

HDR

- 
- 01** Review of water utility financial planning and revenue requirements calculation
  - 02** Discuss the assumptions, findings, and preliminary conclusions



01

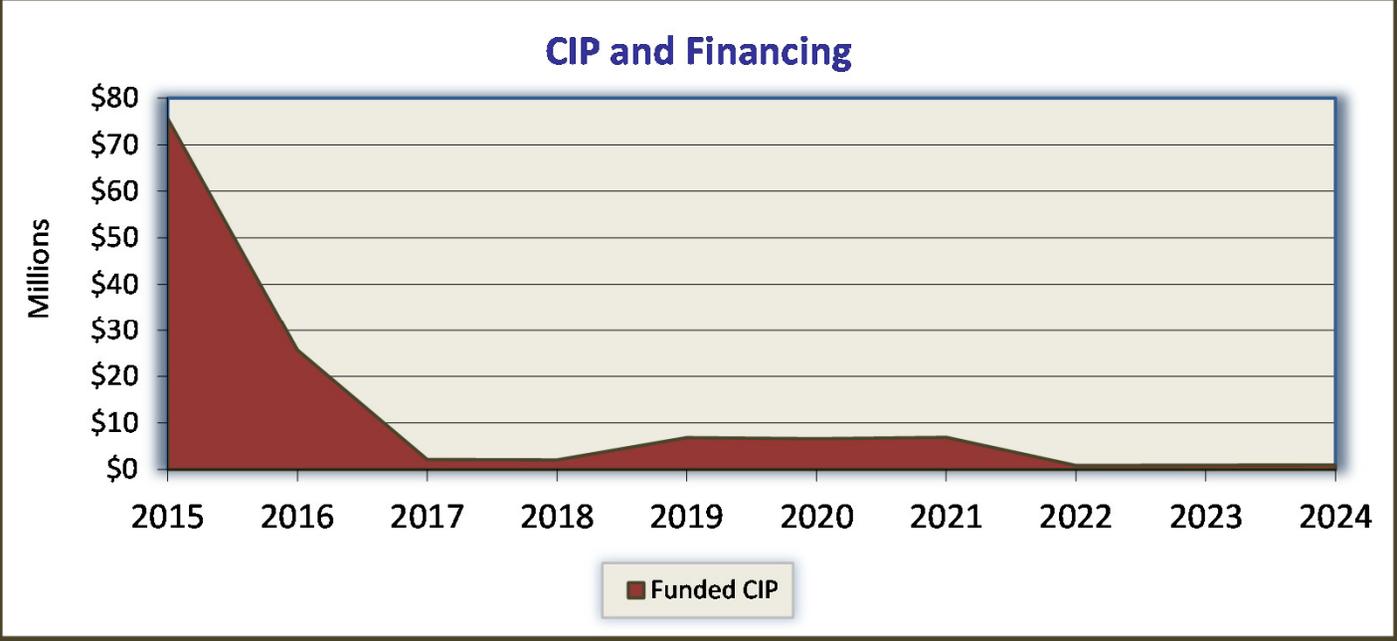
**REVIEW OF WATER UTILITY  
FINANCIAL PLANNING AND  
REVENUE REQUIREMENTS  
CALCULATION**

# KEY OBJECTIVES OF THE STUDY

## Goals and Objectives

- Determine water rate revenue adjustments necessary to meet future revenue requirements
- Adequately and properly fund capital infrastructure projects

# FUTURE REVENUE REQUIREMENTS INCLUDE SIZEABLE CAPITAL-RELATED EXPENDITURES



## PROJECTED ANNUAL CAPITAL EXPENDITURES

Year	CIP Costs*
FY2015	\$75.6
FY2016	25.7
FY2017	2.1
FY2018	2.1
FY2019	6.8
FY2020	6.6
FY2021	6.9
FY2022	0.9
FY2023	0.9
FY2024	1.0

L.O.-Tigard Water Partnership

ASR #3

Pipeline: 550 Zone to 530 Zone  
Cach Reservoir and P.S.

