

Citizens Rates and Governance Advisor Committee

KVID Financial Background

Tuesday October 24, 2017



Today's Presentation

- ▶ Recap of the Successful Future Project
- ▶ A summary of KVID's efforts since the last rate increase
- ▶ KVID's current operations including revenues and expenses



KVID – Successful Future Project

The KVID Successful Future Project identifies three key elements for long term success:

- ▶ Determine KVID's infrastructure condition and ongoing needs.
- ▶ Develop a fair and reasonable rate structure that incorporates the needed investment in the utility to promote reliability, stability and longevity.
- ▶ Consider and implement the appropriate governance model for the utility.



KVID – Successful Future Project

Step One: Infrastructure Assessment (complete)

- ▶ Water and Wastewater Master Plans
 - Infrastructure inventory and assessment
 - 20 year Capital Improvement Program
 - GIS mapping
 - Working water and wastewater models
 - Operational recommendations



KVID – Successful Future Project

Step Two: Rate Analysis (in progress)

- ▶ Based on Direction from the Board of Directors, KVID staff have worked with Thomas Bourassa, C.P.A. to analyze KVID's current financial capacity and provide projections on KVID's financial future.



KVID – Successful Future Project

Step Three: Governance Evaluation (pending–2018)

- ▶ KVID will work with its Board of Directors and the Advisory Committee to determine the appropriate governance model for the utility.



KVID – Financial Background



KVID – The Last Rate Increase

▶ Current Rate Structure

- The last rate increase was implemented:
January 1st, 2006
- Most residential customers saw their monthly water bill increase by about 50% at that time.



KVID – The Last Rate Increase

- ▶ Current Rate Structure (continued)
 - Supported the utility's operational costs
 - Provided needed reform to underground repair policies
 - Provided over \$1.5 M in Capital Improvements to promote service reliability and efficiency for the utility.



KVID – Operations – Service Level

- ▶ Business Hours M–F from 8:00 am to 4:30 pm
 - Residential Usage Monitoring
 - One hour or less typical response time for service calls
- ▶ State Mandated Monitoring and Inspection of Facilities
 - Daily Inspection (including all weekends and holidays)
 - Monthly and quarterly sampling, monitoring, and reporting
- ▶ On call and after hours shifts
 - One hour response time for emergency service calls
 - SCADA callouts and equipment failures



KVID – Operations – Service Level

▶ Performance Measures:

- Loss and Unaccounted (Shrinkage)
 - Around 9% over the last four years
 - Less than 10% is the industry benchmark
- Customer Outage Hours
 - Less than 50 annually, internal measure of service continuity
- ADEQ Compliance
 - No violations over the last 10 years
 - ADEQ expects continued compliance for all utilities



KVID – Operations – Staff

- ▶ 8 full time employees at KVID
 - 3 administrative staff
 - 5 field staff
- ▶ Benefits
 - Enrollment in the Arizona State Retirement System
 - Health benefits through Blue Cross Blue Shield (through NAPEBT)



