

South Placer Municipal Utility District

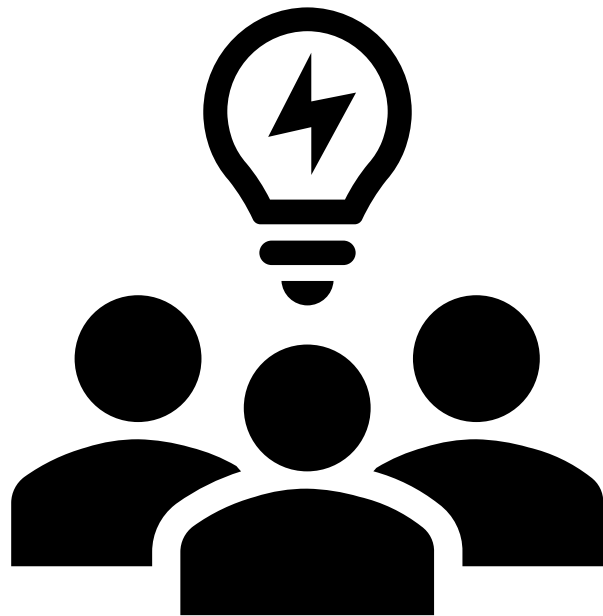
Long-Term Financial Plan Workshop

January 12, 2023



Tentative Rate Study Schedule

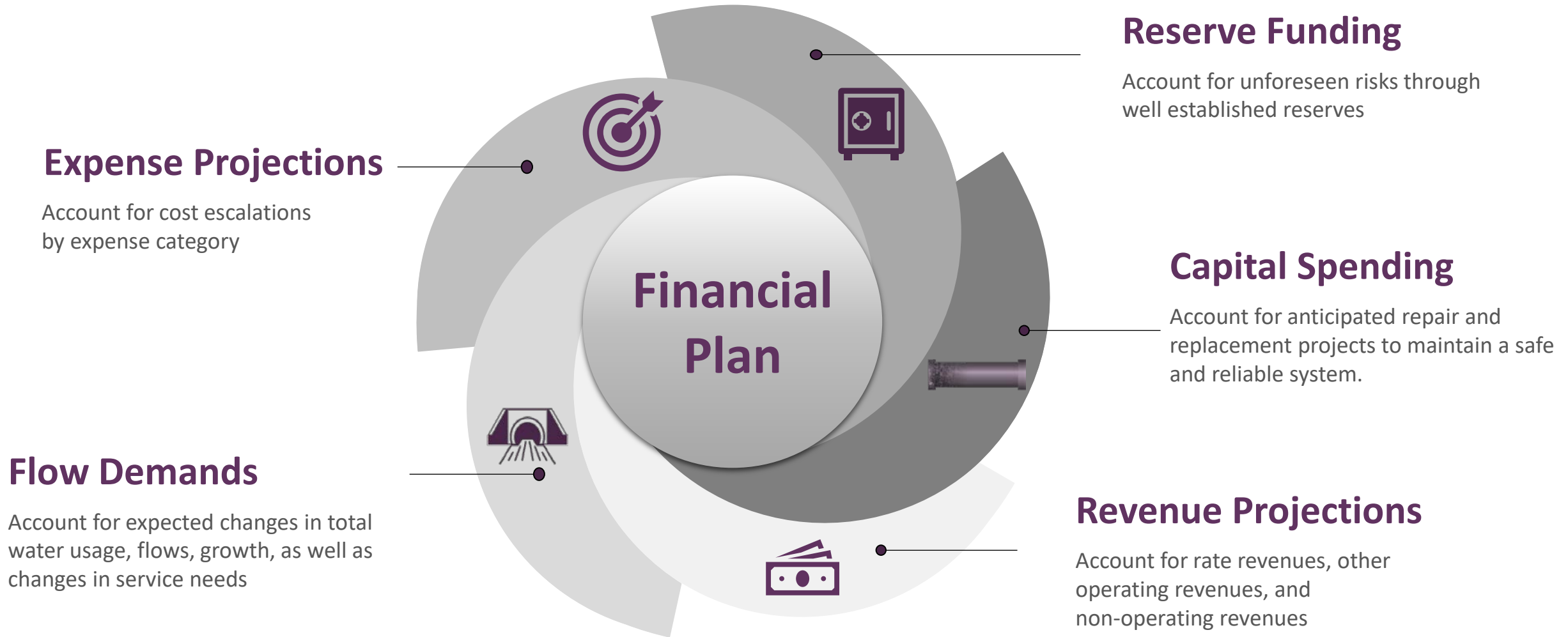
Rate Study



Tasks	Timeline
Kick-Off Staff Meeting	July 12, 2022
Long-Term Financial Plan	September - October
Cost-of-Service Analysis	October
Financial Plan Workshop	November 16 th
Financial Plan Board Workshop	January 12th
Draft Report	January
Present Report to Board	February 2, 2023
Mail Prop. 218 Notice	February
Public Hearing	April 6, 2023
Proposed Rates	July 1, 2023

