

Glenpool Utility Services Authority

Water and Sewer Utility Rate Study

Final

June 11, 2015

MUNICIPAL FINANCE SERVICES, INC.

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Introduction

The Glenpool Utility Services Authority (the Authority, or “GUSA”) in late 2014 decided to examine its water and sewer utility rates in light of persistent financial operating deficits over several years that were reducing the cash position of the Authority, and that, if left unaddressed, would significantly hamper the ability of the Authority and the City of Glenpool to provide the type of utility services upon which Glenpool customers rely. In December 2014, the Authority increased water delivery service rates by \$7.75 per customer per month, and gave the City Manager the authority, in his discretion, to raise sanitation rates up to \$1.00 per cart, per month, per residence. Those increases were designed to provide immediate relief to the Authority, while at the same time providing a period of time for the Authority to examine water and sewer utility rates in a comprehensive manner. On December 3, 2014, the Authority engaged Municipal Finance Services, Inc. (“MFSOK”) to conduct a comprehensive review of the City’s utility revenue operations, and produce a Water and Sewer Rate Study.

The following report describes the analysis, findings, and recommendations of MFSOK with regard to water and sewer utility rates, taking into account the needs of the Authority with respect to ongoing operations costs, debt service requirements, ongoing capital needs funded through operating revenues, and future capital needs funded through grants and Authority debt issues. In preparing the report, MFSOK obtained data through the City’s utility billing software program, data on file at the Oklahoma Water Resources Board, audited and unaudited financial statements provided by the City, and available information related to both the Authority’s outstanding debt as well as prior debt issues. Additionally, MFSOK also reviewed current contracts between Glenpool and other parties related to the operations of the Authority’s water, sewer, and sanitation systems; and also had numerous discussions with key staff members of the City regarding operations and capital planning.

About the Authority. *The Authority was created by a Declaration of Trust dated as of June 12, 1967, as amended, for the use and benefit of the City of Glenpool under Title 60, Oklahoma Statutes. The purpose of the Authority is broadly defined in the Trust Declaration as to serve the area including the City of Glenpool and surrounding unincorporated areas “...any or all improvements, services and physical facilities for the safeguarding of public health, the protection of persons and property, and the conservation and implementation of public welfare...”. Under a Lease dated January 24, 1975, the City of Glenpool leases its water, sanitary sewage, and garbage and trash collection facilities and equipment to GUSA. The Trustees of the Authority are comprised ex-officio of the members of the City Council of the City of Glenpool. Daily operations of the Authority are managed by the City Manager, acting as General Manager of the Authority. The Authority provides water, sanitary sewer, trash collection, and storm water management services to the City of Glenpool.*

Water System

GUSA currently purchases all of its treated water on a wholesale basis from the Tulsa Metropolitan Utility Authority (TMUA), taking the water at two delivery points (a ten-inch meter and an 8-inch meter). GUSA is billed monthly by TMUA under a 40-year “sole source” contract that expires in 2045. The contract with TMUA provides a schedule of Maximum Daily Use that begins with 2 million gallons per day in 2005, escalating incrementally to 11 million gallons per day in 2045. The Maximum Daily Use for 2015 is 5 million gallons per day. TMUA regularly reviews and adjusts the price of water to all wholesale customers, including GUSA. The most recent adjustment was a 7% increase effective October 2014, bringing the rate charged by TMUA to GUSA \$3.17 per thousand gallons on a uniform rate structure. The GUSA Trustees passed a utility rate resolution in September of 2014 to pass along that increase in operating costs to Glenpool customers. In March 2015, Tulsa announced that it would be instituting an additional 7% water rate increase, that would be effective October 1, 2015.

Currently, Glenpool has no other alternate source of water, such as its own back-up water treatment system, or a connection to another neighboring water system.

GUSA has storage capacity of 1.1 million gallons of water in an elevated standpipe located near 141st Street and Peoria.

The Authority has one pressure booster station located near 131st Street and Highway 75 that rarely needs to be used except in unusual circumstances.

GUSA has agreements in place to provide water to nearby wholesale purchasers (Creek County Rural Water District No. 2 and Okmulgee County Rural Water District No. 6), but those purchasers have not taken any water from GUSA to date.

Since 2010, the water system, including the distribution system and the meter reading function, has been operated and maintained by Severn-Trent Environmental Services, Inc. Severn-Trent employs the individuals who perform those activities.

There are currently no ODEQ Consent Orders or Notices of Violation with regard to the water system.

The Glenpool Utility Services Authority currently serves water to approximately 3,840 residential accounts and 169 commercial accounts. The ten largest water users for the fiscal year ending June 30, 2014 are listed in the table below.

Largest Water Users by Volume, FY 2014

Rank	Water Customer
1	Zips Car Wash LLC
2	Glenwood Healthcare
3	Santa Fe Cattle Co.
4	Wal-Mart
5	Best Western
6	Glenpool Schools
7	Con-way Southern Express
8	Comfort Inn
9	Auto Pride
10	Eurocraft, Inc.

GUSA has essentially two water customer classifications, residential and commercial. The table below presents a breakdown of the water rate classifications for the fiscal year ending June 30, 2014.

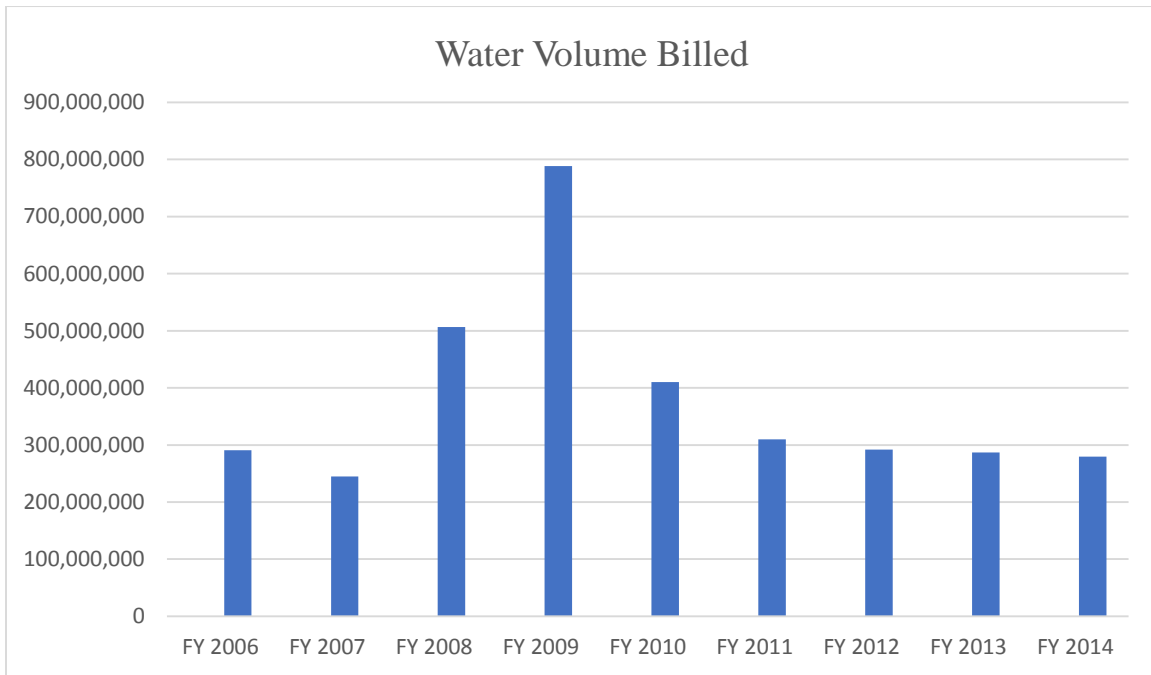
Water Use by Customer Class, FY 2014

Customer Class	Water Billed	Water Consumed (gal.)	Percent of Totals
Residential	\$1,529,346	219,072,013	86%/78%
Commercial	\$244,646	59,462,000	14%/21%
Totals	\$1,773,992	278,534,013	100%/99%

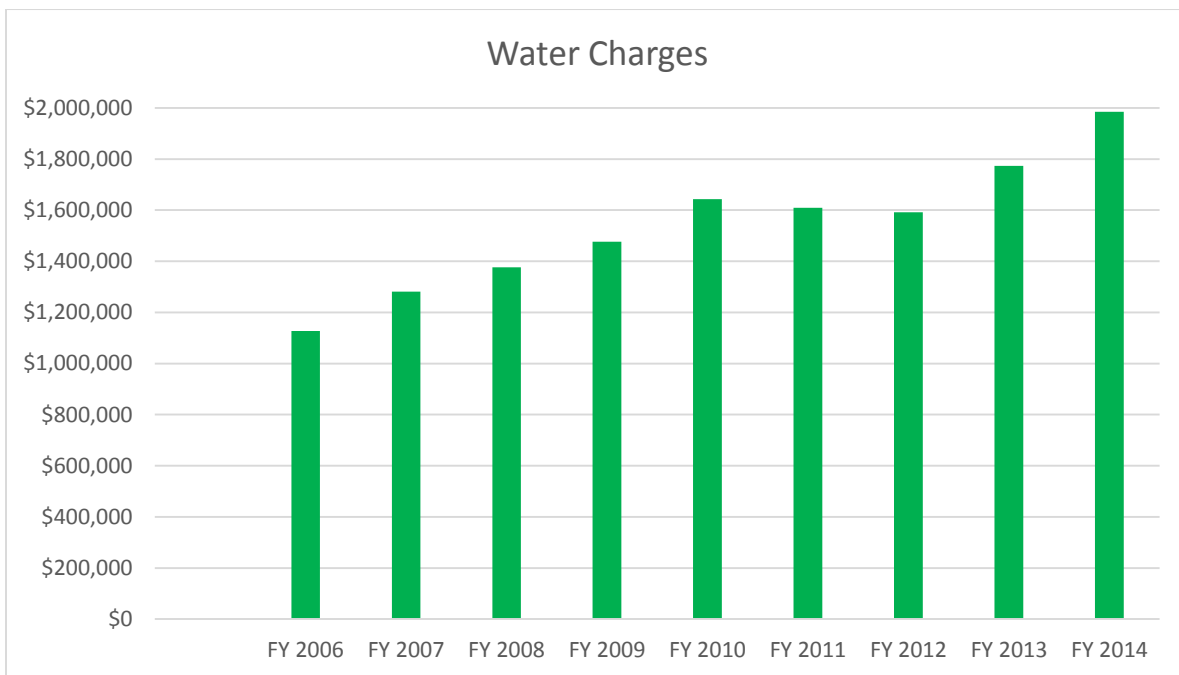
Overall, GUSA has experienced moderate and steady growth in both the number of residential and commercial water accounts over the last several fiscal years.

Customer Accounts	2010	2011	2012	2013	2014	Current
Residential	3,505	3,585	3,630	3,715	3,781	3,840
Commercial	156	158	169	181	189	169
Totals	3,661	3,743	3,799	3,896	3,970	4,009

The chart below presents volume of water billed, by fiscal year. Data is from the Consumption Profile Reports generated by the City's utility billing software.



The chart below presents water charges, by fiscal year. Data is from the Consumption Profile Reports generated by the City's utility billing software.



Sewer System

The Authority’s sanitary sewer system serves most, but not all, of Glenpool’s incorporated area. The system consists of a collection system, along with eleven (11) lift stations, and a wastewater treatment facility near 136th Place and South Broadway Avenue. The City is permitted for a maximum discharge of 1.4 MGD. Average daily discharge is between 0.75 and 0.85 MGD. The treatment process is aerated lagoons (one single-cell 14-foot deep lagoon divided into 4 bays) with chemical treatment. The treatment facility is approximately twenty (20) years old and has been updated over the ensuing period, most recently with the addition of a chlorination process between the lagoons and the discharge point into the Arkansas River. There is an ongoing study to determine if sludge removal is needed, but the results of that study are not known at present. If sludge removal is needed, the likely process will be land application on nearby privately owned land. The sanitary sewer system is not under any Consent Orders and has no Notices of Violation from ODEQ.

The sanitary sewer system, like the water system is operated by a private vendor, Severn-Trent Environmental Services. Severn-Trent employs the individuals who operate and maintain the sanitary sewer service.

GUSA has essentially two sewer customer classifications, residential and commercial. The table below presents a breakdown of the sewer rate classifications for the fiscal year ending June 30, 2014.

Sewer Use by Customer Class, FY 2014

Customer Class	Sewer Billed	Sewer Usage (gal.)	Percent of Totals
Residential	\$647,241	212,893,013	86%/82%
Commercial	\$101,642	46,628,000	14%/18%
Totals	\$748,884	259,251,013	100%/100%

Overall, as in the case of water accounts, GUSA has experienced moderate and steady growth in both the number of residential and commercial sewer accounts over the last several fiscal years.

Customer Accounts	2010	2011	2012	2013	2014
Residential	3,463	3,543	3,585	3,670	3,731
Commercial	128	126	134	143	146
Totals	3,591	3,669	3,719	3,813	3,877

Historical Financial Operating Performance

The following information is taken from the City's audited financial statements.

