

A photograph of a garden bed with blue and yellow flowers in front of a house. The text is overlaid on the image.

Enterprise Funds: Draft Budget and 10-Year CIP

City Council Work Session April 10, 2017

FY18 Budget Process Calendar



Month	Topics on Each Agenda (Meeting Date)
December	- <i>FY17 Beginning Balance Increase; FY18 One-time Resources & Priorities for General Fund (12/5)</i>
February	- <i>Five-Year Forecast & Initial Revenue – General Fund (2/6)</i>
March	- Funding Requests Overview (3/20) - Benefits/Self-Insurance (3/20)
April	- Compensation (4/10) - Enterprise Funds: Draft Budget and 10 Year CIP (4/10) - Budget Process Overview & Draft Budget – General Fund and CIP (4/17) - 3 rd Draft Budget Session if required (4/24)
May-July	- Adoption steps

Agenda for Each Enterprise Fund



SANITATION, WASTEWATER, WATER

- Operating Fund Forecasts
- Base Budget Highlights
- CIP (if applicable)
- Draft Budget
- Carryover Requests
- Surface Water Project

SANITATION 5-YEAR FORECAST



ASSUMPTIONS

- Revenue:
 - No rate increases; 4% account growth only
- Expenses
 - 4% account growth
 - 5% inflationary (compensation, contract, etc.)
 - Fleet and IT asset management plans
- Potential pressures or changes
 - Sanitation service study recommendations
 - Contained contract expires July 1, 2019
 - Maintaining uncontained service levels
 - \$1.2M in vehicle replacements in FYs24-26

SANITATION 5-YEAR FORECAST



IN MILLIONS OF DOLLARS

	FY17 Budget	FY17 Estimate	FY18 Initial Draft	FY19 Forecast	FY20 Forecast	FY21 Forecast	FY22 Forecast	FY23 Forecast
Beginning Fund Balance	1.5	1.8	2.1	2.1	2.6	3.1	2.9	3.0
Total Revenues	7.5	7.4	7.6	7.9	8.3	8.6	8.9	9.3
Total Resources	9.0	9.2	9.7	10.0	10.9	11.7	11.8	12.3
Operating Expenses								
Administration	5.7	5.6	5.8	6.1	6.5	7.2	7.4	7.7
Container Maintenance	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
One Time Supplementals	0.1	0.1	0.1	-	-	-	-	-
Total Operating Expenses	6.3	6.1	6.3	6.5	6.9	7.6	7.8	8.1
Capital Outlay	-	0.1	0.4	-	-	0.3	0.1	-
Transfers Out	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Total Uses	7.2	7.1	7.6	7.4	7.8	8.8	8.8	9.0
Ending Fund Balance	1.8	2.1	2.1	2.6	3.1	2.9	3.0	3.3

SANITATION BASE BUDGET



FY18 BASE BUDGET CONTAINER PROGRAM UPDATE

- Container program ongoing costs
 - FY17 Base Budget \$ 489,000
 - FY18 Base Budget \$ 402,600
 - Primarily lower refuse disposal costs
- Waste Management contract \$500,000 lower
 - FY16 Actuals \$5.0M
 - FY17 Estimate \$4.5M
 - Primarily due to container change

SANITATION BASE BUDGET



FY18 BASE BUDGET BEFORE SUPPLEMENTALS - \$6.4M

- Absorbed Waste Management contract increase of \$137,000 from FY17 Estimate
 - Contract rate increases 0.3%; 4% account growth
 - Underestimated container change savings due to uncertainty
- Fleet and IT asset management - \$331,000
- FY18 base budget was \$68,900 below FY17 before compensation and fleet and IT asset management requirements