Financial Plan Summary

Factors Impacting the Financial Plan



Reserves

**Operating, Capital,
Rate Stabilization and Emergency**



Reserves

Type of Reserve and Purpose

Operating

Purpose: Provides ongoing cash funding for daily operations and expenses of the utility

Target: Based on billing frequency and revenue volatility. District's rate revenue is recovered as a fixed EDU charge on a quarterly basis.

Min and Target:

- Minimum – 90 days of operating expenses
- Target – 180 days of operating expenses

Capital Reserve – Fund 100

Purpose: Provides funding for annual capital outlay and maintenance expenses. Separate from system repair and replacement.

Target: Based on average historical capital spending and forward-looking projections of capital needs.

Min and Target:

- Minimum – \$300k
- Target – next year's capital expenses
 - \$600k+

Capital Reserve – Fund 400

Purpose: Provides funding for annual system replacement. Ensures District can reinvest in its utility without delays or deferrals. Also provides assurance when awarding contracts and matching funds when applying for grants.

Target: Based on depreciation and/or forward-looking projections of capital needs (Asset Management Plan).

Min and Target:

- Minimum – 3 years of capital funding based on 10-year rolling average
- Target – 5 years of capital funding based on 10-year rolling average

Reserves

Type of Reserve and Purpose

Rate Stabilization

Purpose: Focused on offsetting revenue variances or significant unforeseen operating expense increases. Operating expenses could include new regulations or treatment requirements.

Target: Typically, a function of rate revenue.

Min and Target:

- Minimum – 10% of expected rate revenue
- Target – N/A

Emergency

Purpose: Mitigates risk due to system failures and new regulations / treatment requirements.

Target: Function of System Asset Value. Alternatively, based on cost to replace critical asset to offset greatest system risk. Creek-crossing failure basis for reserve.

Min and Target:

- Minimum – \$3M
- Target – N/A

Reserves

Reserves Summary

Reserve	Minimum Requirement	Target
Operating Reserve	90 days of annual operating expenses	180 days of annual operating expenses
Capital – Fund 100	\$300k (min range of capital spending)	\$600k+ (next year’s capital spending)
Capital – Fund 400	3 years of capital funding based on 10-year rolling average	5 years of capital funding based on 10-year rolling average
Rate Stabilization	10% of Rate Revenue	N/A
Emergency	\$3M (risk in assets)	N/A

Reserve Targets

FY 2024 Targets (\$)

Reserves	Min Requirement	Target
Operating	\$4.2M	\$8.5M
Capital – Fund 100	\$0.3M	\$0.6M
Capital – Fund 400	\$10.3M	\$17.2M
Rate Stabilization	\$1.8M	\$1.8M
Emergency	\$3.0M	\$3.0M
Total	\$19.6M	\$31.1M

