



CITY OF BEVERLY HILLS
DEPARTMENT OF PUBLIC WORKS SERVICES

MEMORANDUM

TO: Public Works Commission
FROM: Trish Rhay, Utility Manager
DATE: March 14, 2014
SUBJECT: Continuation of Discussion of Water Rates
ATTACHMENTS: 1. Ad Hoc Committee Recommendation
2. Priority Goals & Objectives
3. Water Rate Scenarios
4. Timeline

To continue the discussion of the water rate analysis process, Public Works Services and Finance will cover five areas of the rate process involving Fund 80 - Water Enterprise Fund (Water Fund).

Part one of the report involves an overview of the Water Fund. Revenues in Water Fund supports operation and capital programs associated with the water treatment and distribution within the Beverly Hills water service area. Details of the Water Fund's revenue, expenditures, reserves and fund balance will be presented.

Next, the focus will turn to the rate evaluation process. Reporting on current operational and capital needs of the Water Fund, staff will touch on those needs and priorities raised by the City Council, Public Works Commission or to meet regulatory compliance that were not anticipated in 2013 rate projections.

At the February 27th Public Works Commission meeting, the Commission directed staff to conduct a survey among its members requesting that each member identify priorities and goals to consider in the current rate analysis. Staff will report the results of the survey.

Water rate scenarios will be presented for illustration purposes. To impart to the Commission the relationship between goals and priorities from a rate perspective, staff will present 2014/15 Water Fund Analysis over a 5 year period using four rate scenarios. These scenarios will provide examples of cost and fee implications.

Finally, staff will request input from the Commission on a revised timeline to complete the water rate study.



AGENDA REPORT

Meeting Date: May 23, 2013
Item Number: F-3
To: Honorable Mayor & City Council
From: Noel Marquis, Assistant Director, Administrative Services/CFO
Subject: **TRANSMITTAL OF WATER AD HOC COMMITTEE RECOMMENDED
WATER UTILITY RATES FOR FISCAL YEAR 2013/2014**
Attachments: 1.) Spreadsheet/Cash Flow Analysis of Water Enterprise

RECOMMENDATION

The Ad Hoc Committee, consisting of Councilmembers Brien and Gold, Treasurer Finkel, and Public Works Commission Chair Pressman, after review of the financial data and projections of the Water Enterprise considered staff's recommendation for reduction of the approved Fiscal Year 2013/2014 water rate increase from 7% to 5%. The Committee also evaluated the Enterprise fund forecast for the next four fiscal years and considered a projected necessary increase of 3% per year to keep the fund in line with debt service coverage and reserve policy requirements. The City Council has already given approval for up to a 7% increase for Fiscal Year 2013/2014 and rate adjustment recommendations for the following years will be brought forth for consideration next fiscal year as part of the usual 2 year rate adjustment cycle.

INTRODUCTION

At the City Council's February 5, 2013 regularly scheduled meeting staff was directed to set aside \$2,500,000 in yearend surplus from the City's fiscal year 2011/2012 general fund operations for a possible one time infusion to the Water Fund in order to offset the planned 7% rate increase for next fiscal year. The Council appointed the Ad Hoc Committee to work with staff on studying the previously approved rate adjustment and assess the possibility for reducing the proposed increase, returning to the City Council with a recommendation on the use of the set aside general funds. The City Council Ad Hoc committee met on March 25, 2013, and staff presented information about the operation of the Water Enterprise fund and its financial position and health.

The Committee discussed the need for the Water Enterprise to be able to fully support itself from user fees, the impact of not keeping the fund self-sufficient and the potential

for loss of the Enterprise's AAA credit rating if the necessary steps to maintain the fiscal health of the fund are not undertaken. Staff presented historic information about the fund's fiscal performance and current fiscal position.

At the end of the presentation the Ad Hoc committee discussed the various rate scenarios presented and determined that a recommendation for reduction of the approved Fiscal Year 2013/2014 water rate increase from 7% to 5% and rate increases for the next 4 fiscal years (FY 14/15, FY 15/16, FY 16/17 and FY 17/18) being set to increase by 3% provided the best overall cost containment while providing for the continued fiscal health of the Water Enterprise.

DISCUSSION

The City owns and operates a water enterprise that has aging infrastructure and requires maintenance and replacement to keep it in good operating condition. Further, the City purchases the majority of the water it sells to its customers from the Metropolitan Water District (MWD) and is able to produce only a small fraction of the overall needs from its own wells and treatment plant. The cost of increasing the City's ability to produce more of its water needs is extremely expensive and presently not an economically viable option. In recent years the City has replaced the Coldwater Canyon reservoir and is in the final stages of replacing most of its storage tanks and pumps. The Greystone reservoir is in good shape and should not need major work or replacement in the foreseeable future.

