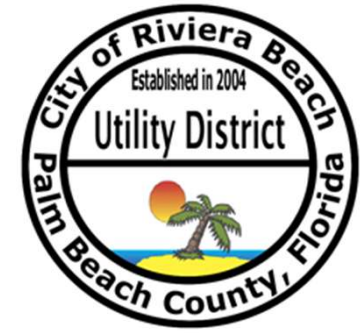


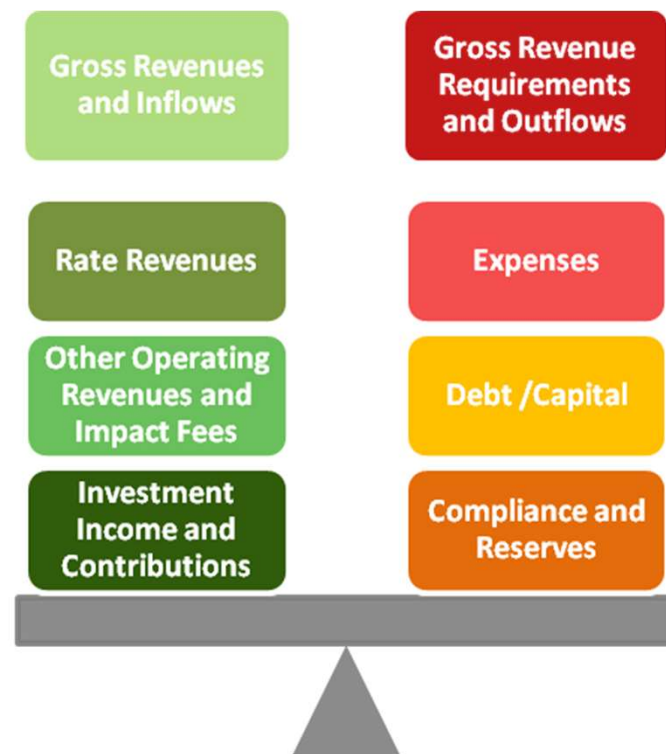
Fiscal Year 2020 Utility Revenue Sufficiency Study





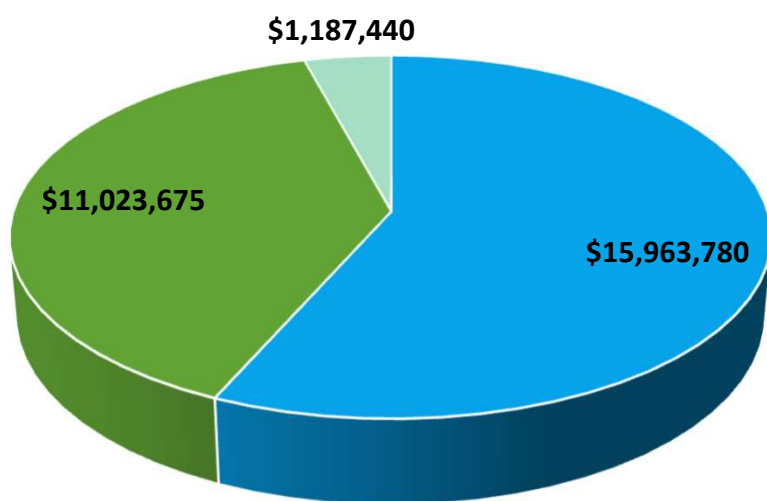
Summary of Study Purpose

- Objective: Develop Sustainable Rate and Financial Plan
- Evaluate the Sufficiency of Revenues
 - Review of Historical Trends in Revenues and Expenses
 - Forecast of Operating Expenses and Revenues
 - Summary of Capital Needs
 - Develop Capital Funding Plan
 - Identify Available Cash/Funding Resources
- Develop Financial Plan
 - Revenue Requirements (Funding Needs)
 - Bond Covenants
 - Financial Targets
 - Identify Rate Implementation Plan





