Palmdale Water District

2015 Budget Workshop

November 21, 2014

Overview of 2015 Budget Presentation

- What Has and Will a Budget Fund?
- Review the Approved 2014 Water Rate Restructure and Rate Plan
- What is the 2015 Budget Proposal?
- Are Funds Being Used Efficiently?
- Why is Replacing Water Mains, Meters, and Equipment Important?

What Has and Will a Budget Fund?

First and Foremost Purpose and Responsibility is to:

Provide High Quality Water to Our Current and Future Customers at a Reasonable Cost

How does the District Work to Fulfill its Mission?

Highlights of 2014 Activities

Review of 2014 Strategic Plan Initiatives and 2015 Projects

Highlights of 2014 District Activities

- ✓ **Completed Water Rate Restructure and Five-Year Water Rate Plan;**
- ✓ **Adopted an Updated, Relevant Strategic Plan;**
- ✓ **Continued work in Littlerock Creek Recharge and Recovery Feasibility Study;**
- ✓ **Responded to Governor's Declaration of Drought by implementing water conservation measures, obtaining additional water supplies, and implementing contingency measures;**
- ✓ **Replaced 26,018 feet, or 4.93 miles, of leaking water mains and responded to 174 mainline leaks in the water system;**
- ✓ **Continued Organizational Assessment Improvements;**
- ✓ **Substantially completed transition to using more technology in the field to increase efficiency;**
- ✓ **Approved 10-year GAC purchase contract to reduce future GAC costs at the Leslie O. Carter Water Treatment Plant;**
- ✓ **Maintained Departmental Expenses *Below* 2008 Level.**

Highlights of 2014 Strategic Plan and 2015 Projects

Initiative 1) Outstanding Water Management



- Water Conservation Education
- Littlerock Reservoir Sediment Management
- Littlerock Creek Groundwater Recharge and Recovery Study
- Palmdale Recycled Water Authority – Recycled Water Use
- 2015 Urban Water Management Plan

Initiative 2) Increased Efficiency



- Standardized Project Management and Reporting
- Outsourcing Payroll and Re-utilizing Staff
- Optimizing Use of Mobile Technology

Initiative 3) Infrastructure



- Update Security of Facilities
- Update Water System Master Plan
- Water Main and Meter Replacements

Highlights of 2014 Strategic Plan and 2015 Projects

Initiative 4) Regional Leadership



- Increased Communications/Publications
- Utilization of Intern Programs
- Sharing Technical Knowledge
- Active Participation in Regional Efforts
  - AVIRWMP, AVSWCA, PRWA, AV Water Partners, etc.
- Implementing Improved Water Budget Rate Structure

Initiative 5) Exceptional Customer Service



- Staff Performance Management
- Additional Payment Options and Locations
- Improving Customer Service Policies and Experience

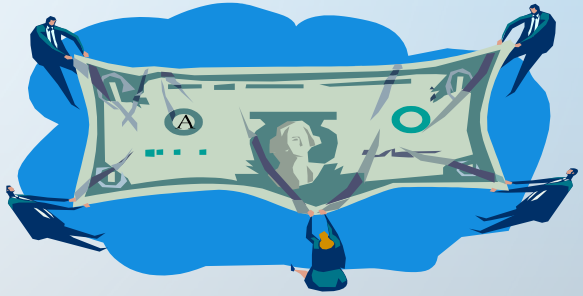
Review of the Approved 2014 Water Rate Restructure and Rate Plan

- All Meters 1” and Smaller have Same Monthly Charge
- New, Lower Tier 1 to Better Reward Water Conservation
- Additional Variances to Accommodate Customers
- Increased History Used for Multi-Family and Commercial Customers
- 5-Year Running Average Used for Water Quality Charge Reducing it by $0.06
- Provides Funding for Asset Investment
- Funding is Balanced Between Cash and Long-Term Financing
- Maintains Minimum Debt Coverage Ratio to Protect Bond Rating
- Determined Drought Stage Surcharges if Needed to Protect Bond Covenant Compliance
- Anticipates Outside Cost Increases (Utilities, Chemicals, etc.)
- Maintains Safe Reserve Levels Throughout 5 Year Plan

(Reaches Reserve Policy Goal of $16.2 M By 2024)

Summary of 2015 Budget Proposal

- **Follows First Year of Approved 2014 Rate Plan**
- **Cuts $1.9M, 6.2%, from Approved 2014 Budget**
- **Funds Maintaining the District's (Customer's) Assets**
  - **Balancing of Short-Term and Long-Term Customer Impacts**
- **Manages Reserves for Financial Stability**
  - **Conservative Estimates (Water Sales, etc.)**
- **Compliance with Bond Covenants**
- **Effect on Customers**
  - **Effective District-Wide Revenue Change of 3.5% from 2014 Due to Rate Restructuring and Water Quality Changes**
  - **Projected 2015 Revenues 0.5% less Than Audited 2013 Revenues**



2015 Budget Proposal

- **Funds Maintaining the District's (Customer's) Assets**

  Investment in District Assets for Long-Term Reliability and Cost Control

  $2,883,500 for 2015 Projects for Equipment and Meter Replacements, etc.

