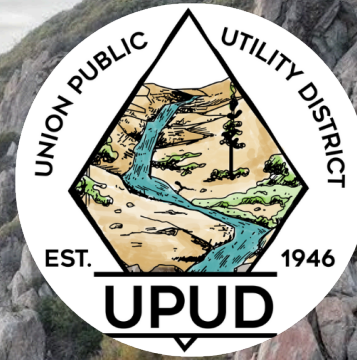


5-Year JPA Member Funding Agreement for UWPA



June 13, 2024

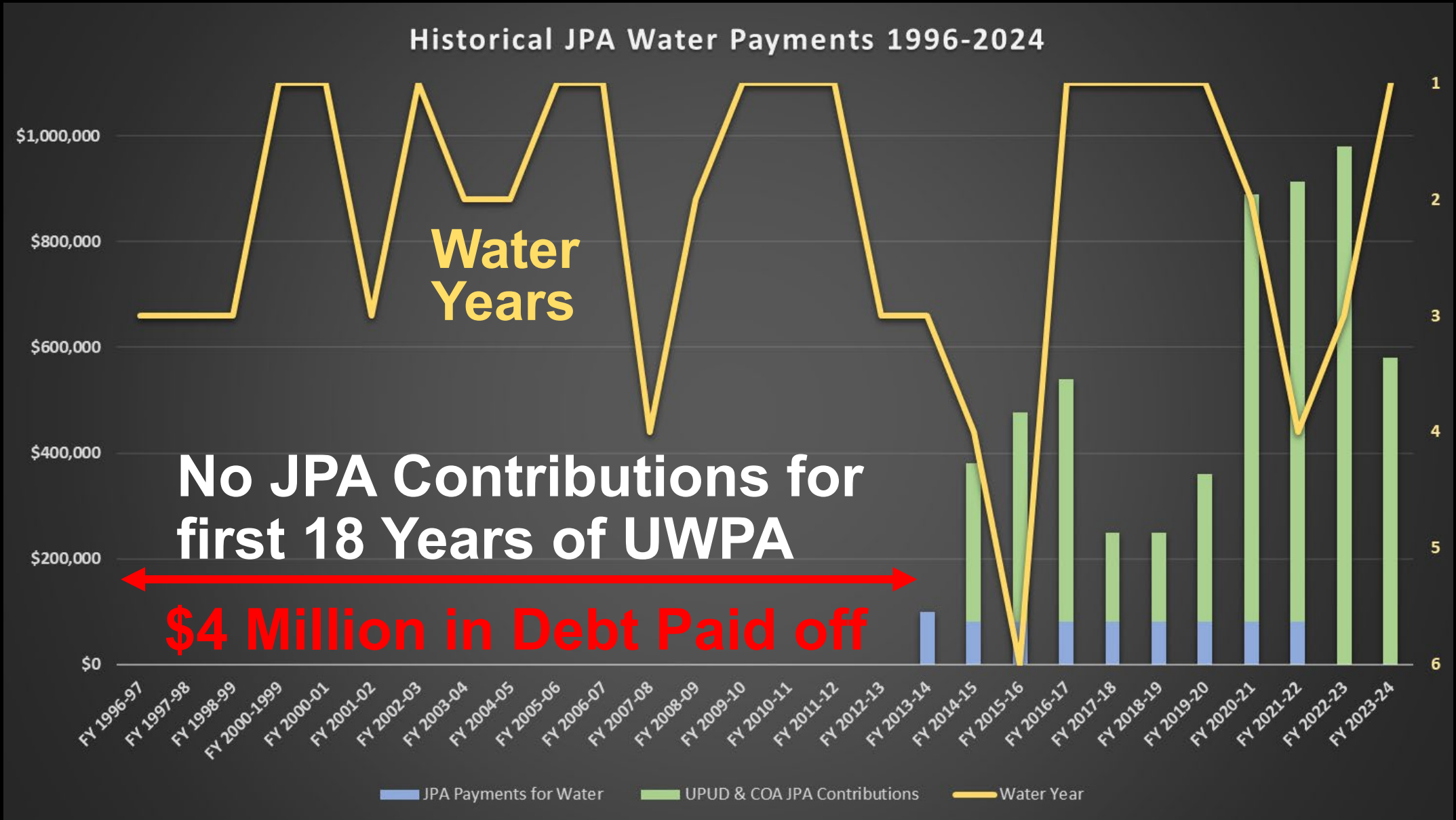
Meeting Goals

- Review Utica's 5-Year Financial Analysis
- Discuss the proposed 5-Year JPA Funding Agreement
- Provide direction on a 5-Year JPA Funding Agreement