KVID – Operations – Staff

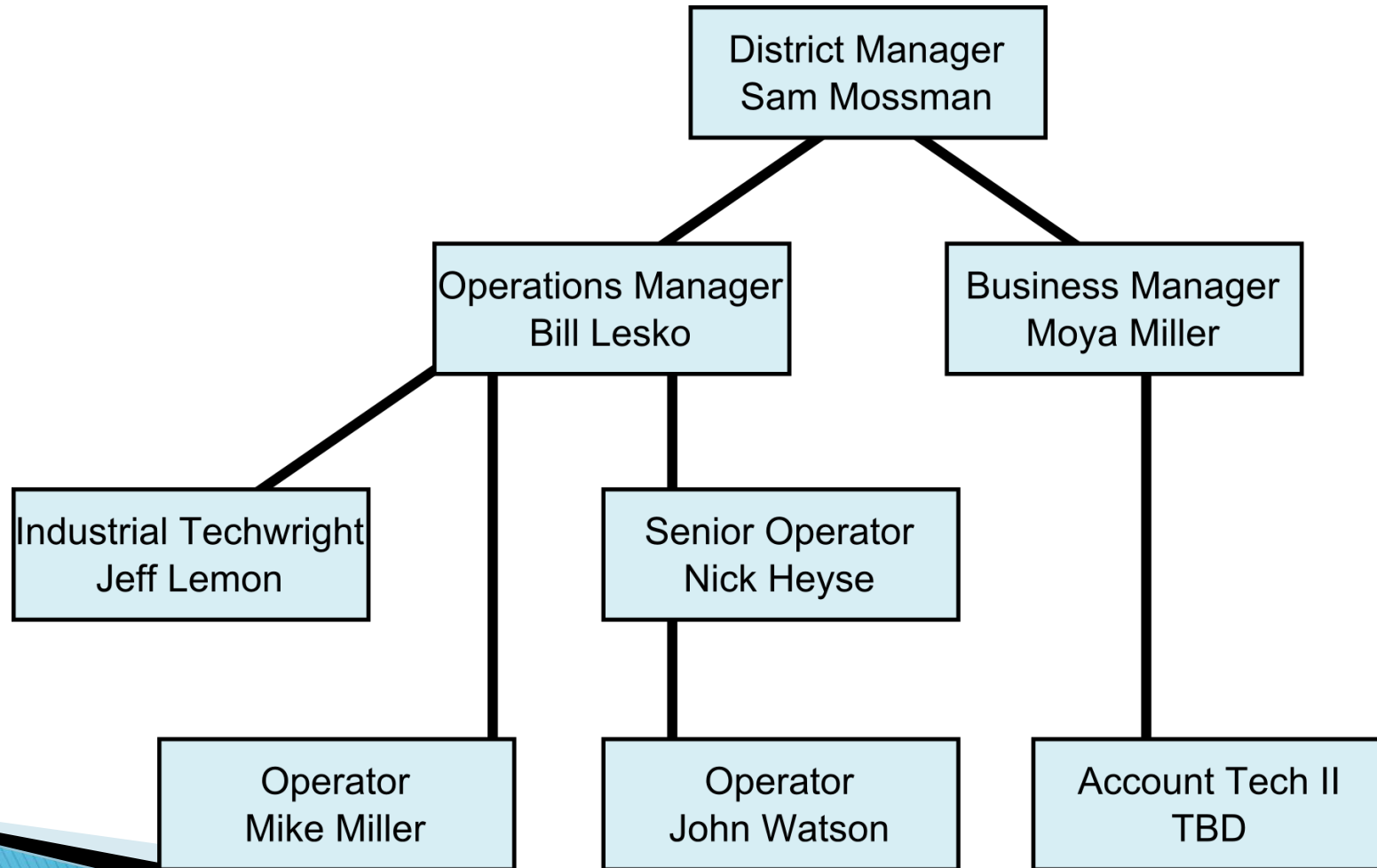
► Duties

- Maintaining KVID's Service Level
 - Repair and maintenance of aging infrastructure
- ADEQ and EPA Compliance
 - Monitoring, sampling, and reporting
- Operator Certifications
 - Requires testing and continuing education



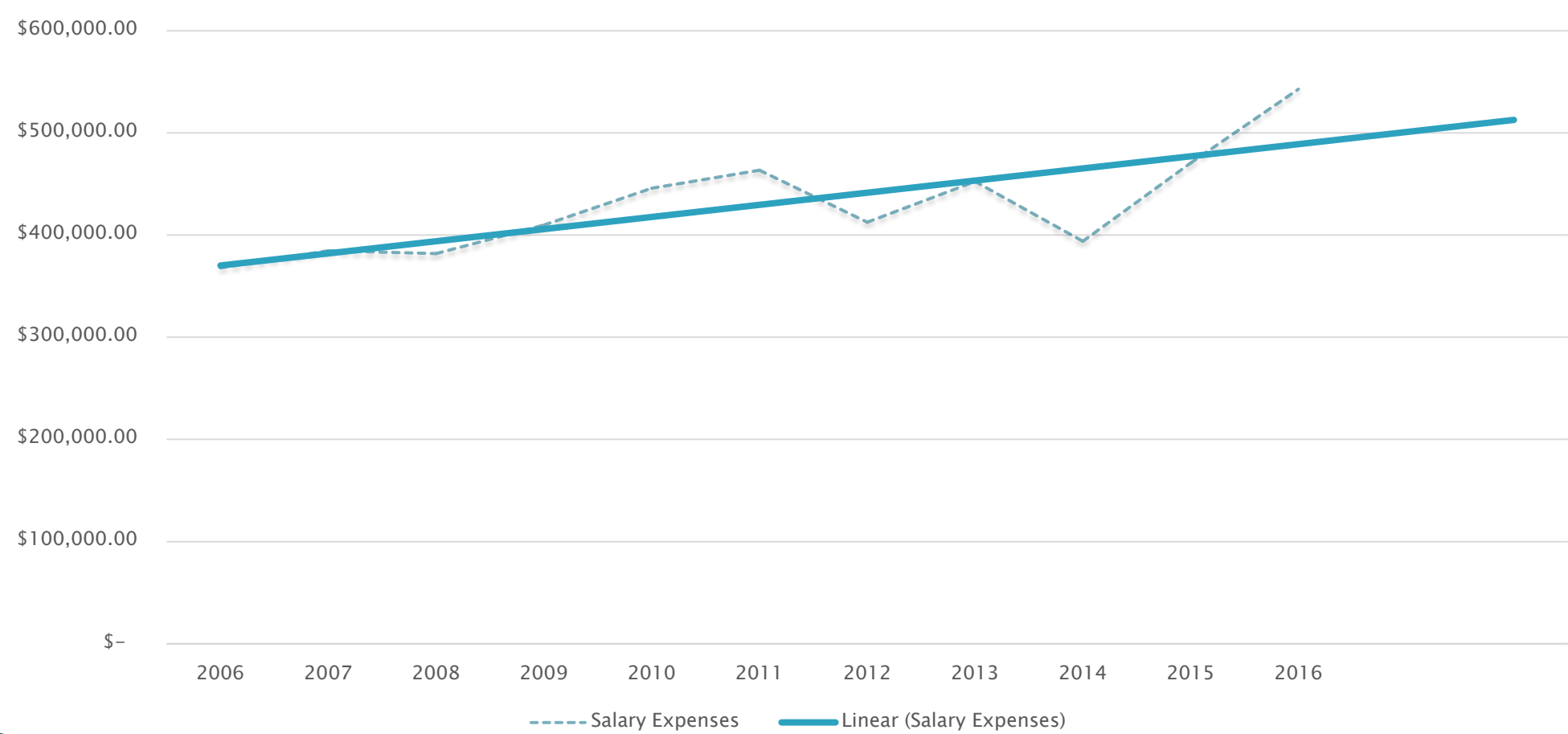
KVID – Operations – Staff

KVID – Organizational Chart



KVID – Operations – Staff

KVID – Salary Expenses



Fiscal Year	Salary Expenses
2006	\$ 367,982
2007	\$ 384,784
2008	\$ 381,836
2009	\$ 409,914
2010	\$ 445,883
2011	\$ 463,633
2012	\$ 412,768
2013	\$ 452,469
2014	\$ 393,966
2015	\$ 470,485
2016	\$ 542,966



