

Water System Financial Plan Update

City Council Meeting
March 1, 2016



Overview

- * Background
 - * Master Planning
 - * Financial Planning
- * What's Changed
 - * Factors
 - * Revenue increase options
- * Discussion

Background

1. Master Plan adopted May 2015
 - * Identifies 20-year capital improvement needs
 - * Included rate and system development charge analysis
2. Revised rates and system development charges implemented (effective July 1, 2015)
 - * 4 percent rate revenue increase
 - * Restructuring of irrigation rates (equal to block 2 residential rate)

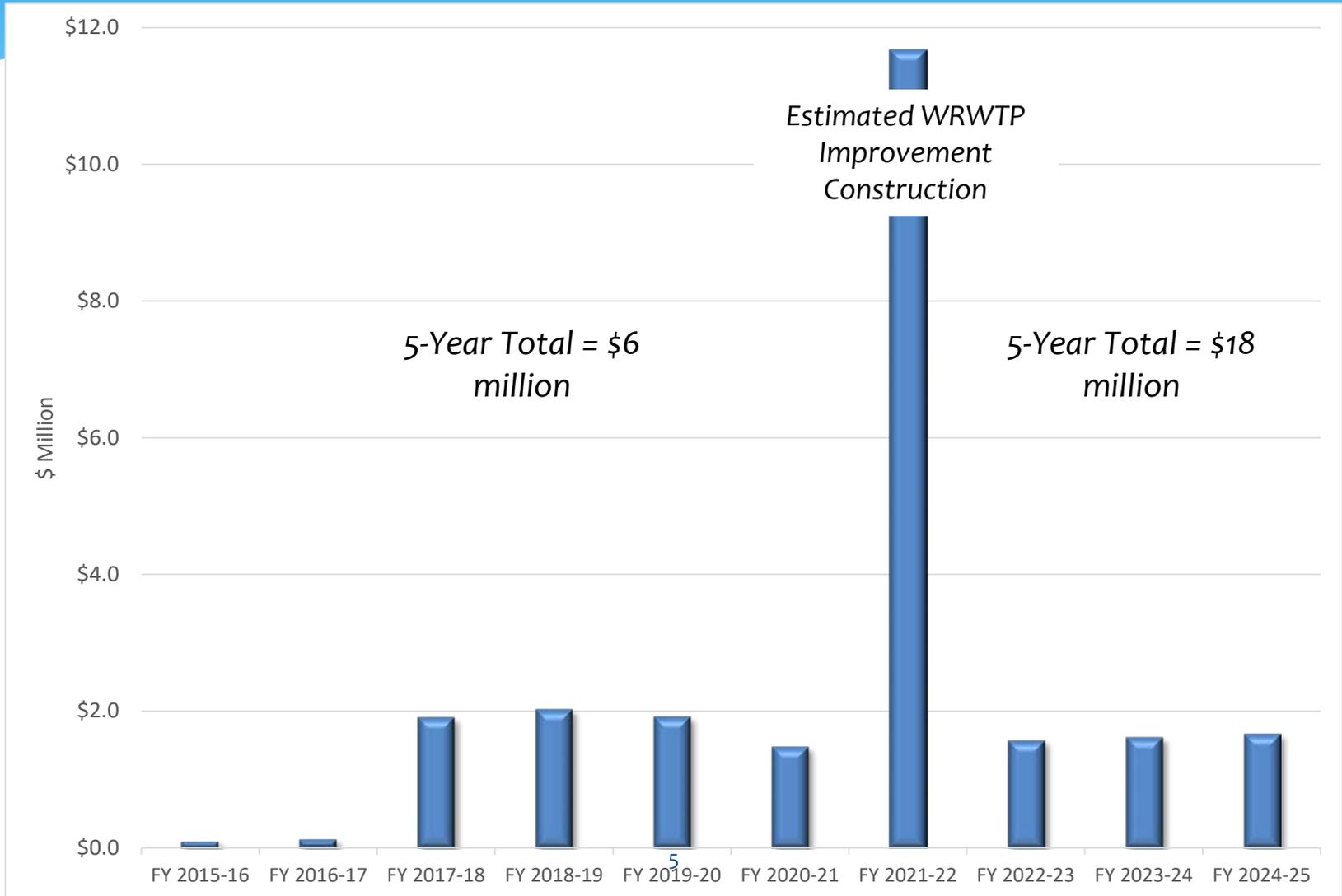
10-Year Capital Projects List (Inflation-Adjusted)*

