

City of Belle Meade

Rate Study
Sewer System Financial Analysis
February 2014



5-year financial analysis | Project driven rate analysis | Cost of service analysis

Belle Meade 2014 Rate Study

Sewer System Financial Analysis

Executive Summary

The City of Belle Meade owns, operates and maintains its wastewater collection system, serving approximately 970 customers. Metro Water Services (MWS) provides transportation through a network of pipes and pumps, treatment and administrative services including billing. Currently Belle Meade's contract with MWS has terminated but they continue to provide service based an ordinance passed in 2007. Since then MWS has charged \$1.51 per 100 cubic feet (750 gallons) plus 10% for funding debt relating to a 2010 Bond Issue which refunded the state loans and an additional 10% for administrative services. Belle Meade charges \$0.45 per 100 cubic feet for operation, maintenance and administration of its collection system.

Belle Meade customers pay MWS \$1.51 per 100 cubic feet, 10% for the MWS state loan and \$0.45 per 100 cubic feet for the Belle Meade charge. MWS subtracts the 10% of the Metro Fee for administrative costs from the Belle Meade revenue and sends the remaining amount to Belle Meade on a monthly basis.

Belle Meade Customers Pay:

| | |
|-----------------------|----------------------------------|
| Metro Fees | \$1.51 per 100 cubic feet |
| 10% State Loan | \$0.15 per 100 cubic feet |
| Belle Meade Fee | <u>\$0.45</u> per 100 cubic feet |
| Total Customer Charge | \$2.11 per 100 cubic feet |

City of Belle Meade Receives:

| | |
|-----------------------------|----------------------------------|
| Belle Meade Revenue | \$0.45 per 100 cubic feet |
| Less 10% Administrative Fee | <u>\$0.15</u> per 100 cubic feet |
| Net Belle Meade Revenue | \$0.30 per 100 cubic feet |

This report analyzes the need to make adjustments to the Belle Meade rate of \$0.45 per 100 cubic feet. The revenue received from MWS plus revenues from Permit Fees, Sale of Pumps and Tap Fees are not sufficient to fund expenses, including Personnel, Repair & Equipment, Professional Services, Capital Improvements and Miscellaneous. In 2013 the total revenue received was \$79,404 and expenses totaled \$272,575; leaving a shortfall of \$193,171. Depreciation of \$218,082 was not funded through revenues.

The Belle Meade wastewater system is not set up as an enterprise fund as in some cities and is not a separate utility, therefore any shortfall in revenue is made up through property taxes. The purpose of this report is to determine the amount of revenue needed to cover expenses and to fund the depreciation. There are two separate analyses in this report, one to determine the amount of revenue needed to cover the expenses on a cash analysis and one to fund the depreciation based on a net income analysis.

This report presents in numerical and graphical form the result of adjusting rates to meet the stated goals of covering expenses and depreciation. As a minimum it is recommended to adjust rates in incremental increases over the next three years to cover expenses. Included in this report are rate schedules for the years 2015, 2016 and 2017. Also presented are typical monthly bills, and their projected increases, for customers who use varying amounts of water, some customers use a minimum amount while others use a large quantity of water each month. An amount of 10 cubic feet (7,500 gallons) is highlighted in this report as an average usage for Belle Meade customers. The charge for the average user is \$21.50 per month. This amount is compared to other utility systems and presented in graphical form. The utilities and their monthly charge for 7,500 gallons is as follows:

Murfreesboro - \$42.62
Franklin – \$43.65
Hendersonville Utility District – \$46.00
Harpeth Valley Utilities District – \$47.76
Metro Nashville – \$50.09
Brentwood – \$50.78

It is evident from this comparison that Belle Meade could double its rates and still be competitive with these other systems. The amount needed to cover expenses amounts to \$37.15 for the average customer usage, an increase of \$15.65 per month. In order to fully fund depreciation, the average customer would need to pay \$48.77 per month or an increase of \$27.27 per month.

There is a study currently underway by MWS to determine rate adjustments for its wholesale customers, including Belle Meade. This report does not predict what those adjustments would be.

| CAPITAL IMPROVEMENTS | | | | | | | | | | |
|-----------------------------------|------------|-----------|------------|------------|------------|-----------|------------|------------|-----------|-----------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Supplies for Resale (Pumps,Parts) | \$ 73,983 | \$ 37,754 | \$ 41,530 | \$ 36,735 | \$ 20,870 | \$ 39,100 | \$ 39,100 | \$ 39,100 | \$ 39,100 | \$ 39,100 |
| Equipment - Pump Systems, Parts | \$ 52,557 | \$ 58,919 | \$ 40,218 | \$ 46,683 | \$ 35,639 | \$ 38,324 | \$ 40,240 | \$ 42,252 | \$ 44,365 | \$ 46,583 |
| Transportation Equipment | \$ - | \$ - | \$ 21,291 | \$ - | \$ - | \$ - | \$ 48,180 | \$ 24,000 | \$ - | \$ - |
| Improvements - Capital Projects | \$ - | \$ 2,394 | \$ 28,092 | \$ 51,225 | \$ 72,290 | \$ 5,500 | \$ 5,500 | \$ 5,900 | \$ 6,100 | \$ 6,300 |
| Total | \$ 126,540 | \$ 99,067 | \$ 131,131 | \$ 134,643 | \$ 128,799 | \$ 82,924 | \$ 133,020 | \$ 111,252 | \$ 89,565 | \$ 91,983 |

