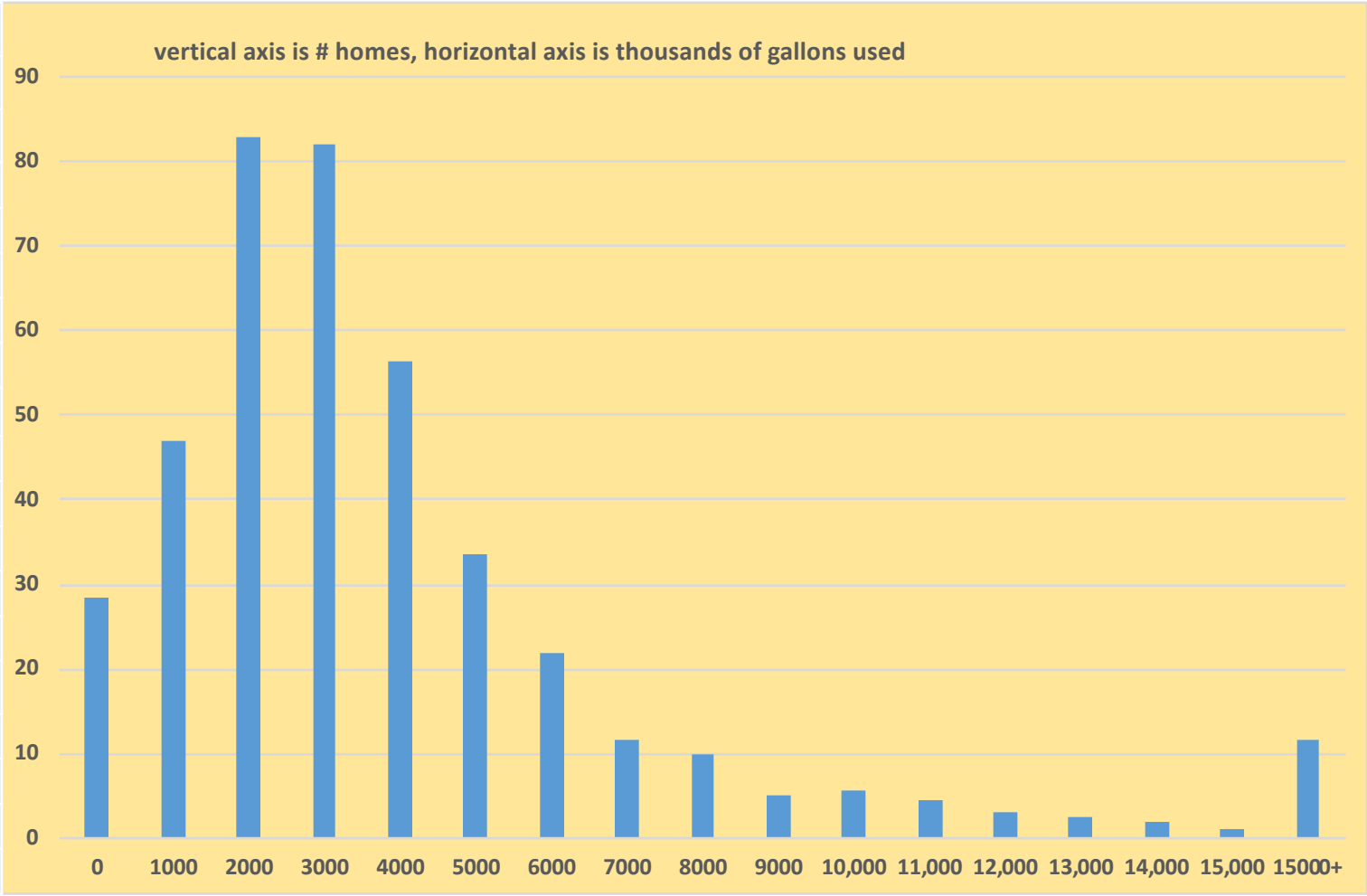
Why Change the Water Rates?

