Environmental Services

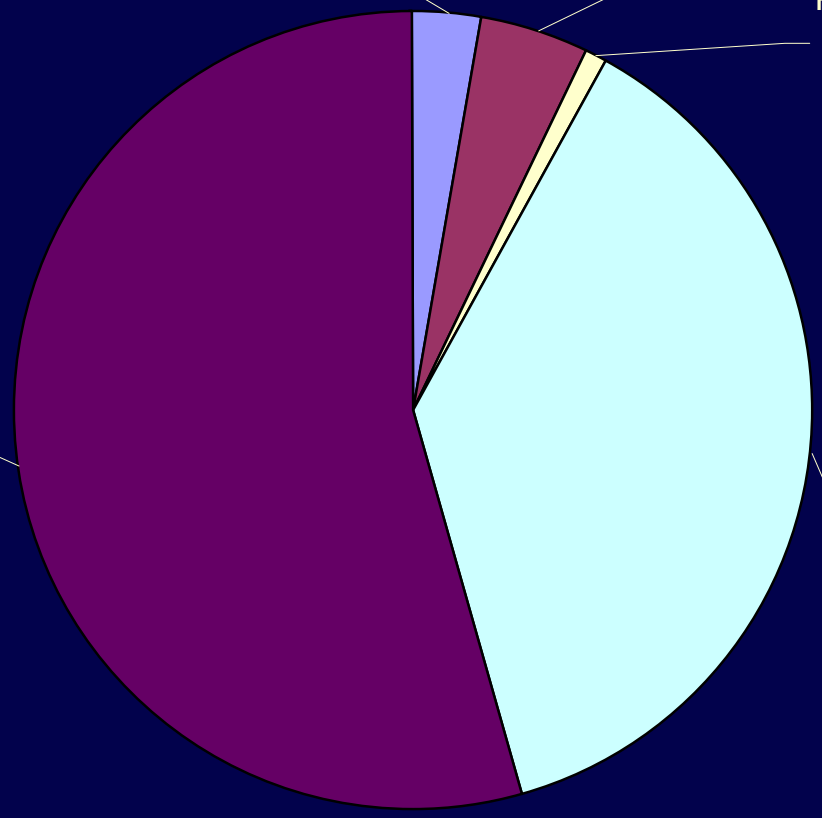
Financial Environment

Presentation to Budget Advisory Committee
October 30, 2012

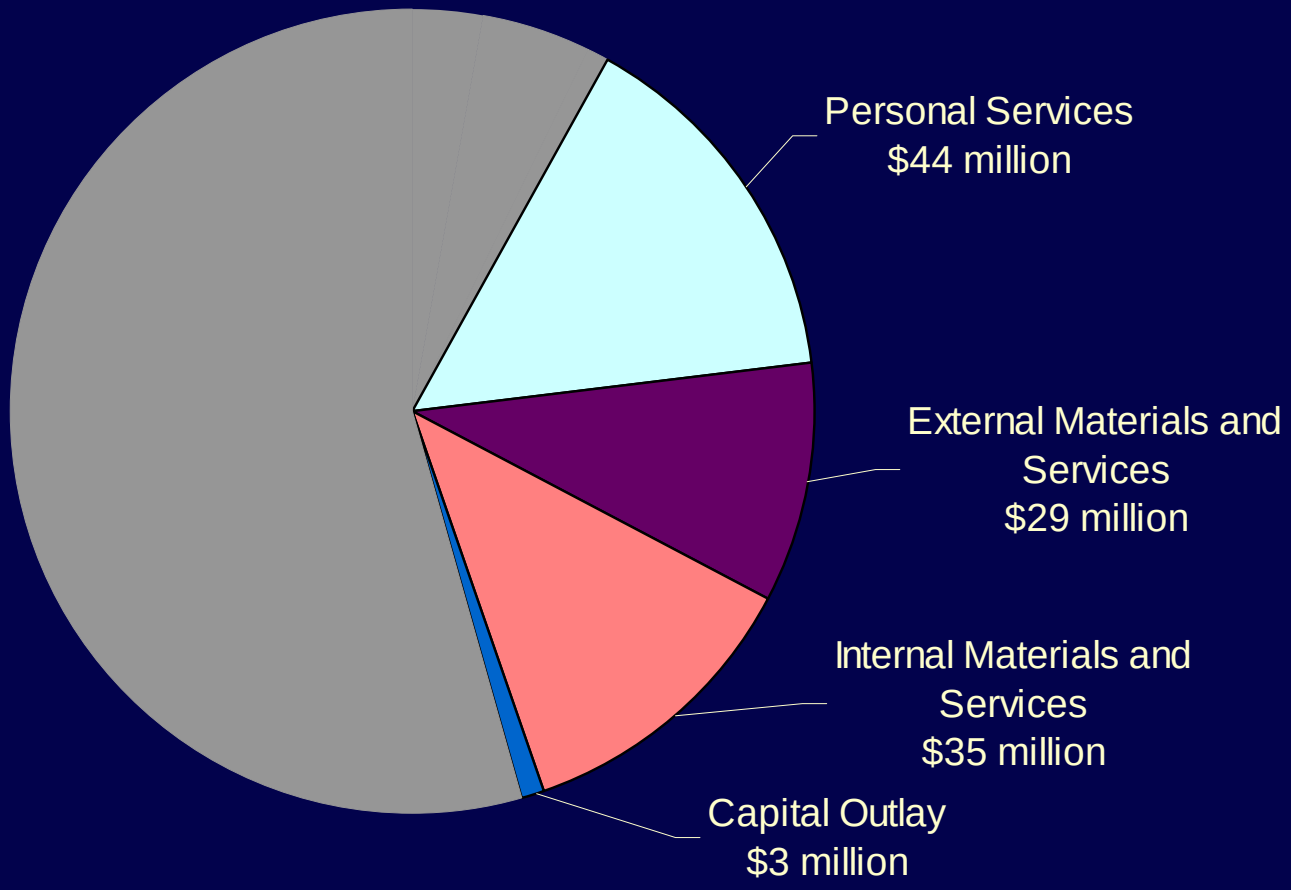
Current Requirements

- Requirements other than capital improvement expenditures total $295 million.
- Capital construction financing costs are 55% of this total. They are non-discretionary.
- Roughly 37% of the total is discretionary, and arguably not all of that.

