



City of Boynton Beach User Rate Charge Update

David Green - Economist

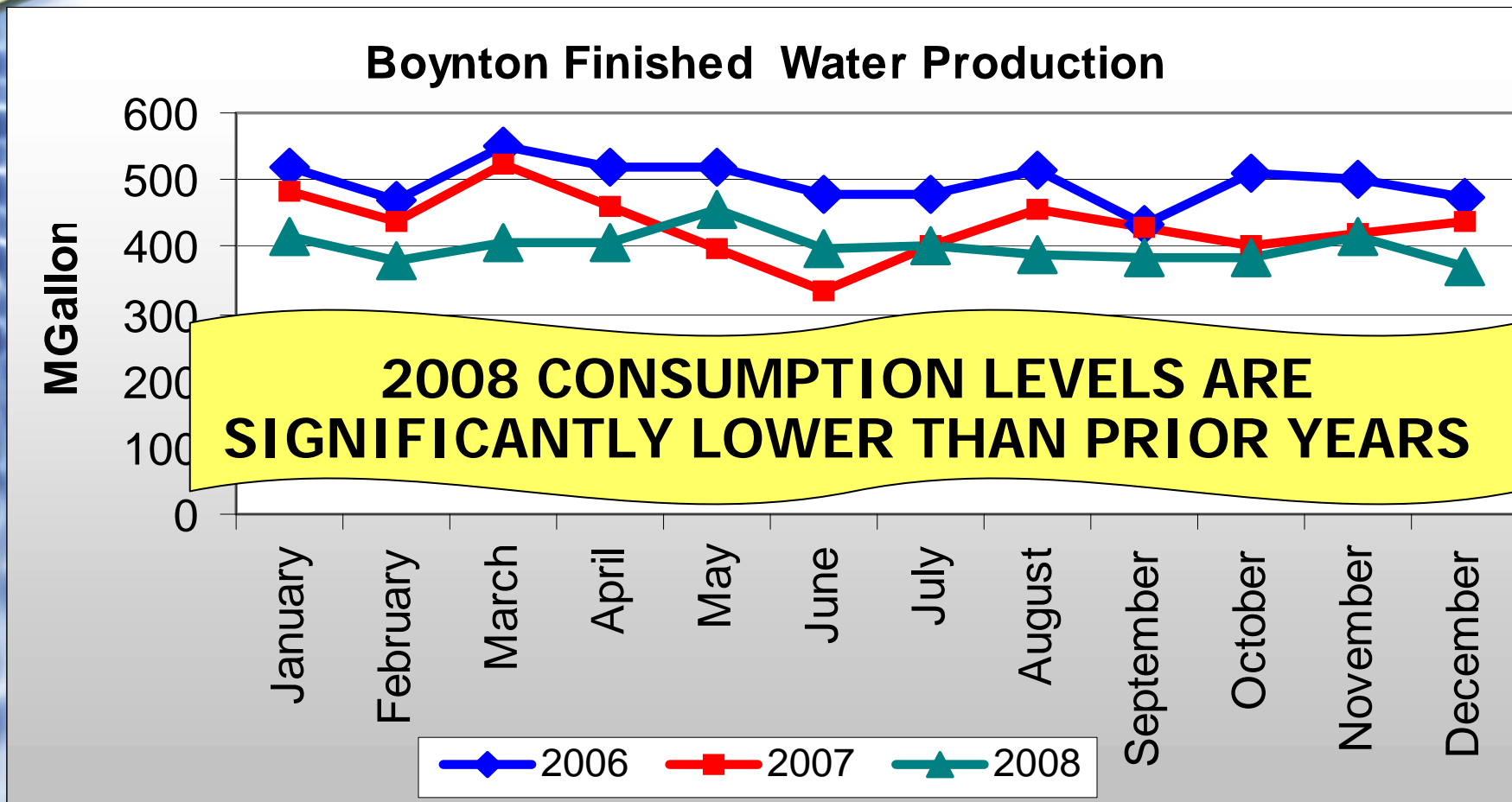


March 3, 2009

Current Situation

- Previous rate analysis completed in early 2007
- Proposed rate adjustments were based on typical user demands and historical growth rates
- SFWMD water use restrictions significantly curtailed water usage and resulting rate revenues for utilities throughout South Florida
- Decline in rate of system growth due to disruptions in housing and financial markets reduced impact fee revenues and growth in rate revenues throughout the region
- SFWMD is indicating that drought restrictions will remain in effect year around with associated reduced revenues

Current Situation (cont): Boynton Beach Water Yearly Consumption



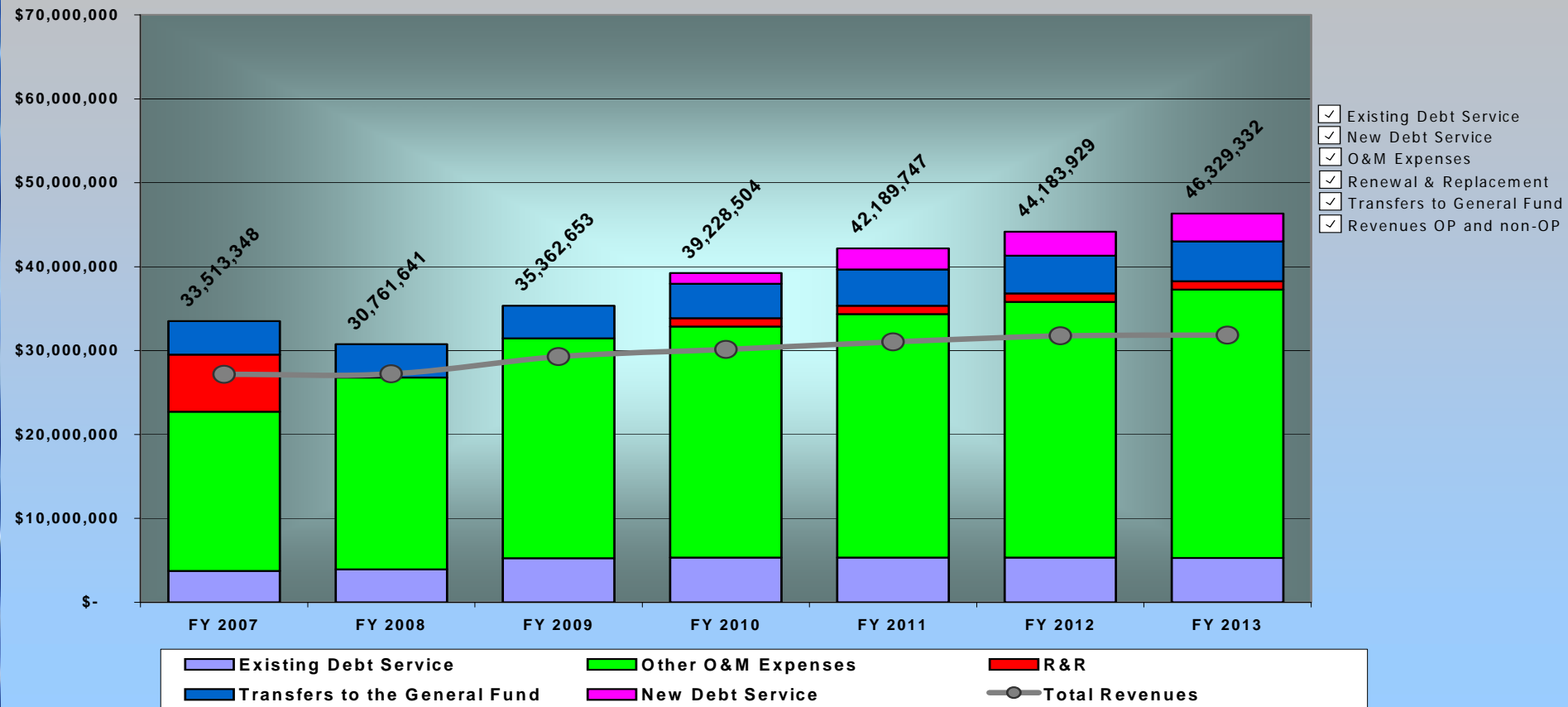
Current Situation (cont)

- Combined utility revenues were less than projected revenue requirements by about \$3.5 Million in FY 2008
- Projected financial results for FY 2009 anticipate expenditures exceeding costs by about \$6.1 Million
- Utilities are forecast to not meet their minimum debt service coverage requirement in FY 2009, without a rate adjustment
- Utilities did not fund any transfers to its R&R Fund in FY 2008 or in FY 2009.
- Utilities has deferred approximately 20% of its annual Capital Improvement Program to later periods
- Approximately ½ of FY 2009 will have elapsed before any rate adjustment could be implemented.

