



# Financial Plan Overview

Mayor and Council Study Session

February 19, 2014



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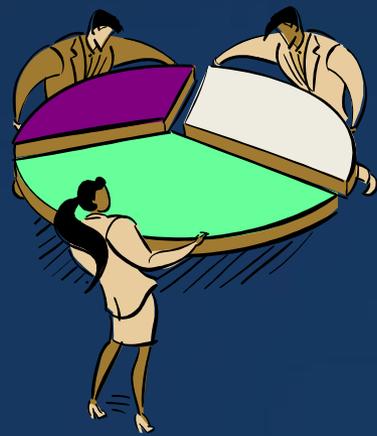


# Step One in Water Rate Process: Financial Plan

Financial Plan

Cost of Service Analysis

Rate Design



CWAC  
City Staff  
Rate Consultants

Customer Feedback



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**The financial plan is a key component of**



**The Water Reliability Program includes projects and programs that ensure we have a reliable water supply and water system – today & in the future**



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# Policy Framework

## Mayor & Council Policies

- Debt Service Coverage
- Cash Reserves
- Annual Review of Rates & Charges

## Bond Covenants/Rating Agencies

- Debt Service Coverage (Senior Lien)
- Working Capital – Days of O&M



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# Maintaining \$1B in Infrastructure Assets

- 350 square miles
- 248,000 metered services
- 212 potable wells
- 200 points of entry
- 4,500 miles of water mains
- 68 potable & reclaimed facilities
- 117 boosters
- 109 pressure reducing facilities
- 84,000 flow valves
- 20,700 fire hydrants
- 277 dedicated sampling stations



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# Maintaining \$1B in Assets

## Programs to ensure efficiency:

- Detect & stop leaks
- Improve energy efficiency of pumping & distribution systems
- Continuous on-line monitoring
- On-going customer education, outreach, rebates & assistance to promote conservation

