



# **Town of Abita Springs Rate Study**

Prepared For the Louisiana Division of  
Administration

February 2025

## Introduction

HDR Engineering, Inc. (HDR) working as a subconsultant to Waggoner Engineering as part of a team to conduct rate studies as needed for the Office of Community Development for the State of Louisiana. These rate studies are to be performed for public water system and community sewerage systems that apply to the State of Louisiana Water Sector Program for project funding. This study is a prerequisite for the applicant to meet the Water Sector Program (Program) requirements and receive an award of funds.

Specifically, the goal of each study is to achieve the objectives of the Water Sector Program and determine if rates charged by the water/wastewater system will produce a fair and reasonable revenue stream currently, and in the future for the water/wastewater system, allowing for the current operations, maintenance, debt service and the changes as a result of the improvements to be funded under Act 410 of the 2021 Regular Session of the Louisiana Legislature.

If a community water system has had a rate study completed within the year prior to application for the Program, then a new rate study is not required, and the existing rate study can be reviewed to determine if it meets the requirements for project funding.

The Town of Abita Springs (Utility) has applied for funding for one or more projects associated with this program. This application was completed in or around October 2021. The Utility has not completed a rate study a recent rate study; therefore, a rate model has been developed and a high-level rate study completed in order to determine if the utility is financially sound and to prepare a financial plan for a 10-year period. This report summarizes the results of that rate study and the available data provided for each requirement contained in Act 410 in order to receive grant funding.

**Review existing revenues, compare to expenses, and determine if there are any deficiencies in the current rate structure.  
Determine the required rates to meet expenses, capital, and funding costs for future needs of the system with a minimum sustainability factor of 1.15.**

### **Background of the Financial Plan**

As part of the financial review, a financial plan for the utility was developed. This plan is intended to show future cash flows (both revenue and expenses) and to provide guidance on needed rate increases to fund both operation and maintenance expenses as well as future capital needs of the Utility. The Utility provided historical revenue and expense data for Fiscal Year (FY) 2022/2023 and FY 2024. All future expenses use the FY 2024 budget as the starting point. The expense data provided included a detailed budget for the wastewater and water model for the utility. This model forecasts future revenue and expenditures of the Utility under varying assumptions including customer growth rates and varying levels and timing of capital improvement spending. The model provides projections for a 10-year period, or until 2034.

To develop a projection of revenues, the current water and wastewater utility rates were entered, and the number of customers and volume billed in each customer class were used to calculate the revenue generated for each year of the 10-year period. The Utility combines revenues from water and wastewater into their utility fund. This revenue stream is used to pay for both operational expenses as well as capital expenses of the Utility. The total customer count can be adjusted annually to account for population growth, and collection rates can also be modified as needed. The city has a planned residential development expected to be completed within the next two years, leading to a projected increase of over 400 residential customers by 2029. Beyond this, an average annual growth rate of 1% has been applied for both residential and commercial customers. Revenue projections are based on an assumed collection rate of 97%.

On the expenditures side, a 3% rate of inflation was assumed on all expenditures, including personnel, maintenance and supply costs. It is important to understand that neither HDR or Waggoner are acting as the Utility’s municipal financial advisor, and all assumptions described above were for estimated rate impacts only.

**Current Utility Assessment**

As summarized above, data contained within the rate model to determine revenues and expenses was derived from data provided by the Utility. This section will provide a more detailed discussion and summary of that data.

The current rates for water and sewer customers are provided below. The City of Abita Springs has 1,213 residential customers and 78 commercial customers inside the City.

Table 1. Water and Sewer Rate Structure

<b>Customer type</b>	<b>Fixed Charge</b>	<b>Variable Charge</b>
<b>Water</b>		
Water (Residential)	\$12.00 for First 2,000 Gallons	\$3.00 per thousand Gallons
Water (Commercial)	\$20.00 per 2,000 gallons up to 6,000 Gallons	\$3.00 per thousand Gallons
<b>Sewer</b>		
Sewer (Residential)	\$28.00 per First 2,000 Gallons	\$4.00 per thousand Gallons
Sewer (Commercial)	\$20.00 per 2,000 up to 6,000 Gallons	\$4.00 per thousand Gallons

The primary fund supporting the town's utility operations, capital improvements, debt service, and emergency expenses is the Utility Fund. Revenue for the Utility Fund is generated from two main sources: user charges for water and sewer services.

