



## San Miguel Community Services District

### Board of Directors Staff Report

February 22, 2018

AGENDA ITEM: XI - 6

**SUBJECT:** Review and Discuss rate study summary material as provided by Bartle Wells.

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**RECOMMENDATION:** Review rate study summary material with Director of Utilities and District Engineer and provide feedback.

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#### **BACKGROUND:**

At the January Board meeting the initial rate study information was provided to the board. At that meeting the Board requested additional information to be provided with other options in order to understand the full gravity of the rate increases proposed.

Since the Board approved the original proposal for the rate study in December of 2016 the information that was provided to Bartle Wells to complete the rate study has been continually updated.

Information, for water and wastewater, provided for the Rate Study includes;

- Current rates for all customer types
- Current Connection fees for new connections
- Actual water usage, meter size and fees paid by customer, per from 2014 to current
- Approved budgets from 2014-15, 2015-16, 2016-17, 2017-18 and a very preliminary budget from 2018-19
- Actual operational costs for all years from 2014 to 2017
- Prior year audits
- Depreciation schedules
- Projected staffing levels and associated cost for the next 5 years
- The approved Wastewater and water master plans
- The Capital projects list and estimated cost (in todays dollars) as outlined in the master plans with a timeline of implementation.
- A breakdown of capital projects between necessary for the continued operation of the district and necessary for development.
- Some estimations had to be made of ongoing costs that have been extreme over the last few years, such as legal fees, in order to not overly inflate the operational budget.

- Prior Rate Study performed by Tuckfield and Associates in 2007

Due to the sheer amount of raw data that was provided to Bartle Wells we are only providing a summary of the raw data.

Information such as the Water and Wastewater Master plans, Prior Rate study, previous audits, and the approved budgets are available at the District office for review upon request.

**NEXT STEPS:**

Review the information provided and provide comments and feedback to staff to potentially incorporate into a rate structure to be reviewed and potentially accepted at the next Board meeting.

Once a rate structure is accepted by the Board, and the Board approves proceeding with the Prop 218 official notices will be sent to property owners and posted in the local paper as required.

**FISCAL IMPACT**

None at this time, information in this report is for informational purposes only

**RECOMMENDATION**

Review rate study support material with Director of Utilities and District Engineer and provide feedback.

PREPARED BY:

*Kelly Dodds*

Kelly Dodds, Director of Utilities

Attachment: POWER POINT FROM BARTLE WELLS



*2017-18 Water and Wastewater Rate Study*  
*February 22, 2018*



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS

# Water Enterprise

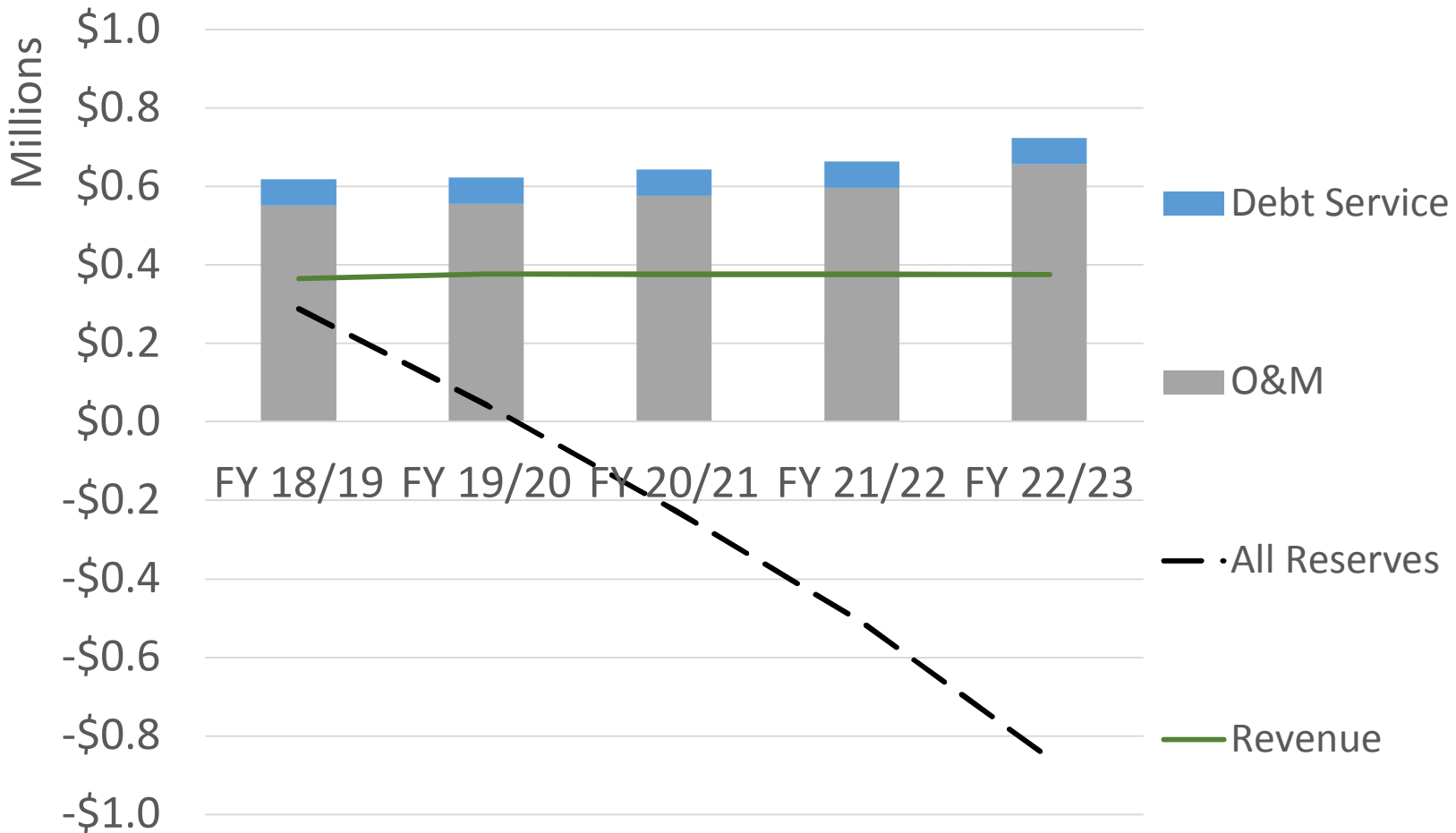


# Water Fund Key Issues

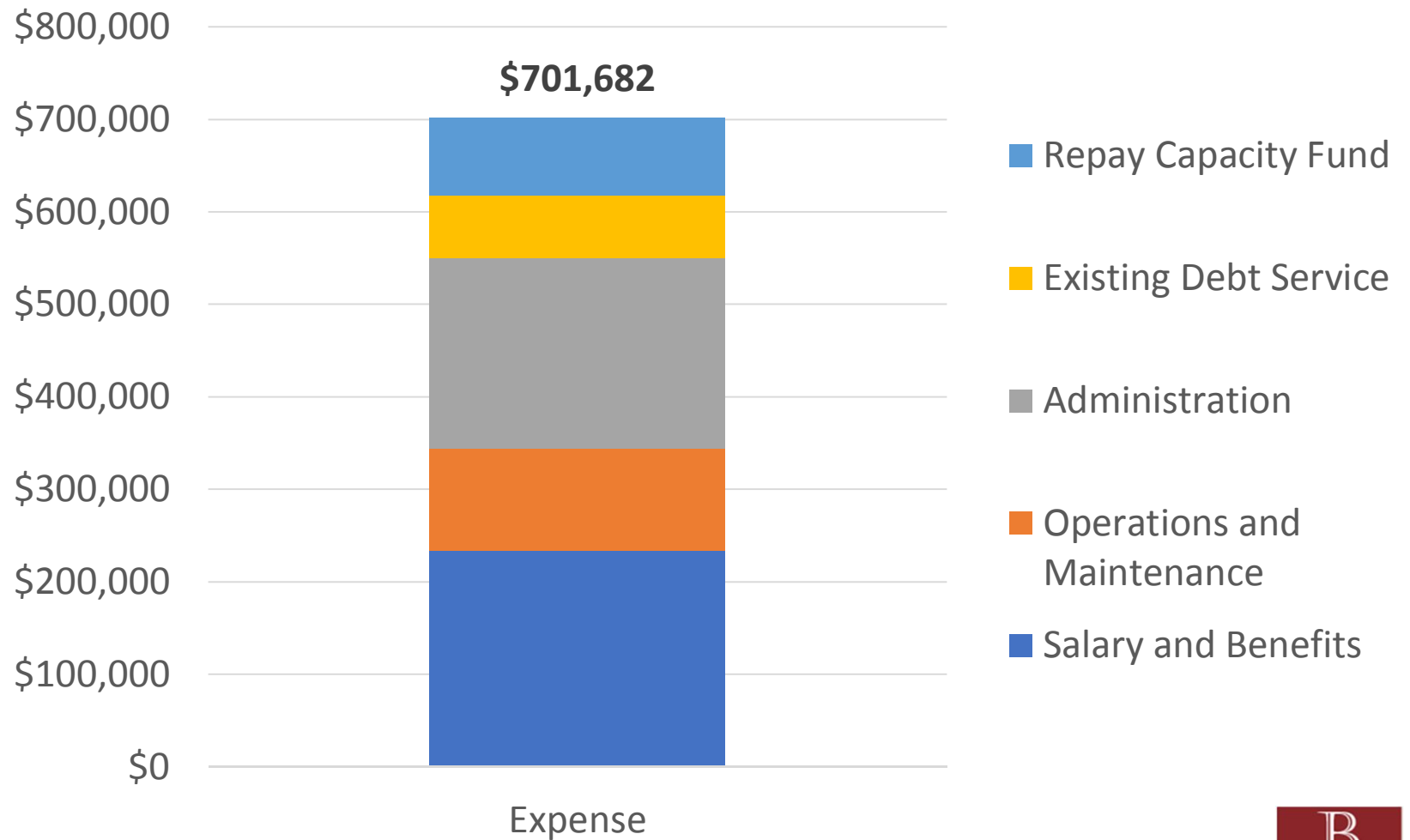
- **Operating fund deficit**
  - FY 18/19 projected operating deficit \$336,722
  - To only pay for existing operations (no capital or additional debt service) a 100% rate revenue increase is needed
  - With no rate increase the District will have zero funds in FY 20-21
- **Projected reserves end of FY 17/18**
  - Operating: \$0
  - Capacity: \$445,261
- **Ten-year capital plan (adjusted for inflation)**
  - \$12.5 million