1. This is a water conserving community.
2. Revenues are unpredictable – is it going to be a normal year, a wet year, or a dry year.
3. Approximately 93% of the District's operating budget are fixed costs.
4. The current service fee revenues generate 56% of the operating budget, the rest is dependent on water usage revenues.
5. There are no contingency monies in the operating budget for unknown costs for any given year, we have tried but water revenues have not generated as much revenue as needed.
6. The District has been unable to place adequate monies in the capital fund for major infrastructure repair/replacement.

- The fact is water usage for our community is indicative of a water conserving area.
- Almost 75% of the homes use 4,000 gallons of water or less per month on average thru the year.
- Only 6% of the homes use over 10,000 gallons of water or more per month on average thru the year.
- The next pages show this in a graph form,
  - the first page shows the average usage based on the year,
  - the second shows the average usage per home based on monthly usages (so total water consumed by number of homes),
  - finally the third page shows the number of homes who used less than 8,000 gallons vs those who used more.

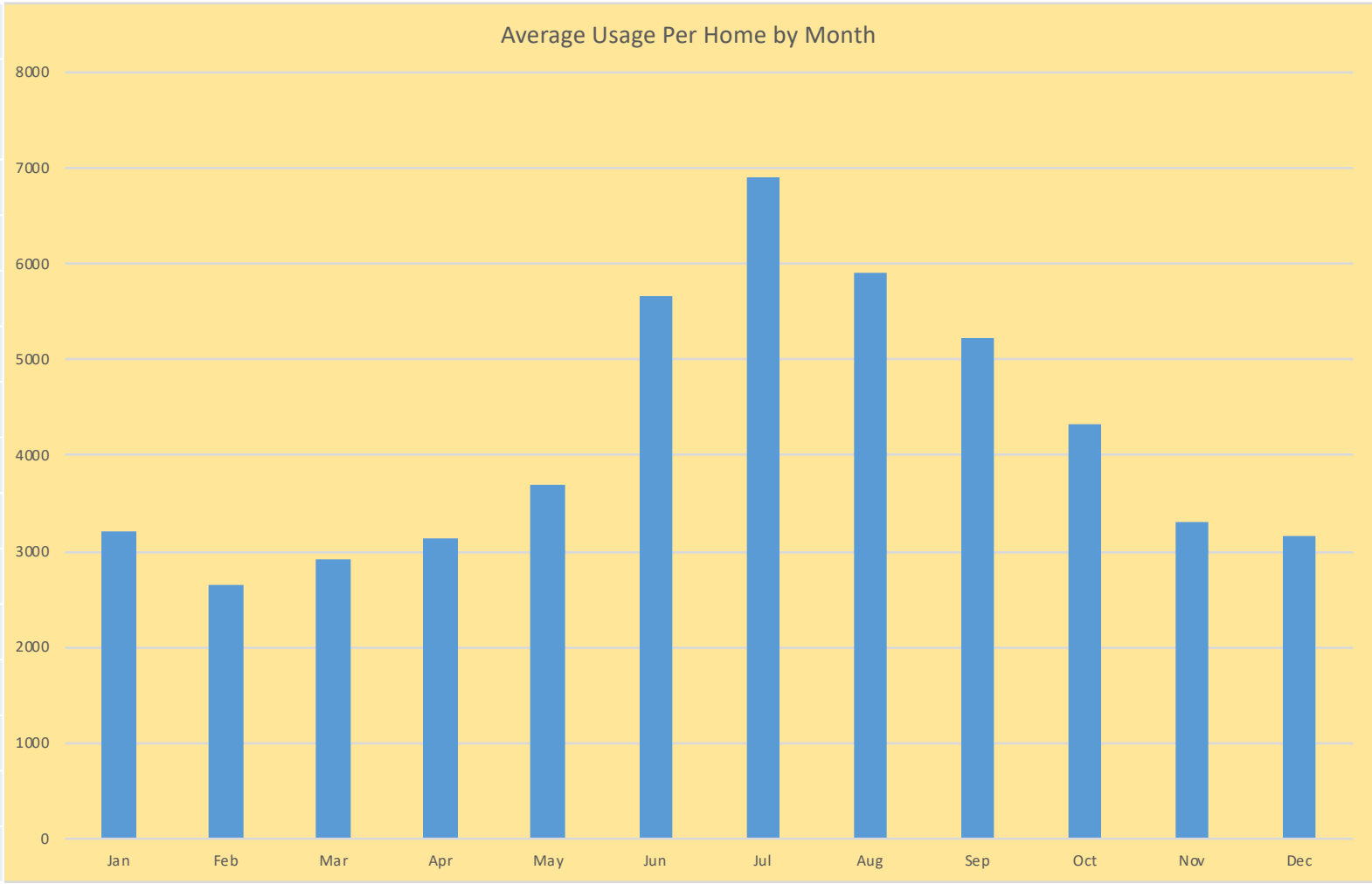
Almost 75% of the homes use less than 4,000 gallons on average