	Fiscal Year Ending June 30:				
	2010	2011	2012	2013	2014
Revenues					
Water Revenue	2,026,944	1,864,124	1,644,317	1,851,348	1,962,274
Sewer Revenue	661,916	714,891	742,816	748,524	747,534
Water Taps	108,903	52,253	62,175	80,005	113,100
Sewer Taps	25,198	10,800	13,600	16,969	19,500
Connect/transfer fees	37,925	41,375	6,421	6,809	45,472
Delinquent Fees	73,409	79,539	85,113	92,408	95,312
Miscellaneous Charges	24,421	7,694	17,839	13,490	16,056
Return on fees	23,838	3,092	3,060		
Total Revenues	2,982,554	2,773,768	2,575,341	2,809,553	2,999,248
Operations Expense					
General and Administrative	80,000	101,379	49,308		
Water and Sewer Treatment	1,721,235	2,885,472	3,443,570	3,334,696	3,100,974
Total Operations Expense	1,801,235	2,986,851	3,492,878	3,334,696	3,100,974
Net Operating Revenues	1,181,319	(213,083)	(917,537)	(525,143)	(101,726)

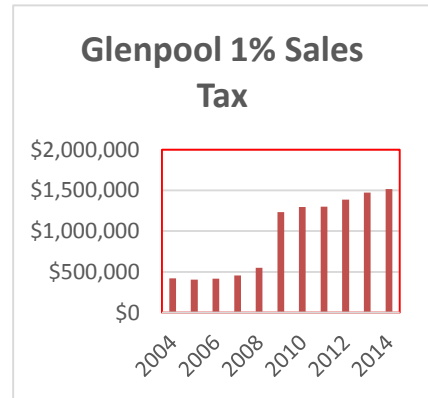
From fiscal year 2010 thru fiscal year 2014, **revenues increased 0.6% while operating expenses increased 72%**. The result was that net operating revenues declined precipitously, and the water and sewer system has operated in persistent deficits beginning in FY 2011. Bear in mind that the amounts above do not include any non-cash items, such as depreciation expense. Also, this is before GUSA debt payments are included or any sales tax transfers from the General Fund to GUSA.

Current GUSA Indebtedness

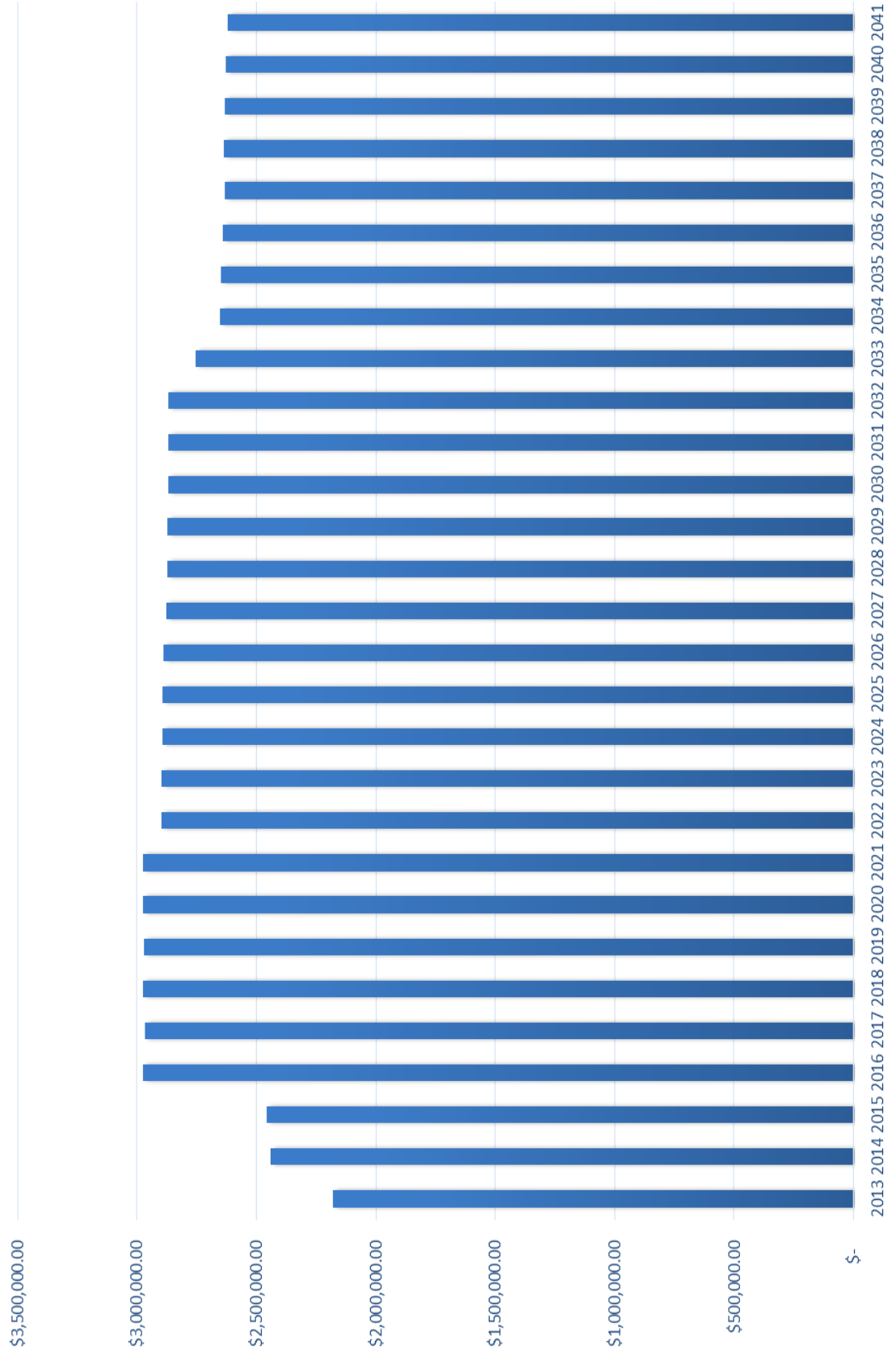
Fiscal Year Ending June 30:	Series 2001 Note to OWRB	Utility System Revenue Bonds, Tax Exempt Refunding Series 2010A	Utility System Revenue Bonds, Taxable Refunding Series 2010B	Utility System Revenue Bonds Tax Exempt Refunding, Series 2011	Series 2011 Note to OWRB	Total
6/30/2013	\$71,090	\$1,399,938	\$215,475	\$345,155	\$145,788	\$2,177,445
6/30/2014	\$70,744	\$1,399,938	\$286,950	\$413,405	\$269,074	\$2,440,111
6/30/2015	\$70,399	\$1,399,938	\$287,225	\$483,755	\$216,550	\$2,457,867
6/30/2016	\$70,060	\$1,915,750	\$287,350	\$482,855	\$216,550	\$2,972,565
6/30/2017	\$69,709	\$1,912,113	\$285,753	\$481,755	\$216,550	\$2,965,879
6/30/2018	\$69,364	\$1,915,103	\$287,265	\$485,355	\$216,550	\$2,973,637
6/30/2019	\$69,019	\$1,913,918	\$288,293	\$483,655	\$216,550	\$2,971,434
6/30/2020	\$68,675	\$1,915,326	\$288,835	\$486,655	\$216,550	\$2,976,042
6/30/2021	\$68,329	\$1,914,290	\$288,893	\$484,633	\$216,550	\$2,972,694
6/30/2022	\$0	\$1,911,155	\$287,200	\$482,505	\$216,550	\$2,897,410
6/30/2023	\$0	\$1,911,220	\$283,700	\$484,800	\$216,550	\$2,896,270
6/30/2024	\$0	\$1,909,650	\$284,450	\$481,598	\$216,550	\$2,892,248
6/30/2025	\$0	\$1,911,114	\$284,300	\$482,826	\$216,550	\$2,894,790
6/30/2026	\$0	\$1,905,368	\$283,250	\$483,308	\$216,550	\$2,888,475
6/30/2027	\$0	\$2,178,874	\$0	\$482,659	\$216,550	\$2,878,083
6/30/2028	\$0	\$2,176,494	\$0	\$481,019	\$216,550	\$2,874,063
6/30/2029	\$0	\$2,176,568	\$0	\$478,894	\$216,550	\$2,872,011
6/30/2030	\$0	\$2,173,974	\$0	\$476,284	\$216,550	\$2,866,808
6/30/2031	\$0	\$2,173,591	\$0	\$478,068	\$216,550	\$2,868,209
6/30/2032	\$0	\$2,173,503	\$0	\$478,755	\$216,550	\$2,868,808
6/30/2033	\$0	\$2,168,505	\$0	\$478,328	\$108,275	\$2,755,107
6/30/2034	\$0	\$2,169,938	\$0	\$482,008	\$0	\$2,651,945
6/30/2035	\$0	\$2,167,545	\$0	\$479,795	\$0	\$2,647,340
6/30/2036	\$0	\$2,166,200	\$0	\$471,945	\$0	\$2,638,145
6/30/2037	\$0	\$2,160,346	\$0	\$473,236	\$0	\$2,633,583
6/30/2038	\$0	\$2,159,706	\$0	\$478,280	\$0	\$2,637,986
6/30/2039	\$0	\$2,154,431	\$0	\$477,165	\$0	\$2,631,596
6/30/2040	\$0	\$2,154,264	\$0	\$475,020	\$0	\$2,629,284
6/30/2041	\$0	\$2,148,946	\$0	\$471,845	\$0	\$2,620,791

Principal and interest payments on GUSA debt total \$2,457,867 in the fiscal year ending June 30, 2015, and are scheduled to rise to \$2,972,565 in fiscal year 2016, an annual increase of \$514,698. Debt service is scheduled to stay at the same approximate level as fiscal year 2016 until the Series 2001 OWRB Note matures in fiscal year 2021. That maturity will provide a reduction in annual debt service of approximately \$68,000. While that is certainly a positive, it is relatively modest in terms of GUSA overall debt obligations

It is important to note that Sales Tax Ordinance 457, which is a broadly defined 1% capital improvement sales tax, **expires March 31, 2021**. In FY 2014, Ordinance 457 generated \$1,517,327.84 in revenue, which is slightly over *half* of the annual debt service shown above. Since annual City debt payments are scheduled to be over \$2.5 million until the end of Fiscal Year 2041, expiration of the sales tax will likely require the City to make some very difficult decisions involving future utility rate increases or decreasing expenditures in other parts of the City budget.



Total Debt Service by Fiscal Year



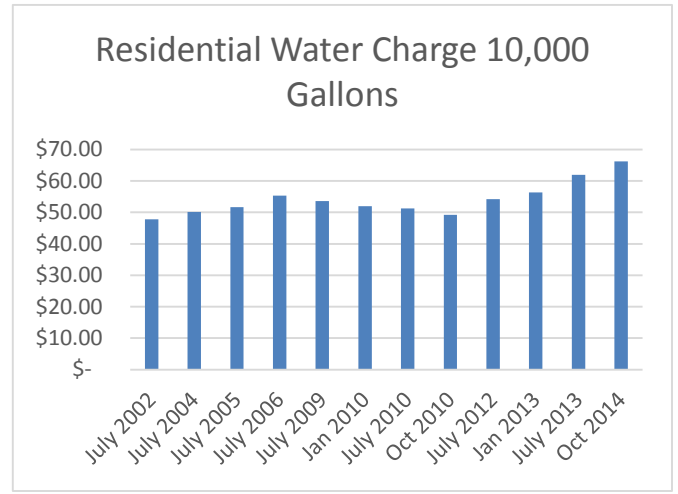
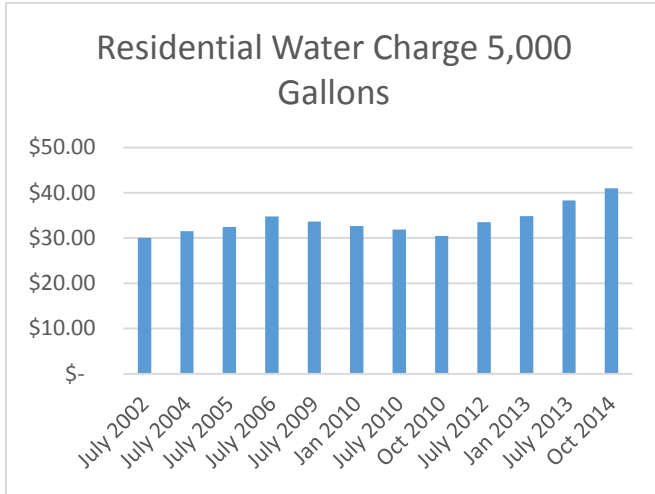
Historical Water and Sewer Rates

Water Rates

Starting with a baseline using the water rates established in July 2002, Glenpool has adjusted water rates eleven times (not including the recently added \$7.75 per month service charge authorized in December 2014). Of those eleven rate changes, seven were general increases and four were general decreases in rates. All of the changes to residential water rates have been across the board percentage changes to both base charge and volume charge, preserving the increasing, then decreasing block rate structure put in place many years ago for residential customers. The base charge for commercial customers, \$43.53, is significantly larger than the base charge for residential, and the volume charge, \$3.20 per thousand gallons, is significantly lower than residential volume charges. *It should be noted that the current volume charge for commercial of \$3.20 per thousand is just slightly above the \$3.17 per thousand being charged for treated water to Glenpool by the City of Tulsa and certainly does not cover the marginal cost of water when adjusted for water loss and other marginal operating costs.*

