

City of Morro Bay



Water Reclamation Facility Financial Plan Update

With WIFIA & SRF Financing

Draft 10/04/19



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Table 1
 City of Morro Bay
 Water Reclamation Facility Project Cost Estimate

| Projected Capital Costs | | |
|--|----------------------|-----------------------------------|
| Water Reclamation Facility | | \$77,264,000 |
| Conveyance Facilities | | 31,321,000 |
| Offsite Recycled Water Facilities | | 5,583,000 |
| General Program Implementation | | <u>11,714,000</u> |
| Total | | 125,882,000 |
| <i>Costs include permitting, design, procurement, construction, & construction management.</i> | | |
| <i>Includes estimated cost inflation to construction mid-point where applicable.</i> | | |
| Estimated Operating & Maintenance Expenses | Cost Estimate | Escalated Cost¹ |
| | <u>(2018 \$)</u> | <u>(2022 \$)</u> |
| WRF Wastewater Operations | \$2,879,000 | \$3,368,000 |
| Conveyance to WRF | 246,000 | 288,000 |
| Recycled Water Operations | <u>193,000</u> | <u>226,000</u> |
| Total | 3,318,000 | 3,882,000 |
| <i>Operating cost estimates escalated by 4% per year through projected operational startup on January 1, 2022.</i> | | |

Source: Carollo Engineers, WRF Program Cost Estimates as of 09/25/19.

Table 2
 City of Morro Bay
 Water vs. Wastewater Cost Breakdown

| Project Component | Total Cost | Water | | Wastewater | |
|-------------------------------------|--------------------|-------------------|--------------|-------------------|--------------|
| Water Reclamation Facility | \$77,264,000 | \$22,407,000 | 29.0% | \$54,857,000 | 71.0% |
| Conveyance Facilities | 31,321,000 | 0 | 0.0% | 31,321,000 | 100.0% |
| Offsite Recycled Wtr Facilities | 5,583,000 | 5,583,000 | 100.0% | 0 | 0.0% |
| General Program Implementation* | 6,651,000 | 1,631,000 | 24.5% | 5,020,000 | 75.5% |
| Prior Expenditures Through 06/30/18 | <u>5,063,000</u> | <u>244,000</u> | <u>20.6%</u> | <u>4,819,000</u> | <u>79.4%</u> |
| Total | 125,882,000 | 29,865,000 | 23.7% | 96,017,000 | 76.3% |

* Allocated proportionally based on each utility's share of facility costs.

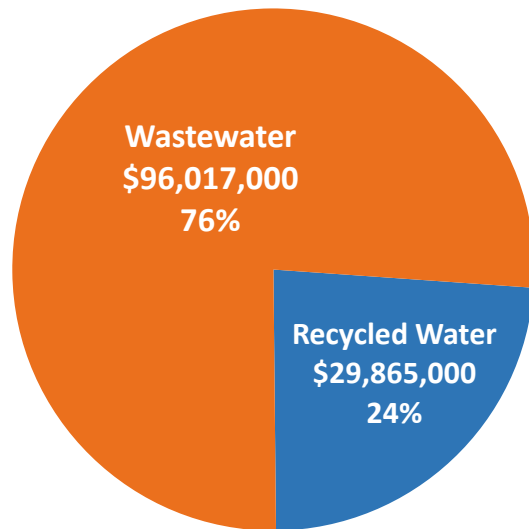


Table 3
 City of Morro Bay
 Water Reclamation Facility Project Costs by Fiscal Year

| | Prior Costs | Projected Costs | | | |
|----------------------------|-----------------|-----------------|------------|-------------|-------------|
| | Through 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Water Reclamation Facility | 3,163,000 | 28,072,000 | 30,651,000 | 15,378,000 | 0 |
| Conveyance Facilities | 745,000 | 1,277,000 | 18,012,000 | 11,287,000 | 0 |
| Recycled Water Facilities | 290,000 | 708,000 | 463,000 | 3,797,000 | 325,000 |
| General Program | 6,816,000 | 2,413,000 | 1,476,000 | 1,009,000 | 0 |
| Annual Total | 11,014,000 | 32,470,000 | 50,602,000 | 31,471,000 | 325,000 |
| Cumulative Total | 11,014,000 | 43,484,000 | 94,086,000 | 125,557,000 | 125,882,000 |

