

MEMORANDUM

TO: Board of Trustees

THROUGH: Indra Winqest
District General Manager

FROM: Paul Navazio
Director of Finance

SUBJECT: Presentation – Utility Fund Analysis

DATE: October 13, 2021

I. RECOMMENDATION

That the Board of Trustees receive a presentation related to the District's Utility Fund, to include review financial results over the past 10+ years, fund status relative to existing Board policies, and highlighting areas where Board direction will be needed in support of pending Utility Rate Study.

II. BACKGROUND

The District's Utility Fund provides for the operational and capital improvement requirements in support of the District's Water, Sewer, Solid Waste utilities. In addition, the Utility Fund is also used to track revenues and expenditures related to the District's lead role as fiduciary agent for the Tahoe Water Supplier's Association.

Revenues supporting the District's Utility Fund consist primarily of Charges for Services collected from utility customers through Water and Sewer rates established annually by the Board of Trustees, as well as revenues collected through the District's Franchise Agreement with Waste Management supporting solid waste and recycling services provided to District residents and businesses. Overall, Utility Fund revenues are currently approximately \$12.5 million per year.

The analysis of the District's Utility Fund, subject of tonight's presentation, is intended to provide updated background information to inform Board direction related to several of the District's priority initiatives, including:

- Pending Utility Rate Study and multi-year Utility Financial Plan
- Updates to selected Board Policies
- Development of financing plan for the Effluent Pipeline Replacement Project
- Enhanced transparency related to financial status of major funds

The following is an outline of the presentation of the Utility Fund analysis prepared for this Board agenda:

- I. Background / Introduction
- II. Utility Fund Status
 - a. Current Financial Position of the Utility Fund
 - b. Historical Financial Position of Utility Fund (Trends)
- III. Utility Fund Financial Results vs Board Policy
 - i. Policy 7.1 - Fund Balance / Net Position
 - ii. Policy 19.1 - Working Capital
- IV. Effluent Pipeline Project Funding Set-aside
- V. Board Direction - Utility Rate Study
- VI. Next Steps

Attachments:

- 1) Utility Fund Presentation (slides)
- 2) Excerpts – Utility Rate Board Presentations (2015 – 2020)

UTILITY FUND ANALYSIS

(Fund 200)

Board of Trustees

October 13, 2021



Outline

- Background / Introduction
- Utility Fund
 - Current Financial Position
 - Historical Financial Position (Trends)
- Financial Results vs. Board Policy
- Effluent Pipeline Funding Set-Aside
- Board Direction – Informing Utility Rate Study
- Next Steps

Background

- Understanding of current financial position of the Utility Fund – including recent trends – serves as a foundation for:
- Utility Rate Study being undertaken to inform rate adjustments required to support:
 - Utility Operations
 - Capital Improvements
 - Maintain prudent reserves
- Ongoing questions related to financial condition of Utility Fund:
 - Audited Financial Statements
 - Status of Effluent Pipeline Funding Set-Aside
 - Third-party consultant(s) review of Utility Fund

Historical Financial Results

Per Annual Audited Financial Statements

Historical Financial Position

- Audited Financial Statements
- Financial Results vs Board Policy
 - Policy 7.1 Fund Balance / Reserves
 - Policy 19.1 – Working Capital
- Effluent Pipeline Project Funding
- Review of PAST Board Utility Rate Presentations (Attachment)

Utility Fund Financial Position

Annual Audited Financial Statements

	Audited 2011/12	Audited 2012/13	Audited 2013/14	Audited 2014/15	Audited 2015/16	Audited 2016/17	Audited 2017/18	Audited 2018/19	Audited 2019/20	Unaudited 2020/21	Budget 2021/22
Net Income											
Net Operating Revenues	723,604.42	\$ 1,289,096.69	\$ 1,373,855.76	\$ 1,408,455.79	\$ 1,376,952.91	\$ 2,083,394.55	\$ 1,812,185.30	\$ 2,359,045.89	\$ 1,180,428.59	\$ 1,563,752.11	\$ (406,391.37)
Non-Operating Revenues	999,323.12	2,084,800.61	548,876.50	377,202.88	196,927.02	503,370.05	447,234.40	417,549.65	320,893.36	196.73	352,482.00
Non-Operating Expenses	178,631.00	186,607.86	193,123.14	180,505.16	167,529.52	154,185.67	140,463.16	126,351.15	111,838.43	96,913.59	89,291.00
Change In Net Position	1,544,296.54	3,187,289.44	1,729,609.12	1,605,153.51	1,406,350.41	2,432,578.93	2,118,956.54	2,650,244.39	1,389,483.52	1,467,035.25	(143,200.37)
Net Position											
Net Investment in Capital Assets	56,598,673	56,144,425	56,875,962	57,365,832	57,974,014	59,817,845	64,377,397	64,549,358	63,202,365	63,786,993	63,786,993
Restricted Net Position	226,777	226,777	225,185	225,435	226,208	305,022	309,344	316,611	322,895	324,306	324,306
Unrestricted Net Position	5,554,147	9,195,684	10,113,847	11,228,881	12,026,276	12,536,210	10,091,293	12,442,309	15,172,503	16,625,438	16,482,237
Net Position, June 30, 20xx	62,379,597	65,566,886	67,214,994	68,820,148	70,226,498	72,659,077	74,778,034	77,308,278	78,697,763	80,736,736	80,593,536
Prior Period Adjustment		(81,501)					(120,000)				
Net Position, June 30, 20xx	62,379,597	65,485,385	67,214,994	68,820,148	70,226,498	72,659,077	74,658,034	77,308,278	78,697,763	80,736,736	80,593,536
Working Capital (Audited Financial Statements)											
Current Assets	2,515,028	4,950,873	4,426,163	3,710,355	9,869,366	10,028,628	8,435,236	8,207,132	14,656,639	17,686,630	
Less Current Liabilities	2,526,643	1,793,948	1,833,843	2,025,796	1,949,553	1,973,031	2,306,442	1,815,665	1,559,904	840,465	
Working Capital June 30, 20xx	(11,615)	3,156,925	2,592,320	1,684,559	7,919,813	8,055,597	6,128,794	6,391,467	13,096,735	16,846,165	

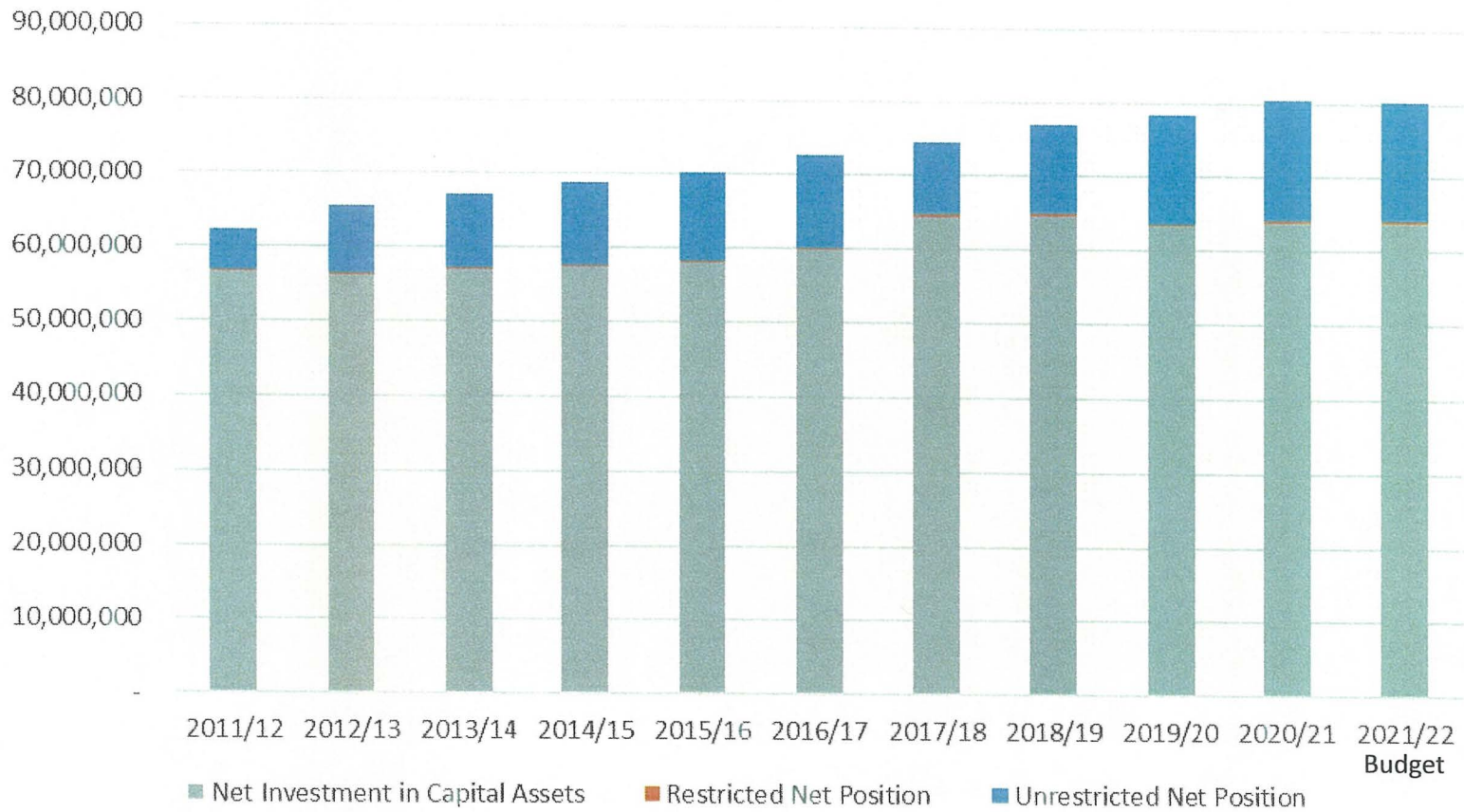
Net Position -

Net Investment in Capital Assets
 + Restricted Net Position (*Third-Party Restriction / Statutory*)
 + Unrestricted Net Position
 Net Position

