

2020 Midyear Report Financial Plan - COVID 19

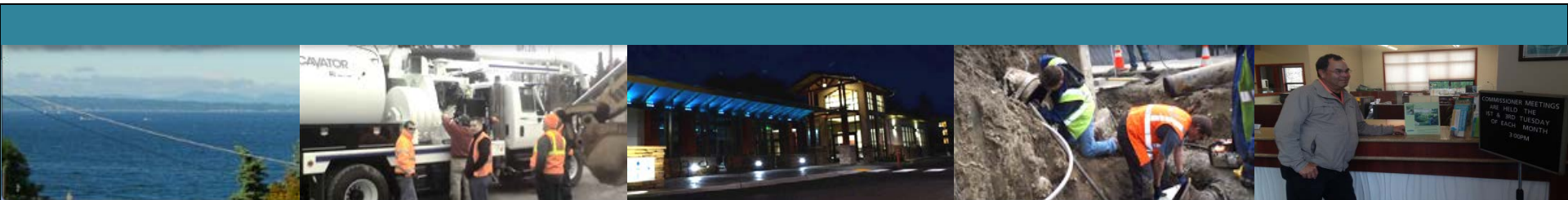
Presentation to the Board of Commissioners

July 21, 2020



Agenda

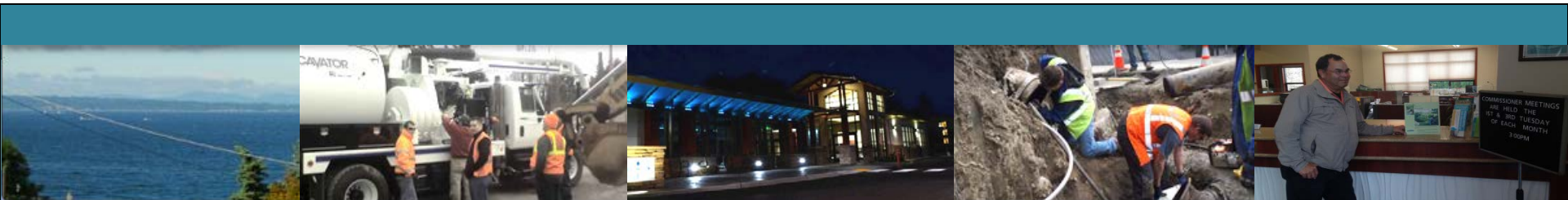
1. What are COVID 19 Impacts
2. Projected revenue shortfalls in 2020
3. Projected expenditure reductions in 2020
4. Projected revenue shortfalls through 2026
5. Scenario for expenditure reductions through 2026
6. Revised Cash Flow Forecast
7. Summary of Impacts



What are COVID Impacts?

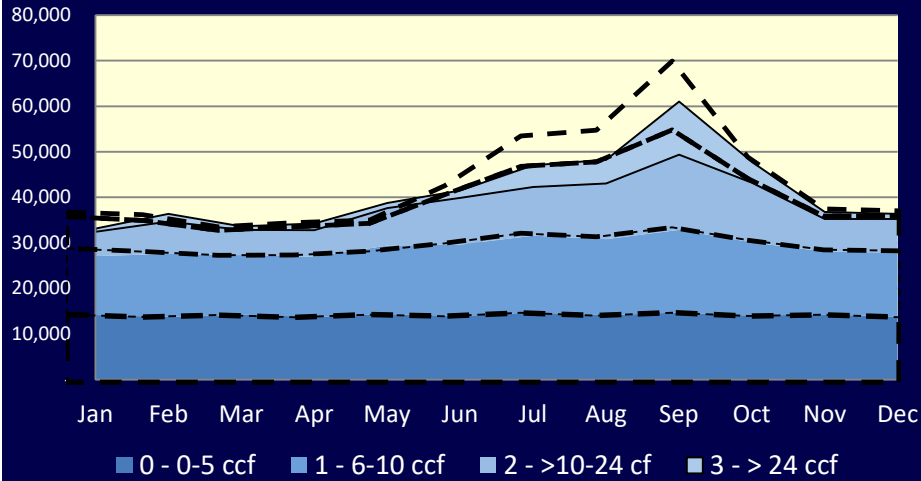
Slide 3

- Reduced revenues from closed business and schools
- Lost revenues from suspending late fees and reducing them in the future
- Lost revenues from suspending shut offs
- Delayed or lost revenues from delinquent accounts
- No or reduced rate increases
- Direct costs for supplies and materials to comply with protection requirements
- Direct costs for technology issues from working remotely
- Labor costs related to the absenteeism and inefficiencies of COVID related work schedules

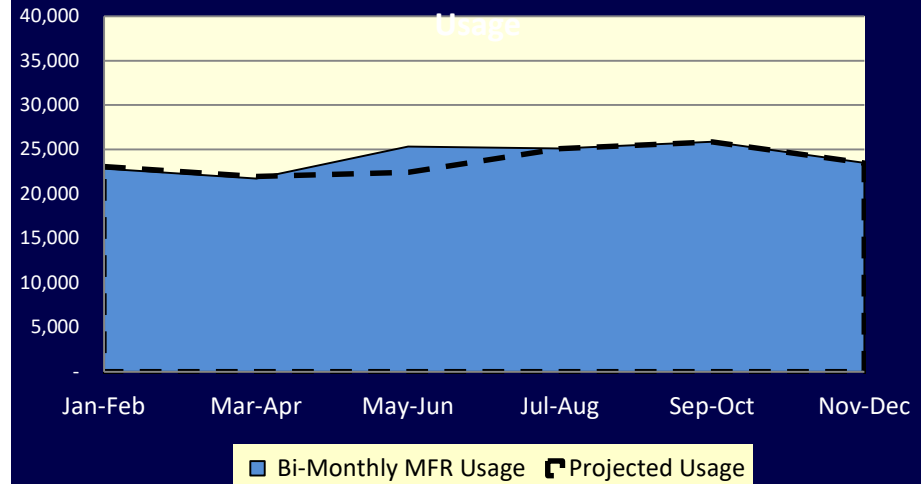


Projected Usage Shortfalls for 2020

2020 Single Family Residential Usage



Forecast MFR Usage Compared to 2020 Actual



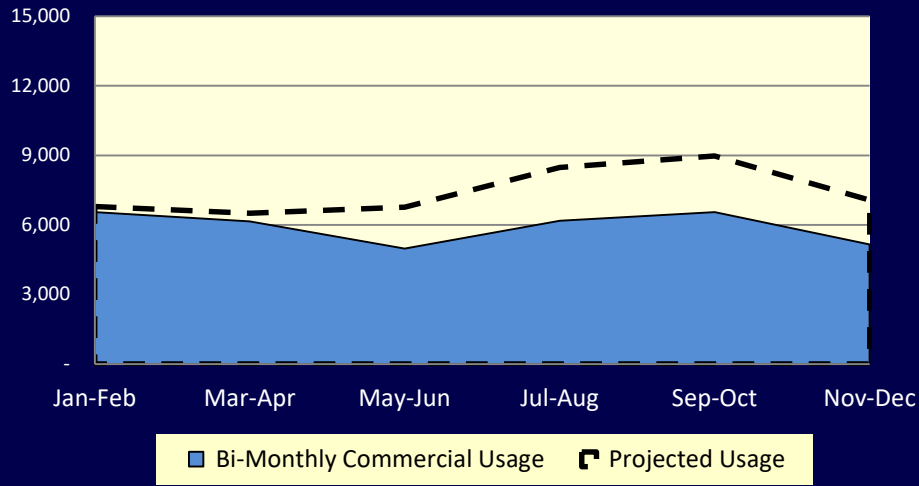
Single Family usage does not appear to be affected by COVID 19 but usage is down due to a cooler summer. As a starting point, usage was reduced in July-Sept by the same percentage as June.

