



FALLBROOK PUBLIC UTILITY DISTRICT
MEETING OF THE FISCAL POLICY AND INSURANCE
COMMITTEE

AGENDA

THURSDAY, MARCH 16, 2017
3:00 P.M.

FALLBROOK PUBLIC UTILITY DISTRICT
990 E. MISSION RD., FALLBROOK, CA 92028
PHONE: (760) 728-1125

If you have a disability and need an accommodation to participate in the meeting, please call the Secretary at (760) 728-1125 for assistance so the necessary arrangements can be made.

Writings that are public records and are distributed during a public meeting are available for public inspection at the meeting if prepared by the local agency or a member of its legislative body or after the meeting if prepared by some other person.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT (*limit 3 minutes*)

II. ACTION / DISCUSSION

A. DISCUSSION WITH AUDITORS RE: CURRENT AUDIT

B. RATE STUDY

III. ADJOURNMENT OF MEETING

DECLARATION OF POSTING

I, Mary Lou Boultinghouse, Secretary of the Board of Directors of the Fallbrook Public Utility District, do hereby declare that I posted a copy of the foregoing agenda in the glass case at the entrance of the District Office located at 990 East Mission Road, Fallbrook, California, at least 72 hours prior to the meeting in accordance with Government Code § 54954.2(a).

I, Mary Lou Boultinghouse, further declare under penalty of perjury and under the laws of the State of California that the foregoing is true and correct.

March 13, 2017
Dated / Fallbrook, CA

Mary Lou Boultinghouse
Secretary, Board of Directors

Fiscal Policy & Insurance Committee

March 16, 2017

Item B



Fallbrook Public Utility District 2016 Rate Study

Board Workshop Rate Workshop

March 20, 2017

AGENDA

1. Financial Plan Development
 - a) Wastewater (WW)
 - b) Water
 - c) Recycled Water (RW)
2. Wastewater Rate Discussion
3. Water Rate Design Discussion
 - a) Rate Structure Framework
 - b) Tier Definitions
 - c) Rate Justification Framework
 - d) Preliminary Rates and Impacts
4. Recycled Water Rate Discussion
5. Drought Rate Discussion

Financial Plan Development

FINANCIAL CHALLENGES

Managing a Water / Wastewater System

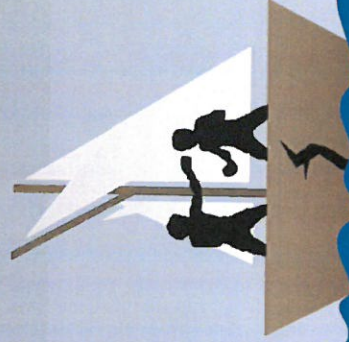
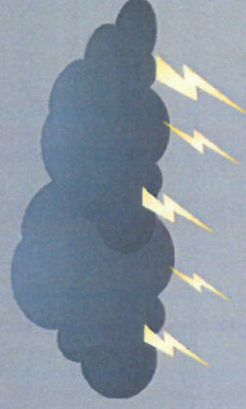
A FINANCIAL MODEL CAN BE A TOOL TO NAVIGATE THROUGH THESE CHALLENGES

Properties of Utility System

- Capital intensive
- Highly fluctuating capital cost
- Unknown liability
- Increasing regulatory demand

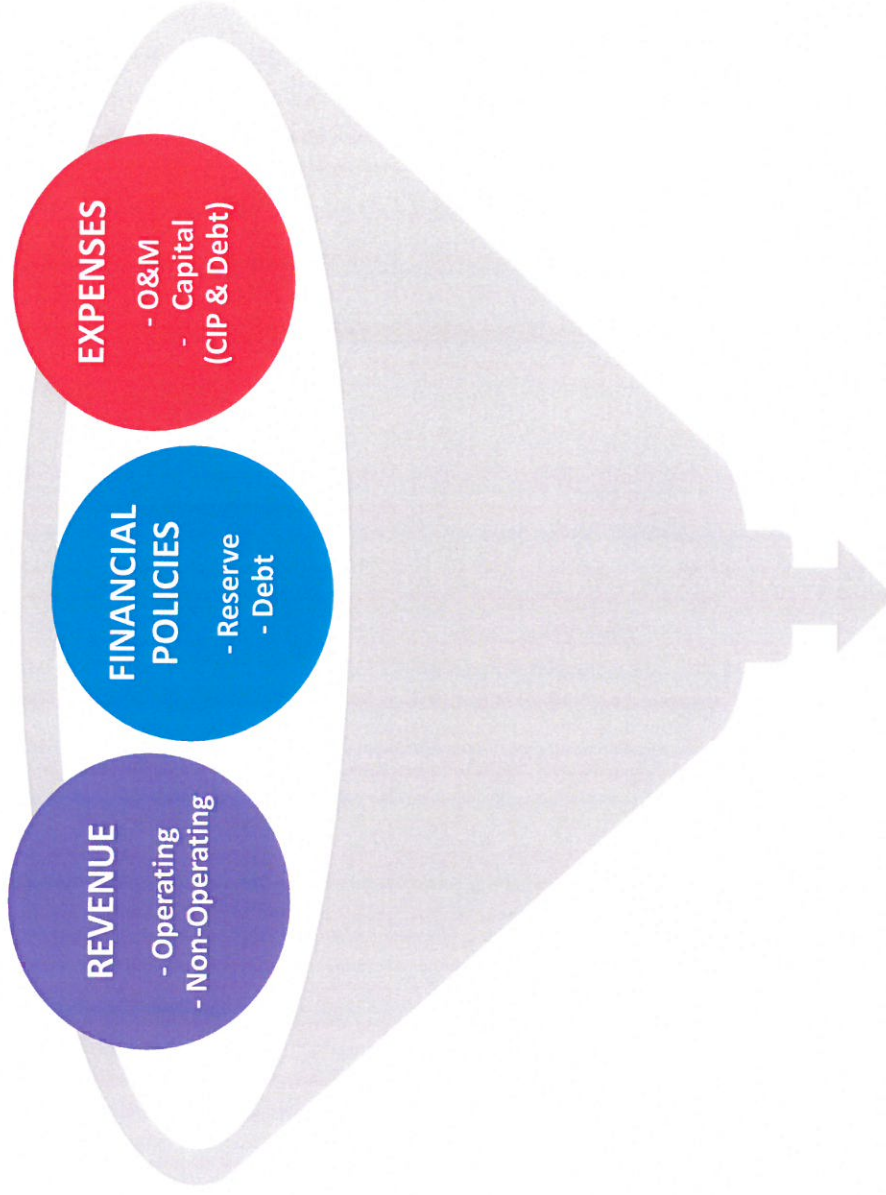
Political Acceptance on Rates

- Rate stability
- Affordability
- Equity
- Environmental stewardship





FINANCIAL PLAN OVERVIEW



Revenue Adjustment Schedule
Multi-Year Long-Term Financial Plan



REVISED FINANCIAL POLICY

ESTABLISHED DURING DEC 2016 FINANCE COMMITTEE WORKSHOP

Target Reserves	FY 2017
Water Working capital (MIN)	\$4.929M
Water Rates stabilization**	\$0.00
Water Capital Fund	\$10.507M
Total Water Fund	\$15.436M
Recycled Water Working Capital (MIN)	\$0.249M
Recycled Water Capital Fund	\$0.388M
Total RW Fund	\$0.637M
WW Working Capital (MIN)	\$1.282M
WW Rate Stabilization	\$0.784M
WW Capital Fund	\$2.541M
Total WW Fund	\$4.607M
TOTAL WHOLE FPUD	\$20.680M

*CIP, excluding one time projects:

Water CIP excludes : Santa Margarita Conjunctive Use

Recycled Water CIP excludes: East Line Extension & ' Construction '

** If SMCUP realization starts during the projection period (2017-2027)



FINANCIAL PLAN KEY ASSUMPTIONS

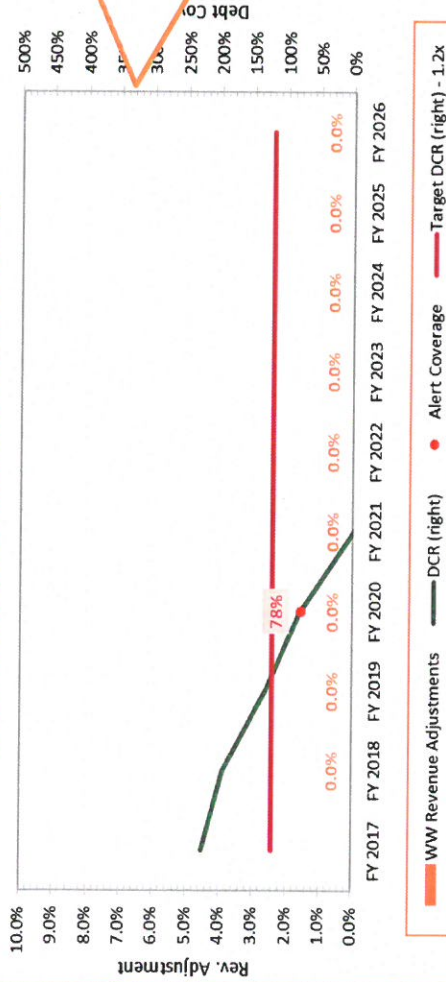
1. Increase Water Capital Improvement Charges (CIC) annually by ENR + 3% (~6% per year)
2. Increase WW Capital Improvement Charges (CIC) annually by ENR (~3% per year)
3. Continue to Pass-through MWD RTS and CWA IAC costs via MWD RTS and CWA IAC rates
4. MWD & CWA Rates Increases: 10% per year
5. Water Sales Projections: 8,661 AF in FY 2017 to 8,779 AF in FY 2026
6. RW Sales Projections: 750AF in FY 2017 to 850 AF in FY 2018 and beyond
7. RW also fund a portion (30%) of WRP Debt Service
8. **New Rates effective every January**



WW FINANCIAL PLAN

STATUS QUO – NO REV INCREASE

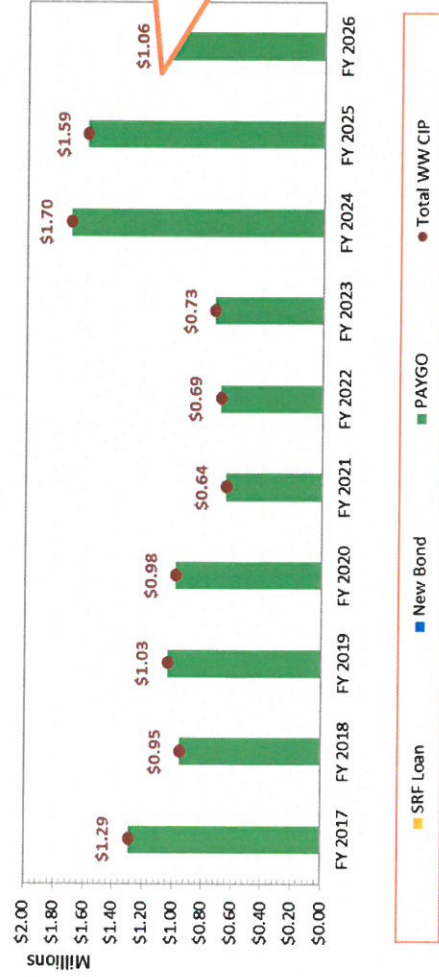
WW Rev. Adjustment and Debt Coverage



WW Revenue Adjustments and Debt Coverage

- Orange bars – No Revenue Adjustment (left axis)
- Red line – Target debt coverage 120% (right axis)
- Green line – Projected debt coverage for Whole FPUD (right axis)
- Red dot – Alert coverage when falling below target

WW CIP Funding Sources



WW CIP & Funding Sources

- Yellow bar – SRF Loan
- Blue bar – New Bond
- Green bar – PAYGO
- Brown dot – Total WW CIP



WW FINANCIAL PLAN

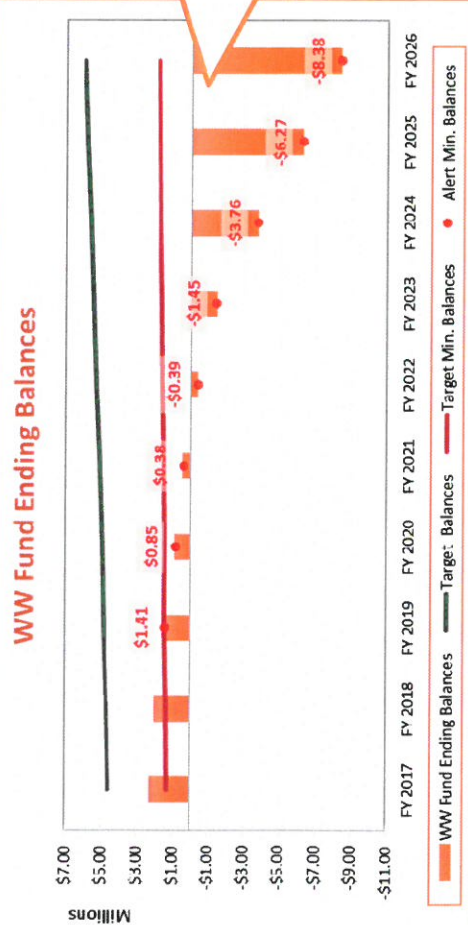
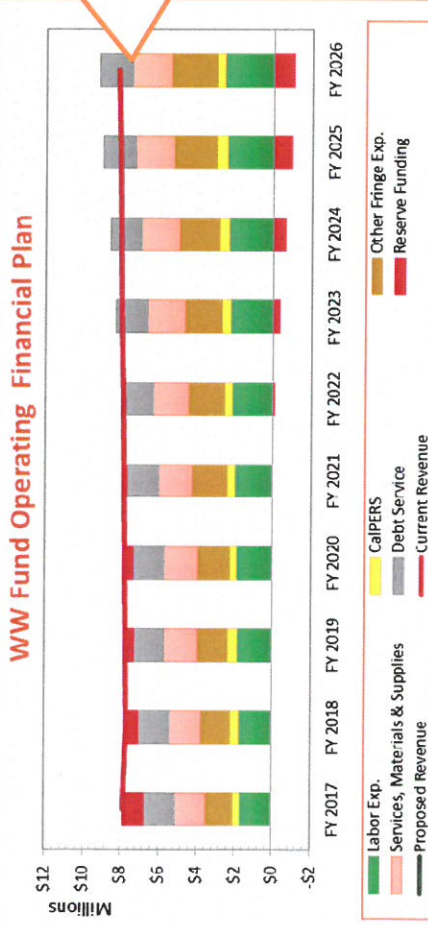
STATUS QUO – NO REV INCREASE

Operating Financial Plan

- Lines – revenues
 - **Red** – current rates
 - **Green** – proposed rates (no revenue adjustments → same as current)
- Stacked bars - Expenses
 - **Green** – Labor Expenses
 - **Yellow** – CalPERS Expenses
 - **Dark Yellow** – Other Fringe Expenses
 - **Light Orange** – Service, Materials & Supplies
 - **Grey** – Debt Service
 - **Red** – Reserve Funding (+) or Funding from Reserve (-)

Projected Reserve Balances

- **Orange** bars – Projected ending fund balances
- **Green** line – Target balances
- **Red** line – Minimum target balances (3 months of O&M)
- **Red** dot – alert balances when ending balances fall below target levels