SANITATION SUPPLEMENTALS



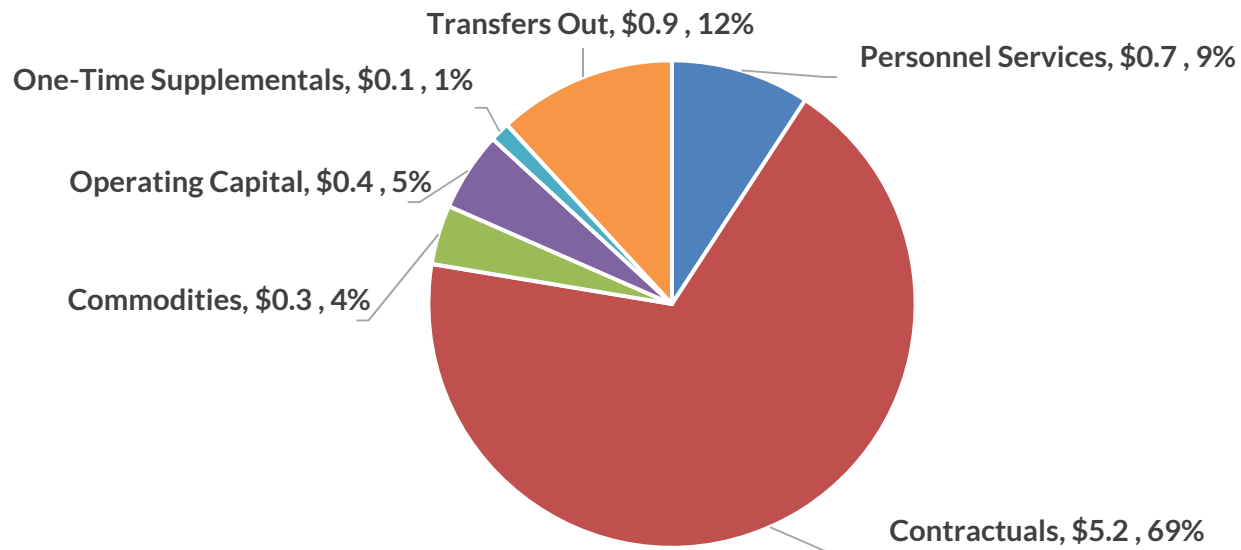
Additional bulk trash grapple tractor and temporary labor to maintain service levels during staff leave and equipment maintenance

- \$89,500 ongoing, \$90,000 one-time

SANITATION FY18 DRAFT BUDGET



IN MILLIONS OF DOLLARS



Total =
\$7.6M

SANITATION REQUESTED FY17 to FY18 CARRYOVERS



\$50,000 for Sanitation Services Review
consultant study

Questions/Comments on Sanitation Fund

WASTEWATER RATE PLAN BASED FORECAST



ASSUMPTIONS

- Revenue
 - Rates and growth consistent with approved rate plan
- Expenses
 - 5% inflationary (compensation, supplies, etc.)
 - Fleet and IT asset management plans
 - Use pay as you go operating revenues in lieu of \$7.5M in bond funds for upcoming projects
- Future demand on fund
 - Full funding for GY WRF expansion is not recovered in current 10-year impact fee plan

WASTEWATER RATE PLAN BASED FORECAST



IN MILLIONS OF DOLLARS

	FY17 Budget	FY17 Estimate	FY18 Initial Draft	FY19 Forecast	FY20 Forecast	FY21 Forecast
Beginning Fund Balance	9.5	13.7	15.7	13.6	13.6	14.4
Revenues	14.3	14.6	15.1	15.6	16.2	16.6
Transfers In	-	1.0	1.0	1.0	1.0	1.0
Total Resources	23.8	29.3	31.8	30.2	30.8	32.0
Operating Expenses	5.0	5.0	5.3	5.4	5.7	6.0
Capital Outlay	0.4	0.4	0.2	0.1	-	0.2
CIP	7.1	1.7	5.8	4.3	3.8	1.4
Debt Service	5.2	5.3	5.2	5.1	5.2	3.6
Transfers Out	1.2	1.2	1.7	1.7	1.7	1.7
Total Uses	18.9	13.6	18.2	16.6	16.4	12.9
Ending Fund Balance	4.9	15.7	13.6	13.6	14.4	19.1

WASTEWATER BASE BUDGET



FY18 BASE BUDGET BEFORE SUPPLEMENTALS - \$5.1M

- Absorbed \$30K new pretreatment software in FY17 rather than pursuing supplemental
- Operational changes at Goodyear WWTP are estimated to save \$100,000 in electricity from FY16 to FY17
- Fleet Asset and IT Management -\$210,900

WASTEWATER SUPPLEMENTALS



Ongoing

- Senior Utility Technician - \$94,100, also \$38,700 in one-time
- Video Assessments of Sewer System- \$114,000, also \$25,000 in one-time
- SCADA Systems Engineer - 50/50 split with Water - \$59,200, also \$19,300 in one-time
 - Position to be assigned to Information Technology Department

