



CECIL COUNTY WASTEWATER FUND

Wastewater Rate Study

Full Cost Service Model



Charge what is **REQUIRED** to operate and maintain the system in good working order and meet all permit requirements

- Revenue derived by those individuals receiving the services
- Expenses derived from providing the service

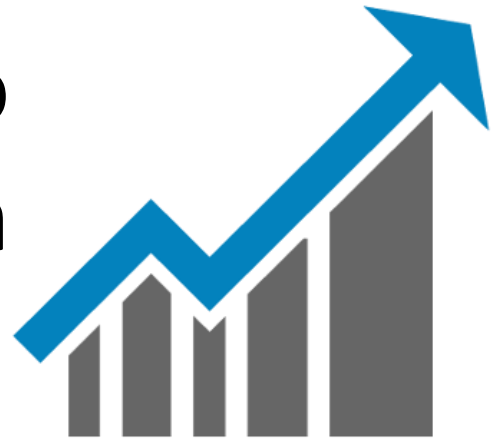
The objective of this study was to review and recommend as necessary new wastewater rates that address the following:



- Full recovery of system operating costs
- Full recovery of capital infrastructure financing
- Contribution to a reserve account to fund the rehabilitation and replacement of infrastructure

Growth and Demand Forecast

- There are currently 5,931 sewer accounts
- The number is expected to increase to 7,022 by 2022
- A growth rate of 3% annually was used to project future user demand
- Wastewater flows are projected to increase from 562M in FY19 to 621M in 2022

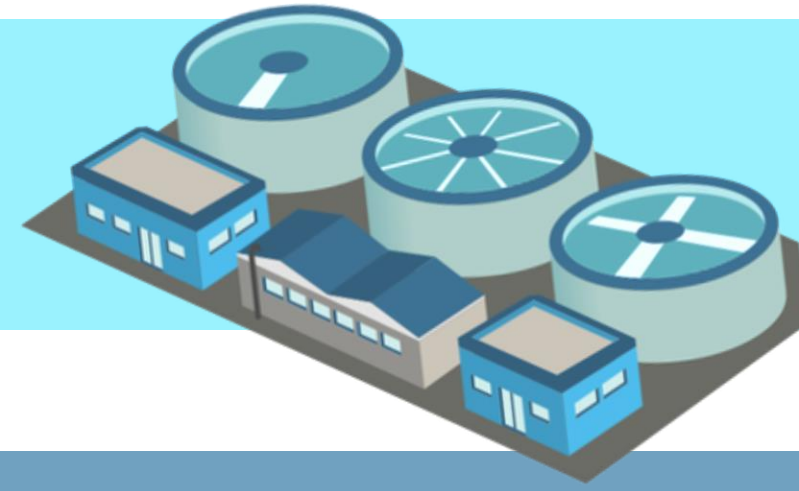




Operation and Maintenance Costs

- The wastewater operation and maintenance costs used in the analysis are based on the FY2018 budget
- There was no indication at the time of the study of any major adjustments in material or staffing requirements
- The operating expenses associated with salaries, materials, supplies and services have been adjusted annually by an escalation rate of 2%
- These expenses are projected to increase from \$3.6M in FY2019 to \$3.9M in FY2022
- The operating expenses associated with depreciation are projected to increase from \$4.4M in FY2019 to \$5M in FY2022

Asset Replacement and Rehabilitation



- Monies from Major Facilities Fees (connection fees) and Developer Contributions are used to cover the debt service payments associated with the expansion or addition of infrastructure.
- A portion of user fees should be allocated to fund the eventual rehabilitation and replacement of wastewater assets