System Attributes – Fiscal Year 2020 Revenues

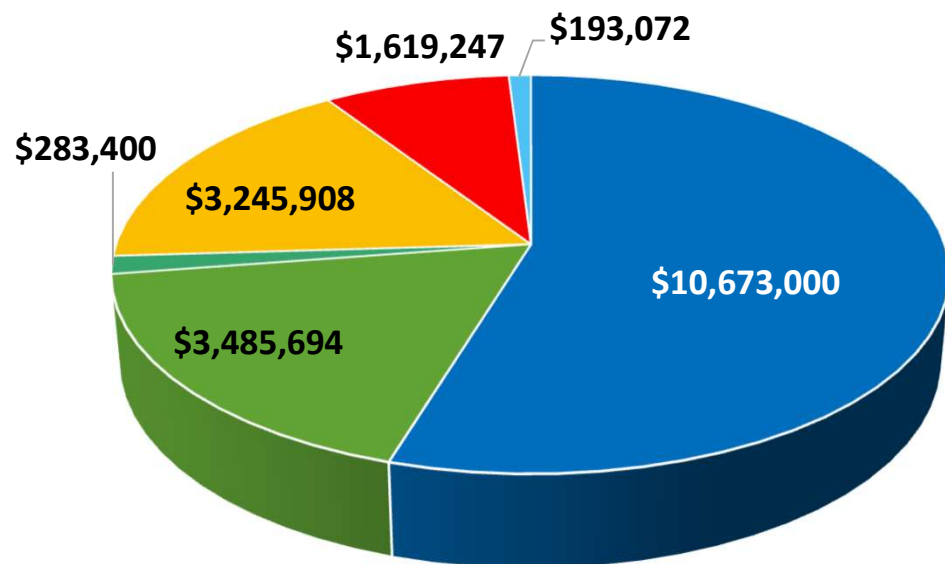


- Water Rate Revenues
- Sewer Rate Revenues
- Miscellaneous Fees and Interest Income

- Total Gross Revenues = \$28,174,895
- Rate Revenues = 96%
 - Water = 57% / Sewer = 39%
 - Single-Family = 34%, Multi-Family = 24%, Commercial = 27%, Irrigation = 15%
- Miscellaneous Fees and Interest = 4%
 - Miscellaneous Fees – Penalties, Connections, etc.
 - Interest Income



System Attributes – Fiscal Year 2020 Operating Expenses

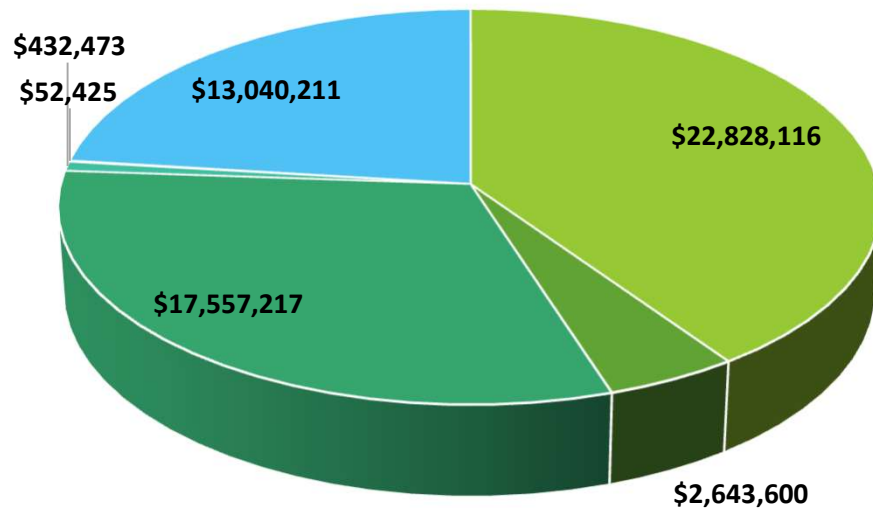


- Personnel Expenses
- ECR Payments
- Professional Services
- Other Operating Expenses
- Pilot
- Contingency

- Fiscal Year 2020 Operating Expenses = \$19,500,321
- Represents 72% of Rate Revenues
- Wastewater Treatment
 - ECRWRF = 18% of Total OpEx
 - District has Little Control Over Potential Increases
- PILOT = 6% of Total Revenues



