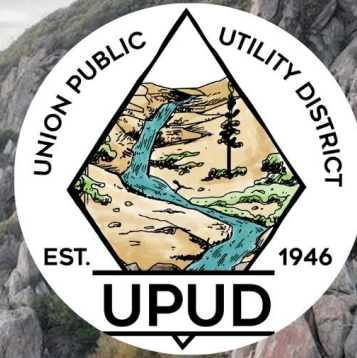


JPA 5-Year Funding Agreement

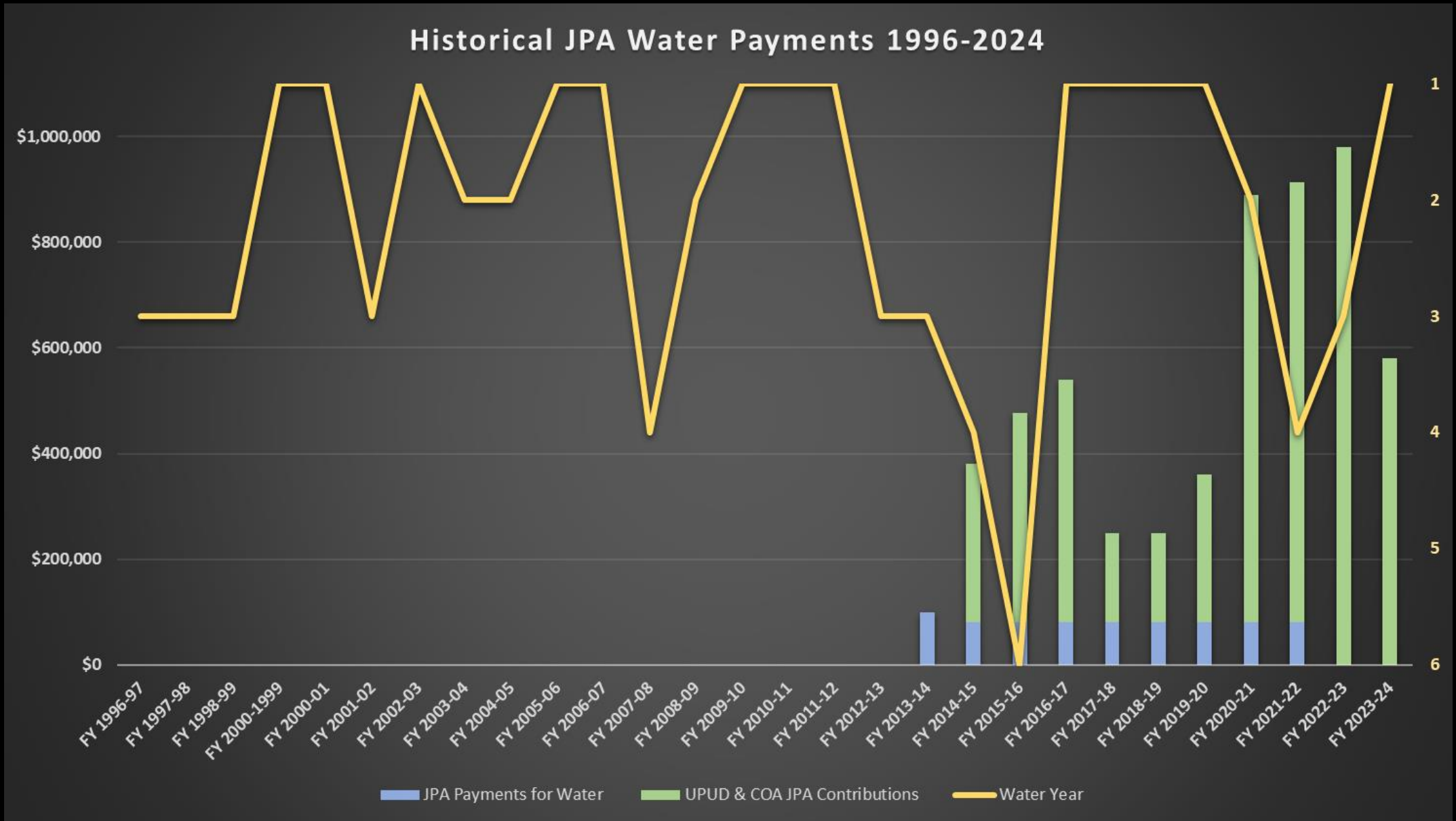


Utica's Financial Analysis

Utica hired HDR (a qualified rate study consultant) to perform a financial analysis that developed projections of Utica's revenues and expenses over the next 5 years.

