53% |
| | 4,500 | 3,600 | \$23.48 | \$16.74 | \$40.22 | \$24.07 | \$17.17 | \$41.24 | 2.54% |
| | 5,000 | 4,000 | \$23.48 | \$18.60 | \$42.08 | \$24.07 | \$19.08 | \$43.15 | 2.54% |
| | 6,250 | 5,000 | \$23.48 | \$23.25 | \$46.73 | \$24.07 | \$23.85 | \$47.92 | 2.55% |
| FY 2014 | 2,500 | 2,000 | \$24.07 | \$9.54 | \$33.61 | \$24.79 | \$9.82 | \$34.61 | 2.98% |
| | 4,500 | 3,600 | \$24.07 | \$17.17 | \$41.24 | \$24.79 | \$17.68 | \$42.47 | 2.97% |
| | 5,000 | 4,000 | \$24.07 | \$19.08 | \$43.15 | \$24.79 | \$19.64 | \$44.43 | 2.97% |
| | 6,250 | 5,000 | \$24.07 | \$23.85 | \$47.92 | \$24.79 | \$24.55 | \$49.34 | 2.96% |
| FY 2015 | 2,500 | 2,000 | \$24.79 | \$9.82 | \$34.61 | \$25.53 | \$10.12 | \$35.65 | 3.00% |
| | 4,500 | 3,600 | \$24.79 | \$17.68 | \$42.47 | \$25.53 | \$18.22 | \$43.75 | 3.01% |
| | 5,000 | 4,000 | \$24.79 | \$19.64 | \$44.43 | \$25.53 | \$20.24 | \$45.77 | 3.02% |
| | 6,250 | 5,000 | \$24.79 | \$24.55 | \$49.34 | \$25.53 | \$25.30 | \$50.83 | 3.02% |
| FY 2016 | 2,500 | 2,000 | \$25.53 | \$10.12 | \$35.65 | \$26.42 | \$10.48 | \$36.90 | 3.51% |
| | 4,500 | 3,600 | \$25.53 | \$18.22 | \$43.75 | \$26.42 | \$18.86 | \$45.28 | 3.52% |
| | 5,000 | 4,000 | \$25.53 | \$20.24 | \$45.77 | \$26.42 | \$20.96 | \$47.38 | 3.52% |
| | 6,250 | 5,000 | \$25.53 | \$25.30 | \$50.83 | \$26.42 | \$26.20 | \$52.62 | 3.52% |

Customer Bill Impacts – Commercial (Scenario 1)

| Line | Description | Large Hotel | Medium Hotel | Small Hotel | Guest House |
|-----------------------------|----------------------------------|-------------|--------------|-------------|-------------|
| <u>PRIOR YEAR</u> | | | | | |
| 1 | Actual Wastewater Usage (gal/mo. | 1,301,640 | 686,634 | 28,914 | 16,100 |
| 2 | BCUs | 336 | 174 | 8 | 4 |
| 3 | BCU Charge | \$7,698 | \$3,986 | \$183 | \$92 |
| 4 | Commodity Charge | \$5,909 | \$3,117 | \$131 | \$73 |
| 5 | Typical Monthly Bill | \$13,607 | \$7,104 | \$315 | \$165 |
| <u>PROPOSED YEAR</u> | | | | | |
| 6 | Actual Wastewater Usage (gal/mo. | 1,301,640 | 686,634 | 28,914 | 16,100 |
| 7 | BCU | 336 | 174 | 8 | 4 |
| 8 | BCU Charge | \$7,698 | \$3,986 | \$183 | \$92 |
| 9 | Commodity Charge | \$5,909 | \$3,117 | \$131 | \$73 |
| 10 | Typical Monthly Bill | \$13,607 | \$7,104 | \$315 | \$165 |
| 11 | Percent Change | 0.00% | 0.00% | 0.00% | 0.00% |