One-time

- Environmental Compliance Consultant - \$75,000
- Sampler replacement - \$15,000

Wastewater 10-Year CIP Summary



FY18 PORTION – \$7.6M, 15 PROJECTS

- 10-Year Plan - \$47M, 22 projects
 - Impact Fees - \$27.5M
 - Wastewater Operating - \$19.5M
- Changes from FY17-26 CIP
 - Timing changes
 - Added inflation to impact fee projects
 - Use operating funds instead of bonds for \$7.5M in projects

Wastewater 10-Year CIP Summary



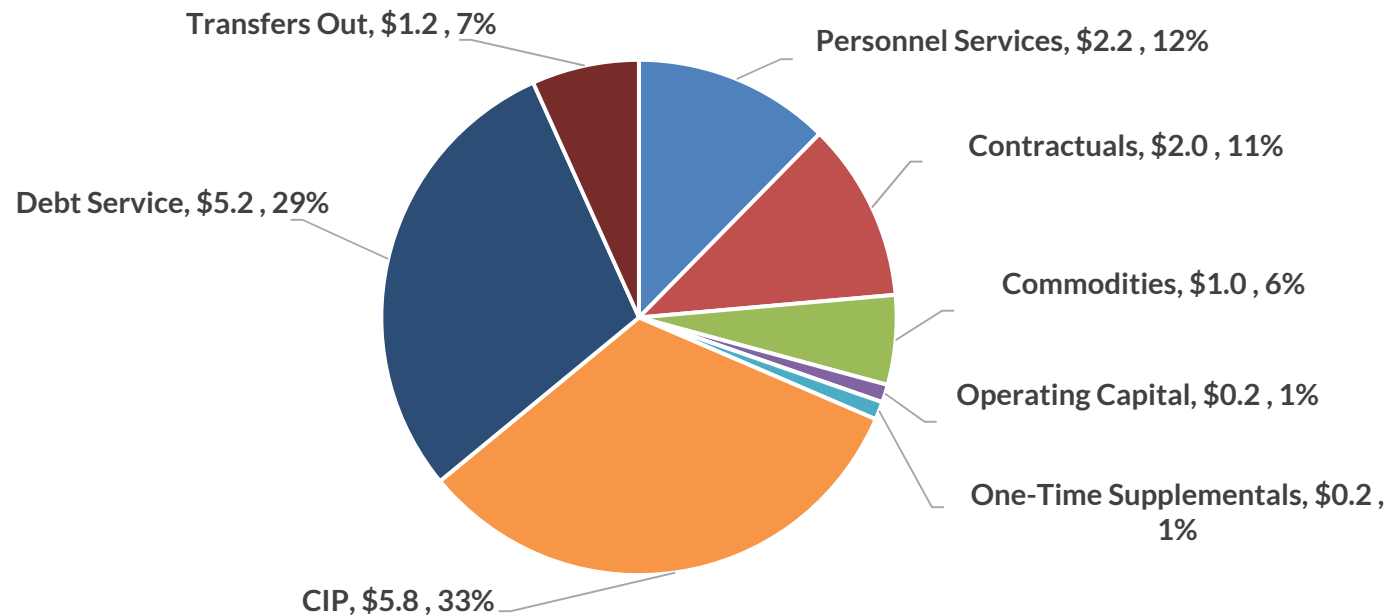
MAJOR PROJECTS

- 6 to 8 MGD expansion at GY WRF
- Corgett expansion
- Impact fee developer reimbursements and debt service

WASTEWATER FY18 DRAFT BUDGET



IN MILLIONS OF DOLLARS



Total =
\$17.8M

WASTEWATER REQUESTED FY17 to FY18 CARRYOVERS



- Operating - \$0.2M
 - \$45,000 – Replacement vehicle
 - \$170,000 – Interconnect Critical Wastewater sites to SCADA
 - \$7,700 – IT replacements are in procurement process
- CIP - \$3.2M
 - GY WRF Solids Centrifuge - \$1.2M
 - LS12 RV Lift Station Rehab - \$0.5M
 - RV WRF Aeration Basin Improvements - \$0.4M
 - Corgett WRF Influent Pump - \$0.3M

