

Memorandum



DATE May 27, 2010

TO Honorable Mayor and Members of the City Council

SUBJECT Water Utilities: Overview of Proposed FY10 – 11 Budget

Attached is the Water Utilities: Overview of Proposed FY10 – 11 Budget Briefing to be presented by the Water Utilities Department at the June 2, 2010 meeting of the Dallas City Council.



Ryan S. Evans
First Assistant City Manager

Attachment

c: Mary K. Suhm, City Manager
Thomas P. Perkins, City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Judge C. Victor Lander, Administrative Judge
Helena Stevens-Thompson, Assistant to the City Manager
Jo M. Puckett, P.E., Director, Dallas Water Utilities

Water Utilities: Overview of Proposed FY10 - 11 Budget

June 2, 2010



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Purpose

This briefing provides an update on the FY09-10 Budget and an overview of Dallas Water Utilities' recommended FY10-11 Budget

Dallas Water Utilities: FY10-11 Budget Focus

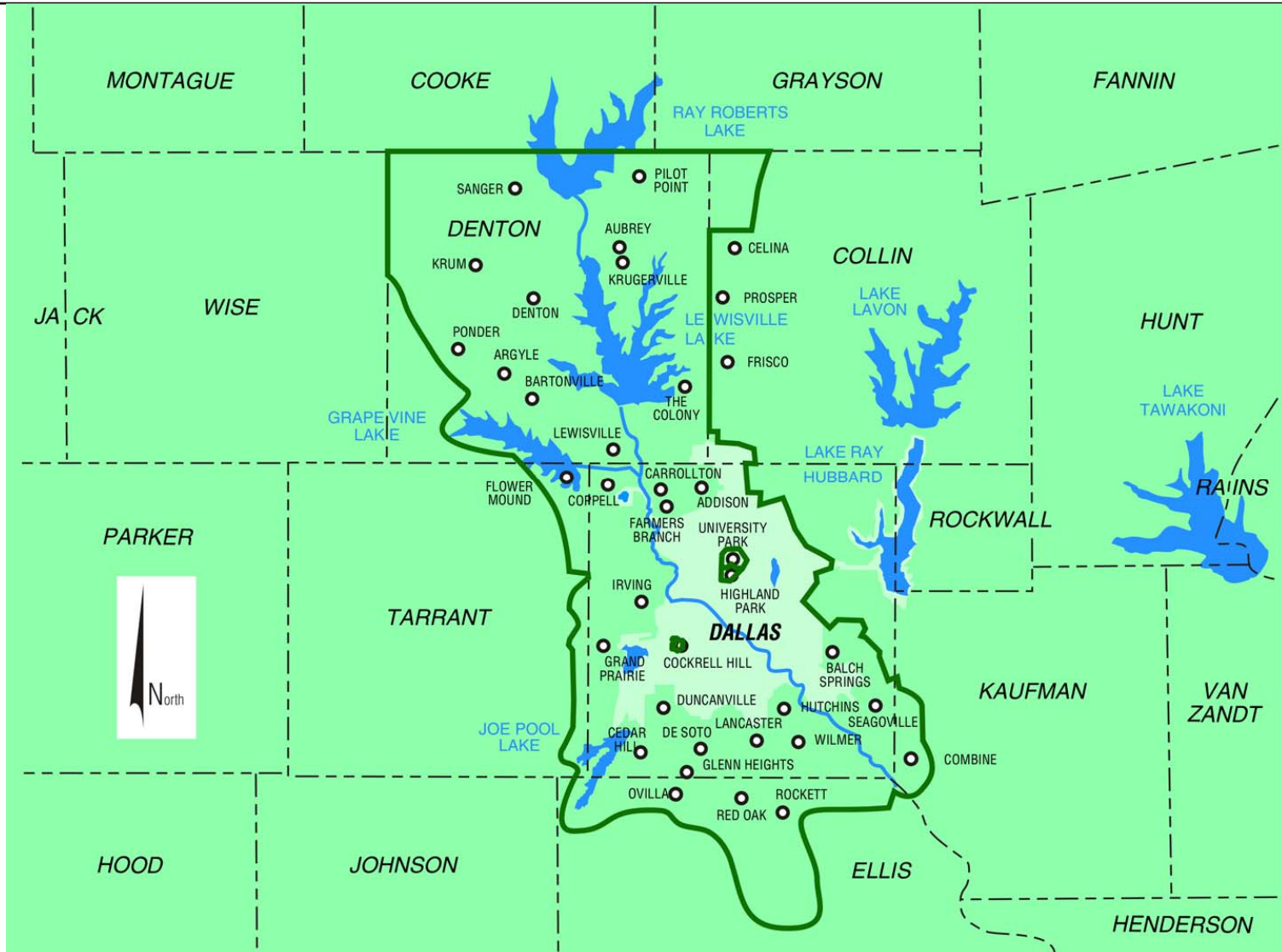
- Dallas Water Utilities is a large, municipally owned regional water/wastewater supplier
 - Costs are driven by infrastructure requirements for both growth and renewal
 - Responsibility for planning to meet water requirements for service area
 - Self-supporting
- Proposed budget continues the focus on maintaining infrastructure and conserving resources through:
 - Programs for water and wastewater systems maintenance to pro-actively detect water system leaks
 - Water conservation efforts
 - Annual replacement rate of 1.5% for aged water and wastewater mains
 - Commitment to provide high quality and sufficient water and wastewater service to meet customer needs