Source: Carollo Engineers 09/25/19

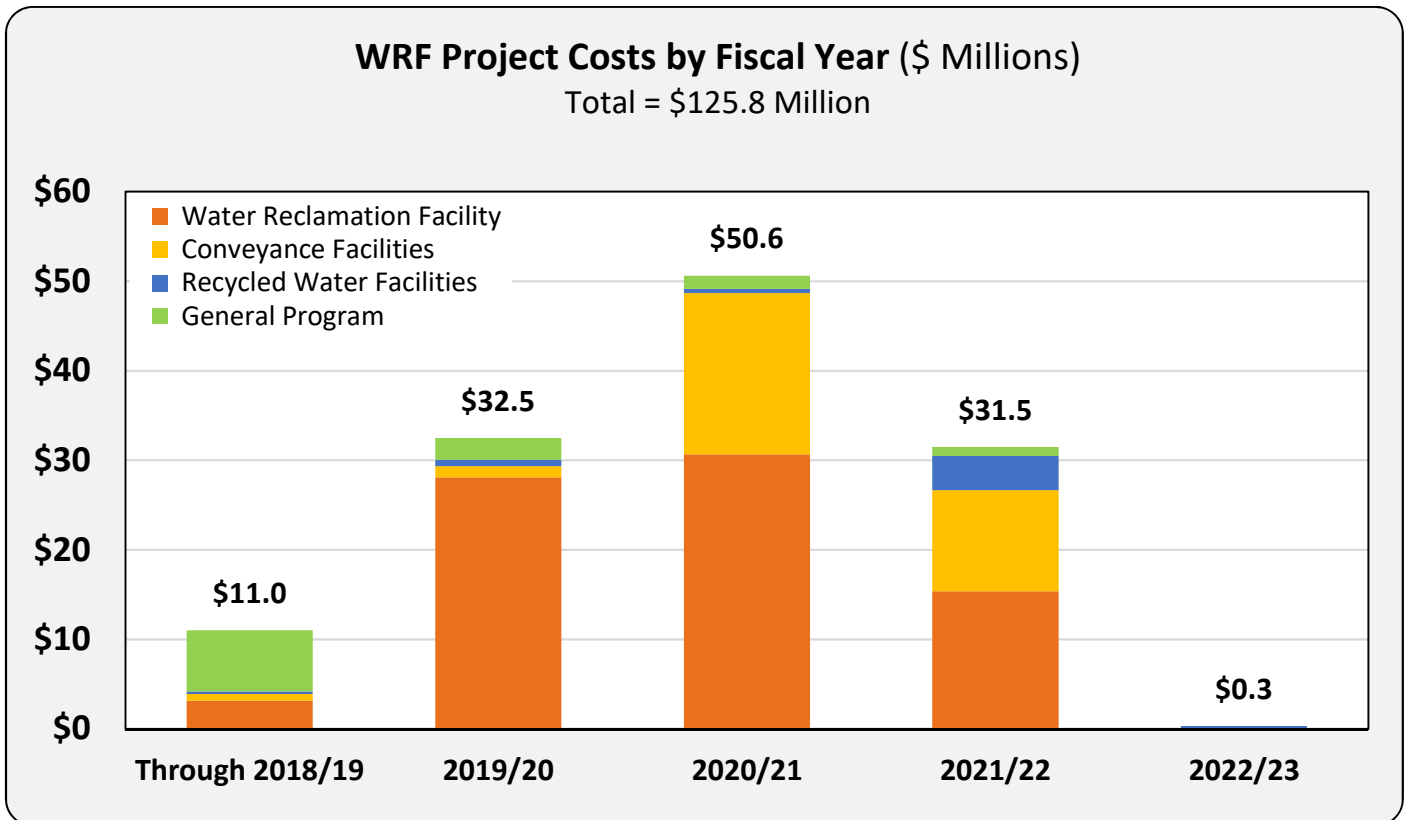


Table 4
City of Morro Bay
Estimated WRF Cost Allocation by Fiscal Year

| | Prior Costs | Projected Costs | | | |
|------------------------------|------------------|-----------------|------------|-------------|-------------|
| | Through 06/30/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| TOTAL COST | | | | | |
| Water Reclamation Facility | 3,163,000 | 28,072,000 | 30,651,000 | 15,378,000 | 0 |
| Conveyance Facilities | 745,000 | 1,277,000 | 18,012,000 | 11,287,000 | 0 |
| Recycled Water Facilities | 290,000 | 708,000 | 463,000 | 3,797,000 | 325,000 |
| General Program | 6,816,000 | 2,413,000 | 1,476,000 | 1,009,000 | 0 |
| Annual Total | 11,014,000 | 32,470,000 | 50,602,000 | 31,471,000 | 325,000 |
| Cumulative Total | 11,014,000 | 43,484,000 | 94,086,000 | 125,557,000 | 125,882,000 |
| SEWER COST ALLOCATION | | | | | |
| Water Reclamation Facility | 2,246,000 | 19,931,000 | 21,762,000 | 10,918,000 | 0 |
| Conveyance Facilities | 745,000 | 1,277,000 | 18,012,000 | 11,287,000 | 0 |
| Recycled Water Facilities | 0 | 0 | 0 | 0 | 0 |
| General Program | 5,725,000 | 2,027,000 | 1,240,000 | 847,000 | 0 |
| Annual Subtotal Sewer | 8,716,000 | 23,235,000 | 41,014,000 | 23,052,000 | 0 |
| Cumulative Sewer | 8,716,000 | 31,951,000 | 72,965,000 | 96,017,000 | 96,017,000 |
| WATER COST ALLOCATION | | | | | |
| Water Reclamation Facility | 917,000 | 8,141,000 | 8,889,000 | 4,460,000 | 0 |
| Conveyance Facilities | 0 | 0 | 0 | 0 | 0 |
| Recycled Water Facilities | 290,000 | 708,000 | 463,000 | 3,797,000 | 325,000 |
| General Program | 1,091,000 | 386,000 | 236,000 | 162,000 | 0 |
| Annual Subtotal Water | 2,298,000 | 9,235,000 | 9,588,000 | 8,419,000 | 325,000 |
| Cumulative Water | 2,298,000 | 11,533,000 | 21,121,000 | 29,540,000 | 29,865,000 |

