



840 W. Washington St • P.O. Box 26 • Eufaula, AL 36027
(334) 687-1225
www.eufaulawaterworks.com

To: All Water and Sanitary Sewer Customers

Date: September 28, 2018

Re: Water and Sanitary Sewer Rate Increase

As outlined in our 10 year Plan, we have identified over \$34 million of needed rehabilitations to our water and wastewater systems through 2027. These upgrades are in addition to the current \$8 million of Rehabilitation Projects that are already underway. We prioritized these needs to identify the ones absolutely necessary. The improvements that must be done will cost \$16 million. To Fund these necessary improvements as well as general operational cost and current debt service we have established that we need to increase rates charged to our customers by 4% each year over the ten year period.

The last rate increase to Water Customers was October 01, 2016. The last rate increase to Sanitary Sewer Customers was March 01, 2017. Effective October 01, 2018 base and usage rates will increase on both water and sanitary sewer 4% above current rates.

Why: In 2014 we were placed on notice by ADEM to take action to reduce future sanitary sewer overflows from our system. We identified a number of issues that were causing the overflows of sanitary sewer from our system. Some of these issues were: failing collection system pipes/manholes, transfer pump failures, pump station control electronics failure, collection system pipe blockages due to grease build up and main pumping station failure at the Wastewater Treatment Plant.

We prioritized the identified issues and began pursuing funding for corrections in 2014. Considering we did not qualify for State or Federal grants, we had to borrow \$2.0 million to do Sanitary Sewer Rehabilitation in early 2015. We replaced higher priority pump station pumps and controls in 2016 (\$1.5 million). We replaced two major collection system junctions that had failed manholes and piping in 2016 (\$280,000). We also borrowed \$2.0 million to do water system rehabilitation. We replaced older and smaller galvanized water mains and service lines in the core of the System.

Jack B. Tibbs, Jr
Chairman

Johnny Knight
Vice-Chairman

Sidney L. "Chip" Chapman
Member

Barbara. Flurry
Member

Eugene Harris
Member

Joy White
Secretary/ Treasurer

C. Daryl Baker
General Manager

We were hoping to qualify for State and Federal grants for some of the other higher priority rehabilitation needs but to date none of our grant options have worked out. In late 2016, we could wait no longer for grants, so we began the pursuit of borrowing an additional \$8.0 million to complete the pump station pumps, fittings and control replacements, collection system pipes and manhole rehabilitation in the Edgewood and Cherry Street areas, and pump station replacement at the Wastewater Treatment Plant.

We qualified for advantageous Bond rates on the Municipal Bond market with an S&P rating of "A(stable)" and sold 20 year bonds at net interest cost of 3.3%. To qualify for the better Bond rating (which equates to lower interest costs) we had to offer assurance to Bond purchasers of our willingness and ability to repay them as agreed. The annual payment to retire this new debt is approximate \$550,000.

We know any increase in monthly living expense is difficult for our customers and neighbors, but we also recognize the need to continue to provide adequate services to each of you and this community. We have many failing underground pipes and manholes that are over 75 years old. The Water System has numerous old plastic service lines failing and the water meters are past their accuracy life. The Water Production Well Pumps and associated equipment are past design life and in need of replacement and updating.

Please see the attached copy of our 10 year Capital Expenditure Plan and our 10 year ProForma Budget for additional information relating to these needed improvements.

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**Eufaula Water Works and Sewer Board
Capital Improvement Summary
December 2017**

Project	WW Estimated Cost		Funding	Design/Bid	Completion
Completed Projects 2014-17	Total	Annual			
ATRIP	\$100,000		2014 Bond	2013-15	2016
Water Tank Rehab.	\$740,000	\$185,000	Annual System	2014	2014-2024
Carbo WW	\$4,500,000		Carbo/ADECA	2014-15	2016
Water line Rehab.	\$1,125,000		2014 Bond	2014-15	2017
Sanitary Pump Sta. Ph I	\$1,560,000		2014 Bond	2014-15	2016
Edgewood Water Line Rehab	\$475,000		2014 Bond	2015	2016
Barbour Creek/ Colby MH	\$300,000		2014 Bond	2014	2016
WWTP Cell #1 Repair	\$200,000		AMIC	2015	2016
CMMS/Billing/Accting	\$250,000		WB Rev.	2014-15	2016
Water Meter Register Repl.	\$1,300,000 *		Master Meter	2015	2016-17
Carbo Arch Dr. Meter Pit	\$50,000		Carbo/WWSBE	2014-15	2016
* = Cost Estimated from Master Meter Retail Price of Registers					
Sub-Total	\$10,600,000				
Active Projects - 2 yrs.					
WWTP Inf Sta./Screening	\$2,100,000		2017 Bond	2017	2018
Edgewood Sewer Rehab.	\$1,925,000		2017 Bond	2017	2018
Cherry St Area Sewer Rehab.	\$500,000		2017 Bond	2017	2019
S. River St Water Rehab.	\$375,000		2017 Bond	2015	2017
Sanitary Pump Sta. Ph II	\$3,100,000		2017 Bond	2017	2018
Sub-Total	\$8,000,000				
Total Known 12/2017	\$18,600,000				

