

# Phelan Piñon Hills Community Services District

---

*Financial Plan Workshop*

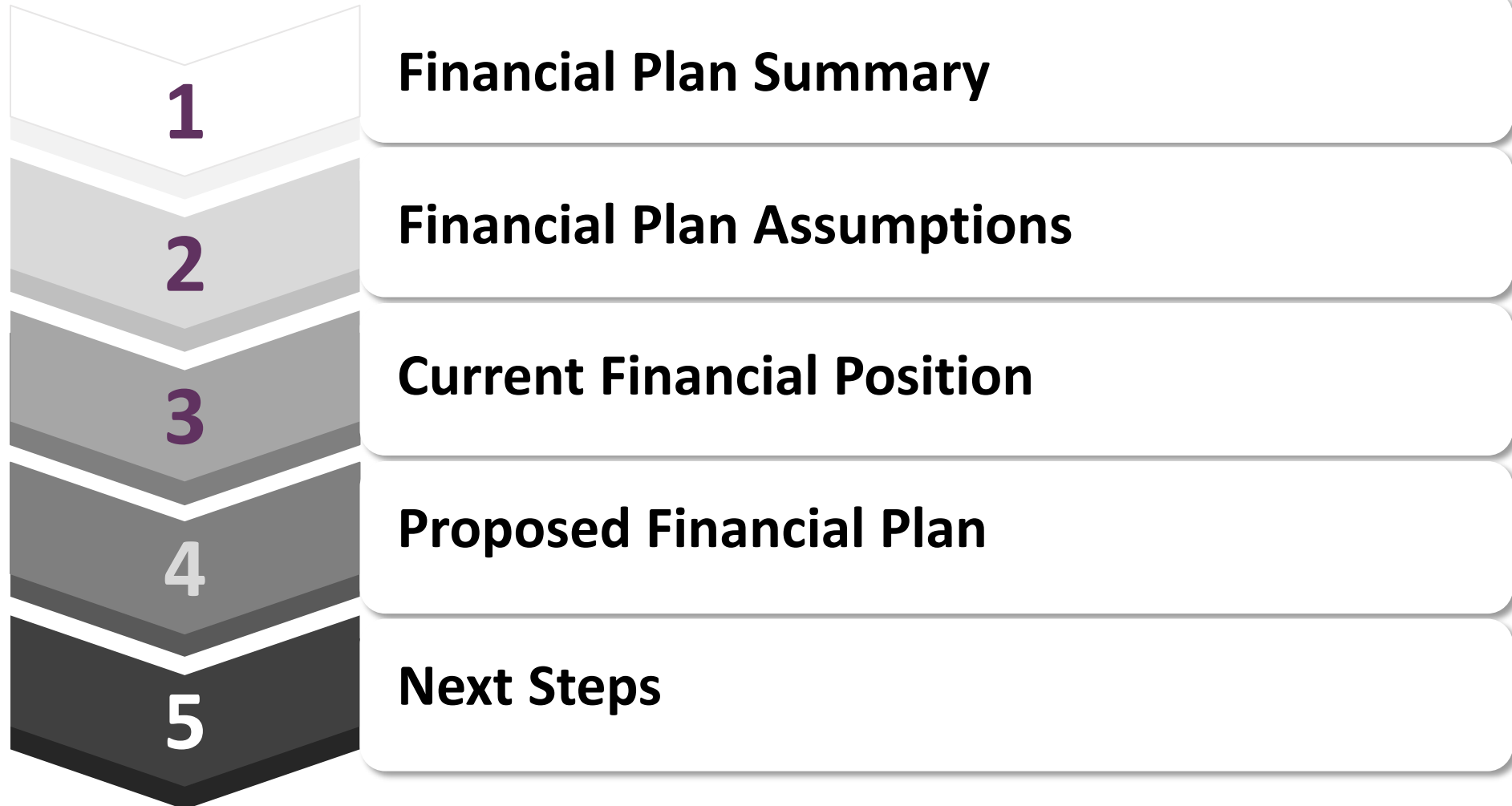
**August 2, 2023**

**B**CONSULTING



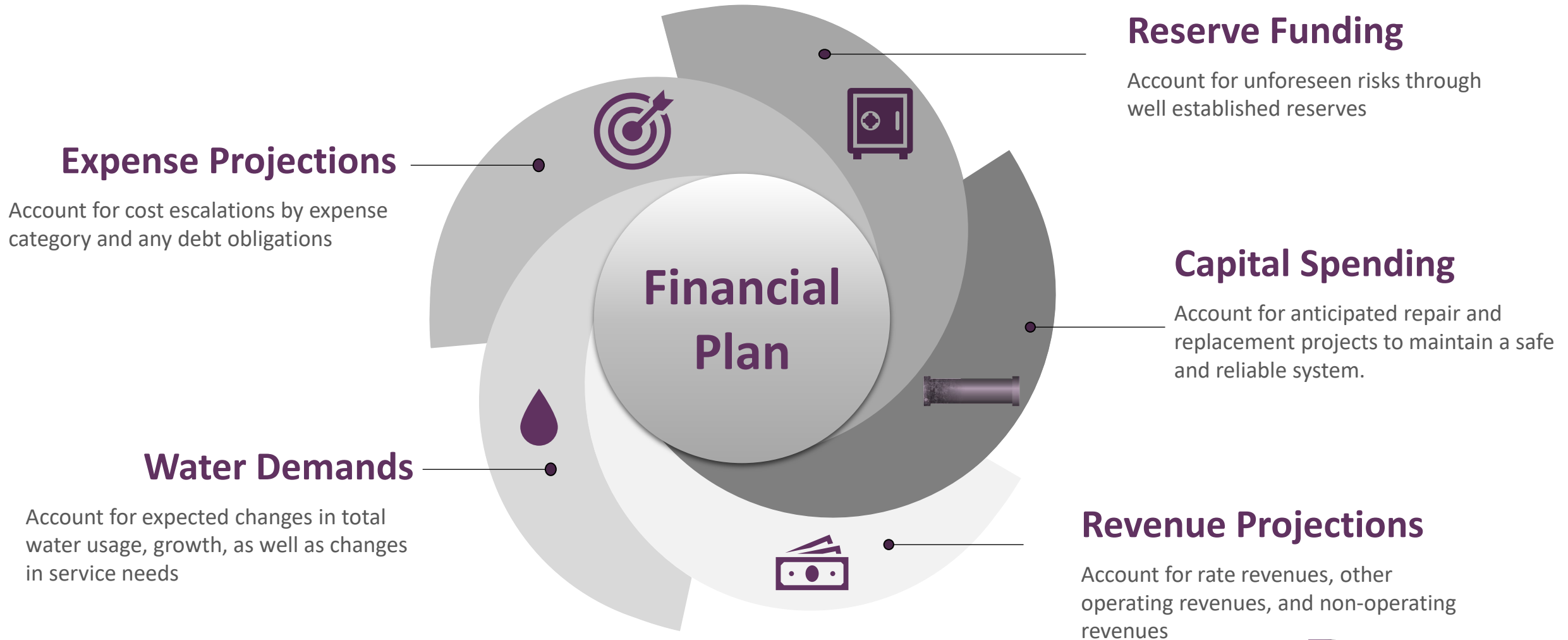
# Financial Plan Workshop

## Agenda



# Financial Plan Summary

## Factors Impacting the Financial Plan



# Financial Plan Key Assumptions

Long-Term Financial Plan



# Noticed Water Fixed Charges

## Monthly (\$/Meter)

### Base Fixed Charges

Meter Size	FY 2023 (July 1st)	FY 2024 (July 1st)	FY 2025 (July 1st)	FY 2026 (July 1st)
≤ 3/4"	\$24.17	\$25.63	\$25.63	\$25.63
1"	\$36.57	\$38.77	\$38.77	\$38.77
1.5"	\$67.58	\$71.64	\$71.64	\$71.64
2"	\$104.79	\$111.08	\$111.08	\$111.08
3"	\$222.60	\$235.96	\$235.96	\$235.96
4"	\$396.23	\$420.01	\$420.01	\$420.01
6"	\$811.70	\$860.41	\$860.41	\$860.41
10"	\$1,741.85	\$1,846.37	\$1,846.37	\$1,846.37

### Chromium 6 Surcharge

- \$9.71 Flat Charge per account
- Remains constant through FY 2031
- Covers specific expenses associated with Chromium 6 mitigation

# Noticed Water Variable Rates

## Commodity Rates (\$/HCF)

### Variable Rates

Customer Class	Tier Widths	FY 2023 (July 1st)	FY 2024 (July 1st)	FY 2025 (July 1st)	FY 2026 (July 1st)
<b>Residential</b>					
Tier 1	0 – 9	\$2.90	\$3.08	\$3.08	\$3.08
Tier 2	9 – 29	\$3.31	\$3.51	\$3.51	\$3.51
Tier 3	29+	\$7.99	\$8.47	\$8.47	\$8.47
<b>Commercial</b>	Uniform	\$3.87	\$4.11	\$4.11	\$4.11
<b>Institutional</b>	Uniform	\$4.20	\$4.46	\$4.46	\$4.46

# Financial Assumptions

## Account and Usage Data

Key Assumptions	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Account Growth					
Residential	0.0%	0.0%	0.0%	0.0%	0.0%
Commercial	0.0%	0.0%	0.0%	0.0%	0.0%