Estimated allocation of costs to sewer and water enterprises.

Table 5
 City of Morro Bay
 Water Reclamation Facility Projected Funding Sources

| | Total | % of Total | Water | % of Total | Wastewater | % of Total |
|----------------------------------|-------------------|--------------|------------------|-------------|-------------------|--------------|
| WRF Total Project Costs | \$125,882,000 | | \$29,865,000 | 23.7% | 96,017,000 | 76.3% |
| Projected Funding Sources | | | | | | |
| WIFIA Loan | 48,500,000 | 38.5% | 13,200,000 | 44.2% | 35,300,000 | 36.8% |
| SRF Loans* | 48,500,000 | 38.5% | 13,200,000 | 44.2% | 35,300,000 | 36.8% |
| SRF Grant | 5,000,000 | 4.0% | 1,186,000 | 4.0% | 3,814,000 | 4.0% |
| Cash Funding | <u>23,882,000</u> | <u>19.0%</u> | <u>2,279,000</u> | <u>7.6%</u> | <u>21,603,000</u> | <u>22.5%</u> |
| Total | 125,882,000 | 100.0% | 29,865,000 | 100.0% | 96,017,000 | 100.0% |

* Assumes outstanding SRF Planning Loan is rolled into a 30-year SRF Loan.

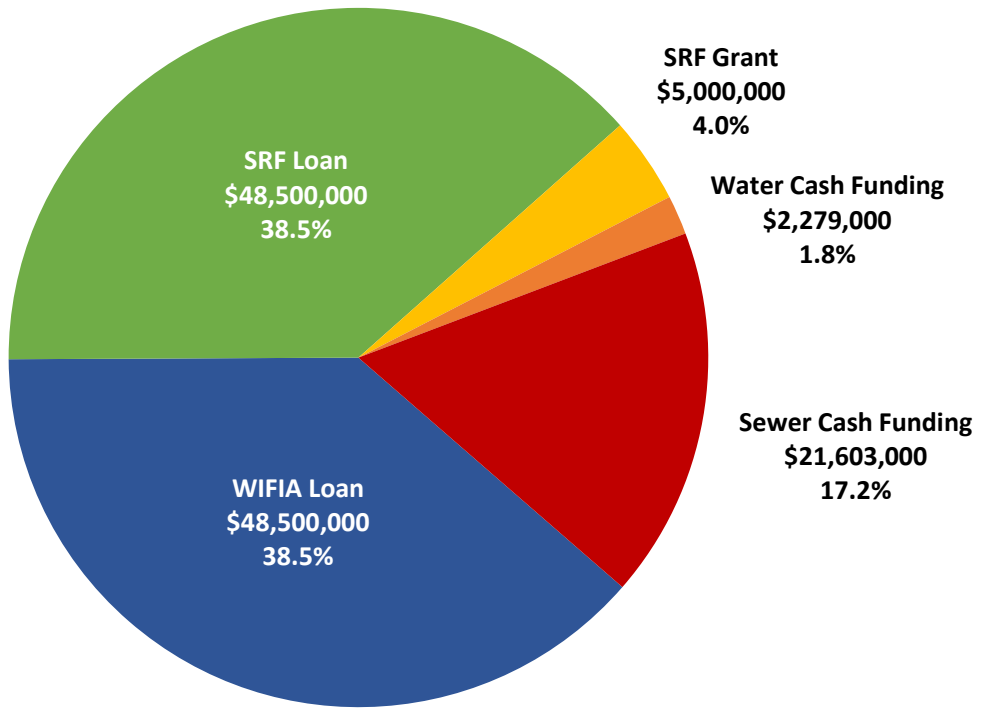


Table 6
 City of Morro Bay
 WIFIA Loan Debt Service Estimates

| | | |
|---|-----------------------------------|--------------|
| Sources | | |
| WIFIA Loan Principal | | \$50,549,000 |
| Uses | | |
| Project Funding | projected | \$48,500,000 |
| Application/Credit Reimbursement Fee | estimated | 300,000 |
| Other Issuance Costs (est) | estimated | 50,000 |
| Accrued Interest During Construction ¹ | estimated | 1,670,000 |
| Debt-Funded Reserve Fund | not initially required | 0 |
| Contingency/Rounding | | 29,000 |
| Total Uses | | 50,549,000 |
| Financing Terms | | |
| Repayment Term (Years) | | 30 |
| Interest Rate | estimated at current rate + 0.15% | 2.20% |
| Annual Debt Service | | 2,320,000 |
| <hr style="width: 20%; margin-left: 0;"/> Estimates shown for financial planning purposes, actual costs and rates may vary. | | |

