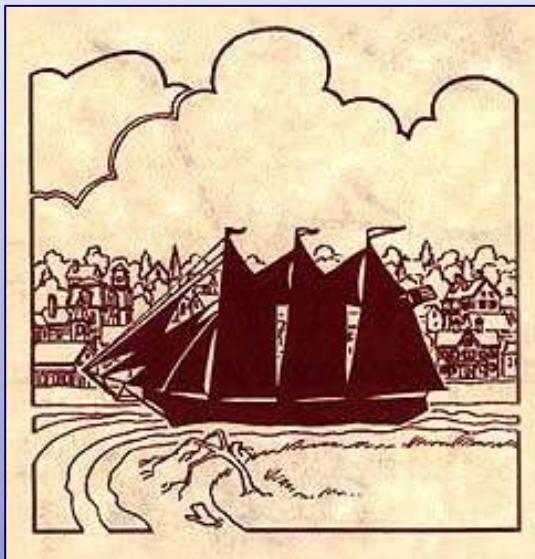




Town of Milton Public Briefing

Cost of Service Study



January 21, 2006





Consultant's Scope of Work

- Identify / Document Cost of Service
- Identify / Document Demand and Usage
- Identify / Evaluate Alternative Rate Designs
- Document / Summarize Project



Assumptions Used for Study

- Water and sewer systems must each be self-supporting
- Objective is to keep rates and fees low over time
- Growth pays its own way
- Fund reserves for unexpected costs, for repair / renewal / rehabilitation of assets



Assumptions Used for Study (cont.)

- 10 Year Water Capital Plan of \$1.6 million
- 10 Year Sewer Capital Plan ranging from \$19.0 million to \$61.7 million depending on treatment plant expansion:
 - ✓ Minimal Treatment Cost \$15.5 million (1.5 mgd capacity)
 - ✓ Average Treatment Cost \$36.8 million (1.5 mgd capacity)
 - ✓ High Treatment Cost \$58.2 million (3.0 mgd capacity)
 - ✓ Conventional Wisdom Cost \$29.3 million (1.5 mgd capacity)



Customers / Consumption Analysis

Customer Counts

- 1,100 Inside-Town water and sewer customers
- 26 Outside-Town water customers
- Estimated to add 1,261 new customers over next 6 years

Consumption

- Average customer uses 14,000 gallons per quarter
- Current water sales: 56.1 million gallons per year
- Projected water sales: 127.5 million gallons per year by FY 2010



Expense Categories

- Operating expenses : Day to day operations of water and sewer system
 - ✓ Operating facilities
 - ✓ Administrative expenses
 - ✓ Personnel expenses

- Capital expenses : Capital spent to repair, replace and/or expand the water and sewer system
 - ✓ Repair, replacement serves current users of the system
 - ✓ Expansion of system serves new customers



Operating Fund Review

Water Operations

| (thousand \$) | FY06 | FY07 | FY08 | FY09 | FY10 |
|-------------------------------|-------|-------|-------|-------|-------|
| Water Revenue Requirement | \$273 | \$280 | \$287 | \$295 | \$303 |
| Revenue with Current Rates | \$310 | \$322 | \$335 | \$349 | \$363 |
| Projected Surplus (Shortfall) | \$37 | \$43 | \$48 | \$53 | \$59 |

Wastewater Operations

| (thousand \$) | FY06 | FY07 | FY08 | FY09 | FY10 |
|-------------------------------|--------|---------|---------|---------|---------|
| Sewer Revenue Requirement | \$433 | \$646 | \$758 | \$964 | \$991 |
| Revenue with Current Rates | \$391 | \$411 | \$431 | \$453 | \$475 |
| Projected Surplus (Shortfall) | (\$42) | (\$235) | (\$326) | (\$511) | (\$516) |



Water and Sewer Operating Fund Proposed Rate Increases

Water Operations

| (\$ thousand) | FY06 | FY07 | FY08 | FY09 | FY10 |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| Water Revenue Requirement | \$273 | \$280 | \$287 | \$295 | \$303 |
| Proposed Increases | 0% | 0% | 0% | 0% | 0% |
| Revenue with Proposed Rates | \$310 | \$322 | \$335 | \$349 | \$363 |
| Projected Surplus (Shortfall) | \$37 | \$43 | \$48 | \$53 | \$59 |

Wastewater Operations

| (\$ thousand) | FY06 | FY07 | FY08 | FY09 | FY10 |
|-------------------------------|------------|------------|------------|-----------|-----------|
| Sewer Revenue Requirement | \$433 | \$646 | \$758 | \$964 | \$991 |
| Proposed Increase | 12% | 12% | 12% | 0% | 0% |
| Revenue with Proposed Rates | \$438 | \$608 | \$804 | \$923 | \$1,007 |
| Projected Surplus (Shortfall) | \$5 | (\$38) | \$46 | (\$41) | \$16 |



Proposed Sewer Rates (FY06 – FY10)

| | <u>Current</u> | <u>Proposed Rates</u> | | | | |
|--|----------------|-----------------------|-------------|-------------|-------------|-------------|
| | | <u>FY06</u> | <u>FY07</u> | <u>FY08</u> | <u>FY09</u> | <u>FY10</u> |
| <u>Quarterly Fixed Charge</u> | | | | | | |
| Minimum Bill: | \$40.00 | \$45.00 | \$50.00 | \$56.00 | \$56.00 | \$56.00 |
| <u>Consumption Charge (per 1,000 gallons)</u> | | | | | | |
| Usage Rate: | \$3.00 | \$3.35 | \$3.75 | \$4.25 | \$4.25 | \$4.25 |



Sample Customer Bills Impacted by Proposed FY 2006 Rates

Combined Quarterly Water and Sewer Bills

| Customer | Quarterly Usage (gallons) | Old Quarterly Bill | New Quarterly Bill | Dollar Increase |
|--------------------------|------------------------------|-----------------------|-----------------------|--------------------|
| Small Residential User | 5,000 | \$100.00 | \$106.75 | \$6.75 |
| Average Residential User | 18,000 | \$165.00 | \$176.30 | \$11.30 |
| High Residential User | 30,000 | \$225.00 | \$240.50 | \$15.50 |
| Average Commercial | 60,000 | \$300.00 | \$320.75 | \$20.75 |



Capacity Fees (Impact Fees)

- Capacity Fees – One-time fee charge to new connections to the water and sewer system in order to pay for the capacity utilized by the new customer.
- Does not pay for cost of physical hookup.
- Based upon the actual cost of providing capacity in the water and sewer system for an individual connection.
- Revenues from capacity fees can only be used for capital related water and sewer projects.



Current & Proposed Capacity Fees

- Current Capacity Fees
 - ✓ Water - \$ 550
 - ✓ Sewer - \$ 2,500
- Proposed Capacity Fees
 - ✓ Water - \$ 1,450
 - ✓ Sewer - \$ 8,000
- If capacity fees are not set at the actual cost of capacity, current users of the system are forced to make up the difference in user fees.



Questions?