



City Council Water and Water Reclamation Proposed Rate Structure

November 3, 2015

AGENDA



Rate Study Overview and Objectives

Utility Challenges

Financial Plan

Rate Structure

Summary

CHALLENGES FACED BY UTILITY

- 
- Meet annual revenue requirements

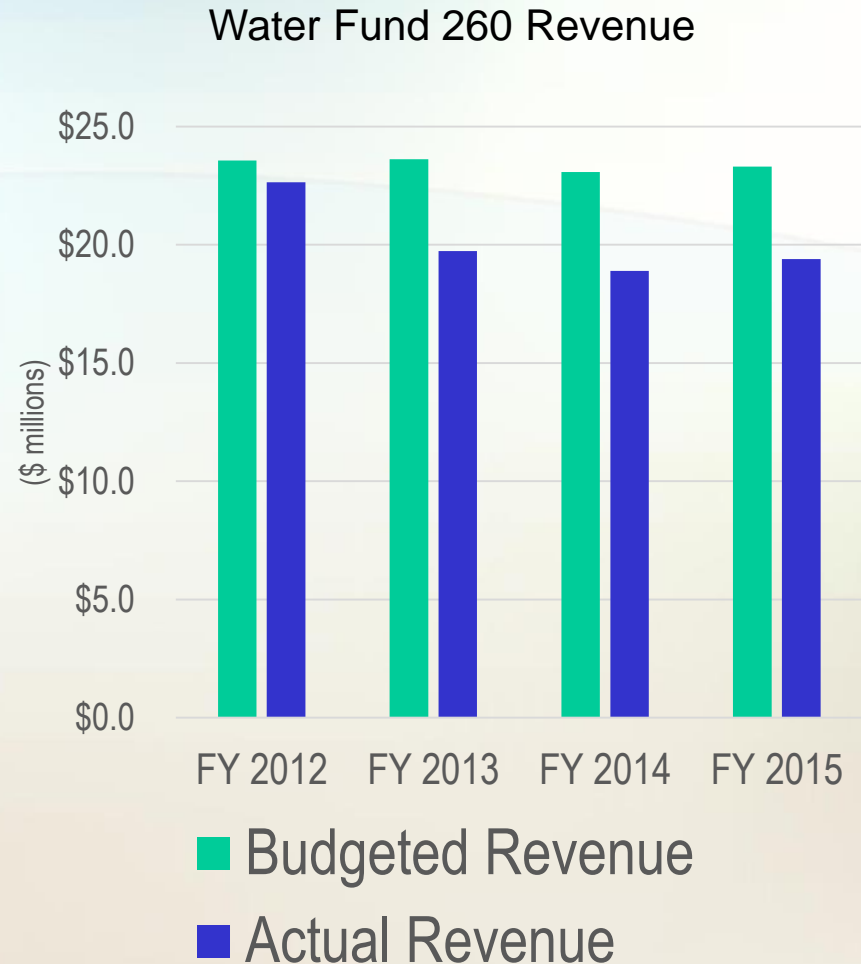
- Meet and maintain financial targets

- Ensure future of community
- Large capital expenditure in 2-3 years

- Replace aging infrastructure (full CIP)

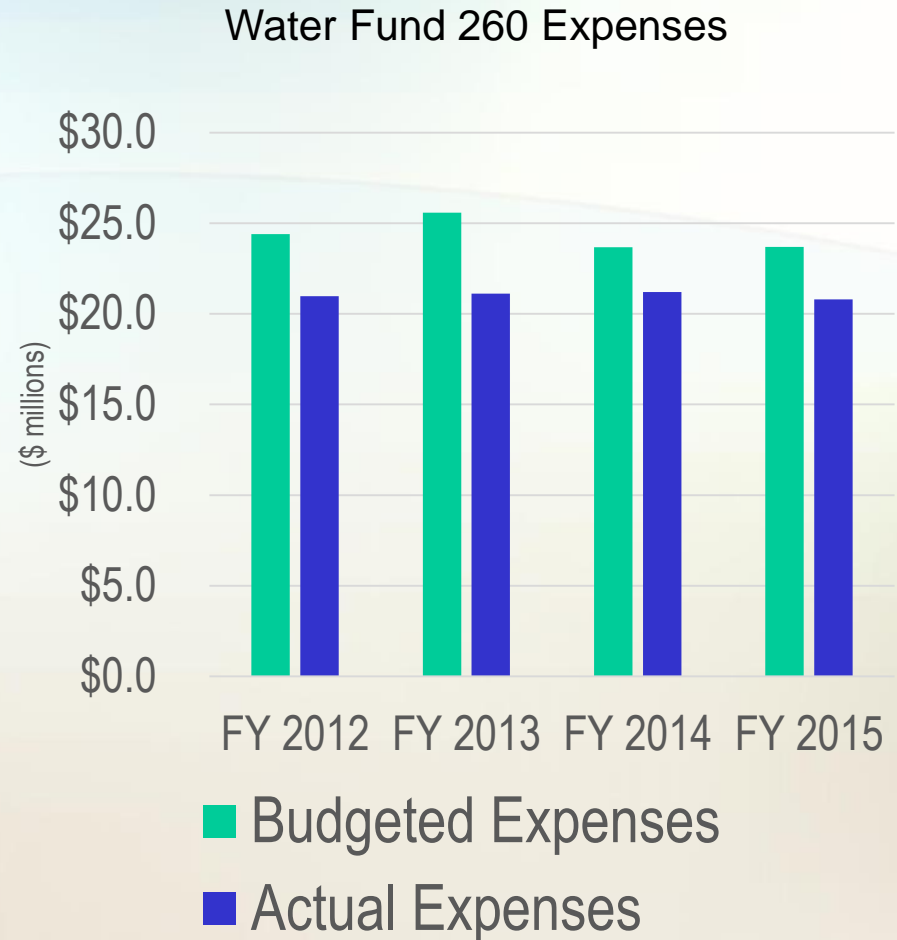
CHALLENGES FACED BY UTILITY

- Customer water consumption
 - Conservation
 - Level of demand
- Budgeted to actual revenue
 - Financial sufficiency