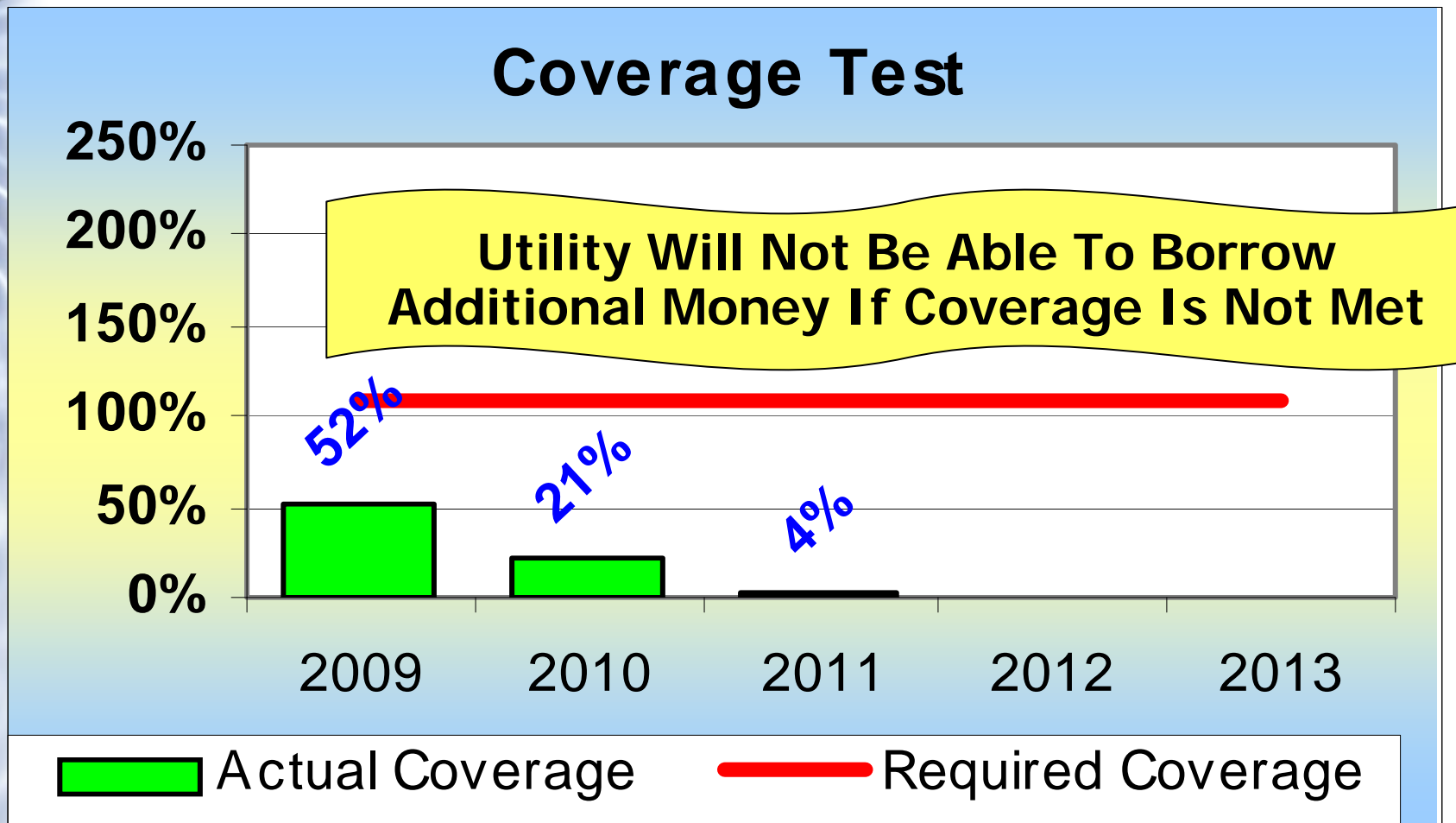
Overall System Current Financial Situation

Current Rates Produce Less Revenue Than Needed to Meet Expenses

Boynton Beach Utilities
Forecasting Scenarios
Short Term



Projected System Debt Service Coverage with Current Rates



Financial Plan Assumptions

- Utilities will fund R&R account at \$1M/yr beginning in FY 2010
- Planned CIP assumes deferral of 20% of planned improvements until after FY 2013.
- Debt issuance of \$13 M in FY 2010, \$13M in FY 2011, \$9M in FY 2012, and \$12.5M in FY 2013.
- Proposed rate adjustments are designed to meet coverage requirements in FY 2009 and FY 2010, and fully fund the utility's revenue requirements in FY 2010 and beyond.
- Proposed rate adjustment in FY 2009 will be implemented in March of 2009, and will remain in effect through FY 2010.

Proposed Rate Adjustments

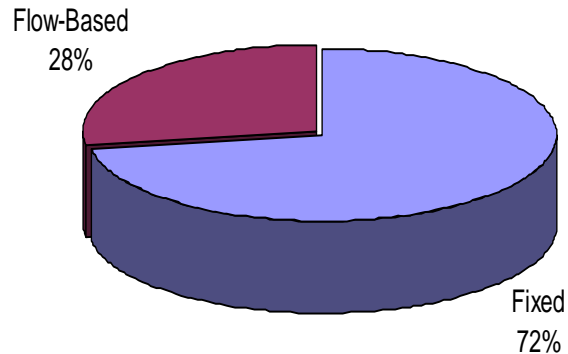
- Two Rate Adjustment Scenarios were considered:
 - 1) The proposed rate increases for the water and sewer systems will be allocated proportional to the current base and volume structures (Approximately 35% Base Facility Charge, 65% Volume Charge) This results in a uniform percentage increase in both base facility charge and volume charges.
 - 2) The proposed rate increases for the water and sewer systems will be allocated (75%) to the base facility charge and (25%) to the commodity. As a result, the percentage increases in the base and volume charges will differ under this scenario.

Revenue – Base Charge vs. Commodity Charges (June 2008)

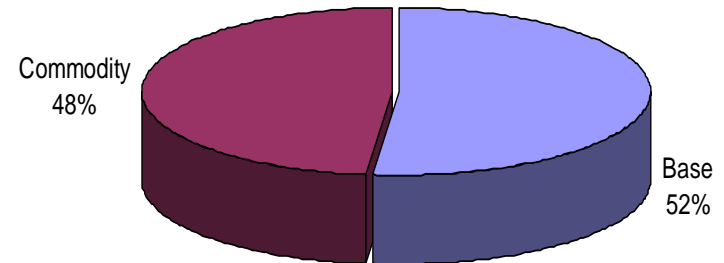
*Fixed Costs amount to
72% of Expenses*

*Current Rate structure is
Commodity-driven*

**EXPENSES -
FIXED COSTS VS. FLOW-BASED COSTS**



**INCOME -
BASE CHARGES VS. COMMODITY CHARGES**
Based on June 2008



Impact on Typical Residential Bill with Current Rate Structure & 5% Annual Increase in O&M at 5K Gals

	Current 2009	Proposed 2009	Proposed 2010	Proposed 2011	Proposed 2012	Proposed 2013
Water Minimum	\$4.84	\$7.47	\$7.47	\$7.97	\$8.30	\$8.78
Water Volume	\$6.35	\$9.87	\$9.87	\$10.50	\$10.92	\$11.50
Sewer Minimum	\$12.03	\$14.68	\$14.68	\$15.29	\$15.78	\$17.02
Sewer Volume	\$9.15	\$11.16	\$11.16	\$11.60	\$11.95	\$12.81
Stormwater	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Total	\$37.37	\$48.17	\$48.17	\$50.36	\$51.94	\$55.12

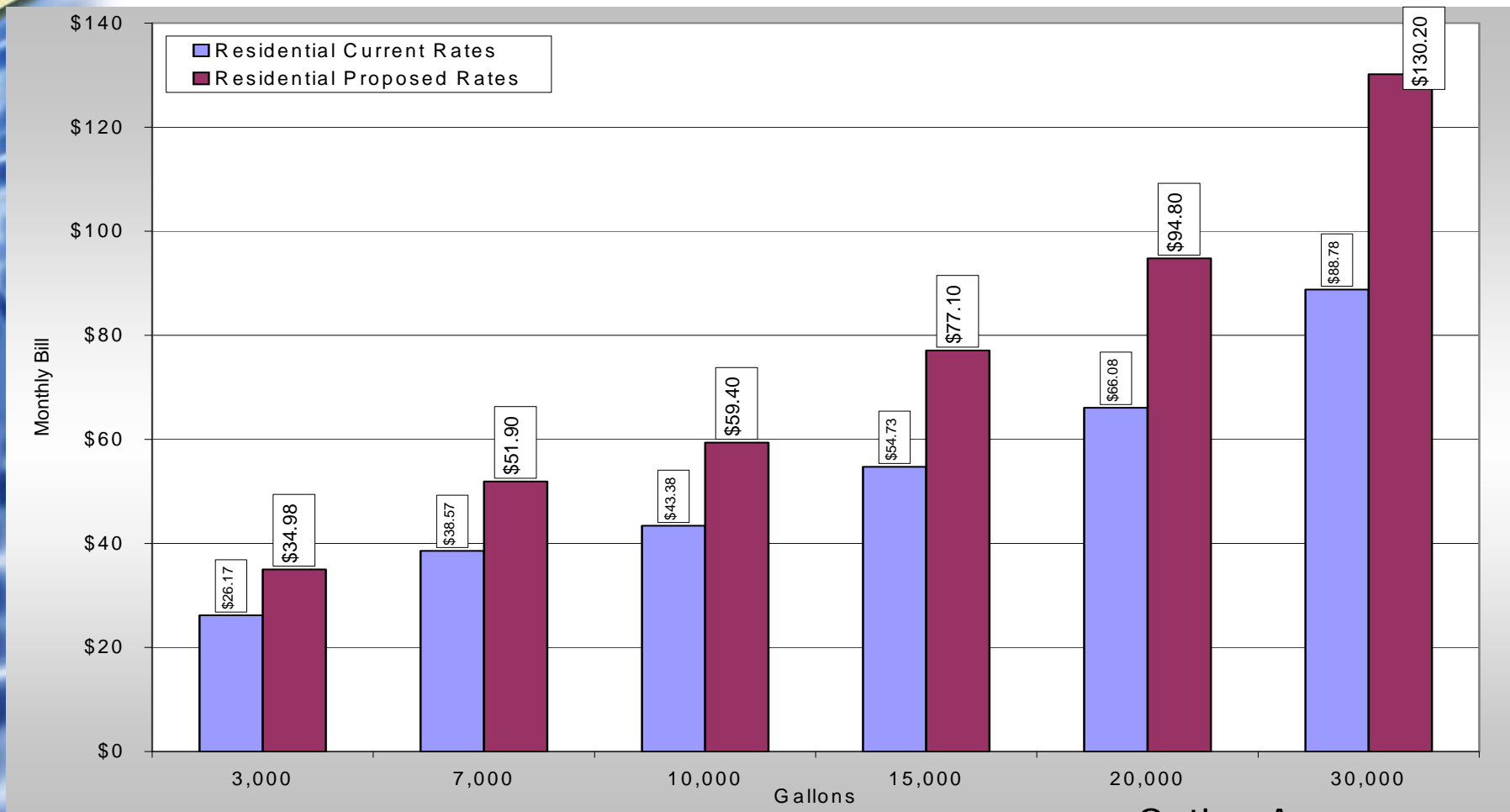
Option A

Impact on Typical Residential Bill with 75% of Increase in Base Charge/25% Volume Charge & 5% Annual Increase in O&M at 5K Gals