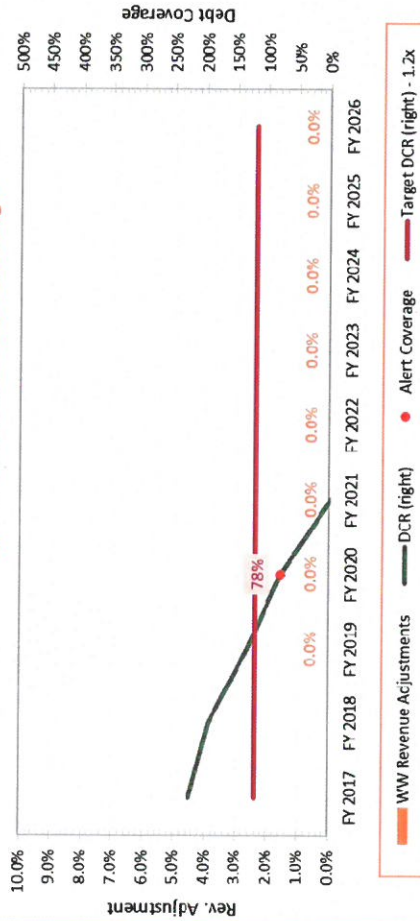




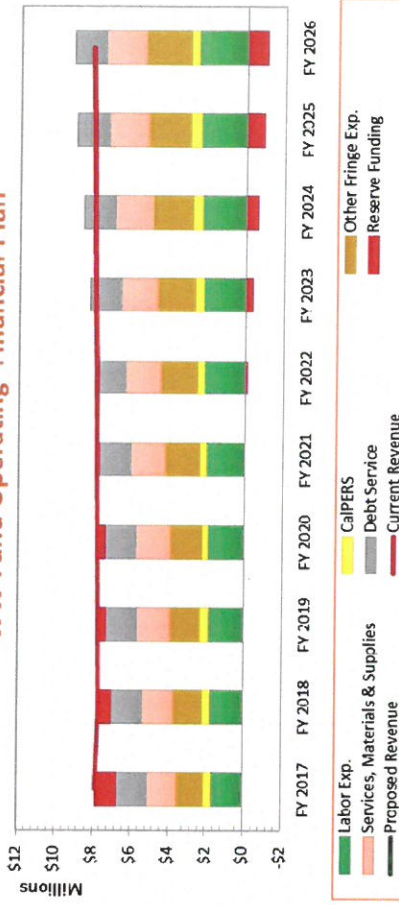
WW FINANCIAL PLAN

STATUS QUO – NO REV INCREASE

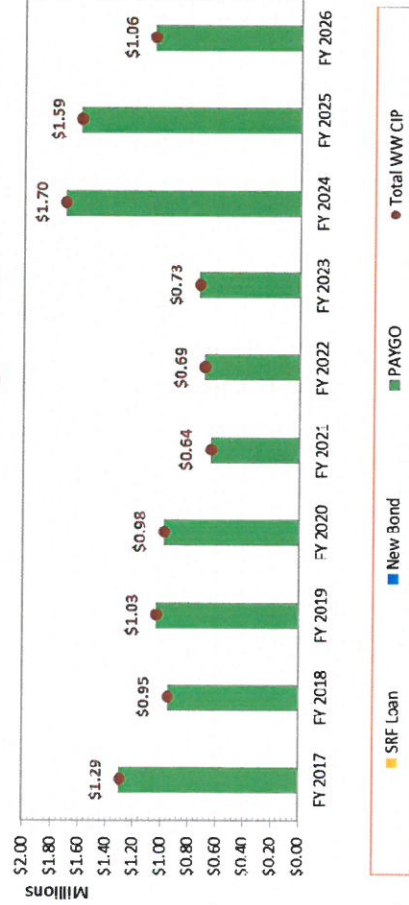
WW Rev. Adjustment and Debt Coverage



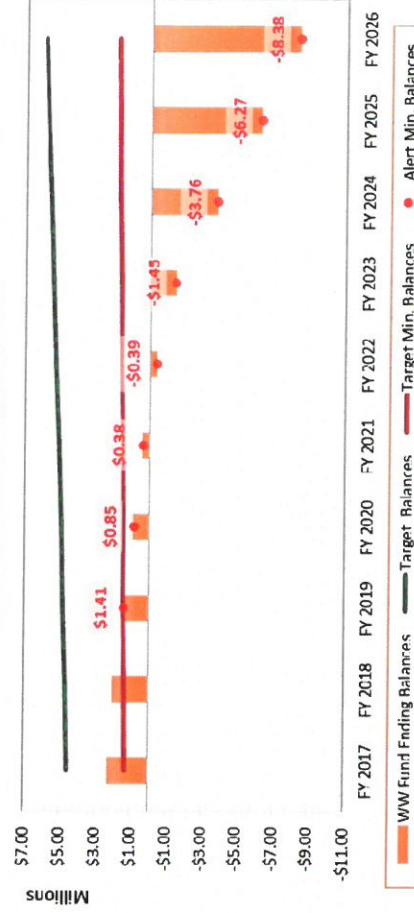
WW Fund Operating Financial Plan



WW CIP Funding Sources



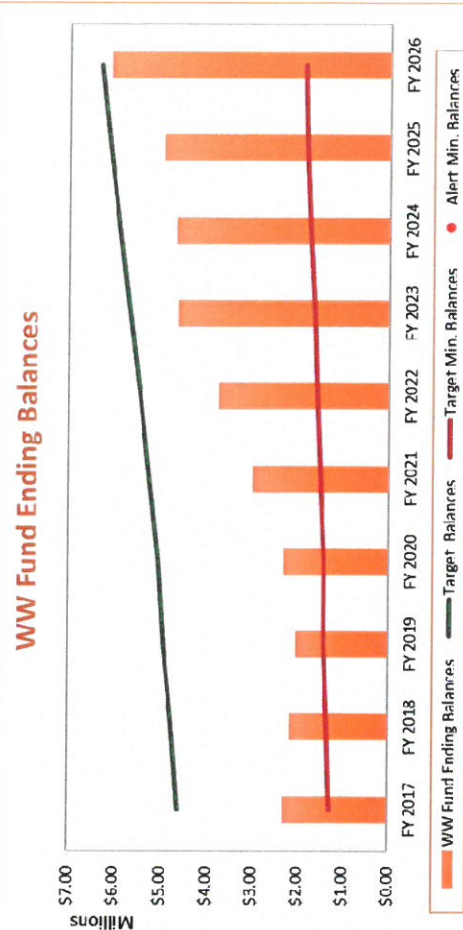
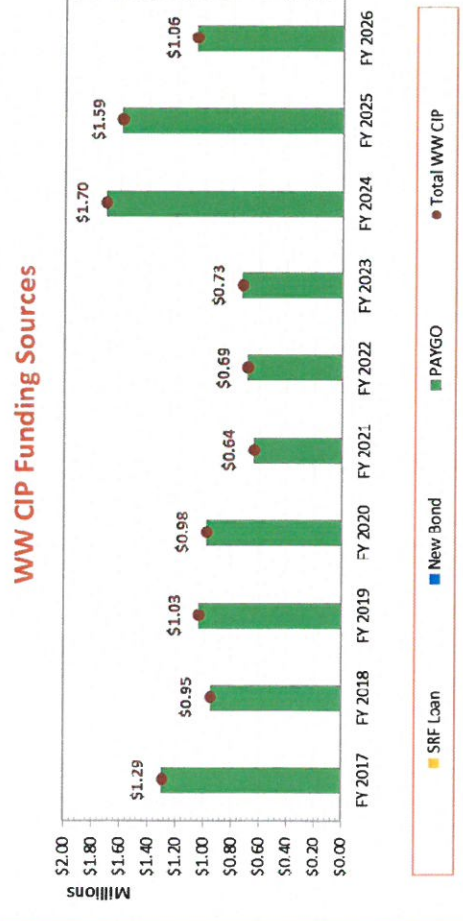
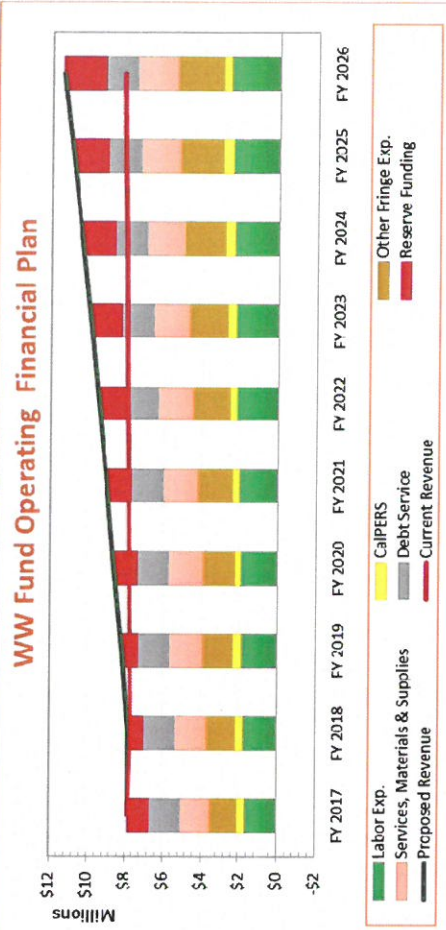
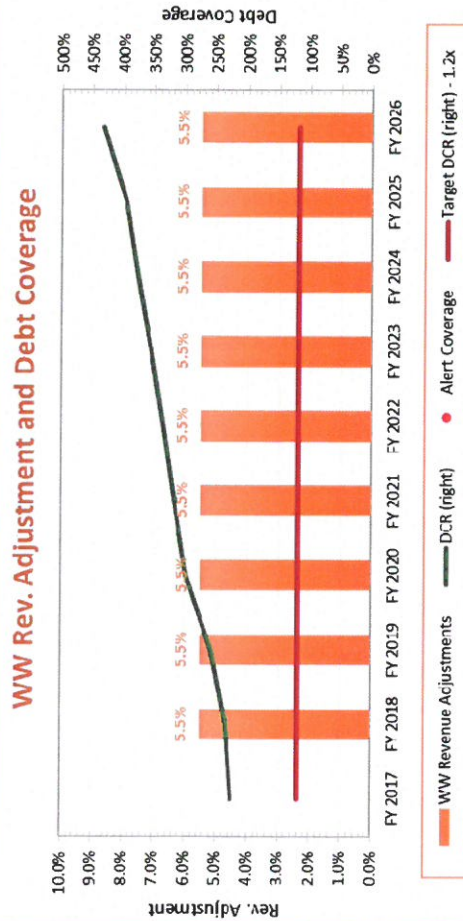
WW Fund Ending Balances





WW FINANCIAL PLAN

PROPOSED — RATE INCREASES IN JANUARY





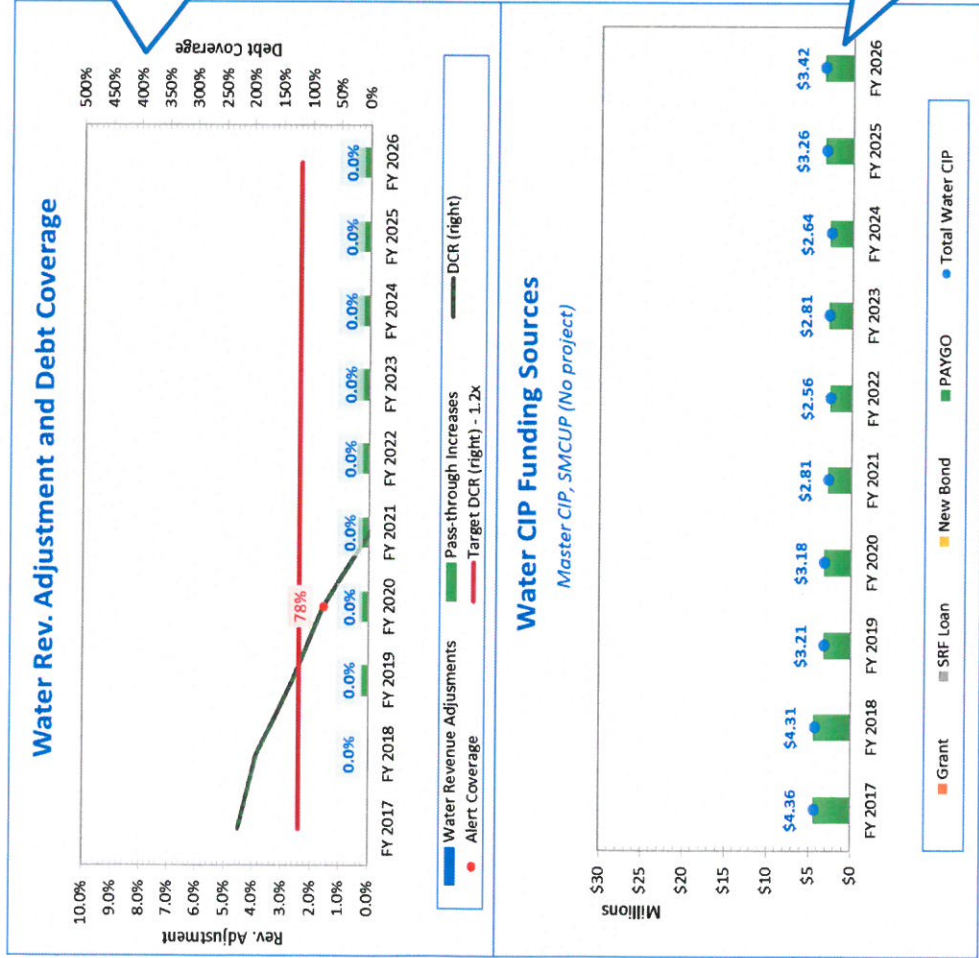
WATER FINANCIAL PLAN SCENARIOS

	Proposed Rev Adjustments	Water Sales	SMCUP Production	New SRF Loan
0	Status Quo	~ 8,700AF	N/A	None
1	Proposed No SMCUP	~ 8,700AF	N/A	None
2	Proposed SMCUP Avg	~ 8,700AF	Average (3,200 AF)	\$45M
3	Proposed SMCUP Low	~ 8,700AF	Low (2,400 AF)	\$45M
4	Proposed SMCUP High	~ 8,700AF	High (5,300 AF)	\$45M
5	Proposed SMCUP Avg w/ Low Sales	~ 7,000AF	Average (3,200 AF)	\$45M
6	Proposed SMCUP Avg w/ Pessimistic Sales	~ 5,000AF	Average (3,200 AF)	\$45M



WATER FINANCIAL PLAN

STATUS QUO – NO REV INCREASE AND NO SMCUP



Water Revenue Adjustments and Debt Coverage

- **Blue bars** – No Revenue Adjustment (left axis)
- **Green bars** – Pass-through Increases from RTS & IAC (left axis)
- **Red line** – Target debt coverage 120% (right axis)
- **Green line** – Projected debt coverage for Whole FPU (right axis)
- **Red dot** – Alert coverage when falling below target

Water CIP & Funding Sources

- **Orange bar** – Grant
- **Grey bar** – SRF Loan (for SMCUP CIP)
- **Yellow bar** – New Bond
- **Green bar** – PAYGO
- **Blue dot** – Total Water CIP

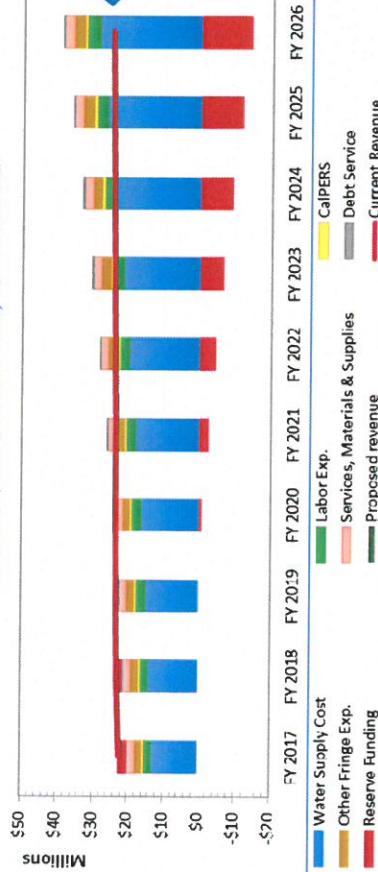


WATER FINANCIAL PLAN

STATUS QUO – NO REV INCREASE AND NO SMCUP

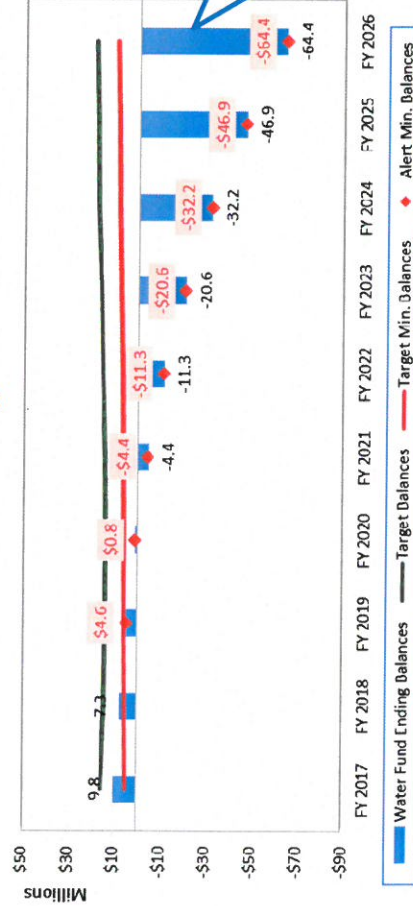
Water Fund Operating Financial Plan

No SMCUP; Current Water Sales; Current CalPERS



Note: Revenues incl. non-op. revenues (i.e. Capital improvement charge)

Water Fund Ending Balances



Operating Financial Plan

- Lines – revenues
 - **Red** – current rates with pass-through RTS/IAC costs
 - **Green** – proposed rates with pass-through RTS/IAC costs (no revenue adjustments → same as current)
- Stacked bars - Expenses
 - **Blue** – Water Supply Costs
 - **Green** – Labor Expenses
 - **Yellow** – CalPERS
 - **Dark Yellow** – Other Fringe Expenses
 - **Light Orange** – Service, Materials & Supplies
 - **Grey** – Debt Service
 - **Red** – Reserve Funding (+) or Funding from Reserve (-)

Projected Reserve Balances

- **Blue** bars – Projected ending fund balances
- **Green** line – Target balances
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Mar 20, 2017

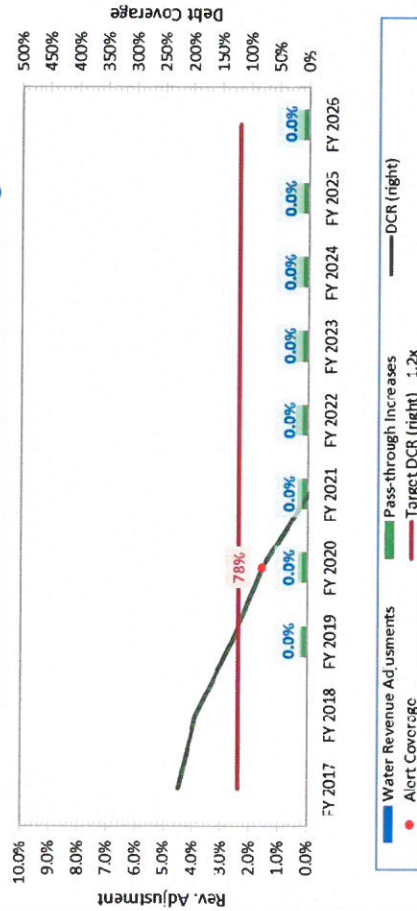
Fallbrook Public Utilities



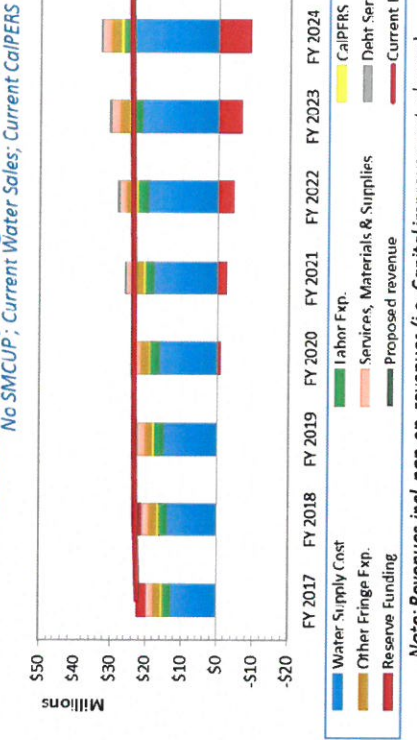
WATER FINANCIAL PLAN

STATUS QUO – NO REV INCREASE AND NO SMCUP

Water Rev. Adjustment and Debt Coverage



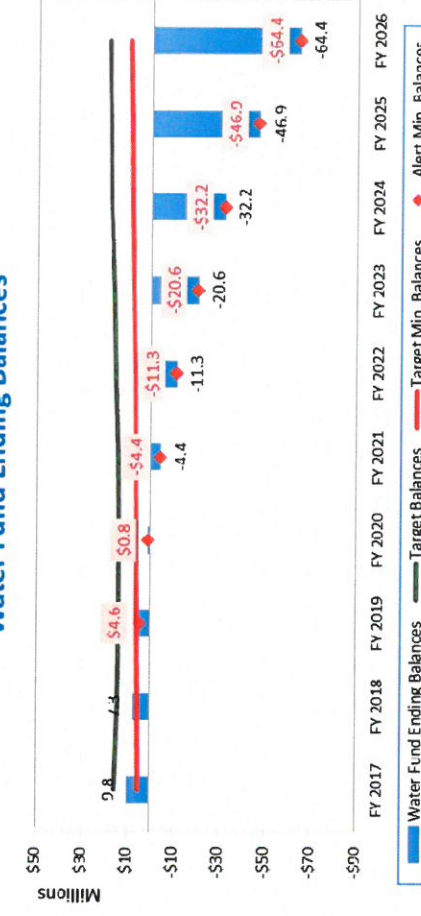
Water Fund Operating Financial Plan



Water CIP Funding Sources



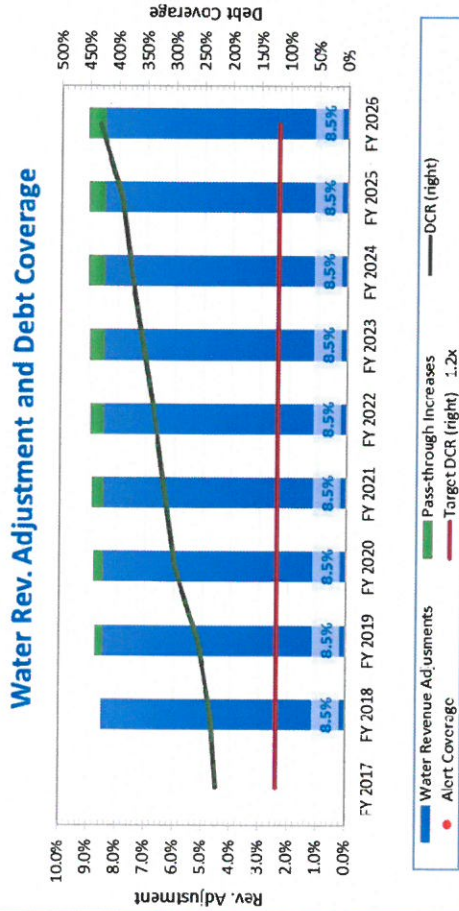
Water Fund Ending Balances





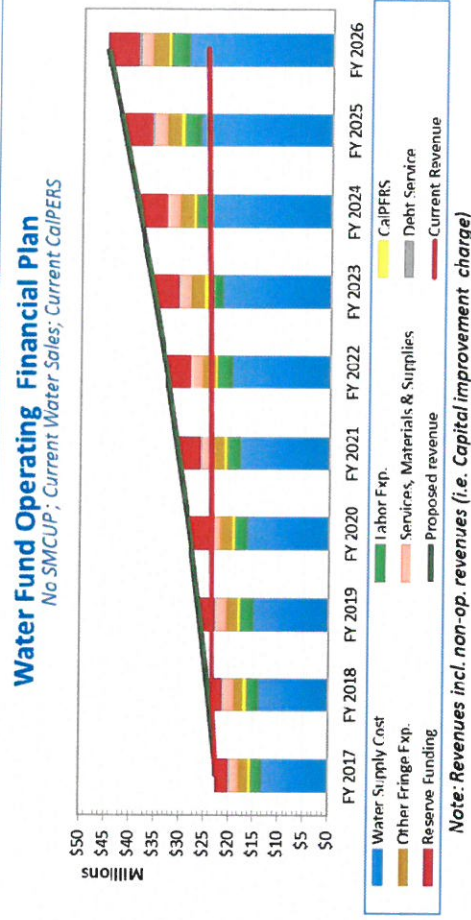
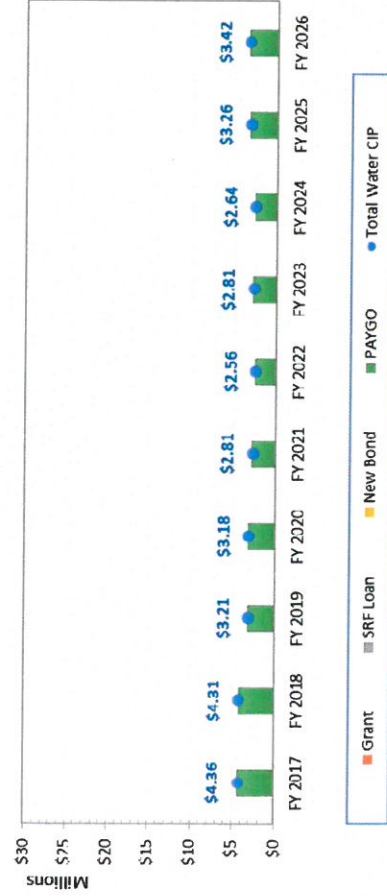
WATER FINANCIAL PLAN