Working Capital -

Current Assets
 Less Current Liabilities
 Working Capital

Utility Fund Net Position as of June 30, 20xx



Utility Fund Unrestricted Net Position as of June 30, 20xx



Utility Fund Working Capital as of June 30, 20xx



Financial Results In Relation to Board Policies

Per Annual Audited Financial Statements

Board Policy 7.1 / Practice 7.2

Board Policy 19.1 / Practice 19.2

Board Policies and Practices

Effective July 1, 2015

- Board Policy 7.1 – Appropriate Level of Fund Balance
 - Board Practice 7.2
- Board Policy 19.1 – Appropriate Level of Working Capital
 - Board Practice 19.2

Appropriate Level of Fund Balance

- Board Policy 7.1.0
 - The District will maintain a formal practice on the level of Fund Balance that should be maintained in General and Special Revenue Funds
- Board Practice 7.2.0 (Proprietary Fund Types)
 - Measurement of Target Fund Balances:
 - Utilities:
 - Operations – 25% of operating expenses for the fiscal year based on the current adopted budget.**

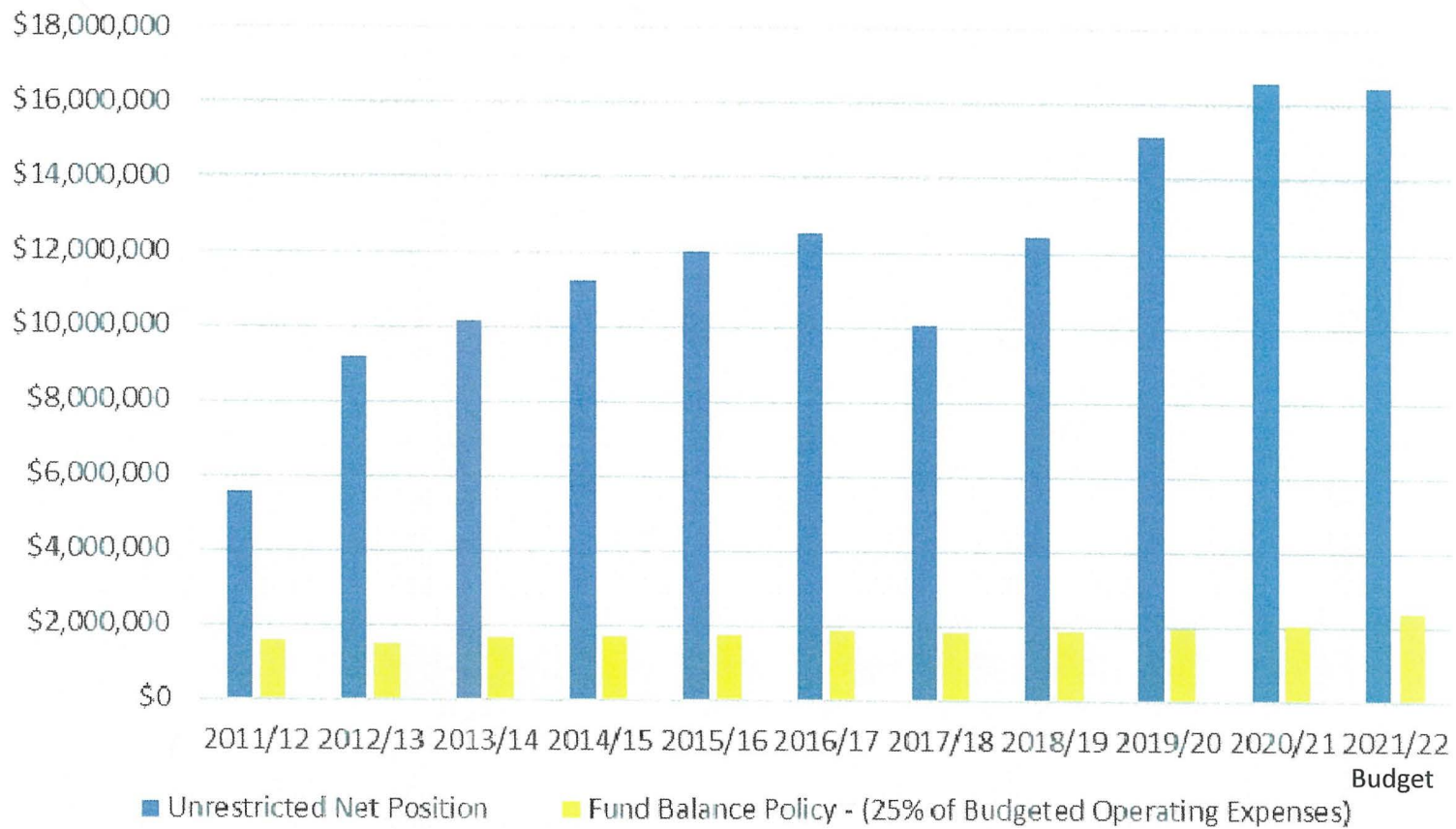
*** Operating expenses for these calculations do not include depreciation or interest expense*

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Appropriate Level of Reserves - Board Practice 7.2:											
	Audited 2011/12	Audited 2012/13	Audited 2013/14	Audited 2014/15	Audited 2015/16	Audited 2016/17	Audited 2017/18	Audited 2018/19	Audited 2019/20	Unaudited 2020/21	Budget 2021/22
Fund Balance Policy - (25% of Budgeted Operating Expenses)	1,584,163.50	\$ 1,493,952.50	\$ 1,621,431.75	\$ 1,684,841.50	\$ 1,731,304.50	\$ 1,836,313.27	\$ 1,813,327.83	\$ 1,874,483.39	\$ 1,961,304.26	\$ 2,038,968.37	\$ 2,329,569.34
Excess / (Deficient) Unrestricted Net Position	\$ 3,969,984	\$ 7,701,732	\$ 8,492,415	\$ 9,544,040	\$ 10,294,972	\$ 10,699,897	\$ 8,277,965	\$ 10,567,826	\$ 13,211,199	\$ 14,586,469	\$ 14,152,668
Unrestricted Net Position as % of Fund Balance Policy	350.6%	615.5%	623.8%	666.5%	694.6%	682.7%	556.5%	663.8%	773.6%	815.4%	707.5%
Working Capital Analysis - Board Practice 19.2											
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Working Capital / Operations = 45 Days Operating Exp.	\$ 781,231	\$ 736,744	\$ 799,610	\$ 830,881	\$ 853,794	\$ 905,579	\$ 894,244	\$ 924,403	\$ 967,219	\$ 1,005,519	\$ 1,148,829
Working Capital / Operations = 90 Days Operating Exp.	\$ 1,562,463	\$ 1,473,487	\$ 1,599,220	\$ 1,661,761	\$ 1,707,588	\$ 1,811,158	\$ 1,788,488	\$ 1,848,806	\$ 1,934,437	\$ 2,011,037	\$ 2,297,657
Working Capital / Debt - Up to 1 year's Interest Exp.	\$ 285,292	\$ 213,944	\$ 193,123	\$ 180,510	\$ 167,532	\$ 160,903	\$ 147,372	\$ 133,457	\$ 111,838	\$ 104,428	\$ 89,291
Working Capital / Capital = Up to 1 year of 3-Yr Avg. Depreciated	\$ 2,649,300	\$ 2,579,800	\$ 2,879,000	\$ 2,795,500	\$ 2,927,233	\$ 2,934,233	\$ 2,941,667	\$ 3,000,000	\$ 3,136,667	\$ 3,485,000	\$ 3,682,900
Policy - WC = 45-days Ops./Cap/Debt	\$ 3,715,823	\$ 3,530,488	\$ 3,871,733	\$ 3,806,891	\$ 3,948,559	\$ 4,000,715	\$ 3,983,283	\$ 4,057,859	\$ 4,215,724	\$ 4,594,947	\$ 4,921,020
Policy - wc/ 90-days Ops./Cap/Debt	\$ 4,497,055	\$ 4,267,231	\$ 4,671,343	\$ 4,637,771	\$ 4,802,353	\$ 4,906,295	\$ 4,877,526	\$ 4,982,262	\$ 5,182,942	\$ 5,600,466	\$ 6,069,848
Excess/(Deficiency) Working Capital (45-days Operations)	\$ (792,846)	\$ 2,420,181	\$ 1,792,710	\$ 853,678	\$ 7,066,019	\$ 7,150,018	\$ 5,234,550	\$ 5,467,064	\$ 12,129,516	\$ 15,840,646	
% of Working Capital Policy	-1.5%	428.5%	324.2%	202.7%	927.6%	889.6%	685.4%	691.4%	1354.1%	1675.4%	
Excess/(Deficiency) Working Capital (90-days Operations)	\$ (1,574,078)	\$ 1,683,438	\$ 993,100	\$ 22,798	\$ 6,212,225	\$ 6,244,439	\$ 4,340,306	\$ 4,542,661	\$ 11,162,298	\$ 14,835,128	
% of Working Capital Policy	-0.7%	214.2%	162.1%	101.4%	463.8%	444.8%	342.7%	345.7%	677.0%	837.7%	
Excess/(Deficiency) Working Capital (45-days Ops./Cap/Debt)	\$ (3,727,438)	\$ (373,563)	\$ (1,279,413)	\$ (2,122,332)	\$ 3,971,254	\$ 4,054,882	\$ 2,145,511	\$ 2,333,608	\$ 8,881,011	\$ 12,251,218	
% of Working Capital Policy	-0.3%	89.4%	67.0%	44.3%	200.6%	201.4%	153.9%	157.5%	310.7%	366.6%	
Excess/(Deficiency) Working Capital (90-days Ops./Cap/Debt)	\$ (4,508,670)	\$ (1,110,306)	\$ (2,079,023)	\$ (2,953,212)	\$ 3,117,460	\$ 3,149,302	\$ 1,251,268	\$ 1,409,205	\$ 7,913,793	\$ 11,245,699	
% of Working Capital Policy	-0.3%	74.0%	55.5%	36.3%	164.9%	164.2%	125.7%	128.3%	252.7%	300.8%	