  $3,816,236 in 2013A Bond Funds for 2015 Projects Replacing Long-Term Assets and Water Supply

  Example: 4% Higher Water Losses than Normal = $417,000 Lost Annual Revenues

- **Compliance with Bond Covenants**

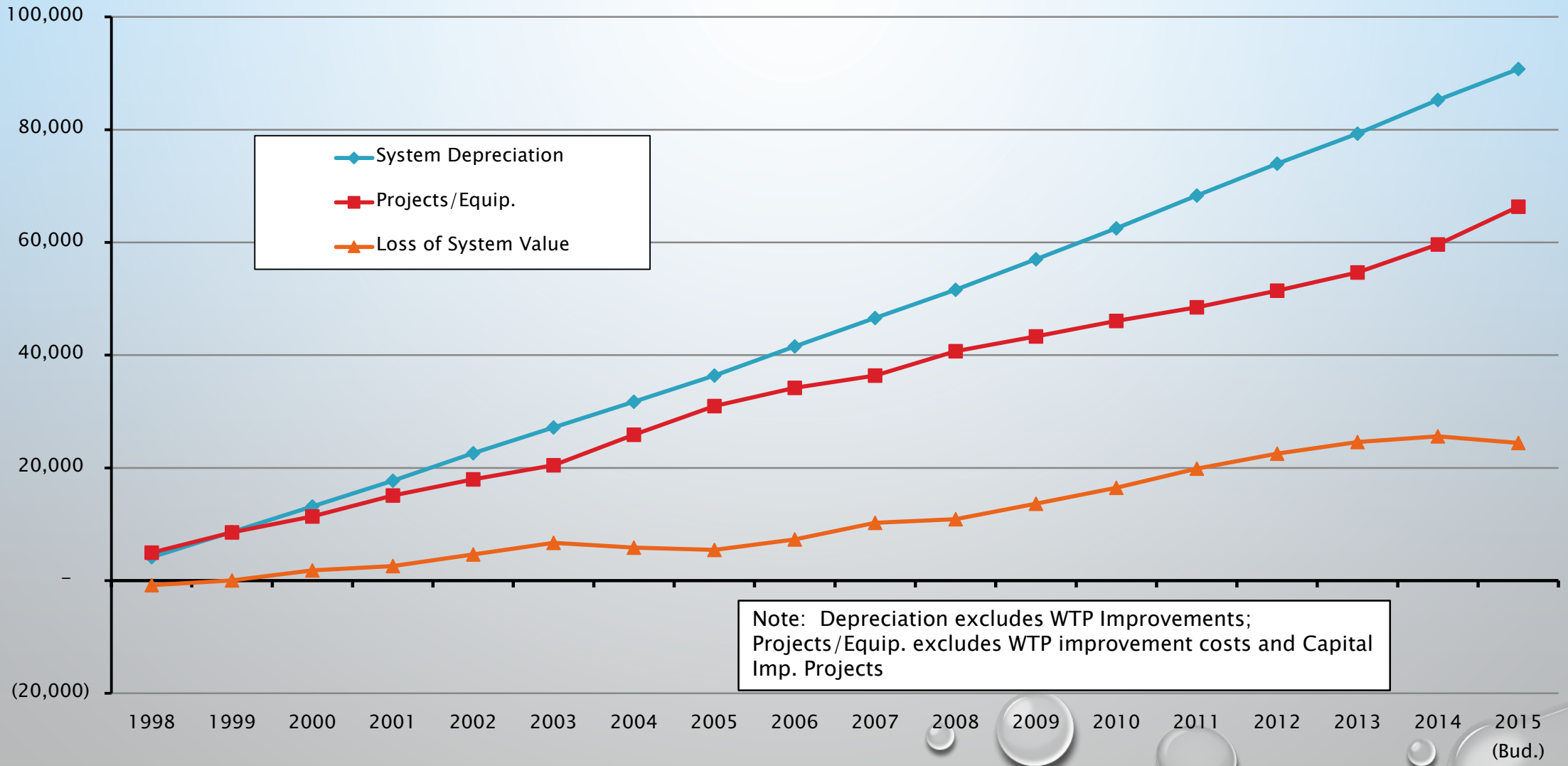
