

# Santa Margarita Water District



## MEMORANDUM

**TO:** Board of Directors

**DATE:** April 21, 2017

**FROM:** Daniel Ferons

**SUBJECT:** June 3, 2017 Board Workshop Follow-up

### **SUMMARY:**

The Workshop purpose was to identify where we are today, get direction for our future and clarify steps for the next 24-36 months with our strategic plan and long-range financing plan. The meeting opened with remarks by President Gibson on the purpose and the structure of the meeting by the facilitator, Michele Tamayo.

The first presentation was on the 2017-2018 water supply for the District and a potential 2030 water supply portfolio. The proposed 2030 supply was a strawman for the Board to consider one path to meeting the strategic goals. We also presented the H2Opoly board to highlight the number of opportunities and obligations facing the District including water supply, odor control, capital replacement and regional partnerships. H2Opoly also included risks the District is facing with uncertain regulatory environment, uncertain weather and the risk of disasters along with the opportunities of grants, partnerships and loans.

We followed with a presentation on financial considerations with an emphasis on sources and uses of funds with an eye to capital repair and replacement and use of reserves. We discussed fiscal policy considerations and the industry standards for maintaining adequate reserves. The current rate structure and financial forecast for the next three fiscal years was presented along with the impact on reserves.

At the end of the meeting, each Director was queried by Ms. Tamayo and a list of items for next steps was developed and I was tasked with summarizing the list into the following action items for the Board to consider:

- 1) Prepare a financial review:
  - a) Confirm the District's reserve policy and establish targets for number of days and debt ratio.
  - b) Analyze the rate structure and propose alternatives to improve the revenue to ensure financial stability while smoothing impacts.

- 2) Develop an integrated resource plan for District projects including repair and replacement as well as reliability projects:
  - a) Identify budgets and cash flow projections
  - b) Develop project schedules and off-ramps
  - c) Propose alternative financing plans including use of revenue financing and/or property based debt
  
- 3) Raise community awareness:
  - a) Review the recent polling results
  - b) Develop a public information campaign

We will work on an overall schedule and develop a process for review through the committee process for recommendation to the full board. Regular updates will be provided throughout the process.