

Cambria Community Services District



Water, SWF & Sewer Rates

June 19, 2018



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS



Presentation Overview

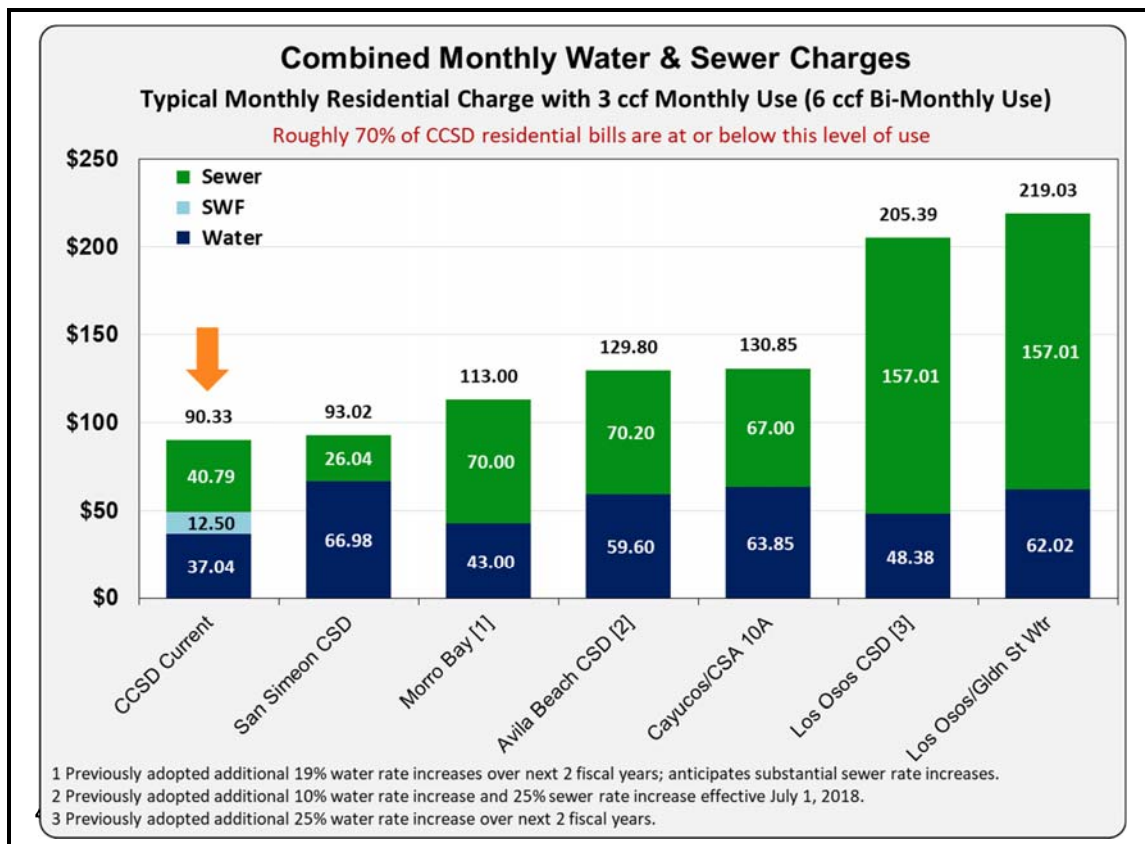


- Background
- Water Rates
- SWF Rates
- Sewer Rates
- Rate Impacts
- Issues for Input

Background



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Overview

- CCSD is a community-governed public agency
- Serves a population of approximately 6,400 plus a substantial tourism industry
- CCSD's water & sewer utilities are financially self-supporting enterprise funds
- Service charges are the main source of revenues
- Rates need to set at levels adequate to fund operations, maintenance, debt service, & capital improvements needs



Background

- Emergency Water Supply Project rate study conducted in 2014
- Last water & sewer rate studies conducted in 2015
 - Included rate increases & modifications to rate structure designed to re-align rates with the cost of providing service
- Prior to these rate studies, CCSD adopted minimal to no water and sewer rate increases over the previous 20+ years
 - Rate increases over 20+ years were significantly lower than inflation
- CCSD heavily impacted by drought
 - Declared Stage 3 Water Supply Emergency & adopted rate penalties
 - CCSD experienced roughly 40% decline in water sales
- Prior rate increases designed to restore basic financial stability and fund minimal level of repairs/replacements...*but were not designed to address major capital needs*

