

# RATE STUDY WORKSHOP

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Steven Palmer, General Manager

Darrell Creeks, Operations Manager

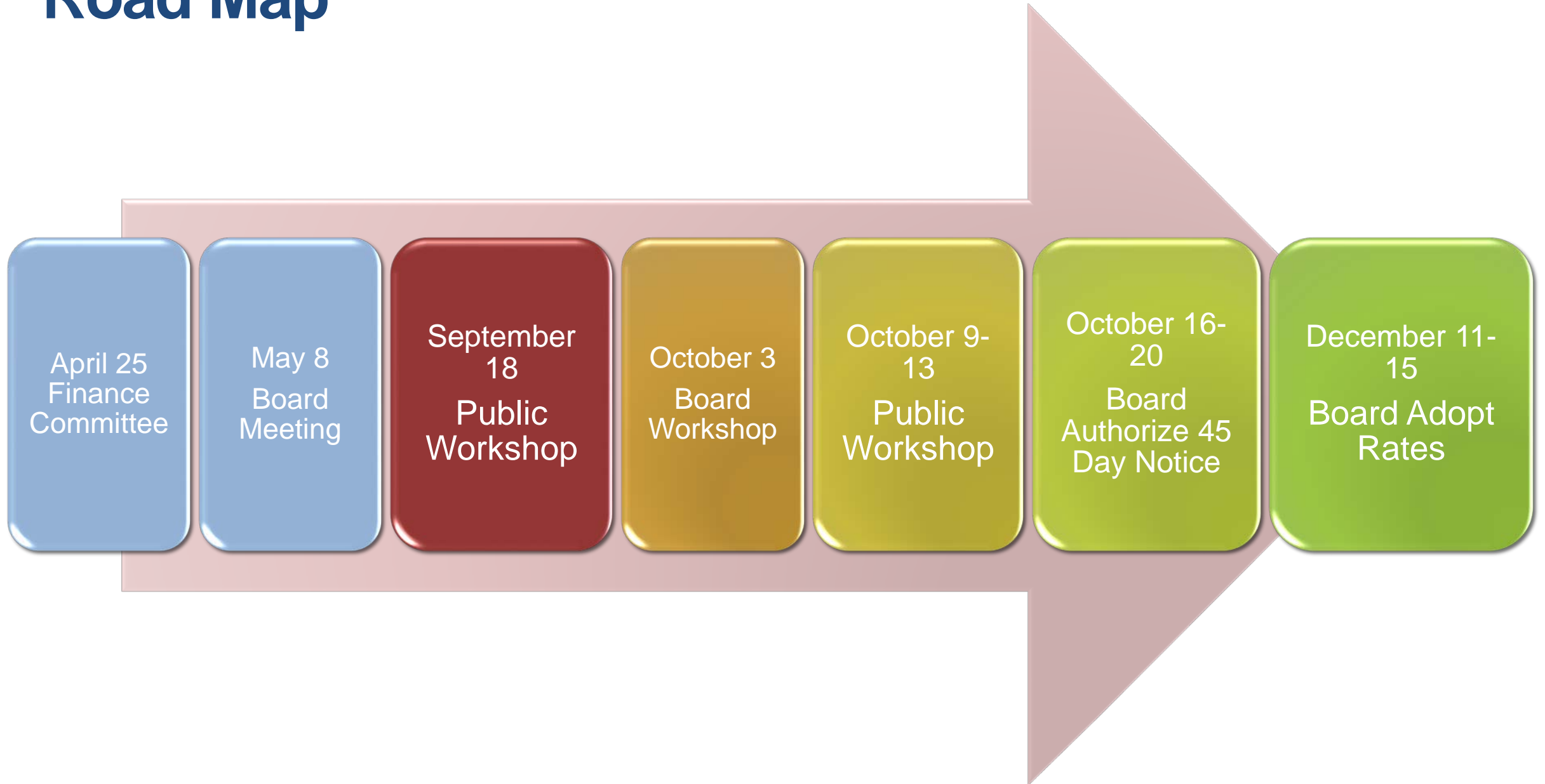
**Georgetown Divide Public Utility District**

September 18, 2017

# Overview

- I. Introduction
- II. Road Map
- III. Today's Objectives
- IV. District Overview
  - A. Infrastructure
  - B. Finances
- V. Rate Study
  - A. Background
  - B. Methodology

# Road Map



# Workshop Objectives (Why are we here)

- Educate
  - District Infrastructure
  - District Finances
  - Rate Study Requirements
  - Rate Study Methodology
- Meaningful Input



# GDPUD Mission Statement

It is the purpose of the Georgetown Divide Public Utility District to:

- Provide reliable water supplies
- Ensure high quality drinking water
- Promote stewardship to protect community resources, public health and quality of life
- Provide excellent and responsive customer services through dedicated and valued staff
- Ensure fiscal responsibility and accountability are observed by balancing immediate and long term needs





## Your Water System

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- Encompasses 415 square miles
- Approximately 15,000 residents
- Approximately 3,600 treated water connections
- Approximately 400 irrigation water customers
- ~20 full time employees