Utility Fund Level of Fund Balance / Unrestricted Net Position

Board Policy 7.1 / Practice 7.2



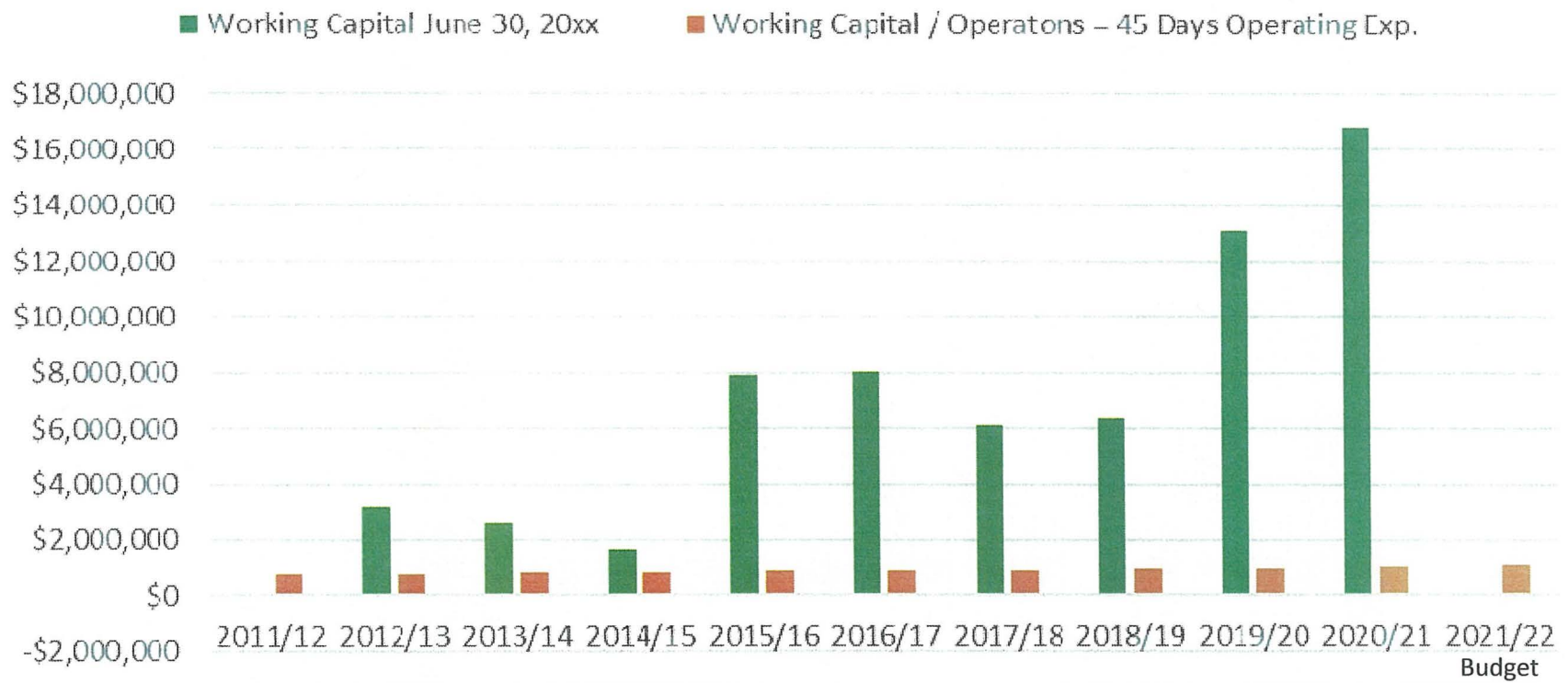
Appropriate Level of Working Capital

- Board Policy 19.1.0
 - The District employs the term Net Position for Enterprise Funds
 - Financial Reporting distinguishes Restricted from Unrestricted Net Position
- Board Practice 19.2.0
 - It is the practice of the District to maintain Working Capital in each Enterprise Fund in a manner which provides for the contractual, bond and customer service obligations, while meeting its routine and non-routine cash flow requirements and complying with all federal, state and local statutes and regulations.

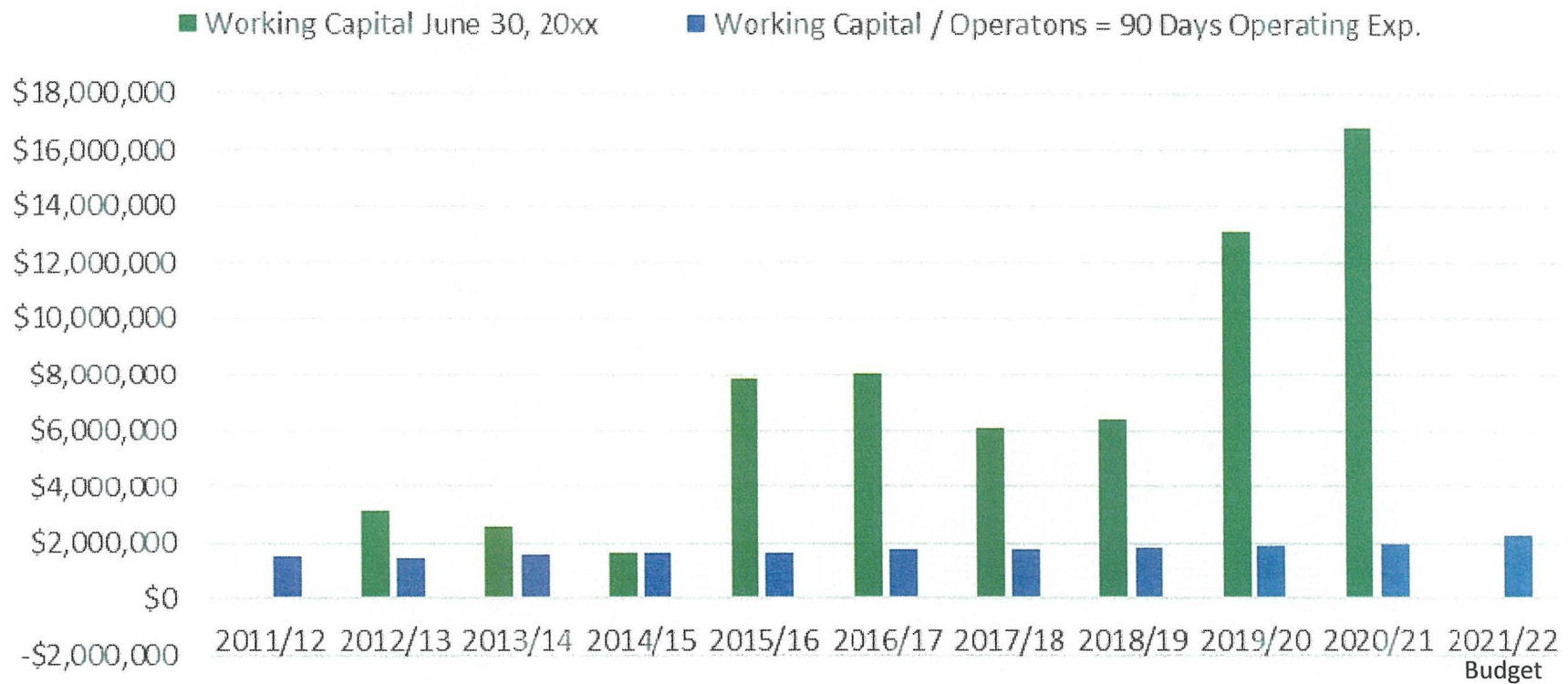
Appropriate Level of Working Capital

- Board Practice 19.2.0 (continued)
 - 2.0 – Definition of Target Amounts for Working Capital
 - Utilities
 - Operations – 45 to 90 days of operating expenses**
 - Debt Service – up to one year's payments of interest expense
 - Capital Expenditures – up to 1 year of a 3 year average depreciation
 - ** *Operating expenses excludes depreciation and interest*
- 3.0 – The District may accumulate other resources in support of Debt Service or the Multi-Year Capital Plan in addition to Working Capital since these needs extend beyond one year.

