FY 2016/17 Budget Amendments

June 2016
Board Meeting
Proposed Amendments to FY 2016/17 Budget

- $28.9M reduction in total revenues and other funding sources
- $6.3M increase in total expenses and other uses of funds

[Graphs showing changes in revenue and expenses]
Total Fund Balance - Amended (All Funds)

- $2.5 million decrease in FY 2016/17 to $155 million
- 2008A Bonds callable in November 2017

Future reductions due to early repayment of 2008A Bonds

Legend:
- Admin Services (GG)
- Regional Wastewater Operations (RO)
- Water Resources (WW)
- Non-Reclaimable Wastewater (NC)
- Recharge Water (RW)
- Regional Wastewater Capital (RC)
- Recycled Water (WC)
Non-Reclaimable Wastewater (NC) Fund Proposed “Pass-Through” Rates

<table>
<thead>
<tr>
<th>North System¹</th>
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<tbody>
<tr>
<td></td>
<td>FY 2015/16 Adopted</td>
<td>FY 2016/17 Proposed</td>
</tr>
<tr>
<td>Flow/mg</td>
<td>$948.00</td>
<td>$915.00</td>
</tr>
<tr>
<td>COD/k lb</td>
<td>$210.00</td>
<td>$180.00</td>
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<tr>
<td>TSS/k lb</td>
<td>$433.00</td>
<td>$436.00</td>
</tr>
<tr>
<td>Peak/mg</td>
<td>$360.00</td>
<td>$348.00</td>
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<tr>
<td>CU Purchase</td>
<td>$5,150</td>
<td>$4,172</td>
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<tr>
<td>CU Lease</td>
<td>$257.50</td>
<td>$208.60</td>
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<tr>
<th>South System²</th>
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<tr>
<td></td>
<td>FY 2015/16 Adopted</td>
<td>FY 2016/17 Proposed</td>
<td>% Change</td>
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<tr>
<td>Capacity/cu</td>
<td>$351.17</td>
<td>$368.76</td>
<td>5%</td>
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<tr>
<td>Flow/mg</td>
<td>$817.00</td>
<td>$858.00</td>
<td>5%</td>
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<td>BOD/k lb</td>
<td>$301.00</td>
<td>$307.00</td>
<td>2%</td>
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<tr>
<td>TSS/k lb</td>
<td>$420.00</td>
<td>$429.00</td>
<td>3%</td>
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Notes 1: Cost recovery through capacity charges, $26.54 per capacity units for FY 2016/17
2: Cost recovery through a 50% surcharge on volumetric/capacity/strength charges for non-recycled water users
NC Fund Sources & Uses of Funds and Fund Balance

- Deferral of inter-fund loan repayment from Recycled Water fund from 2016/17 to 2019/20

[Bar chart showing the breakdown of fund sources and uses for different years with legends for Capital / Operation Contingencies, Capital Construction, CSDLAC Prepayment, Debt Service & Redemption]
Water Resources (WW) Fund
Proposed Water Rates

- Use property taxes to support RTS fees shortfall during the 7 year implementation, and regional water resources initiatives not supported with proposed water rates.
- Forgive the $4.3M loan due to GG fund
- Effective date of October 1, 2016 to accommodate water agencies Proposition 218

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<tbody>
<tr>
<td>AF Surcharge</td>
<td>$15.0</td>
<td>*$15.00</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td>RTS Ten Year Rolling Average</td>
<td>n/a</td>
<td>15%</td>
<td>30%</td>
<td>45%</td>
<td>60%</td>
<td>75%</td>
<td>90%</td>
<td>100%</td>
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<tr>
<td></td>
<td>~$7.82</td>
<td>~$16.02</td>
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<tr>
<td>Water Meter Rate/Account</td>
<td>$2.105</td>
<td>*$2.105</td>
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<td>n/a</td>
<td>n/a</td>
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<tr>
<td>MEU</td>
<td>n/a</td>
<td>$0.90</td>
<td>$0.95</td>
<td>$0.99</td>
<td>$1.04</td>
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*Only effective through September 30, 2016.
Reduced Revenues & Fund Balance (WW Fund) from Proposed Water Rates

- Total revenue cut by $2 million over the next fiscal years

**Current Water Rate Revenue**

**Proposed Water Rate Revenue**

**WW Ending Fund Balance**

- Project expenditures, such as the SARCCUP and other regional water resources initiatives begin in FY 2017/18.
Continue Investment of Property Taxes

- No change in the 65% allocated to the RC fund.
- Future growth for the 35% will be assigned to the WW:
  - Support regional projects not supported by the proposed rates.

FY 2016/17 Property Tax Allocation
$44.7 Million

FY 2022/23 Property Tax Allocation
$51.4 Million

Future growth to be allocated to the WW Fund
Recommendations

- Approve the amendments to the FY 2016/17 adopted budget for all Agency’s funds;
- Approve the NC fund Rate Resolution Nos. 2016-6-1 to 2016-6-3;
- Approve the RO fund Rate Resolution No. 2016-6-4
- Approve the WW fund Rate Resolution Nos. 2016-6-7 and 2016-6-15;
- Approve Rate Resolution No. 2016-6-5 for Laboratory Fees, 2016-6-6 for Equipment Rental, and 2016-6-9 for the Fontana Extra-Territorial Charge;
- Approve an inter-fund loan from the RO fund to the WW fund for a not-to-exceed amount of $3.2 million in FY 2016/17 to support purchase of supplemental water supplies;
- Approve the forgiveness of the inter-fund loan from the GG fund to the WW fund in the amount of $4.3 million in FY 2015/16; and
- Approve the allocation of property tax receipts in excess of $13.7 million from the Regional RO, WC, and GG funds to the WW fund beginning in FY 2016/17, and maintain allocation of 65% of property tax receipts to the RC fund.