

Public Works & Utilities Water/Wastewater
Pre-Council on Water & Sewer Rates
May 1, 2006

Meeting Began at 10:03 a.m.

Meeting Ended at 11:00 a.m.

City Council Members Present: Patte Newman, Annette McRoy, Ken R. Svoboda,
Robin Eschliman, Dan Marvin, Jon Camp

City Council Members Absent: Jonathan Cook

Others Present: Karl Fredrickson, Steve Masters, Margaret Remmenga, Jerry Obrist,
Nick McElvain, Dana Roper, Don Herz, and media

INTRODUCTION

Karl Fredrickson welcomed members/guests and reviewed the agenda.

Karl opened the meeting by referring to the 2002 Comprehensive Plan outlining land areas planned to be opened for development. He referred specifically to the area of land known as Tier 1A. Karl stated that through several infrastructure finance committees, an aggressive schedule was designed to add public infrastructure, water/sewer and streets systems to that area. In order to accomplish that, a series of user rate increases were identified to be necessary to pay for that construction. During the time from 2002 to the present, additional land was added in northeast, northwest and portions of southeast Lincoln. No additional funds were identified for the additional land to come into Tier 1A. We have recently annexed two areas where the developer would “up front” the cost of the water, sewer and streets with repayment of the city’s share for the future programmed into our CIP.

Commitments have already been made for those repayments. The expansion of water/sewer systems will require additional O&M costs. As with any business, we have and will continue to look for ways to make O&M as efficient as possible.

Steve Masters explained the CIP as related to projects/improvements we have accomplished in the past, current/future projects/improvements. He also provided comparisons in water/wastewater O&M costs from 1990 - 2005. This included comparison of the growth of the community contrasted with the growth in staff levels and a comparison with AWWA & WEF surveys. See detailed attachment.

Margaret Remmenga reviewed the revenue structure needed to support our city's water and sewer expansion, i.e., user fees needed to support programs impact on customer bill (rate increases 7% water - 9% sewer, or average monthly residential water bill increase - \$1.28, average monthly residential sewer increase \$1.17); noted projected user fee increases; explained utility revenue sources/uses; defined bond covenant requirements and bond ratings; provided history of user fee increases, and provided comparison rates surveys (including other cities in the region as well as Lincoln). Please refer to detailed attachment.

Questions during Margaret's presentation:

Ken Svoboda asked Margaret what the 7% increase represents in whole dollars.

Margaret responded that 7% increase in water rate for a year is approximately \$1.5m.

Jon Camp asked what projections were made a year ago. Margaret replied that the projections were 5% for water and 7% for wastewater.

Karl addressed cash flow projections for both water and waste water, pages 15 - 20 of attached handout. The sheets reflect rate increases of the 7% and 9% for water and sewer. He explained what the red, magenta, blue and green lines represent. Please refer to detailed handout.

Discussion:

Jon Camp, Dan Marvin, and Annette McRoy had clarification comments/questions on the topics presented. The issues were addressed by the Karl, Margaret and Steve.

Dan Marvin asked if we could get back to 4% O&M increase or will we have to continue at 7%?

Steve Masters said in order to stay within a 4 1/2% increase we will have to challenge technology.

Jon Camp specifically addressed the issue of the 11% water employee increase shown on page 3. Steve said the increase is largely due to the increase in main breaks and also the meter replacement program. Jerry Obrist also noted we added a new plant and almost doubled our treatment capacity in 1994.

The meeting was closed by Karl Fredrickson.

Prepared by Louise A. Weyer
Support Staff - Contracted Para

Pre-Council on Water & Sewer Rates

May 1, 2006

- Introductions / Overview – Karl
- CIP Needs – Steve
- O&M Needs – Steve
- User fees needed to support programs / Impact on customer bills – Margaret
- Utility Revenue Sources / Uses – Margaret
- Bond Covenant Requirements – Margaret
- Bond Ratings – Margaret
- History of User Fee Increases – Margaret
- Comparison Rate Surveys – Margaret
- Spendedowns / Closing Remarks – Karl