City of Dallas Water Utilities Fact Sheet

The Dallas Water Utilities is funded from solely water and wastewater revenues

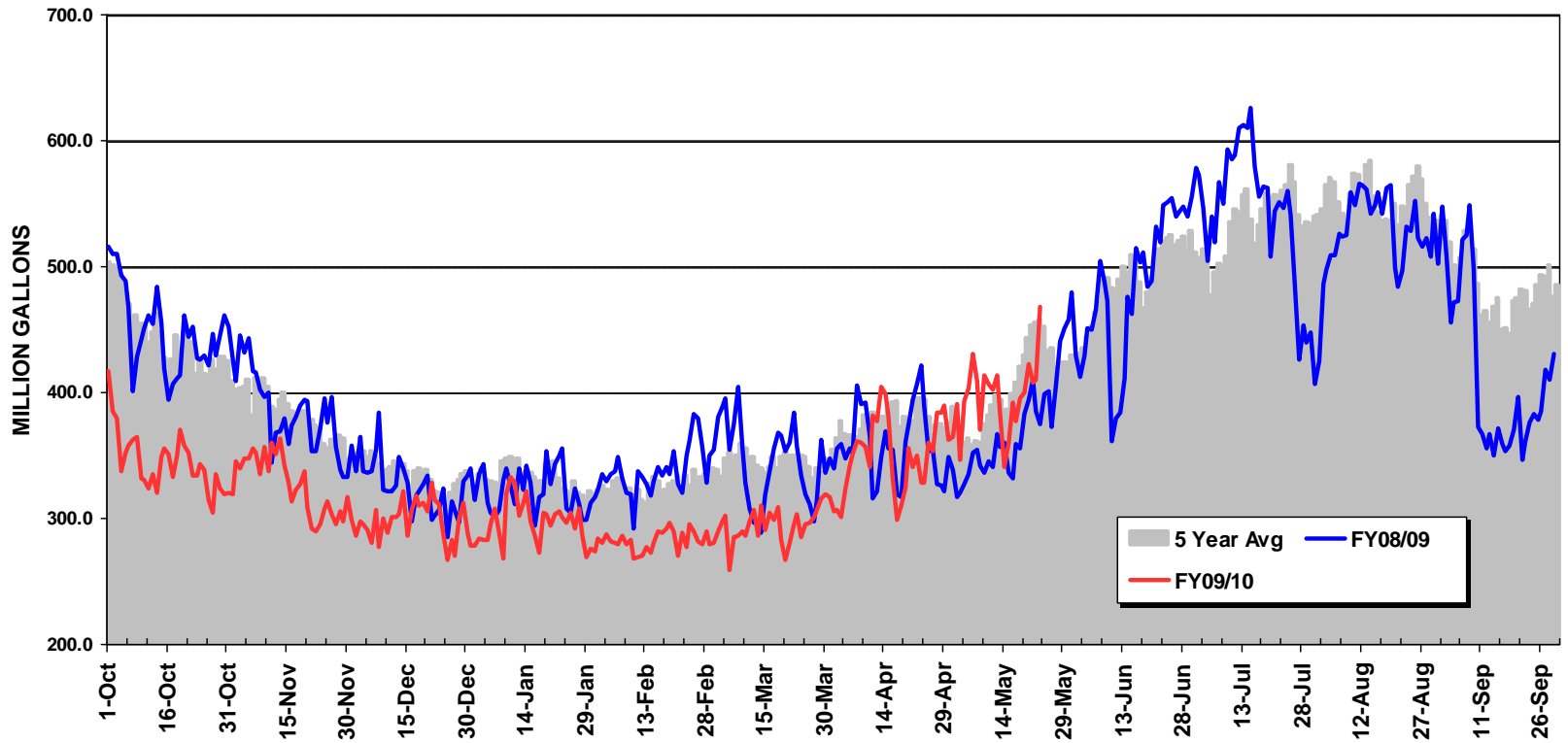
- Approximately 1,500 employees
- Population served (treated water)
 - 1.3 million - City of Dallas
 - 980,000+ wholesale customer cities
- 699 square mile service area
- 308,000 retail customer accounts
- 9,280 miles of water and wastewater mains
 - More than 55% older than 50 years
- 3 water treatment plants, 2 wastewater treatment plants
- Wholesale customers
 - 23 treated water, 4 untreated water, 11 wastewater

