

Fiscal 2019-20 Proposed Domestic Water Rate Increases

June 11, 2019
Board of Directors Meeting



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Updated Staff Recommendation

- ✓ Staff recommends Option C
- ✓ Lowest monthly impact to the average single family residential customer at +\$5.62
- ✓ Only option which eliminates funding uncertainty for FY 21 CIP
- ✓ Sends strongest signal to financial institutions

- ✓ New cost of service study to begin for FY 22

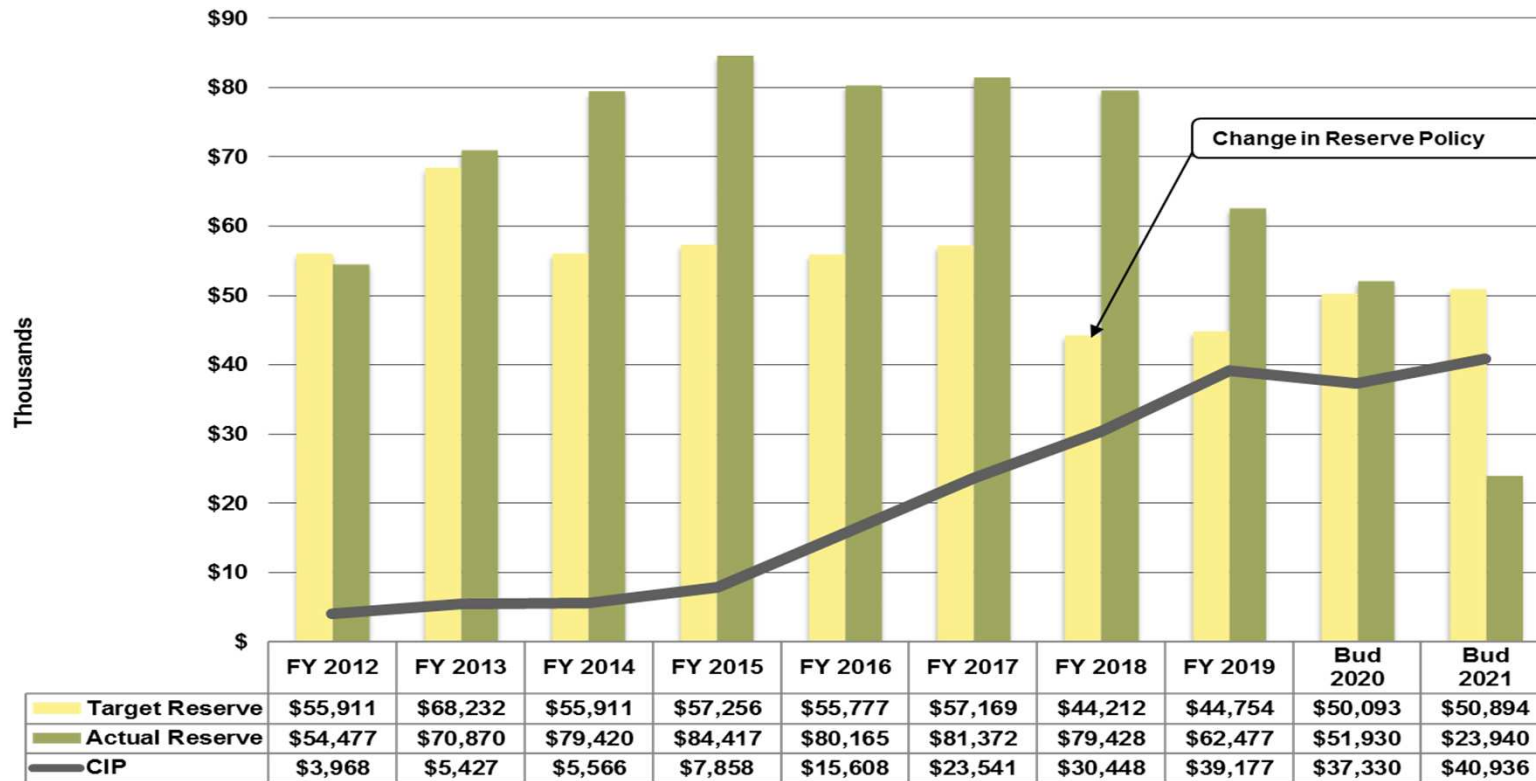


Board Requested Changes From 6-4

- ∨ Moved \$1.7 M of discretionary property tax from East to Domestic to reduce Domestic operating loss
- ∨ Reduced RAC expense – based on no rate increase in West
 - ∨ also resulted in a reduction of Domestic's operating loss
- ∨ Added \$700K debt service principal payment from West for the MVP loan
- ∨ All three items result in an increase in Domestic reserves, which reduced the proposed rate increases



