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**COACHELLA VALLEY WATER DISTRICT**  
**MISSION CREEK REPLENISHMENT ASSESSMENT CHARGE**  
**COST OF SERVICE STUDY**

FINAL | May 2021

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## EXECUTIVE SUMMARY

The Coachella Valley Water District (District or CVWD) retained Carollo Engineers Inc. (Carollo), an independent consultant, to conduct a comprehensive cost of service study for Fiscal Years (FY) 2022 through FY 2026. The comprehensive study includes the District's Canal, Replenishment, and Domestic water operations. Given that recommendations for the Canal water operations have carry through impacts on Replenishment Assessment Charges and subsequently Domestic water costs, the Canal analysis was prioritized as the first study component completed, followed by Replenishment. This report details the Mission Creek Replenishment Assessment Charge (RAC) Cost of Service Study (Study) and its results.

### Study Approach

Carollo's rate-setting methodology is consistent with industry guidelines established by the *M1 Manual*, as published by the American Water Works Association (AWWA), a national industry trade group that makes recommendations on generally accepted rate-making practices within the water industry. Using AWWA guidelines as a framework, the methodology was further tailored to reflect the unique service provided by the Mission Creek Replenishment Fund, as well as the prescriptive nature of Sections 31630 through 31639 of the California Water Code, which govern the RACs and define the rate structure as a uniform volumetric charge per acre-ft (AF) pumped charged to all pumpers subject to the charge. The work completed for the Study can be broken down into the following key elements:

- **Revenue Requirements Analysis:** Compares existing revenues of the Mission Creek Replenishment Fund to its operating, capital, reserve, and policy driven costs to establish the adequacy of the existing cost recovery levels and determine the necessary rate revenue.
- **Rate Design Analysis:** Considers both the level and structure of the rates to collect the distributed revenue requirements from each class of service.

The overall goals of the study were focused on developing a financial plan and proposed rate structure that meets the District's financial, operational, and capital needs in a manner that equitably distributes costs and maintains the affordability of groundwater.

### Financial Plan

Over the course of the study, several financial forecast and rate increase scenarios were developed. The initial scenario presented to the Board included minimal rate increases set to maintain operating revenues above operating expenses. Subsequent to gathering feedback from the Board, the forecast was modified to utilize reserves to cover any cash flow deficits and hold the RACs flat at the existing charge of \$135.52 per AF. The analysis was also modified to include a portion of the allocable State Water Project (SWP) costs, as allowed by the California Water Code governing the RACs, to be recovered through the West Whitewater and Mission Creek RACs. The updated forecast showed that with the SWP costs included, reserves would be sufficient to cover projected operating deficits.

Table 1 presents a summary of the financial forecast. As shown, revenue requirements will exceed revenues beginning in FY 2023, resulting in a deficit of approximately \$200,000. Though deficits will increase to \$284,000 through the end of the study period, reserves will remain well above the target level. The projected year-end fund balance for FY 2026 is approximately \$2.83 million while the respective reserve target will be \$328,000. Additional details of the financial forecast are included in Appendix C.

Table 1 Summary of Financial Forecast with Proposed Rates (\$1,000s)

|   | FY 2022           | FY 2023           | FY 2024           | FY 2025           | FY 2026           |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>RAC Revenue Increase</b>                 | <b>0%</b>         | <b>0%</b>         | <b>0%</b>         | <b>0%</b>         | <b>0%</b>         |
| <b>Operating Revenues</b>                   |                   |                   |                   |                   |                   |
| RAC Revenues                                | \$590             | \$590             | \$590             | \$590             | \$590             |
| Revenues from RAC Increases                 | <u>\$0</u>        | <u>\$0</u>        | <u>\$0</u>        | <u>\$0</u>        | <u>\$0</u>        |
| <b>Subtotal: Rate and Surcharge Revenue</b> | <b>\$590</b>      | <b>\$590</b>      | <b>\$590</b>      | <b>\$590</b>      | <b>\$590</b>      |
| Investment Income                           | <u>\$87</u>       | <u>\$87</u>       | <u>\$83</u>       | <u>\$78</u>       | <u>\$72</u>       |
| <b>Total Revenues</b>                       | <b>\$677</b>      | <b>\$677</b>      | <b>\$673</b>      | <b>\$668</b>      | <b>\$662</b>      |
| <b>Operating Expenses</b>                   | <b>\$654</b>      | <b>\$872</b>      | <b>\$891</b>      | <b>\$924</b>      | <b>\$946</b>      |
| <b>Net Operating Revenues</b>               | <b>\$22</b>       | <b>(\$194)</b>    | <b>(\$219)</b>    | <b>(\$256)</b>    | <b>(\$284)</b>    |
| <b>Capital Expenses</b>                     |                   |                   |                   |                   |                   |
| Capital Projects                            | \$0               | \$0               | \$0               | \$0               | \$0               |
| District Wide Projects                      | \$0               | \$0               | \$0               | \$0               | \$0               |
| Motor Pool Capital                          | <u>\$0</u>        | <u>\$5</u>        | <u>\$0</u>        | <u>\$0</u>        | <u>\$0</u>        |
| <b>Total Capital Expenses</b>               | <b><u>\$0</u></b> | <b><u>\$5</u></b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> |
| <b>Total Revenue Requirements</b>           | <b>\$654</b>      | <b>\$877</b>      | <b>\$891</b>      | <b>\$924</b>      | <b>\$946</b>      |
| <b>Surplus/(Deficit)</b>                    | <b>\$22</b>       | <b>(\$200)</b>    | <b>(\$219)</b>    | <b>(\$256)</b>    | <b>(\$284)</b>    |
| <b>Projected Reserves</b>                   |                   |                   |                   |                   |                   |
| Beginning Balance                           | \$3,763           | \$3,786           | \$3,586           | \$3,367           | \$3,111           |
| <b>Ending Balance</b>                       | <b>\$3,786</b>    | <b>\$3,586</b>    | <b>\$3,367</b>    | <b>\$3,111</b>    | <b>\$2,827</b>    |
| <i>Reserve Target</i>                       | \$225             | \$301             | \$309             | \$320             | \$328             |
| <i>Unrestricted Reserves</i>                | \$3,560           | \$3,284           | \$3,059           | \$2,791           | \$2,500           |

Note:

(1) Presented totals may not foot due to rounding.