Usage	Avg Homes per Month	% of Homes per Month	Total % of Homes
0	28.5	6.97%	6.97%
1000	47	11.49%	18.46%
2000	83	20.29%	38.75%
3000	82	20.05%	58.80%
4000	56.5	13.81%	72.62%
5000	33.5	8.19%	80.81%
6000	22	5.38%	86.19%
7000	11.5	2.81%	89.00%
8000	10	2.44%	91.44%
9000	5	1.22%	92.67%
10,000	5.5	1.34%	94.01%
11,000	4.5	1.10%	95.11%
12,000	3	0.73%	95.84%
13,000	2.5	0.61%	96.45%
14,000	2	0.49%	96.94%
15,000	1	0.24%	97.19%
15000+	11.5	2.81%	100.00%



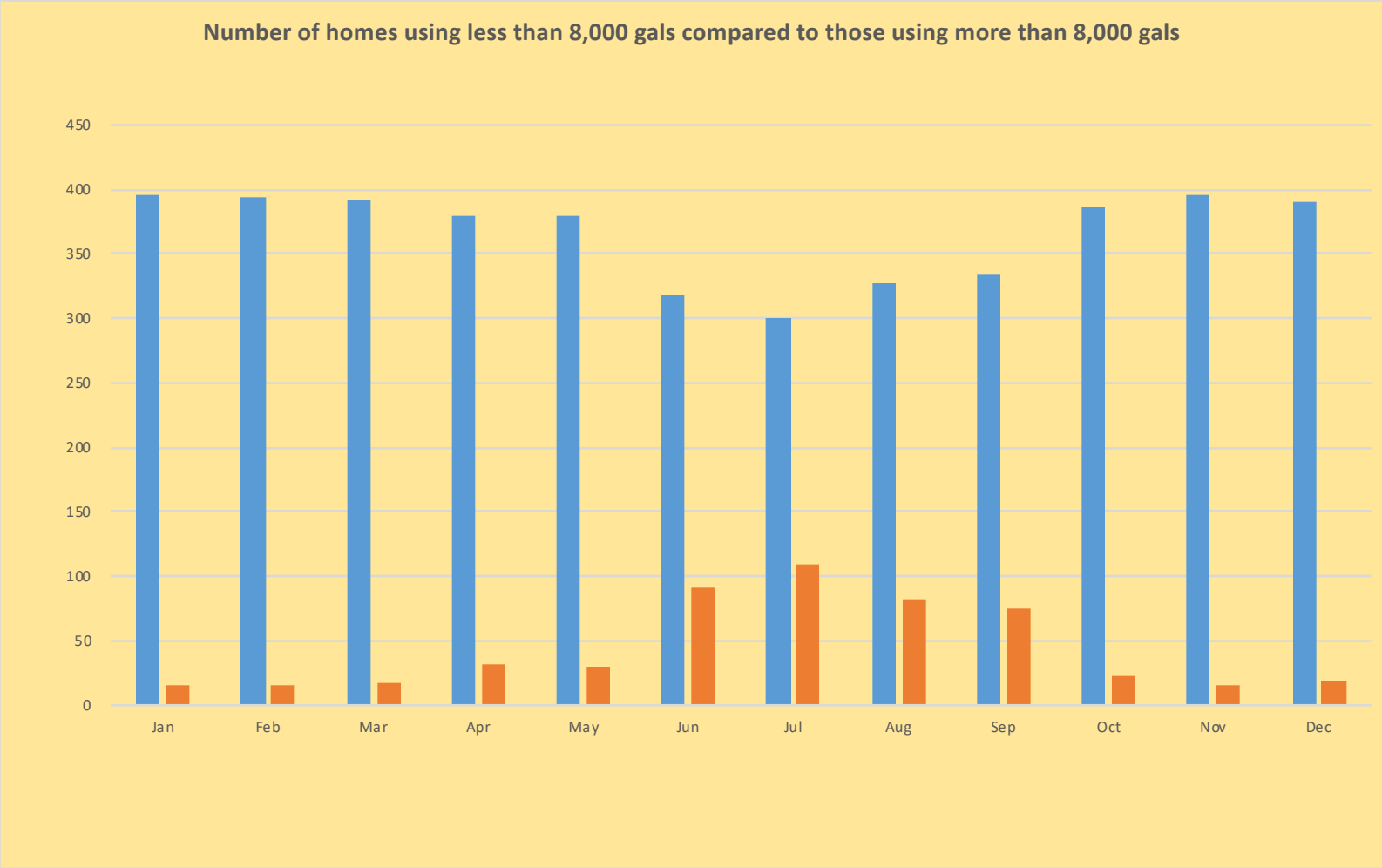
How usage changes through the year

Month	Gallons Total	Avg/P/Home
Jan	1,310,000	3203
Feb	1,085,000	2653
Mar	1,193,000	2917
Apr	1,287,000	3147
May	1,507,000	3685
Jun	2,316,000	5663
Jul	2,829,000	6917
Aug	2,418,000	5912
Sep	2,133,000	5215
Oct	1,768,000	4323
Nov	1,353,000	3308
Dec	1,294,000	3164



Comparing the number of “high” users to “lower” users.

	<8000 gals	>8000 gals
Jan	395	15
Feb	394	16
Mar	393	17
Apr	379	31
May	380	30
Jun	318	92
Jul	301	109
Aug	328	82
Sep	335	75
Oct	387	23
Nov	395	15
Dec	390	20



So what does this tell us?

- It shows very clearly that the residents of the District generally use their water wisely and believe in conserving water
- On average about 7% of the homes have no usage for the month
- That the majority of the residents fit this profile
- That there isn't a lot of outside watering occurring, but average usage does increase during the summer or drier months
- That where the revenues come from has to be from the majority of users as there are simply not enough high end users to make up the difference.
- It also means that the majority of the revenue must come from the majority of the homes.

Revenues are unpredictable – will it be a normal year, wet year, or a dry year.