Board Requested Reserve History



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Domestic Water Rate Proposals

Current Rates	Option A		Option B		Option C	
	Increases Needed to Eliminate Shortfall In Each Year		Leveling Out Increases Over Two Years to Eliminate Shortfall		Increase to Eliminate Shortfall All in First Year	
	FY 20	FY 21	FY 20	FY 21	FY 20	FY 21
Consumptive Rate Increase	\$0.05	\$0.34	\$0.15	\$0.16	\$0.24	\$0.00
Service Charge Rate Increase per month	\$1.00	\$1.98	\$1.00	\$1.23	\$1.38	\$0.00
Tier 2 Rate per Ccf	\$1.32	\$1.37	\$1.47	\$1.63	\$1.56	no change
3/4" Meter Single Family Home	\$6.92	\$7.92	\$7.92	\$9.15	\$8.30	no change
Average Monthly Increase	\$1.84	\$8.06	\$3.60	\$4.19	\$5.62	\$0

Average monthly bill based on 20 ccf usage is \$30.36

\$9.90 total
+32.6%

\$7.79 total
+25.7%

\$5.62 total
+18.5%
staff recommendation



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Domestic Water Operating Budget – Option C

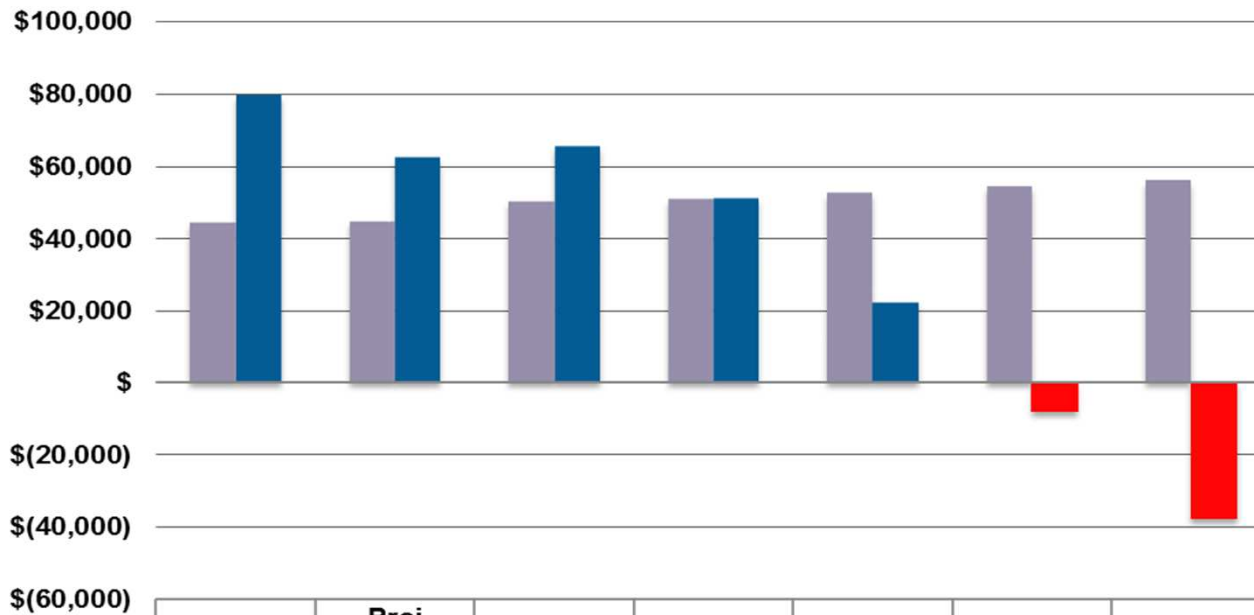
Domestic Option C (000s)	Budget 2018-19	Budget 2019-20	Budget 2020-21
Revenues	\$ 76,001	\$80,360	\$ 93,919
Add Property Taxes		1,689	1,746
Revenue from Consumptive Increase		11,032	
Revenue from Fixed Charge Increase		2,494	
Expenses	82,261	86,737	87,408
		(1,037)	(1,037)
Operating Income	\$ (6,260)	\$ 9,875	\$ 9,294
Capital Improvement Program	(42,246)	(37,391)	(40,936)
Other Nonoperating Revenue(Expense)	32,175	29,795	17,178
Principal on MVP Loan		700	-
CalPERS liability buy-down (one time)	(9,132)	-	-
Total Nonoperating Revenues(Expenses)	\$(19,203)	\$ (6,896)	\$(23,758)
Increase/(Decrease) in Cash Flow	(25,463)	2,979	(14,464)
Beginning Reserves	79,428	62,477	65,456
Ending Reserves	\$ 53,965	\$65,456	\$ 50,992
Reserve Target		\$50,093	\$ 50,894



