



Joint Board of Directors / Budget Advisory Committee Meeting
Fiscal Years 2018-19 Closeout,
2019-20 Mid-Year Projection &
2020-21 Budget Review

February 26, 2020

Meeting Agenda

- Budget Timeline
- Economic Models – LVL and ARC
- Fiscal Year 2018-19 Closeout
- Fiscal Year 2019-20 Mid-Year Projection
- Fiscal Year 2020-21 Budget Review
 - Budget Scenarios
 - 5-Year Rate Forecast

Budget Timeline (Preliminary)

1/29/20	Review of bond & reserve funds	BAC
2/24/20	Budget review	Fin/Audit Committee
2/26/20	Review of operating budget & RA Upper Limit	Joint Board/BAC Meeting
3/5/20	Budget Workshop #1 & RA Upper Limit	Board of Directors
3/6/20	Mail out Pumper Notifications	
3/16/20	Discuss budget & RA	Fin/Audit Committee
3/18/20	Review of final budget & RA recommendations	BAC
3/19/20	Budget Workshop #2	Board of Directors
4/2/20	Budget Workshop #3 & Open Water Code Public Hearing	Board of Directors
4/16/20	Budget Workshop #4	Board of Directors
4/23/20	Open 218-like Public Hearing, close hearing, close Water Code Public Hearing, Adopt Budget & RA	Special Board of Directors Meeting

February

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April

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May

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31						

Economic Models

LVL Cost of Water Compared to Imported Water Net Present Value 2020-2050

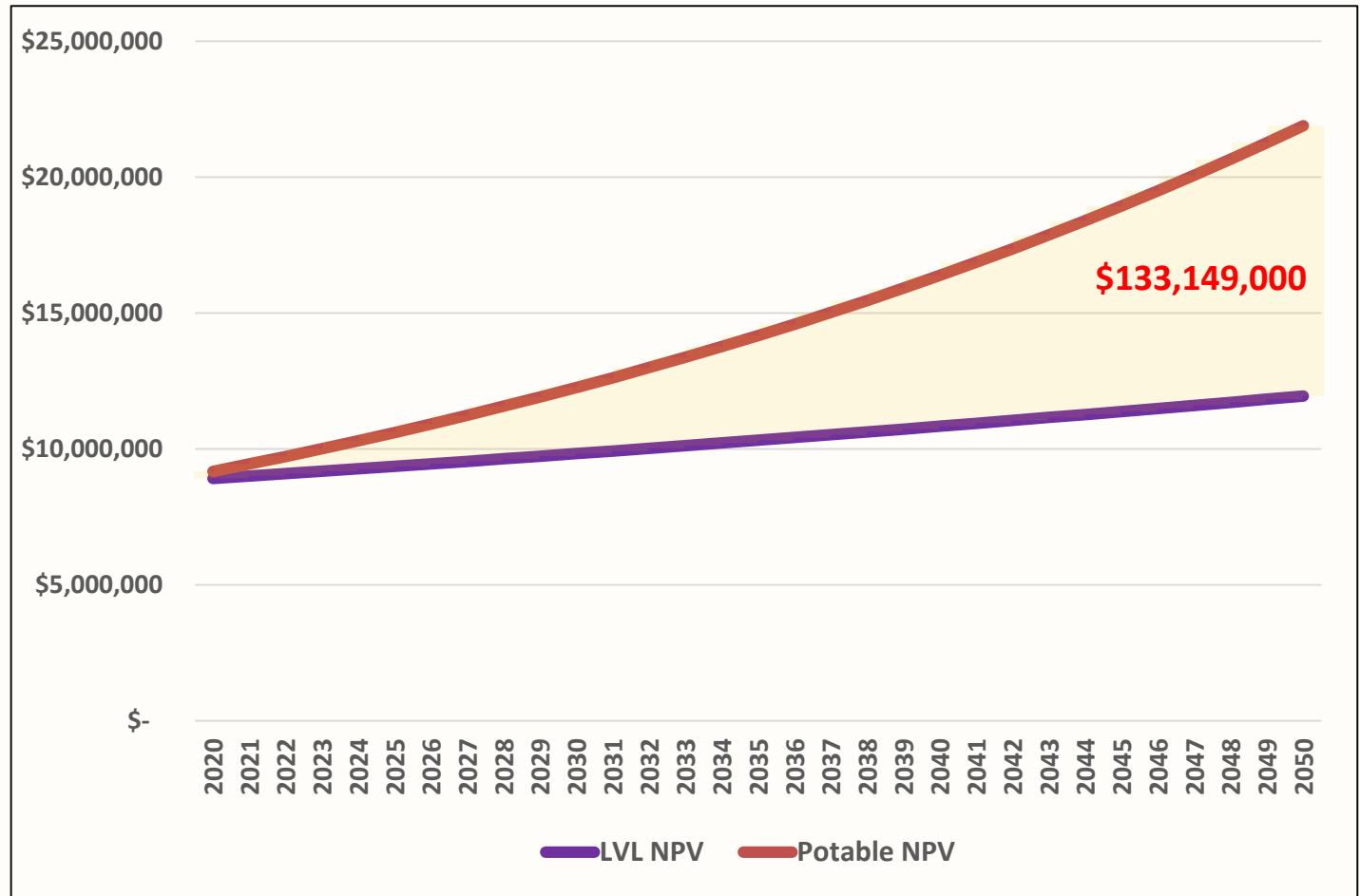
Assumptions:

LVL

- 9,000 AFY – LVL Treatment costs
 - CapEx
 - OpEx

Imported Water

- 9,000 AFY
 - Tier 1 Treated



Economic Models

ARC Cost of Water Compared to Imported Water Net Present Value 2020-2050

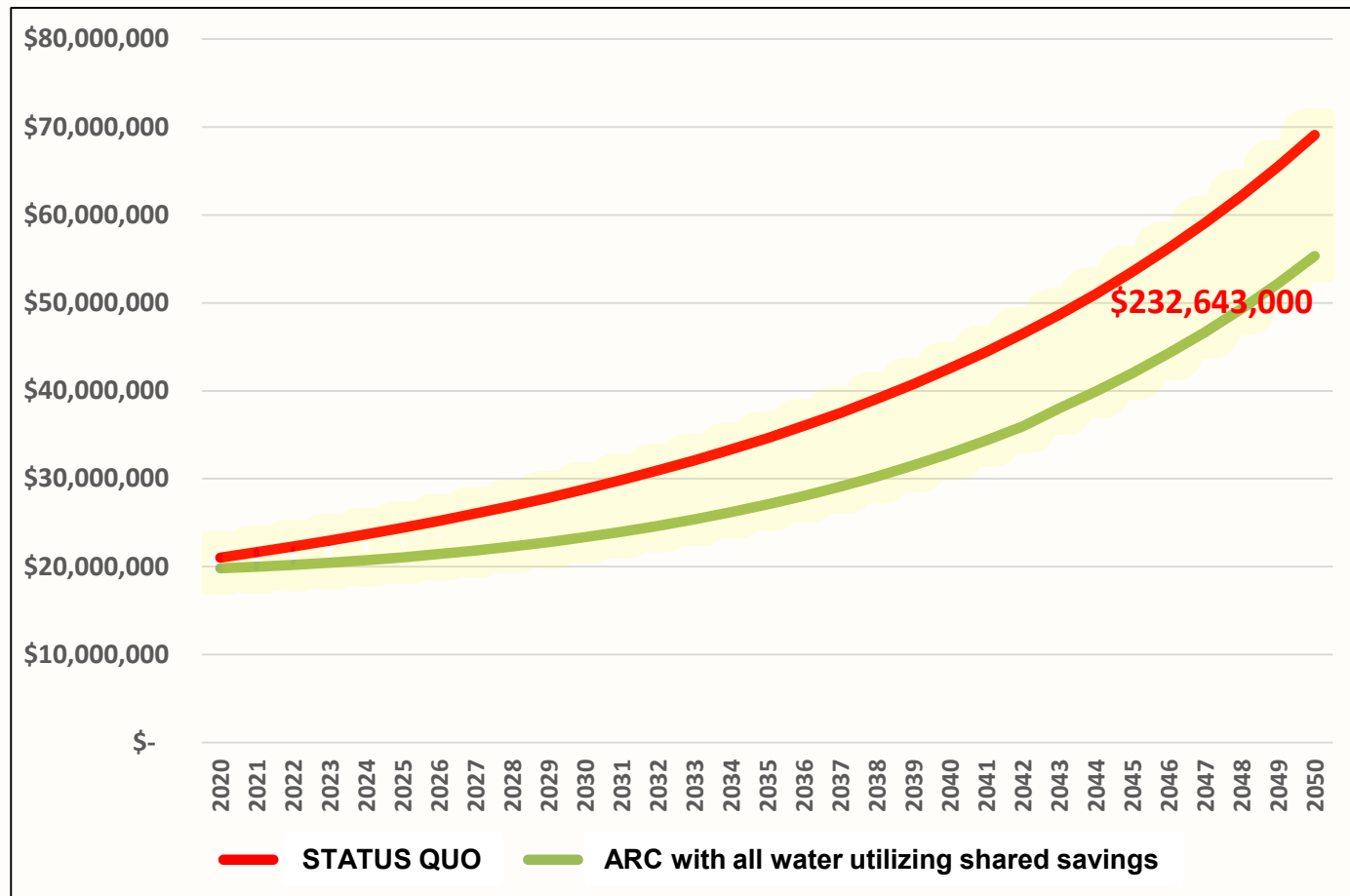
Assumptions:

ARC

- 10,000 AFY – ARC Treatment costs
 - CapEx
 - OpEx
- 11,000 AFY - LACSD at Shared Savings Floor

Imported Water

- 21,000 AFY
 - Tier 1 Untreated



FY 2018-19 Closeout

	FY 2018-19 Budget	FY 2018-19 Actual	Difference
<u>Costs</u>			
Operating Expenditures			
Water Costs	\$ 38.7	\$ 33.4	\$ (5.3)
Water In-Lieu	-	-	-
Dominguez Gap Contingency Fund	-	-	-
ARC, LVL and Water Conservation	11.1	4.4	(6.7)
Program Costs	10.5	8.6	(1.9)
Administration	5.0	6.1	1.1
Other Costs	0.9	2.8	1.9
Debt Services	12.9	10.7	(2.2)
Total Costs	\$ 79.1	\$ 66.0	\$ (13.1)
<u>Revenues</u>			
Replenishment Assessment	\$ 73.6	\$ 68.0	\$ (5.6)
LVL	0.9	0.1	(0.8)
Goldsworthy	3.3	1.6	(1.7)
Other Revenues	0.3	1.6	1.3
Carry Over Conversion	1.0	2.6	1.6
Total Revenues	\$ 79.1	\$ 73.9	\$ (5.2)
Net	\$ -	\$ (7.9)	\$ (7.9)

FY 2018-19 Closeout

EXPENSES

- Operating Expenditures (including Water Costs, Program Costs & Administration) were \$12.8 M below budget
 - Water costs less than anticipated due to reduced recycled water supply (conservation impacts); ARC was still under construction & LVL not operating at full capacity due to supply water outages
 - Goldsworthy Desalter reduced operations due to membrane fouling and well clogging issues
 - Administration costs up due to unfunded PERS liability and Retirees Health Costs

OTHER COSTS were \$1.9 M above budget due to litigation

DEBT SERVICES were \$2.3 M below budget as the district is required to keep 20% debt covenant

