



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

FY 2013/14 Preliminary Regional Wastewater, Recycled Water and Recharge Water Program Budget and TYCIP

Regional Committees

April 4, 2013

- **Preliminary TYCIP FY 2014-2023**
- **FY 2013/14 Preliminary Budget**
 - **Adopted Rates**
 - **Key Revenue & Funding Sources Assumption**
 - **Program Budget**
 - **Key Assumptions**
 - **Revenue & Expense Highlights**
 - **Fund Balances**
 - **Debt Coverage Ratio**

TYCIP & Budget Schedule

4/04/13 Regional Tech & Policy Committees

Information Item: Draft TYCIP

5/02/13 Regional Tech Committee

Action Item: Recommendation for Adoption

6/06/13 Regional Policy Committee

Action Item: Recommendation for Adoption

6/19/13 Board (Adoption)

Action Item: Adoption



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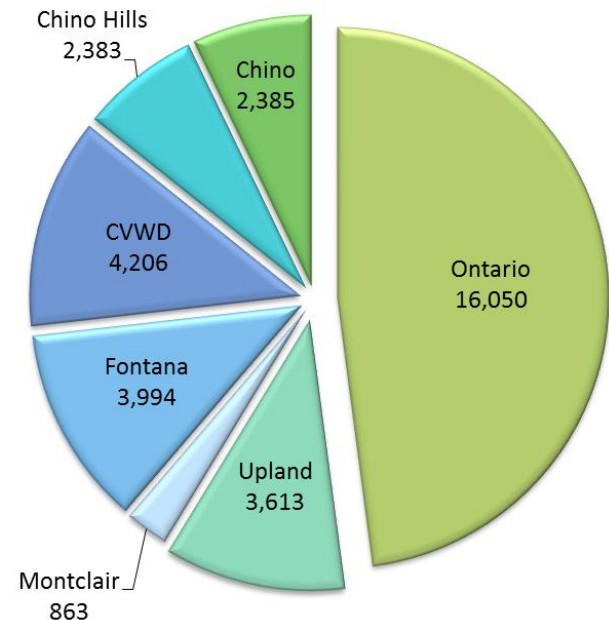
Preliminary TYCIP FY 2013/14 – FY 2022/23

Member Agency New Connections (EDUs) Growth Survey

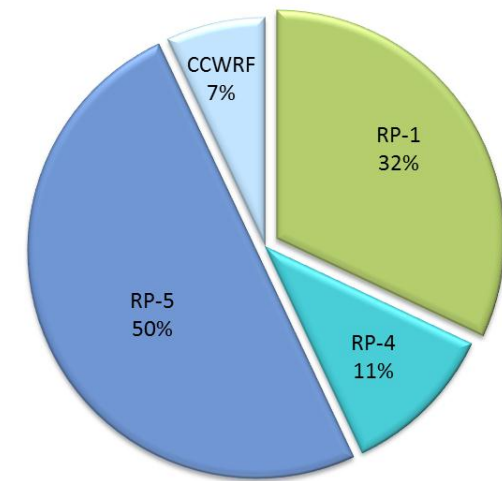
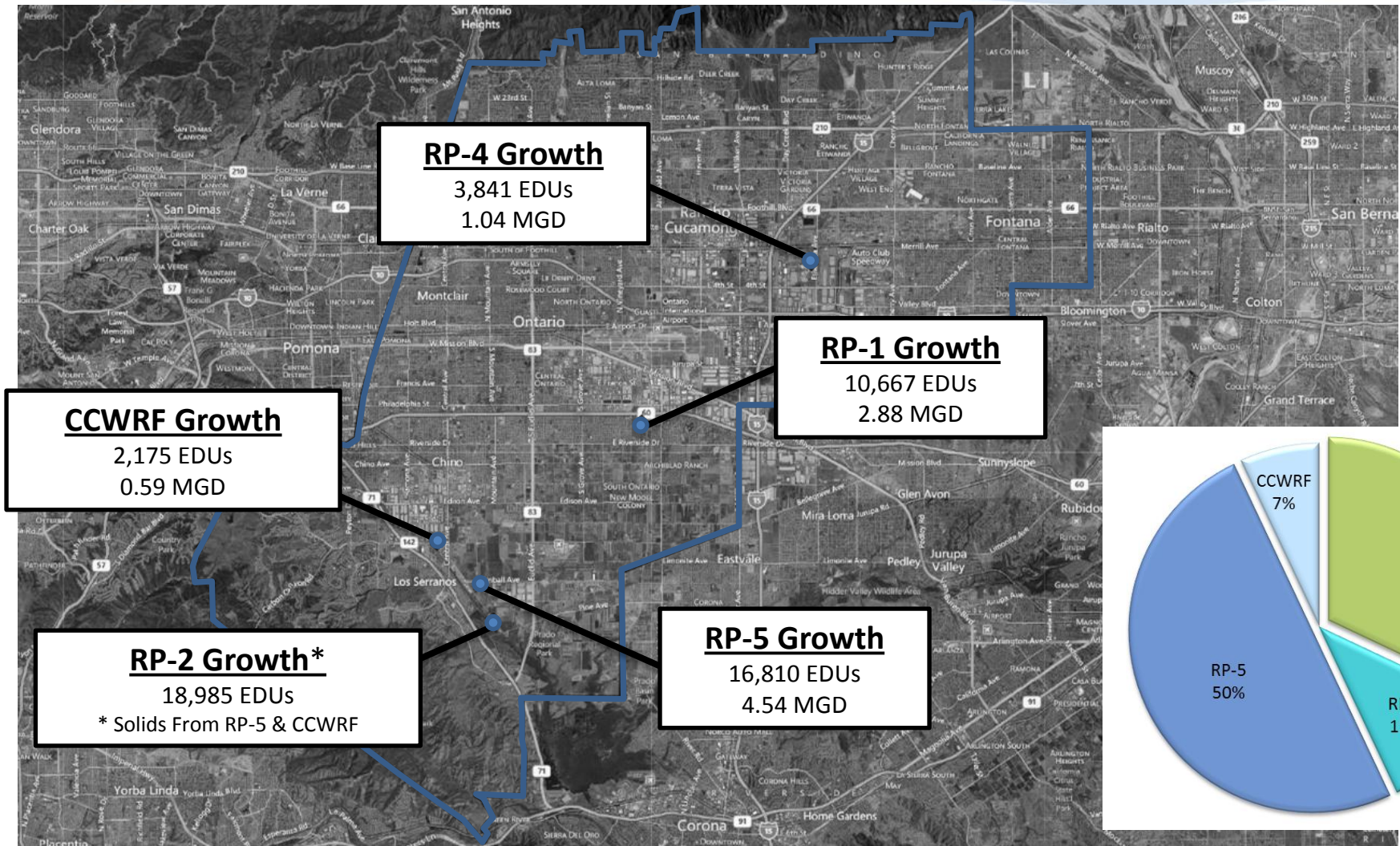
Growth by Year

Fiscal Year	Residential (EDUs)	Commercial/Industrial (EDUs)	Total (EDUs)
12/13	1,174	1,173	2,347
13/14	1,952	875	2,827
14/15	3,329	816	4,145
15/16	3,924	850	4,774
16/17	3,814	902	4,716
17/18	3,424	837	4,261
18/19	2,467	684	3,151
19/20	2,240	701	2,941
20/21	1,649	536	2,185
21/22	1,621	526	2,147
Totals	25,594	7,900	33,494

Growth by Agency (EDUs)