\* Note: Projected costs include escalation.

# FINANCIAL PLANNING FOR UTILITIES IS BASED ON A “CASH-FLOW” APPROACH

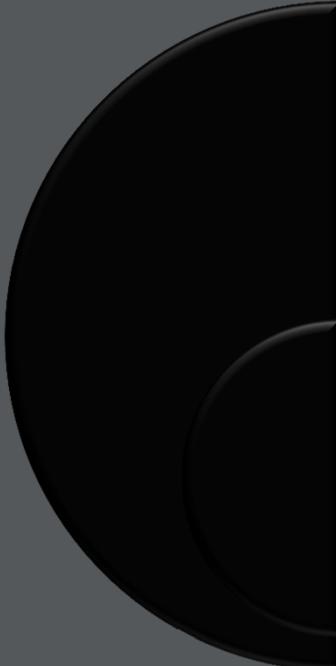
- Over time, revenue must be equal to or greater than the utility’s costs

+ O&M Expenses  
+ Transfer Payments  
+ Debt Service (P&I)  
+ Rate-Funded Capital Projects  
= Total Revenue Requirements  
– Miscellaneous Revenues  
= Balance Required from Rates

+ Total Capital Projects  
– Bond Proceeds (Revenue Bonds)  
– Grants  
– Customer Contributions (e.g. SDCs)  
= Capital Projects Funded from Rates



# FINANCIAL PLANNING IS A LONG-TERM FOCUS ON CASH FLOW AND FINANCIAL HEALTH



## Cash-Flow Perspective

- How much is needed?
- When do we need it?
- Where will it come from?

## Long-Term Focus

- 30-year planning period
- Rate revenue adjustments
- Targets and benchmarks

## A DYNAMIC FINANCIAL PLANNING PROCESS HELPS THE UTILITY ASSESS POLICIES AND GOALS

Consider  
Financing  
Options

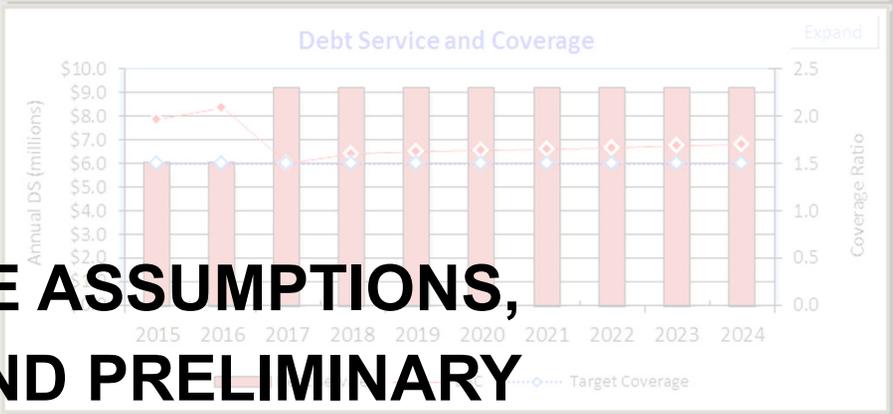
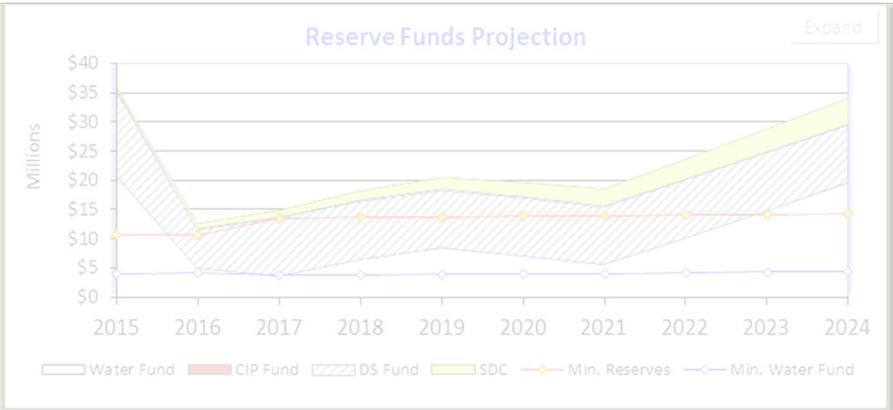
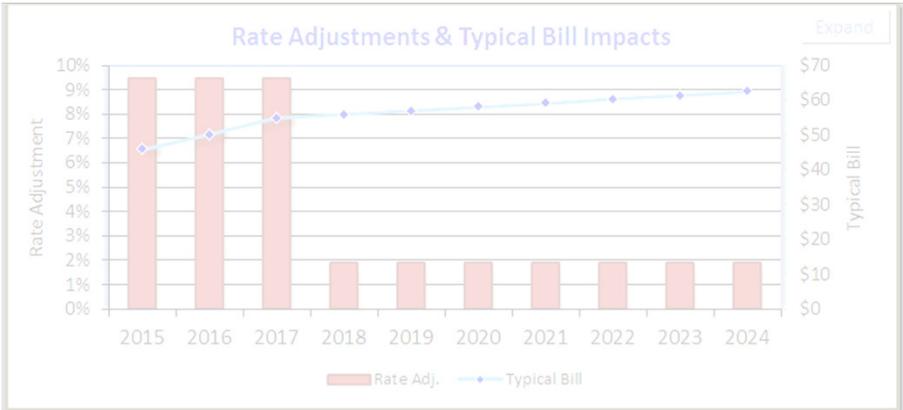
Long-term  
debt

