

# Cambria Community Services District



## Water, WRF & Sewer Rates & Finances

February 17, 2022



BARTLE WELLS ASSOCIATES  
INDEPENDENT PUBLIC FINANCE ADVISORS

## Presentation Overview



- Background
- Water Finances & Rates
- WRF Finances & Rates
- Sewer Finances & Rates
- Next Steps

**Purpose: Discuss preliminary findings & obtain Board input and direction for moving forward with potential rate increases**

# Background

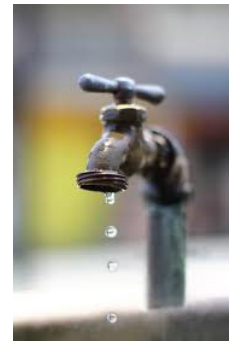


3



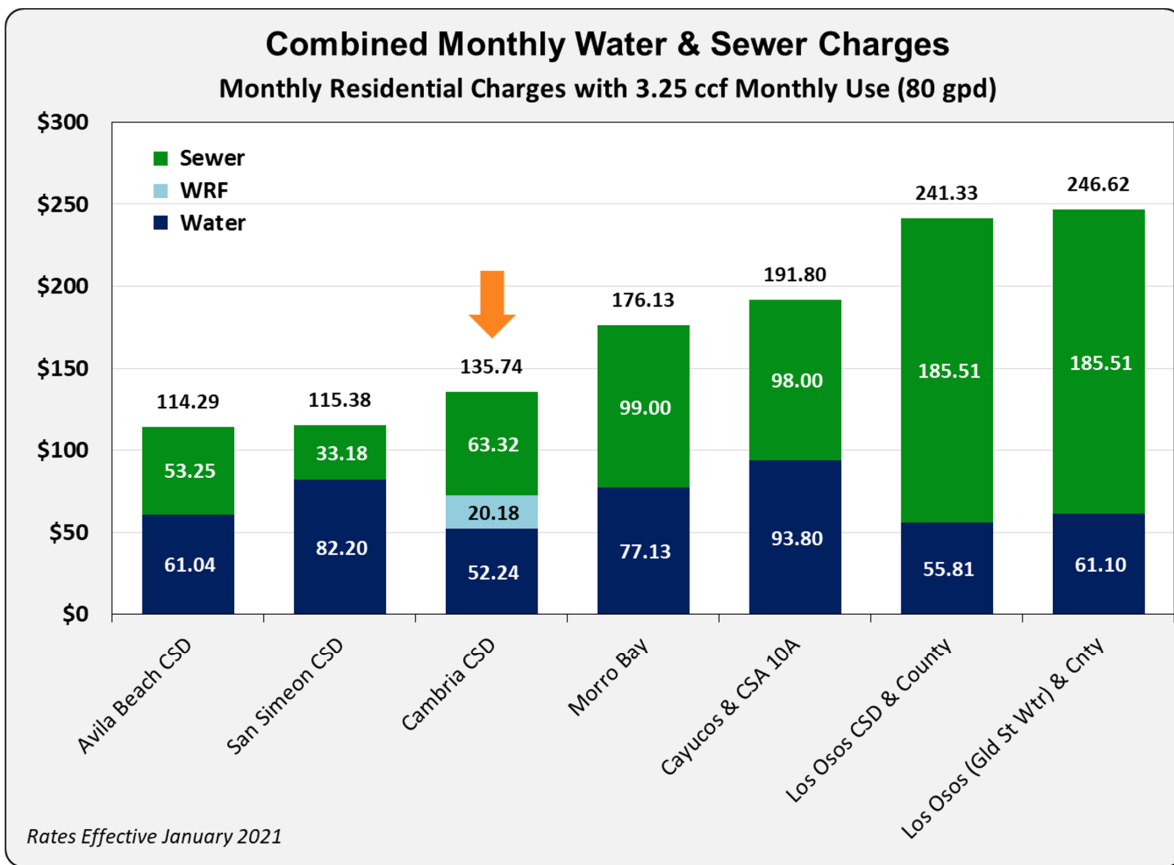
## CCSD Utility Finances

- 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
- CCSD implemented minimal to no water or sewer rate increases from 1993 - 2015, resulting in budget deficits & inadequate capital funding
- Rate increases since 2015 have helped stabilize water & sewer finances
  - Last rate increases became effective September 2020
- Significant capital improvements needed to water, WRF & sewer facilities
- Rate increases needed to support operating & capital programs