Project	Total
WRWTP Upgrades (achieve max 15 mgd)	\$1,186,133
WRWTP purchase (5 mgd intake capacity)	2,419,788
WRWTP Expansion (additional 5 mgd)	9,313,453
Well Projects	51,500
Distribution Projects	9,481,599
Main Replacements	590,390
PRV Projects	354,091
SCADA	79,568
Planning	594,072
Total	\$24,070,594

WRWTP = Willamette River Water Treatment Plant

*Reflects minor modification to project scheduling within 10-year period

Capital Improvement Plan Phasing



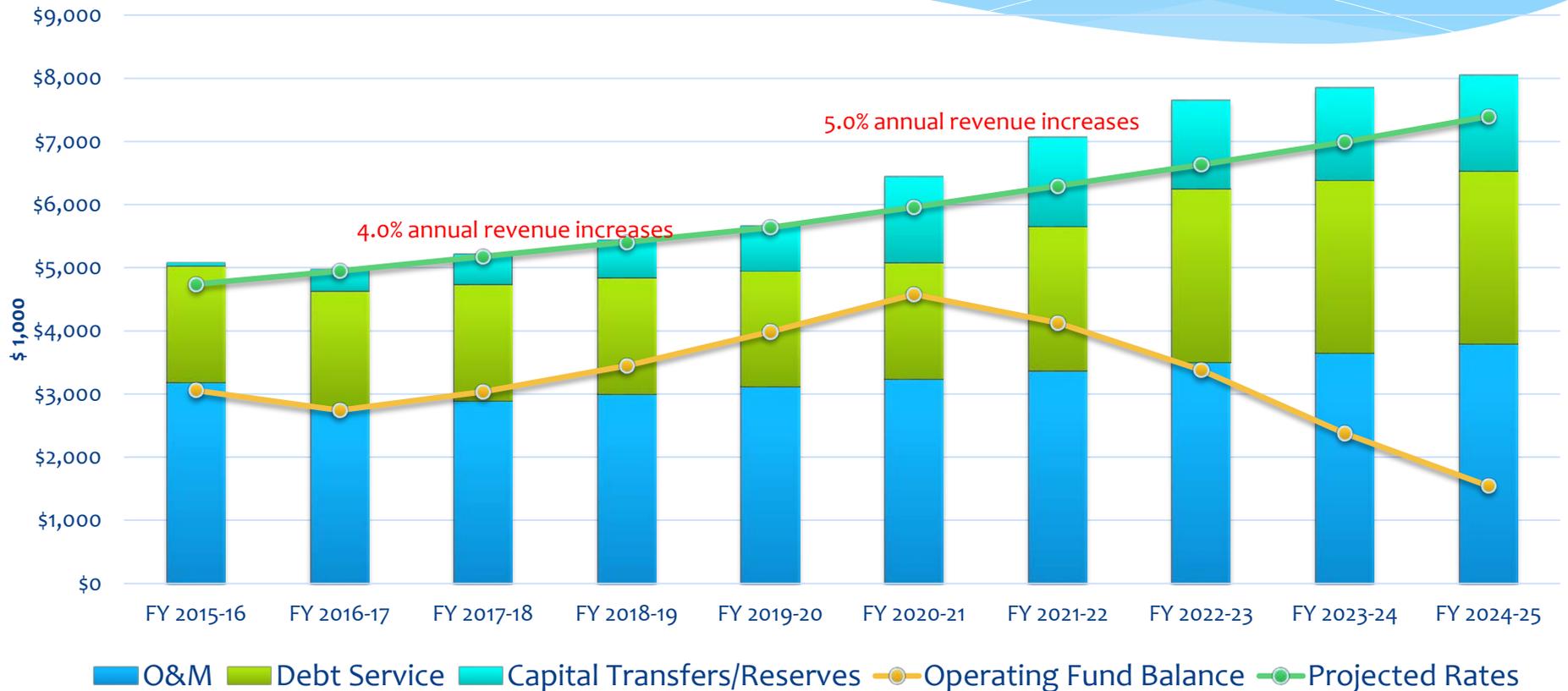
10-Year Capital Project Funding

	Total
Capital Fund Sources	
Beginning Fund Balance	\$4,650,695
SDCs	2,070,000
Debt Proceeds	10,200,000
Operating Transfers	7,150,000
Other Revenue	86,079
Total Sources of Funds	\$24,156,773
Capital Fund Uses	
Capital Improvements ¹	\$24,070,594
Other Costs ²	\$1,788
Ending Balance	\$84,392
Total Uses of Funds	\$24,156,773