To provide for efficient operation, capital maintenance and payment of debt service the City needs about \$36.8 million a year in operating revenues. This number will vary from year to year as various capital maintenance projects come on line; however, since the City's target is to maintain a reserve of 50% of its operating revenues these fluctuations can be absorbed without impact on rates. For example, in the current capital project budget costs range from a high of \$7.4 million to a low of \$4.5 million with an average over the 5 years of \$5.6 million. In this example the Water Enterprise could dip into its operating reserve to provide the capital for the year needing \$7.4 million and repay the operating reserve in years requiring lesser amounts. Projects that are farther out at a time would have their funding provided for by gradually building the operating reserve above the 50% level so that funds are available when the project is ready to go on line.

The four major factors driving water rates are:

1. Current water usage

Because of the nature of the Water Enterprise's operations most of the operating costs are fixed. The only real variable is the cost of purchased water. As usage goes down the fixed costs become a major factor in rate needs. The simple truth is that the more successful we are in promoting water conservation the more each unit of water costs our customers. The volume of water consumption based on the latest data shows an increase of between 6% and 8% resulting in an increase in forecasted sales and revenue of \$2.9 million. With the consumption increase being maintained at the same level for next fiscal year along with the suggested 5% rate increase, anticipated revenues will be sufficient to cover the cost of operations, debt service, and capital projects while maintaining the funds operating reserve at the 50% level.

2. Cost of purchased water

The City relies on MWD to acquire most of the water it sells. Because of MWD's heavy capital program, needing new transport and storage systems, its cost increases often exceed current inflationary indices. MWD indicated that its rates for selling water for next fiscal year are expected to increase by 5%. It should be noted that the five year forecast included in the attachment also assumes a 5% increase in MWD rates per year.

3. Capital needs for infrastructure maintenance and replacement

The ongoing needs of the system for capital replacement and maintenance must be included within the City's rate structure. By policy, intermediate capital projects will be funded from operating reserves while major capital projects such as reservoir replacement will be funded by debt issues. This policy is consistent with placing the cost burden on the group deriving the benefit from the project. In fiscal year 12/13 the City Council appropriated and reappropriated a total of \$14.7 million for capital projects and when added to the remaining capital funds from previous years the total funds available for capital investment and debt principal payment and operating reserves is approximately \$37.8 million. As part of fiscal year 13/14 staff is suggesting a budget of \$7.4 million in capital investment to be included in the five year Capital budget for Council consideration. That includes \$950,000 for the development of an updated water master plan that will lay the strategy for future capital needs that would be implemented in the following years.

4. Cost of operations other than purchased water

The City like all business operators faces the cost increases related to the impacts of inflation. These impacts must be considered as we prepare our rate models.

All of these factors are considered when developing the City's rate recommendations and structure. Further items considered included the impact that various types and levels of usage place on the system. For example, if all of our customers only needed a 1" meter and had a relatively low water demand the cost to build, maintain and operate our system would be less than what we currently experience with customers with up to 6" meters and very high demands. The latter require larger delivery lines and storage facilities substantially increasing capital investments and maintenance costs, all of which have to be considered in the rate analysis. In our case, customers who place a larger demand on the system pay a rate related to that demand through basic meter size charges and tiered usage. In this manner, each customer pays for the level of service and demand they place on the system, thereby keeping the cost lower for small demand customers and becoming higher as their demand on the system increases.

DEBT SERVICE COVERAGE AND RESERVE POLICY

When a bond issuer sells bonds certain covenants are required to make buyers interested in buying the bonds. One of these covenants that are included in the City's Water bonds is a rate covenant. This covenant requires that the City maintain user rates sufficient to provide the cash flow necessary to make the debt service payments. In the case of Beverly Hills, our rate covenant requires that we maintain user rates sufficient that our revenue less our operating expenses (not including depreciation or debt interest payment) leave an amount that is at least 125% of the current debt service payment. Because Beverly Hills is one of a very small list of entities with AAA bond rating on our

Water Enterprise bonds the rating agencies look to us to keep a rate coverage much greater than our bond documents require.

Further, to provide the funds necessary for the capital program we anticipate (\$27.8 million over the next 5 years) and maintaining a 50% operating reserves requires that our rate coverage be maintained at a much higher level.

NEXT STEPS

Over the next year a Water Master Plan will be completed. This plan will contain an analysis of the following elements:

- Current conditions
 - 2002 Black & Veatch Water System Master Plan
 - 5 year Capital Improvement Program
 - Groundwater cost analysis
- Supply sources
 - MWD/Cost increases/Rate subsidy
 - Future demand/Drought impacts
 - Alternate sources/Ground water/Shallow water/Constraints
 - Treatment plant/Debt costs/Operational costs
- Water Demand Needs
 - Forecasted increases/Future trends
 - Rate structure
- Operational expenses
 - Fixed costs
 - Variable expenses
- Infrastructure Condition
 - Current conditions/existing master plan
 - Updated plan/CIP and upcoming projects
 - 5 year budget and funding sources
- Next Steps
 - Continue biennial rate analysis
 - Continue updating 5 year CIP annually
 - Conduct a comprehensive cost & risk analysis on expanding the development of the City's groundwater program (shallow or otherwise); recommend that this study be conducted by someone that is not vested in the outcome
 - Study/consider operational changes at the treatment plant to maximize its efficiency versus a strategy for minimal operations to maintain standby capacity
 - Develop a "drought" rate in advance of the next drought (it's coming someday)
 - Evaluate the appropriateness of implementing a two-tier rate structure for commercial properties
 - Develop/implement a strategy to obtain 20% conservation by 2020
 - Track & support the Bay Delta Conservation Plan (BDCP)

- Implementation timeline for study recommendations

Completion of this plan and will provide the information that staff needs to properly plan and suggest for Council consideration the future course of the Water Enterprise.