  Maintains Rate Stabilization Fund

  Debt Coverage Ratio (1.10 Required) = 1.26

  Maintains the Current Bond Rating and Opportunity for Higher Rating

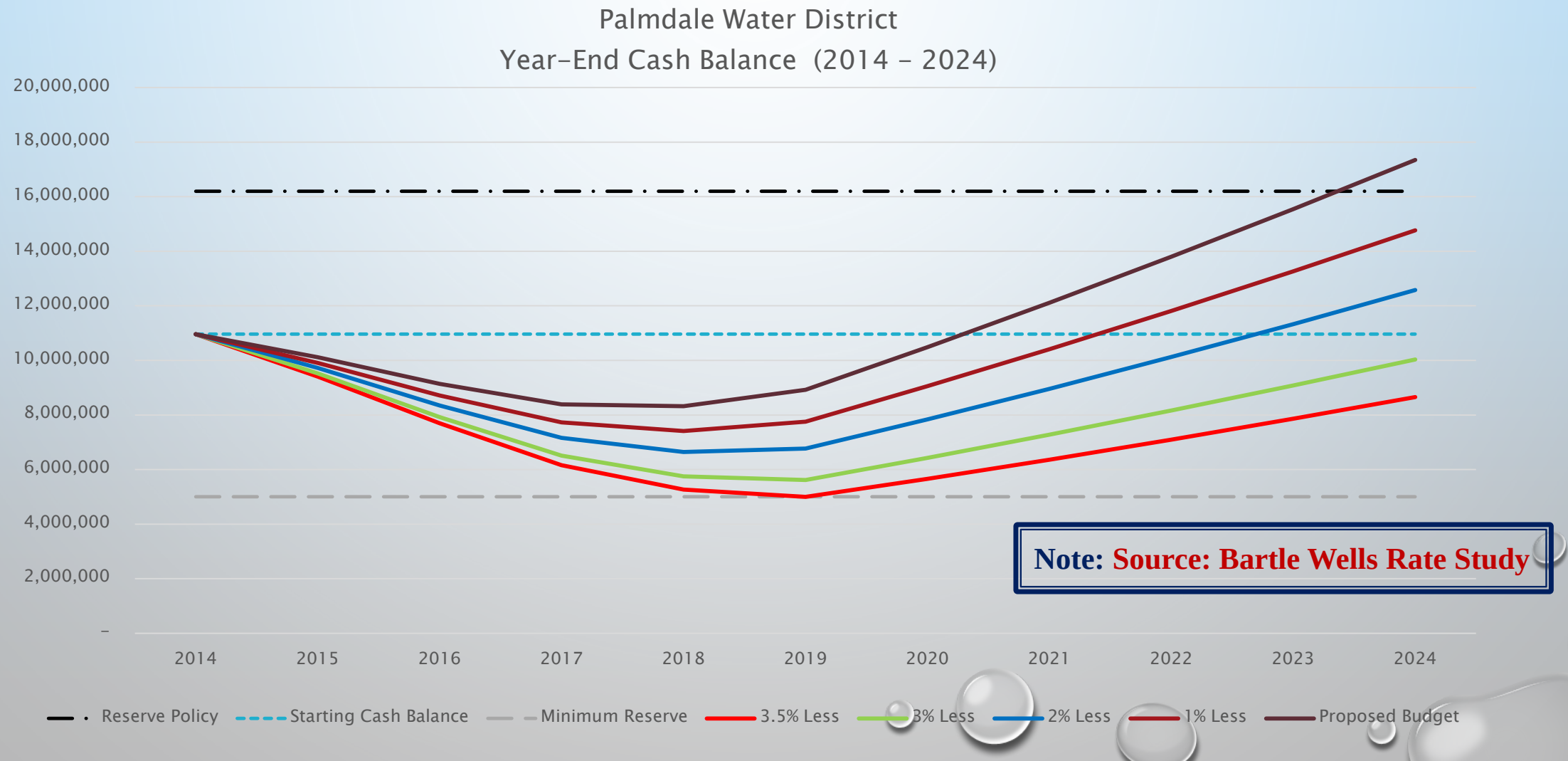
  Important for Lowest Cost of Future Financing of Facilities and Water Supplies

