



CITY OF BURTON
FINANCE COMMITTEE MEETING
JULY 29, 2015
MINUTES

Council Chambers

Special Meeting

5:00 PM

4303 S. CENTER ROAD
BURTON, MI 48519

This meeting was opened by Chairman Vaughn Smith at 5:00 PM.

A. ROLL CALL

Attendee Name	Title	Status	Arrived
Tom Martinbianco	Councilman	Late	5:10 PM
Dennis O'Keefe	Councilman	Present	
Vaughn Smith	Chairman	Present	

B. STAFF PRESENT

Teresa Karsney, Clerk	Ginger Burke-Miller, Controller
Doug Bingaman, Treasurer	Robert Slattery, DPW Director
Amanda Doyle, City Attorney	Ellen Ellenburg, City Council
Steven Hatfield, City Council	

C. AUDIENCE PARTICIPATION

None

D. COMMITTEE DISCUSSION ON THE FOLLOWING ITEMS:

Mr. Smith opened the meeting by starting with Water/Sewer Rates.

A. Discussion and possible recommendation of a Fund Balance Policy.

From the Michigan Municipal League handbook it stated you should adopt a fund balance policy. A typical policy is one to three months of operating expenditures or five to twenty percent of annual budgeted expenditures. GFOA suggested 45 days of expenses for enterprise funds.

Mrs. Burke-Miller feels that 15 percent is too low and 25 percent is too high. Her recommendation is to adopt a fund balance policy of maintaining 20 percent of annual expenditures as unrestricted. Water and Sewer cash reserves policy of 50 percent of annual expenditures.

All Committee members feel that they like the City of Grand Blanc Fund Balance Policy. They would like Mrs. Burke-Miller to take Grand Blanc Fund Balance policy and change to fit Burton and resubmit to Council.

- B. Approve and authorize the Treasurer to adjust water rates in accordance with the recommended rates in the rate study performed by Bendzinski & Co. as follows: Ready to Serve Charge – \$ per month 5/8" meter – \$16.85 ¾" meter – \$16.85 1" – \$28.65 1 ½" – \$58.98 2" – \$112.90 3" – \$252.75 4" – \$454.95 6" – \$1,011.00 8" – \$1,685.00. 10" – \$3,622.75 Recommend this be discussed at the Finance Meeting on July 29, 2015 at 5:00 p.m.

Mrs. Burke-Miller stated that she handed out an informational article that came from Plante Moran which stated setting water and sewer rates should be a deliberate and annual process. Rate setters should also seek to limit the variability in the rate increases passed on to customers. Most customers can understand the need for reasonable and steady increases in rates from year to year. What's more likely to draw an outcry is a dramatic spike in rates after multiple years of little or no increases.

Mr. Bingaman elaborated on how rate increases will affect residential customers if enacted upon. Mr. Bingaman provided a spreadsheet illustrating current and proposed rates and also depicting monthly increases and increase per bill by meter size.

Ms. Burke-Miller shared information obtained from the City Bond Attorney Tom Colis from Miller Canfield summarizing the covenant of the City in relationship to the bond ordinances, the City must maintain rates sufficient to sustain and operate system, and be able to pay debt service. Mr. Colis's email stated that if the current rates cover the operation and maintenance of the System and debt service on all outstanding bonds and there the bond reserve is properly fund, the City would not have to increase rates. To the extent the rates are insufficient; the City has covenanted to have sufficient rates to cover the bonds. If proper action is not taken, the City could be in default of one of the covenants in the Ordinance.

Mrs. Burke-Miller also shared correspondence information from Bendzinski & Company. That did a rate study for the City of Burton in regards to water and sewer rates. Mr. Robert Bendzinski's email it stated that current rates are not sufficient to sustain, operate and pay debt service. Mr. Bendzinski also pointed out in the Bond Resolution to be approved by City Council in August; section 10 states "No free service or use of the System, or service or use of the System at less than cost, shall be furnished by the System to any person, firm, or corporation, public or private, or to any public agency or instrumentality, including the Issuer. Once again summarizing the City's responsibility to sustain and operate the system and able to pay the debt service.

Mrs. Amanda Doyle summarized that using General Funds to subsidizing water and sewer rates, but the ordinance states cannot provide for less than cost.

Mr. Smith asked Mrs. Doyle, if we reduced the police millage and increased the water and sewer it would be a wash, what are the legalities of this type of action.

Mrs. Doyle stated that is not a legal question, would caution against using general fund dollars to support "enterprise funds" water and sewer.

Mrs. Burke shared Mr. Kray's email with his concerns over the delay of the implementation of the rate increase causing loss of valuable revenue. He went as far

as breaking down what we would have to charge to make of the difference since we didn't increase the rates until September.

Mr. Smith expressed concerns over Net Funds from 2008 through 2014; chart provided by Mr. Smith showed a 1.7 million drop in revenue in the sewer fund over the course of the seven years. The current controller is handling depreciation the same way the old controller was handling it thru two administrations.

Mrs. Burke spoke with Dima El-Gamal from Stantec, total amount of bonds the City is taking on as a liability would be \$21.5 million total; we would have to increase in rates to support water and sewer system and have the ability to make the bond payments.

Mr. Smith understands there is a problem here, requested info from Administration in reference to chart on Table 13 of the sewer study. Mr. Smith would like Mr. Bingaman to go thru the monthly REU on the bottom of this chart.

Mr. Bingaman said we charge our sewer only customers a flat rate. The number indicates our current flat rate of \$37.92 and we are proposing to increase it to \$41.18.

Mr. Smith expressed concerns for those residents that have wells; what options do they have?

Mr. Bingaman stated those residents could get a meter for their well and be charged for only sewer based on their consumption.

Mr. Smith, what are the plans for the city to educate the public.

Mr. Bingaman stated there is a flyer they hand out explaining rates and billing for meters.

Mr. Smith how are you informing residents?

Mr. Bingaman stated nothing has been generated for the public information other than the flyer. We could compose a letter with the Mayor's input explaining increases over the next five years and option for purchasing a meter, would include rate study information.

Mr. Smith asked do you see these numbers going up or down, or are they locked down?

Mr. Bingaman suggested we follow the study for the first couple years then evaluate to see if rate increases are still needed.

Mr. Smith stated that the Rate Study isd currently on Burton Council Facebook page, what other avenues are there to get the information out?

Mr. Bingaman stated possibly put the information in the Clerk's Office, or out on the website.

Mr. Hatfield stated that this could be discussed at the Public Access meeting.

Mr. Smith wants it out on the website, to explain it to the residents so they understand. The City is using more of these types of survey's the people don't know about the surveys, we need to educate them.

Mr. Slattery suggested generate free publicity through a media release to inform people, that the information is out there and where to find it.

Mr. O'Keefe stated over last couple of year's administration and council have done their due diligence in these sorts of matters. Looking towards the future for the City needs, he sees no other alternative and will vote for the approval of this increase. What happens if we have a problem with the system down the road.

Mr. Martinbianco has a different interruption to no free service, his take would be someone hooked up illegally to water or sewer. Or some illegally hooked up to a septic tank and not being billed for sewer. Cost containment within the system is the underlying fallacy in Mr. Bendzinski interpretation is he is talking the 9% per year increase from the county with respect to sewer usage; usage has gone 1.6 % annually since 2009, so the 9% is artificial and has not addressed core issue, it's possible we could be overcharged by the county; to bill that specification into future years as an estimate is out of line in terms of our cost for treatment expense. Maybe there needs to be more cost containment in the department.

All council members expressed concern over the 9% increase from the Bendzinski study and net position figures presented in Mr. Vaughn Smith's spreadsheet. Council will inquire of Mr. Bendzinski at Monday's Council Meeting.

Mr. Martinbianco asked when the budget was approved what bases were used for revenues.

Mr. Slattery stated we used the new rates for the budget of revenues.

Council would like to see a copy of the rate study with the budget and a note in the budget showing we are using the new rates for revenues.

- C. Approve and authorize the Treasurer to adjust City of Burton's portion of the sewer rates in accordance with the recommended rates in the rate study performed by Bendzinski & Co. as follows: \$11.29/REU/per month Recommend this be discussed at the Finance Meeting on July 29, 2015 at 5:00 p.m.

Meeting was adjourned at 6:28 PM.



Finance Committee
4303 S. Center Road
Burton, MI 48519

Meeting: 07/29/15 05:00 PM
Department: Clerk's Office
Category: Discussion
Prepared By: Teresa M. Karsney
Department Head: Teresa M. Karsney

D.A

SCHEDULED

AGENDA ITEM (ID # 1717)

DOC ID: 1717

Discussion and possible recommendation of a Fund Balance Policy.

ATTACHMENTS:

- Fund Balance Policy Burton (DOC)
- Fund Balance Policy Grand Blanc (DOCX)
- Fund Balance Policy Sample (DOCX)
- Fund Balance(PDF)

**City of Burton
County of Genesee, State of Michigan**

Fund Balance Policy (Governmental Funds)

Background:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54 regarding the classification of fund balance in governmental funds. The City of Burton will comply with this Statement effective in the fiscal year beginning July 1, 2010 and ending June 30, 2011.

Fund Balance Classification:

Governmental funds in the City of Burton accounts and financial statements will include the following classifications of fund balance:

1. Non-spendable fund balance: represents those resources that cannot be used to liquidate current liabilities because the related assets are either not in spendable form (e.g. prepaids, inventory) or are required to be maintained intact (e.g. the principal of an endowment).
2. Restricted fund balance: represents amounts that can be spent only for the specific purposes stipulated by external resource providers or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.
3. Committed fund balance: represents amounts that are designated to be used for specific purposes determined by formal action of the City's highest level of decision-making authority. Such action must occur prior to the end of the fiscal year for which such amounts are being reported. Commitments may be changed or lifted only by the same formal action that imposed the constraint originally.

The City Council, as the City's highest level of decision-making authority, is the only entity capable of designating a committed fund balance for a specific purpose. Such action shall be performed in a properly called and conducted meeting of the Council and shall require a majority vote of Council members.

4. Assigned fund balance: In the General Fund represents amounts that are intended to be used for specific purposes, but have not been so designated by the governing body. Such designations shall be the prerogative of the City Treasurer or the Mayor.

In governmental funds other than the General Fund, assigned fund balance includes all residual amounts not restricted or committed. This indicates that resources in funds, other than the General Fund, are intended to be used to support a specific purpose (e.g. Sidewalk, Property Replacement, Building Department).

5. Unassigned fund balance: represents all residual amounts, not restricted, committed or assigned in the General Fund, and are available for any purpose.

Fund Balance Spending Order Prioritization

As required by GASB 54, the City's policy shall be that when multiple classifications are available and appropriate for a specific purpose, fund balance will be used first from the most restrictive category (Non-spendable) in order, to the least restrictive (unassigned fund balance).

Minimum Fund Balance:

For the General Fund, the budget shall be prepared and activities managed to result in an ending unassigned fund balance of at least \$ 500,000, except in case of emergency or financial distress. Circumstances of emergency or distress shall be reported to the City Council at the earliest practical time. Upon such reports, Council may direct that additional action be taken to preserve the minimum fund balance.

Status of this Policy: The terms and conditions of this policy shall supersede and replace other statements by the City of Burton on this subject. This policy shall remain in force and effect until replaced or contradicted by later action of the Burton City Council or other competent authority.

City of Grand Blanc Fund Balance Policy

Purpose

The purpose of this policy is to specify the size and composition of the City's desired fund balance and to identify certain requirements for classifying fund balance in accordance with GASB Statement No. 54. It is essential that the City maintain adequate levels of unreserved fund balance to mitigate risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures and similar circumstances. The fund balance also provides cash flow liquidity for the City's general operations and working capital for community development and improvement projects.

Policy

Fund balance is created from excess revenues over expenditures. It is a fund's net assets, mostly made up of cash and investments and, unless otherwise restricted, available for investment spending such as real estate or may be used for interfund loans. There are five components of fund balance, namely:

1. **Nonspendable Fund Balance.** This portion of fund balance is *nonspendable* because of its form, for example inventory and non-financial assets, or because of legal or contractual requirements.
2. **Restricted Fund Balance.** This portion of fund balance is *restricted* due to external limitations placed on the use of the funds. The restriction typically comes from outside the local government as a condition of the revenue source.
3. **Committed Fund Balance.** Fund balance is *committed* if a limitation is set in place by formal action of the City Council prior to the end of the fiscal year. The limitation remains binding until the City Council takes formal action to remove it.
4. **Assigned Fund Balance.** Fund balance may be *assigned* to reflect the intended use of the resource. The assignment of funds may come from the City Council or from a designee of the City Council. Less formality is needed to impose, remove, or modify a constraint reflected in *Assigned Fund Balance*. No funds other than the General Fund may have Unassigned Fund Balance, therefore any amounts remaining in excess of Nonspendable, Restricted, or Committed funds in funds other than the General Fund will automatically be reported as *Assigned Fund Balance*. If any portion of existing fund balance will be used to eliminate a projected deficit in the subsequent year's budget, this amount will also be categorized as *Assigned Fund Balance*.
5. **Unassigned Fund Balance.** The General Fund, and no other governmental fund, may have resources that cannot be classified in one of the four categories described above. Only the General Fund can report a surplus, an *Unassigned Fund Balance*.