Institutional	0.0%	0.0%	0.0%	0.0%	0.0%
Total Accounts	7,200	7,200	7,200	7,200	7,200

Consumption by Customer Class	(HCF)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential						
Tier 1	(0-9 HCF)	511,842	511,842	511,842	511,842	511,842
Tier 2	(9-29 HCF)	374,997	374,997	374,997	374,997	374,997
Tier 3	(29+ HCF)	0	0	0	0	0
Subtotal Residential Consumption (HCF)		886,839	886,839	886,839	886,839	886,839
Commercial	(uniform)	9,089	9,089	9,089	9,089	9,089
Institutional	(uniform)	62,392	62,392	62,392	62,392	62,392
<b>Total Consumption by Customer Class (HCF)</b>		<b>958,320</b>	<b>958,320</b>	<b>958,320</b>	<b>958,320</b>	<b>958,320</b>

# Financial Assumptions

## Expense Escalators and Water Supply Assumptions

Key Assumptions	Source:	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Expenditure Escalation						
Benefits		5.0%	4.0%	4.0%	4.0%	4.0%
CalPers		5.0%	6.0%	6.0%	6.0%	6.0%
Capital Construction	ENR 20-City 5-Year Average	7.2%	3.9%	3.9%	3.9%	3.9%
Energy Costs		5.0%	10.0%	10.0%	10.0%	10.0%
General Costs	CPI - LA (BLS) 5-Year Average	7.4%	4.0%	4.0%	4.0%	4.0%
Non-Inflated		0.0%	0.0%	0.0%	0.0%	0.0%
Salaries		5.0%	6.0%	6.0%	6.0%	6.0%
Water Supply		Pass-Through	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Water Loss		15.0%	15.0%	15.0%	15.0%	15.0%

Water Supply Assumptions	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Water Billings/Sales (AF)	2,200 AF	2,200 AF	2,200 AF	2,200 AF	2,200 AF
Water Demand	2,588 AF	2,588 AF	2,588 AF	2,588 AF	2,588 AF
Less: Free Production Allowance	2,518 AF	2,284 AF	2,050 AF	1,816 AF	1,582 AF
Less: Carryover	71 AF	305 AF	AF	AF	AF
Replacement Water	AF	AF	539 AF	773 AF	1,007 AF



