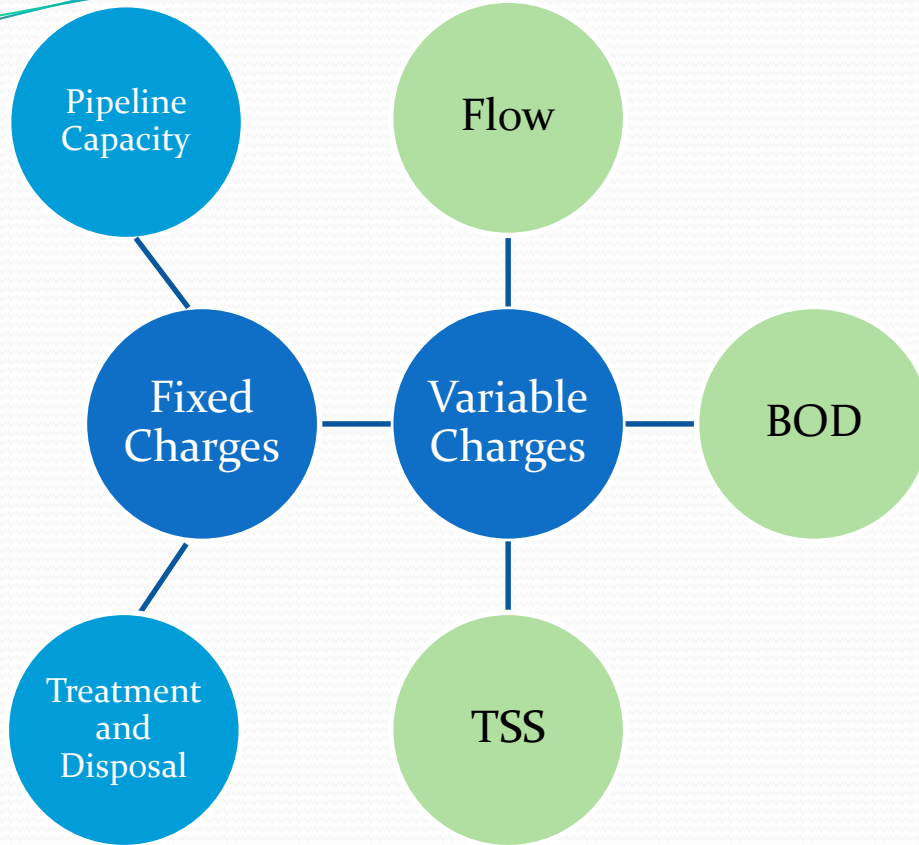


Inland Empire Brine Line Rate Resolution FY20-21

Carlos Quintero, Operations Manager
Karen Williams, DGM, CFO
PA24 Committee | May 5, 2020
Item 5.A.

Recommendation

- That the Project Agreement 24 Committee recommend approval by the SAWPA Commission of Resolution No. 2020-06 establishing the new Inland Empire Brine Line rates with one of five options and direct staff to prepare a Brine Line Asset Criticality Study:
 - (1) adopt rates based on the FY20-21 budget to be effective July 1, 2020;
 - (2) adopt rates based on the FY20-21 budget to be effective January 1, 2021;
 - (3) increase the BOD and TSS component only to match costs imposed by OCSD effective July 1, 2020 with no change to the volumetric component (flow);
 - (4) increase the BOD and TSS component to match costs imposed by OCSD effective July 1, 2020 with no change to the volumetric component (flow) through December 31, 2020 and adoption of rates based on the FY20-21 budget effective January 1, 2021; or
 - (5) defer any rate increase for FY20-21 (July 1, 2020 through June 30, 2021).



Brine Line Rate Components:

- Flow
 - Per Million Gallons
- Biochemical Oxygen Demand (BOD)
 - Per 1,000 lbs
- Total Suspended Solids (TSS)
 - Per 1,000 lbs
- Fixed Charges for Pipeline and Treatment and Disposal Capacity Owned
 - Per Million Gallons/Day

Brine Line Expenses

OCSD
Treatment and
Disposal

OCSD SARI Line
O&M

SSMP
Implementation

Pre-treatment
Program

Capital
Improvements

Water Quality
Sampling

Billing

Engineering

Management

Brine Line Approved Budgeted Expenses

Category	FY19-20	FY20-21	Change (%)	Change (\$)
OCSD Treatment and Disposal	3,023,600	3,303,505	9.26	279,900
OCSD SARI O&M	75,000	80,000	6.67	5,000
Engineering	575,586	625,953	8.75	50,366
Water Quality Sampling	105,000	110,000	4.76	5,000
Management / Support	1,243,993	1,336,243	7.42	92,250
SSMP Implementation	2,045,099	2,113,432	3.34	68,333
Pretreatment Program	1,159,597	1,213,049	4.61	53,452
Non-operating expenses	2,895,027	2,835,027	-2.07	(60,000)
TOTAL	11,122,902	11,617,209	4.4	494,307

Brine Line Rate Options

Options	Effective date	Flow (MG)	BOD - 1,000 lbs	TSS – 1,000 lbs	Fixed Pipe	Fixed T&D
Current rates FY19-20	-	979	316	442	6,398	12,985
(1) Adopt rates as identified in budget	7/1/2020	1,018	329	460	6,654	13,505
(2) Adopt rates as identified in budget	7/1/2020	979	316	442	6,398	12,985
	1/1/2021	1,018	329	460	6,654	13,505
(3) Increase in BOD/TSS only	7/1/2020	979	320	472	6,398	12,985
(4) Increase in BOD/TSS	7/1/2020	979	320	472	6,398	12,985
Other rate components	1/1/2021	1,018	320	472	6,654	13,505
(5) No change in rates	-	979	316	442	6,398	12,985

Rate increase (%) from FY19-20

Options	Effective date	Flow (MG)	BOD - 1,000 lbs	TSS - 1,000 lbs	Fixed Pipe	Fixed T&D
Current rates (19-20)	-	\$979	\$316	\$442	\$6,398	\$12,985
(1) Adopt rates as identified in budget	7/1/2020	4%	4.1%	4.1%	4%	4%
(2) Adopt rates as identified in budget	7/1/2020	0%	0%	0%	0%	0%
	1/1/2021	4%	4.1%	4.1%	4%	4%
(3) Increase in BOD/TSS only	7/1/2020	0%	1.3%	6.8%	0%	0%
(4) Increase in BOD/TSS	7/1/2020	0%	1.3%	6.8%	0%	0%
Other rate components	1/1/2020	4%	1.3%	6.8%	4%	4%
(5) No change in rates	-	0%	0%	0%	0%	0%

Impact to revenue

Option	Impact to revenue
(1) Adopt rates as identified in budget (start 7/1/20)	\$0
(2) Adopt rates as identified in budget (start 1/1/21)	(290,852)
(3) Increase in BOD/TSS only (start 7/1/20)	(440,004)
(4) Increase in BOD/TSS only (start 7/1/2020); other rate components (1/1/2021)	(180,908)
(5) No change in rates	(581,704)

Indirect Dischargers

- Currently using a 2 tier system:
 - Brine (< 100 mg/L)
 - Non-Brine (≥ 100 mg/L)
 - Charges based on a per gallon base for brine tier and a per gallon base plus pounds of BOD and pounds of TSS for non-brine tier.

Options for Indirect Dischargers

Option	Brine Tier (< 100 mg/L) / gallon	Non-Brine Tier* (≥ 100 mg/L) / gallon	BOD/lb	TSS/lb
Current (FY19-20)	\$0.015	\$0.015	\$0.75	\$0.716
(1)	\$0.016	\$0.016	\$0.78	\$0.745
(2) 7/1/20 – 12/31/20	\$0.015	\$0.015	\$0.75	\$0.716
- 1/1/21 – 6/30/21	\$0.016	\$0.016	\$0.78	\$0.745
(3)	\$0.015	\$0.015	\$0.78	\$0.745
(4) 7/1/20 – 12/31/20	\$0.015	\$0.015	\$0.78	\$0.745
- 1/1/21 – 6/30/21	\$0.016	\$0.016	\$0.78	\$0.745
5	\$0.015	\$0.015	\$0.75	\$0.716

**Non-brine tier charges the flow component plus any pounds of BOD and TSS.*

Capacity Pool Lease Rates

Option	Flow (per gallon)	Additional BOD (per lb)	Additional TSS (per lb)
Current (FY19-20) [250 mg/L BOD/TSS]	\$0.00253	\$0.3923	\$0.2405
Option 1 (effective 7/1/20)	\$0.00263	\$0.4080	\$0.2501
Option 2 7/1/20 – 12/31/20	\$0.00253	\$0.3923	\$0.2405
1/1/20 – 6/30/21	\$0.00263	\$0.4080	\$0.2501
Option 3	\$0.00253	\$0.4080	\$0.2501
Option 4 7/1/20 – 12/31/20	\$0.00253	\$0.4080	\$0.2501
1/1/20 – 6/30/21	\$0.00263	\$0.4080	\$0.2501
Option 5 (no change)	\$0.00253	\$0.3923	\$0.2405

Treatment & Disposal Surcharge Rates

Option	Flow (per gallon)	BOD (per lb)	TSS (per lb)
Current (FY19-20)	\$0.0020	\$0.3923	\$0.2405
Option 1 (effective 7/1/20)	\$0.0021	\$0.4080	\$0.2501
Option 2 7/1/20 – 12/31/20	\$0.0020	\$0.3923	\$0.2405
1/1/20 – 6/30/21	\$0.0021	\$0.4080	\$0.2501
Option 3	\$0.0020	\$0.4080	\$0.2501
Option 4 7/1/20 – 12/31/20	\$0.0020	\$0.4080	\$0.2501
1/1/20 – 6/30/21	\$0.0021	\$0.4080	\$0.2501
Option 5 (no change)	\$0.0020	\$0.3923	\$0.2405

Proposed Permit Fees

Type of Permit	FY19-20 Fee	Proposed FY20-21 Fee
Direct Discharger	\$600	\$600
Indirect Discharger	\$300	\$300
Emergency Permits	\$1,100	\$1,100
Liquid Waste Hauler	\$250	\$250

BRINE LINE RESERVES

Karen Williams, Assistant General Manager/CFO

SAWPA Future CIP

- Reach 4D Corrosion Rehabilitation
- Reach 4A Pine Avenue Siphon Protection / Replacement
- Reach V Baker Street Protection
- Reach V Indian Truck Trail Protection
- Reach V Air / Vacuum Valves Modification/Relocation
- Reach 4D Mission Tunnel Rehabilitation
- Reach V Access / Condition Study / Rehabilitation
- Reach IV Condition Study / Rehabilitation
- Capacity Management
- Hydraulic “Choke Points”
- OCSD Future CIP

Risks to System

- Portions of the system are aging
- Corrosion
- Unknown condition due to limited access to parts of the system
- Catastrophic failure due to earthquake
- Failure due to flooding / erosion / development

Reserve Balance as of March 31, 2020

Reserve Account	03/31/2020
Pipeline Repair/Replacement Reserve	\$22,125,566
OCSD Rehabilitation Reserve	3,690,111
OCSD Future Capacity Reserve	1,809,234
Self-Insurance Reserve	4,311,780
Flow Imbalance Reserve	87,444
Debt Service Reserve	3,317,311
Capacity Management Reserve	11,817,079
Rate Stabilization Reserve	1,013,845
Operating Reserve	3,779,138
Total Reserves	\$51,951,508

Reserve Balance Projected EOY

Reserve Account	FYE 2020	FYE 2021
Pipeline Repair/Replacement Reserve	\$15,467,521	\$15,728,983
OCSD Rehabilitation Reserve	3,591,892	3,591,892
OCSD Future Capacity Reserve	1,761,077	1,761,077
Self-Insurance Reserve	4,224,343	4,324,343
Flow Imbalance Reserve	85,103	85,103
Debt Service Reserve	3,928,308	3,417,032
Capacity Management Reserve	11,502,545	11,502,545
Operating Reserve	3,133,547	3,133,547
Total Reserves	\$43,694,336	\$43,544,522

Budgeted Contributions to Reserves

Category	FYE 2020	FYE 2021	Difference	% Difference
Pipeline Repair/Replacement	\$1,435,478	\$1,810,491	\$375,013	26.12%
Self-Insurance	100,000	100,000	0	0.00%
Debt Service	1,708,750	1,708,750	0	0.00%
Total Contributions	\$3,244,338	\$3,619,241	\$375,013	11.56%

Brine Line Operating Reserve

The Brine Line Operating Reserve was established to cover temporary cash flow deficiencies that occur as a result of timing differences between the receipt of operating revenues and expenditure requirements.

- Balance as of 03/31/20 - \$3,770,138
- Target Level – Funding shall be targeted at a minimum amount equal to 90 days (i.e., 25%)
- Events and Conditions Prompting the Use of the Reserve – This reserve is utilized as needed to pay outstanding Brine Line Enterprise expenditures prior to receipt of anticipated operating revenues.
- Target level for:
 - FYE 2020 \$2,056,969
 - FYE 2021 \$2,195,544

Rate Stabilization Reserve

Established to mitigate the effects of occasional shortfalls in revenue. Revenue shortfalls result from a number of events such as weather factors (wet weather or drought events and natural disasters), increased water conservation, poor regional economic conditions, and unplanned or unexpectedly large rate adjustments/increases.

- Balance as of 03/31/2020 - \$1,013,845
- Target Level – There is no minimum balance for this reserve. This will be looked at as part of the Asset Criticality Assessment.
- Events and Conditions Prompting the Use of the Reserve – This reserve is utilized as needed to pay revenue shortfalls that result from conditions described above.

Pipeline Replacement Reserve

Established to provide capital replacement funding as the Brine Line system's infrastructure (pipe) deteriorates over its expected useful life.

- Balance as of 03/31/2020 - \$22,125,566
- FYE 2021 Contribution of \$1,810,491
- Target Level – The most recent Brine Line Financial Study and Rate Model have identified a minimum target balance of \$10.0 million for this reserve. Target minimum and maximums will be developed during the asset criticality assessment.
- Events and Conditions Prompting the Use of the Reserve – This reserve account is used to pay for approved Capital Improvement Projects, emergency replacement, and in certain circumstances, one-time operating expenditures related to specific projects. (Funding would be provided through use of this reserve rather than rate increases.)

Capital Project Funding – Use of Reserves

Project	FYE 2020	FYE 2021
Brine Line Protection	\$5,041,923	\$1,466,878
Reach IV-D Corrosion Repairs	76,211	82,151
Total	\$5,118,134	\$1,549,029

Capital Projects

- Fund 320 Brine Line Protection
 - OCSD Rock Removal Project
 - Protection from stormwater/erosion
 - Reach IV-D MAS modifications
 - Alcoa Dike protection/relocation
- Fund 327 Reach IV-D Corrosion Repair
 - Evaluation of pipeline corrosion

CIP versus Reserve Contributions

Project	FYE 2020	FYE 2021
Pipeline Replacement Reserve Beg. Balance	\$22,597,372	\$18,914,716
Contributions to Reserve	1,435,478	1,810,491
Use of Reserves for CIP	(5,118,134)	(1,549,029)
Pipeline Replacement Reserve Balance	\$18,914,716	\$19,176,178
Net Change from Contributions/Use	(\$3,682,656)	\$261,462

OCSD Rehabilitation Reserve

This reserve was established to fund SAWPA's share of capital costs associated with its proportionate share of capacity right ownership in the SARI Line maintained by OCSD.

- Balance as of 03/31/2020 - \$3,690,111
- Target Level – The most recent Financial Study has identified a minimum target level of \$1.75 annually (adjusted for inflation). This needs to be reviewed based on OCSD CIP.
- Events and Conditions Prompting the Use of the Reserve – This reserve is utilized as needed to pay when due SAWPA's share of OCSD SARI Line capital costs.

Debt Retirement Reserve

This reserve was initially established with funds received from SAWPA's member agencies for the purchase of pipeline capacity (30 MGD) in the Brine Line system to provide future funding on debt service payments for SRF loans required to build the Brine Line system. Treasury-strips were purchased with maturities to match annual principal and interest payments due on the long-term debt associated with the State loans. This reserve will be maintained and/or adjusted at levels set forth in future "bond covenants" or other debt obligation instruments as approved by the SAWPA Commission.

- Balance as of 03/31/2020 - \$3,317,311

Debt Retirement Reserve

- Target Level – The minimum balance in this reserve should be sufficient to cover anticipated debt service payments as they come due. The balance in this reserve should reflect debt service obligations for which existing or projected revenues are insufficient to cover scheduled principal and interest payments.
- Events and Conditions Prompting the Use of the Reserve – This reserve is utilized to pay when due debt service payments on SAWPA's obligations.

Debt Service Payments

Debt	2020	2021
Reach V Construction – SRF Loan 1 – 4	\$1,126,278	\$1,126,278
Reach IV-A & B Capital Repair – SRF Loan	1,044,273	1,044,273
Reach V Capital Repair – SRF Loan	664,476	664,476
Total Debt Service Payments	\$2,835,027	\$2,835,027

Debt Service Funding

Debt	Interest Rate	Final Payment	Funding Source
Reach V Construction	2.7%	10/05/21	T-Strips/Investments
Reach IV-A & B Capital Repair	2.6%	12/29/32	Rates
Reach V Capital Repair	1.9%	03/31/48	Rates

\$1,708,749 from rates

Debt Service Covenants of Financing Agreement

- Debt Test
 - Net revenues must be 1.2 times the highest year of debt service
 - \$2,050,500 minimum net revenues
 - Net revenues must be 1.1 times all debt
 - \$3,118,530 minimum net revenues
 - FYE 2021 Budget Net Revenues are \$3,619,241 (only have \$500,711 difference)
- Reserve Fund
 - Must be equal to 1 year's debt service
 - \$1,708,750

OCSD Future Capacity Reserve

This reserve is established to provide future funding as it becomes necessary for SAWPA to purchase additional treatment capacity (minimum 1 MGD increments) in the OCSD treatment plant facility. As incremental treatment capacity purchases are made from member agencies, funds will be deposited into this reserve account which can then be used to purchase treatment capacity from OCSD.