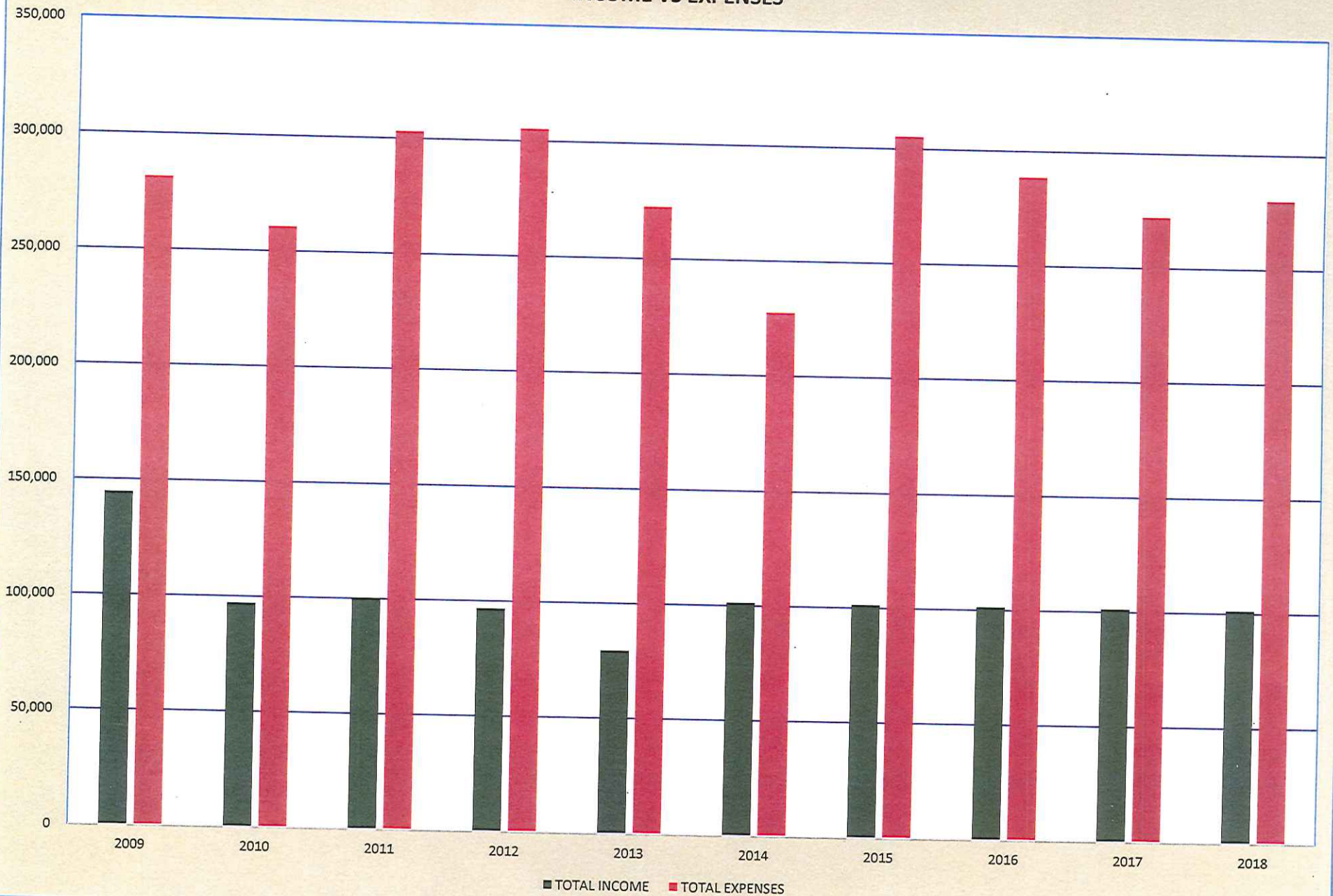
CASH ANALYSIS - NO RATE INCREASES

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| INCOME SOURCES | | | | | | | | | | |
| Sewer Surcharge | 45,477 | 43,117 | 43,993 | 47,007 | 51,569 | 52,000 | 52,000 | 52,000 | 52,000 | 52,000 |
| Percent Change | | -5% | 2% | 7% | 10% | 1% | 0% | 0% | 0% | 0% |
| Sewer Permit Fees | 1,600 | 800 | 700 | 700 | 400 | 600 | 600 | 600 | 600 | 600 |
| Sale of Material (Pumps) | 82,442 | 46,159 | 50,358 | 42,074 | 23,435 | 43,600 | 43,600 | 43,600 | 43,600 | 43,600 |
| Sewer Tap Fees | 15,000 | 7,000 | 5,000 | 7,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| TOTAL INCOME | 144,519 | 97,076 | 100,051 | 96,781 | 79,404 | 101,200 | 101,200 | 101,200 | 101,200 | 101,200 |
| GENERAL EXPENSES | | | | | | | | | | |
| Personnel | 73,989 | 76,294 | 73,552 | 74,611 | 51,274 | 47,451 | 49,095 | 50,540 | 52,027 | 53,560 |
| Repair & Equipment | 69,763 | 69,132 | 86,088 | 80,779 | 77,537 | 77,870 | 104,967 | 108,606 | 112,373 | 116,271 |
| Professional Services | 8,787 | 13,403 | 8,499 | 9,932 | 10,321 | 11,890 | 12,000 | 12,000 | 12,000 | 12,000 |
| Miscellaneous | 2,175 | 2,673 | 3,695 | 5,214 | 4,644 | 7,341 | 6,200 | 6,200 | 6,200 | 6,200 |
| TOTAL GENERAL EXPENSES | 154,714 | 161,502 | 171,834 | 170,536 | 143,776 | 144,552 | 172,263 | 177,346 | 182,600 | 188,030 |
| CAPITAL EXPENSES | | | | | | | | | | |
| Capital Expense | 126,540 | 99,067 | 131,131 | 134,643 | 128,799 | 82,924 | 133,020 | 111,252 | 89,565 | 91,983 |
| TOTAL EXPENSES | 281,254 | 260,569 | 302,965 | 305,179 | 272,575 | 227,476 | 305,283 | 288,598 | 272,165 | 280,013 |
| ANNUAL OVER / UNDER | (136,735) | (163,493) | (202,914) | (208,398) | (193,171) | (126,276) | (204,083) | (187,398) | (170,965) | (178,813) |