**Eufaula Water Works and Sewer Board
Capital Improvement Summary
December 2017**

Project	WW Estimated Cost	Funding	Design/Bid	Completion
Projects 5 year -2018-2022	Total	Priority		
Water Tank Rehab.	\$925,000	1	Annual System	2014 2014-2024
Chewalla Creek Forcemain	\$250,000	2	Annual System	2013 2022
CCA H2O Southern Loop	\$50,000	2	Annual System	2022 2022
Well Pump Rehabs.	\$500,000	1	Annual System	2018 2019-2022
Well Site Controls Rehab.	\$500,000	1	Annual System	2018 2019-2022
H2O Booster Controls Rehab.	\$150,000	1	Annual System	2018 2019-2021
H2O Booster Pumps Replace	\$150,000	1	Annual System	2018 2019-2021
1500 H2O Service Lines	\$1,500,000	2	2022 Bond	2023 2025
H2O Lg Meter/BFP Replace	\$500,000	1	Annual System	2018 2019-2021
WWTP Grit Remove/Aeration	\$4,000,000	1	2022 Bond	2021 2022
Cherry Street SS Rehab.	\$2,000,000	1	2022 Bond	2021 2022

Sub-Total \$10,525,000

Projects 10 years-2023-2027					
Water Tank Rehab. cont.	\$925,000	2	Annual System	\$ 185,000	Annually
5800-Water Meter Replace	\$2,500,000	2	2022 Bond	2022	2023
Pecan St Area H2O Lines Rehab.	\$200,000	2	Annual System	2025	2026
Cherokee Dr H2O Rehab.	\$120,000	2	Annual System	2021	2022
Outback Rd H2O East Loop	\$100,000	3	Undetermined		
Bullock Circle H2O Rehab.	\$100,000	3	Annual System	2025	2026
New Water Well			Undetermined		
Forrest Hill H2O Lines Rehab.	\$1,000,000	3	Undetermined		
1500 H2O service lines	\$1,500,000	3	Undetermined		
N. Rand.-Bluff Area SS Rehab	\$4,500,000	2	Undetermined		
S Randolph SS Rehab	\$3,500,000	3	Undetermined		
Broad-Bdy SS Rehab	\$5,000,000	3	Undetermined		
Barbour Ck Outfall Rehab	\$1,500,000	2	Annual System	2026	2028
Bdy. Outfall Rehab	\$500,000	2	Annual System	2026	2027
S Dale Bdy-Barb Ck SS rehab	\$500,000	3	Undetermined		
State Dock-Barb Ck SS rehab	\$1,000,000	3	Undetermined		
Effluent Main Rehab	\$2,000,000	3	Undetermined		

Sub-Total \$24,945,000

Needed Infra. Projects 15 years - 2028-2032

Forrest Hills SS Rehab	\$2,000,000	4	Undetermined		
S. Barbour Ck SS Rehab	\$10,000,000	4	Undetermined		
WWTP Sludge Removal	\$15,000,000	3	Undetermined		
SS Pump Sta Rehab	\$3,000,000	4	Undetermined		
Ind. Park SS Rehab	\$1,500,000	4	Undetermined		

Sub-Total \$31,500,000

**Eufaula Water Works and Sewer Board
Capital Improvement Summary
December 2017**

Project	WW Estimated Cost	Funding	Design/Bid	Completion
Needed Infra. Projects 20 years - 2033-3037				
W. Cty Club SS Rehab	\$5,000,000	4	Undetermined	
N Chewalla Ck SS Rehab	\$10,000,000	4	Undetermined	

SubTotal \$15,000,000

Unfunded Infrastructure Rehab. Needed Next 20 Years Total \$81,970,000

Other Infra Needs

New SS Collection Infill	\$65,000,000	4	Undetermined	
CCA, 82 West, Foxridge, Barbour Lane, Chennyhatchee, Sandy Lane, 5 mile Rd, Cottonhill Rd., Bakerhill Hwy., Chewalla Heights, St. Francis Rd., Hwy. 95, Woodlawn.				