- Balance as of 03/31/2020 - \$1,809,234
- Target Level – There is no minimum balance for this reserve.
- Events and Conditions Prompting the Use of the Reserve – This reserve may only be utilized to purchase additional treatment capacity in the OCSD plant as approved by the SAWPA Commission.

Self Insurance Reserve

This reserve was originally established to provide insurance liability, and worker's compensation claims. The reserve level, combined with SAWPA's existing insurance policies, should adequately protect SAWPA and its member agencies in the event of a loss or claim.

- Balance as of 03/31/2020 - \$4,311,780
- FYE 2021 Contribution of \$100,000
- Target Level
- Events and Conditions Prompting the Use of the Reserve – This reserve shall be utilized to cover out-of-pocket insurance losses experienced by SAWPA. Any reimbursement received by SAWPA from the insurance company as a result of submitted claim shall be deposited back into the reserve as replenishment for the loss.
- Contribution to Reserves – Contributions of \$100,000, annually.

Self Insurance Reserve

Insurance Policies:

- Commercial Property, General Liability, Umbrella Excess, and Auto
 - Through CalMutuals JPRIMA
 - \$5,000 deductible per incident
 - Pipelines not covered
- Environmental Legal Liability (Pollution)
 - Through Aspen Specialty Insurance Company
 - \$25,000 deductible per incident
 - \$5,000,000 limit of liability per incident
 - Actual cost of pipeline damage not covered

Capacity Management Reserve

This reserve is established to set aside 100% of the funding derived from pipeline capacity sales to provide funds for future capacity needs within the Brine Line. As the pipeline reaches capacity, other alternatives will be needed to ensure the ability to discharge and achieve salt balance within the Santa Ana Watershed.

- Balance as of 03/31/2020 - \$11,817,079
- In 2006, sold additional pipeline capacity of 2.568 MGD
 - WMWD purchased 1.0 MGD for \$3,750,000
 - EMWD purchased 1.568 MGD for \$5,880,000
- \$9,630,000 total sales (2006)
- \$266,755 EnerTech capacity lease fees (2009)
- \$1,920,324 interest earnings

Capacity Management Reserve

- Target Level – Given the nature of this reserve, there is no required minimum or maximum level. 100% of the funding derived from pipeline capacity sales should be deposited and maintained in this reserve.
- Events and Conditions Prompting the Use of the Reserves – This reserve is to be utilized to cover cost required to manage capacity within the pipeline, including costs to further concentrate Brine Line flows, reduction of flows to meet capacity needs, additional pipeline capacity, additional CIP, and other changes as appropriate.

Flow Imbalance Reserve

This reserve is established to set aside funds in the event that a meter error occurs and the discharger is over-billed. Each month, meter readings are read for each discharger and the total for all dischargers is compared to the total at meter S-01. When the total for all dischargers exceeds the total at meter S-01, the difference will be calculated at the current flow rate and contributed to the reserve account.

No budgeted contributions to this reserve.

- Balance as of 03/31/2020 - \$87,444
- Initially established by adding \$1.00 to the flow rate for 2 years.
- Target Level – Based on SAWPA's practice, a minimum of \$50,000 should be maintained for this reserve.
- Event and Conditions Prompting the Use of the Reserve – This reserve is utilized to refund dischargers in the event that a meter error occurs and the discharger is over-billed.

Rate Model - Reserves

- Brine Line Rate Model Updated in 2018 by Raftelis
- Raftelis recommended additional studies to determine Pipeline Replacement Reserve Min and Max
 - Assess the replacement cost of the brine line
 - Completed – Estimated value is \$350 million
 - Conduct an asset criticality assessment

Recommendation

- That the Project Agreement 24 Committee recommend approval by the SAWPA Commission of Resolution No. 2020-06 establishing the new Inland Empire Brine Line rates with one of five options and direct staff to prepare a Brine Line Asset Criticality Study:
 - (1) adopt rates based on the FY20-21 budget to be effective July 1, 2020;
 - (2) adopt rates based on the FY20-21 budget to be effective January 1, 2021;
 - (3) increase the BOD and TSS component only to match costs imposed by OCSD effective July 1, 2020 with no change to the volumetric component (flow);
 - (4) increase the BOD and TSS component to match costs imposed by OCSD effective July 1, 2020 with no change to the volumetric component (flow) through December 31, 2020 and adoption of rates based on the FY20-21 budget effective January 1, 2021; or
 - (5) defer any rate increase for FY20-21 (July 1, 2020 through June 30, 2021).



Questions??

Reserve Balance Projected EOY

Reserve Account	FYE 2020	FYE 2021
Pipeline Repair/Replacement Reserve	\$15,467,521	\$15,728,983
OCSD Rehabilitation Reserve	3,591,892	3,591,892
OCSD Future Capacity Reserve	1,761,077	1,761,077
Self-Insurance Reserve	4,224,343	4,324,343
Flow Imbalance Reserve	85,103	85,103
Debt Service Reserve	3,928,308	3,417,032
Capacity Management Reserve	11,502,545	11,502,545
Operating Reserve	3,133,547	3,133,547
Total Reserves	\$43,694,336	\$43,544,522

OCSD – SAWPA Rates (FY15 through FY21)

OCSD - SAWPA Rates	FY 14-15	15-16	16-17	17-18	18-19	19-20	20-21 (P)
Flow OCSD (per MGD)	\$182.74	\$178.94	\$175.17	\$175.68	\$187.00	\$221.00	\$221
Flow SAWPA	\$777.00	\$817.00	\$858.00	\$901.00	\$946.00	\$979.00	\$1,018
BOD OCSD (per 1,000 lbs)	\$290.16	\$284.12	\$278.14	\$278.96	\$285.00	\$320.00	\$320
BOD SAWPA	\$295.00	\$301.00	\$307.00	\$307.00	\$307.00	\$316.00	\$335
TSS OCSD (per 1,000 lbs)	\$404.60	\$396.19	\$387.85	\$388.99	\$410.00	\$472.00	\$472
TSS SAWPA	\$411.00	\$420.00	\$429.00	\$429.00	\$429.00	\$442.00	\$469

OCSD – SAWPA Rate Increase (FY15 through FY21)

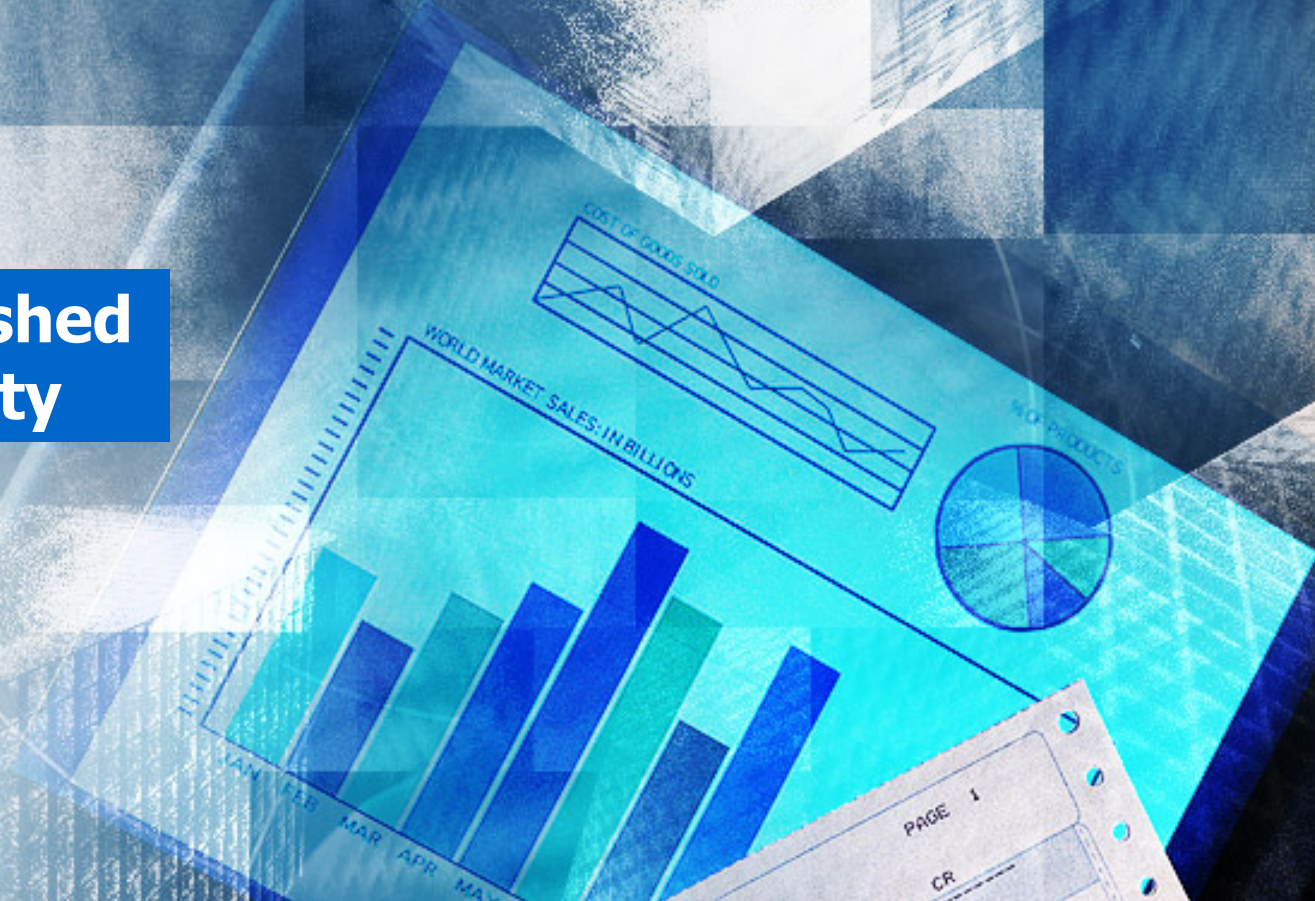
OCSD - SAWPA Rates	FY 14-15	15-16	16-17	17-18	18-19	19-20	20-21 (P)
Flow OCSD	12.39%	-2.08%	-2.11%	0.29%	6.44%	18.18%	0%
Flow SAWPA	5.57%	5.15%	5.02%	5.01%	4.99%	3.49%	4%
BOD OCSD	16.34%	-2.08%	-2.10%	0.29%	2.17%	12.28%	0%
BOD SAWPA	10.90%	2.03%	1.99%	0.00%	0.00%	2.93%	4%
TSS OCSD	9.30%	-2.08%	-2.11%	0.29%	5.40%	15.12%	0%
TSS SAWPA	4.05%	2.19%	2.14%	0.00%	0.00%	3.03%	4%

OCSD – SAWPA Rates (FY15 through FY20)

OCSD - SAWPA Rates	FY 14-15	15-16	16-17	17-18	18-19	19-20	20-21 (P)
Flow OCSD (per MG)	\$182.74	\$178.94	\$175.17	\$175.68	\$187.00	\$221.00	\$221.00
Increase from previous FY	12.39%	-2.08%	-2.11%	0.29%	6.44%	18.18%	0%
Flow SAWPA	\$777.00	\$817.00	\$858.00	\$901.00	\$946.00	\$979.00	\$1,038
Increase from previous FY	5.57%	5.15%	5.02%	5.01%	4.99%	3.49%	6%
BOD OCSD (per 1,000 lbs)	\$290.16	\$284.12	\$278.14	\$278.96	\$285.00	\$320.00	\$320.00
Increase from previous FY	16.34%	-2.08%	-2.10%	0.29%	2.17%	12.28%	0%
BOD SAWPA	\$295.00	\$301.00	\$307.00	\$307.00	\$307.00	\$316.00	\$335.00
Increase from previous FY	10.90%	2.03%	1.99%	0.00%	0.00%	2.93%	6%
TSS OCSD (per 1,000 lbs)	\$404.60	\$396.19	\$387.85	\$388.99	\$410.00	\$472.00	\$472.00
Increase from previous FY	9.30%	-2.08%	-2.11%	0.29%	5.40%	15.12%	0%
TSS SAWPA	\$411.00	\$420.00	\$429.00	\$429.00	\$429.00	\$442.00	\$469.00
Increase from previous FY	4.05%	2.19%	2.14%	0.00%	0.00%	3.03%	6%

Santa Ana Watershed Project Authority

Brine Line Reserve Fund History
PA 24 Committee | May 5, 2020 | Item 5.A.
Karen Williams, DGM/CFO



