

Georgetown Divide PUD

Water & Wastewater Rate Study

Board Meeting – Financial Plan

July 10, 2024



**Water Resources
Economics**

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE

Agenda

- Proposition 218
- Rate Study Process
- Water and ALT Wastewater
 - Revenues
 - Operating Expenses
 - Debt Service
 - Capital Projects
 - Reserve Policy
 - Financial Plan Scenarios

Proposition 218

- Applies to property-related fees for service including retail water and wastewater rates
 - Rates must be proportional to and may not exceed the cost of providing service
 - One customer class (residential, commercial, etc.) may not subsidize another customer class
 - Retail agencies typically conduct a “cost-of-service analysis” at least once every 5 years to ensure a sufficient nexus between rates and costs
- Procedural requirements:
 - Rates must be adopted at a public hearing
 - All customers must be mailed a public hearing notice no fewer than 45 days before the hearing
 - Rates may not be adopted if a majority of customers submit a formal protest

Rate Study Process

1. **Policy framework:** Identify key policy objectives (revenue stability, customer affordability, conservation, etc.)
2. **Financial plan:** Develop multi-year cash flow projections to determine annual rate revenue requirement
3. **Cost-of-service analysis:** Allocate the rate revenue requirement to customers based on proportional use of the water system
4. **Rate design:** Identify appropriate rate structure changes and calculate proposed rates
5. **Documentation:** Develop a study report to provide transparency and defensibility

Water Revenues

Revenues (\$1,000s)	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Rate Revenues	\$3,466	\$3,381	\$3,404	\$3,404	\$3,404	\$3,404
Non-Operating Revenues	\$2,369	\$2,518	\$2,518	\$2,518	\$2,518	\$2,518
Supplemental Charge (Restricted for SRF Loan)	\$653	\$665	\$685	\$685	\$685	\$685
Interest Income	\$250	\$370	\$57	\$47	\$28	\$24
Total - Revenues	\$6,738	\$6,933	\$6,663	\$6,653	\$6,634	\$6,630

Water Operating Expenses

Expenses (\$1,000s)	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Source of Supply (Dept. 5100)	\$667	\$725	\$769	\$816	\$847	\$879
Raw Water (Dept. 5200)	\$669	\$671	\$719	\$772	\$802	\$834
Water Treatment (Dept. 5300)	\$852	\$948	\$1,006	\$1,067	\$1,113	\$1,160
Treated Water T&D (Dept. 5400)	\$1,144	\$1,181	\$1,257	\$1,339	\$1,391	\$1,445
Admin & Customer Service (Dept. 5600)	\$2,037	\$2,119	\$2,241	\$2,372	\$2,460	\$2,552
Total - Expenses	\$5,367	\$5,645	\$5,993	\$6,366	\$6,613	\$6,869

Water Debt Service

Debt Service (\$1,000s)	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
SWRCB Loan 2016 (AMR and SWTP 005C)	\$587	\$587	\$587	\$587	\$587	\$587
SWRCB Loan 2010 (Walton 001C)	\$25	\$25	\$25	\$25	\$25	\$25
Total - Debt Service	\$612	\$612	\$612	\$612	\$612	\$612

- Sweetwater Treatment Plant (SWTP) debt service is funded by supplemental charge revenue and SWTP Supplemental Charge Fund reserves
- Walton debt service is funded by State Revolving Fund reserves

Water Capital Projects

Capital Projects (\$1,000s)	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Priority 1	\$1,081	\$446	\$449	\$45	\$47	\$0
Priority 2	\$100	\$215	\$229	\$413	\$292	\$0
Priority 3	\$11	\$10	\$227	\$489	\$117	\$0
Reliability Study CIP	\$0	\$0	\$0	\$0	\$1,405	\$1,405
Total - Capital Projects	\$1,191	\$672	\$905	\$947	\$1,861	\$1,405

- CIP does not include potential grant funded projects – if the District receives grant funding, then projects will be funded
- Major projects include distribution tank coating, vehicle replacements, infrastructure replacement/HQ building

