



Brunswick-Glynn County Joint Water and Sewer Commission

The JWSC intends to hold public hearings on June 19, 2014 at 5:00PM in Room 108 at the Casino on St. Simons Island and on June 26, 2014 at 5:00PM at 700 Gloucester St., Brunswick, GA where it will consider potential rate adjustments that would go into effect starting July 1, 2014. As required by Section 1-2 of Part I of House Bill 1271 amending Section 7 of the enabling legislation creating the Brunswick-Glynn County Joint Water and Sewer Commission (JWSC) approved April 19, 2006 (Ga. L. 2006, p. 3661), the JWSC is providing the following information as part of its notice of the public hearings:

- 1) A financial justification for the proposed rate increases,
- 2) A five-year projection of future operating revenue and expenses with and without such proposed rate increases, and
- 3) A history of the dates and amounts of any changes in customer rates, fees, tolls, or charges previously approved by the JWSC during the five-year period immediately preceding the effective date of the proposed increase.

1) Financial Justification

The rate adjustments being considered for Fiscal Year (FY) 2015, which begins July 1, 2014 and ends June 30, 2015, are necessary to:

- A. Slightly increase administrative fees to recover 100% of the administrative costs of the JWSC, inclusive of the FY 2015 budgeted expenses for the Governing Body, Office of the Executive Director, and Finance Departments.
- B. Reduce debt charges based upon an expected increase in the number of Residential Equivalent Units determined by a REU audit conducted by the JWSC.
- C. Increase usage charges by 1% to start providing funds for expansion-related capital improvements that will be necessary to accommodate new customers.

2) Item 1: Five-Year Projection of Operating Revenue & Expenses With Proposed Rate Adjustments

The following table presents a five-year projection of future operating revenues and expenses based upon the proposed rate adjustments for FY 2015 projected through FY 2019. The proposed rate adjustments for FY 2015, as projected, should meet the financial requirements of the JWSC for FY 2015, however, they are not expected to provide sufficient revenue to meet the current projections of operating, debt service, capital, and reserve requirements of the JWSC over the next five years.

Forecast of Operating Revenues and Expenses - With Proposed Rate Adjustments

	Projected FY 2014	Preliminary FY 2015	Forecasted			
			FY 2016	FY 2017	FY 2018	FY 2019
1 Operating Revenues						
2 Total Monthly Service Charge/Rate Revenue (1)	\$ 21,149,903	21,418,754	21,600,632	21,828,809	22,053,785	22,276,811
3 Plus: Other Operating Revenue (2)	\$ 1,970,610	2,393,500	2,007,500	2,007,500	2,007,500	2,007,500
4 Plus: Interest Earned On Fund Balances	\$ 29,334	49,050	71,271	84,503	105,482	142,739
5 Equals: Total Operating Revenue	\$ 23,149,847	23,861,304	23,679,404	23,920,812	24,166,767	24,427,051
6 Operating Expenses						
7 Personnel Expenses	\$ (7,118,709)	(7,527,300)	(7,881,276)	(8,253,942)	(8,646,414)	(9,059,883)
8 Operations & Maintenance	\$ (7,768,202)	(8,427,600)	(8,311,547)	(8,536,313)	(8,770,024)	(9,011,636)
9 Total Water & Sewer Operating Expenses	\$ (14,886,910)	(15,954,900)	(16,192,823)	(16,790,255)	(17,416,438)	(18,071,518)
10 Net Operating Income Available for Debt Service	\$ 8,262,937	7,906,404	7,486,580	7,130,557	6,750,329	6,355,533
11 Debt Service Coverage Analysis						
12 Existing Debt Service (Series 2010C)	\$ 3,800,119	3,798,119	3,797,069	3,799,469	3,798,669	3,795,919
13 Net Operating Income to Debt Service Ratio (Line 10 / Line 11) (Minimum Planning Ratio of 1.50)		2.17	2.08	1.97	1.88	1.78
14 Cash Flow Analysis						
15 Net Operating Income Available For Debt Service	\$ 8,262,937	7,906,404	7,486,580	7,130,557	6,750,329	6,355,533
16 Debt Service Payment	\$ (3,800,119)	(3,798,119)	(3,797,069)	(3,799,469)	(3,798,669)	(3,795,919)
17 Minor Capital Outlay (Equipment, Vehicles, etc.)	\$ (910,050)	(545,500)	(556,410)	(567,538)	(578,889)	(590,467)
18 Capital Reserve Contribution	\$ (300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
19 Net Capital Expansion Contribution (3)	\$ 0	(262,786)	(424,913)	(430,000)	(433,750)	(366,250)
20 Renewal & Replacement Contribution (4)	\$ (3,000,000)	(3,000,000)	(3,200,000)	(3,200,000)	(3,200,000)	(3,200,000)
21 Net Cash Flow	\$ 252,768	(0)	(791,811)	(1,166,450)	(1,560,978)	(1,897,103)
22 Unrestricted Reserve Fund Analysis						
23 Balance At Beginning Of Fiscal Year	\$ 7,722,524	7,975,293	7,975,292	7,183,481	6,017,031	4,456,053
24 Cash Flow Surplus / (Reserve Fund Used for Cash Flow Deficit)	\$ 252,768	(0)	(791,811)	(1,166,450)	(1,560,978)	(1,897,103)
25 Balance At End Of Fiscal Year (3)	\$ 7,975,293	7,975,292	7,183,481	6,017,031	4,456,053	2,558,950
26 Number of Months of Operating Reserves (Min. Planning Level: 6 months)		6.4	6.0	5.3	4.3	3.1