Cash and  
reserves

Lower,  
Smoother  
Rate Changes

Send price  
signals

Avoid rate  
shock



02

**DISCUSS THE ASSUMPTIONS,  
FINDINGS, AND PRELIMINARY  
CONCLUSIONS**



## PRELIMINARY CONCLUSION

- HDR analyzed the City's data and developed scenarios with City staff.
- Two scenarios are up for consideration:
  - Smoothed Rate Impact
  - One-Time Rate Hike in 2015
- Either scenario will meet the City's revenue requirements, target reserve levels, and financial benchmarks.
- The next slides show the assumptions, explain the scenarios, and give you a snapshot of future fund balances.

## ANNUAL O&M EXPENSES

Year	Annual O&M*	Year	Annual O&M*
FY2015	\$8.4	FY2025	\$9.2
FY2016	9.0	FY2026	9.6
FY2017	6.9 ←	FY2027	9.9
FY2018	7.2	FY2028	10.3
FY2019	7.4	FY2029	10.7
FY2020	7.7	FY2030	11.0
FY2021	8.0	FY2031	11.5
FY2022	8.3	FY2032	11.9
FY2023	8.6	FY2033	12.3
FY2024	8.9	FY2034	12.8

\* Note: Projected costs include escalation.

## EXISTING DEBT SERVICE

Year	Annual DS*	Year	Annual DS*
FY2015	\$4.9	FY2025	\$6.7
FY2016	4.9	FY2026	6.7
FY2017	6.7	FY2027	6.7
FY2018	6.7	FY2028	6.7
FY2019	6.7	FY2029	6.7
FY2020	6.7	FY2030	6.7
FY2021	6.7	FY2031	6.7
FY2022	6.7	FY2032	6.7
FY2023	6.7	FY2033	6.7
FY2024	6.7	FY2034	6.6

\* Note: Projected costs rounded to millions.