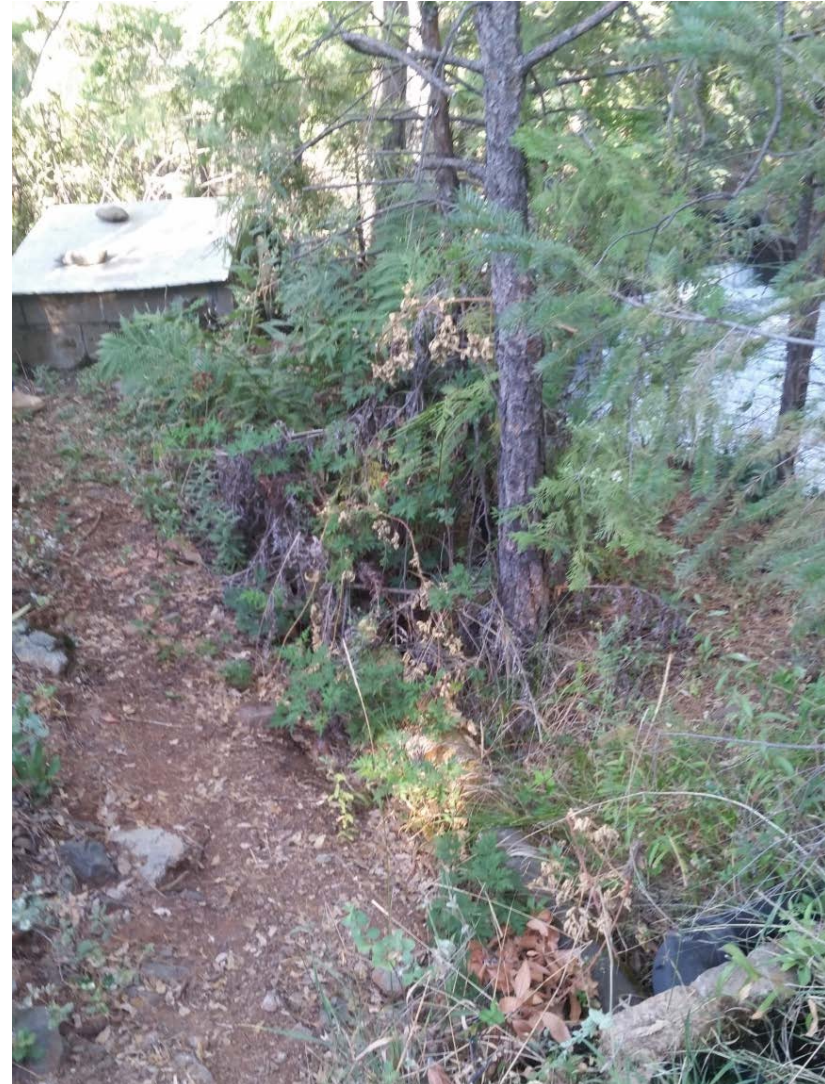
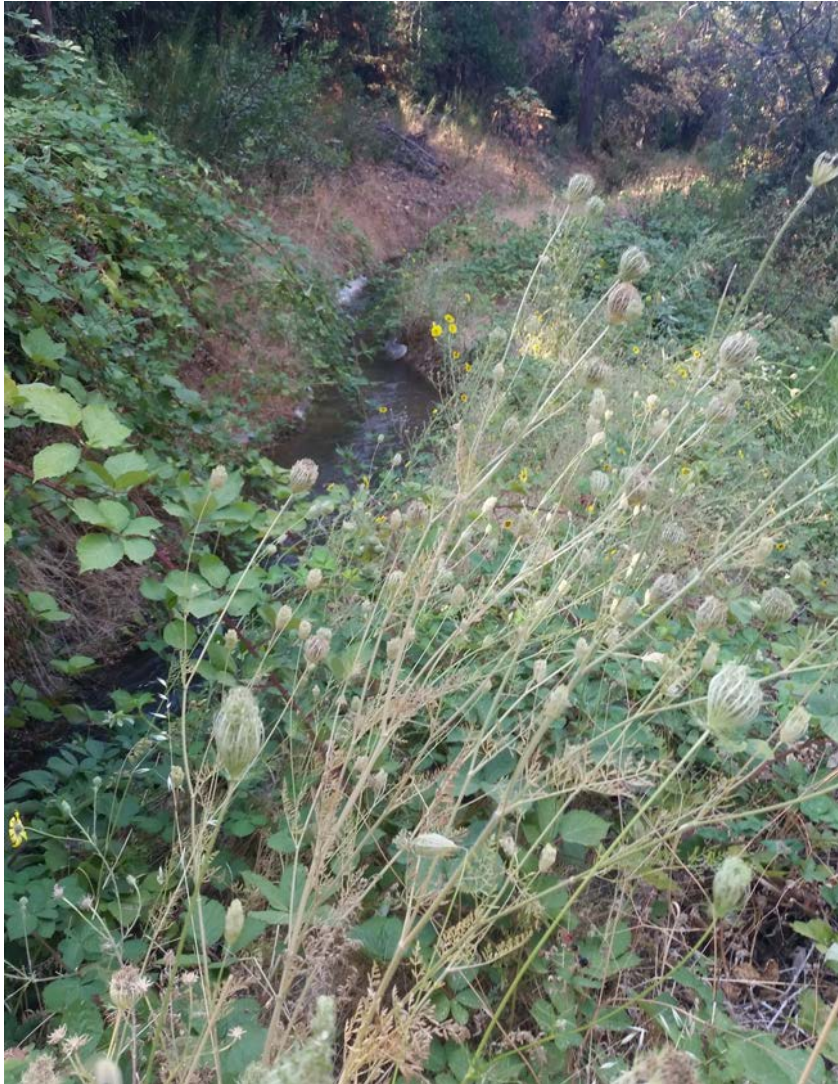
# Your Water System

- Over 70 miles of canals & ditches
- Two water treatment plants
- 10 storage tanks
- 5 pumping stations
- Three reservoirs
- Two State regulated dams
- Corporation yard & office building
- Replacement cost over \$150 million





