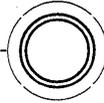


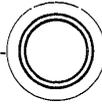
Clermont County Water Resources



RATE STUDY REVIEW

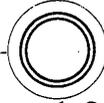
MARCH 28, 2011

History



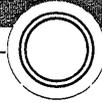
- Current Rate Study was contracted for with Municipal & Financial Services Group on August 4, 2010
- The previous rate study was done in-house in 2006
 - Resulting in water and sewer rate increases in 2007, 2008 and 2009
- In 2000, Black & Veatch did a study of water and sewer rates
 - Contract operations began in February 2000
 - Rates decreased as a result of anticipated cost savings

Objectives - Why Conduct the Study?



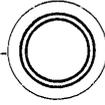
- Main objective is to keep rates and fees low over time through sound financial management and proper system maintenance
- Necessary review of water and sewer funds to ensure continued stability and financial health
- Need for long-term financial planning due to significant future capital investments required for systems
- Ensure users of the system are appropriately charged for expenses they cause the County to incur
- Establish appropriate pricing structure for water and sewer service

System Background

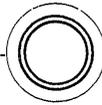


- CUSTOMER TYPES
 - CONSUMERS
- INFRASTRUCTURE
 - O&M EXPENSES
 - CURRENT DEBT
- RATE/BILL HISTORY
- RATE COMPARISONS

WATER SYSTEM

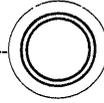


Water Customer/Consumption History

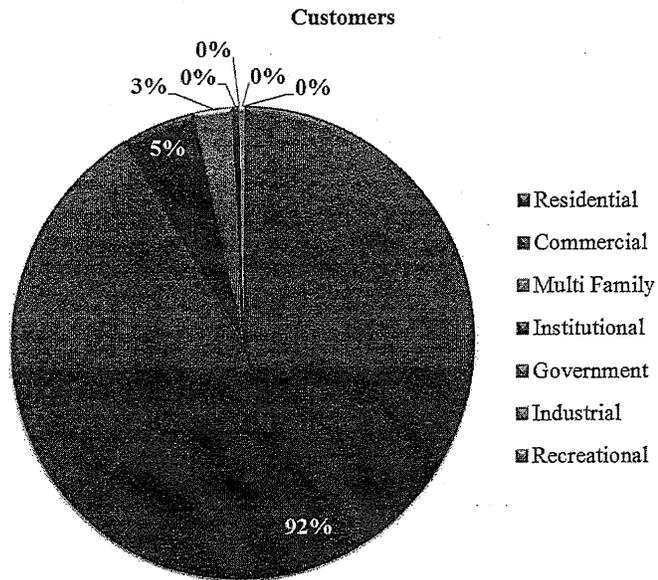


	2008	2009	2010
Customers Billed	40,072	40,367	40,616
Net Customer Growth	n/a	0.7%	0.6%
Consumption billed	3,926MG	3,749MG	3,956MG
Consumption change	-10.1%	-4.5%	5.5%

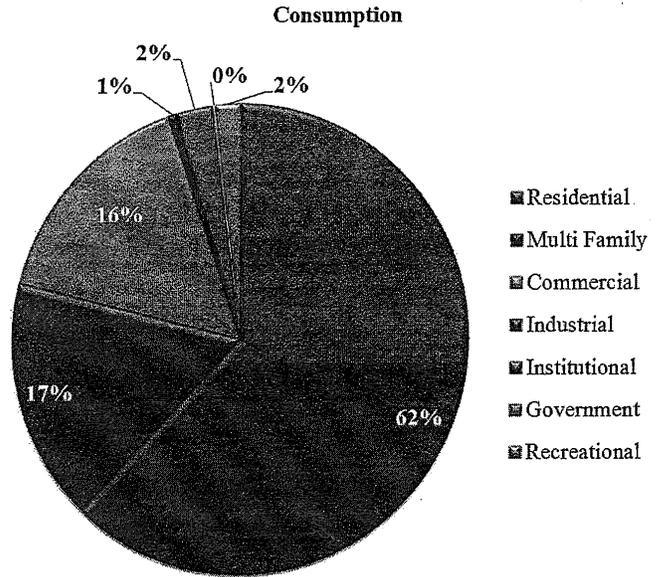
System Statistics



• Water System

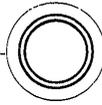


2009 Customers Billed



2009 Billed Consumption

System Statistics



• Water Infrastructure

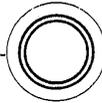
Period	Useful Life	Assumed Replacement Year	Length of Pipe (Linear Feet)	% of Total Pipe	Original Cost (millions) ¹	Replacement Cost (millions) ²
1958 and Older	60	2018	368,532	8.9%	\$8.76	\$102.97
1959-1968	70	2038	740,090	17.8%	\$17.59	\$135.89
1969-1978	80	2058	735,204	17.7%	\$17.48	\$56.17
1979-1988	80	2068	555,250	13.4%	\$13.20	\$26.06
1989-1998	80	2078	808,661	19.5%	\$19.22	\$28.97
1999-2008	80	2088	907,687	21.9%	\$21.58	\$23.16
2009-2010	80	2090	36,811	0.9%	\$0.88	\$0.88
Total			4,152,236	100.0%	\$98.71	\$374.09

