

RETAIL WATER RATE PROCESS

PHASE 3: COST OF SERVICE STUDY

Finance and Administration Committee Meeting
September 16, 2024



COS AND RATE DESIGN PHASES STATUS UPDATE



Consistent with the American Water Works Association (AWWA) Principles of Water Rates



PHASE 1: RECAP

PROJECT INITIATION AND DATA COLLECTION

- ✓ Consumption and Meter Data Collection
- ✓ Forecast Demand and Number of Meters/Customers
- ✓ Updated Key Assumptions
- ✓ Financials (Current Budget FY2025)
- ✓ Forecast O&M Expenditures
- ✓ Forecast Capital Improvement Projects
- ✓ Ratepayer Advocate (RDN) Input

PHASE 2: RECAP REVENUE REQUIREMENTS

- ✓ Financial Goals and Policies
 - ✓ CIP – Pay Go to Achieve \$35 Million Per Year
 - ✓ Use of Reserve in Interim
 - ✓ Ratepayer Assistant Program
- ✓ Current and Proposed Debt Service
- ✓ O&M Cost Allocation
- ✓ Reserves Forecast
- ✓ Rate Structure Strategy
- ✓ Ratepayer Advocate (RDN) Input

PHASE 3: REVENUE REQUIREMENTS

- ✓ Revenue Needs Assessment
- ✓ Evaluation of CIP and Funding Sources
- ✓ Cash Flow Analysis for Financial Sufficiency
- ✓ Legacy Debt Revenues Assessment
- ✓ Ratepayer Advocate (RDN) Presentation

RATEPAYER ADVOCATE (RDN)

REVIEW AND INPUT



RATEPAYER ADVOCATE

Senate Bill 634 Section 14

“On or before January 1, 2019, **the agency shall develop a rate setting process that includes an independent ratepayer advocate to advise the board of directors and provide information to the public** before the adoption of new wholesale and retail water service rates and charges. The ratepayer advocate shall be selected by and report directly to the board of directors and **shall be independent from agency staff**. The ratepayer advocate shall **advocate on behalf of customers within the agency’s boundaries to the board of directors**. The ratepayer advocate shall have access to all pertinent agency documents and information to independently advise the board of directors and inform the public. “

KEY LEGISLATION IN CALIFORNIA AFFECTING WATER RATE STUDIES

▪ Cost of Service Requirements

- Proposition 218 (Article XIII C and XIII D of California Constitution)
- Proposition 26
- California Government Code 54999

▪ Pass-Through Provision

- AB 3030 – Section 53756 to the Government Code

▪ Water Conservation

- Article X of California Constitution
- New SWRCB regulations call for each agency to self-certify that they have adequate supplies for three years assuming drought of 2012-2015 and set conservation standards equal to their projected supply shortage

BALANCING CUSTOMER CONCERNS

Balancing Competing Objectives

Customers expect affordable and reliable water service!

Financial Concerns

Revenue Stability

Reserve Target

Capital Funding

Customer Concerns

Affordability

Equity

Understanding



RDN INPUTS DURING DATA COLLECTION, REVENUE REQUIREMENTS, AND COS PROCESSES



- ✓ Escalation Factors
- ✓ Customer Growth
- ✓ Affordability

- ✓ Reserves
- ✓ O&M projections
- ✓ CIP expenses
- ✓ Debt Service

- ✓ Recycled Water

PHASE 1: DATA COLLECTION AND BUILDING KEY ASSUMPTIONS



Phase 1
Data Collection
July 2024

Inflation Factors

Staff provided estimates –

RDN used Bureau of Labor Statistics CPI, Engineering News Record BCI and CCI, and other major indexes to confirm or provide guidance

Customer Growth

Staff provided estimates based on known development-

RDN used historical billing records and engineering reports to forecast growth

Affordability

Staff completed analysis based on local inputs

RDN confirmed methodology was consistent with industry standards

PHASE 2: DETERMINING REVENUE REQUIREMENTS

Reserves

Reserve targets are based on Board direction

Are the reserve targets achievable during this rate-setting period?

O&M projections

Significant increases in O&M were questioned and assessed

Is a 21.6% increase in operating expenses justified?

