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FISCAL IMPACT ANALYSIS

**San Bernardino County Service Area 79
Reorganization**

DRAFT FOR COUNTY REVIEW
November 2, 2018

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DRAFT

INTRODUCTION

The County of San Bernardino (“County”) is considering reorganizing County Service Area (“CSA”) 79, a dependent special district of the County. CSA 79 provides sewer and road maintenance services to a portion of the Hilltop community near Green Valley Lake in the San Bernardino Mountains. The reorganization would annex CSA 79 territory into the Running Springs Water District (“RSWD”), an independent special district that would take over sewer services. A new zone within CSA 70 would be created to continue providing road maintenance services through the County’s Special Districts Department. Figure 1 presents a map of each district.

The reorganization of CSA 79 has been discussed for decades as a way to provide more efficient services to residents, most recently in a Municipal Service Review (“MSR”) on water completed by the Local Agency Formation Commission for San Bernardino County (“LAFCO”) in July 2017. Residents of CSA 79 requested that the County and RSWD proceed with the reorganization. County Second District Supervisor Janice Rutherford’s office hired RSG to conduct a Fiscal Impact Analysis (“Analysis”) to assess the financial, operational, and political implications of reorganization.

RSG prepared this Analysis in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §§56000 et seq.) (“CKH Act”) and the Annexation, Detachment, and Reorganization Proposals form provided in LAFCO’s Policy & Procedures Manual. It examines the revenues and financial obligations of CSA 79, considering changes in revenues and expenditures by category over a five-year period from Fiscal Years (“FY”) 2012-13 through 2016-17. This Analysis presents ten-year financial projections for CSA 79 and RSWD sewer services, both as independent agencies and with sewer services consolidated under RSWD. The purpose of the Analysis is to assist the County and others in making a balanced and well-informed decision on merits of the proposed CSA 79 reorganization.

CSA 79 & RSWD BACKGROUND

COUNTY SERVICE AREA 79 (CSA 79)

HISTORY AND OVERVIEW

CSA 79 Green Valley Lake was established by the Board of Supervisors on September 7, 1971 to provide sewer and fire protection services. Fire protection services were later removed, as explained in the following section. CSA 79 R-1 Green Valley was established by the Board of Supervisors on September 14, 1993 to maintain 0.65 miles of paved roads. Collectively, CSA 79 segregates these two components with separate funds and budgets: “CSA 79 Green Valley Lake” and “CSA 79 R-1 Green Valley” (collectively referred to as “CSA 79”).

POWERS AND SERVICES

While CSA 79 is responsible for all sewer services in the district territory, CSA 79 does not do so independently. CSA 79 maintains a sewer collection system and interceptor; sewage treatment is provided through an agreement with RSWD. The original Wastewater Transportation, Treatment and Disposal Agreement, dated January 20, 1977, expired on May 9, 2017. RSWD continues to provide wastewater services to CSA 79 pursuant to Ordinance No. 47 adopted by the RSWD Board of Supervisors on March 20, 2017. CSA 79 and RSWD are currently negotiating a new Wastewater Transportation, Treatment and Disposal Agreement that is pending approval.

CSA 79 sewer collection services are funded mostly by service charges to 1,227 equivalent dwelling units (“EDUs”) in the Green Valley Lake area of the San Bernardino mountains. Other revenues include special

assessments for a standby fee charged to 392 parcels that have the ability to connect to the sewer system but have not because they remain undeveloped. CSA 79 also collects a small amount of revenues from interest and fees.

CSA 79 R-1 provides road maintenance, paving, and snow removal for Meadow Lane, a 0.65-mile paved road in the “The Meadow” area of Green Valley Lake. On August 7, 2007, voters approved an annual \$352 per parcel special tax with a 2.5% inflationary factor to fund these services. The FY 2018-19 special tax is \$461.87, billed on 63 parcels.

The same year in which the voters approved the special tax for road services, CSA 79 coincidentally ceased to provide fire services to within its territory, as a result of the LAFCO approval of the reorganization of fire services throughout the County that resulted in the formation of San Bernardino County Fire Protection District and the Fire District’s Mountain Service Zone.

GOVERNANCE AND STAFFING

CSA 79 is overseen by the Board of Supervisors and has no employees or payroll. It operates with personnel and supplies from CSA 70 within the County Special Districts Department. Although CSA 70 has multiple staff members that contribute to CSA 79 operations, CSA 79 funds the equivalent of one full-time staff position.

BUDGET

CSA 79’s FY 2018-19 Recommended Budget was \$1,138,960 for sewer services (Fund 4850) and \$47,168 for road maintenance (Fund 1798), or \$1,186,128 total.

Of the CSA 79 sewer budget, \$967,493 is funded from service charges, \$24,892 from other sources such as interest, and \$146,575 is contributed from fund balances. Special Districts noted that approximately \$225,000 to \$250,000 of the budget is a cushion for as-needed repairs, therefore it may not be necessary to use the sewer fund balance.

Of the CSA 79 R-1 road maintenance budget, \$31,448 is funded primarily from the special tax (a small portion of this amount is from other sources such as investment earnings) and \$15,720 is contributed from fund balances.

CSA 79 Budget for 2018-19			
	<i>CSA 79 Sewer</i>	<i>CSA 79 R-1</i>	<i>Total</i>
Expenditures	\$1,138,960	\$47,168	\$1,186,128
Revenues	992,385	31,448	1,023,833
Use of Net Position	146,575	\$15,720	\$162,295

RUNNING SPRINGS WATER DISTRICT (RSWD)

HISTORY AND OVERVIEW

RSWD is an independent special district formed in March 1958 to provide retail water to its constituents. RSWD established a Fire Department in 1962 to provide fire protection services. A sewage disposal system was completed in 1976 to provide sewer service. Ambulance service was established in 1976.

POWERS AND SERVICES

RSWD operates three departments: a water department that provides retail water distribution, a fire department that provides fire protection and ambulance services, and a wastewater department that collects, treats, and disposes of wastewater. RSWD services a five-square mile area of unincorporated San Bernardino County that includes Running Springs, Enchanted Forest, and portions of Smiley Park and Fredalba of the Hilltop community. The FY 2018-19 Budget accounted for 2,884 residential EDUs and 85 commercial EDUs. RSWD's power and authority is regulated by Division 12, Sections 30000-33901 of the California Water Code.

GOVERNANCE AND STAFFING

RSWD is governed by a five-member Board of Directors elected from the community. A General Manager oversees five department heads: Fire Chief, Administration Supervisor, Water Division Supervisor, Collections Division Supervisor, and Treatment Division Supervisor. At the time the FY 2018-19 budget was adopted, RSWD had approximately 25 employees and an annual salaries and benefits payroll of approximately \$1.1 million.

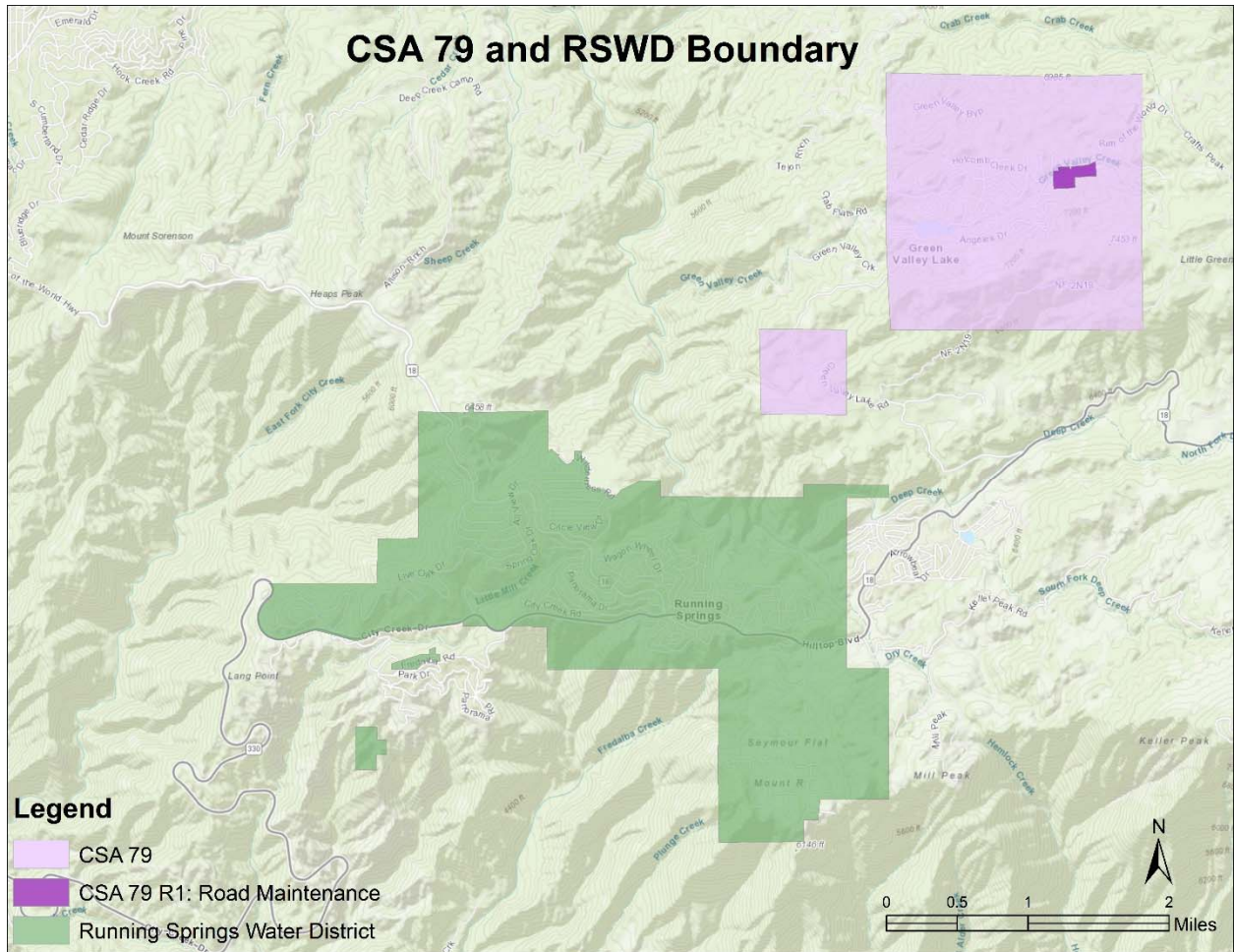
BUDGET

RSWD's budget for FY 2018-19 is \$1,120,223 for wastewater collection and \$1,277,627 for wastewater treatment, or \$2,346,276 total.

The wastewater collection budget is funded almost entirely by service charges and fees, with a small portion funded by interest income (\$4,500). The majority of the wastewater treatment budget is funded by service charges and fees to its rate payers. RSWD also receives revenues from wastewater treatment contracts with the Arrowbear Park County Water District ("Arrowbear") (\$191,294 budgeted) and CSA 79 (\$235,855 budgeted).

RSWD 2018-19 Budget	
Revenues	\$2,395,810
Expenditures	(2,288,017)
Use of Net Position	107,793

Figure 1. CSA 79 and RSWD Boundary Map



PLAN FOR SERVICES

The Preliminary Plan for Services describes services currently provided by CSA 79 and the proposed Plan for Services considered in this Analysis.

