

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 2009-10 through FY 2011-12. This year's adopted FY 09-10 budget included a forecasted 8% rate increase for La Mel Heights.

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 59 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 09-10	8%
FY 10-11	15%
FY 11-12	15%
FY 12-13	12%
FY 13-14	11%
FY 14-15	11%

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 09-10	FY 10-11	FY 11-12
Monthly Water Service Charges		8%	15%	15%
5/8 or 3/4 inch meter	\$40.00	\$43.20	\$49.70	\$57.15
1 inch meter	\$55.00	\$59.40	\$68.30	\$78.55
Commodity Rate (per 100 cubic feet)				
0-10,000 cf (0-100 units)	\$1.65	\$1.78	\$2.05	\$2.35
10,000 cf and over (100+ units)	\$2.45	\$2.65	\$3.05	\$3.50
Monthly Capital Facilities Fee				
All Parcels	\$15.00	\$15.00	\$15.00	\$15.00
Typical Single Family Bill (15 Units)	\$79.75	\$84.90	\$95.45	\$107.40

It is recommended that water rates be increased by an average of 8%, 15%, and 15% over the next three fiscal years. An 8% rate increase would generate about \$41,055 in FY 09-10. This increase will not cover annual O & M, debt service payments, and reserve transfers which are estimated at \$62,640. In addition to the rate increases, an inter-fund loan from the AWS Replacement Reserve Account in the amount of \$200,000 is recommended to close the accrued cash deficit (\$128,000). Annual P and I payments are estimated at \$10,175 and principal repayment would begin in FY 2012-13. The internal loan is for 25 years and interest on the unpaid principal shall accrue and be charged at a variable rate based on the PMIA average monthly yields as published by LAIF for the twelve months immediately preceding the applicable principal payment date.

Another option is to consider consolidating ID No. 3's 59 customers into the Amador Water System during the AWS financial plan update scheduled for later in 2009. This 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	Actual	8%	15%	15%	12%	11%	11%
OPERATING FUND										
Beginning Balance	\$ (4,799)	\$ (50,869)	\$ (70,377)	\$ (104,451)	\$ (128,353)	\$ 60,322	\$ 52,870	\$ 50,218	\$ 35,541	\$ 30,614
Revenues and Transfers In										
Water Service Charges	\$ 28,564	\$ 34,074	\$ 42,201	\$ 38,730	\$ 41,055	\$ 45,175	\$ 52,000	\$ 58,000	\$ 64,000	\$ 71,000
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	\$ 251,315	\$ 55,435	\$ 62,260	\$ 68,260	\$ 74,260	\$ 81,260
Operating Expenditures										
Salaries and Benefits	\$ 49,545	\$ 52,147	\$ 39,078	\$ 31,182	\$ 20,835	\$ 21,000	\$ 22,000	\$ 23,000	\$ 24,000	\$ 25,000
System Operations & Maint.	\$ 24,002	\$ 18,282	\$ 20,264	\$ 12,990	\$ 19,360	\$ 20,000	\$ 21,000	\$ 22,000	\$ 23,000	\$ 24,000
Administrative Expend.	\$ 8,224	\$ 10,756	\$ 8,040	\$ 11,362	\$ 9,535	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Total Expenditures	\$ 81,771	\$ 81,184	\$ 67,381	\$ 55,534	\$ 49,730	\$ 51,000	\$ 53,000	\$ 55,000	\$ 57,000	\$ 59,000
Debt Service Payments										
Interdepartmental Loan (AWS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,925	\$ 10,175	\$ 10,175
CSDA "Z" (La Mel share only)	\$ 615	\$ 666	\$ 613	\$ 840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
USDA Loan	\$ -	\$ 10,912	\$ 10,912	\$ 10,912	\$ 10,910	\$ 10,912	\$ 10,912	\$ 10,912	\$ 10,912	\$ 10,912
Payment to Other Funds	\$ 170	\$ 1,257	\$ 2,451	\$ 2,347	\$ 1,290	\$ 275	\$ 300	\$ 300	\$ 300	\$ 300
Total Debt Service Payments	\$ 785	\$ 12,835	\$ 13,976	\$ 14,099	\$ 12,200	\$ 11,187	\$ 11,212	\$ 27,137	\$ 21,387	\$ 21,387
Fixed Asset Purchases										
Transfer to Other Funds	\$ 2,438	\$ 210	\$ 5,267	\$ 2,859	\$ 210	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
Transfers to Other Funds										
To Benefit Reserves	\$ 300	\$ 300	\$ 300	\$ 400	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
To Operating Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 100	\$ 100
To Replacement Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Transfers to Other Funds	\$ 300	\$ 300	\$ 300	\$ 400	\$ 500	\$ 500	\$ 500	\$ 600	\$ 600	\$ 600
Ending Balance	\$ (50,869)	\$ (70,377)	\$ (104,451)	\$ (128,353)	\$ 60,322	\$ 52,870	\$ 50,218	\$ 35,541	\$ 30,614	\$ 30,687
Operating Reserve (16.7%)	\$ 14,000	\$ 14,000	\$ 11,000	\$ 9,000	\$ 8,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 10,000	\$ 10,000
Uncommitted Fund Balance	\$ (64,869)	\$ (84,377)	\$ (115,451)	\$ (137,353)	\$ 52,322	\$ 43,870	\$ 41,218	\$ 26,541	\$ 20,614	\$ 20,687