(1) Includes Administrative Charges, Debt Charges, and Variable Charges for Water and Sewer Service

(2) Includes Industrial User Sewer Charges, Fire Protection Fees, Tower Rental Charges, Late Payment Fees, Turn-on/Turn-off Fees, and Other Miscellaneous Fees/Charges. FY 2015 includes proceeds from one-time land sale.

(3) Total contribution for capital expansion is \$1,000,000 per year starting in FY 2015, part of which is provided by capital tap fees. Net contribution from operations is subject to adjustment each year based upon actual financial performance in order to ensure a minimum operating reserve balance at least equal to 6 months of operating expenses.

(4) Annual Renewal & Replacement Contribution is subject to adjustment each year based upon actual financial performance in order to ensure a minimum operating reserve balance at least equal to 6 months of operating expenses.

2) Item 2: Five-Year Projection of Operating Revenue & Expenses Without Proposed Rate Adjustments

The following table presents a five-year projection of future operating revenues and expenses without the proposed rate adjustments. The JWSC will realize a cash flow deficit that would increase to over \$2.0 million by FY 2019. These cash flow deficits will deplete the operating reserve funds of the JWSC below its minimum planning levels starting in FY 2015 through the remainder of the projection period. The annual revenue shortfalls result in declining ratios of net operating income to debt service such that FY 2019 will be very close to JWSC minimum planning levels and continuing to encroach upon the minimum required levels of the JWSC bondholders.

