

MEMORANDUM

TO: Jay Melder, City Manager
Taffanye Young, Assistant City Manager
Saesha Carlile, COO
Robert Boyce, Utility Services Director
Melissa Carter, Senior Director
Ron Feldner, Water Resources Chief
Anthony Caston, Water Resources Administrator
File#15.63

FROM: David F. Maxwell, Chief Financial Officer

DATE: September 25, 2025

SUBJECT: Water and Sewer Revenues and Rates – 2026 through 2030

This memo provides an annual update to the five year water and sewer funding plan and rate impact projection. This memo is preliminary and may need to be revised during the budget process. Keep in mind that this memo only addresses the City of Savannah retail/groundwater system and does include analysis for the Industrial and Domestic Surface Water Operation.

Because the capital requirements of the water and sewer utility are very large, a multi-year approach for financial planning is essential. Careful financial planning is also required because of the system's reliance on the public capital markets for borrowing, and the need to remain in compliance with the system's bond covenants.

In summary:

- the five year capital plan totals \$477,852,000
- five new borrowings are projected to be required (\$442 million total)
- incremental rate increases are forecasted in each of the years in the 5-year planning period with an average annual increase of 7.18% for the median usage in-side city customer

The 2025 rate increase approved as part of the 2025 budget adoption was implemented as of 1/1/2025. Rate increases for years 2026 – 2030 are projected to be **HIGHER** than the \$1.95 per month increases strived for in previous plans for the median in-side city customer. These higher than normal rate increases are necessary to fund the aggressive capital plan necessary to expand and maintain the system. In addition, the increased rates are necessary to maintain an acceptable debt service coverage ratio of 1.7X which will help preserve the system's current bond rating. While this memo contains some basic information about the five-year capital plan, more information about the capital plan and its components should be obtained from the Water and Sewer management team.

1. **RATES**

- a. **Water Rates** – Rates proposed for water for 2026 are increased from 2025. The proposed base charge for 2026 is unchanged from 2025; only the consumption charge is proposed to increase. The recommended increase for the inside city rates is +\$0.03/CCF; and for outside city rates the increase is +\$0.05. Future rate increases for water are projected for each year in the five year plan for 2026 through 2030 and are summarized later in this memo. The 2025 and proposed 2026 water rate schedules are as follows:

	Water Rates			
	Inside City		Outside City	
	2025	2026	2025	2026
Base Charge (bi-monthly)	\$11.06	\$11.06	\$16.59	\$16.59
Consumption Charges:				
First 15 CCFs bi-monthly	\$1.43	\$1.46	\$2.14	\$2.19
Over 15 CCFs bi-monthly	\$1.61	\$1.64	\$2.41	\$2.46

- b. **Sewer Rates** – Rates proposed for sewer service for 2026 are higher than 2025. The proposed base charge for 2026 is unchanged from 2025; only the consumption charge is proposed to increase. The recommended increase for inside city rates is +\$.40/CCF; and for outside city rates the increase is +\$.60/CCF. Future rate increases for sewer are projected for each year in the five year plan for 2026 through 2030 and are summarized later in this memo. The 2025 and proposed 2026 sewer rate schedules are as follows:

	Sewer Rates			
	Inside City		Outside City	
	2025	2026	2025	2026
Base Charge (bi-monthly)	\$8.80	\$8.80	\$13.20	\$13.20
Consumption Charges:				
First 15 CCFs bi-monthly	\$4.78	\$5.18	\$7.17	\$7.77
Over 15 CCFs bi-monthly	\$5.16	\$5.56	\$7.74	\$8.34

- c. **Rate Change Impact** – The impact of the proposed 2026 increase on the combined monthly water and sewer bill for the median inside city customer (who uses about 15CCFs bi-monthly) is as follows:

	<u>2026 over 2025</u>
Increase in Combined W&S bill	\$3.22/month or \$38.64/year
Percentage Increase	5.71%

- d. **Future Rate Projection** – Water and sewer rates are projected five years into the future. Rate increases are projected to be necessary to fund anticipated increases in the operation and maintenance costs of the system, debt service, and to fund the Water and

Sewer System 2026-2030 five year capital improvement/capital maintenance plan. The projected monthly increase (and percentage increases) in combined water and sewer bills (on a monthly basis) for three different usage levels is as follows:

Year	Water and Sewer Rate Change History and Projection					
	Monthly Increase in Combined Bill			Percentage Increase in Combined Bill		
	15CCF*	25CCF	35CCF	15CCF*	25CCF	35CCF
2014 (actual)	\$1.50	\$2.50	\$3.50	4.08%	4.35%	4.48%
2015 (actual)	1.50	2.50	3.50	3.92%	4.17%	4.29%
2016 (actual)	1.50	2.50	3.50	3.77%	4.00%	4.11%
2017 (actual)	1.65	2.75	3.85	4.00%	4.23%	4.34%
2018 (actual)	1.12	1.87	2.62	2.62%	2.77%	2.84%
2019 (actual)	1.95	3.25	4.55	4.43%	4.67%	4.78%
2020 (actual)	1.95	3.25	4.55	4.24%	4.46%	4.56%
2021 (actual)	0.00	0.00	0.00	0.00%	0.00%	0.00%
2022 (actual)	1.95	3.25	4.55	4.07%	4.27%	4.36%
2023 (actual)	1.95	3.25	4.55	3.91%	4.10%	4.18%
2024 (actual)	1.95	3.25	4.55	3.76%	3.93%	4.01%
2025 (actual)	2.70	4.50	6.30	5.02%	5.24%	5.34%
2026	3.22	5.38	7.53	5.71%	5.95%	6.06%
2027	3.75	6.25	8.75	6.28%	6.53%	6.64%
2028	4.72	7.88	11.03	7.44%	7.72%	7.85%
2029	5.85	9.75	13.65	8.58%	8.88%	9.01%
2030	5.85	9.75	13.65	7.90%	8.15%	8.26%
Average (last 5 years actual)	\$1.71	\$2.85	\$3.99	3.35%	3.51%	3.58%

* 15 CCFs is the usage of the system's median customer; that is half of the customers use more and half use less.

- e. **Restrictions on Groundwater Withdrawals Will Require Increased Reliance on Surface Water** – It can be anticipated that the EPD will further restrict the City's withdrawals from the floridan aquifer. For 2025, it is projected that 5,100 MG in surface water will be required to supplement groundwater withdrawals; and for 2026, it is assumed that 5,200 MG will be needed at a projected cost of \$4,108,000. Purchases of this volume of water from the surface water system will create upward pressure on the expenses of the groundwater system. The State of Georgia is engaged in discussions that may result in even greater curtailment of groundwater withdrawals. This would create a situation where even more purchases of surface water from the I&D system would be required creating more pressure on system expenses in the future.
- f. **Wholesale Rates** – Rates proposed for wholesale customers for 2026 are higher than 2025. Wholesale water rates for 2026 are proposed to be \$2.64/1,000 gallons or \$1.97/CCF compared to the rates of \$2.60/1,000 gallons or \$1.94/CCF charged in 2025.

Wholesale sewer rates for 2026 are proposed to be \$7.60/1,000 gallons or \$5.68/CCF compared to the rates of \$7.06/1,000 gallons or \$5.28/CCF charged in 2025.

Wholesale Rates for Municipal Customers

	2025	2026*
Wholesale Water Service (\$/1000 gallons)	\$2.60	\$2.64
Wholesale Water Service (\$/CCF)	\$1.94	\$1.97
Wholesale Sewer Service (\$/1000 gallons)	\$7.06	\$7.60
Wholesale Sewer Service (\$/CCF)	\$5.28	\$5.68

*Effective April 1, 2026 (contingent on Council approval)

2. CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program funded by this plan totals \$477,852,000 for the five-year 2026-2030 period. The plan anticipates major system improvements, upgrades and maintenance projects required to keep the system running efficiently and in compliance with regulatory standards. Many of the projects are in response to needed sewerage treatment capacity and stricter standards on wastewater discharge pollutant levels.

The capital projects to be funded next year are summarized in the attached Capital Project Schedule. Though some of these projects will be funded by future bond issues, each and all of these project budgets should be included in the CIP budget adjustments processed in January of 2026 once approved.

3. PLANNED BORROWING and CIP FUNDING

The CIP funding plan includes five new borrowings during the five years. The year and amount of each projected debt issue is as follows:

Year	Amount
2026	\$137,000,000
2027	104,000,000
2028	109,000,000
2029	40,000,000
2030	52,000,000
	<u>\$442,000,000</u>

The funding of the five-year \$477,852,000 CIP program would be provided from the following sources over the five year period:

	Five Year Total	Percent
Operating Net Income	\$ 29,352,000	6.1%
Planned New Borrowing	442,000,000	92.5%
Interest on Restricted Assets	6,500,000	1.4%
Total	<u>\$ 477,852,000</u>	<u>100.0%</u>