Ten-Year Growth Forecast Geographical Distribution



10-Year Flow Forecast

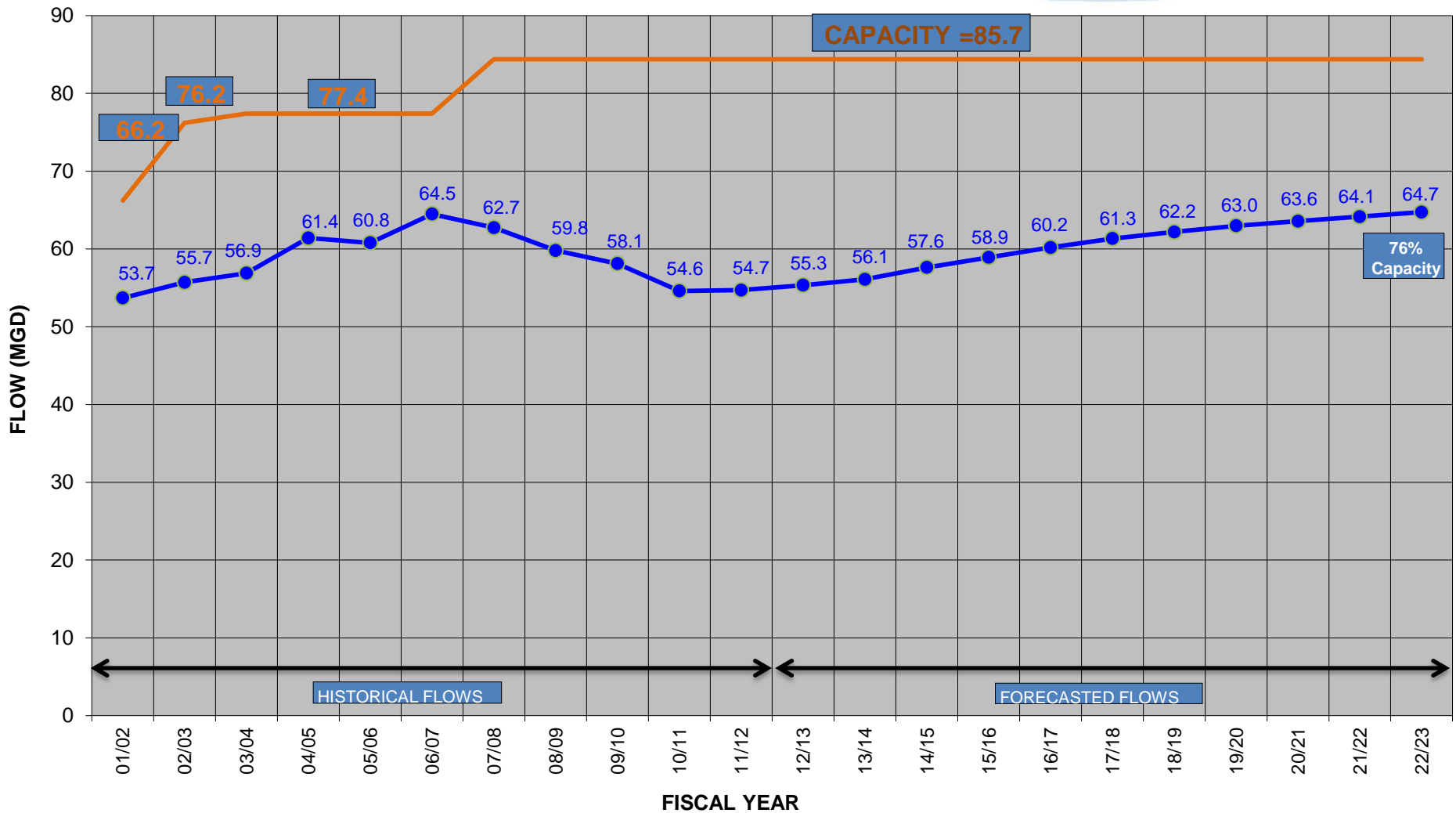
❖ Current Wastewater Flow

- 54.7 MGD
- Slight increase over last year
- Utilizing 64% of system capacity

❖ Projected 2023 Flows

- 64.7 MGD
- Reaching 75% of system capacity
- 75% triggers expansion planning

Agency Wide Flow Forecast

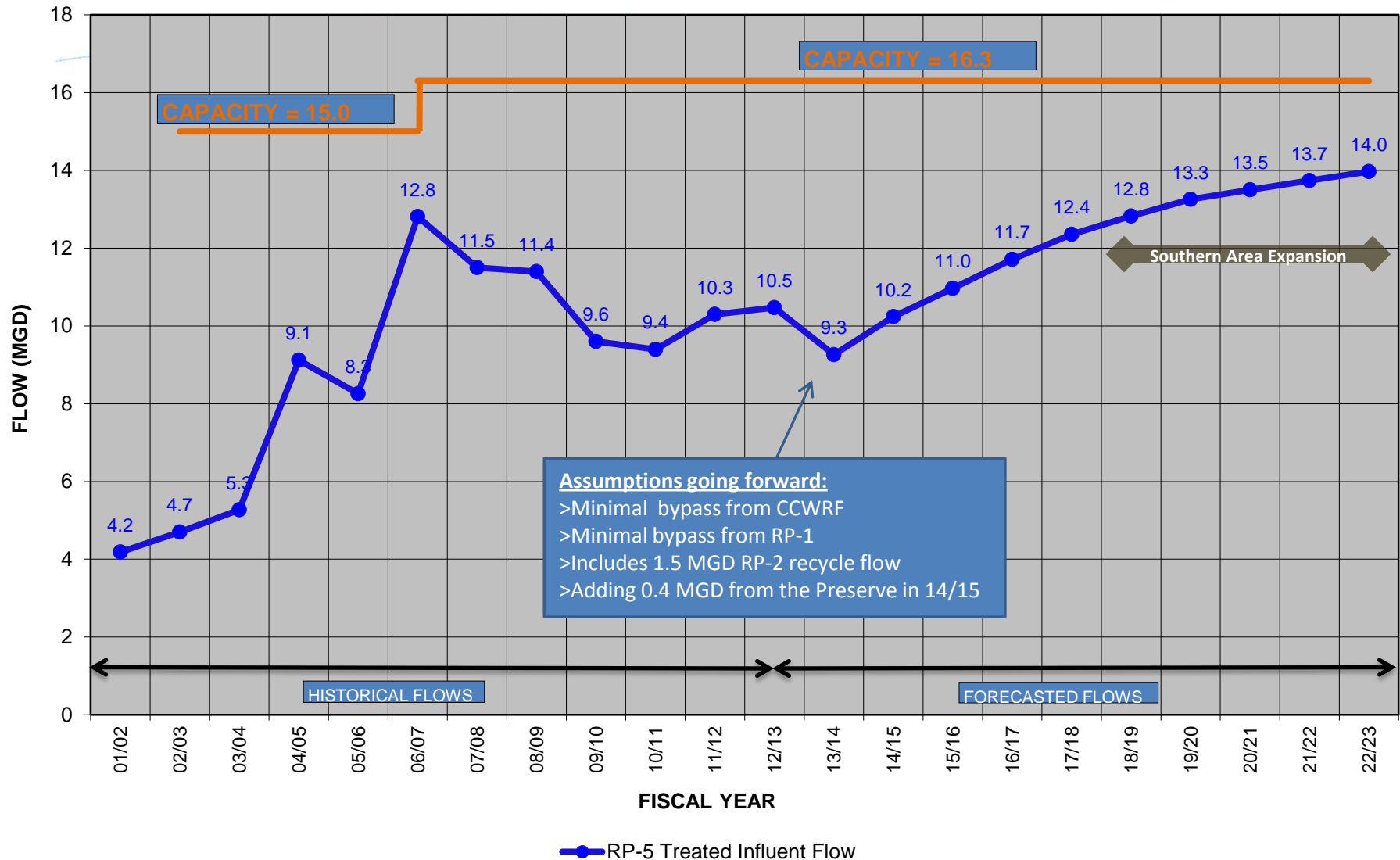


10-Year Capacity Utilization

FY 2022/23 Projection

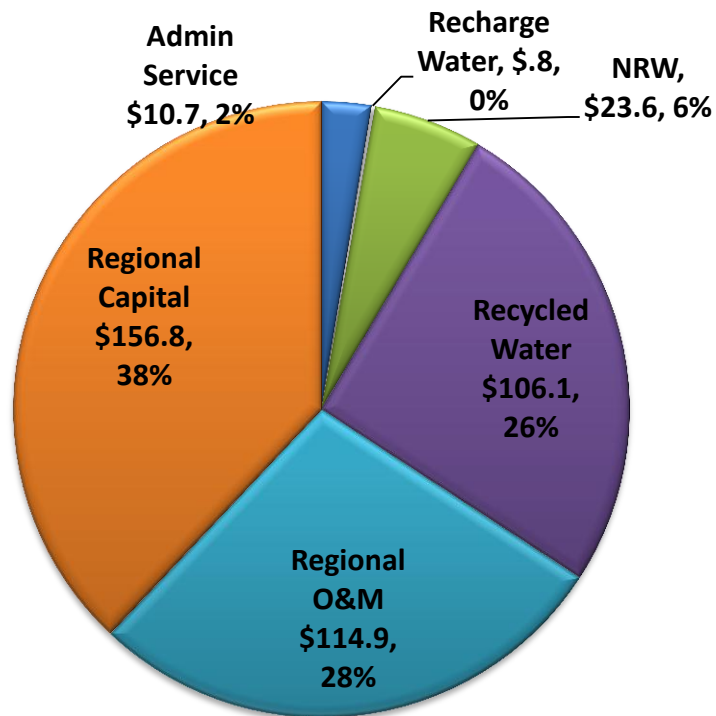
RWRP	Influent MGD	Capacity MGD	Capacity Utilization
RP-1	30.4	44.0	69%
