



Utility Rate Study Results

March 9, 2022



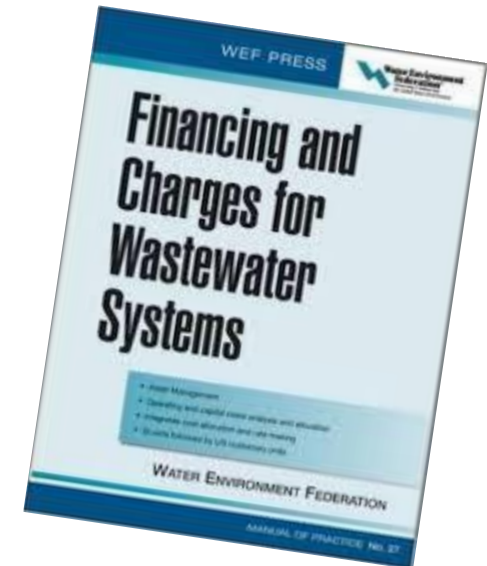
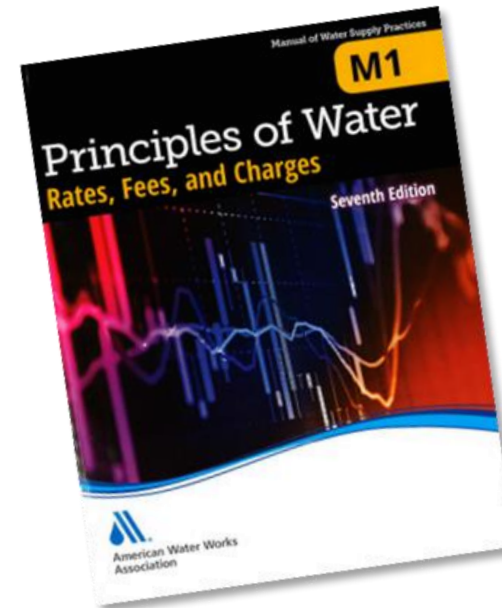
Purpose of the Presentation

- Update the Board on the final study recommendations
- Gain final Board feedback and input on the study recommendations
 - ✓ Rate revenue adjustments
 - ✓ Cost of service results
 - ✓ Proposed water and sewer
- Set public hearing
 - ✓ April 27
- Discuss study next steps and schedule

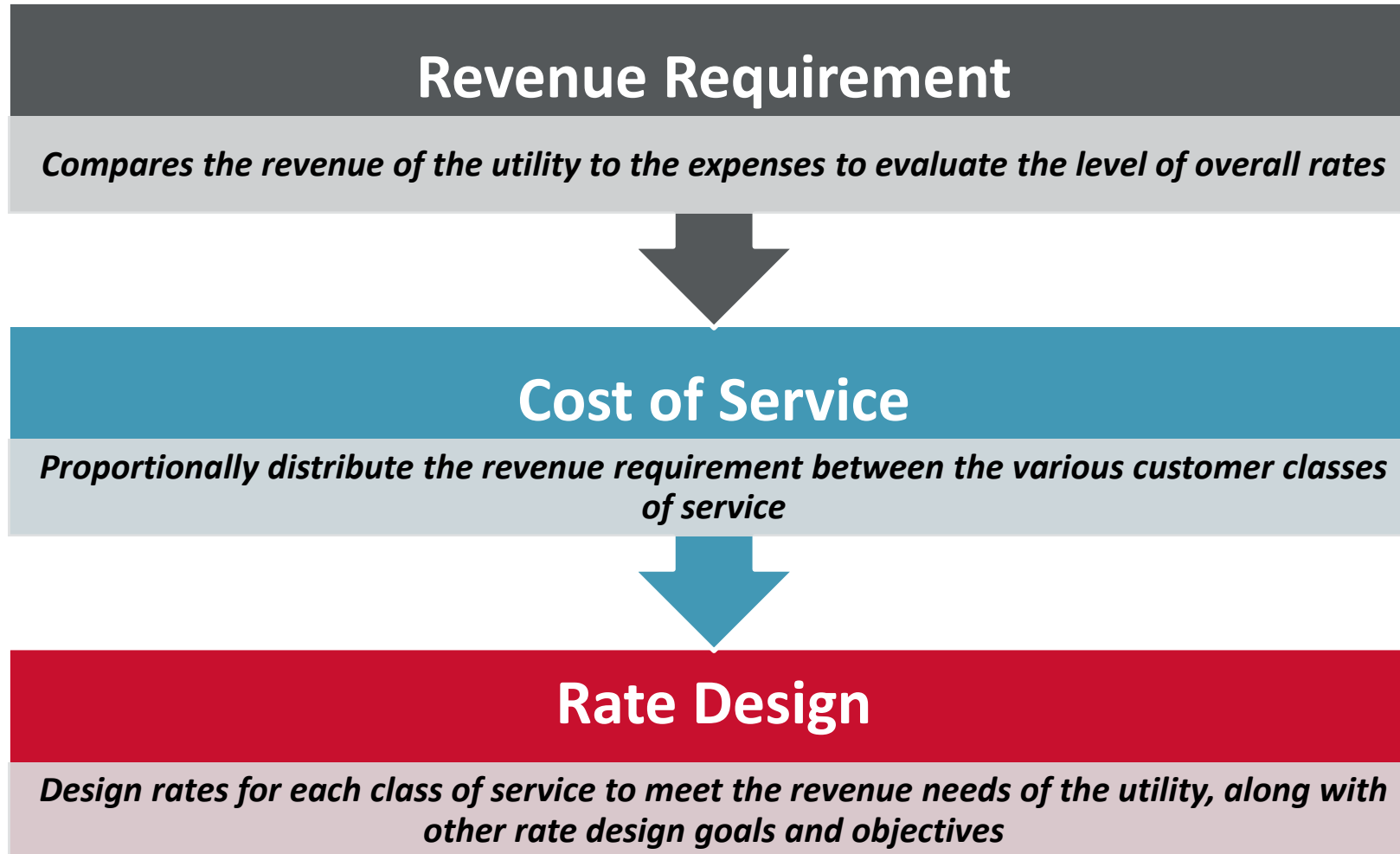


Rate Study Goals and Objectives

- 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

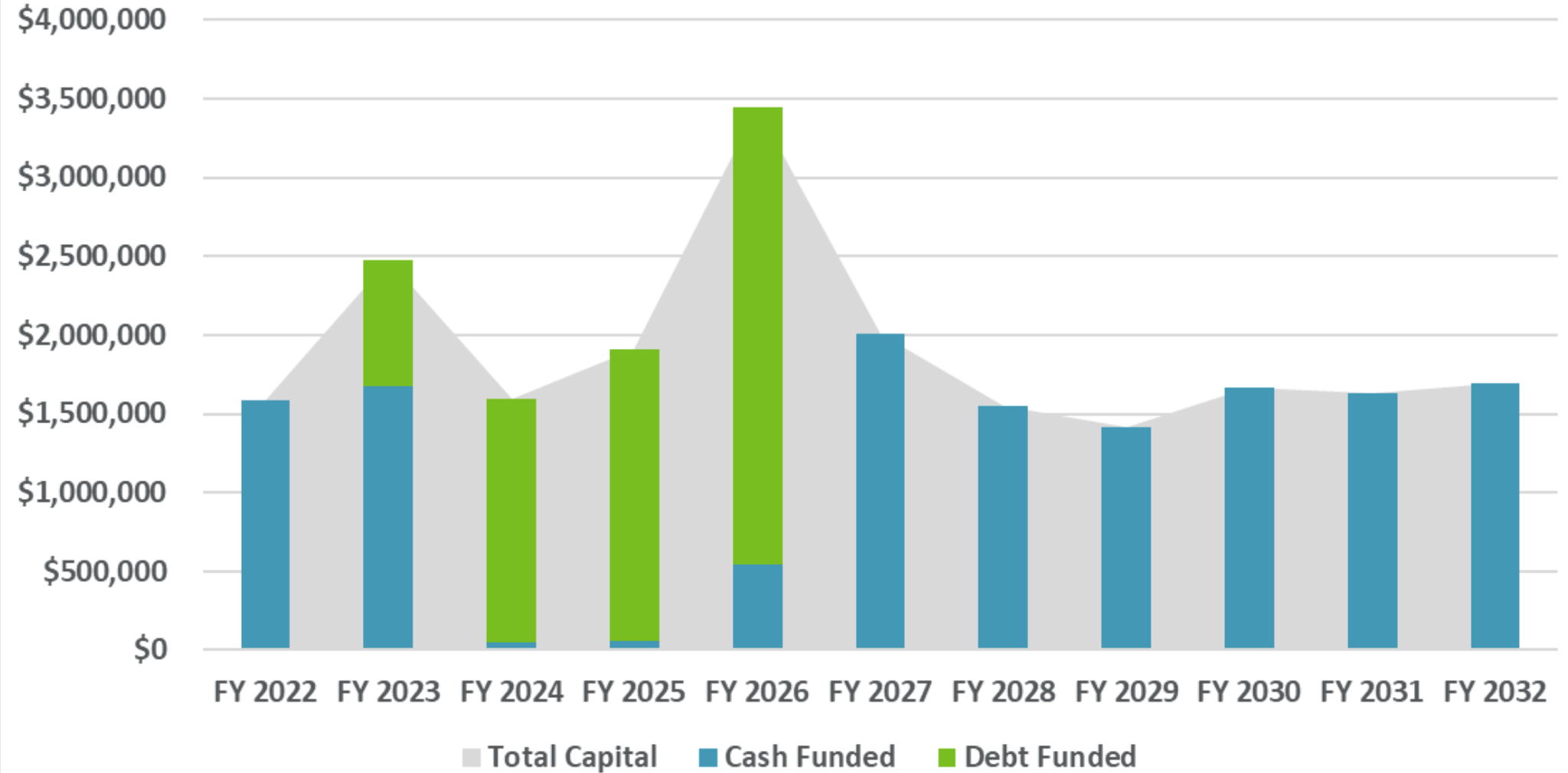
Utility is analyzed on a “stand-alone basis”

