

November 25, 2015

Palmdale Water District
Board Meeting

Agenda Item No. 7.1

2016 Budget

Presentation Overview

- A New Perspective
- Background on Water Rate Planning
- Current and Future Challenges
- Basis for 2016 Budget
- Alignment with Strategic Plan
- Questions and Review of 2016 Budget



A New Perspective

- Change the format and presentation of the District's budget
- Align the financials to match the District's annual audit
- Simplify the direction based on budget
- Make it user friendly



Background on Water Rate Planning

Bartle Wells Associates

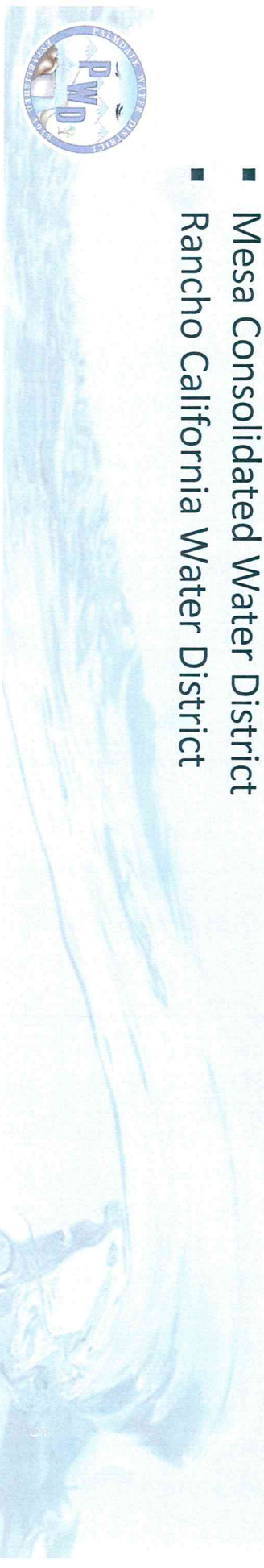
Bartle Wells utility rate and fee studies employ a cost-of-service approach and are designed to support long-term financial stability while being fair to all customers. They have completed over 2,000 utility rate and fee studies and are knowledgeable about the legal requirements governing rates and development impact fees.



Bartle Wells Associates has advised over 500 public agency clients on the complexities and challenges in public finance. Clients include cities, counties, and special districts throughout California and the western United States.

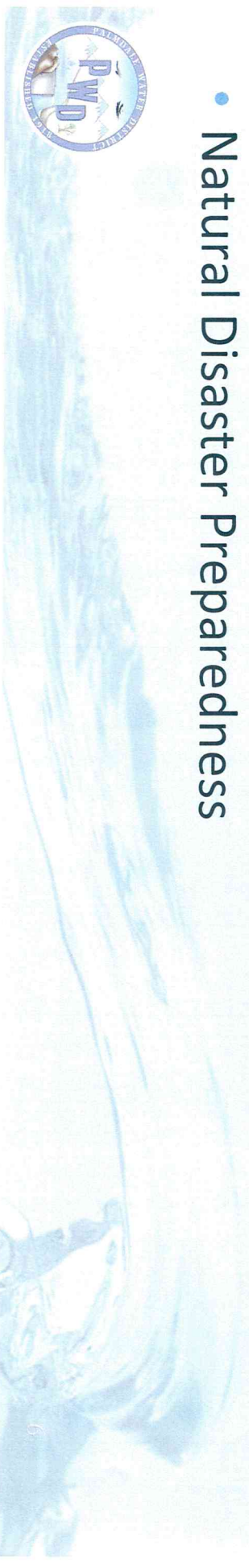
Notable Clients:

- City of Palmdale
- City of Lancaster
- Los Angeles County
- Cucamonga Valley Water District
- Las Virgenes Municipal Water District
- Yorba Linda Water District
- Olivenhain Municipal Water District
- Western Municipal Water District
- Castaic Lake Water Agency
- Mesa Consolidated Water District
- Rancho California Water District



Our Current and Future Challenges

- Aging Infrastructure
- State Mandated Water Restrictions
- Climate Change
- Prolonged Droughts
- Population Growth / Increased Water Demand
- Groundwater Adjudication
- Changing Water Quality Regulations
- Water Competition
- Natural Disaster Preparedness