Water Reserve Policy

Beginning Fund Balances (\$1,000s)	FYE 2024	Reserve Policy
Unrestricted Reserves	\$4,666	Operating, capital, emergency
SWTP Supplemental Charge Fund (Fund 112)	\$811	Restricted
State Revolving Fund (Fund 120)	\$1,147	Restricted
Total - Beginning Funds	\$6,625	

Reserve Target (\$1,000s)	FYE 2024	Reserve Policy
Unrestricted Reserves		
Operating	\$1,765	33% of operating expenses
Capital Replacement	\$834	100% of 5-year average CIP
Emergency	\$2,000	\$2m for emergencies
Total - Unrestricted Target	\$4,599	

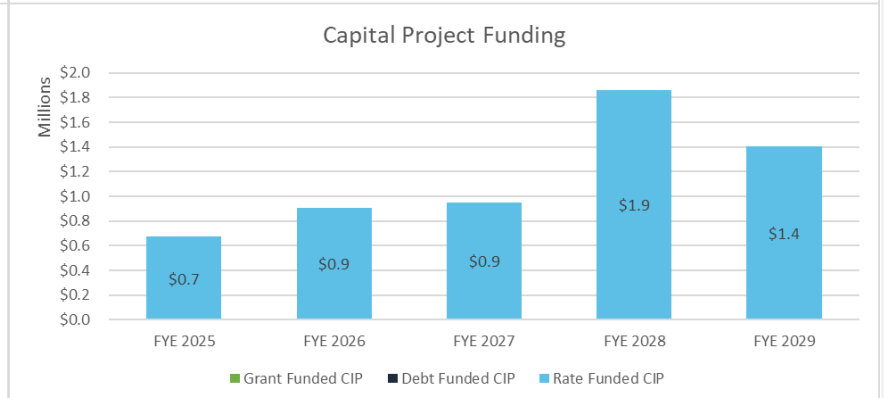
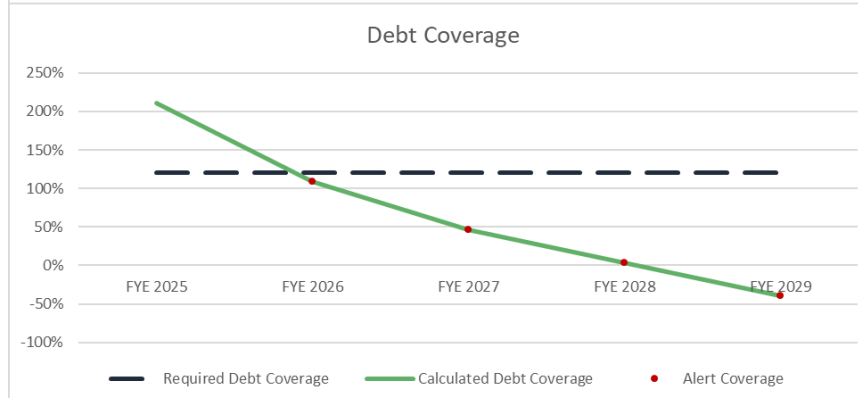
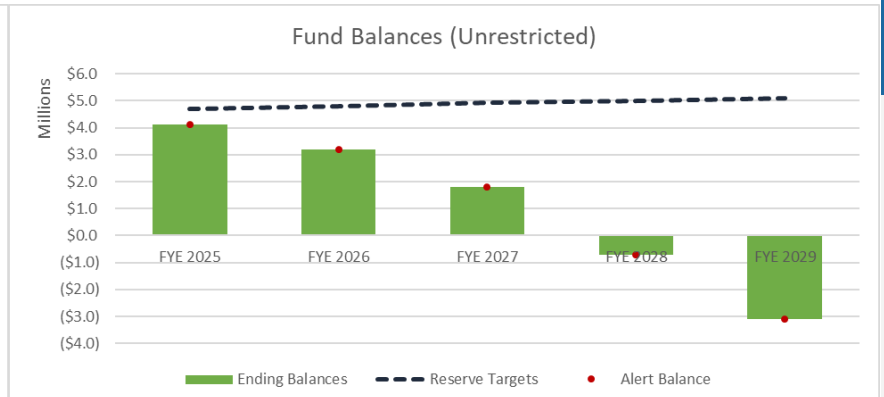
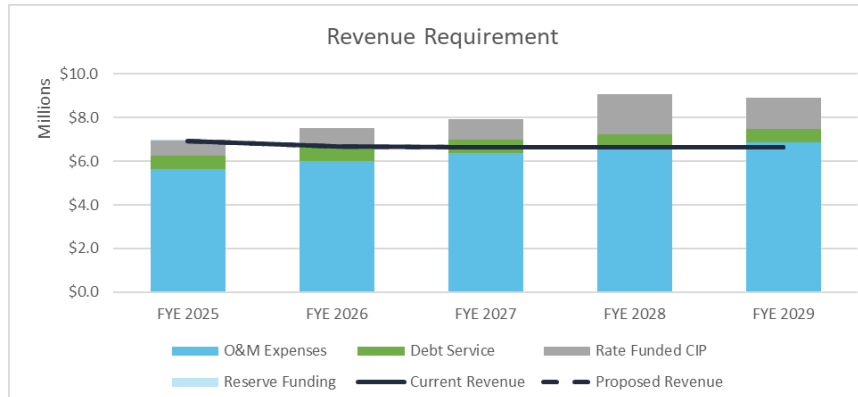
Reserve policy allows the District to:

- Fund unexpected operating expenses
- Award contracts to construct CIP
- Mitigate risks associated with emergencies and/or natural disasters

Water Financial Plan – Status Quo

- Technical default in FY 2026
- Negative funds in FY 2028

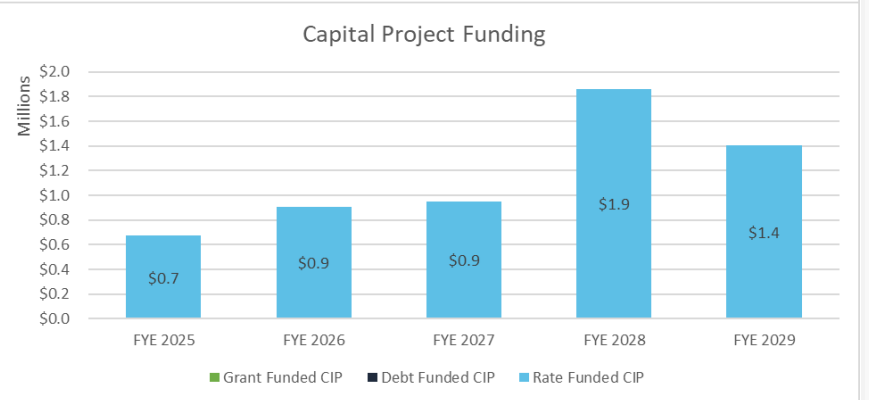
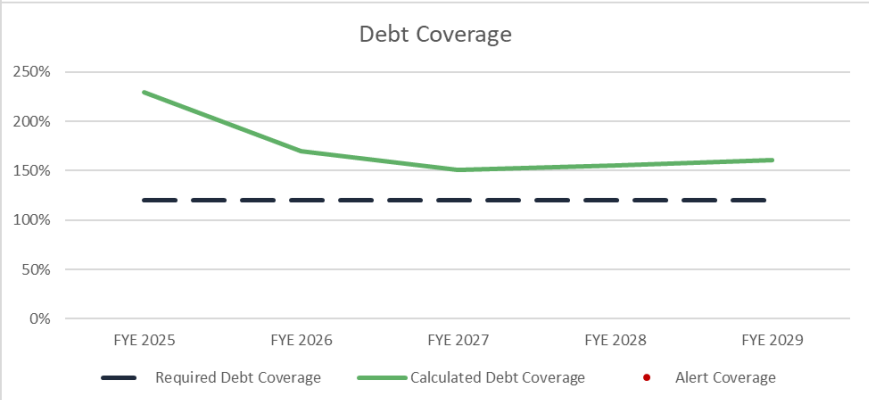
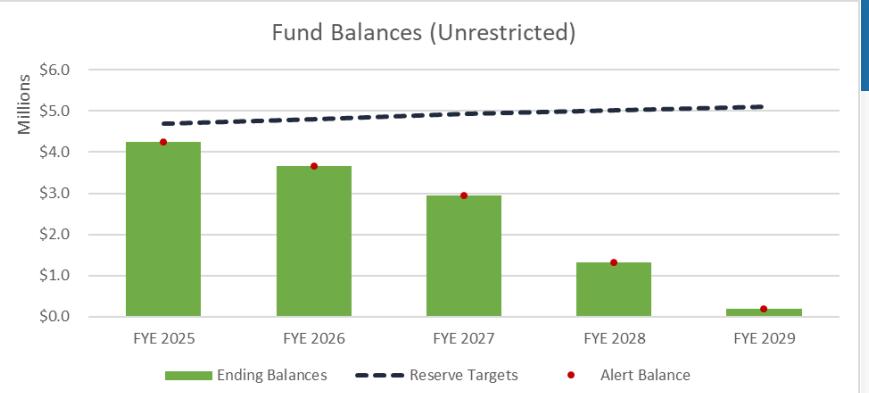
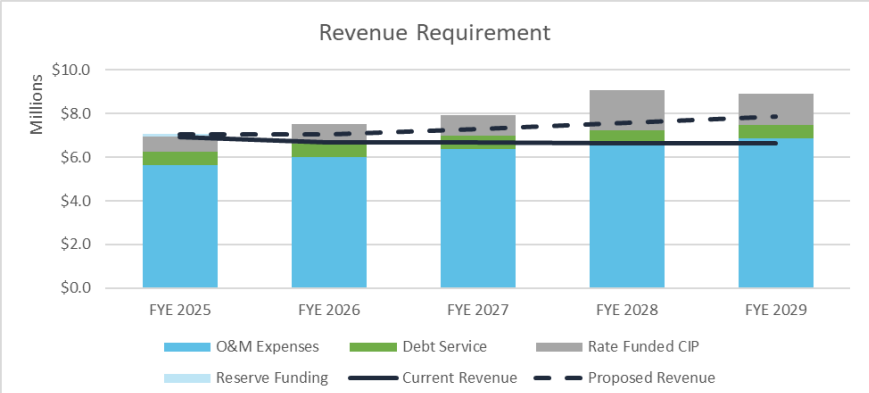
Fiscal Year	Rev. Adj.
2025	0%
2026	0%
2027	0%
2028	0%
2029	0%



