

Financing Plan Introduction



August 4, 2025



Municipal Advisory | Financial Planning | Pension Optimization

**Las Gallinas Valley
Sanitary District**



Context



- **\$150 million CIP for FYs 2025-2030**
- **2023 Rate Study:**
 - Established rates through FY2027
 - Good tracking on Revenues
 - Rate Study underestimated O&M Expenses
 - Lower interest rate assumptions on future financings
- **Need Updated Financial Plan:**
 - Net Revenues and Debt Service Coverage Calculations
 - Reserves
 - Capital Projects
 - Financing Strategy



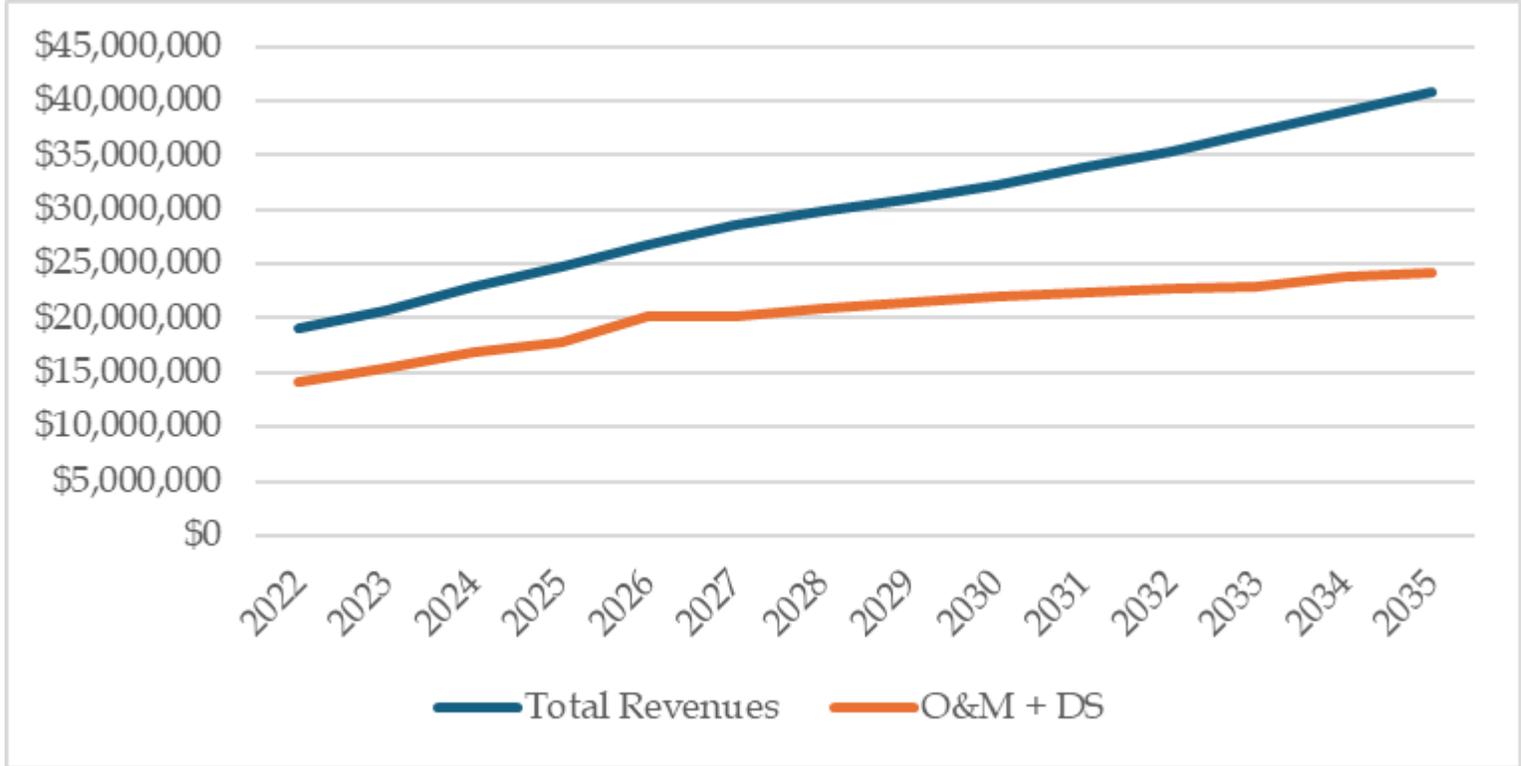
Key Assumptions & Process



- **Revenues:**
 - 10% rate increases for 2026 and 2027, 5% thereafter (per rate study)
 - 3.5% property tax revenue growth
 - 3% investment returns on reserves
- **Expenses:**
 - Detailed staffing model / full staffing at all times
 - 3% inflation rate
 - Line-specific projections
- **Financing:**
 - 30-year financing term
 - 5.25% interest rate

