

THE CONSENT DECREE: NEXT STEPS

Council Work Session

April 30, 2019



LEXINGTON



Agenda

- Overview of Consent Decree Efforts to Date
- Impact of Efforts to Date
- Rate Impact of Current Construction Schedule Projections for FY20 and FY21
- Projected Residential Sewer Rates Benchmarked With Other Cities

Expenditures

- Capital Expenses: **\$253,465,260**
 - Studies/Plans/Management **\$34,847,679**
-
- Total to Date: **\$288,312,939**



State Funding Sources to Date

- Vigorous pursuit of grants and low interest loans (1.75%) financed through the Kentucky Infrastructure Authority(KIA) (sanitary projects only)
 - Consent Decree grant funded total: \$6,546,000
 - Consent Decree loan funded total: \$144,210,509
 - Total to date: \$150,756,509

Impact on our Streams

- Since 2007, over 54 million gallons of annual, untreated sewer overflow volume has been eliminated from Fayette County streams.





Efficiencies

- 2011 Presentation to the Committee of the Whole projected a minimum 5% annual increase to the sewer user fee
- Sound project management and value engineering efforts have:
 - Cut costs by about \$95 million to date
 - Avoided the annual increases projected in 2011 moving forward
 - Only two years with increases other than CPI
- The time is now to adjust sewer rates to fund the next phase of required improvements