Wastewater Enterprise

Long-Term Financial Plan



Key Assumptions

Wastewater Enterprise



Current Financial Position

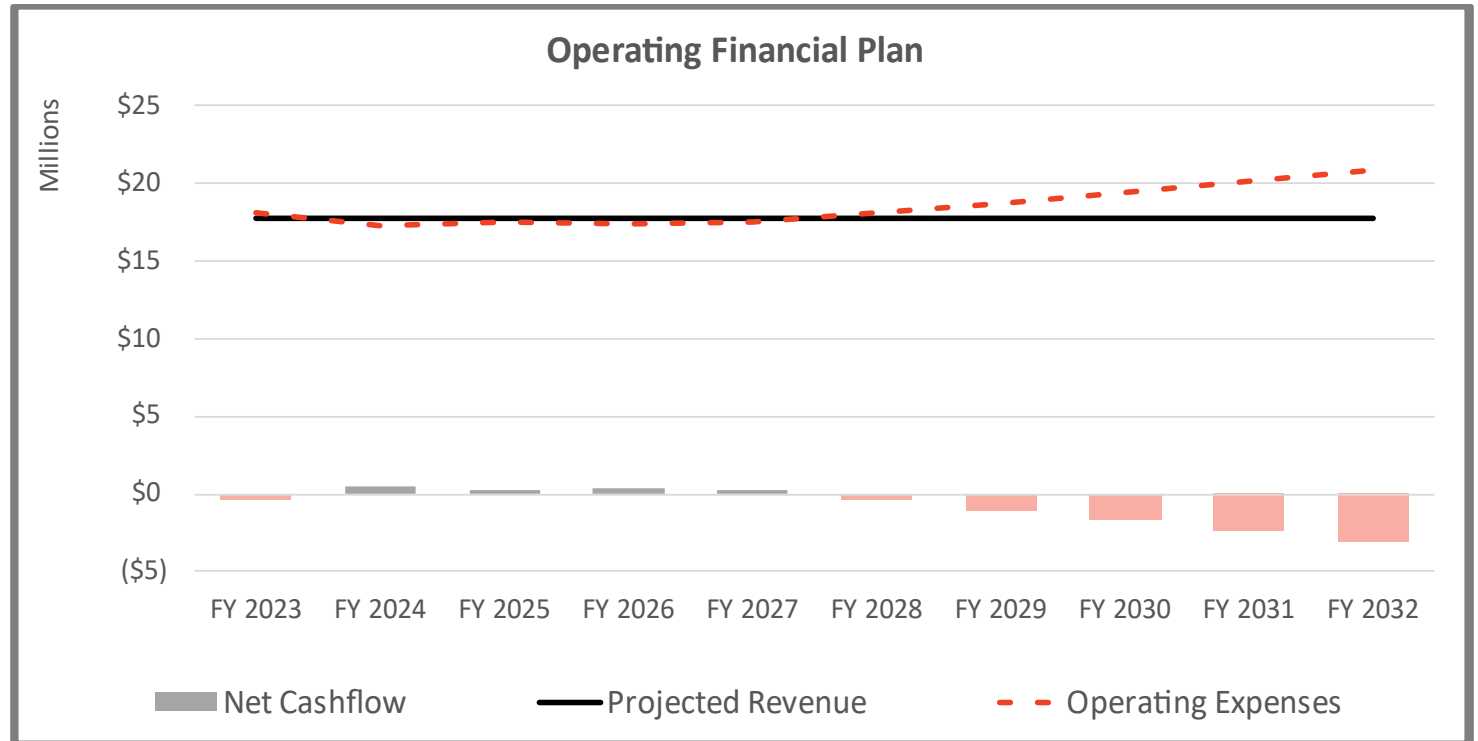
At Existing Rates

Financial Plan Metrics

- Generate Positive Annual Operating Net Income
- Sufficiently Fund Asset Management
- Meet Reserve Targets

Results from Review

- Minimal net income to go towards capital and reserves
- Reserves are being used to cover capital expenses. Not sustainable.



Proposed Financial Plan – Scenario #1

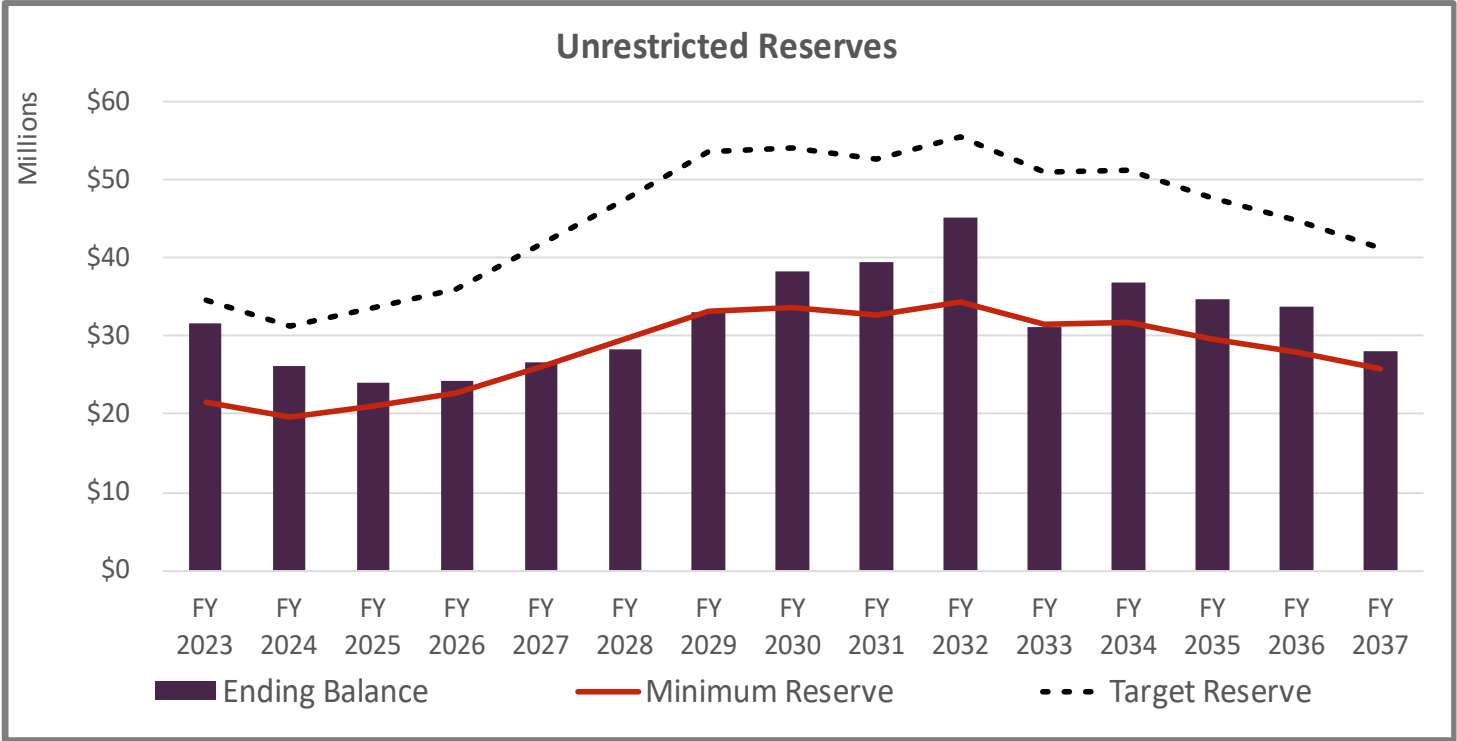
15-Year Outlook; 5-Year Rate Setting Period: Level Adjustments