# Your Water System





# Your Water System





# Your Water System



# Your Water System





# Your Water System





# Your Water System



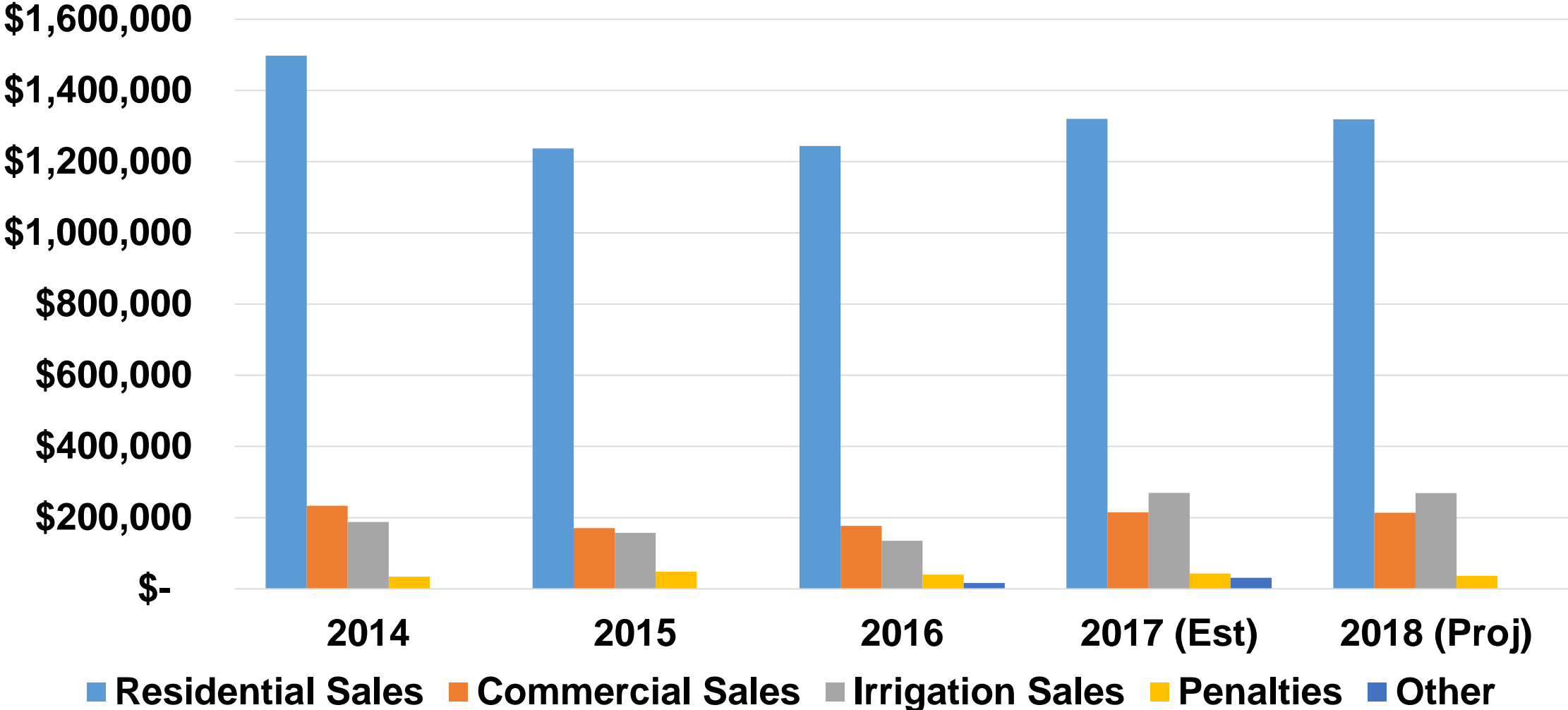
# Your Water System





# Finances - Revenue

## Water Operating Revenue 2014-2018



# Finance – Expenses - Capital

PROJECT	FY 17/18 BUDGET	5-YEAR ESTIMATED COSTS
ALT Water Treatment Plant	\$10,229,416	\$10,229,416
Reservoir & Stream Gauging	\$26,500	\$234,960
Office & Corp Yard Repairs	\$30,000	\$30,000
2017 Pavement Repair	\$75,000	\$75,000
Annual Tank Recoating	\$200,000	\$1,000,000
Meter Replacement	--	\$1,745,744
Annual Canal Lining	--	\$400,000
2016 Canal Lining	\$1,081,894	\$1,081,894
Repair Safety Walkways	\$30,000	\$30,000
2017 Manhole Sealing	\$10,000	\$10,000
Wastewater Lift Station Upgrade	--	\$120,000
<b>Total</b>	<b>\$11,682,810</b>	<b>\$14,957,014</b>

# Finance - Expenses

## Unfunded State Mandates

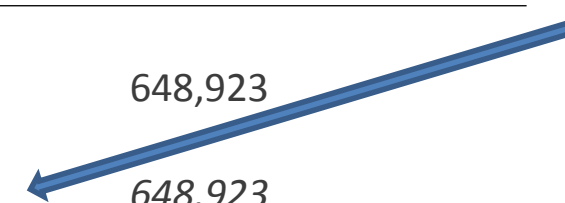
- Improve reservoir and stream diversion gauging
- Mark Edson Dam spillway condition assessment
- Update dam Emergency Action Plan
- More stringent water audit requirements
- Low income rate assistance



# Fund Summary

FUND	ESTIMATED BALANCE 6/30/2017	BUDGET REVENUE 2017- 2018	BUDGET EXPENSES 2017-2018	PROJECTED BALANCE 6/30/2018
<b>10 - GENERAL FUND</b>				
REVENUE				
Water Operating Revenue		\$ 1,839,000		
Non-Operating Revenue		\$ 1,862,300		
Supplemental Charge		\$ 648,923		
		<i>Total Revenue</i>	\$ 4,350,223	
EXPENSES				
5100			\$ 419,035	
5200			734,196	
5300			664,067	
5400			861,744	
5500			222,842	
5600			1,039,782	
			<i>Total Expenses</i>	\$ 3,941,665
TRANSFERS				
Transfer Supplemental Charge to SRF Fund 29			648,923	
Transfer from SMUD Fund		241,035		
		<i>Total Transfers</i>	648,923	
	<b>Subtotal General Fund \$ 670,946</b>	<b>\$ 4,591,258</b>	<b>\$ 4,590,588</b>	<b>\$ 671,615</b>

Spending  
from  
reserves



# Fund Summary

FUND	ESTIMATED BALANCE 6/30/2017	BUDGET REVENUE 2017-2018	BUDGET EXPENSES 2017-2018	PROJECTED BALANCE 6/30/2018
<i>UNRESTRICTED RESERVE FUNDS</i>				
8 - SMUD FUND	\$ 324,069	-	\$ 241,035	\$ 83,034
10 – GENERAL FUND	670,946	4,591,258	4,590,588	671,616
19 - STUMPY MEADOWS RESERVE	1,044,130	-	-	1,044,130
43 - CAPITAL RESERVE	749,047	-	597,500	151,547
30 - SMALL HYDRO FUND	603,069	-	-	603,069
24 - ALT WTP CAPITAL RESERVE	766,122	-	729,416	36,706
<b>Total Unrestricted Reserve Funds \$ 3,486,437</b>				<b>\$ 2,590,102</b>

# Fund Summary

FUND	ESTIMATED BALANCE 6/30/2017	BUDGET REVENUE 2017-2018	BUDGET EXPENSES 2017- 2018	PROJECTED BALANCE 6/30/2018
<i>RESTRICTED FUNDS (4)</i>				
9 - CABY GRANT	-	845,894	845,894	-
14 - STEWART MINE	24,458	14,200	14,200	24,458
25 - BAYNE ROAD & OTHER AD	34,267	3,000	37,267	-
17 - WATER DEVELOPMENT	402,053	-	-	402,053
53 - PILOT HILL NORTH	(7,480)	-	-	(7,480)
54 - PILOT HILL SOUTH	50,136	-	50,136	-
51 - KELSEY NORTH	103,102	9,480	33,535	79,047
52 - KELSEY SOUTH	190,533	2,580	180,000	13,113
29 - STATE REVOLVING FUND (5) (6)	57,087	10,176,475	10,176,475	57,087
35 - EPA GRANT	-	-	-	-
37 - GARDEN VALLEY WATER IMPROVEMENT DISTRICT	71,574	-	2,400	69,174
39 - CAPITAL FACILITY CHARGES	1,695,922	-	10,000	1,685,922
40 - ALT ZONE FUND (CAPITAL)	948,542	-	-	948,542
41 - ALT TANK REPLACEMENT LOANS & REPAIR	33,791	-	-	33,791
42 - ALT CDS RESERVE CONNECTION	213,840	-	-	213,840
<b>Total Restricted Funds \$ 2,869,283 \$ 11,051,629 \$ 11,349,907 \$ 2,571,005</b>				

# Board Resolution 2005

## Unrestricted Reserve Fund Goals

Board Resolution  
(goal)

\$6,076,304

Current Reserve

\$2,552,608

**\$3,523,696 Deficit**



# Rate Study Purpose

- Current Rate Structure (Treated and Irrigation)
  - Adopted on September 9, 2008
  - Last increase on July 1, 2011



# Rate Study Purpose

## Grand Jury Recommendations



- Initiate a voter approved rate increase
- Replace aging water meters and infrastructure
- Offer competitive salaries and attract qualified professional staff
- Review staffing levels and fill key positions with permanent staff
- Undertake a public information program to inform customers of impending rate changes

# WATER RATE STUDY

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John Van den Bergh, Rural Development Specialist