RP-4	10.8	14.0	77%
CCWRF	9.5	11.4	83%
RP-5	14.0	16.3	86%
TOTAL	64.7	85.7	76%

RP-5 Flow Forecast

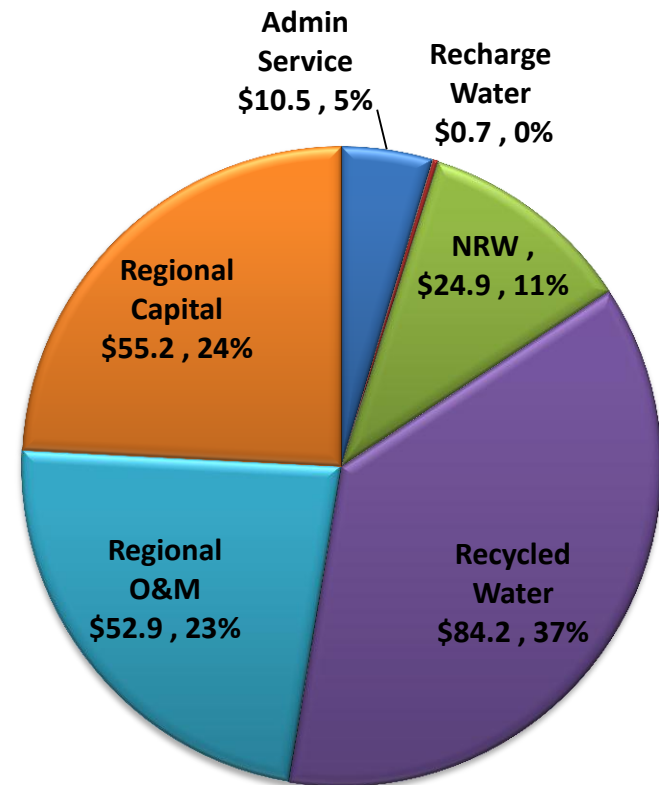


TYCIP Comparison Current & Proposed \$185M Increase*

FY 2013/14 Proposed TYCIP \$413M



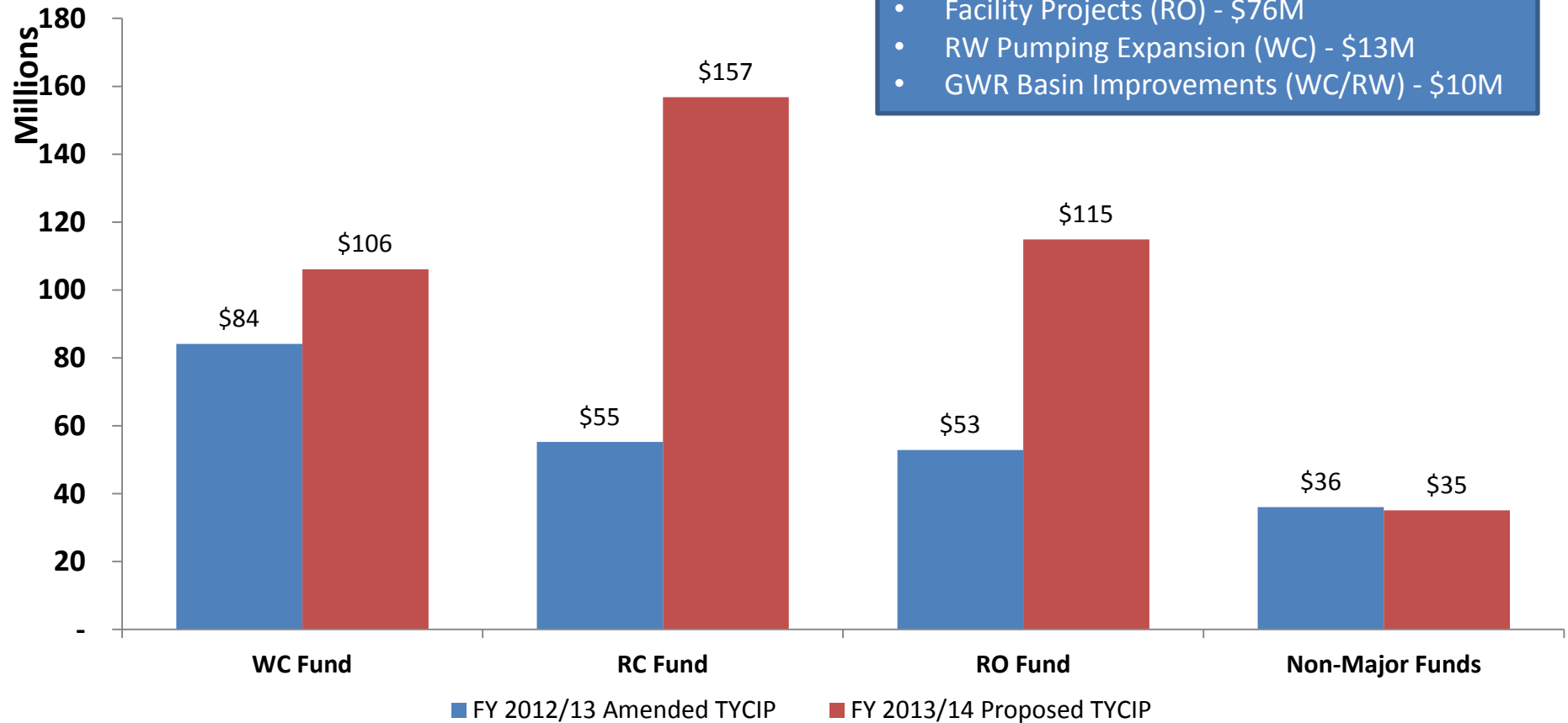
FY 2012/13 Amended TYCIP \$228M



TYCIP – 2012-2022 Amended vs FY 2013-2023 Proposed \$185M Increase

Key Program Additions:

- Treatment Expansion (RC) - \$108M
- RP-1 Headworks (RC) - \$11M
- Facility Projects (RO) - \$76M
- RW Pumping Expansion (WC) - \$13M
- GWR Basin Improvements (WC/RW) - \$10M



