



Wastewater Treatment Division 2010 Sewer Rate Proposal

**MWPAAC
April 29, 2009**

Today's presentation

Rate Proposal Summary
Drivers of 2010 Rate
Rates beyond 2011
Capacity Charge

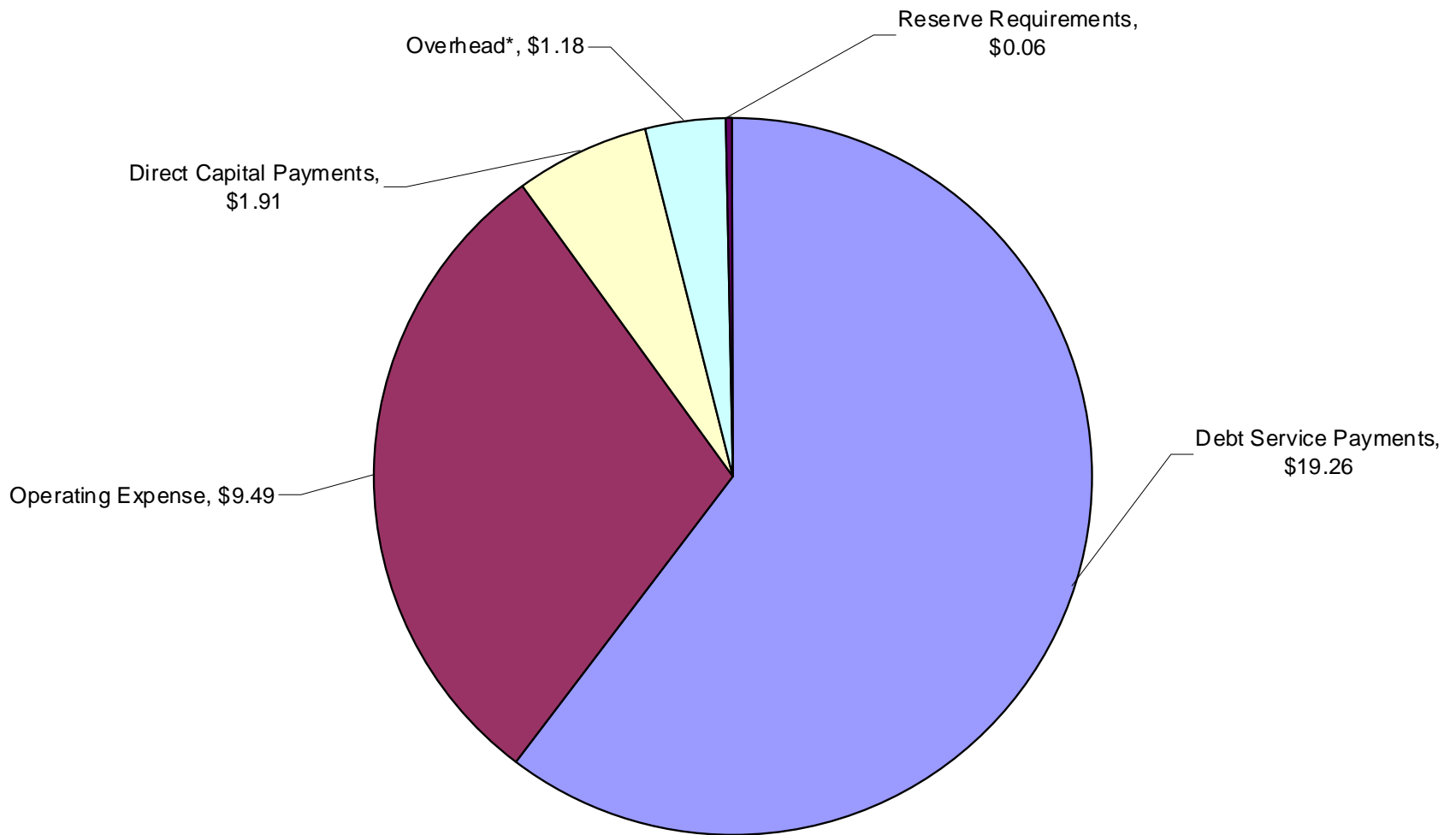
Summary of 2010 Proposal

- Sewer Rate \$31.90 per month
 - *Single year rate proposal*
- Capacity Charge \$49.07 per month
 - *3 percent increase from current rate of \$47.64*
- Rate management beyond 2010