PRELIMINARY PLAN FOR SERVICES			
EXISTING PROVIDER	DESCRIPTION	CURRENT FUNDING & STAFFING	NEW PROVIDER
CSA 79: Sewer	CSA 79 maintains a sewer collection system and interceptor. Sewage treatment is provided through an agreement with RSWD.	Sewer services are funded through sewer fees. CSA 79 is staffed by pooled staff from CSA 70, and overseen by the County Board of Supervisors.	RSWD would take over sewer maintenance and collection and continue providing sewer treatment. All sewer-related activities would be staffed and funded by RSWD.
CSA 79 R-1: Road Maintenance	CSA 79 R-1 maintains and provides snow removal for Meadow Lane, a 0.65-mile paved road in the “The Meadow” area of Green Valley Lake.	Snow removal is funded by a special tax approved by voters in 2007 that increases each year for inflation. The 2017-18 special tax was \$450.60 per parcel, billed on 63 parcels. Road maintenance is staffed by CSA 70.	A new zone in CSA 70 would be created to continue providing road maintenance and services would continue to be provided by the County. The special tax would remain the same and be accounted for under the new CSA 70 zone. There would be no change to level of service, staffing, or Board oversight.

The earliest the reorganization could take effect is most likely FY 2020-21 based on LAFCO’s review schedule.

FISCAL IMPACT ANALYSIS

APPROACH & METHODOLOGY

This section of the Analysis provides a due diligence assessment of the financial issues involved in the proposed reorganization. It considers the following components required by the CKH:

- **Sufficiency of Revenues:** “The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change” (§56668(j)).
- **Public Service Costs:** “Public service costs of a proposal that the commission is authorizing are likely to be less than or substantially similar to the costs of alternative means of providing the service” (§56881(b)(1)).
- **Financial Accountability:** “A change of organization or reorganization that is authorized by the commission promotes public access and accountability for community services needs and financial resources” (§56881(b)(2)).

RSG prepared a historical trends analysis of CSA 79’s actual revenues and expenditures from FYs 2012-13 through 2016-17 using year-end audited financial reports, as well as budgeted amounts for FYs 2017-18 and

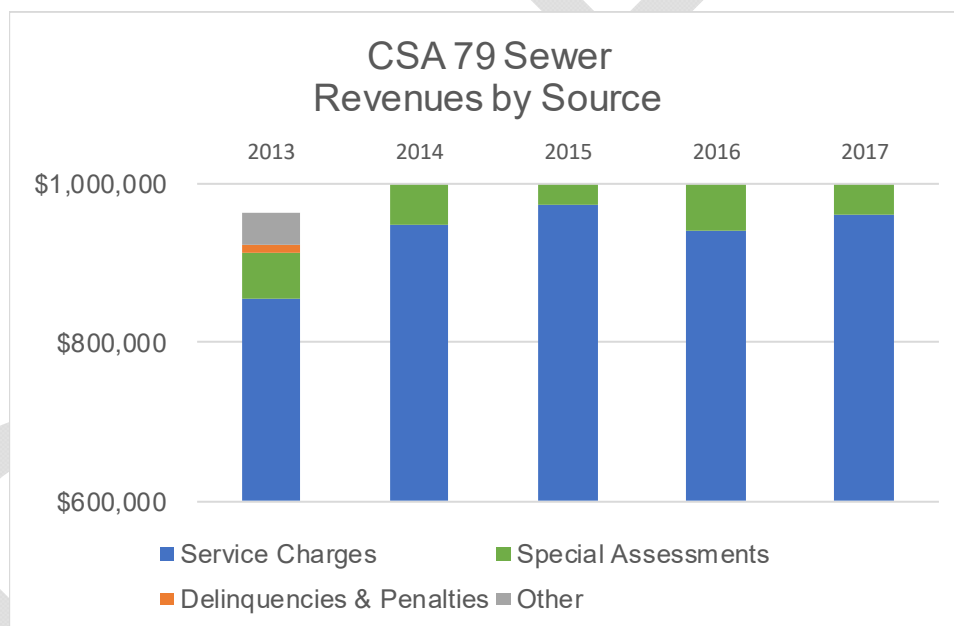
2018-19. This information was used to prepare ten-year cash flow projections for CSA 79 sewer services and RSWD as independent districts, and for RSWD providing consolidated sewer services. RSG did not prepare financial projections for CSA 79 R-1 road maintenance because these services would remain with County Special Districts in CSA 70.

The major findings are summarized in the following sections. Detailed tables are provided in the “Tables” section at the end of this report.

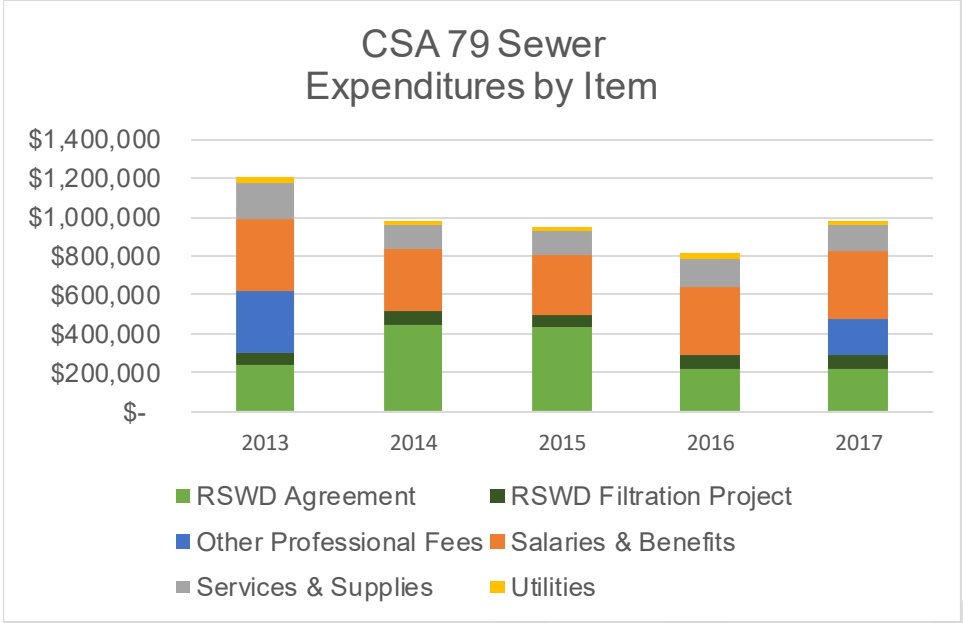
TRENDS ANALYSIS

CSA 79 SEWER

Over the past five years from FYs 2012-13 through 2016-17, revenues have grown by two percent, ranging from \$964,000 to \$1,064,000 per year. Sanitation service charges are the primary revenue source, accounting for 93 percent of total revenues in FY 2016-17. The current fee is \$65.77 monthly charged to 1,227 EDUs. Other revenue sources include non-recurring permit and inspection fees, connection fees, and other miscellaneous sources such as interest revenue. Table 1 at the end of this report presents a five-year history of CSA 79’s sewer revenues and expenditures.

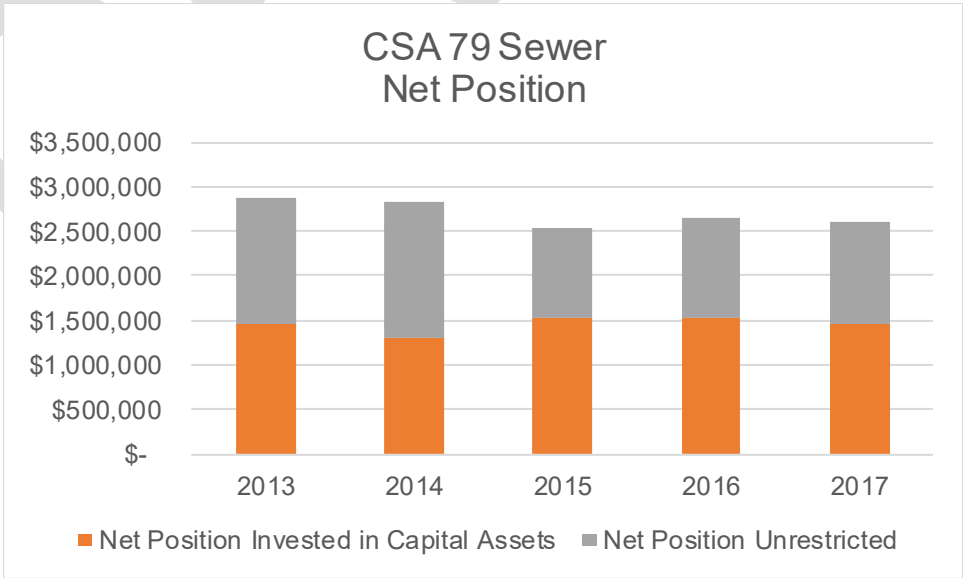


By contrast, total CSA 79 sewer expenditures have decreased by three percent over the past five years, ranging from \$950,000 to \$1.3 million per year with depreciation, or \$816,000 and \$1.2 million excluding depreciation. This Analysis focuses on expenditures excluding depreciation, which is a cost allocation for the depreciating value of assets. The largest expense was for operations and maintenance, which comprised 64 percent of expenditures (net of depreciation) in FY 2016-17. Operations and maintenance costs include the RSWD agreement for sewage treatment, professional fees and services (only incurred in 2012-13 and 2016-17), services and supplies, and utilities. Transfers out to the County for CSA 79’s proportionate share of pooled labor accounted for the remaining 36 percent of expenditures.



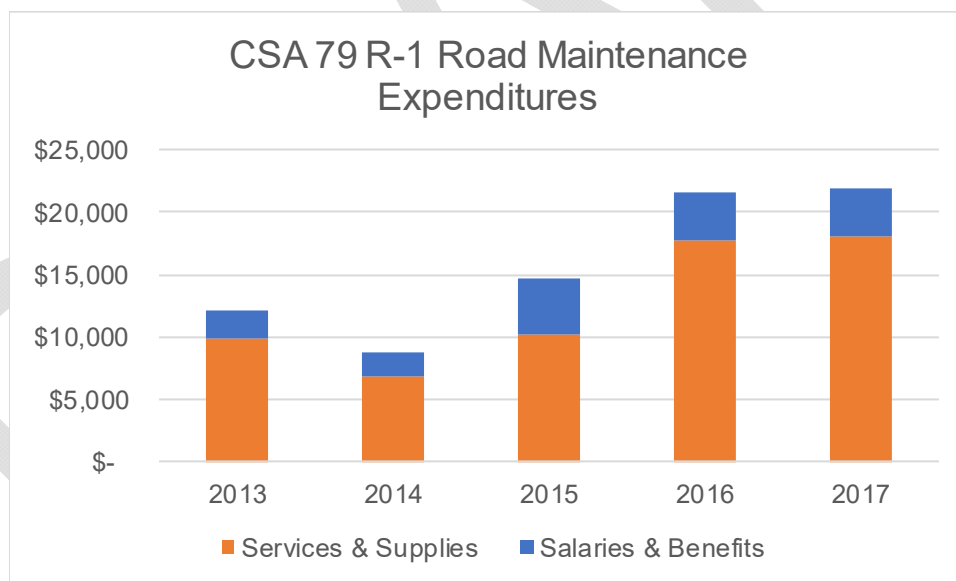
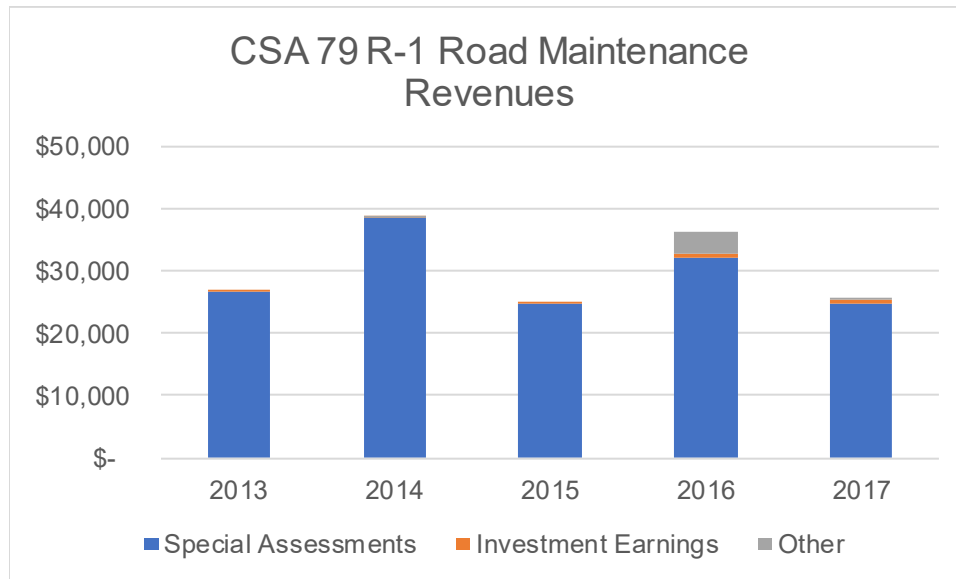
Although CSA 79's sewer fund shows a net operating deficit each year when comparing revenues minus expenditures, the loss is primarily attributable to depreciation. The fund had a positive net position over four of the past five years net of depreciation.