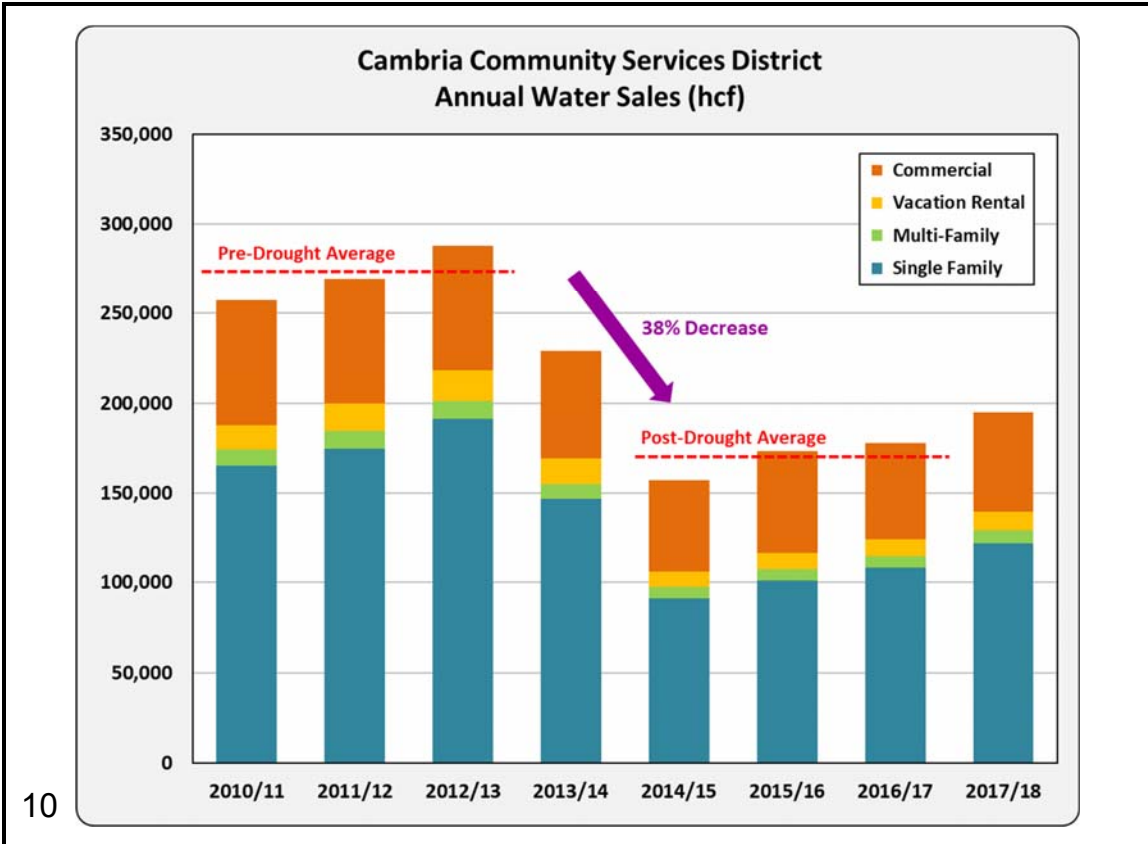
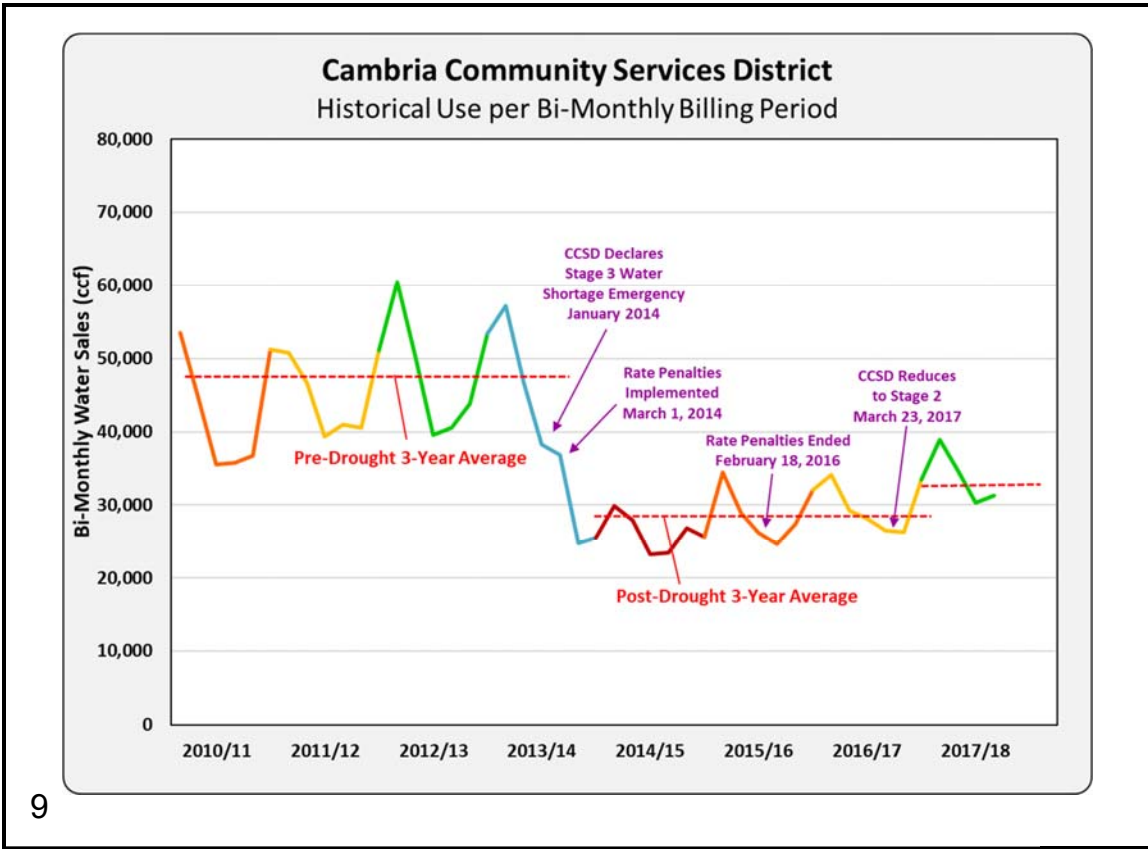


