

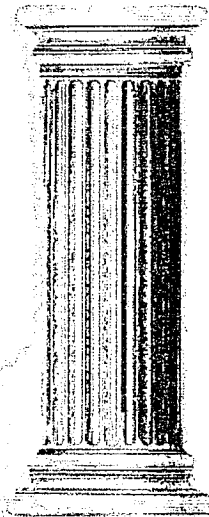
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# Greenwood Municipal Sewage Works

## Proposed Rate Increase and Plan of Finance

September 8, 2010

**UMBAUGH**



It's all about experience.

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# Overview

- Rates
  - Methodology/Process
  - Timing/Delay
  - Results/Impact
- Financing
  - Refunding
  - New Money



# Methodology/Process

- Across-the-board rate increase
  - All rates change proportionally
  - Presumed fair
- Compiled historical financial statements and a “Test Year”
  - Test year was the 12 months ended 4/30/09
- Adjusted the Test Year financials for items that were fixed, known and measurable
- Computed adjusted annual revenues and revenue requirements



# Timing/Delay

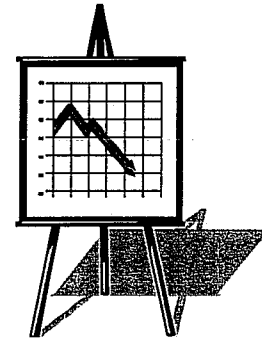
- Began the rate study in early summer 2009
- Why the delay?
  - Negotiations with the Indianapolis Department of Public Works (“DPW”) have taken longer than anticipated
  - Purchased wastewater treatment and capital cost payments to Indianapolis account for almost 40% of the annual budget



# Timing/Delay

(Cont'd)

- Now is the time to act
  - Cash flow concerns
    - Account balances have been drawn down
    - New customers and development have slowed because of the economy
      - Revenue from new customers has helped to hold sewer rates steady over the past twelve years
      - No rate increase has been sought as cash should not be accumulated needlessly



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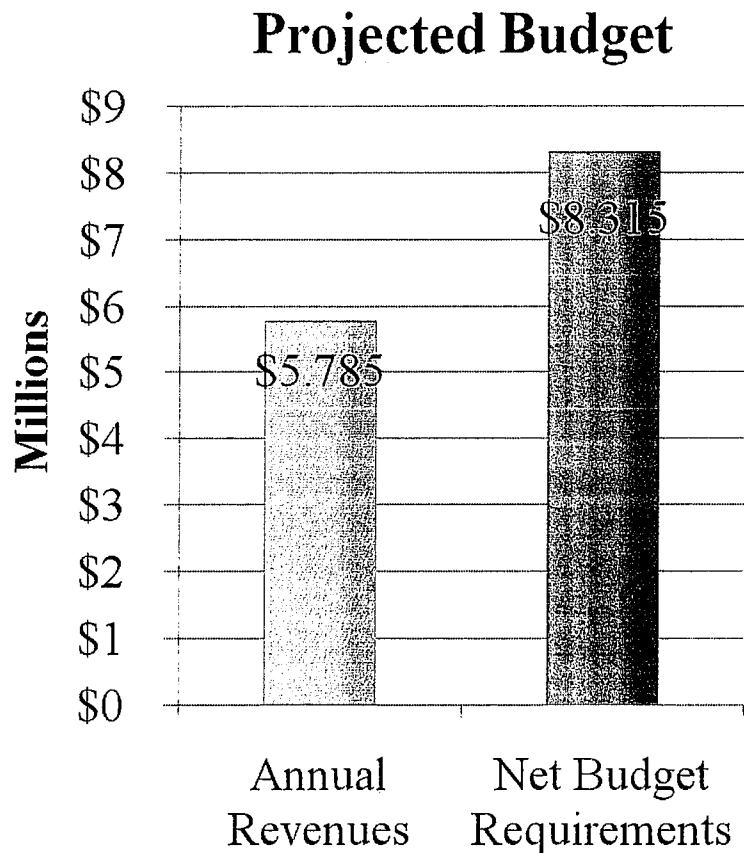
# Timing/Delay

(Cont'd)

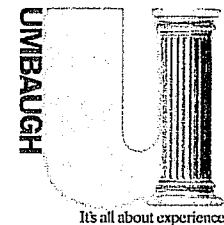
- Now is the time to act (Cont'd)
  - Low interest rates
    - Debt refinancing is an advantage
      - Same as homeowners refinancing their mortgages
      - Must be able to demonstrate credit worthiness
- Last rate increase was approved in 1998



# Results/Impact



- Revenues are not sufficient to cover Budgeted Requirements
- Requires a 44% across-the-board rate increase
- Increase of \$6.84/month for the average residential customer (assuming 5,000 gallons)