CIP expenses

A large amount of CIP expenses are scheduled for this year and the next fiscal year

Can the Agency accomplish the amount of CIP outlined without significant impact on ratepayers?

Debt Service (WIFIA)

WIFIA requires a large matching expenditure in CIPs

Can the Agency reduce total CIPs by not doing the WIFIA?

Phase 2
Revenue Requirements
Aug - Sep 2024

PHASE 3: RECYCLED WATER IN COST-OF-SERVICE STUDY

Phase 3
Cost of Service Study
~~Oct–Nov 2024~~
Sept 2024

Cost Allocation

To improve customer equity RDN recommends that the Cost-of-Service analysis include Recycled Water customers as a customer class

**Identify
recycled water
related
expenses**



**Calculate unit
of service cost**



**Direct and
indirect cost
allocation to
recycled water
customers**

FINANCIAL INPUTS AND RESULTS

O&M EXPENSES

O&M Expenses	Actual	Actual	Actual (Unaudited)	Budget	Forecast				
Department	FY 2021-22	FY 2022-23	FY2023-24	FY 2024-25	FY 2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30
Management	\$ 3,991,187	\$ 2,767,054	\$ 2,632,105	\$ 4,480,076	\$ 3,830,978	\$ 4,785,761	\$ 4,113,933	\$ 5,062,744	\$ 4,373,414
Finance, Admin & IT	\$18,270,146	\$17,324,867	\$20,634,171	\$23,797,847	\$24,270,753	\$27,197,216	\$29,383,176	\$31,537,719	\$32,980,287
Customer Care	\$2,827,118	\$3,039,508	\$3,446,335	\$3,433,737	\$3,566,013	\$3,686,933	\$3,802,756	\$3,921,523	\$4,038,267
Transmission & Distribution	\$10,949,552	\$10,659,471	\$10,895,222	\$11,613,472	\$11,711,059	\$12,705,279	\$13,202,107	\$13,718,035	\$14,253,899
Pumping & Wells	\$12,777,904	\$14,498,954	\$15,221,369	\$18,466,558	\$19,080,493	\$19,937,265	\$24,549,788	\$25,809,062	\$26,809,249
Source of Supply	\$11,716,829	\$10,049,806	\$9,145,305	\$11,643,543	\$12,565,496	\$13,275,454	\$14,026,107	\$14,830,450	\$16,200,083
Water Resources	\$5,860,979	\$7,986,006	\$8,049,121	\$13,378,239	\$10,434,815	\$10,727,119	\$11,017,980	\$11,513,627	\$12,023,988
Water Quality & Treatment	\$12,059,539	\$13,446,508	\$14,056,146	\$15,626,840	\$17,057,484	\$17,830,514	\$18,502,198	\$19,391,091	\$20,249,900
Engineering Services	\$4,114,430	\$4,788,523	\$4,579,530	\$4,059,892	\$4,358,129	\$4,511,864	\$4,663,439	\$4,815,798	\$4,968,455
Pension Liability Expense	-	-	-	\$1,339,000	\$1,393,899	\$1,439,898	\$1,487,414	\$1,536,499	\$1,587,203
Total O&M Expenses	\$ 82,567,683	\$ 84,560,697	\$ 88,659,304	\$ 107,839,204	\$ 108,269,119	\$ 116,097,303	\$ 124,748,897	\$ 132,136,548	\$ 137,484,746
Year over Year % Change	-	2.4%	4.8%	21.6%	0.4%	7.2%	7.5%	5.9%	4.0%