Background

- Current rate study designed to support CCSD infrastructure funding needs as well as adequate operating & maintenance costs
- Many of CCSD's facilities are approaching the end of their useful operating lives & are in need of rehabilitation and replacement.
- Additional capital improvements are needed to comply with regulatory requirements (e.g. Sustainable Water Facility)
- Proposed rates are designed to phase in adequate funding stream for capital improvements over the next three years
- Rate increases phased in over next 3 years to extent possible
- CCSD's utility bills are currently in the lower range compared to other local coastal communities

WATER RATES







Water Finances

- **Current water rates generate about \$250K for capital improvements**
- **Aging water system facilities in need of repair, rehab, replacement**
- **10-Year Capital improvement Program totals \$6.2 million (current \$)**
 - **Average annual funding requirement: \$700,000+ with cost inflation**
- **Water utility currently understaffed**



Water Rate Projections

- **Financial projections developed to evaluate funding needs & rates**
 - **Based on current year budget with 4% cost escalation**
 - **Phase in funding for new staffing: 1 water operator, 1/4 utility manager, and some staffing re-allocations**
 - **Assumes no change in customer base or water sales from current levels**
- **Water rate recommendations designed to:**
 - **Support adequate operating & maintenance expenses**
 - **Phase in funding stream for capital improvements to \$700,000 per year over the next 3 years**
 - **Reduced rate scenario phases in capital funding to \$500,000 per year**



Water Rate Projections

- BWA developed financial & rate projections for 3 scenarios
 - A Front-Load Increase: Initial increase to support CIP funding needs
 - B Phased Approach: Phase in rate increases & phase in capital funding
 - C Reduced Phase-In: Lower rate increases & reduced capital funding
- Rates designed to reflect the cost of providing service and phase in funding for capital needs
- 3 years of rate increases proposed at this time
 - Substantial steps toward meeting infrastructure funding needs
 - CCSD can re-evaluate rates in future years

Water Rate Increase Scenarios

	Sept-1 2018	July-1 2019	July-1 2020
A) Front-Load Increase			
Rate Increase %	38%	0%	0%
CIP Funding	\$650,000	\$700,000	\$700,000
B) Phased Approach			
Rate Increase %	16%	12%	6%
CIP Funding	\$250,000	\$600,000	\$700,000
C) Reduced Phase-In			
Rate Increase %	13%	9%	6%
CIP Funding	\$200,000	\$350,000	\$500,000
Prior Adopted Rates			
	<u>Jan-1, 2019</u>	<u>Jan-1, 2020</u>	
Rate Increase %	4%	4%	
CIP Funding	\$100,000	\$80,000	

