



Point Roberts Water District

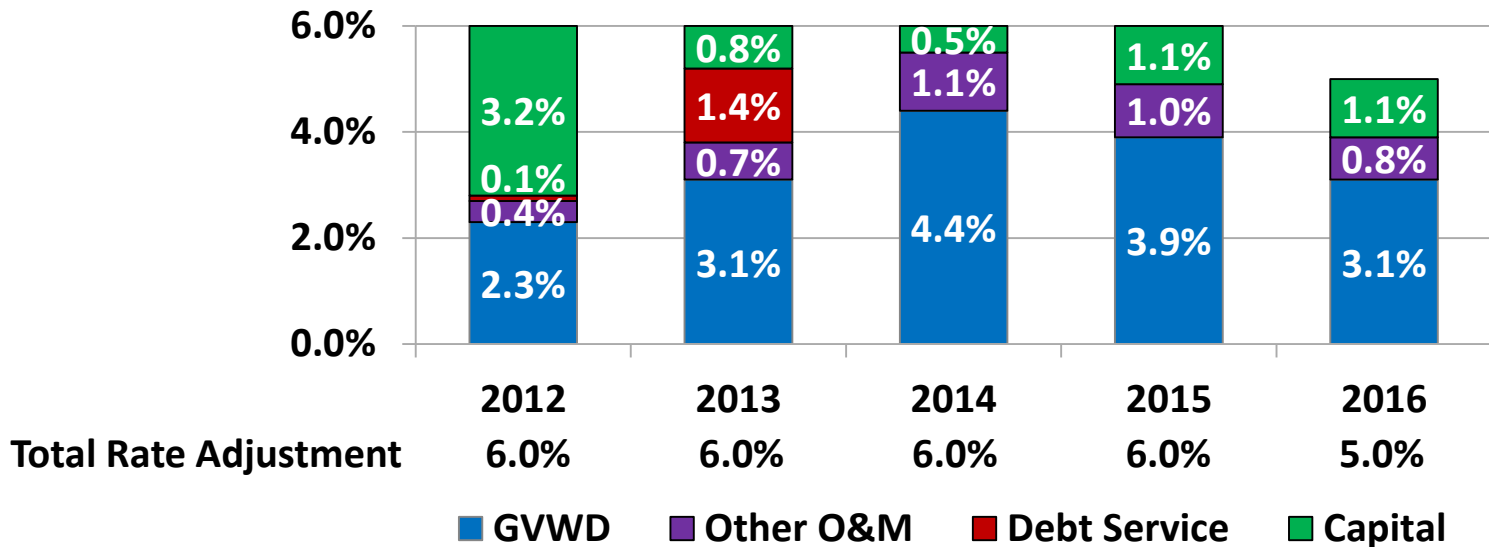
Water Rate & General Facilities Charge (GFC) Update

Presented By:
Chris Gonzalez, Project Manager

Background – Previous Study

- The District most recently reviewed its water rates in 2011

Breakdown of Planned Water Rate Adjustments



- Key factors driving the recommended rate increases include:

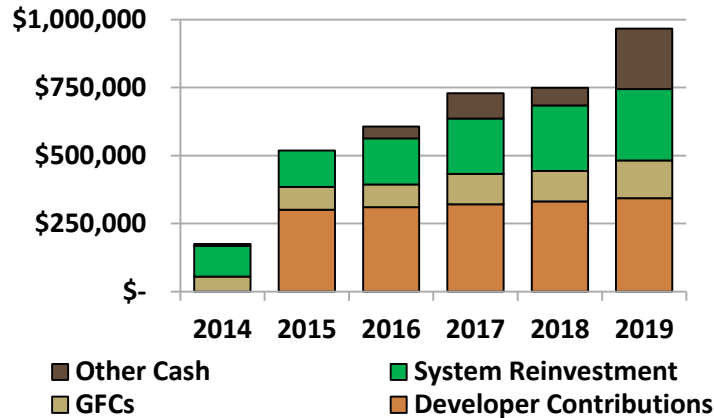
- ✓ Water purchase costs from Greater Vancouver Water District (GVWD)
- ✓ Debt service on a new loan for a water main replacement
- ✓ Increases in other operating costs
- ✓ Continued phasing of a recommended system reinvestment policy

