

2016 Water and Recycled Water Rate Study

WEBINAR WITH DISTRICT STAFF

JUNE 29, 2016



Agenda

Financial Policy & Financial Plan

Capacity Fees Preliminary Results

Tier Definitions

Next Steps

Financial Policy and Financial Plan

Financial Policy Framework

The District currently does not have an Adopted Financial Policy

Reserves	Target Levels	Bases
Operation	90 - 120 days (25% to 33% Operating Budget)	Bi-Monthly Billings for Water Monthly billings for RW
Rate Stabilization Fund (RSF)	10-20% of Revenues from Volumetric Rates	Revenue sensitivity analysis
Capital R&R	100% Annual Depreciation	
Emergency	2.5% Asset Values	Average asset useful life approximately 30 – 50 years
Debt Service (Restricted)	100% Annual Debt Service	Required by Debt Covenants

Reserve Policy (AGREED)

FY 2016 Budget and Asset / Depreciation as of June 30, 2015

Reserves	Minimum Target Levels	Water Fund	RW Fund	Impact Fee
Operation	90 days (or 25%) O&M Budget	\$994K	\$109K	
Rate Stabilization Fund (RSF)	20% of Revenues from Volumetric Rates	\$742K	\$75K	
Capital R&R	100% Annual Depreciation	\$709K	\$174K	
Emergency	2.5% of Asset Values	\$309K	\$151K	
Debt Service	100% of Annual Debt Service	\$356K	\$0	\$273K
TOTAL TARGET		\$3,110K	\$509K	\$273K
Fund Balance (As of July 1, 2015)		\$5,130K	\$122K	\$218K

Financial Policy Framework

Debt Coverage

- **Debt Coverage $\geq 1.20x$**
 - Based on current debt covenant for existing debt
- S&P Criteria

◦ Insufficient	0x
◦ Adequate	1.0x to 1.25x
◦ <u>Good</u>	1.26x to 1.50x
◦ Strong	>1.50x

Board desires to maintain the debt coverage in this range 1.26 – 1.50x

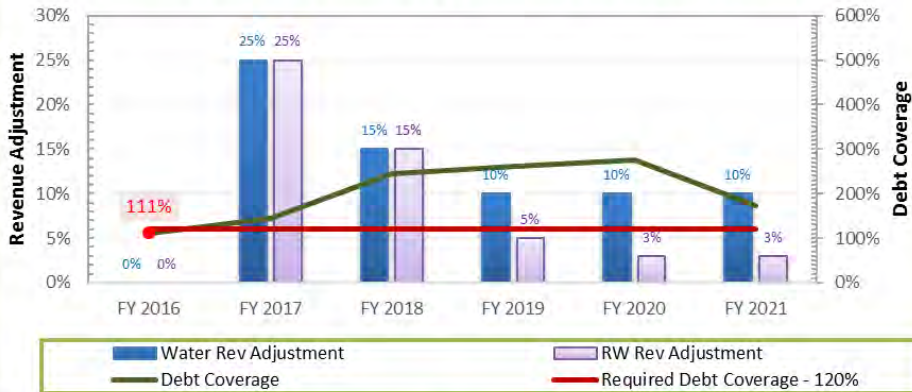
New CIP and Grant Funding

CAPITAL PROJECTS	NEW CIP 2016-2021	OLD CIP 2016-2021	Change (New – Old)
Transmission Mains	500,000	500,000	-
Treatment Plants	2,500,000	2,500,000	-
Storage Tanks	1,694,732	1,457,732	237,000
Pump Stations	186,145	186,145	-
Wells	836,250	836,250	-
Recycled Water (Hanson Quarry)	15,200,000	20,199,841	(4,999,841)
Other	1,202,049	952,049	250,000
Meters	950,000	950,000	-
District Facilities & Technology	870,000	870,000	-
Vehicles/ Heavy Equipment	325,000	325,000	-
TOTAL CAPITAL PROJECTS	24,264,176	28,777,017	(4,512,841)
CAPITAL FUNDING			
State SB 90 Reimbursements	-	-	-
State Grant - Prop 50	140,000	140,000	-
Local Grant - City of SV	-	-	-
State Grant - Prop 84	850,000	850,000	-
Grants / Capital Contributions for GWR Projects	7,575,000	15,074,921	(7,499,921)
TOTAL CAPITAL FUNDING	8,565,000	16,064,921	(7,499,921)
CAPITAL FUNDING SHARE	35%	56%	

