



WASTEWATER RATE REPORT FY2017

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. Not until the fifth year, FY2021, 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**

2-Year catch up	Actual FY2014	Actual FY2015	Forecast FY2016	Budget FY2017	Projected FY2018	Projected FY2019	Projected FY2020	Projected FY2021
Beginning Cash	\$ 6,960,804	\$ 6,162,990	\$ 2,863,446	\$ 1,063,546	\$ 1,841,546	\$ 2,353,046	\$ 3,646,746	\$ 3,825,946
User Fees	7,728,589	9,041,414	9,700,000	11,407,600	12,334,500	12,732,300	13,321,400	13,935,500
Penalty	265,934	455,067	485,000	440,000	452,000	464,400	477,100	490,200
Effluent Sales	46,266	297,573	100,000	100,000	100,000	100,000	100,000	100,000
Transfers in	2,130,000	0	251,900	225,000	225,000	225,000	225,000	225,000
Available Cash	\$17,183,158	\$16,038,419	\$14,386,046	\$13,268,146	\$14,985,046	\$15,906,746	\$17,802,246	\$18,608,646
Personnel	868,206	830,704	958,300	1,018,500	1,069,500	1,123,000	1,179,100	1,238,000
Contract/Supplies	3,359,933	5,062,206	3,104,700	3,465,900	3,529,700	3,706,400	3,892,100	4,086,900
Capital	1,489,174	2,046,170	3,758,100	950,000	1,755,000	1,150,000	2,630,000	780,000
Debt	5,302,855	5,235,893	5,501,400	5,992,200	6,277,800	6,280,600	6,275,100	6,277,100
ENDING CASH	\$ 6,162,990	\$ 2,863,446	\$ 1,063,546	\$ 1,841,546	\$ 2,353,046	\$ 3,646,746	\$ 3,825,946	\$ 6,226,646
<i>Reserve Requirements</i>	\$ -	\$ 5,628,700	\$ 5,628,700	\$ 5,906,183	\$ 5,936,628	\$ 5,941,710	\$ 5,941,442	\$ 5,966,374
Debt Service From DIFs	1,500,000	155,000	251,900	225,000	225,000	225,000	225,000	225,000
DIF Shortfall (loan from operations)	0	2,341,082	2,244,182	2,271,082	2,271,082	2,271,082	2,271,082	2,271,082

Assumptions:

Residential Customers	14,378	15,021	15,100	15,100	15,402	15,633	15,867	16,105
<i>Growth Rate</i>				0.0%	2.0%	1.5%	1.5%	1.5%
Commercial Customers	763	760	765	776	792	808	824	840
<i>Growth Rate</i>				1.5%	2.0%	2.0%	2.0%	2.0%
Anticipated Consumption	61,260	57,380	64,043	67,245	70,607	74,137	77,844	81,736
<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	2021
Residential Base Fee	2.75	1.00	5.00	3.00	1.00	1.00	1.00
Commercial Base Fee	2.00	1.08	2.62	1.57	0.52	0.52	0.52
Commercial Consumption Rate	0.42	0.25	0.47	0.28	0.09	0.09	0.09
Industrial Consumption Rate	0.65	0.25	0.47	0.28	0.09	0.09	0.09
Multi-Family	1.71	0.62	3.10	1.89	0.60	0.65	0.60

RATES

	2015	Current	2017	2018	2019	2020	2021
Residential	31.45	32.45	37.45	40.45	41.45	42.45	43.45
Commercial Base	15.92	17.00	19.62	21.19	21.71	22.24	22.76
Commercial Consumption	2.80	3.05	3.52	3.80	3.90	3.99	4.08
Industrial	2.80	3.05	3.52	3.80	3.90	3.99	4.08
Multi-family	19.56	20.18	23.28	25.17	25.77	26.42	27.02

Residential	10%	3%	15.4%	8.0%	2.5%	2.4%	2.4%
Commercial Base	14%	7%	15.4%	8.0%	2.5%	2.4%	2.4%
Commercial Consumption	18%	9%	15.4%	8.0%	2.5%	2.4%	2.4%
Industrial	30%	9%	15.4%	8.0%	2.5%	2.4%	2.4%
Multi-family	10%	3%	15.4%	8.1%	2.4%	2.5%	2.3%