

**MEETING OF THE COMMUNITY ADVISORY COMMITTEE
OF THE FLORIN RESOURCE CONSERVATION DISTRICT
BOARD OF DIRECTORS**

Agenda

Tuesday, January 17, 2023

3:00 PM

**9829 Waterman Road.
Elk Grove, CA 95624**

CALL TO ORDER, ROLL CALL AND PLEDGE OF ALLEGIANCE

Public Comment – Please complete a Request to Speak Form if you wish to address the Board. Members of the audience may comment on matters that are not included on the agenda. Each person will be allowed three (3) minutes, or less if a large number of requests are received on a particular subject. No action may be taken on a matter raised under "Public Comment" until the matter has been specifically included on an agenda as an action item. Items listed on the agenda will be opened for public comment as they are considered by the Board of Directors.

1. 2024-2028 Water Rate and Connection Fee Study

(Patrick Lee, Finance Manager)

Associate Director Comment

Public Comment

Adjourn to the next Community Advisory Committee Meeting – TBD

Florin Resource Conservation District – Elk Grove Water District

Water Rate Study

CAC and Board Meetings - January 17, 2023



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Agenda

1. Where We Are In Rate Setting Process
2. Financial Plan Overview
3. Advise on Financial Plan Scenarios and Preferred Path Forward

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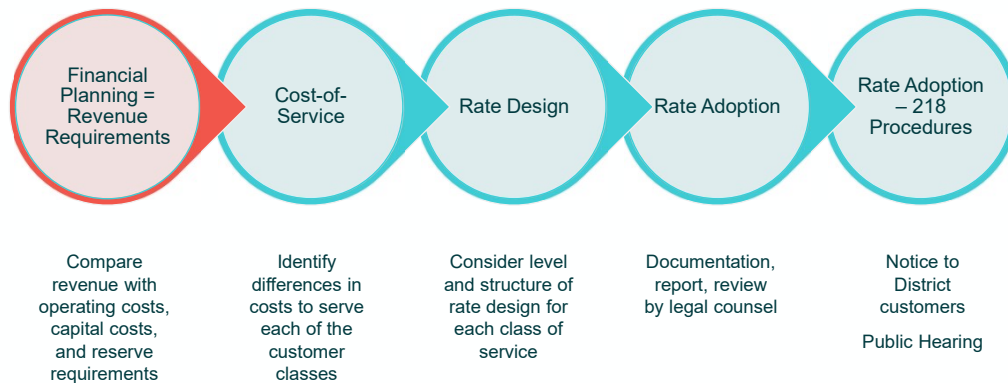
Where We Are In Rate Setting Process



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Key Steps in Conducting a Rate Study



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Financial Plan vs. Cost of Service

Financial Plan

- Determines the TOTAL amount of revenue required from rates each year (i.e., how large of a pie do we need?)

Cost of Service

- Determines how the overall rate revenue requirement is allocated to various customer classes (i.e., how do we slice the pie?)

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Financial Plan Overview



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Elk Grove Water District Overview

MAXIMUM DAILY WATER SUPPLY CAPACITY	11.4 MGD
NUMBER OF TREATMENT FACILITIES	2
AGGREGATE TREATMENT FACILITY CAPACITY	13.0 MGD
NUMBER OF WELLS	7
MILES OF WATER MAINS	151.2
NUMBER OF BOOSTER PUMPS	10
NUMBER OF ACTIVE SERVICE CONNECTIONS	13,052
NUMBER OF BOND ISSUES OUTSTANDING	2
NUMBER OF CERTIFIED WATER DISTRIBUTION OPERATORS	17
NUMBER OF CERTIFIED WATER TREATMENT OPERATORS	17
NUMBER OF PUBLIC FIRE HYDRANTS	1,668
EGWD SERVICE AREA POPULATION	46,991

Groundwater Wells	60%
Sacramento County Water Agency	40%

**Source: FY 2022-23 Adopted Budget*

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Level of Service Goals

- Continue to fund operations and capital projects on a pay-as-you-go basis while building up reserves for future large capital projects to avoid issuing any additional debt
- Enhance water conservation efforts
- Continue to meet water quality regulations
- Enhance communication with customers
- Timely replacement of aging infrastructure to maintain sufficient capacity to meet water demand and fire protection.