Key factors

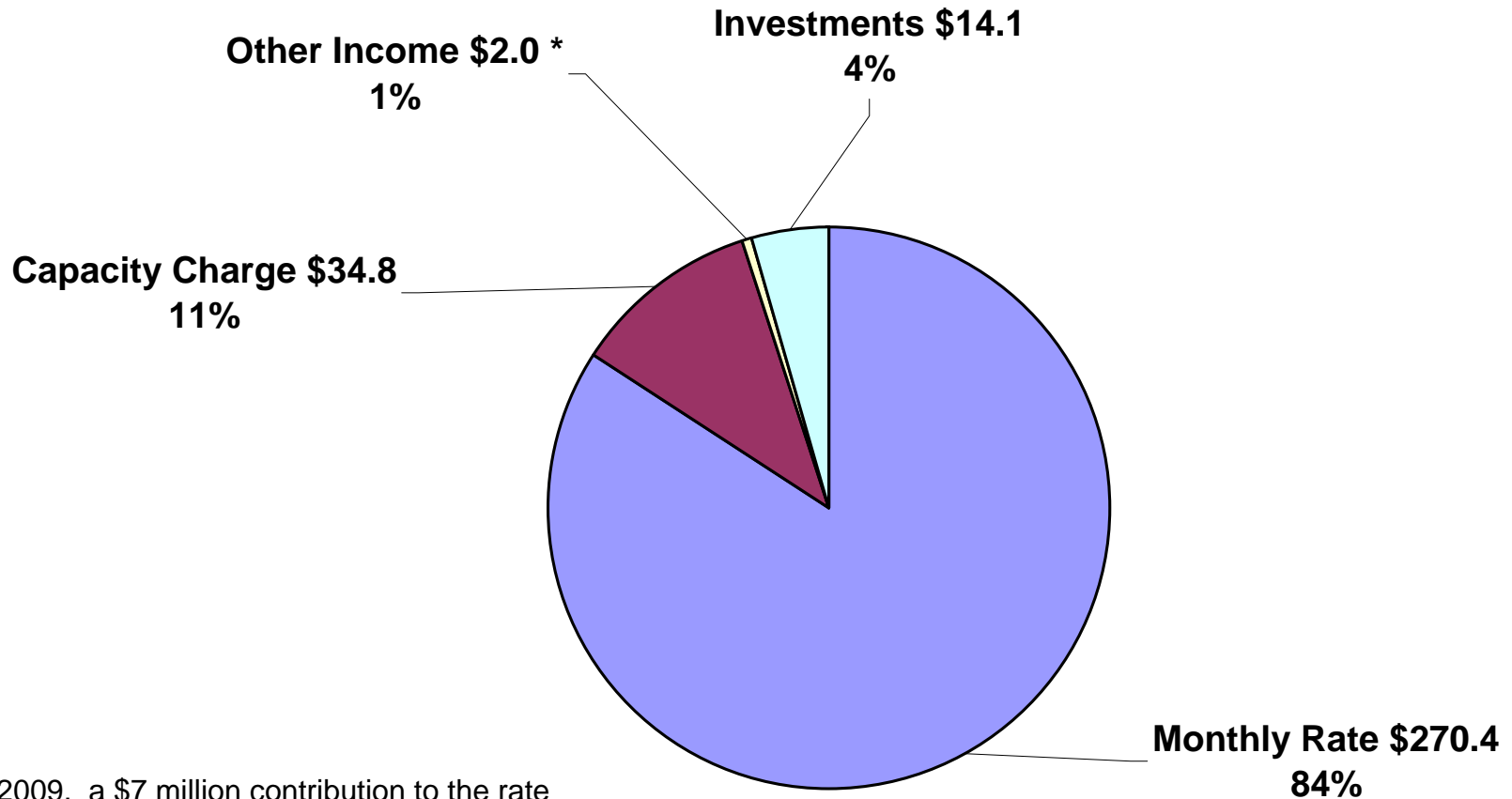
- Regional economic decline expected to result in RCE decreases 2009-2011
- Bond markets have stabilized
- Investment earnings are down
- Capital spending performance continues apace
- Capital spending peak is in 2009

