

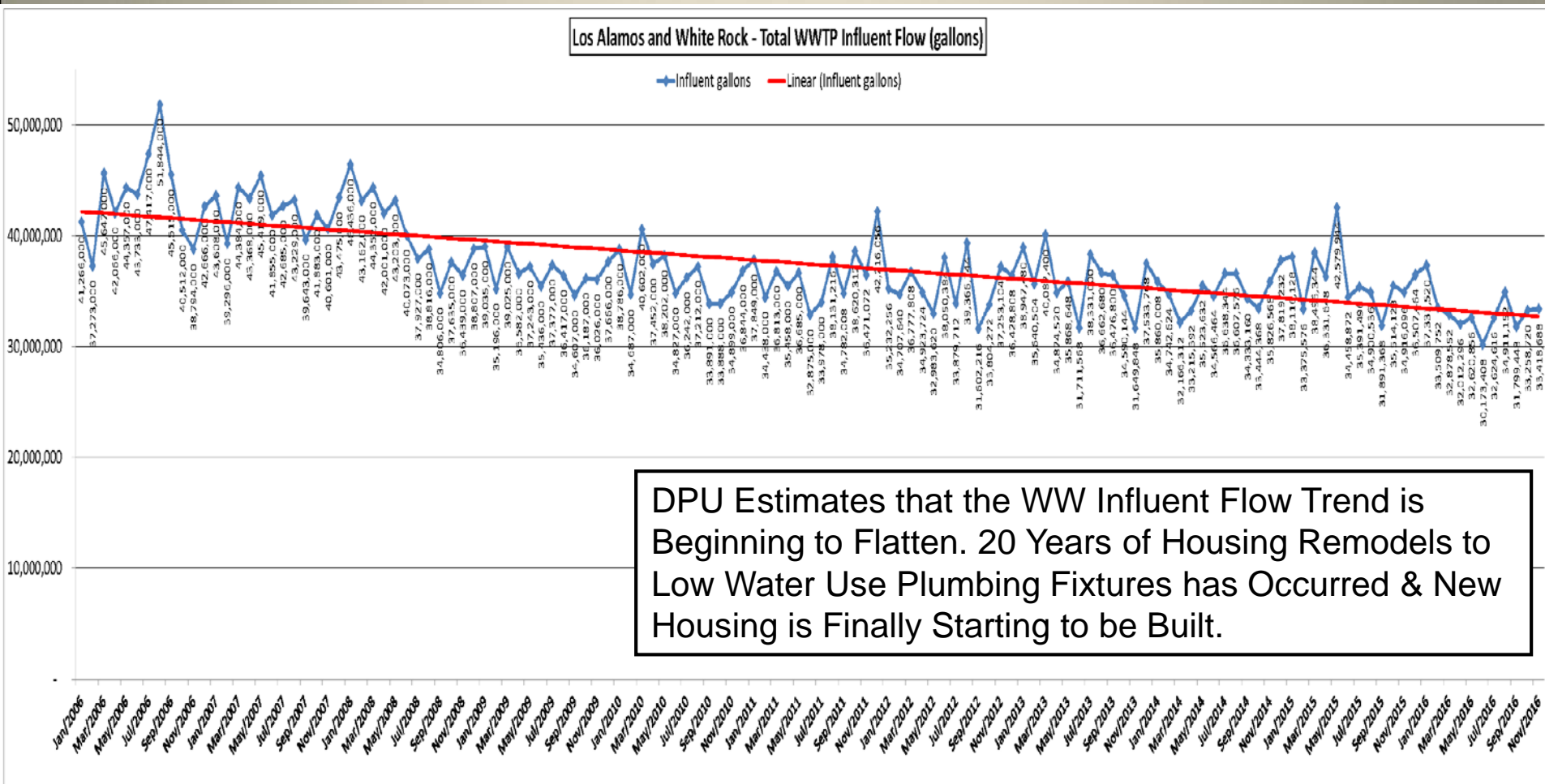
Wastewater Rate Adjustments

FY 2020 thru FY 2022

*Board of Public Utilities & County Council
October thru November 2019 Meetings*



Total LA + WR WWTP Influent Flow 2006 - 2016



DPU Financial Policy for Cash Reserves – Waste Water Fund

In Each Utilities Fund or Sub-Fund:

1. 180-Days of Budgeted O&M Expenses for the Following Year (90-Days Min. Floor)
2. Debt Service Reserve (Sufficient to Fund All Debt Service for the Following Year)
3. Contingency Reserve (Only One Occurrence in any Single Year)
WC = \$750,000 Replace a Major Segment of Pipeline
WT = \$750,000 Replace a Major System or Component
4. Retirement/Reclamation Reserve (Only One Occurrence in any Single Year)
WC = \$150,000 Abandon a Sewer Lift Station
WT = \$150,000 Abandon a Treatment System Basin & Equipment