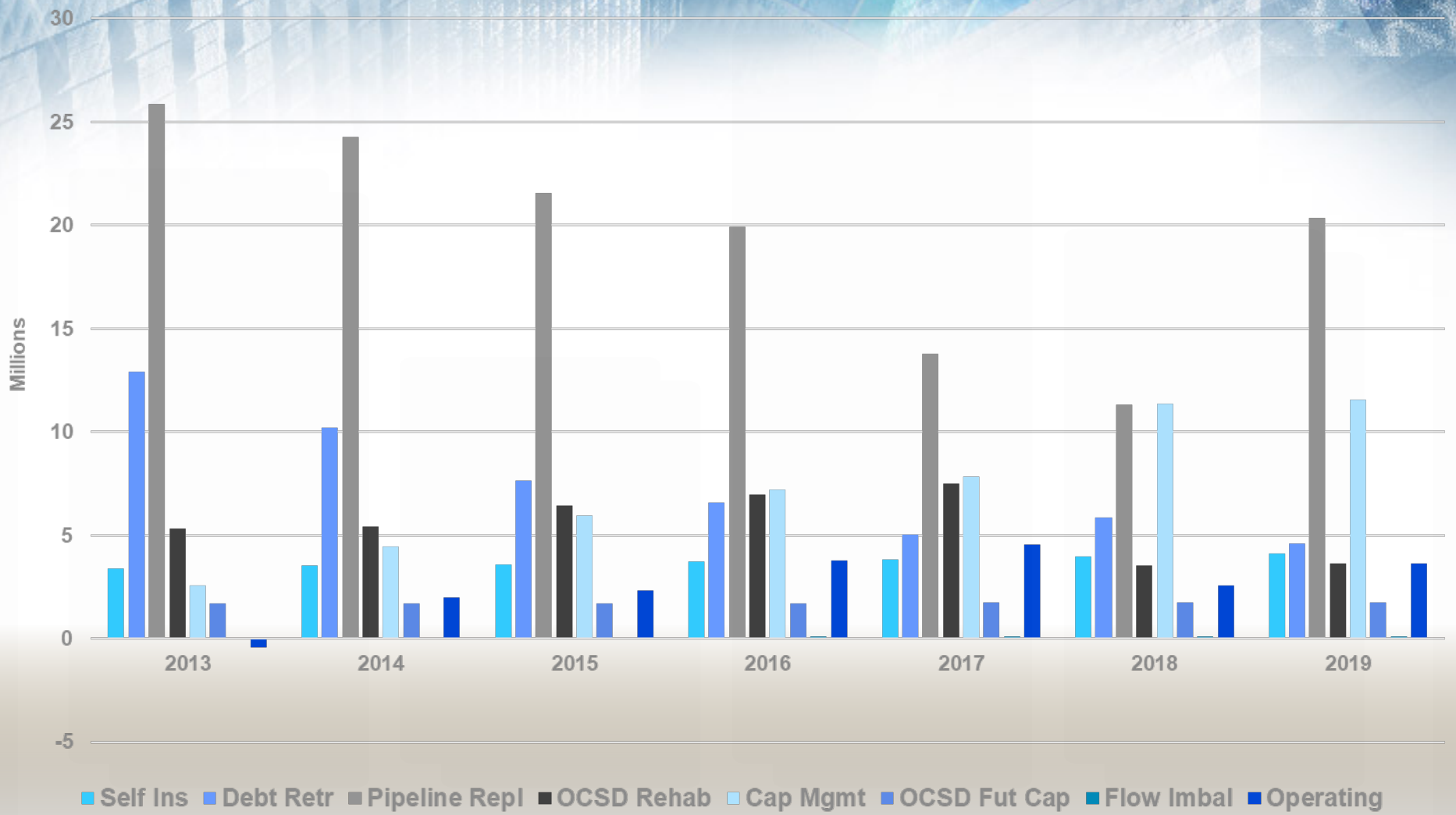
Reserve Account Balances



Reserve Account Balances

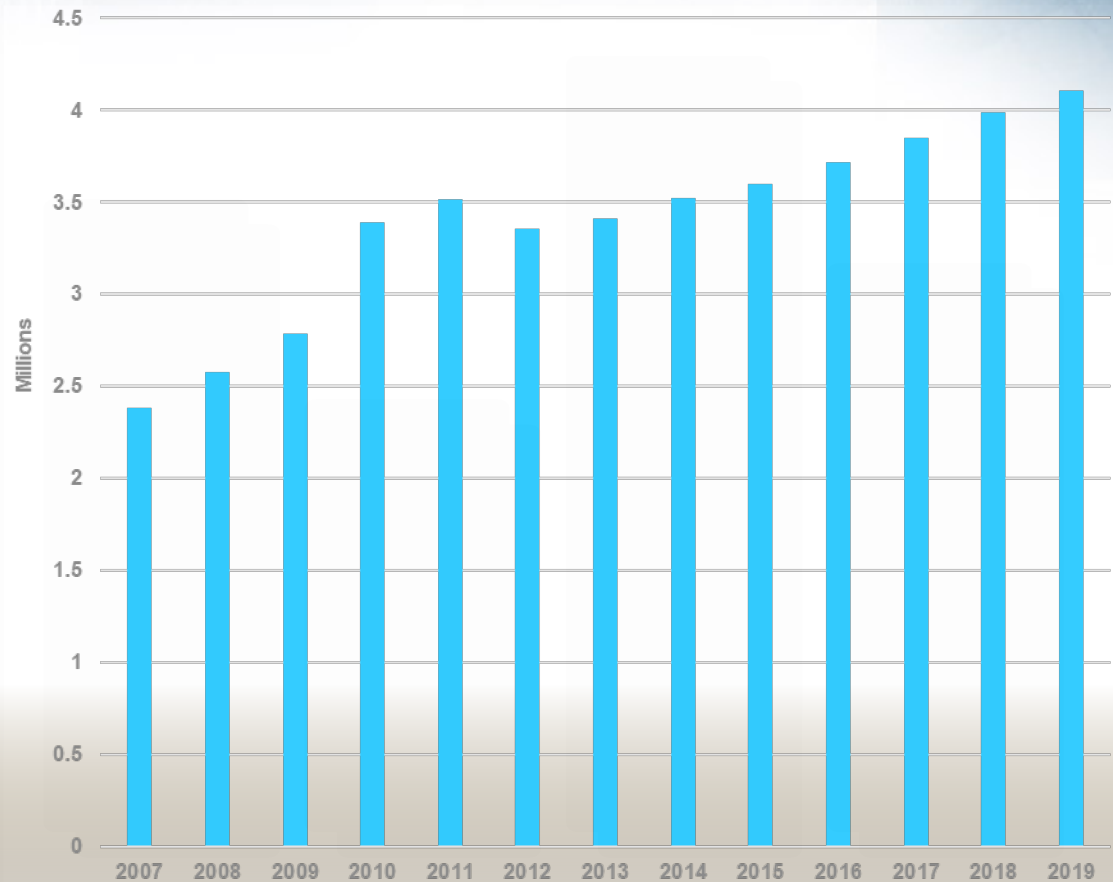
Reserve Fund	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Self Insurance	\$3,412,845	\$3,524,413	\$3,601,223	\$3,717,788	\$3,846,181	\$3,988,170	\$4,106,399
Debt Retirement	12,906,128	10,204,794	7,649,051	6,606,169	5,037,279	5,879,668	4,606,157
Pipeline Replacement	25,881,583	24,252,200	21,541,933	19,919,329	13,807,175	11,309,285	20,346,964
OCSD Rehabilitation	5,327,229	5,400,890	6,419,245	6,949,290	7,506,389	3,559,605	3,612,870
Capacity Management	2,584,499	4,472,847	5,974,556	7,197,751	7,851,194	11,352,490	11,569,724
OCSD Future Capacity	1,690,750	1,696,440	1,703,740	1,711,499	1,725,296	1,745,247	1,771,363
Flow Imbalance	79,245	69,132	77,331	83,084	84,608	93,670	85,613
Operating Reserve	(407,104)	2,000,562	2,342,219	3,790,275	4,545,484	1,585,699	3,644,264
Total	\$51,475,175	\$51,621,278	\$49,309,298	\$49,975,185	\$44,403,606	\$40,513,834	\$49,743,354

Reserve Account Balances



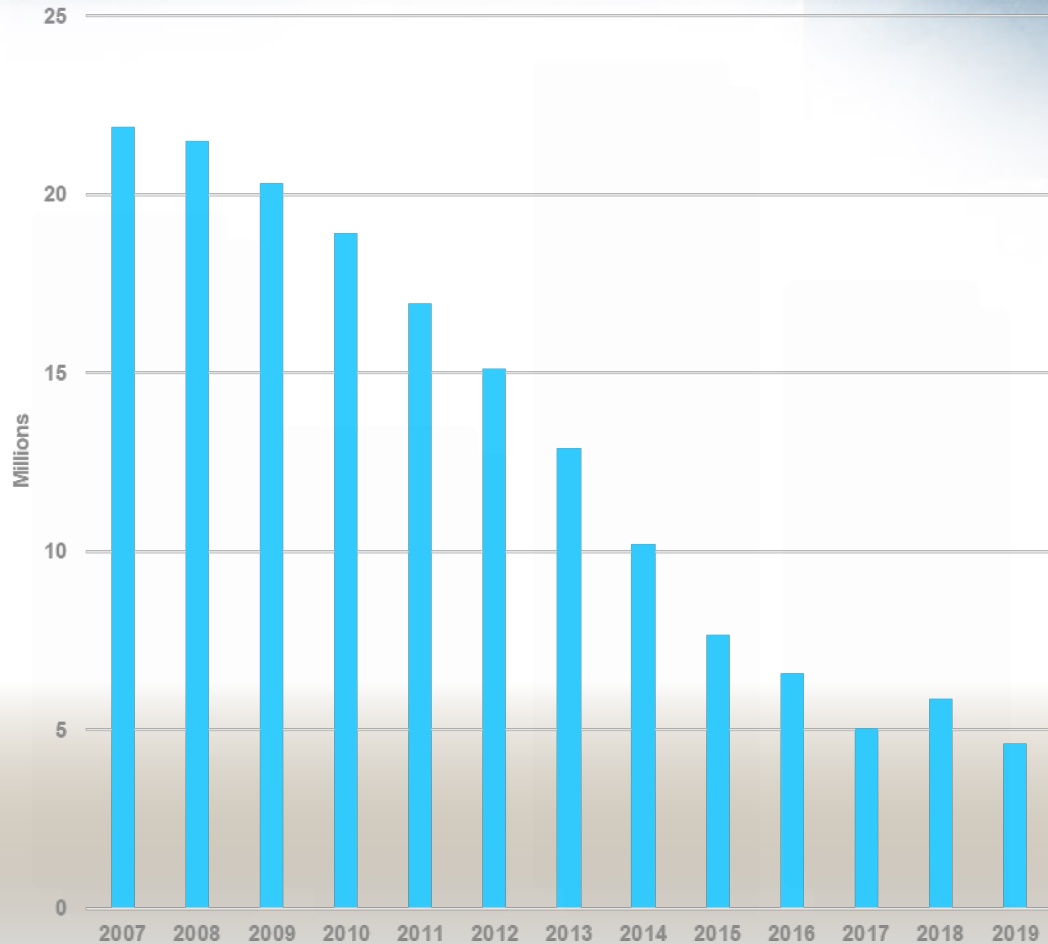
Self Insurance Reserve

- Annual \$100k contribution
- Earns interest quarterly
- Used for spill costs
- Used for insurance claims



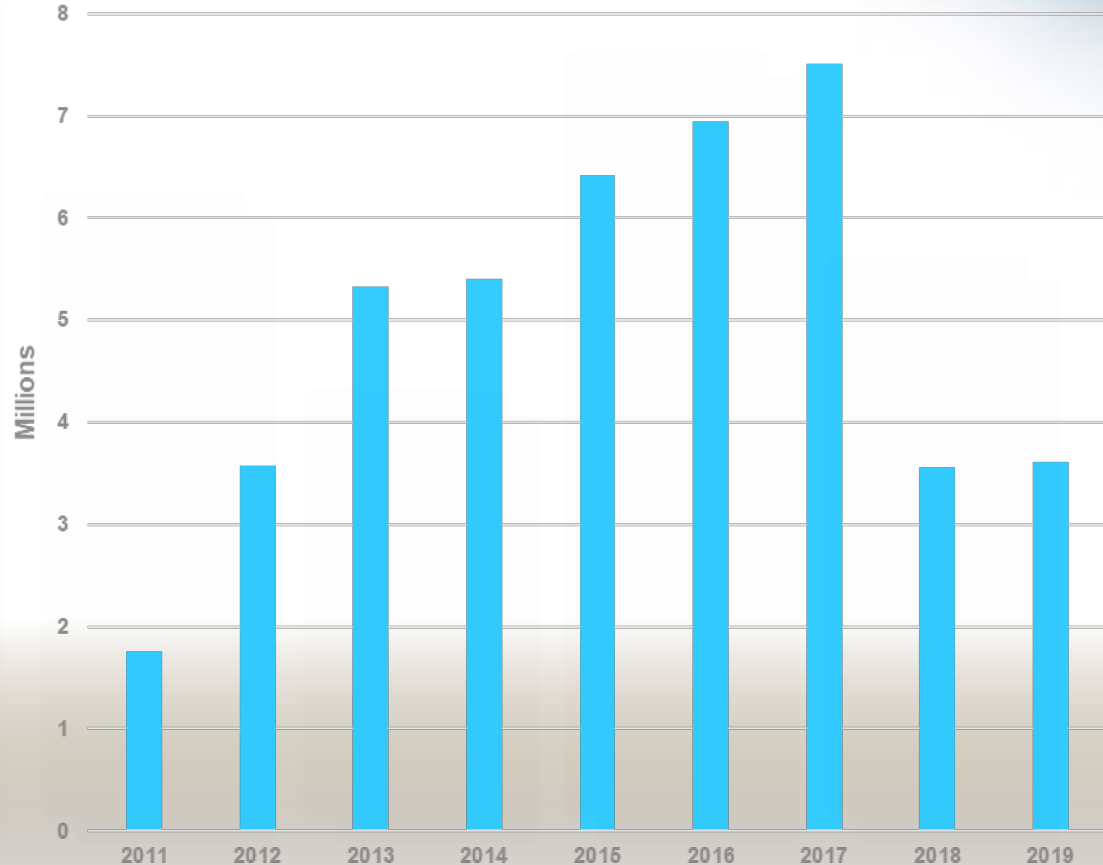
Debt Retirement Reserve

- T-Strips Maturities
 - **Original Construction**
 - \$13,135,000 Face Value
 - \$17,000,000 Face Value
 - **WRCRWA**
 - \$6,346,000 Face Value
 - \$4,180,000 Face Value
 - **Reach V Original Construction**
 - \$7,900,000 Face Value
- Rates
 - **Reach 4A & 4B Repairs**
 - **Reach V Capital Repairs**



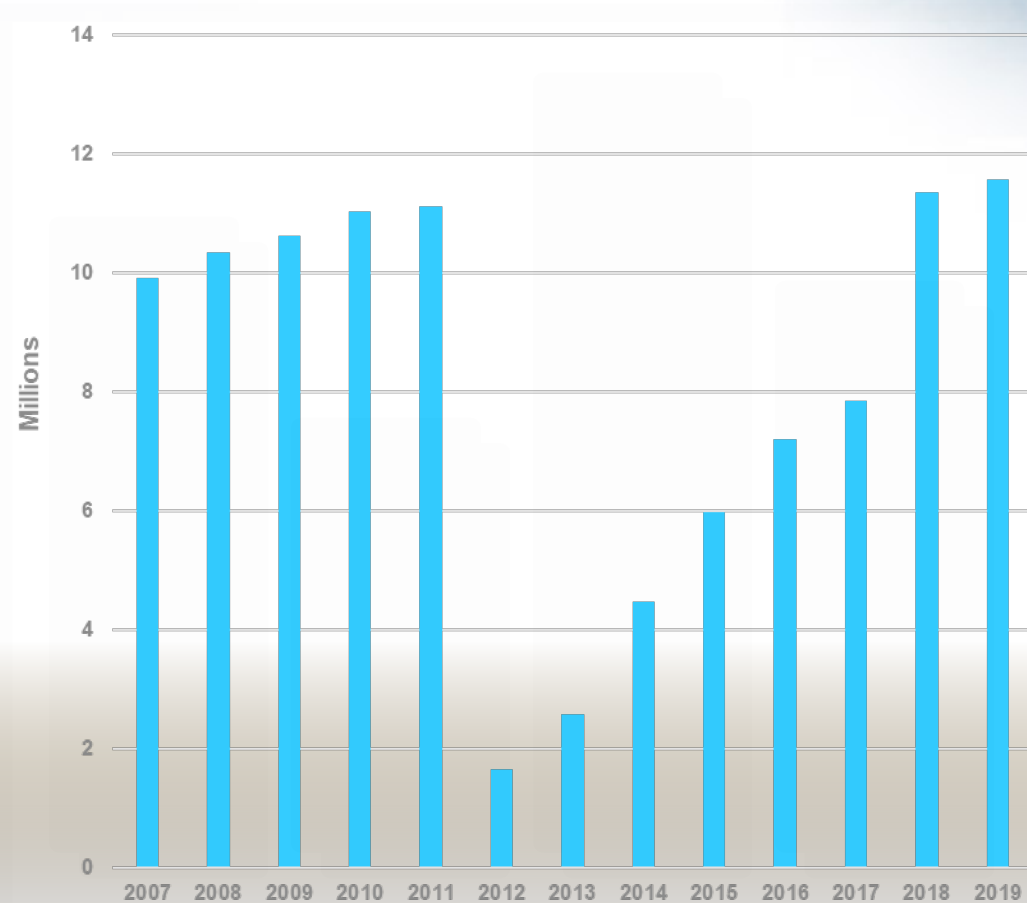
OCSD Rehabilitation Reserve

- Reserve created to pay OCSD CIP costs
- Established in FYE 2011
- Transferred \$1,750,000 from operating reserve
- Stopped annual contribution in FYE 2017 because of uncertainty of OCSD CIP
- Earns interest quarterly



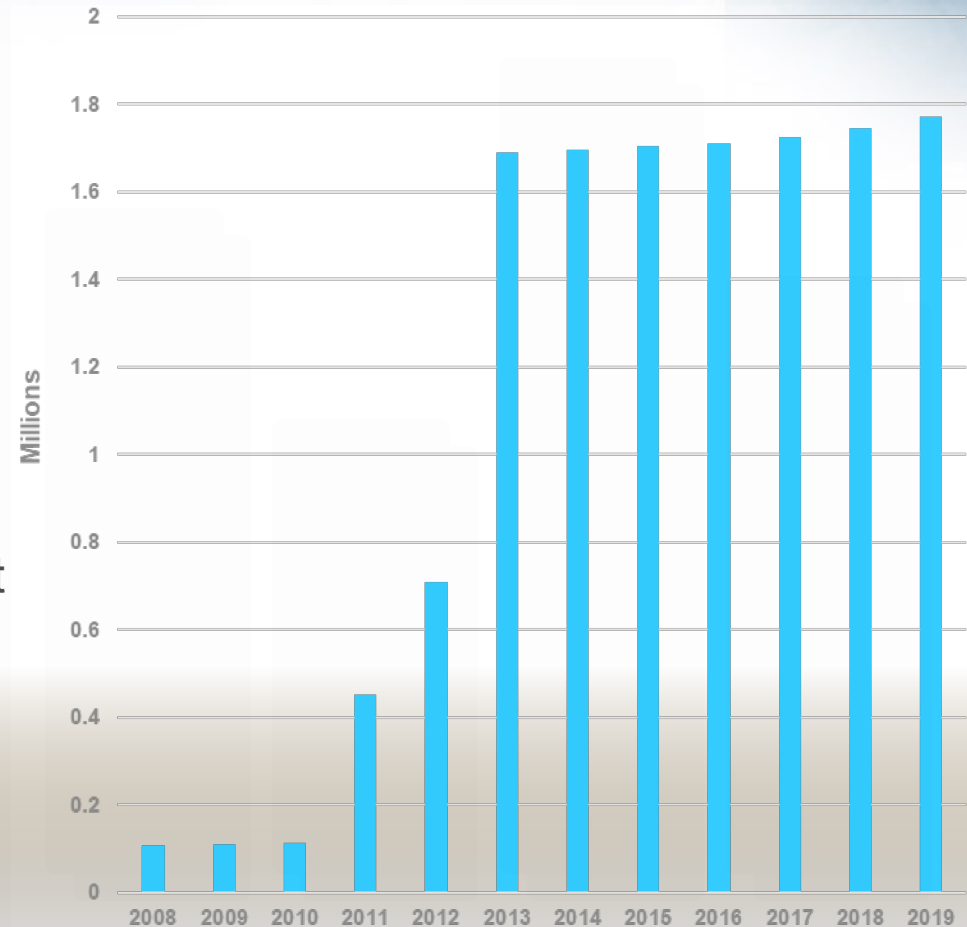
Capacity Management Reserve

- Established in FYE 2007
- Sold 2.5868 Pipeline Capacity for \$9.63 million
 - WMWD
 - EMWD
- Loaned OCFCD \$10 million in FYE 2012 for relocation project
- Loan paid off in FYE 2018
- Earns interest quarterly