Table 7
 City of Morro Bay
 SRF Loan Debt Service Estimates

| | | |
|--|--|--------------|
| <u>Sources</u> | | |
| SRF Loan Principal | | \$49,769,000 |
| <u>Uses</u> | | |
| Project Funding | projected | \$48,500,000 |
| Application/Credit Reimbursement Fee | | 0 |
| Other Issuance Costs (est) | estimated | 50,000 |
| Accrued Interest During Construction ¹ | estimated | 1,200,000 |
| Debt-Funded Reserve Fund | | 0 |
| Contingency/Rounding | | 19,000 |
| Total Uses | | 49,769,000 |
| <u>Financing Terms</u> | | |
| Repayment Term (Years) | | 30 |
| Interest Rate ² | estimated at current rate +0.30% | 1.60% |
| Annual Debt Service | | 2,102,000 |
| Debt Service Requirement | City must set aside 1 year of debt service at least 90 days prior to project completion date | 2,102,000 |
| <p>Estimates shown for financial planning purposes, actual costs and rates may vary. Assumes SRF Planning Loan is rolled into a 30-year SRF Loan.</p> | | |

Note: SRF interest rate as of 09/27/19 = 1.3%; rate is subject to change.

Table 8

City of Morro Bay

Debt Service Amortization Schedules

Total WRF Debt

| Fiscal Year Ending | WIFIA Loan | SRF Loan | Total Debt Service |
|--------------------|--------------|--------------|--------------------|
| Project \$ | \$48,500,000 | \$48,500,000 | \$97,000,000 |
| Repymt Term | 30 Years | 30 Years | |
| Interest Rate | 2.20% | 1.60% | |
| 2021 | - | - | - |
| 2022 | - | - | - |
| 2023 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2024 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2025 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2026 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2027 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2028 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2029 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2030 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2031 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2032 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2033 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2034 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2035 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2036 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2037 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2038 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2039 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2040 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2041 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2042 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2043 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2044 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2045 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2046 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2047 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2048 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2049 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2050 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2051 | 2,320,000 | 2,102,000 | 4,422,000 |
| 2052 | 2,320,000 | 2,102,000 | 4,422,000 |

Table 9
 City of Morro Bay
 Sewer Debt Service Allocation

Sewer Share of Debt

| Fiscal Year Ending | WIFIA Loan | SRF Loan | Total Debt Service |
|-----------------------|-----------------------|-----------------------|--------------------|
| Sewer \$ % of Loan | \$35,300,000 72.8% | \$35,300,000 72.8% | \$70,600,000 |
| 2021 | - | - | - |
| 2022 | - | - | - |
| 2023 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2024 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2025 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2026 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2027 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2028 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2029 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2030 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2031 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2032 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2033 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2034 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2035 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2036 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2037 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2038 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2039 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2040 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2041 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2042 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2043 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2044 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2045 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2046 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2047 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2048 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2049 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2050 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2051 | 1,689,000 | 1,530,000 | 3,219,000 |
| 2052 | 1,689,000 | 1,530,000 | 3,219,000 |