CAPITAL PROJECTS



❖ Capital projects expenditures shared equally by CBWM and IEUA

CAPITAL PROJECTS	Budget	Funding From CBWM	Funding from IEUA	Total Funding
WC Fund				
WR11017 Turner Basin Improvements	\$1,275,000	\$434,144	\$434,144	\$868,288*
EN13031 Wineville Proof of Concept	\$300,000	\$150,000	\$150,000	\$300,000
EN12019 RW & GWR SCADA Upgrades	\$2,207,040	\$1,103,520	\$1,103,520	\$2,207,040
EN13001 San Sevaine Improvements	\$2,500,000	\$875,000	\$875,000	\$1,750,000*
RW Fund				
WR13022 Prado Basin Habitat Well Monitoring	\$50,000	\$25,000	\$25,000	\$50,000
EN12025 Hickory Basin – Arizona Crossing	\$309,000	\$154,500	\$154,500	\$309,000
EN14038 CB20 Noise Mitigation	\$160,000	\$80,000	\$80,000	\$160,000
Jurupa Pump Station Improvements	\$300,000	\$150,000	\$150,000	\$300,000
TOTAL	\$7,101,040	\$2,972,164	\$2,972,164	\$5,944,328

*Additional funding of \$1,156,712 is obtained via grants

FY 2013/14

Preliminary Budget

**Regional Wastewater, Recycled Water
and Recharge Water Programs**

Adopted Rates



Multi-Year Adopted Rates FY 2012/13 through FY 2014/15

		Adopted		
Program	Rate Description	FY 2012/13	FY 2013/14	FY 2014/15
Regional Wastewater	Monthly EDU Volumetric Fee per EDU	\$12.39	\$13.39	\$14.39
	New EDU Connection Fee per EDU	\$4,909	\$5,007	\$5,107
Recycled Water	Direct Delivery per AF	\$155	\$215	\$290
	Groundwater Recharge per AF	\$195	\$255	\$335

- **Monthly EDU Volumetric Charges: \$43.3M**
 - Assumes 0.50%, \$200k increase in EDUs compared to 0% budgeted. FY 2012/13 projected 2% growth tracking FY 2011/12 growth of 2.5%.
- **Recycled Water Sales Revenue: \$7.2M**
 - Assumes 42%, \$2.1M increase of total direct and recharge sales. FY 2013/14 adopted rate of \$290/AF for direct sales at a projected 21,400 AF and \$45/AF surcharge at a projected 10,000/AF

FY 2013/14

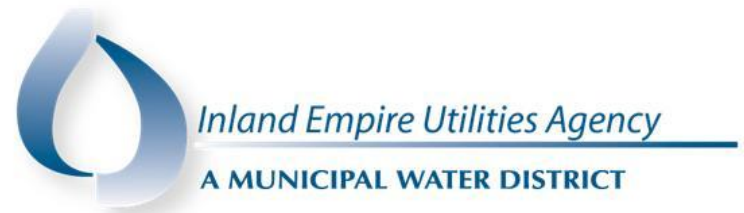
Other Key Funding Sources Assumptions



- **New Connection (EDUs) Fees: \$9M**
 - Assumes 38%, \$2.5M increase to 1,800 EDUs compared to the prior years projection of 1,300 EDUs
 - Increase FY 12/13 projected EDUs from 1,100 to 1,700 EDUs, as YTD Feb 2013 reported 1,300 units. FY 2011/12 recorded 1,600 EDUs
 - Increase EDU rate by 2.5% starting FY 2015/16 in line with ENR index (averages 3% for past ten years)
- **Property Tax Receipt: \$33.3M**
 - Assumes 1%, \$1.1M increase compared to 1% decrease projected in FY 2012/13. County estimated an increase of 1.25% in property valuation for FY 2013/14 and reported 0.8% increase for FY 2012/13

FY 2013/14

Other Key Funding Source Assumptions



- **SRF Loans: \$24.9M**
 - Assumes \$10.9M for Southern area projects. Project is scheduled for completion in 2014. Loan repayment begins in FY 2015/16
 - Assumes \$14.4M for Central/Wineville area projects. Previously delayed projects are scheduled for completion in December 2015. Loan repayment begins in FY 2015/16
- **Grants: \$8.8M**
 - Assumes \$6.5M, from SWRCB for the Southern and Central/Wineville areas, \$2.1M from various sources for projects in the Recycled Water, Regional Operations and Water funds

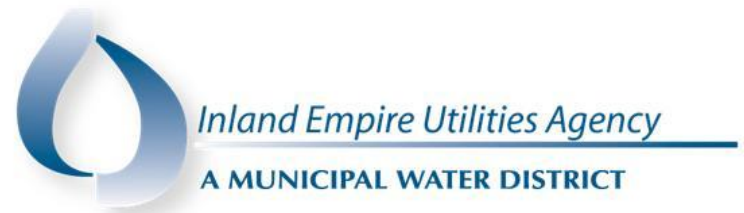


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Regional Wastewater Capital Improvement (RC Fund)

Regional Wastewater Capital Improvement (RC) Fund



Records activities associated with acquisition, construction, replacement and expansion of the Agency's wastewater treatment plants, energy cogeneration, solids handling facility, sewage interceptors and appurtenant facilities

- ❖ FY 2013/14 Major Sources of Funds

- \$9M New EDU connection fees
- \$21.7M property tax receipts, 65% allocation

- ❖ FY 2013/14 Major Expenses and Other Uses of Funds

- \$22M Debt service costs
- \$7.4M CIP

- ❖ FY 2013/14 One Time Sources & Uses of Funds

- \$2.3M sale of asset
- \$5.5M Inter-fund loan to Recycled Water fund

FY 2013/14 Preliminary Budget

RC Fund

(\$ Millions)



DESCRIPTION	2010/11 Actual	2011/12 Actual	2012/13 Amended	2012/13 Projected	2013/14 Proposed	2014/15	2015/16	2016/17	2017/18
Connection Fee Rate	\$4,766	\$4,766	\$4,909	\$4,909	\$5,007	\$5,107	\$5,235	\$5,392	\$5,553
No. of New EDU Connections			1,100	1,700	1,800	2,200	2,500	3,000	3,000
Operating Revenue	\$.5	\$.5	\$.4	\$.4	\$.3	\$.3	\$.3	\$.4	\$.4
Operating Expense	5.7	6.5	5.1	5.0	5.5	6.0	5.5	6.1	5.7
Net Operating Incr./ (Decr.)	(\$5.2)	(\$6.1)	(\$4.7)	(\$4.7)	(\$5.2)	(\$5.8)	(\$5.2)	(\$5.7)	(\$5.3)
Other Funding Sources	48.5	33.4	23.2	31.1	28.7	29.6	32.7	44.5	41.0
Other Uses of Funds	33.9	23.4	31.5	22.5	29.4	24.4	23.4	38.7	30.6
Net Increase/(Decrease)	\$14.6	\$10.0	(\$8.3)	\$8.6	(\$.7)	\$5.2	\$9.3	\$5.8	\$10.3
Total Net	9.4	3.9	(13.0)	4.0	(5.8)	(.6)	4.1	.1	5.0
Beginning Fund Balance	29.7	39.1	43.0	43.0	47.0	41.1	40.5	44.7	44.8
Ending Fund Balance	\$39.1	\$43.0	\$30.0	\$47.0	\$41.1	\$40.5	\$44.7	\$44.8	\$49.8

Target Fund Balance

\$50.0

Regional Wastewater Operations & Maintenance (RO) Fund



Accounts for the revenue and operating costs directly related to the domestic sewage treatment service to the contracting agencies.

