

City of Camden

Water, Sewer and Electric Utility Rate Study

May 23, 2023



Agenda

1. Introduction
2. Project Overview
3. Study Results
4. Next Steps

Our Team



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LEAD – WATER & SEWER



Amanda Guci

LEAD - ELECTRICAL

Study Objectives

- Create a multi-year financial plan to ensure:
 - › long-term financial stability and viability, and
 - › compliance with internal financial policies and debt covenants
- Evaluate the self-sufficiency of each department
- Recommend rates that support
 - › system operations and maintenance (O&M),
 - › capital repair and replacement,
 - › system improvements and expansions,
 - › debt service,
 - › debt service coverage, and
 - › reserve requirements.

Project Overview



Project Overview

- Water, Sewer and Electric Financial Plan
 - › Develop forecast of revenues and revenue requirements
 - › Assess level of future increases
- Rates
 - › Evaluate sufficiency of existing rates
 - › Recommend defensible rates to support the utilities

Goal of Rate Setting

Design a Rate Structure That:

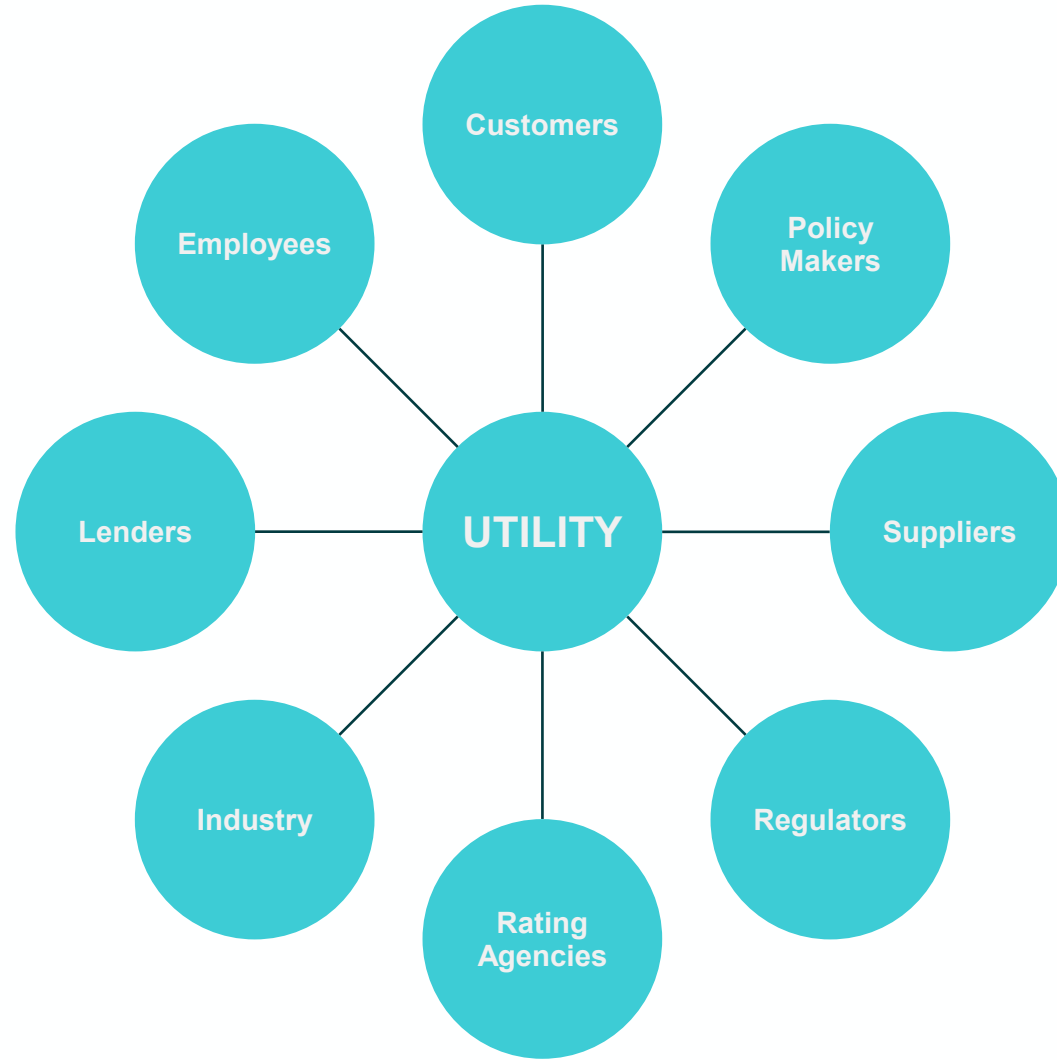
**Generates
Sufficient
Revenues**

**Accomplishes
Utility and
Stakeholder
Objectives**

**Is Consistent
with Industry
Best Practices**

**Is Defensible if
Challenged**

Who are Utility Stakeholders?



How Do We Accomplish Our Overall Goal?



Utility Financial Planning

- As an enterprise fund, the utility must run like a self-supporting business
