

Wastewater & One Water Connection Fees
and Service Rates Study

Workshop 3 – May 30, 2019

Monthly MEU Rates
& MWD RTS Pass-Through



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

Workshop Agenda

1. Monthly MEU Rate Update
2. RTS Pass-Through Outlook

IEUA Funding Strategy: Based upon a comprehensive and integrated approach



General Study Approach: Each fee or rate analysis follows a similar approach.



Current Rate Structure: Implemented on October 1, 2016 following a 2015 Study and extensive work with member agencies.

- This update will maintain the current rate structure.
- MEU Rate
 - Reflects the capacity needed to serve each customer
- MWD Readiness-to-Serve Charge Pass-through
 - Based on ten-year rolling average consumption (TYRA) to match MWD charge structure

Water Resources Fund: Records activities associated with water deliveries and water resources planning

- Manages delivery of imported water from MWD
- Implements water use efficiency programs throughout the service area
- Provides water resources planning and stewardship in the region
- Supports regional water supply programs
 - Recycled Water
 - Groundwater Recharge
 - Storm Water Management

MWD Readiness-to-Serve (RTS) Charge Pass-through: Recovers costs from member agencies as they are imposed by MWD.

- Phasing in direct pass-through of RTS charges based on TYRA*
- Amount passed through to member agencies is net of standby charge collected directly by MWD
- Under collections during phasing are supported with Agency property taxes

Example RTS Pass-Through	FY 2019/20
IEUA MWD RTS Charge Obligation	\$4.95M
Less: Standby Charge Collected by MWD	(\$1.90M)
Net RTS Obligation to IEUA	\$3.05M
<i>Pass-Through (FY 2019/20)</i>	60%
Amount Collected in Pass-Through	\$1.85M
Amount Supported with Property Tax	\$1.20M

*Ten-Year-Rolling Average MWD structure

Adopted Rates:

Adopted MEU Rates

FY 2018/19: \$0.99 per MEU/Month

FY 2019/20: \$1.04 per MEU/Month

Adopted RTS Pass-Through

FY 2018/19: 45% of MWD RTS

FY 2019/20: 60% of MWD RTS

FY 2020/21: 75% of MWD RTS

FY 2021/22: 90% of MWD RTS

FY 2022/23: 100% of MWD RTS

MEU Rate and RTS Pass-through Update:

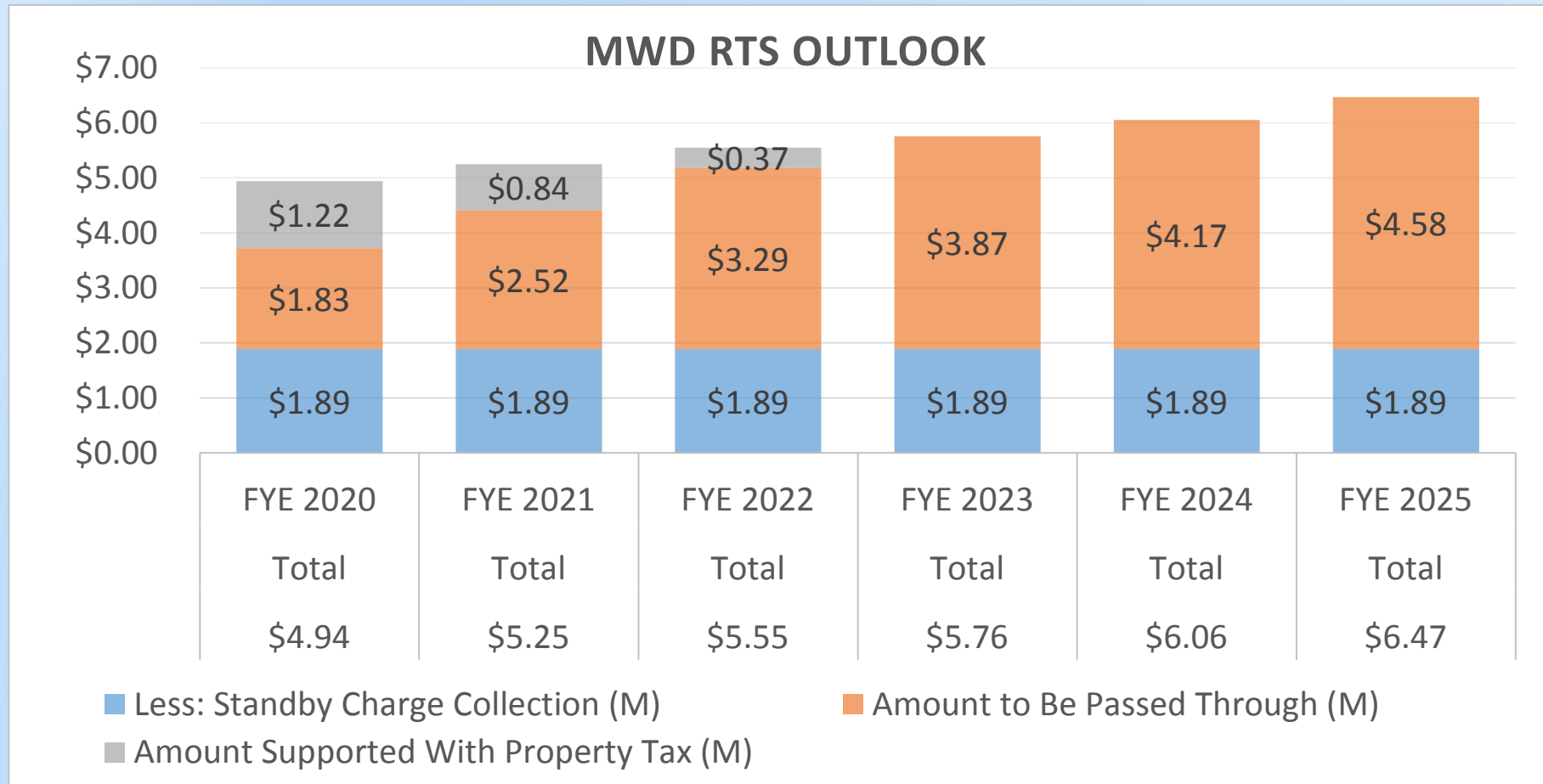
- MEU Rates
 - Developing updated rates for FY 2020/21 through FY 2024/25
 - No change in the existing rate structure
- RTS Pass-Through
 - Continue phase in until full pass-through in FY 2022/23

