

Cambria Community Services District



Water, SWF & Sewer Rates

June 21, 2018



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS



Presentation Overview



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

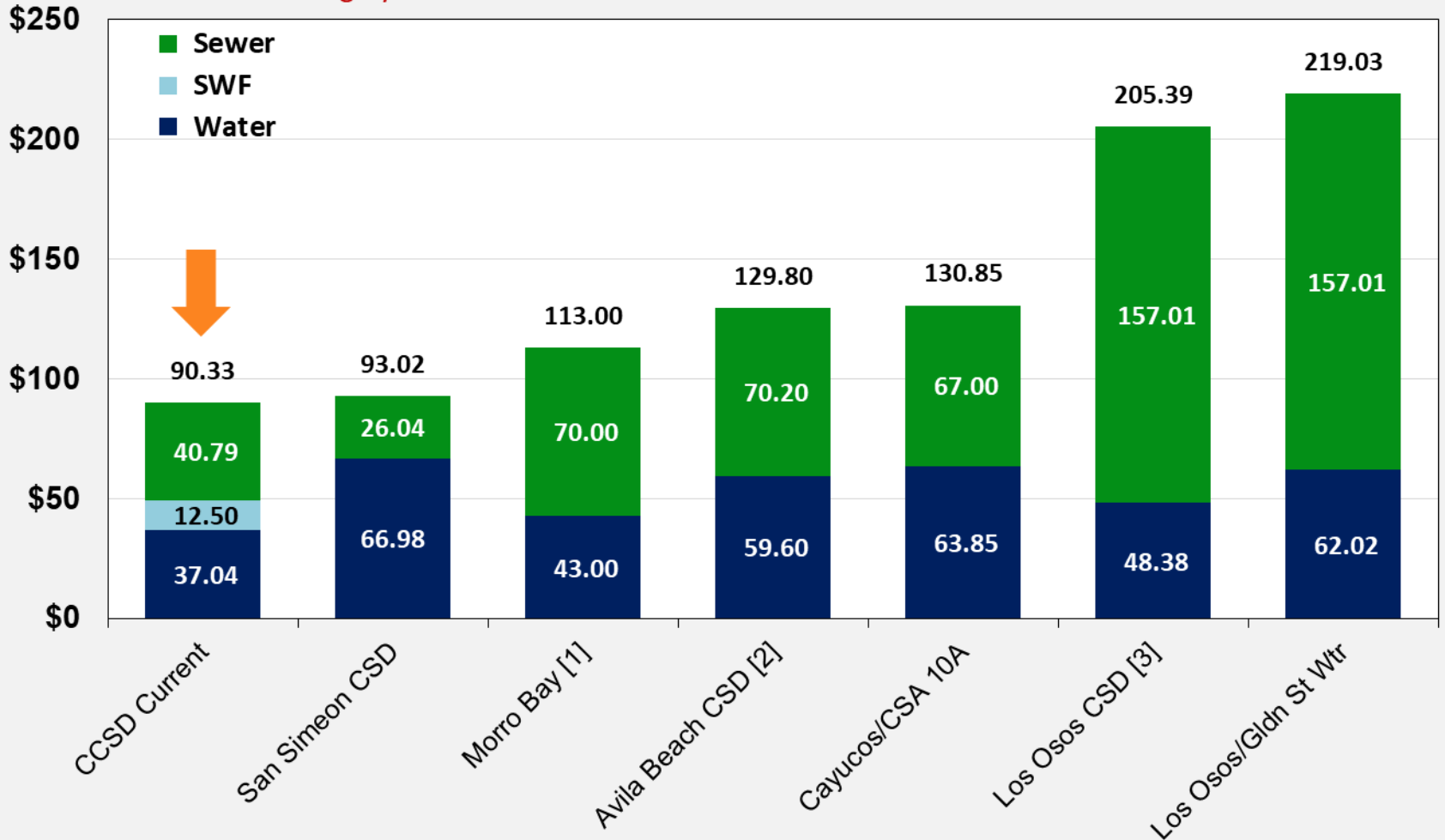
Background



Combined Monthly Water & Sewer Charges

Typical Monthly Residential Charge 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.