KVID – Capital Improvements

▶ Capital Improvements – Water

- Design and implementation of SCADA System (\$120,000)
 - Online in 2008
- Water System Tank Rehab (\$170,000)
 - Two storage tanks refurbished (2012 and 2014)
- Water System Constant Pressure System (\$185,000)
 - All three distribution stations (2011, 2013, and 2016)
- Automated Metering Infrastructure (AMI) (\$350,000)
 - Installed in 2012–2013



KVID – Capital Improvements

▶ Capital Improvements– Wastewater

- Design and implementation of SCADA System (\$150,000)
 - Online in 2008
- New Blowers and Aeration System (\$120,000)
 - Significant power saving and process improvement (2010)
- Influent Station Chopper Pumps (\$35,000)
 - Significant process improvement (2007)



KVID – Capital Improvements

- ▶ Capital Improvements– Wastewater (continued)
 - Rotary Fan Press and Solids Handling Improvements (\$75,000)
 - Provided approximately \$60,000 annual sludge hauling savings.
 - Regular Collections System Cleaning (\$250,000)
 - Approximately \$25,000 annually for ten years.
 - The cost of this service has risen to approximately \$35,000 annually.



KVID – Expenses

- ▶ KVID has experienced increased costs over the years since the last rate increase.
- ▶ Inflation alone would have indicated approximately 21% increase in costs.
- ▶ KVID has seen operational costs increase by about 35% and salary costs increase about 28% over this same period of time.



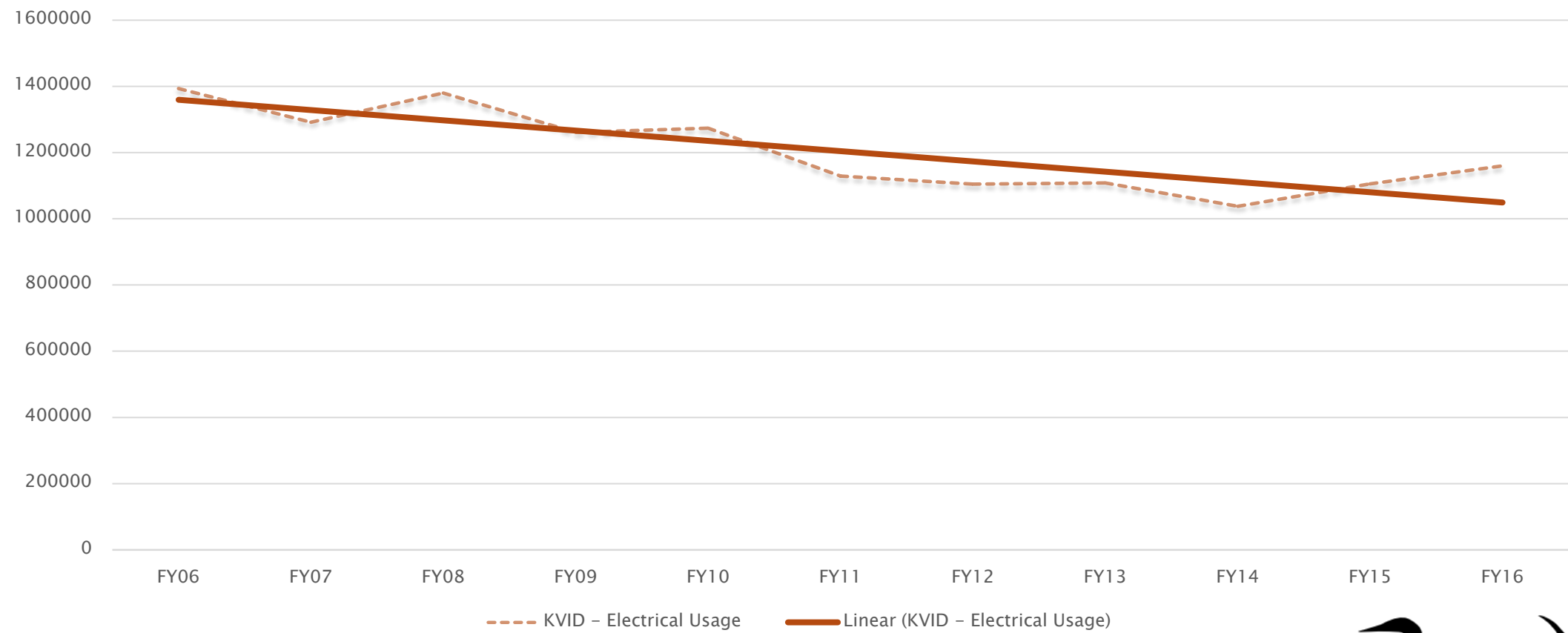
KVID – Electrical Costs

- ▶ KVID has reduced its electrical consumption considerably over the last decade.
- ▶ A reduction in usage (kWh) of approximately 16.8% from 2006 to 2016
- ▶ Increased costs of electricity has increased KVID's electrical costs by approximately 28.9% from 2006 to 2016

