

PUBLIC WORKS

Water Rate Study



Council Study Session – January 24, 2017



Tonight's Presentation

1. Water Rate Study
 - Why a Water Rate Study?
 - Why tonight's Study Session?
 - What it is and when it is happening
 - Anticipated future Council decisions
2. Description of water system facilities
3. Existing water rates
4. Financial status of the City's Water Utility
5. Water system upgrades and replacements
6. Budget-based rate structure overview
7. Ask for your feedback: what is important to you?



Existing Financial Status of the Water Utility

| | Fiscal Year 15/16, \$M |
|---|---------------------------|
| Water sales, fixed charges | \$3.8 |
| Water sales, variable charges | \$24.9 |
| All other revenues | \$0.8 |
| Total revenues | \$29.5 |
| Cost to obtain water | \$11.9 |
| Salaries and wages | \$4.8 |
| Other operations and maintenance | \$3.2 |
| Admin Support Costs | \$2.4 |
| Intercity loan Interest/Street Repair | \$0.7 |
| Long Term Debt | \$2.7 |
| Total expenses excluding capital projects | \$25.6 |
| Balance, available for new capital and replacement projects | \$3.9 |
| Depreciation (Replacement) | \$3.0 |
| Balance available for new Capital Projects | \$0.9 |

- After paying for water, operations, maintenance, and debt service, there is limited \$ available for new capital projects.
- 85% of the revenues depend on water use: "variable charges"; 15% do not depend on water use: "fixed charges".
- Costs of purchasing water is the largest expense.
- FY 16/17 budget: balance available for capital and replacement decreases.
- Approximately \$5M per FY is required for capital improvements and maintaining infrastructure.
- Future presentations will include review of revenues, purchased water costs, and replacement/capital needs.



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Effects of drought: water sales and revenues lower; funds available for capital projects have decreased.

Future presentations will show projections, where costs to purchase water increase and less funding is available for capital improvements

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