O&M EXPENSES JUSTIFICATION

Department	Description	Actual FY 2023-24 (Unaudited)	Budget FY 2024-25	Explanation
Finance, Admin & IT	Outside Service/Contracting	\$ 954,390	\$1,550,000	WIFIA Application support, HCM Implementation, COS & Rate Study, FCF Study, and Other Consulting Services
Finance, Admin & IT	Technology Services	\$4,066,380	\$6,248,116	The increase to expense is primarily related to additional data/communications circuits additions, software application maintenance, and finally SCADA masterplan development. The data/communications circuits were added to Rio Vista, Earl Schmidt, and Rockefeller. These circuits provide increased data/communications capacity to allow for redundant data backups and overall performance improvements. The software application maintenance are newly integrated systems that support work operations such as the warehouse barcode system and a financial reporting system. And finally, the SCADA masterplan development will be a multi-year project to create a SCADA roadmap that will layout 5-years of SCADA capital improvement projects and upgrades.
Pumping & Wells	M&R - Groundwater PFAS Treatment	\$1,129,789	\$2,500,000	The larger driver is the resin as many wells are coming back online.
Transmission & Distribution	M&R - Surface Restoration	\$ 977,891	\$1,800,000	Work deferred from FY24, anticipate spending this amount in FY25
Water Quality & Treatment	Chemical	\$1,695,615	\$2,600,000	Many wells are operating again. Additional treatment related to PFAS
Water Resources	Professional Services - Other	\$ 965,400	\$3,118,888	Includes planning updates in response to new conservation mandates, Urban Water Management Planning support and updated Sustainability Initiatives, as well as Invasive Species Management Program previously included in CIP budget but covered by Grants. In addition, about \$500K in deferred or delayed work from FY2024.

CIP PLAN BY FUNDING SOURCES

CIP Expenses Funding Sources	Actual (Unaudited)	Budget	Forecast				
	FY 2023-24	FY 2024-25	FY 2025-26	FY2026-27	FY2027-28	FY2028-29	FY2029-30
Pay-Go	\$ 38,212,279	\$ 73,179,123	\$ 58,599,525	\$ 35,366,731	\$ 35,390,321	\$ 34,127,385	\$ 34,167,798
WIFIA Loans (Debt)	\$475,000	\$37,772,924	\$68,402,991	\$62,317,345	\$54,532,500	\$18,725,000	\$15,725,000
2023 Bond (Debt)	\$21,792,068	\$27,505,000	\$25,088,289	\$614,643	-	-	-
SWRCB Loan (Debt)	-	\$10,000,000	-	-	-	-	-
Grants	\$6,455,739	\$21,254,584	\$7,893,621	\$584,357	-	-	-
Use of Capacity Fees (Retail)	\$4,097,657	\$5,947,707	-	-	-	-	-
Total CIP Expenses	\$ 71,032,743	\$ 175,659,338	\$ 159,984,426	\$ 98,883,076	\$ 89,922,821	\$ 52,852,385	\$ 49,892,798

CURRENT AND PROPOSED DEBT SERVICE

	Current	Forecast										
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	
1999A CAB Series	\$10,445,000	\$10,445,000	\$10,445,000	\$10,445,000	\$10,445,000	\$10,445,000	\$10,445,000	\$10,445,000	-	-	-	-
2018 Interfund Loan	\$1,614,541	\$1,614,706	\$1,613,856	1,616,875	1,613,281	1,613,016	1,616,353	1,613,244	1,613,669	1,617,397	1,613,831	
VWD Acquisition Interfund Loan	\$2,217,595	\$2,217,595	\$2,372,827	2,538,925	2,716,649	2,906,815	3,110,292	3,328,012	3,560,973	3,810,241	4,076,958	
2020A&B Bonds	\$21,852,139	\$21,950,888	22,107,605	22,658,161	16,749,855	16,737,737	16,714,614	8,994,710	8,982,453	8,975,015	8,972,195	
2023A Bond	\$3,132,250	\$3,132,250	\$3,132,250	3,132,250	3,132,250	3,132,250	3,132,250	11,541,625	11,554,000	11,558,250	11,563,375	
SWRCB Loan	-	-	\$335,000	\$335,000	\$335,000	\$335,000	335,000	335,000	335,000	335,000	335,000	
WIFIA Loan	-	-	-	-	-	-	5,154,774	14,513,534	14,513,534	14,513,534	14,513,534	
Total Debt Service	\$39,261,525	\$39,360,439	\$40,006,537	\$40,726,210	\$34,992,035	\$35,169,817	\$40,508,282	\$40,326,124	\$40,559,628	\$40,809,437	\$41,074,892	