Multi-Family does not appear to be affected by COVID 19. Generally their usage is not affected by the weather. Consequently, the annual usage is kept in line with the original projected amount.

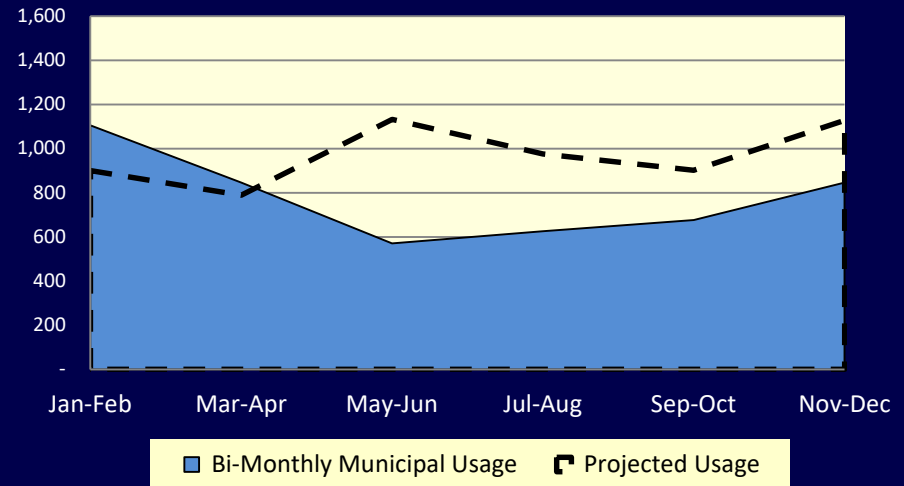


Projected Usage Shortfalls for 2020

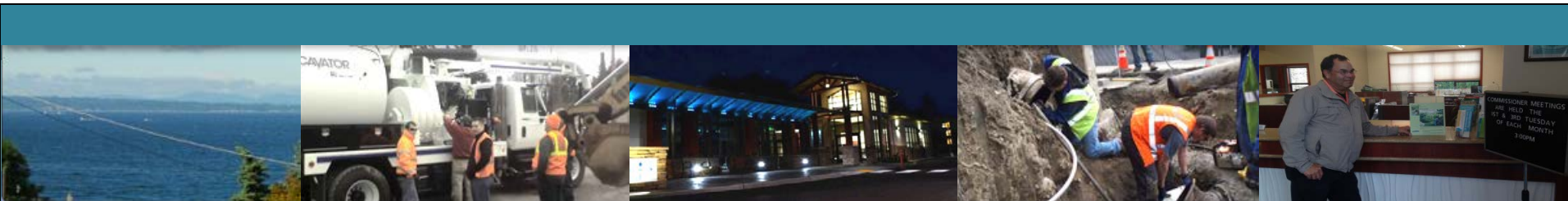
2020 Forecasted vs Actual Commercial Usage



2020 Forecasted vs Actual Muni Usage

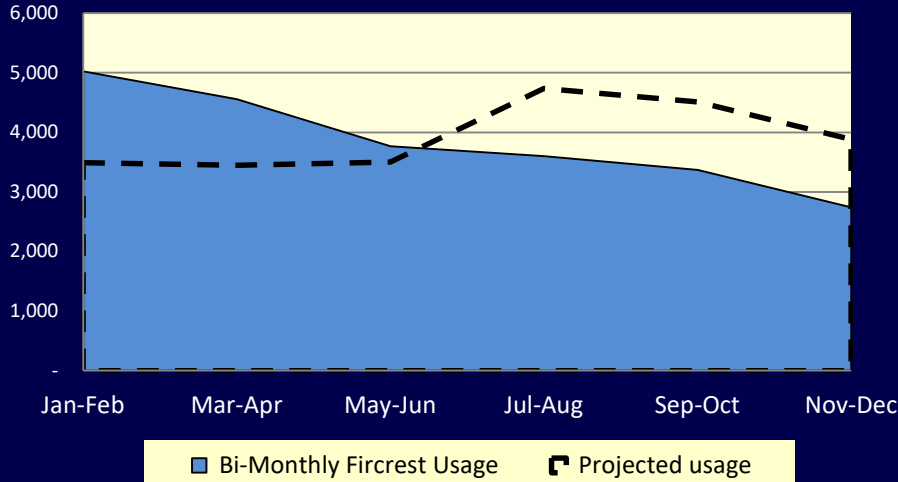


Both Commercial and Municipal usage appears to be affected by COVID 19. The same level of decline from budget is used going forward in 2020 and into the future.