Financial Plan

New Cashflow CIP / Grant, No Rebound Sales w/ No Growth Rev

Whole District Revenue adjustment and Debt Coverage



Whole District Operating Financial Plan



Whole District CIP and Funding Sources



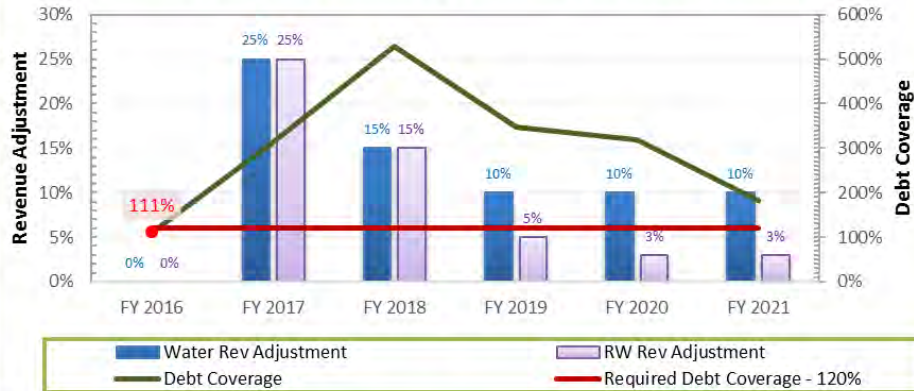
Whole District Unrestricted Fund Ending Balances