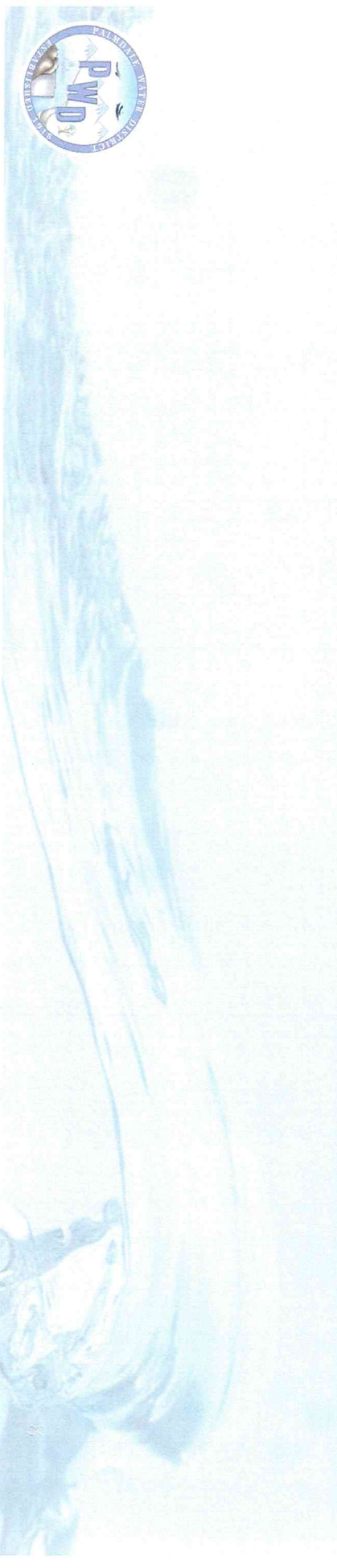
The Plan 2016 – Commodity Rate (\$/ccf)

	Current	CY 2016	CY 2017	CY 2018	CY 2019
Tier 1	0.75	0.79	0.83	0.88	0.93
Tier 2	0.86	0.91	0.96	1.01	1.07
Tier 3	2.43	2.56	2.70	2.85	3.01
Tier 4	3.66	3.86	4.07	4.29	4.53
Tier 5	4.73	4.99	5.26	5.55	5.86
Tier 6	6.08	6.41	6.76	7.13	7.52



The Plan 2016 – Fixed Monthly Service Charge (\$/Mo.)

	Current	CY 2016	CY 2017	CY 2018	CY 2019
1" and Smaller	32.05	33.81	35.67	37.63	39.70
1.5"	96.15	101.44	107.02	112.91	119.12
2"	147.45	155.56	164.12	173.15	182.67
3"	267.14	281.83	297.33	313.68	330.93
4"	438.13	462.23	487.65	514.47	542.77
6"	865.61	913.22	963.45	1,016.44	1,072.34
8"	1,378.58	1,454.40	1,534.39	1,618.78	1,707.81
10"	1,977.06	2,085.80	2,200.52	2,321.55	2,449.24



The Plan 2016 – Water Quality and Elevation Fees

	CY 2014	CY 2015	CY 2016
Water Quality Fee (\$/ccf)	0.20	0.14	0.13
Elevation Booster Surcharge (\$/ccf)			
Base	-	-	-
Zone A1	0.13	0.12	0.10
Zone A2	0.41	0.44	0.48
Zone A3	0.89	0.97	1.06



How do we compare

- Competitive Monthly Service Charges
- Board took steps in 2014 to align all 1” and smaller meters
- Blended average for other water purveyors is \$34.93 (excludes Cal Water)
- Truly difficult to compare other water purveyors to District
- Service offerings the biggest difference
- State of California water agency audit and Fitch Ratings



2016 Budget

OPERATING REVENUES:

Water consumption sales
Monthly meter service charge
Water quality fees
Elevation Fees
Other water service charges

TOTAL OPERATING REVENUES:

OPERATING EXPENSES:

Source of supply - purchased water
Administration
Finance and customer care
Engineering
Facilities
Operations and production
Water conservation

TOTAL OPERATING EXPENSES:

CY 2015 BUDGET	CY 2016 BUDGET	% Change
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\$ 8,775,500	\$ 7,505,000	(14.5%)
11,506,000	12,253,000	6.5%
1,146,500	934,500	(18.5%)
525,000	400,000	(23.8%)
1,350,000	860,000	(36.3%)

\$ 23,303,000	\$ 21,952,500	(5.8%)
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\$ 3,696,500	\$ 2,609,500	(29.4%)
4,007,450	4,863,100	21.4%
3,390,225	3,185,500	(6.0%)
1,435,755	1,485,650	3.5%
7,310,525	7,454,250	2.0%
2,959,000	2,906,250	(1.8%)
543,500	564,750	3.9%

\$ 23,342,955	\$ 23,069,000	(1.2%)
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Alignment With Strategic Plan

- Internship Program
- Removal of Sediment from Littlerock Reservoir
- Long Term Water Supply Reliability
- Recycled Water Projects
- CMMS Software
- Outreach Events/Marketing
- Reserve Levels
- Water System Maintenance Projects
- Conferences and Training including Succession Planning (Non-safety/non-legislative for Board and Employees)
- Rate Assistance Program
- Investment in Staff, Tools and Infrastructure
- Cash for Grass Program and Rebates
- Continued Improvements with Customer Care Department
- Water Rates – Sustainable and balanced rate structure



Questions and Review of 2016 Budget

