



September 14, 2022

Financial Projections Update:
Capital Improvement Projects &
Reserve Balance

Agenda



- 5-year Capital Improvement Project (CIP) Budget and Plan
- Impacts to Plan and Staff Approach
- Projected Cash Reserves
- Modified CIP Plan
- CIP Budget and Plan Risk Factors
- Projected Cash Reserves
- Discussion

FYE 2023 Adopted Budget - Water Supply Master Plan

Category	FYE 2023 Adopted Budget	FYE 2024 Proposed Budget	FYE 2025 Proposed WSMP	FYE 2026 Proposed WSMP	FYE 2027 Proposed WSMP	Total
Pipeline	\$7,839,360	\$3,650,759	\$4,868,951	\$5,015,020	\$5,165,470	\$26,539,560
Distribution	\$149,000	\$149,000	\$149,000	\$149,000	\$157,000	\$753,000
MORE Project	\$3,000,000	\$3,150,000	\$0	\$0	\$0	\$6,150,000
Production	\$48,850	\$1,100,000	\$675,000	\$200,000	\$0	\$2,023,850
Storage Facilities	\$700,000	\$1,532,922	\$0	\$0	\$350,000	\$2,582,922
Transmission	\$90,000	\$280,000	\$30,000	\$30,000	\$35,000	\$465,000
Plant 27 WTP	\$0	\$1,800,000	\$0	\$0	\$0	\$1,800,000
Plant 30 WTP	\$339,565	\$0	\$0	\$0	\$0	\$339,565
Plant 31 WTP	\$0	\$0	\$0	\$2,121,800	\$0	\$2,121,800
Plant 34 WTP	\$3,131,520	\$0	\$0	\$0	\$0	\$3,131,520
Misc	\$834,228	\$705,000	\$920,000	\$0	\$0	\$2,459,228
TOTAL	\$16,132,523	\$12,367,681	\$6,642,951	\$7,512,820	\$5,707,470	\$48,366,445