## ANNUAL CAPITAL EXPENDITURES

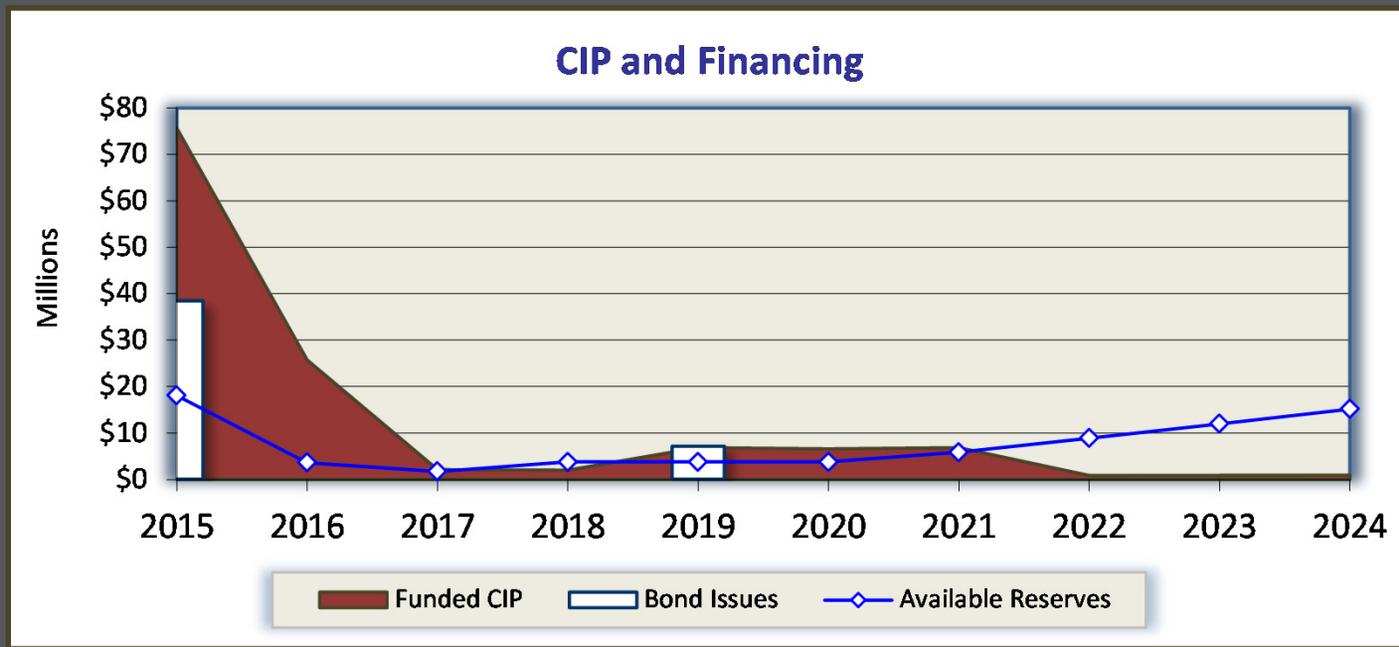
Year	CIP Costs*
FY2015	\$75.6
FY2016	25.7
FY2017	2.1
FY2018	2.1
FY2019	6.8
FY2020	6.6
FY2021	6.9
FY2022	0.9
FY2023	0.9
FY2024	1.0

\* Note: Projected costs include escalation.

## THE CITY'S CAPITAL PROGRAM RELIES ON WATER RATES & SDC REVENUE

- Improvements are built in phases with sufficient capacity to meet projected increases in demands for several years.
- Collection of SDC revenue is spread over a number of years before/after the improvement is built.
- Any difference in initial funding is covered by rates, from cash reserves or long-term debt financing that is repaid from rate revenue.

# CAPITAL EXPENDITURES AND FUTURE DEBT FINANCING



## ANNUAL CASH-FINANCED CIP

Year	CIP Costs	Prior Bond Proceeds	Reserves & SDCs	New Bond Proceeds	CIP from Cash
FY2015	\$75.6	\$48.3	\$0.0	\$25.4	\$1.9
FY2016	25.7	0.0	17.3	8.4	0.0
FY2017	2.1	0.0	0.2	0.0	1.9
FY2018	2.1	0.0	0.3	0.0	1.8
FY2019	6.8	0.0	0.3	2.9	3.7
FY2020	6.6	0.0	0.3	2.8	3.5
FY2021	6.9	0.0	4.8	0.7	1.4
FY2022	0.9	0.0	0.3	0.0	0.5
FY2023	0.9	0.0	0.3	0.0	0.6
FY2024	1.0	0.0	0.3	0.0	0.7

