RUNNING SPRINGS WATER DISTRICT
A MULTI-SERVICE INDEPENDENT SPECIAL DISTRICT
31242 Hilltop Boulevard • P.O. Box 2206
Running Springs, CA 92382

TO: BOARD OF DIRECTORS DATE POSTED: MAY 15, 2020

RE: REGULAR BOARD MEETING FROM: BOARD SECRETARY

The Regular Meeting of the Board of Directors of the Running Springs Water District will be held on Wednesday, May 20, 2020, at the hour of 9:00 a.m. at the District Office located at 31242 Hilltop Boulevard, Running Springs, California **BY VIDEO/CONFERENCE CALL ONLY**. This agenda was posted prior to 5:00p.m. on May 15, 2020 at the Running Springs Water District Office and Website. In an effort to protect the public from further spread of the virus that causes COVID-19, the County's Acting Health Officer ordered the cancellation of gatherings of any number of people within the county starting March 18, 2020. Please follow these directions to join the audio/video conference call:

MEMBERS OF THE PUBLIC AUDIO CONFERENCE TELEPHONE NUMBER:
909-403-5380 and the passcode is 24213#.

The Board may take action on any item on the agenda, whether listed as an action item or as an information item.

Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to Amie Crowder, Board Secretary at (909) 867-2766 at least 48 hours before the meeting, if possible.

Copies of documents provided to members of the Board for discussion in open session may be obtained from the District at the address indicated above.

## AGENDA

1. Call Meeting to Order and Pledge of Allegiance

2. Recognize and Hear from Visitors / Public Comment - This portion of the agenda is reserved for the public to make comments on matters within the jurisdiction of the Running Springs Water District that are **not on the agenda**. The Board, except to refer the matter to staff and/or place it on a future agenda, may take no action. It is in the best interest of the person speaking to the Board to be concise and to the point. A time limit of five minutes per individual will be allowed. Any person wishing to comment on an item that is on the agenda is requested to complete a request to speak form prior to the item being called for consideration or to raise their hand and be recognized by the Board President.

3. Approval of Consent Items – The following consent items are expected to be routine and non-controversial and will be acted on at one time without discussion unless an item is withdrawn by a Board Member for questions or discussion. Any person

wishing to speak on the consent agenda may do so by raising his/her hand and being recognized by the Board President.

A. Approve Meeting Minutes **Page 3**

B. Ratify Expenditures and Review Reserves **Page 8**

4. Action Items – The following action items will be considered individually and each **<u>require a motion</u>** by the Board of Directors for action.

A. Consider Providing Direction to Staff on Additional Lump Sum Payment for CalPERS Unfunded Accrued Liability for the Fiscal Year Ending 2021
(Presenter: Ryan Gross, General Manager) **Page 17**

B. Consider Providing Direction to Staff on Amended Budget Planning for the Fiscal Year Ending 2021
(Presenter: Ryan Gross, General Manager) **Page 43**

C. Consider Authorizing Participation in the Intergovernmental Transfer (IGT) Program Providing Access to Federal Matching Funds for Emergency Medical Transport Services
(Presenter: Mike Vasquez, Fire Chief) **Page 44**

D. Consider Awarding Construction Contract for Wastewater Treatment Plant Headworks and Drying Bed Concrete Work **Page 66**
(Presenter: Ryan Gross, General Manager)

E. Consider Accepting Proposal for Fiscal Year Ending 2020 Financial Audit Services **Page 70**
(Presenter: Ryan Gross, General Manager)

5. Information Items – The following information items do not require any action by the Board of Directors and are for informational purposes only.

A. Quarterly Investment Report **Page 76**

B. AWWA & Raftelis Report: The Financial Impact of the COVID-19 Crisis on U.S. Drinking Water Utilities **Page 80**

6. General Manager's Report
7. Report from Legal Counsel
8. Board Member Comments/Meetings
9. Meeting Adjournment

Upcoming Meetings: Regular Board Meeting, June 17, 2020 at 9:00 am

**RUNNING SPRINGS WATER DISTRICT**

**M E M O R A N D U M**

**DATE:** **May 20, 2020**

**TO:** **Board of Directors**

**FROM:** **Ryan Gross, General Manager**

**SUBJECT:** **CONSIDER APPROVING MEETING MINUTES**

## RECOMMENDATION

It is recommended that the Board of Directors review and approve the attached meeting minutes.

## REASON FOR RECOMMENDATION

Approval of meeting minutes.

## BACKGROUND INFORMATION

The attached draft meeting minutes are from the Regular Board Meeting held on April 22, 2020.

## ATTACHMENTS

Attachment 1 – Draft Meeting Minutes

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS**
**RUNNING SPRINGS WATER DISTRICT**
**COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA**
**APRIL 22, 2020**

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A Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, April 22, 2020 at the hour of 9:00 A.M. at the District office located at 31242 Hilltop Boulevard, Running Springs, California, and through teleconference.

The following Directors were present through teleconference:

Tony Grabow, President
Errol Mackzum, Vice-President
Mike Terry, Director (Arrived at 9:13 A.M.)
Bill Conrad, Director
Mark Acciani, Director

Also present at the District were the following:

Ryan Gross, General Manager
Amie R. Crowder, Board Secretary/Treasurer/Administration Supervisor
Trevor Miller, Wastewater Operations Manager
Mike Vasquez, Fire Chief
Cindy Strebel, Battalion Fire Chief

The following were present through teleconference:

Randy Bobroff, Water Operations Manager
Ward Simmons, Legal Counsel, Best, Best & Krieger

Visitors present through teleconference:

Gerhard Hilgenfeldt, Running Springs Resident (Arrived at 10:02 A.M. left at 10:04 A.M.)

**MEETING MINUTES**

**AGENDA ITEMS**

**1. Call Meeting to Order and Roll Call**

The Running Springs Water District Regular Board Meeting was called to order at 9:02 A.M. by President Tony Grabow. Roll call was led by Board Secretary, Amie R. Crowder.

**2. Recognize and Hear from Visitors/Public Comment**

The visitor introduced themself for the record, upon arrival at 10:02 A.M. Visitor left the meeting at 10:04 A.M.

**3. Approval of Consent Items**

**A. Approve Meeting Minutes**

**B. Ratify Expenditures and Cash Summary**

**C. Consider Adopting Resolution No. 05-20, Amending and Adopting Local Guidelines for Implementing to California Environment Quality Act**

Upon **motion** by Director Conrad, **second** by Director Acciani and **carried by a 4 to 0 vote,** the Consent Items were approved.

**4. Action Items**

The following action items will be considered individually, and each **require a motion** by the Board of Directors for action.

**A. Consider Roll Call Vote for Regular Special District Member of the Local Agency Formation Commission for San Bernardino County**

General Manager Gross presented candidates nominations for the position of Regular Special District member. Various discussions continued.

Upon **motion** by Vice-President Mackzum, **second** by Director Conrad and **carried by a 5 to 0 Roll Call Vote**, the Vote for Candidate Kimberly Cox for Regular Special District Member of the Local Agency Formation Commission for San Bernardino County was approved.

**B. Consider Adopting Resolution No. 06-20, Designation of Applicant's Agents for Disaster Assistance Matters**

General Manager Gross presented the purpose of this Resolution and the standard form that is required to complete. The Disaster Assistance Program provides financial assistance from the State for costs incurred by local governments as a result of a disaster event. There were no comments or questions regarding this Action Item.

Upon **motion** by Director Conrad, **second** by Director Terry and **carried by a 5 to 0 Roll Call Vote,** Resolution No. 06-20, Designation of Applicant's Agents for Disaster Assistance Matters was adopted.

**C. Consider Authorizing Staff to Purchase Screenings Conditioning Equipment for Wastewater Treatment Plant Headworks Process**

Wastewater Operations Manager, Trevor Miller, presented the process the headworks performs for the treatment of the District's wastewater. Trevor also presented the history of the Running Springs Water District's Wastewater Treatment Plant that was converted to a Membrane Bio Reactor (MBR) treatment process, and the need to purchase screening conditioning equipment for Wastewater Treatment Plan headworks process. The current system uses three separate stations and the replacement will perform all three processes in one central station. Trevor continued to outline the details of the Vulcan unit he witnessed being installed. Various discussions continued regarding the different types of washer/compactors that were researched, their price points, functionality, reliability, and warranties.

Upon **motion** by Vice-President Mackzum, **second** by Director Terry and **carried by a 5 to 0 Roll Call vote,** the Board authorized Staff to Purchase Screenings Conditioning Equipment for the Wastewater Treatment Plant Headworks Process not to exceed $111,669.

**D. Consider Authorizing General Manager to Execute Change Order for Sewer Pipeline Point Repair**

Wastewater Operations Manager, Trevor Miller, presented the details of the change order for sewer pipeline point repairs. Trevor explained that the initial contract that was approved at the November 13, 2019 Special Board Meeting has been rescheduled for the week of May 4th, 2020, due to weather and scheduling conflicts. Trevor outlined the slip line on Scandia Dr. and the details of the connections that need to be repaired due to roots and bad joints. Various discussions occurred regarding the price and the integrity of the liner.

Upon **motion** by Director Terry, **second** by Director Acciani and **carried by a 5 to 0 Roll Call vote,** the General Manager was authorized to Execute a Change Order for Sewer Pipeline Point Repair not to exceed $15,740.

**E. Consider Fire Department Staffing Adjustments**

Fire Chief Mike Vasquez presented the new staffing model the Fire Department would like to implement. Chief Vasquez and Battalion Chief Strebel discussed how this new staffing model is not a permanent change; rather, it is a staffing model that would continue to be evaluated throughout the year based on the Department's need and financial viability. Chief Vasquez outlined the Department's current staffing, the trending call volume increase of 28%, and a detailed breakdown of the current operational need. Various discussion continued.

Upon **motion** by Director Terry, **second** by Director Acciani and **carried by a 5 to 0 Roll Call vote,** Consideration for Fire Department Staffing Adjustments was approved.

**F. Consider Providing Direction to Staff on Potential Wage Freeze**

The Board discussed various potential actions that may or may not need to be considered due to the current economic hardship, and some of the measures surrounding Districts are taking due to the COVID-19 situation. Potential actions discussed included furlough days, merit freeze, a Cost of Living Adjustment (COLA) freeze, wait and see and do nothing. The Board tabled this discussion until more accurate data on the financial impact the COVID-19 pandemic is available. No action was taken.

## 5. Information Items

### A. Quarterly Budget/Financial Update

General Manager Gross presented the budget reports. Clarification was provided for Ambulance funding regarding GEMT and IGT Programs, as well as property tax funding. Various discussion continued.

### B. Quarterly Operations Reports

General Manager Gross presented the Quarterly Operations Reports. No comments currently.

## 6. Board Member Comments/Meetings

No comments currently.

## 7. Report from Legal Counsel

Ward Simmons, Legal Counsel, Best, Best & Krieger commended the District on the quality of our Public Meetings. Ward continued to report that Riverside County will be opening the golf courses and outdoor trails with appropriate social distancing and facial masks being enforced. Big Bear Lake is possibly looking to reopen soon. No report for San Bernardino County.

## 8. Meeting Adjourned

The meeting was adjourned at 10:06 A.M.

Respectfully Submitted,

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|---|---|
| President, Board of Directors<br>Running Springs Water District | Secretary of the Board of Directors<br>Running Springs Water District |

**RUNNING SPRINGS WATER DISTRICT**

**M E M O R A N D U M**

**DATE:** **May 20, 2020**

**TO:** **Board of Directors**

**FROM:** **Ryan Gross, General Manager**

**SUBJECT:** **RATIFY EXPENDITURES AND REVIEW RESERVES**

## RECOMMENDED BOARD ACTION

It is recommended that the Board of Directors review the attached accounts payable check register and ratify the District's April 2020 expenditures.

A copy of the District's Cash Reserve Fund Summary as of April 30, 2020, the Fire Department Operating Reserve Fund Surplus/Shortfall History and Pooled Cash Balance History is also included for review and information.

## REASON FOR RECOMMENDATION

Each month staff presents the monthly check register and recommends that the Board of Directors ratify the District's expenditures.

## BACKGROUND INFORMATION

Attached is a list of expenditures for April 2020.

## FISCAL INFORMATION

Refer to attached accounts payable check register.

## ATTACHMENTS

Attachment 1 – Accounts Payable Check Register
Attachment 2 – Cash Summary
Attachment 3 – Pooled Cash Balance History
Attachment 4 – Fire Department Operating Reserve Fund Surplus/Shortfall History

**ATTACHMENT 1**

# Running Springs Water District
# Accounts Payable Checks
# April 2020

| Vendor Name | Description | Date | Invoice Amount | Check Number | Check Amount |
|---|---|---|---|---|---|
| 2 Hot Uniforms inc | Uniform supplies for the station | 04/02/20 | 1,546.13 | 104481 | 2,037.95 |
| | Uniform Purchse | 04/02/20 | 491.82 | 104481 | |
| | Uniform for new PCF Sonny Son | 04/09/20 | 621.71 | 104497 | 1,382.19 |
| | Uniform for new PCF Karissa McAlonan | 04/09/20 | 760.48 | 104497 | |
| | Uniform for new PCF Harriman | 04/28/20 | 539.44 | 104566 | 539.44 |
| Action Automotive Repair Inc | Tire Swap on the Durango | 04/28/20 | 80.00 | 104567 | 80.00 |
| Airgas Inc. | Large Helium | 04/10/20 | 55.00 | 104523 | 55.00 |
| | Large Helium | 04/20/20 | 55.00 | 104549 | 55.00 |
| Allstar Fire Equipment | Facepiece fit testing | 04/09/20 | 35.00 | 104498 | 35.00 |
| American Family Life Assurance Company of Colun | Additional Insurance Premiums April 2020 | 04/24/20 | 143.26 | DFT0001258 | 143.26 |
| Ameripride Services, Inc | Cleaning Supplies March 2020 | 04/09/20 | 336.20 | 104499 | 336.20 |
| Amie Crowder | Reimbursementt Claim | 04/09/20 | 11.13 | 104500 | 11.13 |
| Arrowbear Park County Water District | Purchased Water March 2020 | 04/02/20 | 4,007.07 | 104482 | 4,007.07 |
| B.L. Wallace Distributor | Meter boxes | 04/09/20 | 2,238.22 | 104501 | 2,238.22 |
| Bacon/Wagner Excavating, Inc. | Blanket PO for Biosolid hauling | 04/02/20 | 800.00 | 104483 | 4,360.00 |
| | Blanket PO for Biosolid hauling | 04/02/20 | 3,560.00 | 104483 | |
| | Snow Removal | 04/09/20 | 94.00 | 104502 | 94.00 |
| | Snow Removal | 04/23/20 | 188.00 | 104550 | 2,948.00 |
| | Blanket PO for Biosolid hauling | 04/23/20 | 2,760.00 | 104550 | |
| Best, Best & Krieger LLP | Legal services- COVID-19 March 2020 | 04/10/20 | 1,825.60 | 104524 | 1,825.60 |
| Brandon Hannay | Industrial Training Course Reimbursement | 04/17/20 | 158.76 | 104530 | 158.76 |
| BURR Group Inc. | Trash Service March 2020 | 04/09/20 | 187.92 | 104503 | 712.60 |
| | Trash Service march 2020 | 04/09/20 | 71.53 | 104503 | |
| | Trash Service March 2020 | 04/09/20 | 453.15 | 104503 | |
| California Computer Options Inc | Network Maintenance and Monitoring April 2020 | 04/02/20 | 3,015.00 | 104484 | 3,015.00 |
| | Blue Screen assistance | 04/09/20 | 1,597.96 | 104504 | 1,597.96 |
| | WIFI Extender | 04/17/20 | 68.96 | 104531 | 68.96 |
| CalPERS | Health Insurance Premiums March 2020 | 04/01/20 | 15,213.70 | DFT0001225 | 15,213.70 |
| | Replacement Benefit Contribution-Cron | 04/03/20 | 641.70 | DFT0001226 | 641.70 |
| | Employer Contribu Classic/Pepra PPE 4/6/20 | 04/09/20 | 19,685.42 | DFT0001242 | 19,685.42 |
| | Employer Contrib Classic/Prepra PPE 4/20/20 | 04/22/20 | 20,927.14 | DFT0001257 | 20,927.14 |
| Canon | Monthly Service Fee and Usage April 2020 | 04/23/20 | 586.79 | 104551 | 586.79 |
| Charter Communitcations | Telephone and Internet Marrch-April 2020 | 04/02/20 | 141.96 | 104485 | 141.96 |
| | Telephone and Internet April-May 2020 | 04/23/20 | 217.33 | 104552 | 217.33 |
| | Internet and Telephone April-May 2020 | 04/28/20 | 156.45 | 104568 | 228.43 |
| | Internet April-May 2020 | 04/28/20 | 71.98 | 104568 | |
| Citibank, N.A. | Miscellaneous Parts and Supplies | 04/09/20 | 82.84 | 104505 | 82.84 |
| | Office Supplies | 04/23/20 | 176.75 | 104553 | 804.06 |
| | STAPLES -OFFICE SUPPLIES | 04/23/20 | 627.31 | 104553 | |
| Clinical Laboratory of San Bernardino | Wastewater Samples March 2020 | 04/28/20 | 774.00 | 104569 | 774.00 |
| Compressed Air Specialties, Inc. | Annual Service Air Compressor | 04/28/20 | 1,061.77 | 104570 | 1,061.77 |
| ConFire JPA | Radios and replacements and charge April-June 20 | 04/28/20 | 13,050.09 | 104571 | 13,050.09 |
| County of San Bernardino | Parcel Map Revisions April 2020 | 04/17/20 | 4.00 | 104532 | 4.00 |
| | EOA 19 Admin Fees 4th Qtr April-June 2020 | 04/17/20 | 649.00 | 104533 | 649.00 |
| Cypress Ancillary Benefits | Dental Insurance Premiums- May 2020 | 04/28/20 | 1,008.38 | 104596 | 1,008.38 |

| Vendor Name | Description | Date | Invoice Amount | Check Number | Check Amount |
|---|---|---|---|---|---|
| Department of Health Care Services Safety Net Fin | FY2016 overpayment Reimbursement | 04/10/20 | 50,350.80 | 104525 | 50,350.80 |
| Dixi Willemse | Reimbursement Claim | 04/23/20 | 26.50 | 104554 | 26.50 |
| Don's Auto Inc | Tire Repair | 04/17/20 | 30.00 | 104534 | 30.00 |
| Fairview Ford Sales, INC | MA50 Key | 04/09/20 | 237.70 | 104506 | 237.70 |
| Fire Apparatus Solutions | F550 Install Heavy Duty Hitch | 04/02/20 | 2,649.17 | 104486 | 2,649.17 |
| | Safety Inspecation and Maintenance | 04/28/20 | 2,702.62 | 104573 | 2,702.62 |
| Fire Fighters Association | FFAD dues for April 2020 | 04/23/20 | 480.00 | 104555 | 480.00 |
| Frontier Communications | Telephone Mar-Apr 2020 | 04/02/20 | 60.15 | 104487 | 120.30 |
| | Telephone Mar-Aprl 2020 | 04/02/20 | 60.15 | 104487 | |
| | Telephone March-April 2020 | 04/09/20 | 60.15 | 104507 | 311.11 |
| | Telephone April 2020 | 04/09/20 | 190.01 | 104507 | |
| | Telephone April 2020 | 04/09/20 | 60.95 | 104507 | |
| | Telephone April-May 2020 | 04/23/20 | 60.94 | 104556 | 252.26 |
| | SCADA line April-May 2020 | 04/23/20 | 111.13 | 104556 | |
| | Telephone April-May 2020 | 04/23/20 | 80.19 | 104556 | |
| | Telephone April-may 2020 | 04/28/20 | 59.84 | 104574 | 259.71 |
| | Telephone April-May 2020 | 04/28/20 | 80.19 | 104574 | |
| | Telephone April-May 2020 | 04/28/20 | 59.84 | 104574 | |
| | Telephone April-May 2020 | 04/28/20 | 59.84 | 104574 | |
| Fuller Truck Accessories-Riverside | 3602 Camper Shell | 04/28/20 | 3,447.99 | 104575 | 3,447.99 |
| HD Supply Facilities Maintenance LTD | Miscellaneous Parts and supplies | 04/28/20 | 97.30 | 104576 | 97.30 |
| INFOSEND | Postage Deposit | 04/17/20 | 2,316.00 | 104535 | 2,316.00 |
| Inland Desert Security & Communications | Answering Service March -April 2020 | 04/17/20 | 117.00 | 104536 | 117.00 |
| Jack Doheny Company, Inc. | PACP certification | 04/17/20 | 2,925.00 | 104537 | 2,925.00 |
| Kaiser Permanente | Ambulance Refund | 04/17/20 | 2,574.40 | 104538 | 2,574.40 |
| L.N. Curtis & Sons | Safety Gear | 04/09/20 | 553.75 | 104508 | 553.75 |
| Leslie's Poolmart, Inc | Cholrine | 04/17/20 | 599.94 | 104539 | 599.94 |
| Liberty Composting Inc | Liberty composting bio solids disposal | 04/17/20 | 415.20 | 104540 | 415.20 |
| Life-Assist, Inc | Ambulance Supplies | 04/02/20 | 422.11 | 104488 | 422.11 |
| | Ambulance Supplies | 04/09/20 | 3.88 | 104509 | 3.88 |
| | Ambulance Supplies | 04/17/20 | 268.77 | 104541 | 664.22 |
| | Ambulance Supplies | 04/17/20 | 236.81 | 104541 | |
| | Ambulance Supplies | 04/17/20 | 158.64 | 104541 | |
| | Ambulance Supplies | 04/28/20 | 152.60 | 104577 | 737.47 |
| | Ambulance Supplies | 04/28/20 | 584.87 | 104577 | |
| Linda Mayfield | Reimbursement Claim | 04/17/20 | 823.00 | 104542 | 823.00 |
| | Reimbursement Claim | 04/28/20 | 1,464.00 | 104578 | 1,464.00 |
| MCI | Long Distance March 2020 | 04/02/20 | 49.44 | 104489 | 49.44 |
| | Long Distance | 04/28/20 | 49.11 | 104579 | 49.11 |
| McMaster-Carr Supply Company | Liquid-Resistant Disposable Apron | 04/02/20 | 72.82 | 104490 | 460.65 |
| | Chemical Resistance Coveralls | 04/02/20 | 387.83 | 104490 | |
| | Misc parts and supplies | 04/28/20 | 481.10 | 104580 | 481.10 |
| Mountain Mutal Aid | Membership dues 2020 | 04/02/20 | 24.00 | 104491 | 24.00 |
| NAPA Auto Parts | Miscellaneous parts and supplies | 04/09/20 | 458.01 | 104510 | 499.73 |
| | Miscellaneous parts and supplies | 04/09/20 | 41.72 | 104510 | |
| Nationwide | Employee Contributions PPE 4/6/20 | 04/07/20 | 1,575.00 | DFT0001232 | 1,575.00 |
| | Employee Contributions PPE 4/20/20 | 04/24/20 | 1,575.00 | DFT0001256 | 1,575.00 |
| Nestle Waters North America | Drinking water for the Treatment Plant | 04/28/20 | 48.24 | 104581 | 48.24 |
| Northern Safety Company Inc. | Rufflex Lit Glv | 04/28/20 | 96.03 | 104582 | 96.03 |
| One Stop Landscape Supply | Bio solids disposal One Stop Recycling | 04/09/20 | 2,716.80 | 104511 | 2,716.80 |

| Vendor Name | Description | Date | Invoice Amount | Check Number | Check Amount |
|---|---|---|---|---|---|
| Patricia A. Monical | Cleaning Supplies -Disinf Spry, Hnd Sant, Soap | 04/09/20 | 94.31 | 104512 | 94.31 |
| Polydyne Inc. | Bio Solids Polymer | 04/02/20 | 1,405.17 | 104492 | 1,405.17 |
| | Bio Solids Polymer | 04/28/20 | 1,405.17 | 104583 | 1,405.17 |
| Principal Life Insurance Company | Vision Insurance Premiums May 2020 | 04/28/20 | 134.95 | 104584 | 134.95 |
| Redlands Community Hospital | Ambulance Refund- paid by mistake | 04/09/20 | 2,282.20 | 104513 | 2,282.20 |
| Reliance Standard Life Insuarance Company | Life Insurance Premiums May 2020 | 04/28/20 | 987.03 | 104585 | 987.03 |
| Richard Babcock Industries, Inc. | Station 50 Doors | 04/23/20 | 657.49 | 104557 | 657.49 |
| Rogers Anderson Malody & Scott LLP | Consultant Costs | 04/17/20 | 1,549.23 | 104543 | 1,549.23 |
| Ryan Gross | Reimbursement Claim | 04/28/20 | 109.39 | 104586 | 109.39 |
| Ryan Taylor | Brookings Booster tree removal | 04/23/20 | 500.00 | 104558 | 500.00 |
| South Coast Air Quality Management District | ICE EM Elec Gen-Diesel Loma Dr | 04/09/20 | 421.02 | 104514 | 557.42 |
| | Flat fee for last FY Emissions Loma Dr. | 04/09/20 | 136.40 | 104514 | |
| | AQMD Fee July 2019 to June 2020 | 04/28/20 | 137.63 | 104587 | 137.63 |
| Southern California Edison Company | Electricity March 2020 | 04/02/20 | 596.43 | 104493 | 9,431.09 |
| | Electricity March 2020 | 04/02/20 | 70.14 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 236.50 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 124.94 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 770.46 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 614.79 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 368.38 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 12.85 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 197.48 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 1,455.32 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 364.30 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 126.03 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 224.15 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 100.65 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 962.73 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 454.73 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 362.28 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 80.51 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 437.48 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 115.09 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 124.40 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 343.88 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 27.61 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 274.38 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 395.52 | 104493 | |
| | Electricity March 2020 | 04/02/20 | 590.06 | 104493 | |
| | Electricity March 2020 | 04/09/20 | 9,946.99 | 104515 | 10,074.60 |
| | Electricity March 2020 | 04/09/20 | 116.09 | 104515 | |
| | Electricity March 2020 | 04/09/20 | 11.52 | 104515 | |
| | Electricity April 2020 | 04/28/20 | 576.49 | 104588 | 6,993.37 |
| | Electricity April 2020 | 04/28/20 | 128.16 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 233.02 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 100.44 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 1,241.46 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 778.46 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 351.51 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 12.87 | 104588 | |

