

CITY OF REDLANDS

Water, Wastewater, and Non-Potable Water Financial Plans

UAC Meeting

May 30, 2019



Agenda

- Study Objectives
- Proposition 218
- Key Assumptions
- Reserve Policy
- Capital Projects
- Financial Plan
 - › Status Quo
 - › Scenarios
- Next Steps



Study Objectives

- Ensure revenue sufficiency and financial stability
- Fund capital project costs
- Comply with Proposition 218
- Develop fair and equitable rates



Proposition 218

- Revenues derived from the fee must not exceed the funds required to provide service
- The amount of the fee must not exceed the cost of servicing the parcel
- The fee must not be imposed unless the service is actually used by, or immediately available to, the owner of the property
- Agencies must develop a **nexus** between rates and costs of service and **document** the methodology used in a report



Key Assumptions

- Average account growth of 0.5% per year based on UWMP
- Revenue growth
 - › Non-rate revenues: 0.0%
 - › Reserve interest rate: 1.0%
- Expense inflation
 - › General: 3.0%
 - › Salaries/Benefits: 4.0%
 - › Water Supply: 5.0%
 - › Utilities/Power: 5.0%
 - › Chemicals: 5.0%
 - › Supplies/Materials: 3.0%
 - › Capital: 3.0%
- FY 2019 budgeted rate revenues used for projections



Recommended Reserve Policy

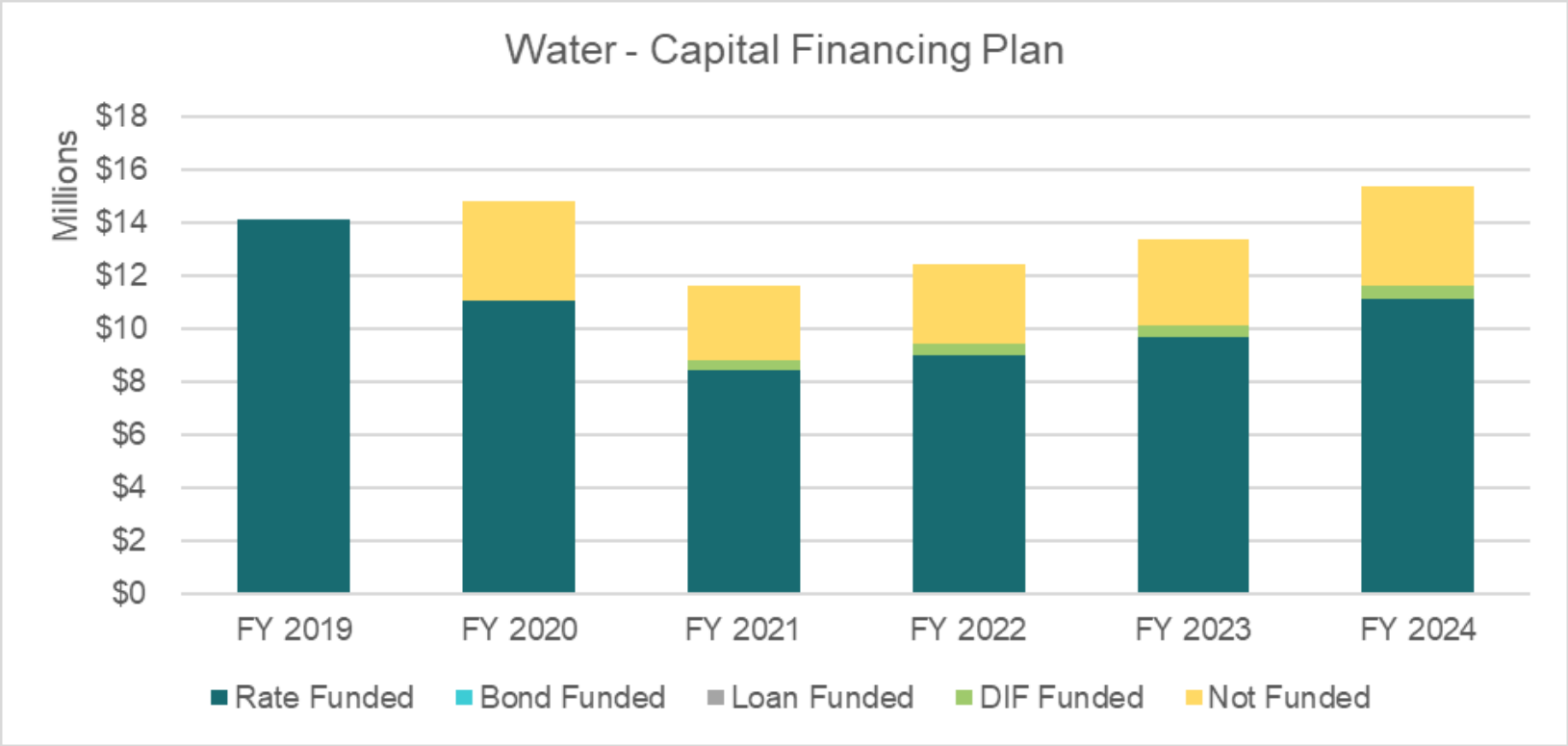
- Operations: 25% of annual O&M expenses
- Capital: 100% of 5-year average rate funded CIP



