

UTILITY RATE STRUCTURE UPDATE

DENTON UTILITY COMMISSION
MAY 2010

In May 2009 the Utility Commission recommended to the town Council a multi-year water and sewer rate increase plan. The Council approved the first increase to take effect July 1, 2009.

WATER						Approved for 1	Recommended May 2009		
	FY2005	FY2006	FY2007	FY2008	FY2009	July 2010	FY2011	FY2012	FY2013
Connection Charge	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
Consumption Rate PRICE per 1000 gallons	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.50	\$ 3.25	\$ 3.35	\$ 3.45
Quarterly Administrative Rate	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 10.35	\$ 16.35	\$ 19.55	\$ 22.70
Sewer									
Connection Charge	\$ 4,500.00	\$ 4,500.00	\$ 4,500.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
Consumption Rate PRICE per 1000 gallon	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.66	\$ 6.04	\$ 6.41	\$ 6.41
Quarterly Administrative Rate	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 9.00	\$ 10.00	\$ 18.00	\$ 18.00

What Changed since last year's presentation?

- The FY10 Budget anticipated 33 new connections
- Current expected total is 16
- Combined Revenue from a new connection is \$9,000
 - Water \$4,000.00
 - Sewer \$5,000.00
- Revenue Shortfall for FY10 = \$153,000
- We have 1,641 customers so that equates to \$93.00 per account; roughly \$23/quarter combined for water and sewer
- There are even fewer new connections expected the future. This lost revenue must be replaced.

Fund Balance

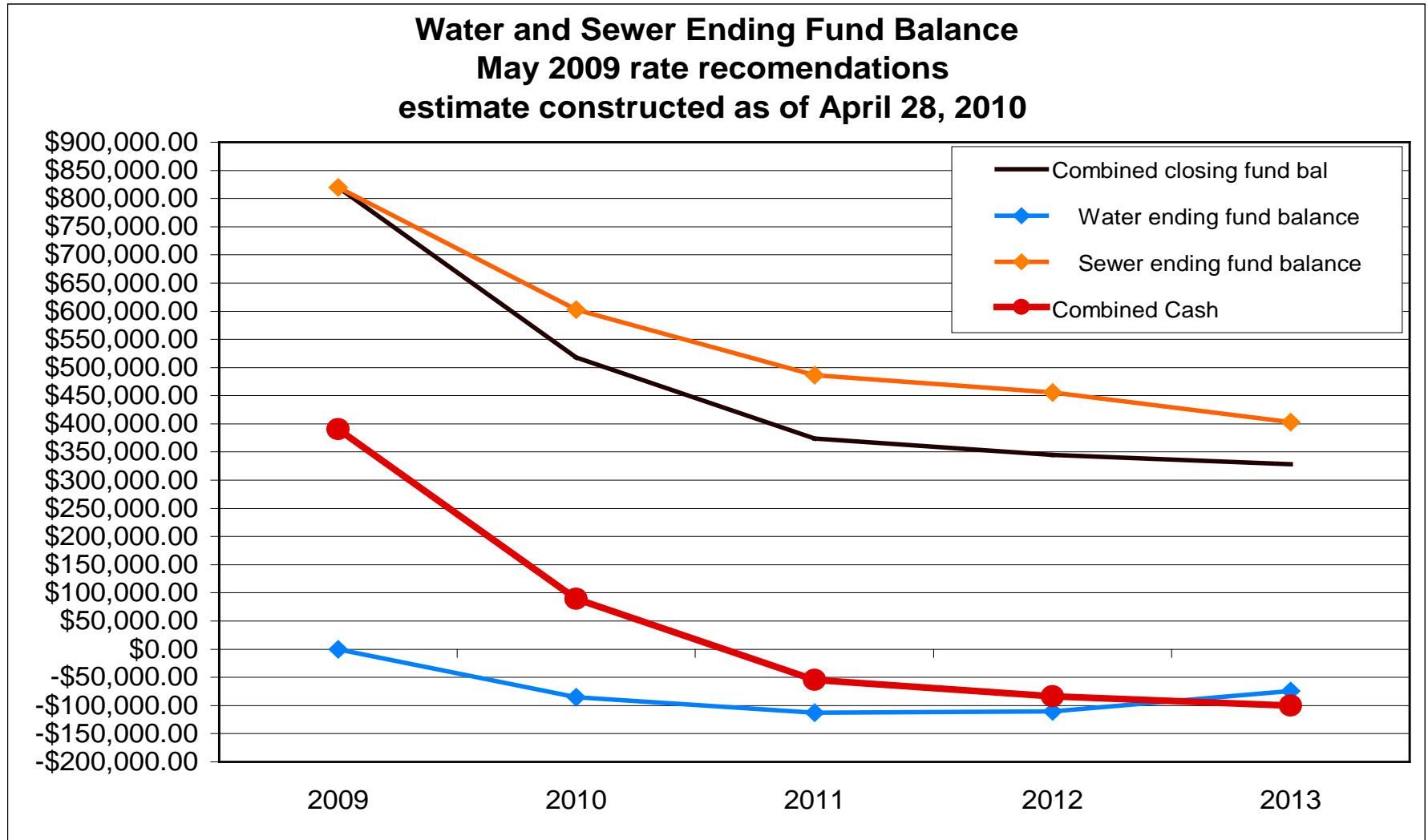
- The Water and Sewer Operations each have their own Income Statement and Balance Sheet
- Financially, they are two separate operations and must cover their costs through fees.
- Last year's analysis focused exclusively on "Fund Balance"
- This year we've added CASH to the analysis