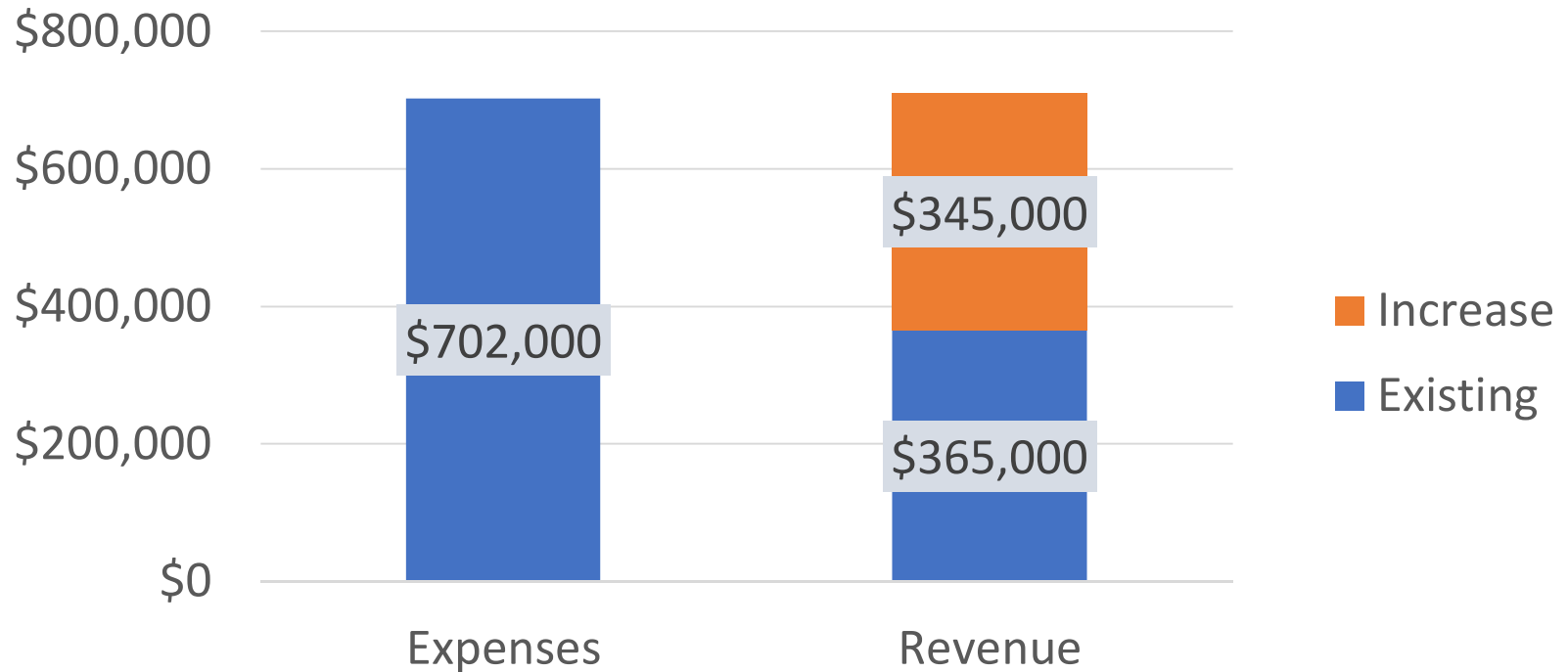
# Water Five-Year Financial Plan With No Rate Increase



# Water FY 18-19 Operating Budget



# Water FY 18-19 Operations Funding Requires 100% Rate Increase



## Five-year revenue increases to only fund operations

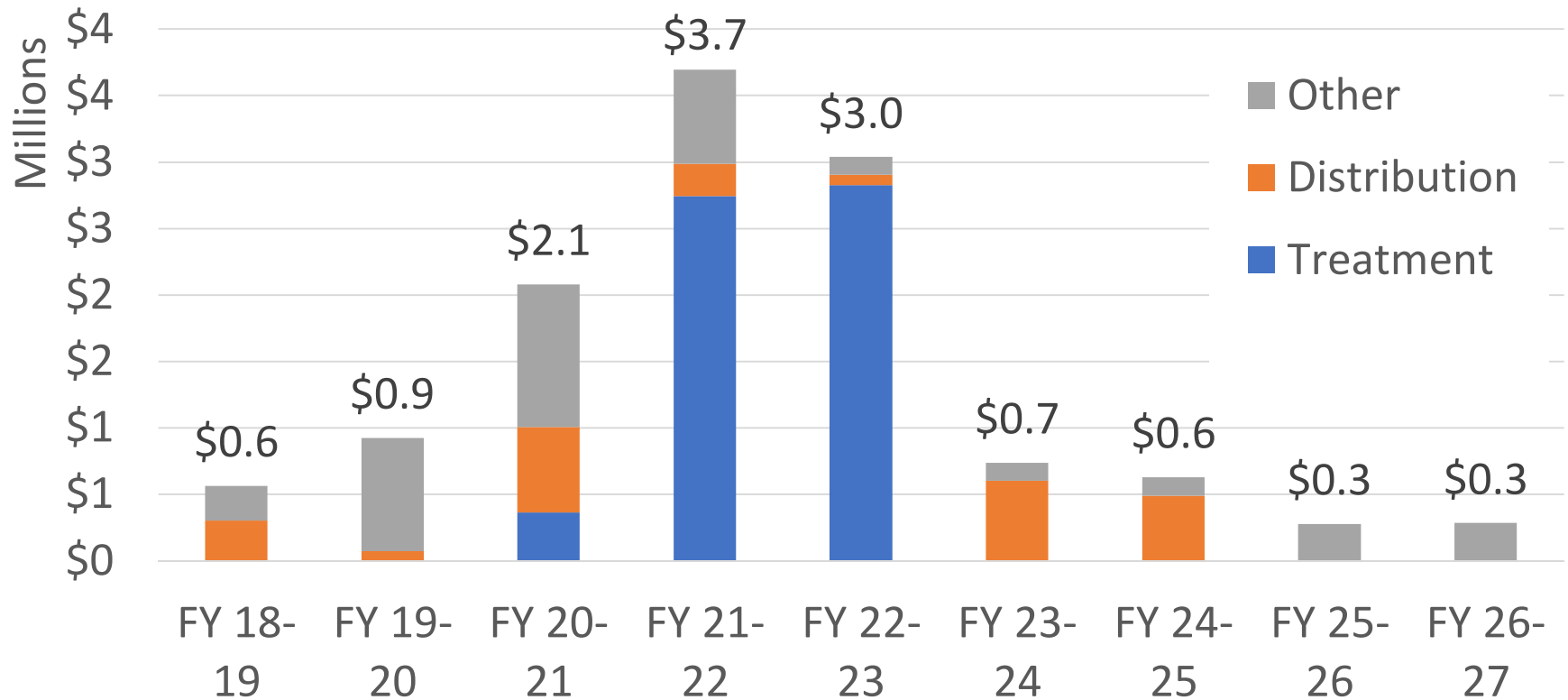
FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
100.0%	3.0%	3.0%	3.0%	3.0%