SCENARIO 1 – PROPOSED REV INCREASE AND NO SMCUP

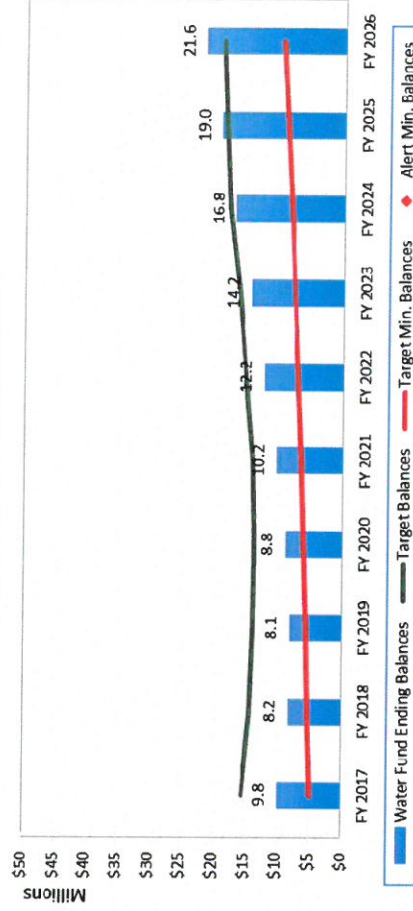


Water CIP Funding Sources

Master CIP, No SMCUP



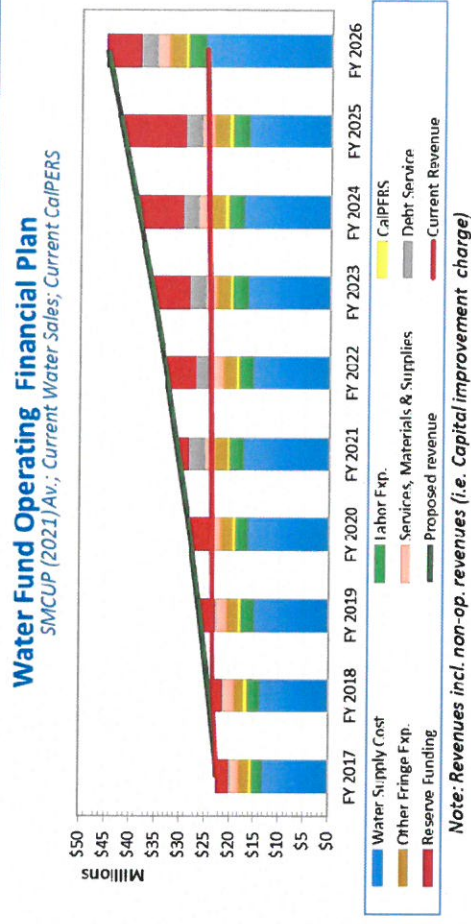
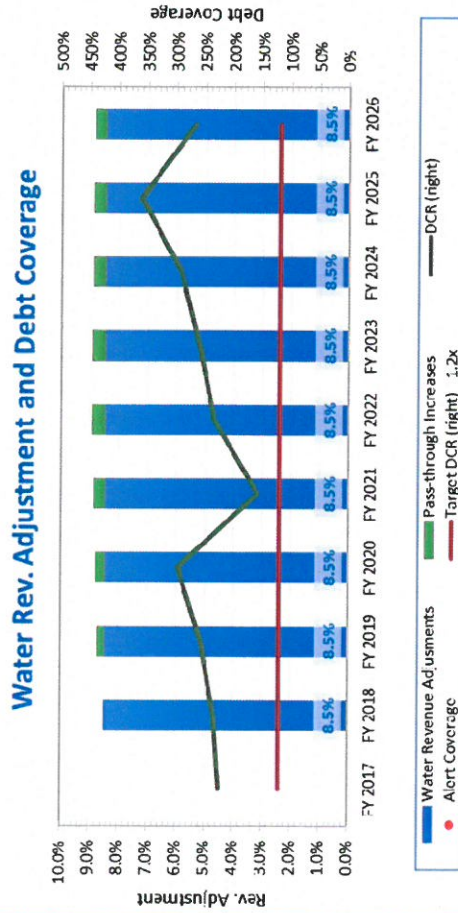
Water Fund Ending Balances





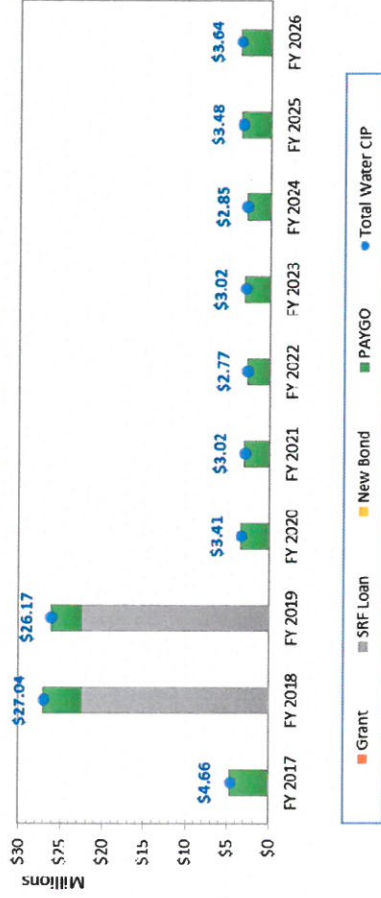
WATER FINANCIAL PLAN

SCENARIO 2 – PROPOSED REV INCREASE AND SMCUP AVERAGE SCENARIO

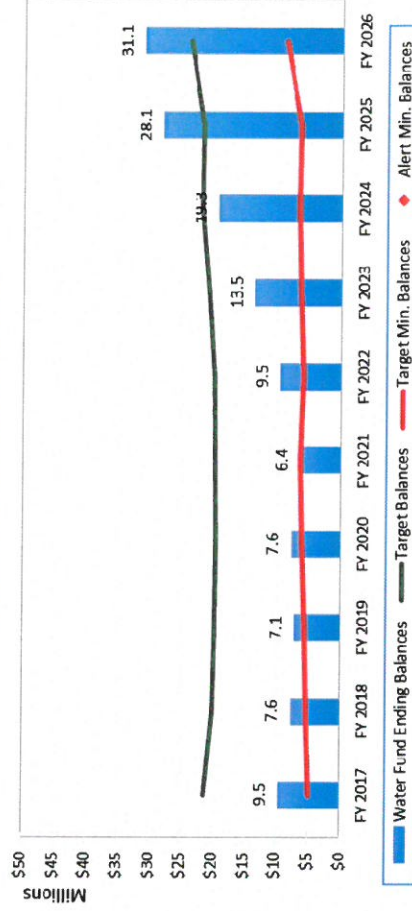


Water CIP Funding Sources

Master CIP, SMCUP (2021) Av.



Water Fund Ending Balances

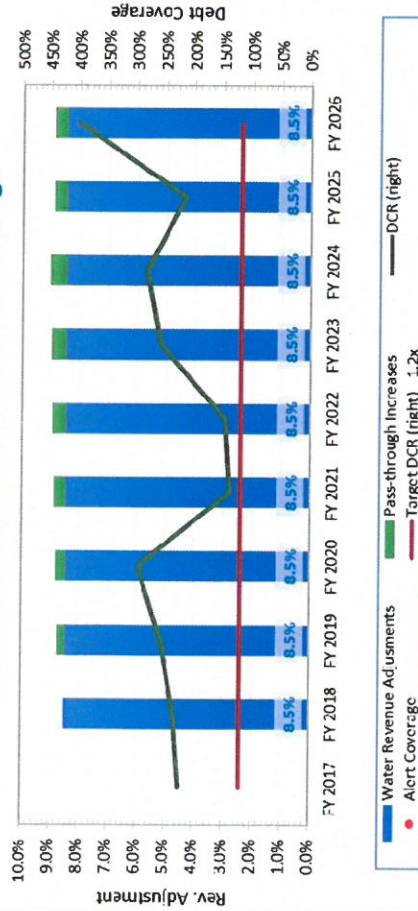




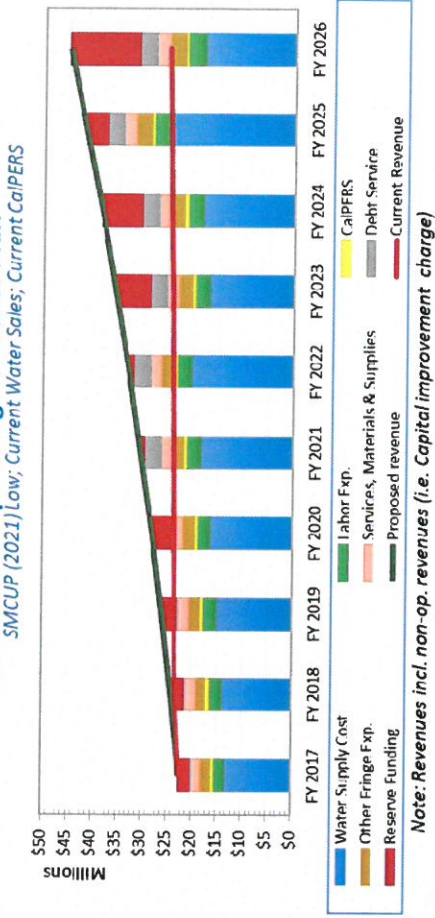
WATER FINANCIAL PLAN

SCENARIO 3 – PROPOSED REV INCREASE AND SMCUP LOW SCENARIO

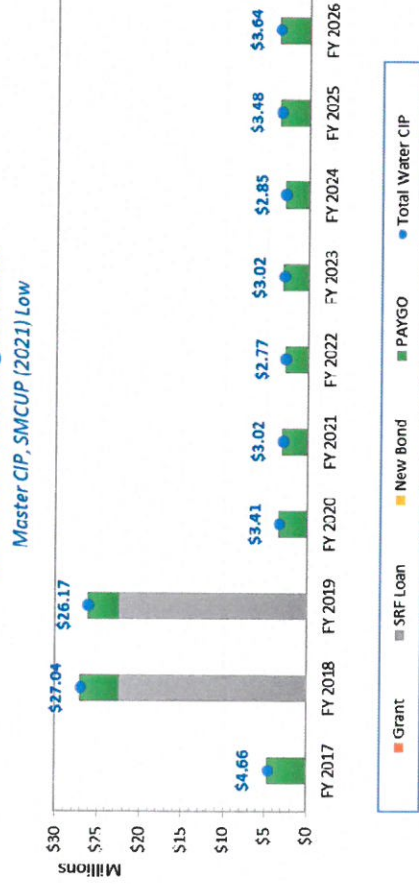
Water Rev. Adjustment and Debt Coverage



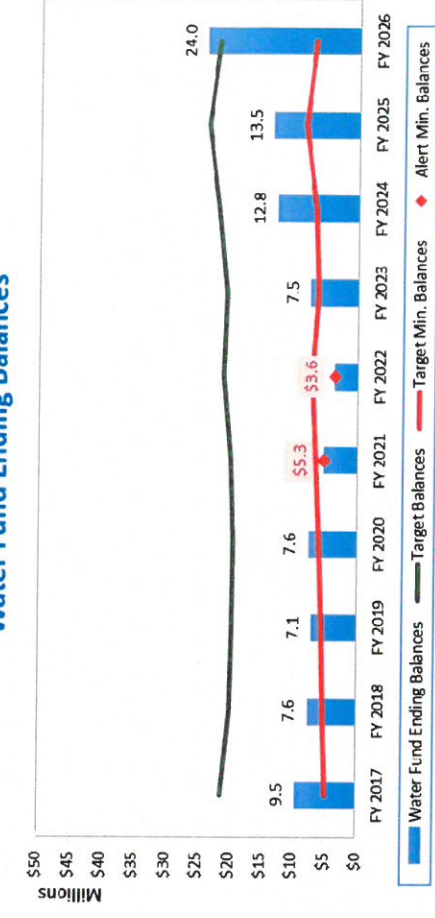
Water Fund Operating Financial Plan



Water CIP Funding Sources



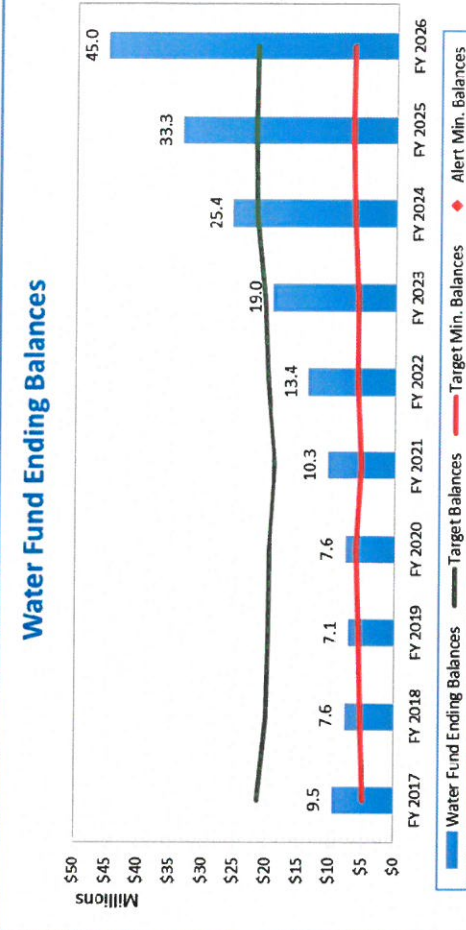
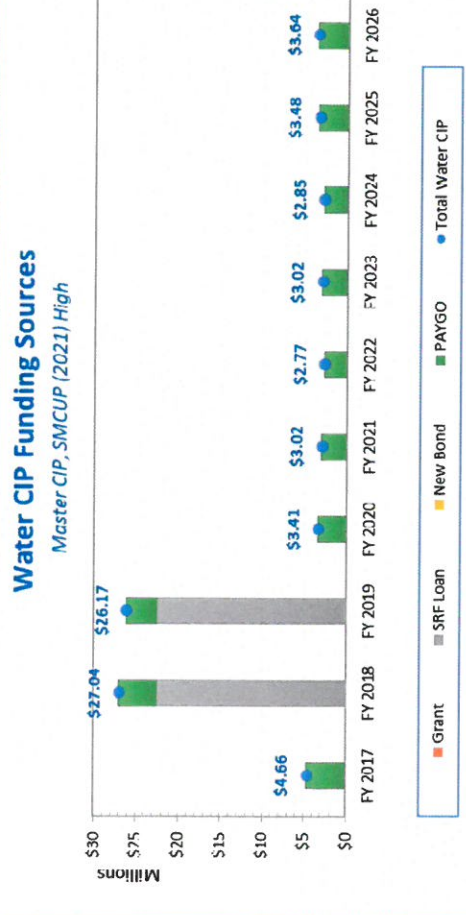
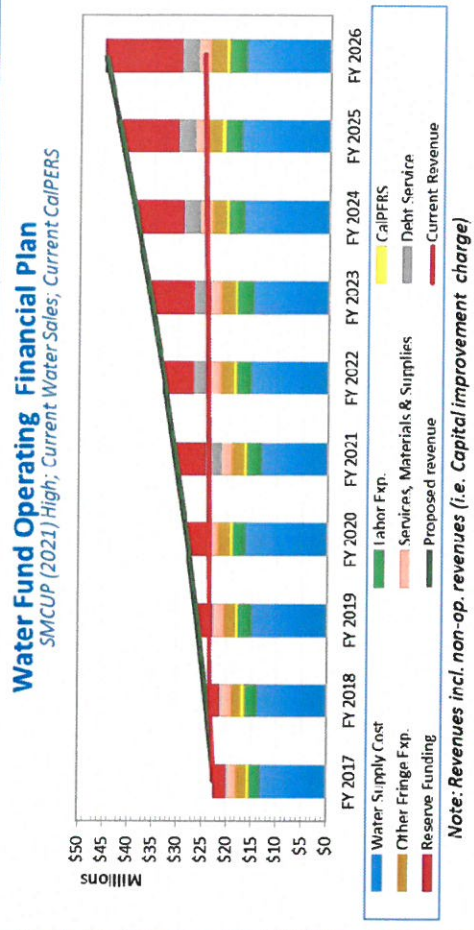
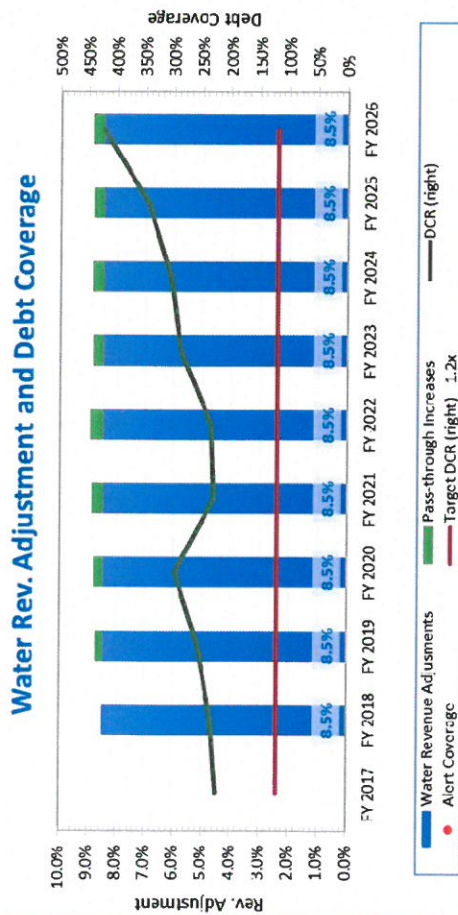
Water Fund Ending Balances





WATER FINANCIAL PLAN

SCENARIO 4 – PROPOSED REV INCREASE AND SMCUP HIGH SCENARIO

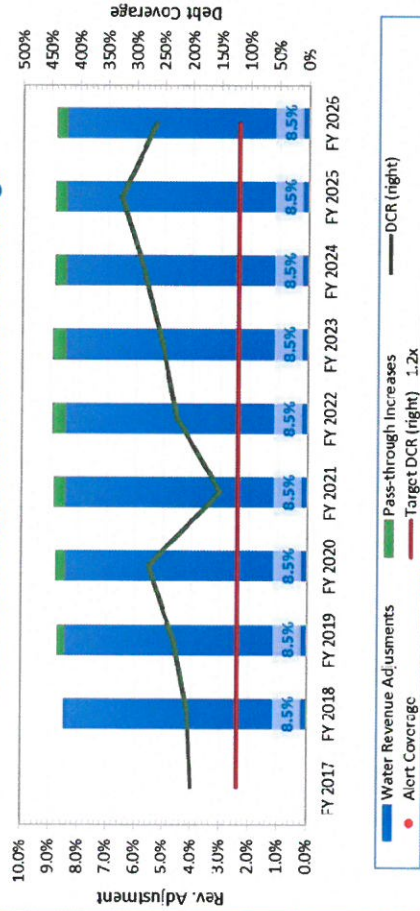




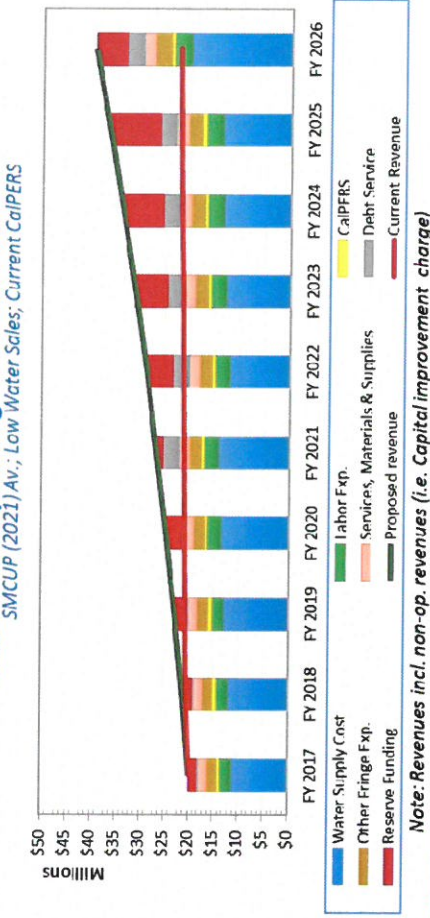
WATER FINANCIAL PLAN

SCENARIO 5 – PROPOSED REV INCREASE, SMCUP AVERAGE AND LOW DEMAND (~7,000AF)

