



Board of Directors Special Meeting
Tuesday, January 19, 2021 at 1:00 PM
Valley Sanitary District
45-500 Van Buren Street, Indio, CA 92201

*******SPECIAL NOTICE – VIA VIDEOCONFERENCE*******

Pursuant to the Governor's Executive Order N-25-20 issued on March 4, 2020 and N-29-20 issued on March 18, 2020 the Board of Directors special meeting will be conducted remotely through Zoom.

Members of the public wanting to participate in the open session of the meeting may do so via the following Zoom registration link

<https://zoom.us/j/97339144841?pwd=UkVxeTRHVStDZHB1VnNnQjJZQkY2dz09> Meeting ID 973 3914 4841.

To access the meeting by telephone please call 669-900-9128. Members of the public wanting to address the Board, either during public comment or for a specific agenda item, or both, are requested to send an email notification no later than 12:30 p.m. on the day of the meeting to the Valley Sanitary District's Clerk of the Board at hgould@valley-sanitary.org.

Page

1. CALL TO ORDER

1.1. Roll Call

1.2. Pledge of Allegiance

2. PUBLIC COMMENT

This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.

3. CONSENT CALENDAR

Consent calendar items are expected to be routine and noncontroversial, to be acted upon by the Board of Directors at one time, without discussion. If any Board member requests that an item be removed from the consent calendar, it will be removed so that it may be acted upon separately.

4. NON-HEARING ITEMS

- 4.1. Discuss the VSD 20-Year Financial Plan Presented by NBS, Review the Finance and Sewer Service Charge Alternatives, and Provide Direction to Staff

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[4.1 Discuss the VSD 20-year Financial Plan.pdf](#) 

[4.1 Attachment A NBS Presentation.pdf](#) 

5. GENERAL MANAGER'S ITEMS

General Manager's items not listed are for discussion only; no action will be taken without an urgency vote pursuant to State law.

6. COMMITTEE REPORTS

7. DIRECTOR'S ITEMS

Director's items not listed are for discussion only; no action will be taken without an urgency vote pursuant to State law.

8. INFORMATIONAL ITEMS

9. ADJOURNMENT

Pursuant to the Brown Act, items may not be added to this agenda unless the Secretary to the Board has at least 72 hours advance notice prior to the time and date posted on this notice.



**Valley Sanitary District
Board of Directors Meeting
January 19, 2021**

TO: Board of Directors

Through: Beverli A. Marshall, General Manager

FROM: Kim Boehler, Director NBS

SUBJECT: Discuss the VSD 20-Year Financial Plan Presented by NBS

<input type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input checked="" type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is to provide information to the Board of Directors regarding the financial plan developed by NBS.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 5.3: Update rate structure to ensure it is up-to-date and fair to all classes of customers.

Fiscal Impact

There is no fiscal impact from this report.

Background

At the August 25, 2020 Board Meeting, the Board authorized the General Manager to execute a contract with NBS to perform a Comprehensive Wastewater Rate Study. As part of the study NBS was tasked to create a financial plan that includes all revenue sources, expenditures, reserves, capital improvement costs, repair and replacement costs, and net revenue requirements.

NBS has prepared a financial plan presentation, attached to this board report, that addresses three (3) key issues.

- The development of net revenue requirements from FY2021/22 to FY2040/41
- The establishment and maintenance of reserve funds and targets
- The funding of the Districts' Capital Improvement Program

To meet all three (3) targets NBS developed three (3) Financial Plan Alternatives for District staff and the Board of Director to consider.

- Alternative 1 Full funding of CIP, no debt
- Alternative 2 Full funding of CIP with \$150 million debt issue

- Alternative 3 Full funding of CIP with \$185 million debt issue

The Financial Plan Presentation examines the Districts targets and establishes a baseline for each of the financial plan alternatives.

Recommendation

Recommend that the Board of Directors receive this report for information.

Attachments

Attachment A NBS Financial Plan Presentation

***Valley Sanitary District
Financial Plan
Special Board Meeting
January 19, 2021***

Review Valley Sanitary District's Financial Plan

1. Funding Priorities
2. Operations and Maintenance
3. Capital Improvement Program
4. Financial Plan Alternatives:

20-Year Debt Issue:

- Alternative 1 – Full CIP with No Debt Financing
- Alternative 2 – Full CIP with a \$150 Million Debt Issue
- Alternative 3 – Full CIP with a \$185 Million in Debt Issue

30-Year Debt Issue:

- Alternative 1 – Full CIP with No Debt Financing
- Alternative 2 – Full CIP with a \$150 Million Debt Issue
- Alternative 3 – Full CIP with a \$185 Million in Debt Issue

5. Next Steps
6. Discussion and Q&A

Financial Plan Funding Priorities

O&M

Debt

Capital
Projects

Reserve
Funds

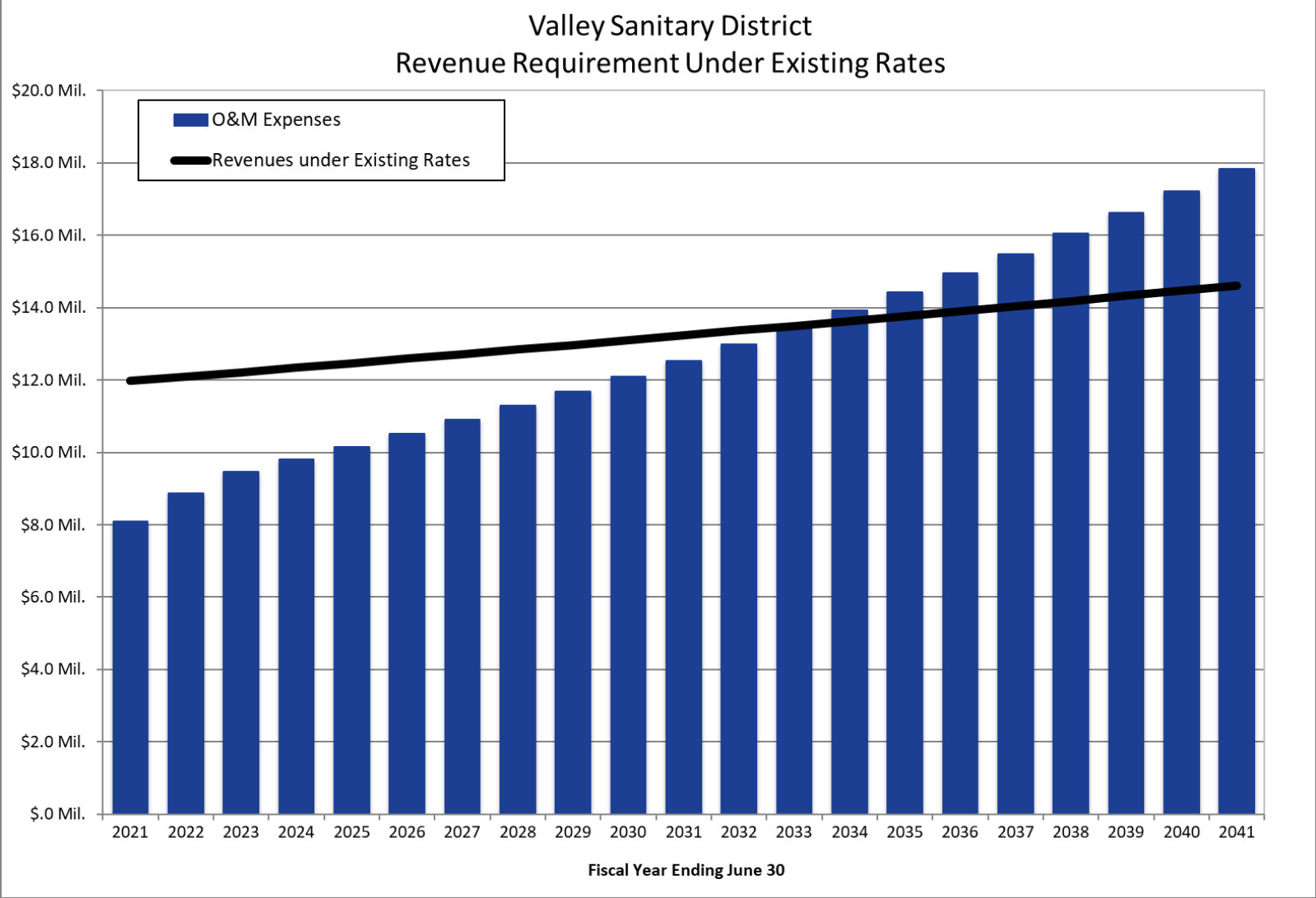


Funding Priorities, cont.

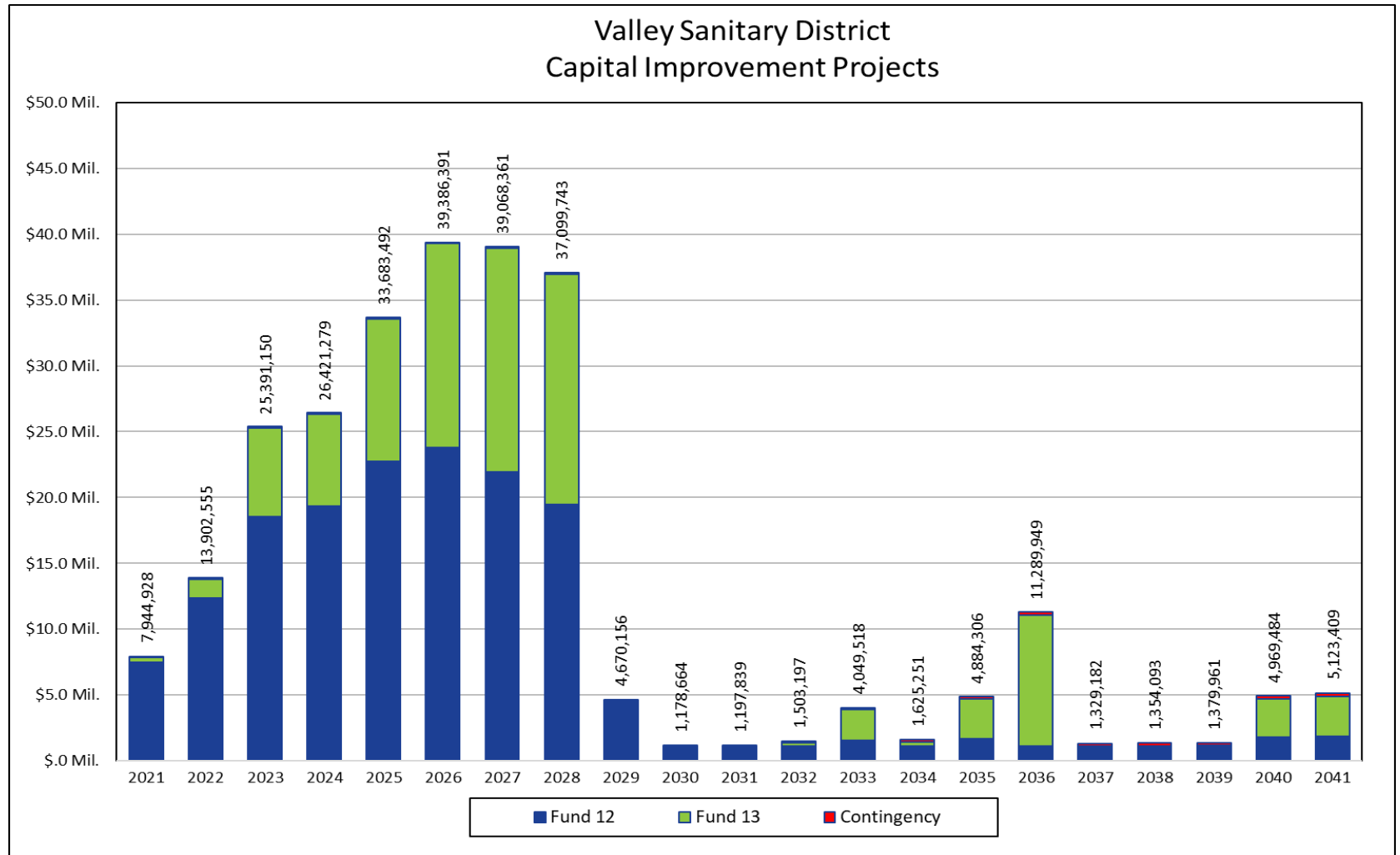
Main Cost Drivers in District's Financial Plan:

1. **Capital Improvement Program = \$267 mil total**
 - First 5 years of plan = \$107 mil
 - Second 5 years of plan = \$121 mil
 - Last 10 years of plan = \$39 mil
2. **Operating and Maintenance Costs**
 - FY 2020/21 = \$8.1 million
 - Increasing by 4% on average annually over 20 years
3. **Debt Service Requirements**
 - Annual debt service currently \$1.4 mil
 - Future debt service estimated to be \$7 mil to \$12 mil
 - Debt service coverage requirement of 1.25 x annual debt service payment