Operations Short Term CapX Needs	Annual				
Vac Truck - 2018	\$370,000		2014 Bond	2017	2018
Mini Excavator/Access. 2018	\$50,000		Annual Op CapX	2017	2018
Rolling Stock/Equip. Annually	\$100,000	\$100,000	Annual Op CapX	2018	Annually
Office/Lab Equip Annually	\$50,000	\$50,000	Annual Op CapX	2018	Annually
Wall St Op Center Renovator	\$100,000		Annual Op CapX	2018	2019
Wall St Thomas Property	\$75,000		Annual Op CapX	2018	2020
2018 Total		\$164,000			
2019 Total		\$225,000			
2020 Total		\$225,000			
2021 Total		\$200,000			
2022 Total		\$200,000			

Note: All cost estimates are in 2016 dollars

Water Works and Sewer Board
Funding Projections
2018-2027

**4% Rate Increase/year, \$5.08 million New Annual System CapX,
\$10 million New Debt Service for Major Systems CapX - 2022 Bond**

Fiscal Year	Revenue	O/M Expense	Current Debt Service	Annual Operation CapX	Annual Systems CapX	Net Revenue	%	Systems	Proposed Debt	Net/Net Revenue	%	Begin year Operations Cash
								Major CapX Unfunded	Service \$10mm			
	4% incr./yr	3% incr./yr										
2018	\$4,318,634	\$2,340,462	\$1,323,907	\$200,000	\$422,500	\$ 31,765	1%			\$ 31,765	1%	\$ 1,700,000
2019	\$4,481,946	\$2,582,931	\$1,330,859	\$209,000	\$640,000	\$ (280,844)	-6%			\$ (280,844)	-6%	\$ 1,731,765
2020	\$4,661,224	\$2,652,694	\$1,323,059	\$225,000	\$710,000	\$ (249,529)	-5%			\$ (249,529)	-5%	\$ 1,450,921
2021	\$4,847,673	\$2,732,275	\$1,318,959	\$200,000	\$710,000	\$ (113,561)	-2%			\$ (113,561)	-2%	\$ 1,201,392
2022	\$5,041,580	\$2,814,243	\$1,318,446	\$200,000	\$710,000	\$ (1,109)	0%	\$0	\$0	\$ (1,109)	0%	\$ 1,087,831
2023	\$5,243,243	\$2,898,670	\$1,331,986	\$225,000	\$670,000	\$ 117,587	2%		\$790,000	\$ (672,413)	-13%	\$ 1,086,722
2024	\$5,452,973	\$2,985,630	\$1,190,334	\$225,000	\$670,000	\$ 382,008	7%		\$790,000	\$ (407,992)	-7%	\$ 414,308
2025	\$5,671,092	\$3,075,199	\$821,387	\$225,000	\$670,000	\$ 879,505	16%		\$790,000	\$ 89,505	2%	\$ 6,317
2026	\$5,897,935	\$3,167,455	\$825,988	\$200,000	\$670,000	\$ 1,034,492	18%		\$790,000	\$ 244,492	4%	\$ 95,822
2027	\$6,133,853	\$3,262,479	\$824,588	\$200,000	\$670,000	\$ 1,176,786	19%		\$790,000	\$ 386,786	6%	\$ 340,314
Totals	\$51,750,151	\$28,512,039	\$11,609,513	\$2,109,000	\$6,542,500	\$ 2,977,099	6%	\$19,075,000	\$3,950,000	\$ (972,901)	-1.9%	\$ 727,099

Implement Pay Plan Update January 01, 2019 - full 12 months added \$42,500 to FY20
FY20 deduct \$20k Sewer line maintenance, \$20K GIS Inc, \$10K Additional 1% incentive.

FY18 Projected July

FY19 Approved Budget

** Shift 2022 Bond initial payment to 2023