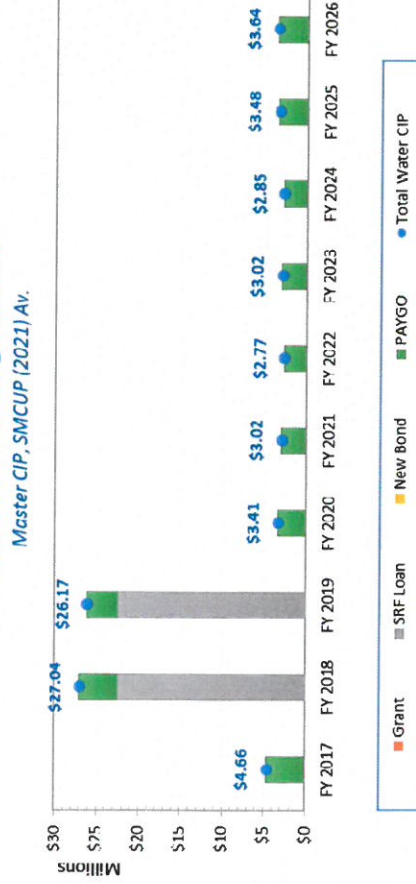
Water Rev. Adjustment and Debt Coverage



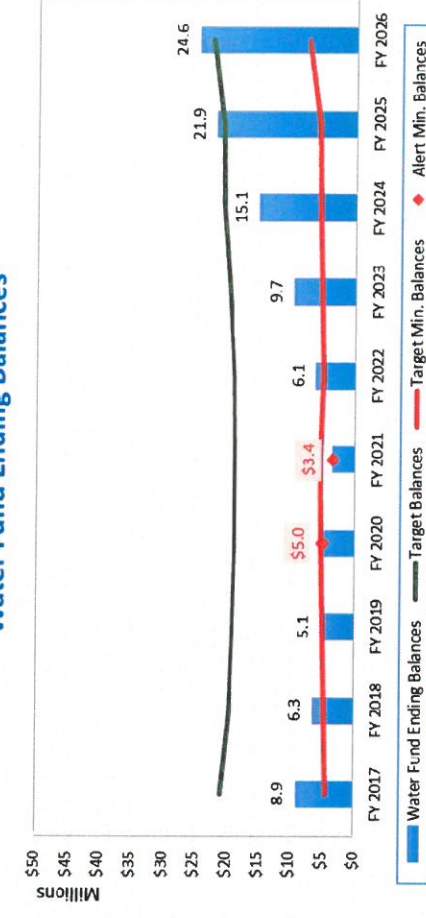
Water Fund Operating Financial Plan



Water CIP Funding Sources



Water Fund Ending Balances

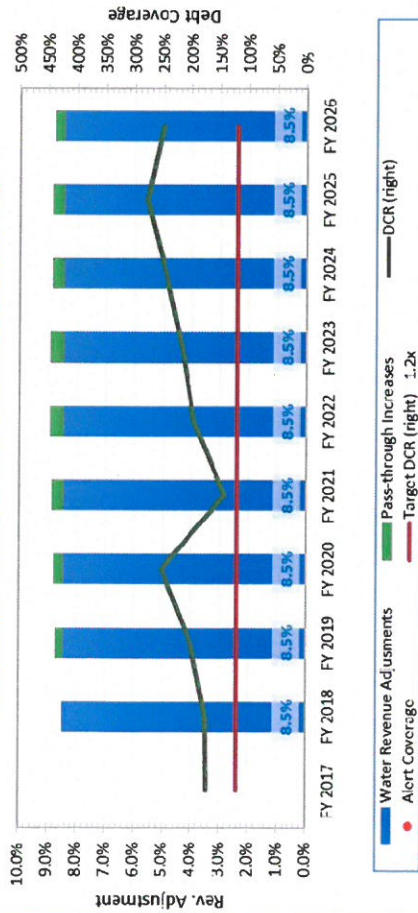




WATER FINANCIAL PLAN

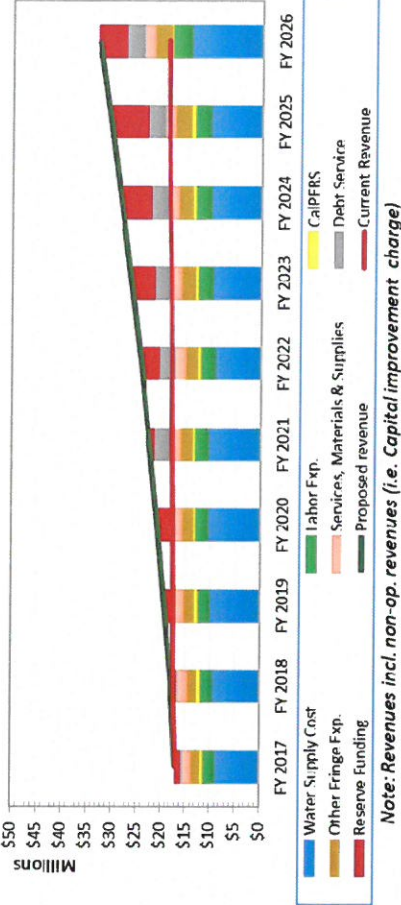
SCENARIO 6 – PROPOSED REV INCREASE, SMCUP AVERAGE AND PESSIMISTIC DEMAND (~5,000AF)

Water Rev. Adjustment and Debt Coverage



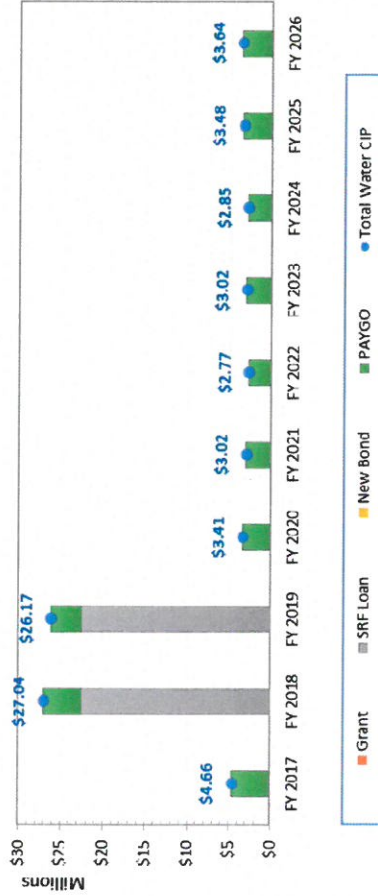
Water Fund Operating Financial Plan

SMCUP (2021) Av.; Pessimistic Water Sales; Current CalPERS

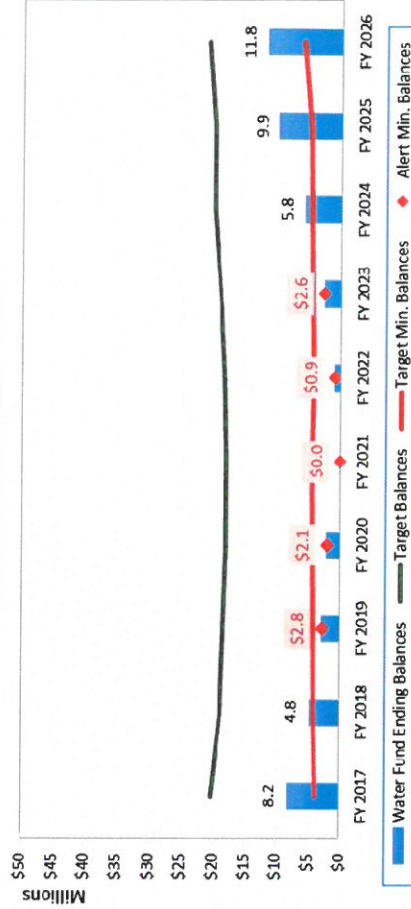


Water CIP Funding Sources

Master CIP, SMCUP (2021) Av.



Water Fund Ending Balances

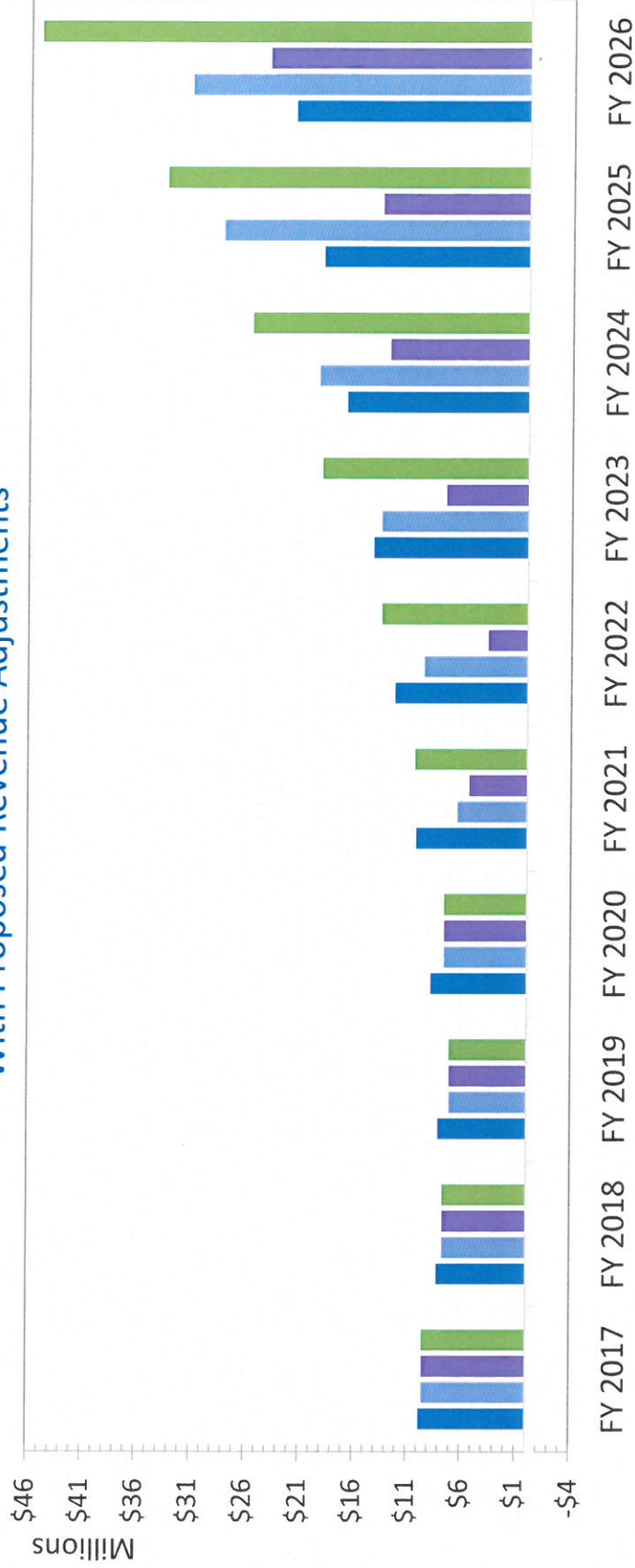




SMCUP PROJECT IMPACTS

Water Fund Ending Balances Comparison

With Proposed Revenue Adjustments



No SMCUP

SMCUP 2021 - Low (2400AF)

SMCUP 2021 - Average (3200AF)

SMCUP 2021 - High (5300AF)

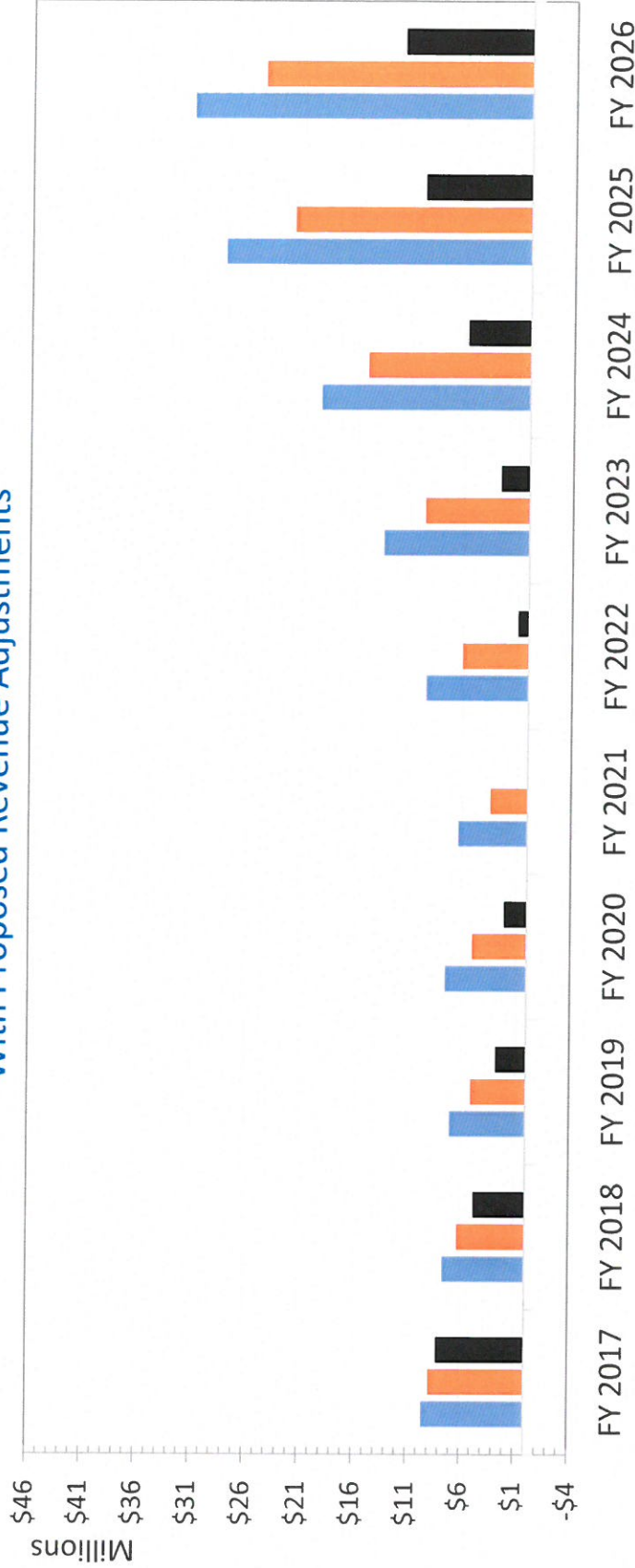


WATER SALES PROJECT IMPACTS

ALL SCENARIOS WITH PROPOSED REV ADJUSTMENTS, SMCUP 2021 AVG PRODUCTION

Water Fund Ending Balances Comparison

With Proposed Revenue Adjustments

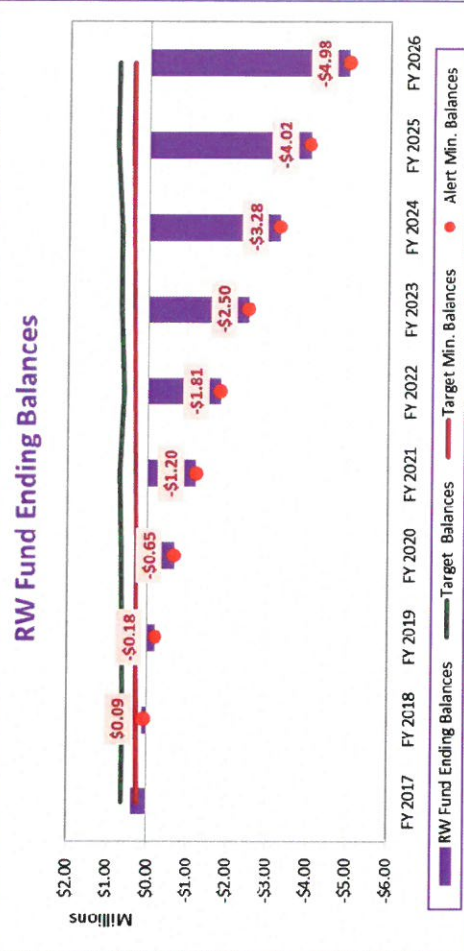
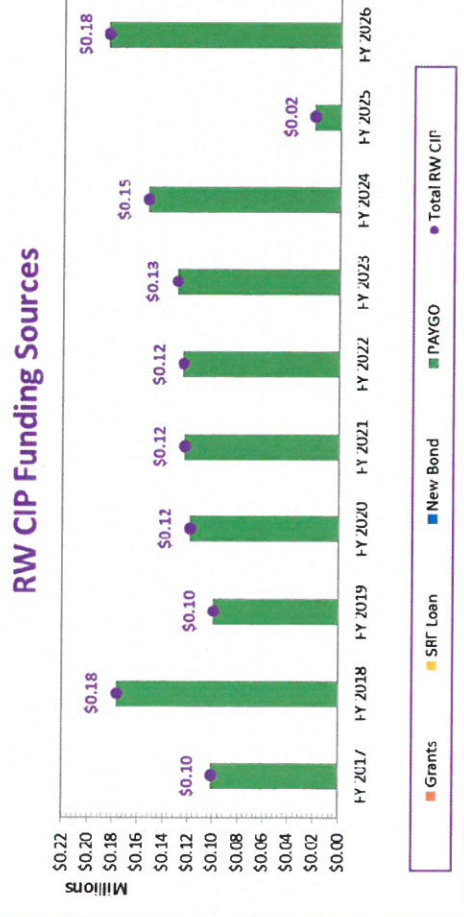
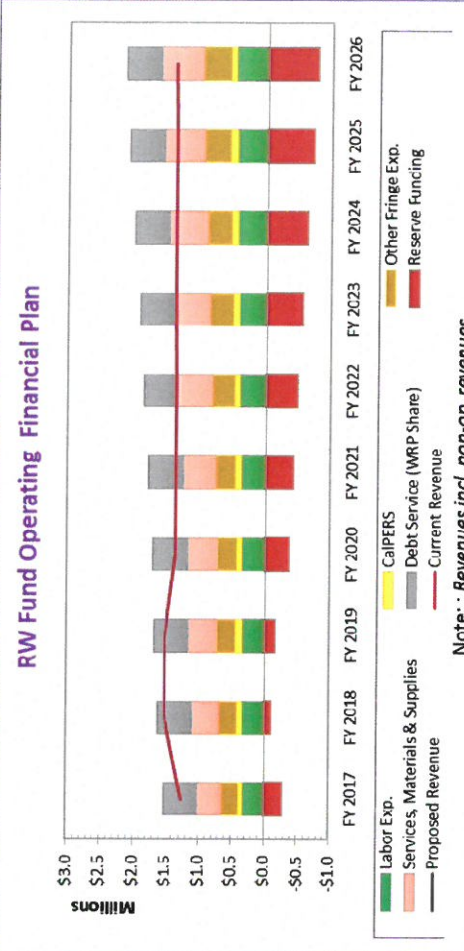
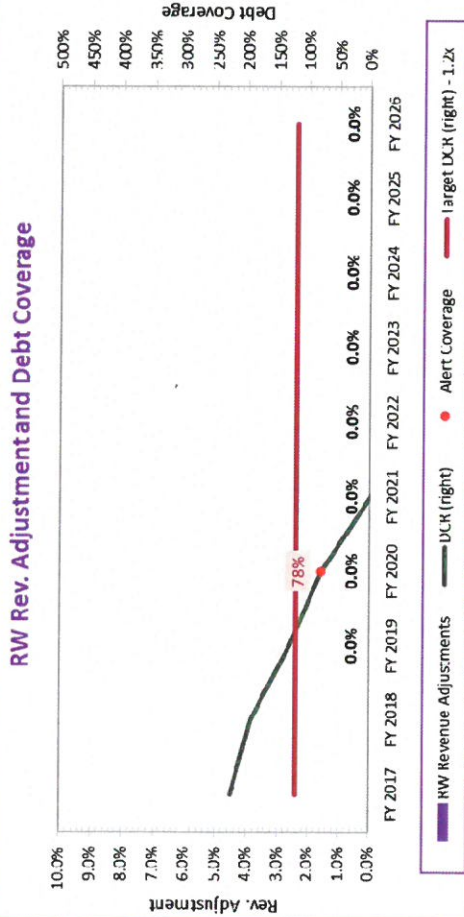


