

Water and Sewer Rate Study

Project Findings



Prepared for:



June 19, 2025

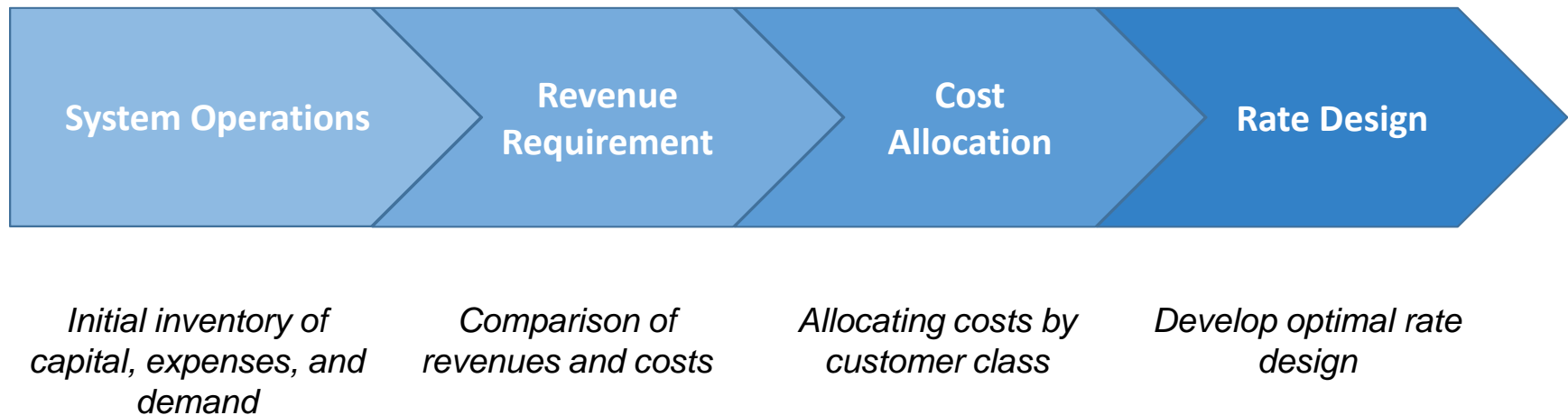
The rate study conducted by Fulton County Public Works is crucial for ensuring that the water and sewer utility can adequately cover its operating costs like maintenance, capital improvements, and debt service

- The rate study also enables balancing affordability for residents and encouraging water conservation
- It provides a financial plan for future revenue generation, allowing for proactive adjustments to rate structures rather than reactive increases that can shock consumers