Water Financial Plan – Meets Coverage

- Meets debt coverage req.
- Funds are depleted FY 2029

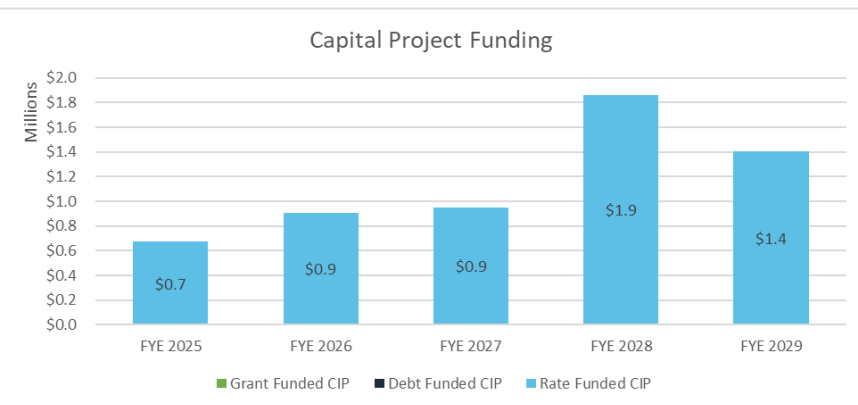
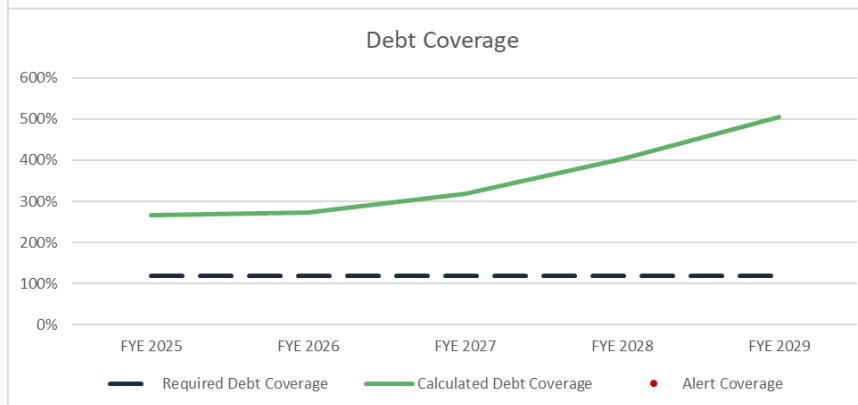
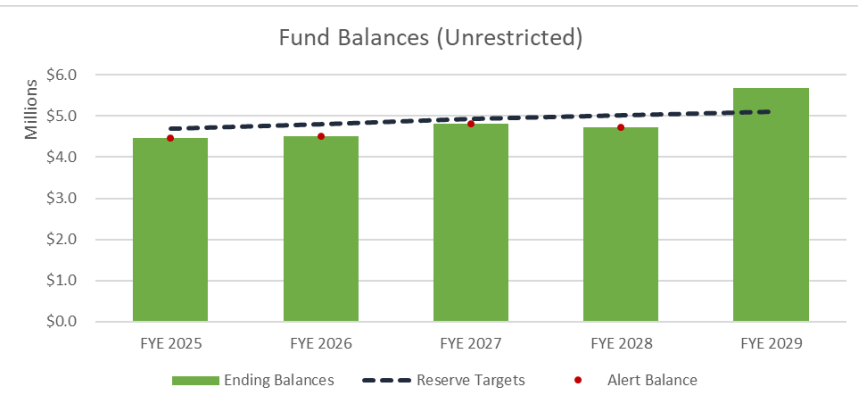
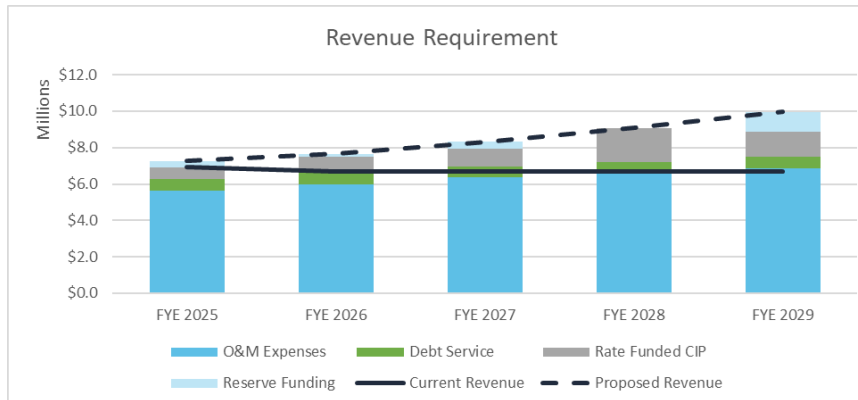
Fiscal Year	Rev. Adj.
2025	7%
2026	7%
2027	7%
2028	7%
2029	7%



Water Financial Plan – Funds CIP

- Funds necessary CIP projects
- Meets reserve target in FY 2029

Fiscal Year	Rev. Adj.
2025	20%
2026	15%
2027	15%
2028	15%
2029	15%



ALT Wastewater Revenues

Revenues (\$1,000s)	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Rate Revenues	\$185	\$192	\$206	\$206	\$206	\$206
Other Revenues	\$16	\$15	\$15	\$15	\$15	\$15
Interest Income	\$10	\$10	\$3	\$4	\$5	\$7
Total - Revenues	\$211	\$217	\$224	\$225	\$226	\$228