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

Utilizes the “cash basis” methodology

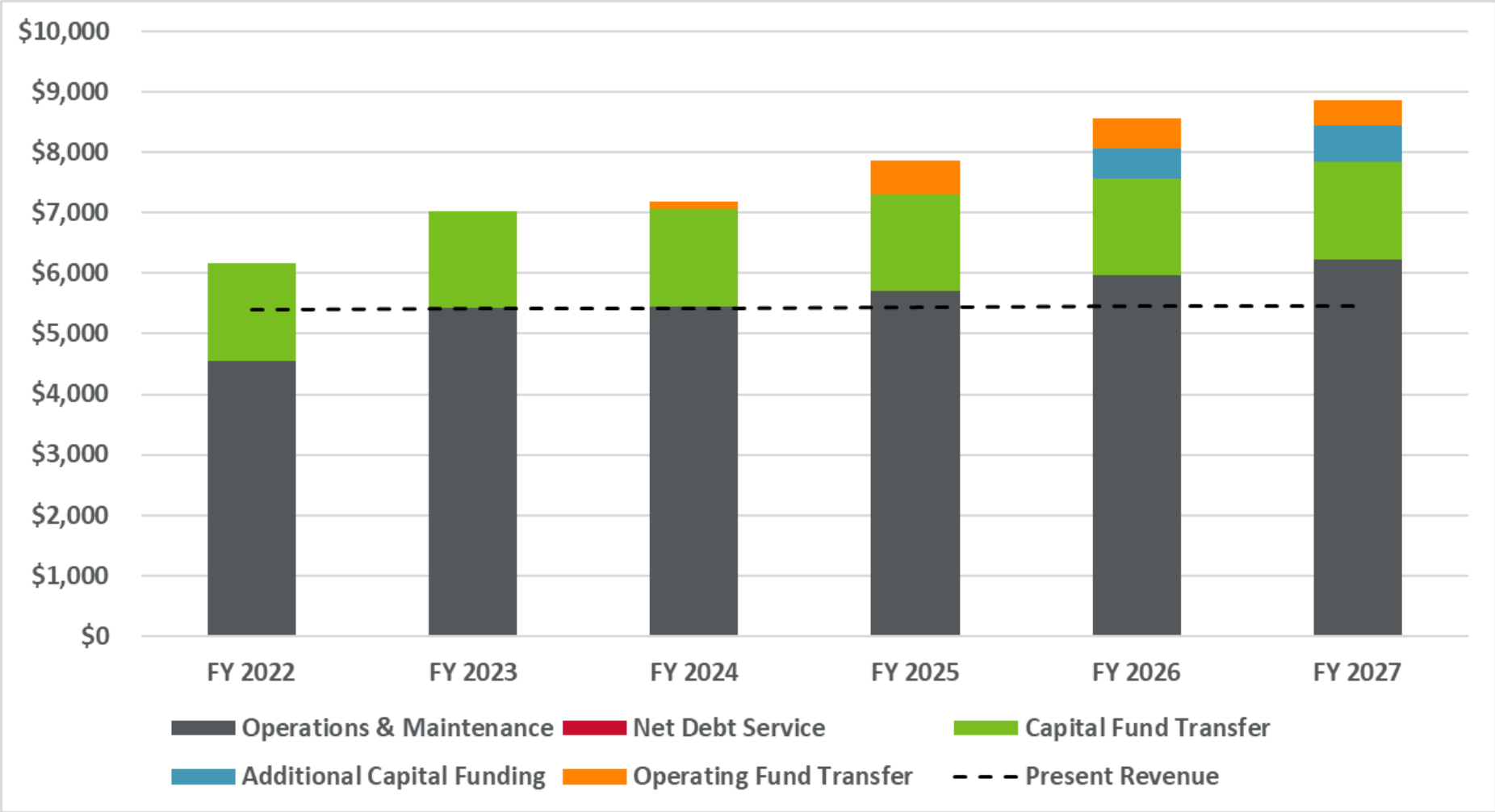
- Generally accepted method for municipal utilities

Water Capital Improvement Funding Plan



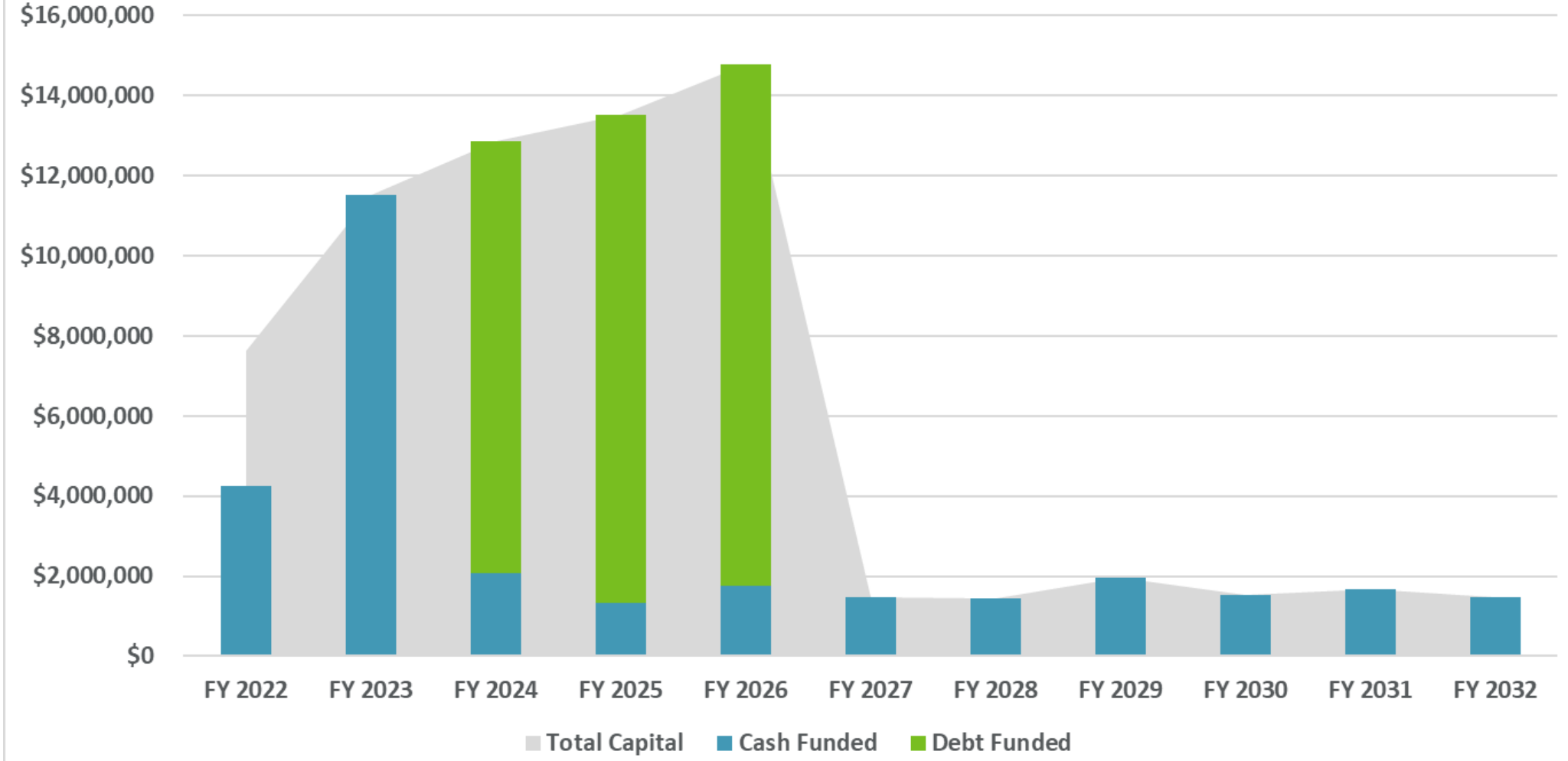
Additional long-term debt for disinfection plant improvements, main replacements, and pump station improvements

Water Revenue Requirement Summary (\$000's)



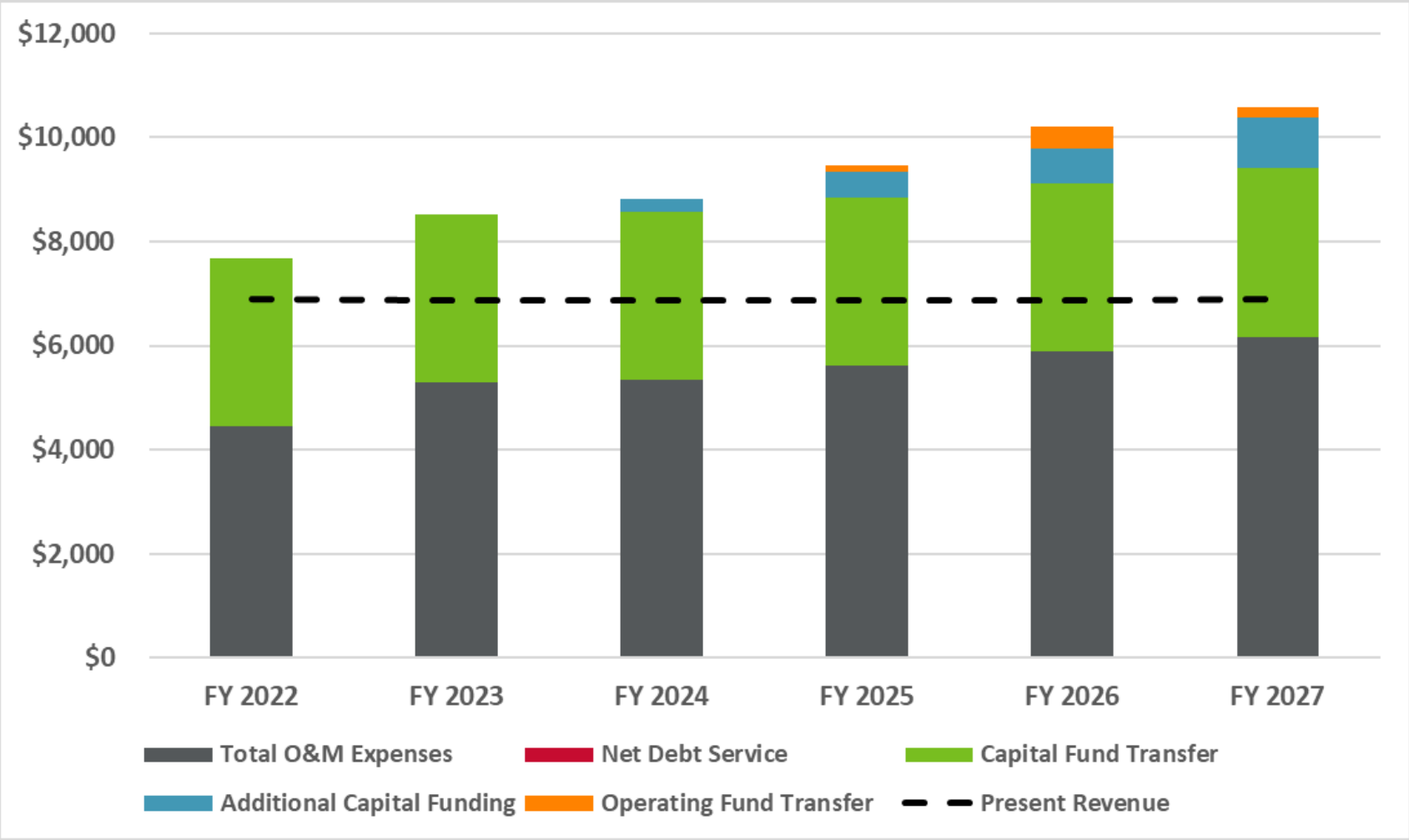
* Annual Debt Service Payments are funded through the annual capital charge

