CRESCENTA VALLEY WATER DISTRICT

2700 FOOTHILL BOULEVARD LA CRESCENTA, CALIFORNIA

Agenda for the Meeting of the Finance Committee of the
Crescenta Valley Water District
To be held on Tuesday, February 16, 2021 at 2:30 p.m.
Posted: Friday, February 12, 2021 at 3:00 p.m.

TELECONFERENCING NOTICE

[This meeting will be held by teleconference only.]

Pursuant to the provisions of Executive Order N-29-20 issued by Governor Gavin Newsom on March 18, 2020, the public may not attend the meeting in person.

Any member of the public may participate by listening or making comments using a touchtone phone. You may select any of the following phone numbers (there are more than one for increased reliability during this time of increased phone traffic)

(669) 900-6833	**(346) 248-7799**	**(929) 205-6099**
(253) 215-8782	**(301) 715-8592**	**(312) 626-6799**

Then, enter Access Code: 827 1651 1075

[Pursuant to the above Executive Order, the public may not attend the meeting in person.]

Those members of the public who are able to and would like to additionally participate with a computer through videoconference may access the Zoom videoconferencing tool available at the following link – https://us02web.zoom.us/j/82716511075.

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by contacting the District by phone or in writing at the above email address. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.

Call to Order

Adoption of Agenda

Public Comments

At this time, members of the public shall have an opportunity to address the Committee on items of interest that are within the subject matter jurisdiction of the Committee. This opportunity is non-transferable, and speakers are limited to three (3) minutes each.

Action Item(s)

The public shall have an opportunity to comment on any action item as each item is considered by the Committee prior to action being taken. This opportunity is non-transferrable, and speakers are limited to one two-minute (2) comment each.

1. Present and review the draft Financial Plan stage of the Water & Wastewater Rate Study
2. Open discussion for short and long-term budget and other objectives

Committee Members' Request for Future Agenda Items

Adjournment

Attachment(s):

1. *Draft Financial Plan for Water & Wastewater Rate Study*

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Crescenta Valley Water District

Finance Committee
Draft Financial Plan for the Water & Wastewater Rate Study
February 16, 2021

The District has restarted the rate study process after putting it on hiatus last fiscal year in association with the decision not to raise rates in light of the pandemic.

For the rate study, Raftelis Financial Consultants (RFC) is developing a Financial Plan to determine revenue requirements. This will inform what level of rates will be needed going forward. The Financial Plan precedes the next step of developing the Cost-of-Service Analysis and Rate Design.

Following the Finance Committee discussion, staff will meet with the Community Advisory Committee (CAC) to discuss the Financial Plan and subsequently meet with the Board. Staff is presenting four (4) scenarios for each of the Water and Wastewater Funds. These scenarios represent reasonable lower and higher ranges in terms of financial and other policy decisions for the Finance Committee and the broader Board to direct staff with. They are presented as reference points for a productive conversation, not as recommendations.

The Financial Plan scenario that is ultimately selected will represent the "snapshot in time" that the Cost of Service Analysis and Rate Design will be based on, and it's ideal that the plan accommodate for a range of future financial and policy decisions such as the rate of replacing deferred water and wastewater infrastructure, the option of future bond issuances, the option to explore alternative means of treating wastewater, or funding commitments such as OPEB.

The goal of today's discussion is for the Finance Committee to direct staff toward one or more scenarios the Finance Committee is comfortable with presenting to the Board. Staff will incorporate those scenario(s) into the presentation for the CAC meeting scheduled February 18th and the Board meeting scheduled February 23rd. The goal of the February 23rd Board meeting will be to direct staff toward a Financial Plan based on discussion from the three meetings. The Cost of Service Analysis will be based on the Financial Plan.

The Cost of Service Analysis and Rate Design will be conducted through March, again with a Finance Committee meeting, CAC meeting, and Board meeting. The overall goal is to issue a completed rate study ahead of a Prop 218 notice that will need to be sent by mid-April. This is if the objective is for any rate increase to be implemented by July 1, as they typically are.

Raftelis will present the draft Financial Plan and be available for discussion.

Crescenta Valley Water District

Water and Wastewater Rate Study

February 16, 2021

RAFTELIS

CVWD

Raftelis Project Team

Kevin Kostiuk, ***Project Manager***

- Email: kkostiuk@raftelis.com
- Phone: 213.262.9309

Edward Takara, ***Analyst***

- Email: etakara@raftelis.com
- Phone: 213.262.9303

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Agenda

Water Financial Plan

- Assumptions
- Inputs
- Reserves Policies
- Financial Plan Scenarios

Wastewater

- Assumptions
- Inputs
- Reserves Policies
- Financial Plan Scenarios

Rate Study At A Glance

Rate Setting Framework

- Financial goals and policies
- Pricing objectives

Financial Plan

- Evaluation of CIP and financing options
- Cash flow analysis for financial sufficiency

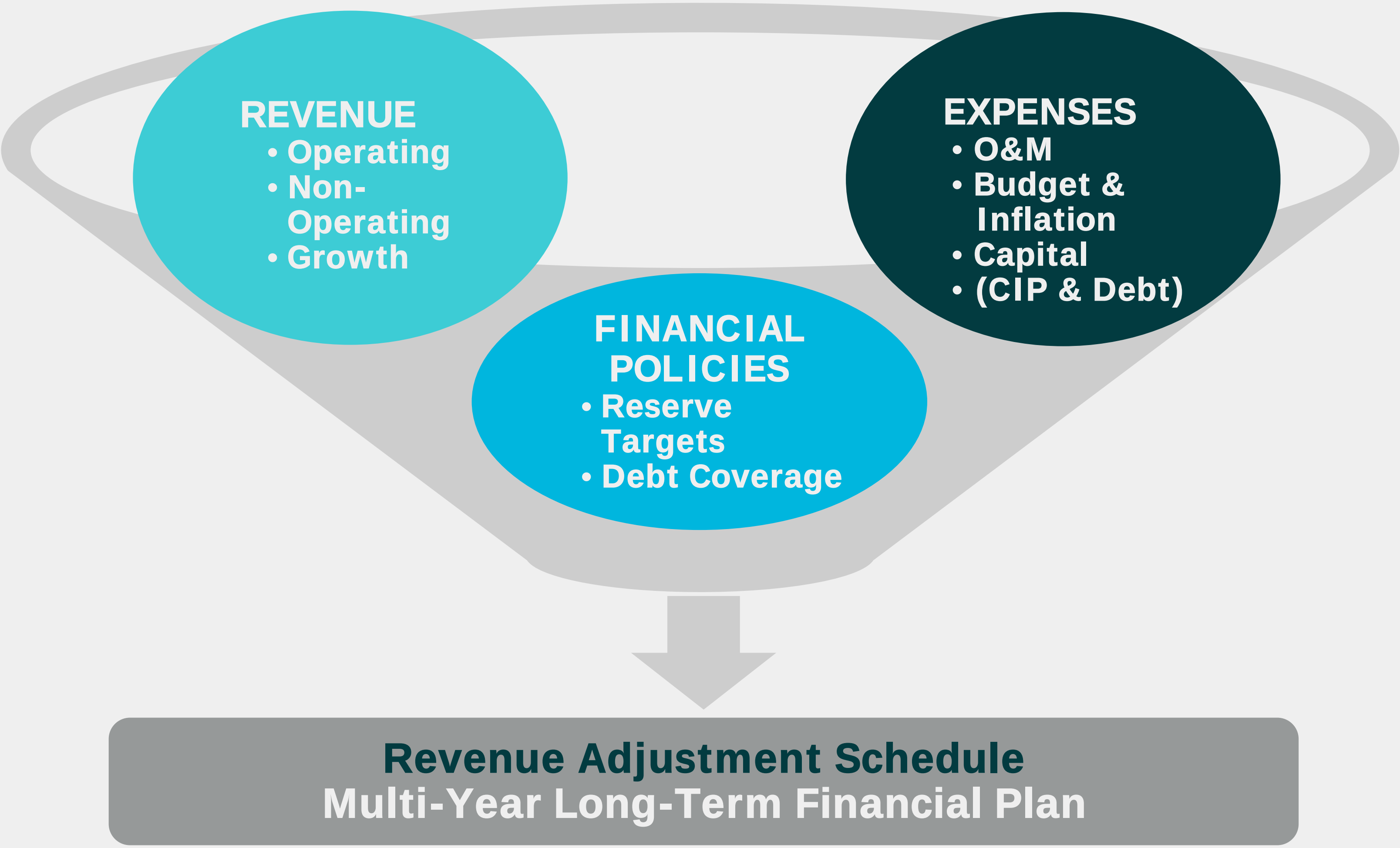
Cost of Service & Rate Design

- Cost allocations
- Rate design
  - Rate calculations
  - Customer impact analyses

Final Rate Adoption

- Report
- Prop 218 Notice
- Public Hearing

Cash Need Basis Approach



Water Financial Plan

Water - Inflationary Assumptions

	*FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
General Inflation	N/A	3%	3%	3%	3%
Salary	N/A	4%	4%	4%	4%
Benefits	N/A	8%	8%	8%	8%
Power	N/A	3%	3%	3%	3%
Non-inflated	N/A	0%	0%	0%	0%
Capital	N/A	4%	4%	4%	4%
Other Operating Revenues	N/A	1%	1%	1%	1%
Interest	N/A	2.25%	2.25%	2.25%	2.25%

Inflationary assumptions are used to project individual O&M expenses, capital costs, and non-rate revenue streams

**FY = Fiscal Year. The fiscal year begins July 1 of each year and ends June 30 of the following year. FY 2021 represents the current fiscal year July 1, 2020-June 30, 2021*

Water Customer Accounts & Growth Assumptions

- 1% annual growth in connections projected in financial model
- Meter and Fireline counts for FY 2021

Meter Size	Inside District	Outside District	Private Fire (Inside)	Private Fire (Outside)
3/4"	5,011	1963	0	0
1"	666	211	1	0
1 1/2"	99	52	0	0
2"	44	21	4	4
3"	15	13	0	2
4"	2	0	33	36
6"	0	0	8	10
8"	0	0	4	2
10"	0	0	2	0
Total	**5,837**	**2,260**	**52**	**54**

Water Demand Assumptions

- Model assumes demand for FY 2021 of 1,163,172 kgal (3,570 AF)
  - Increase in water sales of 1.0% (11,517 kgal / 36 AF) based entirely on new connection growth

Customer Class	FY 2018	FY 2019	FY 2020	FY 2021
Residential				
Tier 1	357,000	359,833	369,342	373,035
Tier 2	295,000	254,473	275,757	278,515
Tier 3	122,614	99,699	121,334	122,547
MF/Com/Inst/SCH	393,750	362,377	337,476	340,851
Irrigation				
Tier 1	16,800	14,477	16,174	16,336
Tier 2	14,700	39,953	31,572	31,888
Total (kgal)	**1,199,864**	**1,130,812**	**1,151,655**	**1,163,172**
Total (AF)	**3,682**	**3,470**	**3,534**	**3,570**
Change in Total Water Use (%)		*-5.7%*	*1.84%*	*1.0%*

Water Revenues

Revenue Summary	FY 2020 *(Actuals)*	FY 2021 *(Model Estimated)*
Rate Revenue		
Water Sales	$8,483,583	$8,640,367
Readiness to Serve Charge	$3,063,399	$3,087,461
Other Operating Revenues	$160,000	$160,000
Non-Operating Revenues	$200,000	$238,000
CIP Source Revenues	$452,500	$277,500
Total Revenue	**$12,359,482**	**$12,408,363**

