

East Valley Water District

Financial Plan and Rate Review

Board Meeting: January 22, 2020

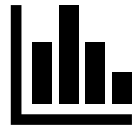


Study Goals

Main Objectives



District at end of adopted rates. Develop financial plan for next 5 years and beyond



Develop model with updated consumption analysis and financials



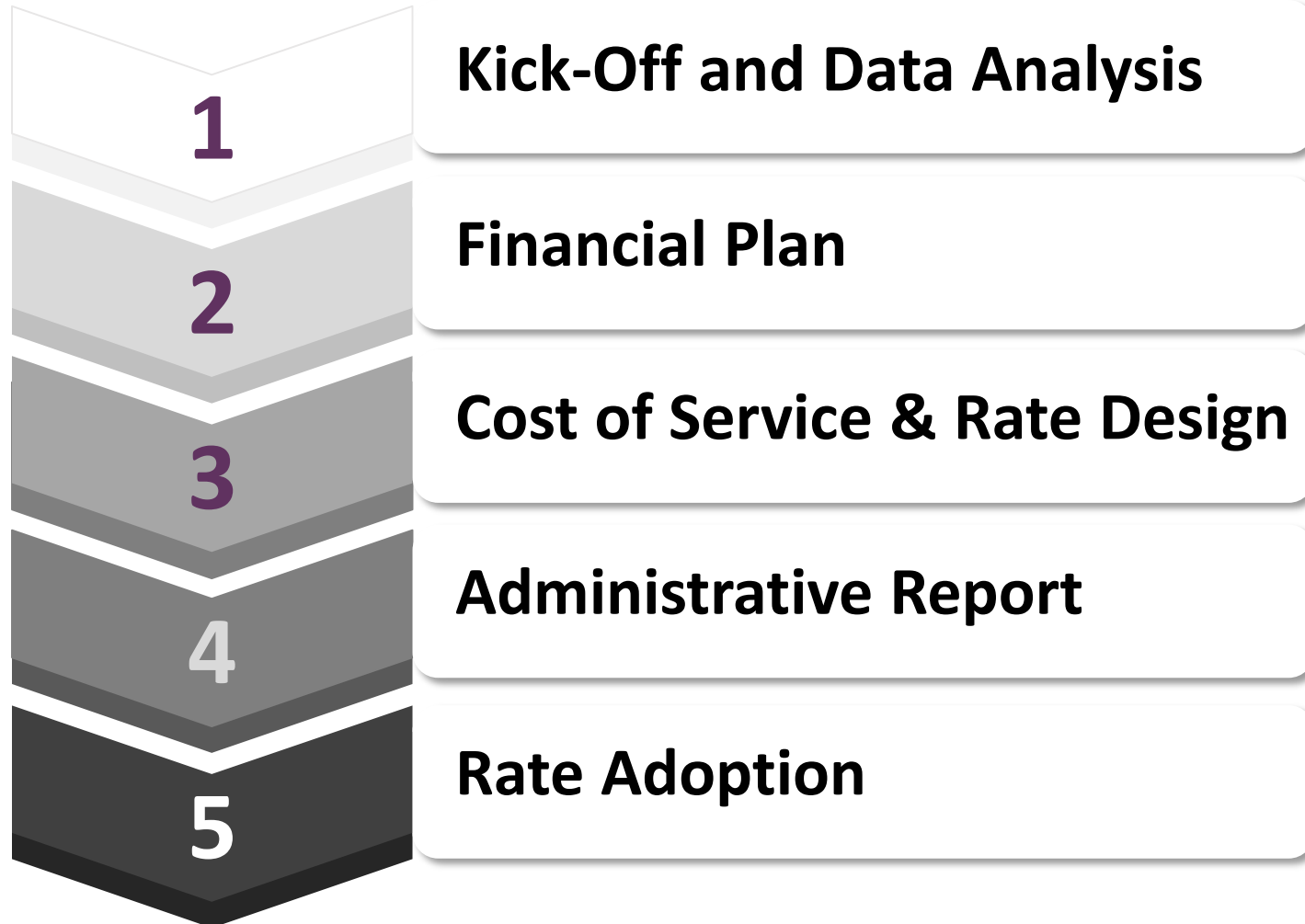
Develop equitable rates that meet industry standards while complying with Proposition 218



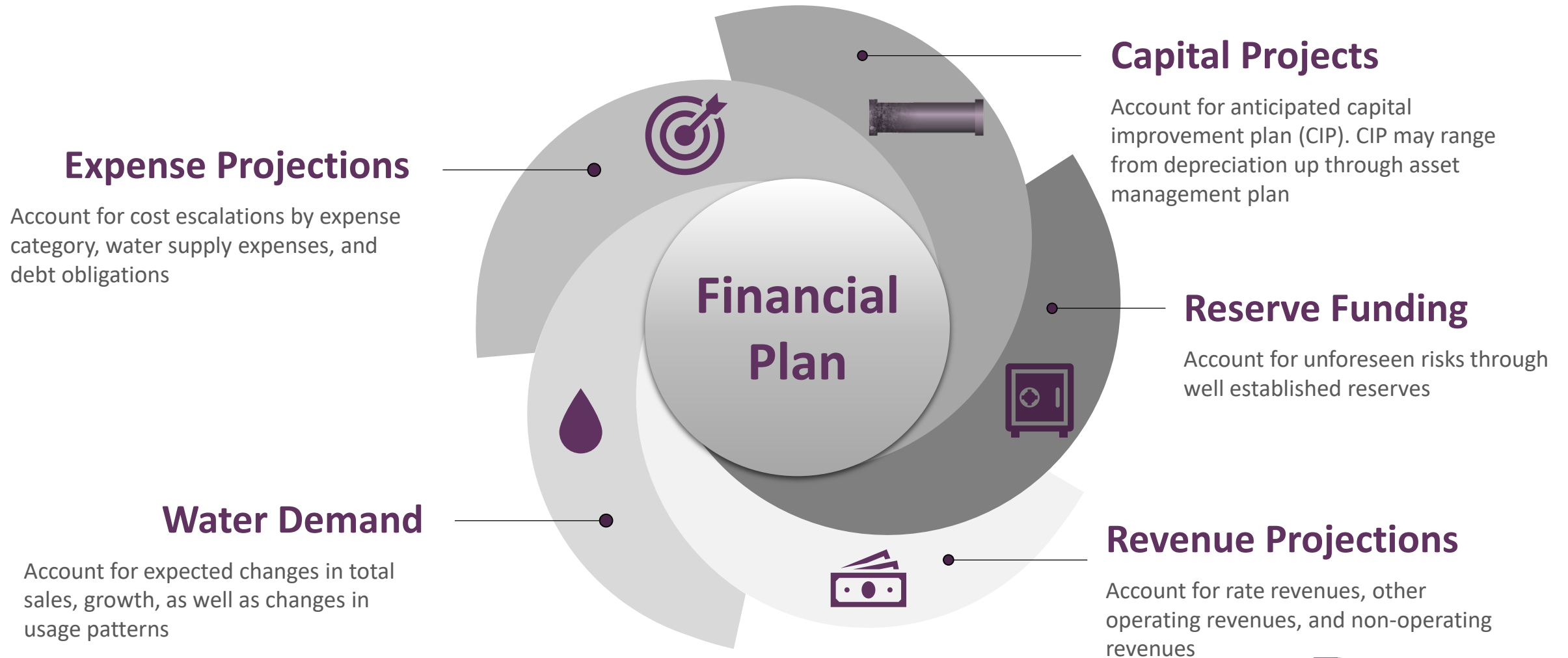
Prepare a comprehensive administrative record