Questions/Comments Wastewater Fund

WATER BASE BUDGET



FY18 BASE BUDGET BEFORE SUPPLEMENTALS - \$8.5M

- Fleet Asset Management -\$288,500
- Absorbed utility, chemical, credit card fees, and other inflationary and usage related increases

WATER SUPPLEMENTALS



Ongoing

- Location Specialist - \$86,400, also \$38,700 in one-time
- Superfund & WQARF consultant support - \$70,000
- SCADA Systems Engineer (assigned to IT Department)
 - 50/50 split with Wastewater - \$59,200, also \$19,300 in one-time
- CAP Related
 - Water purchase per rate plan - \$471,000
 - Water shortage contingency - \$301,500

One-time

- Vadose operating costs - \$60,000
- Fixed base radio meter read system - \$50,000
- Compliance Scheduling Software - \$30,000, plus \$3,000 ongoing

Water 10-Year CIP Summary



FY18 PORTION – \$56.6M, 16 PROJECTS

- 10-Year Plan - \$183M, 19 projects
- Changes from FY17-26 CIP
 - Add surface water project
 - Substantial changes to remove projects not required due to surface water project
 - Add potable water interconnect
 - CAP Capital charges cost increase
 - Timing changes based on new approaches such as consolidating projects to improve bid prices

Water 10-Year CIP Summary



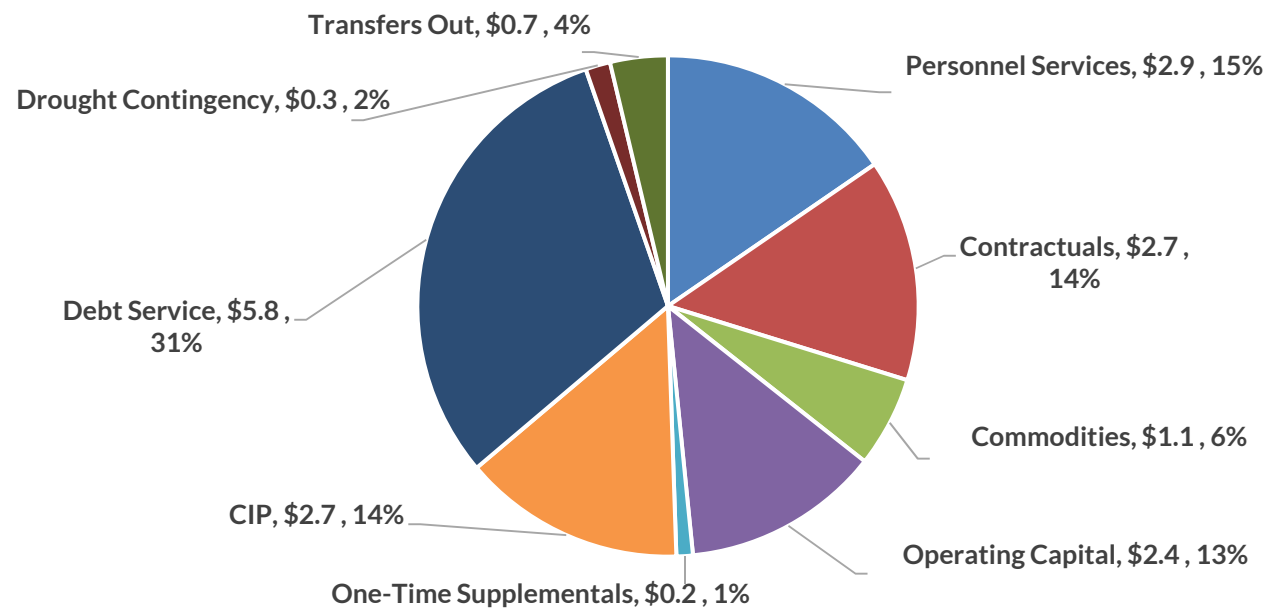
MAJOR PROJECTS

- Surface Water - \$114.2M
- Wells A&B at Site 12 - \$12.7M
- Developer reimbursements for installed infrastructure – \$14.2M
- CAP capital fees (increased from prior CIP) - \$7.2M