REVENUES were \$5.2 M below budget due to lower pumping, lower LVL and Goldsworthy revenues

NET RESULT

- \$7.9 M below budget (Expenditure savings offset by revenue shortfall)

FY 2019-20 Mid-Year Projection

	FY 2019-20 Budget	FY 2019-20 Projection	Difference
<u>Costs</u>			
Operating Expenditures			
Water Costs	\$ 34.5	\$ 37.7	\$ 3.2
Water In-Lieu	-	2.5	2.5
Dominguez Gap Contingency Fund	0.9	0.9	-
ARC, LVL and Water Conservation	15.1	11.2	(3.9)
Program Costs	12.2	10.3	(1.9)
Administration	6.1	7.3	1.2
Other Costs	0.9	0.9	-
Debt Services	14.9	15.4	0.5
Total Costs	\$ 84.6	\$ 86.2	\$ 1.6
<u>Revenues</u>			
Replenishment Assessment	\$ 77.8	\$ 77.7	\$ (0.1)
LVL	0.7	0.7	-
Goldsworthy	4.3	2.4	(1.9)
Other Revenues	0.3	0.3	-
Carry Over Conversion	1.5	2.5	1.0
Total Revenues	\$ 84.6	\$ 83.6	\$ (1.0)
Net	\$ -	\$ 2.6	\$ 2.6

FY 2019-20 Mid-Year Projection

EXPENSES

- Operating Expenditures (including Water Costs, Program Costs & Administration) were \$1.1 M above budget
 - Water costs higher than anticipated at barrier wells due to recycled water shortages and treatment plant outages
 - Unbudgeted in-lieu program with City of Long Beach
 - Program costs lower than budgeted due to ARC & LVL not operating at full capacity
 - Well Construction Loan Program cost decreases by using set aside fund vs budgeted funds, payments will return to fund
 - Administration costs up due to unfunded PERS liability & Retirees Health Costs

DEBT SERVICES were \$0.5 M above budget due to payment of SRF Loan

REVENUES were \$1.0 M below budget due to lower Goldsworthy revenue

NET RESULT

- \$2.6 M above budget

FY 2020-21 Budget Review

	FY 2019-20 Budget	FY 2020-21 Proposed	Difference
<u>Costs</u>			
Operating Expenditures			
Water Costs	\$ 34.5	\$ 34.1	\$ (0.4)
Water In-Lieu	-	-	-
Dominguez Gap Contingency Fund	0.9	0.9	-
ARC, LVL and Water Conservation	15.1	16.6	1.5
Program Costs	12.2	10.2	(2.0)
Administration	6.1	7.5	1.4
Other Costs	0.9	1.4	0.5
Debt Services	14.9	19.7	4.8
Total Costs	\$ 84.6	\$ 90.4	\$ 5.8
<u>Revenues</u>			
LVL	\$ 0.7	\$ 1.8	\$ 1.1
Goldsworthy	4.3	4.8	0.5
Other Revenues	0.3	0.4	0.1
Carry Over Conversion	1.5	2.0	0.5
Total Revenues	\$ 6.8	\$ 9.0	\$ 2.2
Cost to Provide Service	\$77.8	\$81.4	\$3.6

FY 2020-21 Budget Review

EXPENSES

- Operating Expenditures (including Water Costs, Program Costs & Administration) are \$0.4 M above FY 2020 budget
 - Water costs lower due to greater recycled water reliability at seawater barrier wells
 - ARC operating cost increases due to full year of operations
 - Groundwater Planning cost increases due to transfer of all district legislative consultants and technical memberships to the program
 - Groundwater Monitoring cost increases due to new well construction (20% offset by grant award), lab. and equipment costs
 - Well Construction Loan Program cost decreases by using set aside fund vs budgeted funds, payments will return to fund
 - Administration costs up due to unfunded PERS liability & Retirees Health costs

