DRAFT

Fiscal Year 2017/18 Preliminary Water and Wastewater Budgets

Public Workshop April 11, 2017

Overview

- Budget/Rate Principals
- Wastewater Budget and Rates
- Water Budget
  - Water demands and supply
  - Operating expenses
  - Infrastructure investments – capital improvements
- Financial Reserves
- Proposed Water Rates
- Q&A

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Budget and Rate Setting Principals

- Proactive CIP and preventative maintenance to enhance water service reliability
- Revenue stability (balance of fixed vs variable revenue)
- Financial sufficiency (meet operating costs, uphold bond covenants, maintain target reserves)
- Equitable rates (adhere to cost-of-service principles)
- Affordability for essential use
- Promote efficient water use

2017/18 Wastewater Discussion

- Stable sewer revenue and expense
  - Variable sewer rate component implemented in 2016
  - City of LA sewer charge is the largest variable expense
- Wastewater reserve fund is healthy
  - Wastewater reserves $1.9 million over target
  - Planned drawdown of wastewater reserves
- Sewer rates will remain at current amounts
  - Sewer rates have been maintained at 2014 amounts

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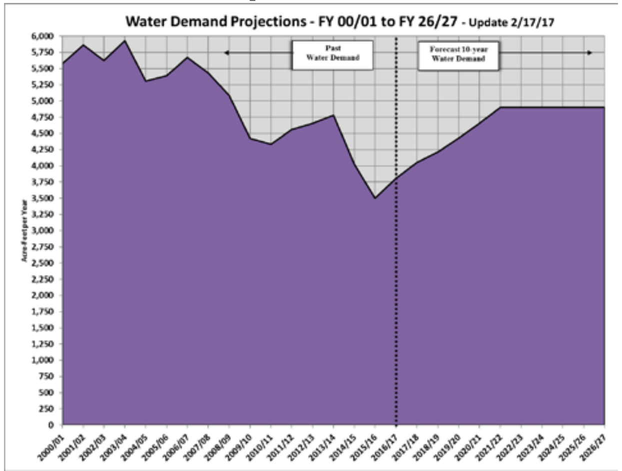
2017/18 Budget Assumptions – Water Demands and Supply

- Impact of drought and water conservation
  - Water use has steadily declined since 2007
  - Down 30% over ten years
  - Local water supply is 40% less than 5 years ago
- Financial impacts
  - Water sales revenue is $950,000 less than in FY 2014
  - Projected imported water expense is up $630,000 over FY 2016



2017/18 Budget Assumptions – Operating Expense

- Cost containment
  - Deferral of maintenance projects
  - Improvements in pipeline repair methods
  - Reduction of staff
- Operating expense needs
  - Increased water quality monitoring
  - Enhanced reservoir corrosion protection
  - Fire hazard removal

(include photo or graphic)

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2017/18 Budget Assumptions – Infrastructure Investments

- Aging facilities
  - 88 miles of pipeline,19 reservoirs, 12 wells, 3 pump stations
  - Some facilities over 70 years old
- Infrastructure rehabilitation/replacement priorities
  - Evaluation based on age, condition, importance
  - Potential for improved local water supply and $ savings considered
  - Capital improvement plan (CIP) based on prioritization evaluation

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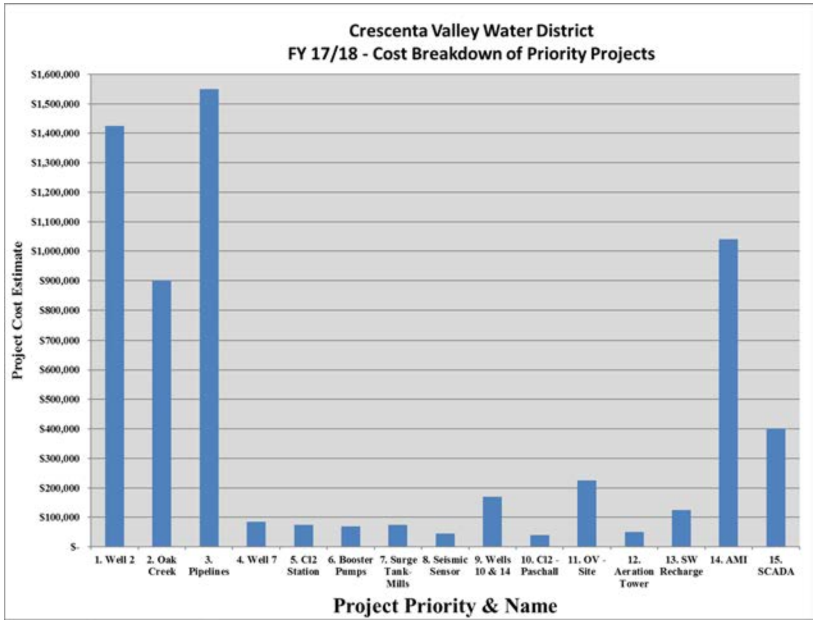
2017/18 Budget Assumptions – Infrastructure Investments

