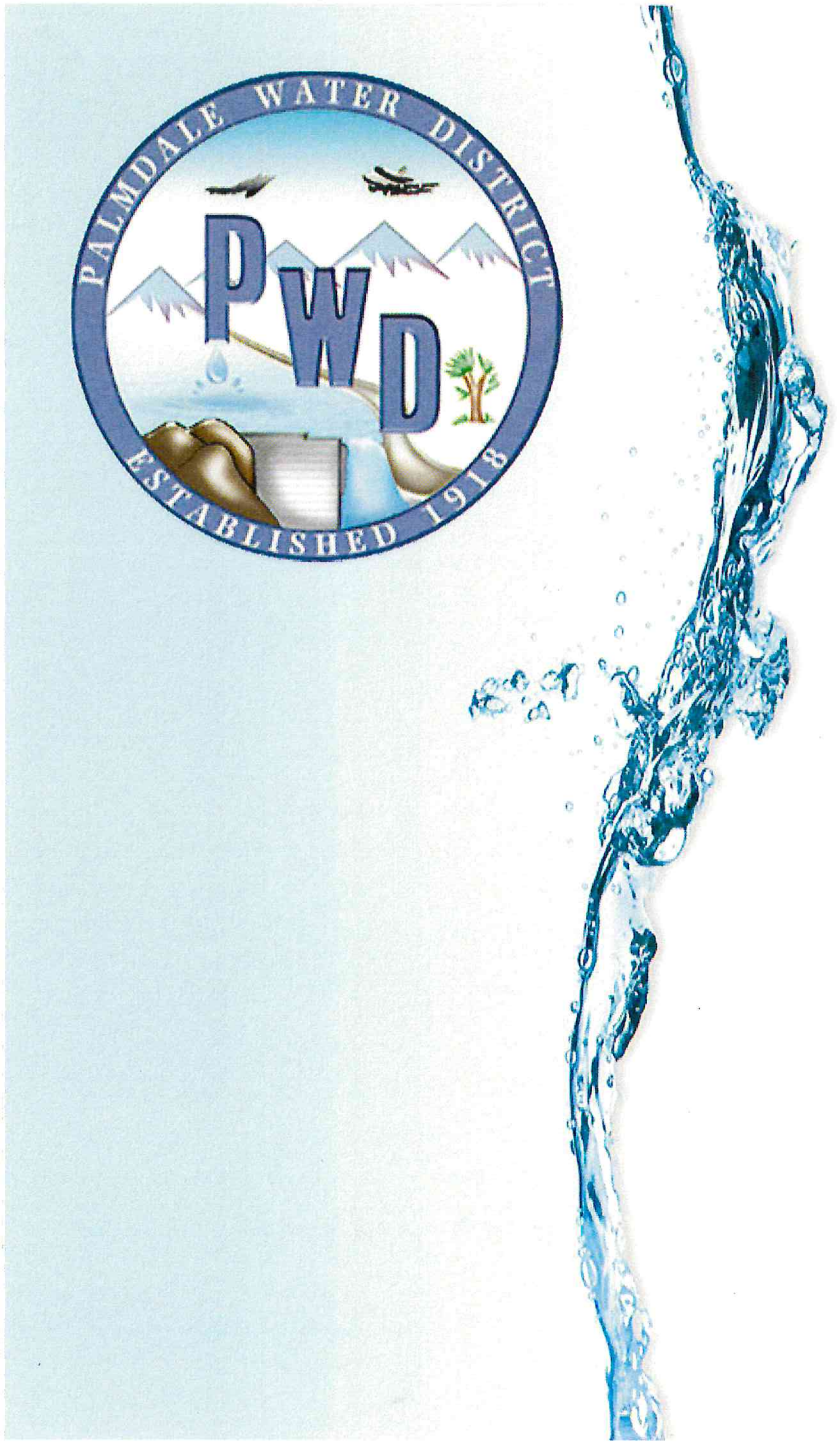


August 23, 2016

Palmdale Water District

Financial Planning Workshop

Presentation Overview

1. Financial Planning vs. Annual Budget
2. Our Past Visionary Successes as a District
3. Our Current Visionary Goals as a District
4. Planning Efforts to Meet Our Visionary Goals
5. PWD Projects that Meet Ours and the City of Palmdale's Visionary Goals
6. Review Funding Scenarios that Meet Our Goals
7. Service and Rate Comparison
8. Recommendations
9. Questions

Financial Planning vs. Annual Budget

Financial Planning focuses on allocating resources efficiently, making long-range plans for new projects, and ensuring that funds are directed toward goals of a strategic plan that is well thought out in advance, implemented and followed.