Key Factors for Consideration

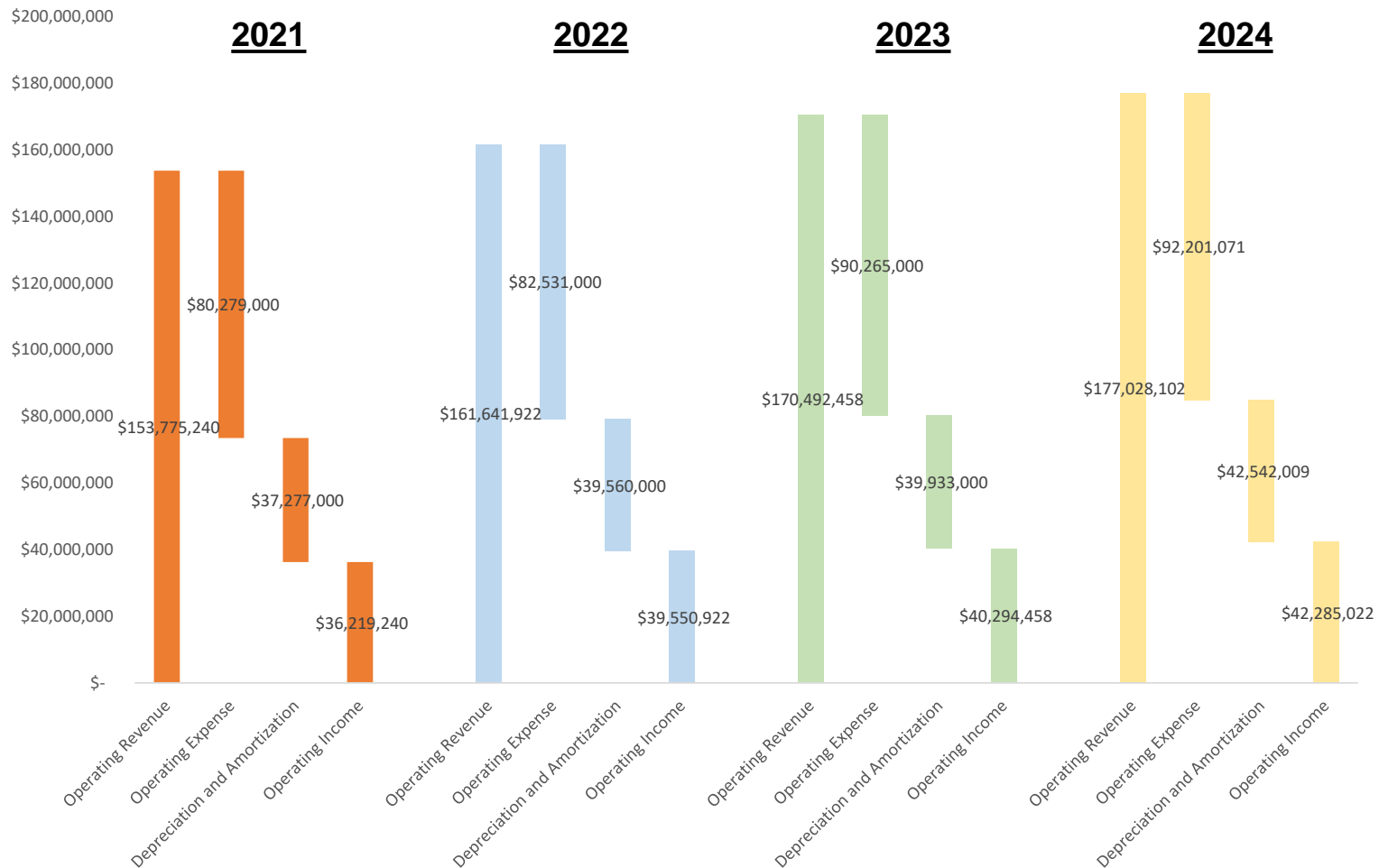
- **Ensuring Adequate Revenue** – A study analyzes current and projected expenses to determine if existing water rates are sufficient to cover costs
- **Affordability** – Water rate studies aim to balance the need for revenue with the ability of residents to pay, ensuring rates are not excessively high
- **Water Conservation** – Rate structures can be designed to incentivize water conservation, such as tiered rates that increase with higher usage
- **Equitable Revenue Recovery** – A study helps distribute the costs of water service fairly among different customer classes
- **Planning for the Future** – By projecting future expenses and needs, a rate study provides a roadmap for capital improvements and long-term financial sustainability
- **Transparency and Public Communication** – Rate studies can be used to communicate with customers about the reasons for rate adjustments and the plans for improving the water system
- **Supporting Major Projects** – Studies can demonstrate the need for funding to participate in large-scale water projects
- **Addressing Inflation and Rising Costs** – Rate studies help utilities account for inflation and rising operational costs, ensuring they have enough revenue to maintain the system
- **Avoiding Financial Deficits** – A study can help identify potential deficits and recommend necessary rate adjustments to prevent financial strain on the water utility

Fulton County Public Works has undertaken a rigorous analysis to ensure that it meets its financial obligations, ensures levels of service, customers are charged at fair and equitable rates, and stakeholder interests are in full alignment



