

City of Lemoore Water Enterprise Workshop



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Water Enterprise Fund

The Water ***Enterprise Fund*** includes revenue, expenses, assets, water rates, water loans, and the cost of all needed improvements for the water system in Lemoore.

Other enterprise (or proprietary) funds are Wastewater, Solid Waste, and Golf Course.

These are *business operations* within City Operations.

The ***General Fund*** and all other Governmental Funds are separate, funded primarily by tax revenue.

Cost of Service Study (Prop. 218)

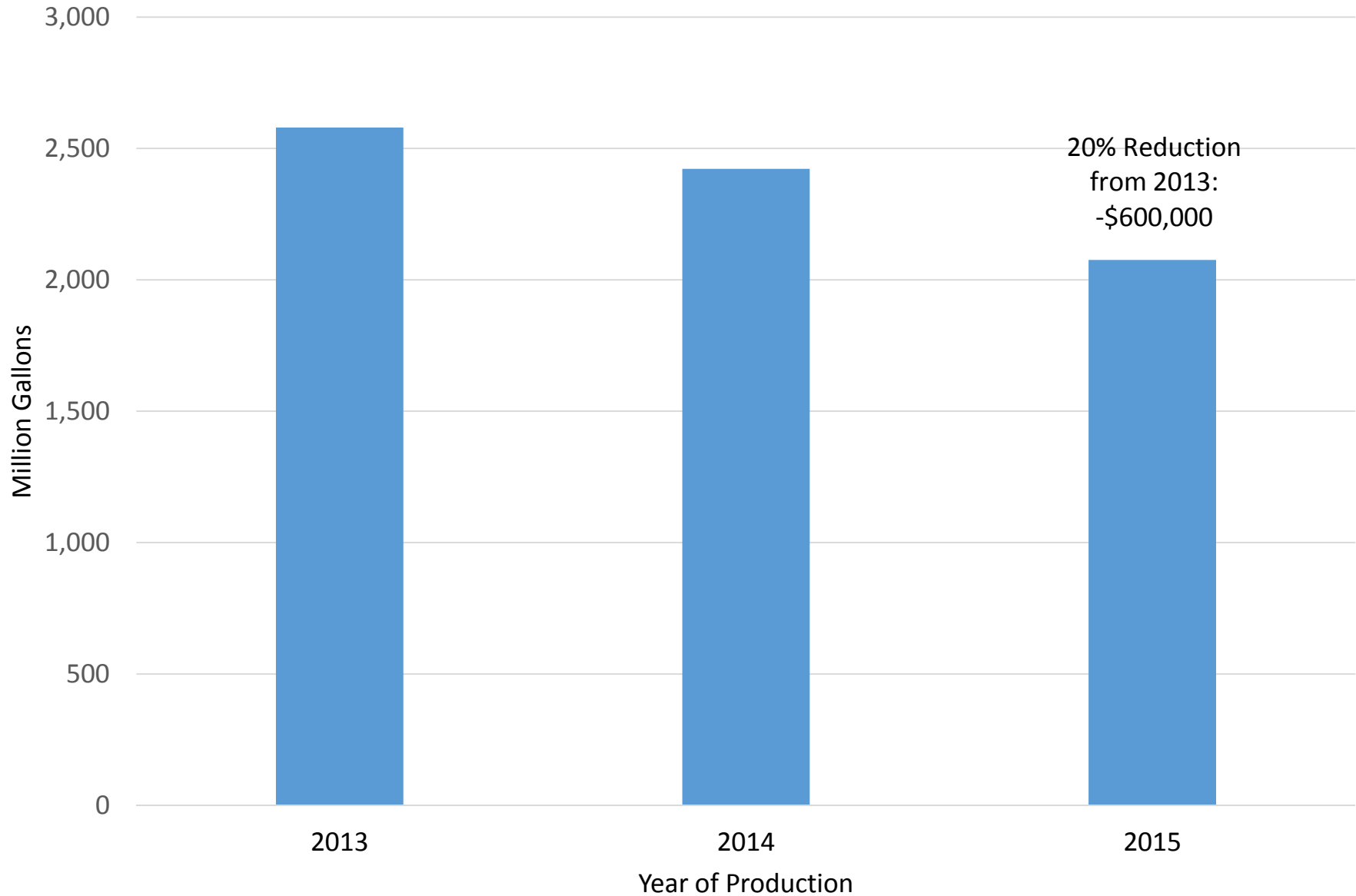
Rules:

1. May not charge a customer class more than it costs to serve them.
2. May not transfer revenue from an enterprise fund to another fund, unless there is a justified benefit to the enterprise fund.
3. May not charge tiered rates, unless you can justify costs associated with the higher tiered rates.