Cash Balance and Risk Sharing Between System Sub-Funds/Sub-Groups

WC & WT Sub-Group's Budgets for Contingency and Retirement/Reclamation Reserves are Split 50/50

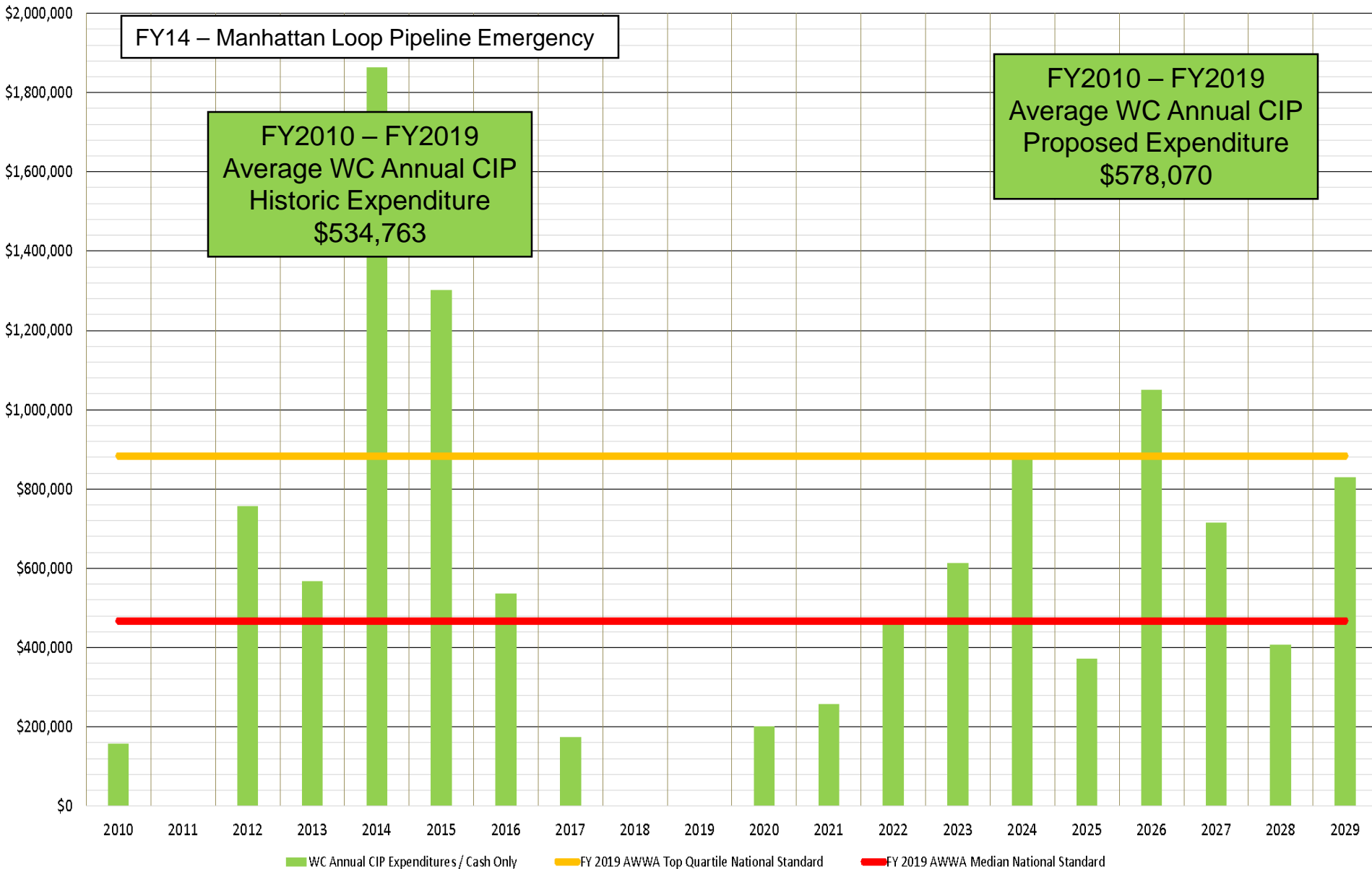
5. Actual CIP Program Expenditures for the Following Year – or – The System's Annual Depreciation Plus 2.5% (whichever is greater)

Capital Improvement Program (CIP) – Waste Water Fund Financial Policy versus Historic & Proposed