Customer Bill Impacts – Commercial (Scenario 1)

| Line | Description | Downtown | | | |
|-----------------------------|-----------------------------------|------------|---------|-------|---------|
| | | Restaurant | Grocery | Shop | Laundry |
| <u>PRIOR YEAR</u> | | | | | |
| 1 | Actual Wastewater Usage (gal/mo.) | 81,506 | 60,940 | 1,786 | 54,934 |
| 2 | BCUs | 24 | 19 | 1 | 16 |
| 3 | BCU Charge | \$550 | \$435 | \$23 | \$367 |
| 4 | Commodity Charge | \$370 | \$277 | \$8 | \$249 |
| 5 | Typical Monthly Bill | \$920 | \$712 | \$31 | \$616 |
| <u>PROPOSED YEAR</u> | | | | | |
| 6 | Actual Wastewater Usage (gal/mo.) | 81,506 | 60,940 | 1,786 | 54,934 |
| 7 | BCU | 24 | 19 | 1 | 16 |
| 8 | BCU Charge | \$550 | \$435 | \$23 | \$367 |
| 9 | Commodity Charge | \$370 | \$277 | \$8 | \$249 |
| 10 | Typical Monthly Bill | \$920 | \$712 | \$31 | \$616 |
| 11 | Percent Change | 0.00% | 0.00% | 0.00% | 0.00% |

Customer Bill Impacts – Commercial (Scenario 2)

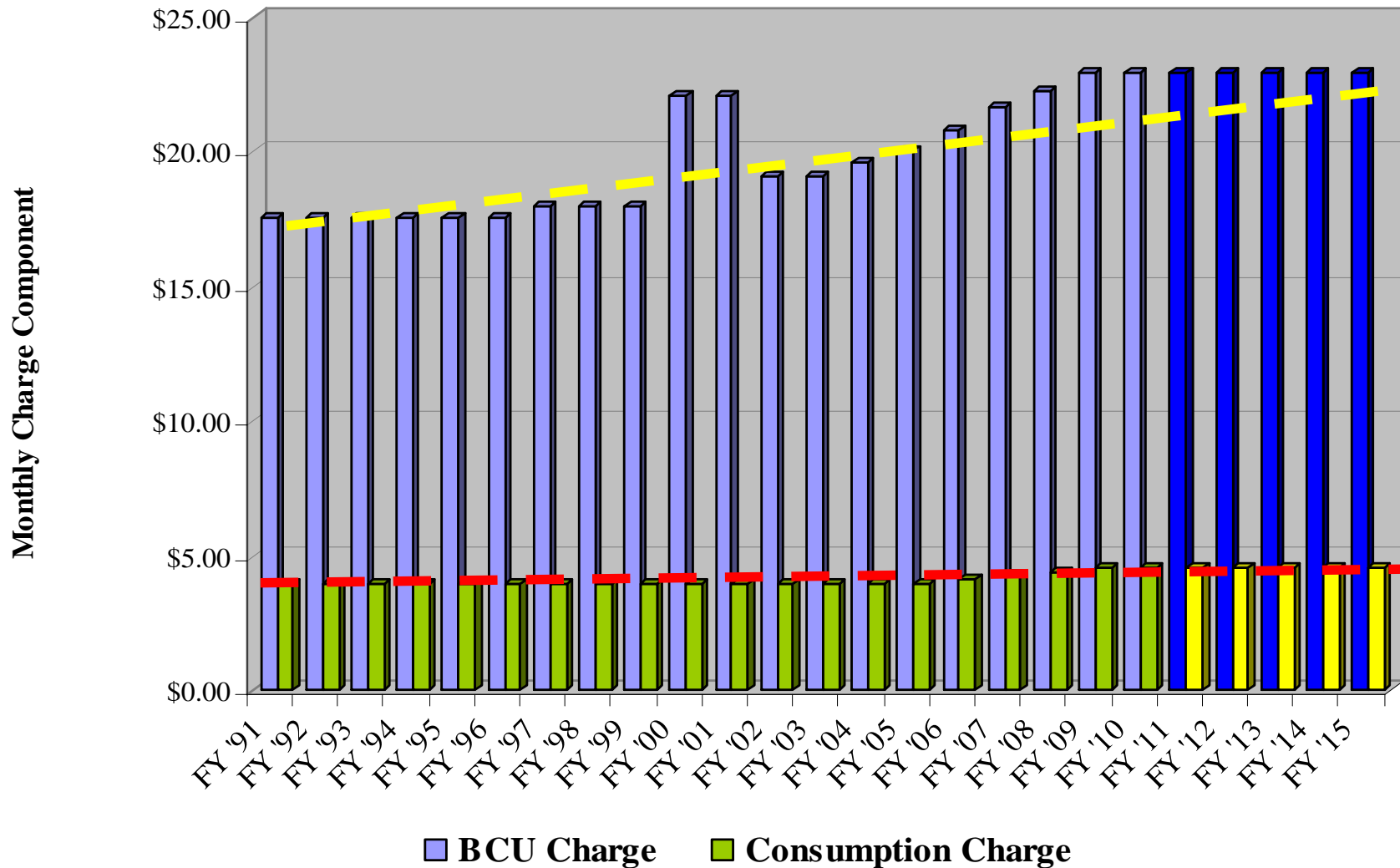
| Line | Description | Large Hotel | Medium Hotel | Small Hotel | Guest House |
|-----------------------------|-----------------------------------|-------------|--------------|-------------|-------------|
| <u>PRIOR YEAR</u> | | | | | |
| 1 | Actual Wastewater Usage (gal/mo.) | 1,301,640 | 686,634 | 28,914 | 16,100 |
| 2 | BCUs | 336 | 174 | 8 | 4 |
| 3 | BCU Charge | \$7,698 | \$3,986 | \$183 | \$92 |
| 4 | Commodity Charge | \$5,909 | \$3,117 | \$131 | \$73 |
| 5 | Typical Monthly Bill | \$13,607 | \$7,104 | \$315 | \$165 |
| <u>PROPOSED YEAR</u> | | | | | |
| 6 | Actual Wastewater Usage (gal/mo.) | 1,301,640 | 686,634 | 28,914 | 16,100 |
| 7 | BCU | 363 | 191 | 8 | 4 |
| 8 | BCU Charge | \$8,316 | \$4,376 | \$183 | \$92 |
| 9 | Commodity Charge | \$5,909 | \$3,117 | \$131 | \$73 |
| 10 | Typical Monthly Bill | \$14,226 | \$7,493 | \$315 | \$165 |
| 11 | Percent Change | 4.55% | 5.48% | 0.00% | 0.00% |