The Work

1. Evaluate existing rates, revenue, expense, and metering efficiency
2. Determine added cost for water system improvements
3. Determine customer classes
4. Community education and involvement
5. *Next Workshop:*
 - *Allocate operating costs to each customer class*
 - *Develop new rates (fixed monthly and volumetric)*

Annual Water Production and the Drought Factor



Less Costs More

The numerous costs to operate the water system are mostly fixed regardless of how much water is sold.

This means when ***less*** water is sold, each unit of water must ***costs more*** in order to cover the fixed costs.

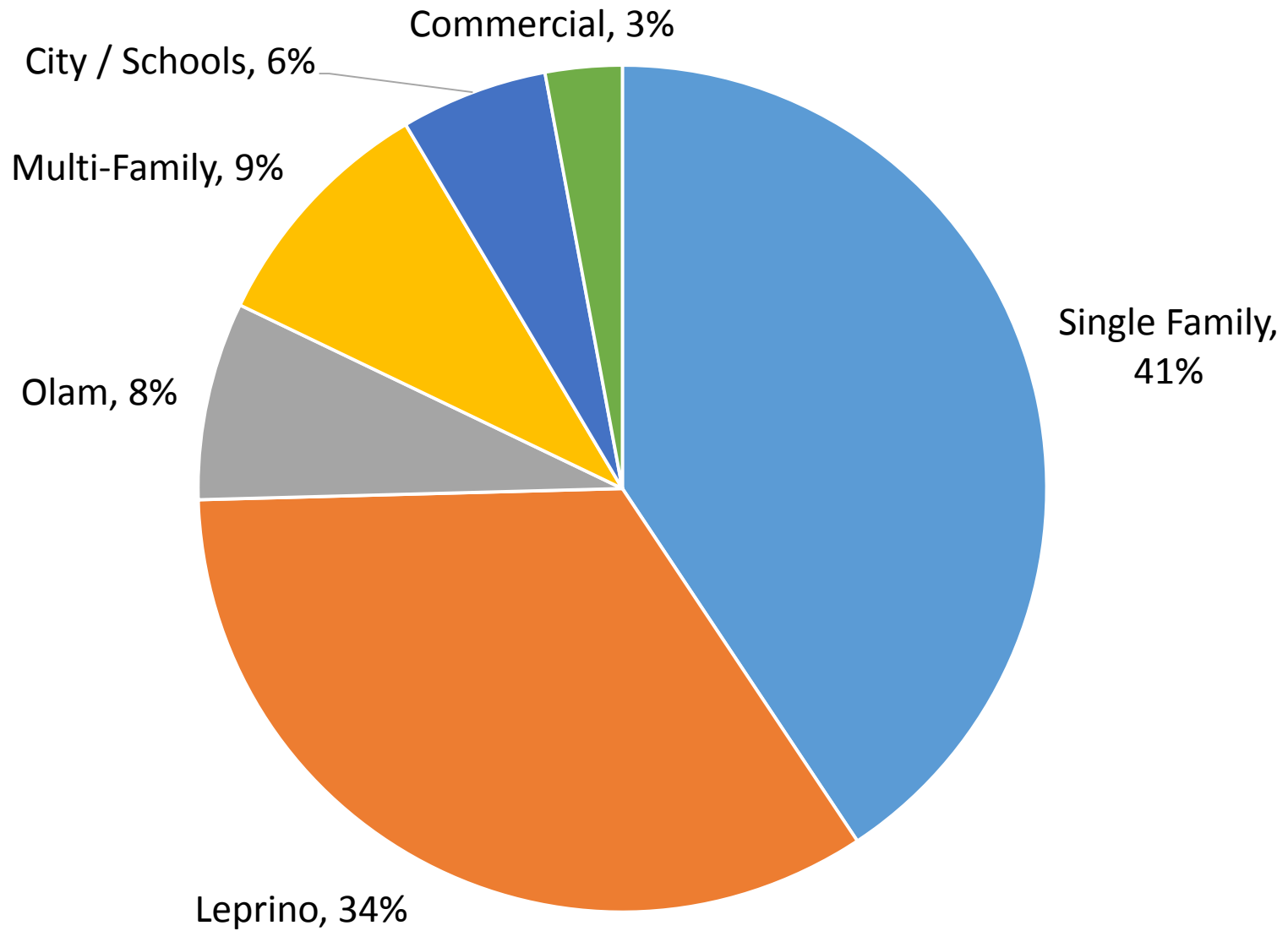
This effect is magnified when fixed costs are increasing at the same time volumes are decreasing.