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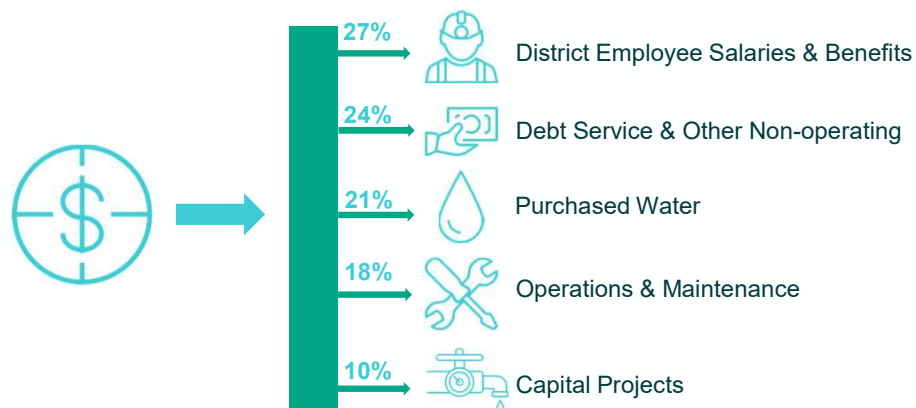
Financial Plan Approach

- Develop an Excel model to project revenues and expenses over a 10-year period
- Use the model to evaluate the overall revenue adjustments needed each year to:
 - › Sufficiently fund operating expenses, debt service, and capital expenditures
 - › Maintain adequate cash reserves
 - › Meet debt coverage requirements

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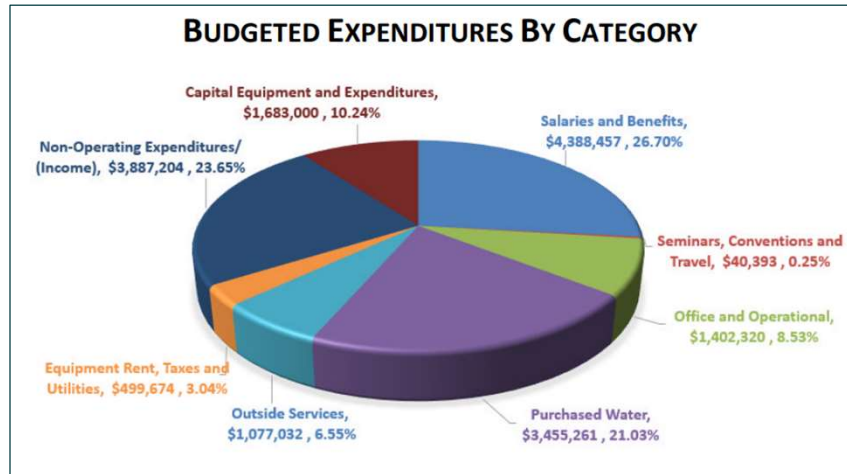
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All Revenues Go to Operations, Improvement, and Growth of the Water System



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FY 2022-23 Budgeted Expenses:



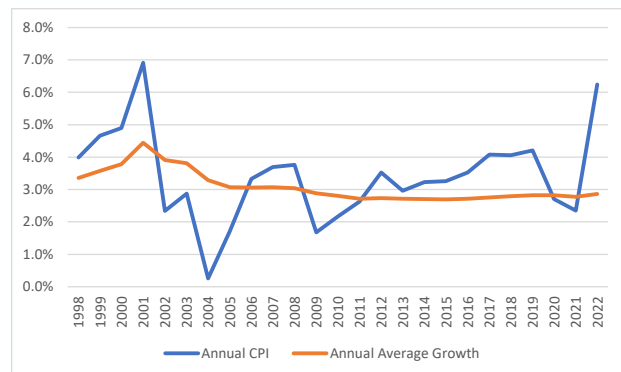
*Source: FY 2022-23 Adopted Budget; Note: Non-Operating Expenditures are primarily debt service payments on outstanding bonds