City of Dallas Customer Cities



Dallas Water Utilities System

Daily Water Consumption (FY09 and FY10)



9.1 BG behind FY09 consumption through May 24th. Last year's water consumption was 148 BG

FY10-11 Proposed Operating Budget

Services by Key Focus Areas

Service Number		FY 10 Budget	FY 10 Estimate as of Mar FTA	FY 11 Proposed Budget
Economic Vibrancy				
2.84	Water Capital Funding	\$ 256,715,446	\$ 219,383,465	\$ 260,856,884
2.85	Water Production & Delivery	\$ 102,721,891	\$ 103,143,521	\$ 102,420,484
2.86	Water Utilities Capital Program Management	\$ 12,415,226	\$ 12,691,301	\$ 13,283,579
Clean Healthy Environment				
3.64	Wastewater Collection	\$ 16,035,506	\$ 16,672,198	\$ 16,985,095
3.65	Wastewater Treatment	\$ 46,970,575	\$ 47,131,020	\$ 48,798,647
3.68	Water Conservation	\$ 4,602,244	\$ 4,672,608	\$ 5,319,147
E3 Government				
6.16	CIS Support for Water	\$ 10,645,463	\$ 10,645,463	\$ 10,780,463
6.82	Water Planning, Financial and Rate Services	\$ 2,968,114	\$ 2,455,600	\$ 3,209,684
6.83	Water Utilities Customer Account Services	\$ 19,912,371	\$ 19,406,360	\$ 21,384,676
6.84	Water's Price of Doing Business	\$ 57,378,646	\$ 56,604,742	\$ 58,035,156
Totals		\$ 530,365,482	\$ 492,806,278	\$ 541,073,815