7.48 gallons = 1 Cubic Foot

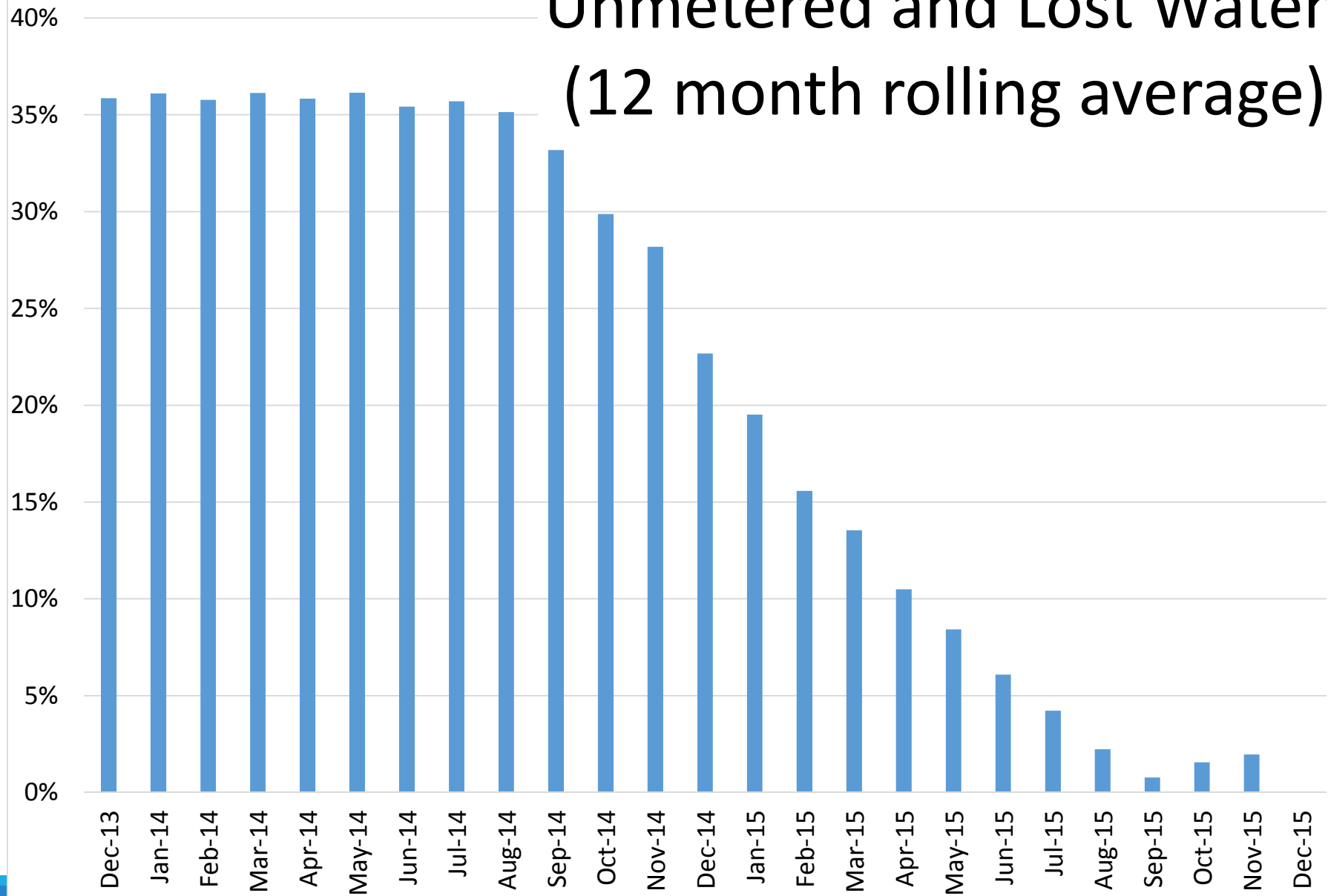
On your bill presently:

1 CCF “centum cubic feet” =
100 cubic feet =
748 gallons

2015 ALLOCATION OF WATER VOLUMES



Unmetered and Lost Water (12 month rolling average)



Existing Rate: Single Family

1. Minimum Charge: \$13.20 per month

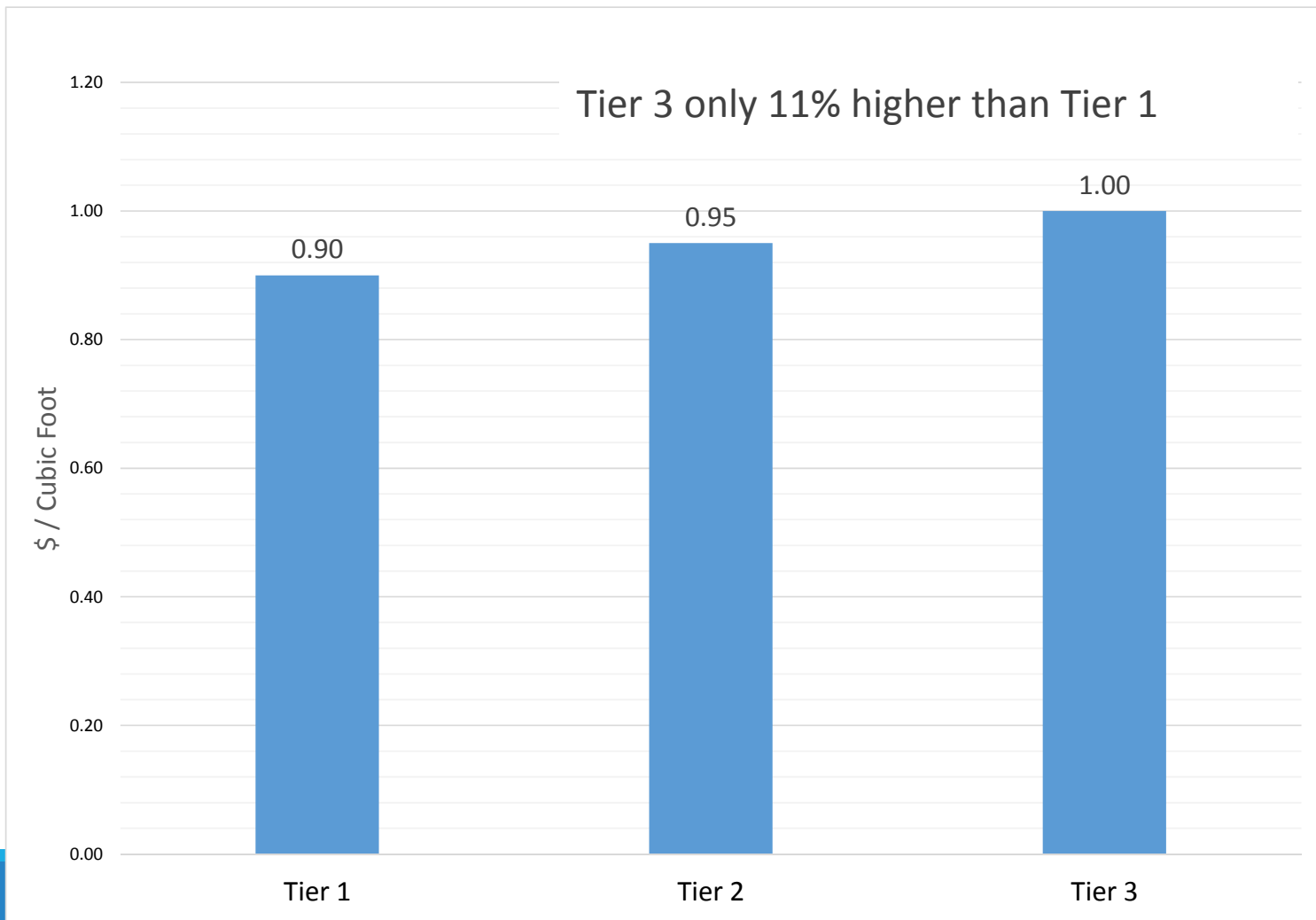
Includes 700 cubic feet (5,236 gallons)