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***



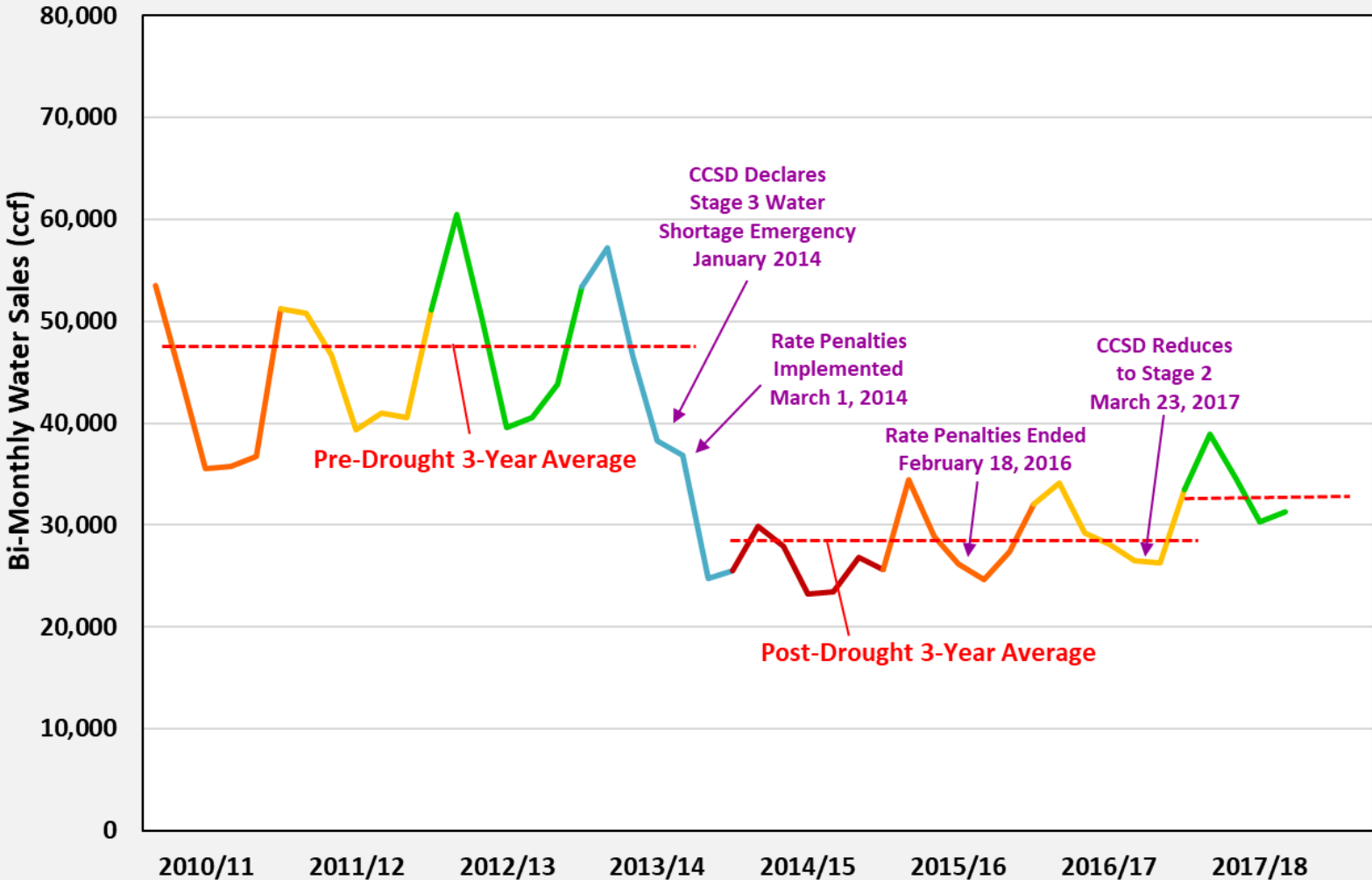
Background

- **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**