Historical JPA Contributions

- For the first 18 years of Utica's existence, there were no payments from UPUD or COA
- Over those 18 years, Utica paid off \$4 million in debt taken out to buy the system + interest

JPA Contributions to Utica: 1995 - 2024



Utica's Financial Analysis

- In May 2023, COA and UPUD requested that Utica put money in the budget to perform a financial analysis
- Utica hired HDR (a qualified rate study & Proposition 218 consultant) to perform the analysis
- The consultant developed projections of Utica's revenues and expenses over the next 5 years: 2025-2029
- These costs are intended to be used in UPUD and COA's pending rate studies to ensure necessary rate revenues are collected to support Utica over the next five years

Initial Financial Analysis Funding Scenarios

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

JPA Feedback – Initial Costs Too High

- After presenting initial scenarios that started with \$650,000 contributions from both COA and UPUD for a total of \$1.3 million, JPA members said that was not feasible.
- After meeting with COA & UPUD managers, the Utica Budget Committee, and the full Utica Board, staff worked with HDR to build scenarios with lower contribution amounts from the JPA member entities, starting with \$370,000 each in Year 1.

Impacts of Proposed Cuts

In order to present a balanced budget in a 5-Year Scenario that begins with \$370,000 in funding from each JPA member agency in Year 1, Utica staff included substantial reserve and CIP cuts

- FY 25-26: Utica's entire \$505,000 Budget Balancing Reserve is spent, CIP is cut by \$57,000, and reserves by \$100,000
- FY 26-27: 100% of CIP is cut and Reserves are cut by \$363,000
- FY 27-28: 100% of CIP is cut and Reserves are cut by \$247,000
- FY 28-29: 100% of CIP is cut and Reserves are cut by \$229,000

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

Financial Impacts of FERC Exemption

- Relicensing in 2033 will no longer be necessary: cost estimates are up to \$10 million.
- The Exemption would eliminate the requirement of relicensing the project every 30 years in perpetuity.
- \$400,000 contributions to the FERC Reserve are no longer needed
- \$70,000 contributions to the FERC 5-10 Year Reserve are mostly no longer needed (DSOD has some costs)
- FERC compliance takes a substantial amount of staff time

Takeaways

- Utica will still need contributions from City of Angels and Union Public Utility District to balance its budget, even if a FERC Exemption is successful.
- Investing in Utica over the next five years comes with major benefits and CIP project cost savings. Two of Utica's key employees plan to retire within 5-7 years.
- There is light at the end of the tunnel. Once Utica completes CIP projects, the upgraded infrastructure is expected to last for 25-50+ years. If the FERC Exemption is approved, it eliminates the need to relicense and saves the JPA millions
- The Exemption is our best opportunity to reduce the need for future JPA contribution increases (e.g. years 6-10)

City of Angels Funding Considerations

- COA charges different Utica fees, depending on meter size
 - \$13.91 – monthly fee for the average residential customer
 - \$695.46 – monthly fee paid by customers with a 6-inch meter
- Per COA's adopted rate study, COA would collect \$455,000 this year
- However, COA estimates \$406,000 will be collected this year in Utica Fees
- COA's Reserve Balance
 - COA's Utica Reserve is projected to be \$459,000 at end of the 23-24 fiscal year

City of Angels Utica Fees: Water Year 3

Water Year 3 (Average)

Utica Water And Power Contribution	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
	\$405,068	\$417,220	\$429,737	\$442,629	\$455,908

Meter Size

<u>Meter Size</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
5/8"	\$12.61	\$12.92	\$13.24	\$13.57	\$13.91
3/4"	\$18.91	\$19.38	\$19.86	\$20.36	\$20.86
1"	\$31.52	\$32.30	\$33.11	\$33.93	\$34.77
1 1/2"	\$63.04	\$64.60	\$66.21	\$67.86	\$69.55
2"	\$100.86	\$103.37	\$105.94	\$108.57	\$111.27
3"	\$189.11	\$193.81	\$198.63	\$203.57	\$208.64
4"	\$315.18	\$323.02	\$331.05	\$339.29	\$347.73
6"	\$630.36	\$646.04	\$662.11	\$678.58	\$695.46

COA: 5-Year Plan Customer Impacts

- Currently, the “average” COA customer pays \$18.80/month in Utica fees
- Under COA’s existing rate structure, no rate changes would be needed in Years 1, 2
- In Year 3, the average customer would pay \$20.72 per month
- in Year 4, the average customer would pay \$22.80 per month
- In Year 5, the average customer would pay \$25.06 per month
- The average increase over five years would be \$1.25 per customer, per month - \$15 per year. Even in the most expensive year, it would cost \$0.84 cents per day per customer for Utica to deliver water through the 27-mile flume/ditch system.
- Alternatively, the City Council could use its \$459,000 Utica Reserve to “smooth” rate increases, or avoid increase altogether over most of the next 5 years.

