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Water Utilities News Conference Key Information

Recent Developments

- In August 2009, the City Council approved a \$2 surcharge and, with adoption of the budget, the Council also approved a 5% rate increase for water and a 5% increase for sewer service effective January 1, 2010. The funds were needed to finance the ASR Phase II project (\$250 million) and other capital and operating obligations.
- In October 2009 to maintain a healthy financial position and reduce impact on customers, 19 department staffers were laid off and 19 vacancies remained open. Operational and capital expenses (estimated at \$8.9 million) were deferred.
- In December 2009 after bids were solicited for components of the ASR project, the Finance Department began questioning the ability of the Utility to finance the project, cover operating expenses and meet debt service guidelines.
- In January 2010, a consultant's review confirmed that the Utility could not meet its debt service coverage ration with existing revenues.
- On March 11, City Manager Robert Layton announced plans to request a rate increase, seek an independent ASR audit and change Water Utility management.

Revenue Shortfall Sources and Considerations

- Decline in daily consumption.
- Flawed financial projections.
- Sewer main expansion program.
- Compliance issues.

Financial Impact/Considerations

- Debt associated with the sewer main expansion program and other water and sewer projects totals approximately \$44 million.
- Debt needed for ASR Phase II contracts under construction is approximately \$59 million.

CITY NEWS

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City Manager Recommendations

- Seek City Council approval of a 15% (\$8 million in 2010) rate increase effective June 1, 2010;
- Issue a RFP for an independent review of the ASR project and financing options;
- Direct the Finance Department to have a more active role in finances of the department;
- Change in Water Utility management;
- Request approval of an ordinance to address the City's ability to issue bonds;
- Ask the City Council to authorize the issuance of debt, dependent on ASR review, to meet financial obligations.

Department Summary

Water Utilities employs 350 full-time staffers, and has a budget of \$99.8 million. The department is comprised of seven divisions and serves 11 wholesale customers and approximately 147,000 residential, commercial and industrial customers. In 2009, the department produced 19.9 billion gallons of water. The department maintains more than 2,300 miles of water lines and 2,000 miles of sewer lines.

Aquifer Storage Recovery (ASR) Background

The ASR is the centerpiece capital project of the Water Supply Plan approved by the City Council in 1993. The four-phase project is now in its second phase, which is estimated to cost \$250 million.

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