Town of Denton, Maryland

Statement of Net Assets
Proprietary Funds
06/30/2009

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Industrial Park Fund	
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 390,661	\$ 7,851	\$ 398,512
Receivables:				
Service charges	72,667	140,003	-	212,670
Notes receivable	-	-	26,402	26,402
Other	-	31,311	-	31,311
Due from other funds	-	492,003	-	492,003
Total current assets	72,667	1,053,978	34,253	1,160,898
Noncurrent assets				
Land held for resale	-	-	455,171	455,171
Construction in progress	95,178	396,127	-	491,305
Capital assets, net	1,311,799	7,190,936	-	8,502,735
Total noncurrent assets	1,406,977	7,587,063	455,171	9,449,211
Total assets	1,479,644	8,641,041	489,424	10,610,109
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	10,739	31,872	229	42,840
Due to other funds	492,003	-	18,543	510,546
Notes payable	5,142	127,558	-	132,700
Total current liabilities	507,884	159,430	18,772	686,086
Noncurrent liabilities				
Accrued vacation and sick leave	19,115	31,140	-	50,255
Bonds and notes payable	488,634	1,751,908	368,850	2,609,392
Total noncurrent liabilities	507,749	1,783,048	368,850	2,659,647
Total liabilities	1,015,633	1,942,478	387,622	3,345,733
Net assets				
Capital assets net of related debt	913,200	5,707,616	-	6,620,816
Unrestricted (deficit)	(449,189)	990,947	101,802	643,560
Total net assets	\$ 464,011	\$ 6,698,563	\$ 101,802	\$ 7,264,376

