

SAN JUAN WATER DISTRICT

Board of Director's Workshop Minutes

June 29, 2016 – 2:00 p.m.

BOARD OF DIRECTORS

Pam Tobin	President
Ken Miller	Vice President
Ted Costa	Director
Dan Rich	Director
Bob Walters	Director

SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF

Shauna Lorance	General Manager
Keith Durkin	Assistant General Manager
Donna Silva	Finance Director
Teri Grant	Board Secretary/Administrative Assistant

OTHER ATTENDEES

Bob Churchill	Citrus Heights Water District
Susan Sohal	Citrus Heights Water District
Greg Zlotnick	Self
Tony Barela	SJWD
Lisa Brown	SJWD
Nathan Chinn	SJWD
April Naatz	SJWD
Rachael Paulson	SJWD
Greg Turner	SJWD
Rob Watson	SJWD
Bob Reed	The Reed Group

AGENDA ITEMS

- I. Board Workshop**
- II. Public Comment**
- III. Adjourn**

President Tobin called the meeting to order at 2:02 p.m.

- I. BOARD WORKSHOP**
 - 1. FY 2016-17 Budget Review**

Ms. Silva conducted a presentation on the proposed budget for FY 2016-2017. A copy of the presentation will be attached to the meeting minutes. She explained that her presentation would be looking at the past, present and future. She provided a brief overview of FY 2014-15 and reviewed the final audited results.

Ms. Silva reminded the Board of the two new funds that were created for FY 2015-16, Wholesale Capital, and Retail Capital. She explained that, once FY 2014-15 was finalized, the funds were created by transferring reserve amounts from Wholesale and Retail Operating to Wholesale and Retail Capital, respectively, in order to separate operating and capital items. In addition, she reviewed the FY 2015-16 Projected Ending Reserve Balances for wholesale and retail. There was discussion to change the name of the reserve referenced as General and move the Vehicle Reserve amount into the General Reserve for both wholesale and retail funds. She explained that the total anticipated available reserves for the beginning of FY 2016-17 are estimated to be \$22,570,516 and broken down as follows:

Wholesale Operating	\$3,245,694
Wholesale Capital	\$8,785,518
Retail Operating	\$2,932,730
Retail Capital	\$7,606,574

Ms. Silva reviewed the economic conditions for the region, noting that the economy is pretty good at this time. The Board discussed the economy with varying views.

Ms. Silva reviewed the assumptions that she used to prepare the FY 2016-17 budget and noted that they can be changed at the Board's direction. She explained that the budget was prepared without rate increases; however, rate increases are needed to restore the District's operating deficit. Furthermore, any rate increase approved would not affect spending, it would simply begin to restore the District's depleted reserves. Ms. Silva explained that preparing the budget without any rate increase will demonstrate the need for the rate increase

Ms. Lorance informed the Board that no action is needed at the meeting today, but instead the Board is hearing about how the budget was prepared and will receive a presentation from Bob Reed on the financial plans.

Ms. Silva explained some of the assumptions, such as the COLA, the Incentive Award Program, payment on the CalPERS unfunded liability and on Groundwater Reimbursement, and funding for two positions for half the year. Director Miller voiced concern regarding using the Western Cities CPI index for COLA adjustments. In response to Director Miller's question, Ms. Silva confirmed that the index does not include the areas of Los Angeles and San Francisco which might skew the index.

The Board reviewed and received explanations on some of the major operating projects for wholesale and retail. The Board discussed the Customer Satisfaction Survey and would like to know the results of the last survey and how the information is used from the survey.

Ms. Silva reviewed the proposed FY 2016-17 operating and capital budgets for wholesale and retail. She explained some of the larger variances in the proposed FY 2016-17 budget versus the FY 2015-16 estimated actuals. She explained that in order to keep the wholesale operating reserve at the District's policy level, the wholesale capital reserve fund will need to provide a transfer of \$1,057,400 to the operating reserve fund. She explained that this would result in an ending FY 2016-17 wholesale operating reserve fund of \$1,697,796. She informed the Board that the wholesale capital reserve fund would have an ending FY 2016-17 balance of \$2,934,900.

The Board reviewed the wholesale Capital Improvement Projects for 2016-17. In response to Director Rich's question, Ms. Lorance responded that the Wholesale Management and Reliability Study projects are not included in the budget since the study has not determined which projects to pursue. Director Rich suggested that the cost of the feasibility study be included in the budget.

Ms. Silva explained that the retail capital reserve fund will need to provide a transfer of \$1,863,500 to the operating reserve fund. She explained that this would result in an ending FY 2016-17 retail operating reserve fund of \$2,546,640. She informed the Board that the retail capital reserve fund would have an ending FY 2016-17 balance of \$3,232,800. The Board reviewed the retail Capital Improvement Projects for 2016-17.

In response to discussion regarding operating versus capital expenses, Ms. Silva commented that it might be better to move some of the large scale items from the operating fund to the capital fund in order to show the larger projects in the budget.

For information, no action requested.

2. Financial Plans

Mr. Reed conducted a presentation on the *Wholesale/Retail Financial Plans and Water Rate Update Study*. A copy of the presentation will be attached to the meeting minutes. Mr. Reed reviewed the proposed wholesale and retail reserve balances for FY 2016-17. He explained that the reserve levels are falling pretty significantly in FY 2016-17 without a rate increase. He provided the Board with some worksheets that have more detail than his presentation.

Mr. Reed reviewed the current financial situation, financial plan development and analyses, and the water rate analyses and rate plan. He explained that he has worked with staff over the last few months to bring the rate increase down to a more manageable percentage.

Mr. Reed reviewed the FY 2015-16 wholesale revenues and expenses, estimated FY 2015-16 year-end wholesale reserve balances, the wholesale water deliveries - both past and projected, the impact of the drought, economic

efficiency, projected PERS contributions and unfunded accrued liability payments, and the Capital Improvement Program (CIP).

Mr. Reed reviewed the CalPERS unfunded accrued liability (UAL) and explained that the District is being charged 7.5% interest on \$5.5 million of UAL. He added that the District average for investment return is .5%. The wholesale portion of the UAL is \$2.3 million and the retail portion is \$3.177 million. He explained that there are some District reserves that could be used to pay off a portion of the UAL which would leave \$2.373 million remaining as a retail obligation.

Mr. Reed informed the Board that the 10-year wholesale CIP has 54 projects listed at an estimated total cost of \$67 million (inflation costs included). The amount includes the Hinkle Replacement Project at approximately \$20-21 million. He explained that the CIP runs approximately \$3-5 million per year and those costs should be funded by pay-as-you-go. He explained that the Hinkle Replacement Project and the filter improvements are larger costs and should be debt financed. In addition, he mentioned if the Board did not want to debt finance then the rates would double or triple for the next 4 years in order to generate funds for the two projects.

Mr. Reed informed the Board that the debt financing would occur in 2019 and he assumed a 30-year term at 4% interest for the financial plans; however, it would be a Board decision on the terms of any debt issuance, such as a shorter term or alternate payment arrangements. The Board discussed the improvements and betterments that have been completed on the water treatment plant over the last several years.

Mr. Reed informed the Board that in preparing the financial plans he assumed a 3% per year inflation rate for O&M, a 5% per year inflation on energy and chemicals, a 6% per year inflation on retiree health benefits and OPEB related costs, the scheduled UAL obligations, the demand growth for water deliveries, the groundwater reimbursement, no SSWD water revenue, and 1.2% growth rate for customer connections.

Mr. Reed explained that the financial plan strategy is to maintain minimum prudent reserves, but utilize other reserves for economic efficiency and to reduce near-term rate increases. Therefore, it is his suggestion that the District utilizes the rate stabilization reserve, the compensated absence reserve, the PERS stabilization reserve, and the Hinkle reservoir reserve and put them to better use. He added that the strategy includes paying off the entire wholesale PERS UAL to reduce interest costs, issue new long-term debt in 2019 for major capital improvement projects while maintaining pay-as-you-go for the majority of CIP, and bringing revenues and expenses into balance.

Mr. Reed informed the Board that the recommended annual overall wholesale water rate increases would be 16% for 2017, 9% for 2018, 9% for 2019, 9% for

2020, 6% for 2021, then 5% for each year from 2022 thru 2026. Ms. Lorance commented that Mr. Reed and staff worked diligently to get the rate increases as low as possible. Mr. Reed reviewed the Wholesale Financial Plan Summary graph.

The Board discussed having SJWD Retail borrow from SJWD Wholesale in order to pay off the retail UAL. SJWD Retail would then repay SJWD Wholesale with interest. The Board discussed the UAL and would like Mr. Reed to perform additional analysis related to the CalPERS UAL obligations, long-term debt, and budget refinements, including looking at wholesale loan to retail and rate surcharges.

Mr. Reed reviewed the current wholesale rates and the wholesale rate analysis. He explained that a larger portion of the fixed costs will gradually be moved from the variable rate to the fixed rate. Therefore, the water usage rate per acre foot is changing from about \$102 to about \$78, while the fixed charge are increasing. At the request of President Tobin, Mr. Reed will develop a graph that shows the rate increase and changes in the rate structure.

Mr. Reed reviewed FY 2015-16 retail revenues and expenses and the estimated FY 2015-16 year-end retail reserve balances. Mr. Reed informed the Board that the 10-year retail CIP has 60-70 projects listed at an estimated total cost of \$47 million (inflation costs included). He explained that he assumed the Kokila Reservoir Replacement Project would also be debt financed in 2019 while the rest of the CIP projects would be on a pay-as-you-go basis.

Mr. Reed explained that the financial plan strategy is the same for retail as it is for wholesale which is to maintain minimum prudent reserves, but utilize other reserves for economic efficiency and to reduce near-term rate increases. Therefore, it is his suggestion that the District utilizes the compensated absence reserve, the PERS stabilization reserve, and the Kokila reservoir reserve and put them to better use.

Mr. Reed informed the Board that the recommended annual overall retail water rate increases would be 6% for 2017, 8% for 2018, 8% for 2019, 6% for 2020, 6% for 2021, then 4% for each year from 2022 thru 2026. Mr. Reed reviewed the Retail Financial Plan Summary graph.

Mr. Reed reviewed the current retail rates and the retail rate analysis. He explained that, similar to wholesale, a larger portion of the fixed costs will gradually be moved from the variable rate to the fixed rate. However, the water usage rate is not changing as it did under wholesale, and instead will remain constant at 92 cents per ccf. He reviewed the 2017 Retail Water Rate Calculation chart. At Director Miller's request, Mr. Reed will provide the Board with a graph, similar to wholesale, that shows retail water deliveries and projections.

Director Costa commented that if the debt is refinanced or new debt financed then the terms need to be such that early repayment or refinancing is available without penalties. Ms. Silva will make sure his concerns are addressed at the appropriate time. Director Costa excused himself from the meeting.

Director Walters commented that customers should be informed about the rate structure change and the benefits. Mr. Reed commented that the benefit to the District, and ultimately the customer, is that it stabilizes the District's revenue so that future droughts will have less financial risk to the District and smaller drought surcharges.

Mr. Reed informed the Board that he developed the financial plans and rates to be implemented in January 2017. He commented that the wholesale customer agencies need a 150-day notice of any rate changes; therefore, the notice would need to be sent to them by August 1st. In addition, he informed the Board that the retail customers need the Prop. 218 notice. He summarized future considerations to include:

- Refunding of 2009 COPs in 2018
- Actual terms for new debt issued in 2019
- Continue reducing PERS UAL (retail)
- Monitor demand rebound and financial condition

The Board discussed the 150-day Notice of Rate Increase to Wholesale Customers and would like it on the next Board meeting agenda. Ms. Silva informed the Board that she will produce the draft budget book for review at the August 10th Board meeting, which will include paying off the wholesale portion of the UAL obligation and paying a portion of the retail UAL obligation with the Kokila reserve. Ms. Lorange commented that the consulting portion of the Wholesale Management and Reliability feasibility study should be in the wholesale budget, staff will verify inclusion and adjust if needed.

At the request of Director Walters, Ms. Silva will provide the Board with the draft budget earlier than 4 days prior to the Board meeting, which would be separate from the Board meeting packet.

Ms. Silva informed the Board that she would like to have the budget adopted prior to adopting any rate increases, which is why the budget does not include any rate increases.

For information, no action requested.

II. PUBLIC COMMENT

There were no public comments.

III. ADJOURN

The meeting was adjourned at 6:10 p.m.