- Ten year CIP
  - Funding needs average $3.2 million annually
  - $3.3 million included in proposed FY 2018 budget
  - $2.1 million in grant funds received or committed in FY 2016-2018



2017/18 CIP Priority A Projects

Crescenta Valley Water District							
FY 17/18 Capital Improvement Project Program Cost Estimate and Funding Levels							
Project No.	**Capital Improvement Project Program**	**Budget FY 17/18**	**Category**	**Priority A, B, & C**	**Priority Level**	**Cumulative Costs**	**Project Description**
Group A - Needed to Maintain Water System Reliability							
1	***Re-Activate Well 2 - Design (40% Grant)***	**$ 125,000**	**Water Supply**	A	1	$ 125,000	**Re-activate Well 2 with 150 gpm capacity and install new Nitrate Removal Treatment Plant** Prop 84 Grant - $705,775 Grant + $1,192,225 = $1.825M Total Start Project - September 2017 Complete Project - April 2018
2	***Re-Activate Well 2 - Construction (40% Grant)***	**$ 1,300,000**	**Water Supply**	A	2	$ 1,425,000	
3	***Oak Creek #1 & #2 - Reservoir Rehabilitation***	**$ 900,000**	**Water Storage**	A	3	$ 2,325,000	**Remove existing interior coating, repair structural members, new interior coating, new ventilation system** Start Project - November 2017 Complete Project - March 2018
4	***Annual Pipeline Replacement - 2,600 LF (1st Priority)***	**$ 950,000**	**Water Distribution**	A	4	$ 3,275,000	**Replace 2,625 LF of 4-inch pipe with 8-inch pipe on the 2700, 3000 & 3100 Blocks of Brookhill** Start Project - January 2018 Complete Project - May 2018
							Rate Increase - 9.3% or $6.85/Kgal to complete Projects 1 - 4
5	***Well 7 Rehabilitation***	**$ 85,000**	**Water Supply**	A	5	$ 3,360,000	**Remove & Inspect Well Pump & Casing, Chemical Treatment Well Casing, Pump Test, New Pump & Motor** Start Project - December 2017 Complete Project - March 2018
6	***New Chlorination Station at Pickens Canyon Reservoir***	**$ 75,000**	**Water Quality**	A	6	$ 3,435,000	**Install new Sodium Hypochlorite chlorine system for Pickens Canyon Tunnel with chlorine analyzer** Start Project - October 2017 Complete Project - December 2017
7	***Boosters - Encinal C and Glenwood 32 (1st Priority)***	**$ 40,000**	**Water Distribution**	A	7	$ 3,475,000	**Replace Encinal Booster B with a new 1,175 gpm pump assembly and 60 hp motor** **Replace Encinal Booster C with a new 40 hp premium efficiency motor** Start Project - November 2017 Complete Project - January 2018
8	***Rehabilitation Surge Tank at Mills Plant***	**$ 75,000**	**Water Distribution**	A	8	$ 3,550,000	**Install New Water Surge Tanks at Mills Plant to Protect Boosters Pumps** Start Project - February 2018 Complete Project - May 2018
9	***Ordunio - Seismic Sensors & Valve Actuators***	**$ 45,000**	**Public Safety/ Emerg. Resp.**	A	9	$ 3,595,000	**Install New Seismic Sensor & Valve Actuator on Ordunio Reservoir Inlet/Outlet Valve** Start Project - December 2017 Complete Project - February 2018
							Rate Increase - 13.2% or $7.10/Kgal to complete Projects 1 - 9

2017/18 Budget Assumptions – Financial Reserves

- Purpose of reserve funds
  - Emergency fund
  - Working cash (cash flow)
  - Rate stabilization fund
- Use of reserves for rate stabilization
  - $1.7 million used in FY’s 2015, 2016 and 2017
  - Additional $3 million borrowed from other reserves
  - $1.5 million projected in FY 2018

2017/18 Budget Assumptions – Water Rate Impacts

- Proposed water rate increase
  - 7.2 % increase in water use charge (variable)
  - 7.2% increase in water service charge (fixed)
- Results in reserve funds dropping below target
- Impact on typical residence (8,500 gal/month)
  - $4.83 monthly increase on water billing
  - $0.0 increase on sewer billing
  - Net X% increase on combined water/sewer bill

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Questions?