ALT Wastewater Operating Expenses

Expenses (\$1,000s)	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Salaries	\$146	\$185	\$192	\$200	\$208	\$216
Benefits	\$178	\$199	\$209	\$219	\$230	\$242
Operating Expenses	\$199	\$180	\$186	\$191	\$197	\$204
Total - Expenses	\$523	\$564	\$587	\$611	\$636	\$662

- Expenses are significantly greater than ALT wastewater revenues

ALT Wastewater Capital Projects

Capital Projects (\$1,000s)	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Lift Station Upgrade (CDS Reserve)	\$150	\$0	\$0	\$0	\$0	\$0
Solar at Lift Station 16	\$50	\$0	\$0	\$0	\$0	\$0
Installation of a Water Line to CDS Field	\$10	\$0	\$0	\$0	\$0	\$0
CDS Garage	\$0	\$14	\$0	\$0	\$0	\$0
Wastewater Treatment Plant	\$0	\$8	\$0	\$0	\$0	\$0
Backhoe	\$0	\$11	\$0	\$0	\$0	\$0
Total - Capital Projects	\$210	\$33	\$0	\$0	\$0	\$0

- CIP does not include potential grant funded projects – if the District receives grant funding, then projects will be funded
- Major projects include: lift station upgrade, solar panels

ALT Wastewater Reserve Policy

Beginning Fund Balances (\$1,000s)	FYE 2024	Reserve Policy
Unrestricted Reserves	\$940	Operating, capital, emergency
Total - Beginning Funds	\$940	

Reserve Target (\$1,000s)	FYE 2024	Reserve Policy
Unrestricted Reserves		
Operating	\$172	33% of operating expenses
Capital Replacement	\$49	100% of 5-year average CIP
Emergency	\$500	\$500k for emergencies
Total - Unrestricted Target	\$721	