System Attributes – Fund Balance – October 1, 2019



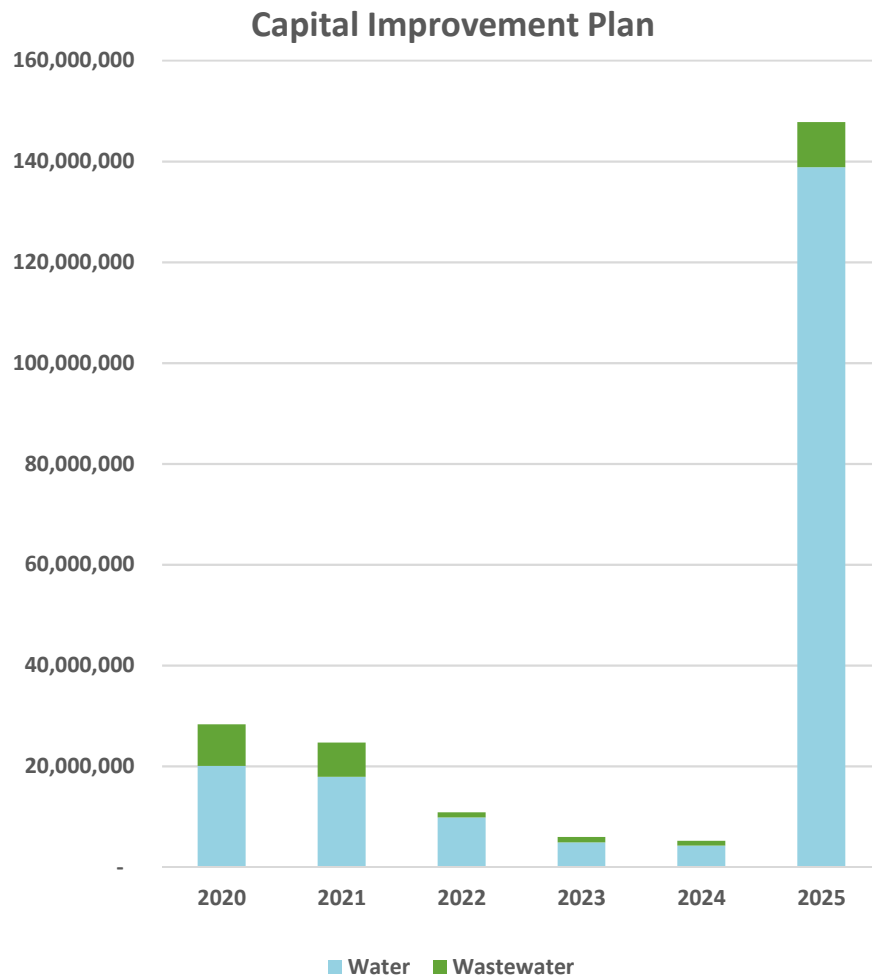
- Revenue Fund
- R&R Fund
- Debt Service Fund
- Customer Deposit Fund
- Impact Fee Fund
- Series 2016 Capital Fund

Overview of Fund Balance	
	Beginning of Fiscal Year 2020
Total Starting Fund Balances	\$77,959,188
Less Restricted / Claimed Funds:	
Customer Deposits	(\$2,643,600)
Impact Fees Funds	(\$432,473)
Series 2016 Bond Proceeds	(\$31,381,841)
Operating Reserves (180 of OpEx)	(\$9,521,383)
Capital Reserves (1 Year's Depreciation)	<u>(\$2,171,419)</u>
Total Restricted Funds:	(\$46,150,716)
Funds Available for Future Capital and Other Purposes:	\$31,808,473
Total CIP (Excluding 2016 Bond Projects)	\$152,797,037
Remaining CIP Required Funding	\$120,988,564

- Remaining CIP Funding
 - Annual Deposits to R&R Fund from Rates
 - Additional Bonds