The utility’s operating expenses include routine operations, minor repairs and maintenance, and debt service payments. Major capital repairs are typically funded through debt financing or grant programs.

Additionally, the utility transfers an annual amount of \$382,000 from the General Fund, to support utility operations which will end in 2025

The utility currently has two outstanding long-term debt obligations:

- Utility Revenue Bonds Series 2004, maturing in 2030
- DEQ Loan, maturing in 2038

These debts are being serviced through the Utility Fund, and the associated payments have been factored into the financial projections for the study period.

### Proposed Financial Plan

The Utility does not have an identified capital improvements plan, as such potential spending on capital projects was estimated to be \$10,000 starting in 2025 and increasing by 3% for inflation over the next ten-years. These projects could be associated with various improvements to the water and wastewater treatment plant or distribution and collection systems.

Table 2. Proposed Funding Plan for Capital Projects

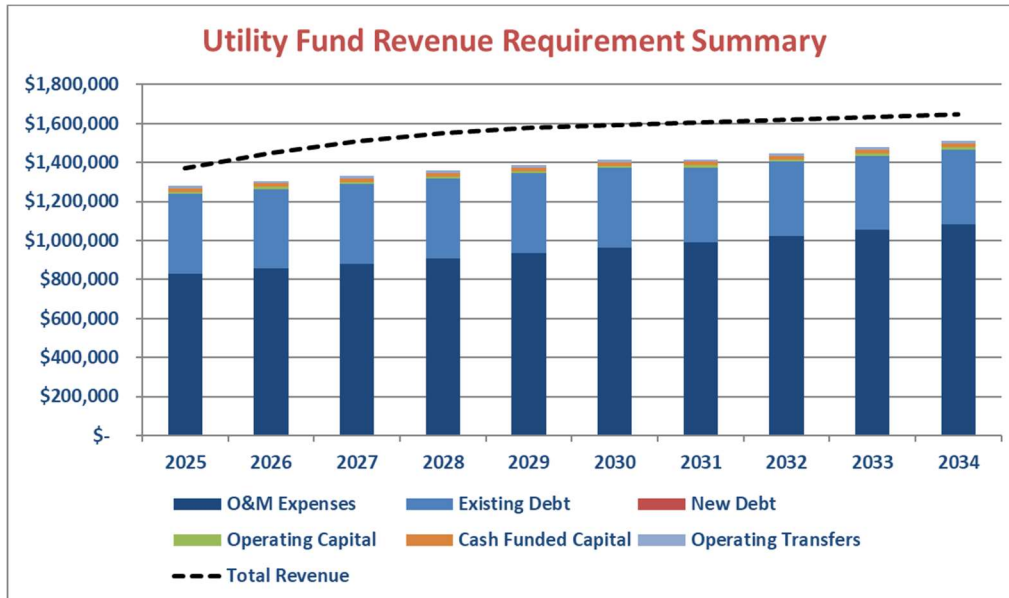
Project Name	Cost Center	Fund Project? (Y/N)	Source of Funding	Estimated Project Cost by Year										Ten-Year CIP Total
				2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
W Other Cash Funded Projects	PS&T	Yes	Cash	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524	\$ 57,319
WW Other Cash Funded Projects	Pumping &	Yes	Cash	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524	\$ 57,319
<b>Total</b>				<b>\$ 10,000</b>	<b>\$ 10,300</b>	<b>\$ 10,609</b>	<b>\$ 10,927</b>	<b>\$ 11,255</b>	<b>\$ 11,593</b>	<b>\$ 11,941</b>	<b>\$ 12,299</b>	<b>\$ 12,668</b>	<b>\$ 13,048</b>	<b>\$ 114,639</b>

Expenses for operations, maintenance, and debt service are projected to increase from approximately \$1.28 million in FY25 to \$1.51 million in FY34. Over this same time, revenue from rates, fees and operating transfers is projected to increase from \$1.37 million in FY25 to \$1.64 million in FY34 if the planned rate increases are implemented (Table 3 and Figure 1). The UIL Sewer service charge is expected to stop in FY 2026, which will significantly reduce sewer expenses moving forward.