- If all years were normal years, which we define as a year of average precipitation occurring during predictable times, i.e., normal snowpack, average rains during the spring, a dryer summer, average rains during the fall, no extreme weather events.
- So during normal years the District could predict usage patterns and therefore revenues.

Revenues are unpredictable - continued

- During wet years, revenues are down as the need to use more water during the summer/fall drops. Not that there is a lot more usage but every little bit counts.
- Therefore revenues come up short!
- During dry years, revenues increase, 2018 is the first year since 2013 that we are seeing a real increase in usage. 2018 so far is shaping up to be a “dry” year.
- **How do you predict what type of year it’s going to be? The fact is you can’t, you can only wait and see.**

Approximately 93% of the District's operating budget are fixed costs. Fixed costs are those costs that are required to have the water available at your tap and for the fire hydrants.

- The only parts of the District's operating budget that are dependent on how much water is produced are;
- Chemical costs – are dependent on how much water is produced.
- Utility (electrical) costs – are dependent on how much water is produced.
- And finally the costs to dispose of the water treatment plant sludge is dependent on how much water is produced.
- **BUT** none of these costs go away, they simply are less**. Even if all homes only used 2,000 gallons of water per month, the above costs only drop by maybe 30%. That would only be a 2% reduction to the total operating budget.** Conserving water will not solve the problem.

The difference between Water Sales and Operating costs is what is available to fund Capital Expenditures and Increases in Reserves.