❖ FY 2013/14 Major Sources of Funds

- \$43.3M monthly EDU volumetric charges
- \$7.3M property tax receipts, 22% allocation
- \$3.2M labor cost reimbursement from IERCA

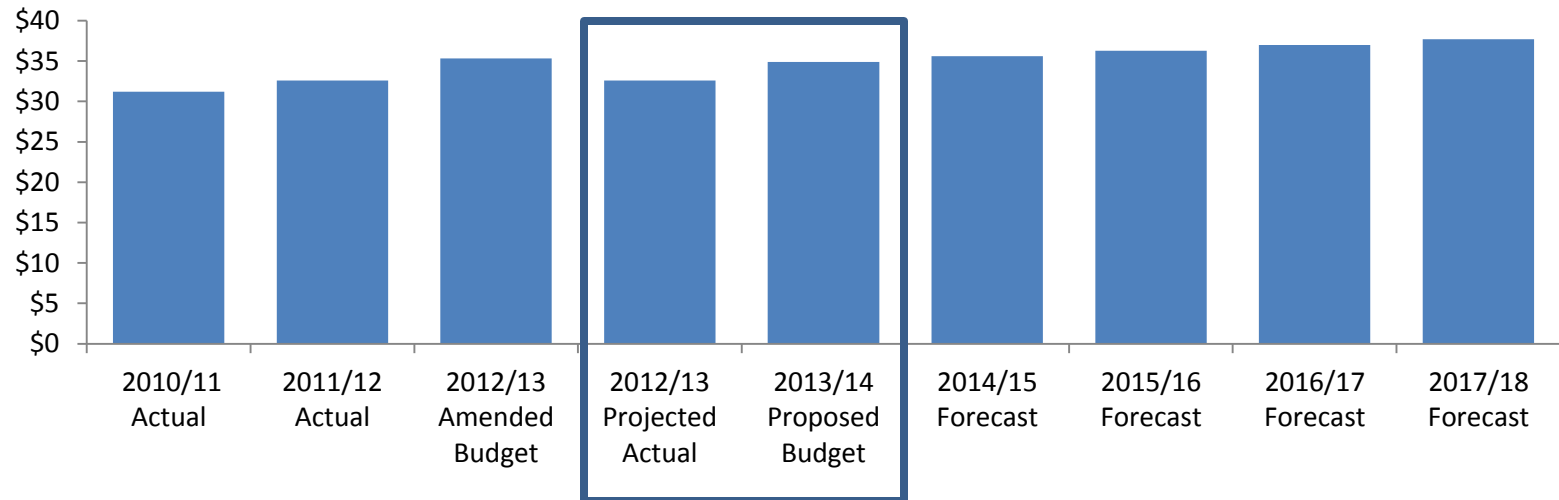
❖ FY 2013/14 Major Uses of Funds:

- \$48.7M O&M costs
- \$9.8M R&R capital costs
- \$0.2M debt service costs

FY 2013/14 Proposed Budget Compared to FY 12/13 Projected (\$ Millions)

❖ Employment Costs: \$2.3M, 7% increase

- Average vacancy factor of 7% above the budgeted 5%
- Increase in pension costs; CalPERS employer rate increased from 15.33% to 16.10%
- Rising health insurance premiums

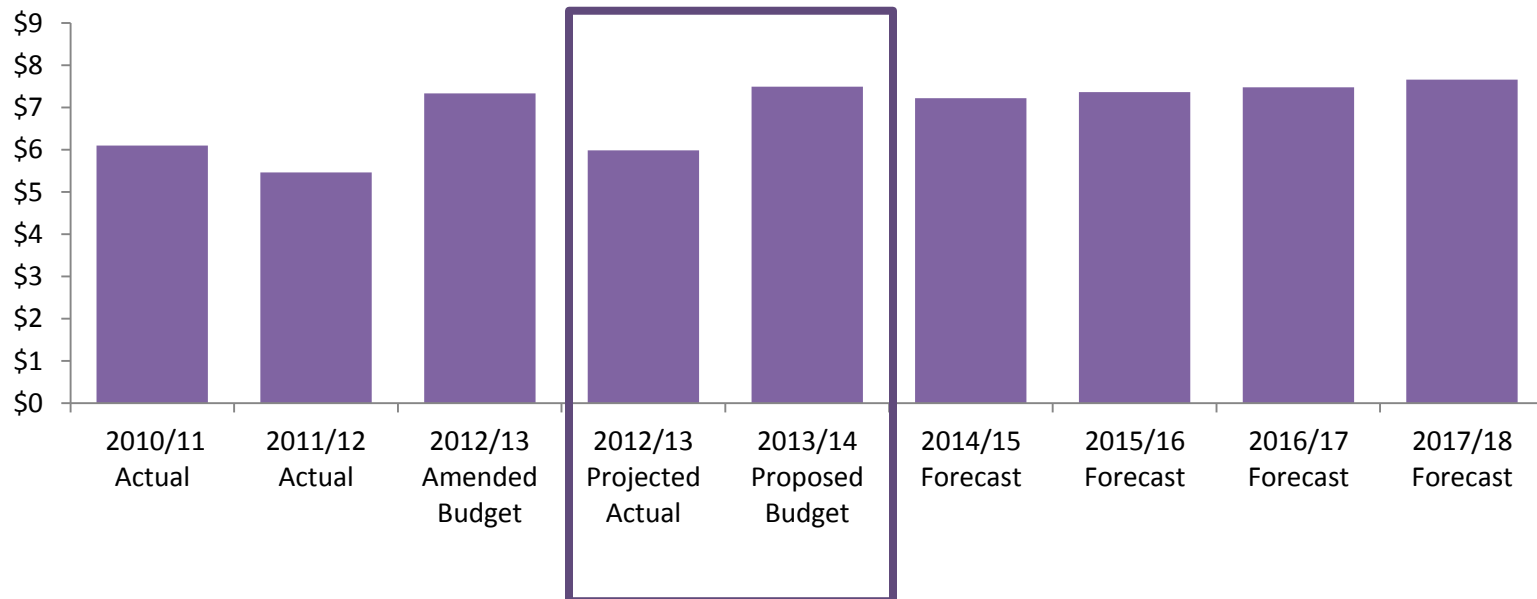


FY 2013/14 Proposed Budget Compared to FY 12/13 Projected (\$ Millions)



❖ Professionals Fees & Services: \$1.5M, 25% increase

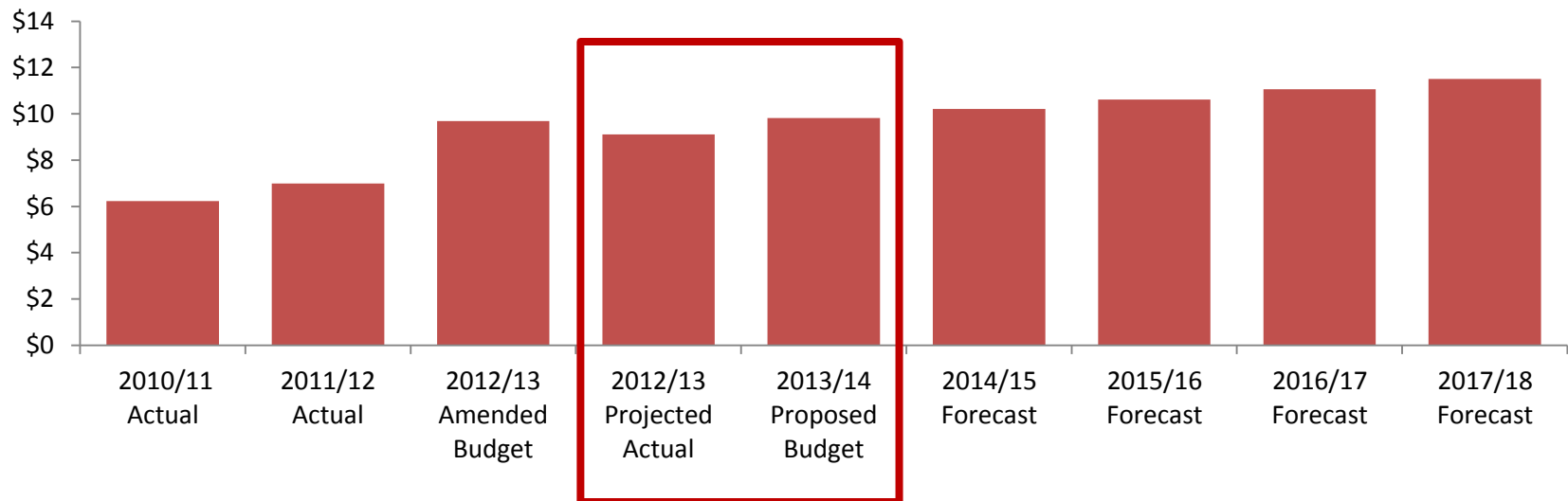
- Higher maintenance support for Recycled Water and Non-Reclaimable systems
- Expanded support for new operating systems and equipment