FISCAL IMPACT

Failure to set rates at levels necessary to provide for the fiscal health of the system can have many impacts. One consequence could be a lowering of the AAA rating the City's Water Enterprise currently enjoys. This could cost future customers in the form of higher interest rates. Additionally, if the City then needs to subsidize the Water Enterprise with General Fund monies this could be viewed as an operating deficiency of the City and could impact the City's overall AAA credit rating. Tying up General Fund revenues by subsidizing non-general fund operations could limit other programs and services the City would be able to provide to its citizens and guests. Presently the City is using General Fund revenues to subsidize the Parking Authority operations and the Clean Water Enterprise Fund. Further use of General Fund revenues to subsidize the Water Enterprise would further restrict the funds the City had to provide for traditional governmental services. Should the City Council concur with the recommendations of the Ad Hoc Committee and reduce the approved 7% rate increase to the recommended 5%, the forecasted revenues indicate that the Water Enterprise fund would maintain the necessary debt service coverage and reserve levels and remain fiscally healthy. Therefore the \$2.5 million general fund subsidy would not be necessary and can be allocated to other programs as the Council deems appropriate. Staff would then bring back potential options for use of that one time surplus for consideration as part of the budget process.


Noel Marquis
Approved By

Attachment 1

80 Water Enterprise Fund Current

	Current Trend			Requested Fiscal Year 13/14
	Budgeted	Amended/ Projected	Difference	
	Fiscal Year 12/13	Fiscal Year 12/13	Bud/Pjt Better/ (Worse)	
Projected Revenues				
Service Charges	30,675,172	33,556,412	2,881,240	35,234,232
Interest Earnings	464,257	573,053	108,796	411,040
Lease of Property	9,400	10,290	890	9,400
ISF Receipts	849,411	849,411	-	849,411
Subsidy from MWD	325,000	200,000	(125,000)	200,000
Miscellaneous	54,359	52,574	(1,785)	54,151
Operating Revenues	32,377,599	35,241,740	2,864,141	36,758,234
Projected Expenses				
Personnel Services	3,775,069	2,814,104	960,965	3,163,510
Materials and Supplies	1,834,407	1,083,378	751,029	1,115,879
Purchased Water	9,507,000	9,772,547	(265,547)	11,000,000
Contractual Services	1,141,479	636,099	505,380	655,182
ISF Charges	7,412,141	7,412,141	-	7,634,505
Depreciation and Amortization	3,771,774	3,771,774	-	3,884,927
Debt Service Interest	2,995,076	3,218,094	(223,018)	3,112,806
Capital Outlay	-	-	-	-
Miscellaneous Expenses	729,248	458,676	270,572	472,436
Operating Expense	31,166,194	29,166,813	1,999,381	31,039,245
Net from Operations	1,211,406	6,074,927	4,863,522	5,718,989
Plus Beginning Cash	27,483,799	27,483,799	-	20,551,985
Plus Bond or Other Financing	-	-	-	-
Capital contribution	3,771,774	3,771,774	-	3,884,927
Cash Available	32,466,979	37,330,500	4,863,522	30,155,901
Capital Projects	7,990,561	14,103,951	(6,113,390)	6,725,730
Transfers Out	-	-	-	-
Debt Service Principal	2,291,806	2,674,564	382,758	2,451,247
Oper Rsvs & Cap Rplcmnt	22,184,612	20,551,985	(1,632,626)	20,978,924
Designated Ops Reserve	15,337,586	16,778,206	1,440,620	17,617,116
Restricted (Debt Reserve)	3,307,180	3,307,180	-	3,307,180
Restricted (Capital Projects)	(963,625)	-	963,625	-
Capital Replacement	4,503,471	466,599	(4,036,871)	54,628
TOTAL	22,184,612	20,551,985	(1,632,626)	20,978,924

	Budget Fiscal Year	Projected Fiscal Year	Adopted Fiscal Year
Total Debt Service	5,286,882	5,892,658	5,564,053
Rate Covenant	125.00%	125.00%	125.00%
Rvnu Required for DS Cover	6,608,603	7,365,823	6,955,066
Rvnu Available for Coverage	7,978,256	13,064,796	12,716,721
Rate Covenant Percent	150.91%	221.71%	228.55%