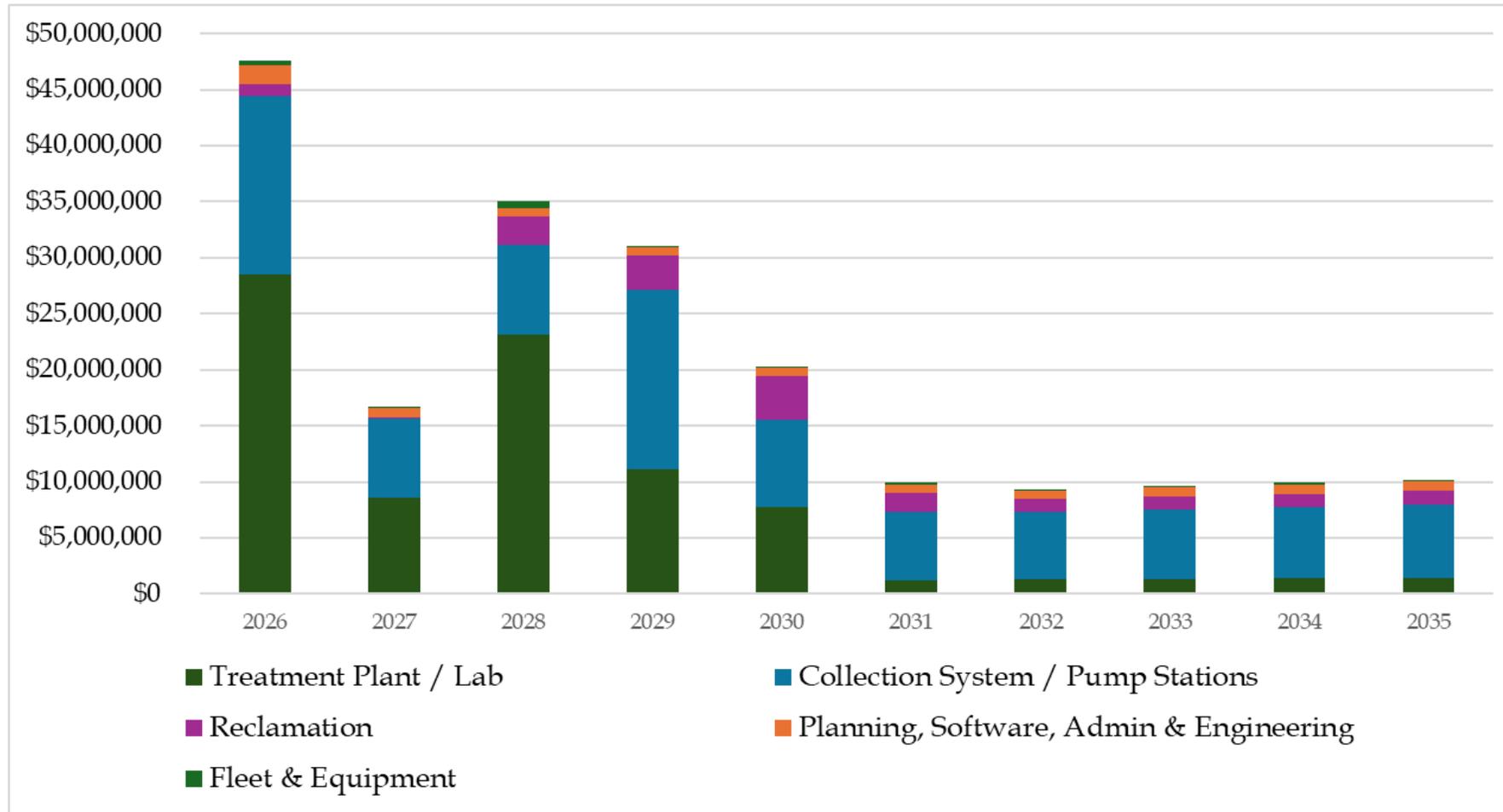


Revenues vs. O&M and Debt Service

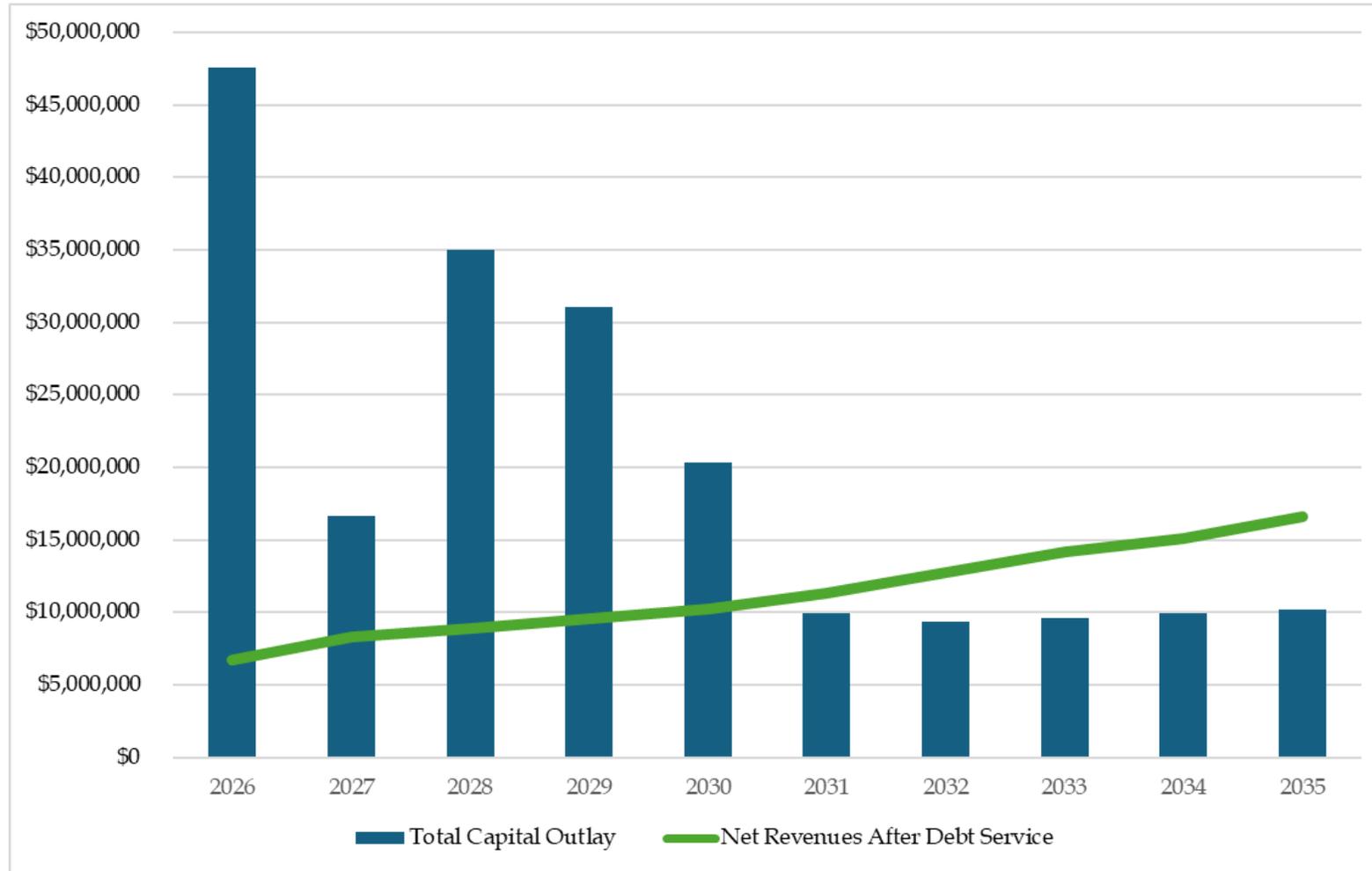


- Key Assumptions:
- No new debt after FYE 2026
- FYE 2026 debt:
 - \$6.1m Solar / BESS lease
 - \$19.5m bonds

Capital Improvements Program



CIP vs Net Revenues



5-Year Snapshot



Description	FYE 2026	FYE 2027	FYE 2028	FYE 2029	FYE 2030	Total 2026-30
Net Revenues After Debt Service [1]	\$6,690,000	\$8,329,000	\$8,908,000	\$9,556,000	\$10,197,000	\$43,680,000
Total Capital Outlay	\$47,569,000	\$16,678,000	\$35,023,000	\$31,083,000	\$20,328,000	\$150,681,000
Anticipated Financing Proceeds	\$25,524,000	\$7,500,000	\$19,475,000	\$10,515,000	\$6,540,000	\$69,554,000
Net Cash Flow After Capital Outlay	(\$15,355,000)	(\$849,000)	(\$6,640,000)	(\$11,012,000)	(\$3,591,000)	(\$37,447,000)

[1] 2028-2030 net revenues do not reflect debt service for 2027-2030 capital projects

Analysis Outcomes



- **Positive:**

- District is able to maintain very **healthy debt service coverage ratio** of 2.0x+ with the budgeted FY 2026 financing program and plenty of room for additional financing

- **Issues of Concern:**

- Budgeted capital improvements and financing program for FY 2026 is projected to **almost entirely deplete** District's unrestricted funds and capital reserves
- District is **unable to fund** the anticipated \$150M in capital projects with:
 - Unrestricted funds
 - Budgeted financing amounts
 - 5% rate increases in FY 2028 and beyond

Summary



District has a **healthy** rate structure that can **maintain** current services and fund **some** capital projects, **BUT**

Budgeted capital improvements over the next 5 years cannot be funded without **rate increases over 5%** and/or **higher financing amounts**.

Budgeted capital improvements outpace projected revenues.

Questions to Ask



- **What is the minimum acceptable level of reserves?**
 - Consider higher financing amount for Lab / Corp Yard / Pump Station projects to maintain reserves
- **Do all capital projects need to be completed in the next 5 years?**
 - Consider delaying some work to allow reserve build-ups
- **What level of debt financing is appropriate?**
 - Consider add'l financing – there is plenty of debt service coverage ration cushion
- **What future rate increases are appropriate?**
 - New rate study needs to go into effect July 1, 2027

Questions?



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