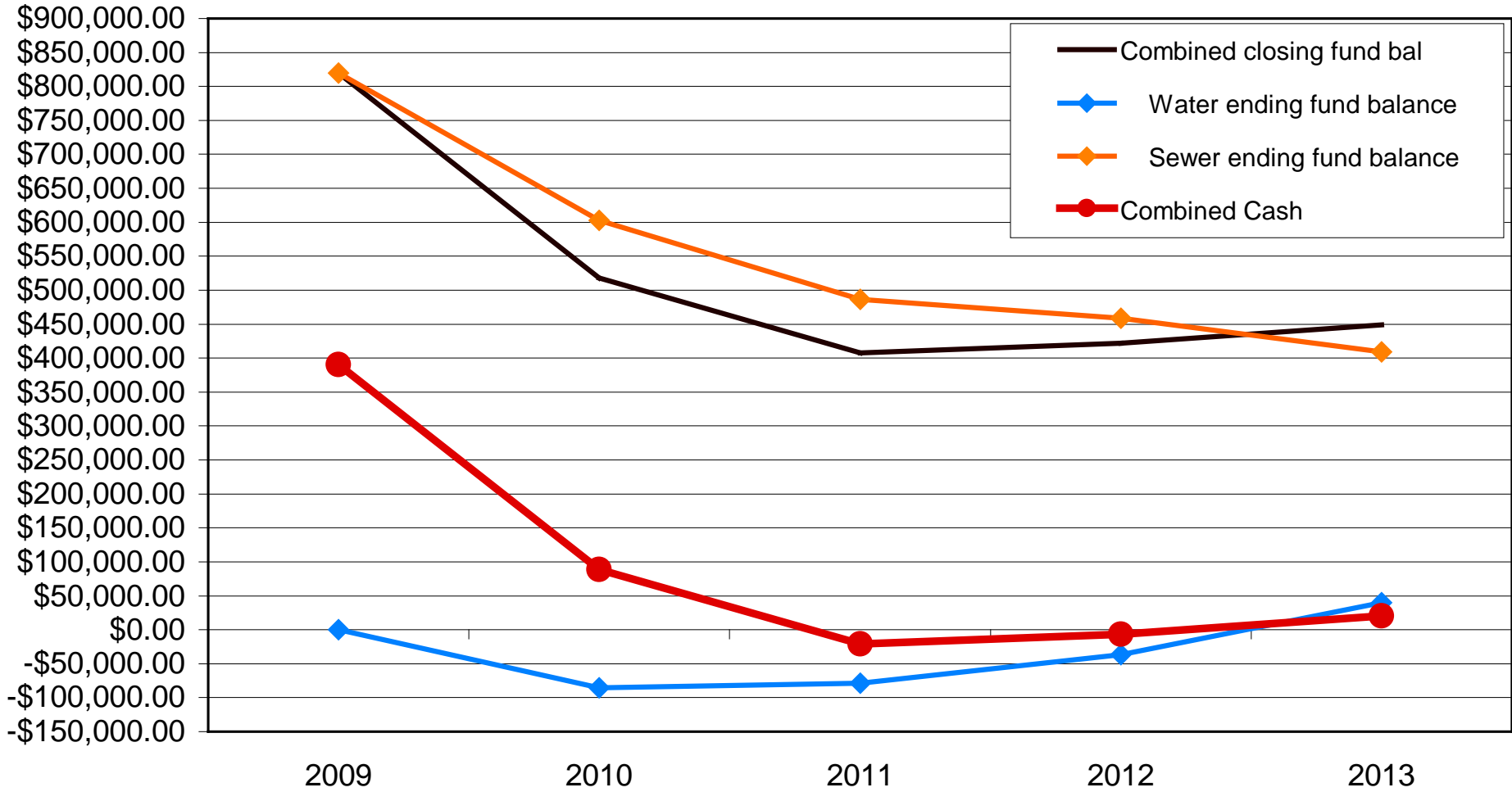
Using the May 2009 rate recommendations - **new fund and cash balance projection is shown below.**



What if we cut capital projects?

Project	2011	2012	2013
Water			
Second St. Line Replacement	\$126,000		
Gay St.-Line Replacement		\$ 96,000	
Water Meter Replacement	\$ 11,148	\$ 10,000	\$10,000
Fifth Ave. Project	\$600,000		
Fleet Management	\$ 5,000	\$ 5,000	\$ 5,000
Public Works Facility		\$ 50,000	
Sewer			
Fifth Ave. Project	\$ 30,000		
Fleet management	10,000	10,000	10,000
New Public Works Facility		\$ 75,000	
Upgrade Treatment Plant-Const. \$4M less \$3.7M grant = 300K from Sewer	300,000		
Clean, Refurbish Reed Beds	20,000	20,000	20,000
Replace Grit Suction Line	20,000		