City of Beverly Hills
80 Water Enterprise Fund Future

	Requested Fiscal Year 13/14	Projected Fiscal Year 14/15	Projected Fiscal Year 15/16	Projected Fiscal Year 16/17	Projected Fiscal Year 17/18	Total of Years
Projected Revenues						
Service Charges	35,234,232	36,291,259	37,379,997	38,501,397	39,656,439	187,063,323
Interest Earnings	411,040	419,578	469,730	473,910	474,354	2,248,611
Lease of Property	9,400	9,682	9,972	10,272	10,580	49,906
Rent - New Facility	849,411	849,411	849,411	849,411	849,411	4,247,055
Subsidy from MWD	200,000	200,000	200,000	200,000	200,000	1,000,000
Miscellaneous	54,151	55,776	57,449	59,172	60,948	287,495
Operating Revenues	36,758,234	37,825,706	38,966,559	40,094,161	41,251,731	194,896,391
Projected Expenses						
Personnel Services	3,163,510	3,258,415	3,356,168	3,456,853	3,560,559	16,795,505
Materials and Supplies	1,115,879	1,149,356	1,183,836	1,219,351	1,255,932	5,924,355
Purchased Water	11,000,000	11,550,000	12,127,500	12,733,875	13,370,569	60,781,944
Contractual Services	655,182	674,837	695,083	715,935	737,413	3,478,450
ISF Charges	7,634,505	7,863,540	8,099,447	8,342,430	8,592,703	40,532,625
Depreciation and Amortization	3,884,927	4,001,475	4,121,519	4,245,165	4,372,520	20,625,606
Debt Service Interest	3,112,806	3,000,317	2,892,386	2,695,955	2,490,856	14,192,321
Capital Outlay	-	-	-	-	-	-
Other Miscellaneous	472,436	486,609	501,207	516,243	531,731	2,508,226
Operating Expense	31,039,245	31,984,550	32,977,146	33,925,808	34,912,282	164,839,031
Net from Operations	5,718,989	5,841,156	5,989,413	6,168,354	6,339,449	30,057,360
Plus Beginning Cash	20,551,985	20,978,924	23,486,480	23,695,487	23,717,685	20,551,985
Plus Bond or Other Financing	-	-	-	-	-	-
Capital Contribution	3,884,927	4,001,475	4,121,519	4,245,165	4,372,520	20,625,606
Cash Available	30,155,901	30,821,555	33,597,412	34,109,005	34,429,654	71,234,951
Capital Projects	6,725,730	4,828,457	5,357,016	5,636,431	5,666,729	28,214,363
Transfers Out	-	-	-	-	-	-
Debt Service Principal	2,451,247	2,506,618	4,544,910	4,754,889	4,956,719	19,214,383
Oper Rsvs & Cap Rplcmnt	20,978,924	23,486,480	23,695,487	23,717,685	23,806,205	23,806,205
Designated Ops Reserve	17,617,116	18,145,630	18,689,998	19,250,698	19,828,219	19,828,219
Restricted (Debt Reserve)	3,307,180	3,307,180	3,307,180	3,307,180	3,307,180	3,307,180
Restricted (Capital Projects)	-	-	-	-	-	-
Capital Replacement	54,628	2,033,670	1,698,308	1,159,807	670,806	670,806
TOTAL	20,978,924	23,486,480	23,695,487	23,717,685	23,806,205	23,806,205

	Requested Fiscal Year 13/14	Projected Fiscal Year 14/15	Projected Fiscal Year 15/16	Projected Fiscal Year 16/17	Projected Fiscal Year 17/18	Total of Years
Total Debt Service	5,564,053	5,506,936	7,437,296	7,450,844	7,447,576	33,406,704
Rate Covenant	125.00%	125.00%	125.00%	125.00%	125.00%	125.00%
Rvnu Required for DS Cover	6,955,066	6,883,670	9,296,620	9,313,555	9,309,470	41,758,380
Rvnu Available for Coverage	12,716,721	12,842,948	13,003,318	13,109,474	13,202,825	64,875,286
Rate Covenant Percent	228.55%	233.21%	174.84%	175.95%	177.28%	194.20%

Instructions: Please rank each of the listed pricing objectives (Most Important = 1 ; Very Important = 2 ; Important = 3 ; or Least Important = 4)

Pricing Objectives	Rank
Simple to Understand	
Ease of Implementation	
Cost of Service-Based Allocations	
Revenue Stability	
Rate Stability	
Minimization of Customer Impacts	
Affordability for Essential Use	
Conservation/Demand Management	
Promotes Efficiency	
Equitable Contributions from New Customers	

Other Priorities or Comments:

0% No Additions

	Requested Fiscal Year 14/15	Projected Fiscal Year 15/16	Projected Fiscal Year 16/17	Projected Fiscal Year 17/18	Projected Fiscal Year 18/19	Total of Years
Projected Revenues						
Service Charges	37,196,283	38,312,171	39,461,536	40,645,383	41,864,744	197,480,117
Interest Earnings	449,637	503,810	527,184	543,682	558,387	2,582,701
Lease of Property	9,682	9,972	10,272	10,580	10,897	51,403
ISF Receipts	849,390	849,390	849,390	849,390	849,390	4,246,950
Subsidy from MWD	225,000	225,000	275,000	275,000	275,000	1,275,000
Miscellaneous	58,254	60,001	61,801	63,655	65,565	309,277
Operating Revenues	38,788,246	39,960,345	41,185,184	42,387,689	43,623,984	205,945,448
Projected Expenses						
Personnel Services	3,439,616	3,628,795	3,773,947	3,887,166	4,003,781	18,733,305
Materials and Supplies	1,834,407	1,889,439	1,965,016	2,043,617	2,104,926	9,837,404
Purchased Water	11,557,350	12,135,218	12,741,978	13,379,077	14,048,031	63,861,654
Contractual Services	1,389,193	1,430,869	1,488,104	1,547,628	1,609,533	7,465,327
ISF Charges	7,035,264	7,471,451	7,747,895	7,957,088	8,195,800	38,407,498
Project Admin. and CIP Mgmt. Charge	603,066	786,809	907,147	1,079,629	1,016,769	4,393,420
Debt Service Interest	2,637,763	2,553,213	2,406,638	2,253,888	2,104,488	11,955,988
Capital Outlay	-	-	-	-	-	-
Other Miscellaneous	571,462	594,321	618,094	642,817	668,530	3,095,224
Operating Expense	29,068,122	30,490,114	31,648,818	32,790,909	33,751,857	157,749,821
Net from Operations	9,720,124	9,470,231	9,536,365	9,596,780	9,872,126	48,195,627
Plus Beginning Fund Balance	22,481,866	25,190,490	26,359,221	27,184,087	27,919,367	22,481,866
Plus Bond or Other Financing	-	-	-	-	-	-
Funds Available	32,201,990	34,660,721	35,895,587	36,780,867	37,791,493	70,677,493
Capital Projects	4,951,500	4,876,500	5,126,500	5,126,500	4,626,500	24,707,500
CIP Carryovers	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Debt Service Principal	2,060,000	3,425,000	3,585,000	3,735,000	3,900,000	16,705,000
Oper Rsvs & Cap Rplcmnt	25,190,490	26,359,221	27,184,087	27,919,367	29,264,993	29,264,993
Designated Ops Reserve	18,598,141	19,156,086	19,730,768	20,322,691	20,932,372	20,932,372
Restricted (Debt Reserve)	2,737,338	2,737,338	2,737,338	2,737,338	2,737,338	2,737,338
Restricted (Capital Projects)	-	-	-	-	-	-
Capital Replacement	3,855,011	4,465,798	4,715,981	4,859,337	5,595,283	5,595,283
TOTAL	25,190,490	26,359,221	27,184,087	27,919,367	29,264,993	29,264,993

	Requested Fiscal Year 14/15	Projected Fiscal Year 15/16	Projected Fiscal Year 16/17	Projected Fiscal Year 17/18	Projected Fiscal Year 18/19	Total of Years
Total Debt Service	4,697,763	5,978,213	5,991,638	5,988,888	6,004,488	28,660,988
Rate Covenant	125.00%	125.00%	125.00%	125.00%	125.00%	125.00%
Rvnu Required for DS Cover	5,872,203	7,472,766	7,489,547	7,486,109	7,505,609	35,826,234
Rvnu Available for Coverage	12,357,887	12,023,443	11,943,003	11,850,667	11,976,614	64,545,034
Rate Covenant Percent	263.06%	201.12%	199.33%	197.88%	199.46%	225.20%