WATER



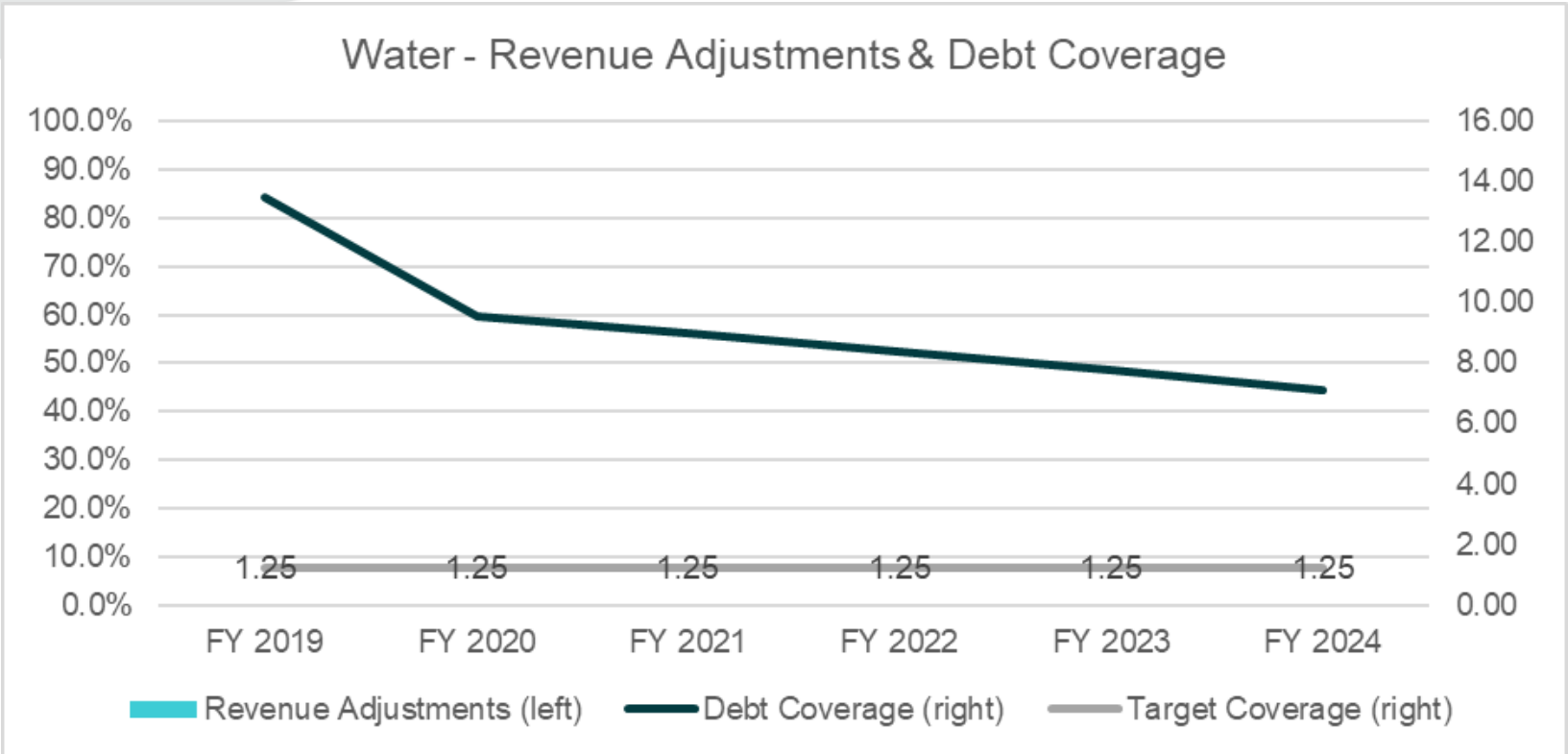
Capital Financing Plan



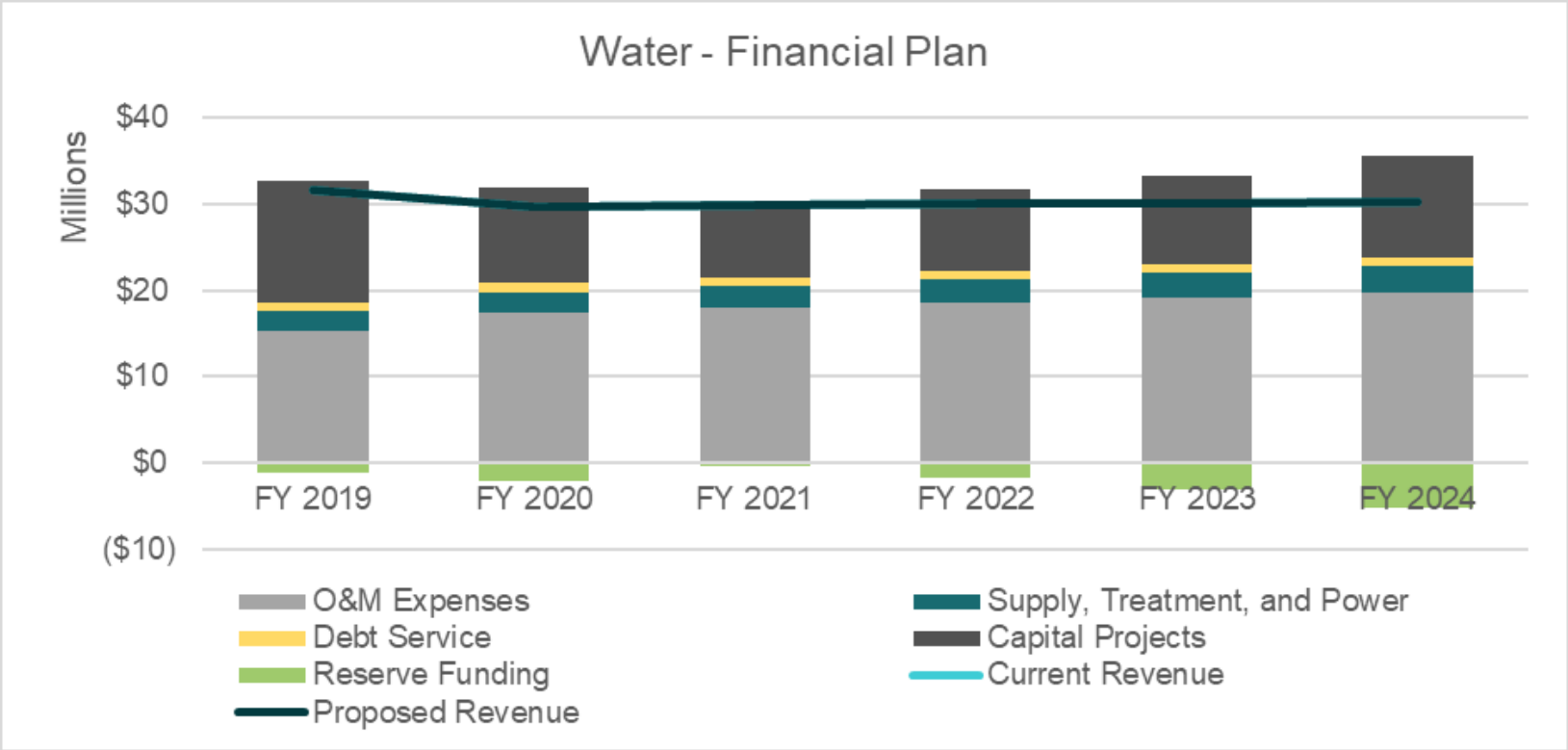
Spend 75% of CIP from FY 2020 and beyond



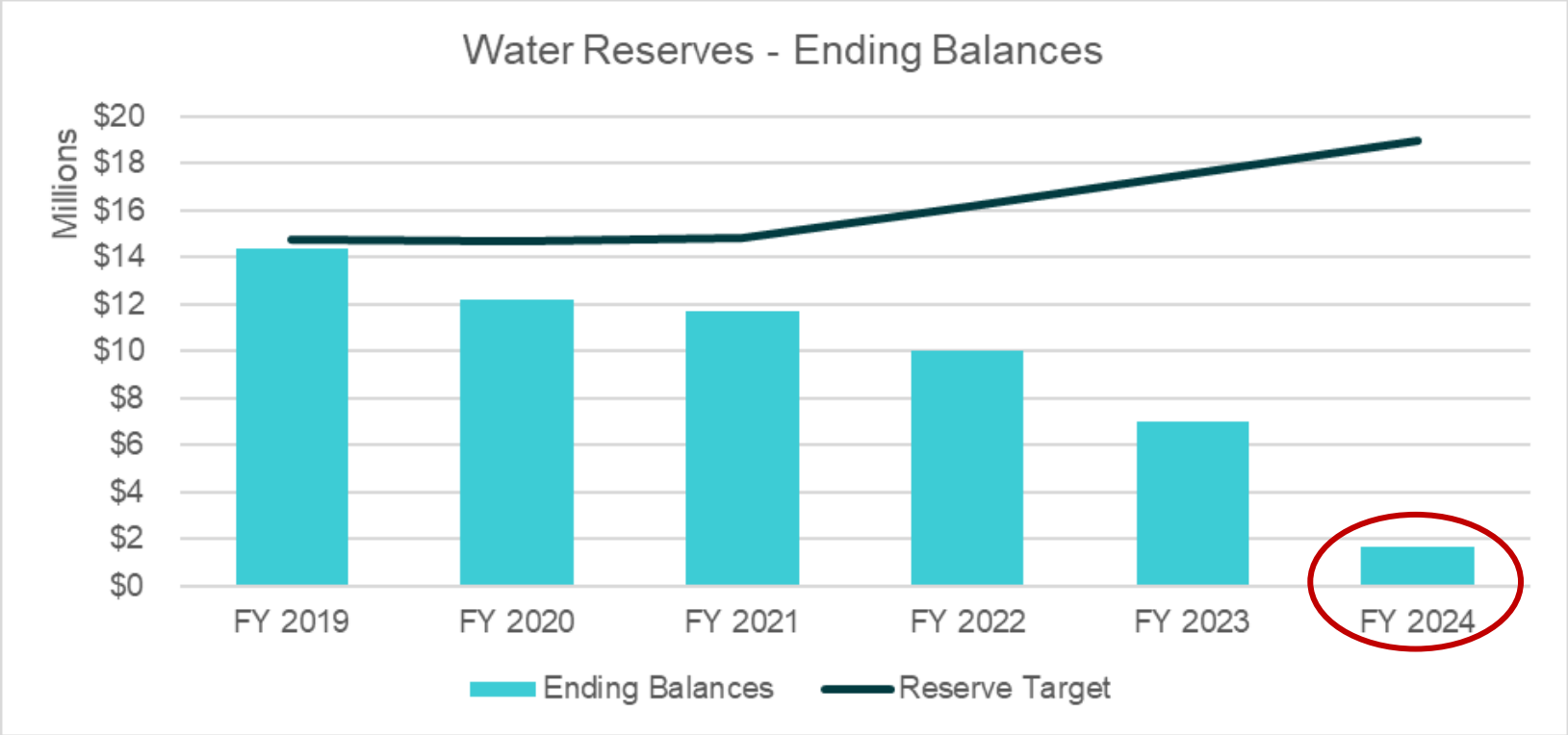
Revenue Adjustments & Debt Coverage Status Quo