Composition of 2010 proposed \$31.90 rate



* Overhead reflects allocated charges from DNRP and other County agencies

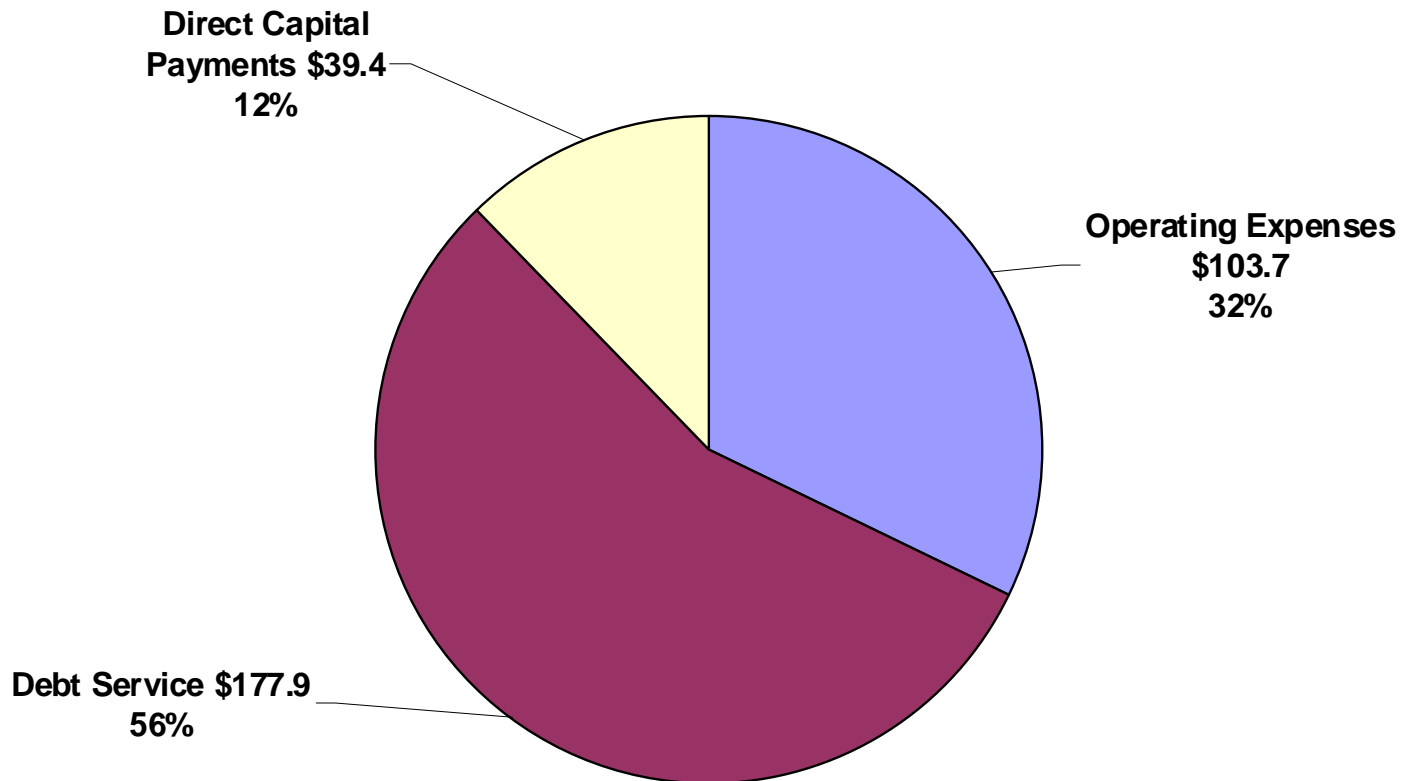
Two sources yield 95% of operating revenue



*In 2009, a \$7 million contribution to the rate stabilization fund is recorded as a decrease in 2009 revenues.

