

Surprise Stormwater Utility

Community Open House

Water Resource Management Department



Agenda

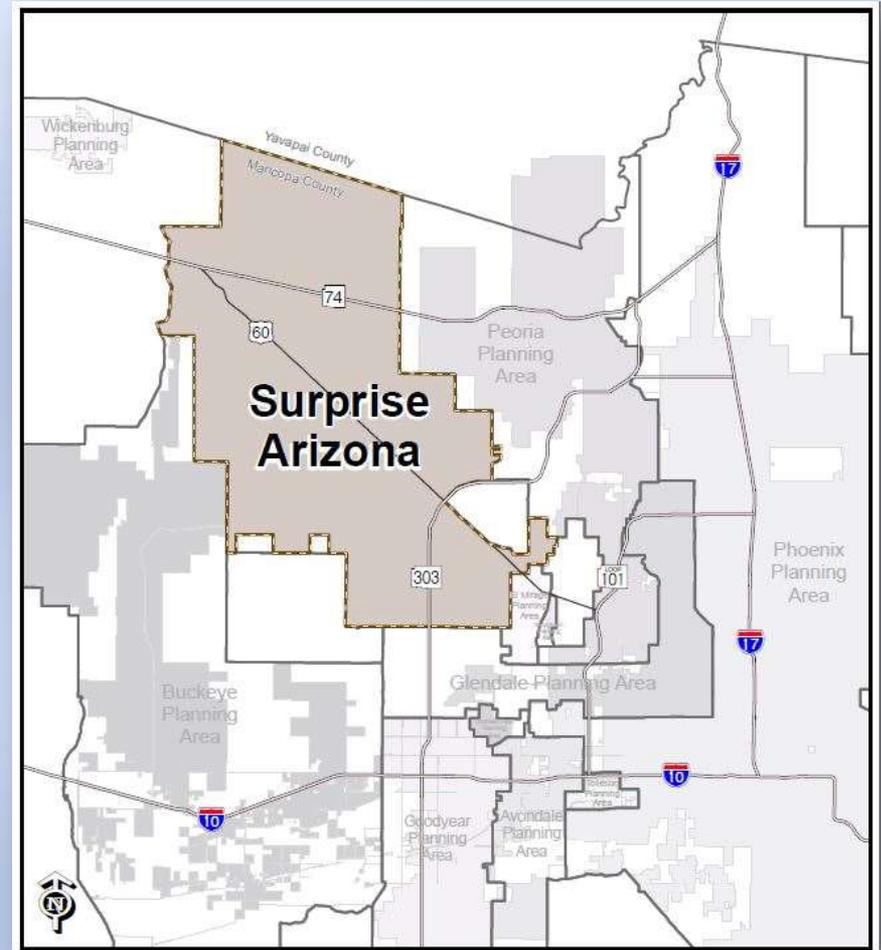


- Stormwater Background
- Funding Options
- Financial Analysis Results
- Comparative rates
- Next Steps