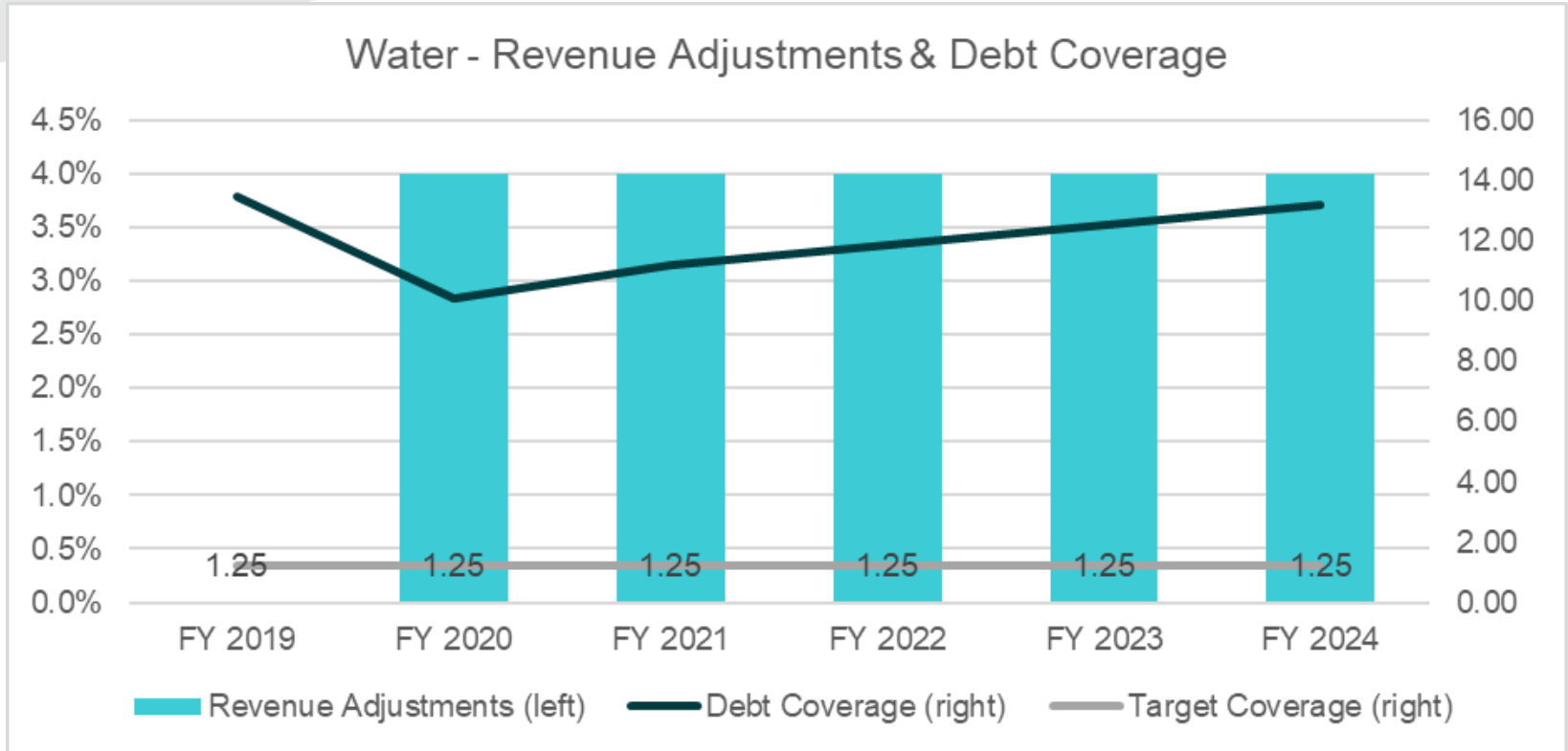
Financial Plan Status Quo



Ending Balances Status Quo



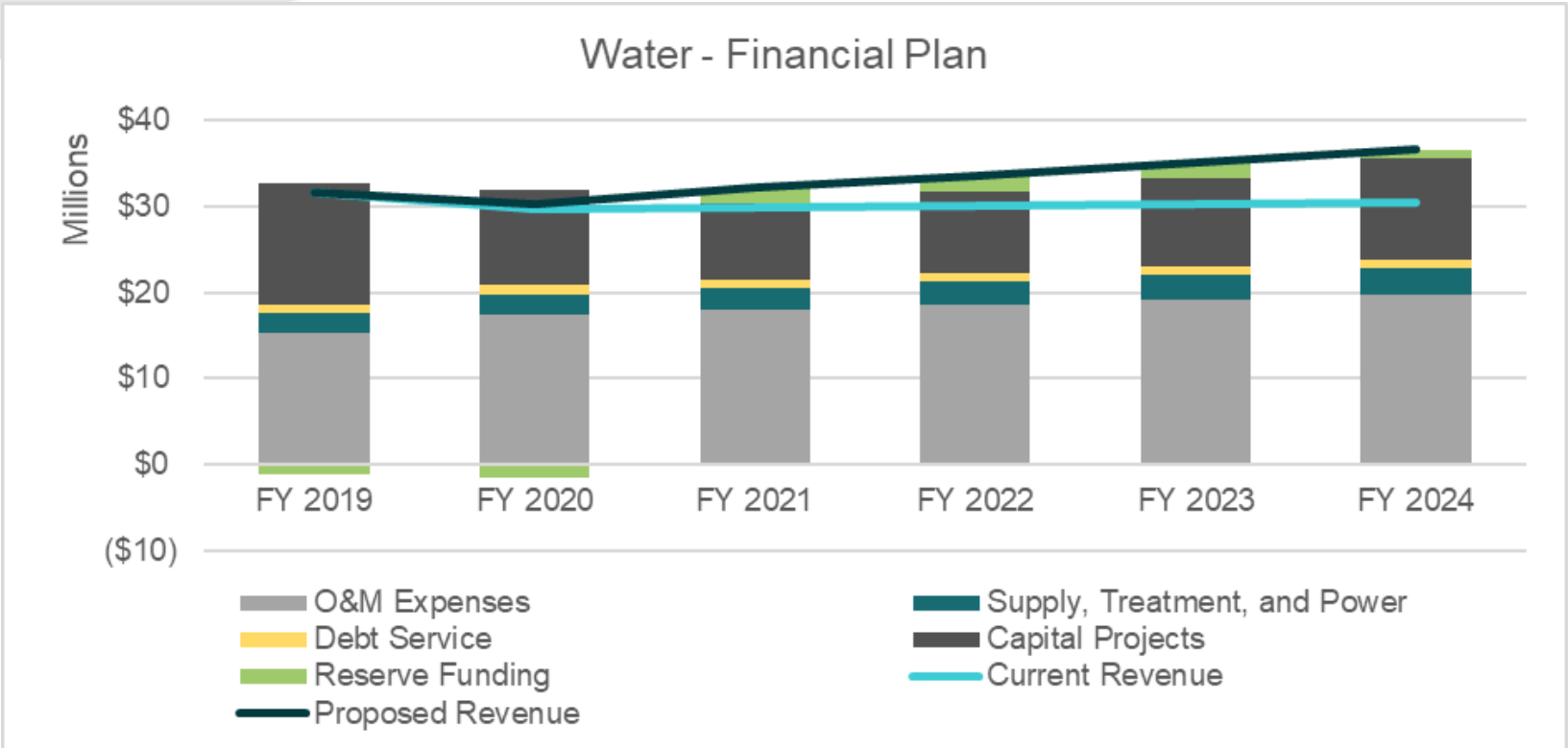
Revenue Adjustments & Debt Coverage Proposed Scenario



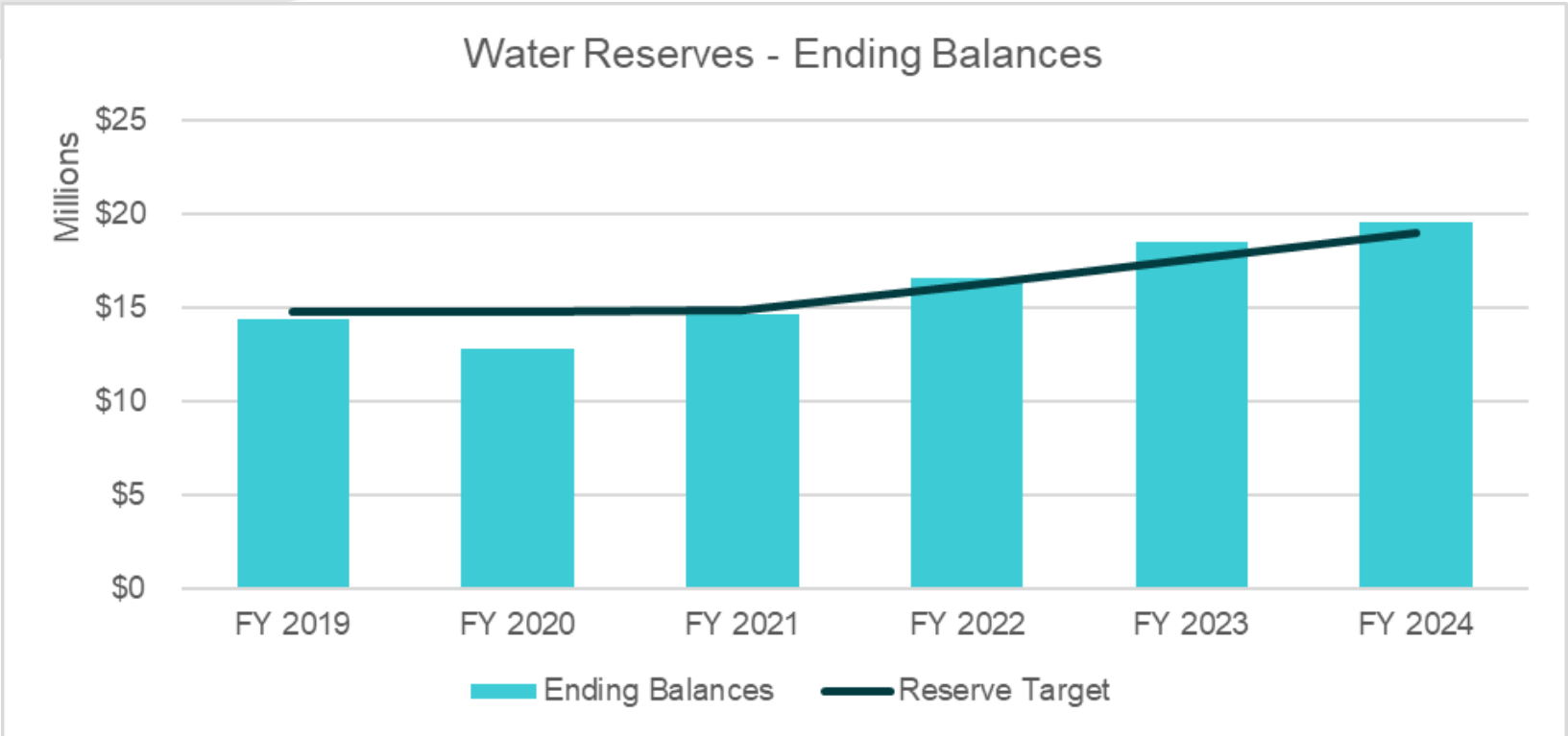
FY 2020 adjustment in January, all adjustments in July in upcoming years