ATTEST:

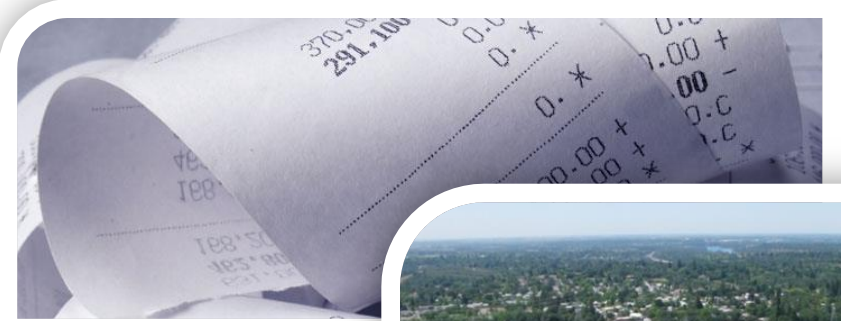
PAM TOBIN, President
Board of Directors
San Juan Water District

TERI GRANT, Board Secretary

SJWD PROPOSED BUDGET

Fiscal Year 2016-2017

Wholesale and Retail



Agenda

THE PAST

2014-2015:
Review

2015-16:
Review of New
Funds

THE PRESENT

2016-2017:
Beginning Reserve
Balances

Economic Overview

THE FUTURE

FY 16-17 Budget Review:

- Assumptions
- Major Projects
- The Numbers

Future Rates:

- Financial Plan, Bob Reed

Discuss Budget Timeline



SAN JUAN WATER
SINCE 1854

FY 2014-15 Financial Results – Wholesale

	<u>2014-2015 Budget</u>	<u>2014-2015 Actual</u>	<u>Variance</u>
Beginning Available Reserves	\$ 13,826,746	\$ 13,826,746	
Revenues			
Water Sales	\$ 6,903,051	\$ 6,379,836	\$ (523,215)
Capital Contributions	616,000	370,250	(245,750)
Connection Fees	45,180	112,615	67,435
Taxes & Assessments	819,060	899,732	80,672
Rebates	385,000	399,179	14,179
Other Revenues	395,419	338,246	(57,173)
Total Revenues	\$ 9,163,710	\$ 8,499,858	\$ (663,852)
Expenses			
Salaries & Benefits	\$ 3,013,267	\$ 2,599,855	\$ (413,412)
Treated Water	801,663	911,988	110,325
Other Expenses - excluding deprn	1,579,260	2,256,632	677,372
Debt Service - Interest	1,479,610	1,435,587	(44,023)
Debt Service - Principal	568,833	568,833	-
Capital Improvement Projects	4,604,680	78,898	(4,525,782)
Total Expenses	\$ 12,047,313	\$ 7,851,791	\$ (4,195,522)
Net Sources and Uses	\$ (2,883,603)	\$ 648,066	\$ 3,531,669
Ending Available Reserves	\$ 10,943,143	\$ 14,474,812	\$ 3,531,669

Wholesale FY 2014-15 and 2015-16 est.

	2014-2015 Actual		2015-2016 Est. -			
			Operating	Capital		
Beginning Available Reserves	\$	13,826,746	\$	14,474,812	\$	-
Transfer of Beginning Reserves			(11,203,318)		11,203,318	
Revenues						
Water Sales	\$	6,379,836	\$	6,358,500	\$	-
Capital Contributions		370,250	-		889,500	
Connection Fees		112,615	-		52,000	
Taxes & Assessments		899,732	-		995,000	
Rebates		399,179	-		355,000	
Other Revenues		338,246	225,600		53,400	
Total Revenues	\$	8,499,858	\$	6,584,100	\$	2,344,900
Expenses						
Salaries & Benefits	\$	2,599,855	\$	3,354,200	\$	-
Treated Water		911,988	574,500		-	
Other Expenses - excluding depn		2,256,632	1,900,600		-	
Debt Service - Interest		1,435,587	1,421,300		-	
Debt Service - Principal		568,833	587,700		-	
Capital Improvement Projects		78,898	-		3,534,300	
Total Expenses	\$	7,851,791	\$	7,838,300	\$	3,534,300
Net Sources and Uses	\$	648,066	\$	(1,254,200)	\$	(1,189,400)
Transfers In/(Out)			1,228,400		(1,228,400)	
Ending Available Reserves	\$	14,474,812	\$	3,245,695	\$	8,785,518

Projected Ending Reserve Balances FY 2015-16

Wholesale - Operating

General	\$1,533,640
Rate Stabilization	1,000,000
PERS	415,833
Comp. Absences	193,555
Delta/Water Rights	<u>102,666</u>
Total Operating	<u>\$3,245,694</u>

Wholesale - Capital

General	\$6,034,518
Hinkle Reservoir	2,674,494
Vehicles	<u>76,506</u>
Total Capital	<u>\$8,785,518</u>

Total Projected Wholesale Reserves 6/30/2016

\$12,031,212

FY 2014-15 Financial Results – Retail

	2014-2015 Budget	2014-2015 Actual	Variance
Beginning Available Reserves	\$ 16,053,582	\$ 16,053,582	
Revenues			
Water Sales	8,731,309	7,846,601	(884,708)
Capital Contributions	-	589,599	589,599
Connection Fees	2,105,025	908,072	(1,196,953)
Taxes & Assessments	819,060	899,732	80,672
Other Revenues	225,031	254,863	29,832
Total Revenues	\$ 11,880,425	\$ 10,498,867	\$ (1,381,558)
Expenses			
Salaries & Benefits	3,432,239	4,196,596	764,357
Treated Water	2,216,330	2,242,528	26,198
Other Expenses - excluding depn	2,840,357	1,869,293	(971,064)
Debt Service - Interest	1,209,136	798,317	(410,819)
Debt Service - Principal	297,198	297,198	-
Capital Improvement Projects	8,773,200	4,222,479	(4,550,721)
Total Expenses	\$ 18,768,460	\$ 13,626,411	\$ (5,142,049)
Net Sources and Uses	\$ (6,888,035)	\$ (3,127,544)	\$ 3,760,491
Ending Available Reserves	\$ 9,165,547	\$ 12,926,038	\$ 3,760,491

Retail FY 2014-15 & 2015-16 est.

	2014-2015 Actual	2015-2016 Est. Operating	2015-2016 Est Capital
Beginning Available Reserves	\$ 16,053,582	\$ 12,926,038	\$ -
Transfer of Beginning Reserves		(10,331,800)	10,331,800
Revenues			
Water Sales	\$ 7,846,601	\$ 8,516,500	\$ -
Capital Contributions	589,599	-	(34,300)
Connection Fees	908,072	-	410,000
Taxes & Assessments	899,732	-	1,000,000
Other Revenues	254,863	305,900	725,400
Total Revenues	\$ 10,498,867	\$ 8,822,400	\$ 2,101,100
Expenses			
Salaries & Benefits	\$ 4,196,596	\$ 4,385,700	\$ -
Treated Water	2,242,528	2,389,000	-
Other Expenses - excluding depn	1,869,293	2,225,999	-
Debt Service - Interest	798,317	787,000	-
Debt Service - Principal	297,198	309,636	-
Capital Improvement Projects	4,222,479	-	3,212,900
Total Expenses	\$ 13,626,411	\$ 10,097,335	\$ 3,212,900
Net Sources and Uses	\$ (3,127,544)	\$ (1,274,935)	\$ (1,111,800)
Transfer In/(Out)	\$ -	1,613,400	(1,613,400)
Ending Available Reserves	\$ 12,926,038	\$ 2,932,704	\$ 7,606,600

Projected Ending Reserve Balances FY 2015-16

Retail - Operating

General	\$2,126,919
PERS	410,806
Comp. Absences	347,915
Customer Deposits	<u>47,090</u>
Total Operating	<u>\$2,932,730</u>

Retail - Capital

General	\$6,898,959
Kokila Reservoir	392,614
Vehicles	<u>315,000</u>
Total Capital	<u>\$7,606,574</u>

Total Projected Retail Reserves as of 6/30/2016

\$10,539,304

Anticipated Available Reserves – Beginning of Fiscal Year 2016-17

Wholesale Operating	\$3,245,694
Wholesale Capital	8,785,518
Retail Operating	2,932,730
Retail Capital	<u>7,606,574</u>
TOTAL BEGINNING RESERVES (est.)	\$22,570,516

Economic Overview

- California economy enjoying economic growth – at a reasonable pace
- State passed budget with no cuts – first time since 1982 – sets \$2 billion into reserves
- Job growth expected to beat the national average this year
- Payrolls should expand approx. 2%
- Unemployment rate 5.8%, expected to fall to 5% next year
- Sacramento region job growth expected to roughly match the state
- State economy may be peaking – capitalize on good economy while you can and prepare for recession

Assumptions

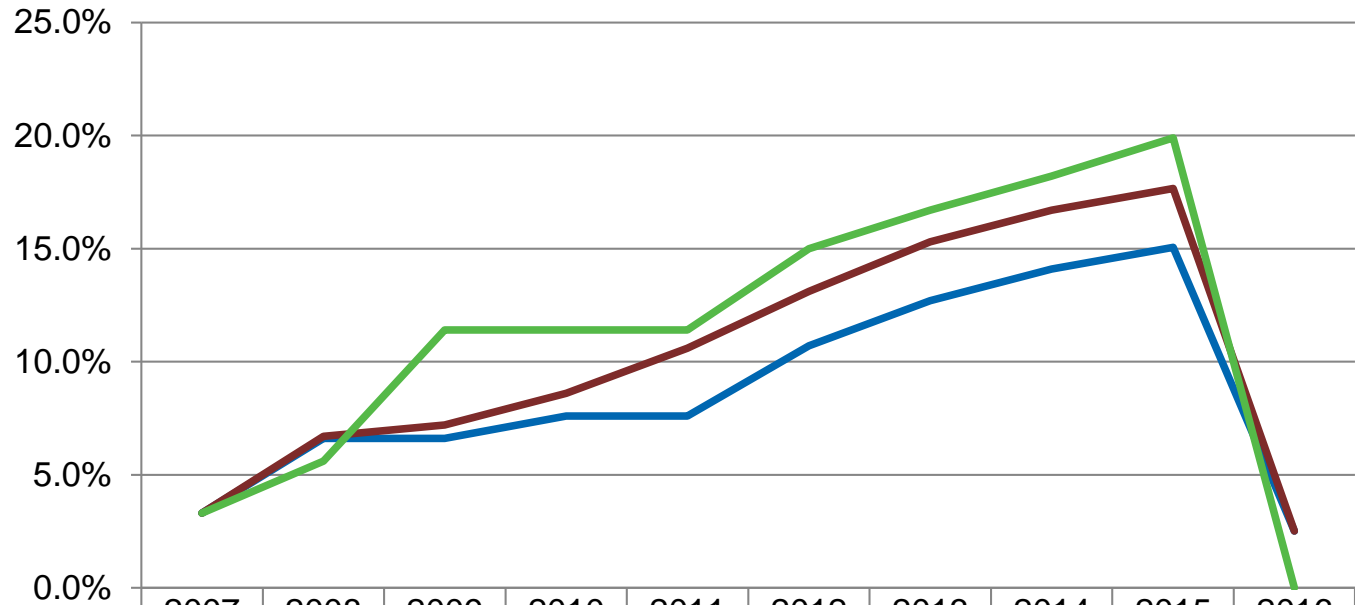
- Proposed rate increases not included
- Consumption level: 20% below 2013 levels
- 5% increase in Property Tax Revenues
- Investment Income constant
- Limited Rebate Revenue – last year
- No CVP Water to be used
- FO-40 alternate payment schedule approved – no 16/17 Capital Contributions
- \$866,900 towards Groundwater Reimbursement

Assumptions (cont.)