Forecast of Operating Revenues and Expenses - Without Proposed Rate Adjustments

	Projected	Preliminary	Forecasted			
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
1 Operating Revenues						
2 Total Monthly Service Charge/Rate Revenue (1)	\$ 21,149,903	21,282,235	21,460,293	21,686,579	21,909,664	22,130,800
3 Plus: Other Operating Revenue (2)	\$ 1,970,610	2,393,500	2,007,500	2,007,500	2,007,500	2,007,500
4 Plus: Interest Earned On Fund Balances	\$ 29,334	49,050	70,245	81,919	100,606	133,200
5 Equals: Total Operating Revenue	\$ 23,149,847	23,724,785	23,538,038	23,775,997	24,017,770	24,271,500
6 Operating Expenses						
7 Personnel Expenses	\$ (7,118,709)	(7,527,300)	(7,881,276)	(8,253,942)	(8,646,414)	(9,059,883)
8 Operations & Maintenance	\$ (7,768,202)	(8,427,600)	(8,307,793)	(8,532,453)	(8,766,112)	(9,007,672)
9 Total Water & Sewer Operating Expenses	\$ (14,886,910)	(15,954,900)	(16,189,069)	(16,786,395)	(17,412,526)	(18,067,555)
10 Net Operating Income Available for Debt Service	\$ 8,262,937	7,769,885	7,348,969	6,989,602	6,605,244	6,203,945
11 Debt Service Coverage Analysis						
12 Existing Debt Service (Series 2010C)	\$ 3,800,119	3,798,119	3,797,069	3,799,469	3,798,669	3,795,919
13 Net Operating Income to Debt Service Ratio (Line 10 / Line 11) (Minimum Planning Ratio of 1.50)	2.17	2.05	1.94	1.84	1.74	1.63
14 Cash Flow Analysis						
15 Net Operating Income Available For Debt Service	\$ 8,262,937	7,769,885	7,348,969	6,989,602	6,605,244	6,203,945
16 Debt Service Payment	\$ (3,800,119)	(3,798,119)	(3,797,069)	(3,799,469)	(3,798,669)	(3,795,919)
17 Minor Capital Outlay (Equipment, Vehicles, etc.)	\$ (910,050)	(545,500)	(556,410)	(567,538)	(578,889)	(590,467)
18 Capital Reserve Contribution	\$ (300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
19 Net Capital Expansion Contribution (3)	\$ 0	(262,786)	(424,913)	(430,000)	(433,750)	(366,250)
20 Renewal & Replacement Contribution (4)	\$ (3,000,000)	(3,000,000)	(3,200,000)	(3,200,000)	(3,200,000)	(3,200,000)
21 Net Cash Flow	\$ 252,768	(136,520)	(929,423)	(1,307,405)	(1,706,064)	(2,048,690)
22 Unrestricted Reserve Fund Analysis						
23 Balance At Beginning Of Fiscal Year	\$ 7,722,524	7,975,293	7,838,773	6,909,350	5,601,945	3,895,881
24 Cash Flow Surplus / (Reserve Fund Used for Cash Flow Deficit)	\$ 252,768	(136,520)	(929,423)	(1,307,405)	(1,706,064)	(2,048,690)
25 Balance At End Of Fiscal Year (3)	\$ 7,975,293	7,838,773	6,909,350	5,601,945	3,895,881	1,847,190
26 Number of Months of Operating Reserves (Min. Planning Level: 6 months)	6.4	5.9	5.1	4.0	2.7	1.2

(1) Includes Administrative Charges, Debt Charges, and Variable Charges for Water and Sewer Service

(2) Includes Industrial User Sewer Charges, Fire Protection Fees, Tower Rental Charges, Late Payment Fees, Turn-on/Turn-off Fees, and Other Miscellaneous Fees/Charges. FY 2015 includes proceeds from one-time land sale.

(3) Total contribution for capital expansion is \$1,000,000 per year starting in FY 2015, part of which is provided by capital tap fees. Net contribution from operations is subject to adjustment each year based upon actual financial performance in order to ensure a minimum operating reserve balance at least equal to 6 months of operating expenses.

(4) Annual Renewal & Replacement Contribution is subject to adjustment each year based upon actual financial performance in order to ensure a minimum operating reserve balance at least equal to 6 months of operating expenses.