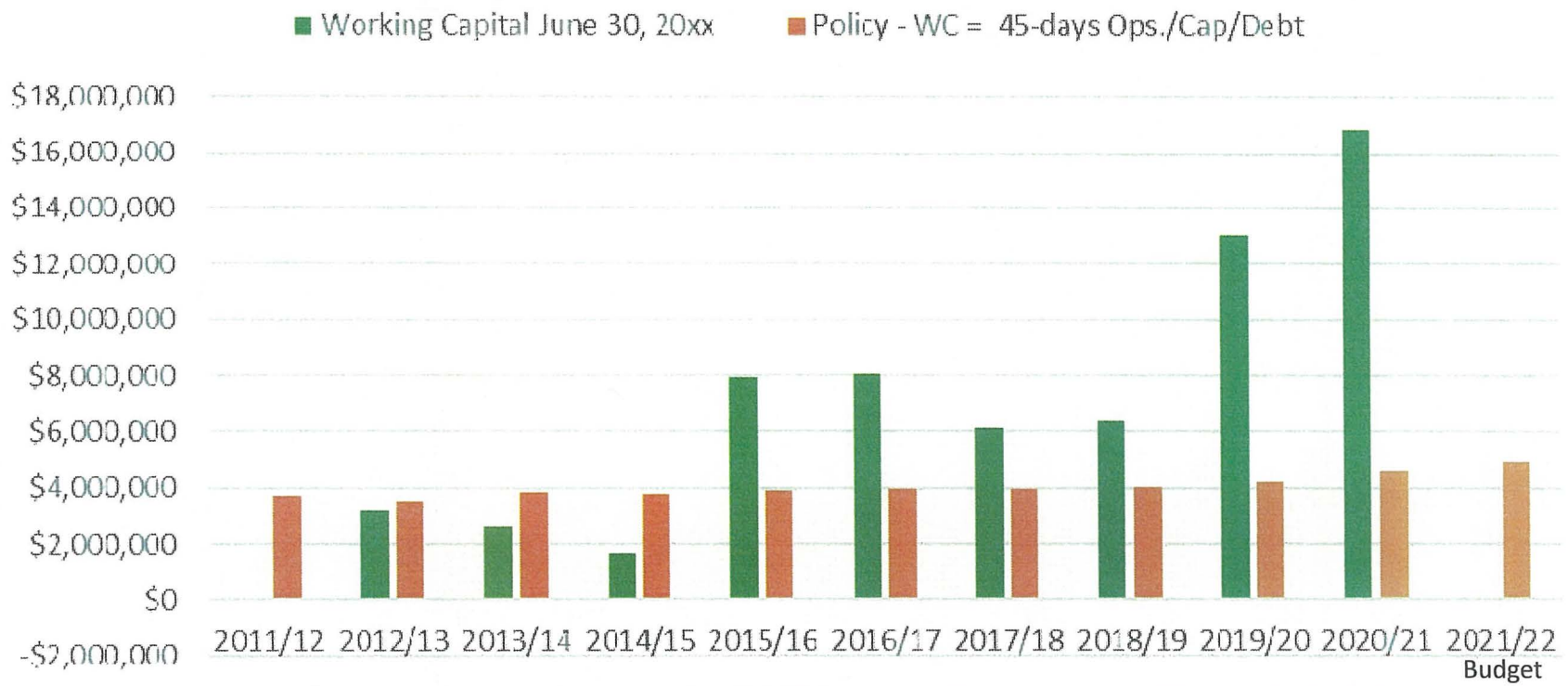
Utility Fund Level of Working Capital Board Policy 19.1 / Practice 19.2



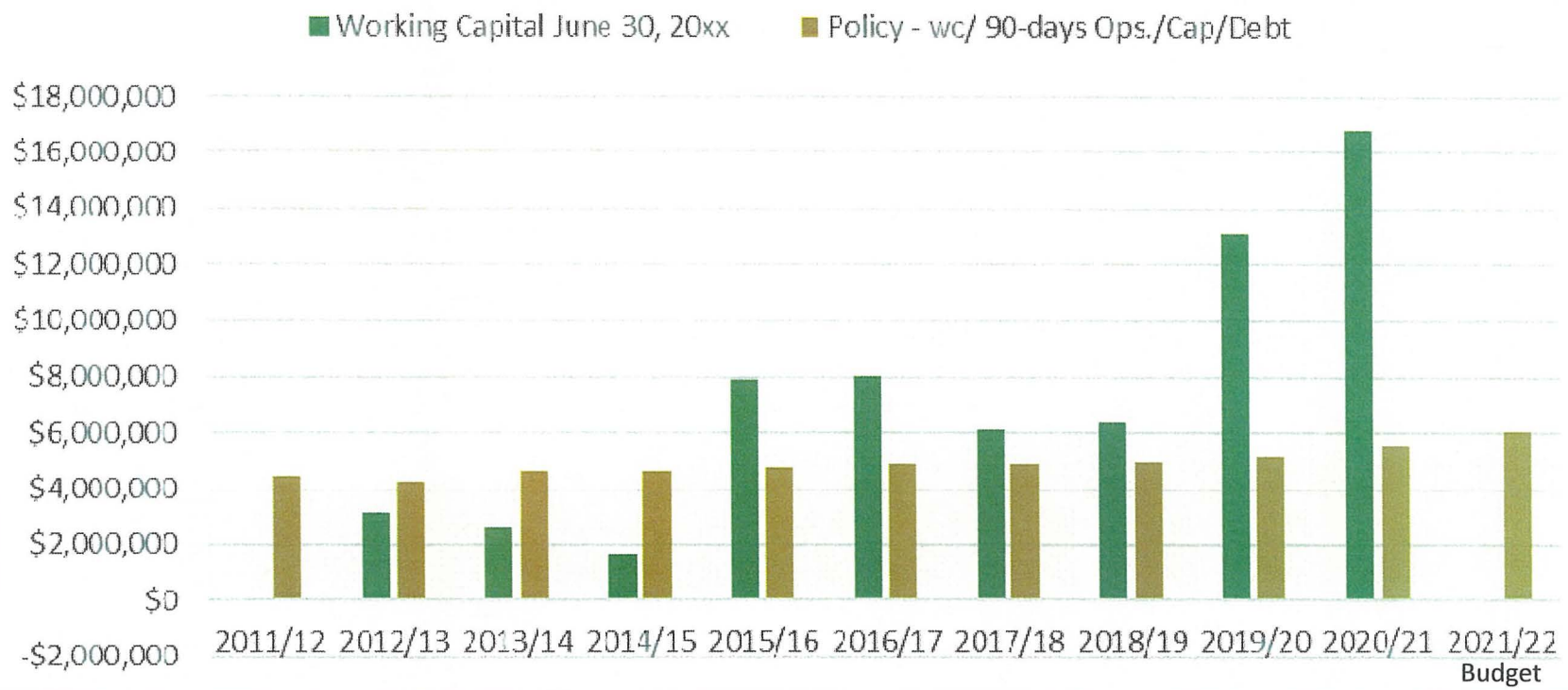
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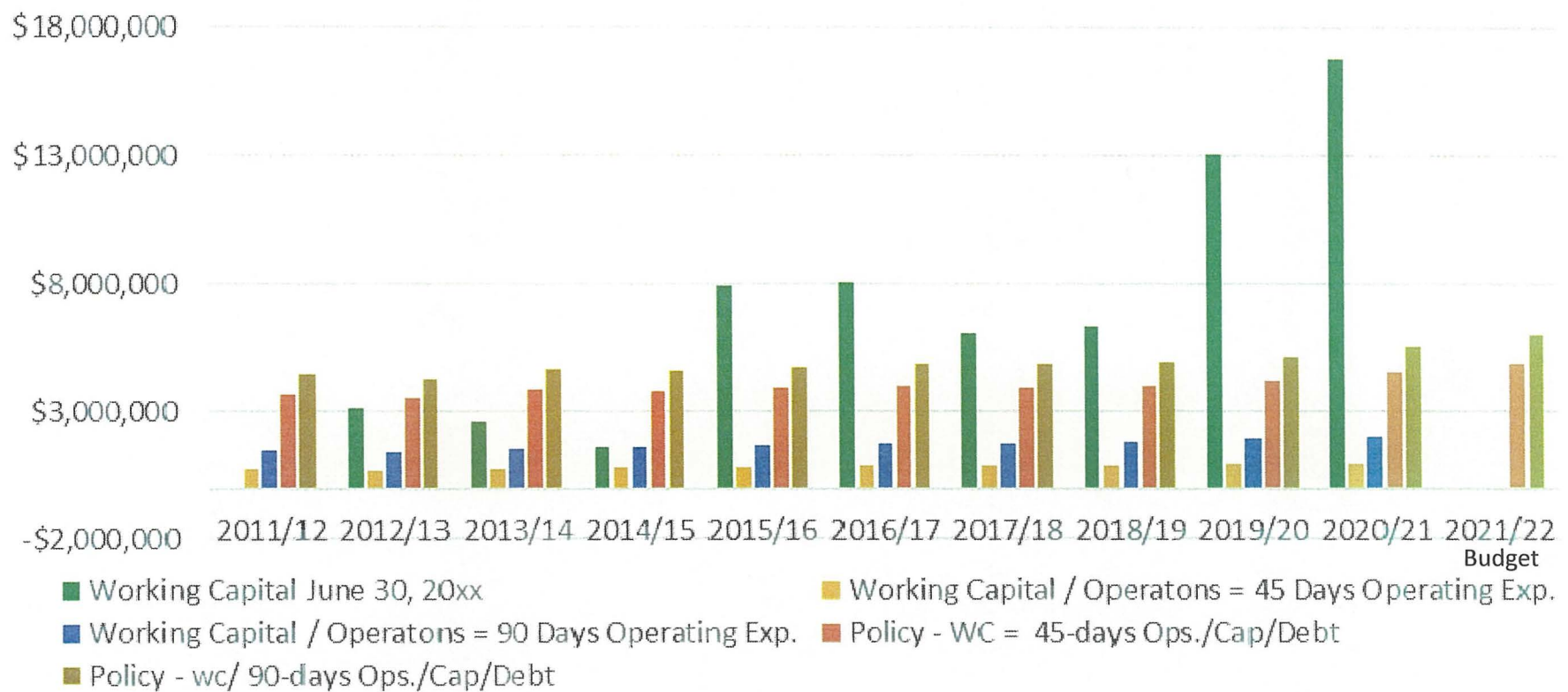
Utility Fund Level of Working Capital Board Policy 19.1 / Practice 19.2