These costs are intended to be used in UPUD and COA's rate studies to ensure necessary rate revenues are collected to support Utica over the next five years.

Historical JPA Contributions to Utica



Initial Financial Analysis Findings

| Fiscal Year | 23-24 | 24-25 | 25-26 | 26-27 | 27-28 | 28-29 |
|--|---------|---------|---------|---------|---------|---------|
| Scenario 1 – 2.5 Water Year (spend \$347,000 in budget balancing reserve) | | | | | | |
| Total Revenue | \$3,739 | \$3,105 | \$1,813 | \$1,824 | \$1,836 | \$1,848 |
| Total Expenses | \$3,827 | \$4,342 | \$3,321 | \$3,248 | \$3,311 | \$3,531 |
| Agency Contributions | \$580 | \$1,300 | \$1,352 | \$1,406 | \$1,462 | \$1,521 |
| Remaining Deficiency | -- | \$62 | (\$156) | (\$18) | (\$12) | (\$162) |
| Annual % Change | -- | -- | 4.0% | 4.0% | 4.0% | 4.0% |
| Scenario 2 – 2.5 Water Year and FERC Relicensing Debt Funded (spend \$123,000 budget balancing reserve) | | | | | | |
| Total Revenue | \$3,739 | \$3,105 | \$1,813 | \$1,824 | \$1,836 | \$1,848 |
| Total Expenses | \$3,827 | \$3,942 | \$2,921 | \$3,005 | \$3,068 | \$3,288 |
| Agency Contributions | \$580 | \$1,000 | \$1,080 | \$1,166 | \$1,260 | \$1,360 |
| Remaining Deficiency | -- | \$162 | (\$28) | (\$15) | \$27 | (\$80) |
| Annual % Change | -- | -- | 8.0% | 8.0% | 8.0% | 8.0% |

Balance does not include current City of Angels or UPUD Revenue

All values in \$1,000s

Revised Scenarios

After meeting with JPA managers, the Utica Budget Committee, and the full Utica Board, staff worked with HDR to build additional scenarios with lower contribution amounts from the JPA member entities.

The latest draft scenario starts contributions at \$370,000 each from UPUD and COA and increases by 10% annually.

Five-Year JPA Funding Scenario **(DRAFT)**

| Fiscal Year | 24-25 | 25-26 | 26-27 | 27-28 | 28-29 |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| O&M | \$2,253,955 | \$2,365,000 | \$2,497,000 | \$2,543,000 | \$2,634,000 |
| CIP | \$770,000 | \$345,000 | \$285,000 | \$135,000 | \$285,000 |
| Capital Outlay | \$21,000 | \$71,000 | \$22,000 | \$82,000 | \$23,000 |
| Reserve Contributions | \$503,800 | \$503,800 | \$503,800 | \$503,800 | \$503,800 |
| Grant Projects | \$1,000,000 | \$0 | \$0 | \$0 | \$0 |
| Total Annual Expenses | \$4,548,755 | \$3,284,800 | \$3,307,800 | \$3,263,800 | \$3,445,800 |
| | | | | | |
| Total Utica Revenue | \$3,123,573 | \$1,813,000 | 1,824,000 | 1,836,000 | \$1,848,000 |
| JPA Member Payments | \$740,000 | \$814,000 | \$895,000 | \$985,000 | \$1,083,000 |
| Annual JPA Payment % Change | | 10% | 10% | 10% | 10% |
| Total Annual Revenue | \$3,863,573 | \$2,627,000 | \$2,719,000 | \$2,821,000 | \$2,931,000 |
| Remaining Budget Shortfall | (\$685,182) | (\$657,800) | (\$588,800) | (\$442,800) | (\$514,800) |
| | | | | | |
| Projected Carryover | \$ 150,182 | \$ - | \$ - | \$ - | \$ - |
| Budget Balancing Reserve Transfer | | \$ 505,000 | | | |
| | | | | | |
| CIP Cuts | \$ 435,000 | \$ 52,800 | \$ 225,000 | \$ 195,000 | \$ 285,000 |
| Reserve Contribution Cuts | \$ 100,000 | \$ 100,000 | \$ 363,800 | \$ 247,800 | \$ 229,800 |
| Total Cuts | \$ 535,000 | \$ 152,800 | \$ 588,800 | \$ 442,800 | \$ 514,800 |
| | | | | | |
| Balanced Budget | \$0 | \$0 | \$0 | \$0 | \$0 |