Annual Budget focuses on taking care of day-to-day operating needs, such as staff, equipment, supplies, utilities, and benefits.

Our Past Visionary *Successes* as a District



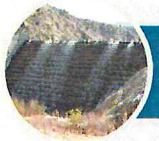
Littlerock Dam



State Water Contractor



Water Treatment Plant



Strengthened Littlerock Dam



Upgraded Water Treatment Plant



Inter-Connections with Agencies

All of these long-term visionary projects have allowed the District to be a regional/industry leader, respond well to changing water quality regulations and water supply challenges, and become the agency that others call upon in the time of need.

Our Current Visionary *Goals* as a District



Meet Our Community's Growing Population and Future Water Demand Needs



Diversify Our Water Supply Portfolio



Maximize SWP and Littlerock Water Supplies



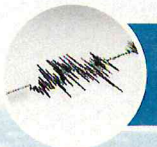
Maintain and Replace Aging Infrastructure



Utilize Local Recycled Water Resource



Meet Changing Water Quality Regulations



Prepare for Natural Disasters

How Do We Achieve Our *Goals*?

1) Follow the Water Supply and Infrastructure Planning documents that have been developed and approved.
   - ✓ Strategic Water Resources Plan
   - ✓ Urban Water Management Plan
   - ✓ Water System Master Plan
   - ✓ Recycled Water Facilities Master Plan
   - ✓ Strategic Plan

2) Follow the Financial Planning documents that have been developed.
   - ✓ 5-year Water Rate and Fee Study
   - ✓ Reserve Policy
   - ✓ Utilize Financial Model to refine needs

Financial Planning focuses on allocating resources efficiently, making long-range plans for new projects, and ensuring that funds are directed toward goals of a strategic plan that is well thought out in advance, implemented and followed.

PWD Projects that Meet Ours and the City of Palmdale's Visionary *Goals*

Palmdale Regional Groundwater Recharge and Recovery Project	Littlerock Reservoir Sediment Removal Project
• Meets our community's growing population and water supply needs for growth within the City of Palmdale	• Maximizes Littlerock Reservoir supply
• Utilizes local recycled water resource	• Maintains critical infrastructure
• Diversifies our water supply portfolio	• Diversifies our water supply portfolio
• Maximizes our State Water Project supply	• Maintains recreational opportunity for the Antelope Valley
• Prepares our community for natural disasters	
• Reduces our impact from groundwater adjudication and droughts	
• Most cost effective long-term water supply strategy for the District	

50 Year Build-Out Water Demand (NPV Options)

Recharge and Recovery vs. Status Quo	Net Present Costs	
	Project	Status Quo
Facilities Subtotal	$83,980,000	$9,800,000
SWP Additional Table A Purchase	$0	$79,790,000
SWP Water Purchase	$132,830,000	$151,110,000
SWP Table A Fixed Cost	$330,720,000	$484,400,000
Recycled Water Purchase	$13,643,526	$0
Water Purchase Subtotal	$477,193,526	$635,510,000
O&M Subtotal	$120,440,000	$121,470,000
Grand Total	$682,000,000	$847,000,000
Unit Water Cost ($/AF)	$423	$526

Funding Scenario that Meets Our *Goals*

Rate Model Assumptions and Targets

- Utilizes approved 2016 Operating Budget as a basis
- Planning period of 2016 – 2025
- Annual growth rate of 1% for new connections and 3% for water demand
- Annual escalator rate of 3% for operating expenses
- Target Debt Service Coverage = 1.5x (Bond and SRF Requirement)
- Target Days of Cash = 180 (Reserve Policy) Approx. $11,000,000
- Target Reserve Levels = $16,000,0000 (Reserve Policy)

Funding Scenario that Meets Our *Goals* – cont.