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Operating Expense Assumptions

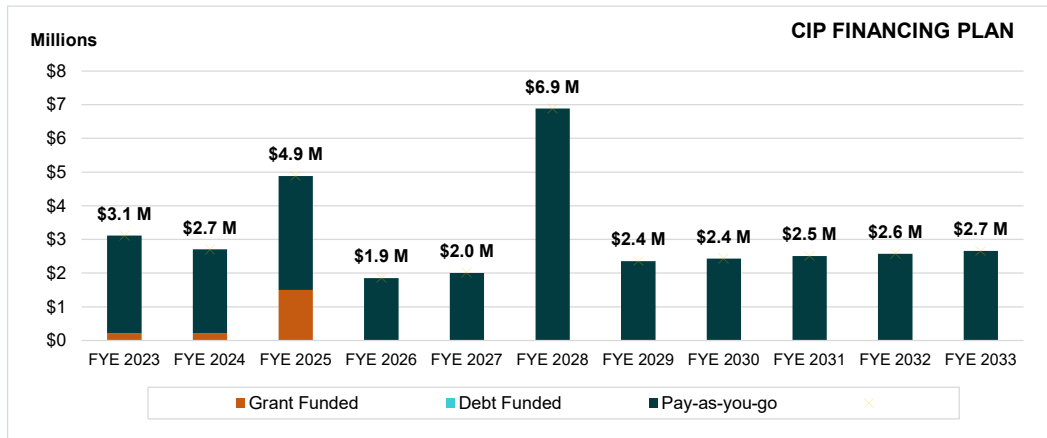
- Operating expense projections:
 - › FY 2022-23: equal to the adopted budget
 - › FY 2023-24: 5% inflation
 - › FY 2024-25: 4% inflation
 - › FY 2025-26 onwards: 3% inflation each year



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Capital Improvement Program (CIP)



FYE 2025 includes AMI project that is anticipated to be 50% grant funded.

FYE 2028 includes a well replacement project.

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CIP – How it helps meet Level of Service

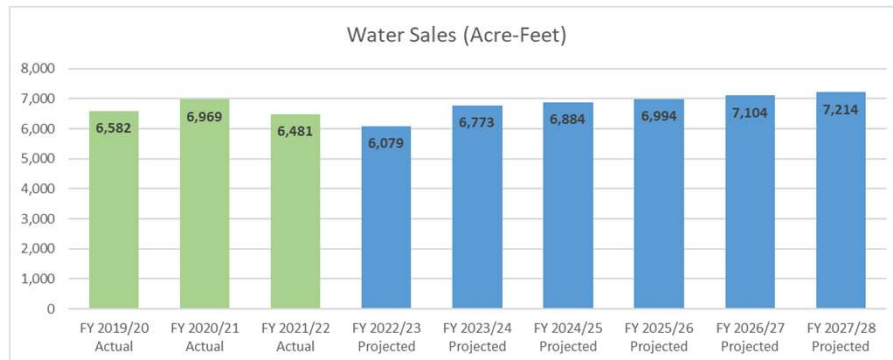
- Advanced Metering Infrastructure (AMI): will enable targeted water conservation efforts to comply with new water use standards and alert customers of leaks based on real-time data.
- Regular upgrade and acquisition of new treatment equipment and facilities to ensure water quality compliance.
- ERP System Update: Allows staff and customers to communicate more efficiently. For example, through real time notifications of water leaks and emergency notifications. Facilitates customer service, billing inquiries and payment options.
- New Well: replaces an aging well to ensure the District maintains sufficient capacity for water demand and fire protection