## Proposed Rates

Proposed rates, as summarized in Table 2, do not exceed the proportional cost of service, and have been developed through a collaborative effort with the Board to balance operating and capital needs with customer affordability. Throughout completion of the Study, refinements aimed at mitigating increases and maintaining customer affordability were identified and incorporated into the analysis. Some of these refinements included revisiting the initially developed CIP and identification of additional sources of revenue that could be used to offset the need for rate increases.

Table 2 Summary of Proposed Rates

|   | Existing Rate   | FY 2022         | FY 2023         | FY 2024         | FY 2025         | FY 2026         |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| RAC Revenue Increase                      | n/a             | 0%              | 0%              | 0%              | 0%              | 0%              |
| <b>Proposed Mission Creek RAC (\$/AF)</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> |

## Section 1

# INTRODUCTION

The Coachella Valley Water District (District or CVWD) retained Carollo Engineers Inc. (Carollo), an independent consultant, to conduct a comprehensive cost of service study for Fiscal Years (FY) 2022 through FY 2026. The comprehensive study includes the District's Canal, Replenishment, and Domestic water operations. Given that recommendations for the Canal water operations have carry through impacts on Replenishment Assessment Charges and subsequently Domestic water costs, the Canal analysis was prioritized as the first study component completed, followed by Replenishment. This report details the Mission Creek River Subbasin Area of Benefit (AOB) Replenishment Assessment Charge (RAC) Cost of Service Study (Study) and its results.

### 1.1 Background

CVWD has served as a steward of Coachella Valley's groundwater resources for more than 100 years. Ensuring that a reliable supply of water is available for the Valley's future families and businesses is a cornerstone of CVWD's mission.

The Replenishment Assessment Charge, or RAC, is a key component of the Coachella Valley Water Management Plan, a blueprint for ensuring there is a reliable and sustainable long-term supply of high quality water for Coachella Valley. The RAC generates revenue from large groundwater producers, such as water agencies, golf courses, Home Owners Associations (HOAs) and agricultural users. It is used to fund the replenishment of groundwater with imported water and the expansion of water delivery systems for supplying Colorado River water and recycled water for non-potable uses to assist in reducing or eliminating groundwater pumping.

The Mission Creek Subbasin AOB (Mission Creek) is replenished using natural run-off and imported water from the SWP. CVWD and Desert Water Agency (DWA) began constructing facilities to replenish the Mission Creek Subbasin in 2001 with completion occurring in 2002. In 2003, recognizing that management of the Mission Creek Subbasin extended across agency boundaries, CVWD and DWA entered into the Mission Creek Groundwater Replenishment Agreement. This agreement recognizes the need to operate the subbasin as a complete unit rather than as individual segments delineated by agency boundaries.

As dictated by the California Water Code Sections 31630 through 31639, RACs are charged to all pumpers who produce more than 25 AF of groundwater from a single well or multiple wells in a given year. The current amount of pumping from Mission Creek subject to RAC charges is approximately 4,400 acre-ft per year (AFY). The largest single pumper subject to the Mission Creek RAC is the District's Domestic water system, which produces approximately 3,000 AFY from Mission Creek. The remaining pumping is primarily for irrigation use by agricultural users, golf courses, nurseries, or other entities with large irrigated areas such as HOAs.

Based on the California Water Code, only those pumpers who produce more than 25 AFY are subject to the RACs. Minimal pumpers, those who produce 25 AFY or less, are exempt from the RAC. While these minimal producers are not a driver of the need to replenish the basin, they do receive an ancillary benefit from the District's replenishment activities. Given the relatively small amount of production from minimal users, approximately 500 AFY based on historical estimates, the discretionary property taxes allocated to the West Whitewater Replenishment Fund are sufficient to cover the costs associated with those benefits.

## 1.2 Study Approach and Goals

To develop updated RAC rates, Carollo conducted an in-depth study of the Mission Creek Replenishment Fund's revenue needs, customer usage characteristics, capital improvement program (CIP), and additional future drivers of service costs and revenues. This Study documents the methodology and assumptions used to develop the financial plan and cost of service analysis, outlines the policy decisions reached, and summarizes proposed rates.

The overall goals of the Study was to develop a financial plan and proposed rate structure that meets the District's financial, operational, and capital needs in a manner that equitably distributes costs and maintains the affordability of groundwater, while ensuring that pumpers do not pay more than their proportional cost of service.

Specific goals included:

1. Recover a share of allocable SWP costs via the RACs to recognize the benefit that the replenishment AOBs receive by utilizing SWP water for replenishment and to relieve financial pressure on the SWP Fund.
2. Minimize rate increases to the greatest extent possible through utilization of reserves.

### 1.2.1.1 Forward-Looking Statement

The projections and forecasts of this analysis are based on reasonable expectations of future events. Should the proposed revenue increases be delayed or postponed, or cost escalation, operating expenditures, or capital needs exceed forecasted levels prior to FY 2026, or should revenues not materialize as projected, the District may be required to begin a new rate adoption process to increase rates above currently projected levels.



## 1.2.2 Overview of Water Rate-Setting Process

Carollo's rate-setting methodology is consistent with industry guidelines established by the *M1 Manual*, as published by the American Water Works Association (AWWA), a national industry trade group that makes recommendations on generally accepted rate-making practices within the water industry, adjusted as necessary to comply with laws specific to rate setting in California. A brief overview of this approach is outlined in Figure 1.

### 1.2.2.1 Revenue Requirement Analysis

The revenue requirement analysis compares the forecasted revenues of the Mission Creek Replenishment Fund (under existing rates and forecasted water demands) to its forecasted operating and capital costs. This step tests the adequacy of the existing rates to recover the Mission Creek Replenishment Fund's forecasted costs. If there are shortfalls, increases to rate revenue are recommended until the tests are passed.



**Revenue Requirement Analysis**  
Compares existing revenues of the Mission Creek Fund to its operating, capital reserves, and policy driven costs to establish the adequacy of the existing cost recovery levels.