**Rural Community Assistance Corporation**

**Community & Environmental Services**



# Background

## Rate Study Purpose

- Identify “true cost” to deliver water
- Determine funding needed over the next 5-10 years to operate and maintain the system
- Create adequate revenue to fund capital improvements
- Ensure costs are allocated equitably
- Establish appropriate rates for 5 years
- Meet legal requirements for treated water and irrigation water rates

# Background

- Last review in 2008 - Last increase in 2011
- Stay solvent
- Required for grants and loans
  - Grants
    - Current Affordability: 1.25%
    - Disqualification for State and USDA Grants
    - Should be 1.50% to 4.00%
  - Loans Requirement
    - 1.2x debt coverage ratio required by loan covenants
    - Cannot maintain

# Legal Requirements

## Proposition 218

- Shall not exceed the funds required to provide the service
- Shall not be used for any other purpose
- Shall not exceed the proportional cost of service
  - No “free” water included in Base Rate
  - No “tiered” Usage Charges



# Legal Requirements

## Proposition 218 Implementation

- Must provide a Public Hearing Notice
  - Amount of rate
  - Basis of rate calculation
  - Reason for the rate
  - Date, time, location of public hearing
- One **written** protest per parcel (owner OR tenant, not both)
- Rate cannot be increased if >50% of property owners protest
- Affects all properties with water service available

# Legal Requirements

## San Juan Capistrano Case

- 2015 case that created strict standards on how tiered rates can be created
- Tiers need to “...correspond to the actual cost of providing service at a given level of usage...”
- In response, many agencies have eliminated tiered rates or revised their tiered rates

# Legal Requirements

## Subsidies

- Subsidies between customer types are prohibited in rates
- Subsidies must be funded by:
  - Funds not related to rates (eg. property tax)
  - Voluntary donations by other customers



# Treated vs Irrigation Water

## Reasons for splitting

- Legal requirements
- Different assets
- Different cost structure
- Different rates

## Split

- Assets
- Budget
- Reserves

# Treated Water Rate Study

## Current Rate Structure

- Bi-monthly charge for consumption up to 2,000 cubic feet
  - Residential = \$ 47.14
  - Commercial = \$ 50.32
- Bi-monthly Supplemental Charge for treatment plant construction loan:
  - \$30.16

# Treated Water Rate Study

## Current Rate Structure

- Consumption exceeding 2,000 cubic feet during a billing period:

2,001 – 4,000 cf	\$0.0138 per cf
4,001 – 6,000 cf	\$0.0165 per cf
6,001 – 8,000 cf	\$0.0193 per cf
8,001+ cf	\$0.0221 per cf



# Treated Water Rate Study

## Methodology

- Calculate operating costs
- Calculate capital replacement costs
- Establish reserve targets
- Allocate costs into fixed and variable
- Distribute fixed costs by meter size
- Calculate usage rates based on variable costs

# Treated Water Rate Study

## Operating Costs

- Recent budgets and projections
- \$2.7M per year excluding depreciation, and capital improvements – treated water only

# Treated Water Rate Study

## Capital Needs

- Recapitalization Cost
  - List all assets and infrastructure
  - Assign year constructed, constructed value, life span, remaining life, and estimated future replacement cost
  - Estimated future cost \$124M
  - Assume amounts funded with grants, loans, and cash

# Treated Water Rate Study

## Capital Needs

- Reserve Amounts
  - Based on cost of projects funded with cash
  - Minimum recommendation is 20% cash



# Treated Water Rate Study

## Functional Cost Allocation

- Expenses allocated to fixed and variable
- Base rate based on fixed expenses
- Usage rate based on variable expenses
- 91% fixed costs
- 9% variable

# Irrigation Water Rate Study

## Current Rates

- Bi-monthly in advance
- May 1 through September 1

0.5 miner's inch	\$94.00
1+ miner's inch	\$145.48 per miner's inch

# Irrigation Water Rate Study

## Methodology

- Calculate operating costs
- Calculate capital replacement costs
- Establish reserve targets
- Distribute costs by service size/flow rate

# Irrigation Water Rate Study

## Capital Needs

- Recapitalization Cost
  - List all assets and infrastructure
  - Assign year constructed, constructed value, life span, remaining life, and estimated future replacement cost
  - Estimated future cost \$40M
  - Assume amounts funded with grants, loans, and cash



# Irrigation Water Rate Study

## Capital Needs

- Reserve Amounts
  - Based on cost of projects funded with cash
  - Minimum recommendation is 20% cash

# Finance Committee Recommendations

- Subsidies to low-income users
  - *Concerned about time and cost to administer*
- Recapitalization Costs/Reserve Needs
  - *Do not include costs less than \$5,000*
  - *<\$50,000 – 100% cash*
  - *\$50,000 to \$100,000 – 75% cash*
  - *\$100,000 to \$500,000 – 50% cash*
  - *>\$500,000 – 25% cash*

# Finance Committee Recommendations

- Non-Operating Revenue/Property Tax Allocation
  - *Fund reserves*
    - *Exclude wastewater*
    - *Based on weighted recapitalization cost*
- Functional Cost Allocation
  - *No comments*