5. Actual CIP Program Expenditures for the
Following Year – or – The System's Annual
Depreciation Plus 2.5% (whichever is greater)
 - WC = \$496,394 (FY20 Dep. + 2.5%) Compared
to \$534,763 (Historic) & \$578,070 (Proposed)
 - WT = \$330,930 (FY20 Dep. + 2.5%) Compared
to \$188,825 (Historic) & \$324,029 (Proposed)

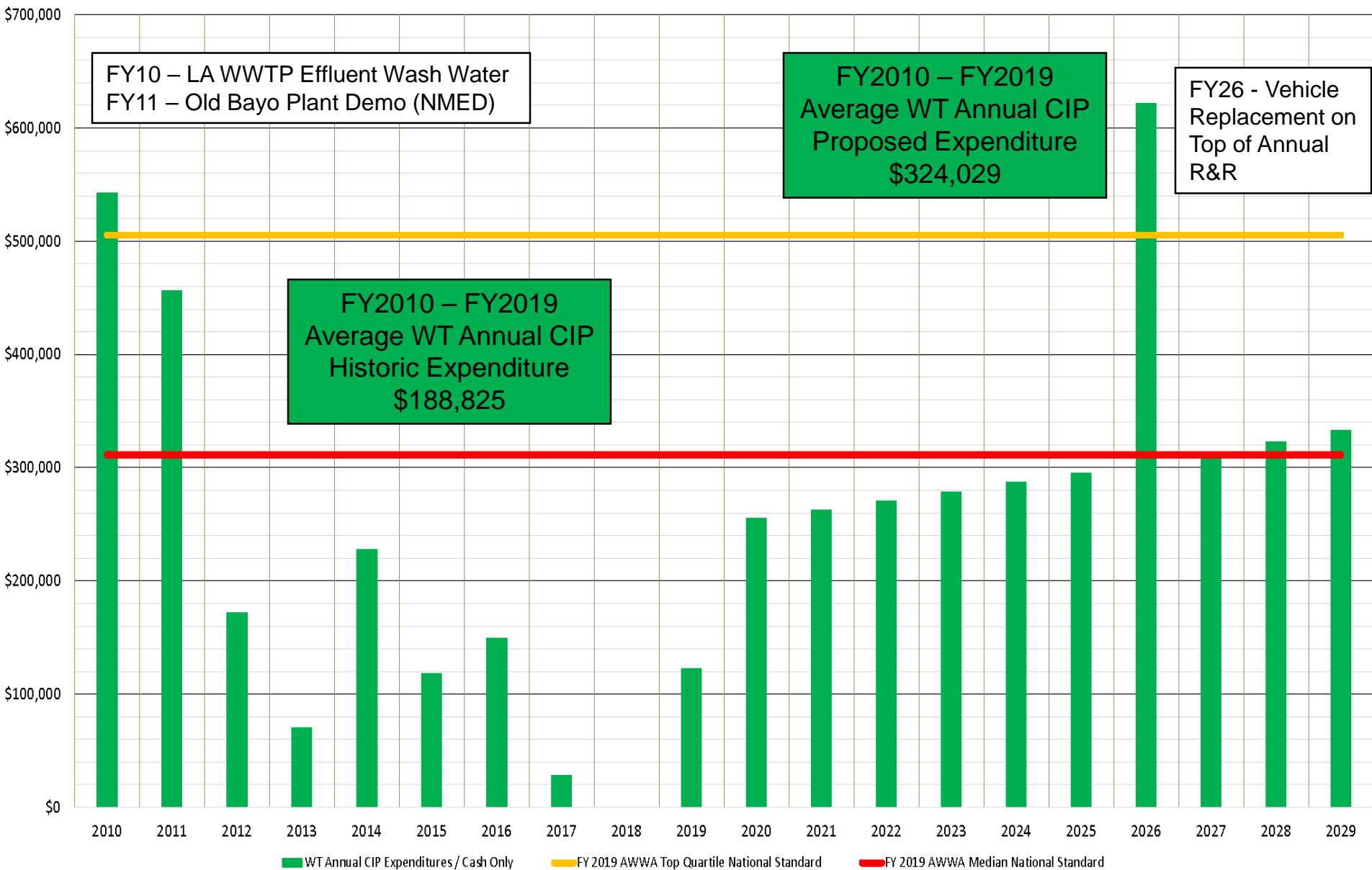