	Current 2009	Proposed 2009	Proposed 2010	Proposed 2011	Proposed 2012	Proposed 2013
Water Minimum	\$4.84	\$11.05	\$11.05	\$12.22	\$12.71	\$14.10
Water Volume	\$6.35	\$7.65	\$7.65	\$7.89	\$7.98	\$8.25
Sewer Minimum	\$12.03	\$17.22	\$17.22	\$18.37	\$19.29	\$21.47
Sewer Volume	\$9.15	\$10.03	\$10.03	\$10.21	\$10.35	\$10.69
Stormwater	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Total	\$37.37	\$50.95	\$50.95	\$53.69	\$55.33	\$59.51

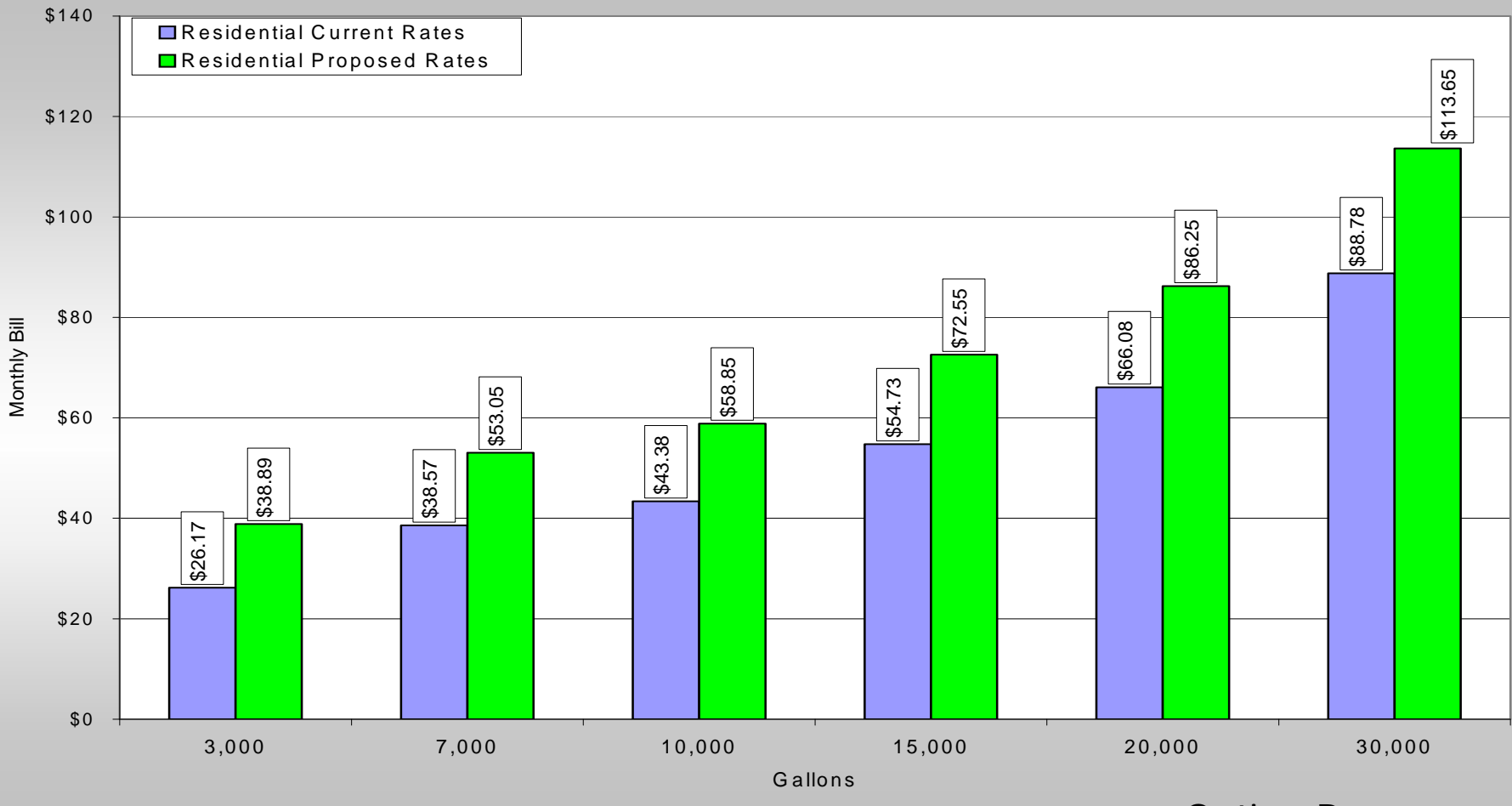
Option B

Impact of Proposed FY 2009 Rates on Residential Users' Bills at Different Levels of Usage with Current Rate Structure and 5% Annual Increase in O&M



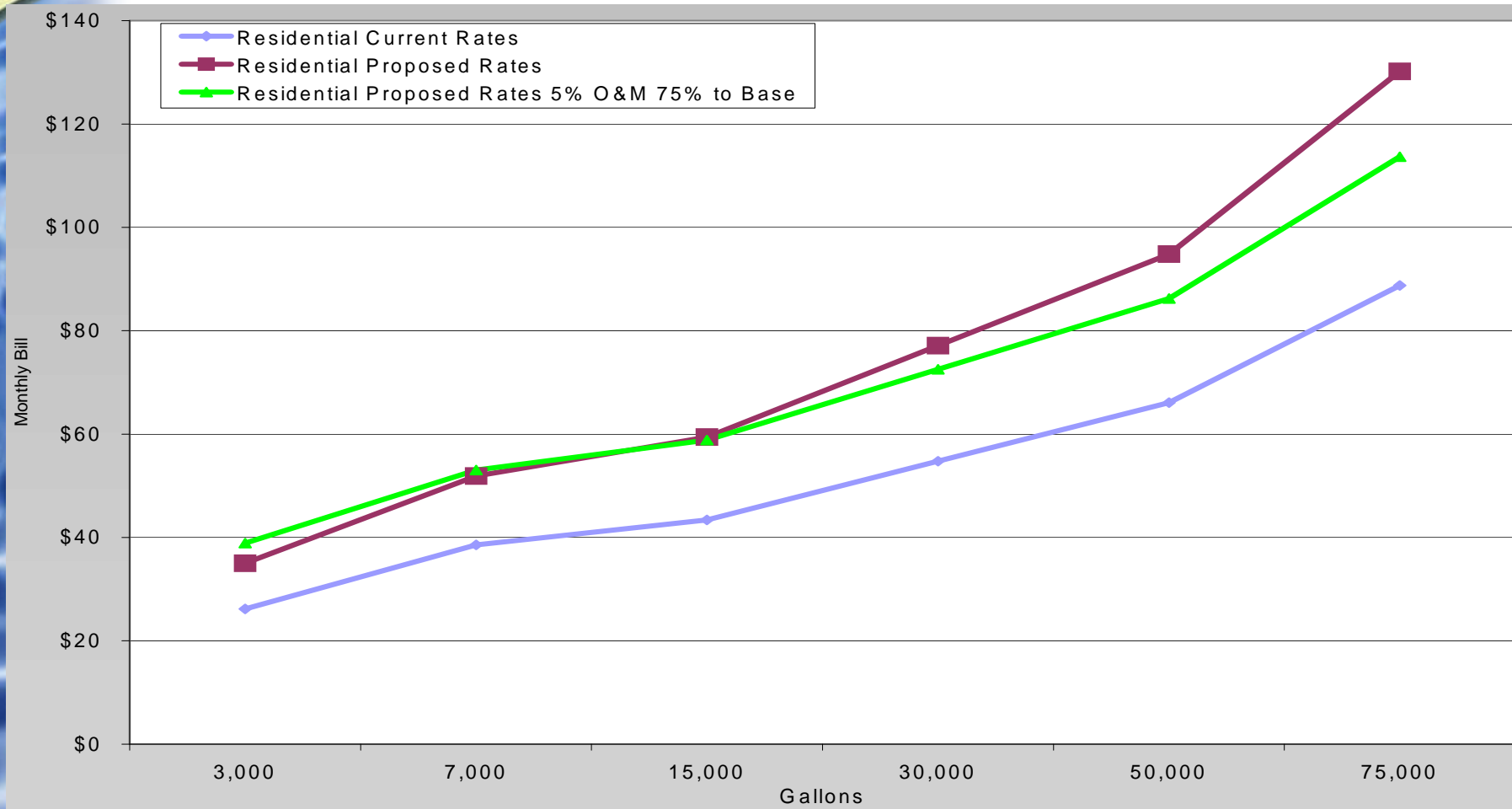
Option A

Impact of Proposed FY 2009 Rates on Residential Users' Bills at Different Levels of Usage with 75% Base Distribution & 5% Annual Increase in O&M