WTP- Wellhead Treatment Project

FYE 2023 Adopted Budget - Water Supply Master Plan

Total 5-year CIP Budget- \$48.4M

Pipeline Replacement- \$26.5M

MORE Project- \$6.0M

Well Rehabilitation and Reservoir Recoating- \$4.4M

Well Treatment Projects- \$7.4M

Distribution Repair/Transmission- \$1.2M

Site Security, Fleet Management, Meters- \$2.5M

Plan focuses on pipeline replacement & scaled down version of the MORE Project

Last formal Board review of 5-year CIP Update - May 2020

Reality Changes Since May 2020

Drought- State Water Project (SWP) restrictions

Increased regulations for drinking water

Record inflation- Capital and operating cost impact

Labor market very tight

COVID- Supply chain issues

CIP and Operational Philosophy

Water Supply- Primary Driver

Treatment key to maintaining groundwater supply

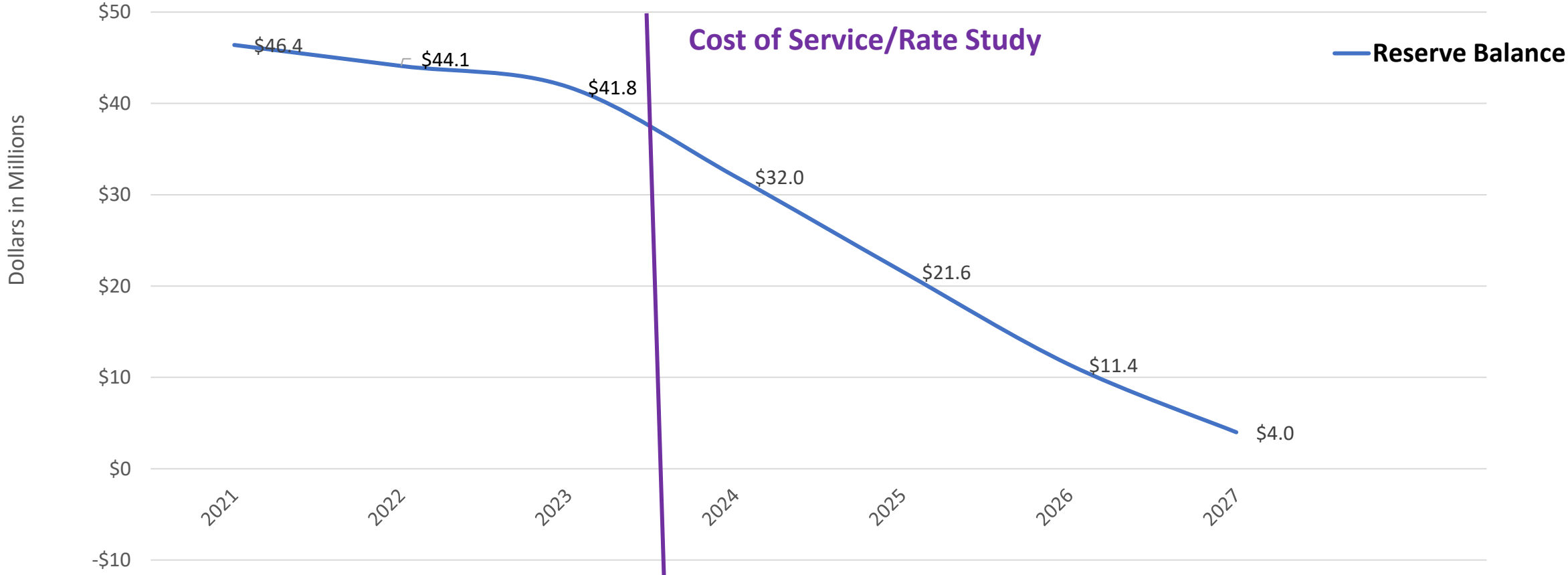
Well maintenance important

Pipeline replacement important, but second to water supply

Opportunistic projects

STAY WITHIN BUDGET WHILE SUPPLYING RELIABLE, SAFE DRINKING WATER TO OUR CUSTOMERS!

FYE 2023 Adopted Budget - Water Supply Master Plan



	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
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Reserves Forecast

