

TOWNSHIP OF LOWER MERION 2017 Sanitary Sewer Fund Forecast



Finance Committee
April 19, 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
 - 2017 Sanitary Sewer billing is based on 2016 water consumption data



Overview of Sanitary Sewer System

- Public Works Sanitary Sewer Division maintains over 238 miles of sewer lines and 17 pumping stations throughout the Township
- Supervises and inspects all sanitary sewer construction and new lateral connections to the sewer system
- Cleans and inspects the sanitary sewer system
- Perform a wide range of maintenance activities including:
 - Grouting sewer lines to prevent water infiltration
 - Maintaining aging sewer lines via slip lining and other cost-effective methods
- Currently billing over 16,500 accounts annually
 - Number of accounts has been growing since 2010



Sanitary Sewer Fund Revenues

- 2017 projected operating revenues of \$7.8 million; a decrease of \$0.4 million compared to Adopted Budget
 - SSRF primary source of revenue (\$7.3 million annually)
 - Strong collection rate over 80% paid in discount period; Township routinely collects more than 100% of flat billing due to payments made during penalty period
 - SSRF billing fluctuates with water consumption 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
 - 2017 billable water consumption decreased 5.5% compared to prior year
 - 2017 billable gallons reflects water consumption for the period 1/1/2016 - 12/31/2016

| 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 | 1.700 | 0.067 | 4.1% |
| 2017 | 1.607 | (0.093) | -5.5% |



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% |
| 2017 | 1.607 | 4.51 | - | 0% |

1993 - 2017 Compound Annual Growth Rate in SSRR is 2.0%



Sanitary Sewer Fund Expenditures

- 2017 projected operating expenditures = \$8.1 million; reduced compared to Adopted Budget (\$8.4 million)
 - 35-year agreement (1992-2027) with Philadelphia Water Department (PWD) for wastewater treatment services
 - Township's annual operating contribution to PWD have averaged \$2.2 million or 29% of total SSF expenditures over the past three years
 - Personnel expenses (salaries and benefits) = \$2.0 million or 24% of SSF expenditures
 - General Fund Indirect Costs = \$708,400
 - Debt service = \$548,200
 - Utilities and Materials and Operating Supplies (e.g. chemicals) total \$377,500



Sanitary Sewer Fund Forecast

| | 2015 | 2016 | 2017 | 17 vs. 16 | 17 vs. 16 |
|------------------------------------|--------|---------|----------|-----------|-----------|
| Sanitary Sewer Operating Fund | Actual | Actual* | Forecast | \$ Chg. | % Chg. |
| Beginning Fund Balance (Operating) | \$ 1.8 | \$ 2.2 | \$ 3.2 | \$ 1.0 | 45% |
| Revenues | 7.9 | 8.8 | 7.8 | (1.0) | -11% |
| Expenses | 7.5 | 7.8 | 8.1 | 0.3 | 4% |
| Surplus/(Deficit) | 0.4 | 1.0 | (0.3) | | |
| Ending Fund Balance (Operating) | \$ 2.2 | \$ 3.2 | \$ 2.9 | | |
| Fund Balance % of Expenses | 29.3% | 41.0% | 35.8% | | |

*Preliminary pre-audit financial results

- Abnormally high operating surplus for 2016 of \$1.0 million due to Radnor/Villanova sewer connection fee
 - 2016 operating ending fund balance of 41.0% of expenditures
- Modest deficit projected without fee increase for 2017
 - Revenues projected with SSRR rate of \$4.51 unchanged from 2016
 - Expenditures projected slightly higher in 2017 compared to 2016
 - 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 (2017 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 2017 SSRR and Public Hearing (April 19th)
 - BOC holds Public Hearing and adopts Ordinance setting the 2017 SSRR at \$4.51 (May 17th)
 - 2017 Sanitary Sewer Bills are mailed to customers (no later than May 31st)