City of Surprise



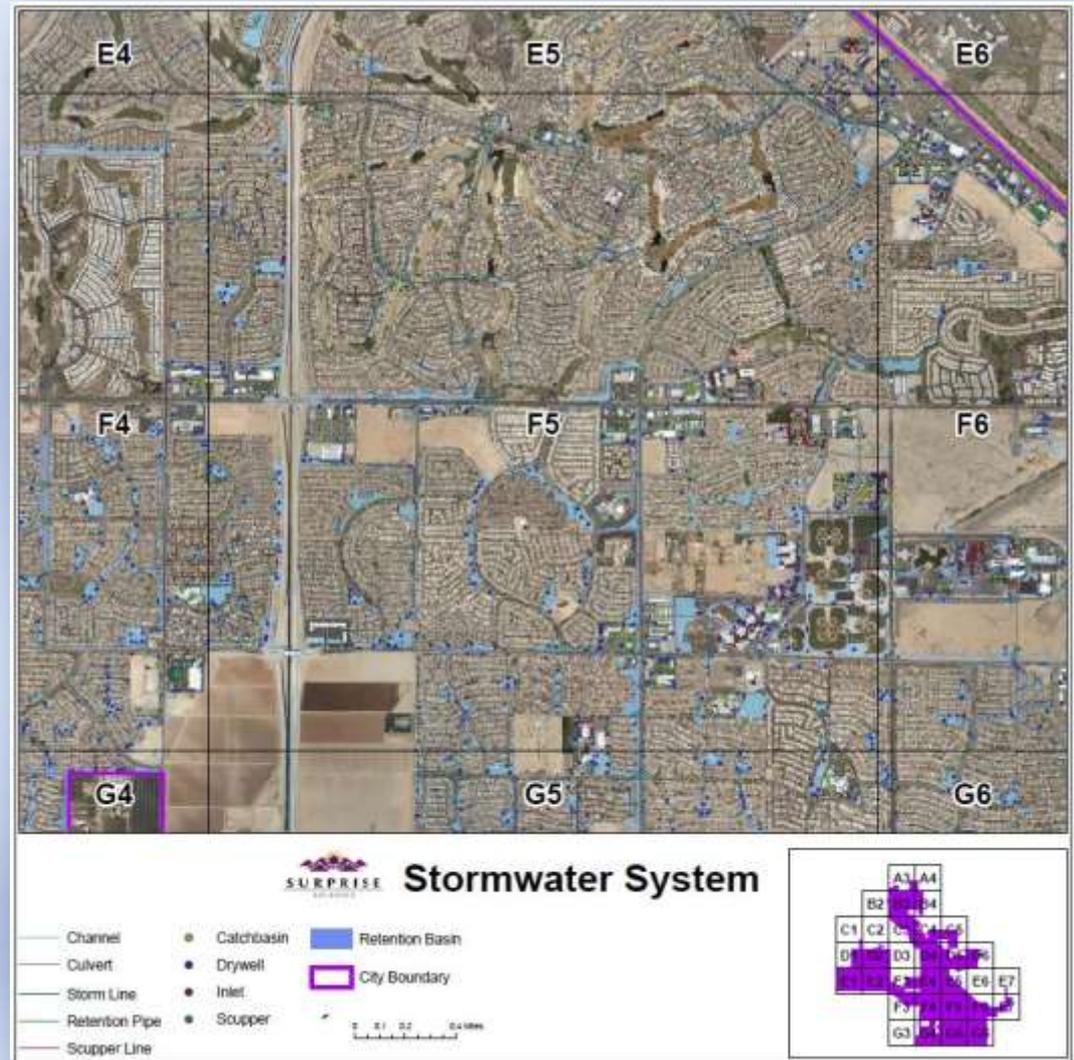
- Municipal planning area 300 square miles
- Current City boundary 72 square miles, mostly in the Agua Fria Watershed