Utility Fund Level of Working Capital Board Policy 19.1 / Practice 19.2



Utility Fund Level of Working Capital Board Policy 19.1 / Practice 19.2



EFFLUENT EXPORT PIPELINE PROJECT FUNDING

Impact of Effluent Export Pipeline Funding

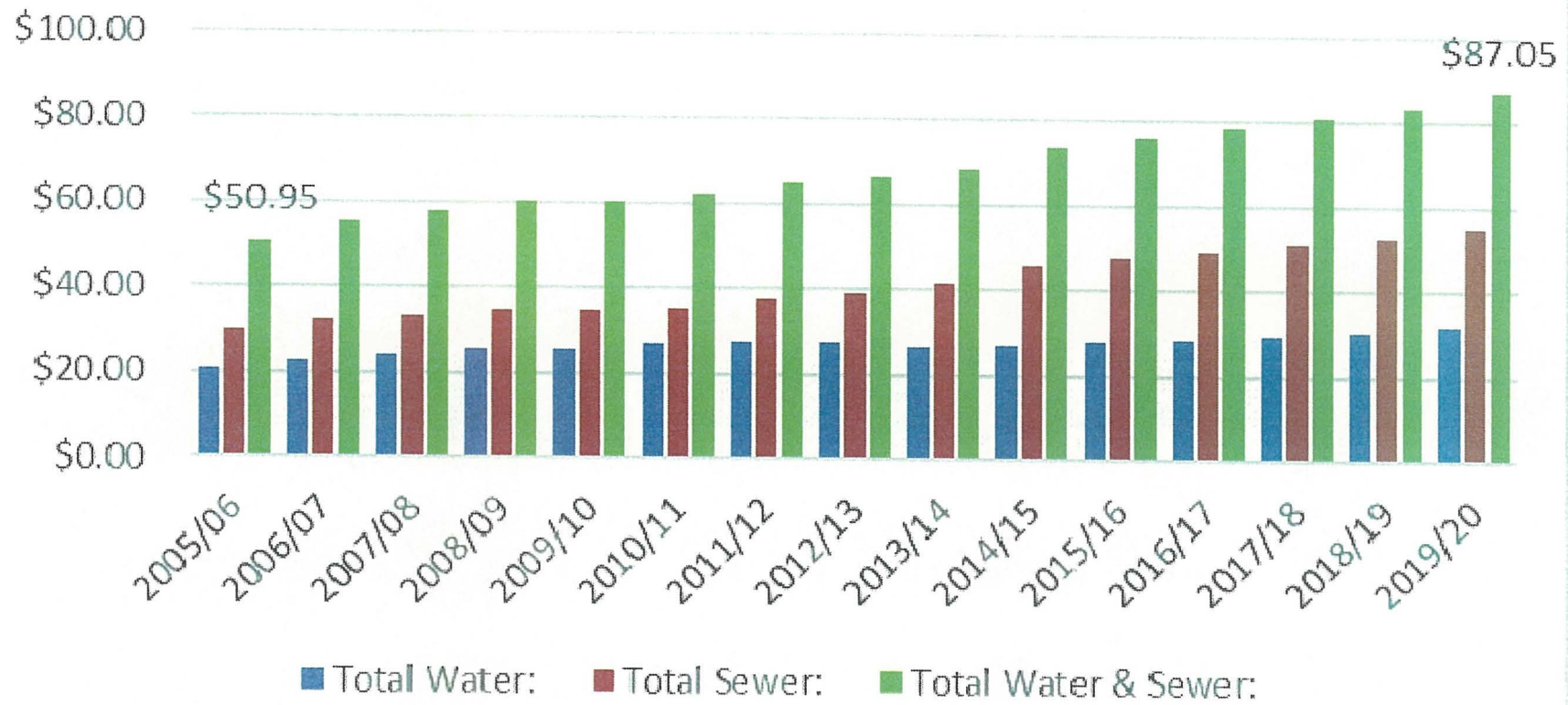
- District has initiated Phase II of the Effluent Export Pipeline Project
 - The District's Capital Improvement Plan was modified in 2015 to reflect no federal funding support due to uncertainty (*2015 project estimate \$23 million*)
 - The monthly Sewer Capital rate charge was increased, starting in 2011/12, in anticipation of Effluent Export Pipeline project.
 - Starting with the 2012-13 budget year, the District began to budget \$2.0 million per year for the construction of the project, with savings accruing over time.
- Board action to Designate Pipeline Project Funding
 - In March 2020, the Board took formal action to designate \$9.66 million in accumulated savings for the exclusive use of the Effluent Export Pipeline Project.
 - In August of 2020, an additional \$1.91 million in savings was designated for the project, bringing the total designated via formal Board action to \$11.57 million.
- Most recent 5-year CIP continues to reflect \$2.0 million in annually funding allocated for the Export Pipeline Project.

History of Water and Sewer Utility Rates

Average Residential Customer MONTHLY Bill

Water Rates																Not Approved
Charge	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Water Base Rate	\$ 11.12	\$ 11.92	\$ 11.92	\$ 11.92	\$ 11.92	\$ 11.94	\$ 11.72	\$ 10.78	\$ 9.50	\$ 9.55	\$ 9.74	\$ 10.00	\$ 10.65	\$ 11.23	\$ 11.97	\$ 12.45
Capital Rate	\$ 6.78	\$ 8.28	\$ 9.78	\$ 11.28	\$ 11.28	\$ 11.53	\$ 11.98	\$ 12.59	\$ 13.28	\$ 13.69	\$ 13.96	\$ 14.36	\$ 14.47	\$ 14.80	\$ 15.10	\$ 15.75
Administrative Fee	\$ 2.81	\$ 2.81	\$ 2.81	\$ 2.81	\$ 2.81	\$ 3.04	\$ 3.14	\$ 3.20	\$ 3.20	\$ 3.25	\$ 3.35	\$ 3.45	\$ 3.65	\$ 3.76	\$ 3.97	\$ 4.15
Defensible Space	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05
Consumption	\$ 0.97	\$ 1.17	\$ 1.17	\$ 1.17	\$ 1.17	\$ 1.20	\$ 1.24	\$ 1.28	\$ 1.28	\$ 1.32	\$ 1.35	\$ 1.39	\$ 1.45	\$ 1.50	\$ 1.55	\$ 1.62
Tier 1	\$ 0.78	\$ 0.78	\$ 0.78	\$ 0.78	\$ 0.78	\$ 0.85	\$ 0.92	\$ 0.96	\$ 0.96	\$ 1.00	\$ 1.02	\$ 0.97	\$ 0.95	\$ 0.93	\$ 0.93	\$ 1.00
Tier 2	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 0.93	\$ 1.00	\$ 1.07	\$ 1.12	\$ 1.12	\$ 1.16	\$ 1.18	\$ 1.23	\$ 1.26	\$ 1.30	\$ 1.34	\$ 1.40
Total Water:	\$20.71	\$23.01	\$24.51	\$26.01	\$26.01	\$27.56	\$27.89	\$27.62	\$27.03	\$27.54	\$ 28.10	\$ 28.86	\$ 29.82	\$ 30.84	\$ 32.09	\$ 33.40
Annual Rate Increase (%)																
Water CIP Rate:		22.1%	18.1%	15.3%	0.0%	2.2%	3.9%	5.1%	5.5%	3.1%	2.0%	2.9%	0.8%	2.3%	2.0%	
Total Water Rate:		11.1%	6.5%	6.1%	0.0%	6.0%	1.2%	-1.0%	-2.1%	1.9%	2.0%	2.7%	3.3%	3.4%	4.1%	Avg. = 3.2%
Sewer Rates																Not Approved
Charge	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Base rate	\$ 16.97	\$ 18.45	\$ 18.45	\$ 18.45	\$ 18.45	\$ 18.37	\$ 18.17	\$ 17.30	\$ 14.85	\$ 15.20	\$ 15.81	\$ 16.52	\$ 17.55	\$ 18.30	\$ 19.54	\$ 21.00
Capital rate	\$ 10.42	\$ 11.39	\$ 12.35	\$ 13.31	\$ 13.31	\$ 13.61	\$ 16.20	\$ 18.81	\$ 23.80	\$ 27.68	\$ 28.79	\$ 29.86	\$ 30.25	\$ 30.70	\$ 31.45	\$ 33.50
Administrative fee	\$ 2.85	\$ 2.85	\$ 2.85	\$ 2.85	\$ 2.85	\$ 3.05	\$ 3.15	\$ 3.20	\$ 3.20	\$ 3.25	\$ 3.35	\$ 3.45	\$ 3.65	\$ 3.76	\$ 3.97	\$ 4.15
Consumption	\$ 2.00	\$ 2.37	\$ 2.37	\$ 2.37	\$ 2.37	\$ 2.40	\$ 2.50	\$ 2.60	\$ 2.60	\$ 2.68	\$ 2.79	\$ 2.90	\$ 3.00	\$ 3.10	\$ 3.20	\$ 3.35
Total Sewer:	\$ 30.24	\$ 32.69	\$ 33.65	\$ 34.61	\$ 34.61	\$ 35.03	\$ 37.52	\$ 39.31	\$ 41.85	\$ 46.13	\$ 47.95	\$ 49.83	\$ 51.45	\$ 52.76	\$ 54.96	\$ 58.65
Annual Rate Increase (%)																
Sewer CIP Rate:		9.3%	8.4%	7.8%	0.0%	2.3%	19.0%	16.1%	26.5%	16.3%	4.0%	3.7%	1.3%	1.5%	2.4%	
Total Sewer Rate:		8.1%	2.9%	2.9%	0.0%	1.2%	7.1%	4.8%	6.5%	10.2%	3.9%	3.9%	3.3%	2.5%	4.2%	Avg. = 4.4%
Total Water & Sewer:																Not Approved
	\$50.95	\$55.70	\$58.16	\$60.62	\$60.62	\$62.59	\$65.41	\$66.93	\$68.88	\$73.67	\$76.05	\$78.69	\$81.27	\$83.60	\$87.05	\$92.05
Total Annual Rate Increase (%)		9.3%	4.4%	4.2%	0.0%	3.2%	4.5%	2.3%	2.9%	7.0%	3.2%	3.5%	3.3%	2.9%	4.1%	Avg. = 3.9%