Sewer Capital Improvement Funding Plan



Additional long-term debt for effluent pipeline funding

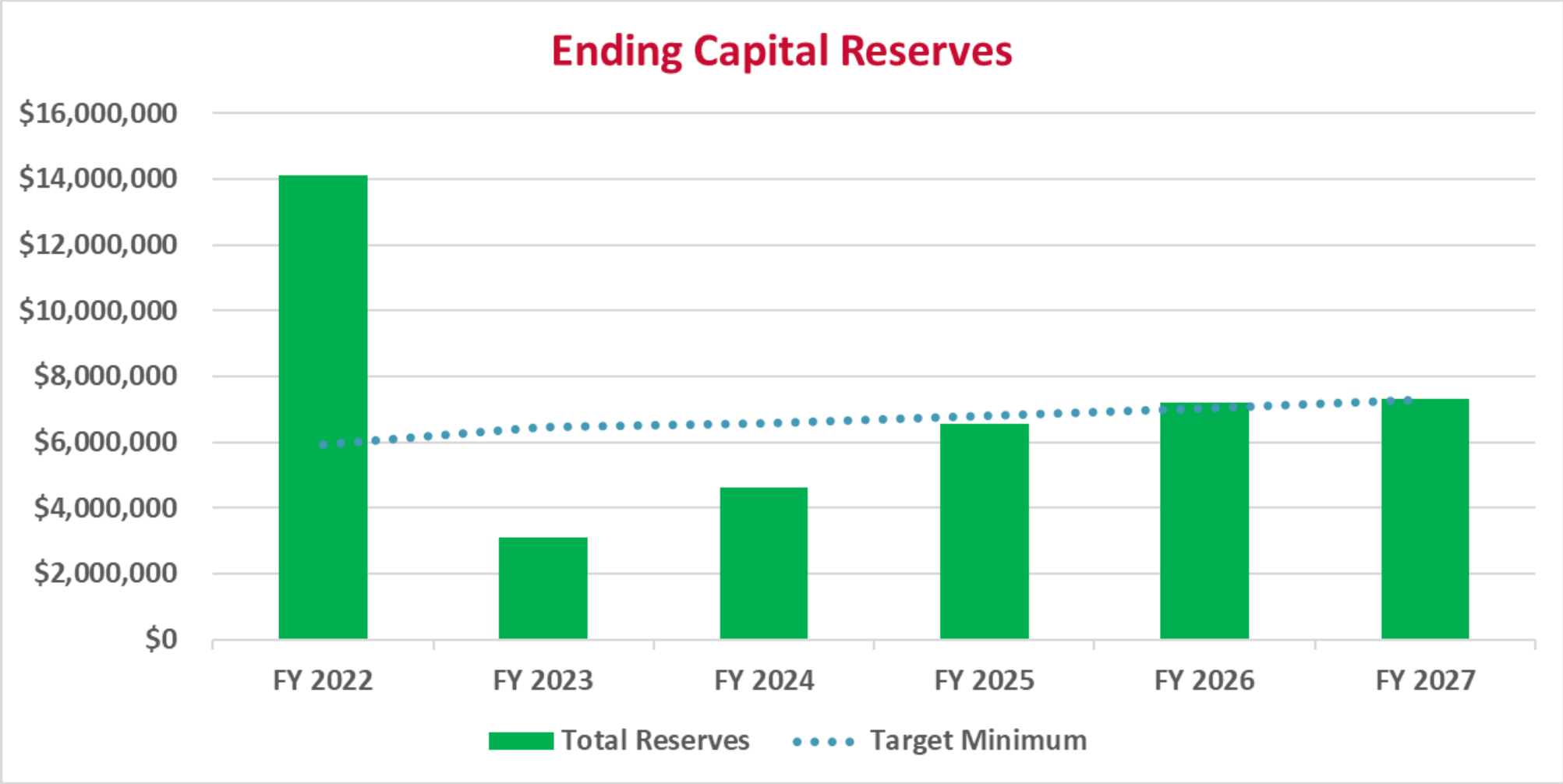
Sewer Revenue Requirement Summary (\$000's)



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

Ending Reserve Balances

New Slide



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

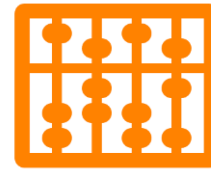
Summary of the Revenue Requirement Analyses

- Rate revenue adjustments are necessary to:
 - ❑ Water utility
 - ✓ Adequately fund annual O&M
 - ✓ debt financing capital needs to transition rate adjustments and capital funding needs
 - ❑ Sewer utility
 - ✓ Financing of the effluent pipeline
 - ✓ Adequately fund annual O&M
- Revenue requirement alternatives were developed to provide the Board with an understanding of the revenue impacts of alternative funding approaches

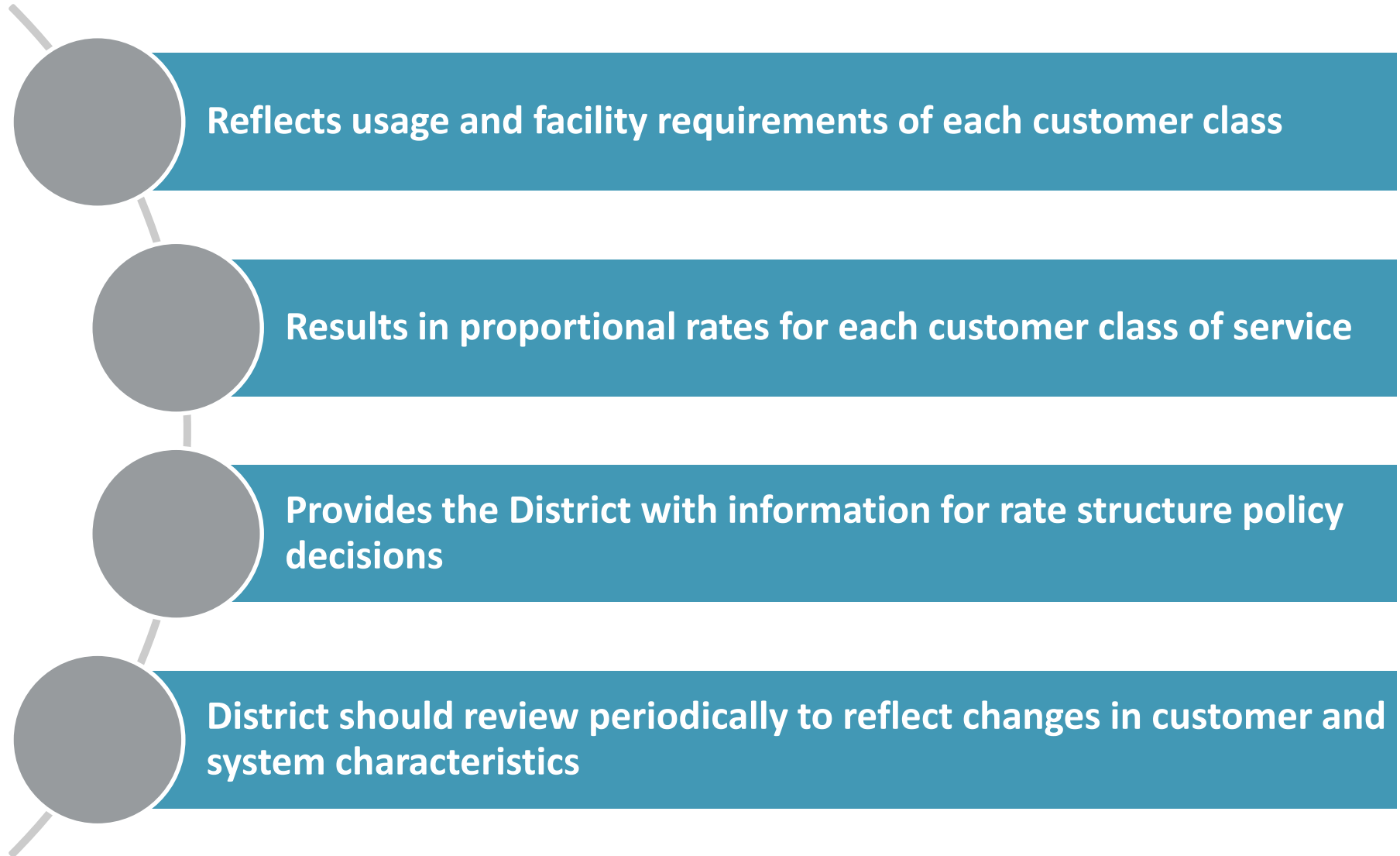
Annual Water and Sewer Revenue Adjustments

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Water – Recommendation	20.0%	12.0%	9.5%	9.0%	3.5%
Water – Loan Alternative	20.0%	12.0%	9.5%	7.0%	3.0%
Sewer – Recommendation	15.0%	12.5%	8.0%	8.0%	3.5%
Sewer – Loan Alternative	15.0%	10.0%	8.0%	5.0%	4.0%
Sewer - \$5 M Grant	15.0%	9.5%	6.5%	6.5%	4.5%
Sewer - \$10 M Grant	15.0%	9.5%	5.0%	5.0%	4.0%