Key Assumptions – Current Update

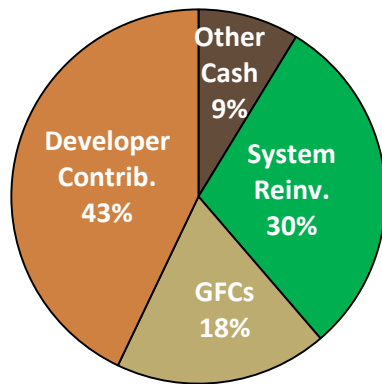
<p><u>Expense Forecast</u> <i>Based on 2013 Budget, adjusted for inflation</i></p>	<ul style="list-style-type: none"> ■ Inflation rates: <ul style="list-style-type: none"> ✓ General: 1.2% - 3.0% per year ✓ Labor: 2.5% - 3.0% per year ✓ Capital: 3.3% per year
<p><u>Revenue Forecast</u> <i>Based on 2012 customer data and current rates, adjusted for growth</i></p>	<ul style="list-style-type: none"> ■ Annual growth rates: <ul style="list-style-type: none"> ✓ 0.5% – 1.1% growth in single-family accounts ✓ 1.3% – 1.5% reduction in water usage (2% annual decline in per capita usage)
<p><u>Operating Reserve</u></p>	<ul style="list-style-type: none"> ■ Minimum balance of 75 days (20.6%) of operating expenses <ul style="list-style-type: none"> ✓ 2014 target balance of ≈ \$239,000
<p><u>Rate-Funded System Reinvestment</u></p>	<ul style="list-style-type: none"> ■ Phase in funding of depreciation expense net of debt principal by 2019 <ul style="list-style-type: none"> ✓ Annual transfers of \$113,000 – \$263,000 during the study period

Capital Needs Forecast

Projected Capital Costs*



Capital Funding Strategy



* All costs are adjusted from 2006 to 2013 dollars and escalated for construction inflation at 3.3% per year

2014 – 2019 Capital Projects:

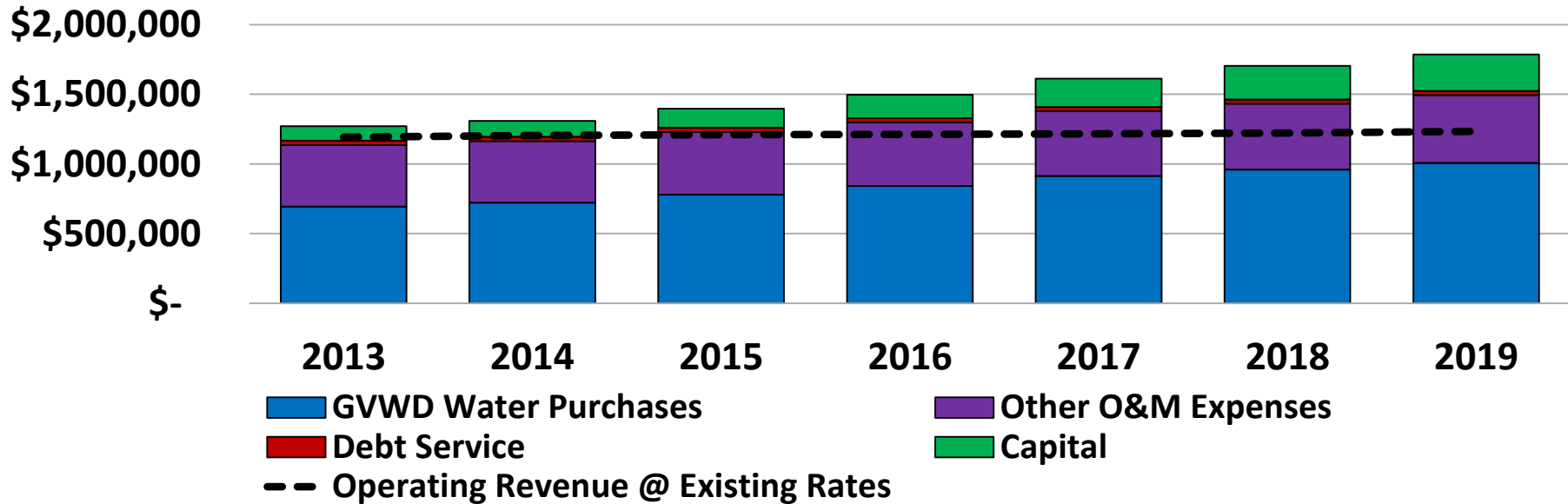
District Headquarters & Shop	\$ 750,000
Flushing Stations	168,000
Fire Flow Improvements	1,025,000
Pressure Zone Improvements	196,000
Developer Extension Improvements	1,608,000
Total	\$3,747,000

