

Coastside County Water District

Water Rate Study

Board Meeting

August 24, 2022



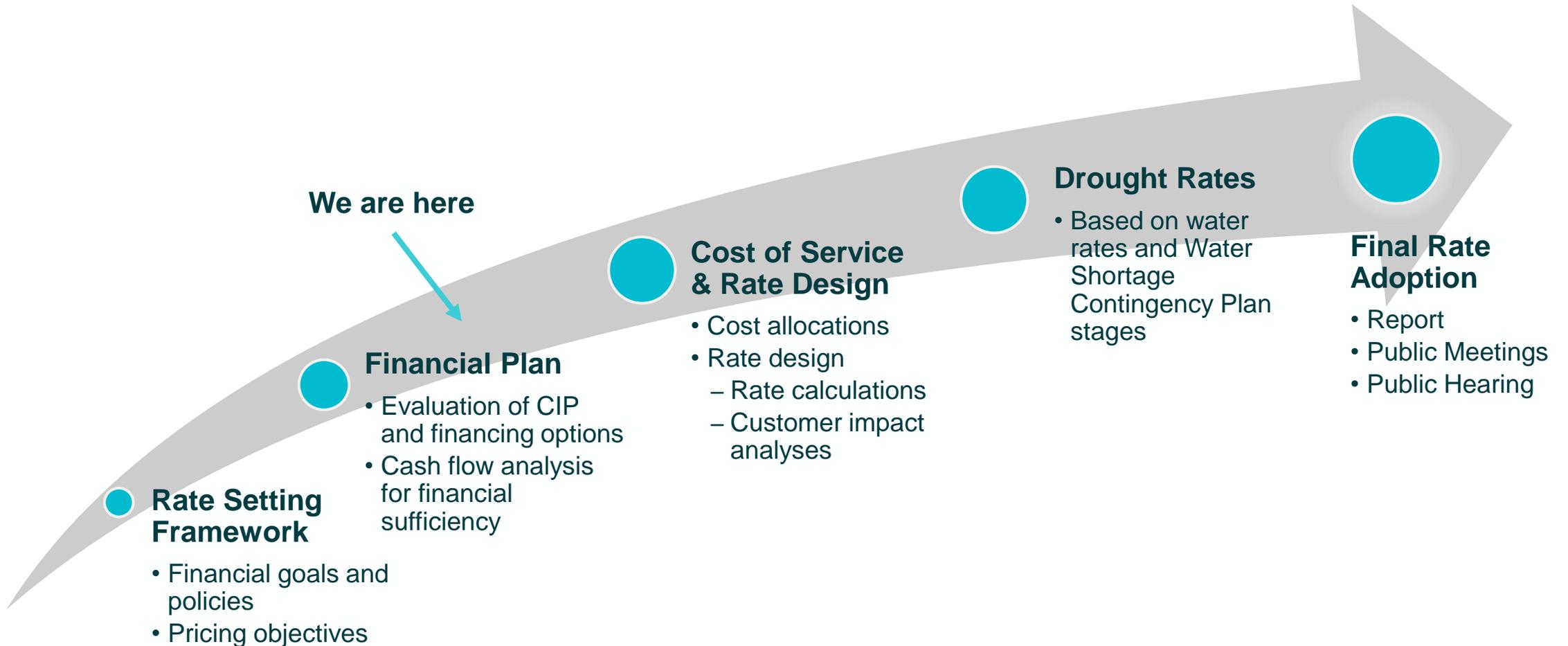
Agenda

- Rate Study Overview
- Model Inputs and Assumptions
- Changes from Prior Study
- Preliminary Financial Plan Scenarios
- Next Steps