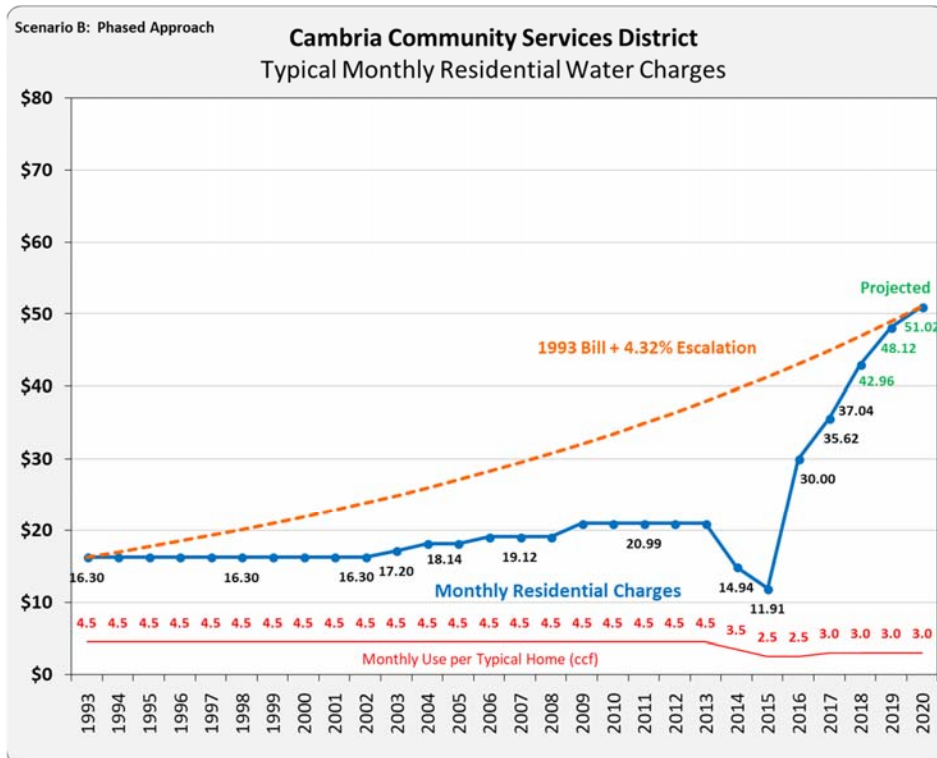
Scenario B) Phased Approach

Proposed Water Rates						
				Proposed Water Rates Effective On or After		
				September 1 2018	July 1 2019	July 1 2020
FIXED WATER SERVICE CHARGES						
Residential						
Monthly Charge	\$13.79		\$16.00	\$17.92	\$19.00	
Bi-Monthly Charge	27.58		32.00	35.84	38.00	
Commercial						
<u>Monthly Charge (based on meter size)</u>						
5/8" or 3/4"	\$13.79		\$16.00	\$17.92	\$19.00	
1"	34.48		40.00	44.80	47.50	
1-1/2"	68.95		80.00	89.60	95.00	
2" & Larger	137.90		160.00	179.20	190.00	
WATER QUANTITY CHARGES						
Billed based on metered water use (\$/ccf)						
Residential						
<u>Tier</u>	<u>Bi-Monthly</u>	<u>Monthly</u>				
Tier 1	First 4 ccf	First 2 ccf	\$7.03	\$8.15	\$9.13	\$9.68
Tier 2	4.01 - 16 ccf	2.01 - 8 ccf	9.19	10.66	11.94	12.66
Tier 3	> 16 ccf	> 8 ccf	10.25	11.89	13.32	14.11
Commercial						
Rate for All Water Use	\$9.19		\$10.66	\$11.94	\$12.66	
Equivalent Rate per 100 gallons			\$1.23	\$1.43	\$1.60	\$1.69

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Scenario B) Phased Approach



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SUSTAINABLE WATER FACILITY RATES



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SWF Rate Background

- Prior SWF rate study completed in 2014
 - Established new charges for Sustainable Water Facility
 - Designed to recover preliminary cost estimates for debt service, facility maintenance, and operations
 - SWF rates include 3 components:
 - Fixed Charges
 - Quantity Charges (3 rate tiers)
 - Operating Surcharges only levied during periods of SWF operation
- } Ongoing charges levied year-round to recover costs for SWF facility financing & basic maintenance