Water O&M Expenses

- FY 2022 values based on inflationary assumptions

O&M Category	FY 2020 *(Actuals)*	FY 2021 *(Budgeted)*	FY 2022 *(Projected)*
Water Supply	$3,329,305	$3,361,620	$3,235,889
Compensation	$2,086,022	$1,893,113	$1,968,838
Benefits	$1,290,243	$1,242,742	$1,342,161
Plant – Water Operation	$585,996	$533,010	$536,869
Distribution System	$907,765	$851,178	$882,519
General and Administrative	$812,663	$889,548	$916,114
Fire and Debris Recovery	$12,000	$12,000	$12,360
Purchased Power	$323,778	$322,291	$333,652
Total Expenditures	**$9,347,771**	**$9,105,502**	**$9,228,402**
Change in O&M Expenses (%)		*-2.6%*	*1.3%*

Water Debt Service - Existing

- FY 2021 amended to reflect partial year payments for both

Borrowing	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025
Pac West Infrastructure	$275,274	$0	$0	$0	$0
Revenue COP, Series 2020	$290,000	$558,238	$581,381	$579,781	$580,781
Total Debt Service	**$565,274**	**$558,238**	**$581,381**	**$579,781**	**$580,781**

Water Capital Improvement Plan - Adopted

Projects	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Water Supply	$170,000	$135,000	$265,000	$118,000	$122,000	$126,000
Water Storage	$480,000	$550,000	$745,000	$695,000	$800,000	$1,232,000
Water Distribution – Pipeline	$2,300,000	$2,600,000	$2,800,000	$3,000,000	$3,200,000	$3,400,000
Water Distribution – Other	$710,000	$830,000	$175,000	$86,000	$89,000	$92,000
Water Treatment	$0	$0	$0	$0	$0	$0
Technology	$1,070,000	$535,000	$815,000	$950,000	$620,000	$0
Public Safety/Emergency Response	$165,000	$0	$50,000	$151,000	$169,000	$150,000
Facilities & Planning	$105,00	$350,000	$150,000	$0	$0	$0
Total CIP (Nominal)	**$5,000,000**	**$5,000,000**	**$5,000,000**	**$5,000,000**	**$5,000,000**	**$5,000,000**
Total CIP (Inflated)	**$5,000,000**	**$5,200,000**	**$5,408,000**	**$5,624,320**	**$5,849,293**	**$6,083,265**

- *Capital costs are inflated 4% in each year beyond FY 2021*

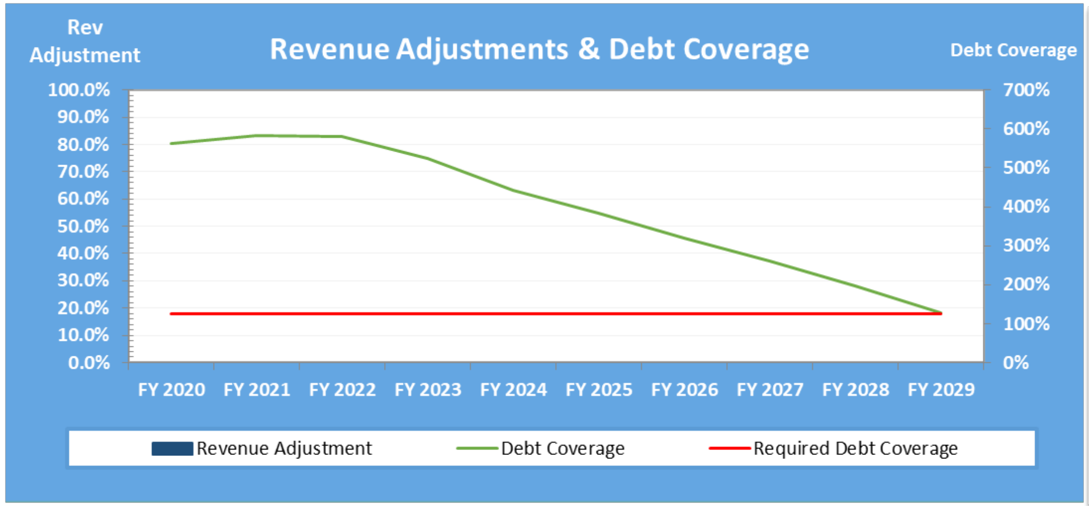
Water Reserves & Financial Policies

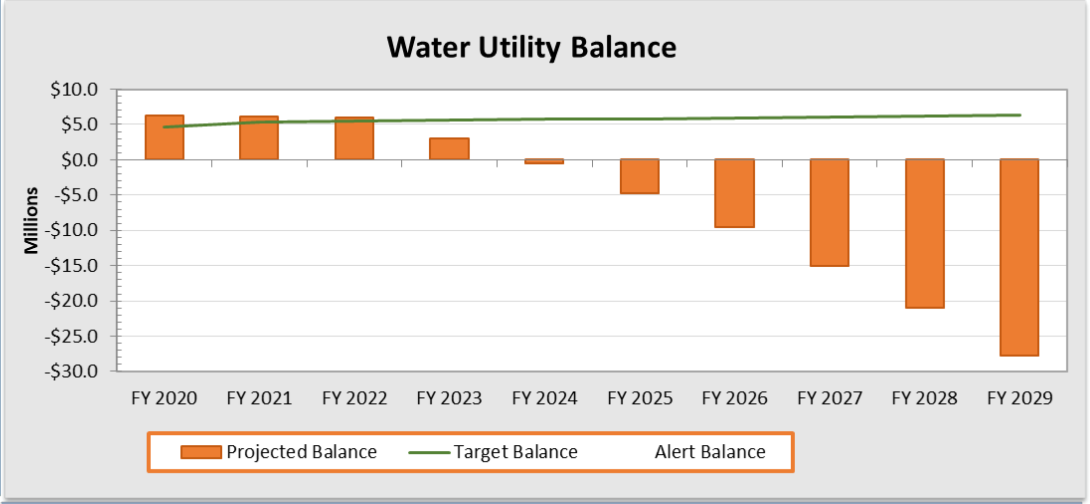
Reserve	Policy	FY 2021 Reserve Target
Operating	90 days of O&M expenses	$1,478,938
Rate Stabilization	25% of Commodity Revenues	$2,931,957
Emergency	One percent of total assets value	$1,000,000
Total Reserves Target		**$5,410,895**

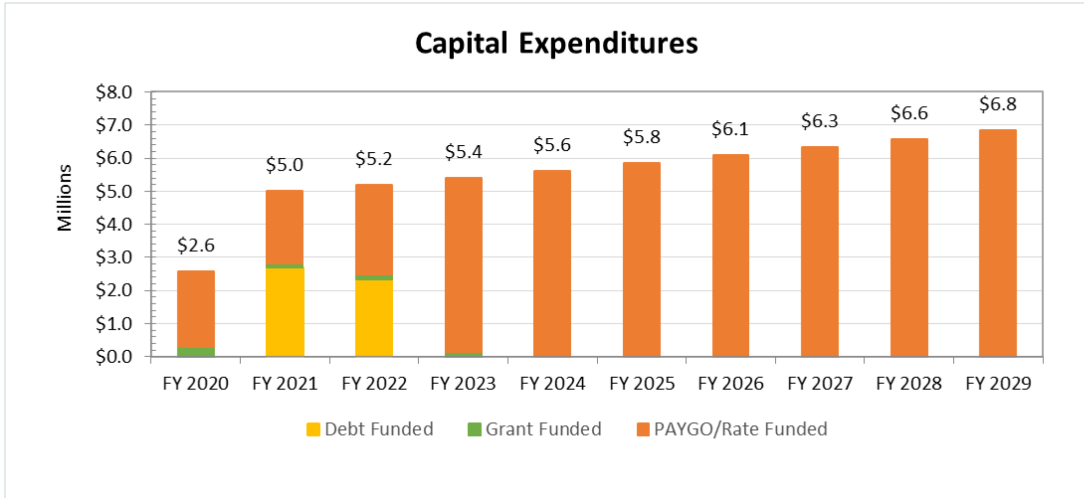
Debt Service	Policy
Required Coverage*	125% of annual debt service
Target Coverage	200% of annual debt service

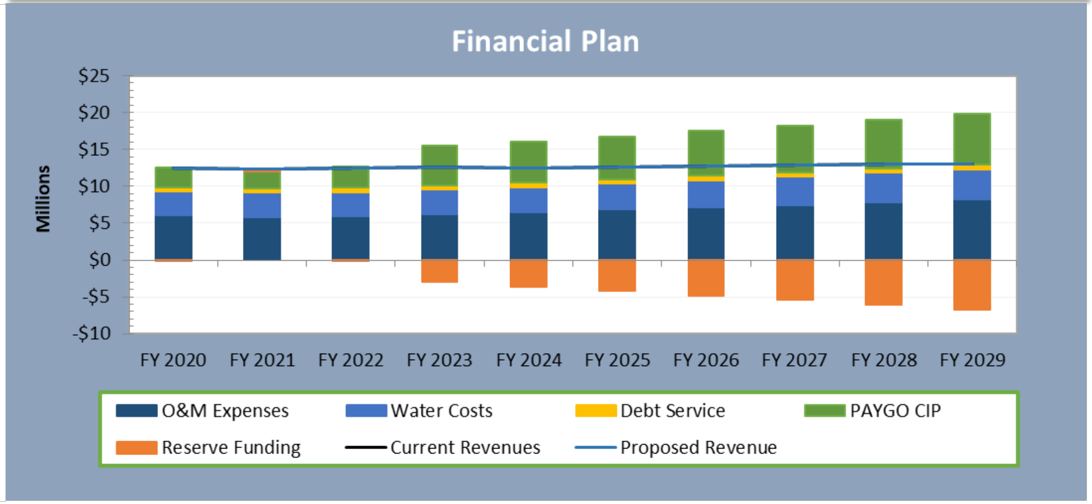
- **Debt Coverage Ratio = Net Operating Income / Debt Service*

