

City of Punta Gorda



FY 2015 Utility Rate Study City Council Meeting August 19, 2015

Presented by:

Andrew J. Burnham, Senior Vice President

Introduction & Scope

▶ **Burton & Associates**

- ▶ Financial management consultants for local government
- ▶ Recognized experts in the area of water resources
- ▶ Dynamic interactive models & decision support process
- ▶ Some of our clients in Southwest Florida
 - ▶ Ft. Myers, Cape Coral, Venice, North Port, Naples, Sarasota

▶ **Rate Study Scope**

- ▶ Develop multi-year financial management plan
- ▶ Evaluate and potential modify current rate structure
- ▶ Update level of impact fees
- ▶ Assist in updating miscellaneous fees/charges

Executive Summary

- ▶ Status quo will not address cost requirements of the system
 - ▶ Fund balance exhausted and in technical default on debt by FY 20
 - ▶ Modest plan of near-term revenue increases needed
 - ▶ 4% for FY 2016; 2-4% for FY 2017 and FY 2018 depending upon grants
- ▶ Current rate structure does not compare well to local practices
 - ▶ Recommend adjustments to the number of tiers and pricing for residential
 - ▶ Other adjustments to irrigation meters, non-residential, and monthly charge
- ▶ Minor impact fee adjustments are needed (net change of \$36)
 - ▶ Decrease of \$178 for water, increase of \$214 for sewer
 - ▶ If \$14M of net grants received for water additional reduction of \$576
- ▶ Updates of miscellaneous fees and charges
 - ▶ Developed wholesale rates for water for intergovernmental agencies
 - ▶ Staff is updating installation charges, premise visit, connection fees, etc.

Financial Management Plan: Source Data & Assumptions

- ▶ FY 2014 audited fund balances
- ▶ Revenues based upon 2015 ytd results and 0.75% growth rate
 - ▶ Growth rate per review of 5 years of historical data and ytd results
 - ▶ Validated against Consulting Engineer Analysis and BEBR
- ▶ Operating expenses per FY 16 Proposed Budget, adjusted for:
 - ▶ Average annual cost inflation of approximately 3% per year
- ▶ 10-year project specific capital needs per City staff
 - ▶ Short-term financings per Finance Department; SRF Loan for RO Plant
- ▶ Minimum fund balance reserve targets
 - ▶ Operating = 3 mos. of O&M expenses (Liquidity for operations, contingency)
 - ▶ Capital = \$1.5M - avg annual cash-funded CIP (unplanned items/system failures)
 - ▶ Consistent with industry guidelines and rating agency criteria

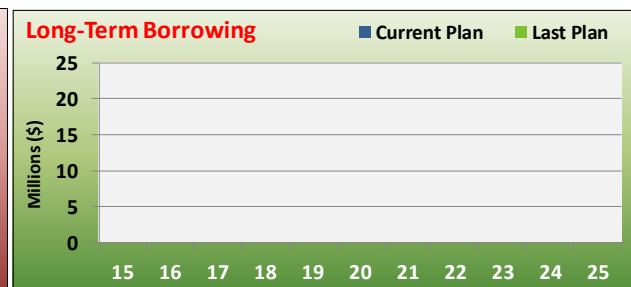
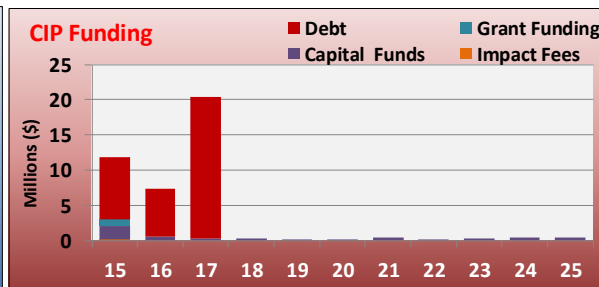
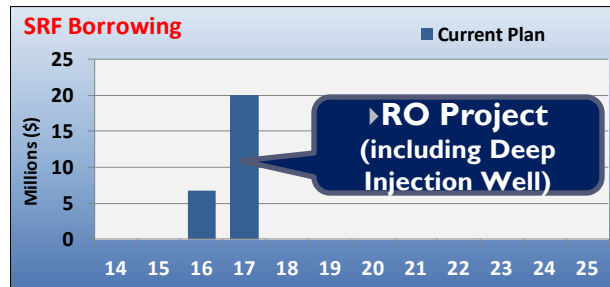
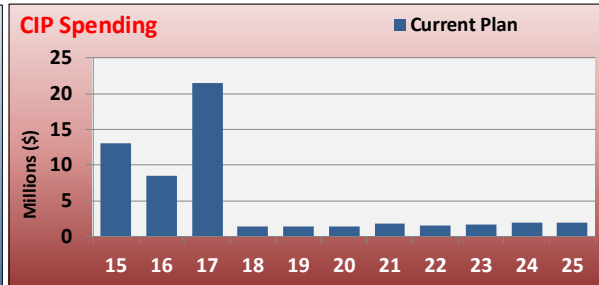
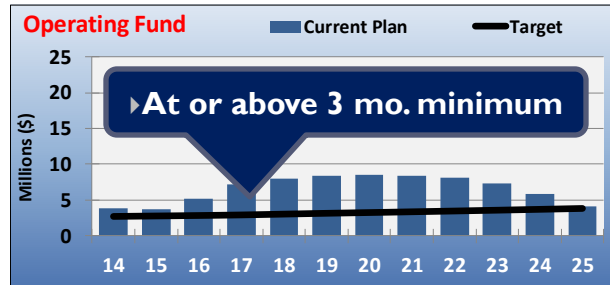
Financial Management Plan Summary: No Additional Grants for RO Plant

►4% in FY 16 - FY18; 0% in FY 19 & FY 20

►No future rate increases

FINANCIAL ANALYSIS AND MANAGEMENT SYSTEM (FAMS) SUMMARY

SAVE	CALC	ROLL	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Cumulative Change			
Water Rate Increases			0.00%	4.00%	4.00%	4.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	12.45%	12.45%		
Sewer Rate Increases			0.00%	4.00%	4.00%	4.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	OMF FY16 ►	100.0%		
SRF Coverage			11.13	12.24	13.51	2.34	2.20	2.09	2.03	2.26	2.10	1.93	1.74				
CIP \$ Redistribution ►			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			WTP Year WTP Grant	FY 2017 \$ -
CIP Execution % ►			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%				
Operating Reserve Mo ►			3	3	3	3	3	3	3	3	3	3	3				
Water		\$37.28	\$37.28	38.76	40.33	41.92	41.92	41.92	41.92	41.92	41.92	41.92	41.92				
Sewer		\$35.53	\$35.53	36.96	38.43	39.94	39.94	39.94	39.94	39.94	39.94	39.94	39.94				
Average Bill (7,000 gals.)			\$72.81	75.72	78.76	81.86	81.86	81.86	81.86	81.86	81.86	81.86	81.86				