System Attributes – Capital Improvement Plan

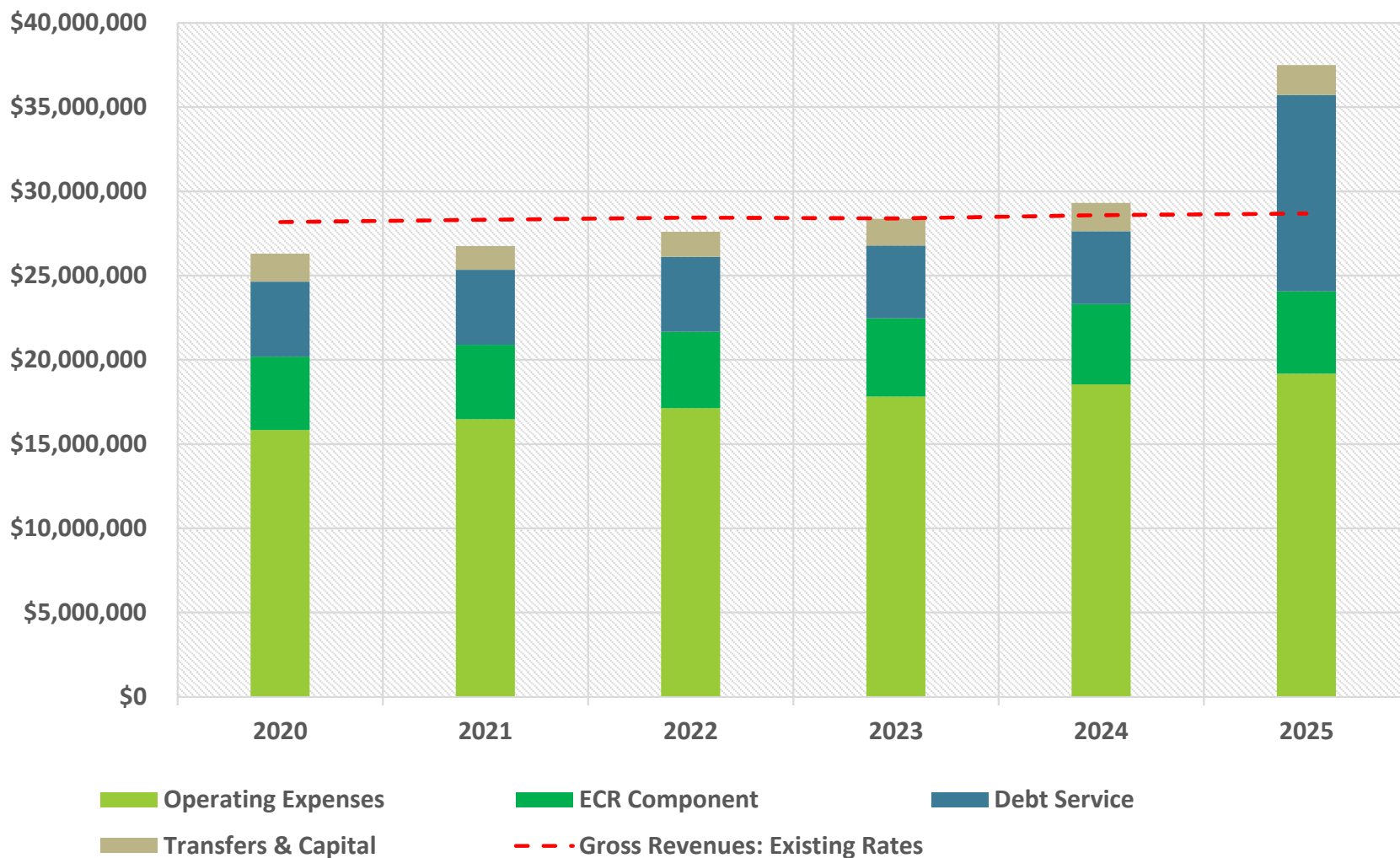


Identified Funding Sources	FY 2020-2025
Annual Rate Revenues	\$0
Revenue Fund (411)	0
Impact Fees	0
Renewal and Replacement Fund	41,797,037
Series 2016 Bond Proceeds	31,364,467
Series 2025 Bond Proceeds (Proposed)	<u>111,000,000</u>
Total Capital Funding Sources:	\$184,161,504

- New Water Treatment Plant
 - Originally Constructed In 1958 (60 Years Old)
 - Provides All Water to District Customers
 - Older Treatment Technology
- Series 2016 Bond Projects Previously Identified and Scheduled/Underway