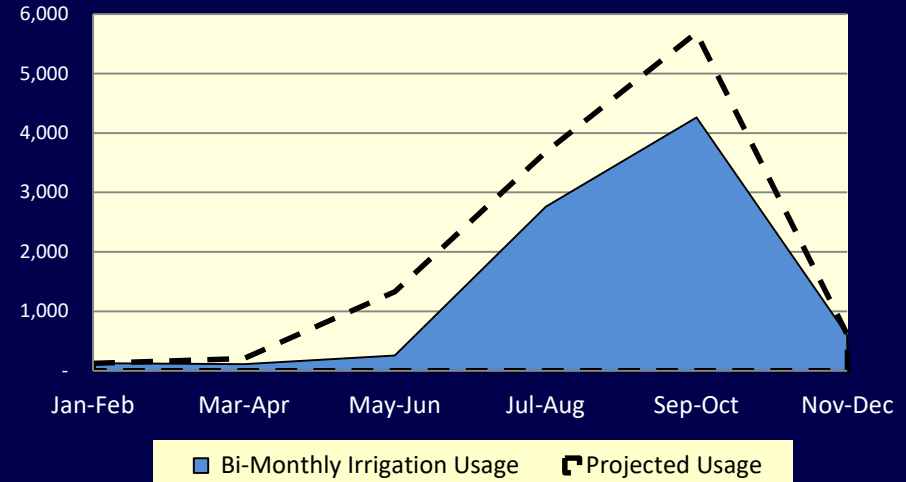


Projected Usage Shortfalls for 2020

2020 Forecasted vs Actual Fircrest Usage

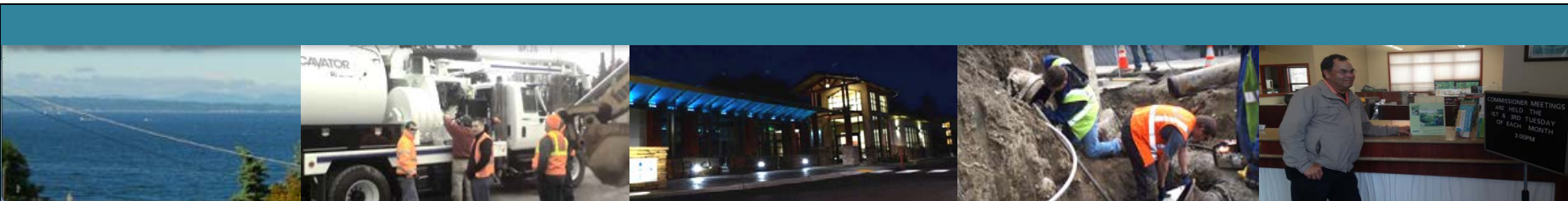


2020 Forecasted vs Actual Irrigation Usage

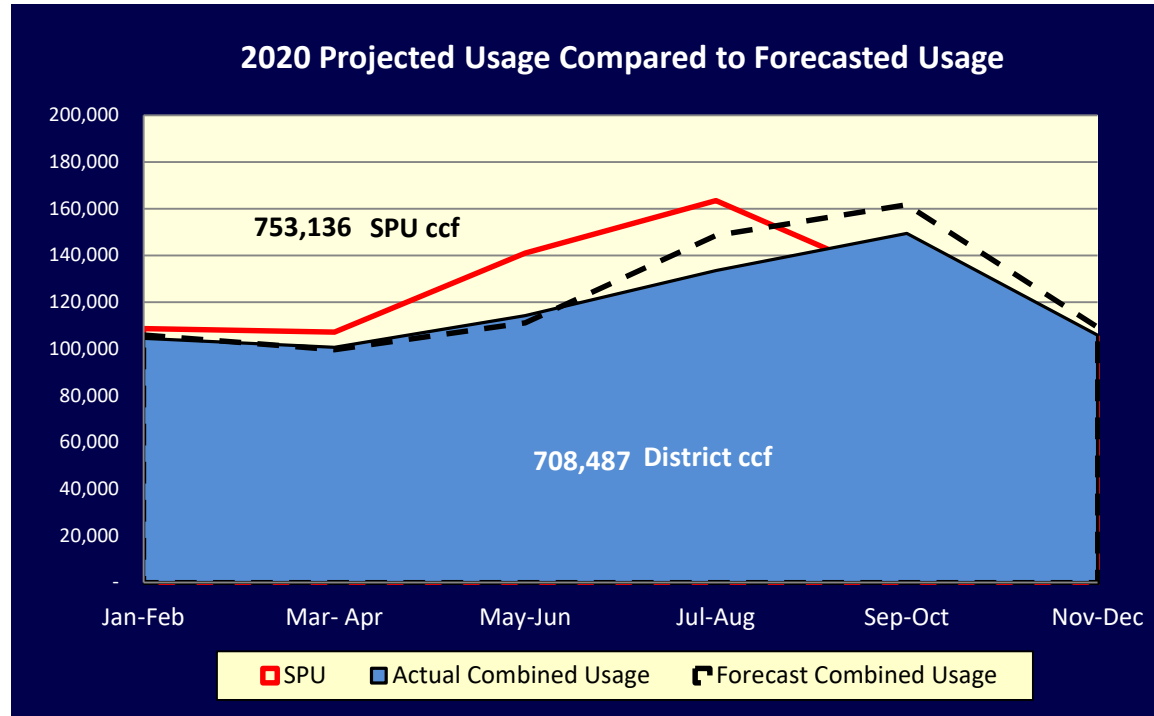


Fircrest is usage is under the projected amount due to processing changes with their steam plant.

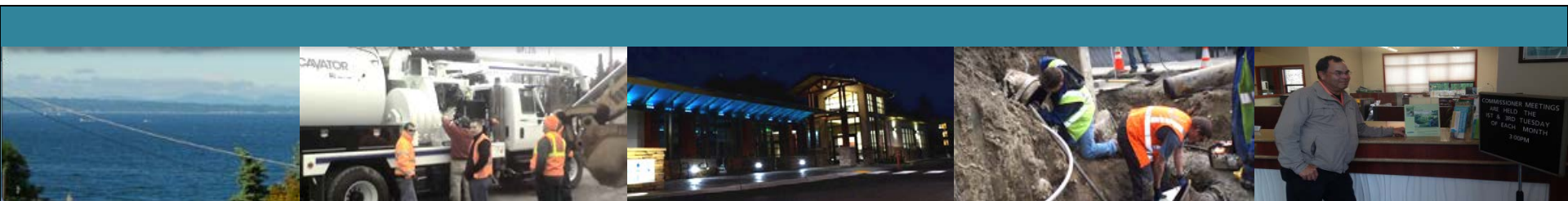
Irrigation is down since most irrigation meters are owned by the schools and with closures, they are likely not being used. Some could be due to a cooler summer.



Projected Usage Shortfalls for 2020



Overall usage is projected to be down by 28,000 ccf or 3.8% in 2020.



Projected Revenue Reduction in 2020

Reduction in Revenues	Weather / Other	Process Changes	COVID Impacts	Total 2020	
Interest Income				\$ -	Single Family is down from the cooler summer – same percent decline was used for July – Sept.
Single Family	(110,321)			(110,321)	Multi-family appears unaffected.
Multi-family	5,039			5,039	Commercial & Municipal are down from COVID. Usage is kept at this level going forward.
Municipal			(2,948)	(2,948)	Irrigation is probably a combination of COVID and the cooler summer.
Commercial			(39,433)	(39,433)	Fircrest is down from internal processing changes.
Fircrest		(1,915)		(1,915)	Firelines are unaffected.
Irrigation			(25,926)	(25,926)	The CIC revenue was from the billing in January, which was for December 2019.
Fireline				-	
CIC (2020) / ERU	29,505			29,505	
Franchise Fee Revenue	(4,547)	(115)	(4,098)	(8,760)	
Late Fee Revenue			(108,692)	(108,692)	
Total Reduction Revenues	\$ (80,324)	\$ (2,030)	\$ (181,098)	\$ (263,453)	
Not all the anticipated shortfall in revenue in 2020 is due to COVID. COVID related reductions comprise about 70% of the shortfall, with 41% from the suspension of late fees alone.					Late fees were suspended in Feb. These would normally be around \$125k - \$130k.