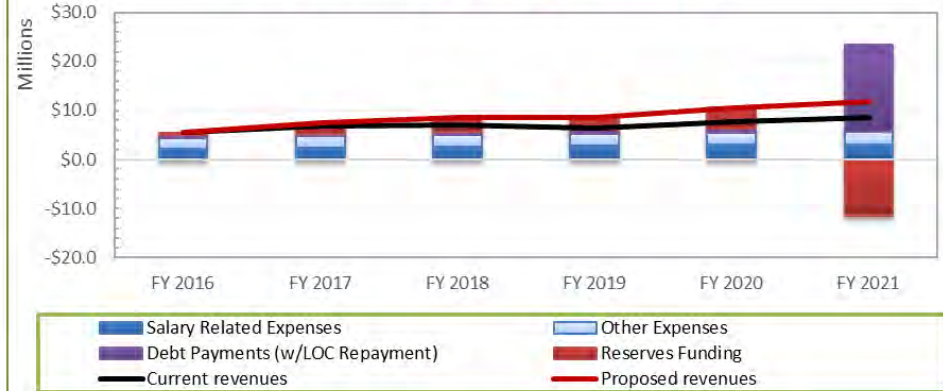
Financial Plan

New Cashflow CIP / Grant, No Rebound Sale w/ Growth Rev

Whole District Revenue adjustment and Debt Coverage



Whole District Operating Financial Plan



Whole District CIP and Funding Sources



Whole District Unrestricted Fund Ending Balances



Capacity Fees Preliminary Results

Current Capacity Fees & Impact Fees

Current Approach Capacity Fees = Total Buy-in Cost / Total Capacity

Current Approach Impact Fees = Total Incremental Cost / Total Added Capacity

Effective for FY 2016 <u>Type of Meter</u>	POTABLE WATER CONNECTIONS			RW CONNECTIONS	
	Capacity Fees	Meter Installation	Impact Fees	Capacity Fees	Meter Installation
WEU	\$5,359	\$361	\$6,707		
Combo WEU	\$5,360	\$726	\$6,707		
2" Combo	\$8,936	\$727	\$11,179		
5/8"	\$8,935	\$361	\$11,179	\$8,935	\$361
3/4"	\$13,108	\$690	\$16,768	\$13,108	\$690
1"	\$22,342	\$449	\$27,946	\$22,342	\$449
1 ½"	\$44,683	\$1,586	\$55,893	\$44,683	\$1,586
2"	\$71,494	\$1,796	\$89,427	\$71,494	\$1,796
3"	\$134,051	\$2,217	\$167,679	\$134,051	\$2,217
4"	\$223,417	\$3,692	\$279,463	\$223,417	\$3,692

Capacity Fees Framework

Capacity – Buy-in approach for existing infrastructure

Sufficient capacity in current infrastructure to meet future demand

- System capacity = 1,517 AF (per Bartle Wells Report)
- Current demand for FY 2016 = 1,106 AF
- Updated Projected demand for FY 2040 (built-out) = 1,400 AF

Recommendation:

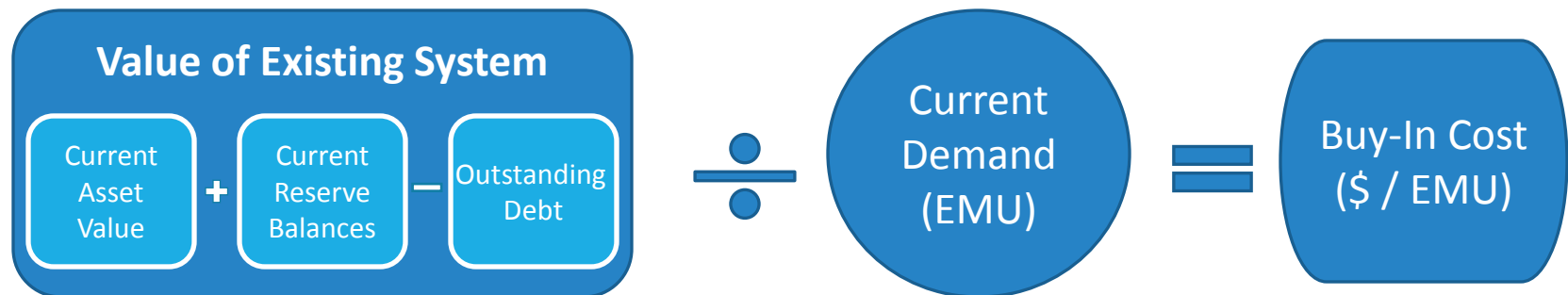
- Update the Capacity Fees using Equity Buy-in approach

System / Equity Buy-In Method

Focuses on Total Value and Capacity of Existing System

Recognizes that existing users have developed and maintained a utility system that can accommodate growth:

- Value of the assets, current reserve balances, and any outstanding debt need to be determined



Capacity Fees Framework

New Connections	Potable Equity Buy-In	RW Treatment Capacity Buy-In	RW Distribution Capacity Buy-In	Quarry Recharge / Storage Buy-in
Potable	X	X	X	X
RW		X	X	

Potable Water Capacity Fees:

1. Potable Infrastructure (Potable Equity Buy-In)
2. Water Demand Offset Fees (or Impact Fees) for Supplemental Water Supply Projects
 1. RW Treatment Capacity Buy-In
 2. RW Distribution Capacity Buy-In
 3. Quarry Recharge / Storage Capacity Buy-In

Discussion about Capacity

	Capacity	Why?
RW Treatment	740 AF	System capacity with actual WW supply constraints
RW Distribution	240 AF	RW demand at built-out
Quarry Recharge / Storage	1,400 AF	Max potable demand at built-out