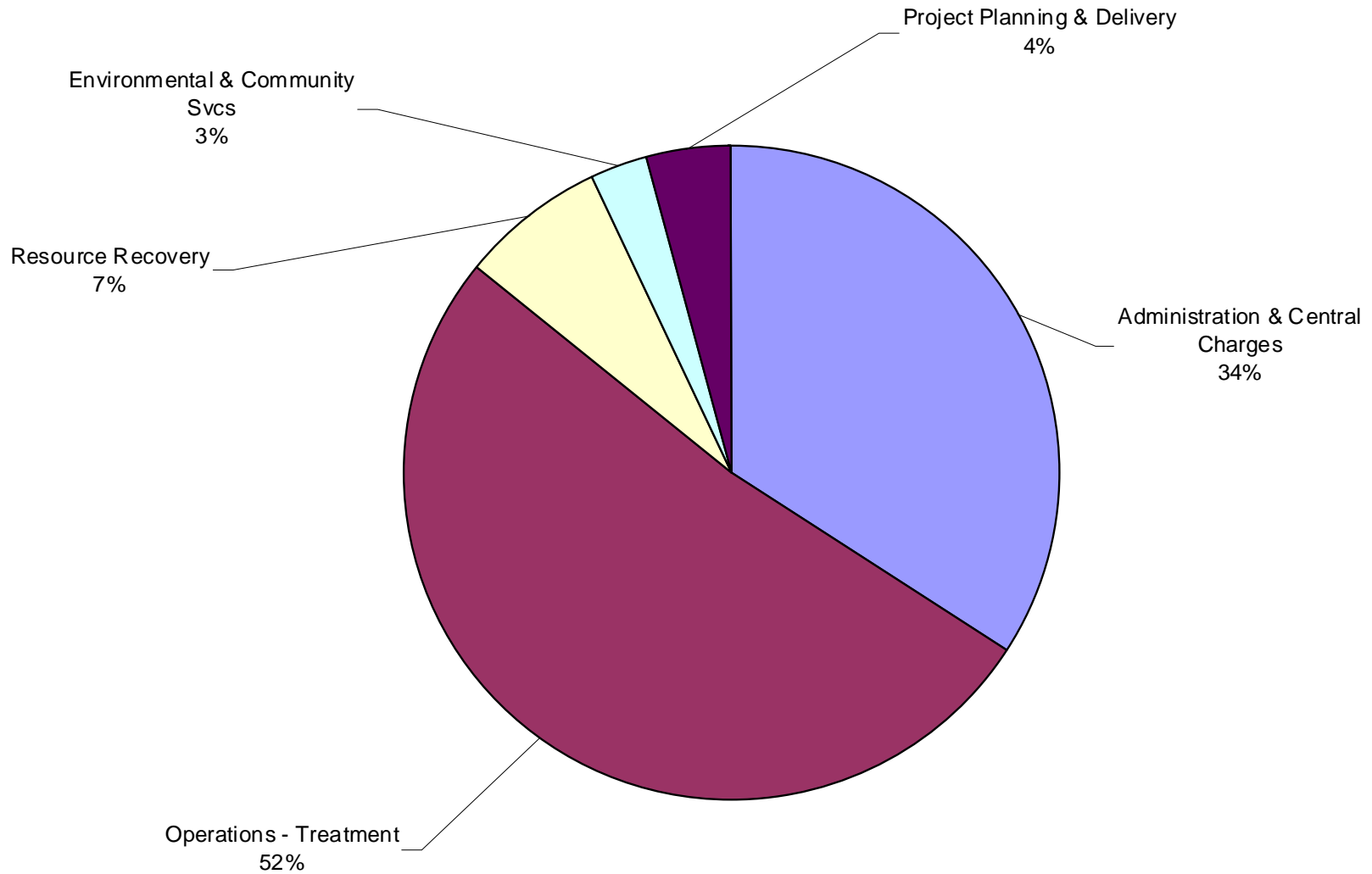
WTD sources of 2009 operating revenues
2009 adopted budget \$321 million

