

**VVWRA 2011 Financial Plan Update, August 26, 2011**

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# Victor Valley Wastewater Reclamation Authority



## 2011 Financial Plan Update

*Revised Draft 08/26/11*



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS



## VWVRA 2011 Financial Plan Update Summary of Key Points

- The 2011 Financial Plan Update is an interim update for information purposes. VWVRA does not need to adopt any additional rate increases at this time.
- VWVRA adopted a maximum, not-to-exceed User Charge of \$2,600 per Million Gallons (MG) via Ordinance 001-D on 6/29/09. Based on annual financing needs, VWVRA is currently levying a charge of \$2,200 per MG for fiscal year 2011/12, the same charge VWVRA levied last fiscal year.
- Financial and rate projections were developed for 4 capital improvement scenarios:
  - A. Base Case Near-Term Capital Improvements
  - B. Base Case CIP + Subregional Water Reclamation Plants (WRPs) & Capacity Improvements
  - C. Total CIP: Base Case CIP + Subregional WRPs + Future Regulatory Compliance Projects
  - D. Total CIP with 1.5 mgd Victorville flow diversion (Victorville is currently diverting an estimated 0.3 mgd of flow and could potentially divert an additional 1.2 mgd of wastewater flow)

A) BASE CASE NEAR-TERM IMPROVEMENTS		B) SUBREGIONALS & CAPACITY IMPROVEMENTS		C) FUTURE REGULATORY COMPLIANCE	
Phase 3A Regulatory Improvements	\$18,000,000	Nanticoke Bypass Line	\$5,875,000	Sludge Dewatering	\$6,970,000
Finish Designing HI & AV Subreg WRPs	1,500,000	Apple Valley WRP & Related Facilities	26,900,000	Emergency Storage Pond Lining	1,100,000
Santa Fe Interceptor Sewer	2,010,000	Hesperia WRP & Related Facilities	30,200,000		
Hesperia - SVL Interceptor	4,975,000				
Upper Narrows Emergency	4,000,000				
<b>Total</b>	<b>30,485,000</b>		<b>62,975,000</b>		<b>8,070,000</b>
<b>Cumulative Total</b>	<b>30,485,000</b>		<b>93,460,000</b>		<b>101,530,000</b>

- Key cash flow assumptions include:
  - Growth is projected at 500 Equivalent Dwelling Units (EDUs) per year.
  - The projections assume no future flows from Adelanto after the current 2011/12 fiscal year.
  - Operating and maintenance expenses for 2011/12 and 2012/13 are based on VWVRA's Proposed Budget, which includes a 2-year budget projection.
  - Future operating costs escalate at the annual rate of 3%.
  - Operating and maintenance costs for the Apple Valley and Hesperia Subregional Water Reclamation Plants are projected to total \$1.3 million and are phased in over two years from 2014/15 – 2015/16.
  - Capital improvement costs and timing are included as detailed on Table 3 and include the full encumbrance requirement in the year each project is initiated.
  - The projections also include a) \$500,000 to \$1 million per year for future pay-as-you-go capital needs, and b) funding for repairs and replacements estimated at \$250,000 per year through 2014/15 and \$500,000 per year thereafter.
  - The projections assume VWVRA receives SRF loan financing for the Apple Valley and Hesperia Subregional Water Reclamation Plants. Additional financing (via bonds, COPs, or private placements) is incorporated as shown on the tables, corresponding with CIP funding needs.

- With financing for the Apple Valley and Hesperia Subregional WRPs, VVWRA User Charges for the outer 5 years (2015/16 – 2019/20) are projected to generate approximately 1.25x debt service coverage assuming 500 EDUs of annual growth. This is a relatively low coverage ratio for financial planning purposes.
- **VVWRA User Charges:** The Financial Plan Update projects both a) VVWRA’s annual User Charge, and b) the maximum charge that needs to be adopted in order to provide repayment security for anticipated debt issues. The previously adopted User Charge of \$2,600 per MG is adequate to fund Scenario A) Base Case CIP projects. However, a new maximum rate will need to be adopted prior to obtaining financing for additional projects such as the Subregional WRPs. VVWRA can phase in rates toward the maximum approved charge based on evaluation of annual finances.

	Prior	Current	Projected			
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Annual User Charge per MG</b>						
A) Base Case Near-Term CIP	\$2,200	\$2,200	\$2,400	\$2,500	\$2,500	\$2,600
B) Base Case + Subregionals	2,200	2,200	2,500	2,700	3,300	3,950
C) Total CIP (Base+Subs+Regulatory)	2,200	2,200	2,500	2,800	3,400	4,100
D) Total CIP with VV Flow Diversion	2,200	2,200	2,800	3,000	3,700	4,500
<b>Maximum User Charge per MG Needed to Secure Planned Debt Issuance</b>						
A) Base Case Near-Term CIP	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600	-
B) Base Case + Subregionals	2,600	2,600	4,000	4,000	4,000	-
C) Total CIP (Base+Subs+Regulatory)	2,600	2,600	4,200	4,200	4,200	-
D) Total CIP with VV Flow Diversion	2,600	2,600	4,600	4,600	4,600	-

- **Estimated Rate Impact per EDU (200 gpd):** The member agencies will also need to adopt rate adjustments to support the User Charges adopted by VVWRA. Again, maximum rates needed to future secure repayment will need to be adopted prior to debt issuance via the Proposition 218 process.

	Prior	Current	Projected			
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Estimated Monthly User Charge per Equivalent Dwelling Unit (at 200 gpd)</b>						
A) Base Case Near-Term CIP	\$13.38	\$13.38	\$14.60	\$15.21	\$15.21	\$15.82
B) Base Case + Subregionals	13.38	13.38	15.21	16.43	20.08	24.03
C) Total CIP (Base+Subs+Regulatory)	13.38	13.38	15.21	17.03	20.68	24.94
D) Total CIP with VV Flow Diversion	13.38	13.38	17.03	18.25	22.51	27.38
<b>Maximum Monthly User Charge per Equivalent Dwelling Unit (at 200 gpd)</b>						
A) Base Case Near-Term CIP	\$15.82	\$15.82	\$15.82	\$15.82	\$15.82	-
B) Base Case + Subregionals	15.82	15.82	24.33	24.33	24.33	-
C) Total CIP (Base+Subs+Regulatory)	15.82	15.82	25.55	25.55	25.55	-
D) Total CIP with VV Flow Diversion	15.82	15.82	27.98	27.98	27.98	-

- VVWRA obtained a low-rate State Revolving Loan (SRF) financing including approximately \$3 million of grant funding in 2010. VVWRA should maximize the use of SRF financing for future financing needs.
- Based on updated analysis, no adjustments to VVWRA Capacity Charges are recommended at this time.

	Estimated 2010/11	Budget 2011/12	Projected		
			2012/13	2013/14	2014/15
User Charge per MG	\$2,200	\$2,200	\$2,400	\$2,500	\$2,500
<i>Est. Monthly Rate / EDU (180 gpd)</i>	<i>\$12.05</i>	<i>\$12.05</i>	<i>\$13.14</i>	<i>\$13.69</i>	<i>\$13.69</i>
User Charge Needed to Secure Debt	2,600	2,600	2,600	2,600	2,600
Growth (EDUs)	583	500	500	500	500
Capacity Fee per EDU	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Member Agency Flow (MG)	4,373	4,433	4,466	4,499	4,532
V V Flow Diversion (MG)	0	0	0	0	0
Adelanto Flow (MG)	384	200	0	0	0
Total Flow (mgd)	13.03	12.69	12.24	12.33	12.42
Projected Cost Escalation				3.0%	3.0%
Interest Earnings Rate		0.5%	1.0%	1.5%	2.0%
<b>Beginning Fund Reserves</b>	\$10,951,000	\$11,251,000	\$9,472,000	\$10,365,000	\$11,182,000
<b>REVENUES</b>					
<b><u>Operating Revenues</u></b>					
User Charges	9,620,000	9,753,000	10,718,000	11,247,000	11,329,000
Adelanto Charges	780,000	440,000	0	0	0
High Str/Septage/Pretreat/Other	482,000	333,000	333,000	343,000	353,000
Subtotal	10,882,000	10,526,000	11,051,000	11,590,000	11,682,000
<b><u>Other Revenues</u></b>					
Interest Earnings (All Funds)	50,000	56,000	95,000	155,000	224,000
Capacity Fees	2,186,000	1,875,000	1,875,000	1,875,000	1,875,000
Subtotal	2,236,000	1,931,000	1,970,000	2,030,000	2,099,000
<b>Total Revenues</b>	<b>13,118,000</b>	<b>12,457,000</b>	<b>13,021,000</b>	<b>13,620,000</b>	<b>13,781,000</b>
SRF Financing Proceeds	18,600,000				
Other Debt Proceeds			9,000,000		
<b>EXPENSES</b>					
<b><u>Operating &amp; Maintenance</u></b>					
Personnel	4,011,000	0	0	0	0
Maintenance	1,689,000	2,521,000	2,533,000	2,609,000	2,687,000
Operations	2,435,000	4,143,000	4,203,000	4,329,000	4,459,000
Administration	1,143,000	2,187,000	2,187,000	2,253,000	2,321,000
Construction/Capital Outlay	295,000	250,000	250,000	250,000	250,000
Emergency Operations (Net)	142,000	72,000	0	0	0
New O&M for Subregional WRPs	0	0	0	0	0
Subtotal	9,715,000	9,173,000	9,173,000	9,441,000	9,717,000
<b><u>Debt Service</u></b>					
Prior SRF Loans	1,103,000	1,103,000	1,103,000	1,103,000	1,103,000
2010 SRF Loan	0	0	1,044,000	1,044,000	1,044,000
Future SRF Loans <i>Projected</i>	0	0	0	0	0
Other Future Financings <i>Projected</i>	0	0	383,000	765,000	765,000
Subtotal	1,103,000	1,103,000	2,530,000	2,912,000	2,912,000
<b><u>Capital &amp; Other Non-Operating</u></b>					
CIP Projects A	0	3,510,000	8,975,000	0	0
Phase 3A & Other CIP Projects	19,000,000	0	0	0	0
Repairs & Replacements	1,400,000	250,000	250,000	250,000	250,000
Regulatory Studies & Other	200,000	200,000	200,000	200,000	200,000
Subtotal	20,600,000	3,960,000	9,425,000	450,000	450,000
<b>Total Expenses</b>	<b>31,418,000</b>	<b>14,236,000</b>	<b>21,128,000</b>	<b>12,803,000</b>	<b>13,079,000</b>
<b>Revenues Less Expenses</b>	<b>300,000</b>	<b>(1,779,000)</b>	<b>893,000</b>	<b>817,000</b>	<b>702,000</b>
<b>Ending Fund Reserves</b>	<b>11,251,000</b>	<b>9,472,000</b>	<b>10,365,000</b>	<b>11,182,000</b>	<b>11,884,000</b>
<b>Fund Reserve Targets</b>					
Min Operating Rsrv: 20% of O&M	1,940,000	1,830,000	1,830,000	1,890,000	1,940,000
SRF Loan Reserve Requirement	0	1,044,000	1,044,000	1,044,000	1,044,000
Rate Stabilization/Emergency Fund	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total Combined Minimum Target	9,940,000	10,874,000	10,874,000	10,934,000	10,984,000
<b>Debt Service Coverage</b>					
	3.09	2.98	1.52	1.44	1.40
<i>Coverge on MADS w/ Max Adopted Rate</i>	<i>2.50</i>	<i>2.39</i>	<i>1.63</i>	<i>1.59</i>	<i>1.55</i>