Because Nonspendable and Restricted fund balances are not available for spending due to external enforceable conditions, this fund balance policy is focused on the appropriate level of General Fund Unrestricted fund balances, those classified as Committed, Assigned and Unassigned.

Proceeds of any real estate sales must be returned to fund balance to be recorded in the fund income statement (this could be a net against the general fund expenditure should the sale occur during the year of a deficit budget).

Utilization of Fund Balance

The policy regarding fund balance shall be that when multiple classifications are available and appropriate for particular expenditures, fund balance will be utilized first from the most restrictive category working toward unassigned fund balance. Relative “restrictiveness” of fund balance shall proceed from the most to least in order of the five classifications listed in this policy, from one to five above.

Minimum Fund Balance

For the General Fund, the budget shall be prepared and activities managed to result in an ending unassigned fund balance of at least 50% of the average of the past three (3) fiscal year general fund expenses, except in the case of emergency or financial distress. Circumstances of emergency or financial distress shall be reported to the City Council at the earliest practical time.

When fund balance approaches its minimum threshold the following measures, in priority order, shall be used to build up fund balance:

1. Cut or delay pay-as-you-go capital improvements.
2. Cut general operating expenses.
3. Increase rates and charges funding specific services to make them self-sufficient where possible.
4. Increase millage.

Maximum Fund Balance

In the event that Unassigned Fund Balance exceeds the maximum of 100% of the general fund expenses, the excess may be utilized for a one-time millage reduction utilizing the excess within the fund in which it was generated. In order to minimize the long term effect of such use, the excess shall be appropriated to fund one time expenditures or expenses which do not result in reoccurring operating costs, or other one-time costs including the establishment or increase in legitimate reservations or designations of fund balance.

Other Provisions

Maintenance. In the event the unassigned general fund balance is so calculated to be less than the policy anticipates, the City shall plan to adjust the budget resources in the subsequent fiscal years to restore the balance. Except in extraordinary circumstances, unassigned fund balance should not be used to fund any portion of the ongoing and routine year-to-year operating expenditures of the

City. It should be used to primarily insure adequate assigned balances, to respond to unforeseen emergencies, to provide cash flow and overall financial stability.

Administrative Responsibilities. The Finance Director shall be responsible for monitoring and reporting the City's various assignments. The City Manager is directed to make recommendations to the Finance Committee of the City Council on use of the unassigned funds both as an element of the annual budget submission and from time to time throughout the year as needs may arise.

Annual Report. The Finance Director shall annually submit a report to the Finance Committee of the City Council outlining the status of the City's various components of the fund balance. This report shall be submitted within thirty days of receipt of the annual financial audit. The Finance Director shall also provide status reports at other times to the Finance Committee or the City Council as may be requested.

May 9, 2012

Let it be resolved that the goal of the Council shall be to maintain a minimum unassigned fund balance of no less than 40% of General Fund expenditures. For purposes of this calculation, "expenditure" will be the annual budgeted expenditures amount less non-recurring capital expenditures.

If unassigned fund balance levels fall below 40% of expenditures, the General Fund budget for the following year will be adjusted to restore fund balance to the 40% level. If unassigned fund balance approaches a level that greatly exceeds 60% of expenditures, the City Council will consider using unassigned fund balance for the following purposes: funding OPEB Trust, funding pension, pay down future debt, transfer funds to Capital Projects fund for future Capital improvements and other future obligations of the City. Fund balance levels will be analyzed each fiscal year after the financial statement audit.

president, or to the manager, if there is one employed by the village.

The legislative body must annually adopt a budget (spending and revenue plan) for the village and must make amendments when necessary. Proper procedures must be followed in setting the millages.

A sample budget ordinance is included Appendix 9 of this handbook.

Q23 Is there a “rule of thumb” for a fund balance amount?

According to Girard Miller’s *Elected Official’s Guide to Government Finance*, the answer is no. Operating fund balances should be maintained at levels sufficient to absorb unpredictable revenue shortfalls and to insure desired cash flow levels. Local officials must balance financial stability against an excessive fund balance. You should adopt a policy regardless of the amount that you decide is necessary. A typical policy is one to three months operating expenditures or five to twenty percent of annual budgeted expenditures.

Q24 What is the state law regarding a budget public hearing?

1963 PA 43 (MCL 141.411) requires a local unit of government to hold a public hearing on its proposed budget. 1978 PA 621 (MCL 141.421a) requires a “Truth in Taxation” hearing before the adoption of the millage. These two can be combined with proper notice (see Q29).

Q25 How long before the hearing does the notice need to be published?

At least six days prior to the hearing.

Q26 Is a public hearing necessary to amend the budget?

No. However, the budget should be amended before you overspend, not after.

Q27 Is a quorum required to allocate funds for the village?

Yes, a quorum is required to allocate funds.

Q28 Does the council need to approve the budget of the DDA?

Yes, the council must approve the DDA improvement plan and DDA financing plan in addition to the annual budget.

Q29 Do we have to have a truth in taxation hearing?

Truth in taxation requires municipalities to advertise any increase in the dollar amount of taxes from the prior year. 1995 PA 40 (MCL 141.412) amended the Uniform Budgeting and Accounting Act to allow a truth in taxation hearing and a budget hearing to occur at the same time. In order to avoid a separate truth in taxation hearing, a municipality must include the following statement in its budget hearing notice: “The property tax millage rate proposed to be levied to support the proposed budget will be a subject of this hearing.” This statement must also be published in the newspaper advertisement for the budget hearing in 11 point bold typeface.

The combined hearing, however, presents some practical problems. In most GLVs, the fiscal year begins March 1st. At that time, the final SEV figures are not available (not until sometime in May). Consequently, a truth-in-taxation public hearing can’t be held until May or June. And, if you haven’t held the budget public hearing and adopted your budget by March 1st, you don’t have an authorized spending plan.

Q30 We would like to start a capital project in five years and add a little to our reserves every year until we have enough to fund the project. How do we budget for this?

For five years, you should have excess revenues over expenditures. The excess revenue should end up in your fund balance. The year that you incur expenses on the capital project, you will need to use your fund balance to offset your capital project expenditures in order to balance the budget.



ADOPTED

AGENDA ITEM (ID # 1727)

DOC ID: 1727

Approve and authorize the Treasurer to adjust water rates in accordance with the recommended rates in the rate study performed by Bendzinski & Co. as follows: Ready to Serve Charge – \$ per month 5/8” meter – \$16.85 3/4” meter – \$16.85 1” – \$28.65 1 1/2” – \$58.98 2” – \$112.90 3” – \$252.75 4” – \$454.95 6” – \$1,011.00 8” – \$1,685.00. 10” – \$3,622.75 Recommend this be discussed at the Finance Meeting on July 29, 2015 at 5:00 p.m.

HISTORY:

07/20/15 City Council

RECOMMENDED

ATTACHMENTS:

- Sewer & Water Net Position2 (JPG)
- Sewer & Water Net Position (JPG)
- Water Rate Study (PDF)
- City of Burton Water Sewer Funds-Net Position End of Year (PDF)

City of Burton

Sewer and Water Funds Net Position Comparison

	Sewer Fund		Water Fund	
	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Net investment in capital assets	\$ 25,439,896	\$ 25,642,521	\$ 13,286,723	\$ 13,098,499
Restricted for bond reserve	-	-	221,000	228,353
Unrestricted	<u>10,578,270</u>	<u>10,630,068</u>	<u>2,569,328</u>	<u>2,696,339</u>
Total net position	<u>\$ 36,018,166</u>	<u>\$ 36,272,589</u>	<u>\$ 16,077,051</u>	<u>\$ 16,023,191</u>

City of Burton

Sewer and Water Funds

Revenue and Expense Comparison

	Sewer Fund		Water Fund	
	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Operating revenue	\$ 4,439,311	\$ 4,414,127	\$ 4,077,533	\$ 3,710,148
Operating expenses - other	4,661,521	4,150,164	3,635,963	3,450,014
Operating expenses - depreciation	<u>546,482</u>	<u>542,848</u>	<u>337,474</u>	<u>347,257</u>
Operating income (loss)	(768,692)	(278,885)	104,096	(87,123)
Nonoperating revenue (expense)	563,678	128,775	(16,161)	(549,910)
Transfers, net	<u>(49,409)</u>	<u>(86,521)</u>	<u>(34,075)</u>	<u>(73,302)</u>
Change in net position	<u>\$ (254,423)</u>	<u>\$ (236,631)</u>	<u>\$ 53,860</u>	<u>\$ (710,335)</u>



**CITY OF BURTON
WATER SYSTEM
USER CHARGE SYSTEM
DWRF PROJECT# 7388-01**

DATED: July 8, 2014

615 Griswold St. • Suite 1225 • Detroit, Michigan 48226
(313) 961-8222 • FAX (313) 961-8220
e-mail • jhw@bendzinski.com

Attachment: Water Rate Study (1727 : 2015-2016 Water Rates)

July 8, 2014

City of Burton
4303 S. Center Rd.
Burton, MI 48519-1497

Re: Water Rate Study

Dear City Council Members:

We would like to express our appreciation for having been given the opportunity to perform this Water Rate Study for the City of Burton. We would also like to acknowledge the cooperation and assistance of the City staff and its professionals who assisted us in the accumulation of data necessary to prepare this study.

INTRODUCTION

The City of Burton Water System serves approximately 6,046 metered customers throughout the City. Water service is available to just over half of the City's properties and the City currently purchases water treatment services from Genesee County, and as a result, it is subject to the requirements of the rates of the County, and in the case of water, the City of Flint and the City of Detroit as well.

CURRENT BILLING METHODOLOGY

The City presently bills its metered water customers quarterly, based on water flow, using a combination of a minimum bill ("Readiness to Serve Charge") plus an additional charge for actual consumption, ("Commodity Charge.")

The current monthly water rates, as of January 1, 2014, are listed below:

The Monthly Water Rates are as follows:

Ready to Serve:	\$10.12 per REU
Commodity:	\$5.02 per 100 cubic feet

COMPARISON OF HISTORICAL REVENUES AND EXPENSES

Because historical revenues and expenditures can be an indicator of the results of future operations, we have tabulated and are presenting this data which will be used as a basis for our projections of future System expenses.

Table 1 on page 3 presents a comparison of Water System revenues and expenditures for the fiscal years ended June 30, 2009 through June 30, 2013 based on the City's annual audits. In reviewing **Table 1**, we note that the System has averaged total System revenues of \$3.6 million over the five year period and has averaged \$3.5 million in total System expenses over the same period. Revenues have kept pace with expenses at an average annual increase of 1.8%. The largest System expense is the water purchased from Genesee County, which has averaged \$1.5 million, or approximately 55% of total System expenses.

If we look at the Net System Revenues on a cash basis, the System averages an average annual profit of about \$478,000 after adding back the depreciation expenses (non-cash expense) and deducting the amount paid on bond principal payments.

In reviewing the City's utility rates and charges going forward, we will be evaluating the Water System to make sure that it remains self-sufficient with the rates recommended herein.

ANALYSIS OF WATER PURCHASED

Critical in this water rate determination is the amount of water purchased and the cost of water from the County. **Table 2**, on page 4 compares the amount of water that has been purchased from the County and the corresponding annual amount billed by the City to its customers. In viewing **Table 2**, the average annual purchased flow has been about 61.1 million cubic feet and the average amount billed to City customers over the same time is about 59.8 million cubic feet.

Table 3, on page 4, shows the projected purchased and billed flows using the five year average, with no annual increases from 2014 to 2018.

DETERMINATION OF METER EQUIVALENTS

The City's Water System has 6,046 metered customers, with meter sizes ranging in size from 5/8" to 10". In order to ascertain the proportionality of each metered customer to the other, we must convert all of the various meter sizes to a common denominator. This common denominator is called the meter equivalent for a residential equivalent unit or "REU". Using the System's existing REU determination method, we have calculated the City's Water System has 8,259.7 REUs based on its current billing structure for the monthly Ready to Serve charge. This will be the basis going forward for our projected number of customers.