Rate Study Overview



Rate Study at a Glance

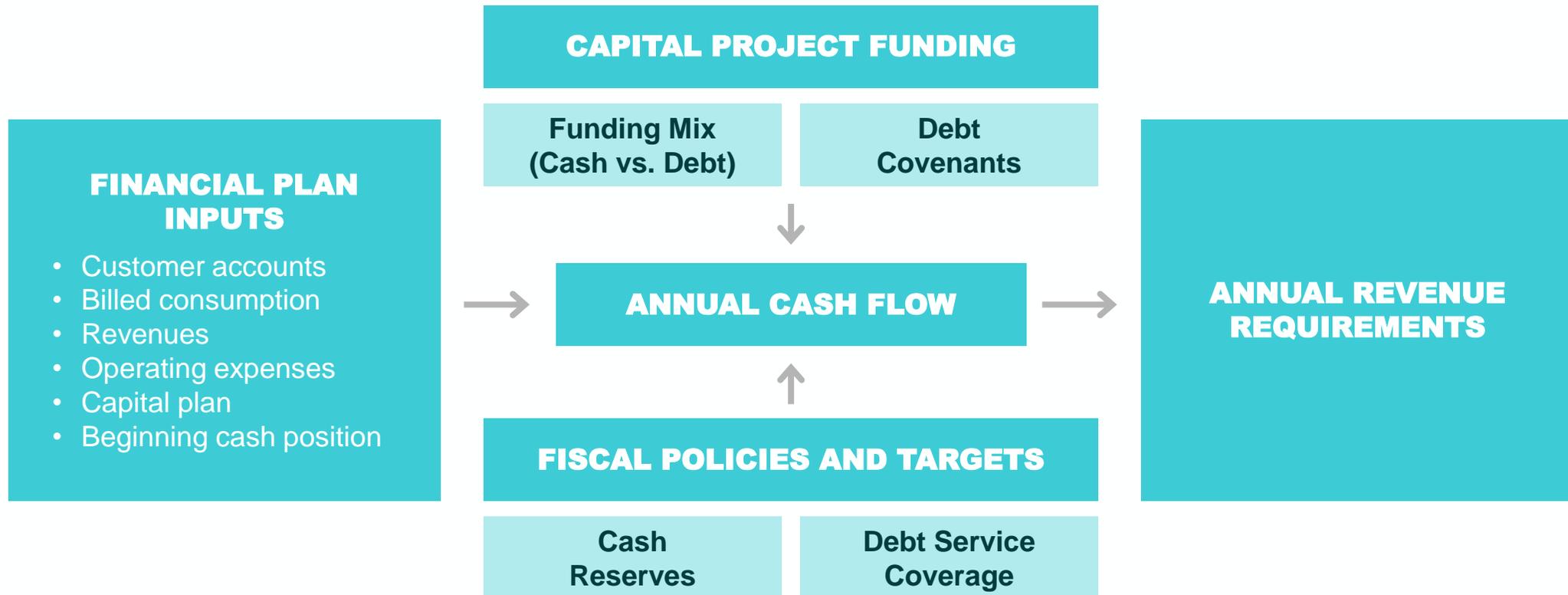


Schedule and Timeline

Task Name	Dates/Details
Board Meeting – Financial plan preliminary results, COS concept, rate study process	August 24
Board Meeting – Financial plan recap, preliminary rate and COS results	September 13
Finance Committee – Drought rate discussion	Mid/Late September
Board Meeting – Rates and drought rates results	October 11
Public Hearing	December 13
Water Rate Implementation	January 1, 2023