Relative Property, Plant, and Equipment Value ($1,000)



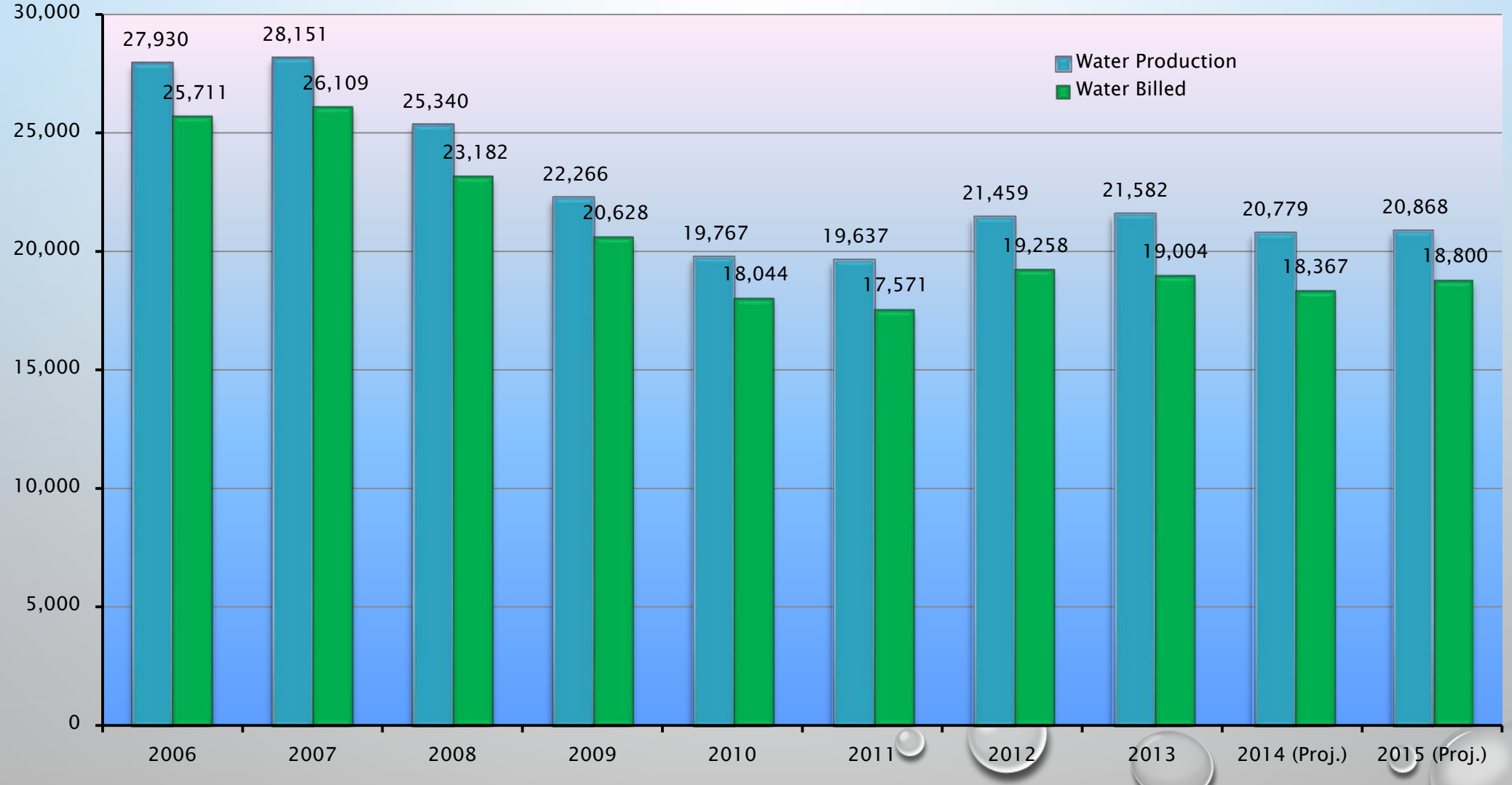
2015 Budget Proposal

- **Manages Reserves for Financial Stability**



Note: Source: Bartle Wells Rate Study

2015 Budget Proposal



2015 Budget Proposal

Effect on Customers

- **New Tier 1 Promoting and Rewarding Conservation**
- **New Water Quality Charge Calculation**

  Decreases W.Q. Charge from $0.20 to $0.14 Per Unit of Water

  Effectively Decreases Tier 1 Rate By $0.02/Unit from 2014

- **Change in Monthly Meter Charges:**

Meter	Former	Approved Rate Plan	Budget Proposal
5/8”	$27.51	$31.27	$32.99
1”	$52.26	$31.27	$32.99