Financial Plan Proposed Scenario



Ending Balances Proposed Scenario

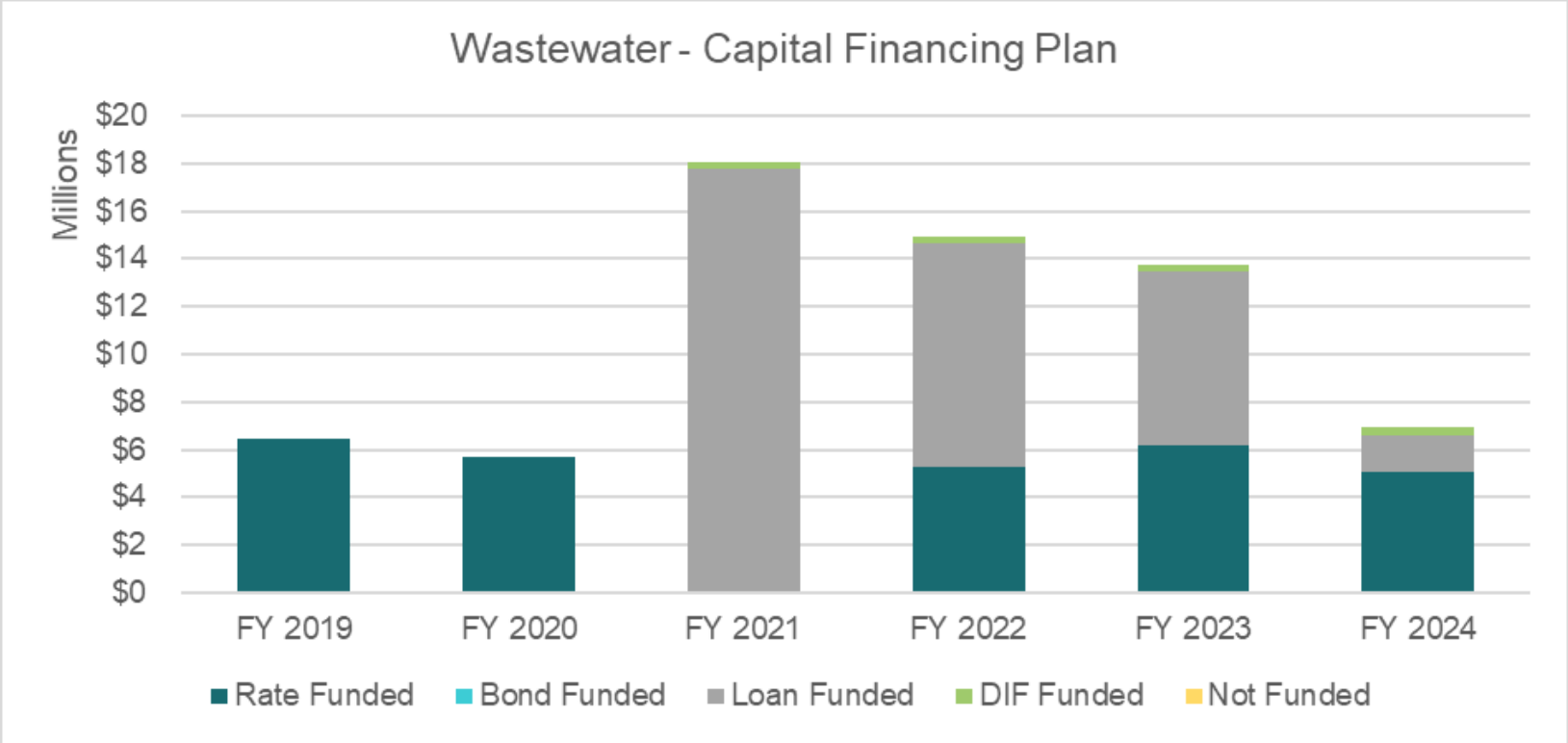


WASTEWATER



Capital Financing Plan

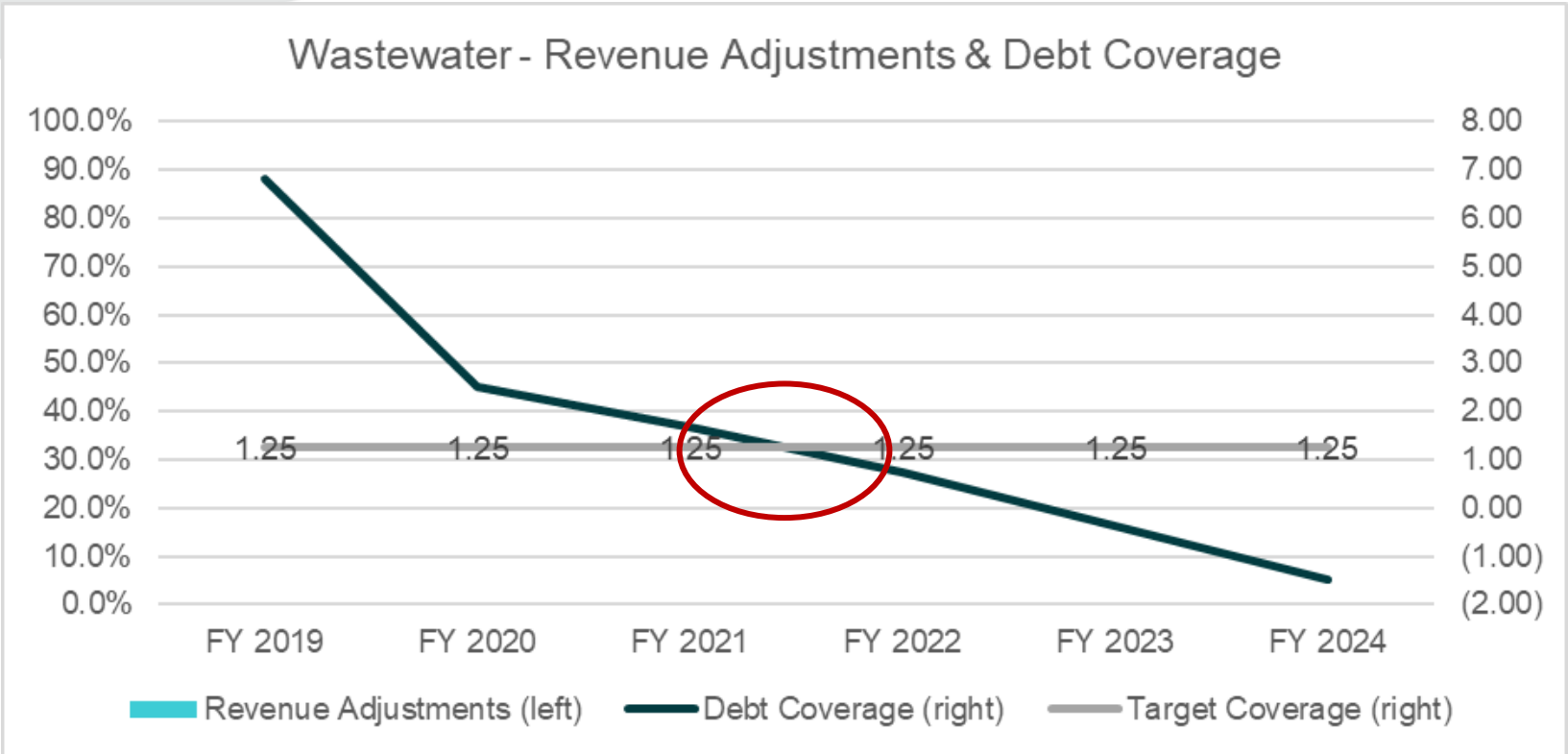
SRF Loan Scenario



\$36M in SRF Loan Funding over 4 years



