

Water Questions of the Week

We are taking notice of the questions submitted regarding the current water and sewer rate study. With each City E-Blast, two or three water related questions and answers are presented. The questions are selected from the questions we have received at the various community meetings, at City Council meetings, and from your phone calls. These questions and answers are also posted to the City's Facebook page and website.

This week's questions are:

When the City discusses the Water and Sewer finances, they always refer to the "Water Utility" and the "Sewer Utility," or the "Water Enterprise" and the "Sewer Enterprise," isn't the water and sewer department part of the City's Public Works Department?

The City's Public Works Department has a number of divisions. The divisions include: Streets, Facilities, Water and Sewer. The term "utility" or "Enterprise" is used for the Water and Sewer activities because these divisions are operated "like a business." This means that each of these activities generates its own revenues; and the revenues and expenses are accounted for separately from all other city funds.

The Water Fund is a stand-alone fund whose revenue is generated from the collection of fees from Water customers. The revenues collected remain with the Water fund and may only be expended to provide Water services to its customers. Similarly, the Sewer Fund is also a stand-alone fund.

It should also be noted that the City's financial statements are reported in conformity with generally accepted accounting principles (GAAP). The City is required to segregate the financial operations into legally separated funds within the accounting software and these funds are reported separately in the financial statements. The City is audited each fiscal year, and because the Water and Sewer Enterprises are a few of the City's largest activities, these funds are subject to additional auditing and testing, to ensure GAAP conformance.

What is the water department's bond indebtedness? What were the bond funds used for? Does the water fund have any other debt?

The Water Utility has two bonds, and one interest-free loan. As of June 30, 2012, the balances were:

Water Revenue Bonds (1998 Series), outstanding balance of \$2,635,000

Water Revenue Bonds (2003 Series), outstanding balance of \$6,750,000

San Gabriel Valley Water District 10-year interest free loan, outstanding balance \$1,165,500

Bond financing is used for primarily two reasons; first when projects are too large financially, and adequate reserves or revenues are not available, and secondly to allow for a large project to be paid for over the project's useful life.

Between 2002 and 2013, more than \$22,000,000 was invested into the City's Water infrastructure. The source of the funding included, water fund reserves, Federal grants, bond funds and the interest-free

loan from the San Gabriel Valley Water District. The major capital infrastructure projects are shown below.

Project	Cost
Arcadia Interconnection	\$101,000
Alta Vista & Sturtevant Main	\$644,000
Mira Monte Reservoir & Pumping Facility	\$10,840,000
Grove Reservoir	\$4,890,000
GAC Treatment Facility	\$3,675,000
Well Repairs/ Wells # 6,5,3,4	\$1,988,000
	\$22,138,000

For additional information about the current Water and Sewer Fee Study, please go to the City's website and click on "Public Works" then go to "Water".

<http://www.cityofsierramadre.com>

You may also call City Hall at (626) 355-7135 during regular business hours, 11 am to 5:30 pm on Monday to Thursday. Please ask for the Public Works Director, Finance Director or City Manager.