Capital through direct payments and debt service accounts for 68% of annual expenses



WTD uses of 2009 operating revenues
2009 adopted budget \$321 million

Operating expenses in 2009



WTD Use Of 2009 Operating Expenses
2009 Adopted Budget \$103.7 million

2009 is the peak of capital spending

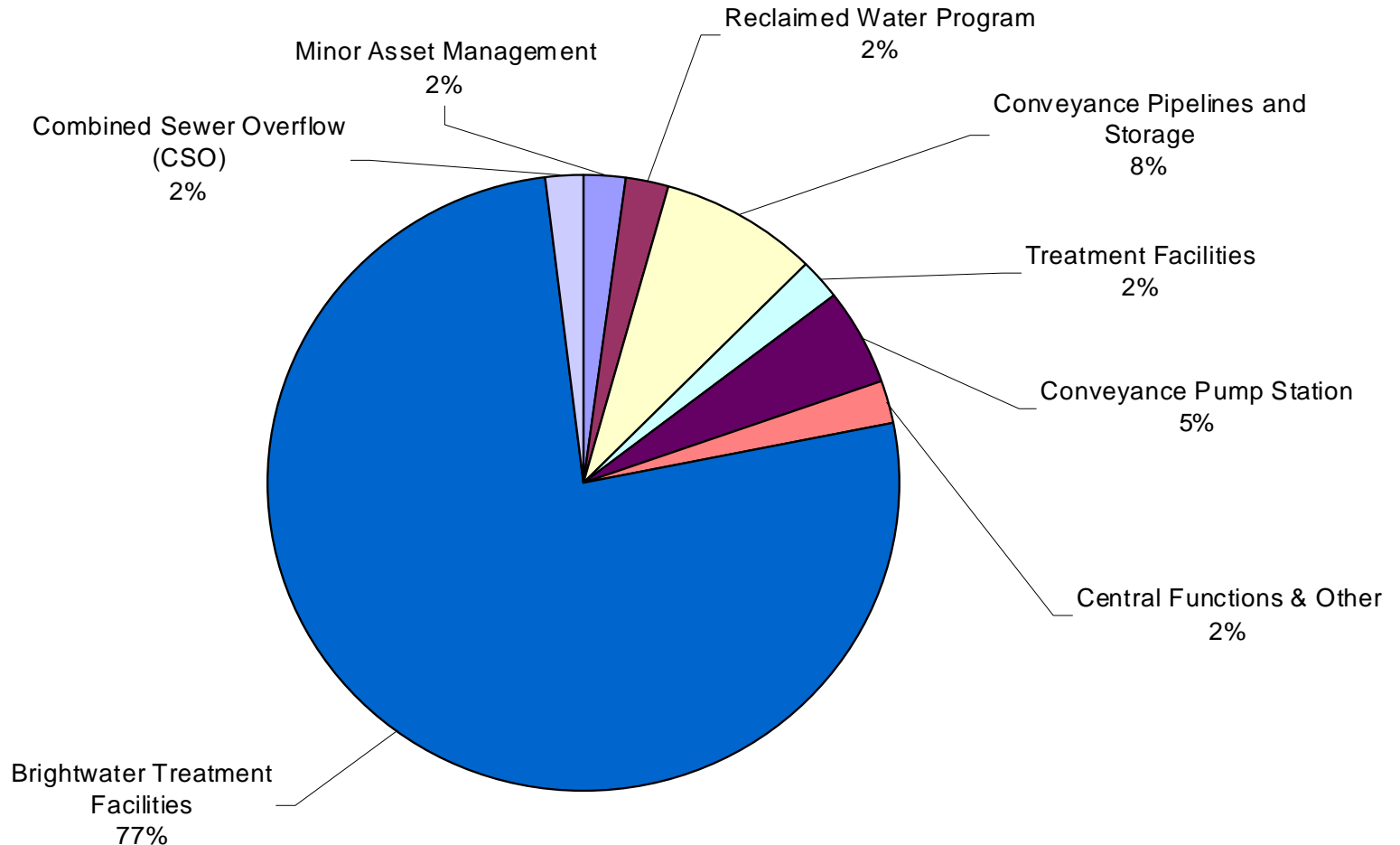
Summary of Capital Changes Wastewater Treatment Division Capital Program 2009 Adopted CIP to 2010 Proposed CIP