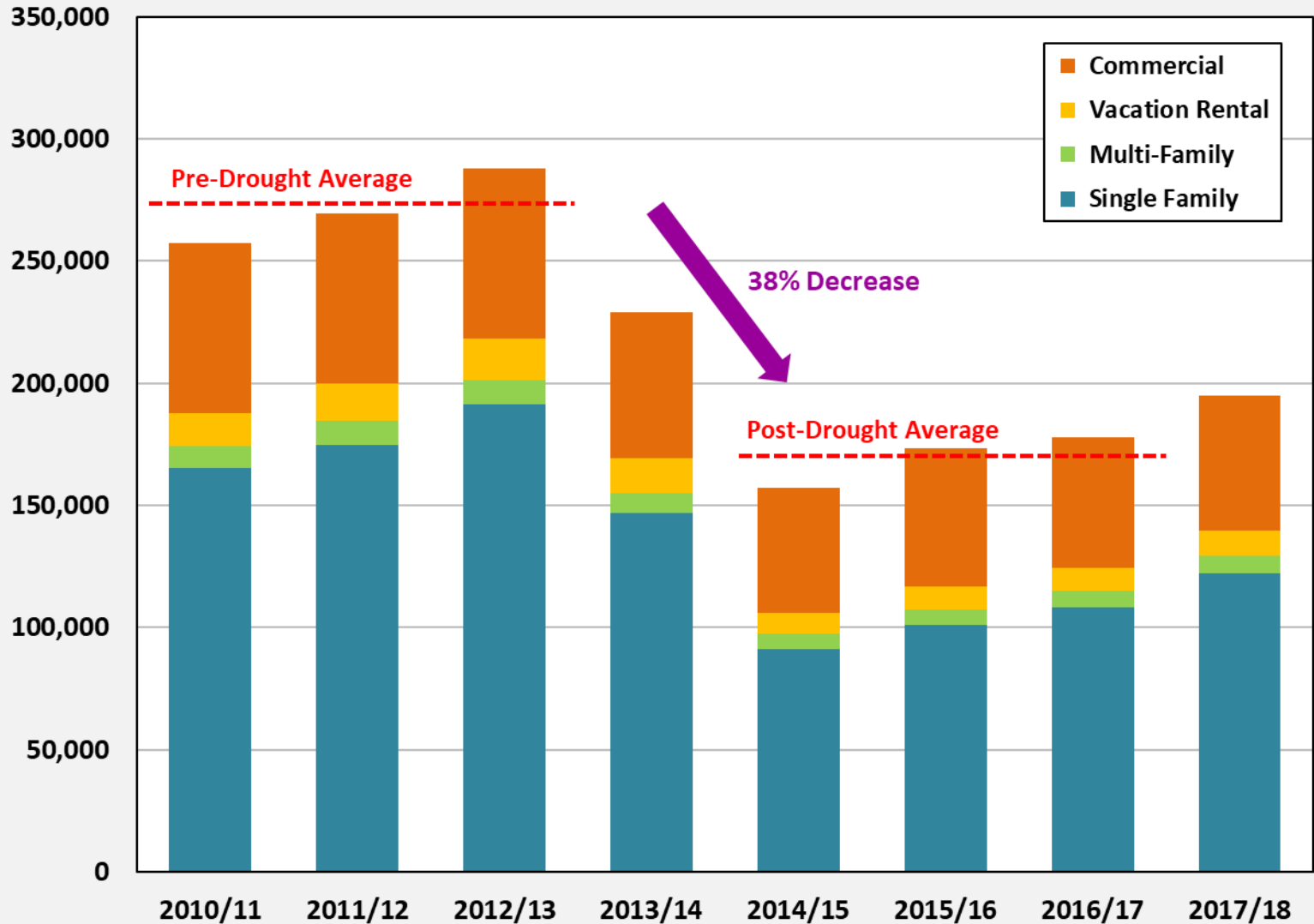
WATER RATES



Cambria Community Services District Historical Use per Bi-Monthly Billing Period



Cambria Community Services District Annual Water Sales (hcf)