Results – Revenue Requirements



- Revenue Requirements – Amount to be Funded from Annual Revenues



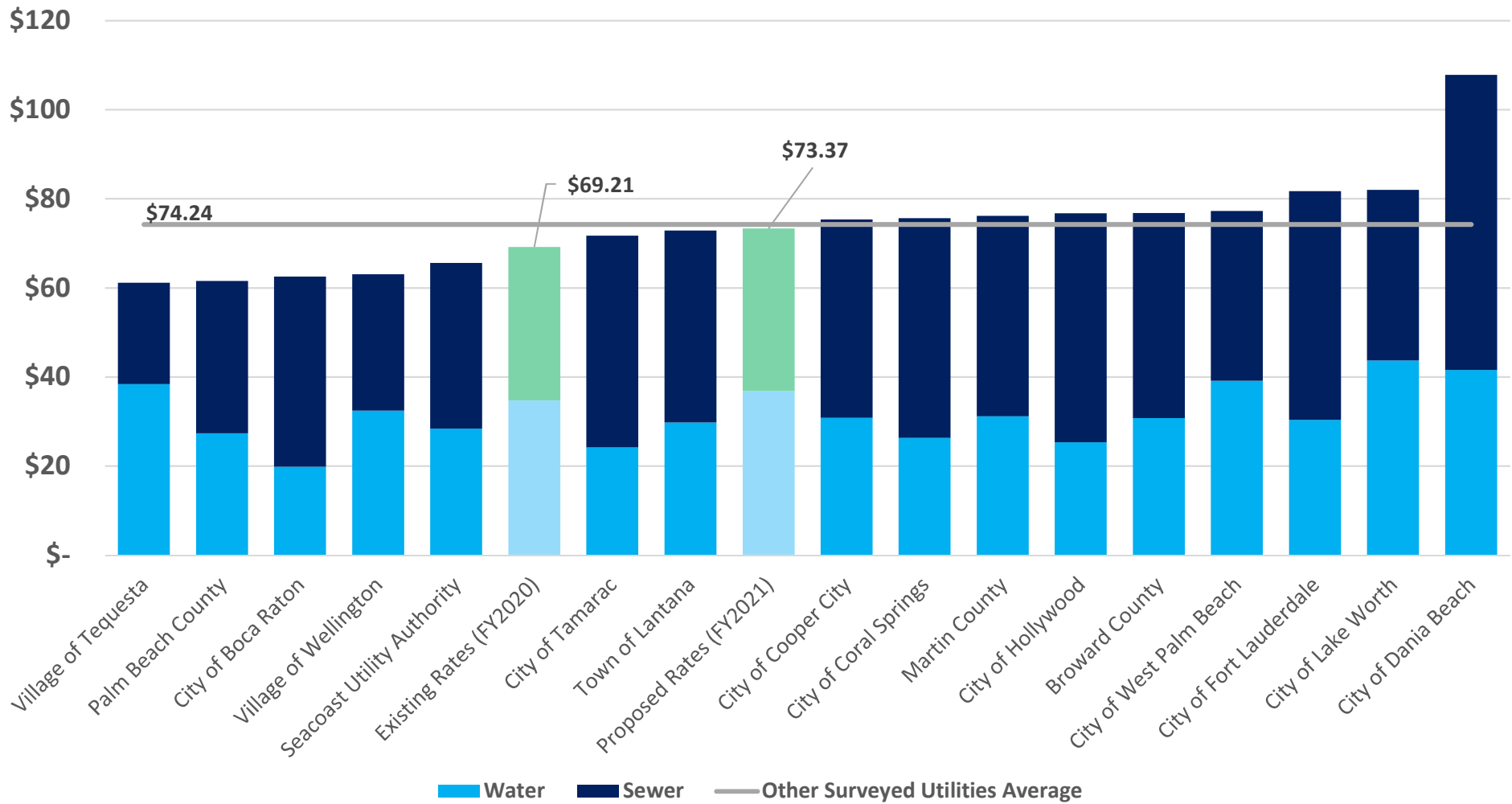
Results

- CIP Funding
 - Utilize Existing Cash and Projected R&R Fund Deposits
 - Issue Additional Bonds in 2025 to Fund Water Treatment Plant
- Rate Adjustment Recommendations
 - Inflationary Rate Indexing + 3% Additional Adjustments
 - Adopted Annual Inflationary Rate Indexing Provision Based on Water and Sewer Maintenance Index
 - Adopt Additional Adjustments for FY2021 – FY2025 in Anticipation of 2025 Bonds