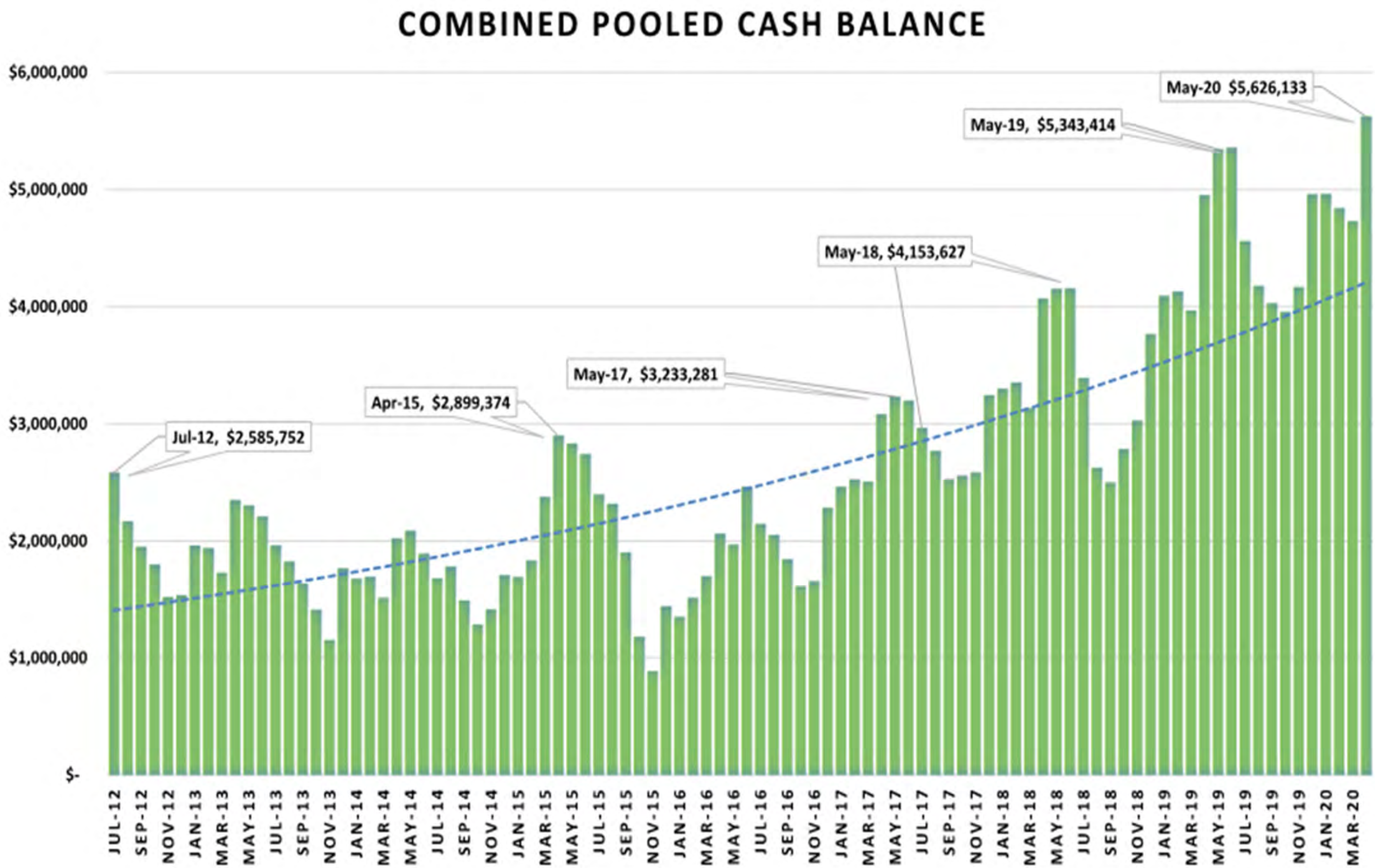
| Vendor Name | Description | Date | Invoice Amount | Check Number | Check Amount |
|---|---|---|---|---|---|
| Southern California Edison Company | Electricity April 2020 | 04/28/20 | 190.32 | 104588 | 6,993.37 |
| | Electricity April 2020 | 04/28/20 | 1,065.26 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 363.95 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 126.06 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 136.42 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 40.67 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 926.56 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 353.58 | 104588 | |
| | Electricity April 2020 | 04/28/20 | 368.14 | 104588 | |
| Southern California Emergency Medicine | DOT Exams and New Hire Screenings | 04/23/20 | 760.00 | 104559 | 760.00 |
| Southern California Gas Company | Gas Usages March 2020 | 04/09/20 | 456.01 | 104516 | 663.87 |
| | Gas Usage March 2020 | 04/09/20 | 207.86 | 104516 | |
| | Gas Usage March 2020 | 04/10/20 | 15.38 | 104526 | 15.38 |
| | Gas usage March 2020 | 04/17/20 | 349.52 | 104544 | 727.28 |
| | Gas Usage March 2020 | 04/17/20 | 377.76 | 104544 | |
| Special District Risk Management Authority | Insurance coverage and credit invoice for Amb/Va | 04/17/20 | 366.28 | 104545 | 366.28 |
| State of California - State Water Resource Control | Shoopman renewal Treat/Distrub 2 | 04/23/20 | 110.00 | 104560 | 110.00 |
| | Grade renewal | 04/28/20 | 90.00 | 104590 | 90.00 |
| Stephen Newcombe Service LLC | 1" Dia Pin 1 x 3 | 04/09/20 | 44.82 | 104517 | 44.82 |
| Stryker Sales Corp | Stryker Gurney | 04/09/20 | 9,876.68 | 104518 | 9,876.68 |
| Terminix International Company LP | Pest Control - Collections Building | 04/28/20 | 70.00 | 104591 | 125.00 |
| | Pest Control - Treat Plant | 04/28/20 | 55.00 | 104591 | |
| The Alpine Mountaineer | FF/Paramedic Employ Op Ad Run | 04/28/20 | 352.00 | 104592 | 352.00 |
| The Standard Insurance Company | Disability Premiums May 2020 | 04/28/20 | 197.50 | 104593 | 197.50 |
| Trevor Miller | Reimbursement Claim | 04/23/20 | 355.45 | 104561 | 355.45 |
| Tyler Technologies, Inc | Insite Transaction Fees | 04/10/20 | 861.25 | 104527 | 861.25 |
| Underground Service Alert of Southern California | New Dig Tickets and Maintenance Fee | 04/02/20 | 24.85 | 104495 | 24.85 |
| US Postal Service | Permit #14 postage | 04/23/20 | 1,500.00 | 104562 | 1,500.00 |
| Valic | Employee Contributions for PPE 4/6/20 | 04/07/20 | 2,023.00 | DFT0001231 | 2,023.00 |
| | Employee Contributions PPE 4/20/20 | 04/21/20 | 2,023.00 | DFT0001255 | 2,023.00 |
| Verizon Wireless Services LLC | Cell Phones March 2020 | 04/09/20 | 523.08 | 104519 | 523.08 |
| Visa | Co Chiefs Conference and Monthly Ipad app | 04/09/20 | -90.02 | 104520 | 1,207.23 |
| | Bobroff- Uniforms and Filters | 04/09/20 | 186.07 | 104520 | |
| | Gross-Hireright and Coffee Maker | 04/09/20 | 454.62 | 104520 | |
| | Strebel-Phone Screen Protectors and Phone Cover | 04/09/20 | 81.24 | 104520 | |
| | Cleaning items | 04/09/20 | 265.04 | 104520 | |
| | Vasquez-Heartsavers and medical supplies | 04/09/20 | 310.28 | 104520 | |
| | Miller- RS hughes and Training | 04/10/20 | 358.60 | 104528 | 1,548.73 |
| | New tires for Collections utility | 04/10/20 | 1,190.13 | 104528 | |
| | Crowder- Class Credit | 04/17/20 | -30.00 | 104546 | 119.95 |
| | Parcel Quest | 04/17/20 | 149.95 | 104546 | |
| Vyanet Operating Group | Security and Monitoring for District Office | 04/17/20 | 150.80 | 104547 | 150.80 |
| | Installation Services Down Payment | 04/23/20 | 51.62 | 104563 | 102.89 |
| | Install Charges-Collections | 04/23/20 | 51.27 | 104563 | |
| W.W. Grainger, Inc | Solenoid Valve for BG | 04/09/20 | 647.84 | 104521 | 647.84 |
| Xpress Transport USA Inc | Van transport for installation of Video equip | 04/24/20 | 1,245.00 | 104564 | 1,245.00 |
| York Insurance Services Group Inc., -CA | Refund Account-Wrkers Comp | 04/28/20 | 833.42 | 104594 | 833.42 |
| York Risk Services Group, Inc | Wrkers Comp Admin Fee for March 2020 | 04/09/20 | 112.00 | 104522 | 112.00 |
| | Workers Comp Admin Fees February 2020 | 04/17/20 | 112.00 | 104548 | 112.00 |
| Zachary Granzow | EMT-P Reverification Reimbursement | 04/02/20 | 70.00 | 104496 | 70.00 |

| Vendor Name | Description | Date | Invoice Amount | Check Number | Check Amount |
|---|---|---|---|---|---|
| Zenner Performance Meter, Inc | Hosting Services and System Maintenance | 04/28/20 | 7,190.40 | 104595 | 7,190.40 |

**Totals**

| **Payment Type** | **Payable Count** | **Payment Count** | **Payment** |
|---|---|---|---|
| Regular Checks | 187 | 111 | 189,426.01 |
| Manual Checks | 0 | 0 | 0.00 |
| Voided Checks | 0 | 6 | -1,652.96 |
| Bank Drafts | 9 | 9 | 63,807.22 |
| EFT's | 0 | 0 | 0.00 |
| Totals | **196** | **126** | **251,580.27** |

| Fund Balances as of April 30, 2020 | |
|---|---|
| **Fire & Ambulance Department** | |
| Fire Department Operating Reserve | 1,623,466 |
| Ambulance Department Operating Reserve | (70,352) |
| Subtotal Fire & Ambulance Department Operating Reserve Funds | 1,553,114 |
| **Recommended Operating Reserve Fund Target (6 Months Operating Expenses)** | **1,341,442** |
| **Fire & Ambulance Department Operating Reserve Surplus / (Shortfall)** | **211,672** |
| | |
| **Wastewater Division** | |
| Wastewater Capital Improvement Project Reserve | 958,731 |
| Wastewater System Connection & Capacity Charges | 245,135 |
| CWSRF Loan Agreement 14-813 Debt Reserve (Restricted for SLS 1-3 Debt Service) | 171,537 |
| Wastewater Operating Reserve Fund | 543,322 |
| **Recommended Operating Reserve Fund Target (4 Months Operating Expenses)** | **543,322** |
| **Wastewater Operating Reserve Surplus / (Shortfall)** | **-** |
| | |
| **Water Division** | |
| Water Capital Improvement Project Reserve | 1,210,596 |
| Water System Connection & Capacity Charges | 53,184 |
| Water Infrastructure R&R Reserve (MFC & AMR SRF Debt Reserve) | 89,334 |
| Water Operating Reserve | 534,926 |
| **Recommended Operating Reserve Fund Target (4 Months Operating Expenses)** | **534,926** |
| **Water Operating Reserve Surplus / (Shortfall)** | **-** |
| | |
| **Assessment Districts Restricted Funds** | |
| Water Assessment District No. 9 Construction Funds | 14,739 |
| Water Assessment District No. 10 Construction Funds | 26,421 |
| Water Assessment District No. 10 O&M | 109,427 |
| Water Assessment District No. 10 Bond Reserve Fund | 115,667 |
| **Subtotal Assessment Districts** | **266,254** |
| | |
| **Total District Designated & Operating Reserve Funds** | **5,359,880** |
| **Assessment District Funds** | **266,254** |
| **Combined Pooled Cash** | **5,626,133** |
| | |
| **Checking Account (General)** | **416,352** |
| **LAIF** | **5,078,513** |
| **York Insurance Deposit** | **14,601** |
| **BNY Mellon (AD #10 Bond Reserve)** | **115,667** |
| **Petty Cash** | **1,000** |
| **Combined Pooled Cash** | **5,626,133** |
| | - |


COMBINED POOLED CASH BALANCE
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$-
Jul-12, $2,585,752
Apr-15, $2,899,374
May-17, $3,233,281
May-18, $4,153,627
May-19, $5,343,414
May-20 $5,626,133
JUL-12
SEP-12
NOV-12
JAN-13
MAR-13
MAY-13
JUL-13
SEP-13
NOV-13
JAN-14
MAR-14
MAY-14
JUL-14
SEP-14
NOV-14
JAN-15
MAR-15
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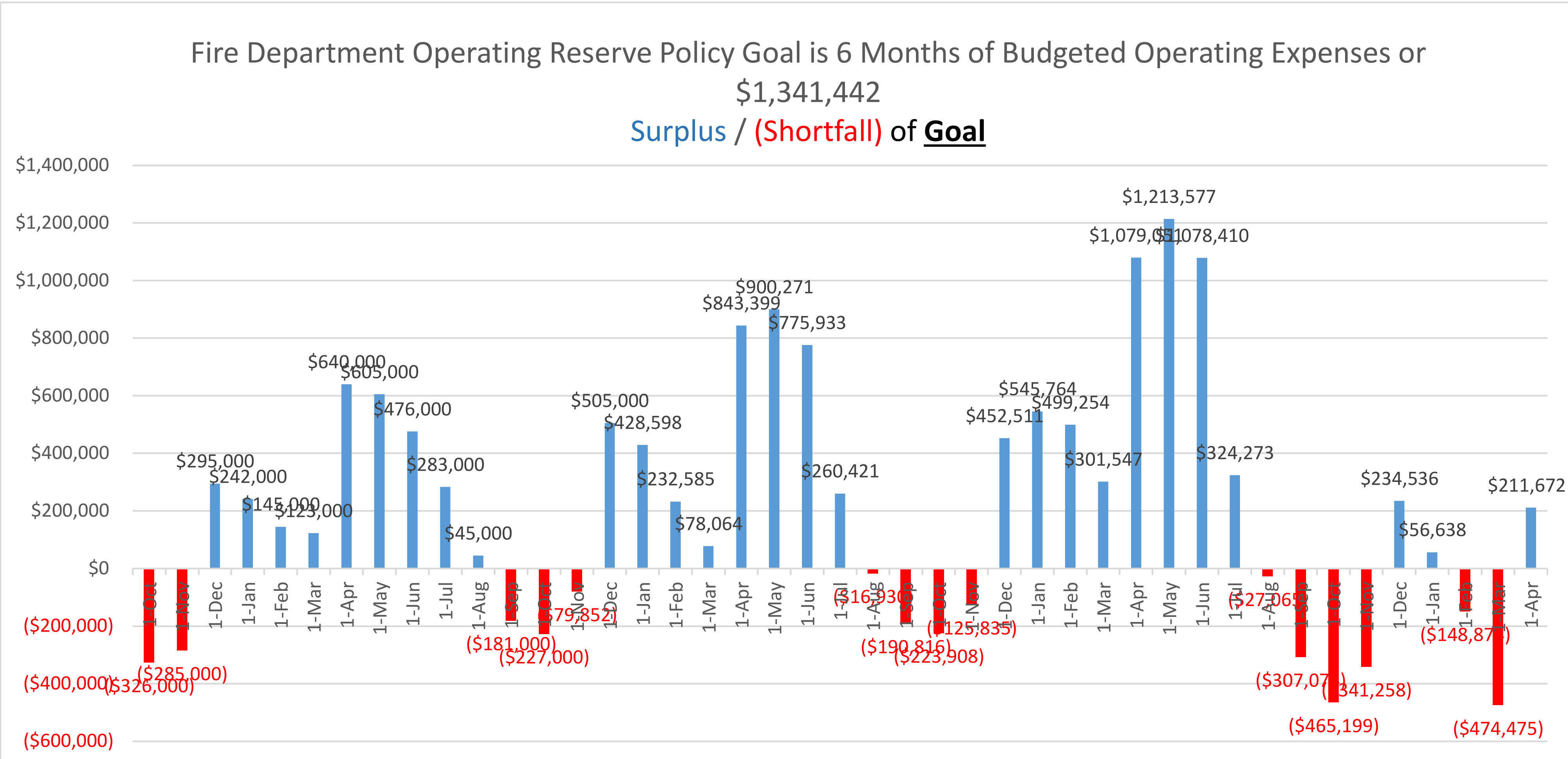
NOV-18
JAN-19
MAR-19
MAY-19
JUL-19
SEP-19
NOV-19
JAN-20
MAR-20


Fire Department Operating Reserve Policy Goal is 6 Months of Budgeted Operating Expenses or $1,341,442
Surplus / (Shortfall) of Goal
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
($200,000)
($400,000)
($600,000)
($326,000)
($285,000)
$295,000
$242,000
$145,000
$123,000
$640,000
$605,000
$476,000
$283,000
$45,000
($181,000)
($227,000)
($79,852)
$505,000
$428,598
$232,585
$78,064
$843,399
$900,271
$775,933
$260,421
($190,816)
($223,908)
($125,835)
$452,511
$545,764
$499,254
$301,547
$1,213,577
$1,078,410
$324,273
($465,199)
$234,536
$56,638
($474,475)
$211,672
1-Dec
1-Jan
1-Feb
1-Mar
1-Apr
1-May
1-Jun
1-Jul
1-Aug

**RUNNING SPRINGS WATER DISTRICT**

**M E M O R A N D U M**

**DATE:** **May 20, 2020**

**TO:** **Board of Directors**

**FROM:** **Ryan Gross, General Manager**

**SUBJECT:** **CONSIDER PROVIDING DIRECTION TO STAFF ON ADDITIONAL LUMP SUM PAYMENT FOR CALPERS UNFUNDED ACCRUED LIABILITY FOR THE FISCAL YEAR ENDING 2021**

## RECOMMENDATION

Consider providing direction to staff on making additional lump sum payments for CalPERS Unfunded Accrued Liability for the Fiscal Year Ending 2021.

## REASON FOR RECOMMENDATION

Beginning in July 2019, the Board of Directors authorized an additional lump sum Payment for CalPERS Unfunded Accrued Liability for the Fiscal Year Ending 2021 in the amount of $50,000 for the Classic Miscellaneous Plan and $100,000 for the Classic Safety Plan.

## BACKGROUND INFORMATION

The Running Springs Water District (District) is a member of the California Public Employee Retirement System (CalPERS) which is the nation's largest public pension fund with investments of over $373 billion in both domestic and international markets and one of the largest private equity investors in the world.

Since 1969, the District has participated in the CalPERS defined benefit plan. The District has four distinct plans within the Miscellaneous and Safety Risk Pools as follows:

- 2.7% @ 55 (11 Full Time Miscellaneous)
- 2.0% @ 62 (4 Full Time Miscellaneous PEPRA) – all new employees who are not members of CalPERS before January 2013
- 3.0% @ 50 (6 Full Time and 1 Part Time Safety)
- 2.7% @ 57 (2 Full Time and 11 Part Time Safety PEPRA) – all new employees who are not members of CalPERS before January 2013

| 2020-2021 CalPERS Pension Contribution Rates | | | | | |
|---|---|---|---|---|---|
| Plan | Employer | Employee | Total | Number of Employees | |
| | | | | **2020** | **2018** |
| Miscellaneous - Classic | 14.194% | 7.956% | 22.150% | **11** | **16** |
| Miscellaneous - PEPRA | 7.732% | 6.750% | 14.482% | **4** | **1** |
| Safety – Classic | 23.674% | 8.990% | 32.664% | **6 FT + 1 PT** | **6 FT + 4 PT** |
| Safety - PEPRA | 13.044% | 13.000% | 26.044% | **2 FT + 11 PT** | **1 FT + 7 PT** |

CalPERS Pension Plan Changes

CalPERS has implemented many pension plan changes over the past few years to ensure its sustainability including the following:

- Public Employee's Pension Reform Act (PEPRA) (effective 2012-13)
- Assumption Changes in mortality rate (effective 2016-17)
- Investment/Discount Rate Changes (effective 2017-18)
- Risk Mitigation Policy (effective 2017-18, suspended until 2020-21)
- Amortization Policy (effective 2018-19)

Of the plan changes above, assumption changes, investment/discount rate changes, and the amortization policy all directly impact the District's annual pension expense.

District CalPERS Pension Plan Components

The District's total pension liability is actuarially determined based upon participant history and various assumptions including retirement age, life expectancy, and inflation. All of these assumptions are periodically reviewed and adjusted based upon experience.

Funding for the pension liability consists of investment income and employee and employer contributions. Employer contributions have two major cost components which include employer normal cost contributions and unfunded actuarial liability (UAL) contributions. Employer normal cost contributions are based upon a percentage of payroll. UAL is the difference between the projected or anticipated return of investment and the actual return on investments.

Mainly due to underperforming investments, in December 2016, the CalPERS Board of Administration lowered the investment/discount rate from 7.5% to 7.0%. Changing market conditions, more uncertainty in the financial forecast, and an attempt to close the cash flow funding gap were also goals of this change. The implementation of the discount rate change is being rolled out using a three-year phase-in beginning in 2018-19.

As a result of the proposed investment/discount rate changes, the District's normal cost rates were impacted. The following table lists the District’s Normal Cost Rate percentages for the fiscal years ending 2018-2021.

| Fiscal Year | Discount Rate (%) | District Normal Cost Rate (%) | | | |
|---|---|---|---|---|---|
| | | Miscellaneous Classic | Miscellaneous PEPRA | Safety Classic | Safety PEPRA |
| 2017-2018 | 7.50 | 11.675 | 6.533 | 19.723 | 11.990 |
| 2018-2019 | 7.375 | 12.212 | 6.842 | 20.556 | 12.141 |
| 2019-2020 | 7.25 | 13.182 | 6.985 | 21.927 | 13.034 |
| 2020-2021 | 7.00 | 14.194 | 7.732 | 23.674 | 13.044 |

District Projected CalPERS Pension Plan Costs

As of June 30, 2018, the District's total pension liability is $28.3 million which is 70% funded resulting in an estimated $8.5 million unfunded accrued liability.

As of June 30, 2016, the District's total pension liability was $24 million which was 68% funded resulting in an estimated $7.6 million unfunded accrued liability.

| District CalPERS Pension Plan Funded Status & UAL (June 30, 2018) | | | | | |
|---|---|---|---|---|---|
| | Miscellaneous Classic | Miscellaneous PEPRA | Safety Classic | Safety PEPRA | Total |
| Present Value of Projected Benefits (PVB) | $18,223,611 | $108,291 | $13,938,444 | $1,674,153 | $33,944,499 |
| Accrued Total Liability (AL) | $16,024,531 | $38,768 | $11,977,957 | $252,517 | $28,293,773 |
| Market Value of Assets (MVA) | $11,139,389 | $35,512 | $8,426,681 | $234,517 | $19,836,099 |
| UAL | $4,885,142 | $3,256 | $3,551,276 | $17,854 | $8,457,528 |
| Funded Ratio (MVA/AL) | 69.5% | 91.6% | 70.4% | 92.9% | 70.1% |

As stated above, the District makes two pension contributions to CalPERS annually including the employer normal cost contributions and UAL. The Districts required contributions are as follows:

| **District Annual CalPERS Pension Employer Contribution** | | | |
|---|---|---|---|
| **Plan** | **2019-2020** | **2020-2021** | **% Change** |
| Miscellaneous Classic – Normal Cost | 159,667 | 157,525 | -1% |
| Miscellaneous Classic – UAL | 351,337 | 388,306 | 11% |
| Miscellaneous PEPRA – Normal Cost | 14,757 | 16,937 | 15% |
| Miscellaneous PEPRA – UAL | 621 | 937 | 51% |
| Safety Classic – Normal Cost | 174,702 | 158,199 | -9% |
| Safety Classic – UAL | 272,174 | 302,844 | 11% |
| Safety PEPRA – Normal Cost | 42,106 | 53,953 | 28% |
| Safety PEPRA – UAL | 2,733 | 3,129 | 14% |
| **Total** | **1,018,097** | **1,081,830** | **6.3%** |

The CalPERS Actuarial Valuation Reports Projected Payroll are not accurate. The projected payroll is either overestimated or underestimated as follows:

| | | |
|---|---|---|
| Classic Miscellaneous | $570,000 | Overestimated |
| PEPRA Miscellaneous | $174,000 | Underestimated |
| Classic Safety | $245,000 | Overestimated |
| PEPRA Safety | $147,000 | Underestimated |

The tables below show projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate. The projections also assume that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period.

**Classic Miscellaneous Plan**

| | Required Contribution | Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2018-19) | | | | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2025-26** |
| **Normal Cost %** | 14.194% | 14.2% | 14.2% | 14.2% | 14.2% | 14.2% |
| **UAL Payment** | $401,666 | $446,000 | $485,000 | $510,000 | $536,000 | $551,000 |

**Classic Safety Plan**

| | Required Contribution | Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2018-19) | | | | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2025-26** |
| **Normal Cost %** | 23.674% | 23.7% | 23.7% | 23.7% | 23.7% | 23.7% |
| **UAL Payment** | $313,264 | $254,000 | $283,000 | $301,000 | $318,000 | $327,000 |

**PEPRA Miscellaneous Plan**

| | Required Contribution | Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2018-19) | | | | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2025-26** |
| **Normal Cost %** | 7.732% | 7.7% | 7.7% | 7.7% | 7.7% | 7.7% |
| **UAL Payment** | $970 | $1,000 | $1,000 | $1,100 | $1,100 | $0 |

**PEPRA Miscellaneous Plan**

| | Required Contribution | Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2018-19) | | | | |
|---|---|---|---|---|---|---|
| **Fiscal Year** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2025-26** |
| **Normal Cost %** | 13.044% | 13.0% | 13.0% | 13.0% | 13.0% | 13.0% |
| **UAL Payment** | $3,237 | $3,700 | $4,200 | $4,600 | $1,900 | $2,000 |

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. This method phases in the impact of unanticipated changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

District CalPERS UAL Funding Options

Currently, the District's employer UAL contribution is programmed on a 30-year amortization schedule with a five-year ramp up. The ramp up was provided to allow agencies to adjust to the increased cost. However, this five-year period results in negative amortization and an overall growth in liability. Additionally, the current 30-year amortization schedule results in interest expense of $6.8 million.

Available funding options include:

- Current 30-year amortization schedule
- Alternate 20-year amortization schedules
- Alternate 15-year amortization schedules
- Annual lump sum prepayment option (**FYE21 Annual Savings = $23,920**)
- Additional annual lump sum payments as budget allows

Based upon the comparison of the District's current 30-year payment/amortization schedule, if additional lump sum annual payments are made over the next five years to both the Miscellaneous and Safety UAL in the amounts of $50,000 or $100,000, the District could potentially save $700,000 to $1.2 million for the Miscellaneous UAL and $780,000 to $1.35 million for the Safety UAL respectively in interest expense.

| UAL Amortization with Additional Lump Sum Payments (Miscellaneous) | | |
|---|---|---|
| Additional Lump Sum (Years 1-5) | $50,000 | $100,000 |
| Interest Savings | $700,000 | $1,270,000 |
| Payoff Year (Currently = 2047) | 2044 | 2042 |

| UAL Amortization with Additional Lump Sum Payments (Safety) | | |
|---|---|---|
| Additional Lump Sum (Years 1-5) | $50,000 | $100,000 |
| Interest Savings | $780,000 | $1,350,000 |
| Payoff Year (Currently = 2045) | 2043 | 2039 |

Total District potential interest savings on UAL with additional lump sum payments over next five years of $100,000 or $200,000 for both Miscellaneous and Safety combined range from $1.48 million to $2.62 million.

| UAL Amortization with Additional Lump Sum Payments (Miscellaneous & Safety) | | |
|---|---|---|
| Additional Lump Sum (Years 1-5) | $100,000 | $200,000 |
| Interest Savings | $1,480,000 | $2,620,000 |

The District made its first additional $50,000 annual lump sum UAL payments for Classic Miscellaneous and $100,000 for Classic Safety in July 2019.