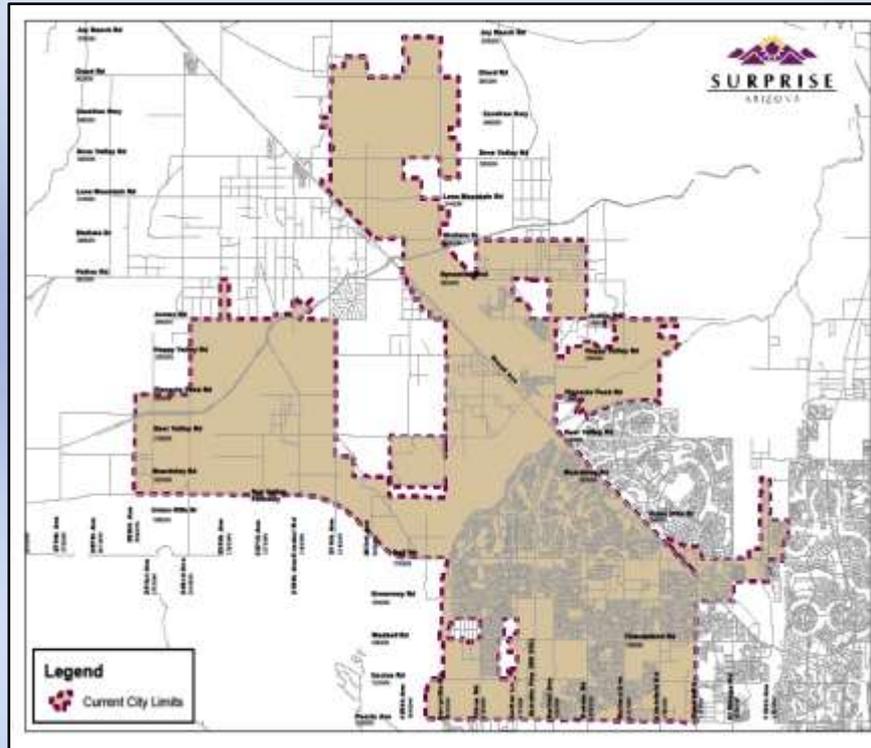
City Stormwater System



- Stormwater conveyance is provided by
 - Streets
 - Pipes
 - Box culverts
 - Open channels
 - Other conveyance
- Stormwater is conveyed to
 - Retention basins
 - Parks
 - Washes
- The system is made up of
 - 605 miles of streets
 - 143+ miles of storm drains, culverts, & other facilities



Stormwater Problem Areas



Localized
Flooding



Water Quality Regulations



- 1972 Clean Water Act
 - National (EPA) Pollutant Discharge Elimination System (NPDES) Permit Requirements
 - Administered by the AZ Department of Environmental Quality (ADEQ)
 - AZPDES requirements as a Municipal Separate Storm Sewer System (MS4)
 - City Stormwater Management Plan (SWMP)
- City Ordinance 2012-06, adopted 5/8/2012, resulted in
 - City Code Section Chapter 58 (current stormwater program)

Funding Options Evaluation



	Sufficient \$		Fair & Equitable \$	\$ Dedicated to Stormwater	Reliable \$
	Operations	Capital			
General Fund	●	●	●	●	●
Special Assessments	●	◐	●	●	◐
Special Fees	◐	●	●	●	●
Impact Fees	●	◐	●	●	●
Conventional Debt	●	●	●	●	●
Special Grants & Loans	●	◐	●	●	●
Utility Rates	●	●	●	●	●

● = Yes ● = No ◐ = Partial

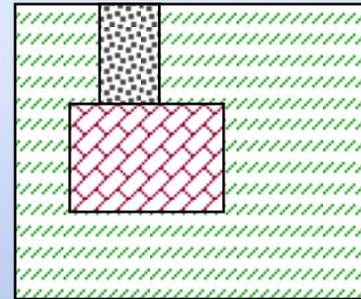
The Utility Concept



- Stand-alone entity within City government (usually an enterprise or special revenue fund)
- Financially self-sufficient
- Revenues reliable; dedicated for stormwater management
- Revenues can secure debt
- Well suited to meet regulatory pressures (e.g., NPDES)
- Accountable to public (reporting requirements)
- Equitable cost recovery (rate structure)

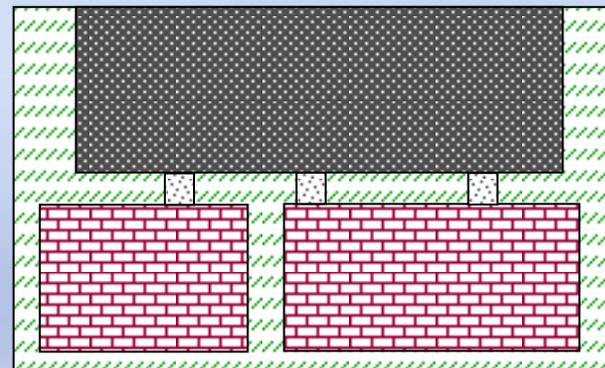
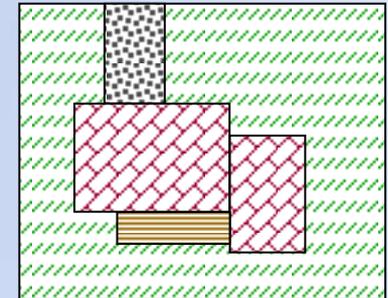
Proposed Rate Structure