AWWA / Wastewater WC Sub-System R & R

WC CIP EXPENDITURES / FY 2010 - FY 2019 HISTORIC & FY 2020 - FY 2029 PROPOSED VERSUS AWWA NATIONAL STANDARD



AWWA / Wastewater – WT Sub-System R & R

WT CIP EXPENDITURES / FY 2010 - FY 2019 HISTORIC & FY 2020 - FY 2029 PROPOSED VERSUS AWWA NATIONAL STANDARD



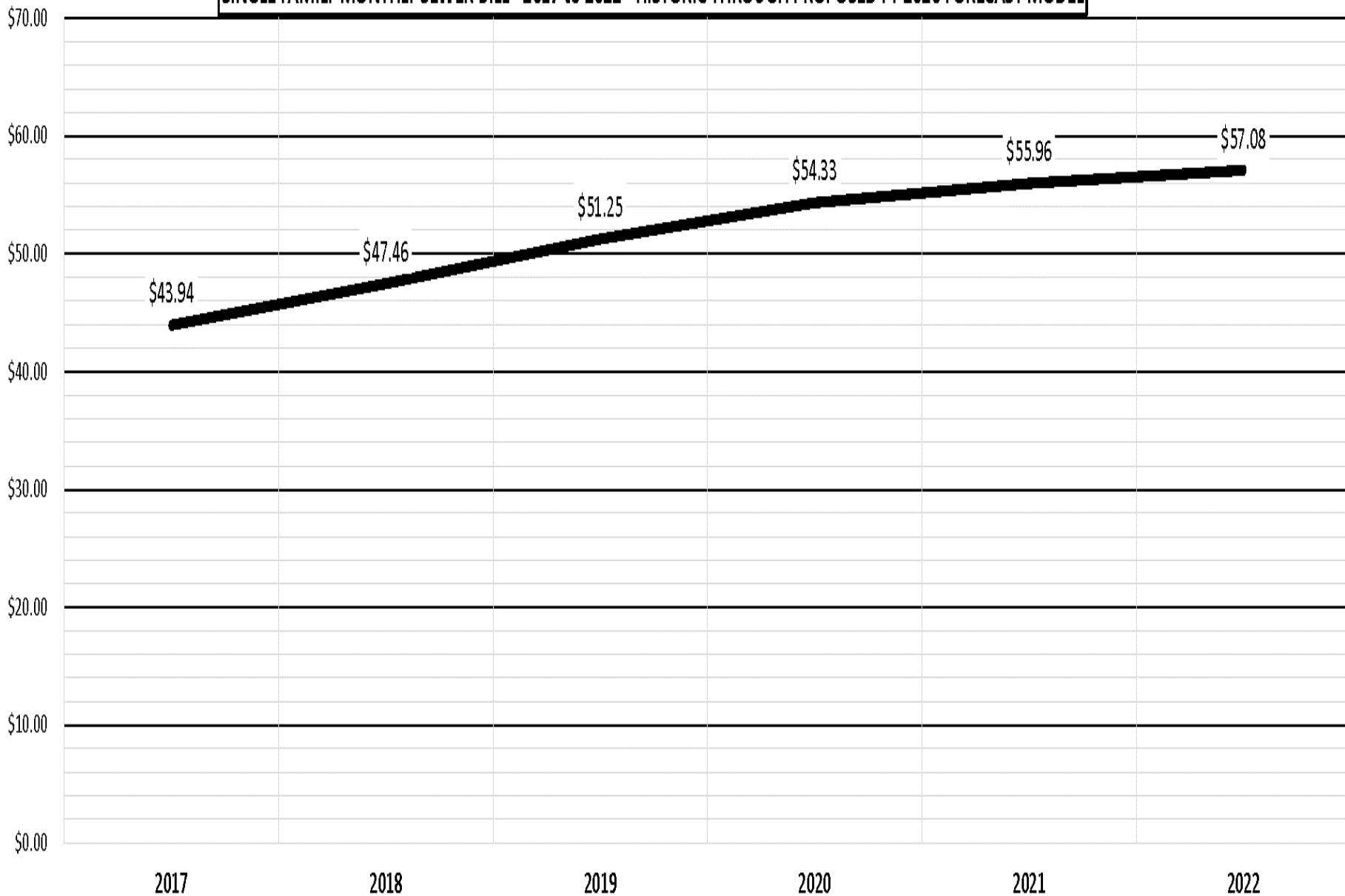
National Comparable - AWWA / System R & R – W & WW