Projects originally scheduled for 2008 – 2013 in the District's 2007 Comprehensive Plan, but deferred until cash funding is available.

Planned Funding Strategy:

Developer Contributions	\$1,608,000
GFC Revenue	689,000
Rate-Funded System Reinvestment	1,123,000
Existing Cash Balances	327,000
Total	\$3,747,000

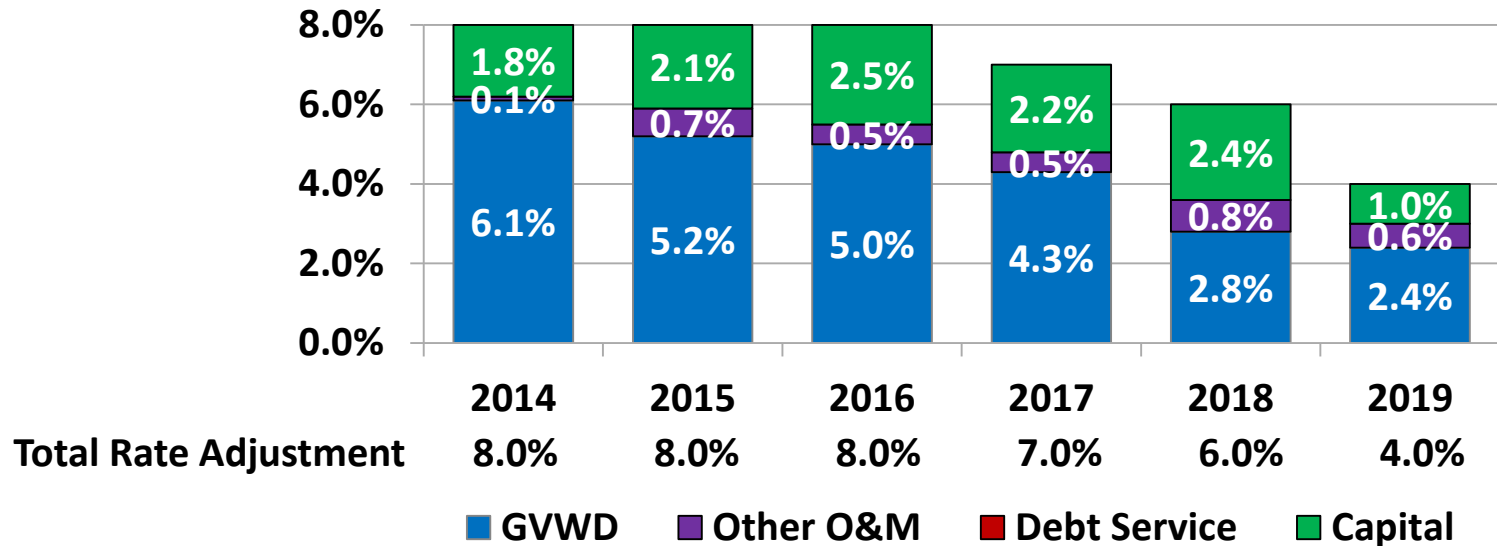
Water Revenue Requirement Analysis



- At existing rates, operating revenue is only able to cover O&M expenses and debt service (minimal funding for capital)
 - ✓ District increased rates by 5% in March 2013
 - ✓ Recommended increase was 6% effective January 2013
- Higher rate increases will be needed to provide funding for capital needs and keep up with operating costs in subsequent years