TABLE 1

COMPARISON OF ANNUAL REVENUES AND EXPENDITURES WATER SYSTEM

For the Fiscal Years ending June 30, 2009 to June 30, 2013

	2009		2010		2011		2012		2013*	
	Amount		Amount	Increase (Decrease)	Amount	Increase (Decrease)	Amount	Increase (Decrease)	Amount	Increase (Decrease)
Operating Revenues										
Charges for Services	\$2,998,857		\$3,193,576	6.49%	\$3,391,200	6.19%	\$3,533,276	4.19%	\$3,524,836	-0.24%
Fines and Forfeits	94,443		97,069	2.78%	100,961	4.01%	88,725	-12.12%	90,196	1.66%
Sale of Materials	8,079		6,766	-16.25%	11,428	68.90%	12,297	7.60%	19,807	61.08%
Miscellaneous	5,061		7,416	46.53%	26,245	253.90%	149,221	468.57%	75,692	-49.28%
Total Operating Revenues	\$3,106,440		\$3,304,827	6.39%	\$3,529,834	6.81%	\$3,783,519	7.19%	\$3,710,531	-1.93%
Non-Operating Revenues										
Tap Fees	\$3,266		\$2,680	-17.94%	\$3,080	14.93%	\$1,260	-59.09%	\$33,484	2557.48%
Capital Contributions	\$367,372		\$28,930	100.00%	\$26,166	-9.55%	\$228,380	772.81%	\$0	-100.00%
Interest on Investments	17,157		3,161	-81.58%	6,258	97.98%	6,706	7.16%	7,138	6.45%
Total Non-Operating Revenues	\$387,795		\$34,771	-91.03%	\$35,504	2.11%	\$236,346	565.69%	\$40,623	-82.81%
TOTAL REVENUES	\$3,494,235		\$3,339,598	-4.43%	\$3,565,338	6.76%	\$4,019,865	12.75%	\$3,751,154	-6.88%
Operating Expenses										
Personal Services	\$686,071		\$700,934	2.17%	\$780,189	11.31%	\$698,568	-10.46%	\$696,053	-0.36%
Contractual Services	73,749		61,649	-16.41%	51,532	-16.41%	64,404	24.98%	47,611	-26.07%
Supplies	79,364		57,532	-27.51%	120,940	110.21%	181,106	49.75%	172,118	-4.96%
Materials	89,810		69,474	-22.64%	0	-100.00%	0	0.00%	0	0.00%
Repairs	0		0	0.00%	0	0.00%	0	0.00%	0	0.00%
Equipment Rental	104,270		103,069	-1.15%	120,622	17.03%	109,419	-9.29%	124,318	13.62%
Utilities	16,127		19,000	17.81%	0	-100.00%	0	0.00%	13,854	0.00%
Water Purchased	2,021,671		1,612,679	-20.23%	1,680,428	4.20%	2,100,253	24.98%	2,239,426	6.63%
Depreciation	355,892		363,289	2.08%	357,436	-1.61%	353,704	-1.04%	356,623	0.83%
Miscellaneous	29,503		23,132	-21.59%	36,008	55.66%	37,177	3.25%	63,249	100.00%
Total Operating Expenses	\$3,456,457		\$3,010,758	-12.89%	\$3,147,155	4.53%	\$3,544,631	12.63%	\$3,713,252	4.76%
Non-Operating Expenses										
Bond Interest Payments	100,562		94,576	-5.95%	85,838	-9.24%	103,020	20.02%	34,830	-66.19%
Transfer (In)/Out	14,208		44,650	0.00%	61,112	0.00%	65,326	6.90%	89,623	37.19%
Total Non-Operating Expenses	114,770		139,226	21.31%	146,950	5.55%	168,346	14.56%	124,453	-26.07%
TOTAL EXPENSES	\$3,571,227		\$3,149,984	-11.80%	\$3,294,105	4.58%	\$3,712,977	12.72%	\$3,837,705	3.36%
NET INCOME OR (LOSS)	(\$76,992)		\$189,614	-346.28%	\$271,233	-43.04%	\$306,888	-13.15%	(\$86,551)	128.20%
Add Back Depreciation	\$355,892		\$363,289	2.08%	\$357,436	-1.61%	\$353,704	-1.04%	\$356,623	0.83%
Cash Profit/ (Loss)	\$278,900		\$552,903	98.24%	\$628,669	-13.70%	\$660,592	-5.08%	\$270,072	59.12%

* Preliminary, subject to audit.

TABLE 2

HISTORICAL WATER FLOWS FOR THE FISCAL YEARS ENDING JUNE 30, 2009 TO JUNE 30, 2013

Fiscal Year Ending June 30	Amount Purchased		Billed	
	Water Purchased C.F.	Percentage Increase/ (Decrease)	City of Burton Billed C.F.	(Unbilled) Flow C.F.
2009	79,108,117	-6.19%	62,629,826	(16,478,291)
2010	53,890,091	-31.88%	63,387,139	9,497,048
2011	52,706,095	-2.20%	60,894,100	8,188,005
2012	58,153,694	10.34%	64,675,017	6,521,323
2013	61,637,654	5.99%	47,624,641	(14,013,013)
5 Year Average	61,099,130	-4.79%	59,842,145	(1,256,986)

TABLE 3

PROJECTED WATER FLOWS FOR THE FISCAL YEARS ENDING JUNE 30, 2014 TO JUNE 30, 2018

Fiscal Year Ending June 30	Amount Purchased		Billed	
	Water Purchased M.C.F.	Percentage Increase/ (Decrease)	City of Burton Billed C.F.	Unbilled Flow C.F.
2014	61,099,130	0.00%	59,842,145	(1,256,986)
2015	61,099,130	0.00%	59,842,145	(1,256,986)
2016	61,099,130	0.00%	59,842,145	(1,256,986)
2017	61,099,130	0.00%	59,842,145	(1,256,986)
2018	61,099,130	0.00%	59,842,145	(1,256,986)
6 Year Average	61,099,130	0.00%	59,842,145	(1,256,986)

TABLE 4

DETERMINATION OF METER EQUIVALENTS WATER SYSTEM

Current City of Burton Conversion				Williams & Works		
Meter Size (Inches)	Number of Meters	(1) Existing Rate	Equi-valent Ratio	Number of Equivalent 5/8" Meters	Ratios	Equi-valent Meters
5/8"	4,372.0	\$10.12	1.00	4,372.0	1.00	4,372.0
3/4"	1,189.0	\$10.12	1.00	1,189.0	1.00	1,189.0
1"	228.0	\$17.20	1.70	387.6	1.70	387.6
1 1/2"	77.0	\$35.42	3.50	269.5	3.50	269.5
2"	149.0	\$67.80	6.70	998.3	6.70	998.3
3"	18.0	\$151.80	15.00	270.0	15.00	270.0
4"	7.0	\$273.24	27.00	189.0	27.00	189.0
6"	3.0	\$607.20	60.00	180.0	60.00	180.0
8"	2.0	\$1,012.00	100.00	200.0	100.00	200.0
10"	1.0	\$2,067.01 (1)	204.25	204.3	215.00	215.0
	<u>6,046.0</u>			<u>8,259.7</u>		<u>8,270.4</u>

(1) Includes a temporary discount of 5.00%

CITY DEBT SERVICE REQUIREMENTS

The City currently has two outstanding bond issues that are paid from the revenues of the Water System. The first is 2011 Water and Sewer Refunding Bond, which is allocated at 100% to the Water System and the second is the City's share of a Genesee County DWRP Bond which was issued in 2011. The combined debt service requirements for both bond issues are shown in **Table 5**, on page 6. Since the Bonds pledge the Net Revenues of the City's Water System, the annual debt service expense will be included in the calculation of the projected water rates herein.

The City is also anticipating another bond issue which will be financed through the State's Drinking Water Revolving Fund and is scheduled to close in June of 2014. The final project estimate is \$6,000,000, with principal and interest payments beginning in October of 2014 at the program's interest rate of 2.50%. This debt service will also be included in the determination of rates and charges herein, based on the debt service in **Table 6**, page 7.

TABLE 5

SCHEDULE OF COMBINED DEBT SERVICE REQUIREMENTS On a Fiscal Year Basis

Fiscal Year Beginning July 1	2011 REFUNDING BONDS				SHARE OF COUNTY DWRFB BONDS				TOTAL
	Principal Due December 1	Interest Due December 1	Interest Due NEXT June 1	Total Principal & Interest Requirements	Principal Due NEXT April 1	Interest Due October 1	Interest Due NEXT April 1	Total Principal & Interest Requirements	
2011	\$0	\$0	\$12,093	\$12,093	\$0	\$598	\$6,549	\$7,146	\$19,239
2012	155,000	12,510	11,115	178,625	20,000	5,582	5,623	31,205	209,830
2013	150,000	11,115	9,765	170,880	20,000	5,370	5,370	30,741	201,621
2014	195,000	9,765	8,010	212,775	20,000	5,120	5,120	30,241	243,016
2015	190,000	8,010	6,300	204,310	20,000	4,870	4,870	29,741	234,051
2016	185,000	6,300	4,635	195,935	20,000	4,620	4,620	29,241	225,176
2017	180,000	4,635	3,015	187,650	22,500	4,370	4,370	31,241	218,891
2018	170,000	3,015	1,485	174,500	22,500	4,089	4,089	30,678	205,178
2019	165,000	1,485	0	166,485	22,500	3,808	3,808	30,116	196,601
2020	0	0	0	0	22,500	3,527	3,527	29,553	29,553
2021	0	0	0	0	22,500	3,245	3,245	28,991	28,991
2022	0	0	0	0	25,000	2,964	2,964	30,928	30,928
2023	0	0	0	0	25,000	2,652	2,652	30,303	30,303
2024	0	0	0	0	25,000	2,339	2,339	29,678	29,678
2025	0	0	0	0	25,000	2,027	2,027	29,053	29,053
2026	0	0	0	0	25,000	1,714	1,714	28,428	28,428
2027	0	0	0	0	27,500	1,402	1,402	30,303	30,303
2028	0	0	0	0	27,500	1,058	1,058	29,616	29,616
2029	0	0	0	0	27,500	714	714	28,928	28,928
2030	0	0	0	0	29,633	370	370	30,373	30,373
2031	0	0	0	0	0	0	0	0	0
	\$1,390,000	\$56,835	\$56,418	\$1,503,253	\$449,633	\$60,441	\$66,433	\$576,506	\$2,079,759

TABLE 6

\$6,000,000
CITY OF BURTON
COUNTY OF GENESEE, STATE OF MICHIGAN
WATER SYSTEM IMPROVEMENT BONDS, SERIES 2014
PROJECT # 7388-01

FINANCED THROUGH THE DWRF PROGRAM SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS On a Fiscal Year Basis

Fiscal Year Beginning July 1	Principal Due October 1	Interest Rate	Interest Due October 1	Interest Due NEXT April 1	Total Principal & Interest Requirements
2014	\$0.00	2.500%	\$37,500.00	\$75,000.00	\$112,500.00
2015	235,000.00	2.500%	75,000.00	72,062.50	382,062.50
2016	240,000.00	2.500%	72,062.50	69,062.50	381,125.00
2017	245,000.00	2.500%	69,062.50	66,000.00	380,062.50
2018	255,000.00	2.500%	66,000.00	62,812.50	383,812.50
2019	260,000.00	2.500%	62,812.50	59,562.50	382,375.00
2020	265,000.00	2.500%	59,562.50	56,250.00	380,812.50
2021	270,000.00	2.500%	56,250.00	52,875.00	379,125.00
2022	280,000.00	2.500%	52,875.00	49,375.00	382,250.00
2023	285,000.00	2.500%	49,375.00	45,812.50	380,187.50
2024	295,000.00	2.500%	45,812.50	42,125.00	382,937.50
2025	300,000.00	2.500%	42,125.00	38,375.00	380,500.00
2026	310,000.00	2.500%	38,375.00	34,500.00	382,875.00
2027	315,000.00	2.500%	34,500.00	30,562.50	380,062.50
2028	325,000.00	2.500%	30,562.50	26,500.00	382,062.50
2029	330,000.00	2.500%	26,500.00	22,375.00	378,875.00
2030	340,000.00	2.500%	22,375.00	18,125.00	380,500.00
2031	350,000.00	2.500%	18,125.00	13,750.00	381,875.00
2032	360,000.00	2.500%	13,750.00	9,250.00	383,000.00
2033	365,000.00	2.500%	9,250.00	4,687.50	378,937.50
2034	375,000.00	2.500%	4,687.50	0.00	379,687.50
	<u>\$6,000,000.00</u>		<u>\$886,562.50</u>	<u>\$849,062.50</u>	<u>\$7,735,625.00</u>

Assumptions:

Bonds Dated:	07/01/2014
First Interest Payment:	10/01/2014
Number of Days:	90
Subsequent Interest Payment:	04/01/2015
Number of Days:	180
First Principal Payment:	10/01/2016
Projected Interest Rate	2.500%

Attachment: Water Rate Study (1727 : 2015-2016 Water Rates)

CAPITAL IMPROVEMENT NEEDS

As part of determining the future expenses of the Water System, we must include expenses to improve System assets that are beyond the day to day maintenance of the System. The City is currently not anticipating any additional capital improvements over the next five years. Therefore, we are not projecting any additional expenses to the System. If the City decides to make any future improvements, we will need to determine if these improvements will be paid from cash on hand or from a bond issue.

