

# Madera County GSAs

Rate Study Update and Policy Discussion

August 17, 2021



# **Raftelis Project Team**

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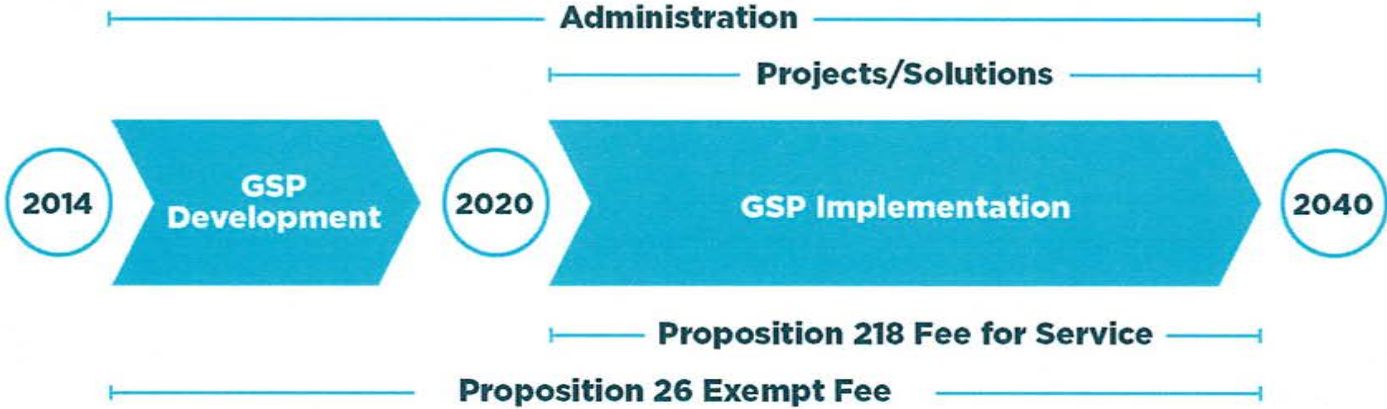
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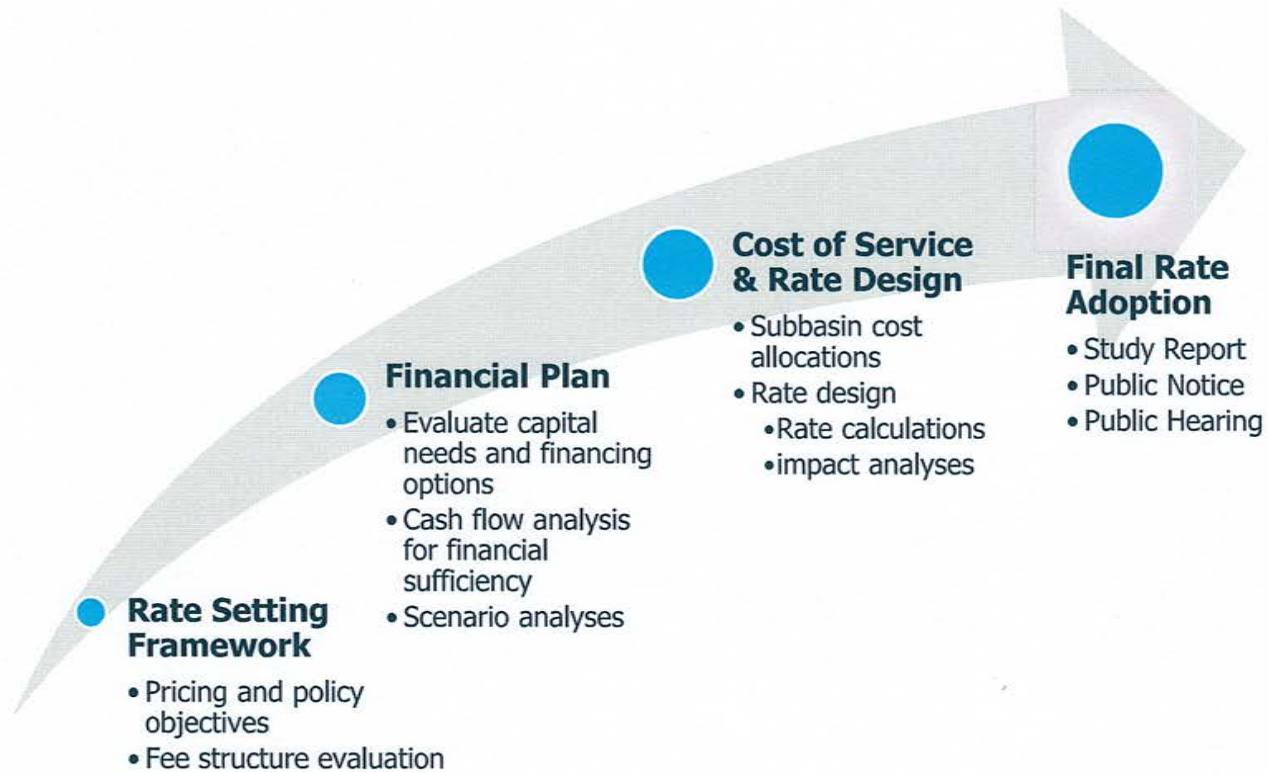
# Study Objectives

