



Utility Rate Study Results

February 9, 2022



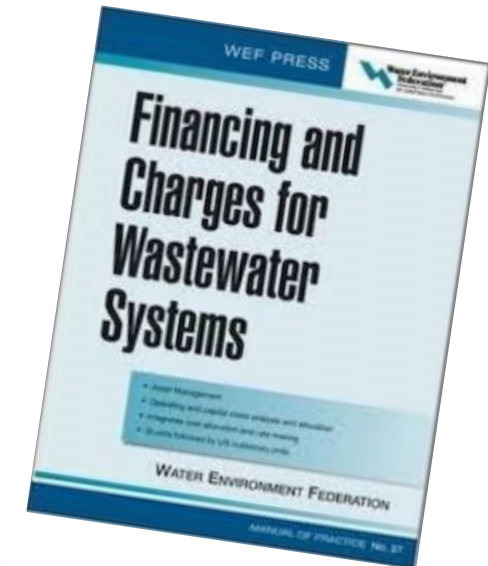
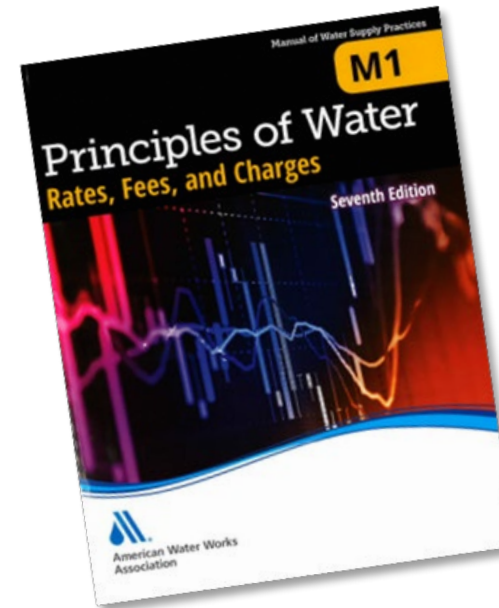
Purpose of the Presentation

- Gain Board feedback and input on the study results
 - ✓ Capital funding plan
 - ✓ Rate revenue adjustments
- Gain Board input on cost of service and rate design analyses
 - ✓ Cost of service results
 - ✓ Single rate structure for all customer classes
- Discuss study next steps and schedule

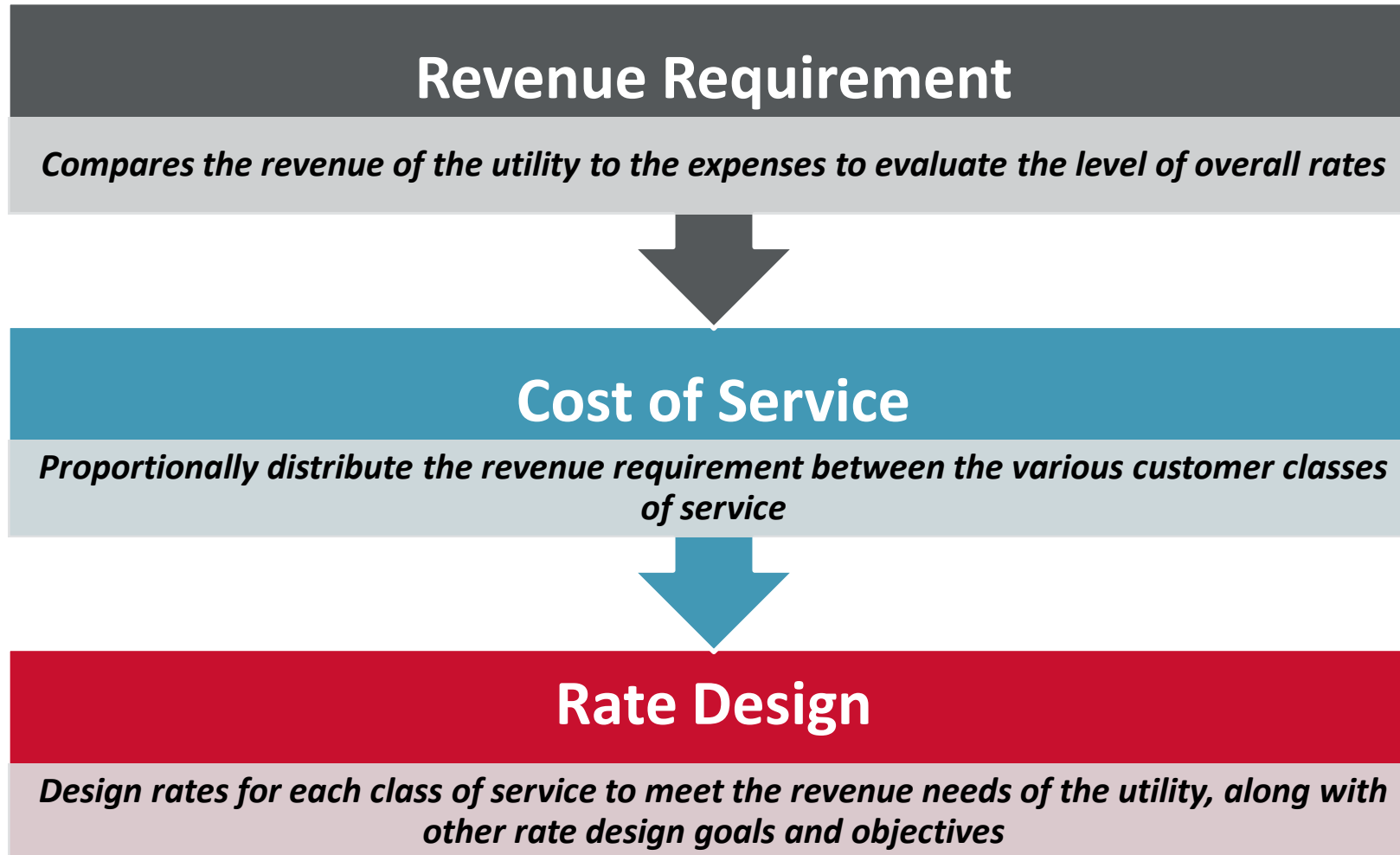


Rate Study Goals and Objectives

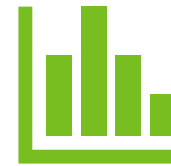
- Provides sufficient revenue to operate and maintain District's water and sewer infrastructure
- Develop equitable, proportional, and cost-based water and sewer rates
- Develop the study using generally accepted methodologies
 - ✓ Tailored to the District's systems and customer characteristics
- Reflect prudent financial planning criteria
 - ✓ Appropriate levels of capital funded through rates
 - ✓ Maintain adequate debt service coverage ratios (DSC)
 - ✓ Meet target reserve balances



Establishing Cost-Based Rates



Revenue
Requirement



Overview of the Revenue Requirement

Compares utility revenues to expenses

- Determines the level of revenue (rate) adjustment necessary

Uses prudent financial planning criteria

- Maintaining sufficient ending reserve balances
- Attaining target debt service coverage (DSC) ratio

Reviews a specific time period

- Five-year rate schedule; ten-year financial plan

Utility is analyzed on a “stand-alone basis”

- No transfer of funds from other District funds
- Rates need to support operations and capital

