Alameda County Water District

Financial Workshop

Financial Planning Scenarios

August 15, 2018
Presentation Overview

- Review Financial Workshops Timeline
- Current Financial Status
- Financial Planning Scenarios
  - State Water Project Override Tax
  - WaterFix
  - Los Vaqueros Expansion
  - Water Demand Alternatives
  - Debt Issuance
  - Scheduled pay-down for pension and other post-employment benefit liabilities
- Reserve Funds
- Next Steps
Board Guidance

- Approach on the following:
  - State Water Project Override Tax
  - WaterFix
  - Los Vaqueros Expansion
  - Water Demand Alternatives
  - Debt Issuance
  - Scheduled Pay-down for pension and other post-employment benefit liabilities

- Reserves Funds
Financial Workshops Timeline

- February 22: Development Charges Overview
- April 26: Development Charges Follow-up and Water Rates Overview
- May 22: Mid-cycle Budget Review and Capital Improvement Program Update
- July 26: Rate Structure Discussion
- **August 15: Financial Planning Scenarios**
- October 25: Development Charges and Water Rates Follow-up; Public Outreach Plan
- December 6: Potentially Set Public Hearing for proposed Development Charges and Water Rates
Financial Workshops Timeline

- February 14, 2019: Rate and Fee Adoption (regular February Board meeting)

Effective Dates

- March 1, 2019: Water rates are effective
- May 1, 2019: Development charges are effective
CURRENT FINANCIAL STATUS
<table>
<thead>
<tr>
<th>General Fund</th>
<th>Estimated</th>
<th>Actual</th>
<th>Preliminary</th>
<th>Actual</th>
<th>Estimate vs Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEGINNING CASH BALANCE</td>
<td>$ 81,340,919</td>
<td>$ 81,340,919</td>
<td>0.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REVENUES</td>
<td>121,970,017</td>
<td>121,477,535</td>
<td>-0.4%</td>
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<td></td>
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<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>68,939,501</td>
<td>64,848,389</td>
<td>-5.9%</td>
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<td></td>
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<tr>
<td>Administrative &amp; General</td>
<td>22,260,302</td>
<td>18,998,124</td>
<td>-14.7%</td>
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<tr>
<td>Expense Projects</td>
<td>582,404</td>
<td>1,259,362</td>
<td>116.2%</td>
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<tr>
<td>GF Capital Projects</td>
<td>12,084,664</td>
<td>10,355,800</td>
<td>-14.3%</td>
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<tr>
<td>Total Operating Expense</td>
<td>103,866,872</td>
<td>95,461,675</td>
<td>-8.1%</td>
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<tr>
<td>Customer Jobs</td>
<td>4,800,496</td>
<td>4,687,037</td>
<td>-2.4%</td>
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<tr>
<td>Debt Service</td>
<td>6,373,281</td>
<td>6,373,281</td>
<td>0.0%</td>
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<td></td>
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<tr>
<td>Total Non-Operating Expense</td>
<td>11,173,777</td>
<td>11,060,319</td>
<td>-1.0%</td>
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<tr>
<td>TOTAL EXPENSES</td>
<td>115,040,649</td>
<td>106,521,994</td>
<td>-7.4%</td>
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<tr>
<td>NET OF REVENUES AND EXPENSES</td>
<td>6,929,368</td>
<td>14,955,541</td>
<td>115.8%</td>
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<tr>
<td>RECONCILING TIMING DIFFERENCE</td>
<td>0</td>
<td>2,032,379</td>
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<tr>
<td>ENDING CASH BALANCE</td>
<td>$ 88,270,287</td>
<td>$ 98,328,839</td>
<td>11.4%</td>
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</tbody>
</table>
## FY17/18 Estimated vs Preliminary Actual

<table>
<thead>
<tr>
<th>Revenues</th>
<th>FY17/18 Estimated Actual</th>
<th>FY17/18 Preliminary Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption Charges</td>
<td>$ 68,222,198</td>
<td>$ 66,977,954</td>
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<tr>
<td>Service Charges</td>
<td>33,747,258</td>
<td>33,131,772</td>
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<tr>
<td>Drought Surcharge</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Other Water Revenue</td>
<td>1,587,855</td>
<td>1,558,896</td>
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<tr>
<td><strong>Water Revenue</strong></td>
<td>103,557,311</td>
<td>101,668,621</td>
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<tr>
<td>Property Tax Proceeds</td>
<td>10,534,421</td>
<td>10,630,455</td>
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<td>Customer Jobs Revenue</td>
<td>4,800,496</td>
<td>5,981,605</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>1,348,370</td>
<td>1,513,356</td>
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<tr>
<td>Interest Revenue</td>
<td>1,307,611</td>
<td>1,271,683</td>
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<tr>
<td>Ground Water Revenue</td>
<td>421,809</td>
<td>411,814</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>$ 121,970,017</td>
<td>$ 121,477,535</td>
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<tr>
<td>Source of Supply</td>
<td>FY17/18 Estimated</td>
<td>FY17/18 Actual</td>
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<tr>
<td>-------------------------</td>
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</tr>
<tr>
<td>Source of Supply</td>
<td>$36,175,308</td>
<td>$32,734,693</td>
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<tr>
<td>Water Treatment</td>
<td>15,240,768</td>
<td>14,790,127</td>
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<tr>
<td>Transmission &amp; Distribution</td>
<td>14,414,883</td>
<td>14,658,873</td>
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<tr>
<td>Customer Accounts</td>
<td>1,392,000</td>
<td>1,448,427</td>
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<tr>
<td>Pumping</td>
<td>1,716,542</td>
<td>1,216,268</td>
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<tr>
<td><strong>TOTAL O&amp;M EXPENSES</strong></td>
<td><strong>$68,939,501</strong></td>
<td><strong>$64,848,389</strong></td>
</tr>
</tbody>
</table>
FINANCIAL PLANNING SCENARIOS
Financial Planning Model
Base Assumptions