Approach

Rate Study Components



Factors Impacting the Financial Plan

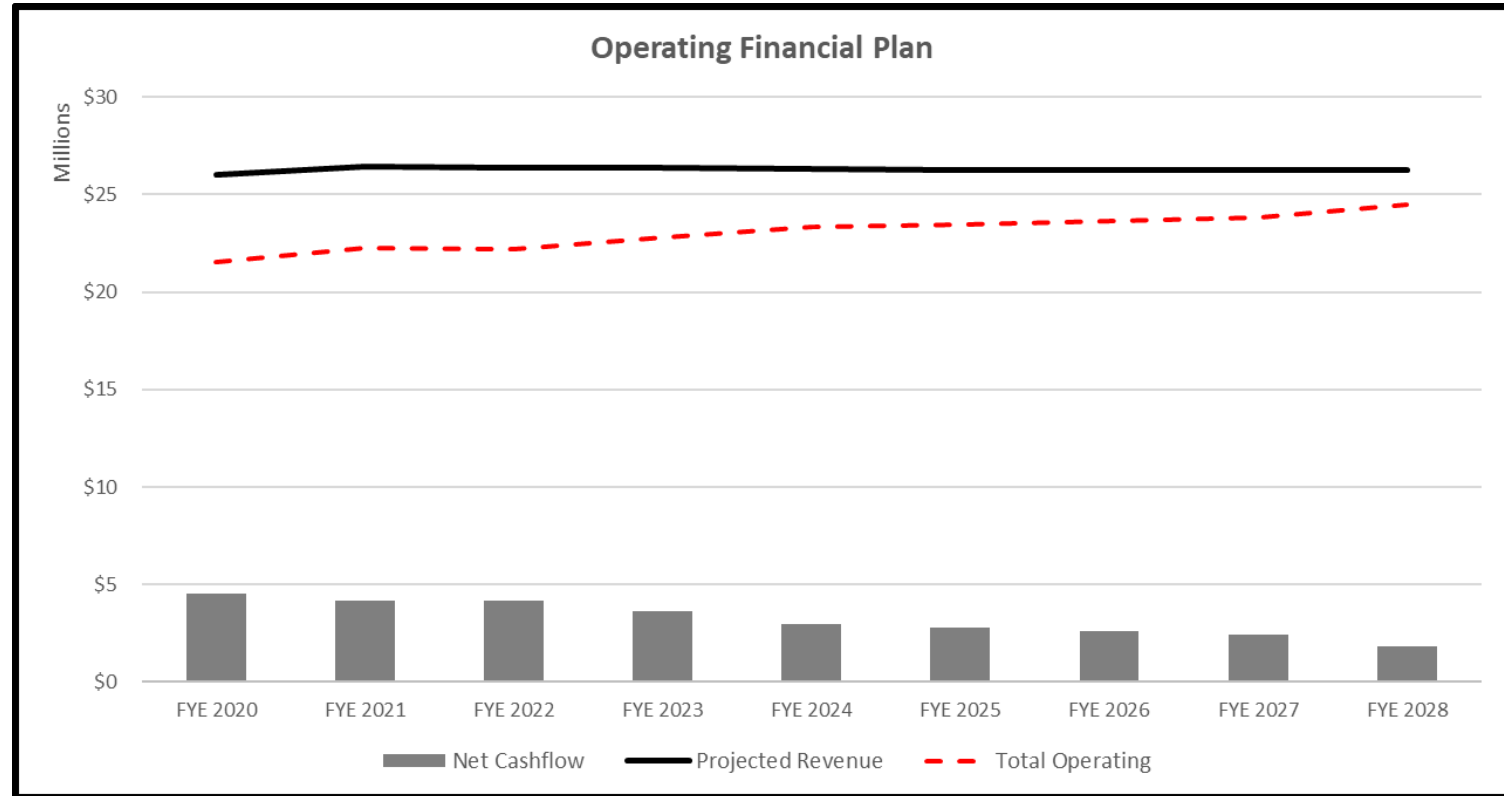


District's Financial Position

Water Enterprise

Financial Plan Metrics

- Generate positive annual operating net income
- Comply with debt covenants

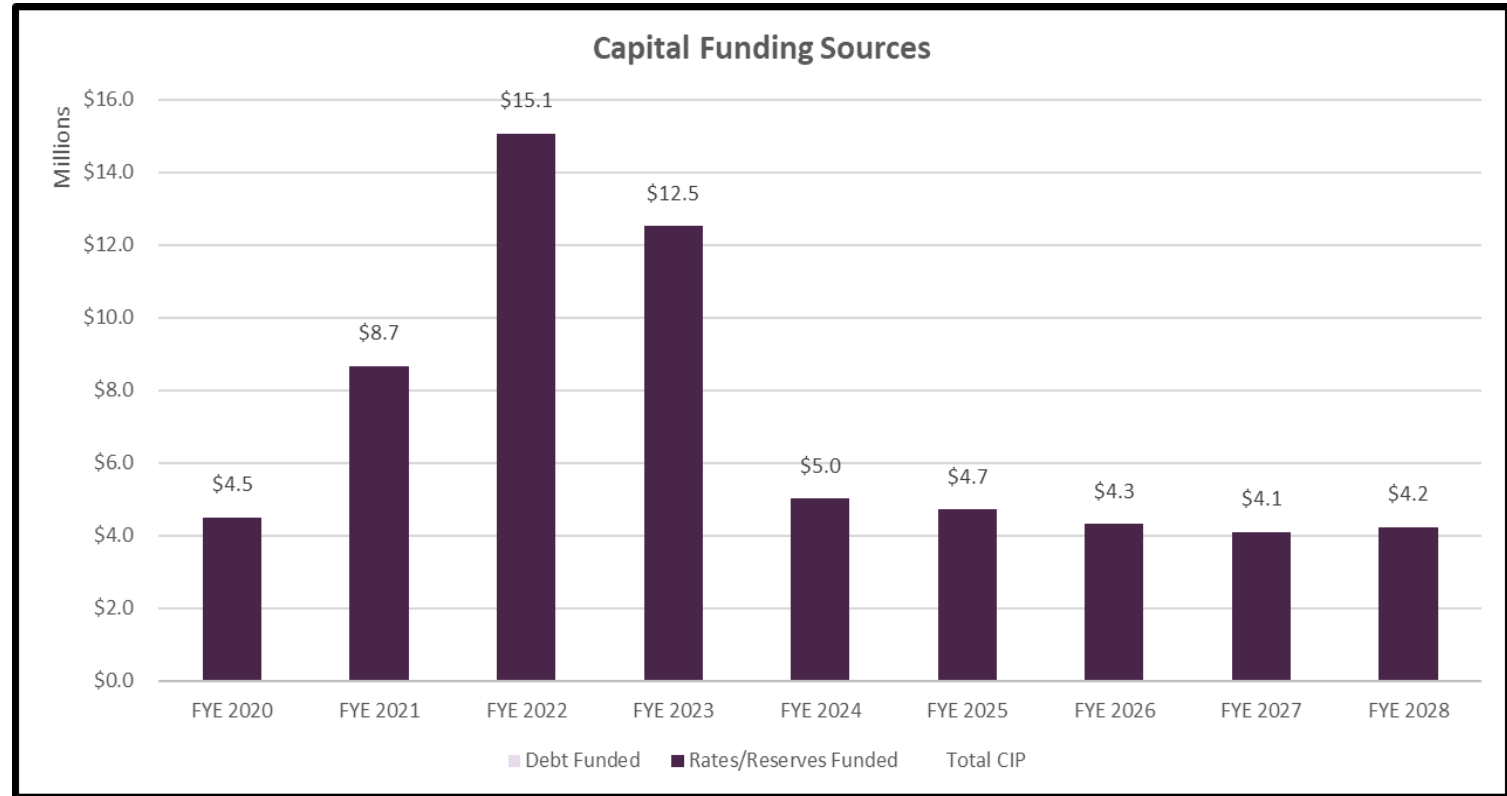


District's Financial Position

Water Enterprise

Financial Plan Metrics

➤ Sufficiently fund capital needs

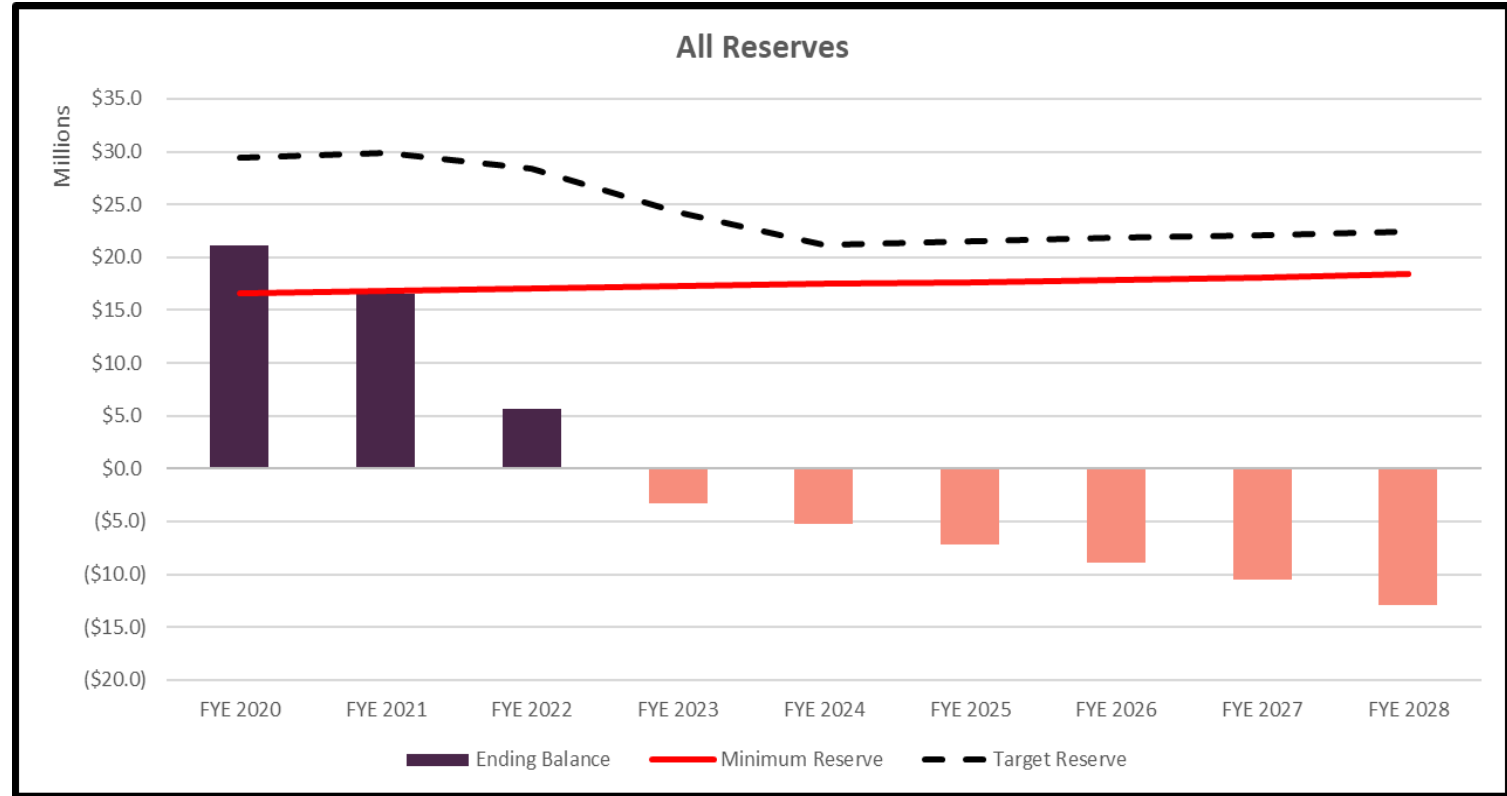


District's Financial Position

Water Enterprise

Financial Plan Metrics