2. Next 2,800 cu ft (20,944 gal): \$0.90 per hundred cu ft
3. Up to 5,600 cu ft (20,944 gal): \$0.95 per HCF
4. Above 5,600 cu ft (47,124 gal): \$1.00 per HCF

(City of Lemoore Resolution 2007-51)

Lemoore's August 2015 Single Family Average was 16,200 gallons

Existing Price Tiers



Single Family Summer Month: 15,000 gallons (Typical)

Minimum Monthly	\$13.20
Usage above 700 cu ft	<u>\$11.74</u>
Total	\$24.94

Cost for 15,000 gallons:

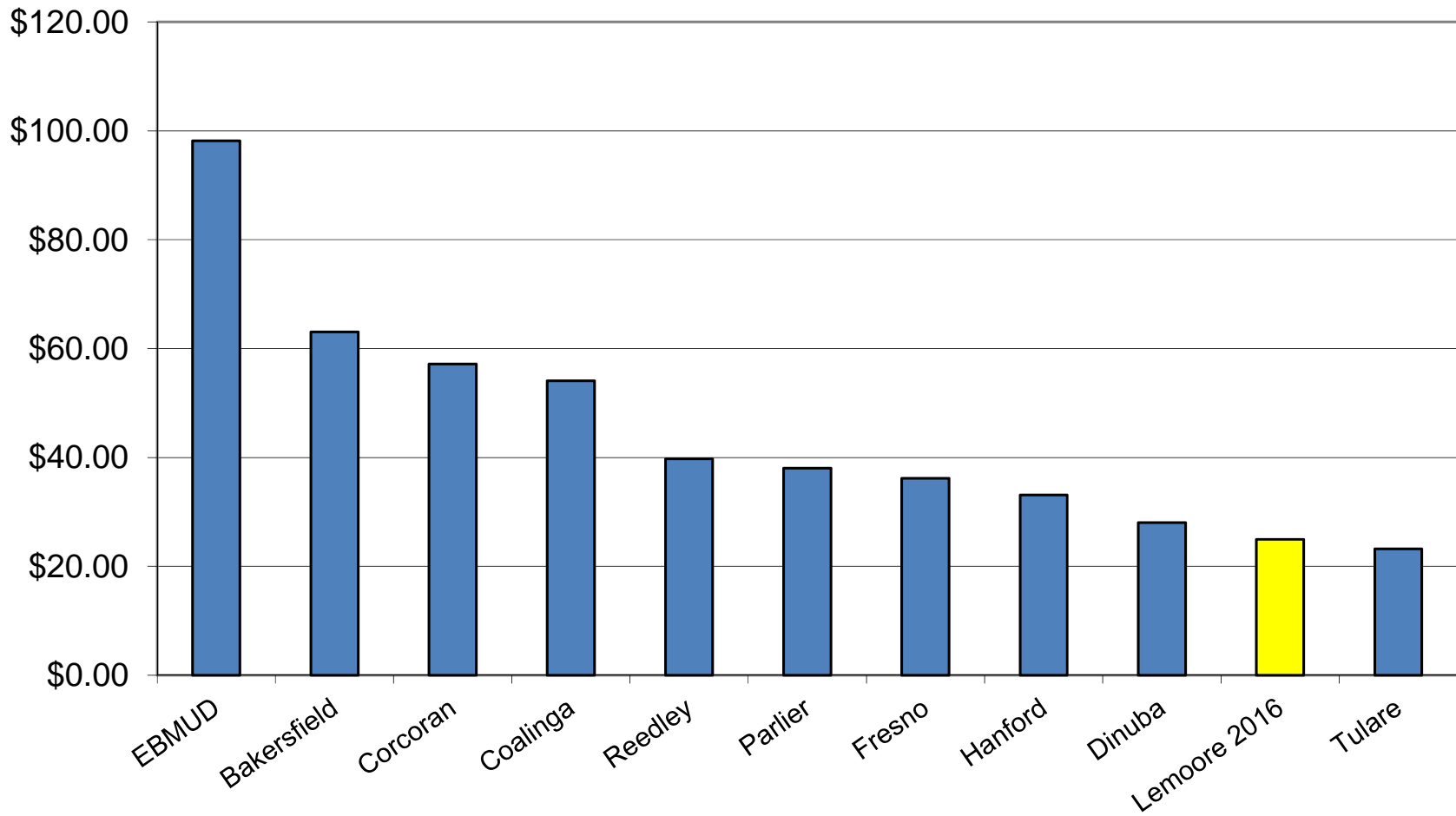
$$15,000 / 7.48 = 2,005 \text{ cu ft}$$

$$2005 - 700 = 1,305 \text{ cu ft}$$

$$13.05 \text{ HCF} \times \$0.90 \text{ per HCF} = \$11.74$$

Single Family Water Cost Comparison

Summer Typical: 15,000 gallons



Lemoore's 2015 August Average was 16,200 gallons

Existing Rates: Apartments and Mobile Home Parks

1. Fixed monthly cost per dwelling unit: \$6.55

Includes 300 cubic feet per unit

2. *Next 1,200 cubic feet per unit: \$0.90*

3. *Next 1,200 cubic feet per unit: \$0.95*

4. *Above 2,400 cubic feet per unit: \$1.00*

Existing Rates: Other Customers

Minimum monthly charge of \$13.20 including a fixed quantity of base water

Usage charge associated with three tiered rates

- Tier 1: \$0.90
- Tier 2: \$0.95
- Tier 3: \$1.00

(Approximately 60 customers left on flat rates)

LEMOORE WATER ENTERPRISE FUND

HISTORICAL REVENUE AND EXPENDITURES

		HISTORICAL			IN PROGRESS
		FY2013	FY 2014	FY 2015	FY 2016
Operating Revenues:					