UPUD Funding Considerations

- UPUD charges all customers a Utica fee of \$18/month
- UPUD collects \$370,000 per year in Utica Fees
 - In FY 2022, UPUD's Utica fees generated up to \$430,000. This was reduced due to changes made to removing additional minimums
- UPUD's Utica Reserve is projected to be \$140,000 by the end of FY 23-24

UPUD Water Rates & Utica Fees

	January 1, 2023	January 1, 2024	January 1, 2025	January 1, 2026	January 1, 2027
Water Usage Charges (per HCF)					
Domestic/Potable Water	\$ 0.94	\$ 1.04	\$ 1.14	\$ 1.25	\$ 1.38
Irrigation/Non-potable Water	\$ 0.17	\$ 0.19	\$ 0.21	\$ 0.23	\$ 0.25
Fixed Monthly Service Charge					
Domestic Service Charge					
Meter Size					
5/8" or 3/4"	\$ 56.63	\$ 62.86	\$ 69.15	\$ 76.07	\$ 83.68
1"	\$ 84.82	\$ 94.15	\$ 103.57	\$ 113.93	\$ 125.32
1.5"	\$ 155.31	\$ 172.39	\$ 189.63	\$ 208.59	\$ 229.45
2"	\$ 239.89	\$ 266.28	\$ 292.91	\$ 322.20	\$ 354.42
3"	\$ 437.24	\$ 485.34	\$ 533.87	\$ 587.26	\$ 645.99
4"	\$ 719.17	\$ 798.28	\$ 878.11	\$ 965.92	\$ 1,062.51
6"	\$ 1,424.01	\$ 1,580.65	\$ 1,738.72	\$ 1,912.59	\$ 2,103.85
Irrigation Service Charge					
Meter Size					
5/8" or 3/4"	\$ 32.83	\$ 36.44	\$ 40.08	\$ 44.09	\$ 48.50
1"	\$ 45.16	\$ 50.13	\$ 55.14	\$ 60.65	\$ 66.72
1.5"	\$ 75.97	\$ 84.33	\$ 92.76	\$ 102.04	\$ 112.24
2"	\$ 112.95	\$ 125.37	\$ 137.91	\$ 151.70	\$ 166.87
3"	\$ 199.24	\$ 221.16	\$ 243.28	\$ 267.61	\$ 294.37
4"	\$ 322.51	\$ 357.99	\$ 393.79	\$ 433.17	\$ 476.49
6"	\$ 630.67	\$ 700.04	\$ 770.04	\$ 847.04	\$ 931.74

- 11% increase: 2024
- 10% increase: 2025
- 10% increase: 2026
- 10% increase: 2027
- Utica fee is \$18 per customer per month, with no increases built in.

UPUD: 5-Year Plan Customer Impacts

- Currently, all UPUD customer pay \$18.00/month in Utica fees
- Under UPUD's existing rate structure, no rate changes would be needed in Year 1
- In Year 2, the average customer would pay \$19.95 per month
- in Year 3, the average customer would pay \$21.94 per month
- In Year 4, the average customer would pay \$24.14 per month
- In Year 5, the average customer would pay \$26.54 per month
- The average increase over five years would be \$1.71 per customer, per month - \$20 per year. Even in the most expensive year, it would cost \$0.88 cents per day per customer for Utica to deliver water through the 27-mile flume/ditch system.
- Alternatively, the UPUD Board could use its \$140,000 Utica Reserve to “smooth” rate increases over the next 5 years. Pending legal action impacts this decision.

JPA Options to Increase Utica Funding

- Increase the number of customers served
- Increase the monthly Utica fee
- Change how the Utica fee is charged – e.g. link a portion of the Utica fee to consumption
- Spend down reserves to “smooth” rate increases

What Happens if a Prop. 218 Fails?

- There are concerns that a Prop. 218 proceeding could be unsuccessful
- If this were to occur, COA or UPUD may not have the funds needed to make payments per the 5-Year JPA Funding Agreement for Utica
- Given this concern, UPUD's legal counsel has recommended that the 5-Year JPA Funding Agreement be contingent upon a successful Proposition 218 process

JPA Joint Meeting Discussion / Direction

- Are there any questions from Council/Board members regarding today's presentation?
- Now is the time for group discussion.