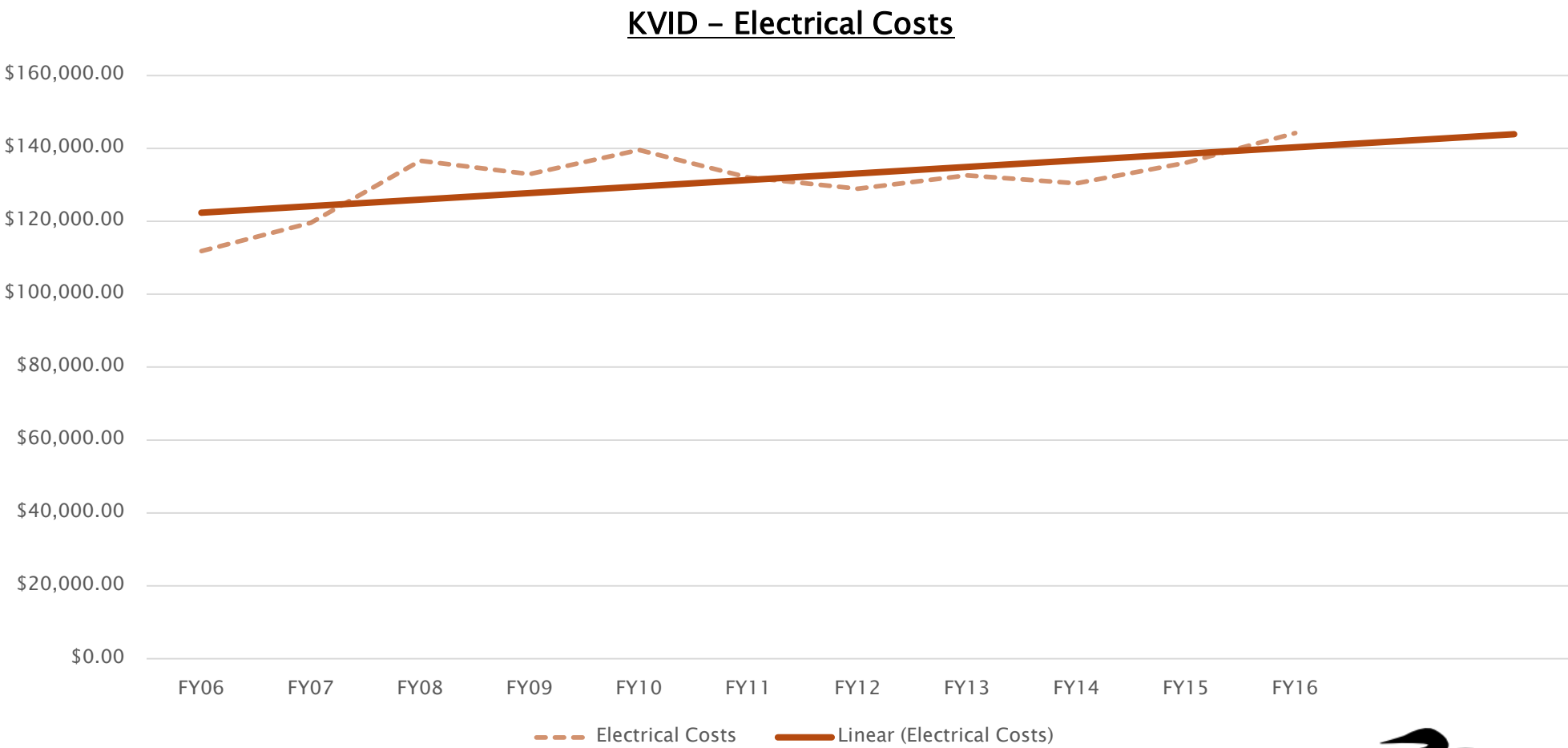


KVID – Electrical Usage

KVID – Electrical Usage – Total kWh

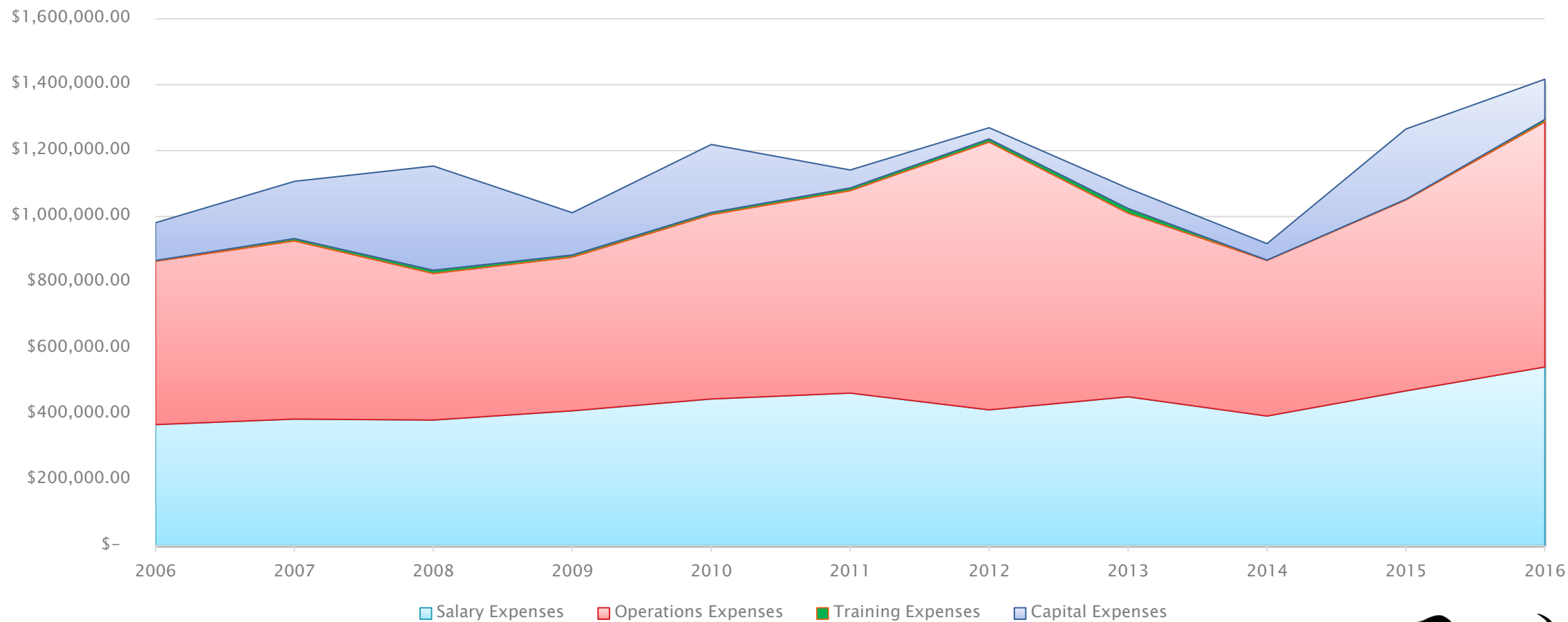


KVID – Electrical Costs

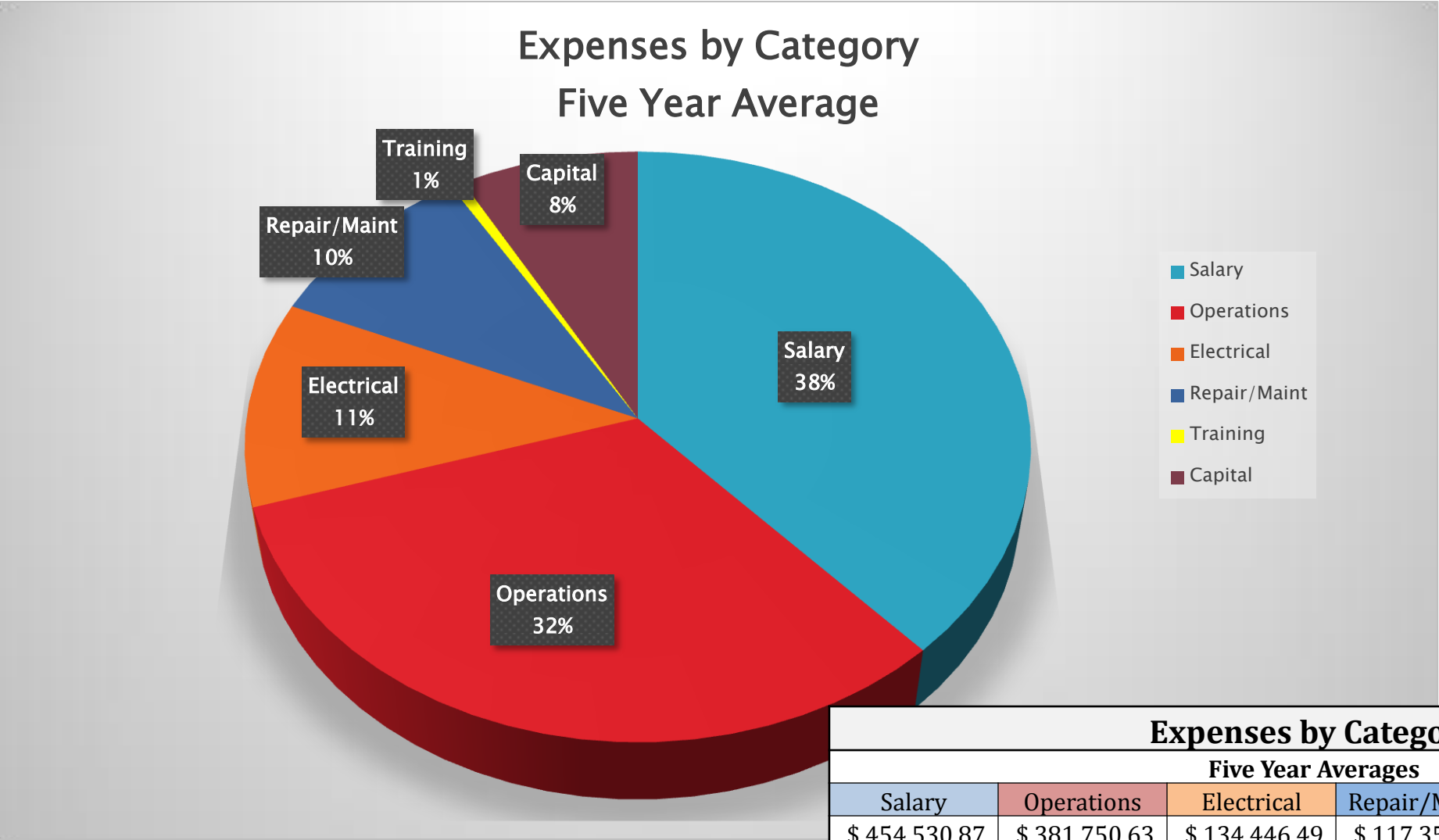


KVID – Expenses by Category

KVID – Expenses by Category