### 1.2.2.2 Cost of Service Analysis

This step builds a link between the Mission Creek Replenishment Fund's cost of providing service and the proposed RAC rates for each customer. After determining the revenue requirement, this step outlines the cost to deliver each unit of water and to serve each customer. Given the prescriptive nature of the California Water Code as related to the RACs, this step is most focused on determining the amount of revenues that need to be collected via the RACs to satisfy The Mission Creek Replenishment Fund's requirements.

**Cost of Service Analysis**  
Identifies and apportions annual revenue requirements to functional components based on its application to the District's system, and then allocates to customer rates based on system usage.



**Rate Design & Calculation**  
Considers both the level and structure of the rate design to collect the distributed revenue requirements from each class of service

**Rate Adoption**  
The Study presents the basis for the rates proposed to be adopted in compliance with Proposition 218



Figure 1 Conceptual Overview of the Rate-Setting Process

### 1.2.2.3 Rate Design & Calculation

Rate design involves developing a rate structure that equitably and proportionately recovers costs from customers. This rate equity is built upon each customer's relative use of the system. The rate structure must be tailored to the District's unique operation and customers. In the District's case, the California Water Code dictates that the RACs are to be uniform volumetric charge per AF pumped.

The rate calculation provides the final nexus between the revenue requirements, cost of service analysis, and final rates charged to customers. This process connects planned expenditures to the designed rates by establishing rates to match estimated revenue generation with expenditures.

#### 1.2.2.4 Rate Adoption

Proposition 218 requires public agencies in California to meet procedural requirements for adoption of new or increased rates for property-related fees. The District has elected to follow Proposition 218 for RAC increases and will hold a public hearing to consider the proposed rate increases, and will provide written notice to all customers subject to the proposed new or increased rates at least 45 days in advance of said hearing. Any property owner or tenant directly liable to the District for payment of the proposed RAC may submit a written protest against the new or increased rates at any time until the close of the public hearing. The Board will not adopt the proposed or increased rates if property owners or tenants directly liable for payment submit written protests on behalf of more than 50 percent of the properties upon which the proposed rates will be imposed.

### 1.3 Existing Rate Structure

The existing rate structure of the RAC is prescribed by the California Water Code as a uniform rate per acre-ft. The most recent rate study was completed in 2016 while the last rate adjustment, based on that study, was implemented in FY 2018. The current Mission Creek RAC is \$135.52 per AF pumped.

## Section 2

# REVENUE REQUIREMENTS ANALYSIS

The revenue requirement analysis sets the basis for short- and long-term rate planning. More importantly, the analysis serves as a means to test the Mission Creek Replenishment Fund's fiscal health and adequacy of existing RAC rates. If revenue projections under existing rates do not meet forecasted requirements, rates need to be adjusted.

The analysis is based on financial information provided by District staff, including existing and projected revenues, water usage, operating and capital costs, and financial policies that impact the Fund. Notably, projected groundwater pumping and water purchase projections play a key underlying role as they are a primary driver of several of the District's expenditures and revenue streams.

The revenue requirement is comprised of five components: operating expenses, annual debt service; policy requirements and coverage; capital expenditures; and offsetting revenues.

Typically, there are three tests utilized to define the annual revenues necessary to provide sufficient (1) cash flow, (2) debt coverage, and (3) reserves. These sufficiency tests are commonly used to determine the amount of annual revenue that must be generated from an agency's rates.

The cash flow test identifies projected annual cash requirements. Cash requirements include operating expenses, debt service payments, policy-driven additions to working capital, miscellaneous capital outlays, replacement funding, and rate-funded capital expenditures. These expenses are compared to total annual projected revenues. Any annual shortfalls are used to calculate required rate revenue increases.

The debt coverage test measures the ability of a utility to meet legal and policy-driven revenue obligations. Because the Mission Creek Replenishment Fund does not currently have any outstanding debt obligations and is not expected to issue any debt within the rate setting period, the coverage test was omitted for purposes of this analysis.

The reserve sufficiency test measures the ability of rates to meet the District's target cash reserve balance based on the adopted reserve policy. Based on the policy, the year-end cash reserve balance should meet or exceed the target annually. If actual cash reserves are projected to fall below targeted levels, the District is required to implement a plan that illustrates cash reserves will reach the target level within 5 years of the initial shortfall.

Revenues must be sufficient to satisfy all applicable tests. If revenues are found to be insufficient through one or more of the tests, then the greater deficiency (shortfall) drives the minimum required rate revenue increase.

## 2.1 Projected Pumping and Sales

Under existing rates, approximately 87 percent of the Mission Creek Replenishment Fund's revenues are generated by RACs, thus, the projected pumping and water sales volumes are a key component of the analysis.

Table 3 shows the projected groundwater pumping for each year of the rate study period (FY 2022 through 2026). As shown, annual pumping by the District's Domestic Water system is expected to remain unchanged at approximately 3,000 AFY. Irrigation and Other production is also expected to remain unchanged at 1,354 AFY through the study period.

Additional details regarding projected water production are included in Appendix A.

Table 3 Projected Pumping and Sales (AF)

| User Type                             | FY 2022      | FY 2023      | FY 2024      | FY 2025      | FY 2026      |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Groundwater Production</b>         |              |              |              |              |              |
| CVWD Domestic                         | 3,000        | 3,000        | 3,000        | 3,000        | 3,000        |
| Irrigation and Other Production       | <u>1,354</u> | <u>1,354</u> | <u>1,354</u> | <u>1,354</u> | <u>1,354</u> |
| <b>Total Mission Creek Production</b> | <b>4,354</b> | <b>4,354</b> | <b>4,354</b> | <b>4,354</b> | <b>4,354</b> |

Note:

(1) Presented totals may not foot due to rounding.

## 2.2 Current RAC and Non-potable Revenues

The revenue requirement analysis compares revenues under the existing rate structure to projected revenue requirements. The Mission Creek Replenishment Fund's current revenues include RAC revenues as well as investment income consisting of interest earned on the Fund's reserve fund balance.

### 2.2.1 Rate and Surcharge Revenues under Existing Rates

Table 4 presents the projected RAC and non-potable revenues assuming no RAC increases and further assumes the projected sales shown in Table 3. As shown, RAC revenues are expected to remain flat over the study period. Calculations for the projected revenues are included in Appendix A.

