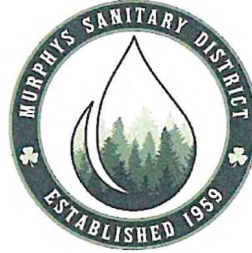


MURPHYS SANITARY DISTRICT

"Dedicated to providing a safe wastewater collection and treatment service at fair and reasonable rates for the community of Murphys, preserving and protecting our environment for future generations."

Finance Committee Meeting
Wednesday, May 24, 2024
10:00 a.m.



MSD District Office
15 Ernest Street, Suite A
Murphys, CA 95247

AGENDA

Finance meetings are open to the public and the following alternative is available for those who wish to participate in the meeting virtually:

Microsoft Teams [Need help?](#)

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Meeting ID: 290 541 709 020

Passcode: 6WVGdy

Dial in by phone

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[Find a local number](#)

Phone conference ID: 415 179 113#

CALL MEETING TO ORDER/PLEDGE OF ALLEGIANCE

1. **Roll Call**
2. **Public Comment**-*(Limit 5 minutes per person) on items not appearing on agenda. At this time, members of the public may address the Board on any non-agendized item. The public is encouraged to work through staff to place items on the agenda for Board consideration. No action can be taken on matters not listed on the agenda.*
3. **New Business**
The Committee may consider the items below for recommendation to the Board of Directors in a public meeting. Public comment is allowed on each individual agenda item listed below.
 - a) Review/Discuss Rate Study Presentation
4. **Director/Staff Comments**
5. **Next Finance Committee Meeting: June 20, 2024 at 10am**
6. **Adjournment**

2023/2024 BOARD OF DIRECTORS

Paige McMath-Jue, President | Steve Gonzales, Vice President | Marty Mollera, Secretary
Joseph Fontana, Treasurer | Bruce Miller, Parliamentarian

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In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the **Murphys Sanitary District at 209-728-3094**. Notification in advance of the meeting will enable MSD to make reasonable arrangements to ensure accessibility to this meeting. Any documents that are made available to the Board before or at the meeting, not privileged or otherwise protected from disclosure, and related to agenda items, will be made available at MSD for review by the public.

2023/2024 BOARD OF DIRECTORS

Paige McMath-Jue, President | Steve Gonzales, Vice President | Marty Meller, Secretary
Joseph Fontana, Treasurer | Bruce Miller, Parliamentarian

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HEC Key Tables for Murphys Sanitary District used to generate rate study slides presented to the Board May 9, 2024

Table 1 – Projected Revenue Requirement

Table 2 – Historical and Budgeted FY2024 Income and Expenses

Table 3 – Historical Average Annual Cost Increase by Category

Table 4 – Historical Financial Audits Information

Table 5 – Capital Improvements Plan

Table 6 – System Rehabilitation Costs

Table 7 – Existing Debt Information

Table 8 – Estimated WWTP Phase 2 Improvements Debt

Table 9 -Projected District Cash Flow

Table 10 – Cash and Cash Equivalents Starting FY 2024

Table 1 – Projected Revenue Requirement

Expenses and Revenues	Annual Increase	FY 2024 Budget	FY 2025 Yr 1	FY 2026 Yr 2	FY 2027 Yr 3	FY 2028 Yr 4	FY 2029 Yr 5	FY 2030 Yr 6
Operating Expenses								
Personnel	6.5%	\$611,870	\$651,640	\$694,000	\$739,110	\$787,150	\$838,310	\$892,800
Utilities	10.0%	\$79,500	\$87,450	\$96,200	\$105,820	\$116,400	\$128,040	\$140,840
Operations & Repairs	6.0%	\$104,100	\$110,350	\$116,970	\$123,990	\$131,430	\$139,320	\$147,680
Licenses & Permits	5.0%	\$41,300	\$43,370	\$45,540	\$47,820	\$50,210	\$52,720	\$55,360
Insurance	10.0%	\$35,000	\$38,500	\$42,350	\$46,590	\$51,250	\$56,380	\$62,020
Professional Services	3.5%	\$29,700	\$30,740	\$31,820	\$32,930	\$34,080	\$35,270	\$36,500
Administrative Costs	3.0%	\$48,710	\$50,170	\$51,680	\$53,230	\$54,830	\$56,470	\$58,160
Total Operating Expenses		\$950,180	\$1,012,220	\$1,078,560	\$1,149,490	\$1,225,350	\$1,306,510	\$1,393,360
Capital Activities								
Cash-Funded CIP		\$758,500	\$328,400	\$270,500	\$354,400	\$321,200	\$352,900	\$367,100
System Rehabilitation		\$0	\$187,000	\$189,500	\$193,000	\$196,000	\$199,000	\$202,500
Total Capital Activities		\$758,500	\$515,400	\$460,000	\$547,400	\$517,200	\$551,900	\$569,600
Debt								
Debt Service (SRF Loan)		\$43,670	\$43,670	\$43,670	\$43,670	\$43,670	\$43,670	\$43,670
Potential Debt WWTP Phase 2						\$240,430	\$240,430	\$240,430
Total Debt		\$43,670	\$43,670	\$43,670	\$43,670	\$284,100	\$284,100	\$284,100
Total Annual Costs		\$1,752,350	\$1,571,290	\$1,582,230	\$1,740,560	\$2,026,650	\$2,142,510	\$2,247,060
Credits								
Property Taxes	2.0%	\$150,000	\$153,000	\$156,060	\$159,180	\$162,360	\$165,610	\$168,920
Investment Income	0.0%	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Miscellaneous	0.0%	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total Credits		\$205,000	\$208,000	\$211,060	\$214,180	\$217,360	\$220,610	\$223,920
Revenue Requirement		\$1,547,350	\$1,363,290	\$1,371,170	\$1,526,380	\$1,809,290	\$1,921,900	\$2,023,140
Estimated FY24 Rate Revenue		\$894,950	\$894,950	\$894,950	\$894,950	\$894,950	\$894,950	\$894,950
Funding Gap		(\$652,400)	(\$468,340)	(\$476,220)	(\$631,430)	(\$914,340)	(\$1,026,950)	(\$1,128,190)

Source: District financial records and HEC May 2024.

rev req

Notes:

- FY 2024 budgeted expenses are shown in Table 2.
- Overall, the operating expenses are projected to increase about 6.5% each year. Historically they have increased 9.9% each year (see Table 3).
- CIP cost estimates are included in Table 5.
- System rehabilitation costs are estimated in Table 6.
- Debt tables shown in Tables 7 & 8.
- Historical other revenue sources (credits) shown in Table 4.
- Property tax increase is conservative at 2% (historical avg. is 5.7%) per year.
- Due to volatility of markets and miscellaneous revenues, the investment income and miscellaneous revenues are assumed to remain constant.

