

INTRODUCTION

This report presents water rate recommendations for La Mel Heights water system (Improvement District No. 3). Rate recommendations are based on the revenue needs for FY 2010-11 through FY 2012-13. This financial plan is intended to serve as a planning and management tool to help ensure that the operations and capital improvement needs of the La Mel Heights Water System can be met in a financially sound manner. Proposed water rates are intended to reflect the cost of providing service to the existing 57 customers and to generate sufficient revenues to meet current and future obligations.

This report describes the multi-year financial plan, which extends five years through FY 2014-15. The plan includes estimates of future operating and maintenance costs, debt service obligations, and capital expenditures.

SUMMARY AND RECOMMENDATIONS

Based on the Financial Plan presented herein, the overall average annual rate increase for the La Mel Heights Water System (ID No. 3) would be:

FY 10-11	5%
FY 11-12	5%
FY 12-13	5%
FY 13-14	5%
FY 14-15	5%

The impact on monthly water bills for a typical single-family customer using 15 units of water is presented in the table below:

	Current	FY 10-11	FY 11-12	FY 12-13
Monthly Water Service Charges		5%	5%	5%
5/8 or 3/4 inch meter	\$40.00	\$42.00	\$44.10	\$46.30
1 inch meter	\$55.00	\$57.75	\$60.65	\$63.70
Commodity Rate (per 100 cubic feet)				
0-10,000 cf (0-100 units)	\$1.65	\$1.73	\$1.82	\$1.91
10,000 cf and over (100+ units)	\$2.45	\$2.57	\$2.70	\$2.84
Monthly Capital Facilities Fee				
All Parcels	\$15.00	\$15.00	\$15.00	\$15.00
Typical Single Family Bill (15 Units)	\$79.75	\$82.95	\$86.40	\$89.95

It is recommended that water rates be increased by 5% over the next three fiscal years, beginning in FY 10-11. A 5% rate increase would generate about \$39,070 in water sales for FY 10-11. This increase plus the Capital Facility Assessment of \$10,260 will not cover annual O & M, debt service payments, and reserve transfers which are estimated at \$55,735. An inter-fund loan from the AWS Replacement Reserve Account in the amount of \$200,000 is proposed to close the accrued operating cash deficit. Annual P and I payments are estimated at \$9,150 and principal repayment would begin in FY 2011-12.

Other options are to consolidate La Mel Heights ID No. 3 with the Amador Water System or to have La Mel form a CSD and take back the system. The consolidation would be similar to what we did with the CAWP Retail Water System and Wastewater ID No. 1 several years ago. The last adjustment to the water rates in La Mel was July 1, 2007.