Total Reserves	\$ 46,394,309	\$ 44,122,402	\$ 41,849,151	\$ 32,013,543	\$ 21,602,912	\$ 11,448,185	\$ 3,967,234
Total Reserves Policy Minimum	\$ 9,706,091	\$ 9,673,091	\$ 10,620,515	\$ 11,122,551	\$ 11,261,100	\$ 11,441,036	\$ 11,626,294
	\$ 36.69	\$ 34.45	\$ 31.23	\$ 20.89	\$ 10.34	\$ 0.01	\$ (7.66)

FYE 2023 Amended Budget - Modified Water Supply Master Plan

Category	FYE 2023 Adopted Budget	FYE 2024 Proposed Budget	FYE 2025 Proposed WSMP	FYE 2026 Proposed WSMP	FYE 2027 Proposed WSMP	Total
Pipeline	\$7,839,360	\$0	\$5,120,000	\$5,200,000	\$5,400,000	\$23,559,360
Distribution	\$149,000	\$149,000	\$149,000	\$149,000	\$157,000	\$753,000
MORE Project	\$3,000,000	\$3,150,000	\$0	\$0	\$0	\$6,150,000
Production	\$48,850	\$1,200,000	\$675,000	\$200,000	\$0	\$2,123,850
Storage Facilities	\$0	\$950,000	\$1,582,922	\$0	\$350,000	\$2,882,922
Transmission	\$90,000	\$280,000	\$30,000	\$30,000	\$35,000	\$465,000
Plant 4 WTP	\$1,530,000	\$0	\$0	\$0	\$0	\$1,530,000
Plant 19 WTP	\$1,900,000	\$0	\$0	\$0	\$0	\$1,900,000
Plant 27 WTP	\$3,070,000	\$0	\$0	\$0	\$0	\$3,070,000
Plant 30 WTP	\$339,565	\$0	\$0	\$0	\$0	\$339,565
Plant 31 WTP	\$0	\$0	\$0	\$0	\$0	\$0
Plant 34 WTP	\$3,131,520	\$0	\$0	\$0	\$0	\$3,131,520
Misc	\$834,228	\$705,000	\$920,000	\$0	\$0	\$2,459,228
TOTAL	\$21,932,523	\$6,434,000	\$8,476,922	\$5,579,000	\$5,942,000	\$48,364,445

