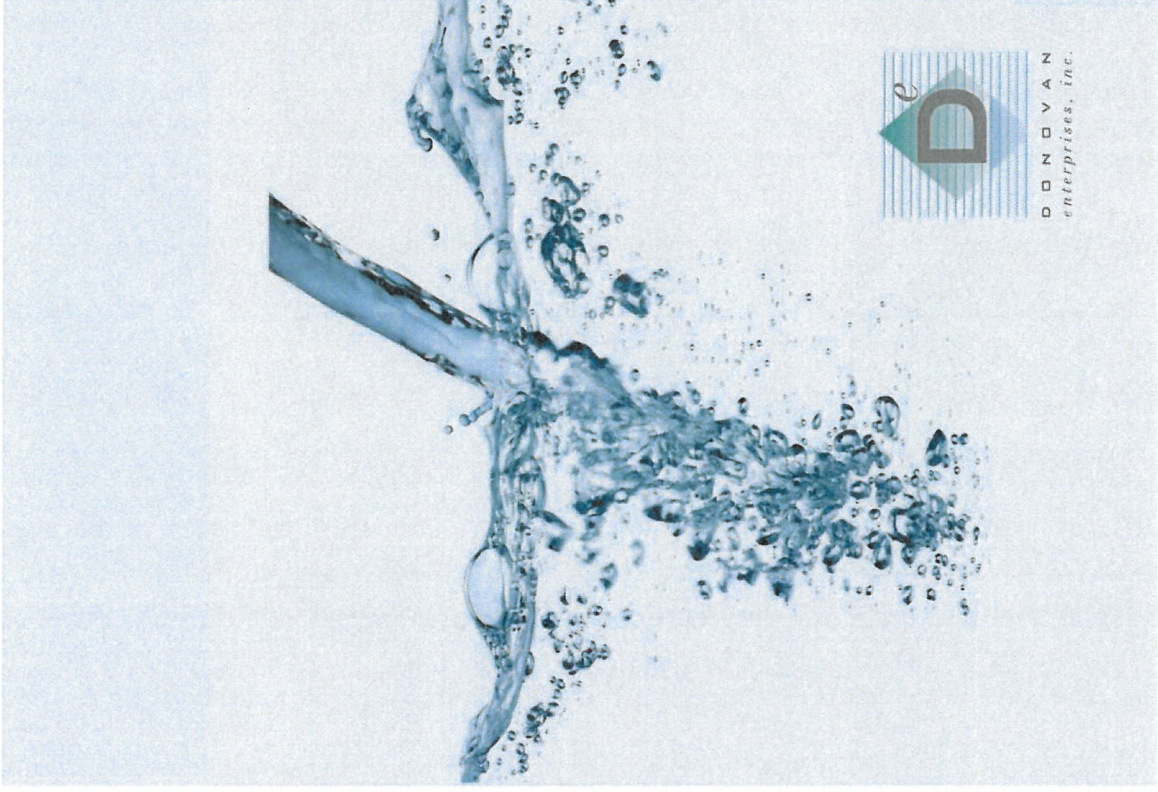


Water Rates Presentation

July 5, 2023

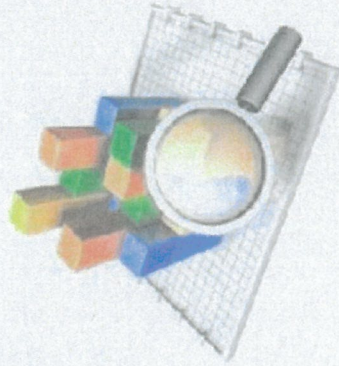


AGENDA

- ❖ Why we are here tonight
 - ✓ Financial trends in the water fund
 - ✓ Current financial status of the water fund
 - ✓ Neighboring communities' water rates
- ❖ Recommended actions
 - ✓ Phased water rate increases
 - ✓ Five-year financial projections
- ❖ Next steps



