

# Water Rates Evaluation

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Tom Pavletic  
Municipal Financial Services

# Project Experience

- 20 years experience with water and sewer financial planning
- 50-year financial plans, asset valuation, capacity charges (development impact fees), rates
- Reserve policies for working capital and rate stabilization
- Capital replacement funding policies

# Long Term Financial Plan Primer

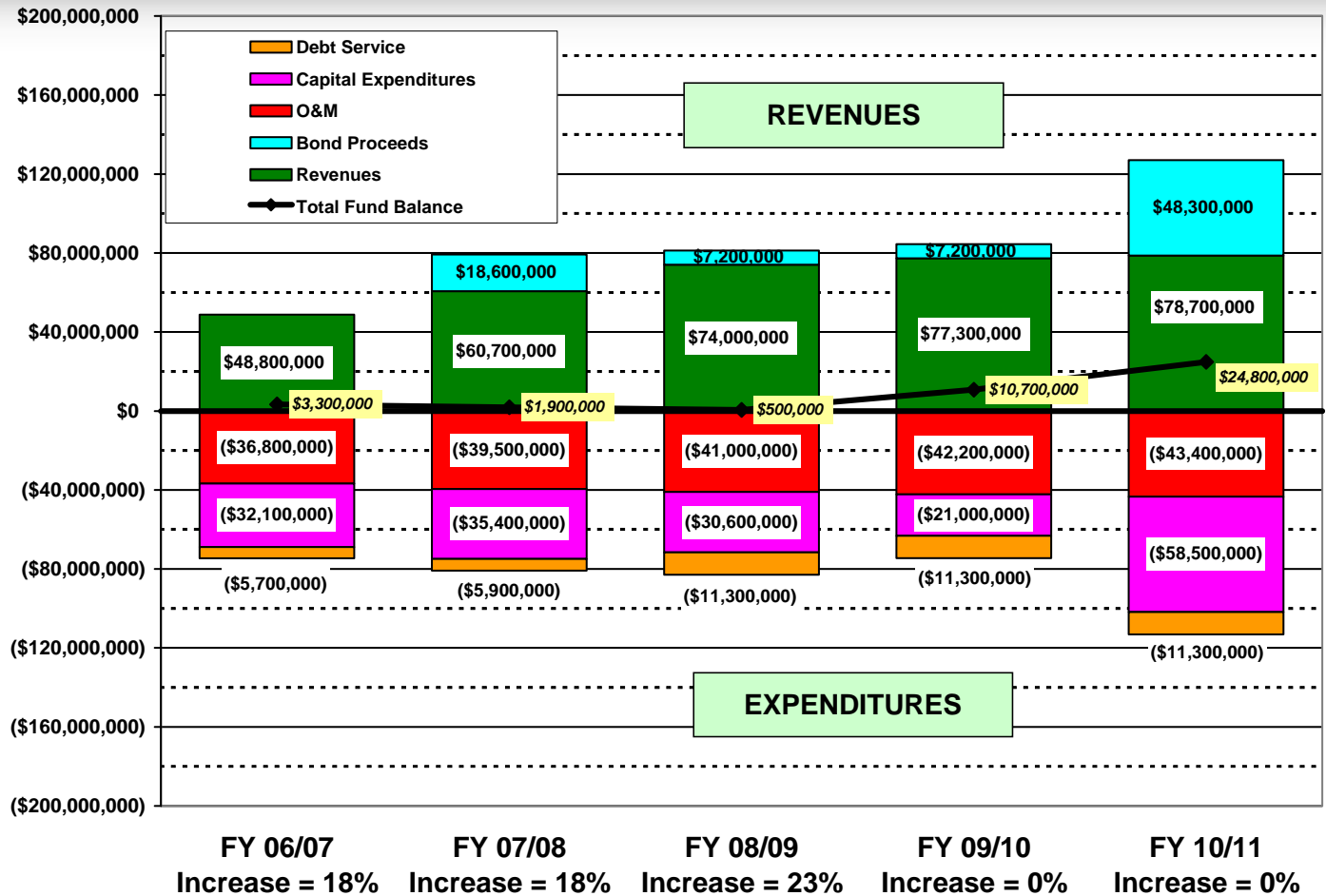
- Current financial planning (as opposed to capital planning) effort looks forward about 5 years and is mixed with rate development
- Financial planning should be separate from rate development
- Water enterprises, like corporations, are established in perpetuity
- Lifetime of some water assets are over 60 years
- Financial planning horizon should match asset lives and articulate capital funding policies and reserve policies