- **Implementation of Rate Assistance Program for 5/8” Increase**

  Provides $160,000 Collected in 2014 for 2015 Program

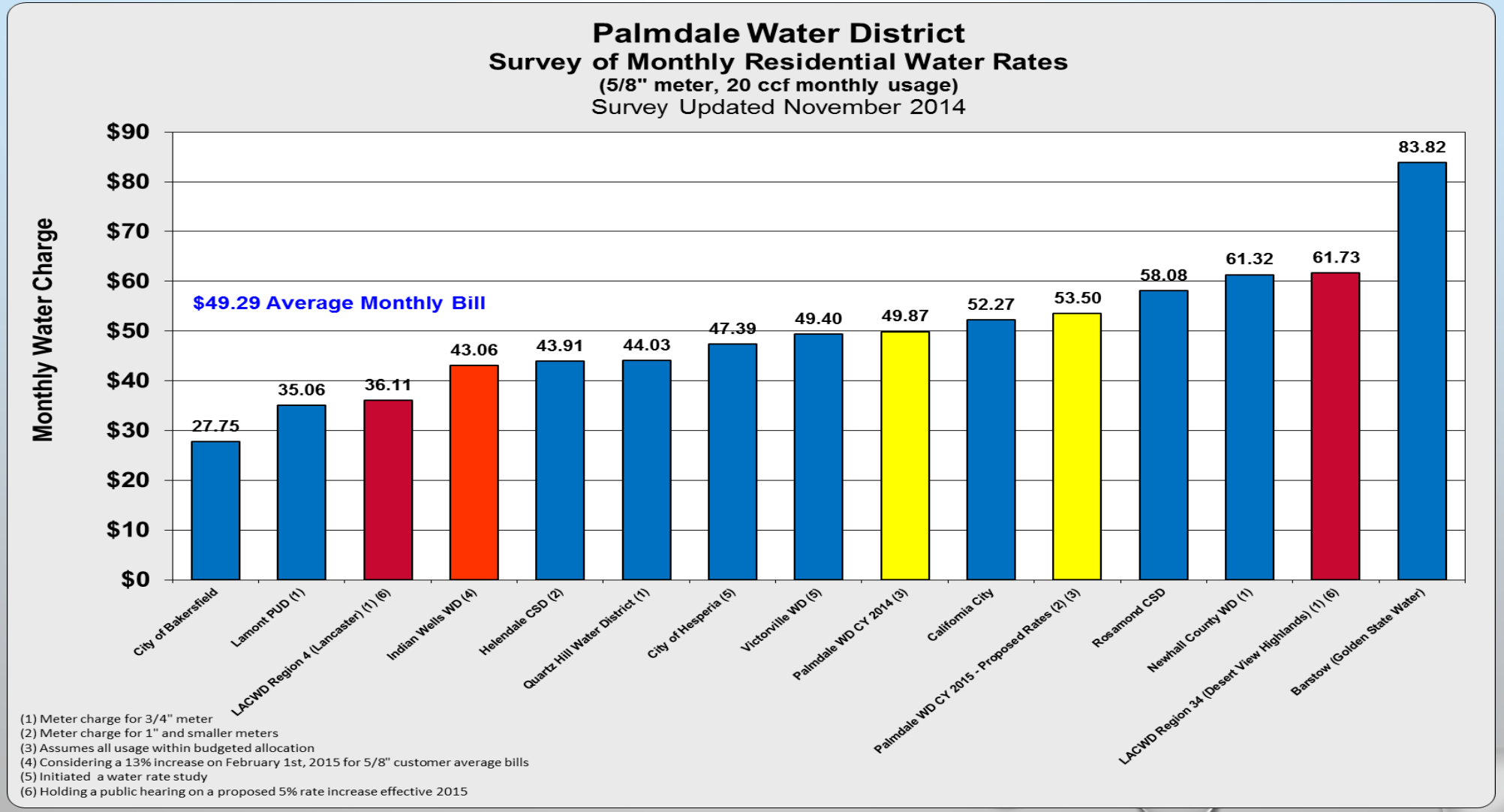
  Can Assist as many as 2,433 Customers with Monthly Meter Charge Increase of $5.48

  First Priority is Seniors; Maximum Monthly Assistance of $16.50

  Sets Aside an Estimated $180,000 from 2015 Operational Use to Fund 2016 Program

2015 Budget Proposal

Effect on Customers: How Does Proposed PWD Water Rate Compare?