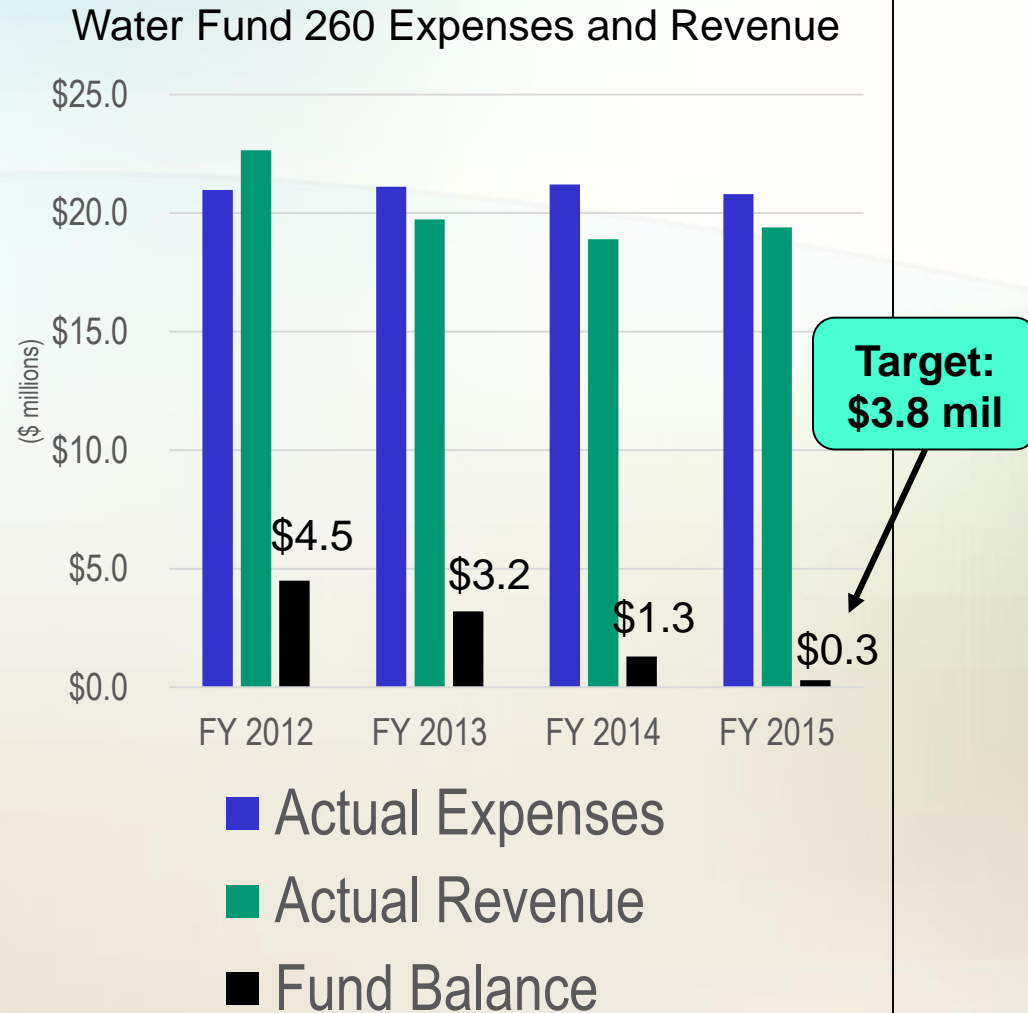
CHALLENGES FACED BY UTILITY

- Concerns with Revenue has forced Utility to cut spending
- Utility has not been able to fund the budget for sustainable service