Financial Plan Status Quo:
Existing Rates / No Revenue Increases

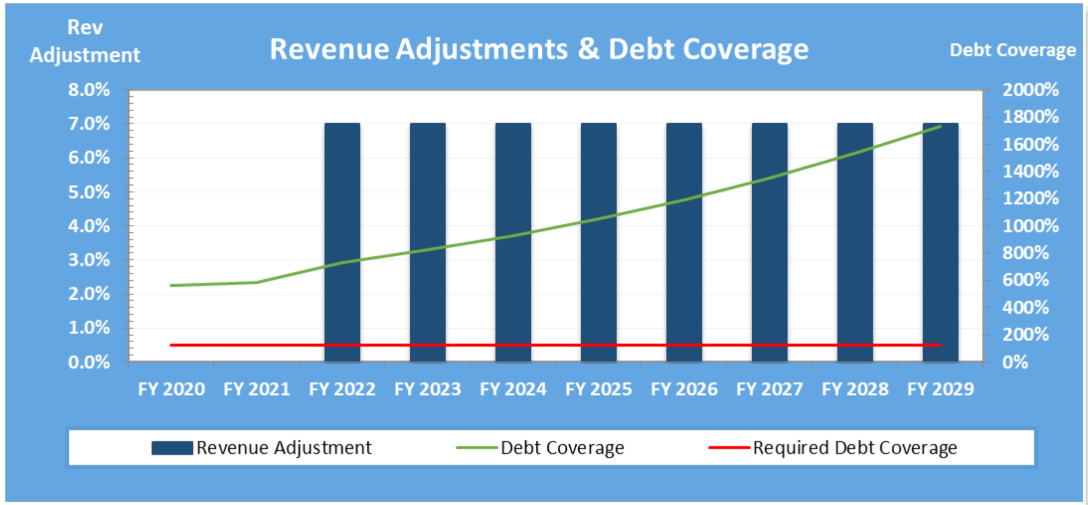


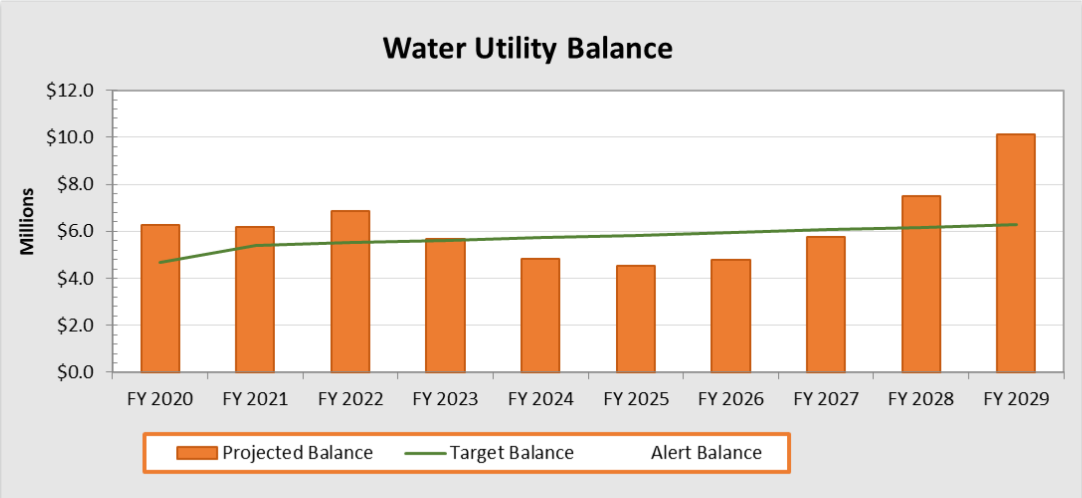


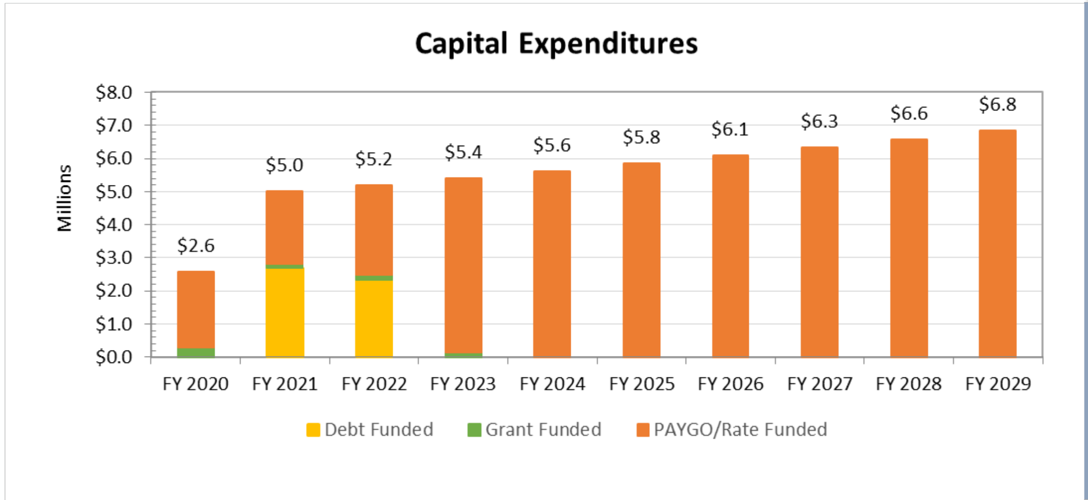


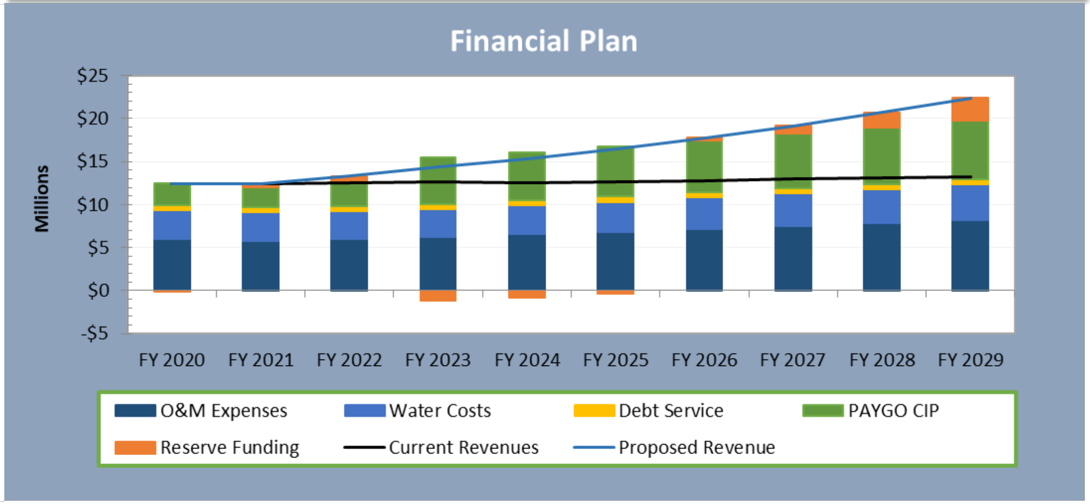


Financial Plan Scenario 1:
7%/yr,
$5M CIP/yr, 85-90 yr pipeline replacement plan (no bonds)

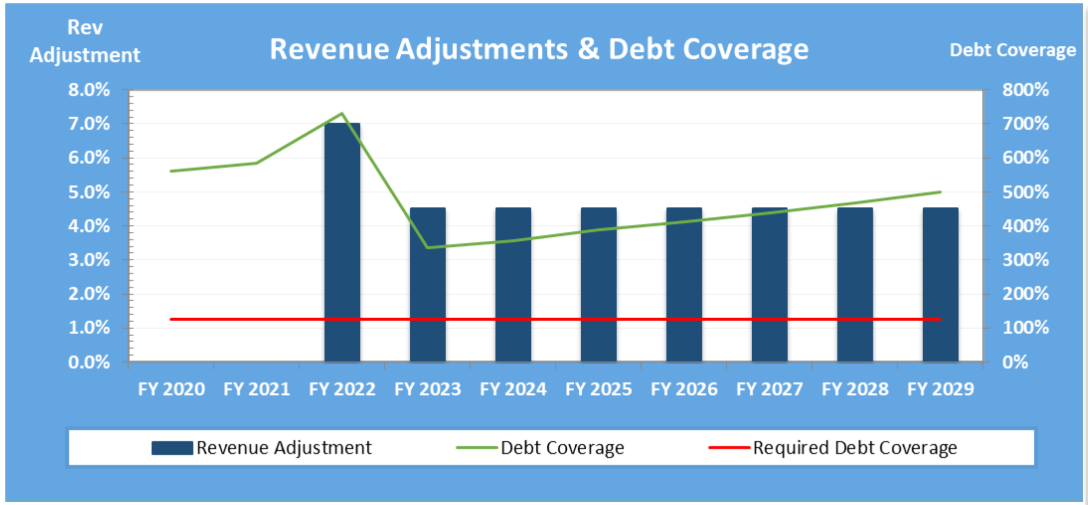


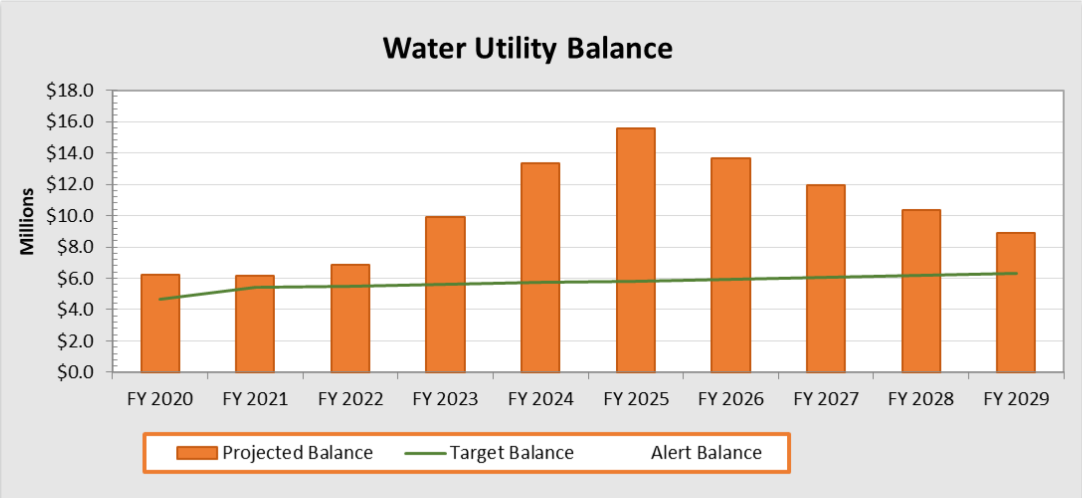


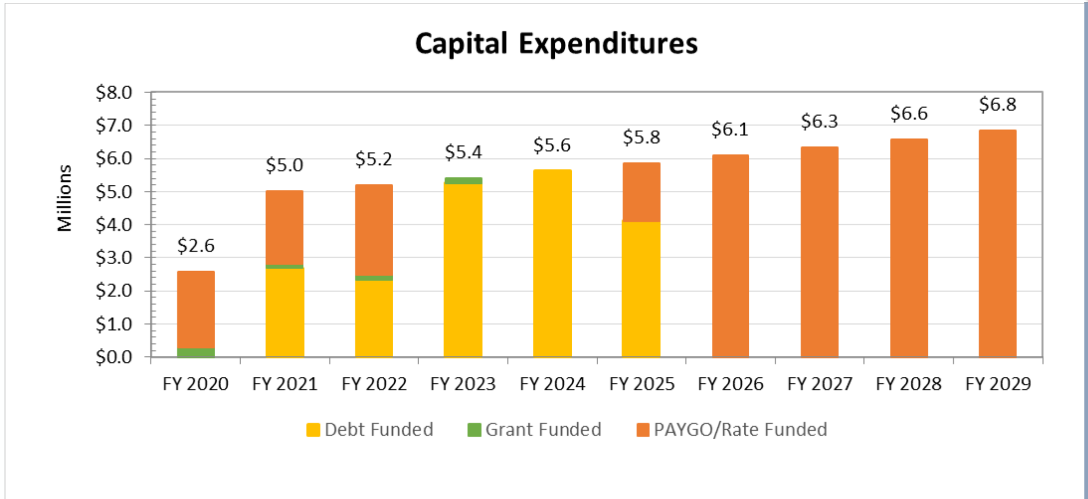


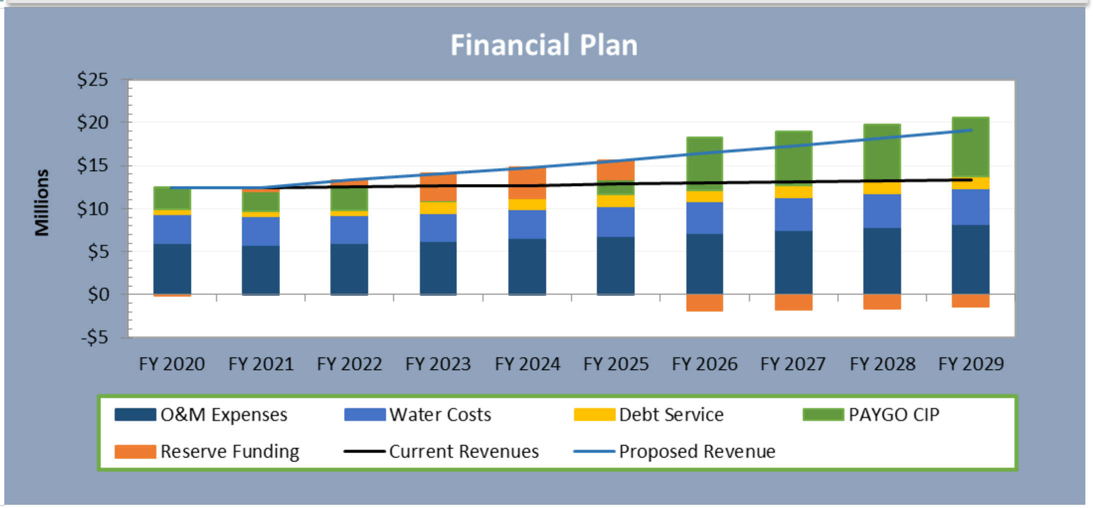


Financial Plan Scenario 2:
7%, then 4.5%/yr
$5M CIP/yr, 85-90 yr pipeline replacement plan ($15M bonds)

