

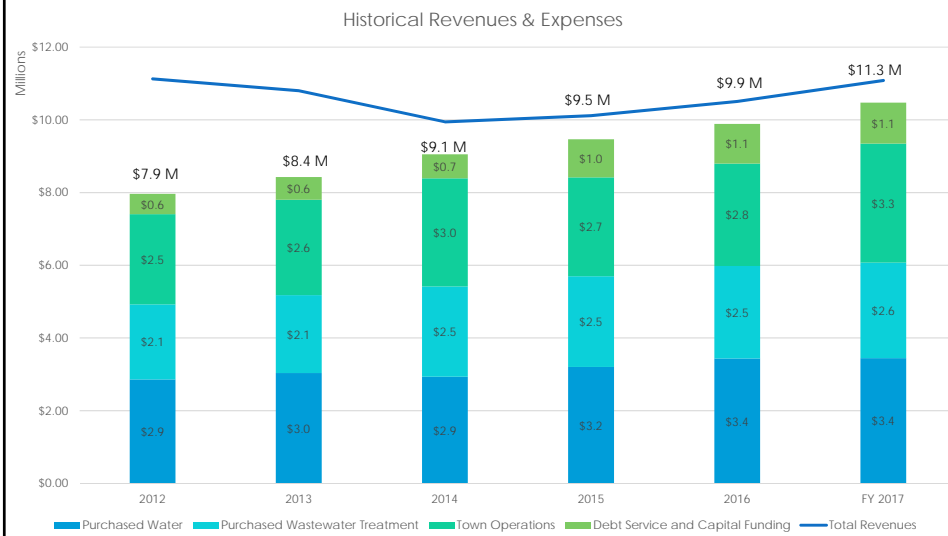
DISCUSSION TOPICS

- » Consider the Utility Outlook for FY 2018
- » Impacts to the Financial Plan
 - Pass through rate adjustments
 - Staffing
- » Policies and Approaches for Council Input:
 - Future Rate Increases
 - CIP
 - Fund Balance
- » Next Steps

Outlook for FY 2018

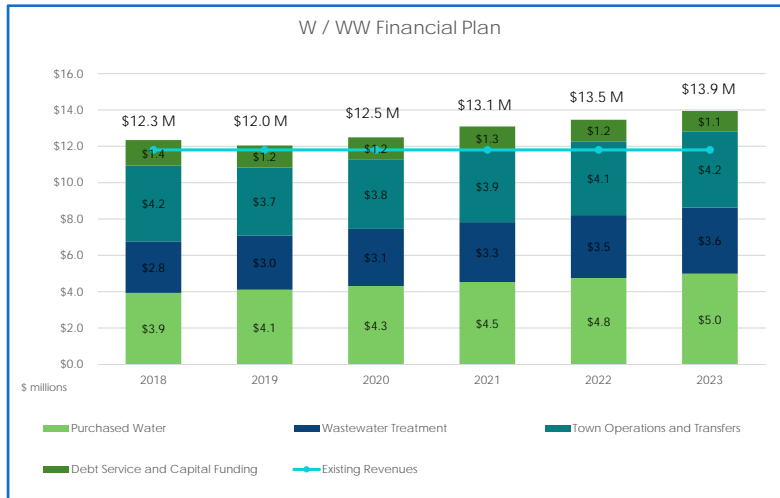
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HISTORICAL REVENUES & EXPENSES



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FORECAST OF PROJECTED REVENUES AND EXPENSES



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BASELINE ASSUMPTIONS

Status Quo

- » Incorporates current financial position
- » No rate increases
- » Remaining 2016 bond funds used in FY 2018
- » Existing Debt Service

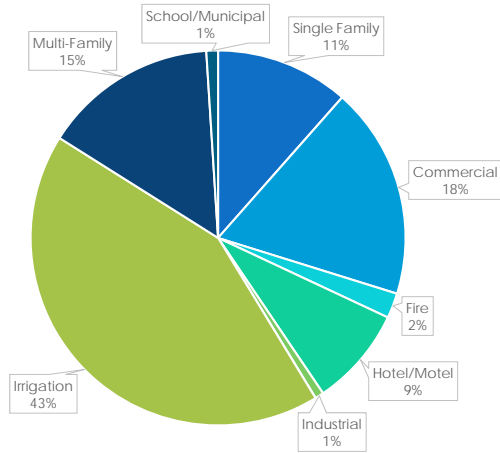
Results

- » Deficit of **\$500,000** in FY 2018
- » Cumulative Deficit of **\$1,100,000** through 2023
- » Reduces fund balance
- » No new staff
- » Fund no new projects