Budget Assumptions

- Operations and Maintenance
 - Personnel Costs - Full Year Funding of FY10 FTEs for leak detection/maintenance - \$102K
 - Power and Chemical Costs – Reduced based on projected lower pumpage for FY 11 – (\$5M)
 - Integrated Pipeline Project to connect Lake Palestine - \$3.2M
 - Wastewater treatment contract fees - \$850K
 - Street Rental increased by \$750K reflect proposed retail revenue increase
 - Conservation program additions
 - Leak detection/repair crews - \$1.5M
 - Industrial, Commercial and Institutional (ICI) customers incentives and training - \$0.6M
- Capital Improvement Program of \$346.3M
 - Debt Service increase of \$11M
 - Revenue bond sale of \$250M Spring 2011

FY10-11 Capital Improvement Program

- Major FY10-11 projects include:
 - Pipeline Replacement Program - \$127M
 - Central Wastewater Treatment Plant Influent Pump Station - \$58M
 - Walcrest Pump Station and Reservoir Improvements - \$36M
 - Southside Wastewater Treatment Plant Improvements - \$20M
 - Right of Way acquisitions for Water Transmission Main from East Side Water Treatment Plant - \$10M

- CIP includes four categories
 - Regulatory \$13.8M
 - Growth \$71.2M
 - Rehab and Replacement \$226.5M
 - Work for Others \$34.8M
 - \$346.3M

FY10 Retail Revenue Requirement

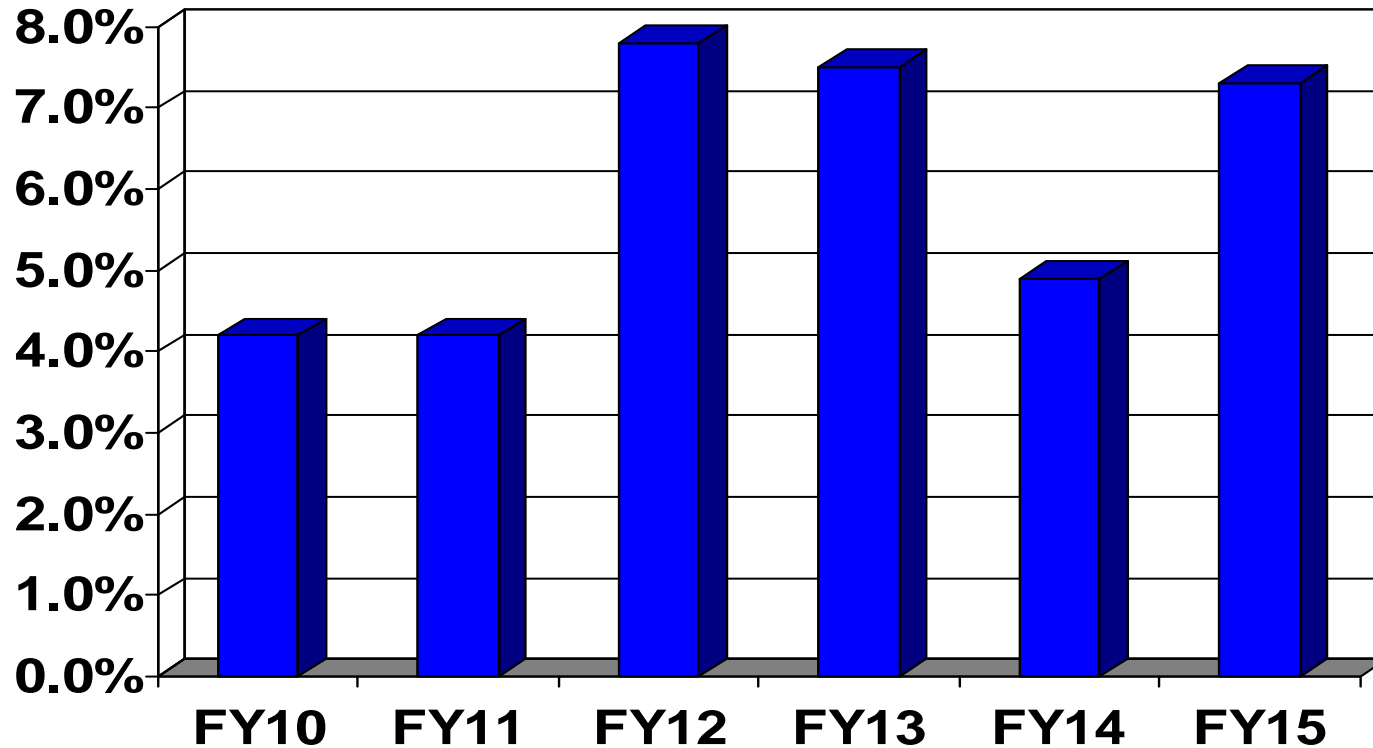
Preliminary FY11 Budget	\$541,073,815
Preliminary Revenues at Current Rates	<u>(\$523,073,834)</u>
FY11 Additional Revenue Requirement	\$17,999,981