- 10% decrease in Workers Comp Rates
- 5% increase in Health Care Costs
- Restore funding for Incentive Award Program at 3% of total salaries
- PERS Reserves remitted to CalPERS for payment against unfunded liability
- Two new positions, both starting January, HR Specialist and WTP Operator (trailer rental included)
- 2.5% COLA in alignment with CPI February over February

COLA Analysis

COLA ANALYSIS



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
— SJWD	3.3%	6.6%	6.6%	7.6%	7.6%	10.7%	12.7%	14.1%	15.1%	2.5%
— Western Cities	3.3%	6.7%	7.2%	8.6%	10.6%	13.1%	15.3%	16.7%	17.7%	2.5%
— Social Security	3.3%	5.6%	11.4%	11.4%	11.4%	15.0%	16.7%	18.2%	19.9%	0.0%

Major Operating Projects

Project:	Wholesale	Retail	Total
Groundwater Reimbursement	\$ 886,900		\$ 886,900
Los Lagos Tank Recoating	-	760,000	760,000
Hinkle Reservoir Required Maintenance	113,000	-	113,000
Election Costs	42,200	42,200	84,400
Douglas Rd. Overlay Project		76,000	76,000
Website Overhaul	30,000	30,000	60,000
Rebate Programs		52,000	52,000
Chlorine System Maintenance	51,700	-	51,700
Kokila Cleaning/Repairs		48,000	48,000
Customer Satisfaction Survey		45,000	45,000
Meter Upgrades to Radio Read		40,000	40,000
GIS Needs Assessment & Data Migration	12,800	19,200	32,000
Temporary Customer Service Help		30,000	30,000
Solids Process Maintenance	26,500	-	26,500
Process Control Maintenance	21,600	-	21,600
HR Audit	10,800	10,800	21,600
Plant Building Maintenance	20,000	-	20,000
Leak Detection Services		20,000	20,000
BW/EQ System Maintenance	18,000	-	18,000
ADA Compliance Repairs to Front Door	7,800	7,800	15,600
Mulch Mayhem	10,000	-	10,000

Wholesale Proposed Operating Budget FY 2016-17

	2013-2014	2014-2015	2015-2016 Est.	2016-2017 Proposed Budget	Variance From 2015-2016 Est.	%
Beginning Available Reserves	\$ 12,848,866	\$ 13,826,746	\$ 14,474,812	\$ 3,245,695		
Revenues:						
Water Sales	\$ 6,809,164	\$ 6,379,836	\$ 6,358,500	\$ 7,410,600	\$ 1,052,100	17%
Capital Contributions	(225,068)	370,250	-	-	-	
Connection Fees	53,231	112,615	-	-	-	
Taxes & Assessments	838,921	899,732	-	-	-	
Rebates	365,683	399,179	-	-	-	
Other Revenues	589,822	338,246	225,600	122,400	(103,200)	-46%
Total Revenues	\$ 8,431,754	\$ 8,499,858	\$ 6,584,100	\$ 7,533,000	\$ 948,900	14%
Expenses:						
Salaries and Benefits	\$ 2,807,317	\$ 2,599,855	\$ 3,354,200	\$ 3,458,600	\$ 104,400	3%
Source of Supply	802,115	911,988	574,500	1,945,800	1,371,300	239%
Professional Services	1,011,352	384,799	735,200	746,700	11,500	2%
Maintenance	88,164	278,330	309,200	429,500	120,300	39%
Materials and Supplies	613,171	443,046	403,400	511,000	107,600	27%
Public Outreach	192,065	168,987	133,700	139,100	5,400	4%
Debt Service - Interest	1,207,550	1,435,587	1,413,900	1,389,400	(24,500)	-2%
Debt Service - Principal	446,017	563,833	587,700	607,500	19,800	3%
Payment to Unfunded Pension Liabilitiy	-	-	-	415,800	415,800	
Capital Improvement Projects	95,051	78,898	-	-	-	
Other	191,073	986,470	326,500	494,900	168,400	52%
Total Expenses	\$ 7,453,875	\$ 7,851,791	\$ 7,838,300	\$ 10,138,299	\$ 2,300,000	29%
Net Sources and Uses	\$ 977,880	\$ 648,066	\$ (1,254,200)	\$ (2,605,299)	\$ (1,351,100)	108%
Transfer In	-	-	1,228,400	1,057,400	(171,000)	-14%
Transfer Out			(11,203,317)			
Ending Available Reserves	\$ 13,826,746	\$ 14,474,812	\$ 3,245,695	\$ 1,697,796	\$ (1,522,100)	

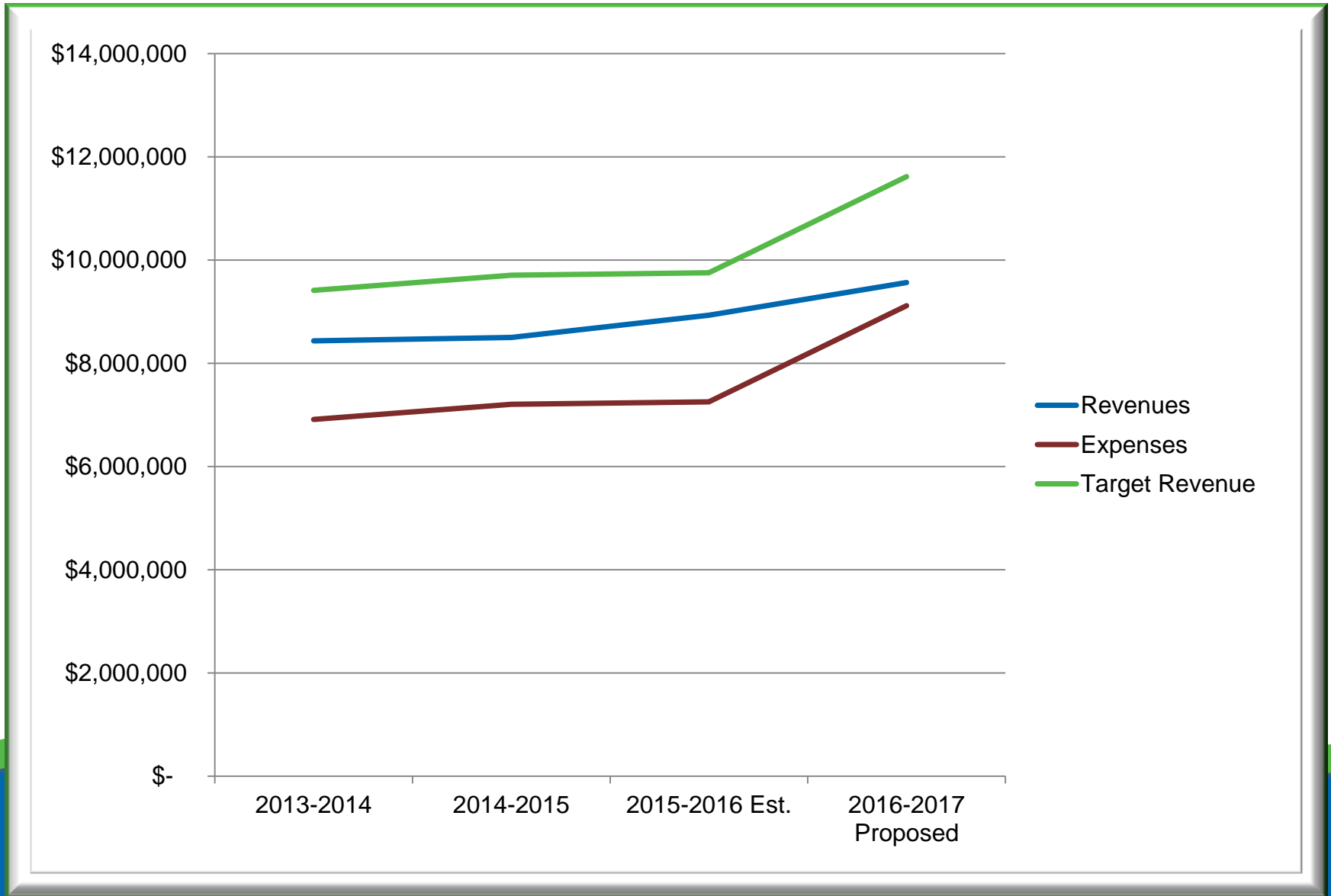
Wholesale – Capital Outlay Proposed Budget FY 2016-17

	2015-2016 Est.	2016-2017 Proposed Budget	Variance	%
Beginning Reserve Balance	\$ -	\$ 8,785,500		
Revenues:				
Rebates	\$ 355,000	\$ 72,000	\$ (283,000)	-80%
Capital Contributions - Revenue	889,500	784,200	(105,300)	-12%
Investment/Interest Revenue	50,300	55,600	5,300	11%
Taxes & Assessments - Revenue	995,000	1,045,000	50,000	5%
Tapping & Connection Fees - Revenue	52,000	75,000	23,000	44%
Gain/Loss on Sale of Asset	3,100	-	(3,100)	-100%
Total Revenues	\$ 2,344,900	\$ 2,031,800	\$ (313,100)	-13%
Expenses:				
Capital Outlay - Buildings & Improvements	\$ 15,000	\$ -	\$ (15,000)	-100%
Capital Outlay - Water Treatment Plant & Improvements	1,223,000	6,531,500	5,308,500	434%
Capital Outlay - Mains/Pipelines & Improvements	700,000	-	(700,000)	-100%
Capital Outlay - Reservoirs & Improvements	15,000	59,000	44,000	293%
Capital Outlay - Equipment and Furniture	123,300	158,000	34,700	28%
Capital Outlay - Vehicles	31,500	76,500	45,000	143%
Capital Outlay - Software	9,500	-	(9,500)	-100%
Contributions to Others	1,417,000	-	(1,417,000)	-100%
Total Expenses	\$ 3,534,300	\$ 6,825,000	\$ 3,290,700	93%
Transfer In	\$ 11,203,300	\$ -	\$ (11,203,300)	-
Transfer Out	\$ (1,228,400)	\$ (1,057,400)	\$ 171,000	-14%
Net Capital Fund Income/(Loss)	\$ 8,785,500	\$ (5,850,600)	\$ (14,636,100)	
Ending Reserve Balance	\$ 8,785,500	\$ 2,934,900	\$ (5,850,600)	

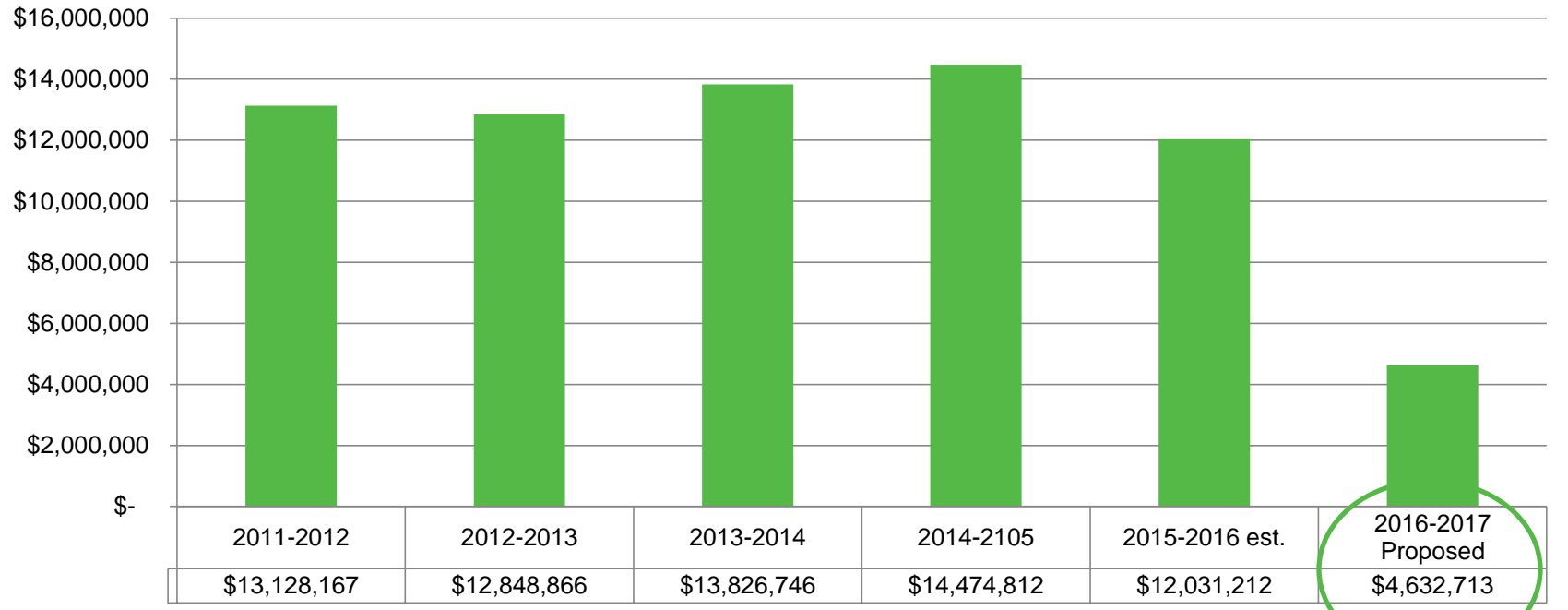
Wholesale – Capital Improvement Projects 2016-17

PROJECT	AMOUNT
Floc/Sed Basin & Settled Water Channel	\$6,372,000
Lime System Control & Feeder System Improvements	64,000
Hinkle Reservoir Monitoring Wells Level Probes	59,000
Articulating Boom Lift Replacement	32,000
Vehicle #20 Replacement (Ram)	37,000
ARC Flash Assessment & Improvements	150,000
In-Plant Pump Station Improvements	69,000
Rehab Projects	26,500
Barracuda Back-Up Appliance	8,000
Pooled Vehicle Replacement	7,500
Total CIP Spending 2016-2017	\$6,825,000