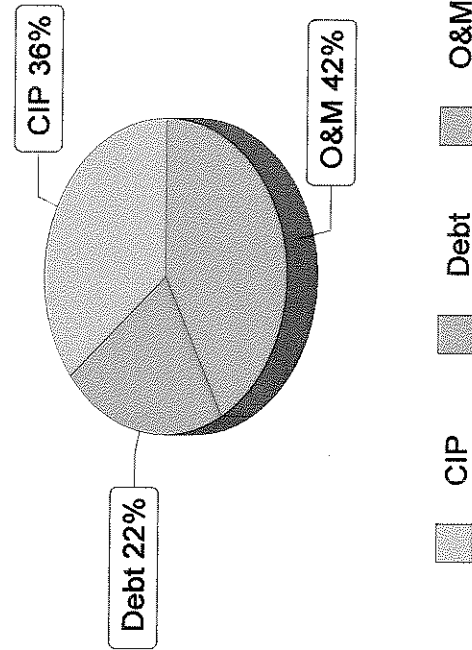
Categories of Expense for 2005/06 (\$ x 1000)

<u>Water</u>	
CIP	\$14,090
Debt	8,969
O&M	<u>16,629</u>
Total	\$39,688

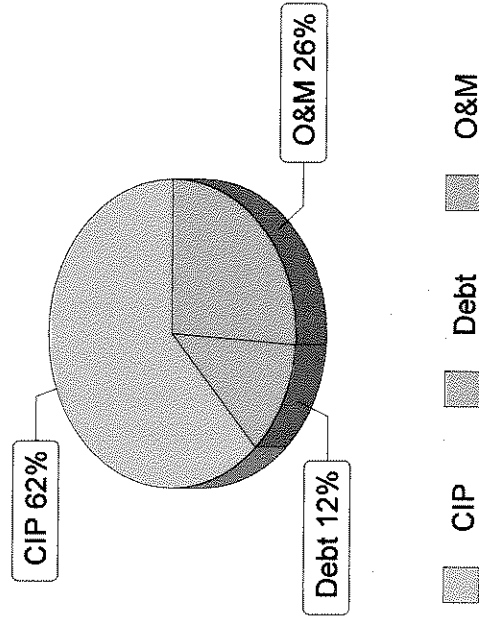
<u>Wastewater</u>	
CIP	\$27,850
Debt	5,391
O&M	<u>12,024</u>
Total	\$45,265

	36%
	22%
	<u>42%</u>
	100%

Water



Wastewater



Lincoln Water & Wastewater Operations – Comparisons

<u>Lincoln Water System</u>	<u>1990</u>	<u>2005</u>	<u>Change</u>
# of Employees	101.2	112.3	11%
Accounts	58,500	74,649	28%
Miles of Pipeline	897.0	1157.5	29%
Main Breaks / 5-Year Average	108.6	142	31%
Pressure Districts / Pump	4 / 90	6 / 117	50% / 30%
Operations Control Centers	2	1	-50%
One-Call	19,557	36,517	87%
AMR / Meter	0	65,600	-
Distribution Main Replaced	0.53 miles	3.5 miles	-

<u>Lincoln Wastewater System</u>	<u>1990</u>	<u>2005</u>	<u>Change</u>
# of Employees	113.6	98.7	-13.12%
Miles of Pipeline	697	977	40.25%
Computer/Instrumentation Operation (SCADA)	No	Yes	-
One-Call	2,657	5,704	114.68%
Miles Televised	59	100	69.5%
Categorical Industries Monitored	35	40	12.5%
Treatment Facility			
Biological Treatment	Secondary	Advanced Biological Treatment	
Disinfection	Gaseous chlorine	Ultraviolet	
Odor Control	None	Ferrous Chlorine Scrubbers at Theresa Street	
Operation	Manual	Automated Control	
Biosolids	Landfilled	Land Application	

AWWA/WEF 2005 SURVEY & ANALYSIS REPORT

(202 Systems)

	<u>Accounts/Employee</u>
Lincoln Water System	665
Bench Mark (Median)	467
Bench Mark (75%)	629
Lincoln Wastewater System	753
Bench Mark (Median)	626
Bench Mark (75%)	807

CAPITAL IMPROVEMENTS
“Category 5 CIP”

Accomplishments/ Adoption of the 2002 Comprehensive Plan

- Generally “on track” with the phasing proposed in 2002
- Capital Improvements Appropriations 2002/03 thru 2005/06
Water Division \$ 51.2 million
Wastewater Division . . \$103.5 million

• **Highlights-Water Improvements**

- Distribution
- Replacement Mains
- Pioneers Pump Station & Main
- Yankee Hill to Rokeby, 27th to 56th
- South 84th
- Fletcher, 14th to NW 27th
- NW 27th, “Q” to Saunders

- System
- Pump Stations
- Reservoirs
- Security Enhancements
- Ashland Replacement Wells
- Antelope Valley

Future Construction Objectives

- **Water System-Six Year Proposed Program, \$107,839,000**
Replacement Mains
Distribution Growth Mains
Supply
Treatment
Transmission
Pump Stations

• **Highlights- Wastewater Improvements**

Collection

Replacement Mains/Facilities
Salt Valley Relief Trunk Sewer
Upper Southeast Trunk Sewer Extensions
Beal Slough, Phase 1
Upper Beal Slough Pipelines, 90% Design
Stevens Creek, Phase 1+ Detailed Preliminary
West Bank
West 'O' Trunk (3 phases)
North 31st St. Pump station/force main

Treatment - Theresa St.