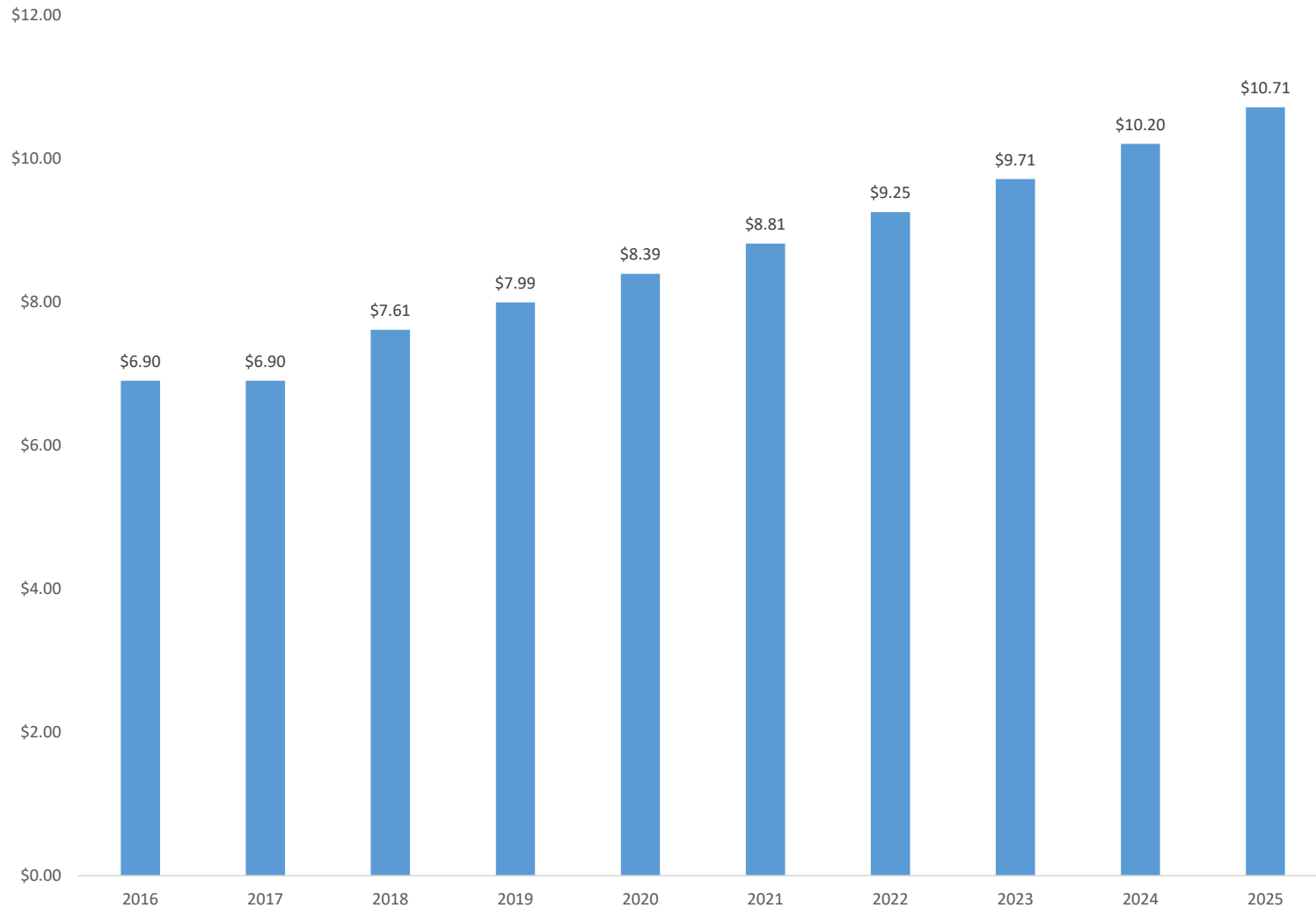
The Fulton County Water and Sewer system has seen steady increases in its operating revenue, expenses, depreciation expense, and operating income