	Projected				
	2015/16	2016/17	2017/18	2018/19	2019/20
User Charge per MG	\$2,600	\$2,650	\$2,700	\$2,750	\$2,800
Est. Monthly Rate / EDU (180 gpd)	\$14.24	\$14.51	\$14.78	\$15.06	\$15.33
User Charge Needed to Secure Debt	-	-	-	-	-
Growth (EDUs)	500	500	500	500	500
Capacity Fee per EDU	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Member Agency Flow (MG)	4,564	4,597	4,630	4,663	4,696
V V Flow Diversion (MG)	0	0	0	0	0
Adelanto Flow (MG)	0	0	0	0	0
Total Flow (mgd)	12.51	12.60	12.69	12.78	12.87
Projected Cost Escalation	3.0%	3.0%	3.0%	3.0%	3.0%
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Beginning Fund Reserves</b>	<b>\$11,884,000</b>	<b>\$11,856,000</b>	<b>\$11,853,000</b>	<b>\$11,869,000</b>	<b>\$11,901,000</b>
<b>REVENUES</b>					
<b><u>Operating Revenues</u></b>					
User Charges	11,867,000	12,183,000	12,501,000	12,823,000	13,148,000
Adelanto Charges	0	0	0	0	0
High Str/Septage/Pretreat/Other	364,000	375,000	386,000	398,000	410,000
Subtotal	12,231,000	12,558,000	12,887,000	13,221,000	13,558,000
<b><u>Other Revenues</u></b>					
Interest Earnings (All Funds)	238,000	237,000	237,000	237,000	238,000
Capacity Fees	1,875,000	1,875,000	1,875,000	1,875,000	1,875,000
Subtotal	2,113,000	2,112,000	2,112,000	2,112,000	2,113,000
<b>Total Revenues</b>	<b>14,344,000</b>	<b>14,670,000</b>	<b>14,999,000</b>	<b>15,333,000</b>	<b>15,671,000</b>
SRF Financing Proceeds					
Other Debt Proceeds					
<b>EXPENSES</b>					
<b><u>Operating &amp; Maintenance</u></b>					
Personnel	0	0	0	0	0
Maintenance	2,768,000	2,851,000	2,937,000	3,025,000	3,116,000
Operations	4,593,000	4,731,000	4,873,000	5,019,000	5,170,000
Administration	2,391,000	2,463,000	2,537,000	2,613,000	2,691,000
Construction/Capital Outlay	258,000	266,000	274,000	282,000	290,000
Emergency Operations (Net)	0	0	0	0	0
New O&M for Subregional WRPs	0	0	0	0	0
Subtotal	10,010,000	10,311,000	10,621,000	10,939,000	11,267,000
<b><u>Debt Service</u></b>					
Prior SRF Loans	1,103,000	1,103,000	1,103,000	1,103,000	1,103,000
2010 SRF Loan	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
Future SRF Loans <i>Projected</i>	0	0	0	0	0
Other Future Financings <i>Projected</i>	765,000	765,000	765,000	765,000	765,000
Subtotal	2,912,000	2,912,000	2,912,000	2,912,000	2,912,000
<b><u>Capital &amp; Other Non-Operating</u></b>					
CIP Projects A	0	0	0	0	0
Phase 3A & Other CIP Projects	750,000	750,000	750,000	750,000	750,000
Repairs & Replacements	500,000	500,000	500,000	500,000	500,000
Regulatory Studies & Other	200,000	200,000	200,000	200,000	200,000
Subtotal	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000
<b>Total Expenses</b>	<b>14,372,000</b>	<b>14,673,000</b>	<b>14,983,000</b>	<b>15,301,000</b>	<b>15,629,000</b>
<b>Revenues Less Expenses</b>	<b>(28,000)</b>	<b>(3,000)</b>	<b>16,000</b>	<b>32,000</b>	<b>42,000</b>
<b>Ending Fund Reserves</b>	<b>11,856,000</b>	<b>11,853,000</b>	<b>11,869,000</b>	<b>11,901,000</b>	<b>11,943,000</b>
<b>Fund Reserve Targets</b>					
Min Operating Rsrv: 20% of O&M	2,000,000	2,060,000	2,120,000	2,190,000	2,250,000
SRF Loan Reserve Requirement	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
Rate Stabilization/Emergency Fund	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total Combined Minimum Target	11,044,000	11,104,000	11,164,000	11,234,000	11,294,000
<b>Debt Service Coverage</b>	<b>1.49</b>	<b>1.50</b>	<b>1.50</b>	<b>1.51</b>	<b>1.51</b>
<i>Coverge on MADS w/ Max Adopted Rate</i>					

	Estimated 2010/11	Budget 2011/12	Projected		
			2012/13	2013/14	2014/15
User Charge per MG	\$2,200	\$2,200	\$2,500	\$2,700	\$3,300
<i>Est. Monthly Rate / EDU (180 gpd)</i>	<i>\$12.05</i>	<i>\$12.05</i>	<i>\$13.69</i>	<i>\$14.78</i>	<i>\$18.07</i>
User Charge Needed to Secure Debt	2,600	2,600	4,000	4,000	4,000
Growth (EDUs)	583	500	500	500	500
Capacity Fee per EDU	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Member Agency Flow (MG)	4,373	4,433	4,466	4,499	4,532
V V Flow Diversion (MG)	0	0	0	0	0
Adelanto Flow (MG)	384	200	0	0	0
Total Flow (mgd)	13.03	12.69	12.24	12.33	12.42
Projected Cost Escalation				3.0%	3.0%
Interest Earnings Rate		0.5%	1.0%	1.5%	2.0%
<b>Beginning Fund Reserves</b>	\$10,951,000	\$11,251,000	\$9,472,000	\$9,725,000	\$11,007,000
<b>REVENUES</b>					
<b><u>Operating Revenues</u></b>					
User Charges	9,620,000	9,753,000	11,165,000	12,146,000	14,954,000
Adelanto Charges	780,000	440,000	0	0	0
High Str/Septage/Pretreat/Other	482,000	333,000	333,000	343,000	353,000
Subtotal	10,882,000	10,526,000	11,498,000	12,489,000	15,307,000
<b><u>Other Revenues</u></b>					
Interest Earnings (All Funds)	50,000	56,000	95,000	146,000	220,000
Capacity Fees	2,186,000	1,875,000	1,875,000	1,875,000	1,875,000
Subtotal	2,236,000	1,931,000	1,970,000	2,021,000	2,095,000
<b>Total Revenues</b>	<b>13,118,000</b>	<b>12,457,000</b>	<b>13,468,000</b>	<b>14,510,000</b>	<b>17,402,000</b>
SRF Financing Proceeds	18,600,000		57,100,000		
Other Debt Proceeds			14,000,000		
<b>EXPENSES</b>					
<b><u>Operating &amp; Maintenance</u></b>					
Personnel	4,011,000	0	0	0	0
Maintenance	1,689,000	2,521,000	2,533,000	2,609,000	2,687,000
Operations	2,435,000	4,143,000	4,203,000	4,329,000	4,459,000
Administration	1,143,000	2,187,000	2,187,000	2,253,000	2,321,000
Construction/Capital Outlay	295,000	250,000	250,000	250,000	250,000
Emergency Operations (Net)	142,000	72,000	0	0	0
New O&M for Subregional WRPs	0	0	0	0	600,000
Subtotal	9,715,000	9,173,000	9,173,000	9,441,000	10,317,000
<b><u>Debt Service</u></b>					
Prior SRF Loans	1,103,000	1,103,000	1,103,000	1,103,000	1,103,000
2010 SRF Loan	0	0	1,044,000	1,044,000	1,044,000
Future SRF Loans <i>Projected</i>	0	0	0	0	2,000,000
Other Future Financings <i>Projected</i>	0	0	595,000	1,190,000	1,190,000
Subtotal	1,103,000	1,103,000	2,742,000	3,337,000	5,337,000
<b><u>Capital &amp; Other Non-Operating</u></b>					
CIP Projects B	0	3,510,000	71,950,000	0	0
Phase 3A & Other CIP Projects	19,000,000	0	0	0	0
Repairs & Replacements	1,400,000	250,000	250,000	250,000	250,000
Regulatory Studies & Other	200,000	200,000	200,000	200,000	200,000
Subtotal	20,600,000	3,960,000	72,400,000	450,000	450,000
<b>Total Expenses</b>	<b>31,418,000</b>	<b>14,236,000</b>	<b>84,315,000</b>	<b>13,228,000</b>	<b>16,104,000</b>
<b>Revenues Less Expenses</b>	<b>300,000</b>	<b>(1,779,000)</b>	<b>253,000</b>	<b>1,282,000</b>	<b>1,298,000</b>
<b>Ending Fund Reserves</b>	<b>11,251,000</b>	<b>9,472,000</b>	<b>9,725,000</b>	<b>11,007,000</b>	<b>12,305,000</b>
<b>Fund Reserve Targets</b>					
Min Operating Rsrv: 20% of O&M	1,940,000	1,830,000	1,830,000	1,890,000	2,060,000
SRF Loan Reserve Requirement	0	1,044,000	1,044,000	3,044,000	5,044,000
Rate Stabilization/Emergency Fund	8,000,000	8,000,000	8,000,000	4,000,000	4,000,000
Total Combined Minimum Target	9,940,000	10,874,000	10,874,000	8,934,000	11,104,000
<b>Debt Service Coverage</b>					
	3.09	2.98	1.57	1.52	1.33
<i>Coverge on MADS w/ Max Adopted Rate</i>	<i>2.50</i>	<i>2.39</i>	<i>1.32</i>	<i>1.31</i>	<i>1.30</i>