Current Requirements



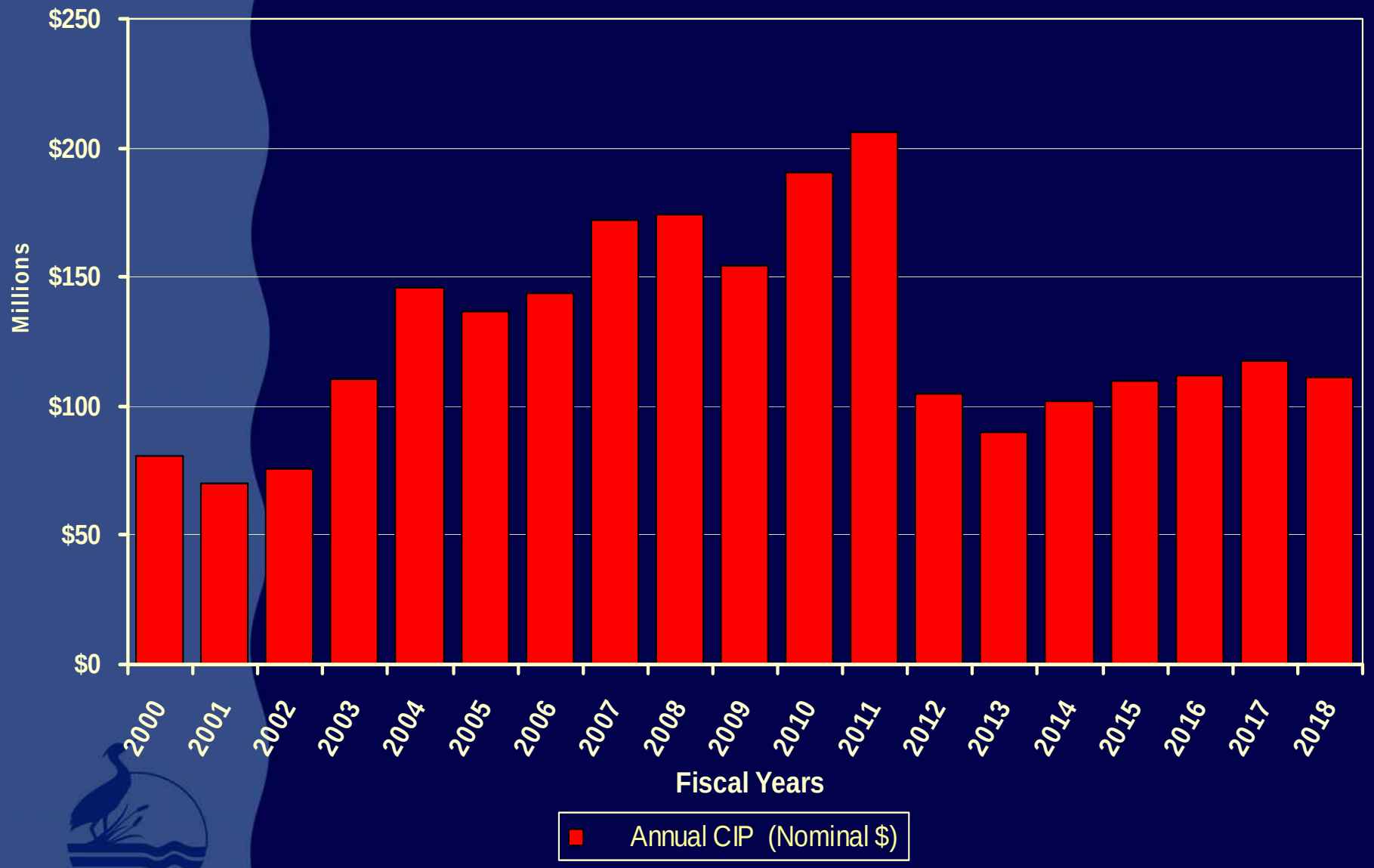
Current Operating Requirements
by Type



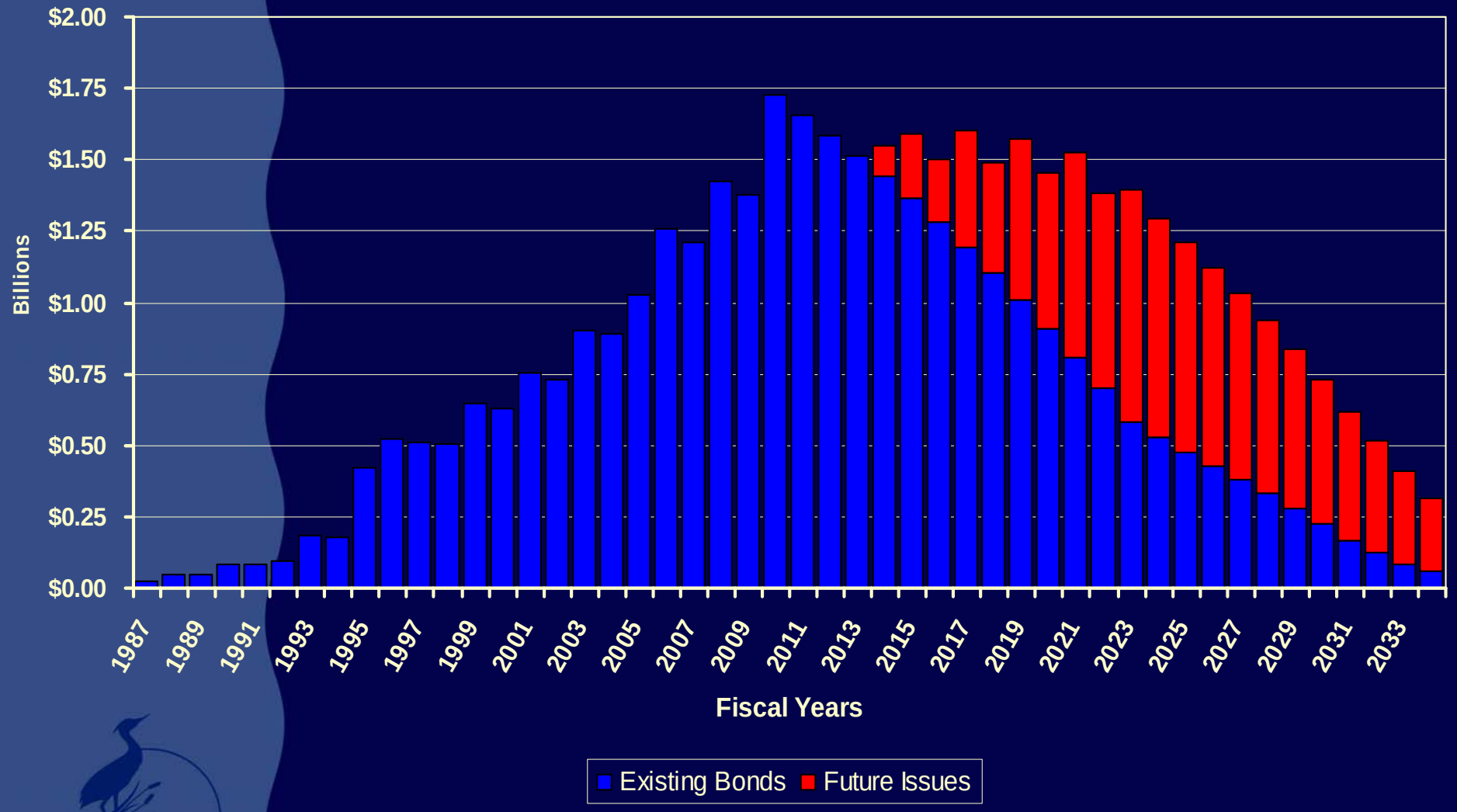
Capital Improvement Expenditures

- Capital expenditures through 2011 were driven by Combined Sewer Overflow facility construction costs
- Going forward, largest part of forecast capital expenditures will be in maintenance and reliability
- Construction expenditures have been funded primarily by revenue bonds.
- Debt outstanding has grown substantially. New debt will finance ongoing capital expenditures.
- Debt service expenditures will continue to grow even as outstanding debt is retired.