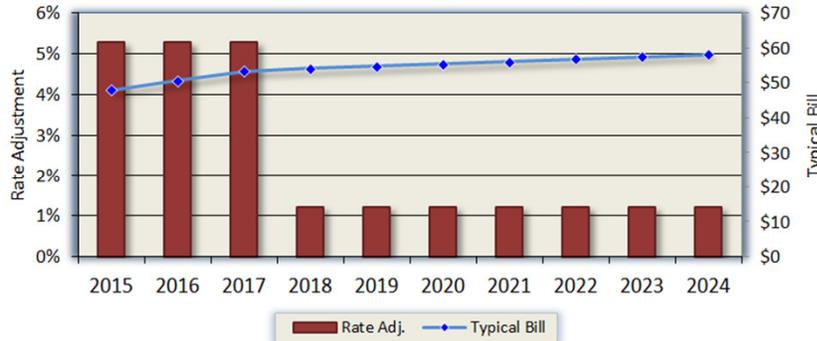
## TOTAL ANNUAL DEBT SERVICE

Year	Annual DS*	Year	Annual DS*
FY2015	\$5.5	FY2025	\$9.7
FY2016	6.8	FY2026	9.7
FY2017	9.2	FY2027	9.7
FY2018	9.2	FY2028	9.7
FY2019	9.5	FY2029	9.7
FY2020	9.7	FY2030	9.7
FY2021	9.7	FY2031	9.7
FY2022	9.7	FY2032	9.7
FY2023	9.7	FY2033	9.7
FY2024	9.7	FY2034	9.7

\* Note: Projected costs rounded to millions.