	Projected				
	2015/16	2016/17	2017/18	2018/19	2019/20
User Charge per MG	\$3,950	\$4,000	\$4,050	\$4,100	\$4,150
Est. Monthly Rate / EDU (180 gpd)	\$21.63	\$21.90	\$22.17	\$22.45	\$22.72
User Charge Needed to Secure Debt	-	-	-	-	-
Growth (EDUs)	500	500	500	500	500
Capacity Fee per EDU	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Member Agency Flow (MG)	4,564	4,597	4,630	4,663	4,696
V V Flow Diversion (MG)	0	0	0	0	0
Adelanto Flow (MG)	0	0	0	0	0
Total Flow (mgd)	12.51	12.60	12.69	12.78	12.87
Projected Cost Escalation	3.0%	3.0%	3.0%	3.0%	3.0%
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Beginning Fund Reserves</b>	<b>\$12,305,000</b>	<b>\$12,472,000</b>	<b>\$12,673,000</b>	<b>\$12,902,000</b>	<b>\$13,155,000</b>
<b>REVENUES</b>					
<b>Operating Revenues</b>					
User Charges	18,029,000	18,389,000	18,752,000	19,118,000	19,488,000
Adelanto Charges	0	0	0	0	0
High Str/Septage/Pretreat/Other	364,000	375,000	386,000	398,000	410,000
Subtotal	18,393,000	18,764,000	19,138,000	19,516,000	19,898,000
<b>Other Revenues</b>					
Interest Earnings (All Funds)	246,000	249,000	253,000	258,000	263,000
Capacity Fees	1,875,000	1,875,000	1,875,000	1,875,000	1,875,000
Subtotal	2,121,000	2,124,000	2,128,000	2,133,000	2,138,000
<b>Total Revenues</b>	<b>20,514,000</b>	<b>20,888,000</b>	<b>21,266,000</b>	<b>21,649,000</b>	<b>22,036,000</b>
SRF Financing Proceeds					
Other Debt Proceeds					
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Personnel	0	0	0	0	0
Maintenance	2,768,000	2,851,000	2,937,000	3,025,000	3,116,000
Operations	4,593,000	4,731,000	4,873,000	5,019,000	5,170,000
Administration	2,391,000	2,463,000	2,537,000	2,613,000	2,691,000
Construction/Capital Outlay	258,000	266,000	274,000	282,000	290,000
Emergency Operations (Net)	0	0	0	0	0
New O&M for Subregional WRPs	1,300,000	1,339,000	1,379,000	1,420,000	1,463,000
Subtotal	11,310,000	11,650,000	12,000,000	12,359,000	12,730,000
<b>Debt Service</b>					
Prior SRF Loans	1,103,000	1,103,000	1,103,000	1,103,000	1,103,000
2010 SRF Loan	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
Future SRF Loans <i>Projected</i>	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Other Future Financings <i>Projected</i>	1,190,000	1,190,000	1,190,000	1,190,000	1,190,000
Subtotal	7,337,000	7,337,000	7,337,000	7,337,000	7,337,000
<b>Capital &amp; Other Non-Operating</b>					
CIP Projects B	0	0	0	0	0
Phase 3A & Other CIP Projects	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Repairs & Replacements	500,000	500,000	500,000	500,000	500,000
Regulatory Studies & Other	200,000	200,000	200,000	200,000	200,000
Subtotal	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
<b>Total Expenses</b>	<b>20,347,000</b>	<b>20,687,000</b>	<b>21,037,000</b>	<b>21,396,000</b>	<b>21,767,000</b>
<b>Revenues Less Expenses</b>	<b>167,000</b>	<b>201,000</b>	<b>229,000</b>	<b>253,000</b>	<b>269,000</b>
<b>Ending Fund Reserves</b>	<b>12,472,000</b>	<b>12,673,000</b>	<b>12,902,000</b>	<b>13,155,000</b>	<b>13,424,000</b>
<b>Fund Reserve Targets</b>					
Min Operating Rsrv: 20% of O&M	2,260,000	2,330,000	2,400,000	2,470,000	2,550,000
SRF Loan Reserve Requirement	5,044,000	5,044,000	5,044,000	5,044,000	5,044,000
Rate Stabilization/Emergency Fund	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Total Combined Minimum Target	11,304,000	11,374,000	11,444,000	11,514,000	11,594,000
<b>Debt Service Coverage</b>	<b>1.25</b>	<b>1.26</b>	<b>1.26</b>	<b>1.27</b>	<b>1.27</b>
<i>Coverge on MADS w/ Max Adopted Rate</i>					

	Estimated 2010/11	Budget 2011/12	Projected		
			2012/13	2013/14	2014/15
User Charge per MG	\$2,200	\$2,200	\$2,500	\$2,800	\$3,400
<i>Est. Monthly Rate / EDU (180 gpd)</i>	<i>\$12.05</i>	<i>\$12.05</i>	<i>\$13.69</i>	<i>\$15.33</i>	<i>\$18.62</i>
User Charge Needed to Secure Debt	2,600	2,600	4,200	4,200	4,200
Growth (EDUs)	583	500	500	500	500
Capacity Fee per EDU	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Member Agency Flow (MG)	4,373	4,433	4,466	4,499	4,532
V V Flow Diversion (MG)	0	0	0	0	0
Adelanto Flow (MG)	384	200	0	0	0
Total Flow (mgd)	13.03	12.69	12.24	12.33	12.42
Projected Cost Escalation				3.0%	3.0%
Interest Earnings Rate		0.5%	1.0%	1.5%	2.0%
<b>Beginning Fund Reserves</b>	\$10,951,000	\$11,251,000	\$9,472,000	\$9,725,000	\$10,357,000
<b>REVENUES</b>					
<b><u>Operating Revenues</u></b>					
User Charges	9,620,000	9,753,000	11,165,000	12,596,000	15,407,000
Adelanto Charges	780,000	440,000	0	0	0
High Str/Septage/Pretreat/Other	482,000	333,000	333,000	343,000	353,000
Subtotal	10,882,000	10,526,000	11,498,000	12,939,000	15,760,000
<b><u>Other Revenues</u></b>					
Interest Earnings (All Funds)	50,000	56,000	95,000	146,000	207,000
Capacity Fees	2,186,000	1,875,000	1,875,000	1,875,000	1,875,000
Subtotal	2,236,000	1,931,000	1,970,000	2,021,000	2,082,000
<b>Total Revenues</b>	<b>13,118,000</b>	<b>12,457,000</b>	<b>13,468,000</b>	<b>14,960,000</b>	<b>17,842,000</b>
SRF Financing Proceeds	18,600,000		57,100,000		
Other Debt Proceeds			14,000,000		6,000,000
<b>EXPENSES</b>					
<b><u>Operating &amp; Maintenance</u></b>					
Personnel	4,011,000	0	0	0	0
Maintenance	1,689,000	2,521,000	2,533,000	2,609,000	2,687,000
Operations	2,435,000	4,143,000	4,203,000	4,329,000	4,459,000
Administration	1,143,000	2,187,000	2,187,000	2,253,000	2,321,000
Construction/Capital Outlay	295,000	250,000	250,000	250,000	250,000
Emergency Operations (Net)	142,000	72,000	0	0	0
New O&M for Subregional WRPs	0	0	0	0	600,000
Subtotal	9,715,000	9,173,000	9,173,000	9,441,000	10,317,000
<b><u>Debt Service</u></b>					
Prior SRF Loans	1,103,000	1,103,000	1,103,000	1,103,000	1,103,000
2010 SRF Loan	0	0	1,044,000	1,044,000	1,044,000
Future SRF Loans <i>Projected</i>	0	0	0	0	2,000,000
Other Future Financings <i>Projected</i>	0	0	595,000	1,190,000	1,190,000
Subtotal	1,103,000	1,103,000	2,742,000	3,337,000	5,337,000
<b><u>Capital &amp; Other Non-Operating</u></b>					
CIP Projects C	0	3,510,000	71,950,000	1,100,000	6,970,000
Phase 3A & Other Projects	19,000,000	0	0	0	0
Repairs & Replacements	1,400,000	250,000	250,000	250,000	250,000
Regulatory Studies & Other	200,000	200,000	200,000	200,000	200,000
Subtotal	20,600,000	3,960,000	72,400,000	1,550,000	7,420,000
<b>Total Expenses</b>	<b>31,418,000</b>	<b>14,236,000</b>	<b>84,315,000</b>	<b>14,328,000</b>	<b>23,074,000</b>
<b>Revenues Less Expenses</b>	300,000	(1,779,000)	253,000	632,000	768,000
<b>Ending Fund Reserves</b>	<b>11,251,000</b>	<b>9,472,000</b>	<b>9,725,000</b>	<b>10,357,000</b>	<b>11,125,000</b>
<b>Fund Reserve Targets</b>					
Min Operating Rsrv: 20% of O&M	1,940,000	1,830,000	1,830,000	1,890,000	2,060,000
SRF Loan Reserve Requirement	0	1,044,000	1,044,000	3,044,000	5,044,000
Rate Stabilization/Emergency Fund	8,000,000	8,000,000	8,000,000	4,000,000	4,000,000
Total Combined Minimum Target	9,940,000	10,874,000	10,874,000	8,934,000	11,104,000
<b>Debt Service Coverage</b>					
	3.09	2.98	1.57	1.65	1.41
<i>Coverge on MADS w/ Max Adopted Rate</i>	<i>2.50</i>	<i>2.39</i>	<i>1.44</i>	<i>1.43</i>	<i>1.33</i>