OTHER & NON - OPERATING REVENUES

	Actual	Actual	Actual	Budget	Forecast				
	FY2021-22	FY2022-23	(Unaudited) FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Misc. Fees (Customer Related fees and charges)	\$ 263,445	\$ 608,569	\$ 870,510	\$ 950,000	\$ 959,500	\$ 969,095	\$ 978,786	\$ 988,574	\$ 998,460
Retail Capacity Fees	\$761,229	\$311,264	\$1,079,243	\$600,000	\$615,000	\$630,375	\$646,134	\$662,288	\$678,845
Water Sales - WWR Variable	\$130,832	\$296,724	\$305,622	\$315,901	\$325,378	\$335,140	\$345,194	\$355,550	\$366,216
Other Operating Revenues	\$ 1,155,506	\$ 1,216,557	\$ 2,255,375	\$ 1,865,901	\$ 1,899,878	\$ 1,934,610	\$ 1,970,114	\$ 2,006,411	\$ 2,043,521
1% Property Tax Revenues	\$ 29,780,316	\$ 32,545,157	\$ 34,773,288	\$ 34,630,270	\$ 35,689,956	\$ 36,782,069	\$ 37,907,600	\$ 39,067,573	\$ 40,263,041
Facility Capacity Fees	\$8,262,039	\$3,359,700	\$8,739,367	\$6,700,000	\$6,901,000	\$7,108,030	\$7,321,271	\$7,540,909	\$7,767,136
Communication/ Rental Income	\$884,175	\$723,614	\$738,553	\$473,332	\$482,798	\$492,454	\$502,303	\$512,349	\$522,596
Investment Revenues	\$582,361	\$5,884,401	\$6,103,810	\$6,055,559	\$6,267,504	\$6,486,866	\$6,649,038	\$6,815,264	\$6,985,645
Settlement Agreement (O&M)	\$1,518,229	\$5,493,251	\$3,062,891	\$2,229,778	\$2,274,374	\$2,319,861	\$2,366,258	\$2,413,583	\$2,461,855
Grants and Reimbursements	\$510,997	\$3,500,900	\$3,680,086	\$15,271,181	\$9,744,648	\$5,868,840	\$3,847,894	\$3,000,000	\$3,000,000
Reimbursement from Annexing Parties	\$1,235,082	\$2,140,287	\$2,008,017	\$470,000	\$479,400	\$488,988	\$498,768	\$508,743	\$518,918
One-time Water Sales	-	\$10,226	\$2,769,604	-	-	-	-	-	-
Use of Capacity Fees (Retail)	-	-	\$4,097,657	\$5,947,707	-	-	-	-	-
Lab Revenues	\$20,975	\$20,430	\$18,035	\$23,462	\$23,697	\$23,934	\$24,173	\$24,415	\$24,659
Other Non-Operating Revenue	-	\$2,450,458	\$1,423,525	\$770,693	\$1,218,045	\$1,380,718	\$1,423,392	\$1,586,065	\$3,660,150
Non - Operating Revenues	\$ 42,794,173	\$ 56,128,424	\$ 67,414,833	\$ 72,571,982	\$ 63,081,421	\$ 60,951,761	\$ 60,540,697	\$ 61,468,901	\$ 65,204,001

RESERVE POLICY

- **Capital Reserves** – Following Fiscal-Year CIP Pay Go plan
- **Emergency/Disaster Reserves** –120 Days of operating expenses
- **Operating Reserves** –120 Days operating expenses and 120 Days debt service payments
- **Revenue Rate Stabilization Reserve** – 20% of operating revenue
- **Water Supply Reliability Reserve** – 1 year extraction costs (6M)