FYE 2023 Amended Budget - Modified Water Supply Master Plan

Total 5-year CIP Budget- \$48.4M

Pipeline Replacement- \$23.4M

MORE Project- \$6M

Well Rehabilitation and Reservoir Recoating- \$5M

Well Treatment Projects- \$10M

Distribution Repair/ Transmission- \$1.2M

Site Security, Fleet Management, Meters- \$2.5M

Plan focuses on pipeline replacement and treatment

Retains the 5-year budget



Budget Projection Risk Factors

New treatment regulations

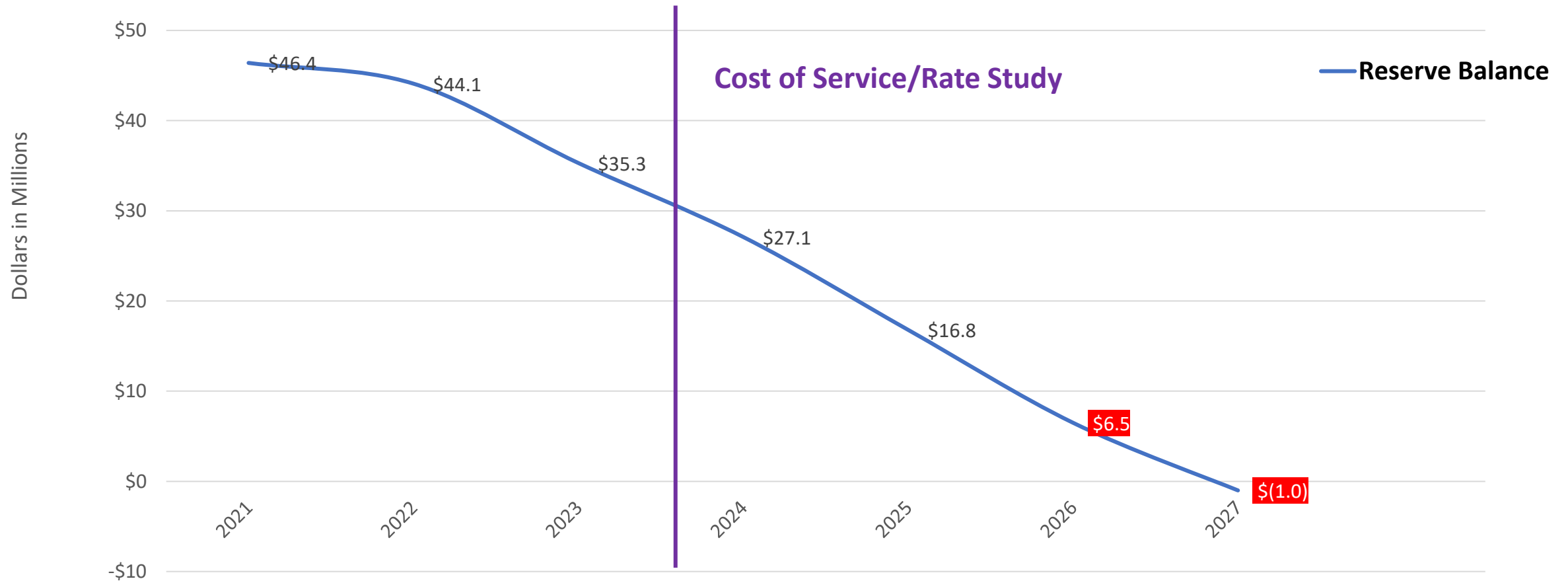
Inflation- Labor and material

Imported water reduction

Production well maintenance

Well capacity

FYE 2023 Amended Budget - Modified Water Supply Master Plan



FYE 2021 FYE 2022 FYE 2023 FYE 2024 FYE 2025 FYE 2026 FYE 2027

Reserves Forecast

Total Reserves	\$ 46,394,309	\$ 44,122,402	\$ 35,316,651	\$ 27,175,473	\$ 16,716,461	\$ 6,512,870	\$ (1,017,435)