	Projected				
	2015/16	2016/17	2017/18	2018/19	2019/20
User Charge per MG	\$4,100	\$4,150	\$4,150	\$4,200	\$4,250
Est. Monthly Rate / EDU (180 gpd)	\$22.45	\$22.72	\$22.72	\$23.00	\$23.27
User Charge Needed to Secure Debt	-	-	-	-	-
Growth (EDUs)	500	500	500	500	500
Capacity Fee per EDU	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Member Agency Flow (MG)	4,564	4,597	4,630	4,663	4,696
V V Flow Diversion (MG)	0	0	0	0	0
Adelanto Flow (MG)	0	0	0	0	0
Total Flow (mgd)	12.51	12.60	12.69	12.78	12.87
Projected Cost Escalation	3.0%	3.0%	3.0%	3.0%	3.0%
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Beginning Fund Reserves</b>	<b>\$11,125,000</b>	<b>\$11,944,000</b>	<b>\$12,315,000</b>	<b>\$12,490,000</b>	<b>\$12,691,000</b>
<b>REVENUES</b>					
<b><u>Operating Revenues</u></b>					
User Charges	18,714,000	19,079,000	19,215,000	19,584,000	19,957,000
Adelanto Charges	0	0	0	0	0
High Str/Septage/Pretreat/Other	364,000	375,000	386,000	398,000	410,000
Subtotal	19,078,000	19,454,000	19,601,000	19,982,000	20,367,000
<b><u>Other Revenues</u></b>					
Interest Earnings (All Funds)	223,000	239,000	246,000	250,000	254,000
Capacity Fees	1,875,000	1,875,000	1,875,000	1,875,000	1,875,000
Subtotal	2,098,000	2,114,000	2,121,000	2,125,000	2,129,000
<b>Total Revenues</b>	<b>21,176,000</b>	<b>21,568,000</b>	<b>21,722,000</b>	<b>22,107,000</b>	<b>22,496,000</b>
SRF Financing Proceeds					
Other Debt Proceeds					
<b>EXPENSES</b>					
<b><u>Operating &amp; Maintenance</u></b>					
Personnel	0	0	0	0	0
Maintenance	2,768,000	2,851,000	2,937,000	3,025,000	3,116,000
Operations	4,593,000	4,731,000	4,873,000	5,019,000	5,170,000
Administration	2,391,000	2,463,000	2,537,000	2,613,000	2,691,000
Construction/Capital Outlay	258,000	266,000	274,000	282,000	290,000
Emergency Operations (Net)	0	0	0	0	0
New O&M for Subregional WRPs	1,300,000	1,339,000	1,379,000	1,420,000	1,463,000
Subtotal	11,310,000	11,650,000	12,000,000	12,359,000	12,730,000
<b><u>Debt Service</u></b>					
Prior SRF Loans	1,103,000	1,103,000	1,103,000	1,103,000	1,103,000
2010 SRF Loan	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
Future SRF Loans <i>Projected</i>	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Other Future Financings <i>Projected</i>	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Subtotal	7,847,000	7,847,000	7,847,000	7,847,000	7,847,000
<b><u>Capital &amp; Other Non-Operating</u></b>					
CIP Projects C	0	0	0	0	0
Phase 3A & Other Projects	500,000	1,000,000	1,000,000	1,000,000	1,000,000
Repairs & Replacements	500,000	500,000	500,000	500,000	500,000
Regulatory Studies & Other	200,000	200,000	200,000	200,000	200,000
Subtotal	1,200,000	1,700,000	1,700,000	1,700,000	1,700,000
<b>Total Expenses</b>	<b>20,357,000</b>	<b>21,197,000</b>	<b>21,547,000</b>	<b>21,906,000</b>	<b>22,277,000</b>
<b>Revenues Less Expenses</b>	<b>819,000</b>	<b>371,000</b>	<b>175,000</b>	<b>201,000</b>	<b>219,000</b>
<b>Ending Fund Reserves</b>	<b>11,944,000</b>	<b>12,315,000</b>	<b>12,490,000</b>	<b>12,691,000</b>	<b>12,910,000</b>
<b>Fund Reserve Targets</b>					
Min Operating Rsrv: 20% of O&M	2,260,000	2,330,000	2,400,000	2,470,000	2,550,000
SRF Loan Reserve Requirement	5,044,000	5,044,000	5,044,000	5,044,000	5,044,000
Rate Stabilization/Emergency Fund	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Total Combined Minimum Target	11,304,000	11,374,000	11,444,000	11,514,000	11,594,000
<b>Debt Service Coverage</b>	<b>1.26</b>	<b>1.26</b>	<b>1.24</b>	<b>1.24</b>	<b>1.24</b>
<i>Coverge on MADS w/ Max Adopted Rate</i>					

	Estimated 2010/11	Budget 2011/12	Projected		
			2012/13	2013/14	2014/15
User Charge per MG	\$2,200	\$2,200	\$2,800	\$3,000	\$3,700
<i>Est. Monthly Rate / EDU (180 gpd)</i>	<i>\$12.05</i>	<i>\$12.05</i>	<i>\$15.33</i>	<i>\$16.43</i>	<i>\$20.26</i>
User Charge Needed to Secure Debt	2,600	2,600	4,600	4,600	4,600
Growth (EDUs)	583	500	500	500	500
Capacity Fee per EDU	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Member Agency Flow (MG)	4,373	4,433	4,466	4,499	4,532
Add'l V V Flow Diversion (MG) 1.2 mgd	0	0	(438)	(438)	(438)
Adelanto Flow (MG)	384	200	0	0	0
Total Flow (mgd)	13.03	12.69	12.24	12.33	12.42
Projected Cost Escalation				3.0%	3.0%
Interest Earnings Rate		0.5%	1.0%	1.5%	2.0%
<b>Beginning Fund Reserves</b>	\$10,951,000	\$11,251,000	\$9,472,000	\$9,838,000	\$10,058,000
<b>REVENUES</b>					
<b>Operating Revenues</b>					
User Charges	9,620,000	9,753,000	12,504,000	13,496,000	16,767,000
Adelanto Charges	780,000	440,000	0	0	0
Less Add'l VV Flow Diversion	0	0	(1,226,000)	(1,314,000)	(1,621,000)
High Str/Septage/Pretreat/Other	482,000	333,000	333,000	343,000	353,000
Subtotal	10,882,000	10,526,000	11,611,000	12,525,000	15,499,000
<b>Other Revenues</b>					
Interest Earnings (All Funds)	50,000	56,000	95,000	148,000	201,000
Capacity Fees	2,186,000	1,875,000	1,875,000	1,875,000	1,875,000
Subtotal	2,236,000	1,931,000	1,970,000	2,023,000	2,076,000
<b>Total Revenues</b>	<b>13,118,000</b>	<b>12,457,000</b>	<b>13,581,000</b>	<b>14,548,000</b>	<b>17,575,000</b>
SRF Financing Proceeds	18,600,000		57,100,000		
Other Debt Proceeds			14,000,000		6,000,000
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Personnel	4,011,000	0	0	0	0
Maintenance	1,689,000	2,521,000	2,533,000	2,609,000	2,687,000
Operations	2,435,000	4,143,000	4,203,000	4,329,000	4,459,000
Administration	1,143,000	2,187,000	2,187,000	2,253,000	2,321,000
Construction/Capital Outlay	295,000	250,000	250,000	250,000	250,000
Emergency Operations (Net)	142,000	72,000	0	0	0
New O&M for Subregional WRPs	0	0	0	0	600,000
Subtotal	9,715,000	9,173,000	9,173,000	9,441,000	10,317,000
<b>Debt Service</b>					
Prior SRF Loans	1,103,000	1,103,000	1,103,000	1,103,000	1,103,000
2010 SRF Loan	0	0	1,044,000	1,044,000	1,044,000
Future SRF Loans <i>Projected</i>	0	0	0	0	2,000,000
Other Future Financings <i>Projected</i>	0	0	595,000	1,190,000	1,190,000
Subtotal	1,103,000	1,103,000	2,742,000	3,337,000	5,337,000
<b>Capital &amp; Other Non-Operating</b>					
CIP Projects C	0	3,510,000	71,950,000	1,100,000	6,970,000
Phase 3A & Other CIP Projects	19,000,000	0	0	0	0
Repairs & Replacements	1,400,000	250,000	250,000	250,000	250,000
Regulatory Studies & Other	200,000	200,000	200,000	200,000	200,000
Subtotal	20,600,000	3,960,000	72,400,000	1,550,000	7,420,000
<b>Total Expenses</b>	<b>31,418,000</b>	<b>14,236,000</b>	<b>84,315,000</b>	<b>14,328,000</b>	<b>23,074,000</b>
<b>Revenues Less Expenses</b>	300,000	(1,779,000)	366,000	220,000	501,000
<b>Ending Fund Reserves</b>	<b>11,251,000</b>	<b>9,472,000</b>	<b>9,838,000</b>	<b>10,058,000</b>	<b>10,559,000</b>
<b>Fund Reserve Targets</b>					
Min Operating Rsrv: 20% of O&M	1,940,000	1,830,000	1,830,000	1,890,000	2,060,000
SRF Loan Reserve Requirement	0	1,044,000	1,044,000	3,044,000	5,044,000
Rate Stabilization/Emergency Fund	8,000,000	8,000,000	8,000,000	4,000,000	4,000,000
Total Combined Minimum Target	9,940,000	10,874,000	10,874,000	8,934,000	11,104,000
<b>Debt Service Coverage</b>					
	3.09	2.98	1.61	1.53	1.36
<i>Coverage on MADS w/ Max Adopted Rate</i>	<i>2.50</i>	<i>2.39</i>	<i>1.41</i>	<i>1.40</i>	<i>1.31</i>