Table 10
City of Morro Bay
Water Debt Service Allocation

Water Share of Debt

| Fiscal Year Ending | WIFIA Loan | SRF Loan | Total Debt Service |
|--------------------|--------------|--------------|--------------------|
| Water \$ | \$13,200,000 | \$13,200,000 | \$26,400,000 |
| Water % | 27.2% | 27.2% | |
| 2021 | - | - | - |
| 2022 | - | - | - |
| 2023 | 631,000 | 572,000 | 1,203,000 |
| 2024 | 631,000 | 572,000 | 1,203,000 |
| 2025 | 631,000 | 572,000 | 1,203,000 |
| 2026 | 631,000 | 572,000 | 1,203,000 |
| 2027 | 631,000 | 572,000 | 1,203,000 |
| 2028 | 631,000 | 572,000 | 1,203,000 |
| 2029 | 631,000 | 572,000 | 1,203,000 |
| 2030 | 631,000 | 572,000 | 1,203,000 |
| 2031 | 631,000 | 572,000 | 1,203,000 |
| 2032 | 631,000 | 572,000 | 1,203,000 |
| 2033 | 631,000 | 572,000 | 1,203,000 |
| 2034 | 631,000 | 572,000 | 1,203,000 |
| 2035 | 631,000 | 572,000 | 1,203,000 |
| 2036 | 631,000 | 572,000 | 1,203,000 |
| 2037 | 631,000 | 572,000 | 1,203,000 |
| 2038 | 631,000 | 572,000 | 1,203,000 |
| 2039 | 631,000 | 572,000 | 1,203,000 |
| 2040 | 631,000 | 572,000 | 1,203,000 |
| 2041 | 631,000 | 572,000 | 1,203,000 |
| 2042 | 631,000 | 572,000 | 1,203,000 |
| 2043 | 631,000 | 572,000 | 1,203,000 |
| 2044 | 631,000 | 572,000 | 1,203,000 |
| 2045 | 631,000 | 572,000 | 1,203,000 |
| 2046 | 631,000 | 572,000 | 1,203,000 |
| 2047 | 631,000 | 572,000 | 1,203,000 |
| 2048 | 631,000 | 572,000 | 1,203,000 |
| 2049 | 631,000 | 572,000 | 1,203,000 |
| 2050 | 631,000 | 572,000 | 1,203,000 |
| 2051 | 631,000 | 572,000 | 1,203,000 |
| 2052 | 631,000 | 572,000 | 1,203,000 |

Table 11 - City of Morro Bay - Sewer Cash Flow Projections

WRF + Recycling (WIFIA & SRF)

| | Estimated 2018/19 | Projected | | | |
|--|----------------------|--------------------|---------------------|---------------------|--------------------|
| | | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Monthly Single Family Sewer Charge | \$77.00 | \$83.00 | \$83.00 | \$83.00 | \$83.00 |
| <i>Sewer Rate Adjustment %</i> | <i>10.0%</i> | <i>7.8%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> |
| Monthly Single Family Surcharge | | \$25.00 | \$25.00 | \$25.00 | \$25.00 |
| Beginning Sewer Accounts | 5,351 | 5,356 | 5,361 | 5,366 | 5,371 |
| Growth: Single Family Equivalents | 5 | 5 | 5 | 5 | 5 |
| Growth % | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Sewer Development Impact Fee | \$5,550 | \$5,660 | \$5,770 | \$5,890 | \$6,010 |
| Interest Earnings Rate | 2.25% | 2.0% | 2.0% | 2.0% | 2.0% |
| Cost Escalation | | 4.0% | 4.0% | 4.0% | 4.0% |
| Beginning Sewer Fund Reserves | \$8,191,000 | \$8,891,000 | \$12,506,000 | \$13,774,000 | \$6,169,000 |
| REVENUES | | | | | |
| Sewer Service Charges | 6,892,000 | 7,436,000 | 7,443,000 | 7,450,000 | 7,457,000 |
| Sewer WRF Facility Surcharges | 0 | 2,173,000 | 2,173,000 | 2,173,000 | 2,173,000 |
| Development Impact Fees | 43,000 | 28,000 | 29,000 | 29,000 | 30,000 |
| Interest Earnings | 184,000 | 178,000 | 250,000 | 275,000 | 123,000 |
| Rental Income/Other (Excl Penalties) | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Subtotal | 7,159,000 | 9,855,000 | 9,935,000 | 9,967,000 | 9,823,000 |
| <u>WRF Debt Financing</u> | | | | | |
| WIFIA Loan Proceeds: Sewer | | 10,300,000 | 18,000,000 | 7,000,000 | |
| SRF Planning Loan: Sewer | | 10,300,000 | | | |
| SRF Loan Proceeds: Sewer | | | 18,000,000 | 7,000,000 | |
| EXPENSES | | | | | |
| Operating & Maintenance | | | | | |
| Sewer Collection | 830,000 | 1,078,000 | 1,121,000 | 1,166,000 | 1,213,000 |
| Wastewater Treatment: Existing Plant | 1,768,000 | 2,600,000 | 2,704,000 | 1,410,000 | 0 |
| <i>Less Cayucos SD Reimbursements</i> | <i>(442,000)</i> | <i>(652,000)</i> | <i>(676,000)</i> | <i>0</i> | <i>0</i> |
| Wastewater Treatment: New WRF | - | - | - | 1,800,000 | 3,368,000 |
| Conveyance to New WRF | - | - | - | 140,000 | 288,000 |
| Transfers to General Fund/Other | 227,000 | 244,000 | 254,000 | 264,000 | 275,000 |
| Subtotal | 2,383,000 | 3,270,000 | 3,403,000 | 4,780,000 | 5,144,000 |
| Debt Service | | | | | |
| WIFIA Loan: Sewer Share | - | - | - | - | 1,689,000 |
| SRF Loan: Sewer Share | - | - | - | - | 1,530,000 |
| Subtotal | 0 | 0 | 0 | 0 | 3,219,000 |
| Capital Improvements | | | | | |
| Sewer WRF Project Costs | 3,900,000 | 23,235,000 | 41,014,000 | 23,052,000 | 0 |
| Sewer System Pay-Go CIP | 98,000 | 285,000 | 200,000 | 2,160,000 | 210,000 |
| Vehicle/Equipment Replacement | 0 | 50,000 | 50,000 | 50,000 | 50,000 |
| Subtotal | 3,998,000 | 23,570,000 | 41,264,000 | 25,262,000 | 260,000 |
| Total Sewer Expenses | 6,381,000 | 26,840,000 | 44,667,000 | 30,042,000 | 8,623,000 |
| Revenues Less Expenses | 778,000 | 3,615,000 | 1,268,000 | (6,075,000) | 1,200,000 |
| Transfer Out for SRF Reserve Requirement | - | - | - | (1,530,000) | - |
| Ending Sewer Fund Reserves | 8,969,000 | 12,506,000 | 13,774,000 | 6,169,000 | 7,369,000 |
| Ending SRF Fund Reserves | - | - | - | 1,530,000 | 1,530,000 |
| Debt Service Coverage | - | - | - | - | 1.45 |