Customer Bill Impacts – Commercial (Scenario 2)

| Line | Description | Downtown | | | |
|-----------------------------|-----------------------------------|------------|---------|-------|---------|
| | | Restaurant | Grocery | Shop | Laundry |
| <u>PRIOR YEAR</u> | | | | | |
| 1 | Actual Wastewater Usage (gal/mo.) | 81,506 | 60,940 | 1,786 | 54,934 |
| 2 | BCUs | 24 | 19 | 1 | 16 |
| 3 | BCU Charge | \$550 | \$435 | \$23 | \$367 |
| 4 | Commodity Charge | \$370 | \$277 | \$8 | \$249 |
| 5 | Typical Monthly Bill | \$920 | \$712 | \$31 | \$616 |
| <u>PROPOSED YEAR</u> | | | | | |
| 6 | Actual Wastewater Usage (gal/mo.) | 81,506 | 60,940 | 1,786 | 54,934 |
| 7 | BCU | 24 | 19 | 1 | 16 |
| 8 | BCU Charge | \$550 | \$435 | \$23 | \$367 |
| 9 | Commodity Charge | \$370 | \$277 | \$8 | \$249 |
| 10 | Typical Monthly Bill | \$920 | \$712 | \$31 | \$616 |
| 11 | Percent Change | 0.00% | 0.00% | 0.00% | 0.00% |

