

# Public Hearing

Groundwater Production & Other Water Charges

April 25, 2017



# Follow up From 4/11/17 Public Hearing

Board comment: Consider adding to the drought reserve in FY 18

Background: Current drought reserve amount: \$3M

## Option 1:

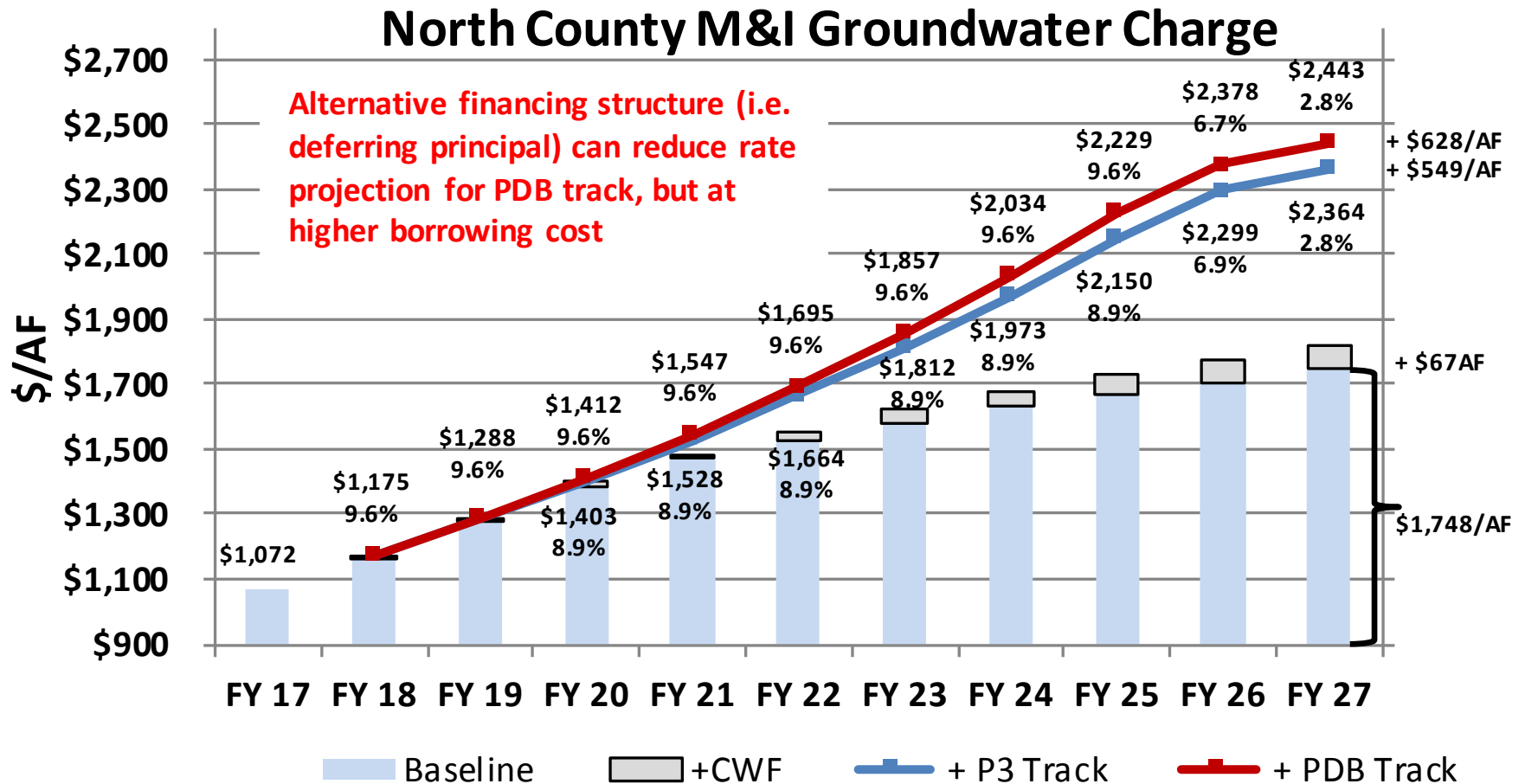
- Add \$2M and maintain staff recommendation (9.6% increase to North County M&I GW charge & 6.4% for South County)
  - Assuming no material changes to proposed Water Utility FY 18 budget

## Option 2:

- Add \$2.5M by increasing North County M&I GW charge to Proposed Maximum (9.9%, which generates \$500K additional revenue)
  - Assuming no material changes to proposed Water Utility FY 18 budget

# Follow-up from 4/11/17 Public Hearing

Board comment: Show impact of P3 versus PDB Expedited Purified Water Program on GW charge projection



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## Financial Modeling Assumptions

	PDB	P3	Comments
Design & Construction Budget	\$986M	\$986M	Assume 30% funded by pay-go and 70% by debt issuance for both PDB & P3
Operating & Maintenance Budget	\$11.8M*	\$11.8M*	Annual esc. 3%, 30 years O&M period; assumes 100% plant capacity utilization
Debt Rate	5.50%	6.60%	P3 % higher due to credit spread (0.80%) and AMT penalty (0.30%) vs. District tax-exempt rate
Equity Rate	--	10%	Based on SDCWA negotiated rate ~9.6%
Weighted Average Cost of Capital	5.5%	6.94%	
Commercial Operations Date	2024	2024	
Revenue Coverage	2 x	1 x	P3 pmt is an operating/maint. expense which requires 1 x revenue coverage
Credit Rating	AA+	BBB	Reflects difference between District's credit rating and the assumed credit rating of Special Purpose Entity delivering the program

\* Costs stated in 2016 dollars