HISTORICAL COST TRENDS

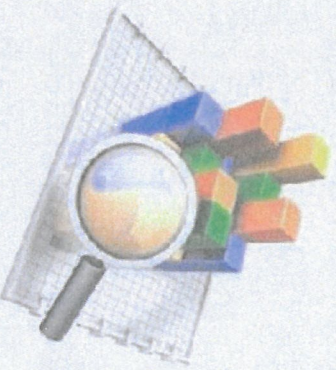


JULY 5, 2023

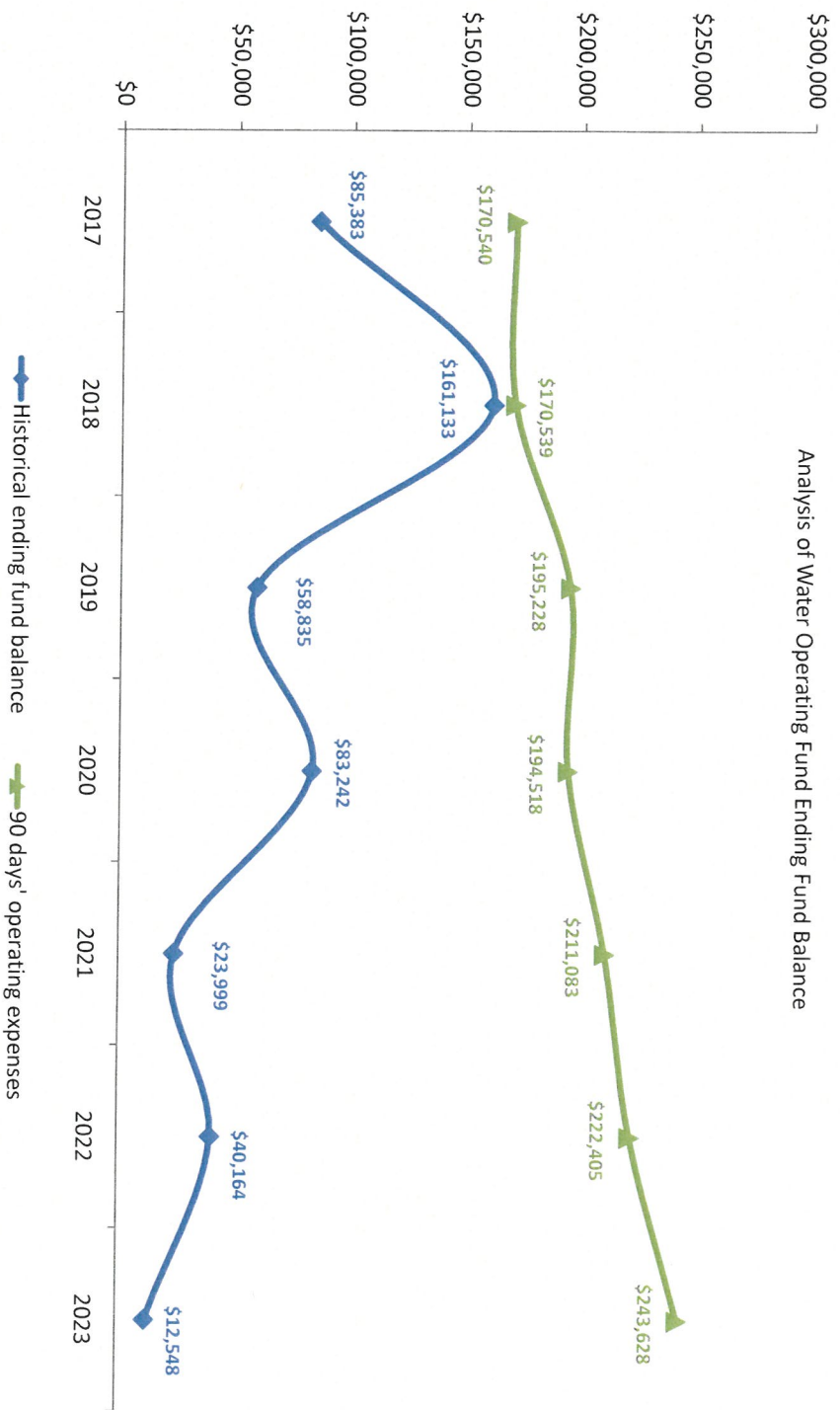
- **Fiscal 2017 to 2022 trends: Water Fund (30)**

- ✓ Personal Services (labor) costs have increased by an average rate of 7.47% per year; approximately \$20k per year.
- ✓ Materials and Services costs have increased by an average rate of 5.8% per year; approximately \$28k per year. Purchased water costs have increased by an average of 6.61% per year.
- ✓ The City spends about \$40k per year on ongoing capital improvements (meter replacements, water billing program, field equipment).
- ✓ No rate increases since 2013.