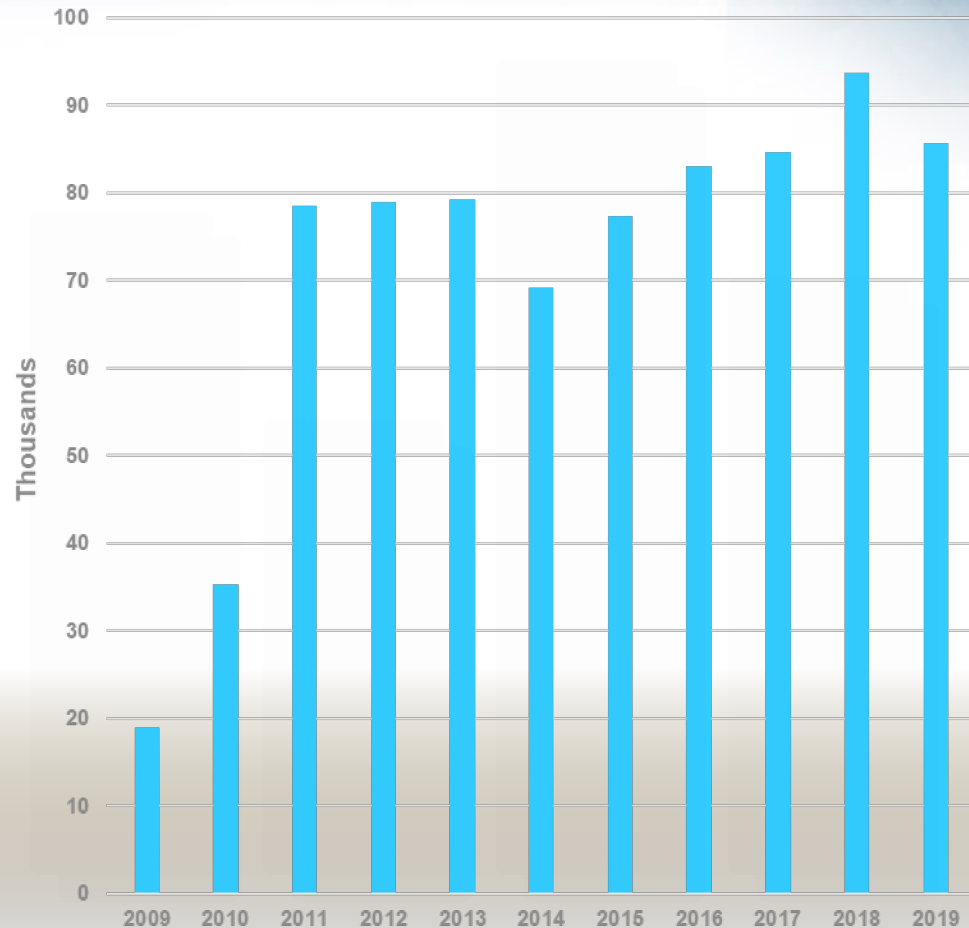
OCSD Future Capacity Reserve

- Established in FYE 2008 when EMWD & SBVMWD purchased treatment capacity for \$4.6 million
- SAWPA purchased treatment capacity from OCSD for \$4.5 million (1 MGD)
- FYE 2011 Enertech purchased BOD capacity \$338,083
- FYE 2012 Enertech purchased treatment capacity \$253,460
- FYE 2013 YVWD purchased treatment capacity
- Earns interest quarterly



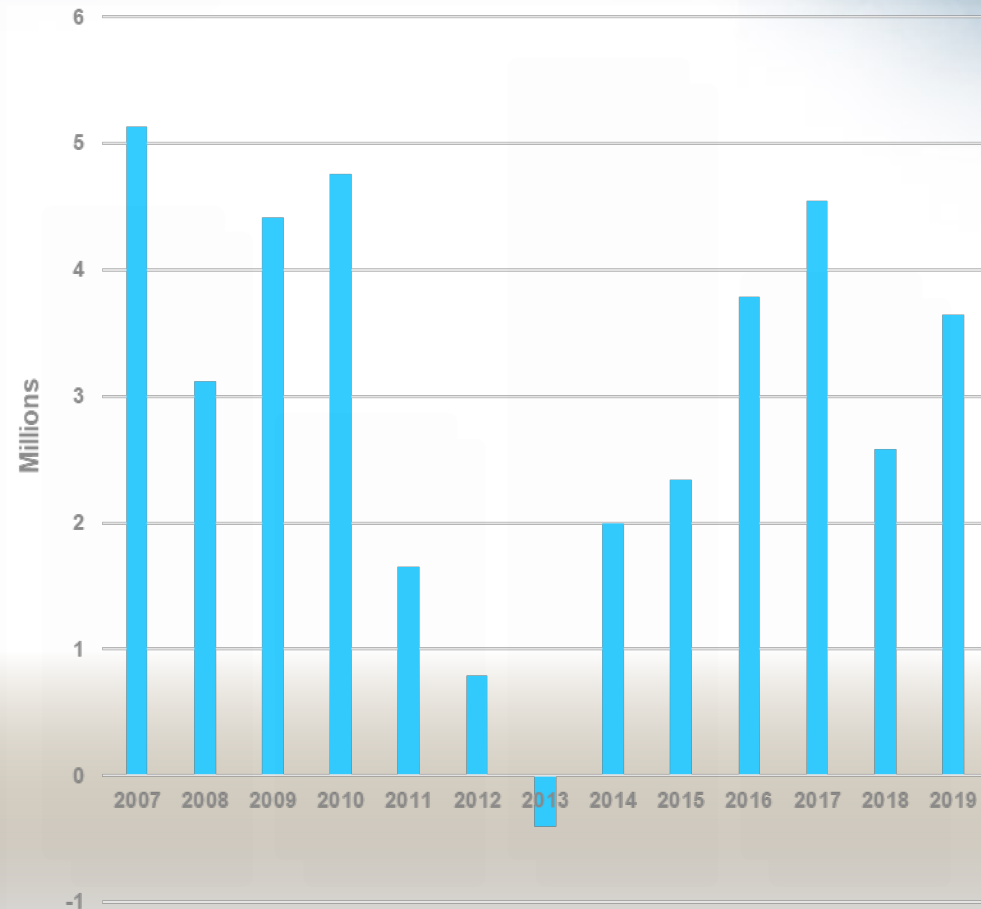
Flow Imbalance Reserve

- Established in FYE 2009
- Added \$10 per MGD to the flow rates to fund reserve through FYE 2011
- Used in the event of a meter error and discharger is over billed
- Funded when flow imbalance is positive (determined monthly)
- Earns interest quarterly

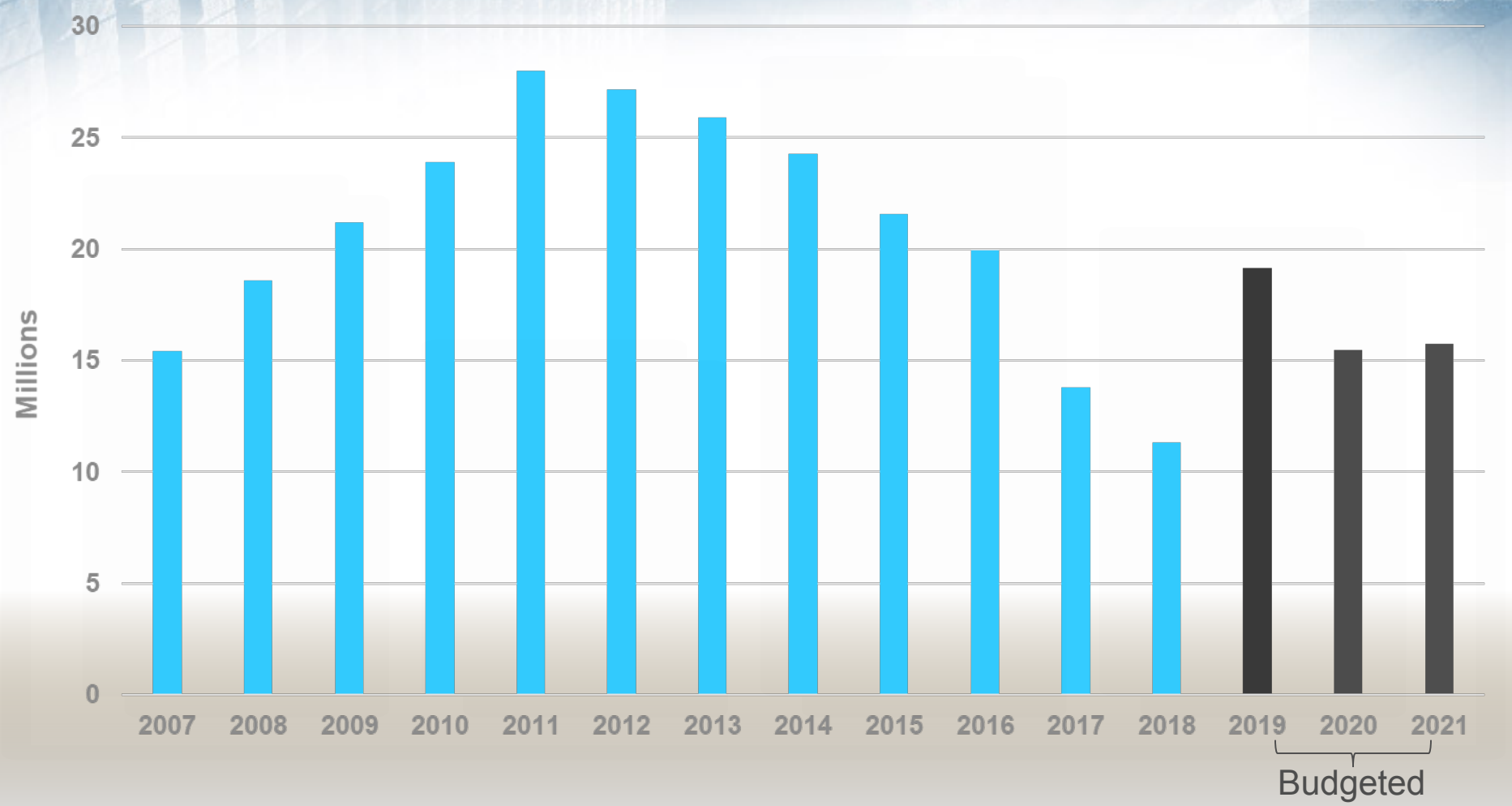


Operating Reserve

- Reserve balance should be 25% of operating costs
- If balance is > 25%, funds are transferred to Pipeline Replacement
- If balance is < 25%, contributions are made to this reserve
- Net gains (losses) come into and out of this reserve
- Earns interest quarterly



Pipeline Replacement Reserve



Pipeline Replacement Reserve

The background features a collage of financial data visualizations. On the left, there's a grid of small bar charts. In the center, a larger bar chart with five blue bars of varying heights is prominent. To the right, a pie chart is visible, and below it, a document window with the text 'PAGE 1' is partially shown. The overall color scheme is light blue and white.

- **FYE 2007**
 - **Contribution of \$557,797**
 - **Use of \$1,332,412 for CIP (BL Protection)**
- **FYE 2008**
 - **Contribution of \$3,881,757**
 - **Use of \$1,603,434 for CIP**
- **FYE 2009**
 - **Contribution of \$2,618,067**
 - **Use of \$471,841 for CIP**

Pipeline Replacement Reserve

The background features a collage of financial data visualizations. On the left, there's a faint bar chart. In the center, a prominent 3D bar chart shows five vertical bars of varying heights in shades of blue and teal. To the right, a pie chart is partially visible, divided into several segments. Below these charts, there are overlapping images of documents or spreadsheets, one of which has the text 'PAGE 1' visible.

- **FYE 2010**
 - **Contribution of \$2,899,730**
 - **Use of \$486,502 for CIP**
- **FYE 2011**
 - **Contribution of \$3,746,886**
 - **Transfer of \$1,532,606 from Operating Reserve**
 - **Use of \$2,057,001 for CIP**
- **FYE 2012**
 - **Contribution of \$1,138,367**
 - **Use of \$1,610,157 for CIP**
 - **Use of \$111,797 (Legal Fees Brownstein, Hyatt, Farber)**

Pipeline Replacement Reserve



- **FYE 2013**
 - **Contribution of \$1,144,198**
 - **Use of \$1,827,396 for CIP**
 - **Use of \$224,267 (Legal Fees Brownstein, Hyatt, Farber)**
 - **Use of \$1,050,000 (transferred to debt service per financing agreement)**
- **FYE 2014**
 - **Contribution of \$950,000**
 - **Use of \$1,023,725 for CIP**
 - **Use of \$731,029 (Legal Fees Brownstein, Hyatt, Farber)**

Pipeline Replacement Reserve



- **FYE 2015**
 - **Contribution of \$411,659**
 - **Refund of \$8,765 (legal fees)**
- **FYE 2016**
 - **Contribution of \$1,000,000**
 - **Use of \$60,000 for purchase of Vacuum Excavator**
 - **Use of \$259,849 for the BL Protection Project (Union Pacific)**
 - **Use of \$29,419 for CIP (BL Protection Fund 320)**
 - **Use of \$2,405,816 for CIP (Reach V Capital Repairs)**

Pipeline Replacement Reserve

The background features a collage of financial and business-related graphics. On the left, there's a faint grid pattern. In the center, a 3D bar chart with blue and teal bars is visible. To the right, a pie chart is partially shown. Below these, there are overlapping images of documents or spreadsheets, one of which has 'PAGE 1' visible.

- **FYE 2017**
 - **Contribution of \$1,000,000**
 - **Use of \$47,056.06 for CIP (BL Protection Fund 320)**
 - **Use of \$7,216,105 for CIP (Reach V Capital Repairs)**
- **FYE 2018**
 - **Contribution of \$1,500,000**
 - **Transfer of \$1,843,450 from Operating Reserves**
 - **Transfer of \$4,000,000 from OCSD Rehabilitation**
 - **Use of \$264,336 for CIP (BL Protection Fund 320)**
 - **Use of \$9,592,176 for CIP (Reach V Capital Repairs)**

Pipeline Replacement Reserve

The background features a collage of financial and technical imagery. On the left, there's a grid pattern with a blue and white color scheme. In the center and right, there are several overlapping elements: a 3D bar chart with blue and teal bars, a pie chart with blue and white segments, and a document page with the text 'PAGE 1' visible. The overall aesthetic is professional and data-oriented.

- **FYE 2019 – January 31, 2019**
 - **Contribution of \$875,000 (\$1.5 million in FYE 2019)**
 - **Contribution of \$1,075,000 Reach V Settlement**
 - **Contribution of \$7,217,347 (received SRF loan funds)**
 - **Use of \$137,620 for CIP (BL Protection)**
 - **Use of \$216,549 for CIP (Reach IV-D Corrosion)**

Pipeline Replacement Reserve

- Reach IV-A and IV-B Capital Repairs

– Total Cost	\$20,637,025
– SRF Loan	<u>16,850,337</u>
– Use of Reserves	\$ 3,786,688

- Reach V Capital Repairs

– Total Cost	\$30,667,590
– Settlement Proceeds	1,075,000
– SRF Loan	<u>15,000,000</u>
– Use of Reserves	\$14,592,590

(Legal fees for Reach V were \$2,531,847)

Important Notes

The background features a collage of business-related graphics. On the left, there's a grid pattern. In the center, a 3D bar chart with blue and teal bars is visible. On the right, a pie chart is partially shown. Below these, there are overlapping document pages, one of which has the text 'PAGE 1' visible.

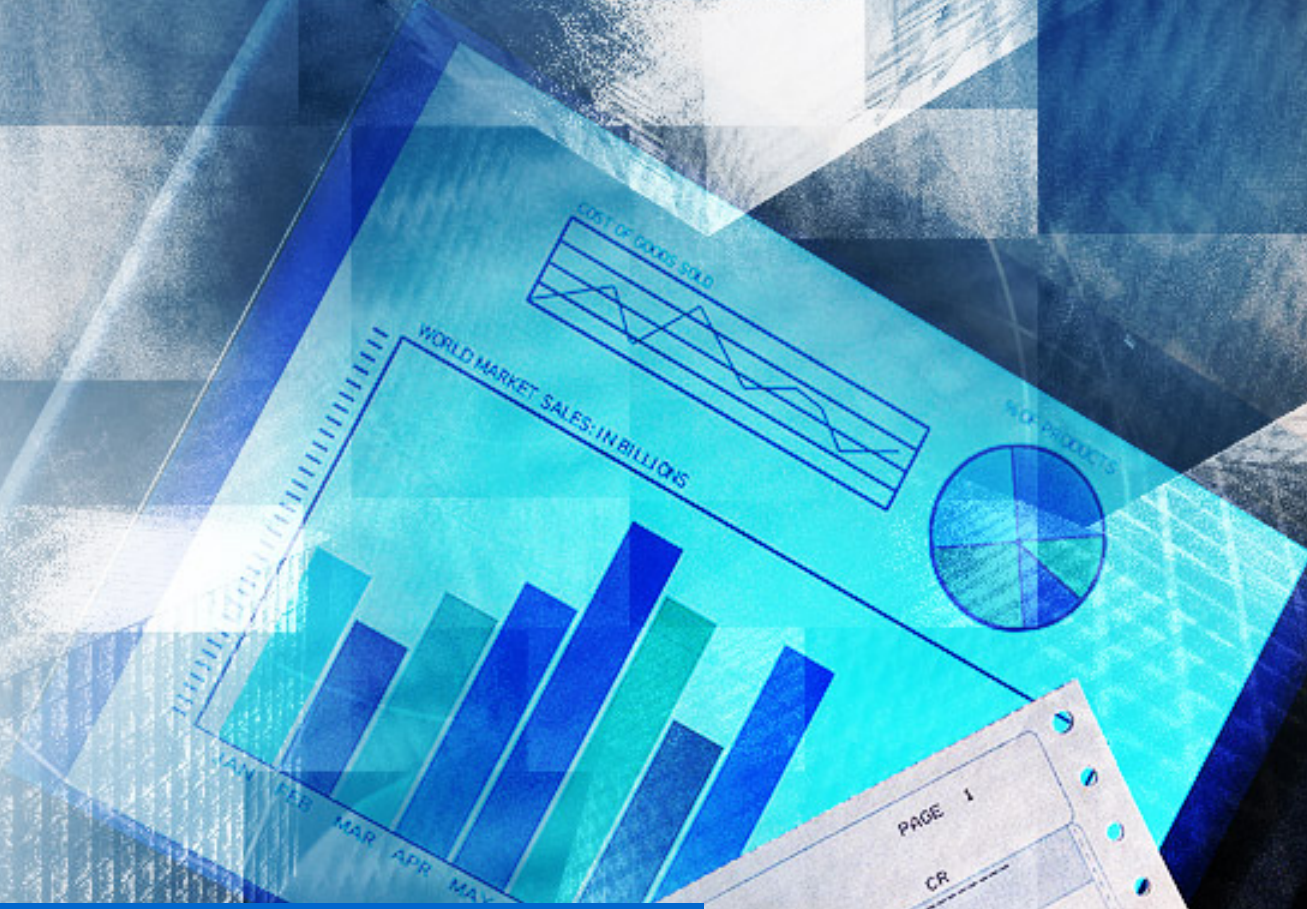
- Planned reduction of Pipeline Replacement Reserve by using reserve to fund CIP
- Study planned to determine maximum reserve amounts as recommended by Raftelis during rate model development

Reserve Account Balances

@ 01/31/19

Reserve Account	Balance
Self Insurance Reserve	\$4,106,399
Debt Retirement Reserve	4,606,157
Pipeline Replacement Reserve	20,346,964
OCSD Rehabilitation Reserve	3,612,870
Capacity Management Reserve	11,569,724
OCSD Future Capacity Reserve	1,771,363
Flow Imbalance Reserve	85,613
Operating Reserve	3,644,264
Total Reserves	\$49,743,354

Questions ?