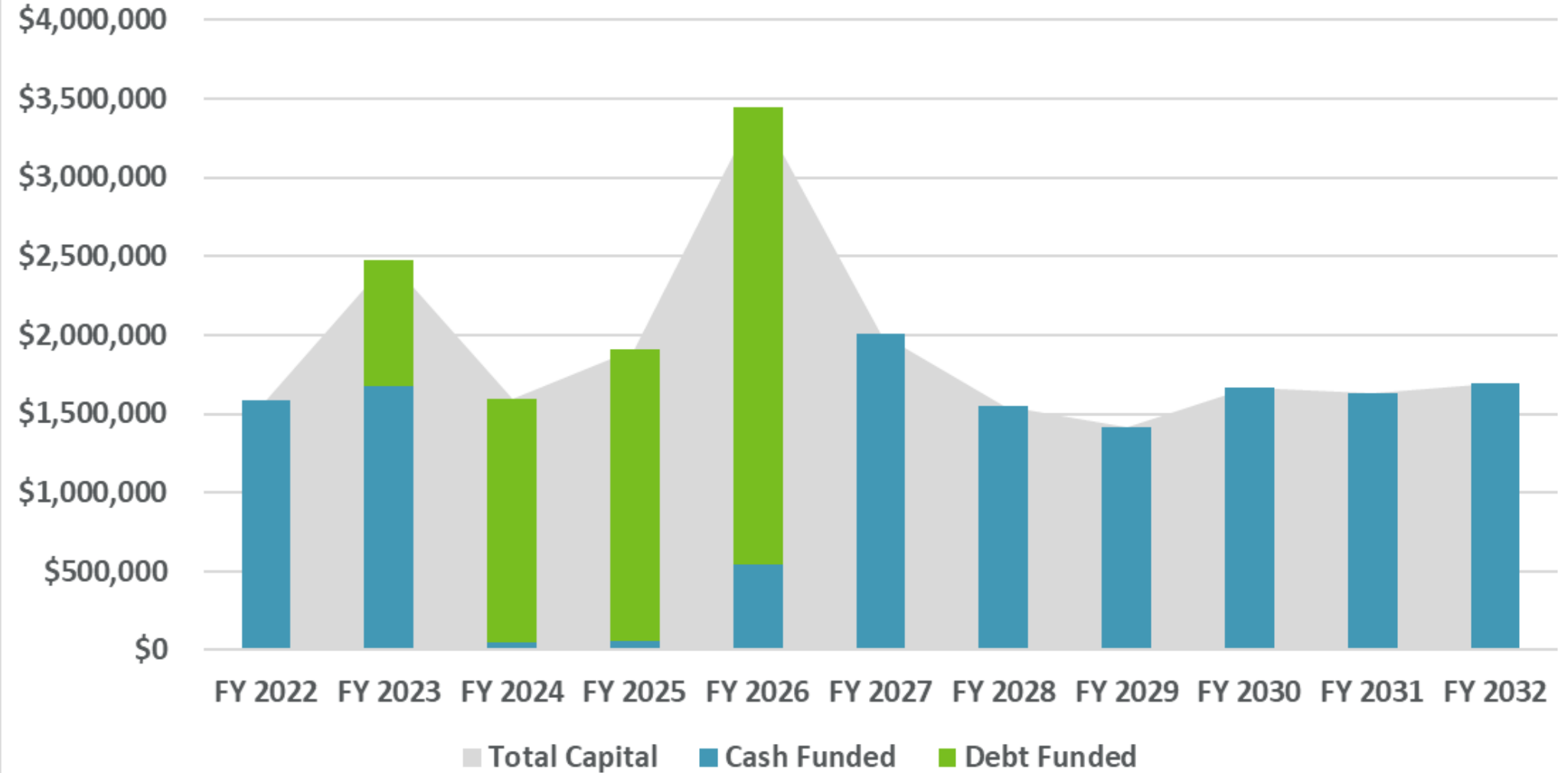
Utilizes the “cash basis” methodology

- Generally accepted method for municipal utilities

Revenue Requirement Key Assumptions

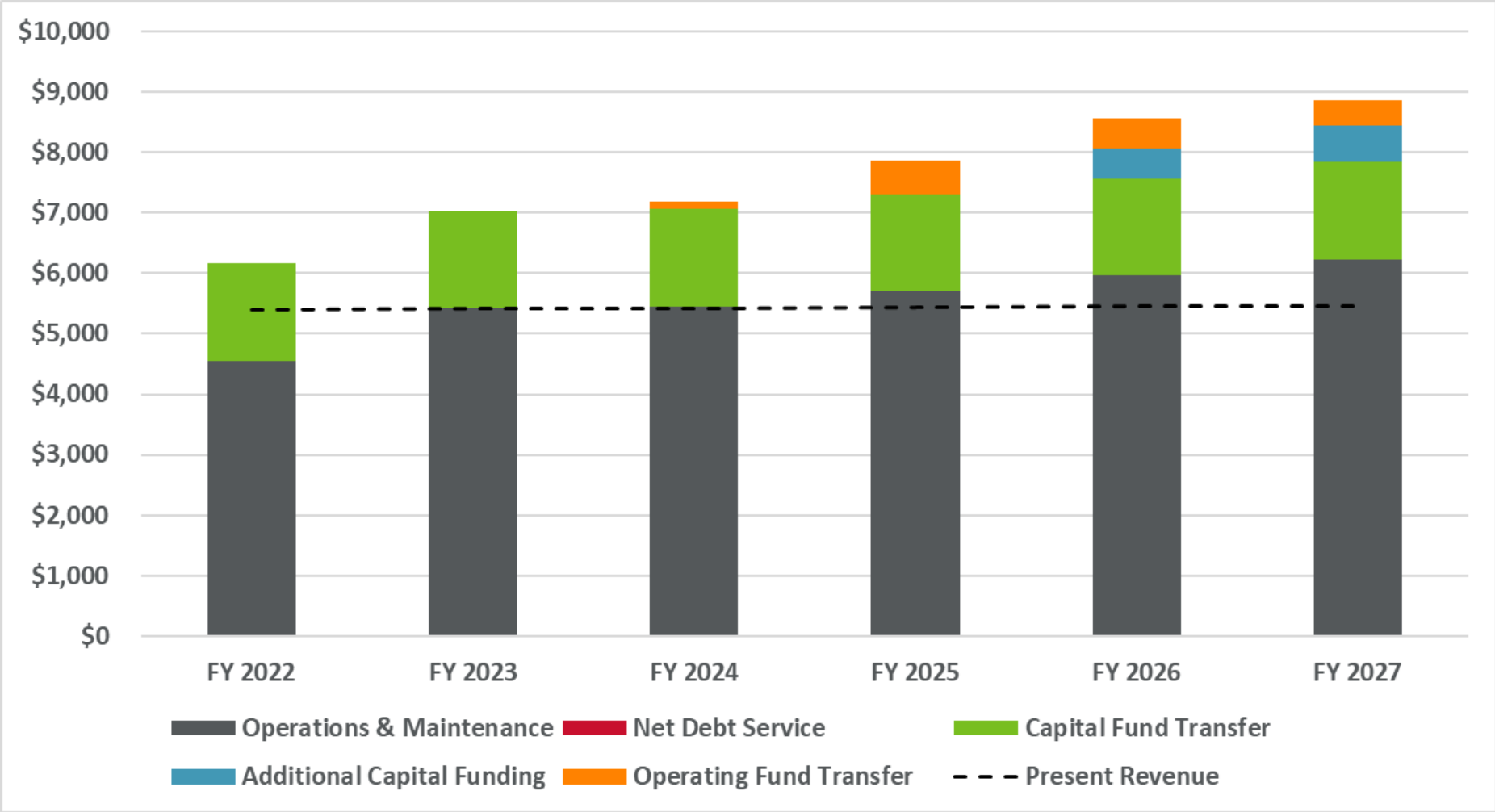
- Revenue is based on current rates and recent customer characteristics
 - ✓ Minimal customer growth assumed
- Annual capital charge revenue is used for funding:
 - ✓ Annual capital projects
 - ✓ Annual debt service used to finance capital projects
- O&M expenses are based on the FY 22 budget
 - ✓ FY 23 adjustments to labor, materials and supplies, equipment, chemicals, and utilities based on current inflationary impacts
 - ✓ Future year projections based on an average annual inflationary assumption of 3.5%
- Capital funding analysis is based on current adopted capital plan
 - ✓ Includes long-term borrowing to fund annual capital needs