System Renewal & Replacement AWWA National Standard Percentages

	Actual CY 2017 / Dashboard FY 2020 AWWA System Renewal & Replacement Percentage				Annual Repair & Replacement National Standard (PWV) X (System R&R %)		
AWWA Asset Class	Bottom Quartile	Median	Top Quartile	Actual FY 2018 / Dashboard FY 2020 Present Worth Value of the GWS Sub-Group System	Bottom Quartile	Median	Top Quartile
1. Water Supply	0.7%	1.9%	5.1%				
2. Water Treatment Facilities (not used)	1.1%	2.4%	5.5%				
3. Water Pump Station	0.5%	1.2%	6.4%				
4. Water Transmission and Distribution	0.6%	1.5%	2.7%				
5. Wastewater Collection	0.8%	1.5%	3.0%		Proposed CIP Program Average Annual FY 2020 thru FY 2029 CIP Costs		
6. Wastewater Pump Stations	1.6%	3.1%	5.7%				
7. Wastewater Treatment	0.9%	2.3%	3.4%				
						\$1,945,984	
Water Production (average 1, 3 & 4)	0.60%	1.53%	4.73%	\$34,456,203	\$206,737	\$527,180	\$1,629,778
						\$473,938	
Water Distribution (4 only)	0.60%	1.50%	2.70%	\$18,715,209	\$112,291	\$280,728	\$505,311
						\$578,070	
Wastewater Collection (average 5 & 6)	1.20%	2.30%	4.35%	\$20,306,557	\$243,679	\$467,051	\$883,335
						\$324,029	
Wastewater Treatment (7 only)	0.90%	2.30%	3.40%	\$13,537,704	\$121,839	\$311,367	\$460,282

SINGLE FAMILY MONTHLY SEWER BILL - 2017 to 2022 - HISTORIC THROUGH PROPOSED FY 2020 FORECAST MODEL

MONTHLY FLAT RATE + SERVICE CHARGE TOTAL



Single Family Residential Monthly Sewer Bill

Projected Average Sewer Bill for Residential Customers - FY 2017 through FY 2022

	Monthly Sewer	Rate Increase Percentage	Additional Annual Cost Over Previous Year	Los Alamos Median Household Income *	Assumed Annual Income Increase	Percentage of Income Needed to Pay Sewer Bill		New Mexico Median Household Income **	Assumed Annual Income Increase	Percentage of Income Needed to Pay Sewer Bill
FY2017	\$43.94	8.00%	\$39.00	\$110,190	2.5%	0.48%		\$46,744	0.0%	1.13%
FY2018	\$47.46	8.00%	\$42.18	\$112,945	2.5%	0.50%		\$46,744	0.0%	1.22%
FY2019	\$51.25	8.00%	\$45.56	\$115,768	2.5%	0.53%		\$46,744	0.0%	1.32%
FY2020	\$54.32	6.00%	\$36.82	\$118,663	2.5%	0.55%		\$46,744	0.0%	1.39%
FY2021	\$55.95	3.00%	\$19.56	\$121,629	2.5%	0.55%		\$46,744	0.0%	1.44%
FY2022	\$57.07	2.00%	\$13.44	\$124,670	2.5%	0.55%		\$46,744	0.0%	1.47%

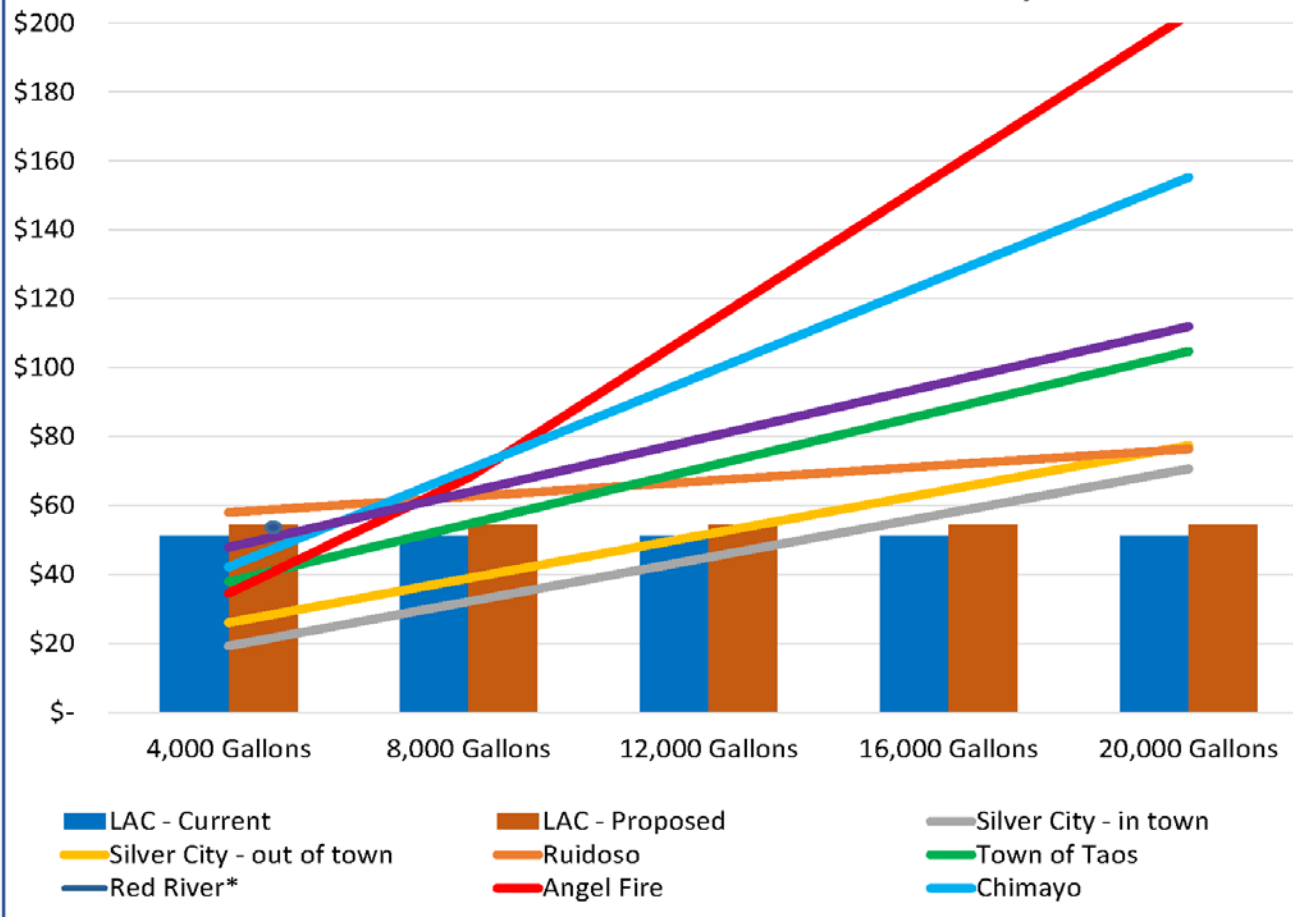
* 2017 data point from <https://www.census.gov/quickfacts/fact/table/losalamoscountynewmexico/PST045217> - 2013-2017 data, 2017 dollars

