Water Rates

Citizen Rate Review Committee Meeting

January 7, 2016

Agenda

- Background
- System Revenues and Requirements
- Preliminary Findings

Recent Rate History

- July 1, 2011 – 12.2%
- July 1, 2012 – 12.2%
- January 1, 2013 – 0.0%
- January 1, 2014 – 3.0%
- January 1, 2015 – 7.0%
- January 1, 2016 – 7.0%

Consumption and growth down; not meeting debt coverage; introduced 1% reserve funding

Cut capital; shifted O&M costs to sewer and storm to meet coverage requirements

Significant increases in capital plan (new reservoir and water treatment plant reserve

*Rates for nonpotable irrigation have not increased since 2010

Prior Rate Review:

- *Projected increases of 7.0% for remaining plan*

Current Rates

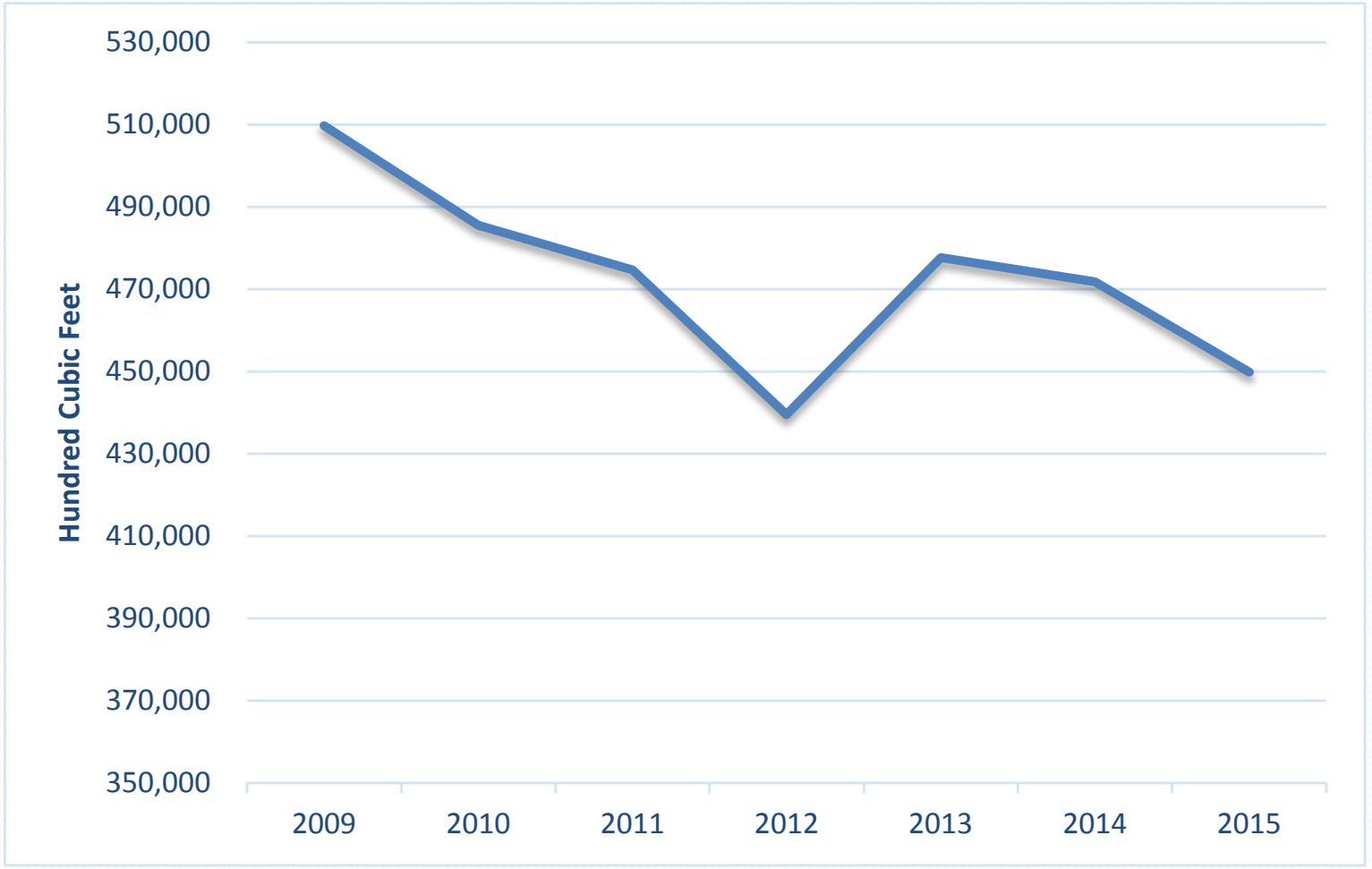
Customer Class	January 2015	January 2016
Service Charge ($/Month)	$1.93	$1.93
Meter Charge ($/Month)*		
3/4"	$9.55	$11.78
10"	$795.52	$981.27
Volume Charge ($/ccf)		
S-F Residential	$3.73	$3.85
Multifamily	$3.06	$3.15
Commercial	$3.63	$3.75
Industrial	$3.83	$3.95
Irrigation	$6.50	$6.69
Outside City	$5.59	$5.78
Public Agency	$3.77	$3.88
Non-Potable	$3.52	$3.52
Springs	$6.18	$6.18
*Varies by Meter size (only small and large meters shown)		