Water Capital Improvement Funding Plan



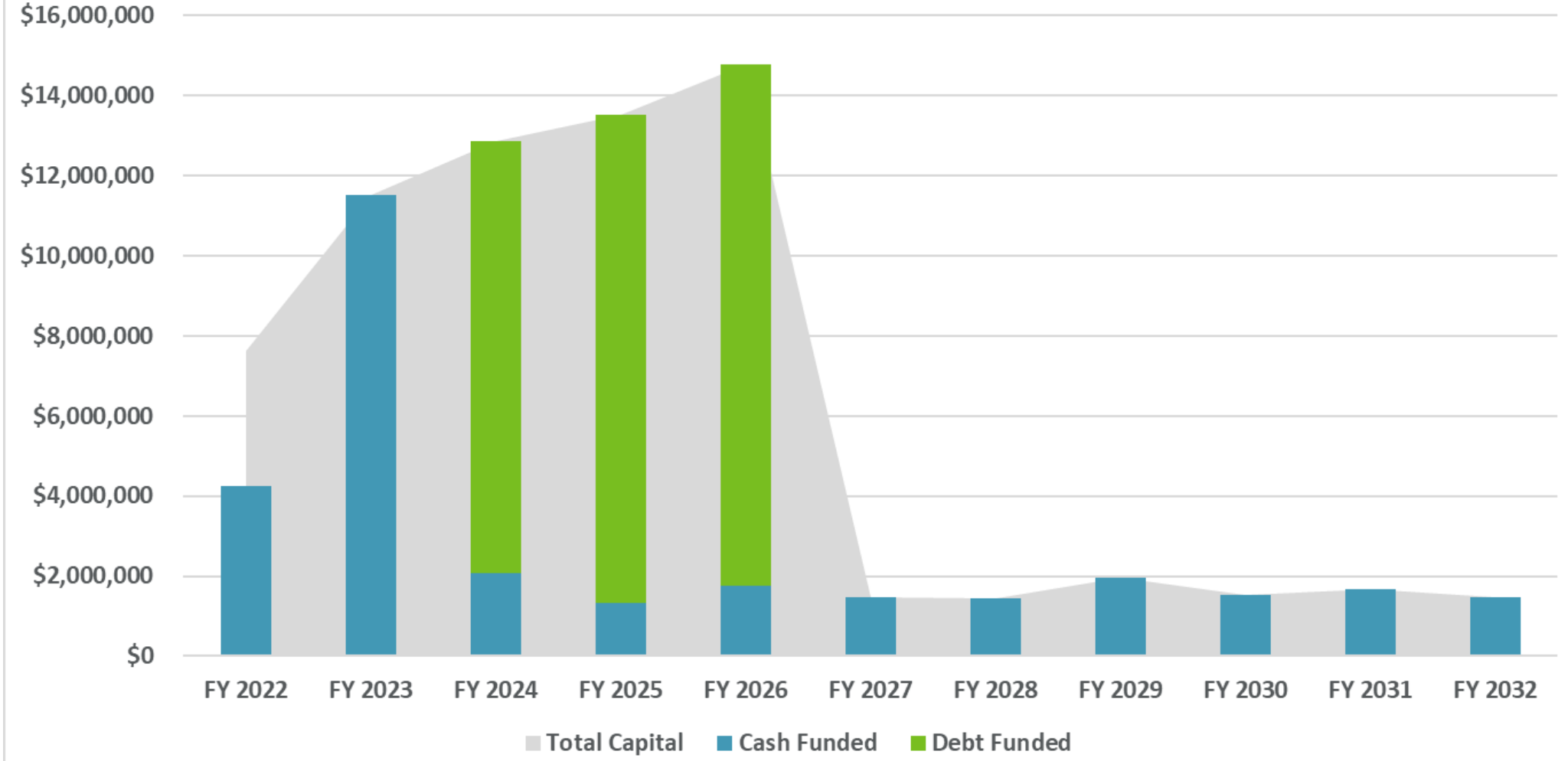
Additional long-term debt for disinfection plant improvements, main replacements, and pump station improvements

Water Revenue Requirement Summary (\$000's)



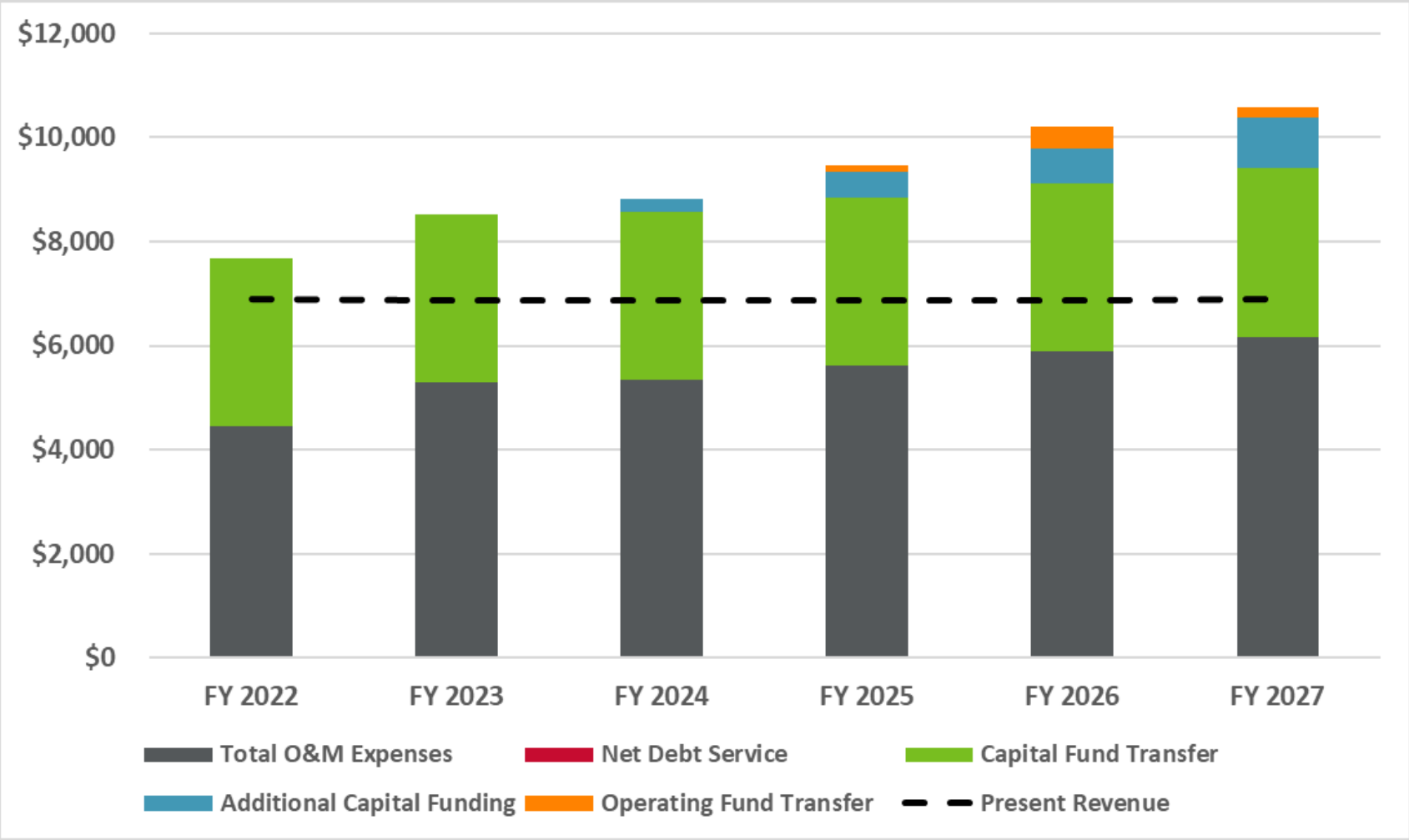
* Annual Debt Service Payments are funded through the annual capital charge

Sewer Capital Improvement Funding Plan



Additional long-term debt for effluent pipeline funding

Sewer Revenue Requirement Summary (\$000's)