Proposed Financial Plan

- Increase Annual Operating Net Income ✓
- Sufficiently Fund Asset Management ✓
- Maintain Healthy Reserves ✓

Revenue Adjustments

- FY 2024 – FY 2028: 6% Annually
- [Years 6-10: 6%, 4%, 4%, 4%, 4%]
- [Years 11-15: 4% Annually]



Proposed Financial Plan – Scenario #2

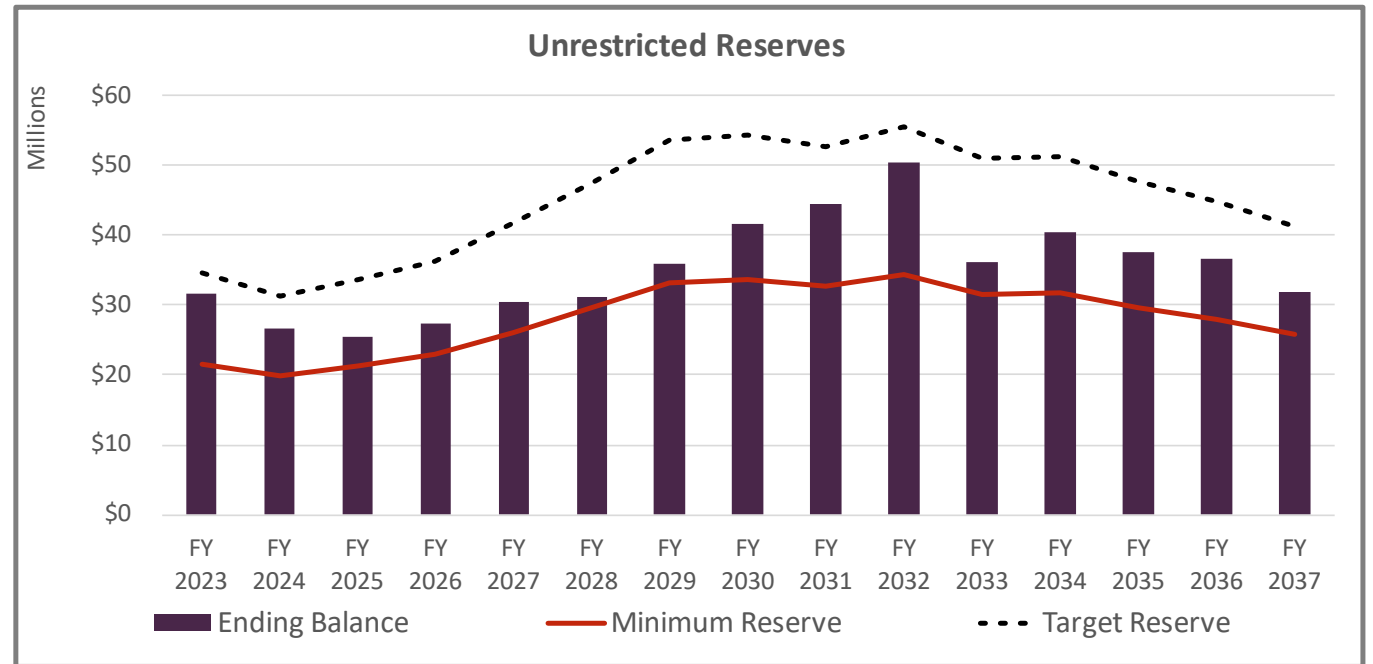
15-Year Outlook; 5-Year Rate Setting Period: 3 Years On; 2 Years Off