■ Current Sale 8,700AF
 ■ Low Sale 7,000AF
 ■ Pessimistic Sale 5,000AF



RW FINANCIAL PLAN

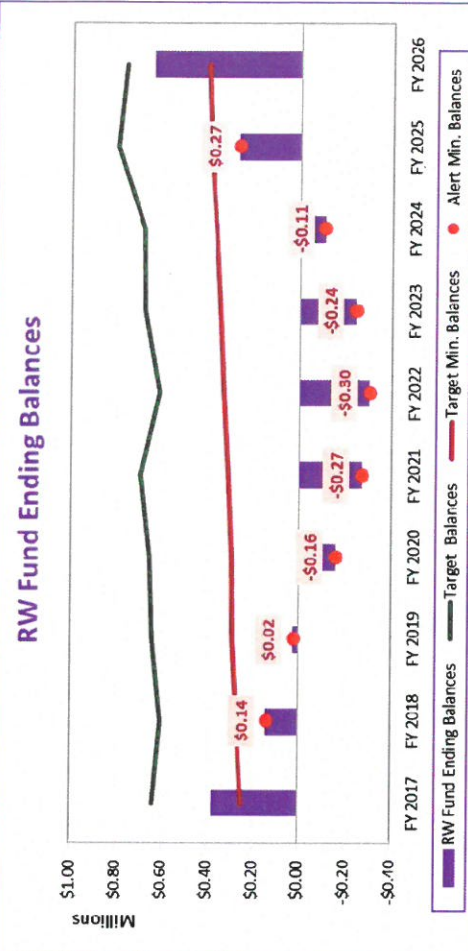
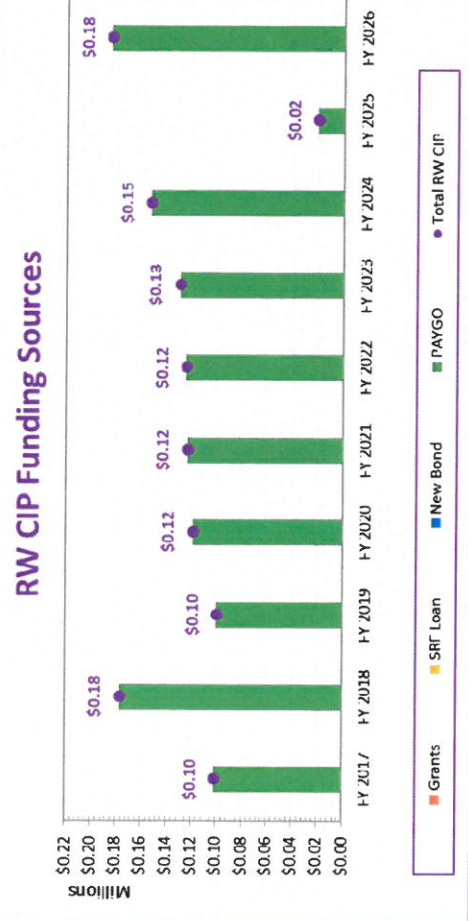
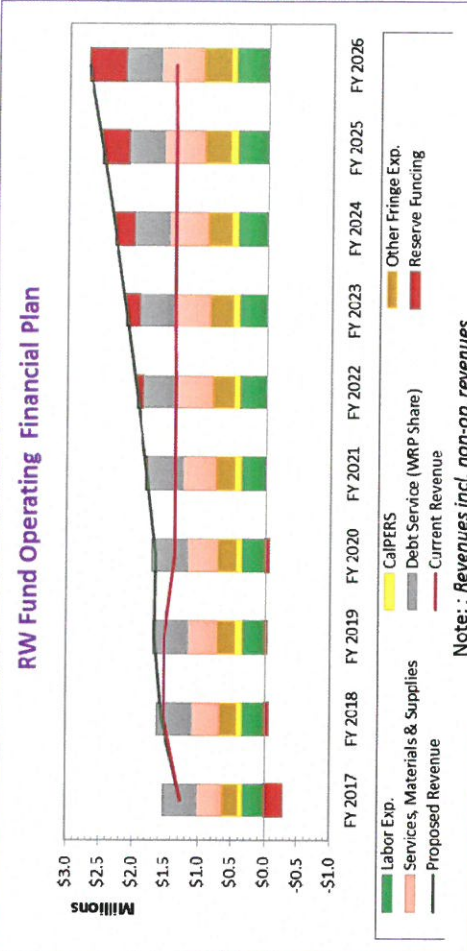
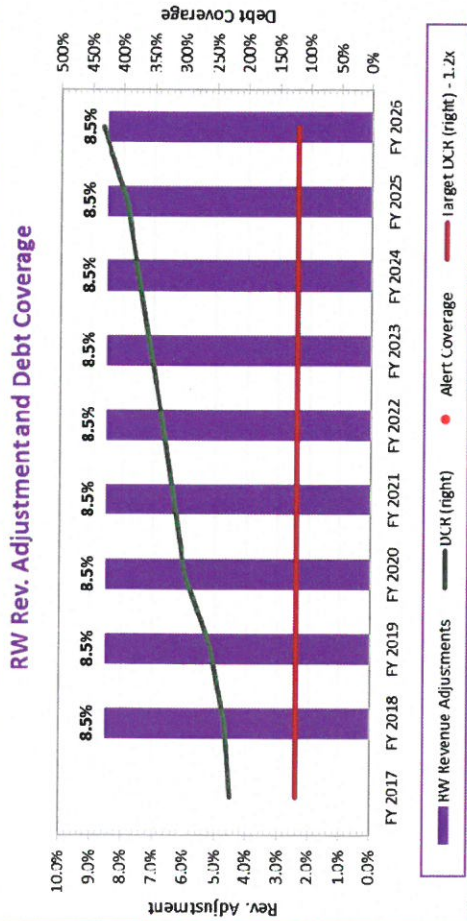
STATUS QUO – NO REV INCREASE





RW FINANCIAL PLAN

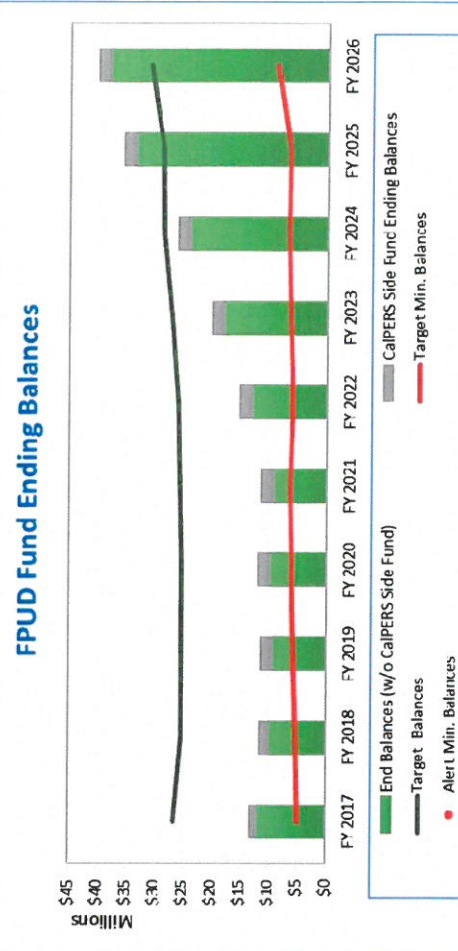
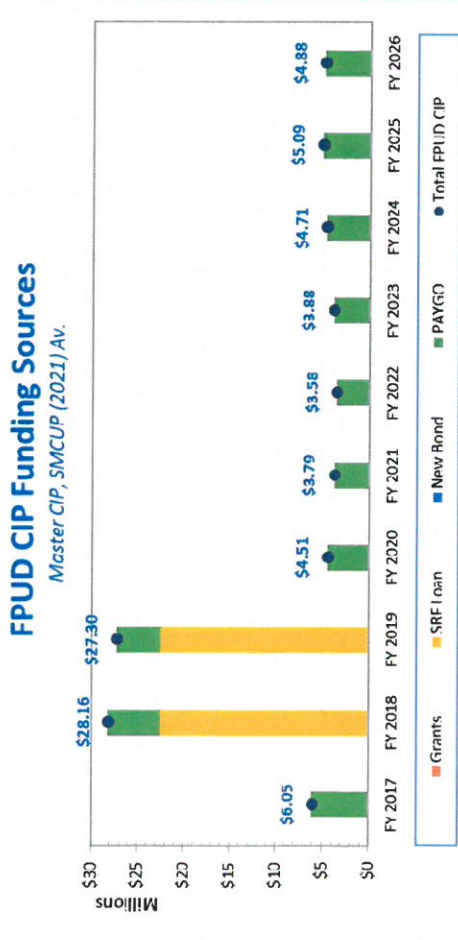
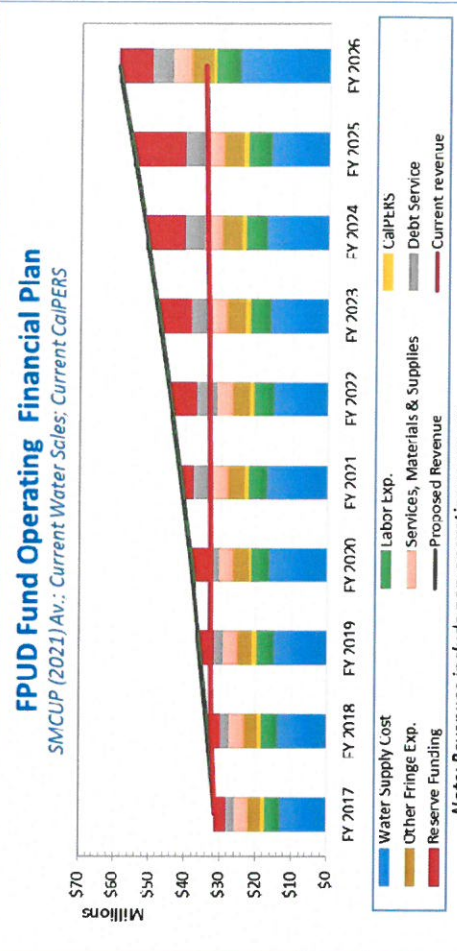
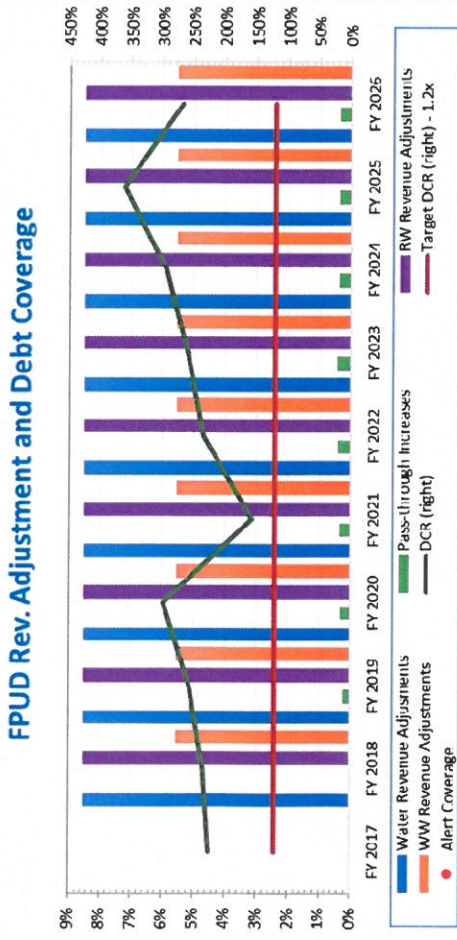
PROPOSED — RATE INCREASES IN JANUARY





WHOLE DISTRICT FINANCIAL PLAN

PROPOSED REV INCREASE AND SMCUP AVERAGE SCENARIO

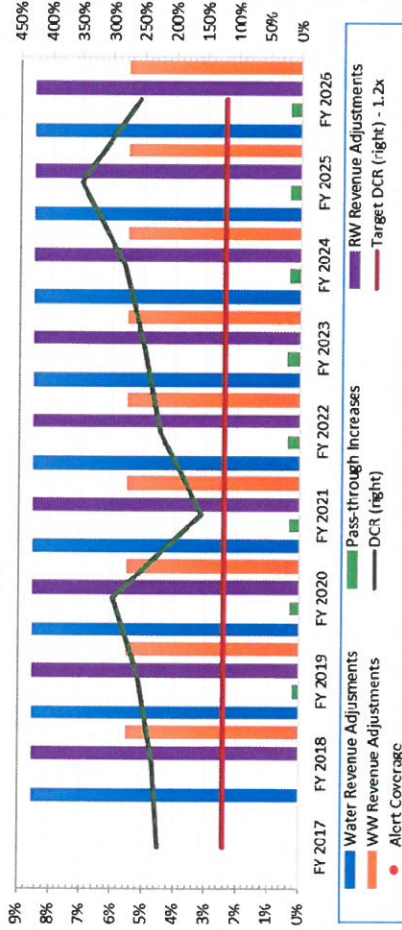




WHOLE DISTRICT FINANCIAL PLAN

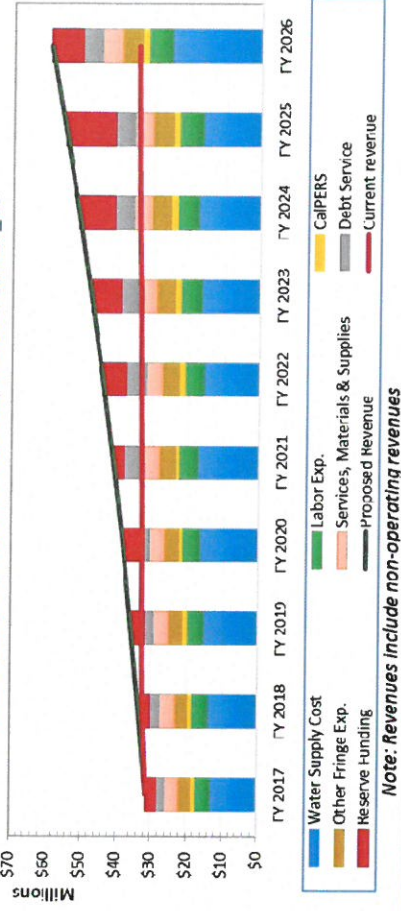
PROPOSED REV INCREASE, SMCUP AVERAGE SCENARIO AND CALPERS AND CALPERS+ \$3M

FPUD Rev. Adjustment and Debt Coverage



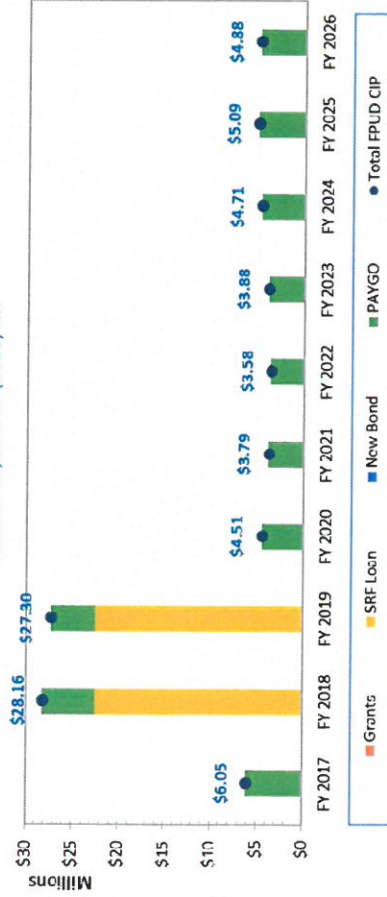
FPUD Fund Operating Financial Plan

SMCUP (2021) Av.; Current Water Sales; Increased CalPERS_UL

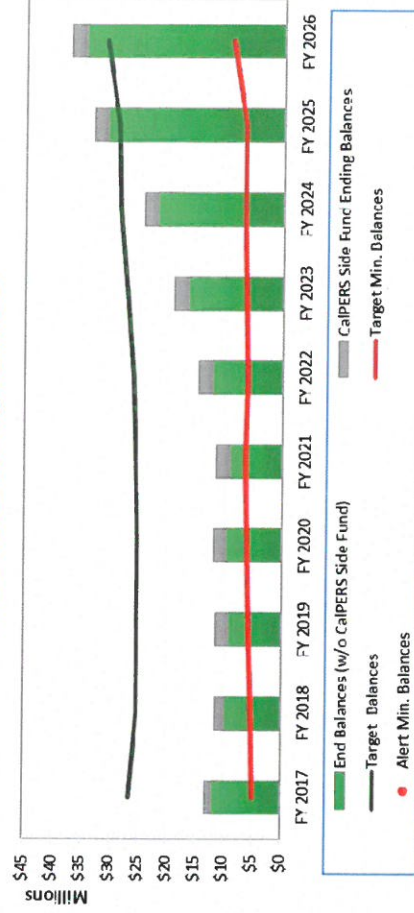


FPUD CIP Funding Sources

Master CIP, SMCUP (2021) Av.