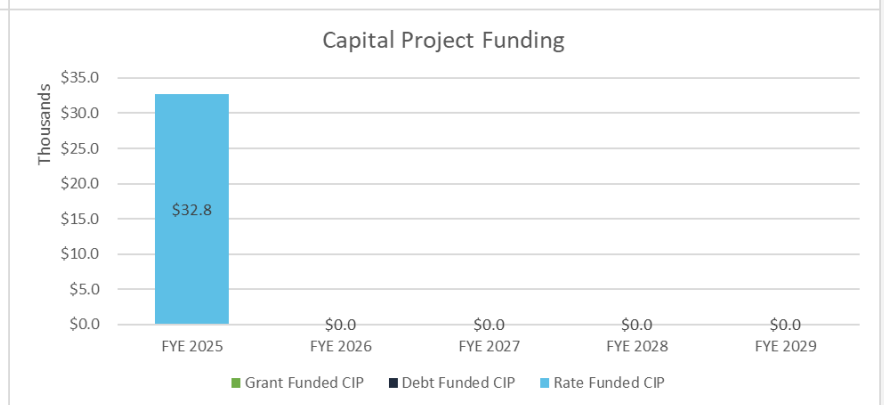
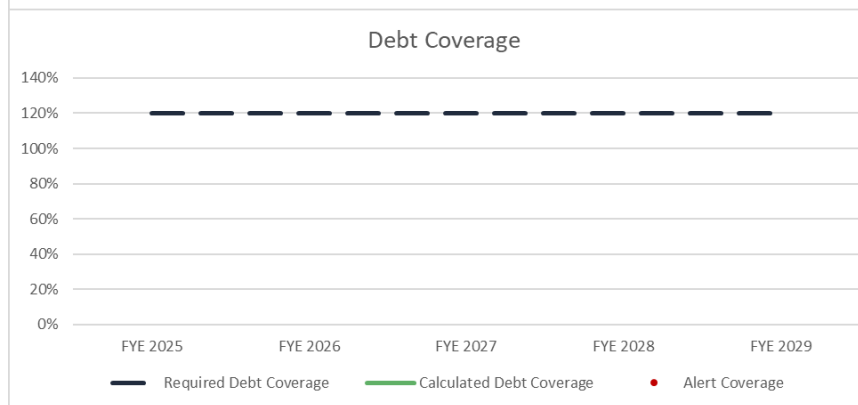
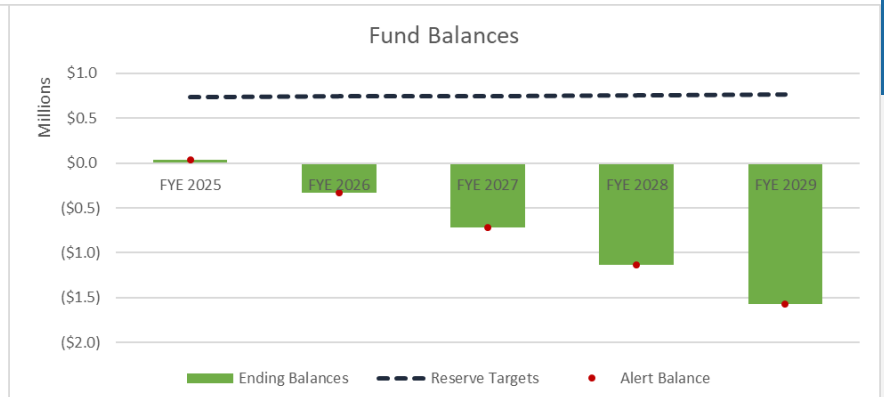
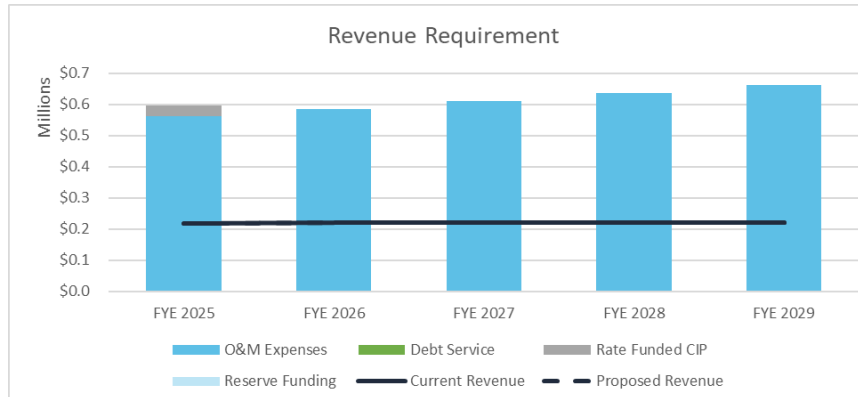
Reserve policy allows the District to:

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ALT Financial Plan – Status Quo