Rate-Based Revenues		\$3,952,379	\$4,100,305	\$3,300,000	\$3,300,000
Late Fees, Svc Charges, Collections		\$75,197	\$75,568	\$75,000	\$75,000
Installation Charges		\$6,962	\$6,349	\$10,000	\$10,000
Interest Income		5,300	11,887	12,000	12,000
Total Revenues		4,039,838	4,194,109	3,397,000	3,397,000
Operation & Maintenance Expenses:					
Electricity - Pumping		\$998,000	\$958,824	\$719,000	\$550,000
Personnel		\$650,000	\$655,957	\$694,000	\$730,000
Contract Services		\$279,177	\$227,046	\$215,000	\$232,000
Chemicals		\$361,984	\$435,376	\$346,000	\$400,000
Parts and Supplies		\$127,774	\$120,132	\$277,000	\$300,000
Repair and Maint		\$162,000	\$218,062	\$161,000	\$164,000
Customer Services and Billing		\$269,528	\$275,143	\$277,000	\$283,000
Gen Government Overhead		\$742,000	\$406,268	\$527,000	\$530,000
Debt Service Solar Related		\$0	\$163,339	\$573,000	\$430,000
Total Adjusted Expenses*		\$3,590,463	\$3,460,147	\$3,789,000	\$3,619,000
Net Revenue From Water Operations		\$449,375	\$733,962	(\$392,000)	(\$222,000)
* Excludes depreciation					

Existing Debt and Available Cash

- One loan outstanding to Pinnacle Public Finance in the amount of \$7,068,000 associated with Solar Power installations
- Water Enterprise owes Sewer Enterprise \$1.9 million inter-fund loan
- Payments are \$430,000 per year (Water's 75% share), which is offset by electricity savings for water
- Current Assets are about \$5 million. Healthy.