Five-Year JPA Funding Scenario If FERC Exemption is Successful (DRAFT)

| Fiscal Year | 24-25 | 25-26 | 26-27 | 27-28 | 28-29 |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| O&M | \$2,253,955 | \$2,365,000 | \$2,497,000 | \$2,543,000 | \$2,634,000 |
| CIP | \$770,000 | \$345,000 | \$285,000 | \$135,000 | \$285,000 |
| Capital Outlay | \$21,000 | \$71,000 | \$22,000 | \$82,000 | \$23,000 |
| Reserve Contributions | \$503,800 | \$503,800 | \$503,800 | \$29,800 | \$29,800 |
| Grant Projects | \$1,000,000 | \$0 | \$0 | \$0 | \$0 |
| Total Annual Expenses | \$4,548,755 | \$3,284,800 | \$3,307,800 | \$2,789,800 | \$2,971,800 |
| | | | | | |
| Total Utica Revenue | \$3,123,573 | \$1,813,000 | 1,824,000 | 1,836,000 | \$1,848,000 |
| JPA Member Payments | \$740,000 | \$814,000 | \$895,000 | \$985,000 | \$1,083,000 |
| Annual JPA Payment % Change | | 10% | 10% | 10% | 10% |
| Total Annual Revenue | \$3,863,573 | \$2,627,000 | \$2,719,000 | \$2,821,000 | \$2,931,000 |
| Remaining Budget Shortfall | (\$685,182) | (\$657,800) | (\$588,800) | \$31,200 | (\$40,800) |
| | | | | | |
| Projected Carryover | \$ 150,182 | \$ - | \$ - | \$ - | \$ - |
| Budget Balance Reserve Transfer | | \$ 505,000 | | | |
| | | | | | |
| CIP Cuts | \$ 435,000 | \$ 52,800 | \$ 225,000 | | \$ 40,800 |
| Reserve Contribution Cuts | \$ 100,000 | \$ 100,000 | \$ 363,800 | | \$ - |
| Total Cuts | \$ 535,000 | \$ 152,800 | \$ 588,800 | \$ - | \$ 40,800 |
| | | | | | |
| Balanced Budget | \$0 | \$0 | \$0 | \$0 | \$0 |

Takeaway

Utica will still need JPA contributions to balance its budget, even if a FERC Exemption is successful.

Funding Considerations

- Given feedback from JPA member agencies, the primary limiting factor for JPA member payments to Utica is the \$370,000 (reduced from about \$430,000) in Utica fees that UPUD can collect under its current rate structure
- The City of Angels is collecting about \$440,000 under its existing rate structure
- JPA Member Agency Utica Reserve Balances
 - UPUD's Utica Reserve: \$193,000 as of January 2024 (subject to change)
 - COA's Utica Reserve: \$390,000 as of January 2024 (subject to change)
- Options to increase funding for Utica
 - The UPUD Board and City Council could approve a rate increase in FY 2024-2025, which could increase the amount of Utica fees collected during the next five years
 - UPUD and COA could spend a portion of their restricted Utica reserve funds to reduce the impact on customers

Next Steps

- Utica will present an informational update to Angels Camp City Council on June 4th
- The Utica Budget Committee recommended a JPA member entity joint member meeting be held in mid-June to discuss the 5-year JPA funding agreement
- The tentative date is June 13th at 5:30pm

Questions?