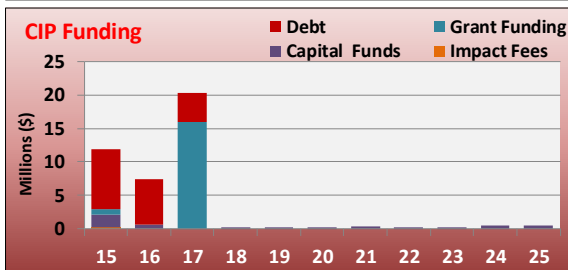
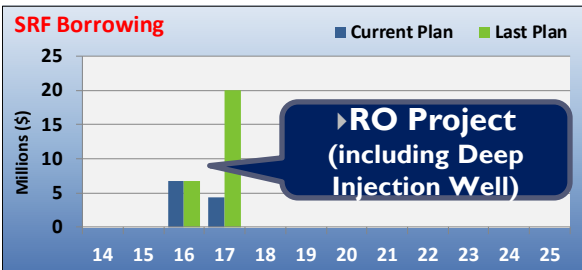
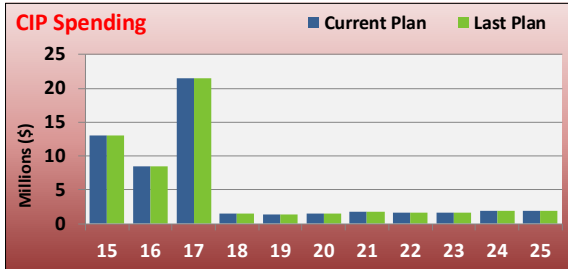
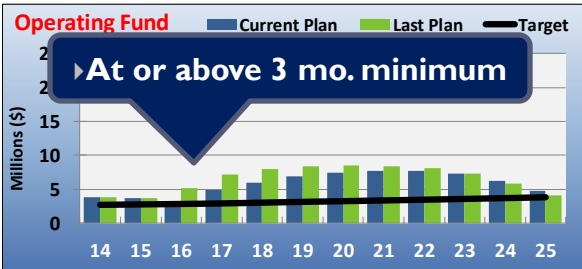