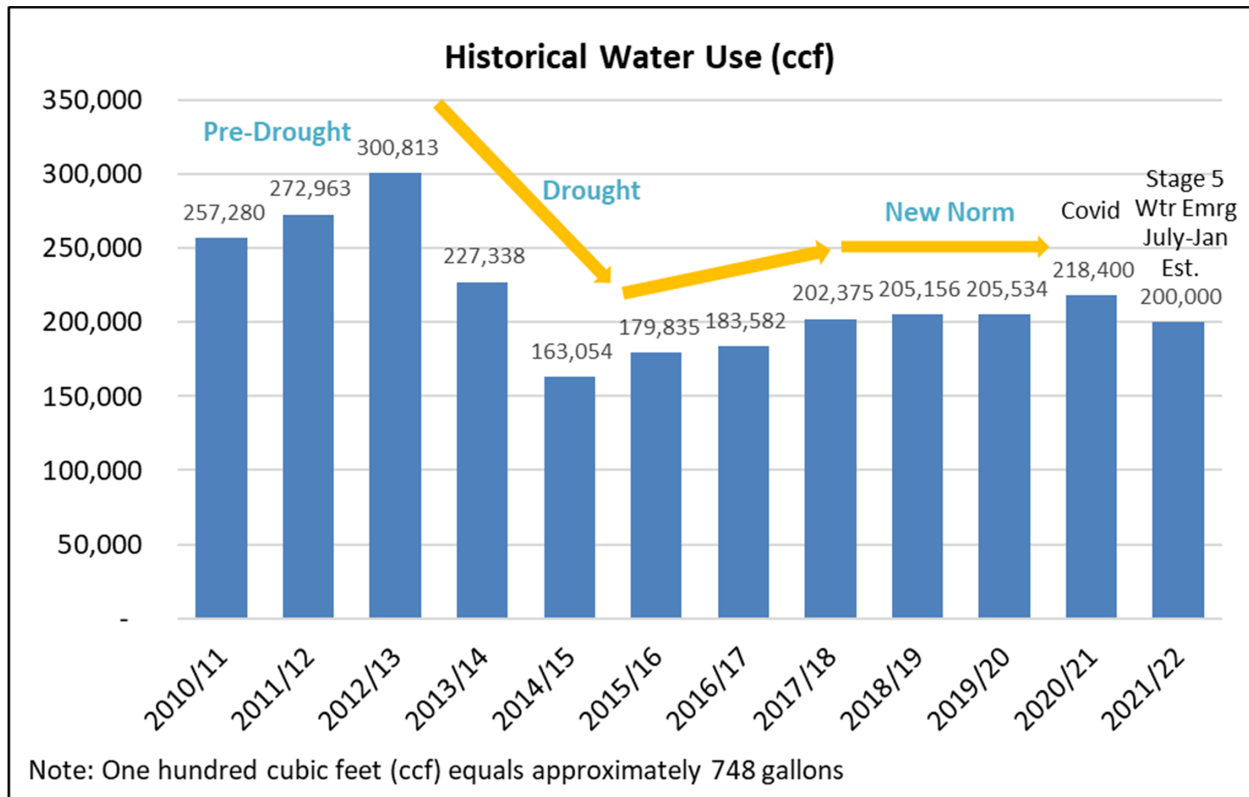
4





5

Single family residential water use has averaged about 6.5 ccf per bi-monthly billing period in recent years



6

# Water, WRF & Sewer Finances



7



## Water Finance Overview

- Revenues & expenses generally on track with prior projections
  - No rate increase in current fiscal year as previously projected
- Financial challenges:
  - Ongoing capital needs of aging infrastructure (water tanks, pipelines, etc.)
  - Water meter replacement program (currently assuming financing via \$1.7M 15-year lease with \$150K annual debt service)
  - Break in water transmission main: emergency repair cost \$400K; very preliminary cost for pipeline replacement estimated at \$1M or more
  - Recommend repaying old loan from General Fund (\$158K + Interest)
  - Ongoing cost inflation (staffing, insurance, utilities, supplies, etc.)
- Recommend getting back on track with annual rate increases
  - Draft projections indicate need for single digit rate increases for 3 years (preliminary)
  - Final recommendations to be determined with additional CCSD input



8



# WRF Finance Overview

- Revenues & base operating expenses on track with prior projections
  - No rate increase in current fiscal year as previously projected
- WRF currently only permitted for emergency use
- CCSD received \$1.75M settlement funds for WRF
- Financial challenges:
  - Major capital improvements needed to storage pond
  - Other potential capital needs include surface water treatment, brine handling, other WRF modifications to meet permit requirements
  - Project specifics and costs are not yet determined, but near-term funding needs could be in the range of \$1M - \$2M or more (very preliminary estimates)
  - Anticipate settlement funds can be used to help fund capital needs
  - Costs for brine hauling and disposal are higher than prior estimates
- Preliminary recommendations
  - Hold the line with WRF rates, *no rate increases recommended at this time*
  - Re-evaluate rates after capital improvement funding needs are determined



9



# Sewer Finance Overview

- Revenues & expenses generally on track with prior projections
  - No rate increase in current fiscal year as previously projected
- Financial challenges:
  - No sewer fund reserves (available reserves used to repay General Fund loan)
  - Major WWTP & collection system upgrades needed to address existing deficiencies
    - Capital projects were prioritized and scaled back
    - Highest priority needs: \$7.5M+ for WWTP, \$4.5M for 4 lift stations, process upgrades & other deficiencies (rough estimate: \$12M of near-term funding needed)
    - Draft projections assumes projects are financed with long-term debt (30-year bonds)
  - Ongoing capital rehab needs of aging infrastructure
  - Recommend repaying General Fund loan over next 5 years (\$485K outstanding)
  - Ongoing cost inflation (staffing, insurance, utilities, supplies, etc.)
- Rate increases needed to support debt financing & operations
  - Draft projections show need for upper single digit rate increases for 3 years (preliminary)
  - Final recommendations to be determined with additional CCSD input



10



# Next Steps

- Obtain Board input and direction for moving forward with process for potential rate increases
- Proposition 218 procedural requirements
  - Mail notices of proposed rate increases to property owners/customers at least 45 days prior to the date of the public hearing
  - Hold Public Hearing to consider proposed rates
  - Rate increases subject to "majority protest"
- CCSD can work on a parallel track to move forward with sewer debt issuance process if desired
  - Issuance of bonds typically takes about 3 months
  - Sewer rate increases are needed to support debt issuance
  - Debt can be issued soon after new rates are adopted



# Questions & Discussion