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Domestic Water Operating Budget – Option C

DOMESTIC WATER FUND RESERVE Option C (000s)



	Act 2018	Proj 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
■ Target Reserve	\$44,212	\$44,754	\$50,093	\$50,894	\$52,479	\$54,056	\$55,756
■ Actual Reserve	\$79,428	\$62,477	\$65,456	\$50,992	\$22,586	\$(8,106)	\$(37,715)



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Domestic Water Operating Budget – Option A

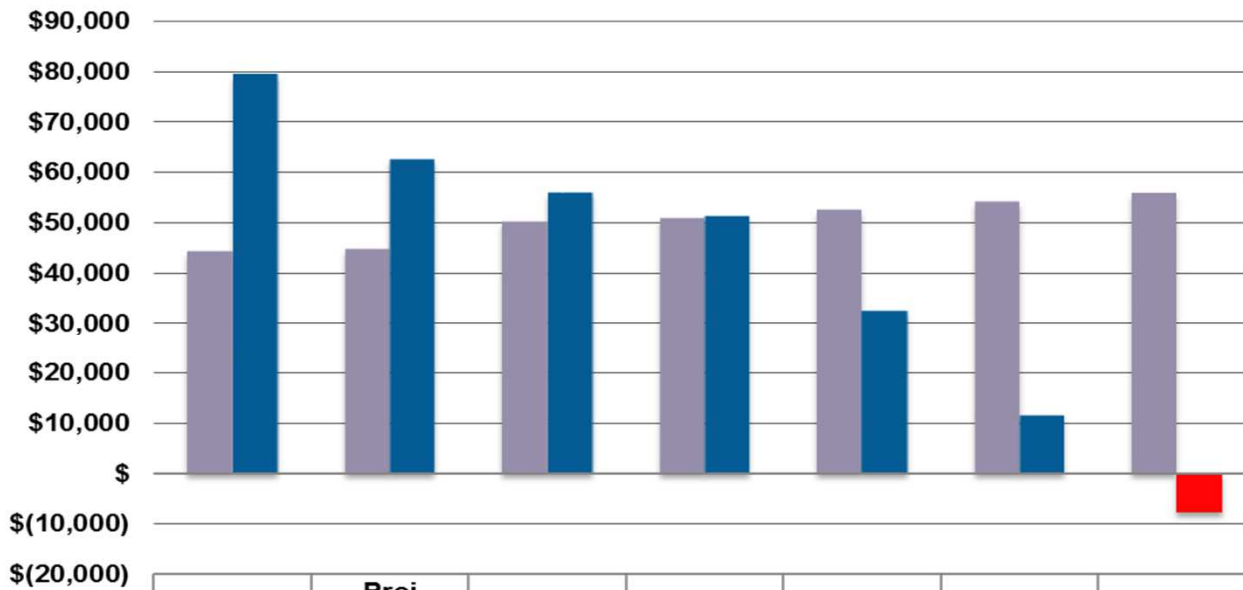
Domestic Option A (000s)	Budget 2018-19	Budget 2019-20	Budget 2020-21
Base Revenues	\$ 76,001	\$ 80,360	\$ 84,334
Add Property Taxes		1,689	1,746
Revenue from Consumptive Increase		2,133	15,771
Revenue from Fixed Charge Increase		1,808	3,568
Expenses	82,261	86,737	87,408
Reduction in RAC Expense		(1,037)	(1,037)
Operating Income	\$ (6,260)	\$ 290	\$ 19,048
Capital Improvement Program	(42,246)	(37,391)	(40,936)
Other Nonoperating Revenue(Expense)	32,175	29,795	17,178
Principal on MVP Loan		700	-
CalPERS liability buy-down (one time)	(9,132)	-	-
Total Nonoperating Revenues(Expenses)	\$ (19,203)	\$ (6,896)	\$ (23,758)
Increase/(Decrease) in Cash Flow	(25,463)	(6,606)	(4,710)
Beginning Reserves	79,428	62,477	55,871
Ending Reserves	\$ 53,965	\$ 55,871	\$ 51,161
Reserve Target		\$ 50,093	\$ 50,894



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Domestic Water Operating Budget – Option A

DOMESTIC WATER FUND RESERVE Option A (000s)