# Water Rate Evaluation Timeline

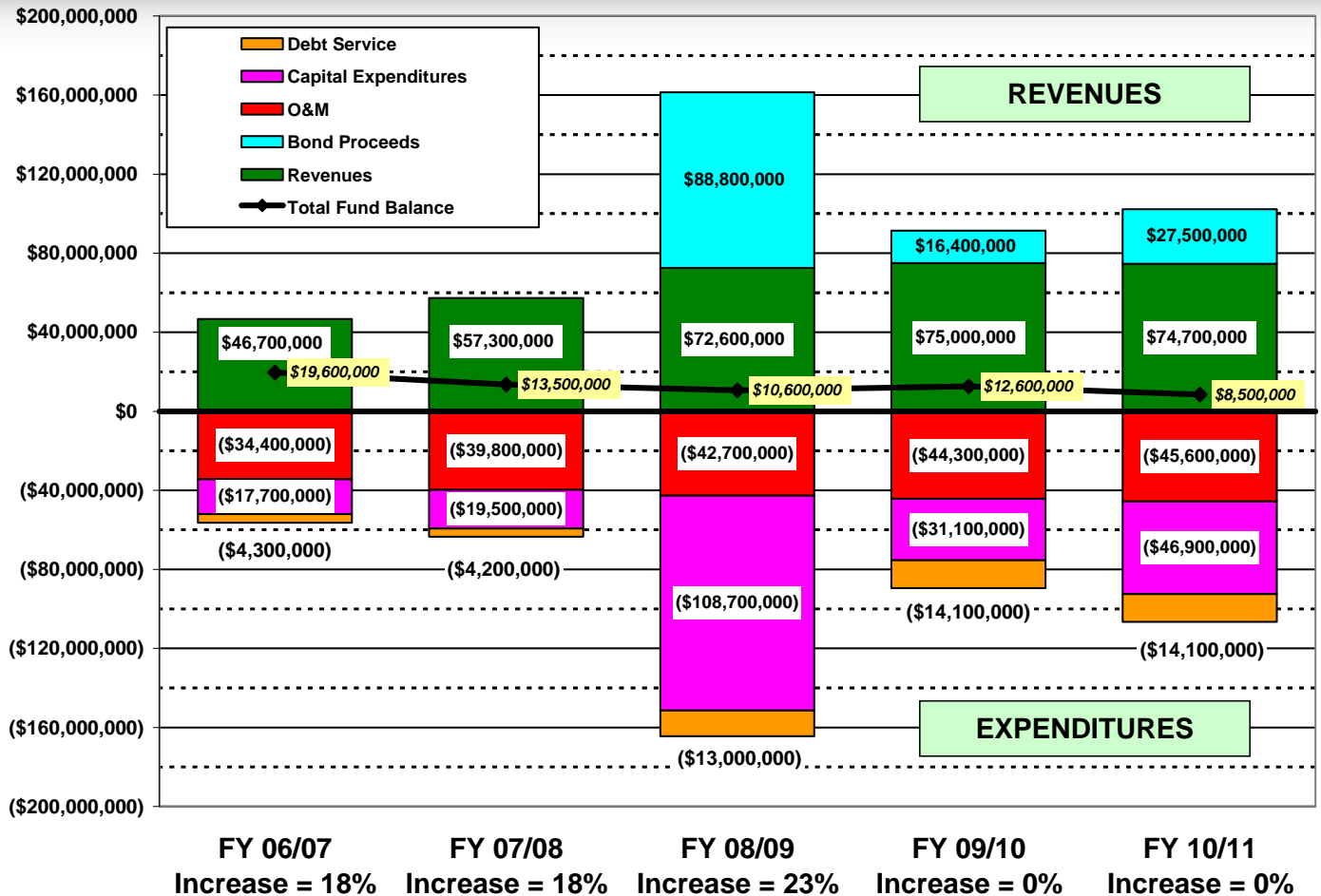
- December 2005 to December 2006 – Consultant evaluated rate increases.
- August 2006 to April 2007 – Utility Commission (Committee) review of rate increases.
- During February 2007 Council Adopted rates for April 2007 – September 2008.
- April 2007 – 18% rate increase.
- September 2007 – 18% rate increase.
- *September 2008 – 23% rate increase*