Projected Expenditure Reductions in 2020

Reduction in Revenues	Weather / Other	Process Changes	COVID Impacts	Total 2020
Total Reduction Revenues	\$ (80,324)	\$ (2,030)	\$ (181,098)	\$ (263,453)
Reduction in Expenditures				
Purchased Water	(17,145)	(433)	(38,656)	(56,235)
Taxes and FF	(10,122)	(256)	(22,822)	(33,200)
Financial Services/Special Proj.	(6,098)	(154)	(13,748)	(20,000)
Conferences/Training	(10,478)	(265)	(23,624)	(34,367)
Across the board reduction of 3%	(3,417)	(86)	(7,703)	(11,206)
Capital Transfer	(49,087)	(1,241)	(110,672)	(161,000)
Working Capital Impacts			52,555	52,555
Total Reduction with WC Adj,	\$ (96,348)	\$ (2,435)	\$ (164,669)	\$ (263,453)

SPU water will be lower from both a lower rate increase than projected, and the decline in usage.

Lower taxes and Franchise fees follow the lower revenues.

Financial services/special projects will be lower by about \$20k.

All conferences and outside training were suspended in March. Prorated 3% reduction in costs

The capital transfer will be lowered to accommodate the shortfall (this is the standard practice to balance revenue and expenditures on an annual basis.

The working capital days were increased by 5 days to accommodate the slower payment from delinquent accounts. see future slide.

NOTE: For the mid-year analysis, it was assumed that the YE costs for all other cost areas will be equal to the budgeted amount.

The total reduction in revenues and expenditures must be equal. Since the Revenues are expected to be down by \$263k, expenditures must also be reduced to match that. Some costs follow the decline in revenue, but any combination of other costs could be reduced to make up the difference. For example, instead of reducing the capital transfer, all outside services could be suspended, there could be furloughs, operating reserves could be consumed, etc. This is only one possible scenario!

Projected Revenue Reductions in 2020-2026

Reduction in Revenues	Total 2020	Total 2021	Total 2022	Total 2023	Total 2024	Total 2025	Total 2026	GRAND TOTAL
Interest Income	\$ -	\$ 14	\$ 594	\$ 2,851	\$ 3,338	\$ 4,105	\$ 3,202	\$ 14,103
Single Family	(110,321)	(179,287)	(244,782)	(254,573)	(264,756)	(275,346)	(286,360)	(1,615,426)
Multi-family	5,039	(31,612)	(44,854)	(46,648)	(48,514)	(50,455)	(52,473)	(269,518)
Municipal	(2,948)	(5,439)	(6,427)	(6,685)	(6,952)	(7,230)	(7,519)	(43,200)
Commercial	(39,433)	(52,154)	(57,862)	(60,176)	(62,584)	(65,087)	(67,690)	(404,987)
Fircrest	(1,915)	(7,063)	(8,994)	(9,353)	(9,727)	(10,117)	(10,521)	(57,690)
Irrigation	(25,926)	(30,573)	(32,968)	(34,287)	(35,659)	(37,085)	(38,568)	(235,067)
Fireline	-	(2,101)	(2,868)	(2,983)	(3,103)	(3,227)	(3,356)	(17,638)
CIC (2020) / ERU	29,505	(29,476)	(40,235)	(41,844)	(43,518)	(45,259)	(47,069)	(217,895)
Franchise Fee Revenue	(8,760)	(20,262)	(26,339)	(27,393)	(28,489)	(29,628)	(30,813)	(171,685)
Late Fee Revenue	(108,692)	(131,808)	(83,551)	(86,893)	(90,369)	(93,984)	(97,743)	(693,040)
Total Reduction Revenues	\$ (263,453)	\$ (489,762)	\$ (548,288)	\$ (567,985)	\$ (590,332)	\$ (613,311)	\$ (638,912)	\$ (3,712,042)

Implementing several assumptions regarding usage and rates, the decline in revenue over the amount projected in the 2020-2022 budget is \$3.7 million. Costs must be reduced, or reserves consumed to match.

MAJOR ASSUMPTION – rate increases will be suspended in 2021, 2.7% in 2022 , 4% there after.

Single Family usage is assumed to return to an average year starting in 2021 – and forward.

Usage for Municipal, Commercial, Fircrest is assumed to stay at 2020 levels–most conservative assumption

Late fees will be suspended in 2021 and reduced by half going forward.

Expenditure Reduction Scenario for 2020-2026

Reduction in Revenues	Total 2020	Total 2021	Total 2022	Total 2023	Total 2024	Total 2025	Total 2026	GRAND TOTAL
Total Reduction Revenues	\$ (263,453)	\$ (489,762)	\$ (548,288)	\$ (567,985)	\$ (590,332)	\$ (613,311)	\$ (638,912)	\$ (3,712,042)
Reduction in Expenditures								
Purchased Water	(56,235)	(125,317)	(200,403)	(250,838)	(324,744)	(395,551)	(450,076)	(1,803,163)
Taxes and FF	(33,200)	(44,498)	(66,051)	(68,574)	(71,297)	(74,127)	(77,069)	(434,815)
Financial Services/Special Proj.	(20,000)	(43,000)	(44,290)	(45,619)	(46,987)	(48,397)	(48,397)	(296,690)
Conferences/Training	(34,367)	(40,000)	(20,000)	(20,600)	(21,218)	(21,855)	(22,510)	(180,550)
Across the board reduction of 3%	(11,206)	(22,064)	(21,236)	(23,973)	(24,692)	(25,433)	(27,648)	(156,251)
Capital Transfer	(161,000)	(86,000)	(213,000)	(102,000)	(54,000)	69,000	176,000	(371,000)
Suspend Vehicle Acct Payment	-	(83,000)	-	-	-	-	-	(83,000)
Freeze 2021 Payroll	-	(69,085)	(73,620)	(75,829)	(78,104)	(80,804)	(83,597)	(461,038)
Working Capital Impacts	52,555	23,201	90,312	19,447	30,710	(36,145)	(105,615)	74,465
Total Reduction with WC Adj,	\$ (263,453)	\$ (489,762)	\$ (548,288)	\$ (567,985)	\$ (590,332)	\$ (613,311)	\$ (638,912)	\$ (3,712,042)

Water costs, taxes and franchise fees will be lower than projected due to lower usage and rates.

By bringing all outside financial services inside, the cumulative savings is about \$300k.

Suspending conferencing and outside training for 2020 and 2021, then cutting in half saves about \$180k.

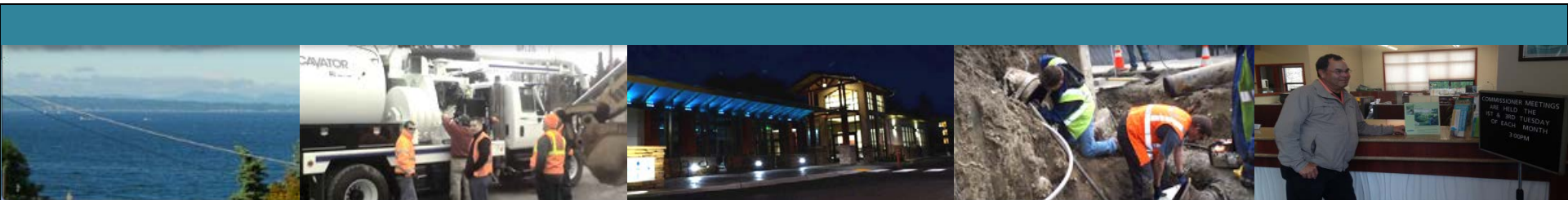
Cutting operating costs across the board by 3% saves about \$160k.

