Water Rate, Cost and Financial Analysis

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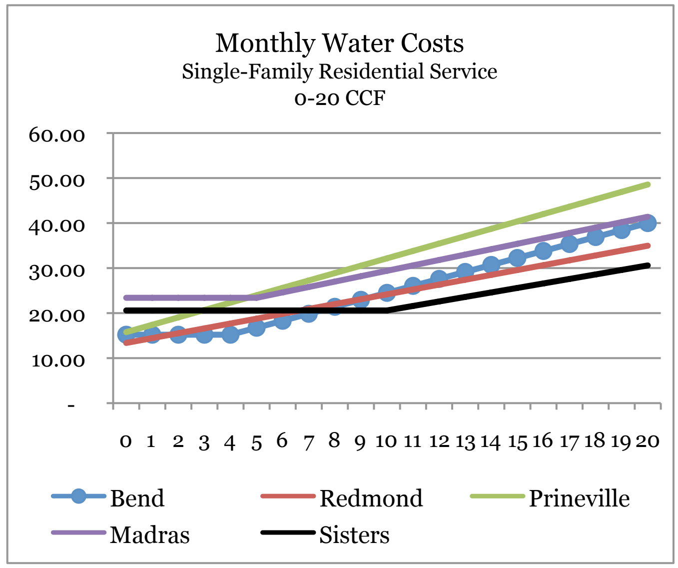
City Manager

Eric King



Highlights

The City of Bend's water rates are the lowest for normal domestic consumption in the region and its water fund is financially stable. Key water fund financial ratios:

Liquidity

- Days cash greater than one year,
- Quick ratio twice minimum;

Operational

- Debt coverage ratio of nearly 15, and
- Debt to equity ratio of 0.1.

Water Rates and Costs

Bend's water rate structure provides the lowest water costs in the region for single-family residential customers for water consumption between 3 CCF and 7 CCF per month (1 CCF is one hundred cubic feet of water which equals 748 gallons). This range of consumption is the typical non-irrigation consumption for a vast majority of single-family residences.

Bend's base rate of $15.20 is the second lowest in the region and includes 4 CCF of water. Two other utilities, Sisters (10 CCF) and Madras (5 CCF) include some consumption with their base rate.

Bend's consumption rate of $1.55 per CCF is the second highest in the region and above the average of $1.29 (120%).

When consumption exceeds 24 CCF per month, Bend's cost for water is the second highest in the region.

Financial Analysis

Financial ratios of the City of Bend are presented with comparisons with twenty other Oregon municipalities.

Liquidity Ratios

Days cash – measures the number of days cash on hand. There are no established benchmarks, however, utilities with AA- and above bond ratings often maintain over one year's worth of days cash on hand.

Bend has 404 days cash on hand, the average is 356, with a high of 822 days and low of 8 days.

Quick ratio – measures short-term liquidity, i.e., the ability to pay current bills. The industry accepted minimum benchmark for this ratio is 2.0.

Bend has a quick ratio of 4.08, the average is 6.03, with a high of 53.36, and a low of .56.

Operational Ratios

Cost recovery – Operating ratio including depreciation – indicates whether operating revenues are sufficient to pay day-to-day operating expenses and capital recovery (depreciation). A ratio of less than 1.0 is an early indicator of cause for financial concern. Generally, a ratio greater than 1.0 is appropriate to adequately fund future capital investment.

Bend's cost recovery ratio of 1.11 is below the average of 1.25. The high ratio in the group is 2.97 and the low is .88.

