

# Agenda Item 9.C – CCSD Long-Term Water Supply Facility Financing

- Background
- Summarize financial modeling
  - Overall approach used
  - Key inputs & assumptions
- Describe findings
- Questions

# Background

- 2000 - Kennedy/Jenks report financial analysis
  - 9.9 % rate increase calculated for desalination
  - Numerous financial assumptions have since changed
- 2007 – Black & Veatch Long-Term Financial Management Plan
  - Did not identify sole impact from desalination project
  - Not implemented following Prop 218 protest
- Today's focus is solely on desalination
  - Update of past K/J financial model & assumptions
  - Financing & rate impacts for several desalination alternatives

# From last meeting - Local Cost Share Estimates

Source	Date	Total (2) \$	Federal (75%) (2) \$	Local (25%) \$	Net Local share after \$3,000,000 credit (1), \$
Original Estimate, Army Corps PCA	3/24/2006 + past exp.	13,700,000	10,275,000	3,425,000	
		<u>3,000,000</u> 16,700,000	12,525,000	4,175,000	1,175,000
Inflated to an estimated 6/2012 Construction Midpoint, w/o solar	1/29/2009 + past exp.	16,400,000	12,300,000	4,100,000	
		<u>3,000,000</u> 19,400,000	14,555,000	4,845,000	1,845,000
Inflated to an estimated 6/2012 Construction Midpoint, w/ solar	1/29/2009 + past exp.	20,100,000	15,075,000	5,025,000	
		<u>3,000,000</u> 23,100,000	17,325,000	5,775,000	2,775,000

## Key Local Share Values Used in Analyses

(1) Local \$3,000,000 credit for past project expenditures has been approved.

(2) Illustrates how the \$3,000,000 credit further reduces local cost share costs. A future WRDA authorization increase would be required to increase the current \$10.275 million Federal limit. [E.g., \$4,100,000 (local share prior to \$3 million credit) -----> \$1,845,000 with credit ]

# Approach

- Developed model after one used in 2000 K/J report
  - Deleted retro-fit & in-lieu fee non-operating revenue (\$356,000 per year)
  - Deleted non-operating revenue from interest (Varied each year, approx \$400,000 to \$600,000 per year)
  - Deleted connection fees until project is approved for construction (approx \$167,000 per year prior to current moratorium)
  - Updated for revised local share & current O&M cost estimates
- Entered FY2007/2008 & FY2008/2009 data from audit reports
- Estimated FY2009/2010 data from non-audited final results
- Projected FY2010/2011 data per approved budget

# Approach - continued

- Completed iterative approaches within each scenario that:
  - Maintained a Debt service ratio  $> 1.10$ , (minimum allowable per bond covenants)
  - Assumed a self-sufficient water enterprise fund (i.e., no transfers from general fund were allowed).

# Key Inputs & assumptions

- Inflation adjusted costs @ 3%/year
- Local share costs used a bond or loan rate @ 5% spread over 30 years
- FY2013/2014 used for initial facility start-up
- 4,650 existing & wait list residential build-out max
- Refinanced 1995 bonds expire during FY 2014/2015
- Conservatively estimated desalination operating costs by ramping up its demand at a rate greater than what would occur solely from new connections.
  - Initial: 50 AFY in FY 2013/2014
  - Final: 600 AFY in FY 2022/2023
- Assumed 125 connections in year 1 of operation, then 40 per year in subsequent years.

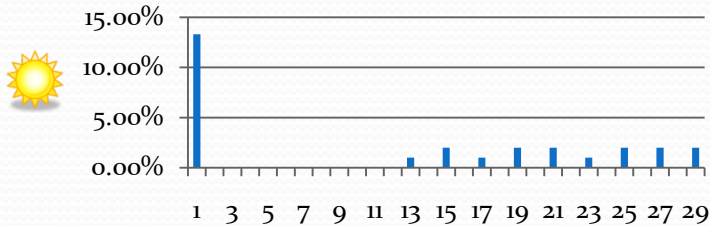
# Key Inputs & Assumptions – cont'd

- Draft desalination facility impact fees estimated at:
  - \$13,000 per EDU impact fee with solar power alternative, and using CCSD to finance capital costs
  - \$10,000 per EDU impact fee without solar power alternative and using CCSD to finance capital costs
  - \$3,250 per existing EDU impact fee plus Mello Roos financing of capital costs by wait list customers

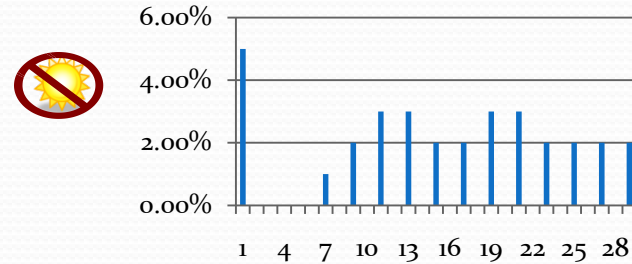
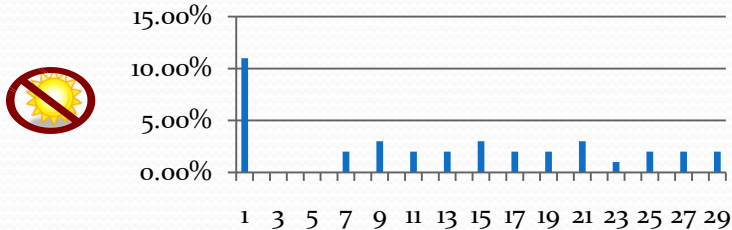
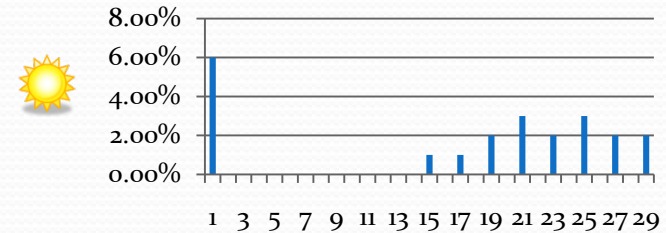
# Findings

Scenario	Amount Financed by CCSD	Rate Increase Needed	When Needed
With solar power & CCSD financing of capital	\$2,775,000	13%	FY 2013/2014
Without solar power & CCSD financing of capital	\$1,875,000	11%	FY 2013/2014
With solar power & lot-owner financed capital via Mello Roos	0	6%	FY 2013/2014
Without solar power & lot-owner financed capital via Mello Roos	0	5%	FY 2013/2014

Rate projections with CCSD financing



Rate projections with Mello Roos





Questions?