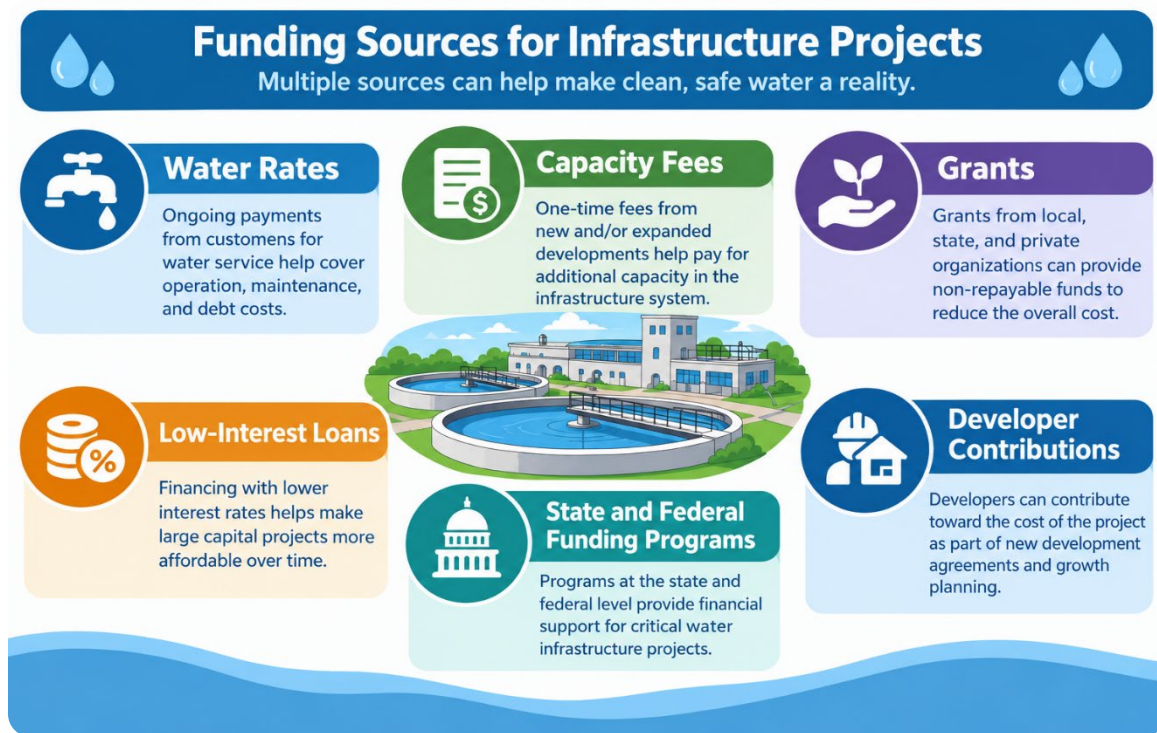


Funding Sources and Financial Options

Many customers expressed interest in understanding how future infrastructure and water supply projects will be paid for. Different projects may use different sources of funding, including those described below. The availability of these financial resources, along with the size and complexity of a project, can affect how quickly projects can move from planning to construction.



Questions We Heard

- **Who pays for infrastructure improvements or water supply development projects?**

Many customers have asked how future improvements and investments will be funded and whether costs are shared fairly. Discussions on equity explore generational ratepayer participation in significant capital replacement and improvement projects. When Camrosa primarily uses **reserves** to fund capital improvements, these costs were borne by prior ratepayers. Setting aside reserves by current ratepayers for future needs is a prudent investment in the future. When **current rates** are the primary source to fund capital improvements, these costs are borne by current ratepayers. **Bonds or financing**, as a primary source to fund capital improvements, place the burden of repayment on future ratepayers.

When **new customers** (new homes or development) desire to connect to the water or wastewater system they are required to pay a **Capacity Fee** that pays a proportional share of the current infrastructure costs as well as their projected share of future costs.

Camrosa will also pursue available **state and federal grants** and **low-interest financing** programs to help fund eligible capital projects. Securing outside funding can reduce the amount that must be funded through rates, reserves, or traditional debt, thereby helping to distribute project costs more equitably while taking advantage of funding opportunities that may not be available in the future.

Finding a balance between these funding sources and assessing who will benefit and when the projects' benefits will be realized is a key element to funding strategic planning.

- **How much funding comes from customer rates?**

Customer rates are Camrosa's primary ongoing source of revenue and are used to fund the **day-to-day operation and maintenance** of the water and wastewater systems, as well as a portion of **capital improvements**. Rates also provide funding to build **reserves** for future infrastructure needs and to support **debt repayment** when financing is used.

The amount of rate revenue dedicated to capital improvements varies from year to year based on Camrosa's capital needs, available reserves, grant funding, financing opportunities, and other sources of revenue. Camrosa's long-term financial planning considers these factors together to determine how much of the cost of future projects should be borne by current customers, future customers, new development, or outside funding sources.

The goal is not necessarily to fund every project from rates alone, or for that matter, any one source. Rather, Camrosa seeks to use a **balanced combination** of rates, reserves, capacity fees, grants, low-interest financing, and other appropriate funding sources to maintain financial stability, limit unnecessary rate impacts, and fairly allocate costs to those who benefit from the investments.

Customers can therefore expect a portion of their rates to support infrastructure investment, because maintaining and replacing the system is an ongoing cost of providing reliable water and wastewater service. The specific amount and timing of those investments are evaluated through Camrosa's budget, capital improvement planning, and long-term financial planning processes.

- **Are grants available to help pay for projects?**

Camrosa actively seeks out all available grant opportunities. If we can get outside funding for a project, every dollar we bring in from a grant is a dollar that doesn't have to come from rates, reserves, or traditional financing.

However, during the planning process it's important to have **realistic expectations** about grants. Over the years, there's been increasingly less money available, they're very competitive, and they often don't cover the entire cost of a major infrastructure project. There's also a significant amount of work involved in applying for, meeting eligibility requirements, and ultimately receiving the money. With that said, we continue to strive for these opportunities.

- **Can new development help fund future infrastructure?**



When new customers such as new homes or other development connect to Camrosa's water or wastewater system, they pay a **Capacity Fee**. This fee helps ensure that new customers contribute their fair share toward the cost of the infrastructure needed to serve them, including both existing system capacity and planned improvements that will be needed as the community grows. Camrosa updates its Capacity Fee Study, generally every five years, to reflect changes in infrastructure costs, system needs, and future capital investments.