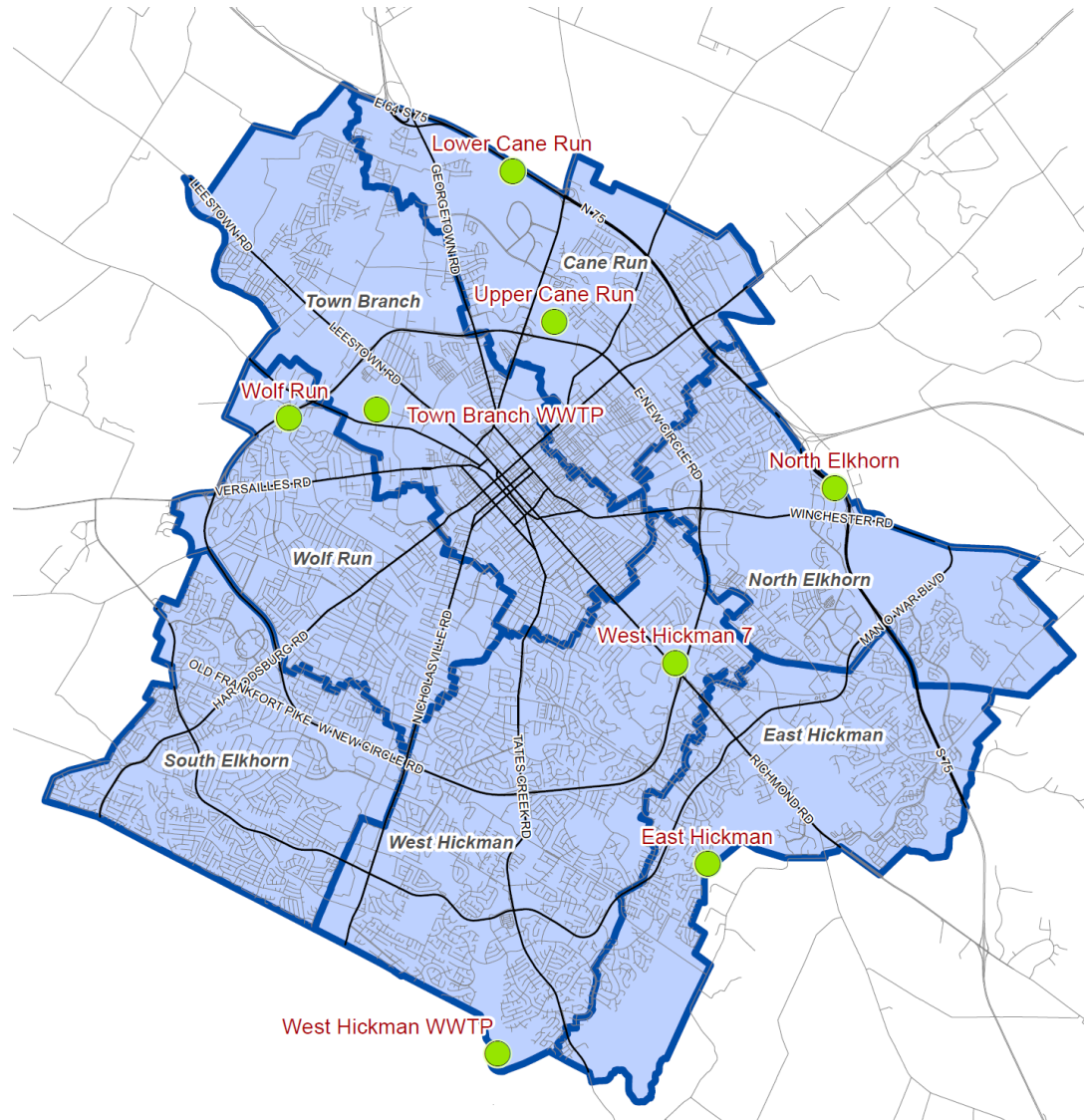


FY20 – FY22 Capital Expense Projections

- Prior to FY20 - storage tanks were cost driver:
 - 7% of the total Remedial Measures Plan (RMP) projects
 - 56% of the plan's projected capital cost
- By the end of 2019, six of the ten storage tanks should be in service
- Pipelines are primary focus for next three fiscal years
- Projected three year capital expenses
 - FY20 - \$118.1 million
 - FY21 - \$84.2 million
 - FY22 - \$69.1 million
 - Total - \$271.4