REPLACEMENT RESERVES

In addition to the system's annual operating expenses, the system is also required to fund an annual Replacement Reserve based on the anticipated useful life and the anticipated capital cost of the improvements financed through the DWRP program. This is a requirement of the 2011 County issued bonds as well. **Table 7** below breaks down the current annual replacement reserve amount as well as the replacement reserve requirement after the proposed improvements are completed. The amount required for the Replacement Reserve will be subtracted out of the depreciation expense in the future projections.

TABLE 7

REPLACEMENT RESERVE CALCULATION

Equipment	Useful Life	Total Value	Annual Replacement Expense
PRV Vaults, Valves and Appurtenances (2)	20	\$150,000	\$7,500.00
PRV SCADA System Improvements	15	40,000	2,666.67
Total			<u>\$10,166.67</u>

FUND BALANCE RECOMMENDATION

As part of the analysis in this study, we are not only considering the sufficiency of the recommended rates and charges, we are also looking at the sufficiency of the unrestricted fund balance of the Water System. Below are recommended levels of unrestricted funds from several sources:

1. Standard and Poor's Rating Services: 15% of annual expenses;
2. Government Finance Officers Association: 60 days of expenses for General Funds; and
3. Government Finance Officers Association: 45 days of expenses for Enterprise Funds.

We are recommending that the Water System has a minimum of six (6) months of expenses on hand over the next five years. **Table 8** below shows the projected cash on hand and the amount of future funds available based on the current cash amount in the Water Fund and the projected Water System expenses. **Table 8** also shows the cash available to fund capital outlay items or to offset rate increases. For the purpose of this study, we did not assume the cash would be used for any purpose.

TABLE 8

SCHEDULE OF CASH ACCOUNT FUNDING LEVELS

Year	Cash Balance	(1) Projected Water Expenses	(3) Excess Cash Available	Projected Cash Used	(2) Coverage	Balance Next June 30
2013-14	\$3,000,685 *	\$4,348,824	\$ 826,273	\$ -	8.28	\$ 3,000,685
2014-15	\$3,000,685	\$4,683,793	\$ 658,789	\$ (55,000)	7.55	\$ 2,945,685
2015-16	\$2,945,685	\$5,145,314	\$ 373,028	\$ (55,000)	6.74	\$ 2,890,685
2016-17	\$2,890,685	\$5,336,487	\$ 222,441	\$ (55,000)	6.38	\$ 2,835,685
2017-18	\$2,835,685	\$5,540,932	\$ 65,219	\$ (65,219)	6.00	\$ 2,770,466
				<u>\$ (230,219)</u>		

* Total Available cash Balance in Water Fund as of October 31, 2013.

(1) From Table 8.

(2) Coverage in months, after funds are drawn.

(3) Based on funding of Cash Funding equal to 6 months of expenses.

PROJECTED EXPENSES FOR THE FISCAL YEARS ENDING 2014 TO 2018

In order to develop any rate requirements, it is necessary to estimate the operating and non-operating costs of the Water System. **Table 9** on page 11 projects the System's operating requirements for the next five years, based on the City's budget for the 2013 to 2014 fiscal year. Commencing with the fiscal year ending June 30, 2015, all of the System's operating expenses have been increased at the rate of 3.00 percent per year, with the exception of the Cost of Water from Genesee County, which is increased by 6.00%.. The operating expenses have historically increased an average of 1.80 percent annually, so for the purpose of this study we wish to remain conservative. We are also recommending that the City fund its depreciation net of the replacement reserve amount. The debt service requirements from **Table 5 and Table 6** are also included on the Debt Service lines as a System expenses. **Table 10** on page 12 is a summary of the revenues and expenses for the five years and includes the rates calculated for each of the years.

Appendix A to Appendix E on pages 18 to 22 show the basis for the expense allocation between the Ready to Serve charge and the Commodity Charge.

ASSUMPTIONS FOR PROJECTIONS

For the projections below, we have made the following assumptions for use in the calculation of future Water System rates, beginning with the 2013-2014 fiscal year:

INFLATION

For the purposes of this study, we have assumed that any Local Operating Expenses will increase at an annual rate of inflation of 3.00% with the exception of County water charges.

CUSTOMER GROWTH

We have assumed that the number of customers over the next five years will increase minimally unchanged.

FLOW PROJECTIONS

We have assumed that the billed flow to City customers will remain at the five year average level for the next five years.

TABLE 9

PROJECTED WATER SYSTEM EXPENSES

FOR THE FISCAL YEARS ENDING JUNE 30, 2014 TO JUNE 30, 2018

	2013-14 Budget		2015		2016		2017		2018	
	Amount	Increase	Amount	Increase	Amount	Increase	Amount	Increase	Amount	Increase
Local Operating Expenses										
Personal Services	\$849,300	3.00%	\$874,779	3.00%	\$901,022	3.00%	\$928,053	3.00%	\$955,895	3.00%
Contractual Services	57,000	3.00%	58,710	3.00%	60,471	3.00%	62,285	3.00%	64,154	3.00%
Supplies	156,423	3.00%	161,116	3.00%	165,949	3.00%	170,927	3.00%	176,055	3.00%
Equipment Rental	200,000	3.00%	206,000	3.00%	212,180	3.00%	218,545	3.00%	225,102	3.00%
Utilities	18,000	3.00%	18,540	3.00%	19,096	3.00%	19,669	3.00%	20,259	3.00%
Water Purchased	2,361,780 (1)	6.00%	2,503,487	6.00%	2,653,697	6.00%	2,812,918	6.00%	2,981,693	6.00%
Depreciation	350,000	0.00%	350,000	0.00%	350,000	0.00%	350,000	0.00%	350,000	0.00%
Replacement Reserve	0	0.00%	0	0.00%	10,167	0.00%	10,167	0.00%	10,167	0.00%
City Owned Special Assessments	57,200	0.00%	57,200	0.00%	57,200	0.00%	57,200	0.00%	57,200	0.00%
Transfer to Other Funds	66,000	0.00%	66,000	0.00%	66,000	0.00%	66,000	0.00%	66,000	0.00%
Miscellaneous	31,500	3.00%	32,445	3.00%	33,418	3.00%	34,421	3.00%	35,454	3.00%
Total Local Operating Expenses	\$4,147,203		\$4,328,277		\$4,529,200		\$4,730,186		\$4,941,978	
Debt Service										
Existing Debt	\$201,621		\$243,016		\$234,051		\$225,176		\$218,891	
Proposed Debt	0		112,500		382,063		381,125		380,063	
Total Debt Service	\$201,621		\$355,516		\$616,113		\$606,301		\$598,953	
Total Projected System Expenses	\$4,348,824		\$4,683,793		\$5,145,314		\$5,336,487		\$5,540,932	

(1) Based on the new rate of \$3.94 from Genesee Co., not adopted budget amount.

TABLE 10

PROJECTED REVENUES AND EXPENSES

WATER SYSTEM

FOR THE FISCAL YEARS ENDING JUNE 30, 2014 TO JUNE 30, 2018

	2013-14	2014-2015	2015-2016	2016-2017	2017-2018
Operating Revenues					
Water Ready To Serve Charge (1)	\$1,192,121	\$1,383,205	\$1,671,807	\$1,690,839	\$1,713,202
Water Commodity Charge (2)	3,018,153	3,172,588	3,345,507	3,517,648	3,699,730
Other Revenues	138,550	128,000	128,000	128,000	128,000
Total Operating Revenues	\$4,348,824	\$4,683,793	\$5,145,314	\$5,336,487	\$5,540,932
Operating Expenses					
Personal Services	\$849,300	\$874,779	\$901,022	\$928,053	\$955,895
Contractual Services	57,000	58,710	60,471	62,285	64,154
Supplies	156,423	161,116	165,949	170,927	176,055
Equipment Rental	200,000	206,000	212,180	218,545	225,102
Utilities	18,000	18,540	19,096	19,669	20,259
Water Purchased	2,361,780	2,503,487	2,653,697	2,812,918	2,981,693
Depreciation	350,000	350,000	350,000	350,000	350,000
Replacement Reserve	0	0	10,167	10,167	10,167
City Owned Special Assessments	57,200	57,200	57,200	57,200	57,200
Transfer to Other Funds	66,000	66,000	66,000	66,000	66,000
Miscellaneous	31,500	32,445	33,418	34,421	35,454
Total Local Operating Expenses	\$4,147,203	\$4,328,277	\$4,529,200	\$4,730,186	\$4,941,978
Debt Service					
Existing Debt	\$201,621	\$243,016	\$234,051	\$225,176	\$218,891
Proposed Debt	0	112,500	382,063	381,125	380,063
Total Debt Service	\$201,621	\$355,516	\$616,113	\$606,301	\$598,953
Total Projected System Expenses	\$4,348,824	\$4,683,793	\$5,145,314	\$5,336,487	\$5,540,932
Net Operating Income	\$0	\$0	\$0	\$0	\$0
Based on Billed Flows (100 c.f.) of:	598,421	598,421	598,421	598,421	598,421
Based on Annual REUs of:	8,260	8,270	8,270	8,270	8,270
(1) Monthly Ready to Serve (RTS) Charge:	\$12.03	\$13.94	\$16.85	\$17.04	\$17.26
(2) Commodity Charge per 100 c.f.:	\$5.04	\$5.30	\$5.59	\$5.88	\$6.18

Attachment: Water Rate Study (1727 : 2015-2016 Water Rates)

GENESEE COUNTY RATES

Since 2009, the cost of water purchased from Genesee County had increased at an average rate of about 2.60% annually. For the purpose of this study, we have assumed that the cost of water will increase at a rate of six percent (6.00%) each year to be conservative, in light of the 12.50% rate increase for 2014.

DEPRECIATION

As part of the projected Water System expenses, we have assumed the City will fund its depreciation expense net of the Replacement Reserve which would be at levels equal to the Systems' 2014 expense and will not increase over the remaining next four years.

OTHER REVENUE SOURCES

As an offset to some of the System expenses, we have projected "Other Revenue" sources are paid by the customers of the Systems. These items include Hydrant Rental, Penalties, Interest Income and Administrative Fees. The projected revenues are shown in **Table 11** below.

TABLE 11
SCHEDULE OF ANTICIPATED 'OTHER REVENUES'
WATER SYSTEM

Fiscal Year Ending June 30	Tap In Fee & Interest	Front Foot Revenue	Misc. Fees	Interest Income	Refunds/ Rebates	Late Charges	Total Other Water Revenues
2014	\$17,000	\$2,000	\$13,850	\$4,000	\$5,700	\$96,000	\$138,550
2015	17,000	2,000	10,000	4,000	5,000	90,000	128,000
2016	17,000	2,000	10,000	4,000	5,000	90,000	128,000
2017	17,000	2,000	10,000	4,000	5,000	90,000	128,000
2018	17,000	2,000	10,000	4,000	5,000	90,000	128,000
Total	<u>\$85,000</u>	<u>\$10,000</u>	<u>\$53,850</u>	<u>\$20,000</u>	<u>\$25,700</u>	<u>\$456,000</u>	<u>\$650,550</u>

DETERMINATION OF RATE REQUIREMENT

Table 12 on page 15 sets forth the calculation of the rate requirement for the City of Burton Water Customers for its fiscal year ending June 30, 2016, based on the assumptions above.