- Develop fees for service for the County GSAs three subbasins
- Identify all capital and operations costs for each subbasins projects and management actions
- Evaluate different funding options and financing scenarios
- Develop a long-term financial plan for self-sufficiency of the County GSAs
- Document the study and participate in the procedural requirements of fee adoption

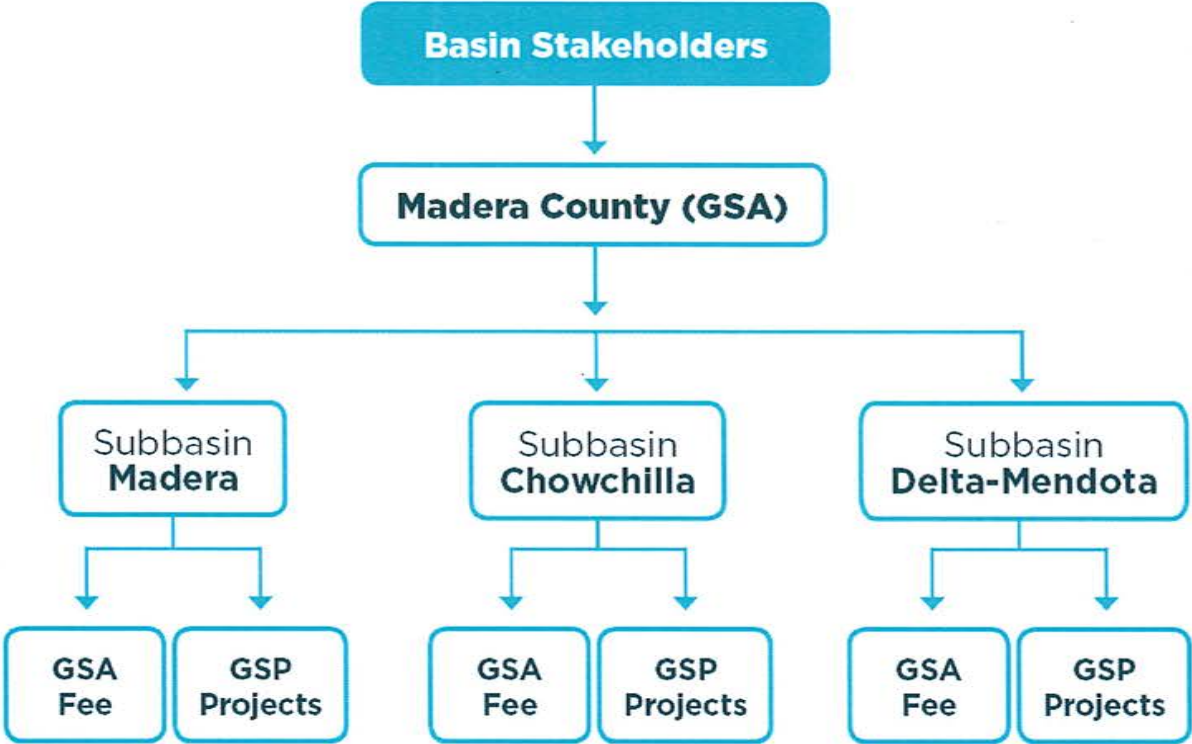
# SGMA Timeline



# Rate Study Process



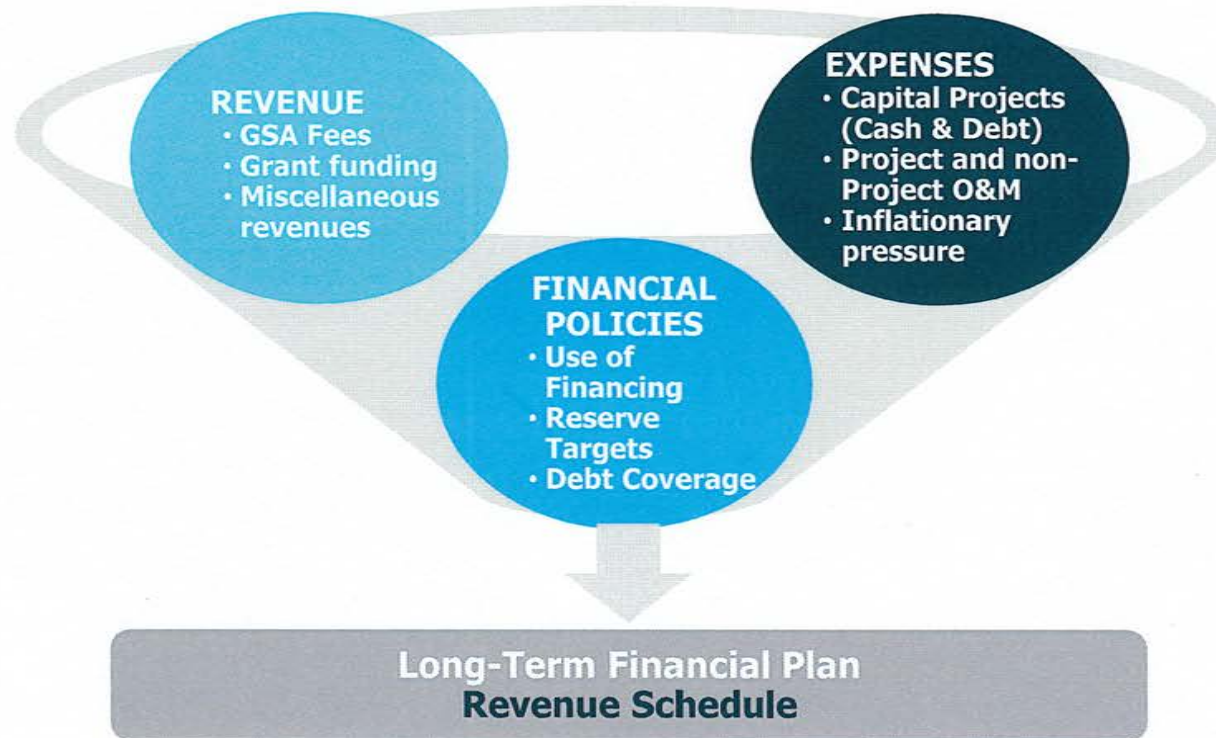
# GSA's Organizational Structure



# Financial Plan



# Financial Plan Development





# Financial Plan Policy Considerations

- Reserves Policies:
  - › Considerations: revenue timing, capital investment, uncertainty, etc.
- Use of Debt:
  - › Considerations: which project(s), what portion of total costs, taxable/non-taxable borrowing, reserve requirements, cashflow
- Self-Sufficiency: The County GSAs are new entities, without existing revenues sources, and significant upcoming capital costs
  - › Considerations: minimize use of County General Fund borrowing; bond market credit worthiness

# Financial Reserves: Policy Recommendation

- Operating Reserve – One year of annual revenue needs  
Six months for operating expenses and Six months for project uncertainty  
Sites Reservoirs participation costs and SALC enrollment)
- Capital Reserves – Average annual of next five years of cash funded capital
- Debt Service Reserve – Dictated by Official Statements  
Example reserve: One Year of Debt Service
- **Reserves Policy recommendation is a goal to be achieved over the long-term, not on day one**

# Debt Funded Capital: Considerations

## ADVANTAGES

Multi-Generational cost apportionment

Far less impactful on today's fee payers

Historically low interest rate environment

## DISADVANTAGES

More costly in absolute dollars

Debt coverage requirements

Debt reserves (possible)

**Recommendation: utilize debt to finance the Recharge projects**

# Fee Structures



# Fee Structure Options

- **Irrigated Acreage** – All costs recovered on an area basis