# Results/Impact

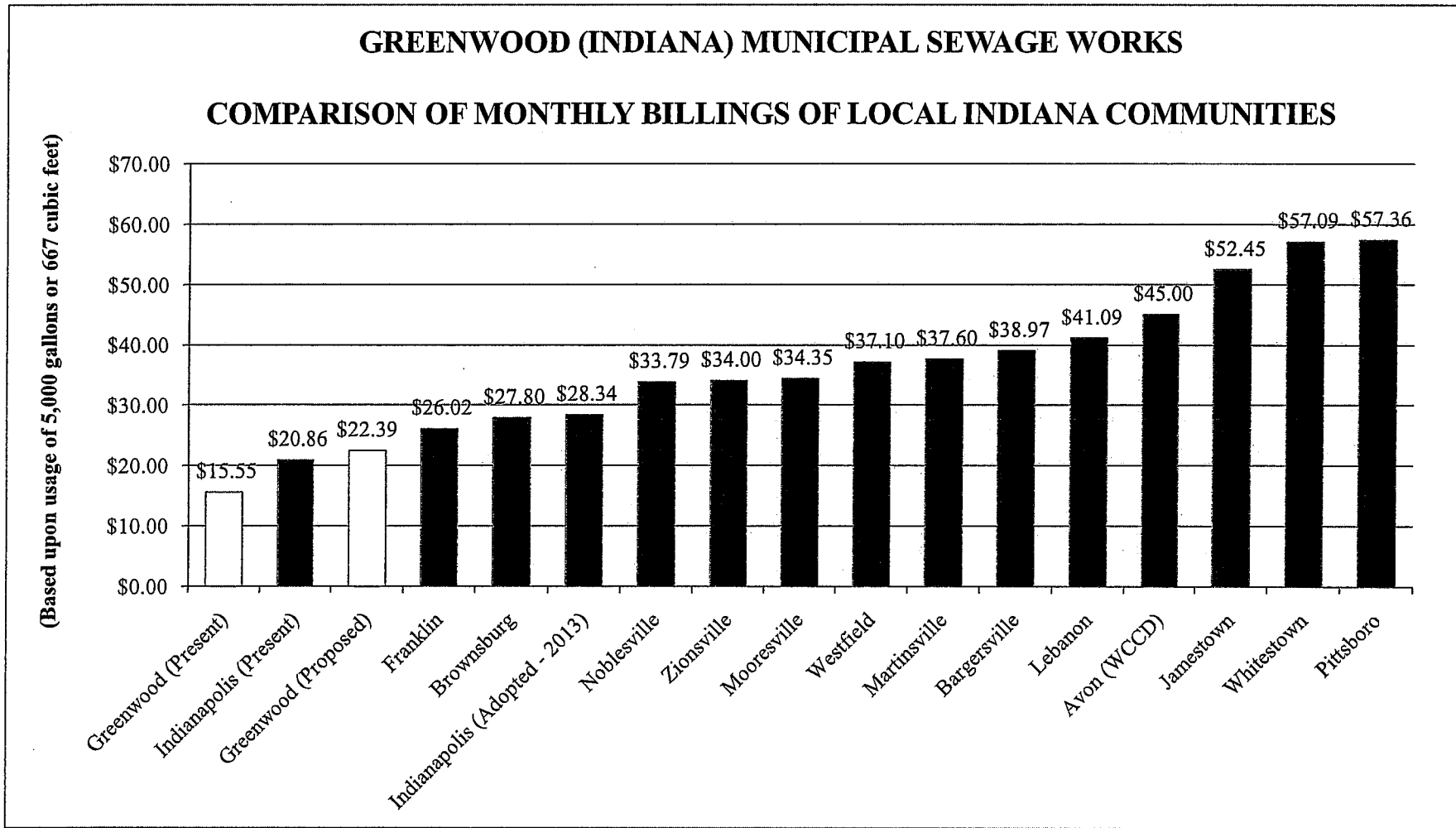
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Usage	Current Amount	Proposed Amount	Increase
0 gallons	\$7.25	\$10.44	\$3.19
1,000 gallons	8.91	12.83	3.92
2,000 gallons	10.57	15.22	4.65
3,000 gallons	12.23	17.61	5.38
4,000 gallons	13.89	20.00	6.11
5,000 gallons	15.55	22.39	6.84
6,000 gallons	17.21	24.78	7.57



# Results/Impact

(Cont'd)



# Refunding Bonds

- 1997A, 1997B and 1998C Bonds are all callable
- Current interest rates are low enough to save approximately \$100,000 per year



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# New Money Bonds

- By extending the maturity of the bonds by two years, together with the savings generated from the refinancing, the Sewage Works can issue approx. \$2,650,000 of revenue bonds while maintaining the current level of debt service
  - Proceeds to be used to make capacity payments to Indianapolis (\$797,000 semi-annually)
- The debt restructuring will not cause the customer's rates to go up or down. However, the Sewage Works will be benefitted by this action.



# Timetable

## Sewage Works Refunding and Revenue Bonds of 2010, Series A & B

<u>Target Date</u>	<u>Activity</u>
September 8, 2010	Council Meeting – First reading of Bond Ordinance and Rate Ordinance. Public hearing on rates.
September 20	Council Meeting – Consider adoption of Bond Ordinance and Rate Ordinance
September 29	First Publication – Notice of Intent to Sell Bonds
September 29	Notice of Adoption and Purport published
October 6	Second Publication – Notice of Intent to Sell Bonds
October 19	Expiration of twenty-day period (applies to new money series only)
October 20	Bond sale
November 4	Bond closing

# Results/Impact