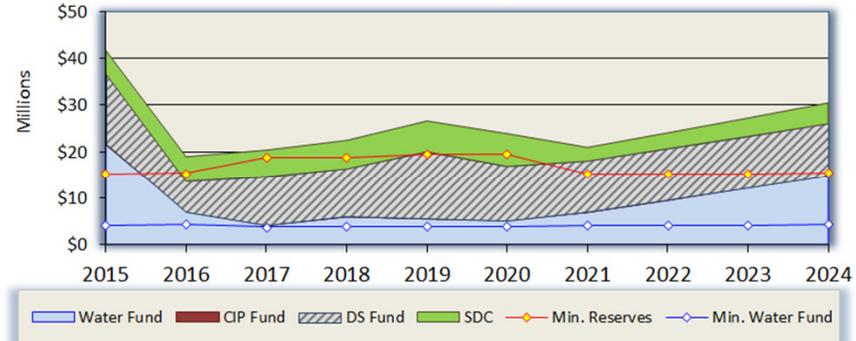
Rate Adjustments & Typical Bill Impacts

Expand



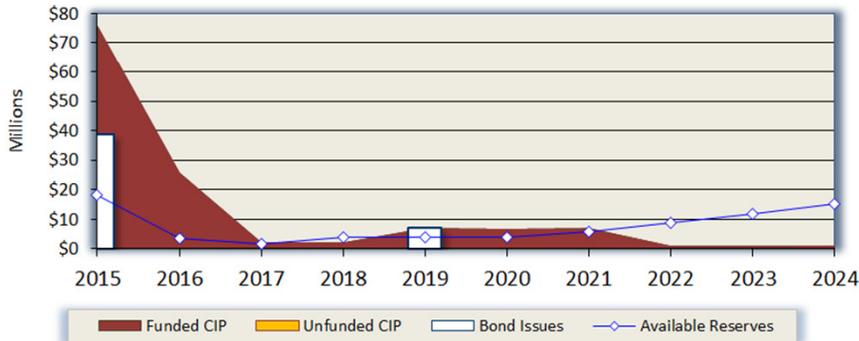
Reserve Funds Projection

Expand



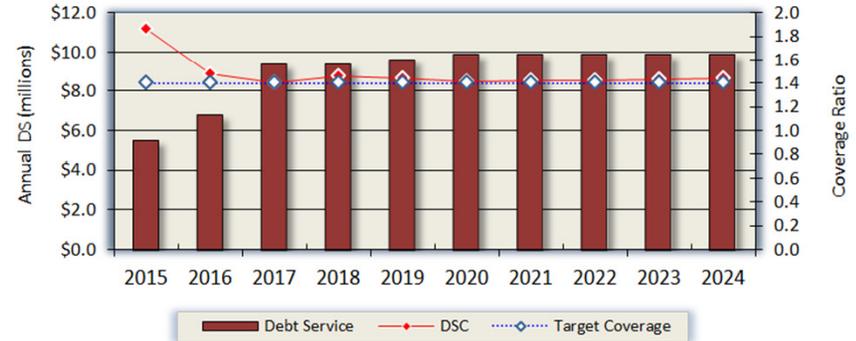
CIP and Financing

Expand



Debt Service and Coverage

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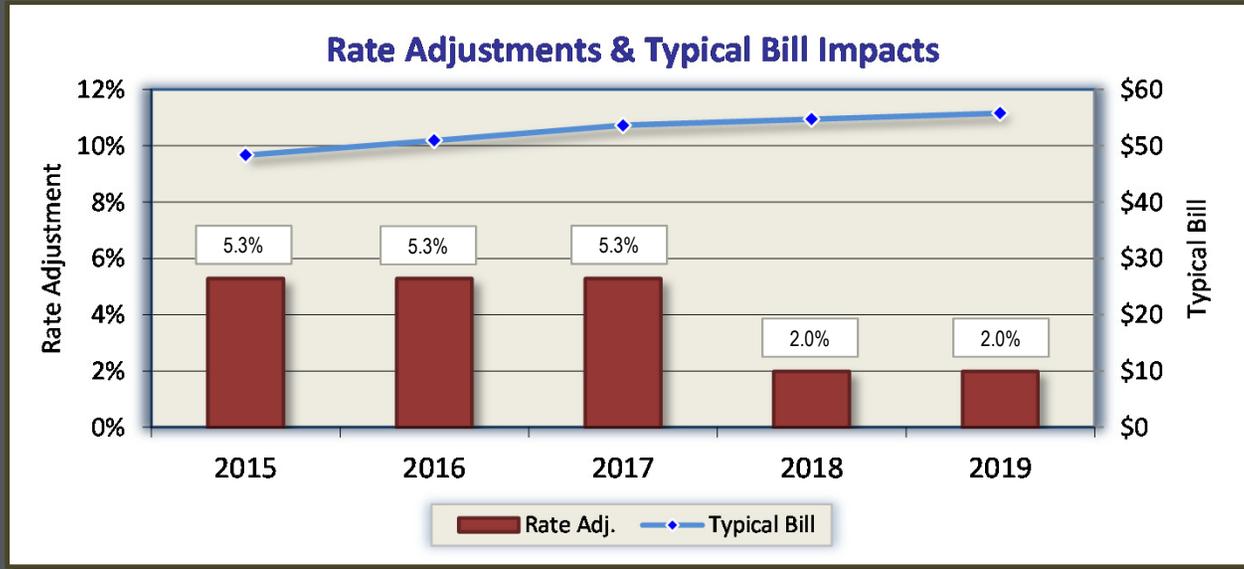