FY 2013/14 Proposed Budget Compared to FY 12/13 Projected (\$ Millions)

❖ Utilities: \$0.8M, 9.3% increase

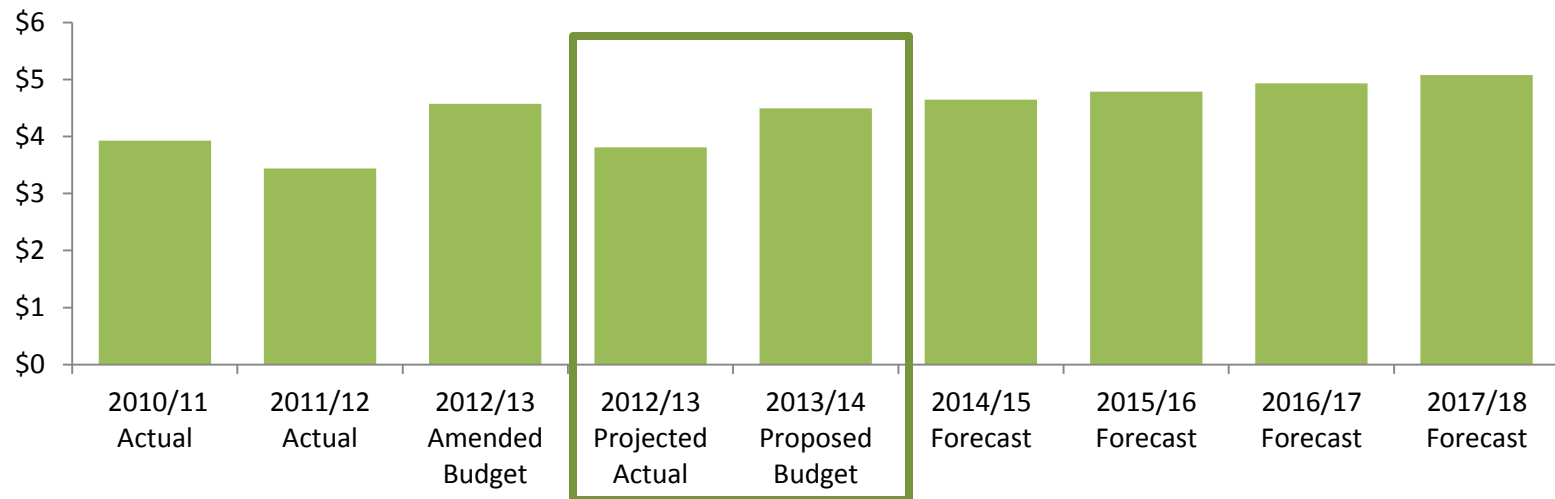
- Fuel cell and RP-1 Dewatering facilities to be fully operational all year
- CPI increase for renewal energy based on Purchase Power Agreements
- Assumes electricity rate of 12.0 cents/KWH versus the actual rate of 11.0 cents/KWH in FY 2012/13



FY 2013/14 Proposed Budget Compared to FY 12/13 Projected (\$ Millions)

❖ Chemicals: \$0.7M, 18% increase

- Increase in ferric chloride dosage maintain digester gas H₂S concentration below RP-1's fuel cell PPA requirement
- Increased polymer rates and higher dosage for RP-1 Dewatering facility





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	2010/11	2011/12	2012/13	2012/13	2013/14					
DESCRIPTION	Actual	Actual	Amended	Projected	Proposed	2014/15	2015/16	2016/17	2017/18	
EDU Rate	\$11.14	\$11.14	\$12.39	\$12.39	\$13.39	\$14.39	\$14.74	\$15.09	\$15.44	
Operating Revenue	\$42.3	\$42.2	\$41.5	\$43.4	\$47.0	\$50.5	\$51.8	\$53.2	\$54.4	
Operating Expense	41.7	42.2	47.2	43.6	48.7	48.7	49.8	51.1	52.3	
Net Operating Incr./((Decr.)	\$.7	\$.0	(\$5.7)	(\$.3)	(\$1.7)	\$1.8	\$2.0	\$2.1	\$2.2	
Other Funding Sources	2.2	4.5	7.9	8.3	8.1	9.8	10.0	10.1	10.2	
Other Uses of Funds	2.1	3.7	7.5	5.2	10.0	6.9	15.1	10.8	11.0	
Net Increase/(Decrease)	\$.1	\$.9	\$.4	\$3.1	(\$2.0)	\$3.0	(\$5.2)	(\$.7)	(\$.9)	
Total Net	.8	.9	(5.3)	2.9	(3.7)	4.8	(3.2)	1.3	1.3	
Beginning Fund Balance	22.7	23.4	24.3	24.3	27.2	23.5	28.3	25.1	26.4	
Ending Fund Balance	\$23.4	\$24.3	\$19.0	\$27.2	\$23.5	\$28.3	\$25.1	\$26.4	\$27.7	
Target Fund Balance					\$30.0					