PRIOR PROFORMA

	Rate Study Period										
	Current Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
Increase in Revenue Requirements %	6.50%	9.00%	8.00%	8.00%	7.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
<i>Water Sales</i>	\$79,433,000	\$88,370,947	\$96,107,151	\$104,501,624	\$112,644,576	\$119,116,394	\$125,186,104	\$131,566,071	\$138,272,209	\$145,322,558	\$152,733,554
<i>Legacy Debt</i>	9,710,643	10,883,116	10,138,104	10,873,581	5,158,474	5,343,440	5,554,521	5,767,377	5,998,002	6,252,323	6,514,284
<i>Other Operating Revenues</i>	1,865,901	1,899,878	1,934,610	1,970,114	2,006,411	2,043,521	2,081,463	2,120,259	2,159,930	2,200,498	2,241,987
<i>Non-Operating Revenues</i>	72,571,982	63,081,421	60,951,761	60,540,697	61,468,901	65,204,001	73,725,965	75,800,648	77,936,646	79,485,265	81,071,847
Total Revenues	\$163,581,526	\$164,235,362	\$169,131,625	\$177,886,016	\$181,278,363	\$191,707,355	\$206,548,054	\$215,254,354	\$224,366,787	\$233,260,644	\$242,561,671
Total O&M Expenses	(\$107,839,204)	(\$105,920,261)	(\$112,370,213)	(\$119,737,124)	(\$125,911,284)	(\$130,418,003)	(\$142,435,558)	(\$151,781,980)	(\$160,788,251)	(\$166,759,264)	(\$174,362,431)
Debt Service	(\$39,261,525)	(\$39,360,439)	(\$40,006,537)	(\$40,726,210)	(\$34,992,035)	(\$35,169,817)	(\$40,508,282)	(\$40,326,124)	(\$40,559,628)	(\$40,809,437)	(\$41,074,892)
Net Balance	\$16,480,797	\$18,954,661	\$16,754,875	\$17,422,682	\$20,375,044	\$26,119,535	\$23,604,214	\$23,146,250	\$23,018,908	\$25,691,944	\$27,124,347
Capital Pay Go Plan	(\$73,179,123)	(\$58,599,525)	(\$35,366,731)	(\$35,390,321)	(\$34,127,385)	(\$34,167,798)	(\$34,971,630)	(\$35,122,233)	(\$35,713,464)	(\$35,000,000)	(\$35,000,000)
<i>Capital PayGo from Rates</i>	<i>(16,480,797)</i>	<i>(18,954,661)</i>	<i>(16,754,875)</i>	<i>(17,422,682)</i>	<i>(20,375,044)</i>	<i>(26,119,535)</i>	<i>(23,604,214)</i>	<i>(23,146,250)</i>	<i>(23,018,908)</i>	<i>(25,691,944)</i>	<i>(27,124,347)</i>
<i>Capital PayGo Covered by Reserves</i>	<i>(56,698,326)</i>	<i>(39,644,864)</i>	<i>(18,611,856)</i>	<i>(17,967,639)</i>	<i>(13,752,341)</i>	<i>(8,048,263)</i>	<i>(11,367,416)</i>	<i>(11,975,983)</i>	<i>(12,694,557)</i>	<i>(9,308,056)</i>	<i>(7,875,653)</i>
Contributions to Reserve	-	-	-	-	-	-	-	-	-	-	-
Beginning of the Year Balance	\$229,396,573	\$172,698,247	\$133,053,383	\$114,441,527	\$96,473,888	\$82,721,547	\$74,673,284	\$63,305,868	\$51,329,885	\$38,635,328	\$29,327,272
Ending Balance	\$172,698,247	\$133,053,383	\$114,441,527	\$96,473,888	\$82,721,547	\$74,673,284	\$63,305,868	\$51,329,885	\$38,635,328	\$29,327,272	\$21,451,619
Reserve Target Funded %	133%	92%	76%	62%	52%	46%	36%	28%	20%	15%	11%
Reserve Policy	\$129,475,256	\$143,921,084	\$149,802,255	\$156,742,484	\$159,430,759	\$163,804,466	\$174,772,564	\$182,219,512	\$189,646,689	\$195,143,162	\$201,799,087
DSCR	1.42	1.48	1.42	1.43	1.58	1.74	1.58	1.57	1.57	1.63	1.66
Days Cash	585	459	372	294	240	209	162	123	88	64	45