# Current Financial Position

Long-Term Financial Plan



# Current Financial Position – Operating

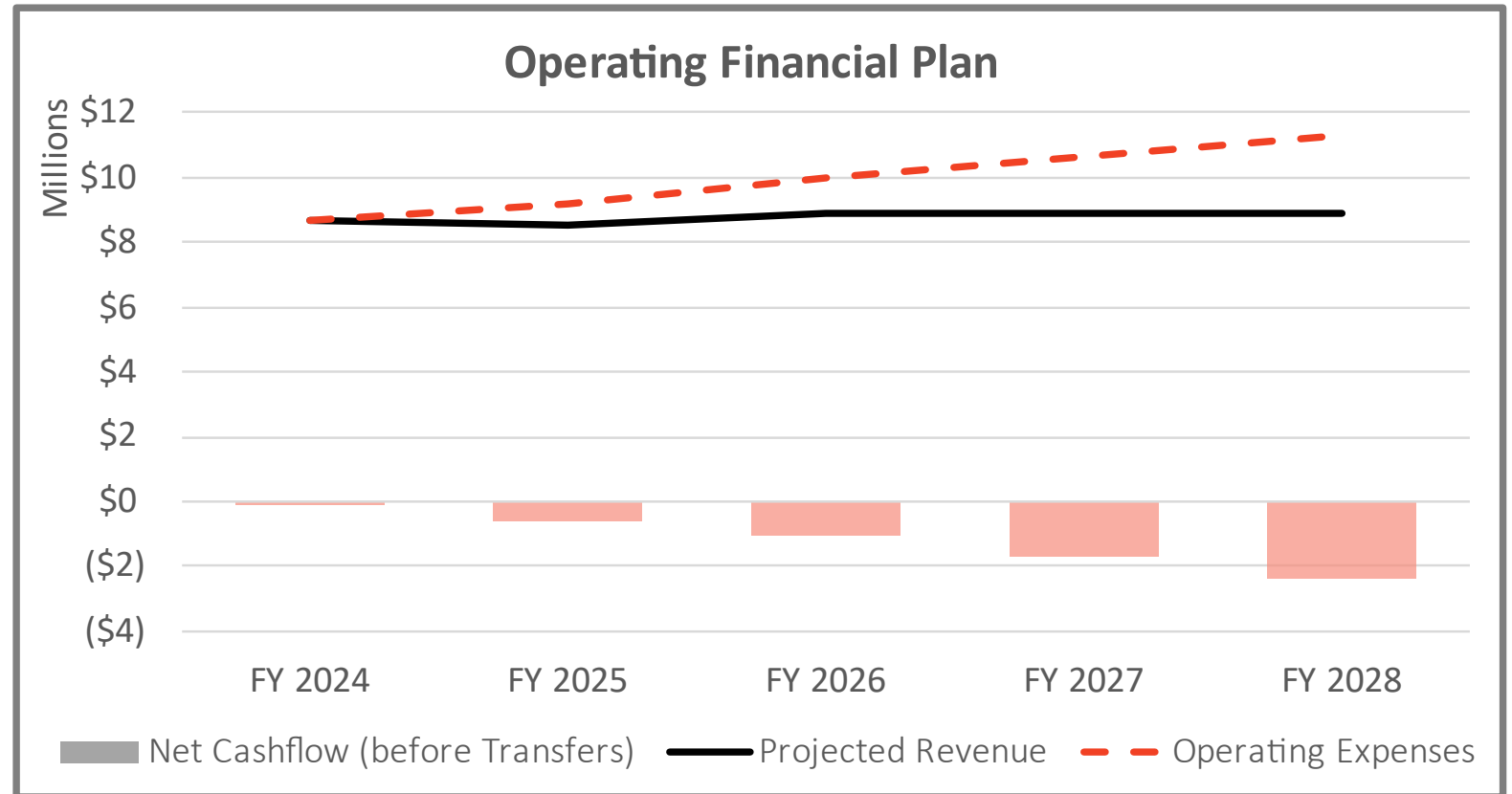
## Water Enterprise

### Financial Plan Metrics

- Generate Positive Net Income
- Comply with Debt Covenants
- Sufficiently Fund Capital Needs
- Meet Reserve Targets

### Additional Comments

- Includes rate adjustments for FY 2024 through FY 2026
- Includes \$6M debt proceeds for Civic Center
- CIP = \$21.8M through FY 2028



# Current Financial Position – Capital

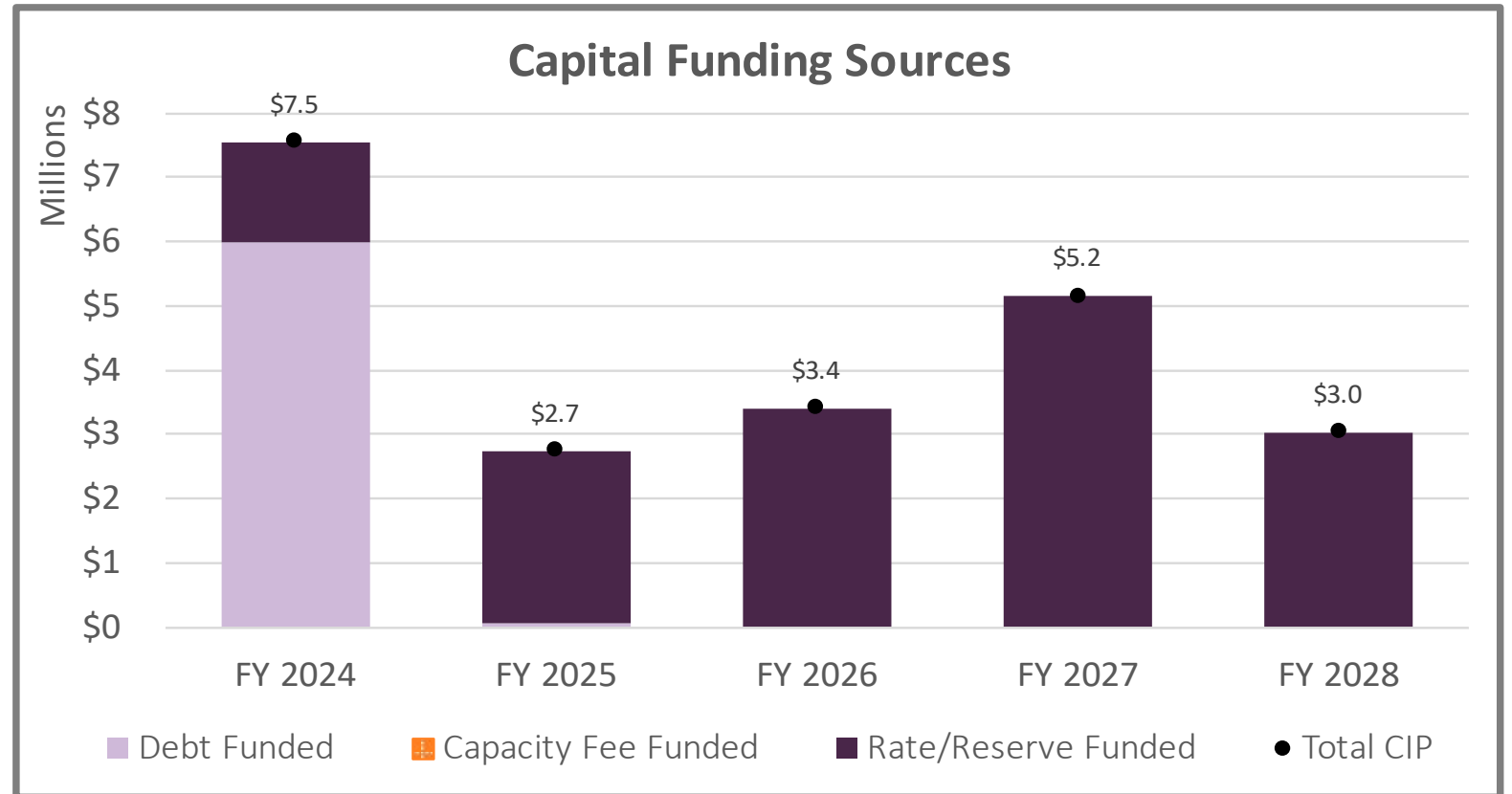
## Water Enterprise

### Financial Plan Metrics

- Generate Positive Net Income
- Comply with Debt Covenants
- Sufficiently Fund Capital Needs
- Meet Reserve Targets

### Additional Comments

- Includes rate adjustments for FY 2024 through FY 2026
- Includes \$6M debt proceeds for Civic Center
- CIP = \$21.8M through FY 2028