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2018 WATER RATE REVENUE BREAKDOWN

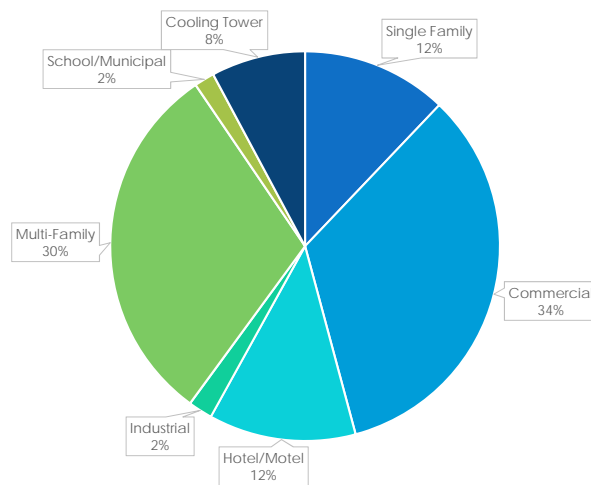
Total Water Revenue
\$6.5 Million



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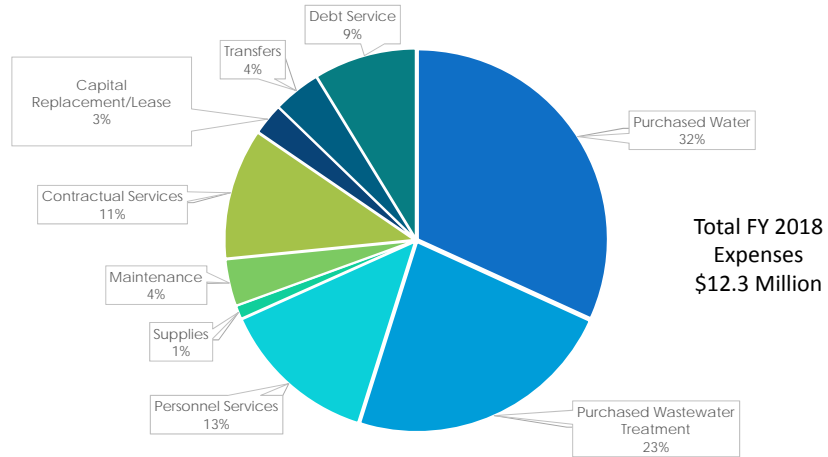
2018 WASTEWATER RATE REVENUE BREAKDOWN

Total Wastewater Revenue
\$5.1 Million



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FY 2018 EXPENSES



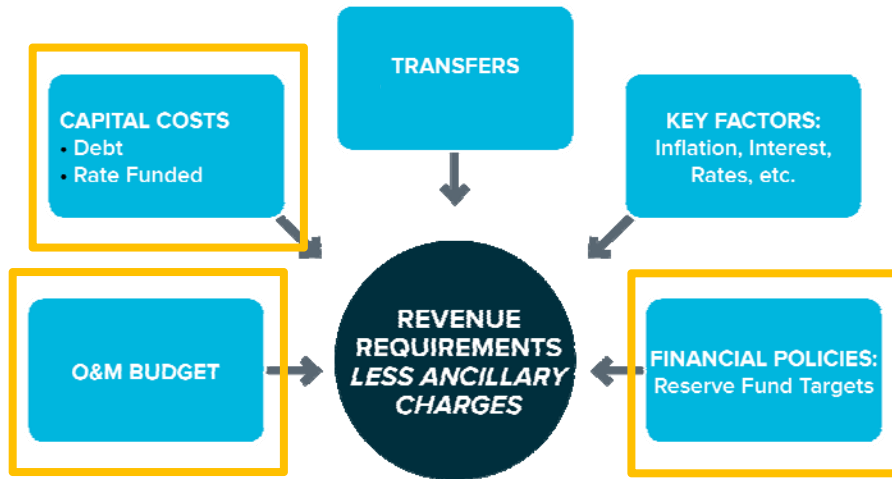
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FINANCIAL PLAN

Policies and Approaches for Council Consideration

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FINANCIAL PLAN



*Orange boxes highlight drivers for future financial plan.