- \$X.XX per Equivalent Dwelling Unit (EDU)
- One EDU = 3,420 square feet of impervious surface area
 - SFRs: One EDU each
 - Non-SFRs: impervious area / 3,420 s.f. = # of EDUs
 - Agriculture: same as Non-SFRs plus chargeable pervious area charged at 10%



SFR #1
2,000 sq ft of
impervious =
1 EDU

SFR #2
3,500 sq ft of
impervious =
1 EDU



**Non-SFR
(other)**
10,260 sq ft
impervious /
3,420 sq ft =
3 EDUs

Measuring Impervious Area

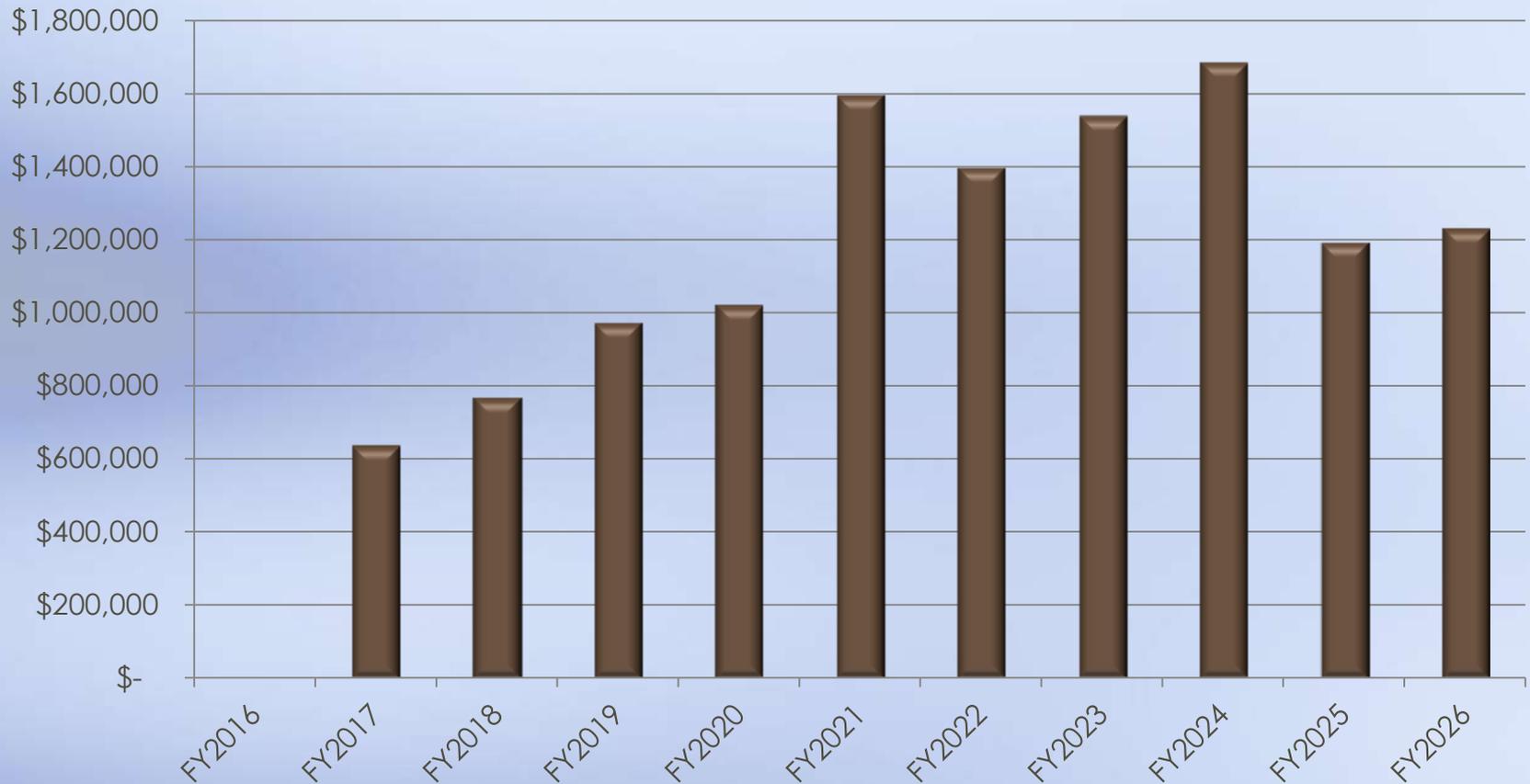


Key Financial Assumptions