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** <https://www.deptofnumbers.com/income/new-mexico/> - 2017 data

**AWWA Sewer Service Affordability for FY 2020
National Benchmark Median Value = 0.78%
Compared to National Median Household Income**

NM Mountainous Communities Residential Sewer Rate Comparison



RESIDENTIAL SEWER RATES: LOS ALAMOS VS. COMPARABLE COMMUNITIES

Monthly Usage	LAC - Current	LAC - Proposed	Silver City - in town	Silver City - out of town	Ruidoso	Town of Taos	Red River*	Angel Fire	Chimayo	Aztec
4,000 Gallons	51.24	54.32	19.34	26.10	58.04	38.02		34.59	42.26	47.95
6,000 Gallons	51.24	54.32	25.76	32.52	60.34	46.36	47.99	34.59	56.38	55.95
8,000 Gallons	51.24	54.32	32.18	38.94	62.64	54.70		68.16	70.50	63.95
12,000 Gallons	51.24	54.32	45.02	51.78	67.24	71.38		112.92	98.74	79.95
14,000 Gallons	51.24	54.32	51.44	58.20	69.54	79.72		135.30	112.86	87.95
16,000 Gallons	51.24	54.32	57.86	64.62	71.84	88.06		157.68	126.98	95.95
20,000 Gallons	51.24	54.32	70.70	77.46	76.44	104.74		202.44	155.22	111.95
30,000 Gallons	51.24	54.32	102.80	109.56	87.94	146.44		314.34	225.82	151.95

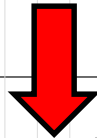
* Available data for Red River is for Dec. 2015, 6 kgal only.

SINGLE FAMILY MONTHLY SEWER BILL - 1985 to 2039 - HISTORIC THROUGH PROPOSED FY 2020 FORECAST MODEL

NOTE: Single Family Monthly Sewer Bill Calculations were Revised from a Commodity Charge Based on Water Use (Assumed to be 4,300 Gallons per Month for Purposes of these Comparisons) to a Flat Rate in FY 2013.