(1) Meter charge for 3/4" meter
(2) Meter charge for 1" and smaller meters
(3) Assumes all usage within budgeted allocation
(4) Considering a 13% increase on February 1st, 2015 for 5/8" customer average bills
(5) Initiated a water rate study
(6) Holding a public hearing on a proposed 5% rate increase effective 2015

2015 Budget Proposal

Effect on Customers: How Does Proposed PWD Water Rate Compare? (cont.)

Monthly Bill Comparisons for the Month of July, 2014

Example PWD Accounts:

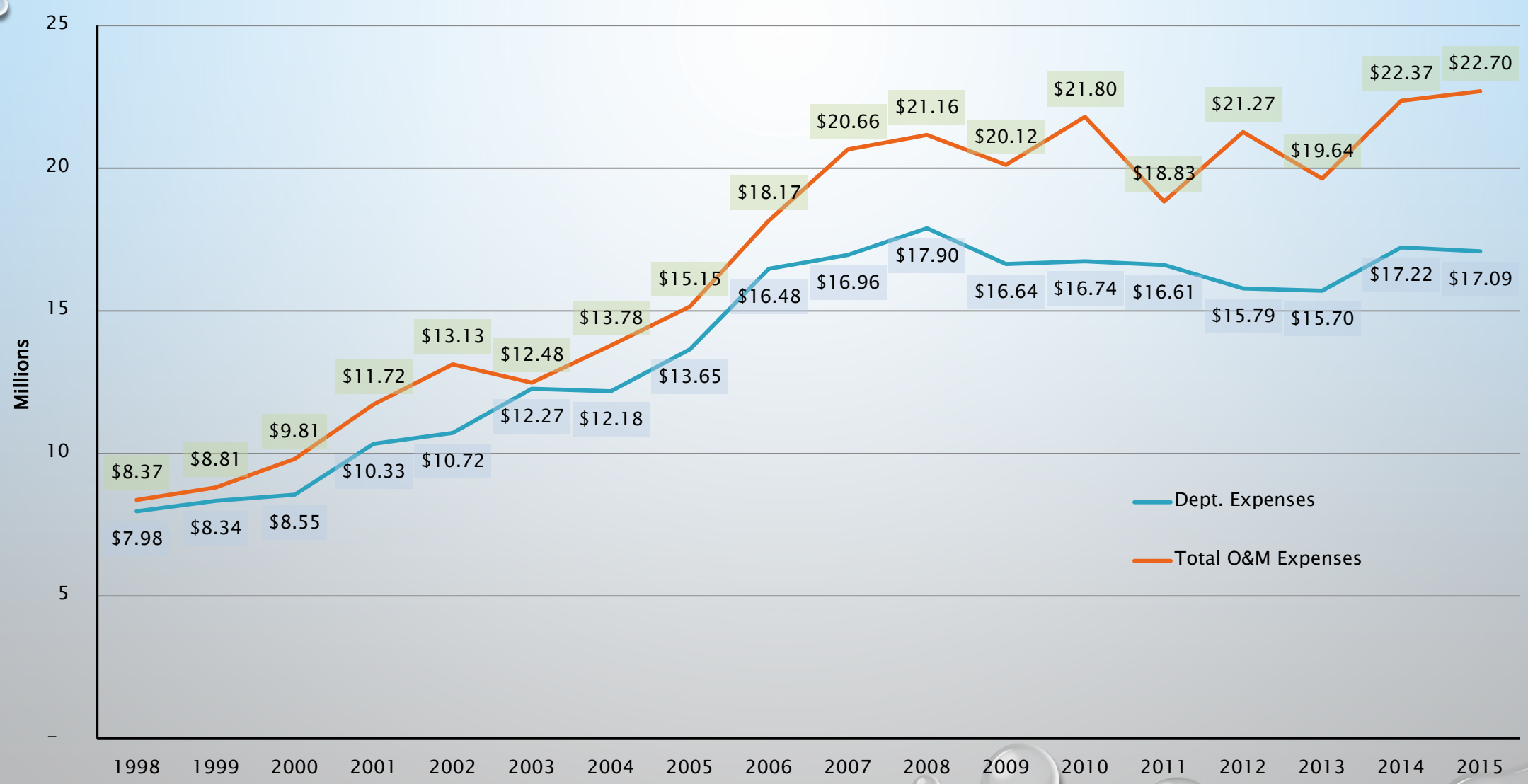
Description	2014 Bill	Budget Proposal
5/8” Commercial	$188.91	$174.71
1” Commercial	$175.95	$172.20
Multi-Meter Commercial	$1,682.40	$1,886.89

Comparison with LACWW, Region 4 (Lower than Region 34) in West Palmdale:

Location	PWD Budget Proposal	Exist. LACWW	Prop. LACWW
Pelona Vista Park	$8,981.40	$11,610.13	$12,190.65
Marie Kerr Park*	$24,597.16	$30,535.63	$32,062.41

* If served by PWD

Are Funds Being Used Efficiently?