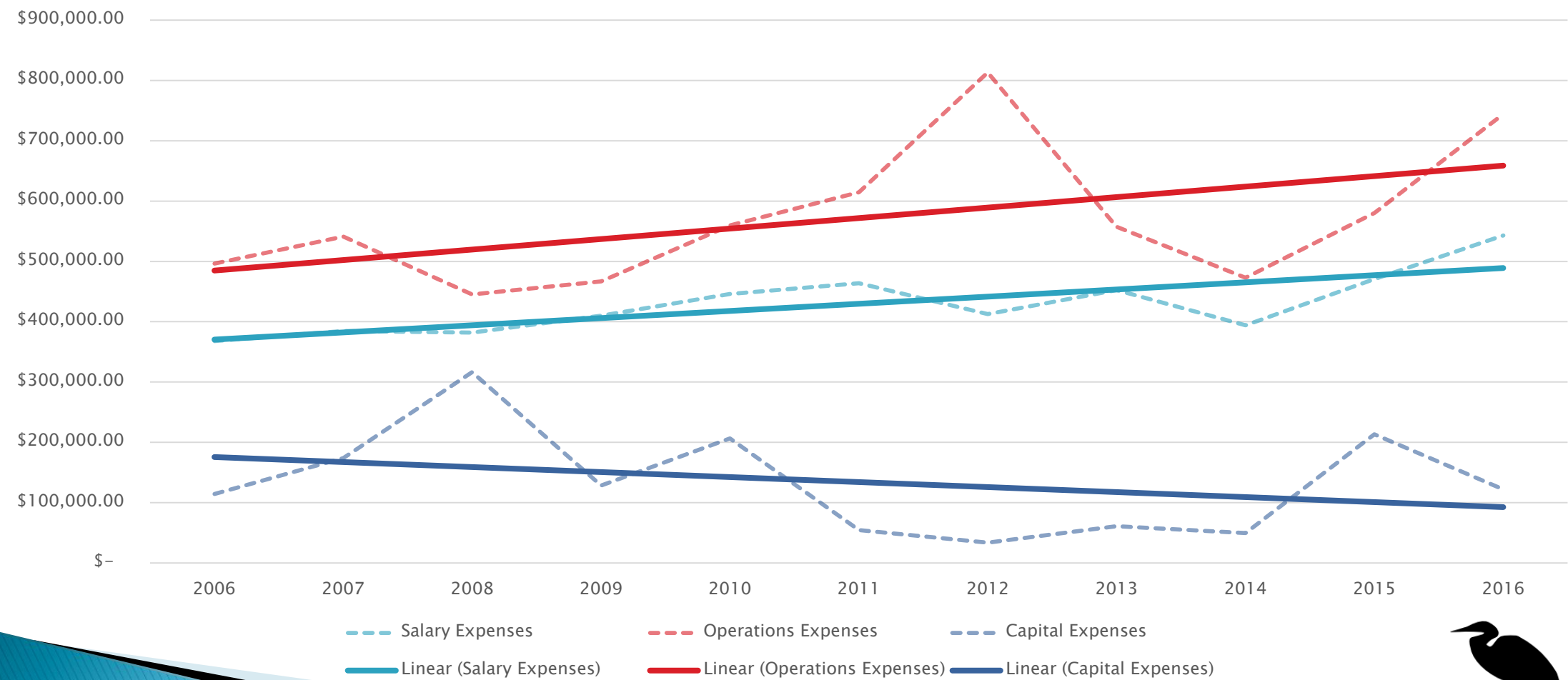
KVID – Expenses by Category



Expenses by Category					
Five Year Averages					
Salary	Operations	Electrical	Repair/Maint	Training	Capital
\$ 454,530.87	\$ 381,750.63	\$ 134,446.49	\$ 117,358.24	\$ 6,867.95	\$ 95,961.49
38%	32%	11%	10%	1%	8%

KVID – Expenses by Category

KVID – Expenses by Category: Trends



KVID – Revenues

- ▶ KVID is funded entirely through cost of service (utility rates and other paid services).
- ▶ Around 95% of these revenues come from customers paying their water and sewer bills.