Ammonia Removal/NPDES Compliance
Ultraviolet Disinfection
Bar Screen Replacement
Odor Control Additions

Northeast Treatment Plant

Ammonia Removal/NPDES Compliance & 2015
Ultraviolet Disinfection
Bar Screen Replacement
Solids Digestion Upgrades

Future Construction Objectives

- **Wastewater System-Six Year Proposed**

Program, \$78,234,000

Replacement Mains/Facilities
Beal Slough Relief Sewer
Upper SE Salt Valley Trunk Extensions
and Sub-Basin Sewers
Treatment Plant Upgrades/Replacements
West "O" Street
NE Salt Creek Trunk
Oak Creek Trunk Improvement

Utility Revenue Sources/Uses

- Separate Funds
- Source of Revenue
 - ▶ User Fees for Water Sold/Wastewater Treated
 - ▶ Revenue Bonds/State Loan Revolving Fund
 - ▶ Misc. Fees
 - Surcharge Fees
 - Tapping Fees
 - Grants
 - Miscellaneous
 - Interest

- Revenues Support
 - ▶ Operational & Maintenance Costs
 - ▶ Debt Service Payments (Principal & Interest)
 - ▶ Capital Improvements
 - ▶ Capital Outlay

Requirements of Water/Wastewater Revenue Bond Covenants

- The City shall allocate all Gross Revenues to the Water/Wastewater Revenue Fund
 - ▶ Operation and Maintenance Account
 - Current and next succeeding month's expenses
 - ▶ Bond Account
 - Yearly interest and principal amount
 - ▶ Reserve Account
 - ▶ Surplus Account
 - Improvement, enlargement, extension or betterment of system; repairs, replacement or improvements; purchase and acquisition of equipment; payment of outstanding bonds
- ▶ 1.25 Coverage - "Manage" to 1.35 coverage

Bond Ratings

- Water
 - ▶ Moody's Aa²
 - ▶ Standard & Poor's AA-
- Wastewater
 - ▶ Moody's Aa²
 - ▶ Standard & Poor's AA⁺

City of Lincoln Water Rate Increases

Date of Increase	Percentage of Rate Increase		Date of Increase	Percentage of Rate Increase
4-26-76	0.00%*		11-15-96	0.00%
6-20-77	0.00%		11-15-97	0.00%
11-16-78	7.42%		11-15-98	0.00%
11-16-79	7.59%		11-15-99	0.00%
7-16-80	7.48%		11-15-00	0.00%
1-16-81	6.82%		11-15-01	0.00%
11-16-81	6.56%		11-15-02	7.00%
11-16-82	7.96%		11-15-03	3.00%
11-16-83	8.98%		11-15-04	5.00%
11-15-84	9.67%		11-15-05	7.00%
11-15-85	10.27%			
11-15-86	10.54%			
11-15-87	10.93%			
11-15-88	11.52%			
11-15-89	9.58%			
11-15-90	9.54%			
11-15-91	0.00%			
11-15-92	0.00%			
11-15-93	0.00%			
11-15-94	0.00%			
11-15-95	0.00%			

* = Begin increasing block rate structure.

Created: July 28, 2005

Revised: September 21, 2005

City of Lincoln Wastewater Rate Increases

Date of Increase	Percentage of Rate Increase		Date of Increase	Percentage of Rate Increase
2-17-76			11-15-96	0.00%
11-16-76			11-15-97	0.00%
11-16-78	7.00%		11-15-98	0.00%
11-16-79	7.45%		11-15-99	0.00%
7-16-80	13.84%		11-15-00	0.00%
11-16-81	8.14%		11-15-01	0.00%
11-16-82	7.53%		11-15-02	0.00%
11-15-83	8.67%		11-15-03	7.00%
11-15-84	7.89%		11-15-04	7.00%
11-15-85	7.25%		11-15-05	9.00%
11-15-86	7.54%			
11-15-87	6.89%			
11-15-88	7.20%			
11-15-89	7.28%			
11-15-90	6.22%			
11-15-91	6.34%			
11-15-92	5.96%			
11-15-93	0.00%			
11-15-94	0.00%			
11-15-95	0.00%			