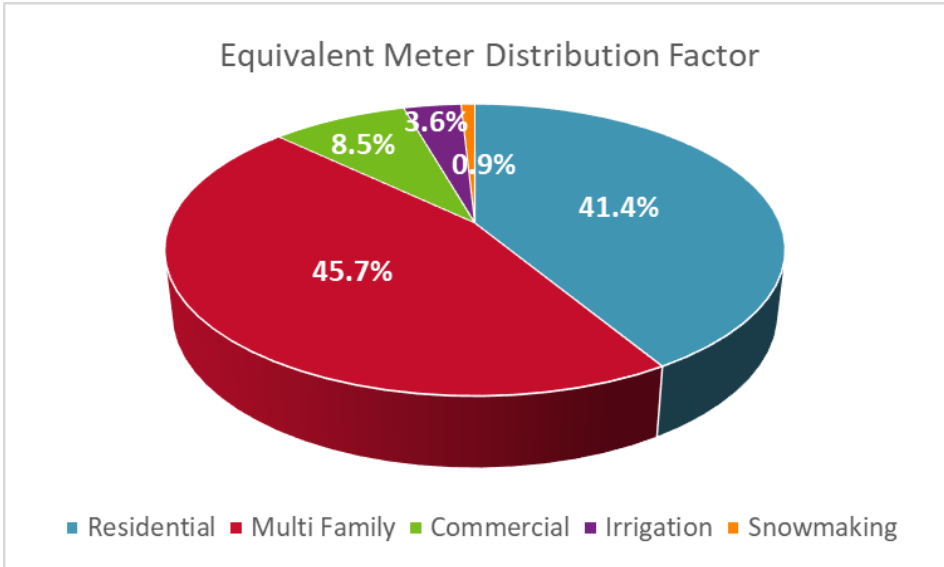
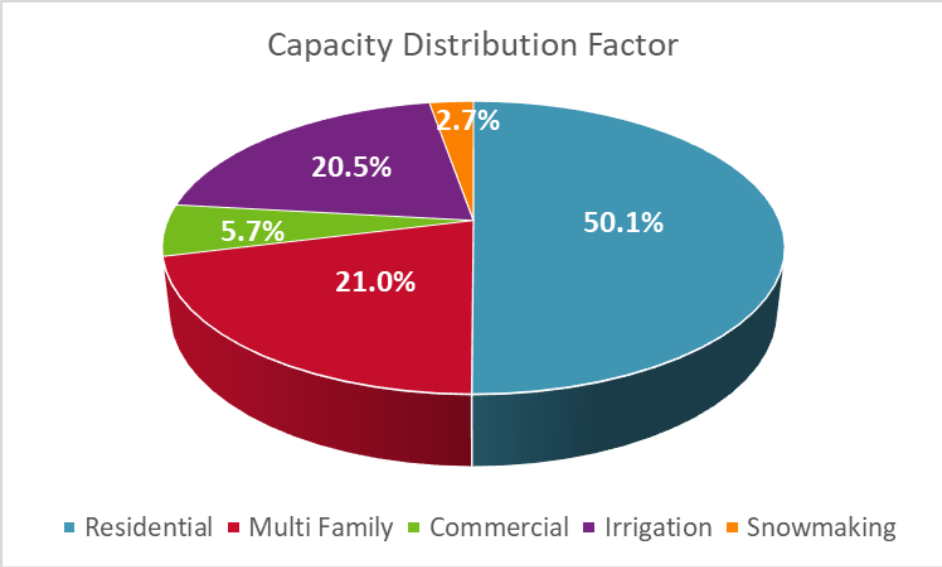
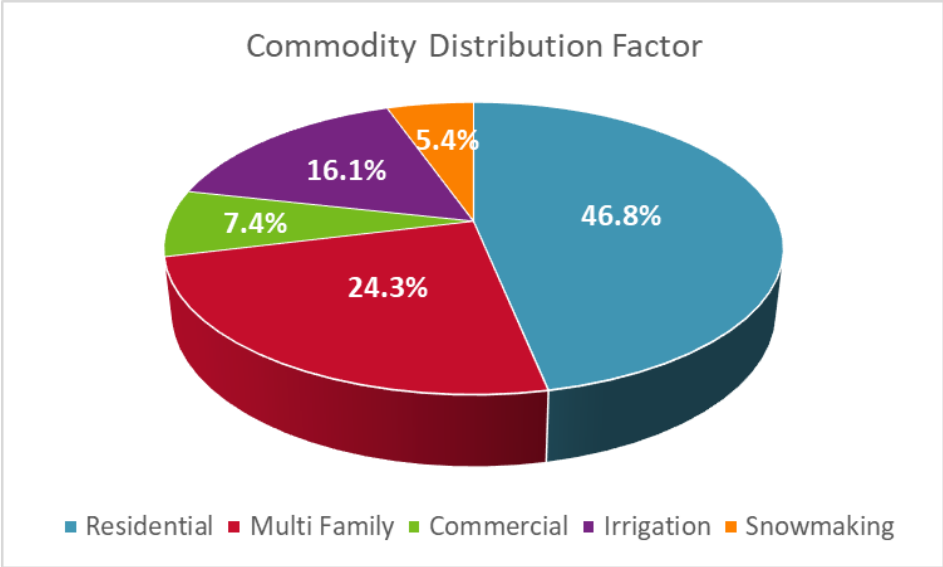
Cost of Service



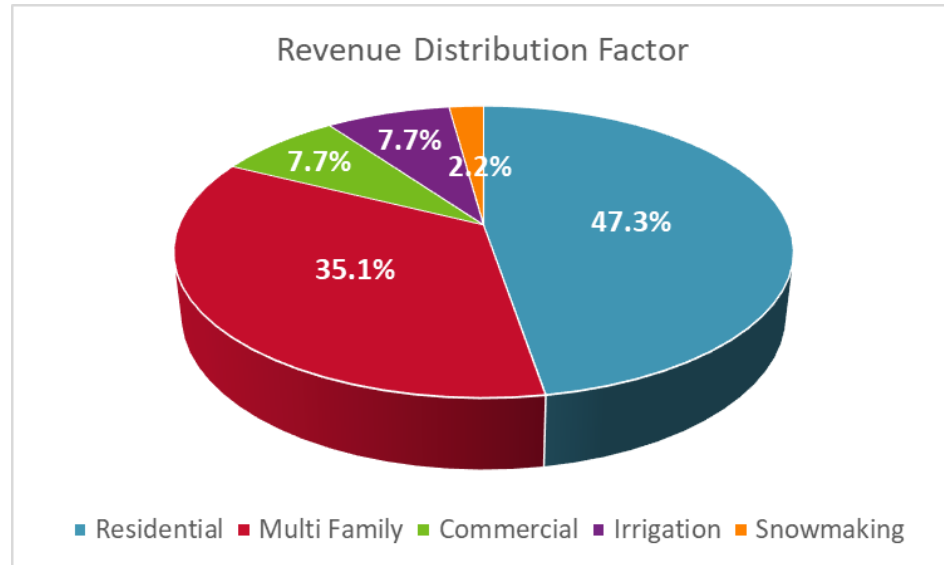
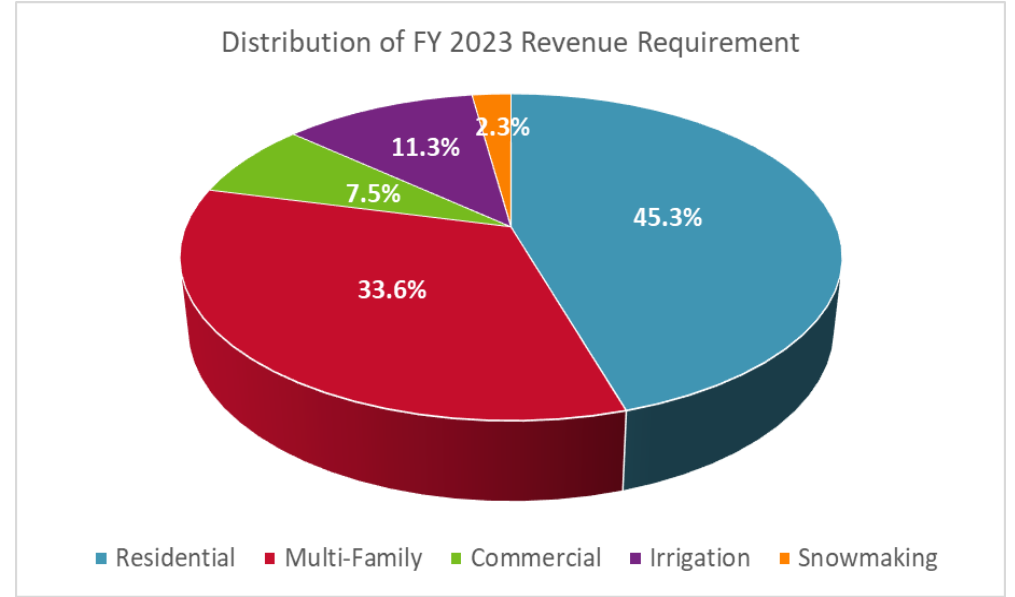
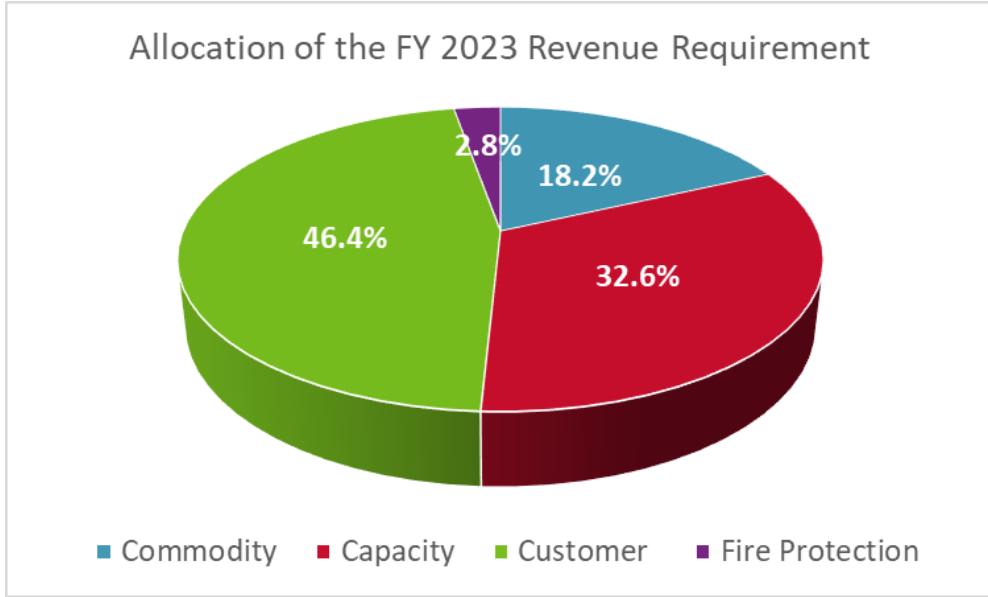
Purpose of the Cost of Service