Financial Results: 2021-2024

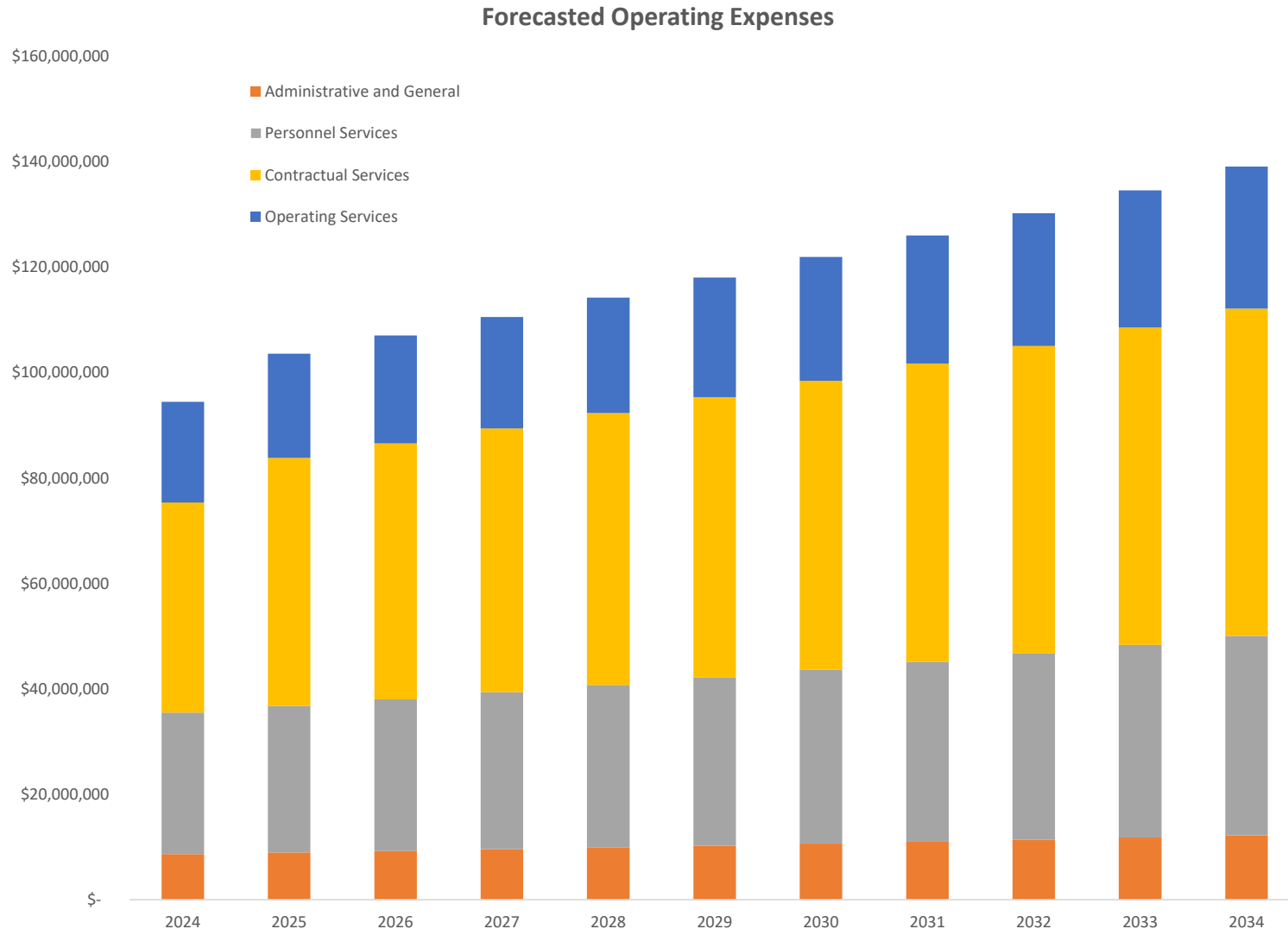


Fulton Water and Sewer has been pursuing a consistent approach of increasing rates by 5.0% annually in recent years

Base Charge for 3/4" Meter (5,000 Gallons)



Based on current trends, we can forecast the following growth of the operating expense, growing at an average annual rate of 3.9%