OTHER COSTS increase by \$0.5 M due to rising election expense costs

DEBT SERVICES increase by \$4.9 M due to anticipated payment of SRF Loan and 2018 Bonds

FY 2020-21 Budget Review

NON-RA REVENUES is \$2.2 M higher as all treatment plants are operating and increased carryover conversion to storage

COST TO PROVIDE SERVICES (Expenses minus Non-RA Revenues) is projected at **\$81.4 M**

	FY 2019-20 Budget	FY 2020-21 Proposed	Difference
<u>Costs</u>			
Operating Expenditures			
Water Costs	\$ 34.5	\$ 34.1	\$ (0.4)
Water In-Lieu	-	-	-
Dominguez Gap Contingency Fund	0.9	0.9	-
ARC, LVL and Water Conservation	15.1	16.6	1.5
Program Costs	12.2	10.2	(2.0)
Administration	6.1	7.5	1.4
Other Costs	0.9	1.4	0.5
Debt Services	14.9	19.7	4.8
Total Costs	\$ 84.6	\$ 90.4	\$ 5.8
<u>Revenues</u>			
LVL	\$ 0.7	\$ 1.8	\$ 1.1
Goldsworthy	4.3	4.8	0.5
Other Revenues	0.3	0.4	0.1
Carry Over Conversion	1.5	2.0	0.5
Total Revenues	\$ 6.8	\$ 9.0	\$ 2.2
Cost to Provide Service	\$77.8	\$81.4	\$3.6

Reserve Fund Overview

Reserve Fund	Adopted Reserve Target	FY 2018-19 Ending Balance	FY 2019-20 Projected Balance
Operating Reserve	\$ 20.4	\$ 19.5	\$ 19.5
Debt Service Reserve	3.2	3.2	3.2
Equipment Replacement Reserve Fund	5.0	5.0	5.0
Safe Drinking Water Program Fund	5.0	4.5	5.0
Well Construction and Rehabilitation Loan Program	7.5	7.5	7.5
Water Purchase Carryover and Rate Stabilization Fund*	10.4	19.3	16.7
Totals	\$ 51.5	\$ 59.0	\$ 56.9