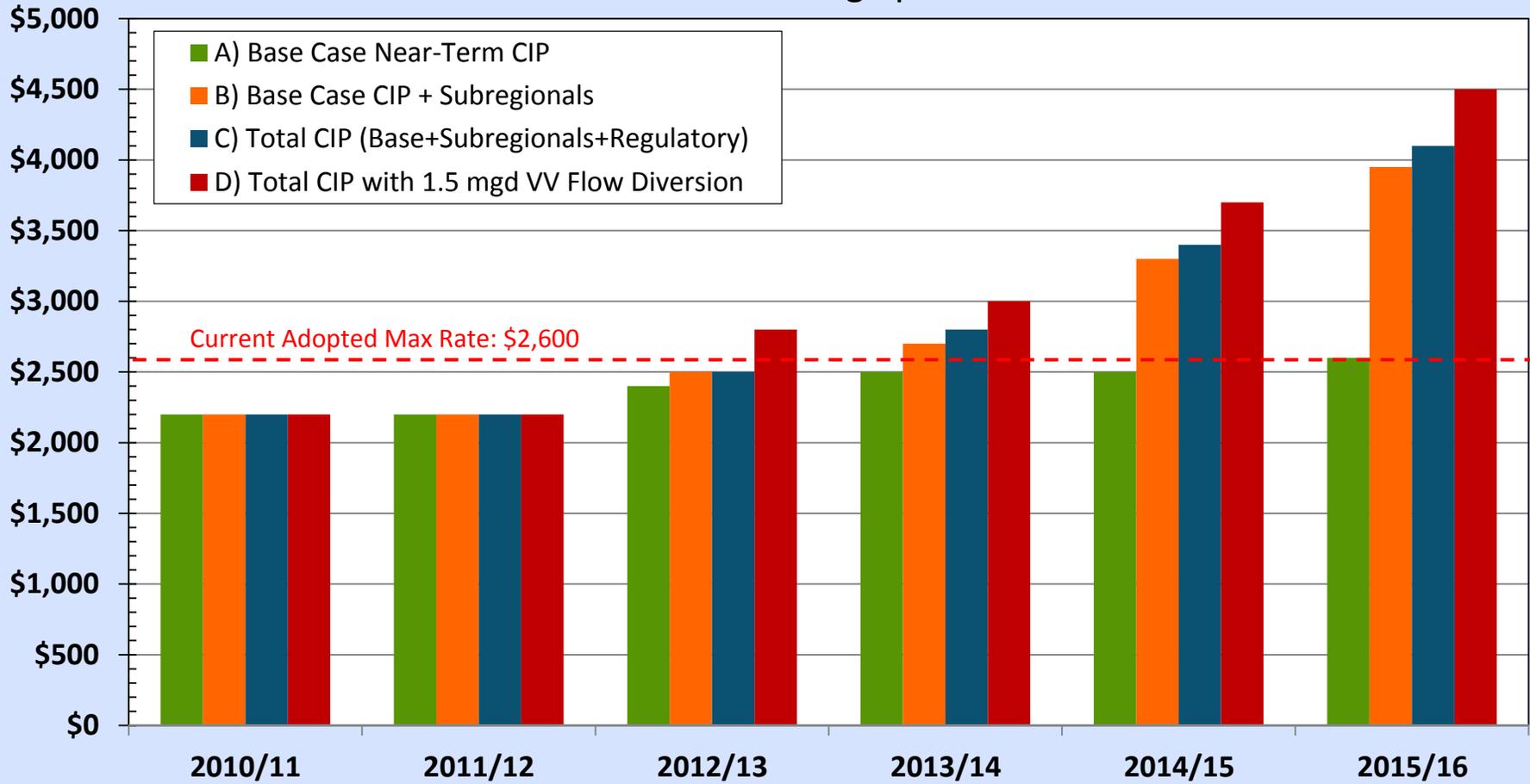
	Projected				
	2015/16	2016/17	2017/18	2018/19	2019/20
User Charge per MG	\$4,500	\$4,550	\$4,600	\$4,650	\$4,700
Est. Monthly Rate / EDU (180 gpd)	\$24.64	\$24.91	\$25.19	\$25.46	\$25.73
User Charge Needed to Secure Debt	-	-	-	-	-
Growth (EDUs)	500	500	500	500	500
Capacity Fee per EDU	\$3,750	\$3,750	\$3,750	\$3,750	\$3,750
Member Agency Flow (MG)	4,564	4,597	4,630	4,663	4,696
Add'l VV Flow Diversion (MG) 1.2 mgd	(438)	(438)	(438)	(438)	(438)
Adelanto Flow (MG)	0	0	0	0	0
Total Flow (mgd)	12.51	12.60	12.69	12.78	12.87
Projected Cost Escalation	3.0%	3.0%	3.0%	3.0%	3.0%
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Beginning Fund Reserves</b>	<b>\$10,559,000</b>	<b>\$10,971,000</b>	<b>\$11,417,000</b>	<b>\$11,642,000</b>	<b>\$11,888,000</b>
<b>REVENUES</b>					
<b>Operating Revenues</b>					
User Charges	20,540,000	20,917,000	21,298,000	21,683,000	22,070,000
Adelanto Charges	0	0	0	0	0
Less Add'l VV Flow Diversion	(1,971,000)	(1,993,000)	(2,015,000)	(2,037,000)	(2,059,000)
High Str/Septage/Pretreat/Other	364,000	375,000	386,000	398,000	410,000
Subtotal	18,933,000	19,299,000	19,669,000	20,044,000	20,421,000
<b>Other Revenues</b>					
Interest Earnings (All Funds)	211,000	219,000	228,000	233,000	238,000
Capacity Fees	1,875,000	1,875,000	1,875,000	1,875,000	1,875,000
Subtotal	2,086,000	2,094,000	2,103,000	2,108,000	2,113,000
<b>Total Revenues</b>	<b>21,019,000</b>	<b>21,393,000</b>	<b>21,772,000</b>	<b>22,152,000</b>	<b>22,534,000</b>
SRF Financing Proceeds					
Other Debt Proceeds					
<b>EXPENSES</b>					
<b>Operating &amp; Maintenance</b>					
Personnel	0	0	0	0	0
Maintenance	2,768,000	2,851,000	2,937,000	3,025,000	3,116,000
Operations	4,593,000	4,731,000	4,873,000	5,019,000	5,170,000
Administration	2,391,000	2,463,000	2,537,000	2,613,000	2,691,000
Construction/Capital Outlay	258,000	266,000	274,000	282,000	290,000
Emergency Operations (Net)	0	0	0	0	0
New O&M for Subregional WRPs	1,300,000	1,339,000	1,379,000	1,420,000	1,463,000
Subtotal	11,310,000	11,650,000	12,000,000	12,359,000	12,730,000
<b>Debt Service</b>					
Prior SRF Loans	1,103,000	1,103,000	1,103,000	1,103,000	1,103,000
2010 SRF Loan	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
Future SRF Loans <i>Projected</i>	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Other Future Financings <i>Projected</i>	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Subtotal	7,847,000	7,847,000	7,847,000	7,847,000	7,847,000
<b>Capital &amp; Other Non-Operating</b>					
CIP Projects C	0	0	0	0	0
Phase 3A & Other CIP Projects	750,000	750,000	1,000,000	1,000,000	1,000,000
Repairs & Replacements	500,000	500,000	500,000	500,000	500,000
Regulatory Studies & Other	200,000	200,000	200,000	200,000	200,000
Subtotal	1,450,000	1,450,000	1,700,000	1,700,000	1,700,000
<b>Total Expenses</b>	<b>20,607,000</b>	<b>20,947,000</b>	<b>21,547,000</b>	<b>21,906,000</b>	<b>22,277,000</b>
<b>Revenues Less Expenses</b>	<b>412,000</b>	<b>446,000</b>	<b>225,000</b>	<b>246,000</b>	<b>257,000</b>
<b>Ending Fund Reserves</b>	<b>10,971,000</b>	<b>11,417,000</b>	<b>11,642,000</b>	<b>11,888,000</b>	<b>12,145,000</b>
<b>Fund Reserve Targets</b>					
Min Operating Rsrv: 20% of O&M	2,260,000	2,330,000	2,400,000	2,470,000	2,550,000
SRF Loan Reserve Requirement	5,044,000	5,044,000	5,044,000	5,044,000	5,044,000
Rate Stabilization/Emergency Fund	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Total Combined Minimum Target	11,304,000	11,374,000	11,444,000	11,514,000	11,594,000
<b>Debt Service Coverage</b>	<b>1.24</b>	<b>1.24</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>
<i>Coverage on MADS w/ Max Adopted Rate</i>					