Distribution of the FY 2023 Revenue Requirement



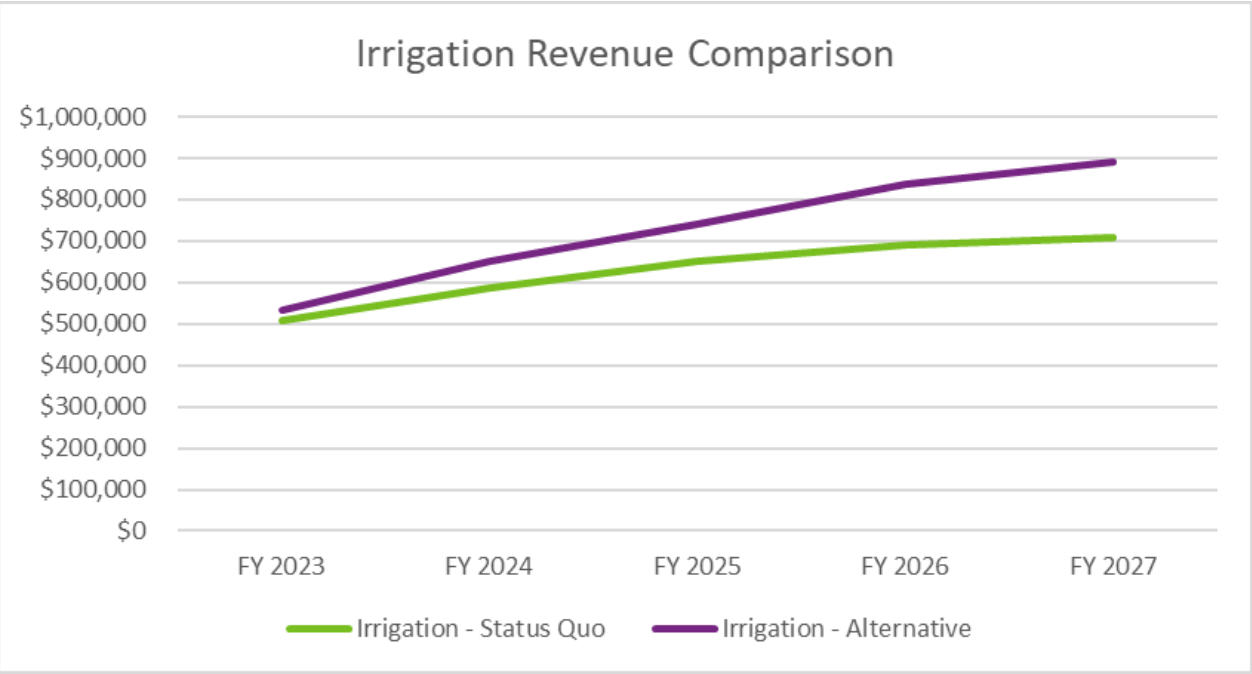
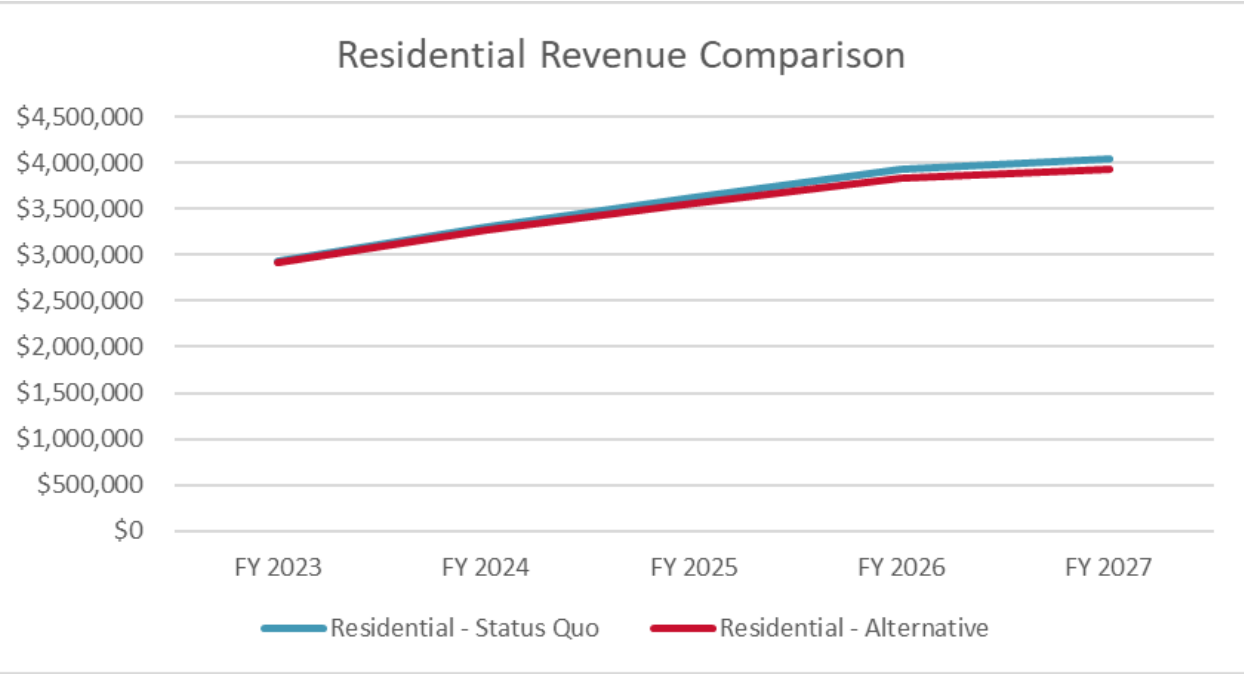
Distribution of the FY 2023 Revenue Requirement



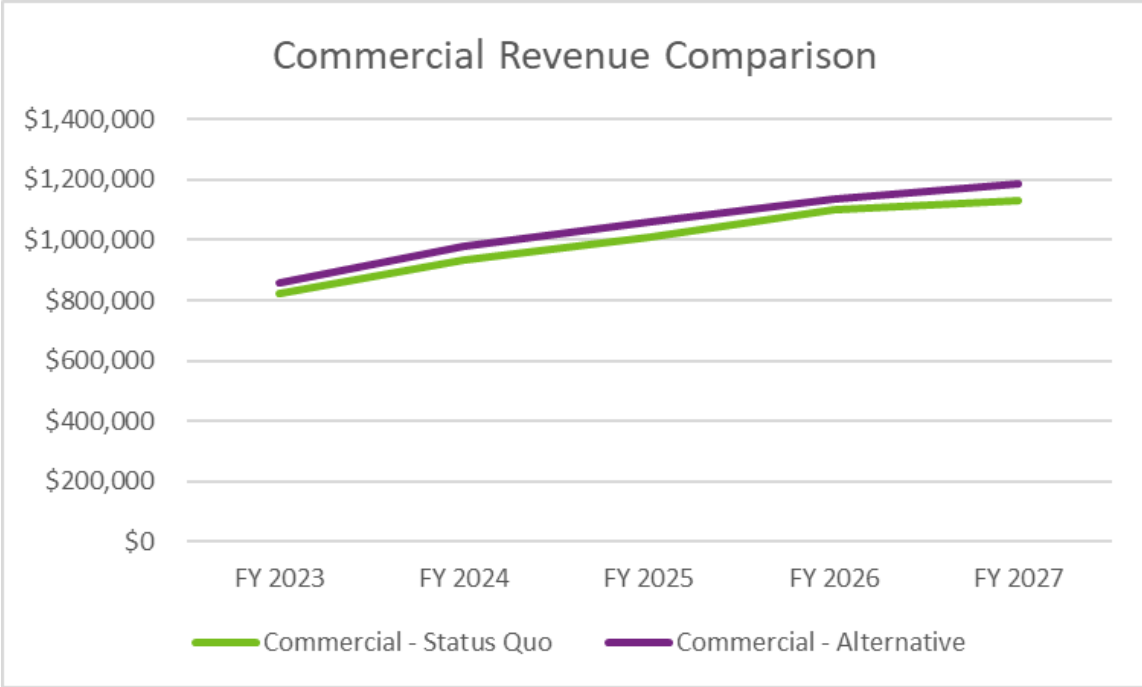
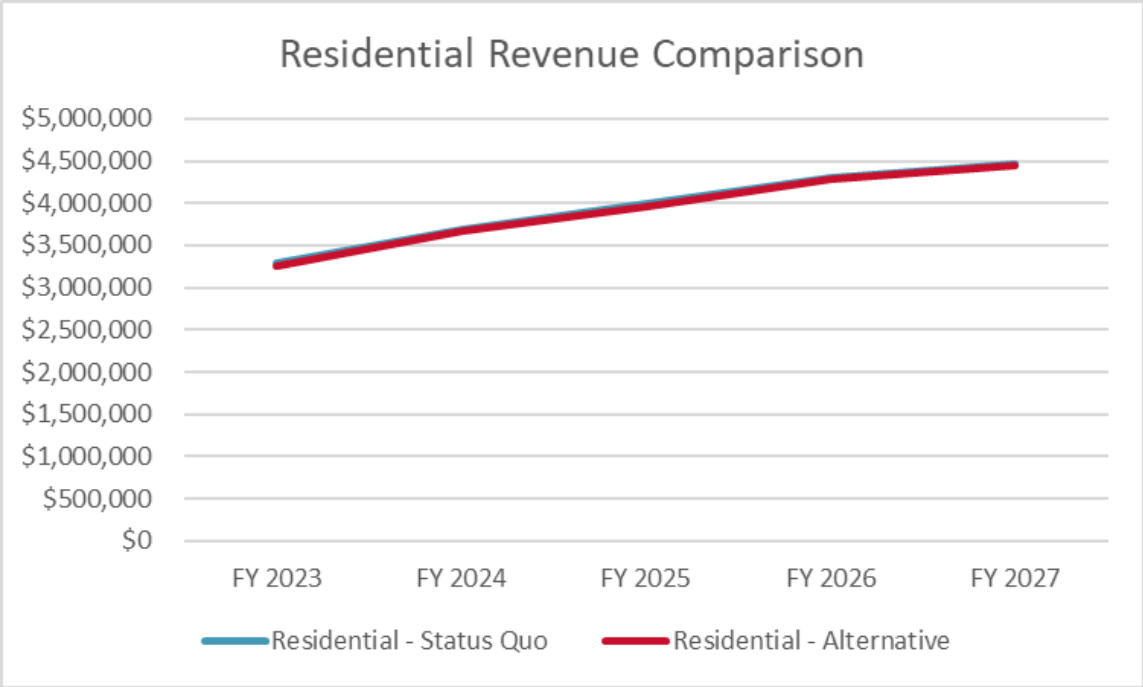
Cost of Service Summary

- Some cost differences exist between the customer classes of service
 - ✓ Reflects customer and system characteristics
 - ✓ Characteristics change over time (e.g., demographics, 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
- Recommend transition to cost of service results
 - ✓ Water irrigation customer class of service
 - ✓ Sewer commercial customer class of service