Created: July 28, 2005

Revised: September 21, 2005

Rate Survey

Monthly Water Charges	
City/County	Residential with 5/8-Inch Meter 500 cf (3,740 gal)
Lincoln, NE	7.93
Rural Water District #1	33.00
Hickman, NE	12.25
Bennett, NE	34.00
Waverly, NE	11.75

Monthly Wastewater Charges	
City/County	Residential with 5/8-Inch Meter 500 cf (3,740 gal)
Lincoln, NE	7.94
Rural Water District #1	n/a
Hickman, NE	27.00
Bennett, NE	15.00
Waverly, NE	15.40

Updated: April 24, 2006

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Rate Survey

(Data Taken From National Rate Survey
Compiled by American Water Works Association /
Raftelis Financial Consultants, Inc. in 2004)

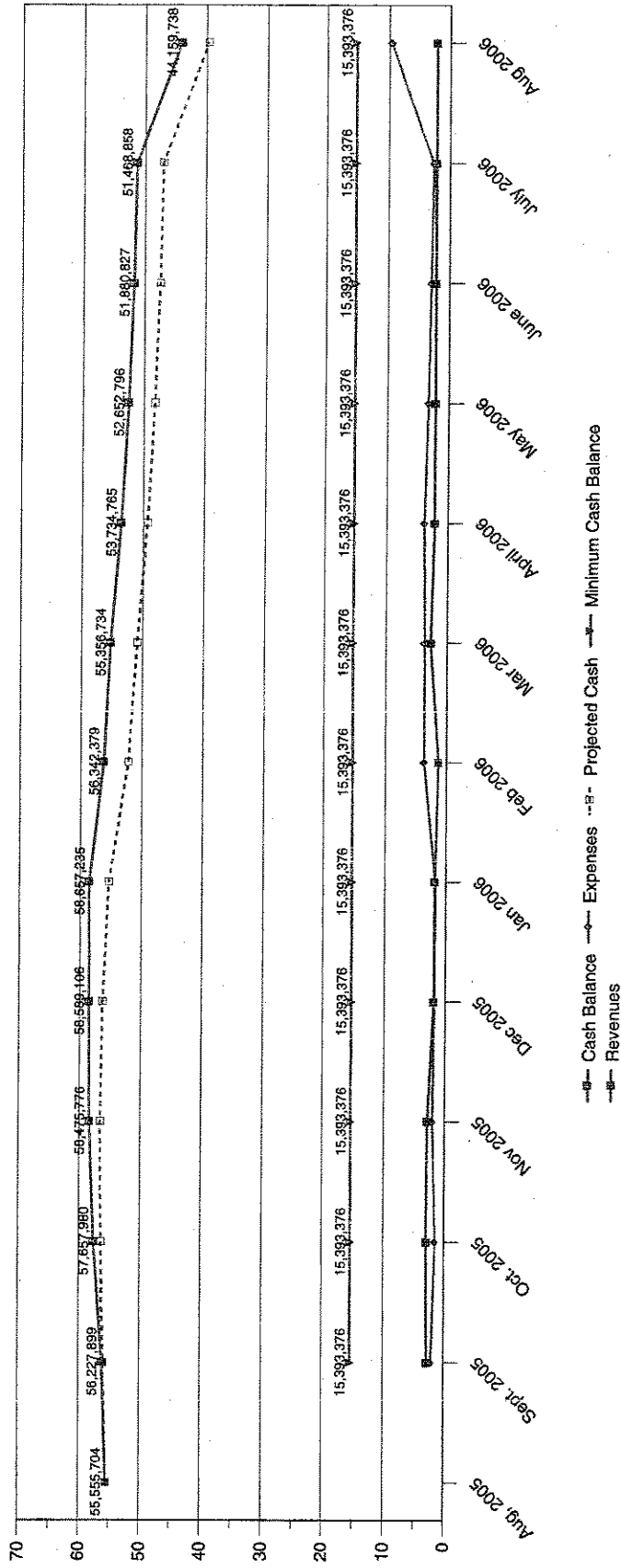
Monthly Water Charges *	
City/County	Residential with 5/8-Inch Meter 500 cf (3,740 gal)
Lincoln, NE	7.93
Omaha, NE	6.91
Wichita, KS	7.49
Des Moines, IA	11.04
Cedar Rapids, IA	8.94
Springfield, MO	12.55