	Approximate Date of Rate Change											
	July 2002	July 2004	July 2005	July 2006	July 2009	Jan 2010	July 2010	Oct 2010	July 2012	Jan 2013	July 2013	Oct 2014
Water												
Residential												
Base Rate (includes 1st 1,000 gal.)	\$ 15.97	\$ 16.77	\$ 17.28	\$ 18.49	\$ 17.94	\$ 17.40	\$ 16.65	\$ 15.61	\$ 17.17	\$ 17.86	\$ 19.64	\$ 21.01
Next 7,000 gallons	\$ 3.51	\$ 3.68	\$ 3.79	\$ 4.06	\$ 3.93	\$ 3.81	\$ 3.81	\$ 3.71	\$ 4.08	\$ 4.24	\$ 4.67	\$ 4.99
Next 7,000 gallons	\$ 3.62	\$ 3.80	\$ 3.92	\$ 4.20	\$ 4.06	\$ 3.95	\$ 3.95	\$ 3.83	\$ 4.22	\$ 4.38	\$ 4.82	\$ 5.15
Next 35,000 gallons	\$ 3.27	\$ 3.43	\$ 3.54	\$ 3.78	\$ 3.67	\$ 3.56	\$ 3.56	\$ 3.45	\$ 3.80	\$ 3.95	\$ 4.34	\$ 4.64
Next 5,000 gallons	\$ 3.03	\$ 3.18	\$ 3.28	\$ 3.50	\$ 3.40	\$ 3.30	\$ 3.30	\$ 3.20	\$ 3.52	\$ 3.66	\$ 4.02	\$ 4.30
All over 55,000 gallons	\$ 2.97	\$ 3.12	\$ 3.21	\$ 3.44	\$ 3.33	\$ 3.23	\$ 3.23	\$ 3.13	\$ 3.45	\$ 3.58	\$ 3.94	\$ 4.21
Total Charge for 5,000 gallons	\$ 30.01	\$ 31.49	\$ 32.44	\$ 34.73	\$ 33.66	\$ 32.64	\$ 31.89	\$ 30.45	\$ 33.49	\$ 34.82	\$ 38.32	\$ 40.97
Percentage Change from Previous		4.93%	3.02%	7.06%	-3.08%	-3.03%	-2.30%	-4.52%	9.98%	3.97%	10.05%	6.92%
Total charge for 10,000 gallons	\$ 47.78	\$ 50.13	\$ 51.65	\$ 55.31	\$ 53.57	\$ 51.97	\$ 51.22	\$ 49.24	\$ 54.17	\$ 56.30	\$ 61.97	\$ 66.24
Percentage Change from Previous		4.92%	3.03%	7.09%	-3.15%	-2.99%	-1.44%	-3.87%	10.01%	3.93%	10.07%	6.89%

Below are graphical representations of the total monthly water charges to residential customers at selected monthly consumption amounts of 5,000 and 10,000 gallons, reflecting rates in place since July 2002. The recently adopted \$7.75 per month water service charge is not included.

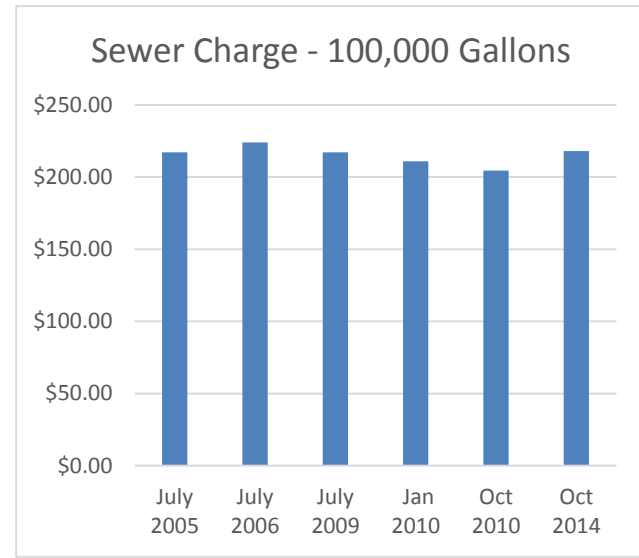
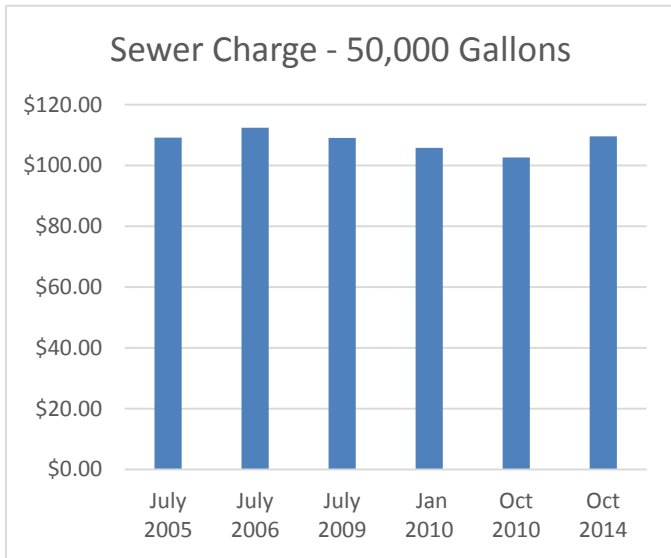
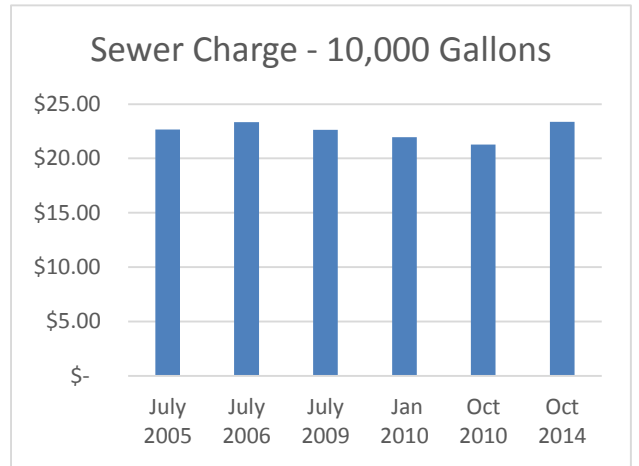
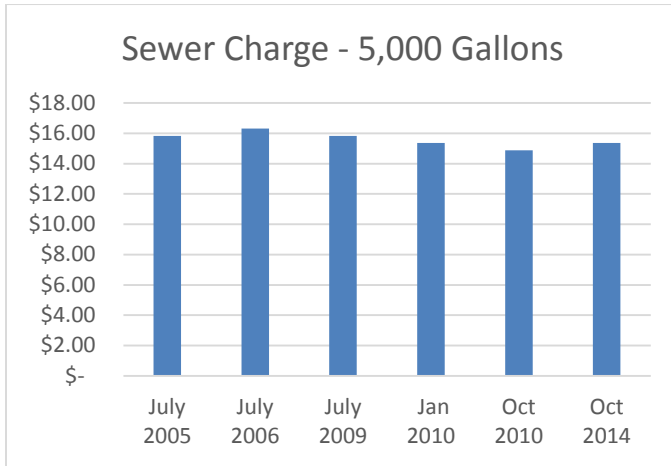


Sewer Rates

Starting with a baseline of July 2005, sewer rates have been adjusted five times (two general rate increases and three general rate decreases). The most recent increase in October 2014 simplified the rate structure significantly.

		Approximate Date of Rate Change					
		July 2005	July 2006	July 2009	Jan 2010	Oct 2010	Oct 2014
Sewer							
Residential and Commercial							
Base Rate (includes 1st 1,000 gal.)	\$	8.92	\$ 9.19	\$ 8.91	\$ 8.65	\$ 8.38	Base Rate (includes 1st 1,000 gal.) \$ 8.97
Next 7,000 gallons	\$	1.73	\$ 1.78	\$ 1.73	\$ 1.67	\$ 1.63	Next 10,000 gallons \$ 1.60
Next 2,000 gallons	\$	0.81	\$ 0.83	\$ 0.81	\$ 0.78	\$ 0.76	All over 11,000 gallons \$ 2.17
Next 23,000 gallons	\$	2.17	\$ 2.22	\$ 2.16	\$ 2.10	\$ 2.03	
Next 2,000 gallons	\$	1.89	\$ 1.95	\$ 1.89	\$ 1.84	\$ 1.78	
Next 5,000 gallons	\$	2.27	\$ 2.34	\$ 2.27	\$ 2.20	\$ 2.14	
Next 5,000 gallons	\$	2.16	\$ 2.23	\$ 2.16	\$ 2.10	\$ 2.04	
All over 45,000 gallons	\$	2.16	\$ 2.23	\$ 2.16	\$ 2.10	\$ 2.04	
Total Charge for 5,000 gallons		15.84	\$ 16.32	\$ 15.83	\$ 15.36	\$ 14.89	\$ 15.37
<i>Percentage Change from Previous</i>			<i>3.03%</i>	<i>-3.00%</i>	<i>-2.97%</i>	<i>-3.06%</i>	<i>3.22%</i>
Total charge for 10,000 gallons		22.66	\$ 23.34	\$ 22.64	\$ 21.96	\$ 21.29	\$ 23.37
<i>Percentage Change from Previous</i>			<i>3.00%</i>	<i>-3.00%</i>	<i>-3.00%</i>	<i>-3.05%</i>	<i>9.77%</i>

Below are graphical representations of the total monthly sewer charges for typical residential and commercial usage levels, reflecting rates in place since July 2005.

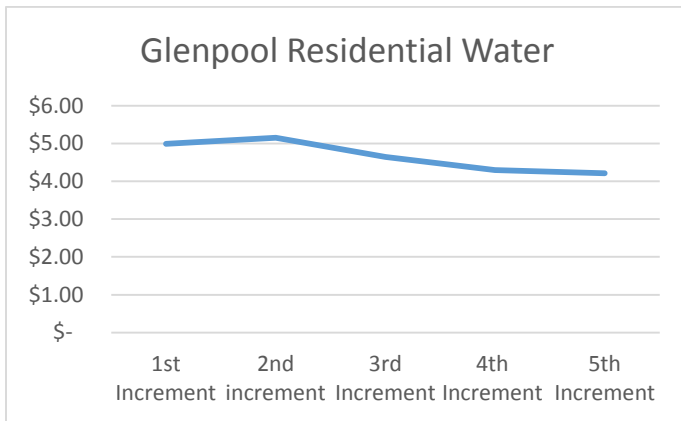


Comparative Water and Sewer Rates

Residential Water Rates

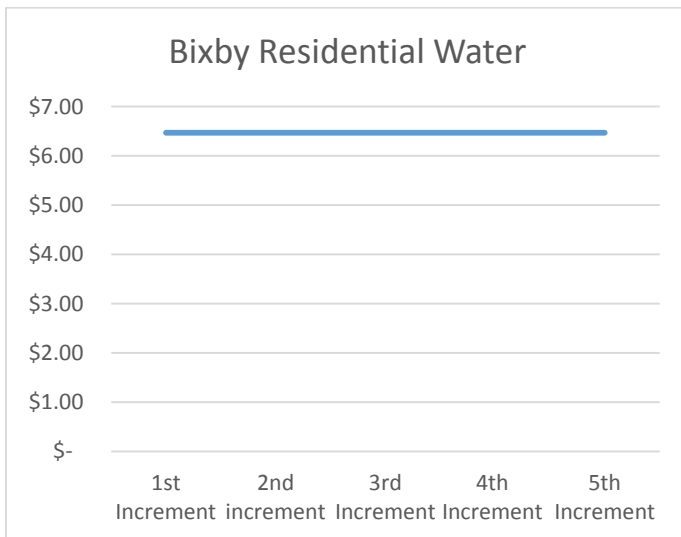
Glenpool has a different residential water rate structure than other nearby communities. After the residential water customer pays the base charge of \$21.01 per month (not including the recently added \$7.75 water service charge implemented in late 2014), which includes the first 1,000 gallons of water, the residential customer pays \$4.99 per thousand for the next 7,000 gallons, \$5.15 per thousand for the next 7,000 gallons, and after that the volume charges are reduced in three steps to a rate of \$4.21 per thousand gallons.

Below is a graphical summary of Glenpool’s water rates compared to other nearby communities. All of the other communities utilize either a uniform rate structure, or some form of increasing block rate structure.



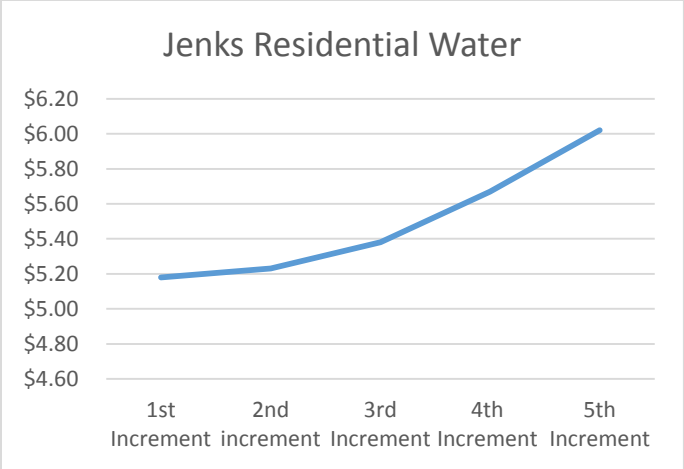
Increasing, then
Diminishing Block
Rate Structure

Glenpool	Residential		
Base Charge (Includes 1,000 gallons)		\$	21.01
Next	7,000 gallons	\$	4.99 per thou.
Next	7,000 gallons	\$	5.15 per thou.
Next	35,000 gallons	\$	4.64 per thou.
Next	5,000 gallons	\$	4.30 per thou.
All additional	gallons	\$	4.21 per thou.