Table 2 – Historical and Budgeted FY2024 Income and Expenses

Income and Expenses	Actual				Estimated FY 2023	Budgeted FY 2024
	FY 2019	FY 2020	FY 2021	FY 2022		
Income						
Miscellaneous Income	\$169,500	\$198,956	\$215,990	\$467,426	\$197,000	\$240,700
Monthly Billing	\$867,586	\$866,608	\$865,202	\$879,944	\$896,108	\$894,954
Total Income	\$1,037,086	\$1,065,565	\$1,081,193	\$1,347,371	\$1,093,108	\$1,135,654
Operating Expense						
Personnel						
Wages	\$284,613	\$305,395	\$327,561	\$341,781	\$371,573	\$364,040
Employee Benefits	\$124,267	\$137,633	\$148,371	\$111,590	\$174,186	\$192,607
Workers' Compensation	\$559	\$28,805	\$19,853	\$28,359	\$16,125	\$16,723
Payroll Taxes	\$25,516	\$27,105	\$28,925	\$37,268	\$33,600	\$38,500
Administrative						
Advertising	\$0	\$1,834	\$0	\$396	\$950	\$1,250
Utilities	\$3,864	\$4,155	\$4,178	\$5,899	\$8,800	\$8,700
Engineering	\$7,777	\$1,485	\$855	\$12,573	\$5,000	\$5,000
Rents - Leases	\$7,860	\$8,520	\$8,520	\$5,487	\$720	\$720
Supplies	\$9,111	\$7,964	\$15,637	\$11,932	\$12,567	\$11,100
Insurance	\$0	\$19,610	\$54,123	\$639	\$29,812	\$35,000
Other	\$14,415	\$17,201	\$15,452	\$28,512	\$24,427	\$21,940
Professional	\$17,801	\$18,841	\$18,394	\$20,822	\$22,868	\$29,700
Licenses & Permits	\$25,508	\$29,525	\$30,385	\$34,820	\$37,267	\$41,300
Operating						
Maintenance & Repairs (minor)	\$9,927	\$34,590	(\$634)	\$9,412	\$11,000	\$13,500
Other	\$25,401	\$41,820	\$25,799	\$29,851	\$34,273	\$34,250
Supplies	\$29,182	\$40,105	\$36,214	\$35,086	\$51,621	\$56,350
Utilities	\$35,348	\$30,517	\$39,740	\$44,986	\$72,208	\$79,500
Total Expense	\$621,148	\$755,103	\$773,374	\$759,411	\$906,997	\$950,180
Capital						
Debt Service	\$0	\$0	\$0	\$0	\$43,670	\$43,670
Net Revenues	\$415,938	\$310,462	\$307,819	\$587,959	\$142,441	\$141,804

Source: District financial records.

hist

Table 3 – Historical Average Annual Cost Increase by Category

Operating Cost	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	2019 - 2023 Change	Avg. Annual %
Personnel	\$434,955	\$498,937	\$524,711	\$518,997	\$595,484	\$160,529	8.2%
Utilities	\$35,348	\$30,517	\$39,740	\$44,986	\$72,208	\$36,860	19.6%
Operations & Repairs	\$64,510	\$116,514	\$61,379	\$74,349	\$96,894	\$32,384	10.7%
Licenses & Permits	\$25,508	\$29,525	\$30,385	\$34,820	\$37,267	\$11,759	9.9%
Insurance	\$0	\$19,610	\$54,123	\$639	\$29,812	\$29,812	n.a.
Professional Services	\$17,801	\$18,841	\$18,394	\$20,822	\$22,868	\$5,067	6.5%
Administrative Costs	\$43,027	\$41,158	\$44,642	\$64,798	\$52,464	\$9,437	5.1%
Total Operating Expenses	\$621,148	\$755,103	\$773,374	\$759,411	\$906,997	\$285,849	9.9%
			June Index				
San Francisco ENR CCI	12,354	13,023	13,459	15,356	15,367	3,013	5.6%
West Region CPI	271	274	288	313	324	53	4.6%

Source: Bureau of Labor Statistics, Engineering News Record, and District financial records.

cpi

Table 4 – Historical Financial Audits Information

Revenues and Expenses	Fiscal Year Ending				
	2019	2020	2021	2022	2023
Revenue					
Service Charges	\$867,586	\$866,608	\$865,202	\$879,944	\$898,922
Connection Fees	\$0	\$0	\$0	\$309,500	\$60,000
Property Taxes	\$119,536	\$128,856	\$131,370	\$135,026	\$149,306
Investment Income	\$38,070	\$47,238	\$1,536	\$10,181	\$57,249
Interest Expense	\$0	\$0	(\$2,103)	(\$18,029)	(\$17,561)
Other Income	\$11,893	\$37,733	\$68,910	\$12,720	\$16,585
Total Revenue	\$1,037,085	\$1,080,435	\$1,064,915	\$1,329,342	\$1,164,501
Expense					
Salaries & Wages	\$309,754	\$332,500	\$356,486	\$379,049	\$409,500
Employee Benefits	\$124,267	\$166,438	\$168,225	\$139,949	\$324,122
Professional Services	\$25,578	\$20,426	\$19,249	\$33,480	\$25,462
Operating Supplies	\$21,923	\$37,595	\$34,405	\$33,078	\$34,947
Permits	\$25,508	\$29,525	\$30,385	\$34,820	\$38,206
Repairs & Maintenance	\$18,762	\$46,663	\$1,911	\$11,262	\$123,708
Monitoring	\$19,129	\$35,342	\$23,210	\$29,851	\$38,365
Office	\$24,008	\$21,322	\$30,233	\$20,237	\$17,701
Utilities	\$31,291	\$26,647	\$34,787	\$40,078	\$84,926
Insurance	\$559	\$19,610	\$54,123	\$639	\$29,812
Transportation	\$6,331	\$8,357	\$0	\$0	\$0
Communications	\$9,988	\$10,314	\$11,719	\$11,889	\$14,410
Memberships & Publications	\$12,509	\$12,535	\$10,579	\$8,993	\$13,461
Total Expense	\$629,607	\$767,274	\$775,312	\$743,325	\$1,154,620
Net Revenues (excl. capital activity)	\$407,478	\$313,161	\$289,603	\$586,017	\$9,881
Depreciation	\$138,619	\$150,940	\$136,818	\$268,159	\$278,905
Change in Net Position	\$268,859	\$162,221	\$152,785	\$317,858	(\$269,024)
Net Revenues	\$407,478	\$313,161	\$289,603	\$586,017	\$9,881
Adjustments to Reconcile Op. Income (Loss)	\$32,857	\$11,915	(\$586,327)	(\$232,086)	\$168,972
Remove Interest	(\$38,070)	(\$47,238)	\$567	\$7,848	(\$39,688)
Net Revenues with Adjustments	\$402,265	\$277,838	(\$296,157)	\$361,779	\$139,165
Capital					
Capital Grants	\$250,622	\$160,009	\$4,481,345	\$134,963	\$0
Acquisition of Assets	(\$743,713)	(\$747,767)	(\$3,416,429)	(\$426,021)	(\$39,196)
Debt Service	(\$8,875)	\$0	\$0	(\$43,671)	(\$43,670)
Capital Costs (Income)	(\$501,966)	(\$587,758)	\$1,064,916	(\$334,729)	(\$82,866)
Investing Activities	\$36,612	\$47,238	\$8,536	\$7,677	\$60,865
Net Income	(\$63,089)	(\$262,682)	\$777,295	\$34,727	\$117,164
Cash & Investments					
Beginning of Year	\$1,895,206	\$1,832,117	\$1,569,435	\$2,346,730	\$2,381,457
End of Year	\$1,832,117	\$1,569,435	\$2,346,730	\$2,381,457	\$2,498,620
Change in Cash	(\$63,089)	(\$262,682)	\$777,295	\$34,727	\$117,163