Nathan Olson

Public Works Director

City of Lemoore

Water Supply Projects North Well Field



North Well Line Replacement

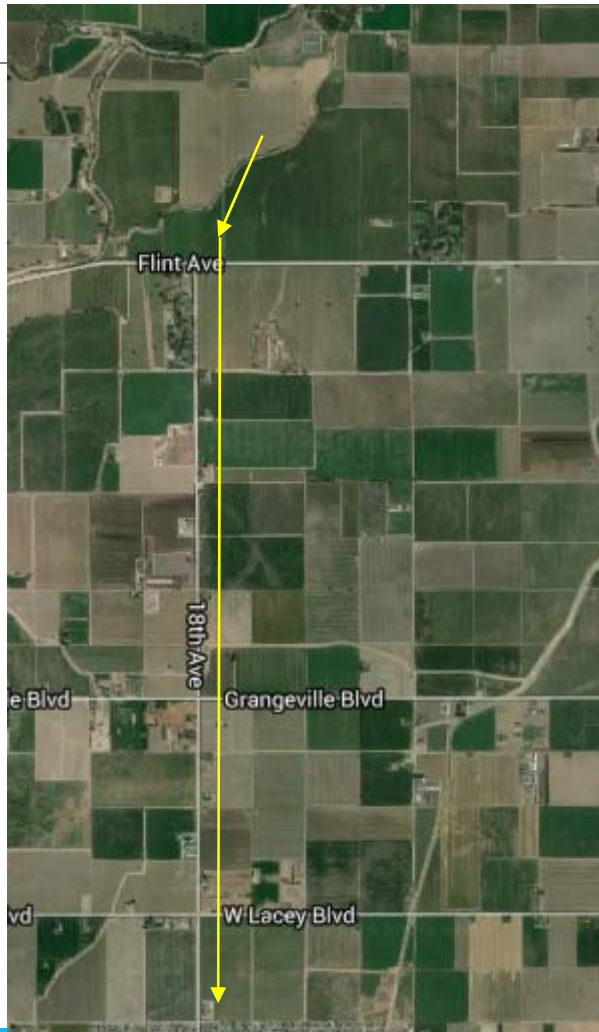


36-inch PVC pipes installed at treatment plant



North Well Line

\$5,950,000 CIP



TTHM Compliance Project



\$18,379,500 CIP

TTHM Compliance Project Treatment Areas

Current Locations recommended

- 40 G Street (treats North Well Field)
- Well Site 7 (treats wells 7, 13, and 14)
- Well Site 10
- Well Site 11
- Well Site 12

Future Sites

- New South Well

New South Side Well



- Provides additional water capacity
- Assists in correcting low pressure situation to the south of 198.
- New well will replace Well 8 that collapsed in 2015.

\$3,525,000 CIP

New North Side Well



- Additional water capacity and helps support peak demand

\$4,056,000 CIP

Additional Tank Well 7



- Provides additional water capacity and helps support peak demand.
- Provides additional 1 million gallon storage needed for continued growth of west side.

\$1,100,000 CIP

Summary Water CIP Costs

CIP Project	Cost
North Well Transmission Line	\$5,950,000
TTHM Compliance	\$18,379,500
New South Side Well	\$3,525,000
New North Side Well	\$4,056,000
Additional Tank Well 7	\$1,100,000
Total	\$33,010,500

Misc. projects (20) total additional \$3,539,300 to 5 year CIP

Major Projects and Repair

- Most significant cost is filtering of ALL water
- Next is pipeline replacement, well and tank additions
- This level of water system expenditure in Lemoore is unprecedented
- This workshop is the beginning of the formal process