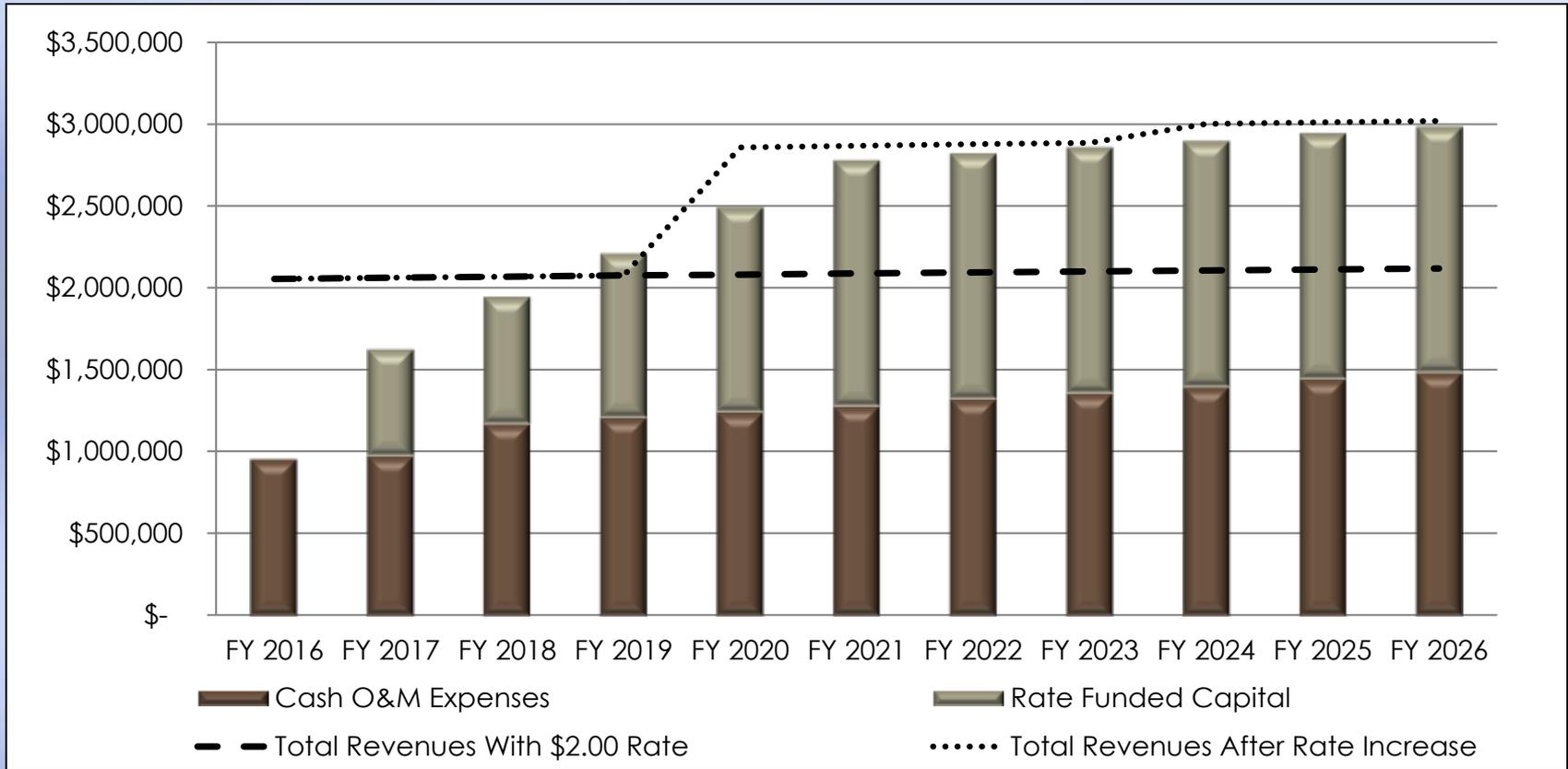
- Study period FY2016 – FY2026
- Annual customer growth: 271 new EDUs per year (0.31%)
- Annual cost escalation
 - General: 3.00%
 - Construction: 3.16%
 - Labor: 3.00%
 - Benefits: 3.00%
- Fiscal policy targets
 - Operating fund balance: 60 days of budgeted operating expenses (\$157K in 2016)
 - Capital fund balance: 2.00% of capital assets (assumed \$200K in 2016)
- Most future operational needs budgeted to begin in FY2016
 - Stormwater operator and stormwater inspector expenses begin in FY2018