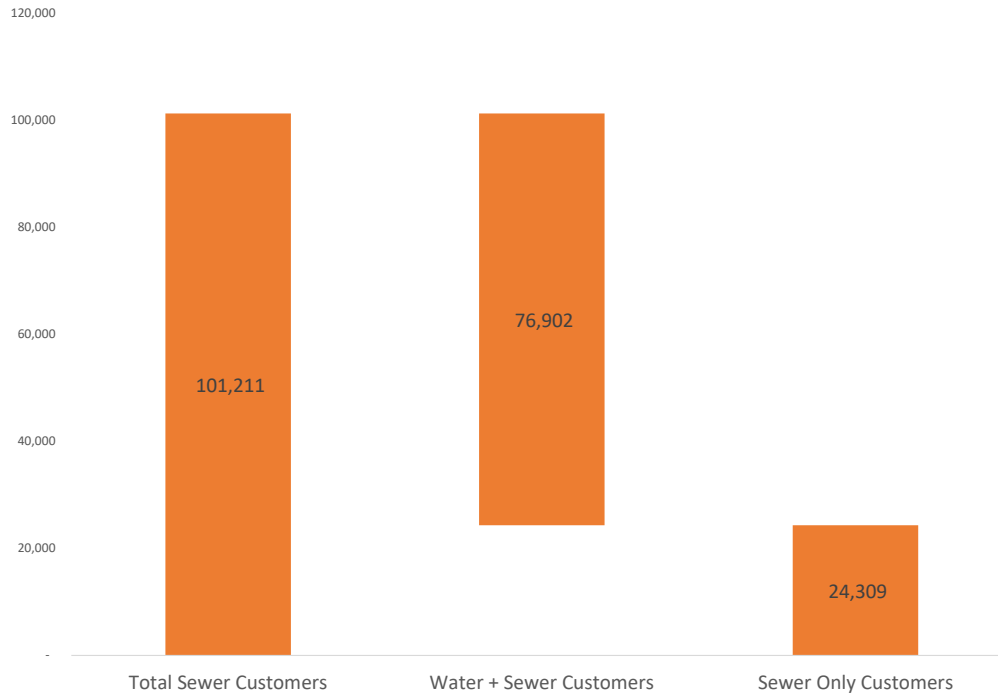


Fulton County will also need to service the debt that it currently has and will add in the future in support of capital improvement efforts

- Current debt level requires annual debt payments in excess of \$39 million for each of the next three years, followed by seven years of debt payments in excess of \$44 million, before the debt level is reduced in 2035
 - Annual debt service drops by \$13 million in 2035
- All current debt is scheduled to be paid off by 2044
- The current debt is split into three issues, totaling \$579,002,180 as of 12/31/24
 - Issue 2020A = \$302,223,586
 - Issue 2020B = \$46,097,000
 - Issue 2013 = \$230,681,594

Nearly one-fourth of sewer customers do not receive water service from Fulton County

Breakdown of 3/4" Customers



Key Observations

- 24.0% of sewer customers do not receive water service from Fulton County
- North Fulton represents 55.6% of sewer customers, with South Fulton representing the remaining 44.4%
- 3/4" accounts represent 94.8% of water and sewer customers
- Hydrant and irrigation represents 6.7% of water volume and 10.8% of water revenue
- Water revenue: \$49,733,507
- Sewer Revenue: \$116,664,892
 - North Fulton: \$62,274,549
 - South Fulton (billed by COA): \$45,661,000
 - Municipalities: \$8,729,343

In order to assess the potential to support capital improvement projects, a detailed modeling exercise was conducted to evaluate options

- After iterative analysis and discussion among team members, a viable financeable scenario was arrived at with the goal of a cash-financing target of \$35 million for 2025 and \$40 million per year thereafter
- To evaluate the financial viability of different options required a detailed assessment of a number of factors – operational requirements and the resulting debt ratios, cash on hand, and debt payment requirements – that coupled with the current state of department operations

	Scenario 1	Scenario 2	Scenario 3
Rate Approach	Keep rates constant with no further increases	Maintain current practice of annual 5% increases	Raise rate increases to 6.5% per year going forward
Rationale	Maintaining cost levels for customers	Continuity with past practices	Provide additional financial resources
Conclusion	Deemed as unfeasible given that not enough revenue was generated to support operations	Viable pending level of debt-financed capital projects	Overly burdensome for customers and not seen as necessary