SAWPA

A decorative background featuring a light blue gradient with stylized water splashes and droplets in various shades of blue, creating a dynamic and fresh aesthetic.

This presentation was given to the Commission on February 19, 2019. The Budget was adopted on April 2, 2019.

FYE 2020 and 2021
Brine Line Fund Budget

Brine Line Operations & Capital Budget





What is the Brine Line?

- The Inland Empire Brine Line (IEBL) is a 73 mile-long regional brine line designed to convey 30 million gallons per day of non-reclaimable waste water from the upper Santa Ana River Basin to the Pacific Ocean for disposal after treatment
- It was built as the fundamental method of salt export for the region
- Pipeline ranges in age from 17 to 45 years
 - Reach 4 was constructed in the mid-70's (around 1974)
 - Reaches 4A and 4B were constructed in the early 1980's (1982)
 - Reaches 4D and 4E were constructed in the early 1990's (1994)
 - Reach 5 was constructed in the early 2000's (2002). Rehab in 2017
- Pipe diameters range from 16 inch to 48 inch

Inland Empire Brine Line

— Brine Line Laterals

Brine Line

REACH

— IV

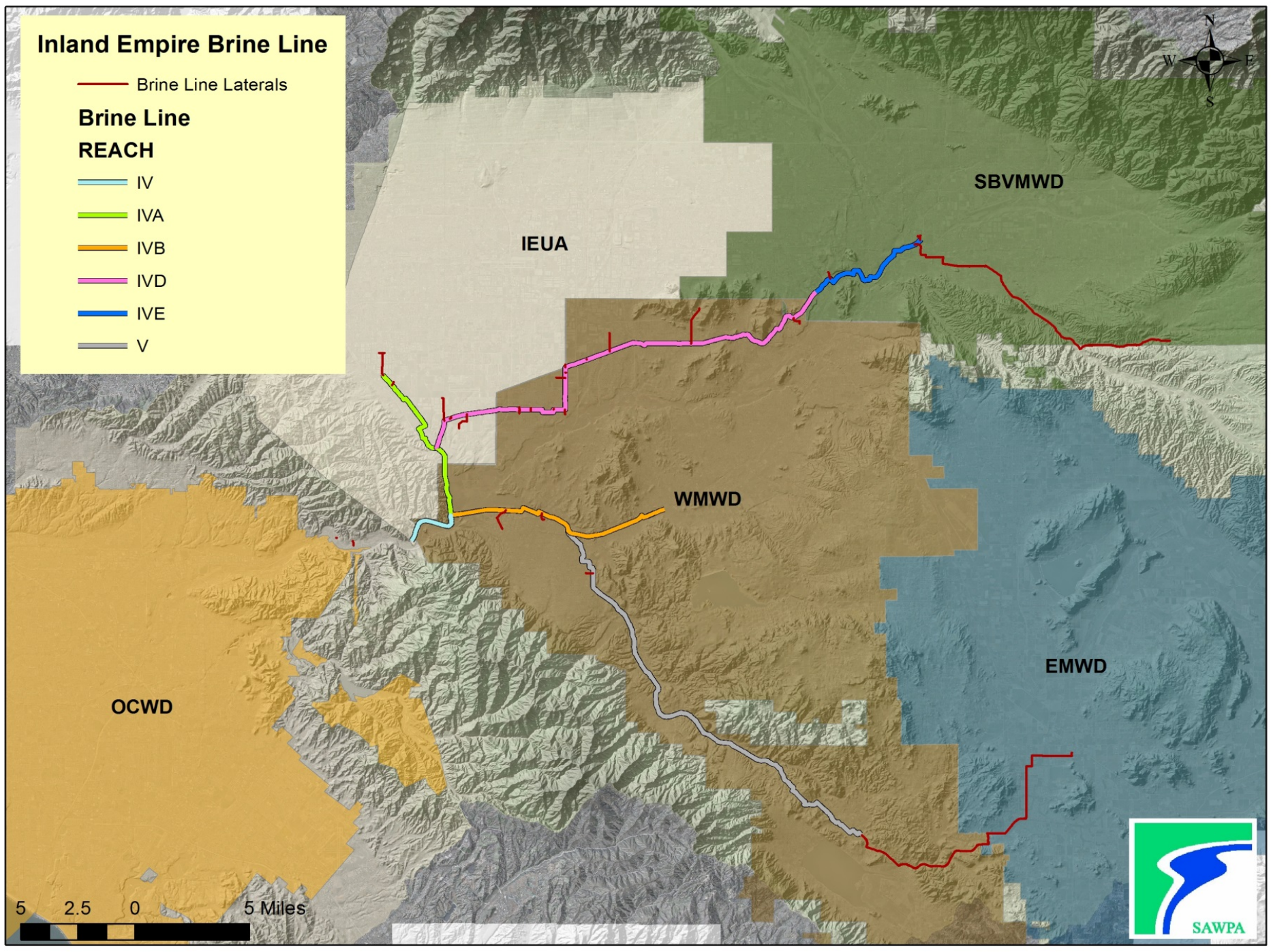
— IVA

— IVB

— IVD

— IVE

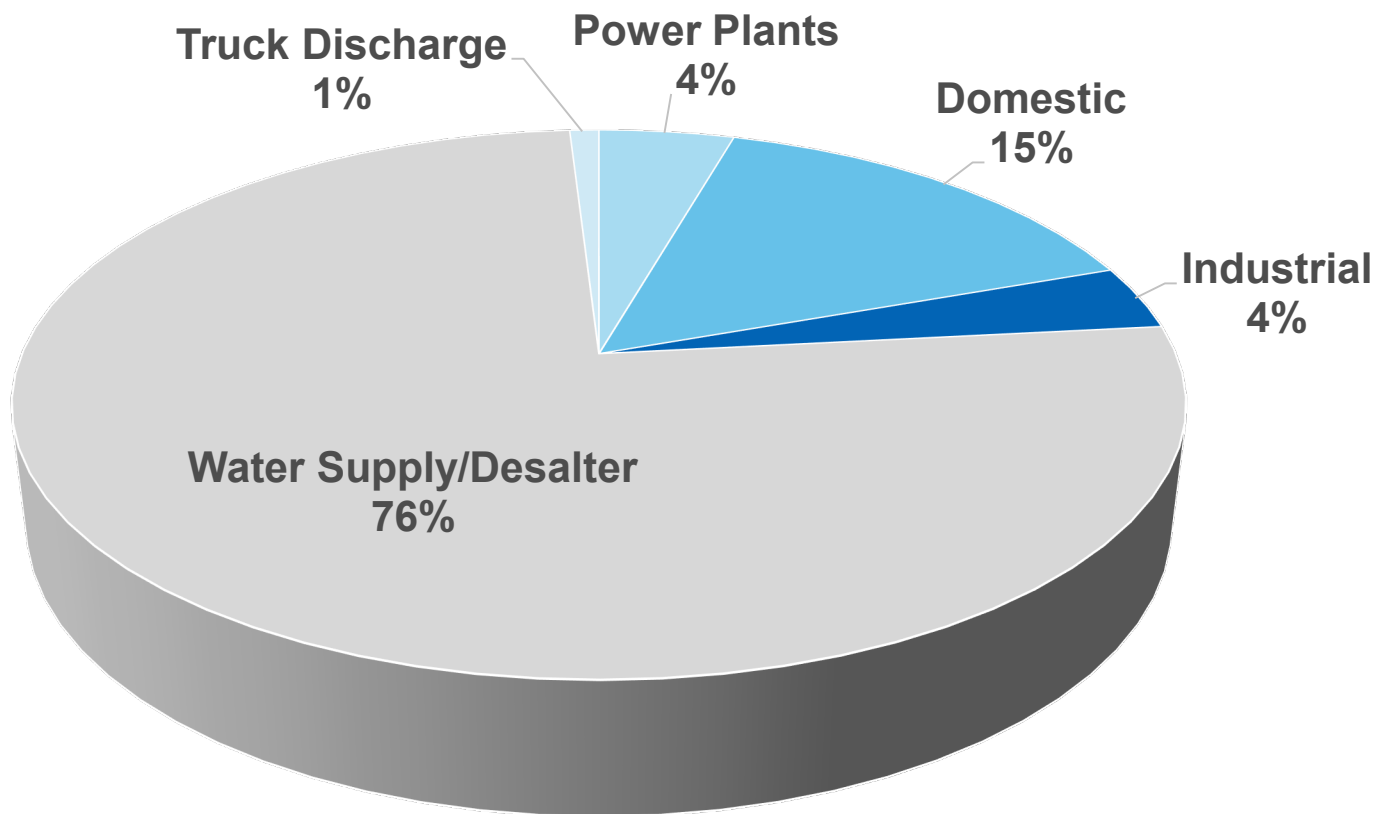
— V



5 2.5 0 5 Miles



Who Uses the Brine Line?



Historical Revenues & Expenses



	FYE	Revenues	Expenses	To (From) Reserves
	2016	\$9,334,243	(\$9,899,215)	(\$564,972)
	2017	11,282,402	(9,614,249)	1,668,153
	2018	10,894,643	(10,629,700)	264,943
Budget	2019	11,090,587	(11,090,587)	0
	2020	11,532,103	(11,532,103)	0
	2021	12,401,418	(12,401,418)	0

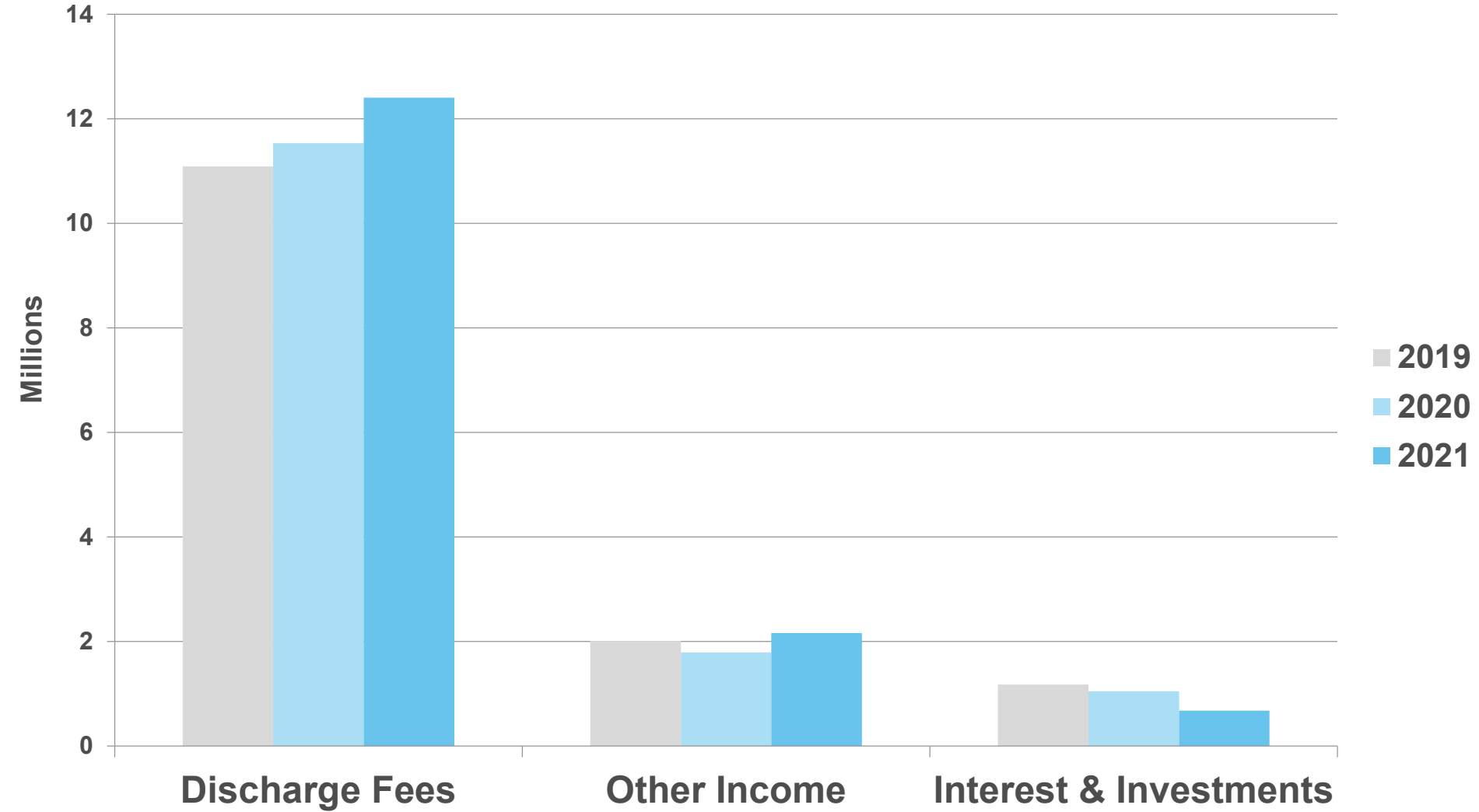
Numbers listed above are for operating revenues and expenses and do not include non-operating/debt service

Historical Flows



	FYE	Total Flows (MGD)
	2016	3,747
	2017	3,875
	2018	3,782
Budget {	2019	3,650
	2020	3,650
	2021	3,800