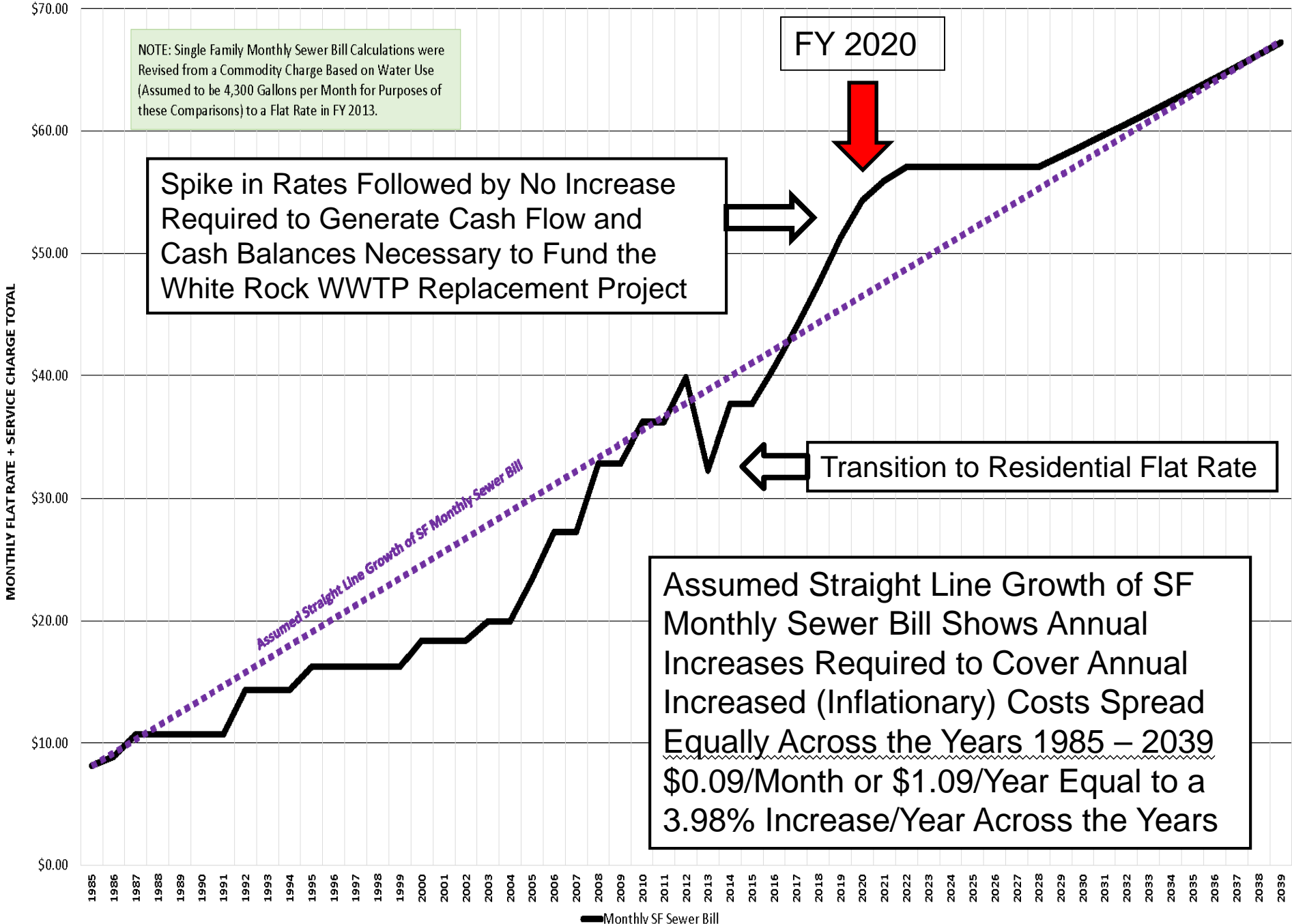
Spike in Rates Followed by No Increase Required to Generate Cash Flow and Cash Balances Necessary to Fund the White Rock WWTP Replacement Project