¹ Based on original cost of water distribution system as of 12/31/09

² Original cost trended to 2010 using ENR Construction Cost Index

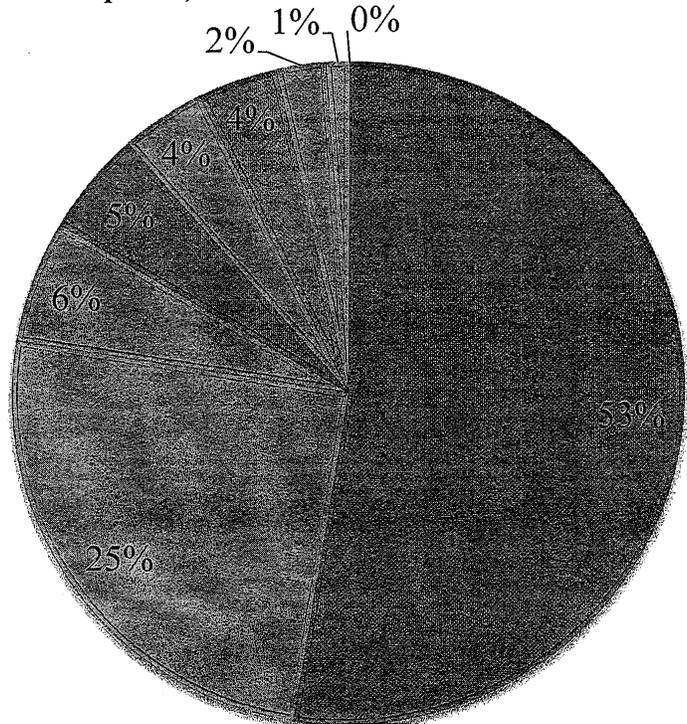
Slide from MFSC Presentation

O&M Expenses Water – By Area

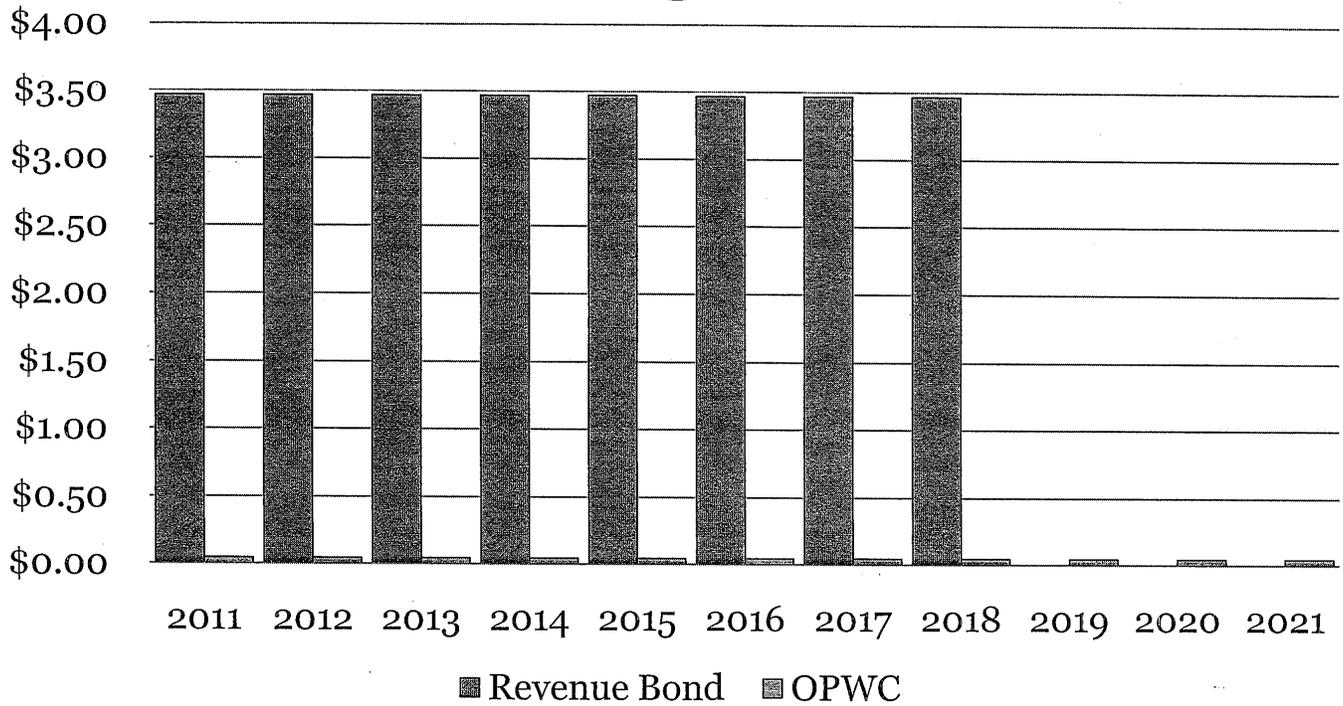
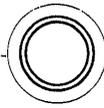


Total Operating & Maintenance Expenses, 2011 = \$8.11 million

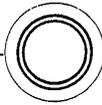
- 8551 Treatment Division
- 8552 Distribution Division
- 8521 Construction Engineering
- 8524 W & S Customer Service
- 8523 Administration
- 8550 Water Administration
- 8522 Office Of Environmental Quality
- 8520 Accounting
- 8501 Water Construction



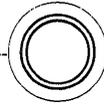
Existing Water Debt Service



SEWER SYSTEM

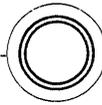


Sewer Customer/Consumption History

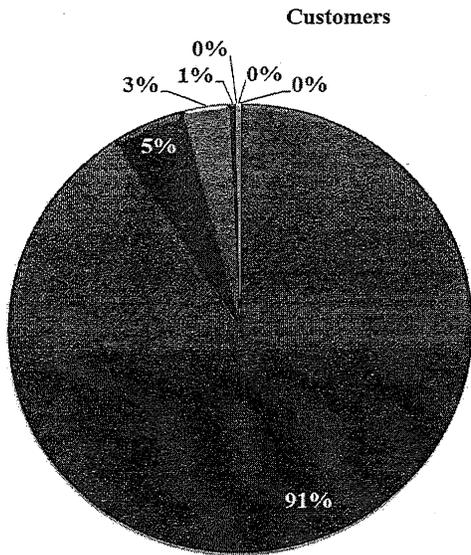


	2008	2009	2010
Customers	35,662	36,233	36,703
Net Customer Growth	n/a	1.6%	1.3%
Consumption billed	3,422MG	3,194MG	3,370MG
Consumption change	-7.3%	-6.7%	5.5%