Proposed Rate Adjustments for Financial Forecast					
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Rate Indexing (Estimated)	2.80%	2.80%	2.80%	2.80%	2.80%
Additional Adjustment	<u>3.20%</u>	<u>3.20%</u>	<u>3.20%</u>	<u>3.20%</u>	<u>3.20%</u>
Total Adjustment (Estimated)	6.00%	6.00%	6.00%	6.00%	6.00%
Increase to Monthly Bill @ 6,000	\$4.15	\$4.40	\$4.67	\$4.95	\$5.24

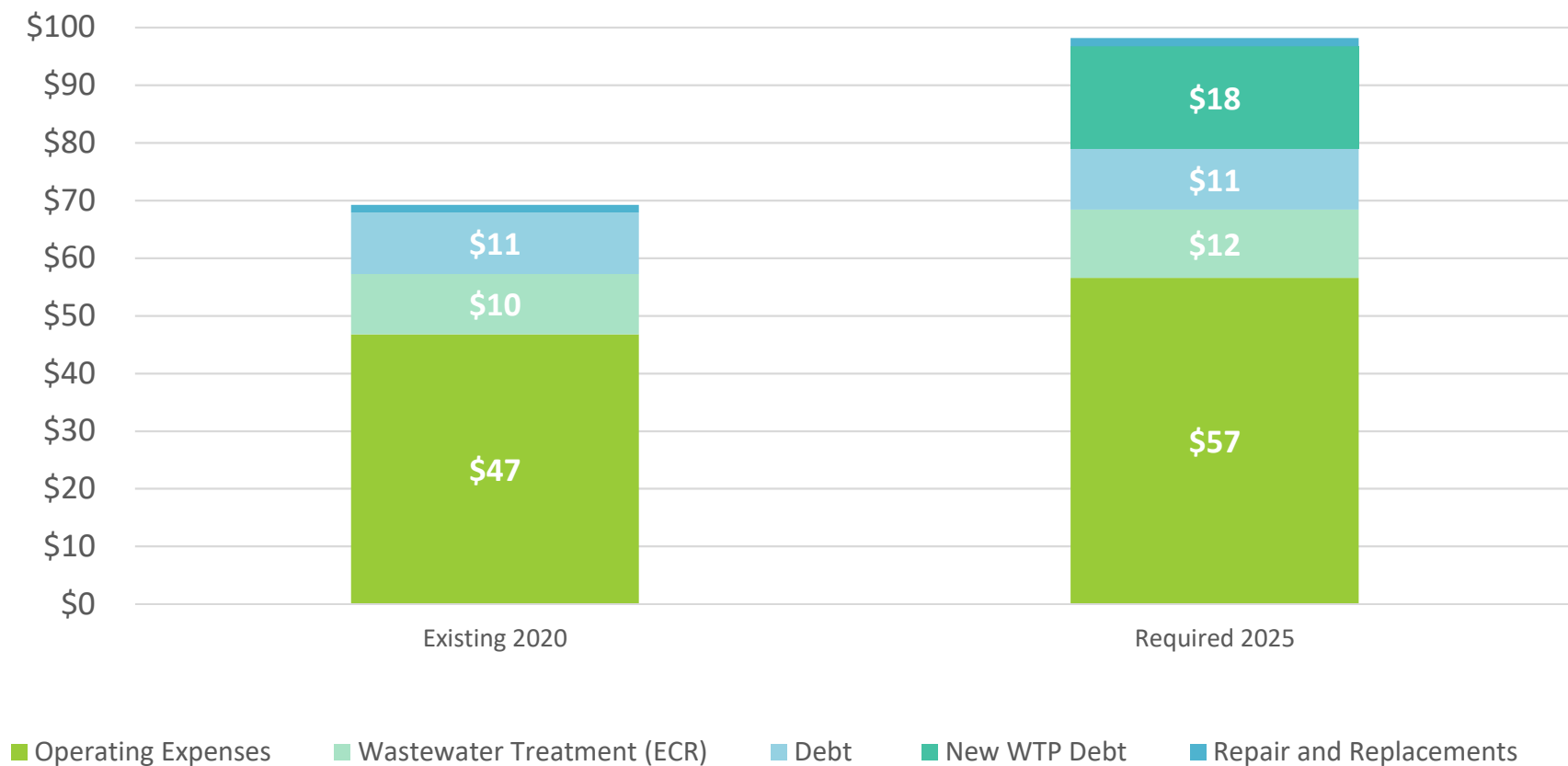


Comparison of Fiscal Year 2020 Monthly Residential Bill Combined Water and Wastewater at 6,000 Gallons