- 2015 – Water Usage Sales of $488,701 vs Operating Costs of $531,964
    - Deficit of $43,263
- 2016 – Water Usage Sales of $490,976 vs Operating Costs of $539,924
    - Deficit of $48,948
- 2017 – Water Usage Sales of $580,508 vs Operating Costs of $694,994
    - Deficit of $114,486
- NOTE: THE CAPITAL FEE WAS ADDED IN 2014 AND THE BUDGET "GOAL" EACH YEAR WAS TO ADD ABOUT $50,000 TO THE RESERVES, SINCE ALL YEARS ARE DEFICIT YEARS IT MEANS THAT GOAL DID NOT OCCUR AND OUR DEFICT WAS EVEN GREATER THEN SHOWN!

The current service fee of $71.00 a month generates 56% of the operating budget (this includes the capital fee $10.00 a month)

- This percentage is simply the service fee of $71.00 times the number of homes, 411, times 12 months for the year.
- So the service fee generates $350,172.00 of the operating budget of $622,000.00.
- Of this about $50,000.00 is supposed to go into reserves.
- Therefore only $300,852.00 is supposed to go towards the operating budget which is only 48% of that budget.
- The current water rates do not adequately address the variability of the year to year costs nor does it allow for any contingency funds for the unexpected.

There are no contingency monies in the operating budget.

- The budget does not take into account factors like;
- 1. Old instrumentation failing or office computers getting old
- 2. Prior to 2017 the budgets did not account for the increased costs of sludge disposal as they had not escalated out of control yet.
- 3. Natural disasters like fires, floods, or ? (and we have now seen those!) While we get grant monies for these disasters we still have to pay a share of those projects.
- 4. Aging infrastructure that may need more maintenance than normal
- **There may be others that could occur that haven't been thought of – but the fact is there are no contingency funds to use.**

The District has been unable to place adequate monies in the capital fund

- The goal each year has been for the District to place $50,000.00 into reserves to use for major infrastructure repair/replacement.
- This goal has not been achieved because of the lack of a contingency fund, so the monies have had to be used to for that purpose.
- The real goal should be to place at least $100,000.00 into reserves each year.
- **While the District's infrastructure is "not falling apart" nor is it ready to do so, planning for the future is important.**
- The District has been planning for the future for many years BUT due to unforeseen events has not been able to meet its goals.

What is the District doing to control costs?

- The District is implementing a more efficient method that will reduce their sludge disposal costs by 88%.
- The District does not spend money out of the operating budget “just because it is there”, if the need to spend that money isn’t present, then it isn’t spent.
- The District tracks new technology to see if it is a good “fit” and then considers what are the benefits? i.e. does it improve water quality, does it reduce or control costs, does it improve system reliability. Just because it is “new and improved” does not mean it will make the District better in a meaningful way.

What are the goals of the new water rates?

- To reliably cover the operating costs every year, no matter if it is a normal, wet, or dry year.
- To increase the amount of money placed into capital reserves each year. Again, the goal is to put $100,000.00 into the capital reserves each year.
- To have a contingency fund in the operating budget so that the need to use the capital reserves is severely reduced/eliminated. The money saved by the new sludge processing will become the contingency fund.
- That if those contingency funds are not needed in any given year then those funds should then go into the capital reserve fund.

Sounds great but what does it mean?

- It means that the service fee should generate most of the revenues needed to operate the District each month so there is less dependence on how much water is actually used.
- *Why? Because as the discussions have shown it isn't a matter of how much water is produced that creates the costs, it is the production of that first minimal amount of water needed and expected by each home that creates 93% of the costs.*
- That is why under the proposed water rate structure the first 2,000 gallons of usage is included in the service fee, as that is considered the first minimal amount of water needed and expected by each home.
- The water usage in excess of 2,000 gallons per month then generates the remainder of the revenues needed for the operating budget and for reserves.

What is the proposed water rate structure? (The capital fee is built into all the charts.)