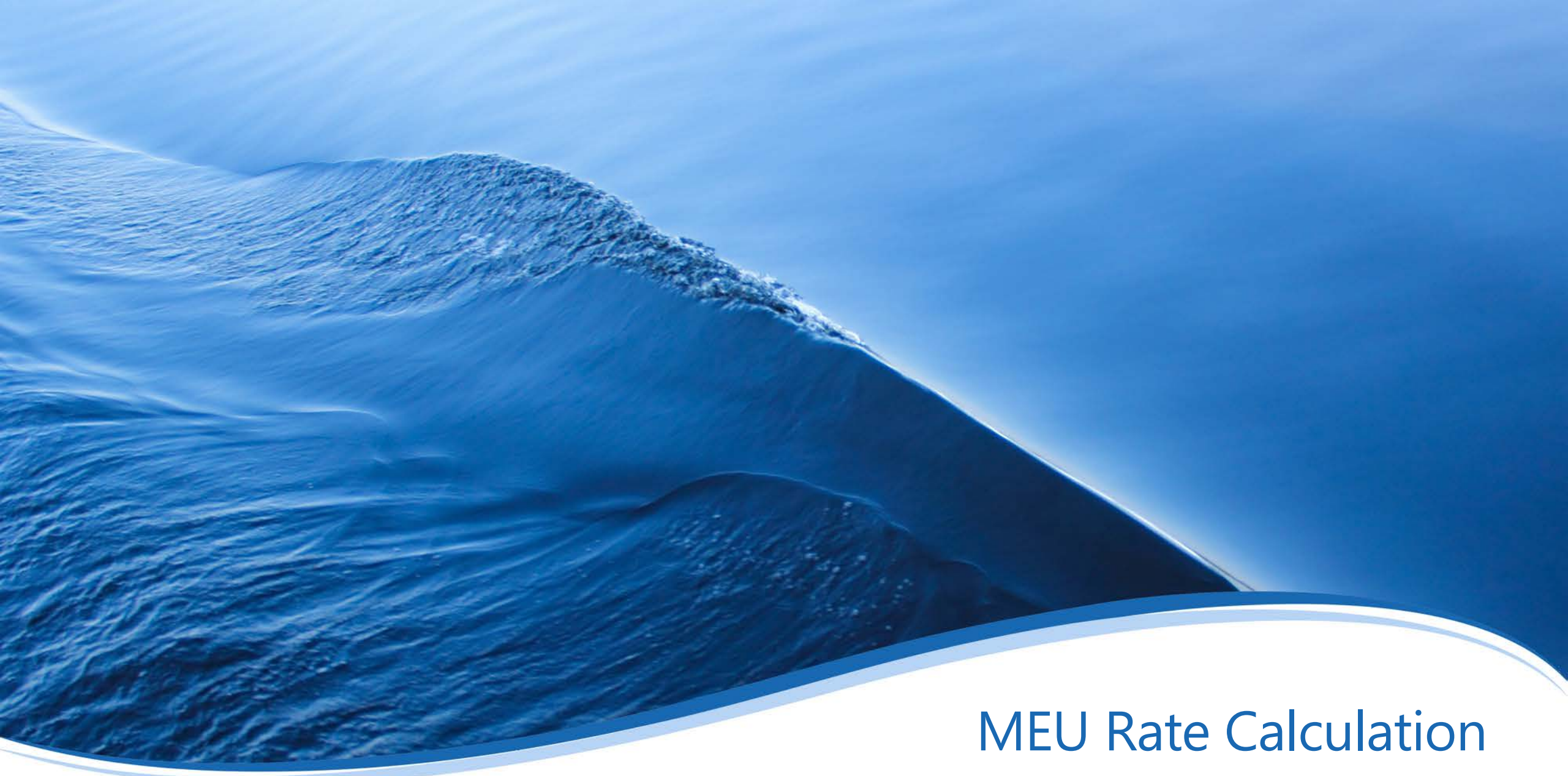


RTS Pass-Through Outlook

RTS Outlook: MWD expects the RTS to increase by up to 30% over the next five years

- Average annual increase of approximately 5.4%





MEU Rate Calculation

MEU Rate Assumptions

Customer Growth

- Customer growth of 0.9% per year

Water Use Efficiency

- \$1.6 million per year regional conservation program budget
- ~\$900,000 supported by MEU net of grants/reimbursements