Total Reserves Policy Minimum	\$ 9,706,091	\$ 9,673,091	\$ 10,620,515	\$ 11,122,551	\$ 11,261,100	\$ 11,441,036	\$ 11,626,294
	\$ 36.69	\$ 34.45	\$ 24.70	\$ 16.05	\$ 5.46	\$ (4.93)	\$ (12.64)



Discussion

Monte Vista Water District

Rate Model Update for Demand Management Rates



// Purpose and Briefing

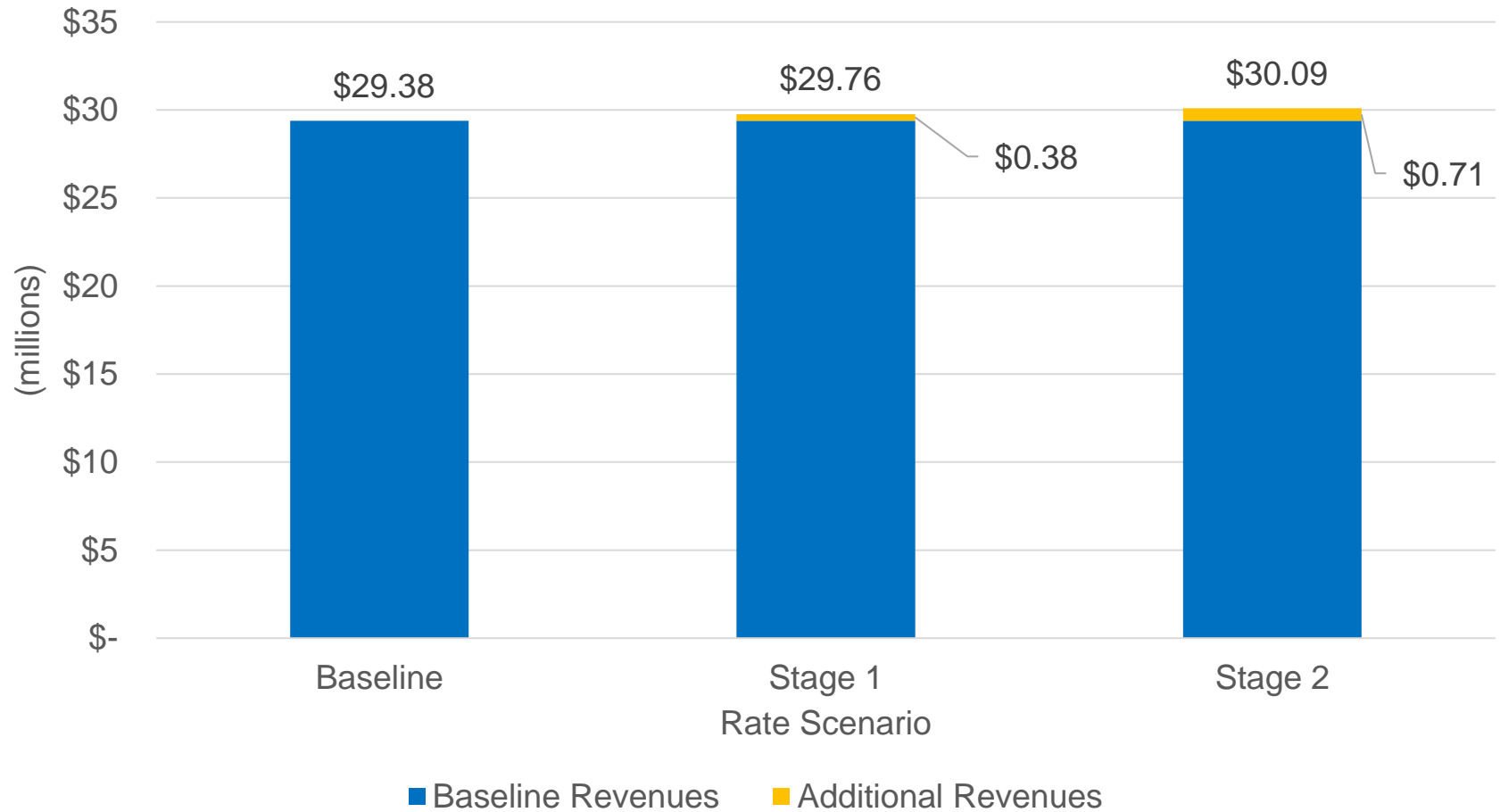
- Demand Management Rates were included in the 2019 Rate Study to provide MVWD with the ability to respond to changing demands and/or supplies.
- Drivers projected for 2023 may support implementation:
 - Increased treatment costs for MVWD groundwater.
 - Decreased availability of State Water Project.
 - Customer demands projected to decline.
- MVWD is planning a full rate study for 2024.
 - Demand Management Rates could provide smoothing to the potential rate increases in that Study.