Blue Bars = With Grant Funding Green Bars = No Grant Funding

►4% in FY 16, 2% in FY 17 & 18; 0% in FY 19 & 20

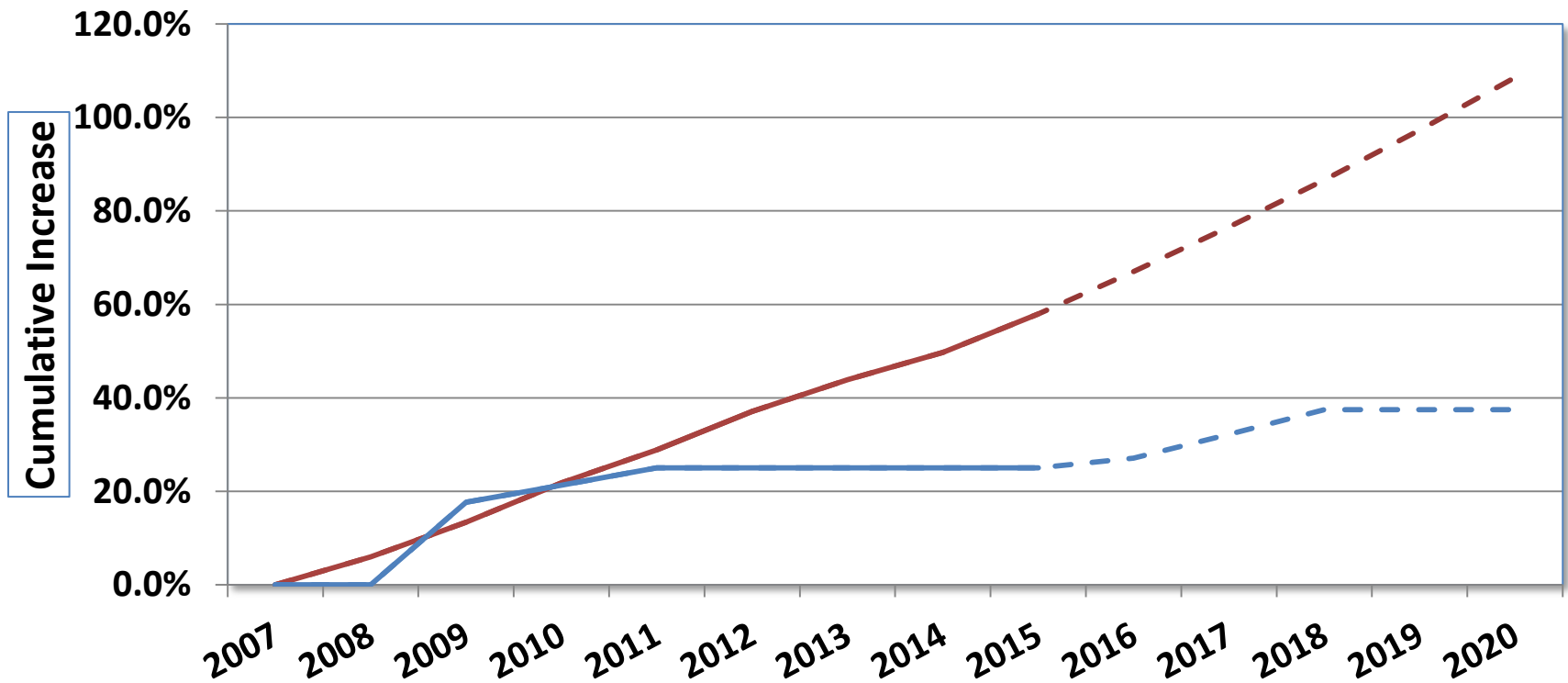
►No future rate increases

FINANCIAL ANALYSIS AND MANAGEMENT SYSTEM (FAMS) SUMMARY																
SAVE	CALC	ROLL	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Cumulative Change		
Override ▶				4.00%	2.00%	2.00%								FY 2020	FY 2025	
Water Rate Increases			0.00%	4.00%	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.21%	8.21%	
Last Plan			0.00%	4.00%	4.00%	4.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	12.45%	12.45%	
Override ▶				4.00%	2.00%	2.00%								PS FY16 ▶	100.0%	
Sewer Rate Increases			0.00%	4.00%	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	OMF FY16 ▶	100.0%	
Last Plan			0.00%	4.00%	4.00%	4.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%			
SRF Coverage			11.13	12.24	12.64	3.87	3.61	3.40	3.26	4.34	3.97	3.57	3.13	WTP Year WTP Grant	FY 2017 \$16,000,000	
Last Plan			11.13	12.24	13.51	2.34	2.20	2.09	2.03	2.26	2.10	1.93	1.74			
CIP \$ Redistribution ▶			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00				
CIP Execution % ▶			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%			
Operating Reserve Mo ▶			3	3	3	3	3	3	3	3	3	3	3			
Water		\$37.28	\$37.28	38.76	39.55	40.34	40.34	40.34	40.34	40.34	40.34	40.34	40.34			
Sewer		\$35.53	\$35.53	36.96	37.70	38.45	38.45	38.45	38.45	38.45	38.45	38.45	38.45			
Average Bill (7,000 gals.)			\$72.81	75.72	77.25	78.79	78.79	78.79	78.79	78.79	78.79	78.79	78.79			
Last Plan			\$72.81	75.72	78.76	81.86	81.86	81.86	81.86	81.86	81.86	81.86	81.86			



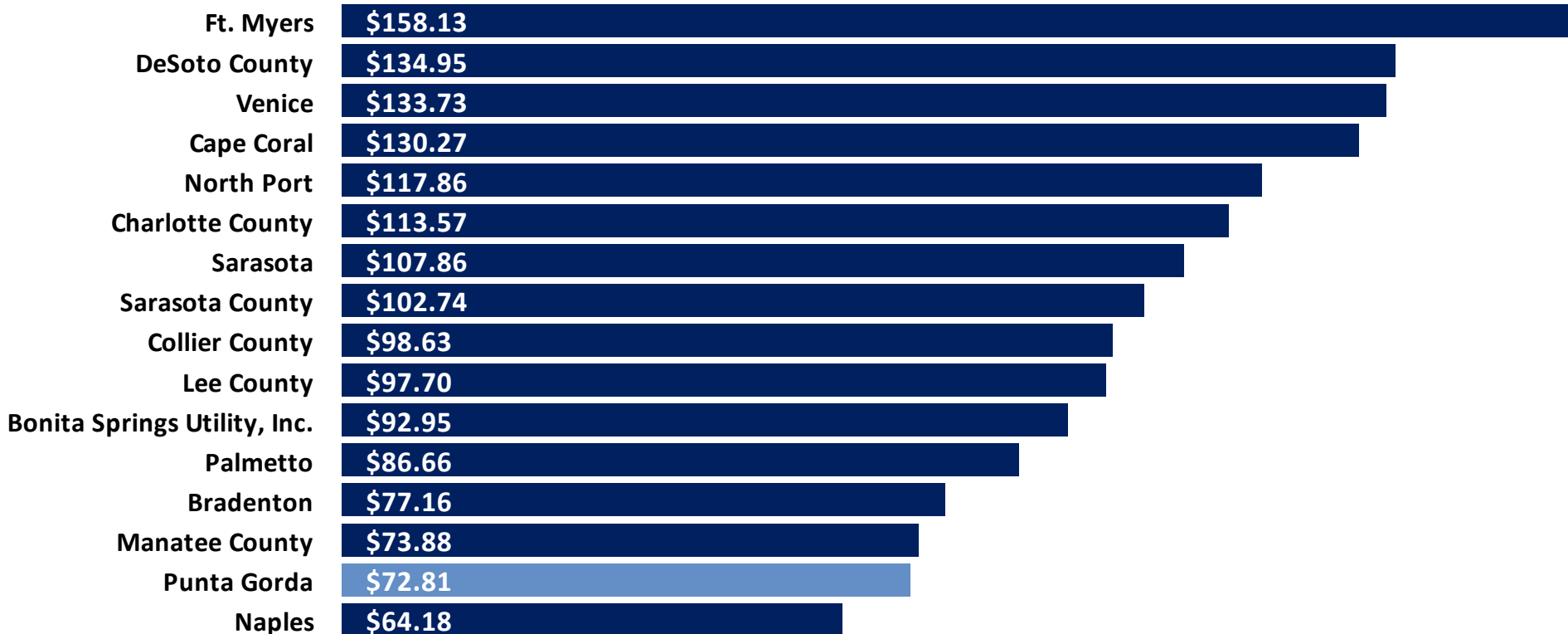
Comparison to National Industry Trends

US CPI - Water & Sewerage Maintenance Series -- Projected CPI — Cumulative CPI
vs City of Punta Gorda Total W/S Rate Increases — City Cumulative - - City Projected



- ▶ Measures the national average change in the cost of water and sewer service to households
- ▶ Much more specific and relevant to utilities than overall CPI
- ▶ 10-year average annual increase = 5.7%; 35% higher than City adjustments since 2007

FY 2015 Residential Water & Sewer Bill Comparison at 7,000 Gallons



Local Rate Structures

(Per publicly available data/research as of 7/1/15)