4. WATER AND SEWER REVENUE PROJECTIONS

Total revenues by account for 2024 actuals, 2025 budgeted and 2026 proposed are as follows:

Water and Sewer Fund Revenue Projections				
Revenue Summary				
		2024 Actual	2025 Budget	2026 Proposed
	Water Revenues			
42903	Transmitter Tower Rent	\$361,251	\$350,000	\$250,000
44522	Reimbursements from Sewer Fund	4,408,774	4,270,144	4,648,576
44101	Services to the General Fund	0	35,661	35,661
45111	Water Sales - Inside City	17,090,757	18,065,083	18,543,523
45112	Water Sales - Outside City	7,218,233	7,350,747	7,537,779
45114	Fire Spinkler Reimbursement Fee	25,218	7,500	7,500
45115	Senior Citizens Discount- Water	64	(2,000)	0
45116	Wholesale Water Sales	5,000,787	5,200,000	5,438,400
45121	Water Meter Installation Fees	905,476	677,650	420,000
45123	Water Tap-In Fees	1,103,740	945,000	945,000
45139	Additional Water Connection Fees	3,099,298	3,631,300	2,315,650
45141	Water Cut-On Fees	712,180	700,000	700,000
45142	Late Payment Penalty	1,724,328	1,750,000	1,750,000
45143	Account Establishment Fee	341,590	300,000	300,000
45154	Reimbursement from I&D Fund	538,522	550,206	586,520
45155	Reimbursement from Sanitation Fund	411,609	373,714	395,920
45156	Water Purchased by Other Funds	524,384	495,860	495,860
45199	Miscellaneous Water Revenue	75,614	5,000	5,000
47111	Interest Earned - Water	782,236	500,000	0
	Total Water Revenues	\$44,324,061	\$45,205,865	\$44,375,389
	Sewer Revenues			
45211	Sewer Service Fees-Inside City	\$32,377,509	\$35,902,517	\$39,084,009
45212	Sewer Service Fees-Outside City	12,159,588	13,680,572	13,186,884
45213	Septic Tank Disposal Fees	452,695	250,000	375,000
45214	Reclaimed Water Sales	115,338	90,000	105,000
45215	Senior Citizens Discount -Sewer	66	(2,000)	0
45216	Wholesale Sewer Service	2,730,577	2,904,000	3,124,000
45221	Sewer Tap-in Fee	670,203	812,500	625,000
45222	Line Televising Fees	0	60,000	0
45225	Grease abatement permit fee	55,409	100,000	55,000
45226	Purple Pipe Fee	1,089,312	750,000	900,000
45239	Additional Sewer Connection Fees	5,343,717	7,181,867	5,153,117
45241	Sewer Cut-On Fees	712,181	700,000	700,000
45256	Sewer Service Purchased by Other Funds	1,339,286	1,000,609	1,000,609
45299	Miscellaneous Sewer Revenue	56,472	25,000	25,000
42994	FEMA Reimbursement	5,800,000	0	0
47112	Interest Earned - Sewer	1,825,216	1,500,000	2,000,000
48511	Transfer in from Sanitation Fund	403,101	0	0
	Total Sewer Revenues	\$65,130,671	\$64,955,065	\$66,333,619

5. PROGRAM IMPROVEMENTS

The projections in this memo assume no new service enhancements (SERs) for 2026 and beyond. If any SERs are recommended for 2026, funding will need to be identified within the expense projections shown in the financial model results at end of this memo.

6. SPECIFIC BUDGET ACCOUNT RECOMMENDATIONS

- a. **Contribution to Capital Program.** The above revenue estimates should allow for balanced water and sewer funds which include the following approximate amounts budgeted for contributions to the capital program for years 2025 and 2026:

	Water/Sewer Expense Account	2025 Projection	2026 Budget Recommendation
Water	521-2509-51723	\$ 14,749,508	\$ 11,572,000
Sewer	521-2559-51723	21,207,185	19,670,077
Total		<u>\$35,956,693</u>	<u>\$31,242,077</u>

The above estimates can be adjusted to bring the fund budgets/projections into balance, but the adjusted amounts should be relatively close to the above amounts.