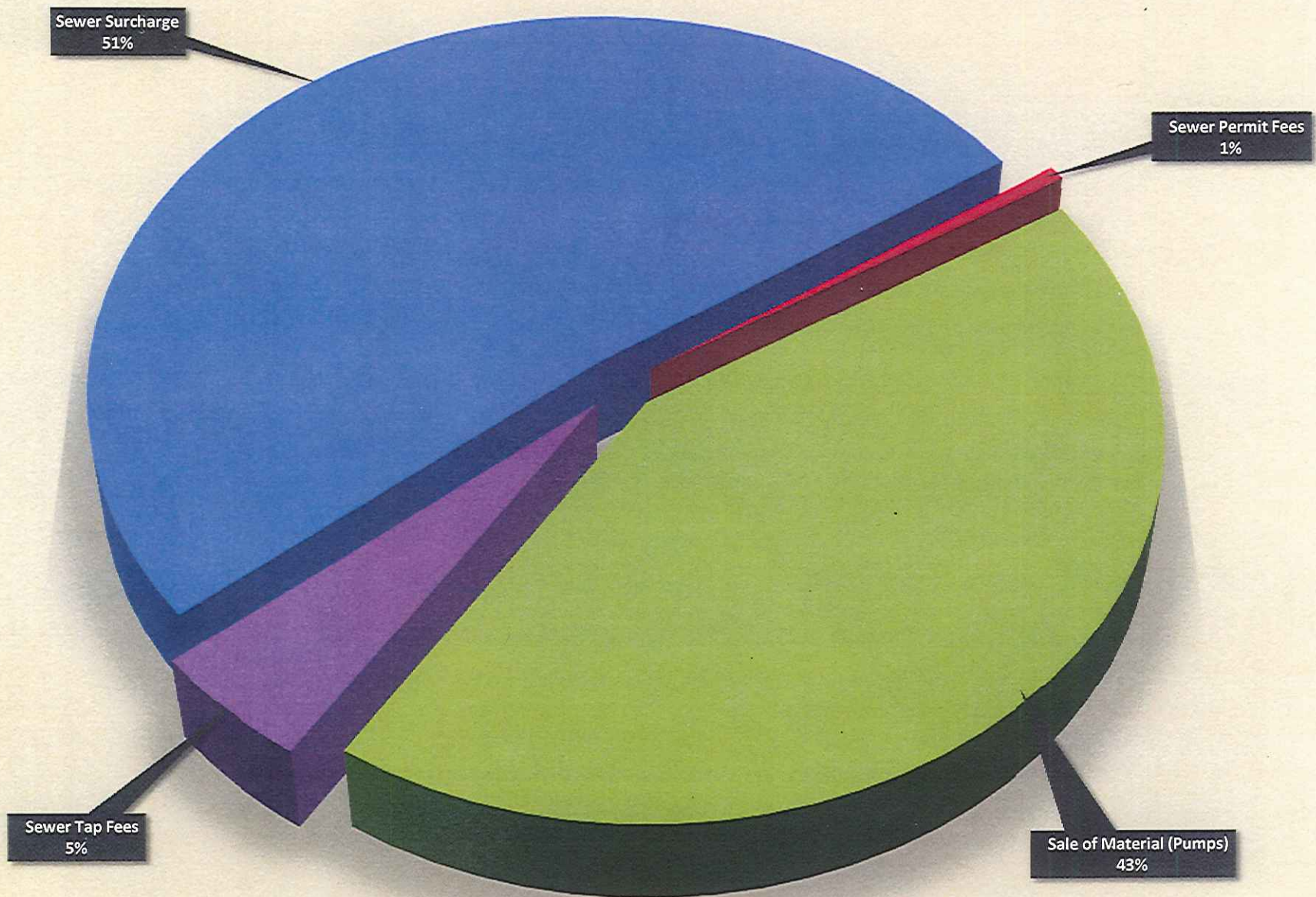
NET INCOME - NO RATE INCREASES

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| OPERATING REVENUES | | | | | | | | | | |
| Sewer Surcharge | 45,477 | 43,117 | 43,993 | 47,007 | 51,569 | 52,000 | 52,000 | 52,000 | 52,000 | 52,000 |
| Sewer Permit Fees | 1,600 | 800 | 700 | 700 | 400 | 600 | 600 | 600 | 600 | 600 |
| Sale of Material (Pumps) | 82,442 | 46,159 | 50,358 | 42,074 | 23,435 | 43,600 | 43,600 | 43,600 | 43,600 | 43,600 |
| Sewer Tap Fees | 15,000 | 7,000 | 5,000 | 7,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| TOTAL OPERATING REVENUES | 144,519 | 97,076 | 100,051 | 96,781 | 79,404 | 101,200 | 101,200 | 101,200 | 101,200 | 101,200 |
| OPERATING EXPENSES | | | | | | | | | | |
| Personnel | 73,989 | 76,294 | 73,552 | 74,611 | 51,274 | 47,451 | 49,095 | 50,540 | 52,027 | 53,560 |
| Repair & Equipment | 69,763 | 69,132 | 86,088 | 80,779 | 77,537 | 77,870 | 104,967 | 108,606 | 112,373 | 116,271 |
| Professional Services | 8,787 | 13,403 | 8,499 | 9,932 | 10,321 | 11,890 | 12,000 | 12,000 | 12,000 | 12,000 |
| Miscellaneous | 2,175 | 2,673 | 3,695 | 5,214 | 4,644 | 7,341 | 6,200 | 6,200 | 6,200 | 6,200 |
| Depreciation | 226,168 | 231,730 | 234,605 | 227,567 | 218,082 | 222,276 | 222,276 | 222,276 | 222,276 | 222,276 |
| TOTAL OPERATING EXPENSES | 380,882 | 393,232 | 406,439 | 398,103 | 361,858 | 366,828 | 394,539 | 399,622 | 404,876 | 410,306 |
| OPERATING INCOME (LOSS) | (236,363) | (296,156) | (306,388) | (301,322) | (282,454) | (265,628) | (293,339) | (298,422) | (303,676) | (309,106) |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | | | | |
| TAP FEES | 15,000 | 7,000 | 5,000 | 7,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| SUBTOTAL | 15,000 | 7,000 | 5,000 | 7,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| NET INCOME | (221,363) | (289,156) | (301,388) | (294,322) | (278,454) | (260,628) | (288,339) | (293,422) | (298,676) | (304,106) |