* Annual Debt Service Payments are funded through the annual capital charge

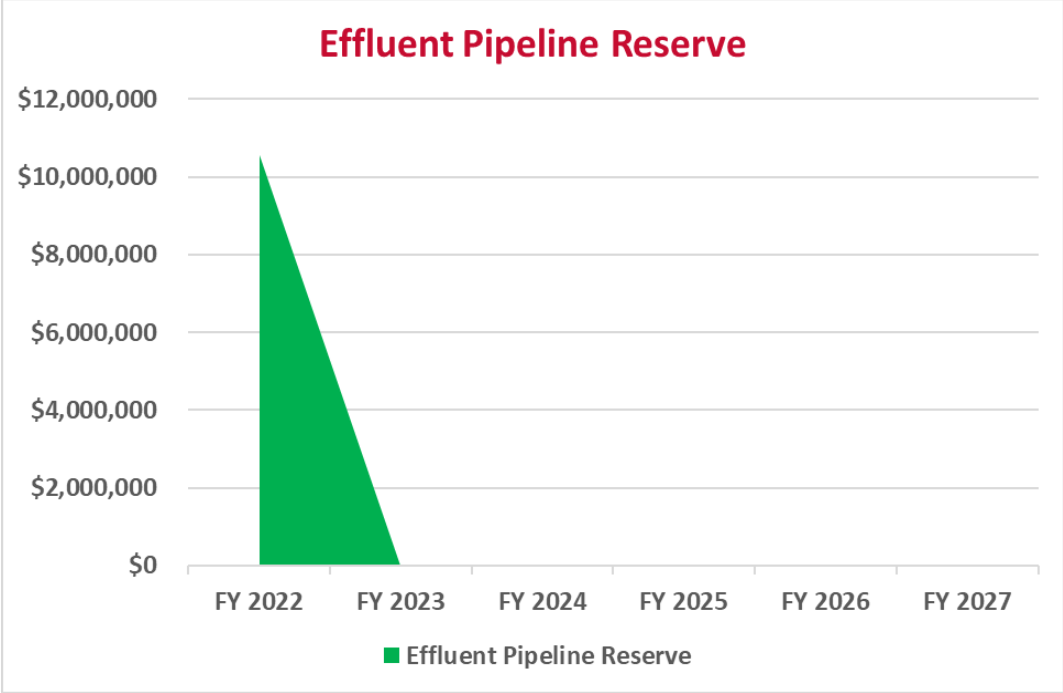
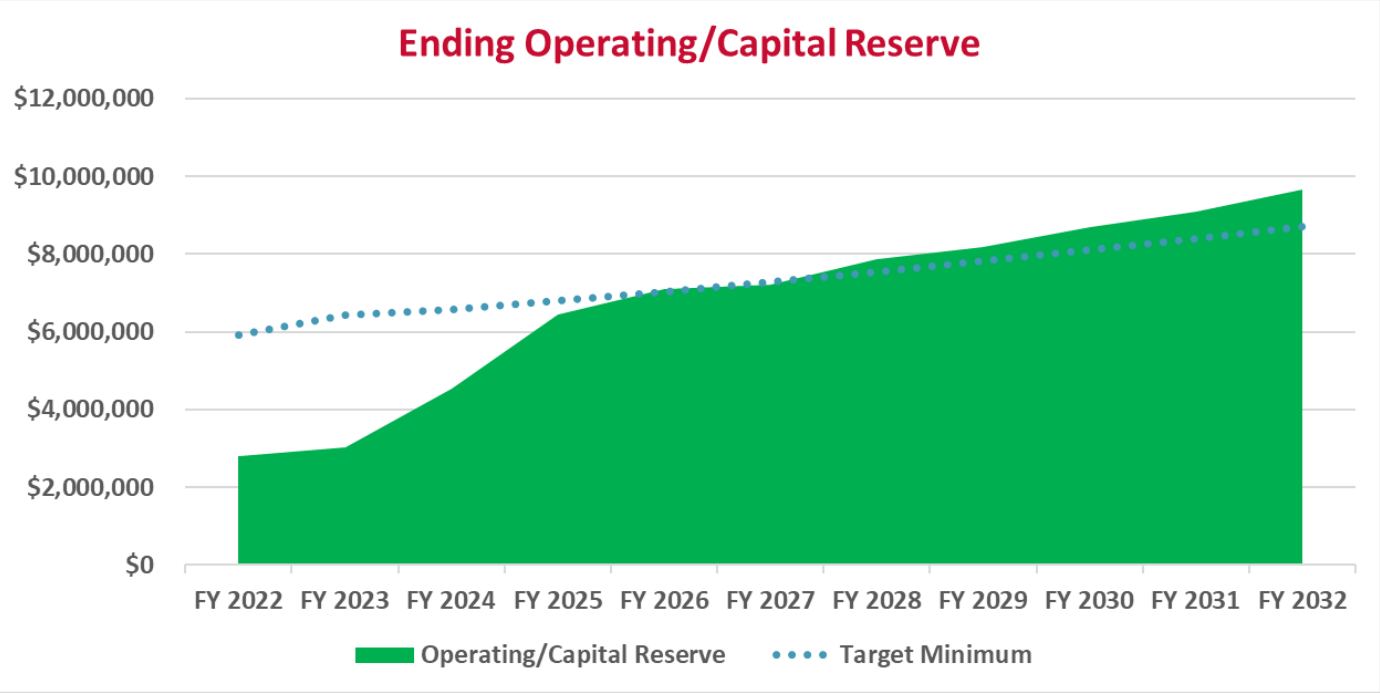
Projected Monthly Revenue / Rate Adjustments

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Water						
Avg Customer Bill ¹	\$47.59	\$56.76	\$63.39	\$69.16	\$75.59	\$78.03
Monthly Change		\$9.17	\$6.63	\$5.77	\$6.43	\$2.44
Sewer						
Avg Customer Bill ²	\$64.56	\$74.18	\$83.36	\$89.85	\$96.97	\$100.42
Monthly Change		\$9.62	\$9.18	\$6.49	\$7.12	\$3.45

1] – Based on 10,000 gal and base charge, capital improvement, admin fee, and defensible space

2] – Based on 3,000 gal and base charge, capital improvement, and admin fee

Ending Reserve Balances

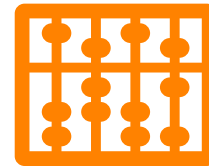


* Target Minimum based on 25% of O&M plus Annual Depreciation Expense

Summary of the Revenue Requirement Analyses

- Rate revenue adjustments are necessary to:
 - ✓ Adequately fund current and future O&M expenses
 - ✓ Fund capital improvement needs
 - Capital funding approach (e.g., low interest loans/grants) may impact future rate adjustments
 - ✓ Meet District financial policies
- Water utility impacts
 - ✓ Adequately fund annual O&M
 - ✓ Need to debt finance capital needs to transition rate adjustments and capital funding needs
- Sewer utility impacts
 - ✓ Funding needs for the effluent pipeline
 - ✓ Adequately fund annual O&M

Cost of Service



Overview of the Cost of Service

What is cost of service?

- Analysis to proportionally distribute the revenue requirement to each customer classes of service