**Hypothetical Termination Liability**

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2018. The plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For the hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while funding risk is limited. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 2-year period centered around the valuation date.

**Classic Miscellaneous Plan**

| Market Value of Assets (MVA) | Hypothetical Termination Liability[1,2] @ 2.50% | Funded Status | Unfunded Termination Liability @ 2.50% | Hypothetical Termination Liability[1,2] @ 3.25% | Funded Status | Unfunded Termination Liability @ 3.25% |
|---|---|---|---|---|---|---|
| $11,139,389 | $27,584,177 | 40.4% | $16,444,789 | $25,146,015 | 44.3% | $14,006,627 |

**Classic Safety Plan**

| Market Value of Assets (MVA) | Hypothetical Termination Liability[1,2] @ 2.50% | Funded Status | Unfunded Termination Liability @ 2.50% | Hypothetical Termination Liability[1,2] @ 3.25% | Funded Status | Unfunded Termination Liability @ 3.25% |
|---|---|---|---|---|---|---|
| $8,426,681 | $21,378,702 | 39.4% | $12,952,021 | $19,237,998 | 43.8% | $10,811,317 |

**PEPRA Miscellaneous Plan**

| Market Value of Assets (MVA) | Hypothetical Termination Liability[1,2] @ 2.50% | Funded Status | Unfunded Termination Liability @ 2.50% | Hypothetical Termination Liability[1,2] @ 3.25% | Funded Status | Unfunded Termination Liability @ 3.25% |
|---|---|---|---|---|---|---|
| $35,512 | $64,871 | 54.7% | $29,359 | $51,258 | 69.3% | $15,746 |

**PEPRA Safety Plan**

| Market Value of Assets (MVA) | Hypothetical Termination Liability[1,2] @ 2.50% | Funded Status | Unfunded Termination Liability @ 2.50% | Hypothetical Termination Liability[1,2] @ 3.25% | Funded Status | Unfunded Termination Liability @ 3.25% |
|---|---|---|---|---|---|---|
| $234,517 | $411,389 | 57.0% | $176,872 | $343,324 | 68.3% | $108,807 |

## ATTACHMENTS

Attachment 1 – Presentation


# Pension Update for Budget Planning
## Board Meeting
## May 20, 2020

# CalPERS Pension Overview

- CalPERS Pension – Defined Benefit Plan
- Funding - Investment Income, Employee Contributions and Employer Contributions
- Employer contributions are set by actuaries based on CalPERS assumption policy
- Assumption policies include investment/discount rates, mortality rates, retirements, terminations and disabilities

# CalPERS Pension Basics

- **Normal Cost (% of Payroll)**
  - Value of benefits earned by active employees during the current fiscal year
- **Unfunded Accrued Liability (UAL)**
  - Amount of accrued pension liabilities that exceed plans assets
- Employee rate is set by statute and percentage varies depending on formula
- Actuarial reports prepared for contracting agencies annually with rate set for the next fiscal year and two years of projected rates

# District CalPERS Overview 2018/2019

- District Active Membership – 35 Total
  - 2.7% @ 55 (16 Full Time Miscellaneous)
  - 2.0% @ 62 (1 Full Time Miscellaneous PEPRA)
  - 3.0% @ 50 (6 Full Time & 4 Part Time Safety)
  - 2.7% @ 57 (1 Full Time & 7 Part Time Safety PEPRA)

# District CalPERS Overview 2020/2021

- District Active Membership – 33 Total
  - 2.7% @ 55 (11 Full Time Miscellaneous)
  - 2.0% @ 62 (4 Full Time Miscellaneous PEPRA)
  - 3.0% @ 50 (6 Full Time & 1 Part Time Safety)
  - 2.7% @ 57 (2 Full Time & 11 Part Time Safety PEPRA)

# Example of CalPERS Benefit Calculation

- Example (2.7% @ 55): Miscellaneous Employee Retiring at Age 55, 30 year of service, $100,000 highest 12-month pensionable compensation

  - 2.7% x 30 = 81%
  - 81% x $100,000 = $81,000/year ($6,750/month)

# Example of CalPERS Benefit Calculation

- Example (3.0% @ 50): Safety Employee Retiring at Age 50, 30 year of service, $100,000 highest 12-month pensionable compensation

  - 3.0% x 30 = 90%
  - 90% x $100,000 = $90,000/year ($7,500/month)

# CalPERS Pension Plan Changes

- 2012-13 – PEPRA
- 2015-16 – New amortization methods adopted
- 2016-17 – Assumption change in mortality rate
- 2017-18 – Discount rate change
- 2017-18 – Risk Mitigation Policy implementation
- 2018-19 – Amortization Policy change

# Miscellaneous Pension Plan Components

| Fiscal Year | Discount Rate | Employer Contribution (%) | Employee Contribution (%) | UAL Balance | UAL Payment |
|---|---|---|---|---|---|
| 2015-16 | 7.5% | 10.958% | 7.947% | $3.35 M* | $224,247 |
| 2016-17 | 7.5% | 11.634% | 7.949% | $3.15 M* | $245,861 |
| 2017-18 | 7.5% | 11.675% | 7.951% | $4.40 M* | $275,935 |
| 2018-19 | 7.375% | 12.212% | 7.952% | $4.92 M* | $317,940 |
| 2019-20 | 7.25% | 13.182% | 7.952%* | $4.90 M* | $363,850 |
| 2020-21 | 7.0% | 14.194% | 7.952%* | - | $388,306 |

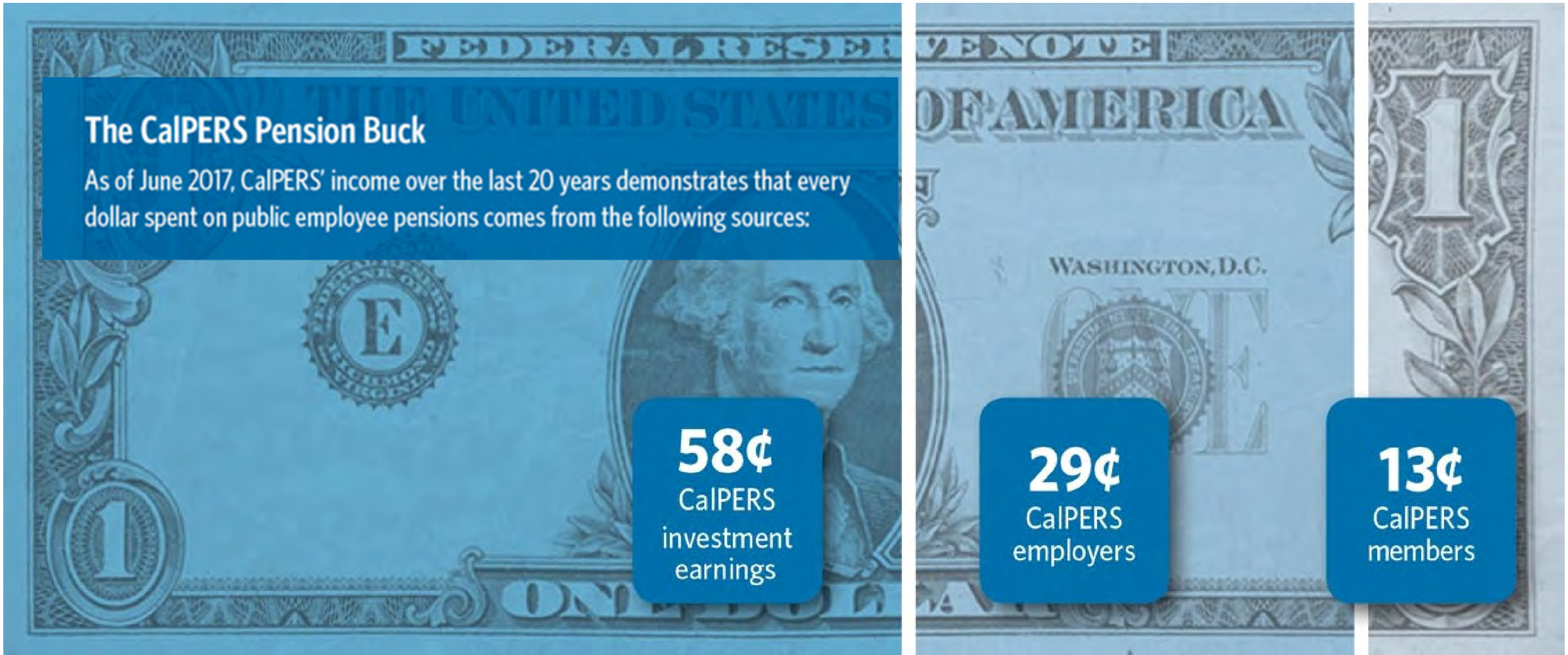
*Estimates.
UAL as presented is provided by CalPERS in the District's valuation report as of June 30, 2018.

# Safety Pension Plan Components

| Fiscal Year | Discount Rate | Employer Contribution (%) | Employee Contribution (%) | UAL Balance | UAL Payment |
|---|---|---|---|---|---|
| 2015-16 | 7.5% | 18.524% | 8.986% | $2.32 M* | $159,559 |
| 2016-17 | 7.5% | 19.536% | 8.987% | $2.14 M* | $178,708 |
| 2017-18 | 7.5% | 19.723% | 8.988% | $3.55 M* | $205,158 |
| 2018-19 | 7.375% | 20.556% | 8.989% | $3.57 M* | $241,549 |
| 2019-20 | 7.25% | 21.4% | 8.989%* | $3.54 M* | $272,174 |
| 2020-21 | 7.0% | 23.2% | 8.989%* | - | $302,844 |

*Estimates.
UAL as presented is provided by CalPERS in the District's valuation report as of June 30, 2018.

# CalPERS Funding



# District CalPERS Pension Plan Funding (Miscellaneous)

District annual pension contributions includes two components:

- Employer Normal Cost (% of annual payroll)
- UAL (does not include discount rate change)

| Funded Status and UAL (June 30, 2018) | |
|---|---|
| Accrued Total Liability | $16,024,531 |
| Market Value of Assets | $11,139,389 |
| UAL (June 30, 2018) | $4,885,142 |
| Funded Ratio | 69.5% |

| 2020-21 District Pension Contributions | |
|---|---|
| Normal Cost | $157,525 |
| UAL | $388,306 |
| Total Contribution | $545,831 |

# District CalPERS Pension Plan Funding (Safety)

District annual pension contributions includes two components:

- Employer Normal Cost (% of annual payroll)
- UAL (does not include discount rate change)

| Funded Status and UAL (June 30, 2018) | |
|---|---|
| Accrued Total Liability | $11,977,957 |
| Market Value of Assets | $8,426,681 |
| UAL (June 30, 2018) | $3,551,276 |
| Funded Ratio | 70.4% |

| 2020-21 District Pension Contributions | |
|---|---|
| Normal Cost | $158,199 |
| UAL | $302,844 |
| Total Contribution | $461,043 |

# District CalPERS UAL Estimates (Miscellaneous)

| CalPERS UAL Balance (Miscellaneous) | |
|---|---|
| 6/30/2018 | $4,885,142 |
| 6/30/2019 | $4,921,895 |
| Estimated 6/30/2020 | $4,902,444 |

| 30-Year Amortization (Current Schedule) | |
|---|---|
| Estimated 6/30/2020 | $4,902,444 |
| Total Payments | $8,627,865 |
| Interest | $3,725,420 |

RUNNING SPRINGS WATER DISTRICT

# District CalPERS UAL Estimates (Safety)

| CalPERS UAL Balance (Safety) | |
|---|---|
| 6/30/2018 | $3,551,277 |
| 6/30/2019 | $3,573,716 |
| Estimated 6/30/2020 | $3,543,414 |

| 30-Year Amortization (Current Schedule) | |
|---|---|
| Estimated 6/30/2020 | $3,543,414 |
| Total Payments | $6,598,493 |
| Interest | $3,055,078 |

# District CalPERS UAL Funding Options

- Current 30-year amortization schedule
- ~~Alternate 20-year amortization schedules~~
- ~~Alternate 15-year amortization schedules~~
- ✓ Annual lump sum prepayment option
- ✓ Additional annual lump sum payments as budget allows

# District CalPERS UAL Funding Options (Miscellaneous)

| Funding Options | Total Payments | Maturity | Interest | Savings |
|---|---|---|---|---|
| Current 30-Year Schedule | $8,627,865 | 2044 | $3,725,420 | - |
| $100,000 Lump Sum (years 1-5)* | $7,347,214 | 2042 | $3,324,422 | $1,270,000 |
| $50,000 Lump Sum (years 1-5)* | $7,802,145 | 2042 | $3,530,265 | $700,000 |
| Annual Lump Sum Prepayment** | $388,306 | 2044 | | $13,360/yr |

*Assumptions updated to reflect total payments
**Beginning 2018/2019 make lump sum payment in lieu of monthly UAL payments
***Beginning July 2019 made additional lump sum payments $50K

# District CalPERS UAL Funding Options (Safety)

| Funding Options | Total Payments | Maturity | Interest | Savings |
|---|---|---|---|---|
| Current 30-Year Schedule | $6,598,493 | 2045 | $3,055,078 | - |
| $100,000 Lump Sum (years 1-5)* | $6,290,870 | 2042 | $2,500,993 | $1,350,000 |
| $50,000 Lump Sum (years 1-5)* | $6,864,561 | 2042 | $2,729,069 | $780,000 |
| Annual Lump Sum Prepayment** | $302,844 | 2045 | | $10,420/ yr |

*Assumptions updated to reflect total payments
**Beginning 2018/2019 make lump sum payment in lieu of monthly UAL payments
***Beginning July 2019 made additional lump sum payments $100K

# Summary

1. **Began making annual lump sum prepayment of UAL in July 2018 versus monthly UAL payments. 2020 annual savings of $23,920.**

2. **Began making <u>additional</u> annual lump sum UAL payments in July 2019 for five years as budget allows ($100,000/yr Safety and $50,000/yr Miscellaneous) for an estimated savings of $1.48 million over 30 years.**

**RUNNING SPRINGS WATER DISTRICT**

**M E M O R A N D U M**

**DATE:** **March 20, 2020**

**TO:** **Board of Directors**

**FROM:** **Ryan Gross, General Manager**

**SUBJECT:** **FISCAL YEAR 2020/2021 BUDGET PLANNING**

## RECOMMENDED BOARD ACTION

Consider Providing Additional Direction to Staff on the Fiscal Year 2020/2021 Budget.

## BACKGROUND INFORMATION

In June 2019, the Board of Directors approved the Fiscal Year 2019/2020 and 2020/2021 Budget. Staff is seeking direction on whether to include a Cost of Living Adjustment (COLA) for wages for the Fiscal Year 2020/2021 Budget.

## FISCAL INFORMATION

With a 0% COLA, the change in total base wages from the Fiscal Year Ending (FYE) 2020 to the FYE 2021 would be an approximate 3% or $75,000 overall increase in base wages. This is primarily due to merit-based raises and filling two vacant positions; one Firefighter and one Wastewater Operator.

If the same COLA was approved as last year (1.5% for Exempt and 3% for non-exempt) there would be an overall increase in base wages of approximately $136,000.

**RUNNING SPRINGS WATER DISTRICT**

**MEMORANDUM**

**DATE:** May 20, 2020

**TO:** Board of Directors

**FROM:** Mike Vasquez, Fire Chief
Ryan Gross, General Manager

**SUBJECT:** INTERGOVERNMENTAL TRANSFER (IGT) PROGRAM - FEDERAL MATCHING FUNDS FOR EMERGENCY MEDICAL TRANSPORT SERVICES

## RECOMMENDED BOARD ACTION

Consider authorizing the Fire Chief and/or General Manager to execute agreements to allow the Running Springs Fire Department to participate in a voluntary rate range Intergovernmental Transfer (IGT) program with the California Department of Health Care Services (DHCS) to increase reimbursements for emergency medical ambulance transport services provided to Molina Healthcare of California and Inland Empire Health Plan (IEHP) members.

## REASON FOR RECOMMENDATION

To increase reimbursement to the Running Springs Fire Department for services provided to Medi-Cal Managed Care Health Plan Members. This IGT program will allow the Fire Department to access funding which will offset the loss in cost recovery under the Medi-Cal Managed Care Programs as a result of significantly reduced regular reimbursement rates.

## BACKGROUND INFORMATION

Since 2006, the DHCS has offered public healthcare providers the opportunity to participate in a program that increases reimbursement for services provided to Medi-Cal managed care plan members. The DHCS program, called a voluntary rate range IGT program (Welfare and Institutions Code §§ 14164, 14301.4) provides a way for Medi-Cal Managed Care Health Plan Providers to gain access to federal matching funds for Medi-Cal reimbursements. Recently this program has been expanded to include public Emergency Medical Service (EMS) providers, like the Running Springs Fire Department, who provides health care services to Medi-Cal managed care enrollees making them eligible to receive increased reimbursements from Medi-Cal Managed Care Health Plan Providers.

Under the IGT program, counties and other political subdivisions or governmental entities in the State may elect to transfer funds to the State in support of the Medi-Cal program. These funds are used as a match for federal funds, which are eventually returned to the EMS providers through their respective Medi-Cal Managed Care Health Plan Providers. In San Bernardino County, the Medi-Cal Managed Care Health Plan Providers Inland Empire Health Plan (IEHP) and Molina Healthcare of California Partner Plan, Inc. (Molina). Both IEHP and Molina have agreed this year to participate in the IGT program along with its regional partners, including the Running Springs Fire Department.

The IGT program requires the transfer of eligible local dollars from the Running Springs Fire Department to the DHCS. DHCS in turn uses transferred funds from local governments to increase the monthly capitation rates it paid Medi-Cal Managed Care Health Plan Providers in the prior fiscal year, thus allowing DHCS to receive additional federal funding from the Centers for Medicare and Medicaid Services (CMS) for payment to the Medi-Cal Managed Care Health Plan Providers. The Medi-Cal Managed Care Health Plan Providers then pay most of their IGT funded rate increases to the local governments that transferred the funds. Ultimately, each local government participant receives back the funding it provided, plus the federal match in return.

The following is a summary of the IGT process and approximate transfer amounts for the Running Springs Fire Department, based upon current information from the State DHCS:

<u>State DHCS Rate Increase Contract</u>: Based on the participating agencies' signed contracts to transfer funds to DHCS, the state will contact Molina and IEHP to increase their per member, per month capitation rates. The Plan's rate will be increased to the highest actuarially sound rate.

<u>Transfer from the Department to the State</u>: Once the CMS has approved the entire IGT transaction and the Plan rate contracts have been signed by DHCS and the Medi-Cal Managed Care Health Plans throughout the State, DHCS will submit a request to participating agencies to transfer funds to the State. With the Running Springs Water District Board approval, the Fire Department will transfer approximately $135,695 to DHCS. Additionally, the Department will make a separate payment of approximately $27,139 (20%) to DHCS as authorized in Welfare and Institutions Code Section 14301.4, to cover the administrative costs (assessment fee) of operating the IGT program. If the State is unable to use all of the transferred funds to increase Plan rates, it will return any used funds and the associated 20% administrative fee.

<u>Payment to the Fire Department</u>: After receipt of the IGT funds as well as the assessment fee, the State will draw down federal funds from CMS. Upon receipt of the District funds as well as the new federal match, DHCS will increase Molina’s rate payments. Upon the receipt of the increased payments Molina will increase payments made to local health providers who provide service to their Medi-Cal plan beneficiaries. Running Springs Fire Department should receive approximately $271,390, which is comprised of the original contribution of $135,695 and the federal matched funds in the amount of $135,695 less the 20% prepaid administrative fee of $27,139. The resulting net revenue received by the Fire Department will be approximately, $108,556.

The rate range IGT will be implemented through execution of three contracts; one with the DHCS, one with IEHP and one with Molina. These documents spell out the obligations of each entity in regard to the transfer of local government funds, the use of funds by DHCS, the payment of funds to Molina, and the treatment of payments by Molina. Before any funds are transferred, all the contracts must be signed by the participating agencies and the Plan rate increases must be approved by the federal government. The specific contract documents are included as Attachments 1-3.

**FISCAL INFORMATION**

| | |
|---|---|
| IEHP Estimated Non-Federal Share* | $ $194,002 |
| Molina Estimated Non-Federal Share* | $ 11,492 |
| RSFD Transfer to DHCS | $ $164,396 |
| DHCS Assessment Fee (20%) | $ $41,098 |
| **Total RSFD Transfer to DHCS** | **$ $205,494** |
| Amount Returned to RSFD | $ $369,890 |
| **Net Additional Funds to RSFD** | **$ $164,396** |

*Refer to Attachment 1, Exhibit 1:

**ATTACHMENTS**

Attachment 1 – Agreement California Department Health Care Services (DHCS)
Attachment 2 – Agreement IEHP
Attachment 3 – Agreement Molina

# INTERGOVERNMENTAL AGREEMENT REGARDING TRANSFER OF PUBLIC FUNDS

This Agreement is entered into between the CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES ("DHCS") and the RUNNING SPRINGS FIRE DEPARTMENT (GOVERNMENTAL FUNDING ENTITY) with respect to the matters set forth below.

The parties agree as follows:

## AGREEMENT

1. Transfer of Public Funds

1.1 The GOVERNMENTAL FUNDING ENTITY agrees to make a transfer of funds to DHCS pursuant to sections 14164 and 14301.4 of the Welfare and Institutions Code. The amount transferred shall be based on the sum of the applicable rate category per member per month (PMPM) contribution increments multiplied by member months, as reflected in Exhibit 1. The GOVERNMENTAL FUNDING ENTITY agrees to initially transfer amounts that are calculated using the Estimated Member Months in Exhibit 1, which will be reconciled to actual enrollment for the service periods of July 1, 2019 through June 30, 2020, and July 1, 2020 through December 31, 2020, and reconciled to actual PMPMs for the service period of July 1, 2020 through December 31, 2020 in accordance with Sub-Section 1.3 of this Agreement. The funds transferred shall be used as described in Sub-Section 2.2 of this Agreement. The funds shall be transferred in accordance with the terms and conditions, including schedule and amount, established by DHCS.

1.2 The GOVERNMENTAL FUNDING ENTITY shall certify that the funds transferred qualify for Federal Financial Participation pursuant to 42 C.F.R. part 433, subpart B, and are not derived from impermissible sources such as recycled Medicaid payments, Federal money excluded from use as State match, impermissible taxes, and non-bona fide provider-related donations. Impermissible sources do not include patient care or other revenue received from programs such as Medicare or Medicaid to the extent that the program revenue is not obligated to the State as the source of funding.

1.3 DHCS shall reconcile the "Estimated Member Months," in Exhibit 1, to actual enrollment in HEALTH PLAN(S) for the service periods of July 1, 2019 through June 30, 2020, and July 1, 2020 through December 31, 2020 using actual enrollment figures taken from DHCS records. Enrollment reconciliation will occur on an ongoing basis as updated enrollment figures become available. Actual enrollment figures will be considered final two years after June 30, 2020 and December 31, 2020, respectively. DHCS shall reconcile the "Projected Contribution PMPM," in Exhibit 1(b), to actual PMPM for HEALTH PLAN(S) for the service period of July 1, 2020 through December 31, 2020 using actual PMPMs that result from the risk adjustment process as reflected in figures taken from DHCS records. PMPM reconciliation will occur on an ongoing basis as the risk adjustment process is finalized. Actual PMPM amounts will be considered final two years after December 31, 2020. If reconciliation results in an increase to the total amount necessary to fund the nonfederal share of the payments described in Sub-Section 2.2, the GOVERNMENTAL FUNDING ENTITY agrees to transfer any additional funds necessary to cover the difference. If reconciliation results in a decrease to the total amount necessary to fund the nonfederal share of the payments described in Sub-Section 2.2, DHCS agrees to return the unexpended funds to the GOVERNMENTAL FUNDING ENTITY. If DHCS and the GOVERNMENTAL FUNDING ENTITY mutually agree, amounts due to or owed by the GOVERNMENTAL FUNDING ENTITY may be offset against future transfers.

2. Acceptance and Use of Transferred Funds

2.1 DHCS shall exercise its authority under section 14164 of the Welfare and Institutions Code to accept funds transferred by the GOVERNMENTAL FUNDING ENTITY pursuant to this Agreement as IGTs, to use for the purpose set forth in Sub-Section 2.2.

2.2 The funds transferred by the GOVERNMENTAL FUNDING ENTITY pursuant to Section 1 and Exhibit 1 of this Agreement shall be used to fund the non-federal share of Medi-Cal Managed Care actuarially sound capitation rates described in section 14301.4(b)(4) of the Welfare and Institutions Code as reflected in the contribution PMPM and rate categories reflected in Exhibit 1. The funds transferred shall be paid, together with the related Federal Financial Participation, by DHCS to HEALTH PLAN(S) as part of HEALTH PLAN(S)' capitation rates for the service periods of July 1, 2019 through June 30, 2020, and July 1, 2020 through December 31, 2020, in accordance with section 14301.4 of the Welfare and Institutions Code.

2.3 DHCS shall seek Federal Financial Participation for the capitation rates specified in Sub-Section 2.2 to the full extent permitted by federal law.

2.4 The parties acknowledge that DHCS will obtain any necessary approvals from the Centers for Medicare and Medicaid Services.

2.5 DHCS shall not direct HEALTH PLAN(S)' expenditure of the payments received pursuant to Sub-Section 2.2.

3. Assessment Fee

3.1 DHCS shall exercise its authority under section 14301.4 of the Welfare and Institutions Code to assess a 20 percent fee related to the amounts transferred pursuant to Section 1 of this Agreement, except as provided in Sub-Section 3.2. GOVERNMENTAL

FUNDING ENTITY agrees to pay the full amount of that assessment in addition to the funds transferred pursuant to Section 1 of this Agreement.

3.2 The 20-percent assessment fee shall not be applied to any portion of funds transferred pursuant to Section 1 that are exempt in accordance with sections 14301.4(d) or 14301.5(b)(4) of the Welfare and Institutions Code. DHCS shall have sole discretion to determine the amount of the funds transferred pursuant to Section 1 that will not be subject to a 20 percent fee. DHCS has determined that $0.00 of the transfer amounts will not be assessed a 20 percent fee, subject to Sub-Section 3.3.

3.3 The 20-percent assessment fee pursuant to this Agreement is non-refundable and shall be wired to DHCS separately from, and simultaneous to, the transfer amounts made under Section 1 of this Agreement. If, at the time of the reconciliation performed pursuant to Sub-Section 1.3 of this Agreement, there is a change in the amount transferred that is subject to the 20-percent assessment in accordance with Sub-Section 3.1, then a proportional adjustment to the assessment fee will be made.

4. <u>Amendments</u>

4.1 No amendment or modification to this Agreement shall be binding on either party unless made in writing and executed by both parties.

4.2 The parties shall negotiate in good faith to amend this Agreement as necessary and appropriate to implement the requirements set forth in Section 2 of this Agreement.