Infrastructure and Capital

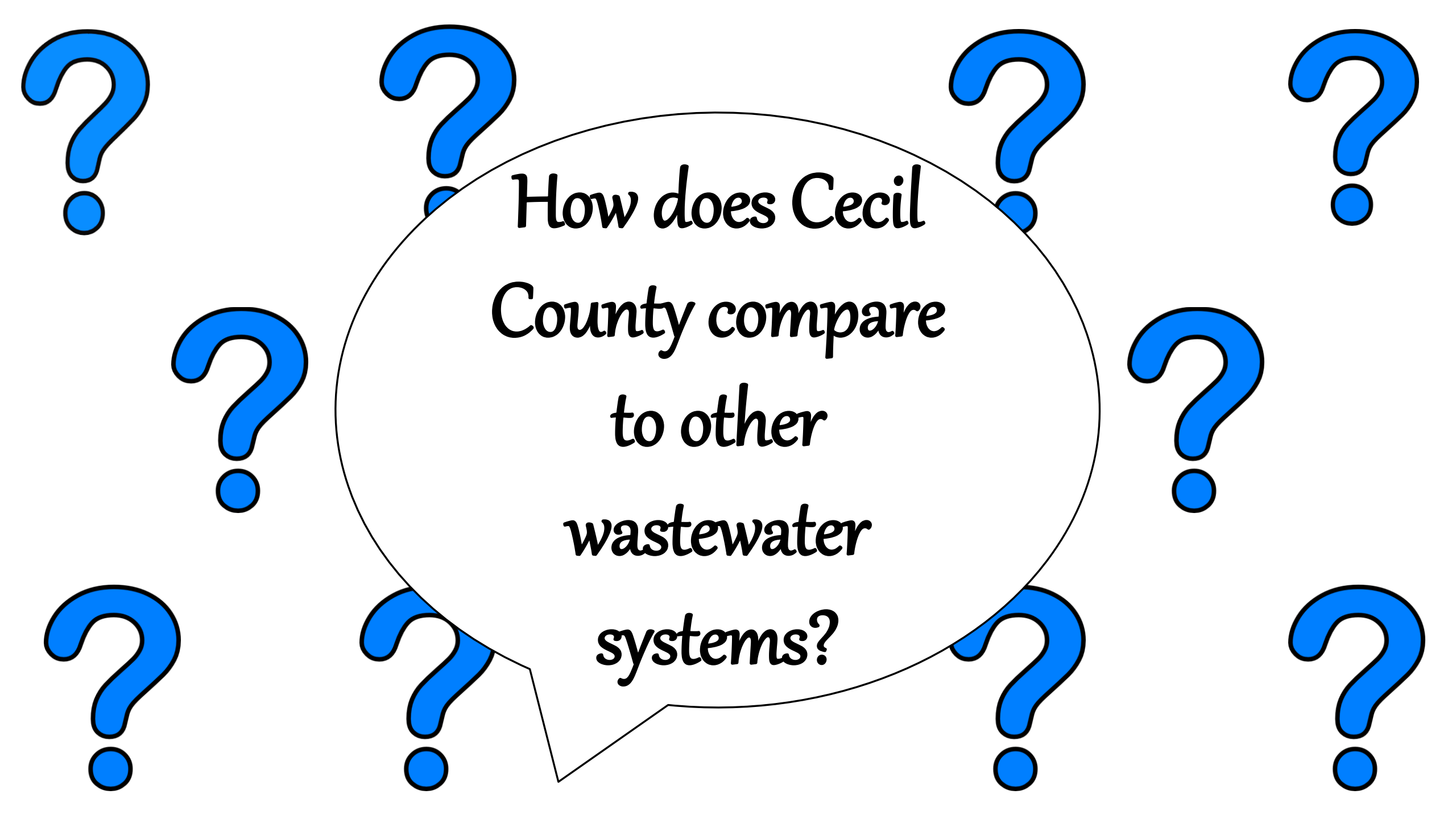
The projection of future wastewater capital expenses was based on the FY2019 CIP schedule.