- Billed Demand
  - 35.2 mgd FY19, 36.34 mgd FY20, 37.51 mgd FY21 on out. 8% non-revenue water
- June 2018 Board Adopted CIP
- Amended FY 2018/19 Budget
- General inflation rate of +3.0%. No CIP inflation.
- Annual +3.0% commodity rates & service charge
- Advanced Metering Infrastructure $1.49 million in FY19. $25.4 million total in CIP. 50% debt funded.
Financial Planning Model
Base Assumptions

- Los Vaqueros included $0.23M for FY19, $1M for FY20, $2M for FY21 and 22, $3M for FY 23 and 24, and then $4M for FY25+.
- CA Water Fix included ramping from ~$1M in FY20 to ~$9.5M in FY32. All rates funded.
- Pension/OPEB: Unfunded Accrued Actuarial Liability (UAAL) amortized @ 6.5% with level % prefunding. 18 of 20 years to go ending FY37.
- SWP Override Tax: current policy.
Financial Planning Model
Base Assumptions

- The base assumptions reflect the District’s current financial trajectory
- The base assumptions include the following updates from the amended FY 2018/19 budget:
  - Partial debt financing for the AMI project. Staff are beginning to evaluate the State Revolving Fund as an option, but no decisions have been made
  - Los Vaqueros Expansion estimates have been updated based on the latest available information
- Staff have modeled various alternatives that can also be presented
Charts from FPM with Base Assumptions
Charts from FPM with Base Assumptions

Water Debt Coverage Ratios

Coverage

- Debt Coverage Ratio
- Target Debt Coverage - 200%
- Alert Coverage

CIP & Funding Sources

Selected CIP - 18CIP-P2-a0 non-inflated

- PayGo GF CIP
- Existing Debt GF CIP
- New Debt GF CIP
- FIF CIP
- GF CIP

Millions

- FY 2018
- FY 2019
- FY 2020
- FY 2021
- FY 2022
- FY 2023
- FY 2024
Charts from FPM with Base Assumptions
Financial Planning Model
Scenario Alternatives

- State Water Project Override Tax:
  - Groundwater (GW) Portion only (~68%, base)

- CA Water Fix
  - All rates funded (base).
  - GW portion only (~68%) recovered through override tax
  - 100% recovered through override tax

- AMI Debt Issuance
  - No debt/all rates
  - 50% debt issuance (~$13M in FY20, base)
  - 100% debt issuance (~$26M in FY20)
Financial Planning Model
Scenarios Alternatives

- Billed Demand
  - Current Projections (base)
  - 6% below previous levels long-term
  - Assume flat demand of 34mgd for FY18
- Los Vaqueros
  - Included (base)
  - Not included
Financial Planning Model
Scenarios Alternatives

- Pension/OPEB Advanced Funding
  - Unfunded Actuarial Accrued Liability (UAAL) amortized at:
    - 6.50% for 20 years with level % payments (base)
    - 6.50% for 15 years with level % payments
    - 6.50% for 20 years with level $ payments
    - 6.50% for 15 years with level $ payments
RESERVE FUNDS
Reserve Funds

- Discuss approach for when reserve funds exceed minimum thresholds. On a case-by-case basis, some options could include:
  - Dedicating a portion of net funds to the Rate Stabilization Reserve (currently set at six months of variable water sales) to protect against financial uncertainties such as future water demands or otherwise maintaining reserve balances above the minimum threshold
  - Dedicating a portion of net funds to expedite the funding plan for pension and/or OPEB (retiree health care) benefits
  - Dedicating a portion of funds to one-time capital projects or accelerating the main renewal program
NEXT STEPS
Next Steps

- Financial workshop planned for October 25
  - Development charges follow-up
  - Water rates follow-up
  - Outreach plan for stage rates
- Public outreach
- Financial workshop scheduled for December 6
  - Financial planning model updates
  - Help on Tap review
  - Potentially set Public Hearing for rates and charges
- February 14, 2019 (Board Meeting): Rate and Fee Adoption