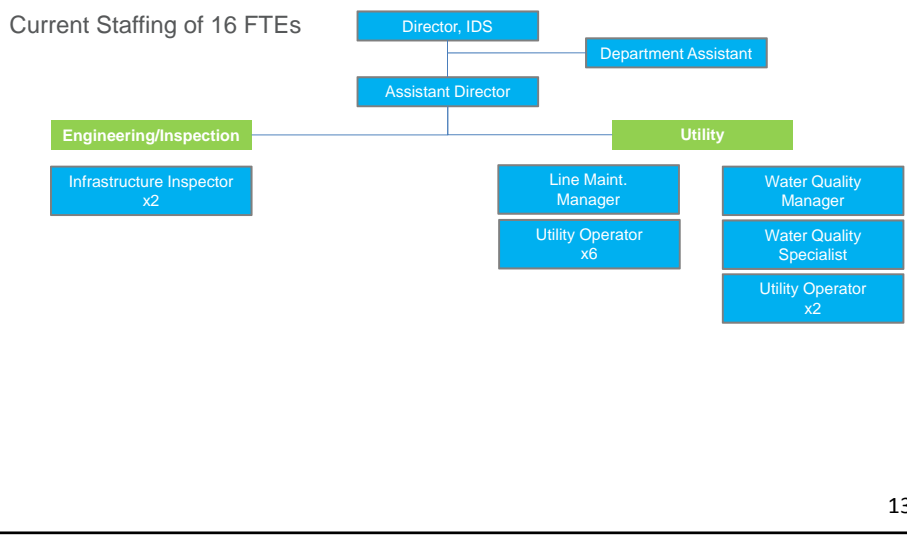
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PASS THROUGH RATES

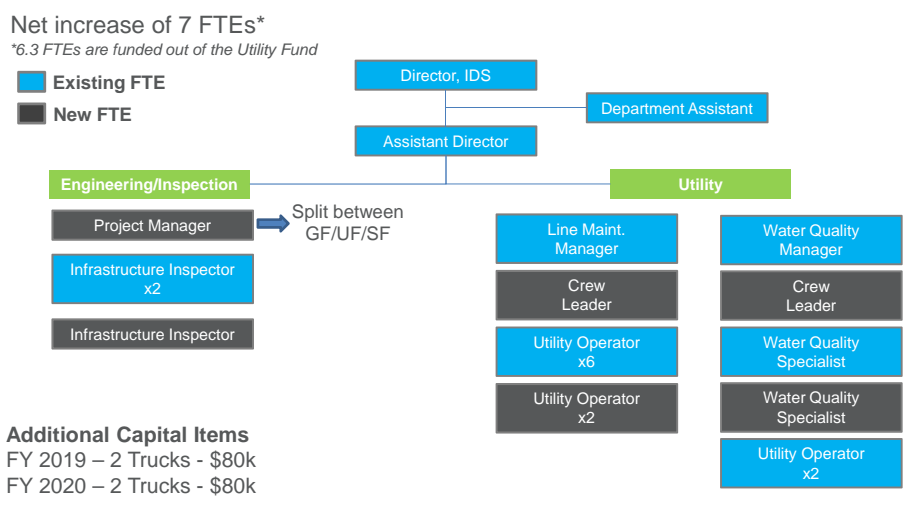
- » Dallas Water Utilities (DWU) and Trinity River Authority (TRA) conduct annual cost of service and rate setting exercises
 - No future forecast is provided
- » Model assumptions through FY 2023
 - 5% annual increase for DWU
 - 5% annual increase for TRA

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CURRENT STAFFING PLAN (FY 2018)



SHORT-TERM STAFFING PLAN (FY 2019 – FY 2021)



LONG-TERM STAFFING PLAN (FY 2023 – FY 2024)

Net increase of 9 FTEs

Existing FTE

New FTE

Engineering/Inspection

Project Manager

Infrastructure Inspector
x2

Infrastructure Inspector

Director, IDS

Department Assistant

Assistant Director

Utility

UM Line Maint.

UM Water Quality

Utilities
Superintendent

Water Quality
Superintendent

Crew Leader
(Water)

Crew Leader
(Sewer)

Water Quality
Specialist

Repair Crew x3

Water Quality
Specialist

Preventive Maint.
Crew (Water)
x2

Preventive Maint.
Crew (Sewer) (Line
Cleaning) x2

Utility Operator
x2

Valve/Tapping Crew
(Water) x3

Preventive Maint.
(Sewer) (CCTV) x2

Utility Operator
(x2)