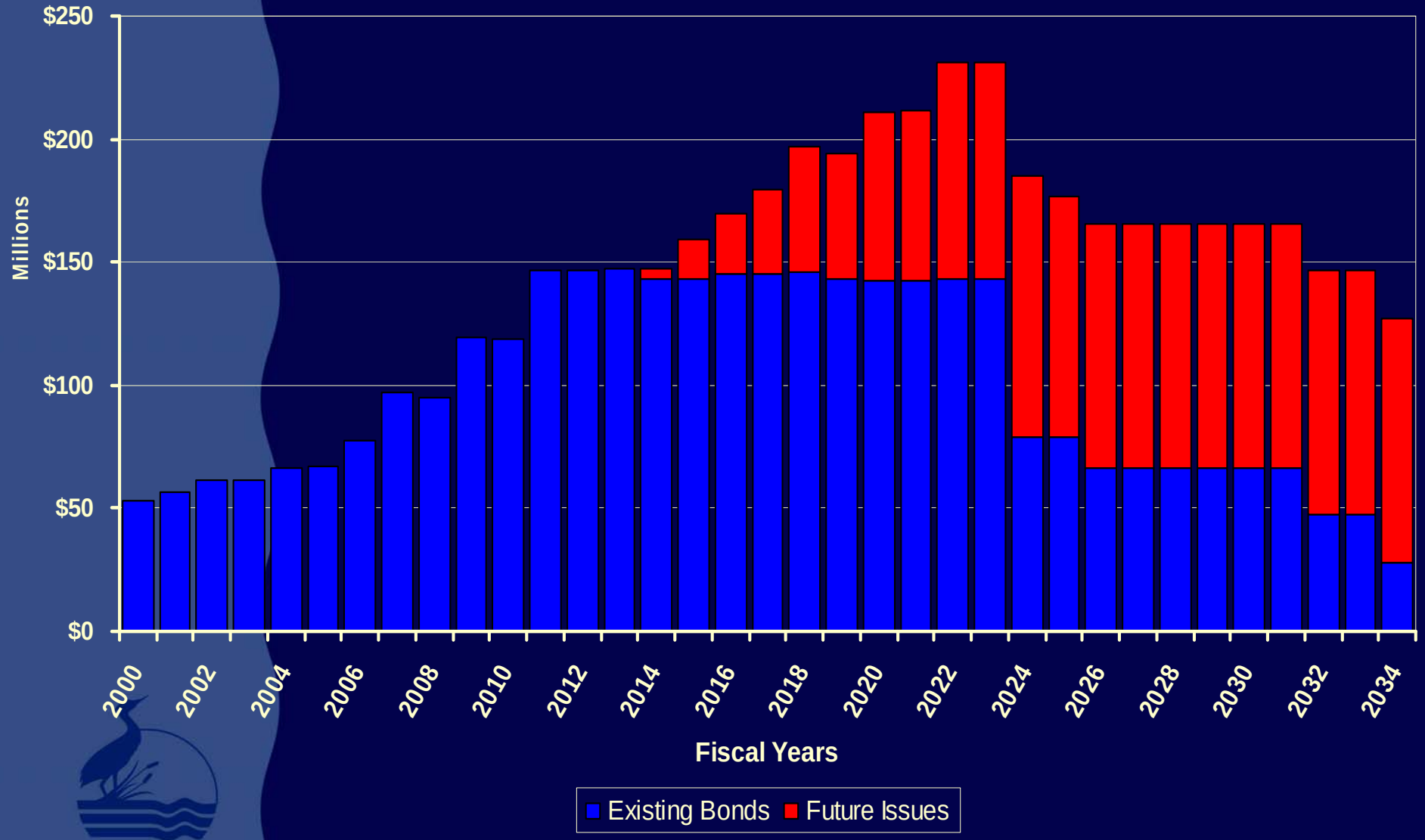
Capital Improvement Expenditures



Sewer Revenue Bonds Principal Outstanding



Sewer Revenue Bonds
Annual Debt Service

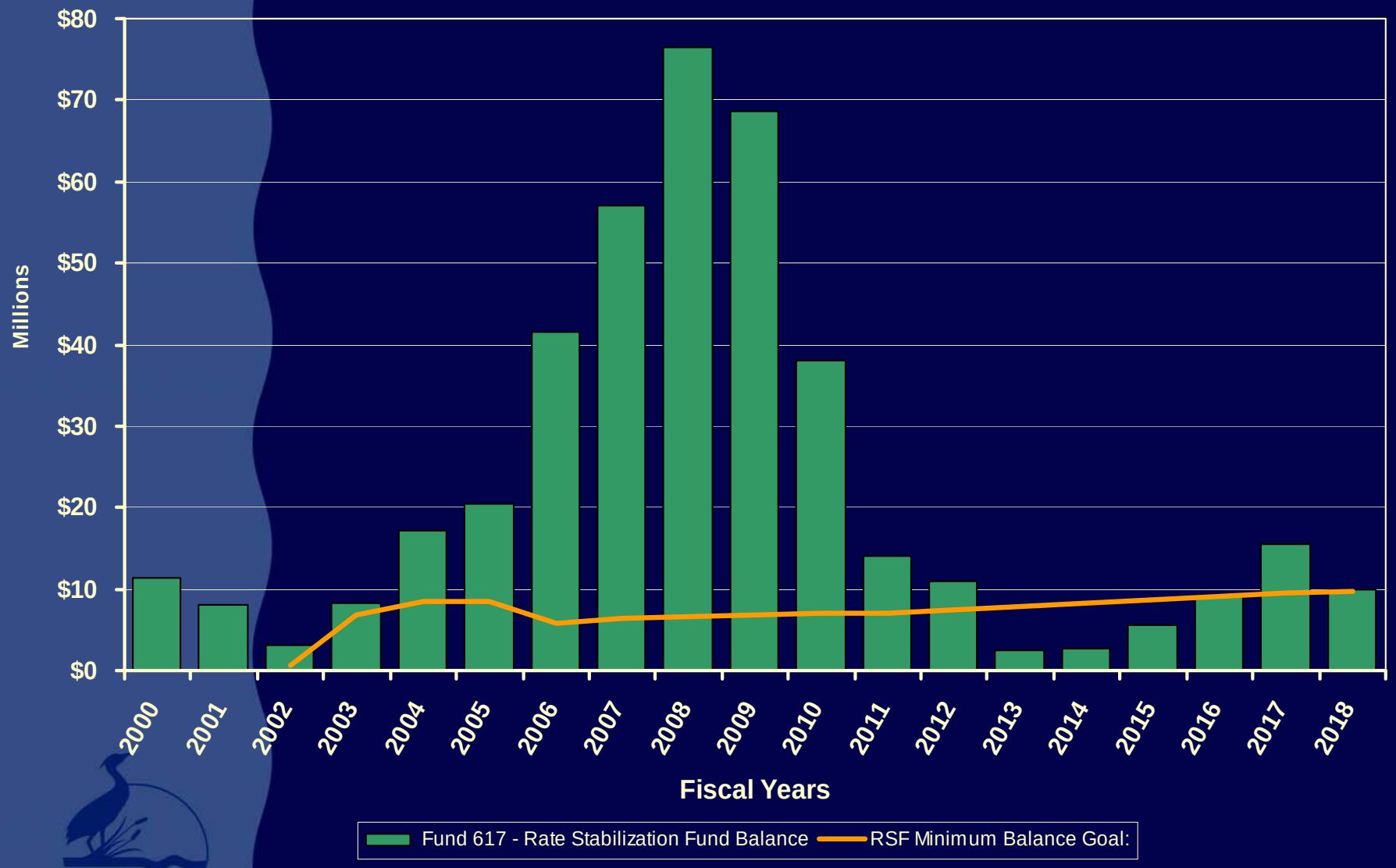


Environmental Services

Rate Stabilization Fund

- Rate Stabilization Fund balances have been used to smooth rate increases over the past decade.
- Fund balance peaked in 2008.
- Balance has been drawn down to offset increases in debt service from bonds issued to finance CSO construction activity
- To offset rate increases, fund balance has been drawn down below desired long-term level (8% of operating expenditures)