Source: District audited comprehensive financial records.

audits

Table 5 – Capital Improvements Plan

Project	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
General Components	\$153,500	\$39,700	\$30,000	\$50,000	\$35,000	\$40,000	\$40,000
Pipe Replacement Projects	\$215,000	\$276,000	\$220,000	\$265,000	\$239,450	\$250,000	\$250,000
WWTP Upgrade II-Planning	\$390,000						
Total CIP	\$758,500	\$315,700	\$250,000	\$315,000	\$274,450	\$290,000	\$290,000
<i>Inflation Factor ---></i>		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
General Components	\$153,500	\$41,300	\$32,500	\$56,300	\$41,000	\$48,700	\$50,700
Pipe Replacement Projects	\$215,000	\$287,100	\$238,000	\$298,100	\$280,200	\$304,200	\$316,400
WWTP Upgrade II-Planning	\$390,000	\$0	\$0	\$0	\$0	\$0	\$0
Total CIP (Inflated \$'s)	\$758,500	\$328,400	\$270,500	\$354,400	\$321,200	\$352,900	\$367,100

Source: District staff April 2024.

cip

Notes:

- The green background in this table donates numbers not provided by District staff. These numbers were assumed by HEC for the model.

Table 6 – System Rehabilitation Costs

Item	Avg. Life	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Current Depreciation		\$279,000	\$279,000	\$279,000	\$279,000	\$279,000	\$279,000	\$279,000
New Assets	years							
General Components	20	\$8,000	\$10,000	\$12,000	\$15,000	\$17,000	\$19,000	\$22,000
Pipe Replacement Projects	80	\$3,000	\$7,000	\$10,000	\$14,000	\$18,000	\$22,000	\$26,000
WWTP Upgrade II-Planning	5	\$78,000	\$78,000	\$78,000	\$78,000	\$78,000	\$78,000	\$78,000
Total New Assets		\$89,000	\$95,000	\$100,000	\$107,000	\$113,000	\$119,000	\$126,000
Total Depreciation		\$368,000	\$374,000	\$379,000	\$386,000	\$392,000	\$398,000	\$405,000
Depreciation in Rates		50%	50%	50%	50%	50%	50%	50%
System Rehabilitation Collection		\$184,000	\$187,000	\$189,500	\$193,000	\$196,000	\$199,000	\$202,500

Source: District depreciation records for FY2023, and District CIP.

depr

Notes:

- 50% of estimated depreciation is included in the rates model.

Table 7 – Existing Debt Information

Description	Item
Loan Amount	\$1,005,504
Annual Debt Service [1]	\$43,670
Interest	\$304,610
Total Payments	\$1,310,114
Terms:	
Interest Rate	1.80%
Repayment (years)	30

Source: State Water Resources Control Board.

srf1

[1] Last payment April 30, 2051.

Table 8 – Estimated WWTP Phase 2 Improvements Debt

Description	Item
Estimated Project Cost	\$5,100,000
Annual Debt Service	\$240,429
Interest	\$2,112,861
Total Payments	\$7,212,861
Terms:	
Interest Rate	2.40%
Repayment (years)	30

Source: Murphys SD project cost estimate, and
HEC May 2024. ph2

Table 9 -Projected District Cash Flow

Revenues & Expenses	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
Revenues							
Monthly Billing	\$894,950	\$1,450,000	\$1,510,000	\$1,570,000	\$1,630,000	\$1,690,000	\$1,750,000
Property Taxes	\$150,000	\$153,000	\$156,060	\$159,180	\$162,360	\$165,610	\$168,920
Investment Income	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Miscellaneous	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Total Revenues	\$1,099,950	\$1,658,000	\$1,721,060	\$1,784,180	\$1,847,360	\$1,910,610	\$1,973,920
Operating Expenses	\$950,180	\$1,012,220	\$1,078,560	\$1,149,490	\$1,225,350	\$1,306,510	\$1,393,360
Net Revenues	\$149,770	\$645,780	\$642,500	\$634,690	\$622,010	\$604,100	\$580,560
Debt Service	\$43,670	\$43,670	\$43,670	\$43,670	\$284,100	\$284,100	\$284,100
<i>Debt Coverage [1]</i>	3.43	14.79	14.71	14.53	2.19	2.13	2.04
Net Income	\$106,100	\$602,110	\$598,830	\$591,020	\$337,910	\$320,000	\$296,460
Beginning Balance	2,498,620	\$1,866,220	\$2,159,930	\$2,108,260	\$2,764,880	\$2,801,590	\$2,788,690
Net Income	\$106,100	\$602,110	\$598,830	\$591,020	\$337,910	\$320,000	\$296,460
Connection Fees [2]	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Cash-Funded CIP	(\$758,500)	(\$328,400)	(\$270,500)	(\$354,400)	(\$321,200)	(\$352,900)	(\$367,100)
WWTP Phase 2	\$0	\$0	(\$2,000,000)	(\$3,100,000)	\$0	\$0	\$0
SRF Proceeds for WWTP Ph2	\$0	\$0	\$1,600,000	\$3,500,000	\$0	\$0	\$0
Ending Balance	\$1,866,220	\$2,159,930	\$2,108,260	\$2,764,880	\$2,801,590	\$2,788,690	\$2,738,050
Restricted	\$43,670	\$43,670	\$43,670	\$284,100	\$284,100	\$284,100	\$284,100
Unrestricted Balance	\$1,822,549	\$2,116,260	\$2,064,590	\$2,480,780	\$2,517,490	\$2,504,590	\$2,453,950
Operating Reserves	\$237,550	\$253,060	\$269,640	\$287,380	\$306,340	\$326,630	\$348,340
Capital & Equip. Reserves	\$1,500,000	\$1,537,000	\$1,566,500	\$1,589,500	\$1,605,500	\$1,614,500	\$1,617,000
Emergency Reserves		\$150,000	\$160,000	\$170,000	\$180,000	\$190,000	\$200,000
Minimum Reserves	\$1,737,550	\$1,940,060	\$1,996,140	\$2,046,880	\$2,091,840	\$2,131,130	\$2,165,340

Source: Murphys SD Financials, and HEC May 2024.

flow

[1] SRF - Net revenues must be at least 110% of the maximum annual debt service of all outstanding system obligations so long as obligations other than the SRF obligation are outstanding.

[2] Assumes two new homes each year.