Table 11 - City of Morro Bay - Sewer Cash Flow Projections

WRF + Recycling (WIFIA & SRF)

| | Projected | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
| Monthly Residential Sewer Charge | \$83.00 | \$85.50 | \$88.00 | \$90.50 | \$93.00 |
| <i>Sewer Rate Adjustment %</i> | <i>0.0%</i> | <i>3.0%</i> | <i>2.9%</i> | <i>2.8%</i> | <i>2.8%</i> |
| Monthly Single Family WRF Surcharge | \$25.00 | \$25.00 | \$25.00 | \$25.00 | \$25.00 |
| Beginning Sewer Accounts | 5,376 | 5,381 | 5,386 | 5,391 | 5,396 |
| Growth: Single Family Equivalents | 5 | 5 | 5 | 5 | 5 |
| Growth % | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Sewer Development Impact Fee | \$6,130 | \$6,250 | \$6,380 | \$6,510 | \$6,640 |
| Interest Earnings Rate | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Cost Escalation | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Beginning Sewer Fund Reserves | \$7,369,000 | \$7,610,000 | \$7,845,000 | \$8,065,000 | \$8,259,000 |
| REVENUES | | | | | |
| Sewer Service Charges | 7,464,000 | 7,696,000 | 7,928,000 | 8,161,000 | 8,394,000 |
| Sewer WRF Facility Surcharges | 2,173,000 | 2,173,000 | 2,173,000 | 2,173,000 | 2,173,000 |
| Development Impact Fees | 31,000 | 31,000 | 32,000 | 33,000 | 33,000 |
| Interest Earnings | 153,000 | 158,000 | 163,000 | 167,000 | 171,000 |
| Rental Income/Penalties/Other | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Subtotal | 9,861,000 | 10,098,000 | 10,336,000 | 10,574,000 | 10,811,000 |
| <u>WRF Debt Financing</u> | | | | | |
| WIFIA Loan Proceeds: Sewer | | | | | |
| SRF Planning Loan: Sewer | | | | | |
| SRF Loan Proceeds: Sewer | | | | | |
| EXPENSES | | | | | |
| Operating & Maintenance | | | | | |
| Sewer Collection | 1,262,000 | 1,312,000 | 1,364,000 | 1,419,000 | 1,476,000 |
| Wastewater Treatment Existing | 0 | 0 | 0 | 0 | 0 |
| <i>Less Cayucos SD Reimbursements</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Wastewater Treatment New WRF | 3,503,000 | 3,643,000 | 3,789,000 | 3,941,000 | 4,099,000 |
| Conveyance to New WRF | 300,000 | 312,000 | 324,000 | 337,000 | 350,000 |
| Transfers to General Fund/Other | 286,000 | 297,000 | 309,000 | 321,000 | 334,000 |
| Subtotal | 5,351,000 | 5,564,000 | 5,786,000 | 6,018,000 | 6,259,000 |
| Debt Service | | | | | |
| WIFIA Loan: Sewer Share | 1,689,000 | 1,689,000 | 1,689,000 | 1,689,000 | 1,689,000 |
| SRF Loan: Sewer Share | 1,530,000 | 1,530,000 | 1,530,000 | 1,530,000 | 1,530,000 |
| Subtotal | 3,219,000 | 3,219,000 | 3,219,000 | 3,219,000 | 3,219,000 |
| Capital Improvements | | | | | |
| Sewer WRF Project Costs | 0 | 0 | 0 | 0 | 0 |
| Sewer System Pay-Go CIP | 1,000,000 | 1,030,000 | 1,061,000 | 1,093,000 | 1,126,000 |
| Vehicle/Equipment Replacement | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Subtotal | 1,050,000 | 1,080,000 | 1,111,000 | 1,143,000 | 1,176,000 |
| Total Expenses | 9,620,000 | 9,863,000 | 10,116,000 | 10,380,000 | 10,654,000 |
| Revenues Less Expenses | 241,000 | 235,000 | 220,000 | 194,000 | 157,000 |
| Transfer Out for SRF Reserve Requirement | - | - | - | - | - |
| Ending Sewer Fund Reserves | 7,610,000 | 7,845,000 | 8,065,000 | 8,259,000 | 8,416,000 |
| Ending SRF Fund Reserves | 1,530,000 | 1,530,000 | 1,530,000 | 1,530,000 | 1,530,000 |
| Debt Service Coverage | 1.40 | 1.41 | 1.41 | 1.42 | 1.41 |