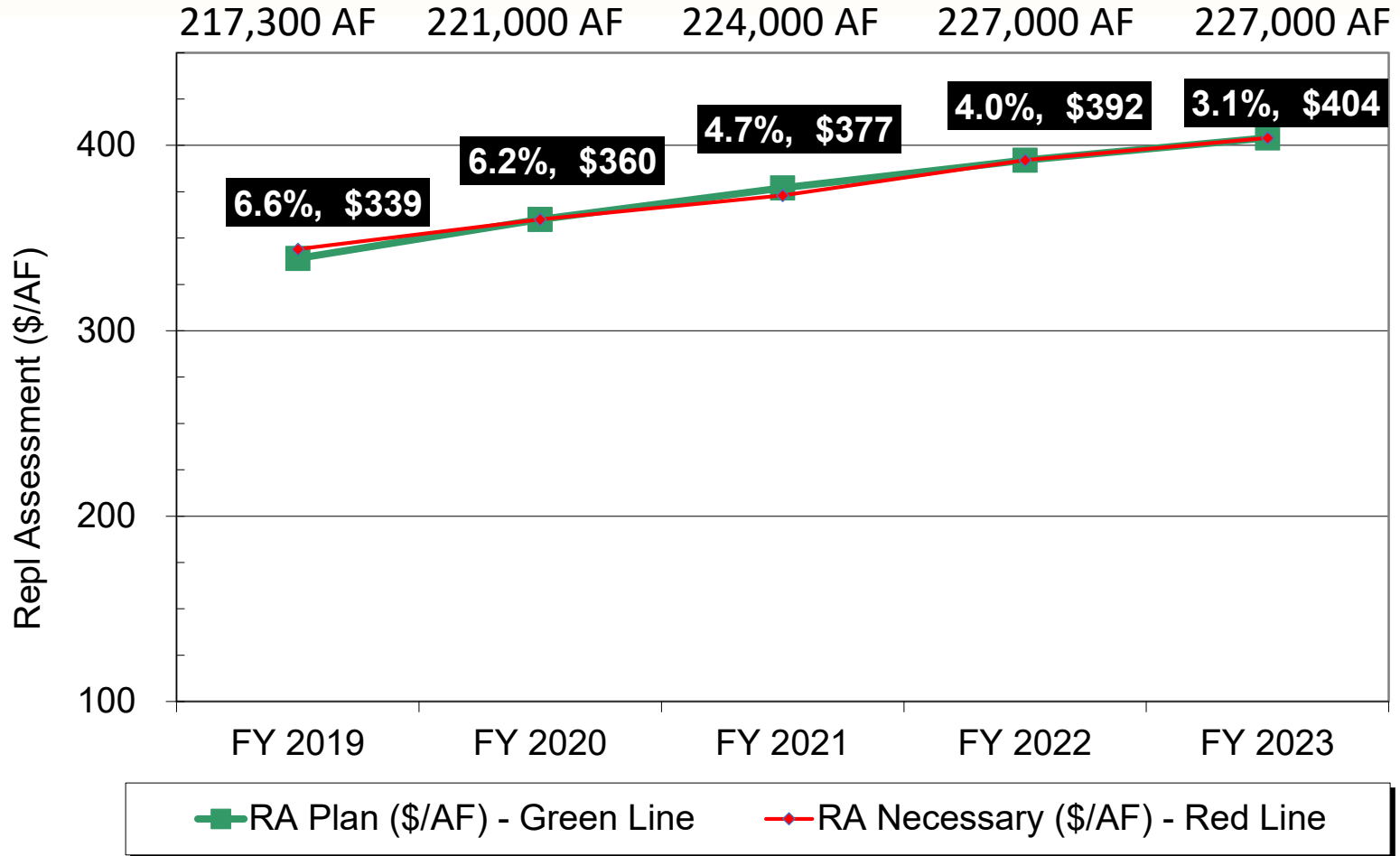
* Water Purchase Carryover & Rate Stabilization Fund - The BAC recommended that there be no target or maximum for the Water Purchase Carryover & Rate Stabilization Fund, and this fund would be driven by the resource goals of the District

Reallocation of 2018 Bond for PFAS Response Fund

Approved 2018 CIP

Water Independence Now (WIN)	2018 Bond Issuance	Potential Reallocation Amount	Notes
ARC: Advanced Water Treatment Facility (AWTF)	\$ 25,150,000		
ARC: Whittier Parcel (Additional Injection, Spreading and/or Energy Management)	\$ 200,000		
Leo J. Vander Lans Facility: Cerritos Interconnect Pipeline (includes preliminary design)	\$ 11,700,000	\$ 11,700,000	
Leo J Vander Lans Facility: Los Coyotes Direct Connect	\$ 1,700,000	\$ 1,700,000	
Leo J. Vander Lans Facility: Onsite injection Well Storage/Replenishment	\$ 6,000,000	\$ 5,000,000	Initiate 2 year permitting process
Regional Brackish Water Reclamation Program	\$ 2,100,000		
Dominguez Gap Seawater Intrusion Barrier- Inland Injection Well Field	\$ 500,000	\$ 500,000	
Regional Groundwater Monitoring Program - Wells	\$ 1,800,000	\$ 1,000,000	
Recycled Water Compliance Monitoring Wells at MFSG	\$ 500,000		
Asset Management Program	\$ 900,000		
Energy Management Plan Study and Implementation	\$ 2,300,000	\$ 2,000,000	
Leo J. Vander Lans: SCADA Upgrades	\$ 2,600,000	\$ 1,000,000	
Goldsworthy : SCADA Upgrades	\$ 1,300,000	\$ 1,300,000	
Contaminated Site Investigations, Cleanup and Monitoring Wells	\$ 1,000,000		Vernon Perchlorate
SDWP Program - Primary Contaminants (Grants)	\$ 4,800,000		
Operations and Storage Annex Facility Project	\$ 3,000,000	\$ 2,200,000	
Rio Hondo and San Gabriel Spreading Grounds Improvements	\$ 1,500,000	\$ 1,500,000	
General Engineering (Labor, overhead, legislative, legal)	\$ 6,090,000		
Total	\$ 73,100,000	\$ 27,900,000	