Table 10 – Cash and Cash Equivalents Starting FY 2024

Current Assets	FY Ending 2023
Checking/Savings	
Operating Fund	\$117,279
Cash Drawer	\$170
District Investments	
Mark to mkt adjustment	\$17,105
CA Class Discretionary	\$629,000
CA Class Equip R&R	\$419,000
LAIF 2.71%	\$48,066
UBS T-Bill #1 11/09/2023 4.98%	\$200,000
UBS T-Bill #2 12/21/2023 5.29%	\$200,000
UBS T-Bill #3 07/13/2023 4.67%	\$200,000
UBS T-Bill #4 08/17/2023 4.849%	\$200,000
UBS T-Bill #5 09/23/2023 5.20%	\$200,000
UBS CD 06/21/2024 5.36%	\$44,000
UBS CD 05/30/2024 5.25%	\$224,000
Total Cash & Cash Equivalents for Cash Flow	\$2,498,621

Source: District financial records.

cash

Wastewater Rate Study Financial Analysis & Proposition 218

All figures are DRAFT

MURPHYS SANITARY DISTRICT

Board Meeting

May 9, 2024

What is a Rate Study and what are Best Practices?

What is the Purpose of a Rate Study?

- Calculate the amount of money that must be collected from monthly customer bills to support the utility's costs
- Ensure adequate reserves
- Evaluate rate design
- Demonstrate Cost of Service (Proposition 218)

Proposition 218 Requirements

1. Revenues from the fee shall not exceed funds required to provide the service.
2. Revenues from the fee shall not be used for any purpose other than that for which it was imposed.
3. The amount of the fee imposed as an incident of property ownership shall not exceed the proportional cost of service to the parcel.
4. No fee may be imposed for service unless the service is used OR is immediately available to the parcel.
5. No fee may be imposed for general governmental services (such as police, fire, library) where the service is available to the public at large in much the same manner as to the parcels charged the fee.

Specific Objectives

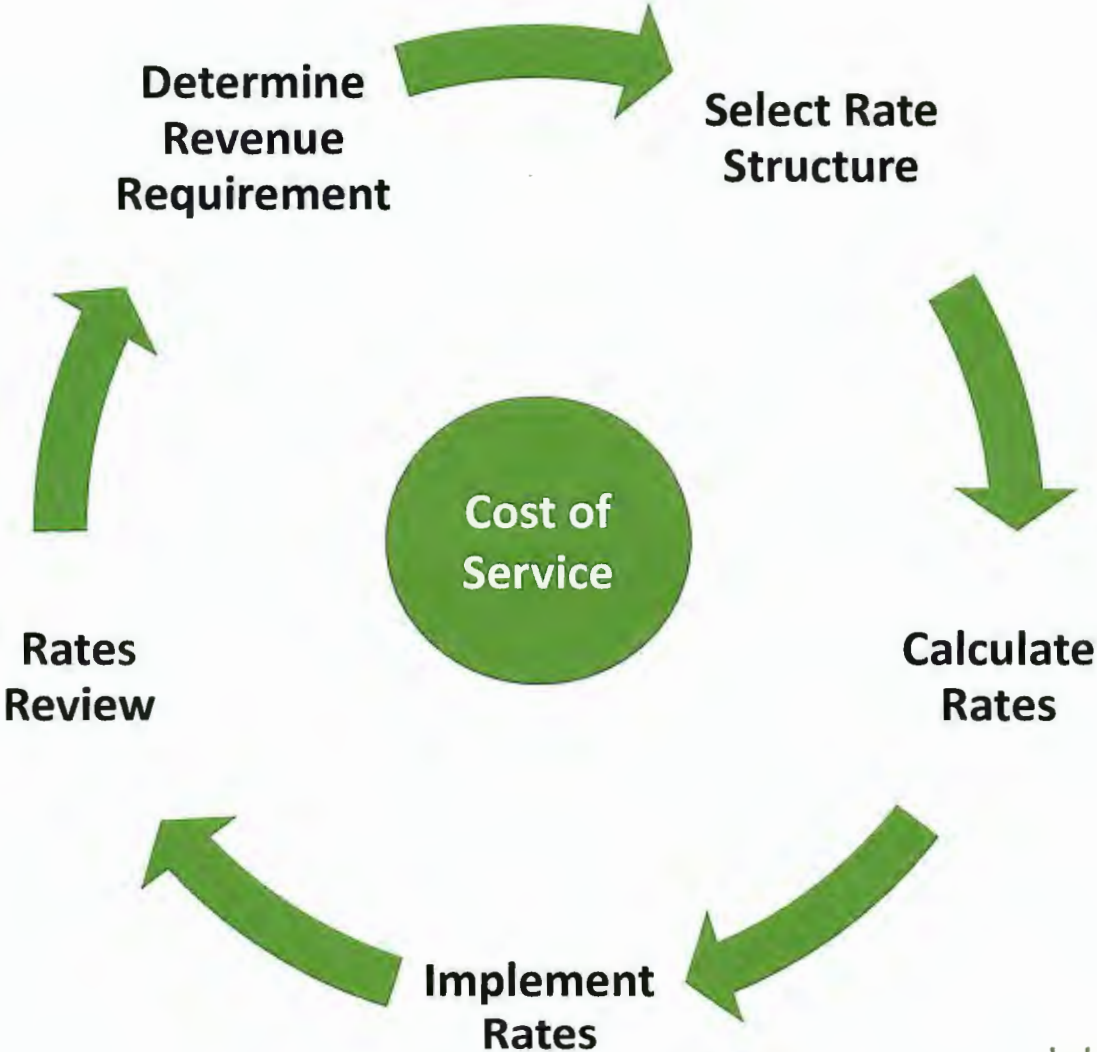
- **Revenue Sufficiency** – to operate the wastewater system for the next 5 years, disposing of wastewater safely while meeting all regulatory requirements, for the residents and businesses in Murphys
- **Fund the CIP** – create adequate revenue for funding of capital improvements projects (CIP)
- **Ensure Adequate Reserves** – to ensure sufficient cash flow and to provide funds for the unknown and emergencies (for example natural hazards)
- **Fulfill Financial Agreement Obligations** – Meet State SRF loan restricted cash and debt service coverage requirements