Table 3. Income Statement Summary

Item	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>BEGINNING FUND BALANCE</b>	\$ -	\$ -	\$ 500,000	\$ 590,573	\$ 734,542	\$ 914,708	\$ 1,106,869	\$ 1,298,601	\$ 1,475,730	\$ 1,663,939	\$ 1,836,091	\$ 1,991,421
<b>REVENUES</b>												
Operating Revenues	\$ 1,037,688	\$ 1,089,504	\$ 1,370,497	\$ 1,449,148	\$ 1,511,358	\$ 1,550,146	\$ 1,577,314	\$ 1,591,135	\$ 1,605,093	\$ 1,619,191	\$ 1,633,430	\$ 1,647,811
Operating Transfers In	\$ -	\$ 211,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<b>\$ 1,037,688</b>	<b>\$ 1,301,004</b>	<b>\$ 1,370,497</b>	<b>\$ 1,449,148</b>	<b>\$ 1,511,358</b>	<b>\$ 1,550,146</b>	<b>\$ 1,577,314</b>	<b>\$ 1,591,135</b>	<b>\$ 1,605,093</b>	<b>\$ 1,619,191</b>	<b>\$ 1,633,430</b>	<b>\$ 1,647,811</b>
<b>EXPENDITURES</b>												
O&M Expenses (less capital)	\$ 695,230	\$ 627,558	\$ 831,829	\$ 856,784	\$ 882,487	\$ 908,962	\$ 936,231	\$ 964,318	\$ 993,247	\$ 1,023,045	\$ 1,053,736	\$ 1,085,348
Operating Capital	\$ -	\$ -	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
Debt Service Requirements												
Debt Service - Existing Debt	\$ 295,496	\$ 406,203	\$ 408,400	\$ 408,400	\$ 408,400	\$ 408,400	\$ 408,400	\$ 408,400	\$ 382,000	\$ 382,000	\$ 382,000	\$ 382,000
Debt Service - Proposed New Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Debt Service</b>	<b>\$ 295,496</b>	<b>\$ 406,203</b>	<b>\$ 408,400</b>	<b>\$ 408,400</b>	<b>\$ 408,400</b>	<b>\$ 408,400</b>	<b>\$ 408,400</b>	<b>\$ 408,400</b>	<b>\$ 382,000</b>	<b>\$ 382,000</b>	<b>\$ 382,000</b>	<b>\$ 382,000</b>
Transfers												
Operating Transfers	\$ 18,332	\$ 10,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Cash CIP/ Other Capital Transfers	\$ -	\$ -	\$ 17,696	\$ 17,696	\$ 17,696	\$ 17,696	\$ 17,696	\$ 17,696	\$ 17,696	\$ 17,696	\$ 17,696	\$ 17,696
<b>Total Transfers</b>	<b>\$ 18,332</b>	<b>\$ 10,000</b>	<b>\$ 29,696</b>	<b>\$ 29,696</b>	<b>\$ 29,696</b>	<b>\$ 29,696</b>	<b>\$ 29,696</b>	<b>\$ 29,696</b>	<b>\$ 29,696</b>	<b>\$ 29,696</b>	<b>\$ 29,696</b>	<b>\$ 29,696</b>
<b>Total Expenditures</b>	<b>\$ 1,009,058</b>	<b>\$ 1,043,761</b>	<b>\$ 1,279,925</b>	<b>\$ 1,305,180</b>	<b>\$ 1,331,192</b>	<b>\$ 1,357,985</b>	<b>\$ 1,385,682</b>	<b>\$ 1,414,006</b>	<b>\$ 1,441,884</b>	<b>\$ 1,447,039</b>	<b>\$ 1,478,099</b>	<b>\$ 1,510,092</b>
<b>NET REVENUE</b>	<b>28,630</b>	<b>257,244</b>	<b>90,573</b>	<b>143,969</b>	<b>180,166</b>	<b>192,161</b>	<b>191,733</b>	<b>177,128</b>	<b>188,209</b>	<b>172,152</b>	<b>155,330</b>	<b>137,719</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 28,630</b>	<b>\$ 500,000</b>	<b>\$ 590,573</b>	<b>\$ 734,542</b>	<b>\$ 914,708</b>	<b>\$ 1,106,869</b>	<b>\$ 1,298,601</b>	<b>\$ 1,475,730</b>	<b>\$ 1,663,939</b>	<b>\$ 1,836,091</b>	<b>\$ 1,991,421</b>	<b>\$ 2,129,141</b>