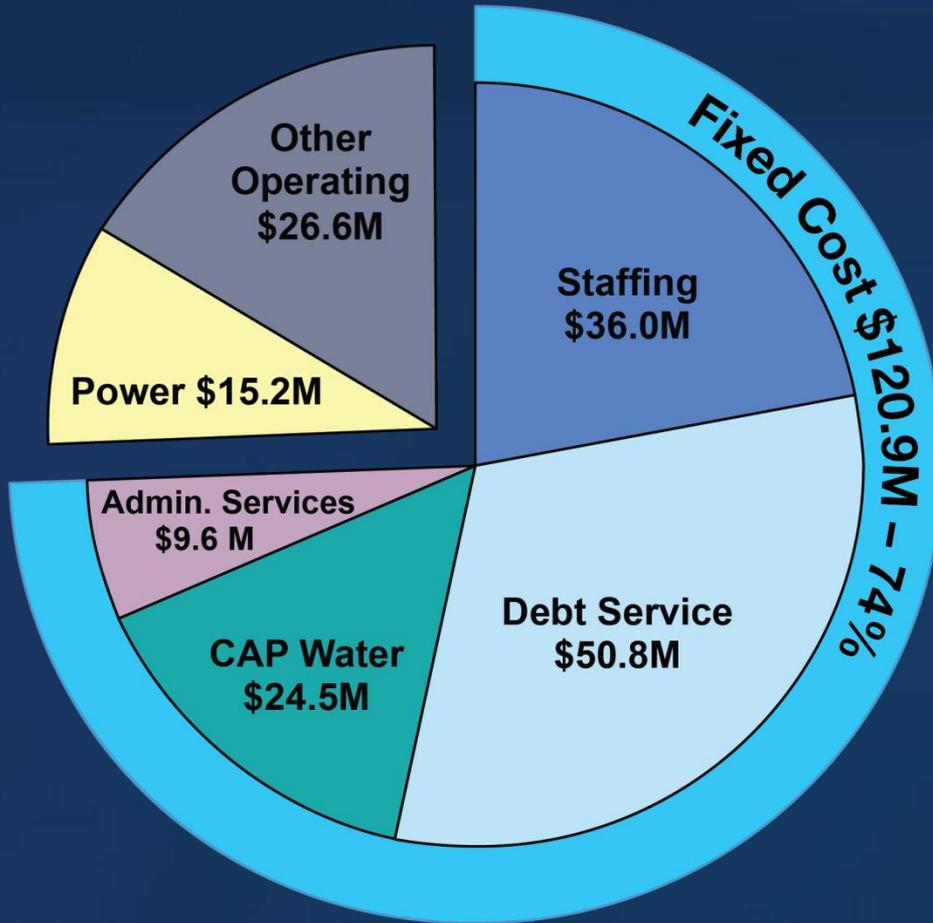


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# FY 2015 Financial Operating Requirements

\$162.70M



## Fixed Costs

- Staffing  
22% - \$36M
- Debt Service  
31% - \$50.8M
- CAP Water  
15% - \$24.5M
- Admin. Services  
6% - \$9.6M
- Power  
9% - \$15.2M
- Other Operating  
17% - \$26.6M



# Key O & M Elements

O & M Elements	FY 2014	FY 2015	Variance
O & M Maintenance	\$6,058,880	\$8,256,000	\$2,197,120
Chemical & Test Services	\$2,025,970	\$1,863,670	\$ 162,300
Liability Insurance	\$1,163,790	\$1,477,410	\$ 313,620
Postage	\$1,422,770	\$1,352,870	\$ 69,900
Fuel	\$1,172,540	\$1,315,185	\$ 142,645
Software Maintenance & Purchase	\$789,440	\$1,175,460	\$ 386,020
Low Income Program	\$525,000	\$525,000	\$ - 0-