Financial Plan Overview

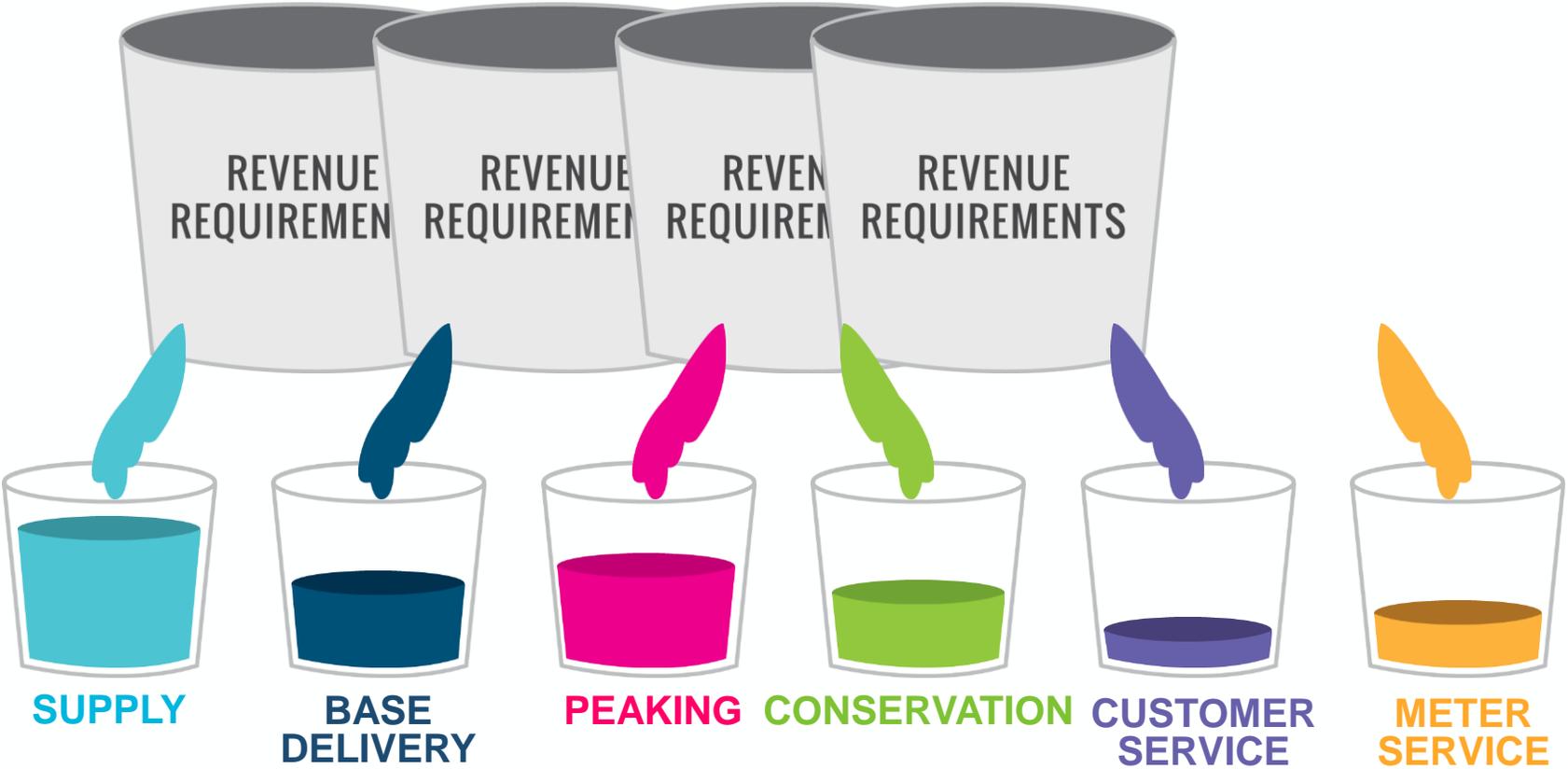
FINANCIAL PLAN ELEMENTS



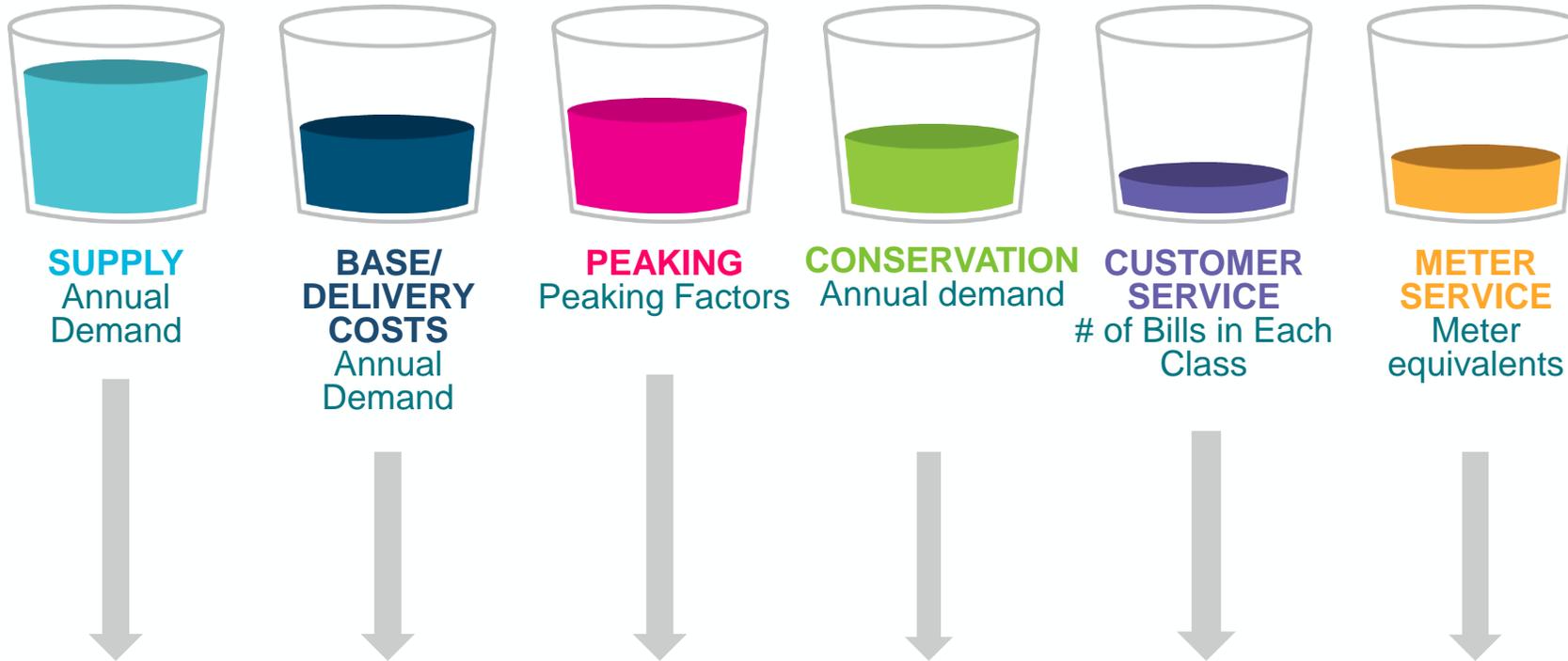
What is Cost of Service?

- Required by Proposition 218
- Different types of customers generate different costs because their patterns of use or characteristics are different
- Cost of service allows the matching of rates charged with the costs of serving each group (classes and tiers)
- Financial plan determines total revenue needed for the whole system, whereas cost of service determines how to split the revenue needs between customer classes