Fiscal Year								
Project #	Project Name	2019	2020	2021	2022	2023	Prior	TOTAL
55069	Port Deposit WWTP	-	-	-	-	-	10,700,000	10,700,000
55064	Elkton West Sanitary Sewer	2,000,000	11,000,000	2,000,000	3,500,000	1,500,000	6,137,000	26,137,000
55053	Replace Harbour View	-	-	-	-	-	4,550,000	4,550,000
55031	Construct Rt 40 West Sanitary Sewer	650,000	-	3,700,000	-	-	1,480,000	5,830,000
55041	Construct Holoway Beach	-	-	-	-	-	350,000	350,000
55072	Expand Rte 40 Interceptor	-	-	-	200,000	-	-	200,000
55059	Upgrade Mechanics Valley Rd. Pump St	-	-	-	100,000	425,000	-	525,000
55021	Expand NERAWWTP	-	-	-	100,000	-	-	100,000
55057	Construct Rock Run Sewer Ext.	-	150,000	950,000	-	-	-	1,100,000
Wastewater CIP Totals		2,650,000	11,150,000	6,650,000	3,900,000	1,925,000	23,217,000	49,492,000

Infrastructure and Capital (continued)

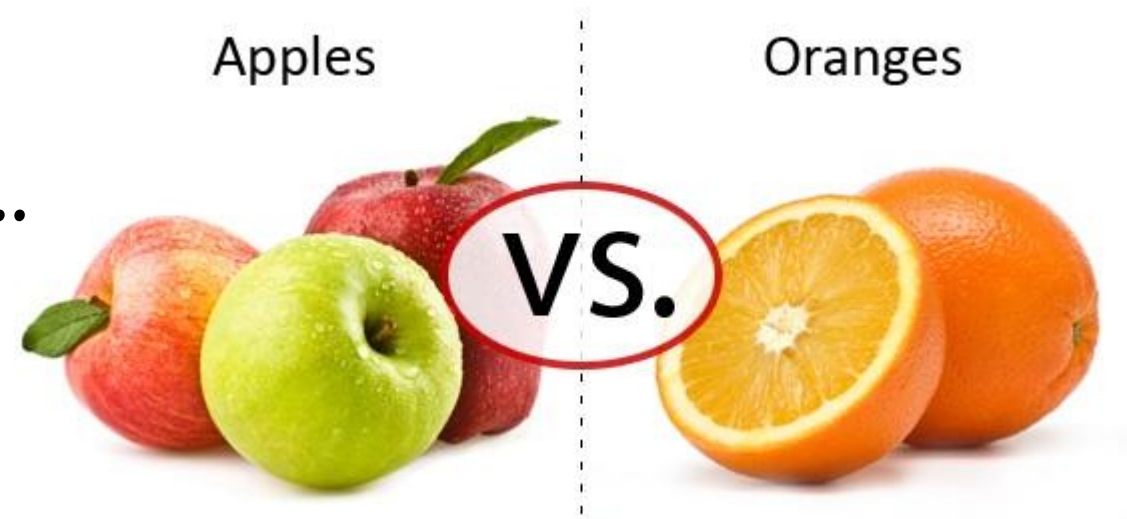
The value of current infrastructure contained in this analysis is based on the FY2017 audited financial statements.

Capital Assets, (Net of depreciation)	
Land	2,296,988
Construction in Progress	10,519,705
Land Improvements	5,993,163
Sewer Lines	21,910,791
Wastewater Systems	9,128,128
Buildings	12,747,734
Machinery & Equipment	<u>24,848,545</u>
TOTAL	<u>87,445,054</u>



How does Cecil
County compare
to other
wastewater
systems?

There is no simple comparison.....

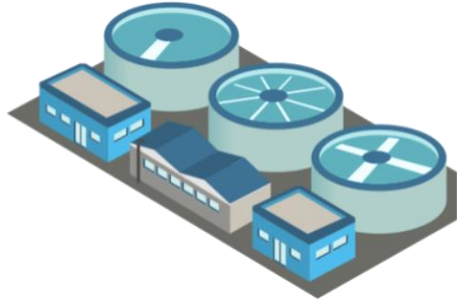


Additional Factors/Variables

- Number of Users
- Size of the system – Assets Value
- Age of the system – Depreciation Expenses
- Structure of the system – Is this system a true Enterprise Fund or is it subsidized by the General Fund or other funding sources?