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------|---------------|----------------|----------------|---------------|---------------|---------------|
| 2009 Adopted Budget | \$525,751,331 | \$374,212,485 | \$210,914,025 | \$113,508,520 | \$140,922,950 | \$147,905,641 |
| Non Brightwater | \$122,103,432 | \$105,574,828 | \$115,896,936 | \$88,866,781 | \$140,922,950 | \$147,905,641 |
| Brightwater | \$403,647,899 | \$268,637,657 | \$95,017,089 | \$24,641,739 | \$0 | \$0 |
| + Non Brightwater Change | (\$3,330,931) | (\$9,113,366) | (\$7,180,844) | \$11,505,182 | \$18,141,044 | \$11,373,534 |
| + Brightwater Change | \$40,915,591 | (\$37,784,981) | (\$12,759,042) | \$2,398,735 | \$0 | \$0 |
| 2010 Proposed Rate | \$563,335,991 | \$327,314,137 | \$190,974,139 | \$127,412,437 | \$159,063,994 | \$159,279,175 |
| 2010 Financial Plan* | \$523,545,503 | \$301,074,884 | \$170,516,822 | \$149,990,729 | \$135,204,395 | \$135,387,299 |
| Non Brightwater (85%) | \$98,801,351 | \$83,925,148 | \$92,723,189 | \$86,699,993 | \$135,204,395 | \$135,387,299 |
| Brightwater (95%) | \$424,744,152 | \$217,149,735 | \$77,793,633 | \$63,290,736 | \$0 | \$0 |

*The 2010 Financial Plan cashflow is equal to the 2010 Update adjusted by the accomplishment rate indicated in parenthesis.