0% with Additions

	Requested Fiscal Year 14/15	Projected Fiscal Year 15/16	Projected Fiscal Year 16/17	Projected Fiscal Year 17/18	Projected Fiscal Year 18/19	Total of Years
Projected Revenues						
Service Charges	37,196,283	38,312,171	39,461,536	40,645,383	41,864,744	197,480,117
Interest Earnings	449,637	433,910	435,064	428,064	418,079	2,164,755
Lease of Property	9,682	9,972	10,272	10,580	10,897	51,403
ISF Receipts	849,390	849,390	849,390	849,390	849,390	4,246,950
Subsidy from MWD	225,000	225,000	275,000	275,000	275,000	1,275,000
Miscellaneous	58,254	60,001	61,801	63,655	65,565	309,277
Operating Revenues	38,788,246	39,890,445	41,093,064	42,272,072	43,483,675	205,527,502
Projected Expenses						
Personnel Services	4,089,616	4,314,545	4,487,127	4,621,741	4,760,393	22,273,423
Materials and Supplies	1,834,407	1,889,439	1,965,016	2,043,617	2,104,926	9,837,404
Purchased Water	11,557,350	12,135,218	12,741,978	13,379,077	14,048,031	63,861,654
Contractual Services	1,734,193	1,786,219	1,857,668	1,931,975	2,009,254	9,319,308
ISF Charges	7,035,264	7,471,451	7,747,895	7,957,088	8,195,800	38,407,498
Project Admin. and CIP Mgmt. Charc	603,066	786,809	907,147	1,079,629	1,016,769	4,393,420
Debt Service Interest	2,637,763	2,553,213	2,406,638	2,253,888	2,104,488	11,955,988
Capital Outlay	-	-	-	-	-	-
Other Miscellaneous	571,462	594,321	618,094	642,817	668,530	3,095,224
Operating Expense	30,063,122	31,531,214	32,731,562	33,909,831	34,908,190	163,143,920
Net from Operations	8,725,124	8,359,231	8,361,501	8,362,241	8,575,485	42,383,582
Plus Beginning Fund Balance	22,481,866	21,695,490	21,753,221	21,403,223	20,903,963	22,481,866
Plus Bond or Other Financing	-	-	-	-	-	-
Funds Available	31,206,990	30,054,721	30,114,723	29,765,463	29,479,449	64,865,449
Capital Projects	7,451,500	4,876,500	5,126,500	5,126,500	4,626,500	27,207,500
CIP Carryovers	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Debt Service Principal	2,060,000	3,425,000	3,585,000	3,735,000	3,900,000	16,705,000
Oper Rsvs & Cap Rplcmnt	21,695,490	21,753,221	21,403,223	20,903,963	20,952,949	20,952,949
Designated Ops Reserve	18,598,141	19,156,086	19,730,768	20,322,691	20,932,372	20,932,372
Restricted (Debt Reserve)	2,737,338	2,737,338	2,737,338	2,737,338	2,737,338	2,737,338
Restricted (Capital Projects)	-	-	-	-	-	-
Capital Replacement	360,011	(140,202)	(1,064,883)	(2,156,066)	(2,716,761)	(2,716,761)
TOTAL	21,695,490	21,753,221	21,403,223	20,903,963	20,952,949	20,952,949

	Requested Fiscal Year 14/15	Projected Fiscal Year 15/16	Projected Fiscal Year 16/17	Projected Fiscal Year 17/18	Projected Fiscal Year 18/19	Total of Years
Total Debt Service	4,697,763	5,978,213	5,991,638	5,988,888	6,004,488	28,660,988
Rate Covenant	125.00%	125.00%	125.00%	125.00%	125.00%	125.00%
Rvnu Required for DS Cover	5,872,203	7,472,766	7,489,547	7,486,109	7,505,609	35,826,234
Rvnu Available for Coverage	11,362,887	10,912,443	10,768,139	10,616,128	10,679,973	58,732,990
Rate Covenant Percent	241.88%	182.54%	179.72%	177.26%	177.87%	204.92%

2014/15 Water BEFs and Adds

Water Fund FY 14-15 Budget Enhancement Requests			
	O&M		
		Title	Water
		Water Worker III Positions (3)	\$ 325,000
		Water Worker II Positions (2)	\$ 251,553
		Env Programs Manager	\$ 16,700
		Locating Positions (2)	\$ 34,033
		Infor (Hansen)	\$ 33,334
		8 Tablet for Water	\$ 13,000
		Backflow Device Inventory	\$ 200,000
		Pick up Trucks	\$ 98,400
		O&M Total	\$ 972,020
	Capital		
		Shallow Ground Water Well	\$ 2,000,000
		Greystone	\$ 500,000
		Capital Total	\$ 2,500,000

3% No Additions

	Requested Fiscal Year 14/15	Projected Fiscal Year 15/16	Projected Fiscal Year 16/17	Projected Fiscal Year 17/18	Projected Fiscal Year 18/19	Total of Years
Projected Revenues						
Service Charges	38,312,171	39,461,536	40,645,383	41,864,744	43,120,686	203,404,520
Interest Earnings	449,637	526,128	572,936	614,025	654,525	2,817,251
Lease of Property	9,682	9,972	10,272	10,580	10,897	51,403
ISF Receipts	849,390	849,390	849,390	849,390	849,390	4,246,950
Subsidy from MWD	225,000	225,000	275,000	275,000	275,000	1,275,000
Miscellaneous	58,254	60,001	61,801	63,655	65,565	309,277
Operating Re	39,904,134	41,132,028	42,414,781	43,677,394	44,976,063	212,104,401
Projected Expenses						
Personnel Services	3,439,616	3,628,795	3,773,947	3,887,166	4,003,781	18,733,305
Materials and Supplies	1,834,407	1,889,439	1,965,016	2,043,617	2,104,926	9,837,404
Purchased Water	11,557,350	12,135,218	12,741,978	13,379,077	14,048,031	63,861,654
Contractual Services	1,389,193	1,430,869	1,488,104	1,547,628	1,609,533	7,465,327
ISF Charges	7,035,264	7,471,451	7,747,895	7,957,088	8,195,800	38,407,498
Project Admin. and CIP Mgmt. Charges	603,066	786,809	907,147	1,079,629	1,016,769	4,393,420
Debt Service Interest	2,637,763	2,553,213	2,406,638	2,253,888	2,104,488	11,955,988
Capital Outlay	-	-	-	-	-	-
Other Miscellaneous	571,462	594,321	618,094	642,817	668,530	3,095,224
Operating Ex	29,068,122	30,490,114	31,648,818	32,790,909	33,751,857	157,749,821
Net from Operations	10,836,013	10,641,914	10,765,963	10,886,485	11,224,206	54,354,580
Plus Beginning Fund Balance	22,481,866	26,306,379	28,646,793	30,701,256	32,726,240	22,481,866
Plus Bond or Other Financing	-	-	-	-	-	-
Funds Available	33,317,879	36,948,293	39,412,756	41,587,740	43,950,447	76,836,447
Capital Projects	4,951,500	4,876,500	5,126,500	5,126,500	4,626,500	24,707,500
CIP Carryovers	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Debt Service Principal	2,060,000	3,425,000	3,585,000	3,735,000	3,900,000	16,705,000
Oper Rsvs & Cap Rplcmnt	26,306,379	28,646,793	30,701,256	32,726,240	35,423,947	35,423,947
Designated Ops Reserve	19,156,086	19,730,768	20,322,691	20,932,372	21,560,343	21,560,343
Restricted (Debt Reserve)	2,737,338	2,737,338	2,737,338	2,737,338	2,737,338	2,737,338
Restricted (Capital Projects)	-	-	-	-	-	-
Capital Replacement	4,412,955	6,178,687	7,641,226	9,056,530	11,126,265	11,126,265
TOTAL	26,306,379	28,646,793	30,701,256	32,726,240	35,423,947	35,423,947