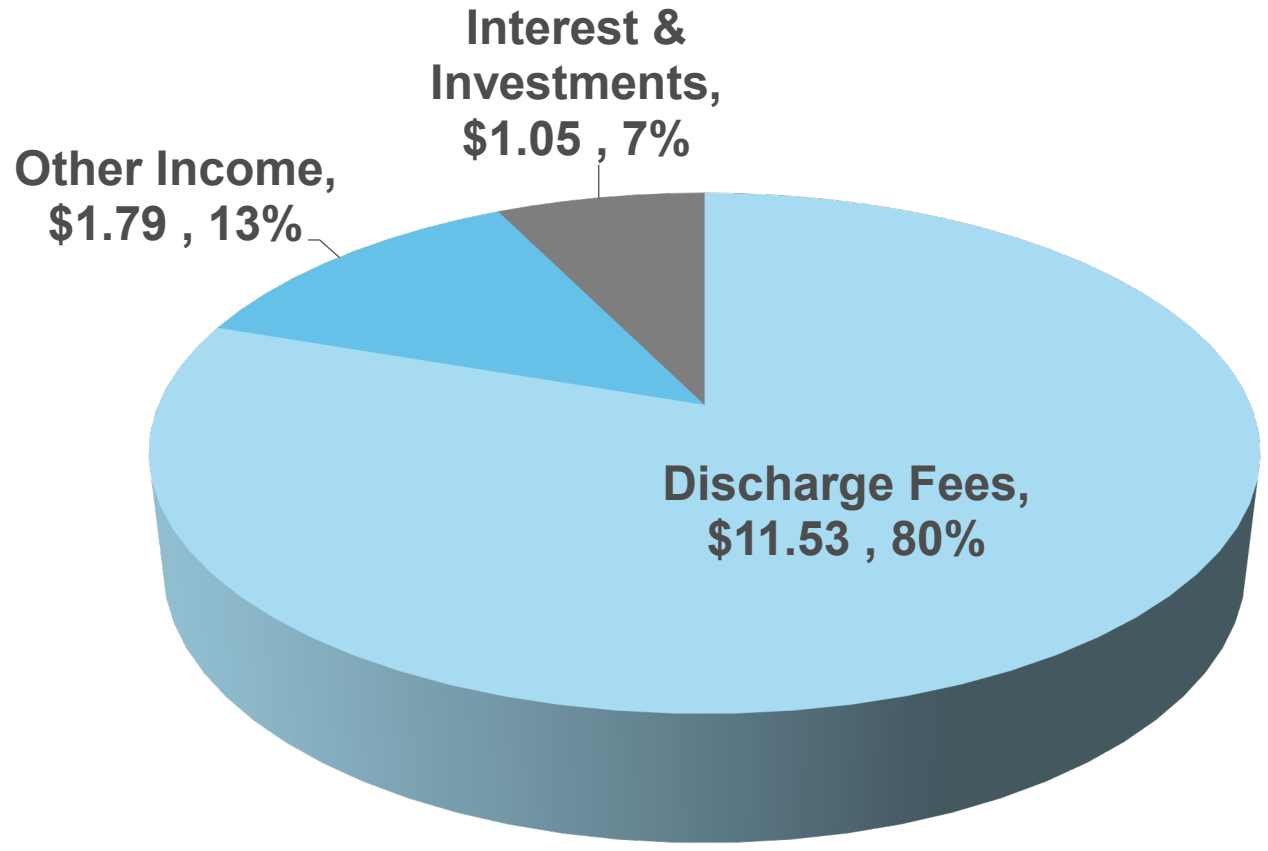
Brine Line Enterprise Revenue



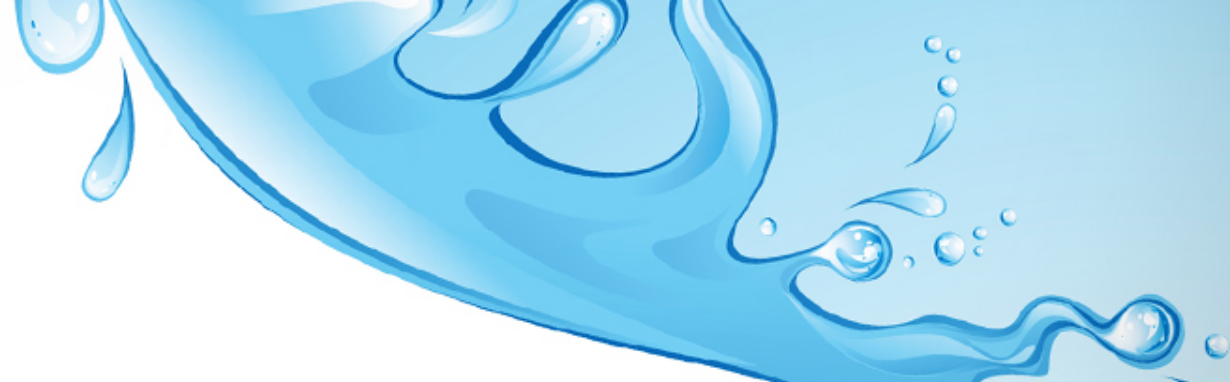
FYE 2020



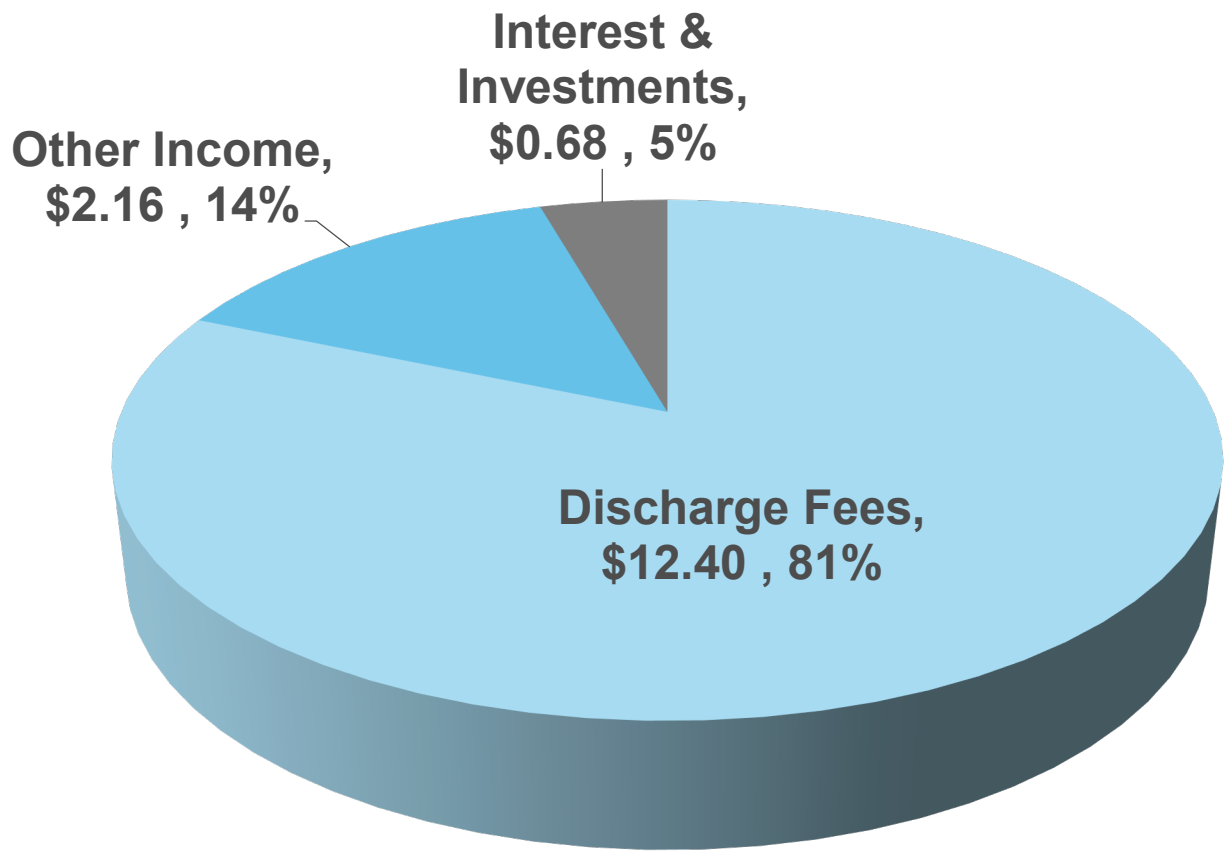
Brine Line Revenues \$14.37 Million



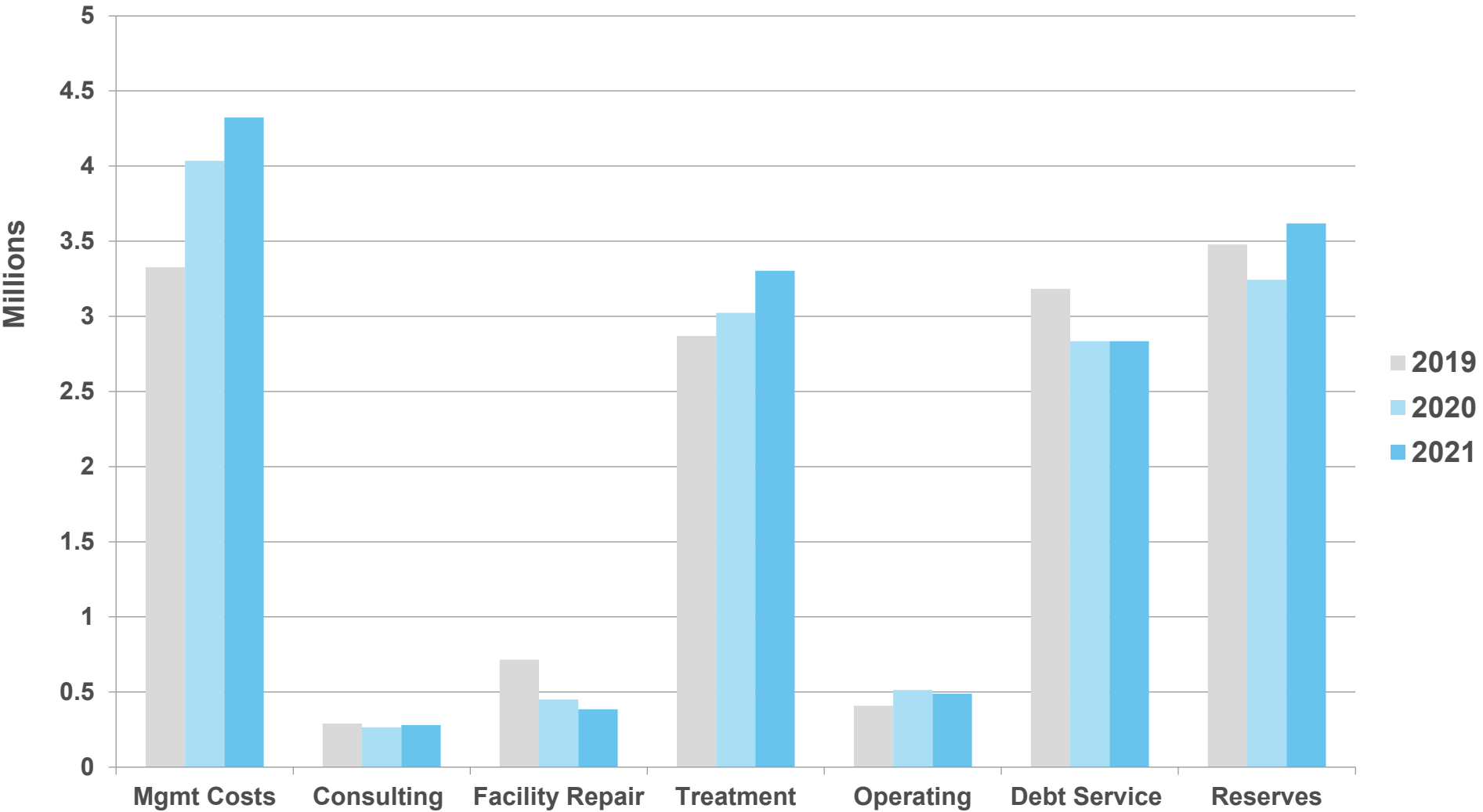
FYE 2021



Brine Line Revenues \$15.24 Million



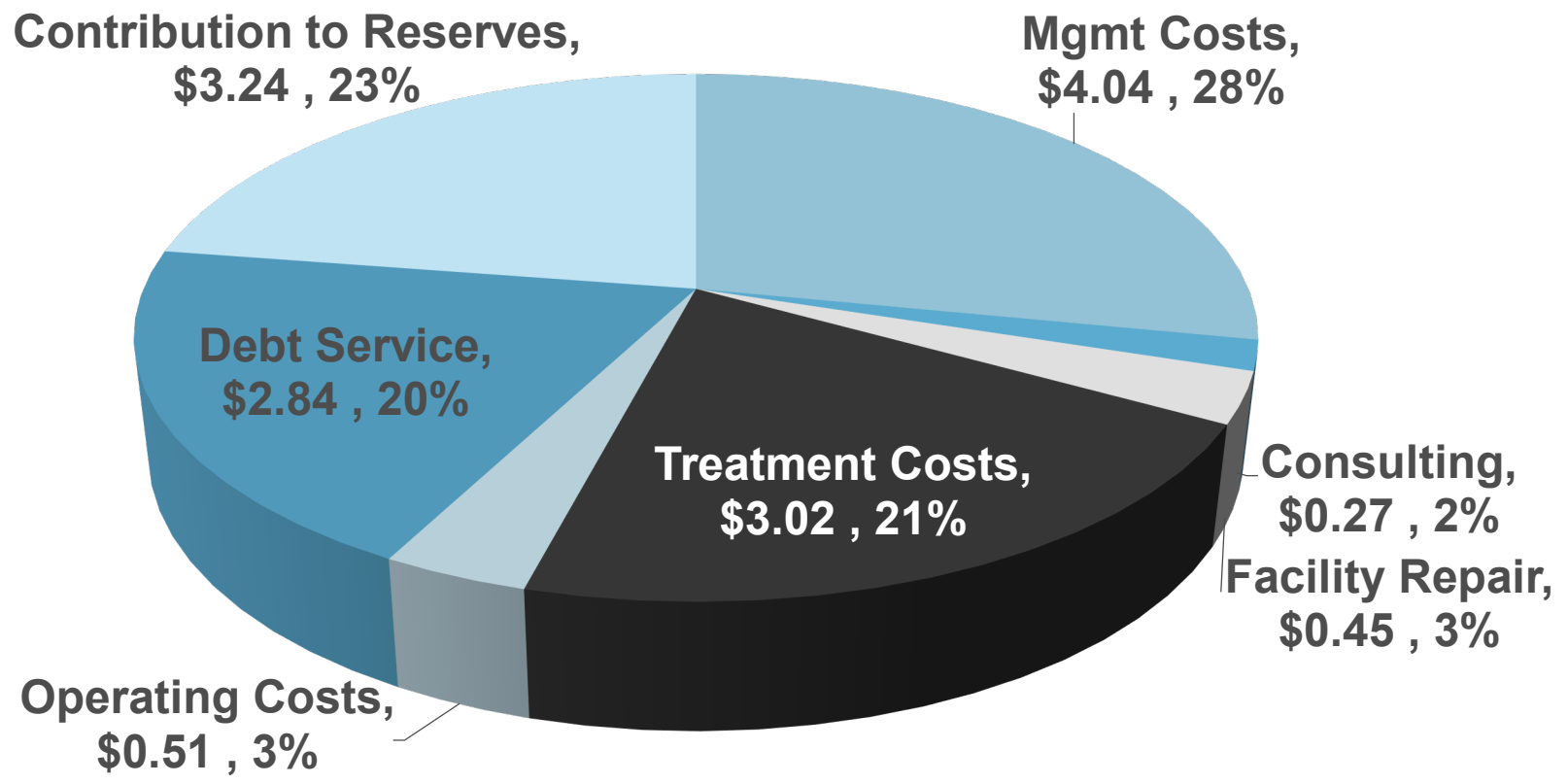
Brine Line Enterprise Expenses



FYE 2020



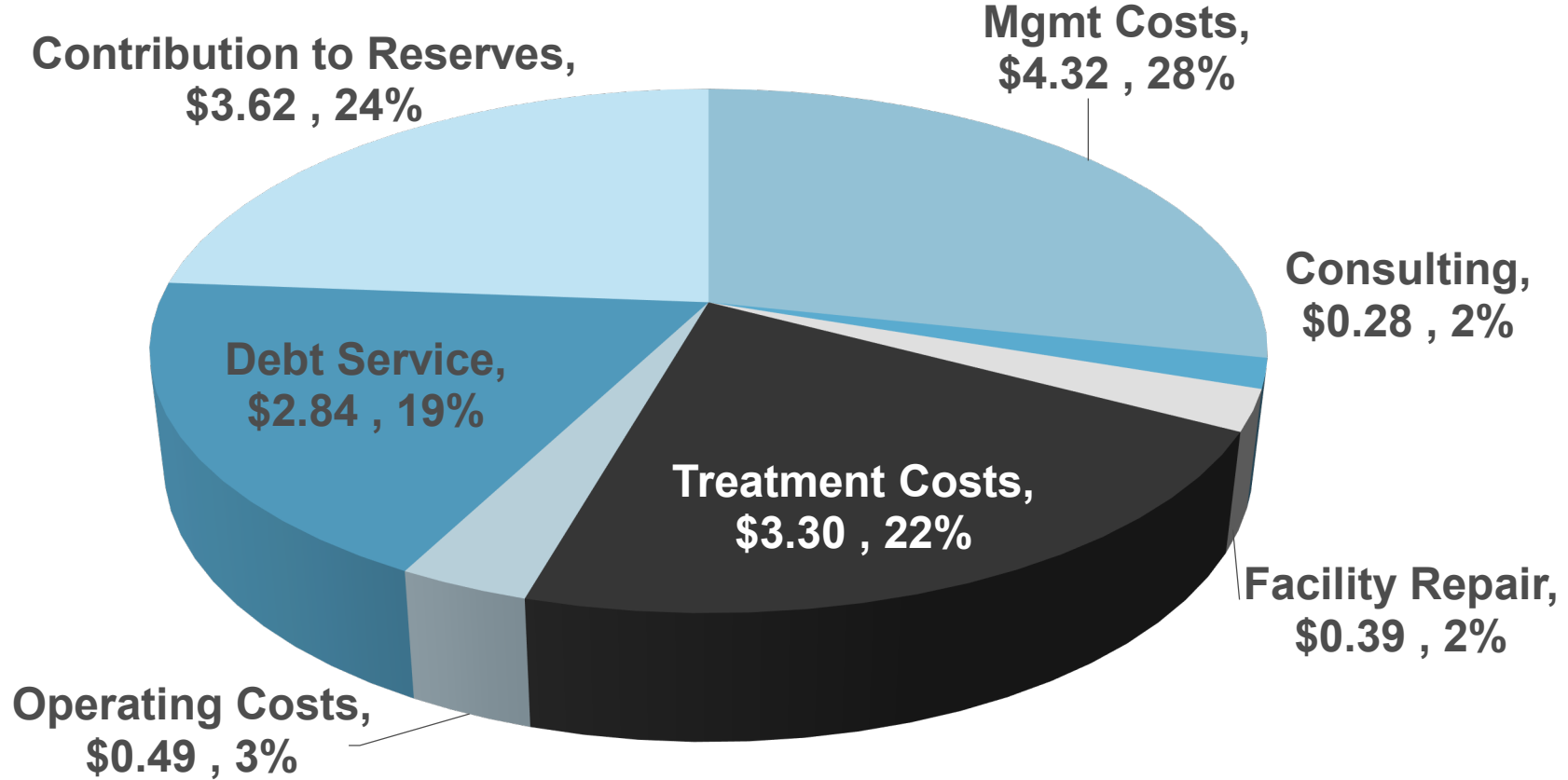
Brine Line Expenses \$14.37 Million