Preliminary Capacity Fees

New Connections	Potable Equity Buy-In	RW Treatment Capacity Buy-In	RW Distribution Capacity Buy-In	Quarry Recharge / Storage Capacity Buy-In
Net Asset Values	\$21,736,535 (RCLD)	\$6,243,862 (Total Debt Service COP 2004)	\$2,485,706 (RCLD)	\$10,344,304 (CIP less grant)
Demand or Capacity	4,441 EMU (current EMU with AWWA ratios)	740 AF (actual RW treatment capacity)	240 AF (built-out RW demand)	1,400 AF (built-out demand)
Unit Rate				
In 2015 \$	\$4,895 / EMU	\$8,438 / AF	\$10,357 / AF	\$7,389 / AF
In 2016 \$ (by ENR CCI)	\$5,039 / EMU	\$8,686 / AF	\$10,662 / AF	\$7,607 / AF

Preliminary Water Capacity Fees

Potable Water Capacity Fees (Infrastructure and Impact Fees)

- Estimated Demand / EDU = 0.252 AFY for 5/8-in services
 - Per UWMP 2015, Adopted: Est. demand for 5/8-in service (residential)= 75 GPCD x 3PPH
- 5/8" meter fees = \$5,039 + 0.252 x (\$8,686 + \$10,662 + \$7,607)

Meter size	Estimated Demand (AFY)	Potable Infrastructure	RW Treatment	RW Distribution	Quarry Recharge / Storage	Proposed Capacity Fees	Current Fees	% Change
5/8"	0.252 AFY	\$5,039	\$2,127	\$2,687	\$1,917	\$11,770	\$20,114	-41%
3/4"	0.378 AFY	\$7,559	\$3,190	\$4,031	\$2,876	\$17,656	\$29,876	-41%
1"	0.630 AFY	\$12,598	\$5,317	\$6,719	\$4,793	\$29,427	\$50,288	-41%
1.5"	1.260 AFY	\$25,197	\$10,634	\$13,437	\$9,586	\$58,854	\$100,576	-41%
2"	2.016 AFY	\$40,314	\$17,014	\$21,499	\$15,338	\$94,165	\$160,921	-41%
3"	4.411 AFY	\$88,188	\$37,217	\$47,030	\$33,551	\$205,986	\$301,730	-32%
4"	7.940 AFY	\$158,738	\$66,991	\$84,654	\$60,392	\$370,775	\$502,880	-26%