Proposed Financial Plan

- Increase Annual Operating Net Income ✓
- Sufficiently Fund Asset Management ✓
- Maintain Healthy Reserves ✓

Revenue Adjustments

- FY 2024 – FY 2028: 9%, 9%, 9%, 0%, 0%
- [Years 6-10: 8%, 8%, 8%, 0%, 0%]
- [Years 11-15: 7%, 7%, 7%, 0%, 0%]



Proposed Financial Plan – Scenario #3

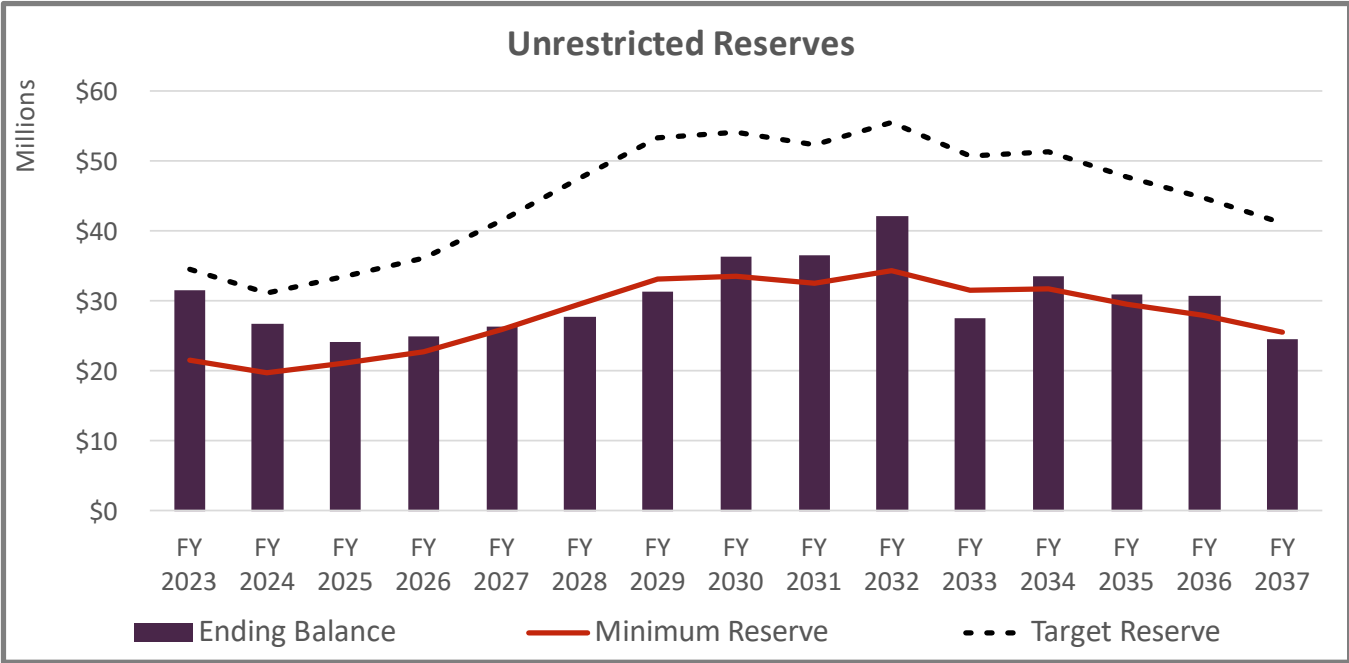
15-Year Outlook; 5-Year Rate Setting Period: 2-year Increments

Proposed Financial Plan

- Increase Annual Operating Net Income ✓
- Sufficiently Fund Asset Management ✓
- Maintain Healthy Reserves ✓

Revenue Adjustments

- FY 2024 – FY 2028: 10%, 0%, 10%, 0%, 10%
- [Years 6-10: 0%, 10%, 0%, 10%, 0%]
- [Years 11-15: 9%, 0%, 9%, 0%, 9%]