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

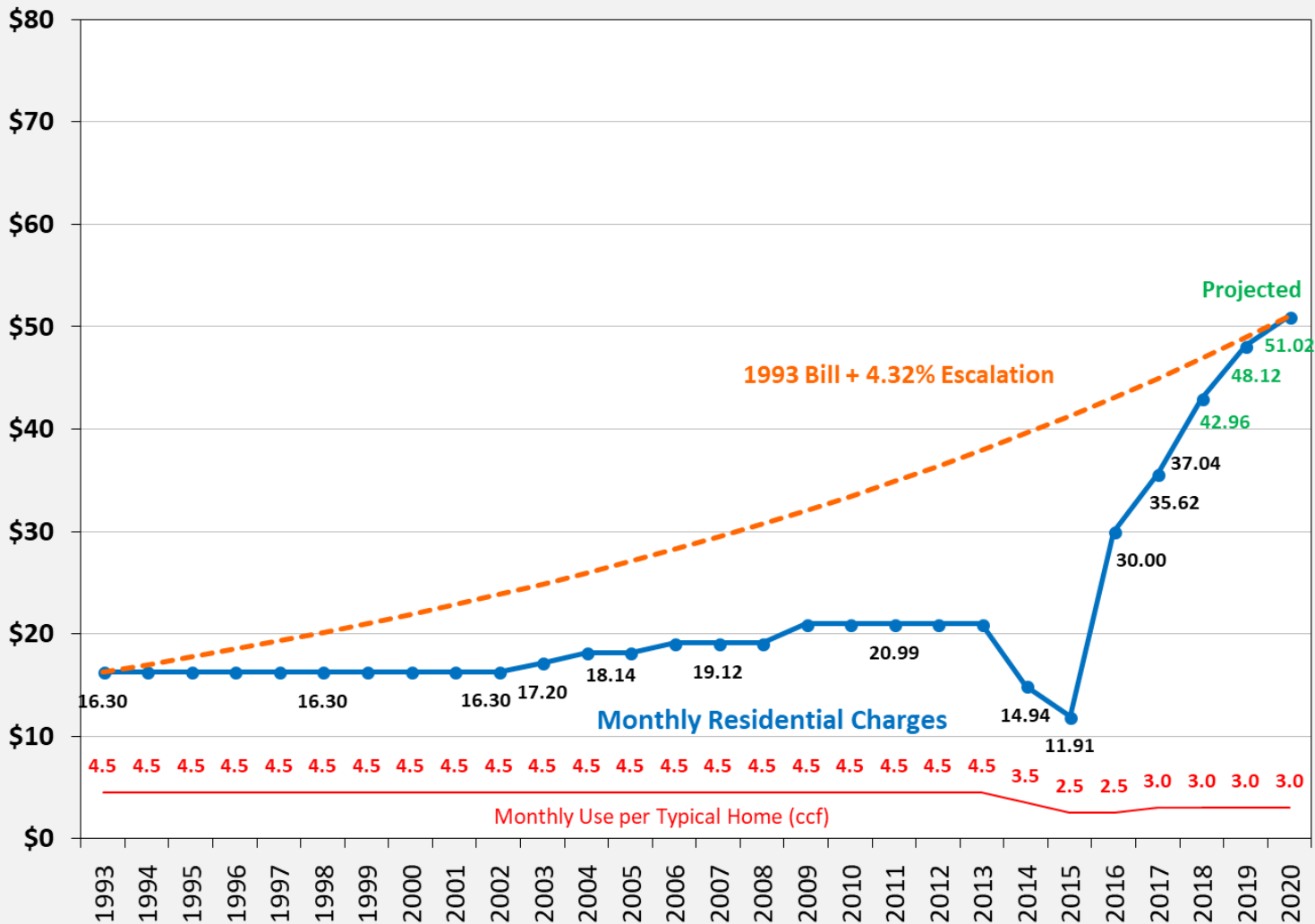
Proposed Water Rates				
	Current Water Rates	Proposed Water Rates Effective On or After		
		September 1 2018	July 1 2019	July 1 2020
FIXED WATER SERVICE CHARGES				
Residential				
Monthly Charge	\$13.79	\$16.00	\$17.92	\$19.00
<i>Bi-Monthly Charge</i>	27.58	32.00	35.84	38.00
Commercial				
<u>Monthly 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				
<i>Billed based on metered water use (\$/ccf)</i>				
Residential				
<u>Tier</u>	<u>Bi-Monthly</u>	<u>Monthly</u>		
Tier 1	First 4 ccf	First 2 ccf	\$7.03	\$8.15
Tier 2	4.01 - 16 ccf	2.01 - 8 ccf	9.19	10.66
Tier 3	> 16 ccf	> 8 ccf	10.25	11.89
Commercial				
Rate for All Water Use	\$9.19	\$10.66	\$11.94	\$12.66
<i>Equivalent Rate per 100 gallons</i>		<i>\$1.23</i>	<i>\$1.43</i>	<i>\$1.60</i>
			<i>\$1.69</i>	



Scenario B) Phased Approach

Scenario B: Phased Approach

Cambria Community Services District Typical Monthly Residential Water Charges



SUSTAINABLE WATER FACILITY RATES





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



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**

Proposed Sustainable Water Facility Rates

				Proposed SWF Rates Effective On or After			
				Current Rates	September 1 2018	July 1 2019	July 1 2020
FIXED SERVICE CHARGES							
Residential							
	Monthly Charge		\$6.50	\$8.08	\$8.89	\$9.51	
	<i>Bi-Monthly Charge</i>		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>			



SEWER RATES





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)	