Preliminary RW Capacity Fees

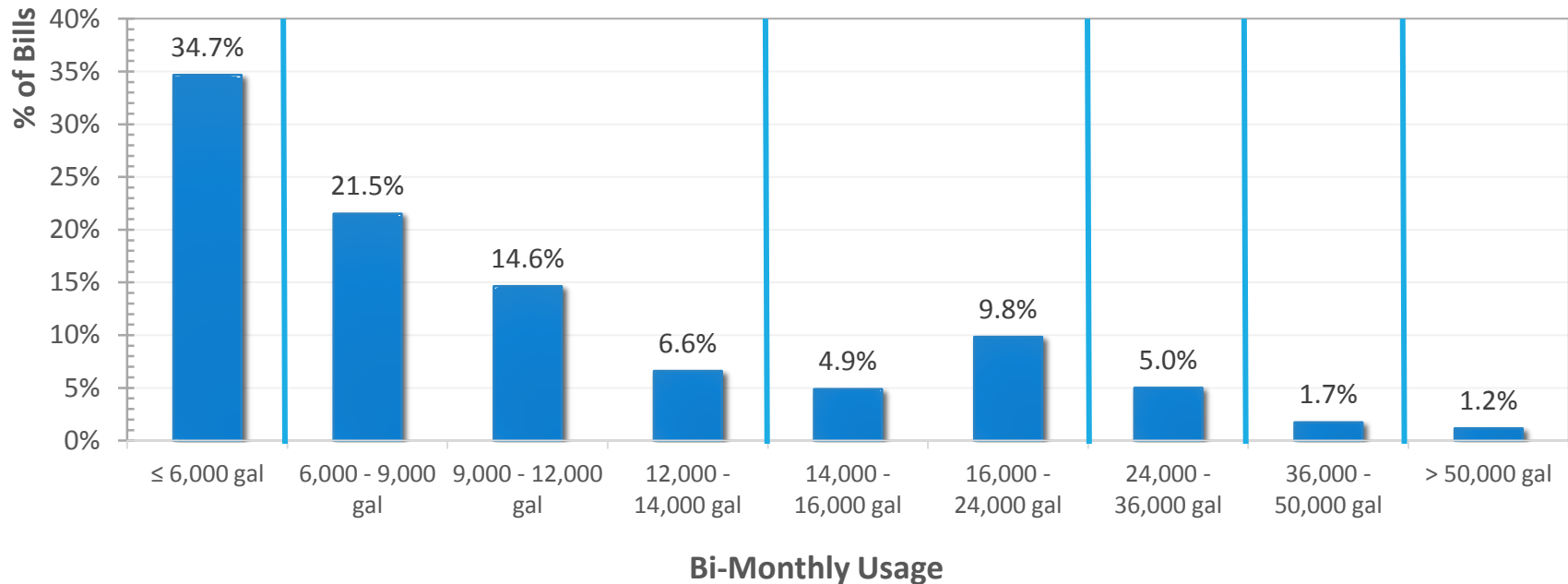
Meter size	Estimated Demand (AFY)	RW Treatment	RW Distribution	Proposed	Current	% Change
5/8"	0.252 AFY	\$2,127	\$2,687	\$4,814	\$8,935	-46%
3/4"	0.378 AFY	\$3,190	\$4,031	\$7,221	\$13,108	-45%
1"	0.630 AFY	\$5,317	\$6,719	\$12,036	\$22,342	-46%
1.5"	1.260 AFY	\$10,634	\$13,437	\$24,071	\$44,683	-46%
2"	2.016 AFY	\$17,014	\$21,499	\$38,513	\$71,494	-46%
3"	4.411 AFY	\$37,217	\$47,030	\$84,247	\$134,051	-37%
4"	7.940 AFY	\$66,991	\$84,654	\$151,645	\$223,417	-32%

Tier Definitions

Single Family Bill Frequency

2015 Usage

FY 2015 Bill Frequency



- Median bi-monthly single family usage = 8,000 gal
- Tier 1 = 35% of Bills, Tier 2 = 42% of Bills, Tier 3 = 15% of Bills
- Tiers 4 - 6 = 8% of Bills