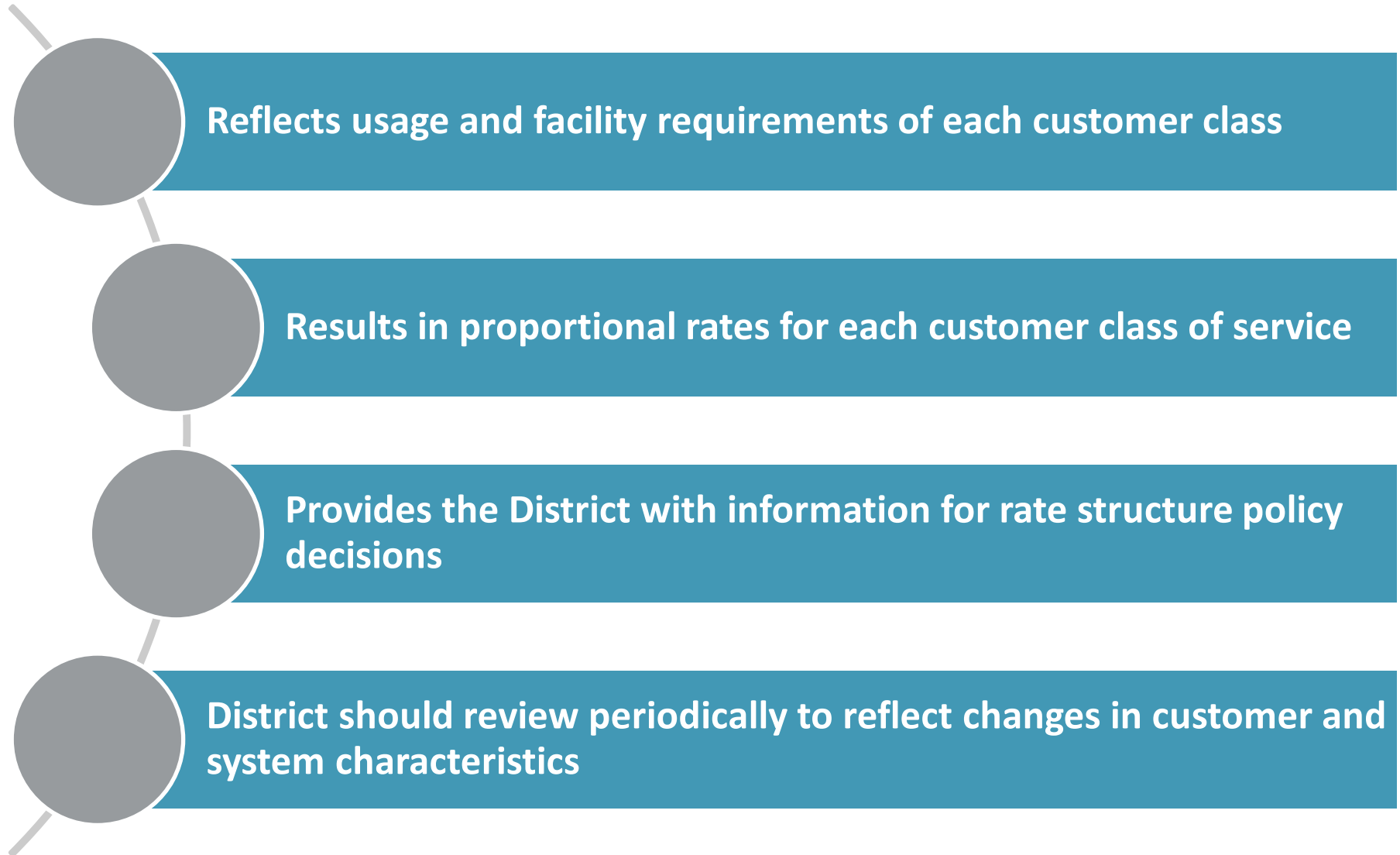
Why cost of service

- Generally accepted as “fair and equitable”
- Avoids interclass subsidies
- Revenues reflect costs