Table 4 Rate Revenue under Current Rates (\$1,000s)

| User Type                                | FY 2022      | FY 2023      | FY 2024      | FY 2025      | FY 2026      |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Total RAC and Non-potable Revenue</b> | <b>\$590</b> | <b>\$590</b> | <b>\$590</b> | <b>\$590</b> | <b>\$590</b> |

Note:

(1) Presented totals may not foot due to rounding.

### 2.2.2 Investment Income

Table 5 shows projected investment income for the Mission Creek Replenishment Fund. Without increases to the RAC, investment earnings are projected to decrease from approximately \$87,000 in FY 2022 to approximately \$72,000 in FY 2026 as reserves are drawn down.

Table 5 Projected Non-rate Revenue (\$1,000s)

|                          | FY 2022     | FY 2023     | FY 2024     | FY 2025     | FY 2026     |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Investment Income</b> | <b>\$87</b> | <b>\$87</b> | <b>\$83</b> | <b>\$78</b> | <b>\$72</b> |

Note:

(1) Presented totals may not foot due to rounding.

## 2.3 State Water Project Costs

Section 31633 of the State Water Code defines the specific costs that can be recovered by the District through the RACs. Specifically, the allocable costs include the SWP's delta water charge, the variable operation, maintenance, power, and replacement (OMP&R) component of the transportation charge, and the off-aqueduct power facilities component of the transportation charge. Based on the District's cost projections, the total allocable costs over the study period are \$96.8 million.

In order to relieve financial pressure on the SWP Fund, and to reflect benefits Mission Creek AOB receives from the importation of SWP water, which is used for replenishment, the District plans to collect a portion of the allocable SWP costs through the RACs beginning in FY 2023. Based on an analysis of the SWP Fund, the District determined that 21.3-percent of the allocable costs through FY 2026, totaling approximately \$20.6 million, will be collected via the RACs.

The amount of allocable costs to be recovered via the RACs is then allocated to the Mission Creek and West Whitewater Replenishment Funds based on the expected pumping from each AOB over the study period. Using this metric, the Mission Creek Replenishment Fund would be allocated 3.7-percent, or approximately \$763,000 of the SWP costs to be recovered via the RACs. Table 6 shows the determination of the annual SWP costs to be allocated to the Mission Creek Replenishment Fund.

Table 6 State Water Project Costs (\$1,000s)

|  | FY 2022         | FY 2023         | FY 2024         | FY 2025         | FY 2026         |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>RAC Allocable SWP Costs</b>                               |                 |                 |                 |                 |                 |
| Delta Water Charge   | \$4,617         | \$4,617         | \$4,617         | \$4,617         | \$4,617         |
| Off-Aqueducts Power OMP&R                                    | \$30            | \$8             | \$8             | \$8             | \$8             |
| Transportation Charge OMP&R Variable                         | \$6,284         | \$17,142        | \$16,527        | \$17,203        | \$16,520        |
| <b>Total RAC Allocable SWP Costs</b>                         | <b>\$10,931</b> | <b>\$21,767</b> | <b>\$21,152</b> | <b>\$21,828</b> | <b>\$21,145</b> |
| <b>21.3% Share Based on SWP Fund Needs</b>                   | <b>\$2,328</b>  | <b>\$4,636</b>  | <b>\$4,505</b>  | <b>\$4,649</b>  | <b>\$4,504</b>  |
| Redistribution of FY 2022 Costs                              | (\$2,328)       | \$590           | \$573           | \$592           | \$573           |
| Costs to Recover through RACs                                | \$0             | \$5,227         | \$5,079         | \$5,241         | \$5,077         |
| <b>Mission Creek Share (3.7% based on projected pumping)</b> | <b>\$0</b>      | <b>\$193</b>    | <b>\$188</b>    | <b>\$194</b>    | <b>\$188</b>    |

Note:

(1) Presented totals may not foot due to rounding.

## 2.4 Projected Operating Expenses

Operating expenses are costs the District incurs for day-to-day operations such as employee salaries and benefits, fuel, chemicals, and power. Other costs in the operating budget include indirect costs from the District's other cost centers such as administration, human resources, and business technology, etc.

The District's FY 2021 operating budget served as the basis for forecasting future operating expenses for the Mission Creek Replenishment Fund. The budget was compared to prior year actual financial information to identify any anomalies or one-time expenditures that should be excluded when forecasting future years. Unless otherwise calculated, future years were forecasted using the escalation factors the District typically includes in its internal budget modelling, which reflect typical historic escalation as well as understood future increases in specific costs such as salary step increases and benefits costs. Escalation factors are described in Table 7.

Table 7 Cost Escalation Factors

| Escalation Factor  | Description   |
|--------------------|---|
| Operations         | The operations escalator is 2 percent per year. It is applied to all Supplies and Services costs.   |
| COLA/Step/Merit    | The Cost of Living Adjustment (COLA)/Step/Merit escalator is used to project annual increases in salary costs. This escalator is set at 4.1 percent per year.   |
| Benefits           | The benefits escalator accounts for increases in medical plan expenses, CalPERS costs, workers compensation, and dental coverage. This escalator is set between 8.8 percent and 9.4 percent per year based on anticipated benefits costs. |
| Utilities – IID    | This escalator is applied to costs for utility services provided by IID. It is set at 3 percent per year.   |
| Utilities – SCE    | This escalator is applied to costs for utility services provided by Southern California Edison. It is set at 3 percent per year.  |
| Utilities – Other  | This escalator is applied to costs for utility services from all other providers. It is set at 7 percent per year.  |
| Capital Escalation | The capital escalation factor is applied to capital outlay costs and is set at 2 percent per year.  |

Note:

(1) Presented totals may not foot due to rounding.

Total operating expenses are expected to increase from \$654,000 in FY 2022 to \$946,000 in FY 2026. The primary driver of this increase is the inclusion of SWP costs. Increased costs are also driven by cost inflation in other costs. Table 8 includes a summary of the projected operating expenses. Additional details are included in Appendix B.