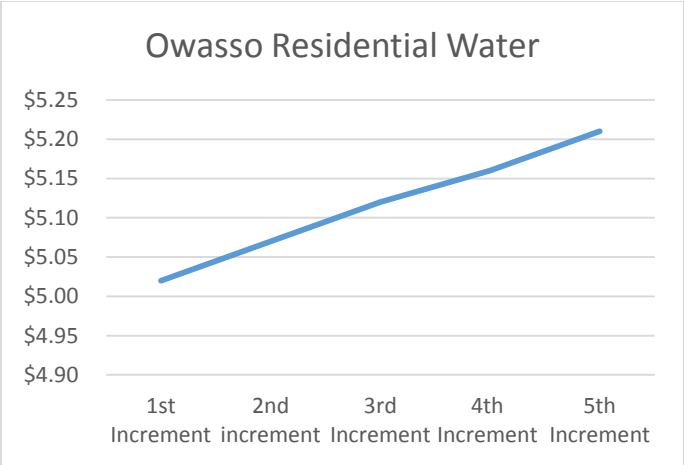
Uniform Rate
Structure

Bixby	Residential		
Base Charge (Includes 1,000 gallons)		\$	13.66
All additional	gallons	\$	6.47 per thou.



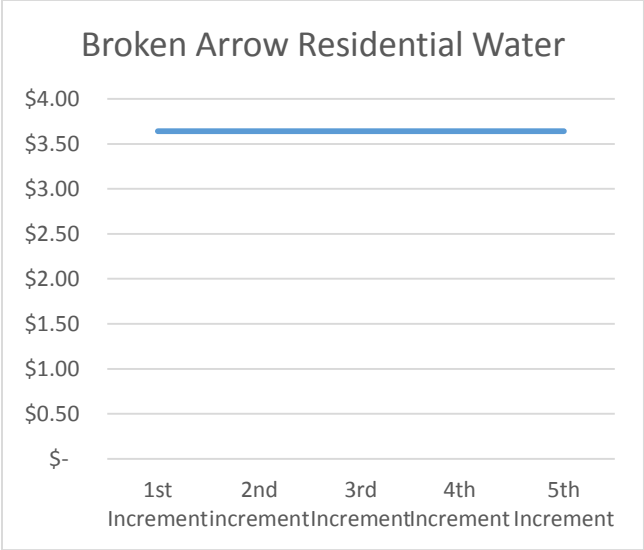
**Increasing Block
Rate Structure**

Jenks	Residential		
Base Charge (Includes 1,000 gallons)		\$ 13.06	
Next	7,000 gallons	\$ 5.18	per thou.
Next	4,000 gallons	\$ 5.23	per thou.
Next	6,000 gallons	\$ 5.38	per thou.
Next	7,000 gallons	\$ 5.67	per thou.
All additional	gallons	\$ 6.02	per thou.



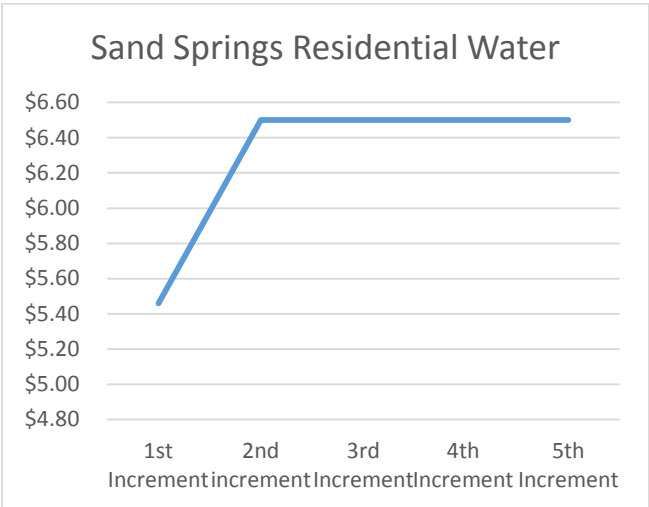
**Increasing Block
Rate Structure**

Owasso	Residential		
Base Charge (Includes 1,000 gallons)		\$ 11.50	
Next	1,000 gallons	\$ 5.02	per thou.
Next	3,000 gallons	\$ 5.07	per thou.
Next	5,000 gallons	\$ 5.12	per thou.
Next	10,000 gallons	\$ 5.16	per thou.
All additional	gallons	\$ 5.21	per thou.



Uniform Rate
Structure

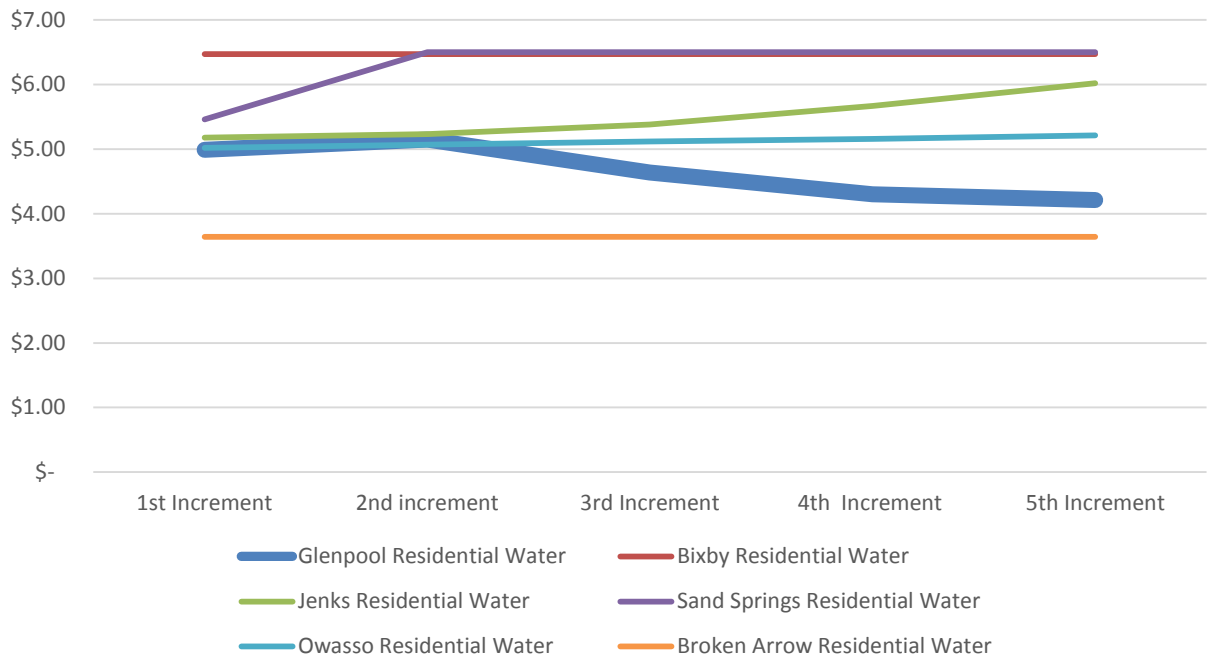
Broken Arrow	Residential			
Base Charge (no water included)		\$	7.70	
All		gallons	\$ 3.64	per thou.



Increasing Block
Rate Structure, then
Uniform

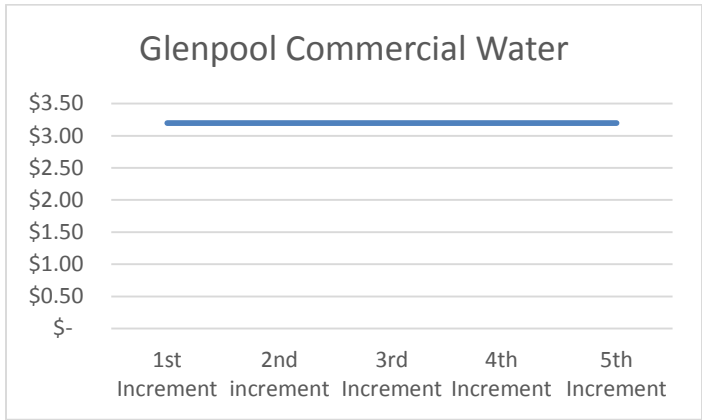
Sand Springs	Residential			
Base Charge (Includes 1,000 gallons)		\$	10.56	
Next	49,000	gallons	\$ 5.46	per thou.
All additional		gallons	\$ 6.50	per thou.

Comparative Residential Water Volume Charges



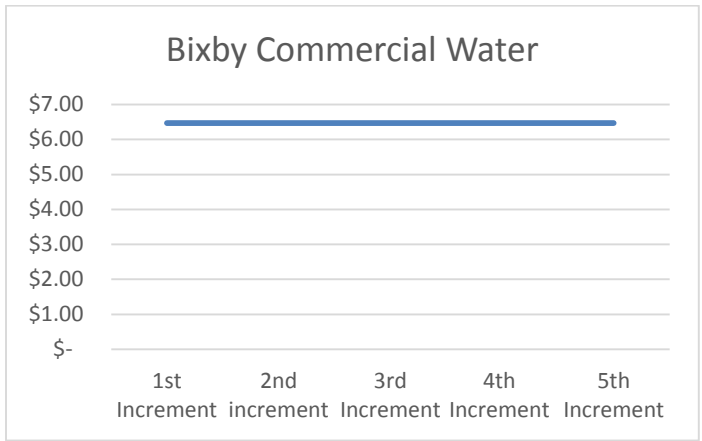
Commercial Water Rates

Unlike residential water rates, GUSA’s commercial water rates are uniform, with a larger monthly base charge of \$43.53 (not including the recently enacted \$7.75 per month water service charge), versus \$21.01 for residential customers.



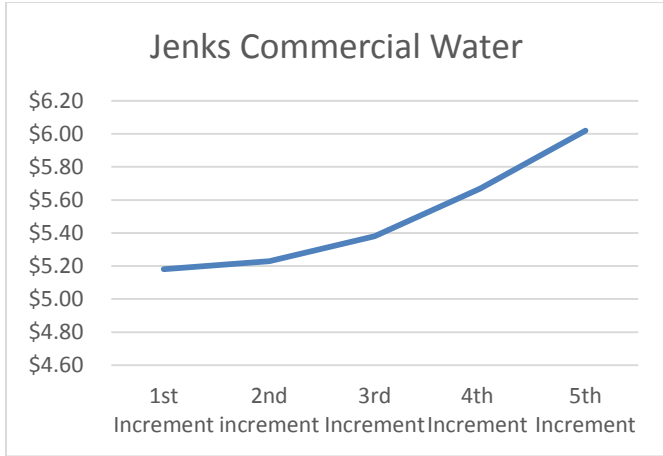
Uniform Rate Structure

Glenpool	Commercial			
Base Charge (Includes 1,000 gallons)			\$ 43.53	
All additional		gallons	\$ 3.20	per thou.



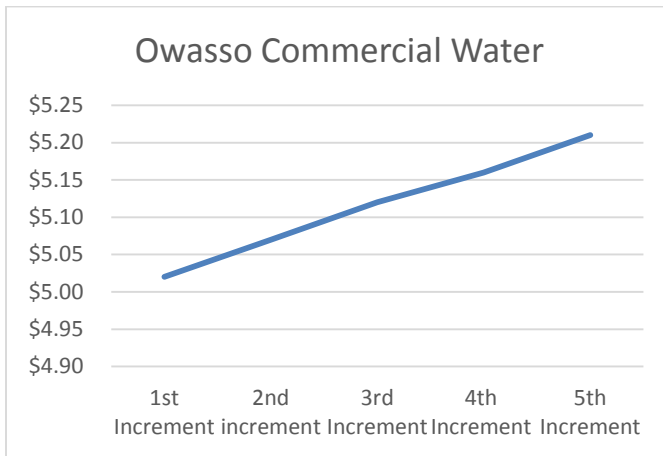
Uniform Rate Structure

Bixby	Commercial			
Base Charge (Includes 1,000 gallons)			\$ 13.66	
All additional		gallons	\$ 6.47	per thou.



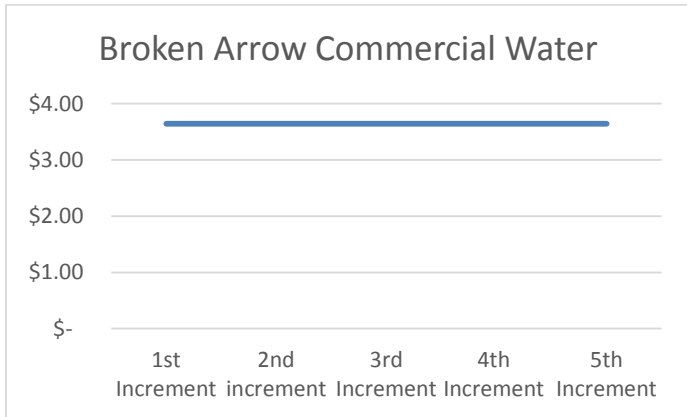
Increasing Block Rate Structure

Jenks Commercial				
Base Charge (Includes 1,000 gallons)			\$ 13.06	
Next	7,000 gallons		\$ 5.18	per thou.
Next	4,000 gallons		\$ 5.23	per thou.
Next	6,000 gallons		\$ 5.38	per thou.
Next	7,000 gallons		\$ 5.67	per thou.
All additional		gallons	\$ 6.02	per thou.



