



DATE: June 4, 2024

TO: City of Angels City Council

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

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

RECOMMENDATION:

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

BACKGROUND:

Utica hired HDR Engineering, Inc. in early 2024 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 to work with a consulting team that is qualified to perform rate studies and Proposition 218s in order to develop solid budget projections that could be provided to the JPA member agencies and incorporated into the JPA member entities' rate studies that are being conducted in 2024. The model was used to develop six funding scenarios for consideration.

Agreeing on a pre-determined JPA funding plan for five years will allow Utica to have a concrete number of how much funding is coming in each year from JPA member entities, 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:

All six funding 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 to \$1.8 million in a Water Year 1 (see attached Annual Hydropower Revenue Projections). Utica's Board-adopted budget has been between \$3 and \$4 million over the past few 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 include cutting/deferring capital improvement projects, reducing reserve contributions, and taking on debt.

An overview of the financial analysis findings and various scenarios will be presented to the City Council at the June 4 meeting.

NEXT STEPS:

- Following the presentation and discussion at the June 4 City Council meeting, it would be helpful if the Council could provide direction on its position on the JPA 5-year Funding Agreement for Utica.
- The UPUD Board of Directors and Utica Board recommended holding a JPA member entities joint meeting at 5:30 p.m. Thursday June 13, 2024, at the City of Angels Firehouse to discuss the 5-Year JPA Funding Agreement.
- Once an agreement is reached, Utica, UPUD, and COA should formally adopt the 5-Year Funding Agreement.

FINANCIAL CONSIDERATIONS:

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

UPUD currently charges all customers a Utica fee that is \$18 per month. In FY 2022-2023, the amount UPUD generated from Utica fees was around \$430,000, however that amount was reduced when UPUD changed the way it categorized customers, which led to a reduction in total customer count paying Utica fees. 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.

Water Year 3 (Average)	<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
<u>Meter Size</u>	<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.

Both UPUD and COA have Utica reserves that could be used to smooth contribution amounts over the next five years.

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.

ATTACHMENTS:

1. JPA 5-Year Funding Agreement Scenarios – Without and With the FERC Exemption
2. Utica's Projected Annual Hydropower Revenues