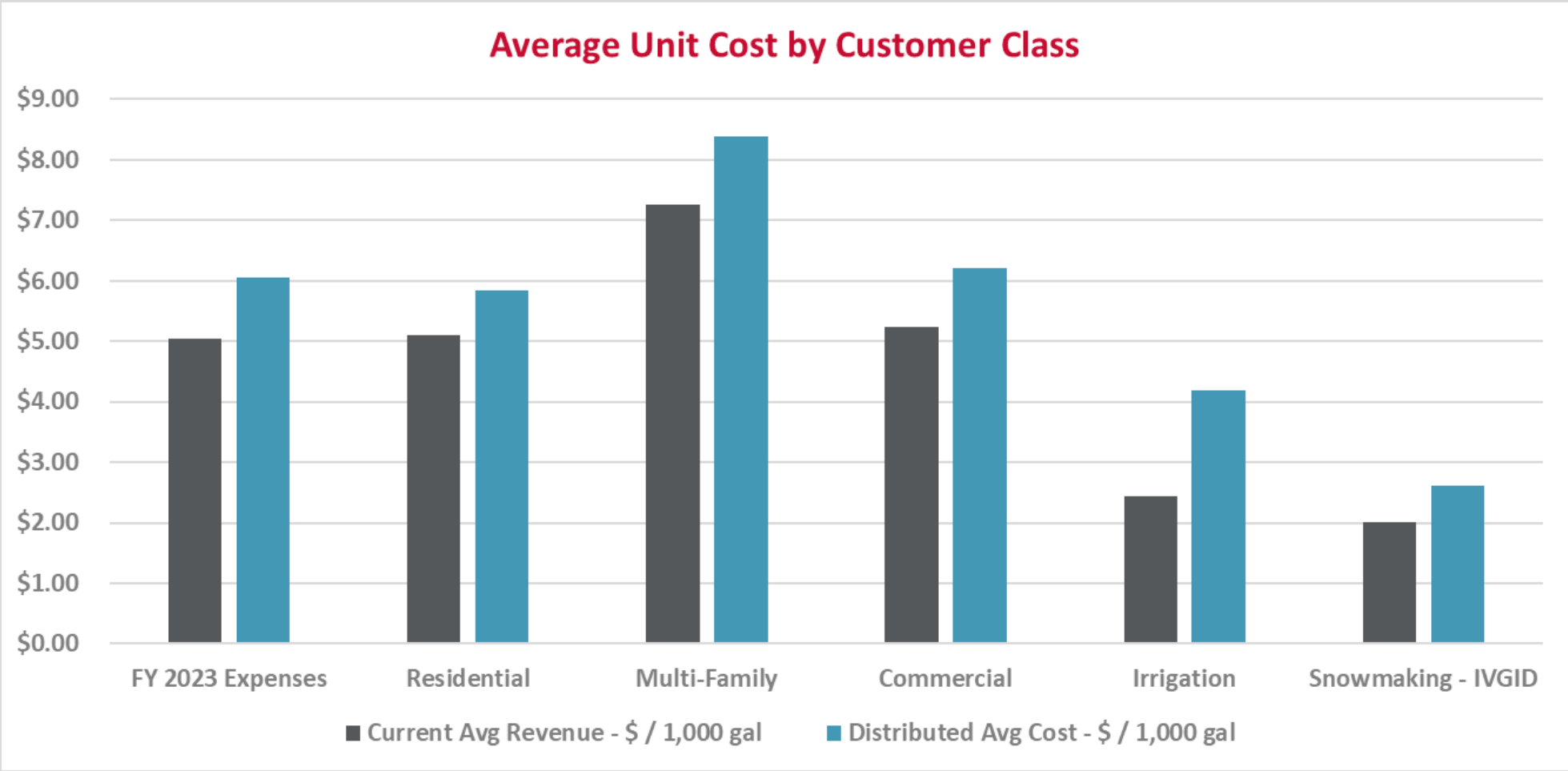
Objectives of Cost of Service

- Determine if subsidies exist
- Develop average unit costs

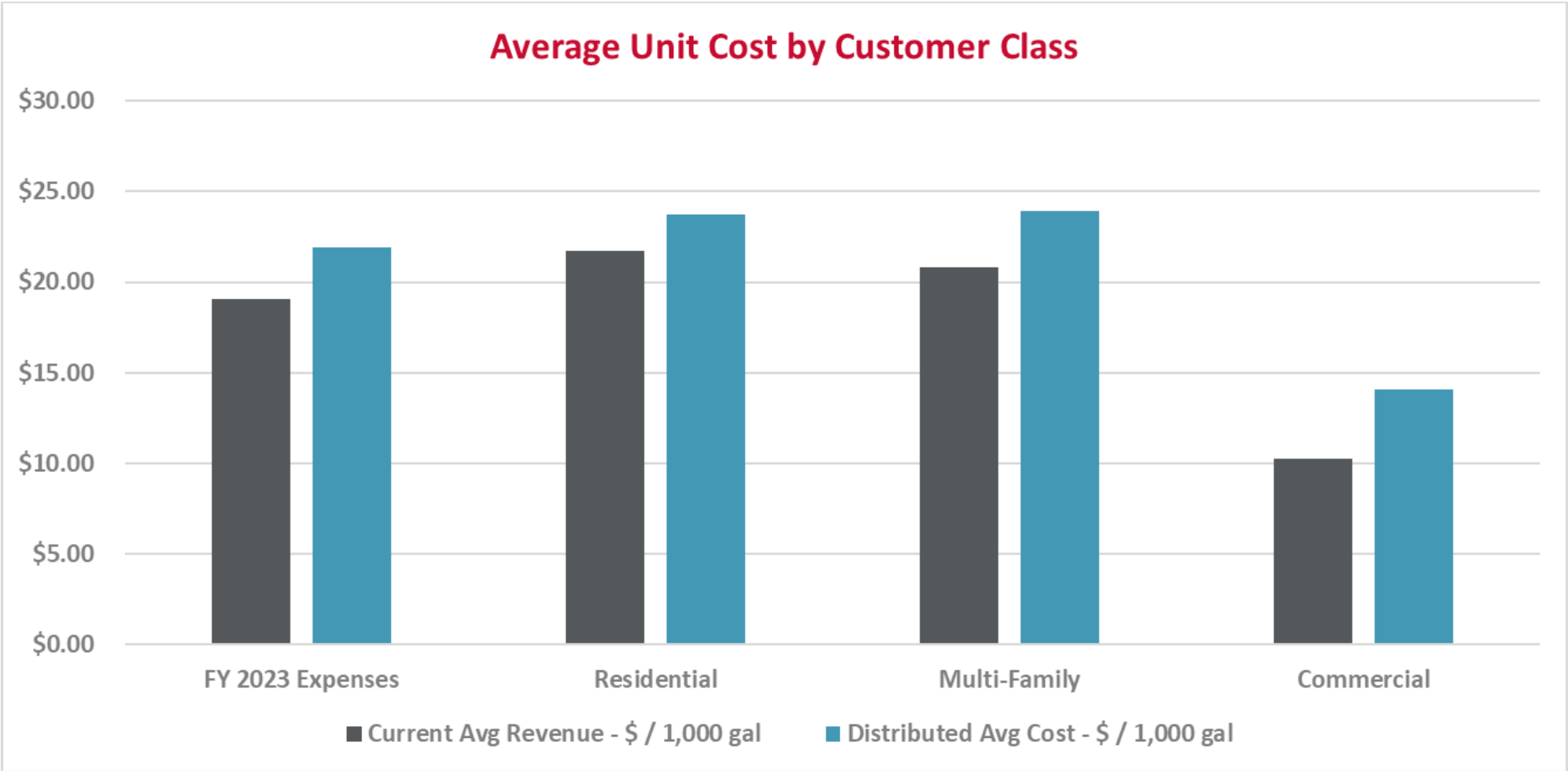
Purpose of the Cost of Service



Water Cost of Service Summary (FY 2023)



Sewer Cost of Service Summary (FY 2023)



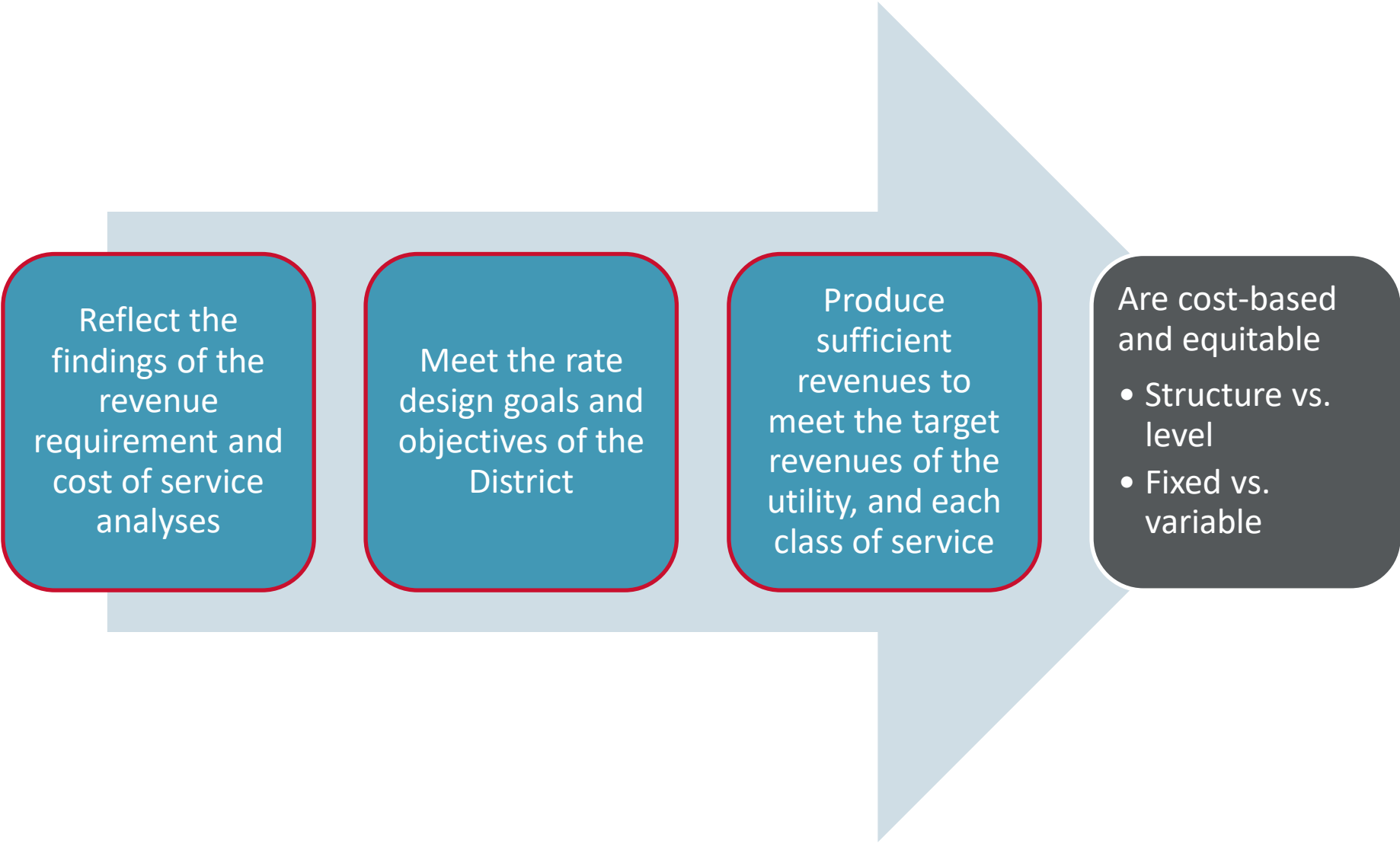
Cost of Service Summary

- Some cost differences exist between the customer classes of service
 - ✓ Reflects customer and system characteristics
 - ✓ Characteristics change over time (e.g., COVID pandemic)
- Water utility impacts
 - ✓ Driven by peak use by customer classes (irrigation customers)
- Sewer utility Impacts
 - ✓ Appears to be driven by change in commercial customer characteristics since prior studies
- Cost of service is a single point in time
 - ✓ First comprehensive cost of service in some time
- Would not recommend complete transition to cost of service results at this time
 - ✓ Minor adjustments to customer classes could be made
 - ✓ Would result in a separate rate schedule for that customer class

Rate Design



Overview of the Rate Design



Current Water and Sewer Rate Structures

▪ Water

- Fixed Charge – Consists base charge, capital improvement, and admin fee
 - Single Family & Multi Family: Flat rate per account or unit
 - Commercial and Irrigation: Varies by service meter size
- Variable Charge
 - Three-tiered increasing block structure for all classes
 - » 0 – 20,000 gallons
 - » 20,000 – 60,000 gallons
 - » 60,000 + gallons
 - Varies by meter size for commercial and irrigation customers



▪ Sewer

- Fixed Charge – Consists of base charge, capital improvement, and admin fee
 - Single Family & Multi Family: Flat rate per account or unit
 - Commercial : Varies by service meter size
- Variable Charge
 - Uniform rate structure for all classes
 - Winter water cap for residential customers

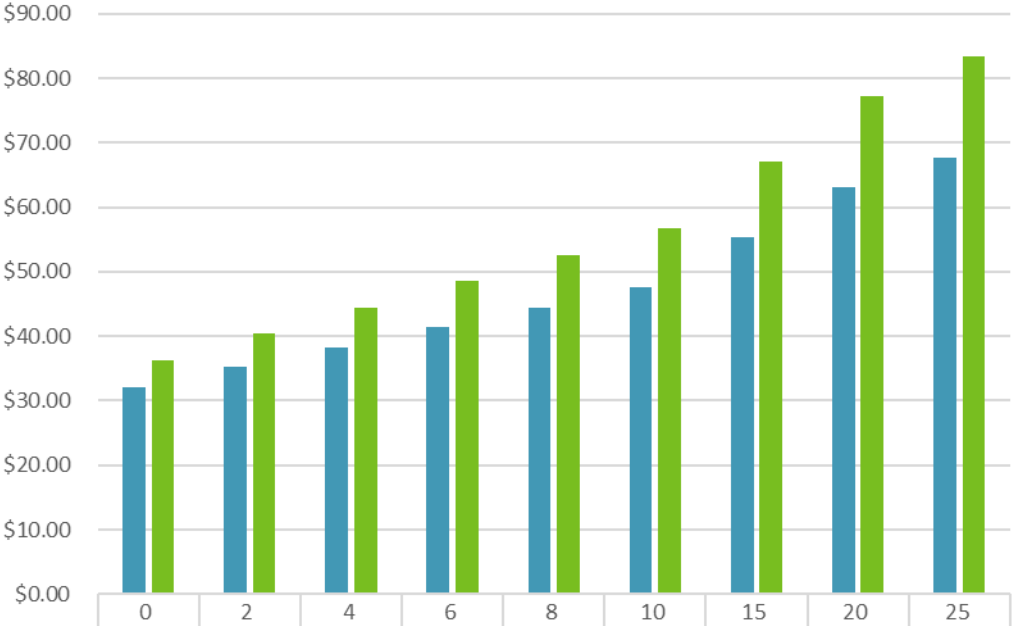


Rate Design Summary

- Cost of service results showed minor cost differences
 - ✓ Exception of irrigation customers and commercial sewer customers
- Recommend maintaining current rate structure
 - ✓ First cost of service analysis
- Recommend across the board adjustment
 - ✓ Only level of rates would be adjusted
- If the Board recommends cost of service adjustments separate rate schedules by class of service will be necessary
 - ✓ Alternative rate designs were developed to transition irrigation and commercial sewer customers to the cost of service results over the five year period
 - ✓ Additional alternative to change past Board approach to PSRI accounts