Allocate Costs to Cost Components



Distribute Costs to Customer Classes

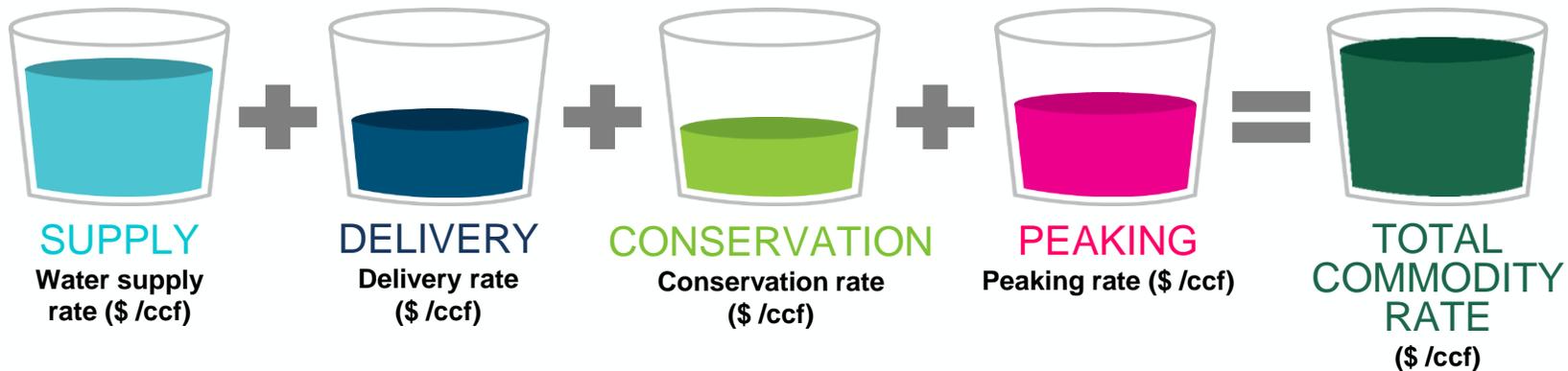


CUSTOMER CLASSES (Cost to Serve Each Class)

(Residential, Non-Residential, etc.)

Proposition 218 Requirements

- Agencies must develop a **nexus** between their tiered rates and their costs to serve those tiers and **document** their methodology in a report
- We develop a **nexus** between rates and cost of service by adding a unit rate for each cost component



Model Inputs and Assumptions



Inflationary Assumptions

- No customer account growth
- Water sales assumptions:
 - › 550 MG in FYE 2023
 - › 600 MG in FYE 2024
 - › 625 MG in FYE 2025 and beyond
- Escalation factors for expenses assume higher inflation in FYE 2024 and returns to prior rate study assumptions in FYE 2027

Escalation Factors	FYE 2024	FYE 2025	FYE 2026	FYE 2027
General	5.0%	4.2%	3.5%	2.7%
Salary/Benefits	6.5%	5.8%	5.2%	4.5%
Power	6.0%	5.7%	5.3%	5.0%
Capital	5.0%	4.4%	3.8%	3.2%
Non-Rate Revenues	2.0%	2.0%	2.0%	2.0%
Interest Income	0.9%	0.9%	0.9%	0.9%

Operating Expenditures

Water Supply Costs	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
SFPUC Variable Rate (\$/ccf)	\$3.74	\$4.32	\$4.79	\$4.79	\$4.79	\$4.80

O&M Expenses	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
Water Purchases	\$2.0M	\$2.5M	\$2.8M	\$2.9M	\$2.9M	\$2.9M
O&M	\$7.0M	\$8.0M	\$8.5M	\$9.0M	\$9.3M	\$9.7M
Total Expenditures	\$9.0M	\$10.5M	\$11.3M	\$11.9M	\$12.3M	\$12.6M

Capital Improvement Plan

CIP (Uninflated)	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
Equipment Purchase & Replacement	\$400,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
Facilities & Maintenance	\$200,000	\$190,000	\$150,000	\$150,000	\$150,000	\$150,000
Pipeline Projects	\$600,000	\$2,850,000	\$650,000	\$100,000	\$2,600,000	\$3,900,000
Pump Stations/Tanks/Wells	\$500,000	\$900,000	\$1,500,000	\$6,600,000	\$2,250,000	\$750,000
Water Supply Development	\$300,000	\$400,000	\$1,250,000	\$1,000,000	\$1,300,000	\$800,000
Water Treatment Plants	\$5,100,000	\$3,775,000	\$1,450,000	\$0	\$0	\$0
Total CIP	\$7,100,000	\$8,205,000	\$5,090,000	\$7,940,000	\$6,390,000	\$5,690,000

Existing Debt Service

Existing Debt	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
Existing Bond-CIEDB 11-099	\$335,669	\$335,508	\$335,343	\$335,173	\$334,998	\$334,819
CIEDB 16-111	\$322,895	\$322,417	\$321,923	\$321,412	\$320,883	\$320,337
Chase - 2018 Loan (Refunding of 2006B Bonds)	\$435,168	\$436,027	\$437,233	\$432,821	\$432,880	\$437,180
First Foundation 2022 Loan	\$0	\$495,510	\$417,501	\$417,434	\$417,365	\$417,295
Total Debt Service	\$1,093,732	\$1,589,462	\$1,512,000	\$1,506,840	\$1,506,127	\$1,509,630

Fund Balance and Financial Policies

- FYE 2023 beginning balance: \$15.5M
- Operating Reserve Target: 25% of Operating Expenses
- Capital Replacement Reserve Target: Average CIP over 5 years
- Meet debt service coverage of 120%

Changes from Prior Study



Changes from 2020 Study

- SFPUC Water Costs
 - › \$3.71 per ccf in FYE 2021 (prior study)
 - › \$4.32 per ccf in FYE 2023
 - › \$4.79 per ccf in FYE 2024
- Capital Program
 - › 5-year average FYE 2020-2024 was \$4.6M per year
 - › 5-year average FYE 2023-2027 is \$7.1M per year
- Projected Water Sales
 - › FYE 2021 580 MG
 - › FYE 2023 550 MG