Brunswick-Glynn County Joint Water and Sewer Commission
History of Water & Sewer Rate Changes

	March 1, 2009	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2013
<u>Brunswick District</u>					
WATER:					
Administrative Fee	\$2.15 per Bill	\$2.19 per Bill	\$4.56 per Bill	\$4.62 per Bill	\$4.66 per Bill
Debt Recovery					
Residential	\$3.85 per REU	\$3.93 per REU	N/A	N/A	N/A
Commercial	\$6.15 per REU	\$6.27 per REU	N/A	N/A	N/A
Inside Commercial	N/A	N/A	N/A	N/A	N/A
Outside Commercial	N/A	N/A	N/A	N/A	N/A
All Users	N/A	N/A	\$2.46 per REU	\$2.66 per REU	\$2.63 per REU
Per Kgal. Use Rates					
Residential					
1 to 5 Kgal.	\$2.03	\$2.07	N/A	N/A	N/A
6 to 10 Kgal.	\$2.08	\$2.12	N/A	N/A	N/A
11 to 15 Kgal.	\$2.13	\$2.17	N/A	N/A	N/A
16 to 20 Kgal.	\$2.18	\$2.22	N/A	N/A	N/A
21 and over Kgal.	\$2.23	\$2.27	N/A	N/A	N/A
Commercial					
1 to 5 Kgal.	\$3.25	\$3.32	N/A	N/A	N/A
6 to 10 Kgal.	\$3.33	\$3.40	N/A	N/A	N/A
11 to 15 Kgal.	\$3.41	\$3.48	N/A	N/A	N/A
16 to 20 Kgal.	\$3.49	\$3.56	N/A	N/A	N/A
21 and over Kgal.	\$3.57	\$3.64	N/A	N/A	N/A
Residential & Commercial					
1 to 3 Kgal.	N/A	N/A	\$1.16	\$1.17	\$1.18
4 to 6 Kgal.	N/A	N/A	\$1.55	\$1.56	\$1.58
6 to 12 Kgal.	N/A	N/A	\$1.94	\$1.95	\$1.97
13 to 20 Kgal.	N/A	N/A	\$2.42	\$2.43	\$2.45
21 and over Kgal.	N/A	N/A	\$3.64	\$3.66	\$3.70
Irrigation					
1 to 6 Kgal.	N/A	N/A	\$1.94	\$1.95	\$1.97
7 to 14 Kgal.	N/A	N/A	\$2.42	\$2.43	\$2.45
15 and over Kgal.	N/A	N/A	\$3.64	\$3.66	\$3.70
SEWER:					
Administrative Fee	\$2.41 per Bill	\$2.75 per Bill	\$4.56 per Bill	\$4.62 per Bill	\$4.66 per Bill
Debt Recovery					
Residential	\$4.93 per REU	\$5.62 per REU	N/A	N/A	N/A
Commercial	\$7.89 per REU	\$8.99 per REU	N/A	N/A	N/A
Inside Commercial	N/A	N/A	N/A	N/A	N/A
Outside Commercial	N/A	N/A	N/A	N/A	N/A
All Users	N/A	N/A	\$2.84 per REU	\$2.88 per REU	\$2.85 per REU
Per Kgal. Use Rates					
1 to 5 Kgal.	\$3.56	\$4.06	N/A	N/A	N/A
6 to 10 Kgal.	\$3.61	\$4.12	N/A	N/A	N/A
11 to 15 Kgal.	\$3.66	\$4.17	N/A	N/A	N/A
16 to 20 Kgal.	\$3.71	\$4.23	N/A	N/A	N/A
21 and over Kgal.	\$3.76	\$4.29	N/A	N/A	N/A
All Use	N/A	N/A	\$5.17	\$5.35	\$5.48

Brunswick-Glynn County Joint Water and Sewer Commission
History of Water & Sewer Rate Changes