- Scale of operations, infrastructure, and investment requires thoughtful planning for future needs

Objective: Balance system reliability, sustainability and financial integrity with customer costs & impacts

Rates Must Generate Sufficient Revenue To Ensure:

**Proper
Operations &
Maintenance
(O&M)**

**System Renewal
and
Replacement**

**Targeted Debt
Service
Coverage
Requirements**

**Maintenance of
Appropriate
Reserves**

Study Results



Revenue Requirements

- Operating Expenses
 - › Budget FY 2024 expenses as baseline
 - › Annual increases: 3.0% - 5.0%
 - › Monitor purchased power costs market fluctuation
- Debt Service
 - › Existing
 - › Proposed (only electric)
- Capital Funding
 - › Proposed debt for electric projects (new substation)
 - › Cash-Financed Capital (PAYGO)
 - › Maximizing ARPA and grant fund availability (just awarded \$10M SCIIP grant)

Revenues

- User Charge Revenues
 - › Electric
 - Residential (Single Phase) accounts projected to grow at 0.5% while other accounts are projected to remain flat through the study period
 - Usage projected to decline slightly through the study period for Residential (Single Phase) and Small Commercial (Single and Three Phase)
 - › Water and Sewer
 - Within city limits accounts and usage are projected to grow at 1.0%
 - Out of city limits accounts and usage are projected to remain flat through the study period
- Other Revenues (penalties, reconnection fees, etc.)
 - › Projected flat through the study period