5. <u>Notices</u>. Any and all notices required, permitted or desired to be given hereunder by one party to the other shall be in writing and shall be delivered to the other party personally or

by United States First Class, Certified or Registered mail with postage prepaid, addressed to the other party at the address set forth below:

To the GOVERNMENTAL FUNDING ENTITY:

Michael R. Vasquez, Fire Chief
Running Springs Fire Department
P.O. Box 2206
31250 Hilltop Blvd.
Running Springs, CA 92382
m.vasquez@runningspringsfd.org

With copies to:

Ryan Gross, General Manager

Running Springs Water District

P.O. Box 2206

Running Springs, CA 92382

rgross@runningspringswd.com

To DHCS:

Sandra Dixon
California Department of Health Care Services
Capitated Rates Development Division
1501 Capitol Ave., Suite 71-4002
MS 4413
Sacramento, CA 95814
Sandra.Dixon@dhcs.ca.gov

6. Other Provisions

6.1 This Agreement contains the entire Agreement between the parties with respect to the Medi-Cal payments described in Sub-Section 2.2 of this Agreement that are funded by the GOVERNMENTAL FUNDING ENTITY, and supersedes any previous or contemporaneous oral or written proposals, statements, discussions, negotiations or other agreements between the GOVERNMENTAL FUNDING ENTITY and DHCS relating to the subject matter of this Agreement. This Agreement is not, however, intended to be the sole agreement between the parties on matters relating to the funding and administration of the Medi-Cal program. This Agreement shall not modify the terms of any other agreement, existing or entered into in the future, between the parties.

6.2 The non-enforcement or other waiver of any provision of this Agreement shall not be construed as a continuing waiver or as a waiver of any other provision of this Agreement.

6.3 Sections 2 and 3 of this Agreement shall survive the expiration or termination of this Agreement.

6.4 Nothing in this Agreement is intended to confer any rights or remedies on any third party, including, without limitation, any provider(s) or groups of providers, or any right to medical services for any individual(s) or groups of individuals. Accordingly, there shall be no third party beneficiary of this Agreement.

6.5 Time is of the essence in this Agreement.

6.6 Each party hereby represents that the person(s) executing this Agreement on its behalf is duly authorized to do so.

7. State Authority. Except as expressly provided herein, nothing in this Agreement shall be construed to limit, restrict, or modify the DHCS' powers, authorities, and duties under Federal and State law and regulations.

8. Approval. This Agreement is of no force and effect until signed by the parties.

9. Term. This Agreement shall be effective as of July 1, 2019 and shall expire as of June 30, 2023 unless terminated earlier by mutual agreement of the parties.

**SIGNATURES**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date of the last signature below.

THE RUNNING SPRINGS FIRE DEPARTMENT:

By: ______________________________ Date: ________________________

(Michael R. Vasquez, Fire Chief, Running Springs Fire Department)

THE STATE OF CALIFORNIA, DEPARTMENT OF HEALTH CARE SERVICES:

By: ______________________________ Date: ________________________

Jennifer Lopez, Division Chief, Capitated Rates Development Division

Exhibit 1

| | | | |
|---|---|---|---|
| **Funding Entity:** | **Running Springs Fire Department** | | |
| **Health Plan:** | **Inland Empire Health Plan** | | |
| **Rating Region:** | **San Bernardino** | | |
| **Service Period** | **7/2019 - 6/2020** | | |
| Rate Category | Contribution PMPM | Estimated Member Months* | Estimated Contribution (Non-Federal Share) |
| Child - non MCHIP | $ 0.01 | 2,545,880 | $ 25,459 |
| Child - MCHIP | $ 0.01 | 768,985 | $ 7,690 |
| Adult - non MCHIP | $ 0.03 | 1,132,564 | $ 33,977 |
| Adult - MCHIP | $ 0.02 | 21,786 | $ 436 |
| SPD | $ 0.10 | 477,621 | $ 47,762 |
| SPD/Dual (non-CCI) | $ 0.02 | 18,337 | $ 367 |
| BCCTP | $ 0.08 | 454 | $ 36 |
| LTC | $ 0.61 | 13,750 | $ 8,388 |
| Optional Expansion | $ - | 2,066,211 | $ - |
| Estimated Total | | 7,045,588 | $ 124,115 |

| | | | |
|---|---|---|---|
| **Funding Entity:** | **Running Springs Fire Department** | | |
| **Health Plan:** | **Molina Healthcare of California Partner Plan, Inc.** | | |
| **Rating Region:** | **San Bernardino** | | |
| **Service Period** | **7/2019 - 6/2020** | | |
| Rate Category | Contribution PMPM | Estimated Member Months* | Estimated Contribution (Non-Federal Share) |
| Child - non MCHIP | $ 0.01 | 255,768 | $ 2,558 |
| Adult - non MCHIP | $ 0.02 | 101,665 | $ 2,033 |
| Adult - MCHIP | $ 0.02 | 3,390 | $ 68 |
| SPD | $ 0.05 | 55,457 | $ 2,773 |
| SPD/Dual (non-CCI) | $ 0.01 | 1,776 | $ 18 |
| LTC - non MCHIP | $ 0.43 | 853 | $ 367 |
| LTC - MCHIP | $ 0.19 | 9 | $ 2 |
| Estimated Total | | 418,918 | $ 7,819 |

Exhibit 1(b)

| **Funding Entity:** | **Running Springs Fire Department** | | |
|---|---|---|---|
| **Health Plan:** | **Inland Empire Health Plan** | | |
| **Rating Region:** | **San Bernardino** | | |
| **Rating Region:** | **7/2020 - 12/2020** | | |
| Rate Category | Projected Contribution PMPM** | Estimated Member Months* | Estimated Contribution (Non-Federal Share) |
| Child - non MCHIP | $ 0.01 | 1,270,194 | $ 12,702 |
| Child - MCHIP | $ 0.01 | 383,663 | $ 3,837 |
| Adult - non MCHIP | $ 0.03 | 559,468 | $ 16,784 |
| Adult - MCHIP | $ 0.03 | 10,762 | $ 323 |
| SPD | $ 0.09 | 239,193 | $ 21,527 |
| SPD/Dual (non-CCI) | $ 0.02 | 9,128 | $ 183 |
| BCCTP | $ 0.08 | 226 | $ 18 |
| LTC | $ 0.61 | 6,875 | $ 4,194 |
| Optional Expansion | $ 0.01 | 1,031,943 | $ 10,319 |
| Estimated Total | | 3,511,452 | $ 69,887 |

| **Funding Entity:** | **Running Springs Fire Department** | | |
|---|---|---|---|
| **Health Plan:** | **Molina Healthcare of California Partner Plan, Inc.** | | |
| **Rating Region:** | **San Bernardino** | | |
| **Rating Region:** | **7/2020 - 12/2020** | | |
| Rate Category | Projected Contribution PMPM** | Estimated Member Months* | Estimated Contribution (Non-Federal Share) |
| Child - non MCHIP | $ 0.01 | 127,608 | $ 1,276 |
| Adult - non MCHIP | $ 0.01 | 50,221 | $ 502 |
| Adult - MCHIP | $ 0.02 | 1,675 | $ 34 |
| SPD | $ 0.06 | 27,788 | $ 1,667 |
| SPD/Dual (non-CCI) | $ 0.01 | 884 | $ 9 |
| LTC - non MCHIP | $ 0.43 | 427 | $ 184 |
| LTC - MCHIP | $ 0.25 | 5 | $ 1 |
| Estimated Total | | 208,608 | $ 3,673 |

* Note that Estimated Member Months are subject to variation, and the actual total Contribution (Non-Federal Share) may differ from the amount listed here.

** Note that Projected Contribution PMPMs are subject to change based on the risk adjustment process of rate development, and the actual total Contribution (Non-Federal Share) may differ from the amount listed here.

ATTACHMENT 2

RESCUE
EMS
RUNNING
SPRINGS
FIRE

**RUNNING SPRINGS FIRE DEPARTMENT**
"SERVICE TO THE COMMUNITY"

31250 Hilltop Boulevard • P.O. Box 2206
Running Springs, CA 92382
*Mike Vasquez, Fire Chief*

January 28, 2020

Jennifer Lopez
Division Chief
Capitated Rates Development Division
Department of Health Care Services
1501 Capitol Avenue, MS 4413
P O Box 997413
Sacramento, CA 95899-7413

RE: Letter of Interest

Dear Ms. Lopez:

This letter confirms the interest of Running Springs Fire Department, a governmental entity, federal I.D. number 95-6006680, in working with Inland Empire Health Plan (hereafter, "IEHP") and the California Department of Health Care Services (DHCS) to participate in the Voluntary Rate Range Program, including providing an Intergovernmental Transfer (IGT) to DHCS to be used as a portion of the non-federal share of actuarially sound Medi-Cal managed care capitation rate payments incorporated into the contract between the IEHP and DHCS for the service periods of July 1, 2019 through June 30, 2020, and July 1, 2020 through December 31, 2020. This is a non-binding letter, stating our interest in helping to finance health improvements for Medi-CAL beneficiaries receiving services in our jurisdiction. The governmental entity's funds are being provided voluntarily, and the State of California is in no way requiring the Governmental entity to provide any funding.

Running Springs Fire Department is willing to contribute approximately $194,007 for the Rating Period 2019-20 (July 1, 2019 through December 31, 2020) as negotiated with the IEHP. We recognize that, unless a waiver is approved by DHCS, there will be an additional 20-percent assessment fee payable to DHCS on the funding amount, for the administrative costs of operating the voluntary rate range program.

The following individual from our organization will serve as the point of communication between our organization, the IEPH and DHCS on this issue:

Michael Vasquez
Fire Chief
31250 Hilltop Blvd/PO Box 2206
Running Springs, CA 92382
(909) 867-2630
m.vasquez@runningspringsfd.org

I certify that I am authorized to sign this certification on behalf of the governmental entity and that the statements in this letter are true and correct.

Sincerely,

Michael Vasquez
Fire Chief
Running Springs Fire Department

HEALTH PLAN-PROVIDER AGREEMENT

AMENDMENT TO AGREEMENT BETWEEN MOLINA HEALTHCARE AND RUNNING SPRINGS WATER DISTRICT DBA RUNNING SPRINGS FIRE DEPARTMENT

This Amendment is made by and between Molina Healthcare, a California corporation licensed pursuant to Health and Safety Code section 1349 et seq. to act as a health plan hereinafter referred to as "PLAN," and Riverside County Regional Medical Center , hereinafter referred to as "PROVIDER."

RECITALS:

WHEREAS, PLAN and PROVIDER have previously entered into an Agreement effective October 2016;

WHEREAS, Section XIII of such Agreement provides for amending such Agreement;

WHEREAS, Molina Healthcare of California, a corporate entity licensed under Health and Safety Code Section 1349 et seq. has a contract with the California Department of Health Care Services (State DHCS) pursuant to Welfare and Institutions Code Section 14087.3 to act as a Medi-Cal managed care plan. Molina Healthcare of California has subsequently entered into the Agreement referenced above, and amendments to it, to allow PROVIDER to render such services to Molina Healthcare of California Medi-Cal members in San Bernardino County;

WHEREAS, PROVIDER is a general acute care hospital licensed by the State of California to provide inpatient and outpatient services and currently provides services to PLAN members.

WHEREAS, PLAN and PROVIDER desire to amend the Agreement to provide for Medi-Cal managed care capitation rate increases to PLAN as a result of intergovernmental transfers ("IGTs") from the Running Springs Water District dba Running Springs Fire Department (GOVERNMENTAL FUNDING ENTITY) to the California Department of Health Care Services ("State DHCS") to maintain the availability of Medi-Cal health care services to Medi-Cal beneficiaries.

NOW, THEREFORE, PLAN and PROVIDER hereby agree as follows:

## <u>2019-20 IGT MEDI-CAL MANAGED CARE CAPITATION RATE RANGE INCREASES</u>

### 1. <u>IGT Capitation Rate Range Increases to PLAN</u>

**A. Payment**

Should PLAN receive any Medi-Cal managed care capitation rate increases from State DHCS where the nonfederal share is funded by the GOVERNMENTAL FUNDING ENTITY's Intergovernmental Agreement Regarding Transfer of Public Funds,(Contract #) [EJ1]effective for the period July 1, 2019 through December 31, 2020 for Intergovernmental Transfer Medi-Cal Managed Care Rate Range Increases, ("IGT MMCRRIs"), PLAN shall pay to PROVIDER the amount of the IGT MMCRRIs received from State DHCS, in accordance with paragraph 1.E below regarding the form and timing of Local Medi-Cal Managed Care Rate Range ("LMMCRR") IGT Payments. LMMCRR IGT Payments paid to PROVIDER shall not replace or supplant any other amounts paid or payable to PROVIDER by PLAN.

**B. Health Plan Retention**

(1) The PLAN shall retain a two percent (2%) administrative fee based on the total amount of the IGT MMCRRIs received from DHCS for PLAN's cost to administer this program. Each provider's share of the 2% fee shall be calculated based on that provider's proportionate share of the LMMCRR IGT payments made by Plan in Riverside County.

(2) PLAN will not retain any other portion of the IGT MMCRRIs received from the State DHCS other than those mentioned above.

**C. Conditions for Receiving Local Medi-Cal Managed Care Rate Range IGT Payments**

As a condition for receiving LMMCRR IGT Payments, PROVIDER shall, as of the date the particular LMMCRR IGT Payment is due:

(1) remain a participating provider in the PLAN and not issue a notice of termination of the Agreement; and

(2) maintain its current emergency response services for PLAN Medi-Cal beneficiaries.

**D. Schedule and Notice of Transfer of Non-Federal Funds**

GOVERNMENTAL FUNDING ENTITY shall notify the PLAN within five business days after the funds referred to in the Intergovernmental Transfer Agreement have been transferred to the State.

**E. Form and Timing of Payments**

PLAN agrees to pay LMMCRR IGT Payments to PROVIDER in the following form and according to the following schedule:

(1) PLAN agrees to pay the LMMCRR IGT Payments to PROVIDER using the same mechanism through which compensation and payments are normally paid to PROVIDER (e.g., electronic transfer). After retaining the Plan's administrative fee, as shown in Section B above, PLAN will pay PROVIDER a percent of the remaining LMMCRR IGT payment equal to the PROVIDER's contribution as a percent of total governmental entity contributions to this IGT.

(2) PLAN will pay the LMMCRR IGT Payments to PROVIDER no later than thirty (30) calendar days after receipt of the IGT MMCRRIs from State DHCS.

**F. Consideration**

(1) As consideration for the LMMCRR IGT Payments, PROVIDER shall use the LMMCRR IGT Payments for the following purposes and shall treat the LMMCRR IGT Payments in the following manner:

(a) The LMMCRR IGT Payments shall represent compensation for Medi-Cal services rendered to Medi-Cal PLAN members by PROVIDER during the State fiscal year to which the LMMCRR IGT Payments apply.

(b) To the extent that total payments received by PROVIDER for any State fiscal year under this Amendment exceed the cost of Medi-Cal services provided to Medi-Cal beneficiaries by PROVIDER during that fiscal year, any remaining LMMCRR IGT Payment amounts shall be retained by PROVIDER to be expended for health care services. Retained LMMCRR IGT Payment amounts may be used by the PROVIDER in either the State fiscal year for which the payments are received or subsequent State fiscal years.

(2) For purposes of subsection (1) (b) above, if the retained LMMCRR IGT Payments, if any, are not used by PROVIDER in the State fiscal year received, retention of funds by PROVIDER will be established by demonstrating that the retained earnings account of PROVIDER at the end of any State fiscal year in which it received payments based on LMMCRR IGT Payments funded pursuant to the Intergovernmental Agreement, has increased over the unspent portion of the prior State fiscal year's balance by the amount of LMMCRR IGT Payments received, but not used. These retained PROVIDER funds may be commingled with other GOVERNMENTAL FUNDING ENTITY'S funds for cash management purposes provided that such funds are appropriately tracked and only the depositing facility is authorized to expend them.

(3) Both parties agree that none of these funds, either from the GOVERNMENTAL FUNDING ENTITY or federal matching funds will be recycled back to the GOVERNMENTAL FUNDING ENTITY'S general fund, the State, or any other intermediary

organization. Payments made by the health plan to providers under the terms of this Amendment constitute patient care revenues.

**G. PLAN's Oversight Responsibilities**

PLAN's oversight responsibilities regarding PROVIDER's use of the LMMCRR IGT Payments shall be limited as described in this paragraph. PLAN shall request, within thirty (30) calendar days after the end of each State fiscal year in which LMMCRR IGT Payments were transferred to PROVIDER, a written confirmation that states whether and how PROVIDER complied with the provisions set forth in Paragraph 1.F above. In each instance, PROVIDER shall provide PLAN with written confirmation of compliance within thirty (30) calendar days of PLAN's request.

**H. Cooperation Among Parties**

Should disputes or disagreements arise regarding the ultimate computation or appropriateness of any aspect of the LMMCRR IGT Payments, PROVIDER and PLAN agree to work together in all respects to support and preserve the LMMCRR IGT Payments to the full extent possible on behalf of the safety net in San Bernardino County.

**I. Reconciliation**

Within one hundred twenty (120) calendar days after the end of each of PLAN's fiscal years in which LMMCRR IGT Payments were made to PROVIDER, PLAN shall perform a reconciliation of the LMMCRR IGT Payments transmitted to the PROVIDER during the preceding fiscal year to ensure that the supporting amount of IGT MMCRRIs were received by PLAN from State DHCS. PROVIDER agrees to return to PLAN any overpayment of LMMCRR IGT Payments made in error to PROVIDER within thirty (30) calendar days after receipt from PLAN of a written notice of the overpayment error, unless PROVIDER submits a written objection to PLAN. Any such objection shall be resolved in accordance with the dispute resolution processes set forth in Section VIII of the Agreement and Section K below. The reconciliation processes established under this paragraph are distinct from the indemnification provisions set forth in Section J below. PLAN agrees to transmit to the PROVIDER any underpayment of LMMCRR IGT Payments within thirty (30) calendar days of PLAN's identification of such underpayment.

**J. Indemnification**

PLAN and PROVIDER agree to indemnify and hold harmless the other party for any losses or delays in capitation payments as a result of the LMMCRR IGT arising from the Intergovernmental Agreement.

**K. <u>Dispute Resolution</u>**

All disputes between the parties relating to this contract which cannot be resolved by mutual agreement or by mediation, which shall be required prior to moving to arbitration, shall be resolved exclusively by arbitration in accordance with the provisions of this Subsection. Either party may commence arbitration be sending a written demand for arbitration to the other party setting forth the nature of the controversy, the dollar amount involved, if any, and the remedies sought. There shall be one (1) arbitrator. If the parties fail to select a mutually acceptable arbitrator within ten (10) days after the demand for arbitration is mailed, then the parties stipulate to arbitration before a single arbitrator sitting on the San Diego JAMS/Endispute panel, who is a retired judge and is selected in the sole discretion of the San Diego JAMS/Endispute office administrator. The parties shall share all interim costs of the arbitration until decision. The prevailing party shall be entitled to reimbursement by the other party of such party’s attorneys’ fees and costs and any arbitration fees and expenses incurred with the arbitration. The substantive law of the State of California shall be applied by the arbitrator. The parties shall have the rights of discovery as provided in Part 4 of the California Code of Civil Procedure and as provided for in Section 1283.05 of said Code. The California Code of Evidence shall apply to testimony and documents submitted to the arbitrator. Arbitration shall take place in San Diego, California. As soon as reasonably practicable, a hearing with respect to the dispute or matter to be resolved shall be conducted by the arbitrator. As soon as reasonably practicable thereafter, the arbitrator shall arrive at a final decision, which shall be reduced to writing, signed by the arbitrator and mailed to each of the parties and their legal counsel. All decisions of the arbitrator shall be final, binding and conclusive on the parties and shall constitute the only method of resolving disputes or matters. A court of appropriate jurisdiction may issue a writ to enforce the arbitrator’s decision. Judgment may be entered upon a decision in accordance with applicable law in any court having appropriate jurisdiction.

**L. <u>Severability</u>**

If a court of competent jurisdiction declares any provision of this Agreement or application thereof to any person or circumstances to be invalid or if any provision of this Agreement contravenes any federal, state or county statute, ordinance, or regulation, the remaining provisions of this Agreement or the application thereof shall remain valid and the remaining provisions of this Agreement shall remain in full force and effect, and to the extent the provisions of this Agreement are severable.

**M. Status of Contractor**

Each party is, and shall at all times be deemed to be, an independent contractor and shall be wholly responsible for the manner in which it performs the services required of it by the terms of this agreement. Each party is entirely responsible for compensating staff, subcontractors, and consultants employed by that party. This Agreement shall not be construed as creating the relationship of employer and employee, or principal and agent, between PLAN and PROVIDER or any of either party's employees, agents, consultants, or subcontracts. Each party assumes exclusively the responsibility for the acts of its employees, agents, consultants, or subcontractors as they relate to the services to be provided during the court and scope of their employment. Each party, its agents, employees, consultants, or subcontractors shall not be entitled to any rights or privileges of the other party's employees and shall not be considered in any manner to be employees of the other party.

**L. <u>Remittance Information</u>**

The IGT-funded payments made by the PLAN pursuant to this Amendment only shall be mailed to the PROVIDER at the address set forth below:

Running Springs Water District dba Running Springs Fire Department
PO Box 2206
Running Springs, CA 92382
Attn: Michael Vasquez, Fire Chief

**2. <u>Term</u>**

The term of this Amendment shall commence on July 1, 2019 and shall terminate on December 31, 2023.

All other terms and provisions of said Agreement shall remain in full force and effect so that all rights, duties and obligations, and liabilities of the parties hereto otherwise remain unchanged; provided, however, if there is any conflict between the terms of this Amendment and the Agreement, then the terms of this Amendment shall govern.

**SIGNATURES**

HEALTH PLAN: ________________________________ Date: ___________

Paul Van Duine, Vice President of Network Management and Operations, Molina Healthcare of California

PROVIDER: ____________________________________ Date: ____________

Michael Vasquez, Fire Chief, Running Springs Water District dba Running Springs Fire Department

**RUNNING SPRINGS WATER DISTRICT**

**M E M O R A N D U M**

**DATE:** **May 20, 2020**

**TO:** **Board of Directors**

**FROM:** **Trevor Miller, Wastewater Operations Manager**
**Ryan Gross, General Manager**

**SUBJECT:** **CONSIDER AWARDING CONTRACT FOR WASTEWATER TREATMENT PLANT CONCRETE WORK**

## RECOMMENDED BOARD ACTION

It is recommended that the Board of Directors:

1. Award contract for Wastewater Treatment Plant Concrete Work to Bacon Wagner Excavating, Inc., for their low bid of $95,039;

2. Authorize the General Manager to execute the contract, and;

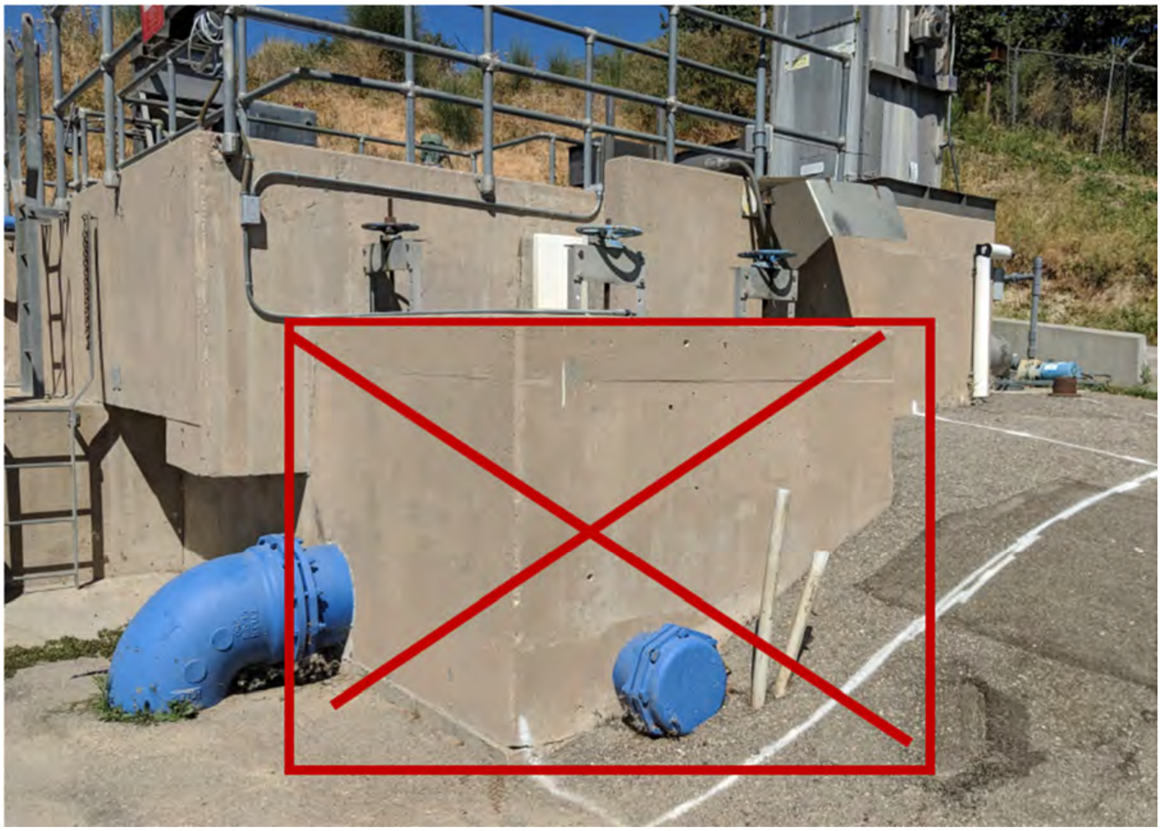
3. Authorize the General Manager to approve change orders for the Project during the course of the project as required not to exceed 15% of the original construction contract amount.

## REASON FOR RECOMMENDATION

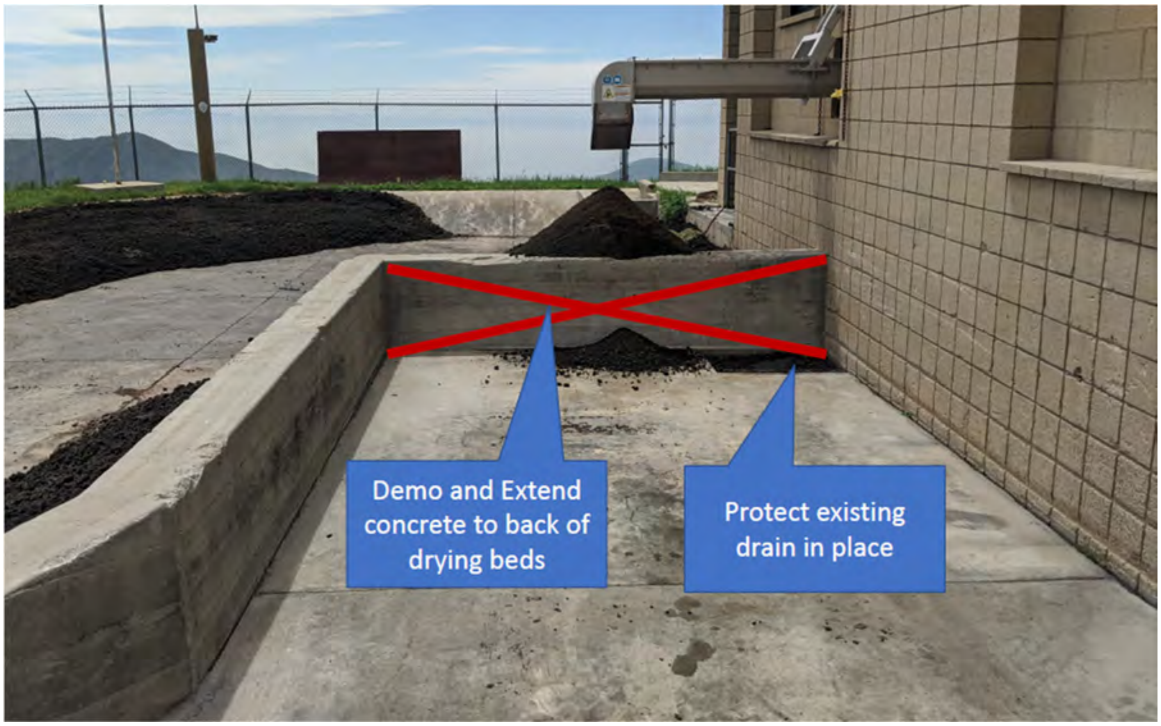
The Bid Phase is complete and staff is recommending the Board consider awarding the construction contract.

