

City of St. Marys, Georgia



State of the Utility Evaluation Follow-Up November 8, 2012

Presented by



Public Resources Management Group, Inc.
Utility, Rate, Financial and Management Consultants



Agenda

- ❖ Background
- ❖ Utility Rate Options / Scenarios
- ❖ Council Direction / Recommendations



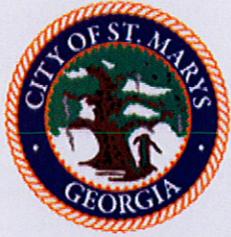
Background

- ❖ State of the Utility Presentation made 10/29/12
 - ▶ Purpose to Identify Financial Issues Facing Utility
 - Included 10 yr Financial Forecast
 - ▶ Identify System Issues
 - Limited Growth Resulting in Excess / Unused Capacity
 - User Fee Revenues Unsustainable
 - Requires General Fund Revenue Subsidization
 - Comparatively High Rates
 - Low System Reinvestment –Aging Infrastructure
 - No Capital Funding Policy (Rates)
 - Limited Leveraging Capability



Background (continued)

- ❖ State of the Utility Presentation made 10/29/12
 - ▶ City Council Provided Directives to Evaluate:
 - Use of SPLOST
 - Use of General Fund
 - GEFA Loan Restructuring
 - GEFA Loan Reimbursement / Payoff
 - Weed Street Closure / Scrubby Bluff Closure
 - Operational Efficiencies
 - Reduce Capital Recovery Fees (CIAC)
 - Senior Citizen / Disabled Veterans Discount
 - ▶ Objective = Limit Near Term Rate Adjustments with Goal to have System “Stand on its Own”



Scenarios

- ❖ Scenario 1 – Worst Case Scenario (Presented 10/29/12)
 - ▶ Increase Rates Immediately (35%) To Fund Financial Shortfall

- ❖ Scenario 2 – \$1.5M SPLOST + Efficiency Savings
 - ▶ Scenario 2A – Reduced SPLOST \$1.2M

- ❖ Scenario 3 – \$1.5M SPLOST + Efficiency Savings + GEFA Restructure
 - ▶ GEFA Loan Extended or Paid off (lower debt payments)
 - ▶ Scenario 3A – Payoff Portion of GEFA \$1 M
 - ▶ Scenario 3B – Reduce Capital Recovery Fees
 - ▶ Scenario 3C – Delay Rate Adjustment Beginning FY15

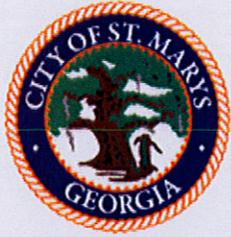
- ❖ Scenario 4 – General Fund + Efficiency Savings + GEFA Restructure
 - ▶ General Fund – Recurring \$2M Transfer from Public Safety Service Modification
 - ▶ Substitute for SPLOST / Assumed Common Availability Term

- ❖ If No SPLOST – Must Identify Amount to Raise Rates or General Fund Subsidy



Scenarios (continued)

- ❖ Primary Factors Minimizing Rate Increases:
 - ▶ SPLOST / General Fund Cash to Phase-In Rate Adjustments
 - ▶ Targeted User Fees to Recover 100% of Expenses / Debt by or around FY2022 (Below Recommended Target for Rate Sustainability)
 - ▶ No Capital Reinvestment Funded from Rates
 - General Fund and/or SPLOST to Meet Unidentified Capital Needs
 - ▶ Increased Levels of Future Growth
 - ▶ Results in Annual Rate Adjustments = 3%
 - Portion of Increase Related to General Inflation



Council Direction / Recommendations

- ❖ User Fee Subsidy (SPLOST and/or General Fund)
 - ▶ Recommendation: Phase Out over Time
 - ▶ Identified 3% Annual Rate Adjustments - Consider 4% Annual Adjustments to Provide More Infrastructure Reinvestment
 - ▶ Need to Update Master Plan – Identify Capital Need

- ❖ Operational Efficiencies / Plant Closures
 - ▶ Recommendation to Implement

- ❖ GEFA Restructure / Pay off
 - ▶ Recommendation: Restructure If Possible
 - ▶ Preserve Liquidity Do Not Retire GEFA Debt



Council Direction / Recommendations

❖ Reduce Capital Recovery Fees

- ▶ Recommendation: Immediate Reduction 50% & Re-evaluate Capital Recovery Fee

❖ Senior / Disabled Veterans Discount

- ▶ Elimination Results in \$1.6M over 10 Years / \$160k Annually
- ▶ Recommendation: Consider Reducing Discount – Link to Income / Tax Roll



City Council Discussion

❖ Questions and Answers