- Meet reserve targets based on policies



District's Financial Position

Current Rates

Results from Review

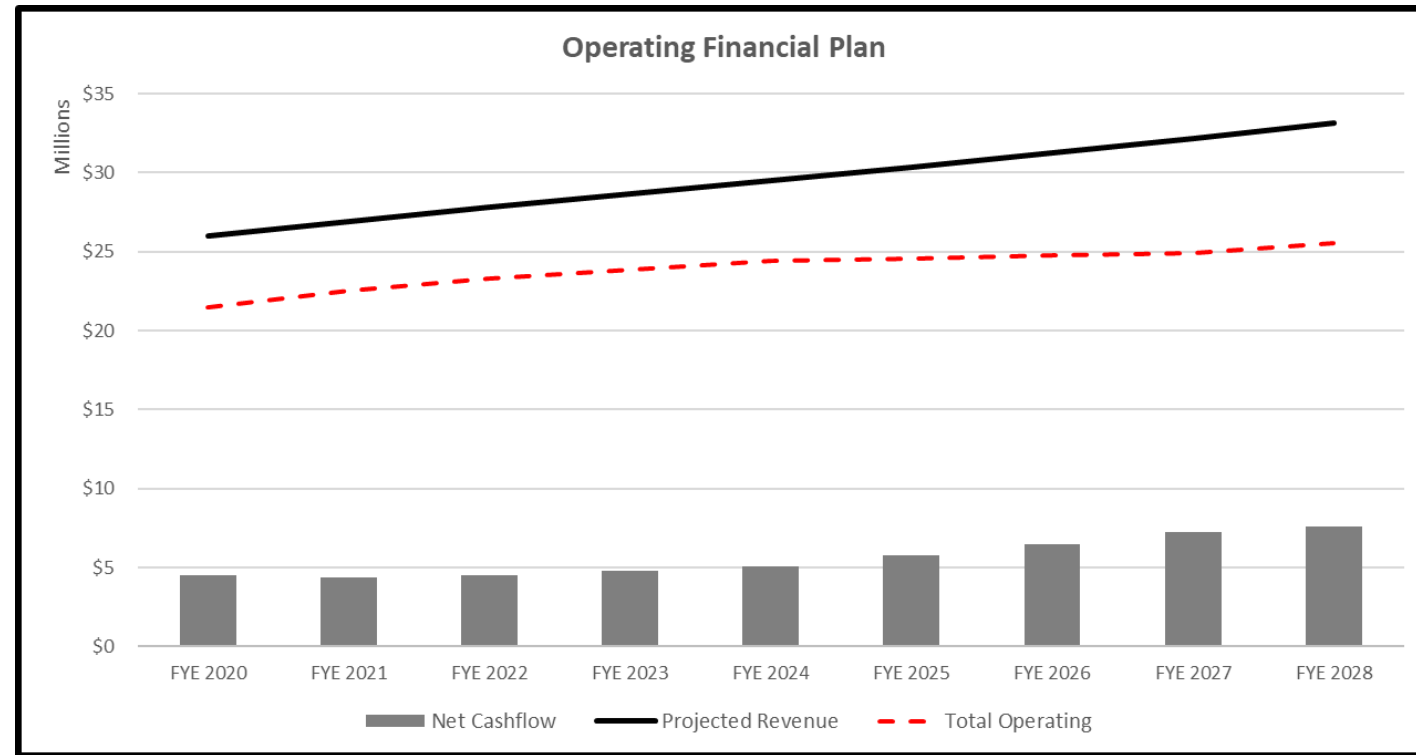
- Strong Financial Position
- Ongoing capital replacement needs is primary driver
- Additional revenues needed to continue replacement program while maintaining healthy reserves

Proposed Financial Plan

10-Year Planning Period

Proposed Financial Plan

- Positive annual operating net income ✓
- Comply with debt covenants ✓
- Level adjustments to reduce impact ✓