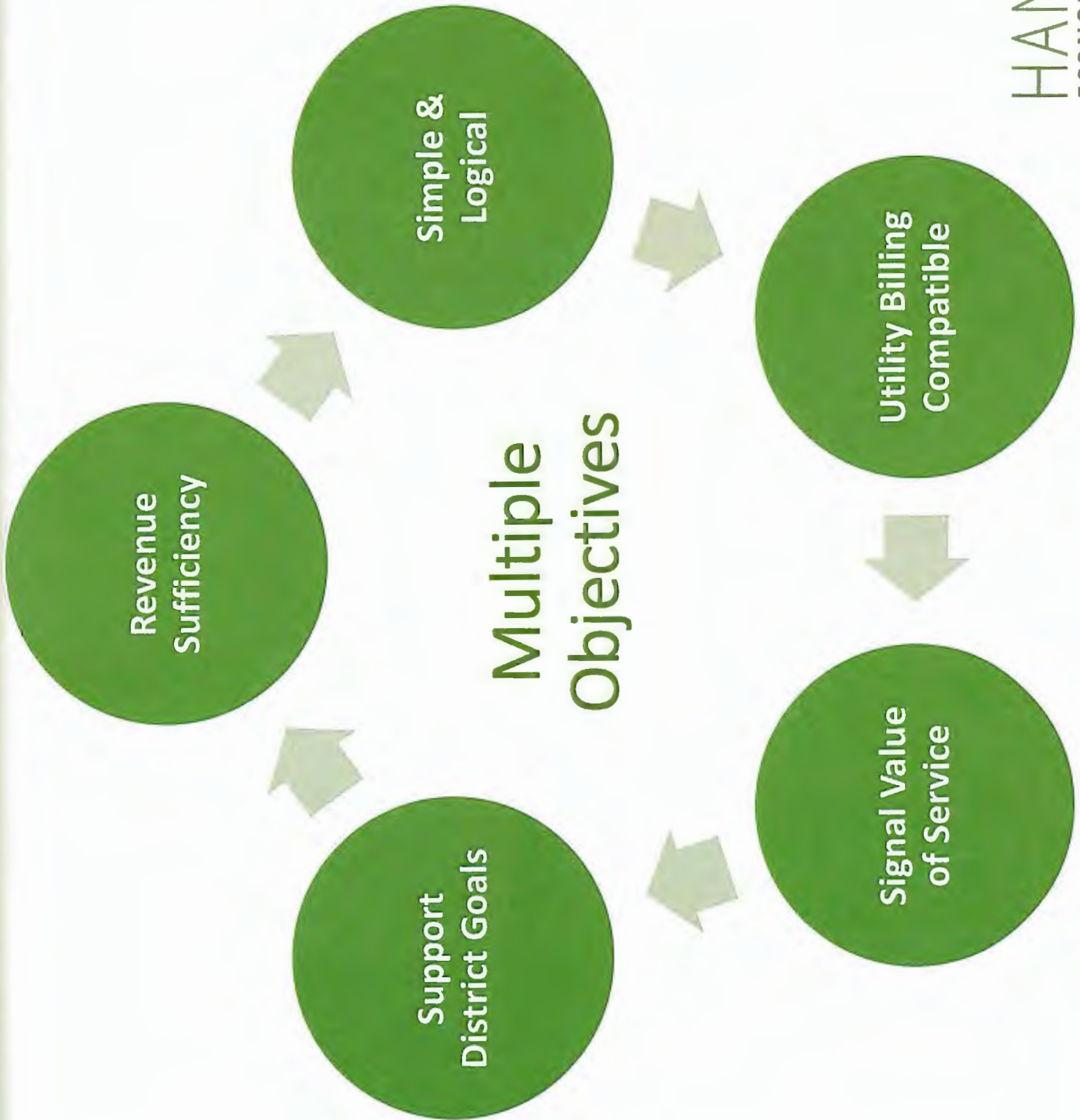
- Self-sufficient Enterprise Fund
- Review Rates every 5 years for equitable cost recovery
- Collect for system rehabilitation
- Meet financial criteria (reserves, bond covenants)
- Educate on value of service



Best Practice	Murphy's Sanitary District
Rate study every 5 years for equitable cost recovery	Last rate study conducted in 2016 but not adopted; last rate increase Nov. 2009
Collect for system rehabilitation	The District is not currently collecting any revenue for system rehabilitation
Educate about the utility system and value of service	The District uses bill inserts and a quarterly newsletter to communicate with customers
Meet financial criteria	The District has had a loan with SRF since 2018; it meets the bond covenants. The District is developing reserve policies.
Self-sufficient business activity	Net income has been positive the past 3 years but is anticipated to be negative FY24.

Rate Setting Process



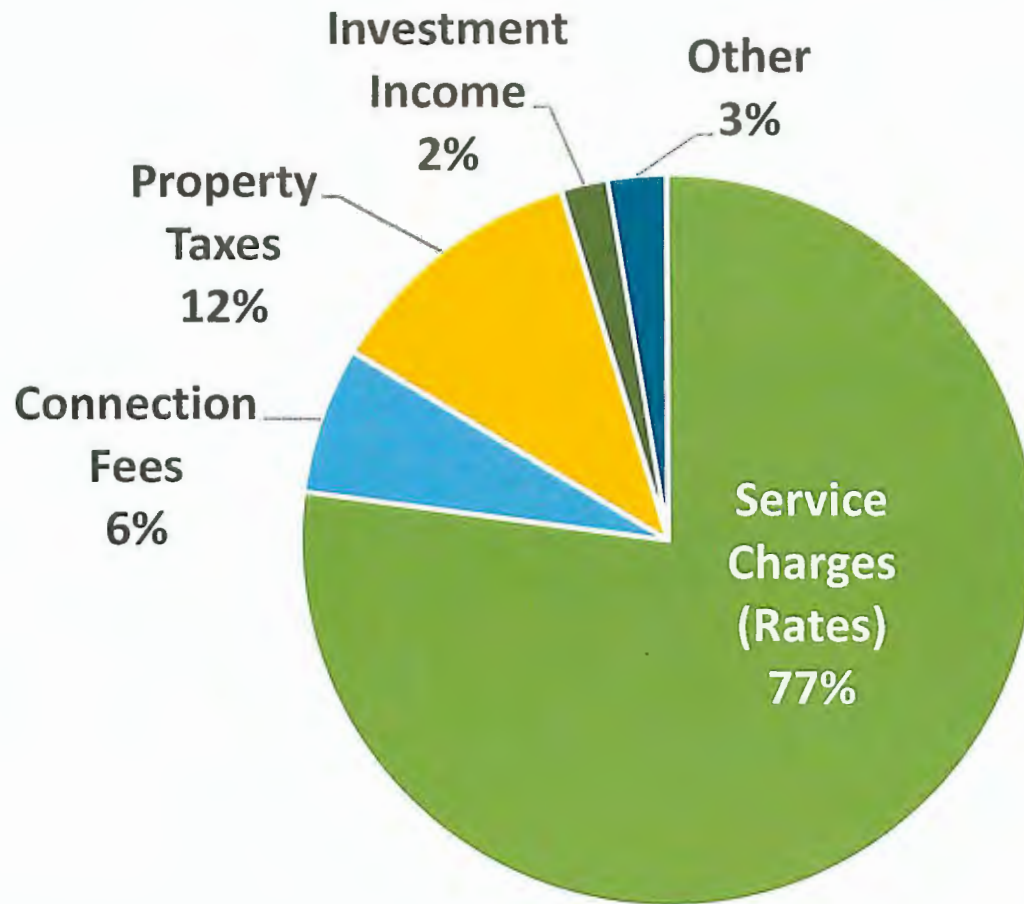


Paying for the Wastewater System

District runs a 'Business-Type Activity'



Revenue Sources



Revenue Requirement



Determine funding needed to meet financial needs

- Operations & Maintenance
- Capital Improvements
- System Rehabilitation
- Debt Service
- Prudent Reserves