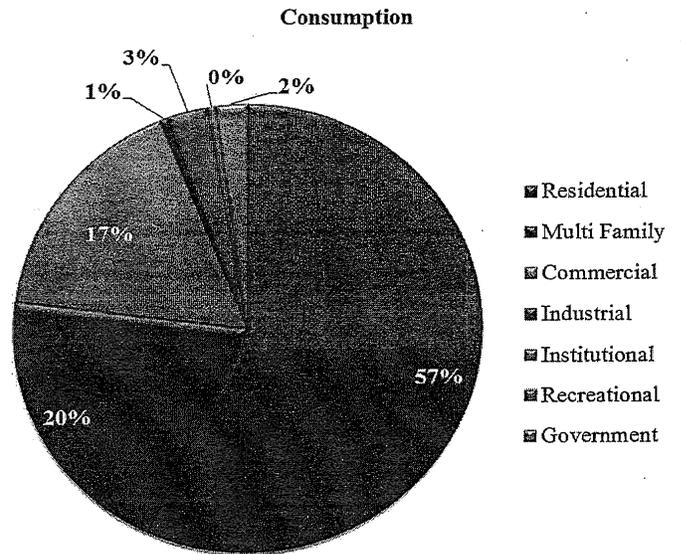
System Statistics



• Sewer System

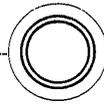


2009 Total Customers Billed



2009 Billed Consumption

System Statistics



• Sewer Infrastructure

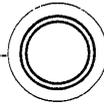
Period	Useful Life	Assumed Replacement Year	Length of Pipe (Linear Feet)	% of Total Pipe	Original Cost (millions) ¹	Replacement Cost (millions) ²
1958 and Older	60	2018	55,980	1.5%	\$2.23	\$26.22
1959-1968	70	2038	274,004	7.6%	\$10.92	\$84.35
1969-1978	80	2058	1,026,407	28.3%	\$40.91	\$131.46
1979-1988	80	2068	742,338	20.5%	\$29.59	\$58.41
1989-1998	80	2078	793,454	21.9%	\$31.62	\$47.65
1999-2008	80	2088	678,837	18.7%	\$27.06	\$29.04
2009-2010	80	2090	54,967	1.5%	\$2.19	\$2.19
Total			3,625,987	100.0%	\$144.51	\$379.33

¹ Based on original cost of sewer collection system as of 12/31/09

² Original cost trended to 2010 using ENR Construction Cost Index

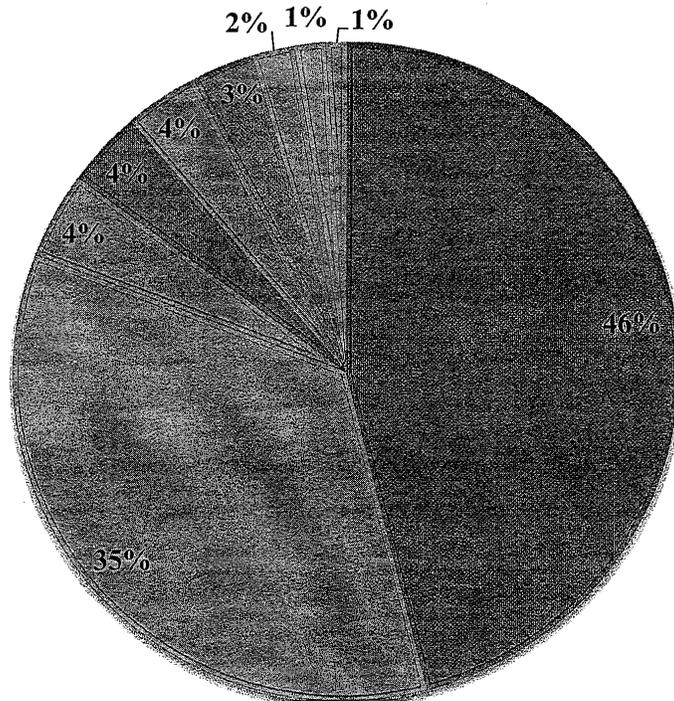
Slide from MFSG Presentation

O&M Expenses Sewer – By Area

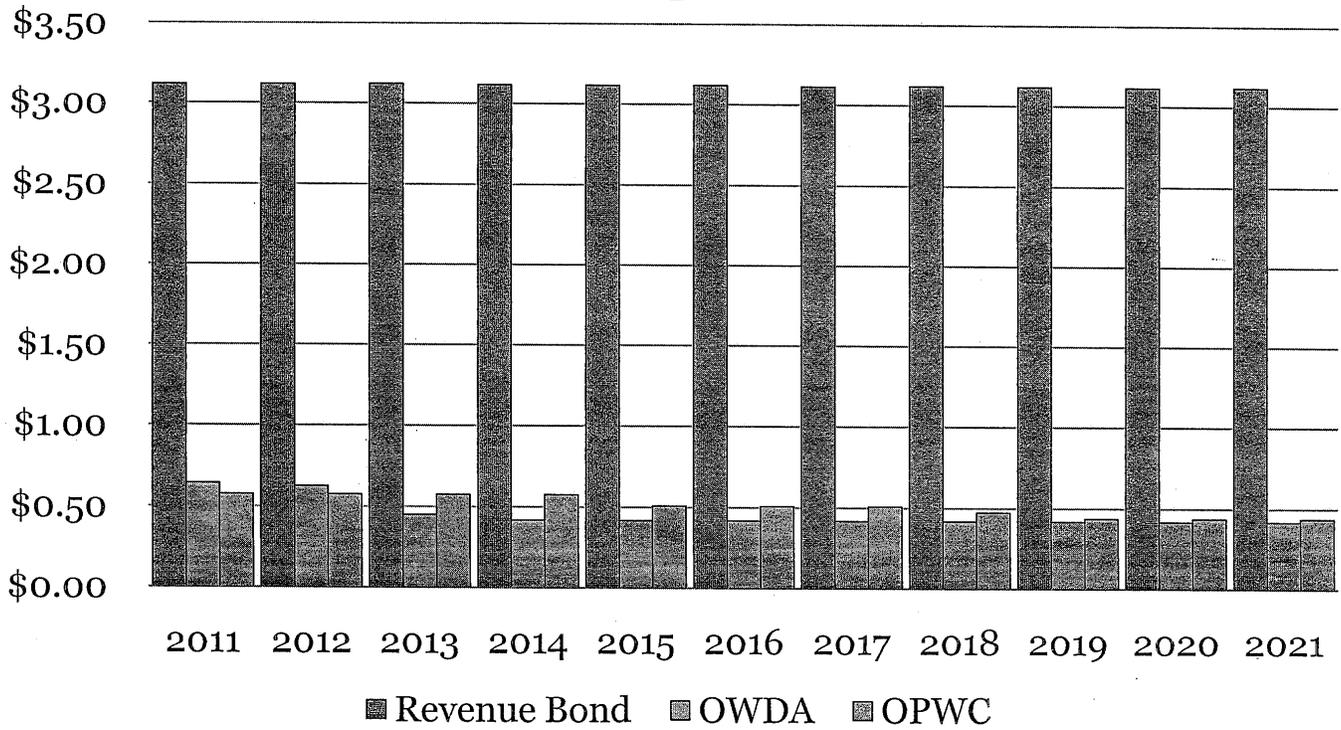
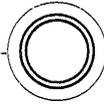


Total Operating & Maintenance Expenses, 2011 = \$9.93 million

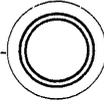
- Sewer Treatment
- Sewer Collection
- Construction Engineering
- W & S Customer Service
- Administration
- Administration
- Office Of Environmental Quality
- Sewer Construction
- Accounting