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SWF Update


- CCSD was successful in obtaining grant funding to help fund SWF
- Debt service costs for SWF are lower than originally projected
- Ongoing operating costs are substantially higher than projected
- Operations will require brine-hauling to meet regulatory requirements
- Current rates generate no funding for SWF capital improvement needs
 - Highest-priority capital needs include about \$500,000 to facilitate brine hauling & meet Coastal Development Permit requirements
- Issues applying SWF rate surcharge during periods of SWF operation



SWF Finances & Rates

- Financial projections developed to evaluate funding needs & rates
 - Based on current year budget with 4% cost escalation
 - Includes small increase in staffing costs allocated to SWF
 - SWF needs short-term interfund loan to fund near-term capital needs
 - Assumes no change in water sales from current levels
 - Includes estimated expenses for 2 months of SWF operation each year
- SWF rate recommendations
 - Rate increases needed to support operating & capital needs
 - Eliminate the rate surcharges only charged during SWF operation and incorporate cost recovery into ongoing year-round charges

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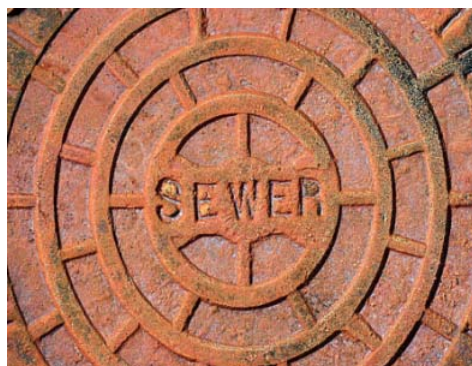


Proposed Sustainable Water Facility Rates						
	Current Rates	Proposed SWF Rates Effective On or After				
		September 1 2018	July 1 2019	July 1 2020		
FIXED SERVICE CHARGES						
Residential						
Monthly Charge	\$6.50	\$8.08	\$8.89	\$9.51		
Bi-Monthly Charge	13.00	16.16	17.78	19.02		
Commercial						
<u>Monthly Charge (based on meter size)</u>						
5/8" or 3/4"	\$13.00	\$8.08	\$8.89	\$9.51		
1"	21.67	20.20	22.23	23.78		
1-1/2"	43.34	40.40	44.45	47.55		
2" & Larger	69.34	80.80	88.90	95.10		
QUANTITY CHARGES						
<i>Billed based on metered water use (\$/ccf)</i>						
SWF Quantity Charges						
<u>Tier</u>	<u>Bi-Monthly</u>	<u>Monthly</u>				
Tier 1	First 4 ccf	First 2 ccf	\$1.50	\$1.88	\$2.07	\$2.21
Tier 2	4.01 - 16 ccf	2.01 - 8 ccf	3.00	3.75	4.13	4.42
Tier 3	> 16 ccf	> 8 ccf	4.50	5.63	6.19	6.62
SWF Operating Surcharges						
<i>Only charged during periods of facility operation</i>		<i>These charges are proposed to be eliminated</i>				

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SEWER RATES



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Sewer Finances

- Sewer utility has no fund reserves
- Current sewer rates generate virtually no funds for capital needs
- Sewer fund had to borrow \$466,000 from General Fund to meet funding needs in recent years
- Aging sewer system facilities in need of repair, rehab, replacement
- 10-Year Capital improvement Program totals \$9.5 million (current \$)
 - Projects can be completed over time based on available annual funding
- Sewer utility currently understaffed



Sewer Rate Projections

- Financial projections developed to evaluate funding needs & rates
 - Based on current year budget with 4% cost escalation
 - New positions needed include 2 wastewater collection system operators, 1/2 utility manager, and some staffing re-allocations
 - Includes repayment of interfund loan to General Fund
 - Assumes no change in customer base or billed usage from current levels
- Sewer rate recommendations designed to:
 - Support adequate operating & maintenance expenses
 - Phase in funding stream for sewer system capital improvements to \$800,000 per year over the next 3 years (potentially more in future years)
 - Reduced rate scenario phases in capital funding to \$600,000 per year



Sewer Rate Projections

- BWA developed financial & rate projections for 3 scenarios
 - A Front-Load Increase: Initial increase to support CIP funding needs
 - B Phased Approach: Phase in rate increases & phase in capital funding
 - C Reduced Phase-In: Lower rate increases & reduced capital funding
- Rates designed to reflect the cost of providing service and phase in funding for capital needs
- 3 years of rate increases proposed at this time
 - Substantial steps toward meeting infrastructure funding needs
 - CCSD can re-evaluate rates in future years

