OVERVIEW OF PROPOSED FY2018 WATER AND SEWER RATE INCREASE

WATER: Over the next three years (FY2018 thru FY 2020) the water fund will add $1.7M in added debt payments for the Eastern and Western Raw Water Projects.

- Fiscal Year 2018:   overall return of $0.29 per 1000 gallons sold
- Fiscal Year 2019:   overall return of $0.29 per 1000 gallons sold
- Fiscal Year 2020:   overall return of $0.13 per 1000 gallons sold

The following will occur in FY2018:

a)   Forecasted revenue from rate increase: $523,500/yr.

Two sources of additional revenue may are not included in the forecast:
- Sales volumes for FY2015-2016 were used in the forecast; sales growth beyond that of Fiscal Year 2015-2016 could generate added revenue.
- The minimum monthly usage could generate revenue that exceeds the forecast. We have no means to calculate this amount without software that will itemize the individual bills (to be available FY 2019); an estimate is $125,000. Whereas the minimum bill will be $9.33 per month; those customers with zero, 1,000 and 2,000 gallons consumption will actually incur a unit rate greater than the $3.11 / 1000 that was used in the forecast.

b)   Customer Impacts:
- $0.92 (11.0%)per month for the minimum City user with a 5/8" meter
- $0.93 (6.3%) per month for the typical City residential user of 5,000 gallons
- $5,956 (14.5%) per month for our largest City water user
- $1.18 (8.4%)per month for the minimum Rural user with a 5/8" meter
- $1.88 (8.0%) per month for the typical Rural residential user of 5,000 gallons
- $2,690 (3.8%) per month for our largest Rural water user
- See graph as Harrisonburg's cost for 5,000 and 1,000,000 gallon usage per month remains very favorable statewide

c)   The proposed rate increases vary within the rate blocks with purpose to begin redirecting our revenue streams toward the recommendations from our first Cost Allocation Study. An initial effort will be to reduce the gap between the target revenue versus actual revenue needed from the City large user group. We will refine our cost allocations and our targets over the next two years.

d)   The rate structure has become very simplified. Instead of four tiers of rates for both the City and Rural, we now have only two for each.

SEWER:

The forecasted Fy2017 Sewer Fund Balance has a Liquidity Index (ratio of fund balance to cash revenue) of 34%; but will be decreased over the next four years to 28%. Limited sewer fund adjustments are due to the heavier rate adjustments to the water fund during this period. The effort over the next four years will be to maintain the Fund Balance at or above 30% of cash revenue while also adequately funding the budget. The challenge is the needed attention to infiltration & inflow projects (CIP). Proposed rate adjustments are:

- Fiscal Year 2018: overall return of $0.05 per 1000 gallons sold
- Fiscal Year 2019: overall return of $0.05 per 1000 gallons sold
- Fiscal Year 2020: overall return of $0.05 per 1000 gallons sold

The following will occur in FY2018:

a) Forecasted revenue from rate increase: $88,000/yr.

   The focus for FY2018 is to continue to target I&I reduction projects. The added revenue plus use of $200,000+ from fund balance has allowed HPU to maintain $500,000 in the CIP fund for I&I abatement in FY 2018 (Weak R&R Financial Index).

b) Customer Impacts:
   - $0.15 per month for the minimum City user with a 5/8" meter
   - $0.25 per month for the typical City residential user of 5,000 gallons
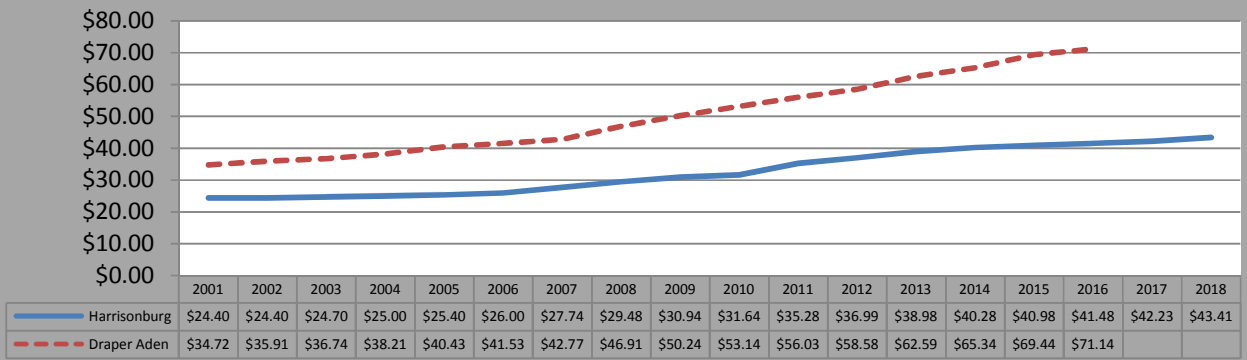   - $880 per month for our largest City water user
   - $0.15 per month for the minimum Rural user with a 5/8" meter
   - $1.25 per month for the typical Rural residential user of 5,000 gallons
   - See graph as Harrisonburg's cost for 5,000 and 1,000,000 gallon usage per month remains very favorable statewide

<u>User Impact</u>

Harrisonburg remains very competitive with combined water and sewer rates for both residential users (5,000 gallons per month) and Industrial Users (1M gallons per month) in comparison to the Virginia Statewide Control Group (selected mix of geographic and sizes of utilities).

Comparison of Harrisonburg vs Virginia Control Survey Group for 5,000 Gallons Water + Sewer Monthly Use

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Harrisonburg	$24.40	$24.40	$24.70	$25.00	$25.40	$26.00	$27.74	$29.48	$30.94	$31.64	$35.28	$36.99	$38.98	$40.28	$40.98	$41.48	$42.23	$43.41
Draper Aden	$34.72	$35.91	$36.74	$38.21	$40.43	$41.53	$42.77	$46.91	$50.24	$53.14	$56.03	$58.58	$62.59	$65.34	$69.44	$71.14		

Comparison of Harrisonburg Vs Virginia Control Survey Group for 1M Gallons Water + Sewer Monthly Use

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Harrisonburg	$4,442	$4,442	$4,442	$4,562	$4,592	$4,712	$5,062	$5,412	$5,702	$5,842	$5,987	$6,912	$7,312	$7,572	$7,712	$7,812	$7,962	$8,212
Draper Aden Control Group	$5,650	$5,778	$6,084	$6,499	$6,615	$7,067	$7,425	$7,916	$8,438	$8,808	$9,112	$9,363	$10,907	$11,366	$11,991	$13,095		