Operations & Capital Costs

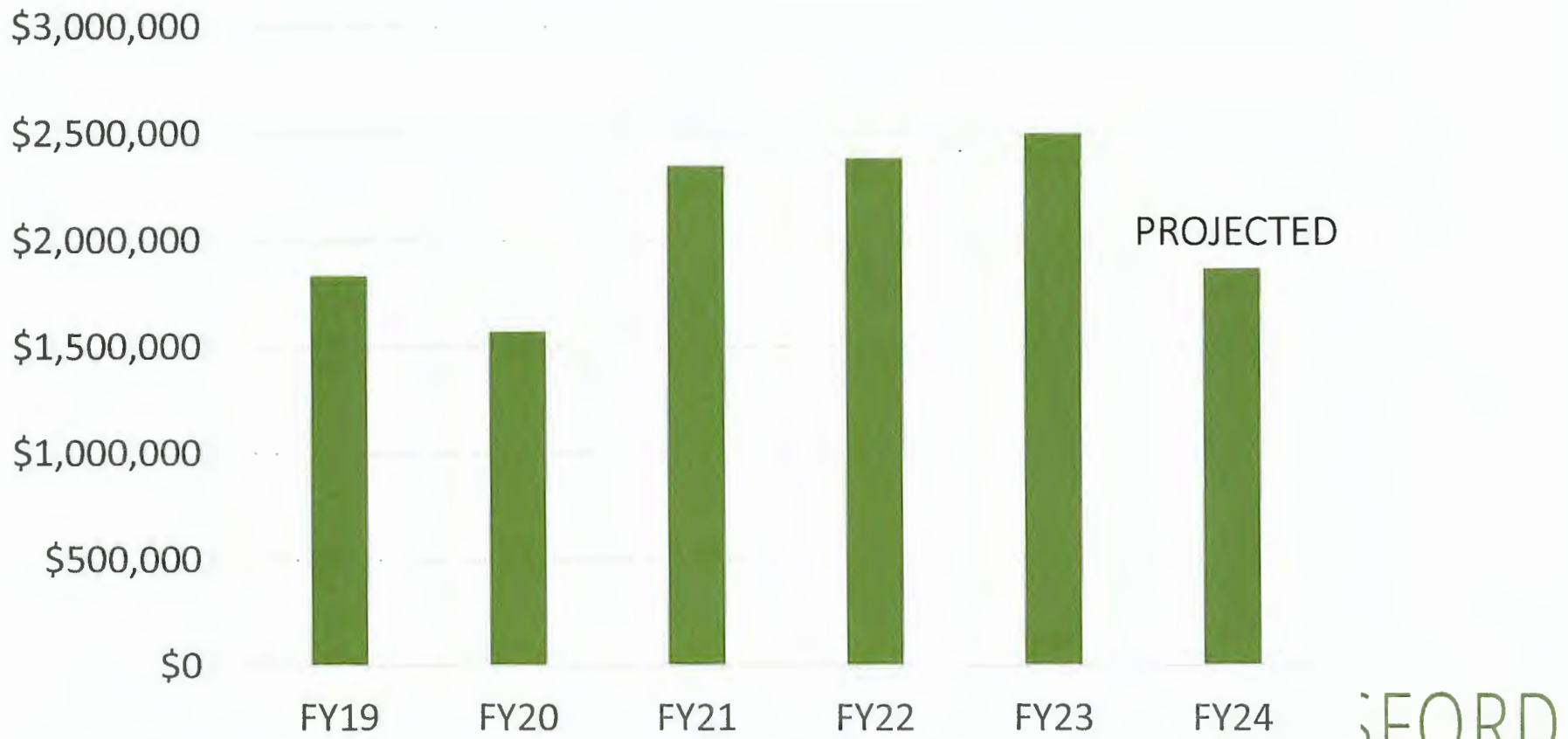
- Operating costs paid for with rates, property taxes, investment income, and miscellaneous other
- Capital costs paid for with combination of rates, connection fees, investment income, and loans/grants
 - Rates pay for rehabilitation or replacement of assets providing capacity to service existing customers
 - Connection fees pay for increased capacity in rehabilitated assets and new assets to service new customers

Wastewater Fund Historical Net Income

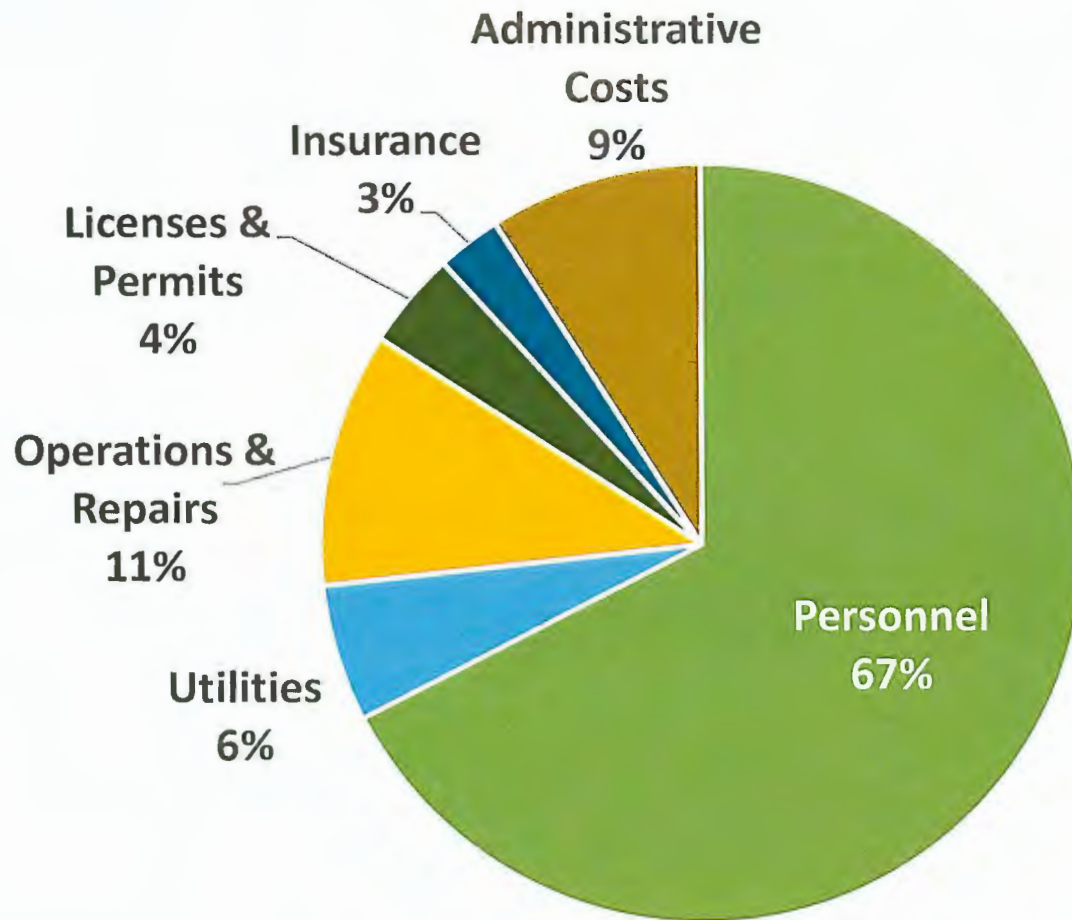


Historical Cash Balances

Wastewater funds are subject to large cash outflows for capital projects and must maintain strong reserves for repair/rehabilitation and potential emergency events