	Requested Fiscal Year 14/15	Projected Fiscal Year 15/16	Projected Fiscal Year 16/17	Projected Fiscal Year 17/18	Projected Fiscal Year 18/19	Total of Years
Total Debt Service	4,697,763	5,978,213	5,991,638	5,988,888	6,004,488	28,660,988
Rate Covenant	125.00%	125.00%	125.00%	125.00%	125.00%	125.00%
Rvnu Required for DS Cover	5,872,203	7,472,766	7,489,547	7,486,109	7,505,609	35,826,234
Rvnu Available for Coverage	13,473,775	13,195,126	13,172,600	13,140,372	13,328,694	70,703,988
Rate Covenant Percent	286.81%	220.72%	219.85%	219.41%	221.98%	246.69%

3% with Additions

	Requested Fiscal Year 14/15	Projected Fiscal Year 15/16	Projected Fiscal Year 16/17	Projected Fiscal Year 17/18	Projected Fiscal Year 18/19	Total of Years
Projected Revenues						
Service Charges	38,312,171	39,461,536	40,645,383	41,864,744	43,120,686	203,404,520
Interest Earnings	449,637	456,228	480,816	498,408	514,217	2,399,305
Lease of Property	9,682	9,972	10,272	10,580	10,897	51,403
ISF Receipts	849,390	849,390	849,390	849,390	849,390	4,246,950
Subsidy from MWD	225,000	225,000	275,000	275,000	275,000	1,275,000
Miscellaneous	58,254	60,001	61,801	63,655	65,565	309,277
Operating Revenues	39,904,134	41,062,128	42,322,661	43,561,777	44,835,755	211,686,456
Projected Expenses						
Personnel Services	4,089,616	4,314,545	4,487,127	4,621,741	4,760,393	22,273,423
Materials and Supplies	1,834,407	1,889,439	1,965,016	2,043,617	2,104,926	9,837,404
Purchased Water	11,557,350	12,135,218	12,741,978	13,379,077	14,048,031	63,861,654
Contractual Services	1,734,193	1,786,219	1,857,668	1,931,975	2,009,254	9,319,308
ISF Charges	7,035,264	7,471,451	7,747,895	7,957,088	8,195,800	38,407,498
Project Admin. and CIP Mgmt. Charge	603,066	786,809	907,147	1,079,629	1,016,769	4,393,420
Debt Service Interest	2,637,763	2,553,213	2,406,638	2,253,888	2,104,488	11,955,988
Capital Outlay	-	-	-	-	-	-
Other Miscellaneous	571,462	594,321	618,094	642,817	668,530	3,095,224
Operating Expense	30,063,122	31,531,214	32,731,562	33,909,831	34,908,190	163,143,920
Net from Operations	9,841,013	9,530,914	9,591,099	9,651,946	9,927,565	48,542,536
Plus Beginning Fund Balance	22,481,866	22,811,379	24,040,793	24,920,392	25,710,837	22,481,866
Plus Bond or Other Financing	-	-	-	-	-	-
Funds Available	32,322,879	32,342,293	33,631,892	34,572,337	35,638,402	71,024,402
Capital Projects	7,451,500	4,876,500	5,126,500	5,126,500	4,626,500	27,207,500
CIP Carryovers	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Debt Service Principal	2,060,000	3,425,000	3,585,000	3,735,000	3,900,000	16,705,000
Oper Rsvs & Cap Rplcmnt	22,811,379	24,040,793	24,920,392	25,710,837	27,111,902	27,111,902
Designated Ops Reserve	19,156,086	19,730,768	20,322,691	20,932,372	21,560,343	21,560,343
Restricted (Debt Reserve)	2,737,338	2,737,338	2,737,338	2,737,338	2,737,338	2,737,338
Restricted (Capital Projects)	-	-	-	-	-	-
Capital Replacement	917,955	1,572,687	1,860,362	2,041,127	2,814,221	2,814,221
TOTAL	22,811,379	24,040,793	24,920,392	25,710,837	27,111,902	27,111,902