Monthly Wastewater Charges *	
City/County	Residential with 5/8-Inch Meter 500 cf (3,740 gal)
Lincoln, NE	7.94
Wichita, KS	8.27
Cedar Rapids, IA	6.98
Springfield, MO	12.59
Missouri River Wastewater Treatment Plant – Omaha, NE **	8.96

* = It is difficult to compare user fees from City to City because of uniqueness of rate structures. For example when comparing Omaha's and Lincoln Water & Wastewater rates, keep in mind part of Omaha's taxes pay for fire protection costs. They have a much higher development connection fee to the system and the "receiving bodies" of Omaha's wastewater have less stringent treatment requirements. Omaha has a broader base of customers to spread costs over.

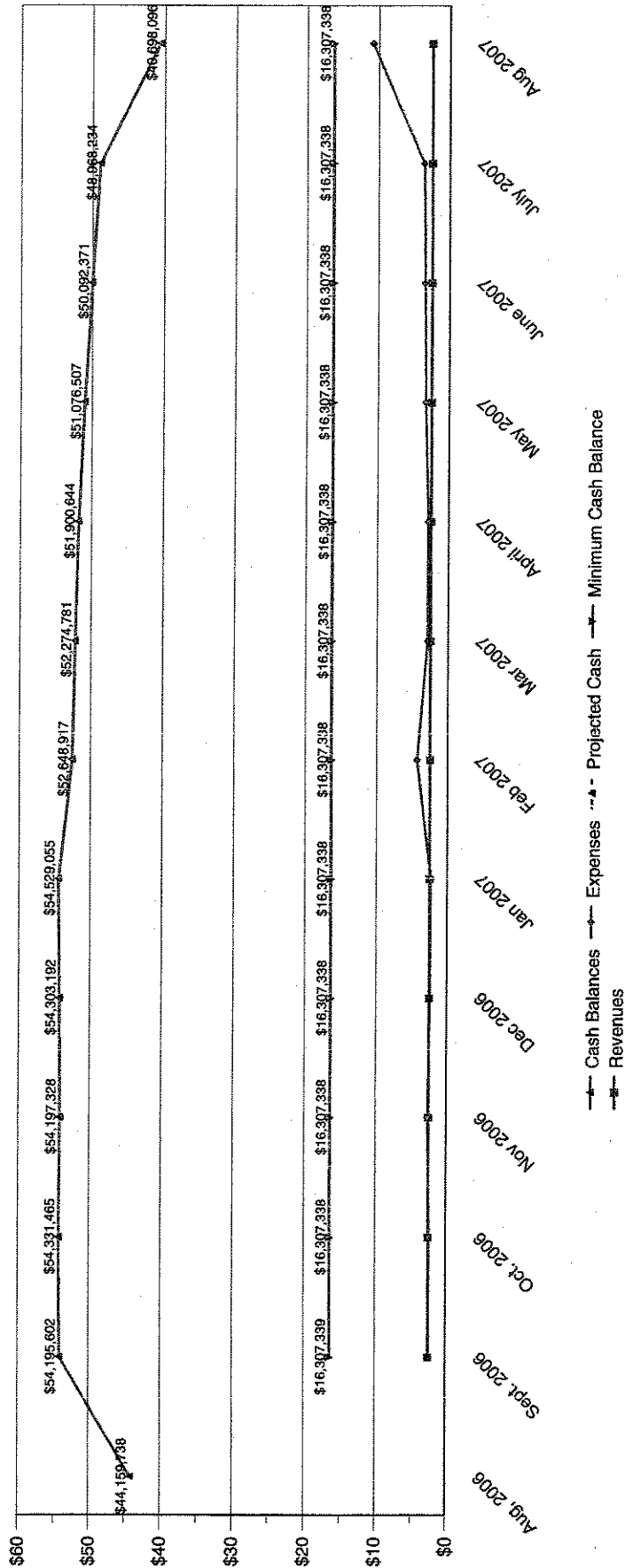
** = Omaha wastewater was not part of the survey.