O&M Cost Projections

- Projected based on current costs and typical escalation factors

Financial Policies

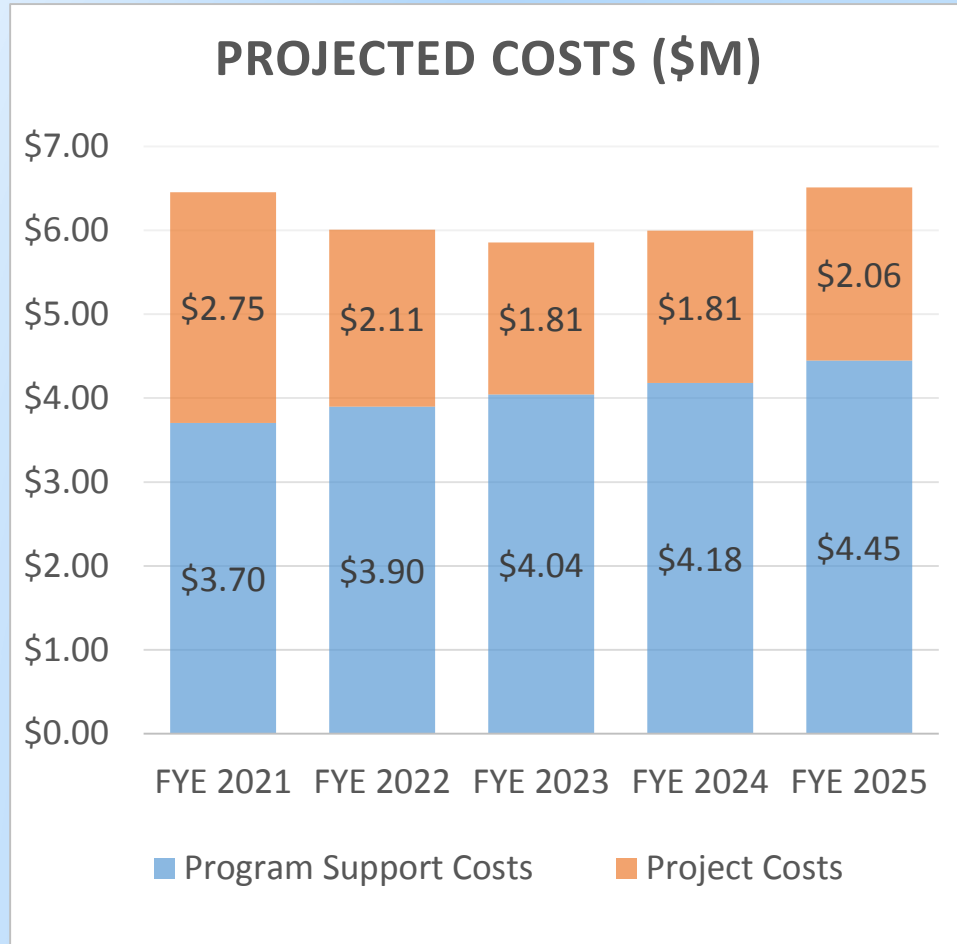
- Operating contingency reserve
- Minimum Level of 4 Months of O&M, Target of 6 Months of O&M

User Rates: Need to collect all annual revenue requirements less offsetting revenues



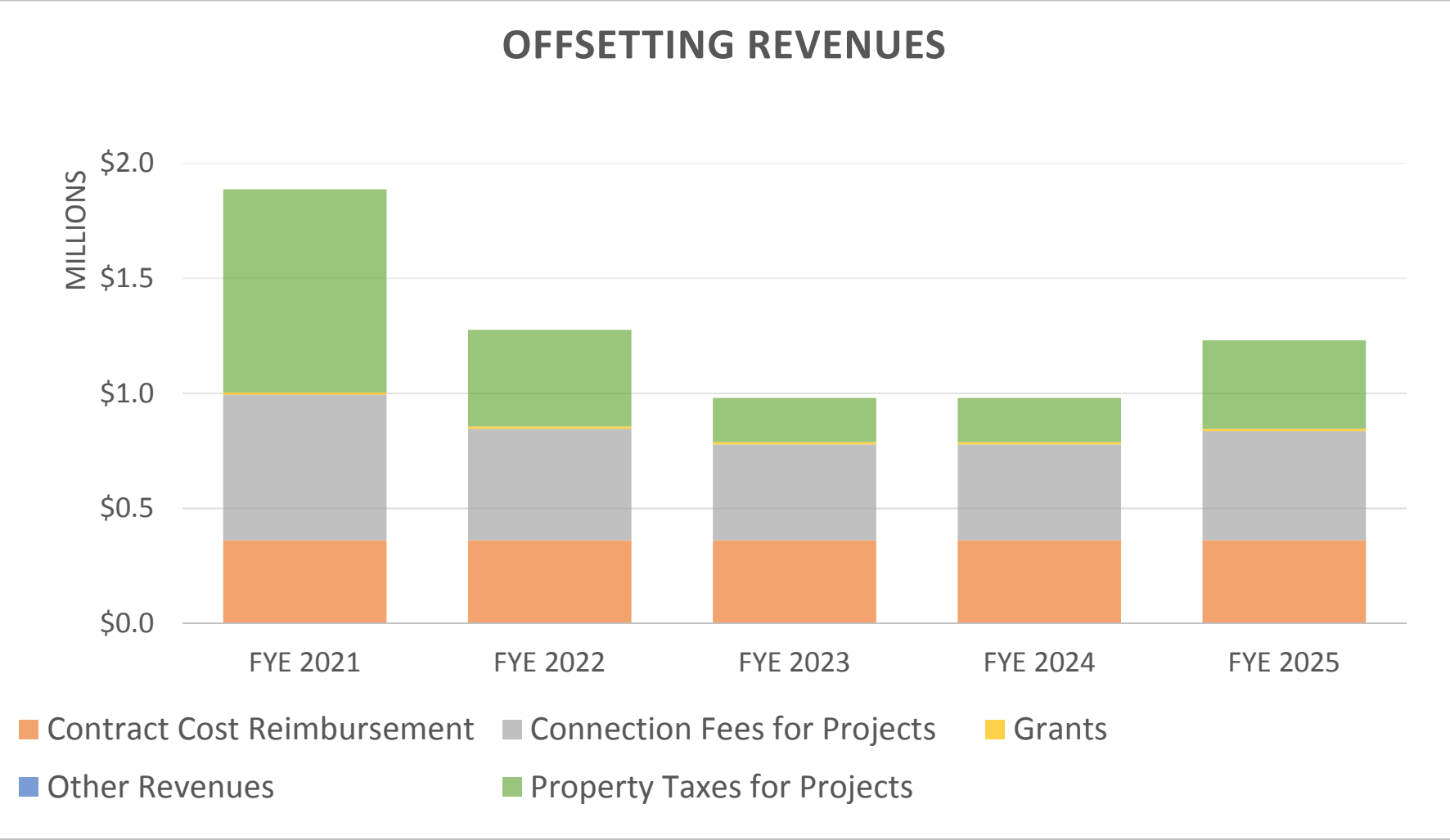
The monthly MEU rate does not currently support capital projects