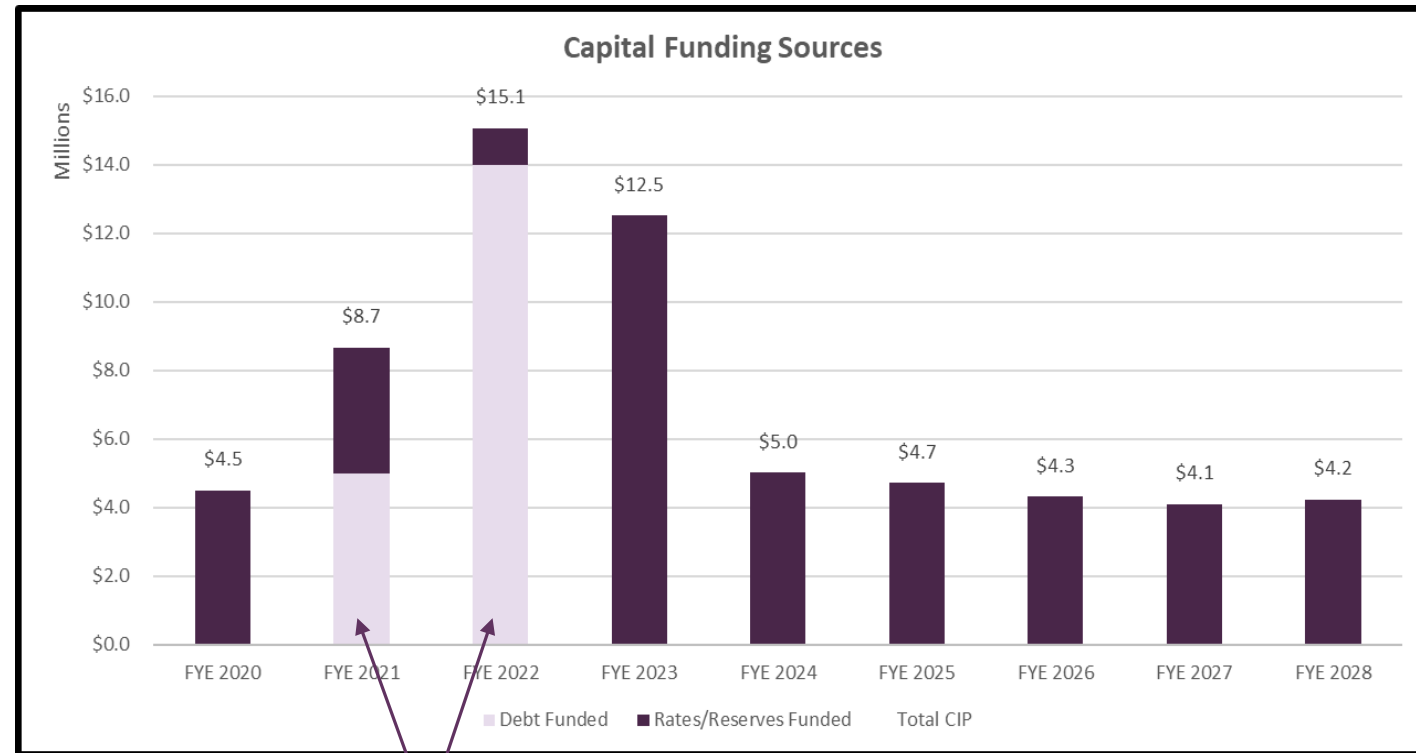


Proposed Financial Plan

10-Year Planning Period

Proposed Financial Plan

- Sufficiently fund capital needs
- State Loans for Plant 134 and new Eastside Treatment Plant



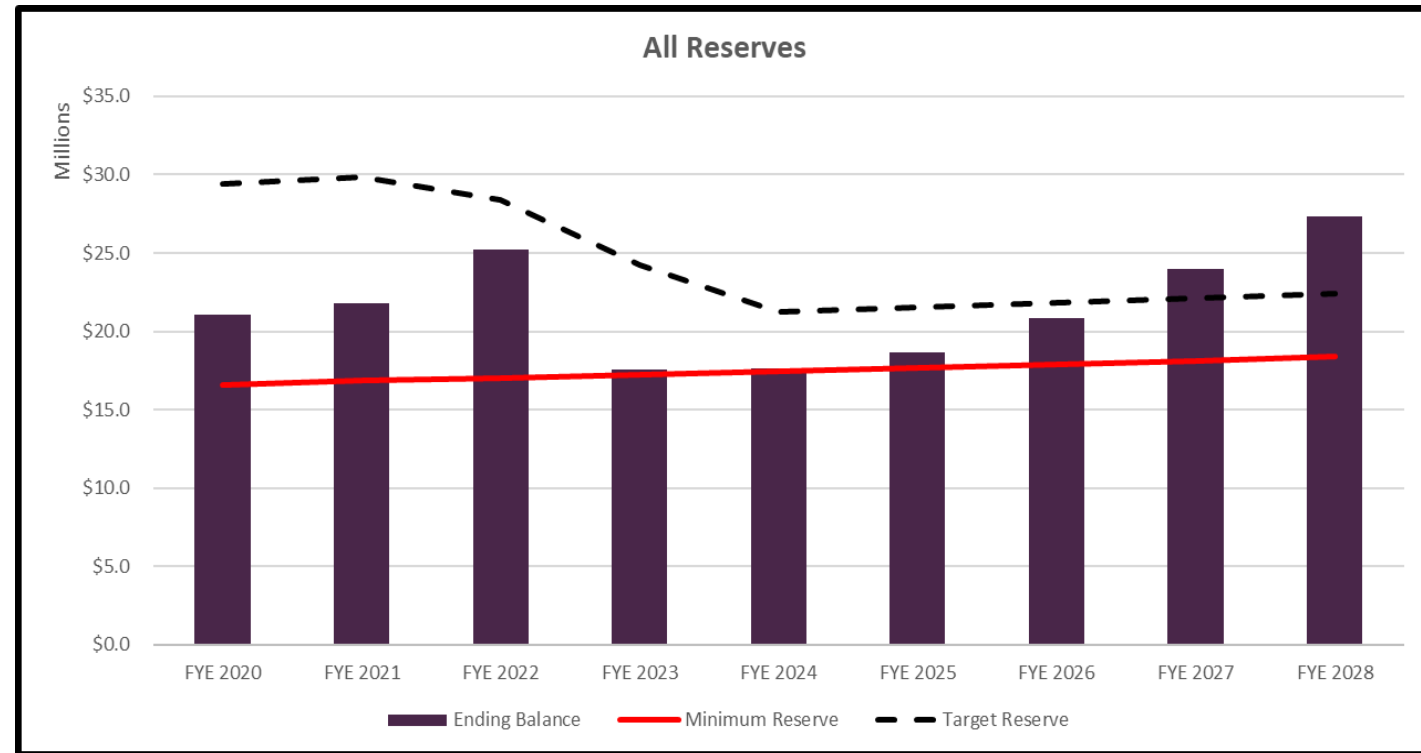
FYE 2021: Plant 134 Improvements – SRF Loan
FYE 2022: Eastside Treatment Plant – SRF Loan