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Water Demand Assumptions

- Water demand projections provided by District staff:



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Additional Revenue Assumptions

- Non-rate revenue assumptions:
 - › Interest earnings on cash reserves based on assumed 0.75% interest rate
 - › All other miscellaneous revenues
 - FY 2022-23: equal to adopted budget
 - All future years: 0% escalation

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Financial Policies

- Reserve Targets:
 - › Operating Reserve: 120 days of O&M expenses
 - › Capital Reserve: annual CIP expenditures
 - › Elections & Special Studies Reserve: annual election costs
 - › Future Years Capital Reserve: All excess unrestricted reserves
- Required Debt Service Coverage (Net Revenues ÷ Annual Debt Service):
 - › 1.15 per the existing bond indenture

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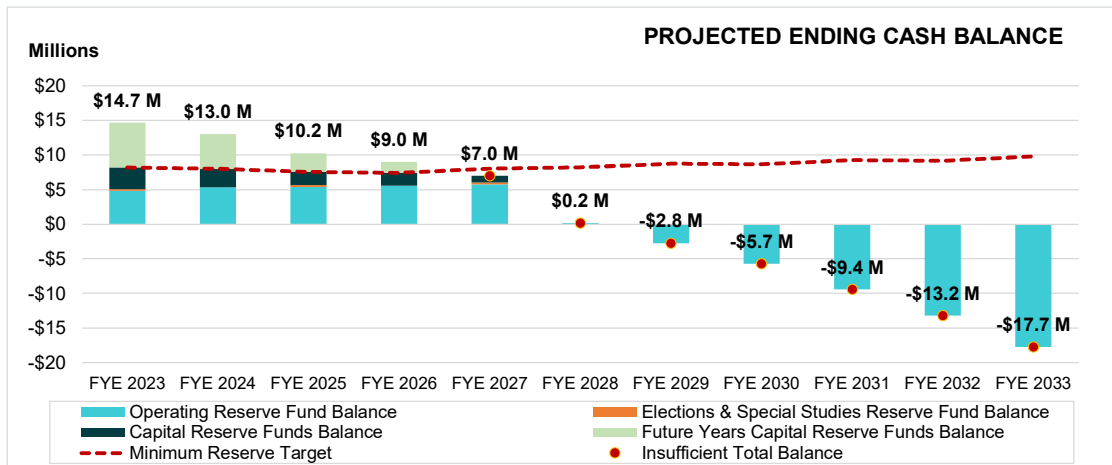
Preliminary Financial Plan Scenarios



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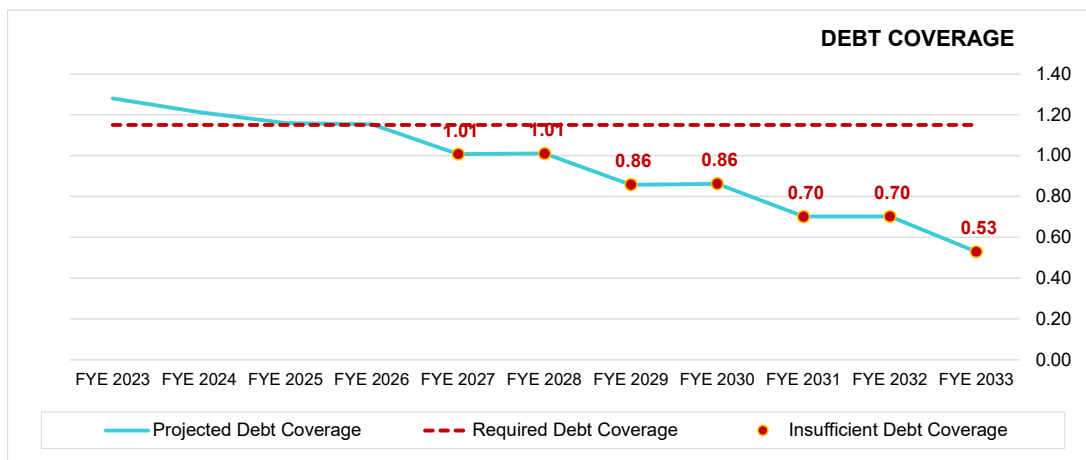
Scenario 1: No Revenue Adjustment