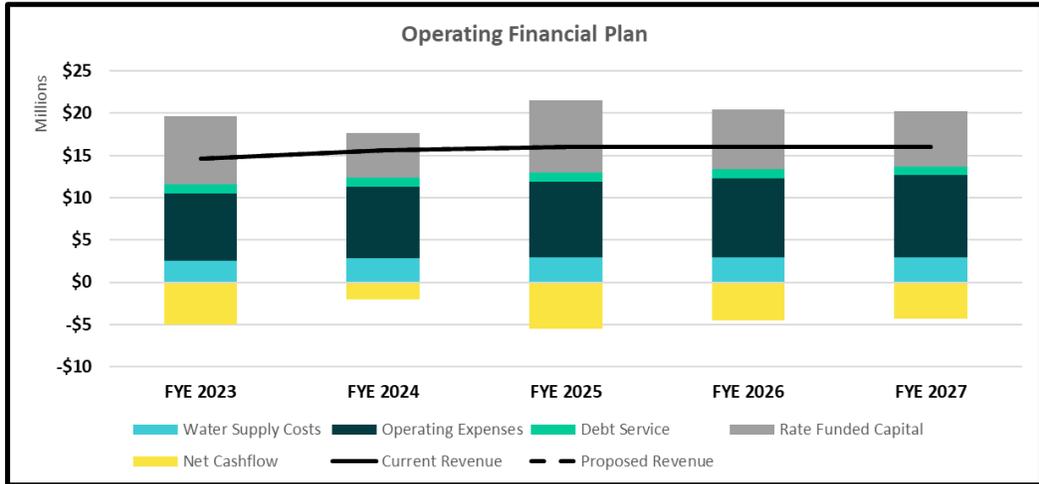
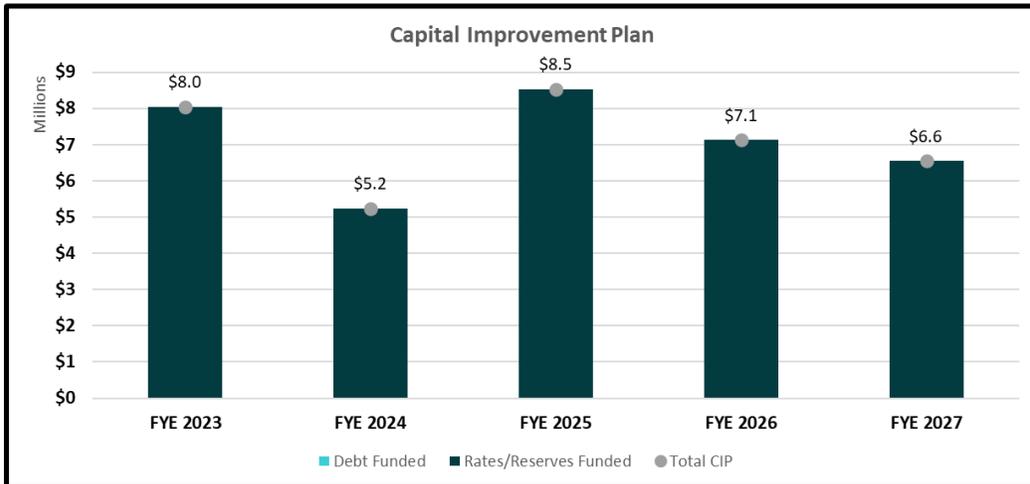
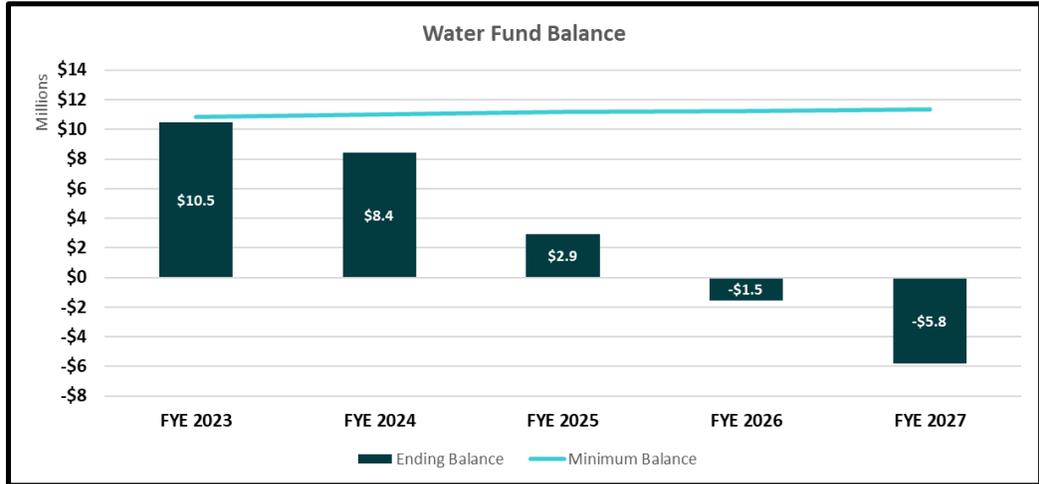
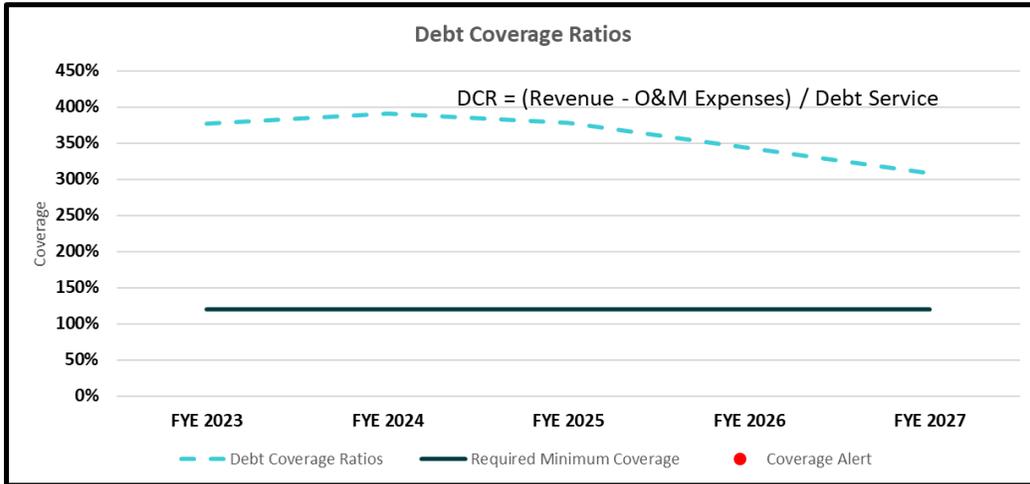
Financial Plan Scenarios



