

Fiscal Year 2021 Semi-Annual Budget Performance

Finance/Administration Committee

February 23, 2021

Water and Wastewater Systems Overview



First Six-Months (July – December)

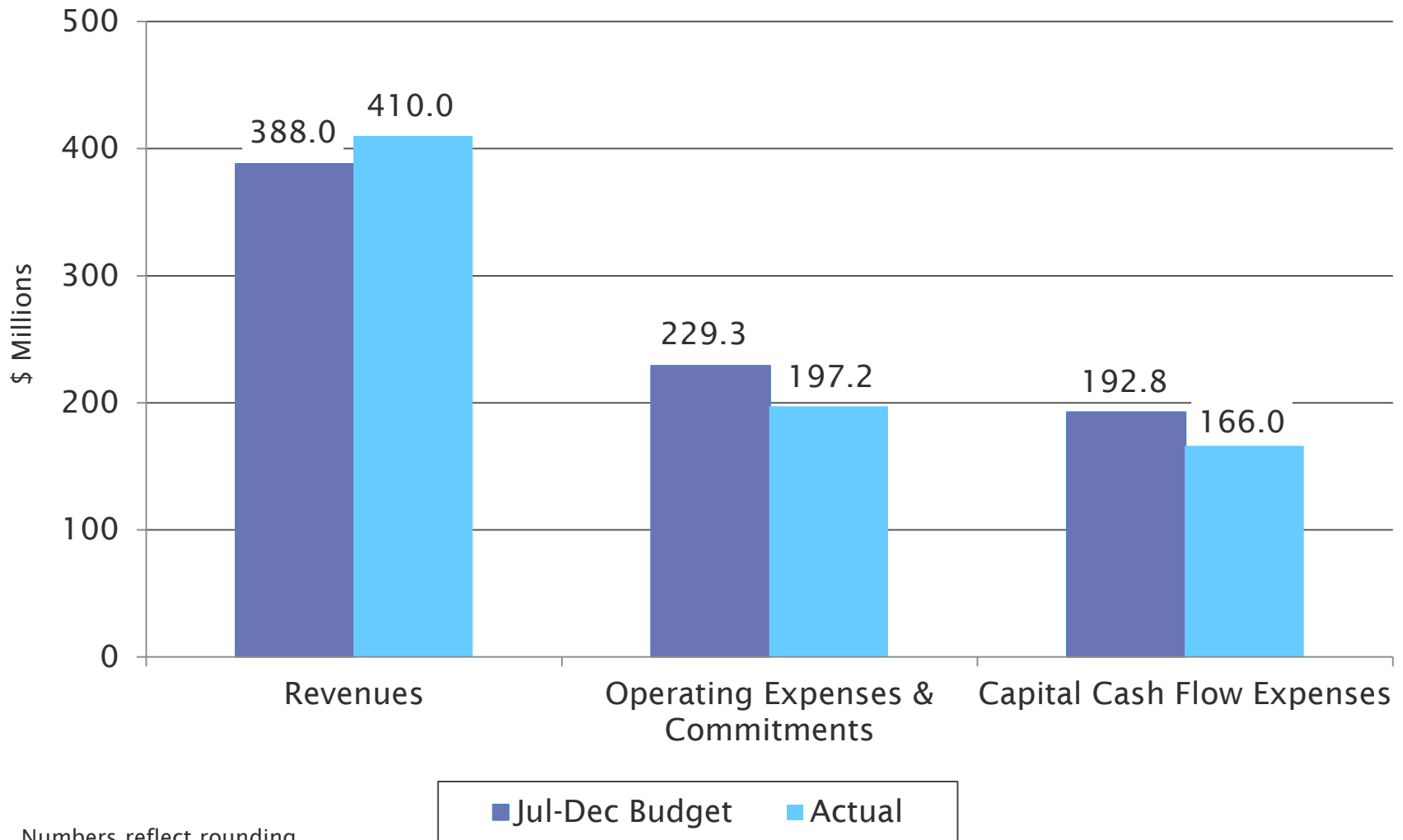
Revenues are higher than budget and expenditures are lower than planned for both enterprises.