Proposed Financial Plan

10-Year Planning Period

Proposed Financial Plan

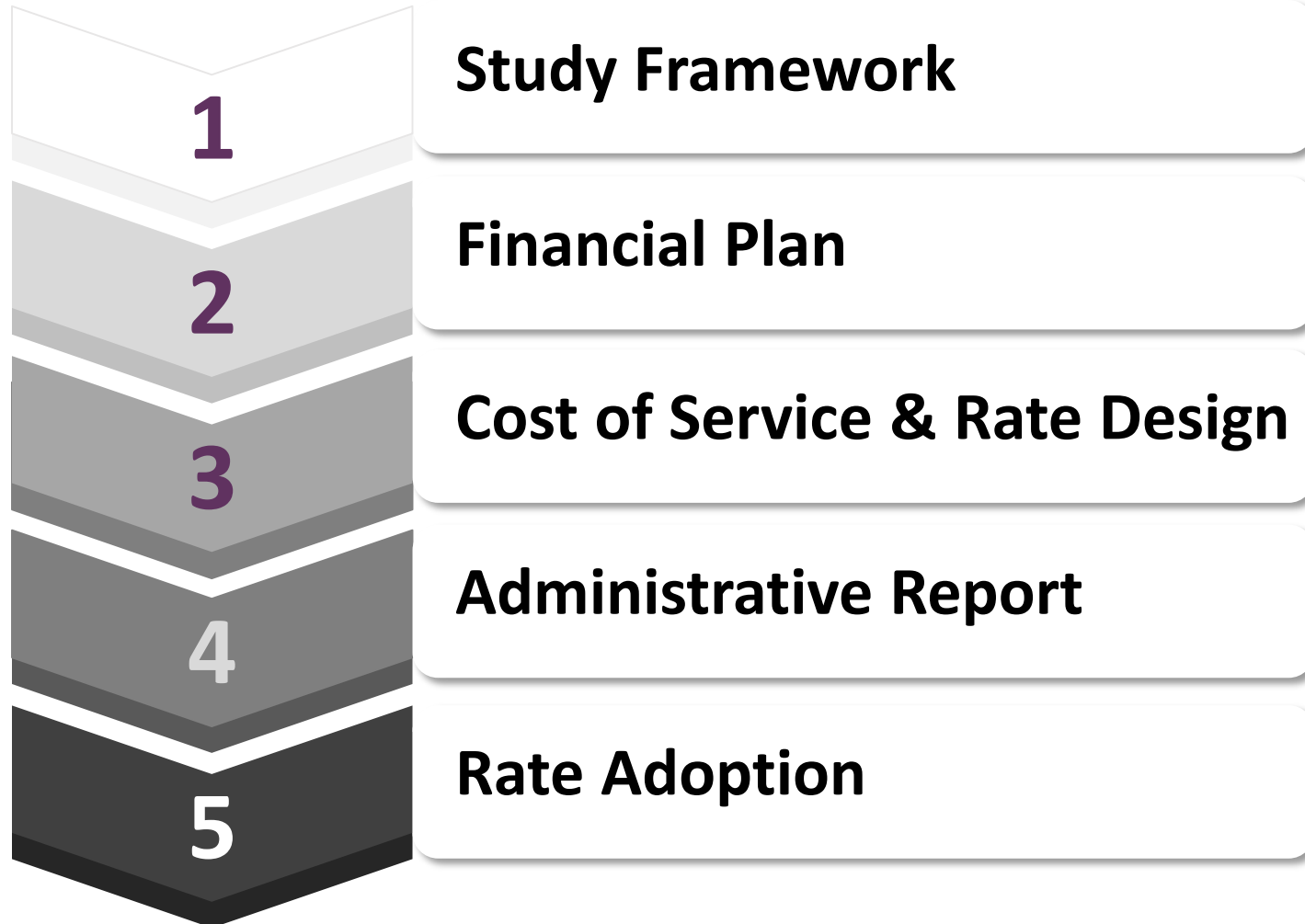
- Meet reserve targets



- Additional Revenue recovery over next 3 years
* \$4.2M
- Smooth recovery
* Revenue adjustments - 4%, 3%, 3%

Approach

Rate Study Components



Rate Design

Structure

- Maintain current budget-based rate structure
 - Performed well through mandatory conservation
 - Excellent signaling tool and connection between District and customers
- Cost of Service recalibration
 - Incorporates recent usage trends
 - Efficient water use is the new norm
 - Updated cost allocations ensure rates reflect the cost of delivering water
 - Tiered costs updated to reflect proportionate share based on demand
- Fixed / Variable Recovery
 - Maintain current revenue recovery split (~34% fixed / 66% Variable)