Wholesale Operating Income & Expense Over Time



Wholesale Available Reserves



Retail Proposed Operating Budget FY 2016-17

	2013-2014	2014-2015	2015-2016 Est.	2016-2017 Proposed Budget	Variance From 2015-2016 Est.	%
Beginning Available Reserves	\$ 12,848,866	\$ 16,053,582	\$ 12,926,038	\$ 2,932,739		
Revenues						
Water Sales	\$ 8,506,899	\$ 7,846,601	\$ 8,516,500	\$ 9,657,800	\$ 1,141,300	13%
Capital Contributions	1,057,014	589,599	-	-	-	
Connection Fees	24,090	908,072	-	-	-	
Taxes & Assessments	838,921	899,732	-	-	-	
Other Revenues	147,856	254,863	305,900	300,900	(5,000)	-2%
Total Revenues	\$ 10,574,780	\$ 10,498,867	\$ 8,822,400	\$ 9,958,700	\$ 1,136,300	12%
Expenses:						
Salaries and Benefits	\$ 4,233,853	\$ 4,196,596	\$ 4,385,700	\$ 4,706,000	\$ 320,300	7%
Source of Supply	2,110,208	2,242,528	2,389,000	2,721,300	332,300	14%
Professional Services	512,041	584,436	871,000	990,300	119,300	14%
Maintenance	176,446	212,491	344,200	1,214,200	870,000	253%
Materials and Supplies	275,801	264,200	227,600	264,400	36,800	16%
Public Outreach	76,573	83,716	66,400	67,500	1,100	2%
Debt Service - Interest	708,032	798,317	787,000	774,200	(12,800)	-2%
Debt Service - Principal	233,775	297,198	309,600	320,400	10,800	3%
Payment to Unfunded Pension Liability	-	-	-	410,800	410,800	
Capital Improvement Projects	(1,760,619)	4,222,479	-	-	-	
Other	803,955	724,450	716,799	739,200	22,401	3%
Total Expenses	\$ 7,370,064	\$ 13,626,411	\$ 10,097,299	\$ 12,208,300	\$ 2,111,000	21%
Net Sources and Uses	\$ 3,204,716	\$ (3,127,544)	\$ (1,274,899)	\$ (2,249,600)	\$ (974,701)	
Transfer In			1,613,400	1,863,500		
Transfer Out			(10,331,800)			
Ending Available Reserves	\$ 16,053,582	\$ 12,926,038	\$ 2,932,739	\$ 2,546,640		

Retail – Capital Outlay Proposed Budget FY 2016-17

	FY 2015-16 Est.	2016-2017 Proposed Budget	Variance	%
Beginning Reserve Balance	\$ -	\$ 7,606,600		
Revenues:				
Capital Contributions - Revenue	\$ (34,300)	\$ -	\$ 34,300	
Investment/Interest Revenue	16,000	45,100	29,100	65%
Taxes & Assessments - Revenue	1,000,000	1,050,000	50,000	5%
Tapping & Connection Fees - Revenue	410,000	450,000	40,000	9%
Grant Revenue	705,600	-	(705,600)	
Gain/Loss on Sale of Asset	3,800	-	(3,800)	
Total Revenues	\$ 2,101,100	\$ 1,545,100	\$ (556,000)	-36%
Expenses:				
Capital Outlay - Pump Stations & Improvements	\$ 1,545,000	\$ 1,171,000	\$ (374,000)	-32%
Capital Outlay - Mains/Pipelines & Improvements	1,236,300	2,356,000	1,119,700	48%
Capital Outlay - Reservoirs & Improvements	-	21,000	21,000	100%
Capital Outlay - Equipment and Furniture	19,400	25,500	6,100	24%
Capital Outlay - Vehicles	83,700	355,000	271,300	76%
Capital Outlay - Software	9,500	126,900	117,400	93%
Contributions to Others	319,000	-	(319,000)	
Total Expenses	\$ 3,212,900	\$ 4,055,400	\$ 842,500	21%
Net Capital Fund Income/(Loss)	\$ (1,111,800)	\$ (2,510,300)	\$ (1,398,500)	56%
Transfers In	\$ 10,331,800	\$ -		
Transfers Out	\$ (1,613,400)	\$ (1,863,500)	(250,100)	13%
Ending Reserve Balance	\$ 7,606,600	\$ 3,232,800		

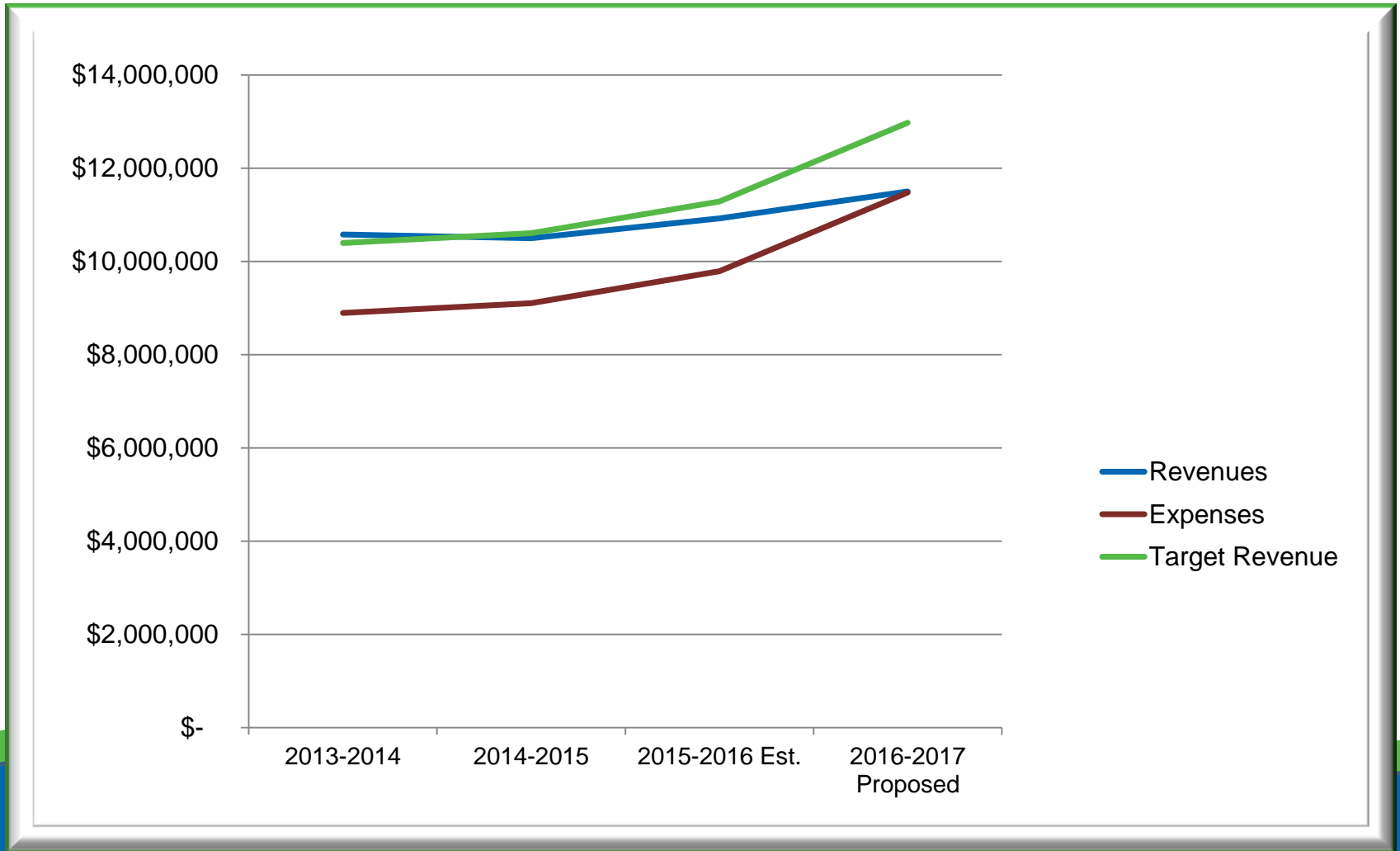
Retail – Capital Improvement Projects 2016-17

PROJECT	AMOUNT
Mainline Replacements:	
Douglas Blvd. 6990 – 7767	\$1,445,000
Main Ave. (5700-5708 & 5640-5682)	351,000
Oak Ave. 12" Main (9151-9219, Casa Robles H.S.)	323,000
Dambacher Drive (7225-7355)	189,000
Orangevale Ave. & Bridge Crossing (Bridge Section)	48,000
Pressure Reducing Stations:	
Bacon/Sierra 3 Station Improvements	355,000
Bacon/B2	318,000
Oak Ave. ARC North/South	212,000
LGB/UGB Control Valves	159,000
Pump Stations:	
Unidentified Pump Station (Emergency) Projects	53,000
LGB/CP Emergency Intertie	42,000
Bacon Intrusion Alarms	32,000

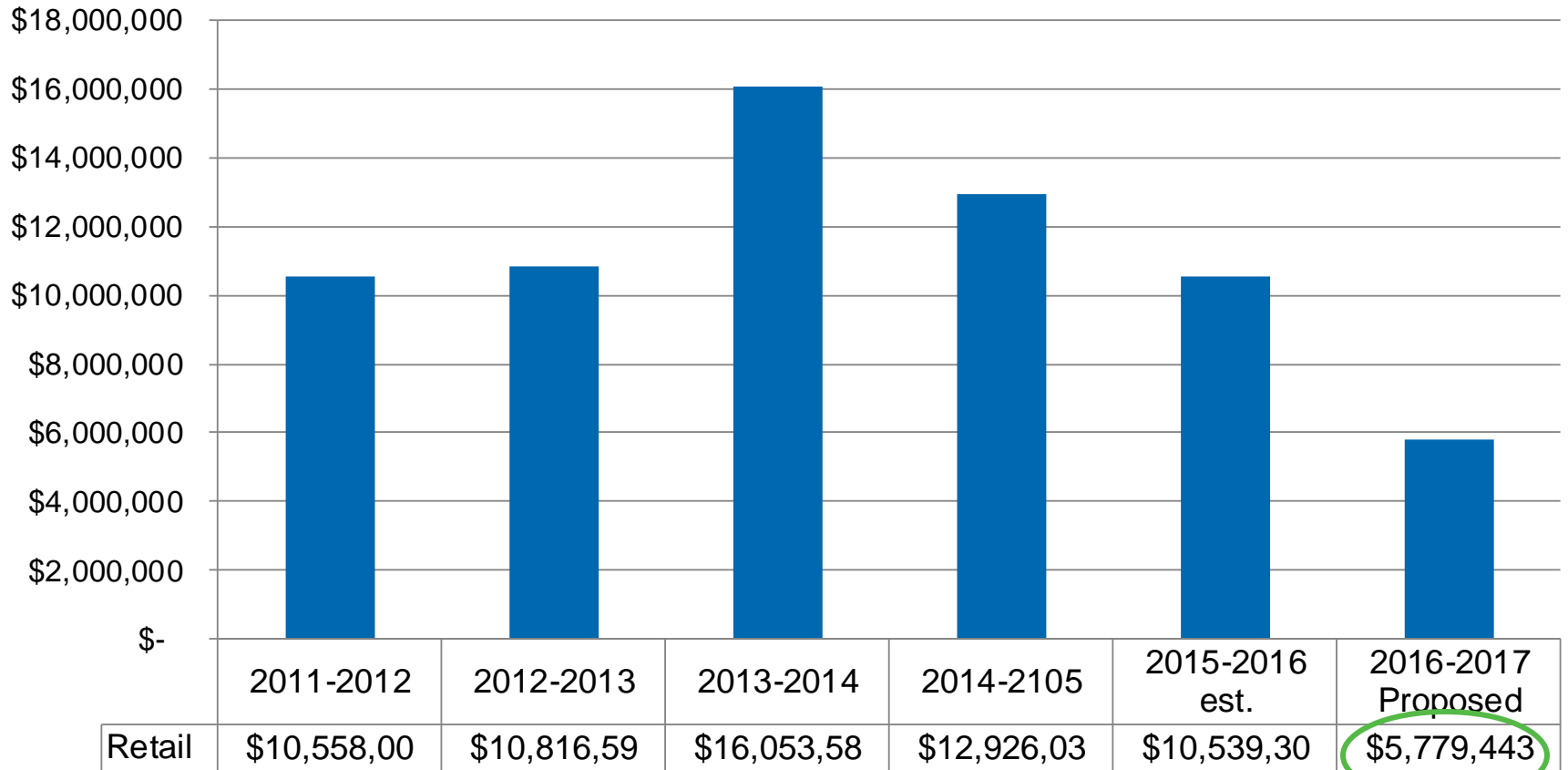
Retail – Capital Improvement Projects 2016-17

PROJECT	AMOUNT
Information Technology:	
Tyler Billing Module	126,900
New Copier	17,500
Barracuda Back-up Appliance	8,000
Vehicles:	
Field Services Backhoe – #27	117,000
Field Services Vehicle #21	64,000
Field Services Vehicle #9	48,000
Field Services Compressor #E59	32,000
Conservation Vehicle #27	31,000
Pooled Vehicle #9	15,000
Field Services Mud Trailer - #30	8,000
Los Lagos Tank Mixing System	21,000
Total Capital Projects	\$4,015,400