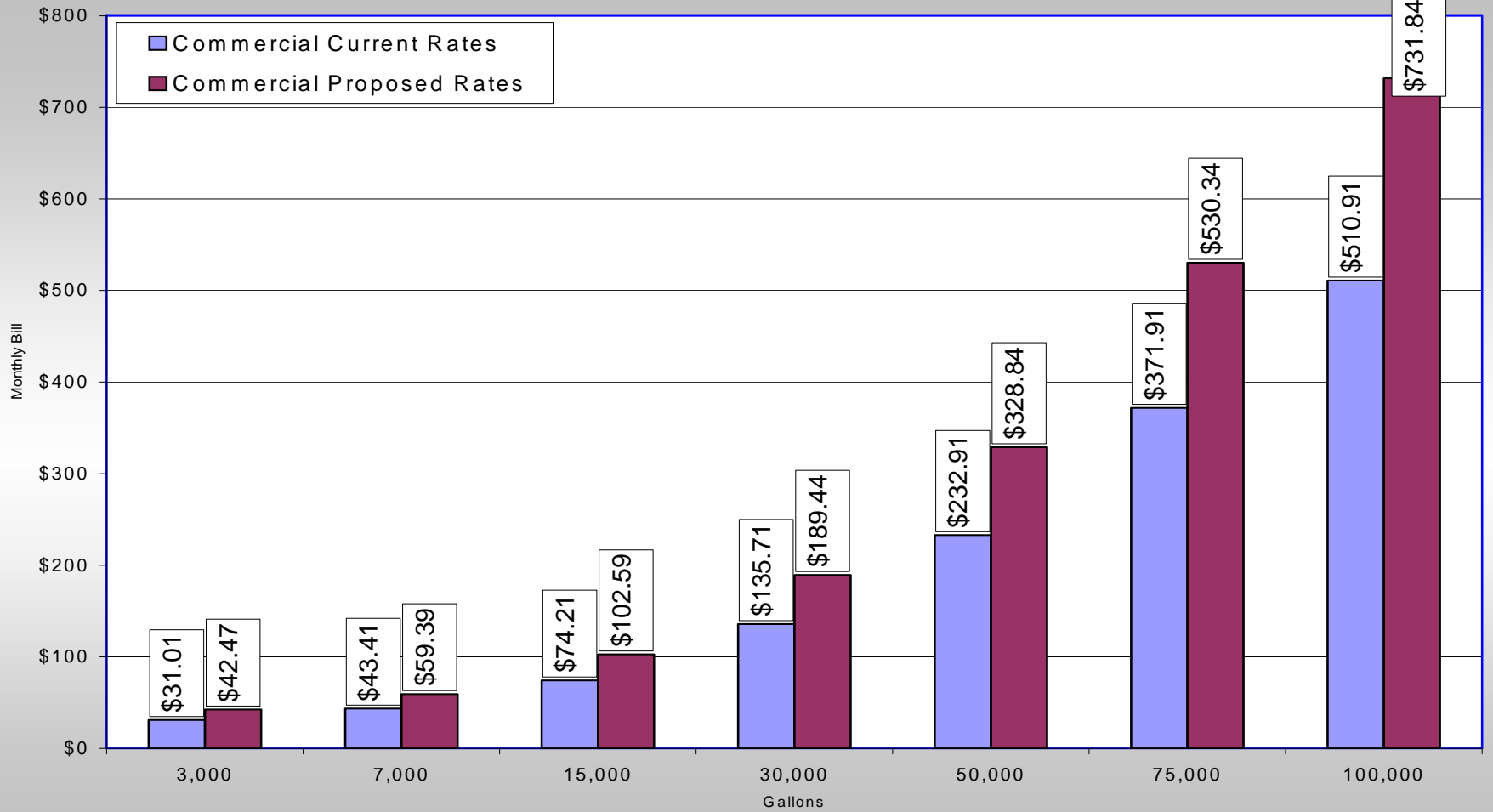


Option B

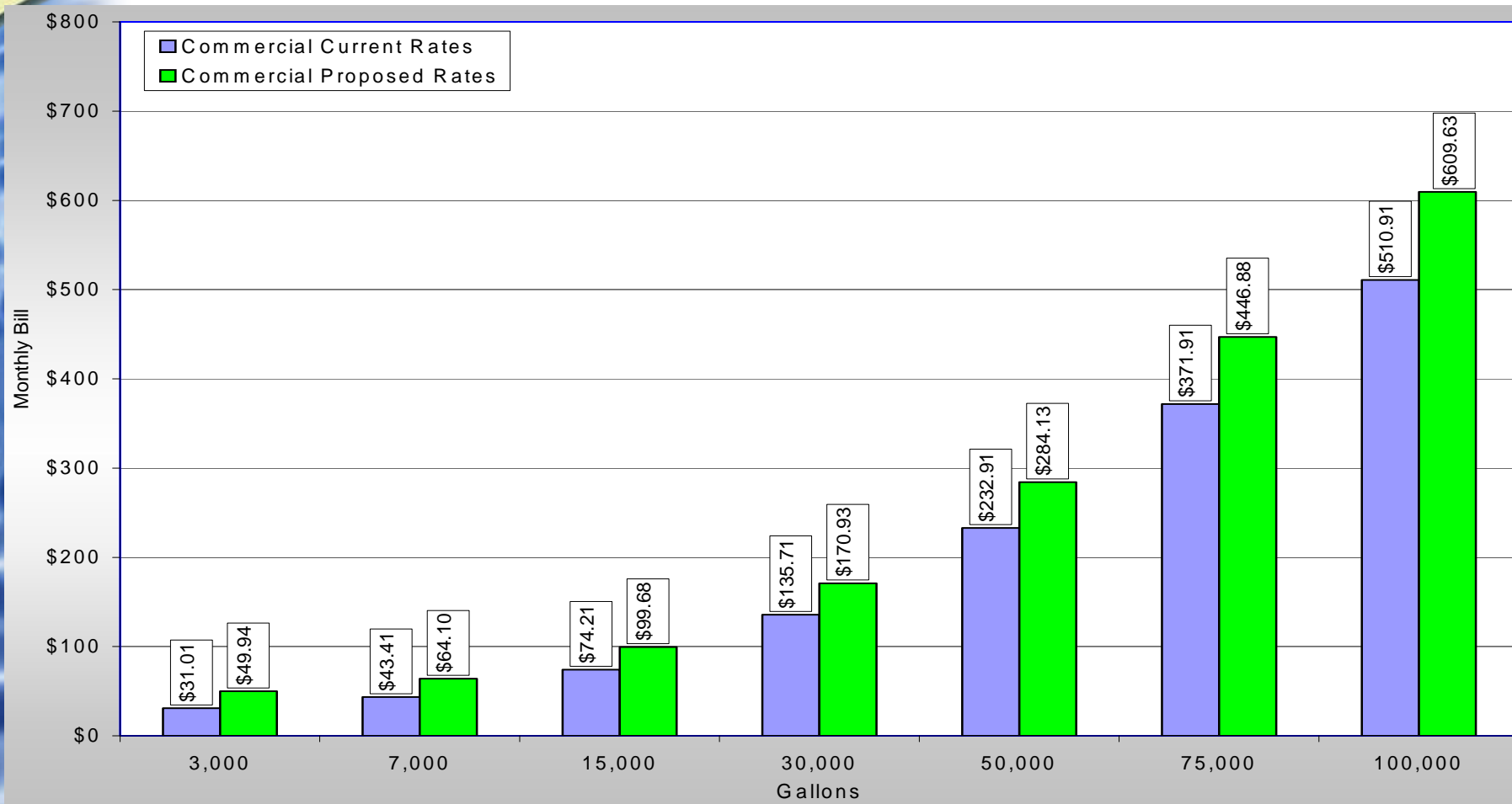
Residential Comparison Bill – Current Bill, 5% O&M, and 5% O&M 75% to Base Charge



Impact of Proposed FY 2009 Rates on Commercial Users' Bills at Different Levels of Usage with Current Rate Structure and 5% Annual Increase in O&M

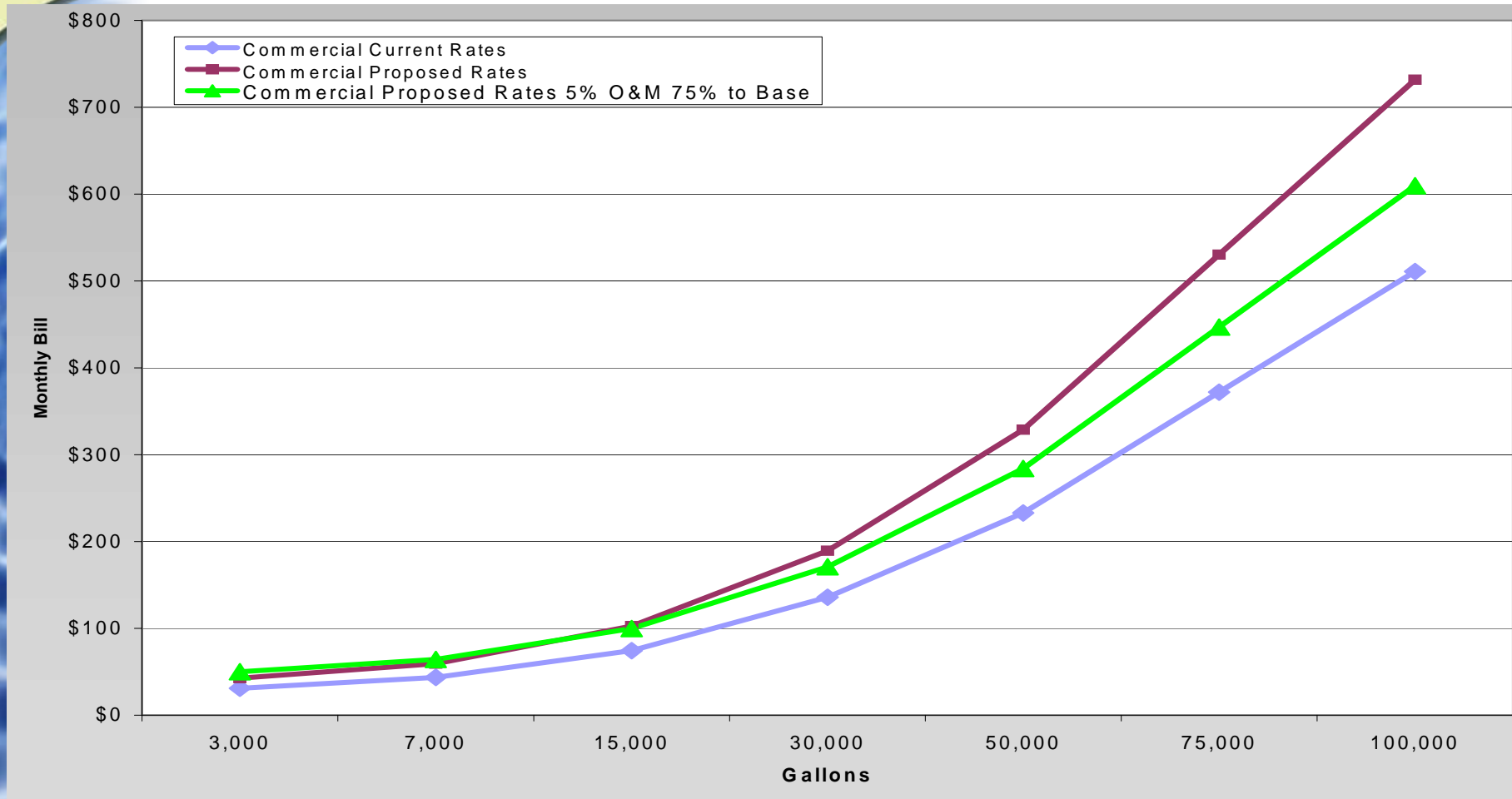


Impact of Proposed FY 2009 Rates on Commercial Users' Bills at Different Levels of Usage with 75% Base Distribution & 5% Annual Increase in O&M