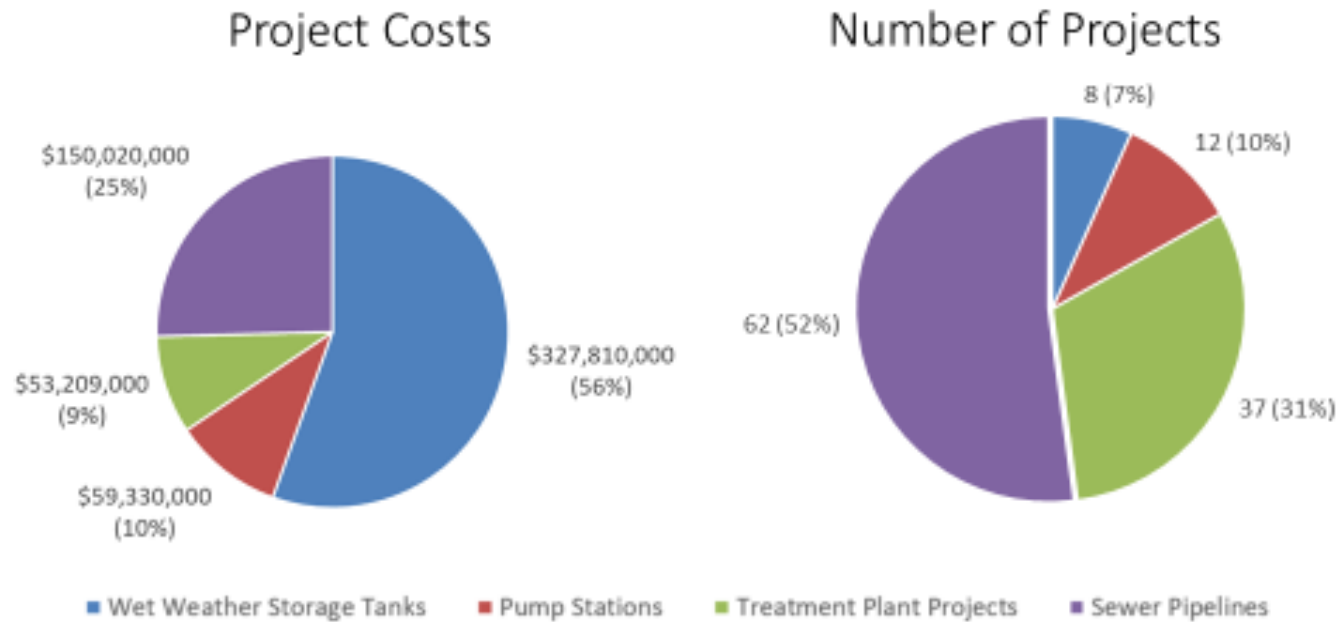


Planned Tanks Locations



Remedial Measures Plan Projects Breakdown

RMP Projects Breakdown

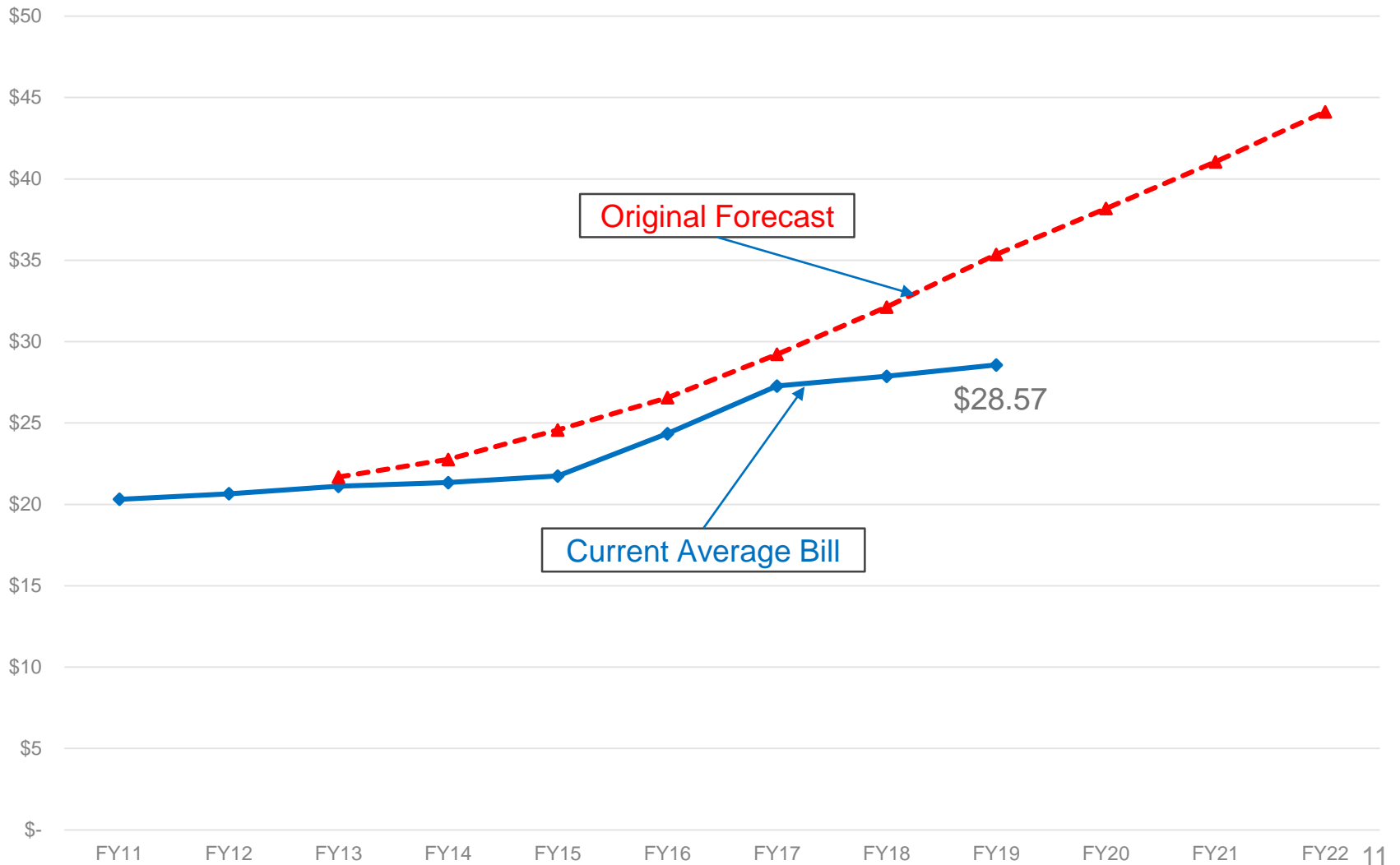




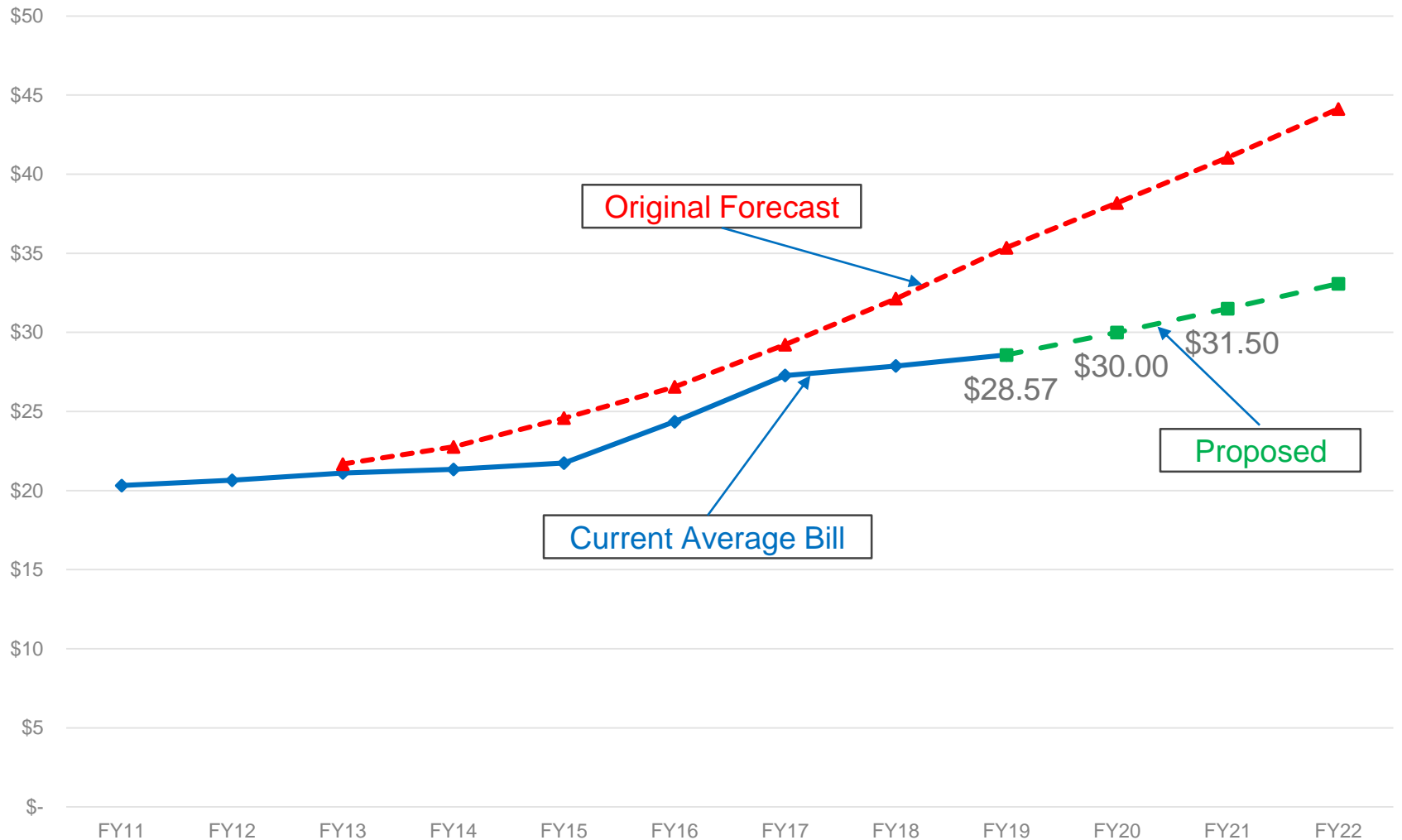
Impact on Rates of Current Construction Schedule

	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	Jul-18	Jul-19	Jul-20	Jul-21
Rate Increase	2%	5%	5%	5%*
Avg. Residential Monthly Bill	\$28.57	\$30.00	\$31.50	\$33.07
Funding Sources				
Capital Fund Balance	\$84,405,581	\$15,974,012	\$9,007,741	\$7,252,192
Cash	\$17,354,671	\$10,955,471	\$11,731,362	\$12,208,784
KIA Loan Proceeds	\$12,622,577	\$8,382,851		
Revenue Bond Issue		\$55,000,000	\$35,000,000	\$40,000,000
Total Funding	\$114,382,829	\$90,312,334	\$55,739,103	\$59,460,976
Capital Needs				
Bondable Projects	\$73,694,423	\$81,304,592	\$48,486,912	\$39,265,250
KIA Projects	\$24,714,395			
Total Needs	\$98,408,818	\$81,304,592	\$48,486,912	\$39,265,250
Capital Balance	\$15,974,012	\$9,007,741	\$7,252,192	\$20,195,726
*Currently projected				