Brightwater dominates capital spending in 2009

Composition of 2009 Planned Capital Spending

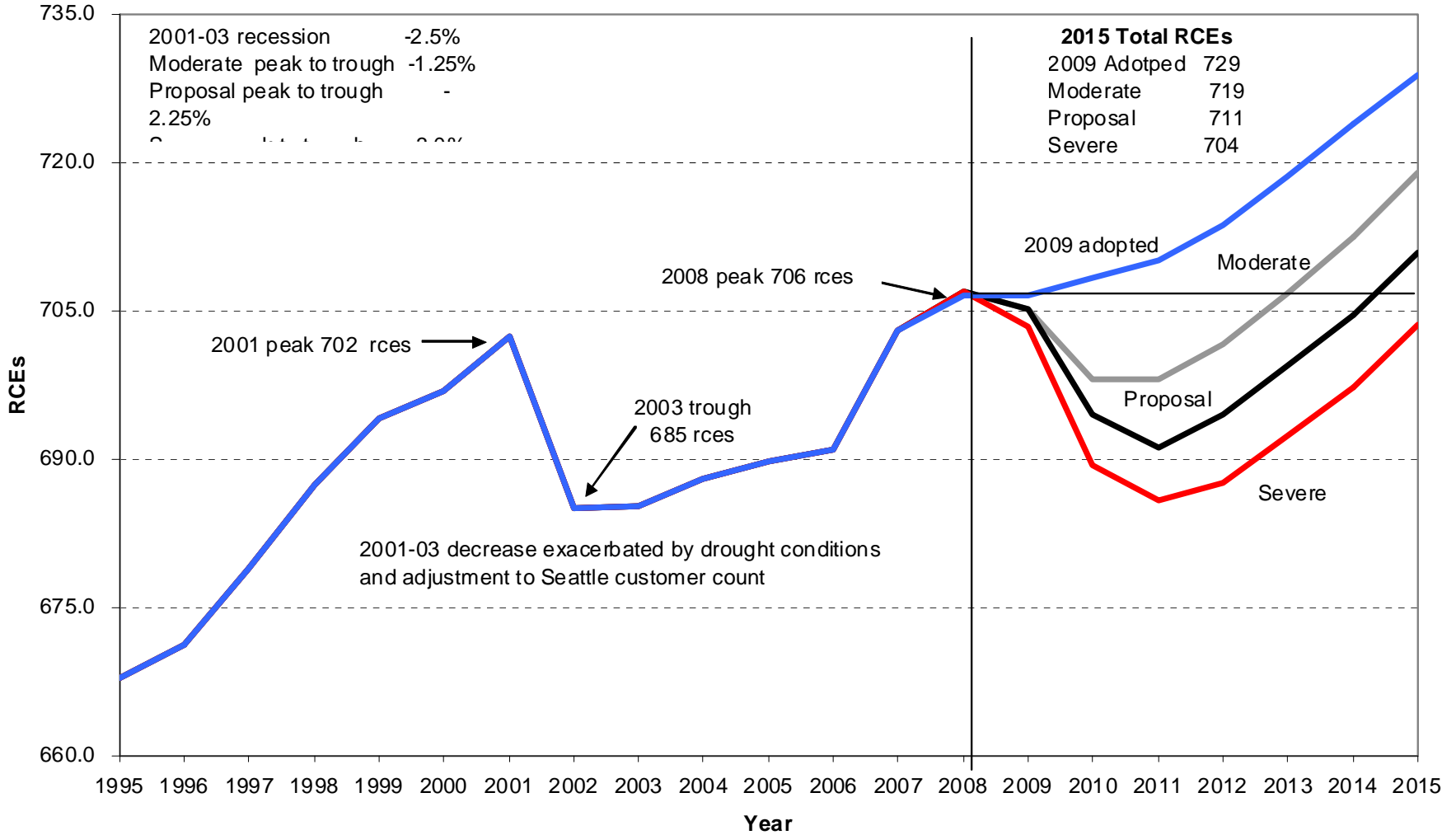


Some financing for 2010 will be secured in late 2009

| Source | Amount in 2009 | Share of 2009 Capital Revenue | Amount in 2010 | Share of 2010 Capital Revenue |
|--|----------------|-------------------------------|----------------|-------------------------------|
| Sewer revenue bonds | \$150 | 22% | \$175 | 25% |
| General obligation bonds* | \$400 | 58% | \$0 | 0% |
| Variable debt bonds (short-term) | \$104 | 15% | \$12 | 2% |
| Grants and low-interest loans | \$18 | 3% | \$4 | 1% |
| Miscellaneous capital revenue | \$1 | 0% | \$1 | 0% |
| Cash transfers from operations & capacity charge | \$14 | 2% | \$20 | 3% |
| Total | \$687 | 100% | \$211 | 31% |

* maximum available. Use of County LTGO bonds is subject to economic conditions and approval of County Executive and Council.