Historical Average Residential Utility Bill *Monthly*



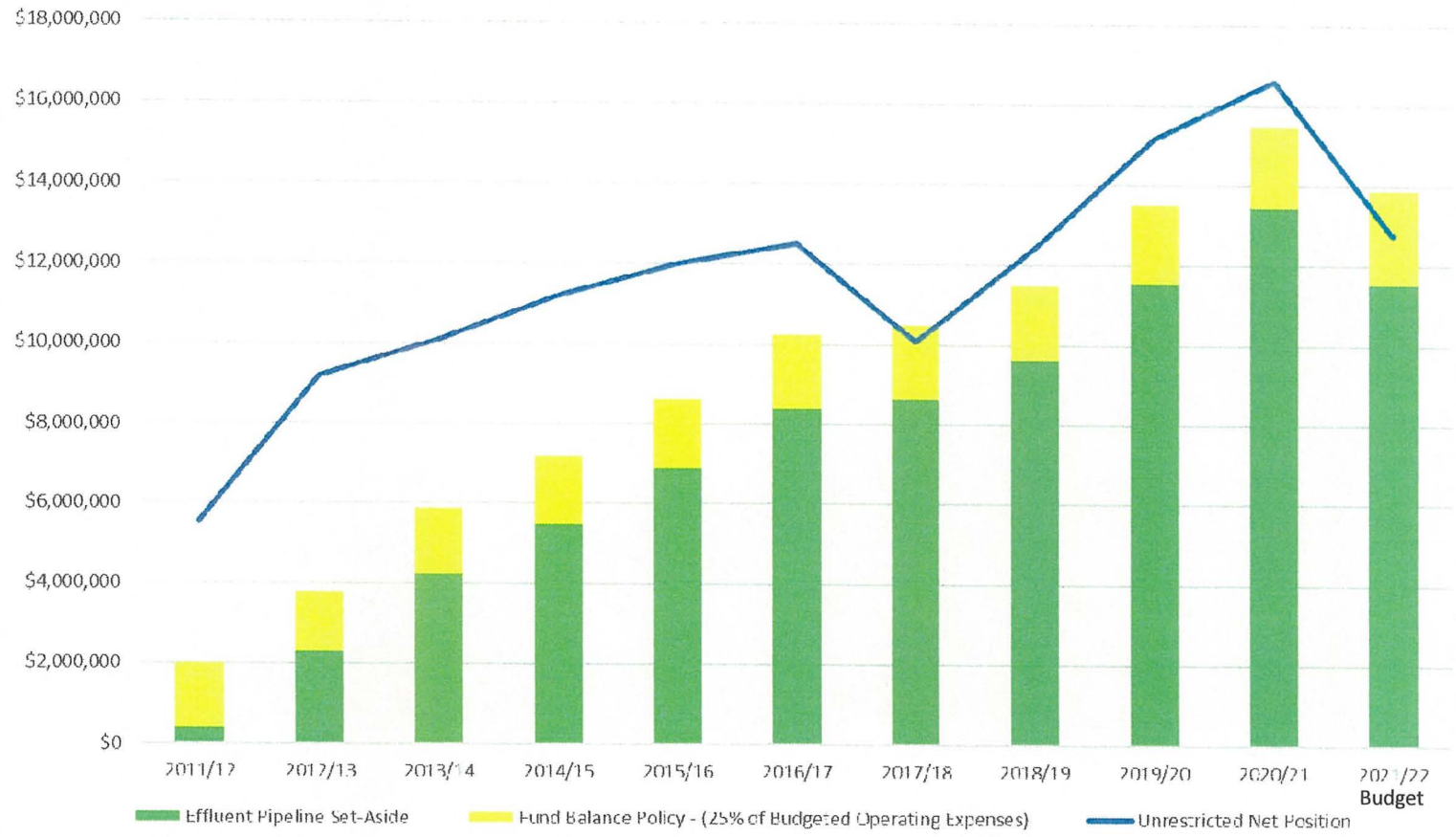
Effluent Pipeline Funding Set-Aside

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Effluent Pipeline Set-Aside											
Designated Portion of Capital Charge Collected	\$ 750,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Project Expenditures (CIP # #2524SS1010)	(330,827)	(111,662)	(59,425)	(744,805)	(606,317)	(488,332)	(1,743,165)	(1,032,785)	(71,233)	(110,790)	(3,889,210)
Remaining Set-Aside (Fiscal Year)	419,173	1,888,338	1,940,575	1,255,195	1,393,683	1,511,668	256,836	967,215	1,928,767	1,889,210	(1,889,210)
Remaining Set-Aside Cumulative	419,173	2,307,511	4,248,086	5,503,281	6,896,964	8,408,631	8,665,467	9,632,682	11,561,449	13,450,659	11,561,449
Board Actions to Designate Funds for Effluent Pipeline Project:											
								March 3, 2020	\$ 9,656,890		
								August 12, 2020		\$ 1,912,767	
								FY2021/22 CFWD - 9/30/21			\$ 1,889,210
									\$ 9,656,890	\$ 11,569,657	\$ 11,569,657