Total Projected Program Costs: O&M projected from current level using escalation factors

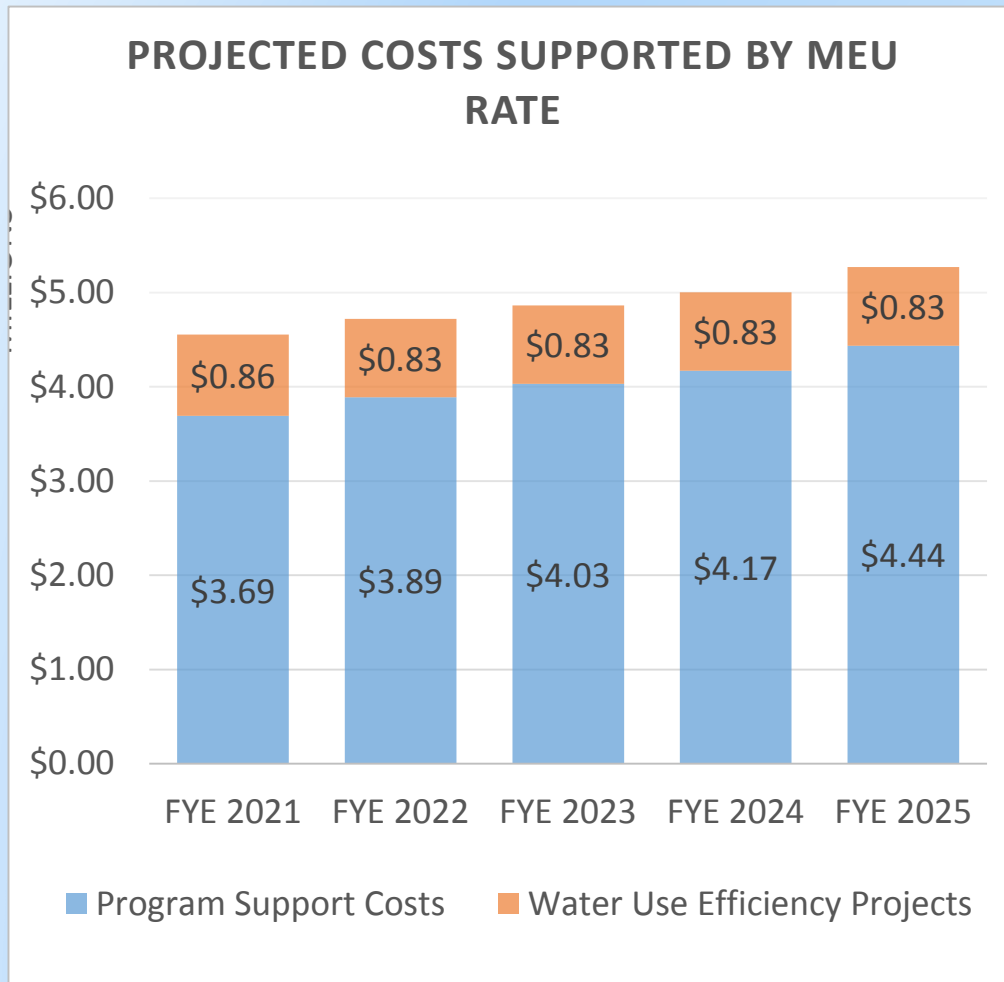


- Program Support Costs
 - Employment
 - Water resource planning
- Project Costs
 - Water Use Efficiency Projects
 - Other Non-capital Project Costs

Offsetting Revenues: Offset the amount to be collected through monthly MEU rates.