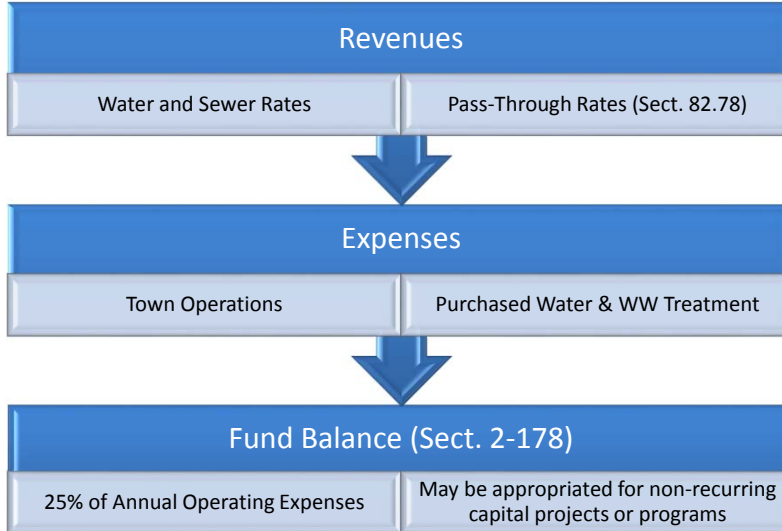
Additional Capital Items
FY 2019 – 3 Trucks - \$120k
FY 2020 – 2 Trucks - \$80k

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STAFFING SUMMARY

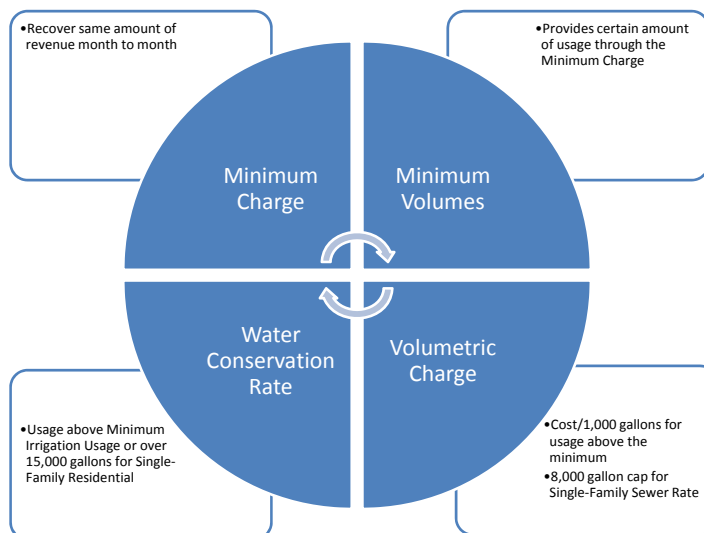
Staffing Target	Advantages	Disadvantages
Status Quo	<ul style="list-style-type: none"> No additional funding needed 	<ul style="list-style-type: none"> Inability to perform preventative maintenance Repairs are delayed due to staffing shortage
Scenario 1 – Short-term	<ul style="list-style-type: none"> Increase Preventative Maintenance Additional supervision for operations crews Additional Project Manager to support Capital Projects Begin Succession Planning 	<ul style="list-style-type: none"> Incremental Cost to the Utility of \$550,000 from FY 2019 – FY 2021 <ul style="list-style-type: none"> Includes Labor of \$415k and Vehicles of \$135k 1% impact on rate in FY 2019
Scenario 2 – Long-term	<ul style="list-style-type: none"> Further increase in Preventative Maintenance Separation of Water & WW Activities 	<ul style="list-style-type: none"> Incremental Cost to the Utility of \$570,000 from FY 2023 – FY 2024 <ul style="list-style-type: none"> Includes Labor of \$410k and Vehicles of \$160K 1% impact on rate in FY 2022

FINANCIAL POLICIES



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RATE STRUCTURE



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WATER CONSERVATION

Policy (Sect. 82.98)

- Reduce Consumption to 290 gpcd by 2015 and 275 gpcd by 2020
- Implemented Conservation Rate
- Implemented Water Restrictions (Currently in Stage 1)

Has it worked?

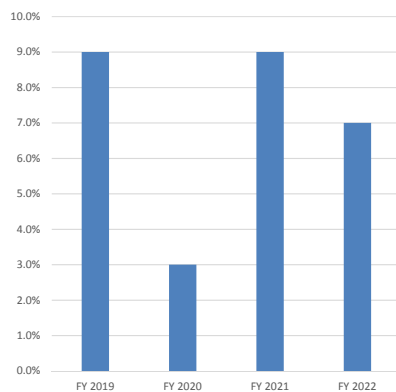
- Based on total water consumption, usage at ~370 gpcd in 2012
- Based on total water consumption, usage at ~261 gpcd in 2016

Considerations

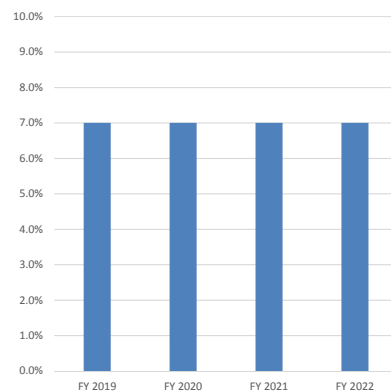
- Should the rate be continued?
 - Impact to Revenues, if discontinued
- Long-term Impact
 - Do customers curtail usage based on higher rate?