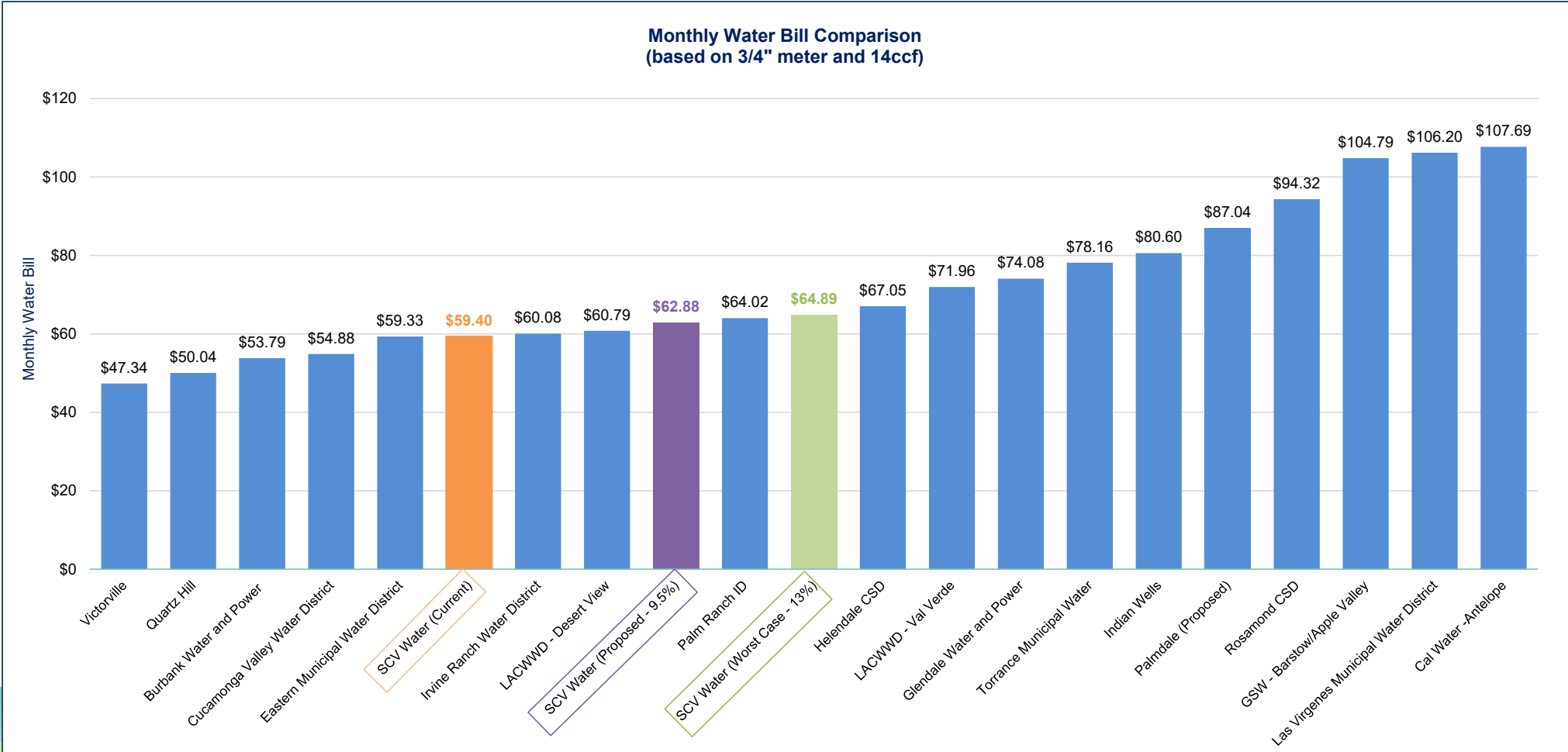
CURRENT PROFORMA - WIFIA

	Rate Study Period										
	Current Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
Increase in Revenue Requirements %	6.50%	13.00%	13.00%	13.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
<i>Water Sales</i>	\$79,433,000	\$91,613,917	\$104,246,705	\$118,599,910	\$127,841,426	\$137,761,334	\$147,538,853	\$158,011,488	\$169,228,746	\$181,245,298	\$194,116,588
<i>Legacy Debt</i>	\$9,710,643	10,883,116	\$10,138,104	\$10,873,581	\$5,158,474	\$5,343,440	\$5,554,521	\$5,767,377	\$5,998,002	\$6,252,323	\$6,514,284
<i>Other Operating Revenues</i>	\$1,865,901	1,899,878	\$1,934,610	\$1,970,114	\$2,006,411	\$2,043,521	\$2,081,463	\$2,120,259	\$2,159,930	\$2,200,498	\$2,241,987
<i>Non-Operating Revenues</i>	\$72,571,982	\$63,081,421	\$60,951,761	\$60,540,697	\$61,468,901	\$65,204,001	\$73,725,965	\$75,800,648	\$77,936,646	\$79,485,265	\$81,071,847
Total Revenues	\$163,581,526	\$167,478,332	\$177,271,179	\$191,984,303	\$196,475,213	\$210,352,295	\$228,900,803	\$241,699,771	\$255,323,324	\$269,183,384	\$283,944,706
Total O&M Expenses	(\$107,839,204)	(\$108,269,119)	(\$116,097,303)	(\$124,748,897)	(\$132,136,548)	(\$137,484,746)	(\$149,735,503)	(\$159,322,824)	(\$168,577,943)	(\$174,806,015)	(\$182,674,725)
Debt Service	(\$39,261,525)	(\$39,360,439)	(\$40,006,537)	(\$40,726,210)	(\$34,992,035)	(\$35,169,817)	(\$40,508,282)	(\$40,326,124)	(\$40,559,628)	(\$40,809,437)	(\$41,074,892)