Table 1  
Victor Valley Wastewater Reclamation Authority  
Summary of Rate Alternatives

	Prior 2010/11	Current 2011/12	Projected			
			2012/13	2013/14	2014/15	2015/16
<b>Annual User Charge per MG</b>						
A) Base Case Near-Term CIP	\$2,200	\$2,200	\$2,400	\$2,500	\$2,500	\$2,600
B) Base Case + Subregionals	2,200	2,200	2,500	2,700	3,300	3,950
C) Total CIP (Base+Subs+Regulatory)	2,200	2,200	2,500	2,800	3,400	4,100
D) Total CIP with VV Flow Diversion	2,200	2,200	2,800	3,000	3,700	4,500
<b>Maximum User Charge per MG Needed to Secure Planned Debt Issuance</b>						
A) Base Case Near-Term CIP	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600	-
B) Base Case + Subregionals	2,600	2,600	4,000	4,000	4,000	-
C) Total CIP (Base+Subs+Regulatory)	2,600	2,600	4,200	4,200	4,200	-
D) Total CIP with VV Flow Diversion	2,600	2,600	4,600	4,600	4,600	-
<b>Estimated Monthly User Charge per Equivalent Dwelling Unit (at 200 gpd)</b>						
A) Base Case Near-Term CIP	\$13.38	\$13.38	\$14.60	\$15.21	\$15.21	\$15.82
B) Base Case + Subregionals	13.38	13.38	15.21	16.43	20.08	24.03
C) Total CIP (Base+Subs+Regulatory)	13.38	13.38	15.21	17.03	20.68	24.94
D) Total CIP with VV Flow Diversion	13.38	13.38	17.03	18.25	22.51	27.38
<b>Maximum Monthly User Charge per Equivalent Dwelling Unit (at 200 gpd)</b>						
A) Base Case Near-Term CIP	\$15.82	\$15.82	\$15.82	\$15.82	\$15.82	-
B) Base Case + Subregionals	15.82	15.82	24.33	24.33	24.33	-
C) Total CIP (Base+Subs+Regulatory)	15.82	15.82	25.55	25.55	25.55	-
D) Total CIP with VV Flow Diversion	15.82	15.82	27.98	27.98	27.98	-

# Comparison of Alternative Scenarios

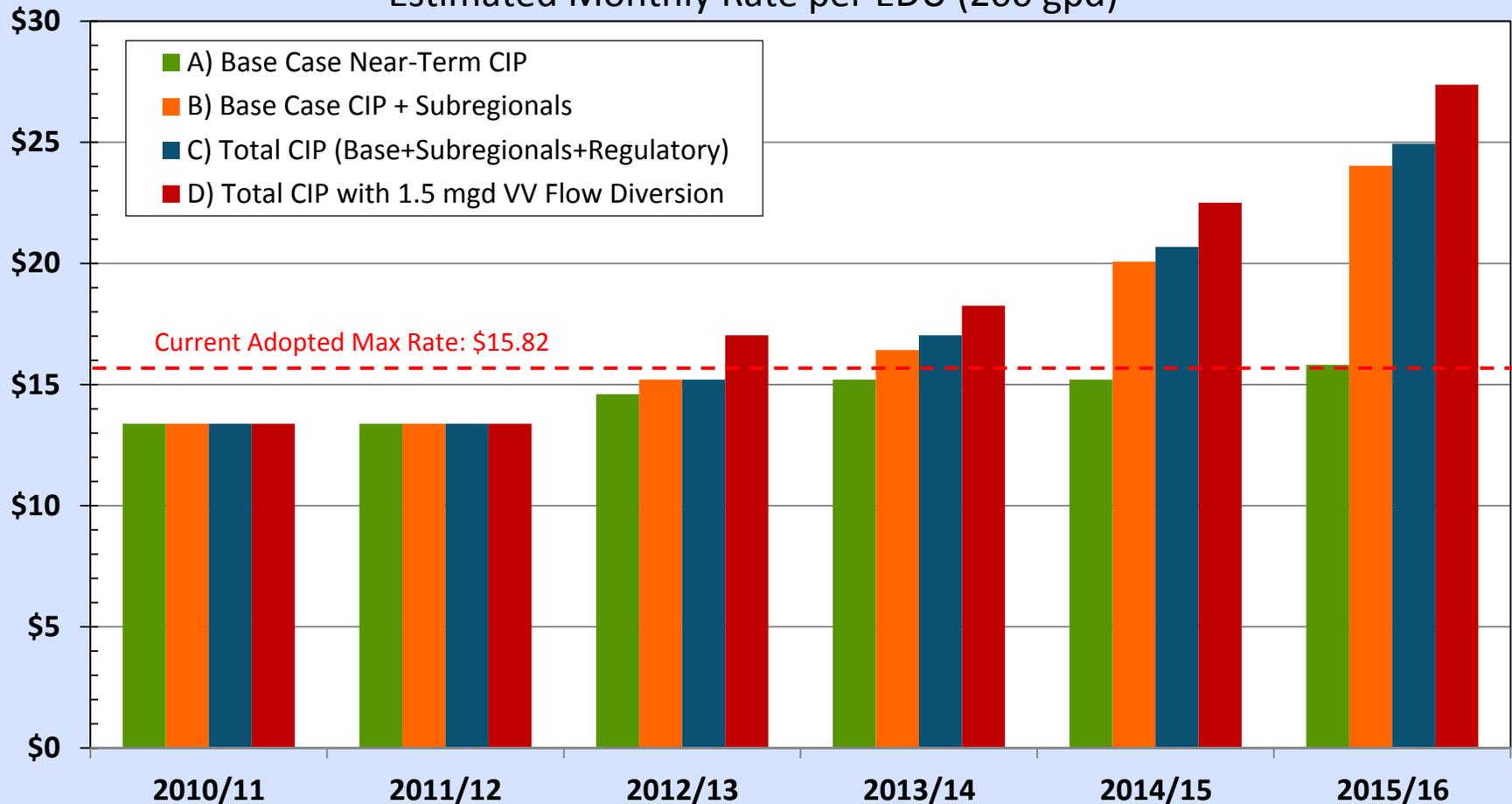
## VVWRA User Charge per MG



A) BASE CASE NEAR-TERM IMPROVEMENTS		B) SUBREGIONALS & CAPACITY IMPROVEMENTS		C) FUTURE REGULATORY COMPLIANCE	
Phase 3A Regulatory Improvements	\$18,000,000	Nanticoke Bypass Line	\$5,875,000	Sludge Dewatering	\$6,970,000
Finish Designing HI & AV Subreg WRPs	1,500,000	Apple Valley WRP & Related Facilities	26,900,000	Emergency Storage Pond Lining	1,100,000
Santa Fe Interceptor Sewer	2,010,000	Hesperia WRP & Related Facilities	30,200,000		
Hesperia - SVL Interceptor	4,975,000				
Upper Narrows Emergency	4,000,000				
<b>Total</b>	<b>30,485,000</b>		<b>62,975,000</b>		<b>8,070,000</b>
<b>Cumulative Total</b>	<b>30,485,000</b>		<b>93,460,000</b>		<b>101,530,000</b>

## Comparison of Alternative Scenarios

### Estimated Monthly Rate per EDU (200 gpd)



A) BASE CASE NEAR-TERM IMPROVEMENTS		B) SUBREGIONALS & CAPACITY IMPROVEMENTS		C) FUTURE REGULATORY COMPLIANCE	
Phase 3A Regulatory Improvements	\$18,000,000	Nanticoke Bypass Line	\$5,875,000	Sludge Dewatering	\$6,970,000
Finish Designing HI & AV Subreg WRPs	1,500,000	Apple Valley WRP & Related Facilities	26,900,000	Emergency Storage Pond Lining	1,100,000
Santa Fe Interceptor Sewer	2,010,000	Hesperia WRP & Related Facilities	30,200,000		
Hesperia - SVL Interceptor	4,975,000				
Upper Narrows Emergency	4,000,000				
<b>Total</b>	<b>30,485,000</b>		<b>62,975,000</b>		<b>8,070,000</b>
<b>Cumulative Total</b>	<b>30,485,000</b>		<b>93,460,000</b>		<b>101,530,000</b>

Table 2  
Victor Valley Wastewater Reclamation Authority  
Projected CIP Projects

	Estimated Fiscal Year	Estimated Cost (Future \$)	% Allocation		\$ Allocation	
			Capacity Fees	User Chgs	Capacity Fees	User Chgs
<b>A) BASE CASE NEAR-TERM CIP PROJECTS</b>						
<b>Regulatory Compliance</b>						
Phase 3A Improvements	2010/11-11/12	\$18,000,000	12.1%	87.9%	\$2,178,000	\$15,822,000
<b>Other Improvements</b>						
Finish Designing HI & AV Subreg WRPs*	2011/12	1,500,000	100.0%	0.0%	1,500,000	0
Santa Fe Interceptor Sewer	2011/12	2,010,000	90.0%	10.0%	1,809,000	201,000
Hesperia - SVL Interceptor	2012/13	4,975,000	89.5%	10.5%	4,453,000	522,000
Upper Narrows Emergency	2012/13-13/14	<u>4,000,000</u>	<u>31.7%</u>	<u>68.3%</u>	<u>1,267,000</u>	<u>2,733,000</u>
<i>Subtotal</i>		12,485,000	72.3%	27.7%	9,029,000	3,456,000
<b>Subtotal Base Case</b>		<b>30,485,000</b>	<b>36.8%</b>	<b>63.2%</b>	<b>11,207,000</b>	<b>19,278,000</b>
<b>B) SUBREGIONALS &amp; CAPACITY IMPROVEMENTS</b>						
Nanticoke Bypass Line	2012/13	5,875,000	100.0%	0.0%	5,875,000	0
Apple Valley WRP & Related Facilities	2012/13-13/14	26,900,000	100.0%	0.0%	26,900,000	0
Hesperia WRP & Related Facilities	2013/14-14/15	30,200,000	100.0%	0.0%	30,200,000	0
East Side WRP & Related Facilities	tbd	<u>tbd</u>	<u>tbd</u>	<u>tbd</u>	<u>tbd</u>	<u>tbd</u>
<b>Subtotal</b>		<b>62,975,000</b>	<b>100.0%</b>	<b>0.0%</b>	<b>62,975,000</b>	<b>0</b>
<b>C) FUTURE REGULATORY COMPLIANCE</b>						
Sludge Dewatering	2014/15-15/16	6,970,000	12.1%	87.9%	846,000	6,124,000
Emergency Storage Pond Lining	2013/14	<u>1,100,000</u>	<u>12.1%</u>	<u>87.9%</u>	<u>134,000</u>	<u>966,000</u>
<b>Subtotal</b>		<b>8,070,000</b>	<b>12.1%</b>	<b>87.9%</b>	<b>980,000</b>	<b>7,090,000</b>
<b>Total</b>		<b>101,530,000</b>	<b>74.0%</b>	<b>26.0%</b>	<b>75,162,000</b>	<b>26,368,000</b>

\* VVWRA spent approximately \$3.5 million for subregional design prior to 2011/12.