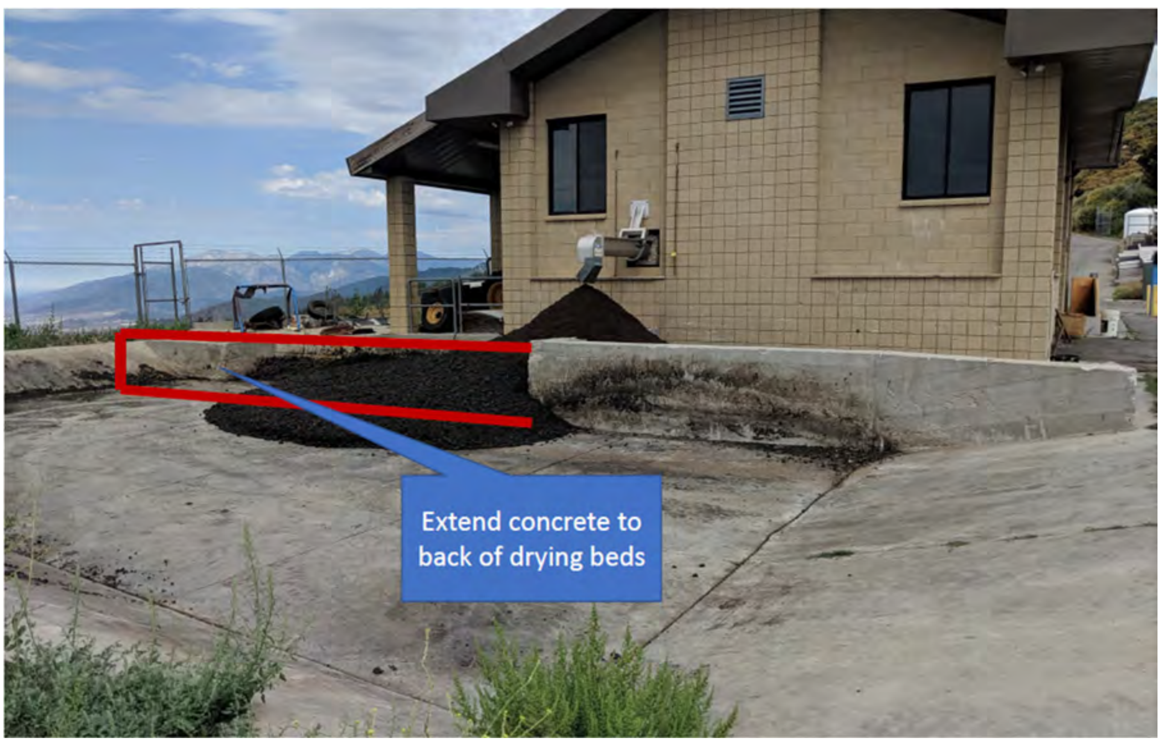
## BACKGROUND INFORMATION

The Wastewater Treatment Plant (WWTP) Headworks and Drying Bed Improvements require concrete work as shown in the following exhibits:




New concrete for
roll off bin transfer
Extend concrete to
back of drying beds


Demo and Extend concrete to back of drying beds
Protect existing drain in place


Extend concrete to back of drying beds

**FISCAL INFORMATION**

On May 14, 2020, the District received the following three bids:

1. Bacon Wagner $95,039
2. Trinity Construction $126,989.85
3. GM Excavating $149,048

This is a budgeted Capital Improvement Project and if approved, the project will be funding from the Wastewater Capital Improvement Project Reserve Fund which has a balance of $958,731.

**RUNNING SPRINGS WATER DISTRICT**

**M E M O R A N D U M**

**DATE:** **May 20, 2020**

**TO:** **Board of Directors**

**FROM:** **Ryan Gross, General Manager**

**SUBJECT:** **CONSIDER ACCEPTING PROPOSAL FOR FISCAL YEAR 2019/20 FINANCIAL AUDIT SERVICES**

## RECOMMENDATION

It is recommended that the Board of Directors consider approving the attached proposal for Fiscal Year 2019/20 financial audit services.

## REASON FOR RECOMMENDATION

To conduct the District's Fiscal Year 2019/20 Financial Audit.

## BACKGROUND INFORMATION

Van Lant & Fankhanel (VLF) has conducted the District's last fiscal year audit. The principals of VLF have also worked on the District's last five fiscal year audits. A copy of VLF's proposal is attached.

## FISCAL INFORMATION

VLF has proposed a fee of $23,100 which is the same as last year. For information purposes, the proposed fee for a single audit is $2,500 and would be required if the District had received federal funding of $750,000 or more.

## ATTACHMENTS

Attachment 1 – VLF Proposal

Van Lant & Fankhanel, LLP
Certified Public Accountants

May 8, 2020

Board of Directors and Management
Running Springs Water District
31242 Hilltop Blvd.
Running Springs, California 92382

We are pleased to confirm our understanding of the services we are to provide Running Springs Water District (District) for the year ending June 30, 2020. We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the year ending June 30, 2020. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis.
2) Pension Related Schedules
3) Budgetary Schedules

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole.

1) Combining Statements

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information

1) Transmittal Letter and Other Introductory Section Information

Van Lant & Fankhanel, LLP
25901 Kellogg Street
Loma Linda, CA 92354

909.856.6879

## Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of District and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of District's financial statements. Our report will be addressed to Management and the Board of Directors of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We will also provide a report on agreed upon procedures performed on the District's calculation of its annual appropriations limit as required by Article XIII B of the California State Constitution. We will perform the procedures in the Article XIII B Appropriations Limit Uniform Guidelines as published by the League of California Cities. This report will include a statement that the report is intended solely for the information and use of management, District Board and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

## Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

**Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

**Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

**Other Services**

We will also assist in preparing the financial statements and related notes of the District in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedures or take any action that would be construed as assuming management responsibilities.

**Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles, as applicable. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

**Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Van Lant & Fankhanel, LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the State of California or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Van

Lant & Fankhanel, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the regulators. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit in July/August of 2020 and to issue our reports no later than November 2020. Brett Van Lant is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be $23,100, plus an additional $2,500 if a single audit is required. These fees are based on the current audit scope, and the assumption the single audit will include no more than one major program. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended through the date of termination.

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

**VAN LANT & FANKHANEL LLP**

Van Lant + Fankhanel, LLP

Brett Van Lant
Certified Public Accountant

RESPONSE:

This letter correctly sets forth the understanding of Running Springs Water District.

Management signature: ______________________________

Title: ______________________________

Date: ______________________________

**RUNNING SPRINGS WATER DISTRICT**

**M E M O R A N D U M**

**DATE:** **May 20, 2020**

**TO:** **Board of Directors**

**FROM:** **Ryan Gross, General Manager**

**SUBJECT:** **QUARTERLY INVESTMENT REPORT**

## RECOMMENDED BOARD ACTION

This is an information item only.

## REASON FOR RECOMMENDATION

This is an information item only.

## BACKGROUND INFORMATION

The District's Policy for Investment of Surplus Funds is set forth in the attached Resolution No. 1-96. In accordance with this policy Attachment 2 contains a copy of the latest Local Agency Investment Fund (LAIF) remittance advice indicating the amount invested and the rate of return. The District's surplus funds are invested in accordance with this policy and the District is able to meet its anticipated expenditure requirements for the next subsequent six months.

## FISCAL INFORMATION

This is an information item only.

## ATTACHMENTS

Attachment 1 – Resolution No. 1-96
Attachment 2 – LAIF Remittance Advice

# RESOLUTION NO. 1-96

## RESOLUTION OF THE BOARD OF DIRECTORS OF RUNNING SPRINGS WATER DISTRICT SETTING FORTH A POLICY FOR INVESTMENT OF SURPLUS FUNDS

**WHEREAS**, the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of State-wide concern; and

**WHEREAS**, the Legislature has directed that the treasurer or chief fiscal officer of each local agency shall annually render to the legislative body of the local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting; and

**WHEREAS**, the Legislature has also directed that the treasurer or chief fiscal officer of each local agency shall render a quarterly report to the legislative body of each local agency which includes the type of investment, issuer, date of maturity par and dollar amount invested on all securities, investments and monies held by the local agency, a description of any of the local agency's funds, investments, or programs that are under the management of contracted parties, and shall include a statement whether the investment portfolio is in compliance with the local agency's investment policy and a statement denoting the ability of the local agency to meet its expenditure requirements for the next subsequent six months; and

**WHEREAS**, the Legislature has determined that if a local agency has placed all of its investments in the Local Agency Investment Fund or in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, the treasurer or chief fiscal officer may satisfy the above reporting requirements by simply supplying to the governing body and to the auditor of the local agency the most recent statement or statements received by the local agency from these institutions; and

**WHEREAS**, Government Code Section 16429.1 provides that notwithstanding any other provision of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit such surplus funds to the State Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Running Springs Water District as follows:

1. It is the policy of the Running Springs Water District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of Running Springs Water District funds.

2. This Board of Directors determines that the most feasible and flexible method of implementing this policy, at least expense to the District, is to invest all surplus District funds in the Local Agency Investment Fund of the State of California.

3. Responsibility for deposits into and withdrawals from the Local Agency Investment Fund is hereby delegated to the District's General Manager.

4. At least quarterly, the General Manager will provide the Board of Directors with the most recent copies of statements from the Local Agency Investment Fund indicating amounts invested and rates of return. With each such quarterly report, the General Manager shall also indicate to the Board of Directors whether the District's surplus funds are invested in accordance with this policy, and whether the District is able to meet its anticipated expenditure requirements for the next subsequent six months.

5. This policy shall be reviewed by the Board of Directors at least on an annual basis, and any modifications must be approved by the Board of Directors.

**ADOPTED** this 21st day of February, 1996.

Ralph Duran

President of the Board of
Directors of Running Springs
Water District

**ATTEST:**

Betty Paquette

Secretary of the Board of
Directors of Running Springs
Water District

ATTACHMENT 2

# BETTY T. YEE

## California State Controller

LOCAL AGENCY INVESTMENT FUND
REMITTANCE ADVICE

| | |
|---|---|
| Agency Name | RUNNING SPRINGS WATER DISTRICT |
| Account Number | 90-36-002 |

As of 04/15/2020, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 03/31/2020.

| | | |
|---|---|---|
| Earnings Ratio | | .00005535460693046 |
| Interest Rate | | 2.03% |
| Dollar Day Total | $ | 394,853,784.18 |
| Quarter End Principal Balance | $ | 4,181,655.78 |
| Quarterly Interest Earned | $ | 21,856.98 |

**Ryan Gross**

---

**From:** Cindy Byerrum <cbyerrum@eidebailly.com>
**Sent:** Friday, April 17, 2020 9:13 AM
**To:** Ryan Gross
**Subject:** AWWA study
**Attachments:** AWWA-COVID-Report_2020-04_Final.pdf

Good morning Ryan,

This went out to my clients below yesterday - I thought you might be interested. I hope you are safe and well!

Good morning all,

Attached is a nationwide study water utility study undertaken jointly by Raftelis Rate Consultants and AWWA. It confirms my worst fears for the future of our water district clients. I am including our other special districts in this email though, because you will also be impacted negatively in some fashion as well. Basic highlights that stuck out to me are:

1. Expected delinquent bill rates will average 6.6% (in some of the SDAC areas I expect that would be over 10%)
2. Lost revenues due to 10.2% less commercial consumption. If your district has a lot of retail, hospitality, schools, manufacturing, a convention center, and restaurants, the impacts will likely be higher. This will be offset by residential water consumption assumption of 3.4% higher revenues due to higher consumption since everyone is home all day now.
3. Increase payroll costs due to overtime, lost productivity, and some utilities are giving worker's hazard pay.
4. A 75% decrease in building permits – slower growth means less revenues and less development fees
5. 70% of utilities expect to reduce capital spending, which will result in lost jobs for 75K-90K.

And the biggest one that I can see coming (in California especially) is potential debt forgiveness. 13% of utilities surveyed already have debt forgiveness in place and 19% are considering it. While it is voluntary now, it would not surprise me if it were mandated for a short period by the Governor.

For the clients where we prepare your budget, we will discuss how your District will be impacted by Covid-19 and factor in some of these variables into the budget depending upon your District make up. Additionally, as a matter of course, we always prepare a dynamic 10 years cash flow with each budget with assumptions to allow for various scenario analysis, which will help your District determine what the potential cash impacts will be. If we do not currently prepare your budget but you would like assistance now, please let us know. We have the time, and we are here to help!

Be safe and stay well all,

Cindy

*Cindy Byerrum, MPA, CPA*
*Partner*
*Eide Bailly*
*909-204-8858*

RAFTELIS

# The Financial Impact of the COVID-19 Crisis

## on U.S. Drinking Water Utilities

APRIL 14, 2020

American Water Works Association
*Dedicated to the World's Most Important Resource®*

ASSOCIATION OF METROPOLITAN WATER AGENCIES

This project was funded by the Water Industry Technical Action Fund of AWWA

# Table of Contents

# List of Tables

# List of Figures



# Appendices

# Executive Summary

**Drinking water utilities across the U.S. have experienced, and are anticipated to continue to experience, revenue and cost impacts associated with the COVID-19 crisis. This report was prepared for the American Water Works Association ("AWWA") and the Association of Metropolitan Water Agencies ("AMWA") to estimate the financial impacts of the crisis on drinking water utilities in the U.S.**

The anticipated financial impacts were estimated by (1) obtaining recent and relevant data regarding observed or anticipated financial and operational water utility impacts, (2) monetizing the impacts, and (3) scaling up or aggregating the impacts to estimate the impacts on a national level.

The results of the assessment indicate that the aggregate financial impact of COVID-19 on drinking water utilities will likely be approximately $13.9 billion, representing an overall 16.9 percent financial impact on the drinking water sector. These impacts are a result of drinking water utilities eliminating shut offs for non-payment, anticipated increased delinquencies as a result of high unemployment rates, reductions in non-residential water demands and associated revenues offset by increases in residential consumption, and lower customer growth. A summary of the financial impacts associated with these factors are provided in the table below.

Due to these financial impacts, drinking water utilities across the nation are anticipated to delay and reduce capital expenditures by as much as $5 billion (annualized) to help manage cash flows due to the crisis. These capital expenditure reductions will have a cascade effect on economic activity in communities across the U.S. As a result, **communities will experience a reduction in economic activity by as much as $32.7 billion** (annualized) in aggregate when considering economic multiplier effects. The reduction in capital expenditures is also anticipated to result in a loss of 75,000 to 90,000 private sector jobs.

Drinking water utilities may also experience additional future revenue losses estimated at approximately $1.6 billion in aggregate as a result of deferrals of planned water rate increases, bringing **the total combined impact of the crisis on drinking water utilities to more than $15 billion**. These deferrals will further exacerbate community economic impacts by further reducing capital spending and will put the water sector further behind in addressing its capital infrastructure needs.

The financial impact of the COVID-19 crisis on water and wastewater utilities combined is estimated to exceed $27 billion.

## Estimated Total Aggregate Financial Impact on Drinking Water Utilities

| Description | 2 Months | 4 Months | 6 Months | Annualized |
|---|---|---|---|---|
| Marginal Cost of Non-Shut Offs | $0.10B | $0.19B | $0.29B | $0.57B |
| Revenue Loss Due to Increased Delinquencies | $0.82B | $1.64B | $2.46B | $4.92B |
| Reduction in Commercial Revenues | $1.23B | $2.46B | $3.69B | $7.38B |
| Increase in Residential Revenues | ($0.44B) | ($0.88B) | ($1.32B) | ($2.64B) |
| Increase in Personnel Expenses | $0.10B | $0.21B | $0.31B | $0.63B |
| Reduction in System Development Charges | $0.43B | $0.87B | $1.30B | $2.60B |
| Reduction in Revenues from Lower Customer Growth | $0.01B | $0.05B | $0.09B | $0.41B |
| **Total Aggregate Financial Impact** | **$2.3B** | **$4.5B** | **$6.8B** | **$13.9B** |

*This assessment and report was funded by the Water Industry Technical Action Fund ("WITAF") of AWWA. WITAF is managed by the Water Utility Council to support projects, studies, analyses, reports and presentations in support of AWWA's legislative and regulatory agenda. WITAF is funded by a portion of organizational member's dues.*

# 1 Introduction

## 1.1. Background and Objectives

This report was prepared for the American Water Works Association ("AWWA") and the Association of Metropolitan Water Agencies ("AMWA") to assist in estimating the financial impact that the novel COVID-19 virus is anticipated to have on water utilities in the United States ("U.S.") The intent of the report is to aid AWWA and AMWA in advocating for securing Federal funding for the drinking water sector to help deal with this crisis and to provide AWWA and AMWA membership with information regarding the aggregate financial impact of the COVID-19 crisis on the sector. This assessment and report was funded by the Water Industry Technical Action Fund ("WITAF") of AWWA. The WITAF is managed by the Water Utility Council to support projects, studies, analyses, reports and presentations in support of AWWA's legislative and regulatory agenda. WITAF is funded by a portion of organizational member's dues.

## 1.2. Scope of Work

Drinking water utilities across the U.S. have experienced and are anticipated to experience revenue and cost impacts associated with the national, state, and local response to the COVID-19 crisis. The scope of this work consisted of estimating the aggregate financial impacts on drinking water utilities due to the following:

1. **Changes in utility policies** to not shut off water service to customers with delinquent accounts and providing forgiveness of late penalty fees. This included preparing estimates of the anticipated rise in delinquencies due to the policy change, as well as due to anticipated rising unemployment rates.

2. **Losses in revenue** from non-residential (i.e., commercial, industrial, and institutional) customers, net of residential revenue increases, as a result of national and state directives for the temporary shutdown of non-essential businesses and "stay at home" orders.

3. **Operational actions taken**, or anticipated to be taken, by water utilities to ensure safe and reliable water service, such as sequestering water operators and other key staff.

4. **Reducing, deferring or eliminating capital expenditures** to preserve cash and help maintain financial sustainability.

5. **Reduction in system development charges and user charges from new growth** due to slowing of economic growth and development.

Due to the rapidly developing and changing crisis, the scope of work was initiated on April 1, 2020 and was completed on April 13, 2020.

The financial assessment summarized in this report was prepared based on relevant data and information available as of the date of this report. It does not incorporate any facts or information which may have come into existence after the date of the report, and such information could have a material effect on the findings and conclusions contained herein. As such, the estimates contained in this report are early estimates based on available data that may understate the financial impacts on drinking water utilities depending upon the length and severity of the crisis. The analyses focused on the national impacts to drinking water utilities in the U.S. and did not consider or involve developing specific state or city impacts, or a detailed estimate of the impacts to wastewater utilities.

## 1.3. Methodology

In general, the methodology used to estimate the financial impacts of the COVID-19 crisis on drinking water utilities consisted of (1) obtaining recent and relevant data regarding observed or anticipated financial and operational water utility impacts, (2) monetizing the impacts, and (3) scaling up or aggregating the impacts to estimate monthly and annualized national impacts. Specific methodologies used to identify and quantify the various financial impacts of COVID-19 on drinking water utilities are provided in Section 2.

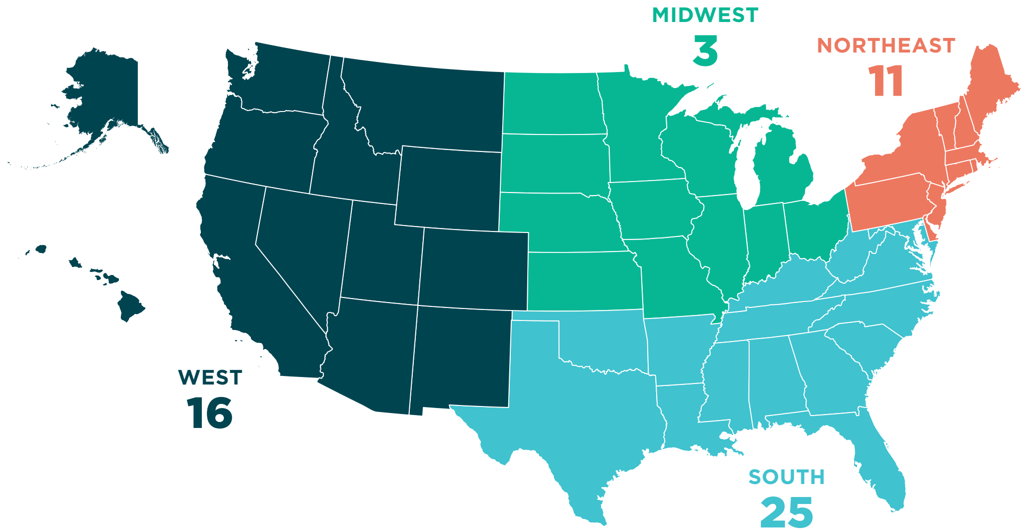



**Figure 1-1.**
**Location of Utilities Responding to Raftelis Questionnaire**

## 1.4. Data and Information Sources

Information that was used to complete the financial impact assessment was compiled from various AWWA and AMWA sector surveys, sector publications, responses from a questionnaire prepared and distributed to water utilities, and financial data and information from recent rate studies completed by Raftelis for various drinking water utility clients. Specific sector surveys and publications that were relied upon to complete the assessment, included the following:

- COVID-19 Survey Conducted by AWWA on March 25-30, 2020;
- 2019 Water and Wastewater Rate Survey. AWWA;
- Utility Benchmarking: Performance Management for Water and Wastewater. AWWA 2019;
- INSIGHT – Utility Financial Information Database. AMWA 2018;
- Dun & Bradstreet, First Research Industry profile for the Water Industry. 2018;
- Public Spending on Transportation and Water Infrastructure, 1956 to 2017. Congressional Budget Office, October 2018;
- U.S. Census Bureau, Population Survey (2019);
- U.S. Census Bureau, American Housing Survey Data (2017);
- U.S. Census Bureau, Historical Labor Force Unemployment Rate Statistics;
- U.S. Census Bureau, Building Permit Survey (2019);
- Residential End Uses of Water, Version 2 Executive Report, Water Research Foundation, April 2016;
- Back-of-the-Envelope Estimates of Next Quarter's Unemployment Rate. The Federal Reserve Bank of St. Louis, March 24, 2020;
- COVID-19: Economic Scenarios. Moody's Analytics. March 27, 2020;
- The Daily Shot: Consumers Cut Spending by About 50 Percent, Wall Street Journal, April 8, 2020;
- National Impact Fee Survey, Duncan Associates, 2019;
- Local Government Investment in Municipal Water and Sewer Infrastructure: Adding Value to the National Economy, Prepared for the U.S. Conference of Mayors by The Cadmus Group, Inc. August 14, 2008; and
- The Economic Benefits of Investing in Water Infrastructure, Bureau of Economic Analysis, 2018.

AWWA surveyed member utilities and other sector organizations between March 25 - 30, 2020 to gauge the impacts of COVID-19 and actions being taken to manage risk and plan for contingencies. AWWA received 615 responses to the survey, of which 532 responses were from unique utilities, and 81 were from non-utility survey participants. Results from this survey were used in this assessment, where noted.

Raftelis prepared a questionnaire focused on the financial and operational impacts of the COVID-19 crisis on drinking water utilities and distributed the questionnaire to more than 150 water utilities. The questionnaire was completed between April 6 – 8, 2020. A total of 102 responses to the survey were received, of which 55 responses were usable, complete, and represent responses from unique drinking water utilities. Responses from this questionnaire were used in this assessment, where noted. In addition, the full questionnaire and a summary of the responses are provided in Appendix A.

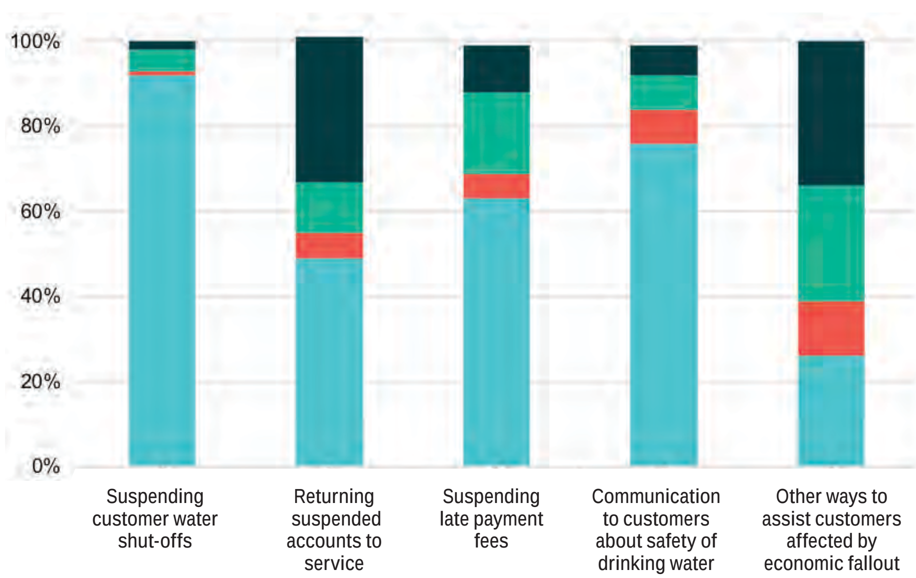
# 2 Analysis and Results

**This section of the report provides a detailed description of the methodologies and analyses employed to quantify the financial impacts of the COVID-19 crisis on drinking water utilities and summarizes the results of the analyses.**

## 2.1. Financial Losses Due to Changes in Customer Delinquency Policies

Many drinking water utilities have changed their shut-off and late bill payment fee policies for delinquent accounts in reaction to the crisis. According to the recent COVID-19 survey completed by AWWA in March 2020, approximately 98% of respondents indicated that policies are either in place to suspend customer water shut-offs, in development, or indicated that they are considering implementing such policies, as show in Figure 2-1.