Year-end Projection

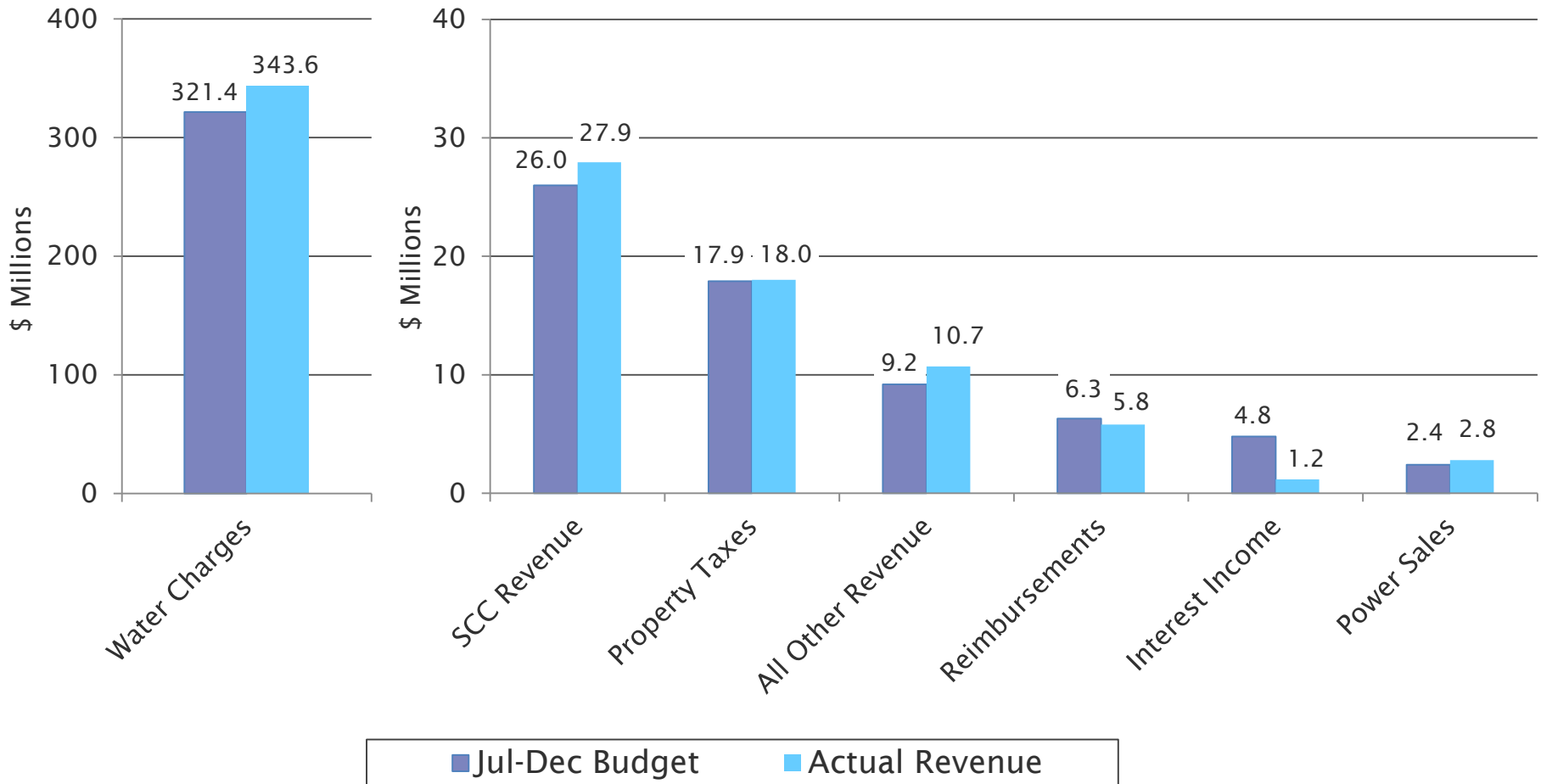
Projected positive net revenues: Water System capital cash-funding uses a combination of net revenues plus reserves and averts planned new debt issuance of \$160 million; Wastewater System capital also cash-funded.