Table 12 - City of Morro Bay - Water Cash Flow Projections

WRF + Recycling (WIFIA & SRF)

| | Estimated 2018/19 | Projected | | | |
|---|----------------------|--------------------|--------------------|--------------------|--------------------|
| | | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Fixed Monthly Water Charge | \$30.00 | \$32.00 | \$32.00 | \$32.00 | \$32.00 |
| Water Rate Adjustment % | 7.1% | 6.7% | 0.0% | 0.0% | 0.0% |
| Fixed Monthly Single Family WRF Surcharge | - | \$16.00 | \$16.00 | \$16.00 | \$16.00 |
| Growth: Single Family Equivalents | 5 | 5 | 5 | 5 | 5 |
| Growth % | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Change in Water Sales | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Water Development Impact Fee | \$5,500 | \$5,610 | \$5,720 | \$5,830 | \$5,950 |
| Interest Earnings Rate | 2.25% | 2.0% | 2.0% | 2.0% | 2.0% |
| State Water Project Cost Escalation | | 4.0% | 4.0% | 4.0% | 4.0% |
| Operating Cost Escalation | | 4.0% | 4.0% | 4.0% | 4.0% |
| Beginning Water Fund Reserves | \$5,915,000 | \$5,103,000 | \$7,392,000 | \$9,338,000 | \$7,630,000 |
| REVENUES | | | | | |
| Water Service Charges | 5,501,000 | 5,873,000 | 5,878,000 | 5,883,000 | 5,888,000 |
| Water WRF Facility Surcharges | 0 | 1,654,000 | 1,654,000 | 1,654,000 | 1,654,000 |
| Development Impact Fees | 43,000 | 28,000 | 29,000 | 29,000 | 30,000 |
| Interest Earnings | 133,000 | 102,000 | 148,000 | 187,000 | 158,000 |
| Other (Excludes Penalties) | 242,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Subtotal | 5,919,000 | 7,757,000 | 7,809,000 | 7,853,000 | 7,830,000 |
| WRF Debt Financing | | | | | |
| WIFIA Loan Proceeds: Water | | 4,500,000 | 4,700,000 | 4,000,000 | |
| SRF Loan Proceeds: Water | | 4,500,000 | 4,700,000 | 4,000,000 | |
| EXPENSES | | | | | |
| Operating & Maintenance | | | | | |
| Water System Operations | 1,248,000 | 1,330,000 | 1,383,000 | 1,438,000 | 1,496,000 |
| State Water Project Payments | 2,260,000 | 2,380,000 | 2,475,000 | 2,574,000 | 2,677,000 |
| Transfers to General Fund/Other | 346,000 | 271,000 | 282,000 | 293,000 | 305,000 |
| Estimated State Water Fix Allocation | 0 | 150,000 | 150,000 | 0 | 0 |
| Recycled Water Operations | - | - | - | 125,000 | 226,000 |
| Subtotal | 3,854,000 | 4,131,000 | 4,290,000 | 4,430,000 | 4,704,000 |
| Debt Service | | | | | |
| WIFIA Loan: Water Share | - | - | - | - | 631,000 |
| SRF Loan: Water Share | - | - | - | - | 572,000 |
| Share of CCWA 2016 Bonds (Thru Oct-2021) | 670,000 | 670,000 | 670,000 | 670,000 | 0 |
| Subtotal | 670,000 | 670,000 | 670,000 | 670,000 | 1,203,000 |
| Capital Improvements | | | | | |
| Water WRF Project Costs | 1,600,000 | 9,235,000 | 9,588,000 | 8,419,000 | 325,000 |
| Water System Pay-Go CIP | 99,000 | 382,000 | 665,000 | 3,420,000 | 1,810,000 |
| Vehicle/Equipment Replacement | 0 | 50,000 | 50,000 | 50,000 | 50,000 |
| Subtotal | 1,699,000 | 9,667,000 | 10,303,000 | 11,889,000 | 2,185,000 |
| Total Expenses | 6,223,000 | 14,468,000 | 15,263,000 | 16,989,000 | 8,092,000 |
| Revenues Less Expenses | (304,000) | 2,289,000 | 1,946,000 | (1,136,000) | (262,000) |
| Transfer Out for SRF Reserve Requirement | - | - | - | (572,000) | - |
| Ending Water Fund Reserves | 5,611,000 | 7,392,000 | 9,338,000 | 7,630,000 | 7,368,000 |
| Ending SRF Fund Reserves | - | - | - | 572,000 | 572,000 |
| CCWA Bond Debt Service Coverage | 1.70 | 2.19 | 2.12 | 2.06 | - |
| Water WRF Debt Service Coverage | 3.08 | 5.41 | 5.25 | 5.11 | 2.60 |