Sewer Rate Increase Scenarios

	Sept-1 2018	July-1 2019	July-1 2020
A) Front-Load Increase			
Rate Increase %	64%	0%	0%
CIP Funding	\$800,000	\$800,000	\$800,000
B) Phased Approach			
Rate Increase %	20%	18%	16%
CIP Funding	\$200,000	\$500,000	\$800,000
C) Reduced Phase-In			
Rate Increase %	18%	16%	14%
CIP Funding	\$150,000	\$400,000	\$600,000
Prior Adopted Rates			
	<u>Jan-1, 2019</u>	<u>Jan-1, 2020</u>	
Rate Increase %	4%	4%	
CIP Funding	(\$75,000)	(\$180,000)	

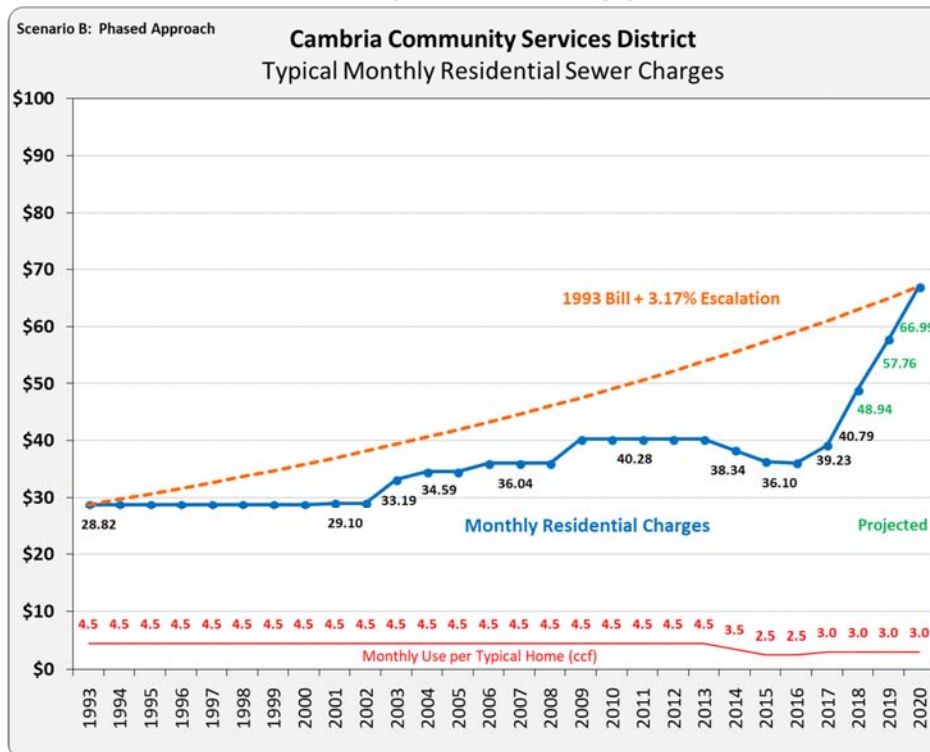
Scenario B) Phased Approach

Proposed Sewer Rates				
	Current Sewer Rates	Proposed Sewer Rates Effective On or After		
		Sept 1 2018	July 1 2019	July 1 2020
FIXED SEWER SERVICE CHARGES				
All Accounts				
Monthly Charge	\$30.29	\$36.34	\$42.88	\$49.74
Bi-Monthly Charge	60.57	72.68	85.76	99.48
SEWER QUANTITY CHARGES				
Billed based on metered water use (\$/ccf)				
Residential	\$3.50	\$4.20	\$4.96	\$5.75
Commercial				
Wastewater Class				
Class 1: Low Strength	\$3.07	\$3.68	\$4.34	\$5.03
Class 2: Medium Strength	3.50	4.20	4.96	5.75
Class 3: Mod/High Strength	5.39	6.47	7.63	8.85

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Scenario B) Phased Approach



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Combined Rate Impacts



Rate Increases

- Rate increases phased in over next 3 years to extent possible
 - Slightly more increases needed in earlier years
- Goal: Support financial stability & phase in funding for capital needs
- Proposed rates will place additional burden on ratepayers
- CCSD utility bills projected to end up in lower-mid to middle range compared to other local coastal communities
- CCSD can re-evaluate rates in future years
- Smaller, inflationary rate increases projected after next 3 years
- More increases in near term result in need for less increases in future years, and vice versa