Proposed Financial Plan – Scenario #4

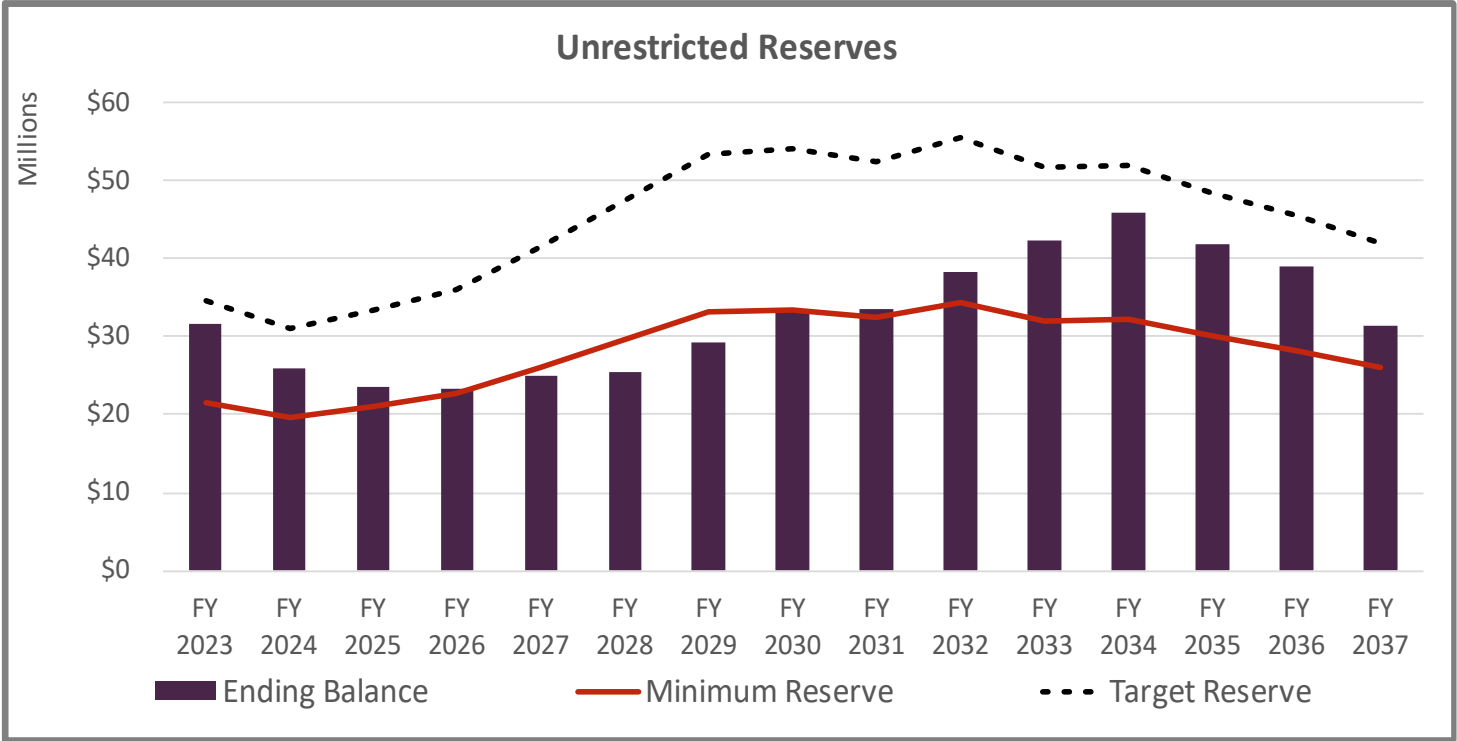
15-Year Outlook; 5-Year Rate Setting Period: Level Adjustments with Debt

Proposed Financial Plan

- Increase Annual Operating Net Income ✓
- Sufficiently Fund Asset Management ✓
 - Issue debt in FY 2033 - \$19.5M ✓
- Maintain Healthy Reserves

Revenue Adjustments

- FY 2024 – FY 2028: 5% Annually
- [Years 6-10: 5% Annually]
- [Years 11-15: 4% Annually]