- b. **Estimated Franchise Fee Revenue/Expense.** The estimated franchise fee revenue (to General Fund), and expense (to Water and Sewer Fund) for 2025 and 2026 are as follows:

Item	General Fund Revenue Account	Water/Sewer Expense Account	2025 Projection	2026 Budget Recommendation
Sewer Franchise Fee	101-0000-42112	521-2559-51841	\$ 2,558,574	\$ 2,770,000
Water Franchise Fee	101-0000-42112	521-2509-51841	1,530,792	1,576,000
Total			<u>\$ 4,089,366</u>	<u>\$ 4,346,000</u>

- c. **Water Purchased from I&D Fund Recommendation.** The following table provides recommendations for budgets and projections for some other specific accounts:

Item	Expense Account	2025 Projection	2026 Budget Recommendation
Water purchased from I&D	521-2502-51415	\$3,580,000	\$4,108,000
Assumed water purchased (1000-gallons)		5,100,000	5,200,000
Assumed I&D Rate (\$/k-gal)		\$0.70196	\$0.79000

Projected Coverage for Water and Sewer Fund

Years ended December 31

Amounts in Thousands (000)

	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030		
Water sales	\$ 30,616	\$ 31,520	\$ 32,625	\$ 33,778	\$ 34,932	\$ 36,133		
Sewer sales	52,487	55,395	60,912	67,848	76,446	85,331		
Connection fees	13,248	9,459	9,459	9,459	9,459	9,459		
Miscellaneous	13,810	14,336	14,074	14,012	14,098	14,295		
Gross revenue	110,161	110,709	117,070	125,097	134,935	145,218		
Operating expenses	70,442	75,701	80,396	85,434	90,838	96,559		
Net revenue	39,719	35,008	36,675	39,663	44,097	48,660		
Existing Debt service	3,762	3,767	3,769	3,764	3,032	1,071		
Planned Debt service	4,227	-	8,912	15,677	22,768	25,370		
Total debt service	7,989	3,767	12,681	19,442	25,800	26,441		
Amount available for capital program	31,730	31,241	23,993	20,222	18,296	22,218		
Total debt coverage by net revenue	4.97	9.29	2.89	2.04	1.71	1.84		
Beginning balance of funds available for capital plan:	(19,476)	(86,487)	939	307	129	494		
Interest earnings	3,000	2,000	1,500	1,250	1,000	750		
Amount available from current net revenue	31,730	31,241	23,993	20,222	18,296	22,218		
Planned borrowing		137,000	104,000	109,000	40,000	52,000	442,000	New Debt
Total available for capital program	15,254	83,754	130,432	130,779	59,425	75,463		
CIP budget amount for 2026		82,815						
CIP budget amount for 2027			130,125					
CIP budget amount for 2028				130,650				
CIP budget amount for 2029					58,931			
CIP budget amount for 2030						75,331	477,852	New Projects
Ending balance	(86,487)	939	307	129	494	132		
Requested CIP plan amount								
Average monthly combined rate increase at 15 CCF (\$)	\$2.70	\$3.22	\$3.75	\$4.72	\$5.85	\$5.85		
Average monthly combined rate increase at 15 CCF (%)	5.02%	5.71%	6.28%	7.44%	8.58%	7.90%	7.18%	Average
Annual operating expense escalation	7.5%	7.5%	6.2%	6.3%	6.3%	6.3%		