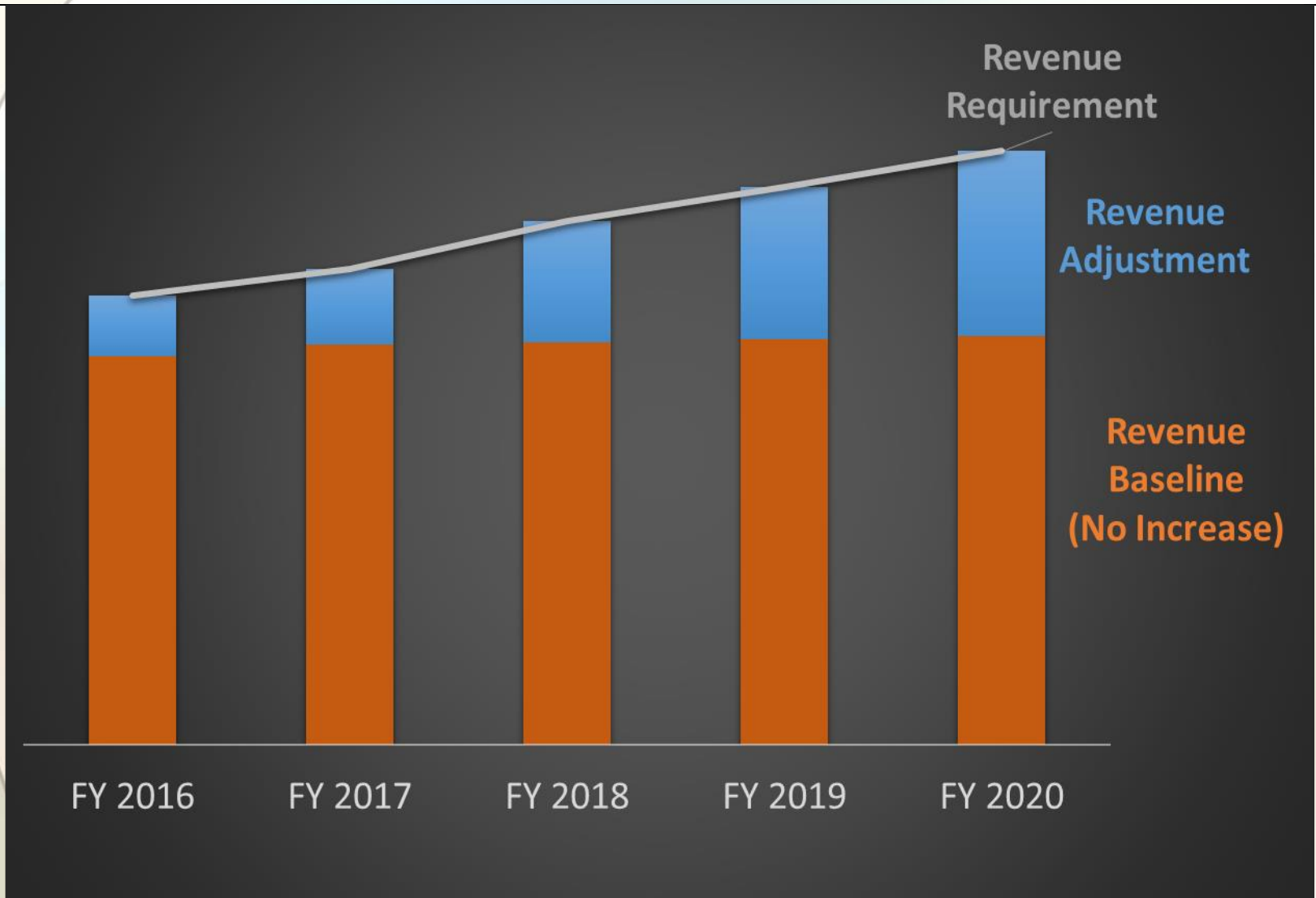
CHALLENGES FACED BY UTILITY

- Decline in Revenue has created Deficits between Actual Expenses and Revenue
- Utility has had to rely on fund balance for operation in 2013 and 2014 and 2015



FINANCIAL PLAN

PLAN IDENTIFIES REVENUE ADJUSTMENTS



KEY ASSUMPTIONS – FINANCIAL TARGETS

Annual Operating Position

- Operating Revenues – Operating Expenditures
- Usually slight surplus = goal

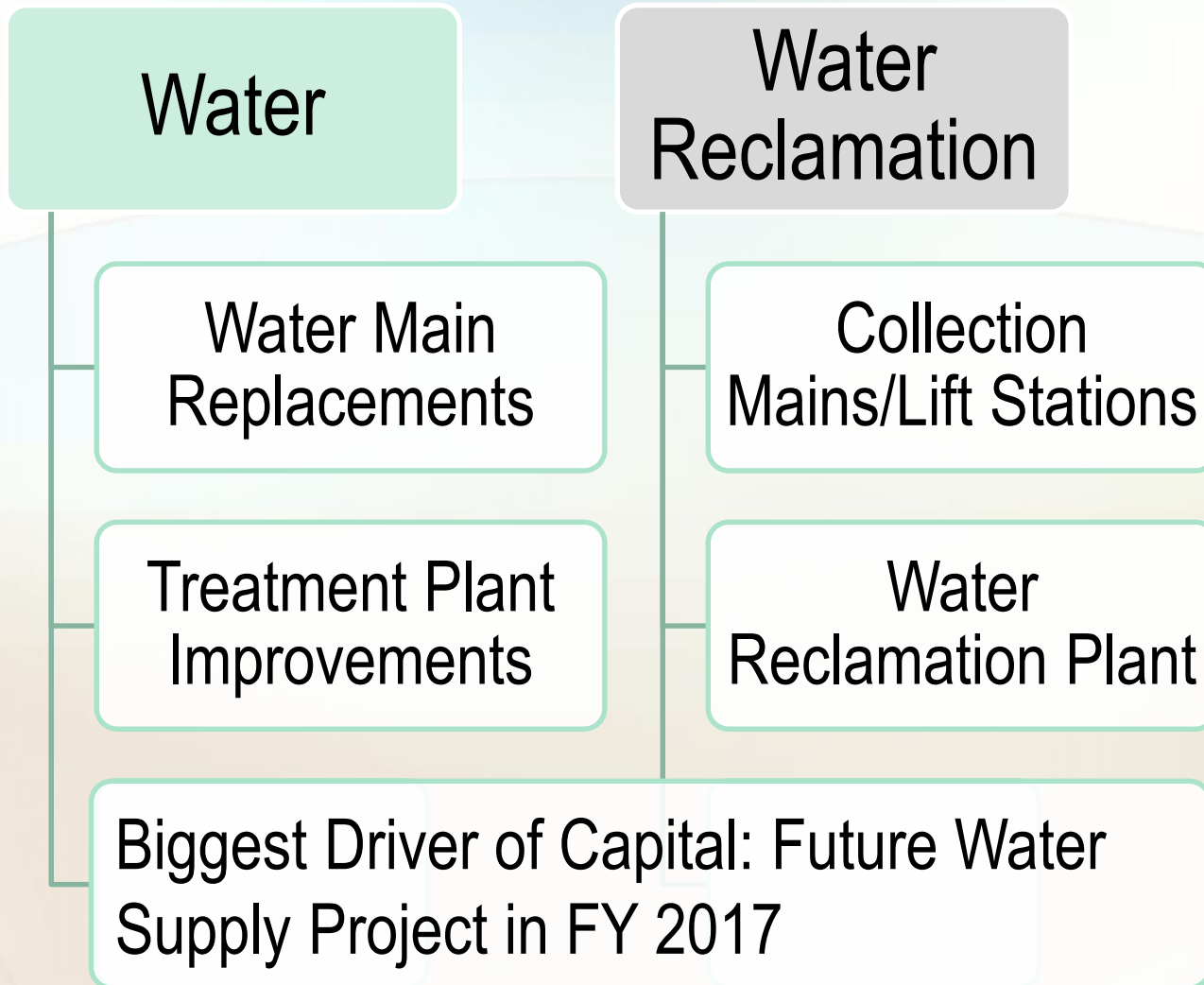
Days Cash on Hand

- $(\text{Fund Balance} / \text{annual O\&M}) * 365$
- Mitigates revenue risk, e.g., drought conditions
- Goal = at least 75 days; highest rated utilities as much as 2 years

Debt Service Coverage (DSC)