	Act 2018	Proj 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
■ Target Reserve	\$44,212	\$44,754	\$50,093	\$50,894	\$52,479	\$54,056	\$55,756
■ Actual Reserve	\$79,428	\$62,477	\$55,871	\$51,161	\$32,512	\$11,772	\$(7,686)



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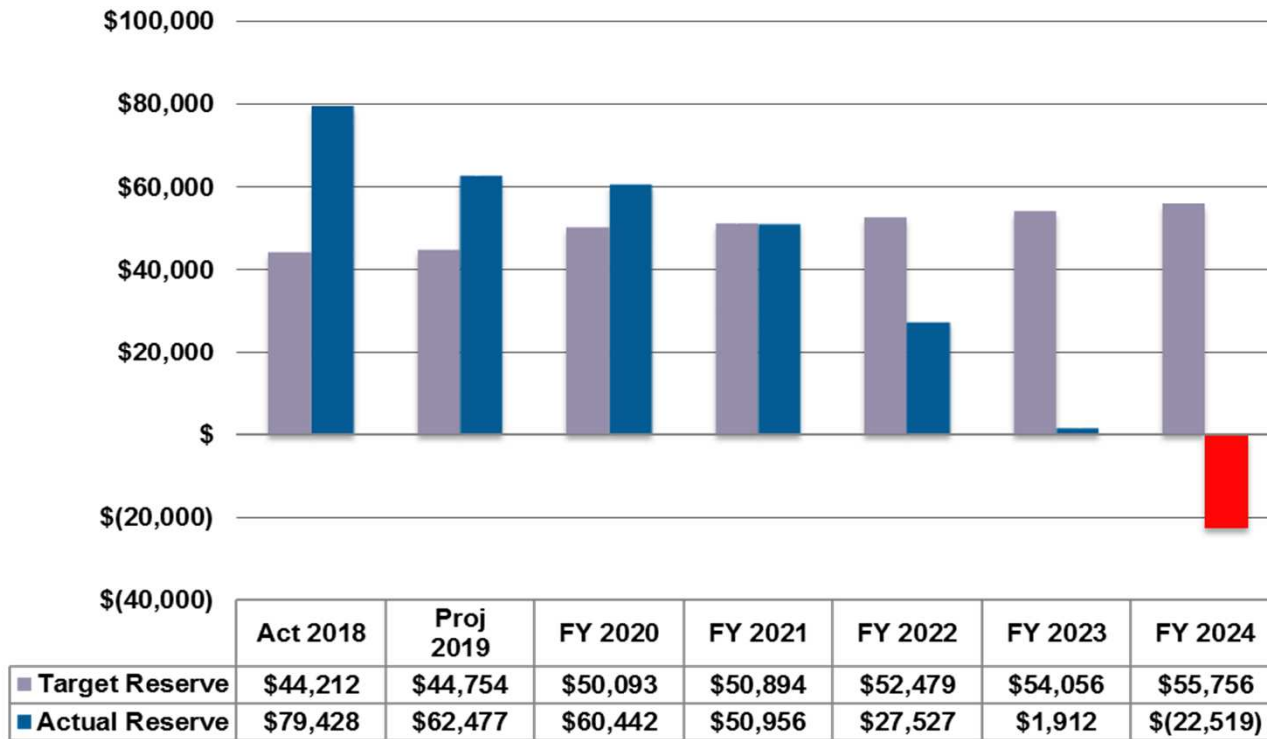
Domestic Water Operating Budget – Option B

Domestic Option B (000s)	Budget 2018-19	Budget 2019-20	Budget 2020-21
Revenues	\$ 76,001	\$80,360	\$ 88,905
Add Property Taxes		1,689	1,746
Revenue from Consumptive Increase		6,704	7,780
Revenue from Fixed Charge Increase		1,808	2,212
Expenses	82,261	86,737	87,408
Reduction in RAC Expense		(1,037)	(1,037)
Operating Income	\$ (6,260)	\$ 4,861	\$ 14,272
Capital Improvement Program	(42,246)	(37,391)	(40,936)
Other Nonoperating Revenue(Expense)	32,175	29,795	17,178
Principal on MVP Loan		700	-
CalPERS liability buy-down (one time)	(9,132)	-	-
Total Nonoperating Revenues(Expenses)	\$ (19,203)	\$ (6,896)	\$ (23,758)
Increase/(Decrease) in Cash Flow	(25,463)	(2,035)	(9,486)
Beginning Reserves	79,428	62,477	60,442
Ending Reserves	\$ 53,965	\$ 60,442	\$ 50,956
Reserve Target		\$50,093	\$ 50,894



Domestic Water Operating Budget – Option B

DOMESTIC WATER FUND RESERVE Option B (000s)



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