= 4.2% Retail Rate Increase
(Identified in Future Outlook - August 2009)

Impact of Proposed 4.2% Rate Increase

- Typical monthly residential water and wastewater bill would increase from \$52.53 to \$54.74
 - Based on water use of 8,300 gallons and 6,100 gallons Winter Months Average for sewer
- US EPA affordability guideline for water and wastewater bills is 2% of median income
 - Dallas' water and wastewater bills would be 1.3% of median income

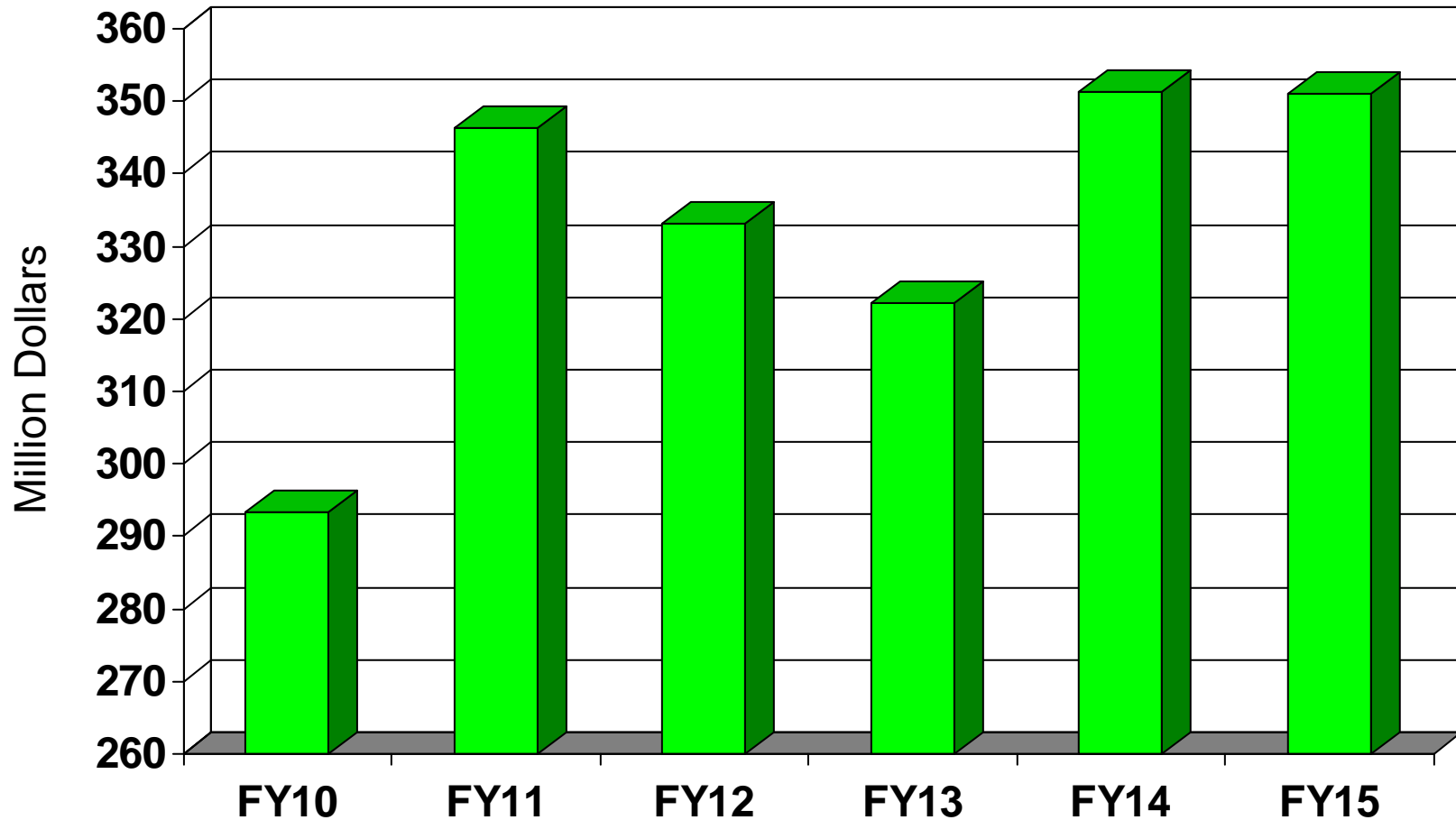
Future Outlook: Rate Increases



Assumptions include: 1) O&M annual increases of 3%; 2) debt costs cover existing debt payment schedule and amount for bonds to be sold to refinance and refund outstanding commercial paper; and, 3) cash transfers to meet FMPC recommended 20% equity and bond ordinance coverage of 1.50 times max year P&I for year end and maintain 1.30 at any point during the year.