2013-14 RECOMMENDED RATES

Based on the alternatives presented in this study, we are recommending the City adopts the rates recommended herein and make them effective for January 1, 2014. The recommended rates are as follows:

2014 RECOMMENDED RATES WATER SYSTEM

Commodity Rate (per 100 cubic feet):	\$5.04
---	---------------

Ready to Serve Rate (per meter size):		
	Meter Size	Monthly Rate
	5/8"	\$12.03
	3/4"	\$12.03
	1"	\$20.45
	1 1/2"	\$42.10
	2"	\$80.58
	3"	\$180.41
	4"	\$324.74
	6"	\$721.65
	8"	\$1,202.76
	10"	\$2,456.63

TABLE 12

DETERMINATION OF WATER RATE REQUIREMENT CITY OF BURTON

FOR THE FISCAL YEAR ENDING JUNE 30, 2016	
COMMODITY RATE	
	Amount
Total Annual Water Billed (100 cubic feet)	598,421
Commodity Rate*:	\$5.59
System Expenses Allocated to Commodity Rate:	
Supplies	\$165,949
Equipment Rental	212,180
Utilities	19,096
Water Purchased	2,653,697
Depreciation	350,000
Replacement Reserve	10,167
Miscellaneous	33,418
Total Allocated Expenses	\$3,444,507
Less: Allocated Other Revenues	(\$99,000)
NET Expenses Allocated to Commodity Rate:	\$3,345,507
* Method for calculation:	
Rate= Allocated Expenses, less Other Revenues, divided by billed flow (in 100 c.f.)	
Example: Rate = (\$3,444,507 - \$99,000) / 598,421	
Rate = \$3,345,507 / 598,421	
Rate = \$5.59 per 100 cubic feet	

READY TO SERVE RATE	
	Amount
Number of REUs	8,270
Ready to Serve Rate*:	\$16.85
System Expenses Allocated to RTS Rate:	
Personal Services	\$901,022
Contractual Services	60,471
City Owned Special Assessments	57,200
Transfer to Other Funds	66,000
Existing Debt	234,051
Proposed Debt	382,063
Total Allocated Expenses	\$1,700,807
Less: Allocated Other Revenues	(\$29,000)
NET Expenses Allocated to RTS Rate:	\$1,671,807
* Method for calculation:	
Rate= Allocated Expenses, less Other Revenues, divided by number of REUs	
Example: Rate = (\$1,700,807 - \$29,000) / 8,270	
Rate = \$1,671,807 / 8,270	
Rate = \$16.85 per REU	

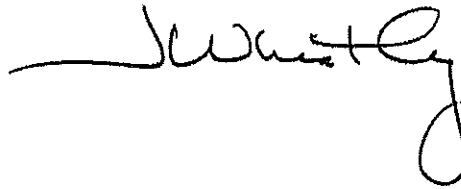
FUTURE UPDATES

Based on our review and the potential variation in future projections presented in this rate study, we are recommending that the City annually review the water rates during the next five (5) years because of the unknown increases in the County's water rates over the same period of time. In addition, this study does not anticipate any significant growth or additional City issued bonds over the next five years, so if either scenario comes to light, then the rates and assumptions will have to be reevaluated.

We would like to commend the City for being so conscientious in reviewing their water and sewer rates on a periodic basis in order to maintain the financial integrity of its Utility Systems.

Respectively Submitted,

BENDZINSKI & CO.
Municipal Finance Advisors

A handwritten signature in black ink, appearing to read 'Jonathan H. Wheatley', with a long horizontal stroke extending to the left and a large loop at the end.

Jonathan H. Wheatley, CIPFA

WATER SYSTEM APPENDICES

APPENDIX A

DETERMINATION OF CUSTOMER CHARGES FOR THE FISCAL YEAR ENDING JUNE 30, 2014

	Water	
	Allocated to	Allocated to
Total	RTS	Commodity
Expenses	Charge	Charge
Operating Expenses		
Personal Services	\$849,300	\$0
Contractual Services	57,000	0
Supplies	156,423	156,423
Equipment Rental	200,000	200,000
Utilities	18,000	18,000
Water Purchased	2,361,780	2,361,780
Depreciation	350,000	350,000
Replacement Reserve	0	0
City Owned Special Assessments	57,200	0
Transfer to Other Funds	66,000	0
Miscellaneous	31,500	31,500
Total Local Operating Expenses	\$4,147,203	\$3,117,703
Debt Service		
Existing Debt	\$201,621	\$0
Proposed Debt	0	0
Total Debt Service	\$201,621	\$0
Total Projected System Expenses	\$4,348,824	\$3,117,703
Less: Other Revenues (1)	\$138,550	\$99,550
NET System Expenses	\$4,210,274	\$3,018,153

Basis of Calculation of Rate Requirement	Water	
	Allocated to RTS Charge	Allocated to Commodity Charge
Number of Customers (REUs)	8,259.65	
Water Billed by the City in 100 cubic feet		598,421
Charge per 100 cubic feet:		\$5.04
Monthly Charge per REU:	\$12.03	

(1) Other Revenues from Table 11.

Attachment: Water Rate Study (1727 : 2015-2016 Water Rates)

APPENDIX B

DETERMINATION OF CUSTOMER CHARGES FOR THE FISCAL YEAR ENDING JUNE 30, 2015

	Water	
	Allocated to	Allocated to
Total	RTS	Commodity
Expenses	Charge	Charge
Operating Expenses		
Personal Services	\$874,779	\$0
Contractual Services	58,710	0
Supplies	161,116	161,116
Equipment Rental	206,000	206,000
Utilities	18,540	18,540
Water Purchased	2,503,487	2,503,487
Depreciation	350,000	350,000
Replacement Reserve	0	0
City Owned Special Assessments	57,200	0
Transfer to Other Funds	66,000	0
Miscellaneous	32,445	32,445
Total Local Operating Expenses	\$4,328,277	\$3,271,588
Debt Service		
Existing Debt	\$243,016	\$0
Proposed Debt	112,500	0
Total Debt Service	\$355,516	\$0
Total Projected System Expenses	\$4,683,793	\$3,271,588
Less: Other Revenues (1)	\$128,000	\$99,000
NET System Expenses	\$4,555,793	\$3,172,588

Basis of Calculation of Rate Requirement	Water	
	Allocated to RTS Charge	Allocated to Commodity Charge
Number of Customers (REUs)	8,269.65	
Water Billed by the City in 100 cubic feet		598,421
Charge per 100 cubic feet:		\$5.30
Monthly Charge per REU:	\$13.94	

(1) Other Revenues from Table 11.

Attachment: Water Rate Study (1727 : 2015-2016 Water Rates)

APPENDIX C

DETERMINATION OF CUSTOMER CHARGES FOR THE FISCAL YEAR ENDING JUNE 30, 2016

	Water		
	Total Expenses	Allocated to RTS Charge	Allocated to Commodity Charge
Operating Expenses			
Personal Services	\$901,022	\$901,022	\$0
Contractual Services	60,471	60,471	0
Supplies	165,949	0	165,949
Equipment Rental	212,180	0	212,180
Utilities	19,096	0	19,096
Water Purchased	2,653,697	0	2,653,697
Depreciation	350,000	0	350,000
Replacement Reserve	10,167	0	10,167
City Owned Special Assessments	57,200	57,200	0
Transfer to Other Funds	66,000	66,000	0
Miscellaneous	33,418	0	33,418
Total Local Operating Expenses	\$4,529,200	\$1,084,694	\$3,444,507
Debt Service			
Existing Debt	\$234,051	\$234,051	\$0
Proposed Debt	382,063	382,063	0
Total Debt Service	\$616,113	\$616,113	\$0
Total Projected System Expenses	\$5,145,314	\$1,700,807	\$3,444,507
Less: Other Revenues (1)	\$128,000	\$29,000	\$99,000
NET System Expenses	\$5,017,314	\$1,671,807	\$3,345,507

Basis of Calculation of Rate Requirement	Water	
	Allocated to RTS Charge	Allocated to Commodity Charge
Number of Customers (REUs)	8,269.65	
Water Billed by the City in 100 cubic feet		598,421
Charge per 100 cubic feet:		\$5.59
Monthly Charge per REU:	\$16.85	

(1) Other Revenues from Table 11.

APPENDIX D

DETERMINATION OF CUSTOMER CHARGES

FOR THE FISCAL YEAR ENDING JUNE 30, 2017

	Water	
	Allocated to	Allocated to
Total	RTS	Commodity
Expenses	Charge	Charge
Operating Expenses		
Personal Services	\$928,053	\$0
Contractual Services	62,285	0
Supplies	170,927	170,927
Equipment Rental	218,545	218,545
Utilities	19,669	19,669
Water Purchased	2,812,918	2,812,918
Depreciation (1)	350,000	350,000
Replacement Reserve	10,167	10,167
City Owned Special Assessments	57,200	0
Transfer to Other Funds	66,000	0
Miscellaneous	34,421	34,421
Total Local Operating Expenses	\$4,730,186	\$3,616,648
Debt Service		
Existing Debt	\$225,176	\$0
Proposed Debt	381,125	0
Total Debt Service	\$606,301	\$0
Total Projected System Expenses	\$5,336,487	\$3,616,648
Less: Other Revenues (1)	\$128,000	\$99,000
NET System Expenses	\$5,208,487	\$3,517,648

Basis of Calculation of Rate Requirement	Water	
	Allocated to RTS Charge	Allocated to Commodity Charge
Number of Customers (REUs)	8,269.65	
Water Billed by the City in 100 cubic feet		598,421
Charge per 100 cubic feet:		\$5.88
Monthly Charge per REU:	\$17.04	

(1) Other Revenues from Table 11.

Attachment: Water Rate Study (1727 : 2015-2016 Water Rates)

APPENDIX E

DETERMINATION OF CUSTOMER CHARGES

FOR THE FISCAL YEAR ENDING JUNE 30, 2018

	Water	
	Allocated to	Allocated to
Total	RTS	Commodity
Expenses	Charge	Charge
Operating Expenses		
Personal Services	\$955,895	\$0
Contractual Services	64,154	0
Supplies	176,055	176,055
Equipment Rental	225,102	225,102
Utilities	20,259	20,259
Water Purchased	2,981,693	2,981,693
Depreciation (1)	350,000	350,000
Replacement Reserve	10,167	10,167
City Owned Special Assessments	57,200	0
Transfer to Other Funds	66,000	0
Miscellaneous	35,454	35,454
Total Local Operating Expenses	\$1,143,249	\$3,798,730
Debt Service		
Existing Debt	\$218,891	\$0
Proposed Debt	380,063	0
Total Debt Service	\$598,953	\$0
Total Projected System Expenses	\$1,742,202	\$3,798,730
Less: Other Revenues (1)	\$128,000	\$99,000
NET System Expenses	\$1,713,202	\$3,699,730

Basis of Calculation of Rate Requirement	Water	
	Allocated to RTS Charge	Allocated to Commodity Charge
Number of Customers (REUs)	8,269.65	
Water Billed by the City in 100 cubic feet		598,421
Charge per 100 cubic feet:		\$6.18
Monthly Charge per REU:	\$17.26	

(1) Other Revenues from Table 11.

City of Burton, Water, Sewer Funds, Net Position, End Of Year

	2008	2009	2010	2011	2012	2013	2014
Water	\$16,042,783.00	\$15,965,791.00	\$16,155,405.00	\$16,426,638.00	\$16,733,526.00	\$16,023,191.00	\$16,077,051.00
Sewer	\$37,718,429.00	\$36,828,756.00	\$36,683,541.00	\$36,639,449.00	\$36,509,220.00	\$36,272,589.00	\$36,018,166.00
Total	\$53,761,212.00	\$52,794,547.00	\$52,838,946.00	\$53,066,087.00	\$53,242,746.00	\$52,295,780.00	\$52,095,217.00



7-29-2015

Prepared By Councilman Vaughn Smith. Source: Comprehensive Annual Financial Reports 2008-2014

City of Burton, Water, Sewer Funds, Net Position,End Of Year

	2008	2009	2010	2011	2012	2013	2014
Water	\$16,042,783.00	\$15,965,791.00	\$16,155,405.00	\$16,426,638.00	\$16,733,526.00	\$16,023,191.00	\$16,077,051.00
Sewer	\$37,718,429.00	\$36,828,756.00	\$36,683,541.00	\$36,639,449.00	\$36,509,220.00	\$36,272,589.00	\$36,018,166.00
Total	\$53,761,212.00	\$52,794,547.00	\$52,838,946.00	\$53,066,087.00	\$53,242,746.00	\$52,295,780.00	\$52,095,217.00



7-29-2015

Prepared By Councilman Vaughn Smith. Source: Comprehensive Annual Financial Reports 2008-2014

City of Burton, Water, Sewer Funds, Net Position,End Of Year

	2008	2009	2010	2011	2012	2013	2014
Water	\$16,042,783.00	\$15,965,791.00	\$16,155,405.00	\$16,426,638.00	\$16,733,526.00	\$16,023,191.00	\$16,077,051.00
Sewer	\$37,718,429.00	\$36,828,756.00	\$36,683,541.00	\$36,639,449.00	\$36,509,220.00	\$36,272,589.00	\$36,018,166.00
Total	\$53,761,212.00	\$52,794,547.00	\$52,838,946.00	\$53,066,087.00	\$53,242,746.00	\$52,295,780.00	\$52,095,217.00



7-29-2015

Prepared By Councilman Vaughn Smith. Source: Comprehensive Annual Financial Reports 2008-2014



ADOPTED

AGENDA ITEM (ID # 1728)

DOC ID: 1728

**Approve and authorize the Treasurer to adjust City of Burton's portion of the sewer rates in accordance with the recommended rates in the rate study performed by Bendzinski & Co. as follows: \$11.29/REU/per month
Recommend this be discussed at the Finance Meeting on July 29, 2015 at 5:00 p.m.**

HISTORY:

07/20/15 City Council

RECOMMENDED

ATTACHMENTS:

- Sewer Rate Study (PDF)



CITY OF BURTON

SEWER SYSTEM RATE STUDY

DATED: JULY 7, 2014

Attachment: Sewer Rate Study (1728 : 2015-2016 Sewer Rate)

615 Griswold St. • Suite 1225 • Detroit, Michigan 48226
(313) 961-8222 • FAX (313) 961-8220
e-mail • jhw@bendzinski.com

INTRODUCTION

The City of Burton (the “City”) Sewer System serves approximately 11,360 customers throughout the entire City. The sewer customers are currently comprised of 5,947 metered (water) customers and 5,413 unmetered customers.