	<u>March 1, 2009</u>	<u>July 1, 2010</u>	<u>July 1, 2011</u>	<u>July 1, 2012</u>	<u>July 1, 2013</u>
<u>Glynn District</u>					
<u>St. Simons and South Mainland*</u>					
Water with Sewer Connection					
Base Charge	\$4.88 per Unit	\$6.10 per Unit	N/A	N/A	N/A
Administrative Fee	N/A	N/A	\$4.56 per Bill	\$4.62 per Bill	\$4.66 per Bill
Debt Recovery	N/A	N/A	\$2.50	\$2.82	\$2.76
Per Kgal. Use Rates					
1 to 9 Kgal.	\$1.20	\$1.50	N/A	N/A	N/A
10 and over Kgal.	\$2.21	\$2.76	N/A	N/A	N/A
Residential & Commercial					
1 to 3 Kgal.	N/A	N/A	\$1.16	\$1.17	\$1.18
4 to 6 Kgal.	N/A	N/A	\$1.55	\$1.56	\$1.58
6 to 12 Kgal.	N/A	N/A	\$1.94	\$1.95	\$1.97
13 to 20 Kgal.	N/A	N/A	\$2.42	\$2.43	\$2.45
21 and over Kgal.	N/A	N/A	\$3.64	\$3.66	\$3.70
Irrigation					
1 to 6 Kgal.	N/A	N/A	\$1.94	\$1.95	\$1.97
7 to 14 Kgal.	N/A	N/A	\$2.42	\$2.43	\$2.45
15 and over Kgal.	N/A	N/A	\$3.64	\$3.66	\$3.70
Water Only					
Base Charge	\$4.88 per Unit	\$6.10 per Unit	N/A	N/A	N/A
Per Kgal. Use Rates					
1 to 9 Kgal.	\$1.20	\$1.50	N/A	N/A	N/A
10 and over Kgal.	\$5.37	\$6.71	N/A	N/A	N/A
Sewer					
Base Charge	\$6.20 per Unit	\$7.13 per Unit	N/A	N/A	N/A
Administrative Fee	N/A	N/A	\$4.56 per Bill	\$4.62 per Bill	\$4.66 per Bill
Debt Recovery	N/A	N/A	\$8.99 per REU	\$9.31 per REU	\$9.21 per REU
Per Kgal. Use Rates	\$4.06	\$4.67	5.17	5.35	5.48

*Beginning July 1, 2011 all Glynn District Rates were standardized

Brunswick-Glynn County Joint Water and Sewer Commission
History of Water & Sewer Rate Changes

	<u>March 1, 2009</u>	<u>July 1, 2010</u>	<u>July 1, 2011</u>	<u>July 1, 2012</u>	<u>July 1, 2013</u>
<u>Glynn District</u>					
<u>North Mainland*</u>					
Water with Sewer Connection					
Base Charge	\$4.88 per Unit	\$6.10 per Unit	N/A	N/A	N/A
Administrative Fee	N/A	N/A	N/A	N/A	N/A
Debt Recovery	N/A	N/A	N/A	N/A	N/A
Per Kgal. Use Rates					
1 to 9 Kgal.	\$1.20	\$1.50	N/A	N/A	N/A
10 and over Kgal.	\$2.21	\$2.76	N/A	N/A	N/A
Water Only					
Base Charge	\$4.88 per Unit	\$6.10 per Unit	N/A	N/A	N/A
Administrative Fee					
Debt Recovery					
Per Kgal. Use Rates					
1 to 9 Kgal.	\$1.20	\$1.50	N/A	N/A	N/A
10 and over Kgal.	\$5.37	\$6.71	N/A	N/A	N/A
Sewer					
Base Charge	\$6.20 per Unit	\$7.13 per Unit	N/A	N/A	N/A
Per Kgal. Use Rates	\$5.69	\$6.54	N/A	N/A	N/A

*Beginning July 1, 2011 all Glynn District Rates were standardized

Notes:

Effective March 1, 2009, Glynn County increased sewer rates by 27% due to the borrowing of \$13 million to fund construction of the Wastewater Treatment Facility.

Effective July 1, 2010, the JWSC increased rates pursuant to the results of a Rate Sufficiency Study.

Effective July 1, 2011, the JWSC standardized the rate structures of the Brunswick and Glynn Districts.

Effective July 1, 2012, the JWSC increased rates pursuant to the results of a Rate Sufficiency Study.

Effective July 1, 2013, the JWSC increased rates pursuant to the results of a Rate Sufficiency Study.