Water System Revenue & Expenses

FY21 Through 12/31/2020

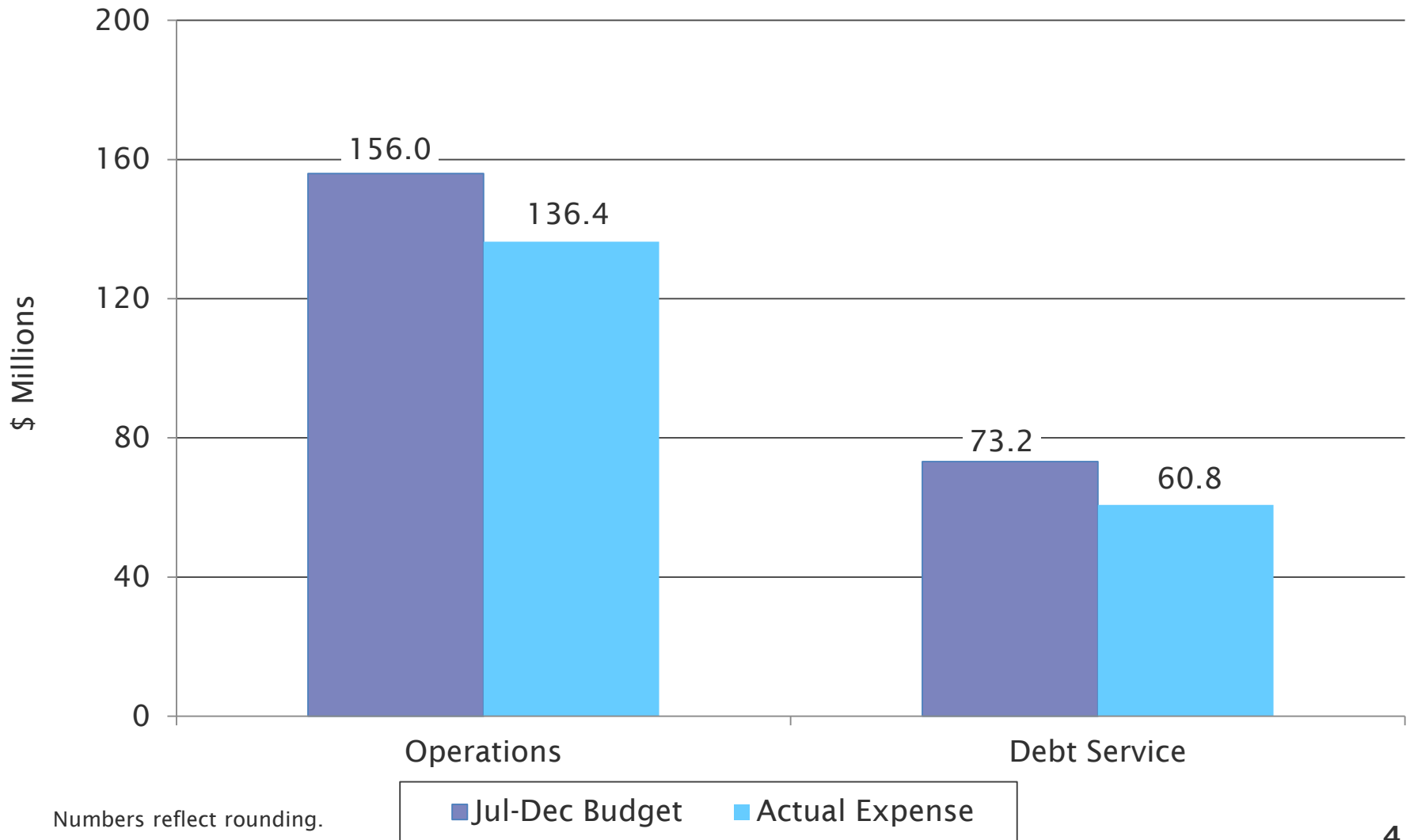


