

# TOWNSHIP OF LOWER MERION

## 2016 Sanitary Sewer Fund Forecast and Rental Rate



Finance Committee  
April 6, 2016





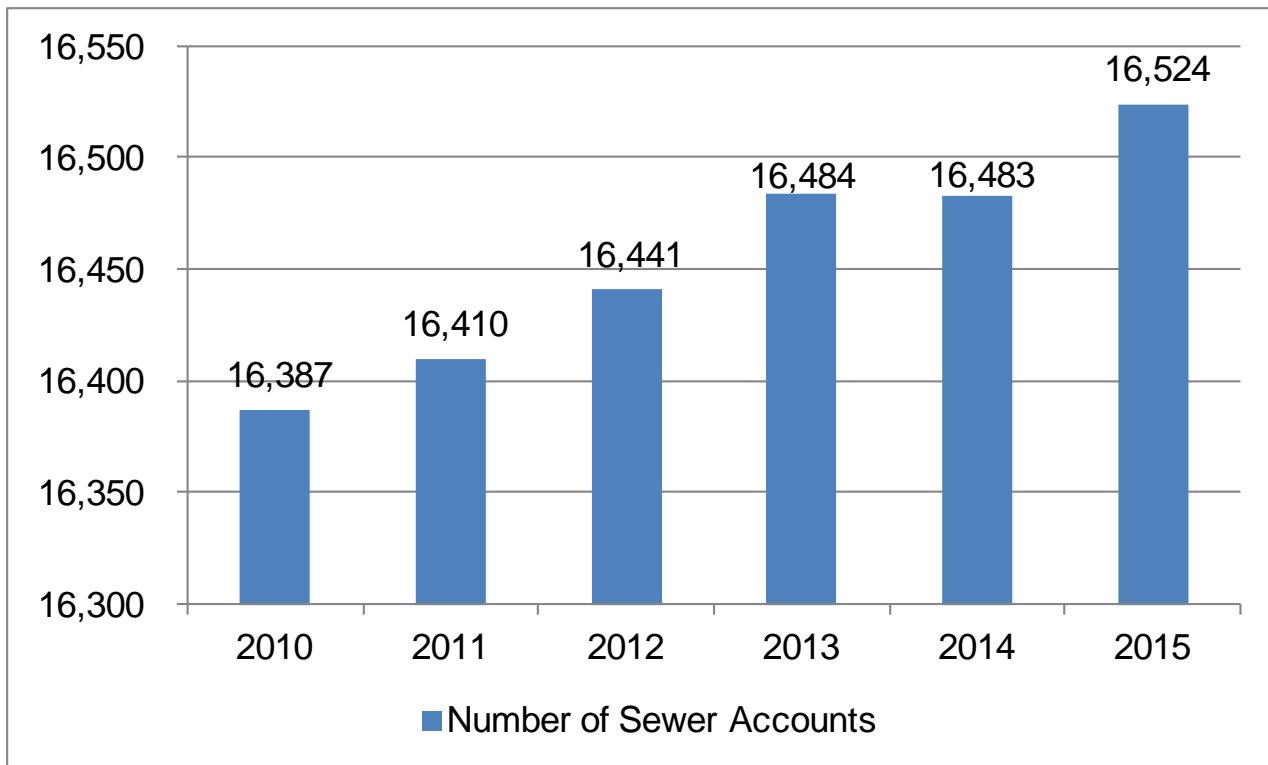
# Overview of Sanitary Sewer Fund

- Sanitary Sewer Fund (SSF) is an enterprise fund
  - User fees (sewer rate) set at full cost recovery
- Township Code requires the Board to set annual Sanitary Sewer Rental Fee (SSRF) to cover annual projected operating expenses including:
  - Debt service (principal and interest)
  - 10% SSF fund balance reserve (minimum)
- SSRF is based on prior year water consumption readings provided by Aqua
  - 2016 Sanitary Sewer billing is based on 2015 water consumption data



# Overview of Sanitary Sewer Fund

- Public Works Sanitary Sewer Division maintains over 236 miles of sewer lines and 17 pumping stations
- Provide services to over 16,500 accounts
  - Number of accounts has been rising steadily since 2010