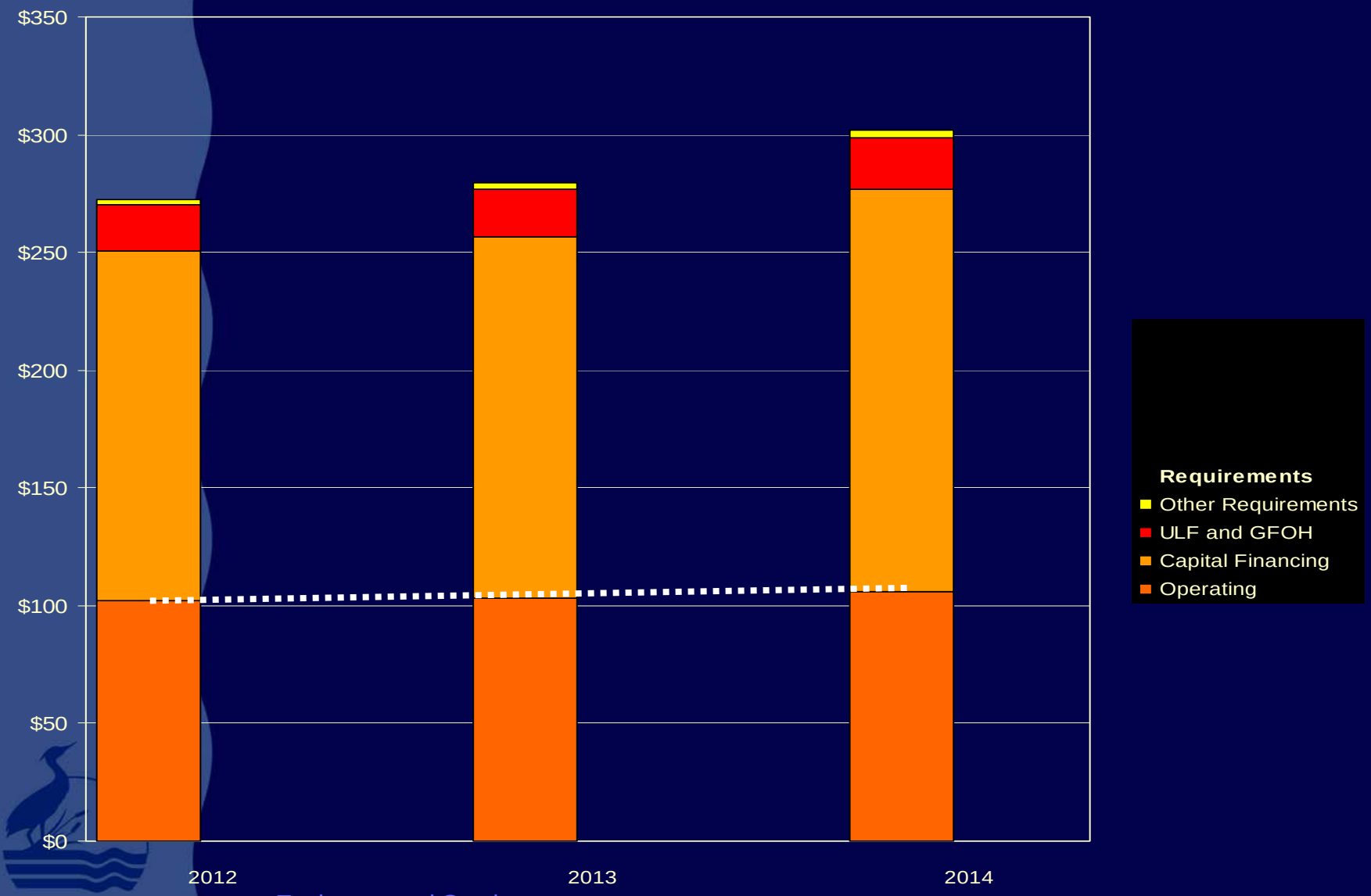
Rate Stabilization Fund Balances



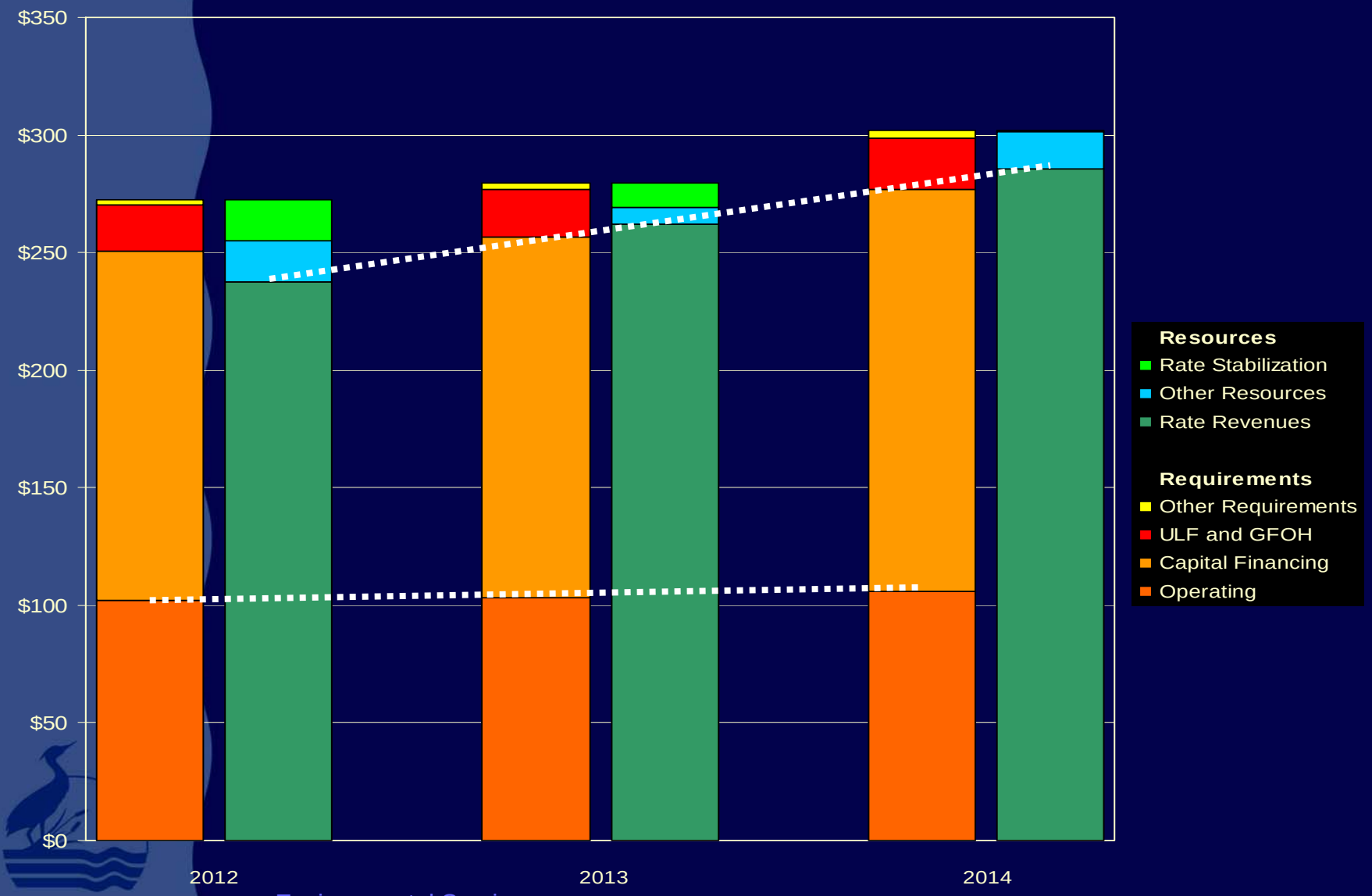
Rate Drivers

- Operating costs are increasing at close to the rate of inflation.
- Capital construction financing costs (mainly debt service) will continue to increase.
- Other resources (primarily Rate Stabilization Fund transfers) are decreasing.
- As a result, rates must increase more rapidly than operating expenditures.
- Slow growth in number of accounts and declining usage per account put upward pressure on rates