Operations & Maintenance

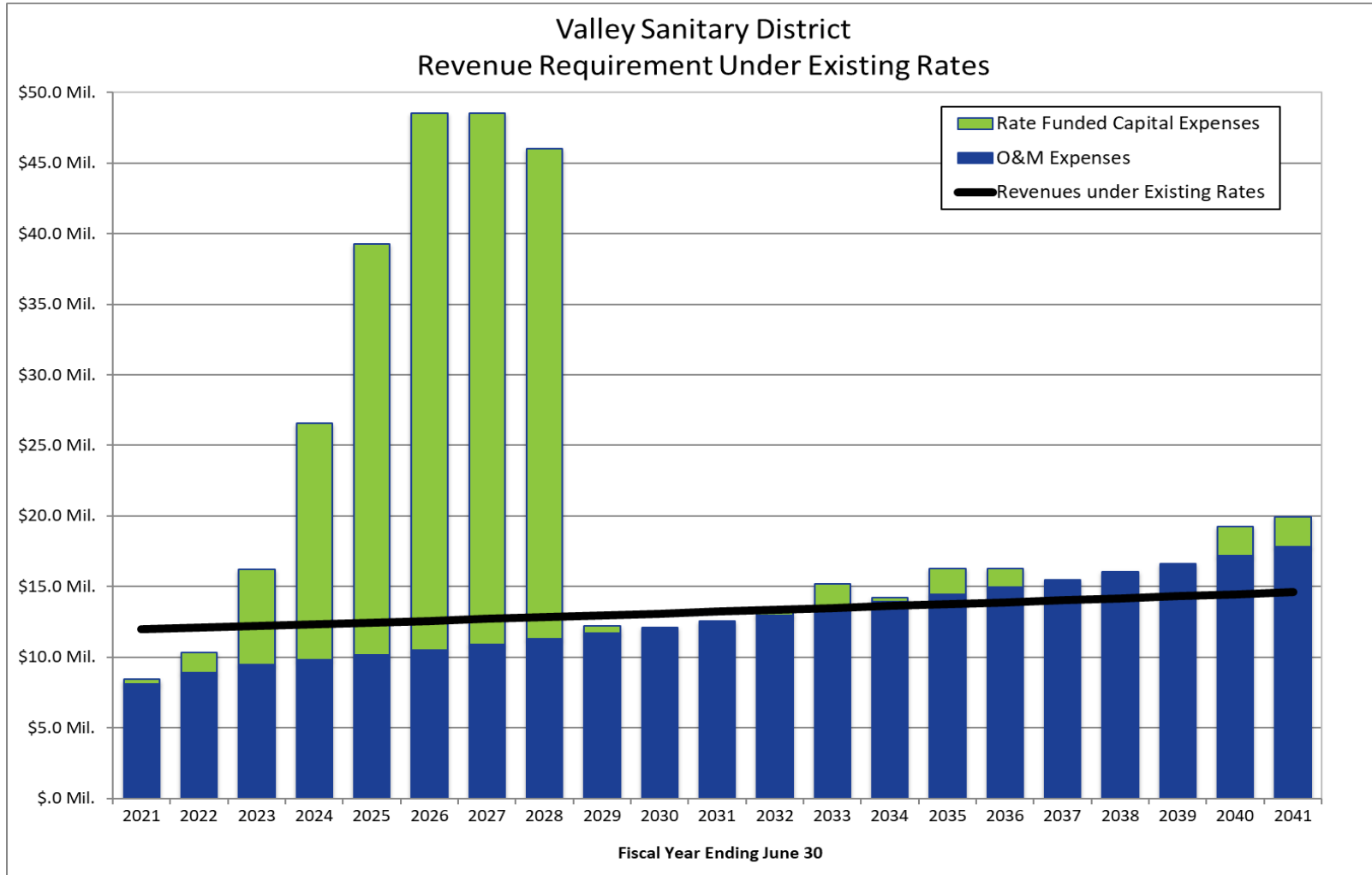


Capital Improvement Program



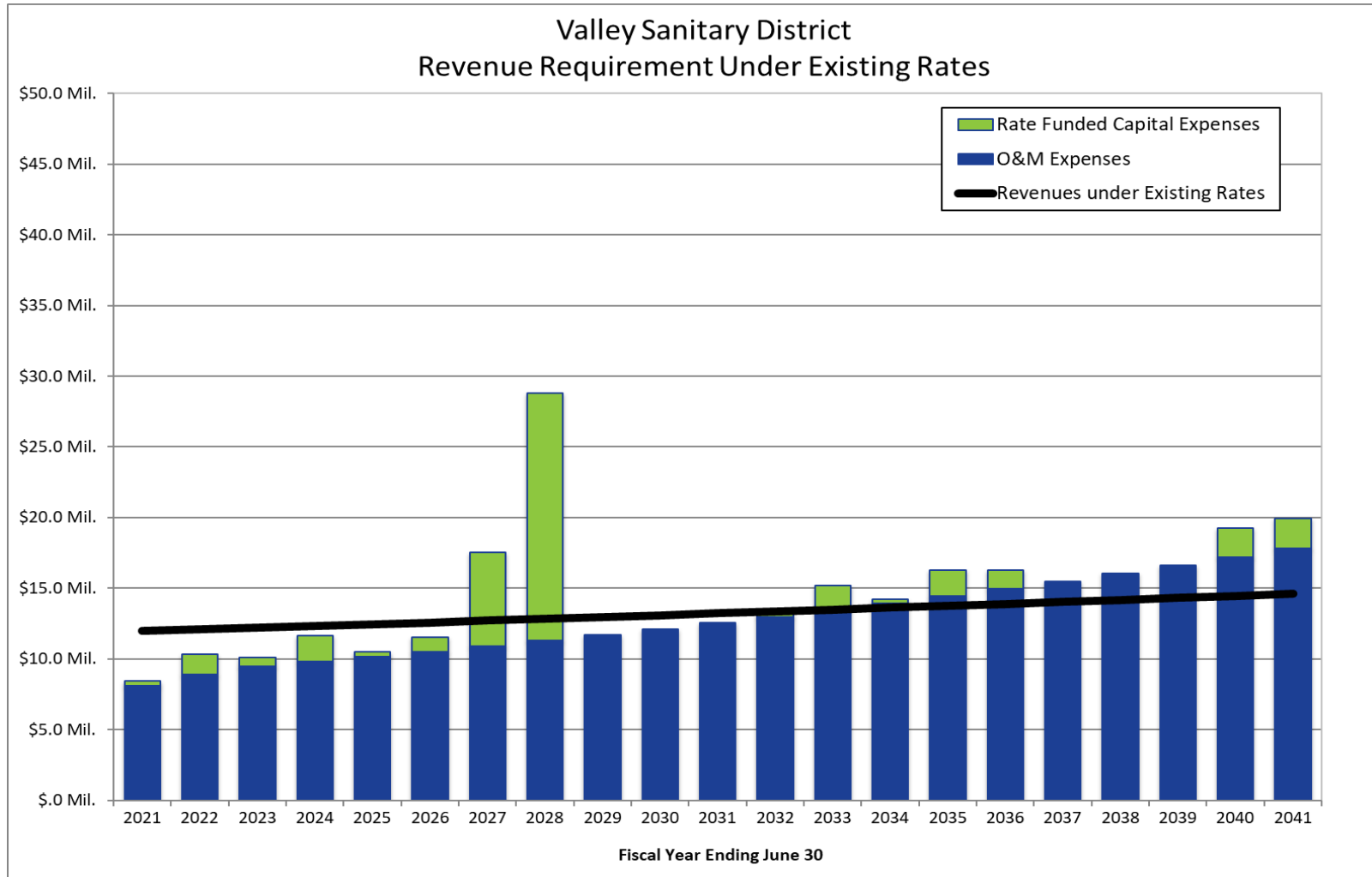
Operations, Maintenance, and Capital Projects

Revenue Requirements: Alternative 1 – Full CIP with no Debt Issue



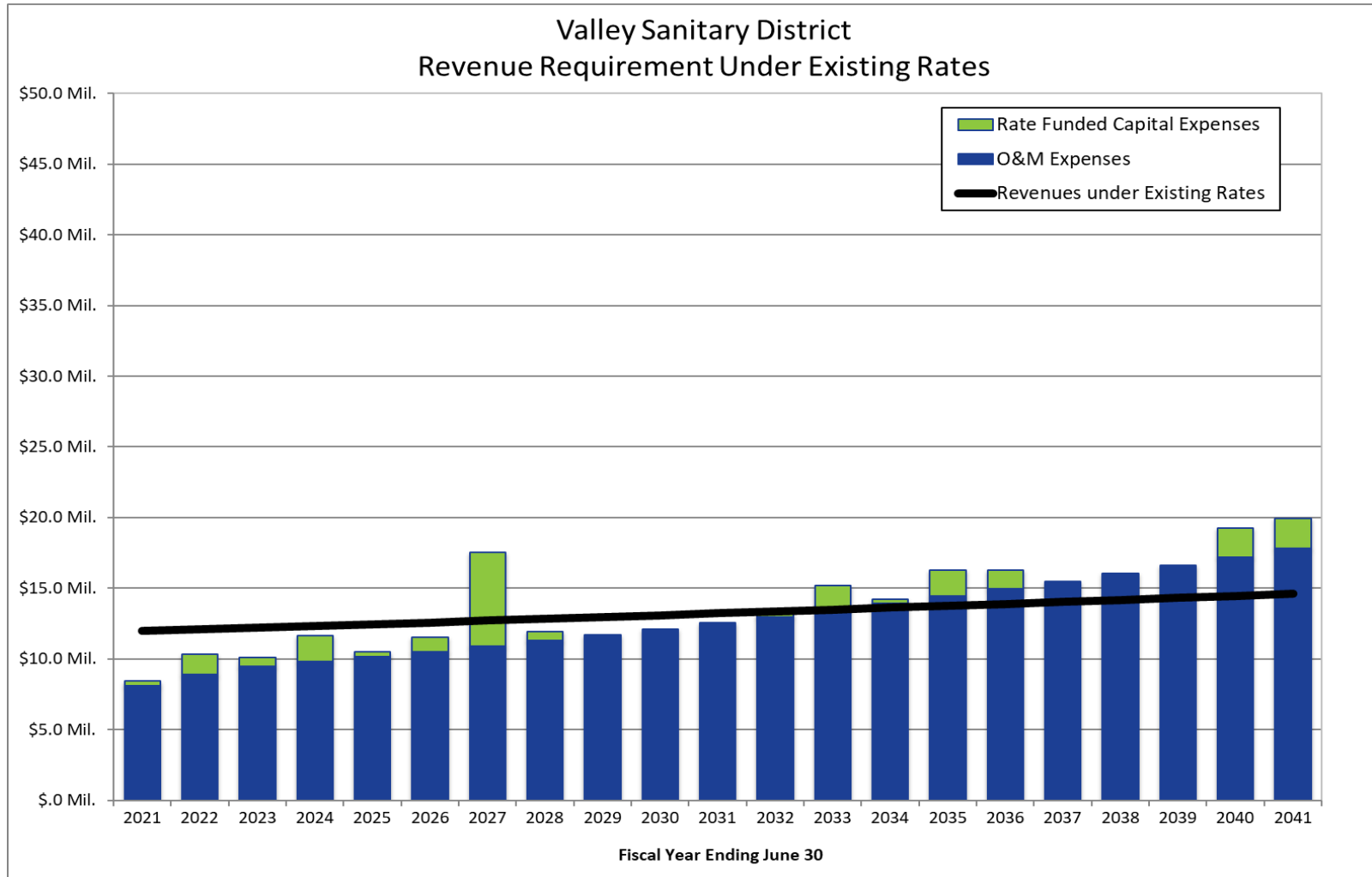
Operations, Maintenance, and Capital Projects

Revenue Requirements: Alternative 2 – Full CIP with a \$150 Million Debt Issue



Operations, Maintenance, and Capital Projects

Revenue Requirements: Alternative 3 – Full CIP with a \$185 Million Debt Issue



Capital Improvement Program Funding

Capital Project Costs 2021-2041 ¹	Total
Fund 12 - Capital Replacement Projects	\$ 165,919,287
Fund 13 - Capital Improvement Projects	98,211,230
Contingency	3,322,393
Total Costs	\$ 267,452,910
<i>Average Annual Expenditure</i>	<i>\$ 13,372,645</i>

1. Capital project costs include estimated cost inflation.



Capital Improvement Program Funding, cont.

20-Year Debt Issue:

Alternative 2 - Estimated Debt Financing	SRF Loan Issue	Annual Debt Service Payment ¹
Issue #1, FY 2021/22	\$ 50,000,000	\$ 3,327,919
Issue #2, FY 2024/25	100,000,000	6,655,838
Total Debt Service in FY 2024/25 and Beyond	--	\$ 9,983,757

1. Assumes 30-year repayment for each issue and 2% interest rate.

Alternative 3 - Estimated Debt Financing	SRF Loan Issue	Annual Debt Service Payment ¹
Issue #1, FY 2021/22	\$ 50,000,000	\$ 3,327,919
Issue #2, FY 2024/25	100,000,000	6,655,838
Issue #3, FY 2027/28	35,000,000	2,329,543
Total Debt Service in FY 2027/28 and Beyond	--	\$ 12,313,300

1. Assumes 30-year repayment for each issue and 2% interest rate.

30-Year Debt Issue:

Alternative 2 - Estimated Debt Financing	SRF Loan Issue	Annual Debt Service Payment ¹
Issue #1, FY 2021/22	\$ 50,000,000	\$ 2,336,836
Issue #2, FY 2024/25	100,000,000	4,673,671
Total Debt Service in FY 2024/25 and Beyond	--	\$ 7,010,507

1. Assumes 30-year repayment for each issue and 2% interest rate.

Alternative 3 - Estimated Debt Financing	SRF Loan Issue	Annual Debt Service Payment ¹
Issue #1, FY 2021/22	\$ 50,000,000	\$ 2,336,836
Issue #2, FY 2024/25	100,000,000	4,673,671
Issue #3, FY 2027/28	35,000,000	1,635,785
Total Debt Service in FY 2027/28 and Beyond	--	\$ 8,646,292

1. Assumes 30-year repayment for each issue and 2% interest rate.



Financial Plan Alternatives

20-Year Debt Issue:

Financial Plan Alternatives
Alternative 1 - Full CIP with no Debt Issue
Alternative 2 - Full CIP with a \$150 million Debt Issue
Alternative 3 - Full CIP with a \$185 million Debt Issue

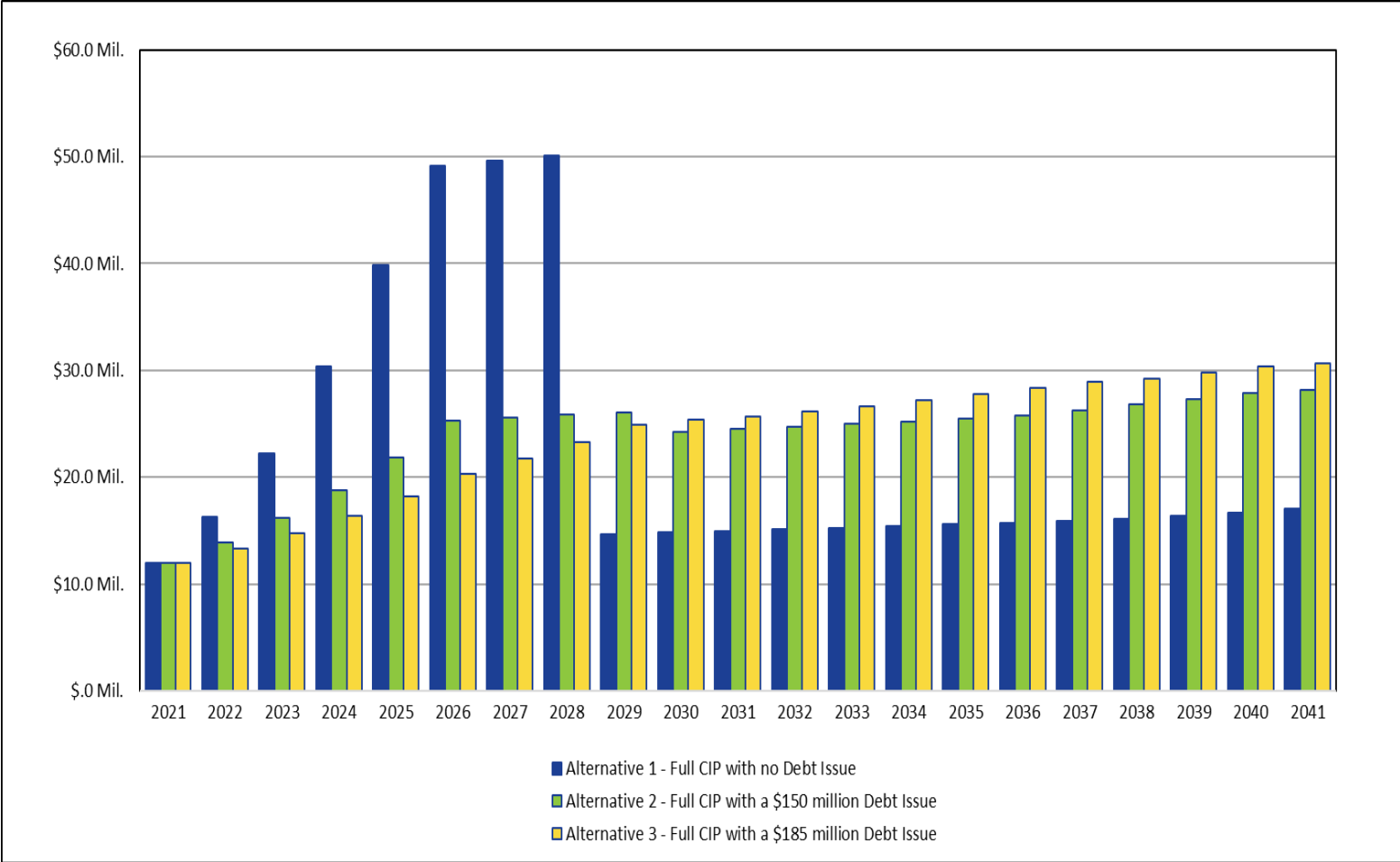
30-Year Debt Issue:

Financial Plan Alternatives
Alternative 1 - Full CIP with no Debt Issue
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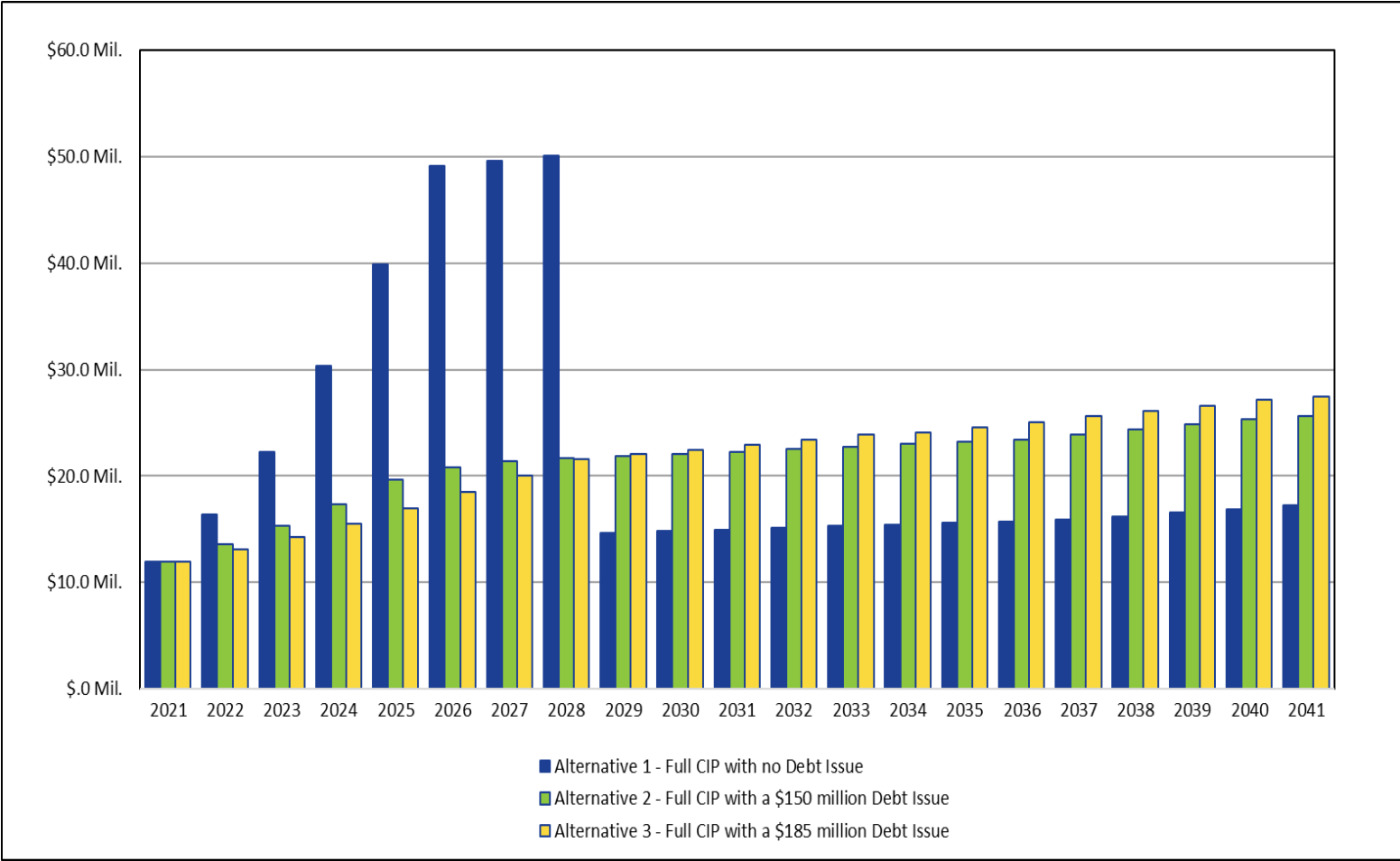
Financial Plan Alternatives, cont.

Target Revenue to be Collected with Rate Increases: 20-Year Debt Issue



Financial Plan Alternatives, cont.

Target Revenue to be Collected with Rate Increases: 30-Year Debt Issue



Financial Plan Alternatives, cont.

Reserve Targets Included in Financial Plan:

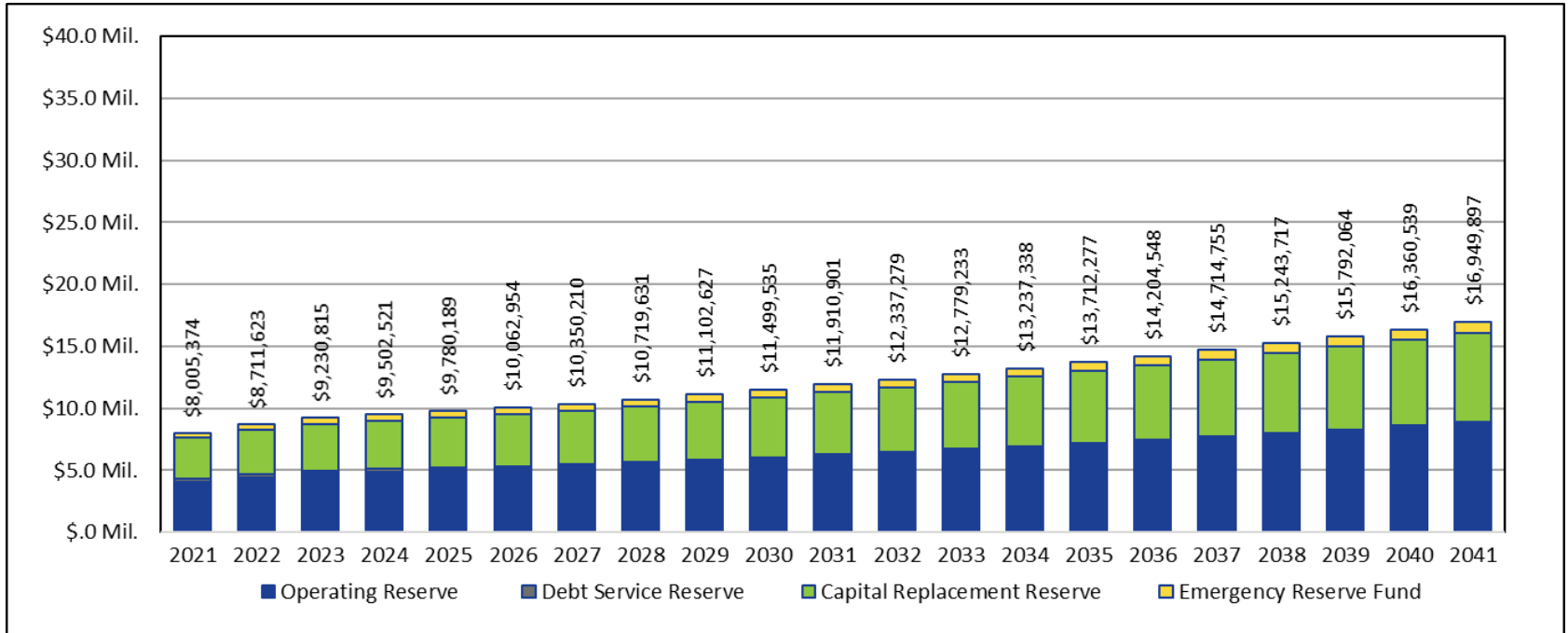
- ✓ **Operating Reserve** – 50% of O&M Expenses (or 6 months of O&M), \$4.4 million in 2022
- ✓ **General Replacement Reserve** – 40% of O&M Expenses, \$3.6 million in 2022
- ✓ **Emergency Reserve** – 5% of O&M Expenses, \$444,000 in 2022



Financial Plan Alternatives, cont.

Reserve Targets: 20-Year Debt Issue:

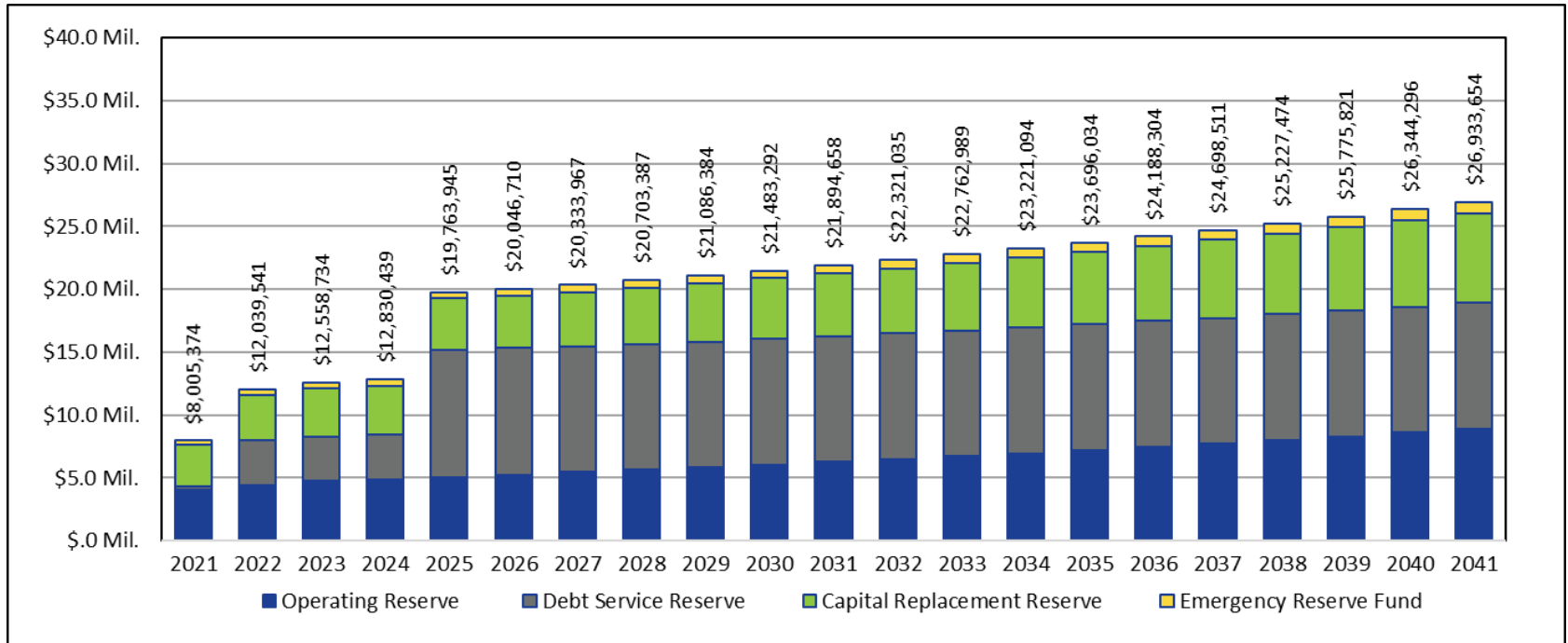
Alternative 1: 20-Year Reserve Targets with no Debt Issue



Financial Plan Alternatives, cont.

Reserve Targets: 20-Year Debt Issue

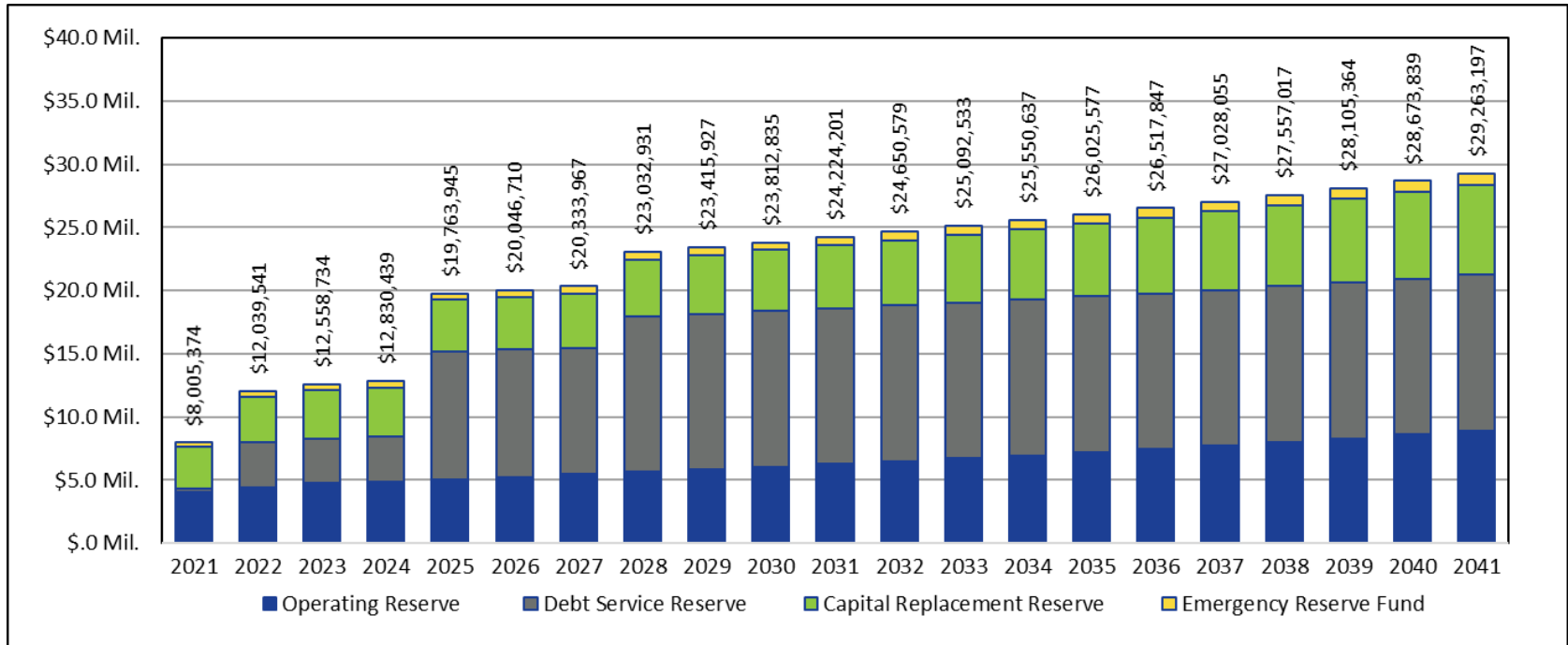
Alternative 2: 20-Year Reserve Targets with a \$150 Million Debt Issue



Financial Plan Alternatives, cont.