	Requested Fiscal Year 14/15	Projected Fiscal Year 15/16	Projected Fiscal Year 16/17	Projected Fiscal Year 17/18	Projected Fiscal Year 18/19	Total of Years
Total Debt Service	4,697,763	5,978,213	5,991,638	5,988,888	6,004,488	28,660,988
Rate Covenant	125.00%	125.00%	125.00%	125.00%	125.00%	125.00%
Rvnu Required for DS Cover	5,872,203	7,472,766	7,489,547	7,486,109	7,505,609	35,826,234
Rvnu Available for Coverage	12,478,775	12,084,126	11,997,736	11,905,833	12,032,052	64,891,943
Rate Covenant Percent	265.63%	202.14%	200.24%	198.80%	200.38%	226.41%

2014/15 Water BEFs and Adds

Water Fund FY 14-15 Budget Enhancement Requests			
	O&M		
		Title	Water
		Water Worker III Positions (3)	\$ 325,000
		Water Worker II Positions (2)	\$ 251,553
		Env Programs Manager	\$ 16,700
		Locating Positions (2)	\$ 34,033
		Infor (Hansen)	\$ 33,334
		8 Tablet for Water	\$ 13,000
		Backflow Device Inventory	\$ 200,000
		Pick up Trucks	\$ 98,400
		O&M Total	\$ 972,020
	Capital		
		Shallow Ground Water Well	\$ 2,000,000
		Greystone	\$ 500,000
		Capital Total	\$ 2,500,000

2013	Std Rates	CIP	PM	Demands	Reactive	Plan WO	Lbr Hrs (includes 1.3 Load)	HC 1920 Hrs/Yr
Mainline Breaks	57.0				25.0	25	1853	1.0
Service Leaks	39.0				24	24	1217	0.6
Air Vac Exercise	8.0		185.0			185	1924	1.0
Air Vac Replacement	4.0		50.0			50	260	0.1
Cla Valve	24.0		56.0			56	1747	0.9
Unilateral Flushing & Valve Exercise	13.0		135.0			135	2282	1.2
Steel Reservoir Cleaning	60.0		5.0			5	390	0.2
Cold Water Res Cleaning	270.0		1.0			1	351	0.2
4A/Sunset Res Cleaning	180.0		2.0			2	468	0.2
Greystone/woodland Res Cleaning	108.0		3.0			3	421	0.2
Dead End Flushing	1.0		55.0			55	72	0.0
Valve Replacement	108.0				24	24	3370	1.8
Water Meter & Fire service Installs	108.0			72		72	10109	5.3
Large Meter Rehab	108.0			36		36	5054	2.6
Meter gasket or curb stop replacement	8				60	60	624	0.3
Water Meter Maintenance Lg Meter Accuracy	7.5		260			260	2535	1.3
Meter Box Replacement	12			100		100	1560	0.8
Leak Detection Program						0	0	0.0
Leak Notification	0.5			2600.0		2600	1690	0.9
						0	0	0.0
						3693	35,926	18.7

Proposed Timeline and Discussion – Water Rates FY 14/15 & 15/16

October	Request Citywide water consumption data from Finance
November 12, 2013	Confirm PWS will lead rate process
December 1 – 15	Raftelis conducts consumption analysis, prepares O&M budget and develops revenue requirements (two week process)
December 16 – 20	Staff and Raftelis review rate scenario and begin work on memorandum and presentation for the January Public Works Commission (one week process)
December 23 – 27	Staff prepares packet information (one week process)
January 2, 2014	Public Works Commission Packet mailed
January 9, 2014	Public Works Commission mtg: Introduction/Overview of water rate study
February 27, 2014	Public Works Commission mtg: Continuation of Introduction/Overview of water rate study
March 14, 2014	Public Works Commission mtg: Approve Rate Notice
March 2014	City Council Liaison meeting held to transmit information regarding the Rate Schedule and the Proposed Rates (flexible date)
March 22, 2014	Notifications of Proposed Rate Increases are mailed to the residential and commercial community – (no later than this date)
April 1, 2014	Study Session presentation to the City Council on the revenue requirements for the Water Utility
April 10, 2014	Public Works Commission's open invitation to customers to discuss the proposed rate increase at a regularly scheduled meeting and consideration to approve the proposed rate increase
Late April 2014	Outreach to the Homeowners Associations and Chamber by the Public Works Commission (evening event)
May 6, 2014	Public Hearing and First Reading of the Ordinance at the City Council meeting
May 20, 2014	Second Reading of the Ordinance at the City Council meeting
July 1, 2014	Rates take effect for FY 14/15, if approved
July 1, 2015	Rates take effect for FY 15/16, if approved