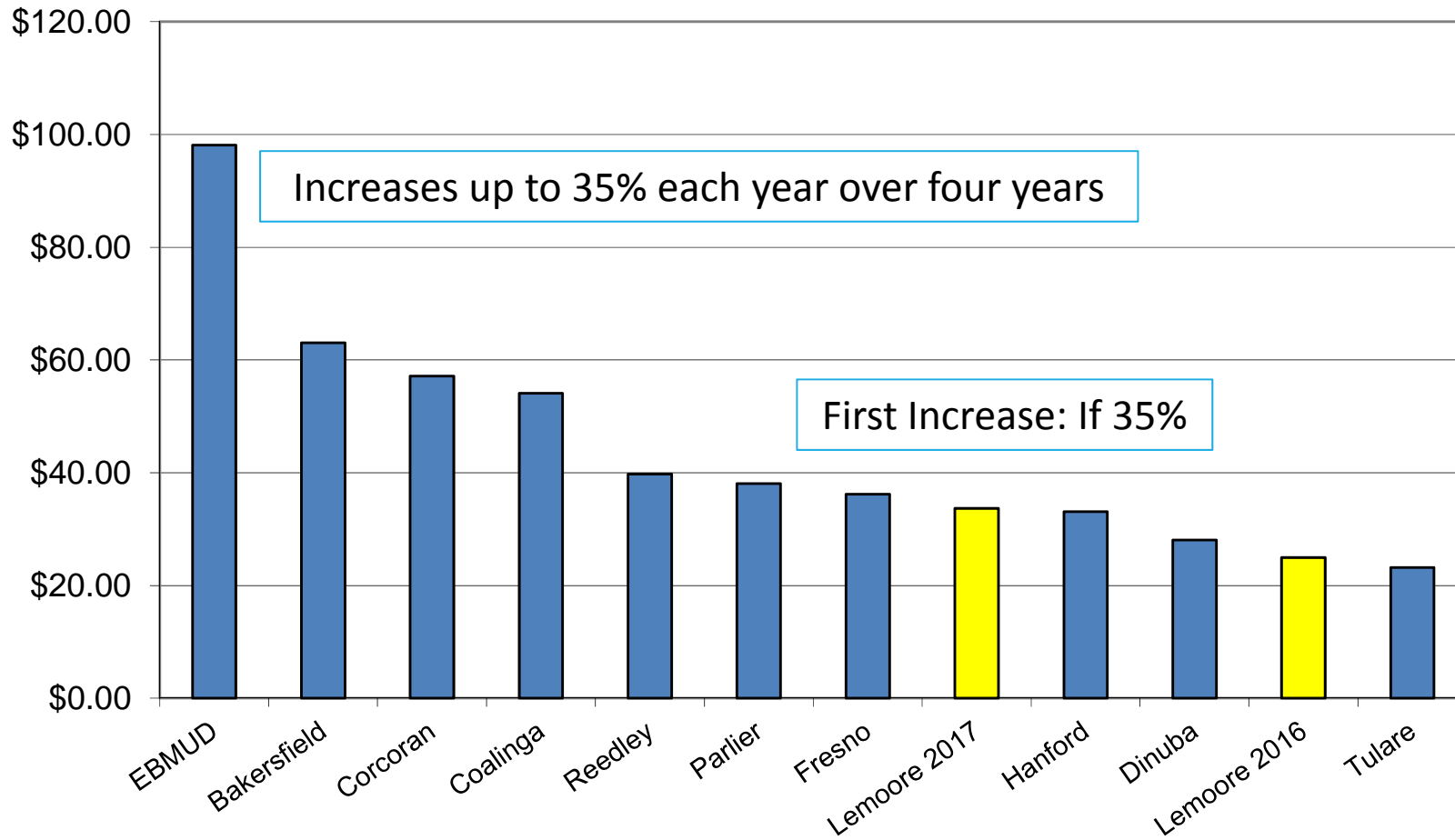
Annualized Cost for Improvements, “Ballpark”?

Annual payments for bond finance:	\$1.7 million
Maintenance and operations for filters:	<u>\$2.5 million</u>
Total, per year	\$4.2 million
Compare to existing total expenses:	\$4.0 million

The added costs are nearly equal to the total of existing expenses!

Single Family Water Cost Comparison

Summer Typical: 15,000 gallons



Review

1. Conservation has reduced revenue. Rate increase needed soon just to recover adequate revenue.
2. Metering successful, almost done
3. Existing rates nearly lowest in the valley
4. Water enterprise debt is small and fund balance healthy
5. SIGNIFICANT costs coming for system improvements
6. Recommend gradual rate increases over several years

Proposed Schedule

March 15	Workshop #1: Introduction
April 19	Workshop #2: Present new rates and update
May 3	City Council: Approve issuance of Prop 218 Notice
July 5	City Council: Rate Hearing
Jan 1, 2017	New Rates in effect

Next Steps

- City Council Feedback
- Information and coordination with our customers
- Pilot testing of filtering approach
- Continue to refine economic model
- Present new rates at next workshop
- Beginning steps of funding options

Community Involvement

Those interested in participating in a citizen advisor group or if folks simply have questions:

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City Clerk
(559) 924-6705
Email: cityclerk@lemoore.com