Table 8 Projected Operating Costs (\$1,000s)

|                              | FY 2022      | FY 2023      | FY 2024      | FY 2025      | FY 2026      |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Salaries and Benefits        | \$221        | \$234        | \$248        | \$264        | \$280        |
| Supplies and Services        | \$419        | \$429        | \$440        | \$450        | \$462        |
| Utilities                    | \$1          | \$1          | \$1          | \$1          | \$1          |
| State Water Project Costs    | \$0          | \$193        | \$188        | \$194        | \$188        |
| Capital Outlay               | <u>\$14</u>  | <u>\$14</u>  | <u>\$14</u>  | <u>\$14</u>  | <u>\$15</u>  |
| <b>Total Operating Costs</b> | <b>\$654</b> | <b>\$872</b> | <b>\$891</b> | <b>\$924</b> | <b>\$946</b> |

Note:

(1) Presented totals may not foot due to rounding.

## 2.5 Capital Improvement Costs

In addition to funding day-to-day operations, the District invests in the Mission Creek system's infrastructure to maintain the system's efficiency and integrity, and to develop infrastructure to expand replenishment activities. The District has not identified the need for any capital infrastructure projects over the study period. Per the Mission Creek Groundwater Replenishment Agreement, when capital costs are incurred, they are shared with DWA.

The CIP included in the financial forecast is minimal, including \$5,000 in motor pool capital purchases (2021 dollars). The analysis accounts for inflationary increases in construction and capital costs by applying an escalation factor to the planned CIP costs. Capital escalation has been set at 2 percent per year, in line with the capital escalation factor used in the operating cost projections. With this factor applied, the escalated cost of the motor pool purchases is \$5,300. Table 9 summarizes capital projects included in the financial forecast.

Table 9 Projected CIP Costs (Escalated) (\$1,000s)

|                                   | FY 2022    | FY 2023    | FY 2024    | FY 2025    | FY 2026    |
|-----------------------------------|------------|------------|------------|------------|------------|
| Infrastructure Projects           | \$0        | \$0        | \$0        | \$0        | \$0        |
| General District Projects         | \$0        | \$0        | \$0        | \$0        | \$0        |
| Motor Pool Capital                | <u>\$0</u> | <u>\$5</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <b>Total Capital Expenditures</b> | <b>\$0</b> | <b>\$5</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

Note:

(1) Presented totals may not foot due to rounding.

## 2.6 Reserve Requirements

The District maintains a robust reserve policy to ensure it can provide reliable service to its customers, finance long-term capital projects, and react to emergencies if they arise. The reserve policy is reviewed periodically and adjusted based on the District's needs. The current policy sets an overall reserve target for the Mission Creek Replenishment Fund based on four components. Each component is described below.

### 2.6.1.1 Operating Reserve

The operating reserve ensures continuity of service regardless of cash flow and is considered working capital to be used to fund current expenses, as needed. Operating reserves shall be maintained at 90 days, or 25 percent of current year budgeted operating expenses (less depreciation and capital outlay). This balance will fluctuate from month-to-month. However, the year-end objective remains 90 days of budgeted operating expenses.

### 2.6.1.2 Rate Stabilization Reserve

The rate stabilization reserve covers the smoothing of rates in the event of short to mid-term rate revenue loss, and/or higher than anticipated operating expenses that cannot be supported by normal revenues.

Rate stabilization reserves can be used to balance the budget if revenues are projected to be 10 percent less than prior year actual rate revenues, or if operating expenses are projected to be 10 percent more than prior year actual expenses. The rate stabilization reserve shall be established at the higher of 10 percent of current year budgeted rate revenues or 10 percent of total budgeted operating expenses (less depreciation and capital outlay).

### 2.6.1.3 Capital Improvement Reserve

Ongoing replacement of capital facilities and additional investment in capital is essential in maintaining the desired level of service for District customers and to meet increased demand. The capital improvement reserve is designated for funding the capital improvement program and any unforeseen capital projects. It is designed to stabilize funding for capital by accumulating “pay-as-you-go” reserves. This reserve can also be used concurrently with outside funding sources. The capital improvement reserve shall be established at 25 percent of the average five year forecasted “pay-as-you-go” capital improvement expenditures. Because no spending on capital infrastructure projects is planned, the Capital Improvement Reserve Target is zero throughout the study period.

### 2.6.1.4 Vehicle Replacement Reserve

The Vehicle Replacement reserve provides capital replacement funding as the District’s rolling stock is depreciated over its useful life. The target amount should be set at the average of the five-year CIP for replacement vehicles for that fund.

### 2.6.1.5 Combined Reserve Target

Table 10 shows the combined reserve target throughout the study period. As shown, the combined target reserve balance will increase from \$225,000 FY 2022 to \$328,000 FY 2026, as the cost bases of the component targets are projected to increase, with the addition of SWP costs having the largest impact by increasing the required operating reserve target.

Table 10 Combined Reserve Targets (\$1,000s)

|                                | FY 2022      | FY 2023      | FY 2024      | FY 2025      | FY 2026      |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating Reserve              | \$160        | \$214        | \$219        | \$227        | \$233        |
| Rate Stabilization Reserve     | \$64         | \$86         | \$88         | \$91         | \$93         |
| Capital Improvement Reserve    | \$0          | \$0          | \$0          | \$0          | \$0          |
| Vehicle Replacement Reserve    | <u>\$1</u>   | <u>\$1</u>   | <u>\$2</u>   | <u>\$2</u>   | <u>\$2</u>   |
| <b>Combined Reserve Target</b> | <b>\$225</b> | <b>\$301</b> | <b>\$309</b> | <b>\$320</b> | <b>\$328</b> |

Note:

(1) Presented totals may not foot due to rounding.

## 2.7 Financial Forecast

Once the revenue requirement elements described above are developed, they are combined into a financial forecast to assess the ability of the District’s rates to meet the goals of the cash flow and reserve tests. The key goals for the revenue requirements tests for this study were:

1. Recover a share of allocable SWP costs via the RACs to recognize the benefit that the replenishment AOBs receive by utilizing SWP water for replenishment and to relieve financial pressure on the SWP Fund.
2. Minimize rate increases to the greatest extent possible through utilization of reserves.