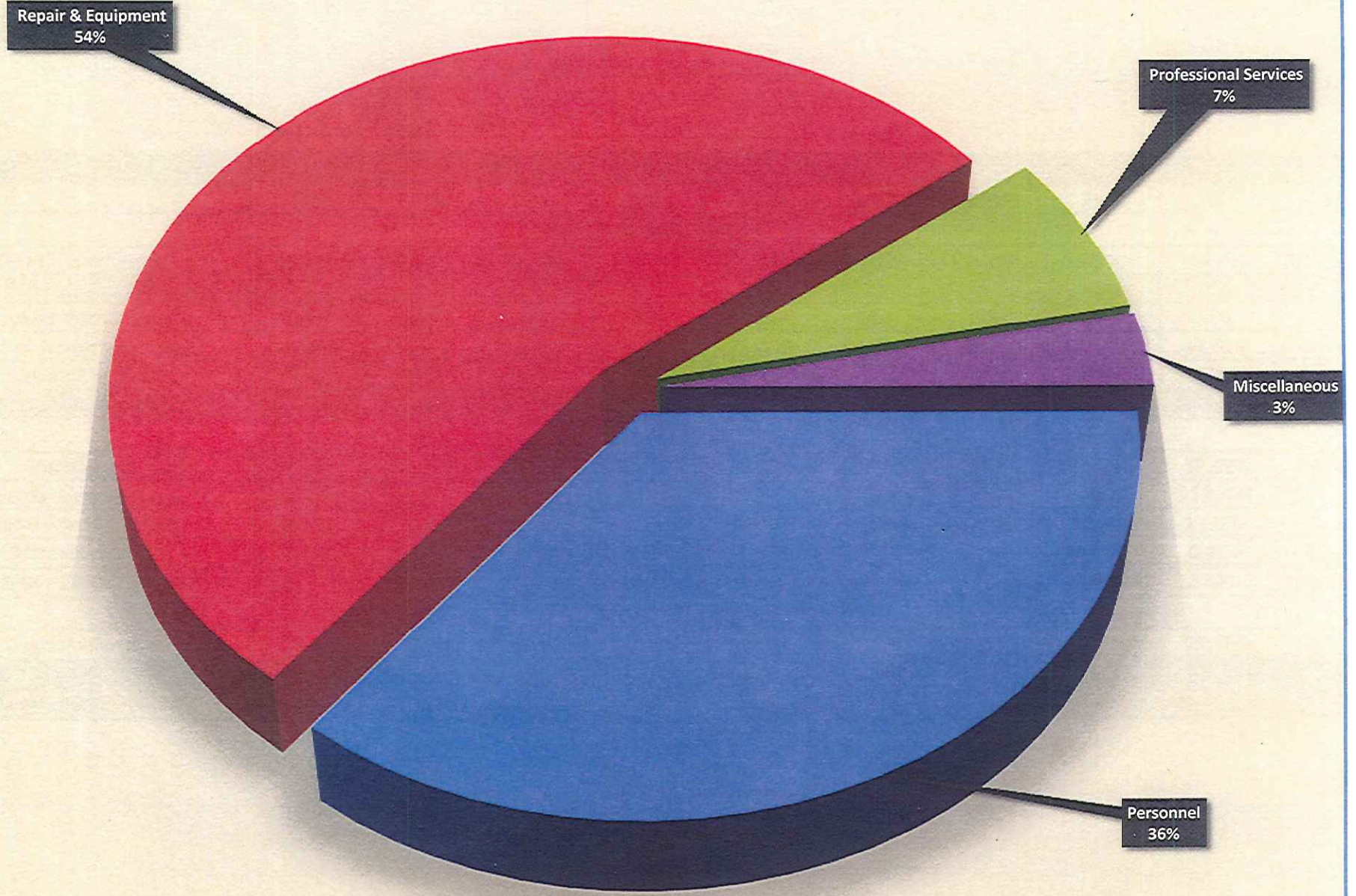
INCOME VS EXPENSES



INCOME SOURCES



EXPENSES

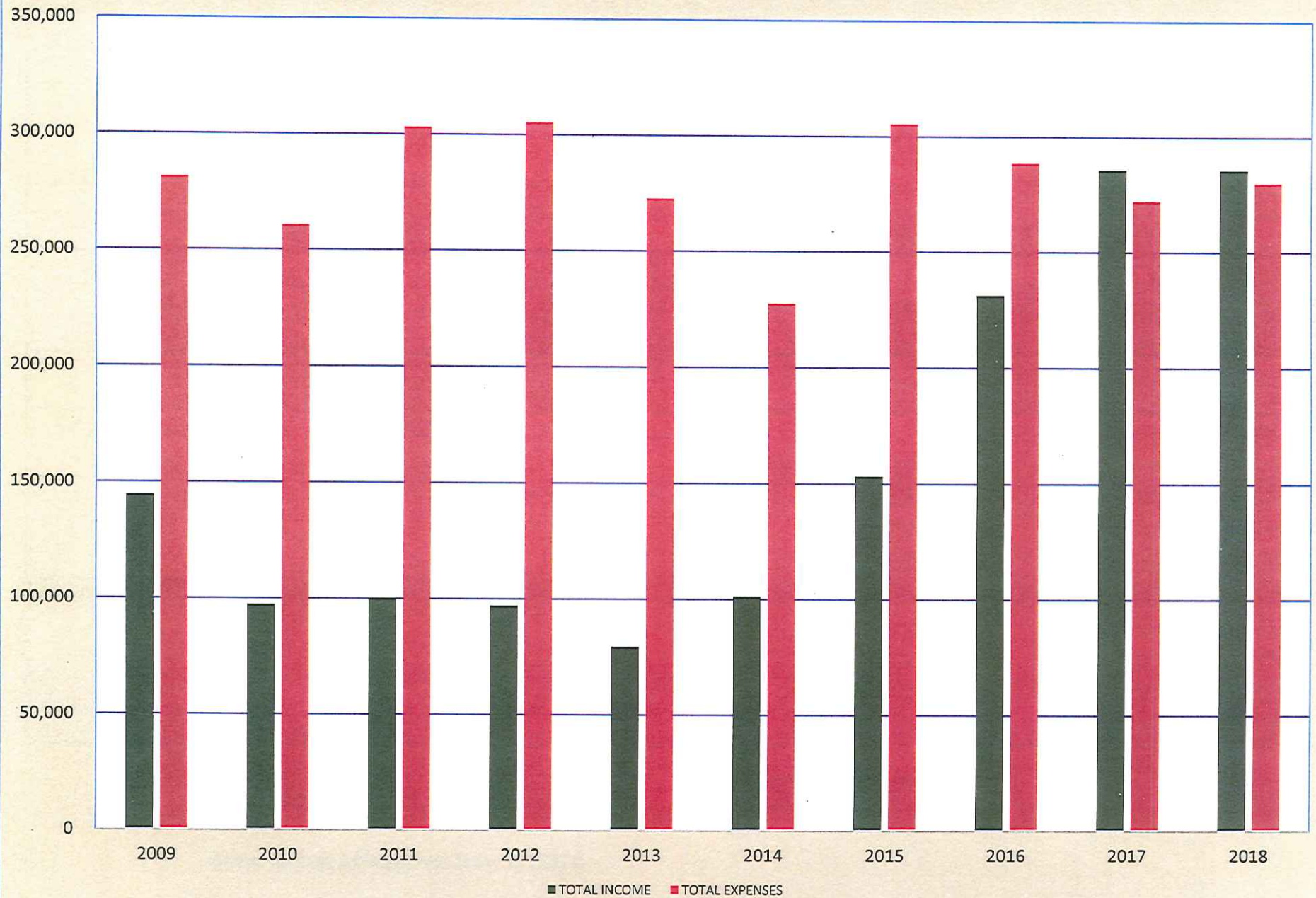


CASH ANALYSIS - WITH RATE INCREASES - CASH BASED

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|----------------|----------------|
| INCOME SOURCES | | | | | | | | | | |
| Sewer Surcharge | 45,477 | 43,117 | 43,993 | 47,007 | 51,569 | 52,000 | 104,000 | 182,000 | 236,600 | 236,600 |
| RATE INCREASE | | | | | | | 100% | 75% | 30% | |
| Sewer Permit Fees | 1,600 | 800 | 700 | 700 | 400 | 600 | 600 | 600 | 600 | 600 |
| Sale of Material (Pumps) | 82,442 | 46,159 | 50,358 | 42,074 | 23,435 | 43,600 | 43,600 | 43,600 | 43,600 | 43,600 |
| Sewer Tap Fees | 15,000 | 7,000 | 5,000 | 7,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| TOTAL INCOME | 144,519 | 97,076 | 100,051 | 96,781 | 79,404 | 101,200 | 153,200 | 231,200 | 285,800 | 285,800 |
| GENERAL EXPENSES | | | | | | | | | | |
| Personnel | 73,989 | 76,294 | 73,552 | 74,611 | 51,274 | 47,451 | 49,095 | 50,540 | 52,027 | 53,560 |
| Repair & Equipment | 69,763 | 69,132 | 86,088 | 80,779 | 77,537 | 77,870 | 104,967 | 108,606 | 112,373 | 116,271 |
| Professional Services | 8,787 | 13,403 | 8,499 | 9,932 | 10,321 | 11,890 | 12,000 | 12,000 | 12,000 | 12,000 |
| Miscellaneous | 2,175 | 2,673 | 3,695 | 5,214 | 4,644 | 7,341 | 6,200 | 6,200 | 6,200 | 6,200 |
| TOTAL GENERAL EXPENSES | 154,714 | 161,502 | 171,834 | 170,536 | 143,776 | 144,552 | 172,263 | 177,346 | 182,600 | 188,030 |
| CAPITAL EXPENSES | | | | | | | | | | |
| Capital Expense | 126,540 | 99,067 | 131,131 | 134,643 | 128,799 | 82,924 | 133,020 | 111,252 | 89,565 | 91,983 |
| TOTAL EXPENSES | 281,254 | 260,569 | 302,965 | 305,179 | 272,575 | 227,476 | 305,283 | 288,598 | 272,165 | 280,013 |
| ANNUAL OVER / UNDER | (136,735) | (163,493) | (202,914) | (208,398) | (193,171) | (126,276) | (152,083) | (57,398) | 13,635 | 5,787 |