Note: Includes cost of Integrated Pipeline Project to connect Lake Palestine

Future Outlook: Capital Improvement Program



Note: Does not include cost of future water supply acquisitions

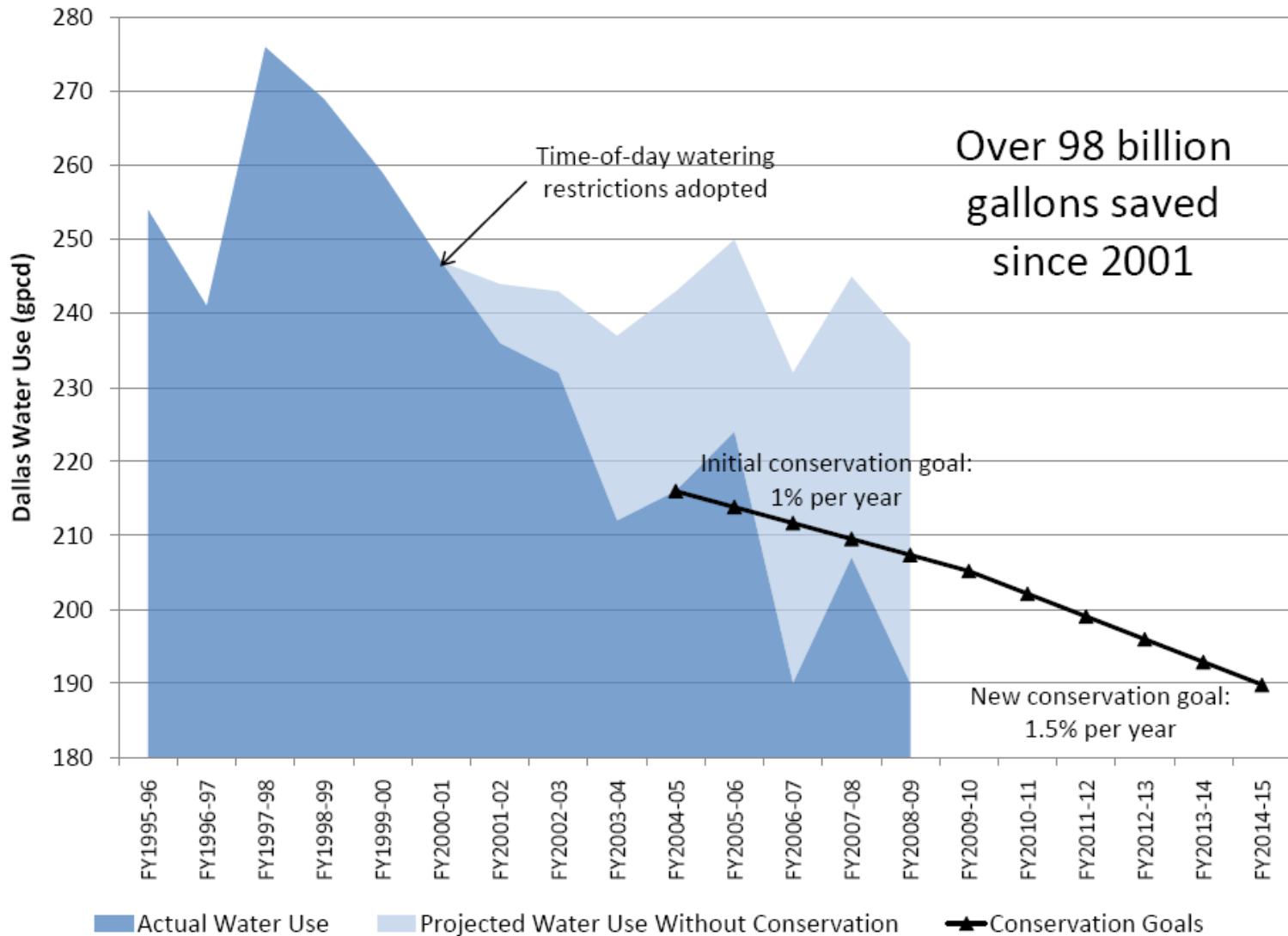
RECAP of Preliminary DWU Budget

- FY10-11 Expenses of \$541.1M
 - Includes funding for \$346.3M Capital Program
 - Includes additional funding for Water Conservation Program
- Retail rate increase 4.2%
 - Typical bill increases - \$2.21/month
 - Budget increase primarily driven by increases in debt to fund capital projects