Option B

Commercial Bill Comparison – Current Bill, 5% O&M, and 5% O&M 75% to Base Charge



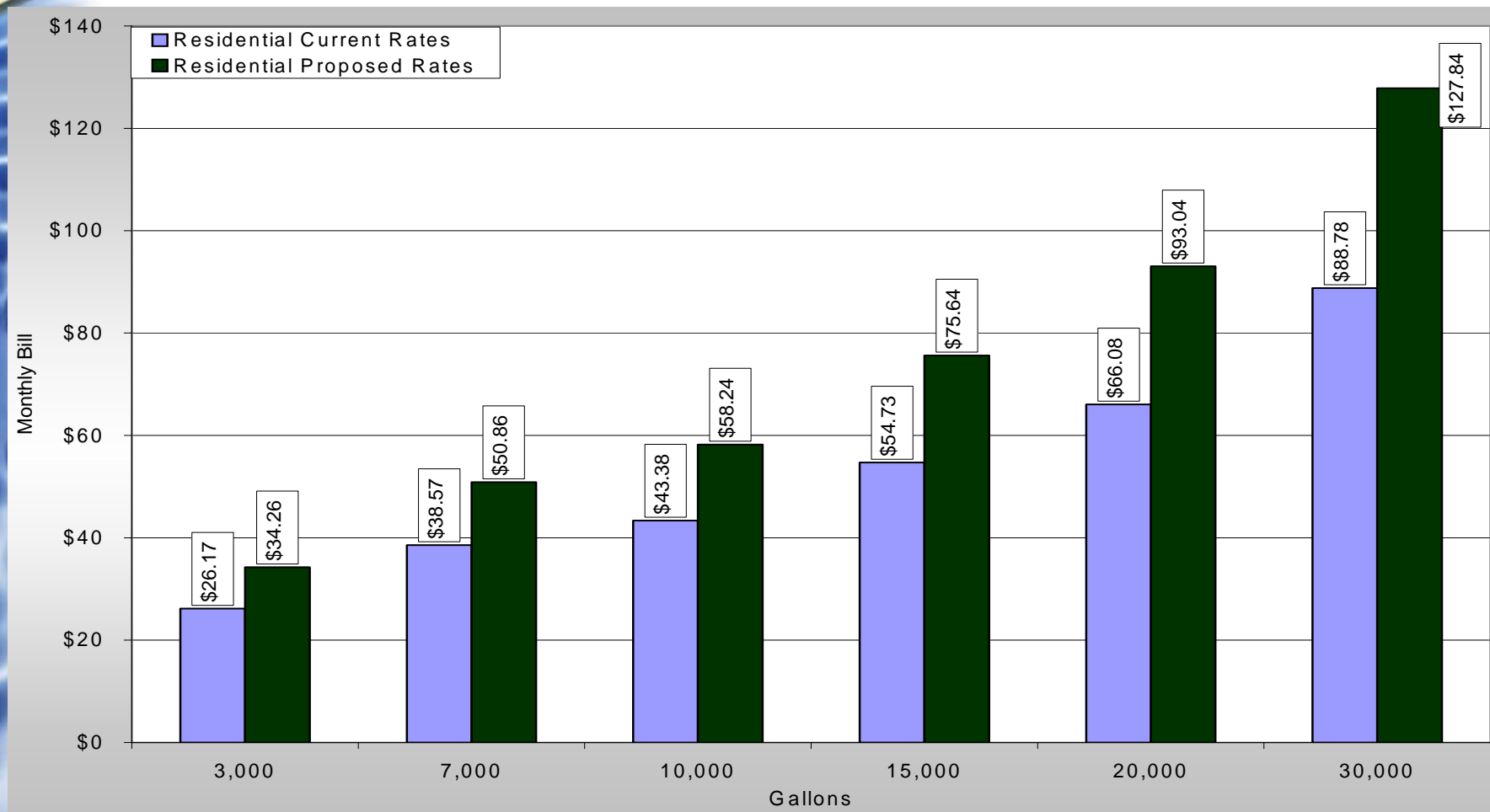
Impact on Typical Residential Bill with Current Distribution & 2.5% Annual Increase in O&M at 5K Gals Compared to 5% Annual O&M Costs

	Current 2009	2009	2010	2011	2012	2013	
Water Minimum	2.5%	\$4.84	\$7.37	\$7.37	\$7.71	\$7.88	\$8.29
	5.0%	\$4.84	\$7.47	\$7.47	\$7.97	\$8.30	\$8.78
Water Volume	2.5%	\$6.35	\$9.74	\$9.74	\$10.17	\$10.38	\$10.88
	5.0%	\$6.35	\$9.87	\$9.87	\$10.50	\$10.92	\$11.50
Sewer Minimum	2.5%	\$12.03	\$14.44	\$14.44	\$14.96	\$15.12	\$15.92
	5.0%	\$12.03	\$14.68	\$14.68	\$15.29	\$15.78	\$17.02
Sewer Volume	2.5%	\$9.15	\$10.98	\$10.98	\$11.36	\$11.47	\$12.03
	5.0%	\$9.15	\$11.16	\$11.16	\$11.60	\$11.95	\$12.81
Stormwater	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	
Total 2.5% O&M Costs	\$37.37	\$47.53	\$47.53	\$49.21	\$49.85	\$52.12	
Total 5% O&M Costs	\$37.37	\$48.17	\$48.17	\$50.36	\$51.94	\$55.12	

Impact on Typical Residential Bill with 75% Base/25% Volume Distribution & 2.5% O&M at 5K Gals

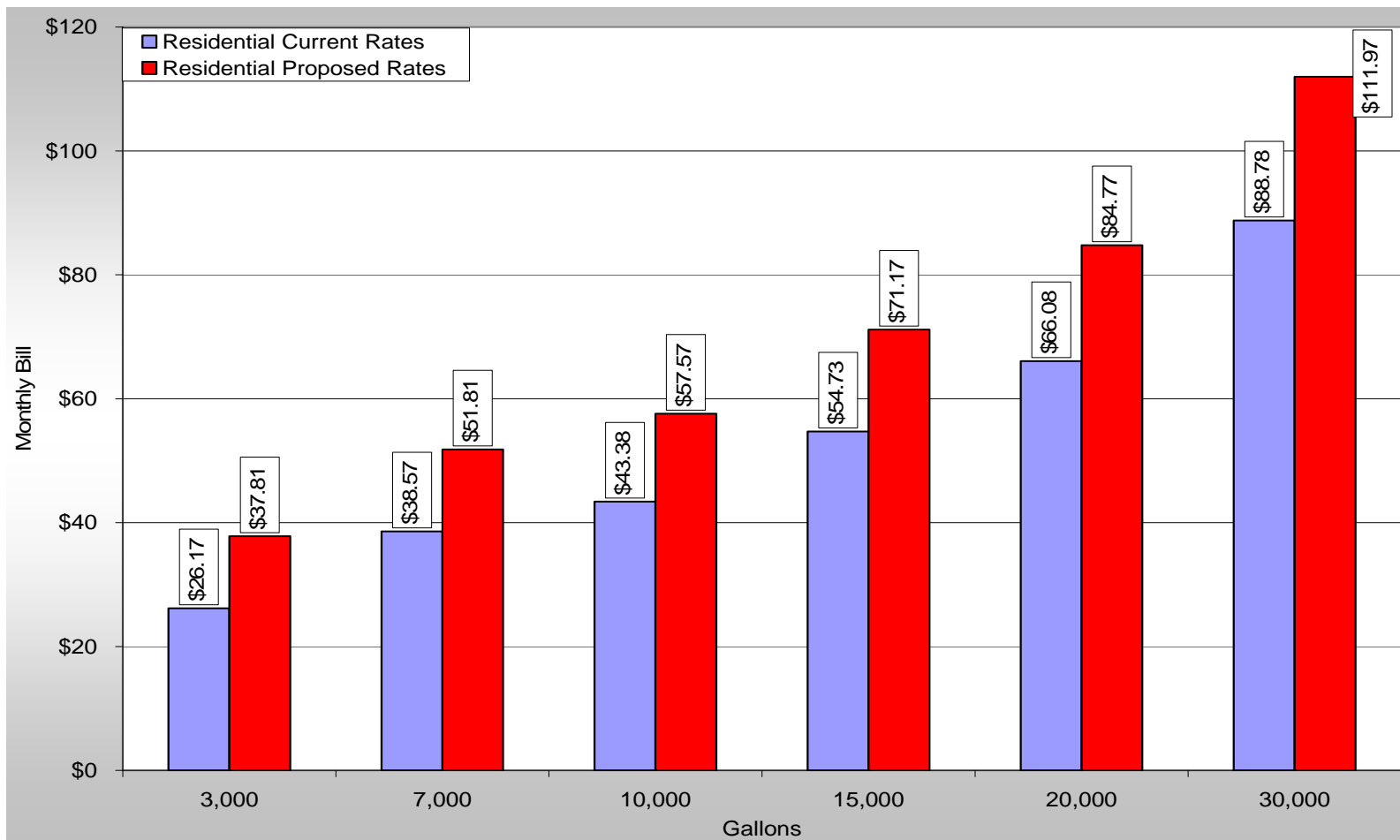
	Current 2009	2009	2010	2011	2012	2013	
Water Minimum	2.5%	\$4.84	\$10.77	\$10.77	\$11.57	\$11.95	\$12.91
	5.0%	\$4.84	\$11.05	\$11.05	\$12.22	\$12.71	\$14.10
Water Volume	2.5%	\$6.35	\$7.60	\$7.60	\$7.75	\$7.83	\$8.01
	5.0%	\$6.35	\$9.87	\$9.87	\$10.50	\$10.92	\$11.50
Sewer Minimum	2.5%	\$12.03	\$16.54	\$16.54	\$17.52	\$17.83	\$19.32
	5.0%	\$12.03	\$17.22	\$17.22	\$18.37	\$19.29	\$21.47
Sewer Volume	2.5%	\$9.15	\$9.91	\$9.91	\$10.07	\$10.12	\$10.35
	5.0%	\$9.15	\$10.03	\$10.03	\$10.21	\$10.35	\$10.69
Stormwater	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	
Total 2.5% O&M Costs	\$37.37	\$49.82	\$49.82	\$51.91	\$52.73	\$55.59	
Total 5% O&M Costs	\$37.37	\$50.95	\$50.95	\$53.69	\$55.33	\$59.51	

