

Water Rates Discussion



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

March 10, 2016

Benefit of phased implementation

Initial lower rates/incremental increases

- FY 15/16 and proposed FY 16/17 rates are lower than cost of service
- Proposed rates for FY 16/17 will result in less revenue than the \$5.6M revenue projected for current FY 15/16
- As proposed, will reach cost of service in 7 years

	Cost of service	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
RTS rate \$/AF	\$52	\$8	\$16	\$25	\$35	\$47	\$59	\$67
MEU rate: \$/MEU	\$1.70	\$1.10	\$1.20	\$1.30	\$1.40	\$1.50	\$1.60	\$1.70
Total revenue from rates (In Millions)	\$10.0	\$5.4	\$6.4	\$7.4	\$8.5	\$9.6	\$10.7	\$11.6

Programmatic deficit eliminated in 5 years (does not yet provide operating contingencies)

- Program Expenses include:
 - conservation program net of grants, employment expenses, debt service

\$ in Millions	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
Revenue from rates	\$5.6	\$5.4	\$6.4	\$7.4	\$8.5	\$9.6	\$10.7	\$11.6
Program Expenses	\$9.6	\$7.3	\$7.4	\$7.5	\$7.7	\$9.3	\$9.4	\$9.5
Surplus/(Deficit)	(\$4.0)	(\$1.9)	(\$1.0)	(\$0.1)	\$0.8	\$0.3	\$1.3	\$2.1

- Program Expenses **does not include**
 - SARCCUP, drought resiliency projects, water purchases, operating contingencies
 - Operating contingencies: 4 months of operating expenses plus one month of MWD water purchases of \$6M

Temporary subsidies to cover shortfalls

- \$17M Program subsidies include property tax and inter-fund loans starting FY 14/15
- Operating contingencies should be \$6M

\$ in Millions	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
Surplus/(Deficit)	(\$4.0)	(\$1.9)	(\$1.0)	(\$0.1)	\$0.8	\$0.3	\$1.3	\$2.1
Program subsidies	\$3.5	\$1.81	\$2.13	\$2.46	\$1.69	\$0	\$0	\$0

But remember ... there's past debt

- Program subsidies will be needed throughout the 7 year rate implementation
- Employment costs were not fully included prior to FY 14/15

\$ in Millions	FY 13/14	FY 14/15	Projected FY 15/16
Fund balance	\$0.9	\$0.1	(\$1.1)
Program subsidies	\$0.0	\$5.8	\$3.5
Adjusted Fund balance	\$0.9	\$5.9	\$2.4

Regional activities supported by water resources fund

- The plan is to fully cover employment costs by the end of FY 20/21

	FTE
Water Resource Programs	6.25
Water Resource Planning	
MWD Programs	
Conservation & Public Outreach	
Grants	
Policy	1.25
Finance and Contract Administration	2.50
Total	10.0

Continued use of property taxes to support regional programs

- No change proposed to the current property tax receipts allocation
 - 65% allocation to regional wastewater capital program
 - 22% allocation to regional wastewater operation program
 - 5% allocation to regional recycled water program
- Temporary continued allocation to the regional water resources program comes from reduced administrative services fund allocation
 - 3.5% allocation to support 7 year rate implementation
- Unassigned property tax receipts may be allocated in the future to the water resources program

Recommendations

- Adopt RTS percentage phase in over 7 years
- Adopt 4 year MEU rates

	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
RTS rate recovery percentage	15%	30%	45%	60%	75%	90%	100%
MEU rate: \$/MEU	\$1.10	\$1.20	\$1.30	\$1.40	TBD		

Next steps

- **03.23.2016: Water managers' meeting**
Final recommendations from member agencies due
- **05.18.2016: Posting of proposed water rates**
- **06.15.2016: IEUA Board Meeting**
Public hearing to consider adoption of proposed water rates