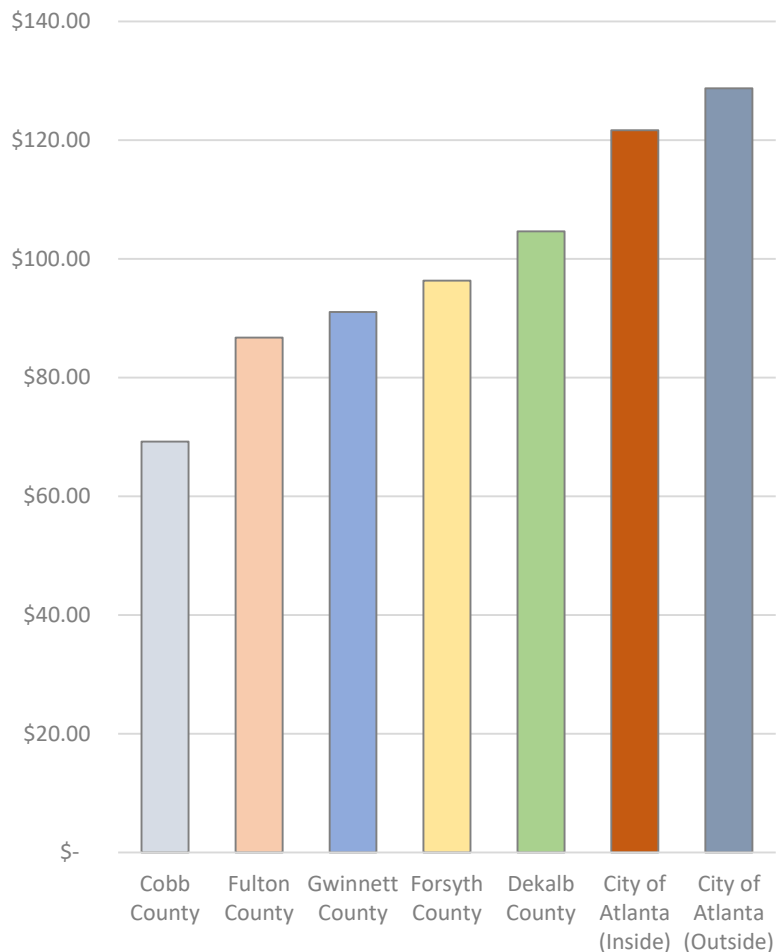
Limiting debt financing to \$450 million, with 50% in 2027 and the other 50% in 2029 is supported by continued 5.0% annual increases in rates