// Carollo updated the 2019 Rate Study model with the latest financials and usage data, and then calculated each test using baseline and Stages 1 and 2.

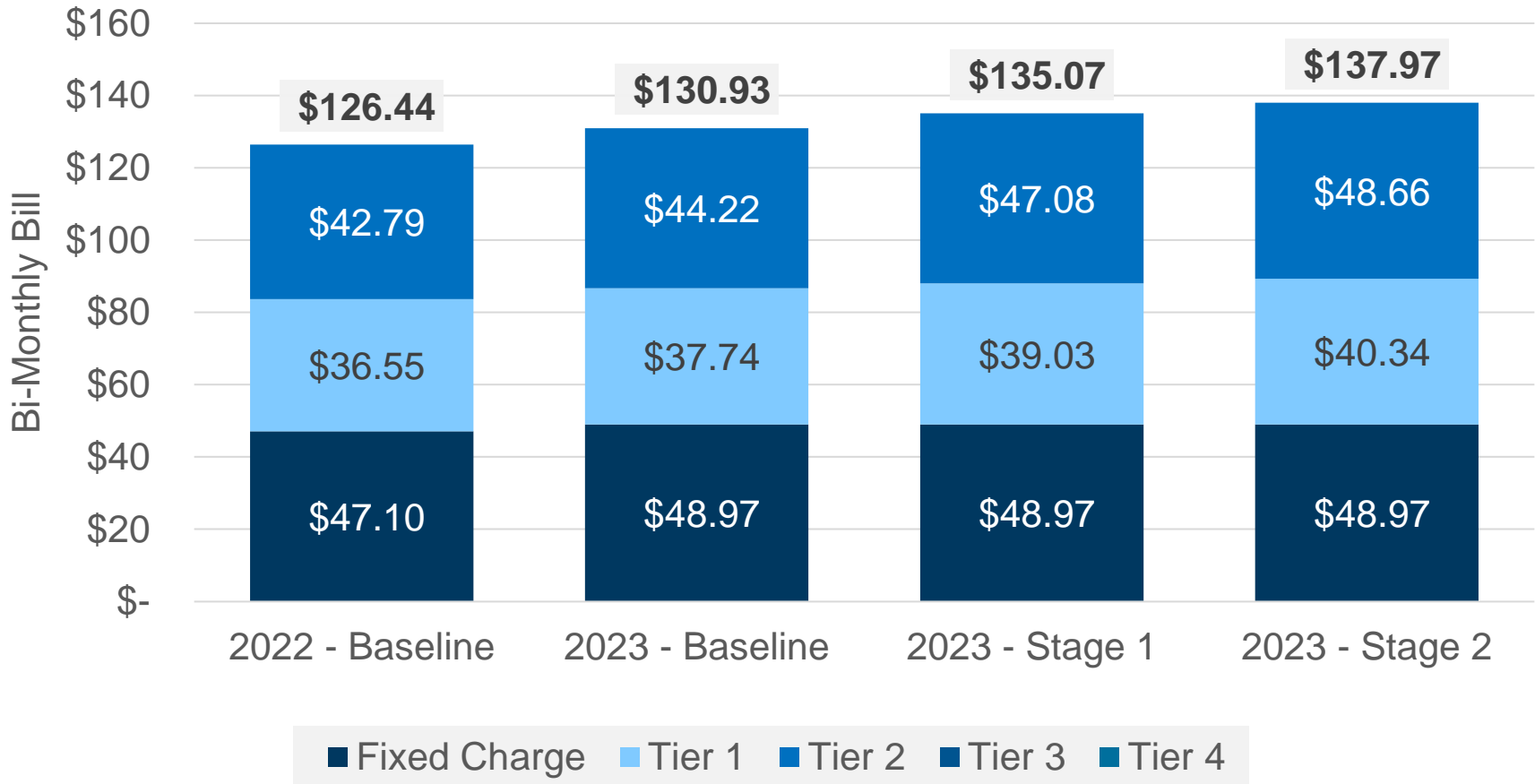
Financial Test	FYE 2023	FYE 2024	FYE 2025	FYE 2026
Baseline				
Cash Flow	\$6.3	\$(0.7)	\$(0.7)	\$(0.8)
Debt Coverage	4.0x	0.7x	0.7	0.6x
Reserves	\$35.3	\$27.2	\$16.7	\$6.5
Stage 1				
Cash Flow	\$6.7	\$(0.3)	\$(0.4)	\$(0.5)
Debt Coverage	4.1x	0.9x	0.8x	0.8x
Reserves	\$35.7	\$27.9	\$17.8	\$8.0
Stage 2				
Cash Flow	\$7.0	\$0.02	\$(0.04)	\$(0.1)
Debt Coverage	4.3x	1.0x	1.0x	1.0x
Reserves	\$36.0	\$28.6	\$18.9	\$9.4

* Cash flow and reserves shown in million dollars.