HISTORICAL COST TRENDS



JULY 5, 2023



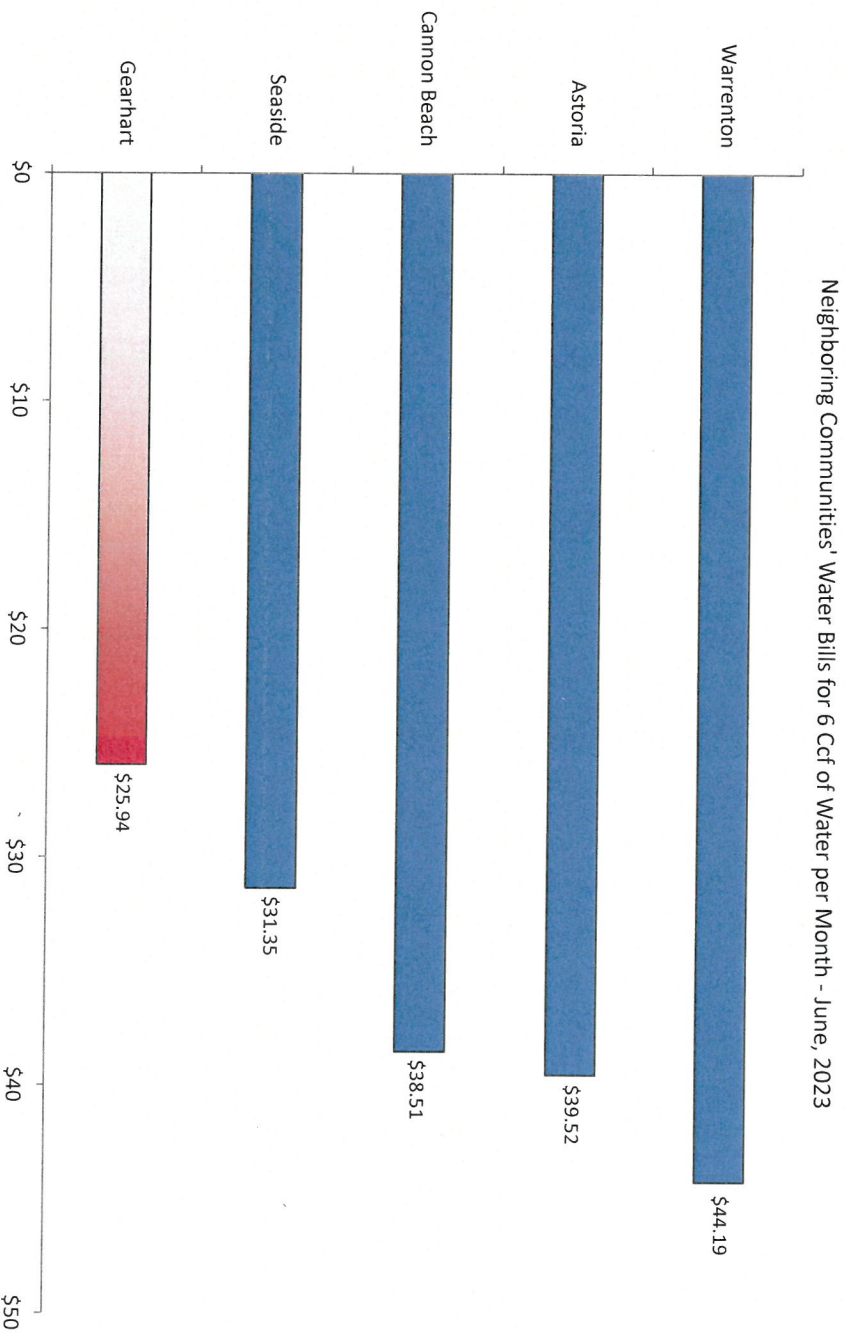


- We are estimating the water fund will end this fiscal year with \$12k in cash. Without a cash infusion or rate immediate increases the fund will go negative in a matter of months based on historical trends.
- In order to inject this fund with liquidity, the Council authorized a transfer of \$341k from the water reserve fund effective on July 1, 2023. Money reserved for future capital improvements will be used to pay operating expenses.
- We are estimating the water reserve fund will end this fiscal year with a cash balance of \$1.3 million. After the July 1st transfer to the water fund, this balance will drop to ~\$950k.
- To be sustainable, the water utility needs phased rate increases.