Increasing Block Rate Structure

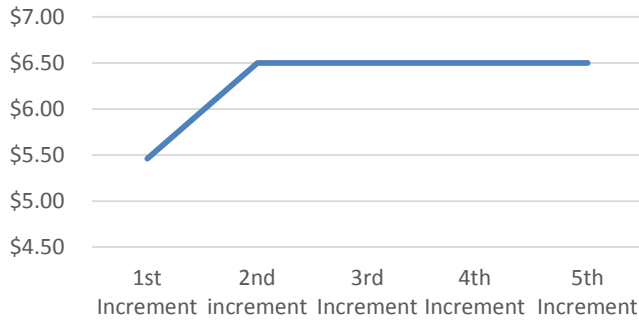
Owasso Commercial				
Base Charge* (Includes 1,000 gallons)			\$ 11.50	
Next	1,000 gallons		\$ 5.02	per thou.
Next	3,000 gallons		\$ 5.07	per thou.
Next	5,000 gallons		\$ 5.12	per thou.
Next	10,000 gallons		\$ 5.16	per thou.
All additional		gallons	\$ 5.21	per thou.



Uniform Rate Structure

Broken Arrow Commercial				
Base Charge* (Includes 1,000 gallons)			\$ 7.70	
All		gallons	\$ 3.64	per thou.

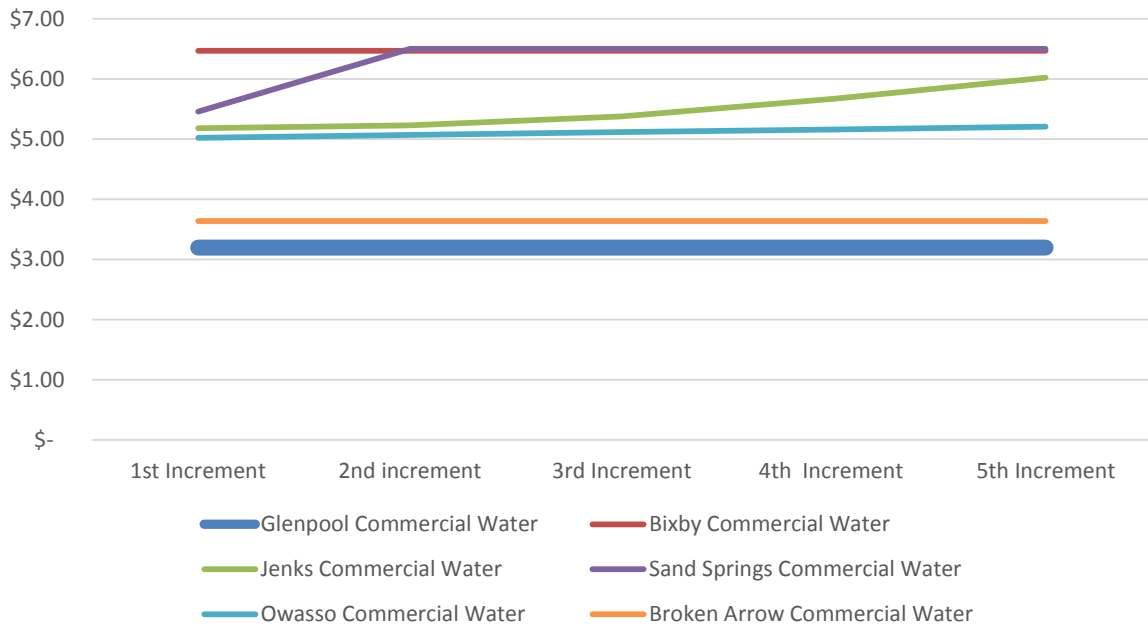
Sand Springs Commercial Water



Increasing, then Uniform Rate Structure

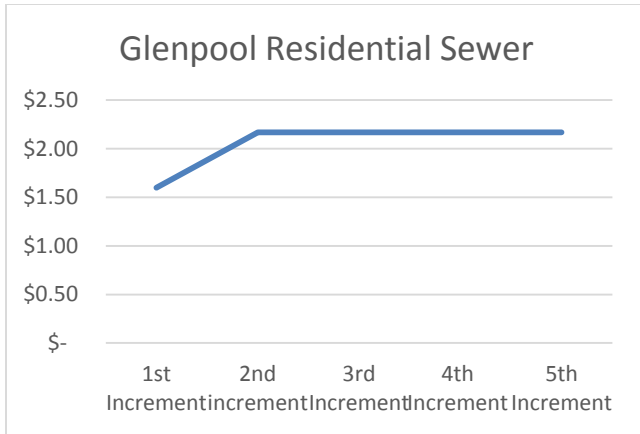
Sand Springs Commercial				
Base Charge (Includes 1,000 gallons)			\$ 10.56	
Next	7,000	gallons	\$ 5.46	per thou.
All additional		gallons	\$ 6.50	per thou.

Comparative Commercial Water Volume Charges



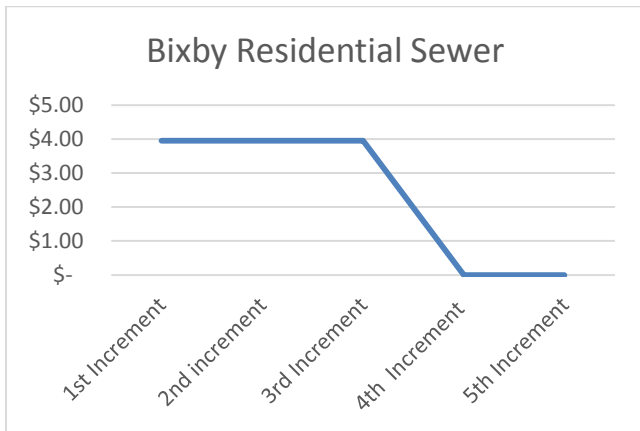
Residential Sewer Rates

Glenpool has an increasing, then uniform rate structure for residential sewer customers.



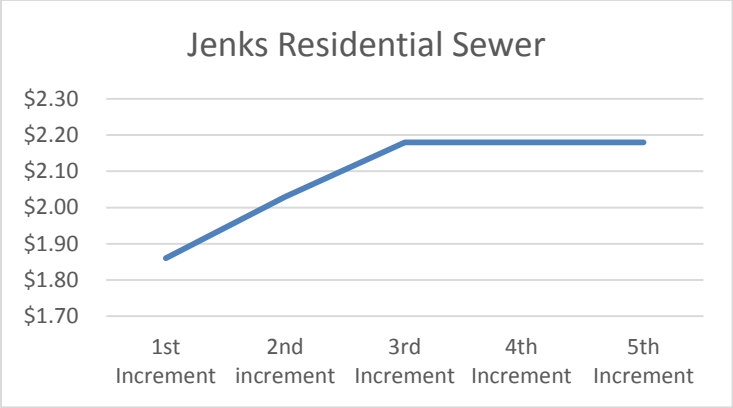
Increasing Block Rate Structure

Glenpool	Residential			
Base Charge (Includes 1,000 gallons)		\$	8.97	
Next	10,000 gallons	\$	1.60	per thou.
All additional	gallons	\$	2.17	per thou.



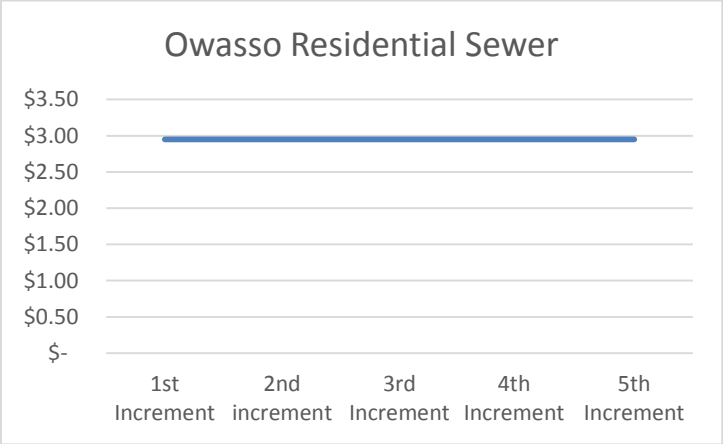
Uniform, then Capped Rate Structure.
Maximum monthly bill is \$40.00

Bixby	Residential			
Base Charge (Includes 1,000 gallons)		\$	8.75	
All additional	gallons	\$	3.95	per thou.
Bixby caps residential sewer charge at \$40.00/mo.				



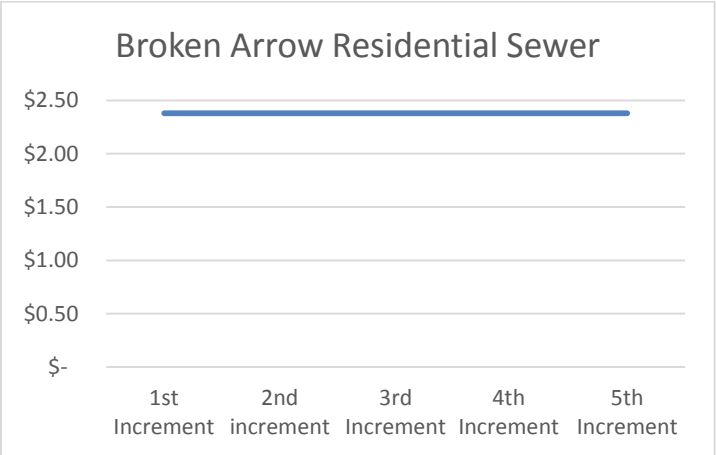
Increasing Block Rate Structure

Jenks	Residential			
Base Charge (Includes 1,000 gallons)			\$ 5.73	
Next	11,000	gallons	\$ 1.86	per thou.
Next	13,000	gallons	\$ 2.03	per thou.
All additional		gallons	\$ 2.18	per thou.



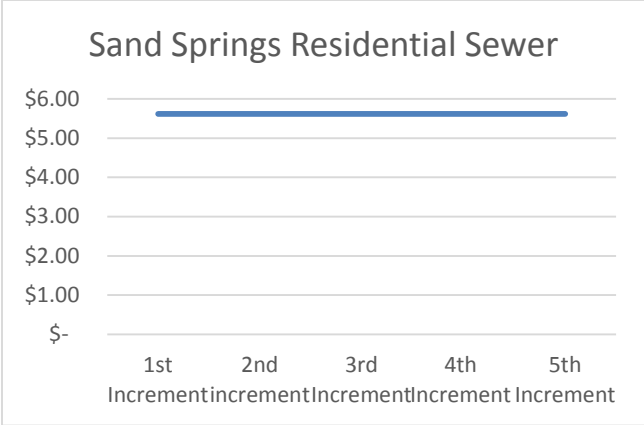
Uniform Rate Structure

Owasso	Residential			
Base Charge (Includes 1,000 gallons)			\$ 6.97	
All additional		gallons	\$ 2.95	per thou.



Uniform Rate Structure

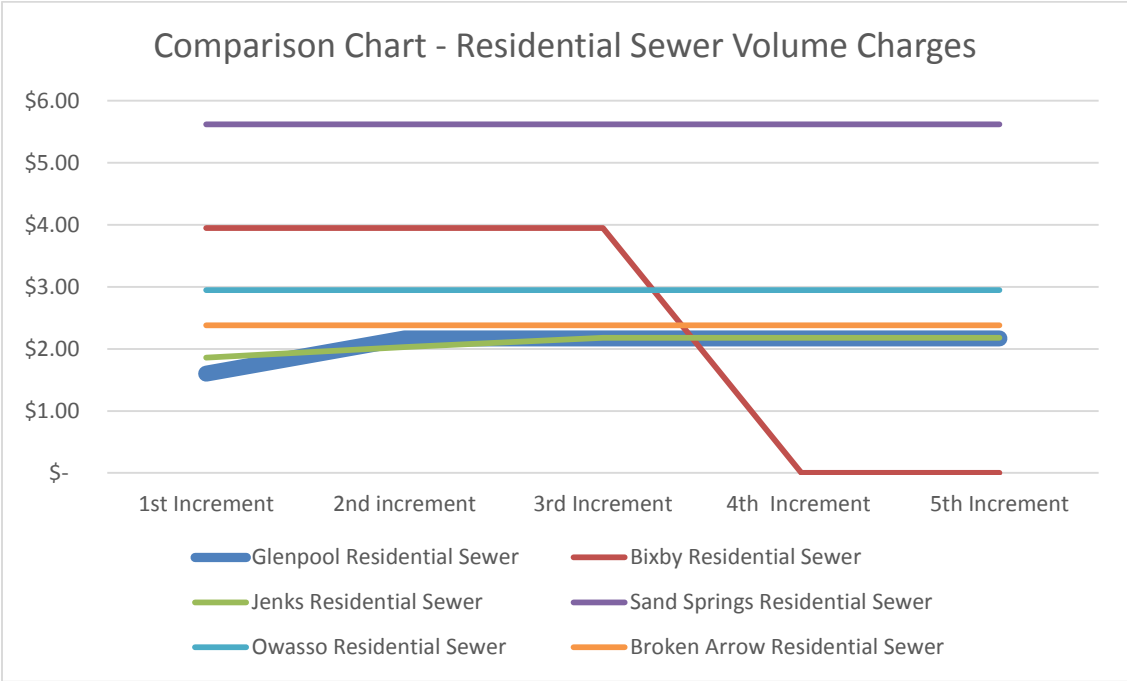
Broken Arrow	Residential			
Base Charge (no gallons included)			\$ 7.50	
All		gallons	\$ 2.38	per thou.