Water System Revenues FY21 Through 12/31/2020

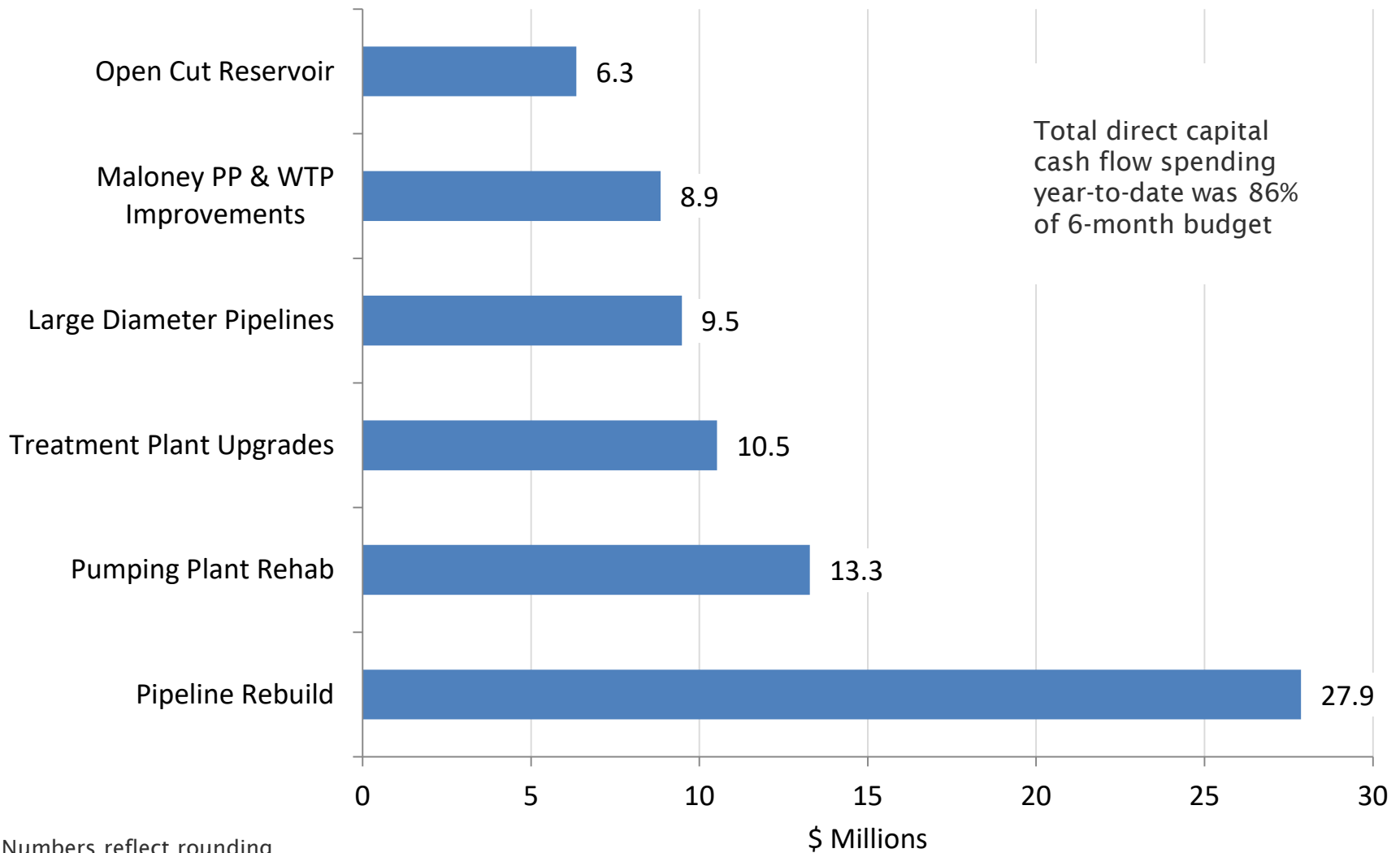


Numbers reflect rounding.