Each sewer customer that has metered water service is billed based on monthly or quarterly sewer flows plus a Ready to Serve Fee per the number of REUs assigned. Sewer customers with no metered water service are charged a monthly or quarterly flat rate for sewer service, based on its assigned number of REUs.

The sewage treatment service is provided, by contract, by Genesee County. The City presently bills its sewer customers, based on a flat rate basis per Residential Equivalent Unit (REU) as determined by the Genesee County Drain Commission Usage Assignment Factors.

The current monthly sewer rates, for both metered and unmetered sewer customers, are listed below:

The Monthly Sewer Rates are as follows

- Ready to Serve Rate: \$9.34, per REU
- Usage Rate: \$1.658, per 100 cubic feet
- Unmetered Flat Rate: \$30.07, per REU

The charges recommended herein were developed on the basis that reflects the cost of the following:

COMPARISON OF HISTORICAL REVENUES AND EXPENSES

Because historical revenues and expenditures can be an indicator of the results of future operations, we have tabulated a five year historical “look back” of the Sewer System financial performance for the fiscal years ending June 30, 2009 to June 30, 2013. At the time this study was prepared, the preliminary, subject to audit results for the fiscal year ending June 30, 2014 were not yet available.

Table 1 on page 2, presents the audited financial results of the Sewer System for the fiscal years ending June 30, 2009 to June 30, 2013. In reviewing **Table 1**, we note that the Sewer System revenues increased at an average of 9.94%, annually for an average, total revenue of \$4.2 million. Sewer System expenses (including depreciation) increased at an average of 2.84%, with the average total expenses over the same period (including depreciation) was \$4.4 million. This means the Sewer System averaged a net loss of \$220,000 each year. If we do not include the depreciation expense, as it is a non-cash expense, the Sewer System averaged positive net revenues of \$168,600, annually.

It should be noted that Sewage Treatment from Genesee County represents an average annual expense of \$3,025,375, or 68.2% of total operating expenses. From 2009 to 2013, the cost of treatment has only increased at an average annual rate of 1.6%.

TABLE 1

COMPARISON OF ANNUAL REVENUES AND EXPENDITURES SEWER SYSTEM

For the Fiscal Years ending June 30, 2009 to June 30, 2013

	2009	2010	2011	2012	2013
	Amount	Amount	Amount	Amount	Amount
		Increase (Decrease)	Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
Operating Revenues					
Charges for Services	\$3,153,195	\$4,333,525	\$4,372,187	\$4,203,769	\$4,273,357
Fines and Forfeits	4,521	4,663	41,416	73,267	135,432
Miscellaneous	462	29	4,538	10,537	5,338
Total Operating Revenues	\$3,158,178	\$4,338,217	\$4,418,141	\$4,287,573	\$4,414,127
		37.43%	0.89%	-3.85%	1.66%
		3.14%	788.18%	76.91%	84.85%
		-93.72%	15548.28%	132.19%	-49.34%
		37.36%	1.84%	-2.96%	2.95%
Non-Operating Revenues					
Tap Fees	\$1,544	\$988	\$1,112	\$388	\$439
Capital Contributions	24,377	27,000	15,943	0	0
Operating Grant	0	0	0	0	0
Interest on Investments	155,421	41,487	39,127	22,652	149,783
Total Non-Operating Revenues	\$181,342	\$69,475	\$56,182	\$23,040	(21,447)
		-73.31%	-5.69%	-42.11%	-194.68%
		-61.69%	-19.13%	-58.99%	458.92%
TOTAL REVENUES	\$3,339,520	\$4,407,692	\$4,474,323	\$4,310,613	\$4,542,902
		31.99%	1.51%	-3.66%	5.39%
Operating Expenses					
Personal Services	\$575,682	\$574,596	\$620,395	\$517,078	\$535,156
Contractual Services	74,594	65,882	80,162	95,610	117,494
Supplies	88,675	88,636	84,359	110,176	98,854
Materials	0	0	0	0	0
Repairs	39,192	12,958	0	0	0
Equipment Rental	66,448	67,933	136,586	140,532	98,581
Insurance	0	0	0	0	0
Sewage Treatment	2,857,076	3,088,540	3,090,128	3,052,392	225,354
Depreciation	444,774	444,916	439,968	416,357	3,038,740
Miscellaneous	68,544	124,696	11,953	7,039	542,848
Total Operating Expenses	\$4,214,985	\$4,468,157	\$4,463,551	\$4,339,184	\$4,693,012
		-0.19%	7.97%	-16.65%	3.50%
		-11.68%	21.68%	19.27%	22.89%
		-0.04%	-4.83%	30.60%	-10.28%
		0.00%	0.00%	0.00%	0.00%
		-100.00%	0.00%	0.00%	0.00%
		2.23%	101.06%	2.89%	-29.85%
		0.00%	0.00%	100.00%	0.00%
		8.10%	0.05%	-1.22%	-0.45%
		0.03%	-1.11%	-5.37%	30.38%
		81.92%	-90.41%	-41.11%	100.00%
		6.01%	-0.10%	-2.79%	8.15%
Non-Operating Expenses					
Bond Interest Payments	\$0	\$0	\$0	\$0	\$0
Transfer (In)/Out	14,208	84,750	54,864	101,658	86,521
Total Non-Operating Expenses	\$14,208	\$84,750	\$54,864	\$101,658	\$86,521
		496.49%	-35.26%	85.29%	-14.89%
TOTAL EXPENSES	\$4,229,193	\$4,552,907	\$4,518,415	\$4,440,842	\$4,779,533
		7.65%	-0.76%	-1.72%	7.63%
NET INCOME OR (LOSS)	(\$89,673)	(\$145,215)	(\$44,092)	(\$130,229)	(\$236,631)
		-83.68%	69.64%	-195.36%	-81.70%
Add Back Depreciation	\$444,774	\$444,916	\$439,968	\$416,357	\$542,848
Cash Profit/ (Loss)	(\$444,899)	\$299,701	\$395,876	\$286,128	\$306,217
		0.03%	-1.11%	-5.37%	30.38%
		-167.36%	-32.09%	27.72%	-7.02%

ANALYSIS OF SEWER FLOWS

Table 2, below presents the historical sewer flows based on the amounts billed to the City by Genesee County 2010 to 2014. In addition, **Table 2** also shows the amount billed to City sewer customers over the same period. As can be seen from **Table 2**, the City flows billed by the County have averaged 59,663,532 cubic feet over the past five years, with a maximum billed flow 84,584,103 cubic feet in 2010 and the average billed flow to City customers over the same time period was 58,289,350 cubic feet.

Table 3, on page 4 projects the sewer flows from 2015 to 2019, both for the amounts billed by the County and the amount billed to City customers. For the purpose of this study, we have assumed that both the flow billed by the County and the flow billed to City customers will remain flat at the respective 5 year averages.

TABLE 2

HISTORICAL SEWER FLOWS

FOR THE FISCAL YEARS ENDING JUNE 30, 2010 TO JUNE 30, 2014

Fiscal Year Ending June 30	Amount Purchased		Amount Billed	
	Treatment	Percentage	City of Burton	Percentage
	Purchased	Increase/	Billed	Increase/
	C.F.	(Decrease)	C.F.	(Decrease)
2010	84,584,869		56,915,139	
2011	59,632,578	-29.50%	60,751,812	6.74%
2012	58,267,130	-2.29%	57,201,100	-5.84%
2013	57,150,210	-1.92%	56,661,659	-0.94%
2014	61,090,887 *	6.90%	61,545,803	8.62%
5 Year Average	59,663,532	-6.70%	58,289,350	2.14%

* Annualized Flow. Missing May and June Flows.

TABLE 3
PROJECTED SEWER FLOWS
FOR THE FISCAL YEARS ENDING JUNE 30, 2015 TO JUNE 30, 2019

Fiscal Year Ending June 30	Amount Purchased		Amount Billed	
	Water	Percentage	City of Burton	Percentage
	Purchased	Increase/	Billed	Increase/
	M.C.F.	(Decrease)	C.F.	(Decrease)
2015	59,663,532	0.00%	58,289,350	0.00%
2016	59,663,532	0.00%	58,289,350	0.00%
2017	59,663,532	0.00%	58,289,350	0.00%
2018	59,663,532	0.00%	58,289,350	0.00%
2019	59,663,532	0.00%	58,289,350	0.00%
5 Year Average	<u>59,663,532</u>	<u>0.00%</u>	<u>58,289,350</u>	<u>0.00%</u>

DETERMINATION OF METER EQUIVALENTS

As stated above, the Sewer System has 5,413 unmetered customers and 5,947 metered sewer customers within the City. Currently, all sewer customers' REU determinations are based on the Genesee County Drain Commission REU Usage Assignment Table, regardless of meter size. **Table 4**, on page 5, shows the number of combined Sewer System REUs for 2014 to 2019 based on a growth rate of NO REUs per year.

Since the last rate study performed in 2004, the Sewer System has actually experienced a decrease in the number of customers from 11,500, a loss of 140 customers. Therefore, we want to be as conservative as possible in our projections

TABLE 4

CURRENT AND ANTICIPATED CUSTOMERS IN REUs

SEWER SYSTEM

Year	Metered Customers	Unmetered Customers	Total Customers
2014	5,947	5,413	11,360
2015	5,947	5,413	11,360
2016	5,947	5,413	11,360
2017	5,947	5,413	11,360
2018	5,947	5,413	11,360

CAPITAL IMPROVEMENT NEEDS

As part of determining the future expenses of the Sewer System, we must include expenses to improve System assets that are beyond the day to day maintenance of the System. **Table 5**, below lists the future capital items and projects for the Sewer System. Currently, the City has not identified any capital outlay needs over the next four year, with the exception of the improvements that are scheduled to be made through the State Revolving Fund (SRF) in late 2015. We will revisit this section as part of the update that will be required by the Michigan Department of Environmental Quality (MDEQ) as part of its loan process.

TABLE 5

SCHEDULE OF CAPITAL OUTLAY EXPENSES

SEWER SYSTEM

Project	Anticipated Year of Need	Anticipated Project Cost	Annual Reserve Contribution
			\$0
			0
			0
Total		\$0	\$0

DEBT SERVICE REQUIREMENTS

The Sewer System currently has no outstanding sewer revenue bond issues that are repaid with sewer revenues. The City has applied for a SRF loan in the amount of \$6.7 million, which is anticipated to be financed in late 2015. For Alternative A, we are not anticipating any debt issuance over the next five years. However, we have prepared a debt service schedule for the \$6.7 million SRF project as part of Alternative B, which can be found on page 14.

GENESEE COUNTY SEWAGE TREATMENT

In accordance with the City's contract with Genesee County to provide sewage treatment, the City is allocated its share of County operating expenses and debt service expenses. The County has developed a rate structure that passes these costs to its member communities based on a monthly Ready to Serve Fee, a Usage Fee and a Flat Rate Fee for unmetered sewer customers. Each of the County fees are calculated per REU and are based on the County's Usage Determination Table. The new rates charged by Genesee County are listed below:

Monthly Ready to Serve Fee: \$4.67, per REU

Usage Fee: \$1.82, per 100 cubic feet;

Flat Rate Fee: \$27.43, per REU

Table 6 below, projects the City's annual cost of sewage treatment by Genesee County, based on its number of metered and unmetered customers, in addition to the annual assumed usage form **Table 3**. In projecting this expense, we have assumed the County will increase its rates by 9.00% annually. This will be the basis for our projections of the City's total operating costs over the next five years.