Capital transfers will be reduced saving \$371k over seven years. Capital costs are not cut- only reserves.


By delaying some vehicle purchases, the 2021 payment can be suspended – all vehicles will be replaced.

By freezing payroll for one year, the cumulative impacts are nearly \$500k. COLA is about 1/3 of total.

In the next slides the reduction in revenues and expenditures is shown in the context of the cash flow forecast that is used to establish budgets and rates.



Revised Cash Flow Forecast

MAINTENANCE FUND	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 1,315,550	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,315,550	\$ 1,367,562	\$ (52,012)
<i>Rate Revenue Increase</i> 	<i>4.0% Rate Inc</i>	<i>0.0% Rate Inc</i>	<i>2.7% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>			
TOTAL SOURCES (<i>Revenues, Interest, Depo</i>)	7,552,255	7,632,323	7,892,710	8,203,762	8,527,273	8,863,500	9,213,162	57,884,984	61,597,026	(3,712,042)
<i>SPU Rate Increase</i>	<i>6.5% SPU Inc</i>	<i>0.0% SPU Inc</i>	<i>2.7% SPU Inc</i>	<i>4.7% SPU Inc</i>	<i>3.6% SPU Inc</i>	<i>4.2% SPU Inc</i>	<i>5.5% SPU Inc</i>			
TOTAL OPERATING COSTS	4,979,700	5,024,084	5,195,801	5,385,892	5,567,137	5,773,025	6,009,842	37,935,482	41,267,990	(3,332,508)
CAPITAL COSTS										
Transfer to Vehicle Replacement Account	81,000	-	85,000	88,000	91,000	94,000	97,000	536,000	619,000	(83,000)
Rate Funded Capital Transfer	1,339,000	1,414,000	1,387,000	1,498,000	1,646,000	1,769,000	1,876,000	10,929,000	11,300,000	(371,000)
Transfer to Perservation Account	50,000	50,000	50,000	50,000	50,000	50,000	50,000	350,000	350,000	-
ENDING BALANCE	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,671,094	\$ 1,671,094	\$ 1,648,641	\$ 22,453

Minimum reserve requirement **\$ 1,384,766** **\$ 1,397,108** **\$ 1,444,860** **\$ 1,497,721** **\$ 1,548,122** **\$ 1,605,375** **\$ 1,671,230** **\$ (74,465)**

CAPITAL ACCOUNT	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 7,981,498	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	7,981,498	7,969,131	12,367
Net Interest Earnings	79,691	56,912	66,922	84,159	70,718	79,621	97,057	535,080	620,850	(85,769)
Capital Transfers in Lieu of Depreciation	1,339,000	1,414,000	1,387,000	1,498,000	1,646,000	1,769,000	1,876,000	10,929,000	11,300,000	(371,000)
Connection Charges	242,646	1,147,353	35,662	174,871	36,674	598,810	37,746	2,273,764	2,273,764	-
Sale of Shop	-	-	1,500,000					1,500,000	1,500,000	-
TOTAL SOURCES	1,661,337	2,618,265	2,989,584	1,757,031	1,753,392	2,447,431	2,010,804	15,237,844	15,694,613	(456,769)
TOTAL USES	\$ 5,848,715	\$ 1,950,915	\$ 1,840,432	\$ 2,653,100	\$ 1,159,912	\$ 1,284,986	\$ 1,711,113	\$ 16,449,173	\$ 15,918,282	\$ 530,891
ENDING BALANCE	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	\$ 6,770,168	\$ 6,770,168	\$ 7,745,462	\$ (975,294)

Revised Cash Flow Forecast

MAINTENANCE FUND	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 1,315,550	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,315,550	\$ 1,367,562	\$ (52,012)
<i>Rate Revenue Increase</i>	<i>4.0% Rate Inc</i>	<i>0.0% Rate Inc</i>	<i>2.7% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>			
TOTAL SOURCES	7,550,355	7,493,333	7,993,740	8,393,740	8,537,373	8,863,500	9,313,413	57,994,984	61,597,026	(3,712,042)

Revised Rate Increases

2020	2021	2022	2023	2024	2025	2026
4.0%	0.0%	2.7%	4.0%	4.0%	4.0%	4.0%

20.1% cumulative increase from 2021 – 2026 versus 26.5% anticipated in the 2020-2022 budget.

Budgeted Rate Increases

2020	2021	2022	2023	2024	2025	2026
4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 7,981,498	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	7,981,498	7,969,131	12,367
Net Interest Earnings	79,691	56,912	66,922	84,159	70,718	79,621	97,057	535,080	620,850	(85,769)
Capital Transfers in Lieu of Depreciation	1,339,000	1,414,000	1,387,000	1,498,000	1,646,000	1,769,000	1,876,000	10,929,000	11,300,000	(371,000)
Connection Charges	242,646	1,147,353	35,662	174,871	36,674	598,810	37,746	2,273,764	2,273,764	-
Sale of Shop	-	-	1,500,000					1,500,000	1,500,000	-
TOTAL SOURCES	1,661,337	2,618,265	2,989,584	1,757,031	1,753,392	2,447,431	2,010,804	15,237,844	15,694,613	(456,769)
TOTAL USES	\$ 5,848,715	\$ 1,950,915	\$ 1,840,432	\$ 2,653,100	\$ 1,159,912	\$ 1,284,986	\$ 1,711,113	\$ 16,449,173	\$ 15,918,282	\$ 530,891
ENDING BALANCE	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	\$ 6,770,168	\$ 6,770,168	\$ 7,745,462	\$ (975,294)

Revised Cash Flow Forecast

MAINTENANCE FUND	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 1,315,550	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,315,550	\$ 1,367,562	\$ (52,012)
<i>Rate Revenue Increase</i>	<i>4.0% Rate Inc</i>	<i>0.0% Rate Inc</i>	<i>2.7% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>			
TOTAL SOURCES <i>(Revenues, Interest, Depo</i>	7,552,255	7,632,323	7,892,710	8,203,762	8,527,273	8,863,500	9,213,162	57,884,984	61,597,026	(3,712,042)
<i>SPU Rate Increase</i>	<i>6.5% SPU Inc</i>	<i>0.0% SPU Inc</i>	<i>2.7% SPU Inc</i>	<i>4.7% SPU Inc</i>	<i>3.6% SPU Inc</i>	<i>4.2% SPU Inc</i>	<i>5.5% SPU Inc</i>			
TOTAL OPERATING COSTS	4,979,700	5,024,084	5,195,801	5,385,892	5,567,137	5,773,025	6,009,842	37,935,482	41,267,990	(3,332,508)
CAPITAL COSTS										



Revised SPU Rate Increases

2020	2021	2022	2023	2024	2025	2026
6.5%	0.0%	2.7%	4.7%	3.6%	4.2%	5.5%

Budgeted SPU Rate Increases

2020	2021	2022	2023	2024	2025	2026
6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

22.5% cumulative increase from 2021 – 2026 versus 50% anticipated in the 2020-2022 budget.