Impact of the Proposed FY 2009 Rates on Residential Users' Bills at Different Levels of Usage with Current Rate Structure with 2.5% Annual Increase in O&M

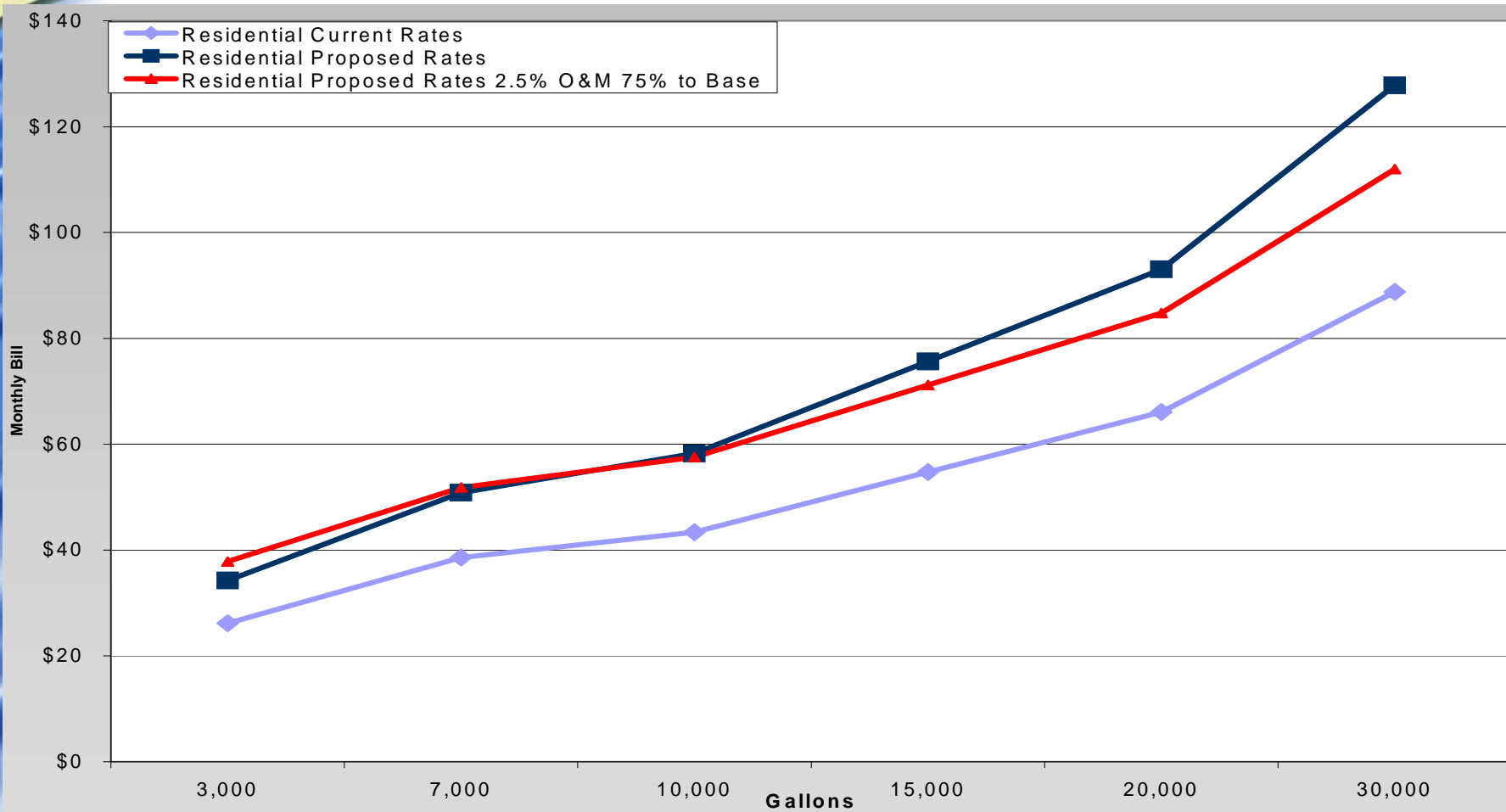


Option C

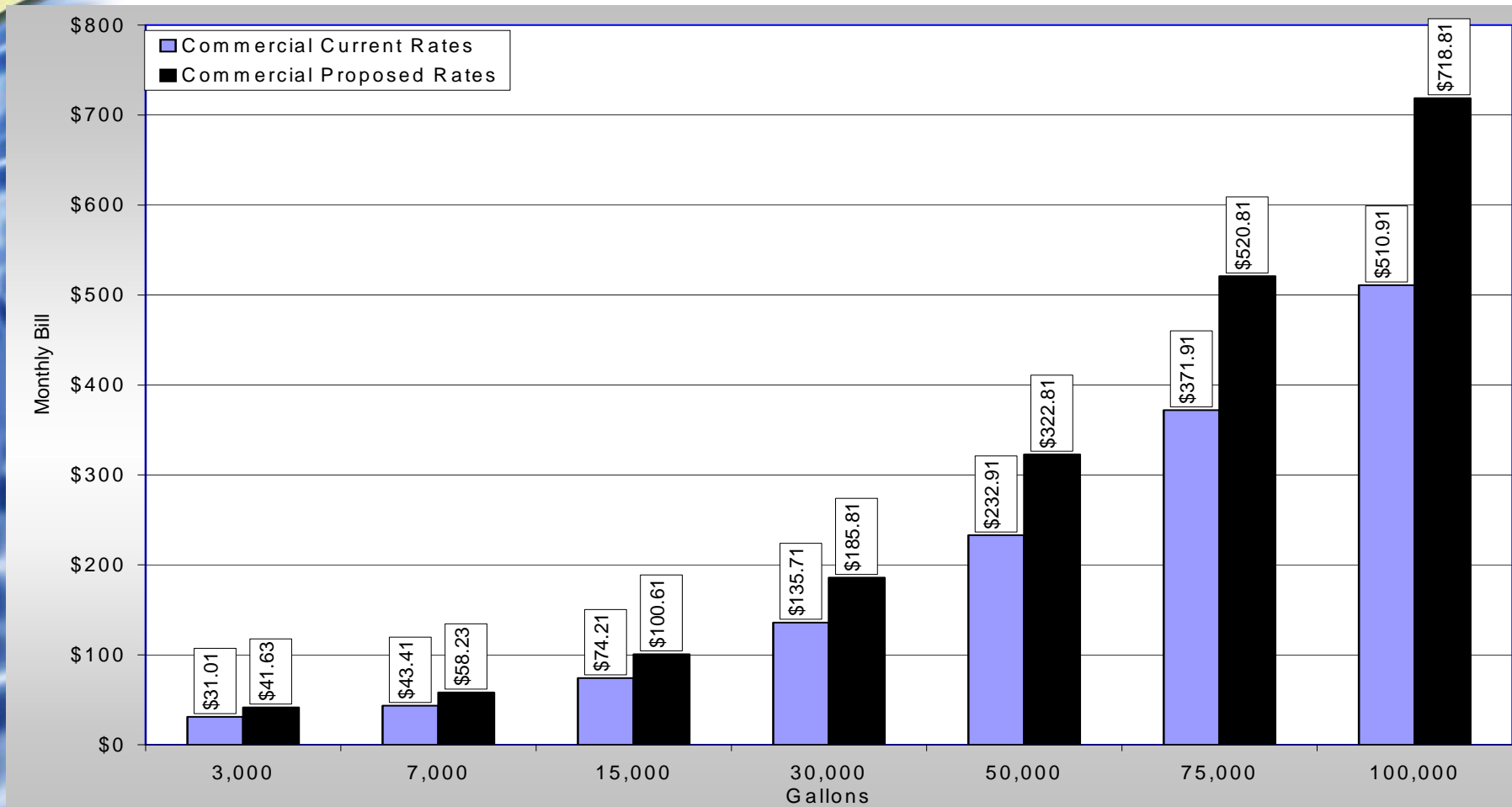
Impact of the Proposed FY 2009 Rates on Residential Users' Bills at Different Levels of Usage with 75% Base Distribution and 2.5% Annual Increase in O&M



Residential Comparison Bill – Current Bill, 2.5% O&M, and 2.5% O&M 75% to Base Charge