Rate Model Assumptions and Results

- Palmdale Regional Groundwater Recharge and Recovery Project funded with low interest SRF Loan (No *Grants)**
- Interest only during construction based on amount borrowed at the time and Principal and Interest payments beginning in 2021*
- Littlerock Sediment Removal Project – bond/loan for grade control structure and pay as we go for annual sediment removal activities
- 4.25% rate adjustment recommended for 2017, 2018, and 2019 vs. previously approved 5.5% per 2014 Rate Study/Proposition 218 Plan
- Reduction of 3.75% over next 3-Years and 8.25% since 2014 as compared to the approved Rate Study/Proposition 218 Plan

* = preliminary information and subject to change

Funding Scenario that Meets Our *Goals* – cont.

Results

- Results from these planning efforts and financial model demonstrate that the District will be in a position to fund two critical water supply projects that meet all of our goals presented here by approving this plan. The Board can demonstrate to its' community that as a result of these planning efforts, they were able to *reduce* 8.25% worth of rate adjustments between 2015 and 2019.

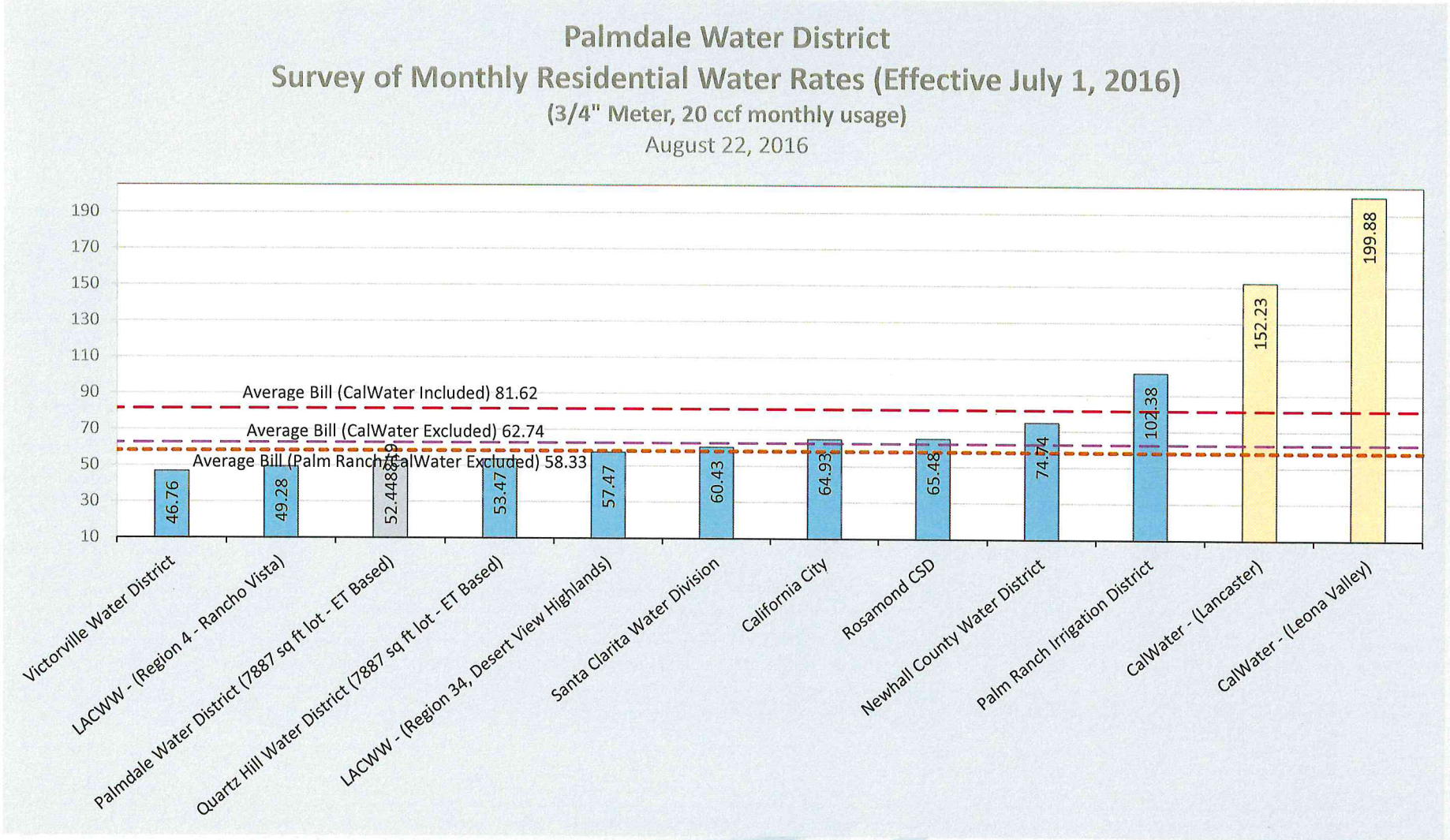
Summary of Approved vs. Actual / Recommended Rate Adjustments – Calendar Year (CY)