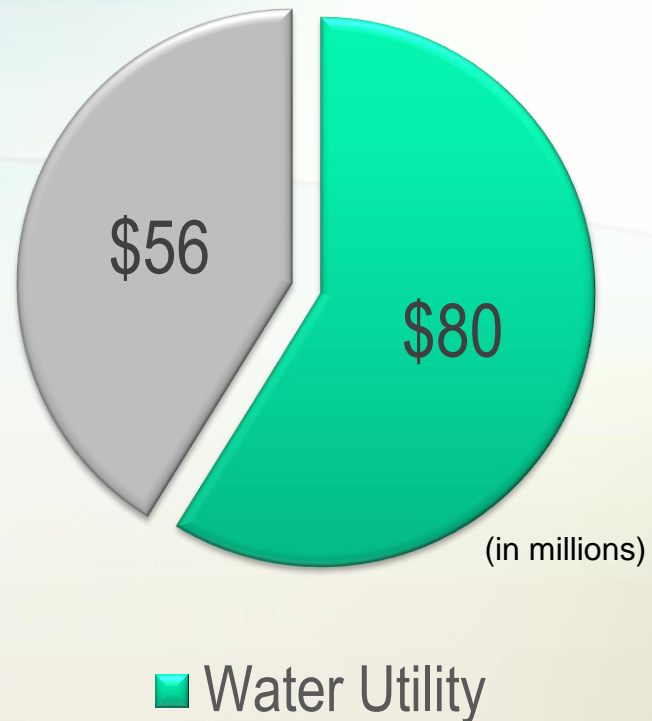
- Net Revenues/Debt Service
- Goal = 1.25 times (x) annual debt service

KEY ASSUMPTIONS-CAPITAL

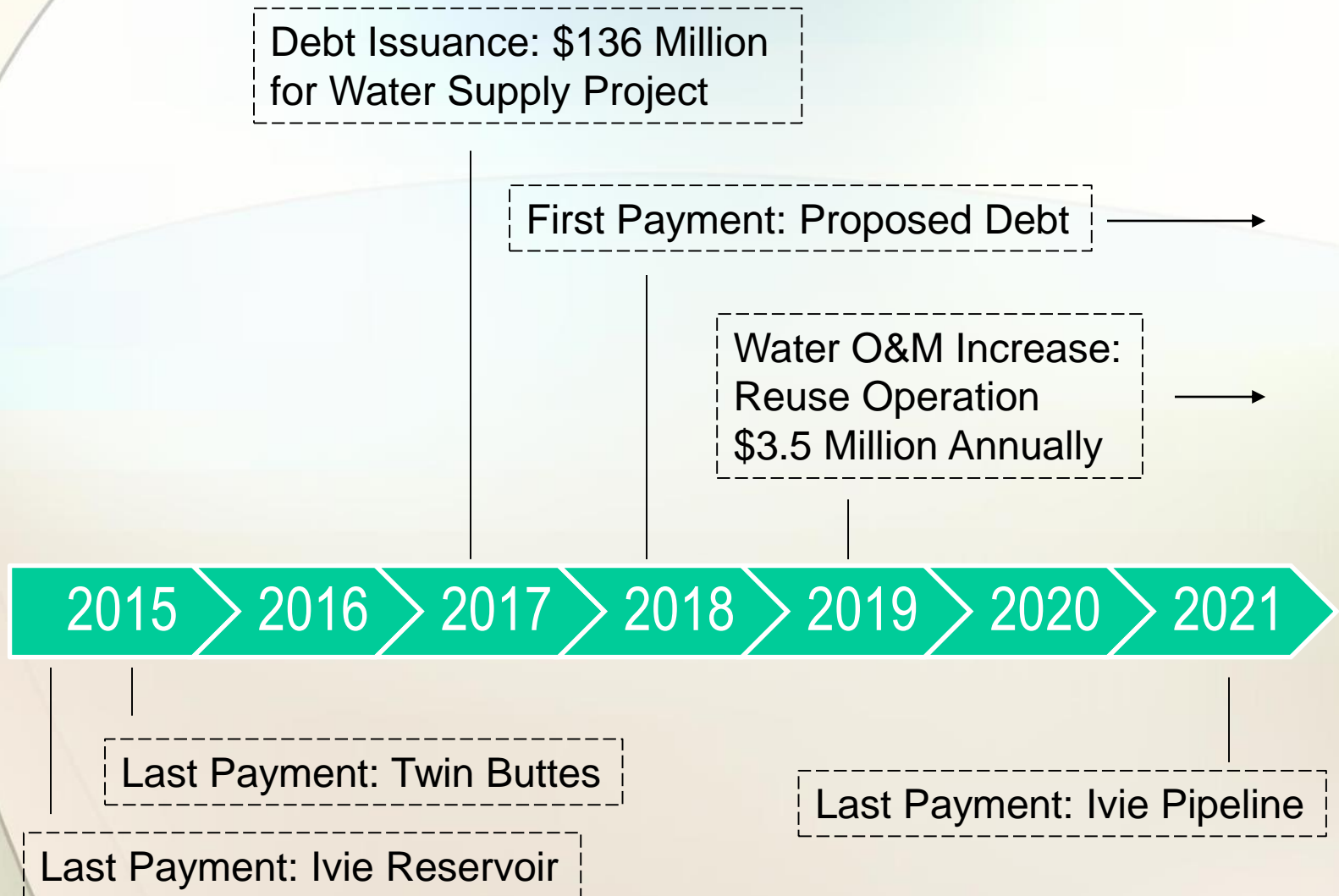


KEY ASSUMPTIONS – CAPITAL

- Future Water Supply Project
 - Financial plan reflects reuse project with shared financing between water and water reclamation
 - \$136 Million total cost
 - Financing in FY 2017 and FY 2018
 - 25 Year Term, 3.25% Interest
 - ½ Cent Sales Tax (\$2.45 million by 2020) used to offset debt service



KEY ASSUMPTIONS – EXPENSES



KEY ASSUMPTIONS – REVENUE/RATES

Transfer from Landfill: \$1.8 Million

Additional ½ Cent Sales Tax Revenue:
\$1.01 Million (2016) to \$2.45 Million (2020) Annually

2015 > 2016 > 2017 > 2018 > 2019 > 2020 > 2021

Water User Charge Adjustments:
3-year Phase In to Cost of Service

Water User Charge Adjustments:
Same for All Classes

Across the Board Water Reclamation Rate Adjustments

USER CHARGE ADJUSTMENTS

Combined Monthly Bill - Residential

(4,000 gallons per month; 5/8" meter)

	Monthly Res. Bill	\$ increase	% Increase
2015	\$ 51.17		
2016	\$ 57.05	\$ 5.88	11.49%
2017	\$ 63.61	\$ 6.56	11.50%
2018	\$ 70.93	\$ 7.32	11.51%
2019	\$ 74.88	\$ 3.95	5.57%
2020	\$ 79.08	\$ 4.20	5.61%