Capital Transfers in Lieu of Depreciation	1,339,000	1,414,000	1,387,000	1,498,000	1,646,000	1,769,000	1,876,000	10,929,000	11,300,000	(371,000)
Connection Charges	242,646	1,147,353	35,662	174,871	36,674	598,810	37,746	2,273,764	2,273,764	-
Sale of Shop	-	-	1,500,000					1,500,000	1,500,000	-
TOTAL SOURCES	1,661,337	2,618,265	2,989,584	1,757,031	1,753,392	2,447,431	2,010,804	15,237,844	15,694,613	(456,769)
TOTAL USES	\$ 5,848,715	\$ 1,950,915	\$ 1,840,432	\$ 2,653,100	\$ 1,159,912	\$ 1,284,986	\$ 1,711,113	\$ 16,449,173	\$ 15,918,282	\$ 530,891
ENDING BALANCE	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	\$ 6,770,168	\$ 6,770,168	\$ 7,745,462	\$ (975,294)

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<i>Rate Revenue Increase</i>	<i>4.0% Rate Inc</i>	<i>0.0% Rate Inc</i>	<i>2.7% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>			
TOTAL SOURCES <i>(Revenues, Interest, Depo</i>	7,552,255	7,632,323	7,892,710	8,203,762	8,527,273	8,863,500	9,213,162	57,884,984	61,597,026	(3,712,042)
<i>SPU Rate Increase</i>	<i>6.5% SPU Inc</i>	<i>0.0% SPU Inc</i>	<i>2.7% SPU Inc</i>	<i>4.7% SPU Inc</i>	<i>3.6% SPU Inc</i>	<i>4.2% SPU Inc</i>	<i>5.5% SPU Inc</i>			
TOTAL OPERATING COSTS	4,979,700	5,024,084	5,195,801	5,385,892	5,567,137	5,773,025	6,009,842	37,935,482	41,267,990	(3,332,508)
CAPITAL COSTS										
Transfer to Vehicle Replacement Account	81,000	-	85,000	88,000	91,000	94,000	97,000	536,000	619,000	(83,000)
Rate Funded Capital Transfer	1,339,000	1,414,000	1,387,000	1,498,000	1,646,000	1,769,000	1,876,000	10,929,000	11,300,000	(371,000)
Transfer to Preservation Account	50,000	50,000	50,000	50,000	50,000	50,000	50,000	350,000	350,000	-
ENDING BALANCE	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,671,094	\$ 1,671,094	\$ 1,648,641	\$ 22,453
<i>Minimum reserve requirement</i>	<i>\$ 1,384,766</i>	<i>\$ 1,397,108</i>	<i>\$ 1,444,860</i>	<i>\$ 1,497,721</i>	<i>\$ 1,548,122</i>	<i>\$ 1,605,375</i>	<i>\$ 1,671,230</i>			<i>\$ (74,465)</i>
CAPITAL ACCOUNT	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 7,981,498	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	7,981,498	7,969,131	12,367
Net Interest Earnings	79,691	56,912	66,922	84,159	70,718	79,621	97,057	535,080	620,850	(85,769)
Capital Transfers in Lieu of Depreciation	1,339,000	1,414,000	1,387,000	1,498,000	1,646,000	1,769,000	1,876,000	10,929,000	11,300,000	(371,000)
Connection Charges	242,646	1,147,353	35,662	174,871	36,674	598,810	37,746	2,273,764	2,273,764	-
Sale of Shop	-	-	1,500,000					1,500,000	1,500,000	-
TOTAL SOURCES	1,661,337	2,618,265	2,989,584	1,757,031	1,753,392	2,447,431	2,010,804	15,237,844	15,694,613	(456,769)
TOTAL USES	\$ 5,848,715	\$ 1,950,915	\$ 1,840,432	\$ 2,653,100	\$ 1,159,912	\$ 1,284,986	\$ 1,711,113	\$ 16,449,173	\$ 15,918,282	\$ 530,891
ENDING BALANCE	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	\$ 6,770,168	\$ 6,770,168	\$ 7,745,462	\$ (975,294)

Revised Cash Flow Forecast

MAINTENANCE FUND	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 1,315,550	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,315,550	\$ 1,367,562	\$ (52,012)
<i>Rate Revenue Increase</i>	4.0% Rate Inc	0.0% Rate Inc	2.7% Rate Inc	4.0% Rate Inc	4.0% Rate Inc	4.0% Rate Inc	4.0% Rate Inc			
TOTAL SOURCES <i>(Revenues, Interest, Depo</i>	7,552,255	7,632,323	7,892,710	8,203,762	8,527,273	8,863,500	9,213,162	57,884,984	61,597,026	(3,712,042)
<i>SPU Rate Increase</i>	6.5% SPU Inc	0.0% SPU Inc	2.7% SPU Inc	4.7% SPU Inc	3.6% SPU Inc	4.2% SPU Inc	5.5% SPU Inc			
TOTAL OPERATING COSTS	4,979,700	5,024,084	5,195,801	5,385,892	5,567,137	5,773,025	6,009,842	37,935,482	41,267,990	(3,332,508)
CAPITAL COSTS										
Transfer to Vehicle Replacement Accou	81,000	-	85,000	88,000	91,000	94,000	97,000	536,000	619,000	(83,000)

MAINTENANCE FUND	2020	2021	2022	2023	2024	2025	2026
ENDING BALANCE	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,671,094
<i>Minimum reserve requirement</i>	\$1,384,766	\$1,397,108	\$1,444,860	\$1,497,721	\$1,548,122	\$1,605,375	\$1,671,230

Minnum Reserve Calculation

<i>Operating Costs (include SPU</i>	\$ 4,979,700
<i>Divided by 365 days</i>	365
<i>Average costs per day</i>	\$ 13,643
<i>Times 65 days (up from 60)</i>	65
<i>Working Capital Reserves</i>	\$ 886,796
<i>Operating Costs (include SPU</i>	\$ 4,979,700
<i>Time 10% for Revenue Shortfalls</i>	10%
<i>Revenue Shortfall Reserves</i>	\$ 497,970
<i>Minimum Rserve Requirement</i>	\$ 1,384,766

When establishing rates and the impacts on revenue and expenditures, the ending amount of reserves (cash in the bank) must be very close the required minimum amount to ensure that there is sufficient cash to pay the District's bills as they come due.

Adding five days to the working capital reserves increases reserves by about \$68k, which should be sufficient to accommodate the slower payment from delinquent accounts.