Requirements



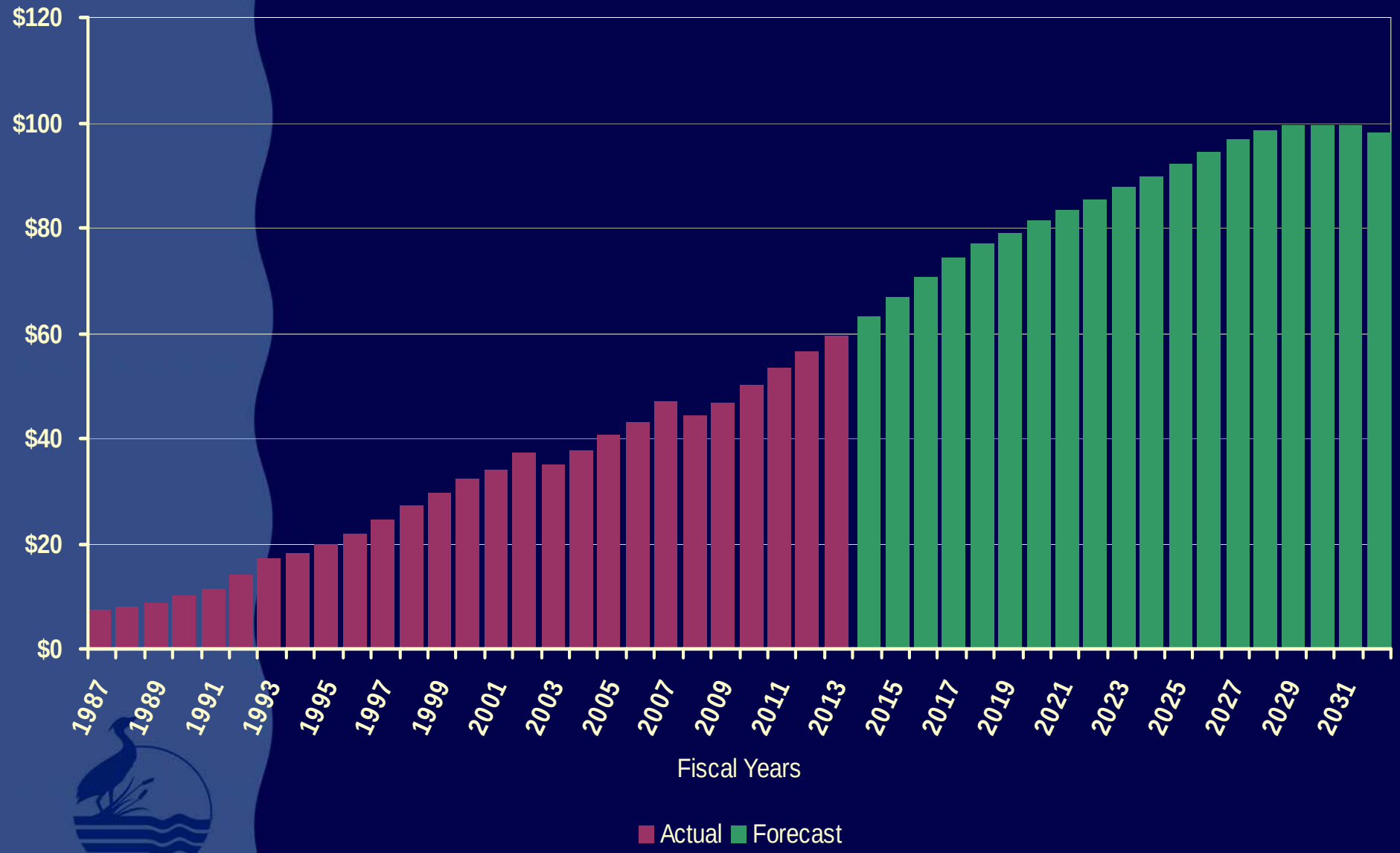
Resources and Requirements



Average Bills

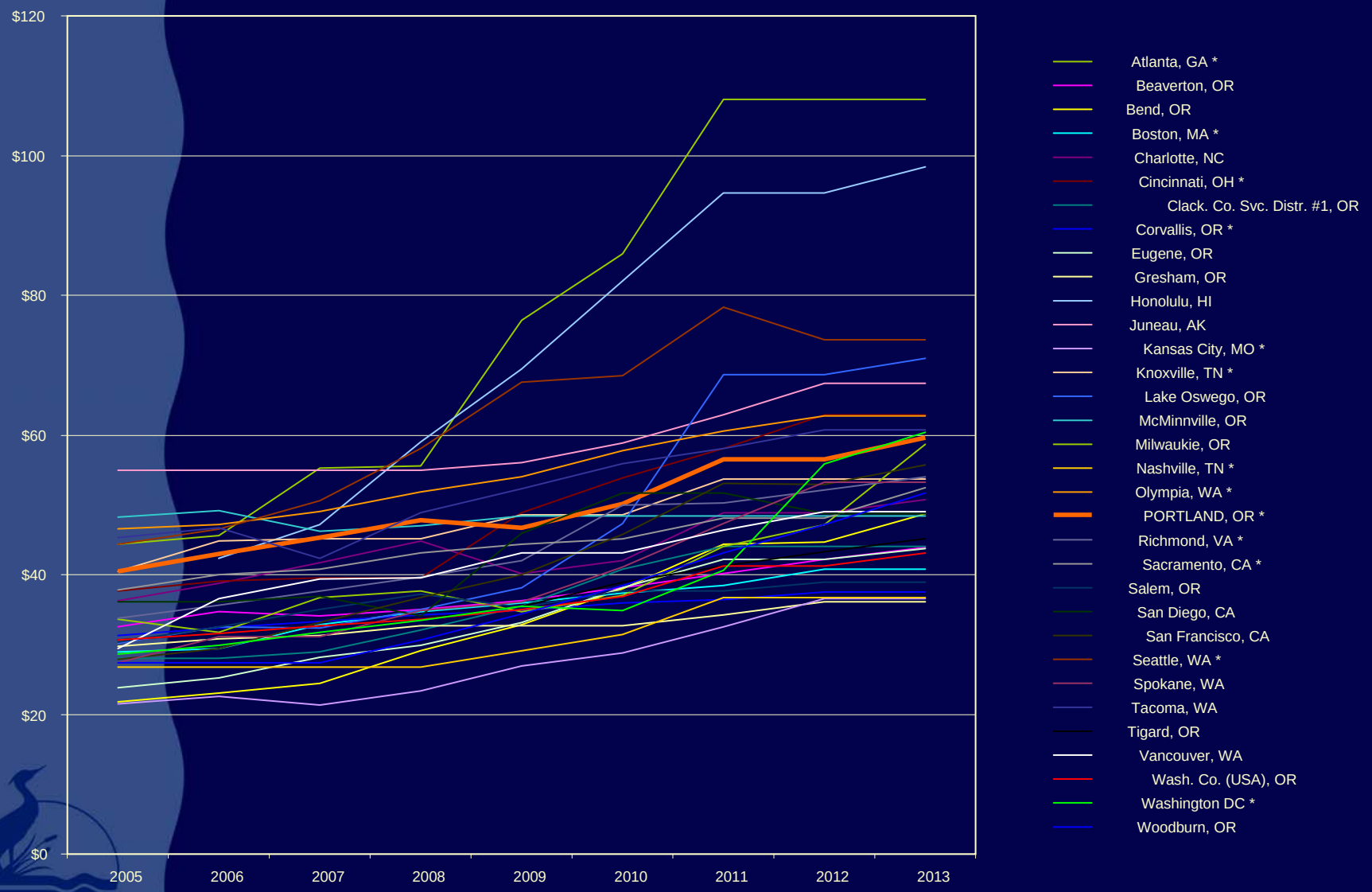
- Average residential single family monthly bills have increased steadily over past 20 years.
- Increases in past decade driven primarily by capital requirements.
- Increases are forecast to continue, but rate of increase will fall toward the inflation rate.
- Increases to commercial/industrial sewer and stormwater rates will be similar to residential.