NEIGHBORING COMMUNITIES' WATER RATES



JULY 5, 2023



RECOMMENDED ACTIONS



JULY 11, 2023

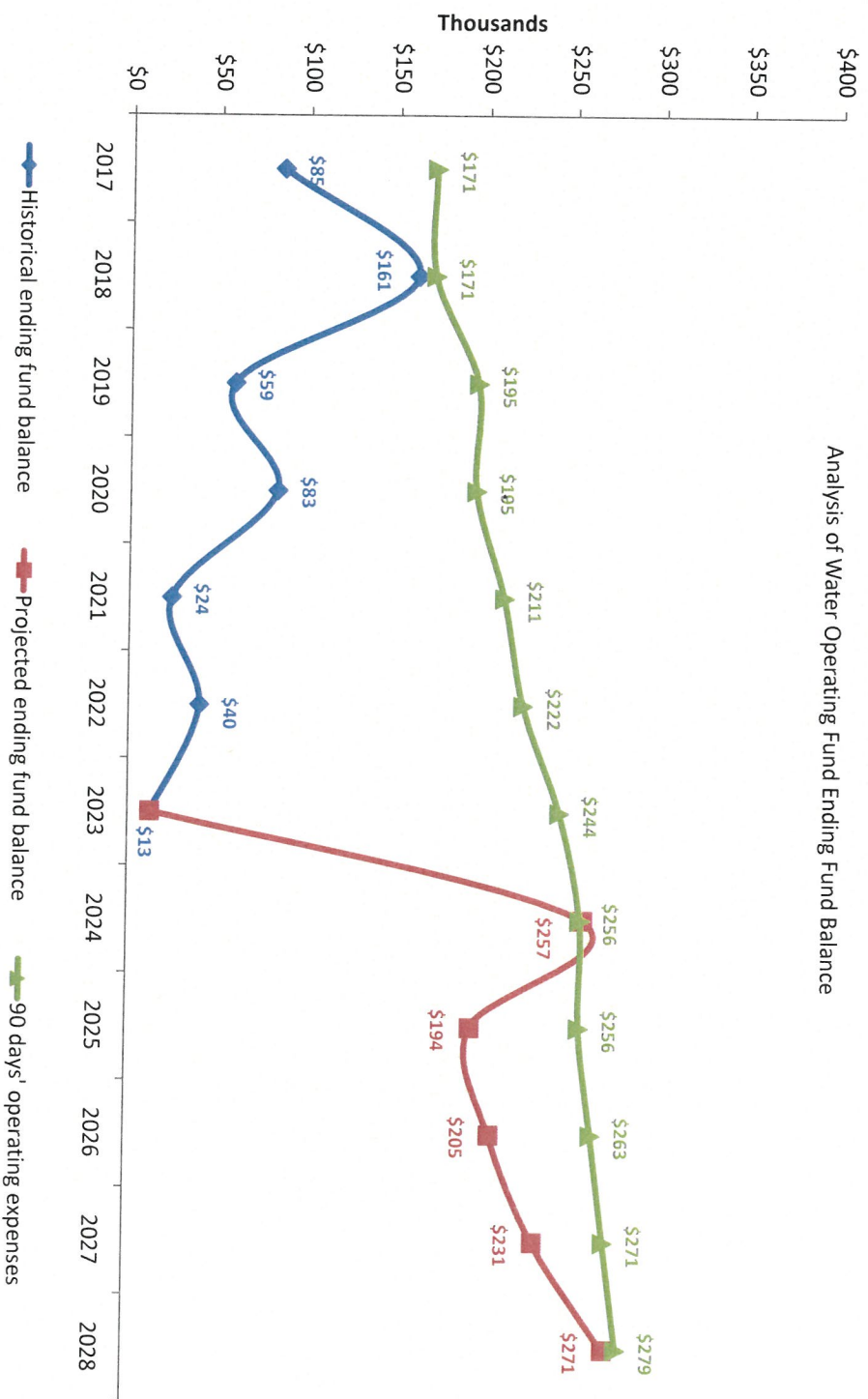
Issue/Policy Action	Recommendation
<ul style="list-style-type: none"> Rates 	<ul style="list-style-type: none"> January 1, 2024 – 10% January 1, 2025 – 10% Every January 1 thereafter – 4%
<ul style="list-style-type: none"> Transfers to the Water Reserve Fund 	<ul style="list-style-type: none"> \$40,000 per year starting in Fiscal 2024-2025
<ul style="list-style-type: none"> Transfers to the Public Works Equipment Reserve Fund 	<ul style="list-style-type: none"> \$20,000 per year starting in Fiscal 2024-2025
<ul style="list-style-type: none"> Assumed cost increases in the Water Fund 	<ul style="list-style-type: none"> For fiscal 2023-2024 – 5% labor and M&S For the forecast - ~5% per year for labor and benefits; ~3% per year for materials and services
<ul style="list-style-type: none"> Ending fund balance in the Water Fund 	<ul style="list-style-type: none"> Work toward 90 days of operating expenses by the end of the five-year forecast
<ul style="list-style-type: none"> Ending fund balance in the Water Reserve Fund 	<ul style="list-style-type: none"> Work toward replenishing the \$341k transferred out on July 1, 2023