Table 12 - City of Morro Bay - Water Cash Flow Projections

WRF + Recycling (WIFIA & SRF)

| | Projected | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
| Fixed Monthly Residential Water Charge | \$32.00 | \$32.00 | \$32.00 | \$33.00 | \$34.00 |
| Water Rate Adjustment % | 0.0% | 0.0% | 0.0% | 3.1% | 3.0% |
| Fixed Monthly Single Family WRF Surcharge | \$16.00 | \$16.00 | \$16.00 | \$16.00 | \$16.00 |
| Growth: Single Family Equivalents | 5 | 5 | 5 | 5 | 5 |
| Growth % | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Change in Water Sales | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Water Development Impact Fee | \$6,070 | \$6,190 | \$6,310 | \$6,440 | \$6,570 |
| Interest Earnings Rate | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| State Water Project Cost Escalation | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Operating Cost Escalation | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| Beginning Water Fund Reserves | \$7,368,000 | \$8,053,000 | \$8,533,000 | \$8,793,000 | \$9,005,000 |
| REVENUES | | | | | |
| Water Service Charges | 5,893,000 | 5,898,000 | 5,903,000 | 6,093,000 | 6,283,000 |
| Water WRF Facility Surcharges | 1,654,000 | 1,654,000 | 1,654,000 | 1,654,000 | 1,654,000 |
| Development Impact Fees | 30,000 | 31,000 | 32,000 | 32,000 | 33,000 |
| Interest Earnings | 153,000 | 167,000 | 176,000 | 181,000 | 186,000 |
| Other (Excludes Penalties) | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Subtotal | 7,830,000 | 7,850,000 | 7,865,000 | 8,060,000 | 8,256,000 |
| <u>WRF Debt Financing</u> | | | | | |
| WIFIA Loan Proceeds: Water | | | | | |
| SRF Loan Proceeds: Water | | | | | |
| EXPENSES | | | | | |
| Operating & Maintenance | | | | | |
| Water System Operations | 1,556,000 | 1,618,000 | 1,683,000 | 1,750,000 | 1,820,000 |
| State Water Project Payments | 2,784,000 | 2,895,000 | 3,011,000 | 3,131,000 | 3,256,000 |
| Transfers to General Fund/Other | 317,000 | 330,000 | 343,000 | 357,000 | 371,000 |
| Estimated State Water Fix Allocation | 0 | 0 | 0 | 0 | 0 |
| Recycled Water Operations | 235,000 | 244,000 | 254,000 | 264,000 | 275,000 |
| Subtotal | 4,892,000 | 5,087,000 | 5,291,000 | 5,502,000 | 5,722,000 |
| Debt Service | | | | | |
| WIFIA Loan: Water Share | 631,000 | 631,000 | 631,000 | 631,000 | 631,000 |
| SRF Loan: Water Share | 572,000 | 572,000 | 572,000 | 572,000 | 572,000 |
| Share of CCWA 2016 Bonds | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 1,203,000 | 1,203,000 | 1,203,000 | 1,203,000 | 1,203,000 |
| Capital Improvements | | | | | |
| Water WRF Project Costs | 0 | 0 | 0 | 0 | 0 |
| Water System Pay-Go CIP | 1,000,000 | 1,030,000 | 1,061,000 | 1,093,000 | 1,126,000 |
| Vehicle/Equipment Replacement | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Subtotal | 1,050,000 | 1,080,000 | 1,111,000 | 1,143,000 | 1,176,000 |
| Total Expenses | 7,145,000 | 7,370,000 | 7,605,000 | 7,848,000 | 8,101,000 |
| Revenues Less Expenses | 685,000 | 480,000 | 260,000 | 212,000 | 155,000 |
| Transfer Out for SRF Reserve Requirement | - | - | - | - | - |
| Ending Water Fund Reserves | 8,053,000 | 8,533,000 | 8,793,000 | 9,005,000 | 9,160,000 |
| Ending SRF Fund Reserves | 572,000 | 572,000 | 572,000 | 572,000 | 572,000 |
| CCWA Bond Debt Service Coverage | - | - | - | - | - |
| Water WRF Debt Service Coverage | 2.44 | 2.30 | 2.14 | 2.13 | 2.11 |