# ANALYSIS USING HDR'S FINANCIAL PLANNING MODEL

## REVIEWED TWO RATE FORECAST OPTIONS

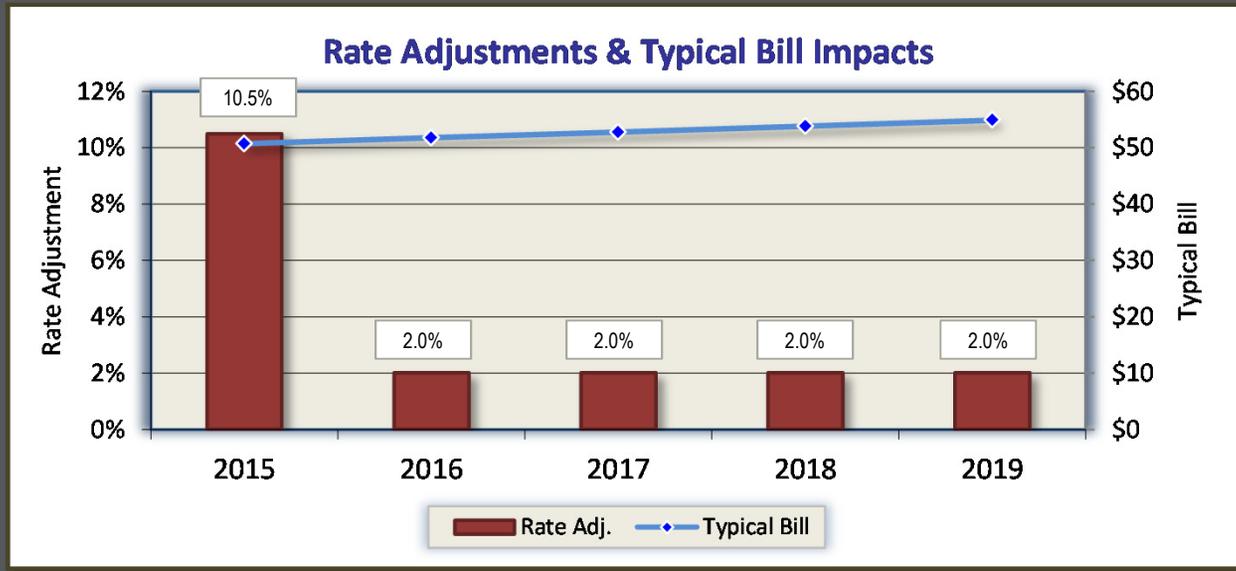
1. **Smoothed Rate Impact** – An analysis to identify optimal amounts of new debt and rates to pay for projects while minimizing short-term rate impacts.
2. **One-Time Rate Hike in 2015** – A financial forecast given a large rate adjustment in 2015, while holding future annual rate adjustments to 2% or less.

# SUMMARY OF CUSTOMER IMPACTS – SMOOTHED RATES



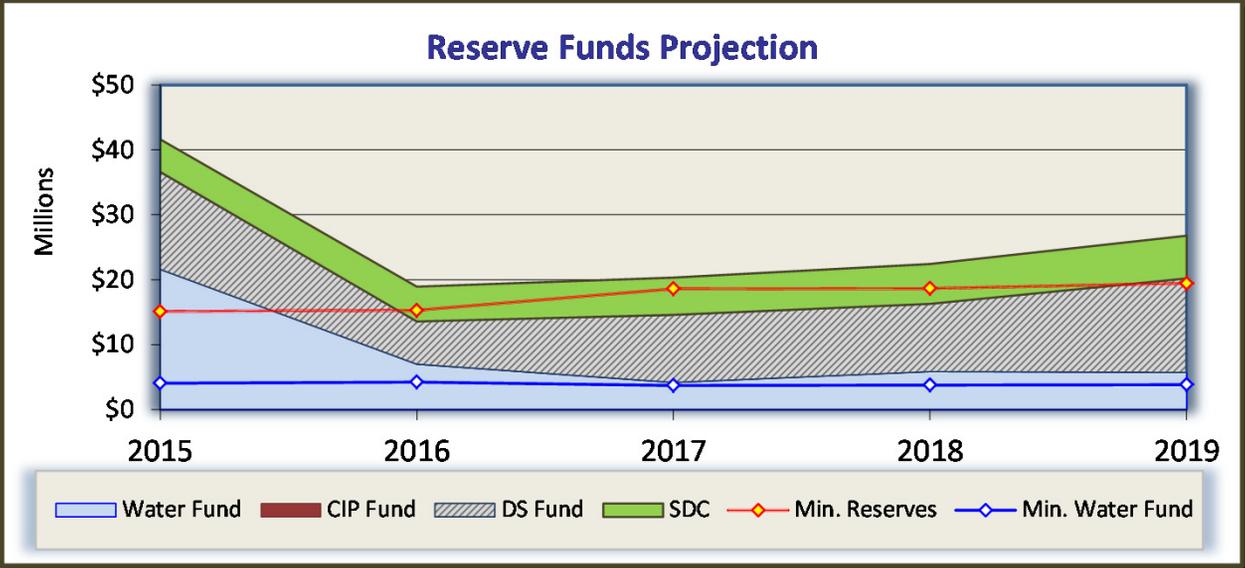
Description	Fiscal Year Ending				
	2015	2016	2017	2018	2019
Rate Adj.	5.30%	5.30%	5.30%	2.00%	2.00%
Monthly Bill	\$48.35	\$50.91	\$53.61	\$54.68	\$55.77
Bill Increase		2.56	2.70	1.07	1.09