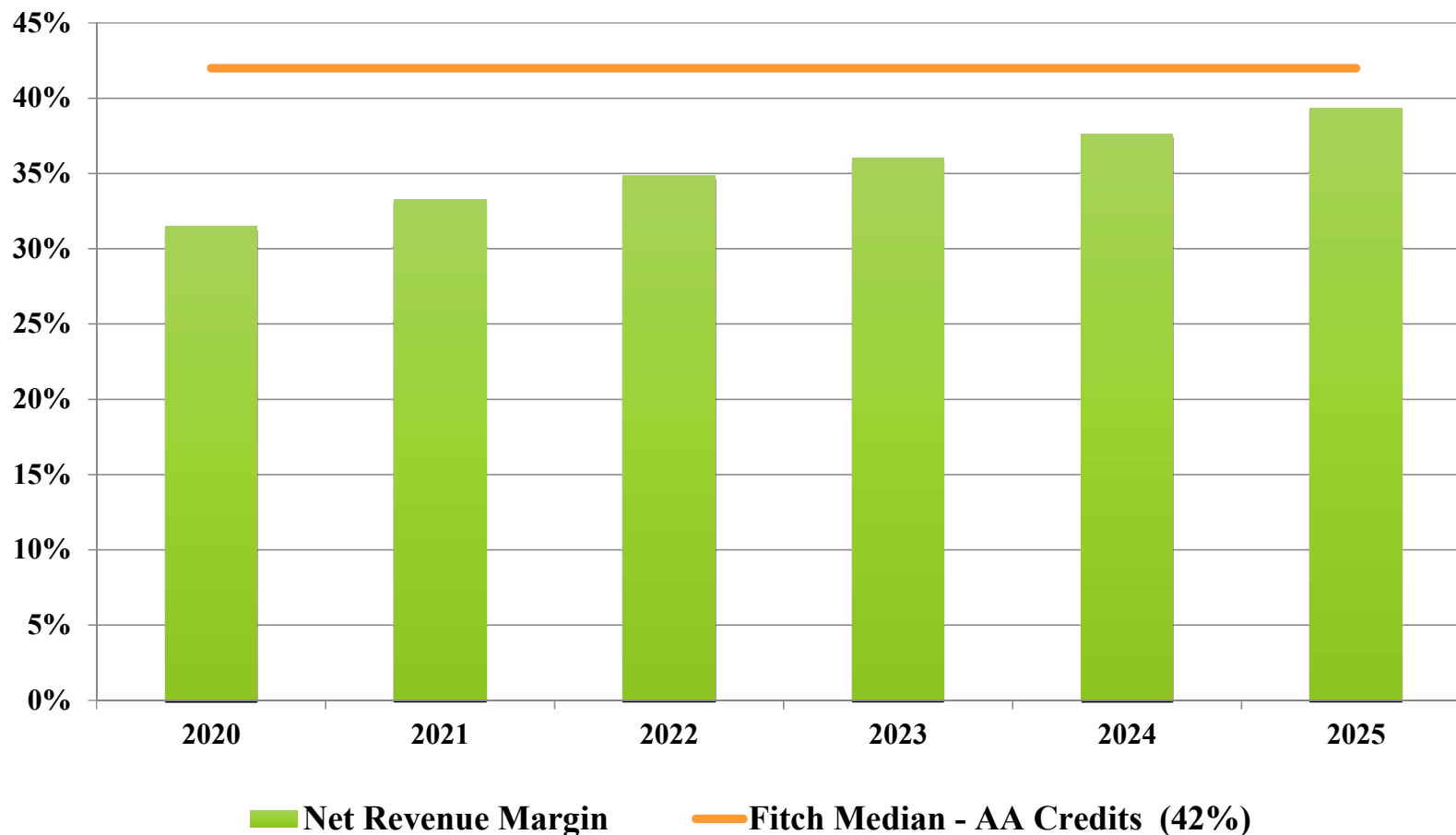
Comparison of Existing vs Required Monthly Residential Bill 6,000 Gallons By Expense Component