// Projected Annual Revenues for FYE 2023 under Each Scenario

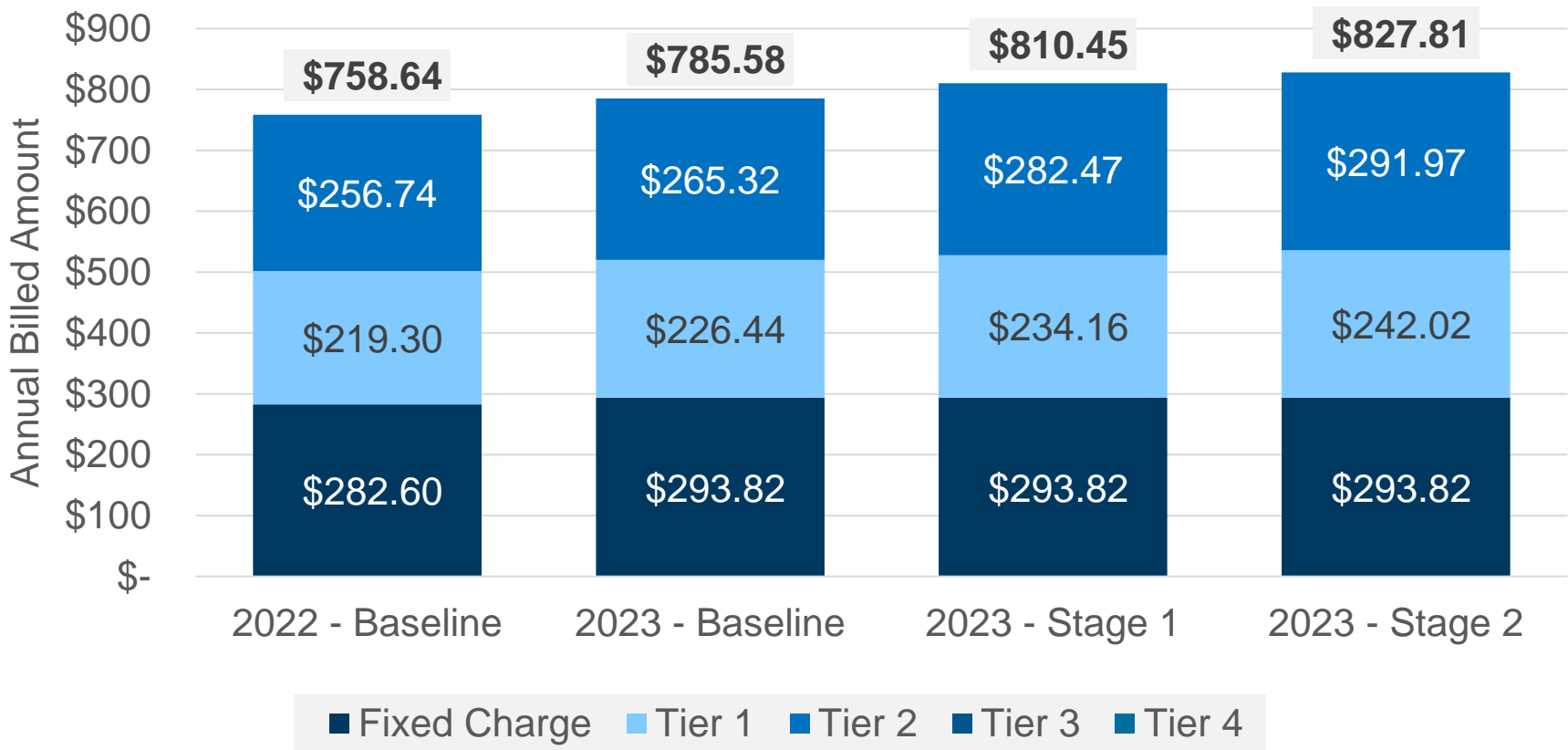


// A typical SFR customer's bimonthly bill is set to increase \$4 (4%) in January 2023. That increase would be \$9 (7%) and \$12 (9%) under Stages 1 and 2, respectively.



* Assumes 3/4" meter with 28 CCF bi-monthly usage.

// On an annual basis, a typical SFR customer's billed amount is set to increase \$27 / year (4%) in 2023. That increase would be \$52 (7%) and \$69 (9%) under Stages 1 and 2, respectively.



* Assumes 3/4" meter with 28 CCF bi-monthly usage.

// Summary and Recommendations

- MVWD should consider implementing either the Stage 1 or 2 Demand Management Rates effective January 2023.
 - Supply and demand drivers have changed and undermine the District's financial targets.
- Much of the benefit of implementing Demand Management Rates is realized after 2023.
 - By implementing Demand Management Rates in 2023, potential rate increases in 2024 and beyond could be mitigated, thus smoothing potential customer impacts.
- Staff will look for creative ways to reach out to customers in need and offer the Lifeline Assistance Program.