Figure 1. Total Revenue Requirement Summary



Given the expected growth potential of the city, the projected revenue increases will come from both rate adjustments as well as new customer revenue. Based on current fund balances, along with projected revenues and expenses, the following rate increases are recommended to ensure the utility's long-term financial sustainability over the 10-year planning period:

- Water rates:
  - FY 25 15% increase
- Sewer rates:
  - FY 25 15% increase

Figures 2 and 3 illustrate the recommended annual rate increases over the course of the planning period.

Figure 2. Proposed Rate Adjustments for Water Utility

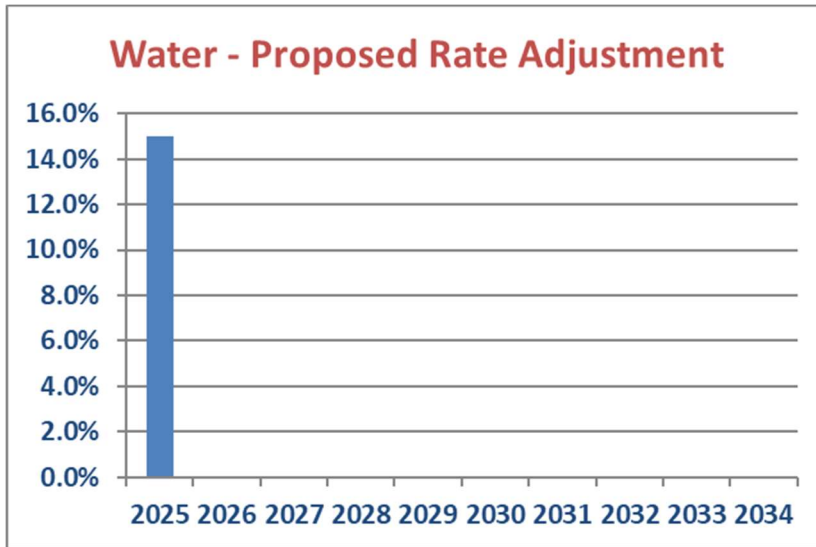
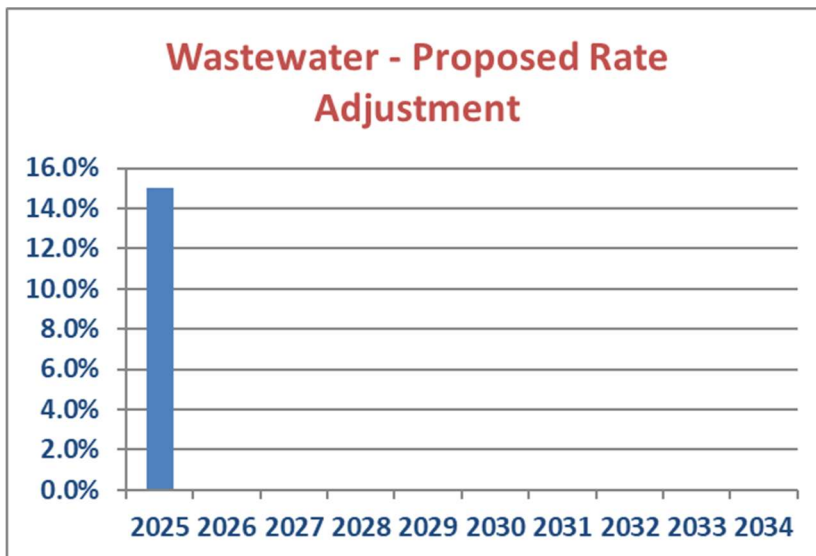