# December 2006 Report

## Adopted 18%-18%-23%-0%-0%



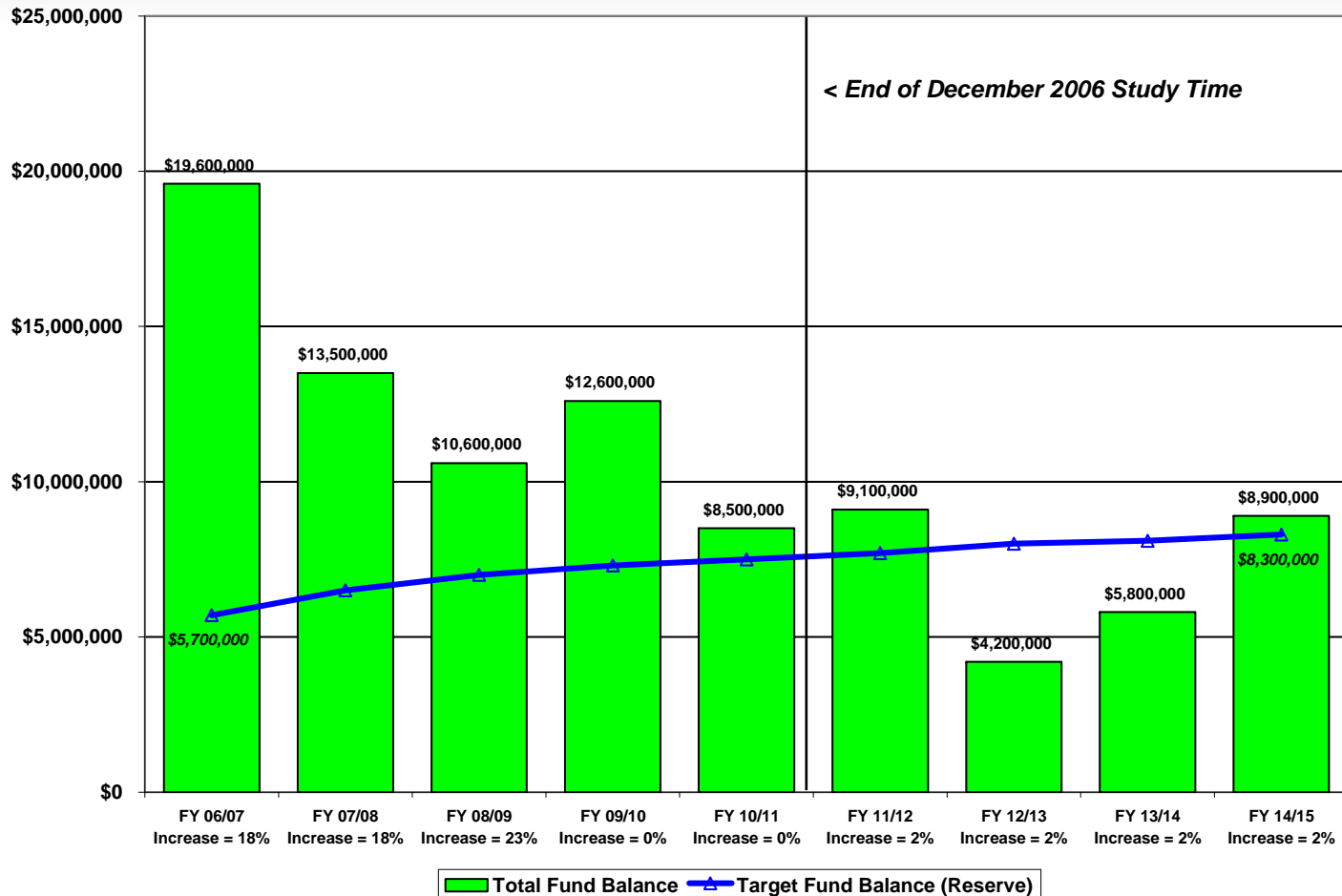
# 2008 Update of Adopted 18%-18%-23%-0%-0%