Table 3  
Victor Valley Wastewater Reclamation Authority  
CIP Encumbrance Requirements

	Scenario	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Total
<b>FINANCED BY 2010 SRF LOAN</b>								
Phase 3A Regulatory Improvements		18,000,000	>>>	>>>				18,000,000
<b>A) BASE CASE NEAR-TERM CIP</b>								
Finish Designing HI & AV Subreg WRPs	A		1,500,000					1,500,000
Santa Fe Interceptor Sewer	A		2,010,000					2,010,000
Hesperia - SVL Interceptor	A			4,975,000				4,975,000
Upper Narrows Emergency	A			4,000,000	>>>			4,000,000
<b>B) SUBREGIONALS &amp; CAPACITY IMPROVEMENTS</b>								
Nanticoke Bypass Line	B			5,875,000				5,875,000
Apple Valley WRP & Related Facilities*	B			26,900,000	>>>			26,900,000
Hesperia WRP & Related Facilities*	B			30,200,000	>>>	>>>		30,200,000
East Side WRP & Related Facilities (tbd)	B							<i>tbd</i>
<b>C) OTHER CAPITAL IMPROVEMENTS</b>								
Emergency Storage Pond Lining	C/D				1,100,000			1,100,000
Sludge Dewatering*	C/D					6,970,000	>>>	6,970,000
<b>Total</b>		<b>18,000,000</b>	<b>3,510,000</b>	<b>71,950,000</b>	<b>1,100,000</b>	<b>6,970,000</b>	<b>0</b>	<b>101,530,000</b>
<b>Funding Requirement</b>		already financed	<b>3,510,000</b>	<b>71,950,000</b>	<b>1,100,000</b>	<b>6,970,000</b>	<b>0</b>	<b>83,530,000</b>

\* Project construction spans multiple years; financing needs to be secured prior to contract award in the first year.

Table 4  
 Victor Valley Wastewater Reclamation Authority  
 SRF Loan Debt Service Estimator

	Future SRF Loans (Per \$10M)
<b>ESTIMATED ANNUAL SRF LOAN PAYMENT PER \$10 MILLION</b>	
<b>SRF Loan Amount</b>	
Project Funding	10,000,000
Accrued Interest During Construction <sup>1</sup>	150,000
Accrued Interest for One Year After Project Completion	<u>305,000</u>
Total SRF Loan Amount	10,455,000
<b>Loan Terms</b>	
Term (years)	20
Interest Rate <sup>2</sup>	3.00%
<b>Annual SRF Loan Payment</b>	<b>703,000</b>
<b>Reserve Requirement</b>	<b>703,000</b>
<i>SRF requires agencies to set aside 1 year of debt service to serve as a reserve fund.</i>	

1 Assumes steady gradual drawdown of loan funds over one year.

2 Interest rate estimated for financial planning purposes; actual rate may vary.

Table 5  
Victor Valley Wastewater Reclamation Authority  
Projected Bond/COP Debt Service Per \$10 Million of Project Financing

<b>Term (Years)</b>		<b>25 Years</b>	<b>30 Years</b>
<b>Funding Target</b>		<b>\$10,000,000</b>	<b>\$10,000,000</b>
<b>Total Debt Issue</b>		\$11,120,000	\$11,075,000
<b>Proceeds</b>		\$10,000,000	\$10,000,000
<b>Issuance Costs &amp; Reserve Requirement</b>			
Underwriter Discount	1.00%	\$111,200	\$110,800
Bond Insurance		0	0
Debt Service Reserve Fund		849,300	804,600
Issuance Costs		150,000	150,000
Capitalized Interest		0	0
Contingency/Rounding		<u>9,500</u>	<u>9,600</u>
Total		1,120,000	1,075,000
<b>Financing Terms</b>			
Term (Years)		25	30
Est. Average Interest Rate		5.75%	6.00%
<b>DEBT SERVICE</b>			
Annual Debt Service		849,300	804,600
Less Interest on Rsrv Fund	2.0%	<u>(17,000)</u>	<u>(16,100)</u>
Net Annual Debt Service		\$832,300	\$788,500

*Financing costs and interest rates estimated for financial planning purposes.  
Assumes bond term does not exceed the useful life of projects funded.*

Table 6  
 Victor Valley Wastewater Reclamation Authority  
 Outstanding & Projected Debt

	Outstanding 1998 SRF Loan	Outstanding 2000 SRF Loan	Outstanding 2004 SRF Loan	Outstanding 2010 SRF Loan*	Projected 2012 SRF Loan	Projected 2012 Financing	Projected 2014 Financing	Total
Type	Standard SRF	0% Matching Loan	Standard SRF	Standard SRF	Standard SRF	TBD	TBD	
New Project Funding								
Loan/Bond Amount	\$4,069,859	\$11,430,726	\$4,084,688	\$15,581,563	\$57,100,000	\$14,000,000	\$6,000,000	
Term	20 Years	20 Years	20 Years	20 Years	20 Years	20-25 Years	20-25 Years	
Interest Rate	2.60%	1.85% (imputed)	2.50%	2.70%	2.70%	5.50%	5.50%	
Pymt Frequency	Annual	Annual	Annual	Annual	Annual	Semi-Annual	Semi-Annual	
Annual Payment	\$265,050	\$579,870	\$258,151	\$1,044,375	\$4,000,000	\$1,190,000	\$510,000	
Issuance Date	08/28/98	09/05/00	05/04/04	Sept-2010	Est Sept-2012	Est Sept-2012	Est Jan-2015	
Final Payment	10/01/19	06/01/22	02/13/24	Sept-2031	Est Sept-2035	Est Sept-2037	Est Jan-2040	
Purpose	Treatment Plant Expansion to 9.5 mgd	Treatment Plant Expansion to 11 mgd	North Valley Interceptor	Phase 3A Regulatory Upgrades	Subregionals	Nanticoke Bypass HI Interceptor	Sludge Dewater	
<b>Projected Cost Allocation</b>								
Capacity Fees	95.7%	100%	100%	25%	100%	95%	12%	
User Charges	4.3%	0%	0%	75%	0%	5%	88%	
<b>Annual Debt Service</b>								
<b>(FYE June 30)</b>								
2011	265,050	579,870	258,151	-	-	-	-	1,103,071
2012	265,050	579,870	258,151	-	-	-	-	1,103,071
2013	265,050	579,870	258,151	1,044,375	-	595,000	-	2,742,446
2014	265,050	579,870	258,151	1,044,375	-	1,190,000	-	3,337,446
2015	265,050	579,870	258,151	1,044,375	2,000,000	1,190,000	-	5,337,446
2016	265,050	579,870	258,151	1,044,375	4,000,000	1,190,000	510,000	7,847,446
2017	265,050	579,870	258,151	1,044,375	4,000,000	1,190,000	510,000	7,847,446
2018	265,050	579,870	258,151	1,044,375	4,000,000	1,190,000	510,000	7,847,446
2019	265,050	579,870	258,151	1,044,375	4,000,000	1,190,000	510,000	7,847,446
2020	265,050	579,870	258,151	1,044,375	4,000,000	1,190,000	510,000	7,847,446
2021	-	579,870	258,151	1,044,375	4,000,000	1,190,000	510,000	7,582,396
2022	-	579,870	258,151	1,044,375	4,000,000	1,190,000	510,000	7,582,396
2023	-	-	258,151	1,044,375	4,000,000	1,190,000	510,000	7,002,526
2024	-	-	258,151	1,044,375	4,000,000	1,190,000	510,000	7,002,526
2025	-	-	-	1,044,375	4,000,000	1,190,000	510,000	6,744,375
2026	-	-	-	1,044,375	4,000,000	1,190,000	510,000	6,744,375
2027	-	-	-	1,044,375	4,000,000	1,190,000	510,000	6,744,375
2028	-	-	-	1,044,375	4,000,000	1,190,000	510,000	6,744,375
2029	-	-	-	1,044,375	4,000,000	1,190,000	510,000	6,744,375
2030	-	-	-	1,044,375	4,000,000	1,190,000	510,000	6,744,375
2031	-	-	-	1,044,375	4,000,000	1,190,000	510,000	6,744,375
2032	-	-	-	1,044,375	4,000,000	1,190,000	510,000	6,744,375
2033	-	-	-	-	4,000,000	1,190,000	510,000	5,700,000
2034	-	-	-	-	4,000,000	1,190,000	510,000	5,700,000
2035	-	-	-	-	2,000,000	1,190,000	510,000	3,700,000
2036	-	-	-	-	-	1,190,000	510,000	1,700,000
2037	-	-	-	-	-	1,190,000	510,000	1,700,000
2038	-	-	-	-	-	595,000	510,000	1,105,000
2039	-	-	-	-	-	-	510,000	510,000
2040	-	-	-	-	-	-	510,000	510,000

\* Excludes an additional \$3 million in SRF grant (principal forgiveness) funding that will not need to be repaid.  
 Note: Future bonds/COPs/loans can be potentially be partially structured around other debt issues.