¹Adjusted for Inflation

²Includes personnel & materials & services

2015 Recommended Financial Plan



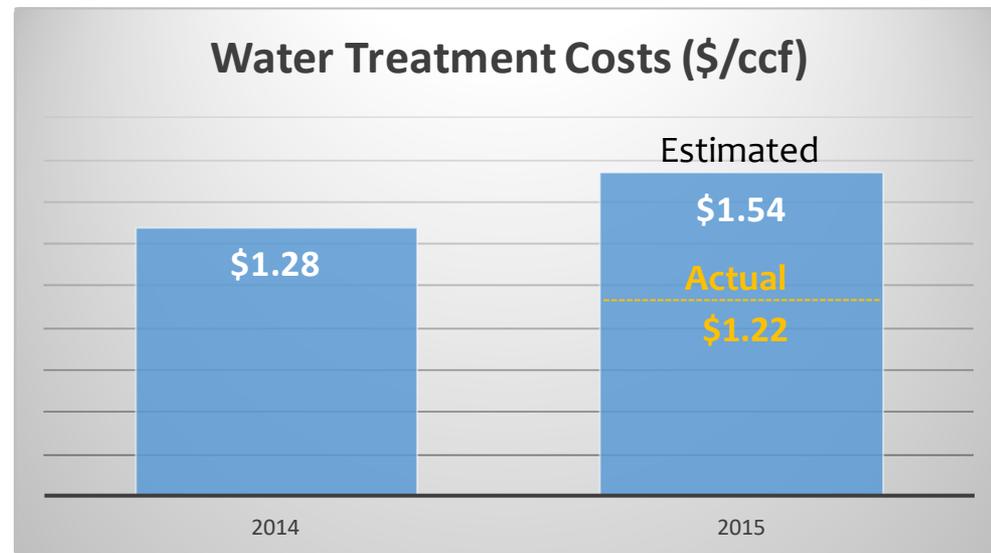
What's Changed?

* Revenues

- * Additional water sales in FY2015 and FY2016 driven by hot/dry weather
- * Assess charges to currently unbilled accounts
- * Reduced SDC revenues

* Costs

- * Treatment plant cost reimbursement
- * Short-term deferral of capital improvements



Revised Revenue Increase Options

Plan/Option	Annual Increase %		
	FY2017	FY2018- FY2020	FY2021- FY2025
2015 Plan	4.00%	4.00%	5.00%
2016 Plan			
Option 1	2.60%	2.60%	4.50%
Option 2	0.00%	3.75%	4.50%