# Current Financial Position – Reserves

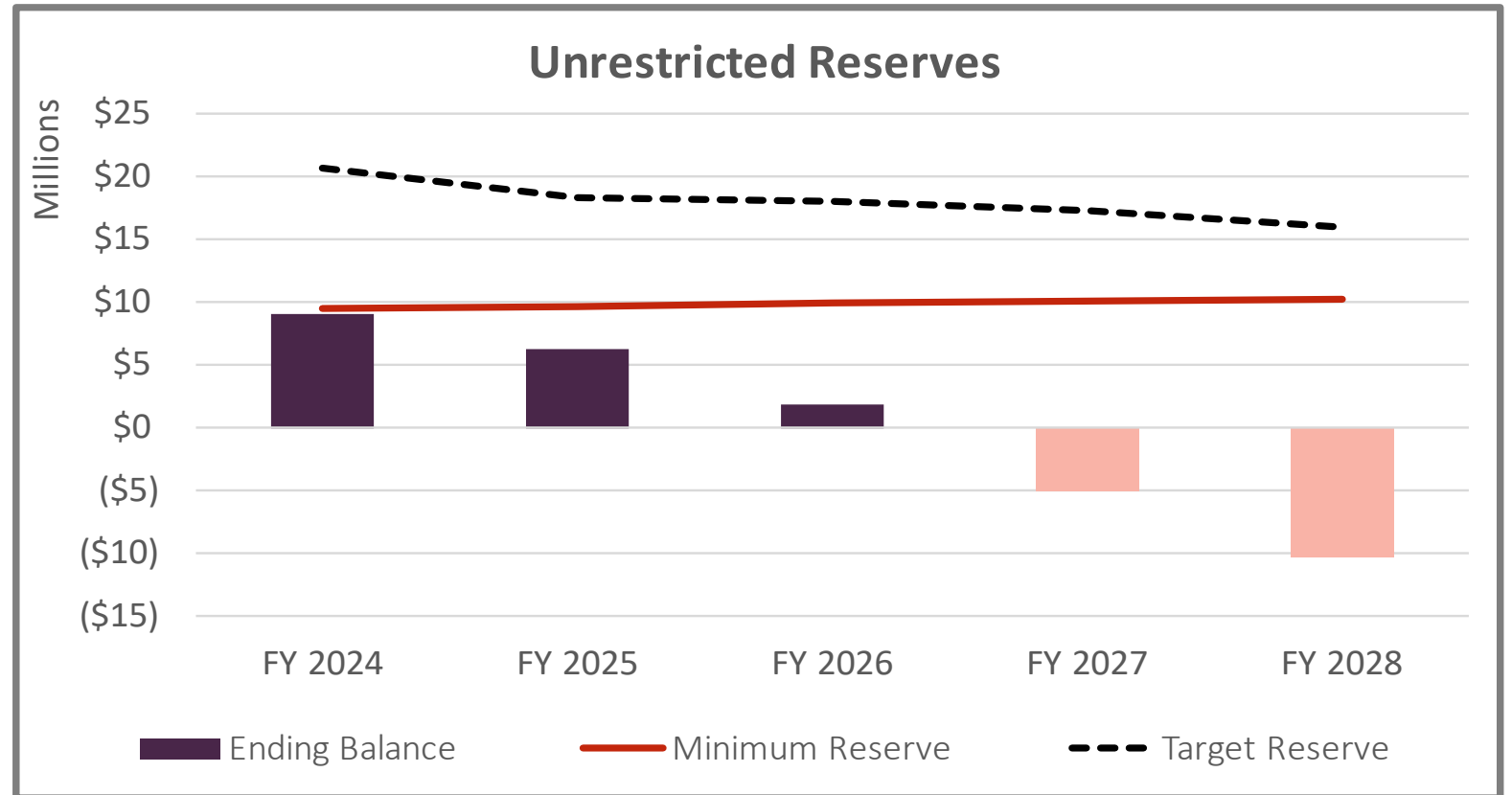
## Water Enterprise

### Financial Plan Metrics

- Generate Positive Net Income
- Comply with Debt Covenants
- Sufficiently Fund Capital Needs
- Meet Reserve Targets

### Additional Comments

- Includes rate adjustments for FY 2024 through FY 2026
- Includes \$6M debt proceeds for Civic Center
- CIP = \$21.8M through FY 2028



# Capital Improvement Plan

## FY 2024 – FY 2028

Project Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Chromium Mitigation Projects (Cr6 Funding Source)</b>					
Well Profiling (Contingent on state ruling)	\$0	\$0	\$450,000	\$0	\$0
Equip with Cr6 packer	\$150,000	\$0	\$0	\$0	\$0
Additional Water Supply	\$0	\$0	\$2,000,000	\$0	\$0
Well, Equip, 12" pipeline 6K LF (\$2.4mil)	\$0	\$0	\$0	\$0	\$0
Existing 6A (0.4 MG) (Contingent on Fec	\$0	\$700,000	\$0	\$0	\$0
Design / Studies	\$100,000	\$0	\$0	\$0	\$0
<b>Master Plan Reservoirs</b>					
7A-1 (.079 MG) 7A-2 (.079 MG)	\$0	\$0	\$0	\$2,035,000	\$0
Design / Equipping / Studies	\$0	\$0	\$0	\$100,000	\$0
L1 (.483 MG)	\$0	\$0	\$0	\$647,500	\$0
Design / Equipping / Studies	\$0	\$0	\$0	\$100,000	\$0
<b>Master Plan Pipeline</b>					
P1-1,900 LF (8") replace 6"	\$0	\$252,700	\$0	\$0	\$0
P3 -9,500 LF (12")	\$0	\$0	\$0	\$0	\$1,989,200
P14-1,400 (8")	\$0	\$0	\$186,200	\$0	\$0
P15-2,600 LF (8") replace 6"	\$0	\$0	\$0	\$314,600	\$0
<b>Meters</b>					
O & M	\$700,000	\$0	\$0	\$0	\$0
<b>Boosters</b>					
Infrastructure	\$0	\$135,000	\$135,000	\$135,000	\$135,000
<b>Smithson Springs</b>					
Construction (capture tank)	\$0	\$0	\$25,000	\$0	\$0
<b>Land Aquisition</b>					
Purchase	\$0	\$100,000	\$0	\$0	\$0

Project Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Civic Center (Funding Source)</b>					
Construction SP 1.7	\$6,000,000	\$500,000	\$0	\$0	\$0
<b>Reservoirs</b>					
Infrastructure	\$0	\$0	\$0	\$1,000,000	\$0
<b>Planning</b>					
Report	\$0	\$25,000	\$15,000	\$0	\$0
<b>Repair and Maintenance Plan</b>					
Maintenance	\$48,300	\$267,200	\$48,300	\$48,300	\$48,300
Maintenance	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Rehab Well	\$125,000	\$115,000	\$115,000	\$115,000	\$115,000
Rehab Well 1B (2023) & 2A (2024)	\$0	\$200,000	\$0	\$0	\$0
Rehabilitation	\$80,000	\$85,000	\$85,000	\$85,000	\$85,000
Site Upgrade	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Rebuiled / Replacement / Maintenance	\$15,000	\$10,000	\$10,000	\$10,000	\$10,000
Service Line Replacement (150/yr)	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
Water Pipeline Lowering/Covering	\$68,000	\$61,000	\$58,000	\$96,000	\$110,000
O & M Contract (2016-2026)	\$35,575	\$35,575	\$35,575	\$35,575	\$35,575
Support Services & Training	\$6,000	\$15,000	\$15,000	\$15,000	\$15,000
Vegetation Mitigation	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
UCMR5	\$0	\$15,000	\$0	\$0	\$0
<b>Capital Purchase</b>					
Field Truck	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Software	\$0	\$0	\$0	\$0	\$40,000
Subtotal Scenario 1 - Baseline CIP	\$7,547,875	\$2,736,475	\$3,398,075	\$4,956,975	\$2,803,075
<b>Scenario 1 - Baseline CIP Total Costs</b>	<b>\$7,547,875</b>	<b>\$2,736,475</b>	<b>\$3,398,075</b>	<b>\$5,151,955</b>	<b>\$3,027,927</b>

