



*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT

**Multi-Year Rate Proposals  
for the Regional Wastewater &  
Recycled Water Programs  
FYs 2012/13 – 2014/15  
Responses to Member Inquiries**

**Regional Technical Committee**

**Special Meeting**

**January 19, 2012**



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# **REGIONAL COMMITTEE RECOMMENDATIONS**

# Impact of Implementing Previously Proposed Rate Increases

- ❖ Application of the December rates (budget workshop):
  - Debt coverage ratio does not meet 1.50X (FY 13/14) & 1.70X (FY 14/15) as recommended by the IEUA Board.

Fiscal Year	FY 2012/13	FY 2013/14	FY 2014/15
Revised Rate Increases, (January 2012)	1.43X	1.48X	1.70X
Prior Rate Increases (December 2011)	1.41X	1.44X	1.61X

- ❖ Shortfall in fund reserves ~ \$1M in the Recycled Water (RW) Program (FYs 14/15 & 15/16)
  - Increased FY 13/14 rate of \$75/AFY Vs. \$45/AFY (direct)
- ❖ Increased EDU Volumetric rate of \$0.40/EDU in FY 2015/16

# Impact of Extending the Property Tax Allocation to the RW Program

- ❖ Extending the \$1.6M property tax allocation through FY 2014/15 to the RW Program:
  - A lower rate increase in the Direct Delivery RW rate in FY 2014/15:
    - \$30 per AFY vs. \$75 per AFY as currently proposed
  - A higher rate increase in the Direct Delivery RW rate in the future up to \$40 per AFY
- ❖ Impact on EDU rate:
  - Increase of \$1.50/EDU vs. \$1.00/EDU in FY 2014/15

# Effects of Deferring Southern and Central Areas RW Projects

- ❖ Loss of RW deliveries of 14,000 AFY:
  - 3,000 GWR & 11,000 direct
  - 7,500 AFY from Southern & Central
  - 6,500 AFY from new direct connections
- ❖ Member Agencies make 500 AFY new connections annually (10 years)
- ❖ Maximum total deliveries of 36,000 AFY vs. 50,000 AFY
- ❖ Decrease RW rate for the next three years by \$15/AFY

	FY 12/13	FY 13/14	FY 14/15
Current Proposed Rate Increase	\$155	\$215	\$290
W/o Southern & Central	\$155	\$205	\$285

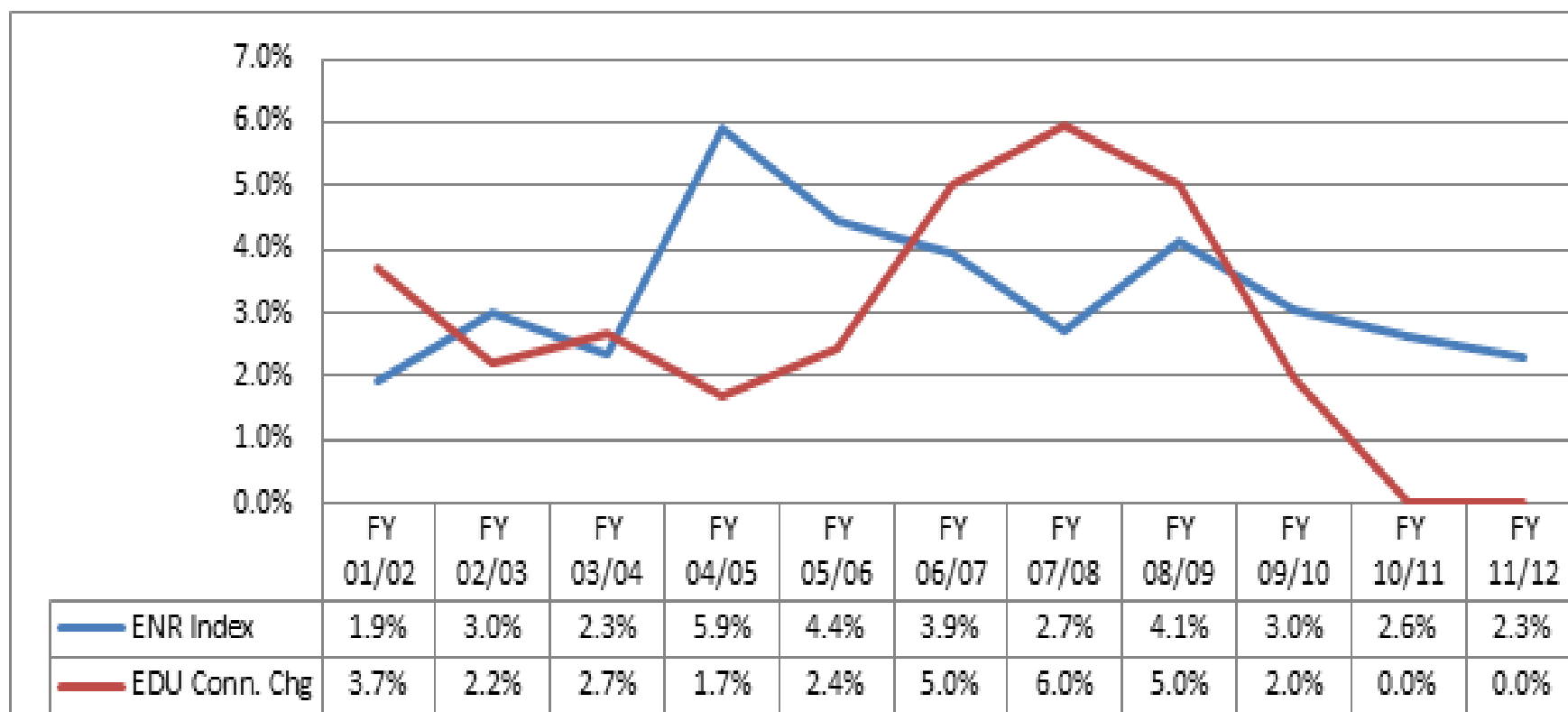
# Effects of Deferring Southern and Central Areas RW Projects