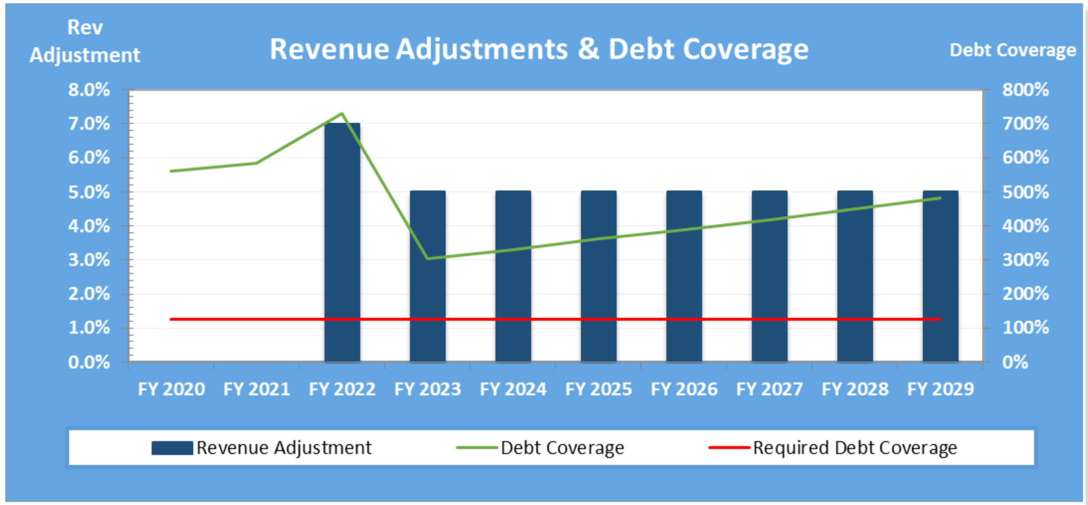


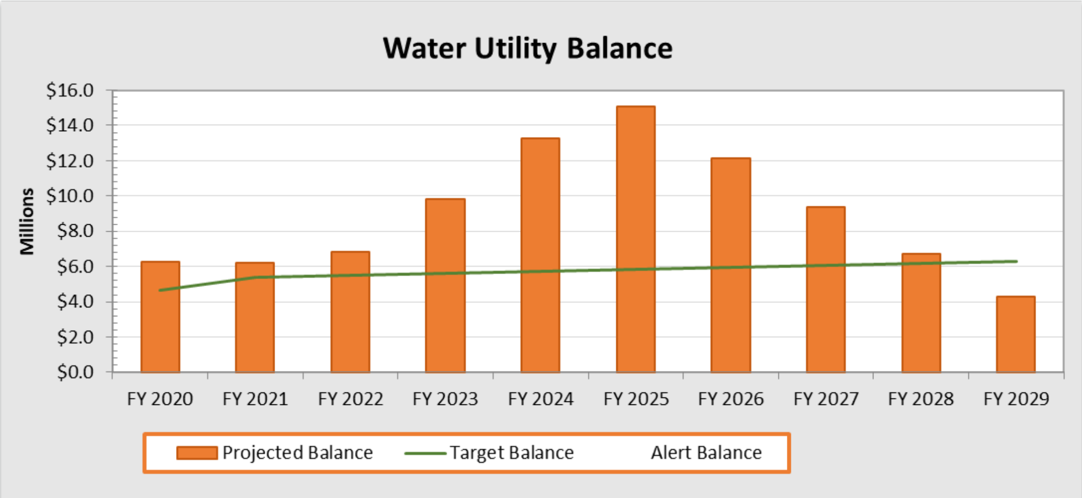


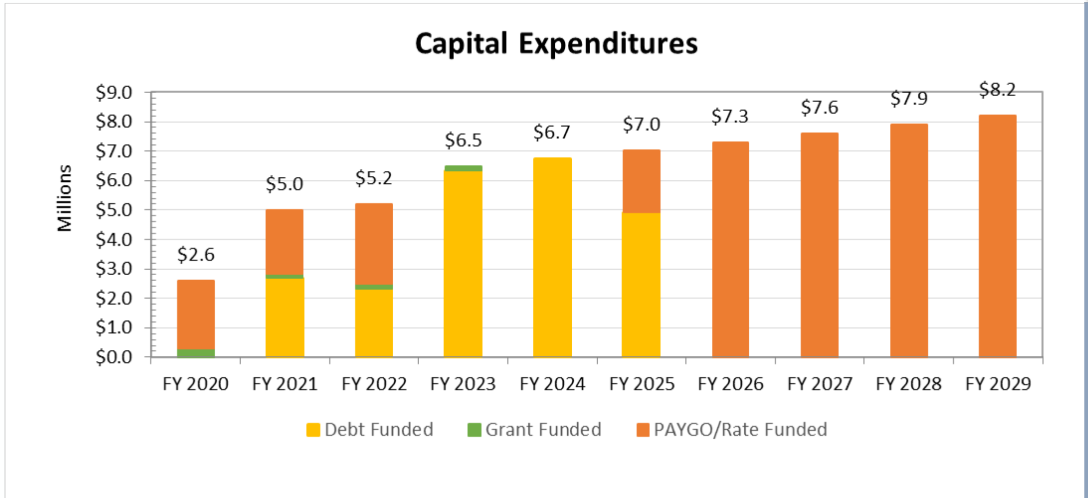


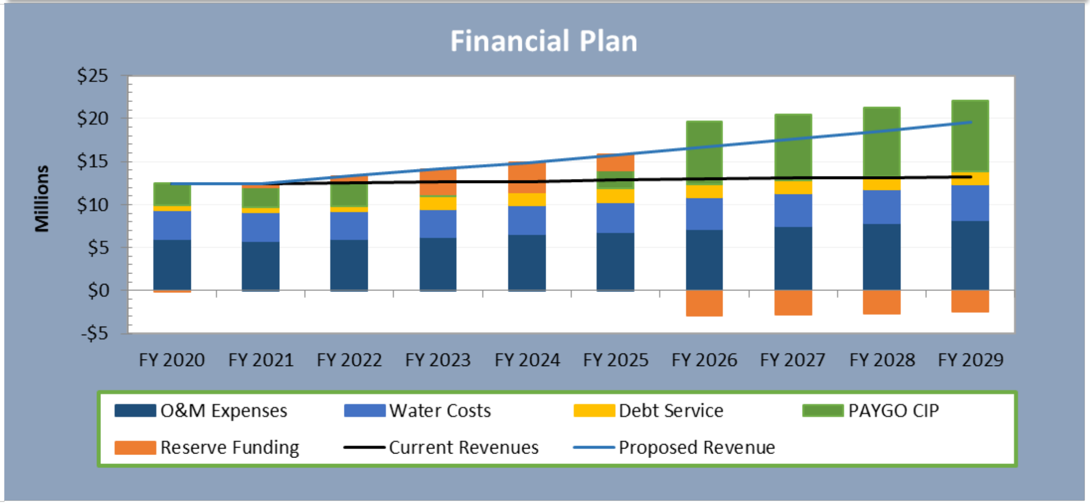


Financial Plan Scenario 3:
7%, then 5%/yr
$6M CIP/yr, 75 yr pipeline replacement plan ($18M bonds)