| NET INCOME - WITH RATE INCREASES - CASH BASED | | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| OPERATING REVENUES | | | | | | | | | | |
| Sewer Surcharge | 45,477 | 43,117 | 43,993 | 47,007 | 51,569 | 52,000 | 104,000 | 182,000 | 236,600 | 236,600 |
| Sewer Permit Fees | 1,600 | 800 | 700 | 700 | 400 | 600 | 600 | 600 | 600 | 600 |
| Sale of Material (Pumps) | 82,442 | 46,159 | 50,358 | 42,074 | 23,435 | 43,600 | 43,600 | 43,600 | 43,600 | 43,600 |
| Sewer Tap Fees | 15,000 | 7,000 | 5,000 | 7,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| TOTAL OPERATING REVENUES | 144,519 | 97,076 | 100,051 | 96,781 | 79,404 | 101,200 | 153,200 | 231,200 | 285,800 | 285,800 |
| OPERATING EXPENSES | | | | | | | | | | |
| Personnel | 73,989 | 76,294 | 73,552 | 74,611 | 51,274 | 47,451 | 49,095 | 50,540 | 52,027 | 53,560 |
| Repair & Equipment | 69,763 | 69,132 | 86,088 | 80,779 | 77,537 | 77,870 | 104,967 | 108,606 | 112,373 | 116,271 |
| Professional Services | 8,787 | 13,403 | 8,499 | 9,932 | 10,321 | 11,890 | 12,000 | 12,000 | 12,000 | 12,000 |
| Miscellaneous | 2,175 | 2,673 | 3,695 | 5,214 | 4,644 | 7,341 | 6,200 | 6,200 | 6,200 | 6,200 |
| Depreciation | 226,168 | 231,730 | 234,605 | 227,567 | 218,082 | 222,276 | 222,276 | 222,276 | 222,276 | 222,276 |
| TOTAL OPERATING EXPENSES | 380,882 | 393,232 | 406,439 | 398,103 | 361,858 | 366,828 | 394,539 | 399,622 | 404,876 | 410,306 |
| OPERATING INCOME (LOSS) | (236,363) | (296,156) | (306,388) | (301,322) | (282,454) | (265,628) | (241,339) | (168,422) | (119,076) | (124,506) |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | | | | |
| TAP FEES | 15,000 | 7,000 | 5,000 | 7,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| NET INCOME | (221,363) | (289,156) | (301,388) | (294,322) | (278,454) | (260,628) | (236,339) | (163,422) | (114,076) | (119,506) |

INCOME VS EXPENSES WITH RATE INCREASE



2015 RATE SCHEDULE - CASH

| CURRENT BELLE MEADE RATES | | | PROPOSED 2015 BELLE MEADE RATES | | |
|---------------------------|----------------|----------------|---------------------------------|---|------------|
| CCF | | Minimum | CCF | | % Inc. |
| First | 8 | \$ 4.00 | First | 8 | 100% |
| | | Per 100 cf | | | Per 100 cf |
| Over | 8 | \$ 0.45 | Over | 8 | 100% |
| CURRENT METRO RATES | | | PROPOSED 2015 METRO RATES | | |
| CCF | | Per 100 cf | CCF | | % Inc. |
| Volume | | \$ 1.51 | Volume | | 0% |
| User Surcharge | | \$ 0.15 | User Surcharge | | 0% |
| Water Sold | 2014 | 2015 | | | Percent |
| Cubic Feet | Monthly Charge | Monthly Charge | Difference | | Increase |
| 2 | \$ 7.32 | \$ 11.32 | \$ 4.00 | | 55% |
| 5 | \$ 12.31 | \$ 16.31 | \$ 4.00 | | 33% |
| 8 | \$ 17.29 | \$ 21.29 | \$ 4.00 | | 23% |
| 10 | \$ 21.51 | \$ 26.41 | \$ 4.90 | | 23% |
| 25 | \$ 53.18 | \$ 64.83 | \$ 11.65 | | 22% |
| 50 | \$ 105.95 | \$ 128.85 | \$ 22.90 | | 22% |
| 100 | \$ 211.50 | \$ 256.90 | \$ 45.40 | | 21% |
| 250 | \$ 528.15 | \$ 641.05 | \$ 112.90 | | 21% |

Average Customer Monthly Usage

New Rates Effective July 1, 2014

2016 RATE SCHEDULE - CASH

| PROPOSED 2015 BELLE MEADE RATES | | | PROPOSED 2016 BELLE MEADE RATES | | |
|---------------------------------|----------------|----------------|---------------------------------|------------|--------|
| CCF | | Minimum | CCF | Minimum | % Inc. |
| First | 8 | \$ 8.00 | First | 8 | 75% |
| | | Per 100 cf | | Per 100 cf | |
| Over | 8 | \$ 0.90 | Over | 8 | 75% |
| PROPOSED 2015 METRO RATES | | | PROPOSED 2016 METRO RATES | | |
| CCF | | Per 100 cf | CCF | Per 100 cf | % Inc. |
| Volume | | \$ 1.51 | Volume | \$ 1.51 | 0% |
| User Surcharge | | \$ 0.15 | User Surcharge | \$ 0.15 | 0% |
| Water Sold | 2015 | 2016 | | Percent | |
| Cubic Feet | Monthly Charge | Monthly Charge | Difference | Increase | |
| 2 | \$ 11.32 | \$ 17.32 | \$ 6.00 | 53% | |
| 5 | \$ 16.31 | \$ 22.31 | \$ 6.00 | 37% | |
| 8 | \$ 21.29 | \$ 27.29 | \$ 6.00 | 28% | |
| 10 | \$ 26.41 | \$ 33.76 | \$ 7.35 | 28% | |
| 25 | \$ 64.83 | \$ 82.30 | \$ 17.48 | 27% | |
| 50 | \$ 128.85 | \$ 163.20 | \$ 34.35 | 27% | |
| 100 | \$ 256.90 | \$ 325.00 | \$ 68.10 | 27% | |
| 250 | \$ 641.05 | \$ 810.40 | \$ 169.35 | 26% | |