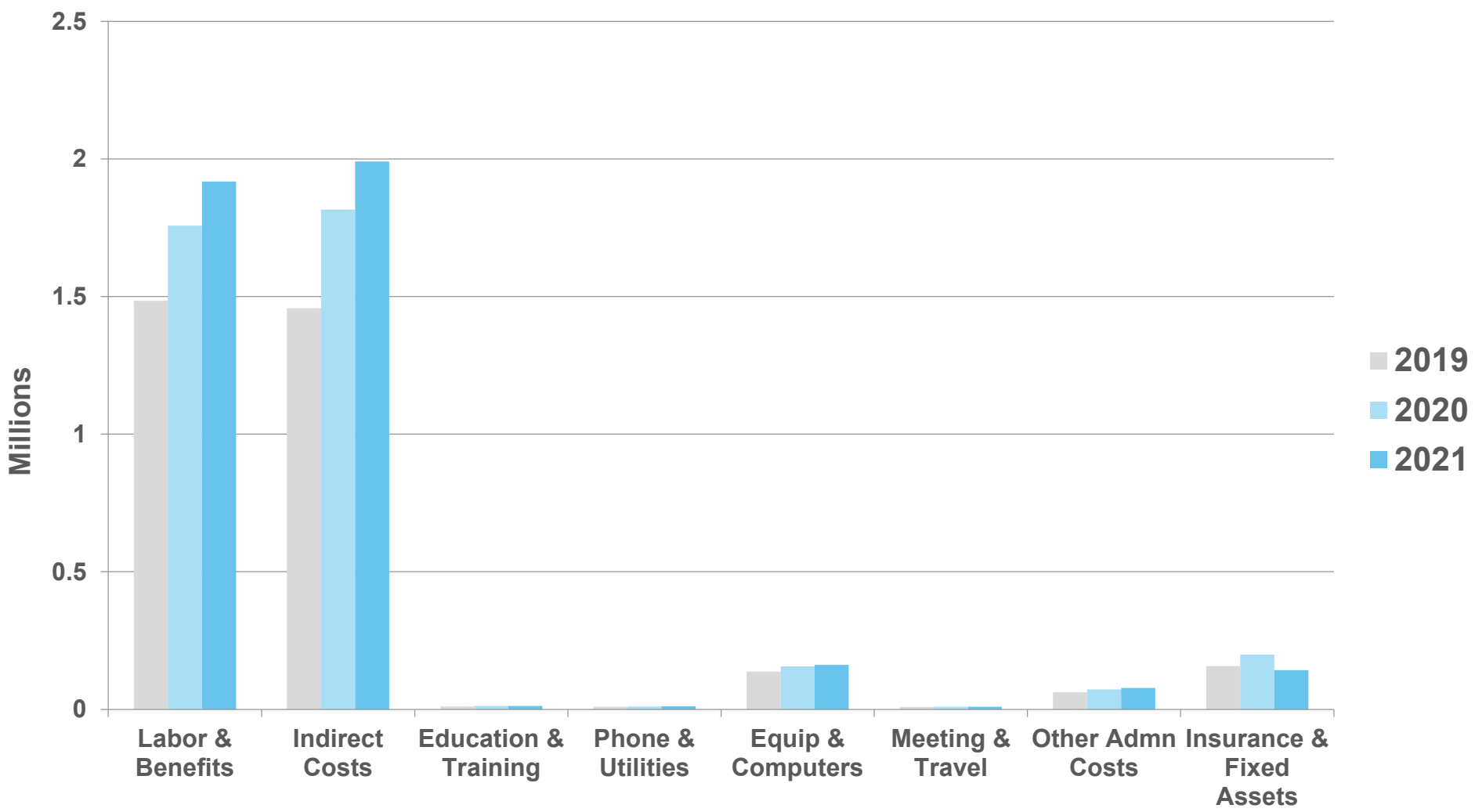
FYE 2021



Brine Line Expenses \$15.24 Million

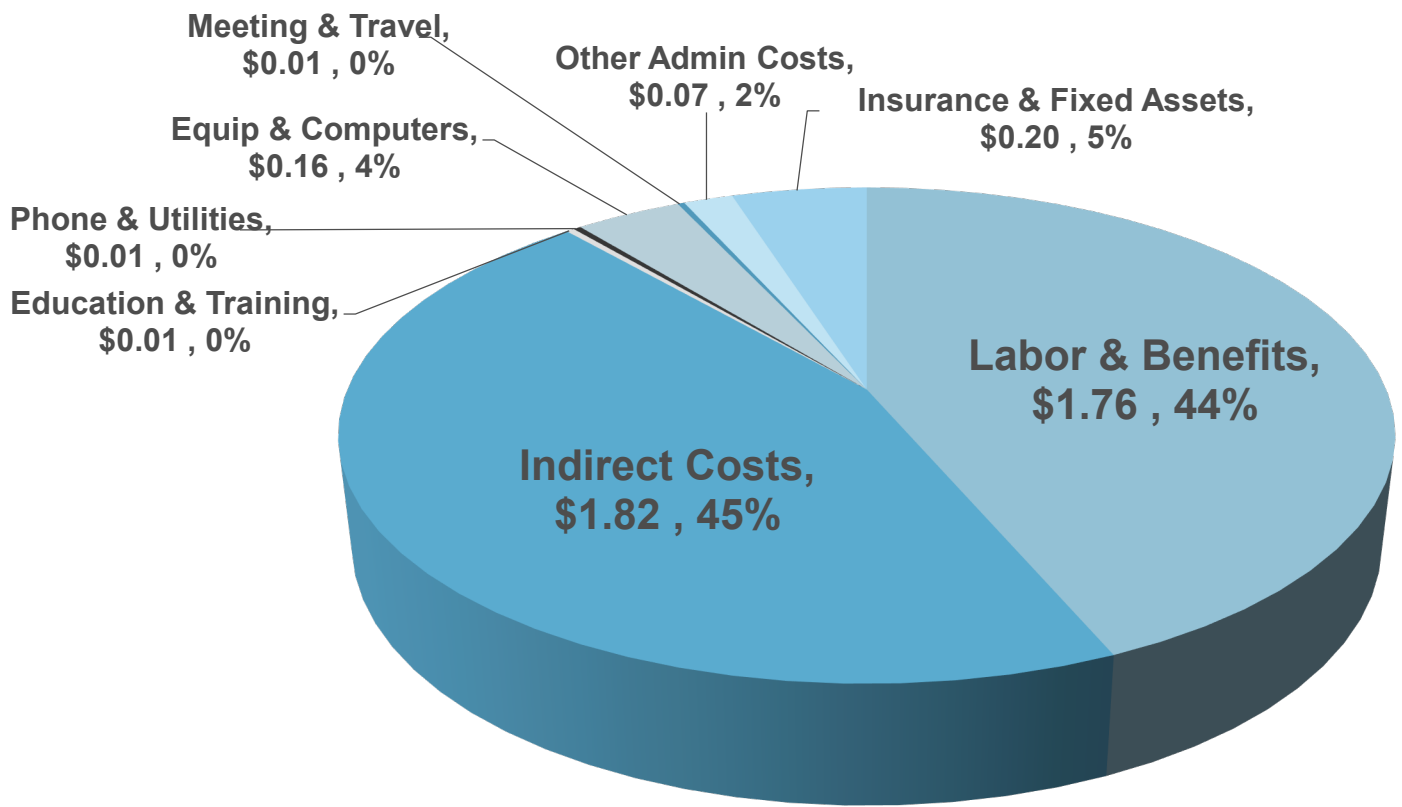


Management Costs



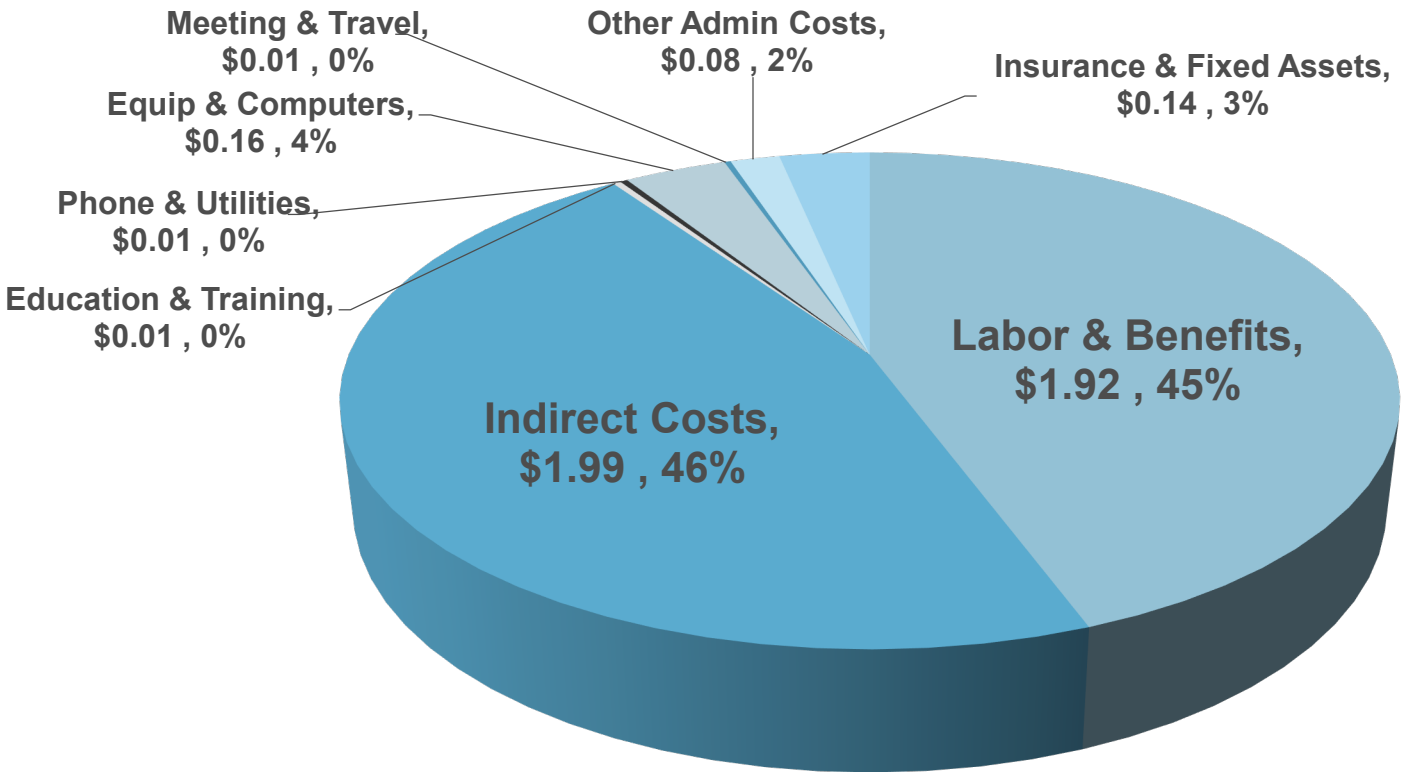
FYE 2020

Management Costs \$4.04 Million



FYE 2021

Management Costs \$4.32 Million

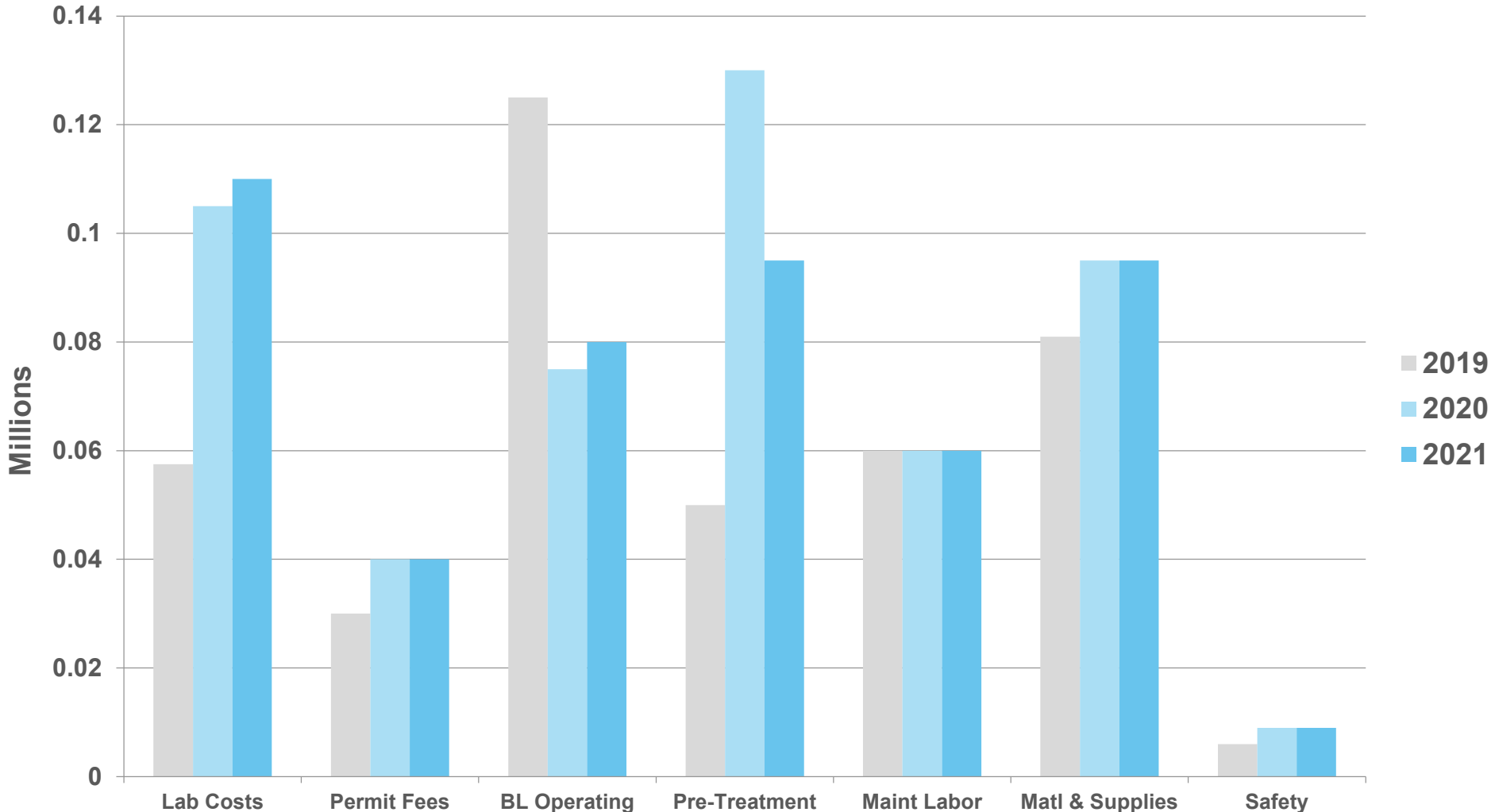
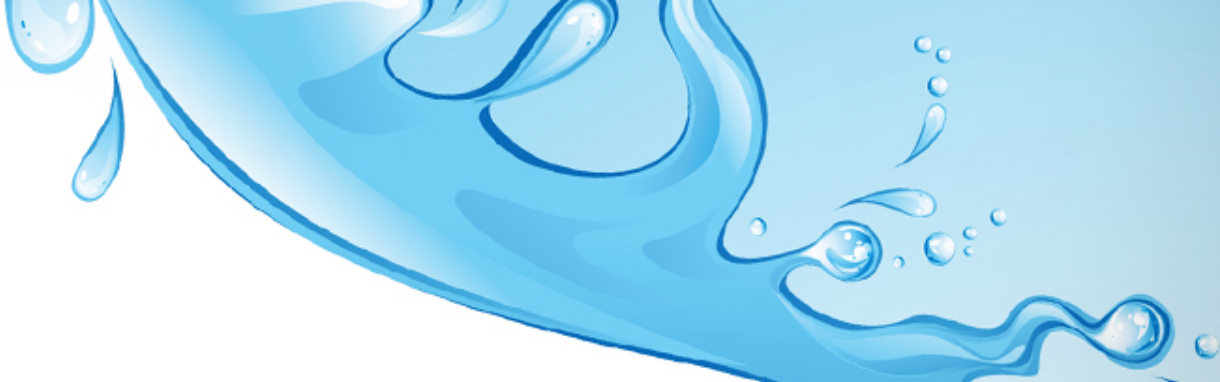


Fixed Asset Purchase

- FYE 2020
 - Purchase new vehicle F-250
 - Retrofit existing vehicle as dump truck
- FYE 2021
 - None