Ccf = hundred cubic feet (748 gallons)

Fixed (Service & Meter) Charge % of Total Revenue

Fiscal Year	% Fixed
2012	9%
2013	11%
2014	16%
2015	19%
2016	24%

Residential Billed Water Volumes



Revenue Comparison

Item	2013/14	2014/15	2015/16	2016/17	2017/18
Revenue Projections (Adopted Rates)	$4.6	$4.7	$5.1	$5.1	$5.0
Prior Plan Projections	$4.6	$4.7	$5.0	$5.2	$5.2
Difference	**$0.0**	**$0.0**	**$0.1**	**($0.1)**	**($0.2)**
			1.3%	-2.5%	-3.2%

*Reductions include elimination of Springs customers in FY2017 and mill closure

Projected 5-Year Capital Improvement Plan (CIP)

	Fiscal Year						
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**TOTAL**
Total CIP ($2015)	**$2,750,000**	**$740,000**	**$715,000**	**$1,207,500**	**$1,120,000**	**$395,000**	**$6,927,500**
Inflation-Adjusted *	$2,750,000	$762,200	$758,544	$1,319,469	$1,260,570	$457,913	$7,308,696
By Funding Source							
Rates	$1,670,000	$473,800	$621,157	$1,223,855	$1,148,019	$340,536	$5,477,368
SDC	$1,080,000	$288,400	$137,387	$95,614	$112,551	$117,377	$1,831,328
Total Inflation Adjusted	**$2,750,000**	**$762,200**	**$758,544**	**$1,319,469**	**$1,260,570**	**$457,913**	**$7,308,696**
Prior Plan	*$2,841,075*	*$535,613*	*$277,179*	*$3,155,689*	*$3,266,137*	*$2,458,511*	*$12,534,204*
**Reflects 3% capital inflation*							

See Table 1 for more detail

Current CIP does not include new reservoir (prior plan $7 million) in planning period

Projected Operation & Maintenance (O&M) Costs

	2015/16	2016/17	2017/18
Personnel Services			
Salaries	$857,272	$891,563	$927,226
Benefits	$521,271	$542,596	$564,812
Materials & Services	$497,829	$511,909	$526,419
Repair & Maintenance	$216,200	$221,656	$228,306
Utilities	$220,000	$228,800	$237,952
Central Services	$567,110	$589,794	$613,386
Franchise Fees	$257,312	$264,370	$272,656
Capital Outlay	$268,400	$213,345	$217,052
Total	**$3,405,394**	**$3,464,033**	**$3,587,808**
Adjusted for 98% Budget Spent	**$3,337,286**	**$3,394,752**	**$3,516,052**
2014 Rate Cycle Projections	3,375,436	3,556,965	3,749,458

Capital Funding (Total)*

		Total
Existing Reserves		$6,966,027
Current Rates		$5,942,076
SDCs		$765,611
Total Sources		**$13,673,713**
Inflation-Adjusted CIP		$7,308,696
Ending Reserves*		$6,365,017
Total Uses		**$13,673,713**
*Thru FY2020/21 only; Master Plan will identify additional improvements		

Preliminary Revenue Requirements from Rates

Item	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenue Requirements:						
O&M Costs	$3,337,286	$3,394,752	$3,516,052	$3,641,967	$3,771,785	$3,922,657
Transfers -- Debt Service	$1,254,280	$858,268	$860,403	$827,670	$834,433	$1,230,211
Transfers -- Capital Projects	$3,672,500	$473,800	$621,157	$1,223,854	$1,148,019	$340,537
Total Revenue Requirements	$8,264,066	$4,726,820	$4,997,612	$5,693,492	$5,754,237	$5,493,404
Less:						
Uses of (Additions to) Reserves	$3,076,637	($599,614)	($471,582)	$57,943	($52,581)	($473,012)
Nonrate Revenues	$377,456	$240,741	$237,411	$233,434	$228,709	$359,752
Revenue Requirements from Rates	$4,809,973	$5,085,692	$5,231,783	$5,402,115	$5,578,110	$5,606,664
Projected Rate Increase		*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*

Key Financial Plan Assumptions

- Customer growth average 0.5% annually
- Continued 0.5%-1% reduction in water volumes
- Operating cost escalation
  - Personnel = 4%
    - No additional staff within planning window
    - Personnel (non-represented) increase $12,000 (as a result of compensation study
    - PERS escalation factor increased to 8% (from 4%)
  - Materials & Services = 3%
- Percent of budget spent = 98%
- No additional debt funding

Next Steps

- Address CRRC information needs
- Refine projections
- Evaluate rate structure (fixed vs. volume rates)
- Develop preliminary recommendations

Discussion