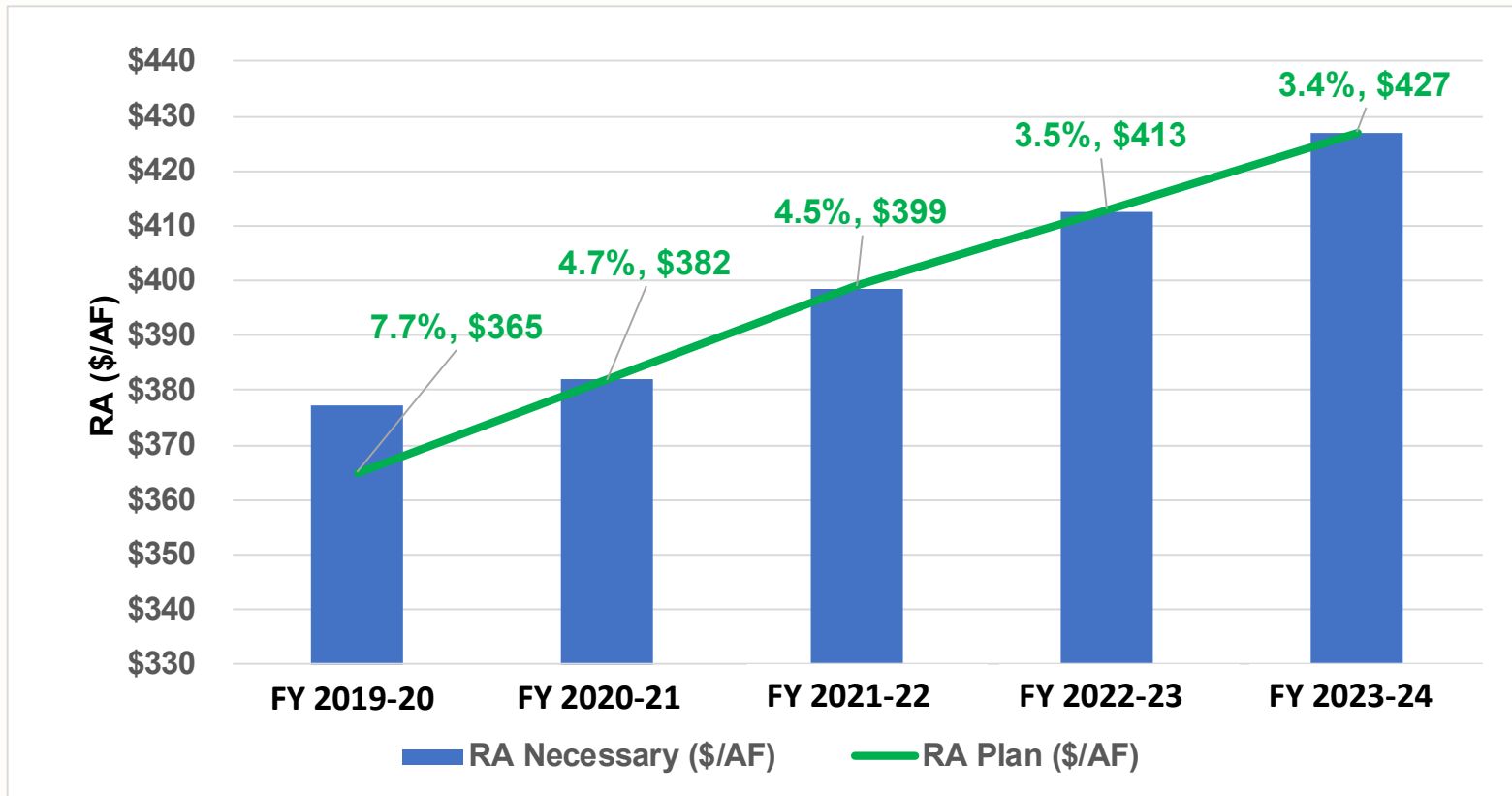
5-Year Rate Forecast prepared in 2018



FY 2020-21 Budget Scenarios

	1	2	3	4	5
FY 2020-21 Budget Scenarios	Worst Case - No Treatment	PFAS 1	PFAS 2	Status Quo Pumping	Increased Pumping
Cost to Provide Service	\$ 81,400,000	\$ 81,400,000	\$ 81,400,000	\$ 81,400,000	\$ 81,400,000
Pumping Estimate (AF)	198,000	203,000	208,000	213,000	215,000
% change from current FY 213,000 AF	-7.0%	-4.7%	-2.3%	0.0%	0.9%
Estimated RA	\$411	\$401	\$391	\$382	\$378
Dollar Increase from current RA Rate \$365/AF	\$46	\$36	\$26	\$17	\$13
Net % Increase from current RA Rate \$365/AF	12.6%	9.9%	7.1%	4.7%	3.6%
Fiscal Impact on Reserve	\$ 5,764,000	\$ 3,854,000	\$ 1,944,000		

5-Year Rate Forecast



Assumption: 213,000 AF per year

5-Year Rate Forecast

		1	2	3	4	5
		FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
EXPENSES						
Total Water Purchases	5.0%	\$ 41.1	\$ 35.0	\$ 36.8	\$ 38.6	\$ 40.5
Other Water	3.0%	11.2	16.6	17.1	17.6	18.1
Projects & Programs	3.0%	10.3	10.2	10.5	10.8	11.1