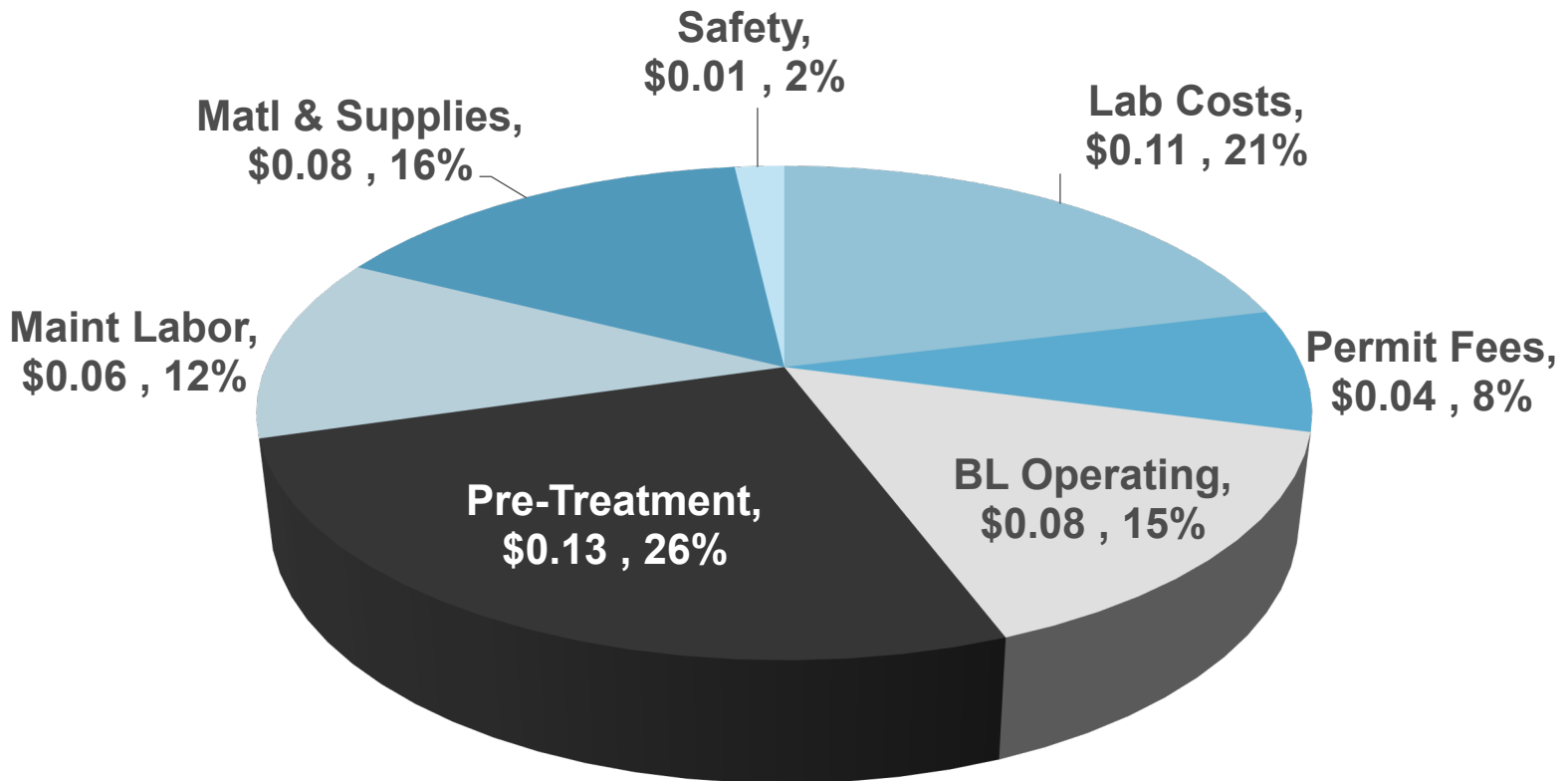


Operating Costs

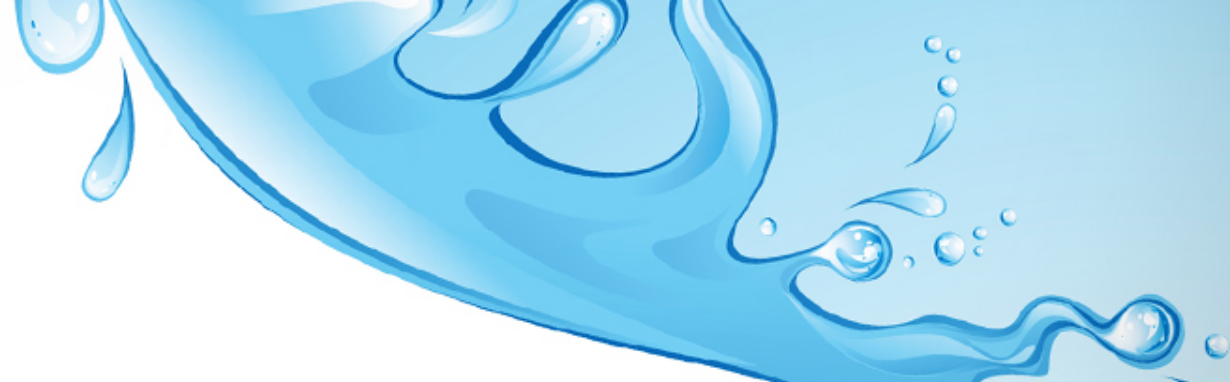


FYE 2020

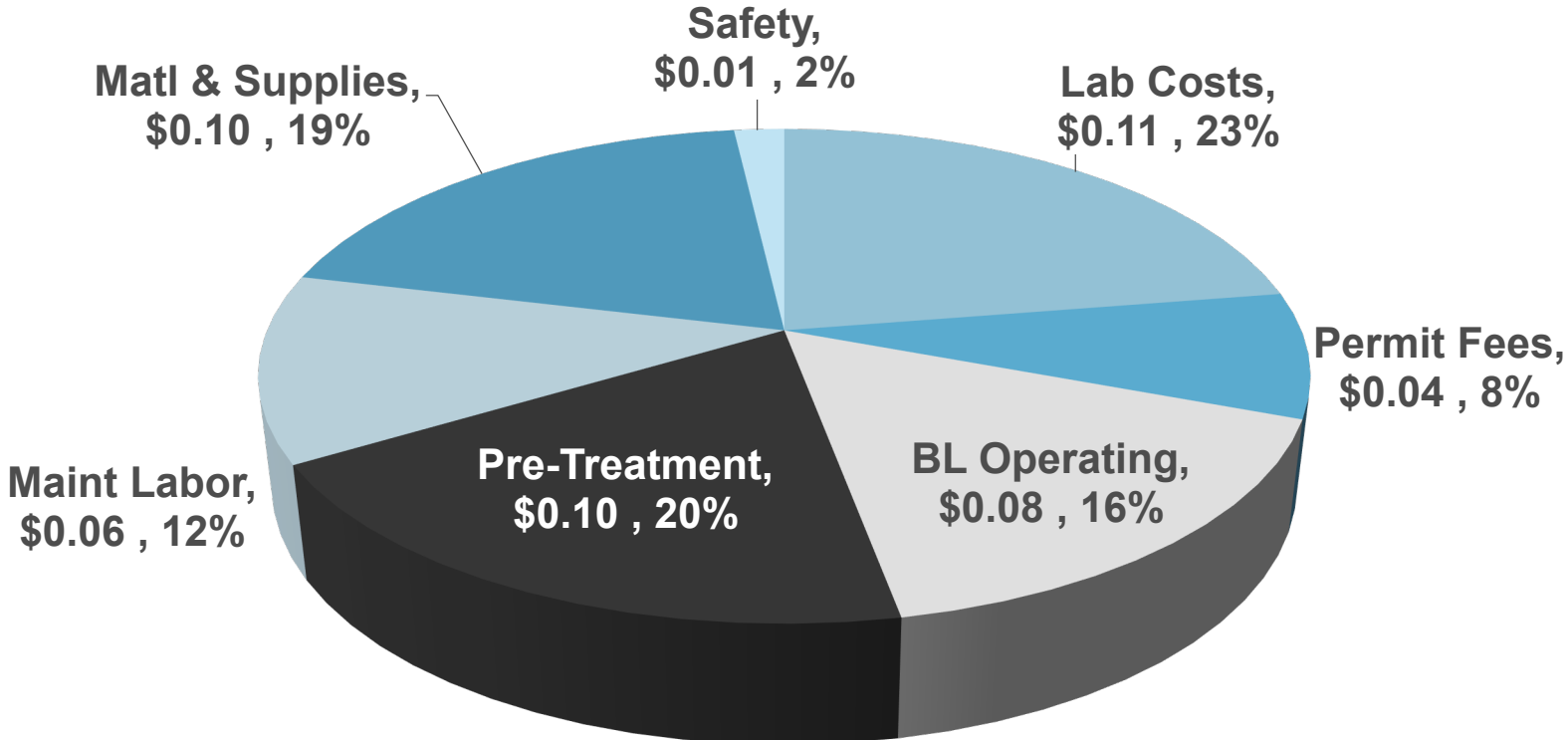
Operating Costs \$0.51 Million



FYE 2021



Operating Costs \$0.50 Million



Debt Service Payments



Debt	2019	2020	2021
Reach V Construction – SRF Loan 1 – 4	\$1,126,578	\$1,126,278	\$1,126,278
Reach IV-A & B Capital Repair – SRF Loan	1,044,273	1,044,273	1,044,273
Reach V Capital Repair – SRF Loan	656,350	664,476	664,476
OCWD Capacity Repurchase Loan	356,250	0	0
Total Debt Service Payments	\$3,183,451	\$2,835,027	\$2,835,027

Debt Service Funding



Debt	Interest Rate	Final Payment	Funding Source
Reach V Construction	2.7%	10/05/21	T-Strips/Investments
Reach IV-A & B Capital Repair	2.6%	12/29/32	Rates
Reach V Capital Repair	1.9%	03/31/48	Rates

Reserve Contributions



Fund	FYE 2019	FYE 2020	FYE 2021
Pipeline Repair/Replacement	\$1,500,000	\$1,435,478	1,810,491
Self Insurance Reserve	100,000	100,000	100,000
Debt Service Reserve	1,879,144	1,708,750	1,708,750
Total Contribution to Reserves	\$3,479,144	\$3,244,228	\$3,619,241

Proposed Brine Line Rates

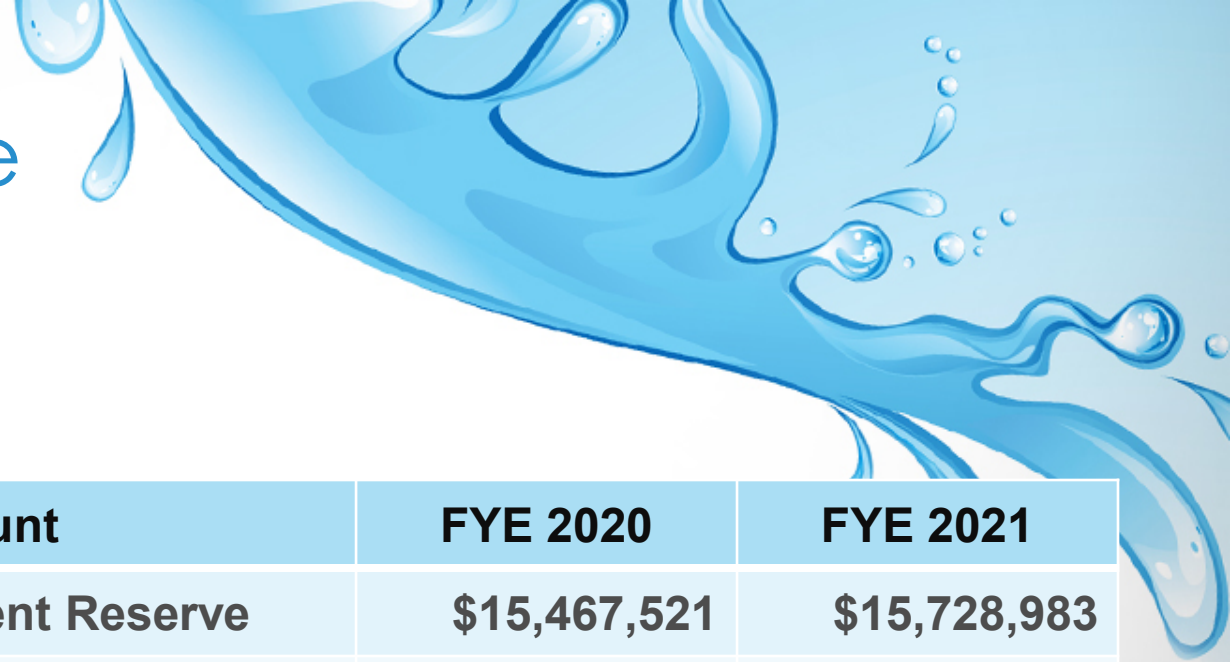


Component	Actual FYE 2019	FYE 2020	FYE 2021
Flow	\$946	\$979	\$1,018
BOD (per 1,000 lbs.)	\$307	\$316	\$329
TSS (per 1,000 lbs.)	\$429	\$442	\$460
Fixed Pipeline	\$6,217	\$6,398	\$6,654
Fixed Treatment	\$12,607	\$12,985	\$13,505

3%

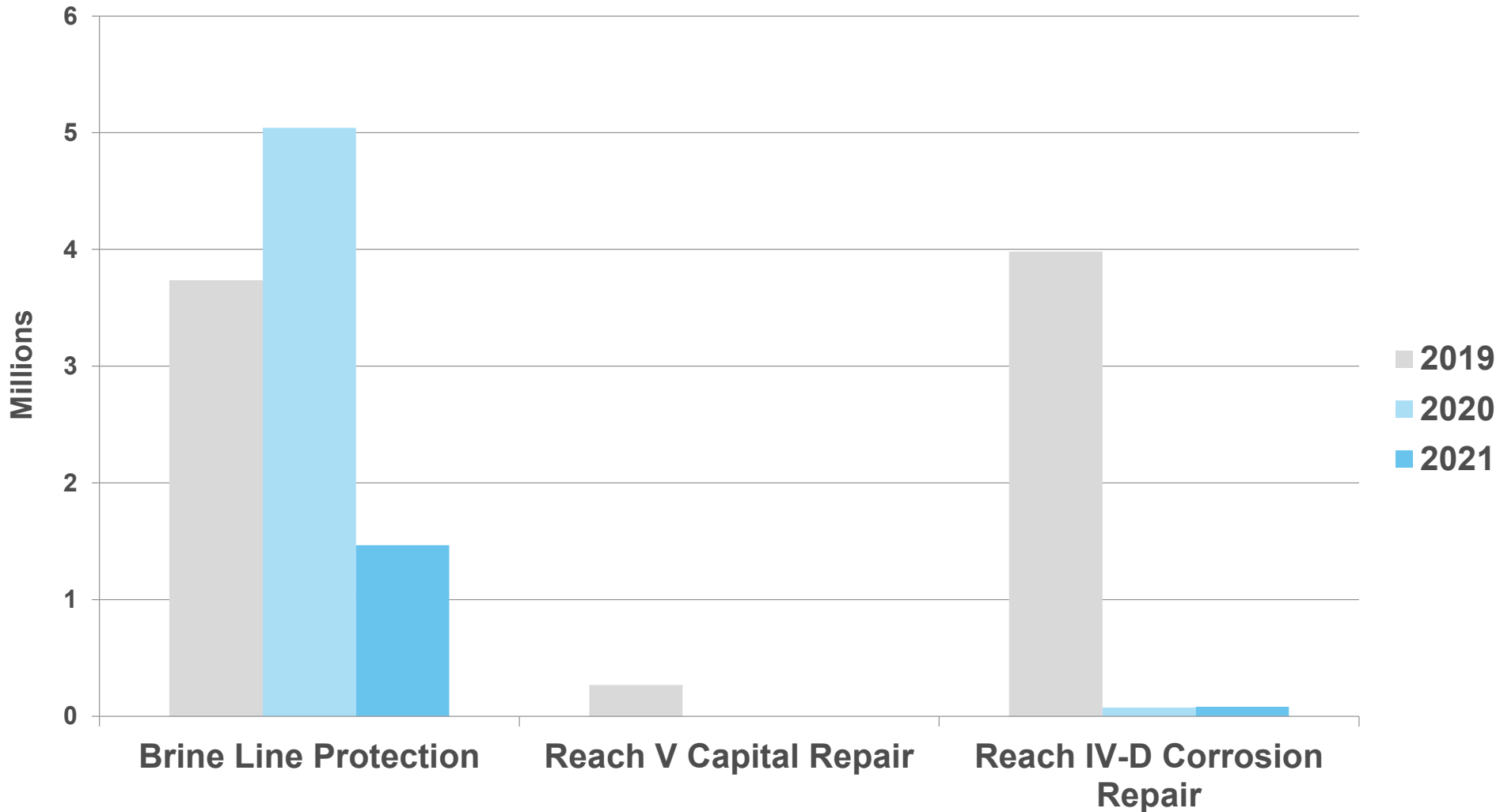
4%

Reserve Balance (EOY)



Reserve Account	FYE 2020	FYE 2021
Pipeline Repair/Replacement Reserve	\$15,467,521	\$15,728,983
OCSD Rehabilitation Reserve	3,591,892	3,591,892
OCSD Future Capacity Reserve	1,761,077	1,761,077
Self-Insurance Reserve	4,224,343	4,324,343
Flow Imbalance Reserve	85,103	85,103
Debt Service Reserve	3,928,308	3,417,032
Capacity Management Reserve	11,502,545	11,502,545
Operating Reserve	3,133,547	3,133,547
Total Reserves	\$43,694,336	\$43,544,522

Capital Improvement Projects



Capital Project Funding – Use of Reserves



Project	FYE 2019	FYE 2020	FYE 2021
Brine Line Protection	\$3,736,548	\$5,041,923	\$1,466,878
Reach V Capital Repairs	269,167	0	0
Reach IV-D Corrosion Repairs	980,317	76,211	82,151
Total	\$4,986,032	\$5,118,134	\$1,549,029

FYE 2019 Budget also includes \$3 million in SRF Loans for Reach IV-D Corrosion Repairs

Capital Projects



- Fund 320 Brine Line Protection
 - OCSD Rock Removal Project
 - Protection from stormwater/erosion
 - Reach IV-D MAS modifications
 - Alcoa Dike protection/relocation
- Fund 327 Reach IV-D Corrosion Repair
 - Evaluation of pipeline corrosion



Questions?

INLAND EMPIRE BRINE LINE UPDATE ON ORDINANCE REVISIONS AND RELEASE FOR PUBLIC REVIEW

Lucas Gilbert, Manager of Permitting and Pretreatment
Project Agreement 24 Committee
May 5, 2020 | Item 5.B.



Background

- Orange County Sanitation District has completed the process of updating and revising their Sewer Use Ordinance.
- SAWPA is required to update their Ordinance to include the relevant OCSD revisions.

Proposed Ordinance Updates - OCSD

Issue	Change/Amendment
Prohibition on Hydrolysate:	Prohibits the direct or indirect of receipt of Hydrolysate or wastes and wastewater resulting from Hydrolysis into the Brine Line.
Prohibition on Non-Domestic Surface and Floor Drains:	Prohibits discharge of non-domestic water via a surface or floor drain directly or indirectly to the Brine Line. (For purpose of limiting stormwater discharge to the Brine Line.)
Reports of Changed Conditions:	Each User must notify the General Manager's designee 30 calendar days in advance.
Sale or Change of Ownership:	The successor owner shall apply for a new permit 30 calendar days in advance. This was previously 15 days in advance.

Proposed Ordinance Updates - SAWPA

Issue	Change/Amendment
Industrial User Definition:	Definition has been revised to standardize it with the OCSD definition.
Non-Industrial User Definition:	Creation of a new classification of User for Brine Line dischargers that do not meet the definition of Industrial User.
Connection Permit Definition:	Creation of new Brine Line connection authorization to allow for greater flexibility in controlling infrequent discharges to the Brine Line, such as the current “emergency” permittees.

SAWPA Timetable

Date	Milestone	
September 19, 2019	SAWPA Internal Draft to Member and Contract Agencies for review at PPWM (2 weeks)	✓
October 3, 2019	Agency Review Complete	✓
October 17, 2019	Resolution of conflicting Agency comments, Draft 2	✓
October 17, 2019	Submit Draft 2 to OCSD for review	✓
March 27, 2020	OCSD Review complete	✓
April 14, 2020	Resolution of OCSD comments, Draft 3	✓
April 14, 2020	Submit Draft 3 to OCSD for review	✓
	OCSD Concurrence on Draft 3	
May 18, 2020	Release draft Ordinance for public review	
Prior to Public Hearing	Workshop with dischargers	
July 7, 2020	Public Hearing before Commission, possible adoption	

Questions