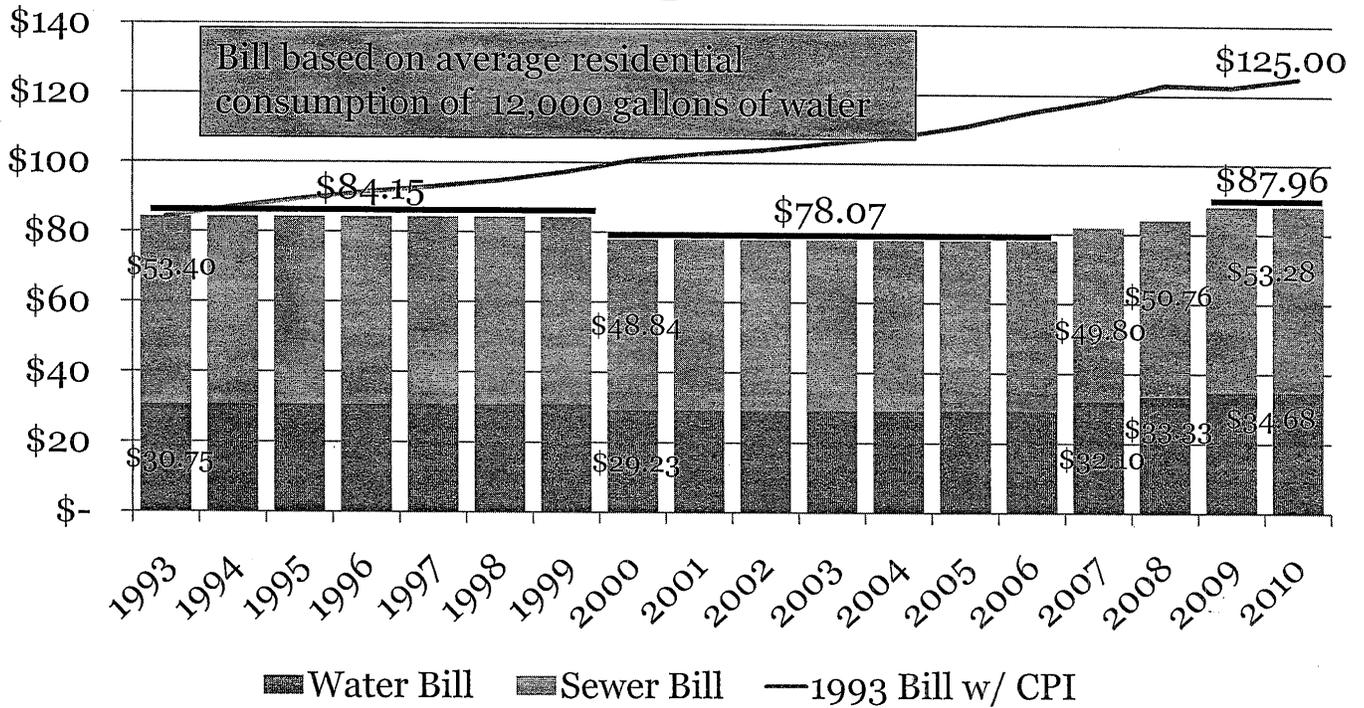
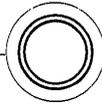
Existing Sewer Debt Service