Average Customer Monthly Usage

New Rates Effective July 1, 2015

2017 RATE SCHEDULE - CASH

PROPOSED 2016 BELLE MEADE RATES

| CCF | | Minimum |
|-------|---|------------|
| First | 8 | \$ 14.00 |
| | | Per 100 cf |
| Over | 8 | \$ 0.90 |

PROPOSED 2017 BELLE MEADE RATES

| CCF | | Minimum | % Inc. |
|-------|---|------------|--------|
| First | 8 | \$ 18.20 | 30% |
| | | Per 100 cf | |
| Over | 8 | \$ 1.17 | 30% |

PROPOSED 2017 METRO RATES

| CCF | Per 100 cf |
|----------------|------------|
| Volume | \$ 1.51 |
| User Surcharge | \$ 0.15 |

PROPOSED 2017 METRO RATES

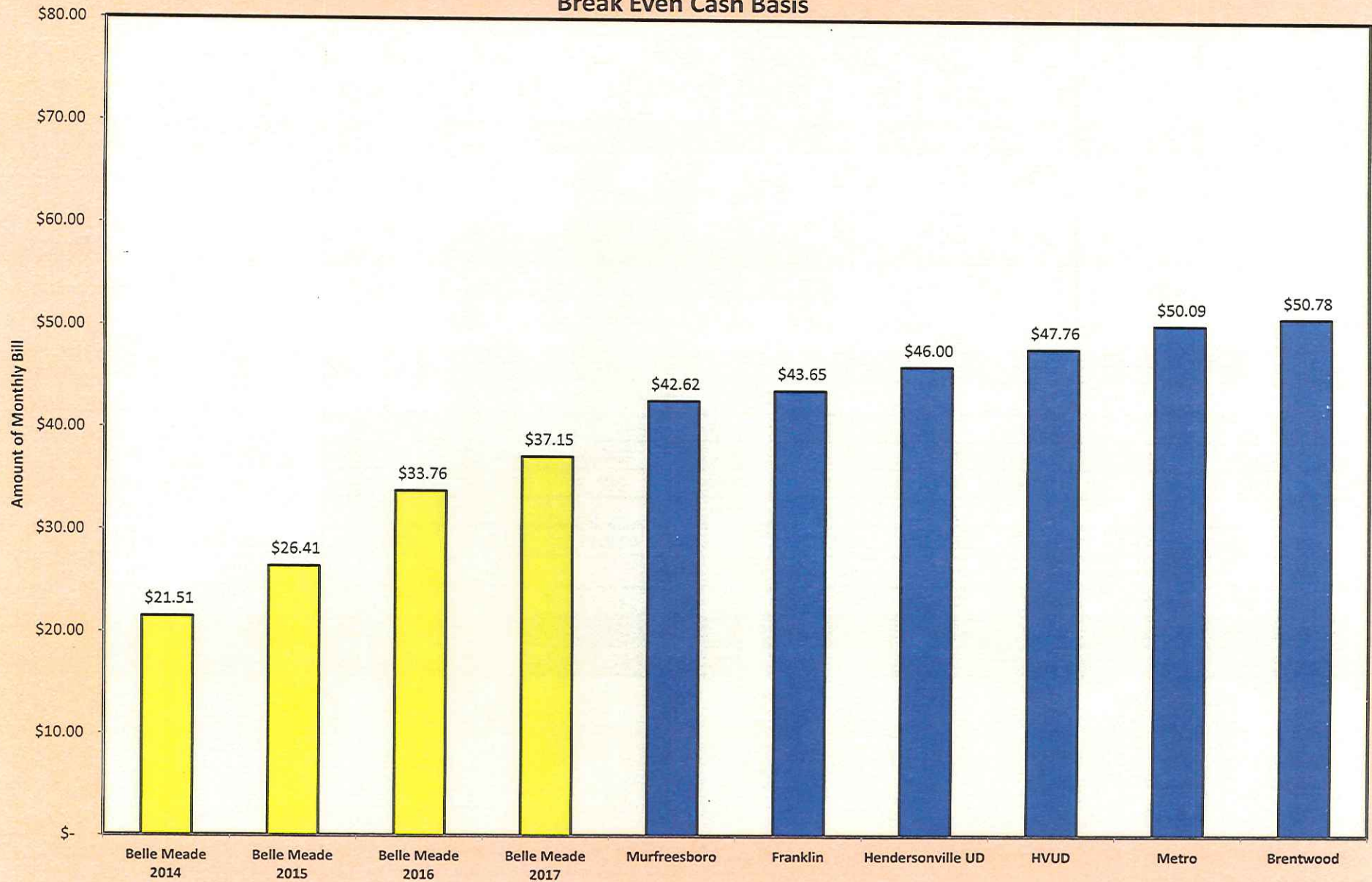
| CCF | Per 100 cf | % Inc. |
|----------------|------------|--------|
| Volume | \$ 1.51 | 0% |
| User Surcharge | \$ 0.15 | 0% |

| Water Sold Cubic Feet | 2016 Monthly Charge | 2017 Monthly Charge | Difference | Percent Increase |
|--------------------------|------------------------|------------------------|------------|---------------------|
| 2 | \$17.32 | \$21.52 | \$4.20 | 24% |
| 5 | \$22.31 | \$26.51 | \$4.20 | 19% |
| 8 | \$27.29 | \$31.49 | \$4.20 | 15% |
| 10 | \$32.41 | \$37.15 | \$4.74 | 15% |
| 25 | \$70.83 | \$79.62 | \$8.79 | 12% |
| 50 | \$134.85 | \$150.39 | \$15.54 | 12% |
| 100 | \$262.90 | \$291.94 | \$29.04 | 11% |
| 250 | \$647.05 | \$716.59 | \$69.54 | 11% |