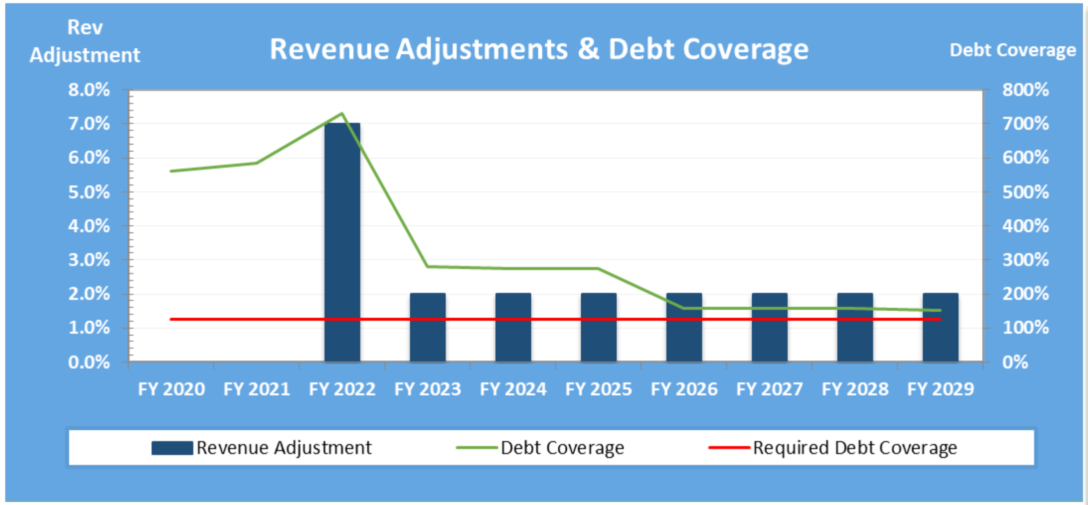


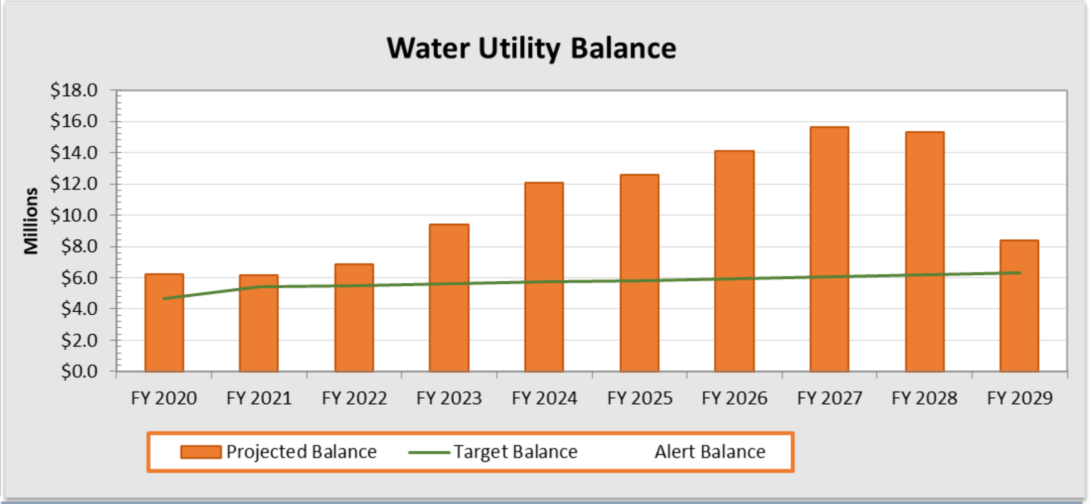


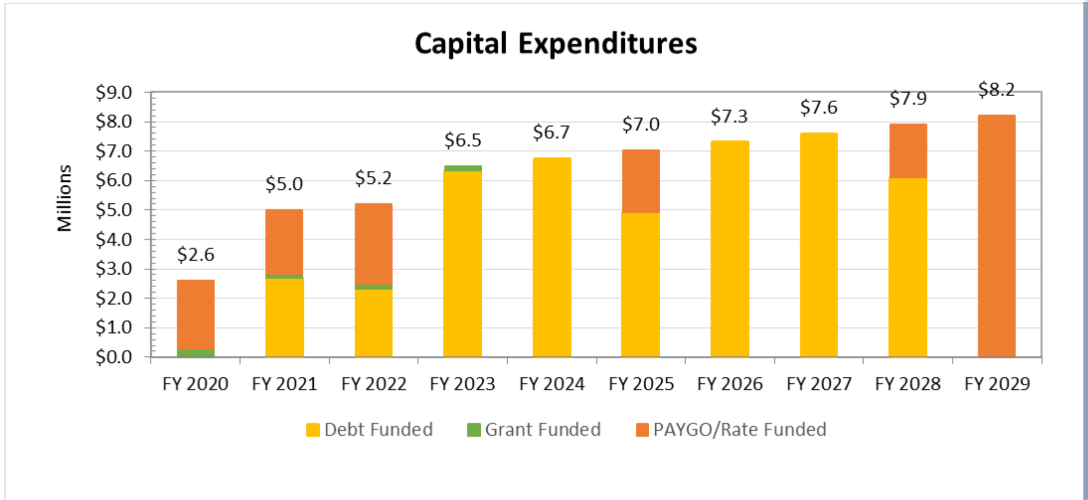


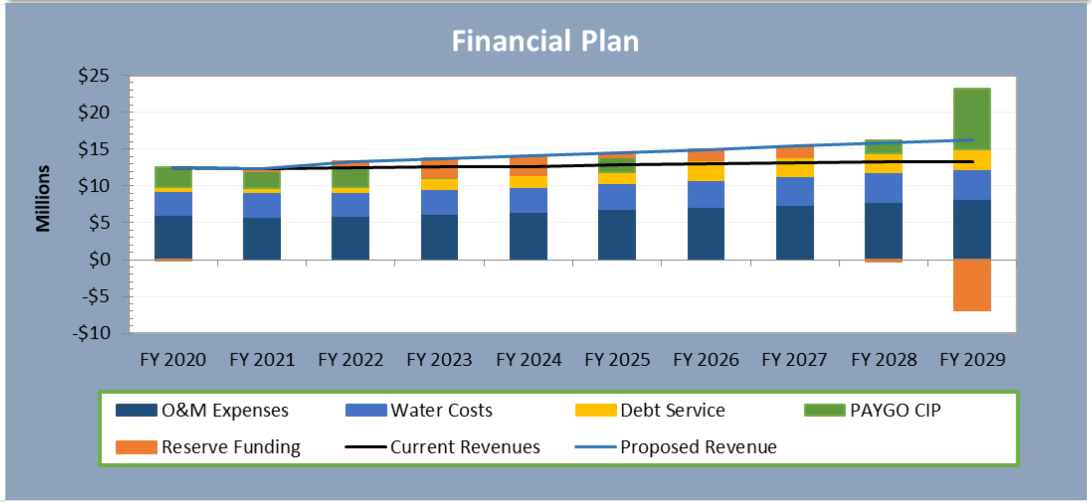
Financial Plan Scenario 4:

7%, then 2%/yr
$6M CIP/yr, 75 yr pipeline replacement plan ($18M + $21M bonds)









Wastewater Enterprise

Wastewater - Inflationary Assumptions

Inflation	2021	2022	2023	2024	2025
General Inflation	N/A	3%	3%	3%	3%
Salary	N/A	4%	4%	4%	4%
Benefits	N/A	8%	8%	8%	8%
Power	N/A	3%	3%	3%	3%
Capital	N/A	4%	4%	4%	4%
Other Operating Revenues	N/A	1%	1%	1%	1%
Interest	N/A	2.25%	2.25%	2.25%	2.25%

Inflationary assumptions are used to project individual O&M expenses, capital costs, and non-rate revenue streams

Wastewater Customer Accounts & Growth Assumptions

- 1% annual growth in connections projected in financial model
- Customer EDUs / Accounts

Customer Class	Unit	FY 2020	FY 2021
Single Family	EDU	5,291	5,293
Multi-Family	EDU	2,669	2,671
Commercial/Institutional	Account	170	170
Primary School/Elementary	Account	4	4
Secondary School/Middle	Account	1	1
Commercial/Institutional	Account	1	1

Wastewater Flow

Customer Class	Unit of measure	FY 2020	FY 2021
Single Family	Kgal	415,921	420,080
Multi-Family	Kgal	128,876	130,165
Commercial/Institutional	Kgal	53,528	54,063
Total Residential & Non-Residential Flows		**598,325**	**604,308**

Wastewater Revenues

Revenue Summary	FY 2020 (Actuals)	FY 2021 (Model Calculated)
Rate Revenue		
Service & Usage Charges	*$3,345,187	$3,327,575
Other Revenue	$36,500	$36,500
Non-Operating Revenue	$500	$85,277
Total Revenue	**$3,382,187**	**$3,449,372**

** Net of Sewer Service Discount*

Wastewater O&M Expenses

- FY 2022 values projected based on inflationary assumptions

Operating Expenditures	FY 2019 *(Actuals)*	FY 2020 *(Actuals)*	FY 2021 *(Budgeted)*	FY 2022 *(Projected)*
Treatment and Disposal Charges	$1,101,540	$1,426,380	$1,849,900	$1,894,520
Labor	$815,125	$914,942	$961,381	$999,837
Compensation	$761,255	$796,000	$794,305	$857,849
Plant Operating	$73,494	$74,212	$79,011	$81,719
Collection System	$82,891	$93,773	$116,222	$120,466
General Administrative Expenses	$244,945	$281,159	$341,607	$352,015
Total Expenditures	**$3,079,250**	**$3,586,466**	**$4,142,426**	**$4,306,406**
Change in O&M Expenses (%)		*16.5%*	*15.5%*	*4%*

LA Treatment Costs

- FYE 2022 values from CVWD Water Budget

	FY 2019	FY 2020	FY 2021 *(Budgeted)*	FY 2022 *(Projected)*
Los Angeles Bureau of Sanitation (O&M)	$692,015	$859,300	$1,119,000	$1,186,680
Los Angeles Bureau of Sanitation (Capital)	$409,525	$567,080	$730,900	$707,840
Total Expenditures	**$1,101,540**	**$$1,426,380**	**$1,849,900**	**$1,894,520**
Change in O&M Expenses (%)		29.5%	*29.7%*	*2.4%*

Wastewater Capital Improvement Plan - Adopted

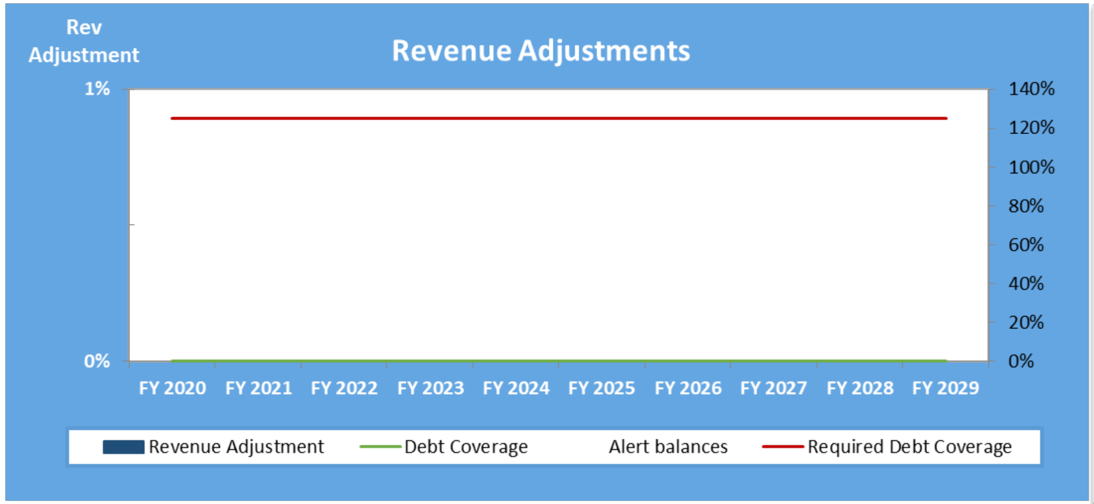
Projects	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Collections Systems	$75,000	$75,000	$75,000	$75,000	$75,000
Interceptor System	$5,000	$5,000	$5,000	$5,000	$5,000
Lift Station	$75,000	$0	$0	$0	$0
Nitrate Plant Waste	$0	$0	$0	$0	$0
Technology (Sewer Projects Only)	$5,000	$5,000	$5,000	$5,000	$5,000
Public Safety/Emergency Response	$0	$0	$0	$0	$0
Facilities & Planning	$10,000	$10,000	$10,000	$10,000	$10,000
Misc. Sewer Projects	$5,000	$5,000	$5,000	$5,000	$5,000
Capital Outlay	$64,500	$80,000	$80,000	$80,000	$80,000
Total CIP (Nominal)	**$239,500**	**$180,000**	**$180,000**	**$180,000**	**$180,000**
Total CIP (Inflated)	**$239,500**	**$187,200**	**$194,688**	**$202,476**	**$210,575**

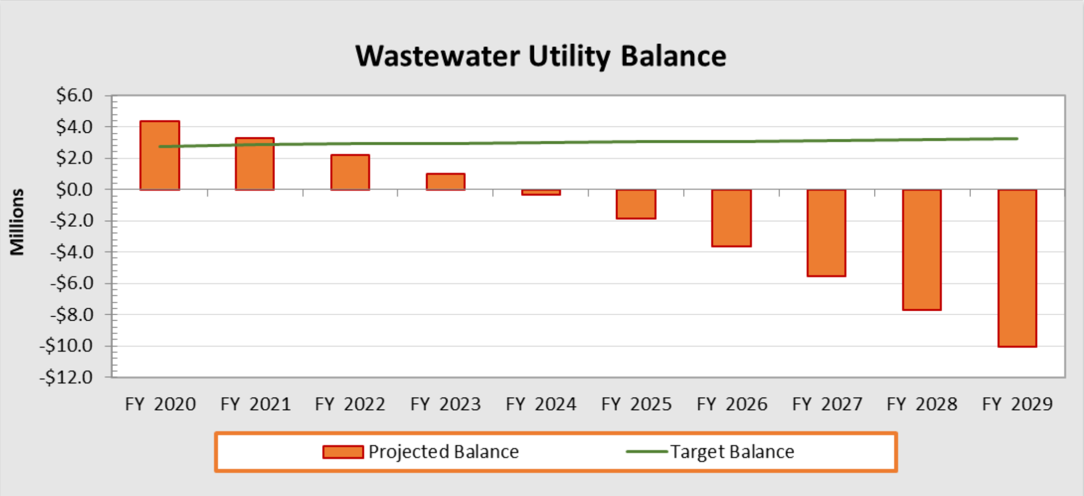
- *Capital costs are inflated 4% each year out from FY2021*