Wastewater Fund Operating Expenses



Five –Year Capital Improvement Program

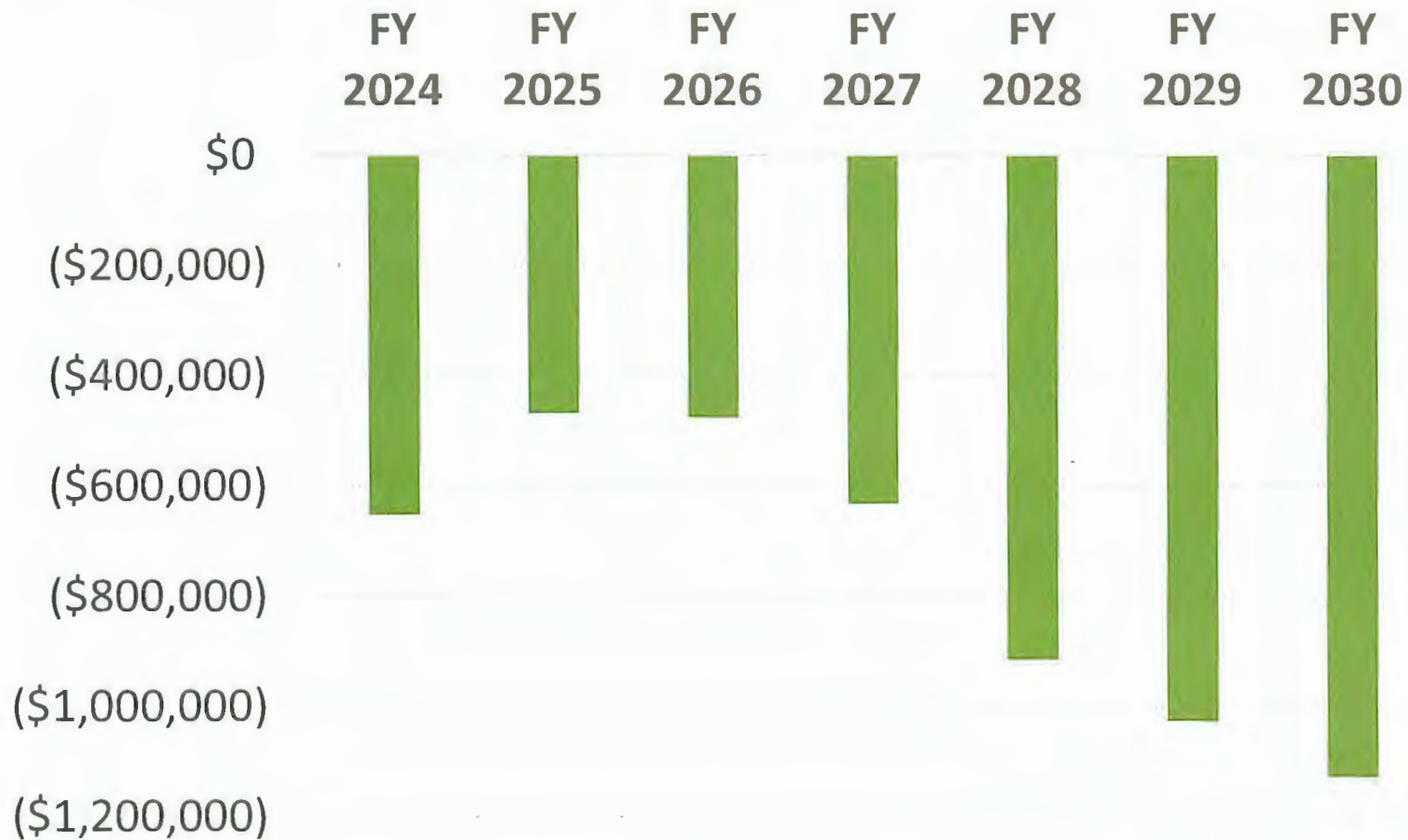
Project Type	Estimated Cost	
	Current \$	Inflated \$
Collection System		
General Components	\$235,000	\$271,000
Pipe Replacement Projects	\$1,500,000	\$1,724,000
Subtotal Collection & General	\$1,735,000	\$1,995,000
Treatment Plant Phase 2 Upgrades		\$5,100,000
Total 5-Year Investment		\$7,095,000
<i>Loan Funded</i>		<i>\$5,100,000</i>
<i>Rates Funded</i>		<i>\$1,995,000</i>

Projected Costs

- Operating Costs increase about 6.5% each year
- Capital Projects estimate from District staff
- System Rehabilitation @ 50% of Depreciation
- Current Debt Service + estimated debt service for WWTP Ph2

Costs	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Operating Expenses	\$950,180	\$1,012,220	\$1,078,560	\$1,149,490	\$1,225,350	\$1,306,510	\$1,393,360
Capital Projects	\$758,500	\$328,400	\$270,500	\$354,400	\$321,200	\$352,900	\$367,100
System Rehabilitation	\$0	\$187,000	\$189,500	\$193,000	\$196,000	\$199,000	\$202,500
Debt Service	\$43,670	\$43,670	\$43,670	\$43,670	\$284,100	\$284,100	\$284,100
TOTAL	\$1,752,350	\$1,571,290	\$1,582,230	\$1,740,560	\$2,026,650	\$2,142,510	\$2,247,060

Projected Funding Gap (projected costs minus other revenues)