Costs Supported By MEU Rate: Total Costs Net of Offsetting Revenues

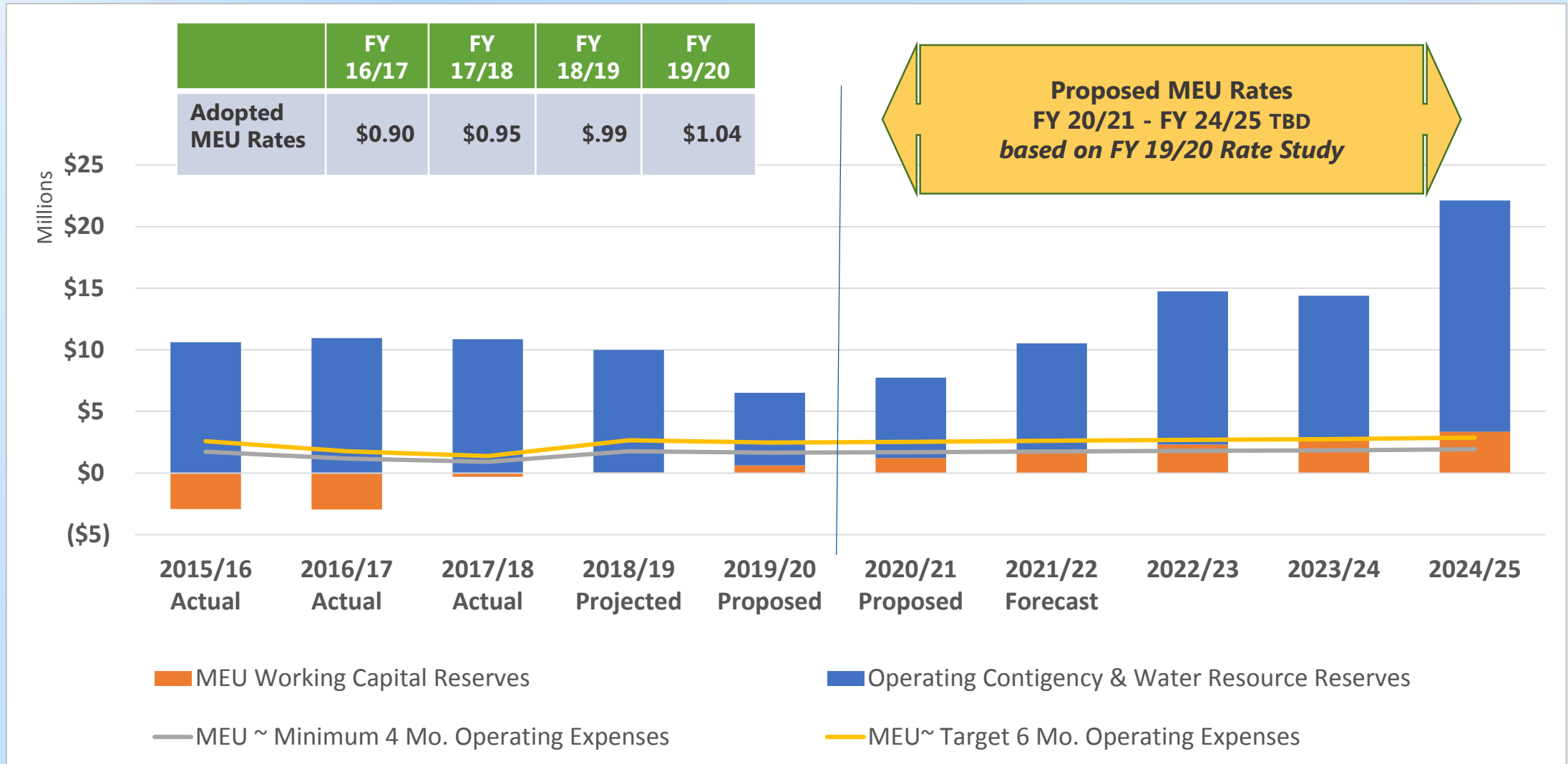


- Program Support Costs
 - Employment
 - Water resource planning
- Water Use Efficiency Projects, net of offsetting revenues
 - Align with 2015 Integrated Water Resources Plan (IRP) and 2016 Water Use Efficiency Business Plan
 - Fully vetted through the Water Use Efficiency Workgroup