Comparison of Water Revenues - Rate Structure Alternatives



Comparison of Sewer Revenues - Rate Structure Alternatives



Rate Design

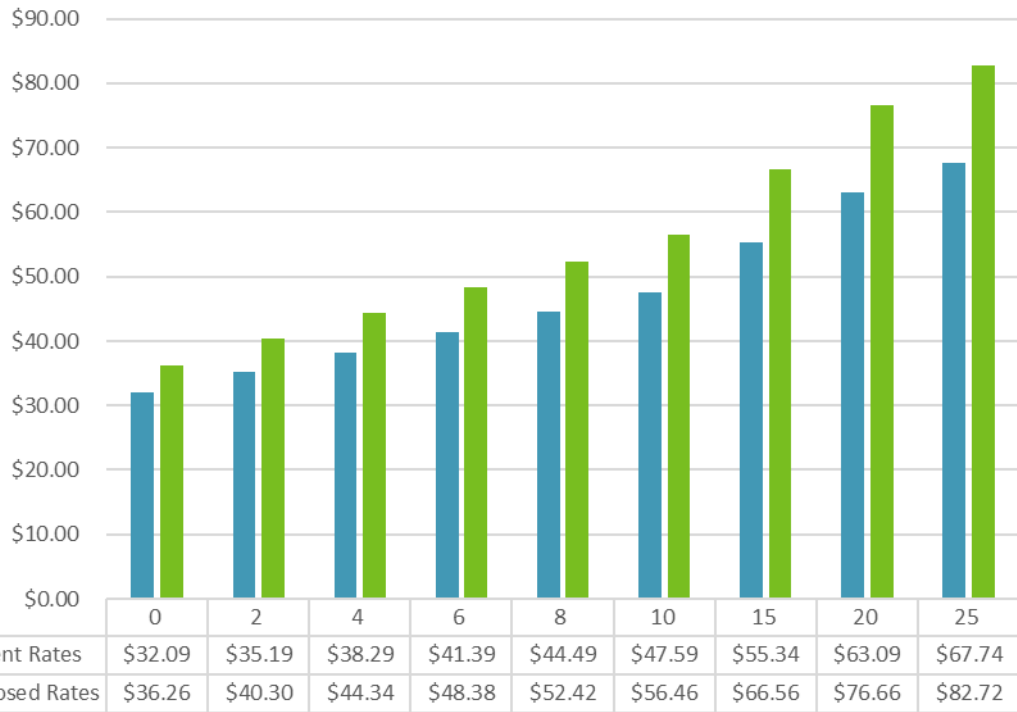


Rate Design Overview

- Cost of service results showed cost differences
 - ✓ Water irrigation customers and commercial sewer customers
- Recommend maintaining current rate structure
- Recommend implementing cost of service adjustments
 - ✓ Proposed rate designs were developed to transition irrigation and commercial sewer customers to the cost of service results over the five year period
 - ✓ Results in separate consumption/volume rate for irrigation and sewer commercial customers

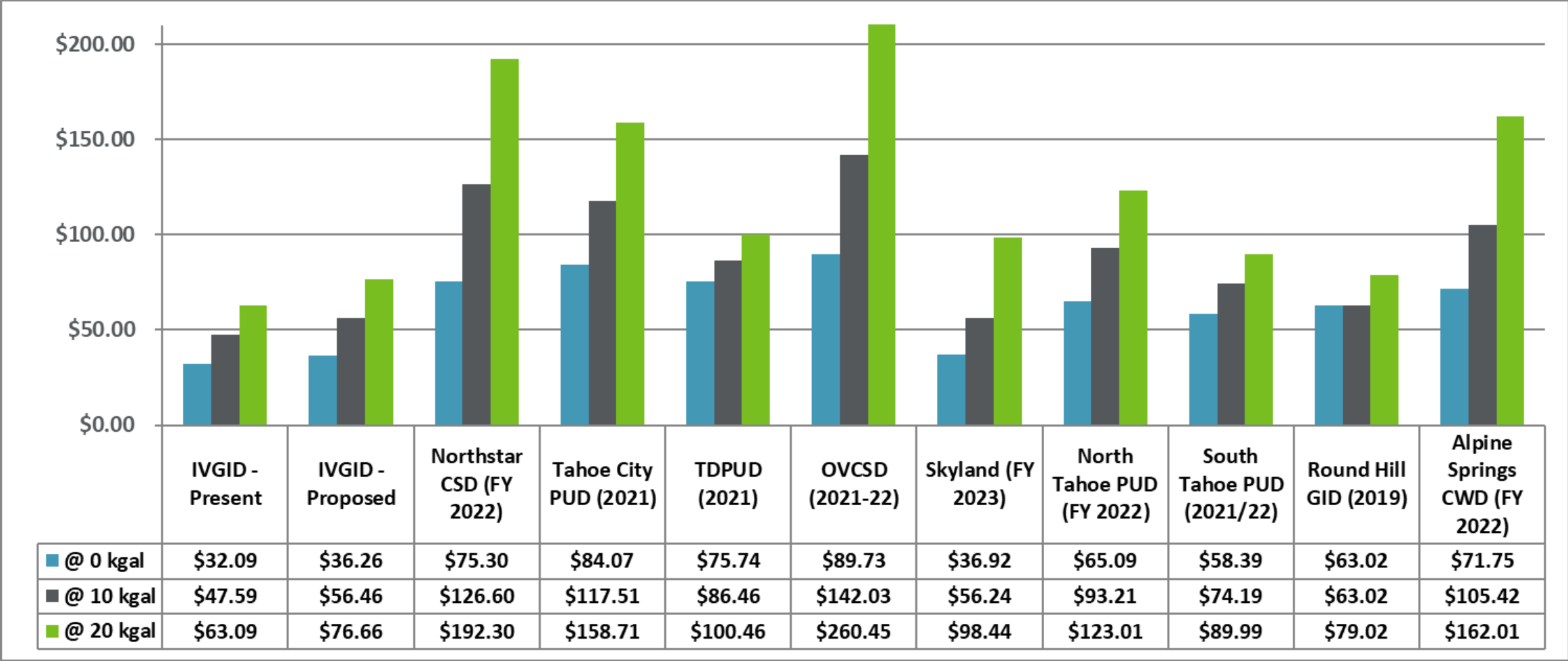
Present and Proposed Water Rates and Bill Comparison

Present and FY 23 Proposed Rate Alternative



	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
Residential and Commercial Water Use						
All Use	\$1.55	\$2.02	\$2.35	\$2.62	\$2.66	\$2.70
Tier 1	0.93	1.21	1.41	1.57	1.60	1.62
Tier 2	2.27	2.96	3.44	3.84	3.90	3.95
Irrigation Water Use						
All Use	\$1.55	\$2.20	\$2.76	\$3.20	\$3.60	\$3.85
Tier 1	0.93	1.32	1.66	1.92	2.16	2.31
Tier 2	2.27	3.22	4.04	4.69	5.27	5.64

Local Monthly Residential Water Bill Comparison

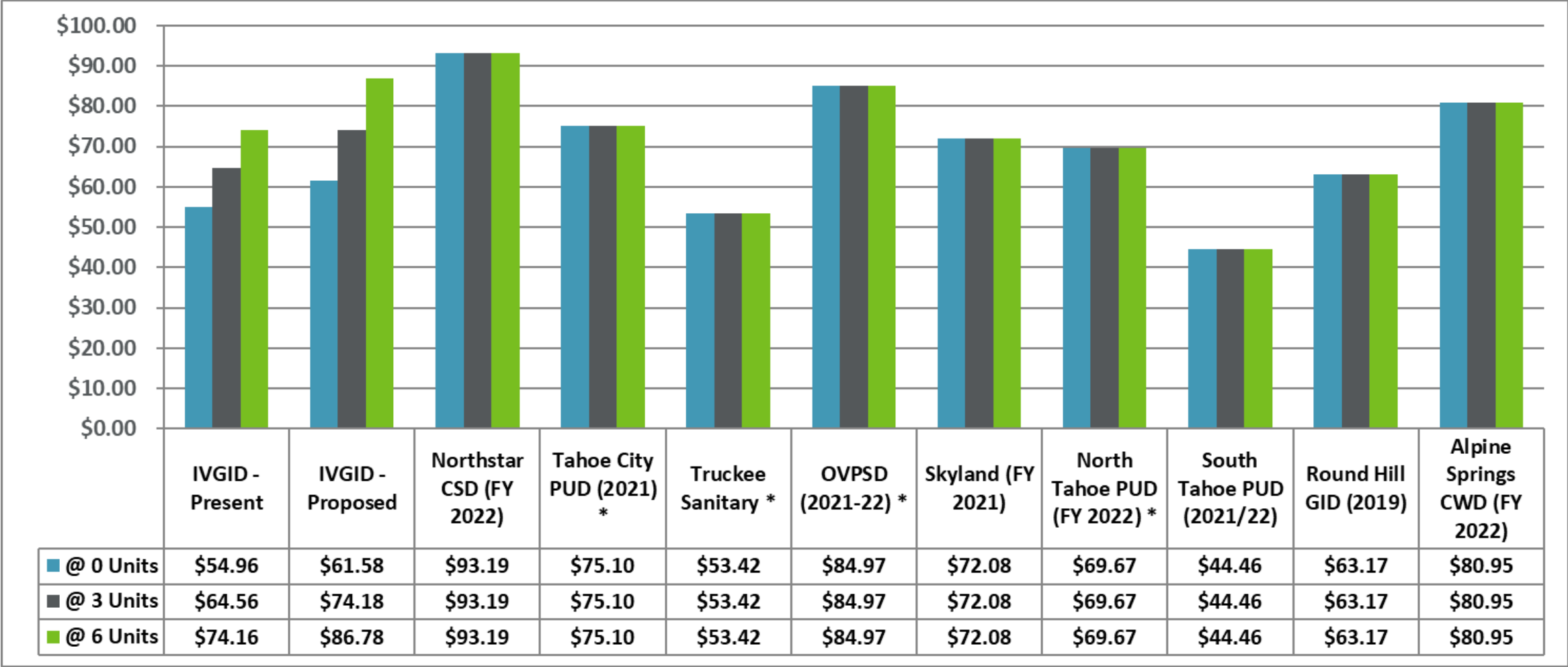


Present and Proposed Sewer Rates

	<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	\$4.00	\$4.70	\$5.10	\$5.65	\$5.70
Multi-Family	3.20	4.00	4.70	5.10	5.65	5.70