Average Customer Monthly Usage

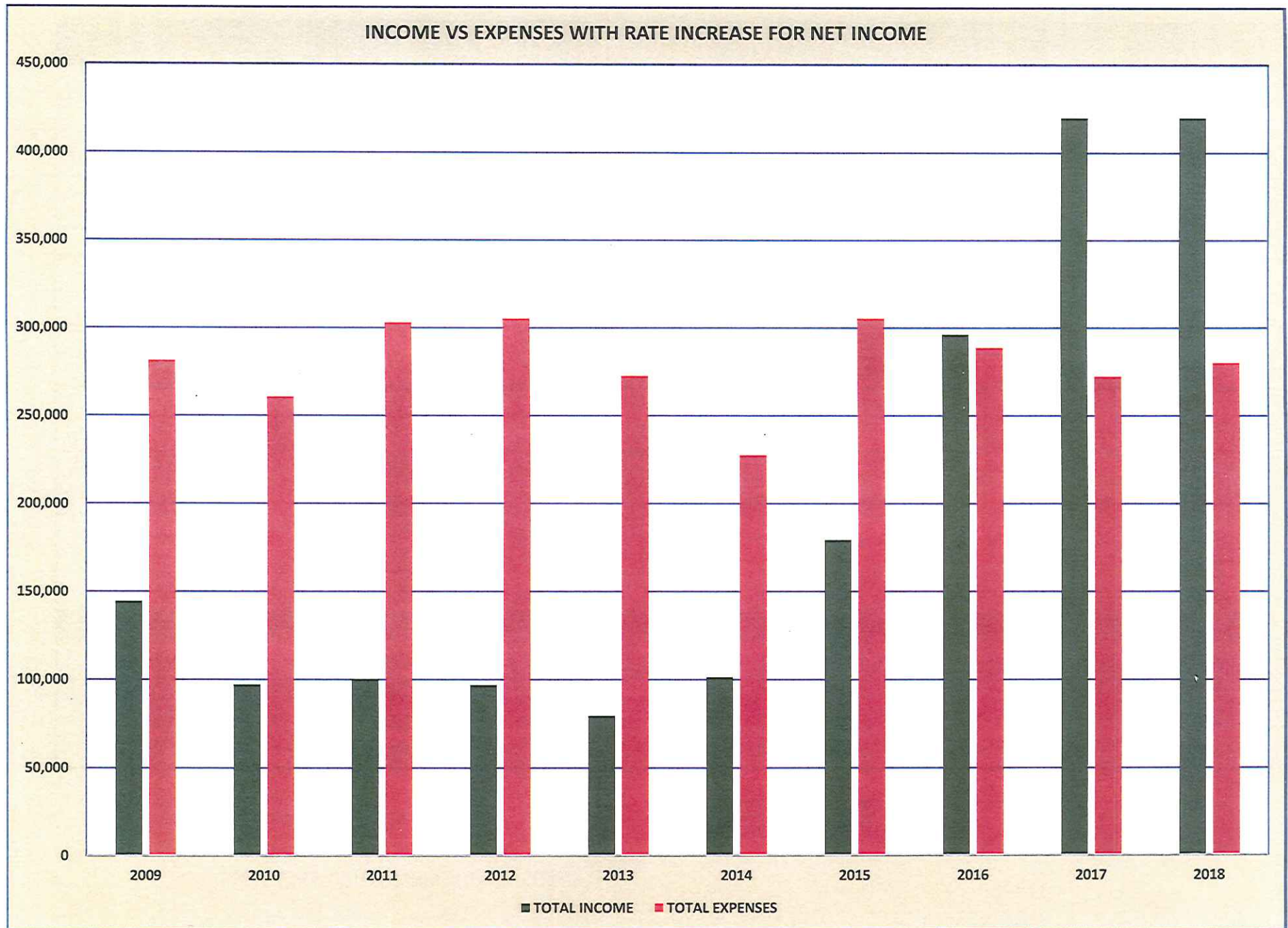
New Rates Effective July 1, 2016

**Monthly Bill Comparison for 7,500 gallons (10 CCF)
Break Even Cash Basis**



| CASH ANALYSIS - WITH RATE INCREASES - NET INCOME BASED | | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| INCOME SOURCES | | | | | | | | | | |
| Sewer Surcharge | 45,477 | 43,117 | 43,993 | 47,007 | 51,569 | 52,000 | 130,000 | 247,000 | 370,500 | 370,500 |
| RATE INCREASE | | | | | | | 150% | 90% | 50% | |
| Sewer Permit Fees | 1,600 | 800 | 700 | 700 | 400 | 600 | 600 | 600 | 600 | 600 |
| Sale of Material (Pumps) | 82,442 | 46,159 | 50,358 | 42,074 | 23,435 | 43,600 | 43,600 | 43,600 | 43,600 | 43,600 |
| Sewer Tap Fees | 15,000 | 7,000 | 5,000 | 7,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| TOTAL INCOME | 144,519 | 97,076 | 100,051 | 96,781 | 79,404 | 101,200 | 179,200 | 296,200 | 419,700 | 419,700 |
| GENERAL EXPENSES | | | | | | | | | | |
| Personnel | 73,989 | 76,294 | 73,552 | 74,611 | 51,274 | 47,451 | 49,095 | 50,540 | 52,027 | 53,560 |
| Repair & Equipment | 69,763 | 69,132 | 86,088 | 80,779 | 77,537 | 77,870 | 104,967 | 108,606 | 112,373 | 116,271 |
| Professional Services | 8,787 | 13,403 | 8,499 | 9,932 | 10,321 | 11,890 | 12,000 | 12,000 | 12,000 | 12,000 |
| Miscellaneous | 2,175 | 2,673 | 3,695 | 5,214 | 4,644 | 7,341 | 6,200 | 6,200 | 6,200 | 6,200 |
| TOTAL GENERAL EXPENSES | 154,714 | 161,502 | 171,834 | 170,536 | 143,776 | 144,552 | 172,263 | 177,346 | 182,600 | 188,030 |
| CAPITAL EXPENSES | | | | | | | | | | |
| Capital Expense | 126,540 | 99,067 | 131,131 | 134,643 | 128,799 | 82,924 | 133,020 | 111,252 | 89,565 | 91,983 |
| TOTAL EXPENSES | 281,254 | 260,569 | 302,965 | 305,179 | 272,575 | 227,476 | 305,283 | 288,598 | 272,165 | 280,013 |
| ANNUAL OVER / UNDER | (136,735) | (163,493) | (202,914) | (208,398) | (193,171) | (126,276) | (126,083) | 7,602 | 147,535 | 139,687 |