Uniform Rate Structure

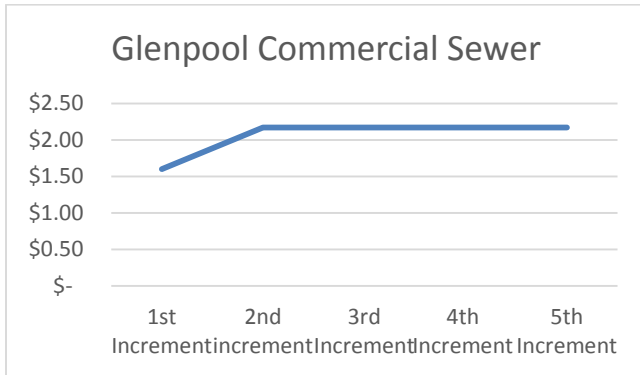
Sand Springs Residential			
Base Charge (Includes 1,000 gallons)	\$	10.71	
All additional gallons	\$	5.62	per thou.

The chart below shows relative residential sewer rates between the selected cities.



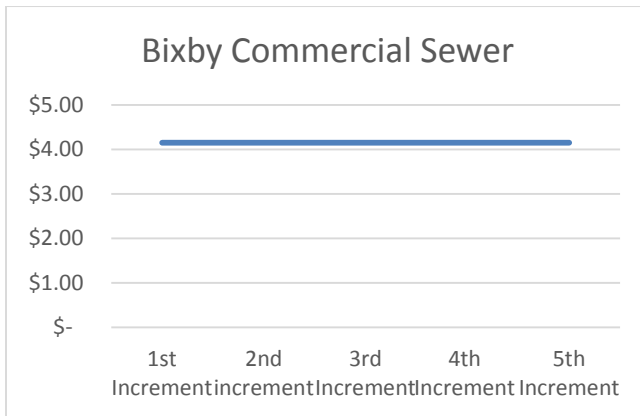
Commercial Sewer

Glenpool’s rates for commercial sewer mirror the residential sewer rates.



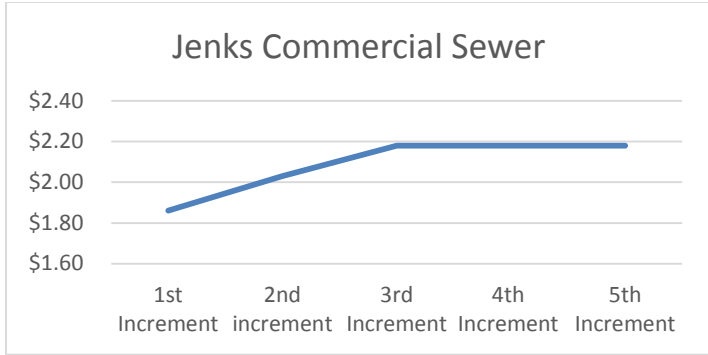
Increasing, then Uniform Rate Structure

Glenpool	Commercial			
Base Charge (Includes 1,000 gallons)			\$ 8.97	
Next	10,000	gallons	\$ 1.60	per thou.
All additional		gallons	\$ 2.17	per thou.



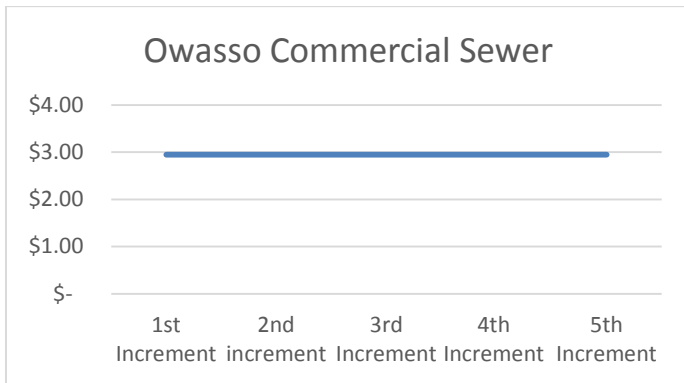
Uniform Rate Structure

Bixby	Commercial			
Base Charge (Includes 1,000 gallons)			\$ 8.75	
All additional		gallons	\$ 4.15	per thou.



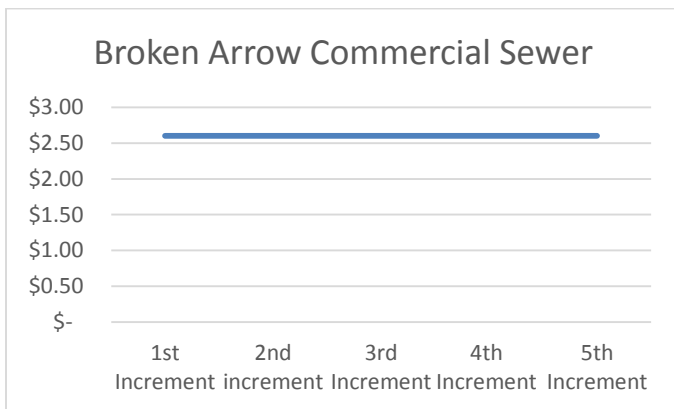
Increasing Block Rate Structure

Jenks	Commercial			
Base Charge (Includes 1,000 gallons)			\$ 5.73	
Next	11,000	gallons	\$ 1.86	per thou.
Next	13,000	gallons	\$ 2.03	per thou.
All additional		gallons	\$ 2.18	per thou.



Uniform Rate Structure

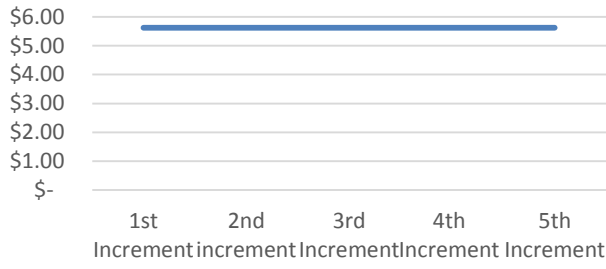
Owasso	Commercial			
Base Charge* (Includes 1,000 gallons)			\$ 6.97	
All additional		gallons	\$ 2.95	per thou.



Uniform Rate Structure

Broken Arrow	Commercial			
Base Charge* (gallons 1,000 gallons)			\$ 7.50	
All		gallons	\$ 2.60	per thou.

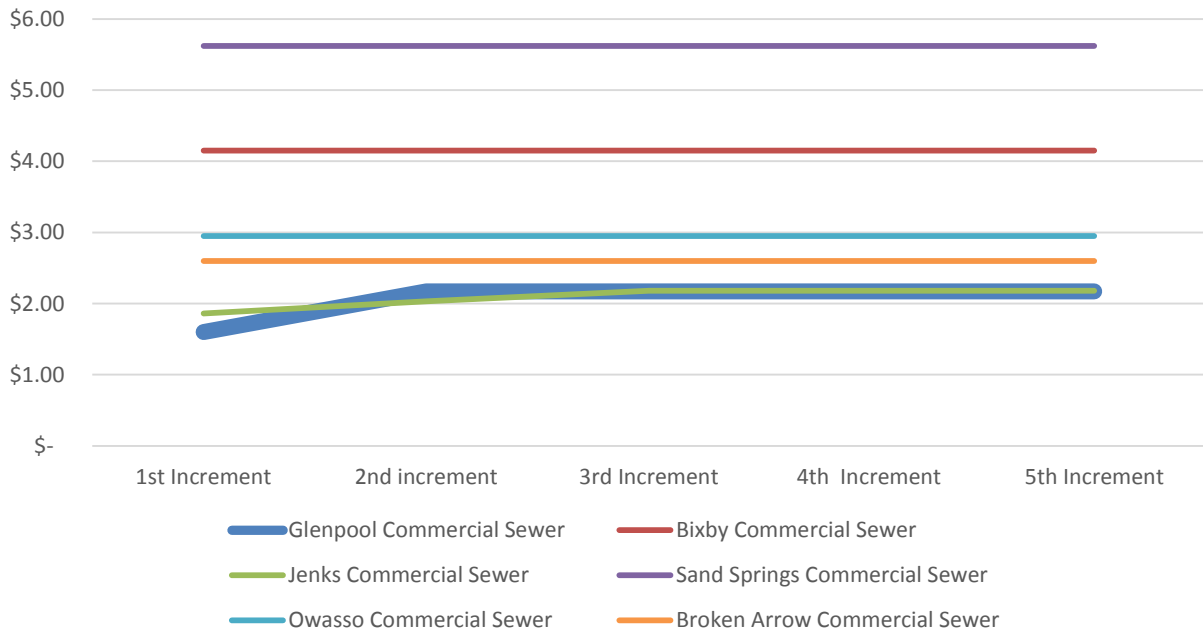
Sand Springs Commercial Sewer



Uniform Rate Structure

Sand Springs Commercial			
Base Charge (Includes 1,000 gallons)	\$	10.71	
All additional		gallons	\$ 5.62 per thou.

Comparison Chart - Commercial Sewer Volume Charges



Methodology

GUSA's operations and financial statements contain at least some element of four basic functions: sanitation, storm water, water, and sewer.

GUSA has a contract with a sanitation vendor that provides curbside pick-up and disposal services. Neither GUSA nor the City of Glenpool own or operate a landfill or any transfer stations. It is very easy to identify costs for sanitation, as they are included in the contract. As such, it is relatively easy to eliminate both sanitation revenues and sanitation expenses from this rate study on the theory that sanitation charges are just enough to allow the city to break-even on sanitation operations, and can be adjusted easily to reflect any changes in contract costs. *Cart fees designed to provide additional revenue to GUSA for overhead costs are an exception. We include those revenues in our analysis under the theory that they are the mechanism through which sanitation covers at least some of its administrative costs borne by GUSA.*

Storm water is slightly more complicated. GUSA's financials show storm water fees as a revenue item, but most of the expenses related to storm water are included in the General Fund of the City. In order that GUSA's net operating revenues not be overstated, the storm water revenues shown in GUSA's financial statements are ignored for the purposes of this rate study.

When evaluating a utility system's rates and charges, it is important to the extent possible to be able to group revenues and expenses within each category of the utility's operations. When it comes to the delineation between water and sewer, however, sometimes the lines between those functions can become blurry, for very practical reasons. First, water and sewer are essentially linked functions of a water cycle continuum, from production and treatment and distribution of drinking water to collection, treatment, and discharge of wastewater. For most communities, sewer revenue and expenses are highly correlated with water revenues and expenses. The impracticality of metering sewer usage in the same manner we meter water usage leads to sewer bills in most communities in Oklahoma and around the United States being tied to water consumption. Furthermore, with respect to daily operations of a utility system that offers both water and sewer services, there are economies to be obtained from having cross-trained staff in the administrative function and having system operators and field employees who have skills relevant to both water and sewer operations. In fact, this relationship between water and sewer is quite evident in the existing contractual relationship between the City of Glenpool and its water and sewer operations vendor.

The way Glenpool has historically presented water and sewer operating expenses reflects the close relationship between water and sewer. While some expense items are very easy to identify and assign to either water or sewer (e.g. water purchase costs), other expenses are not quite as easy to allocate between the two, and some reasonable rule must be utilized. For example, the rule could be that water revenues are X% of the combined water and sewer total, so any hard-to-allocate expenses will be assumed to be "X%" water and "100% minus X%" sewer. Another way would be, absent any evidence to the contrary, assume 50%/50% split between water and sewer. However, these kinds of fast and easy methods can introduce circular reasoning fallacies and lead to mischaracterization of true operational costs within either water or sewer. We usually need to make use of these less-than-ideal methods, but need to be cognizant of the fact that they are not perfect.

For the purposes of this report, in allocating water and sewer revenues and expenses, we attempt to identify the simple parts first. Water purchases from the Tulsa Metropolitan Utility Authority are obviously water expenses. Furthermore, since the contract between TMUA and GUSA is a sole-source contract without a "take-or-pay" provision, the vast majority of that cost (other than the monthly meter charges) is a variable

cost rather than a fixed cost. So, in an ideal water rate structure, the TMUA water purchase costs passed along to the end user in Glenpool should be reflected in the water volume charges, and not the water base charge.

With respect to debt service payments, those are fixed costs and ideally should be reflected in either water or sewer base charges, with the allocation between water and sewer base charges predicated on how much of the debt was for water purposes, and how much was for sewer purposes. Most of GUSA's debt is related to neither water nor sewer, but since water and sewer are the dominant revenue sources, practical considerations require a fast and simple rule. We suggest that in situations where the debt was related to something other than water or sewer, the related debt service be allocated to water and sewer based on a 50%/50% split. The City could then elect, if it so desired, to reimburse GUSA from the General Fund for debt related to general city capital projects. Those reimbursements would be directed back to water and sewer based on the same percentage split used for allocation of non-water, non-sewer debt service.