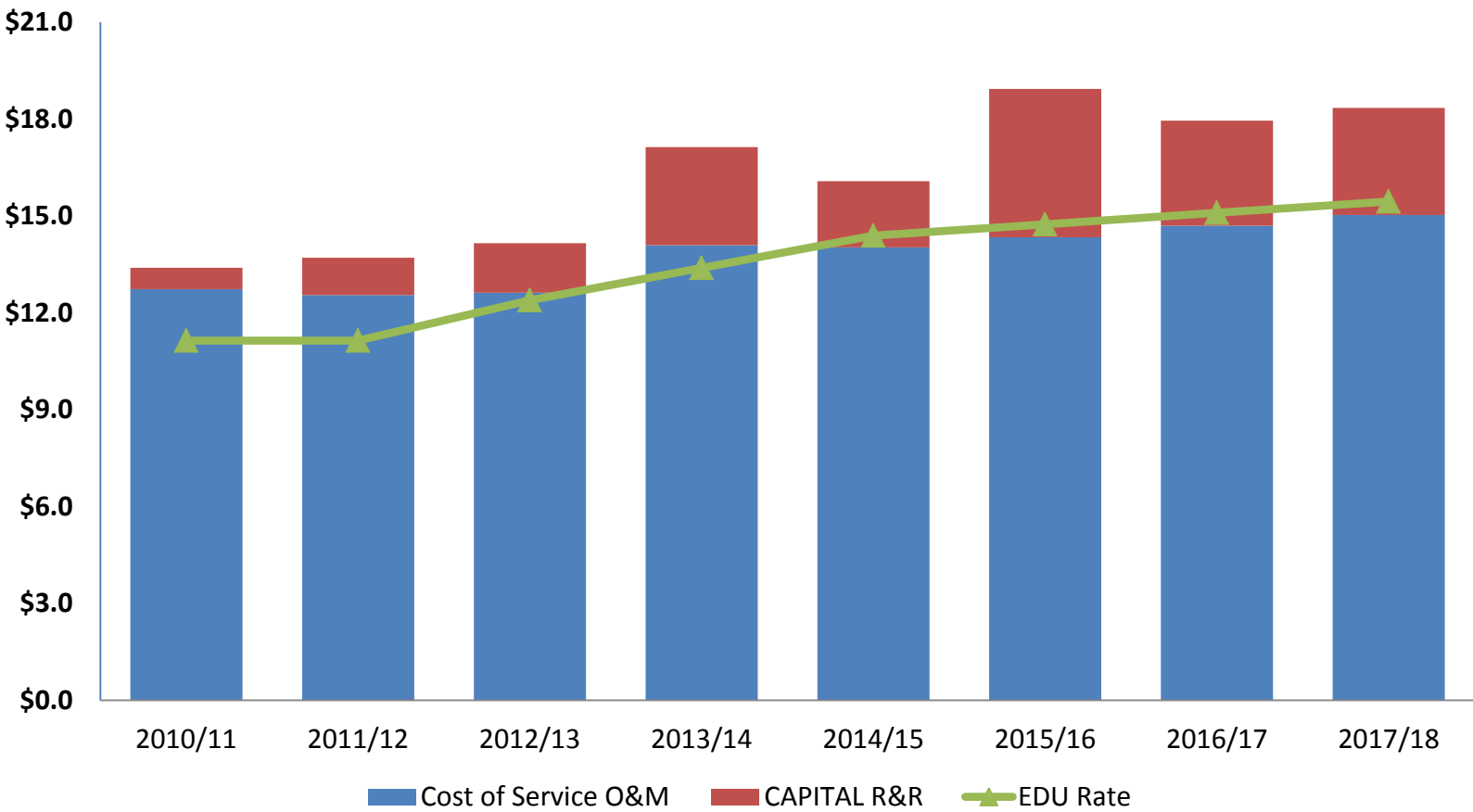
RO Fund: Cost of Service per EDU

O&M and R&R Costs

(\$ Millions)



- ❖ O&M costs projected to be fully covered beginning FY 2014/15
- ❖ Future rate increases will be needed to fully support R&R costs



Recycled Water (WC) Fund



Accounts for total revenue and expenses associated with the Agency's recycled water distribution system, including debt service and capital expenditures.

❖ FY 2013/14 Major Sources of Funds

- \$7.2M total recycled water sales
- \$2.1M MWD LPP rebate, (\$154/AF)
- \$1.7M property tax receipts, 5% temporary allocation
- \$33.4M SRF loan and grant receipts
- \$5.5M inter-fund loan from RC Fund

❖ FY 2013/14 Major Uses of Funds:

- ❖ \$7.0M O&M costs
- ❖ \$39.0M CIP
- ❖ \$5.0M debt service costs



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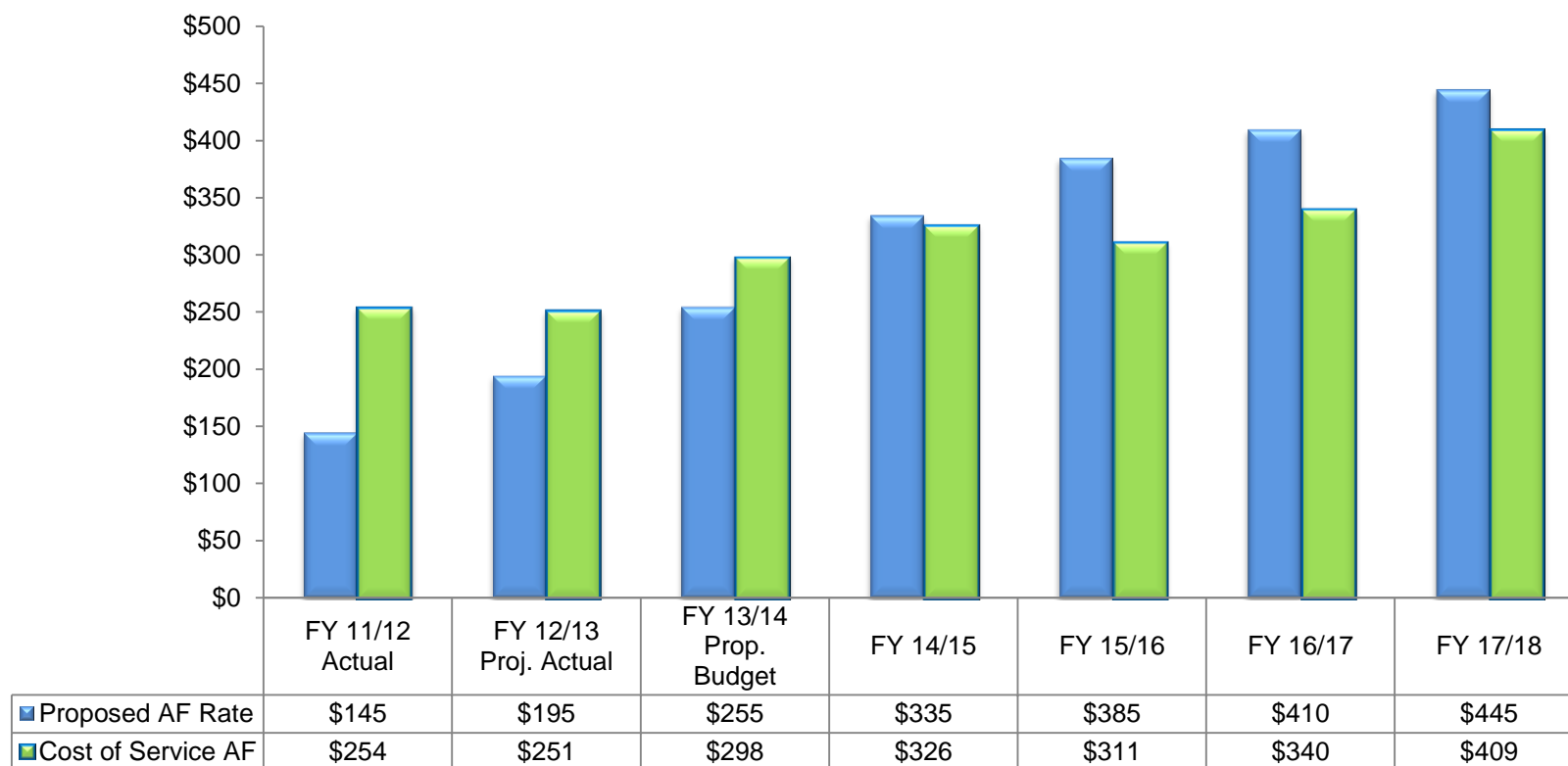
- | DESCRIPTION | 2010/11 | 2011/12 | 2012/13 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|------------------------------|----------|---------|---------|-----------|----------|---------|---------|----------|----------|
| | Actual | Actual | Amended | Projected | Proposed | | | | |
| Total AF Deliveries | 24,470 | 28,988 | 30,000 | 30,000 | 31,400 | 36,250 | 40,900 | 42,900 | 45,100 |
| Direct/GWR Rates (\$) | 85/30 | 115/30 | 155/40 | 155/40 | 215/40 | 290/45 | 325/60 | 350/60 | 375/70 |
| Operating Revenue | \$4.5 | \$6.1 | \$7.9 | \$7.3 | \$10.7 | \$14.9 | \$16.6 | \$18.4 | \$18.4 |
| Operating Expense | 5.1 | 6.5 | 6.3 | 5.7 | 7.0 | 6.9 | 6.6 | 6.8 | 6.8 |
| Net Operating Incr./ (Decr.) | (\$.6) | (\$.4) | \$1.6 | \$1.6 | \$3.7 | \$8.0 | \$10.1 | \$11.7 | \$11.6 |
| Other Funding Sources | 15.4 | 8.7 | 20.4 | 9.8 | 41.7 | 15.7 | 3.3 | 1.1 | 1.1 |
| Other Uses of Funds | 27.7 | 17.4 | 29.7 | 13.7 | 44.0 | 24.2 | 10.6 | 12.4 | 15.9 |
| Net Increase/(Decrease) | (\$12.4) | (\$8.8) | (\$9.3) | (\$3.9) | (\$2.4) | (\$8.6) | (\$7.2) | (\$11.3) | (\$14.8) |
| Total Net | (13.0) | (9.2) | (7.7) | (2.3) | 1.3 | (.6) | 2.9 | .4 | (3.2) |
| Beginning Fund Balance | 34.8 | 21.9 | 12.7 | 12.7 | 10.4 | 11.7 | 11.1 | 14.0 | 14.4 |
| Ending Fund Balance | \$21.9 | \$12.7 | \$5.1 | \$10.4 | \$11.7 | \$11.1 | \$14.0 | \$14.4 | \$11.2 |
| Target Fund Balance | \$13.0 | | | | | | | | |

Recycled Water

Cost of Service per AF

(Includes O&M and Debt Service Costs)

- ❖ Cost of service will vary from changes in AF deliveries, revenues and costs.