# Ten-Year Water Capital Plan

- Projected capital spending of **\$12.5 million** (inflation included)



# Ten-Year Water Capital Plan

<b>Project</b>	<b>Start Year</b>	<b>Project Cost*</b>	<b>Estimated Grant Funding*</b>
SLT Well Arsenic Blending Line	FY 17-18	\$157,000	\$0
Replacement of wtr line at 11th and RR and 10th and Mission	FY 17-18	\$318,185	\$298,185
Replace 4" water line in "L" & "K" alley	FY 20-21	\$641,842	\$0
Replace 4" and 3" wtr lines in Mission & "L" alley bet.	FY 19-20	\$67,367	\$0
New 8" Water line on Mission between 11th and 14th	FY 21-22	\$147,407	\$0
Replace 4" water line in "N " st alley between 11th and 12th	FY 21-22	\$98,272	\$0
NEW water well	FY 18-19	\$800,698	\$800,698
Water treatment systems for well 3, 4, SLT	FY 20-21	\$5,927,399	\$3,144,819
SLT Pressure System inc Booster and Fire Pumping Facility	FY 22-23	\$1,163,344	\$0
SLT Storage Tank Replacement	FY 19-20	\$1,387,483	\$0
Water Meter Replacement (Annual Ongoing)	FY 17-18	\$192,117	\$0
Groundwater Sustainability Plan (GSP)	FY 17-18	\$30,000	\$0
Replace/ Rebuild access road to water tank	FY 18-19	\$209,090	\$0



# Water Five-Year Rate Revenue Increase Scenarios With Capital

- Rate increase scenario with 30 new connections and no connection fee increase

FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
190.0%	3.0%	3.0%	3.0%	3.0%

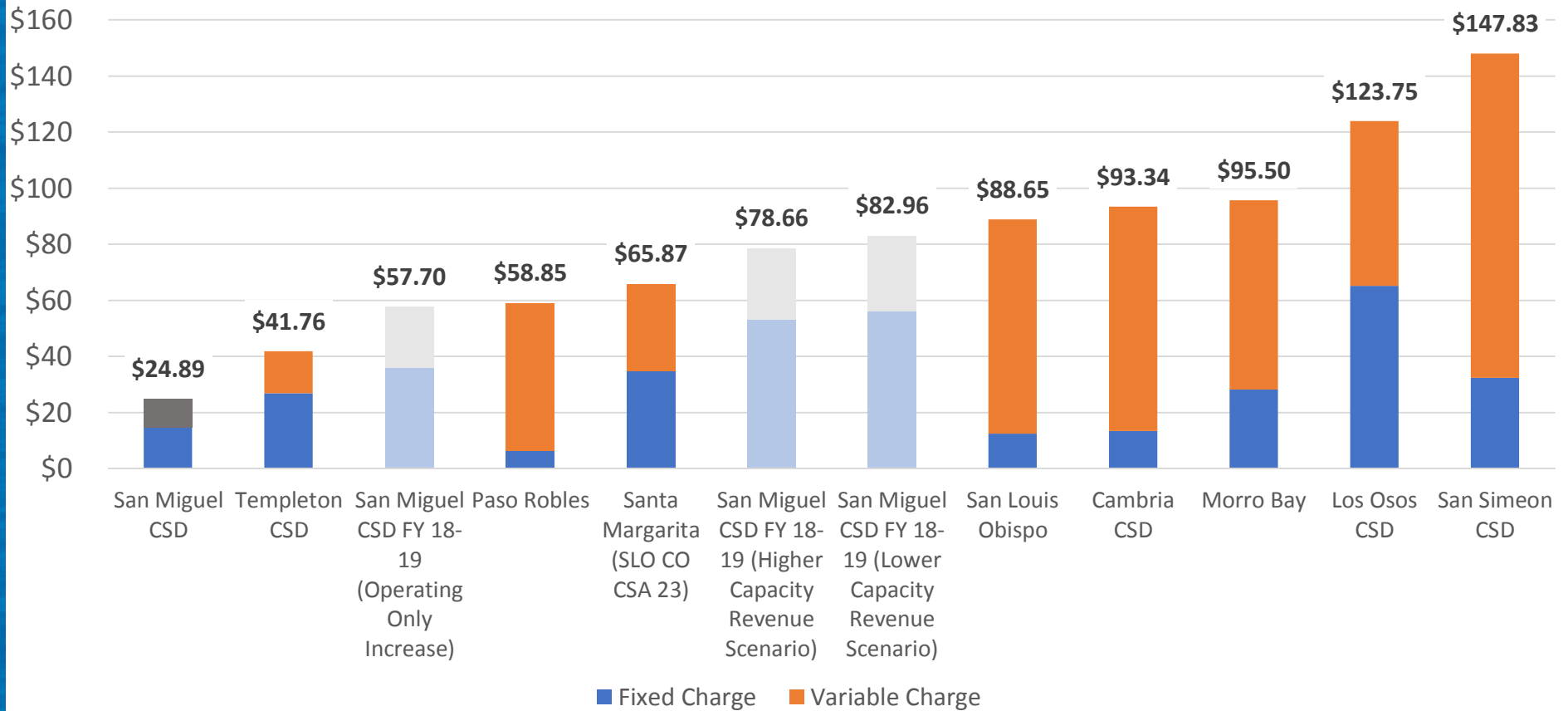
- Rate increase scenario with 95 new connections and a connection fee increase to \$12,500

FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
175.0%	3.0%	3.0%	3.0%	3.0%