RATE ADJUSTMENT APPROACHES

In-Time Adjustments



Systematic Adjustments



* For Illustrative Purposes Only

RATE ADJUSTMENT APPROACHES

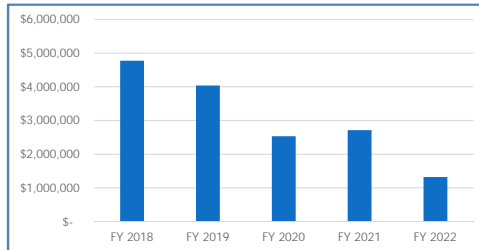
Approach	Advantages	Disadvantages
<u>In-Time:</u> Adjustments are set to meet each year's revenue requirements	Aligns more with Utility's annual expenses and revenue needs	Customers will experience varied (large and small) annual adjustments
<u>Systematic:</u> Rate-smoothing is implemented to meet overall multi-year needs.	Customers benefit in rate stability by equal incremental annual adjustments	The Utility must manage the funding and use of reserves appropriately to meet annual revenue needs.

INPUT: Future rate-setting approach?

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CIP FINANCING

\$15.4 Million



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Surveyor Ground Storage Tank Rehabilitation	\$ 2,250,000	\$ -	\$ -	\$ -	\$ -
Celestial Ground Storage Tank Rehabilitation	\$ 240,000	\$ -	\$ -	\$ -	\$ -
Kellway Lift Station Rehabilitation & Repair	\$ 375,000	\$ -	\$ -	\$ -	\$ -
Utility Plant Facilities and Pumps	\$ 181,000	\$ -	\$ -	\$ -	\$ -
Water Line Replacement	\$ 1,100,000	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Line Replacement / Rehab	\$ 627,000	\$ -	\$ -	\$ -	\$ -
Total	\$ 4,773,000	\$ 4,033,000	\$ 2,531,000	\$ 2,711,000	\$ 1,318,000
Celestial Ground Storage Tank Rehabilitation	\$ -	\$ 1,680,000	\$ -	\$ -	\$ -
Kellway Lift Station Rehabilitation & Repair	\$ -	\$ 560,000	\$ 230,000	\$ 185,000	\$ -
Utility Plant Facilities and Pumps	\$ -	\$ 207,000	\$ 128,000	\$ 129,000	\$ -
Water Facilities Security Assessment	\$ -	\$ -	\$ 150,000	\$ 100,000	\$ 105,000
Water Facilities Electrical Assessment	\$ -	\$ 150,000	\$ 250,000	\$ 263,000	\$ -
Water Line Replacement	\$ -	\$ -	\$ 1,125,000	\$ 1,375,000	\$ 1,213,000
Sanitary Sewer Line Replacement / Rehab	\$ -	\$ 636,000	\$ 648,000	\$ 659,000	\$ -
Equipment Storage Building	\$ -	\$ 800,000	\$ -	\$ -	\$ -
Total	\$ 4,773,000	\$ 4,033,000	\$ 2,531,000	\$ 2,711,000	\$ 1,318,000

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CIP FINANCING

- » 5-Year Capital Improvement Plan (CIP)
 - \$15 million between FY 2018 and FY 2022
- » Existing Financing
 - FY 2016 Bond Proceeds will partially fund FY 2018 capital plan
- » INPUT: Future Financing
 - 100% Bond Funded
 - Mix of Bond Funding and Rate-funded capital (annual cash from Fund Balance)

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FUND BALANCE

- » Current Situation
 - Reserve Target: 25%
 - Currently, fund balance is above target
 - Utility is spending down reserve level
- » INPUT:
 - Maintain or change fund balance target
 - Use of reserves in future years
 - Spend down reserves to Target
 - Maintain current level of reserves
 - Increase reserves

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NEXT STEPS

- I. Changes to model based on discussion
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- II. Provide Council a financial plan and
forecast of rates for consideration
—
- III. Provide model to staff for future updates

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THANK
YOU



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