Revenue Adjustments & Debt Coverage Status Quo

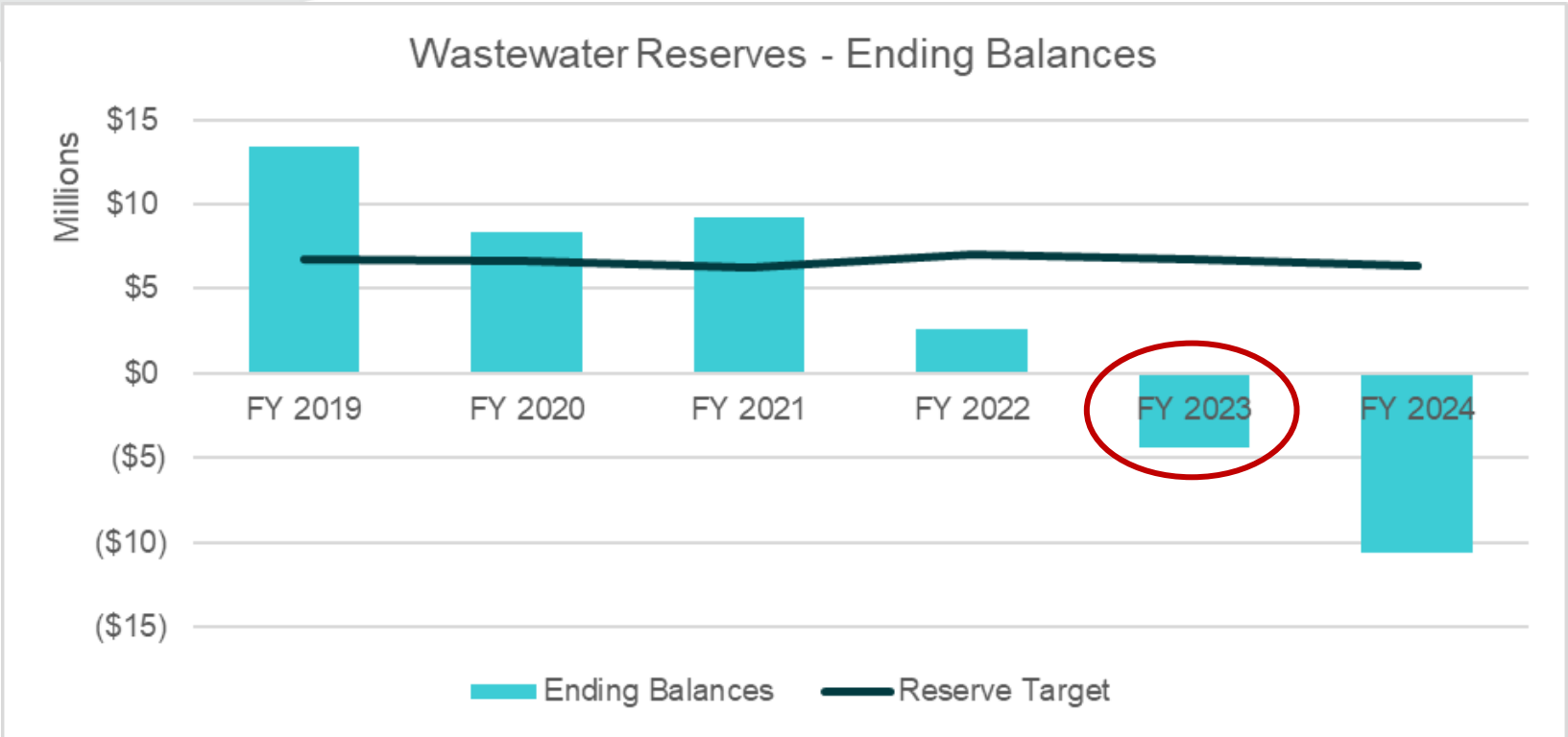


Financial Plan

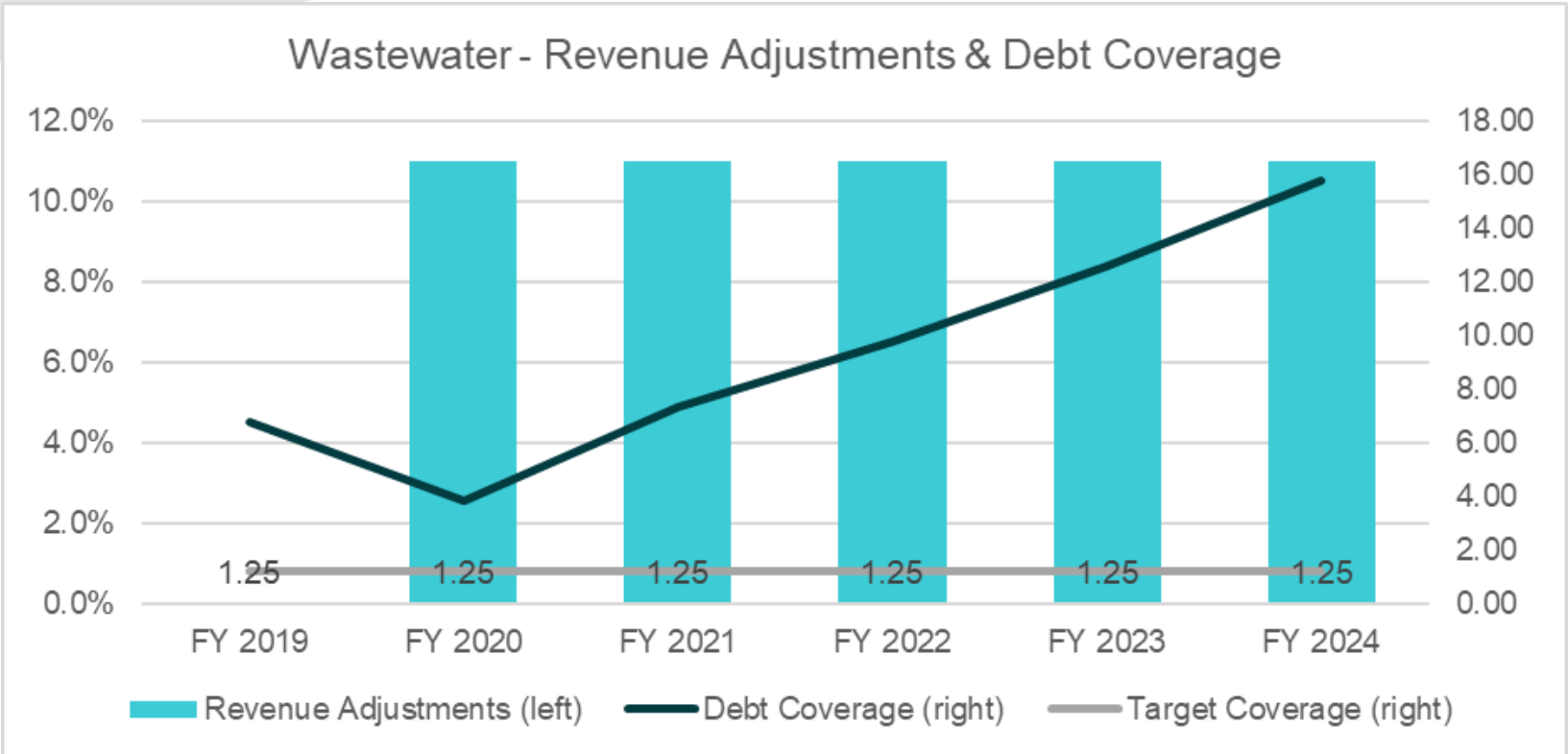
Status Quo



Ending Balances Status Quo



Revenue Adjustments & Debt Coverage SRF Loan Scenario

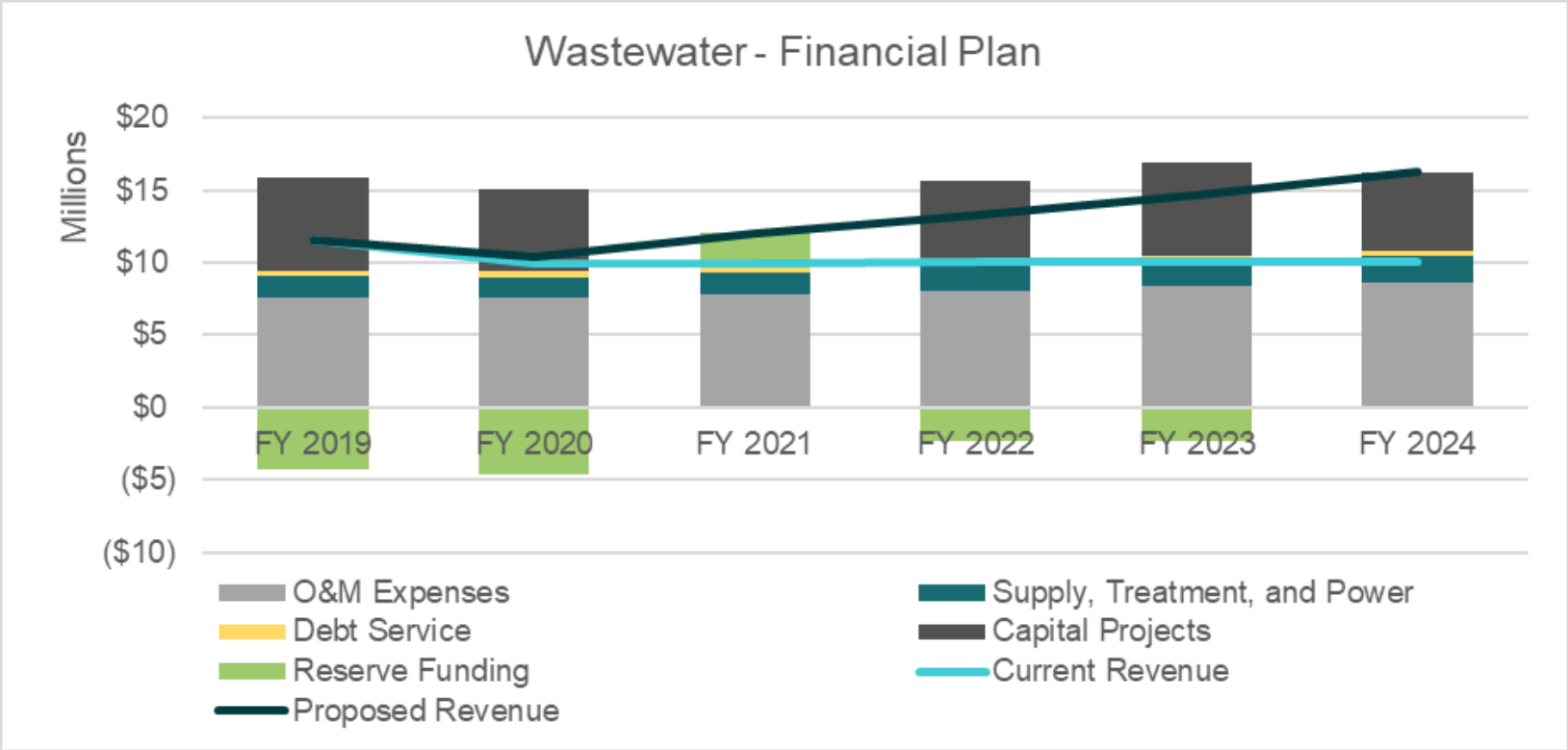


