

- Treatment Costs and Revenues Reconciliation

## Summary

---

Fiscal Year 2006/07 Treatment Surcharge revenues exceeded costs by \$165,000

## Attachments

---

None.

## Detailed Report

---

Consistent with the Board's direction in 2005, staff prepares an annual report that shows treatment costs and treatment surcharge revenues. This report provides the requested information about treatment costs and revenues for fiscal year 2006/07.

Metropolitan sold about 1.44 million acre-feet of treated water during 2006/07, generating about \$181.2 million in treatment surcharge revenue.

Total costs for providing treated water service were about \$181.1 million for 2006/07. This amount includes \$108.9 million in operating costs and \$90.9 million of capital financing costs allocated to the treatment function. Consistent with the cost of service method used to develop Metropolitan's rates and charges, revenue offsets of \$18.8 million have been allocated to the treated water costs, which serve to reduce the amount of revenue required from the treatment surcharge. The revenue offsets include \$13.1 million of property tax and annexation revenue, and \$5.7 million in interest income. Therefore, the total treatment surcharge revenue requirement is \$181.1 million. This information is summarized in table 1 below.

The treatment surcharge revenues exceeded treatment surcharge revenue requirement by \$165,000. It is expected that the 2007/08 costs of providing treated water service will also be fully recovered by the treatment surcharge, which will increase by \$10 per acre-foot on January 1, 2008.

Board Report (Treatment Costs and Revenues Reconciliation)

**Table 1. Fiscal Year 2006/07 Treatment Costs Reconciliation  
(Dollars in 000s)**

Direct Departmental O&M	101,178
Indirect O&M	7,791
Sub-total treatment O&M	108,969
<i>Capital Financing Costs</i>	
R&R and General Fund	25,365
Revenue bond debt service	51,267
GO bond debt service	13,070
Debt Administration	1,183
Sub-total capital financing costs	90,885
<b>Total Treatment Costs</b>	199,853
Property Tax & Annexations Revenue	(13,070)
Interest Income	(5,724)
Sub-total treatment surcharge revenue offsets	(18,793)
<b>Treatment Revenue Requirement</b>	181,060
<b>Treatment Surcharge Revenue</b>	181,225
Treatment Costs (Undercollection)/Overcollection	165