Administration	3.0%	7.3	7.5	7.7	8.0	8.2
Other Costs	3.0%	0.9	1.4	1.4	1.5	1.5
Debt Services		15.4	19.7	20.0	20.0	20.0
SUB-TOTAL		\$ 86.2	\$ 90.4	\$ 93.5	\$ 96.5	\$ 99.5
NON-RA REVENUES						
Vander Lans	0.0%	\$ 0.7	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8
Goldsworthy Desalter	0.0%	2.4	4.9	4.9	4.9	4.9
Other Revenues	0.0%	0.3	0.4	0.4	0.4	0.4
SUB-TOTAL		\$ 3.4	\$ 7.1	\$ 7.0	\$ 7.0	\$ 7.0
Carryover Conversion		\$ 2.5	\$ 2.0	\$ 1.5	\$ 1.5	\$ 1.5
Revenue Requirements thru RA		\$ 80.3	\$ 81.3	\$ 85.0	\$ 88.0	\$ 91.0
RA Prod Level (AF)		213,000	213,000	213,000	213,000	213,000
RA Necessary (\$/AF)		\$ 377	\$ 382	\$ 399	\$ 413	\$ 427
RA Plan (\$/AF)		\$ 365	\$ 382	\$ 399	\$ 413	\$ 427
% Increase		7.7%	4.7%	4.5%	3.5%	3.4%

Future Years Budget Considerations

1. PFAS pumping reduction
2. PFAS funding (Grants, Loans, Pay-Go)
3. Fully budget for additional 11,000 AF of water at spreading grounds
4. Pay go capital line item for ongoing capital programs



SECURING OUR WATER FUTURE TODAY