- ❖ Inconsistent with adopted 2010 IEUA UWMP & RW Business Plan
- ❖ New development plans by the member agencies which rely on the 2010 UWMP may be in jeopardy
- ❖ Southern Area project:
  - 100% design complete
  - SRF loan & \$4 M grant secured
- ❖ SRF loans & grants may not be available in the future
- ❖ Results in higher future borrowing costs

# Benefits of Southern & Central Areas RW Projects

- ❖ Allows additional 14,000 AFY of direct connections
  - 1,000 AFY direct users (Central)
  - 3,000 AFY of GWR
  - 3,500 AFY Agricultural Users (Southern)
  - 6,500 AFY new direct connections by member agencies
- ❖ Achieves the target of 50,000 AFY by FY 2021/22
- ❖ Revenue neutral under current financing structure
  - 7,500 AFY from the Central and Southern projects can be delivered quickly, comprised of recharge and agricultural deliveries
  - Estimated annual sales based on FY 2013/14 proposed rates is approximately \$1.7 million (M)
  - Related debt service costs ~\$1.5M to \$2M per year beginning in FY 2014/15

❖ EDU Connection rate increase compared to ENR index (2002 – 2012)



#### ❖ Impact of Abolishment of RDA to IEUA

- ❖ IEUA Pass through agreements are not impacted and the County will be making the RDA payments
- ❖ Other than a cash flow impact due to a possible change in the timing of the payments, we do not anticipate any change in RDA tax receipts.

#### ❖ MAINTENANCE RESERVE IN RO FUND

- ❖ The reserve is projected to be \$8M and increase to only \$11M by FY 2014/15.
- ❖ Key capital projects included in the RO fund for the next ten years are not limited to one time repair, but rather on an on-going basis, for example, the RP1 Asset Management (\$20M in total project) and the Plant Equipment Improvements (\$11.7M in total project).

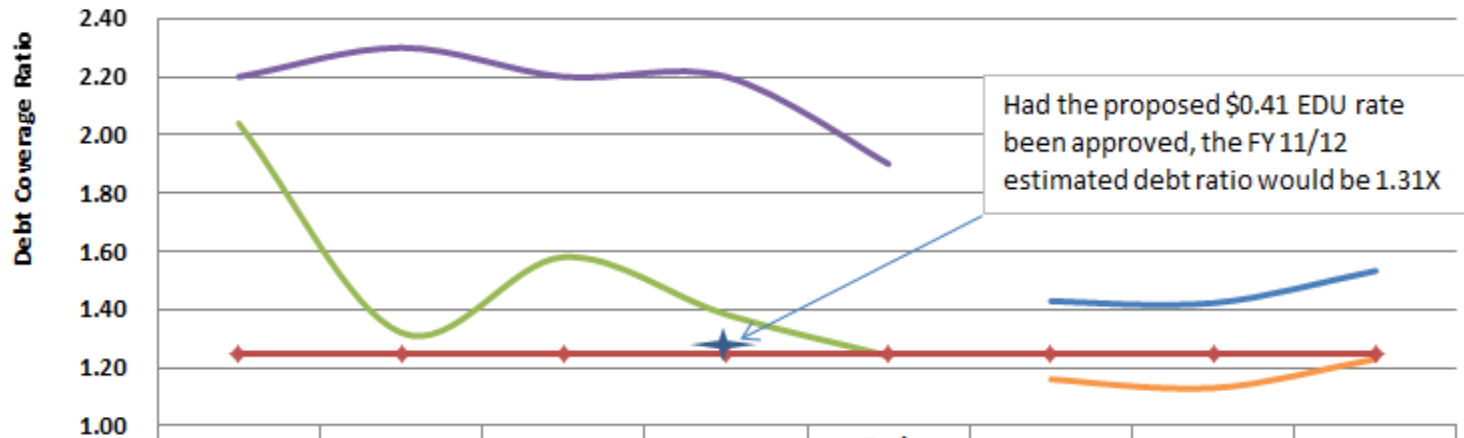
#### ❖ DECREASE IN EDUs

- ❖ Billable EDUs dropped by nearly 70,000 EDUs between FY 2008/09 & 2009/10, resulting in an estimated revenue loss of \$700K.

#### ❖ DEBT COVERAGE RATIO OF to 1.5X or HIGHER & RATINGS

- ❖ IEUA Board recommended debt coverage ratio to be raised 1.50x by FY 2013/14 and 1.70x by FY 2014/15.
- ❖ The 1.70x is still lower than the 1.90x median rating for similarly rated agencies

# Total Debt Coverage Ratio Historic and Projected Trend



	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11	Proj. Actual 2011/12	Prop. 2012/13	Forecast 2013/14	Forecast 2014/15
— Fitch Wastewater Sector Median	2.20	2.30	2.20	2.20	1.90			
— Actual	2.04	1.32	1.58	1.38	1.24			
— Proposed EDU Rate Increase						1.43	1.42	1.53
— No EDU Rate Increase						1.16	1.13	1.23
— Minimum Ratio for ABT	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Fitch Ratings All in Annual Debt Service (ADS) Coverage	AAA	AA	A	All Credits
	2.1	1.9	1.8	1.9



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# Questions