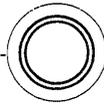
USER RATE HISTORY



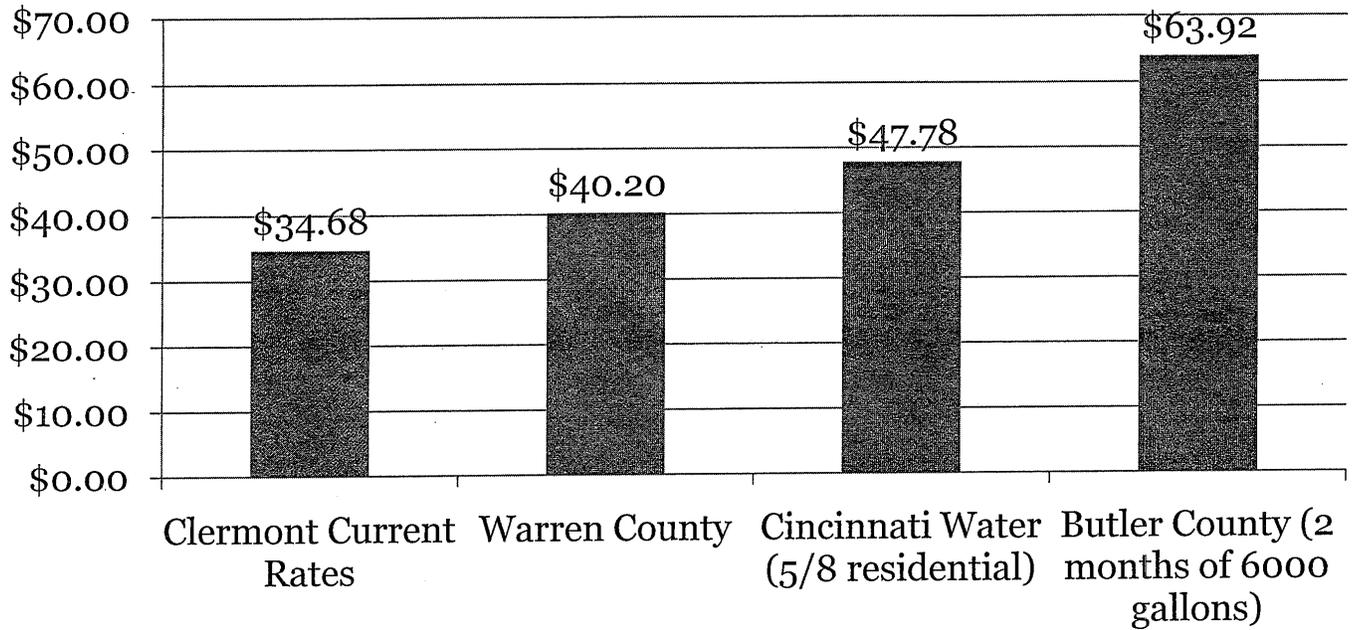
Sample Residential Bill History



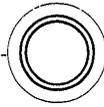
Water System User Rate Comparison



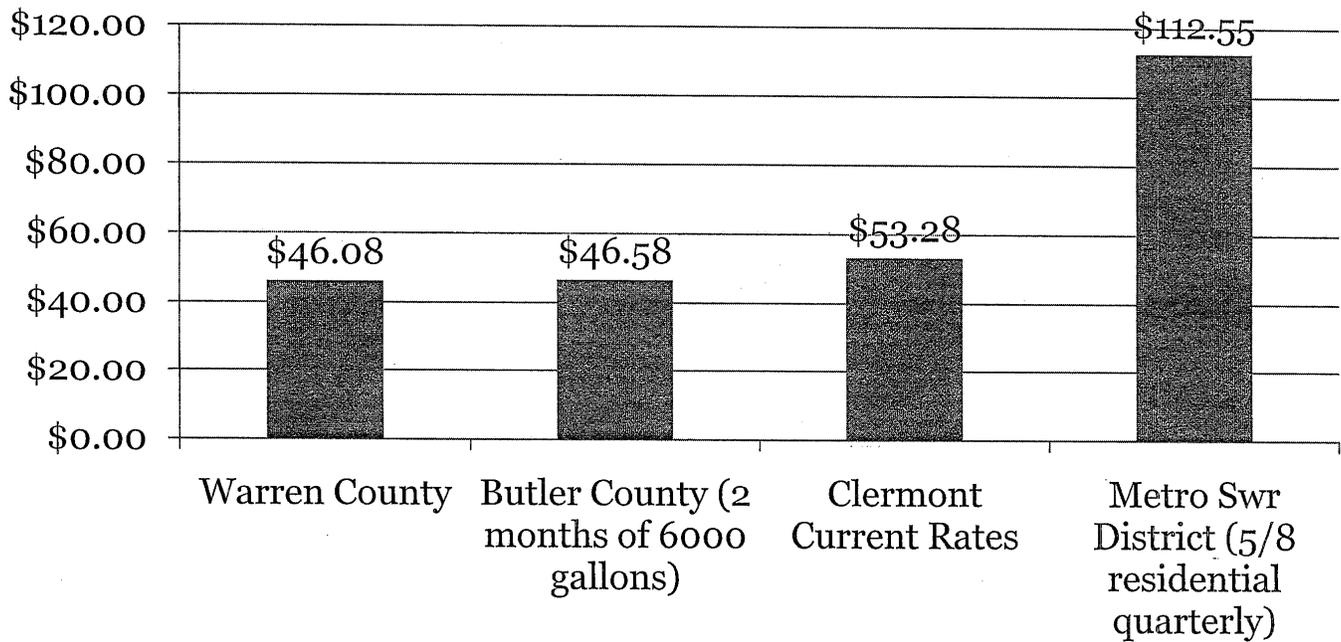
Residential User - 12,000 gallons (bi-monthly)



Sewer System User Rate Comparison



Residential User - 12,000 gallons (bi-monthly)

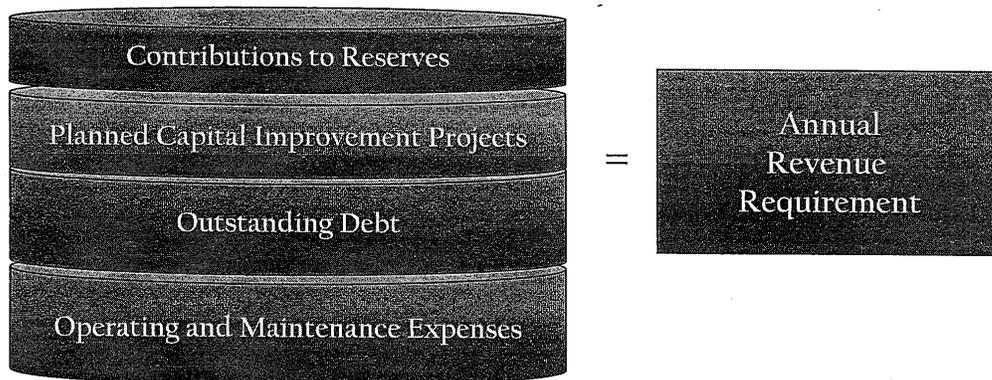


Financial Outlook



- APPROACH
- ASSUMPTIONS

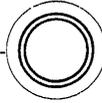
Net Revenue Requirements



$$\text{Annual Revenue Requirement} - \text{Annual Miscellaneous Revenues} = \text{Net Revenue Requirements}$$

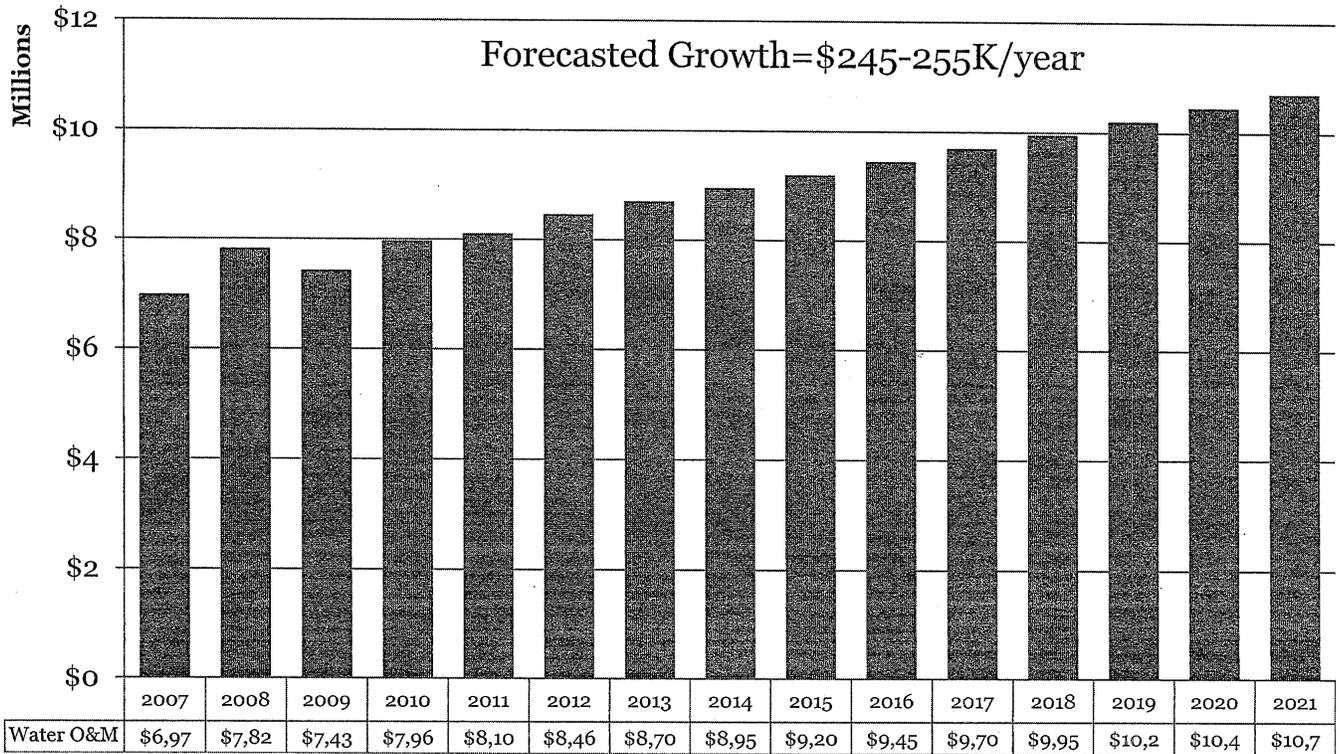
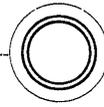
$$\text{Net Revenue Requirements} - \text{Annual Revenues with Current Rates} = \text{Annual Surplus / (Shortfall)}$$