- Negative funds in FY 2026
- Expenses greater than revenues

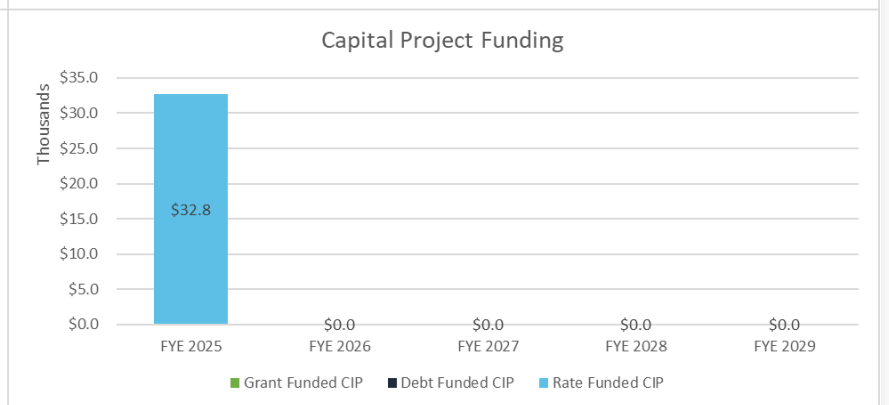
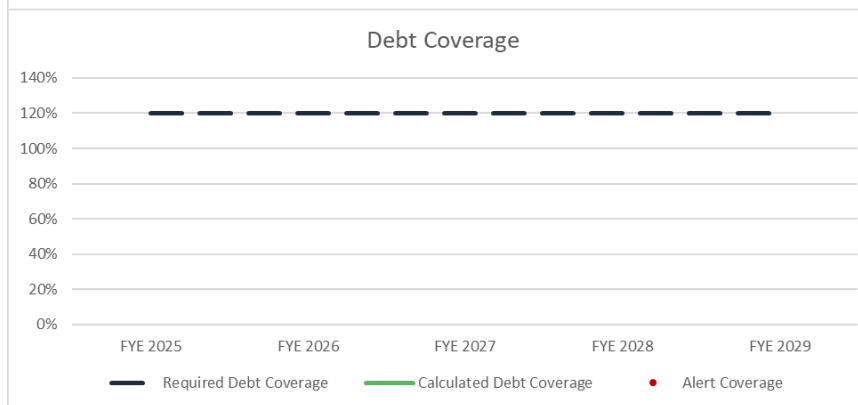
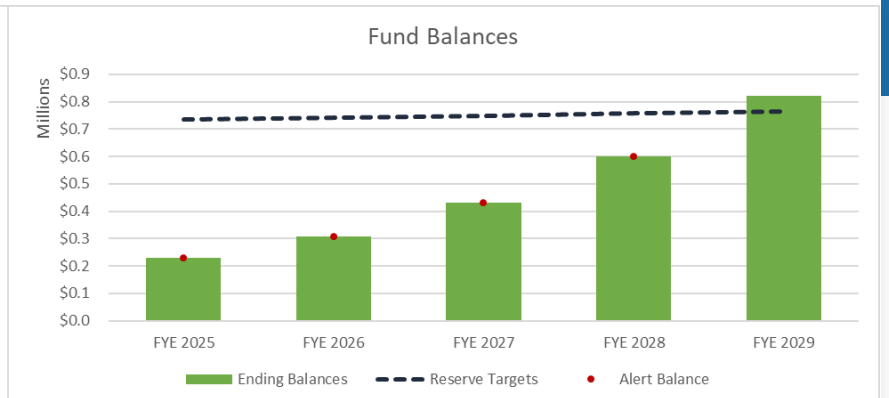
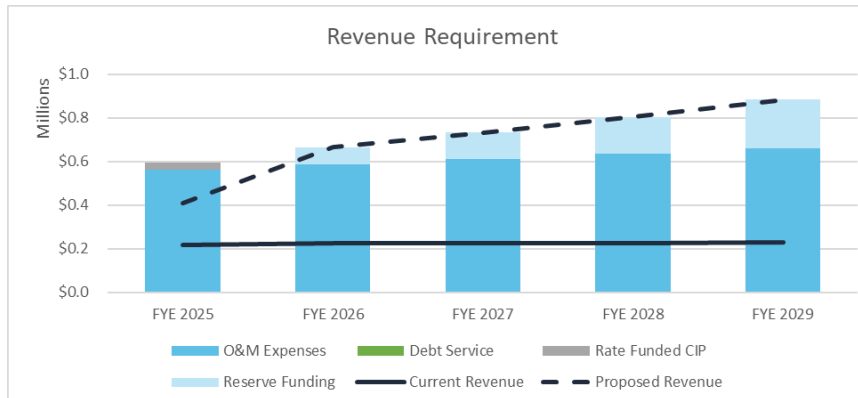
Fiscal Year	Rev. Adj.
2025	0%
2026	0%
2027	0%
2028	0%
2029	0%



ALT Financial Plan – Reserve Targets

- Funds reserves over time to meet target in FY 2029

Fiscal Year	Rev. Adj.
2025	200%
2026	10%
2027	10%
2028	10%
2029	10%





Water Resources Economics

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE

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ALT Financial Plan – Alternate

- Funds reserves over time to meet target in FY 2029

Fiscal Year	Rev. Adj.
2025	75%
2026	75%
2027	50%
2028	10%
2029	10%