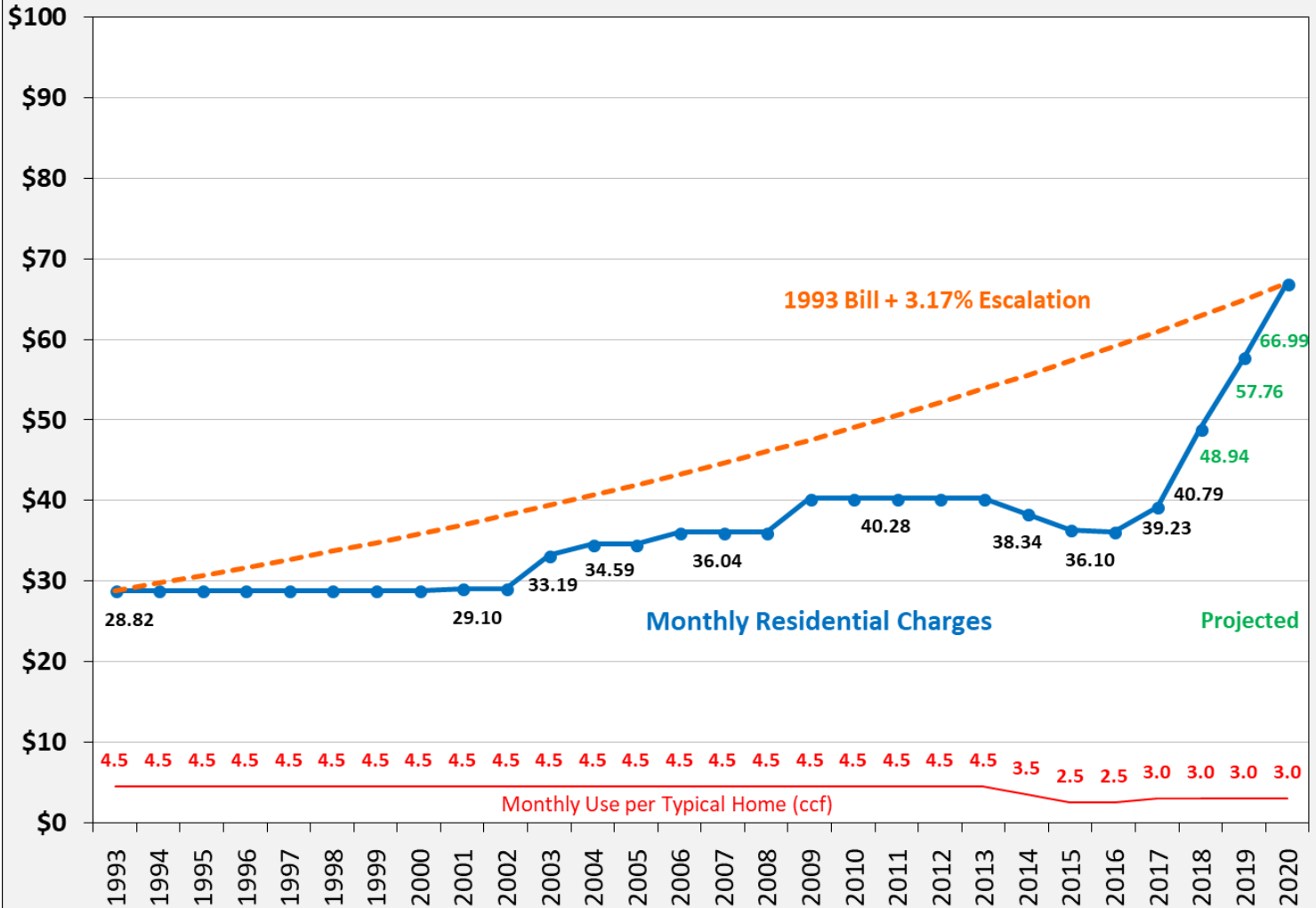
Scenario B) Phased Approach

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
<i>Bi-Monthly Charge</i>	<i>60.57</i>	<i>72.68</i>	<i>85.76</i>	<i>99.48</i>
SEWER QUANTITY CHARGES				
<i>Billed based on metered water use (\$/ccf)</i>				
Residential	\$3.50	\$4.20	\$4.96	\$5.75
Commercial				
<u>Wastewater Class</u>				
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

Scenario B) Phased Approach

Scenario B: Phased Approach

Cambria Community Services District Typical Monthly Residential Sewer Charges



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>

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
<i>Monthly Equivalent</i>	<i>37.04</i>	<i>42.96</i>	<i>48.12</i>	<i>51.02</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	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
<i>Monthly Equivalent</i>	<i>40.79</i>	<i>48.94</i>	<i>57.76</i>	<i>66.99</i>
Total Bi-Monthly Charges	180.65	214.98	246.08	272.72
<i>Monthly Equivalent</i>	<i>90.33</i>	<i>107.49</i>	<i>123.04</i>	<i>136.36</i>

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.