# Tough decisions must be made



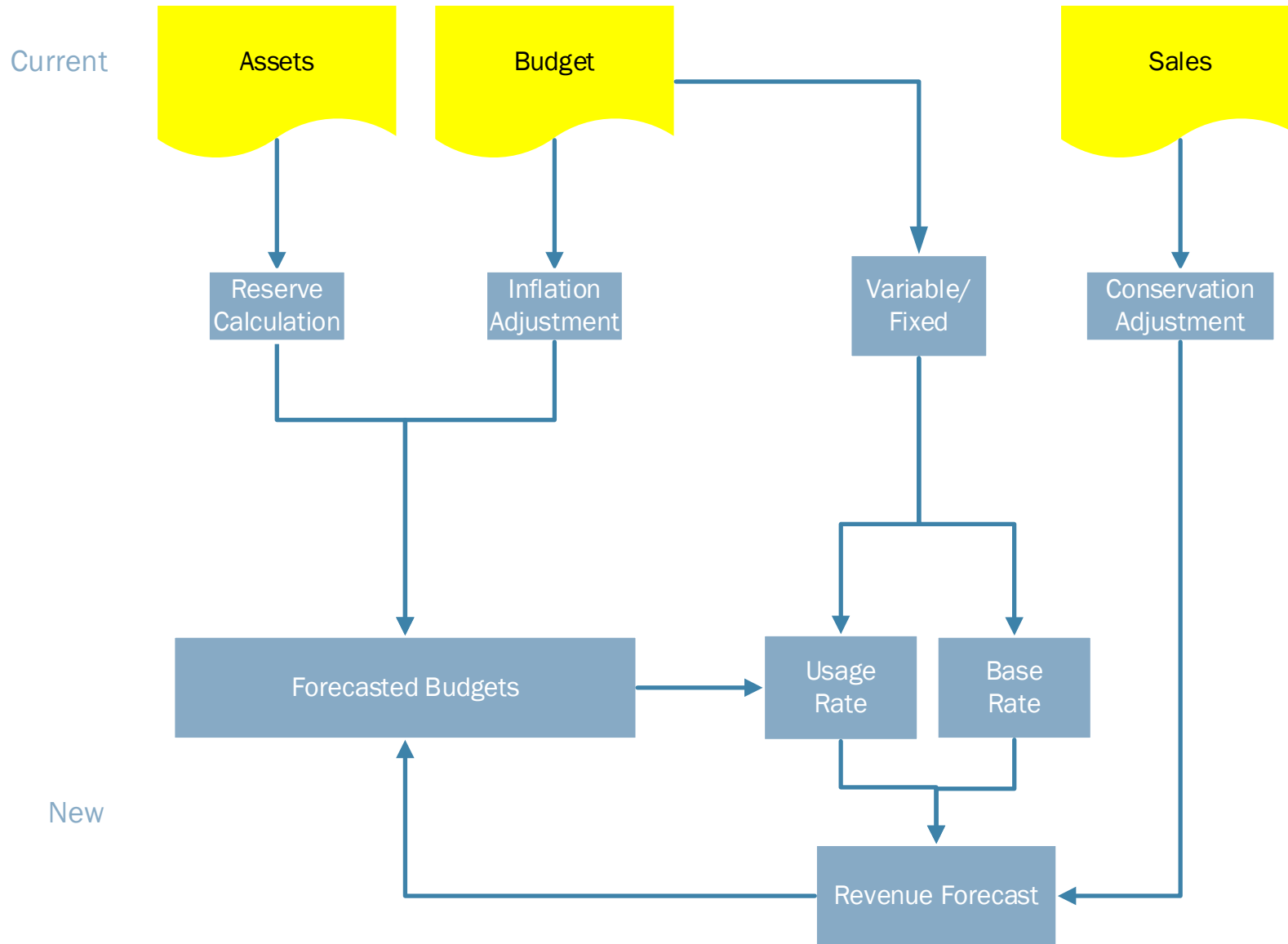


# Consequences of not raising rates enough

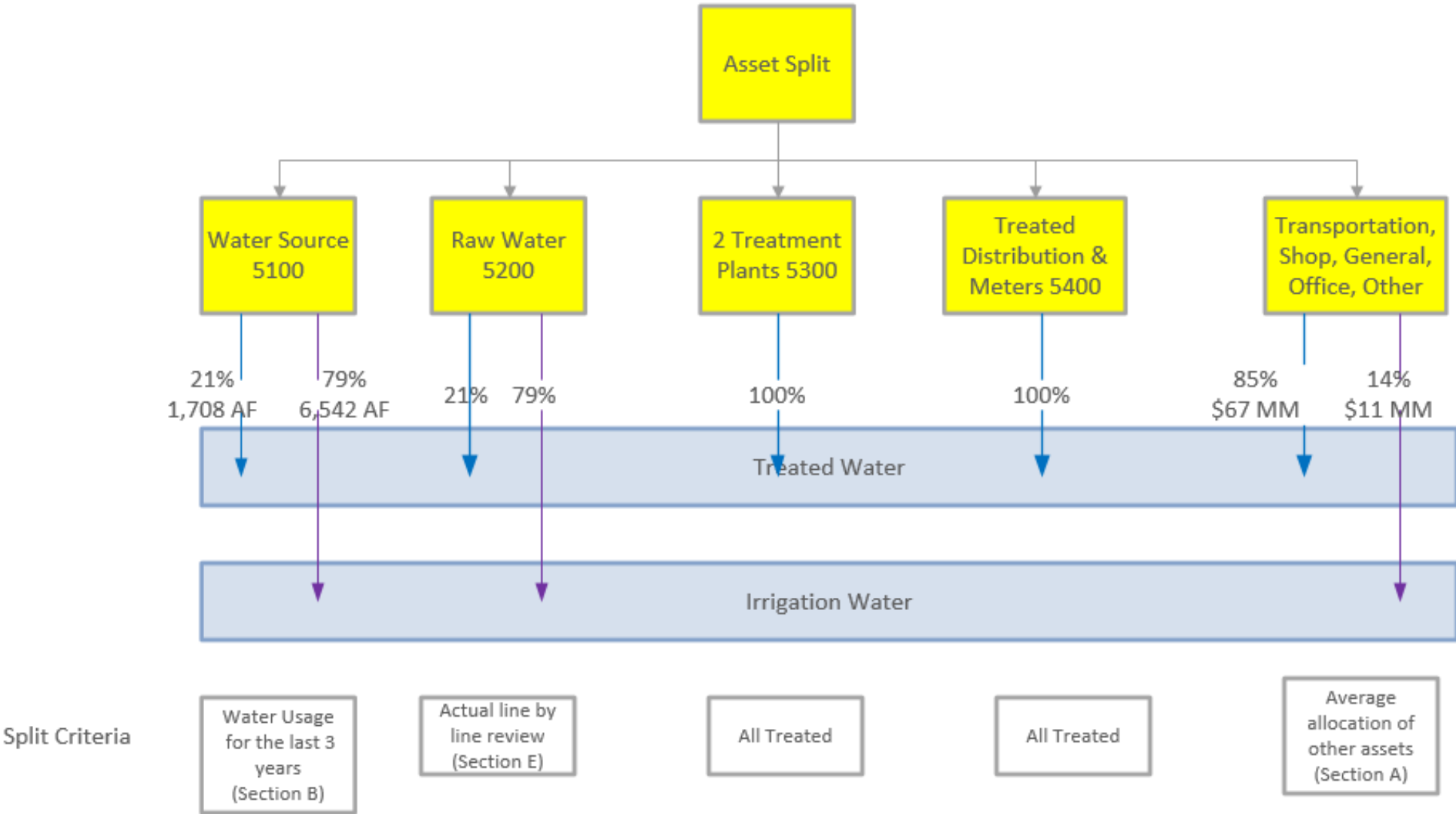
1. Reduction in reserves
2. Inability to pay bills
3. Inability to maintain system=fines
4. Extra pressure from state to consolidate with neighboring systems
5. Take-over by the state=Receivership