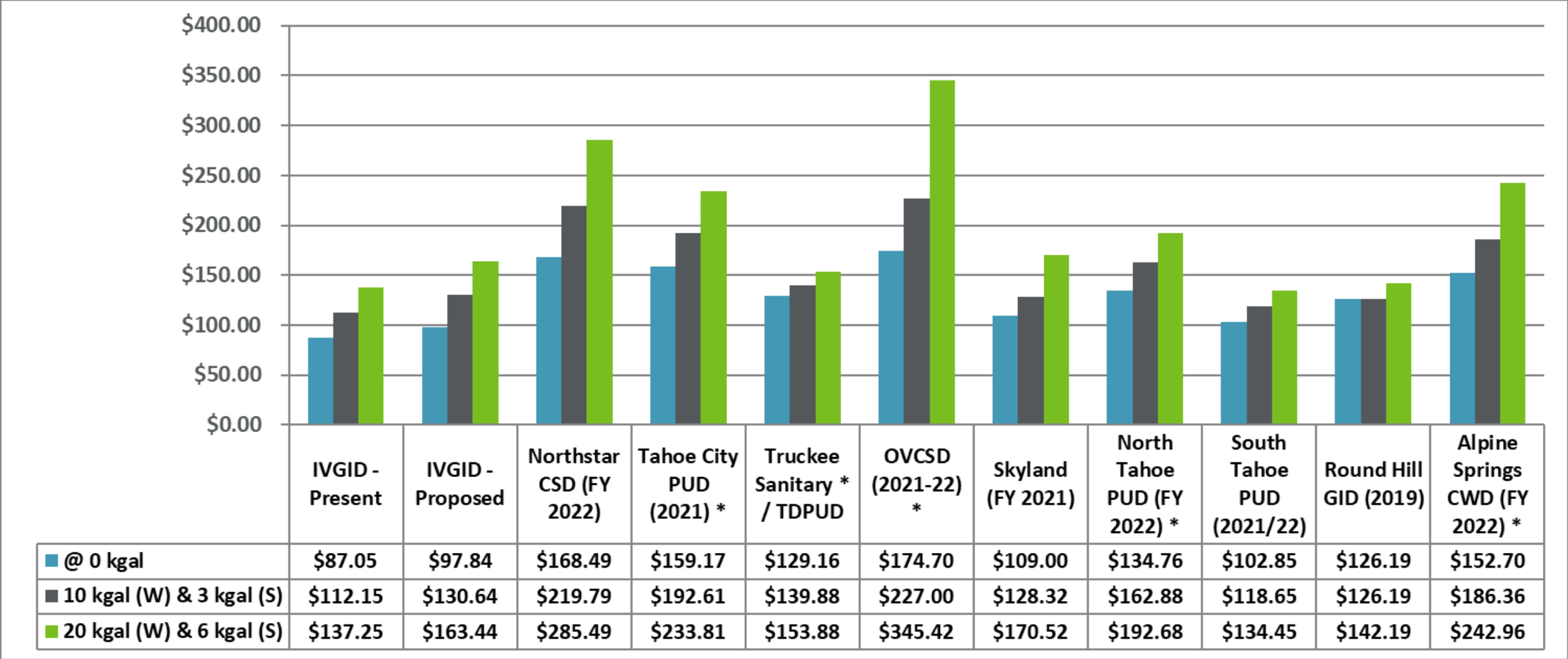
	<i>Present</i>	<i>Proposed</i>				
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Commercial						
<i>Base Charge</i>						
3/4"	\$19.54	\$25.90	\$30.30	\$32.90	\$36.40	\$36.50
1"	32.63	43.25	50.60	54.94	60.79	60.96
1 1/2"	65.07	86.25	100.90	109.56	121.21	121.55
2"	104.15	138.05	161.50	175.36	194.01	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	4.70	5.50	6.00	6.40	6.50

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 final Board feedback and input on study recommendations
 - Overall system revenue adjustments
 - Cost of service results
 - Proposed rates
- Set public hearing

Estimated Project Schedule

- Today: Review the rate study recommendations
- Public hearing April 27
- May rate implementation

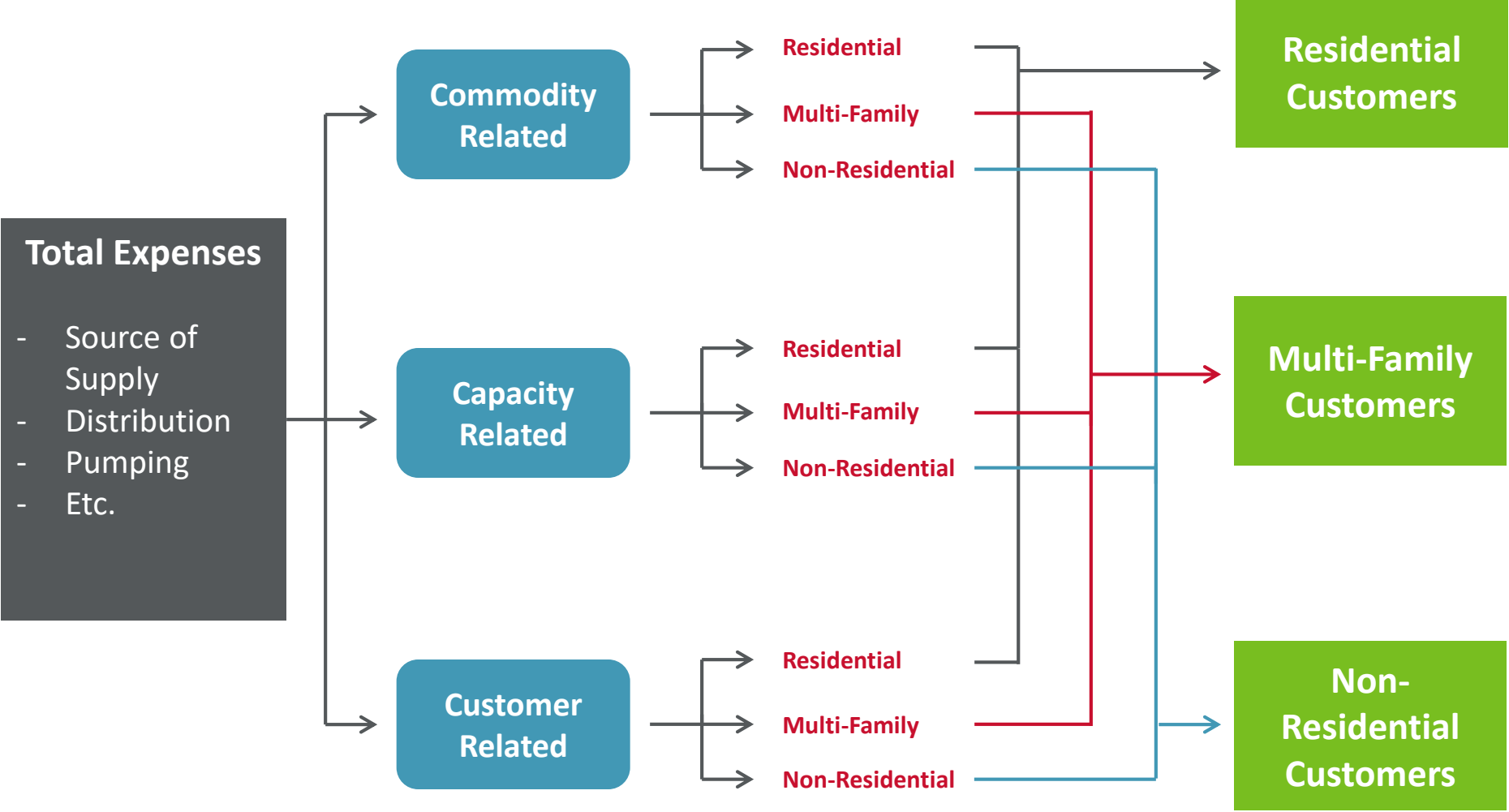
Thank you for your input!