Revised Cash Flow Forecast



MAINTENANCE FUND	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 1,315,550	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,315,550	\$ 1,367,562	\$ (52,012)
<i>Rate Revenue Increase</i>	<i>4.0% Rate Inc</i>	<i>0.0% Rate Inc</i>	<i>2.7% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>			
TOTAL SOURCES <i>(Revenues, Interest, Depo</i>	7,552,255	7,632,323	7,892,710	8,203,762	8,527,273	8,863,500	9,213,162	57,884,984	61,597,026	(3,712,042)
<i>SPU Rate Increase</i>	<i>6.5% SPU Inc</i>	<i>0.0% SPU Inc</i>	<i>2.7% SPU Inc</i>	<i>4.7% SPU Inc</i>	<i>3.6% SPU Inc</i>	<i>4.2% SPU Inc</i>	<i>5.5% SPU Inc</i>			
TOTAL OPERATING COSTS	4,979,700	5,024,084	5,195,801	5,385,892	5,567,137	5,773,025	6,009,842	37,935,482	41,267,990	(3,332,508)
CAPITAL COSTS										
Transfer to Vehicle Replacement Account	81,000	-	85,000	88,000	91,000	94,000	97,000	536,000	619,000	(83,000)
Rate Funded Capital Transfer	1,339,000	1,414,000	1,387,000	1,498,000	1,646,000	1,769,000	1,876,000	10,929,000	11,300,000	(371,000)
Transfer to Perservation Account	50,000	50,000	50,000	50,000	50,000	50,000	50,000	350,000	350,000	-
ENDING BALANCE	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,671,094	\$ 1,671,094	\$ 1,648,641	\$ 22,453
<i>Minimum reserve requirement</i>	<i>\$1,384,766</i>	<i>\$1,397,108</i>	<i>\$1,444,860</i>	<i>\$1,497,721</i>	<i>\$1,548,122</i>	<i>\$1,605,375</i>	<i>\$1,671,230</i>			<i>\$ (74,465)</i>

CAPITAL ACCOUNT	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 7,981,498	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	7,981,498	7,969,131	12,367
Net Interest Earnings	79,691	56,912	66,922	84,159	70,718	79,621	97,057	535,080	620,850	(85,769)
Capital Transfers in Lieu of Depreciation	1,339,000	1,414,000	1,387,000	1,498,000	1,646,000	1,769,000	1,876,000	10,929,000	11,300,000	(371,000)
Connection Charges	242,646	1,147,353	35,662	174,871	36,674	598,810	37,746	2,273,764	2,273,764	-
Sale of Shop	-	-	1,500,000					1,500,000	1,500,000	-
TOTAL SOURCES	1,661,337	2,618,265	2,989,584	1,757,031	1,753,392	2,447,431	2,010,804	15,237,844	15,694,613	(456,769)
TOTAL USES	\$ 5,848,715	\$ 1,950,915	\$ 1,840,432	\$ 2,653,100	\$ 1,159,912	\$ 1,284,986	\$ 1,711,113	\$ 16,449,173	\$ 15,918,282	\$ 530,891
ENDING BALANCE	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	\$ 6,770,168	\$ 6,770,168	\$ 7,745,462	\$ (975,294)

Revised Cash Flow Forecast

MAINTENANCE FUND	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE										(52,012)
<i>Rate Revenue Increase</i>										
TOTAL SOURCES <i>(Revenues, Interest, Depo</i>										(2,042)
<i>SPU Rate Increase</i>										
TOTAL OPERATING COSTS										(32,508)
CAPITAL COSTS										
TOTAL SOURCES <i>(Revenues, Interest, Depo</i>						57,884,984	61,597,026			(3,712,042)
<i>SPU Rate Increase</i>										
TOTAL OPERATING COSTS						37,935,482	41,267,990			(3,332,508)
CAPITAL COSTS										
Transfer to Vehicle Replacement Account						536,000	619,000			(83,000)
Rate Funded Capital Transfer						10,929,000	11,300,000			(371,000)
Transfer to Perservation Account						350,000	350,000			-
ENDING BALANCE						\$ 1,671,094	\$ 1,648,641			22,453
<i>Net Interest Earnings</i>	242,646	1,147,353	35,662	174,871	36,674	598,810	37,746	2,273,764	2,273,764	-
<i>Capital Transfers in Lieu of Depreciation</i>								1,500,000	1,500,000	-
<i>Connection Charges</i>								15,237,844	15,694,613	(456,769)
								\$ 16,449,173	\$ 15,918,282	\$ 530,891
								\$ 6,770,168	\$ 7,745,462	\$ (975,294)

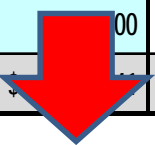
See previous detail slide showing a \$3.7 million decline in expected revenue from 2020-2026.

The sum of the reduction in operating and capital costs, plus the increase in the ending balance comprise the expenditure side of the \$3.7 million. See previous detail slide.

At the end of 2026 the reserves are very close to the amount projected in the last budget forecast even though the revenues and costs are lower. This is due to the increase in reserves to accommodate delinquent accounts. This could be reduced but was left at a higher level for now.

Revised Cash Flow Forecast

MAINTENANCE FUND	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 1,315,550	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,315,550	\$ 1,367,562	\$ (52,012)
<i>Rate Revenue Increase</i>	<i>4.0% Rate Inc</i>	<i>0.0% Rate Inc</i>	<i>2.7% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>	<i>4.0% Rate Inc</i>			
TOTAL SOURCES <i>(Revenues, Interest, Depo</i>	7,552,255	7,632,323	7,892,710	8,203,762	8,527,273	8,863,500	9,213,162	57,884,984	61,597,026	(3,712,042)
<i>SPU Rate Increase</i>	<i>6.5% SPU Inc</i>	<i>0.0% SPU Inc</i>	<i>2.7% SPU Inc</i>	<i>4.7% SPU Inc</i>	<i>3.6% SPU Inc</i>	<i>4.2% SPU Inc</i>	<i>5.5% SPU Inc</i>			
TOTAL OPERATING COSTS	4,979,700	5,024,084	5,195,801	5,385,892	5,567,137	5,773,025	6,009,842	37,935,482	41,267,990	(3,332,508)
CAPITAL COSTS										
Transfer to Vehicle Replacement Account	81,000	-	85,000	88,000	91,000	94,000	97,000	536,000	619,000	(83,000)
Rate Funded Capital Transfer	1,339,000	1,414,000	1,387,000	1,498,000	1,646,000	1,769,000	1,876,000	10,929,000	11,300,000	(371,000)
Transfer to Perservation Account	50,000	50,000	50,000	50,000	50,000	50,000	50,000	350,000	350,000	-
ENDING BALANCE	\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,671,094	\$ 1,671,094	\$ 1,671,094	\$ 22,453



Minimum reserve requirement **\$ 1,384,766** **\$ 1,397,108** **\$ 1,444,860** **\$ 1,497,721** **\$ 1,548,122** **\$ 1,605,375** **\$ 1,671,230** **\$ (74,465)**