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	<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	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>

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



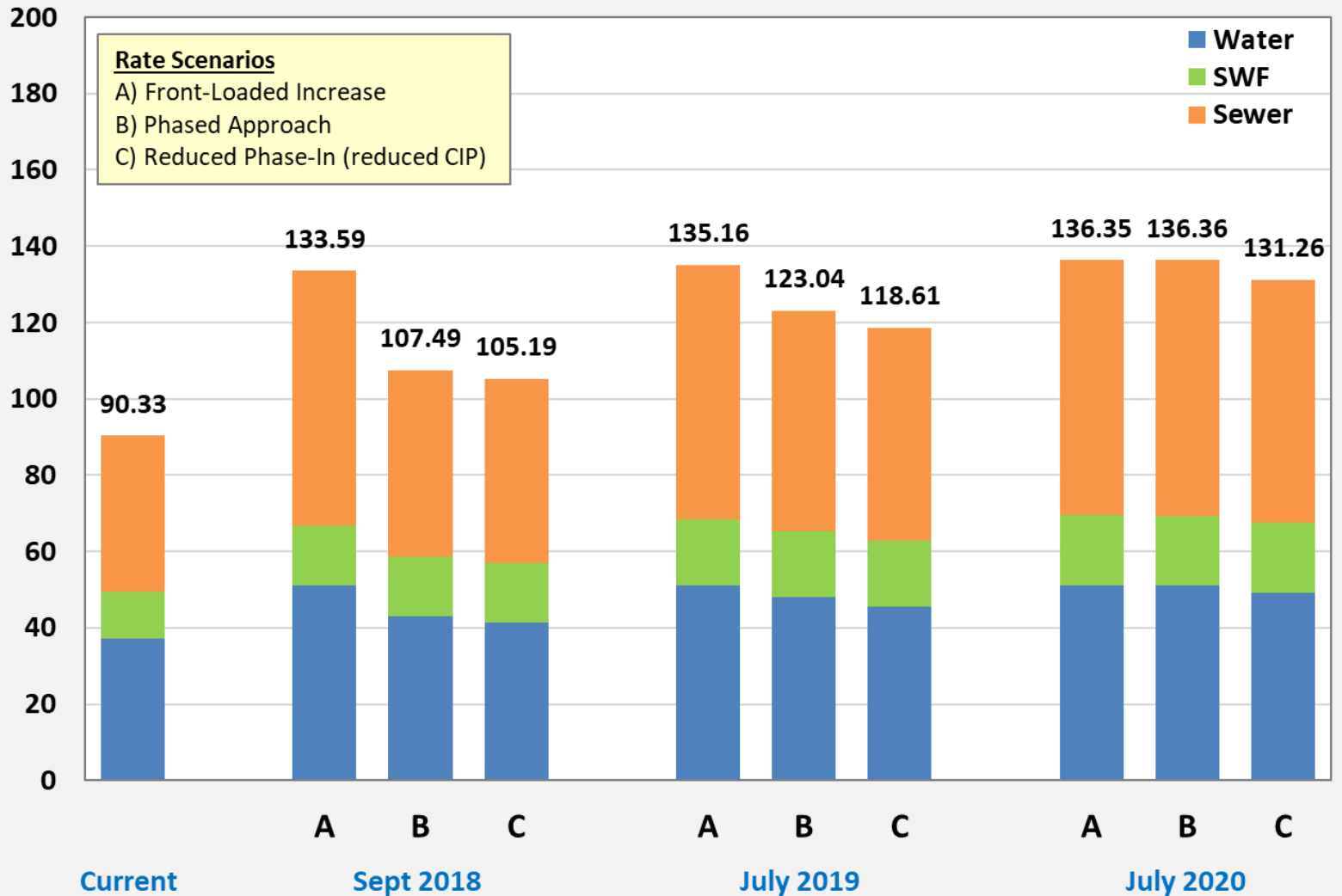
1 Previously adopted additional 19% water rate increases over next 2 fiscal years; anticipates substantial sewer rate increases.

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.

Combined Monthly Charges

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



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