Entity	Block Range						Block Rates					
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6
Punta Gorda	10,000	20,000	40,000	80,000	>80000		\$ 3.30	\$ 3.80	\$ 4.28	\$ 4.77	\$ 5.28	
Cape Coral	5,000	10,000	15,000	20,000	30,000	>30000	\$ 3.90	\$ 4.55	\$ 6.80	\$ 10.25	\$ 11.32	\$ 12.44
Ft. Myers	5,000	10,000	15,000	>15000			\$ 4.65	\$ 9.30	\$ 13.02	\$ 18.22		
North Port	4,000	8,000	12,000	16,000	20,000	>20000	\$ 3.67	\$ 5.50	\$ 7.72	\$ 10.30	\$ 13.22	\$ 18.38
Sarasota	4,000	8,000	12,000	24,000	>24000		\$ 3.19	\$ 3.75	\$ 5.25	\$ 7.87	\$ 12.21	
Bradenton	3,000	>3000					\$ 2.18	\$ 3.50				
DeSoto County	5,000	10,000	15,000	>15000			\$ 5.72	\$ 7.16	\$ 8.59	\$ 11.45		
Charlotte County	5,999	10,999	15,999	25,999	>25999		\$ 4.71	\$ 5.41	\$ 6.82	\$ 7.76	\$ 8.94	
Venice	2,000	5,000	10,000	>10000			\$ 4.22	\$ 6.50	\$ 8.13	\$ 10.15		
Lee County	6,000	12,000	18,000	>18000			\$ 3.27	\$ 4.09	\$ 4.91	\$ 6.54		
Naples	7,500	15,000	22,500	>22500			\$ 1.37	\$ 2.40	\$ 3.41	\$ 4.09		
Sarasota County	4,000	8,000	12,000	18,000	>18000		\$ 2.44	\$ 3.08	\$ 5.33	\$ 8.82	\$ 12.32	
Collier County	5,000	10,000	20,000	30,000	50,000	>50000	\$ 2.64	\$ 3.97	\$ 5.28	\$ 6.59	\$ 7.90	\$ 10.54
Bonita Springs Utilit	6,000	12,000	18,000	>18000			\$ 3.66	\$ 4.44	\$ 5.22	\$ 6.00		
Palmetto	3,000	8,000	12,000	15,000	>15000		\$ 5.23	\$ 5.83	\$ 6.41	\$ 9.28	\$ 10.22	
Manatee County	6,000	15,000	20,000	>20000			\$ 2.01	\$ 2.51	\$ 6.03	\$ 9.06		
Min	2,000	5,000	10,000	15,000	20,000	N/A	\$ 1.37	\$ 2.40	\$ 3.41	\$ 4.09	\$ 5.28	\$ 10.54
Max	10,000	20,000	40,000	80,000	50,000	N/A	\$ 5.72	\$ 9.30	\$ 13.02	\$ 18.22	\$ 13.22	\$ 18.38
Average	5,094	10,800	17,167	28,625	33,333	N/A	\$ 3.51	\$ 4.74	\$ 6.48	\$ 8.74	\$ 10.18	\$ 13.79
Median	5,000	10,000	15,000	22,000	30,000	N/A	\$ 3.48	\$ 4.27	\$ 6.03	\$ 8.82	\$ 10.77	\$ 12.44

Recommended Modifications

- ▶ **Adjust tiers and pricing of inclining block rate structure:**
 - ▶ Tier 1 = Indoor use for typical family (5 Tgal; 0 – 5,000gal.)
 - ▶ Tier 2 = Indoor use for larger families (5 Tgal; 5,001 – 10,000gal.)
 - ▶ Tier 3 = Irrigation for typical property (10 Tgal; 10,001 – 20,000gal.)
 - ▶ Tier 4 = Irrigation for larger properties (20 Tgal; 20,001 – 40,000gal.)
 - ▶ Tier 5 = All remaining water use (>40,000gal.)
- ▶ **Replace monthly charge with customer charge**
 - ▶ Customer service, billing and meter reading costs – per bill vs. by meter size
- ▶ **Adjust rate structure for separate irrigation meters**
 - ▶ Not apply Tier 1 and Tier 2 rates intended for essential domestic use
- ▶ **Remove inclining block rate structure from commercial**
 - ▶ Most pay inclining block rates on separate irrigation meters for discretionary use
 - ▶ Pay sewer for all metered water volume to non-irrigation meters
 - ▶ Profit incentive to be efficient with water use in production/service process

Outside-City Surcharge

- ▶ Authorized by Section 180.191 of State Statutes
- ▶ Applied by most systems across the state
- ▶ National practice: set rates based upon utility-basis of rate making
 - ▶ Allow owners of the Utility (i.e. the City) to receive a reasonable and fair return from outside-city users for their investment and compensation for risk
- ▶ FL practice: Establish inside-city rates on cash-needs basis and apply authorized surcharge to those rates for outside-city users
 - ▶ Cash-based rates do not include return on investment and risk compensation
- ▶ Recommend the City continue to apply the 25% surcharge to all outside City users, including potential intergovernmental wholesale

Current v. Proposed Rates: Single-Family Residential (Inside City)

Water Rates

Monthly Customer Charge By Meter Size

Meter Sizes	Current Rates	Proposed Rates
5/8" x 3/4"	\$7.03	\$4.47
1"	\$10.42	
1 1/2"	\$16.88	
2"	\$29.80	
3"	\$74.34	
4"	\$114.79	
6"	\$245.50	
8"	\$354.65	

Monthly Base Facility Charge per Equivalent Residential Unit

Customer	Current Rates	Proposed Rates
All Classes	\$7.15	\$10.28

Monthly Volume Charge

Current Usage Ranges per ERU	Current Rates	Proposed Usage Ranges per ERU	Proposed Rates
0 to 10,000 gals	\$3.30	0 to 5,000 gals	\$3.05
10,000 to 20,000 gals	\$3.80	5,000 to 10,000 gals	\$3.52
20,000 to 40,000 gals	\$4.28	10,000 to 20,000 gals	\$4.36
40,000 to 80,000 gals	\$4.77	20,000 to 40,000 gals	\$5.34
Over 80,000 gals	\$5.28	Over 40,000 gals	\$6.50

Sewer Rates

Monthly Base Facility Charge per Equivalent

Customer	Current Rates	Proposed Rates
All Classes	\$25.24	\$26.25

Monthly Volume Charge

Usage Range	Current Rates	Proposed Rates
0 to 10,000 gals.	\$1.43	\$1.53
Over 10,000 gals.	\$0.00	\$0.00

Current v. Proposed Rates: Single-Family Residential (Outside City)

Water Rates

Monthly Customer Charge By Meter Size

Meter Sizes	Current Rates	Proposed Rates
5/8" x 3/4"	\$8.79	\$5.59
1"	\$13.03	
1 1/2"	\$21.10	
2"	\$37.25	
3"	\$92.93	
4"	\$143.49	
6"	\$306.88	
8"	\$443.31	

Monthly Base Facility Charge per Equivalent Residential Unit

Customer	Current Rates	Proposed Rates
All Classes	\$8.94	\$12.85

Monthly Volume Charge

Current Usage Ranges per ERU	Current Rates	Proposed Usage Ranges per ERU	Proposed Rates
0 to 10,000 gals	\$4.13	0 to 5,000 gals	\$3.81
10,000 to 20,000 gals	\$4.75	5,000 to 10,000 gals	\$4.40
20,000 to 40,000 gals	\$5.35	10,000 to 20,000 gals	\$5.45
40,000 to 80,000 gals	\$5.96	20,000 to 40,000 gals	\$6.68
Over 80,000 gals	\$6.60	Over 40,000 gals	\$8.13