**Amador Water Agency - La Mel Heights Water System
Financial Plan Summary**

	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15
Overall Water Revenue Increase -->		Actual	Actual	Actual	0%	5%	5%	5%	5%	5%
OPERATING FUND										
Beginning Balance	\$ (4,799)	\$ (50,869)	\$ (70,375)	\$ (104,447)	\$ (128,347)	\$ (151,782)	\$ 41,593	\$ 29,867	\$ 18,982	\$ 9,072
Revenues and Transfers In										
Water Service Charges	\$ 28,564	\$ 34,074	\$ 42,201	\$ 38,730	\$ 38,005	\$ 39,070	\$ 41,000	\$ 43,000	\$ 45,000	\$ 47,000
Engineering & Inspection Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Operating Revenue	\$ -	\$ 31,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest - Operating	\$ 400	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Facilities/Standby	\$ 10,260	\$ 9,900	\$ 10,650	\$ 10,260	\$ 10,260	\$ 10,260	\$ 10,260	\$ 10,260	\$ 10,260	\$ 10,260
From Other Funds (AWS Loan)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ -
Total Revenues and Trans. In	\$ 39,224	\$ 75,022	\$ 52,851	\$ 48,990	\$ 48,265	\$ 249,330	\$ 51,260	\$ 53,260	\$ 55,260	\$ 57,260
Operating Expenditures										
Salaries and Benefits	\$ 49,545	\$ 52,147	\$ 39,078	\$ 31,182	\$ 36,085	\$ 22,540	\$ 22,990	\$ 23,450	\$ 23,920	\$ 24,400
System Operations & Maint.	\$ 24,002	\$ 18,282	\$ 20,264	\$ 12,990	\$ 16,320	\$ 12,930	\$ 13,190	\$ 13,455	\$ 13,725	\$ 14,000
Administrative Expend.	\$ 8,224	\$ 10,756	\$ 8,040	\$ 11,362	\$ 6,835	\$ 4,570	\$ 5,485	\$ 5,595	\$ 5,705	\$ 5,820
Total Expenditures	\$ 81,771	\$ 81,184	\$ 67,381	\$ 55,534	\$ 59,240	\$ 40,040	\$ 41,665	\$ 42,500	\$ 43,350	\$ 44,220
Debt Service Payments										
Interdepartmental Loan (AWS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,310	\$ 9,310	\$ 9,210	\$ 9,110	\$ 9,010
CSDA "Z" (La Mel share only)	\$ 615	\$ 666	\$ 613	\$ 840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
USDA Loan	\$ -	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910
Payment to Other Funds	\$ 170	\$ 1,257	\$ 2,451	\$ 2,347	\$ 870	\$ 10	\$ 50	\$ 100	\$ 100	\$ 100
Total Debt Service Payments	\$ 785	\$ 12,833	\$ 13,974	\$ 14,097	\$ 11,780	\$ 15,230	\$ 20,270	\$ 20,220	\$ 20,120	\$ 20,020
Fixed Asset Purchases										
Transfer to Other Funds	\$ 2,438	\$ 210	\$ 5,267	\$ 2,859	\$ 180	\$ 410	\$ 500	\$ 500	\$ 500	\$ 500
Transfers to Other Funds										
To Benefit Reserves	\$ 300	\$ 300	\$ 300	\$ 400	\$ 500	\$ 275	\$ 300	\$ 325	\$ 350	\$ 400
To Operating Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 100	\$ 100
To Replacement Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 500	\$ 750	\$ 1,000
Total Transfers to Other Funds	\$ 300	\$ 300	\$ 300	\$ 400	\$ 500	\$ 275	\$ 550	\$ 925	\$ 1,200	\$ 1,500
Ending Balance	\$ (50,869)	\$ (70,375)	\$ (104,447)	\$ (128,347)	\$ (151,782)	\$ 41,593	\$ 29,867	\$ 18,982	\$ 9,072	\$ 92
Operating Reserve (16.7%)	\$ 14,000	\$ 14,000	\$ 11,000	\$ 9,000	\$ 10,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Uncommitted Fund Balance	\$ (64,869)	\$ (84,375)	\$ (115,447)	\$ (137,347)	\$ (161,782)	\$ 34,593	\$ 22,867	\$ 11,982	\$ 2,072	\$ (6,908)

**Amador Water Agency - La Mel Heights Water System
Financial Plan Summary**

	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15
CAPITAL FUND										
Beginning Balance	\$ (97,936)	\$ 70	\$ (158,523)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250	\$ 250	\$ 250
Revenues and Transfers In										
Transfer in from Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 500	\$ 750	\$ 1,000
Participation Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Earnings	\$ 1,002	\$ 229	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt/Grant Proceeds	\$ 212,000	\$ 63,152	\$ 336,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues & Trans. In	\$ 213,002	\$ 63,381	\$ 336,793	\$ -	\$ -	\$ -	\$ 250	\$ 500	\$ 750	\$ 1,000
Expenditures										
Capital Salaries & Overhead	\$ 30,206	\$ 137,092	\$ 68,503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay-As-You-Go Projects	\$ 84,790	\$ 84,883	\$ 109,767	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 750	\$ 1,000
Debt Financed Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer out to Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures & Trans. Out	\$ 114,996	\$ 221,974	\$ 178,269	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 750	\$ 1,000
Ending Balance	\$ 70	\$ (158,523)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250	\$ 250	\$ 250	\$ 250