Reserve Targets: 20-Year Debt Issue:

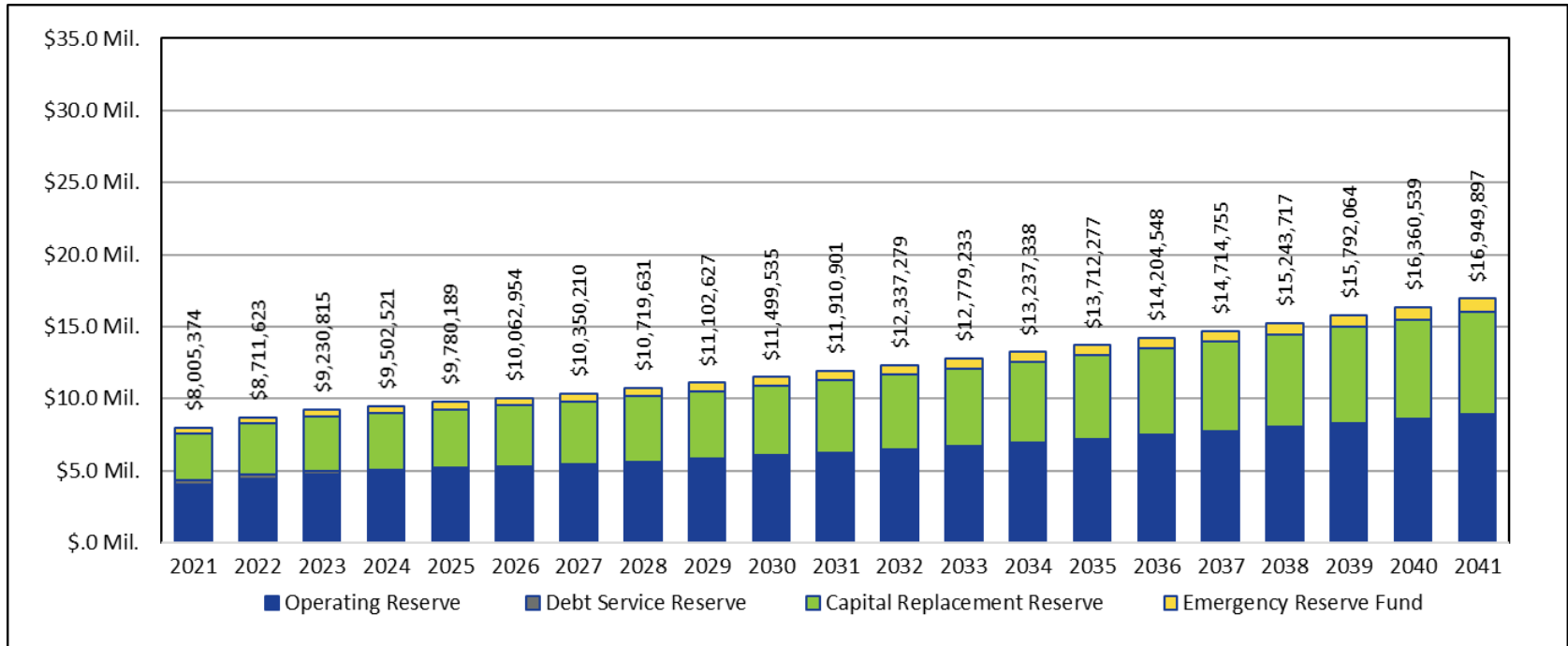
Alternative 3: 20-Year Reserve Targets with a \$185 Million Debt Issue



Financial Plan Alternatives, cont.

Reserve Targets: 30-Year Debt Issue:

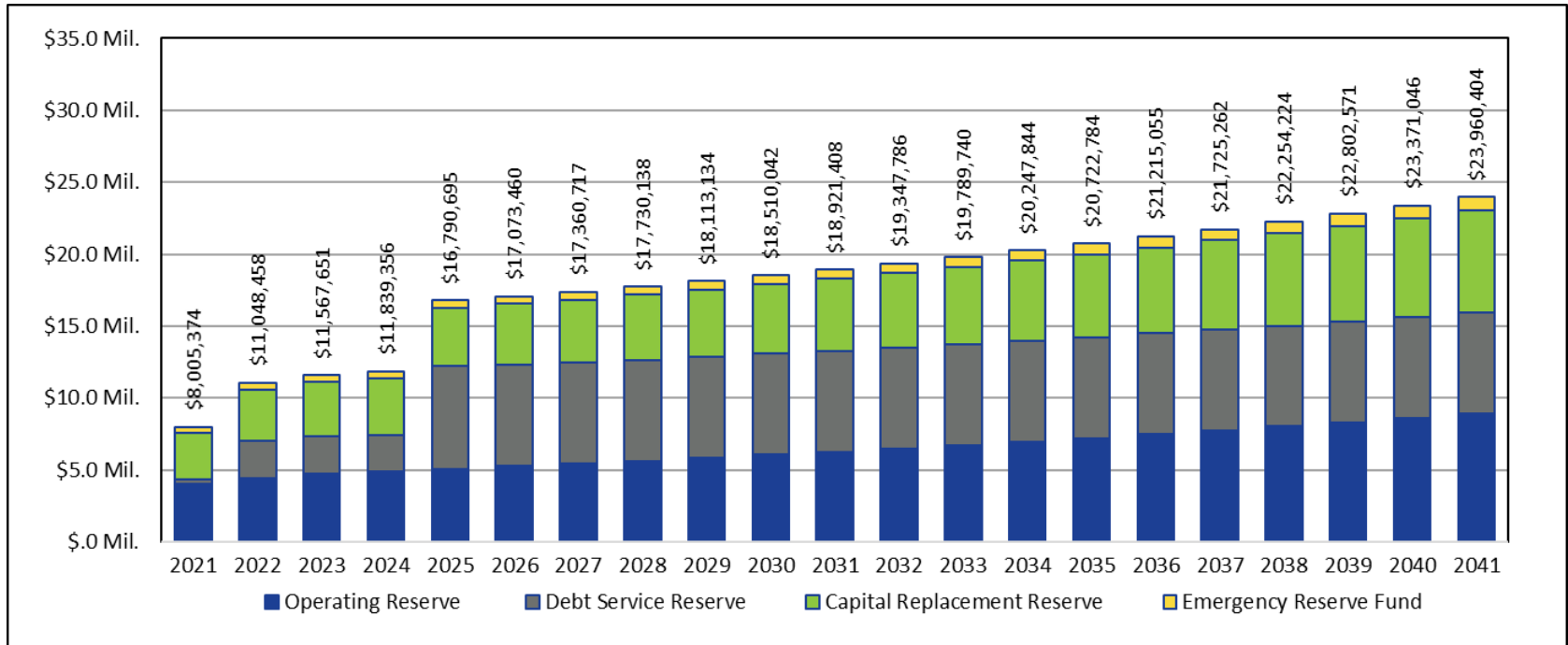
Alternative 1: 20-Year Reserve Targets with no Debt Issue



Financial Plan Alternatives, cont.

Reserve Targets: 30-Year Debt Issue

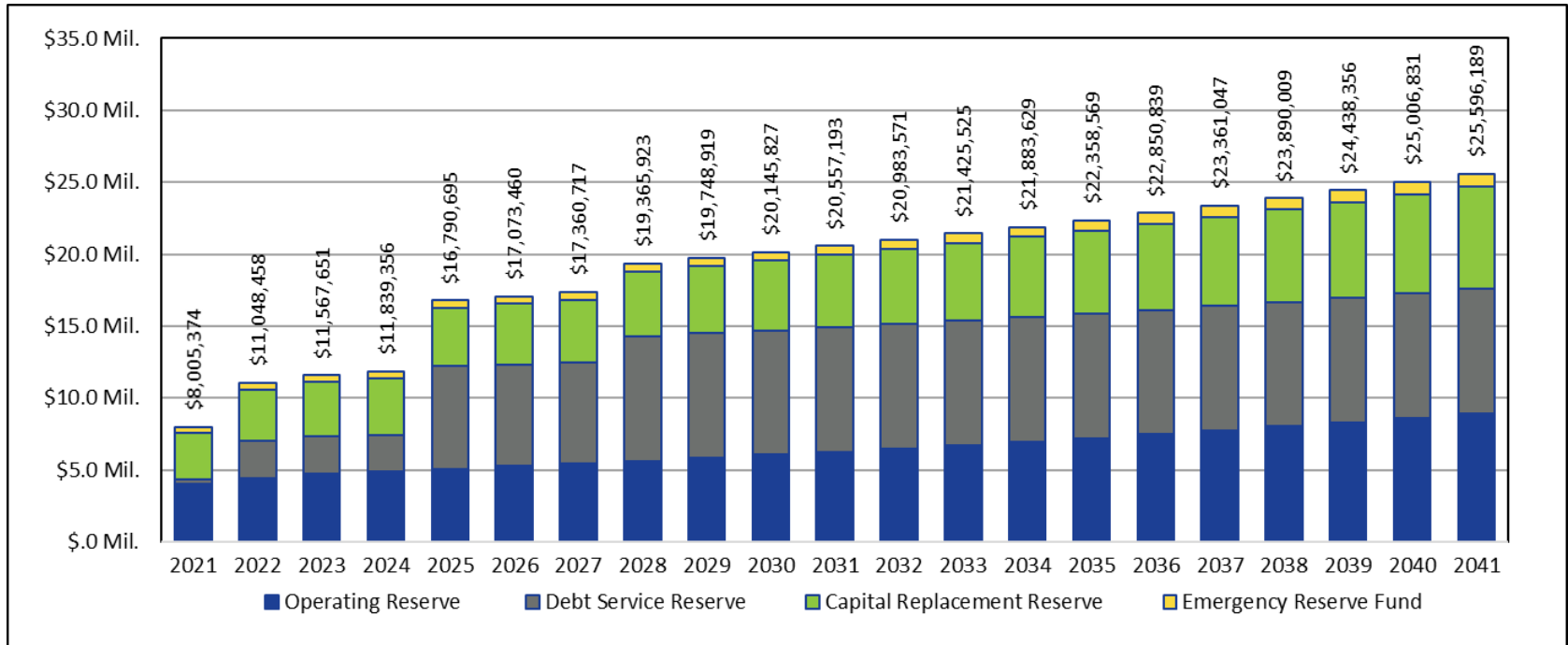
Alternative 2: 20-Year Reserve Targets with a \$150 Million Debt Issue



Financial Plan Alternatives, cont.

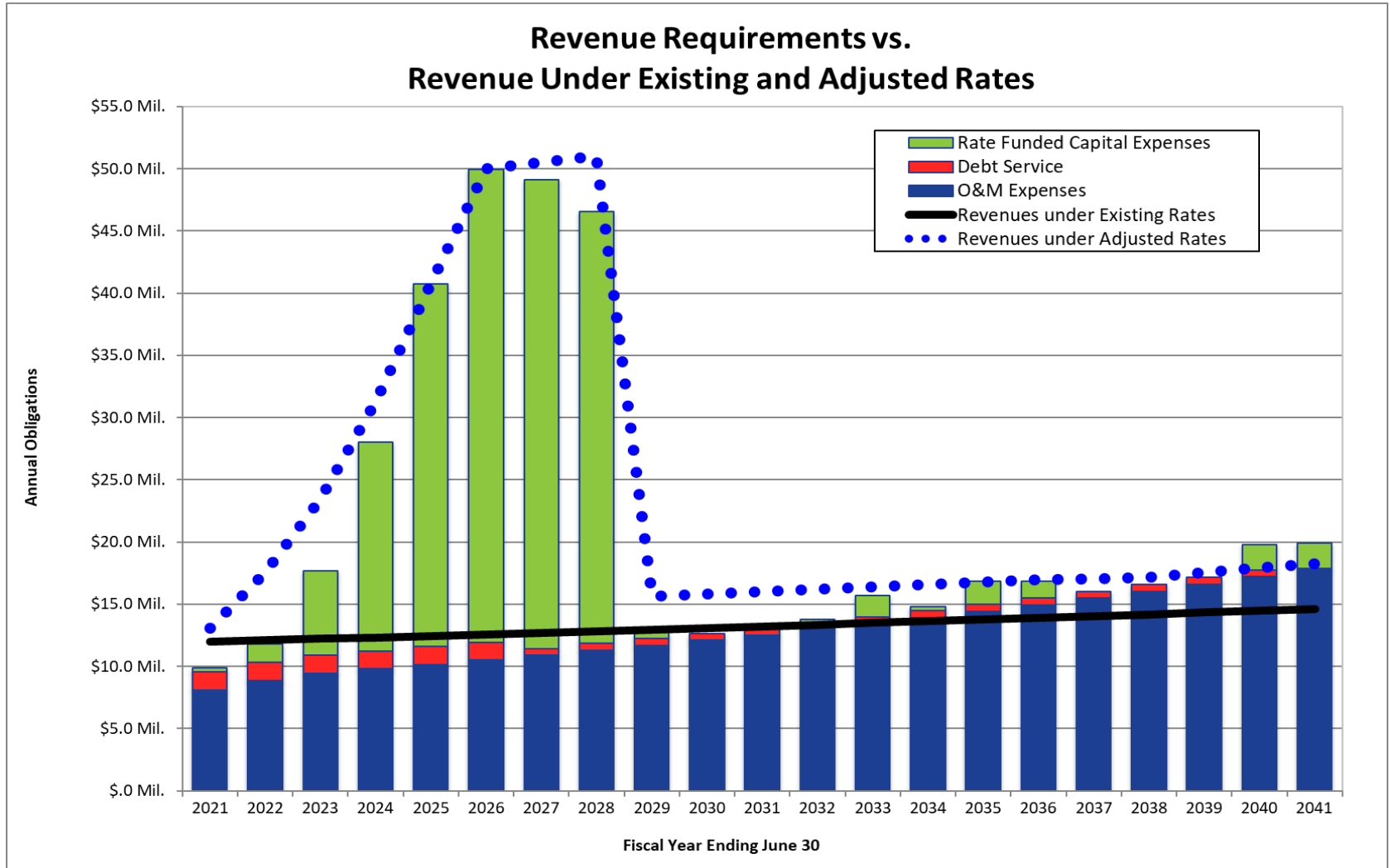
Reserve Targets: 30-Year Debt Issue:

Alternative 3: 20-Year Reserve Targets with a \$185 Million Debt Issue



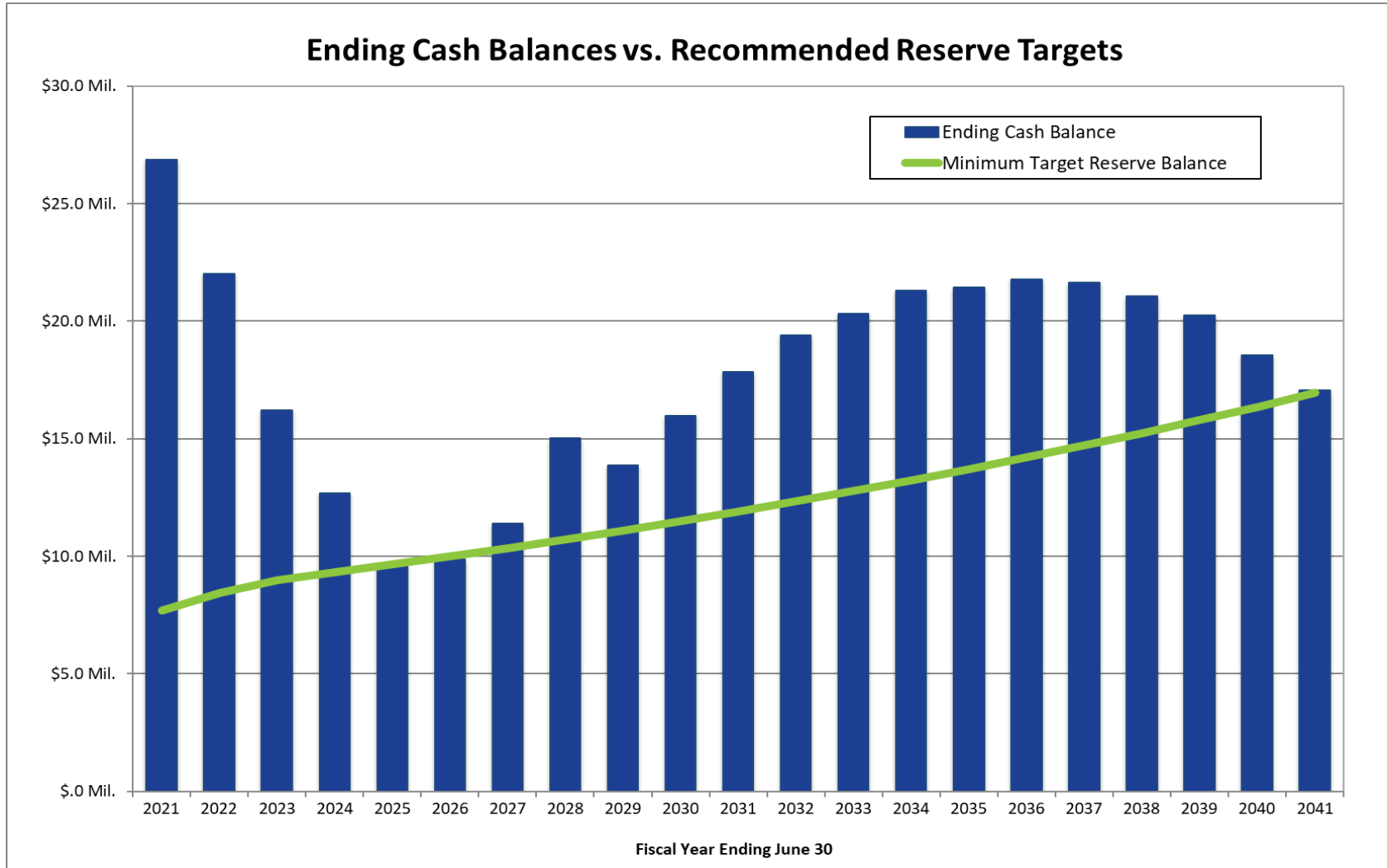
Financial Plan Alt. #1 – Revenue & Expenses

20-Year Debt Issue:



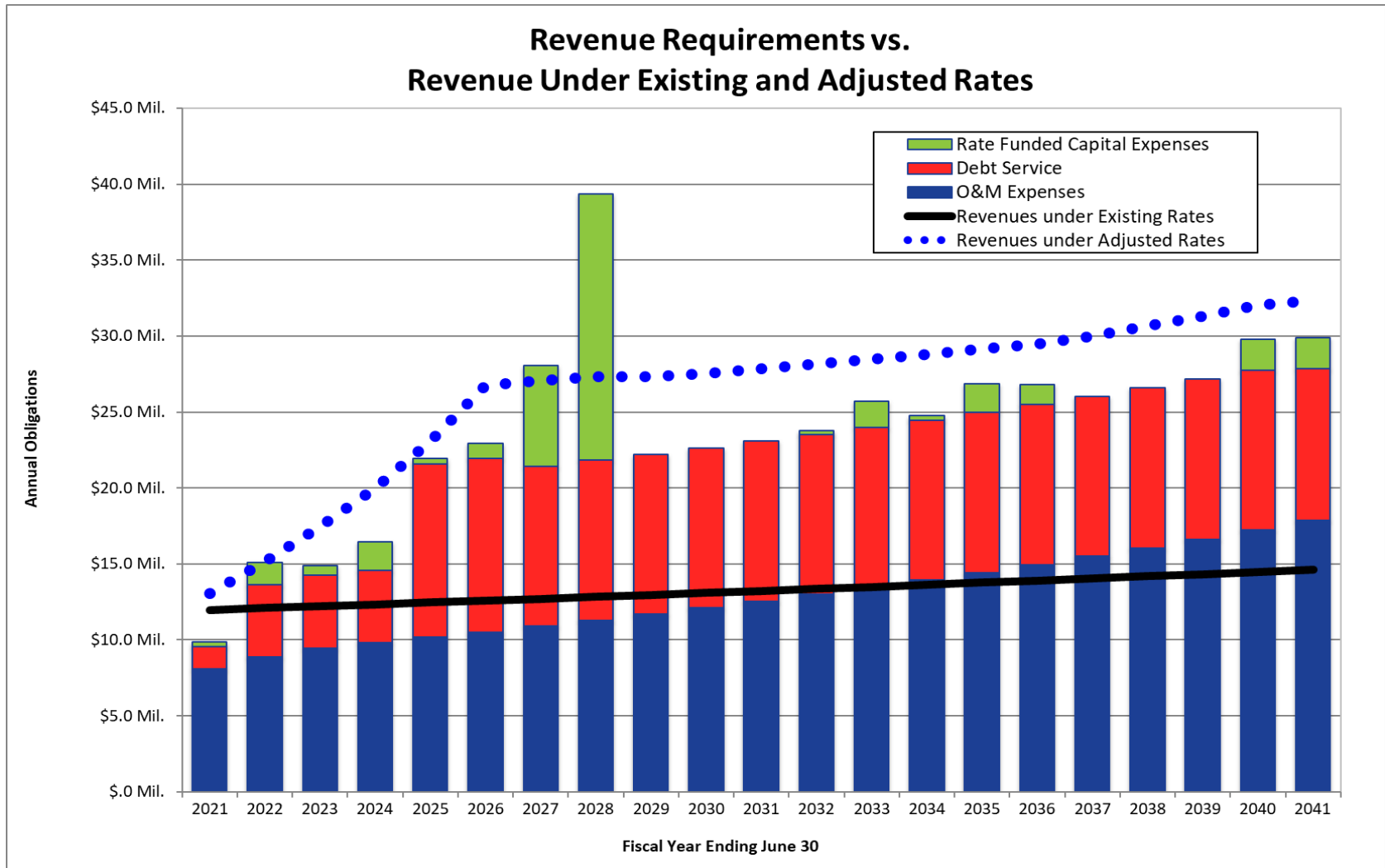
Financial Plan Alt. #1 – Cash Projection

20-Year Debt Issue:



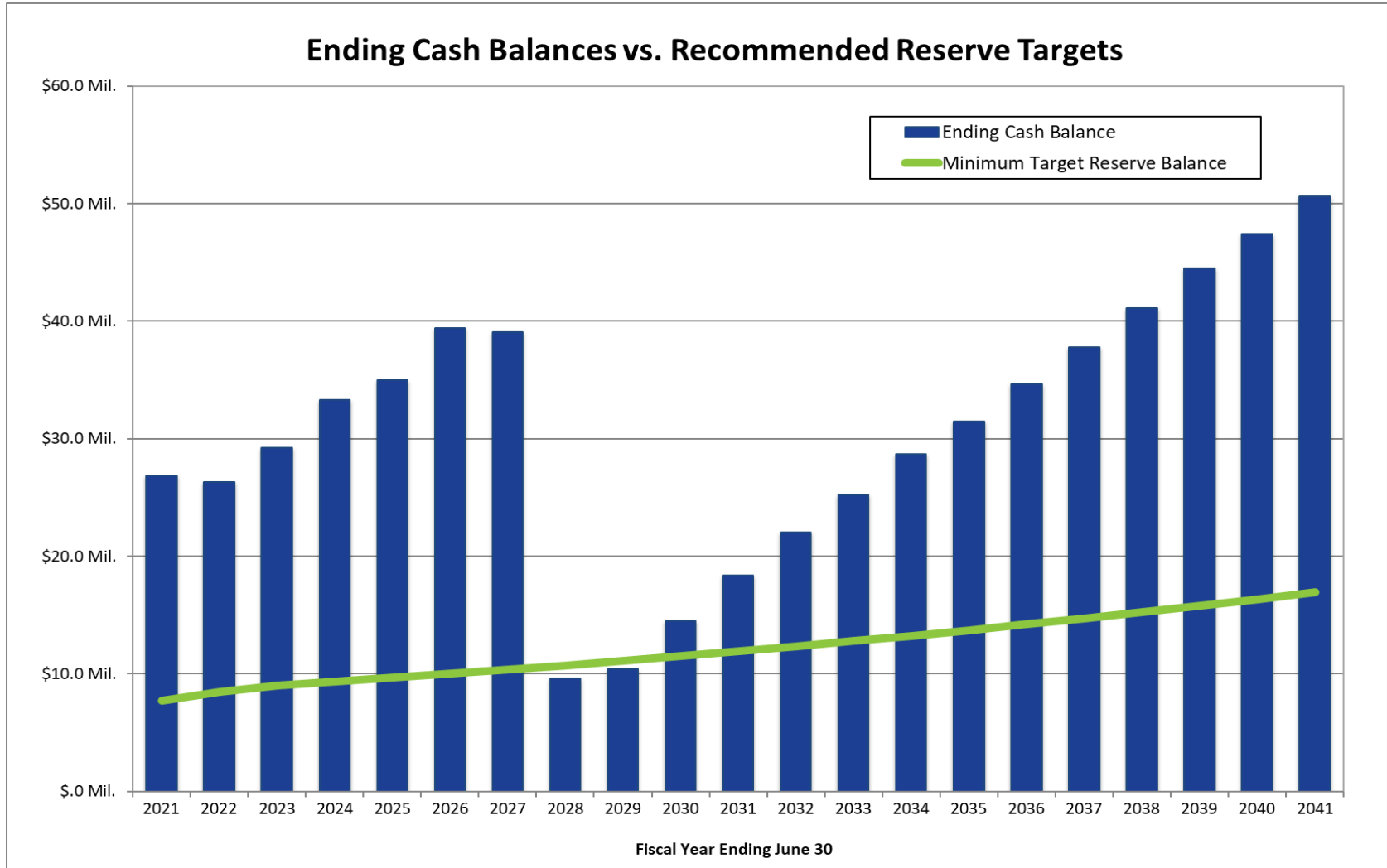
Financial Plan Alt. #2 – Revenue & Expenses

20-Year Debt Issue:



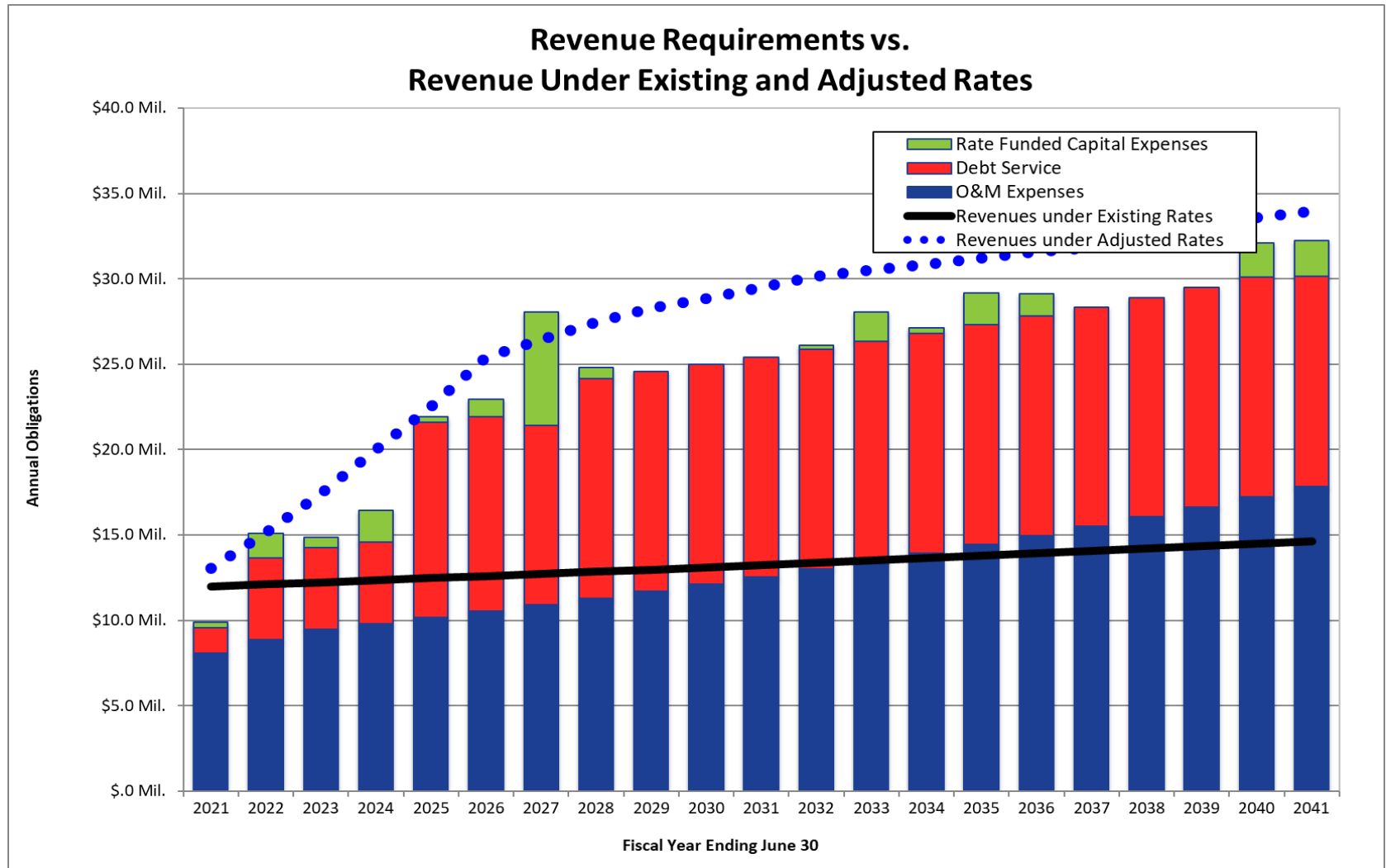
Financial Plan Alt. #2 – Cash Projection

20-Year Debt Issue:



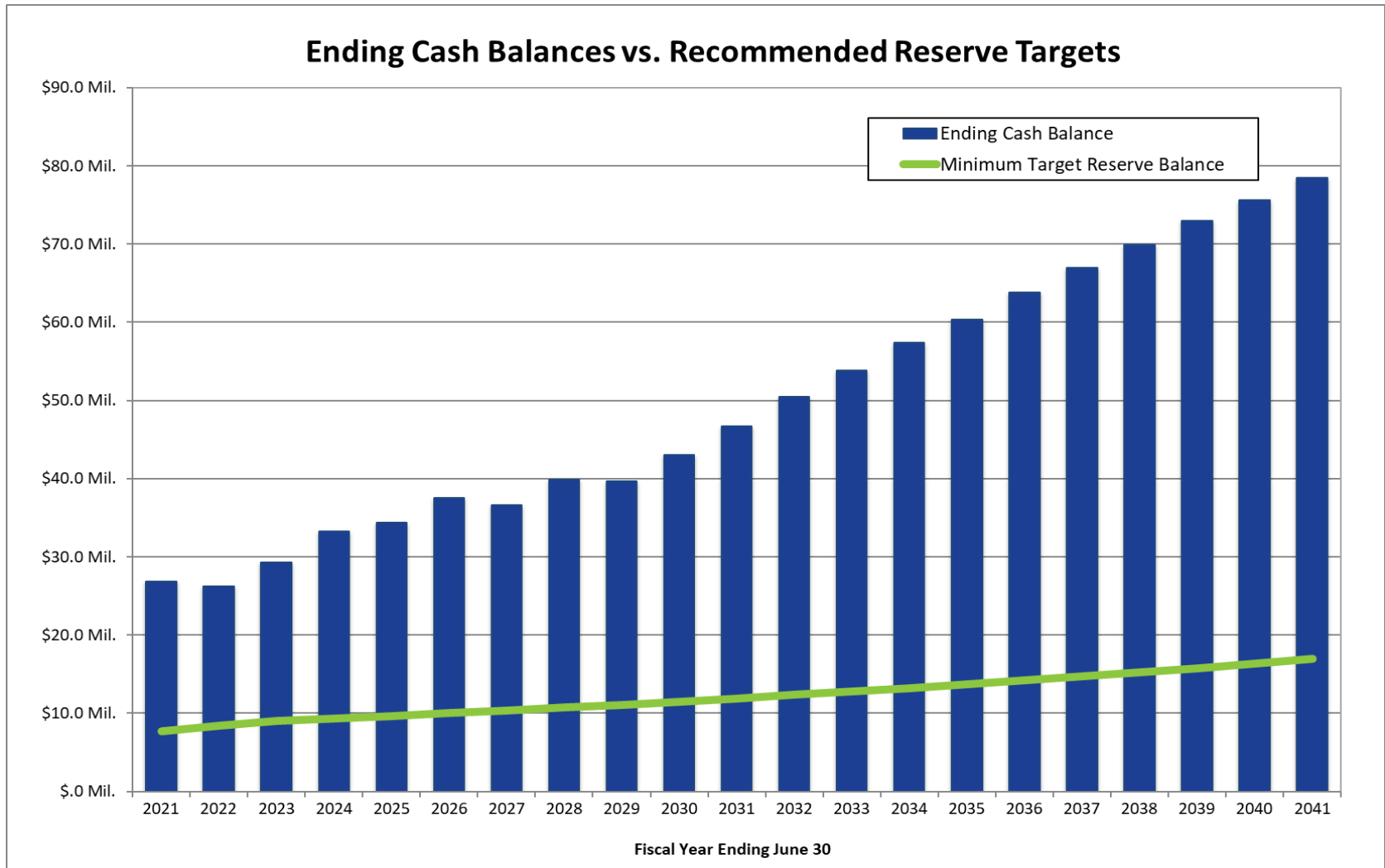
Financial Plan Alt. #3 – Revenue & Expenses

20-Year Debt Issue:



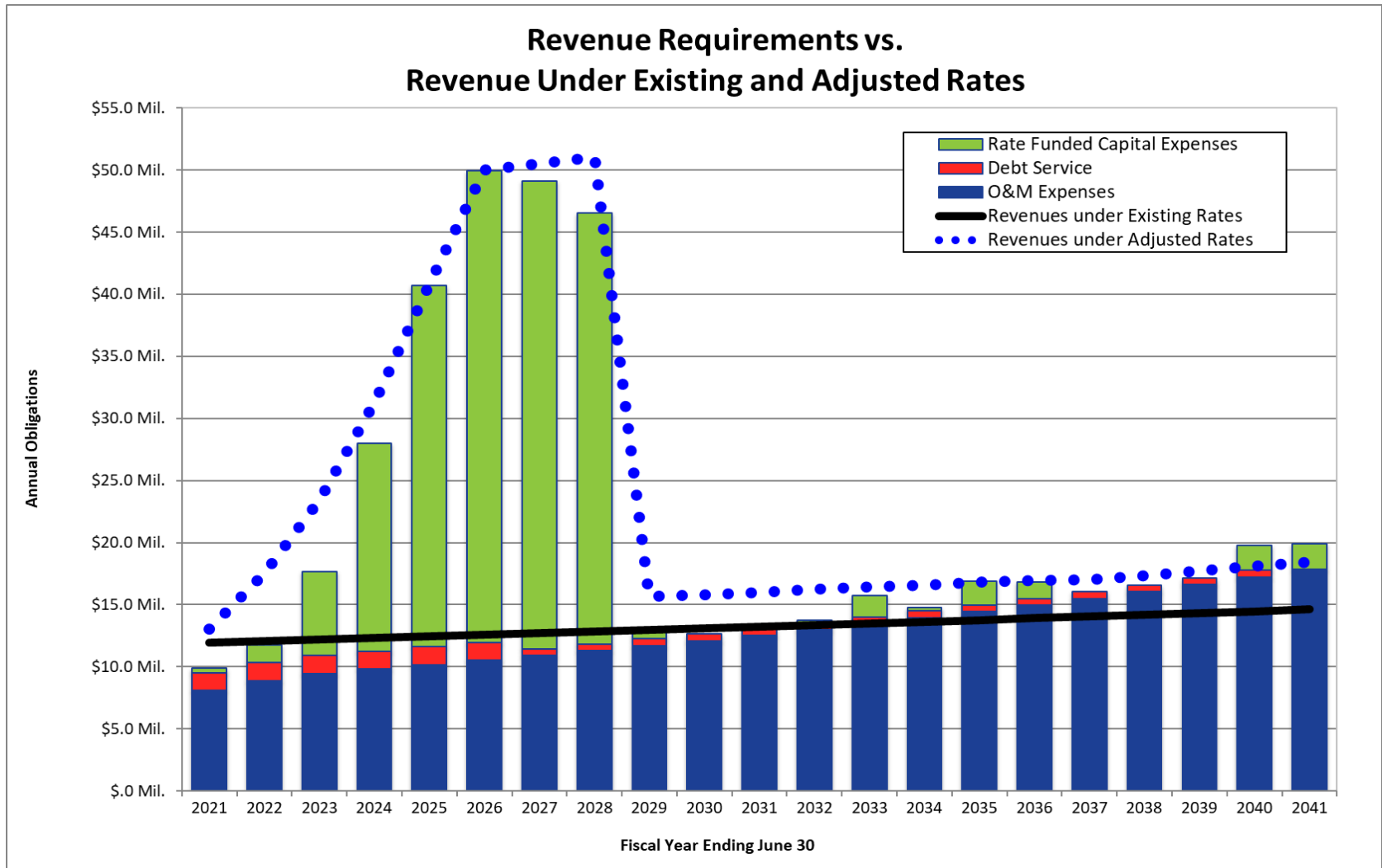
Financial Plan Alt. #3 – Cash Projection

20-Year Debt Issue:



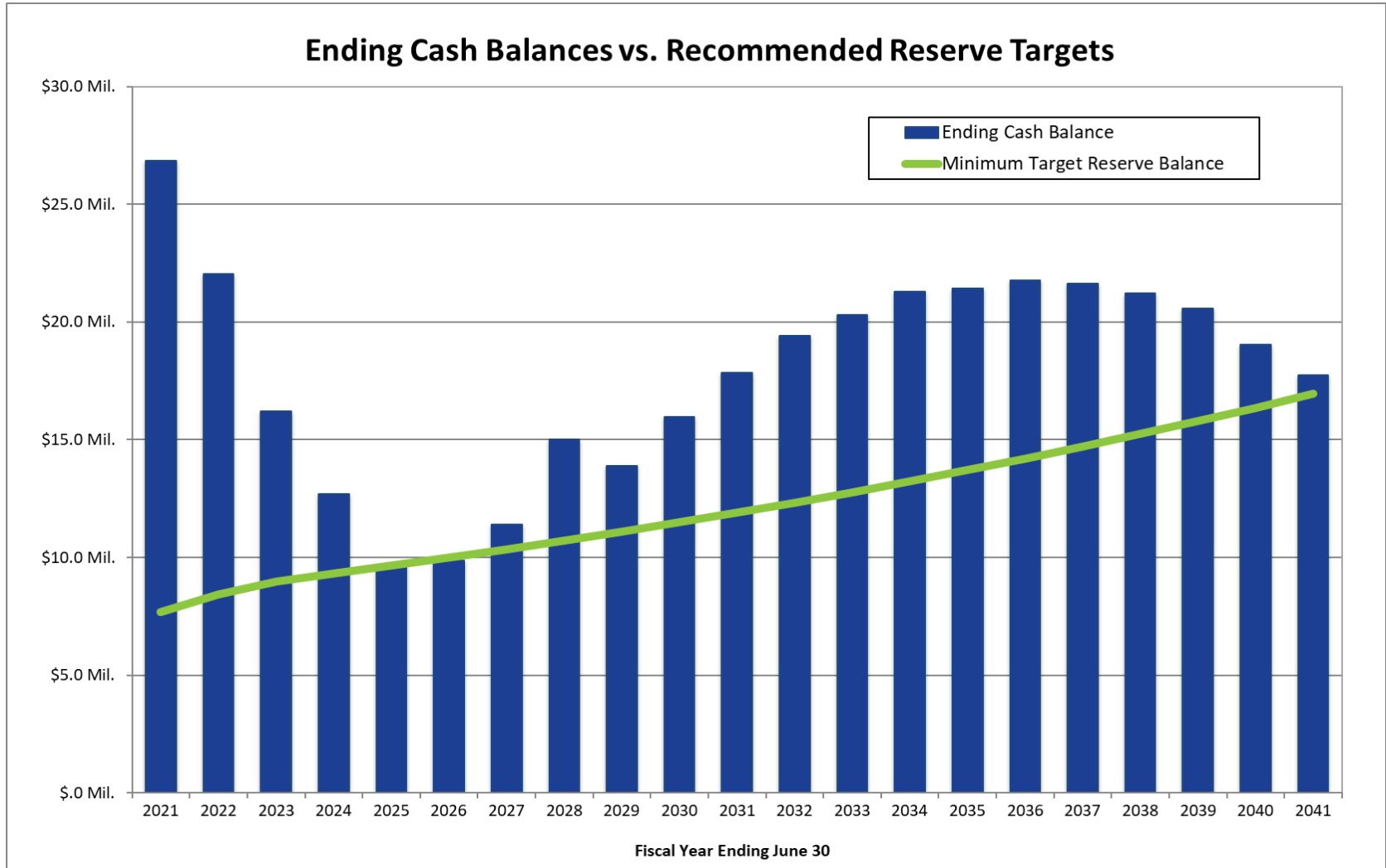
Financial Plan Alt. #1 – Revenue & Expenses

30-Year Debt Issue:



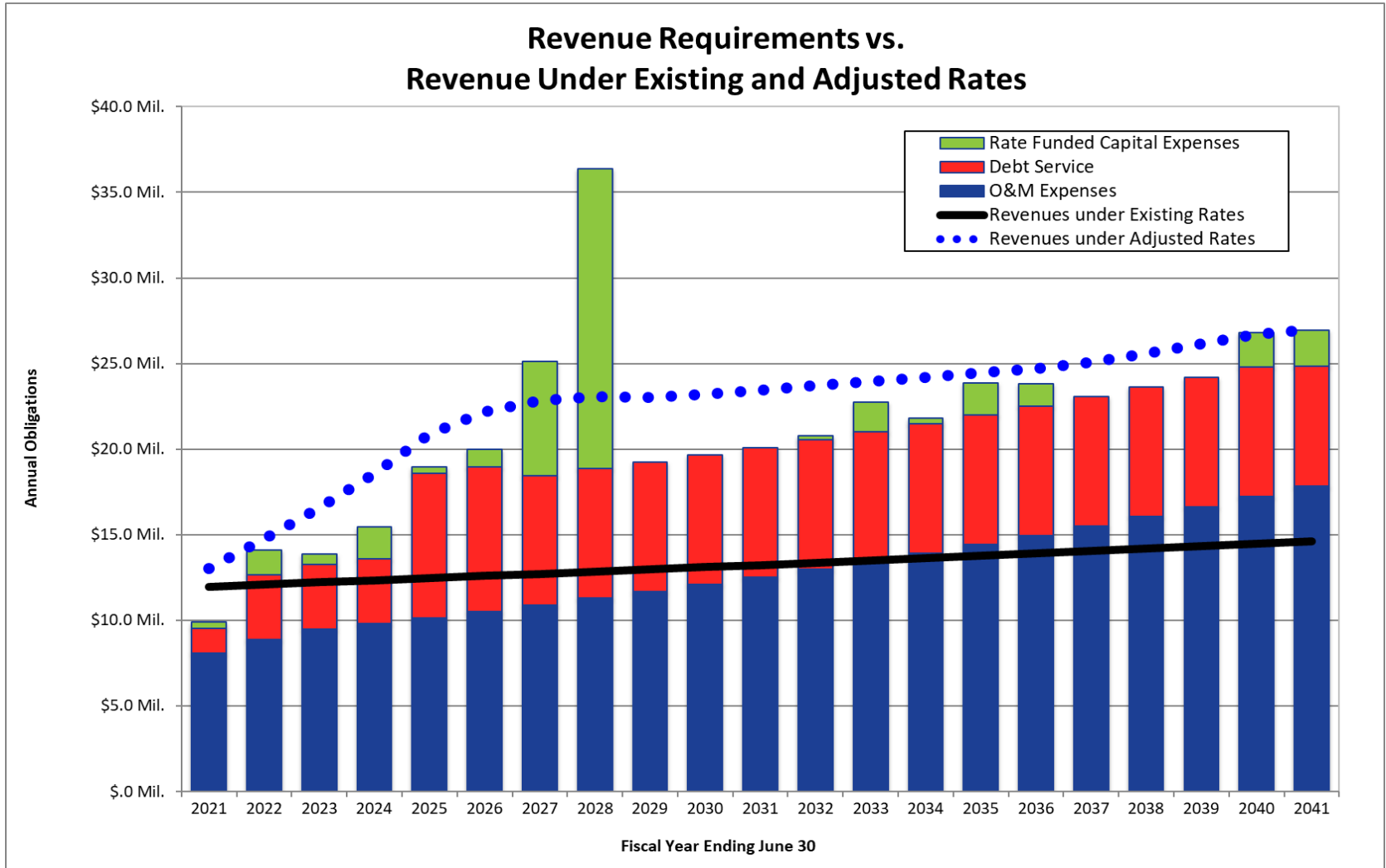
Financial Plan Alt. #1 – Cash Projection