# Update vs Initial Projections FY 07 through FY 11 (5 Years)

- Update shows slightly less revenue, \$327M, than was initially projected, \$340M.
- Update shows slightly more O&M expenditures, \$207M, than was initially projected, \$203M.
- Update shows nearly the same total capital expenditures, bond proceeds and debt service, \$141M, than was initially projected, \$142M.
- Update of the FY 11 balance, \$9M, is about one-third of that initially projected, \$25M.

# Adopted Rates (Scenario 1) FY 09 through FY 15



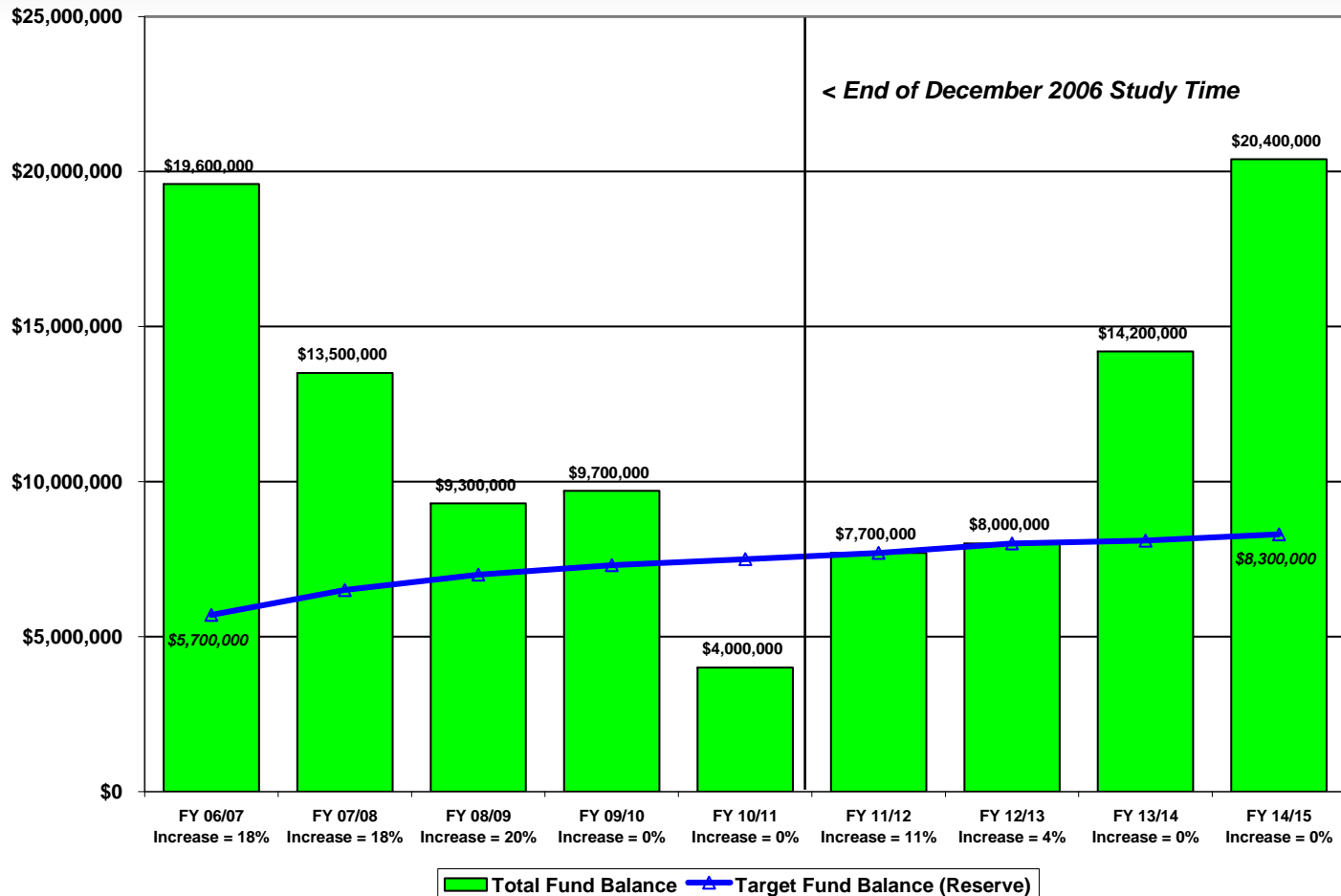
# Scenario 1 Cash Flow Adopted Rates FY 09 - FY 15 (7 Years)