# Reserve Requirements

## FY 2024 Existing Reserves

### Reserve Scenario / Options:

			FY 2024 Ending Balance	FY 2024 Minimum	FY 2024 Target
Operating Fund Minimum:	90	days of operating expenses	\$1,810,356	\$1,810,356	
Operating Fund Target:	180	days of operating expenses			\$3,620,712
Replacement Reserve Minimum:	2	year(s) of Annual Depreciation	\$5,039,335	\$3,592,526	
Replacement Reserve Target:	2	year(s) of 5-Year Average CIP			\$8,744,923
Disaster Reserve Minimum:	10.0%	of Assets	\$3,946,325	\$3,811,915	
Disaster Reserve Target:	20.0%	of Assets			\$7,623,831
Rate Stabilization Reserve Minimum:	5.0%	of Rate Revenue	\$389,304	\$395,600	
Rate Stabilization Reserve Target:	10.0%	of Rate Revenue			\$791,200
Required Debt Coverage:	115.0%		\$11,185,320	\$9,610,398	\$20,780,666

# Current Financial Position

## Previously noticed rates

### Results From Review

- Outlook reflects operating deficit beginning in FY 2025
- Not meeting debt coverage
- Capital spending reduced, but still requires the use of reserves
- No longer meeting the minimum reserve targets by FY 2025

# Proposed Financial Plan

- 1) Planned CIP
- 2) Revised CIP





# Option 1: Proposed Financial Plan – Operating

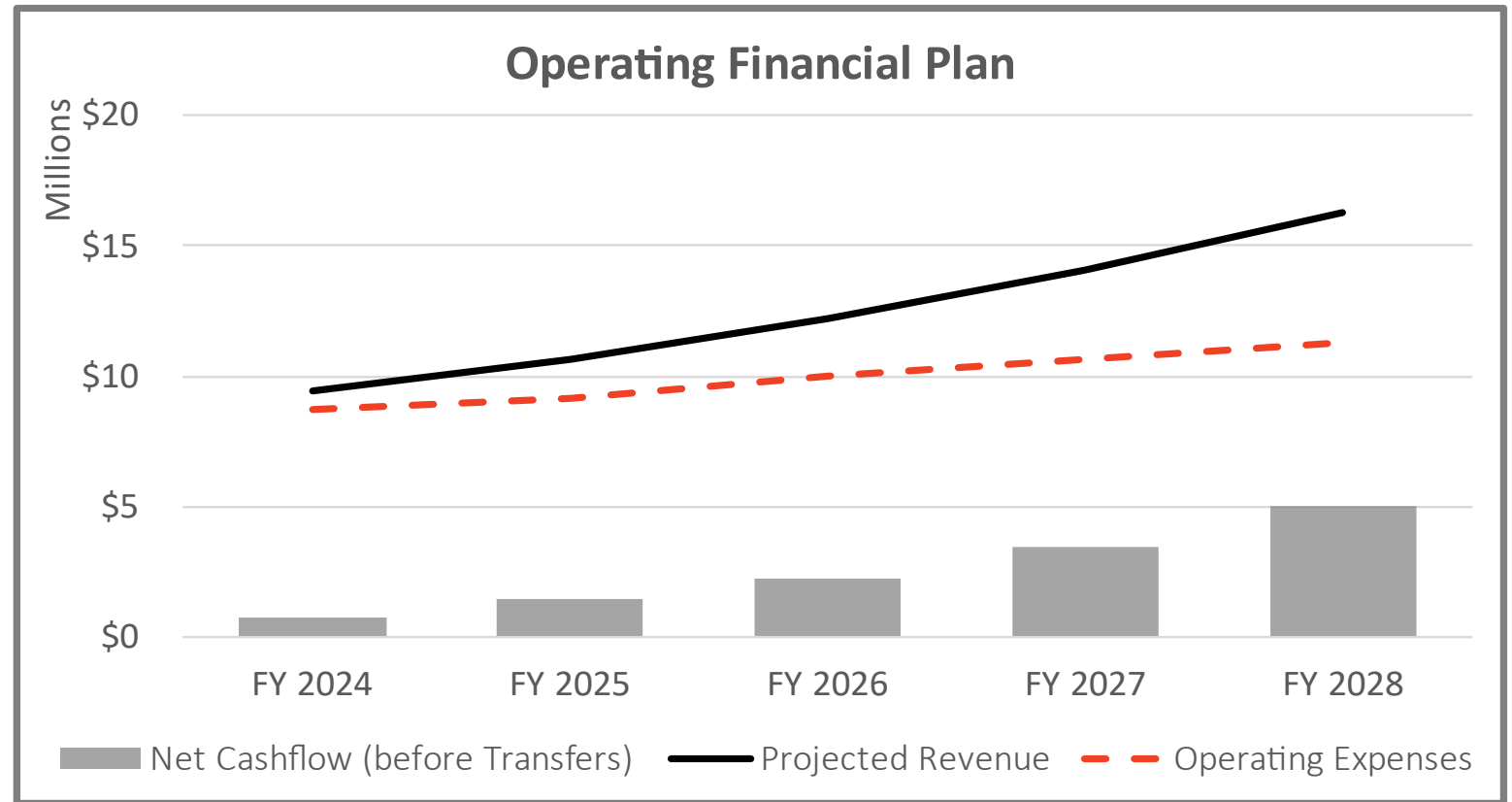
## FY 2024 – FY 2028 Planning Period

Revenue Adjustments:

FY 2024 – FY 2028: 18%, 18%, 18%, 18%, 18%

### Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Fully Fund Planned CIP
  - \$21.8M