Water Operating Expenses & Commitments FY21 Through 12/31/2020

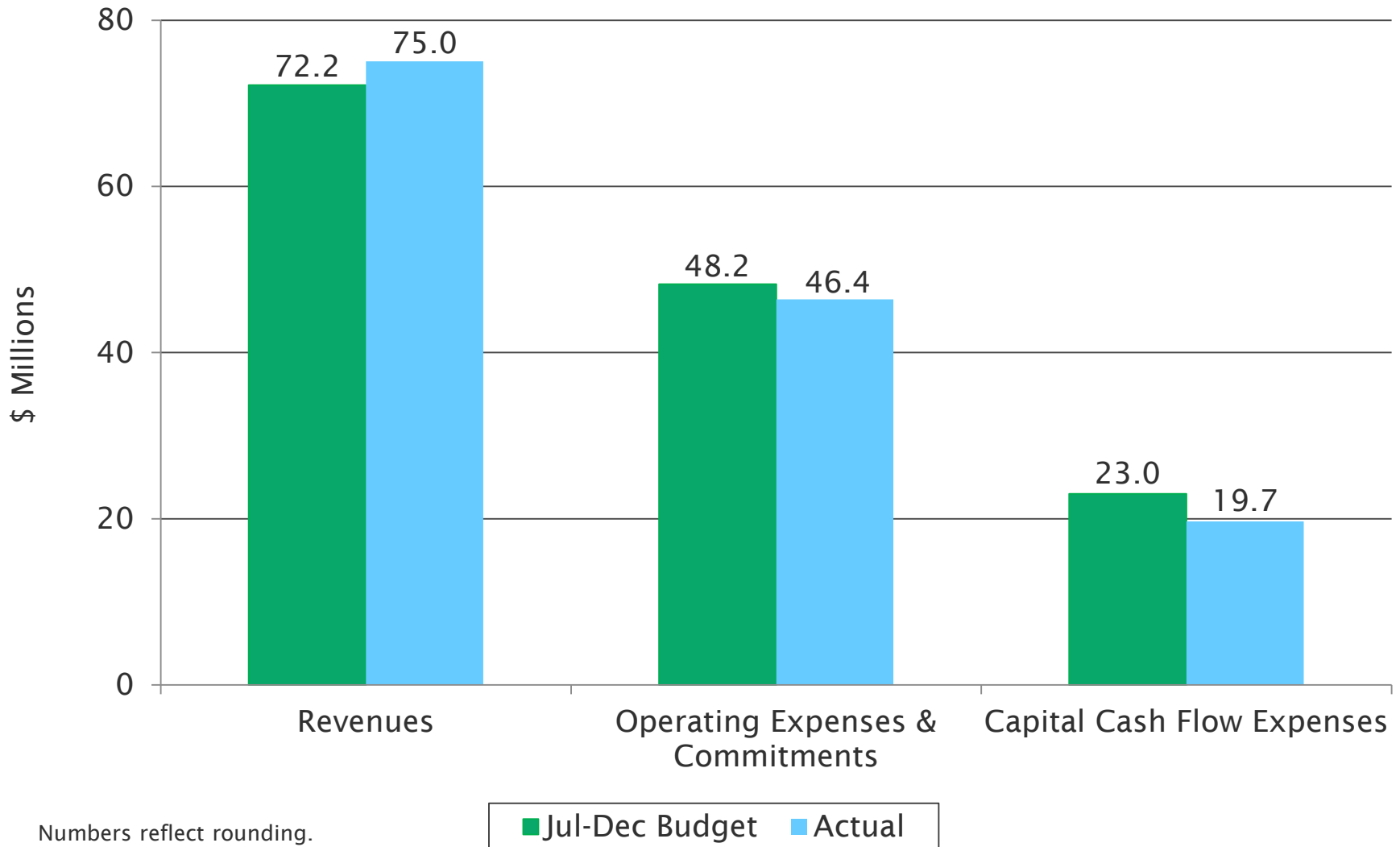


Water Major Capital Cash Flow Expenses