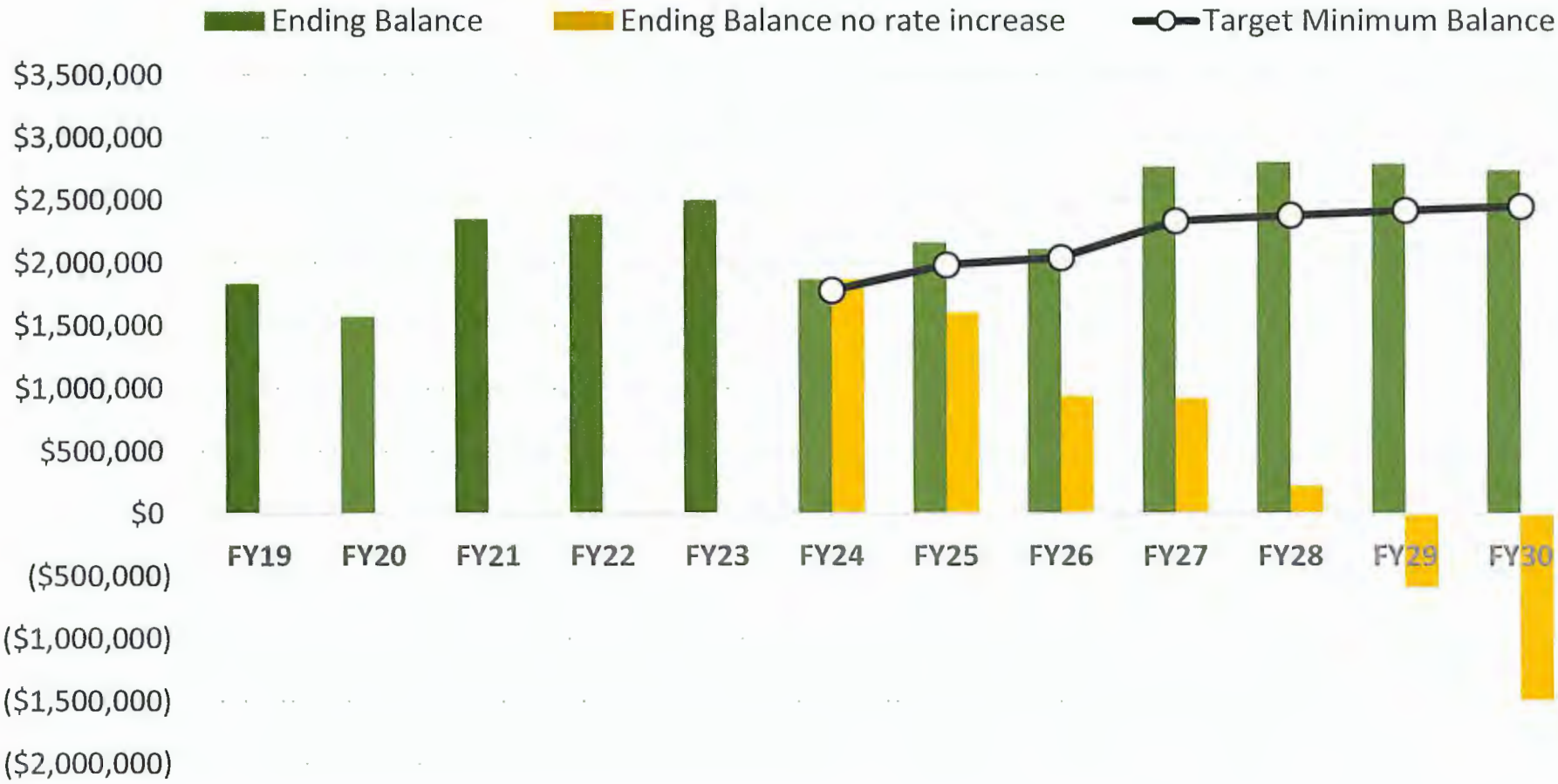


Financial Health Criteria

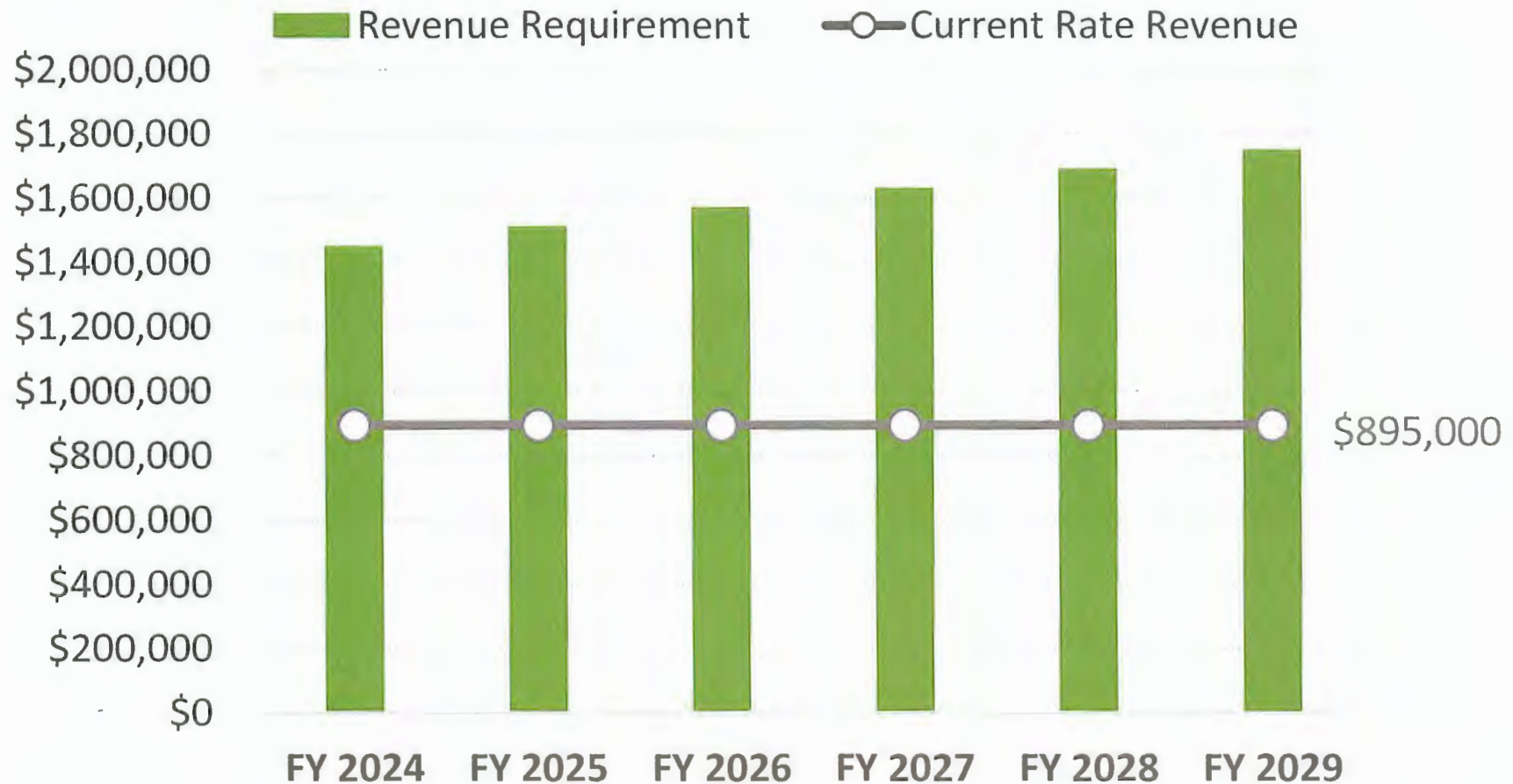
Based on guidelines provided by the Government Finance Officers Association and discussion with District staff

1. General operating cash reserves shall be at least 25% of operating expenses
2. Restricted cash reserves will equal SRF requirements (currently \$43,670), projected to increase to \$284,100 with Phase 2 WWTP loan
3. A minimum \$1,500,000 shall be kept in designated reserves for capital, equipment, and emergencies expenses
4. Each year, net operating income will exceed debt service by at least 1.10

Historical & Projected Cash Balances



Additional Revenue Requirement



Comparison Wastewater Bills for a Home

Communities Population <5,000