Rate Study Expense Assumptions

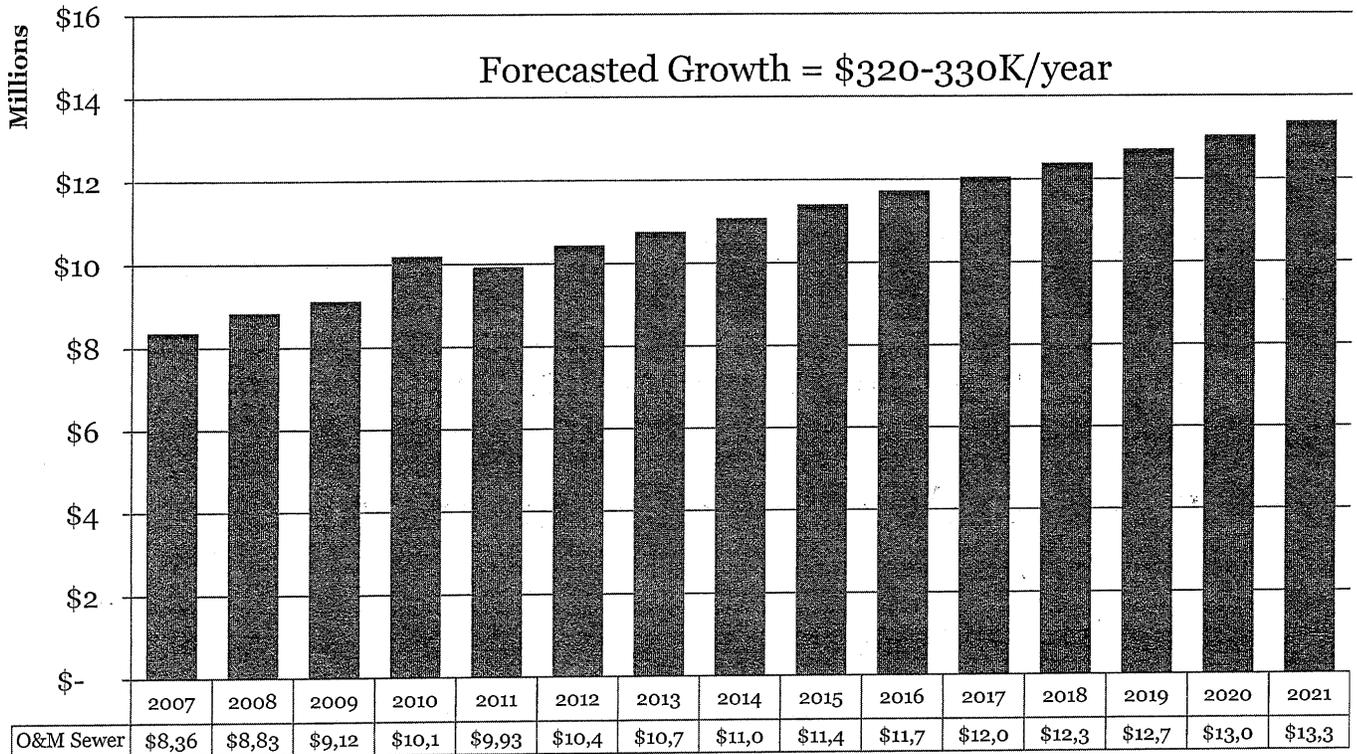
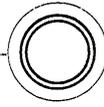


- Escalation factors for projecting future expenses based on the following:
 - Historic indices (December 1978 – December 2009) forecasted along linear trend
 - ✓ ENR Cost Indices in Cincinnati
 - ✓ International Monetary Fund Commodity Fuel (Energy) Index
 - ✓ American City & County Municipal Cost Indices
 - Personnel expenses projected based on guidance from County
 - ✓ Salaries – 2% after 2011 staff level
 - ✓ Benefits – 2%

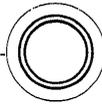
Operating & Maintenance Expense (Water)



Operating & Maintenance Expense (Sewer)

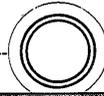


Rate Study Revenue Assumptions



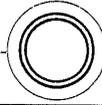
- Customer growth has slowed from over 3% a year to just under 1% a year
 - Rate Review assumed 1% customer growth
- Consumption varies with the weather..difficult to predict
 - Rate Review assumed 1% consumption growth – all from new customer base
- 1% growth in Customers/Consumption
 - Water - \$130K/year
 - Sewer - \$150K/year

Water Financial Outlook



(dollars in millions)	2011	2012	2013	2014	2015	2016
Revenue Forecast from Current Rates	\$12.81	\$12.94	\$13.07	\$13.20	\$13.33	\$13.46
Other Revenue Forecast	\$1.41	\$1.41	\$1.43	\$1.44	\$1.46	\$1.47
Total Available Revenues	\$14.22	\$14.35	\$14.49	\$14.64	\$14.79	\$14.93
Projected O&M Expense	\$8.11	\$8.46	\$8.71	\$8.95	\$9.20	\$9.45
Projected Debt Service	\$4.08	\$4.08	\$4.08	\$4.08	\$4.08	\$4.08
Available for Capital	\$2.04	\$1.82	\$1.71	\$1.61	\$1.50	\$1.41
Cash Portion of Capital Plan	\$6.45	\$3.41	\$4.55	\$2.79	\$1.67	\$0.25
Replacement Reserve Need	\$0.00	\$0.00	\$0.00	\$0.00	\$2.21	\$2.57
Net Surplus (Shortfall)	(\$4.42)	(\$1.59)	(\$2.84)	(\$1.18)	(\$2.37)	(\$1.42)