# SUMMARY OF CUSTOMER IMPACTS – RATE HIKE

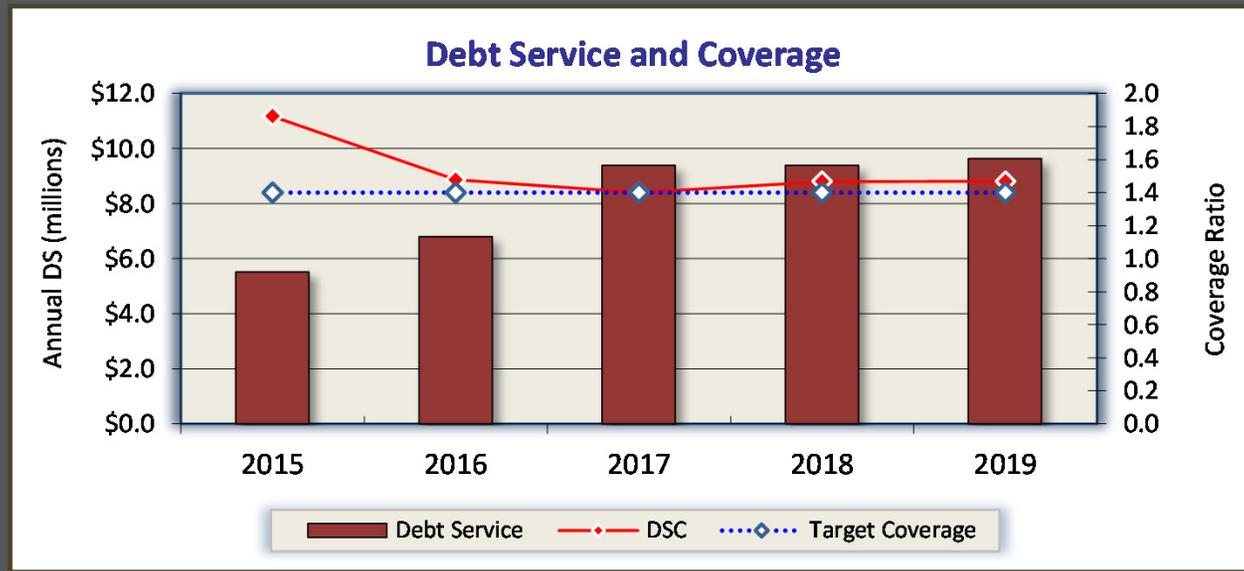


Description	Fiscal Year Ending				
	2015	2016	2017	2018	2019
Rate Adj.	10.50%	2.00%	2.00%	2.00%	2.00%
Monthly Bill	\$50.74	\$51.76	\$52.80	\$53.86	\$54.94
Bill Increase		1.02	1.04	1.06	1.08

# PROJECTED RESERVE FUND BALANCES



# PROJECTED DEBT SERVICE AND ESTIMATED DSC



HDR