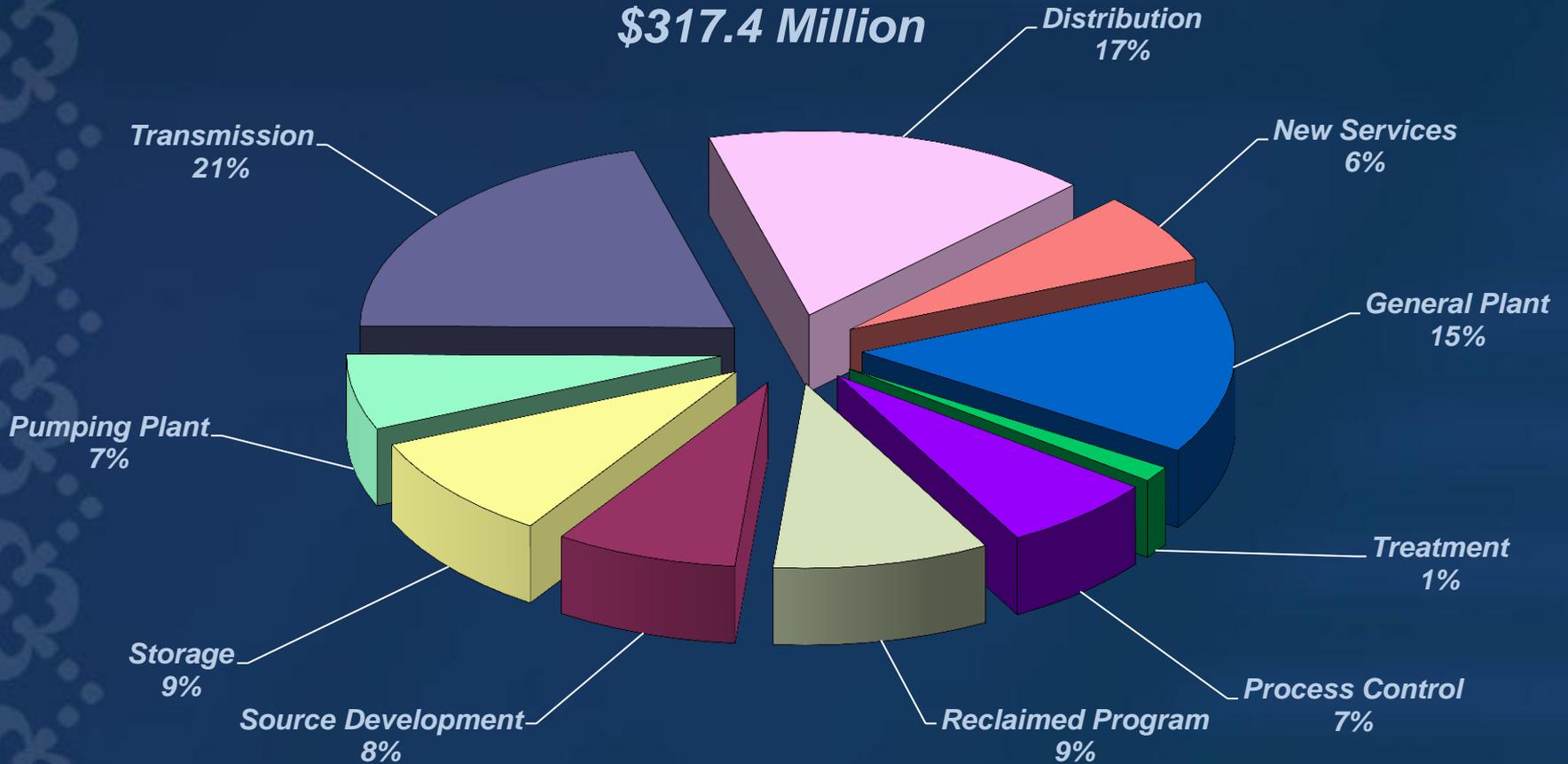


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# FISCAL YEAR 2015-2019 Capital Budget

**\$317.4 Million**



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# Key Proposed 5-Year CIP Infrastructure Replacement

- \$36.5M 25,000 meters/year
- \$29M Reservoir rehabilitation
- \$42M Main replacements
- \$25M Well drilling/equipping
- \$2.5M Acoustic fiber upgrades
- \$19M Control System upgrades



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# Regional Partnerships

- Pascua Yaqui Tribe
- Oro Valley Water
- Metro Water
- Vail Water Company



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# History of Overall Revenue Increases

