



WASTEWATER RATE REPORT FY2016

City of Casa Grande

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Executive Summary

The City of Casa Grande Wastewater service expenditures are 100% user fee funded. The rates to provide this funding are reviewed annually to ensure the revenue is sufficient to pay for the expenditures. There is also a loan requirement that the City meet certain benchmarks to ensure repayment of the loan issued to finance the wastewater treatment plant expansion

Financial Picture

The following schedule presents the current financial picture of the wastewater operations fund. As shown, Wastewater Treatment Development Impact Fees are not generating revenue sufficient to cover their portion of annual debt service. As these payments are required the Wastewater Operating Fund must cover the shortfall of funds for annual debt payment. This results in a declining cash balance.

The main driver of the rate increase is the requirement to repay the debt for the wastewater treatment plant expansion while maintaining a legally mandated minimum reserve balance. At the time the expansion was planned, it was assumed that growth would pay more than 50% of the debt service based on the construction costs for new capacity in relation to upgrading existing systems. Growth has not maintained the rate anticipated and the Operating Fund is required to make up the difference under the terms of the loan agreement with the Water Infrastructure Financing Authority. Although established as a loan there is no anticipation that the rate of growth will increase to the point that this loan may be repaid from Impact Fees generated in the near future.

Based on current projections additional rate increases will be required on an annual basis to maintain operations, fund reserves and cover existing debt service. In the following projection this fund is utilizing existing savings to offset ongoing expenditures as rate increases are phased in over the five-year period. At no point in this projection are annual revenues sufficient to cover annual expenditures and reserves.

For a more comprehensive look at the wastewater rates, please look on the city web site at the rate study completed in 2009. The web address is:

<http://casagrandeaz.gov/dept/finance/comprehensive-rate-studies/>

If you have any questions, please contact Doug Sandstrom at dsandstrom@casagrandeaz.gov or by phone at (520)421-8600.



**WASTEWATER OPERATING (520)
FIVE YEAR FORECAST**

Projection #1	Actual FY2014	Forecast FY2015	Budget FY2016	Projected FY2017	Projected FY2018	Projected FY2019	Projected FY2020
Beginning Cash	\$ 6,235,262	\$ 8,720,454	\$ 6,496,154	\$ 6,206,654	\$ 6,346,854	\$ 6,720,054	\$ 7,447,854
User Fees	7,728,589	8,900,000	10,306,900	11,328,900	12,079,200	12,680,000	13,363,800
Penalty	264,627	350,000	200,000	200,000	200,000	200,000	200,000
Effluent Sales	47,573	351,000	348,000	348,000	348,000	348,000	348,000
Transfers in	2,130,000	250,000	225,000	225,000	225,000	225,000	225,000
Available Cash	\$ 16,457,615	\$ 18,591,454	\$ 17,598,054	\$ 18,330,554	\$ 19,221,054	\$ 20,195,054	\$ 21,606,654
Personnel	810,059	921,100	928,800	975,200	1,023,900	1,075,000	1,128,600
Contract/Supplies	3,340,740	4,031,600	3,981,700	4,156,200	4,339,300	4,531,600	4,733,300
Capital	129,293	1,812,200	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Debt	3,457,070	5,330,400	5,480,900	5,852,300	6,137,800	6,140,600	6,144,200
ENDING CASH	\$ 8,720,454	\$ 6,496,154	\$ 6,206,654	\$ 6,346,854	\$ 6,720,054	\$ 7,447,854	\$ 8,600,554
<i>Reserve Requirements</i>	<i>\$ 8,201,900</i>	<i>\$ 7,704,100</i>	<i>\$ 8,382,583</i>	<i>\$ 8,391,928</i>	<i>\$ 8,507,410</i>	<i>\$ 8,623,042</i>	<i>\$ 8,769,674</i>
Debt Service From DIFs	1,500,000	250,000	225,000	225,000	225,000	225,000	225,000
DIF Shortfall (loan from operations)	996,082	2,246,082	2,271,082	2,271,082	2,271,082	2,271,082	2,271,082

Assumptions:

Residential Customers	14,380	14,800	15,096	15,398	15,629	15,863	16,101
<i>Growth Rate</i>			2.0%	2.0%	1.5%	1.5%	1.5%
Commercial Customers	775	785	797	813	829	846	863
<i>Growth Rate</i>			1.5%	2.0%	2.0%	2.0%	2.0%
Anticipated Consumption	61,200	67,000	70,350	73,868	77,561	81,439	85,511
<i>Growth Rate</i>			5.0%	5.0%	5.0%	5.0%	5.0%
Personnel				5.0%	5.0%	5.0%	5.0%
Contract/Supplies				5.0%	5.0%	5.0%	5.0%

Monthly Rate Increase

	2015	2016	2017	2018	2019	2020
Residential Base Fee	2.75	3.00	2.75	2.00	1.00	1.00
Commercial Base Fee	2.00	2.08	1.00	1.00	1.00	1.00
Commercial Consumption Rate	0.42	0.35	0.30	0.20	0.15	0.15
Industrial Consumption Rate	0.65	0.35	0.30	0.20	0.15	0.15
Multi-Family	1.71	1.86	1.73	1.20	0.65	0.60

RATES

	Current	2016	2017	2018	2019	2020
Residential	31.45	34.45	37.20	39.20	40.20	41.20
Commercial Base	15.92	18.00	19.00	20.00	21.00	22.00
Commercial Consumption	2.80	3.15	3.45	3.65	3.80	3.95
Industrial	2.80	3.15	3.45	3.65	3.80	3.95
Multi-family	19.56	21.42	23.15	24.35	25.00	25.60

Residential	10%	9.5%	8.0%	5.4%	2.6%	2.5%
Commercial Base	14%	13.1%	5.6%	5.3%	5.0%	4.8%
Commercial Consumption	18%	12.5%	9.5%	5.8%	4.1%	3.9%
Industrial	30%	12.5%	9.5%	5.8%	4.1%	3.9%
Multi-family	10%	9.5%	8.1%	5.2%	2.7%	2.4%