Why is Replacing Mains, Meters, etc. Important?

- Affects the Reliability of Service to Customers
- Aging of Property, Plant, and Equipment
- High Cost of Deferred Maintenance
- Control Lost Water/Revenues and Need for Future Rate Increases
- Water Main Replacement Status
- Summary of Water Meter Ages





Why is Replacement Important?

- **Running to Failure Costs at Least *15:1* Over Spending on Maintenance (David Todd Gleason)**

- **District Example:**

  Water Main: Sumac from Q-3 to Q-7 (~1,100')

  159 Leaks from 2008 to 2013 = $238,500

  Replacement Cost = $120,000

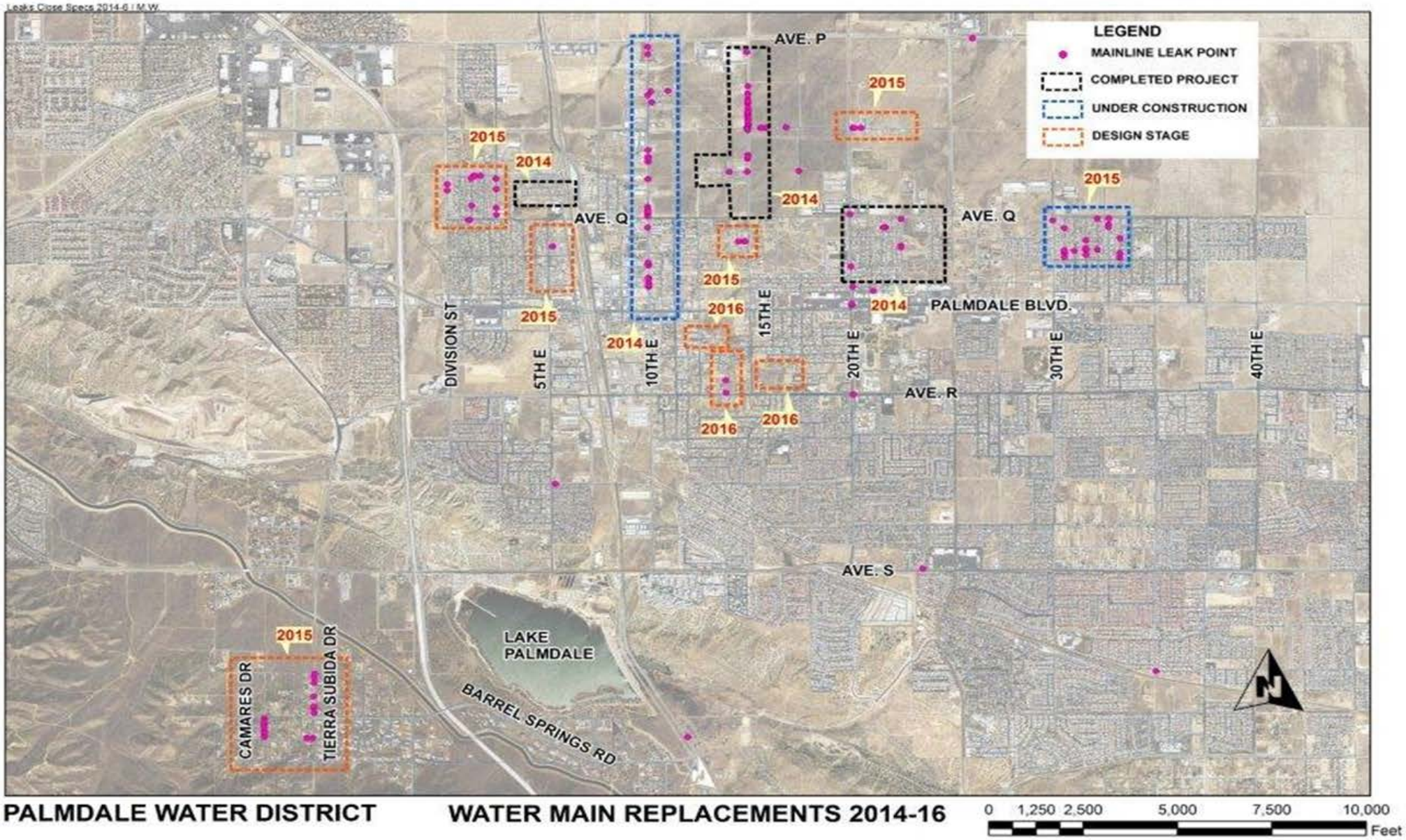




Annual Mainline Leaks (2006 – 2014)