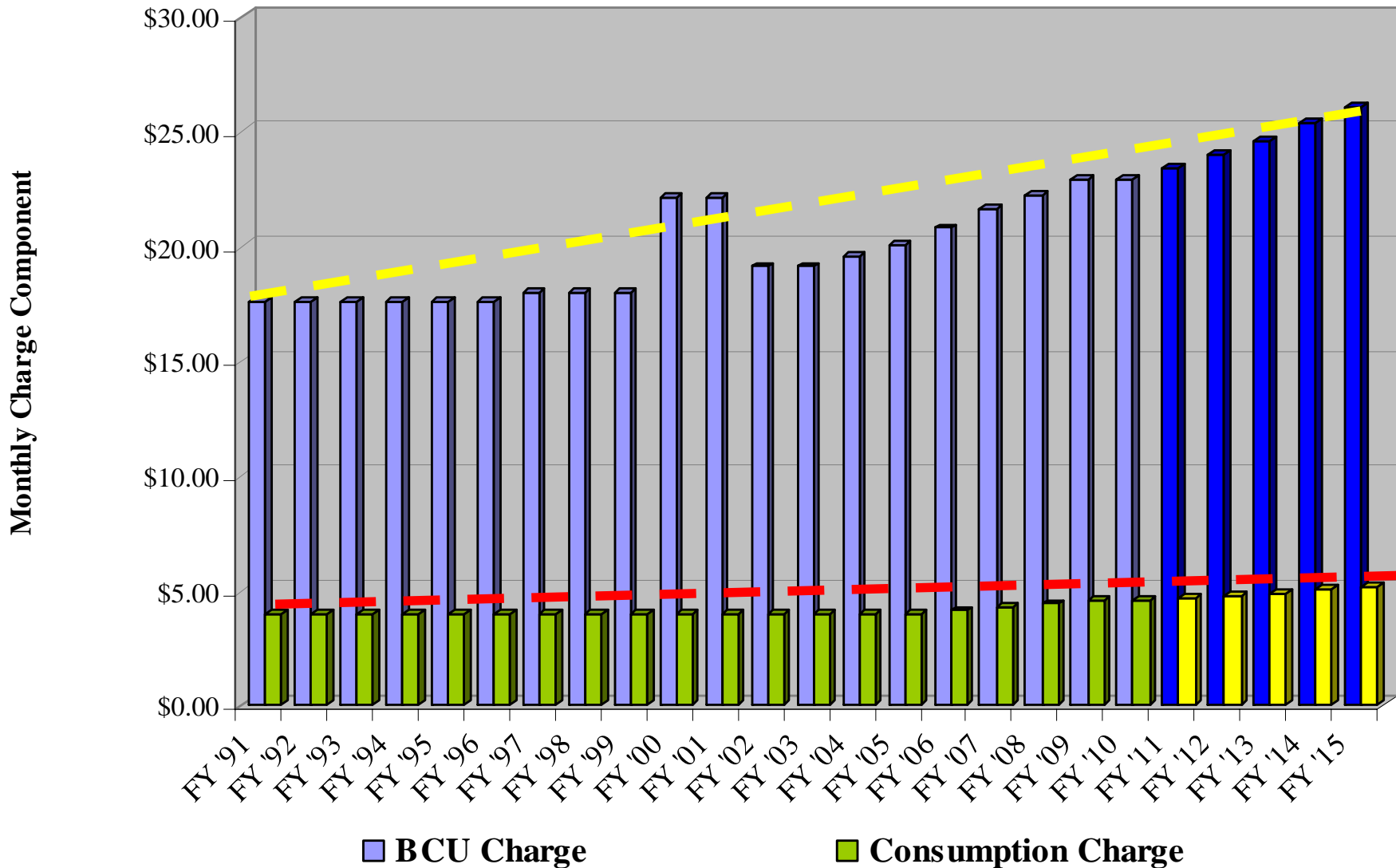
Historical Month Sewer Bill (Residential)

Summary of Historical Monthly Sewer Charges (No Action)



Historical Month Sewer Bill (Residential)

Summary of Historical Monthly Sewer Charges (Action)



Sound Utility Rate Making

- **Implementing sufficient annual rate increases that tracks with the annual escalation in the cost to provide service.**
 - **Prevents a significant one-time rate increase**
- **Maintain rates that fully fund a Utility's asset maintenance schedule**
 - **Maintain adequate levels of service (aging infrastructure)**
- **Allows the Utility to abide by specific financial and regulatory requirements**
- **Allows a Utility to plan for unforeseen events**
- **Allows the City of Key West to develop rate that minimizes the financial impact on a customers monthly bill**

Points of Uncertainty

- **Recently, the south Florida region experienced a severe drought**
 - Reduced drought restrictions does not equal increased revenues
 - Forecasting future water usage patterns may be difficult
 - Understanding the post drought customer usage patterns may be difficult.
- **The impact of the tourism economy cannot be quantified based on the information provided to the City.**
 - Low occupancy rates of vacation facilities will reduce water usage
- **The impact of the real estate market (foreclosures) is not been tracked within the City.**

Recommendations

- **Recommend adjusting the Monthly BCU to 3,600 from 3,700 as illustrated in the Scenario 2 Financial Forecast.**
- **Formulate a monitoring program to track the economic and environmental characteristics of the City as it relates to the Sewer System in an effort to identify environmental, water usage, and customer attrition impacts on the Sewer System.**
 - **Reduced Water Usage**
 - **Tourism Sector**