Sewer Rates

Monthly Base Facility Charge per Equivalent

Customer	Current Rates	Proposed Rates
All Classes	\$31.55	\$32.81

Monthly Volume Charge

Usage Range	Current Rates	Proposed Rates
0 to 10,000 gals.	\$1.79	\$1.91
Over 10,000 gals.	\$0.00	\$0.00

Current v. Proposed Rates: Commercial

Water Rates

Monthly Customer Charge By Meter Size

Meter Sizes	Current Rates	Proposed Rates
5/8" x 3/4"	\$7.03	\$4.47
1"	\$10.42	
1 1/2"	\$16.88	
2"	\$29.80	
3"	\$74.34	
4"	\$114.79	
6"	\$245.50	
8"	\$354.65	

Monthly Base Facility Charge per Equivalent Residential Unit

Customer	Current Rates	Proposed Rates
All Classes	\$7.15	\$10.28

Monthly Volume Charge

Current Usage Ranges per ERU	Current Rates	Proposed Usage Ranges per ERU	Proposed Rates
0 to 10,000 gals	\$3.30	All Usage	\$3.88
10,000 to 20,000 gals	\$3.80		
20,000 to 40,000 gals	\$4.28		
40,000 to 80,000 gals	\$4.77		
Over 80,000 gals	\$5.28		

Sewer Rates

Monthly Base Facility Charge per Equivalent

Customer	Current Rates	Proposed Rates
All Classes	\$25.24	\$26.25

Monthly Volume Charge

Usage Range	Current Rates	Proposed Rates
All Usage	\$1.43	\$1.53

Resulting Allocation of Revenue

NEW RATE STRUCTURE

	Residential Water		Multifamily Water		Commercial Water		Irrigation	Totals
	Rev (000's)		Rev (000's)		Rev (000's)		Rev (000's)	Rev (000's)
Water	\$	5,060	\$	1,788	\$	1,088	\$ 583	\$ 8,519
Sewer	\$	3,164	\$	2,519	\$	839	\$ -	\$ 6,522
Total	\$	8,225	\$	4,306	\$	1,928	\$ 583	\$ 15,042

CURRENT RATE STRUCTURE

	Residential Water		Multifamily Water		Commercial Water		Irrigation	Totals
	Rev (000's)		Rev (000's)		Rev (000's)		Rev (000's)	Rev (000's)
Water	\$	4,990	\$	1,669	\$	1,059	\$ 465	\$ 8,183
Sewer	\$	3,043	\$	2,422	\$	807	\$ -	\$ 6,272
Total	\$	8,033	\$	4,091	\$	1,866	\$ 465	\$ 14,455

\$ Variance	\$	192	\$	215	\$	62	\$	118	\$	587
% Variance		2.3%		5.0%		3.2%		20.2%		4.0%

Customer Impacts: Single-Family Residential Users

Inside Residential Water 3/4" Meter Water & Sewer Bill Calculations								Across-The-Board Increase		
Monthly Use (Gal)	# of Bills	% of Bills	Agg. %	Current FY 15	Proposed FY 16	\$ Chg	% Chg	FY 2016	\$ Chg	% Chg.
0	6,592	9.9%	9.9%	\$39.42	\$41.00	\$1.58	4.0%	\$41.00	\$1.58	4.0%
1,000	3,991	6.0%	15.9%	\$44.19	\$45.58	\$1.39	3.2%	\$45.96	\$1.77	4.0%
2,000	5,068	7.6%	23.6%	\$48.96	\$50.17	\$1.21	2.5%	\$50.92	\$1.96	4.0%
3,000	5,774	8.7%	32.3%	\$53.73	\$54.75	\$1.02	1.9%	\$55.88	\$2.15	4.0%
4,000	5,443	8.2%	40.5%	\$58.50	\$59.33	\$0.83	1.4%	\$60.84	\$2.34	4.0%
5,000	4,625	7.0%	47.4%	\$63.27	\$63.92	\$0.65	1.0%	\$65.80	\$2.53	4.0%
6,000	4,024	6.1%	53.5%	\$68.04	\$68.95	\$0.91	1.3%	\$70.76	\$2.72	4.0%
7,000	3,332	5.0%	58.5%	\$72.81	\$74.00	\$1.19	1.6%	\$75.72	\$2.91	4.0%
8,000	3,063	4.6%	63.1%	\$77.58	\$79.04	\$1.46	1.9%	\$80.68	\$3.10	4.0%
9,000	2,633	4.0%	67.1%	\$82.35	\$84.09	\$1.74	2.1%	\$85.65	\$3.30	4.0%
10,000	2,592	3.9%	71.0%	\$87.12	\$89.13	\$2.01	2.3%	\$90.61	\$3.49	4.0%
11,000	2,272	3.4%	74.4%	\$90.92	\$93.49	\$2.57	2.8%	\$94.56	\$3.64	4.0%
12,000	2,048	3.1%	77.5%	\$94.72	\$97.85	\$3.13	3.3%	\$98.51	\$3.79	4.0%
13,000	1,814	2.7%	80.2%	\$98.52	\$102.20	\$3.68	3.7%	\$102.46	\$3.94	4.0%
14,000	1,693	2.5%	82.8%	\$102.32	\$106.56	\$4.24	4.1%	\$106.42	\$4.10	4.0%
15,000	1,458	2.2%	85.0%	\$106.12	\$110.91	\$4.79	4.5%	\$110.37	\$4.25	4.0%
20,000	751	1.1%	92.6%	\$125.12	\$132.69	\$7.57	6.0%	\$130.13	\$5.01	4.0%
30,000	158	0.2%	98.0%	\$167.92	\$186.09	\$18.17	10.8%	\$174.64	\$6.72	4.0%
40,000	45	0.1%	99.3%	\$210.72	\$239.48	\$28.76	13.6%	\$219.15	\$8.43	4.0%
80,000	-	0.0%	99.9%	\$401.52	\$499.55	\$98.03	24.4%	\$417.58	\$16.06	4.0%