Summary of Updated Rate Strategy

Breakdown of Planned Water Rate Adjustments



■ Key factors driving the recommended rate increases include:

- ✓ Water purchase costs from Greater Vancouver Water District (GVWD)
- ✓ Increases in other operating costs
- ✓ Continued phasing of the recommended system reinvestment policy

Single-Family Water Rate Forecast

Single-Family Residential Average Bimonthly Water Bill	Existing	2014	2015	2016	2017	2018	2019
Annual Rate Increase		8.00%	8.00%	8.00%	7.00%	6.00%	4.00%
Avg. Bimonthly Bill @ 6 ccf	\$75.40	\$81.43	\$87.95	\$94.98	\$101.63	\$107.73	\$112.04
Change From Prior Year		\$6.03	\$6.52	\$7.03	\$6.65	\$6.10	\$4.31

- Bill impacts assume a 5/8" meter and 6 ccf of bimonthly water usage
- Increases applied across-the-board to existing water rate structure; proportionate impacts to other customer classes

General Facilities Charge (GFC)

- GFCs are one-time charges paid by development, and are based on an equitable share of the “cost of the system”
- The District’s GFC calculation considers two primary methods:

“Average Cost” Method

$$GFC = \frac{\text{Existing System Cost} + \text{Future Project Costs}}{\text{Existing Customer Base} + \text{Future Growth Served}}$$

“Buy-In Plus Growth” Method

$$GFC = \frac{\text{Existing System Cost}}{\text{Existing Customer Base} + \text{Future Growth Served}} + \frac{\text{Growth-Related Projects}}{\text{Future Growth Served}}$$

Customer Base

- Customer base defined in terms of equivalent residential units (ERUs):
 - ✓ 1 ERU is equivalent to 1 single-family household
 - ✓ ERUs are commonly defined based on water meter size

Meter Size	No. of ERUs*
3/4"	1.0
1"	2.5
1-1/2"	5.0
2"	8.0
3"	15.0
4"	25.0
6"	50.0
8"	80.0

Existing Customer Base	No. of Accounts	No. of ERUs
Single-Family & Multi-Family (2 – 4 Units)	2,163	2,188
Commercial & Multi-Family (> 4 Units)	56	223
Golf Course	1	25
Total	2,220	2,436

***Meter flow capacity equivalents published by the American Water Works Association**

GFC Calculation

	Existing GFC*	Updated GFC	
		Average Cost	Buy-In + Growth
Existing Cost Basis	\$5,134,279	\$6,902,516	\$8,160,476
Future Cost Basis	10,706,733	4,519,515	2,114,940
Total Allocable Cost Basis	\$15,841,012	\$11,422,031	\$10,275,416
Customer Base in ERUs:			
Existing	2,469	2,436	2,436
Projected Growth	411	197	197
Total Customer Base	2,880	2,633	2,633
GFC per ERU	\$5,500	\$4,338	\$13,825

Future cost basis has decreased because long-term asset replacement projects have been pushed beyond the 10-year planning horizon.

Adjusted for inflation since 2007, the current charge would be \$6,590 per ERU.

***Based on a 2007 calculation using the “Average Cost” method.**

Summary of Recommendations

- Adopt 8.0% rate increase effective March 2014 to:
 - ✓ Keep up with increasing operating costs (e.g. GVWD purchases)
 - ✓ Provide funding for capital projects

- Increase GFC from \$5,500 to \$6,590 per ERU
 - ✓ Reflects cost inflation since GFC was last updated in 2007
 - If adopted effective 1/1/15, the increase would provide \approx \$105,000 in additional cash funding for capital projects through 2019
 - ✓ Updated calculation suggests a range of \$4,338 – \$13,825
 - Information is based on 2007 Comprehensive Plan
 - GFC should include projects planned for construction within 10 years
 - ✓ Update when a new adopted Comprehensive Plan is available