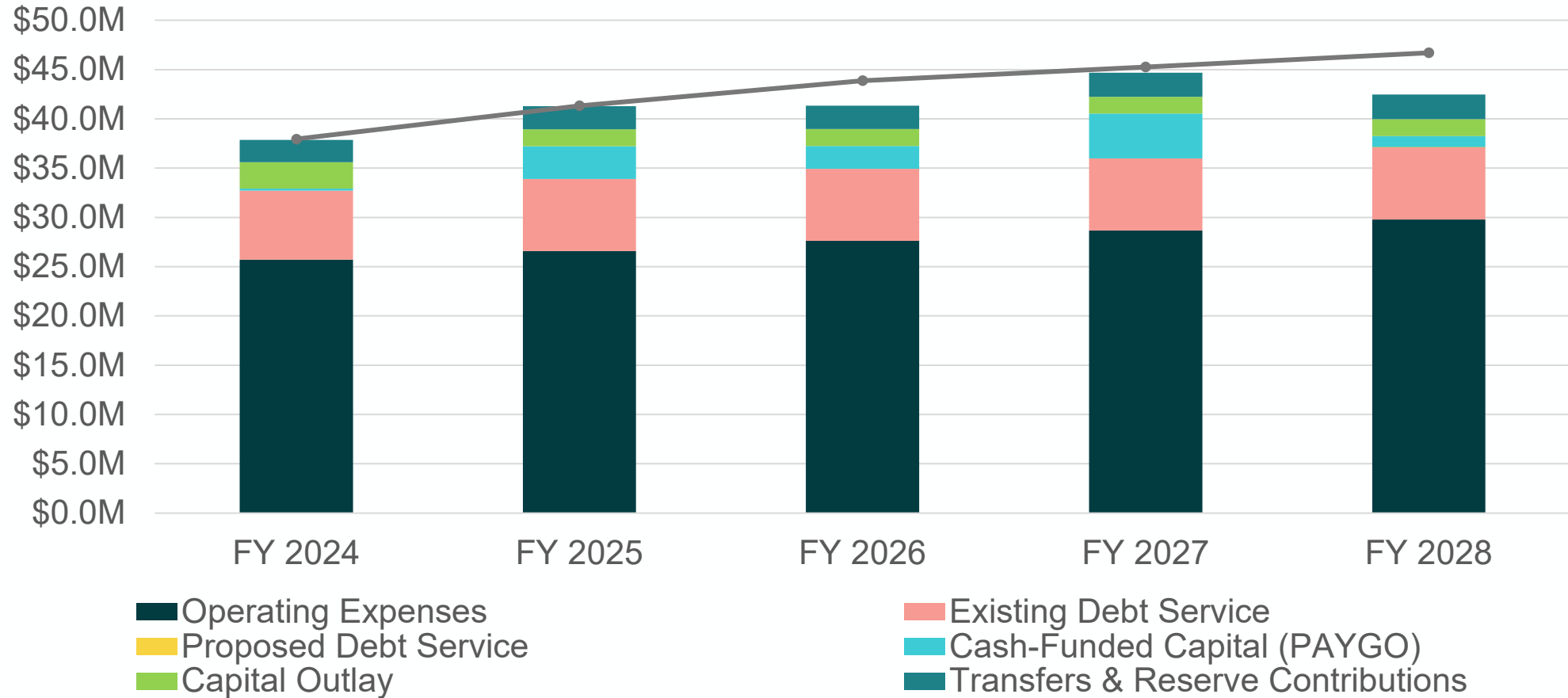
Rate Increase Recommendations

Rate Increases	FY 2024*	FY 2025	FY 2026	FY 2027	FY 2028
Electric	12.5%	9.0%	6.0%	3.0%	3.0%
Water	20.0%	11.0%	8.0%	4.0%	4.0%
Sewer	20.0%	12.0%	9.0%	5.0%	5.0%

- Plan to cover all operating requirements and start building reserve balance for capital needs
- Monitor purchased power costs and modify Purchased Power Cost Adjustment (PPCA) as needed through the study period
- Additionally, for FY 2024, City is implementing approximately a \$3.00 increase for water, sewer and electric for the base charge

****Note: The rate increases for FY 2024 apply only to volumetric rates, usage and demand charges***

System Financial Plan



Note: The financial plan shown here reflects a \$3.00 base charge increase for water and sewer and \$2.75 base charge increase for electric.

Utility Fund Remarks

- FY 2024 rate increases
 - › Electric: 12.5% increases for usage and demand charges
 - › Water and Sewer: 20% increase for usage charges
- FY 2025 through FY 2028 rate increases
 - › All rate categories across the board

Utility Fund Remarks

- Plan to cover all operating and capital requirements
- Maximize grants for capital spending
 - › PAYGO for the match and other spending
 - › Possibility to borrow for some capital as needed starting in FY 2028
- Rebuild cash balance over the next 3-4 years
- At this point, no use of fund balance to pay for capital at all
- Closely monitor financials and ensure all revenue requirement obligations are met

Next Steps



Next Steps

- Consider implementation of rate adjustments as of July 1, 2023
- Monitor purchased power costs and adjust PPCA as needed
- Monitor reserve fund balances

Thank you!

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