### 2.7.1 Proposed Financial Plan

Over the course of the Study, several financial forecast and rate increase scenarios were developed. The initial scenario presented to the Board included minimal rate increases set to maintain operating revenues above operating expenses. Subsequent to gathering feedback from the Board, the forecast was modified to utilize reserves to cover any cash flow deficits, and hold the RACs flat at the existing charge of \$135.52 per AF. The analysis was also modified to include a portion of the allocable SWP costs, as allowed by the California Water Code governing the RACs, to be recovered through the West Whitewater and Mission Creek RACs. The updated forecast showed that with the SWP costs included, reserves would still be sufficient to cover projected operating deficits.

Table 11 (page 14) presents a summary of the financial forecast. As shown, revenue requirements will exceed revenues beginning in FY 2023, resulting in a deficit of approximately \$200,000. Though deficits will increase to \$284,000 through the end of the study period, reserves will remain well above the target level. The projected year-end fund balance for FY 2026 is approximately \$2.83 million while the reserve target in that year will be 328,000. Additional details of the financial forecast are included in Appendix C.

Table 11 Financial Forecast with Proposed Increases (\$1,000s)

|   | FY 2022        | FY 2023        | FY 2024        | FY 2025        | FY 2026        |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>RAC Revenue Increase</b>                 | <b>0%</b>      | <b>0%</b>      | <b>0%</b>      | <b>0%</b>      | <b>0%</b>      |
| <b>Operating Revenues</b>                   |                |                |                |                |                |
| RAC Revenues                                | \$590          | \$590          | \$590          | \$590          | \$590          |
| Revenues from RAC Increases                 | \$0            | \$0            | \$0            | \$0            | \$0            |
| <b>Subtotal: Rate and Surcharge Revenue</b> | <b>\$590</b>   | <b>\$590</b>   | <b>\$590</b>   | <b>\$590</b>   | <b>\$590</b>   |
| Investment Income                           | \$87           | \$87           | \$83           | \$78           | \$72           |
| <b>Total Revenues</b>                       | <b>\$677</b>   | <b>\$677</b>   | <b>\$673</b>   | <b>\$668</b>   | <b>\$662</b>   |
| <b>Operating Expenses</b>                   | <b>\$654</b>   | <b>\$872</b>   | <b>\$891</b>   | <b>\$924</b>   | <b>\$946</b>   |
| <b>Net Operating Revenues</b>               | <b>\$22</b>    | <b>(\$194)</b> | <b>(\$219)</b> | <b>(\$256)</b> | <b>(\$284)</b> |
| <b>Capital Expenses</b>                     |                |                |                |                |                |
| Capital Projects                            | \$0            | \$0            | \$0            | \$0            | \$0            |
| District Wide Projects                      | \$0            | \$0            | \$0            | \$0            | \$0            |
| Motor Pool Capital                          | \$0            | \$5            | \$0            | \$0            | \$0            |
| <b>Total Capital Expenses</b>               | <b>\$0</b>     | <b>\$5</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |
| <b>Total Revenue Requirements</b>           | <b>\$654</b>   | <b>\$877</b>   | <b>\$891</b>   | <b>\$924</b>   | <b>\$946</b>   |
| <b>Surplus/(Deficit)</b>                    | <b>\$22</b>    | <b>(\$200)</b> | <b>(\$219)</b> | <b>(\$256)</b> | <b>(\$284)</b> |
| <b>Projected Reserves</b>                   |                |                |                |                |                |
| Beginning Balance                           | \$3,763        | \$3,786        | \$3,586        | \$3,367        | \$3,111        |
| <b>Ending Balance</b>                       | <b>\$3,786</b> | <b>\$3,586</b> | <b>\$3,367</b> | <b>\$3,111</b> | <b>\$2,827</b> |
| Reserve Target                              | \$225          | \$301          | \$309          | \$320          | \$328          |
| Unrestricted Reserves                       | \$3,560        | \$3,284        | \$3,059        | \$2,791        | \$2,500        |

Note:

(1) Presented totals may not foot due to rounding.

## Section 3

## COST OF SERVICE ANALYSIS AND RATE DESIGN

The purpose of a cost-of-service analysis is to provide a rational basis for distributing the full costs of Mission Creek replenishment service to each customer and rate component in proportion to the demands they place on the system and the benefits they receive through their service. Given that the prescriptive nature of the California Water Code requires RACs are uniform volumetric charges, the cost of service and rate design analysis includes only two main steps. First, RAC rate revenue requirements are determined. Second, those rate revenue requirements are divided by the projected pumping demands to calculate rates. Though no changes are proposed for Mission Creek RACs, the analysis provides a cost of service basis for the rates moving forward.

RAC rate revenue requirements are the amount of revenue that must be recovered through the RACs in each year. They are determined by subtracting offsetting non-rate revenues from total expenditures or revenue requirements for each year and accounting for any use of or contribution to reserves. Table 12 shows the calculation of the revenue required from RACs for each year of the study period.

Table 12 Mission Creek RAC Rate Revenue Requirements (\$1,000s)

|                                   | FY 2022      | FY 2023      | FY 2024      | FY 2025      | FY 2026      |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating Expenses                | \$654        | \$872        | \$891        | \$924        | \$946        |
| Capital Expenses                  | \$0          | \$5          | \$0          | \$0          | \$0          |
| <b>Total Revenue Requirements</b> | <b>\$654</b> | <b>\$877</b> | <b>\$891</b> | <b>\$924</b> | <b>\$946</b> |
| Less: Non-Potable Water Sales     | (\$87)       | (\$87)       | (\$83)       | (\$78)       | (\$72)       |
| Contribution to (Use of) Reserves | \$22         | (\$200)      | (\$219)      | (\$256)      | (\$284)      |
| <b>Revenue Required from RACs</b> | <b>\$590</b> | <b>\$590</b> | <b>\$590</b> | <b>\$590</b> | <b>\$590</b> |

Note:

(1) Presented totals may not foot due to rounding.

Table 13 shows the calculation of the Mission Creek RAC for each year of the study period. The rate per AF is calculated by dividing the allocated revenue requirements for each year by the respective projected pumping demands. For example, the RAC charge for FY 2022 is calculated by dividing \$590,000 by 4,354 AF, yielding a proposed RAC rate of \$135.52 per AF.