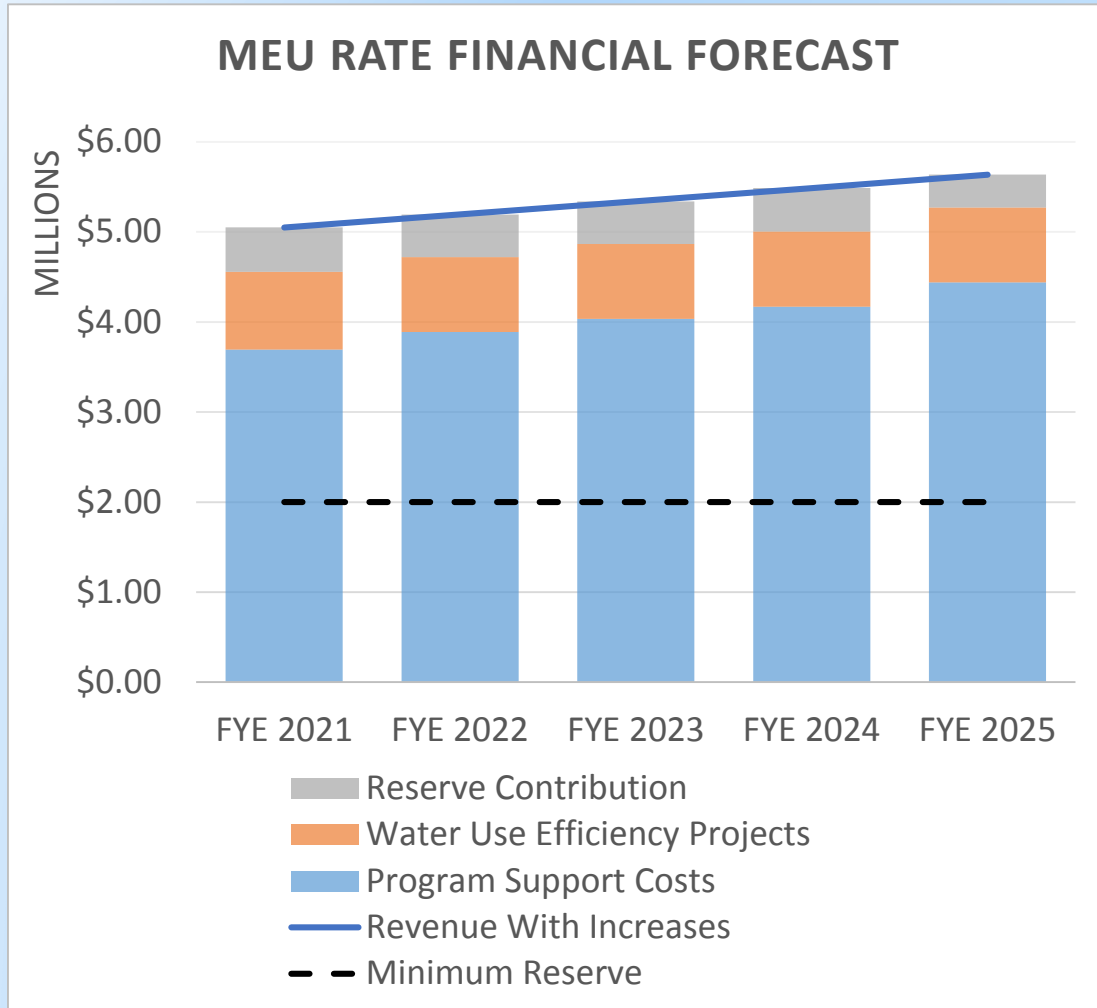
Reserve Requirements: IEUA's Reserve Policy sets reserve targets and minimums for the Water Resources Fund

- Funded primarily with property taxes;
 - Capital Reserve – Support water resources capital projects
 - Supplemental Water Resource Reserve – Support purchases of supplemental water as needed
- **Funded with MEU Rate Revenues**
 - Operating Contingency Reserve – legally mandated
 - Minimum Level of: 4-months of program costs
 - Target Level: 6-months of program costs
- Reserve balances and target levels reviewed annually