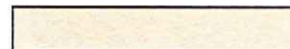
| NET INCOME - WITH RATE INCREASES - NET INCOME BASED | | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| OPERATING REVENUES | | | | | | | | | | |
| Sewer Surcharge | 45,477 | 43,117 | 43,993 | 47,007 | 51,569 | 52,000 | 130,000 | 247,000 | 370,500 | 370,500 |
| Sewer Permit Fees | 1,600 | 800 | 700 | 700 | 400 | 600 | 600 | 600 | 600 | 600 |
| Sale of Material (Pumps) | 82,442 | 46,159 | 50,358 | 42,074 | 23,435 | 43,600 | 43,600 | 43,600 | 43,600 | 43,600 |
| Sewer Tap Fees | 15,000 | 7,000 | 5,000 | 7,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| TOTAL OPERATING REVENUES | 144,519 | 97,076 | 100,051 | 96,781 | 79,404 | 101,200 | 179,200 | 296,200 | 419,700 | 419,700 |
| OPERATING EXPENSES | | | | | | | | | | |
| Personnel | 73,989 | 76,294 | 73,552 | 74,611 | 51,274 | 47,451 | 49,095 | 50,540 | 52,027 | 53,560 |
| Repair & Equipment | 69,763 | 69,132 | 86,088 | 80,779 | 77,537 | 77,870 | 104,967 | 108,606 | 112,373 | 116,271 |
| Professional Services | 8,787 | 13,403 | 8,499 | 9,932 | 10,321 | 11,890 | 12,000 | 12,000 | 12,000 | 12,000 |
| Miscellaneous | 2,175 | 2,673 | 3,695 | 5,214 | 4,644 | 7,341 | 6,200 | 6,200 | 6,200 | 6,200 |
| Depreciation | 226,168 | 231,730 | 234,605 | 227,567 | 218,082 | 222,276 | 222,276 | 222,276 | 222,276 | 222,276 |
| TOTAL OPERATING EXPENSES | 380,882 | 393,232 | 406,439 | 398,103 | 361,858 | 366,828 | 394,539 | 399,622 | 404,876 | 410,306 |
| OPERATING INCOME (LOSS) | (236,363) | (296,156) | (306,388) | (301,322) | (282,454) | (265,628) | (215,339) | (103,422) | 14,824 | 9,394 |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | | | | |
| TAP FEES | 15,000 | 7,000 | 5,000 | 7,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| NET INCOME | (221,363) | (289,156) | (301,388) | (294,322) | (278,454) | (260,628) | (210,339) | (98,422) | 19,824 | 14,394 |



2015 RATE SCHEDULE - NET INCOME

| CURRENT BELLE MEADE RATES | | | PROPOSED 2015 BELLE MEADE RATES | | |
|---------------------------|------------------------|------------------------|---------------------------------|---------------------|-------------------|
| CCF | | Minimum | CCF | | Minimum % Inc. |
| First | 8 | \$ 4.00 | First | 8 | \$ 10.00 150% |
| | | Per 100 cf | | | Per 100 cf |
| Over | 8 | \$ 0.45 | Over | 8 | \$ 1.13 150% |
| CURRENT METRO RATES | | | PROPOSED 2015 METRO RATES | | |
| CCF | | Per 100 cf | CCF | | Per 100 cf % Inc. |
| Volume | | \$ 1.51 | Volume | | \$ 1.51 0% |
| User Surcharge | | \$ 0.15 | User Surcharge | | \$ 0.15 0% |
| | | | | | |
| Water Sold cubic feet | 2014 Monthly Charge | 2015 Monthly Charge | Difference | Percent Increase | |
| 2 | \$7.32 | \$13.32 | \$6.00 | 82% | |
| 5 | \$12.31 | \$18.31 | \$6.00 | 49% | |
| 8 | \$17.29 | \$23.29 | \$6.00 | 35% | |
| 10 | \$21.51 | \$28.86 | \$7.35 | 34% | |
| 25 | \$53.18 | \$70.65 | \$17.48 | 33% | |
| 50 | \$105.95 | \$140.30 | \$34.35 | 32% | |
| 100 | \$211.50 | \$279.60 | \$68.10 | 32% | |
| 250 | \$528.15 | \$697.50 | \$169.35 | 32% | |

Average Customer Monthly Usage



New Rates Effective July 1, 2014

2016 RATE SCHEDULE - NET INCOME

| PROPOSED 2015 BELLE MEADE RATES | | | PROPOSED 2016 BELLE MEADE RATES | | |
|---------------------------------|------------------------|------------------------|---------------------------------|---------------------|--------|
| CCF | | Minimum | CCF | Minimum | % Inc. |
| First | 8 | \$ 10.00 | First | 8 | 75% |
| | | Per 100 cf | | Per 100 cf | |
| Over | 8 | \$ 1.13 | Over | 8 | 75% |
| PROPOSED 2015 METRO RATES | | | PROPOSED 2016 METRO RATES | | |
| CCF | | Per 100 cf | CCF | Per 100 cf | % Inc. |
| Volume | | \$ 1.51 | Volume | \$ 1.51 | 0% |
| User Surcharge | | \$ 0.15 | User Surcharge | \$ 0.15 | 0% |
| Water Sold cubic feet | 2015 Monthly Charge | 2016 Monthly Charge | Difference | Percent Increase | |
| 2 | \$13.32 | \$20.82 | \$7.50 | 56% | |
| 5 | \$18.31 | \$25.81 | \$7.50 | 41% | |
| 8 | \$23.29 | \$30.79 | \$7.50 | 32% | |
| 10 | \$28.86 | \$38.05 | \$9.19 | 32% | |
| 25 | \$70.65 | \$92.49 | \$21.84 | 31% | |
| 50 | \$140.30 | \$183.24 | \$42.94 | 31% | |
| 100 | \$279.60 | \$364.73 | \$85.13 | 30% | |
| 250 | \$697.50 | \$909.19 | \$211.69 | 30% | |

Average Customer Monthly Usage

New Rates Effective July 1, 2015

2017 RATE SCHEDULE - CASH

| PROPOSED 2016 BELLE MEADE RATES | | | PROPOSED 2017 BELLE MEADE RATES | | |
|---------------------------------|------------------------|------------------------|---------------------------------|---------------------|--------|
| CCF | | Minimum | CCF | Minimum | % Inc. |
| First | 8 | \$ 17.50 | First | 8 | 50% |
| | | Per 100 cf | | Per 100 cf | |
| Over | 8 | \$ 1.97 | Over | 8 | 50% |
| PROPOSED 2017 METRO RATES | | | PROPOSED 2017 METRO RATES | | |
| CCF | | Per 100 cf | CCF | Per 100 cf | % Inc. |
| Volume | | \$ 1.51 | Volume | | 0% |
| User Surcharge | | \$ 0.15 | User Surcharge | | 0% |
| | | | | | |
| Water Sold cubic feet | 2016 Monthly Charge | 2017 Monthly Charge | Difference | Percent Increase | |
| 2 | \$ 20.82 | \$ 29.57 | \$ 8.75 | 42% | |
| 5 | \$ 25.81 | \$ 34.56 | \$ 8.75 | 34% | |
| 8 | \$ 30.79 | \$ 39.54 | \$ 8.75 | 28% | |
| 10 | \$ 38.05 | \$ 48.77 | \$ 10.72 | 28% | |
| 25 | \$ 92.49 | \$ 117.98 | \$ 25.48 | 28% | |
| 50 | \$ 183.24 | \$ 233.33 | \$ 50.09 | 27% | |
| 100 | \$ 364.73 | \$ 464.04 | \$ 99.31 | 27% | |
| 250 | \$ 909.19 | \$ 1,156.16 | \$ 246.97 | 27% | |

Average Customer Monthly Usage

New Rates Effective July 1, 2016

Monthly Bill Comparison for 7,500 gallons (10 CCF)
Net Income Basis