USER CHARGE ADJUSTMENTS

Financial Plan: 8/18 Meeting				
Total Monthly Res. Bill	\$ increase	% Increase	Days- Water	Days- Water Recl.
\$ 51.17				
\$ 61.40	\$ 10.23	20.0%	14	185
\$ 66.01	\$ 4.61	7.5%	20	207
\$ 70.96	\$ 4.95	7.5%	49	198
\$ 76.28	\$ 5.32	7.5%	71	172
\$ 82.01	\$ 5.73	7.5%	80	175

Revised Financial Plan				
Total Monthly Res. Bill	\$ increase	Overall % Increase	Days- Water	Days- Water Recl.
\$ 51.17				
\$ 57.05	\$ 5.88	11.49%	24	164
\$ 63.61	\$ 6.56	11.50%	65	184
\$ 70.93	\$ 7.32	11.51%	96	196
\$ 74.88	\$ 3.95	5.57%	78	174
\$ 79.08	\$ 4.20	5.61%	76	168

USER CHARGE ADJUSTMENTS

Combined Monthly Bill - Residential

(4,000 gallons per month; 5/8" meter)

	Monthly Revenue	\$ increase	% Increase
2015	\$		
2016	\$		1.49%
2017	\$		1.50%
2018	\$		1.51%
2019	\$		1.57%
2020	\$		5.61%

Combined Bill

2015 \$51.17

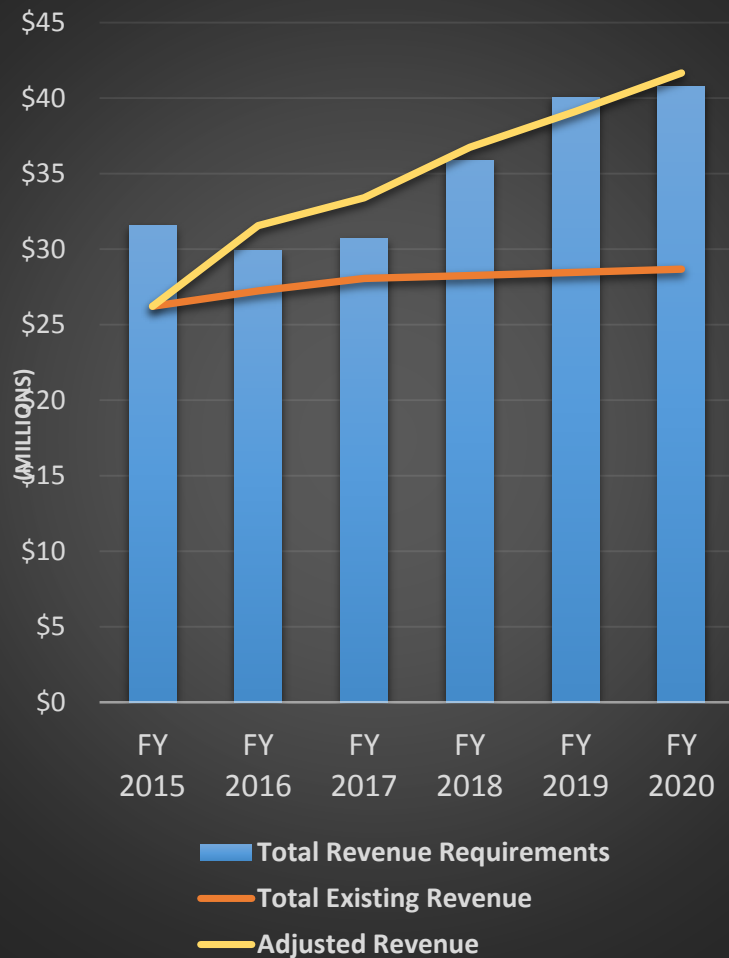
2020 \$79.08

USER CHARGE ADJUSTMENTS BY SERVICE

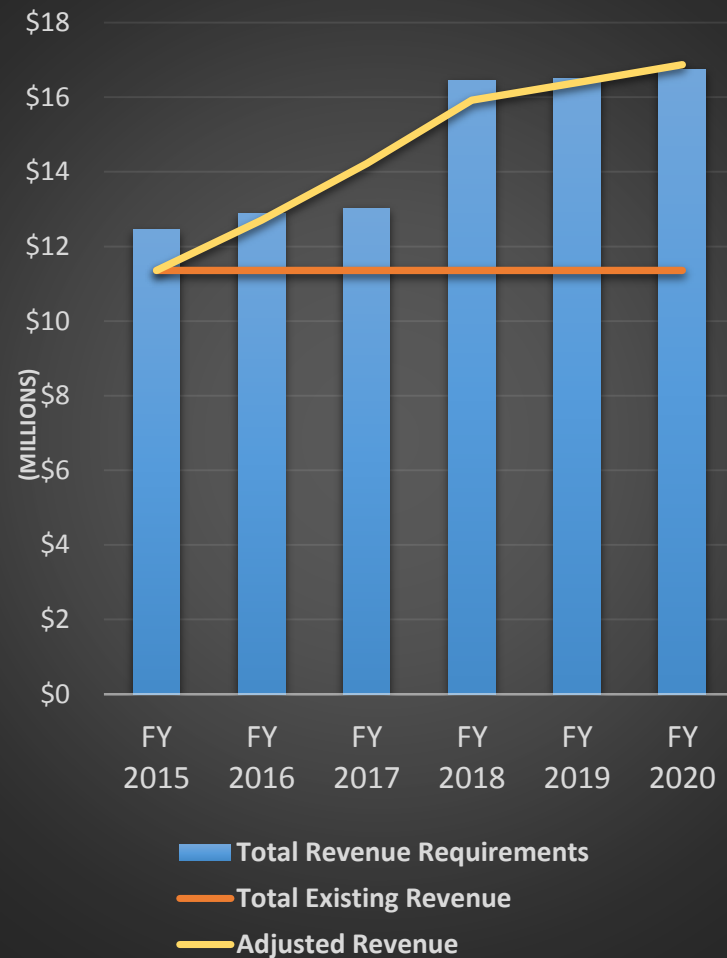
Water	Monthly	\$ increase		Res. %	Overall
	Res. Bill			Increase	Revenue % Increase
2015	\$ 31.36				
2016	\$ 34.81	\$ 3.45	11.01%	11.75%	
2017	\$ 38.65	\$ 3.84	11.02%	11.75%	
2018	\$ 42.91	\$ 4.26	11.03%	11.75%	
2019	\$ 46.02	\$ 3.11	7.25%	7.25%	
2020	\$ 49.36	\$ 3.34	7.25%	7.25%	
Water Recl	Monthly	\$ increase		Res. %	Overall
	Res. Bill			Increase	Revenue % Increase
2015	\$ 19.81				
2016	\$ 22.24	\$ 2.43	12.25%	12.25%	
2017	\$ 24.96	\$ 2.72	12.25%	12.25%	
2018	\$ 28.02	\$ 3.06	12.25%	12.25%	
2019	\$ 28.86	\$ 0.84	3.00%	3.00%	
2020	\$ 29.72	\$ 0.87	3.00%	3.00%	