As of June 30, 2017, the fund had \$3 million in current assets, including approximately \$1.3 million in unrestricted cash, \$200,000 in receivables, and \$1.5 million in capital assets (primarily fixed infrastructure such as lift stations). Liabilities totaled approximately \$472,000, including \$194,920 in payables and a \$277,203 pension liability. As previously noted CSA 79 has no direct employees; the pension liability represents 3.67% of the Special District Department's proportionate share of the County's net pension liability. Table 2 at the end of this report presents CSA 79's assets, liabilities, and net position from FYs 2012-13 through 2016-17.

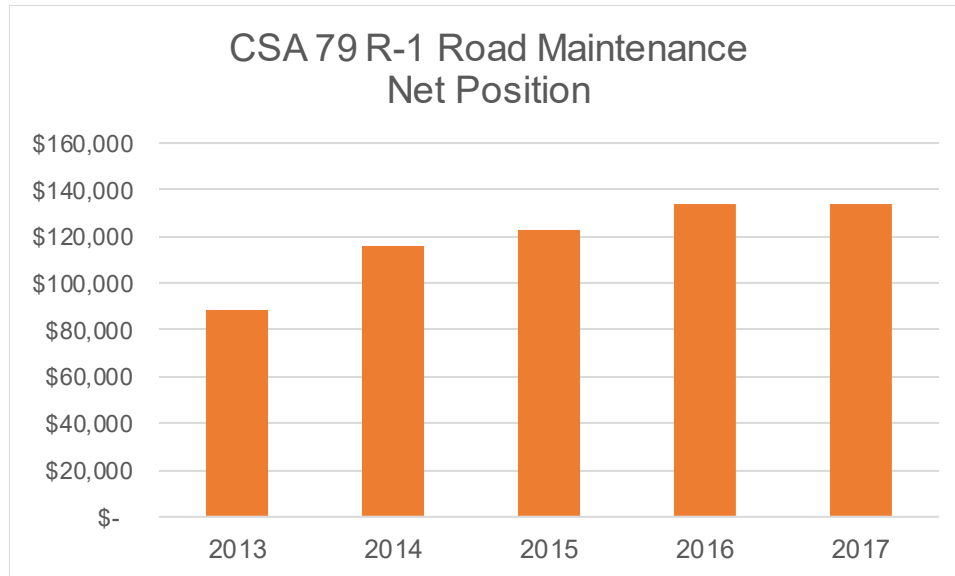


CSA 79 R-1 ROAD MAINTENANCE

CSA 79 R-1 Road Maintenance is funded primarily by the special parcel tax. Revenues ranged between \$25,000 to \$39,000 over the past five years, and expenditures ranged between \$8,800 and \$22,000. The largest expense is services and supplies.



The fund had a positive net position with revenues exceeding expenditures each of the past five years. The cash balance was \$86,177 as of June 30, 2018. Tables 3 and 4 provide a detailed five-year history of revenues, expenditures, assets, liabilities, and net position from FYs 2012-13 through 2016-17.



The proposed reorganization of CSA 79 will have minimal impact on CSA 79 R-1 road maintenance services and operations since its services will remain with County Special Districts, and revenues have exceeded expenditures each of the past five years. Therefore, this Analysis does not include a baseline projection of revenues and expenditures for the CSA 79 R-1 road maintenance fund.

FORECAST ASSUMPTIONS

In order to prepare a baseline projection of revenues and expenditures for CSA 79 sewer services, RSG identified revenues and expenditures that are reasonably expected to continue into the future based on historic trends and consultations with the County Special District Department’s Finance Department. The following charts discuss the forecast methodology for projecting future values by category from fiscal years ending (“FYE”) in 2020 through 2029, considering actual revenues and expenditures from FYE 2013 through 2017 and budgeted figures from FYE 2018 and 2019.

CSA 79 SEWER REVENUES (INDEPENDENT)

ITEM	DESCRIPTION	FORECAST METHODOLOGY	DISCUSSION
Sanitation Services	Fees charged for CSA 79 sanitation services	<p>Monthly fee of \$65.77 increased by 3% annually between 2020 to 2024, then remains constant.</p> <p>Number of EDUs increase by 0.08% (1 EDU) annually, from 1,227 EDUs in 2018 and 2019 to 1,237 EDUs in 2029.</p>	<p>The County conducted a sewer rate study in March 2017 (completed by Black & Veatch) that resulted in recommendations to increase the current monthly sewer fee. Special Districts anticipates a potential increase of 3% annually over the next five years, pending Board of Supervisors consideration and approval. The rate has not been adjusted since FYE 2014.</p> <p>The study projected slight growth in EDUs based on a review of growth patterns in the district. RSG's EDU growth rate assumptions match the study.</p>
Special Assessments	Standby fee charged to 392 parcels that have ability to connect but are undeveloped	\$50,000 per year	Special assessment revenues averaged \$61,000 from FYE 2013-2017, ranging from \$48,000 to \$75,000. The County budgeted \$53,000 for 2019. The projections estimate \$50,000 per year.
Penalties & Delinquent Taxes	Penalties for late fees or taxes	\$14,500 per year	Revenues from penalties averaged \$13,000 from FYE 2013-2017, ranging from \$3,300 to \$23,000. The audited financials do not identify revenues from delinquent taxes. The County budgeted \$14,500 from both sources combined in FYE 2018 and 2019. The projections assume 0% growth in these revenues.
Permit & Inspection Fees	Permit and inspection fees for new development	\$75 per new EDU, assuming 1 new EDU annually	CSA 79 received \$75 in annual revenues in this category in FYE 2013, 2014, and 2017. Assume this is the average fee per new EDU.
Connection Fees	Fees charged to connect new EDUs	\$5,336 per new EDU, assuming 1 new EDU annually	Flat rate charged for new EDUs. Assume 1 new EDU connected annually.
Investment Earnings / Interest	Interest earned on cash in bank accounts	\$5,300 annually	Earnings over the past five years ranged from \$7,000 to \$17,000 annually. The County budgeted \$5,300 in FYE 2019. Assume no change.

ITEM	DESCRIPTION	FORECAST METHODOLOGY	DISCUSSION
Other	Miscellaneous revenues	\$5,000 per year	These revenues have varied widely since FYE 2013, ranging from \$500 to \$20,000 annually. The County budgeted \$5,000 for FYE 2019. Assume no change.

CSA 79 SEWER EXPENDITURES (INDEPENDENT)

ITEM	DESCRIPTION	FORECAST METHODOLOGY	DISCUSSION
RSWD Contract O&M	Payment to RSWD for wastewater treatment under negotiated agreement	\$242,724 in FYE 2019 increased by 0.08% annually	The RSWD agreement is being renegotiated for CSA 79 to pay a proportionate share of monthly costs based on average annual wastewater flow to Joint Use Facilities plus a peaking capacity factor of 28 percent. The estimated fee for FYE 2019 is \$20,227 per month, or \$242,724 annually. The projections assume the fee will grow by 0.08% annually to match the growth rate of EDUs in CSA 79. The actual rate will vary based on wastewater flow.
RSWD Contract CIP	Payment to RSWD for proportionate share of wastewater treatment capital improvements	RSWD budgeted CIP amounts through 2025 x CSA 79's share (21.086% as of FYE 2019). Held constant after FYE 2025.	CSA 79 pays for a proportionate share of RSWD wastewater treatment capital improvement projects (21.086% as of FYE 2019). RSWD's budget includes cash flow projections from FYE 2019 to 2025 that estimate annual capital improvement costs from FYEs 2019 to 2025. The CSA 79 projections in this Analysis multiply 21.086% by RSWD's budgeted CIP costs through 2025. The CIP costs are held constant after 2025.
Professional Services – O&M	Fees paid to third parties contracted for operating and maintenance expenses, including collection system inspection, cleaning, repair and replacement.	\$255,000 per year	Although this was not a reoccurring expense from FYE 2013 to 2017, the County has creating an ongoing maintenance procedure to incur annual costs in this category. The County budgeted \$217,000 and \$255,000 in FYE 2018 and 2019. The projections assume a \$255,000 expense annually.

ITEM	DESCRIPTION	FORECAST METHODOLOGY	DISCUSSION
Services & Supplies - Direct	Direct operating and maintenance costs such as equipment and grounds maintenance, tools, and infrastructure insurance.	FYE 2019 budgeted amount of \$46,822 increased by 1.5% annually for inflation	Over the past five years, direct & indirect costs ranged from \$116,000 to \$182,000, varying up and down each year. This Analysis assumes services and supply costs will continue to remain relatively constant, with a slight annual increase for inflation based on the average Consumer Price Index for the past five years.
Supplies & Services - Indirect	Transfers out to the County to pay CSA 79's proportionate share of indirect services & supplies, such as office overhead costs.	FYE 2019 budgeted amount of \$137,748 increased by 1.5% annually for inflation	This Analysis assumes services and supply costs will continue to remain relatively constant, with a slight annual increase for inflation based on the average Consumer Price Index for the past five years.
Salaries & Benefits	CSA 79's proportionate share of the County Special Districts Department's pooled employees	FYE 2019 budgeted amount of \$261,542 increased by 1.5% annually for inflation (average CPI-U for the Los Angeles region from 2013-2017).	Over the past five years, this expense ranged from \$306,000 to \$371,404, decreasing from FYEs 2013 to 2015 then increasing through 2017. This Analysis assumes salaries and benefits will increase for cost of living based on the average Consumer Price Index for the past five years.
Utilities	Utility costs	FYE 2019 budgeted amount of \$30,000 increased by 1.5% annually for inflation	Over the past five years, this expense ranged from \$25,000 to \$30,000. This Analysis assumes utilities will continue to remain relatively constant, with a slight annual increase for inflation based on the average Consumer Price Index for the past five years.
Operating Transfers Out – CIP Reserve	Transfers out to Capital Improvement Project Reserve Fund	\$200,000 annually	The County transfers available fund balances to a reserve to pay for Capital Improvement Projects as needed. \$202,200 and \$200,000 were budgeted for FYE 2018 and 2019. Assume no change.