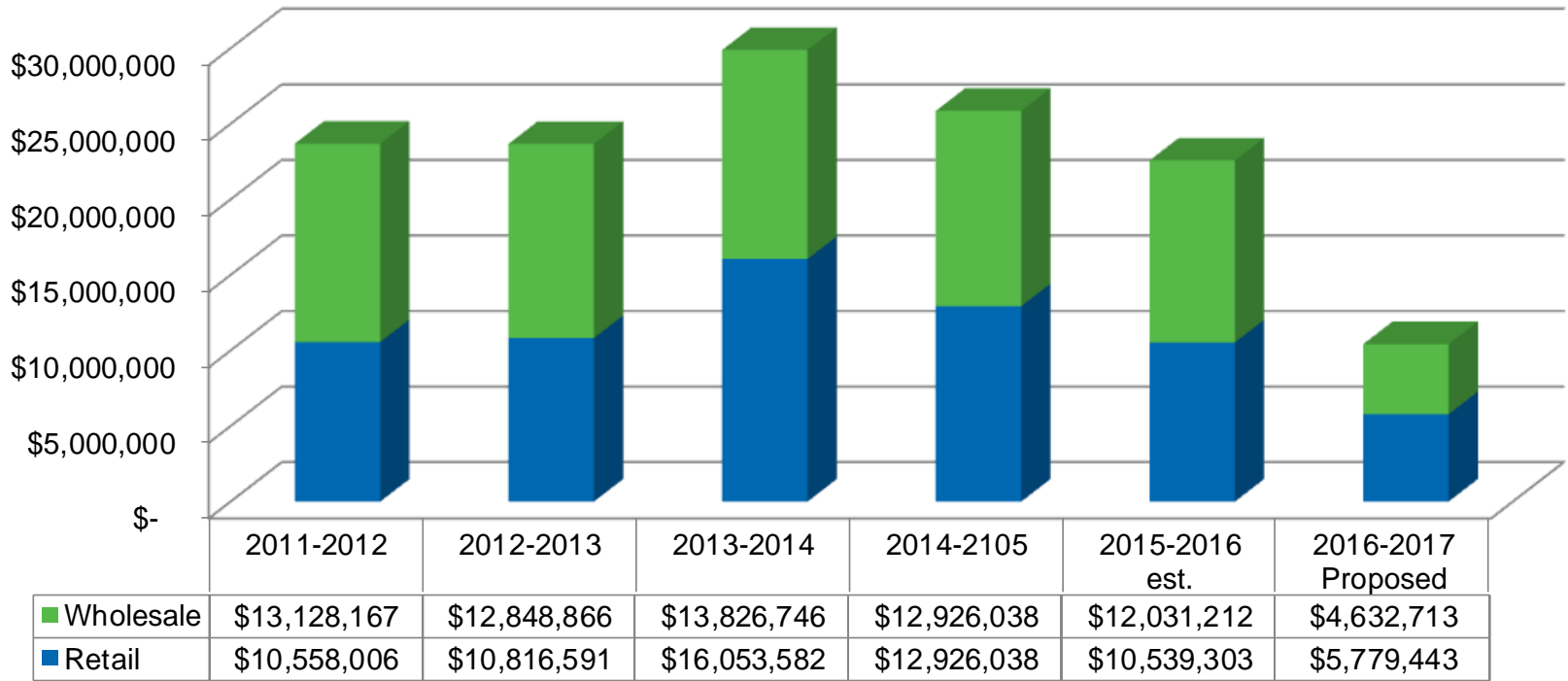
Retail Operating Income & Expense Over Time



Retail Available Reserves Over Time

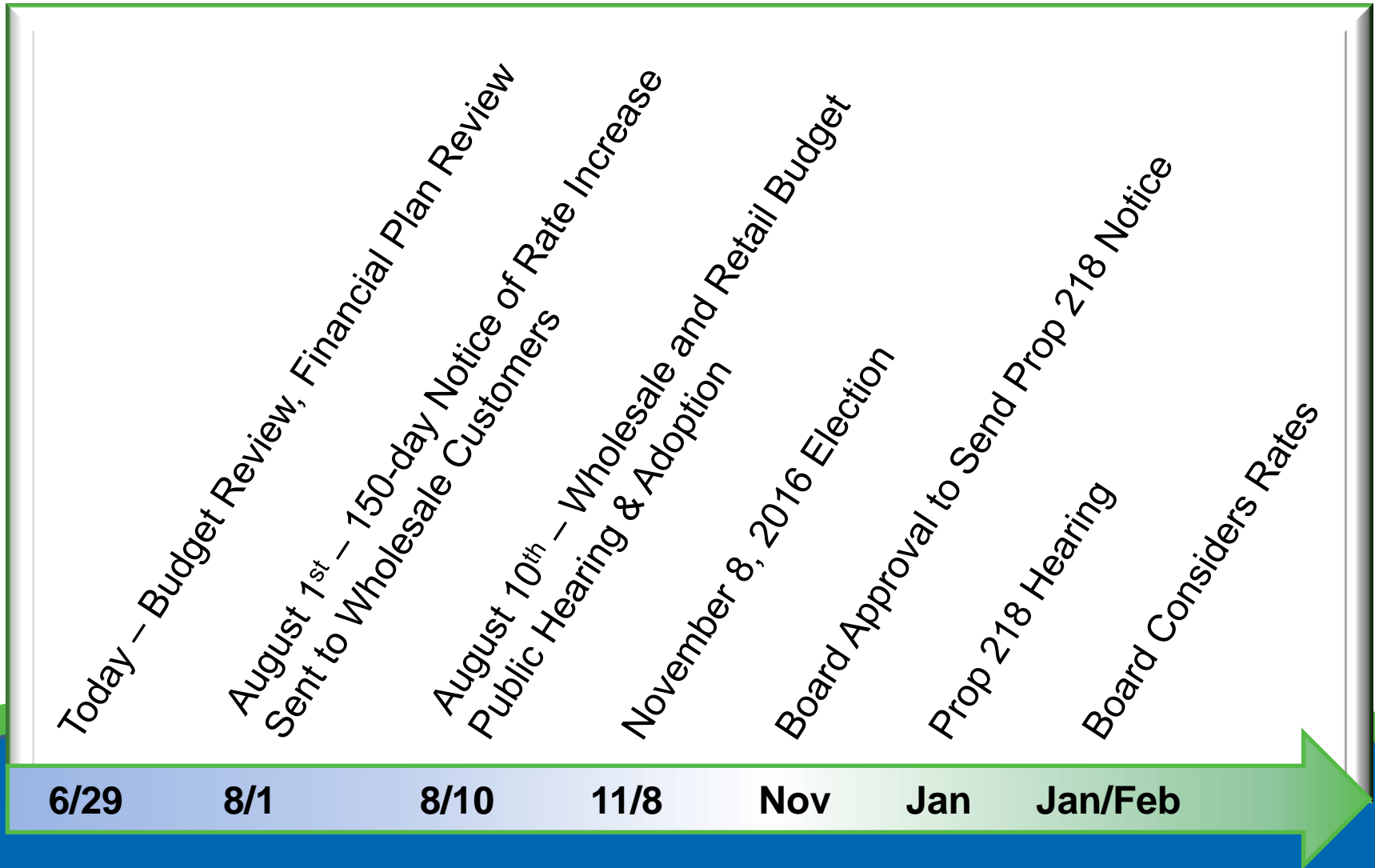


Wholesale & Retail Reserves Combined



Combined Ending Reserves 6/30/2017 \$10,412,159

Budget & Rate Timeline



San Juan Water District

Wholesale/Retail Financial Plans and Water Rate Update Study

Board Workshop

June 29, 2016

The Reed Group, Inc.



Workshop Topics

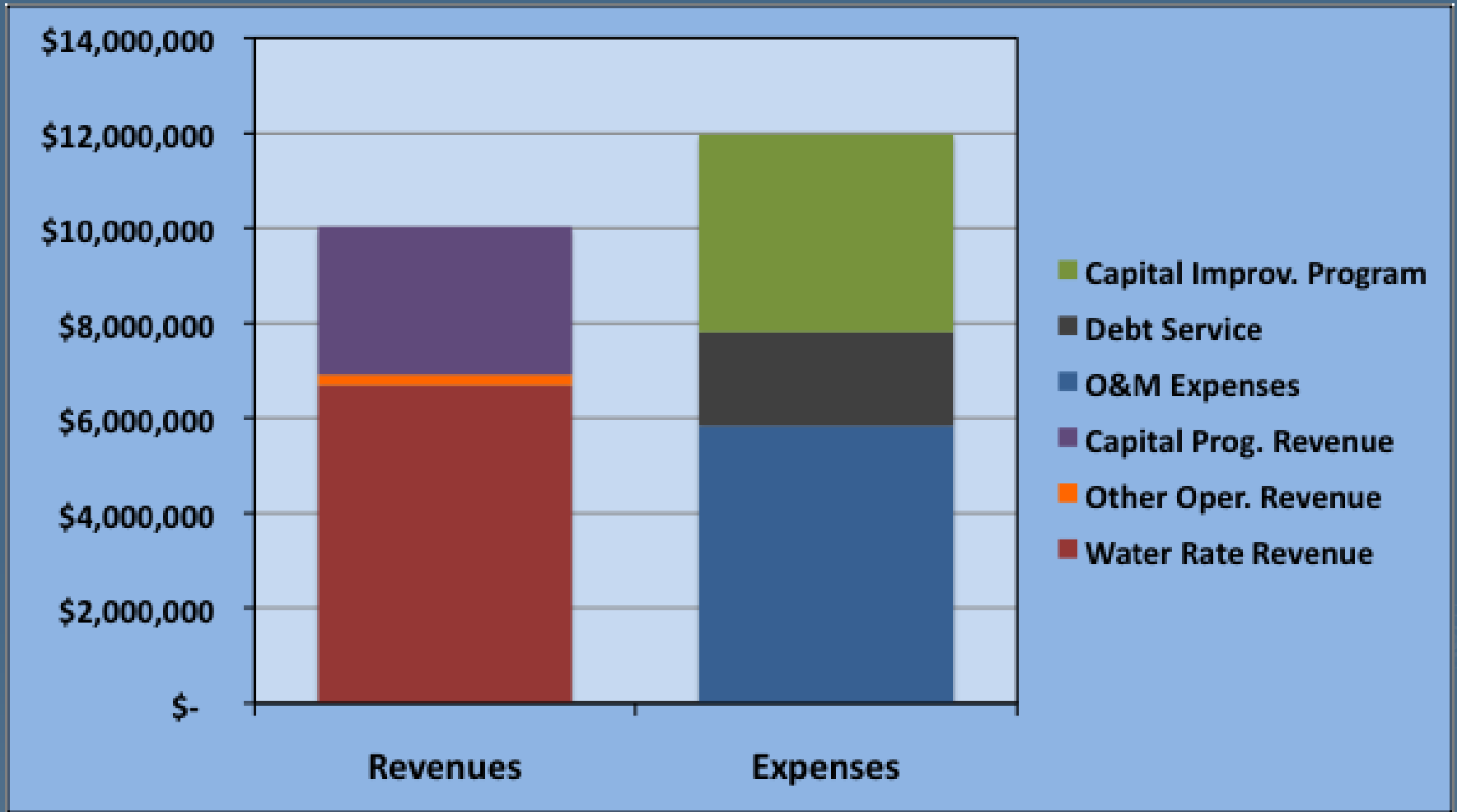
- Current financial situation
 - O&M costs, debt obligations, CIP needs
 - Drought and post-drought issues
 - Efficient use of financial resources
 - Funding for capital projects
- Financial plan development and analyses
 - Revenue needs and multi-year rate plans
- Water rate analyses and rate plan
 - Cost of service analyses
 - Rate structure refinement
 - Proposed rate schedules