Draft - for Discussion Purposes Only
Water Cash Flow Projections
FY 05/06 Current Approved CIP Including Bond Issues



Rate Increases:
 February 2005 5%
 February 2006 7%

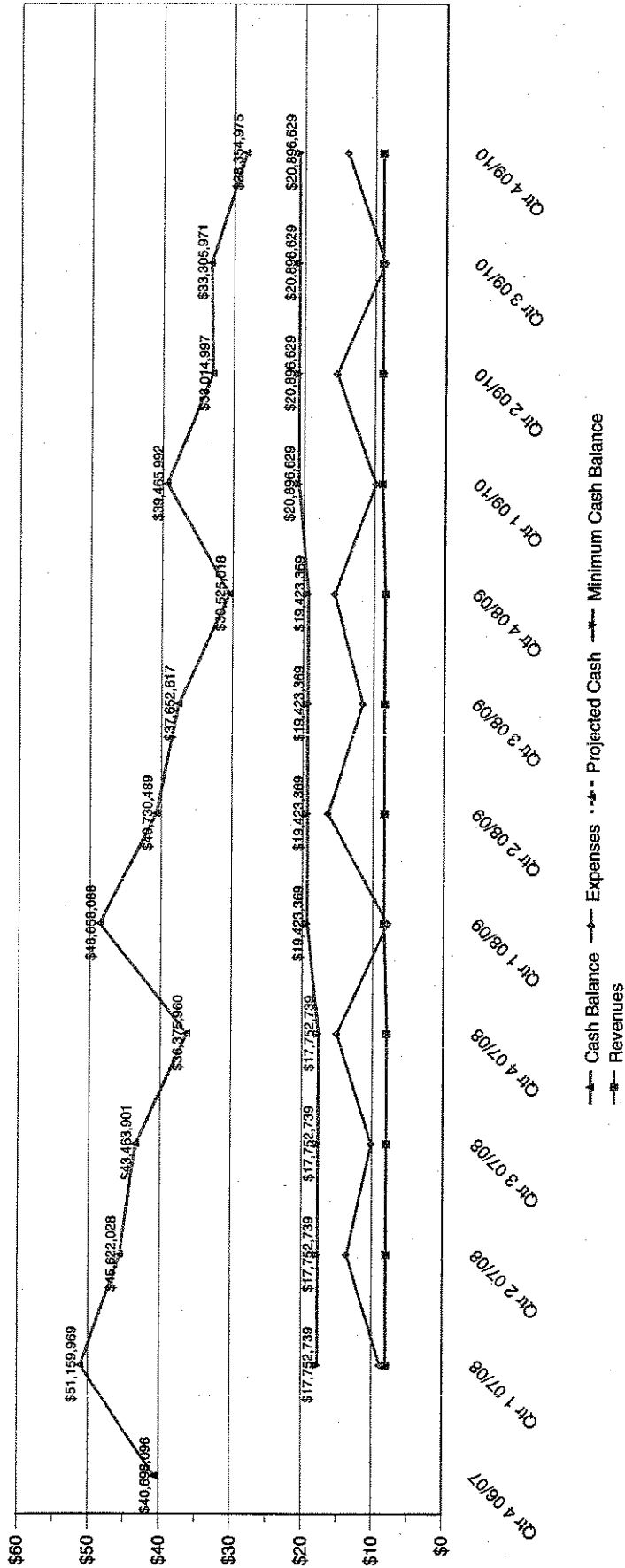
Draft - for Discussion Purposes Only
Water Cash Flow Projections
 FY 06/07 Proposed CIP including Bond Issues



Rate Increases:
 February, 2006 7%
 February, 2007 7%

Bond Issues:
 Sept 2006 9,900,000

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Water Cash Flow Projections
 FY 07/08 thru FY 09/10 Proposed CIP Including Bond Issues