FY 2009	8.0%
FY 2010	10.0%
FY 2011	9.7%
FY 2012	8.2%
FY 2013	8.3%
FY 2014	8.3%

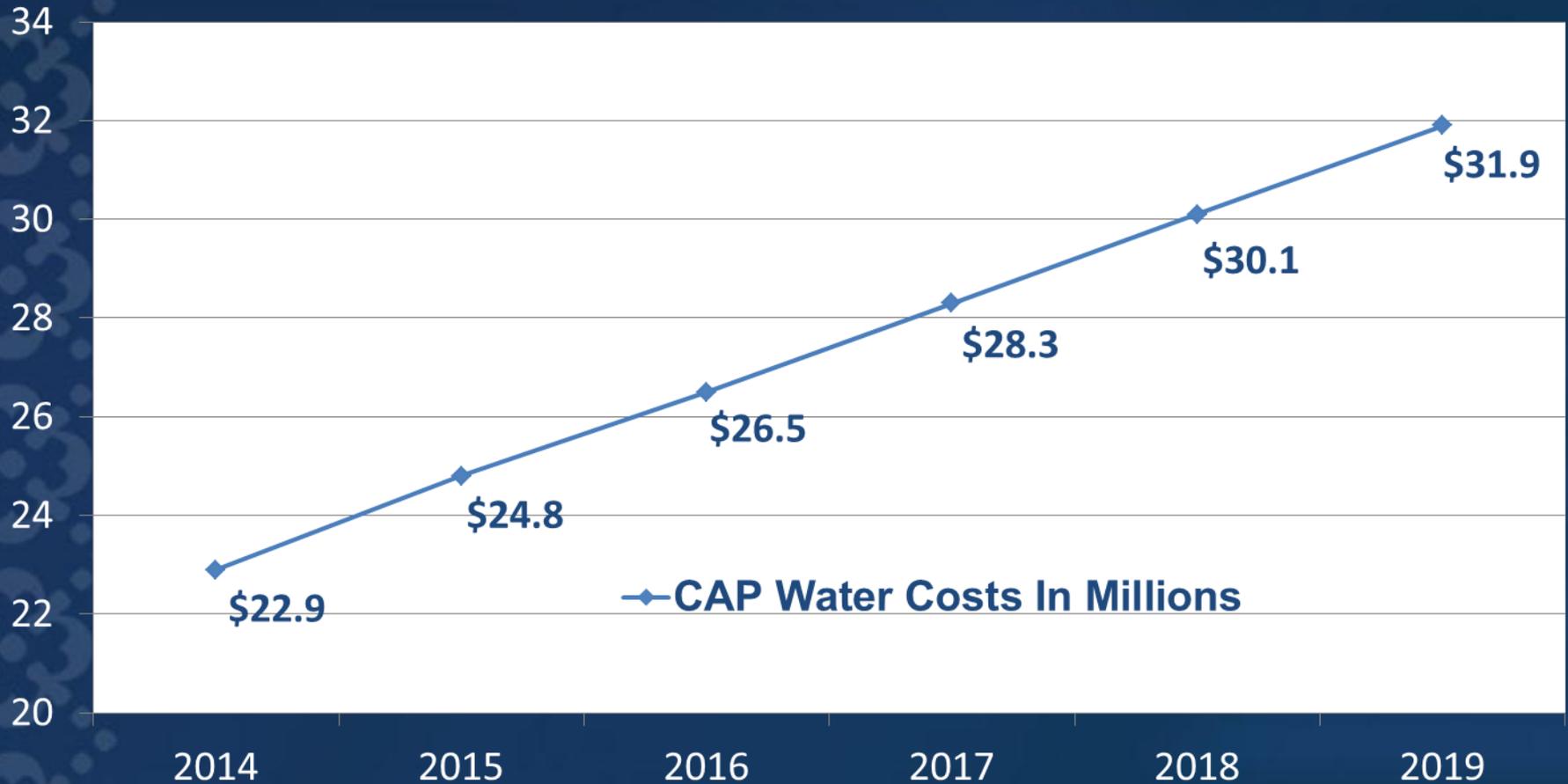


# Comparison of Overall Revenue Increases

	<u>Current Preliminary Plan</u>	<u>Prior Plan</u>
FY 2015	8.3%	8.3%
FY 2016	8.3%	8.3%
FY 2017	8.3%	8.3%
FY 2018	8.3%	8.3%
FY 2019	8.3%	NA