Direction from the Full JPA

Language for Consideration for direction from full JPA:

- The respective bodies of the Joint Powers Authority Member Entities agree to the 5-Year JPA Funding Agreement as included in the agenda packet, and the Utica Board of Directors has the full JPA's support to adopt this 5-Year Funding Plan. This agreement is contingent upon successful Proposition 218 proceedings
- Poll the Utica Board, UPUD Board, and City Council

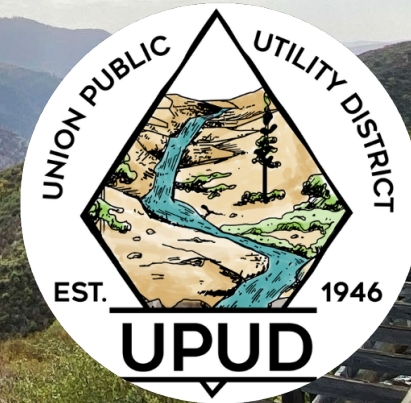
Potential Next Steps

Once an direction is agreed upon, the Utica Board will consider adoption of the Agreement at a future regular Board of Directors meeting.

COA and UPUD have the option to formally adopt the agreement at their Board meetings as well, although legal counsel advised it may not be required.

Staff will continue consulting with legal counsel and bring back additional information when available.

Questions?



Utica Five-Year Capital Improvement Plan

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>Five Year Total</u>
WATER CONVEYANCE						
MURPHYS TRASH RAKE	\$ 140,000	\$ -	\$ -	\$ -		\$ 140,000
S-66 / FRENCH GULCH WEIRS	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
ANGELS PENSTOCK REPLACEMENT				\$ 100,000	\$ 100,000	\$ 200,000
RESERVOIR SEDIMENT REMOVAL	\$ -	\$ -	\$ -	\$ -	\$ 125,000	\$ 125,000
GAGING STATIONS	\$ 10,000	-	-			\$ 10,000
AUTOMATED WASTEGATES AND CROSSGATES	\$ 50,000					\$ 50,000
SCOPING PROJECT						
WATER TOTAL:	\$ 200,000	\$ -	\$ -	\$ 100,000	\$ 250,000	\$ 550,000

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>Five Year Total</u>
GENERAL PROJECTS						
FEASIBILITY ASSESSMENTS & PLANNING	\$ 15,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 115,000
GENERAL FACILITIES	\$ 20,000	\$ 35,000	\$ 35,000	\$ 10,000	\$ 10,000	\$ 110,000
HUNTER RESERVOIR FUELS REDUCTION PROJECT	\$ 950,000					\$ 950,000
GENERAL TOTAL:	\$ 985,000	\$ 60,000	\$ 60,000	\$ 35,000	\$ 35,000	\$ 1,175,000

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>Five Year Total</u>
HYDROPOWER						
MPH Jet Controller Upgrade						
Murphys Powerhouse Relay Protection	\$ 50,000	\$ 150,000				\$ 200,000
APH DC/AC INVERTOR UPGRADE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APH DEFLECTOR CONTROL REPLACEMENT	\$ -		\$ 15,000			\$ 15,000
MURPHYS GOVERNOR RETROFIT	\$ 20,000			\$ -	\$ -	\$ 20,000
MPH 17 KV GENERATOR RECLOSURE BREAKER	\$ -			\$ -	\$ -	\$ -
MPH 17 KV LINE BREAKER	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MPH BACKUP TRANSFORMER		\$ 150,000	\$ 150,000	\$ -	\$ -	\$ 300,000
MPH STATIC EXCITER	\$ 90,000	\$ -	\$ -	\$ -	\$ -	\$ 90,000
MPH COOLING WATER LINES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HYDROPOWER TOTAL:	\$ 160,000	\$ 300,000	\$ 165,000	\$ -	\$ -	\$ 625,000

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>Five Year Total</u>
FUTURE PROJECTS:						
MPH GENERATOR REWIND	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APH GENERATOR REWIND	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
APH BACKUP TRANSFORMER						\$ -
FUTURE TOTAL:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>Five Year Total</u>
GRANT FUNDING						
HUNTER RESERVOIR FUELS REDUCTION PROJECT	\$ 950,000	\$ -	\$ -	\$ -	\$ -	\$ 950,000
TOTAL CIP GRANT FUNDING	\$ 950,000	\$ -	\$ -	\$ -	\$ -	\$ 950,000

	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>Five Year Total</u>
GENERAL FUND GRAND TOTAL	\$ 395,000	\$ 360,000	\$ 225,000	\$ 135,000	\$ 285,000	\$ 2,350,000

Potential CIP Projects: Years 6-10

- Rewinding Murphys Powerhouse
- Rewinding Angels Powerhouse
- Replacing Angels Penstock
- Angels Powerhouse Backup Transformer
- Murphys Powerhouse Cooling Water Line Replacements
- Reservoir Sediment Removal
- Hunter Dam Repairs & Spillway Enhancement