All scenarios assume 95% CIP Funding

Financial Plan Scenario – Status Quo

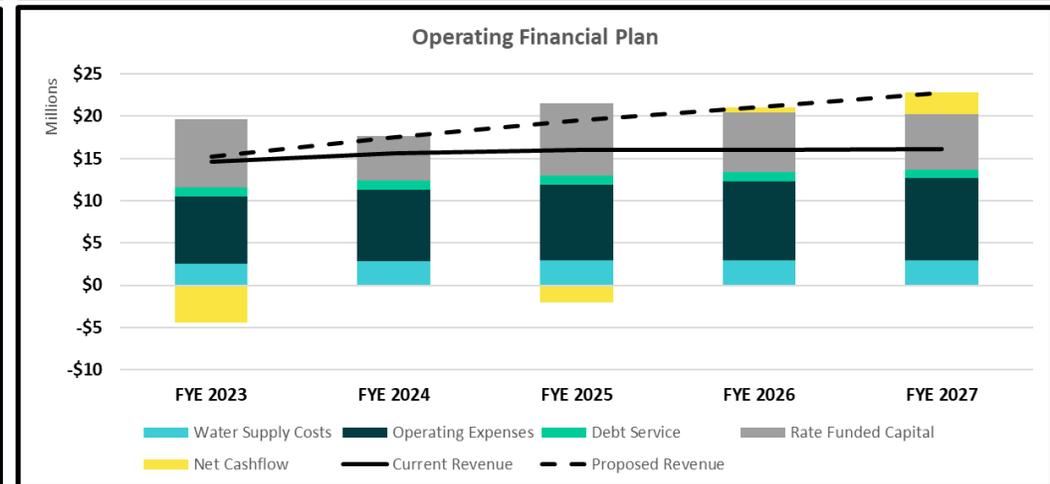
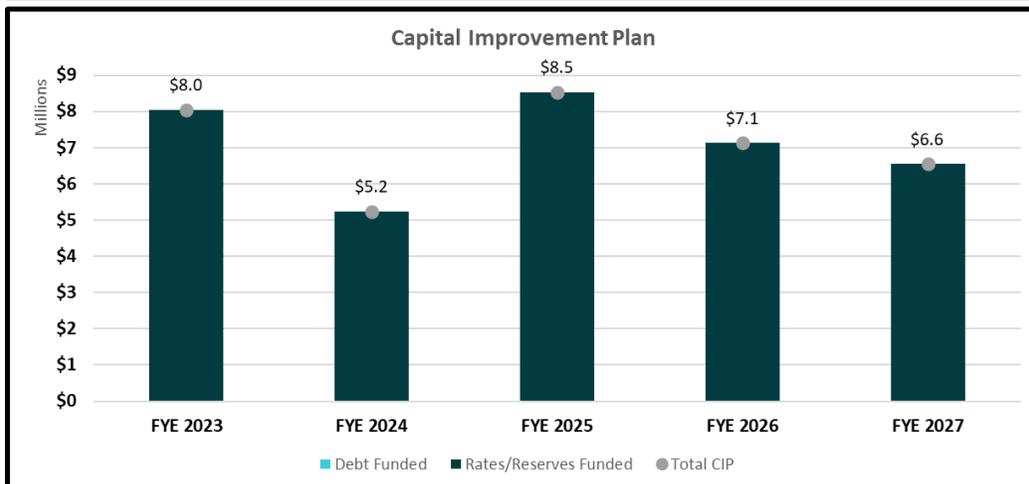
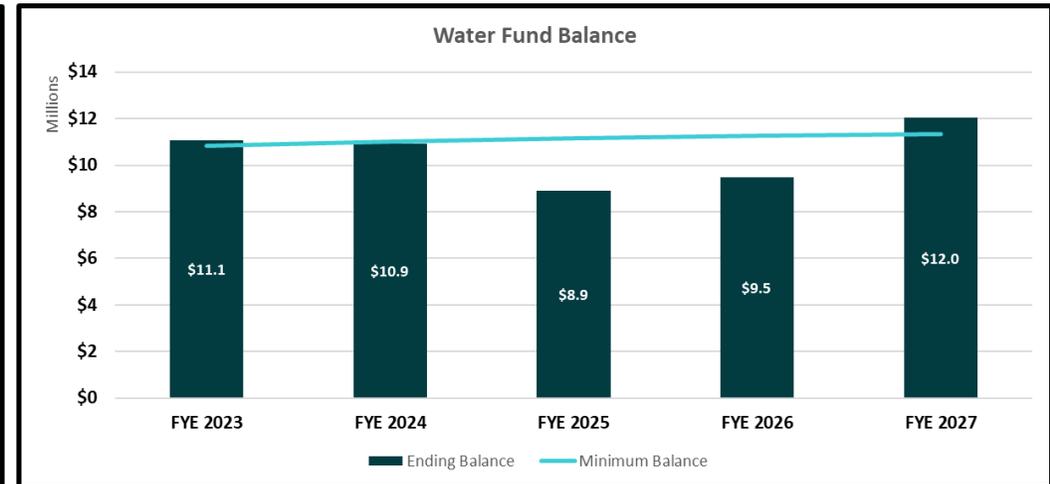
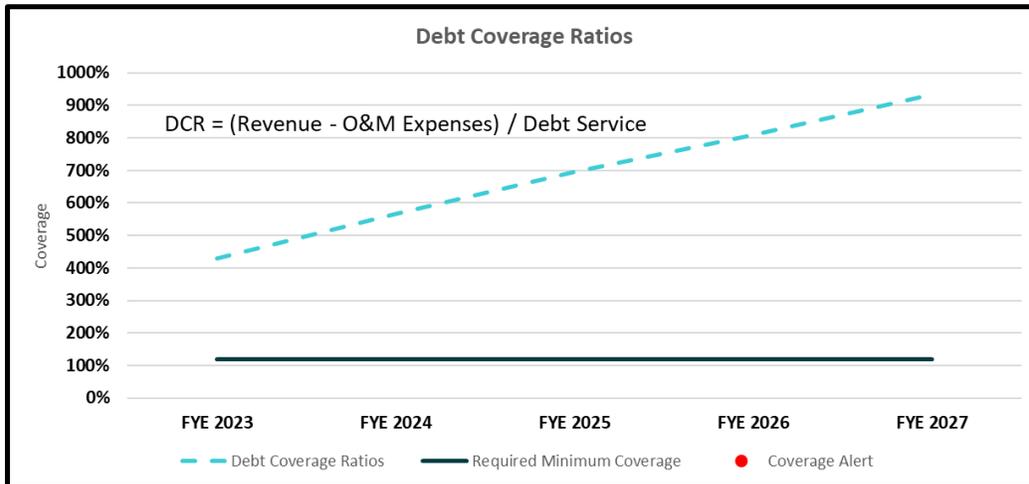
	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
Revenue Adjustments	0%	0%	0%	0%	0%
Proposed Debt Proceeds	\$0	\$0	\$0	\$0	\$0