# Guiding Principles of this Rate Study

- Sustainable
- Fair
- Conservation
- Justifiable



# Asset Split





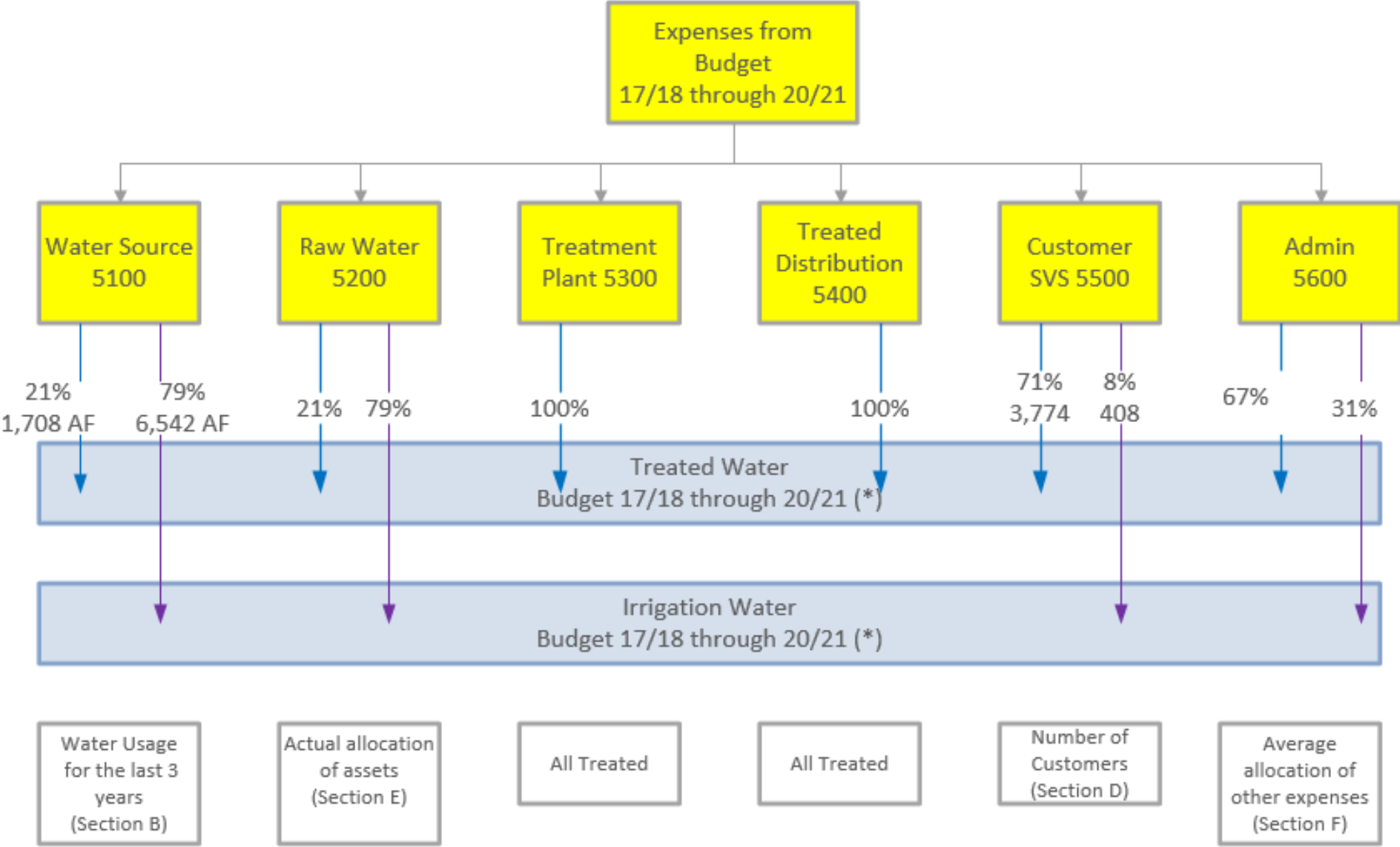
# Reserve Calculation (Treated Water)

Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (H, C, F)	Estimated Historic Cost	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
5300 - Lake Walton WTP														\$0	
Lake Walton Plant Replacement (4)	1992	\$12,728,909	C	\$7,681,448	50	25	\$12,728,909	25	25	\$20,883,124	25%		75%	\$817,318	\$152,158
Raw Water Bypass (1)	1974	\$500,000	C	\$209,745	40	43	\$500,000	-3	19	\$728,406	25%		75%	\$28,508	\$7,250
Lake Walton Outlet Works (1)	1974	\$50,000	C	\$20,974	40	43	\$50,000	-3	19	\$72,841	100%		0%	\$11,403	\$2,900
Lake Walton Dredging (1)	1974	\$500,000	C	\$301,732	40	25	\$500,000	15	22	\$772,990	25%		75%	\$30,253	\$6,522
						43		-43						\$0	
5300 - AUBURN LAKE TRAILS PLANT														\$0	
ALT Water Treatment Plant (4)	2018	\$12,728,909	C	\$12,988,683	50	-1	\$12,728,909	51	51	\$34,946,199	25%		75%	\$1,367,714	\$105,338
														\$0	
														\$0	
5400 T & D METERS & METER BOXES														\$0	
Automated Meter Reading and Meter Replacement Project (5)	2018	\$1,745,800	C	\$1,781,429	20	-1	\$1,745,800	21	2	\$1,816,330	25%		75%	\$71,087	\$190,368

Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (H, C, F)	Estimated Historic Cost	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
<b>OFFICE EQUIPMENT (3)</b>														\$0	
Computer Network	2001	\$3,254	H	\$3,254	10	16	\$4,468	-6	5		100%		0%	\$0	
Canon Copier	2002	\$4,795	H	\$4,795	10	15	\$6,454	-5	5	\$7,125	100%		0%	\$1,115	\$1,174
Phone System (Equip&Software)	2002	\$4,744	H	\$4,744	3	15	\$6,385	-12	5	\$7,049	100%		0%	\$1,104	\$1,161
Dell Server & software	2005	\$2,185	H	\$2,185	3	12	\$2,771	-9	5		100%		0%	\$0	
5 DELL Computers	2007	\$4,637	H	\$4,637	5	10	\$5,652	-5	5	\$6,240	100%		0%	\$977	\$1,028
														\$0	
<b>DISTRIBUTION (3)</b>														\$0	
Pressure Reducing Valves	1987	\$2,455	H	\$93,278	40	30	\$168,960	10	10	\$205,961	50%	50%	0%	\$16,122	\$8,231
Air Relief Valves	1987	\$709	H	\$121,970	40	30	\$220,932	10	10	\$269,315	50%	50%	0%	\$21,081	\$10,763
Isolation Valves	1987	\$2,291	H	\$966,816	40	30	\$1,751,254	10	10	\$2,134,769	25%	75%	0%	\$83,550	\$42,656
Other Valves	1987	\$2,018	H	\$498,518	40	30	\$902,997	10	10	\$1,100,748	25%	75%	0%	\$43,081	\$21,995
Firehydrants	1987	\$3,273	H	\$1,901,558	60	30	\$3,444,410	30	30	\$6,239,071	25%	75%	0%	\$244,183	\$36,701
Pressure Reducing Valves	2017	\$5,000	C	\$100,000	40	0	\$100,000	40	40	\$220,804	50%		50%	\$17,284	\$1,826
														\$0	
<b>Subtotal Existing Capital Assets</b>				\$45,444,111			\$79,203,010			\$124,327,988	26%	6%	67%	\$5,142,180	\$1,995,633