FY 2020 adjustment in January, all adjustments in July in upcoming years

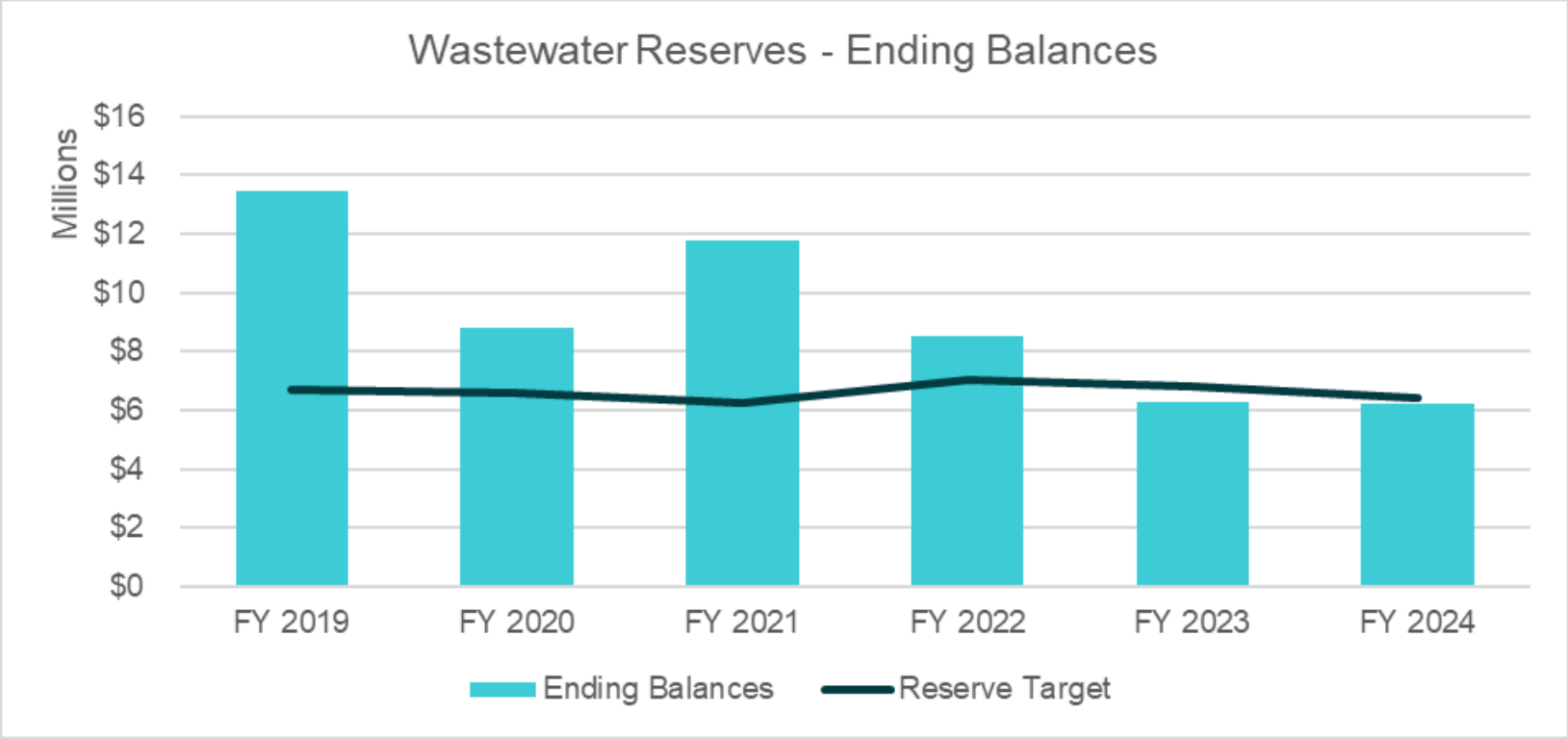


Financial Plan

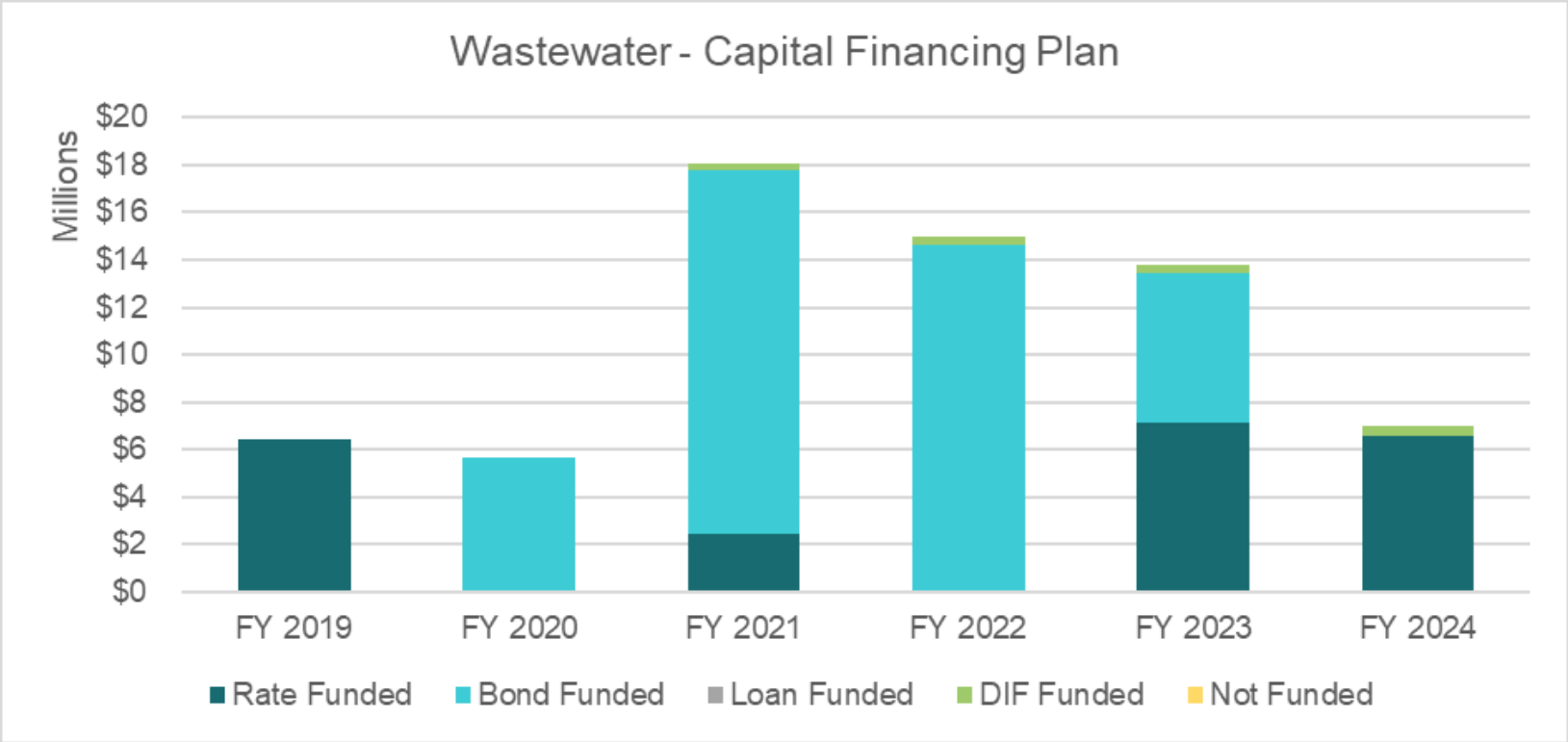
SRF Loan Scenario



Ending Balances SRF Loan Scenario



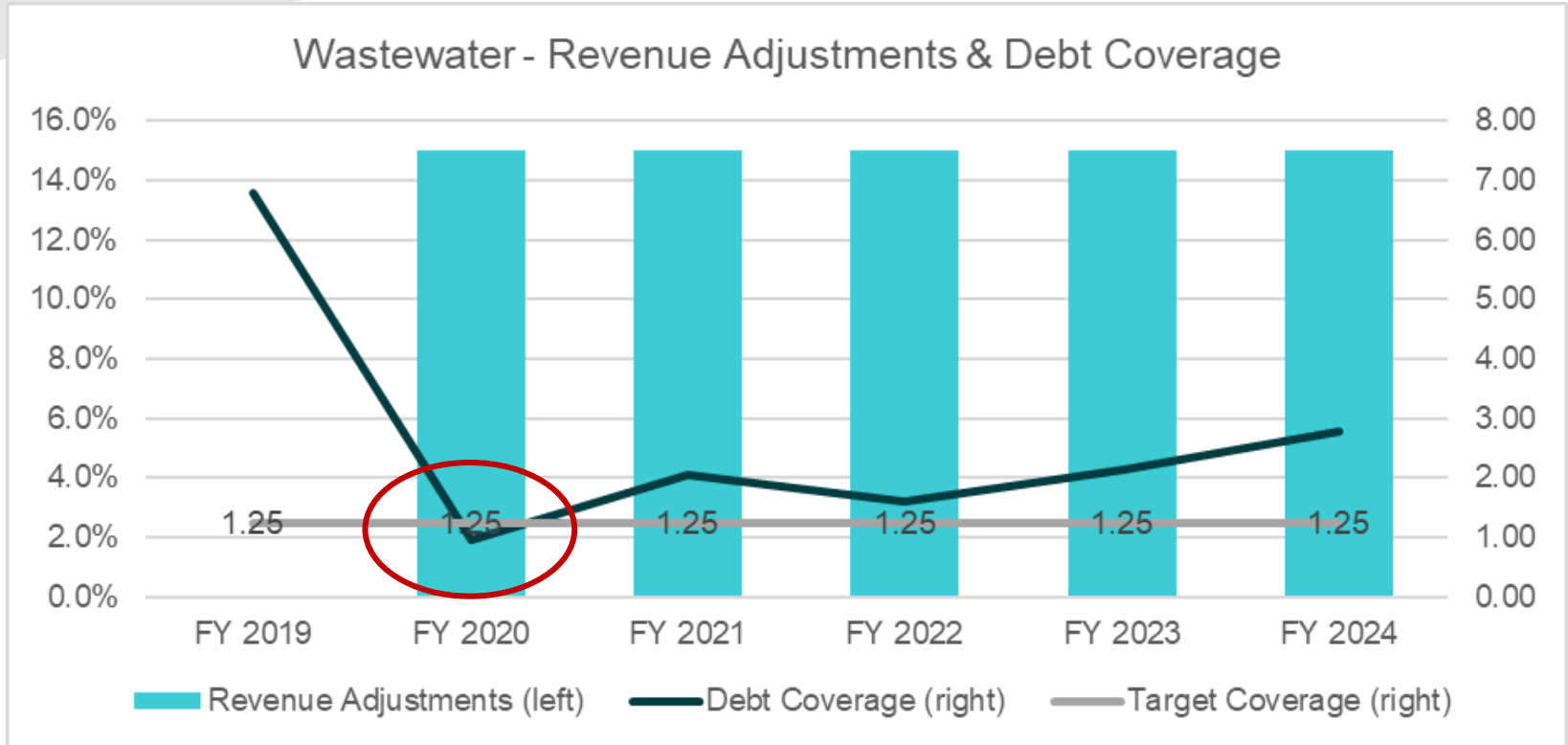