WATER FY18 DRAFT BUDGET



IN MILLIONS OF DOLLARS



Total =
\$18.8M

WATER REQUESTED FY17 to FY18 CARRYOVERS



- Operating - \$0.2M
 - \$25,000 – Replacement vehicle
 - \$59,100 – Technology procurements are in process
 - \$35,000 – Historic Goodyear water lines replacement CDBG grant matching funds
 - \$103,100 – Reverse osmosis membrane replacement funds
- CIP - None

Surface Water Project

Surface Water Treatment Plant



FUNDING GOALS

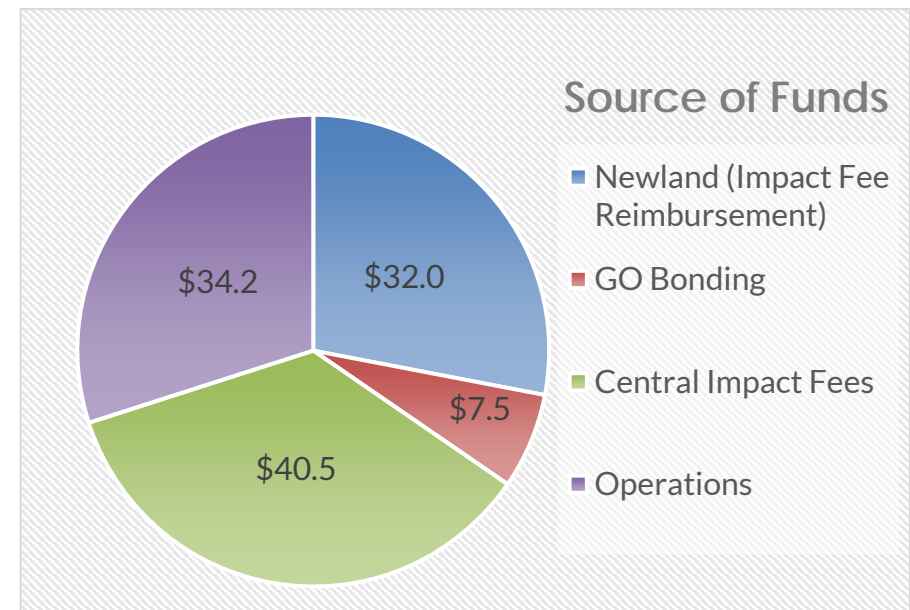
- No modification to current adopted rate plan
- Minimize Long-Term Impact to rate payers
- Recognition of surface water access as a citywide economic development necessity
- Allocate costs equitably between new growth and current users
- Protect city from development fluctuations

Surface Water Treatment Plant



FUNDING SOURCES - \$114.2 MILLION

- Funds from Newland to be reimbursed through impact fees
 - No impact on utility rate model
- The additional \$82.2 million to be funded through:
 - Cash on hand
 - Debt
- How will we pay for this and what is the impact on our rates?



Surface Water Treatment Plant



EXISTING RATE PLAN

	Water Estimated Revenues and Costs of Service									
	2016*	2017**	2018	2019	2020	2021	2022	2023	2024	2025
Water Rate Revenues	12,622,239	15,152,200	17,575,200	19,856,500	21,708,400	23,460,800	25,093,600	26,746,000	28,333,800	29,939,300
Water Non-Rate Revenues	2,815,813	1,527,400	1,458,400	1,502,200	1,547,200	1,593,600	1,641,400	1,690,700	1,741,400	1,793,600
Total Revenues	15,438,052	16,679,600	19,033,600	21,358,700	23,255,600	25,054,400	26,735,000	28,436,700	30,075,200	31,732,900
Total Costs	15,324,470	17,128,800	18,794,090	21,450,600	23,173,200	23,813,000	25,380,400	27,036,000	28,605,900	32,345,600
Surplus/(Deficit)	113,582	(449,200)	239,510	(91,900)	82,400	1,241,400	1,354,600	1,400,700	1,469,300	(612,700)

- Assumptions
 - 3.34% customer growth
 - 3.50% volume growth
 - 3.0% – 6.0% expenditure growth
 - Rate increases in every year

Surface Treatment Plant



NEW COSTS

- Debt Service
 - \$7.5 million G.O. Bond
 - \$78 million Revenue Bond
- Transportation
 - Access Charge
 - Use Charge
- Operational
 - Plant operations
 - Transfer as much as possible from groundwater to surface water