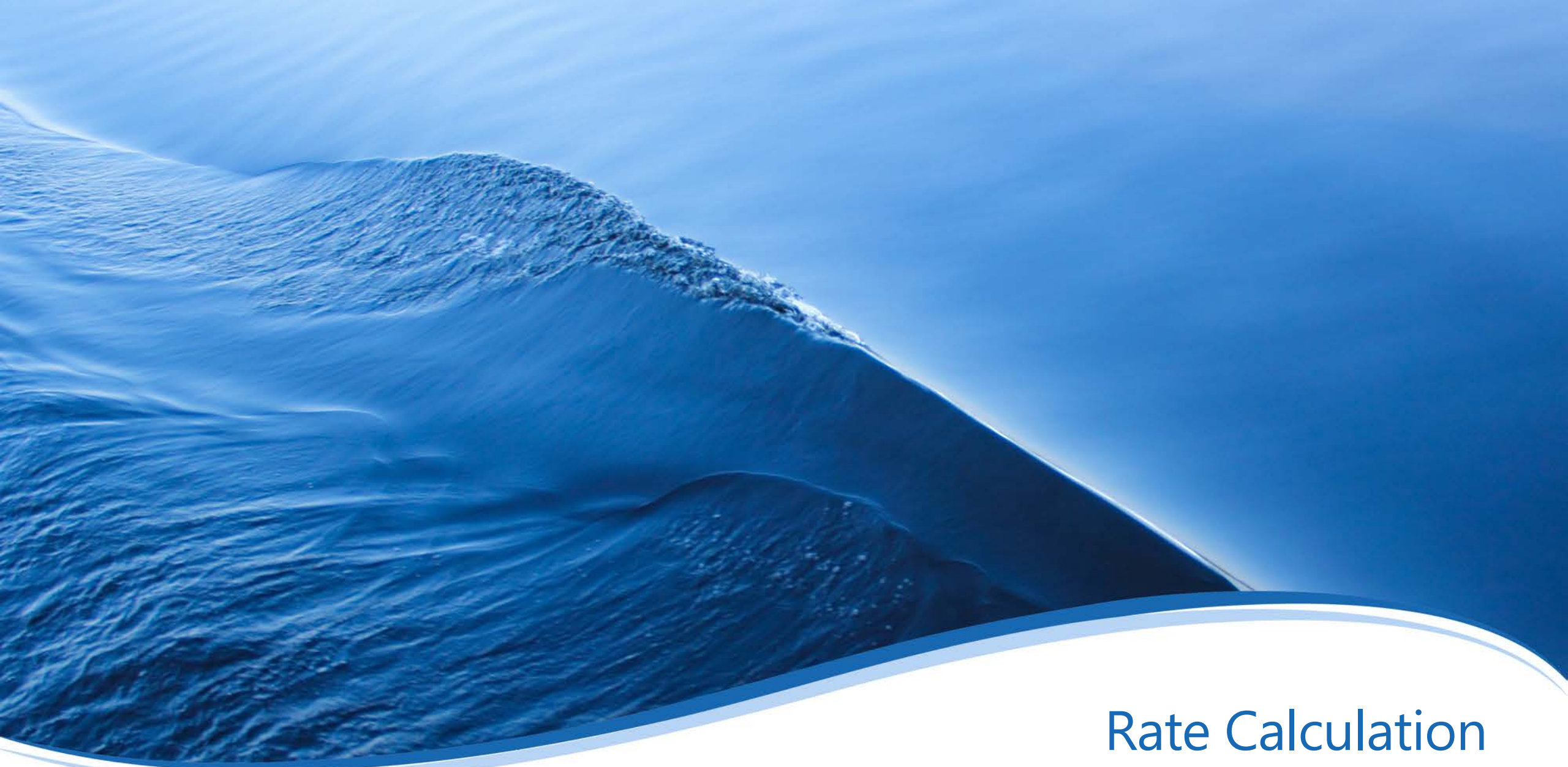
Fund Reserves



Financial Forecast: Based on the analysis, 2% rate revenue increases are needed in each year

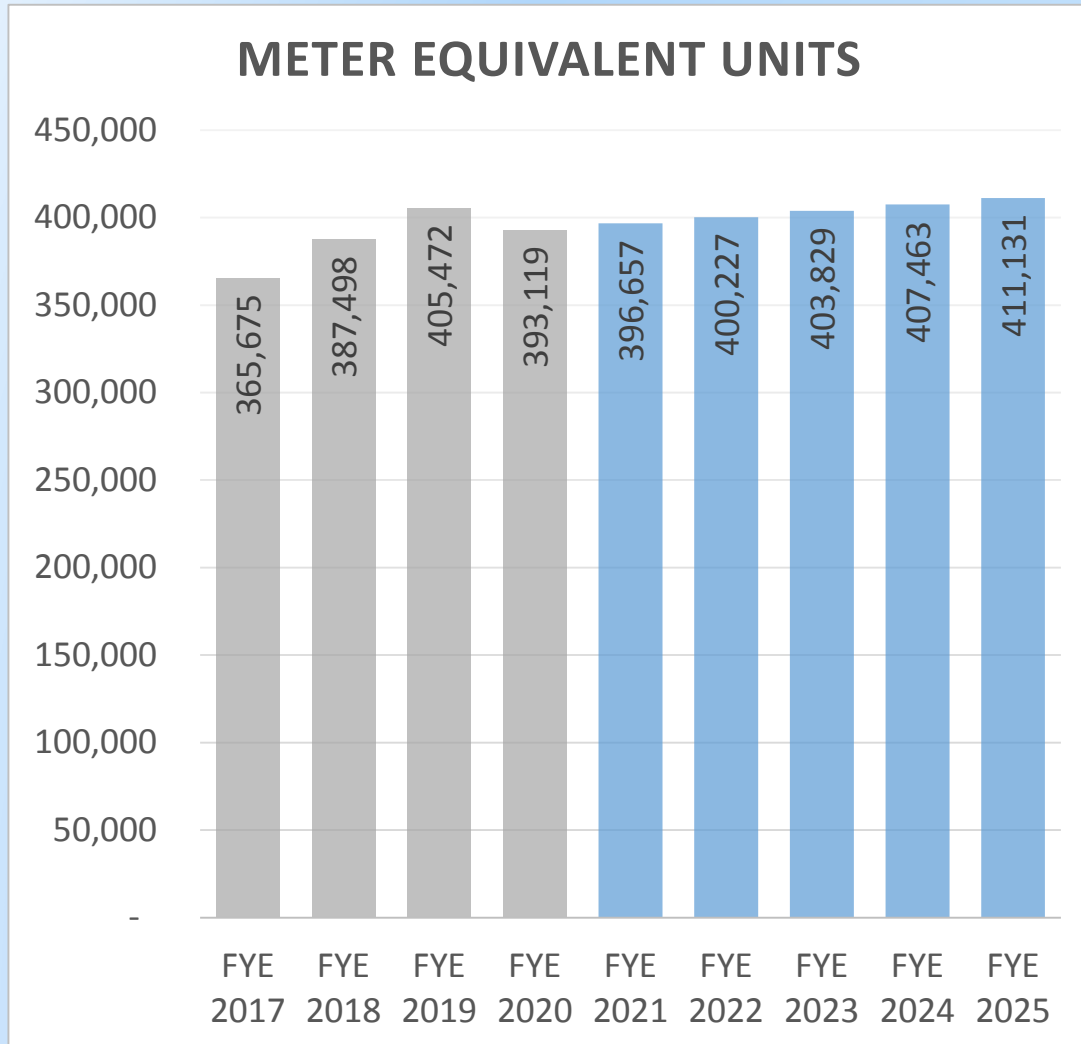


	FYE 2021	FYE 2025
Program Support Costs	\$4.85	\$4.95
Water Use Efficiency Projects	\$1.60	\$1.56
Reserve Contribution	\$0.49	\$0.37
Total Requirements	\$6.95	\$6.88
Less: Offsetting Revenues	(\$1.90)	(\$1.24)
MEU Rate Revenues to be Collected	\$5.05	\$5.64