Capital Financing Plan Bond Scenario



\$22M in Bond Funding in FY 2020 and FY 2022



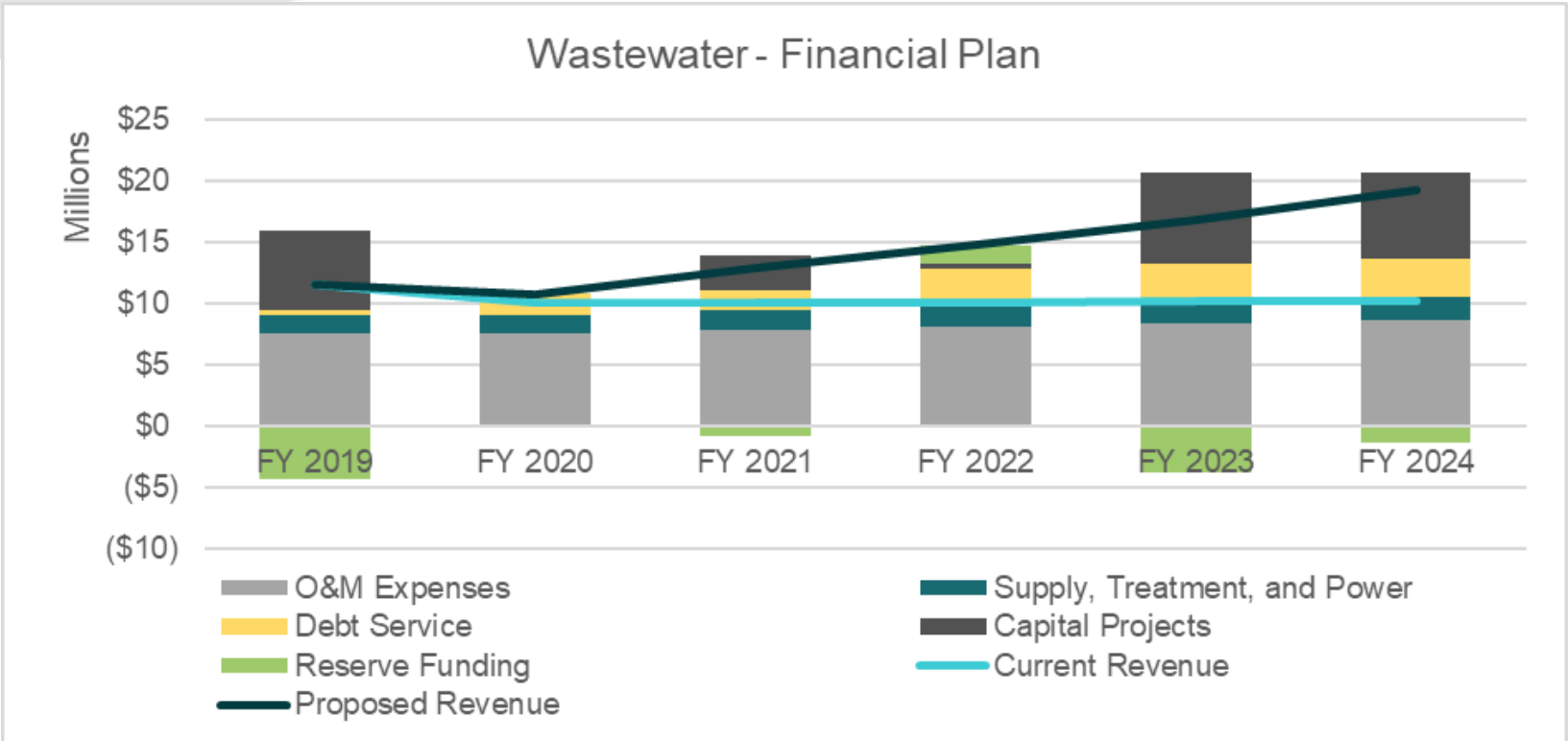
Revenue Adjustments & Debt Coverage Bond Scenario



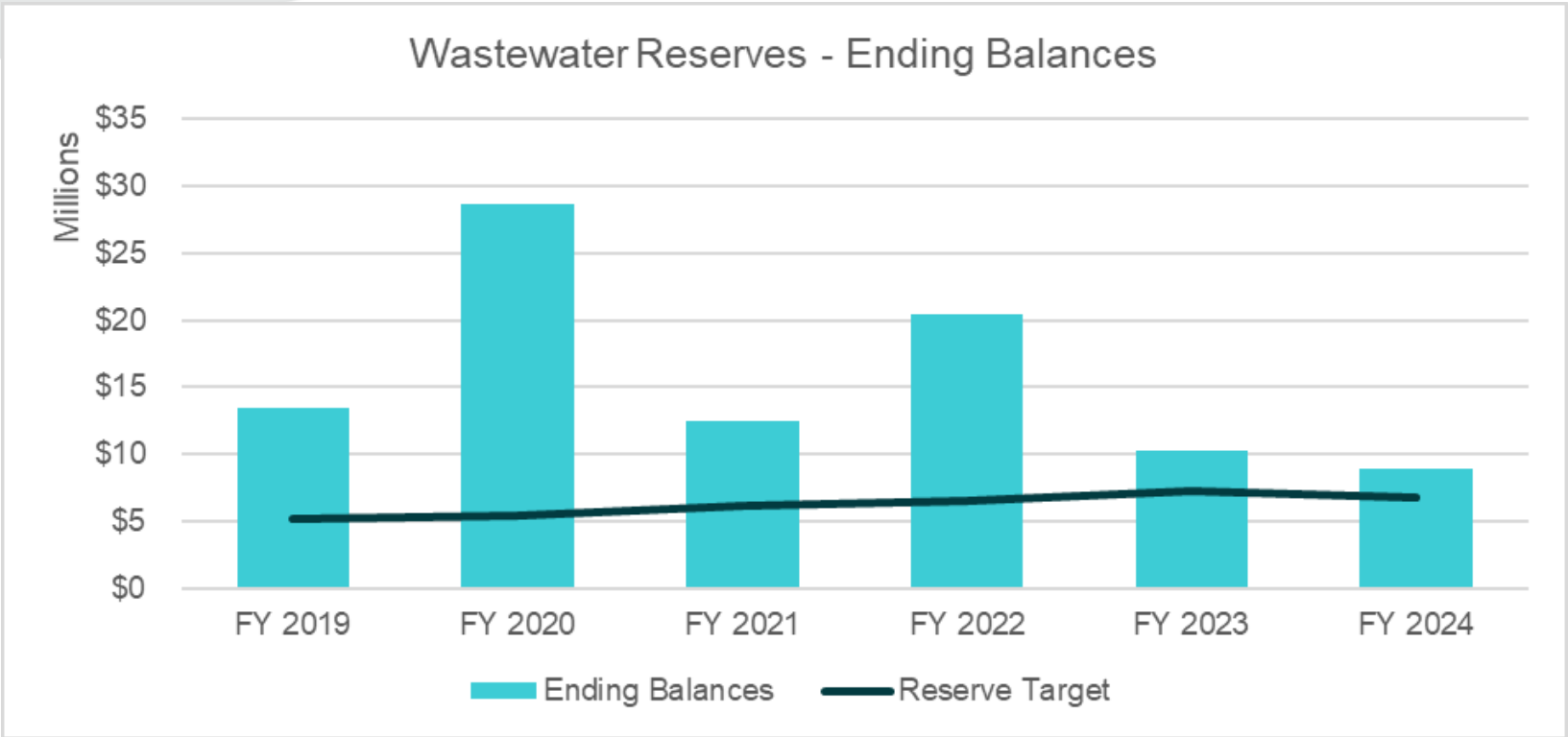
FY 2020 adjustment in January, all adjustments in July in upcoming years