Customer Impacts: Multi-Family Residential Users

Monthly Water & Sewer Calculations - Multifamily Accounts

Account #	Inside/ Outside	Service	Meter Size	Typical Mtly Usage (Gal)	Units	Usage per Unit	Current FY 15	Proposed FY 16	\$ Chg	% Chg
6076	Inside	WA/SW	3/4"	2,000	1	2,000	\$48.96	\$50.16	\$1.20	2.5%
28500	Inside	WA/SW	1"	11,000	4	2,800	\$193.11	\$201.60	\$8.49	4.4%
9158	Inside	WA/SW	1"	34,000	12	2,800	\$559.96	\$597.39	\$37.43	6.7%
16850	Inside	WA/SW	3/4"	35,000	4	8,800	\$304.20	\$318.59	\$14.39	4.7%
36797	Inside	WA/SW	1.5"	39,000	18	2,200	\$787.91	\$842.53	\$54.62	6.9%
33710	Inside	WA/SW	2"	51,000	24	2,100	\$1,048.45	\$1,113.03	\$64.58	6.2%
32787	Inside	WA/SW	3"	136,000	58	2,300	\$2,593.10	\$2,738.40	\$145.30	5.6%
12344	Inside	WA/SW	8"	191,000	97	2,000	\$4,417.45	\$4,432.16	\$14.71	0.3%
32641	Inside	WA/SW	2"	195,000	90	2,200	\$3,884.95	\$4,194.78	\$309.83	8.0%
32601	Inside	WA/SW	4"	228,000	42	5,400	\$2,558.77	\$2,587.49	\$28.72	1.1%
7601	Inside	WA/SW	3"	300,000	70	4,300	\$3,775.94	\$3,939.16	\$163.22	4.3%
36795	Inside	WA/SW	1.5"	307,000	34	9,000	\$2,579.23	\$2,712.96	\$133.73	5.2%
36111	Inside	WA/SW	6"	445,000	168	2,600	\$7,782.61	\$8,155.38	\$372.77	4.8%
3556	Inside	WA/SW	4"	537,000	173	3,100	\$8,277.44	\$8,782.45	\$505.01	6.1%
945	Inside	WA/SW	6"	779,000	313	2,500	\$14,110.95	\$15,018.27	\$907.32	6.4%
18713	Inside	WA/SW	8"	1,044,000	337	3,100	\$16,252.27	\$17,100.62	\$848.35	5.2%

Customer Impacts: Smaller Commercial Users

Inside Commercial Water 3/4" Meter Water & Sewer Bill Calculations							
Monthly Use (Gal)	# of Bills	% of Bills	Agg. %	Current FY 15	Proposed FY 16	\$ Chg	% Chg
0	6,592	9.9%	9.9%	\$39.42	\$41.00	\$1.58	4.0%
1,000	3,991	6.0%	15.9%	\$44.19	\$46.41	\$2.22	5.0%
2,000	5,068	7.6%	23.6%	\$48.96	\$51.82	\$2.86	5.8%
3,000	5,774	8.7%	32.3%	\$53.73	\$57.23	\$3.50	6.5%
4,000	5,443	8.2%	40.5%	\$58.50	\$62.65	\$4.15	7.1%
5,000	4,625	7.0%	47.4%	\$63.27	\$68.06	\$4.79	7.6%
10,000	2,592	3.9%	71.0%	\$87.12	\$95.10	\$7.98	9.2%
15,000	1,458	2.2%	85.0%	\$113.47	\$122.15	\$8.68	7.6%
20,000	751	1.1%	92.6%	\$139.82	\$149.20	\$9.38	6.7%
25,000	345	0.5%	96.3%	\$168.57	\$176.25	\$7.68	4.6%
30,000	158	0.2%	98.0%	\$197.32	\$203.31	\$5.99	3.0%
40,000	45	0.1%	99.3%	\$254.82	\$257.40	\$2.58	1.0%
50,000	11	0.0%	99.7%	\$317.22	\$311.50	-\$5.72	-1.8%

Across-The-Board Increase		
FY 2016	\$ Chg	% Chg.
\$41.00	\$1.58	4.0%
\$45.96	\$1.77	4.0%
\$50.92	\$1.96	4.0%
\$55.88	\$2.15	4.0%
\$60.84	\$2.34	4.0%
\$65.80	\$2.53	4.0%
\$90.61	\$3.49	4.0%
\$118.01	\$4.54	4.0%
\$145.42	\$5.60	4.0%
\$175.31	\$6.74	4.0%
\$205.21	\$7.89	4.0%
\$265.01	\$10.19	4.0%
\$329.91	\$12.69	4.0%

Customer Impacts: Larger Commercial Users

Monthly Water & Sewer Calculations - Large Users						
Account	Meter Size	Typical Mtly Usage (Gal)	Current FY 15	Proposed FY 16	\$ Chg	% Chg
32331	2"	2,000	\$324.90	\$307.53	-\$17.37	-5.3%
32111	2"	201,000	\$1,577.51	\$1,384.12	-\$193.39	-12.3%
20801	2"	509,000	\$3,656.51	\$3,050.40	-\$606.11	-16.6%
3891	3"	37,000	\$828.87	\$789.12	-\$39.75	-4.8%
32889	3"	144,000	\$1,508.12	\$1,367.99	-\$140.13	-9.3%
4245	3"	626,000	\$4,761.62	\$3,975.60	-\$786.02	-16.5%
24212	4"	50,000	\$1,258.40	\$1,188.22	-\$70.18	-5.6%
36139	4"	372,000	\$3,401.90	\$2,930.24	-\$471.66	-13.9%
33948	4"	395,000	\$3,557.15	\$3,054.67	-\$502.48	-14.1%
18098/38063	6"	36,000	\$2,163.40	\$2,025.73	-\$137.67	-6.4%

Customer Impacts: Separate Irrigation Meters

Inside 3/4" Meter Irrigation Bill Calculations							
Monthly Use (Gal)	# of Bills	% of Bills	Agg. %	Current Irrigation	Proposed Irrigation	\$ Chg	% Chg
0	3,140	76.8%	76.8%	\$14.18	\$14.75	\$0.57	4.0%
5,000	31	0.8%	90.9%	\$30.68	\$36.53	\$5.85	19.1%
10,000	13	0.3%	92.9%	\$47.18	\$58.31	\$11.13	23.6%
15,000	12	0.3%	94.3%	\$66.18	\$85.01	\$18.83	28.4%
20,000	11	0.3%	96.3%	\$85.18	\$111.70	\$26.52	31.1%
25,000	13	0.3%	97.5%	\$106.58	\$138.40	\$31.82	29.9%
30,000	5	0.1%	98.3%	\$127.98	\$165.10	\$37.12	29.0%
40,000	2	0.0%	99.1%	\$170.78	\$230.12	\$59.34	34.7%
50,000	2	0.0%	99.5%	\$218.48	\$295.13	\$76.65	35.1%
80,000	-	0.0%	100.0%	\$361.58	\$490.18	\$128.60	35.6%