Neighboring Public Systems

- Chesapeake City
- Town of Elkton
- Town of Perryville
- Harford County
- New Castle County, DE
- Town of Middletown, DE



Five Wastewater Treatment Plants

- North East River (Seneca Point)
- Cherry Hill
- Meadowview
- Port Deposit
- Harborview



Flow Data

- **Total Permitted Capacity** – 3,165,000 (gallons)
- **Current Utilized Capacity** – 1,460,000 (gallons)

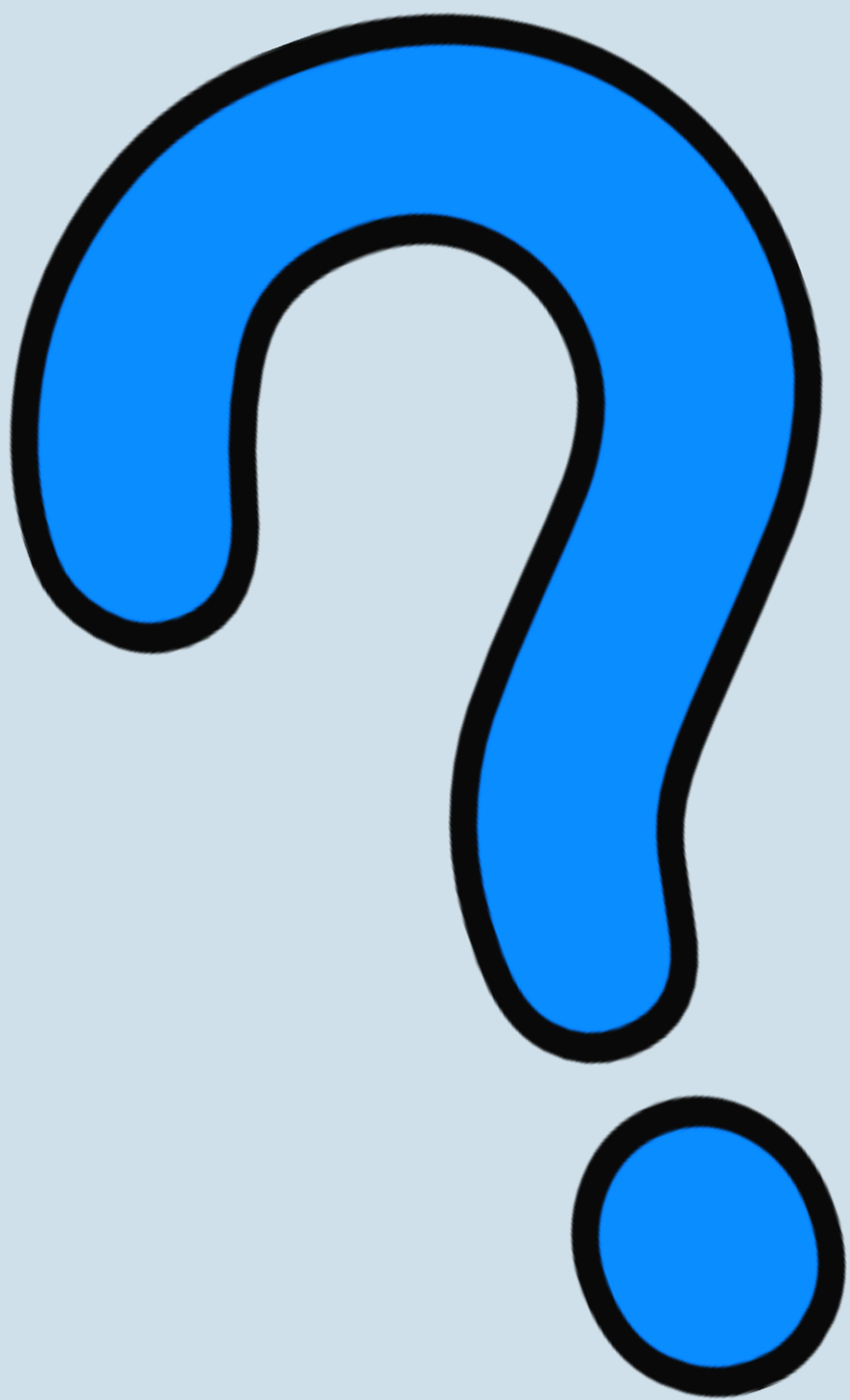


Customer Data

- Over 50% of Metered Customers use less than 9,000 gallons per quarter
- Only 1% of current Customers have flows over 100,000 gallons per quarter

Results Using the Proposed Wastewater Rates

Cecil County Wastewater Rate Model							
				Fiscal Year			
				2019	2020	2021	2022
Revenues:							
Wastewater Billings				\$6,667,370	\$7,992,443	\$9,468,556	\$9,752,613
Other Revenues				553,006	580,622	609,618	622,352
Total Wastewater Revenues				7,220,376	8,573,065	10,078,174	10,374,965
O&M Expenses:							
Salaries, Material, Supplies & Services				3,648,620	3,721,592	3,796,024	3,871,944
Depreciation				4,430,000	4,680,000	4,930,000	5,080,000
Total O&M Expenses				8,078,620	8,401,592	8,726,024	8,951,944
Operating Income (Loss)				(858,243)	171,473	1,352,150	1,423,020
Capital Costs:							
Capital Improvements (PAYGO)				0	0	0	0
Debt Service (Not covered by MFF)				2,265,630	2,643,713	2,344,760	2,263,751
Total Capital Costs				2,265,630	2,643,713	2,344,760	2,263,751
Total Revenue Requirements				10,344,250	11,045,305	11,070,784	11,215,695
Revenue Surplus/(Deficit)				(\$3,123,873)	(\$2,472,240)	(\$992,610)	(\$840,731)
<u>Sewer Rate/1,000 gals</u>							
0-100,000 gallons				\$11.87	\$13.65	\$15.70	\$15.70
(Min. 9,000 gallons)							
100,001 - Max gallons				\$12.38	\$14.86	\$17.83	\$17.83