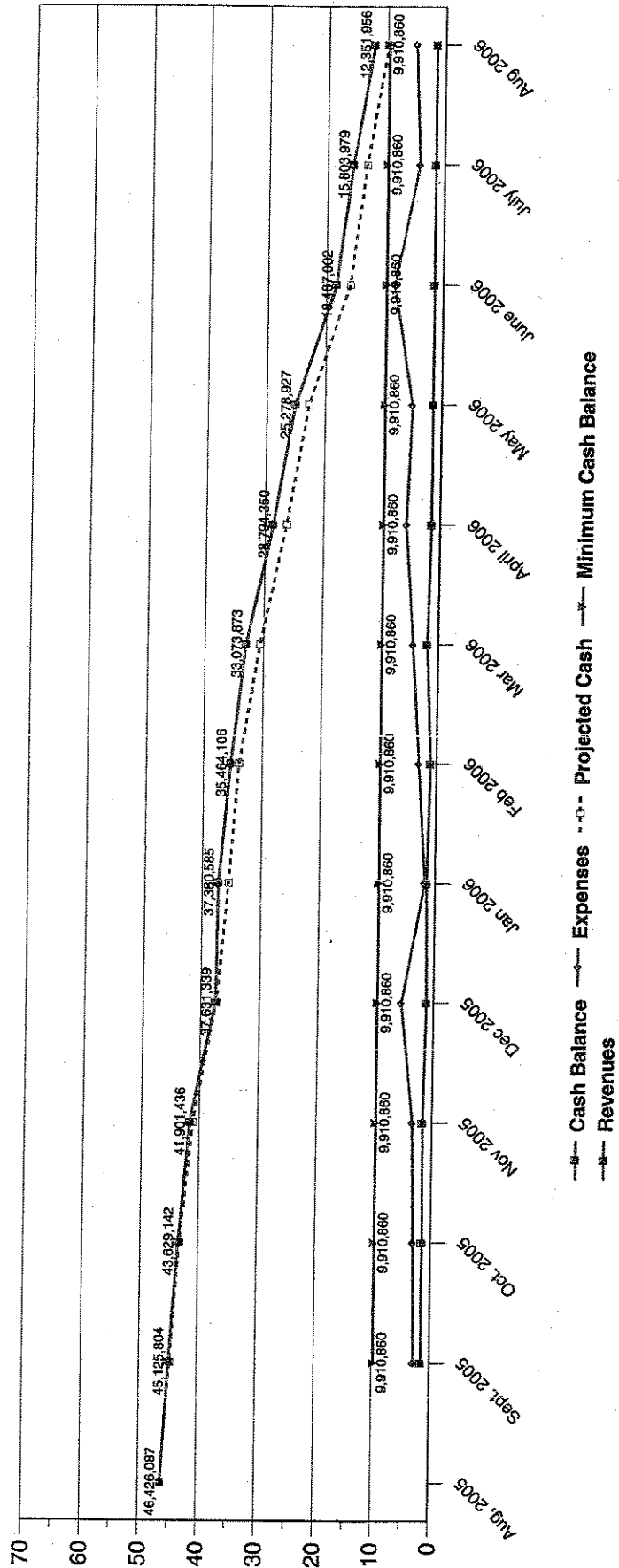
Rate Increases:

February, 2007	7%
February, 2008	5%
February, 2009	5%
February, 2010	5%

Bond Proceeds:

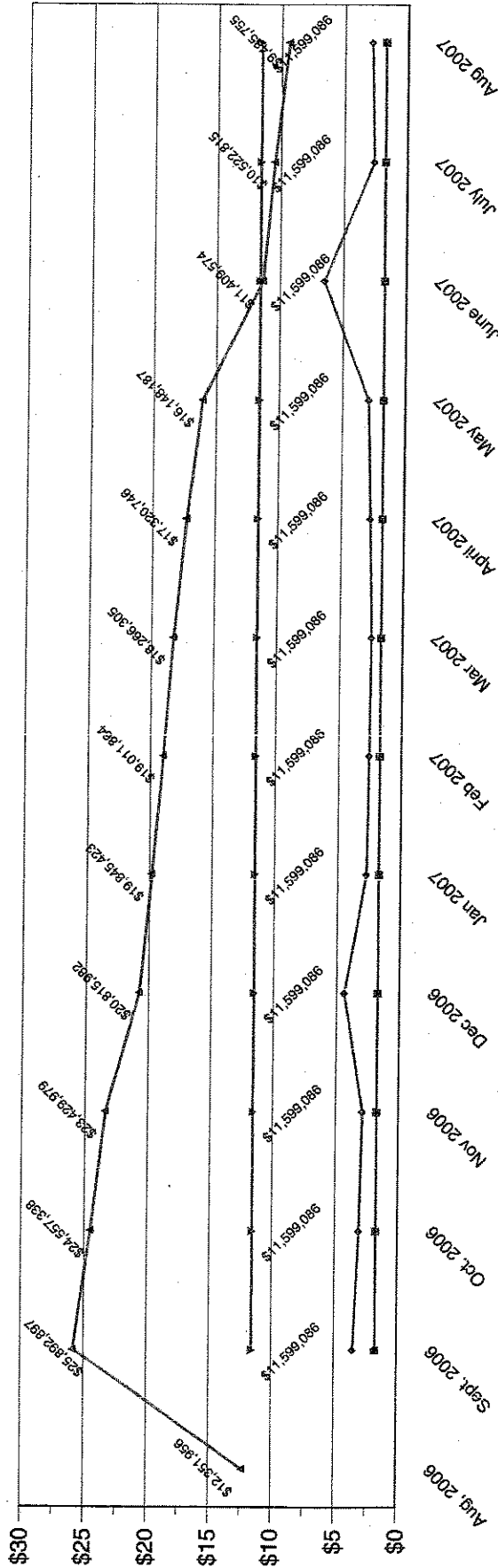
Sept. 2007	11,320,000
Sept. 2008	11,760,000
Sept. 2009	9,840,000