	Current	vs	New
USAGE	2018 RATE		PROP. NEW RATE
0	$ 71.00		$ 120.00
1000	$ 14.35		$ -
2000	$ 14.35		$ -
3000	$ 14.35		$ 10.00
4000	$ 14.35		$ 11.00
5000	$ 14.35		$ 12.00
6000	$ 17.40		$ 13.00
7000	$ 17.40		$ 14.00
8000	$ 17.40		$ 15.00
9000	$ 17.40		$ 16.00
10000	$ 17.40		$ 17.00
11000	$ 19.45		$ 18.00
12000	$ 19.45		$ 19.00
13000	$ 19.45		$ 20.00
14000	$ 19.45		$ 21.00
15000	$ 19.45		$ 22.00
16000	$ 22.55		$ 23.00

Actual costs for each level of usage

2018 RATE	USAGE	PROP. NEW RATE
$ 71.00	0	$ 120.00
$ 85.35	1000	$ 120.00
$ 99.70	2000	$ 120.00
$ 114.05	3000	$ 130.00
$ 128.40	4000	$ 141.00
$ 142.75	5000	$ 153.00
$ 160.15	6000	$ 166.00
$ 177.55	7000	$ 180.00
$ 194.95	8000	$ 195.00
$ 212.35	9000	$ 211.00
$ 229.75	10000	$ 228.00
$ 249.20	11000	$ 246.00
$ 268.65	12000	$ 265.00
$ 288.10	13000	$ 285.00
$ 307.55	14000	$ 306.00
$ 327.00	15000	$ 328.00
$ 349.55	16000	$ 351.00

What is the impact of the New Rates?

- The new base cost will generate about $590,000.00 of the regular operating budget of $622,000.00.
- It will also meet the goal of placing $100,000.00 each year into the capital reserves.
- The following chart shows how each usage level is paying into the that total cost of $722,000.00 and what percentage of those costs are being paid by each usage level.
- It also shows what percentage of homes (based on yearly averages) are in those usage levels.

Revenue generated by the new rate at each usage level

USAGE	% OF HOMES		REVENUE GENERATED	% OF EST. REVENUE
0	6.97%		$ 41,040.00	5.68%
1000	11.49%		$ 67,680.00	9.37%
2000	20.29%		$ 119,520.00	16.54%
3000	20.25%		$ 127,920.00	17.71%
4000	13.81%		$ 95,598.00	13.23%
5000	8.19%		$ 61,506.00	8.51%
6000	5.38%		$ 43,824.00	6.07%
7000	2.81%		$ 24,840.00	3.44%
8000	2.44%		$ 23,400.00	3.24%
9000	1.22%		$ 12,660.00	1.75%
10000	1.34%		$ 15,048.00	2.08%
11000	1.10%		$ 13,284.00	1.84%
12000	0.73%		$ 9,540.00	1.32%
13000	0.61%		$ 8,550.00	1.18%
14000	0.49%		$ 7,344.00	1.02%
15000	0.24%		$ 3,936.00	0.54%
16000	2.81%		$ 46,743.00	6.47%
			$ 722,433.00	

Note: All users of 16,000 gallons or more a month are included in the 16000 gallon usage bracket

Questions? Comments? Thoughts?

- The Manager and a Board member will be at the office on the following dates and times to talk to any residents. There are several dates to try to give as many people as would like to talk to us the opportunity to do so. Since each meeting is the same there is no need to attend more than one of the dates.
- September 13th 1:00 pm to 3:00 pm, for those who would like to come by during a weekday
- September 15th from 11:00 pm to 1:00 pm, a Saturday for folks who can't come during the week)
- September 18th from 7:00 pm to 9:00 pm for those who prefer the evenings
- And of course you can call the office and talk to the Manager if you don't/can't come in person, or if you set a time with him he can meet you there to talk in person.
- Lastly you can always email the District at contact@pinebrookwater.com. I always have found a friendly sit down discussion to be more productive but if that doesn't work send an email.
- ALL QUESTIONS, COMMENTS, AND THOUGHTS WILL BE REPORTED TO THE BOARD OF DIRECTORS ON SEPTEMBER 20TH AT 4:30 PM (regular board meeting).