  - › \$/Acre
- **Volumetric Rate** – All costs recovered on a variable rate based on allocation
  - › \$/AF
- **Hybrid (Irrigated Acreage and Volumetric Rate)** – A portion recovered based on irrigated acreage and a portion from volumetric water allocation
  - › \$/Acre + \$/AF

# Policy Objectives

Administration	Fairness	Financial Stability	Demand Management
<ul style="list-style-type: none"><li>• Ease of Understanding</li><li>• Ease of Implementation</li><li>• Ease of Administration</li></ul>	<ul style="list-style-type: none"><li>• Fairness between growers</li><li>• Shared burden</li><li>• Spreads benefit over time</li></ul>	<ul style="list-style-type: none"><li>• Revenue Stability</li><li>• Fee Stability</li><li>• Bondholder stability</li></ul>	<ul style="list-style-type: none"><li>• Achieve subbasin water use reductions</li><li>• Incentivize using less water</li></ul>

# Fee Structure Evaluation

Policy Objective	Irrigated Acreage (Fixed)	Volumetric Rate (Variable)	Hybrid (Fixed + Variable)
Administration	★★★★★	★★★★	★★★
Fairness	★★	★★★★★	★★★
Financial Stability	★★★★★	★★★★★	★★★★★
Demand Management	★	★★★★★	★★★★★

★ = Least    ★★★★★ = Best

# Fee Structures – Considerations

- **Irrigated Acreage –**
  - › Acreage is not fixed over time, partially dependent on SALC participation
  - › Treats all crops equal, example: grapes and nut crops charged the same
- **Volumetric Rate –**
  - › Allocations are reduced over time, but all water allocated is expected to be taken (Sustainable Yield + Transitional Water)
  - › Allocation, and therefore charges, account for difference in crop type
- **Hybrid –**
  - › Specific project(s) cost(s) are recovered through the Irrigated Acreage portion and which through the Volumetric Rate
  - › In concept the structure approximates a fixed + variable rate, like traditional utility charges



# Q&A



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