Present and Proposed Water Rates and Bill Comparison

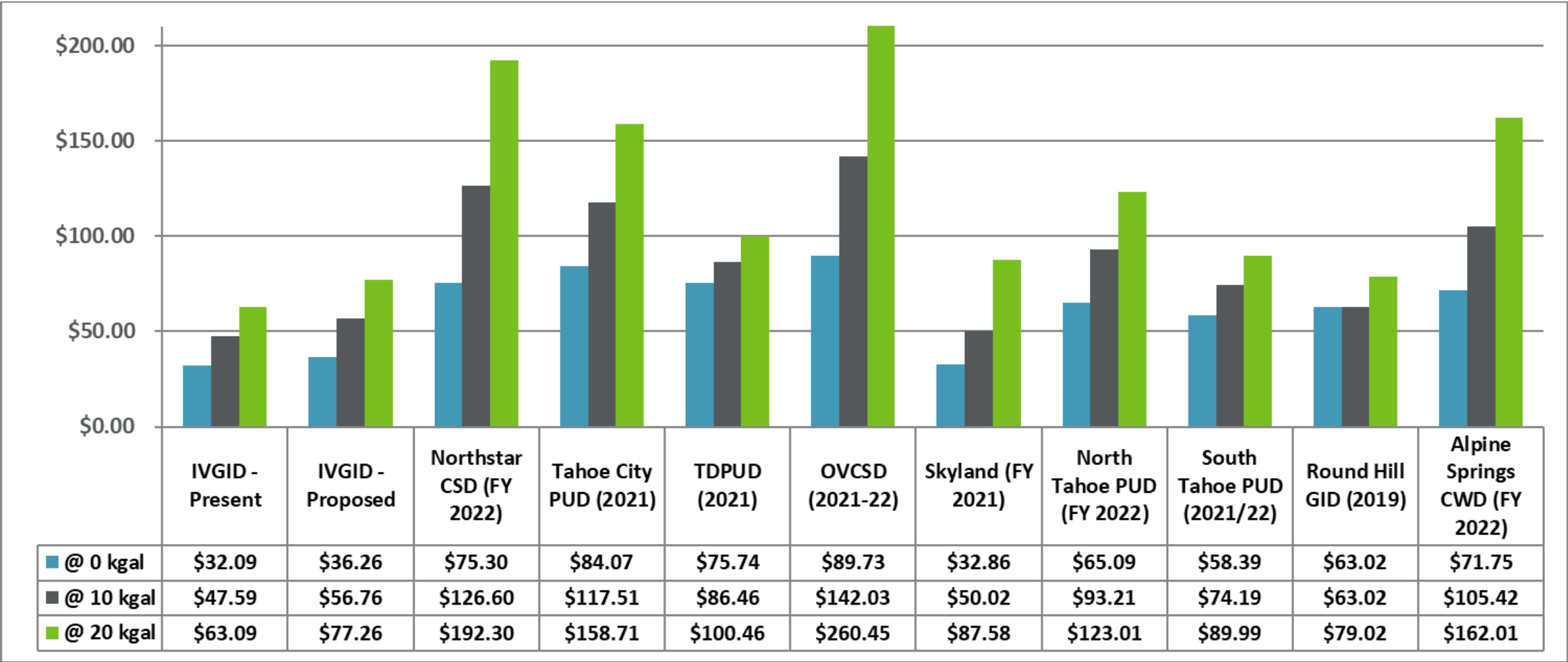
Present and FY 23 Proposed Rates



■ Present Rates	\$32.09	\$35.19	\$38.29	\$41.39	\$44.49	\$47.59	\$55.34	\$63.09	\$67.74
■ Proposed Rates	\$36.26	\$40.36	\$44.46	\$48.56	\$52.66	\$56.76	\$67.01	\$77.26	\$83.41

	Present Rates	Proposed				
		FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Meter Fee						
3/4"	\$11.97	\$15.88	\$18.70	\$21.15	\$21.85	\$22.40
1"	19.99	26.52	31.23	35.32	36.49	37.41
1 1/2"	39.86	52.88	62.27	70.43	72.76	74.59
2"	63.80	84.64	99.67	112.73	116.46	119.39
3"	119.70	158.80	187.00	211.50	218.50	224.00
4"	199.54	264.72	311.73	352.57	364.24	373.41
6"	398.96	529.28	623.27	704.93	728.26	746.59
8"	638.36	846.88	997.27	1,127.93	1,165.26	1,194.59
10"	917.50	1,217.20	1,433.35	1,621.15	1,674.80	1,716.96
Capital Improvement Fee						
3/4"	\$15.10	\$15.10	\$15.10	\$15.10	\$19.70	\$20.64
1"	25.22	25.22	25.22	25.22	32.89	34.47
1 1/2"	50.28	50.28	50.28	50.28	65.58	68.74
2"	80.48	80.48	80.48	80.48	104.98	110.03
3"	151.00	151.00	151.00	151.00	196.95	206.43
4"	251.72	251.72	251.72	251.72	328.32	344.12
6"	503.28	503.28	503.28	503.28	656.44	688.04
8"	805.28	805.28	805.28	805.28	1,050.34	1,100.90
10"	1,157.42	1,157.41	1,157.41	1,157.41	1,509.63	1,582.29
Admin Fee	\$3.97	\$4.23	\$4.44	\$4.66	\$4.89	\$5.14
Defensible Space	1.05	1.05	1.05	1.05	1.05	1.05
Water Use						
All Use	\$1.55	\$2.05	\$2.41	\$2.72	\$2.81	\$2.88
Tier 1	0.93	1.23	1.45	1.63	1.69	1.73
Tier 2	2.27	3.00	3.53	3.98	4.12	4.22