With respect to the Operation and Maintenance Service Agreement between GUSA and Severn-Trent Environmental Services, Inc., from reviewing the terms of the contract and the cost experience with respect to operational service, maintenance, and supplies, it was determined that the costs related to the Operations and Maintenance Service Agreement would be allocated 40% to water, and 60% to sewer.

As mentioned above, in an ideal rate model, all fixed costs should be reflected in the base charges of the water and sewer rate structure, and all variable costs would be reflected in the volume charges for water and sewer. However, for reasons of public policy that is not always possible. Some communities want to modify rates to accomplish other policy objectives, such as reducing the economic burden on fixed-income or low-income households, or to make certain that the City's utility rates promote economic development in the City's municipal boundaries. MFSOK is certainly sensitive to these matters, and we will work with the City to support such efforts, but we usually start with something close to the ideal model, and make changes as needed. To the extent that the City is not relying too much on high water and sewer consumption patterns to provide the revenue to pay fixed costs (such as debt service and fixed price contracts), a reasonable "middle ground" can usually be found.

Future Capital Needs

In discussions with city staff, we inquired about future capital plans for both the water and sewer system.

For the water system, the only project on the planning horizon is for additional elevated water storage of at least 500,000 gallons. Preliminary cost estimates are around \$1.6 million. Funding for that project will come from some combination of Vision 2025 funds and remaining construction proceeds from the 2011 Bond issue.

For the sewer treatment facility, a sludge evaluation is ongoing. If sludge removal is necessary, land application is the most likely option.

In our cash flow projections, we have not assumed any future cash outlay or borrowing by the Authority to meet any capital needs beyond routine capital outlay items such as tools and relatively inexpensive equipment. In the event a major capital need arises, it is likely that additional rate increases will be necessary regardless of whether the City decides to pay for the capital spending from net operating revenues or from debt service related to a bond or note to fund the project cost.

Major Considerations in Making Water and Sewer Rate Recommendations

There are several factors that will affect future water and sewer utility rate requirements of GUSA. Some of the more important factors are listed below:

1. Water purchase costs from the City of Tulsa.

Based on news reports and official information from the City of Tulsa, it is almost certain that additional annual water rate increases are in the future. For our analysis, we assumed 8% annual growth in the price per thousand gallons that Glenpool pays to Tulsa for treated water.

2. Housing growth in Glenpool.

With a new 348-unit apartment complex nearing completion, additional water usage is almost certain. In our cash analysis, we assumed a conservative consumption profile for the new apartment complex when projecting additional revenues to GUSA from increased demand for water and sewer. That increase in water and sewer usage is then assumed throughout future years in projecting cash flows.

3. Sales tax growth.

Since the enormous increases in sales tax receipts that materialized in Fiscal Year 2009 (123.8% growth vs. FY 2008), sales tax growth has moderated significantly, with annual growth rates ranging from 0.51% to 6.66%. For purposes of our analysis, we assumed a very conservative annual growth rate in sales tax of 2%.

4. Changes in operations costs other than water purchase costs.

As we mention early in this report, operational costs rose 72% from Fiscal Year 2010 through Fiscal Year 2014. That increase has been a significant driver of the drop in Net Operating Revenues for GUSA. In our cash flow analysis we assume a decrease in operational costs of \$200,000 per year in our baseline projection, but we then grow operating expenses at 5% year, except for water purchase costs, which are assumed to rise 8% per year.

5. Regulatory actions.

The City currently has no Consent Orders with the Oklahoma Department of Environmental Quality, and none are currently anticipated. However, with evolving regulatory requirements, it is always possible that additional mandates could be imposed on the City requiring changes to operational procedures or perhaps additional capital spending.

6. Continued sales tax support for outstanding GUSA indebtedness.

The existing 1% sales tax (Ordinance 457) is critically important to GUSA. Since the sales tax expires twenty years before existing debt is scheduled to be paid off, we recommend strongly that the City endeavor to extend the sales tax at least to the maturity of the existing

debt. In the event that the sales tax is not extended, then it is very likely that significant additional increases (beyond those proposed in this report) will be necessary to ensure GUSA has the resources it needs to serve the needs of Glenpool's utility customers.

Utility Rate Model

MFSOK utilized the City's utility billing software to obtain reports that detailed water and sewer usage history. The data is organized and analyzed on a monthly basis in order to see seasonal usage flows and search for data anomalies. In order to project the effect of proposed changes to water and sewer rates on future GUSA revenues, we "backtest" our model by examining the ability of the model to take reported usage data for water and sewer and then predict the billed amounts each month on an aggregate basis. To the extent that our predicted billings match the amounts actually billed by the City, we are able to arrive at a level of confidence for our model to accurately forecast changes in water and sewer billings from specified changes in base and volume charges.

Reviewing billing trends shows that the fiscal year ending June 30, 2014 was the fourth in a string of consecutive years in which total water billing volatility was low and hovered at or near 300 million gallons.

In building our rate model, we used consumption data from Fiscal Year 2014, entered on a month-by-month basis. We then utilized existing water and sewer rates to compute aggregate revenues on a month-by-month basis. To the extent that the calculated monthly revenues match the actual monthly billings, we obtain confidence that the rate model will be able to forecast revenue changes based on changes to the water and sewer rate structure.

For residential and commercial water accounts, for the FY 2014 period, our model predicted 100.14% of actual billings. For residential and commercial sewer accounts, our model predicted 101.22% of actual billings. Monthly variations were very small around those annual aggregates. In short, we have a high degree of confidence in the ability of the rate model to predict the changes in water and sewer revenues from proposed changes in water and sewer rates.

Findings

1. The City's water rate structure for residential water customers has a relatively high base rate, compared to other surrounding communities, and relatively low volume charges compared to other surrounding communities. The relatively high base rate is understandable in light of GUSA's outstanding debt obligations.
2. The residential volume charges are calculated using a matrix of volume and prices that has apparently been revised over the years by applying a specified percentage change to each volume/price point. The result is that over time prices became inconsistent between various volume increments due to rounding. This was corrected with the changes made to the water price matrix in October 2014. This type of matrix pricing makes it difficult to enter rate changes in the utility billing software.
3. The residential volume charges have an up-down structure. The first 1,000 gallon is included in the base charge, which is very commonplace. The next 7,000 gallons are currently priced at \$4.99 per thousand, then the next 7,000 gallons are priced at \$5.15, and then the rate drops in three steps to \$4.64, \$4.30, and \$4.21.
4. Commercial water customers pay a higher base charge than residential water customers. However, the volume charges for commercial are much lower and uniform. The \$3.20 per thousand volume charge is not adequate given the marginal cost of water to GUSA.
5. The City has a policy of charging multifamily water and sewer accounts a base charge equal to what would be charged if each apartment was a stand-alone residence, but currently does not enforce the policy.
6. Neither residential nor commercial water volume charges are adequate given GUSA's operating deficits.
7. Residential and commercial sewer base charges are not adequate in light of fixed costs.
8. Residential and commercial sewer volume charges are not adequate given GUSA's operating deficits.
9. GUSA's annual debt service in FY 2016 will rise over \$535,000 compared to FY 2015. The debt service will remain at or near the FY 2016 level for many years thereafter.
10. GUSA is heavily reliant on sales tax to pay its existing debt obligations.
11. The scheduled expiration of the 1% sales tax (Ordinance 457) in March 2021 will very likely result in a return to large operating deficits for GUSA, barring some corrective action.
12. GUSA's cash reserves have been depleted by several years of operating losses and should be rebuilt.
13. We anticipate that **the City, after adjusting rates and charges to address the current needs of the system, will need to make subsequent annual increases in base and volume charges for water and sewer of approximately 4%.** Factors that could mitigate the need for future rate increases include better-than-anticipated growth in sales tax, or significant savings in operational costs beyond the \$200,000/year savings included in our analysis.
14. Long term growth trends for Glenpool are favorable and provide an environment in which GUSA can rebuild its cash position while providing vital utility services at a reasonable cost to its customers.

Recommended Action

Recommendations

In making recommendations about water and sewer utility rates about GUSA, we feel it is important to first determine the overall needs of the system in order to determine the financial gap.

Using a combination of FY 2015 budget revenue estimates and FY 2014 operating expense results from the audit, combined with future debt service needs, and the availability of 1% sales tax from Ordinance 457, we were able to establish the gap as follows:

Baseline to Determine Cash Needs	
Water Revenue	2,080,490
Sewer Revenue	781,545
Water Taps	114,946
Sewer Taps	22,000
Solid Waste Management Fees	16,000
Connect/transfer fees	44,250
Delinquent Fees	95,000
Miscellaneous Charges	19,035
Total Revenues	3,173,266
Operating Expenses	(2,955,023)
Net Operating Revenue	218,243
Interest Revenue	1,154
1% Sales Tax	1,517,328
Available for Debt Service	1,736,725
Debt Service (FY 2016 level)	(2,972,565)
Trustee Fees	(29,500)
Transfers back to General Fund	-
Retained for Operating/Capital Reserves	(200,000)
Amount to meet cash needs (gap)	(1,465,339)

Note that there is no transfer from GUSA back to the General Fund, but there is a retained amount of \$200,000 to enable GUSA to begin rebuilding its cash reserves for operations and ongoing capital needs.

Key Assumptions:

- Sales Tax Support of 1%
- \$0 annual transfer from GUSA to General Fund
- \$200,000/year for GUSA Operating/Capital Reserves

In order to meet this need for additional cash, we survey existing options and arrive at a recommendation summarized as follows:

<u>Action Required</u>	<u>\$ Change vs Baseline</u>	<u>% Change vs Baseline</u>
Retain \$1 per month cart fee adopted in December 2014	48,000	N/A
Increase water revenue with rate increase (Base and Volume Charges)	291,269	14.00%
Additional water revenue from new apartments (volume only)	127,196	N/A
Increase sewer revenue with rate increase (Base and Volume Charges)	461,112	59.00%
Additional sewer revenue from new apartments (volume only)	58,788	N/A
Additional Water Revenue from multifamily base charge enforcement	163,152	N/A
Additional Sewer Revenue from multifamily base charge enforcement	103,824	N/A
Increase water tap fees	11,495	10.00%
Increase sewer tap fees	2,200	10.00%
Achieve savings on operations expenses	200,000	N/A
Total	1,467,035	

With regard to the water rate increases mentioned above which result in an increase over baseline of \$291,269, the suggested water rate increase to accomplish that objective is listed below.

Suggested Water Rate Changes			
Current Rate Structure		Suggested Rate Structure	
Residential		Residential	
Base Rate (Includes first 1,000 gallons)	\$21.01	Base Rate (Includes first 1,000 gallons)	\$22.00
Water Service Charge	7.75	Each additional 1,000 gallons	\$6.20
Next 7,000 gallons	\$4.99		
Next 7,000 gallons	\$5.15		
Next 35,000 gallons	\$4.64		
Next 5,000 gallons	\$4.30		
All over 55,000 gallons	\$4.21		
Commercial		Commercial	
Base Rate (Includes first 1,000 gallons)	\$43.53	Base Rate (Includes first 1,000 gallons)	\$42.00
All additional gallons	\$3.20	All additional gallons	\$6.20

The water rate changes above, in addition to enhancing the revenue received by GUSA to meet its operational costs, debt obligations, and cash reserve needs, will also greatly simplify the rate structure and equalize volume charges between residential and commercial water customers. **The volume rate includes a recent upward adjustment of \$0.25 per thousand gallons to pass-on the Tulsa water increase recently announced for 2015.**

Effect on Residential and Commercial Water Bills

Water

Residential	Current Bill	Current Bill	Proposed Bill	Increase \$	Increase %
	Including \$7.75/mo fee				
<u>Monthly Volume</u>					
3,000 gallons	\$30.99	\$38.74	\$34.40	-\$4.34	-11.20%
5,000 gallons	\$40.97	\$48.72	\$46.80	-\$1.92	-3.94%
10,000 gallons	\$66.24	\$73.99	\$77.80	\$3.81	5.15%

Commercial	Current Bill	Current Bill	Proposed Bill	Increase \$	Increase %
	Including \$7.75/mo fee				
<u>Monthly Volume</u>					
5,000 gallons	\$49.93	\$57.68	\$66.80	\$9.12	15.81%
50,000 gallons	\$200.33	\$208.08	\$345.80	\$137.72	66.19%
100,000 gallons	\$360.33	\$368.08	\$655.80	\$287.72	78.17%

With regard to the sewer rate increases mentioned above which result in an increase over baseline of \$461,112, the suggested sewer rate increase to accomplish that objective is listed below.