Table 13 FY 2023 IWCC Calculation

|   | Existing        | FY 2022         | FY 2023         | FY 2024         | FY 2025         | FY 2026         |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue Required from RACs (\$1,000s)     |                 | \$590           | \$590           | \$590           | \$590           | \$590           |
| Projected Pumping (AF)                    |                 | 4,354           | 4,354           | 4,354           | 4,354           | 4,354           |
| <b>Proposed Mission Creek RAC (\$/AF)</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> |

## Section 4

## CONCLUSION

The Mission Creek Replenishment Fund cost of service analysis shows reserves are sufficient to cover projected shortfalls and rate increases are unnecessary throughout the study period. Proposed rates, summarized in Table 14, have been developed through a collaborative effort with the Board to balance the Fund's operating needs with customer affordability.

Table 14 Summary of Proposed Rates

|   | Existing Rate   | FY 2022         | FY 2023         | FY 2024         | FY 2025         | FY 2026         |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| RAC Revenue Increase                      | n/a             | 0%              | 0%              | 0%              | 0%              | 0%              |
| <b>Proposed Mission Creek RAC (\$/AF)</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> | <b>\$135.52</b> |

Appendix A

# PROJECTED PRODUCTION AND SALES VOLUME AND REVENUE



## Appendix B

# PROJECTED OPERATING EXPENSES

# Projected Operating Expenses

|   |                   | Budget            |                   | Forecasted ---->  |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Escalation Factor   |                   | FY 2021           | FY 2022           | FY 2023           | FY 2024           | FY 2025           | FY 2026           |
| <b>Operating Expenses Detail</b>                                      |                   |                   |                   |                   |                   |                   |                   |
| <b>Salaries and Benefits</b>  |                   |                   |                   |                   |                   |                   |                   |
| Salaries and Wages  | COLA/Step/Merit   | \$ 133,000        | \$ 138,453        | \$ 144,130        | \$ 150,039        | \$ 156,190        | \$ 162,594        |
| Fringe Benefit  | Benefits          | 76,000            | 82,678            | 90,077            | 98,303            | 107,384           | 117,467           |
| Supplemental Personnel Costs - Salaries                               | No Increase       | -                 | -                 | -                 | -                 | -                 | -                 |
| Supplemental Personnel Costs - Benefits                               | No Increase       | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Subtotal Salaries and Benefits</b>                                 |                   | <b>\$ 209,000</b> | <b>\$ 221,131</b> | <b>\$ 234,207</b> | <b>\$ 248,342</b> | <b>\$ 263,574</b> | <b>\$ 280,061</b> |
| Less Capitalized Labor  | [Calculated]      | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Total Salaries and Benefits</b>                                    |                   | <b>\$ 209,000</b> | <b>\$ 221,131</b> | <b>\$ 234,207</b> | <b>\$ 248,342</b> | <b>\$ 263,574</b> | <b>\$ 280,061</b> |
| <b>Supplies and Services</b>  |                   |                   |                   |                   |                   |                   |                   |
| Supplies and Services   | Operations        | \$ 410,418        | \$ 418,626        | \$ 429,039        | \$ 439,660        | \$ 450,493        | \$ 461,543        |
| SWP Costs to Recover Via Mission Creek RAC                            | [Calculated]      | -                 | -                 | 193,381           | 187,916           | 193,922           | 187,855           |
| <b>Total Supplies and Services</b>                                    |                   | <b>\$ 410,418</b> | <b>\$ 418,626</b> | <b>\$ 622,420</b> | <b>\$ 627,576</b> | <b>\$ 644,415</b> | <b>\$ 649,397</b> |
| <b>Supplemental Motor Pool Costs - Added to Supplies and Services</b> |                   |                   |                   |                   |                   |                   |                   |
| Motor pool (linked one year ahead in budget model - C                 | Operations        | -                 | 2,000             | 2,000             | 2,000             | 2,000             | 2,000             |
| <b>Utilities</b>  |                   |                   |                   |                   |                   |                   |                   |
| Utilities - IID   | Utilities - IID   | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              |
| Utilities - SCE   | Utilities - SCE   | -                 | -                 | -                 | -                 | -                 | -                 |
| Utilities - Other   | Utilities - Other | 1,030             | 1,102             | 1,179             | 1,262             | 1,350             | 1,445             |
| <b>Total Utilities</b>  |                   | <b>\$ 1,030</b>   | <b>\$ 1,102</b>   | <b>\$ 1,179</b>   | <b>\$ 1,262</b>   | <b>\$ 1,350</b>   | <b>\$ 1,445</b>   |
| <b>Capital Outlay</b>   |                   |                   |                   |                   |                   |                   |                   |
| Capital Outlay  | [Calculated]      | \$ 13,260         | \$ 13,525         | \$ 13,796         | \$ 14,072         | \$ 14,353         | \$ 14,640         |
| Other   | Operations        | -                 | -                 | -                 | -                 | -                 | -                 |
| Other   | Operations        | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Total Office Expense</b>   |                   | <b>\$ 13,260</b>  | <b>\$ 13,525</b>  | <b>\$ 13,796</b>  | <b>\$ 14,072</b>  | <b>\$ 14,353</b>  | <b>\$ 14,640</b>  |
| <b>Total Operating Expenses</b>                                       |                   | <b>\$ 633,708</b> | <b>\$ 654,385</b> | <b>\$ 871,601</b> | <b>\$ 891,252</b> | <b>\$ 923,692</b> | <b>\$ 945,544</b> |