Revenue Requirements - Cash

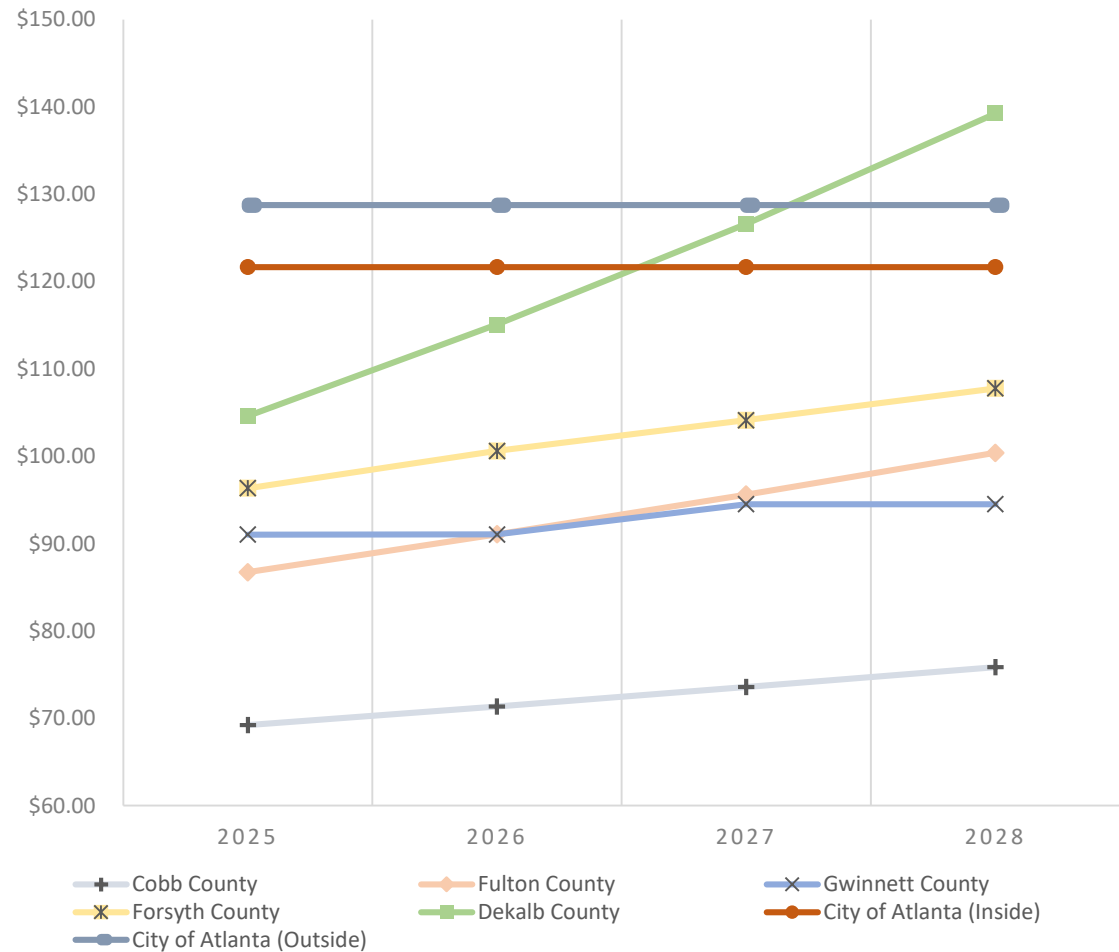
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Operating Revenue						
Water and Sewerage Revenue	\$ 174,486,593	\$ 186,000,831	\$ 198,252,613	\$ 211,018,143	\$ 224,937,133	\$ 239,713,112
Total Operating Revenue	\$ 174,486,593	\$ 186,000,831	\$ 198,252,613	\$ 211,018,143	\$ 224,937,133	\$ 239,713,112
Operating Expenses						
Administrative and General	\$ 8,934,000	\$ 9,291,360	\$ 9,663,014	\$ 10,049,535	\$ 10,451,516	\$ 10,869,577
Personnel Services	\$ 27,790,459	\$ 28,902,077	\$ 30,058,161	\$ 31,260,487	\$ 32,510,906	\$ 33,811,343
Contractual Services	\$ 47,118,942	\$ 49,003,699	\$ 50,963,847	\$ 53,002,401	\$ 55,122,497	\$ 57,327,397
Operating Services	\$ 19,779,265	\$ 20,570,436	\$ 21,393,254	\$ 22,248,984	\$ 23,138,943	\$ 24,064,501
Total Operating Expenses	\$ 103,622,666	\$ 107,767,573	\$ 112,078,276	\$ 116,561,407	\$ 121,223,863	\$ 126,072,817
CapEx - Cash	\$ 35,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000
Operating Income	\$ 35,863,927	\$ 38,233,258	\$ 46,174,337	\$ 54,456,737	\$ 63,713,270	\$ 73,640,295
Non-Operating Revenue						
Interest Income	\$ 4,287,400	\$ 4,287,400	\$ 4,287,400	\$ 4,287,400	\$ 4,287,400	\$ 4,287,400
Debt Payment	\$ (39,445,459)	\$ (39,368,556)	\$ (51,526,310)	\$ (57,054,100)	\$ (69,212,149)	\$ (69,137,649)
Total Non-Operating Revenue	\$ (35,158,059)	\$ (35,081,156)	\$ (47,238,910)	\$ (52,766,700)	\$ (64,924,749)	\$ (64,850,249)
Income before contributions and transfers	\$ 705,869	\$ 3,152,102	\$ (1,064,572)	\$ 1,690,037	\$ (1,211,480)	\$ 8,790,046
Revenue Requirement	\$ 173,780,725	\$ 182,848,729	\$ 199,317,185	\$ 209,328,106	\$ 226,148,612	\$ 230,923,067
Forecasted Revenue	\$ 174,486,593	\$ 186,000,831	\$ 198,252,613	\$ 211,018,143	\$ 224,937,133	\$ 239,713,112

Fulton water and sewer costs are within the range of neighboring water and sewer systems

CURRENT MONTHLY CHARGE FOR A 5,000 GALLON/MONTH CUSTOMER



PROJECTED MONTHLY CHARGE FOR A 5,000 GALLON/MONTH CUSTOMER



Fulton County is able to effectively manage system operations and continue delivering water and sewer services by supporting a number of milestones

Recommendations and Conclusions

- Maintain its current practices of increasing water and sewer rates by 5.0% for the next two years, with a plan to revisit in 2027
- Ensure that operating expenses are kept stable, with annual increases to be maintained within 4.0%
- Keep cash-financed capital projects to \$40 million per year
- Finance the large capital projects (e.g., Camp Creek Improvement Project and others) with debt of \$450 million, split between 50% in 2027 and 50% in 2029