Summary of Capital Needs



- Capital costs through FY2026 total \$12.05 million
- All costs are planned to be rate funded (no debt)

Financial Analysis Summary



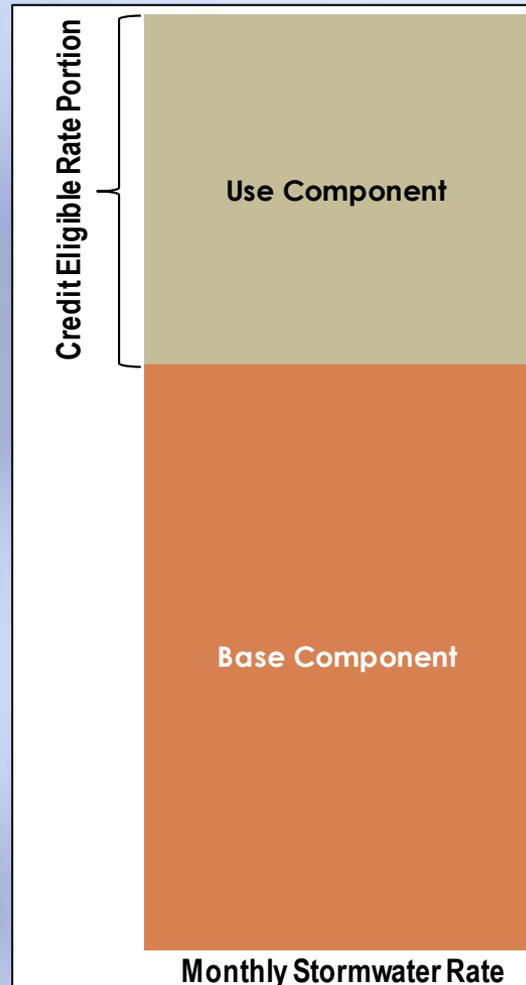
Stormwater Rates	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Proposed Increases		0.00%	0.00%	0.00%	37.50%	0.00%	0.00%	0.00%	3.75%	0.00%	0.00%
Monthly Rate per EDU	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.85	\$ 2.85	\$ 2.85
Change from Previous Year		\$ -	\$ -	\$ -	\$ 0.75	\$ -	\$ -	\$ -	\$ 0.10	\$ -	\$ -