EFFLUENT PIPELINE FUNDING SET-ASIDE

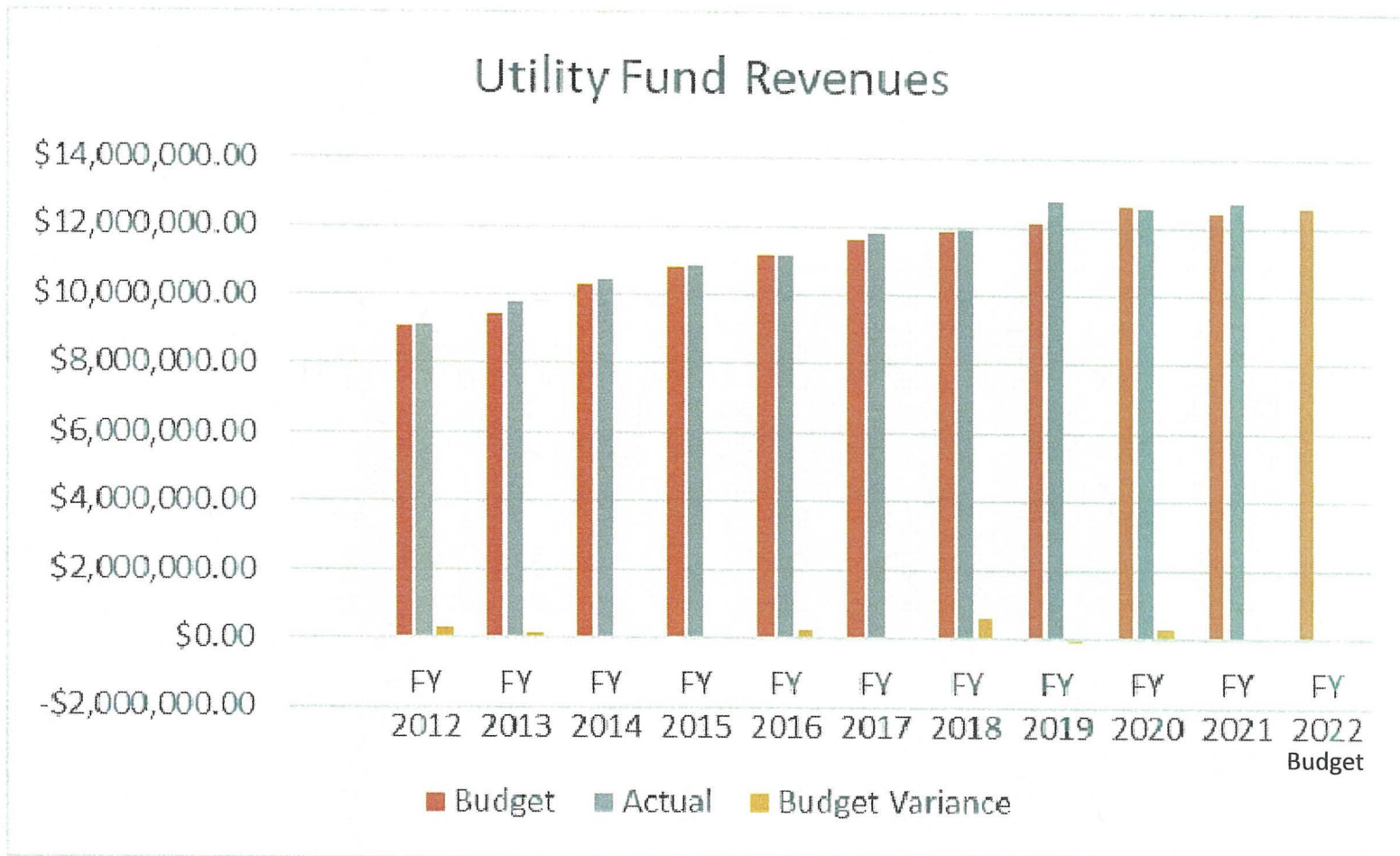


Utility Fund Unrestricted Net Position
Comparison with "Target" Level



Additional Information

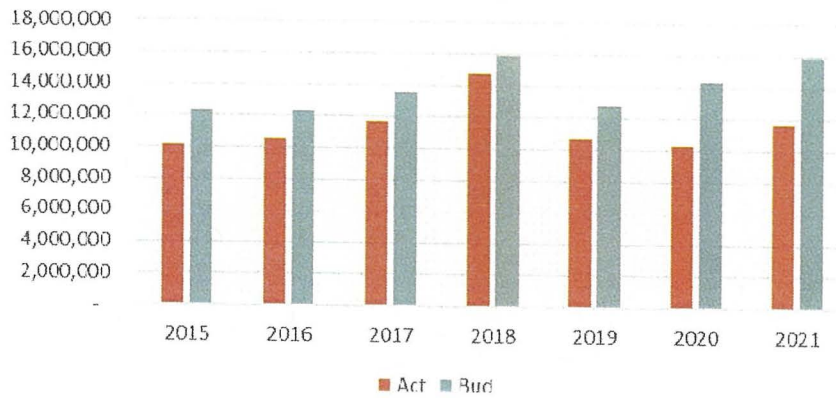
Historical Utility Rate Revenues



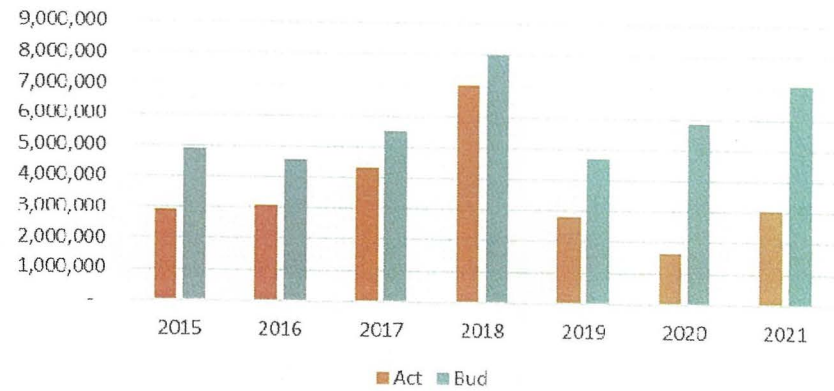
Historical Utility Fund

Budget vs. Actual

Utility Fund
Total Expenses / Uses



Utility Fund
Capital Expenditures



Board Direction Informing Utility Rate Study

- Consideration of Establishing Separate (Sub-)Funds for Utility Fund
 - Water – *Division 22*
 - Sewer - *Division 25*
 - Solid Waste – *Division 27*
 - TWSA – *Division 28*
- Utility Operations Revenue Requirements
- Utility Capital Improvement Program Revenue Requirements
 - Effluent Export Pipeline Financing Plan – Alternative Scenarios
- Updating Board Policies
 - Appropriate Level of Fund Balance / Reserve(s)
 - Appropriate Level of Working Capital
- Consideration of Establishing a Rate Stabilization Fund

Next Steps

- Completing FY2020/21 Year-end Financial Audit (June 30, 2021)
- Update of Board Policies – Fund Balances/ Net Position & Working Capital
- Utility Rate Study – Board Input / Policy Direction
 - Initial Board Input (Nov. / Dec.)
 - Rate Recommendations (Dec. / Jan.)
- Effluent Export Pipeline Project Financing Plan
 - Pay-As-You-Go vs Debt
 - Potential for Federal Funding Support (USACE, ARPA, Infrastructure Funding)
- Update of Utility Capital Improvement Plan
 - 5-year -> 20-year CIP