CAPITAL ACCOUNT	2020	2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	\$ 7,981,498	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	7,981,498	7,969,131	12,367
Net Interest Earnings	79,691	56,912	66,922	84,159	70,718	79,621	97,057	535,080	620,850	(85,769)
Capital Transfers in Lieu of Depreciation	1,339,000	1,414,000	1,387,000	1,498,000	1,646,000	1,769,000	1,876,000	10,929,000	11,300,000	(371,000)
Connection Charges	242,646	1,147,353	35,662	174,871	36,674	598,810	37,746	2,273,764	2,273,764	-
Sale of Shop	-	-	1,500,000					1,500,000	1,500,000	-
TOTAL SOURCES	1,661,337	2,618,265	2,989,584	1,757,031	1,753,392	2,447,431	2,010,804	15,237,844	15,694,613	(456,769)
TOTAL USES	\$ 5,848,715	\$ 1,950,915	\$ 1,840,432	\$ 2,653,100	\$ 1,159,912	\$ 1,284,986	\$ 1,711,113	\$ 16,449,173	\$ 15,918,282	\$ 530,891
ENDING BALANCE	\$ 3,794,120	\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	\$ 6,770,168	\$ 6,770,168	\$ 7,745,462	\$ (975,294)

Revised Cash Flow Forecast

Capital reserves are expected to be lower by just under \$1 million than previously projected, with less than half used to mitigate the impacts of COVID 19 on rates, and the remaining amount used for land purchases.

Capital reserves are maintained at a level to support projects over a multi-year period – at least 20 years to align with the Comp Plan. During the last budget, the shop was still under construction and reserves were set higher just in case the District went over budget. However they have not, and it frees up funds to not only purchase land but to support the COVID impacts. \$6.8 million is still a strong starting point in 2026 as the District positions itself for booster station replacements starting in 2028.

2021	2022	2023	2024	2025	2026	2020-2026	2020-2026 Budget	Difference
\$ 1,384,280	\$ 1,397,596	\$ 1,444,731	\$ 1,498,266	\$ 1,548,992	\$ 1,605,283	\$ 1,315,550	\$ 1,367,562	\$ (52,012)
0.0% Rate Inc	2.7% Rate Inc	4.0% Rate Inc	4.0% Rate Inc	4.0% Rate Inc	4.0% Rate Inc			
7,622,222	7,902,710	9,202,762	9,527,272	9,962,500	9,212,162	57,884,084	61,597,026	(2,712,042)

At the end of 2026 the total capital costs are higher due to an unanticipated land purchase in 2020. Due to the strong reserves no capital projects are impacted by COVID 19.

Lower capital transfers from rates totaling \$371k over seven years. See prior slide.

CAPITAL ACCOUNT	2020-2026	2020-2026 Budget	Difference
BEGINNING BALANCE	7,981,498	7,969,131	12,367
Net Interest Earnings	535,080	620,850	(85,769)
Capital Transfers in Lieu of Depreciation	10,929,000	11,300,000	(371,000)
Connection Charges	2,273,764	2,273,764	-
Sale of Shop	1,500,000	1,500,000	-
TOTAL SOURCES	15,237,844	15,694,613	(456,769)
TOTAL USES	\$ 16,449,173	\$ 15,918,282	\$ 530,891
ENDING BALANCE	\$ 6,770,168	\$ 7,745,462	\$ (975,294)

\$ 1,950,915	\$ 1,840,432	\$ 2,653,100	\$ 1,159,912	\$ 1,284,986	\$ 1,711,113	\$ 16,449,173	\$ 15,918,282	\$ 530,891
\$ 4,461,471	\$ 5,610,623	\$ 4,714,554	\$ 5,308,034	\$ 6,470,478	\$ 6,770,168	\$ 6,770,168	\$ 7,745,462	\$ (975,294)

Summary

Revenue Shortfalls & Projections

- **Single Family usage is down in 2020 due to a cooler summer – it is restored to the budgeted level in 2021 and going forward.**
- **Multi-Family usage is consistent with the projected usage.**
- **Fircrest usage is down from changes they made to their internal processes and will remain lower going forward.**
- **Commercial, Municipal and Irrigation usage is down due to COVID – forecast assumes lower usage through 2026.**
- **Late charges were suspended in 2020 – revenue forecast includes another suspension in 2021, and one half the previous level going forward.**
- **No rate increase is planned in 2021, a smaller increase than previously projected at 2.7% is planned for 2022, a 4% annual increase starts again in 2023.**



Summary

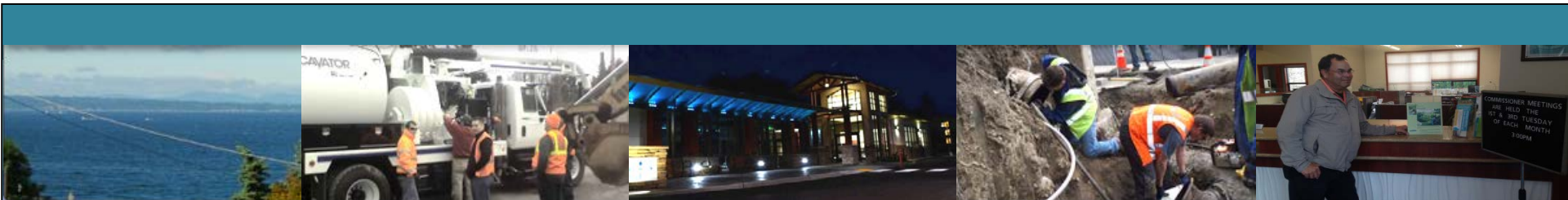


Expenditure Reductions (Changes)

- **There will be significantly lower rates from SPU than expected.**
- **Taxes and franchise fees will be lower due to lower revenues.**
- **Outside financial services will be eliminated from 2021-2026.**
- **Conferences will be suspended for one year in 2021 and reduced by half going forward.**
- **Payroll costs will be frozen for one year in 2021.**
- **Operating costs, other than for water and payroll, will be decreased by 3% across the board.**
- **Vehicle replacements will be delayed allowing a suspension of the payment to that account in 2021. All vehicles will be replaced.**
- **All capital projects will be implemented but capital reserves will be allowed to go to a lower level than previously forecast.**
- **Working Capital reserves will be increased to accommodate delinquent accounts.**

In Closing

- Of the \$3.7 million in lower revenues from the last budget forecast and the current forecast, only \$1.5 million of that reduction is directly attributable to the impacts of COVID.
- The remaining difference of \$2.2 million is due to the lower need of revenues to cover SPU costs and the higher taxes and franchise fees on higher revenues.
- Of the \$1.5 million in true lower expenditures – about \$1.1 million comes from cutting costs across the board, eliminating outside financial services, freezing payroll costs for one year, reducing conferences/training, and reducing vehicle funding. About \$400k comes from drawing down on capital reserves.
- Therefore In a sound bite we can say our seven-year (2020-2026) direct impact from COVID 19 is about \$1.5 million.
- The good news is that we can still help the District customers by suspending late fees in 2021 and lowering them going forward; We can accommodate payment plans for delinquent accounts; And, we can suspend a rate increase in 2021, and implement a lower rate in 2022.
- All of this can be accomplished while still doing all capital projects, replacing all vehicles as planned, and keeping operating reserves at a higher level.



What's Next?

Final recommendations will be approved by the commissioners at part of the budget process near year end.



End