TABLE 6

CALCULATION OF GENESEE COUNTY FEES

	2014-15	(1) 2015-16	(1) 2016-17	(1) 2017-18	(1) 2018-19
Genesee County Fees:					
Minimum Monthly Charge Per REU	\$4.67	\$5.09	\$5.55	\$6.05	\$6.59
Monthly Unmetered User Charge	\$27.43	\$29.90	\$32.59	\$35.52	\$38.72
Usage Charge per 100 cubic feet	\$1.82	\$1.98	\$2.16	\$2.36	\$2.57
City of Burton Sewer Customers:					
Metered Sewer Users	5,947	5,947	5,947	5,947	5,947
Unmetered Sewer Users	5,413	5,413	5,413	5,413	5,413
Annual Billed Sewer Flows	58,289,350	58,289,350	58,289,350	58,289,350	58,289,350
Annual Genesee County Expense:					
Minimum Monthly Charge Per REU	\$333,270	\$363,264	\$395,958	\$431,594	\$470,438
Monthly Unmetered User Charge	1,781,743	1,942,100	2,116,889	2,307,409	2,515,076
Usage Charge per 100 cubic feet	1,060,866	1,156,344	1,260,415	1,373,852	1,497,499
Total Revenues	\$3,175,879 (2)	\$3,461,708	\$3,773,262	\$4,112,856	\$4,483,013

(1) Assumes Annual Increase in Rates of 9.00%

(2) Amount in 2014-15 Budget is \$3,200,000

PROJECTED EXPENSES FOR THE FISCAL YEARS ENDING 2015 TO 2019

In order to develop the projected rate requirements, it is necessary to estimate the operating and non-operating costs of the City's Sewer System. **Table 7** on page 8 projects the Sewer System's operating requirements for the next five years, based on the 2014-15 budgeted expenses. Unless otherwise noted, commencing with the fiscal year ending June 30, 2016, all of the Sewer System's Personnel and Supplies expense has been increased at the rate of 3.00% and each year after. The County sewage treatment expense is based on **Table 6**.

ASSUMPTIONS FOR PROJECTIONS

For the projections below, we have made the following assumptions for use in the calculation of future Sewer System rates, beginning with the 2014-15 fiscal year:

CUSTOMER GROWTH

We have assumed that the number of Sewer System customers will remain at the 2014 levels for 2015 to 2019.

FLOW PROJECTIONS

We have assumed that the billed flow to City customers will be at the levels presented in **Table 3**.

DEPRECIATION

As part of the projected Sewer System expenses, we have assumed the Sewer System will fully fund its depreciation expense from 2015 to 2019, based on annual depreciation amount for the Sewer System of \$400,000. We are assuming the full depreciation amount because there are no capital outlay or debt service requirements projected in Alternative A. For Alternative B, we are also assuming the full depreciation amount of \$400,000 because we did not assume any reductions for debt service principal or additions from the new infrastructure of the SRF project.

OTHER REVENUE SOURCES

As an offset to some of the Sewer System expenses, we have projected "Other Revenue" sources are paid by the customers of the Systems. These items include Tap Fees and Interest on Taps, Inspection Fees, Interest Income, Penalties, and Rebates. The projected revenues are shown in **Table 8**, on page 9. The "Other Revenues" will remain constant for both alternatives presented.

TABLE 7

PROJECTED SEWER SYSTEM EXPENSES

FOR THE FISCAL YEARS ENDING JUNE 30, 2015 TO JUNE 30, 2019

	2014-15		2016		2017		2018		2019	
	Budget									
	Amount	Increase	Amount	Increase	Amount	Increase	Amount	Increase	Amount	Increase
Local Operating Expenses										
Personal Services	\$673,100	3.00%	\$693,293	3.00%	\$714,092	3.00%	\$735,515	3.00%	\$757,580	3.00%
Contractual Services	63,500	3.00%	65,405	3.00%	67,367	3.00%	69,388	3.00%	71,470	3.00%
Supplies	110,300	3.00%	113,609	3.00%	117,017	3.00%	120,528	3.00%	124,144	3.00%
Equipment Rental	80,000	3.00%	82,400	3.00%	84,872	3.00%	87,418	3.00%	90,041	3.00%
Utilities	0	3.00%	0	3.00%	0	3.00%	0	3.00%	0	3.00%
Sewage Treatment (1)	3,200,000		3,461,708		3,773,262		4,112,856		4,483,013	
Depreciation	400,000	0.00%	400,000	0.00%	400,000	0.00%	400,000	0.00%	400,000	0.00%
Replacement Reserve	0	0.00%	0	0.00%	10,167	0.00%	10,167	0.00%	10,167	0.00%
City Owned Special Assessments	70,000	0.00%	70,000	0.00%	70,000	0.00%	70,000	0.00%	70,000	0.00%
Maintenance	136,800	0.00%	136,800	0.00%	136,800	0.00%	136,800	0.00%	136,800	0.00%
Transfer to Other Funds	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Miscellaneous	60,500	3.00%	62,315	3.00%	64,184	3.00%	66,110	3.00%	68,093	3.00%
Total Local Operating Expenses	\$4,794,200		\$5,085,530		\$5,437,761		\$5,808,781		\$6,211,307	
Debt Service										
Existing Debt	\$0		\$0		\$0		\$0		\$0	
Proposed Debt	0		0		0		0		0	
Total Debt Service	\$0		\$0		\$0		\$0		\$0	
Total Projected System Expenses	\$4,794,200		\$5,085,530		\$5,437,761		\$5,808,781		\$6,211,307	

(1) From Table 6

TABLE 8

SCHEDULE OF ANTICIPATED 'OTHER REVENUES' SEWER SYSTEM

Fiscal Year Ending June 30	Tap In Fee & Interest	Inspection & Service Fees	Misc. Fees	Interest Income	Refunds/ Rebates	Penalties	Total Other Water Revenues
2015	\$10,000	\$2,000	\$2,500	\$21,000	\$2,500	\$145,000	\$183,000
2016	10,000	2,000	2,500	21,000	2,500	125,000	163,000
2017	10,000	2,000	2,500	21,000	2,500	125,000	163,000
2018	10,000	2,000	2,500	21,000	2,500	125,000	163,000
2019	10,000	2,000	2,500	21,000	2,500	125,000	163,000
Total	<u>\$50,000</u>	<u>\$10,000</u>	<u>\$12,500</u>	<u>\$105,000</u>	<u>\$12,500</u>	<u>\$645,000</u>	<u>\$835,000</u>

RATE ALTERNATIVES

We have prepared, for the City's consideration, two rate making alternatives for the Sewer System. The methods below are based on a 'break even' approach and do not assume any Sewer System profit or loss, although actual results will vary depending on the actual System expenses and customer usage.

ALTERNATIVE A:

This alternative assumes the projected operating expenses from **Table 7**, without the anticipated debt service payments related to the proposed SRF project. **Table 9** on page 11, projects the required monthly Flat Fee Rate to be charged the unmetered customers for the fiscal years ending June 30, 2015 to 2019. **Table 9** also projects the annual revenues generated by the unmetered customers. **Table 10** on page 12, projects the annual Sewer System revenues and expenses, based on the rates calculated at the bottom of the table.

ALTERNATIVE B:

This alternative also assumes the projected operating expenses from **Table 7** however this alternative includes the anticipated annual debt service requirements related to the proposed SRF project. **Table 11** on page 14 projects the annual debt service requirements for the proposed \$6.7 million SRF Bonds issue, at the program's current interest rate of 2.50%.

Table 12 on page 15 projects the required monthly Flat Fee Rate to be charged the unmetered customers for the fiscal years ending June 30, 2015 to 2019. **Table 12** also projects the annual revenues generated by the unmetered customers. **Table 13** on page 16 projects the annual Sewer System revenues and expenses, based on the rates calculated at the bottom of the table.

ALTERNATIVE A

ASSUMING NO SRF BONDS

TABLE 9 & TABLE 10

TABLE 9

ALTERNATIVE A

ASSUMING NO SRF BONDS

DETERMINATION OF MONTHLY SEWER CHARGE FOR UNMETERED CUSTOMERS

	2014-15	2015-16	2016-17	2017-18	2018-19
Number of 100 c.f. per quarter (1)	10.0	10.0	10.0	10.0	10.0
Commodity Charge per 100 c.f. (2)	\$1.82	\$1.98	\$2.16	\$2.36	\$2.57
Surcharge for unmetered customers	0.46	0.50	0.54	0.59	0.64
Commodity Rate Component	\$22.76	\$24.80	\$27.03	\$29.46	\$32.11
Ready to Serve Charge	\$15.16	\$15.76	\$16.52	\$17.24	\$18.02
Total Quarterly Bill:	\$37.92	\$40.56	\$43.55	\$46.70	\$50.13

REVENUES FROM UNMETERED CUSTOMERS

	2014-15	2015-16	2016-17	2017-18	2018-19
Number of REUs	5,413.0	5,413.0	5,413.0	5,413.0	5,413.0
Total Monthly Bill	\$37.92	\$40.56	\$43.55	\$46.70	\$50.13
Annual Revenues	\$2,462,884	\$2,634,727	\$2,828,588	\$3,033,744	\$3,256,465

(1) Based on Current Usage Assumption in Flat Rate Fee Determination.

(2) From Table 6

TABLE 10

PROJECTED REVENUES AND EXPENSES ALTERNATIVE A ASSUMING NO SRF BONDS

FOR THE FISCAL YEARS ENDING JUNE 30, 2015 TO JUNE 30, 2019

Operating Revenues	2014-15	2015-2016	2016-2017	2017-2018	2018-2019
Metered Ready to Serve Revenue	\$1,081,521	\$1,124,997	\$1,178,715	\$1,230,507	\$1,285,973
Usage Charge Revenue	1,066,795	1,162,806	1,267,459	1,381,530	1,505,868
Unmetered Customer Revenue	2,462,884	2,634,727	2,828,588	3,033,744	3,256,465
Other Revenues	183,000	163,000	163,000	163,000	163,000
Total Operating Revenues	\$4,794,200	\$5,085,531	\$5,437,761	\$5,808,781	\$6,211,306
Operating Expenses					
Personal Services	\$673,100	\$693,293	\$714,092	\$735,515	\$757,580
Contractual Services	63,500	65,405	67,367	69,388	71,470
Supplies	110,300	113,609	117,017	120,528	124,144
Equipment Rental	80,000	82,400	84,872	87,418	90,041
Utilities	0	0	0	0	0
Sewage Treatment (1)	3,200,000	3,461,708	3,773,262	4,112,856	4,483,013
Depreciation	400,000	400,000	400,000	400,000	400,000
Replacement Reserve	0	0	10,167	10,167	10,167
City Owned Special Assessments	70,000	70,000	70,000	70,000	70,000
Maintenance	136,800	136,800	136,800	136,800	136,800
Transfer to Other Funds	0	0	0	0	0
Miscellaneous	60,500	62,315	64,184	66,110	68,093
Total Local Operating Expenses	\$4,794,200	\$5,085,530	\$5,437,761	\$5,808,781	\$6,211,307
Debt Service					
Existing Debt	\$0	\$0	\$0	\$0	\$0
Proposed Debt	0	0	0	0	0
Total Debt Service	\$0	\$0	\$0	\$0	\$0
Total Projected System Expenses	\$4,794,200	\$5,085,530	\$5,437,761	\$5,808,781	\$6,211,307
Net Operating Income	\$0	\$0	\$0	\$0	\$0
Assumptions:					
Metered Sewer Users	5,947	5,947	5,947	5,947	5,947
Unmetered Sewer Users	5,413	5,413	5,413	5,413	5,413
Annual Billed Sewer Flows	58,615,103	58,615,103	58,615,103	58,615,103	58,615,103
(1) Monthly Ready to Serve Fee per REU:	\$15.16	\$15.76	\$16.52	\$17.24	\$18.02
(2) Commodity Charge per 100 c.f.:	\$1.82	\$1.98	\$2.16	\$2.36	\$2.57
(3) Monthly Flat Fee per REU:	\$37.92	\$40.56	\$43.55	\$46.70	\$50.13

REU
113.00/REU

Attachment: Sewer Rate Study (1728 : 2015-2016 Sewer Rate)

ALTERNATIVE B

ASSUMING SRF BONDS

TABLE 11 TABLE 12 & TABLE 13

TABLE 11

\$6,700,000

CITY OF BURTON

COUNTY OF GENESEE, STATE OF MICHIGAN

SEWER SYSTEM IMPROVEMENT BONDS, SERIES 2015

FINANCED THROUGH THE SRF PROGRAM SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS On a Fiscal Year Basis