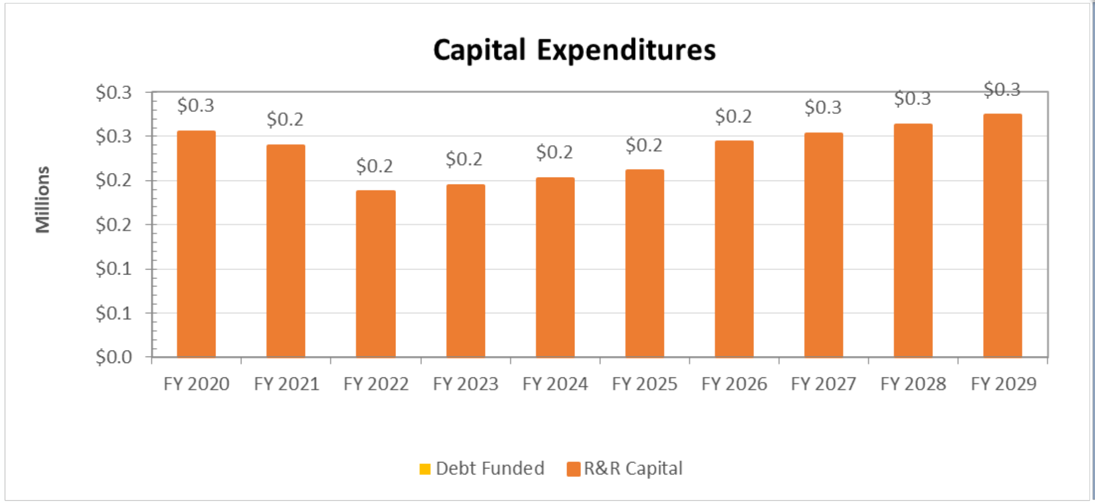
Wastewater Reserves & Financial Policies

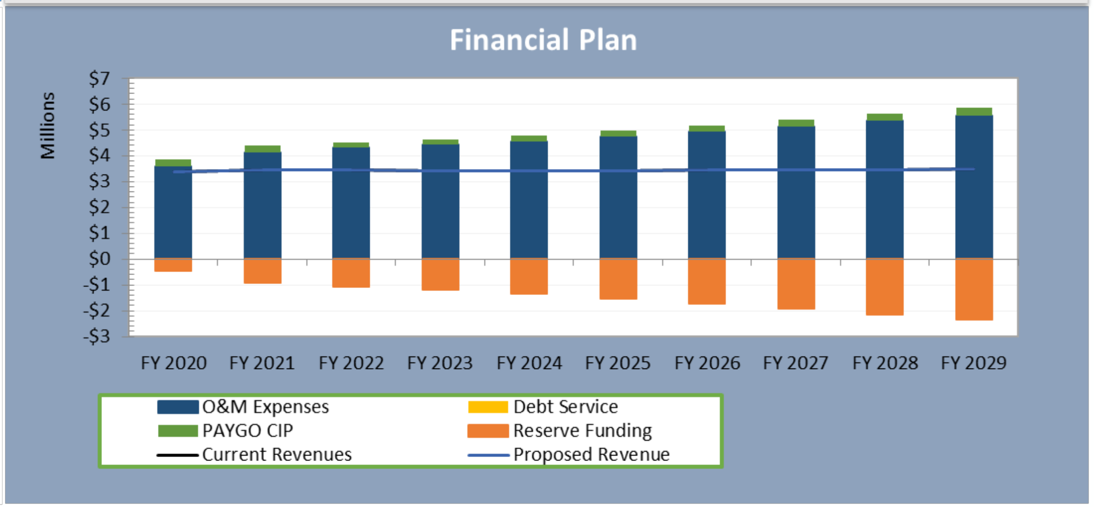
Reserve	Policy	FY 2021 Reserve Target
Operating	90 days of O&M expenses	$1,035,607
Rate Stabilization	25% of Commodity Revenues	$831,899
Emergency	$1,000,000	$1,000,000
Total Reserves Target		**$2,867,505**