Wholesale Water System



Est. FY 15-16 Revs. & Expenses



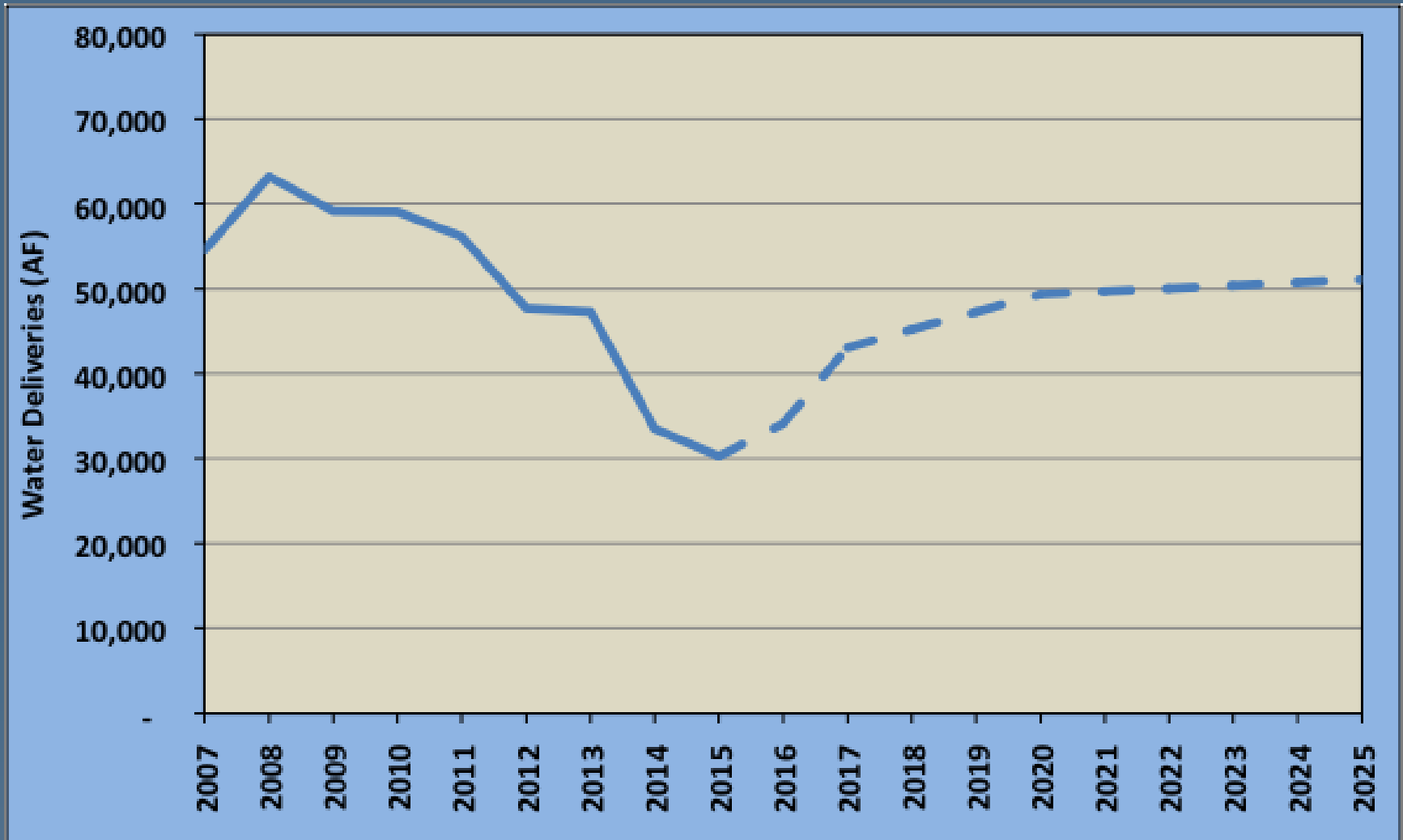
Est. FY 15-16 Year-End Reserves*

- **Operating Fund (Total = \$2,375,000)**
 - Operating Reserve \$1,167,000
 - Rate Stabilization Reserve \$495,000
 - Comp. Absences \$194,000
 - PERS Stab. Reserve \$416,000
 - Delta/Water Rights Reserve \$103,000
 - Uncommitted Bal. \$0
- **Capital Fund (Total = \$10,147,000)**
 - General CIP Reserve \$7,396,000
 - Vehicle/Equipment Reserve \$77,000
 - Hinkle Res. Reserve \$2,674,000

* Excludes restricted debt service reserves



Wholesale Water Deliveries



Impact of Drought

- Wholesale water deliveries and retail water sales both declined about 35% in 2015, relative to 2013
- Reduced water sales revenue and increased costs
 - Temporary 10% water shortage surcharge and general rate increases in Jan. 2016 were helpful, but not sufficient
- Trajectory of demand rebound is uncertain



Economic Efficiency

- Current rate of return on District's investments ~ 0.5%
- Long-term bond interest rates ~ 2.5% to 4.0%
- Interest paid on PERS unfunded accrued liability (UAL) ~ 7.5%
 - Est. UAL as of 6/30/16 ~ \$5,477,000



Projected PERS Contributions and UAL Payments

	Required Contrib.	Projected Future Employer Contribution Rates					EE Share
	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	
Normal Contribution %							
Tier 1	12.657%	12.7%	12.7%	12.7%	12.7%	12.7%	8.0%
Tier 2	11.995%	12.0%	12.0%	12.0%	12.0%	12.0%	8.0%
PEPRA	6.555%	6.6%	6.6%	6.6%	6.6%	6.6%	6.2%
Est. Contribution \$s (Employer Share)							
Est. Total ER Contrib.	\$ 202,000	\$ 213,000	\$ 229,000	\$ 236,000	\$ 243,000	\$ 250,000	
Unfunded Accrued Liability (UAL) Payments							
Tier 1	\$ 336,368	\$ 402,713	\$ 472,735	\$ 546,597	\$ 579,707	\$ 620,061	
Tier 2	\$ -	\$ 304	\$ 889	\$ 1,509	\$ 2,165	\$ 2,859	
PEPRA	\$ 37	\$ 116	\$ 200	\$ 289	\$ 384	\$ 421	
Est. Total UAL Payments	\$ 336,405	\$ 403,133	\$ 473,824	\$ 548,395	\$ 582,256	\$ 623,341	



Current PERS Unfunded Accrued Liability (UAL)

- Est. UAL at June 30, 2016 = \$5,477,000
 - Wholesale portion = \$2,300,000
 - Retail portion = \$3,177,000
- Available reserves to reduce UAL
 - Wholesale
 - Wholesale PERS stab. reserve = \$416,000
 - Hinkle reservoir reserve = \$1,884,000
 - \$790,000 would remain in Hinkle reservoir reserve
 - Retail
 - Retail PERS stab. reserve = \$411,000
 - Kokila reservoir reserve = \$393,000
- Remaining UAL of about \$2,373,000 would be a retail obligation

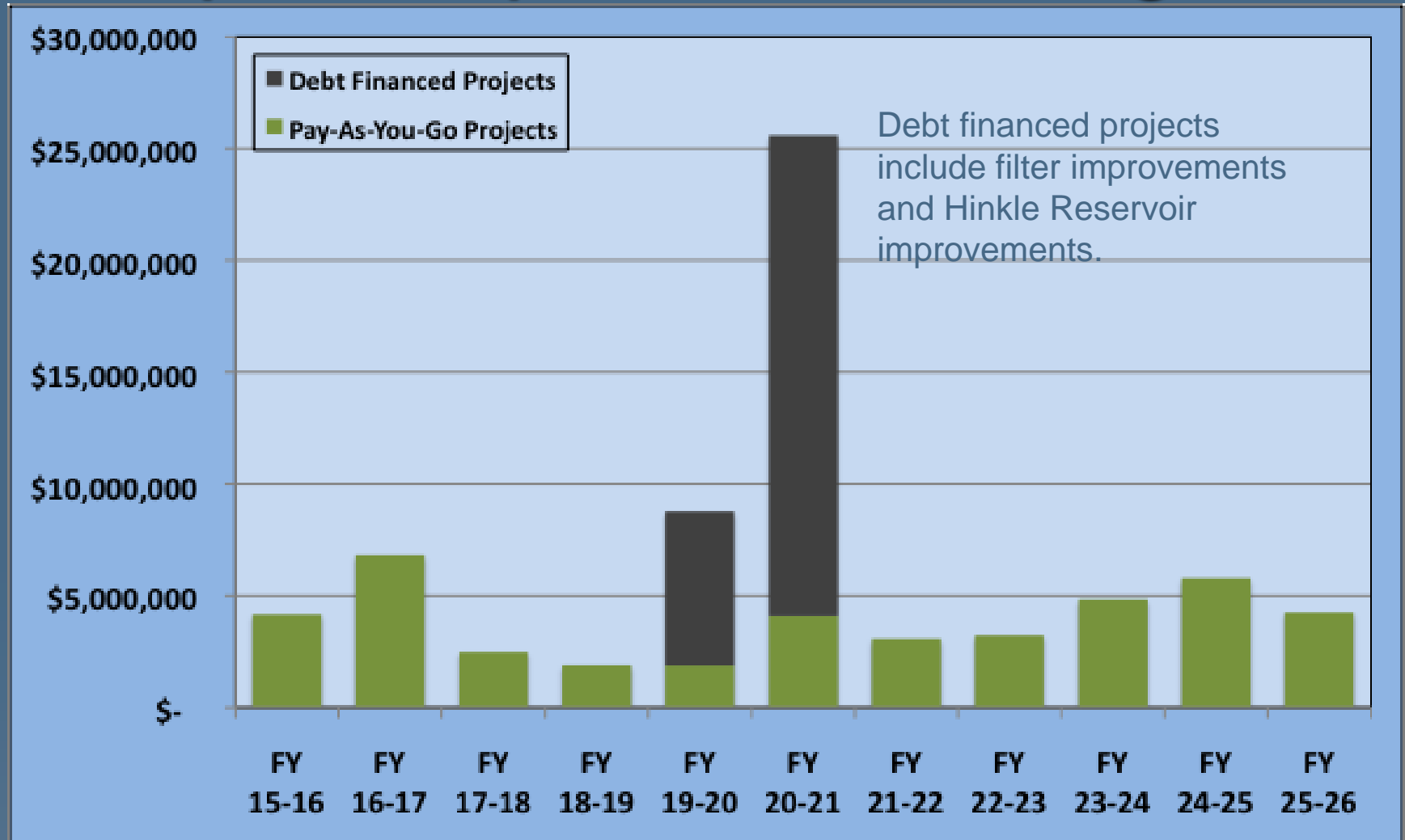


Capital Improvement Program

- Key wholesale capital projects
 - Antelope pump back project
 - Pre-treatment improvements
 - Fair Oaks 40" transmission main re-lining
 - Filter improvements
 - Hinkle reservoir improvements
 - New administration building
- Estimated 10-year total cost is \$66.8 million (in future \$s)



Capital Improvement Program



Wholesale CIP Financing

- Issue new debt in 2019
 - \$29.75 million par amount at estimated 4.0%
 - Annual debt service
 - 30-year term = \$1,720,000
 - 20-year term = \$2,189,000
 - 10-year term = \$3,668,000
- Pay-as-you-go funding
 - About \$38.5 million over 10 years



Financial Plan Strategy

- Maintain minimum prudent reserves, but utilize other reserves for economic efficiency and to reduce near-term rate increases
 - Rate stabilization reserve
 - Compensated absence reserve
 - PERS stabilization reserve
 - Hinkle reservoir reserve



Financial Plan Strategy

- Pay off entire wholesale PERS unfunded accrued liability (UAL) to reduce interest costs and future uncertainty
- Issue new long-term debt in 2019 for major capital improvement projects
 - Maintain pay-as-you-go for majority of CIP
- Bring revenues and expenses into balance

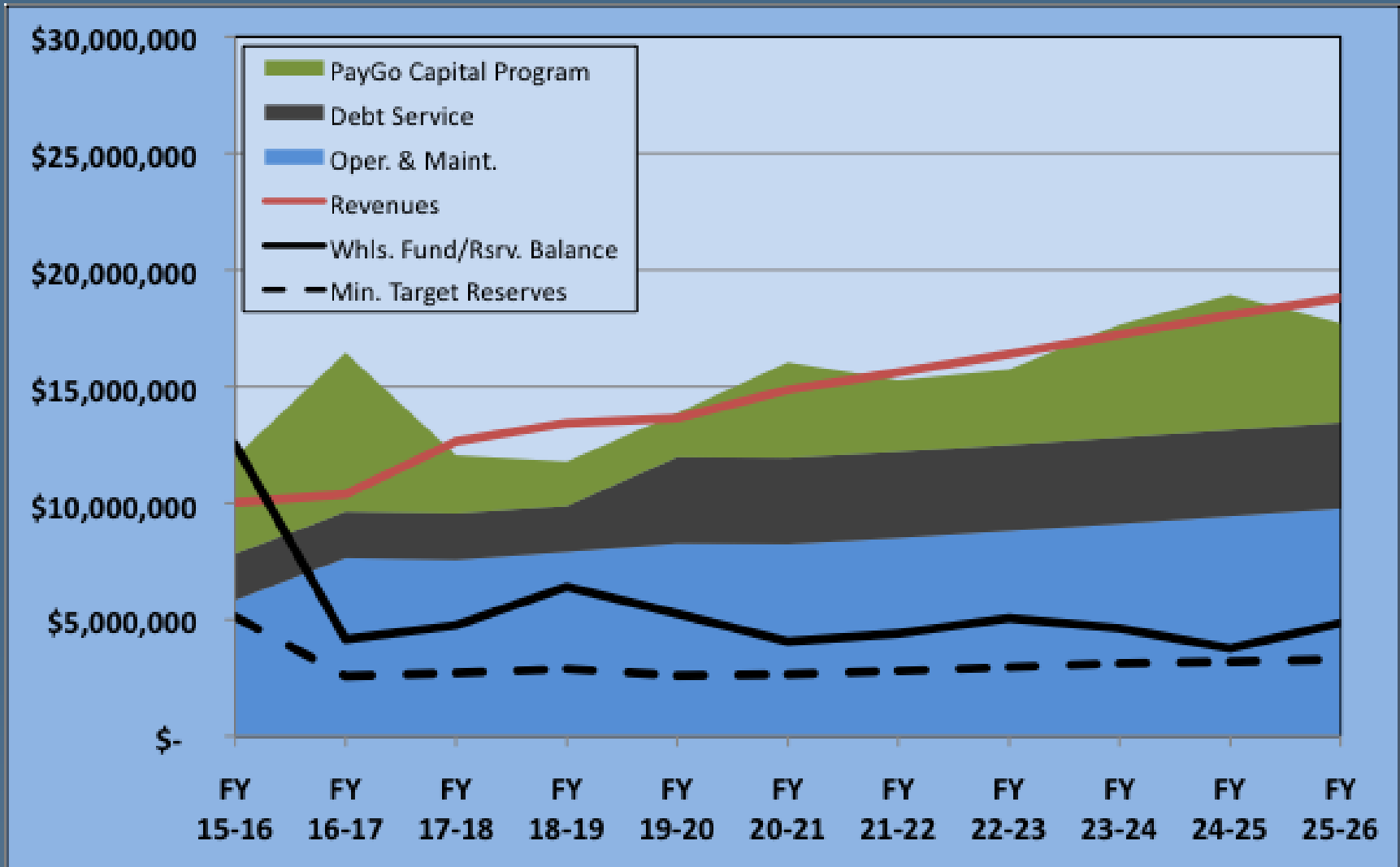


Annual Overall Wholesale Water Rate Adjustments

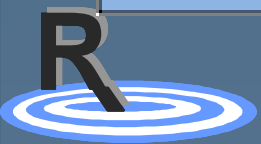
Year	Increase		Year	Increase
2017	16%		2022	5%
2018	9%		2023	5%
2019	9%		2024	5%
2020	9%		2025	5%
2021	6%		2026	5%



Wholesale Financial Plan Summary



Debt proceeds and debt-funded projects not shown.