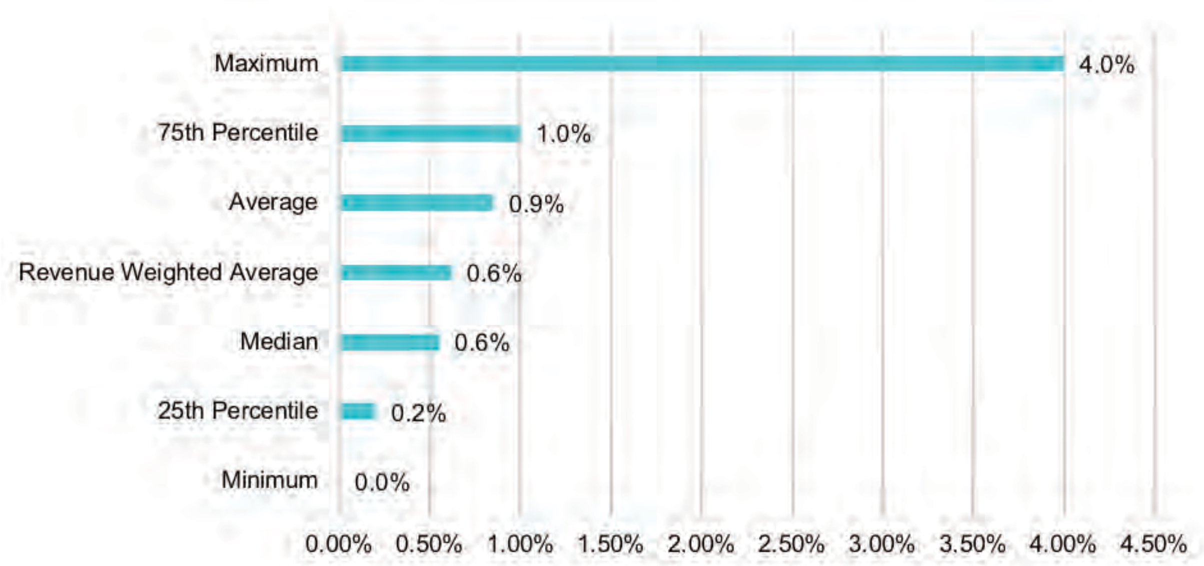
Figure 2-1. **Water Utility Changes to Delinquency Policies**




| | Suspending customer water shut-offs | Returning suspended accounts to service | Suspending late payment fees | Communication to customers about safety of drinking water | Other ways to assist customers affected by economic fallout |
|---|---|---|---|---|---|
| Currently no plans to develop | 2% | 34% | 11% | 7% | 34% |
| Considering | 5% | 12% | 19% | 8% | 27% |
| Currently in development | 1% | 6% | 6% | 8% | 13% |
| Currently in place | 92% | 49% | 63% | 76% | 26% |

Responses from the Raftelis COVID-19 impact questionnaire indicated that the median annual uncollectable percentage for drinking water utilities prior to the COVID-19 crisis was approximately 0.6 percent, as shown in Figure 2-2. In addition, survey respondents indicated the likelihood that delinquencies would increase significantly in the coming months.

Figure 2-2. **Pre-Crisis Water Utility Uncollectible Rates (N=42)**




Due to changes in water utility shut-off policies and rising unemployment rates, delinquencies and annual uncollectible percentages will likely increase significantly, resulting in incremental water utility revenue deferrals or losses. Some specific examples of delinquency policy changes that have been implemented are as follows:

**Manchester Water Works (NH)** is not charging late fees or performing shut-offs for not payment.

**City of Tulsa (OK)** is working on extending its payment arrangement plans without penalty. In some cases, it anticipates the need to write off the debt.

**City of Chandler (AZ)** is helping water customers financially burdened due to COVID-19 by suspending disconnections, not charging late fees, and extending payment plans.

**WaterOne in Johnson County (KS)** has eliminated late payment fees and anticipates a 53 percent reduction in late payment fees assuming that it foregoes changing these fees for six months.

#### 2.1.1. Methodology

The steps used to estimate drinking water utility financial losses due to changes in delinquency policies are summarized as follows:

**1. Estimate the marginal cost impact of non-shut offs of delinquent accounts:**

a. Identify typical delinquency rates and bad debt ratios using the AMWA INSIGHT survey, AWWA benchmarking study, and responses from the Raftelis water utility questionnaire.

b. Estimate the typical marginal cost of water defined as variable costs (e.g. power, chemicals, etc.) as a percentage of the typical water utility total budget from sector survey results and Raftelis experience.

c. Multiply marginal cost of water percentage by an estimate of the aggregate National water utility revenue and expenditure estimate.

d. Estimate the monthly marginal cost impact by dividing the figure above by a factor of 12.

**2. Estimate the deferred or lost revenue to drinking water utilities due to increased bill delinquencies:**

a. Use national unemployment statistics to estimate increases in delinquencies due to the crisis.

b. Estimate additional delinquencies due to moral hazard / lack of consequences of customers not paying their utility bills. Estimated from sample of sector data from past events.

c. Estimate incremental delinquency rate due to (a.) and (b.) above.

d. Multiply the increased delinquency rate by the Aggregate National water utility revenue estimate.

e. Estimate the monthly deferred revenue impact by dividing the figure above by a factor of 12.

f. Estimate the portion of utilities that may implement a policy to relieve customers from having to pay their delinquent, unpaid bills from Raftelis questionnaire results.

g. Estimate the potential monthly permanent revenue loss by multiplying the estimated value of delinquent water bills by the percentage of utilities implementing debt forgiveness policies.

**3. Estimate lost revenue from the portion of utilities that may implement a policy to relieve customers from having to pay late bill fees.**

a. Estimate the typical amount of late bill fees collected by drinking water utilities as a percentage of total revenues from the AMWA INSIGHT survey.

b. Multiply the late bill fee revenue percentage by the Aggregate National water utility revenue estimate.

c. Estimate the proportion of drinking water utilities that have or plan to implement late bill fee forgiveness policies from the March 2020 AWWA survey.

d. Multiply the proportion of drinking water utilities that have or plan to implement late bill fee forgiveness policies by the aggregate National late bill fee revenue estimate.

### 2.1.2. Analysis

The aggregate national level of annual revenues generated by drinking water utilities in the U.S. was estimated based on household and drinking water sector data as detailed in Table 2-1.

## Table 2-1. Estimated Aggregate Annual Drinking Water Utility Revenues

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Number of U.S. Households | 1 | 128.579M |
| b. | U.S. Households on Private Wells | 2 | 10.72% |
| c. | U.S. Households on Public/Private Water Systems | 1 - b | 89.28% |
| d. | U.S. Households on Public/Private Water Systems | a x c | 114.8M |
| e. | Median Monthly Residential Water Utility Bill | 3 | $42.41 |
| f. | Estimated Annual Residential Water Utility Rate Revenue | d x e x 12 | $58.4B |
| g. | Residential Share of Total Water Utility Rate Revenue | 4 | 71% |
| h. | Estimated Annual Water Sector Revenues in 2019 | f / g | $82.3B |

1 U.S. Census Bureau Population Survey (2019).

2 U.S. Census Bureau, American Housing Survey Data (2017). Note that the estimated number of U.S. households on public or private water systems was calculated based on U.S Census data and is slightly lower than an estimate calculated using the USEPA data on the population served by Community Water Systems of approximately 311 million. Dividing the USEPA population figure by an assumption of 2.5 people per household, results in an estimate of approximately 124 million households connected to community water systems. If estimate prepared using USEPA data was used, the financial impacts estimated in this report would be higher.

3 AWWA Water and Wastewater Rate Survey (2019).

4 AMWA Insight Survey (2018) indicating 51% of revenue is residential, 29% non-residential, and 20% wholesale/other. Adjusted residential and non-residential percentages to reflect that approximately 7.25% of non-residential is multifamily.

The estimated annual water sector revenues shown in Table 2-1 are used to calculate financial losses due to changes in customer delinquency policies and other financial impacts estimated herein.

The financial impact of delinquent account policy changes was then estimated by quantifying the financial impact of (1) drinking water utilities continuing to provide service to delinquent accounts, instead of enacting shut-offs, and (2) deferred or lost revenue associated with observed and anticipated higher delinquency rates during the COVID-19 crisis, as detailed in Tables 2-2 and 2-3. The temporary elimination of late payment fees was not estimated to have a significant impact on water utility revenues.

The estimate of deferred or lost revenue due to increased bill delinquencies was prepared based on the increase in unemployment rates and the potential for additional bill delinquencies due to the inability to pay and the lack of consequences for non-payment, as detailed in Table 2-2. This estimate includes consideration of the moral hazard (i.e., lack of consequences of customers not paying their utility bills) resulting in higher bill delinquencies.

## Table 2-2. **Estimated Deferred or Lost Revenue Due to Increased Bill Delinquencies**

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Delinquent Account Write-offs as % of Total Revenues | 1 | 0.6% |
| b. | Pre COVID-19 Unemployment Rate | 2 | 3.5% |
| c. | Unemployment Rate During COVID-19 Crisis | 3 | 12.0% |
| d. | % Increase in Delinquencies Due to Higher Unemployment Rate | c / b | 342.9% |
| e. | % Increase in Delinquencies Due to Moral Hazard | 4 | 320.0% |
| f. | Adjusted Delinquencies as % of Total Revenues | a x d x e | 6.6% |
| g. | % Difference in Delinquencies | f - a | 6.0% |
| h. | Annual Aggregate Water Utility Revenues | 5 | $82.3B |
| i. | Annualized Incremental Delinquencies | g x h | $4.9B |
| j. | Monthly Incremental Delinquencies | i / 12 | $410M |

1 Results from Raftelis COVID-19 questionnaire.

2 Labor Force Unemployment Rate Statistics from the U.S. Bureau of Labor Statistics for February 2020.

3 Blended unemployment rate estimate for the second quarter of 2020 from Federal Reserve Bank of St. Louis, Moody's Global Economic Forecast publication dated March 27, 2020, and various news articles on the estimated unemployment rate.

4 Data from observed increases in delinquencies from Seattle Public Utilities due to cessation of service shut-offs during new billing system conversion. Seattle observed an increase in delinquencies from 1.54% to 5.03% during this event. Factor adjusted based on AWWA March 2020 survey that indicated that approximately 98% of water utilities surveyed have suspended or are planning to suspend shut-offs in response to the COVID-19 crisis.

5 Calculation as provided in Table 2-1.

The elimination of shut-offs will result in an added cost to drinking water utilities as they continue to supply customers with delinquent bills with water service, rather than enacting shut-offs. An estimate of the incremental cost of continuing to supply these customers with water service is detailed in Table 2-3.

## Table 2-3. Estimated Marginal Cost Impact of Non-Shut Offs of Delinquent Accounts

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Operating Ratio (O&M expenses / operating revenue) | 1 | 58% |
| b. | Variable Expenses as % of Total O&M expenses | 2 | 20% |
| c. | Marginal Cost | a x b | 11.6% |
| d. | Aggregate Annual Water Utility Revenue | 3 | $82.3B |
| e. | Aggregate Annual Marginal Cost | c x d | $9.5B |
| f. | Delinquent Account Uncollectable Rate % of Total Revenues | 4 | 6% |
| g. | Marginal Cost Impact of Non-Shut Offs - Annualized | e x f | $0.6B |
| h. | Marginal Cost Impact of Non-Shut Offs - Monthly | g / 12 | $47.6M |

[1] AWWA Utility Benchmarking Survey (2019), Table 2-6A.

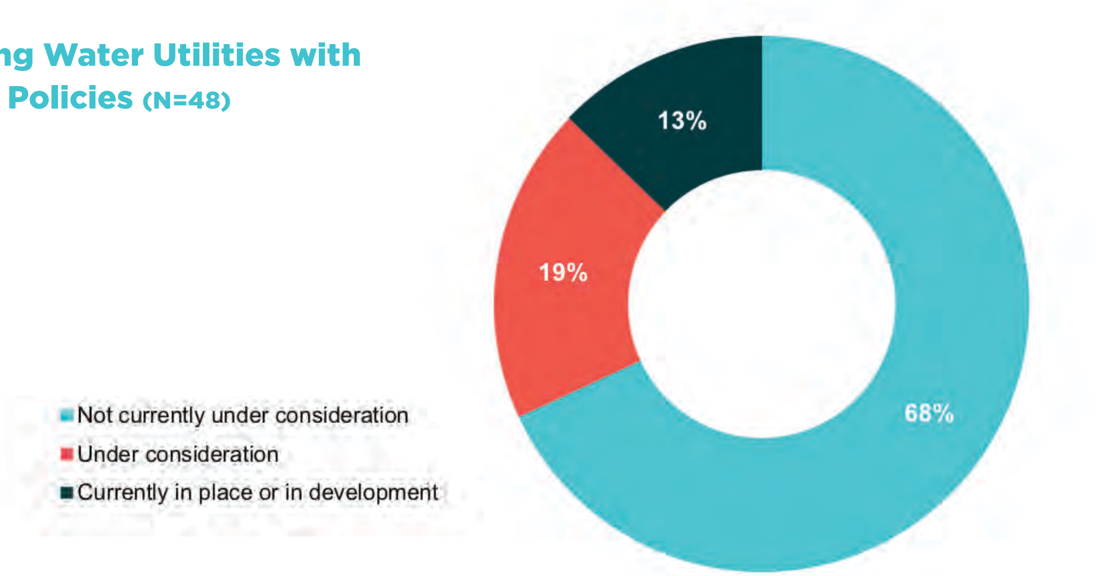
[2] AMWA INSIGHT Survey and Raftelis experience.

[3] Calculation as provided in Table 2-1.

[4] Calculated in Table 2-2.

Based on Raftelis questionnaire responses, 12 percent of respondents have already put in place policies for debt forgiveness, and 19 percent are considering implementing such a policy as shown in Figure 2-3. Therefore, a significant portion of the increase in bill delinquencies are anticipated to result in water utility write-offs and permanent losses in revenue.

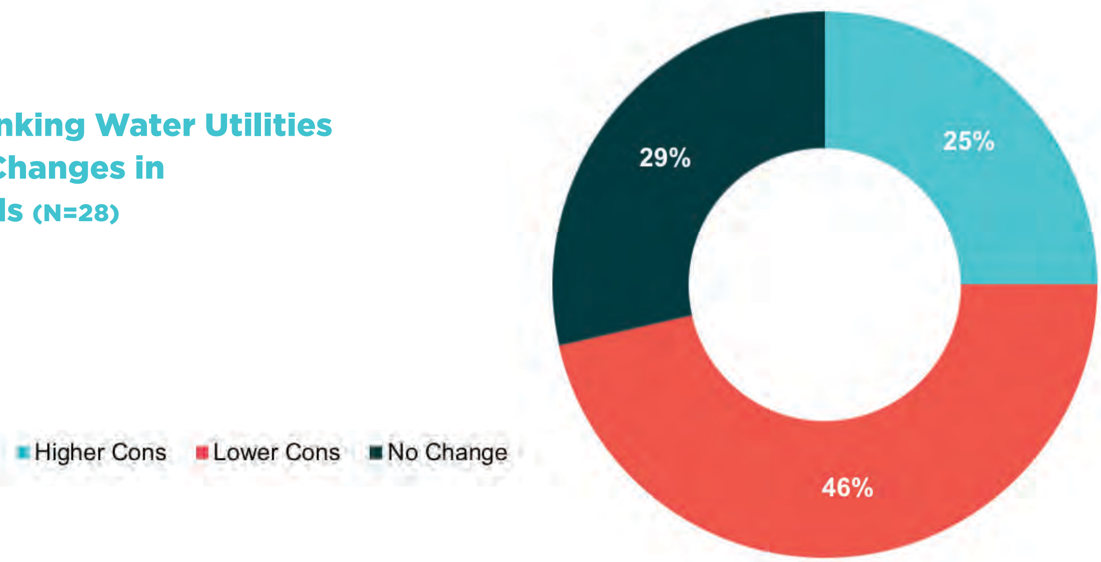
## Figure 2-3. Drinking Water Utilities with Debt Forgiveness Policies (N=48)



## 2.2. Revenue Loss Due to Declines in Consumption

Approximately half of drinking water utilities responding to the Raftelis COVID-19 questionnaire indicated that they have already experienced reductions in water demands during the crisis that are a direct result of Federal, State, and local stay-at-home orders and reductions in commercial, industrial, and institutional activities, as shown in Figure 2-4.

Figure 2-4. **Drinking Water Utilities Experiencing Changes in Water Demands (N=28)**




Due to customer water metering frequencies (typically monthly, bi-monthly, or quarterly), there is a lag in observable changes in water consumption associated with the crisis, and for many utilities, it is too early to precisely estimate the impacts. However, it is anticipated that the vast majority of drinking water utilities across the U.S. will experience revenue loss due to water consumption declines. These reductions in demands are anticipated to result in losses in revenue from non-residential customers. Some specific utility examples of where consumption declines are occurring include:

**A mid-sized utility in Pennsylvania** experienced a 10 percent loss in water demands for the four-day average from March 1 – 4, 2020, as compared to the four-day average demands from a period in February prior to the crisis.

**A large water utility in Virginia** experienced a decline in demands between March 25 – 31, 2020 compared to the same time period in 2019 of approximately 6.7 percent.

**A large water utility in Colorado** has experienced reduction of more than 35 percent in water usage from non-residential customers, and approximately a 10 percent increase in residential water usage based on a small sample of customer meter data from the utility's AMI metering system.

**Toho Water (FL)** is anticipating experiencing a 52 percent reduction in commercial water usage and 12.5 percent reduction in reclaimed water sales over a six-month period, with a total annual revenue loss of approximately 9.2 percent.

**Pittsburgh Water and Sewer Authority (PA)** has experienced large college residential vacancies and commercial facilities shutdown that have resulted in reduction in total demands of approximately 12 percent.

**South Central Connecticut Regional Water Authority (CT)** has experienced a water production decline of approximately 6 percent. This utility serves primarily residential customers, but among their top 10 customers are universities and hospitals.

### 2.2.1. Methodology

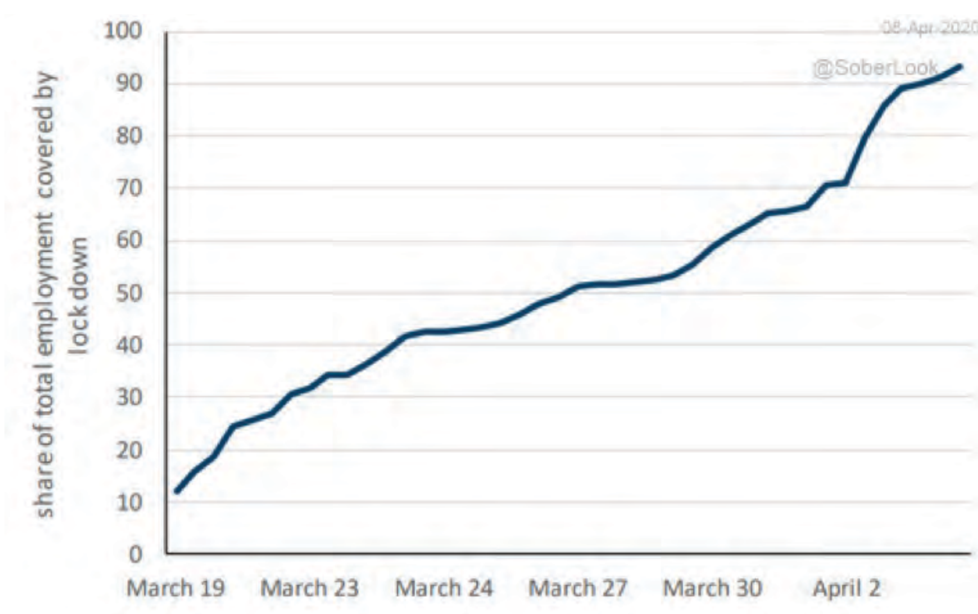
The potential loss in revenue due to anticipated declines in consumption was estimated as follows:

1. Identify the typical percentage of revenues generated by drinking water utilities from residential and non-residential customers based on the AMWA INSIGHT survey.
2. Estimate the reduction in non-residential water demands and revenues based on an aggregate sector analysis of affected stay-at-home orders and responses from the Raftelis COVID-19 questionnaire.
3. Estimate the typical water utility revenue reduction by multiplying the percentage of revenues associated with non-residential customers by the estimated reduction in non-residential water demands.
4. Multiply the estimate of the typical reduction in water utility revenues by the Aggregate National water utility revenue estimate.
5. Offset estimated losses on non-residential revenue with the estimated increase in revenue from residential water usage due to impacts of Federal and State stay-at-home orders.
6. Divide resulting revenue reduction number by 12 to convert to a monthly value.

### 2.2.2. Analysis

Recent U.S. labor market information indicates that stay-at-home orders and lockdowns during the COVID-19 crisis have impacted over 90 percent of the labor force[1], as shown in Figure 2-5.

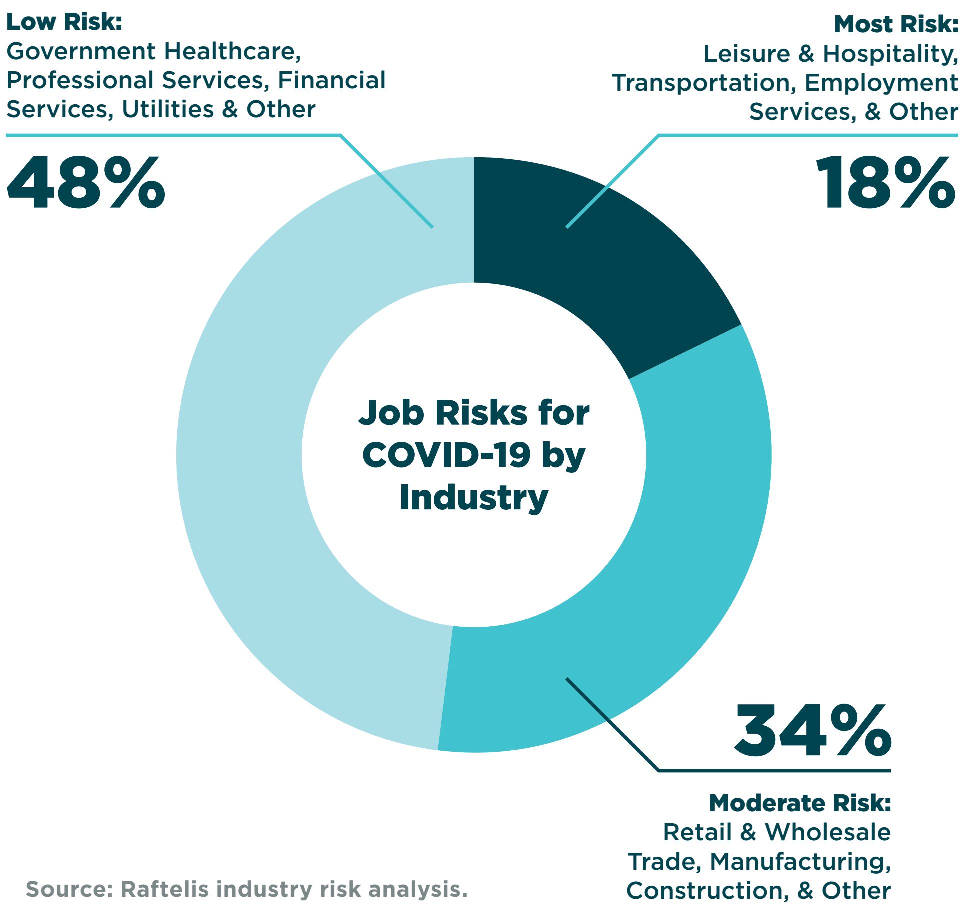
Figure 2-5. **Cumulative Share of Labor Market Subject to State Lockdowns**




1) The Wall Street Journal, April 8, 2020.
https://blogs.wsj.com/dailyshot/2020/04/08/the-daily-shot-consumers-cut-spending-by-about-50/

Such stay-at-home orders have significantly impacted water demands from non-residential customers. A commercial sector risk assessment was completed to estimate the potential reduction of water demands and revenues from commercial and industrial businesses. Based on this analysis, it is anticipated that drinking water utilities will experience significant water demand reductions from industries in the leisure, hospitality, and transportation sectors, and moderate to significant reductions in water demands from other industries, such as retail and wholesale trade, manufacturing, and construction. The composition of these industries is summarized in Figure 2-6.

Figure 2-6. **Industries Anticipated to Experience Significant Water Demand Reductions**




Source: Raftelis industry risk analysis.

Based on the industry risk analysis, it was estimated that there is the potential for nearly full reduction in water demands from high risk industries and partial reduction (we assumed 50% reduction) in water demands from moderate risk industries. These estimates were used to assess the potential revenue loss due to water demand declines during the COVID-19 crisis, as detailed in Table 2-4.

## Table 2-4. **Estimated Revenue Loss Due to Declines in Non-Residential Consumption**

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Typical Non-Residential Revenue as % of Total Revenue | [1] | 29.0% |
| b. | Reduction in Non-Residential Water Demand | [2] | 35.0% |
| c. | Estimated Reduction in Revenue from Non-Residential | a x b | 10.2% |
| d. | Annual Aggregate Water Utility Revenue | [3] | $82.3B |
| e. | Annualized Reduction in Water Utility Revenues | c x d | $8.4B |
| f. | Marginal Cost Savings % | [4] | 11.6% |
| g. | Marginal Cost Savings $ | e x f | ($1.0B) |
| h. | Net Annualized Reduction in Water Utility Revenues | e - g | $7.4B |
| i. | Monthly Reduction in Water Utility Revenues | e / 12 | $615M |

[1] AMWA INSIGHT Survey (2018).

[2] Estimated based on analysis of U.S. industry risk exposure to COVID-19 (https://www.raftelis.com/insight/stress-testing-your-financial-plan/) considering reduction in demands from high risk industries, including leisure & hospitality, transportation, and other, and moderate reduction in demand from moderate risk industries, such as retail & wholesale trade, manufacturing, and construction industries.

[3] Calculation as provided in Table 2-1.

[4] Calculation as provided in Table 2-3.

The estimated loss in non-residential revenues are anticipated to be somewhat offset by an increase in water demands and revenues from residential customers due to Federal and State stay-at-home orders and as indoor water use increases due to greater homeowner occupancy during normal working hours. The estimated increase in residential consumption and associated revenues as a result of the COVID-19 crisis are detailed in Table 2-5.

## Table 2-5. **Estimated Increase in Residential Consumption**

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Increase in Residential Indoor Water Use | [1] | 8.00% |
| b. | Indoor Water Use as % of Total Water Use | [2] | 60.00% |
| c. | Increase in Residential Water Use Due to COVID19 Crisis | a x b | 4.80% |

[1] Estimated increase in indoor water use from a 33% increase in toilet use from an increase of eight hours at home (8 hrs / 24 hrs = 33.3%) times the percentage of toilet use as a % of total indoor water use of 24% from the publication: Residential End Uses of Water, Version 2 Executive Report, Water Research Foundation, April 2016.

[2] Residential End Uses of Water, Version 2 Executive Report, Water Research Foundation, April 2016.

Note that this estimate does not consider the potential that some residential customers may curtail water usage (e.g. outdoor water usage for irrigation) during the crisis to help lower their water bills.