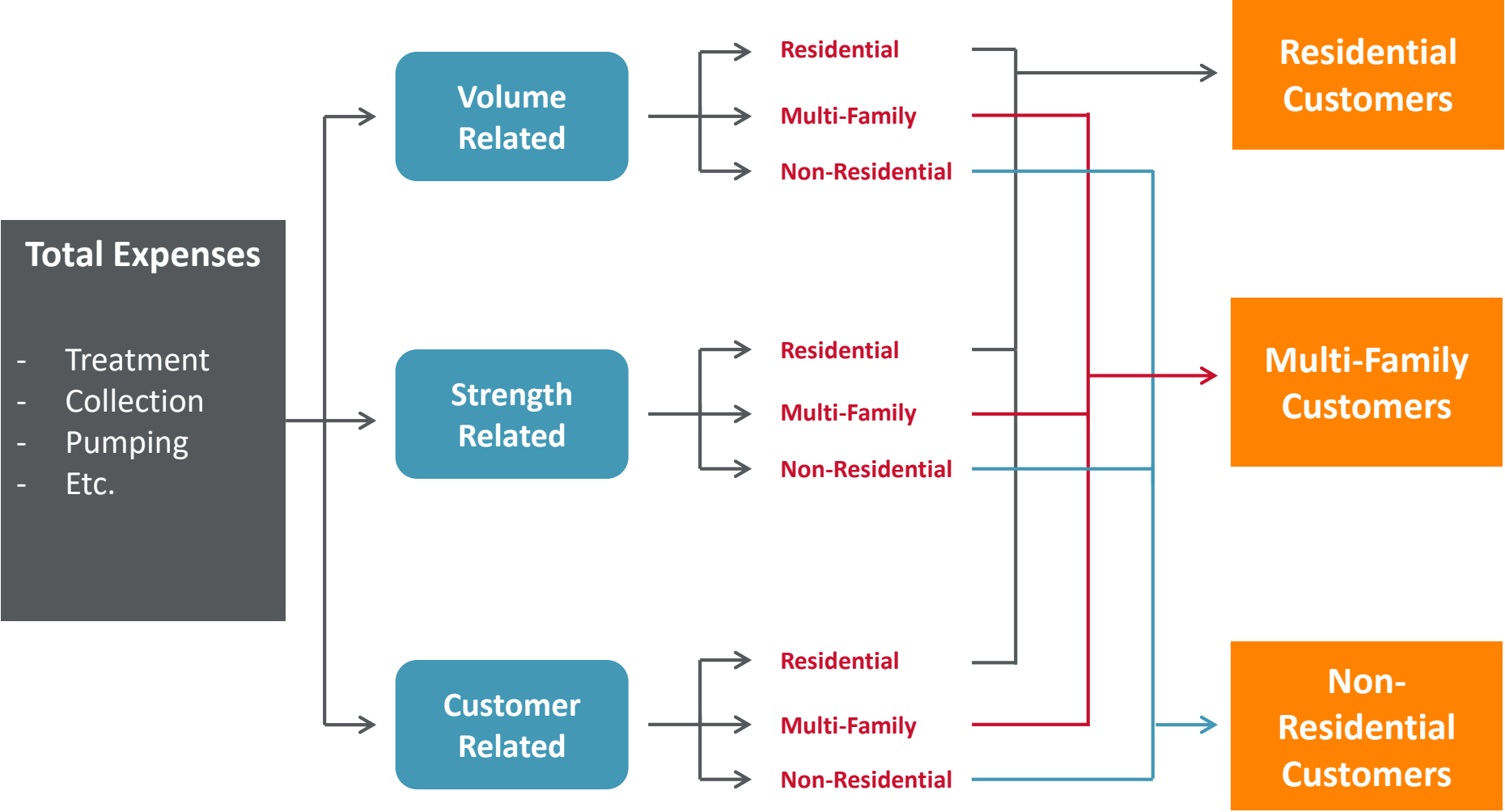
Revenue Requirement Key Assumptions

- 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

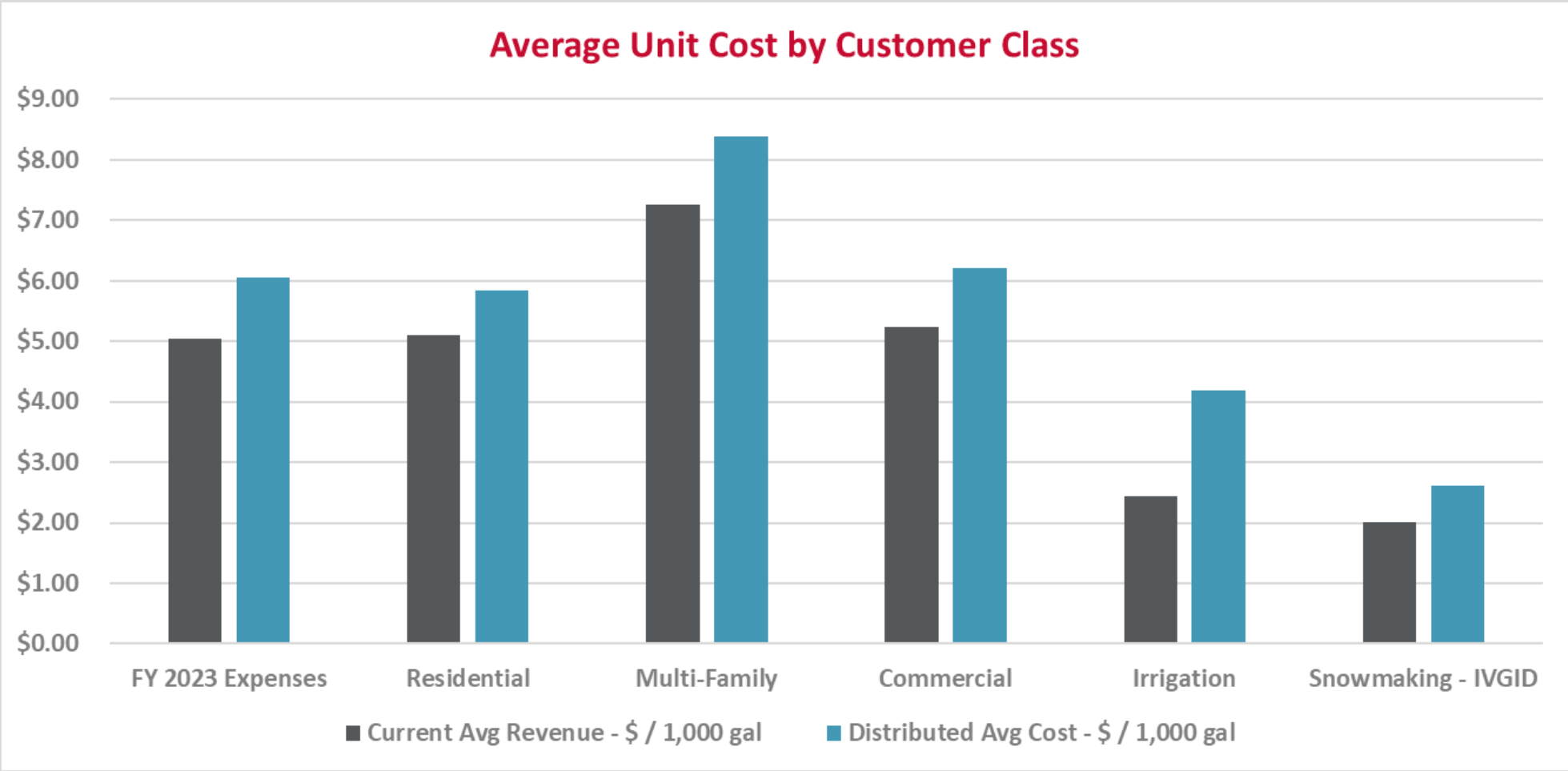
Generic Water Cost of Service Methodology



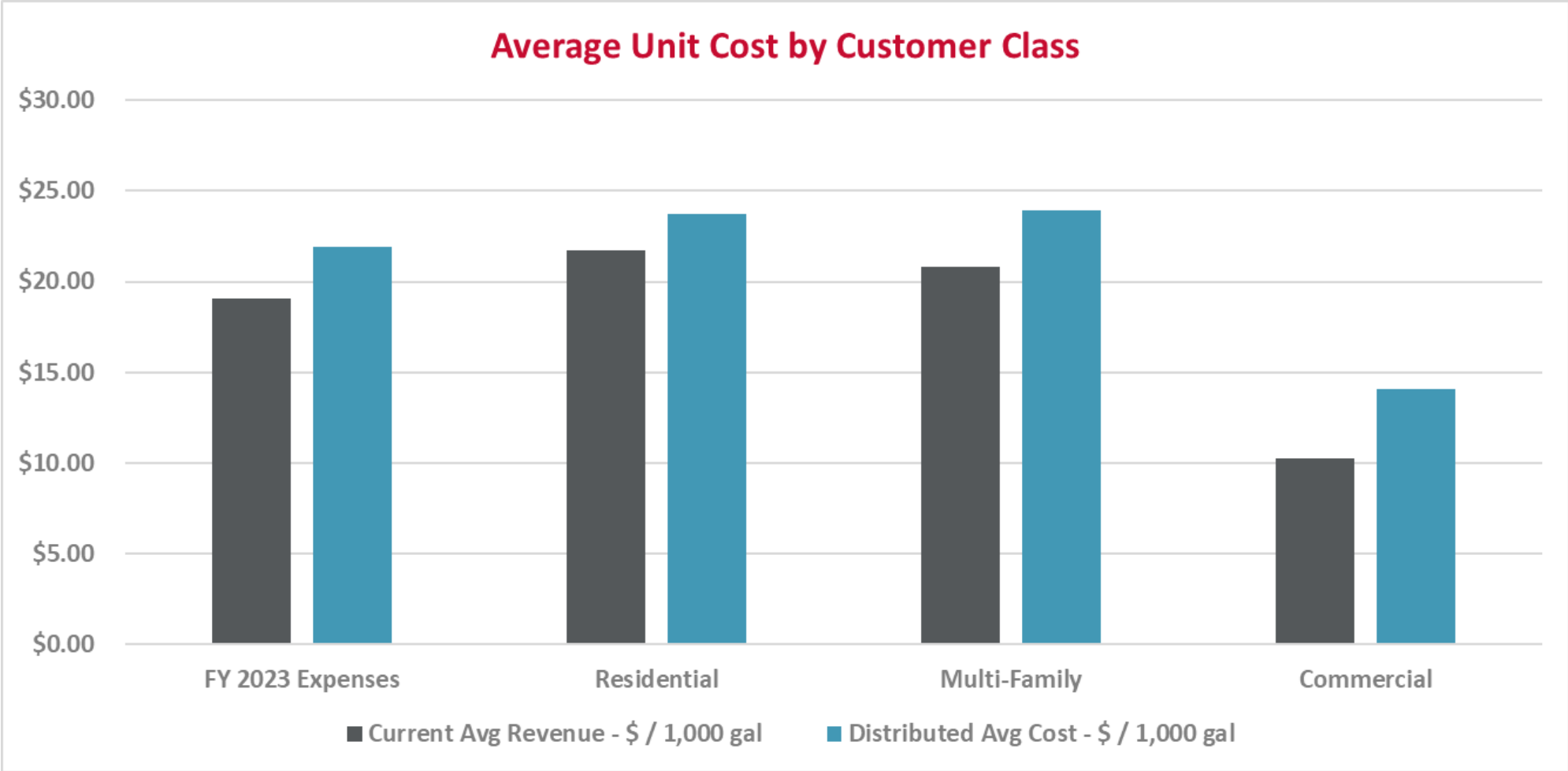
Generic Sewer Cost of Service Methodology



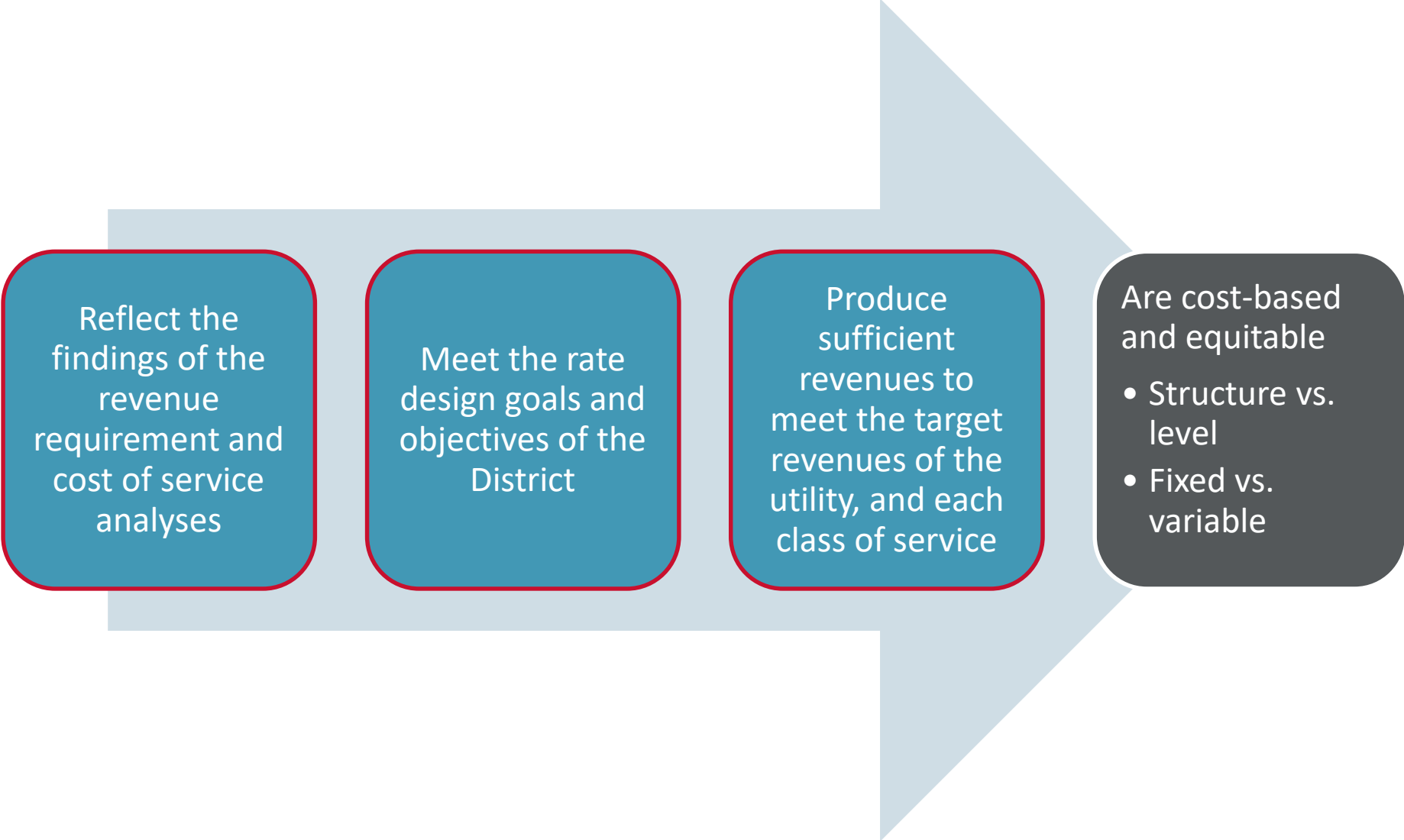
Water Cost of Service Summary (FY 2023)



Sewer Cost of Service Summary (FY 2023)



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