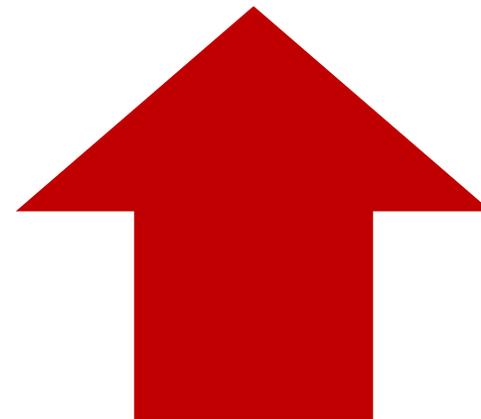
Future Key Rate Drivers



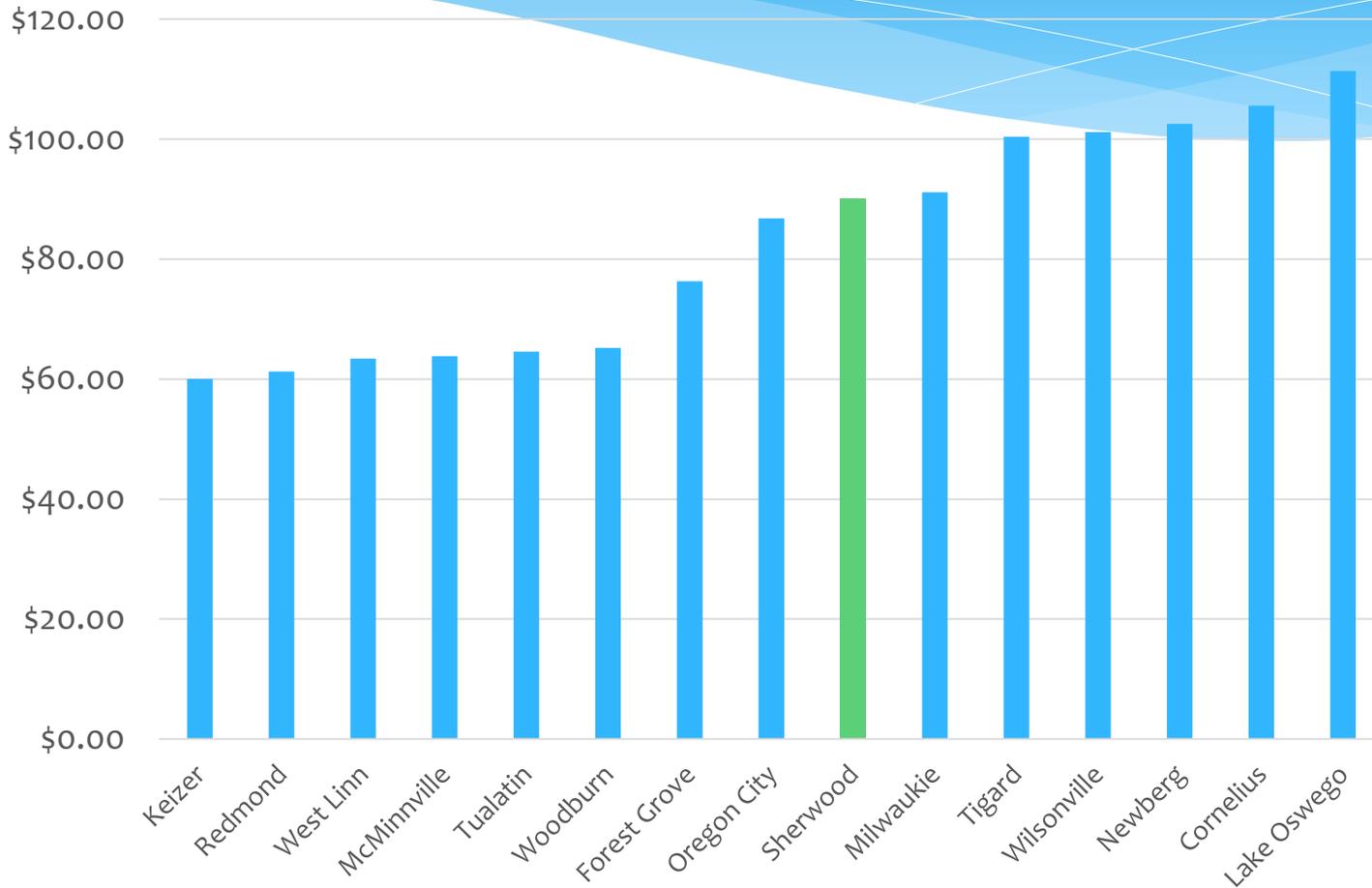
- Continued hot/dry summers
- Deferral of WRWTP expansion
- Future partner funding



- Reduction in use for current unbilled accounts
- Continued slow growth
- Increased cost of borrowing



Residential Utility Bill Comparison (January 2016 Rates)



**Source: City of Newberg. Includes water, wastewater and stormwater fees only; based on 5 ccf (3740 gallons) monthly use*

Potential Impacts of Reduced Rate Increases

			15-Year Total (thru FY2031)	
			Revised Options	2.00%
Capital Fund Sources				
Beginning Fund Balance			\$4,650,695	\$4,650,695
SDCs			3,270,000	3,270,000
Debt Proceeds			10,200,000	10,200,000
Operating Transfers			10,175,000	4,900,000
Other Revenue			88,813	84,521
Total Sources of Funds			\$28,384,508	\$23,105,215
Capital Fund Uses				
Capital Improvements ¹			28,352,297	28,352,297
Other Costs ²			\$2,861	\$2,861
Ending Balance			\$29,350	(\$5,249,942)
Total Uses of Funds			28,384,508	23,105,215
¹ Adjusted for Inflation				
² Includes personnel & materials & services				

Summary

- * Various factors contributed to more positive cash flow in short-term
 - * Water sales (existing and new billed customers)
 - * Lower costs (operating and capital)
- * Flexibility in short-term revenue increases
 - * Take full benefit in FY2017 or smooth over next 4 years
- * Continue to monitor and adjust incrementally

Questions