# Option 1: Proposed Financial Plan – Planned CIP

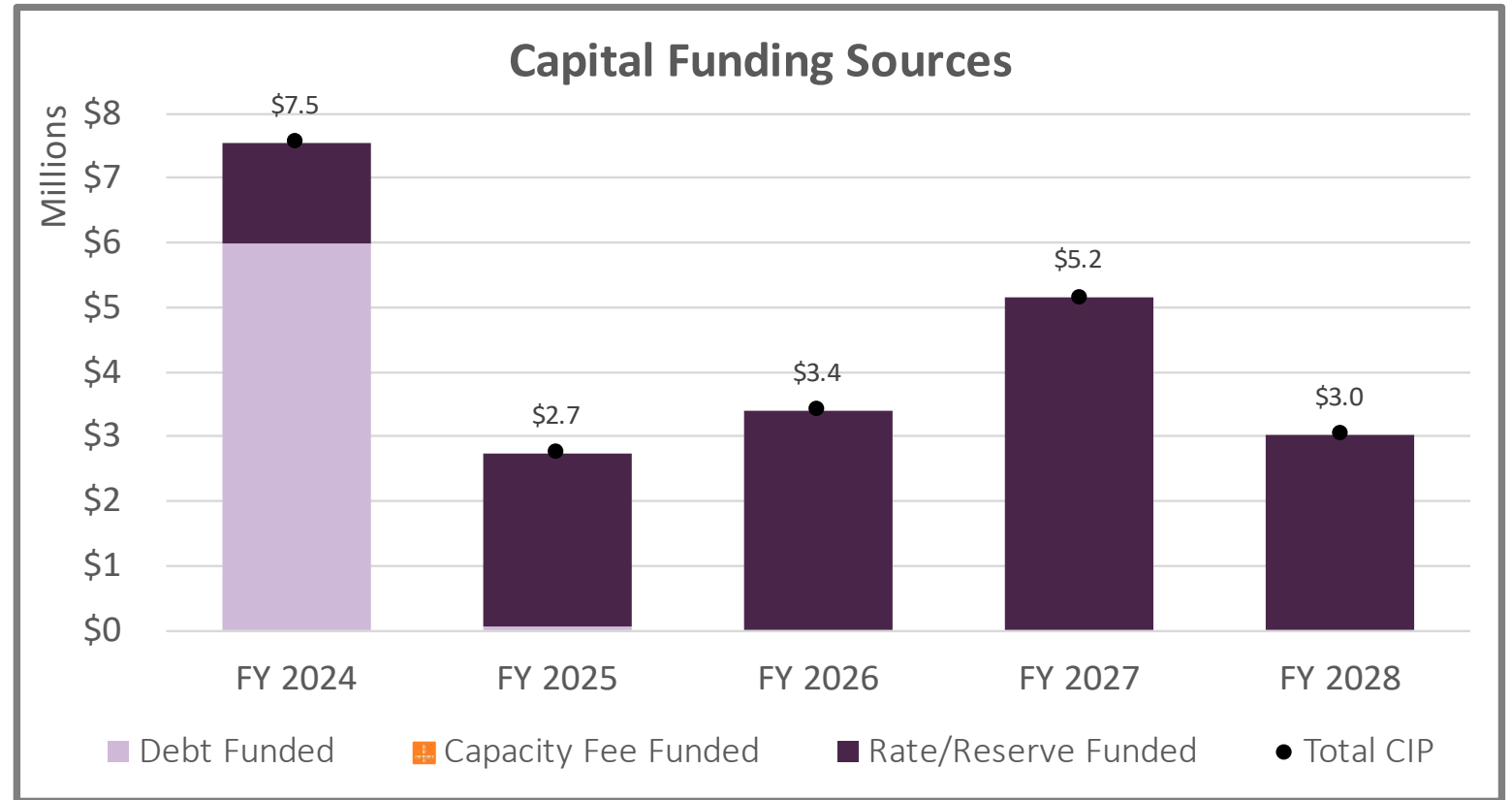
## FY 2024 – FY 2028 Planning Period

Revenue Adjustments:

FY 2024 – FY 2028: 18%, 18%, 18%, 18%, 18%

### Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Fully Fund Planned CIP
  - **\$21.8M**



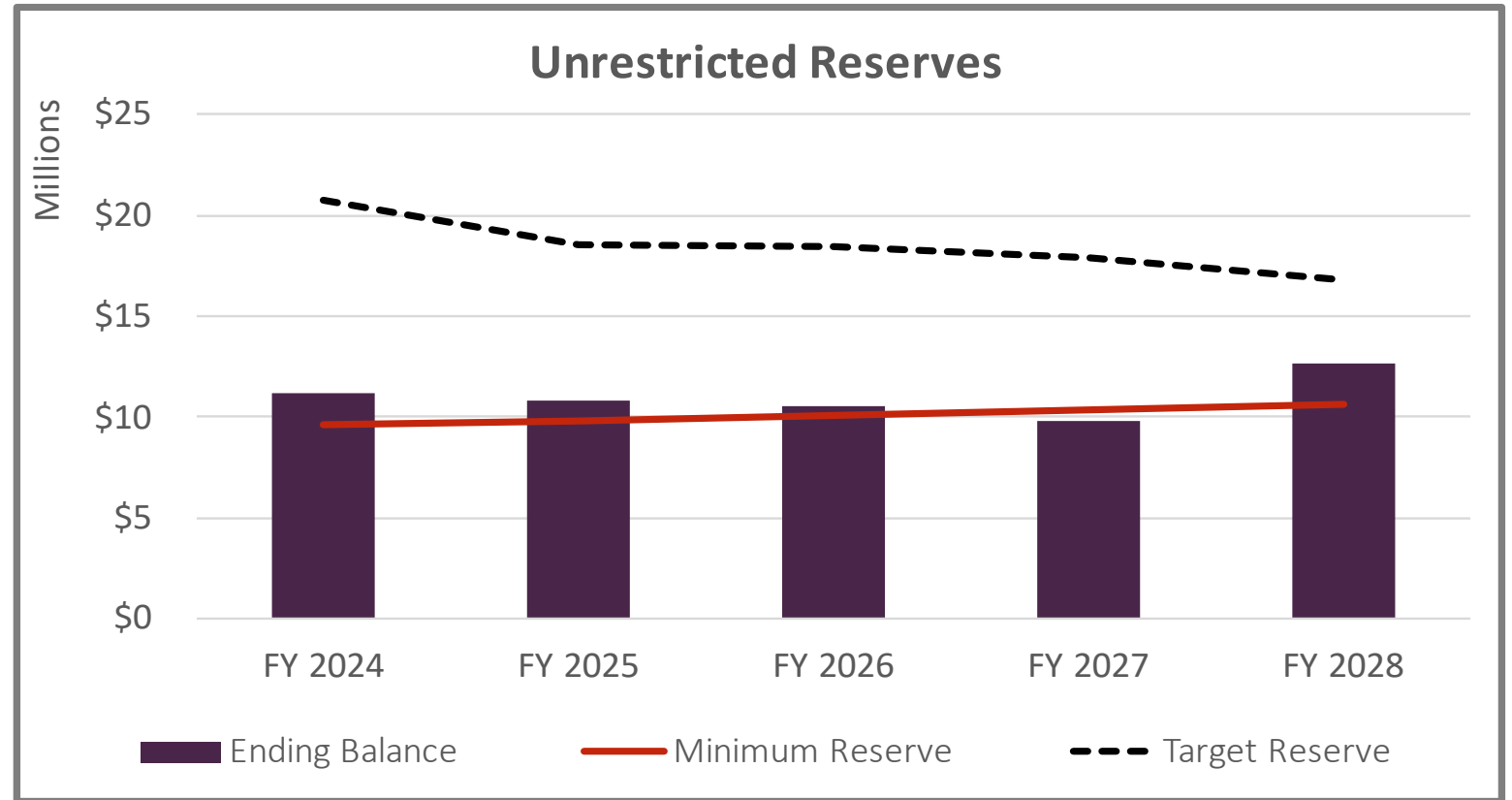
# Option 1: Proposed Financial Plan – Reserves