Financial Plan Bond Scenario



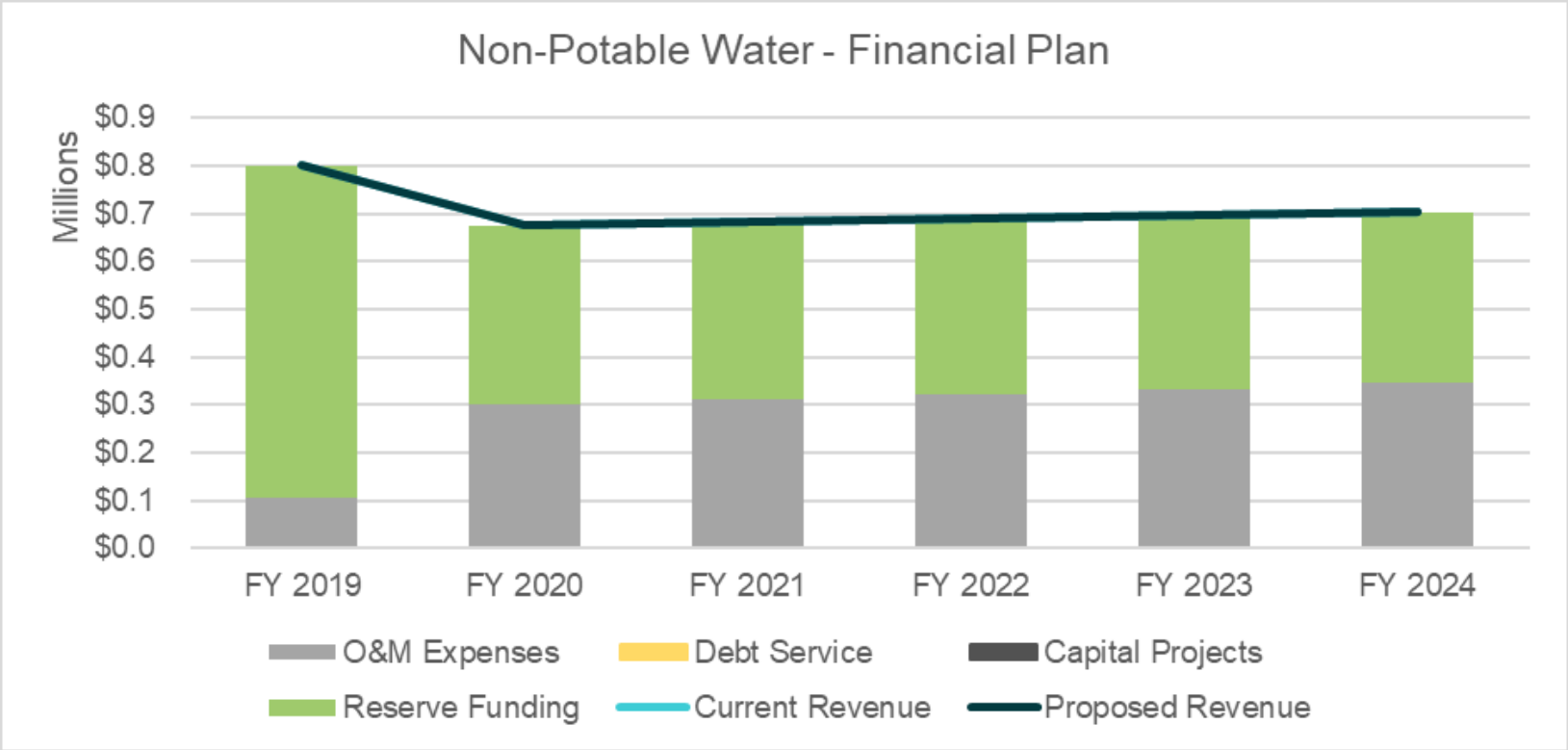
Ending Balances Bond Scenario



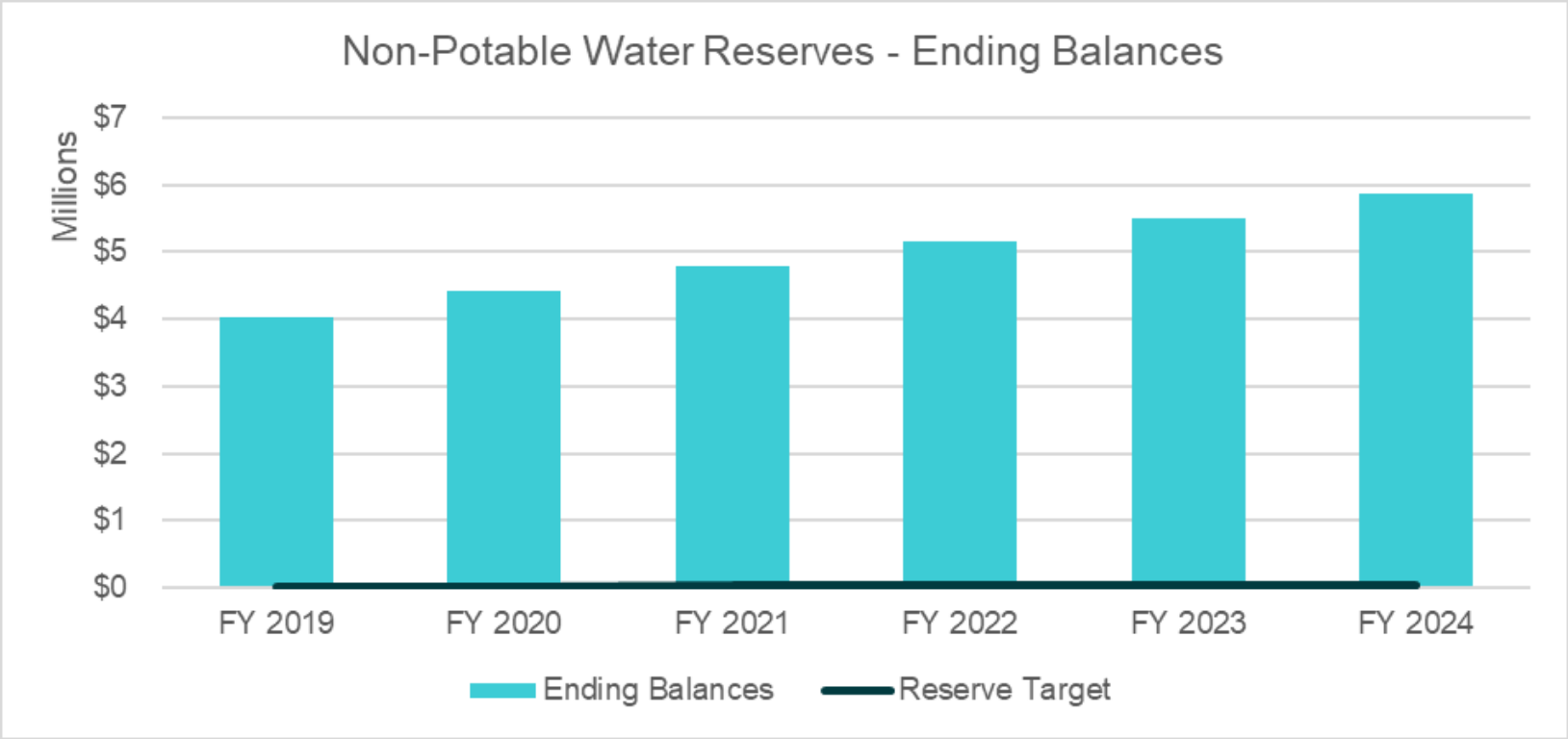
NON-POTABLE



Financial Plan Status Quo



Ending Balances Status Quo



Next Steps

- Resolve discrepancies in customer data
- Updated financial plan
- Water and non-potable water rates
- Wastewater cost of service analysis
- Wastewater rates
- Next meeting: June 13, 2019



Thank you!

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