Surprise Stormwater Utility



RATE STRUCTURE	
<u>Classification</u>	<u>Rate</u>
Single Family Residential (SFR)	1 EDU
RV Park (@ SFR Rate)	Based on # of Pads
Commercial/Industrial	# EDUs = Impervious Area / 3420 s.f.
Schools/Churches	# EDUs = Impervious Area / 3420 s.f.
Agriculture	# Impervious Area / 3420 s.f. + farmed area x 10% / 3420 s.f.
Undeveloped Land	Exempt

Commercial Rate Credits



- Commercial customers are eligible for credits of up to 38% of the monthly rate
 - Base component includes expenses that do not change regardless of onsite mitigation
 - Use component includes expenses that decrease with onsite mitigation
- Credits are not available for Residential customers

Commercial Rate Credits

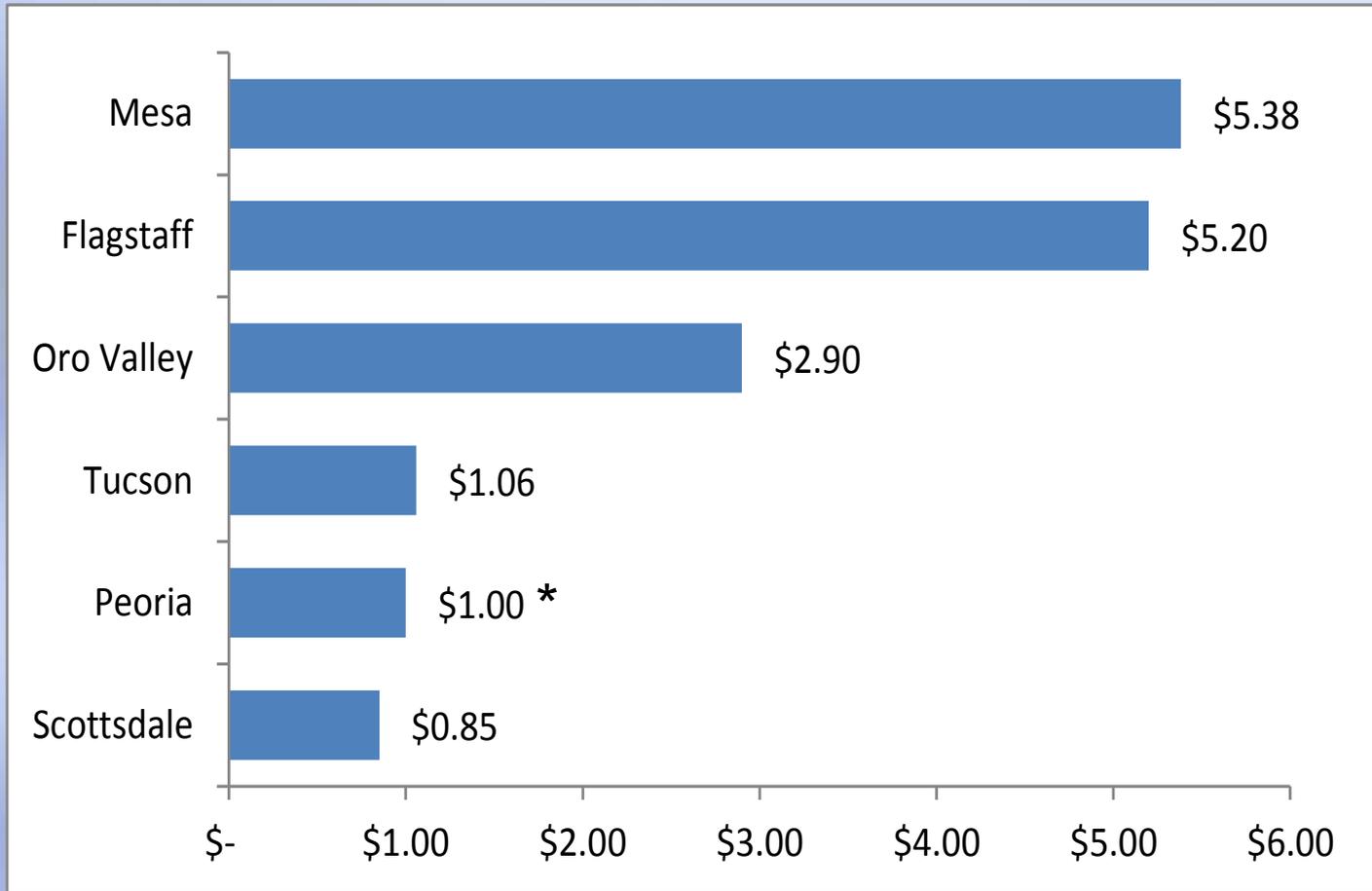


Commercial Credits

- Customers are eligible for credits of up to 38% of the monthly rate
 - Base Component includes expenses that do not change regardless of onsite mitigation
 - Use component includes expenses that decrease with onsite mitigation
- Customers will be able to apply for reductions

COMMERCIAL CREDITS	
<u>Category</u>	<u>Reduction</u>
Above Standard Improvements – In Place or New Installation	Up to 25% Credit* <small>*Breakdown TBD</small>
Participate in City Sponsored Stormwater Education	13% Credit

Comparative Rates



Per account basis

Impervious basis

Impervious basis

Water meter size basis

Per account basis

Per account basis

* Peoria is considering transitioning to an impervious basis

Questions & Discussion

Financial Analysis Summary



Revenue Requirement	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Revenues						