## FY 2024 – FY 2028 Planning Period

Revenue Adjustments:  
FY 2024 – FY 2028: 18%, 18%, 18%, 18%, 18%

### Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Fully Fund Planned CIP
  - \$21.8M



# Reduced Capital Improvement Plan

**FY 2024 – FY 2028**

Project Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Chrom 6	\$250,000	\$700,000	\$2,450,000	\$0	\$0
Civic Center	\$6,000,000	\$500,000	\$0	\$0	\$0
Placeholder	\$0	\$0	\$0	\$0	\$0
Placeholder	\$0	\$0	\$0	\$0	\$0
Placeholder	\$0	\$0	\$0	\$0	\$0
Carryforward	\$0	\$0	\$0	\$0	\$0
Out-Years	\$0	\$0	\$0	\$1,796,263	\$1,796,263
Subtotal Scenario 3 -	\$6,250,000	\$1,200,000	\$2,450,000	\$1,796,263	\$1,796,263
<b>Scenario 3 - Total Costs</b>	<b>\$6,250,000</b>	<b>\$1,200,000</b>	<b>\$2,450,000</b>	<b>\$1,866,918</b>	<b>\$1,940,353</b>

- Outer years = Depreciation index by ENR-CCI
- Total CIP costs through FY 2028 = \$13.7M

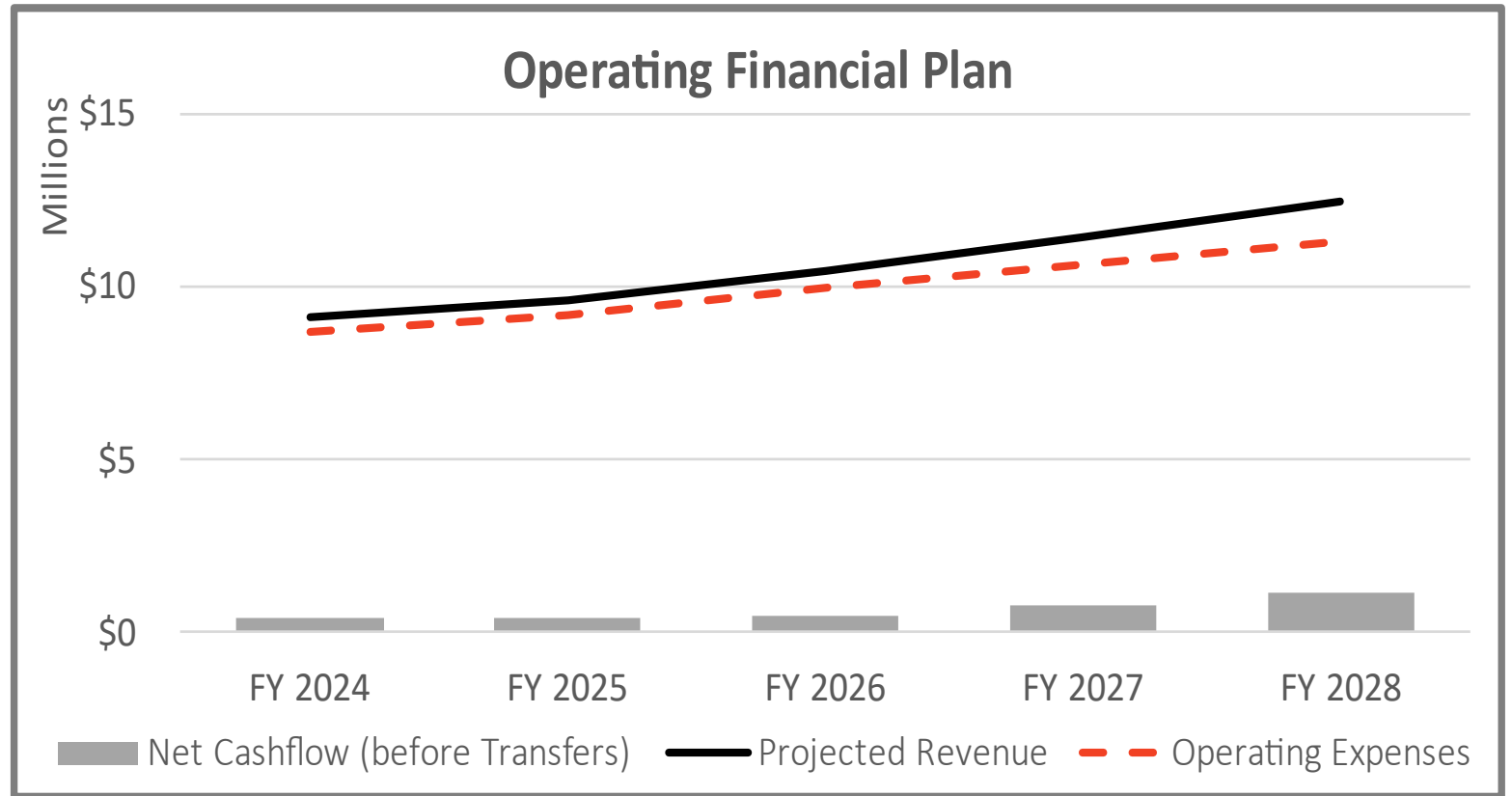
# Option 2: Proposed Financial Plan – Operating