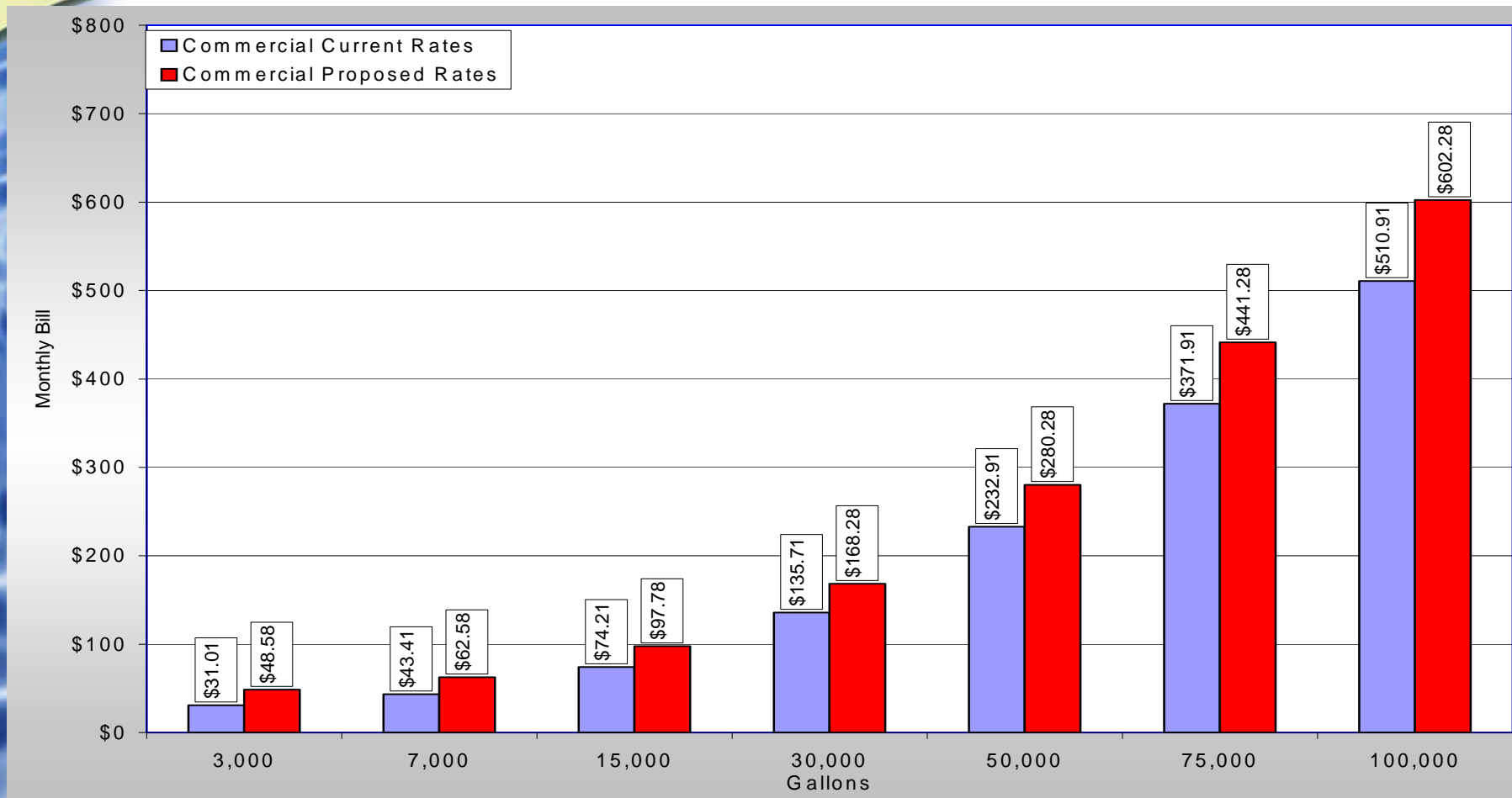


Impact of the Proposed FY 2009 Rates on Commercial Users' Bills at Different Levels of Usage with Current Rate Structure with 2.5% Annual Increase in O&M



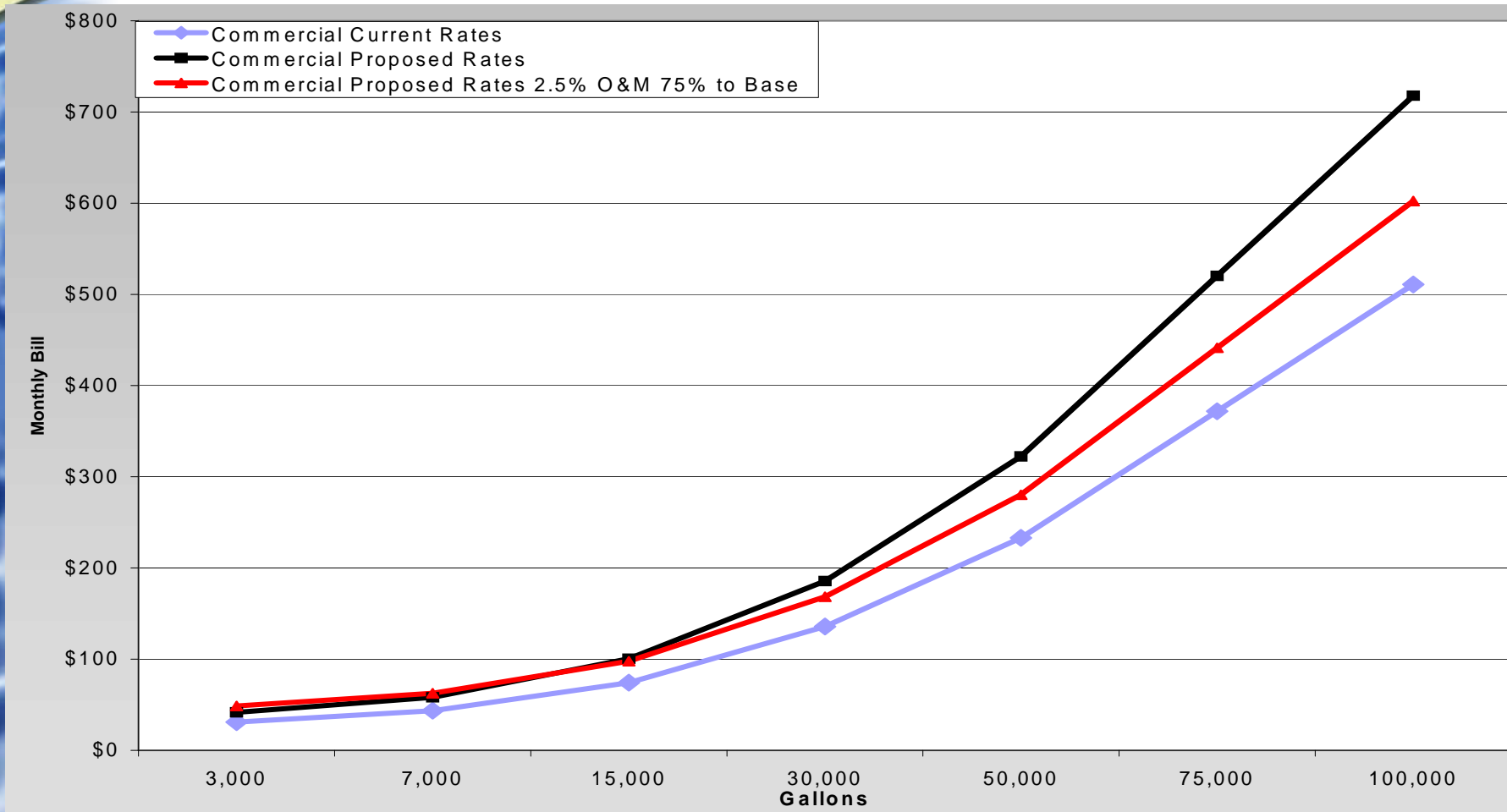
Option C

Impact of the Proposed FY 2009 Rates on Commercial Users' Bills at Different Levels of Usage with 75% Base Distribution and 2.5% Annual Increase in O&M