Tables 5-A and 5-B present a ten-year projection of revenues and expenditures for CSA 79 continuing to operate as an independent district. It is discussed in greater detail in the "Baseline Budget Projections" section.

RSWD REVENUES & EXPENDITURES (INDEPENDENT)

Tables 6-A and 6-B present a ten-year projection of revenues and expenditures for RSWD continuing to operate as an independent district. RSWD revenues and expenditures were taken directly from the FYE 2018 and 2019 budgets for wastewater collection and treatment. RSWD's FYE 2019 budget includes cash flow projections from FYE 2019 through 2025, which assumes revenues will increase by zero percent and expenditures will increase by four percent annually. This Analysis assumes the same growth rates, with the exception of revenues from the CSA 79 agreement. The RSWD projections assume that CSA 79 revenues for its proportionate share of operating and maintenance costs and capital improvement projects will match the expenses projected for the same category in the CSA 79 projections in Table 5.

RSWD & CSA 79 CONSOLIDATED REVENUES

Tables 7-A and 7-B presents a ten-year projection of revenues and expenditures for RSWD with CSA 79 sewer services consolidated under the district. The following chart details the forecast methodology for projections under the consolidated model.

ITEM	DESCRIPTION	FORECAST METHODOLOGY	DISCUSSION
RSWD Service Charges	Fees charged for wastewater collection and treatment services to existing RSWD customers	Current fees with no increase in rates or EDUs.	Assume no growth in revenues to match cash flow model in RSWD's FYE 2019 budget. RSWD charges a \$44.49 base service charge to 2,969 residential and commercial units. An additional usage charge is billed at \$0.0469 x 15% of water usage for residential units and 1/3 of water usage for commercial units.
CSA 79 Service Charges	Fees charged for wastewater collection and treatment services to existing CSA 79 customers	Current fees of \$65.77 monthly with no increase in rates. Number of EDUs increased by 0.08% (1 EDU) annually, from 1,227 EDUs in 2018 and 2019 to 1,237 EDUs in 2029. Divided evenly between RSWD's Wastewater Collection and Wastewater Treatment budget categories.	RSWD has stated they do not plan to change CSA 79 sewer fees. This will be reevaluated after an initial transition period, however RSWD does not anticipate a need for an increase. The number is EDUs is assumed to grow at the same rate as CSA 79 operating independently.

ITEM	DESCRIPTION	FORECAST METHODOLOGY	DISCUSSION
CSA 79 Special Assessments and Penalties	CSA 79 Special Assessments, Penalties, and Delinquent Taxes	\$64,500 per year Allocated to RSWD's Wastewater Collection budget category.	Assume these are transferred to RSWD. Same budget assumptions as CSA 79 operating as an independent district.
RSWD Other Revenues – Wastewater Collection	Outside sewer service charges, infrastructure repair and replacement, non-operating charges, and interest income.	FYE 2019 budgeted amount of \$224,656 with no annual increase.	Matches RSWD FYE 2019 budgeted cash flow assuming no growth in revenues.
RSWD Other Revenues – Wastewater Treatment	Outside sewer services charges, nonoperating charges, interest income, and a wastewater treatment agreement with Arrowbear. CSA 79 Agreement removed.	FYE 2019 budgeted amount of \$500,063 minus \$274,758 for CSA 79 wastewater treatment agreement payments.	Removes revenues from CSA 79 payments under its wastewater treatment agreement. For RSWD, their revenues from the agreement will be replaced by CSA 79 service charges paid directly to RSWD. Other revenues match the RSWD FYE 2019 budgeted cash flow assuming no growth in revenues.
CSA 79 Other Revenues	Permit & Inspection Fees, Connection Fees, Investment Earnings / Interest, Miscellaneous	None	This Analysis assumes these revenues (totaling \$10,075 annually) will not transfer from CSA 79 to RSWD. RSWD will have its own permit, inspection, and connection fees. Investment Earnings / Interest will be based on RSWD's investing practices; revenues from this category are nominal. RSWD will have its own miscellaneous revenues.

RSWD & CSA 79 CONSOLIDATED EXPENDITURES

ITEM	DESCRIPTION	FORECAST METHODOLOGY	DISCUSSION
Wastewater Collection			
RSWD Personnel	Salaries and benefits to staff wastewater collection	FYE 2019 budgeted amount of \$587,597 increased by 4% annually	Matches RSWD FYE 2019 budgeted cash flow. RSWD has stated they do not anticipate a need to increase staff by consolidating CSA 79 sewer services. This will be reevaluated after an initial transition period.
RSWD Operations & Maintenance	Costs to operate and maintain wastewater collection for existing RSWD customers	FYE 2019 budgeted amount of \$228,303 increased by 4% annually	Matches RSWD FYE 2019 budgeted cash flow. CSA 79 O&M costs are estimated separately.
RSWD Depreciation	Accounting adjustment to depreciate capital assets. Non-cash expense.	The FYE 2019 budgeted amount of \$252,749 increased by 4% annually. Depreciation is net out at the end of the cash flow	Matches RSWD FYE 2019 budgeted cash flow. Depreciation is net out and has no impact on expenditures.
RSWD Long-Term Debt	Bond debt service payments	No change	Based on bond debt service schedule provided by RSWD.
RSWD Capital Projects & Fixed Assets	Estimated capital improvement project costs	No change	Matches projections in RSWD FYE 2019 budget.
CSA 79 O&M, Services & Supplies	Direct operating and maintenance costs to CSA 79 collection system, grounds, and equipment. Indirect operating costs borne by RSWD such as office space and overhead.	FYE 2019 pro rata cost of \$76.90 per EDU, increased by 4% annually. Assumes 1,228 EDUs in FYE 2020 plus 1 new EDU added per year.	Assumes that CSA 79 operating costs will be similar to those currently borne by RSWD due to practices and expenses unique to the district. According to Special Districts staff, there are no outstanding professional services contracts that would need to be transferred and fulfilled by RSWD.

ITEM	DESCRIPTION	FORECAST METHODOLOGY	DISCUSSION
CSA 79 Utilities	Utility costs for CSA 79 capital assets that are transferred to RSWD	FYE 2019 budgeted amount of \$30,000 increased by 1.5% annually for inflation	This Analysis assumes that reorganization will not impact utility costs for capital assets transferred from CSA 79 to RSWD.
CSA 79 Excluded Expenditures	RSWD Contract Salaries & Benefits Operating Transfers Out for CIP Projects	Excluded from consolidated forecast	This Analysis assumes that these costs incurred by CSA 79 will not be transferred to RSWD. The RSWD Contract will be obsolete. CSA 79 Salaries & Benefits will be replaced by RSWD Personnel Costs with no change in staffing levels. RSWD will absorb CSA 79 CIP expenses into its own budget.
Wastewater Treatment			
All RSWD Expenses	Personnel, Operations & Maintenance, and Depreciation	FYE 2019 budgeted amount of \$1,277,627 increased by 4% annually Depreciation of \$340,047 is netted out as a non-cash expense	Matches RSWD FYE 2019 budgeted cash flow. Assume no impact to costs due to consolidation. RSWD already provides wastewater treatment to CSA 79 customers.

BASELINE BUDGET PROJECTIONS

Using the forecasting methodologies described in the previous section, revenues and expenditures were forecasted for a period of ten fiscal years from FYs 2019-20 through 2028-29 for CSA 79 Sewer as an independent district (Tables 5-A and 5-B), RSWD as an independent district (Tables 6-A and 6-B), and RSWD with CSA 79 Sewer reorganized into the district. The projections reveal there are considerable cost savings when consolidating the districts due to economies of scale. While revenues from service fees remain relatively constant, CSA 79 personnel and operating and maintenance costs significantly decrease.

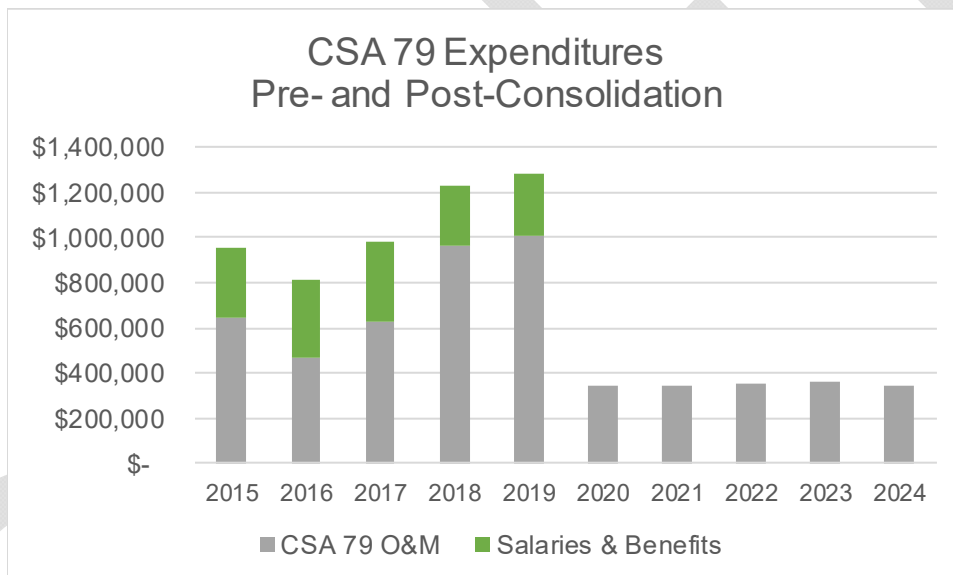
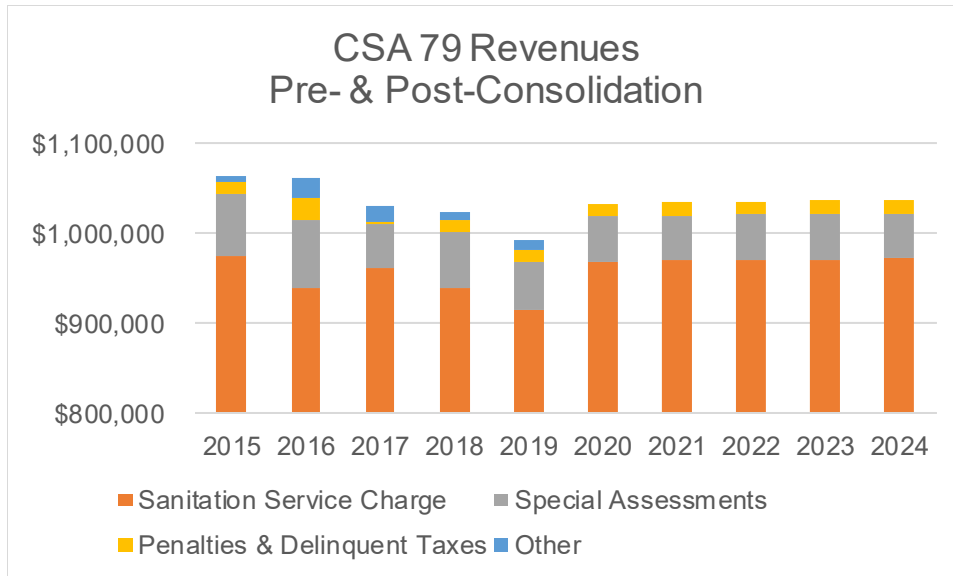