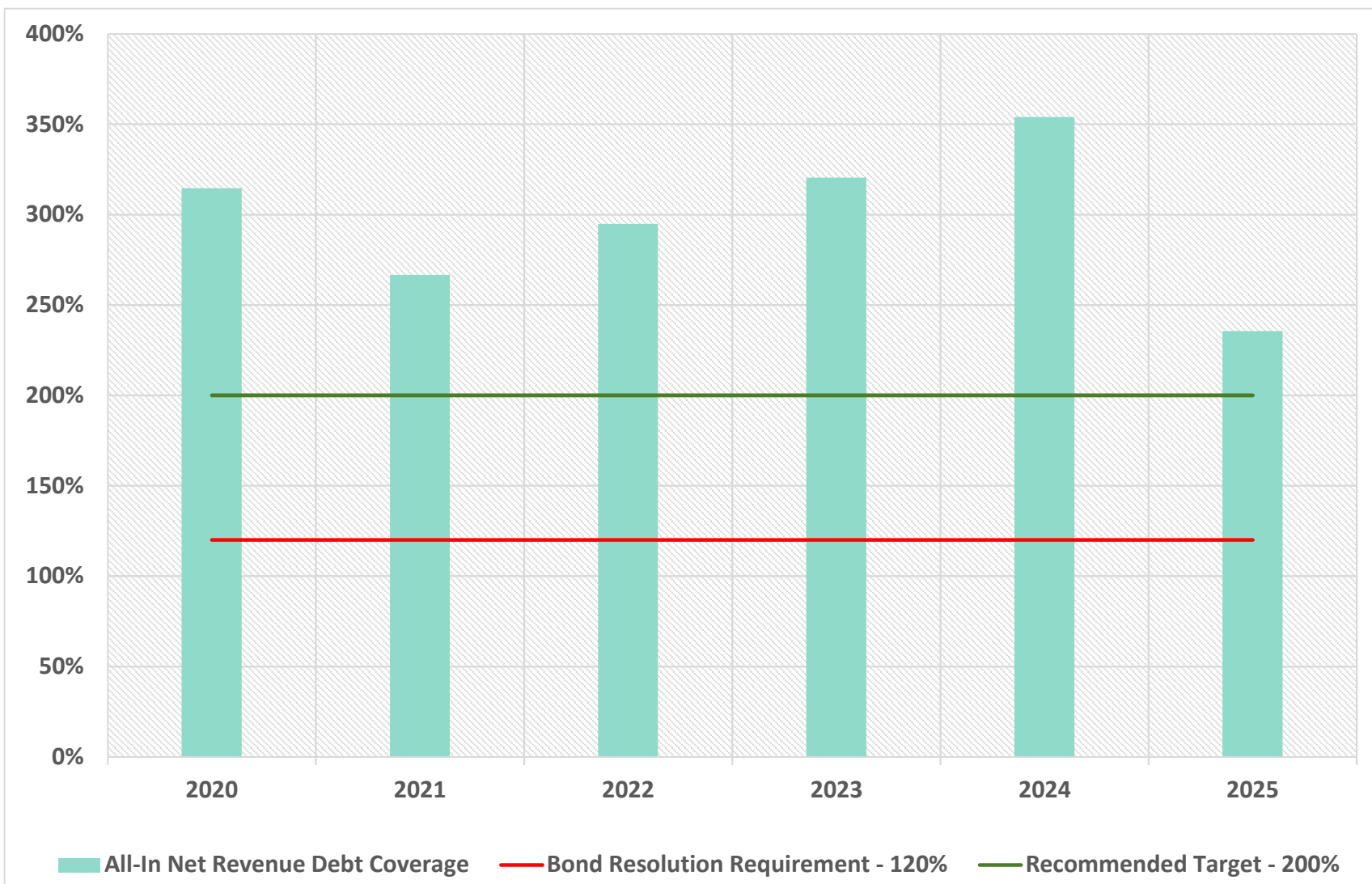
Results – Operating Margin

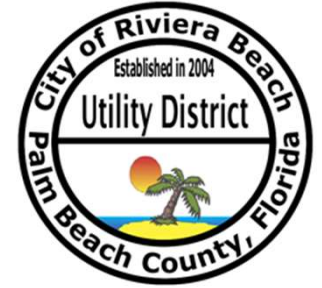
Operating Margin = Revenues – Operating Expenses (No Depreciation) / Revenues





Results – Debt Service Coverage Ratio





Questions

Next Steps?