Net Balance	\$16,480,797	\$19,848,774	\$21,167,339	\$26,509,195	\$29,346,630	\$37,697,732	\$38,657,017	\$42,050,823	\$46,185,754	\$53,567,932	\$60,195,088
Capital Pay Go Plan	(\$73,179,123)	(\$58,599,525)	(\$35,366,731)	(\$35,390,321)	(\$34,127,385)	(\$34,167,798)	(\$34,971,630)	(\$35,122,233)	(\$35,713,464)	(\$35,000,000)	(\$35,000,000)
<i>Capital PayGo from Rates</i>	<i>(\$16,480,797)</i>	<i>(\$19,848,774)</i>	<i>(\$21,167,339)</i>	<i>(\$26,509,195)</i>	<i>(\$29,346,630)</i>	<i>(\$34,167,798)</i>	<i>(\$34,971,630)</i>	<i>(\$35,122,233)</i>	<i>(\$35,713,464)</i>	<i>(\$35,000,000)</i>	<i>(\$35,000,000)</i>
<i>Capital PayGo Covered by Reserves</i>	<i>(\$56,698,326)</i>	<i>(\$38,750,751)</i>	<i>(\$14,199,392)</i>	<i>(\$8,881,126)</i>	<i>(\$4,780,755)</i>	-	-	-	-	-	-
Contributions to Reserve	-	-	-	-	-	\$3,529,934	\$3,685,388	\$6,928,590	\$10,472,289	\$18,567,932	\$25,195,088
Beginning of the Year Balance	\$229,396,573	\$172,698,247	\$133,947,496	\$119,748,104	\$110,866,978	\$106,086,223	\$109,616,156	\$113,301,544	\$120,230,134	\$130,702,423	\$149,270,355
Ending Balance	\$172,698,247	\$133,947,496	\$119,748,104	\$110,866,978	\$106,086,223	\$109,616,156	\$113,301,544	\$120,230,134	\$130,702,423	\$149,270,355	\$174,465,443
Reserve Target Funded %	133%	92%	78%	68%	64%	64%	62%	62%	65%	72%	81%
Reserve Policy	\$129,475,256	\$146,124,858	\$153,897,874	\$162,880,439	\$166,591,879	\$172,212,347	\$184,076,411	\$192,501,391	\$200,995,555	\$207,655,468	\$215,579,268
DSCR	1.42	1.50	1.53	1.65	1.84	2.07	1.95	2.04	2.14	2.31	2.47
Days Cash	585	452	376	324	293	291	276	275	283	312	349

