



**DATE:** June 13, 2024

**TO:** City of Angels City Council  
Union Public Utility District Board of Directors  
Utica Water and Power Authority Board of Directors

**FROM:** Joel Metzger, General Manager, Utica Water and Power Authority

**RE:** Joint Powers Authority 5-Year Funding Agreement for the Utica Water and Power Authority

**RECOMMENDATION:**

Discussion / direction regarding the proposed Joint Powers Authority (JPA) Member Entity 5-Year Funding Agreement for the Utica Water and Power Authority (Utica).

**BACKGROUND:**

Utica hired HDR Engineering, Inc. to conduct a financial analysis and build a model that provides budget projections for Utica's revenues and expenses over the next 5-10 years. The purpose of this analysis was for Utica staff to work with a consulting team that is qualified to perform rate studies and Proposition 218 proceedings in order to develop solid budget projections. These projections are needed by JPA member agencies to be incorporated into the JPA member entities' rate studies that are being conducted in 2024.

There are many benefits to agreeing on a pre-determined JPA funding plan for five years. It will allow Utica to have a concrete number of how much funding is coming in each year from JPA members, and it gives the JPA members certainty for their annual payments. This will make the annual budgeting process much more efficient for all parties involved.

**UTICA FINANCIAL ANALYSIS SCENARIOS:**

The financial model developed by HDR was used to develop six funding scenarios. All scenarios assume Utica's projected hydropower revenues will be at a Water Year 2.5 level, which is based on the average water year Utica has experienced over the past 10 years. Hydropower revenues range from about \$600,000 in a Water Year 6 (the worst water year) to \$1.8 million in a Water Year 1 (the best water year) (see attached Annual

Hydropower Revenue Projections). Utica's Board-adopted budget has been between \$3 and \$4 million over the past few years, and is expected to be in the range in the coming five years.

The six scenarios developed by HDR range from fully funding Utica's operations and maintenance (O&M), reserve contributions, and capital improvements (CIP) to other approaches that included cutting/deferring capital improvement projects, reducing reserve contributions, and taking on debt.

- Scenario 1: This scenario includes payments from each JPA member of \$650,000, for a total of \$1.3 million in Year 1. This amount would increase by 4.0% per year. By Year 5, each JPA member would contribute \$760,500 for a total of \$1.5 million.
  - Scenario 1 Impacts: If the FERC exemption is unsuccessful, this scenario is projected to result in budget shortfalls of between \$12,000 and \$162,000. If this scenario were approved, minimal cuts to Utica's capital improvement plant and reserve contributions would be needed to balance the budget. If the FERC exemption is successful, and the Utica Board eliminates all contributions to the FERC Relicensing / Exemption Reserve and FERC 5 and 10-year reserve contributions, expenses could decrease by about \$470,000 annually.
  
- Scenario 6: This scenario includes payments from each JPA member of \$370,000 in Year 1 for a total of \$740,000. This amount would increase by 10% per year. By Year 5, each JPA member would contribute \$541,500 for a total of \$1.1 million.
  - Scenario 6 Impacts: If the FERC exemption is unsuccessful, this scenario results in projected budget shortfalls of between \$440,000 to \$650,000 per year. If this scenario is approved, Utica would have to cut its planned capital improvement plan and reserve contributions in each of the next five years. If the FERC exemption is successful, and the Utica Board eliminates all contributions to the FERC Relicensing / Exemption Reserve and FERC 5 and 10-year reserve contributions, expenses could decrease by about \$470,000 annually.

An overview of the financial analysis findings and various scenarios will be presented to the JPA Member Entity Joint Meeting on June 13.

## **FINANCIAL CONSIDERATIONS:**

Each JPA member collects Utica fees from their customers differently and generates different amounts:

- UPUD currently charges all customers a Utica fee that is \$18 per month. Under its current rate structure, UPUD has 1,700 customers, which generates about \$370,000 in Utica fees on an annual basis.

- COA currently charges customers Utica fees that differ based on meter size.

<b>Water Year 3 (Average)</b>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
Utica Water And Power Contribution	\$405,068	\$417,220	\$429,737	\$442,629	\$455,908
<b>Meter Size</b>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
5/8"	\$12.61	\$12.92	\$13.24	\$13.57	\$13.91
3/4"	\$18.91	\$19.38	\$19.86	\$20.36	\$20.86
1"	\$31.52	\$32.30	\$33.11	\$33.93	\$34.77
1 1/2"	\$63.04	\$64.60	\$66.21	\$67.86	\$69.55
2"	\$100.86	\$103.37	\$105.94	\$108.57	\$111.27
3"	\$189.11	\$193.81	\$198.63	\$203.57	\$208.64
4"	\$315.18	\$323.02	\$331.05	\$339.29	\$347.73
6"	\$630.36	\$646.04	\$662.11	\$678.58	\$695.46

While the City’s 2019 Rate Study model projected Utica fees at a Water Year 4 (Average) level would generate \$455,000, COA staff are projecting that the total fees collected will be less than the projected amount – closer to \$406,000.

Both UPUD and COA built up Utica reserves when more money was collected from their ratepayers than what Utica requested to balance its budget. These reserves could be used to smooth contribution amounts over the next five years (see attached reserve summaries).

- COA’s projected Utica reserve at the end of FY 2023-2024: \$459,000
- UPUD’s projected Utica reserve at the end of FY 2023-2024: \$140,000

Any increase to Utica fees charged by UPUD or COA would need to be included in the rate studies that UPUD and COA are conducting in 2024, and the rate adjustments would need to go through the Proposition 218 process. If either agency’s Proposition 218 proceedings are unsuccessful, the 5-year JPA Funding Agreement would likely need to be reassessed.

**ATTACHMENTS:**

1. Proposed JPA 5-Year Funding Agreement for Utica
2. Utica’s Projected Annual Hydropower Revenues
3. COA’s Utica Reserve Summary
4. UWPA Water Years: 1999 – 2023
5. UWPA Capital Improvement Plan