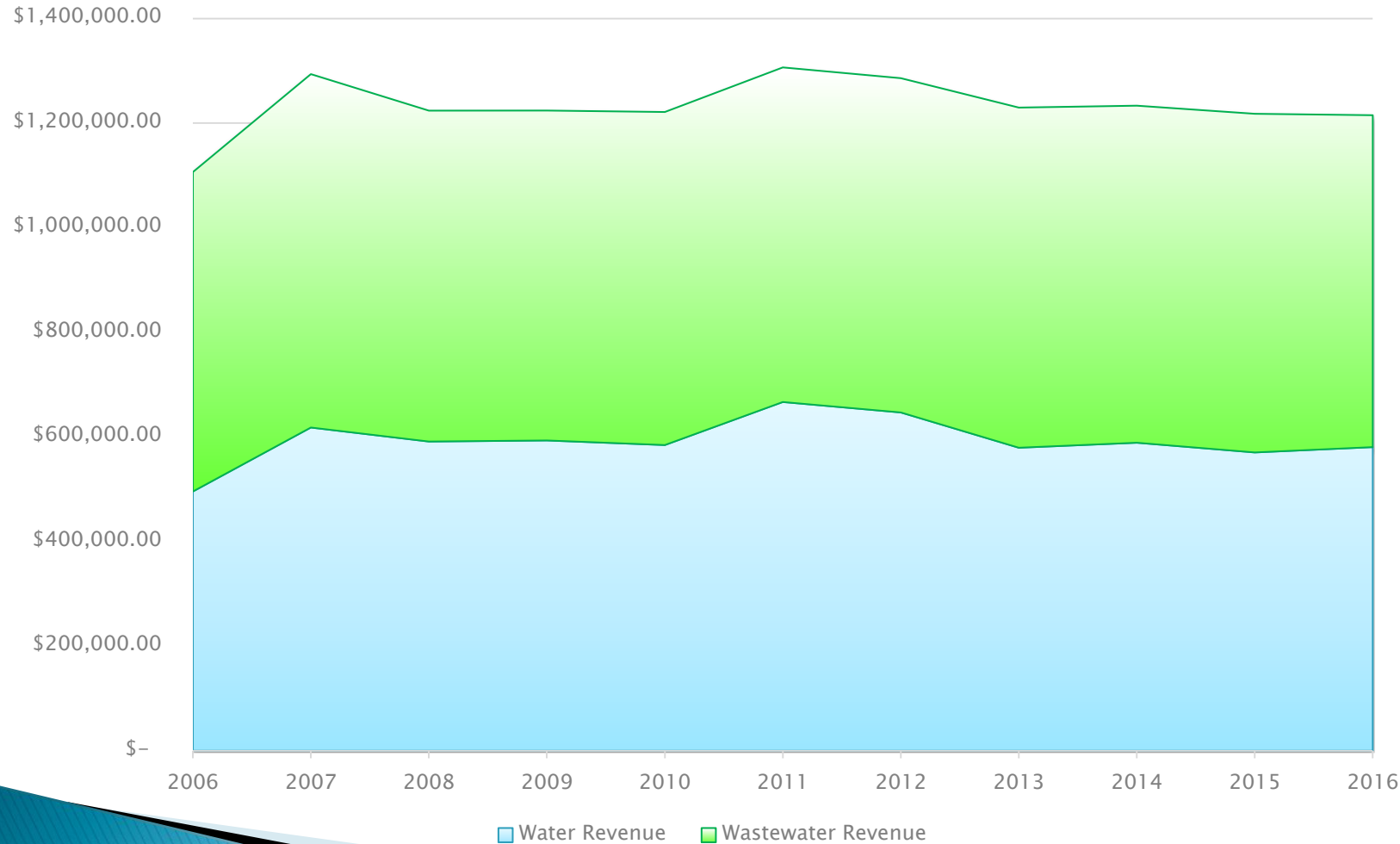
KVID – Revenues

- ▶ Currently we have about 1400 connections.
- ▶ On average a single family residence will use 2,800 gallons monthly, resulting in a water and sewer bill of around \$60
- ▶ A residential customer using 5,000 gallons a month will see a water and sewer bill that is around \$78
- ▶ This totals to about \$1.2M in revenues annually



KVID – Revenues

KVID – Revenue by Program



KVID - Revenue by Program			
Fiscal Year	Water Revenue	Wastewater Revenue	Total Revenue
2006	\$ 495,645.55	\$ 610,771.33	\$ 1,106,416.88
2007	\$ 618,011.92	\$ 675,719.06	\$ 1,293,730.98
2008	\$ 591,196.72	\$ 632,713.16	\$ 1,223,909.88
2009	\$ 593,295.44	\$ 630,789.26	\$ 1,224,084.70
2010	\$ 584,519.79	\$ 636,783.04	\$ 1,221,302.83
2011	\$ 666,804.18	\$ 639,747.36	\$ 1,306,551.54
2012	\$ 646,815.47	\$ 639,142.14	\$ 1,285,957.61
2013	\$ 579,339.97	\$ 650,403.57	\$ 1,229,743.54
2014	\$ 588,912.22	\$ 644,459.53	\$ 1,233,371.75
2015	\$ 570,340.75	\$ 647,555.34	\$ 1,217,896.09
2016	\$ 580,529.42	\$ 634,619.56	\$ 1,215,148.98



Conclusions

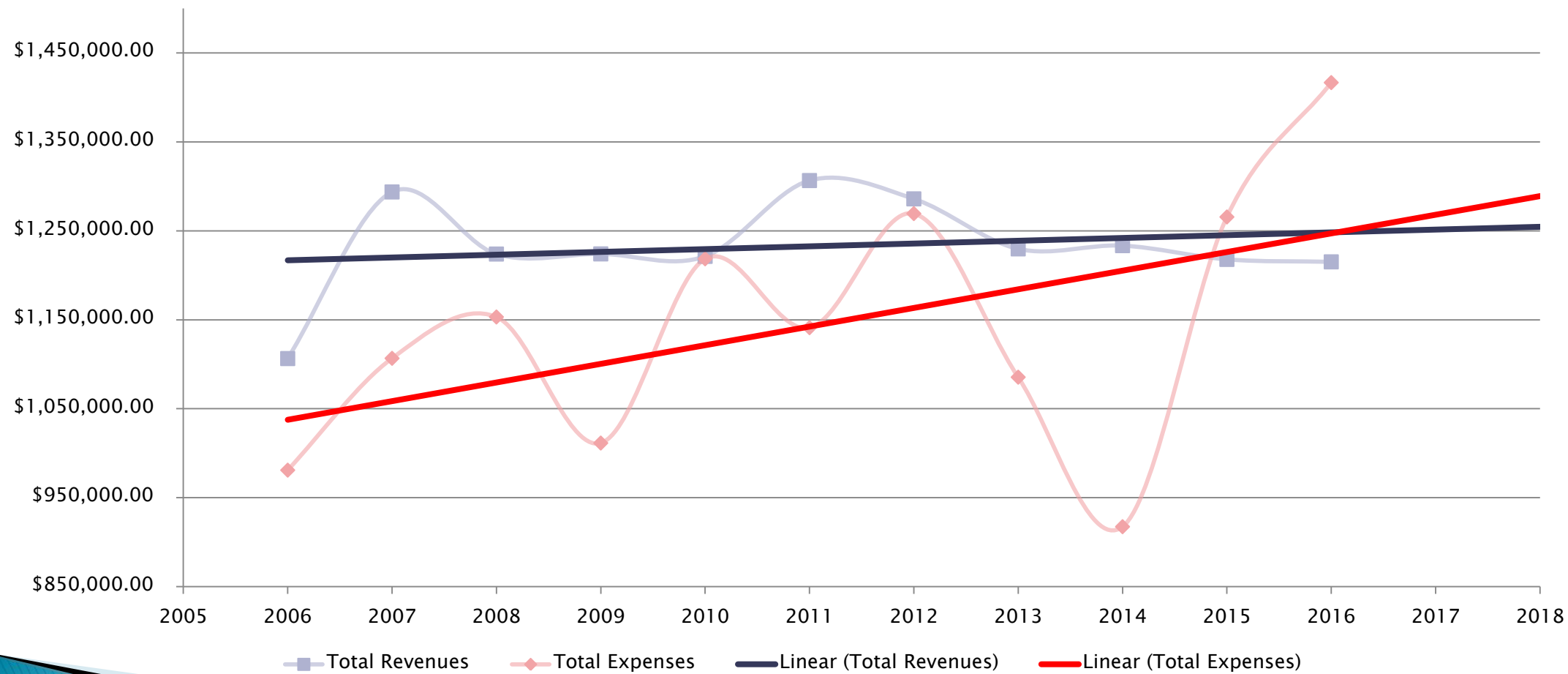
Investment in KVID over the last eleven years have made for a more reliable and cost-effective utility.