## FY 2024 – FY 2028 Planning Period

Revenue Adjustments:  
FY 2024 – FY 2028: 11%, 11%, 11%, 11%, 11%

### Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Reduced CIP
  - \$13.7M



# Option 2: Proposed Financial Plan – Revised CIP

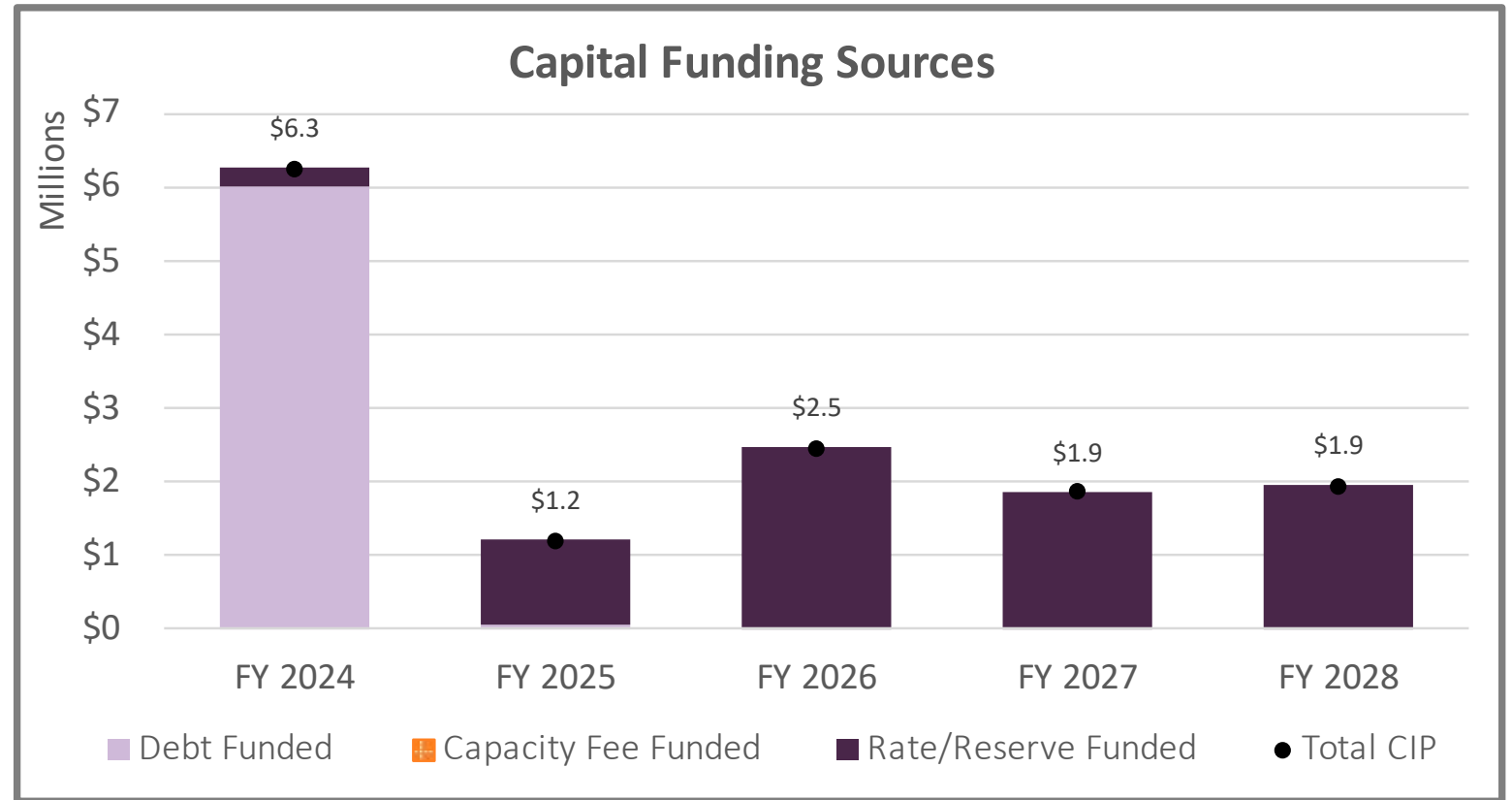
## FY 2024 – FY 2028 Planning Period

Revenue Adjustments:

FY 2024 – FY 2028: 11%, 11%, 11%, 11%, 11%

### Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Reduced CIP
  - **\$13.7M**



# Option 2: Proposed Financial Plan – Reserves

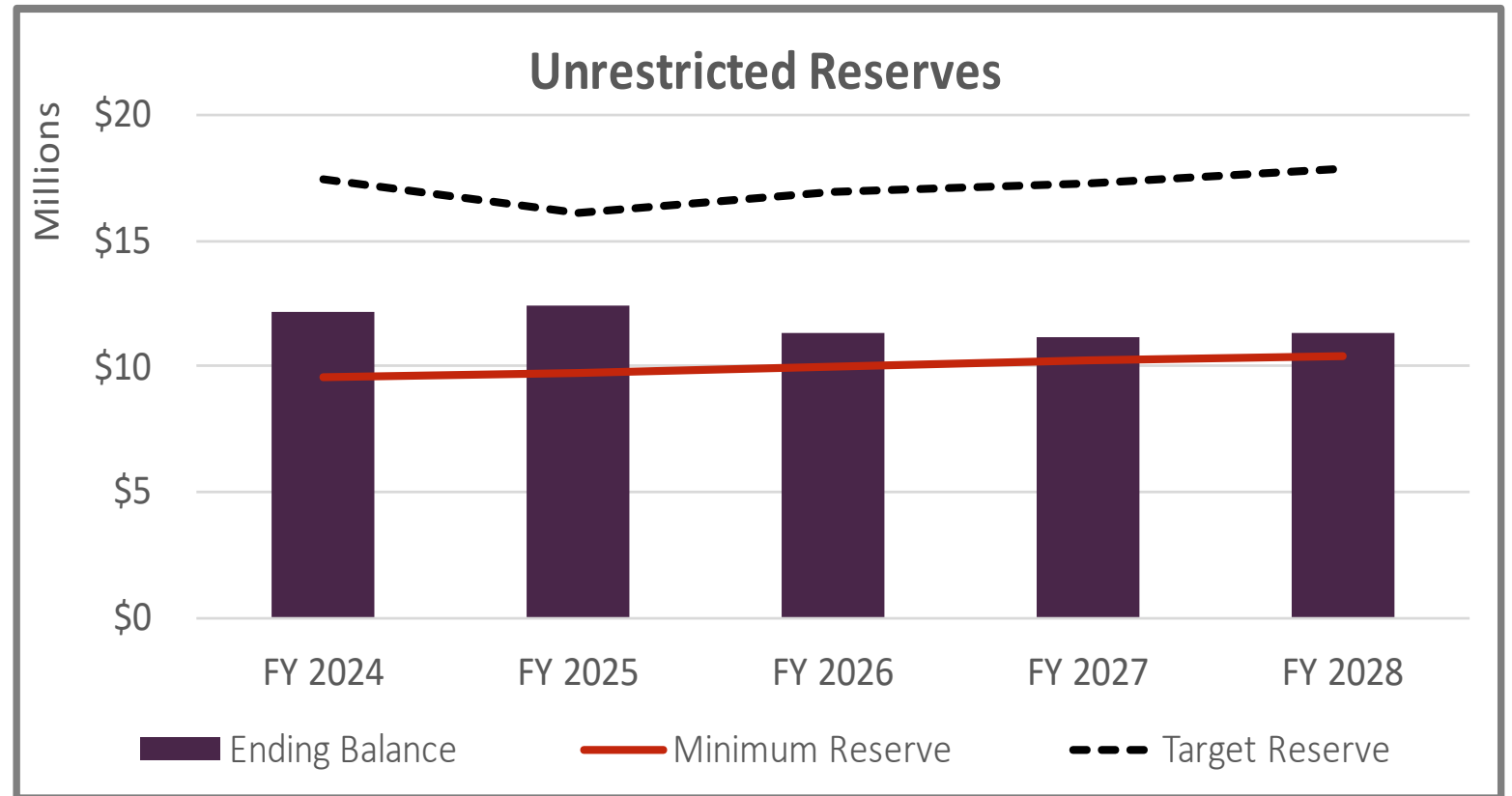
## FY 2024 – FY 2028 Planning Period

### Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Reduced CIP
  - \$13.7M

Revenue Adjustments:

FY 2024 – FY 2028: 11%, 11%, 11%, 11%, 11%



# Next Steps

Cost-of-Service Study





# Next Steps

## Upcoming Tasks / Meetings

- Cost-of-Service Analysis
- Rate Development
- Board Rate Workshop ~~August 10<sup>th</sup>~~ August 9th