NOTE: Numbers will change some

APPENDIX

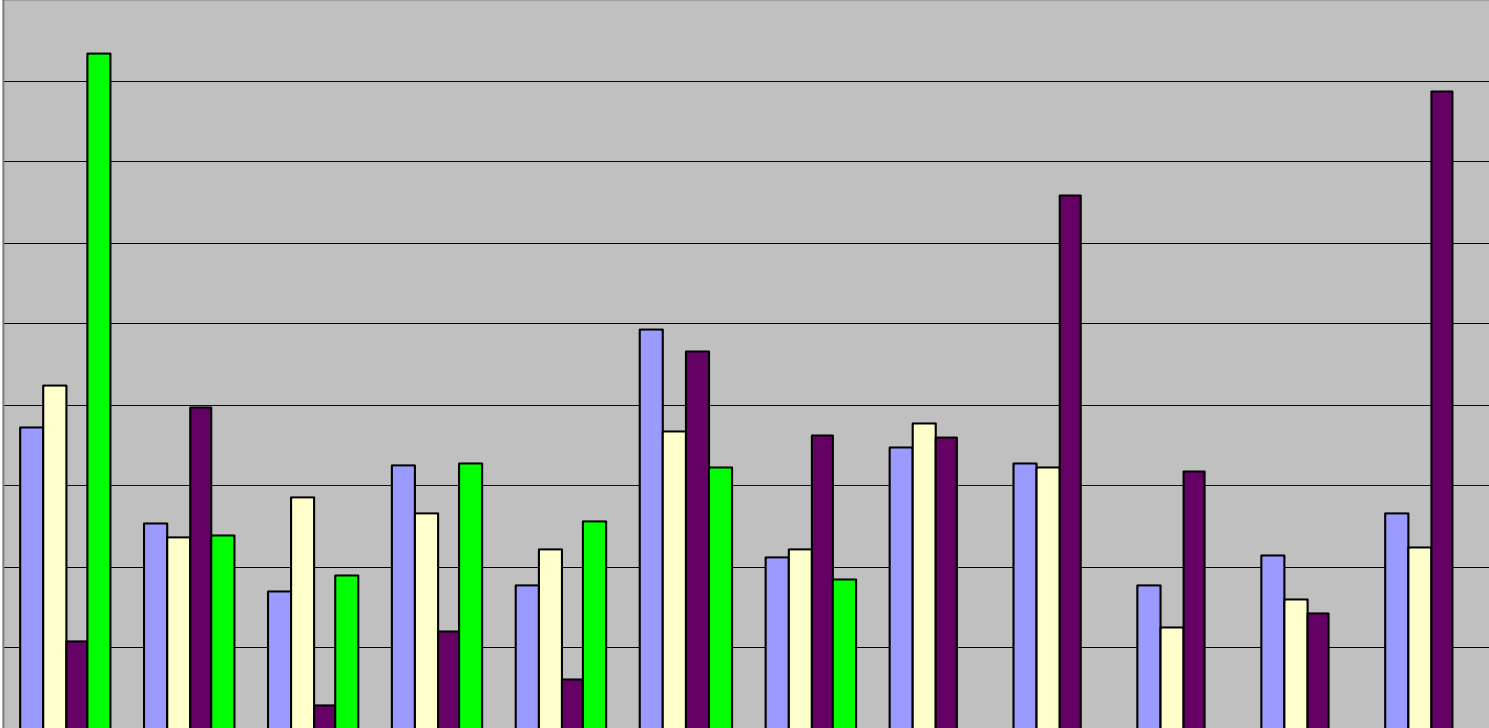
Dallas GPCD Trends



Additional Conservation Program Budget from the Five-Year Water Conservation Strategic Plan Update

Measure	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15
Additional Savings from existing water loss programs	\$0	\$0	\$0	\$0	\$0
TX HET toilet law	\$0	\$0	\$0	\$0	\$0
Additional leak detection and repair crews	\$1,545,000	\$1,572,250	\$2,252,000	\$2,321,750	\$2,334,500
Water-wise landscape design requirements	\$0	\$0	\$0	\$0	\$0
ICI commercial equipment rule	\$0	\$0	\$0	\$0	\$0
Voluntary twice-weekly irrigation schedule	\$0	\$0	\$0	\$0	\$0
ICI customer water audits	\$0	\$27,105	\$27,758	\$28,496	\$29,307
ICI hospitality program	\$50,000	\$102,166	\$104,626	\$107,409	\$110,466