Suggested Sewer Rate Changes

Current Sewer Rate Structure	
Residential	Current
Base Rate (Includes first 1,000 gallons)	\$8.97
Next 10,000 gallons	\$1.60
All additional 1,000 gallons	\$2.17
Commercial	
Base Rate	\$8.97
Next 10,000 gallons	\$1.60
All additional 1,000 gallons	\$2.17

Proposed Sewer Rate Structure	
Residential	Proposed
Base Rate (Includes first 1,000 gallon)	\$14.00
All additional 1,000 gallons	\$2.75
Commercial	
Base Rate	\$14.00
All additional 1,000 gallons	\$2.75

Effect on Residential and Commercial Sewer Bills

Sewer					
Residential	Current Bill	Proposed Bill	Increase \$	Increase %	
<u>Monthly Volume</u>					
3,000 gallons	\$12.17	\$19.50	\$7.33	60.23%	
5,000 gallons	\$15.37	\$25.00	\$9.63	62.65%	
10,000 gallons	\$23.37	\$38.75	\$15.38	65.81%	
Commercial	Current Bill	Proposed Bill	Increase \$	Increase %	
<u>Monthly Volume</u>					
5,000 gallons	\$15.37	\$25.00	\$9.63	62.65%	
50,000 gallons	\$109.60	\$148.75	\$39.15	35.72%	
100,000 gallons	\$218.10	\$286.25	\$68.15	31.25%	

Effect on Residential and Commercial Combined Water and Sewer Bills

Combined Water and Sewer					
Residential	Current Bill	Current Bill	Proposed Bill	Increase \$	Increase %
Including \$7.75/mo fee					
<u>Monthly Volume</u>					
3,000 gallons	\$43.16	\$50.91	\$53.90	\$2.99	5.87%
5,000 gallons	\$56.34	\$64.09	\$71.80	\$7.71	12.03%
10,000 gallons	\$89.61	\$97.36	\$116.55	\$19.19	19.71%
Commercial	Current Bill	Current Bill	Proposed Bill	Increase \$	Increase %
Including \$7.75/mo fee					
<u>Monthly Volume</u>					
5,000 gallons	\$65.30	\$73.05	\$91.80	\$18.75	25.67%
50,000 gallons	\$309.93	\$317.68	\$494.55	\$176.87	55.68%
100,000 gallons	\$578.43	\$586.18	\$942.05	\$355.87	60.71%

Comparisons

The tables below show the effect of the water and sewer rate adjustments, on a separate and a combined basis, along with comparisons to other nearby communities, based on selected monthly usage levels. **Unlike the draft presented May 28, 2015 the comparisons below do reflect the additional \$0.25 water volume charge due to Tulsa’s recently announced 7% water rate increase, effective October 2015.**

Comparative Water Cost Tables

INCLUDES GLENPOOL'S \$0.25 ADJUSTMENT FOR TULSA'S OCTOBER 2015 WATER RATE INCREASE

DOES NOT INCLUDE ANY ADJUSTMENTS MADE BY OTHER TULSA WATER PURCHASERS

Residential Water

Monthly Charge

Ranked by 3,000 gallon/mo. Charge

Gallons		
3,000	5,000	10,000

Glenpool- Current (including \$7.75/mo fee)	\$38.74	\$48.72	\$73.99
Glenpool - Proposed	\$34.40	\$46.80	\$77.80
Glenpool-Current (not including \$7.75/mo fee)	\$30.99	\$40.97	\$66.24
Bixby	\$26.60	\$39.54	\$71.89
Jenks	\$23.42	\$33.78	\$59.78
Sapulpa	\$22.51	\$33.17	\$59.82
Owasso	\$21.59	\$31.73	\$57.33
Sand Springs	\$21.48	\$32.40	\$59.70
Broken Arrow	\$18.62	\$25.90	\$44.10

Commercial Water

Monthly Charge

Ranked by 50,000 gallon/mo. Charge

Gallons		
50,000	100,000	

Glenpool - Proposed	\$345.80	\$655.80
Bixby	\$330.69	\$654.19
Sand Springs	\$321.78	\$646.78
Jenks	\$292.71	\$593.71
Sapulpa	\$277.03	\$543.53
Owasso	\$265.23	\$525.73
Glenpool- Current (including \$7.75/mo fee)	\$208.08	\$368.08
Glenpool-Current (not including \$7.75/mo fee)	\$200.33	\$360.33
Broken Arrow	\$189.70	\$371.70

Comparative Sewer Cost Tables

Residential Sewer

Monthly Charge

Ranked by 3,000 gallon/mo. Charge

Gallons		
3,000	5,000	10,000

Sapulpa	\$23.13	\$27.87	\$39.72
Glenpool - Proposed	\$19.50	\$25.00	\$38.75
Sand Springs	\$21.95	\$33.19	\$61.29
Bixby	\$16.65	\$24.55	\$44.30
Owasso	\$12.87	\$18.77	\$33.52
Broken Arrow	\$12.26	\$19.40	\$31.30
Glenpool-Current	\$12.17	\$15.37	\$23.37
Jenks	\$9.45	\$13.17	\$22.47

Commercial Sewer

Monthly Charge

Ranked by 50,000 gallon/mo. Charge

Gallons		
50,000	100,000	

Sand Springs	\$286.09	\$567.09
Bixby	\$212.10	\$419.60
Sapulpa	\$152.90	\$271.40
Owasso	\$151.52	\$299.02
Glenpool - Proposed	\$148.75	\$286.25
Broken Arrow	\$137.50	\$267.50
Glenpool-Current	\$109.60	\$218.10
Jenks	\$107.08	\$216.08

Comparative Water and Sewer Cost Tables

INCLUDES GLENPOOL'S \$0.25 ADJUSTMENT FOR TULSA'S OCTOBER 2015 WATER RATE INCREASE

DOES NOT INCLUDE ANY ADJUSTMENTS MADE BY OTHER TULSA WATER PURCHASERS

Residential Water and Sewer

Monthly Charge

Ranked by 3,000 gallon/mo. Charge

Gallons		
3,000	5,000	10,000

Glenpool - Proposed	\$53.90	\$71.80	\$116.55
Glenpool- Current (including \$7.75/mo fee)	\$50.91	\$64.09	\$97.36
Sapulpa	\$45.64	\$61.04	\$99.54
Sand Springs	\$43.43	\$65.59	\$120.99
Bixby	\$43.25	\$64.09	\$116.19
Glenpool-Current (not including \$7.75/mo fee)	\$43.16	\$56.34	\$89.61
Owasso	\$34.46	\$50.50	\$90.85
Jenks	\$32.87	\$46.95	\$82.25
Broken Arrow	\$30.88	\$45.30	\$75.40

Commercial Water and Sewer

Monthly Charge

Ranked by 50,000 gallon/mo. Charge

Gallons		
50,000	100,000	

Sand Springs	\$607.87	\$1,213.87
Bixby	\$542.79	\$1,073.79
Glenpool - Proposed	\$494.55	\$942.05
Sapulpa	\$429.93	\$814.93
Owasso	\$416.75	\$824.75
Jenks	\$399.79	\$809.79
Broken Arrow	\$327.20	\$639.20
Glenpool- Current (including \$7.75/mo fee)	\$317.68	\$586.18
Glenpool-Current (not including \$7.75/mo fee)	\$309.93	\$578.43

Summary of Recommendations

	Recommendation
Water Rates	<p>Change Residential Base Charge from \$21.01/mo. (\$28.76/mo. including recently enacted service charges) to \$22.00/mo.</p> <p>\$7.75/mo. service charge goes away.</p> <p>Change Commercial Base Charge from \$43.53/mo. to \$42.00/mo.</p> <p>Change volume charge for both residential and commercial customers to a uniform \$6.20 per thousand gallons, rather than the existing range of volume charges (\$4.21 - \$5.15) for residential and the current \$3.20 per thousand gallons for commercial.</p>
Sewer Rates	<p>Change residential and commercial base charge from \$8.97/mo. to \$14.00/mo.</p> <p>Change residential and commercial volume charge to uniform \$2.75 per thousand gallons, rather than the existing range of volume charges (\$1.60 - \$2.17)</p>
Future Water and Sewer Annual Rate Adjustments	Estimated at 4% to both water and sewer, both base and volume charges. Will need to be re-evaluated based on sales tax growth, cost of water from Tulsa, and other factors.
1% Sales Tax Support	Yes
Additional Sales Tax Support	No
Operational Savings	\$200,000/year
Enforce Multifamily Meter Base Charge Policy	Yes
Water Tap Fees	Increase 10%
Sewer Tap Fees	Increase 10%
Retain \$1 per month cart fee	Yes
Transfer from GUSA to General Fund	\$0/year
GUSA annual reserves for Operations/Capital	\$200,000/year

Historical Sales Tax Data

City of Glenpool
Historical Sales Tax Data

Rate	Fiscal Year Ending June 30:											
	2004 4.00%	2005 4.00%	2006 4.00%	2007 4.00%	2008 4.00%	2009 4.00%	2010 4.00%	2011 4.00%	2012 4.00%	2013 4.00%	2014 4.00%	
July	155,288.17	145,924.06	130,552.05	153,167.16	157,395.38	507,312.88	447,636.86	459,711.17	471,996.49	533,627.10	502,873.76	
August	143,657.77	140,790.07	132,117.76	157,851.97	174,372.64	400,395.51	432,894.97	439,174.95	457,751.46	469,142.74	546,488.01	
September	134,989.05	129,171.36	134,699.69	179,656.28	183,656.96	422,047.67	484,233.82	423,121.23	453,913.37	535,424.78	505,438.82	
October	140,097.25	161,435.48	143,825.96	168,943.01	205,405.52	394,747.00	399,977.42	447,422.55	469,367.53	497,997.55	499,756.28	
November	151,695.17	137,265.32	139,642.05	153,043.26	172,299.34	369,370.23	361,455.08	383,376.38	434,598.34	448,207.97	486,565.16	
December	133,688.07	132,375.52	126,563.87	173,851.43	174,499.49	395,266.03	407,728.06	408,675.25	429,962.35	469,870.93	463,873.61	
January	139,950.15	124,207.72	133,230.13	134,598.01	180,965.03	437,860.98	401,329.54	458,798.90	476,652.46	526,371.23	550,451.37	
February	129,509.51	120,473.21	140,254.67	143,732.14	184,761.30	461,277.98	539,573.18	493,196.47	505,676.61	534,995.88	561,693.67	
March	130,697.04	128,919.91	145,335.27	140,620.02	193,049.75	391,466.15	422,029.33	430,622.33	454,476.15	453,997.47	472,839.78	
April	119,422.47	133,618.53	138,129.15	139,797.56	189,777.43	352,575.85	386,764.89	391,350.57	429,488.20	452,941.15	471,626.33	
May	153,123.23	142,058.90	156,102.50	157,913.85	206,152.96	417,771.54	446,232.11	439,432.00	471,059.16	490,901.74	491,189.79	
June	155,595.68	128,327.09	146,494.04	125,793.64	182,892.65	385,312.25	452,463.23	433,915.40	500,898.95	478,814.13	516,514.77	
Total	1,687,713.56	1,624,567.17	1,666,947.14	1,828,968.33	2,205,228.45	4,935,404.07	5,182,318.49	5,208,797.20	5,555,841.07	5,892,292.67	6,069,311.35	

1% Collected 421,928.39 406,141.79 416,736.79 457,242.08 551,307.11 1,233,851.02 1,295,579.62 1,302,199.30 1,388,960.27 1,473,073.17 1,517,327.84
 % Change -3.74% 2.61% 9.72% 20.57% 123.80% 5.00% 0.51% 6.66% 6.06% 3.00%

First 6 months of FY 2015 are higher than the same period last year

2.00% Ordinance 40 Ordinance adopted 2/18/1972 General Fund
 1.00% Ordinance 176 "1982 Sales Tax" began 10/1/1982 - no termination date, Pay debt svc on GO Bonds, then goes to GF
 1.00% Ordinance 457 4/1/2001 to 3/31/2021 Broad Capital Improvements
 4.00%

Historical Operating Performance

Glenpool Utility Services Authority
Statement of Revenues, Expenses, and Changes in Net Assets

	Fiscal Year Ending June 30:									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Revenues										
Water Revenue	1,454,231	1,604,673	1,708,170	1,587,600	2,026,944	1,864,124	1,644,317	1,851,348	1,962,274	
Sewer Revenue	664,587	695,228	690,712	707,296	661,916	714,891	742,816	748,524	747,534	
Water Taps	84,837	100,873	149,232	113,053	108,903	52,253	62,175	80,005	113,100	
Sewer Taps	18,568	21,838	34,775	26,525	25,198	10,800	13,600	16,969	19,500	
Connect/transfer fees	7,215	6,660	6,910	7,130	37,925	41,375	6,421	6,809	45,472	
Delinquent Fees	15,384		46,351	88,878	73,409	79,539	85,113	92,408	95,312	
Miscellaneous Charges	53,748	217,604	11,268	50,114	24,421	7,694	17,839	13,490	16,056	
Return on fees	7,712	4,247	23,564	23,082	23,838	3,092	3,060			
Total Revenues	2,306,282	2,651,123	2,670,982	2,603,678	2,982,554	2,773,768	2,575,341	2,809,553	2,999,248	
Operations Expense										
General and Administrative	111,801	106,645	115,788		80,000	101,379	49,308			
Water and Sewer Treatment	1,298,026	1,451,107	1,748,632	1,999,550	1,721,235	2,885,472	3,443,570	3,334,696	3,100,974	
Total Operations Expense	1,409,827	1,557,752	1,864,420	1,999,550	1,801,235	2,986,851	3,492,878	3,334,696	3,100,974	
Net Operating Revenues	896,455	1,093,371	806,562	604,128	1,181,319	(213,083)	(917,537)	(525,143)	(101,726)	