

PRESS RELEASE: October 28, 2011

Carmichael Water District

FOR IMMEDIATE RELEASE

Subject: Revenue Down for Carmichael Water District

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Water utilities are feeling the effects of revenue shortfalls. Communities are using less water which has translated to lower than average water sales. Factors that contribute to the decrease in revenue are cooler weather conditions, the economic downturn, and meter installation to meet the State mandated Water Conservation Act.

Carmichael Water District (CWD) is not immune to these conditions. The District has reviewed the current water usage and rate structure and determined that there is a significant revenue shortfall. Over the past two years, the District has been using reserve funds to cover the revenue shortfall from the lower water usage. Most metered customers have been experiencing lower water bills than the District had planned.

During the District's rate study, rates were analyzed and assumptions took in to account anticipated fluctuations along with the new requirement of the State of California's 2009 Water Conservation Act calling for the reduction of water production by 20% by the year 2020. For Fiscal year 2011-2012 the District rate study planned for water production to drop to about 15% of the historic average. The past 12 months actual water production figures are 25% lower than historical average and 5% lower than the State of California's 2009 Water Conservation Act.

Budget Reduction - How has the District cut costs?

CWD acted to reduce expenses significantly based on projected shortfalls. The cuts are:

- Refinanced \$28,550,000 in bonds in March 2010, resulting in substantially lower interest rates and interest payments while maintaining the same maturity schedule.
- Applied for and received grants worth \$1,000,000 to help finance a water reliability project (water treatment plant expansion) and to accelerate the meter program.
- Reduced operating costs in March 2011, while preparing the FY 2011-12 adopted budget.
- Restructured the departments to maximize efficiency, resulting in elimination of 1 position and layoff of 1 employee.
- Deferred capital improvement projects and extended the completion schedule of the meter installation program eliminating 3 operator positions.
- Revised the FY 2011-12 budget with additional budget cuts to total \$972,245.

Typical of all water utilities, 80% of CWD's costs to provide water service to our customers are fixed costs with only power, chemicals, and a portion of labor costs being variable. When water consumption goes up, revenues go up, but when consumption falls, so do revenues. Even with severe budget cuts, an 18% increase in revenue is necessary in order to safely operate and maintain the District's water system.