FPUD Fund Ending Balances

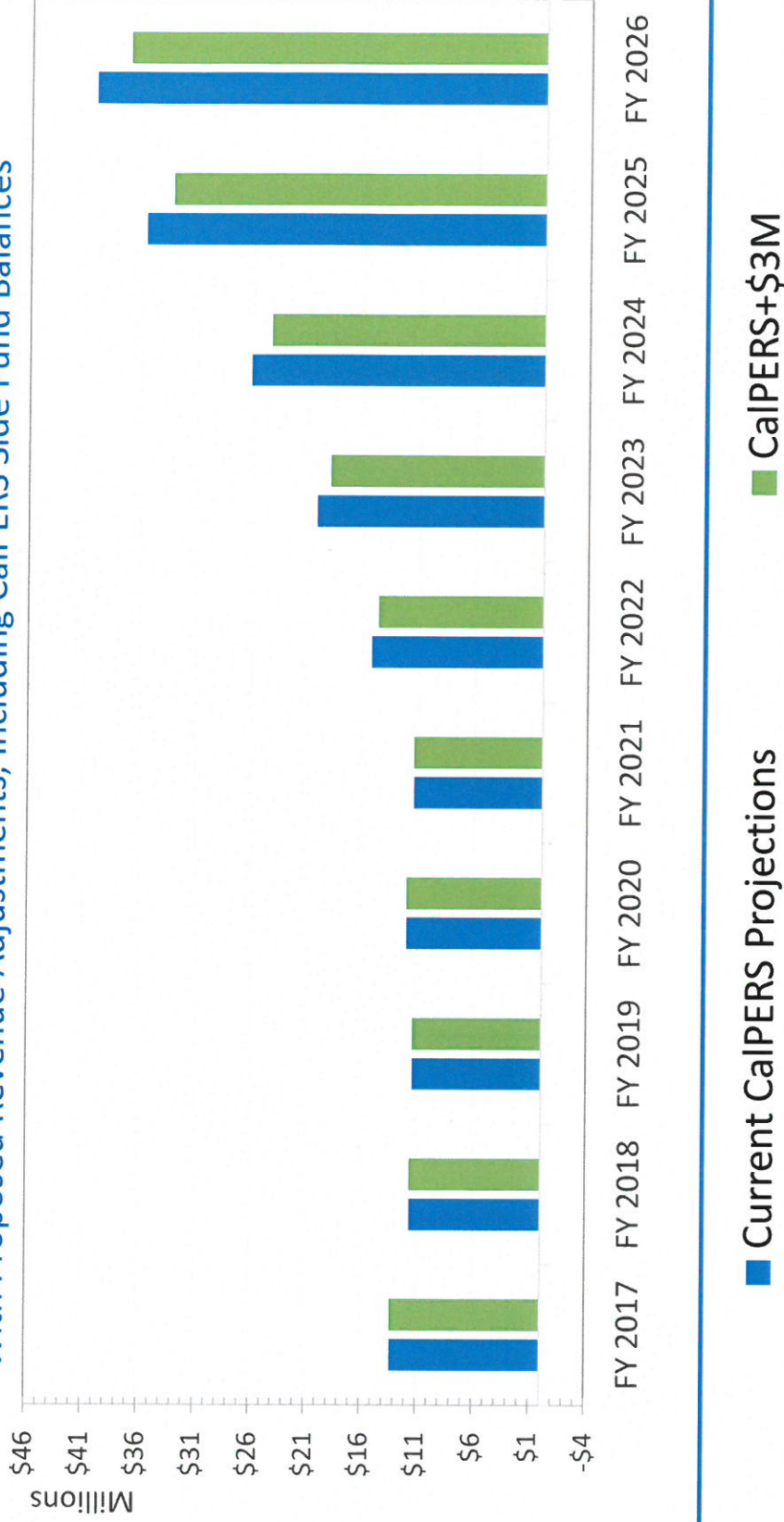




CALPERS IMPACT

Whole District Ending Balances Comparison

With Proposed Revenue Adjustments, Including CalPERS Side Fund Balances



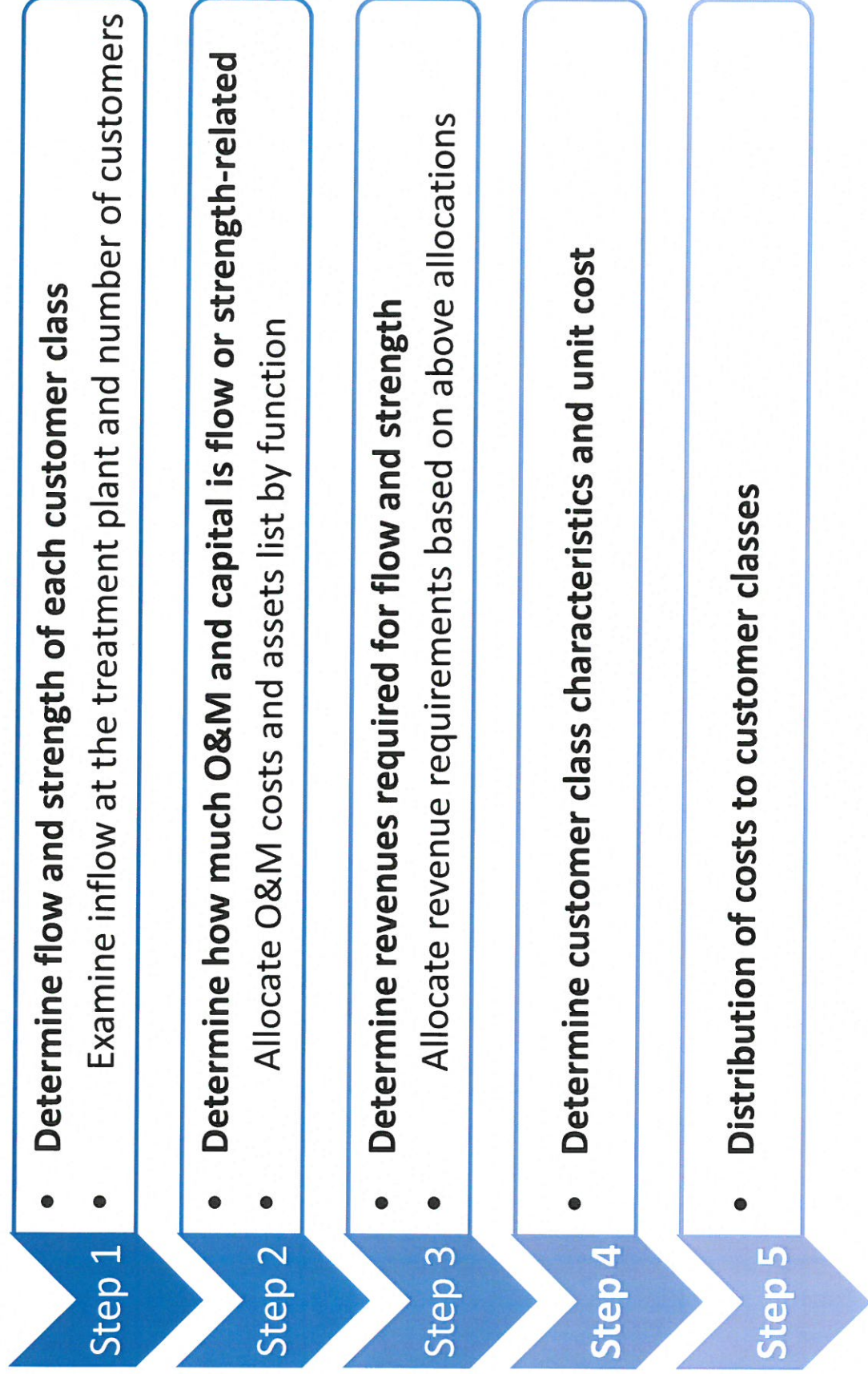


PROPOSED 10-YEAR REVENUE ADJUSTMENTS

Fiscal Year	Effective Date	Water + Pass-through MWD RTS & CWA IAC Costs	RW	WW
FY 2018	Jan 2018	8.5%	8.5%	5.5%
FY 2019	Jan 2019	8.5%	8.5%	5.5%
FY 2020	Jan 2020	8.5%	8.5%	5.5%
FY 2021	Jan 2021	8.5%	8.5%	5.5%
FY 2022	Jan 2022	8.5%	8.5%	5.5%
FY 2023	Jan 2023	8.5%	8.5%	5.5%
FY 2024	Jan 2024	8.5%	8.5%	5.5%
FY 2025	Jan 2025	8.5%	8.5%	5.5%
FY 2026	Jan 2026	8.5%	8.5%	5.5%

WW Rate Discussion

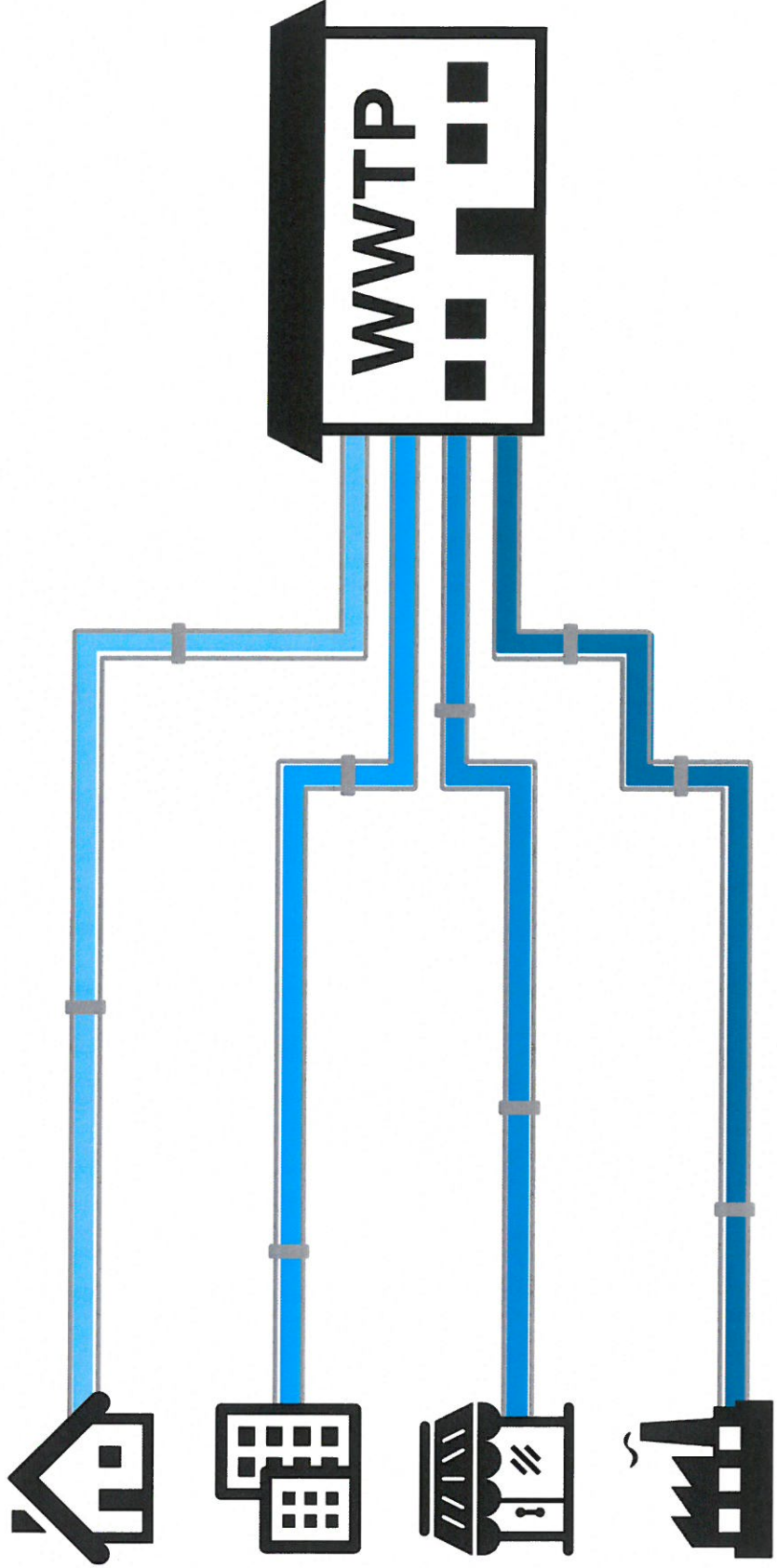
WW COST OF SERVICE ANALYSIS





WW COST OF SERVICE ANALYSIS

Step 1: Determine flow & strength of customers





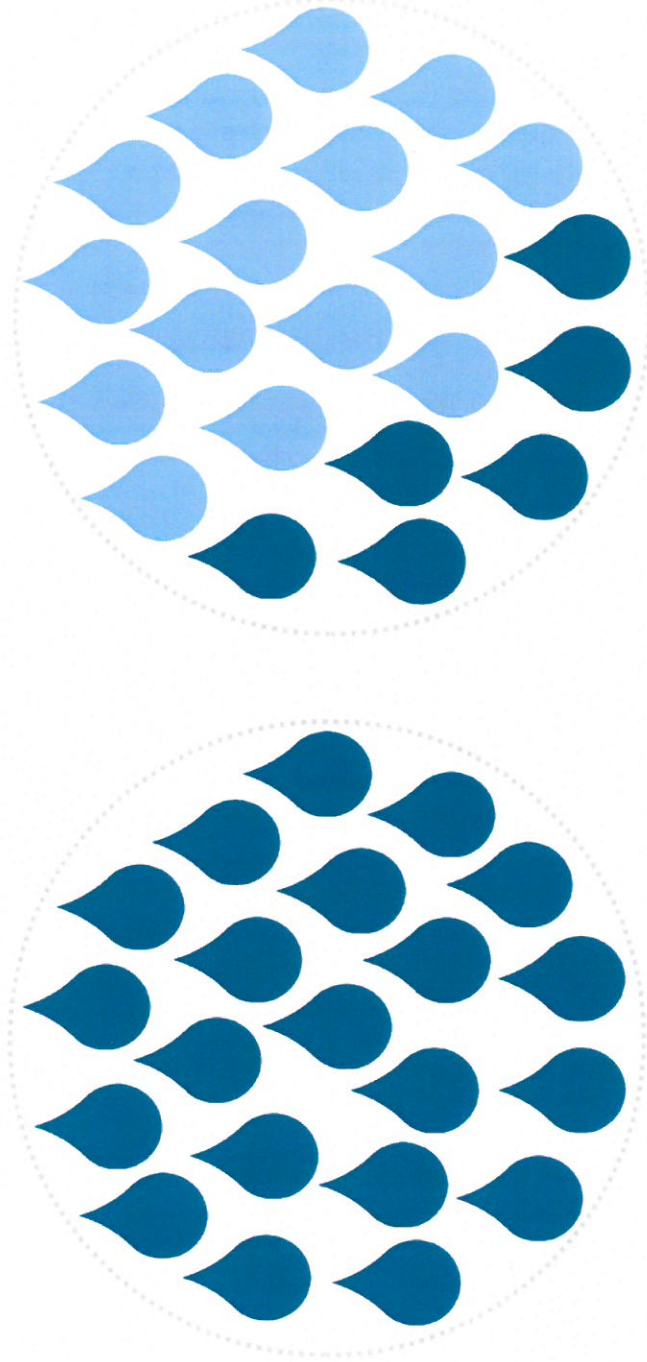
PLANT BALANCE RESULTS & RECOMMENDATIONS

FY 2016 Data (Jul 2015 – Jun 2016)	Current Return To Sewer (RTS)	Billed WW Flows (RTS x Min Winter Use)	Revised RTS	Revised Billed WW Flows (Rev.RTS x Av Winter Use*)
Ag Domestic (AT)	90%	572	75%	690
Commercial Ag (CB)	90%	238	75%	336
Multi Family (M)	90%	146,459	75%	143,665
Single Family (D)	90%	224,357	75%	274,276
Single Family (LD)	90%	8,176	75%	10,923
Total Billed Residential Flows (1)		379,801 kgal (51 GPCD)		429,890 kgal (58 GPCD)
Residential Flows from Plant Balance (2)		438,744 kgal (59GPCD)		438,744 kgal (59GPCD)
(2) / (1)		116% Billed << Estimated		102%

*Av Winter Use = Average 3-month Dec – Feb

WW COST OF SERVICE ANALYSIS

Step 2: Clarify O&M costs & assets by function



COLLECTION

TREATMENT PLANT



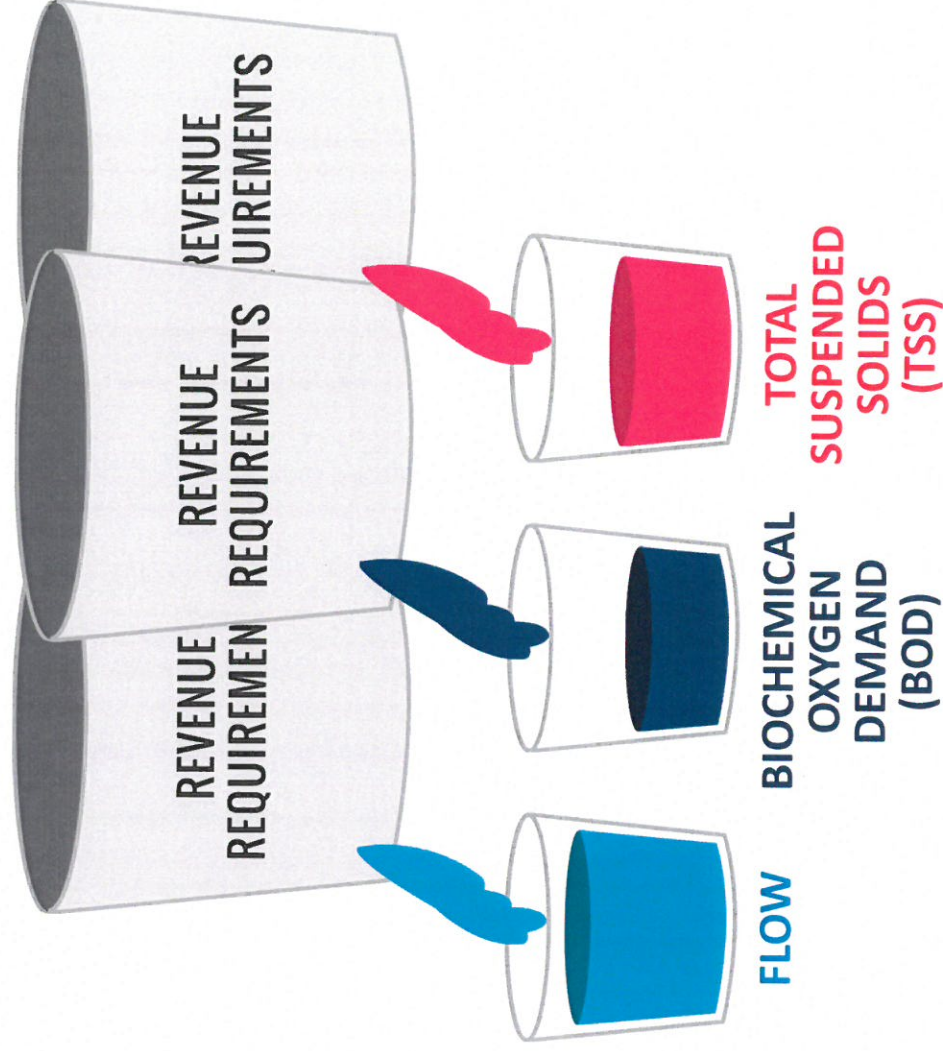
Flow



Strength

WW COST OF SERVICE ANALYSIS

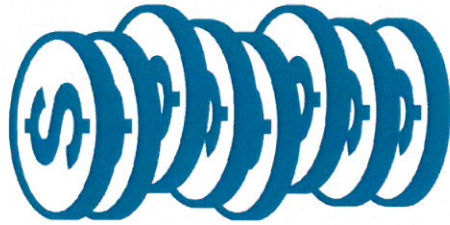
Step 3: Allocation of revenue requirements





WW COST OF SERVICE ANALYSIS

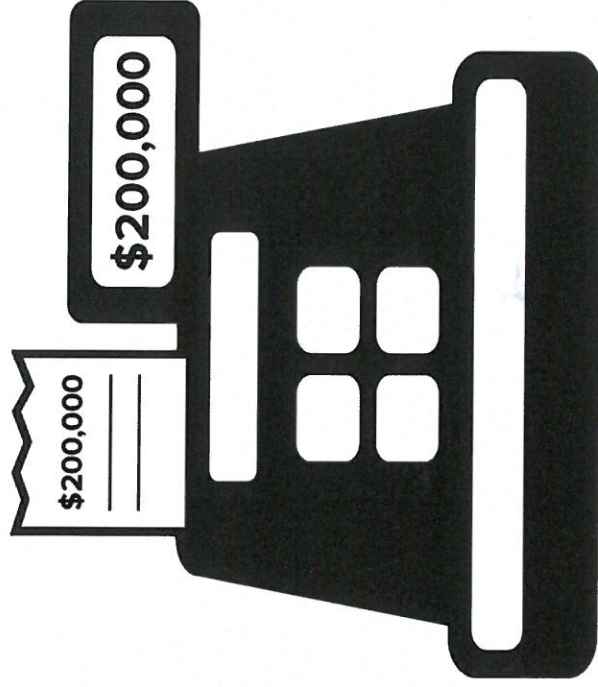
Steps 4 and 5: Cost of each customer class



Flow



Strength



OFFICE / SCHOOL



WW REV REQUIREMENT ALLOCATION TO RATE COMPONENTS

Cost Categories	FY 2018	Fixed Charges			Flow Rates	
		CIC	WW Services	Flow	Strength	
Flows	\$2,596,860	\$0	\$0	\$2,596,860	\$0	
BOD	\$305,913				\$305,913	
TSS	\$1,112,759				\$1,112,759	
WW Services	\$1,890,366		\$945,183	\$945,183		
CIC	\$1,123,364	\$1,123,364				
Total Rev Req	\$7,029,262	\$1,123,364	\$945,183	\$3,542,043	\$1,418,673	



WW RATE FRAMEWORK

	Residential	Non-Residential Low Strength	Non-Residential Medium Strength	Non-Residential High Strength
Fixed Service Charges (FSC)	\$ Per EDU	\$ Per EDU	\$ Per EDU	\$ Per EDU
Capital Improvement Charges (CIC)*	\$ Per EDU	\$ Per EDU	\$ Per EDU	\$ Per EDU
Volumetric Rates (\$ / kgal billed WW flows**)	x	x	xx	xxx

* CIC = Current CIC (\$1.84/EDU* (1 + ENR CCI%))
(Increase ~3% per year)

** Residential billed WW flows = 75% x Average Winter Use (Dec – Feb)
Non-Residential billed WW flows = RTS x Water Usage



PROPOSED WW RATES FY 2018

	CIC (\$/EDU)	Fixed WW Service Charges (\$/EDU)	Volumetric Rates (\$/kgal)	Current Volumetric Rates (\$/kgal)
Ag Domestic	\$11.16	\$9.39	\$9.63	\$8.77
Commercial Ag Domestic	\$11.16	\$9.39	\$9.63	\$8.77
Single Family	\$11.16	\$9.39	\$9.63	\$8.77
Single Family (Large)	\$11.16	\$9.39	\$9.63	\$8.77
Multi Family	\$11.16	\$9.39	\$9.63	\$8.77
Government	\$11.16	\$9.39	\$9.56	\$8.77
School	\$11.16	\$9.39	\$9.56	\$8.77
Church	\$11.16	\$9.39	\$9.56	\$8.77
Commercial - Low Strength	\$11.16	\$9.39	\$9.56	\$8.77
Commercial - Medium Strength	\$11.16	\$9.39	\$11.79	\$13.27
Commercial - High Strength	\$11.16	\$9.39	\$14.71	\$22.28
Standby Services	\$11.16	\$9.39		

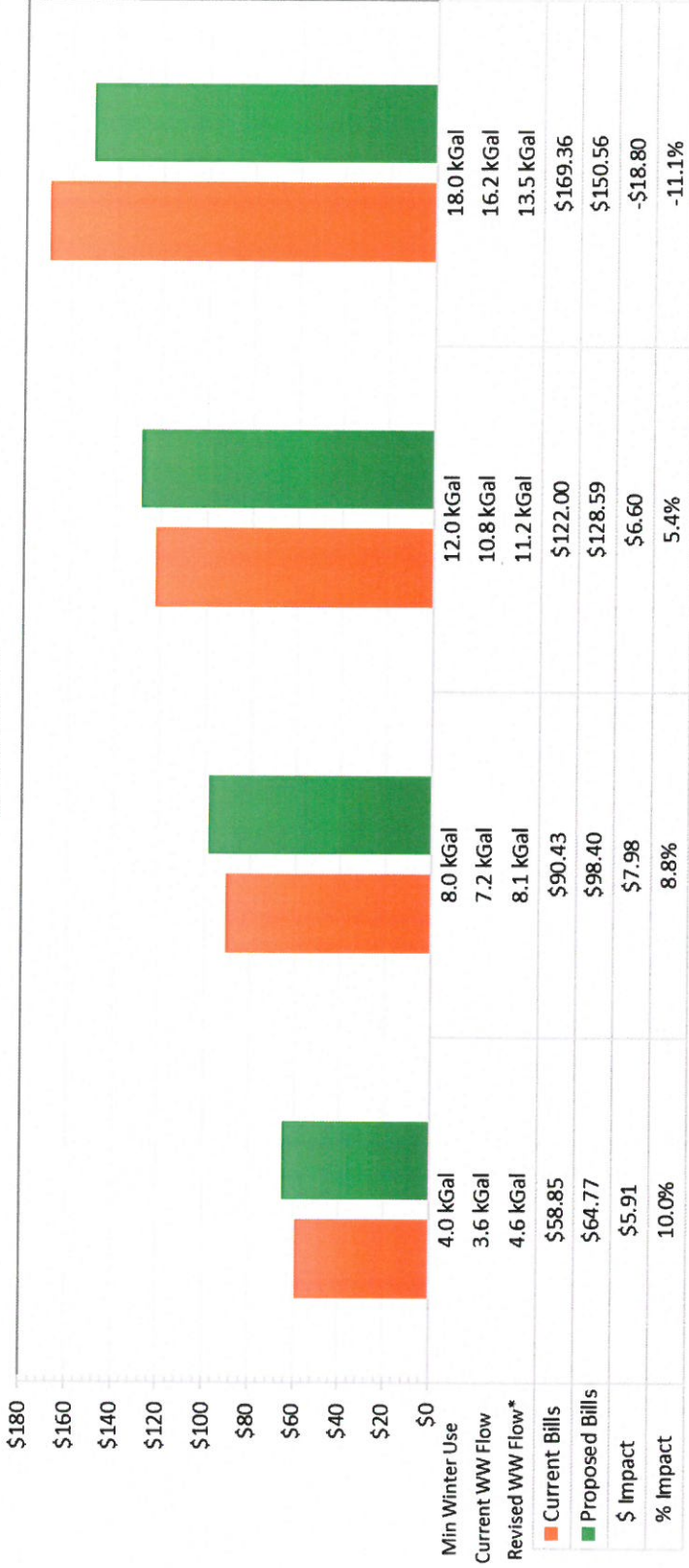


WW RESIDENTIAL CUSTOMER IMPACT

(3/4-INCH DOMESTIC)

Sample Single Family WW Bill Impacts

3/4 inch meter



*The "Revised WW Flow" is based on the average flow for the customers with "Min Winter Usage" shown above but using their averaged consumption over the period Dec-Feb and revised RTS.