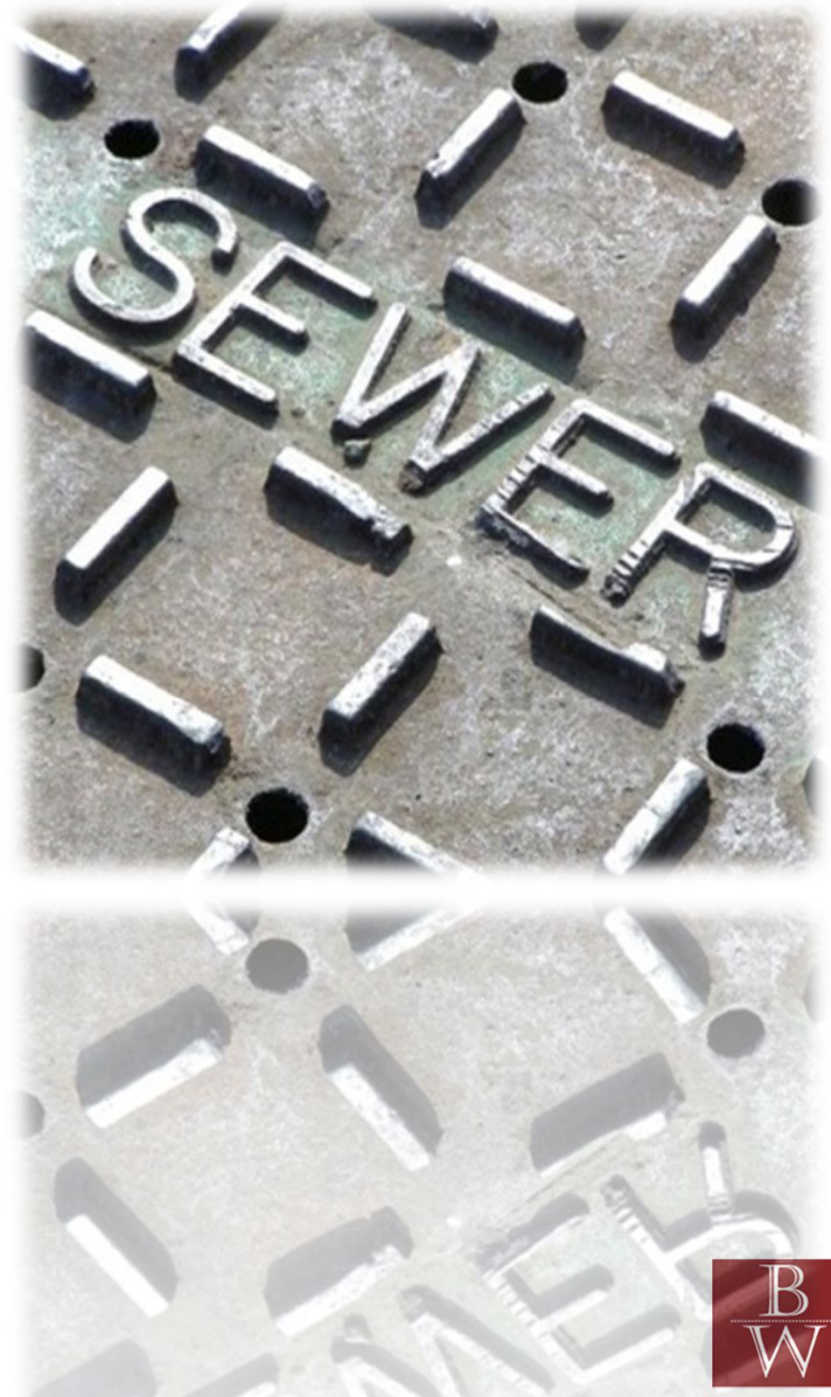


# Monthly Residential Water Rate Survey

Average use of 10 ccf



# Wastewater Enterprise

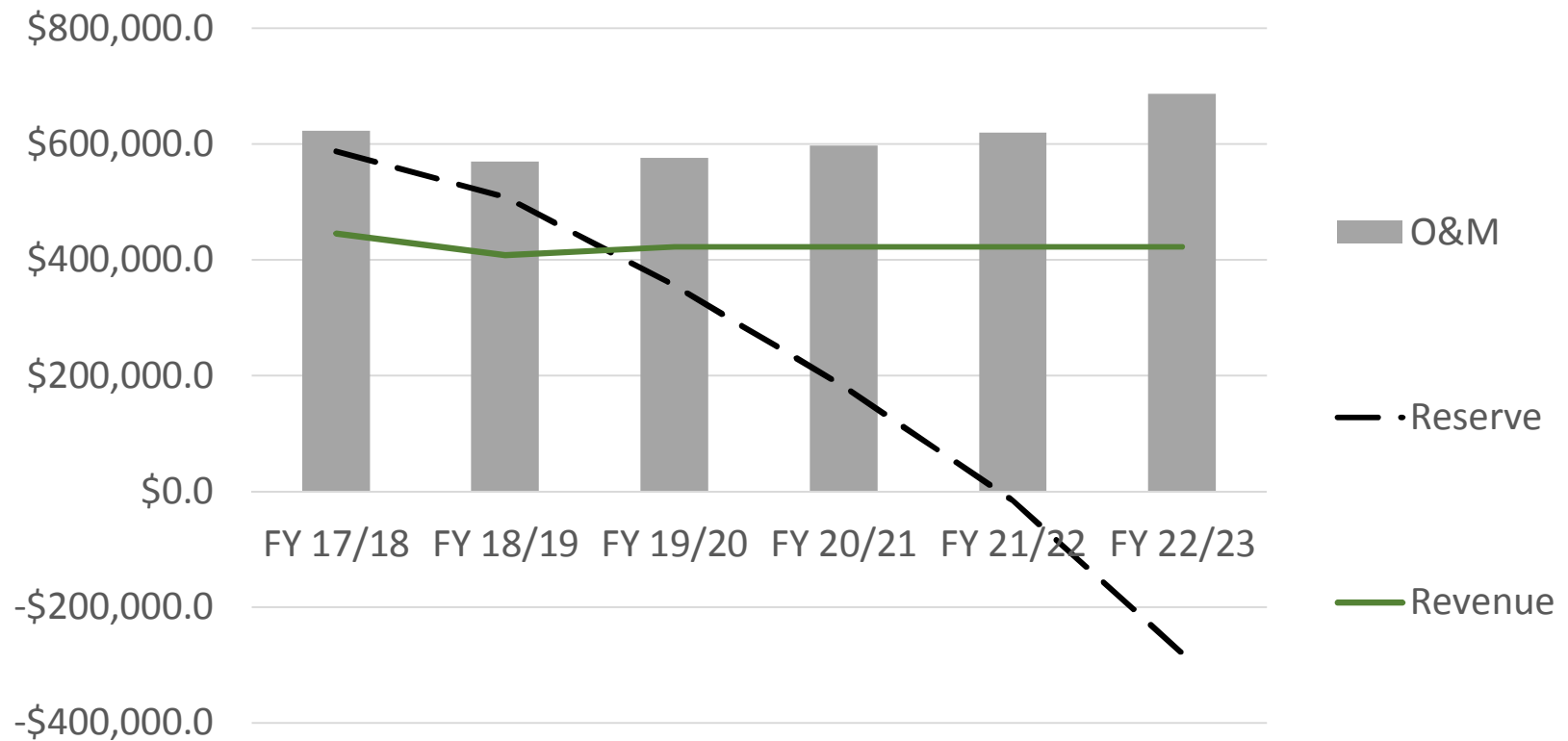


# Wastewater Fund- Key Issues

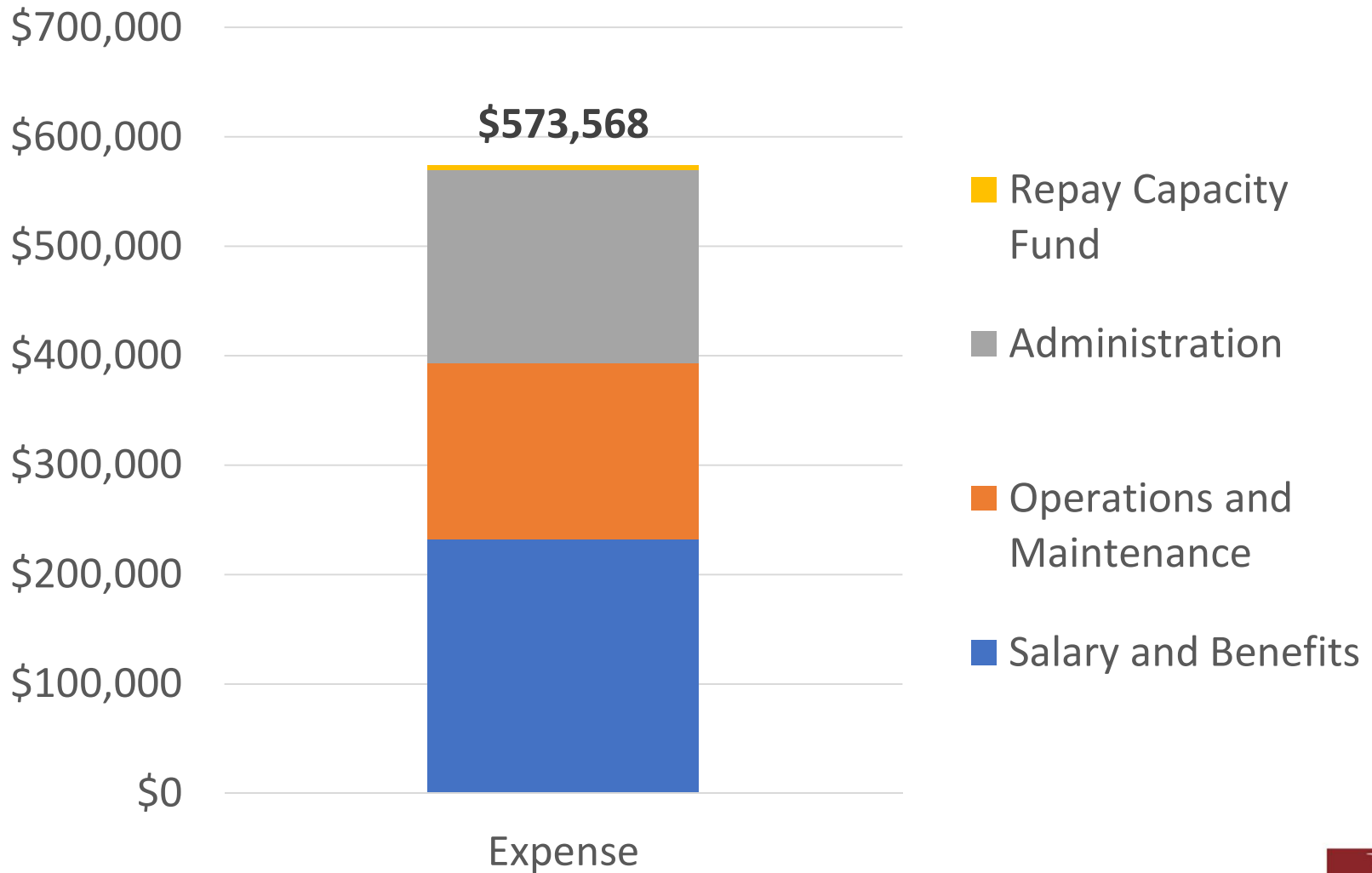
- **Operating fund deficit**
  - FY 17/18 projected operating deficit \$177,221
  - To only pay for existing operations (no capital or additional debt service) a 50% rate increase is needed
  - With no rate increase the District will have zero funds in FY 21-22
- **Projected reserves end of FY 17/18**
  - Operating: \$0
  - Capacity: \$372,194
- **Ten-Year Capital Plan (Adjusted for Inflation)**
  - \$12.7 million