REVIEW OF ANNUAL BOARD OF TRUSTEES UTILITY RATE STUDY PRESENTATIONS
2015 - 2020

Board Presentation	Reserve Status	Effluent Pipeline Funding Status																														
<p align="center">Feb. 12, 2015</p>	<p>The rates study has been prepared to determine the next five years of operating and capital expenses and to provide sufficient and stable revenue to meet the operating cost increases and near term capital needs. The analysis is done on a cash flow basis in order to achieve a target reserve fund balance. The reserve fund is set by Board Policy. In the 5 year period of this rate model, reserves will be BELOW target policy levels of \$5 million, while we accumulate savings for the Export Pipeline Project,</p> <p>The rate model is prepared to determine the revenue needs to meet operating and capital expenses while maintaining prudent reserves. This target reserve level has been adjusted downward based on current economic conditions in Nevada and with consideration given to the (high) cost of borrowing versus spending down reserves.</p> <p>The uncommitted reserve fund, separate from the accumulated savings for the Export Project, is currently schedule to be less than the reserve policy target for the next five years. The current goal is to keep the uncommitted reserve fund about \$2.0 million.</p> <p>The contributions to the reserve will be less than \$1 million over the next five years as we expect to have an uncommitted reserve fund balance in 2020 of \$3 million.</p> <p>2015 Five-Year Rate Study Projection:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Operating and Capital Revenue</td> <td align="right">\$ 58,312,000</td> </tr> <tr> <td style="padding-left: 20px;">Operating and Capital Expense</td> <td align="right"><u>57,580,000</u></td> </tr> <tr> <td></td> <td align="right">\$ 732,000</td> </tr> </table>	Operating and Capital Revenue	\$ 58,312,000	Operating and Capital Expense	<u>57,580,000</u>		\$ 732,000	<p>The District has initiated Phase II of Effluent Export Project to replace 6 miles of export effluent pipeline at a cost of \$23.0 million. Previous capital budgets have shown up to 75% of this work funded through (Federal) Section 595 Program. (In progress) The CIP has been modified to show no (federal) funding due to uncertainty. Evaluation of co-locating with TTD bike path project along SR-28, estimated savings of \$7.0 million. High borrowing costs; project is low priority for State Revolving Loan Fund Program.</p> <p>The portion of the sewer rate used to pay for infrastructure, including Export Pipeline is call the CIP charge. In 2010/11 the CIP charge was \$13.61 (monthly - residential) and increased to \$27.68 - 103% in 4 years:</p> <table border="0" style="width: 100%; text-align: center;"> <tr> <td></td> <td><u>2010/11</u></td> <td><u>2011/12</u></td> <td><u>2012/13</u></td> <td><u>2013/14</u></td> <td><u>2014/15</u></td> </tr> <tr> <td>Sewer CIP Charge</td> <td>\$ 13.61</td> <td>\$ 16.20</td> <td>\$ 18.81</td> <td>\$ 23.80</td> <td>\$ 27.68</td> </tr> <tr> <td>% ^</td> <td></td> <td>19.0%</td> <td>16.1%</td> <td>26.5%</td> <td>16.3%</td> </tr> <tr> <td>Cum % ^</td> <td></td> <td></td> <td></td> <td></td> <td>103.4%</td> </tr> </table> <p>The dramatic increase in the Sewer CIP Charge no funds the reserves in the amount of \$2 million per year so the funding for the project will be completed by 2022. The District has collected over \$ 6 million to date, and will thus have 8 more years of collecting these funds before consideration can be give to lowering the CIP charge.</p> <p>With the 2012-13 budget year, PW began accumulating \$2,000,000 per year in savings for the construction of the Effluent Export Project. We expect to have accumulated a total of \$8 million by the early construction project start date in spring 2016 while also continuing to collect \$2 million annually for this project.</p>		<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	Sewer CIP Charge	\$ 13.61	\$ 16.20	\$ 18.81	\$ 23.80	\$ 27.68	% ^		19.0%	16.1%	26.5%	16.3%	Cum % ^					103.4%
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Cum % ^					103.4%																											
<p align="center">Jan. 4, 2016</p>	<p><u>Five-Year Look-Back (from Feb. 9, 2011 presentation):</u> <i>At the end of the 5-year projection we expect to draw down reserves by a net total of \$3.2 million and also to borrow \$3 million to pay for major capital infrastructure.</i></p> <p>The current reserve balance had been built up in preceding years to pay of some of the major capital expenses in the last few years such as the Burnt Cedar Water Disinfection Plant Improvement Project and the water and sewer main projects.</p> <p>The contributions to the reserve will be less than \$1.5 million over the next five years as we expect to have an uncommitted reserve fund balance in 2021 of \$3 million.</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;"><u>2015 Five Year Rate Study</u></td> <td align="right"><u>5-Year Total</u></td> </tr> <tr> <td style="padding-left: 20px;">Operating and Capital Revenue</td> <td align="right">\$ 60,217,000</td> </tr> <tr> <td style="padding-left: 20px;">Operating and Capital Expense</td> <td align="right"><u>\$ 58,912,000</u></td> </tr> <tr> <td style="padding-left: 20px;">Net Increase in Reserves</td> <td align="right">\$ 1,305,000</td> </tr> </table>	<u>2015 Five Year Rate Study</u>	<u>5-Year Total</u>	Operating and Capital Revenue	\$ 60,217,000	Operating and Capital Expense	<u>\$ 58,912,000</u>	Net Increase in Reserves	\$ 1,305,000	<p>With the 2012-13 budget year, PW began accumulating \$2,000,000 per year in savings for the construction of the Effluent Export Project. We expect to have accumulated a total of \$10 million by the early construction project start date in spring 2017.</p> <p><u>Summary of CIP Rate Change for the Effluent Export Project (Excerpt)</u></p> <p>The District does not currently have sufficient reserves to fund this project and it has been necessary to collect the funds through sewer rates in advance of the project. The District has initiated Phase II of Effluent Export Project to replace 6 miles of export effluent pipeline at a cost of \$23.0 million. Previous capital budgets have shown up to 75% of this work funded through (Federal) Section 595 Program. The CIP has been modified to show no (federal) funding due to uncertainty. Evaluation of co-locating with TTD bike path project along SR-28, estimated savings of \$7.0 million. High borrowing costs; project is low priority for State Revolving Loan Fund Program.</p> <p>The (total water and sewer) average residential rate has increased \$21.16 per month from \$76.32 in 2011 to \$97.39 in 2016. There has been an increase of \$11.78 per month to pay for the effluent export project which is 55% of the total rate increase of \$21.16 per month over the past five years.</p>																						
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REVIEW OF ANNUAL BOARD OF TRUSTEES UTILITY RATE STUDY PRESENTATIONS
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Board Presentation	Reserve Status	Effluent Pipeline Funding Status																						
<p>Jan. 26, 2017</p>	<p>The contributions to the reserve will be \$1.8 million over the next five years.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>2017 Five Year Rate Study</u></th> <th style="text-align: right;"><u>5-Year Total</u></th> </tr> </thead> <tbody> <tr> <td>Operating and Capital Revenue</td> <td style="text-align: right;">\$ 62,124,000</td> </tr> <tr> <td>Operating and Capital Expense</td> <td style="text-align: right;">\$ 60,296,000</td> </tr> <tr> <td>Net Increase in Reserves</td> <td style="text-align: right;">\$ 1,828,000</td> </tr> </tbody> </table>	<u>2017 Five Year Rate Study</u>	<u>5-Year Total</u>	Operating and Capital Revenue	\$ 62,124,000	Operating and Capital Expense	\$ 60,296,000	Net Increase in Reserves	\$ 1,828,000	<p>With the 2012-13 budget year, PW began accumulating \$2,000,000 per year in savings for the construction of the Effluent Export Project. We expect to have accumulated a total of \$10 million by the early construction project start date in spring 2017.</p> <p>The sewer CIP will not be accumulating \$2 million in capital for the export project in 2017-18 while we accomplish other CIP priorities and construct the effluent storage pond improvements as part of the export project.</p> <p><u>Summary of CIP Rate Change for the Effluent Export Project (Excerpt)</u> <i>(Same language as 2016 Utility Rate Study presentation (above))</i></p>														
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<p>Jan. 25, 2019</p>	<p>The contributions to the reserve will be \$3.1 million over the next five years.</p> <p>The reserve fund is set by Board Policy 7.1.0 and is currently a target value of \$1.88 million. In the five-year period of this rate study, reserves will be above target policy levels while the District accumulates additional savings to fund the Effluent Export Project.</p> <p>The Net Position for the utility fund on June 30, 2018 from page 30 of the Comprehensive Annual Financial Report is \$10,091,000 (NET POSITION; UNRESTRICTED). The Utility Fund meets this policy value.</p> <p>The District also has Budgeting and Fiscal Level of Working Capital Practice 19.2.0 that is established to maintain Working Capital in the Utility Enterprise Fund. The definition of target Working Capital is measured as follows:</p> <ul style="list-style-type: none"> Operations - 45 to 90 days of operating expense (excl. depreciation and interest) Utilities Debt Service - up to one year's payments of interest expense. Capital Expenditures - up to 1 year of 3 year average depreciation <p>Table 1 presents two scenarios for working capital based on the fiscal year end results of 2018-19 (rounded):</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Item</th> <th rowspan="2">YE 2018-19</th> <th colspan="2">Working Capital</th> </tr> <tr> <th>w/ 45-day Oper.</th> <th>w/ 90-day Oper.</th> </tr> </thead> <tbody> <tr> <td>Operational Expense 2019-20</td> <td style="text-align: right;">\$ 7,140,000</td> <td style="text-align: right;">\$ 881,000</td> <td style="text-align: right;">\$ 1,761,000</td> </tr> <tr> <td>Utilities Debt Service 1 Year</td> <td style="text-align: right;">\$ 134,000</td> <td style="text-align: right;">\$ 134,000</td> <td style="text-align: right;">\$ 134,000</td> </tr> <tr> <td>1 year average depreciation</td> <td style="text-align: right;">\$ 2,950,000</td> <td style="text-align: right;">\$ 2,950,000</td> <td style="text-align: right;">\$ 2,950,000</td> </tr> <tr> <td style="text-align: right;">Sum</td> <td></td> <td style="text-align: right;">\$ 3,965,000</td> <td style="text-align: right;">\$ 4,845,000</td> </tr> </tbody> </table> <p>The Utility Fund working capital on June 30, 2018 is \$6,129,000 from page 30 of the Comprehensive Annual Financial Report, total current assets minus total current liabilities.</p>	Item	YE 2018-19	Working Capital		w/ 45-day Oper.	w/ 90-day Oper.	Operational Expense 2019-20	\$ 7,140,000	\$ 881,000	\$ 1,761,000	Utilities Debt Service 1 Year	\$ 134,000	\$ 134,000	\$ 134,000	1 year average depreciation	\$ 2,950,000	\$ 2,950,000	\$ 2,950,000	Sum		\$ 3,965,000	\$ 4,845,000	
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Feb. 13, 2020	<p>The utility rates are calculated from a rate model that determines the revenue needs to meet operating and capital expenses while maintaining the Fund Balance and Appropriate Level of Working Capital in accordance with District Policies and Practices.</p> <p>The appropriate level of Fund Balance is set by Policy 7.1.0 and Board Practice 7.2.0 and is currently projected at a minimum of \$1.96 million. The net position for the Utility Fund on June 30, 2019 from page 30 of the Comprehensive Annual Financial Report is \$12,442,309. The Utility Fund meets the projected minimum value of Level of Fund Balance per the Board Policy and Practice.</p> <p>The District also has Budgeting and Fiscal Level of Working Capital Practice 19.2.0 that is established to maintain Working Capital in the Utility Enterprise Fund. (See definitions consistent with above). Table 1 presents two scenarios for working capital based on the fiscal year end results of 2019-20 (rounded):</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: left;">Item</th> <th rowspan="2" style="text-align: right;">YE 2018-19</th> <th colspan="2" style="text-align: center;">Working Capital</th> </tr> <tr> <th style="text-align: right;">w/ 45-day Oper.</th> <th style="text-align: right;">w/ 90-day Oper.</th> </tr> </thead> <tbody> <tr> <td>Operational Expense 2019-20</td> <td style="text-align: right;">\$ 7,402,000</td> <td style="text-align: right;">\$ 913,000</td> <td style="text-align: right;">\$ 1,826,000</td> </tr> <tr> <td>Utilities Debt Service 1 Year</td> <td style="text-align: right;">\$ 120,000</td> <td style="text-align: right;">\$ 120,000</td> <td style="text-align: right;">\$ 120,000</td> </tr> <tr> <td>1 year average depreciation</td> <td style="text-align: right;">\$ 3,055,000</td> <td style="text-align: right;">\$ 3,055,000</td> <td style="text-align: right;">\$ 3,055,000</td> </tr> <tr> <td style="text-align: right;">Sum</td> <td></td> <td style="text-align: right;">\$ 4,088,000</td> <td style="text-align: right;">\$ 5,001,000</td> </tr> </tbody> </table> <p>The Utility Fund working capital on June 30, 2019 is \$6,391,000 from page 30 of the Comprehensive Annual Financial Report, total current assets minus total current liabilities and is greater than the value set by the Working Capital Policy and Practice.</p> <p>The Effluent Export System presentation to the Board of Trustees on January 29, 2019 showed the June 30, 2019 unrestricted net position minus Export System Project carry-forward, minus capital carry-forward and minus Vac-Con truck purchase at \$870,455. It is projected that this number will increase to \$1,300,000 at the end of the 2019-20 fiscal year.</p> <p>The five year rate study is projecting net contribution to fund balance in the amount of \$3,699,000. This would place the ending fund balance in 2025 at \$4,999,000.</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>2020 Five Year Rate Study</u></th> <th style="text-align: right;"><u>5-Year Total</u></th> </tr> </thead> <tbody> <tr> <td>Operating and Capital Revenue</td> <td style="text-align: right;">\$ 71,071,000</td> </tr> <tr> <td>Operating and Capital Expense</td> <td style="text-align: right;">\$ 67,372,000</td> </tr> <tr> <td>Net Increase in Reserves</td> <td style="text-align: right;">\$ 3,699,000</td> </tr> </tbody> </table>	Item	YE 2018-19	Working Capital		w/ 45-day Oper.	w/ 90-day Oper.	Operational Expense 2019-20	\$ 7,402,000	\$ 913,000	\$ 1,826,000	Utilities Debt Service 1 Year	\$ 120,000	\$ 120,000	\$ 120,000	1 year average depreciation	\$ 3,055,000	\$ 3,055,000	\$ 3,055,000	Sum		\$ 4,088,000	\$ 5,001,000	<u>2020 Five Year Rate Study</u>	<u>5-Year Total</u>	Operating and Capital Revenue	\$ 71,071,000	Operating and Capital Expense	\$ 67,372,000	Net Increase in Reserves	\$ 3,699,000	
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