30-Year Debt Issue:



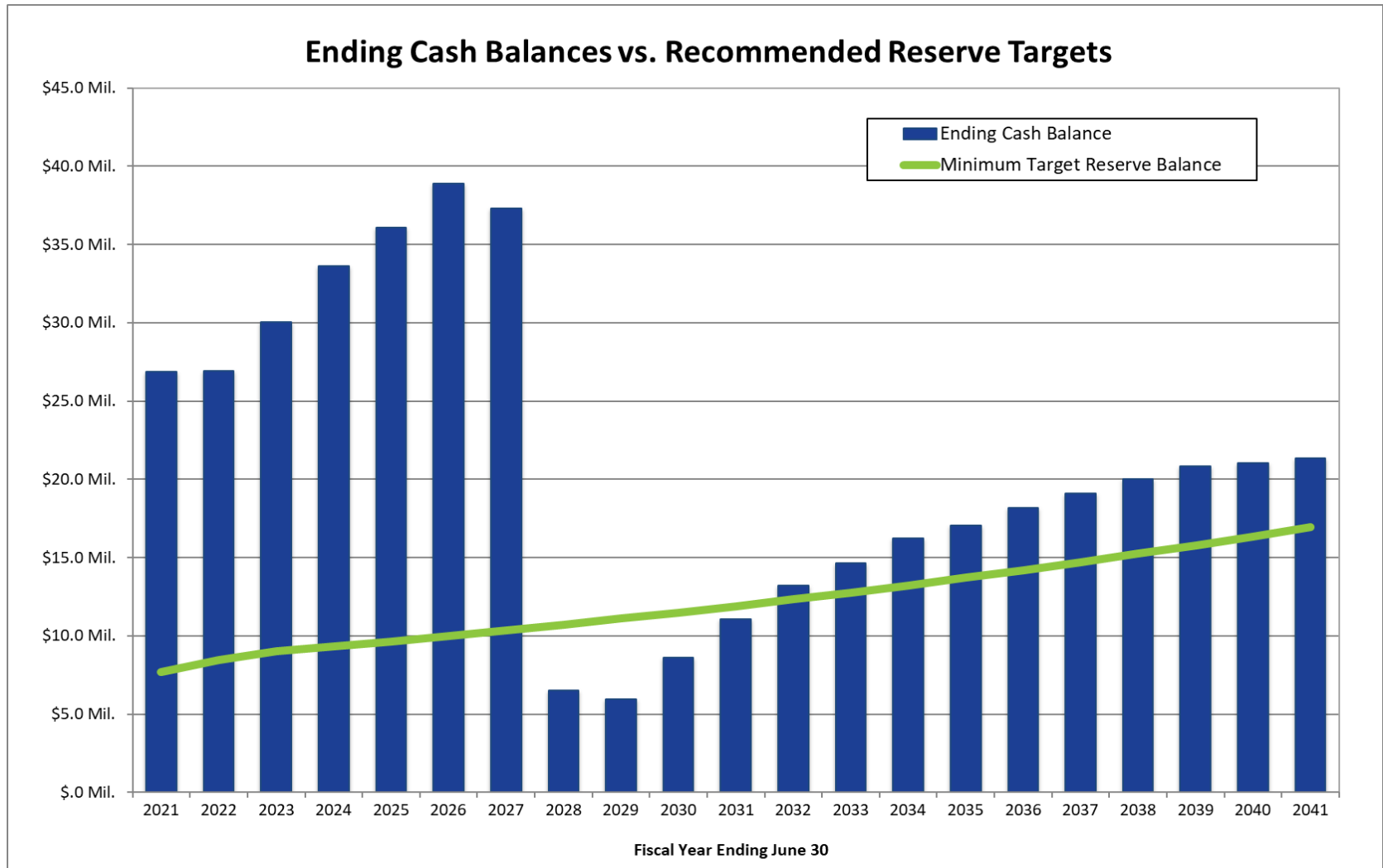
Financial Plan Alt. #2 – Revenue & Expenses

30-Year Debt Issue:



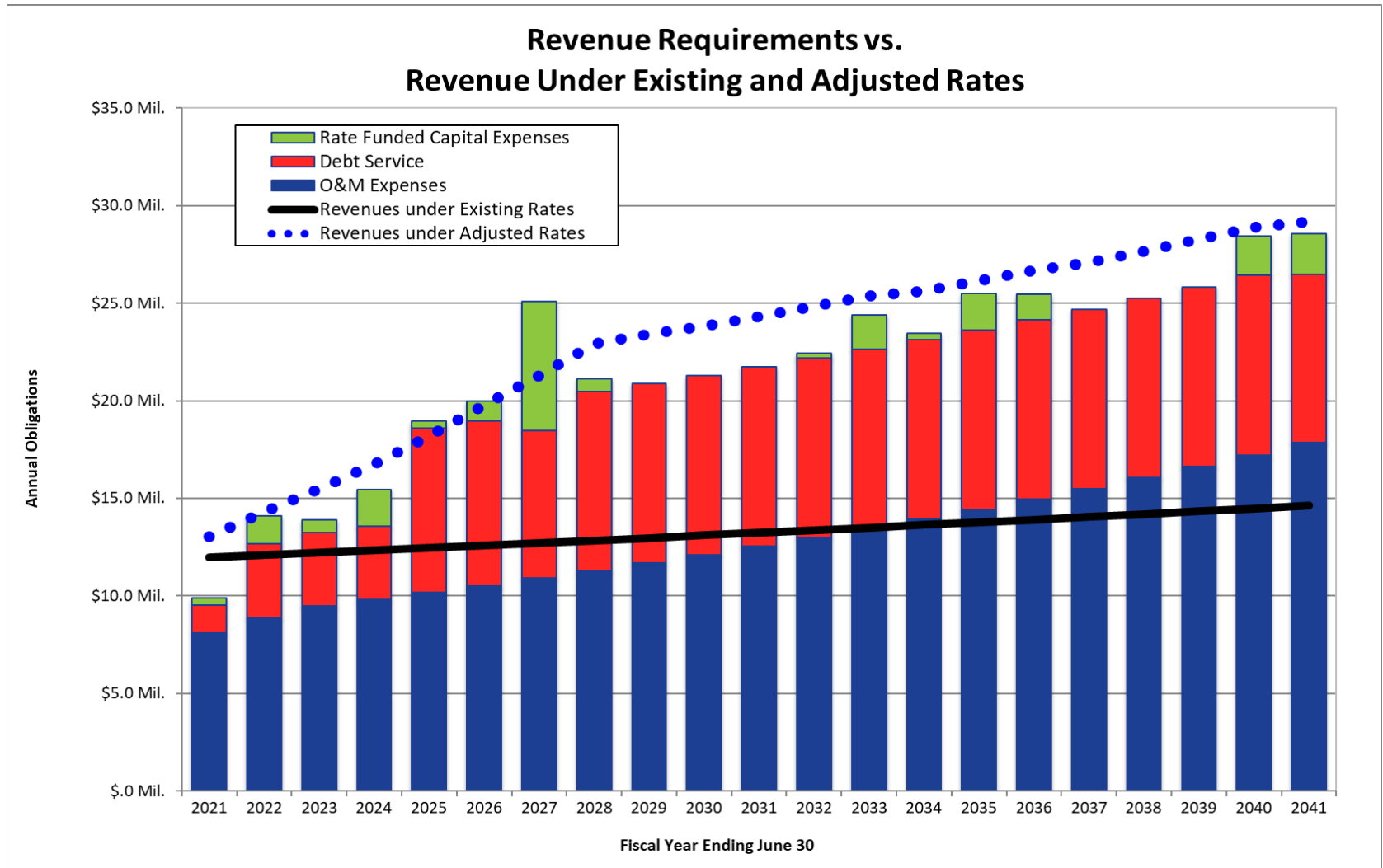
Financial Plan Alt. #2 – Cash Projection

30-Year Debt Issue:



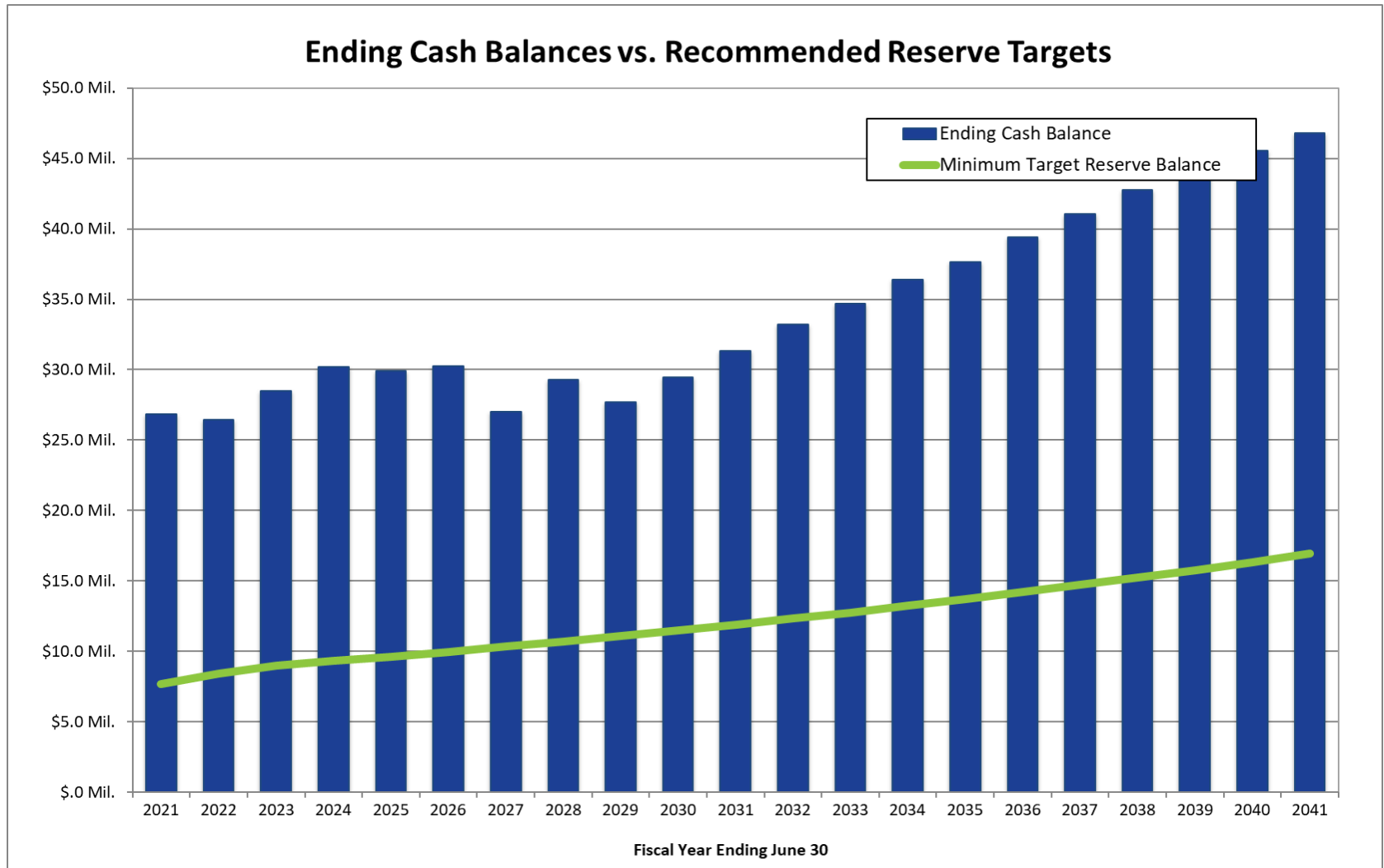
Financial Plan Alt. #3 – Revenue & Expenses

30-Year Debt Issue:



Financial Plan Alt. #3 – Cash Projection

30-Year Debt Issue:



Comparison of Alternatives

Revenue Requirements with 20-Year Loan					Revenue Requirements with 30-Year Loan				
Fiscal Year Ending June 30	Revenue from Current Funding Sources	Total Revenue Needed to Meet Funding Requirements			Fiscal Year Ending June 30	Revenue from Current Funding Sources	Total Revenue Needed to Meet Funding Requirements		
		Alternative #1	Alternative #2	Alternative #3			Alternative #1	Alternative #2	Alternative #3
2022	\$ 12,098,790	\$ 16,333,367	\$ 13,913,609	\$ 13,913,609	2022	\$ 12,098,790	\$ 16,333,367	\$ 13,550,645	\$ 13,066,693
2023	12,219,778	22,270,545	16,160,656	16,160,656	2023	12,219,778	22,270,545	15,328,489	14,253,149
2024	12,341,976	30,365,888	18,770,602	18,770,602	2024	12,341,976	30,365,888	17,339,587	15,547,335
2025	12,465,395	39,870,411	21,802,055	21,233,305	2025	12,465,395	39,870,411	19,614,541	16,959,033
2026	12,590,049	49,128,321	25,323,086	24,019,115	2026	12,590,049	49,128,321	20,801,221	18,498,913
2027	12,715,950	49,619,604	25,576,317	24,987,085	2027	12,715,950	49,619,604	21,429,418	19,991,775
2028	12,843,109	50,115,800	25,832,080	25,994,065	2028	12,843,109	50,115,800	21,643,712	21,605,112
2029	12,971,540	14,678,918	26,090,401	26,779,086	2029	12,971,540	14,678,918	21,860,149	22,039,374
2030	13,101,256	14,825,707	26,351,305	27,317,345	2030	13,101,256	14,825,707	22,078,750	22,482,366
2031	13,232,268	14,973,964	26,614,818	27,866,424	2031	13,232,268	14,973,964	22,299,538	22,934,261
2032	13,364,591	15,123,704	26,880,966	28,426,539	2032	13,364,591	15,123,704	22,522,533	23,395,240
2033	13,498,237	15,274,941	27,149,776	28,710,804	2033	13,498,237	15,274,941	22,747,759	23,865,484
2034	13,633,219	15,427,690	27,421,274	28,997,912	2034	13,633,219	15,427,690	22,975,236	24,104,139
2035	13,769,552	15,581,967	27,695,487	29,287,891	2035	13,769,552	15,581,967	23,204,989	24,588,632
2036	13,907,247	15,737,787	27,972,441	29,580,770	2036	13,907,247	15,737,787	23,437,038	25,082,864
2037	14,046,320	15,895,165	28,534,688	29,876,578	2037	14,046,320	15,895,165	23,908,123	25,587,029
2038	14,186,783	16,054,116	29,108,235	30,175,344	2038	14,186,783	16,214,657	24,388,676	26,101,329
2039	14,328,651	16,376,804	29,693,310	30,781,868	2039	14,328,651	16,540,572	24,878,889	26,625,965
2040	14,471,937	16,705,978	30,290,146	31,400,584	2040	14,471,937	16,873,038	25,378,954	27,161,147
2041	14,616,656	17,041,768	30,593,047	31,714,590	2041	14,616,656	17,212,186	25,632,744	27,432,759



Comparison of Alternatives, cont.