Current Wholesale Water Rates

Jan. 2016	
Water Usage Rate (\$/AF)	
All Water Deliveries	\$ 102.02
Quarterly O, M, & R Service Charges	
San Juan Water District	\$ 126,315
Citrus Heights Water District	\$ 132,586
Fair Oaks Water District	\$ 102,172
Orangevale Water Company	\$ 44,801
City of Folsom	\$ 12,869
Quarterly Debt Service Charges	
San Juan Water District	\$ 153,453
Citrus Heights Water District	\$ 168,208
Fair Oaks Water District	\$ 110,878
Orangevale Water Company	\$ 47,980
City of Folsom	\$ 35,571

Notes:

(1) Folsom pumping surcharge and capital facilities charges are not shown.



Wholesale Rate Analysis

- Anticipate gradual rebound in water deliveries
- Gradually increase emphasis on fixed changes
 - Reduce, then hold, water usage rate
- “Overall” rate increases apply to sum total of usage charges, fixed O,M&R service charges, and debt service charges
- No change in capital facilities charges



Summary of Cost Allocation for 2017 Water Rates

Wholesale Customers	Supply (Variable)	Water Treatment		Customer (Fixed)	Debt Serv. (Fixed)	O,M&R and DS Costs	
		(Variable)	(Fixed)			(\$)	(%)
Unit Costs of Service -->	\$ 31.38 Per AF	\$ 46.47 Per AF	\$ 86.41 Per AF	\$ 11.40 Per Acct.			
San Juan WD -RSA							
Units of Service	13,680	13,680	12,658	10,582			
Allocation of Costs	\$ 429,293	\$ 635,747	\$ 1,093,841	\$ 120,596	\$ 613,750	\$2,893,227	31%
Citrus Heights WD							
Units of Service	13,015	13,015	11,785	19,785			
Allocation of Costs	\$ 408,403	\$ 604,810	\$ 1,018,381	\$ 225,476	\$ 672,800	\$2,929,870	32%
Fair Oaks WD							
Units of Service	9,978	9,978	8,861	13,894			
Allocation of Costs	\$ 313,122	\$ 463,707	\$ 765,730	\$ 158,340	\$ 443,450	\$2,144,349	23%
Orangevale WC							
Units of Service	4,615	4,615	4,246	5,577			
Allocation of Costs	\$ 144,822	\$ 214,470	\$ 366,932	\$ 63,557	\$ 191,950	\$ 981,732	11%
City of Folsom							
Units of Service	1,334	1,334	1,296	1,025			
Allocation of Costs	\$ 41,859	\$ 61,990	\$ 111,992	\$ 11,681	\$ 56,400	\$ 283,922	3%
Totals	\$ 1,337,500	\$ 1,980,725	\$3,356,875	\$ 579,650	\$1,978,350	\$9,233,100	100%



Proposed Wholesale Water Rates

	Current	Jan. 2017	Jan. 2018	Jan. 2019	Jan. 2020	Jan. 2021
Water Usage Rate (\$/AF)						
All Water Deliveries	\$ 102.02	\$ 77.85	\$ 77.85	\$ 77.85	\$ 77.85	\$ 77.85
Quarterly O, M, & R Service Charges						
San Juan Water District	\$ 126,315	\$ 303,609	\$ 367,703	\$ 439,767	\$ 519,579	\$ 578,254
Citrus Heights Water District	\$ 132,586	\$ 310,964	\$ 376,611	\$ 450,420	\$ 532,166	\$ 592,262
Fair Oaks Water District	\$ 102,172	\$ 231,017	\$ 279,787	\$ 334,621	\$ 395,350	\$ 439,996
Orangevale Water Company	\$ 44,801	\$ 107,622	\$ 130,342	\$ 155,887	\$ 184,179	\$ 204,978
City of Folsom	\$ 12,869	\$ 30,918	\$ 37,445	\$ 44,784	\$ 52,912	\$ 58,887
Quarterly Debt Service Charges						
San Juan Water District	\$ 153,453	\$ 153,438	\$ 153,450	\$ 153,450	\$ 153,438	\$ 153,413
Citrus Heights Water District	\$ 168,208	\$ 168,200	\$ 168,188	\$ 168,175	\$ 168,188	\$ 168,175
Fair Oaks Water District	\$ 110,878	\$ 110,863	\$ 110,850	\$ 110,838	\$ 110,850	\$ 110,850
Orangevale Water Company	\$ 47,980	\$ 47,988	\$ 47,988	\$ 47,988	\$ 47,975	\$ 47,975
City of Folsom	\$ 35,571	\$ 35,538	\$ 35,488	\$ 35,488	\$ 35,550	\$ 35,588

Notes:

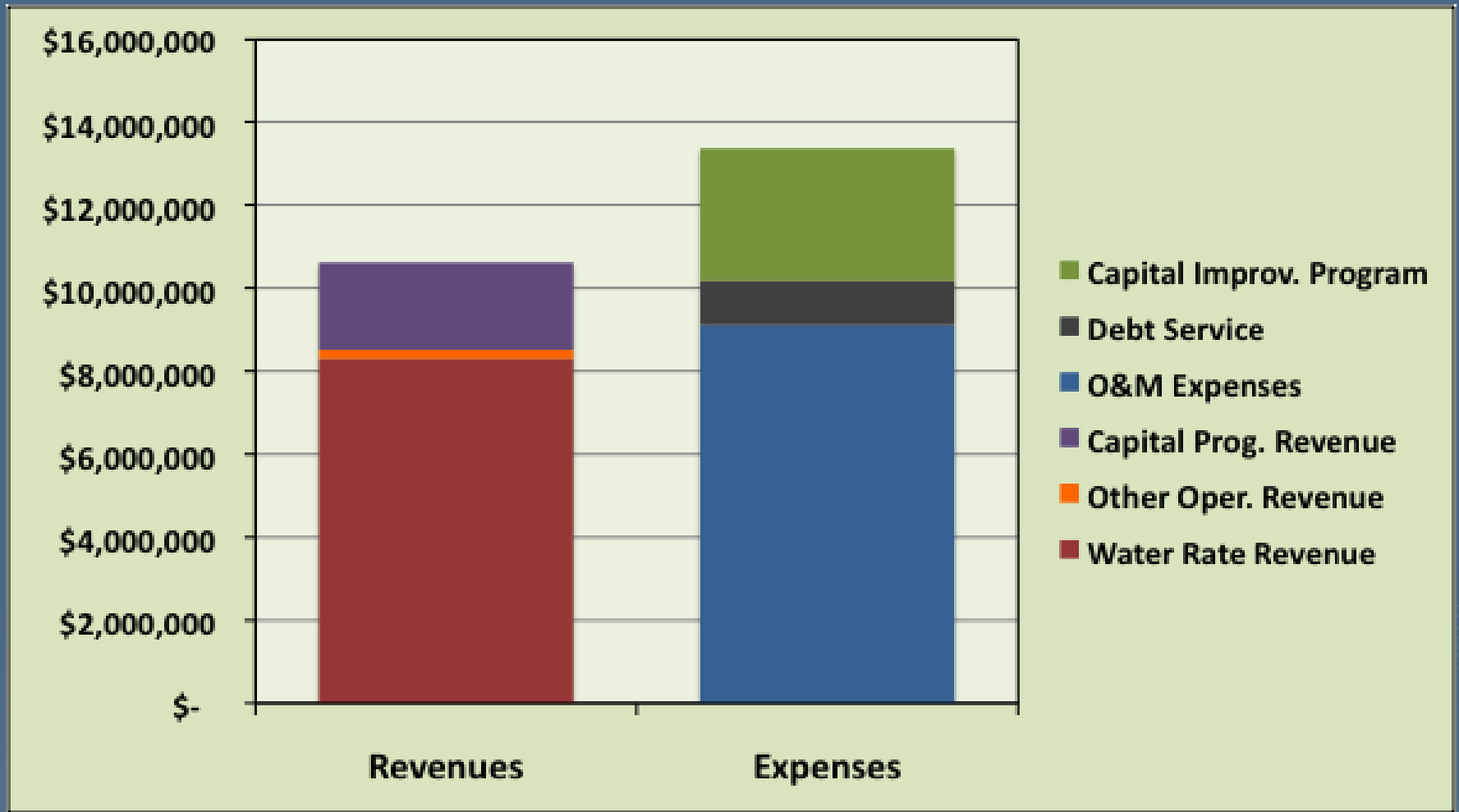
(1) Folsom pumping surcharge and capital facilities charges are not shown.



Retail Water System



Est. FY 15-16 Revs. & Expenses



Est. FY 15-16 Year-End Reserves*

- **Operating Fund (Total = \$2,885,000)**
 - Operating Reserve \$2,127,000
 - Comp. Absences \$348,000
 - PERS Stab. Reserve \$411,000
 - Uncommitted Bal. \$0
- **Capital Fund (Total = \$7,231,000)**
 - General CIP Reserve \$6,524,000
 - Vehicle/Equipment Reserve \$315,000
 - Kokila Res. Reserve \$393,000

* Excludes debt service reserves and other restricted reserves



Parallel Issues for Wholesale and Retail Systems

- Uncertain rebound in water demands
- Economic efficiency and cost-effective use of financial resources
 - Reduce long-term PERS UAL obligations
- Capital improvement program
 - Combination of PayGo and debt financing

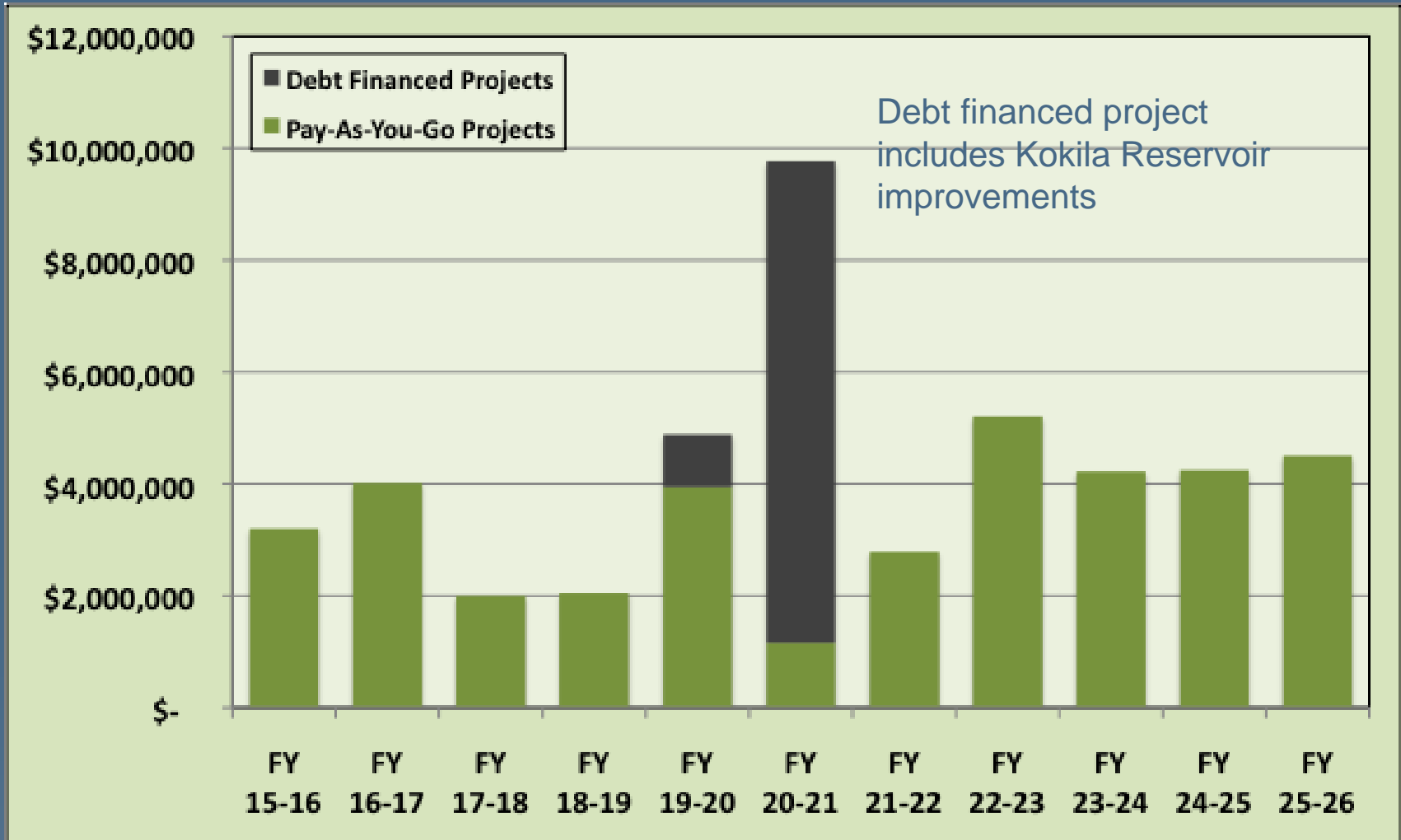


Capital Improvement Program

- Key retail capital projects
 - Transmission and distribution pipelines
 - Kokila Reservoir
- Estimated 10-year total cost is \$46.9 million (in future \$s)