Impact on Average Residential Bill

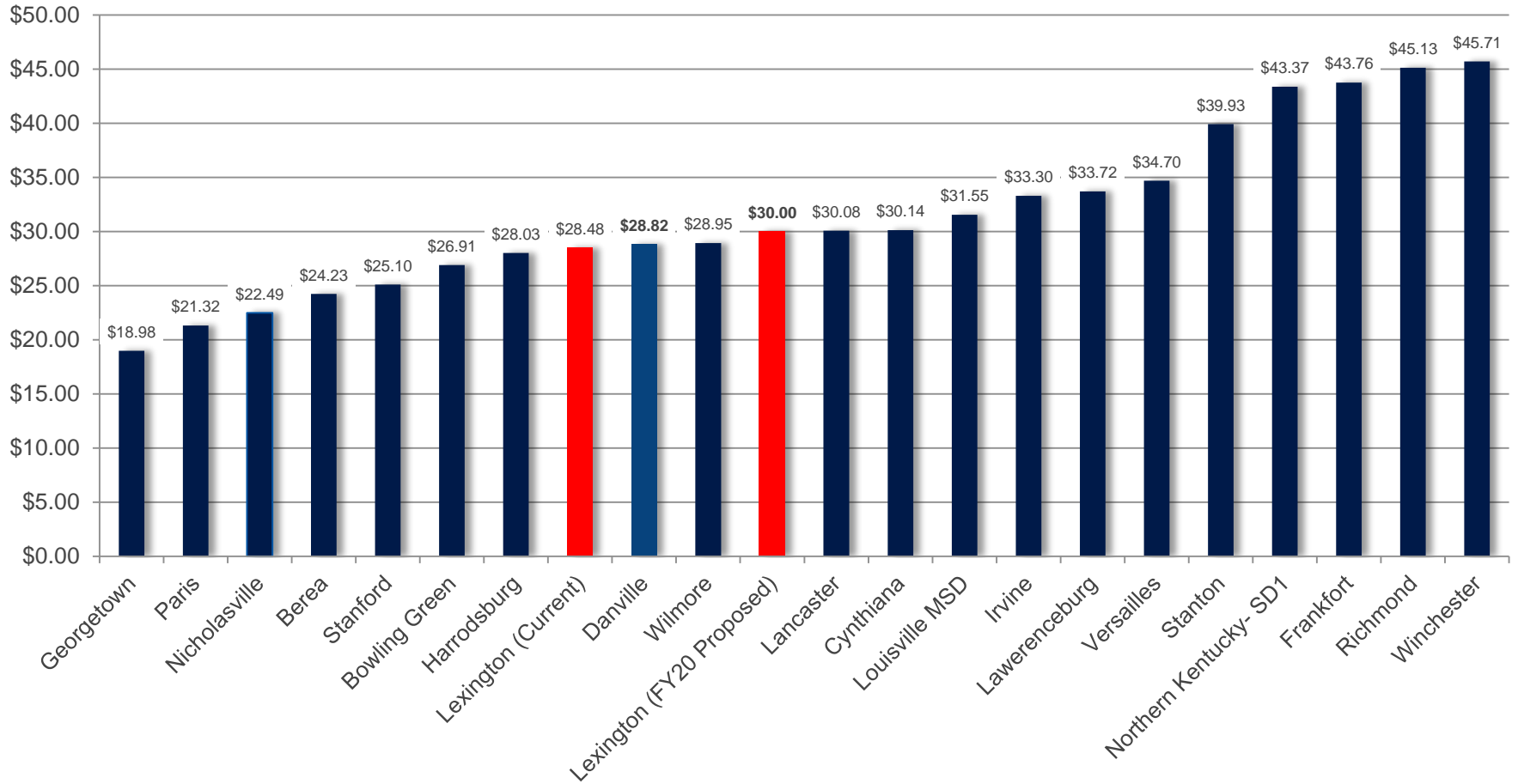


Impact on Average Residential Bill



Rates in Nearby Cities

4,000 Gallon Sewer Usage: Average Bill





Action Items

- Sanitary Sewer Rate increases needed to fund Consent Decree requirements and finance debt service:
 - 5% increase on July 1, 2019
 - 5% increase on July 1, 2020
 - These rates include the CPI increase

- Second Reading by May 28th

Questions?

