

## Rate Sheet Notes

As of 5-17-19

- **Budget**
  - This section shows the FY19 and FY20 budgets for water and sewer.
  - The total amount budgeted to be raised in revenue must match the budget.
- **Notes on Non-Core User Groups**
  - “Industry” rates are for the Stone Corral breweries usage of the sewer.
    - The budgeted total revenue amount is based off of an estimate of the previous year’s usage and based on a dollar amount per lb for excess Biochemical Oxygen Demand (BOD). These rates apply because the brewery produces more of the type of wastewater that requires higher BOD, and there is an additional cost to process that wastewater.
    - The wastewater from the brewing process at the Stone Coral is metered and tested. This way we know the total gallons and also the pounds of BOD required to treat each per gallon.
    - Variable Cost for BOD:
      - Because the BOD is so high for the Stone Coral wastewater there is extra cost to the plant to treat it, thus there is a surcharge for treating it.
      - The surcharge is calculated by taking all the costs related to treating BOD and dividing it by the total pounds of BOD treated by the plant in the previous year. This gives us the average cost to treat each pound of BOD.
      - The industry average for BOD is 5.2 pounds. That amount is subtracted from the Stone Coral BOD number to determine the excess BOD for the Stone Coral wastewater. This number is then multiplied by the surcharge to determine a monthly variable cost.
    - Fixed cost for BOD
      - The fixed cost is determined by adding 15% to the Commercial and Government fixed cost. The 15% is to reserve the loading for the BOD.
        - Note: The rate on the sheet is not a formula due to a circular reference. I created a rate calculator on the rate sheet above the Industry and Allocated Accounts to calculate the rate. The rate then needs to be manually entered into the box for the rate calculation.
      - A note that for the past few years this was shown on the rate sheet as \$235 and was not updated with the proper fixed cost. In practice, the

billing for Stone Coral was based on the above calculation and was accurate. We have corrected this error on the FY20 rate sheet.

- Variable Cost for Wastewater
  - The first variable cost calculation related to the surcharge for BOD. This final calculation charges for wastewater as if it was at an average BOD level, which is why the average BOD level was subtracted from the Stone Coral BOD level in the first calculation
  - Stone Coral has metered wastewater for the brewing process. This is charged at the same variable rate as Commercial and Government.
- "Allocated Accounts" These older accounts that are just holding space for a fee per year. They do this to avoid paying an allocation fee for any gallons needed for a project. They still pay a connection fee/meters/etc....for actual connection.
  - "Allocated Rate Fees" are based on 50% of the fixed fee for the Commercial and Government class.
  - Note: The rate on the sheet is not a formula due to a circular reference. I created a rate calculator on the rate sheet above the Industry and Allocated Accounts to calculate the rate. The rate then needs to be manually entered into the box for the rate calculation.
- **Notes on Non-User Group Revenue**
  - "Sale of Water" refers to any sales we make to non-users. For instance a private hauler to fill another water system or to use elsewhere, like in a pool.
  - "Fire Protection/Tank Fee"
    - This was instituted in FY16 as a way to help pay for the part of the water tank.
    - The fee is the sum of the following:
      - 48% of the Water Reservoir note
      - 48% of the gap loan
      - 5% of the water budget
        - FY20 Water Reservoir principal and interest is: \$37,705
          - 48% of that is **\$18,098**
        - FY20 principal and interest on the gap loan is \$29,798
          - 48% of that is **\$14,303**
        - FY20 water budget is \$349,534
          - 5% of that is **\$17,477**
      - Total FY20 Fire Protection is **\$49,878**
    - "Septage Revenue" is revenue generated by accepting septage from private haulers at the Waste Water Plant.
      - Septage is on track to come in at \$190,000 in FY19 and we see no reason alter this budget number for FY20.
    - "Gateway revenue" is any revenue that would come in with a future expansion of the system to the Gateway. Any costs associated with extending the service lines would be borne by the new users.

- “Hook-On Fees” are an estimate of revenue generated yearly from hook on fees. The annual total budgeted for hook on fees has remained at a conservative estimate as you cannot accurately predict actual revenue for a given year.
- “Miscellaneous Fees” cover anything that turns up that is not covered by the other revenue categories. For example, a sale of a piece of equipment.
- “Interest on Investments” is interest we earn on our bank account. This year there is an allocation of \$5,000 total for interest and it is split 30% Water, 70% Sewer. This is a conservative estimate, and about half of the \$10,000 we may get. This will help to offset what we collect in user rates, but we cut in in half so if actual interest is lower than the \$10,000 we will not suffer a budget shortfall.
- **Gallon Usage:**
  - The percentage of gallons used is from the percentage of actual gallons used by class in the most recent completed year .
  - Residential Sewer usage gallons are lower than Water usage gallons due to farms which do not have sewer.
  - Commercial & Government Sewer usage is significantly lower than Water usage because the waste water plant does not pay for sewer but uses about 3M gallons of water per year, which they do pay for.
  - The School uses the same gallons in Water and Sewer.
  - When forecasting usage for rates, previous year usage is multiplied by 0.98 so rates are a bit higher per gallon to account for usage going down due to conservation.
- **School Rates**
  - To assess a fire protection fee to the school, five percentage points in use are added to the school rate, with a corresponding reduction from Residential and Commercial & Government. The split of the 5% between Residential and Commercial & Government is based on the percentage of the total water used by the two groups combined.
- **Fixed vs. Metered Fees**
  - Fixed fees in general should cover the capital expenses.
  - The allocation between fixed and metered fees within a class is reviewed each year to strike a balance between guaranteeing revenue from fixed fees, while charging heavy users more than light users by using metered fees.
- **Adjustments when revenue is over or under budget**
  - Revenues somewhat lower than expected may reduce investments in reserve funds - rather than rate increases
  - Revenues somewhat higher than expected may be used to make capital purchases, pay down debt, or increase reserve funds - rather than rate decreases