### Table 2-6. **Estimated Revenue Increase Due to Increases in Residential Consumption**

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Residential Revenue as % of Total Revenue | 1 | 71.0% |
| b. | Increase in Residential Water Demand | 2 | 4.8% |
| c. | Increase in Residential Water Revenue (%) | a x b | 3.4% |
| d. | Annual Aggregate Water Utility Revenue | 3 | $82.3B |
| e. | Annualized Increase in Water Utility Revenues | c x d | $2.8B |
| f. | Less: Adjustment for Increase in Residential Write-offs | 4 | 6.0% |
| g. | Net Annualized Increase in Water Utility Revenues | e x (1-f) | $2.6B |
| h. | Estimated Monthly Increase in Water Utility Revenues | e / 12 | $220M |

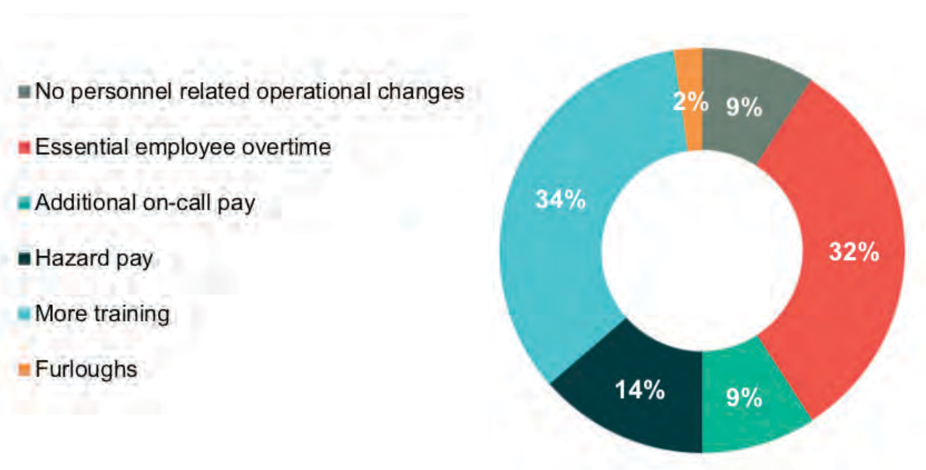
1 AMWA INSIGHT Survey (2018).
2 Calculated in Table 2-5.
3 Calculation in Table 2-1.
4 Calculation in Table 2-2.

The total estimated net decrease in water utility revenues is anticipated to be $4.7 billion on an annualized basis considering the anticipated $7.4 billion decrease in non-residential revenues and a $2.7 billion increase in residential revenues.

## 2.3. Financial Impact of Water Utility Operational Policy Changes

Some drinking water utilities have implemented new operational policies in response to the COVID-19 crisis, such as new operating hours for essential water utility staff, sequestering operations staff, and providing increased compensation for essential employees. Based on the Raftelis COVID-19 questionnaire response, personnel-related changes included paying essential employees overtime, providing additional compensation to employees as "hazard pay," incurring more employee on-call personnel expenses, and in some cases furloughing employees, as summarized in Figure 2-7.

### Figure 2-7. **Personnel Expense Changes (N=27)**



For approximately the 40 percent of drinking water utilities responding that personnel expenses are anticipated to increase due to the crisis, the weighted average percent change in personnel expenses was approximately 6.5 percent. Specific examples from drinking water utilities responding to the questionnaire include the following:

**A large utility in North Carolina** is paying a 5% premium to essential workers.

**El Paso Water Utilities Public Service Board (TX)** is experiencing personnel impacts related to emergency administrative leave.

**Great Lakes Water Authority (MI)** indicated that it had increased the pay of all operation and maintenance personnel by $1.00 per hour in response to the crisis.

**Des Moines Water (IA)** has sequestered treatment plant operating personnel enough for 12-hour shifts, and is paying each of these staff for 24 hours per day. The balance of personnel is being paid regular salaries, even though some will not be working.

**La Puente Valley County Water District (CA)** is implementing alternative work schedules in which a portion of staff is paid to be home at the ready.

#### 2.3.1. Methodology

Estimation of the financial impacts of operational actions taken, or anticipated to be taken, by drinking water utilities that impact personnel expenses consisted of:

1. Obtain information from Raftelis questionnaire regarding % changes to personnel expenses due to crisis.
2. Obtain typical percentage of personnel expenses compared to total water utility expenditures from AWWA and AMWA survey data.
3. Multiply % change to personnel expenses by personnel expense estimate as % of total expense. Then multiply this resulting percentage by the national revenue estimate from the CBO source to aggregate to the national level.
4. Divide resulting national personnel expense impact by 12 to convert to a monthly value.

#### 2.3.2. Analysis

An estimate of the personnel expense impact of changes to drinking water utility personnel policies was calculated as detailed in Table 2-7.

### Table 2-7. **Estimated Operation Policy Change Impacts on Personnel Expenses**

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Increase in Personnel Expenses Due to COVID-19 Crisis | 1 | 6.5% |
| b. | Weighted Average Personnel Expense Increases | 2 | 3.2% |
| c. | Personnel Expenses as % of Total Budget | 3 | 23.8% |
| d. | Increase in Personnel Expense as % of Total Revenue | b x c | 0.8% |
| e. | Annual Aggregate Water Utility Revenue | 4 | $82.3B |
| f. | Aggregate Annual Increase in Personnel Expense | d x e | $0.6B |
| g. | Aggregate Monthly Increase in Personnel Expense | f / 12 | $52M |

[1] Raftelis questionnaire response. Average increase in personnel expense for those respondents indicating increased expenses.

[2] Raftelis questionnaire response. Weighted responses by revenue, including those respondents indicating no expense increase.

[3] Operating Ratio (58%) x Personnel Expense as % of operating & maintenance expense (41%). From 2019 AWWA Utility Benchmarking Survey, Table 2-6A and the 2019 AMWA INSIGHT Survey.

[4] Calculated in Table 2-2.

Some utilities also responded to the Raftelis COVID-19 questionnaire that they anticipate experiencing increases in non-personnel related expenses due to the crisis, while others indicated potential decreases in non-personnel expenses due to the crisis. Reported increases in expenses consisted of equipment to enable employees to work from home (e.g. computers, monitors) and personal protective equipment. Reported decreases in expenses included items such as reduced travel and conference expenses, reductions in utilities and chemicals due to lower water production, reductions in material costs from reduction in non-essential work activities. Some specific examples of changes to non-personnel expenses are as follows:

**Salt Lake City, Department of Public Utilities (UT)** is anticipating additional chemical costs in order to have excess supplies in place if there are interruptions in vendor services, and additional personal protective equipment material and supply costs.

**Portland Water District (ME)** has incurred additional cost related to a remote workforce, including new personal computers, monitors, server, and software. In addition, it anticipates additional expenses in personal protective equipment.

**Lehigh County Authority (PA)** has experienced a significant investment in IT/technology expenses to support work-from-home arrangements, including rapid purchase and deployment of laptops and reimbursement for internet service and cell phone usage for employees working from home.

**Manchester Water Works (NH)** has reduced non-essential work activities which may reduce the purchase of certain materials and supplies.

**Fort Pierce Utilities Authority (FL)** has experienced increases in materials and supplies costs for disinfectants, towel wipes, respirators, thermometers, and masks. It also anticipates incurring additional expenses associated with sanitation of lobby areas and health monitoring when customer service offices open and employees return to utility offices after working from home.

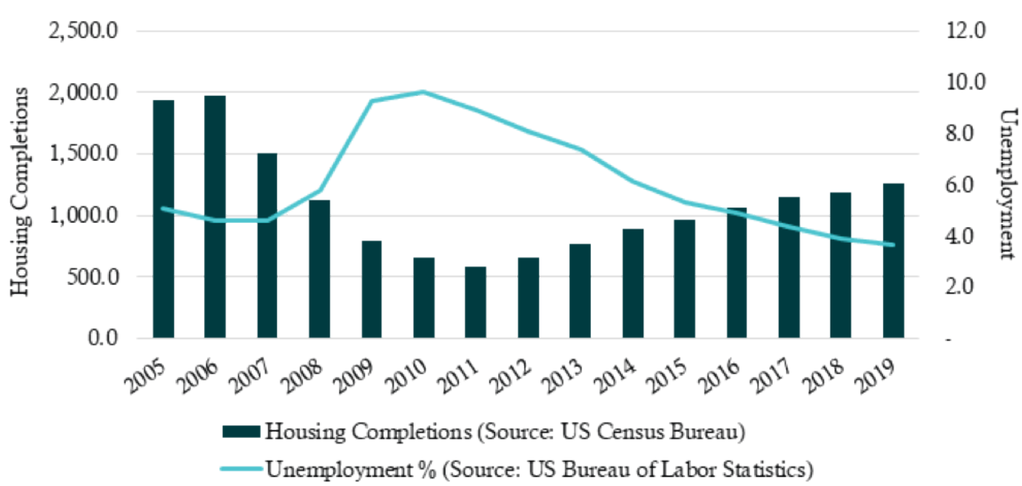
**Dare County (NC)** anticipates a decrease in chemical usage and utility costs.

Due to the variable responses from the Raftelis COVID-19 questionnaire, a definitive estimate of increased non-personnel expenses could not be made.

## 2.4. Financial Loss Due to Slower Customer Growth

The COVID-19 crisis is anticipated to slow the growth in new development and housing starts, which will further impact the revenues of drinking water utilities. Historical data on the correlation between the unemployment rate and housing development activity was gathered, reviewed, and analyzed. The analysis of this data indicated that that a significant decrease in real estate development is likely to occur due to the COVID-19 crisis as a result of increased unemployment, as indicated in Figure 2-8.

### Figure 2-8. **Historical Trends in Housing Completions vs. Unemployment**




Source: Labor force and unemployment statistics from the U.S. Census Bureau.

This anticipated slower growth in development will likely result in deferrals or losses associated with system development charges ("SDCs") and user charge revenues from new customers. Some specific examples of drinking water utilities anticipating growth-related impacts are as follows:

**Charlotte Water (NC)** has revised its SDC projections to be flat or slightly lower in 2020 as compared to 2019. Prior to the crisis, Charlotte Water was anticipating an increase in SDCs from these fees due to development growth in the Charlotte region.

**East Bay Municipal Utility District (CA)** anticipates reductions in development activity and SDCs could be severe.

**Tucson Water (AZ)** expects approximately a 20 percent reduction in development activity and SDCs because prospective homebuyers might not be able to buy at this time.

**Tualatin Valley Water District (OR)** expects a 20 percent reduction in new connections and SDCs due to a reduction in growth and development.

### 2.4.1. Methodology

The deferrals or financial losses associated with anticipated lower development activity was estimated as follows:

**1. Estimate the deferrals or losses from lower system development charges:**

a. Estimate pre-COVID-19 aggregate residential and non-residential SDCs from sector publications on system development and impact fees.

b. Estimate the anticipated percent reduction in building permits during the COVID-19 crisis from U.S. Census Building Permit Survey data, information from the response to the Raftelis COVID-19 questionnaire responses and Raftelis estimates.

c. Multiply the estimate of the percent reduction in building permits by the aggregate annual SDC estimate.

d. Divide resulting reduction in SDCs by 12 to convert to a monthly value.

**2. Estimate the net loss in anticipated water utility rate revenues due to slower customer growth**

a. Estimate the anticipated reduction in housing unit construction based on U.S. Census Building Permit Survey data, information from the response to the Raftelis questionnaire, and Raftelis estimates.

b. Estimate the typical monthly water bill for residential customers based on the AWWA rate survey.

c. Multiply the monthly reduction in housing unit construction by the typical monthly water bill for residential customers.

d. Adjust the calculated revenue loss by an estimate of the reduction in water utility marginal cost of serving new customers.

e. Calculate the cumulative net revenue loss if the COVID-19 crisis lasts 2-months, 4-months, or 6-months.

### 2.4.2. Analysis

The aggregate loss in system development charges was estimated as detailed in Table 2-8.

## Table 2-8. **Estimated Aggregate Loss of System Development Charges**

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Aggregate Residential System Development Charges (2019) | [1] | $2.4B |
| b. | Residential as % of Total | [2] | 69% |
| c. | Aggregate Total System Development Charges (2019) | a / b | $3.5B |
| d. | Anticipated % Reduction in Building Permits During Crisis | [3] | 75% |
| e. | Annualized Reduction in System Development Charges | d x e | $2.6B |
| f. | Monthly Reduction in System Development Charges | f / 12 | $217M |

[1] U.S. Census Bureau Building Permit Survey (2019) and National Impact Fee Survey, Duncan Associates, 2019.

[2] AMWA INSIGHT Survey (2018).

[3] Raftelis estimate.

The loss of future rate revenue from anticipated declines in new customer connections was estimated as detailed in Table 2-9.

### Table 2-9. **Estimated Loss of Rate Revenue from Lower New Customer Growth**

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Anticipated % Reduction in Building Permits During Crisis | 1 | 75% |
| b. | Monthly Lost Housing Unit Equivalents | 2 | 85,647 |
| c. | Median Monthly Residential Water Bill | 3 | $42.41 |
| d. | Monthly Reduction in Aggregate Residential Water Revenue | b x c | $3.63M |
| e. | Non-Residential Revenue as a % of Total Revenue | 4 | 29% |
| f. | Monthly Reduction in Aggregate Non-Residential Water Revenue | d x e/(1-e) | $1.48M |
| g. | Total Monthly Aggregate Reduction in Water Revenue | d + f | $5.12M |
| h. | Marginal Cost Factor | 5 | 11.6% |
| i. | Less Marginal Cost | g x h | $0.59M |
| j. | Net Monthly Aggregate Reduction in Water Revenue (Month 1) | g - i | $4.52M |
| k. | Annualized Aggregate Reduction in Water Revenue | calculation | $0.4B |

1 Raftelis estimate.

2 U.S. Census 2019 Building Permit Survey data multiplied by % reduction in building permits in (a.).

3 AWWA Water and Wastewater Rate Survey (2019).

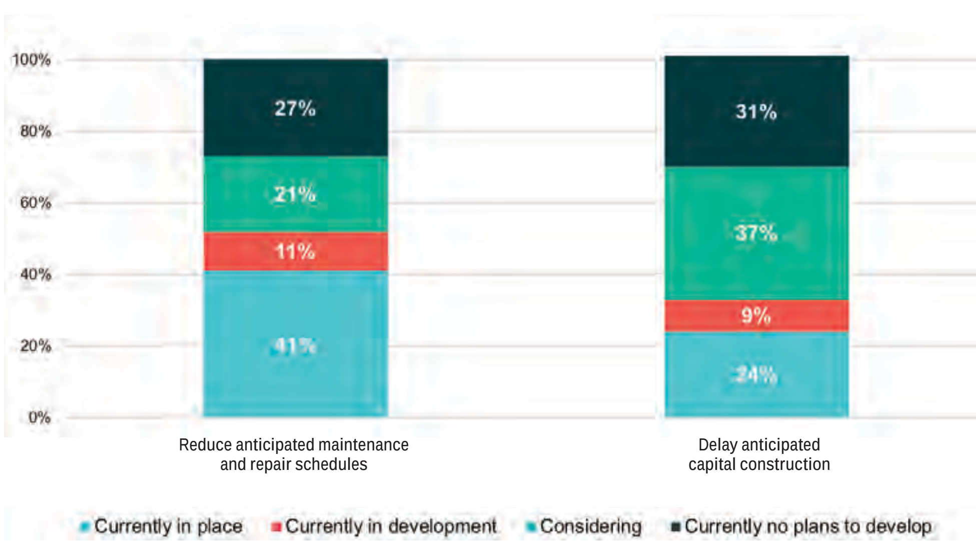
4 AMWA INSIGHT Survey (2018).

5 Calculated in Table 2-4.

## 2.5. Economic Impact of Reduced Capital Expenditures

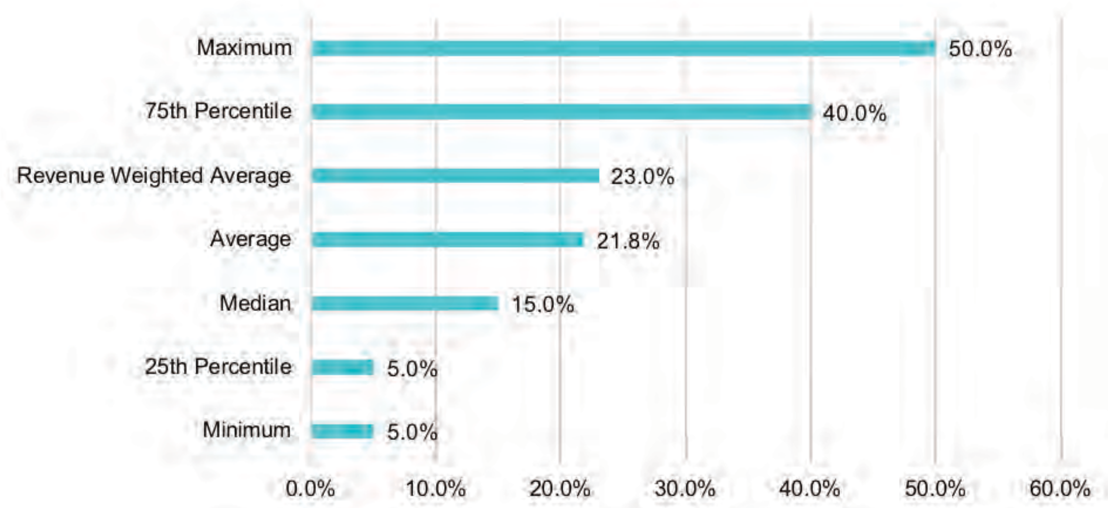
Some drinking water utilities are deferring a portion of their previously planned capital expenditures to manage cash flows during the COVID-19 crisis and to comply with required Federal or State temporary shutdown of non-essential businesses activities and “stay at home” orders. According to a recent COVID-19 survey completed by AWWA in March 2020, approximately 69 percent of water utility respondents were considering or anticipating delays in capital construction, as shown in Figure 2-9.

### Figure 2-9. **Drinking water utilities Indicating Delays in Capital Construction**



Responses from the Raftelis COVID-19 impact questionnaire indicated that the anticipated range of capital expenditure changes for those drinking water utilities that expect declines in capital construction is between 5 percent and 50 percent, with a weighted average of approximately 23 percent, as shown in Figure 2-10.

Figure 2-10. **Anticipated Annual Capital Expenditure Adjustments (N=11)**




Some specific examples of anticipated levels of decline in capital construction from the responses to the questionnaire include the following:

**Salt Lake City, Department of Public Utilities (UT)** has reduced both cash funded and debt financed capital expenditures by 32 percent due to COVID-19.

**Tucson Water (AZ)** anticipates reducing both cash funded and debt financed capital expenditures by 50 percent.

**Lehigh County Authority (PA)** plans to reduce both cash funded and debt financed capital expenditures by 40 percent.

This capital expenditure deferral is anticipated to result in a loss in jobs and economic stimulus (e.g. GDP) in local economies across the country.

### 2.5.1. Methodology

An estimate of the economic impacts to local economies of a decrease in drinking water utility capital spending was prepared based on the following methodology:

1. Estimate the percentage of drinking water utilities that plan to defer or reduce capital expenditures from the March 2020 AWWA survey results and the responses from the Raftelis COVID-19 questionnaire.
2. For the portion of drinking water utilities that plan to defer or reduce capital expenditures, estimate the typical percent capital expenditure reduction from the results of the Raftelis COVID-19 questionnaire.
3. Multiply the percentage of utilities planning deferred or reduced capital expenditures by the percent reduction in planned capital expenditures to derive the overall percent reduction in capital expenditures.
4. Multiply the estimated percent reduction in capital expenditures by the estimated aggregate national level annual water utility capital expenditure amount.
5. Divide resulting revenue reduction number by 12 to convert to a monthly value.
6. Estimate lost economic stimulus on the local economy by multiplying the monthly national value of capital expense deferrals by the economic multipliers from published sources.

### 2.5.2. Analysis

The economic impact of delaying capital construction projects may help utilities preserve cash and postpone the need to secure additional financing during the crisis, but the delay in capital construction can have a significant impact on economic activity in the local community. A report prepared for the U.S. Conference of Mayor reported that for each dollar spent on water supply and sewer systems, there is an increase in private sector output (i.e. Gross Domestic Product) in the long-term of $6.35.[2] In addition, this report cites the U.S Department of Commerce's Bureau of Economic Analysis estimates that for each dollar of revenue of the water and sewer sector, there is an increase in revenue that occurs in private industry of $2.62 in that year. Furthermore, a publication by the U.S. Bureau of Economic Analysis indicates that 15 to 18 jobs are created or sustained for each $1 million of drinking water capital spending.[3]

Based on these economic multiplier effects, the economic impact that deferred capital construction expenditures are anticipated to have on local economies across the U.S. were estimated, as detailed in Table 2-10.

## Table 2-10. **Estimated Economic Impacts of Deferred Capital Construction Expenditures**

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Utilities Anticipating Reduction in Capital Spending | 1 | 70% |
| b. | Anticipated Reductions in Capital Spending | 2 | 23% |
| c. | Aggregate Annual Water Utility Capital Expenditures | 3 | $31B |
| d. | Annualized Aggregate Reduction in Water Utility Capital Spending | a x b x c | $5B |
| e. | Monthly Aggregate Reduction in Water Utility Capital Spending | d / 12 | $416M |
| f. | Capital Spending – GDP Economic Multiplier | 4 | $6.55 |
| g. | Monthly Aggregate Loss in GDP from Reduced Capital Spending | f x e | $2.7B |
| h. | Annualized Aggregate Loss in GDP from Reduced Capital Spending | f x d | $32.7B |
| i. | Jobs Created Per $1M in Water Capital Spending | 5 | 15-18 |
| j. | Jobs Impact of Reduced Water Utility Capital Spending | d x h | 75,000 – 90,000 |

1 Raftelis questionnaire results.

2 Ratelis questionnaire results.

3 Public Spending on Transportation and Water Infrastructure, 1956 to 2017. Congressional Budget Office. October 2018.

4 Local Government Investment in Municipal Water and Sewer Infrastructure: Adding Value to the National Economy, Prepared for the U.S. Conference of Mayors by The Cadmus Group, Inc. August 14, 2008.

5 The Economic Benefits of Investing in Water Infrastructure, Bureau of Economic Analysis, 2008.

As estimated in Table 2-10, it is anticipated that communities across the nation will experience a reduction in economic activity and jobs as a result of lower drinking water utility capital spending. The aggregate reduction in community economic activity is estimated to be as much as $32.7 billion (annualized) when considering these public infrastructure multiplier effects. The reduction in water utility capital spending is also anticipated to result in a loss of between 75,000 to 90,000 private sector jobs. These economic impact estimates highlight the added "bang-for-the-buck" impact that drinking water utility capital spending has on the overall economy.

2) Local Government Investment in Municipal Water and Sewer Infrastructure: Adding Value to the National Economy, Prepared for the U.S. Conference of Mayors by The Cadmus Group, Inc. August 14, 2008.

3) The Economic Benefits of Investing in Water Infrastructure, Bureau of Economic Analysis, 2008.

## 2.6. Other Impacts and Considerations

The COVID-19 crisis is anticipated to have other financial impacts that have not been quantified in the analysis above. Based on the responses from the Raftelis COVID-19 questionnaire, these other impacts may also include:

- Reductions or deferrals of drinking water utility rate increase that were previously planned;
- Financial impacts associated with directives by City or County government management for across the board spending reductions by all units of government, including water departments, which could impact the level of service of drinking water utilities impacted by such directives;
- Financial impacts associated with directives by City or County management for enterprise funds, including water enterprise funds, to transfer a portion of available cash balances to the General Fund, leaving some drinking water utilities more vulnerable to cash flow issues as the crisis drags on;
- Delays in securing financing for capital improvements as a result of bond market volatility and uncertainty, thereby increasing the magnitude of delays in capital spending.

Some specific examples of these other impacts are provided below:

**The City of Springfield (MA)** originally planned to have a 7% water rate increase but is now considering a 17% increase due to anticipated revenue losses from consumption declines. The utility is concerned about having such a large increase at this time.

**The Austin City Council (TX)** has cut residential water and sewer rates by 10 percent in reaction to the COVID-19 crisis.

**The City of Tacoma (WA)**, which has a six-year rate plan, was asked to review the plan to determine the impact of reducing it.

**South Central Connecticut Regional Water Authority (CT)** is conducting budget and projection revisions and has decided to defer a planned rate application.

**The City of Independence (MO)** City Council enacted an inter-fund loan from the water and power utilities to the General Fund to help address General Fund budget shortfalls. This included authorizing a $15 million transfer from the water utility to the General Fund, representing essentially all of the utility's capital improvement project funds and excess reserves, leaving only a 45- to 60-day operating cash reserve.

**One utility in the West (anonymous)**, with a fiscal year of July 1 – June 30, was in process of adopting its FY 2021 budget prior to the economic disruption related to COVID-19. It is now proposing a revised and reduced budget.

**Dayton Water (OH)** received a general government request for reduction in expenditures, except essential purchases or COVID-19-related purchases.

It is anticipated that many drinking water utilities may defer or reduce planned water rate increases as a result of the COVID-19 crisis because of political pressure, even though they have or will experience negative financial impacts associated with the crisis. Therefore, an estimate of the potential lost future revenue associated with reduction or deferral of water rate increases was prepared as detailed in Table 2-11.

### Table 2-11. Estimated Revenue Loss from Reduction and Deferral of Water Rate Increases

| Description | | Reference | Parameter |
|---|---|---|---|
| a. | Aggregate Annual Water Utility Revenue | [1] | $82.3B |
| b. | Historical Average Annual Water Rate Increase | [2] | 4% |
| c. | Annual Increase in Aggregate Water Utility Revenue | a x b | $3.3B |
| d. | % Reduction in Annual Rate Increases due to COVID-19 | [3] | 50% |
| e. | Annualized Lost Revenue from Water Rate Increase Deferrals | c x d | $1.6B |

[1] Calculated in Table 2-1.

[2] Water and Wastewater Maintenance Index, Bureau of Labor Statistics.

[3] Raftelis estimate.

The analysis indicates the potential for drinking water utilities to experience additional aggregate revenue loss of approximately $1.6 billion. Much of the need to raise water rates in the U.S. is to obtain funds to ensure adequate water supplies, continue to meet drinking water regulations, and address aging infrastructure.[4] As a result of additional deferment of water rate increases and associated reductions in capital expenditures, the COVID-19 crisis will put the water sector further behind in addressing its capital infrastructure needs.

## 2.7. Estimated Total Aggregate Financial Impact on U.S. Drinking Water Utilities

The aggregate total direct financial impacts on drinking water utilities if the crisis lasts two months, four months, or six months are shown in Table 2-12. However, these monthly estimates do not consider the lingering impacts that are likely to be experienced after the crisis subsides, such as continued negative financial impacts from a potential extended economic recession. Therefore, the estimated aggregate annualized financial impact on drinking water utilities of $13.9B may be a better estimate of the total potential direct financial impact.

### Table 2-12. Estimated Total Aggregate Financial Impact

| Description | 2 Months | 4 Months | 6 Months | Annualized |
|---|---|---|---|---|
| Marginal Cost of Non-Shut Offs | $0.10B | $0.19B | $0.29B | $0.57B |
| Revenue Loss Due to Increased Delinquencies | $0.82B | $1.64B | $2.46B | $4.92B |
| Reduction in Commercial Revenues | $1.23B | $2.46B | $3.69B | $7.38B |
| Increase in Residential Revenues | ($0.44B) | ($0.88B) | ($1.32B) | ($2.64B) |
| Increase in Personnel Expenses | $0.10B | $0.21B | $0.31B | $0.63B |
| Reduction in System Development Charges | $0.43B | $0.87B | $1.30B | $2.60B |
| Reduction in Revenues from Reduced Customer Growth | $0.01B | $0.05B | $0.09B | $0.41B |
| **Aggregate Financial Impact[1]** | **$2.3B** | **$4.5B** | **$6.8B** | **$13.9B** |

[1] Note $13.9B compared to drinking water sector size of $82.3B equals an overall estimated financial impact of 16.9%.