Surface Treatment Plant



DEBT SERVICE

- General Obligation Bond - \$7.5 Million
 - 20 year debt service
 - Uses last of voter authorized water debt
 - Tax rate impact of \$0.0394 in year 1
- Revenue Bond - \$78.0 Million
 - 30 year debt service
 - Impact fees
 - 50% of CAP fee
 - Utility rates

Surface Treatment Plant



TRANSPORTATION – SRP AGREEMENT

- CSIF Lease Fee \$325,000 Annual
- Administrative Fee \$2,525 Annual
- Transportation Fee \$59.02 per acre foot
 - Assuming 4% annual growth rate

Surface Treatment Plant



OPERATIONS

- Surface Treatment Plant
 - Oasis Water Treatment Facility
 - Approximately 7.0 FTE employees
 - Some shift of resources from groundwater
 - Cost to treat surface water is less than groundwater
 - Brine removal
- Wastewater impacts have not been accounted for

Surface Treatment Plant



SOURCES OF FUNDS

- Impact Fees
- CAP Water Charge
- GO Bond – Property Tax
- Utility Rates

Surface Treatment Plant



IMPACT FEES

- Re-scoping of Projects within IIP
- Account for potential inconsistency of collections
 - Projections at 66% of IIP projections
 - Ability to pre-pay if growth accelerates
- Southern Solutions re-scoped and addressed through Newland contribution

Surface Treatment Plant



CAP WATER CHARGE

- Fee put in place in 2015 to cover costs associated with acquisition and recharge of surface water
- Currently used to recharge and build long term storage credits
- Use of CAP fee
 - No CAP purchase 1st two years
 - 50% of collections used for debt service
 - Draws down Long Term Storage bank by approximately 20%

Surface Treatment Plant



GO BOND – PROPERTY TAX

- Existing \$7.5 million of voter authorization
- Average tax rate during 1st 5-years of \$0.0561
 - 5-year average annual property tax impact on \$200,000 home is \$11.22
 - As Assessed Valuation grows impact decreases

Surface Treatment Plant



UTILITY RATES

- No Change to ***adopted*** utility rates (through 1/1/20)
- Utilized 10-year utility rate model for forecast
 - Without Surface Treatment plant estimated rate increase of approximately 2.6% annually projected
 - With Surface Treatment plant ***minimum*** additional increase of 2.6% annually projected
- Full rate study will be required to refine

Surface Water Treatment Plant



SURFACE WATER COSTS

	Water Estimated Revenues and Costs of Service									
	2016*	2017**	2018	2019	2020	2021	2022	2023	2024	2025
Water Rate Revenues	12,622,239	15,152,200	17,575,200	19,856,500	21,708,400	23,460,800	25,093,600	26,746,000	28,333,800	29,939,300
Water Non-Rate Revenues	2,815,813	1,527,400	1,458,400	1,502,200	1,547,200	1,593,600	1,641,400	1,690,700	1,741,400	1,793,600
Total Revenues	15,438,052	16,679,600	19,033,600	21,358,700	23,255,600	25,054,400	26,735,000	28,436,700	30,075,200	31,732,900
Total Cost of Service (Table 1)	15,324,470	17,128,800	18,794,090	21,450,600	23,173,200	23,813,000	25,380,400	27,036,000	28,605,900	32,345,600
<u>Cost of Surface Water</u>										
Debt Service					3,715,200	3,715,200	4,240,200	4,924,200	4,935,000	4,898,400
Transportation							992,300	1,018,900	1,046,600	1,075,400
Incremental Operating Cost							750,000	787,500	826,900	868,200
Total Costs	15,324,470	17,128,800	18,794,090	21,450,600	26,888,400	27,528,200	31,362,900	33,766,600	35,414,400	39,187,600
Impact Fees for Debt Service					1,761,900	1,281,500	1,482,500	1,616,500	1,616,500	1,616,500
CAP Water Charge for Debt Svc					1,369,900	1,491,600	1,638,700	1,799,400	1,974,600	1,974,600
GO for Debt Service					300,600	300,600	615,600	618,000	619,800	616,000
Impact of STP rate increase					0	0	1,254,700	1,522,200	1,522,200	3,618,000
Surplus/(Deficit)	113,582	(449,200)	239,510	(91,900)	(200,400)	599,900	363,600	226,200	393,900	370,400

Questions and Discussion