Figure 3. Proposed Rate Adjustments for Wastewater Utility



*It is our opinion that the current and planned rate increases are adequate to meet the planned expenses of the Utility (both operational and capital) with a sustainability factor (Operating Revenue/Operating Costs) of at least 1.15 maintained over the course of the planning period.*

### **Project demands for the system created by population projections**

The projected demands contained in the rate model are based on the projected growth rate in the number of water and wastewater connections for each rate class. The rate model shows an expected increase of 428 customers over the next four years followed by a 1.0% growth rate for

residential and commercial connections. The model shows the same increase in wastewater customers followed by a 1.0% growth rate in the number of residential and commercial wastewater connections. Total water connections are projected to grow from 1,291 in 2024 to about 1,720 by the end of the planning period. It should be noted that due to differences in the water and wastewater service areas, there are fewer wastewater customers than water customers.

*It is our opinion that this requirement has been met.*

### **Identify the system's most important asset and require a Contingency Fund that would fund the replacement of this asset in twenty years**

The City has many important assets within their water and sewer systems including a new wastewater treatment plant under construction, pump stations, clarifiers, disinfection systems etc. These systems have many redundant components; therefore, not all assets will need to be replaced at any single time. Each asset will be repaired or replaced as it reaches the end of its useful life. It is recommended that the City set aside approximately 2% of annual revenue or \$28,000/year in a restricted contingency fund for the replacement of a critical asset or other emergency repairs.

*It is our recommendation that the Utility will establish a contingency fund to fund the replacement of a critical asset or other capital projects over the next twenty years.*

### **Review the funding requirements for capital equipment and other fixed asset replacement and recommend a prudent reserve policy for operations, capital replacement, and emergencies.**

A recommended reserve policy suggests maintaining an unrestricted cash reserve equivalent to three to six months of operational and emergency expenses. Projected expenses for operations, maintenance, and debt service are expected to rise from \$1.29 million in FY25 to \$1.52 million in FY34. This translates to a recommended reserve balance of about \$811,000 to ensure coverage for six months of expenses by the end of the planning period.

If the proposed rate increases are implemented, the utility will be positioned to surpass the goal of unrestricted cash balance of \$811,000 by the end of the planning period.

*It is our opinion that the Utility currently has adequate reserves within the Utility Fund. The Utility is recommended to implement a written reserve policy for the operational fund of six-months' worth of reserves and implement the necessary rate increases to reach that goal by the end of the planning period.*

## **Review current water utilization and determine if a large water use rate is necessary**

The Utility mostly serves residential and commercial users, with no large users or industrial users on their system. Therefore, a large water use rate is not necessary for this system.

*It is our opinion that this requirement has been met.*

## **Provide a recommended policy requiring an annual increase to the rate structure, if necessary, that will recover projected revenue requirements for a ten-year period. Components of the base rates and volume charges should be clearly identified.**

The Utility does not have a policy in place that increases the wastewater rates annually based on the percentage change in the consumer price index (CPI). Due to ongoing increases in operating costs, it is recommended that the utility consider implementing such a policy. An example ordinance is provided as Attachment-1 for the Utility to implement.

*It is our opinion that the Utility should consider implementing an annual increase in order to avoid large infrequent rate increases.*

## **Review miscellaneous fees to assure they are reasonable and not outdated**

The utility currently charges miscellaneous fees for the installation of new water services and sewer tie-ins, as detailed in Table 4 below. It is recommended that the utility conduct an annual review of these fees in relation to the actual costs incurred for providing these services, adjusting the fees as necessary to ensure they adequately cover those costs. Other fees related to late payments, disconnections, etc. are discussed below in the section title “Provide a general discussion on current policies and trends related to payment options, deposit amounts, connections, disconnects, etc., in comparison to other Community Water Systems”.