## Appendix C

# DETAILED FINANCIAL FORECASTS



## Financial Forecast Under Proposed Rates

|  | FY 2021             | FY 2022             | FY 2023             | FY 2024             | FY 2025             | FY 2026             |  |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|
| RAC Increase                                   | 0.0%                | 0.0%                | 0.0%                | 0.0%                | 0.0%                | 0.0%                |  |
| <b>RAC Rate (\$/AF)</b>                        | <b>\$135.52</b>     | <b>\$135.52</b>     | <b>\$135.52</b>     | <b>\$135.52</b>     | <b>\$135.52</b>     | <b>\$135.52</b>     |  |
| <b>Revenues Prior to Increases</b>             |                     |                     |                     |                     |                     |                     |  |
| 1 RAC Revenues Under Existing Rates            | \$ 590,054          | \$ 590,054          | \$ 590,054          | \$ 590,054          | \$ 590,054          | \$ 590,054          | From Appendix A  |
| 2 Revenues from RAC Increases                  | -                   | -                   | -                   | -                   | -                   | -                   | Assumes no increases implemented   |
| <b>3 Subtotal: RAC Revenue</b>                 | <b>\$ 590,054</b>   | <b>\$ 590,054</b>   | <b>\$ 590,054</b>   | <b>\$ 590,054</b>   | <b>\$ 590,054</b>   | <b>\$ 590,054</b>   | = 1 + 2  |
| 4 Investment Income                            | 85,000              | 86,557              | 87,068              | 82,473              | 77,442              | 71,550              | Calculated at 2.3% of previous year's ending balance   |
| <b>5 Total Revenues</b>                        | <b>\$ 675,054</b>   | <b>\$ 676,611</b>   | <b>\$ 677,122</b>   | <b>\$ 672,527</b>   | <b>\$ 667,497</b>   | <b>\$ 661,604</b>   | = 3 + 4  |
| <b>Operating Expenses</b>                      |                     |                     |                     |                     |                     |                     |  |
| 6 Salaries and Benefits                        | \$ 209,000          | \$ 221,131          | \$ 234,207          | \$ 248,342          | \$ 263,574          | \$ 280,061          | From Appendix B  |
| 7 Supplies and Services                        | 410,418             | 418,626             | 429,039             | 439,660             | 450,493             | 461,543             | From Appendix B  |
| 8 Utilities                                    | 1,030               | 1,102               | 1,179               | 1,262               | 1,350               | 1,445               | From Appendix B  |
| 9 SWP Costs to Recover Via West Whitewater RAC | -                   | -                   | 193,381             | 187,916             | 193,922             | 187,855             | From Appendix B  |
| 10 Capital Outlay                              | 13,260              | 13,525              | 13,796              | 14,072              | 14,353              | 14,640              | From Appendix B  |
| <b>11 Total Operating Expenses</b>             | <b>\$ 633,708</b>   | <b>\$ 654,385</b>   | <b>\$ 871,601</b>   | <b>\$ 891,252</b>   | <b>\$ 923,692</b>   | <b>\$ 945,544</b>   | = sum (6 through 10)   |
| <b>12 Net Operating Revenues</b>               | <b>\$ 41,346</b>    | <b>\$ 22,226</b>    | <b>\$ (194,479)</b> | <b>\$ (218,724)</b> | <b>\$ (256,196)</b> | <b>\$ (283,940)</b> | = 10 - 18  |
| <b>Capital Expenses</b>                        |                     |                     |                     |                     |                     |                     |  |
| 13 Replenishment Capital Projects              | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | See Section 2.5  |
| 14 General District Projects                   | -                   | -                   | -                   | -                   | -                   | -                   | See Section 2.5  |
| 15 Motor Pool Capital                          | -                   | -                   | 5,306               | -                   | -                   | -                   | See Section 2.5  |
| <b>16 Total Capital Expenses</b>               | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 5,306</b>     | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | = sum (13 through 15)  |
| <b>17 Total Revenue Requirements</b>           | <b>\$ 633,708</b>   | <b>\$ 654,385</b>   | <b>\$ 876,907</b>   | <b>\$ 891,252</b>   | <b>\$ 923,692</b>   | <b>\$ 945,544</b>   | = 11 + 16  |
| <b>18 Surplus/(Deficit)</b>                    | <b>\$ 41,346</b>    | <b>\$ 22,226</b>    | <b>\$ (199,785)</b> | <b>\$ (218,724)</b> | <b>\$ (256,196)</b> | <b>\$ (283,940)</b> | = 5 - 17   |
| <b>Projected Reserves</b>                      |                     |                     |                     |                     |                     |                     |  |
| 19 Beginning Balance                           | \$ 3,722,000        | \$ 3,763,346        | \$ 3,785,572        | \$ 3,585,787        | \$ 3,367,063        | \$ 3,110,867        | Beginning balance based on District projections  |
| <b>20 Ending Balance</b>                       | <b>\$ 3,763,346</b> | <b>\$ 3,785,572</b> | <b>\$ 3,585,787</b> | <b>\$ 3,367,063</b> | <b>\$ 3,110,867</b> | <b>\$ 2,826,927</b> | = 18 + 19  |
| <b>Reserve Component Targets</b>               |                     |                     |                     |                     |                     |                     |  |
| 21 Operating Reserve                           | \$155,112           | \$160,215           | \$214,451           | \$219,295           | \$227,335           | \$232,726           | 25% of operating expenses less depreciation and capital outlay higher of 10% of current year budgeted rate revenues or 10% of total budgeted operating expenses less depreciation and capital outlay |
| 22 Rate Stabilization Reserve                  | \$62,045            | \$64,086            | \$85,781            | \$87,718            | \$90,934            | \$93,090            |  |
| 23 Capital Improvement Reserve                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | 25% of five-year average PAYGO   |
| 24 Vehicle Replacement Reserve                 | \$1,061             | \$1,061             | \$1,061             | \$1,640             | \$1,640             | \$1,884             | average of the five-year CIP for replacement vehicles  |
| 25 Debt Service Reserve                        | -                   | -                   | -                   | -                   | -                   | -                   | No debt in Mission Creek Fund  |
| <b>26 Combined Reserve Target</b>              | <b>\$218,218</b>    | <b>\$225,362</b>    | <b>\$301,293</b>    | <b>\$308,653</b>    | <b>\$319,909</b>    | <b>\$327,700</b>    | = sum (21 through 25)  |
| <b>27 Unrestricted Reserves</b>                | <b>\$ 3,545,128</b> | <b>\$ 3,560,210</b> | <b>\$ 3,284,494</b> | <b>\$ 3,058,409</b> | <b>\$ 2,790,958</b> | <b>\$ 2,499,227</b> | = 20 - 26  |