Water Capital Plan

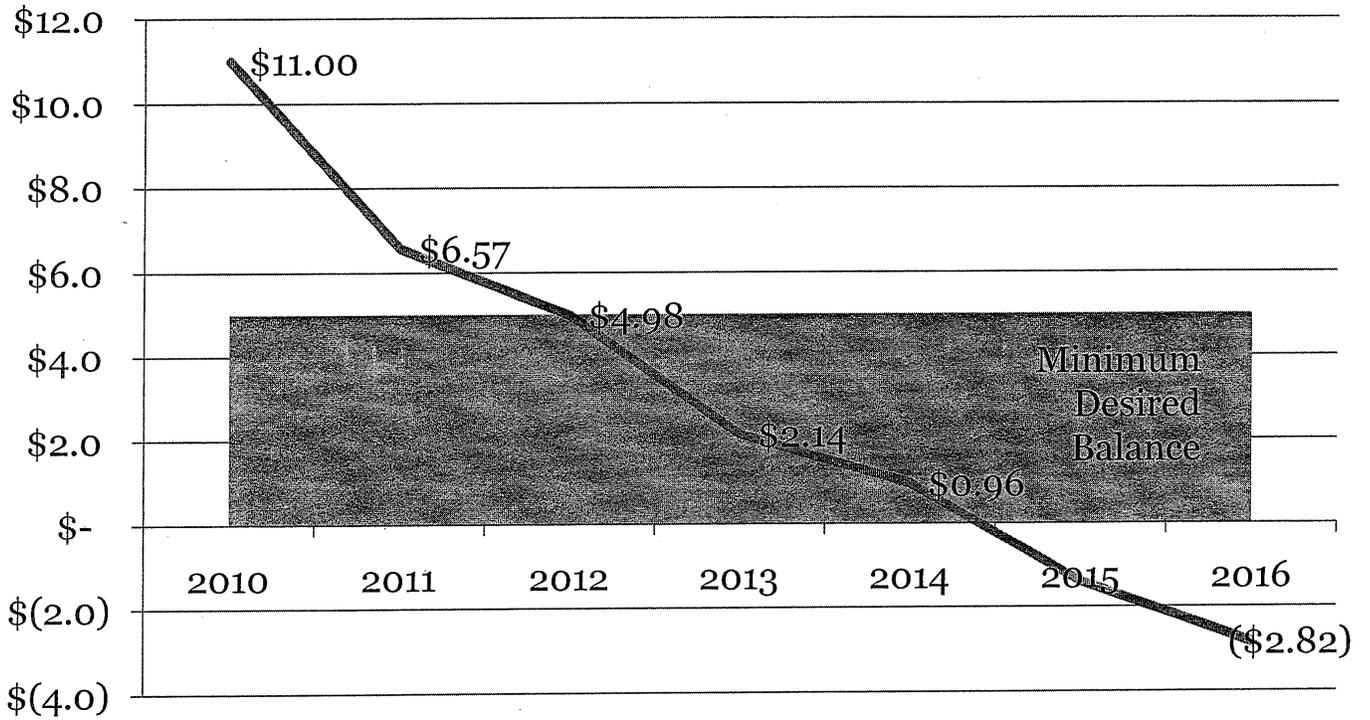
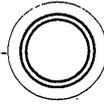


County Funding by Project Type	2011	2012	2013	2014	2015	2016
Assessment Projects – County Share	-\$0.20	\$0.03	-\$0.03	\$0.00	\$0.00	\$0.00
Capacity Projects (Capacity Fees)	\$4.31	\$1.71	\$2.81	\$2.09	\$1.06	\$0.00
System Improvement/Replacements	\$2.34	\$1.67	\$1.77	\$0.70	\$0.61	\$0.25
Annual Total County Funding Required	\$6.45	\$3.41	\$4.55	\$2.79	\$1.67	\$0.25

County funding requirement is net of other funds received for the projects (loans, grants, assessments)

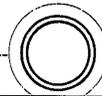
Total Project cost 2011-2016	\$ in M's
Assessment Projects – County Share	0.51
Capacity Projects (Capacity Fees)	16.95
System Improvement/Replacements	14.12

Water Outlook - Impact to Fund Balance



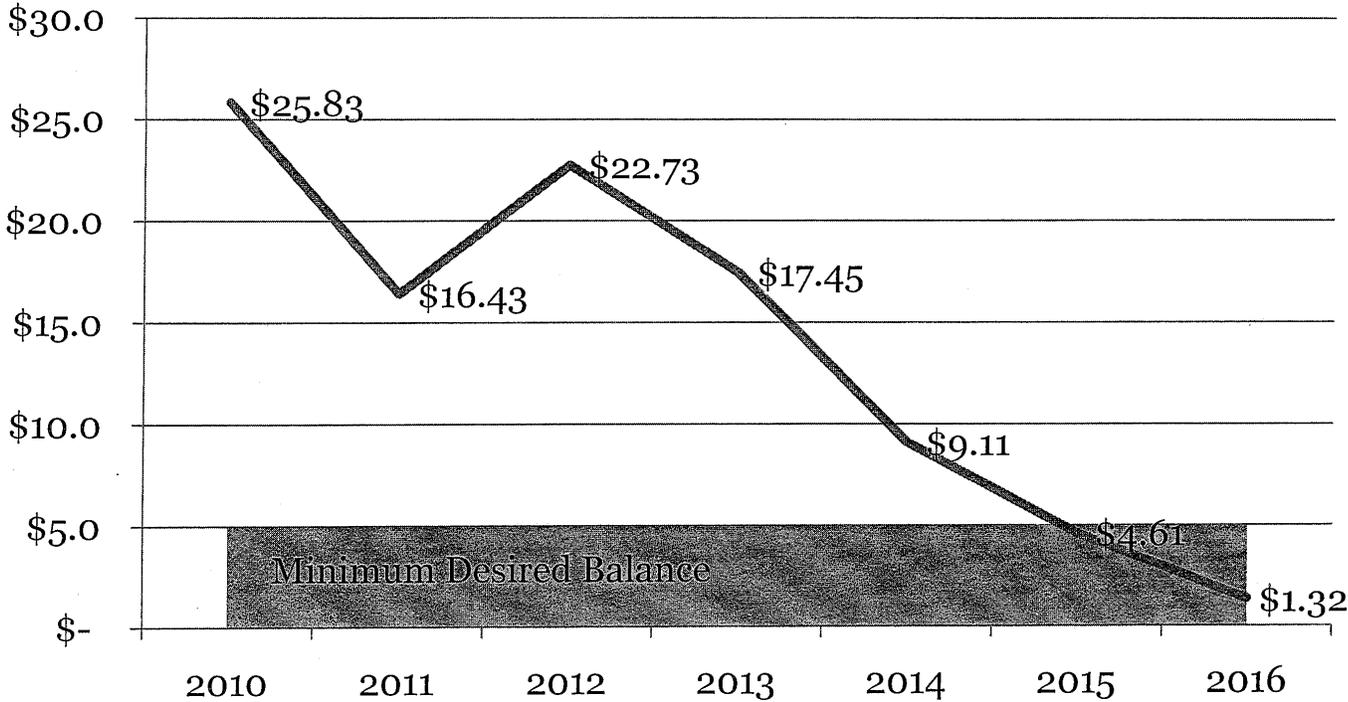
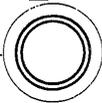
Fund Balance excludes O&M Reserve, R&I Reserve and Bond Fund Balance