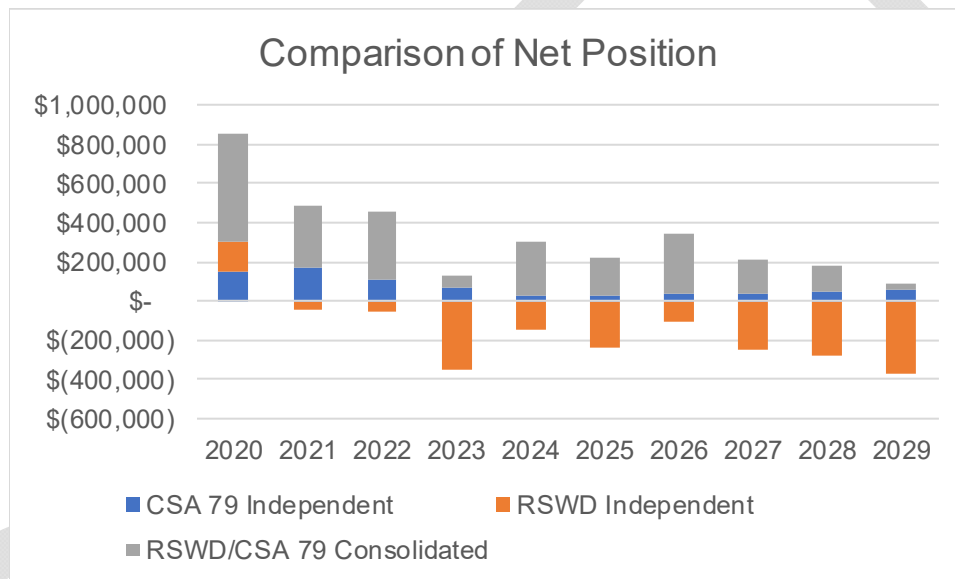
Table 8 details the estimated amount of savings by category, which total approximately \$840,000 in Year 1. Savings are from:

- **Reduced Personnel Costs:** RSWD does not anticipate a need to change staffing levels under consolidation. CSA 79's salaries and benefits costs, budgeted at \$261,542 in FYE 2019, are removed.
- **Reduced Water Treatment Contract Costs:** CSA 79's payment to RSWD under its water treatment agreement will be obsolete. RSWD's water treatment costs will not increase because they already treat CSA 79 sewer. Although RSWD will lose revenues collected from the CSA 79 agreement, they are replaced by service charges collected from CSA 79.
- **Reduced Operating Costs:** CSA 79's operating costs are significantly higher per EDU than RSWD. CSA 79's FYE 2019 budgeted cost for was \$421,846 for 1,227 EDUs (\$343.80 per EDU). In comparison, RSWD's budgeted costs total \$228,343 for 2,969 EDUs (\$79.60 per EDU).

CSA 79's FYE 2019 budget allocated \$237,276 for Professional Services (collection system inspection, cleaning, repair, and replacement), \$46,822 for Direct Services & Supplies (such as equipment and grounds maintenance directly related to CSA 79), and \$137,748 for Indirect Services & Supplies (the district's proportionate share of County Special Districts operating costs such as office space and supplies). In contrast, RSWD's FYE 2019 budget allocated \$228,303 for all Wastewater Collection Operations & Maintenance.

This Analysis assumes that RSWD would operate CSA 79 wastewater collection at a similar cost under its existing system based on a pro rata cost per EDU. Although it's possible that CSA 79's wastewater collection system could cost more to operate than RSWD's system due to unique circumstances, removing the cost of Indirect Services & Supplies alone would reduce the wastewater collection expense to \$231.54 per EDU.

Table 9 provides a comparison of ten-year projected revenues, expenditures, and net position (beginning cash balance minus ending cash balance) for CSA 79 and RSWD independently and as consolidated districts. As shown in the chart below, consolidating the districts would result in a higher net position, or cash balance, after considering changes in revenues and expenditures.



It is worthwhile to note that based on this Analysis' projections, RSWD is projected to have a negative net position beginning in FYE 2021 (Year 2) if it continues to operate as an independent district. If CSA 79 is reorganized into RSWD, the revenues from CSA 79's current service charges would offset expenses and result in a positive net position though FYE 2028 (Year 9). If CSA 79 were to remain an independent district, it is projected to have a positive net position through FYE 2029 (Year 10).

If RSWD maintains current service charges, a deficit of \$12,645 could result in FYE 2026 that would continue to grow annually thereafter. RSWD may need to consider a service charge increase to cover its operational costs and capital improvements. Since a deficit is projected even without reorganization, RSWD would need to consider how much to increase rates for current RSWD customers versus CSA 79 customers.

The County is considering a sewer rate increase for CSA 79 and other special districts to cover operating costs and capital improvement needs. RSWD has indicated that it does not expect to change CSA 79 customers' sewer rates if it is reorganized into RSWD, at least for an initial transition period while it evaluates actual revenues and expenditures after reorganization. It is possible that sewer fees would increase regardless of reorganization in order to cover capital improvement project costs and unanticipated repairs.

ASSETS & LIABILITIES

Table 2 lists assets and liabilities identified in CSA 79's audited financial statements over the last five years. The following discusses key variables that affected parties should consider in its deliberations.

PENSION LIABILITY

As of June 30, 2017, CSA 79 had a \$277,203 pension liability. Although CSA 79 has no direct staff, it utilizes pooled staff and resources within the County Special Districts Department. The FYE 2017 audited financials note that CSA 79's pension liability represents 3.67 percent of the Special Districts Department's proportionate share of the County's net pension liability.

LAFCO does not have an official position on how pension liabilities should be transferred under special district reorganization. Based on historical practices LAFCO has seen in other reorganizations, there are three main options:

- Transfer the pension liability from CSA 79 to RSWD.
- Reallocate CSA 79's pension liability among other County special districts. CSA 79 does not anticipate that reorganization would impact its existing pooled staffing levels.
- Payoff the pension liability using CSA 79's available cash balance.

The County and RSWD need to negotiate what happens to the pension liability and have it approved by LAFCO and CalPERS.

CSA 79 UNRESTRICTED CASH

CSA 79's FYE 2017 audited financials identified \$1,137,585 of unrestricted cash available. The County and RSWD need to negotiate if the final amount of unrestricted cash to transfer to RSWD after considering all receivables, payables, and liabilities.

CSA 79 CAPITAL ASSETS

The FYE 2017 audited financials identified \$1.4 million in non-current assets. This consists primarily of fixed infrastructure related to CSA 79's the wastewater collection system. There are no vehicles or equipment to transfer. Capital assets should be clearly identified for transfer.

FINDINGS AND CONCLUSIONS

The following findings and conclusions address the financial factors LAFCO must consider in reviewing a consolidation proposal and the Commission's determinations required by the CKH Act. It is important to emphasize that these findings and conclusions should be weighed in the context of all the decision-making factors required by the CKH Act, both financially and as a matter of public policy. Beyond the assumptions used in the Analysis, the Commission should consider the operational efficiencies gained by consolidation through economies of scale and scope, as well as RSWD's ability to absorb CSA 79's operations from a management perspective.

SUFFICIENCY OF REVENUES

"The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change" (§56668(j)).

The Analysis evaluated the sufficiency and reliability of anticipated revenues that RSWD proposes to use to fund CSA 79 wastewater collection and treatment activities assumed upon consolidation. The Analysis's baseline budget projection indicated that, if RSWD maintains current service charges, a modest deficit of \$84,557 could result in FYE 2026 that would continue to grow annually thereafter. RSWD may need to consider a service charge increase to cover its operational costs and capital improvements. Since a deficit is projected even without reorganization, RSWD would need to consider how much to increase rates for current RSWD customers versus CSA 79 customers. It is notable that the County is considering a sewer rate increase for CSA 79 regardless of reorganization. A March 2017 sewer rate study concludes that an increase is necessary to cover operational costs and capital improvements.

PUBLIC SERVICE COSTS

"Public service costs of a proposal that the commission is authorizing are likely to be less than or substantially similar to the costs of alternative means of providing the service" (§56881(b)(1)).

CSA 79 public services costs are projected to be significantly less if reorganized to RSWD by eliminating redundancies. The largest expenditures in the baseline budget projections are the RSWD wastewater treatment agreement, salaries and benefits, and operating and maintenance costs. The wastewater treatment agreement and salaries and benefits would be removed if reorganized. The agreement would be obsolete upon reorganization; RSWD would fund the wastewater treatment services it already provides to CSA 79 customers directly from service charges. The County would no longer staff CSA 79, and RSWD does not expect a need to increase its staffing levels.

Operations and maintenance costs are also projected to be significantly reduced. CSA 79's operating costs are significantly higher per EDU than RSWD, at \$343.80 per EDU compared to \$79.60 per EDU. This Analysis assumes that RSWD will operate CSA 79's wastewater collection system at \$79.60 per EDU. Although it is possible that CSA 79's wastewater collection system could cost more to operate than RSWD's system due to unique circumstances, removing the cost of Indirect Services & Supplies alone would reduce CSA 79's wastewater collection expense to \$231.54 per EDU. Indirect Services & Supplies are payments made by CSA 79 to the County Special Districts department for its proportionate share of County operating costs.

FINANCIAL ACCOUNTABILITY

"A change of organization or reorganization that is authorized by the commission promotes public access and accountability for community services needs and financial resources" (§56881(b)(2)).

CSA 79 customers would be served directly by RSWD rather than the County. RSWD already provides wastewater treatment services to CSA 79 customers. Consolidating wastewater collection services would improve economies of scale and reduce redundancies. CSA 79 customers would have the opportunity to vote for RSWD Board members and contact RSWD directly for customer service. RSWD's power and authority is regulated by the California Water Code and is held to high standard of governmental accountability and transparency.