FIVE YEAR PROJECTIONS



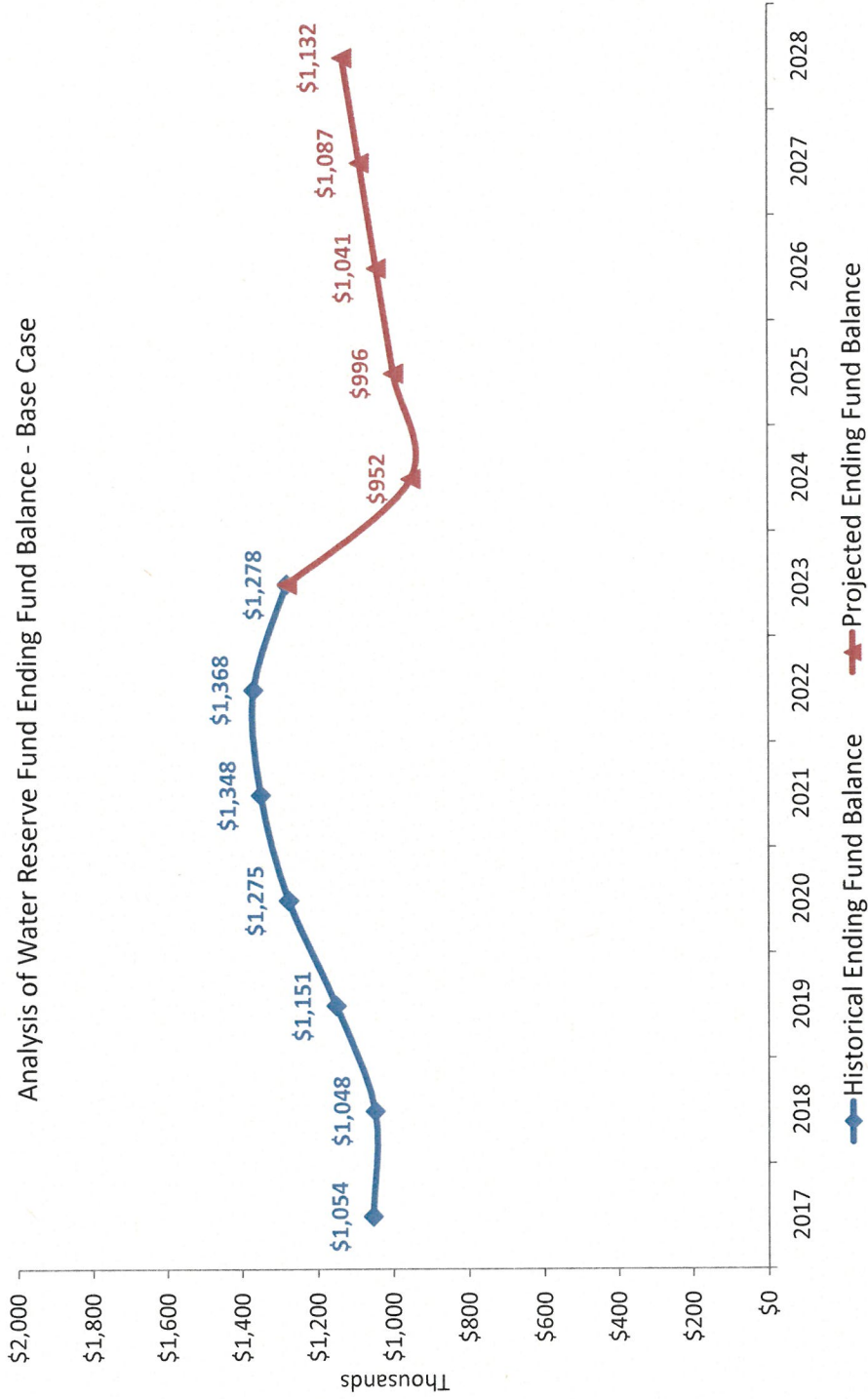
JULY 5, 2023

Analysis of Water Operating Fund Ending Fund Balance



GEARHART CITY COUNCIL PRESENTATION

FIVE YEAR PROJECTIONS



DISCUSSION