- ▶ Less than 5% of all accounts have a separate irrigation meter
 - ▶ Mostly multi-family complexes and commercial customers

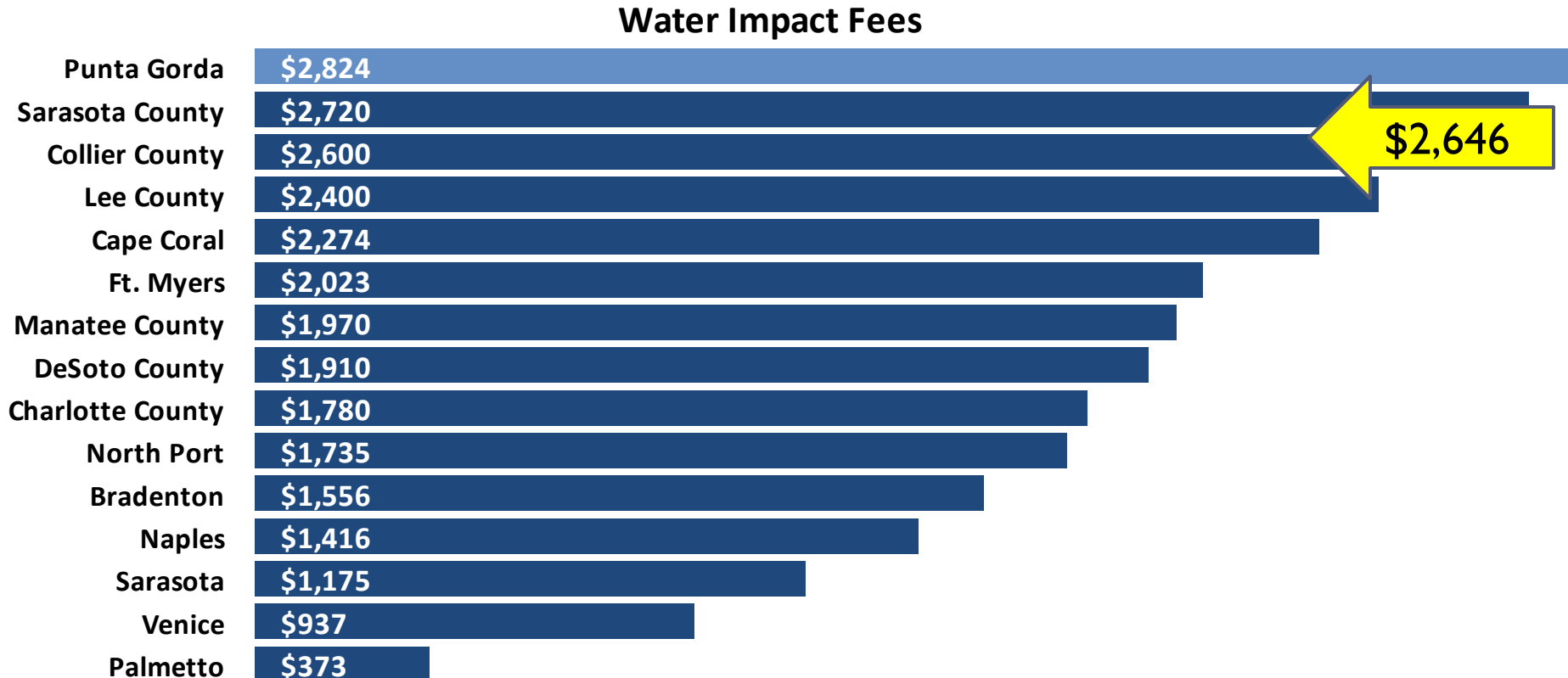
Updated Impact Fees

- ▶ Based upon reconstruction cost (less depreciation) of existing assets and five-year CIP (includes RO Plant for water)
 - ▶ Excludes contributions (i.e. grants and developer funded)

Fee per Unit	Water	Sewer	Total
Current	\$2,824	\$2,463	\$5,287
Update	\$2,646	\$2,677	\$5,323
\$ Change	(\$178)	\$214	\$36
% Change	(6%)	9%	1%

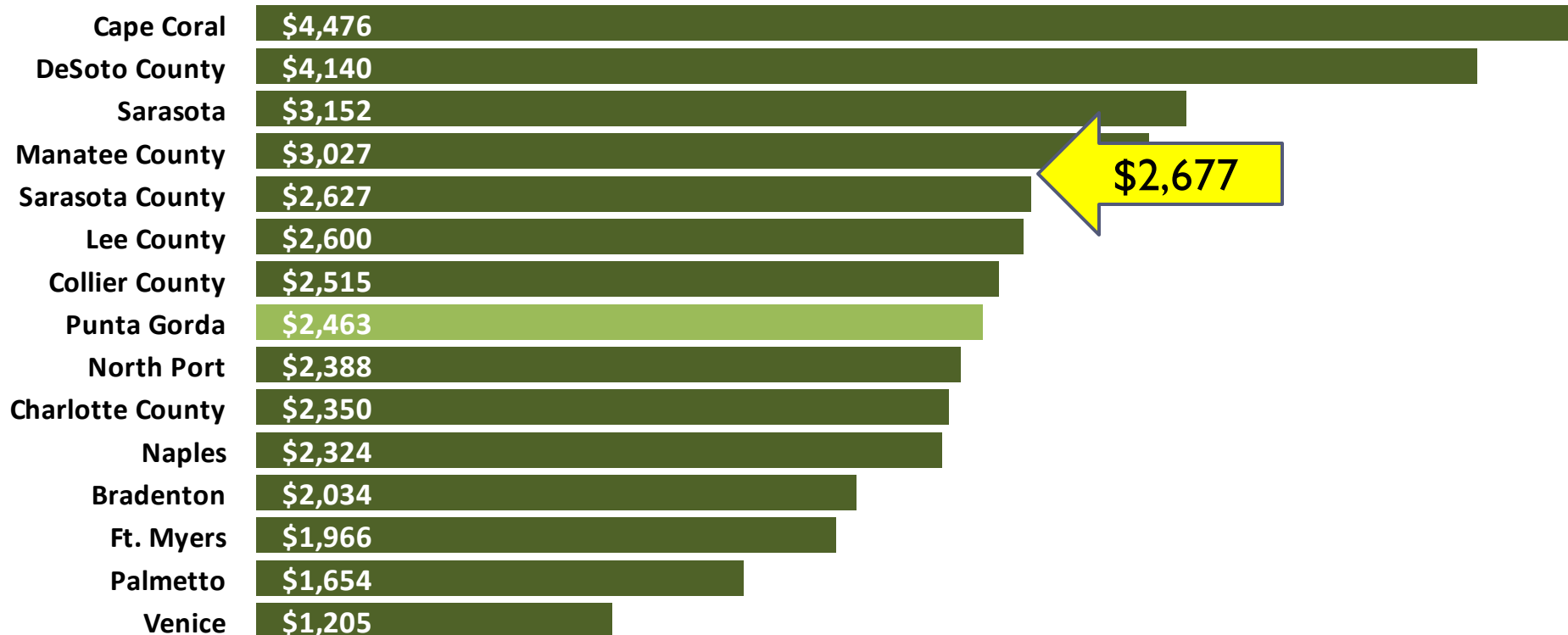
- ▶ Recommendation: Adopt updated fees to maximize cost recovery from growth and minimize burden on ratepayers
 - ▶ Note: With grant for RO Plant (\$16M) water fee would be \$2,070