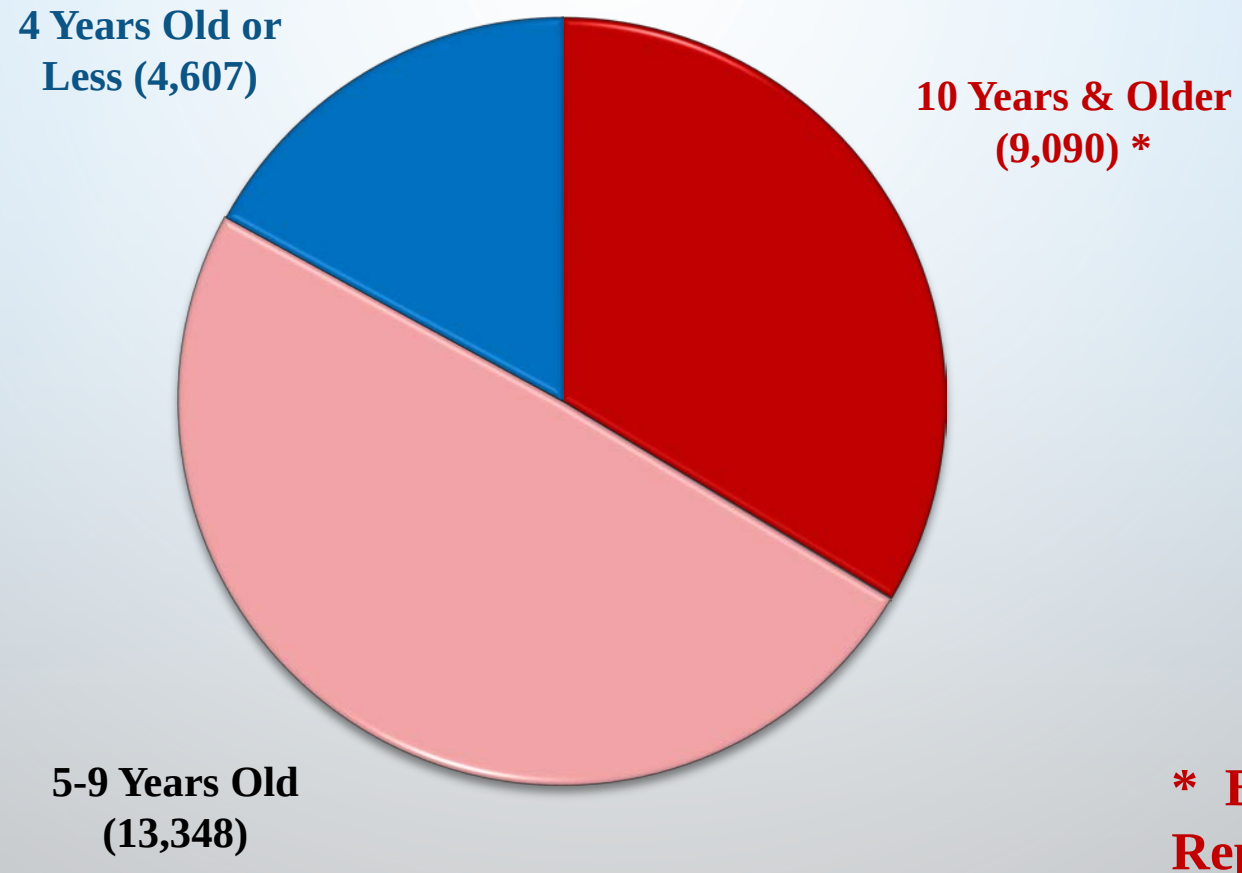


(Average Leak Repair Cost = $1,500)



26,018 Feet or 4.93 Miles Replaced in 2014; 21,600 Feet or 4.09 Miles Planned Replacements in 2015

Summary of Water Meter Age (2014)



* Budget Proposal Replaces 8,652 of These Meters

Questions and Discussion