# Sanitary Sewer Fund Revenues

- 2016 projected operating revenues of \$8.2 million; an increase of \$0.4 million compared to Adopted Budget
  - SSRF primary source of revenue (\$8.0 million annually)
    - Strong collection rate over 80% paid in discount period; Township routinely more than 100% of flat billing due to payment made during penalty period
  - SSRF billing fluctuates with water consumption (dry years positive and wet years negative) and water conservation efforts
    - Credit provision for customers diverting water from sewer system (special meters)
  - Other revenue derived from charges for services, investment income and other sources



# Sanitary Sewer Rental Fee

- Sanitary Sewer Fund Net Billable Water Consumption (billions of gallons) since 2011
  - 2016 billable water consumption increased 4.5% compared to prior year
  - 2016 billable gallons reflects water consumption for the period 1/1/2015 - 12/31/2015

Year	Billable Gallons	Gallons Inc/(Dec)	% Inc/(Dec)
2011	1.837		
2012	1.685	(0.152)	-8.3%
2013	1.734	0.049	2.9%
2014	1.618	(0.116)	-6.7%
2015	1.633	0.015	0.9%
2016	1.707	0.074	4.5%



# Sanitary Sewer Rental Fee

- Historical Sanitary Sewer Rental Fees (SSRF) since 1993

Year	Billable Gallons	SSRR	\$ Increase	% Increase
1993-2007		\$ 2.75	\$ -	0%
2008	1.858	3.00	0.25	9%
2009	1.862	3.18	0.18	6%
2010	1.748	3.82	0.64	20%
2011	1.837	3.82	-	0%
2012	1.685	4.51	0.69	18%
2013	1.734	4.51	-	0%
2014	1.618	4.51	-	0%
2015	1.633	4.51	-	0%
2016	1.707	4.51*	-	0%
1993 - 2016 Compound Annual Growth Rate in SSRR is 2.1%				

\* Proposed



# Sanitary Sewer Fund Expenditures

- 2016 projected operating expenditures = \$8.3 million; reduced slightly compared to Adopted Budget
  - 35-year agreement (1992-2027) with Philadelphia Water Department (PWD) for wastewater treatment services
    - Township's annual operating contribution to PWD = \$2.4 million or 28.9% of total SSF expenditures
  - Personnel expenses (salaries and benefits) = \$1.7 million or 21.1% of SSF expenditures
  - General Fund Indirect Costs = \$681,000
  - Debt service = \$600,000
  - Utilities and Materials and Operating Supplies (e.g. chemicals) total \$390,000



# Sanitary Sewer Fund Forecast

	2014 Actual	2015 Actual*	2016 Forecast	16 vs. 15 \$ Chg.	16 vs. 15 % Chg.
Sanitary Sewer Operating Fund					
Beginning Fund Balance (Operating)	\$ 1.7	\$ 1.8	\$ 2.2	\$ 0.4	22%
Revenues	7.8	7.9	8.2	0.3	4%
Expenses	7.7	7.5	8.3	0.8	11%
Surplus/(Deficit)	0.1	0.4	(0.1)		
Ending Fund Balance (Operating)	\$ 1.8	\$ 2.2	\$ 2.1		
Fund Balance % of Expenses	23.4%	29.3%	25.3%		

\*Preliminary pre-audit financial results

- Operating surplus for 2015 of 5.4%
  - 2015 operating ending fund balance of 29.3% of expenditures
- Modest deficit projected without fee increase for 2016
  - Revenues projected with SSRR rate of \$4.51 unchanged from 2015
  - Expenditures projected higher in 2016 compared to 2015
  - Anticipate minor drawdown of fund balance reserves





# Proposed Sanitary Sewer Rental Fee

- Lower Merion compared to area municipalities' sewer rates that bill based on water consumption (all per 1,000 gallons):
  - \$4.51 = Lower Merion Township (2016 Proposed)
  - \$4.70 = Haverford Township
  - \$5.90 = Radnor Township
  - \$6.07 = Newtown Township
  - \$6.60 = Marple Township



# Proposed Sanitary Sewer Rental Fee

- Next Steps:
  - BOC approves advertisement of Ordinance adopting the 2016 SSRR and Public Hearing (April 20th)
  - BOC holds Public Hearing and adopts Ordinance setting the 2016 SSRR at \$4.51 (May 18th)
  - 2016 Sanitary Sewer Bills are mailed to customers (no later than May 31st)