Wastewater Enterprise

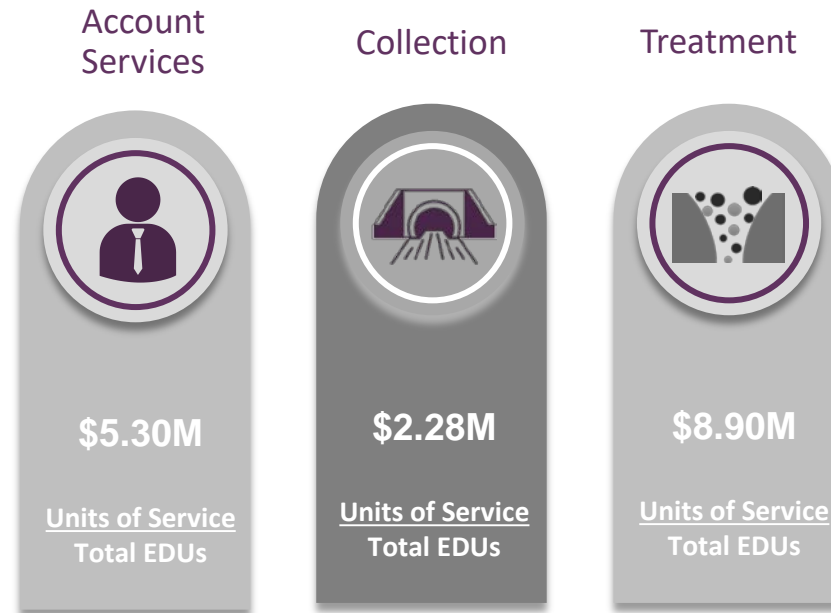
Cost-of-Service / Proposed Rates

Scenario #1 and Scenario #2



Cost-of-Service: Scenario #1

Rate Components – Includes 6% Revenue Adjustment for FY 2024



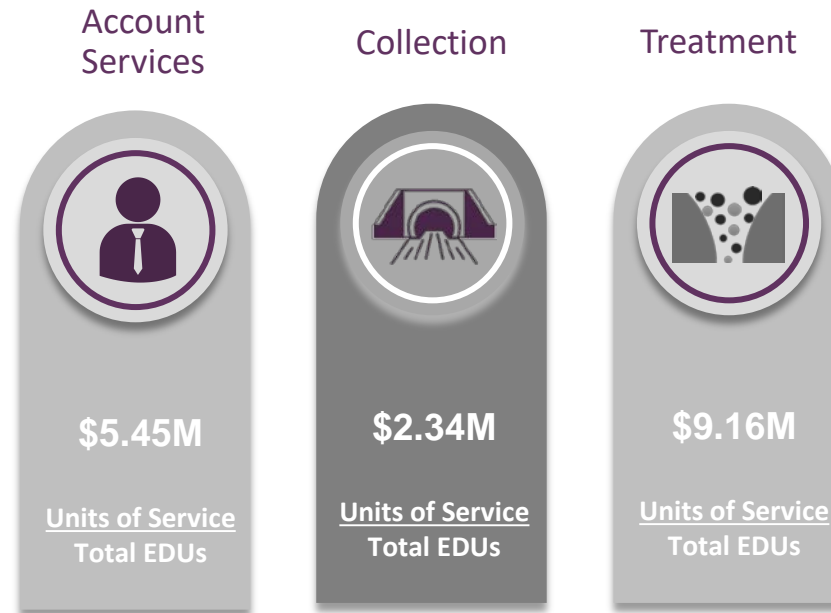
Wastewater Scenario #1 Proposed Charges

Fiscal Year 2024

Revenue Requirement	Account Services [A]	Collection [B]	Treatment [C]	Total Monthly Charge (\$/EDU) [F] = (A+B+C)
Revenue Requirement	\$5,298,882	\$2,278,042	\$8,903,076	
÷ Units of Service (EDUs)	416,168	416,168	416,168	
Unit Rate	\$12.74	\$5.48	\$21.40	\$39.62

