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

Water - Capital Financing Plan

Spend 75% of CIP from FY 2020 and beyond
Revenue Adjustments & Debt Coverage

Status Quo

Water - Revenue Adjustments & Debt Coverage

Revenue Adjustments (left)  Debt Coverage (right)  Target Coverage (right)
Financial Plan
Status Quo

Water - Financial Plan

- FY 2019
- FY 2020
- FY 2021
- FY 2022
- FY 2023
- FY 2024

- O&M Expenses
- Debt Service
- Reserve Funding
- Capital Projects
- Proposed Revenue
- Supply, Treatment, and Power
- Current Revenue
Ending Balances
Status Quo

Water Reserves - Ending Balances

Millions

FY 2019  FY 2020  FY 2021  FY 2022  FY 2023  FY 2024

Ending Balances  Reserve Target
Revenue Adjustments & Debt Coverage

Proposed Scenario

FY 2020 adjustment in January, all adjustments in July in upcoming years
Ending Balances
Proposed Scenario

Water Reserves - Ending Balances

<table>
<thead>
<tr>
<th></th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
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<tbody>
<tr>
<td>Millions</td>
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<td>Reserve Target</td>
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Legend:
- Ending Balances
- Reserve Target
WASTEWATER
Capital Financing Plan
SRF Loan Scenario

$36M in SRF Loan Funding over 4 years
Revenue Adjustments & Debt Coverage
Status Quo

![Graph showing Revenue Adjustments & Debt Coverage from FY 2019 to FY 2024. The graph indicates a decreasing trend in debt coverage over the fiscal years.]
Financial Plan
Status Quo

Wastewater - Financial Plan

<table>
<thead>
<tr>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
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<tr>
<td>O&amp;M Expenses</td>
<td>Supply, Treatment, and Power</td>
<td>Debt Service</td>
<td>Capital Projects</td>
<td>Reserve Funding</td>
<td>Proposed Revenue</td>
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</table>
Ending Balances
Status Quo

Wastewater Reserves - Ending Balances

<table>
<thead>
<tr>
<th>FY 2019</th>
<th>FY 2020</th>
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<tr>
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<tr>
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<td>$10</td>
<td>$5</td>
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- Ending Balances
- Reserve Target
Revenue Adjustments & Debt Coverage
SRF Loan Scenario

FY 2020 adjustment in January, all adjustments in July in upcoming years
Financial Plan
SRF Loan Scenario

Wastewater - Financial Plan

- O&M Expenses
- Debt Service
- Reserve Funding
- Proposed Revenue
- Supply, Treatment, and Power
- Capital Projects
- Current Revenue

Bar chart showing financial data for fiscal years FY 2019 to FY 2024.
Ending Balances
SRF Loan Scenario

Wastewater Reserves - Ending Balances

FY 2019: $14.5 Mil
FY 2020: $8.0 Mil
FY 2021: $12.0 Mil
FY 2022: $7.5 Mil
FY 2023: $6.0 Mil
FY 2024: $5.5 Mil

Ending Balances
Reserve Target
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

Wastewater - Financial Plan

- O&M Expenses
- Debt Service
- Reserve Funding
- Capital Projects
- Proposed Revenue
- Supply, Treatment, and Power
- Current Revenue

FY 2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024

Millions

- $25
- $20
- $15
- $10
- $5
- $0
- ($5)
- ($10)
Ending Balances
Bond Scenario

Wastewater Reserves - Ending Balances

- FY 2019
- FY 2020
- FY 2021
- FY 2022
- FY 2023
- FY 2024

Millions

- $0
- $5
- $10
- $15
- $20
- $25
- $30
- $35

Ending Balances
Reserve Target
NON-POTABLE
Financial Plan
Status Quo

Non-Potable Water - Financial Plan

- O&M Expenses
- Debt Service
- Capital Projects
- Reserve Funding
- Current Revenue
- Proposed Revenue
Ending Balances
Status Quo

Non-Potable Water Reserves - Ending Balances

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<th>Years</th>
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- **Ending Balances**
- **Reserve Target**
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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