PROPOSED PROFORMA - BONDS

	Rate Study Period										
	Current Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
Increase in Revenue Requirements %	6.50%	9.50%	9.50%	9.50%	9.50%	9.50%	8.50%	8.50%	8.50%	8.00%	8.00%
<i>Water Sales</i>	\$79,433,000	\$88,776,318	\$97,888,955	\$107,917,379	\$119,044,401	\$131,278,936	\$142,567,349	\$154,827,568	\$168,143,363	\$181,765,861	\$196,493,504
<i>Legacy Debt</i>	9,710,643	10,883,116	10,138,104	10,873,581	5,158,474	5,343,440	5,554,521	5,767,377	5,998,002	6,252,323	6,514,284
<i>Other Operating Revenues</i>	1,865,901	1,899,878	1,934,610	1,970,114	2,006,411	2,043,521	2,081,463	2,120,259	2,159,930	2,200,498	2,241,987
<i>Non-Operating Revenues</i>	72,571,982	63,081,421	60,951,761	60,540,697	61,468,901	65,204,001	73,725,965	75,800,648	77,936,646	79,485,265	81,071,847
Total Revenues	\$163,581,526	\$164,640,733	\$170,913,428	\$181,301,771	\$187,678,188	\$203,869,897	\$223,929,298	\$238,515,852	\$254,237,941	\$269,703,947	\$286,321,621
Total O&M Expenses	(\$107,839,204)	(\$108,269,119)	(\$116,097,303)	(\$124,748,897)	(\$132,136,548)	(\$137,484,746)	(\$149,735,503)	(\$159,322,824)	(\$168,577,943)	(\$174,806,015)	(\$182,674,725)
Debt Service	(\$39,261,525)	(\$39,360,439)	(\$40,006,537)	(\$40,726,210)	(\$34,992,035)	(\$35,169,817)	(\$40,508,282)	(\$40,326,124)	(\$40,559,628)	(\$40,809,437)	(\$41,074,892)
Net Balance	\$16,480,797	\$17,011,175	\$14,809,588	\$15,826,663	\$20,549,605	\$31,215,334	\$33,685,513	\$38,866,904	\$45,100,370	\$54,088,495	\$62,572,003
Capital Pay Go Plan	(\$58,543,298)	(\$46,879,620)	(\$31,830,058)	(\$31,851,289)	(\$30,714,647)	(\$30,751,018)	(\$34,971,630)	(\$35,122,233)	(\$35,713,464)	(\$35,000,000)	(\$35,000,000)
<i>Actual % of CIP PayGo Spent</i>	80%	80%	90%	90%	90%	90%	100%	100%	100%	100%	100%
Capital PayGo from Rates	(16,480,797)	(17,011,175)	(14,809,588)	(15,826,663)	(20,549,605)	(30,751,018)	(33,685,513)	(35,122,233)	(35,713,464)	(35,000,000)	(35,000,000)
Capital PayGo Covered by Reserves	(42,062,502)	(29,868,445)	(17,020,470)	(16,024,626)	(10,165,042)	-	(1,286,117)	-	-	-	-
Contributions to Reserve	-	-	-	-	-	464,316	-	3,744,671	9,386,906	19,088,495	27,572,003
Beginning of the Year Balance	\$229,396,573	\$187,334,071	\$157,465,627	\$140,445,157	\$124,420,531	\$114,255,489	\$114,719,805	\$113,433,689	\$117,178,359	\$126,565,265	\$145,653,760
Ending Balance	\$187,334,071	\$157,465,627	\$140,445,157	\$124,420,531	\$114,255,489	\$114,719,805	\$113,433,689	\$117,178,359	\$126,565,265	\$145,653,760	\$173,225,764
Reserve Target Funded %	145%	108%	92%	77%	69%	67%	62%	61%	63%	70%	80%
Reserve Policy	\$129,475,256	\$145,557,338	\$152,626,323	\$160,743,933	\$164,832,475	\$170,915,868	\$183,082,110	\$191,864,607	\$200,778,478	\$207,759,580	\$216,054,651
<i>DSCR</i>	1.42	1.43	1.37	1.39	1.59	1.89	1.83	1.96	2.11	2.33	2.52
<i>Days Cash</i>	634	531	442	364	316	305	277	268	274	304	346

RATE COMPARISON WITH BENCHMARK AGENCIES



24 *SCV Water - Excludes Legacy Debt – Projection only – Not approved rates
 **It does not account for the other agencies' potential rate increases in the future.



POLICIES DECISIONS

- Target 80% Reserves by Year 10
- Target \$35 Million Annual CIP Pay Go
- Revise CIP Funding Sources (Debt vs Pay Go)
- WIFIA vs Bond

NEXT STEPS

PHASE 4 – RATE DESIGN ANALYSIS **UPCOMING**

- Rate Design
 - Fixed Rates
 - Variable Rates (Potable and Recycle Water)
- Customer Bill Impact
- ✓ Affordability Strategy
- Propose Rate Increase
- Ratepayer Advocate (RDN) Input

The background features a collage of financial and business-related items: a blue Casio calculator, a laptop keyboard, and a stack of US dollar bills. The scene is overlaid with a dark blue and teal gradient that curves across the bottom and right sides.

QUESTIONS