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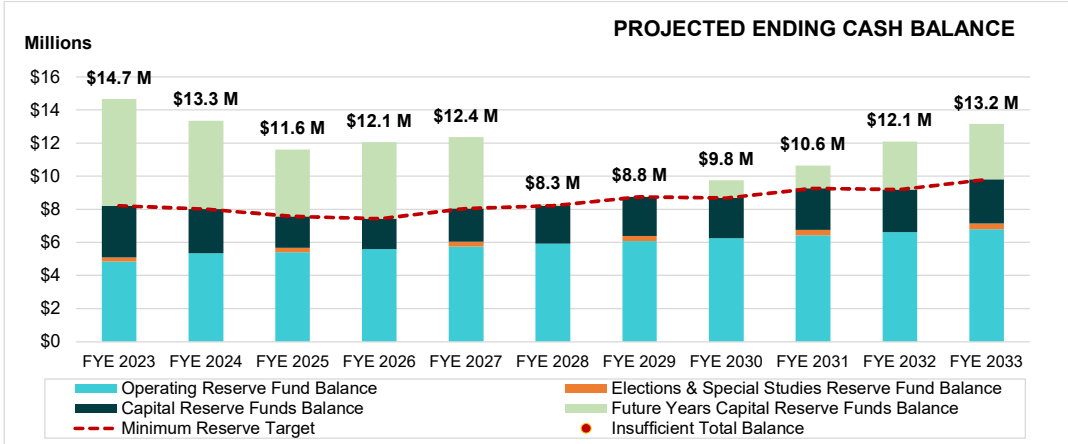
Scenario 1: No Revenue Adjustment



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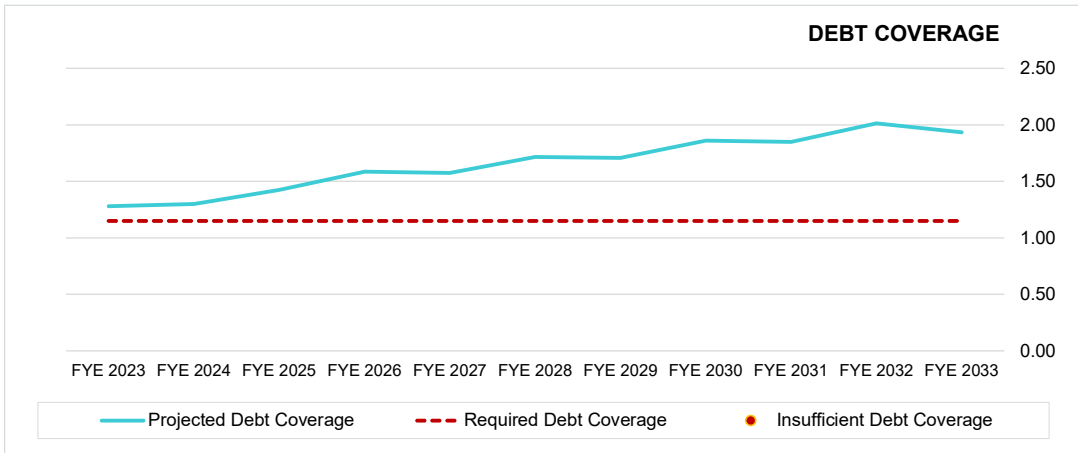
Scenario 2: 4%, 4%, 3%, 2.5%/yr Annual Revenue Adjustment