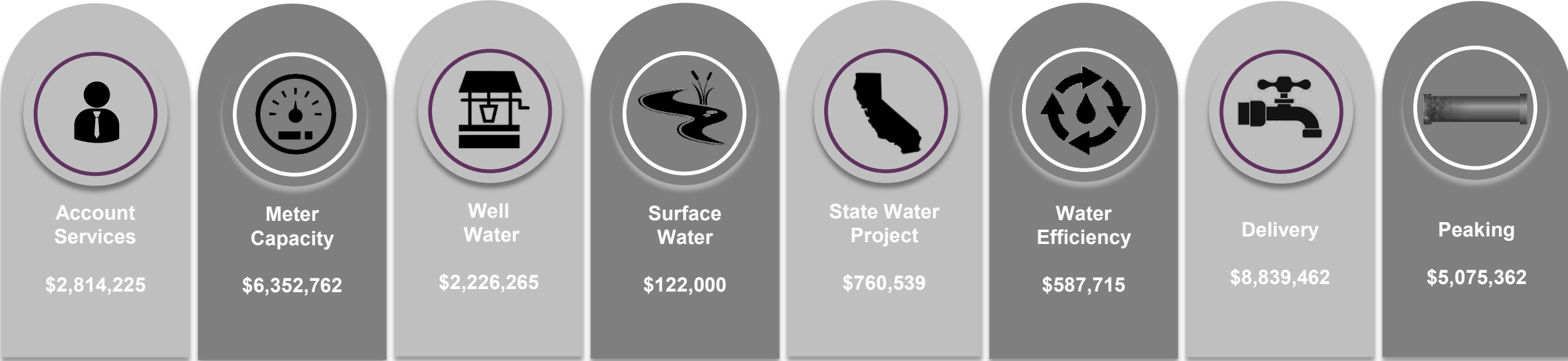
FY 2021 Revenue Requirements

Cost of Service

Revenue Requirements	Specific	Operating	Capital	Total
Operating Costs				
Board of Directors		\$188,966		\$188,966
General Administration		\$953,250		\$953,250
Human Resources		\$743,579		\$743,579
Public Affairs		\$937,585		\$937,585
Conservation		\$608,601		\$608,601
Finance		\$919,393		\$919,393
Information Technology		\$679,934		\$679,934
Customer Service		\$1,280,996		\$1,280,996
Meter Service		\$311,657		\$311,657
Engineering		\$1,136,289		\$1,136,289
Water Production - Admin		\$605,704		\$605,704
Water Production - Source of Supply		\$653,245		\$653,245
Water Production - Pumping		\$263,295		\$263,295
Water Production - Transmission & Distribution		\$463,072		\$463,072
Water Treatment		\$597,016		\$597,016
Water Quality - Source of Supply		\$283,006		\$283,006
Water Quality - Transmission & Distribution		\$201,331		\$201,331
Field Maintenance Administration		\$411,225		\$411,225
Water Maintenance		\$2,625,080		\$2,625,080
Facilities Maintenance - Admin		\$597,657		\$597,657
Facility Maintenance - Source of Supply		\$55,355		\$55,355
Facility Maintenance -Pumping		\$45,104		\$45,104
Facility Maintenance - Treatment		\$137,612		\$137,612
Fleet Maintenance		\$452,128		\$452,128
Groundwater	\$2,226,265			\$2,226,265
Surface Water	\$122,000			\$122,000
State Water Project	\$760,539			\$760,539
Subtotal Operating Costs	\$3,108,804	\$15,151,080	\$0	\$18,259,884
Debt Service				
2010 Water Bonds		\$2,464,663		\$2,464,663
2013 Water Bonds		\$384,800		\$384,800
US Bank		\$454,028		\$454,028
SB Valley Turnout		\$467,368		\$467,368
SRF Plant 134		\$233,399		\$233,399
New Proposed Debt		\$289,882		\$289,882
Subtotal Debt Service	\$0	\$4,294,140	\$0	\$4,294,140
Total Operating Expenses	\$3,108,804	\$19,445,219	\$0	\$22,554,023
Total Revenue Offsets	\$0	(\$667,319)	\$0	(\$667,319)
Adjustments				
Adjustment for Net Income			\$4,376,658	\$4,376,658
Adjustment for Mid-Year Increase			\$514,968	\$514,968
Total Adjustments	\$0	\$0	\$4,891,626	\$4,891,626
Revenue Requirements	\$3,108,804	\$18,777,901	\$4,891,626	\$26,778,331

Cost of Service

Cost Components for Rate Development



Fixed Components

34%

Variable Components