Cost-of-Service: Scenario #2

Rate Components – Includes 9% Revenue Adjustment for FY 2024



Wastewater Scenario #2 Proposed Charges

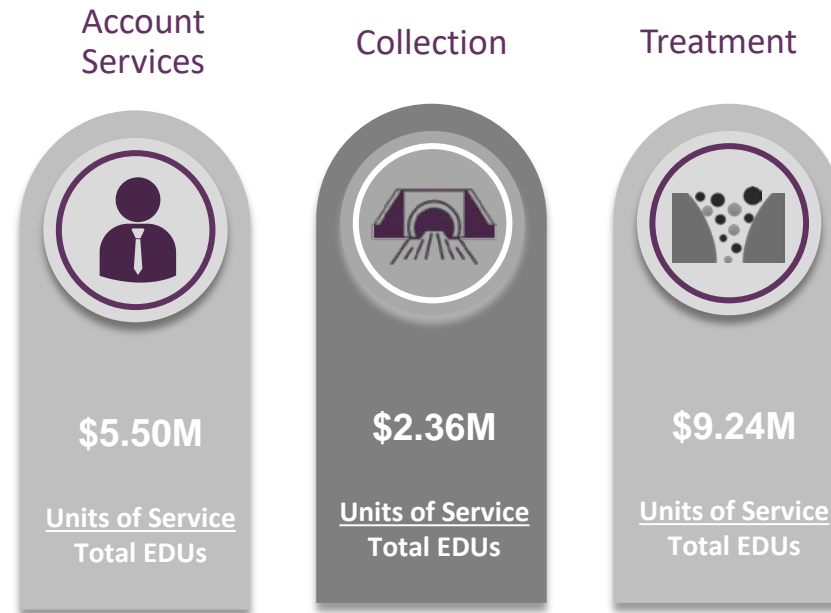
Fiscal Year 2024

Revenue Requirement	Account Services [A]	Collection [B]	Treatment [C]	Total Monthly Charge (\$/EDU) [F] = (A+B+C)
Revenue Requirement	\$5,298,882	\$2,278,042	\$8,903,076	
÷ Units of Service (EDUs)	416,168	416,168	416,168	
Unit Rate	\$12.74	\$5.48	\$21.40	\$39.62

Cost-of-Service: Scenario #3

Rate Components – Includes 10% Revenue Adjustment for FY 2024

Revenue Requirement
FY 2024
\$17.10M



Wastewater Scenario #3 Proposed Charges

Fiscal Year 2024

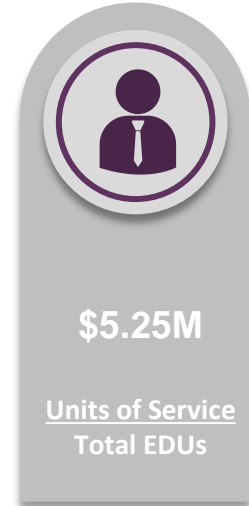
Revenue Requirement	Account Services [A]	Collection [B]	Treatment [C]	Total Monthly Charge (\$/EDU) [D] = (A+B+C)
Revenue Requirement	\$5,498,876	\$2,364,021	\$9,239,103	
÷ Units of Service (EDUs)	416,168	416,168	416,168	
Unit Rate	\$13.22	\$5.69	\$22.21	\$41.12

Cost-of-Service: Scenario #4

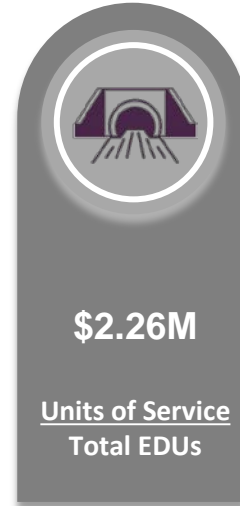
Rate Components – Includes 5% Revenue Adjustment for FY 2024



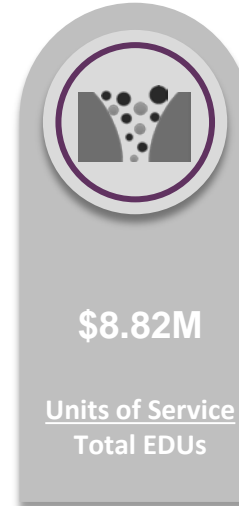
Account Services



Collection



Treatment



Wastewater Scenario #4 Proposed Charges

Fiscal Year 2024

Revenue Requirement	Account Services [A]	Collection [B]	Treatment [C]	Total Monthly Charge (\$/EDU) [D] = (A+B+C)
Revenue Requirement	\$5,249,044	\$2,256,616	\$8,819,340	
÷ Units of Service (EDUs)	416,168	416,168	416,168	
Unit Rate	\$12.62	\$5.43	\$21.20	\$39.25

Wastewater 5-Year Rate Schedules

FY 2024 – FY 2028

Scenario #1

		<i>Revenue Adjustment:</i>				
			6.0%	6.0%	6.0%	6.0%
Proposed Rates	Existing	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Per EDU	\$36.00	\$39.62	\$42.00	\$44.52	\$47.20	\$50.04

Scenario #2

Proposed Rates	Existing	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Per EDU	\$36.00	\$40.73	\$44.40	\$48.40	\$48.40	\$48.40

Scenario #3

		<i>Revenue Adjustment:</i>				
			0.0%	10.0%	0.0%	10.0%
Proposed Rates	Existing	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Per EDU	\$36.00	\$41.12	\$41.12	\$45.24	\$45.24	\$49.77

Scenario #4

		<i>Revenue Adjustment:</i>				
			5.0%	5.0%	5.0%	5.0%
Proposed Rates	Existing	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Per EDU	\$36.00	\$39.25	\$41.22	\$43.29	\$45.46	\$47.74

Next Steps

Action Items

- Board provide feedback on scenarios and any requested adjustments
- IBC will draft Report
- February 2nd Board Meeting: Present Report
- Prepare Prop. 218 Notice
- Set Public Hearing Date for April 6th