Action	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	Totals
Approved Rate Study Plan	5.5%	5.5%	5.5%	5.5%	5.5%	27.5%
Actual / Recommended	*2.5%*	*4.0%*	4.25%	4.25%	4.25%	19.25%
Savings from Plan	*(3.0%)*	*(1.5%)*	(1.25%)	(1.25%)	(1.25%)	(8.25%)

What are other Agencies doing with Rates?

Agency Name	Rate Adjustment	Effective Date	Prop 218 Completed	Year in Plan
Victorville Water District	6.25%	July 1, 2016	2016	1 of 5
LACWW - (Region 4 - Rancho Vista)	4.80%	January 1, 2016	2015	Annual
Palmdale Water District	4%	January 1, 2016	2014	2 of 5
Quartz Hill Water District	5.75%	July 1, 2016	2016	1 of 5
LACWW - (Reg 34, Desert View Highlands)	4.80%	January 1, 2016	2015	Annual
Santa Clarita Water Division	3.50%	January 1, 2016	2014	3 of 5
California City	17%	July 1, 2016	2014	3 of 5
Rosamond CSD			New RFP	
Newhall County Water District	1.50%	July 1, 2016	2015	1 of 5
Palm Ranch Irrigation District (New Rates)	176% Fixed	July 1, 2016		

Service Cost Comparison



Recommendations

1. Approve a 4.25% vs. 5.5% water rate adjustment per year for the remaining 3-Years of the previously approved Proposition 218 Rate Study Plan.

Action	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	Totals
Approved Rate Study Plan	5.5%	5.5%	5.5%	5.5%	5.5%	27.5%
Actual / Recommended	*2.5%*	*4.0%*	4.25%	4.25%	4.25%	19.25%
Savings from Plan	*(3.0%)*	*(1.5%)*	(1.25%)	(1.25%)	(1.25%)	(8.25%)

2. Adopt a Resolution to implement the reduced rate adjustment recommendation, based on financial planning efforts.

3. Continue to look for cost saving measures that will lessen future rate adjustments beyond current financial plan.

Future Rates and Charges Based on Recommendations

Year	2016	2017	2018	2019
Rate Adjustment	N/A	4.25%	4.25%	4.25%
Commodity Rates ($/ccf)				
Tier 1	$ 0.78	$ 0.81	$ 0.85	$ 0.88
Tier 2	$ 0.89	$ 0.93	$ 0.97	$ 1.01
Tier 3	$ 2.53	$ 2.64	$ 2.75	$ 2.87
Tier 4	$ 3.81	$ 3.97	$ 4.14	$ 4.32
Tier 5	$ 4.92	$ 5.13	$ 5.35	$ 5.57
Tier 6	$ 6.32	$ 6.59	$ 6.87	$ 7.16
Monthly Meter Charges				
1" and Below	$ 33.33	$ 34.75	$ 36.22	$ 37.76
1.5"	$ 100.00	$ 104.25	$ 108.68	$ 113.30
2.0"	$ 153.35	$ 159.87	$ 166.66	$ 173.74
3.0"	$ 277.83	$ 289.64	$ 301.95	$ 314.78
4.0"	$ 455.66	$ 475.03	$ 495.21	$ 516.26
6.0"	$ 900.23	$ 938.49	$ 978.38	$ 1,019.96
8.0"	$ 1,433.72	$ 1,494.65	$ 1,558.18	$ 1,624.40
10.0"	$ 2,056.14	$ 2,143.53	$ 2,234.63	$ 2,329.60