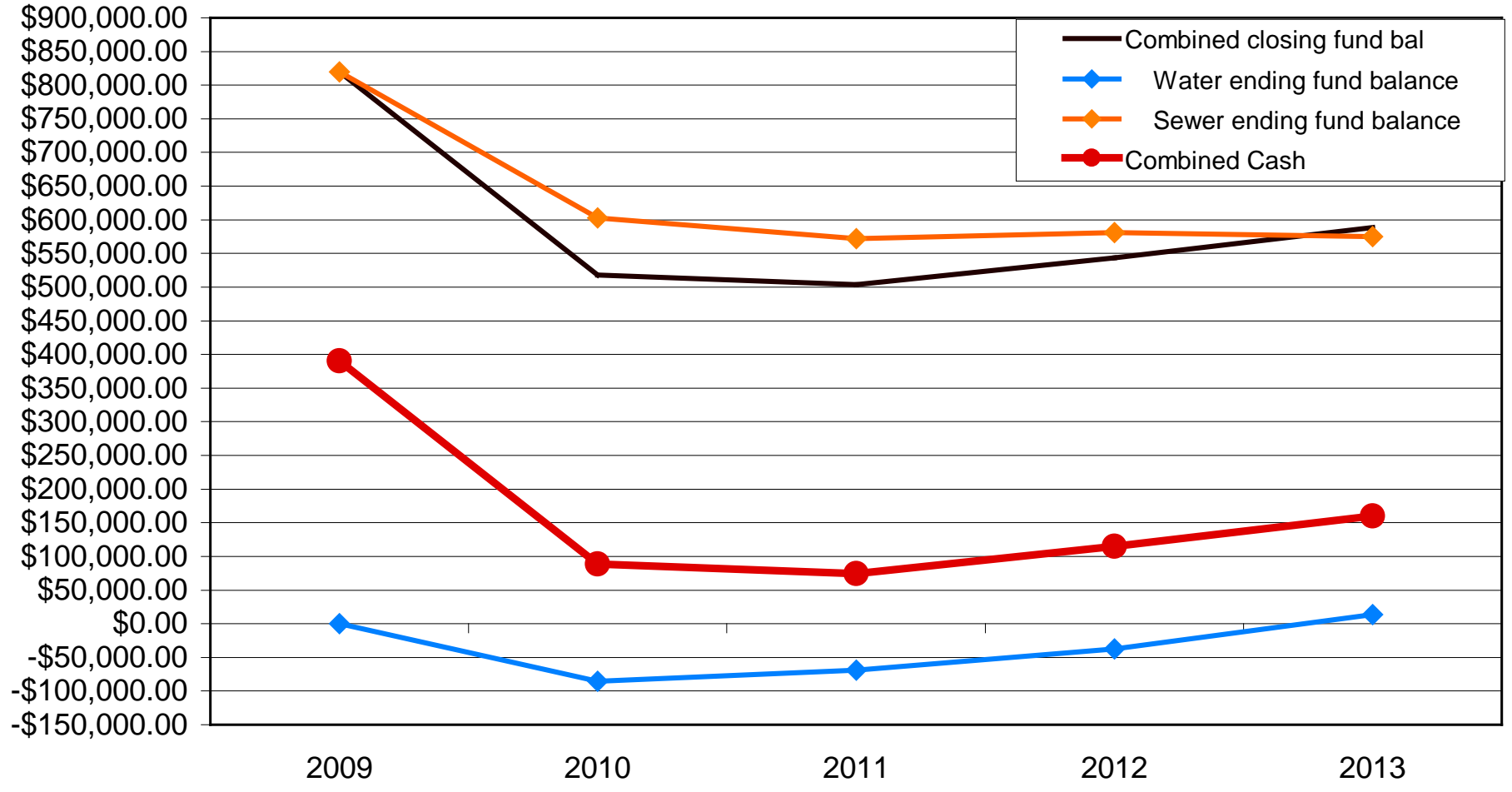
Water and Sewer Ending Fund Balance Capital Projects Eliminated
May 2009 rate recommendations
estimate constructed as of April 28, 2010



We need to raise the quarterly administrative fee.

WATER	FY10	Recommended April 2010		
		FY2011	FY2012	FY2013
Connection Charge	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00
Consumption Rate PRICE per 1000 gallons	\$ 2.50	\$ 3.25	\$ 3.35	\$ 3.45
Quarterly Administrative Rate	\$ 10.35	\$ 23.00	\$ 24.00	\$ 25.00
Sewer				
Connection Charge	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
Consumption Rate PRICE per 1000 gallon	\$ 5.66	\$ 6.04	\$ 6.41	\$ 6.41
Quarterly Administrative Rate	\$ 9.00	\$ 23.00	\$ 24.00	\$ 25.00

Water and Sewer Ending Fund Balance w/all Capital Projects AND Increased Administrative Fees estimate constructed as of April 28, 2010



Rate Increase is require to;

- Allow Water and Sewer operations to be self sustaining
- Support capital projects and system maintenance
- Avoid extreme negative financial consequences