Scenario A: Bill Impacts on a Typical Home

Typical home with 6 ccf bi-monthly use

70% of residential bills are currently at or below this level of use

	Current Charges	Charges with Proposed Rates		
		Sept-1, 2018	July-1, 2019	July-1, 2020
WATER				
Fixed Water Charge	\$27.58	\$38.06	\$38.06	\$38.06
Quantity Charge	<u>46.50</u>	<u>64.16</u>	<u>64.16</u>	<u>64.16</u>
Bi-Monthly Total	74.08	102.22	102.22	102.22
<i>Monthly Equivalent</i>	<i>37.04</i>	<i>51.11</i>	<i>51.11</i>	<i>51.11</i>
SWF				
SWF Fixed Charge	13.00	16.16	17.78	19.02
SWF Quantity Charge	12.00	15.02	16.54	17.68
SWF Operating Surcharge	<i>varies</i>	<i>eliminated</i>	<i>eliminated</i>	<i>eliminated</i>
Bi-Monthly Total	25.00	31.18	34.32	36.70
<i>Monthly Equivalent</i>	<i>12.50</i>	<i>15.59</i>	<i>17.16</i>	<i>18.35</i>
SEWER				
Fixed Charge	60.57	99.34	99.34	99.34
Quantity Charge	<u>21.00</u>	<u>34.44</u>	<u>34.44</u>	<u>34.44</u>
Bi-Monthly Total	81.57	133.78	133.78	133.78
<i>Monthly Equivalent</i>	<i>40.79</i>	<i>66.89</i>	<i>66.89</i>	<i>66.89</i>
Total Bi-Monthly Charges	180.65	267.18	270.32	272.70
<i>Monthly Equivalent</i>	<i>90.33</i>	<i>133.59</i>	<i>135.16</i>	<i>136.35</i>

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Scenario B: Bill Impacts on a Typical Home

Typical home with 6 ccf bi-monthly use

70% of residential bills are currently at or below this level of use

	Current Charges	Charges with Proposed Rates		
		Sept-1, 2018	July-1, 2019	July-1, 2020
WATER				
Fixed Water Charge	\$27.58	\$32.00	\$35.84	\$38.00
Quantity Charge	<u>46.50</u>	<u>53.92</u>	<u>60.40</u>	<u>64.04</u>
Bi-Monthly Total	74.08	85.92	96.24	102.04
Monthly Equivalent	37.04	42.96	48.12	51.02
SWF				
SWF Fixed Charge	13.00	16.16	17.78	19.02
SWF Quantity Charge	12.00	15.02	16.54	17.68
SWF Operating Surcharge	<u>varies</u>	<u>eliminated</u>	<u>eliminated</u>	<u>eliminated</u>
Bi-Monthly Total	25.00	31.18	34.32	36.70
Monthly Equivalent	12.50	15.59	17.16	18.35
SEWER				
Fixed Charge	60.57	72.68	85.76	99.48
Quantity Charge	<u>21.00</u>	<u>25.20</u>	<u>29.76</u>	<u>34.50</u>
Bi-Monthly Total	81.57	97.88	115.52	133.98
Monthly Equivalent	40.79	48.94	57.76	66.99
Total Bi-Monthly Charges	180.65	214.98	246.08	272.72
Monthly Equivalent	90.33	107.49	123.04	136.36

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Scenario B
Phased Approach

Combined Monthly Water & Sewer Charges

Monthly Residential Charges with 3 ccf Monthly Use (6 ccf Bi-Monthly Use)

Roughly 70% of CCSD residential bills are at or below this level of use



1 Previously adopted additional 19% water rate increases over next 2 fiscal years; anticipates substantial sewer rate increases.
2 Previously adopted additional 10% water rate increase and 25% sewer rate increase effective July 1, 2018.
3 Previously adopted additional 25% water rate increase over next 2 fiscal years.

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Scenario C: Bill Impacts on a Typical Home