# Planned CAP Water Costs

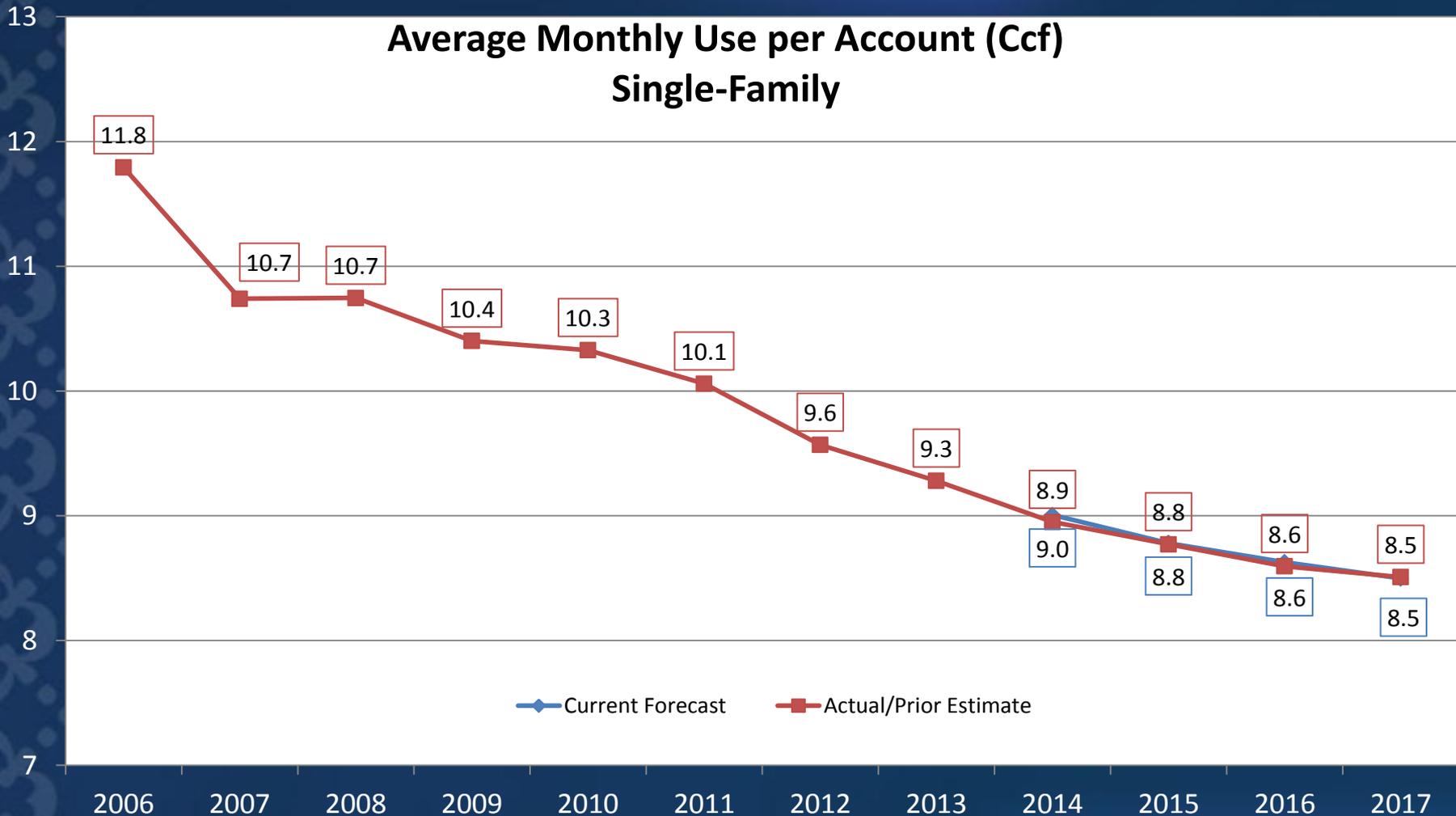


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# Forecasting Revenue

## Average Monthly Use per Account (Ccf) Single-Family



◆ Current Forecast    ■ Actual/Prior Estimate



# FY 2014-2019 Preliminary Financial Plan: Debt Service Coverage

	2014	2015	2016	2017	2018	2019
<b>All Debt<sup>1</sup></b>	183%	160%	164%	165%	171%	176%
<b>Sr. Lien Coverage<sup>2</sup></b>	216%	185%	187%	187%	191%	196%

<sup>1</sup> M&C Policy = 175%

<sup>2</sup> Bond covenant = 175%

Rating Agency Minimum = 185%



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# FY 2014-2019 Preliminary Financial Plan: Working Capital/Cash Reserves

	<u>2014*</u>	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>
<b>Working Capital Cash Reserves</b>	\$28.7M	\$24.4M	\$25.2M	\$26.1M	\$28.5M	\$31.1M
<b>Days of Working Capital **</b>	105	85	85	85	90	95

\*Reflects FY ending June 30

\*\*Rating Agency Minimum = 85 days of working capital



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# Next Steps

- February 19 Mayor and Council vote to adopt (or not) the FY 2014-2019 Financial Plan
- Late February Staff conducts *Cost of Service Study*
- Late February/early March CWAC Finance Sub-Committee meets to review Cost of Service/revenue targets and resulting rate schedules
- March 12 Special CWAC meeting to review rate schedules
- April 23 Mayor & Council review proposed rate schedules and schedule Notice of Intent to increase water rates followed by public outreach in May
- June 3 Mayor & Council Public Hearing on proposed water rates
- July 7 New water rates take effect



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**Questions or Comments?**



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