Draft - for Discussion Purposes Only
Wastewater Cash Flow Projections
 FY 05/06 Current Approved CIP Including Bond Issues



Rate Increases:
 February, 2005 7%
 February, 2006 9%

Draft - for Discussion Purposes Only
Wastewater Cash Flow Projections
 FY 06/07 Proposed CIP Including Bond Issues

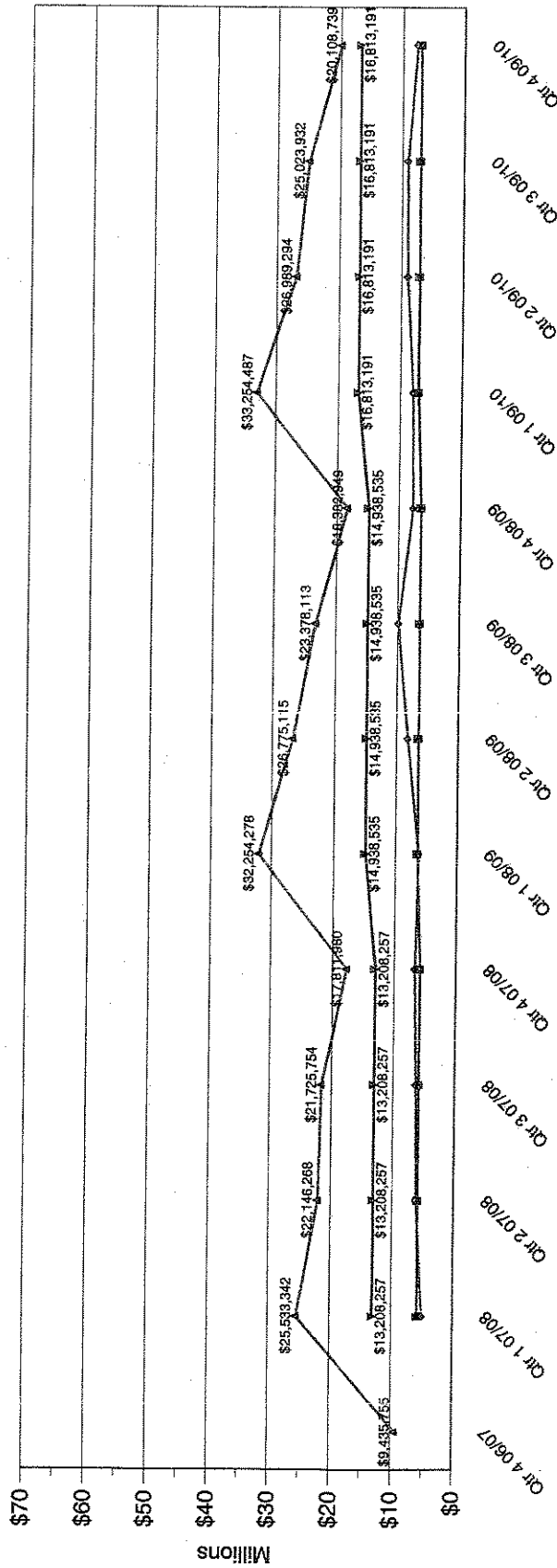


— Cash Balances — Revenues — Expenses — Minimum Cash Balance

Rate Increases:
 February, 2006 9%
 February, 2007 9%

Bonded:
 Sept, 2006 15,300,000

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Wastewater Cash Flow Projections
 FY 07/08 thru FY 09/10 Proposed CIP Including Bond Issues



—■— Cash Balance - - - ○ - - - Revenues ···· △···· Expenses - - - ▽ - - - Minimum Cash Balance

Rate Increases:

February, 2007	9%
February, 2008	9%
February, 2009	9%
February, 2010	9%

Bonded:

1st Qtr 2007/08	15,280,000
1st Qtr 2008/09	14,180,000
1st Qtr 2009/10	15,680,000