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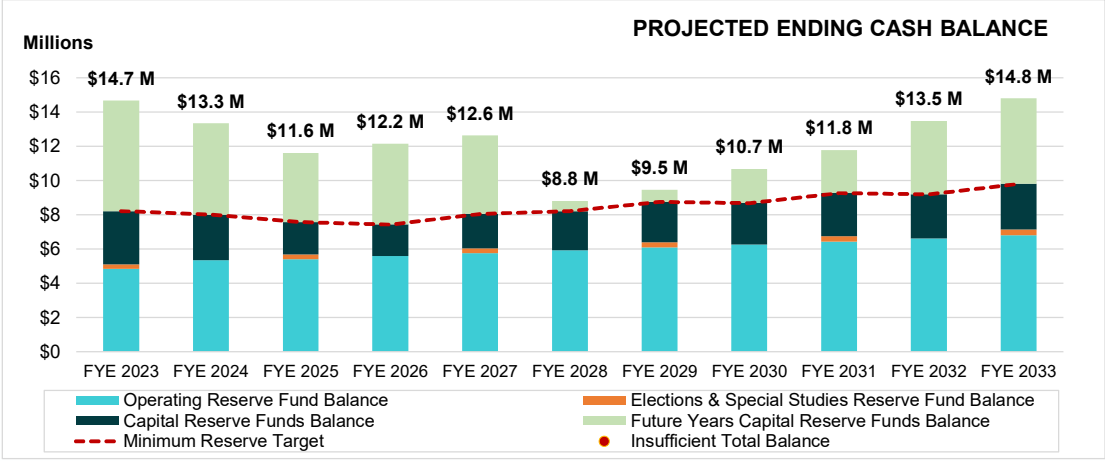
Scenario 2: 4%, 4%, 3%, 2.5%/yr Annual Revenue Adjustment



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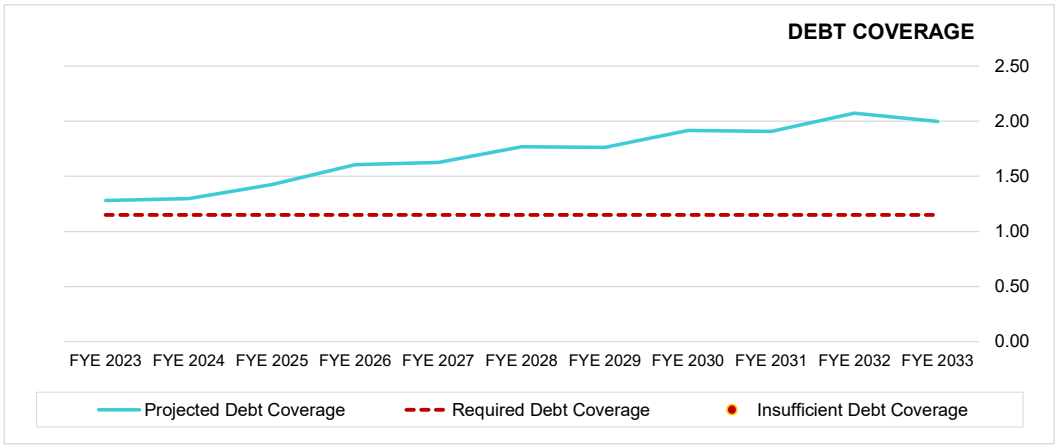
Scenario 3: 4%, 4%, 4%, 2.5%, 2.5%/yr Annual Revenue Adjustment



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Scenario 3: 4%, 4%, 4%, 2.5%, 2.5%/yr Annual Revenue Adjustment



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Financial Plan Scenario Discussion



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Next Steps

- Using the selected financial plan, complete preliminary cost-of-service analysis and rate calculations
- Interim check-in calls with staff to review cost-of-service and rates
- Next Board/CAC presentation in March on recommended rates

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Thank you!