FY 2020

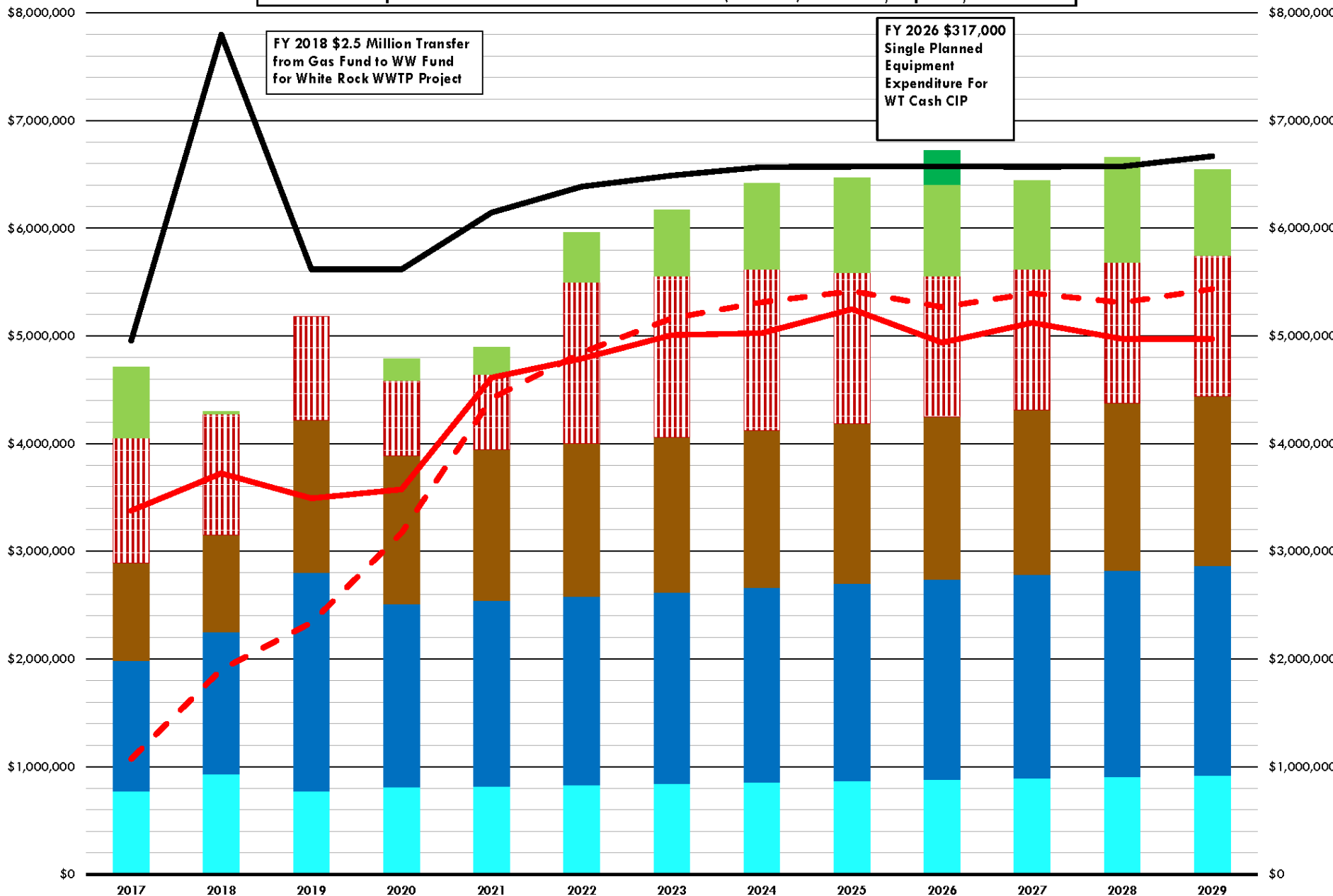


Transition to Residential Flat Rate

Assumed Straight Line Growth of SF Monthly Sewer Bill Shows Annual Increases Required to Cover Annual Increased (Inflationary) Costs Spread Equally Across the Years 1985 – 2039
\$0.09/Month or \$1.09/Year Equal to a 3.98% Increase/Year Across the Years



FY 2020 Rate Adjustment 10-Year Forecast - Wastewater Fund (WC + WT) - Revenue / Expense / Cash Balance



■ Total O&M Expenses - WC
 ■ Total O&M Expenses - WT
 ■ Total O&M Expenses - WW Fund IDC & ADA
 ▨ Debt Service - WT Only
 ■ Total Capital Cash - WC
 ■ Total Capital Cash - WT
 — Total Cash Inflow (exc/ Financing)
 — Calculated Cash Balance - WW Fund
 - - - Recommended Cash Balance - WW Fund

CONCLUSIONS & RECOMMENDATIONS

- The Long Range Rate Adjustment Plan Executed by DPU over the Past Few Years has Established a Multi-Year Record of Financial Health Improvement in All Funds and Sub-Funds
- The Proposed CIP Programs for Each Sub-Group are Planned to Reach a “Modern Acceptable Standard” in Terms of Capacity and Physical Integrity Within the Current Long Range (20-Year) Planning Period
- It is Not Recommended to Further Delay Any System’s CIP Program
- If the Current Proposal for a 3-Year Rate Adjustment Program is Approved, and if Everything Goes According to Plan, the Financial Policy Goals of the BPU Will be Met By FY 2025 and the CIP Needs of all Sub-Groups Will be Met

Continuous Improvement Steps

- Continue to Research Ways to Emphasize Repair & Rehabilitation of Existing Facilities In Lieu of Full CIP Replacement
- Annually Verify That All Revenue Related Assumptions Regarding Projected Sales Volumes, Number of Housing Units, Etc. Are Accurate In the Financial Models
- Annually Refine the Financial Models Data Sets and Assumptions
- Annually Review and Potentially Revise Proposed CIP Costs and Future Rates Based on the Best Available Data and Refined Model Output
- Every Year's Budget Includes a 10-Year Forecast Based on the Reviewed & Refined Financial Models

Questions?

For a copy of this presentation please provide your email address on a comment card or directly email

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