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: August 19, 2026

SUBJECT: Water and Sewer Revenues and Rates – 2027 through 2031

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 NOT include any 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 $380,220,000
- five new borrowings are projected to be required ($279.6 million total)
- incremental rate increases are forecasted in each of the years in the 5-year planning period with an average annual increase of 7.0% for the median usage in-side city customer

The 2026 rate increase approved as part of the 2026 budget adoption was implemented as of 1/1/2026. Rate increases for years 2027 – 2031 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 2027 are unchanged from 2026. The 2026 and proposed 2027 water rate schedules are as follows:

	Water Rates			
	Inside City		Outside City	
	2026	2027	2026	2027
Base Charge (bi-monthly)	$11.06	$11.06	$16.59	$16.59
Consumption Charges:				
First 15 CCFs bi-monthly	$1.46	$1.46	$2.19	$2.19
Over 15 CCFs bi-monthly	$1.64	$1.64	$2.46	$2.46

b. **Sewer Rates** – Rates proposed for sewer service for 2027 are higher than 2026. The proposed base charge for 2027 is unchanged from 2026; only the consumption charge is proposed to increase. The recommended increase for inside city rates is +$.50/CCF; and for outside city rates the increase is +$0.75/CCF. Future rate increases for sewer are projected for each year in the five-year plan for 2028 through 2031 and are summarized later in this memo. The 2026 and 2027 proposed sewer rate schedules are as follows:

	Sewer Rates			
	Inside City		Outside City	
	2026	2027	2026	2027
Base Charge (bi-monthly)	$8.80	$8.80	$13.20	$13.20
Consumption Charges:				
First 15 CCFs bi-monthly	$5.18	$5.68	$7.77	$8.52
Over 15 CCFs bi-monthly	$5.56	$6.06	$8.34	$9.09

c. **Rate Change Impact** – The impact of the proposed 2027 increase on the combined monthly water and sewer bill for the median inside city customer (who uses about 15CCFs bi-monthly) is as follows:

	2027 over 2026
Increase in Combined W&S bill	$3.75/month or $45.00/year
Percentage Increase	6.28%

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 2027-2031 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:

	Water and Sewer Rate Change History and Projection					
	Monthly Increase in Combined Bill			Percentage Increase in Combined Bill		
Year	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 (actual)	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%
2031	4.05	6.75	9.45	5.07%	5.22%	5.29%
Average (last 5 years actual)	**$2.36**	**$3.93**	**$5.50**	**4.49%**	**4.70%**	**4.79%**

* 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 2026, it is projected that 4,500 MG in surface water will be required to supplement groundwater withdrawals; and for 2027, it is assumed that 4,600 MG will be needed at a projected cost of $5,060,000. 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 2027 are higher than 2026. Wholesale water rates for 2027 are proposed to be $2.72/1,000 gallons or $2.03/CCF compared to the rates of $2.64/1,000 gallons or $1.97/CCF charged in 2026.

Wholesale sewer rates for 2027 are proposed to be $8.27/1,000 gallons or $6.19/CCF compared to the rates of $7.60/1,000 gallons or $5.68/CCF charged in 2026.

Wholesale Rates for Municipal Customers

	2026	2027*
Wholesale Water Service ($/1000 gallons)	$2.64	$2.72
Wholesale Water Service ($/CCF)	$1.97	$2.03
Wholesale Sewer Service ($/1000 gallons)	$7.60	$8.27
Wholesale Sewer Service ($/CCF)	$5.68	$6.19

*Effective April 1, 2027 (contingent on Council approval)

2. CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program funded by this plan totals $380,220,000 for the five-year 2027-2031 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 the 2027 funding for these projects will be funded by a bond issue, each and all these 2027 project budgets should be included in the CIP budget adjustments processed in January of 2027 once approved.

3. PLANNED BORROWING and CIP FUNDING

The five-year funding plan includes five new borrowings during the five years. Amounts borrowed include the amount needed to fund the construction fund and the bond issuance costs. The year and amount of each projected debt issue is as follows:

Planning borrowing by year:

Year	Amount
2027	$114,600,000
2028	100,500,000
2029	46,700,000
2030	14,200,000
2031	3,600,000
	$279,600,000

The funding of the five-year $380,220,000 CIP program would be provided from the following sources over the five-year period:

	Five Year Total	Percent
Operating Net Income	$ 97,970,000	25.8%
Planned New Borrowing	277,000,000	72.9%
Interest on Restricted Assets	5,250,000	1.4%
Total	$ 380,220,000	100.0%

4. **WATER AND SEWER REVENUE PROJECTIONS**

Total revenues by account for 2025 actuals, 2026 budgeted and 2027 proposed are as follows:

Water and Sewer Fund Revenue Projections				
Revenue Summary				
		2025 Actual	2026 Budget	2027 Proposed
	Water Revenues			
42903	Transmitter Tower Rent	$603,504	$250,000	$300,000
44522	Reimbursements from Sewer Fund	4,270,140	4,648,576	4,927,658
44101	Services to the General Fund	0	35,661	0
45111	Water Sales - Inside City	17,332,812	18,543,523	17,942,858
45112	Water Sales - Outside City	6,951,918	7,537,779	7,173,496
45114	Fire Spinkler Reimbursement Fee	19,682	7,500	15,000
45115	Senior Citizens Discount- Water	61	0	0
45116	Wholesale Water Sales	6,359,480	5,438,400	6,800,000
45121	Water Meter Installation Fees	686,869	420,000	420,000
45123	Water Tap-In Fees	1,396,318	945,000	945,000
45139	Additional Water Connection Fees	3,304,179	2,315,650	2,879,000
45141	Water Cut-On Fees	650,059	700,000	650,000
45142	Late Payment Penalty	1,771,218	1,750,000	1,750,000
45143	Account Establishment Fee	353,350	300,000	325,000
45154	Reimbursement from I&D Fund	550,212	586,520	621,860
45155	Reimbursement from Sanitation Fund	373,716	395,920	419,680
45156	Water Purchased by Other Funds	507,672	495,860	500,000
45199	Miscellaneous Water Revenue	139,688	5,000	5,000
47111	Interest Earned - Water	1,172,322	0	500,000
	Total Water Revenues	$46,443,200	$44,375,389	$46,174,552
	Sewer Revenues			
45211	Sewer Service Fees-Inside City	$33,451,458	$39,084,009	$39,166,195
45212	Sewer Service Fees-Outside City	12,385,315	13,186,884	13,919,658
45213	Septic Tank Disposal Fees	424,540	375,000	420,000
45214	Reclaimed Water Sales	119,297	105,000	120,000
45215	Senior Citizens Discount -Sewer	32	0	0
45216	Wholesale Sewer Service	3,198,299	3,124,000	4,023,500
45221	Sewer Tap-in Fee	814,309	625,000	625,000
45222	Line Televising Fees	3,820	0	0
45225	Grease abatement permit fee	50,290	55,000	55,000
45226	Purple Pipe Fee	1,305,541	900,000	1,000,000
45239	Additional Sewer Connection Fees	6,852,414	5,153,117	6,667,467
45241	Sewer Cut-On Fees	650,061	700,000	700,000
45256	Sewer Service Purchased by Other Funds	1,024,464	1,000,609	1,025,000
45299	Miscellaneous Sewer Revenue	245,673	25,000	25,000
42994	FEMA Reimbursement	60,431	0	0
47112	Interest Earned - Sewer	502,424	2,000,000	500,000
48511	Transfer in from Sanitation Fund	0	0	0
	Total Sewer Revenues	$61,088,368	$66,333,619	$68,246,820

5. **PROGRAM IMPROVEMENTS**

The projections in this memo assume no new service enhancements (SERs) for 2027 and beyond. If any SERs are recommended for 2027, 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 2026 and 2027:

	Water/Sewer Expense Account	2026 Projection	2027 Budget Recommendation
Water	521-2509-51723	$ 11,263,000	$ 9,216,000
Sewer	521-2559-51723	16,633,000	14,815,000
Total		$27,896,000	$24,031,000

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 2026 and 2027 are as follows:

Item	General Fund Revenue Account	Water/Sewer Expense Account	2026 Projection	2027 Budget Recommendation
Sewer Franchise Fee	101-0000-42112	521-2559-51841	$ 2,770,000	$ 2,855,000
Water Franchise Fee	101-0000-42112	521-2509-51841	1,576,000	1,596,000
Total			$ 4,346,000	$ 4,451,000

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	2026 Projection	2027 Budget Recommendation
Water purchased from I&D	521-2502-51415	$ 3,555,000	$ 5,060,000
Assumed water purchased (1000-gallons)		4,500,000	4,600,000
Assumed I&D Rate ($/k-gal)		$0.79000	$1.10000