Financial Plan Status Quo:
Existing Rates / No Revenue Increases

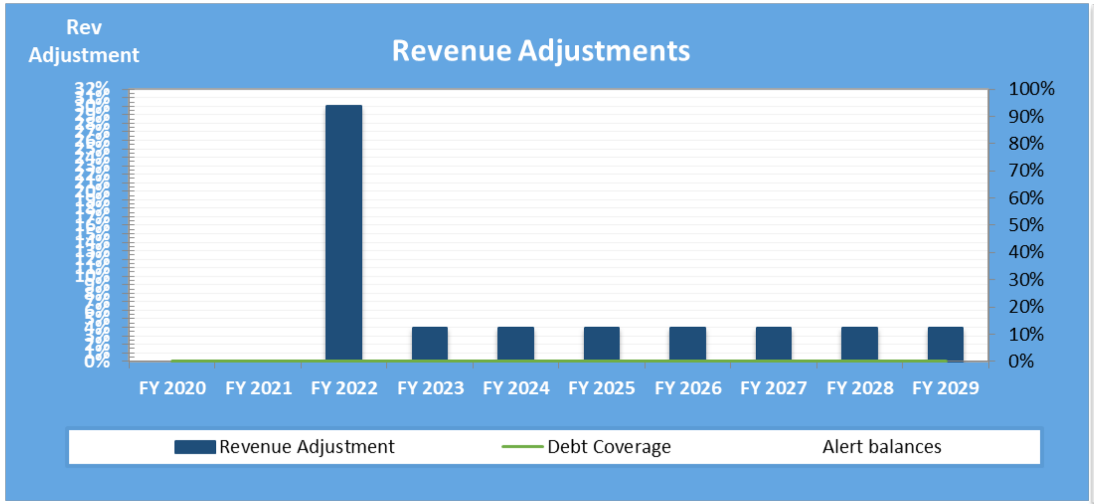


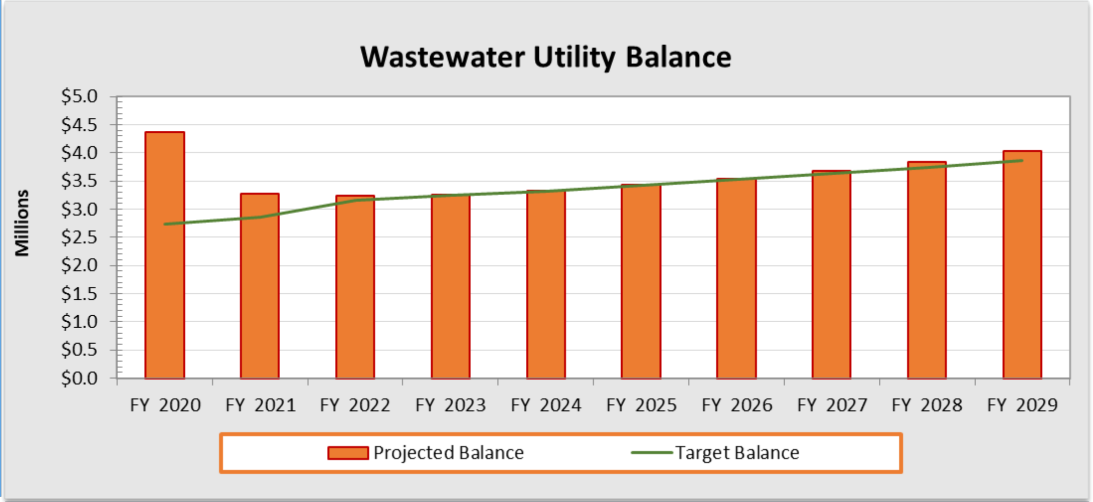


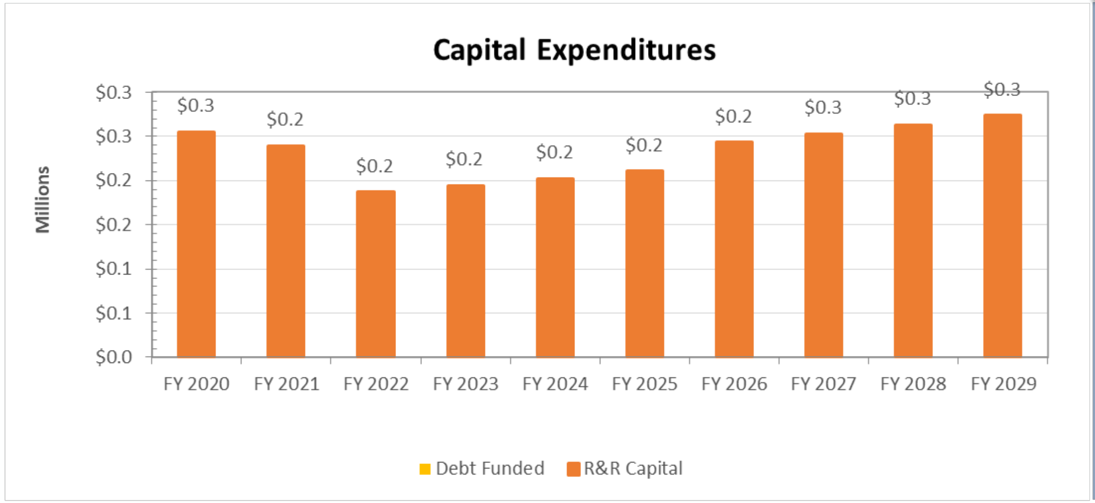


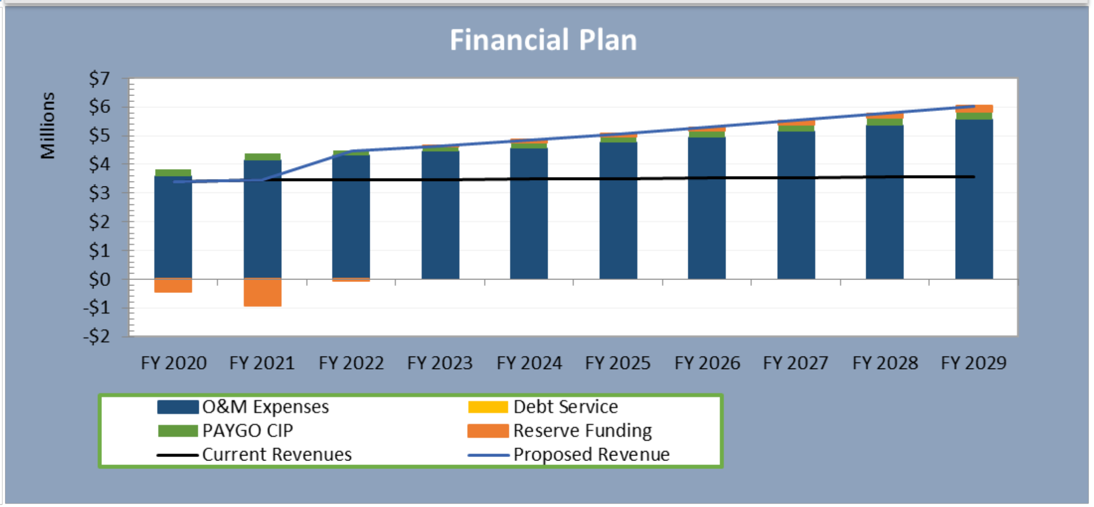


Financial Plan Scenario 1:
30%, then 4%/yr,
$200K CIP/yr

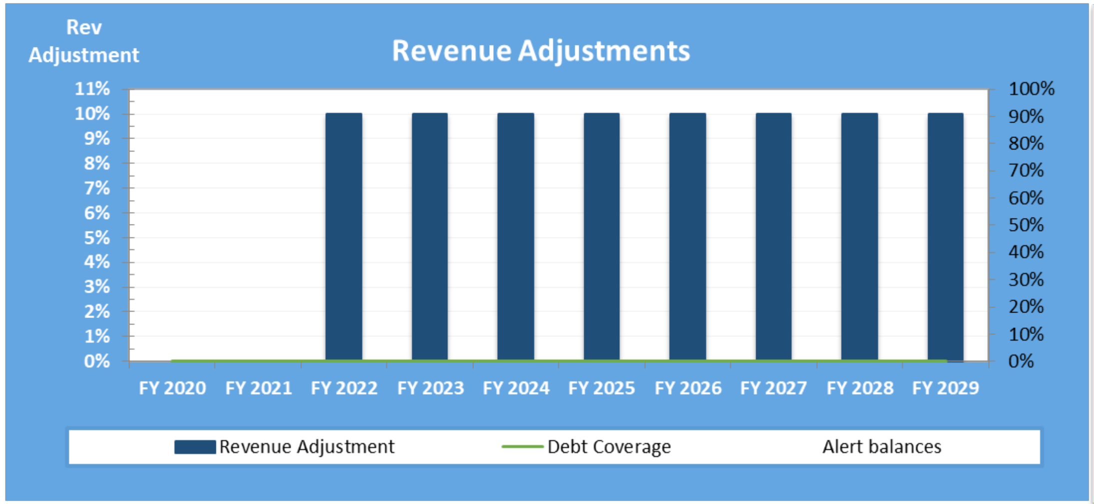


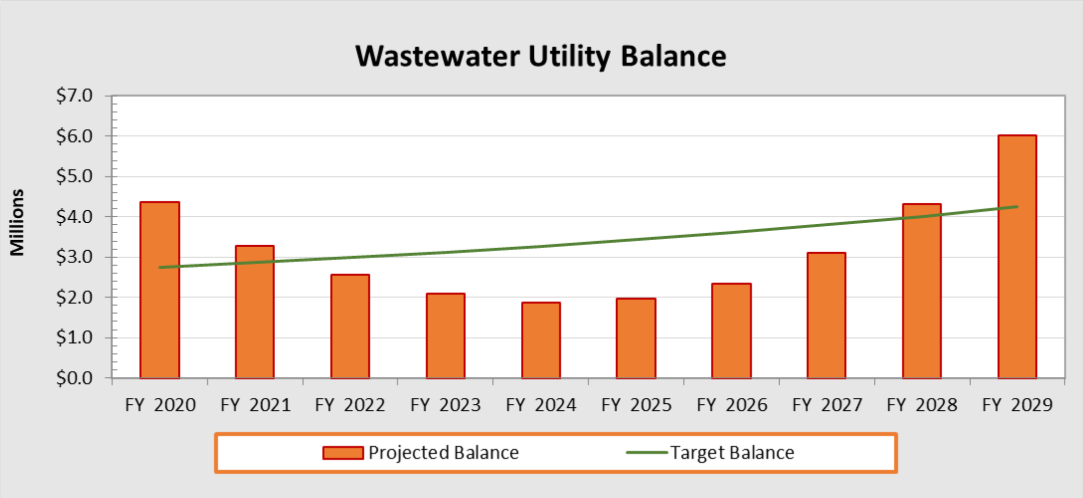


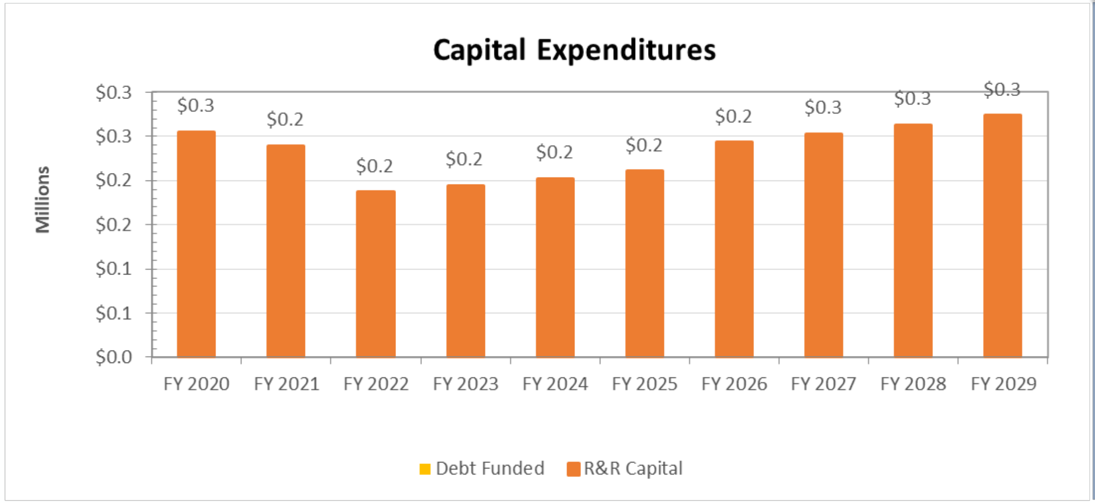


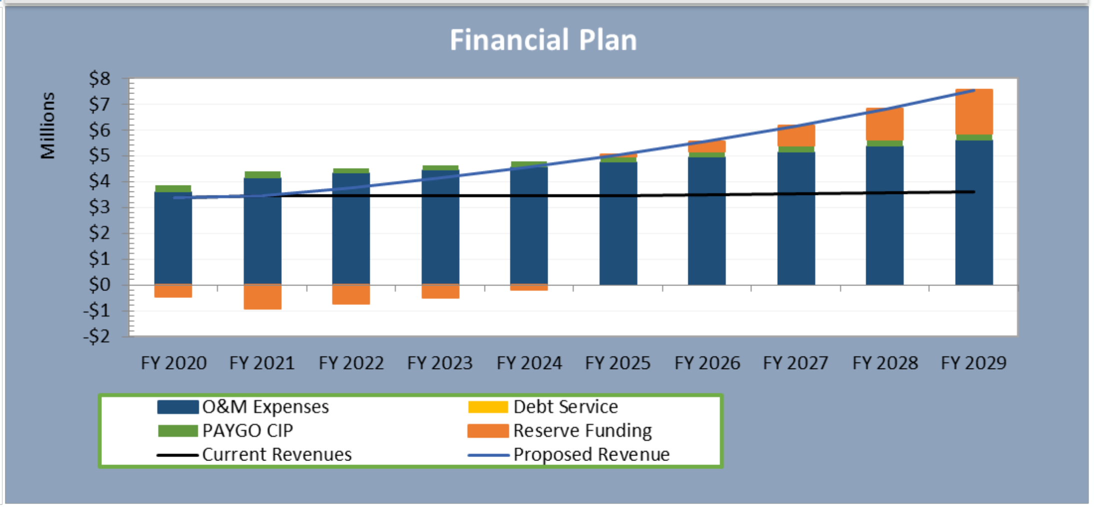


Financial Plan Scenario 2: 10%/yr
$200K CIP/yr

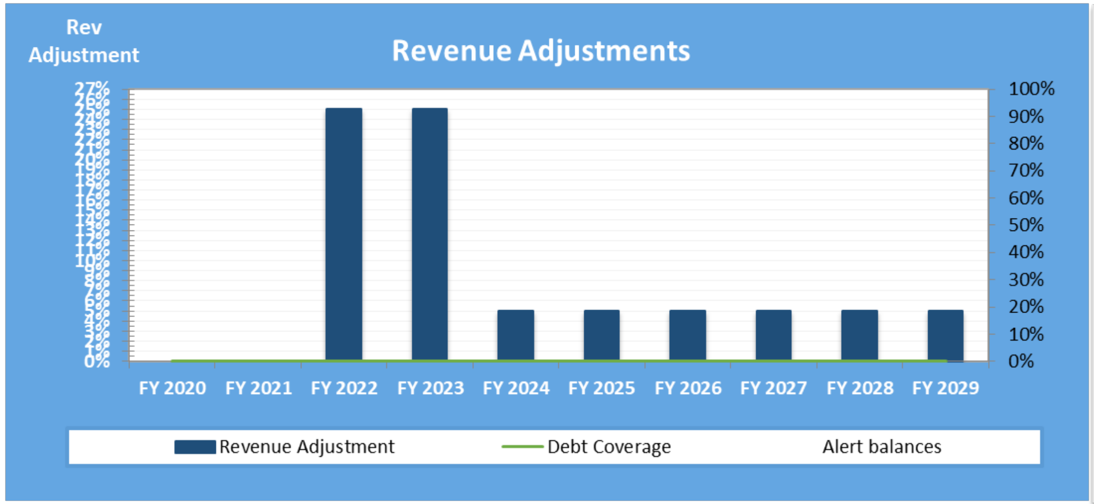


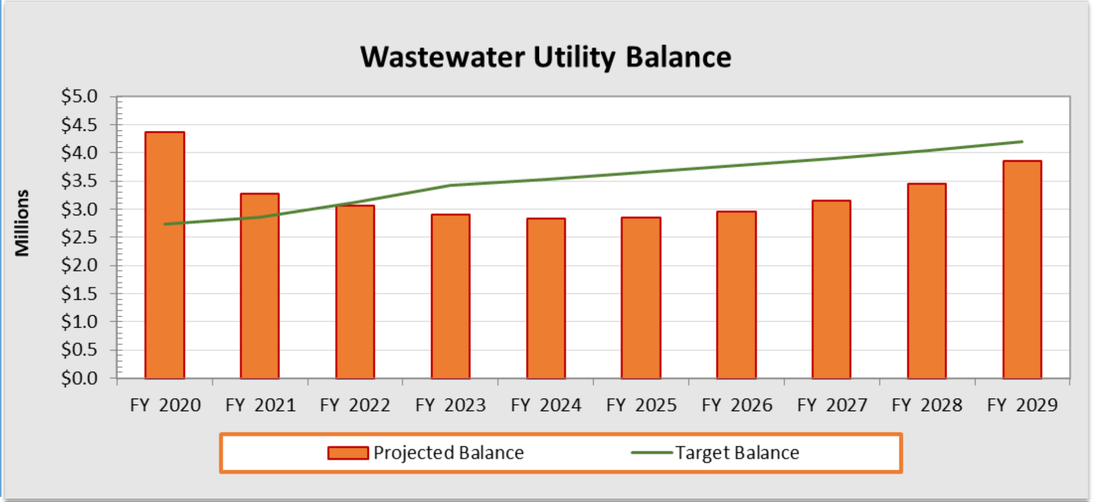


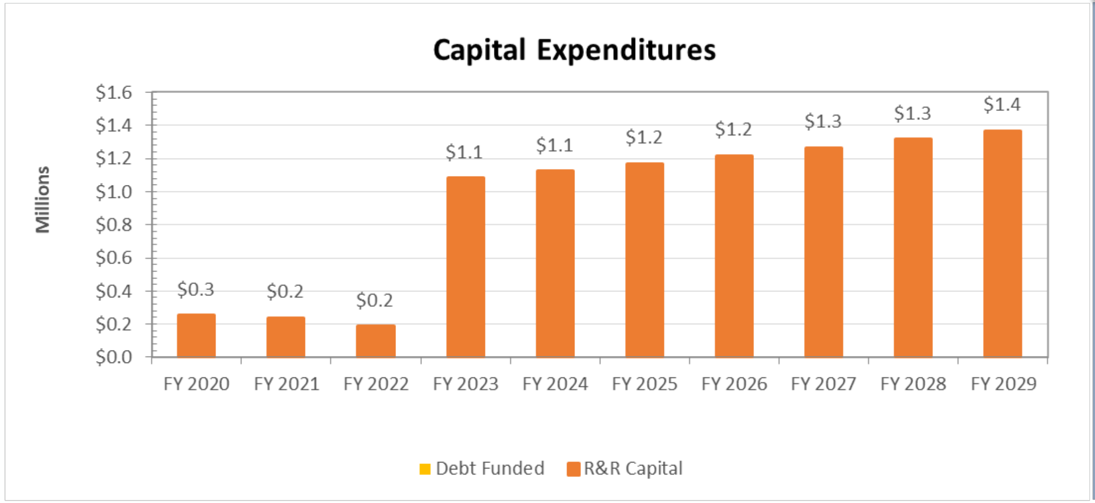