- Scenario 1 Rate Increases
  - FY 09 – 23%
  - FY 10 to FY 11 – 0%
  - FY 12 to FY 15 – 2%
- Expenditures exceed revenues by about \$6M
- Water rates are the primary source of revenues
- FY 2015 balance is at the target level

<b>Balance July 1, 2008</b>	<b>\$13,504,137</b>	
<b>Expenditures</b>		
O&M	\$328,029,000	42%
Capital Expenditures	\$329,682,700	42%
Debt Service	<u>\$122,855,600</u>	<u>16%</u>
Total	\$780,567,300	100%
<b>Revenues</b>		
Water Rates	\$468,065,844	60%
Revenue from Other Sources	\$83,765,891	11%
Bond Proceeds	<u>\$222,853,700</u>	<u>29%</u>
Total	\$774,685,435	100%
<b>Net Revenue (Revenue Less Expenditures)</b>	(\$5,881,865)	
<b>Net Increase/(Decrease) in Stabilization Fund</b>	\$1,246,170	
<b>Balance June 30, 2015</b>	<b>\$8,868,442</b>	
<b>Single Family Monthly Bill</b>		
FY 2007	\$18.59	
FY 2015	<u>\$24.75</u>	
Increase	\$6.16	

# Scenario 2

## FY 09 through FY 15



# Scenario 2 Cash Flow FY 09 - FY 15 (7 Years)

- Scenario 2 Rate Increases
  - FY 09 – 20%
  - FY 10 to FY 11 – 0%
  - FY 12 – 11%
  - FY 13 – 4%
  - FY 14 to FY 15 – 0%
- Expenditures exceed revenues by about \$6M
- Water rates are the primary source of revenues
- FY 2015 balance is about \$12M above the target level

<b>Balance July 1, 2008</b>	<b>\$13,504,137</b>	
<b>Expenditures</b>		
O&M	\$328,029,000	42%
Capital Expenditures	\$329,682,700	42%
Debt Service	<u>\$122,855,600</u>	<u>16%</u>
Total	\$780,567,300	100%
<b>Revenues</b>		
Water Rates	\$479,689,624	61%
Revenue from Other Sources	\$83,723,025	11%
Bond Proceeds	<u>\$222,853,700</u>	<u>28%</u>
Total	\$786,266,349	100%
<b>Net Revenue (Revenue Less Expenditures)</b>	\$5,699,049	
<b>Net Increase/(Decrease) in Stabilization Fund</b>	\$1,246,170	
<b>Balance June 30, 2015</b>	<b>\$20,449,355</b>	
<b>Single Family Monthly Bill</b>		
FY 2007	\$18.59	
FY 2015	<u>\$25.75</u>	
Increase	\$7.16	

# Comparison of Scenarios FY 09 through FY 15

- Scenario 1 - single family monthly bills increase by \$6.16 from \$18.59 to \$24.75.
- Scenario 2 - single family monthly bills increase by \$7.16 from \$18.59 to \$25.75.

# Recommendation

- Implement adopted rates (increase water rates by 23% effective September 1, 2008)

END OF  
PRESENTATION