**Amador Water Agency - La Mel Heights Waster System
Current Monthly Water Rates and Capital Facilities Fee**

	Current	FY 10-11	FY 11-12	FY 12-13
Monthly Water Service Charges		5%	5%	5%
5/8 or 3/4 inch meter	\$ 40.00	\$ 42.00	\$ 44.10	\$ 46.30
1 inch meter	\$ 55.00	\$ 57.75	\$ 60.65	\$ 63.70
Commodity Rate (per 100 cubic feet)				
0-10,000 cf (0-100 units)	\$ 1.65	\$ 1.73	\$ 1.82	\$ 1.91
10,000 cf and over (100+ units)	\$ 2.45	\$ 2.57	\$ 2.70	\$ 2.84
Monthly Capital Facilities Fee				
All Parcels	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Typical Single Family Bill (15 Units)	\$ 79.75	\$ 82.95	\$ 86.40	\$ 89.95

**Amador Water Agency - La Mel Heights Water Systems
Summary of Debt Service Obligations**

	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15
CSDA "Z" (LaMel share only)										
Total Debt Service	128,075	128,075	128,075	128,075	-	-				
LaMel Share	615	666	613	840	-	-				
2006 USDA Loan										
Principal		\$ 2,167	\$ 2,256	\$ 2,349	\$ 2,446	\$ 2,547	\$ 2,652	\$ 2,762	\$ 2,876	\$ 2,994
Interest		\$ 8,745	\$ 8,656	\$ 8,563	\$ 8,466	\$ 8,365	\$ 8,260	\$ 8,150	\$ 8,036	\$ 7,918
Total		\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910	\$ 10,910
Remain. Bal.	\$ 212,000	\$ 209,833	\$ 207,577	\$ 205,228	\$ 202,782	\$ 200,235	\$ 197,583	\$ 194,821	\$ 191,945	\$ 188,951

Principal	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Interest	\$ 4,310	\$ 4,310	\$ 4,210	\$ 4,110	\$ 4,010	\$ 3,910	\$ 3,810			
Total	\$ 4,310	\$ 9,310	\$ 9,210	\$ 9,110	\$ 9,010	\$ 8,910	\$ 8,810			
Remain. Bal.	\$ 215,470	\$ 215,470	\$ 210,470	\$ 205,470	\$ 200,470	\$ 195,470	\$ 190,470			

La Me Heights ID No. 3				Amador Water Agency -- La Mel Water ID No. 3 Assumptions for Internal AWS Loan			
Amount of Loan	\$ -		no Debt Service Reserve Req'd	Amount	\$ 215,470		no DS Reserve
Term	- years	0.0%	Issuance Costs	Term	30 years	0.0%	Issuance Costs
Interest Rate	0.00%	\$ -	Annual Payment (approx.)	Interest Rate	2.00%	\$ 9,150	Annual Payment
Net Proceeds	\$ -	\$ -	Capitalized Interest	Proceeds	\$ 215,470	\$ -	Capitalized Interest

**Amador Water Agency - La Mel Heights Water Systems
Capital Improvement Program**

Project	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15
<i>Pay-As-You-Go Projects</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Replac./Improv. Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 750	\$ 1,000
PayGo Total Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 750	\$ 1,000
<i>Debt Financed Projects</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financed Total Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 750	\$ 1,000

**Amador Water Agency - La Mel Heights Waster System
Financial Plan Assumptions**

<i>Annual Inflation and Interest</i>	
General Inflation	2.0%
Labor Cost Inflation	2.0%
Construction Inflation	4.0%
Interest Rate (Earnings)	1.0%
<i>Growth Projections</i>	
No. of Retail Accounts	0.0%
Water Use Per Account	0.0%
<i>Fund/Reserve Target Levels and Coverage Requirements</i>	
Operating Reserve	16.7% of Operating Expenses
Capital Fund	Maintain positive balance
Replac. Contrib. from Opers.	LT Goal --> Annual Depreciation