Revenue Requirements with 20-Year Loan				Revenue Requirements with 30-Year Loan			
Fiscal Year Ending June 30	Additional Revenue Needed to Meet Funding Requirements			Fiscal Year Ending June 30	Additional Revenue Needed to Meet Funding Requirements		
	Alternative #1	Alternative #2	Alternative #3		Alternative #1	Alternative #2	Alternative #3
2022	\$ 4,234,577	\$ 1,814,819	\$ 1,814,819	2022	\$ 4,234,577	\$ 1,451,855	\$ 967,903
2023	10,050,767	3,940,878	3,940,878	2023	10,050,767	3,108,711	2,033,371
2024	18,023,913	6,428,627	6,428,627	2024	18,023,913	4,997,612	3,205,359
2025	27,405,016	9,336,659	8,767,910	2025	27,405,016	7,149,146	4,493,637
2026	36,538,272	12,733,037	11,429,066	2026	36,538,272	8,211,171	5,908,864
2027	36,903,654	12,860,367	12,271,135	2027	36,903,654	8,713,468	7,275,825
2028	37,272,691	12,988,971	13,150,955	2028	37,272,691	8,800,602	8,762,002
2029	1,707,377	13,118,861	13,807,545	2029	1,707,377	8,888,608	9,067,834
2030	1,724,451	13,250,049	14,216,089	2030	1,724,451	8,977,495	9,381,110
2031	1,741,696	13,382,550	14,634,155	2031	1,741,696	9,067,269	9,701,993
2032	1,759,113	13,516,375	15,061,948	2032	1,759,113	9,157,942	10,030,649
2033	1,776,704	13,651,539	15,212,567	2033	1,776,704	9,249,522	10,367,247
2034	1,794,471	13,788,054	15,364,693	2034	1,794,471	9,342,017	10,470,920
2035	1,812,416	13,925,935	15,518,340	2035	1,812,416	9,435,437	10,819,081
2036	1,830,540	14,065,194	15,673,523	2036	1,830,540	9,529,791	11,175,617
2037	1,848,845	14,488,368	15,830,259	2037	1,848,845	9,861,803	11,540,710
2038	1,867,334	14,921,452	15,988,561	2038	2,027,875	10,201,893	11,914,546
2039	2,048,153	15,364,660	16,453,218	2039	2,211,921	10,550,238	12,297,315
2040	2,234,041	15,818,209	16,928,647	2040	2,401,100	10,907,017	12,689,210
2041	2,425,111	15,976,391	17,097,933	2041	2,595,529	11,016,087	12,816,102



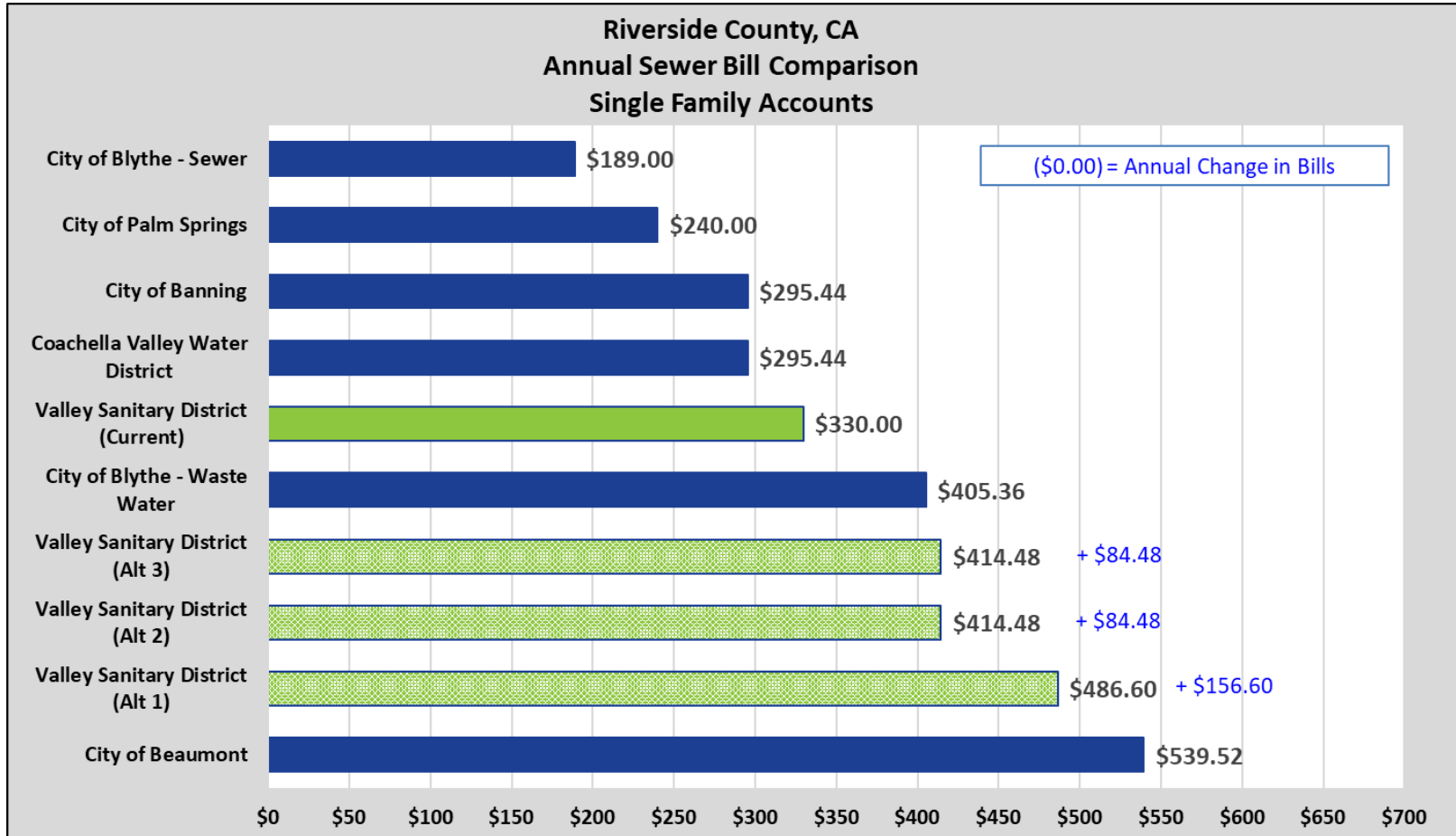
Comparison of Alternatives, cont.

Revenue Requirements with 20-Year Loan				Revenue Requirements with 30-Year Loan			
Fiscal Year Ending June 30	Percentage Change in Revenue Needed to Meet Funding Requirements			Fiscal Year Ending June 30	Percentage Change in Revenue Needed to Meet Funding Requirements		
	Alternative #1	Alternative #2	Alternative #3		Alternative #1	Alternative #2	Alternative #3
2022	35%	15%	15%	2022	35%	12%	8%
2023	35%	15%	15%	2023	35%	12%	8%
2024	35%	15%	15%	2024	35%	12%	8%
2025	30%	15%	12%	2025	30%	12%	8%
2026	22%	15%	12%	2026	22%	5%	8%
2027	0%	0%	3%	2027	0%	2%	7%
2028	0%	0%	3%	2028	0%	0%	7%
2029	-71%	0%	2%	2029	-71%	0%	1%
2030	0%	0%	1%	2030	0%	0%	1%
2031	0%	0%	1%	2031	0%	0%	1%
2032	0%	0%	1%	2032	0%	0%	1%
2033	0%	0%	0%	2033	0%	0%	1%
2034	0%	0%	0%	2034	0%	0%	0%
2035	0%	0%	0%	2035	0%	0%	1%
2036	0%	0%	0%	2036	0%	0%	1%
2037	0%	1%	0%	2037	0%	1%	1%
2038	0%	1%	0%	2038	1%	1%	1%
2039	1%	1%	1%	2039	1%	1%	1%
2040	1%	1%	1%	2040	1%	1%	1%
2041	1%	0%	0%	2041	1%	0%	0%



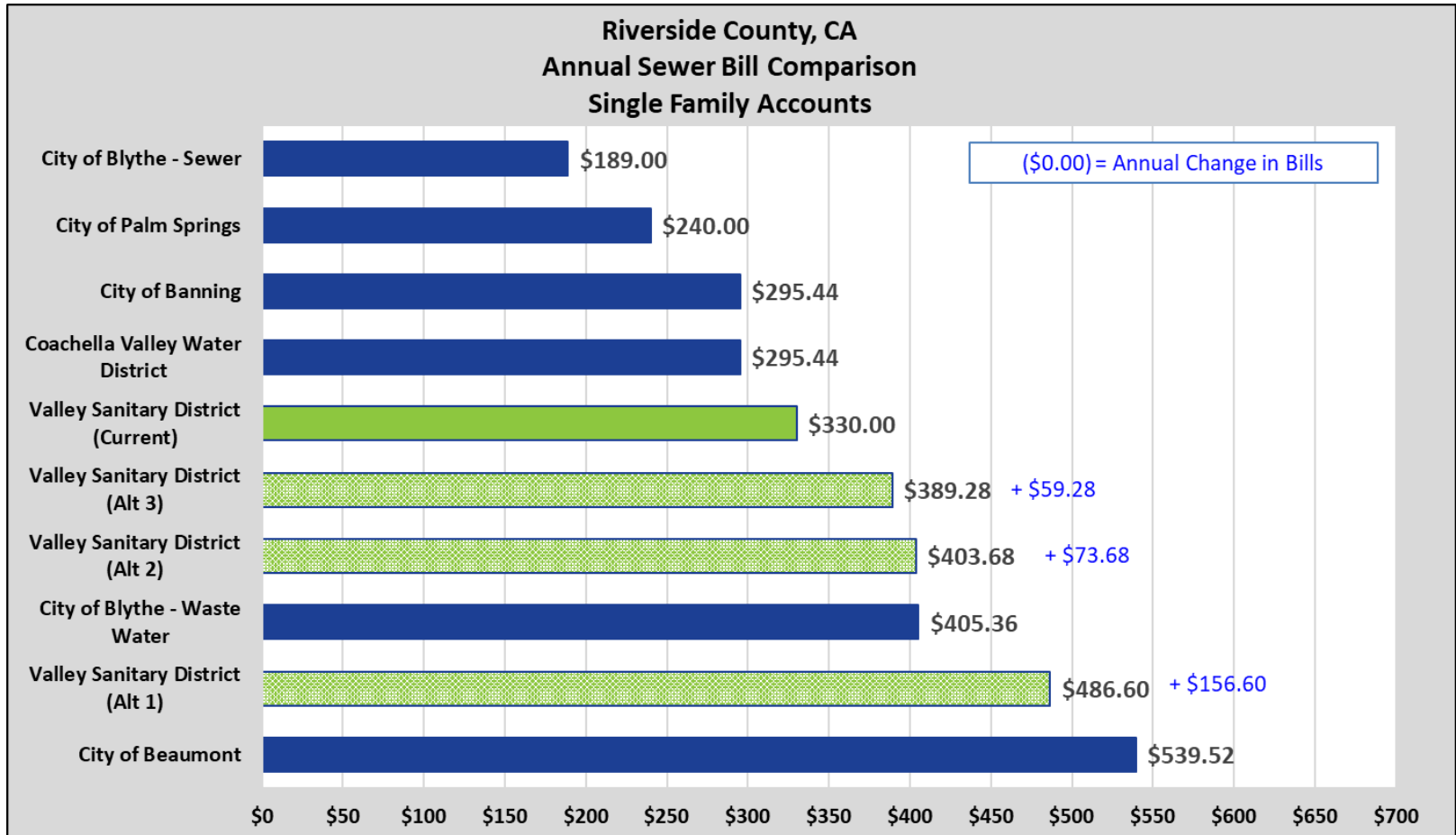
Regional Bill Comparison (SFR)

20-Year Debt Issue:



Regional Bill Comparison (SFR)

30-Year Debt Issue:



Current vs. Proposed Rates

20-Year Debt Issue:

Sewer Rate Schedule	Current Rates	Proposed Monthly Sewer Rates				
		Year 1	Year 2	Year 3	Year 4	Year 5
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		35.00%	35.00%	35.00%	30.00%	22.00%
Alternative 1 - Full CIP with no Debt Issue						
Per EDU	\$330.00	\$486.60	\$656.91	\$886.83	\$1,152.88	\$1,406.51
Sewer Rate Schedule	Current Rates	Proposed Monthly Sewer Rates				
		Year 1	Year 2	Year 3	Year 4	Year 5
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		15.00%	15.00%	15.00%	15.00%	15.00%
Alternative 2 - Full CIP with a \$150 million Debt Issue						
Per EDU	\$330.00	\$414.51	\$476.69	\$548.19	\$630.42	\$724.98
Sewer Rate Schedule	Current Rates	Proposed Monthly Sewer Rates				
		Year 1	Year 2	Year 3	Year 4	Year 5
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		15.00%	15.00%	15.00%	12.00%	12.00%
Alternative 3 - Full CIP with a \$185 million Debt Issue						
Per EDU	\$330.00	\$414.51	\$476.69	\$548.19	\$613.97	\$687.65



Current vs. Proposed Rates

30-Year Debt Issue:

Sewer Rate Schedule	Current Rates	Proposed Monthly Sewer Rates				
		Year 1	Year 2	Year 3	Year 4	Year 5
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		35.00%	35.00%	35.00%	30.00%	22.00%
Alternative 1 - Full CIP with no Debt Issue						
Per EDU	\$330.00	\$486.60	\$656.91	\$886.83	\$1,152.88	\$1,406.51
Sewer Rate Schedule	Current Rates	Proposed Monthly Sewer Rates				
		Year 1	Year 2	Year 3	Year 4	Year 5
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		12.00%	12.00%	12.00%	12.00%	5.00%
Alternative 2 - Full CIP with a \$150 million Debt Issue						
Per EDU	\$330.00	\$403.70	\$452.14	\$506.40	\$567.17	\$595.53
Sewer Rate Schedule	Current Rates	Proposed Monthly Sewer Rates				
		Year 1	Year 2	Year 3	Year 4	Year 5
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		8.00%	8.00%	8.00%	8.00%	8.00%
Alternative 3 - Full CIP with a \$185 million Debt Issue						
Per EDU	\$330.00	\$389.28	\$420.42	\$454.05	\$490.37	\$529.60



Next Steps

- 1. Provide direction to staff and consultants to conduct additional financial analysis, if needed**
- 2. Consultants will continue to finish the rate study tasks and complete the cost of service and rate design analyses**
- 3. Presentation of complete study to Board of Directors**
- 4. Mail Proposition 218 notices, if Board proceeds with a new rate plan**
- 5. Implement updated rate plan if no majority protest**



Timeline

Project Timeline	January				February				March				April				May				June				July				August			
# Weeks from January 19th	--	--	--	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
Tasks to Complete in Rate Study and Tax Roll Submittal:																																
Customer Classificaitons																																
Rate Alternatives																																
Final Rate Study																																
Prop. 218 Notification																																
Public Hearing																																
Finalize New Tax Rolls																																

- Active Task Work, Notification Period
- Review/Meeting with District Staff
- Review/Meeting with Board or Finance Committee
- Submittal of Tax Roll to Riverside County