Rate Revenues Under Existing Rates	\$ 2,053,731	\$ 2,059,711	\$ 2,065,691	\$ 2,071,672	\$ 2,077,652	\$ 2,083,632
Non-Rate Revenues	0	2,744	2,802	3,366	2,030	3,575
Total Revenues	\$ 2,053,731	\$ 2,062,455	\$ 2,068,494	\$ 2,075,037	\$ 2,079,682	\$ 2,087,207
Expenses						
Cash Operating Expenses	\$ 953,711	\$ 974,138	\$ 1,170,058	\$ 1,208,636	\$ 1,242,727	\$ 1,277,840
Existing Debt Service	-	-	-	-	-	-
New Debt Service	-	-	-	-	-	-
Rate Funded Capital	-	650,000	775,000	1,000,000	1,250,000	1,500,000
Additions Required to Meet Operating Fund Balance	-	-	-	-	-	-
Total Expenses	\$ 953,711	\$ 1,624,138	\$ 1,945,058	\$ 2,208,636	\$ 2,492,727	\$ 2,777,840
Net Surplus (Deficiency)	\$ 1,100,020	\$ 438,317	\$ 123,435	\$ (133,599)	\$ (413,045)	\$ (690,633)
Additions to Meet Coverage	-	-	-	-	-	-
Total Surplus (Deficiency)	\$ 1,100,020	\$ 438,317	\$ 123,435	\$ (133,599)	\$ (413,045)	\$ (690,633)
% of Rate Revenue	0.00%	0.00%	0.00%	6.45%	19.88%	33.15%
Annual Rate Adjustment	0.00%	0.00%	0.00%	0.00%	37.50%	0.00%
Cumulative Annual Rate Adjustment	0.00%	0.00%	0.00%	0.00%	37.50%	37.50%
Rate Revenues After Rate Increase	\$ 2,053,731	\$ 2,059,711	\$ 2,065,691	\$ 2,071,672	\$ 2,856,771	\$ 2,864,994
Additional Taxes from Rate Increase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow After Rate Increase	1,100,020	438,317	123,435	(133,599)	366,074	90,729
Coverage After Rate Increases	n/a	n/a	n/a	n/a	n/a	n/a
Sample Residential Monthly Bill	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.75	\$ 2.75
Monthly Average Increase (\$)	\$ 2.00	\$ -	\$ -	\$ -	\$ 0.75	\$ -