**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	\$ 0	\$ (1,000)	\$ (2,000)
Revenues and Transfers In										
Transfer in from Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures										
Capital Salaries & Overhead	\$ 30,206	\$ 137,092	\$ 68,503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pay-As-You-Go Projects	\$ 84,790	\$ 84,883	\$ 109,767	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000
Debt Financed Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer out to Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenditures & Trans. Out	\$ 114,996	\$ 221,974	\$ 178,269	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000
Ending Balance	\$ 70	\$ (158,523)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (1,000)	\$ (2,000)	\$ (3,000)

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

	Current	FY 09-10	FY 10-11	FY 11-12
Monthly Water Service Charges		8%	15%	15%
5/8 or 3/4 inch meter	\$ 40.00	\$ 43.20	\$ 49.70	\$ 57.15
1 inch meter	\$ 55.00	\$ 59.40	\$ 68.30	\$ 78.55
Commodity Rate (per 100 cubic feet)				
0-10,000 cf (0-100 units)	\$ 1.65	\$ 1.78	\$ 2.05	\$ 2.35
10,000 cf and over (100+ units)	\$ 2.45	\$ 2.65	\$ 3.05	\$ 3.50
Monthly Capital Facilities Fee				
All Parcels	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Typical Single Family Bill (15 Units)	\$ 79.75	\$ 84.90	\$ 95.45	\$ 107.40

**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		\$ 10,912	\$ 10,912	\$ 10,912	\$ 10,912	\$ 10,912	\$ 10,912	\$ 10,912	\$ 10,912	\$ 10,912
Remain. Bal.	\$ 212,000	\$ 209,833	\$ 207,577	\$ 205,228	\$ 202,782	\$ 200,235	\$ 197,583	\$ 194,821	\$ 191,945	\$ 188,951

2009 AWS Loan Repayment (Inter-Fund)										
Principal							\$ -	\$ 8,420	\$ 8,505	\$ 8,590
Interest							\$ -	\$ 7,505	\$ 1,670	\$ 1,585
Total			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,925	\$ 10,175	\$ 10,175
Remain. Bal.	\$ 200,000						\$ 200,000	\$ 191,580	\$ 183,075	\$ 174,485

**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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000
PayGo Total Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000
<i>Debt Financed Projects</i>								
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financed Total Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000

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

Annual Inflation and Interest

General Inflation	3.0%
Labor Cost Inflation	3.0%
Construction Inflation	4.0%
Interest Rate (Earnings)	2.0%

Growth Projections

No. of Retail Accounts	0.0%
Water Use Per Account	0.0%

Fund/Reserve Target Levels and Coverage Requirements

Operating Reserve	16.7% of Operating Expenses
Capital Fund	Maintain positive balance
Replac. Contrib. from Opers.	LT Goal --> Annual Depreciation

**Amador Water Agency - La Mel Heights Waster System
Fund/Reserve Structure and Cash Flow**