However, revenues have remained relatively unchanged while costs continue to climb and inflation accrues.

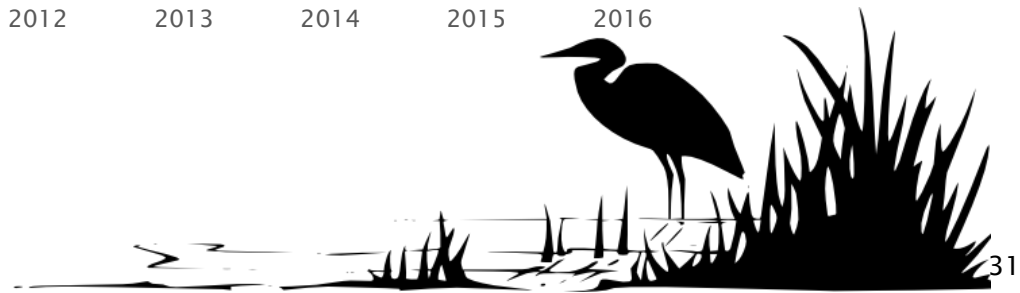
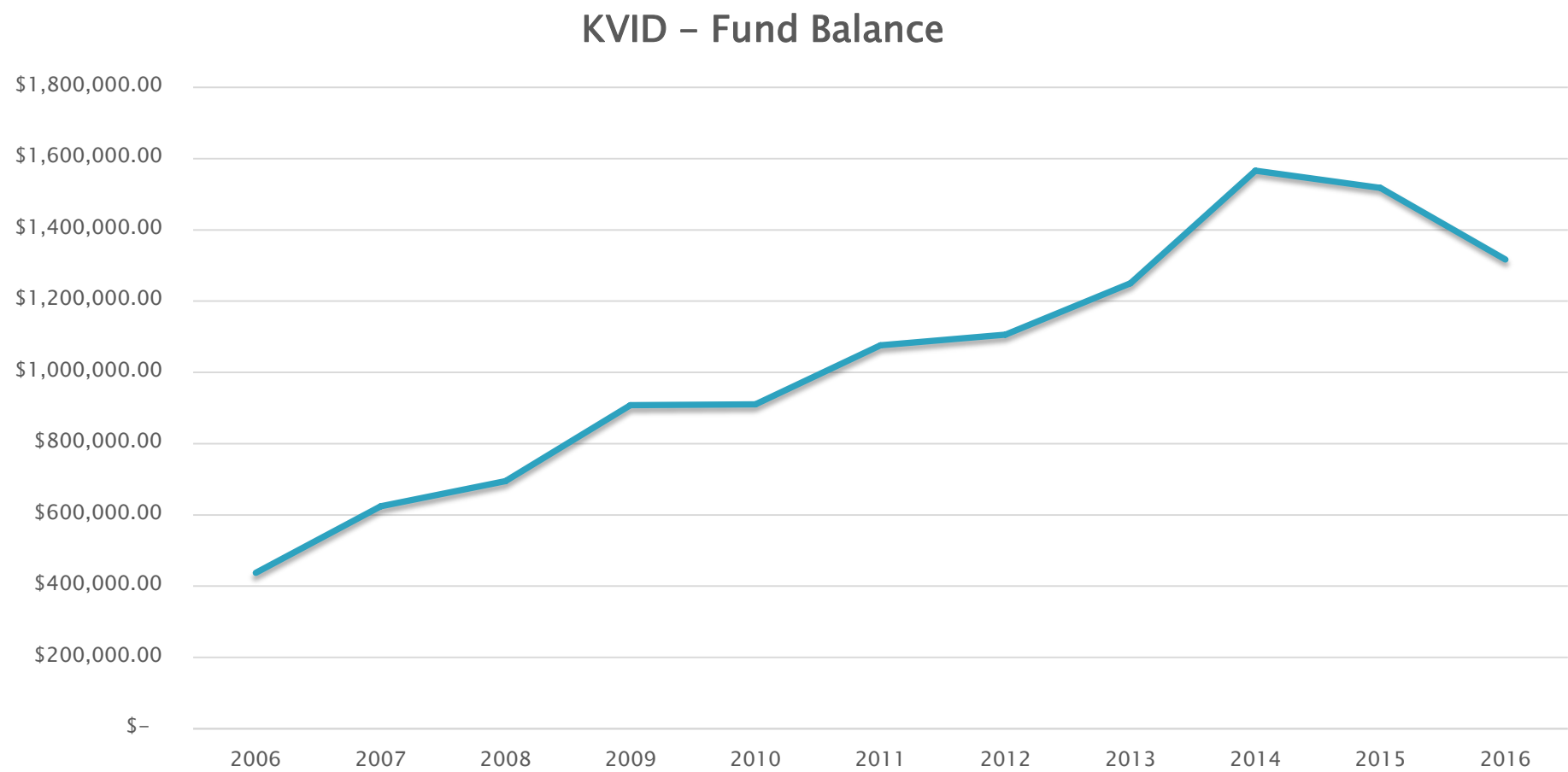


Conclusions

Total Revenues and Expenses FY06–FY16



Conclusions



Conclusions

A Rate Increase is Needed Now

Needed Increase in Revenues:

- Increases in Operating Expenses
 - Inflation alone over the last 11 years would necessitate approximately 21% increase in expenses
- Maintaining High Service Levels
- Attracting and Retaining Qualified Personnel
- Funding the 20 Year Capital Improvement Plan
 - Approximately \$5.5M in Capital Improvements and ongoing investment in the existing infrastructure
- Financial Stability to Provide Safe and Reliable Service.



KVID – Rate Analysis

Tom Bourassa, CPA

Overview of KVID's Rate Analysis Process



Questions and Discussion