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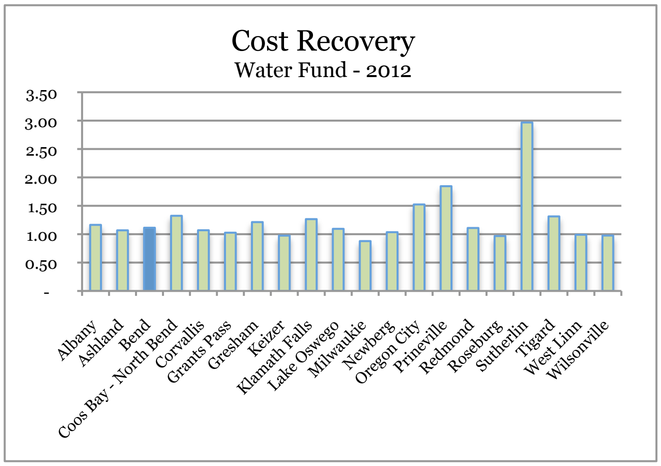

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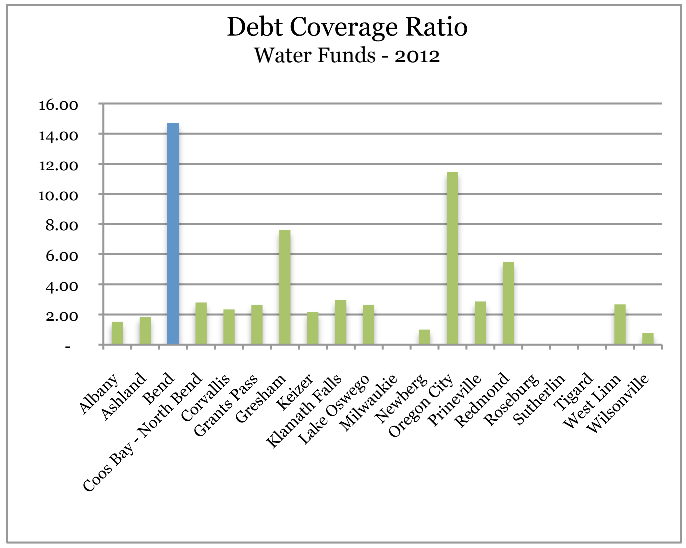
Debt Related Ratios

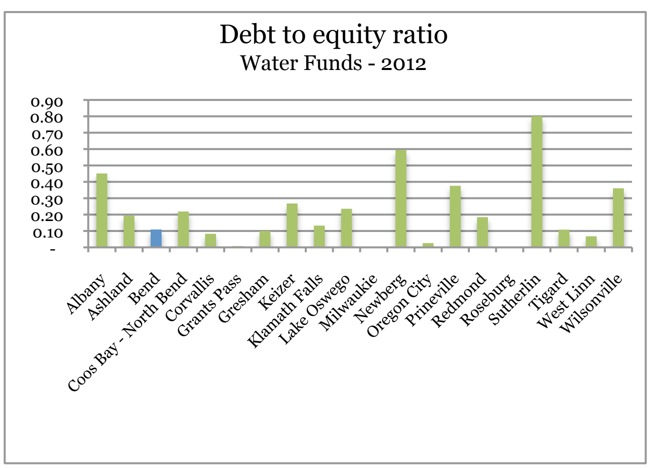
Debt coverage ratio (DCR)– measures the ability to pay debt service using net operating revenue. A ratio of less than 1.0 indicates net revenue is insufficient to pay principal and interest due on existing long-term debt. A ratio of 1.25 is often the minimum DCR underwriters desire to issue debt in public markets.

Bend has a current DCR of 14.7. The average DCR is 4.1, with a high of 14.7, and low of 0.0.

Debt to equity ratio – measures the leveraging of assets, and is used by resource providers and bond rating agencies to evaluate the risk of additional debt. The ratio reflects the amount of long-term debt to net assets (fund equity). A ratio of greater than 1.0 indicates there is more outstanding debt than equity.

Bend has a debt to equity ratio of .1. The group average is .2, with a high of .8, and a minimum of 0.0.





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This report is intended to help inform policy makers. Policy makers are encouraged to use this information together with other analysis, such as financial, asset replacement, and operational analysis to inform their decisions.

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