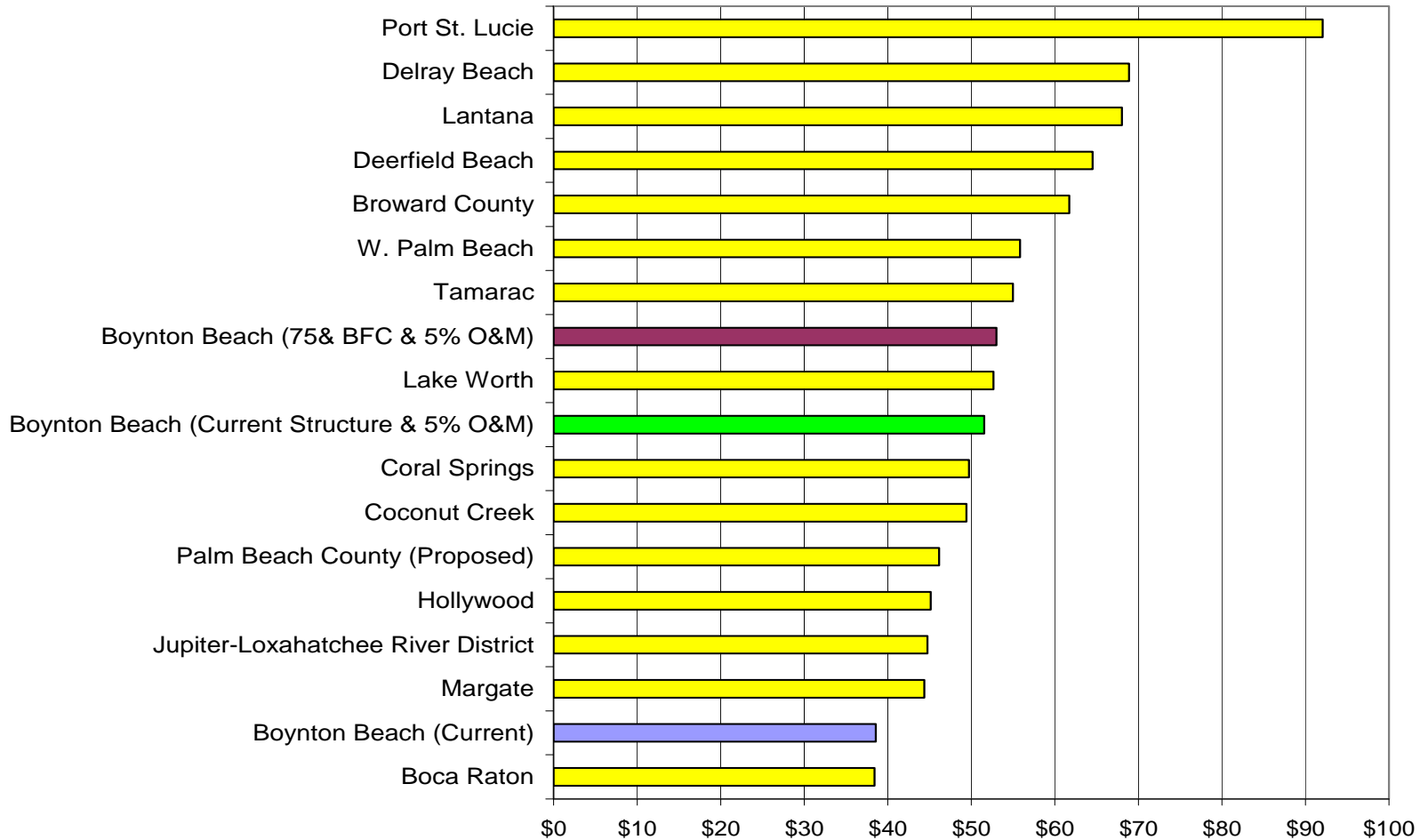


Option D

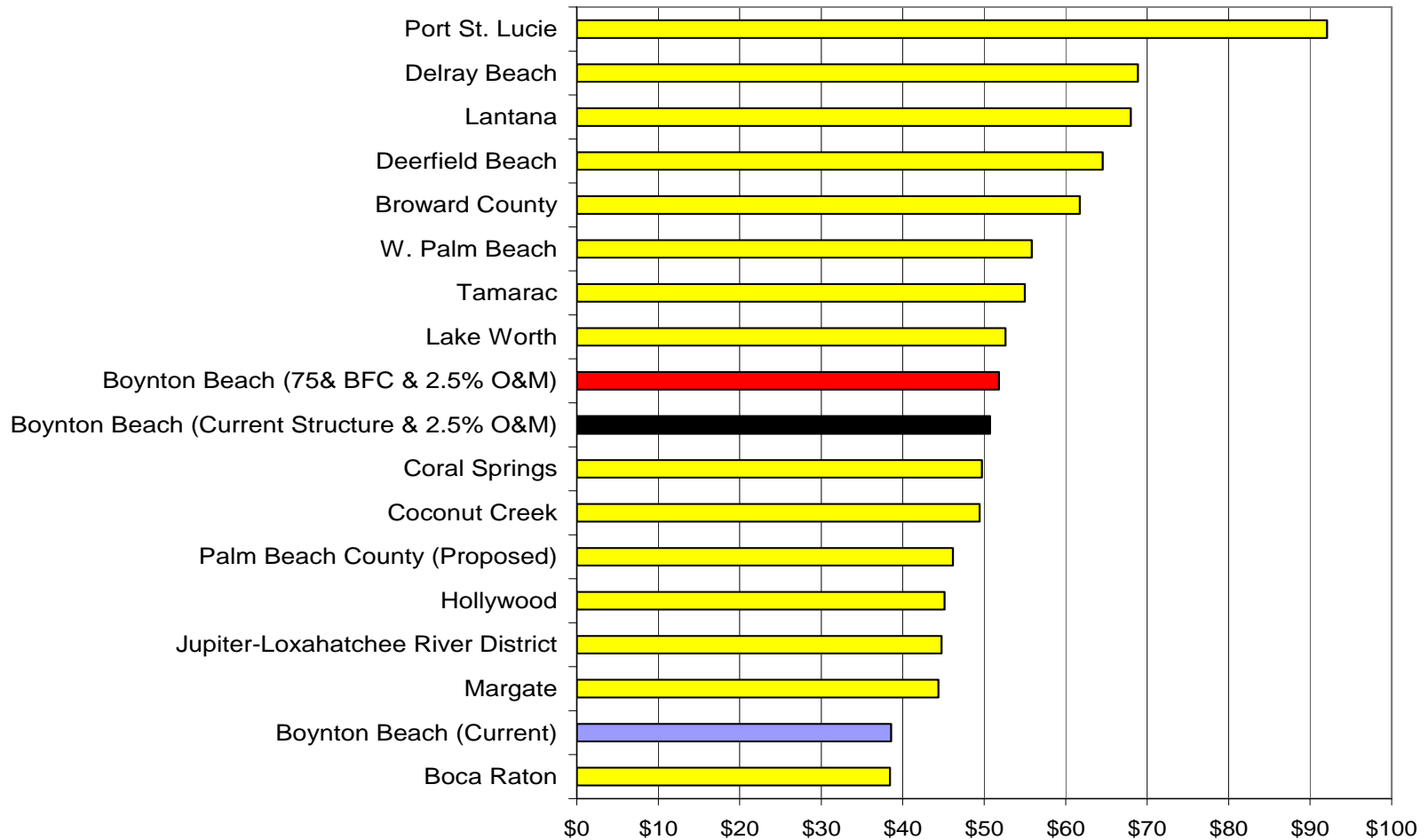
Commercial Comparison Bill – Current Bill, 2.5% O&M, and 2.5% O&M 75% to Base Charge



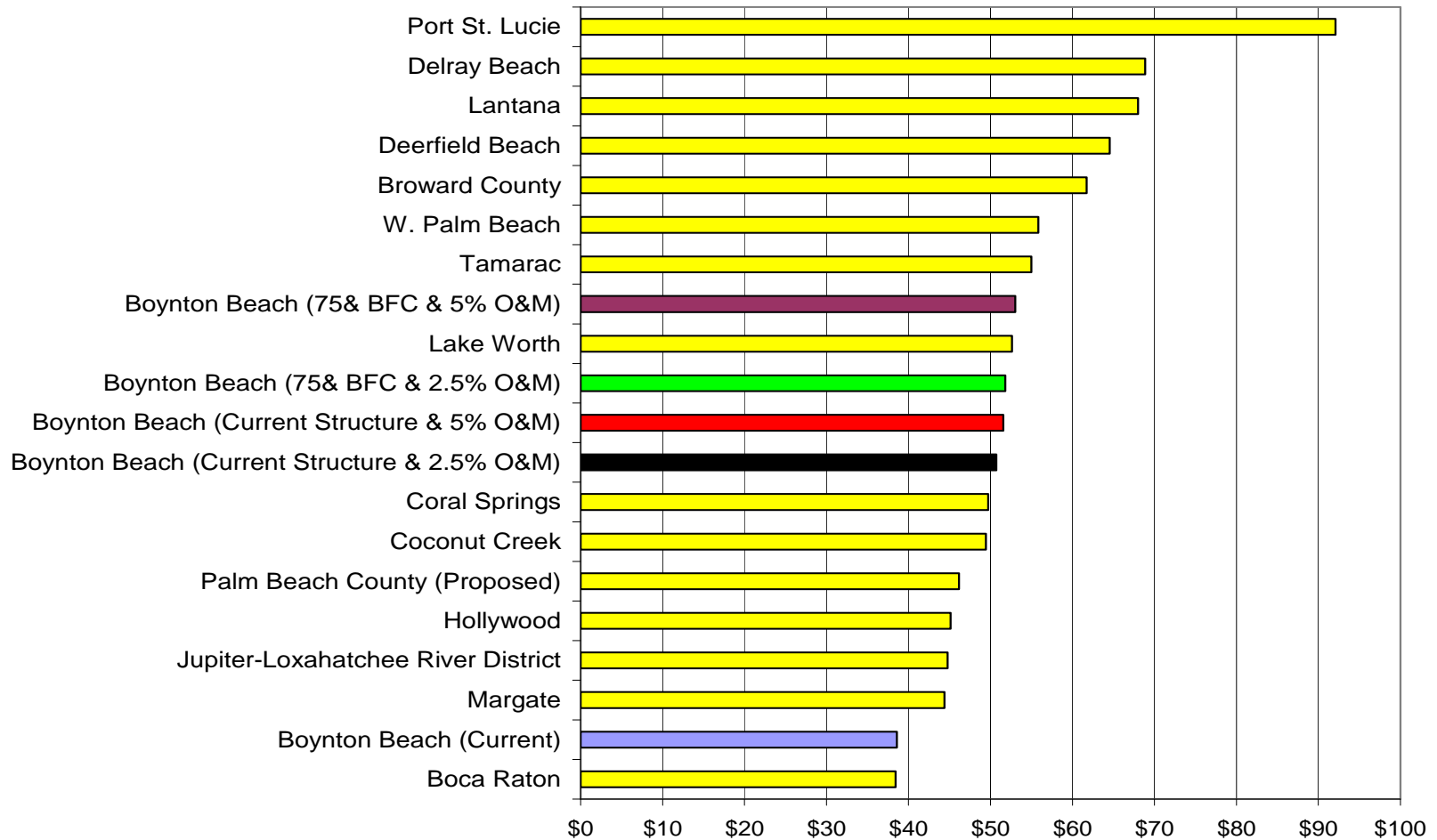
Typical Residential Water and Wastewater Bill Comparison with Other Communities at 7K Gallons with 5% O&M Costs



Water and Wastewater Bill Comparison with Other Communities at 7K Gallons with 2.5% O&M Costs



Typical Water and Wastewater Bill Comparison with Other Communities at 7K Gallons



Conclusions

- City is running significant deficit in its utility operations.
- Utility's are not expected to meet their debt coverage requirements in FY 2009 without a rate adjustment.
- Utility will not be able to borrow additional money if coverage is not met.
- CH2M HILL recommends adoption of an immediate water and wastewater rate increase that will generate sufficient revenues to cover projected costs in FY 2010 and meet coverage requirements in FY 2009 and FY 2010.
- Increasing the Base Facility Charge relative to percentage increase in volume charge, as opposed to a uniform percentage increase in all rates, should help stabilize fluctuations in system revenues due to changes in consumption, but will result in larger percentage impacts on low volume users.

Recommendations

- Adopt the 75% Base Distribution and 5% annual increase in O&M rate proposal
 - Provides additional stability to the rates
 - Closer approximation of the Utility's proportionate costs
 - Better reflects City wide cost projections