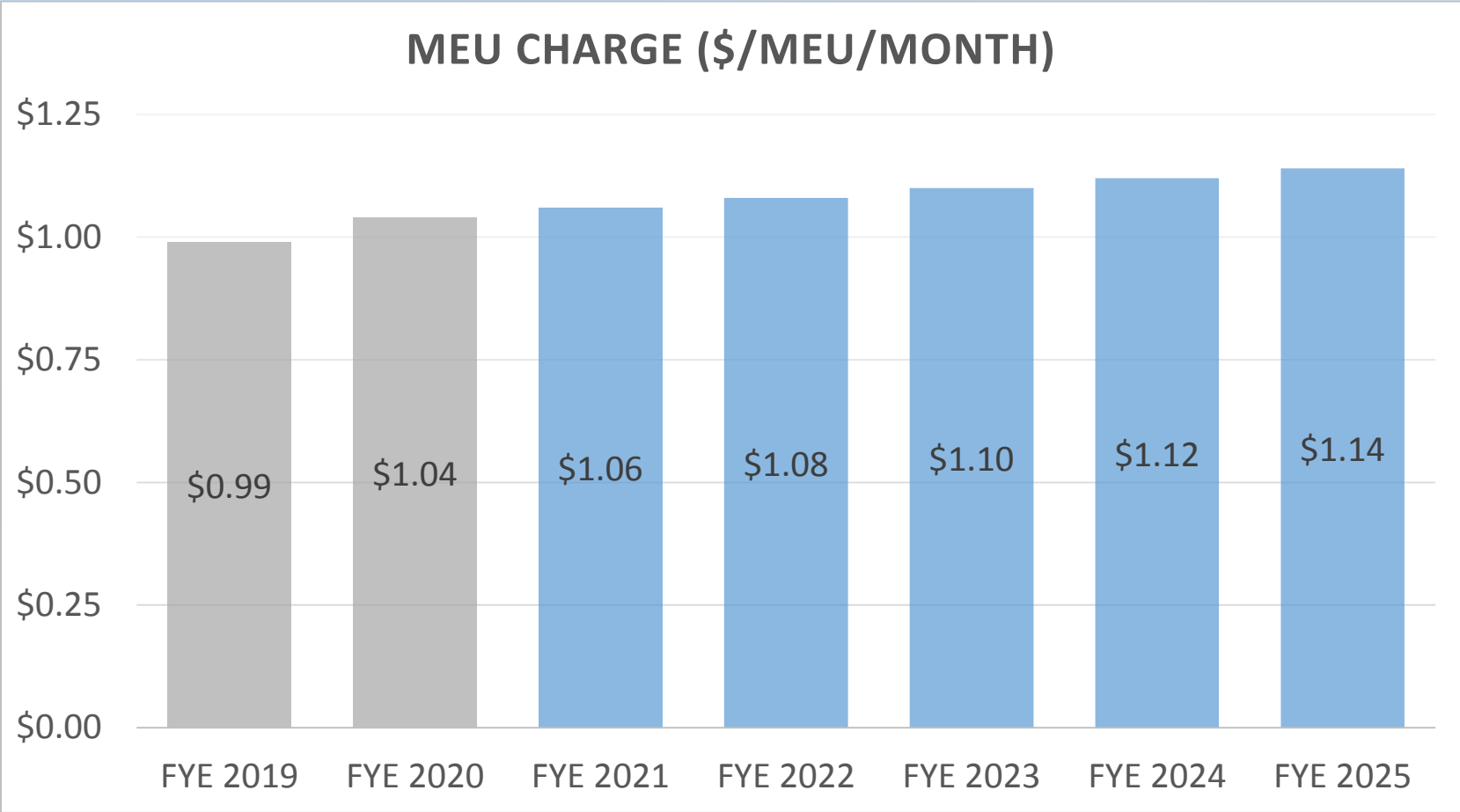
Rate Calculation

MEU Projection: Future MEUs are projected based on current MEUs and a 0.9% growth factor.



- MEU counts for monthly billing have fluctuated since the rate structure was established
- Future MEUs are projected based on the most recent survey completed for FY 2019/20 monthly billing
- Estimated drop of ~3% in 2020

Preliminary Calculated Rates: Rates are calculated by dividing the required rate revenue for each year by the corresponding number of MEUs





Next Steps

Next Steps:

- Continue to refine connection fee analyses and MEU Rate Analysis
- Develop analyses for other service rates
 - Wastewater Monthly EDU Rate
 - Recycled Water Volumetric Rates
 - Recharge Water Volumetric Rate
- Incorporate scenarios to assess the impact of the Chino Basin Program