Average Monthly Bills



Environmental Services

Comparison of Average Bills



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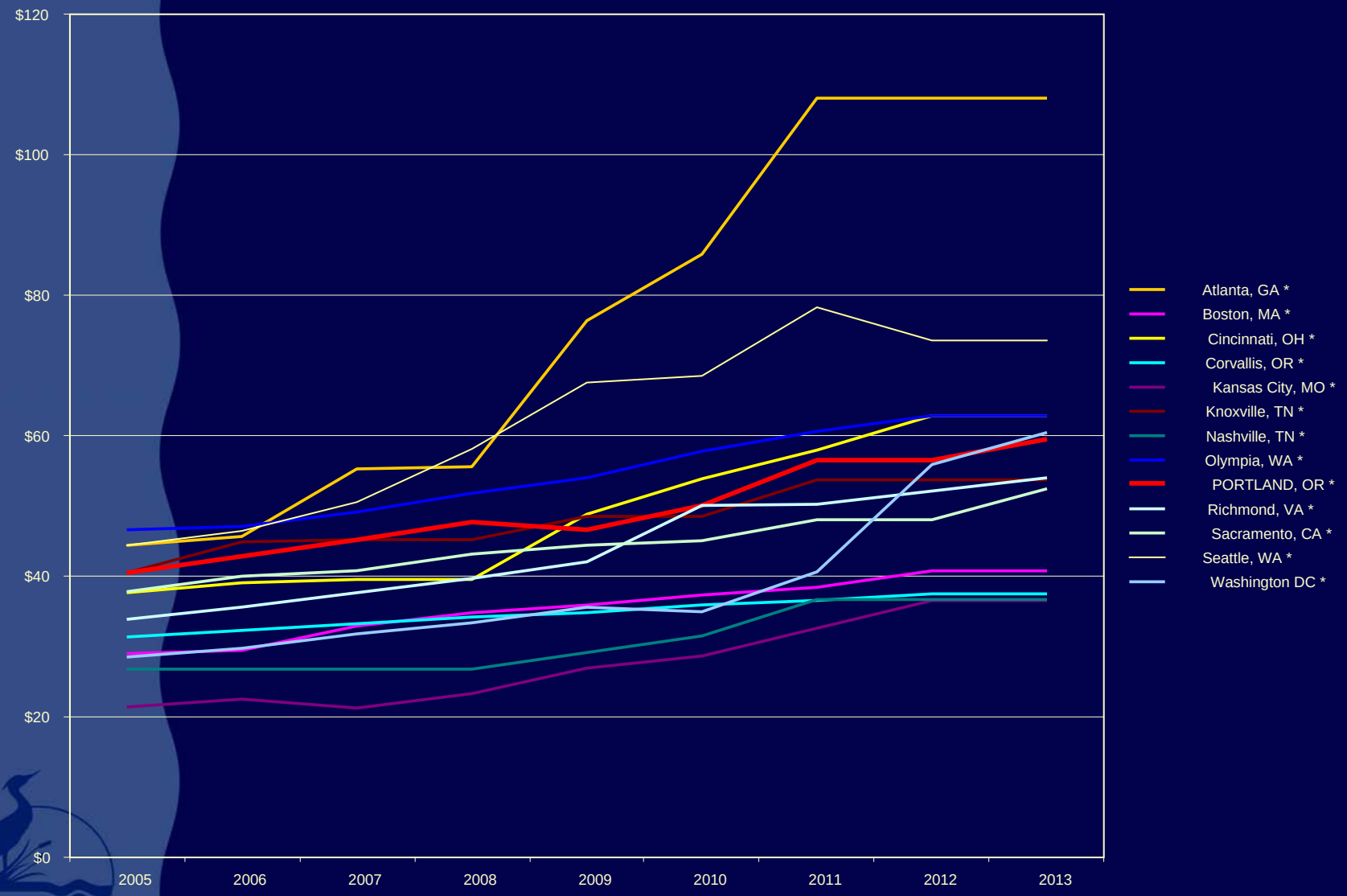
Comparison of Average Bills – CSO Cities