66%

Similar to Current Structure

Fixed Charges

Fixed Charge Components

Continuing to outperform previously noticed rates

Meter Size	# of Meters	Customer Service Charge [A]	Capacity Ratios	Meter Service Charge [B]	Proposed Charge [A + B]	Current Charge	Change (\$)
5/8"	4,202	\$10.98	1.00	\$12.97	\$23.95	\$23.06	\$0.89
3/4"	12,327	\$10.98	1.50	\$19.46	\$30.44	\$29.27	\$1.17
1"	4,175	\$10.98	2.50	\$32.43	\$43.41	\$41.71	\$1.70
1 1/2"	262	\$10.98	5.00	\$64.85	\$75.83	\$72.81	\$3.02
2"	287	\$10.98	8.00	\$103.76	\$114.74	\$110.13	\$4.61
3"	62	\$10.98	17.50	\$226.98	\$237.96	\$228.30	\$9.66
4"	22	\$10.98	31.50	\$408.56	\$419.54	\$402.44	\$17.10
6"	12	\$10.98	65.00	\$843.05	\$854.03	\$819.14	\$34.89
8"	11	\$10.98	140.00	\$1,815.80	\$1,826.78	\$1,503.28	\$323.50

Majority of accounts

Water Supplies

Groundwater, State Water Project, Surface Water

	Projected Usage	Groundwater	SWP	Water Supply Costs
Effective Rate (\$/ccf)		\$0.40	\$0.54	
Available Supply		5,697,150	1,424,287	
Tier 1	3,631,879	3,631,879	-	\$0.40
Tier 2	2,313,409	2,065,271	248,138	\$0.42
Tier 3	1,176,149	-	1,176,149	\$0.54

Blended rate based on water supply mix to support demand

Variable Charges

Variable Rate Components

Tiers	Projected Usage	Supply	Surface Water	Water Efficiency	Delivery	Peaking	Water Supply Costs	Current Rate	Change (\$)
Tier 1	3,631,879	\$0.40	\$0.02	-	\$1.25	\$0.31	\$1.98	\$1.83	\$0.15
Tier 2	2,313,409	\$0.42	\$0.02	\$0.17	\$1.25	\$0.69	\$2.55	\$2.61	(\$0.06)
Tier 3	1,176,149	\$0.54	\$0.02	\$0.17	\$1.25	\$2.04	\$4.02	\$3.64	\$0.38

Proposed Charges

FY 2021 – FY 2023

Monthly Fixed Charges

Meter Size	FY 2021	FY 2022	FY 2023
5/8"	\$23.95	\$24.91	\$25.66
3/4"	\$30.44	\$31.66	\$32.61
1"	\$43.41	\$45.15	\$46.51
1 1/2"	\$75.83	\$78.87	\$81.24
2"	\$114.74	\$119.33	\$122.91
3"	\$237.96	\$247.48	\$254.91
4"	\$419.54	\$436.32	\$449.41
6"	\$854.03	\$888.20	\$914.85
8"	\$1,826.78	\$1,899.86	\$1,956.86

Variable Charges

Tiers	FY 2021	FY 2022	FY 2023
Tier 1	\$1.98	\$2.06	\$2.13
Tier 2	\$2.55	\$2.66	\$2.74
Tier 3	\$4.02	\$4.19	\$4.32

FY 2021 Revenue Requirements

Cost of Service

Wastewater Enterprise

District's Financial Position

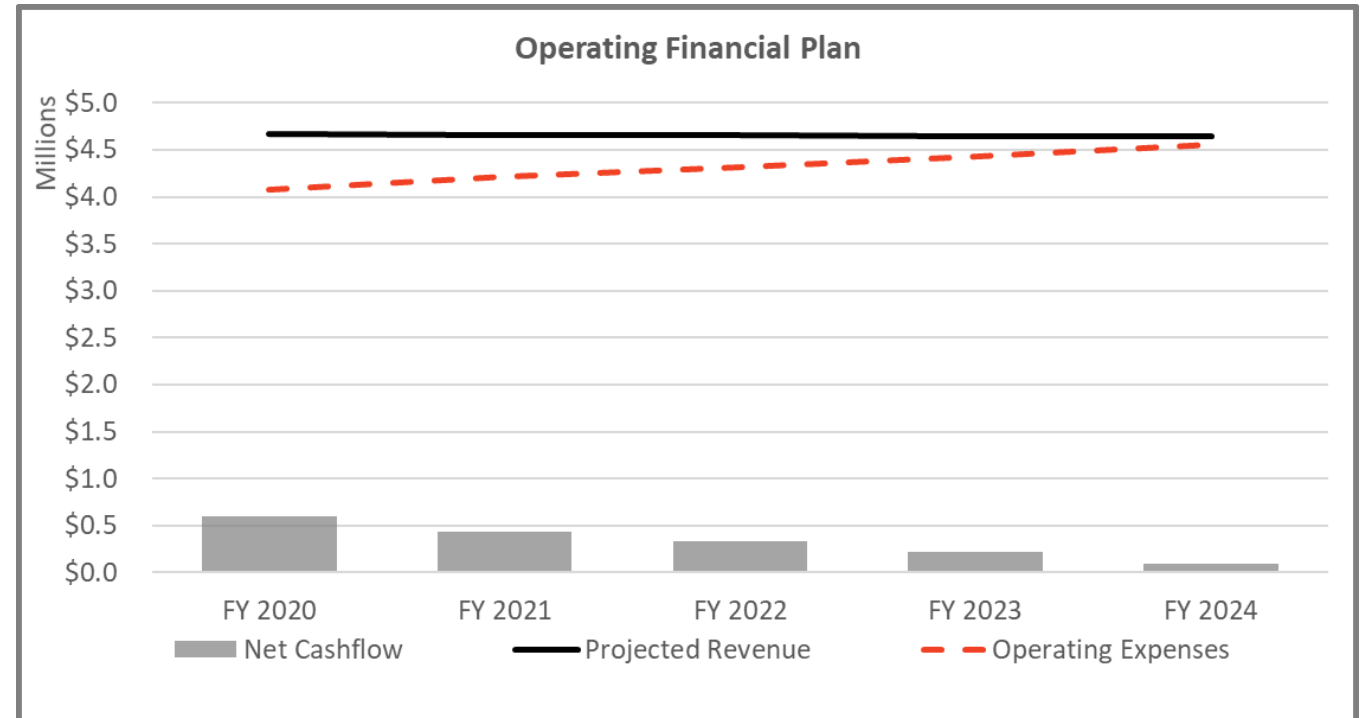
Wastewater Enterprise – (Collection Only)