Raising water rates on customers to offset these impacts is likely not an option for many drinking water utilities due to political considerations and because increasing water rates at a time crisis may result in even higher revenue losses due to increased delinquencies. Moreover, responses from the Raftelis COVID-19 questionnaire indicate that many drinking water utilities may be deferring or decreasing planned water rate increases, rather than raising water rates to offset these losses. The analysis results indicate the potential for drinking water utilities to experience additional aggregate future revenue loss of approximately $1.6 billion as a result of these future deferment of water rate increases. Therefore, the combined potential impact, including the impact on current and future revenues, is anticipated to be as much as $15.5 billion.

## 2.8. Wastewater Sector Potential Impacts

While this report focused on estimating the financial impacts to drinking water utilities, similar impacts are likely to be experienced by wastewater utilities across the U.S. Assuming aggregate annual wastewater sector revenues of approximately $63 billion, the wastewater sector financial impact may be in the range of $12 billion (16.9% impact x $63B). If deferrals of wastewater rate increases occur similar in frequency as those anticipated for drinking water utilities, the combined impact may be as high as $11 billion. A preliminary estimate prepared by the National Association of Clean Water Agencies indicates the impact may be in the $12.5 billion range. Therefore, the combined water and wastewater sector impact of COVID-19 is estimated to be more than $27 billion.

4) 2019 State of the Water Industry Report, AWWA.

# 3 Conclusions

## The following are the primary results and conclusions from the financial impact analysis:

### 1. Customer delinquincies

Water utilities are expected to experience at least a 6.0 percent increase in customers delinquent in paying their water bills as a result of the COVID-19 crisis and policy changes eliminating water service shut-offs, which may result in an annualized shortfall of $4.9 billion for drinking water utilities. As water utilities continue to provide water to customers with bill delinquencies, rather than enacting shut-offs, they will incur an estimated $0.6 billion of additional costs.

### 2. Revenue shortfall

Drinking water utilities across the nation are expected to experience an estimated revenue shortfall of $7.4 billion (annualized) due to declines in commercial, industrial, and institutional water consumption due to the COVID-19 crisis. This revenue shortfall may be offset by an increase in residential user charge revenue of approximately $2.6 billion due to “stay-at-home” orders.

### 3. Reduced system development charges

The COVID-19 crisis is anticipated to slow the growth in new development and housing starts, which will further impact the financial losses of drinking water utilities. Slowing of new customer growth will reduced system development charges of drinking water utilities by an estimated $2.6 billion (annualized). Declines in new customer growth may also result in additional reductions in planned water rate revenues of $0.4 billion (annualized) as new customer accounts are slower to be added to service territories of drinking water utilities, causing utilities to carry the already built excess capacity of drinking water systems longer.

### 4. Increased personnel expenses

Operational policies implemented by drinking water utilities to ensure essential staff remain healthy and available to help provide essential water service to the U.S. population are anticipated to increase personnel expenses of drinking water utilities by an estimated $0.6 billion, with the potential for additional costs associated with other non-personnel related materials, supplies, and equipment.

### 5. Aggregate current financial impact

The combined aggregate financial impact of COVID-19 on drinking water utilities from the current financial impacts quantified above is estimated to be approximately $13.9 billion representing an overall 16.9 percent impact on drinking water sector revenues.

### 6. Delayed and reduced capital expenditures

Due to these financial impacts, drinking water utilities across the nation are anticipated to delay and reduce capital expenditures by as much as $5 billion (annualized) to help manage cash flow due to the COVID-19 crisis. These capital expenditure reductions will have a multiplier effect on economic activity in communities across the U.S. As a result, communities will experience a reduction in economic activity by as much as $32.7 billion (annualized) in aggregate when considering these public infrastructure multiplier effects. This reduction in water utility capital expenditures is also anticipated to result in a loss of 75,000 to 90,000 private sector jobs.

### 7. Deferred water rate increases

Drinking water utilities may also experience future revenue losses estimated at approximately $1.6 billion in aggregate as a result of deferrals of planned water rate increases, bringing the total combined impact of the COVID-19 crisis to more than $15 billion. These deferrals may further exacerbate community economic impacts by further reducing drinking water utility capital spending, and will put the water sector further behind in addressing its capital infrastructure needs.

### 8. Combined financial impact

The combined current and future financial impact of the COVID-19 crisis on water and wastewater utilities is estimated to exceed $27 billion.

# Appendix COVID-19 Questionnaire Results

| 1. Please state the name of your organization. | | | | | |
|---|---|---|---|---|---|
| *n* | Northeast | Midwest | West | South | |
| 55 | 11 | 3 | 16 | 25 | |
| See open ended tables for list of organizations willing to self identify. | | | | | |

| 2. Please enter your name and title. |
|---|
| Names are not reported to maintain respondent privacy. |
| Titles are not reported to maintain respondent privacy but generally included Utility Directors and Chief Financial Officers. |

| 3. What are your drinking water utility's total annual revenues from the following sources for the most recent full fiscal year (Residential rate revenue, Non-residential rate revenue, Other rate revenue (e.g. bulk or wholesale), System development fees (i.e. capacity fees), Other miscellaneous revenue)? Note: Reported summary statistics use revenue totals across sources and were used to calculate revenue weighted averages for select questions. | | | | | |
|---|---|---|---|---|---|
| *n* | Min | Max | Average | Median | |
| 51 | $2,274,000 | $1,524,000,000 | $137,439,975 | $60,067,052 | |

| 4. If your drinking water utility has experienced changes in daily water demand from typical levels since the Covid-19 crisis started having impacts in your area (around early or mid-March 2020 for most geographies), please provide information on how such demands have changed: | | | | | |
|---|---|---|---|---|---|
| **Typical normal daily water demand (MGD)** | | | | | |
| *n* | Min | Max | Average | Median | |
| 36 | 1.45 | 548.00 | 66.52 | 41.45 | |
| **% reporting Covid-19 crisis demand impact** | | | | | |
| *n* | No change | Higher Demand | Lower Demand | Average % change | |
| 28 | 29% | 25% | 46% | -0.7% | |

| 5. If you have experienced changes in water demand since the Covid-19 crisis started, please describe the nature of the change you have observed: |
|---|
| See open ended tables. |

| 6. Have you or do you anticipate instituting a policy of debt forgiveness of delinquent Kll amounts for customers in response to the Covid-19 crisis? Please select one. | | | |
|---|---|---|---|
| *n* | Currently in place or in development | Under consideration | Not currently under consideration |
| 47 | 13% | 19% | 68% |

| 7. If currently in place, in development, or under consideration, please describe any criteria you are considering for offering customer debt forgiveness for debt accumulated during the Covid-19 crisis: |
|---|
| See open ended tables. |

| 8. What is your annual uncollectible, or write-off, percentage of total revenue in a typical year? | | | | | |
|---|---|---|---|---|---|
| *n* | Min | Max | Average | Median | Revenue Weighted Average |
| 42 | 0% | 4% | 0.85% | 0.55% | 0.62% |

| 9. Do you anticipate implementing any of the following personnel-related operational changes as a result of the Covid-19 crisis? Please select all that apply. Note: Reported as % selecting each option. | |
|---|---|
| *n* | 27 |
| Does not apply / no personnel related operational changes | 9% |
| Essential employee overtime | 32% |
| Additional on-call pay | 9% |
| Hazard pay | 14% |
| More training | 34% |
| Furloughs | 2% |
| Other | See open ended tables. |

**10. Please provide an estimate of the total percent change in monthly personnel expenses resulting from your operational changes during the crisis:**

| *n* | Min | Max | Average | Revenue Weighted Average | Revenue Weighted Average (among non-zero, *n* =10) |
|---|---|---|---|---|---|
| 25 | 0% | +25% | +2.6% | +3.2% | +6.5% |

| 11. Do you anticipate changes to any of the following non-personnel related operating line items as a result of the Covid-19 crisis? Please select all that apply. | |
|---|---|
| *n* | 36 |
| Does not apply / no non-personnel related operational changes | 10% |
| Professional / contract services | 28% |
| Chemicals | 9% |
| Materials & supplies | 32% |
| Fuel | 14% |
| Utilities | 7% |
| Other, please desribe | See open ended tables. |

**12. Please provide an estimate of the total percent change in monthly non-personnel expenses resulting from your operational changes during the crisis:**

| *n* | Min | Max | Average | Revenue Weighted Average | Revenue Weighted Average (among non-zero, *n* =7) |
|---|---|---|---|---|---|
| 7 | -10% | +5% | -3% | -2.2% | -2.2% |

**13. If you wish to elaborate on these non-personnel related operational expense changes you may describe them further here:**

See open ended tables.

**14. Is your drinking water utility part of a larger municipal government (i.e. City or County Government)? Please select yes or no.**

| *n* | Yes | No |
|---|---|---|
| 54 | 57% | 43% |

**15. Have you experienced across-the-board directives by the general government to limit water utility spending on non-essential activities? Please select yes or no.**

| *n* | Yes | No |
|---|---|---|
| 30 | 40% | 60% |

| 16. Please provide the potential percentage reduction in expenses as part of these directives by the general government to limit spending on non-essential activities. | | | | |
|---|---|---|---|---|
| *n* | Min | Max | Average | Median |
| 8 | 0% | 75% | 10.62% | 0% |

| 17. If you wish to elaborate on these reductions in spending as part of these directives you may describe them further here: |
|---|
| See open ended tables. |

| 18. Has your general government requested the transfer of cash reserves from the drinking water utility enterprise fund to the general fund in response to the crisis? | | |
|---|---|---|
| *n* | Yes | No |
| 28 | 4% | 96% |

| 19. Please provide the amount of cash reserves requested to be transferred to the general fund from your drinking water utility enterprise fund in response to the crisis. | |
|---|---|
| *n* | 0 |

| 20. Have or do you plan to adjust, delay, or defer any of the following capital spending due to the COVID-19 crisis? (% responding to each) | |
|---|---|
| *n* | 47 |
| Cash funded capital expenditures | 23% |
| Debt financed capital expenditures | 0% |
| Both cash funded and debt financed capital expenditures | 34% |
| None / no plan to adjust, delay, or defer spending on capital projects | 43% |

| 21. Please provide the percentage of your annual capital expenditures you have already or anticipate adjusting, delaying or deferring due to the Covid-19 crisis. | | | | | |
|---|---|---|---|---|---|
| *n* | Min | Max | Median | Average | Revenue Weighted Average |
| 11 | 5% | 50% | 15% | 22% | 23% |

| 22. Have you experienced, or do you anticipate experiencing reductions in system development fees (i.e. capacity fees) due to reduced development activity associated with the Covid-19 crisis? (% responding to each) | |
|---|---|
| *n* | 43 |
| Yes | 44% |
| No | 33% |
| Not applicable / we don't charge SDFs | 23% |

| 23. Please provide the percentage reduction in annual system development fee revenues you anticipate due to reduced development activity associated with the Covid-19 crisis. | | | | | |
|---|---|---|---|---|---|
| *n* | Min | Max | Median | Average | Revenue Weighted Average |
| 9 | -8% | *-50%* | -20% | -23% | -19% |

| 24. Do you anticipate experiencing reductions in the growth in new customers connecting to your drinking water system? (% responding to each) | |
|---|---|
| *n* | 42 |
| Yes | 50% |
| No | 50% |
| If yes, please elaborate | See open ended tables. |

| 25. Are there any other details or financial impacts to your utility resulting from COVID-19 that have not been covered within this survey? If yes, please share. |
|---|
| See open ended tables. |

**26. Would you be willing to allow us to attribute the data you provided with your utility's name in our report?**

| | |
|---|---|
| *n* | 51 |
| Yes | 63% |
| No | 37% |

| 1. Please state the name of your organization. | | | |
|---|---|---|---|
| Region | State | Organization | |
| Midwest | OH | Dayton Water Department | |
| Midwest | | Anonymous Midwestern Utility | |
| Midwest | | Anonymous Midwestern Utility | |
| Northeast | CT | South Central Connecticut Regional Water Authority | |
| Northeast | ME | Portland Water District | |
| Northeast | NH | Manchester Water Works | |
| Northeast | NY | Suffolk County Water Authority | |
| Northeast | RI | Newport, RI Dept of Utilities | |
| Northeast | RI | Providence Water Supply Board | |
| Northeast | PA | Pittsburgh Water And Sewer Authority | |
| Northeast | PA | Lehigh County Authority | |
| Northeast | | Anonymous Northeastern Utility | |
| Northeast | | Anonymous Northeastern Utility | |
| Northeast | | Anonymous Northeastern Utility | |
| South | AL | The Water Works Board of the City of Birmingham | |
| South | AR | Central Arkansas Water | |
| South | FL | City of Lakeland | |
| South | FL | Martin County Utilities | |
| South | FL | Charlotte County Board of County Commissioners | |
| South | FL | Fort Pierce Utilities Authority | |
| South | GA | Gwinnett County Water Resources | |
| South | NC | Charlotte Water | |
| South | NC | Dare County, NC | |
| South | NC | Raleigh Water | |
| South | OK | City of Tulsa | |
| South | TX | City of Round Rock, Texas | |
| South | TX | El Paso Water Utilities Public Service Board | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| South | | Anonymous Southern Utility | |
| West | AZ | City of Chandler | |
| West | AZ | City of Tucson - Tucson Water | |
| West | CA | City of San Diego Public Utilities | |
| West | CA | East Bay Municipal Utility District | |
| West | CA | La Puente Valley County Water District | |
| West | CA | Metropolitan Water District of Southern California | |
| West | CO | Centennial Water and Sanitation District | |
| West | CO | City of Greeley, Colorado | |

| 1. Please state the name of your organization. (continued) | | |
|---|---|---|
| Region | State | Organization |
| West | OR | Tualatin Valley Water District |
| West | UT | Salt Lake City Department of Public Utilities |
| West | Anonymous Western Utility | |
| West | Anonymous Western Utility | |
| West | Anonymous Western Utility | |
| West | Anonymous Western Utility | |
| West | Anonymous Western Utility | |
| West | Anonymous Western Utility | |

| 5. If you have experienced changes in water demand since the Covid-19 crisis started, please describe the nature of the change you have observed: | |
|---|---|
| South Central Connecticut Regional Water Authority | We are seeing a decline in production. We are largely residential and have not seen an increase. Our top ten customers are primarily universities and hospitals. |
| City of Round Rock, Texas | Not enough data to distinguish change in usage yet. |
| Martin County Utilities | MCU has decreased pressures to relieve stress on surficial wells. This water is blended with deeper brackish water (wells) and treated through RO membranes. We are at the peak of Florida's dry season and are experiencing very dry conditions. This coupled with increased residential water demands drove demands well over 12 MGD (highest demand on record was 14 MGD April 2018). Decrease in non-residential demand is masked. |
| City of Chandler | Chandler has been tracking higher for water use in 2020 when compared to 2019 with the biggest factor being Intel. Governor Ducey, announced shelter in place in March and we took a dip. However our large industrial demands and outdoor water use are ramping up. Bottom line is we have not seen a reduction in water use. |
| Gwinnett County Water Resources | Overall demand has increased March 1 through March 19. We do not have the data for consumption after that point yet. We are continuing to monitor consumption data closely as April bills go out (March consumption). |
| Salt Lake City Department of Public Utilities | We are unable to determine the specific impacts at this time. Consumption for March 2020 compared to March 2019 is higher in both categories. April will provide better insights to usage patterns. |
| Charlotte County Board of County Commissioners | Our county is very seasonal so we see many changes in demand around this time normally. We have seen an increase in demand, slightly less than normal, but we are not easily able to determine if it relates to COVID. |

| 5. If you have experienced changes in water demand since the Covid-19 crisis started, please describe the nature of the change you have observed: (continued) | |
|---|---|
| Charlotte Water | We have noticed that our residential consumption has increased by .05 Ccf and our commercial consumption has decreased by almost the same amount. |
| Tualatin Valley Water District | Anomalies in weather are making it difficult to attribute demand reductions to COVID-19. We our deliveries appear to be on par with past years. And our bimonthly billing cycles have not allowed a more detailed analyses. But we're worried. |
| Dare County NC | We do not know because of increasing seasonality. |
| City of San Diego Public Utilities | Too soon to tell, but i imagine we are seeing a spike in residential use and probably a larger dip in non-residential use, because of lack of tourists in hotels and theme parks, etc. |
| Pittsburgh Water And Sewer Authority | Large college residential vacancies and commercial facilities shutdown has reduced demand somewhat. |
| Manchester Water Works | Decreased non-residential demand. |
| Suffolk County Water Authority | Very slight (3%) increase in demand; this is mostly on the East end of Long Island. Right now, our assessment is that this is a result of Manhattan residents fleeing the city for their summer residences. We appear to be a month ahead of schedule for where our demand normally sits. |
| City of Tulsa | We won't see the numbers for consumption for March until tomorrow, which I can forward to you by customer classification. Water demand numbers provided above are for pumpage. For the last two years, we are actually seeing our consumption numbers decrease, while our pumpage numbers are increasing due to the amount of flushing we need to perform on dead-end lines to keep disinfectant residuals up in a chloraminated system. |
| The Water Works Board of the City of Birmingham | Overall, potable water production is up 2% for year-to-date 2020 over the similar period in 2019. That's a little surprising given how much rainfall we had in January/February and the assumed curtailment of commercial restaurant usage. |
| Lehigh County Authority | Too early to tell. Impact appears to be minimal. Industrial usage is maintained due to high percentage of food / beverage manufacturing on our system. |

| 7. If currently in place, in development, or under consideration, please describe any criteria you are considering for offering customer debt forgiveness for debt accumulated during the Covid-19 crisis: | |
|---|---|
| City of Lakeland | There has been discussions about deferring payments or allowing customers to make pre-set payments until caught up but at this time debt forgiveness has not been discussed. |

| 7. If currently in place, in development, or under consideration, please describe any criteria you are considering for offering customer debt forgiveness for debt accumulated during the Covid-19 crisis: (continued) | |
|---|---|
| Gwinnett County Water Resources | We are considering removing late fees for bills accumulated during the crisis. |
| Tualatin Valley Water District | Still in development. We're very concerned about the ability to assess needs since we don't have access to data for means testing. |
| Dare County NC | Governor's executive order |
| City of San Diego Public Utilities | Too early to know. |
| Portland Water District | Waiving late fees on deliquent accounts |
| Pittsburgh Water And Sewer Authority | Similar to the requirements for debt forgiveness for low income residents. $300 per year if efforts to pay are made. |
| Manchester Water Works | We are not charging late fees or doing shut offs for non-payment during this time. |
| Suffolk County Water Authority | SCWA is considering eliminating the late charges during the COVID crisis. |
| City of Tulsa | Only under consideration now. We are working on extending our payment arrangement plans. Knowing it will take time for recovery of jobs, income, other bills, credit cards, etc., we would rather have the money that is owed to us, but extend the payment arrangement plans (without penalty). In some cases though, we anticipate we will just need to write off the debt. |
| City of Tucson - Tucson Water | Mayor and Council Policy Direction |
| Centennial Water and Sanitation District | We have suspended disconnects and working with customers on payment plans. We are developing options for reducing or finding other funding sources to assist customers in need. |
| Dayton Water Department | Currently only delay of payment, wave late fees, no shut offs, could evolve. |
| Lehigh County Authority | Low-income or unemployed customers are our primary concern. We may consider either extending due dates for a longer period to pay prior to assessing penalties / terminations once the pandemic has ended. |

| 9. Do you anticipate implementing any of the following personnel-related operational changes as a result of the Covid-19 crisis? Please select all that apply. Note: Reported as % selecting each option. | |
|---|---|
| South Central Connecticut Regional Water Authority | We are currently paying all employees and paying overtime, if incurred. We are also considering options to reduce expenses. |
| City of Lakeland | Non-essential employees paid Administration leave. |
| East Bay Municipal Utility District | Two week rotation with pay for field and operating staff as a precaution against sudden widespread infection of field and operating staff |
| Metropolitan Water District of Southern California | Non-essential employees teleworking. |
| Charlotte County Board of County Commissioners | Operational schedule changes only - employees working from home |
| Charlotte Water | Altered work schedules |
| Tualatin Valley Water District | Not at this time. But we're monitoring things carefully and may implement furloughs if revenues are too far below plan. |
| Fort Pierce Utilities Authority | Admin time for those unable to telework from home |
| EL PASO WATER UTILITIES PUBLIC SERVICE BOARD | Emergency Administrative Leave, new Fedreral COVID-19 Laws |
| Pittsburgh Water And Sewer Authority | employee make 2 teams with furloughs every other week |
| Manchester Water Works | only essential employees working, all others are home with pay |
| La Puente Valley County Water District | Alternative schedules in which a portion of the staff is paid to be home at the ready. |
| City of Tulsa | Reduction in temporary employment services |
| City of Tucson - Tucson Water | Hiring Freeze, Suspended all temp personnel, layoffs |
| Dayton Water Department | Essential employees report, non-essential on paid leave. |
| Raleigh Water | paying critical employees 5% premium |
| Lehigh County Authority | Extensive work-from home for administrative staff |

| 11. Do you anticipate changes to any of the following non-personnel related operating line items as a result of the Covid-19 crisis? Please select all that apply. | |
|---|---|
| East Bay Municipal Utility District | some field work not getting done, so might have some small non labor cost savings |
| Tualatin Valley Water District | Reduction in training that requires travel. |
| Fort Pierce Utilities Authority | Sanitization, PPE, Safety/Heath Monitoring |
| Dare County NC | Chemicals & Utilities will decrease |
| Central Arkansas Water | travel |
| City of Tucson - Tucson Water | essential only purchases for water operations |
| Lehigh County Authority | Technology purchases to support work from home. |

| 13. If you wish to elaborate on these non-personnel related operational expense changes you may describe them further here: | |
|---|---|
| South Central Connecticut Regional Water Authority | We are revising our budget for our upcoming fiscal year due to COVID-19 as well as year current year projection. |
| Gwinnett County Water Resources | Additional laptops, VPN licenses, computer monitors. |

| 13. If you wish to elaborate on these non-personnel related operational expense changes you may describe them further here: (continued) | |
|---|---|
| Salt Lake City Department of Public Utilities | We anticipate additional chemical costs to have supplies in place if there are interruptions on vendor services. Additional materials and supply costs are anticipated to properly protect our employees during this time. |
| Tualatin Valley Water District | Most are related to reduction in training and the elimination of travel for training events. Training is limited to those individual and activities that are required to maintain certifications. |
| Fort Pierce Utilities Authority | Disinfectants, Towel wipes, Respirators, Thermometers, Masks, etc. H2O2 Air purifiers, and the ultimate sanitization of the lobby area before we reopen to serve customers. |
| Portland Water District | Items related to remote working - pc, monitors, new server and software, PPE some programs not being done so savings may result - hydrant inspection/painting, etc. |
| Pittsburgh Water And Sewer Authority | Masks, daily medical screening testing of staff and vendors entering WTP and Operations yards. |
| Manchester Water Works | We are not performing any non-essential work, therefore the materials we would have purchased to do these jobs will not be bought. In addition, we don't have crews driving around the City because they are not working so we will likely save on fuel costs as well. |
| La Puente Valley County Water District | Difficult to accurately factor at this time. |
| City of Tucson - Tucson Water | Applies to discretionary spending |
| The Water Works Board of the City of Birmingham | Janitorial Services-including sanitizing the facilities. Material-Purchasing PPE material |
| Dayton Water Department | Mostly related to fuel and petroleum based products. Ethanol production is in crisis with severe demand reduction requiring refineries to support a much reduced volume. |
| Lehigh County Authority | Some increase in fuel due to allowing all staff to travel home in utility vehicles. Many construction projects are on hold, so we're not sure of the impact to those contracts. Significant investment in IT / technology to support work-from-home arrangements including rapid purchase and deployment of laptops and reimbursement (if needed) for internet service and cell phone service for employees working from home. |

| 17. If you wish to elaborate on these reductions in spending as part of these directives you may describe them further here: | |
|---|---|
| City of Round Rock, Texas | City of Round Rock is doing only targeted department and program reductions at this time.  No water utility reductions related to COID at this time. |
| City of Chandler | General non-essential operating contracts |
| Gwinnett County Water Resources | None have been given at this time. |
| Salt Lake City Department of Public Utilities | We were not asked to curtain non-essential spending but have revised our FY21 budget request. |
| Manchester Water Works | No specific directives on spending as we are an enterprise fund, but we have been directed by the Mayor to only have essential employees working on essential tasks. |
| City of Tulsa | The water utility has plenty of unencumbered cash-funded capital to that could be used via budget amendment for any shortfall in revenues not covered by expense savings.  Employees are being asked to watch expenses, but not to the point that it would impact any service delivery. |
| Dayton Water Department | Essential purchases only or COVID-19 related |

| 24. Do you anticipate experiencing reductions in the growth in new customers connecting to your drinking water system? (% responding to each) | |
|---|---|
| East Bay Municipal Utility District | Unknown but could be severe |
| Tualatin Valley Water District | New connections (and SDCs) are still above plan. But we're anticipating a reduction in growth and development. |
| Pittsburgh Water And Sewer Authority | Development activities are reduced |
| City of Tulsa | Commercial customers - small businesses; residential is still expected to increase slightly. |
| City of Tucson - Tucson Water | Prospective homebuyers might not be able to buy at this time. Anticipated recovery might take quite some time. |
| The Water Works Board of the City of Birmingham | Customers are less inclined to move during these uncertain times. |
| Lehigh County Authority | Short-term reductions due to work stoppage for private construction. Not sure about long-term impact! |

| 25. Are there any other details or financial impacts to your utility resulting from COVID-19 that have not been covered within this survey? If yes, please share. | |
|---|---|
| South Central Connecticut Regional Water Authority | As part of our budget and projection revisions, we are deferring a planned rate application. |
| City of Chandler | Helping water customers financially burdened due to COVID-19 by suspending disconnections, not charging late fees, and extending payment plans. |
| Tualatin Valley Water District | We are working hard to anticipate the impacts of the potential economic slowdown on our customers. We're in the middle of a major infrastructure investment and see the potential to help our local economy recover by maintaining investment in infrastructure post-COVID-19 pandemic. Essentially we're in the shovel-ready business right now and have capital plans that can be executed as soon as funding is available. |
| Portland Water District | Investment Interest income expected to be lower. Delay in installation of summer seasonal accounts will reduce review |
| Suffolk County Water Authority | SCWA is in a unique situation as we are currently going through a bond offering, which has been delayed. We anticipate that this deal will conclude, but it has been an abnormal process due to the crisis and resulting market conditions. |
| City of Tulsa | Are you planning on changing future rate increases due to COVID-19? Yes. Water remains at 0% for FY21 (July 2020 - June 2021). Sewer is changing from a 7% increase in additional revenue required to a 3%. |