Single Family Tier Definitions

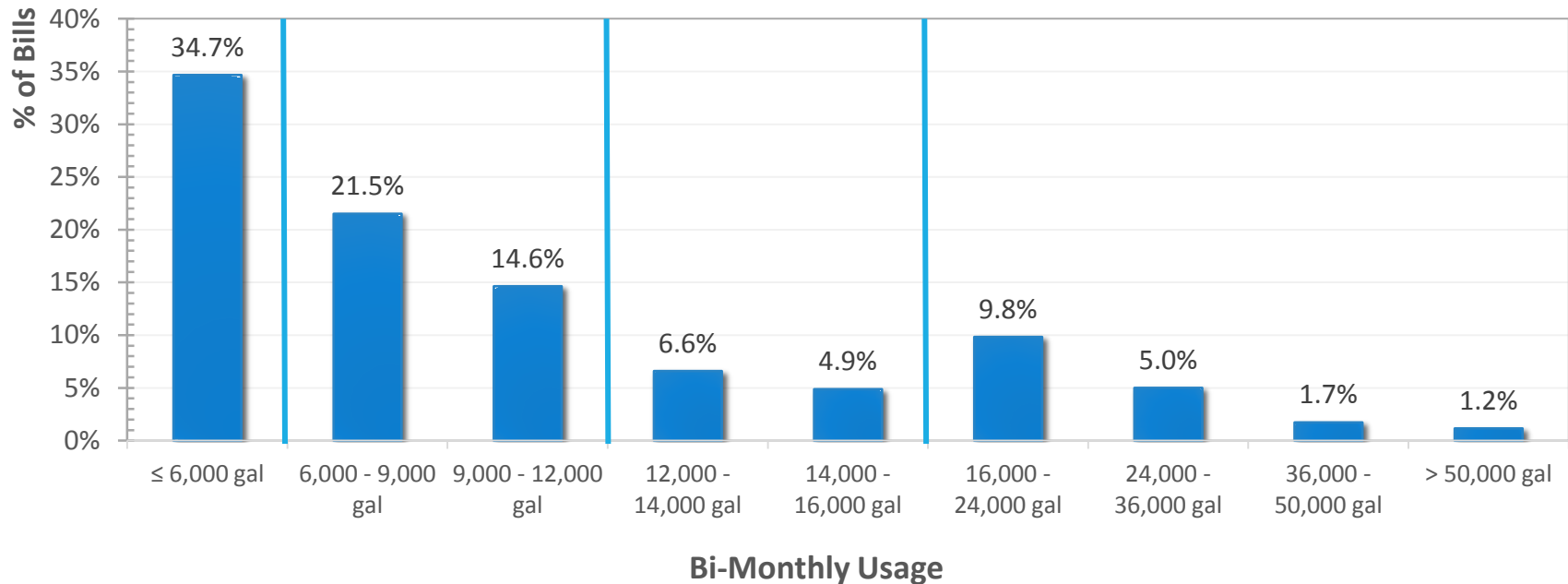
Tiers	Tier Definitions	Bases
Tier 1	0 – 6,000 gal	Indoor use: 40GPCD x 2.5 PPH x 60 days
Tier 2	6,001 – 12,000 gal	Average Outdoor use for 1,800 sq ft landscape area or 3,000 sq ft of low water use landscape
Tier 3	12,001 – 16,000 gal	<p>Avg Year Groundwater Availability: 1,650 AF w/o 8.7% unaccounted water</p> <p>SFR (63% of total usage): 955 AF / 3,226 units ≈ 16,000 gal per bi-monthly billing period</p>

- Multi-Family does not have dwelling units data, thus will be part of uniform rates (non-tiered)
 - RFC can't combine provided dwelling units data with consumption database without proper links (i.e. Account number)

Single Family Bill Frequency

2015 Usage

FY 2015 Bill Frequency



- Median bi-monthly single family usage = 8,000 gal
- Tier 1 = 35% of Bills, Tier 2 = 36% of Bills, Tier 3 = 11% of Bills
- Tiers 4 - 6 = 18% of Bills

Water Rate Justifications

	Water Supply	Delivery	Peaking	Conservation	Revenue Offset
Residential					
Tier 1	Groundwater	X	X		X
Tier 2	Groundwater	X	XX		
Tier 3	Groundwater	X	XXX	XX	
Tier 4	RW / GWR?	X	XXXX	XX	
Non-Residential	Groundwater	X	XX	X	X

Groundwater is the only available potable water supply sources

The Bartle Wells Report stated that the District is currently in overdraft

Utilizing Property Tax (unrestricted) for Revenue Offset to provide affordability for essential use

Next Steps

Conduct Cost of Service Analysis and Rate Design for Water and RW services

- Perform customer impact analysis

Conduct Rate Design Workshop

- “On-site” with Finance Committee or Board (tentatively August 11 or August 18, 2016)

Prepare “Water & RW Rate Study Report”

Attend Public Hearing on Nov 15, 2016

Discussion

Any other concerns / issues?