FY21 Through 12/31/2020

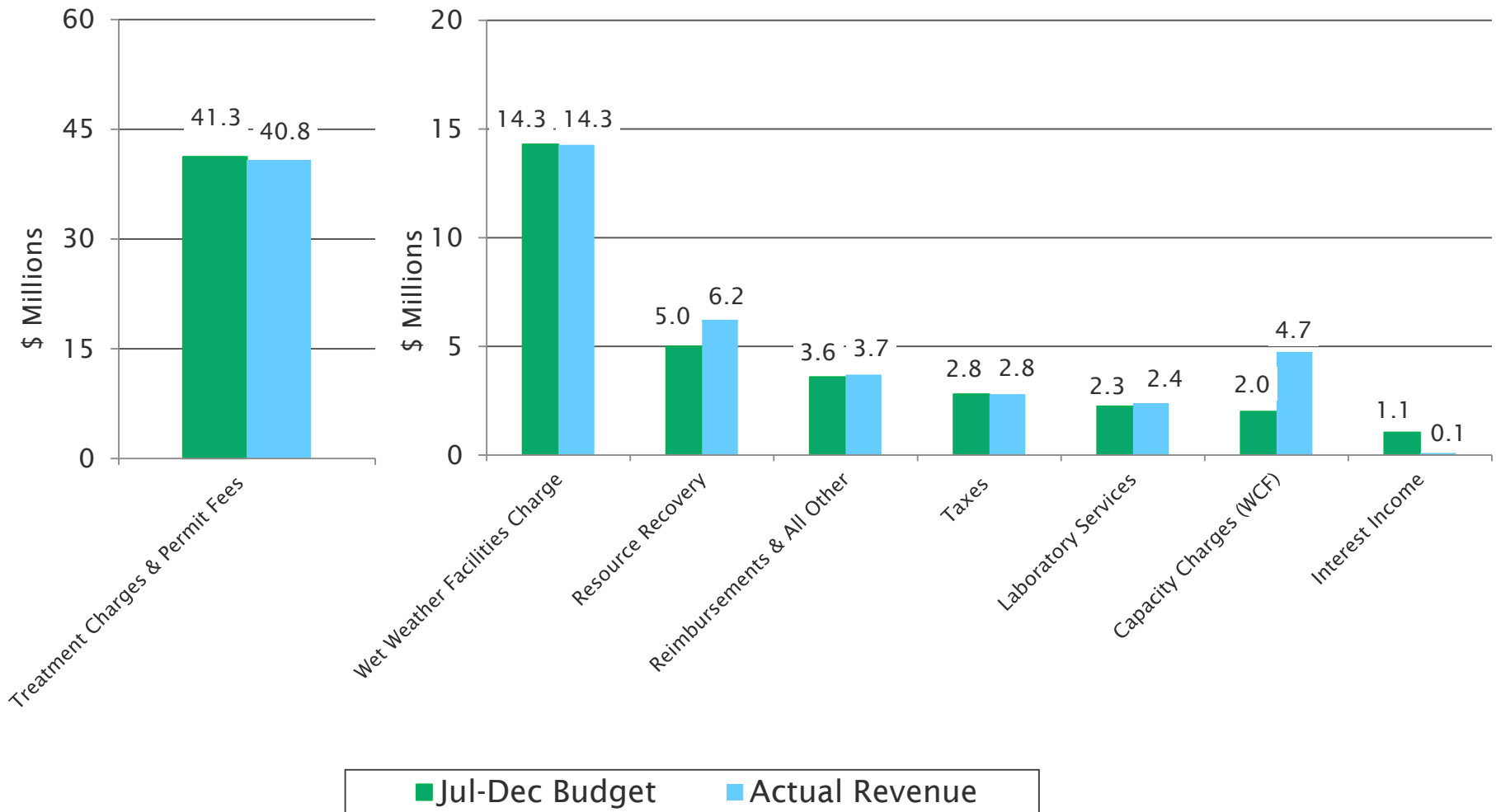


Wastewater System Revenue & Expenses

FY21 Through 12/31/2020