Capital Improvement Program



Retail CIP Financing

- Issue new debt in 2019 for Kokila Res.
 - \$10.3 million par amount at estimated 4.0%
 - Annual debt service
 - 30-year term = \$596,000
 - 20-year term = \$758,000
 - 10-year term = \$1,270,000
- Pay-as-you-go funding
 - About \$37.4 million over 10 years



Financial Plan Strategy

- Maintain minimum prudent reserves, but utilize other reserves for economic efficiency and to minimize near-term rate increases
 - Compensated absence reserve
 - PERS stabilization reserve
 - Kokila reservoir reserve



Financial Plan Strategy

- Pay off as much of the retail PERS unfunded accrued liability (UAL) as possible (about 25%) to reduce interest costs and future uncertainty
- Issue new long-term debt in 2019 for major capital improvement projects
 - Maintain pay-as-you-go for majority of CIP
- Bring revenues and expenses into balance

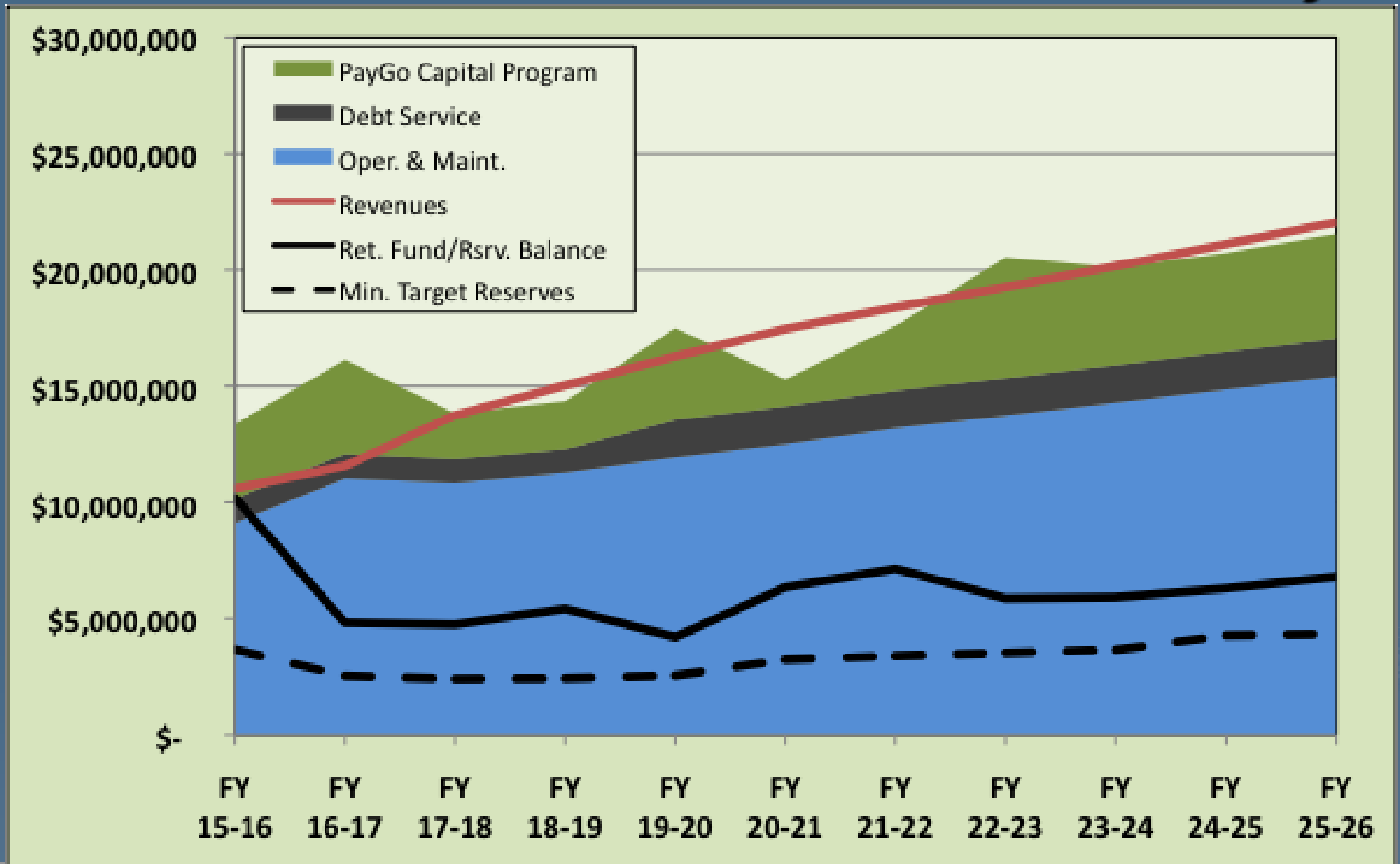


Annual Overall Retail Water Rate Adjustments

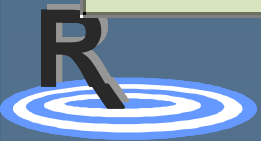
Year	Increase		Year	Increase
2017	6%		2022	4%
2018	8%		2023	4%
2019	8%		2024	4%
2020	6%		2025	4%
2021	6%		2026	4%



Retail Financial Plan Summary



Debt proceeds and debt-funded projects not shown.



Current Retail Water Rates

		Effective Jan. 1, 2016
<i>Daily Base Charges</i>		
Up to 1" meter	\$	1.24
1 1/2" meter	\$	3.31
2" meter	\$	5.28
3" meter	\$	10.50
4" meter	\$	16.36
6" meter	\$	32.73
8" meter	\$	58.83
Fire District	\$	6.36
<i>Water Usage Charge (\$/CCF)</i>		
All water usage	\$	0.92
<i>Daily Private Fire Line Charges</i>		
4" meter	\$	0.5265
6" meter	\$	0.7777
8" meter	\$	1.0529
10" meter	\$	1.2563
<i>Hinkle PS Pumping Surcharge (\$/AF)</i>		
Wholesale deliveries to City of Folsom	\$	68.87



Retail Rate Analysis

- Anticipate gradual rebound in water demand
- Gradually increase emphasis on fixed changes
 - Maintain current water usage rate while daily service charges gradually increase
 - Maintain uniform water usage rate for all water usage



2017 Retail Water Rate Calculation

	Meter Size							Total	Est. FY 15-16 Water Use (CCF)	
	1"	1 1/2"	2"	3"	4"	6"	8"			
No. of Accounts										
Residential	10,091	10	4					10,105	3,250,100	
Commercial	209	99	140	27	2			477	504,900	
Total Accounts	10,300	109	144	27	2	-	-	10,582	3,755,000	
Hydr. Cap. Factor	0.75	2.0	3.2	6.0	10.0	20.0	32.0			
1" Equiv. Mtrs.	7,725	218	461	162	20	-	-	8,586		
Daily Base Charges										
Customer Cost	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08			
Capacity Costs	\$ 1.39	\$ 3.70	\$ 5.92	\$ 11.10	\$ 18.50	\$ 36.99	\$ 59.18			
Daily Base Charge	\$ 1.47	\$ 3.78	\$ 6.00	\$ 11.18	\$ 18.58	\$ 37.07	\$ 59.26			
Ann. Rev. (\$1,000s)	\$ 5,519	\$ 150	\$ 315	\$ 110	\$ 14	\$ -	\$ -	\$ 6,108		
Water Rate Revenue Requirement					Water Use Rate (\$/CCF)					
Customer Costs	\$	312,000	3.3%					Rate	Usage	Ann. Rev.
Capacity Costs	\$	5,796,000	60.7%		Residential			\$ 0.92	3,250,100	\$ 2,979,186
Commodity Costs	\$	3,442,000	36.0%		Commercial			\$ 0.92	504,900	\$ 462,814
Total Rev. Reqmt.	\$	9,550,000			Totals				3,755,000	\$ 3,442,000

Notes:

- (1) Water rate calculations are based on the customer base as of December 2015 and estimated FY 15-16 water usage. Actual rate revenue in 2017 will be higher due to demand rebound and growth in the customer base. This higher revenue has been reflected in the financial plan model.



Proposed Retail Water Rates

	Current	Jan. 2017	Jan. 2018	Jan. 2019	Jan. 2020	Jan. 2021
Overall Water Rate Increase -->		6%	8%	8%	6%	6%
Daily Base Charges						
Up to 1" meter	\$ 1.24	\$ 1.47	\$ 1.65	\$ 1.85	\$ 2.01	\$ 2.18
1 1/2" meter	\$ 3.31	\$ 3.78	\$ 4.25	\$ 4.76	\$ 5.17	\$ 5.61
2" meter	\$ 5.28	\$ 6.00	\$ 6.75	\$ 7.56	\$ 8.22	\$ 8.92
3" meter	\$ 10.50	\$ 11.18	\$ 12.58	\$ 14.09	\$ 15.31	\$ 16.61
4" meter	\$ 16.36	\$ 18.58	\$ 20.90	\$ 23.41	\$ 25.44	\$ 27.59
6" meter	\$ 32.73	\$ 37.07	\$ 41.71	\$ 46.72	\$ 50.78	\$ 55.08
8" meter	\$ 58.83	\$ 59.26	\$ 66.67	\$ 74.68	\$ 81.16	\$ 88.03
Fire District	\$ 6.36	\$ 7.54	\$ 8.48	\$ 9.50	\$ 10.32	\$ 11.19
Water Usage Charge (\$/CCF)						
All water usage	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92
Daily Private Fire Line Charges						
4" meter	\$ 0.53	\$ 0.56	\$ 0.60	\$ 0.65	\$ 0.69	\$ 0.73
6" meter	\$ 0.78	\$ 0.82	\$ 0.89	\$ 0.96	\$ 1.02	\$ 1.08
8" meter	\$ 1.05	\$ 1.12	\$ 1.21	\$ 1.31	\$ 1.39	\$ 1.47
10" meter	\$ 1.26	\$ 1.33	\$ 1.44	\$ 1.56	\$ 1.65	\$ 1.75
Hinkle PS Pumping Surcharge (\$/AF)						
Wholesale deliveries to City of Folsom	\$ 68.87	\$ 73.00	\$ 78.84	\$ 85.15	\$ 90.26	\$ 95.68
Typical Residential Bill (@ 33 CCF/mo.)	\$ 67.56	\$ 74.46	\$ 79.86	\$ 85.86	\$ 90.66	\$ 95.76
		\$ 6.90	\$ 5.40	\$ 6.00	\$ 4.80	\$ 5.10
		10.2%	7.3%	7.5%	5.6%	5.6%



Summary of Recommendations



Financial Plan Results

- Operation, maintenance, and debt service obligations met through planning period
- Majority of CIP projects funded on pay-as-you-go basis using available reserves and revenues
 - New debt issued in 2019 for major projects
- Reserve recommendations help to reduce costs and help limit annual rate adjustments
- 5-year rate plans recommended for adoption
 - Propose rate schedules meet cost of service requirements and help improve revenue stability



5-Year Water Rate Plans

Year	Wholesale	Retail
2017	16%	6%
2018	9%	8%
2019	9%	8%
2020	9%	6%
2021	6%	6%



Next Steps

- Respond to Board and staff comments
- Prepare draft and final reports
 - 150-day notice for wholesale agencies
 - 45-day Prop. 218 process for retail customers
- Implement new rates in January 2017
- Future considerations
 - Refunding of 2009 COPs in 2018
 - Actual terms for new debt issued in 2019
 - Continue reducing PERS UAL (retail)
 - Monitor demand rebound and financial condition