Water and Sewer 2027-2031 Proposed Capital Plan

From Stephanie Takenaka on 7/23/2026

CIP No.	Project Name	6/8/2026	PROJ 2027	PROJ 2028	PROJ 2029	PROJ 2030	PROJ 2031	Total 2027-2031
SEWER FUND PROJECTS								
SW134	Sewer Line Rehab and Restoration	$3,549,138	$4,000,000	$4,000,000	$3,000,000	$3,000,000	$3,000,000	**$17,000,000**
SW135	GA EPD Permit Compliance Improvements	14,638,084			2,500,000	2,500,000	2,500,000	**7,500,000**
SW138	Travis Field Phase II	3,038,666	40,000,000	30,000,000	20,000,000	10,000,000		**100,000,000**
SW229	Blower Replacement	4,736,026	3,000,000					**3,000,000**
SW243	President St W. Pond Site Improvement	1,000,000					2,500,000	**2,500,000**
SW244	Lift Station Rehab	2,580,417	3,500,000	3,500,000	2,500,000	2,500,000	2,500,000	**14,500,000**
SW333	Grit System	7,864,889	2,000,000					**2,000,000**
SW336	Georgetown and Travis WRF Expansions	42,000,000	40,000,000	35,600,000	7,400,000			**83,000,000**
SW338	Wilshire WRF Improvements	600,000	2,000,000	2,000,000				**4,000,000**
SW339	President St. Primary Clarifier Repairs	3,000,000	1,000,000					**1,000,000**
SW340	Lift Station Generator Rehab	1,331,096	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	**7,500,000**
SW341	Conveyance System Monitoring	1,066,525	800,000	350,000	350,000	350,000	350,000	**2,200,000**
SW343	Paulson Interceptor	1,051,157	2,500,000	2,500,000				**5,000,000**
SW447	Regional Plant Generator Upgrade	1,389,709	500,000					**500,000**
SW523	Treatment Plant PLC Upgrade	4,501,831	1,000,000					**1,000,000**
SW631	Treatment Plant Capital Improvements	9,313,211	3,625,000	3,410,000	3,200,000	2,800,000	2,990,000	**16,025,000**
SW731	LS 38/39 Forcemain	2,162,000	900,000	900,000	600,000			**2,400,000**
SW818	Sluice Gate Replacement	476,886	125,000					**125,000**
PB0341	President St. Office Building Improvments	3,000,000	1,000,000	1,000,000	1,000,000	1,000,000		**4,000,000**
NEW PROJECTS								
SWxxxx	President Street WRF -Solids Handing		1,890,000					1,890,000
SWxxxx	President Street - Bar Screen Upgrades			540,000			1,000,000	1,540,000
SWxxxx	President Street - Influent Pumps Upgrades				1,000,000	2,000,000	3,000,000	6,000,000
SWxxxx	President Street - Primary Clarifier Bypass						250,000	250,000
SWxxxx	President Street - Secondary Clarifiers 1-7		3,000,000	3,000,000	2,000,000	2,000,000		10,000,000
SWxxxx	President Street - Aeration Basin #3			1,000,000	5,000,000			6,000,000
SWxxxx	President Street - Administration, Operations, Laboratory Office Upgrades		10,000,000	10,000,000	4,490,000			24,490,000
SWxxxx	Software Initial Purchase (annual)		10,000		10,000		10,000	30,000
SWxxxx	Rehab of LS 23-20" Sewer Force Main		1,300,000					1,300,000
SWxxxx	Effluent Main Assessment and Rehabilitations		1,000,000	1,000,000				2,000,000
SWxxxx	Crossroads WRF Upgrades		2,000,000	2,000,000				4,000,000
SWxxxx	Hopkins Interceptor		2,500,000	2,500,000	2,500,000			7,500,000
SWxxxx	Sewer Conveyance Building Improvements		500,000	500,000	500,000	150,000		1,650,000
	Sewer Sub-Total	**$107,299,636**	**$129,650,000**	**$105,300,000**	**$57,550,000**	**$27,800,000**	**$19,600,000**	**$339,900,000**

CIP No.	Project Name	6/28/2026	PROJ 2027	PROJ 2028	PROJ 2029	PROJ 2030	PROJ 2031	Total 2027-2031
WATER FUND PROJECTS								
WT232	Replace Hydropneumatic Tanks	$447,101	$200,000	$200,000				**$400,000**
WT234	Fire Hydrant Replacement Program	196,382	10,000	10,000	10,000	10,000	10,000	**50,000**
WT241	Misc. Water Line Improvements	3,284,277	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	**7,250,000**
WT339	Agonic RD Water Facility Rehab	2,200,000	300,000	300,000	300,000	300,000	300,000	**1,500,000**
WT340	SCADA Improvements for Potable Water	3,067,087	750,000	750,000				**1,500,000**
WT429	Water Share of I&D VFD Upgrade	213,481	1,000,000	80,000	80,000	80,000	80,000	**1,320,000**
WT526	Southwest Quadrant Well @ Little Neck Road	290,000	500,000	500,000				**1,000,000**
WT531	Well Capital Maintenance	139,531	200,000	200,000	150,000	150,000	150,000	**850,000**
WT628	Valve Replacement Program	2,345,841	1,000,000	1,250,000	500,000	1,000,000	1,000,000	**4,750,000**
WT727	Grange Road 48-inch Water Main Relocation	8,907,155	2,000,000	3,000,000	1,750,000			**6,750,000**
WT815	Overhead Storage Tank Repaint	787,087	800,000	500,000	500,000	300,000		**2,100,000**
WT819	Lathrop Ave Booster Pump Upgrade	0	1,000,000	150,000				**1,150,000**
OP846	AMI Technology	6,284,956	5,400,000	5,400,000 -				**10,800,000**
NEW PROJECTS								
WTXXXX	Airport Elevated Strorage Tank Rehabilitation and Reconfiguration		90,000	810,000				900,000
	Water Sub-Total	**$28,162,898**	**$14,700,000**	**$14,600,000**	**$4,740,000**	**$3,290,000**	**$2,990,000**	**$40,320,000**