All scenarios assume 95% CIP Funding

Financial Plan Scenario – All PAYGO

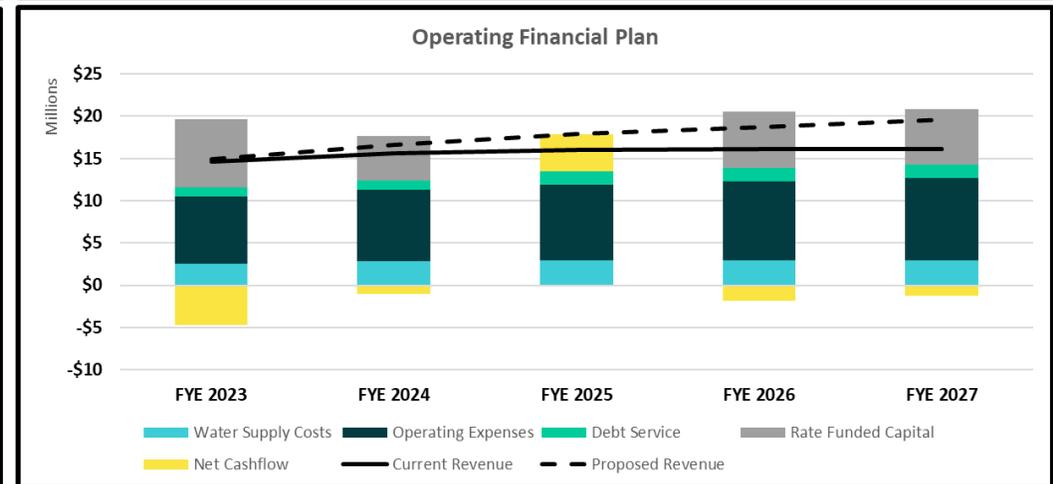
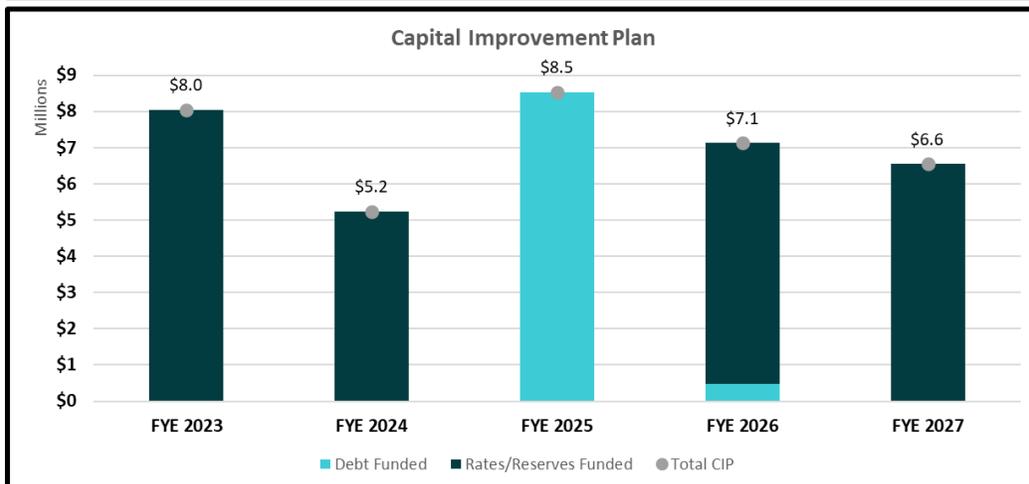
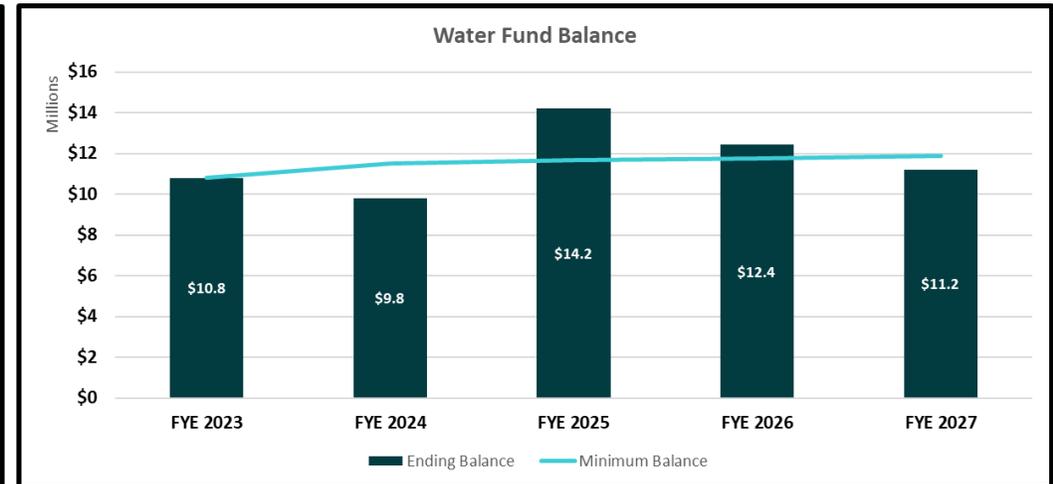
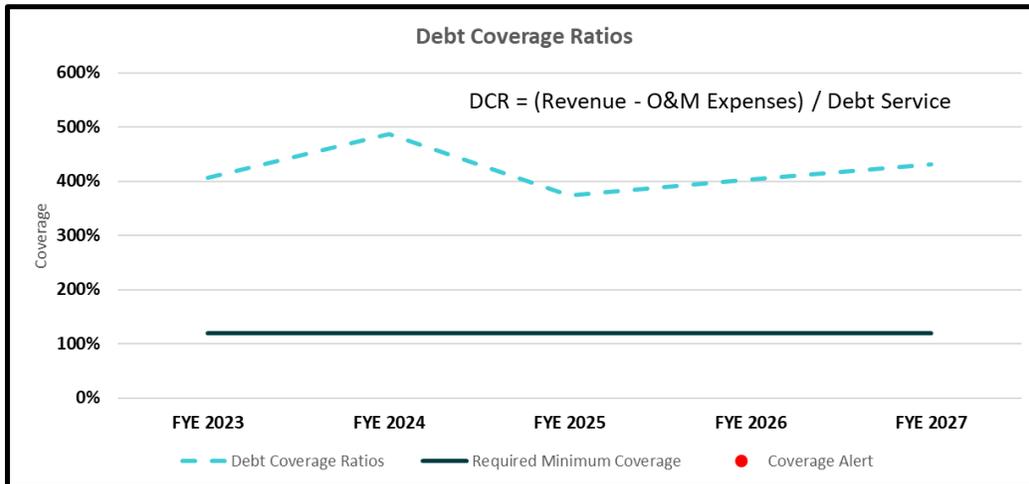
	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
Revenue Adjustments	9%	9%	9%	9%	9%
Proposed Debt Proceeds	\$0	\$0	\$0	\$0	\$0



All scenarios assume 95% CIP Funding

Financial Plan Scenario – Debt Financing

	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
Revenue Adjustments	5.0%	5.0%	5.0%	5.0%	5.0%
Proposed Debt Proceeds	\$0	\$0	\$9.0M	\$0	\$0





Thank you!

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