Typical home with 6 ccf bi-monthly use

70% of residential bills are currently at or below this level of use

	Current Charges	Charges with Proposed Rates		
		Sept-1, 2018	July-1, 2019	July-1, 2020
WATER				
Fixed Water Charge	\$27.58	\$31.16	\$33.96	\$36.00
Quantity Charge	<u>46.50</u>	<u>52.52</u>	<u>57.22</u>	<u>60.66</u>
Bi-Monthly Total	74.08	83.68	91.18	96.66
<i>Monthly Equivalent</i>	<i>37.04</i>	<i>41.84</i>	<i>45.59</i>	<i>48.33</i>
SWF				
SWF Fixed Charge	13.00	16.16	17.78	19.02
SWF Quantity Charge	12.00	15.02	16.54	17.68
SWF Operating Surcharge	<u>varies</u>	<u>eliminated</u>	<u>eliminated</u>	<u>eliminated</u>
Bi-Monthly Total	25.00	31.18	34.32	36.70
<i>Monthly Equivalent</i>	<i>12.50</i>	<i>15.59</i>	<i>17.16</i>	<i>18.35</i>
SEWER				
Fixed Charge	60.57	71.48	82.92	94.52
Quantity Charge	<u>21.00</u>	<u>24.78</u>	<u>28.74</u>	<u>32.76</u>
Bi-Monthly Total	81.57	96.26	111.66	127.28
<i>Monthly Equivalent</i>	<i>40.79</i>	<i>48.13</i>	<i>55.83</i>	<i>63.64</i>
Total Bi-Monthly Charges	180.65	211.12	237.16	260.64
<i>Monthly Equivalent</i>	<i>90.33</i>	<i>105.56</i>	<i>118.58</i>	<i>130.32</i>

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Scenario C
Reduced Phase-In

Combined Monthly Water & Sewer Charges

Monthly Residential Charges with 3 ccf Monthly Use (6 ccf Bi-Monthly Use)

Roughly 70% of CCSD residential bills are at or below this level of use

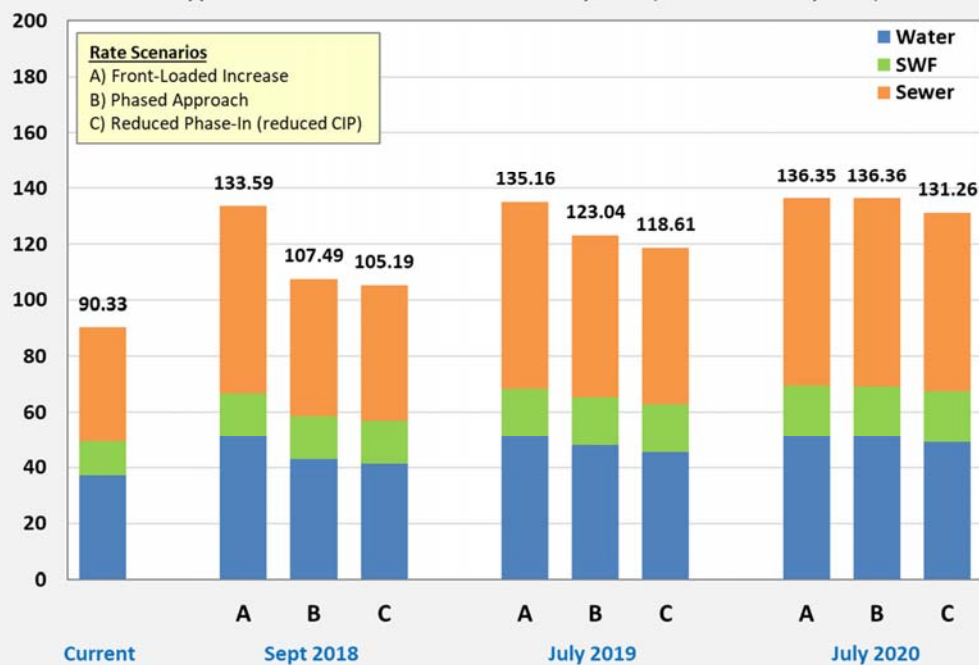


- 1 Previously adopted additional 19% water rate increases over next 2 fiscal years; anticipates substantial sewer rate increases.
- 2 Previously adopted additional 10% water rate increase and 25% sewer rate increase effective July 1, 2018.
- 3 Previously adopted additional 25% water rate increase over next 2 fiscal years.

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Combined Monthly Charges

Typical Home with 6 ccf Bi-Monthly Use (3 ccf Monthly Use)



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Issues for Input



Issues for Board Direction

- **Level of rate increases to include in the Prop. 218 Rate Notice**
 - 3 years of rate increases proposed at this time
 - Substantial steps toward meeting infrastructure funding needs
 - CCSD can re-evaluate rates in future years
- **Effective dates for proposed rate increases**
 - Draft recommendations assume 1st increase is effective Sept-1, 2018 with future increases effective July 1 (corresponding with fiscal year)
- **Need to set date & time for a Public Hearing on proposed rates**
 - e.g. Could be a Special Meeting in August
 - Adopted rates cannot exceed levels included in the Prop 218 Notice

Questions Discussion & Input