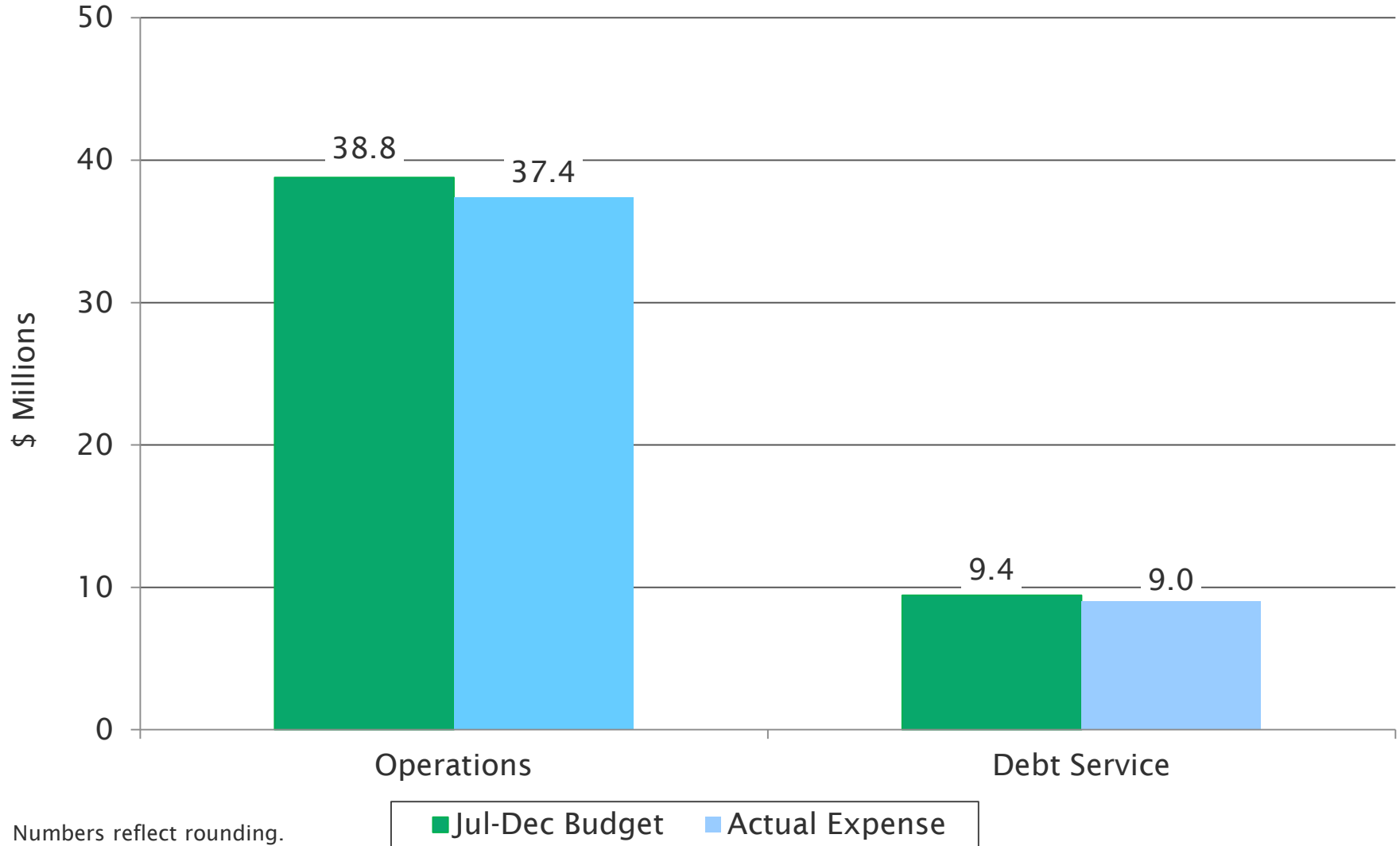


Wastewater System Revenues FY21 Through 12/31/2020

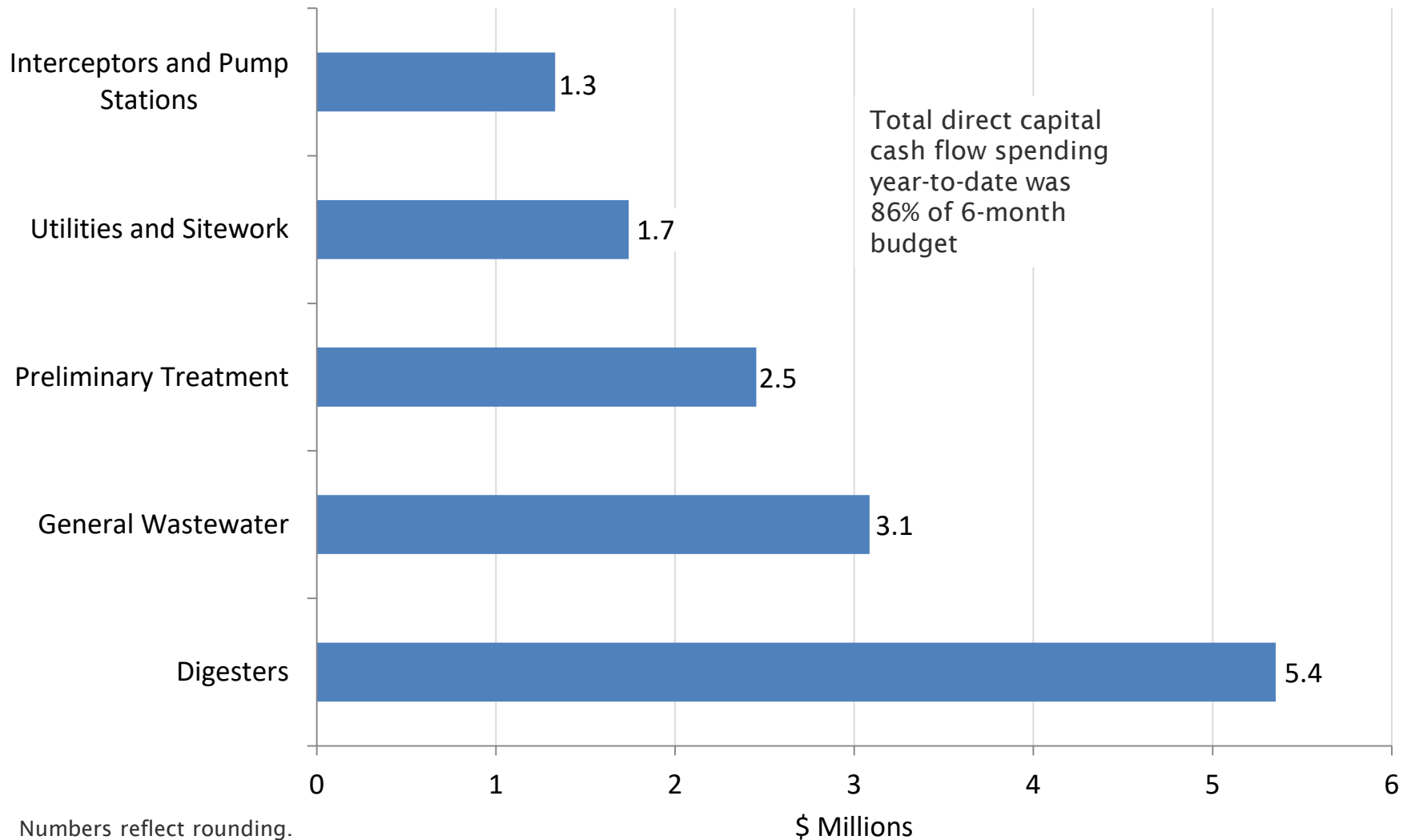


Numbers reflect rounding.