REVENUE SUFFICIENCY

Water Utility (All Funds)

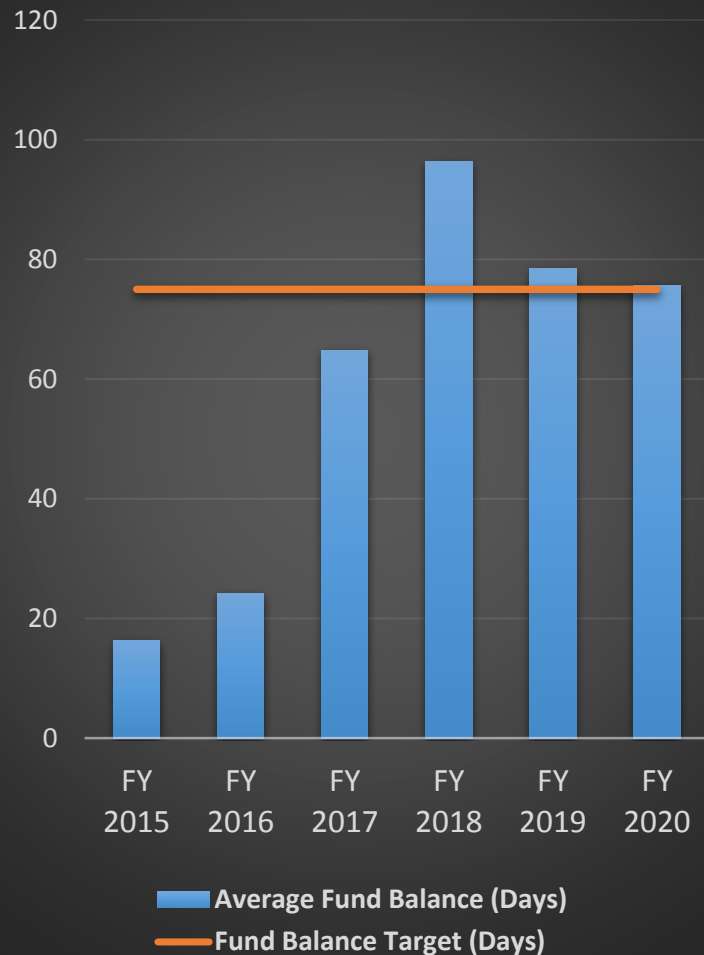


Water Recl Utility (All Funds)