Water and Sewer 2027-2031 Proposed Capital Plan

Large Scaled Projects

WATER & SEWER TOTAL					
Total 2027 CIP	Total 2028 CIP	Total 2029 CIP	Total 2030 CIP	Total 2031 CIP	Total CIP Plan
$144,350,000	$119,900,000	$62,290,000	$31,090,000	$22,590,000	$380,220,000

2027	2028	2029	2030	2031	totals
water					
$14,700,000	$14,600,000	$4,740,000	$3,290,000	$2,990,000	$40,320,000
sewer					
$129,650,000	$105,300,000	$57,550,000	$27,800,000	$19,600,000	$339,900,000
					$380,220,000

Projected Coverage for Water and Sewer Fund - Rates from 2025 Memo
Years ended December 31
Amounts in Thousands (000)

	Actual 2024	Actuals 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030	Projected 2031
Water sales	$ 29,310	$ 30,644	$ 31,520	$ 31,916	$ 32,396	$ 33,082	$ 33,773	$ 34,471
Sewer sales	47,268	49,035	55,395	57,109	63,731	71,857	80,271	86,785
Connection fees	11,123	13,054	9,459	11,536	11,536	11,536	11,536	11,536
Miscellaneous	21,755	14,798	14,336	13,859	14,217	14,581	14,949	15,373
Gross revenue	109,456	107,532	110,709	114,421	121,880	131,056	140,530	148,165
Operating expenses	65,546	71,526	75,701	80,792	85,847	91,070	96,377	102,315
Net revenue	43,910	36,006	35,008	33,630	36,034	39,986	44,153	45,850
Existing Debt service	3,762	3,763	5,424	1,071	1,071	1,071	1,071	1,071
Planned Debt service			1,688	8,528	15,565	21,732	24,595	25,466
Total debt service	3,762	3,763	7,112	9,599	16,636	22,803	25,666	26,537
Amount available for capital program	40,148	32,243	27,896	24,031	19,398	17,183	18,487	19,313
Total debt coverage by net revenue	11.67	9.57	4.92	3.50	2.17	1.75	1.72	1.73
Beginning balance of funds available for capital plan:			(78,286)	5,795	466	680	2,744	4,944
Interest earnings			2,000	1,500	1,250	1,000	750	750
Fund 522-12751 at 12/31	41,384	43,080						
Fund 523-12751 at 12/31	46,551	39,255						
Non-cash and balance sheet adjustments	(48)	757						
Amount available from current net revenue	40,148	32,243	27,896	24,031	19,398	17,183	18,487	19,313
Planned borrowing			137,000	113,490	99,466	46,170	14,053	3,562
Total available for capital program	128,035	115,335	88,610	144,816	120,580	65,034	36,034	28,568
Capital budgets in 523--22311 at 12/31/2024	147,511							
Capital budgets in 523--22311 at 12/31/2025		193,620						
CIP budget amount for 2026			82,815					
CIP budget amount for 2027				144,350				
CIP budget amount for 2028					119,900			
CIP budget amount for 2029						62,290		
CIP budget amount for 2030							31,090	
CIP budget amount for 2031								22,590
Ending balance	(19,476)	(78,286)	5,795	466	680	2,744	4,944	5,978
Average monthly combined rate increase at 15 CCF ($)	$1.95	$2.70	$3.22	$3.75	$4.72	$5.85	$5.85	$4.05
Average monthly combined rate increase at 15 CCF (%)	3.76%	5.02%	5.71%	6.28%	7.44%	8.58%	7.90%	5.07%
Annual operating expense escalation	23.7%	9.1%	5.8%	6.7%	6.3%	6.1%	5.8%	6.2%