TABLES

Historic Five-Year Revenues & Expenditures (FYE 2013-2017)

Table 1

CSA 79 Sewer Enterprise Fund

	2013	2014	2015	2016	2017	CAGR
Operating Revenues						
Sanitation Service Charges	854,570	947,771	974,372	940,303	960,972	2.37%
Permit & Inspection Fees	75	75	-	-	75	0.00%
Connection Fees	2,959	346	-	-	-	-100.00%
Other ¹	376	-	-	-	3,002	51.51%
Total Operating Revenues	\$ 857,980	\$ 948,192	\$ 974,372	\$ 940,303	\$ 964,049	2.36%
Expenditures						
RSWD Agreement	235,601	446,874	430,531	222,808	221,212	-1.25%
Other Professional Fees	313,135	-	-	-	180,284	-10.45%
Salaries & Benefits	371,404	321,443	306,537	346,819	353,480	-0.98%
Services & Supplies	182,067	120,037	116,884	149,974	134,098	-5.93%
Utilities	29,601	26,243	26,656	26,871	25,272	-3.11%
RSWD Filtration Project	69,645	69,645	69,645	69,645	69,645	0.00%
Depreciation	117,954	113,707	113,708	131,493	131,493	2.20%
Total Operating Expenses¹	\$ 1,319,407	\$ 1,097,949	\$ 1,063,961	\$ 947,610	\$ 1,115,484	-3.30%
<i>Excluding Depreciation</i>	<i>\$ 1,201,453</i>	<i>\$ 984,242</i>	<i>\$ 950,253</i>	<i>\$ 816,117</i>	<i>\$ 983,991</i>	
Net Operating Gain/Loss	\$ (461,427)	\$ (149,757)	\$ (89,589)	\$ (7,307)	\$ (151,435)	-19.98%
<i>Excluding Depreciation</i>	<i>\$ (343,473)</i>	<i>\$ (36,050)</i>	<i>\$ 24,119</i>	<i>\$ 124,186</i>	<i>\$ (19,942)</i>	<i>-43.41%</i>
Nonoperating Revenues						
Property Taxes	3,785	10,086	6,367	-	-	-100.00%
Special Assessments	54,362	64,896	63,500	75,290	48,813	-2.13%
Investment Earnings	17,568	7,119	6,437	10,292	7,019	-16.76%
Penalties	11,244	13,330	13,436	22,886	3,330	-21.60%
Other	19,123	17,360	578	13,249	6,254	-20.03%
Total Nonoperating Revenues	\$ 106,082	\$ 112,791	\$ 90,318	\$ 121,717	\$ 65,416	-9.22%
Change in Net Position	\$ (355,345)	\$ (36,966)	\$ 729	\$ 114,410	\$ (86,019)	-24.70%
<i>Excluding Depreciation</i>	<i>\$ (237,391)</i>	<i>\$ 76,741</i>	<i>\$ 114,437</i>	<i>\$ 245,903</i>	<i>\$ 45,474</i>	
Fund Balance						
Beginning	2,992,820	2,873,076	2,530,389	2,531,118	2,688,113	
Ending	2,637,475	2,836,110	2,531,118	2,645,528	2,602,094	
Net Change	\$ (355,345)	\$ (36,966)	\$ 729	\$ 114,410	\$ (86,019)	

¹ The FYE 2014 Audited Financials recorded "Other Revenues" of \$155,456. This was a misquoted accrual for a sewer fee invoice. The revenue was moved under Service Charges for the purposes of this Analysis.

Historic Five-Year Statement of Net Position (FYE 2013-2017)
CSA 79 Sewer Enterprise Fund

Table 2

	2013	2014	2015	2016	2017
Assets					
Current Assets					
Cash and investments	1,364,025	1,433,046	1,282,886	1,254,198	1,313,762
Accounts receivable	153,662	176,657	210,712	194,687	210,874
Interest receivable	1,005	5,557	3,701	2,379	9,299
Taxes receivable	1,240	1,422	-	-	-
Special assessment receivable	5,036	2,681	3,131	5,806	1,283
Due from other government	20	-	-	-	-
Total Current Assets	\$ 1,524,988	\$ 1,619,363	\$ 1,500,430	\$ 1,457,070	\$ 1,535,218
Non-Current Assets					
Improvements to land	4,771,923	4,771,923	4,771,923	5,216,517	5,216,517
Structures and improvements	159,050	159,050	159,050	159,050	159,050
Vehicles	30,985	30,985	30,985	64,440	64,440
Equipment	73,061	73,061	64,461	31,006	31,006
Construction in progress	133,437	76,772	422,154	100,327	173,406
Accumulated depreciation	(3,698,109)	-	(3,916,924)	(4,048,417)	(4,179,910)
Total Non-Current Assets	\$ 1,470,347	\$ 3,811,816	\$ 1,531,649	1,522,923	\$ 1,464,509
Total Assets	\$ 2,995,335	\$ 5,431,179	\$ 3,032,079	\$ 2,979,993	\$ 2,999,727
Deferred Outflows of Resources					
Pensions	\$ -	\$ -	\$ 35,438	\$ 26,282	\$ 136,783
Liabilities					
Current Liabilities					
Accounts payable	108,050	77,263	102,705	29,070	131,834
Retention payable	-	1,029	-	-	-
Due to other governments	14,209	4,936	116,289	49,395	63,086
Total Current Liabilities	\$ 122,259	\$ 82,199	\$ 218,994	\$ 78,465	\$ 194,920
Long-Term Liabilities					
Net pension liability	-	-	199,731	209,113	277,203
Total Liabilities	\$ 122,259	\$ 82,199	\$ 418,725	\$ 287,578	\$ 472,123
Deferred Inflows of Resources					
Pensions	\$ -	\$ -	\$ 117,674	\$ 73,169	\$ 62,293
Net Position					
Invested in Capital Assets	1,470,347	1,299,975	1,531,649	1,522,923	\$ 1,464,509
Unrestricted	1,402,729	1,536,135	999,469	1,122,605	\$ 1,137,585
Total Net Position	\$ 2,873,076	\$ 2,836,110	\$ 2,531,118	\$ 2,645,528	\$ 2,602,094

Source: CSA 79 Audited Financial Statements

Historic Five-Year Revenues & Expenditures (FYE 2013-2017)
CSA 79 R-1 Meadow Green Valley Lake

Table 3

	2013	2014	2015	2016	2017	CAGR
Revenues						
Special Assessments	26,663	38,489	24,686	32,015	24,831	-1.41%
Investment Earnings	225	164	263	614	435	14.09%
Other	-	173	-	3,478	151	n/a
Total Revenues	\$ 26,888	\$ 38,826	\$ 24,949	\$ 36,107	\$ 25,417	-1.12%
Expenditures						
Salaries & Benefits	2,185	2,039	4,394	3,841	3,814	11.79%
Services & Supplies	9,909	6,777	10,214	17,683	18,005	12.69%
Contingencies	-	-	-	-	-	n/a
Professional Fees	-	-	-	-	-	n/a
Total Expenditures	\$ 12,094	\$ 8,816	\$ 14,608	\$ 21,524	\$ 21,819	12.53%
Fund Balance						
Beginning	11,588	26,382	56,392	66,733	81,316	47.65%
Ending	26,382	56,392	66,733	81,316	84,914	26.34%
Net Change	\$ 14,794	\$ 30,010	\$ 10,341	\$ 14,583	\$ 3,598	

Source: CSA 79 Audited Financial Statements

Historic Five-Year Statement of Net Position (FYE 2013-2017)

Table 4

CSA 79 Sewer Enterprise Fund

	2013	2014	2015	2016	2017
Assets					
Cash and investments	23,842	51,495	68,627	82,087	86,177
Accounts receivable	-	-	-	-	-
Interest receivable	17	45	59	156	263
Taxes receivable	1,060	1,580	-	-	880
Special assessment receivable	1,463	3,272	419	215	880
Total Assets	\$ 26,382	\$ 56,392	\$ 69,105	\$ 82,458	\$ 88,200
Deferred outflows of resources					
Pension	-	-	-	-	84,720
Liabilities					
Due to other funds	-	-	2,372	-	-
Due to other governments	-	-	-	-	-
Accounts payable	-	-	-	-	2,600
Total Liabilities	\$ -	\$ -	\$ 2,372	\$ -	\$ 2,600
Fund Balance					
Restricted for Road Maintenance	26,382	56,392	66,733	81,316	84,720
Total Liabilities & Fund Balance	\$ 26,382	\$ 56,392	\$ 69,105	\$ 81,316	\$ 87,320
Total Fund Balance - Governmental Fund	\$ 26,382	\$ 56,392	\$ 66,733	\$ 81,316	\$ 84,720
Capital Assets	\$ 62,546	131,675	131,675	131,675	
Accumulated depreciation	-	(72,421)	(75,713)	(79,005)	
Net capital assets	\$ 62,546	\$ 59,254	\$ 55,962	\$ 52,670	\$ 49,378
Net Position of Governmental Activities	\$ 88,928	\$ 115,646	\$ 122,695	\$ 133,986	\$ 134,098

Source: CSA 79 Audited Financial Statements

Ten-Year Projected Revenues & Expenditures

Table 5-A

CSA 79 Sewer Enterprise Fund - No Reorganization

	Budgeted		Projected									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Service Charges												
EDUs	¹ 1,227	1,227	1,228	1,229	1,230	1,231	1,232	1,233	1,234	1,235	1,236	1,237
Monthly Service Charge	² \$ 65.77	\$ 65.77	\$ 67.74	\$ 69.77	\$ 71.86	\$ 74.02	\$ 76.24	\$ 76.24	\$ 76.24	\$ 76.24	\$ 76.24	\$ 76.24
Total Monthly Charge			\$ 998,217	\$ 1,028,968	\$ 1,060,654	\$ 1,093,423	\$ 1,127,132	\$ 1,128,047	\$ 1,128,962	\$ 1,129,877	\$ 1,130,792	\$ 1,131,707
Revenues												
Sanitation Service Charge	940,069	914,242	998,217	1,028,968	1,060,654	1,093,423	1,127,132	1,128,047	1,128,962	1,129,877	1,130,792	1,131,707
Special Assessments	61,251	53,251	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Penalties & Delinquent Taxes	14,592	14,592	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Permit, Inspection & Connection Fees	-	-	5,411	5,411	5,411	5,411	5,411	5,411	5,411	5,411	5,411	5,411
Investment Earnings / Interest	2,200	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300
Other	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Revenues	\$ 1,023,112	\$ 992,385	\$ 1,078,428	\$ 1,109,179	\$ 1,140,865	\$ 1,173,635	\$ 1,207,343	\$ 1,208,258	\$ 1,209,173	\$ 1,210,088	\$ 1,211,003	\$ 1,211,918
Expenditures												
RSWD Contract - O&M	214,556	242,724	242,918	243,113	243,307	243,502	243,696	243,891	244,087	244,282	244,477	244,673
RSWD Contract - CIP	70,000	-	31,840	74,855	42,172	14,760	21,086	14,760	14,760	14,760	14,760	14,760
Professional Services - O&M	227,444	237,276	255,000	255,000	255,000	255,000	255,000	255,000	255,000	255,000	255,000	255,000
Services & Supplies - Direct	102,699	46,822	47,524	48,237	48,961	49,695	50,441	51,197	51,965	52,745	53,536	54,339
Services & Supplies - Indirect	125,765	137,748	139,814	141,911	144,040	146,201	148,394	150,620	152,879	155,172	157,500	159,862
Salaries & Benefits	246,746	261,542	265,465	269,447	273,489	277,591	281,755	285,981	290,271	294,625	299,045	303,530
Utilities	34,880	30,000	30,450	30,907	31,370	31,841	32,319	32,803	33,295	33,795	34,302	34,816
Transfers Out - CIP Reserve	202,200	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Total Operating Expenses	\$ 1,224,290	\$ 1,156,112	\$ 1,213,012	\$ 1,263,470	\$ 1,238,339	\$ 1,218,590	\$ 1,232,690	\$ 1,234,253	\$ 1,242,257	\$ 1,250,379	\$ 1,258,619	\$ 1,266,980
Net Operating Income / (Deficit)	\$ (201,178)	\$ (163,727)	\$ (134,584)	\$ (154,291)	\$ (97,474)	\$ (44,955)	\$ (25,347)	\$ (25,995)	\$ (33,084)	\$ (40,291)	\$ (47,616)	\$ (55,063)
Excl. CIP Transfers Out	\$ 1,022	\$ 36,273	\$ 65,416	\$ 45,709	\$ 102,526	\$ 155,045	\$ 174,653	\$ 174,005	\$ 166,916	\$ 159,709	\$ 152,384	\$ 144,937
Beginning Cash (Unrestricted)	\$ 1,137,585	\$ 1,138,607	\$ 1,174,880	\$ 1,240,296	\$ 1,286,005	\$ 1,388,531	\$ 1,543,576	\$ 1,718,229	\$ 1,892,234	\$ 2,059,150	\$ 2,218,859	\$ 2,371,243
Ending Cash Before CIP	\$ 1,138,607	\$ 1,174,880	\$ 1,240,296	\$ 1,286,005	\$ 1,388,531	\$ 1,543,576	\$ 1,718,229	\$ 1,892,234	\$ 2,059,150	\$ 2,218,859	\$ 2,371,243	\$ 2,516,180