Water Rates Design Discussion



WATER RATE STRUCTURE

ESTABLISHED DURING DEC 2016 FINANCE COMMITTEE WORKSHOP

Customer Class	Current Rate Structure	Proposed to Evaluate	Why?
Residential (D, LD, M)	Inclining 3 Tiers	Revised Inclining 3 Tiers	Simplify & justify tier definitions
Agriculture SAWR	Uniform	Uniform	All Ag use supplied by SAWR water
Ag Domestic (AT, CB)	3 Tiers	2-Tiers	Tier 1 – Indoor Domestic Use Tier 2 – Agriculture Use
Commercial (C, CA)/ Government (G)	Uniform	Uniform	Heterogeneous use
Irrigation (I)	Uniform	Uniform	Use varied significantly with irrigable areas and weather



PROPOSED RESIDENTIAL TIER DEFINITIONS

APPLIED TO ALL RESIDENTIAL CLASSES BY DWELLING UNIT

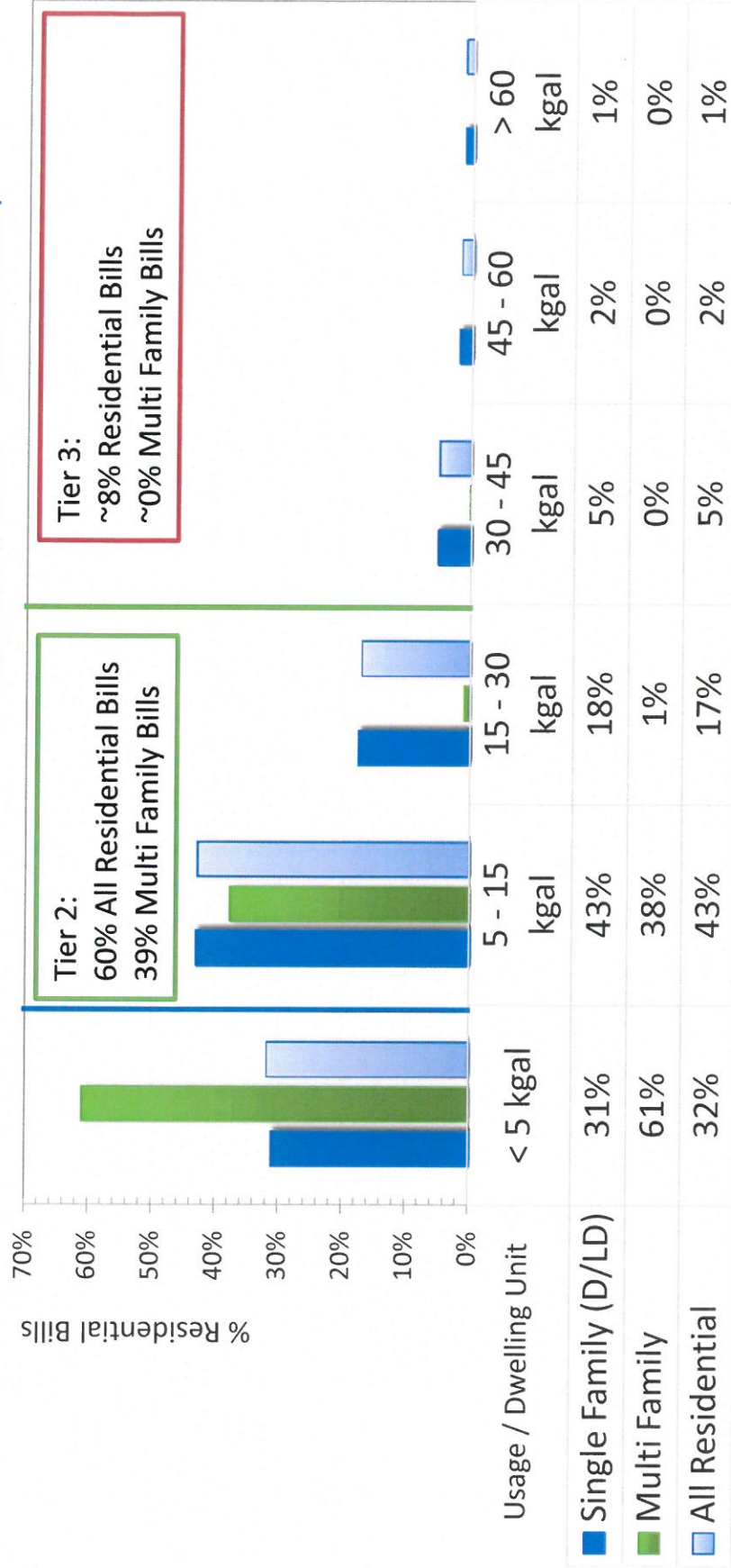
	Current Rate Structure	Proposed to Evaluate	Basis
Tier 1	0 – 5 kgal	0 – 5 kgal	Efficient Indoor Use Benchmark: 55GPCD x 3 PPH x 30 days
Tier 2	D / LD: 6 – 30 kgal M: 6 – 18 kgal	6 – 30 kgal	Average Efficient Monthly Outdoor Use Benchmark for 0.25 acre = 25 kgal / month
Tier 3	Above Tier 2	Above Tier 2	Above Average Efficient Use



RESIDENTIAL BILL FREQUENCY

Residential Bill Frequency

FY 2016 Residential Usage (July 2015 – June 2016)



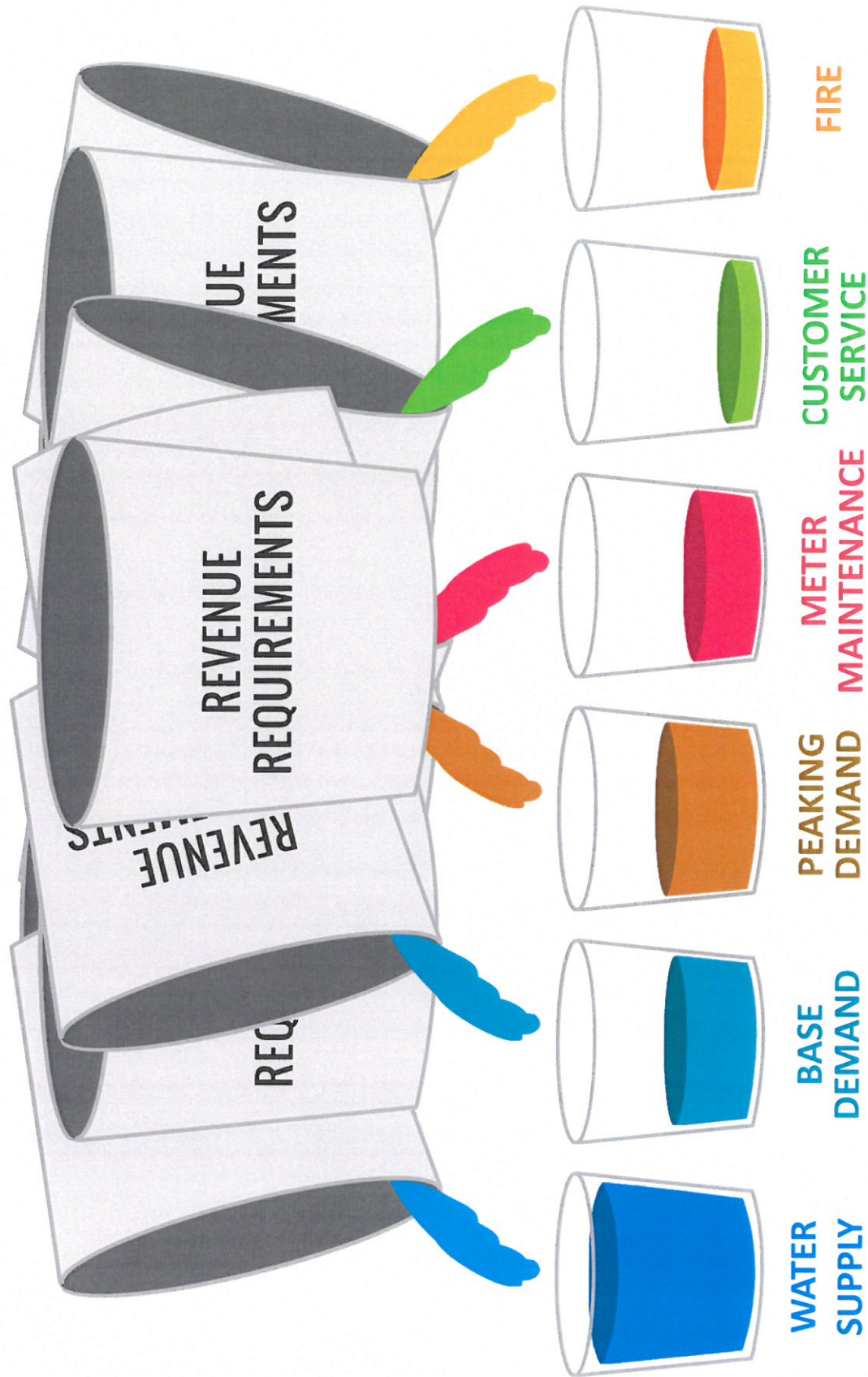


PROPOSED AG DOMESTIC TIER DEFINITIONS

	Current Rate Structure	Proposed to Evaluate	Basis
Tier 1	0 – 5 kgal	0 – 5 kgal	Efficient Indoor Use Benchmark: 55GPCD x 3 PPH x 30 days
Tier 2	6 – 20 kgal	Above 5 kgal → Ag Use	Assumed all use for outdoor Ag irrigation
Tier 3	Above Tier 2 → Ag Use		



COST OF SERVICE ALLOCATION PROCESS





WATER REVENUE REQUIREMENTS

Cost Categories	FY 2018	CIC	MWD / ICA	Fixed Service Charges (FSC)	Water Usage Rates
Power	\$277,164			\$0	\$277,164
MWD RTS & CWA IAC	\$837,412		\$837,412		
Other Water Supply	\$10,614,717			\$0	\$10,614,717
Base Fixed	\$3,466,914			\$2,080,148	\$1,386,766
Peaking	\$2,600,352			\$1,560,211	\$1,040,141
Water Reliability	\$1,469,111			\$0	\$1,469,111
Billing & CS	\$1,052,085			\$1,052,085	
Meters & Services	\$1,769,632			\$1,769,632	
Conservation	\$163,438			\$0	\$163,438
Fire Protection	\$3,844			\$3,844	\$0
CLC (water)	\$1,272,836	\$1,272,836		\$0	
CLC Pumping	\$39,952	\$39,952		\$0	\$0
Monthly Discount	-\$437,136			-\$437,136	\$0
Total Revenue Requirements	\$23,130,320	\$1,312,787	\$837,412	\$6,028,785	\$14,951,335
% Proposed	35% Fixed	6%	4%	26%	65%
% Current	35% Fixed	6%	4%	25%	65%
% of Fixed Costs (FC = \$ 7,309,471)				82.5%	



FIXED CHARGES FRAMEWORK

Meter Ratios	Capital Improvement Charge (CIC)		RTS	IAC	Billing & CS		Meters & Services	Capacity	Fire Protection	Backflow Inspection	Monthly discount
	Current	AWWA Max Flow			AWWA Max Flow	Uniform					
Water customers	X	X	X	X	X	X	X	X			X
Standby customers	X		X		X		X				X
Fire Connections									X		
Backflow device owner										X	

- **Notes**

- CIC are as adopted, current CIC escalated by ENR + 3% to cover pipeline replacement costs
- RTS & IAC are pass-through costs
- Backflow device charges are to recover the Backflow Inspection costs



WATER USAGE RATES FRAMEWORK

Customer Class	Water Reliability	Delivery	Peaking (based on Peaking Factors)	Conservation	Water Supply
Ag (SAWR) (AS)		X	XX		SAWR
Ag Domestic (SAWR) (AT)	Tier 1	X	X		Imported
	Tier 2	X	XX		SAWR
Commercial Ag (CA)		X	XX		Imported
Commercial Domestic Ag (CB)	Tier 1	X	X		Imported
	Tier 2	X	XX		Imported
Commercial (C)		X	X	X	Imported
Irrigation Only (I)		X	X	X	Imported
Government (G)		X	XX	X	Imported
	Tier 1	X	X		Imported
	Tier 2	X	XX		Imported
Domestic (D/LD/M)	Tier 3	X	xxx	xxx	Imported

- **Water Reliability** to Recover the Emergency Storage and Water Supply Reliability Charges from MWD
 - Ag uses (except AT Tier 1 & CB Tier 1) are interruptible → no Water Reliability Rate and no Conservation Rate
- **All Indoor Use (Tier 1) at Tier 1 Rate:**
 - AT & CB Tier 1 Rate = Residential Tier 1 Rate for indoor use



PROPOSED RATES FY 2018

Meter Size (inch)	Other Fixed Charges			Monthly Fixed Service Charges (FSC) Excluding Monthly Discount = \$5/month				
	CIC	MWD RTS	CWA IAC	Billing & CS	Meters & Services	Capacity	Total FSC	Current FSC
Water Services								
¾	\$10.01	\$2.70	\$2.93	\$9.54	\$10.75	\$25.04	\$45.33	\$41.59
1	\$13.77	\$4.49	\$4.88	\$9.54	\$17.91	\$41.73	\$69.18	\$54.12
1½	\$20.03	\$8.98	\$9.76	\$9.54	\$35.82	\$83.46	\$128.82	\$77.23
2	\$31.30	\$14.36	\$15.62	\$9.54	\$57.31	\$133.54	\$200.39	\$113.03
3	\$52.58	\$28.72	\$31.24	\$9.54	\$114.61	\$267.07	\$391.22	\$184.39
4	\$82.62	\$44.87	\$48.80	\$9.54	\$179.07	\$417.30	\$605.91	\$293.17
6	\$150.22	\$89.73	\$97.60	\$9.54	\$358.13	\$834.59	\$1,202.26	\$523.95
Standby Services								
¾	\$6.01	\$2.70		\$9.54	\$10.75		\$20.29	\$24.78
1	\$8.26	\$4.49		\$9.54	\$17.91		\$27.45	\$24.78
1½	\$12.02	\$8.98		\$9.54	\$35.82		\$45.36	\$24.78
2	\$18.78	\$14.36		\$9.54	\$57.31		\$66.85	\$24.78
3	\$31.55	\$28.72		\$9.54	\$114.61		\$124.15	\$24.78
4	\$49.57	\$44.87		\$9.54	\$179.07		\$188.61	\$24.78
6	\$90.13	\$89.73		\$9.54	\$358.13		\$367.67	\$24.78



PROPOSED RATES FY 2018

Meter Size (inch)	Monthly Fixed Service Charges (FSC)				Total FSC	Current FSC
	Billing & CS	Fire Capacity	Backflow Inspection			
Private Fireline						
2	\$9.54	\$0.30		\$9.84	\$68.26	
3	\$9.54	\$0.87		\$10.41	\$78.74	
4	\$9.54	\$1.84		\$11.38	\$89.22	
6	\$9.54	\$5.34		\$14.88	\$122.49	
8	\$9.54	\$11.38		\$20.92	\$155.76	
Backflow Devices						
¾			\$4.93	\$4.93	\$6.88	
1			\$5.81	\$5.81	\$6.88	
1 ½			\$10.73	\$10.73	\$9.94	
2			\$12.88	\$12.88	\$9.94	
3			\$25.75	\$25.75	\$11.27	
4			\$40.23	\$40.23	\$15.92	
6			\$80.45	\$80.45	\$19.06	

	Proposed	Current
\$ / kgal		
Elevation Charges	\$0.70 /kgal	\$0.33
CIC Pumping	\$0.10 / kgal	\$0.10