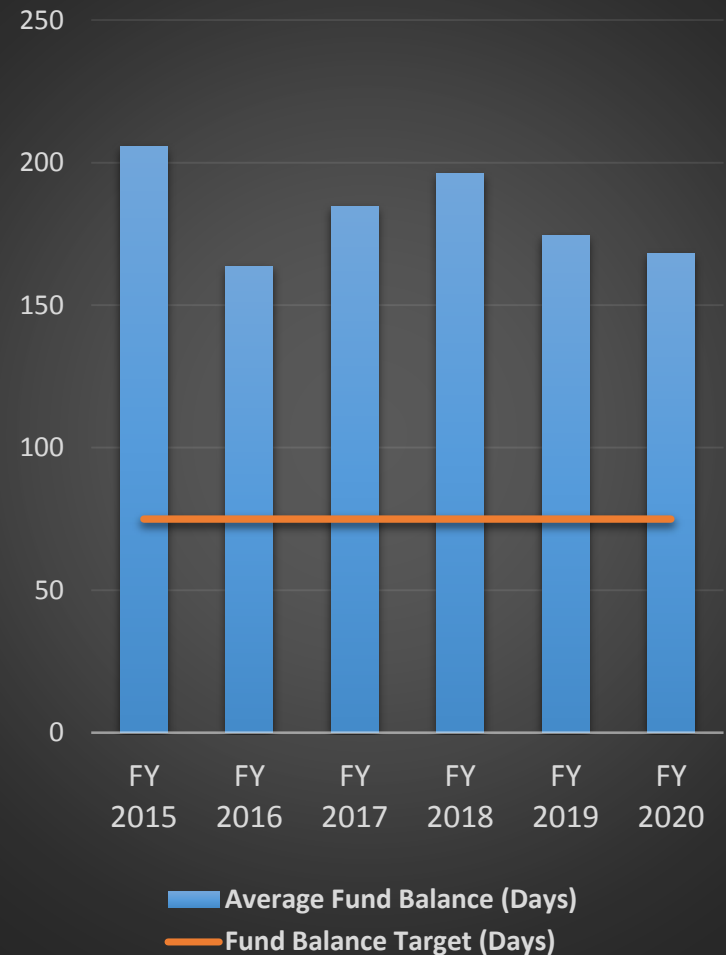


DAYS O&M

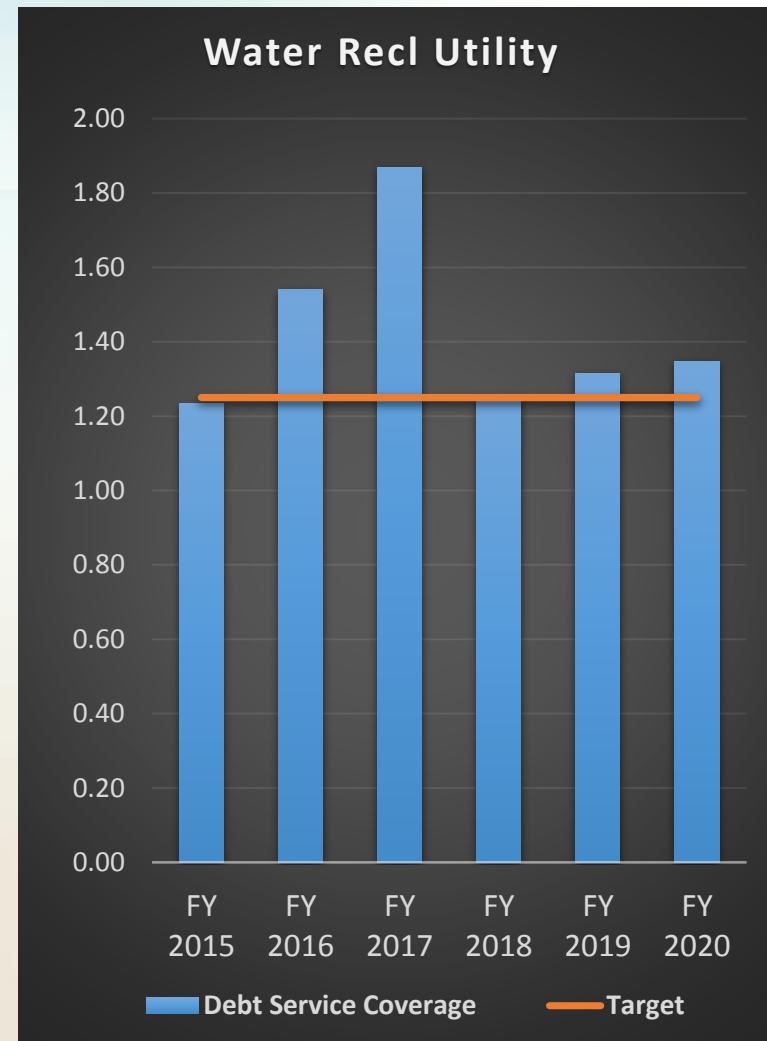
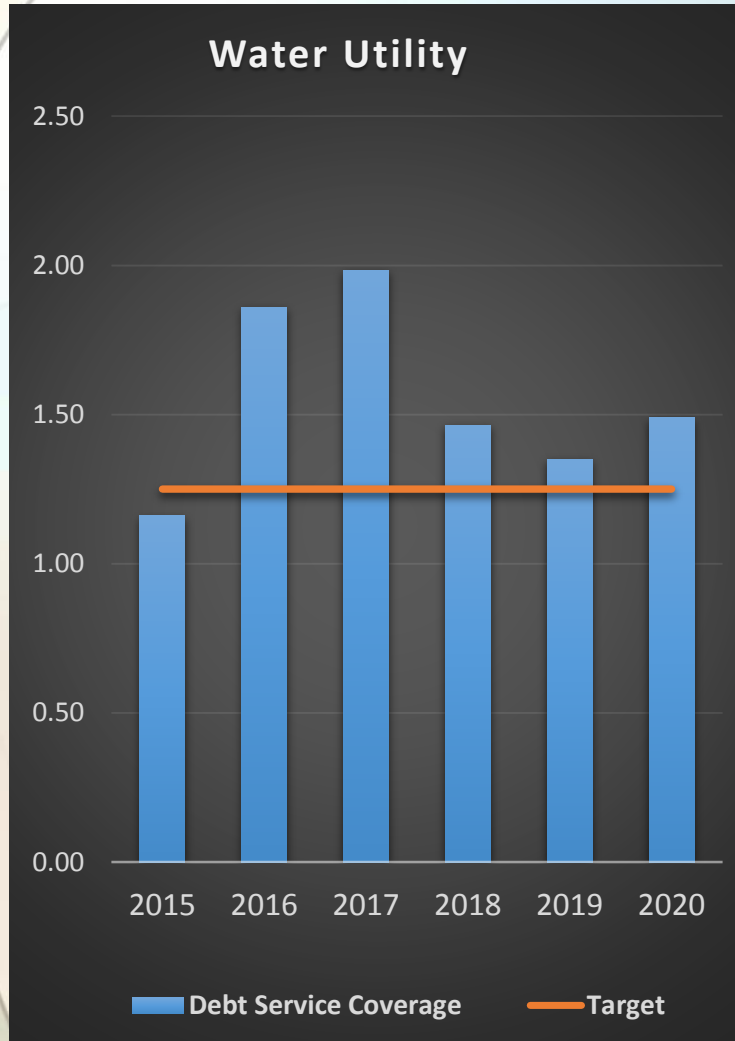
Water Utility



Water Recl Utility



DEBT SERVICE COVERAGE



RATE STRUCTURE ALTERNATIVE

PHASE IN TO COST OF SERVICE

	Water Utility			Water Recl Utility	
	All Customers Fixed Charge % Increase	Residential Volumetric Rate % Increase	Non-Residential Volumetric Rate % Increase	Fixed Charge % Increase	Volumetric Rate % Increase
2016	11.75%	9.85%	14.10%	12.25%	12.25%
2017	11.75%	9.85%	14.10%	12.25%	12.25%
2018	11.75%	9.85%	14.10%	12.25%	12.25%
2019	7.25%	7.25%	7.25%	3.00%	3.00%
2020	7.25%	7.25%	7.25%	3.00%	3.00%

- Phase In to COS for Water Customers in FY 2016-2018
 - 3-year phase in of volumetric rate adjustments specific to class
 - Mitigates a large one-time correction
 - Minimizes large variations in customer impacts

WATER FIXED CHARGE

Inside City

Meter Size	2015 Charge	2016 Charge
5/8"	\$19.12	\$21.37
1"	23.14	25.86
1 1/2"	27.19	30.38
2"	35.86	40.07
3"	104.71	117.01
4"	130.73	146.09
6"	190.31	212.67
8"	257.97	288.28

Outside City charges are 1.5x

WATER

RESIDENTIAL VOLUMETRIC RATE

Inside City

Blocks (kgal)	Billed Usage	2015 Rate (includes WPF)	2016 Rate
0-2	32.9%	\$2.49	\$2.74
3-5	32.2%	3.63	3.99
6-15	25.8%	4.24	4.66
16-39	6.8%	4.54	4.99
40-49	0.6%	6.04	9.13
50-59	0.4%	7.04	9.13
60-65	0.2%	9.54	9.13
66-100	0.5%	9.69	9.13
Over 100	0.6%	9.99	9.13