Wastewater Operating Exp. & Commitments FY21 Through 12/31/2020



Wastewater Major Capital Cash Flow Expenses FY21 Through 12/31/2020



FY21 Water System Year-end Projection



| (\$Millions) | Amended Budget | Year-End Projection | Over / (Under) Budget |
|---|----------------|---------------------|-----------------------|
| Operating Revenues: | | | |
| Water Charges | 582.4 | 612.4 | 30.0 |
| SCC Revenues | 40.0 | 41.1 | 1.1 |
| Other | 81.4 | 79.0 | (2.4) |
| Total revenues | 703.8 | 732.5 | 28.7 |
| Operating Expenses: | | | |
| Operations | 315.1 | 289.2 | (25.9) |
| Debt Service | 217.7 | 217.7 | 0.0 |
| Cash-Funded Capital | 197.0 | 303.3 | 106.3 |
| Total expenses include cash-funded capital | 729.8 | 810.2 | 80.4 |
| Net revenues include capital spending | (26.0) | (77.7) | (51.7)* |
| New debt issued for capital | 160.0 | 0.0 | (160.0) |

- Revenues projected to be 4% above budget:
 - Water Charges revenue is projected to be 5% above budget based on water sales trending at 150MGD, budget based on 143MGD.
 - SCC revenue is projected to meet budget
 - Other revenue sources when combined are higher but are offset by lower Interest Income.
- Total expenses including cash-funded capital projected to be above budget prior to the use of available cash reserves.

* Cash reserves will be drawn down of up to \$52M as part of cash-funding of capital.

Numbers reflect rounding.

FY21 Wastewater System Year-end Projection



| (\$Millions) | Amended Budget | Year-End Projection | Over / (Under) Budget |
|---|----------------|---------------------|-----------------------|
| Operating Revenues: | | | |
| Treatment Charges & Permits | 82.5 | 82.0 | (0.5) |
| Resources Recovery | 10.0 | 12.0 | 2.0 |
| Capacity Charges | 4.0 | 6.0 | 2.0 |
| Other | 47.9 | 46.3 | (1.6) |
| Total revenues | 144.4 | 146.3 | 1.9 |
| Operating Expenses: | | | |
| Operations | 78.6 | 77.7 | (0.9) |
| Debt Service | 29.8 | 29.8 | 0.0 |
| Cash-Funded Capital | 46.0 | 40.0 | (6.0) |
| Total expenses include cash-funded capital | 154.4 | 147.5 | (6.9) |
| Net revenues include capital spending | (10.0) | (1.2) | 8.8 |

- Revenues projected to be 1% above budget:
 - Treatment Charges & Permits revenue is projected to be 1% below budget.
 - Resource Recovery revenue is projected to be 20% above budget.
 - Capacity Charges revenue is projected to be 50% above budget.
- Total expenses including cash-funded capital projected to be less than budget.

Questions



Invitation to Apply for a Water Infrastructure Finance and Innovation Act (WIFIA) Loan

Finance/Administration Committee

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WIFIA Overview



- WIFIA is a federal loan program at the U.S. Environmental Protection Agency (EPA)
- Provides long-term low interest loans for water and wastewater projects
- Rates for WIFIA loans are currently around 1-2% lower than District revenue bonds
 - Interest rate is based on U.S. Treasury rates and is locked-in at loan closing
- WIFIA loan would offset planned bonds

Update on Letter of Interest (LOI)



- District submitted LOI to EPA in October 2020
- LOI proposed financing a collection of water treatment plant improvements
- The LOI is a competitive step in the WIFIA process
- In January, the District was invited to apply for a \$209 million WIFIA loan based on review of the LOI

WIFIA Loan Process



Submit Letter of Interest (LOI)

- District submitted an LOI in Oct. 2020
- Requested \$445M over 10 years
- Included a range of existing, planned capital projects for funding

Completed Oct. 2020

EPA evaluates LOIs

- Criteria include project eligibility, creditworthiness, engineering feasibility and alignment with EPA's policy priorities
- This is the most competitive step for borrowers

Oct-Dec 2020

EPA selects projects and invites borrowers to apply

- EPA invited District to apply for up to \$209 million over 5 years

Invited to apply Jan. 2021

District evaluates and submits application and negotiates terms with EPA

- Process from here to closing may take up to 12 months

Current step

Next Steps



- Evaluate benefits and the EPA's process and terms
- Finalize application submission later this spring
- Update the Board as the WIFIA application proceeds