Table 7  
 Victor Valley Wastewater Reclamation Authority  
 Estimated O&M Expenses for Subregional WRPs

	Annual Expenses (2010 \$)
<b>Apple Valley Subregional Wastewater Reclamation Plant<sup>1,2</sup></b>	
Power, Chemicals and Membrane (for 1 mgd)	435,000
Additional Staffing (0.5 FTEs & Benefits)	71,000
Permitting & Other	<u>38,000</u>
Subtotal	544,000
<b>Estimated Start Date</b>	01/01/15
<b>Total Cost With 3% Cost Escalation Through Start Date</b>	<b>603,000</b>
<b>Hesperia Subregional Wastewater Reclamation Plant<sup>1,2</sup></b>	
Power, Chemicals and Membrane (for 1 mgd)	\$510,000
Additional Staffing (0.5 FTEs & Benefits)	71,000
Permitting & Other	<u>41,000</u>
Subtotal	622,000
<b>Estimated Start Date</b>	07/01/15
<b>Total Cost With 3% Cost Escalation Through Start Date</b>	<b>700,000</b>

Source: VVWRA cost estimates for operating and maintaining new WRPs.

1 Excludes general repair and replacement costs, which are expected to be extremely low over the next 10 years but subsequently will likely increase as each facility ages.

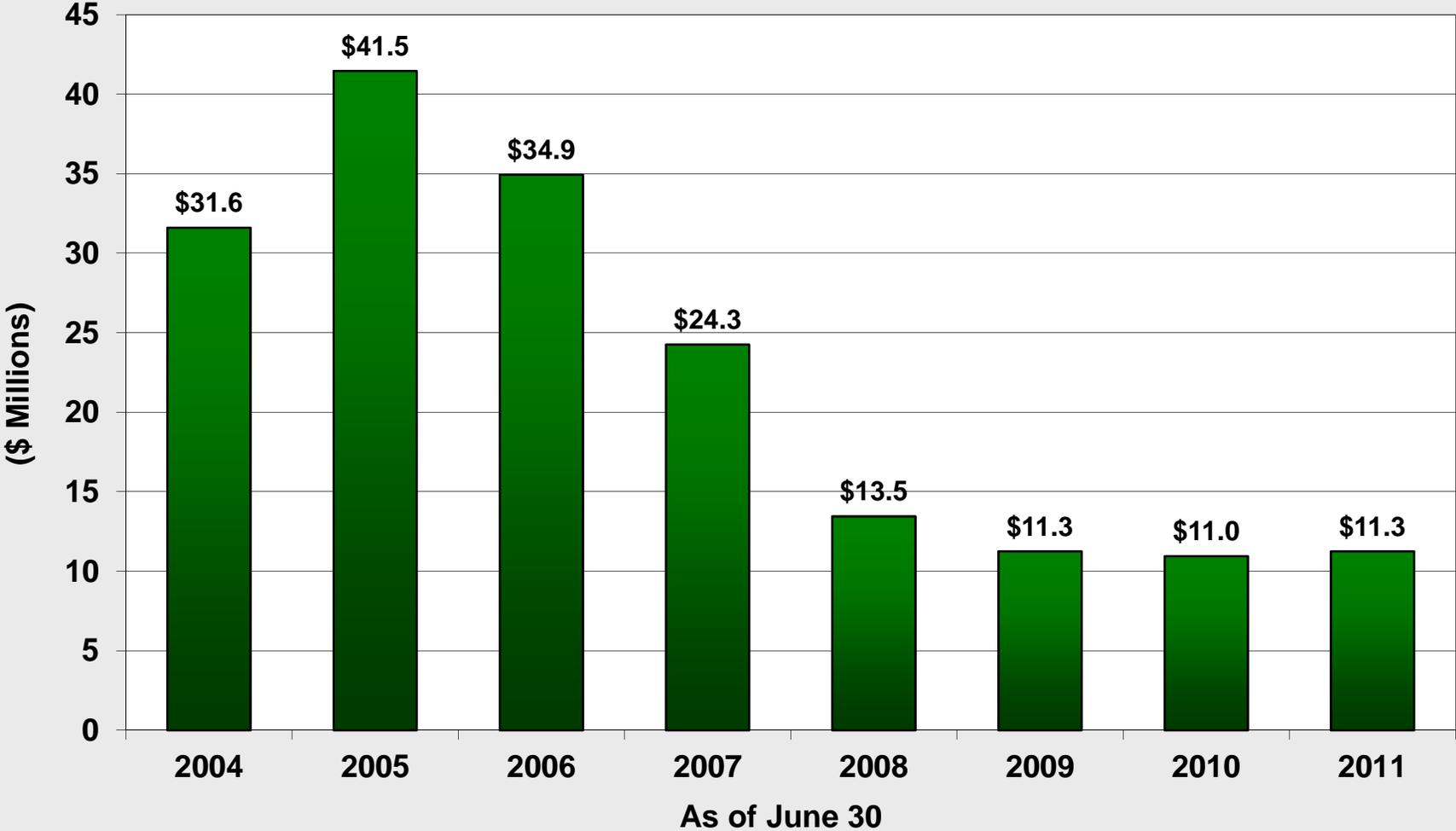
2 Excludes costs of recycled water distribution, which will be funded by the member agencies.

Table 8  
Victor Valley Wastewater Reclamation Authority  
Estimate of Fund Reserves Available for Operations

	Audited 06/30/09	Audited 06/30/10	Preliminary 06/30/11
<b>Financial Assets</b>			
Cash & Equivalents	\$5,299,836	\$9,754,987	\$9,697,330
Restricted Cash & Equivalents	\$5,766,676	\$3,434,589	0
Accounts Receivable	1,835,723	2,205,748	1,929,180
Interest Receivable	15,132	6,171	21,664
Receivable from FEMA Grants	0	0	1,592,041
Restricted Interest Receivable	<u>24,772</u>	<u>21,184</u>	<u>0</u>
Subtotal	12,942,139	15,422,679	13,240,214
<b>Funding Liabilities</b>			
Accounts Payable & Accrued Expenses	(1,416,022)	(1,229,119)	(1,989,270)
Accrued Wages Payable	0	(187,577)	0
Compensated Absences	(71,458)	(49,246)	0
Other Payables	(6,852)	(286,852)	0
Advances from Member Agencies	<u>(231,252)</u>	<u>(2,719,048)</u>	<u>0</u>
Subtotal	(1,725,584)	(4,471,842)	(1,989,270)
<b>Funds Available for Operations</b>	<b>11,216,555</b>	<b>10,950,837</b>	<b>11,250,944</b>

# VVWRA Historical Fund Reserves

Estimated Working Capital\*



\* Includes: Cash & Investments + Receivables - Accounts Payable & Other Liabilities.

Table 9  
Victor Valley Wastewater Reclamation Authority  
Historical Wastewater Flows by Agency

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
<b>Member Agency Flows</b>					
SB County	326.6	282.6	281.1	280.1	
Apple Valley	619.8	706.3	700.2	645.5	
Hesperia	621.1	626.4	591.1	631.6	
Victorville/SCLA	<u>2,933.5</u>	<u>2,937.8</u>	<u>2,890.0</u>	<u>2,868.5</u>	
Subtotal MG	4,501.0	4,553.1	4,462.4	4,425.7	
Subtotal mgd	<b>12.33</b>	<b>12.44</b>	<b>12.23</b>	<b>12.13</b>	
Adelanto	-	-	-	378.5	
DPSG	—	—	—	—	
Total MG	4,501.0	4,553.1	4,462.4	4,804.2	
Total mgd	<b>12.33</b>	<b>12.44</b>	<b>12.23</b>	<b>13.16</b>	
<b>Percentage of Total</b>					
SB County	7.3%	6.2%	6.3%	5.8%	
Apple Valley	13.8%	15.5%	15.7%	13.4%	
Hesperia	13.8%	13.8%	13.2%	13.1%	
Victorville	65.2%	64.5%	64.8%	59.7%	
Adelanto	—	—	—	<u>7.9%</u>	
Total %	100.0%	100.0%	100.0%	100.0%	

Table 10  
 Victor Valley Wastewater Reclamation Authority  
 Historical User Charges by Agency

	2006/07	2007/08	2008/09	2009/10	2010/11
<b>Member Agency User Charges</b>					
SB County	\$347,724	\$380,814	\$453,652	\$588,214	
Apple Valley	659,797	955,609	1,130,826	1,355,454	
Hesperia	661,151	847,586	953,970	1,326,376	
Victorville	3,122,977	3,974,893	4,667,395	6,023,881	
Adelanto*	0	0	0	285,394	
DPSG	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total	4,791,649	6,158,901	7,205,843	9,579,319	
<b>Percentage of Total</b>					
SB County	7.3%	6.2%	6.3%	6.1%	
Apple Valley	13.8%	15.5%	15.7%	14.1%	
Hesperia	13.8%	13.8%	13.2%	13.8%	
Victorville	65.2%	64.5%	64.8%	62.9%	
Adelanto	0.0%	0.0%	0.0%	3.0%	
DPSG	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	
Total %	100.0%	100.0%	100.0%	100.0%	

\* Adelanto paid a temporary reduced-rate for partially treated effluent.