Septage Rate/1,000 gals				\$52.50	\$55.00	\$57.50	\$57.50



The BIG question is....

Effects of Current Rate Structure

1. The fund will continue to report a deficit.
2. Administration and DPW will have to evaluate the viability of both current and future CIP projects.
3. Adjustment in the County's Bond Rating.

Bond Ratings

Moody's Long Term Rating Definitions

Aaa Obligations rated Aaa are judged to be of the highest quality, with minimal risk.

Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A Obligations rated A are considered upper-medium-grade and are subject to low credit risk.

Baa Obligations rated Baa are subject to moderate credit risk.

Standard & Poor's Long Term Rating Definitions

AAA The obligor's capacity to meet its financial commitments are extremely high.

AA The obligor's capacity to meet its financial commitments are very strong.

A The obligor's capacity to meet its financial commitments are strong.

BBB Circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.

FY18 Bond Issue



CECIL COUNTY, MARYLAND **General Obligation Bonds**

\$47,645,000

Cecil County, Maryland

Consolidated Public Improvement and Refunding Bonds of 2017

Dated: Date of Initial Delivery

Due: as shown on inside front cover

Bond Ratings

Moody's Investors Service: Aa2
S & P Global Ratings: AA+

Redemption

The Bonds maturing on or after August 1, 2028, are redeemable in whole or in part on or after August 1, 2027 – Page 2.

Security

General obligations of Cecil County, Maryland

Purpose

The proceeds are being used to provide funds for the design, planning, acquisition, renovation, construction and equipping of certain public facilities in the County and to refund certain outstanding County general obligation bonds – Page 2.



Where do we go from here....

QUESTIONS?