ICI training programs	\$25,510	\$26,063	\$26,690	\$27,400	\$28,180
ICI business partnership program	\$0	\$0	\$0	\$0	\$0
Enhanced toilet incentive	\$0	\$778,738	\$797,488	\$818,702	\$842,008
ICI financial incentives	\$500,000	\$2,909,121	\$2,948,122	\$2,973,344	\$3,001,053
Irrigation system incentive	\$0	\$0	\$93,917	\$694,189	\$1,586,557
Residential clothes washer incentive	\$0	\$74,933	\$149,995	\$210,076	\$475,323
TOTAL	\$2,120,510	\$5,490,375	\$6,400,596	\$7,181,366	\$8,407,394
Projected FTEs	5.75	5.50	2.50	11.00	4.25

Historical Rainfall Data



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
5 Yr Avg	3.71	2.55	1.70	3.26	1.77	4.94	2.13	3.49	3.27	1.78	2.14	2.67
10 Yr Avg	4.25	2.36	2.85	2.66	2.21	3.67	2.22	3.77	3.22	1.25	1.60	2.24
FY09	1.08	3.97	0.29	1.20	0.62	4.65	3.62	3.61	6.58	3.17	1.43	7.86
FY10	8.33	2.38	1.90	3.27	2.57	3.24	1.86					