Water and Sewer 2026-2030 Proposed Capital Plan

CIP No.	Project Name	PROJ 2026	PROJ 2027	PROJ 2028	PROJ 2029	PROJ 2030	Total 2026-2030
SEWER FUND PROJECTS							
SW239	Hopeton Offsite	\$30,000	\$0	\$0	\$0	\$0	\$30,000
SW818	Sluice Gate Replacement	125,000	125,000				250,000
SW444	Force Main Pigs	130,000	130,000	130,000	130,000	130,000	650,000
SW137	Vernon River Watershed MGMT	175,000	200,000	200,000	200,000	200,000	975,000
SW729	President St. Diffusers	500,000	500,000	500,000	500,000	500,000	2,500,000
SW733	Chatham Pump Stations-Engineering	500,000					500,000
SW935	Regional Plant Pond Dredging	500,000	500,000	500,000	500,000	500,000	2,500,000
SW731	LS 38/39 Forcemain	600,000	600,000	600,000	600,000	600,000	3,000,000
SW806	Treatment Plant Expansions	600,000	600,000	600,000	600,000	600,000	3,000,000
SW523	Treatment Plant PLC Upgrade	1,000,000					1,000,000
SW630	Treatment Plant Capital Maintenance	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
SW631	Treatment Plant Capital Improvements	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
SW816	Paulson Interceptor	2,500,000	2,500,000	2,500,000			7,500,000
SW229	Blower Replacement	3,000,000					3,000,000
SW244	Lift Station Rehab	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	17,500,000
SW333	Grit System	3,500,000	2,000,000				5,500,000
SW134	Sewer Line Rehab and Restoration	3,550,000	3,550,000	3,550,000	3,550,000	3,550,000	17,750,000
SW135	TMDL Improvements				3,250,000	3,250,000	6,500,000
SW138	Travis Field Phase II		50,000,000	50,000,000			100,000,000
SW450	Effluent Disinfection			1,000,000	2,000,000	2,000,000	5,000,000
SW532	SCADA Upgrade				31,000	31,000	62,000
NEW PROJECTS							
	President Street WRF Process Equipment, Resuse						
SWxxxx	Water System & Laboratory Upgrades	\$0	\$0	\$7,000,000	\$29,500,000	\$35,000,000	\$71,500,000
SWxxxx	Wilshire WRF and Crossroads WRF Upgrades		5,000,000				5,000,000
SWxxxx	Georgetown	42,000,000	42,000,000	41,000,000			125,000,000
SWxxxx	Wilshire Feasibility Study	400,000					400,000
SWxxxx	Garrard Road Improvements	45,000					45,000
SWxxxx	Conveyance System Monitoring	200,000	200,000	200,000	200,000	200,000	1,000,000
SWxxxx	Walthour Road/Johnnie Mercer	250,000					250,000
SWxxxx	SCADA Improvements for Conveyance	300,000	200,000				500,000
SWxxxx	Wilshire Barscreen/Effluent EQ Holding Tank	600,000	600,000				1,200,000
SWxxxx	President St. Primary Clarifier Repairs	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
SWxxxx	Generator Rehab	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	7,500,000
SWxxxx	President Street Office BLG upgrades-Passenger Elk	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
SWxxxx	Rehab of LS 23-20" Sewer Force Main		1,300,000				1,300,000
SWxxxx	President Street - Solids Gasification					500,000	500,000
SWxxxx	President Street - Bar Screen Upgrades				500,000	2,000,000	2,500,000
SWxxxx	President Street - Influent Pumps Upgrades					500,000	500,000
SWxxxx	President Street - Primary Clarifier Bypass				100,000	1,000,000	1,100,000
SWxxxx	President Street - Secondary Clarifiers 1-4			2,000,000	2,000,000	2,000,000	6,000,000
SWxxxx	President Street -Secondary Clarifiers 5-7					3,000,000	3,000,000
SWxxxx	President Street - Aeration Basin #3					500,000	500,000
SWxxxx	President Street - Administration, Operations, Laboratory Office Upgrades			500,000	1,000,000	5,000,000	6,500,000
	Sewer Sub-Total	\$71,505,000	\$121,005,000	\$121,280,000	\$55,661,000	\$72,061,000	\$441,512,000

CIP No.	Project Name	PROJ 2026	PROJ 2027	PROJ 2028	PROJ 2029	PROJ 2030	Total 2026-2030
WATER FUND PROJECTS							
WT234	Fire Hydrant Replacement Program	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000
WT238	Locate 42" valve at W Gwinnett Street/I-16 Overpass with valve repair or replacment	140,000					140,000
WT240	West River Street 12" Water Main	200,000					200,000
WT241	Misc. Water Line Improvements	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	6,500,000
WT429	Water Share of I&D VFD Upgrade	50,000	50,000	50,000	50,000	50,000	250,000
WT531	Well Capital Maintenance	150,000	150,000	150,000	150,000	150,000	750,000
WT626	Water Repair Restoration	110,000	110,000	110,000	110,000	110,000	550,000
WT628	Valve Replacement Program	750,000	1,000,000	1,250,000	1,250,000	1,250,000	5,500,000
WT930	Lead Copper Rule Infrastructure	400,000	400,000	400,000	400,000	400,000	2,000,000
OP846	AMI Technology	6,200,000	5,400,000	5,400,000			17,000,000
NEW PROJECTS							
WTXXXX	SCADA Water Distribution	300,000	300,000	300,000			900,000
WTXXXX	SCADA I &D	400,000	400,000	400,000			1,200,000
WTXXXX	Agonic Road Rehabilitation	1,300,000					1,300,000
Water Sub-Total		\$11,310,000	\$9,120,000	\$9,370,000	\$3,270,000	\$3,270,000	\$36,340,000

WATER & SEWER TOTAL					
Total 2026 CIP	Total 2027 CIP	Total 2028 CIP	Total 2029 CIP	Total 2030 CIP	Total CIP Plan
\$82,815,000	\$130,125,000	\$130,650,000	\$58,931,000	\$75,331,000	\$477,852,000