Wastewater Treatment Division Residential Customer Equivalents (RCEs) Comparison of Outlook Scenarios



New connections pay more

- Capacity Charge is levied on new connections (not necessarily new customers) in addition to monthly sewer rate
- Currently capacity charge is \$47.64
- Proposal is \$49.07
 - 3 percent increase
 - monthly for 15 years (\$8,833) or
 - lump-sum with a 5.5% discount (\$6,070)
- Comprehensively updated every three years
 - update in 2010 for 2011 proposed charge

Capacity Charge

Operating and capital expense held close to 2009 adopted

| | 2008 (Unaudited) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|---------------------|------|------|------|------|------|------|
|--|---------------------|------|------|------|------|------|------|

Operating Expense

| | | | | | | | |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Proposed 2010 Rate | 98,179 | 103,730 | 109,858 | 118,793 | 127,923 | 133,476 | 139,179 |
| Adopted 2009 Budget | 100,500 | 103,739 | 109,858 | 118,793 | 127,923 | 133,476 | 139,179 |
| Difference (current minus adopted) | (2,321) | (9) | 0 | 0 | 0 | 0 | 0 |

Capital Expenditures (w/accomplishment rate)

| | | | | | | | |
|---|---------|---------|----------|----------|---------|---------|---------|
| Proposed 2010 Rate (Preliminary as 3/16/09) | 473,420 | 523,546 | 301,075 | 170,517 | 149,991 | 135,204 | 135,387 |
| Adopted 2009 Budget | 457,442 | 487,253 | 344,944 | 188,779 | 156,751 | 119,935 | 120,000 |
| Difference (current minus adopted) | 15,978 | 36,292 | (43,869) | (18,262) | (6,761) | 15,270 | 15,387 |

RCEs

| | | | | | | | |
|--|---------|---------|----------|----------|----------|----------|----------|
| Proposed 2010 Rate Total RCEs | 706,846 | 705,079 | 694,503 | 691,030 | 694,485 | 699,347 | 704,592 |
| Percent Change | 0.5% | -0.2% | -1.5% | -0.5% | 0.5% | 0.5% | 0.75% |
| Adopted 2009 Budget Total RCEs | 706,515 | 706,515 | 708,281 | 710,052 | 713,602 | 718,597 | 723,771 |
| Percent Change | 0.5% | 0.0% | 0.2% | 0.2% | 0.5% | 0.5% | 0.7% |
| Total Difference (current minus adopted) | 331 | (1,436) | (13,779) | (19,022) | (19,117) | (19,251) | (19,180) |

New Connections

| | | | | | | | |
|------------------------------------|--------|---------|---------|---------|---------|---------|--------|
| Proposed 2010 Rate | 11,400 | 7,500 | 6,000 | 6,000 | 7,500 | 9,000 | 10,500 |
| Adopted 2009 Budget | 9,800 | 9,000 | 9,200 | 9,600 | 10,000 | 10,200 | 10,200 |
| Difference (current minus adopted) | 1,600 | (1,500) | (3,200) | (3,600) | (2,500) | (1,200) | 300 |

Lower bond rates reduce costs while lower earnings rates reduce revenue

| | 2008 | | | | | | |
|------------------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | (Unaudited) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Bond Interest Rate | | | | | | | |
| Proposed 2010 Rate | 5.32% | 5.50% | 6.00% | 6.25% | 6.25% | 6.25% | 6.25% |
| Adopted 2009 Budget | 5.32% | 6.00% | 6.00% | 6.25% | 6.25% | 6.25% | 6.25% |
| Difference (current minus adopted) | 0.00% | -0.50% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Variable Debt Interest Rate | | | | | | | |
| Proposed 2010 Rate | 2.90% | 2.50% | 2.50% | 2.75% | 3.00% | 3.00% | 3.00% |
| Adopted 2009 Budget | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Difference (current minus adopted) | -0.10% | -0.50% | -0.50% | -0.25% | 0.00% | 0.00% | 0.00% |
| Investment Interest Rate | | | | | | | |
| Proposed 2010 Rate | 3.20% | 1.70% | 1.45% | 1.65% | 2.30% | 2.85% | 3.15% |
| Adopted 2009 Budget | 3.00% | 2.80% | 2.70% | 2.65% | 2.65% | 2.65% | 2.65% |
| Difference (current minus adopted) | 0.20% | -1.10% | -1.25% | -1.00% | -0.35% | 0.20% | 0.50% |