Outside City rates are 1.5x

WATER

NON-RES VOLUMETRIC RATE

- For all classes other than residential, develop one uniform volumetric rate for *non-residential* water service

Inside City

Water Service (All Consumption - Kgal)	2015 Rate (includes WPF)	2016 Uniform Rate
Commercial, Apartment, and Mobile Home Park	\$4.00	\$4.62
Industrial, Hotel/Motel, Hospital, School, and Government	\$4.12	\$4.62

Outside City rates are 1.5x

WATER

NON-RES LANDSCAPE VOLUMETRIC

- Develop one set of seasonal volumetric rates for all non-residential customers

Commercial, Apartment, and Mobile Home Park		Industrial, Hotel/Motel, Hospital, School, and Government		All Non-Residential Customers - Landscape	
<i>Inside City</i>		<i>Inside City</i>		<i>Inside City</i>	
Blocks (kgal)	2015 Rate (includes WPF)	2015 Rate (includes WPF)		Blocks (kgal)	2016 Rate
	Winter	Winter			Winter
0-89	\$4.04	\$4.09		0-89	\$4.46
90-109	5.54	5.59		> 89	9.98
110-129	6.54	6.59			
> 129	9.04	9.09			
	Summer	Summer			Summer
0-89	\$4.29	\$4.34		0-89	\$4.66
90-109	5.79	5.84		> 89	10.43
110-129	6.79	6.84			
> 129	9.29	9.34			

Outside City rates are 1.5x

UNTREATED WATER VOLUMETRIC RATE

- Develop uniform volumetric rate for all untreated water customers

Inside City

Blocks (kgal)	2015 Rate (no WPF)	Blocks (kgal)	2016 Rate (no WPF)
RESIDENTIAL			
0-5	\$1.81	All	\$4.95
6-10	2.31		
11-39	3.02		
40-49	4.52		
50-59	5.52		
> 59	8.02		
NON-RESIDENTIAL			
0-89	\$3.02	All	\$4.95
90-109	4.52		
110-129	5.52		
> 129	8.02		

Outside City rates are 1.5x

WATER RECLAMATION FIXED CHARGE

<u>Meter Size</u>	<u>2015 Rate</u>	<u>2016 Rate</u>
5/8"	\$19.81	\$22.24
1"	22.93	25.74
1 1/2"	26.08	29.27
2"	32.79	36.81
3"	86.16	96.71
4"	106.33	119.36
6"	152.52	171.20
8"	204.98	230.09

<u>Blocks (kgal)</u>	<u>2015 Rate</u>	<u>2016 Rate</u>
<i>Residential (Includes schools)</i>		
4,000-15,000 (maximum)	\$2.50	\$2.81
<i>Non-Residential</i>		
4,000 gallons and above	\$2.50	\$2.81

Rate per each 1,000 gallons of average water usage above 4,000 gallons (and under the 15,000 for residential).

MONTHLY WATER BILL

CUSTOMER IMPACT ANALYSIS

- Residential Customer

<u>Residential Comparison</u>	<u>Monthly Bill</u>					
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
2 kgals usage	\$ 24.10	\$ 26.84	\$ 29.89	\$ 33.28	\$ 35.70	\$ 38.29
4 kgals usage	31.36	34.81	38.65	42.91	46.02	49.36
15 kgals usage	77.39	85.38	94.20	103.93	111.47	119.55

MONTHLY WATER BILL

CUSTOMER IMPACT ANALYSIS

- Non-Residential Customer

<u>Commercial Comparison</u>	<u>Monthly Bill</u>					
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
<i>Building</i>						
50 kgals usage	\$ 223.14	\$ 256.85	\$ 292.45	\$ 333.00	\$ 357.15	\$ 383.04
<i>Landscape</i>						
50 kgals usage	345.23	379.15	429.17	485.85	521.07	558.85
150 kgals usage	959.23	1,197.17	1,362.52	1,550.77	1,663.21	1,783.79

MONTHLY WATER RECLAMATION BILL

CUSTOMER IMPACT ANALYSIS

- All Customers

	Monthly Bill					
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
2 kgals usage	\$ 19.81	\$ 22.24	\$ 24.96	\$ 28.02	\$ 28.86	\$ 29.72
4 kgals usage	19.81	22.24	24.96	28.02	28.86	29.72
15 kgals usage	47.31	53.11	59.61	66.91	68.92	70.99

DROUGHT RATES

DROUGHT STAGES

- Drought stages and drought rates go into effect when the water supply reaches a certain level or status of the water supply for the City's system.
 - Maintain 3 drought levels and level "triggers"
 - Revise anticipation consumption reduction and rates

	Drought Level 1	Drought Level 2	Drought Level 3
Water Supply Trigger	< 24 months	< 18 months	< 12 months
Reduction in Retail Consumption	5.0%	10.0%	15.0%
Anticipated Revenue Shortfall	\$ (722,459)	\$(1,444,918)	\$(2,167,377)
Shortfall in terms of Rates and Days			
Additional 2016 Rate Adjustment	3.0%	6.0%	9.0%
Additional 2016 Days Cash in Reserve	14	29	43

INSIDE CITY WATER RATES: DROUGHT RATE FACTORS

		FY 2016	Drought Level 1	Drought Level 2	Drought Level 3
Inside City Volumetric (\$/1,000 gallons)					
<u>Residential</u>					
0-2	\$	2.99	1.00	1.10	1.20
3-5		4.36	1.05	1.10	1.20
6-15		5.09	1.05	1.20	1.30
16-39		5.45	1.10	1.20	1.30
> 39		9.98	1.20	1.30	1.40
<u>Non-Residential</u>	\$	4.86	1.05	1.05	1.10
<u>Landscape - Winter</u>					
0-89	\$	4.69	1.10	1.20	1.30
>89		10.50	1.10	1.20	1.30
<u>Landscape - Summer</u>					
0-89	\$	4.90	1.10	1.20	1.30
>89		10.97	1.10	1.20	1.30
<u>Fire Hydrants</u>	\$	4.74	1.00	1.00	1.00
<u>Untreated Water</u>	\$	5.21	1.00	1.10	1.20

SUMMARY

FINANCIAL PLAN SUMMARY

Addresses Changes in Expenses and Revenue

Incorporates Conservative Projections

Achieves Financial Targets

Supports Water Supply Project

Good Investment for Future of Utility