¹Estimated EDU growth is 0.08% per year based on March 2017 Sewer Rate Study (Black & Veatch)

²Sewer fees are estimated to increase 3% per year for five years according to the County Special Districts Department (pending Board consideration); assume no change from 2025

Ten-Year Projected Revenues & Expenditures

Table 5-B

CSA 79 Sewer Enterprise Fund - No Reorganization

	Budgeted		Projected									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Cash (Unrestricted)	\$ 1,137,585	\$ 1,138,607	\$ 1,174,880	\$ 1,240,296	\$ 1,286,005	\$ 1,388,531	\$ 1,543,576	\$ 1,718,229	\$ 1,892,234	\$ 2,059,150	\$ 2,218,859	\$ 2,371,243
Ending Cash Before CIP	\$ 1,138,607	\$ 1,174,880	\$ 1,240,296	\$ 1,286,005	\$ 1,388,531	\$ 1,543,576	\$ 1,718,229	\$ 1,892,234	\$ 2,059,150	\$ 2,218,859	\$ 2,371,243	\$ 2,516,180
Capital Improvements												
Collection System Repairs					215,389	221,851						
Sewer Main Line Replacement		175,000	175,000	175,000								
Line Inspection & Cleaning		25,000	25,000	25,000								
Crab Flats Lift Station Pump Replacement				15,000								
Canyon Lift Station Pump Replacement			15,000									
Total	\$ 381,900	\$ 200,000	\$ 215,000	\$ 215,000	\$ 215,389	\$ 221,851	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Ending Cash After CIP	\$ 756,707	\$ 974,880	\$ 1,025,296	\$ 1,071,005	\$ 1,173,142	\$ 1,321,725	\$ 1,518,229	\$ 1,692,234	\$ 1,859,150	\$ 2,018,859	\$ 2,171,243	\$ 2,316,180
<i>Change in Net Position</i>	\$ 380,878	\$ 163,727	\$ 149,584	\$ 169,291	\$ 112,863	\$ 66,806	\$ 25,347	\$ 25,995	\$ 33,084	\$ 40,291	\$ 47,616	\$ 55,063

Source: CSA 79 Budgets for FYEs 2018 and 2019 from County of San Bernardino; RSG Projections from FYE 2020

Ten-Year Projected Revenues & Expenditures

Table 6 - A

RSWD - No Reorganization

	Budgeted		Projected									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Operating Revenues												
Wastewater Collection												
Service Charges (Base & System)	877,850	940,497	940,497	940,497	940,497	940,497	940,497	940,497	940,497	940,497	940,497	940,497
Outside Sewer Service Charges	5,195	21,334	21,334	21,334	21,334	21,334	21,334	21,334	21,334	21,334	21,334	21,334
Infrastructure Repair & Replacem	184,086	184,086	184,086	184,086	184,086	184,086	184,086	184,086	184,086	184,086	184,086	184,086
Non-Operating Charges	7,073	14,736	14,736	14,736	14,736	14,736	14,736	14,736	14,736	14,736	14,736	14,736
Interest Income	3,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Subtotal	\$ 1,077,704	\$ 1,165,153	\$ 1,165,153	\$ 1,165,153	\$ 1,165,153	\$ 1,165,153	\$ 1,165,153	\$ 1,165,153	\$ 1,165,153	\$ 1,165,153	\$ 1,165,153	\$ 1,165,153
Wastewater Treatment												
Service Charges	718,242	769,497	769,497	769,497	769,497	769,497	769,497	769,497	769,497	769,497	769,497	769,497
Outside Sewer Service Charges	4,250	17,455	17,455	17,455	17,455	17,455	17,455	17,455	17,455	17,455	17,455	17,455
Non-Operating Charges	7,073	12,056	12,056	12,056	12,056	12,056	12,056	12,056	12,056	12,056	12,056	12,056
Interest Income	3,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Arrowbear O&M Reimb	148,083	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568	158,568
Arrowbear CIP	18,525	32,726	32,726	32,726	32,726	32,726	32,726	32,726	32,726	32,726	32,726	32,726
CSA 79 O&M Reimb	177,620	195,054	242,918	243,113	243,307	243,502	243,696	243,891	244,087	244,282	244,477	244,673
CSA 79 CIP	23,400	40,801	31,840	74,855	42,172	14,760	21,086	14,760	14,760	14,760	14,760	14,760
Leachate Load Revenue	10,000	-	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ 1,110,693	\$ 1,230,657	\$ 1,269,560	\$ 1,312,770	\$ 1,280,281	\$ 1,253,064	\$ 1,259,584	\$ 1,253,454	\$ 1,253,649	\$ 1,253,844	\$ 1,254,039	\$ 1,254,235
Total Wastewater Revenues	¹ \$ 2,188,397	\$ 2,395,810	\$ 2,434,713	\$ 2,477,923	\$ 2,445,434	\$ 2,418,217	\$ 2,424,737	\$ 2,418,607	\$ 2,418,802	\$ 2,418,997	\$ 2,419,192	\$ 2,419,388

¹Revenues estimated to grow 0% annually to match RSWD cash flow projections in 2018-19 budget

Ten-Year Projected Revenues & Expenditures

Table 6 - B

RSWD - No Reorganization

	Budgeted		Projected									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Expenditures												
Wastewater Collection												
Personnel	540,019	587,597	611,101	635,545	660,967	687,405	714,902	743,498	773,238	804,167	836,334	869,787
Operations & Maintenance	204,645	228,303	237,435	246,933	256,810	267,082	277,766	288,876	300,431	312,448	324,946	337,944
Depreciation	228,516	252,749	262,859	273,373	284,308	295,681	307,508	319,808	332,600	345,904	359,741	374,130
Long-Term Debt - Interest	51,741	51,574	49,294	46,972	44,605	42,193	39,736	37,232	(34,680)	(32,080)	(29,430)	(26,730)
Subtotal	\$ 1,024,921	\$ 1,120,223	\$ 1,160,689	\$ 1,202,823	\$ 1,246,690	\$ 1,292,361	\$ 1,339,911	\$ 1,389,414	\$ 1,371,589	\$ 1,430,440	\$ 1,491,591	\$ 1,555,132
Wastewater Treatment												
Personnel	472,809	512,136	532,621	553,926	576,083	599,127	623,092	648,015	673,936	700,893	728,929	758,086
Operations & Maintenance	395,475	425,444	442,462	460,160	478,567	497,709	517,618	538,322	559,855	582,249	605,539	629,761
Depreciation	342,950	340,047	353,649	367,795	382,507	397,807	413,719	430,268	447,479	465,378	483,993	503,353
Subtotal	\$ 1,211,234	\$ 1,277,627	\$ 1,328,732	\$ 1,381,881	\$ 1,437,157	\$ 1,494,643	\$ 1,554,429	\$ 1,616,606	\$ 1,681,270	\$ 1,748,521	\$ 1,818,462	\$ 1,891,200
Total Wastewater Expenses	\$ 2,236,155	\$ 2,397,850	\$ 2,489,421	\$ 2,584,704	\$ 2,683,846	\$ 2,787,004	\$ 2,894,340	\$ 3,006,020	\$ 3,052,859	\$ 3,178,961	\$ 3,310,052	\$ 3,446,332
<i>% Change</i> ²	17%	7%	4%	4%	4%	4%	4%	4%	2%	4%	4%	4%
Net Operating Income / (Deficit)	\$ (47,758)	\$ (2,040)	\$ (54,708)	\$ (106,781)	\$ (238,412)	\$ (368,787)	\$ (469,602)	\$ (587,413)	\$ (634,057)	\$ (759,964)	\$ (890,860)	\$ (1,026,944)
Beginning Cash	\$ 894,589	\$ 1,002,383	\$ 1,129,537	\$ 940,747	\$ 843,094	\$ 786,544	\$ 727,441	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Cash Depreciation	571,466	592,796	616,508	641,168	666,815	693,487	721,227	750,076	780,079	811,282	843,734	877,483
Long-Term Debt - Principal	(117,838)	(119,963)	(122,243)	(124,565)	(126,932)	(129,344)	(131,801)	(134,305)	(136,857)	(139,457)	(142,107)	(144,807)
Capital Projects & Fixed Assets	(174,500)	(363,000)	(284,180)	(457,400)	(354,600)	(543,975)	(264,600)	(263,600)	(115,800)	(158,600)	(88,600)	(78,600)
Ending Cash	\$ 231,370	\$ 1,002,382	\$ 1,157,760	\$ 1,081,959	\$ 887,617	\$ 494,475	\$ 641,768	\$ 492,199	\$ (106,635)	\$ (246,738)	\$ (277,833)	\$ (372,868)
<i>Change in Net Position</i>	\$ 231,370	\$ 107,793	\$ 155,377	\$ (47,578)	\$ (53,130)	\$ (348,619)	\$ (144,776)	\$ (235,242)	\$ (106,635)	\$ (246,738)	\$ (277,833)	\$ (372,868)

²Expenditures estimated to increase 4% annually to match RSWD cash flow projections in 2018-19 budget

Source: RSWD Budgets for FYEs 2018 and 2019 from RSWD; RSG Projections from FYE 2020

Ten-Year Projected Revenues & Expenditures

Table 7-A

RSWD - With CSA 79 Sewer

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CSA 79 Service Charge ¹										
EDUs	1,228	1,229	1,230	1,231	1,232	1,233	1,234	1,235	1,236	1,237
Monthly Service Charge	\$ 65.77	\$ 65.77	\$ 65.77	\$ 65.77	\$ 65.77	\$ 65.77	\$ 65.77	\$ 65.77	\$ 65.77	\$ 65.77
	\$ 969,187	\$ 969,976	\$ 970,765	\$ 971,554	\$ 972,344	\$ 973,133	\$ 973,922	\$ 974,711	\$ 975,501	\$ 976,290
Operating Revenues										
Wastewater Collection										
RSWD Service Charges	940,497	940,497	940,497	940,497	940,497	940,497	940,497	940,497	940,497	940,497
CSA 79 Service Charges	484,593	484,988	485,383	485,777	486,172	486,566	486,961	487,356	487,750	488,145
CSA 79 Special Assessments & Penalties	64,500	64,500	64,500	64,500	64,500	64,500	64,500	64,500	64,500	64,500
RSWD Other Revenues	224,656	224,656	224,656	224,656	224,656	224,656	224,656	224,656	224,656	224,656
CSA 79 Other Revenues	-	-	-	-	-	-	-	-	-	-
Subtotal	\$ 1,714,246	\$ 1,714,641	\$ 1,715,036	\$ 1,715,430	\$ 1,715,825	\$ 1,716,219	\$ 1,716,614	\$ 1,717,009	\$ 1,717,403	\$ 1,717,798
Wastewater Treatment										
RSWD Service Charges	769,497	769,497	769,497	769,497	769,497	769,497	769,497	769,497	769,497	769,497
CSA 79 Service Charges	484,593	484,988	485,383	485,777	486,172	486,566	486,961	487,356	487,750	488,145
RSWD Other Revenues	34,011	34,011	34,011	34,011	34,011	34,011	34,011	34,011	34,011	34,011
CSA 79 Other Revenues	-	-	-	-	-	-	-	-	-	-
Arrowbear O&M and CIP	166,608	191,294	191,294	191,294	191,294	191,294	191,294	191,294	191,294	191,294
Subtotal	\$ 1,454,709	\$ 1,479,790	\$ 1,480,185	\$ 1,480,579	\$ 1,480,974	\$ 1,481,368	\$ 1,481,763	\$ 1,482,158	\$ 1,482,552	\$ 1,482,947
Total Wastewater Revenues	\$ 3,168,956	\$ 3,194,431	\$ 3,195,220	\$ 3,196,009	\$ 3,196,799	\$ 3,197,588	\$ 3,198,377	\$ 3,199,166	\$ 3,199,956	\$ 3,200,745
% Change		1%	0%	0%	0%	0%	0%	0%	0%	0%