Annual Reserve Requirement: \$1,995,633

# Split of Expenses



# Budget (Treated Water)

EXPENSES AND SOURCES OF FUNDS	2017	2018	2019	2020	2021
<b>OPERATIONS &amp; MAINTENANCE EXPENSES</b>					
Personnel Related	1,999,518.21	2,081,721.95	2,168,566.51	2,251,341.22	2,296,368.04
Materials and Supplies	147,315.56	154,681.34	162,415.40	170,536.17	173,946.90
Rental/Durable	9,191.05	9,650.60	10,133.13	10,639.79	10,852.58
Staff Development	8,419.81	8,840.80	9,282.84	9,746.98	9,941.92
Travel--Conference	7,759.10	8,147.05	8,554.41	8,982.13	9,161.77
Utilities	180,729.69	189,766.18	199,254.48	209,217.21	213,401.55
Vehicle & Equipment Maintenance	2,627.81	2,759.20	2,897.16	3,042.02	3,102.86
Vehicle Operations	20,484.03	21,508.23	22,583.64	23,712.82	24,187.08
Building Maintenance	6,675.63	7,009.41	7,359.88	7,727.88	7,882.44
Govt. Reg./Lab Fees	55,904.33	58,699.55	61,634.53	64,716.25	66,010.58
Outside Service/Consultants	57,996.31	60,896.12	63,940.93	67,137.98	68,480.73
		0.00	0.00	0.00	0.00
<b>Total Operation and Maintenance Expenses:</b>	<b>2,496,621.52</b>	<b>2,603,680.43</b>	<b>2,716,622.91</b>	<b>2,826,800.44</b>	<b>2,883,336.45</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>					
Retiree Health Premium	90,810.00	95,350.62	100,118.15	105,124.06	107,226.54
Debt Reserve	0.00	0.00	0.00	0.00	0.00
Operating Reserve	0.00	0.00	0.00	0.00	0.00
Emergency Reserve	0.00	0.00	0.00	0.00	0.00
Existing Capital Replacement Program	1,995,633.36	1,991,412.99	1,823,748.89	1,823,748.89	1,823,748.89
Funded Project Replacement Program	0.00	0.00	0.00	0.00	0.00
Future Capital Improvement Program	0.00	0.00	0.00	0.00	0.00
Debt Payments (Principle + Interest)	59,348.26	59,348.26	144,112.12	144,112.12	144,112.12
Legal, Audit, Insurance,	125,567.54	131,845.92	138,438.21	145,360.12	148,267.33
Other General & Administrative	105,037.25	110,289.11	115,803.57	121,593.75	124,025.62
<b>Total General and Administrative Expenses:</b>	<b>2,376,396.41</b>	<b>2,388,246.90</b>	<b>2,322,220.95</b>	<b>2,339,938.95</b>	<b>2,347,380.51</b>
<b>TOTAL EXPENSES</b>	<b>4,873,017.93</b>	<b>4,991,927.33</b>	<b>5,038,843.87</b>	<b>5,166,739.39</b>	<b>5,230,716.96</b>

# Fixed – Variable Expense Split

	2017	% Fixed	\$ Fixed	\$ Variable
<b>OPERATIONS &amp; MAINTENANCE EXPENSES</b>				
Personnel Related	\$1,999,518.21	100%	\$1,999,518	\$0
Materials and Supplies	\$147,315.56	50%	\$73,658	\$73,658
Rental/Durable	\$9,191.05	50%	\$4,596	\$4,596
Staff Development	\$8,419.81	100%	\$8,420	\$0
Travel-Conference	\$7,759.10	80%	\$6,207	\$1,552
Utilities	\$180,729.69	5%	\$9,036	\$171,693
Vehicle & Equipment Maintenance	\$2,627.81	50%	\$1,314	\$1,314
Vehicle Operations	\$20,484.03	50%	\$10,242	\$10,242
Building Maintenance	\$6,675.63	100%	\$6,676	\$0
Govt. Reg./Lab Fees	\$55,904.33		\$0	\$55,904
Outside Service/Consultants	\$57,996.31	80%	\$46,397	\$11,599
0	\$0.00		\$0	\$0
<b>Total Operation and Maintenance Expenses:</b>	<b>\$2,496,621.52</b>		<b>\$2,166,064</b>	<b>\$330,558</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>				
Retiree Health Premium	\$90,810.00		\$0	\$90,810
Debt Reserve	\$0.00	100%	\$0	\$0
Operating Reserve	\$0.00	100%	\$0	\$0
Emergency Reserve	\$0.00	100%	\$0	\$0
Existing Capital Replacement Program	\$1,995,633.36	100%	\$1,995,633	\$0
Funded Project Replacement Program	\$0.00	100%	\$0	\$0
Future Capital Improvement Program	\$0.00	100%	\$0	\$0
Debt Payments (Principle + Interest)	\$59,348.26	100%	\$59,348	\$0
Legal, Audit, Insurance,	\$125,567.54	90%	\$113,011	\$12,557
Other General & Administrative	\$105,037.25	90%	\$94,534	\$10,504
<b>Total General and Administrative Expenses:</b>	<b>\$2,376,396.41</b>		<b>\$2,262,525.93</b>	<b>\$113,870.48</b>
<b>Total All Expenses</b>	<b>\$4,873,017.93</b>		<b>\$4,428,589.61</b>	<b>\$444,428.32</b>
<b>Fixed-Variable as % of all Expenses</b>			<b>90.88%</b>	<b>9.12%</b>

# Reserve Calculation (Irrigation Water)

Component	Year Acquired	Unit Cost (Historic, Current or Future)	Cost Type (H, C, F)	Estimated Historic Cost	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
Main Ditch #2 below ALT	1964	\$663,376	C	\$227,375	40	53	\$663,376	-13	5	\$732,421	25%		75%	\$10,814	\$33,733
Pilot Hill Ditch (Main)	1964	\$429,126	C	\$147,084	40	53	\$429,126	-13	5	\$473,790	50%		50%	\$13,990	\$43,643
Pilot Hill Ditch	1964	\$1,070,876	C	\$367,047	40	53	\$1,070,876	-13	5	\$1,182,334	25%		75%	\$17,456	\$54,455
Kelsey Ditch #1	1964	\$571,625	C	\$195,927	40	53	\$571,625	-13	5	\$631,120	25%		75%	\$9,318	\$29,068
Kelsey Ditch #2 Imp	1964	\$1,112,565	C	\$381,336	40	53	\$1,112,565	-13	5	\$1,228,362	25%		75%	\$18,136	\$56,575
Spanish Dry Diggins Ditch	1964	\$37,375	C	\$12,810	40	53	\$37,375	-13	5	\$41,265	100%		0%	\$2,437	\$7,602
Taylor Mine Ditch	1964	\$36,563	C	\$12,532	40	53	\$36,563	-13	5	\$40,369	100%		0%	\$2,384	\$7,437