Total AF, direct and GWR:	28,988	30,000	31,400	36,250	40,900	42,900	45,100
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WC Fund

Inter Fund Loan Repayment Timeline

Inter Fund Loan Issued	From	To	Loan Amount	Repayment Schedule
FY 2007/08	Non-Reclaimable Wastewater	Recycled Water	\$9.0M	2016/17 \$1.0M 2017/18 \$1.5M 2018/19 \$1.0M 2019/20 \$3.5M 2020/21 \$2.0M
FY 2007/08	Regional Wastewater Capital	Recycled Water	\$3.0M	2017/18 \$1M 2018/19 \$1M 2019/20 \$1M
FY 2009/10	Non-Reclaimable Wastewater	Recycled Water	\$6.0M	2020/21 \$1.0M 2021/22 \$3.0M 2022/23 \$2.0M
FY 2013/14	Regional Wastewater Capital	Recycled Water	\$5.5M	2021/22 \$3.0M 2022/23 \$2.5M
		Grand Total	\$23.5M	\$23.5M

Recharge Water (RW) Fund



Accounts for the revenues and expenses associated with the groundwater recharge operations and maintenance through the joint effort of the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), the San Bernardino County Flood Control District (SBCFCD), and the Agency.

❖ FY 2013/14 Major Sources of Funds

- \$1.3M O&M funded by CBWM (\$795K) and IEUA (\$464K) pro-rata share
- \$1.7M Debt service and CIP reimbursed by CBWM and IEUA

❖ FY 2013/14 Major Uses of Funds

- \$1.5M O&M costs
- \$1.7M debt services & CIP costs

FY 2013/14 Preliminary Budget

RW Fund

(\$ Millions)



- ❖ \$1.5M O&M budget includes filtration restoration and slope repairs 6 groundwater basins with total recharge capacity of 6,300 AF.
- ❖ Value of 6,300 AF @ \$593/AF = \$3.7M (MWD Tier 1 Rate)

DESCRIPTION	2010/11 Actual	2011/12 Actual	2012/13 Amended	2012/13 Projected	2013/14 Proposed	2014/15	2015/16	2016/17	2017/18
Operating Revenue	\$.7	\$.7	\$.7	\$.8	\$1.1	\$1.0	\$.8	\$.9	\$.9
Operating Expense	.8	1.2	1.1	1.1	1.6	1.4	1.2	1.3	1.3
Net Operating Incr./ (Decr.)	(\$.1)	(\$.5)	(\$.4)	(\$.3)	(\$.5)	(\$.4)	(\$.4)	(\$.4)	(\$.4)
Other Funding Sources	1.4	1.4	1.4	1.2	2.1	1.8	1.8	1.8	1.8
Other Uses of Funds	4.5	.9	1.7	1.4	1.7	1.4	1.4	1.4	1.4
Net Increase/ (Decrease)	(\$3.0)	\$.4	(\$.4)	(\$.2)	\$.5	\$.4	\$.4	\$.4	\$.4
Total Net	(3.2)	(.0)	(.8)	(.5)	(.0)	(.0)	(.0)	(.0)	(.0)
Beginning Fund Balance	5.6	2.5	2.4	2.4	1.9	1.9	1.9	1.9	1.9
Ending Fund Balance	\$2.5	\$2.4	\$1.7	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9	\$1.9
Target Fund Balance					\$2.0				

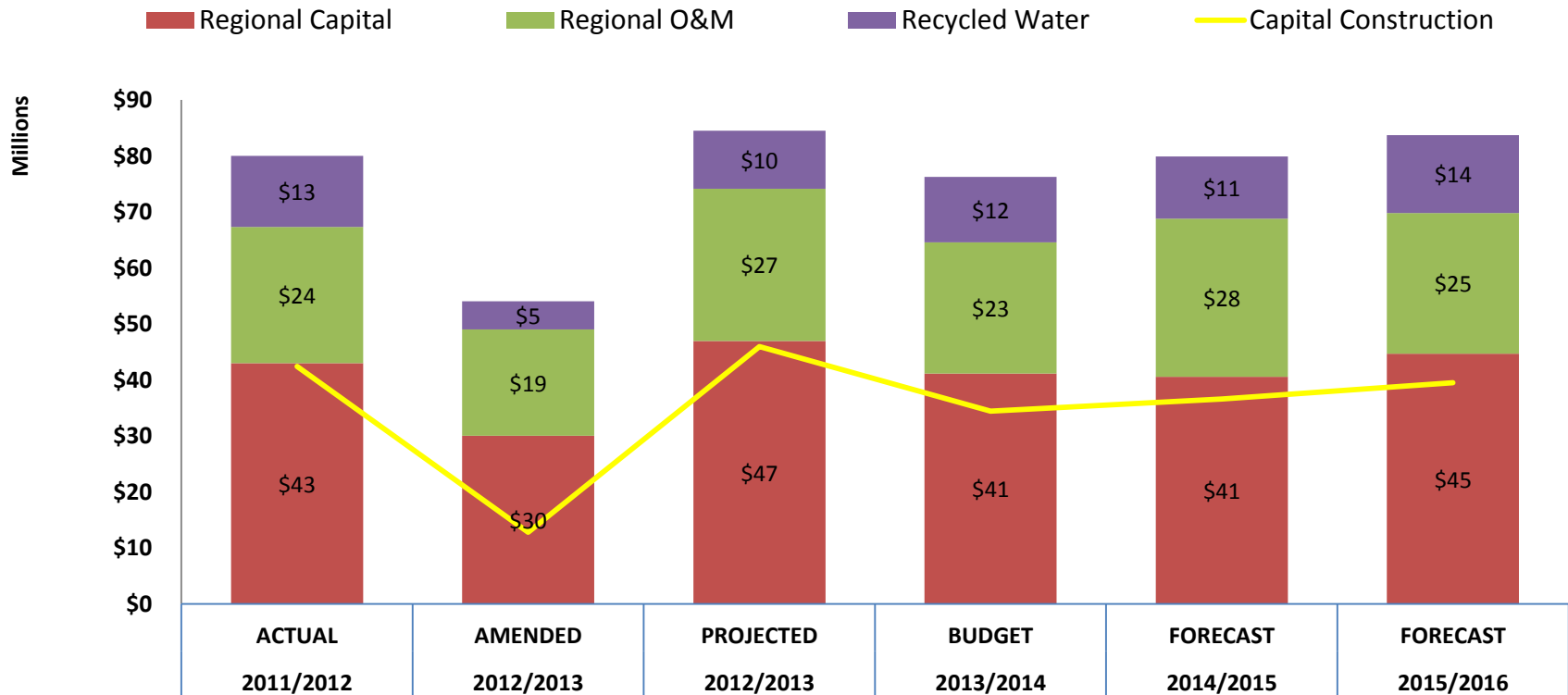


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Fund Balances and Debt Coverage Ratio

Fund Balances Regional Wastewater & Recycled Water Programs



Total Debt Coverage Ratio (DCR)

- ❖ Projected to exceed the Board established DCR targets, based on current assumptions
- ❖ Improvement in total DCR will better position the Agency to acquire new debt at a lower borrowing costs

	Actual FY 2011/12	Projected FY 2012/13	Forecast FY 2013/14	Forecast FY 2014/15	Forecast FY 2015/16
DCR Target established by IEUA Board on February 2012		1.43x	1.50x	1.70x	
DCR projections based on current assumptions	1.67x	1.92x	1.75x	2.01x	2.18x

Rating agency medians for medium sized wastewater agencies :

	AA rated	AAA rated
Fitch	1.9x	2.7x

Questions?