Sewer Financial Outlook



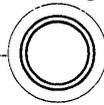
(dollars in millions)	2011	2012	2013	2014	2015	2016
Revenue Forecast from Current Rates	\$14.61	\$14.75	\$14.90	\$15.05	\$15.20	\$15.35
Other Revenue Forecast	\$1.92	\$1.95	\$1.97	\$1.99	\$2.01	\$2.03
Total Available Revenues	\$16.53	\$16.70	\$16.87	\$17.04	\$17.21	\$17.38
Projected O&M Expense	\$9.93	\$10.43	\$10.75	\$11.08	\$11.40	\$11.73
Projected Debt Service	\$5.28	\$5.27	\$5.10	\$5.11	\$5.04	\$5.04
Available for Capital	\$1.31	\$1.00	\$1.02	\$0.85	\$0.77	\$0.61
Cash Portion of Capital Plan	\$10.64	(\$5.30)	\$6.30	\$9.19	\$5.26	\$3.90
Replacement Reserve Need	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Surplus (Shortfall)	(\$9.33)	\$6.30	(\$5.28)	(\$8.34)	(\$4.49)	(\$3.29)

Sewer Outlook - Impact to Fund Balance



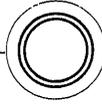
Fund Balance does not include O&M Reserve, R&I Reserve and Bond Fund balance

Rate Study Issues

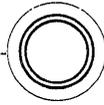


- System growth is slowing
- Operating expense growth exceeding revenue growth
- More and More of User charges used for O&M and less available for system repair/replacement projects
- Aging Infrastructure impact on capital projects

What does this mean for Water?



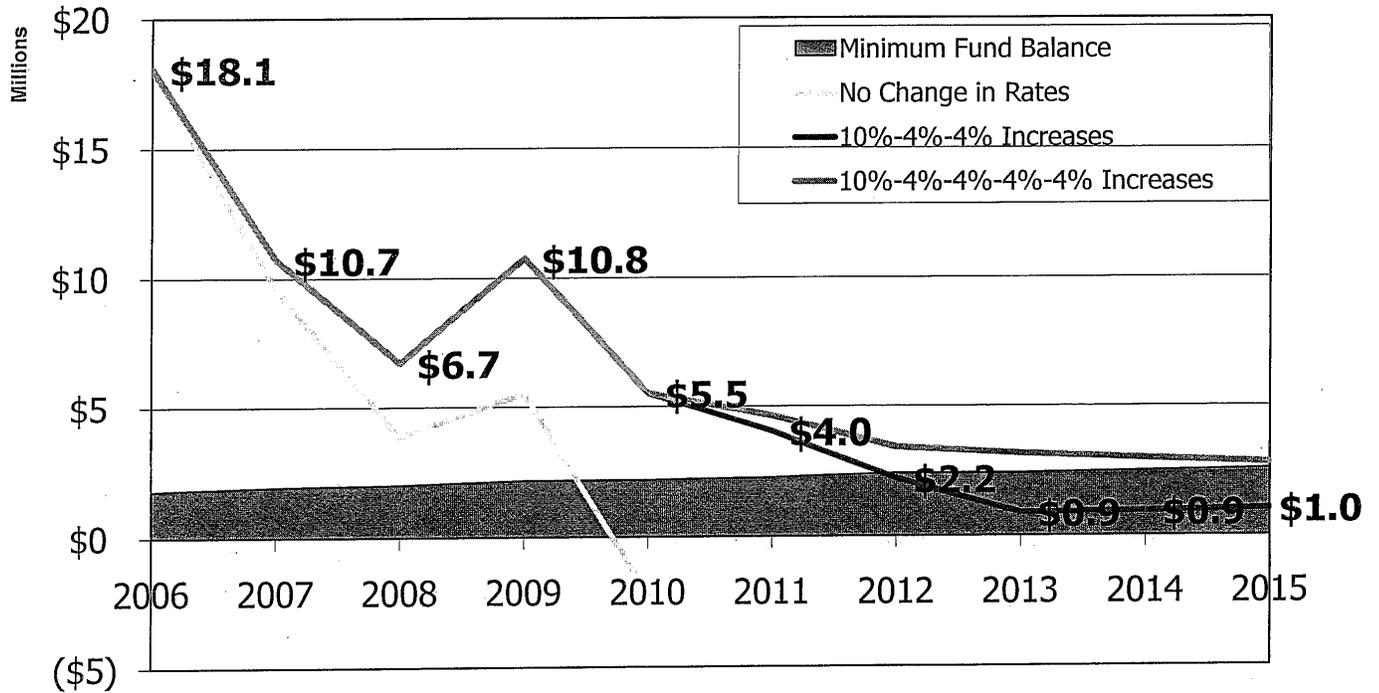
- The water system will be **unable** to provide funds sufficient to cover operating cost, debt service and the capital plan requirements as forecasted for 2011-2016
- Options
 - Reduce capital plan
 - Reduce operating cost
 - Increase customer growth
 - Rate Increase



- The Sewer system will be able to get through the period and cover forecasted cost, however the system is only able to do this through funds on hand
 - System Capacity fees are being used to fund O&M and Debt
 - ✦ By 2016, \$1M of system Capacity fees are used for operations
 - Minimum reserve is tapped in 2015

Water Fund Projection

Last Rate Review – Jan 2007



Sewer Fund Projection

Last Rate Review – Jan 2007