# Budget (Irrigation Water)

EXPENSES AND SOURCES OF FUNDS	2017	2018	2019	2020	2021
<b>OPERATIONS &amp; MAINTENANCE EXPENSES</b>					
Personnel Related	1,010,085.13	1,057,894.47	1,108,838.79	1,154,040.79	1,177,121.61
Materials and Supplies	28,784.44	30,223.66	31,734.85	33,321.59	33,988.02
Rental/Durable	15,808.95	16,599.40	17,429.37	18,300.84	18,666.86
Staff Development	3,232.67	3,394.31	3,564.02	3,742.22	3,817.07
Travel-Conference	2,708.41	2,843.83	2,986.02	3,135.32	3,198.03
Utilities	14,419.87	15,140.86	15,897.90	16,692.80	17,026.65
Vehicle & Equipment Maintenance	2,372.19	2,490.80	2,615.34	2,746.10	2,801.02
Vehicle Operations	15,015.97	15,766.77	16,555.11	17,382.87	17,730.53
Building Maintenance	2,669.15	2,802.61	2,942.74	3,089.88	3,151.68
Govt. Reg./Lab Fees	28,235.41	29,647.18	31,129.54	32,686.01	33,339.73
Outside Service/Consultants	46,167.03	48,475.39	50,899.15	53,444.11	54,512.99
		0.00	0.00	0.00	0.00
<b>Total Operation and Maintenance Expenses:</b>	<b>1,169,499.23</b>	<b>1,225,279.28</b>	<b>1,284,592.84</b>	<b>1,338,582.54</b>	<b>1,365,354.19</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES</b>					
Retiree Health Premium	42,706.00	44,842.00	47,084.00	49,438.00	50,426.76
Debt Reserve	0.00	0.00	0.00	0.00	0.00
Operating Reserve	8,011.25	8,011.25	8,011.25	8,011.25	8,011.25
Emergency Reserve	0.00	0.00	0.00	0.00	0.00
Existing Capital Replacement Program	369,747.83	364,974.01	364,974.01	364,974.01	364,974.01
Funded Project Replacement Program	0.00	0.00	0.00	0.00	0.00
Future Capital Improvement Program	0.00	0.00	0.00	0.00	0.00
Debt Payments (Principle + Interest)	1,043.74	1,043.74	0.00	0.00	0.00
Legal, Audit, Insurance,	58,056.40	60,959.22	64,007.18	67,207.54	68,551.69
Other General & Administrative	55,013.08	57,763.73	60,651.92	63,684.51	64,958.20
<b>Total General and Administrative Expenses:</b>	<b>534,578.30</b>	<b>537,593.95</b>	<b>544,728.36</b>	<b>553,315.31</b>	<b>556,921.91</b>
<b>TOTAL EXPENSES</b>	<b>1,704,077.53</b>	<b>1,762,873.23</b>	<b>1,829,321.19</b>	<b>1,891,897.85</b>	<b>1,922,276.10</b>

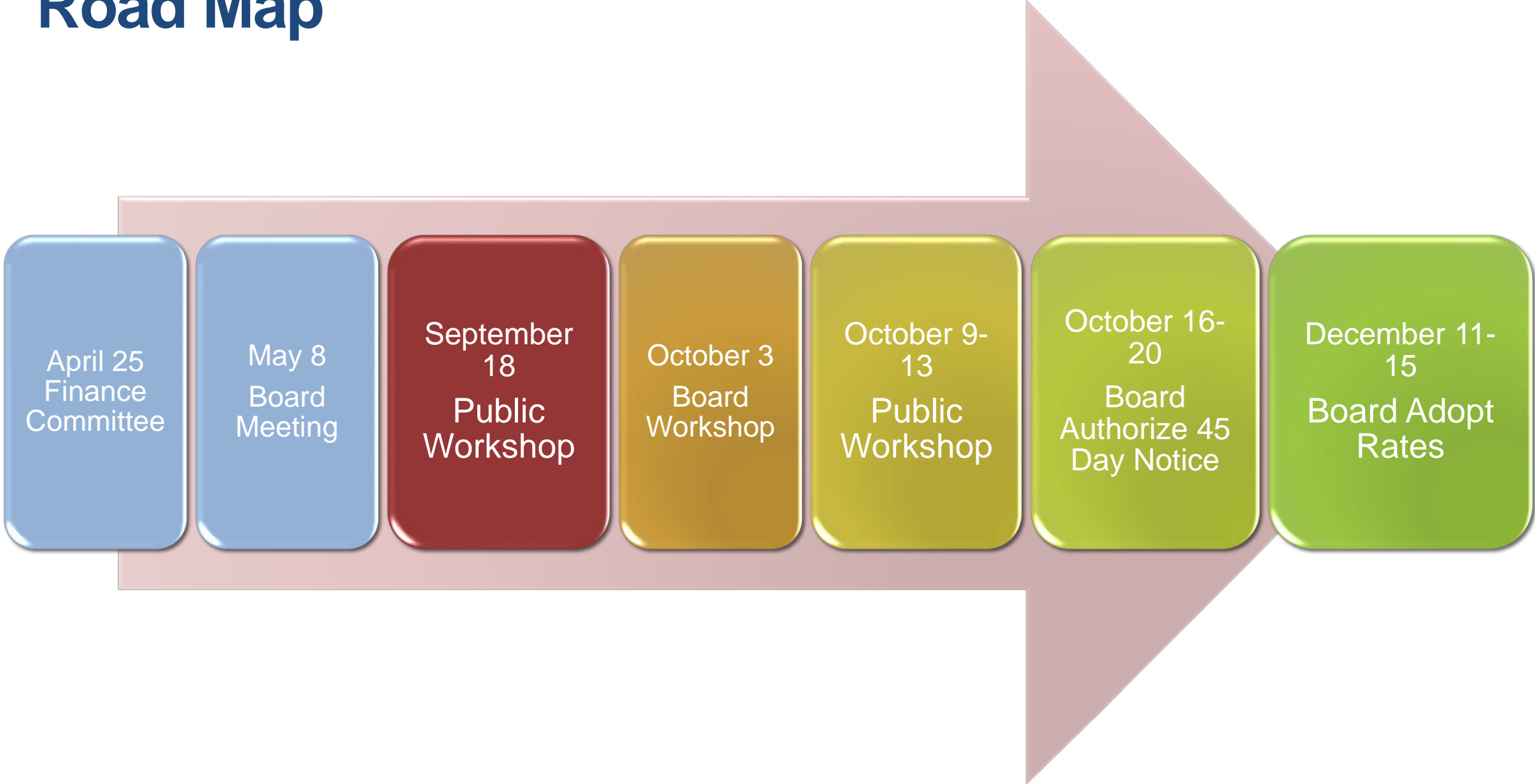
# Summary/Recommendations

- Subsidies
- Recapitalization Costs/Reserve Needs
- Property Tax Allocation
- Functional Cost Allocation

# Tough decisions must be made



# Road Map



Thank You