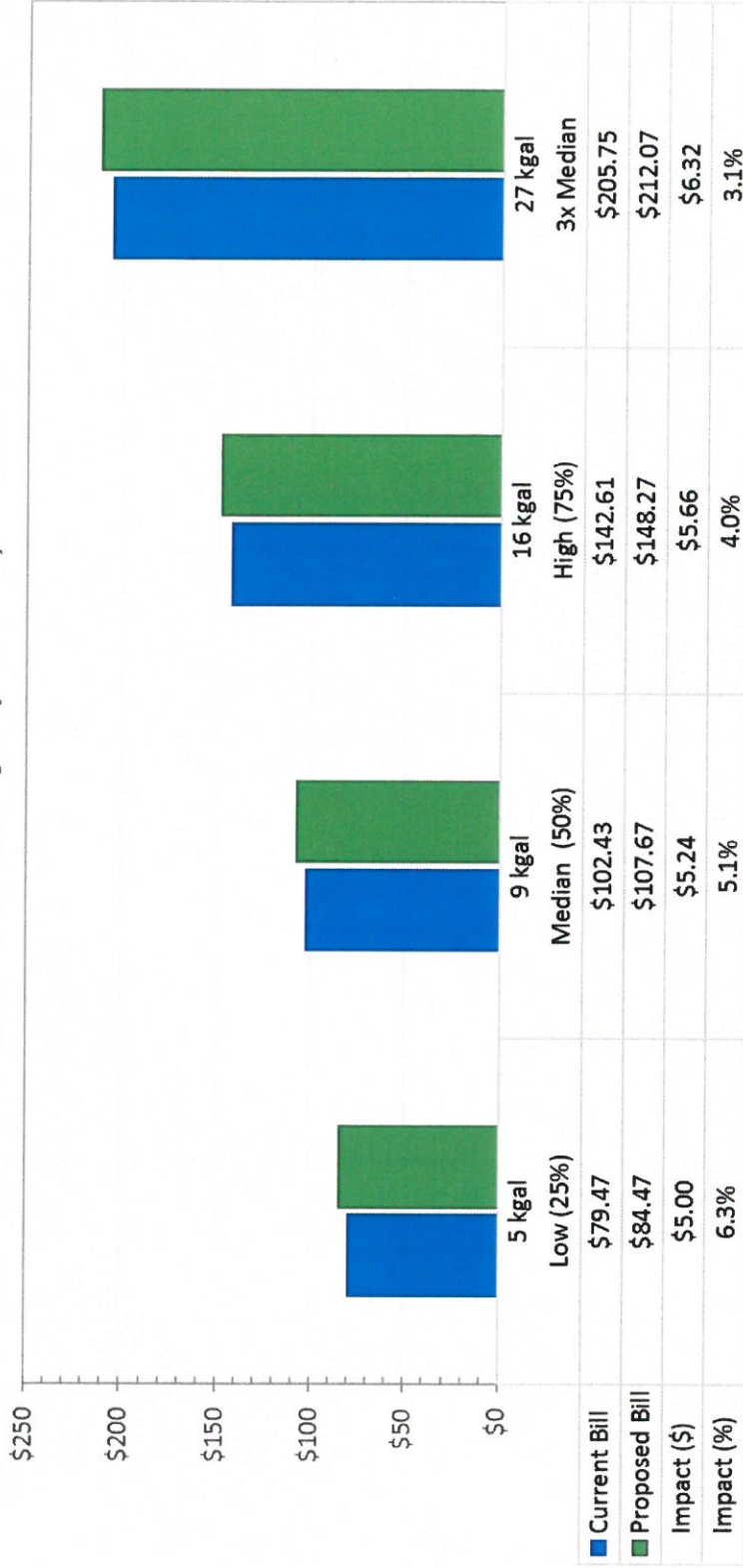
PROPOSED RATES FY 2018

Customer Class	Water			Water		
	Reliability	Delivery	Peaking	Conservation	Supply	Current
Agriculture						
Ag (SAWR) (AS)		\$0.50	\$0.42		\$3.31	\$3.65
Ag Domestic	Tier 1	\$0.93	\$0.29		\$3.98	\$5.21 - \$5.74
(SAWR) (AT)	Tier 2	\$0.50	\$0.42		\$3.31	\$3.65
Commercial Ag (CA)		\$0.50	\$0.42		\$3.98	\$4.97
Commercial	Tier 1	\$0.93	\$0.29		\$3.98	\$5.21 - \$5.74
Domestic Ag (CB)	Tier 2	\$0.50	\$0.42		\$3.98	\$4.97
Non-Agriculture						
Commercial (C)		\$0.93	\$0.36	\$0.11	\$3.98	\$5.88 \$5.21 - \$5.74
Irrigation Only (I)		\$0.93	\$0.27	\$0.11	\$3.98	\$5.79 \$5.74
Government (G)		\$0.93	\$0.37	\$0.11	\$3.98	\$5.89 \$5.74
	Tier 1	\$0.93	\$0.29		\$3.98	\$5.70 \$5.21
	Tier 2	\$0.93	\$0.39		\$3.98	\$5.80 \$5.74
Domestic (D/LD/M)	Tier 3	\$0.93	\$0.52	\$1.14	\$3.98	\$7.07 \$6.32



CUSTOMER IMPACT ANALYSIS

Sample Water Bills For Domestic & Large Domestic Customers
3/4" meter, 1 DU, eligible for monthly discount



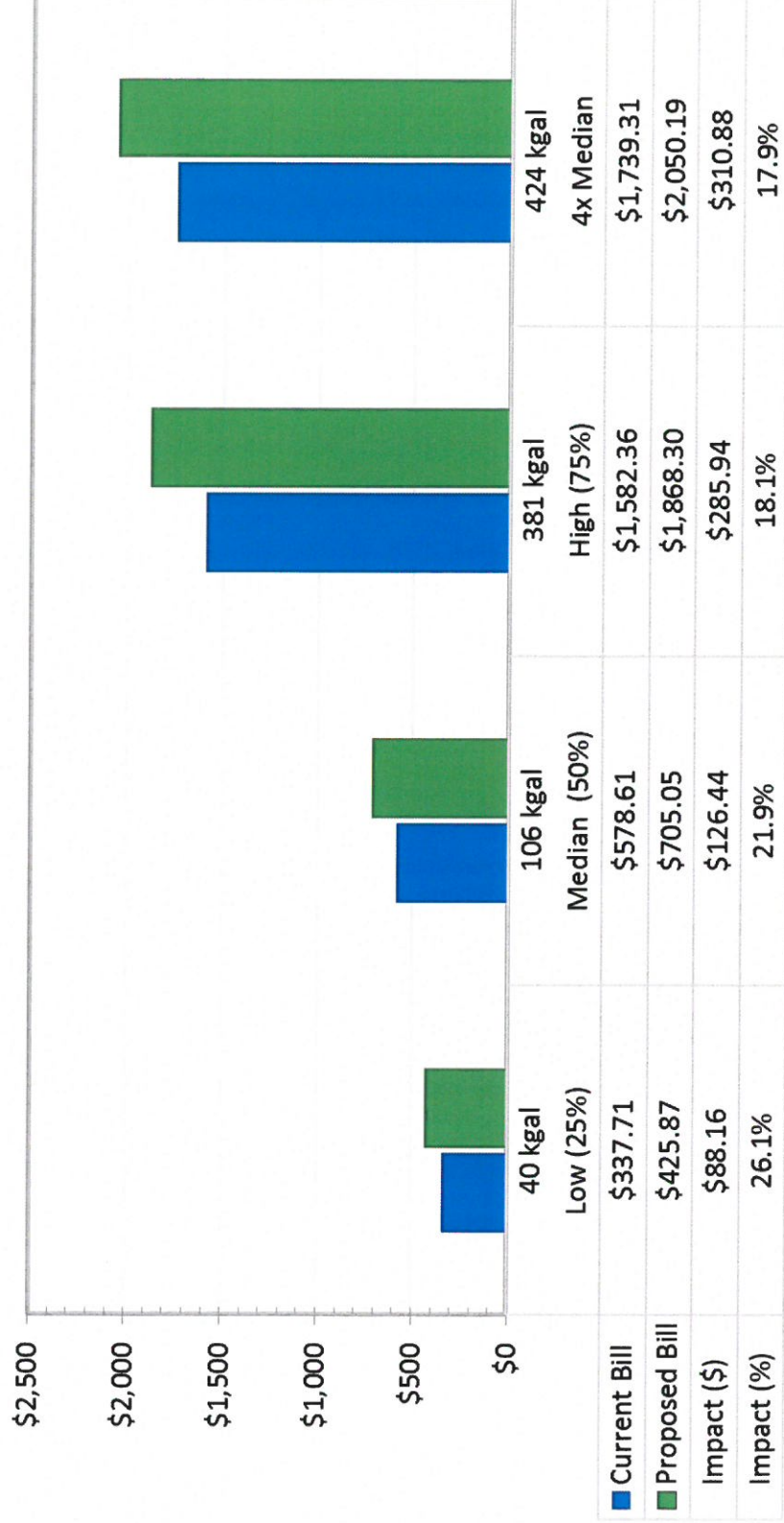


CUSTOMER IMPACT ANALYSIS

AG SAWR (AS) CUSTOMER – 2-INCH METER

Sample Water Bills For Ag (SAWR) Customers

2" meter, 1 DU, excl. pumping charge, eligible for monthly discount



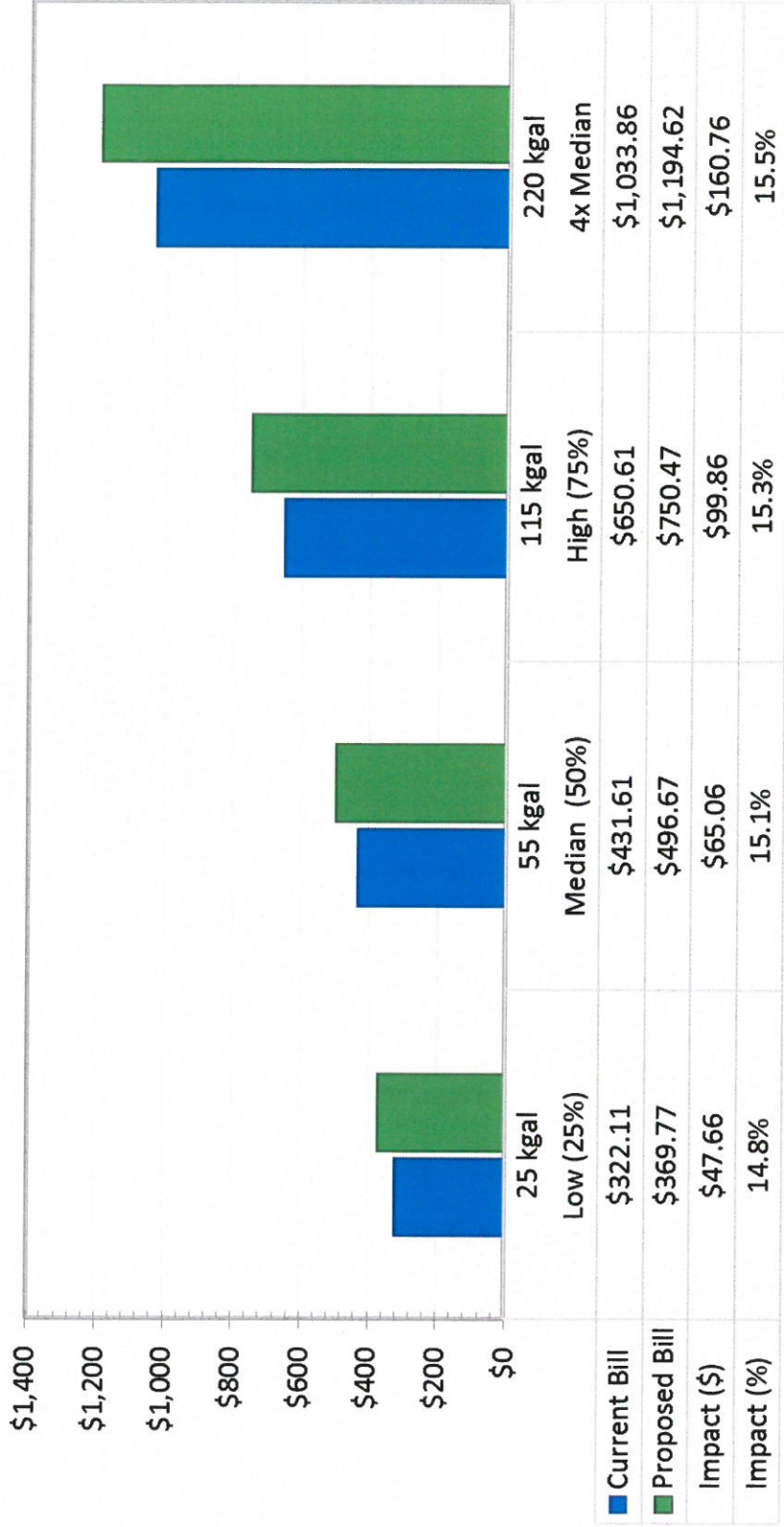


CUSTOMER IMPACT ANALYSIS

AG DOMESTIC SAWR (AT) CUSTOMER – 2-INCH METER

Sample Water Bills For Ag Domestic (SAWR)

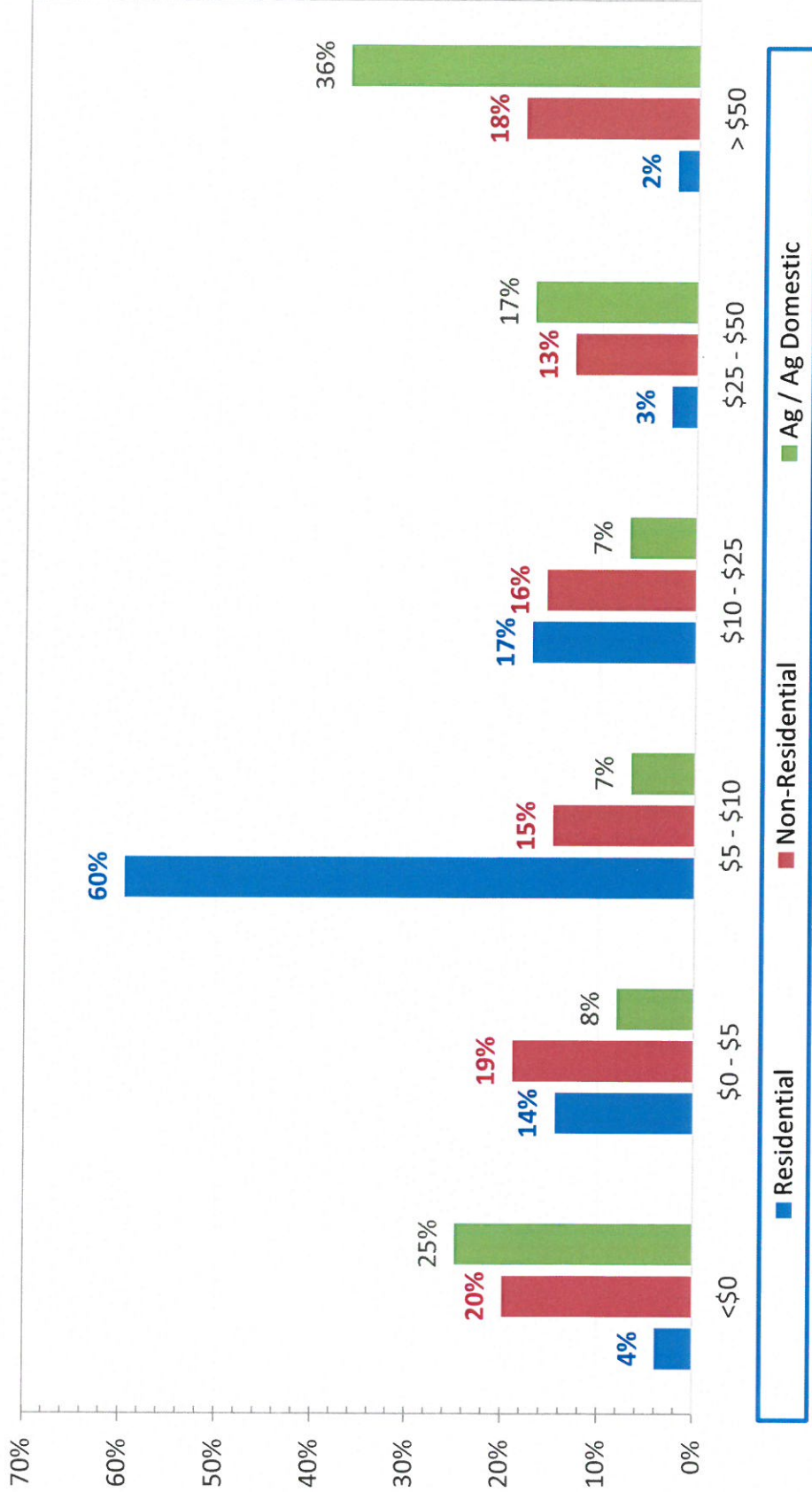
2" meter, 1 DU, excl. pumping charge, eligible for monthly discount





CUSTOMER IMPACT ANALYSIS

Customer Impact Analysis



RW Rate Discussion



RW RATE FRAMEWORK

- RW services pay the same monthly fixed service charges (FSC) as Water services
- RW usage rates recover the residual RW costs after accounting for FSC revenues
 - Property tax allocated to RW fund (\$34,032 in FY 2018) are dedicated to provide discount for non-revenue RW usage and Sport Park & Youth Baseball (SP&YB) for public benefits

	FY 2018	Non-Rev Sales Offset from Property Tax	SP&YB Sales Offset from Property Tax
RW System Costs, excl. Prop Tax Offset	\$1,316,606		
Less FSC Rev	-\$161,326		
Less CalTrans Contract Rev	-\$137,249		
RW Rev Req from RW Rates	\$1,114,677	-\$14,910	-\$19,122
RW Sales (with non-rev sales & Orange Grove rates @1.15 Regular RW)	793 AF	11AF	27AF
RW Unit Rate	\$1,406/AF \$4.32/ kgal	-\$1,406/AF -\$4.32/ kgal	-\$704/AF -\$2.16/kgal



PROPOSED RW RATES

SUBJECT TO CHANGES BASED ON WATER RATES DESIGN

Monthly Fixed Service Charges (FSC) Excluding Monthly Discount = \$5/month						
Meter Size (inch)	Billing & CS	Meters & Services	Capacity	Total FSC	Current FSC	
¾	\$9.54	\$10.75	\$25.04	\$45.33	\$41.59	
1	\$9.54	\$17.91	\$41.73	\$69.18	\$54.12	
1½	\$9.54	\$35.82	\$83.46	\$128.82	\$77.23	
2	\$9.54	\$57.31	\$133.54	\$200.39	\$113.03	
3	\$9.54	\$114.61	\$267.07	\$391.22	\$184.39	
4	\$9.54	\$179.07	\$417.30	\$605.91	\$293.17	
6	\$9.54	\$358.13	\$834.59	\$1,202.26	\$523.95	



PROPOSED RW RATES

SUBJECT TO CHANGES BASED ON WATER RATES DESIGN

Proposed Rates	FY 2018	
	Proposed Rates	Current Rates
Caltrans (Contract)	\$3.51	\$3.51
Orange Groove (Contract)	\$4.97	\$4.55
Sports Park & Youth Baseball (SP&YB)	\$2.16	\$1.66
Non-Contract RW Sales	\$4.32	\$4.43
Non-revenue RW Sales	\$0.00	\$0.00
Potable Irrigation Rates	\$5.79	
Residential Tier 1	\$5.70	
Residential Tier 2	\$5.80	
Potable Irrigation Rates	75%	
Residential Tier 1	76%	
Average Residential Tiers 1 & 2	75%	

Drought Rate Discussion



DROUGHT LEVELS

	No Drought	Level 1	Level 2	Levels 3 & 4
Reduction from FY 2016 Usage	No Reduction	10%	20%	40%
Commercial Ag (CA, CB)	0%	10%	20%	40%
Residential (D, LD, M)	0%	10%	20%	40%
Commercial (C)	0%	10%	20%	40%
Irrigation (I)	0%	10%	20%	40%
Government (G)	0%	10%	20%	40%

- Ag (SAWR) and Ag Domestic (SAWR) have annual allocation set up by CWA, thus their usage is not included in the Drought Rate analysis
- Reduction is assumed to occur in upper tiers (Tier 3) first to meet Drought Stage reductions



DROUGHT STAGES REDUCTION GOALS

	No Drought	Level 1	Level 2	Levels 3 & 4
Reduction from FY 2016 Usage	No Reduction	10%	20%	40%
Commercial Ag (CA, CB)	0 kgal	25,058 kgal	50,116 kgal	100,233 kgal
Residential (D, LD, M)	0 kgal	138,132 kgal	276,263 kgal	552,526 kgal
Commercial (C)	0 kgal	14,638 kgal	29,276 kgal	58,552 kgal
Irrigation (I)	0 kgal	348 kgal	696 kgal	1,393 kgal
Government (G)	0 kgal	3,572 kgal	7,144 kgal	14,289 kgal
Total Reduction Goals	0 kgal	181,748 kgal	363,497 kgal	726,993 kgal



PRELIMINARY DROUGHT RATES

Drought Levels	No Drought	Level 1	Level 2	Levels 3 & 4
Reduction Goals	No Reduction	10%	20%	40%
1 Projected Revenue Loss	\$0	\$1,182,476	\$2,227,581	\$4,289,613
2 Projected Water Cost Savings	\$0	\$716,002	\$1,432,004	\$2,864,007
3 Projected Net Revenue Loss [1] – [2]	\$0	\$466,475	\$795,577	\$1,425,606
4 Base Revenues from Residual Usage	\$10,439,190	\$9,256,714	\$8,211,609	\$6,149,577
5 Drought Rates as % of Water Usage Rates [3]/[4]	0%	5.0%	9.7%	23.2%



PRELIMINARY FY 2018 DROUGHT RATES

Drought Levels	FY 2018 Base Rates			
	Level 1	Level 2	Levels 3 & 4	Reduction Goals
Commercial Ag (CA)	\$0.25	\$0.48	\$1.14	40%
Commercial Ag Domestic (CB)				
Tier 1	\$0.29	\$0.56	\$1.33	
Tier 2	\$0.25	\$0.48	\$1.14	
Residential (D, LD, M)				
Tier 1	\$0.29	\$0.56	\$1.33	
Tier 2	\$0.30	\$0.57	\$1.35	
Tier 3	\$0.36	\$0.69	\$1.64	
Non-Residential (C,I,G)				
Commercial (C)	\$0.30	\$0.57	\$1.37	
Irrigation Only (I)	\$0.30	\$0.57	\$1.35	
Government (G)	\$0.30	\$0.58	\$1.37	



THANK YOU

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