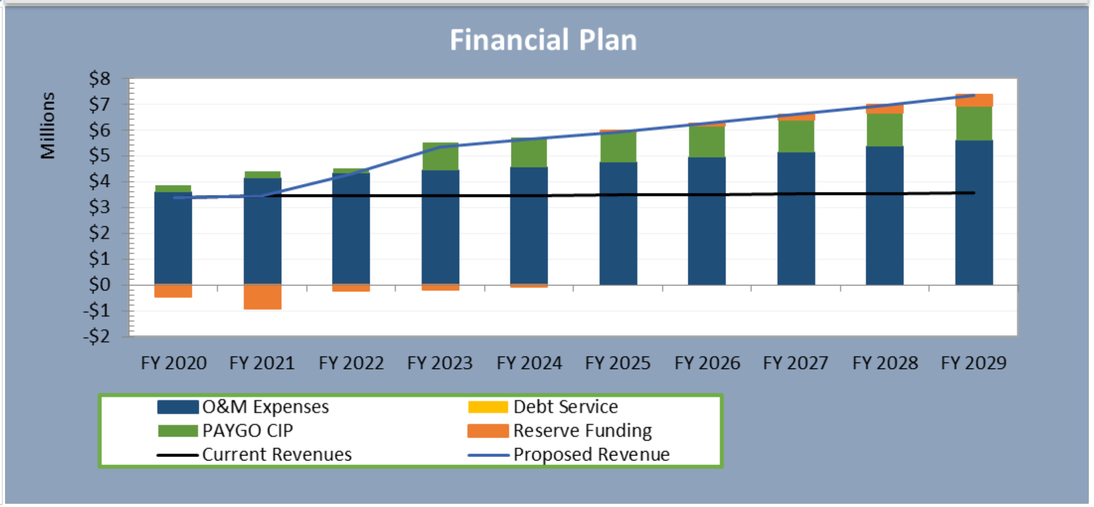


Financial Plan Scenario 3: 25%, 25%, then 5%/yr
$1M CIP/yr

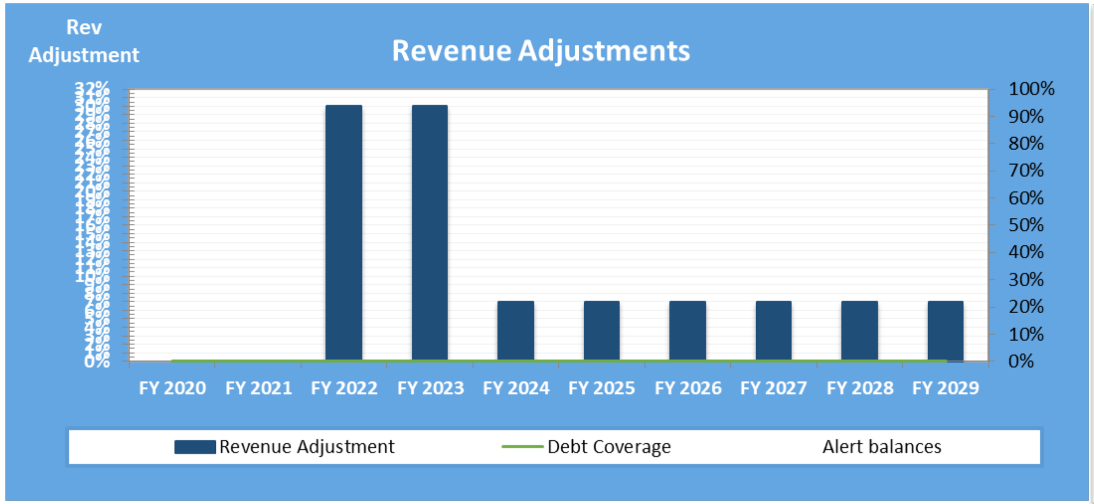


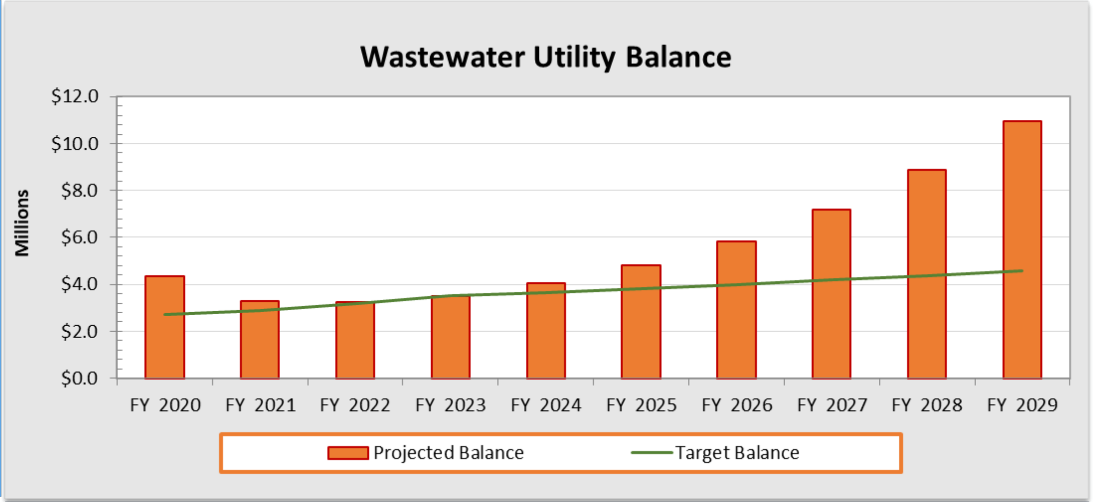


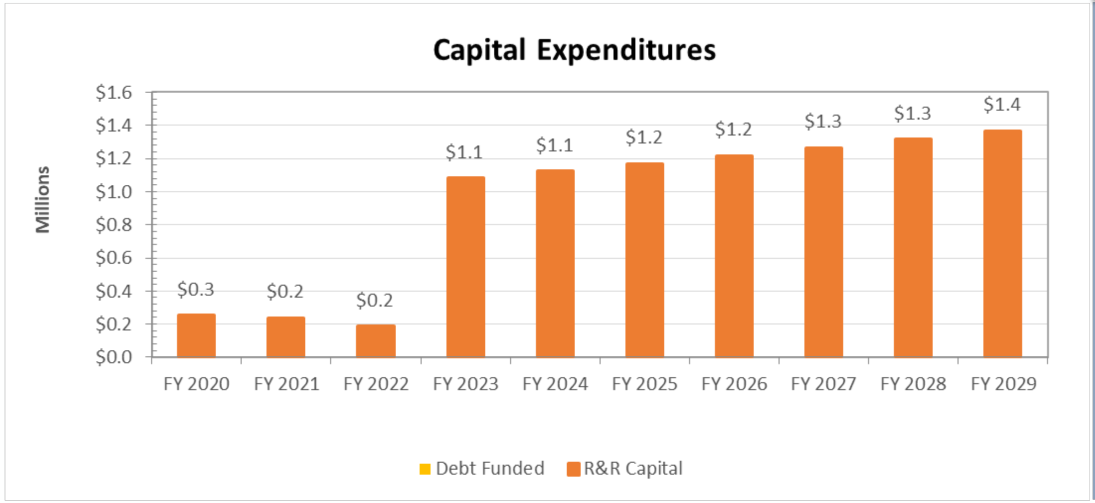


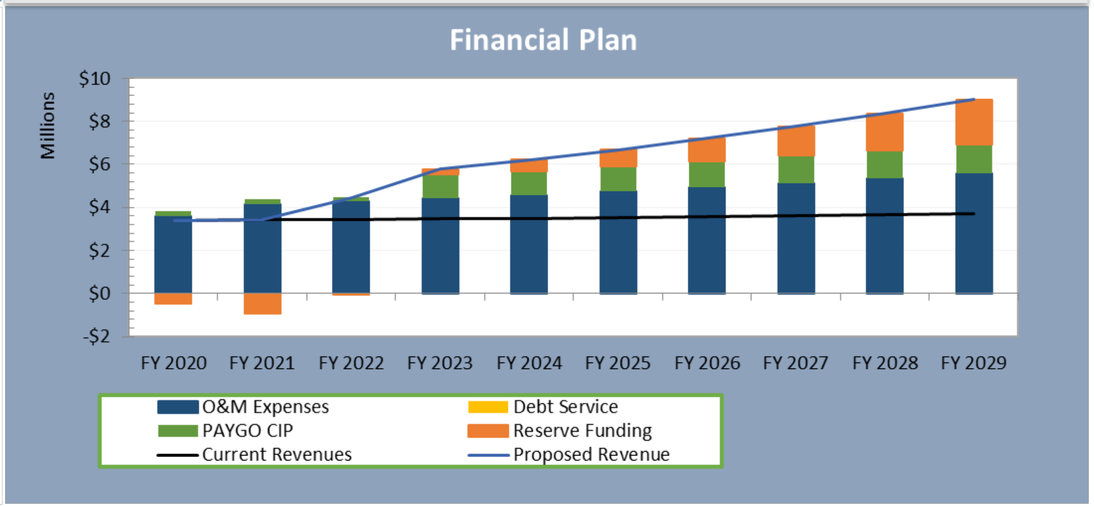


Financial Plan Scenario 4:
30%, 30%, then 7%/yr
$1M CIP/yr – incorporate CIP into reserve policy target









Next

Rate Study Next Steps

- Community Meeting February 18
- Board Meeting February 23 – Financial Plan Scenarios
- Cost of Service Analysis and Rates

Thank you!

Contact:

Kevin Kostiuk
213-262-9309 / kkostiuk@raftelis.com

Edward Takara
213-262-9303 / etakara@raftelis.com