Fiscal Year Beginning July 1	Principal Due October 1	Interest Rate	Interest Due October 1	Interest Due NEXT April 1	Total Principal & Interest Requirements
2015	\$0.00	2.500%	\$0.00	\$84,215.28 *	\$84,215.28
2016	0.00	2.500%	83,750.00	83,750.00	167,500.00
2017	285,000.00	2.500%	83,750.00	80,187.50	448,937.50
2018	290,000.00	2.500%	80,187.50	76,562.50	446,750.00
2019	295,000.00	2.500%	76,562.50	72,875.00	444,437.50
2020	300,000.00	2.500%	72,875.00	69,125.00	442,000.00
2021	305,000.00	2.500%	69,125.00	65,312.50	439,437.50
2022	310,000.00	2.500%	65,312.50	61,437.50	436,750.00
2023	315,000.00	2.500%	61,437.50	57,500.00	433,937.50
2024	320,000.00	2.500%	57,500.00	53,500.00	431,000.00
2025	325,000.00	2.500%	53,500.00	49,437.50	427,937.50
2026	330,000.00	2.500%	49,437.50	45,312.50	424,750.00
2027	340,000.00	2.500%	45,312.50	41,062.50	426,375.00
2028	345,000.00	2.500%	41,062.50	36,750.00	422,812.50
2029	350,000.00	2.500%	36,750.00	32,375.00	419,125.00
2030	355,000.00	2.500%	32,375.00	27,937.50	415,312.50
2031	360,000.00	2.500%	27,937.50	23,437.50	411,375.00
2032	365,000.00	2.500%	23,437.50	18,875.00	407,312.50
2033	370,000.00	2.500%	18,875.00	14,250.00	403,125.00
2034	375,000.00	2.500%	14,250.00	9,562.50	398,812.50
2035	380,000.00	2.500%	9,562.50	4,812.50	394,375.00
2036	385,000.00	2.500%	4,812.50	0.00	389,812.50
	<u>\$6,700,000.00</u>		<u>\$1,007,812.50</u>	<u>\$1,008,277.78</u>	<u>\$8,716,090.28</u>

Assumptions:

Bonds Dated:	09/30/2015
First Interest Payment:	04/01/2016
Number of Days:	181 *
Subsequent Interest Payment:	10/01/2016
Number of Days:	180
First Principal Payment:	10/01/2017
Projected Interest Rate	2.500%

Attachment: Sewer Rate Study (1728 : 2015-2016 Sewer Rate)

TABLE 12

ALTERNATIVE B

ASSUMING SRF BONDS

DETERMINATION OF MONTHLY SEWER CHARGE FOR UNMETERED CUSTOMERS

	2014-15	2015-16	2016-17	2017-18	2018-19
Number of 100 c.f. per quarter (1)	10.0	10.0	10.0	10.0	10.0
Commodity Charge per 100 c.f. (2)	\$1.82	\$1.98	\$2.16	\$2.36	\$2.57
Surcharge for unmetered customers	0.46	0.50	0.54	0.59	0.64
Commodity Rate Component	\$22.76	\$24.80	\$27.03	\$29.46	\$32.11
Ready to Serve Charge	\$15.16	\$16.38	\$17.75	\$20.54	\$21.30
Total Quarterly Bill:	\$37.92	\$41.18	\$44.77	\$50.00	\$53.41

REVENUES FROM UNMETERED CUSTOMERS

	2014-15	2015-16	2016-17	2017-18	2018-19
Number of REUs	5,413.0	5,413.0	5,413.0	5,413.0	5,413.0
Total Monthly Bill	\$37.92	\$41.18	\$44.77	\$50.00	\$53.41
Annual Revenues	\$2,462,884	\$2,674,855	\$2,908,401	\$3,247,661	\$3,469,340

(1) Based on Current Usage Assumption in Flat Rate Fee Determination.

(2) From Table 6

TABLE 13

PROJECTED REVENUES AND EXPENSES ALTERNATIVE B ASSUMING SRF BONDS

SEWER SYSTEM

FOR THE FISCAL YEARS ENDING JUNE 30, 2015 TO JUNE 30, 2019

	2014-15	2015-2016	2016-2017	2017-2018	2018-2019
Operating Revenues					
Metered Ready to Serve Revenue	\$1,081,521	\$1,169,084	\$1,266,401	\$1,465,528	\$1,519,849
Usage Charge Revenue	1,066,795	1,162,806	1,267,459	1,381,530	1,505,868
Unmetered Customer Revenue	2,462,884	2,674,855	2,908,401	3,247,661	3,469,340
Other Revenues	183,000	163,000	163,000	163,000	163,000
Total Operating Revenues	\$4,794,200	\$5,169,746	\$5,605,261	\$6,257,719	\$6,658,057
Operating Expenses					
Personal Services	\$673,100	\$693,293	\$714,092	\$735,515	\$757,580
Contractual Services	63,500	65,405	67,367	69,388	71,470
Supplies	110,300	113,609	117,017	120,528	124,144
Equipment Rental	80,000	82,400	84,872	87,418	90,041
Utilities	0	0	0	0	0
Sewage Treatment (1)	3,200,000	3,461,708	3,773,262	4,112,856	4,483,013
Depreciation	400,000	400,000	400,000	400,000	400,000
Replacement Reserve	0	0	10,167	10,167	10,167
City Owned Special Assessments	70,000	70,000	70,000	70,000	70,000
Maintenance	136,800	136,800	136,800	136,800	136,800
Transfer to Other Funds	0	0	0	0	0
Miscellaneous	60,500	62,315	64,184	66,110	68,093
Total Local Operating Expenses	\$4,794,200	\$5,085,530	\$5,437,761	\$5,808,781	\$6,211,307
Debt Service					
Existing Debt	\$0	\$0	\$0	\$0	\$0
Proposed Debt	0	84,215	167,500	448,938	446,750
Total Debt Service	\$0	\$84,215	\$167,500	\$448,938	\$446,750
Total Projected System Expenses	\$4,794,200	\$5,169,746	\$5,605,261	\$6,257,718	\$6,658,057
Net Operating Income	\$0	\$0	\$0	\$0	\$0
Assumptions:					
Metered Sewer Users	5,947	5,947	5,947	5,947	5,947
Unmetered Sewer Users	5,413	5,413	5,413	5,413	5,413
Annual Billed Sewer Flows	58,615,103	58,615,103	58,615,103	58,615,103	58,615,103
(1) Monthly Ready to Serve Fee per REU:	\$15.16	\$16.38	\$17.75	\$20.54	\$21.30
(2) Commodity Charge per 100 c.f.:	\$1.82	\$1.98	\$2.16	\$2.36	\$2.57
(3) Monthly Flat Fee per REU:	\$37.92	\$41.18	\$44.77	\$50.00	\$53.41

Attachment: Sewer Rate Study (1728 : 2015-2016 Sewer Rate)

2014 RECOMMENDED RATES

Based on the alternatives presented in this study, we are recommending the City adopt the rates for **Alternative A** until such time that MDEQ approves the SRF project. The rates are assumed to be effective for July 1, 2014. The recommended rates are as follows:

The Monthly Sewer Rates

Ready to Serve Rate (RTS):

\$4.67 County Rate, per REU

\$10.49 City of Burton Rate, per REU

\$15.16, Total Monthly RTS

Usage Rate: \$1.82, per 100 cubic feet

Unmetered Flat Rate: \$37.92, per REU

RATE COMPARISON

Table 14 on pages 18 and 19 presents a comparison of the average monthly bill to customers based on the City's current rate structure in comparison to the rates presented for both methods for the fiscal years ending June 30, 2015 to 2019. The comparison assumes that the average customer uses 10 units per month.

FUND BALANCE RECOMMENDATION

As part of the analysis in this study, we are not only considering the sufficiency of the recommended rates and charges, we are also looking at the sufficiency of the unrestricted fund balance of the Sewer System. Below are recommended levels of unrestricted funds from several sources:

1. Standard and Poor's Rating Services: 15% of annual expenses;
2. Government Finance Officers Association: 60 days of expenses for General Funds; and
3. Government Finance Officers Association: 45 days of expenses for Enterprise Funds.

Bendzinski & Co. is recommending that the Sewer System has a minimum of six (6) months of expenses on hand. **Table 15** on page 20 shows the available Sewer Fund balances for the fiscal years ending June 30, 2015 to 2019, based on the recommendation of having six months of expenses on hand. Based on the current cash available in the Sewer Fund and the projected Sewer System expenses, the City could use up to \$5.6 million of this cash to help offset some of the proposed SRF project costs and/or to pay for any unidentified capital outlay expenses that may occur over the next five years.

TABLE 14
COMPARISON OF RATE ALTERNATIVES
SEWER SYSTEM

2014-15					
ALTERNATIVE	COMPONENT		MONTHLY USAGE (100 C.F.)	AVERAGE MONTHLY BILL	MONTHLY UNMETERED BILL
	RTS				
	METERED	USAGE			
CURRENT RATE	\$9.34	\$1.82	10.00	\$27.54	\$30.07
ALTERNATIVE A	\$15.16	\$1.82	10.00	\$33.36	\$37.92
ALTERNATIVE B	\$15.16	\$1.82	10.00	\$33.36	\$37.92

2015-16					
ALTERNATIVE	COMPONENT		MONTHLY USAGE (100 C.F.)	AVERAGE MONTHLY BILL	MONTHLY UNMETERED BILL
	RTS				
	METERED	USAGE			
CURRENT RATE	\$9.34	\$1.82	10.00	\$27.54	\$30.07
ALTERNATIVE A	\$15.76	\$1.98	10.00	\$35.60	\$40.56
ALTERNATIVE B	\$16.38	\$1.98	10.00	\$36.22	\$41.18

2016-17					
ALTERNATIVE	COMPONENT		MONTHLY USAGE (100 C.F.)	TOTAL MONTHLY BILL	MONTHLY UNMETERED BILL
	RTS				
	METERED	USAGE			
CURRENT RATE	\$9.34	\$1.82	10.00	\$27.54	\$30.07
ALTERNATIVE A	\$16.52	\$2.16	10.00	\$38.14	\$43.55
ALTERNATIVE B	\$17.75	\$2.16	10.00	\$39.37	\$44.77

2017-18					
ALTERNATIVE	COMPONENT		MONTHLY USAGE (100 C.F.)	TOTAL MONTHLY BILL	MONTHLY UNMETERED BILL
	RTS				
	METERED	USAGE			
CURRENT RATE	\$9.34	\$1.82	10.00	\$27.54	\$30.07
ALTERNATIVE A	\$17.24	\$2.36	10.00	\$40.81	\$46.70
ALTERNATIVE B	\$20.54	\$2.36	10.00	\$44.11	\$50.00

2018-19

<u>ALTERNATIVE</u>	<u>COMPONENT</u>		<u>MONTHLY USAGE (100 C.F.)</u>	<u>TOTAL MONTHLY BILL</u>	<u>MONTHLY UNMETERED BILL</u>
	RTS				
	METERED	USAGE			
CURRENT RATE	\$9.34	\$1.82	10.00	\$27.54	\$30.07
ALTERNATIVE A	\$18.02	\$2.57	10.00	\$43.71	\$50.13
ALTERNATIVE B	\$21.30	\$2.57	10.00	\$46.99	\$53.41

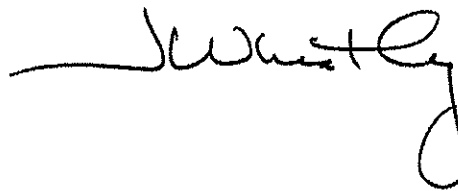
FUTURE UPDATES

Based on our review and the potential variation in future projections presented in this rate study, we are recommending that the City annually review the sewer rates during the next five (5) years because of the unknown increases in the County's sewage treatment rates over the same period of time. In addition, this study does not anticipate any significant growth or additional City issued bonds, other than Alternative B, over the next five years, so if either scenario comes to light, then the rates and assumptions will have to be reevaluated..

We would like to commend the City for being so conscientious in reviewing their sewer rates on a periodic basis in order to maintain the financial integrity of its Utility Systems.

Respectively Submitted,

BENDZINSKI & CO.
Municipal Finance Advisors



Jonathan H. Wheatley, CIPFA

TABLE 15

SCHEDULE OF SEWER FUND CASH LEVELS SEWER SYSTEM

Year	Cash Balance	(1) Projected Water Expenses	(2) Excess Cash Available	Plus: Depreciation	Projected Cash Used	(3) Coverage	Balance Next June 30
2014-15	\$7,138,946 *	\$ 4,794,200	\$4,741,846	\$ 400,000	\$ -	17.87	\$ 7,538,946
2015-16	\$7,538,946	\$ 5,085,530	\$4,996,181	\$ 400,000	\$ -	17.79	\$ 7,938,946
2016-17	\$7,938,946	\$ 5,437,761	\$5,220,065	\$ 400,000	\$ -	17.52	\$ 8,338,946
2017-18	\$8,338,946	\$ 5,808,781	\$5,434,555	\$ 400,000	\$ -	17.23	\$ 8,738,946
2018-19	\$8,738,946	\$ 6,211,307	\$5,633,292	\$ 400,000	\$ -	16.88	\$ 9,138,946
				<u>\$2,000,000</u>	<u>\$ -</u>		

* Total Available cash Balance in Sewer Fund as of June 30, 2014.

(1) From Table 7

(2) Based on funding of Cash Funding equal to 6 months of expenses.

(3) Coverage in months, after funds are drawn.