Capital Replacement < Asset depreciation

Financial Plan Metrics

Reviewing Collection Only

- Generate positive annual operating net income
- Comply with existing debt covenants
- Sufficiently fund capital needs
- Meet reserve targets based on policies



District's Financial Position

Current Collection Rates

Results from Review

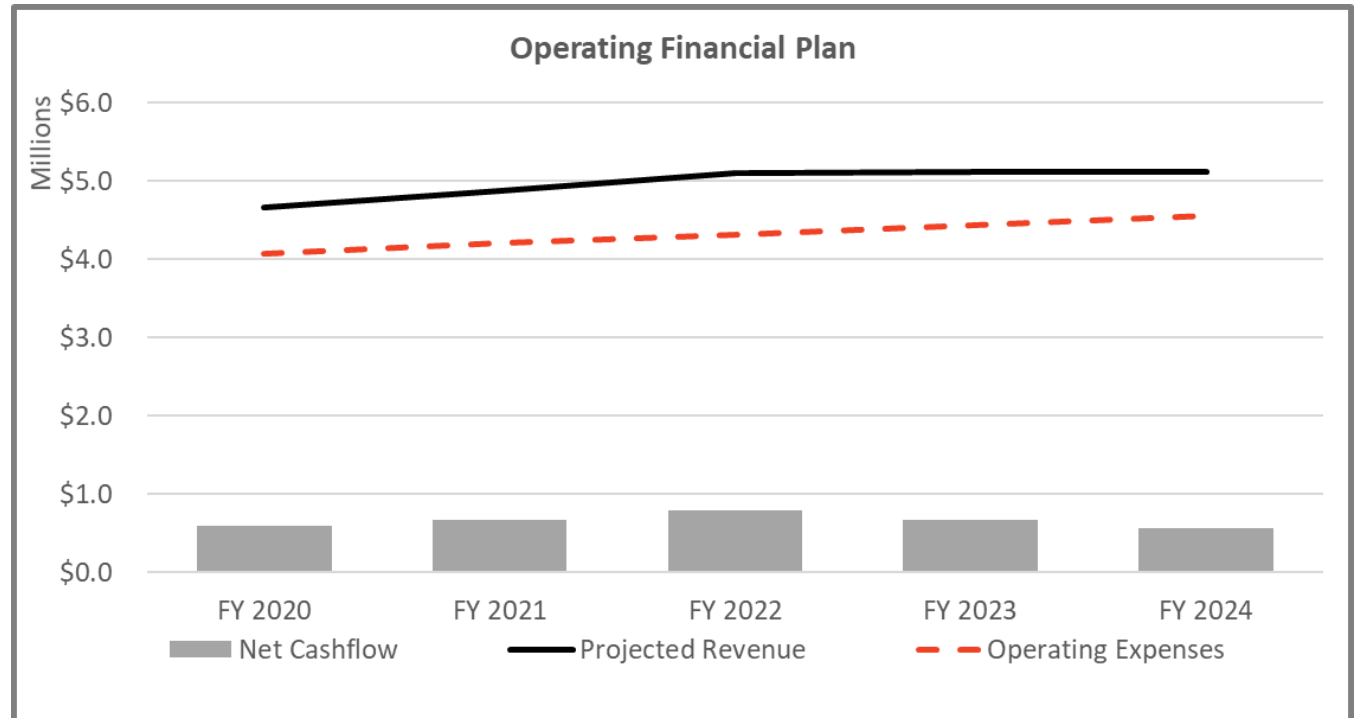
- Collection rates have not been adjusted for multiple years
- Building up capital replacement program is primary driver
- Balance capital replacement while maintaining healthy reserves

Proposed Financial Plan

FY 2021 Only

Proposed FY 2021 Financial Plan

- Only looking at FY 2021 for collection rates
- Build up capital funding
- Generate additional \$450k annually
- Maintain minimum reserves



Wastewater Collection Charges

FY 2021

Customer Class	Fixed Monthly Collection
Single-Family Residential	\$16.90
Multi-Family Residential	\$4.29
Non-Residential	\$4.29

Current Monthly Collection	Change (\$)
\$15.36	\$1.54
\$0.61	\$0.39
\$0.61	\$0.39

Customer Class	Variable Collection
Single-Family Residential	-
Multi-Family Residential	\$0.55
Non-Residential	\$0.55

Current Variable Collection	Change (\$)
-	-
\$0.61	\$0.06
\$0.61	\$0.06

- A comprehensive cost of service analysis will be conducted next fiscal year
- Study will incorporate new treatment plant
- Entire rate structure may be modified to more closely reflect District's operations and costs
- San Bernardino Treatment rates will discontinue

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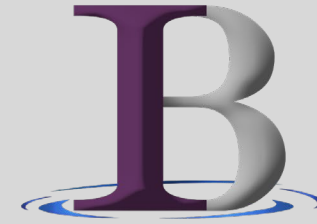
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Thank You



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