Local Monthly Residential Water Bill Comparison

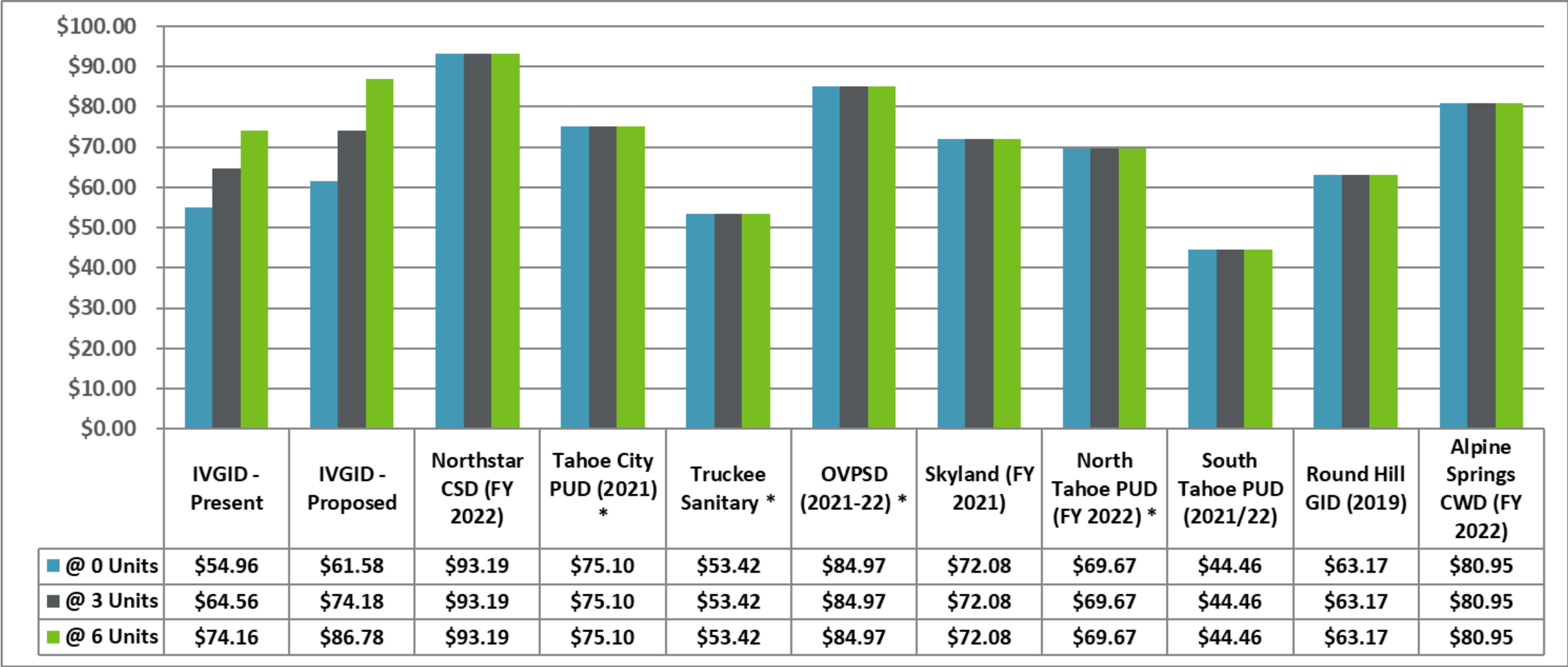


Present and Proposed Sewer Rates

	<i>Present</i>	<i>Proposed</i>				
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Residential						
Base Charge	\$19.54	\$25.90	\$30.30	\$32.90	\$36.40	\$36.50
Capital Improvement	31.45	31.45	33.92	36.39	38.13	41.08
Admin Fee	3.97	4.23	4.44	4.66	4.89	5.14
Multi-Family						
Base Charge	\$19.54	\$25.90	\$30.30	\$32.90	\$36.40	\$36.50
Capital Improvement	31.45	31.45	33.92	36.39	38.13	41.08
Admin Fee	3.97	4.23	4.44	4.66	4.89	5.14
Sewer Use						
Residential	\$3.20	\$4.20	\$4.90	\$5.30	\$5.85	\$5.90
Multi-Family	3.20	4.20	4.90	5.30	5.85	5.90

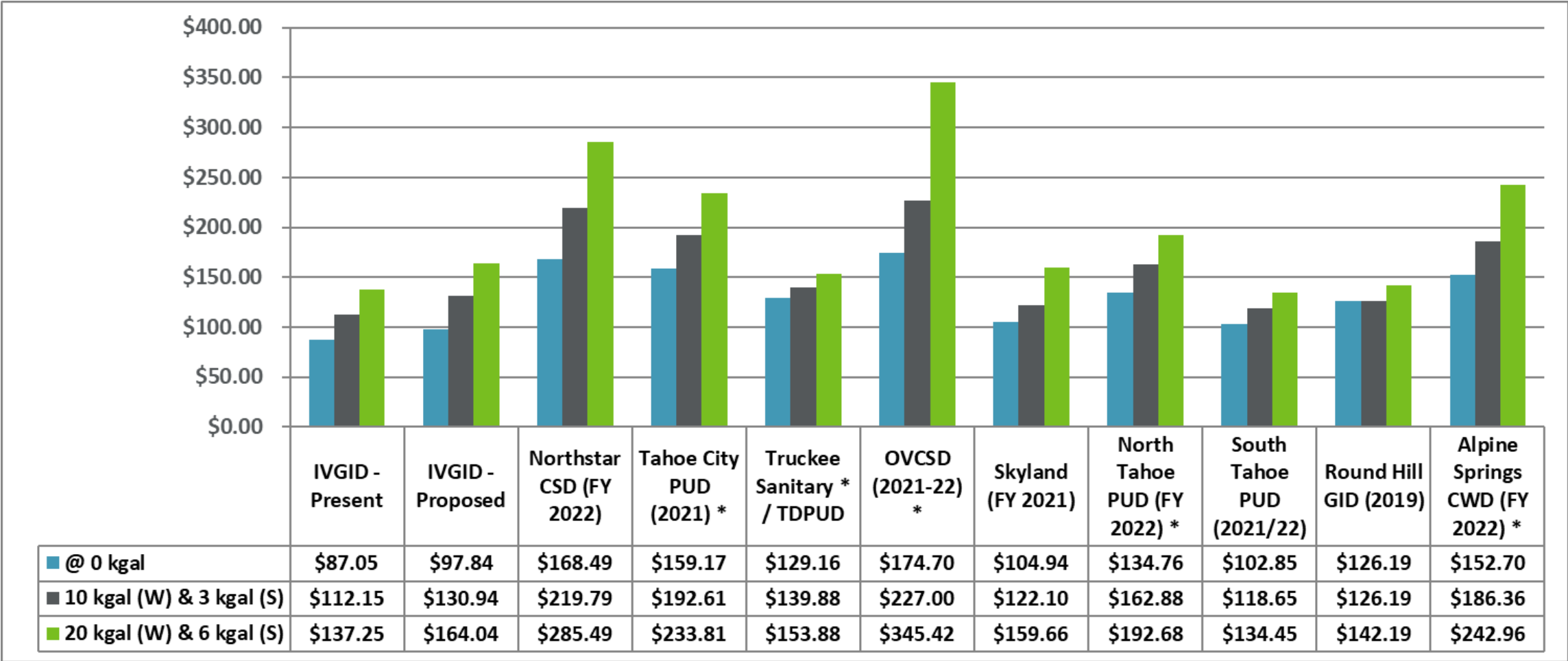
	<i>Present</i>	<i>Proposed</i>				
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Commercial						
<i>Base Charge</i>						
3/4"	\$19.54	\$25.90	\$30.30	\$32.90	\$36.40	\$36.50
1"	32.63	43.25	50.60	54.94	60.79	60.96
1 1/2"	65.07	86.25	100.90	109.56	121.21	121.55
2"	104.15	138.05	161.50	175.36	194.01	194.55
3"	195.40	259.00	303.00	329.00	364.00	365.00
4"	325.73	431.75	505.10	548.44	606.79	608.46
6"	651.27	863.25	1,009.90	1,096.56	1,213.21	1,216.55
8"	1,042.07	1,381.25	1,615.90	1,754.56	1,941.21	1,946.55
10"	1,498.13	1,985.75	2,323.10	2,522.44	2,790.79	2,798.46
<i>Capital Improvement</i>						
3/4"	\$31.45	\$31.45	\$33.92	\$36.39	\$38.13	\$41.08
1"	52.52	52.53	56.65	60.77	63.67	68.61
1 1/2"	104.73	104.74	112.96	121.18	126.96	136.81
2"	167.63	167.64	180.80	193.96	203.22	218.97
3"	314.50	314.53	339.21	363.89	381.27	410.83
4"	524.27	524.31	565.46	606.61	635.58	684.85
6"	1,048.23	1,048.31	1,130.59	1,212.86	1,270.77	1,369.29
8"	1,677.23	1,677.36	1,809.01	1,940.65	2,033.31	2,190.95
10"	2,411.27	2,411.47	2,600.72	2,789.98	2,923.19	3,149.82
<i>Admin Fee</i>						
	3.97	4.23	4.44	4.66	4.89	5.14
Sewer Use						
Commercial	3.20	4.20	4.90	5.30	5.85	5.90

Local Monthly Residential Sewer Bill Comparison



*Rates include TTSA charge for treatment services

Local Monthly Combined Residential Bill Comparison



*Rates include TTSA charge for treatment services

Next Steps and Schedule



Next Steps

- Gain Board feedback and input on study recommendations
 - Overall system revenue adjustments
 - Cost of service results
 - Proposed rates
- Develop final water and sewer rate technical analyses
- Finalize draft written report

Estimated Project Schedule

- Today: Review of rate study results and recommendations
- March: Public hearing
- **May: Rate implementation**

Thank you for your input!