¹CSA 79 services charges are divided evenly between the Wastewater Collection and Wastewater Treatment revenue categories

Ten-Year Projected Revenues & Expenditures

Table 7-B

RSWD - With CSA 79 Sewer

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Expenditures										
Wastewater Collection										
RSWD Personnel	611,101	635,545	660,967	687,405	714,902	743,498	773,238	804,167	836,334	869,787
RSWD Operations & Maintenance	237,435	246,933	256,810	267,082	277,766	288,876	300,431	312,448	324,946	337,944
RSWD Depreciation	262,859	273,373	284,308	295,681	307,508	319,808	332,600	345,904	359,741	374,130
RSWD Long-Term Debt - Interest	49,294	46,972	44,605	42,193	39,736	37,232	(34,680)	(32,080)	(29,430)	(26,730)
CSA 79 O&M, Services & Supplies	98,205	102,216	106,391	110,737	115,260	119,968	124,868	129,968	135,276	140,801
CSA 79 Utilities	30,450	30,907	31,370	31,841	32,319	32,803	33,295	33,795	34,302	34,816
Subtotal	\$ 1,289,344	\$ 1,335,946	\$ 1,384,452	\$ 1,434,939	\$ 1,487,489	\$ 1,542,185	\$ 1,529,752	\$ 1,594,202	\$ 1,661,168	\$ 1,730,748
Wastewater Treatment										
Personnel	532,621	553,926	576,083	599,127	623,092	648,015	673,936	700,893	728,929	758,086
Operations & Maintenance	442,462	460,160	478,567	497,709	517,618	538,322	559,855	582,249	605,539	629,761
Depreciation	353,649	367,795	382,507	397,807	413,719	430,268	447,479	465,378	483,993	503,353
Subtotal	\$ 1,328,732	\$ 1,381,881	\$ 1,437,157	\$ 1,494,643	\$ 1,554,429	\$ 1,616,606	\$ 1,681,270	\$ 1,748,521	\$ 1,818,462	\$ 1,891,200
Total Wastewater Expenses	\$ 2,618,076	\$ 2,717,827	\$ 2,821,608	\$ 2,929,582	\$ 3,041,918	\$ 3,158,791	\$ 3,211,022	\$ 3,342,723	\$ 3,479,630	\$ 3,621,948
Net Operating Income / (Deficit)	\$ 550,880	\$ 476,604	\$ 373,612	\$ 266,427	\$ 154,881	\$ 38,797	\$ (12,645)	\$ (143,557)	\$ (279,674)	\$ (421,204)
Beginning Cash	\$ 1,002,383	\$ 1,129,537	\$ 940,747	\$ 843,094	\$ 786,544	\$ 727,441	\$ 727,441	\$ 727,441	\$ 727,441	\$ 727,441
Non-Cash Depreciation	616,508	641,168	666,815	693,487	721,227	750,076	780,079	811,282	843,734	877,483
Long-Term Debt - Principal	(122,243)	(124,565)	(126,932)	(129,344)	(131,801)	(134,305)	(136,857)	(139,457)	(142,107)	(144,807)
RSWD Capital Projects & Fixed Ass	(284,180)	(457,400)	(354,600)	(543,975)	(264,600)	(263,600)	(115,800)	(158,600)	(88,600)	(78,600)
CSA 79 Capital Projects	(215,000)	(215,000)	(215,389)	(221,851)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Ending Cash	\$ 1,548,348	\$ 1,450,344	\$ 1,284,253	\$ 907,839	\$ 1,066,251	\$ 918,409	\$ 1,042,218	\$ 897,110	\$ 860,793	\$ 760,313
Change in Net Position	\$ 545,965	\$ 320,807	\$ 343,506	\$ 64,745	\$ 279,707	\$ 190,968	\$ 314,777	\$ 169,669	\$ 133,352	\$ 32,872

Source: RSG, Inc.

Projected Ten-Year Cost Savings / Difference

Table 8

CSA 79 Reorganization into RSWD

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues Lost										
Sanitation Service Charge	(29,030)	(58,992)	(89,888)	(121,869)	(154,788)	(154,914)	(155,040)	(155,165)	(155,291)	(155,417)
Special Assessments	-	-	-	-	-	-	-	-	-	-
Penalties & Delinquent Taxes	-	-	-	-	-	-	-	-	-	-
Permit, Inspection & Connection Fees	(5,411)	(5,411)	(5,411)	(5,411)	(5,411)	(5,411)	(5,411)	(5,411)	(5,411)	(5,411)
Investment Earnings / Interest	(5,300)	(5,300)	(5,300)	(5,300)	(5,300)	(5,300)	(5,300)	(5,300)	(5,300)	(5,300)
Other	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Total Revenues Lost	\$ (44,741)	\$ (74,703)	\$ (105,600)	\$ (137,580)	\$ (170,500)	\$ (170,625)	\$ (170,751)	\$ (170,877)	\$ (171,002)	\$ (171,128)
Expenditures Saved										
RSWD Contract - O&M	242,918	243,113	243,307	243,502	243,696	243,891	244,087	244,282	244,477	244,673
RSWD Contract - CIP	31,840	74,855	42,172	14,760	21,086	14,760	14,760	14,760	14,760	14,760
Other Professional Fees - O&M	255,000	255,000	255,000	255,000	255,000	255,000	255,000	255,000	255,000	255,000
Services & Supplies - Direct	(50,681)	(53,979)	(57,431)	(61,042)	(64,819)	(68,771)	(72,902)	(77,223)	(81,740)	(86,462)
Services & Supplies - Indirect	139,814	141,911	144,040	146,201	148,394	150,620	152,879	155,172	157,500	159,862
Salaries & Benefits	265,465	269,447	273,489	277,591	281,755	285,981	290,271	294,625	299,045	303,530
Utilities	-	-	-	-	-	-	-	-	-	-
Transfers Out - CIP Reserve	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Expenses Saved	\$ 884,357	\$ 930,347	\$ 900,577	\$ 876,012	\$ 885,112	\$ 881,482	\$ 884,094	\$ 886,616	\$ 889,042	\$ 891,364
Net Savings	\$ 839,616	\$ 855,644	\$ 794,978	\$ 738,432	\$ 714,612	\$ 710,857	\$ 713,343	\$ 715,740	\$ 718,039	\$ 720,236

Source: RSG, Inc.

Comparison of Revenues, Expenditures & Net Position

Table 9

CSA 79 Reorganization into RSWD

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenues										
CSA 79 Independent	1,078,428	1,109,179	1,140,865	1,173,635	1,207,343	1,208,258	1,209,173	1,210,088	1,211,003	1,211,918
RSWD Independent	2,188,397	2,395,810	2,434,713	2,477,923	2,445,434	2,418,217	2,424,737	2,418,607	2,418,802	2,418,997
RSWD/CSA 79 Consolidated	3,168,956	3,194,431	3,195,220	3,196,009	3,196,799	3,197,588	3,198,377	3,199,166	3,199,956	3,200,745
<i>Additional Revenues to RSWD</i>	<i>\$ 980,559</i>	<i>\$ 798,621</i>	<i>\$ 760,507</i>	<i>\$ 718,087</i>	<i>\$ 751,365</i>	<i>\$ 779,371</i>	<i>\$ 773,640</i>	<i>\$ 780,560</i>	<i>\$ 781,154</i>	<i>\$ 781,748</i>
Expenditures										
CSA 79 Independent	1,228,012	1,278,470	1,253,728	1,240,441	1,232,690	1,234,253	1,242,257	1,250,379	1,258,619	1,266,980
RSWD Independent	1,957,027	2,288,017	2,279,336	2,525,501	2,498,564	2,766,836	2,569,514	2,653,849	2,525,437	2,665,735
RSWD/CSA 79 Consolidated	2,622,991	2,873,624	2,851,714	3,131,265	2,917,092	3,006,620	2,883,600	3,029,498	3,066,603	3,167,873
<i>Additional Expenditures to RSWD</i>	<i>\$ 665,964</i>	<i>\$ 585,607</i>	<i>\$ 572,378</i>	<i>\$ 605,764</i>	<i>\$ 418,529</i>	<i>\$ 239,784</i>	<i>\$ 314,087</i>	<i>\$ 375,649</i>	<i>\$ 541,166</i>	<i>\$ 502,137</i>
Change in Net Position										
CSA 79 Independent	149,584	169,291	112,863	66,806	25,347	25,995	33,084	40,291	47,616	55,063
RSWD Independent	155,377	(47,578)	(53,130)	(348,619)	(144,776)	(235,242)	(106,635)	(246,738)	(277,833)	(372,868)
RSWD/CSA 79 Consolidated	545,965	320,807	343,506	64,745	279,707	190,968	314,777	169,669	133,352	32,872
<i>Difference to RSWD</i>	<i>\$ 390,588</i>	<i>\$ 368,385</i>	<i>\$ 396,635</i>	<i>\$ 413,364</i>	<i>\$ 424,483</i>	<i>\$ 426,210</i>	<i>\$ 421,412</i>	<i>\$ 416,407</i>	<i>\$ 411,186</i>	<i>\$ 405,740</i>
CSA 79 Consolidated										
Revenues	1,033,687	1,034,476	1,035,265	1,036,054	1,036,844	1,037,633	1,038,422	1,039,211	1,040,001	1,040,790
<i>Difference - Revenue Lost</i>	<i>(44,741)</i>	<i>(74,703)</i>	<i>(105,600)</i>	<i>(137,580)</i>	<i>(170,500)</i>	<i>(170,625)</i>	<i>(170,751)</i>	<i>(170,877)</i>	<i>(171,002)</i>	<i>(171,128)</i>
Expenditures	343,655	348,123	353,151	364,429	347,579	352,771	358,163	363,762	369,577	375,617
<i>Difference - Expenditure Savings</i>	<i>884,357</i>	<i>930,347</i>	<i>900,577</i>	<i>876,012</i>	<i>885,112</i>	<i>881,482</i>	<i>884,094</i>	<i>886,616</i>	<i>889,042</i>	<i>891,364</i>
Net Savings in Operating Costs	839,616	855,644	794,978	738,432	714,612	710,857	713,343	715,740	718,039	720,236

Source: RSG, Inc.