# Wastewater Five-Year Financial Plan With No Rate Increase



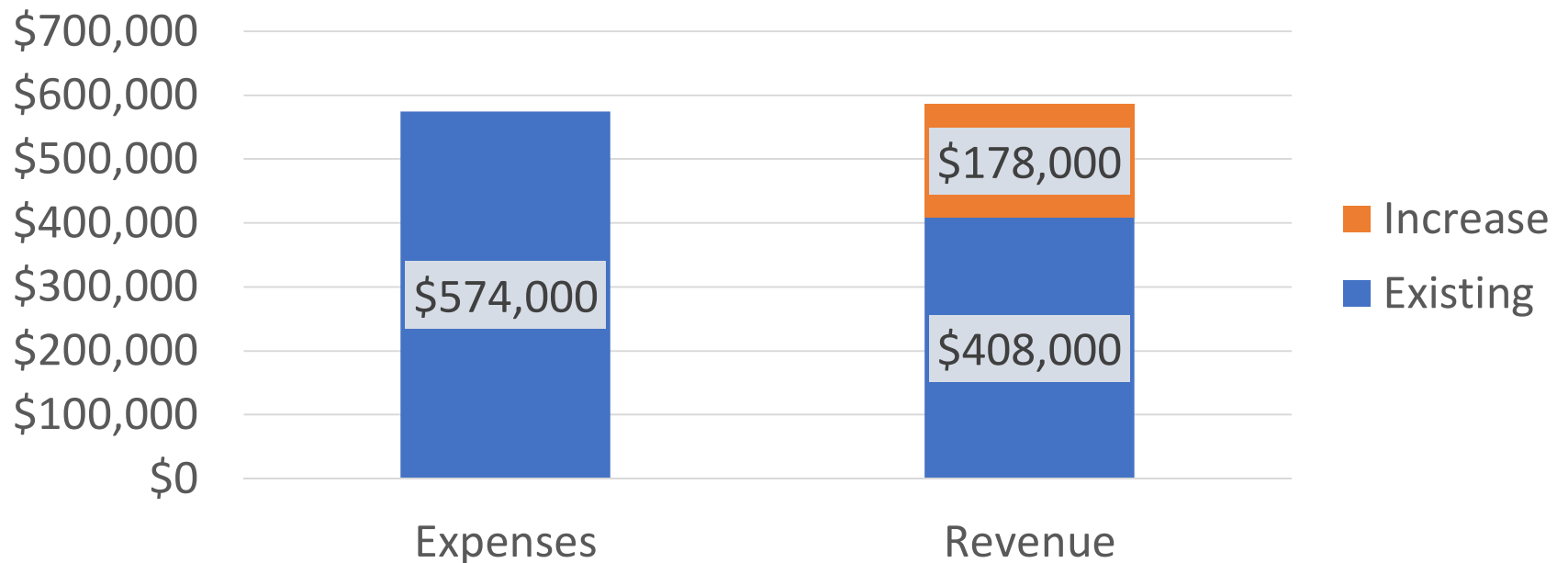
# Wastewater FY 18-19 Operating Budget





# Wastewater FY 18-19 Operations Funding Requires 50% Rate Increase

- No remaining operating reserves after FY 17-18



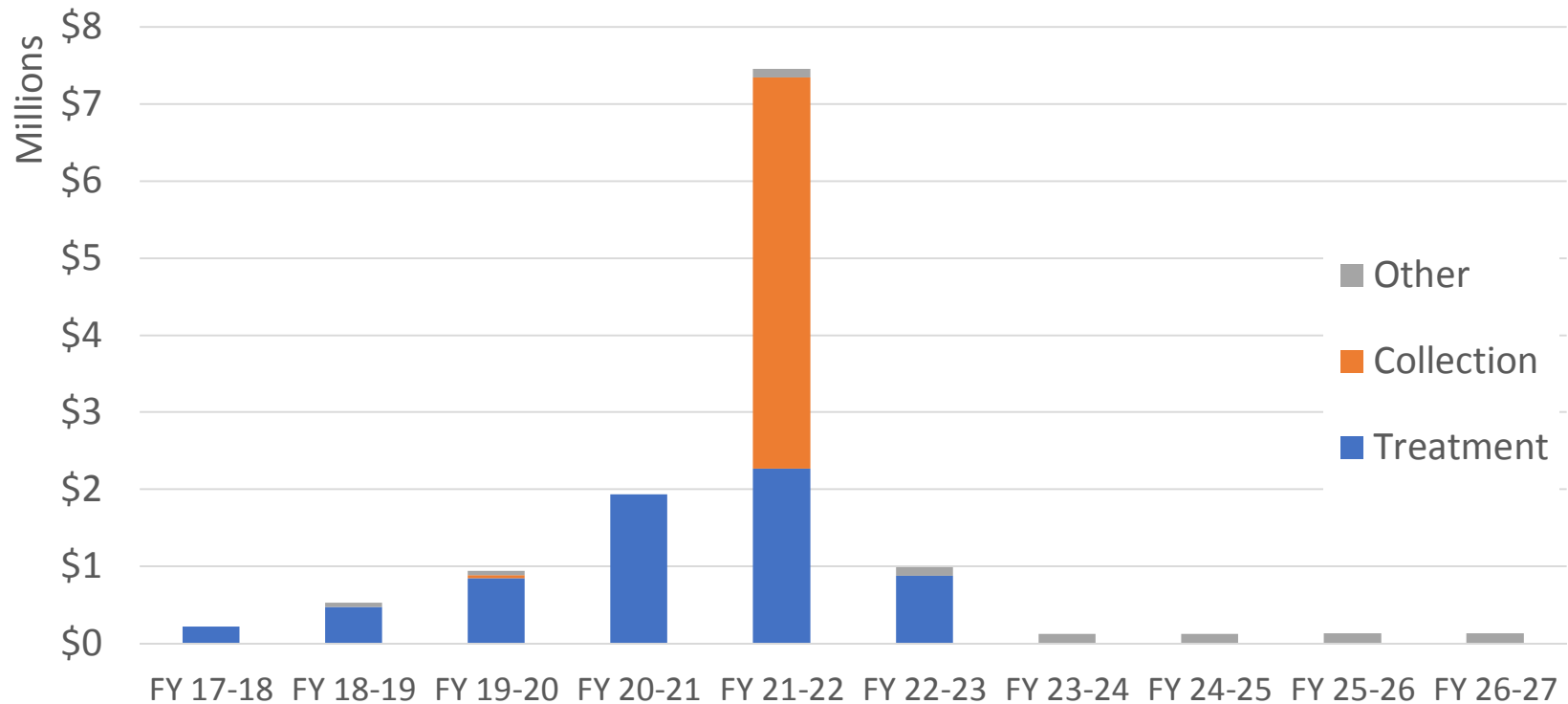
## Five-year revenue increases to only fund operations

FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
50.0%	3.0%	3.0%	3.0%	3.0%



# Ten-Year Wastewater Capital Plan

- Total Capital Spending **\$12.7 Million**



# Ten-Year Wastewater Capital Plan

<b>Project</b>	<b>Start Year</b>	<b>Project Cost*</b>	<b>Estimated Grant Funding*</b>
Wastewater Aerator Project	FY 17-18	\$215,000	\$0
16th street Diversion Structure	FY 19-20	\$39,784	\$0
Multi year sewer line lining and manhole rehab	FY 21-22	\$5,077,140	\$0
WWTP land aquasition for future expansion	FY 18-19	\$267,800	\$0
Wastewater treatment plant upgrade	FY 18-19	\$3,625,488	\$1,812,744
Reclaimed water treatment processes at the WWTP	FY 19-20	\$2,493,898	\$1,246,949
Evaluation assessment of off stream recharge basins	FY 18-19	\$104,545	\$0



# Five-Year Rate Revenue Increase Scenarios With Capital

- Rate increase scenario with 30 new connections and no connection fee increase

FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
150.0%	3.0%	3.0%	3.0%	3.0%

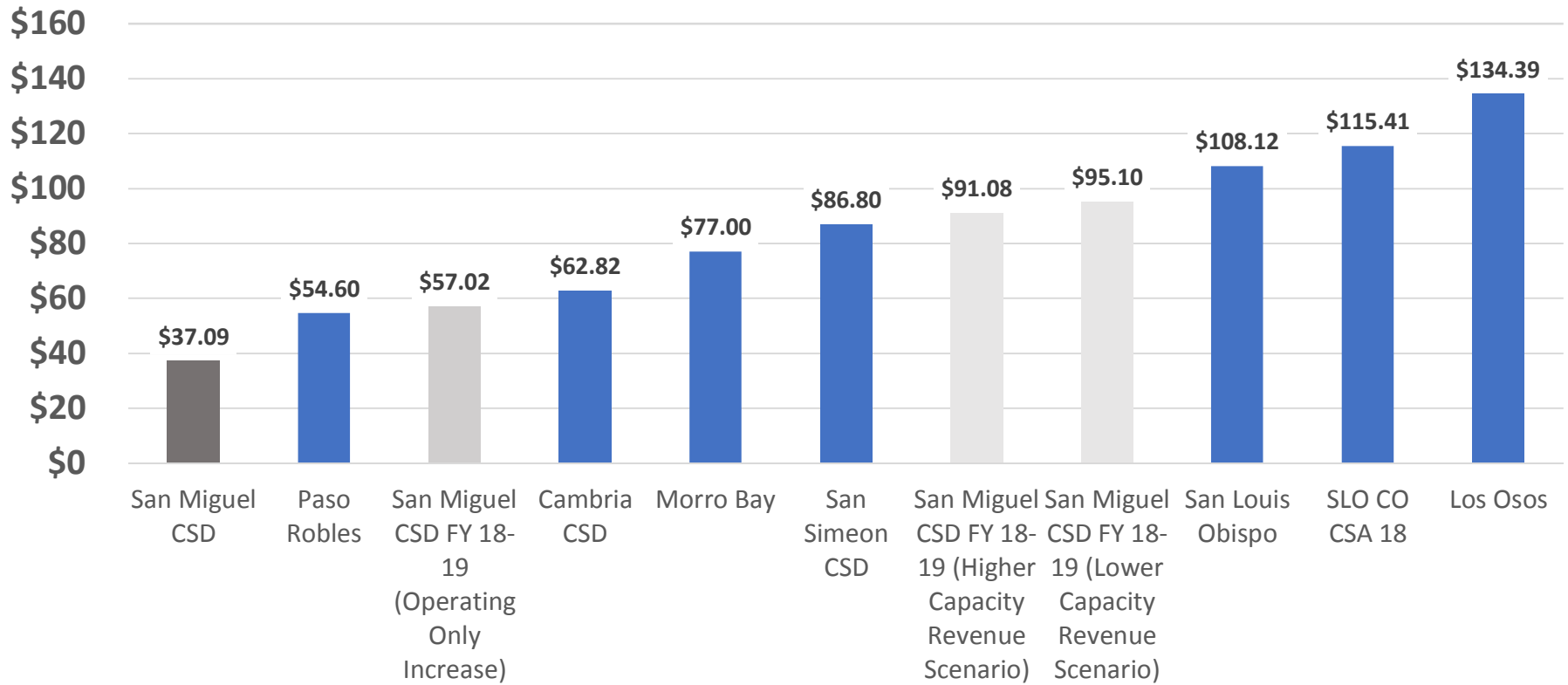
- Rate increase scenario with 95 new connections and a connection fee increase to \$12,200

FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
140.0%	3.0%	3.0%	3.0%	3.0%



# Monthly Residential Sewer Rate Survey

Monthly Residential Sewer Rate Survey



## Next Steps

March 22,  
2018

- Present rates and seek Board permission to issue 218 Notice

May 25,  
2018

- Public hearing and ordinance adoption

June 1,  
2018

- Rates implemented

# Questions and Comments?