Water Impact Fee Survey (1 ERU)



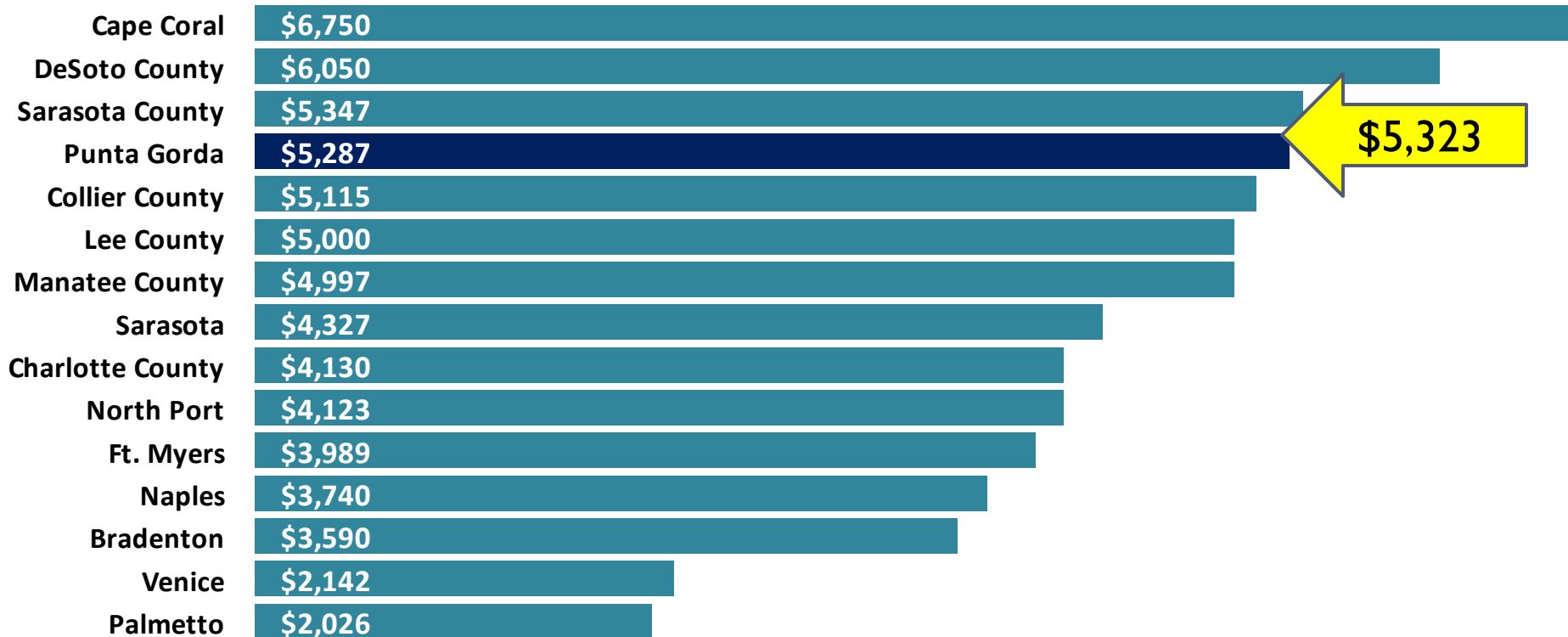
Sewer Impact Fee Survey (1 ERU)

Sewer Impact Fees



Combined Impact Fee Survey (1 ERU)

Combined Water & Sewer Impact Fees



Miscellaneous Fees & Charges: Intergovernmental Wholesale Rates

- ▶ Performed cost of service analysis to isolate water costs
- ▶ Allocated total water system costs to each system function
- ▶ Identified portion of costs benefiting all users
- ▶ Isolated costs benefiting just retail users (Distribution)
- ▶ Determined costs allocable as percent of retail
 - ▶ With and without City's transmission system cost (potential variable)
- ▶ Developed rate schedules based upon proposed non-residential rate structures and wholesale cost percentages
 - ▶ Rates adjusted annually in the future by same retail rate indexing amount

% of Retail Rates	No Trans	Trans
Wholesale/Bulk	57%	72%

Miscellaneous Fees & Charges:

Various Fees

- ▶ Small portion of annual revenue (less than 1%)
- ▶ Charges associated with the provision of specific services to individual customers
 - ▶ Ex: inspection fees, service initiation charge, meter tests, etc.
- ▶ Provided cost of service templates to City staff
 - ▶ For use in updating the existing fees and to calculate any new ones
- ▶ City staff is in the process of final data gathering and populating of the templates
- ▶ We will review and assist in recommending adjustments

Summary

- ▶ Status quo will not address cost requirements of the system
 - ▶ Fund balance exhausted and in technical default on debt by FY 20
 - ▶ Modest plan of near-term revenue increases needed
 - ▶ 4% for FY 2016; 2-4% for FY 2017 and FY 2018 depending upon grants
- ▶ Current rate structure does not compare well to local practices
 - ▶ Recommend adjustments to the number of tiers and pricing for residential
 - ▶ Other adjustments to irrigation meters, non-residential, and monthly charge
- ▶ Minor impact fee adjustments are needed (net change of \$36)
 - ▶ Decrease of \$178 for water, increase of \$214 for sewer
 - ▶ If \$14M of net grants received for water additional reduction of \$576
- ▶ Updates of miscellaneous fees and charges
 - ▶ Developed wholesale rates for water for intergovernmental agencies
 - ▶ Staff is updating installation charges, premise visit, connection fees, etc.

Discussion & Next Steps



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