Table 4 Existing Miscellaneous Fees

<b>Type of service</b>	<b>Fee</b>
Deposit	Residential - \$75; Commercial \$100

*It is our opinion that this requirement has been met.*

## **Review impact fee levels and methodology to address growth needs**

There is minimal growth in the Utility and there are no impact fees. However, in the case of a new development, a fee is calculated on a case-by-case basis and considered in financial reports as contributions in aid of construction. The fees are calculated based on the size of the development and the burden to be placed on the system. If the system is undersized due to the new development, the developers pay for the upsizing costs. The City’s sewer system was



initially built to allow growth; therefore, the system currently has enough capacity for new developments to be added.

*It is our opinion that this requirement has been met.*

### **Provide a general discussion on current policies and trends related to payment options, deposit amounts, connections, disconnects, etc., in comparison to other Community Water Systems**

The Town of Abita Springs offers multiple payment options and has a structured deposit policy. Payment options include pay by phone, Online payments, in-person payment, etc. along with the new customer connection shown in the previous section the town also has a \$50 service fee which is nonrefundable. The Town's payment options and deposit policies reflect industry standards.

*It is our opinion that this requirement has been met.*

### **The rate study should include an easy-to-use electronic model in Microsoft Excel to be used by applicants**

The current rate study was completed in Microsoft Excel and will be provided to the Utility.

*It is our opinion that this requirement has been met.*

### **Other applicable information**

The Utility is well run and managed. However, we are recommending rate increases in the years shown to keep up with inflation and generate the required revenues to be financially sustainable.

## **ATTACHMENT 1 – CPI RATE ADJUSTMENT ORDINANCE EXAMPLE**

**BE IT ORDAINED** by the City Council, that:

**WHEREAS**, by the City Council regular session assembled, that in order to eliminate past and future deficits in the Utility Fund, and upon recommendations from previous Utility Rate study recommendations to increase said rates in the Utility department.

**NOW, THEREFORE, BE IT ORDAINED** by the City Council, in a regular session assembled that at the start of every fiscal year the water and sewer fees shall be adjusted by a percentage amount equal to the new percentage change in the CPI (Consumer Price Index All Urban Consumers), or 5 percent whichever is less.

**ATTACHMENT 2 - RATE STUDY SUMMARY OF ACTIONS**

**Community Water System:** Town of Abita Springs

**PWSID:** LA1103002

**Rate Study Completed by:** Waggoner Engineering; Algy Semien, P.E.

**Date Rate Study Presented:** February 2025

In accordance with the Community Water System Accountability Rule Financial Sustainability Requirements (LAC 51:XII.409), this rate study was completed by a qualified entity and was presented to the legally responsible person for the community water system on the date in this document. The summary of actions to be completed by the community water system with recommended dates for the completion of the recommended actions are shown in Table 1.

**Table 1: Summary of actions to be completed by the Community Water System**

<b>Action Description</b>	<b>Recommended date of completion</b>
Implement the proposed rate adjustments through 2029, per this rate study to the monthly cost of water and sewer services.	March 2025
Establish the "Abita Springs Water & Sewer Contingency Fund" to fund the Utilities most critical asset with a transfer of \$28,000 annually to be maintained over a 20-year period. The target fund amount should be re-evaluated during the next rate study.	March 2025
Perform an annual review of the rates (Can be done internally or by a Louisiana Department of Health approved qualified entity).	Annually
Perform a rate study by a Louisiana Department of Health approved qualified entity in 2028, or sooner if the annual review determines a rate adjustment is needed to meet the financial sustainability requirements of the Community Water System Accountability Rule (LAC 51:XII, Chapter 4)	January 2029
Consider Implementing an ordinance increasing rates annually based on the percentage change in the Consumer Price Index.	March 2025