



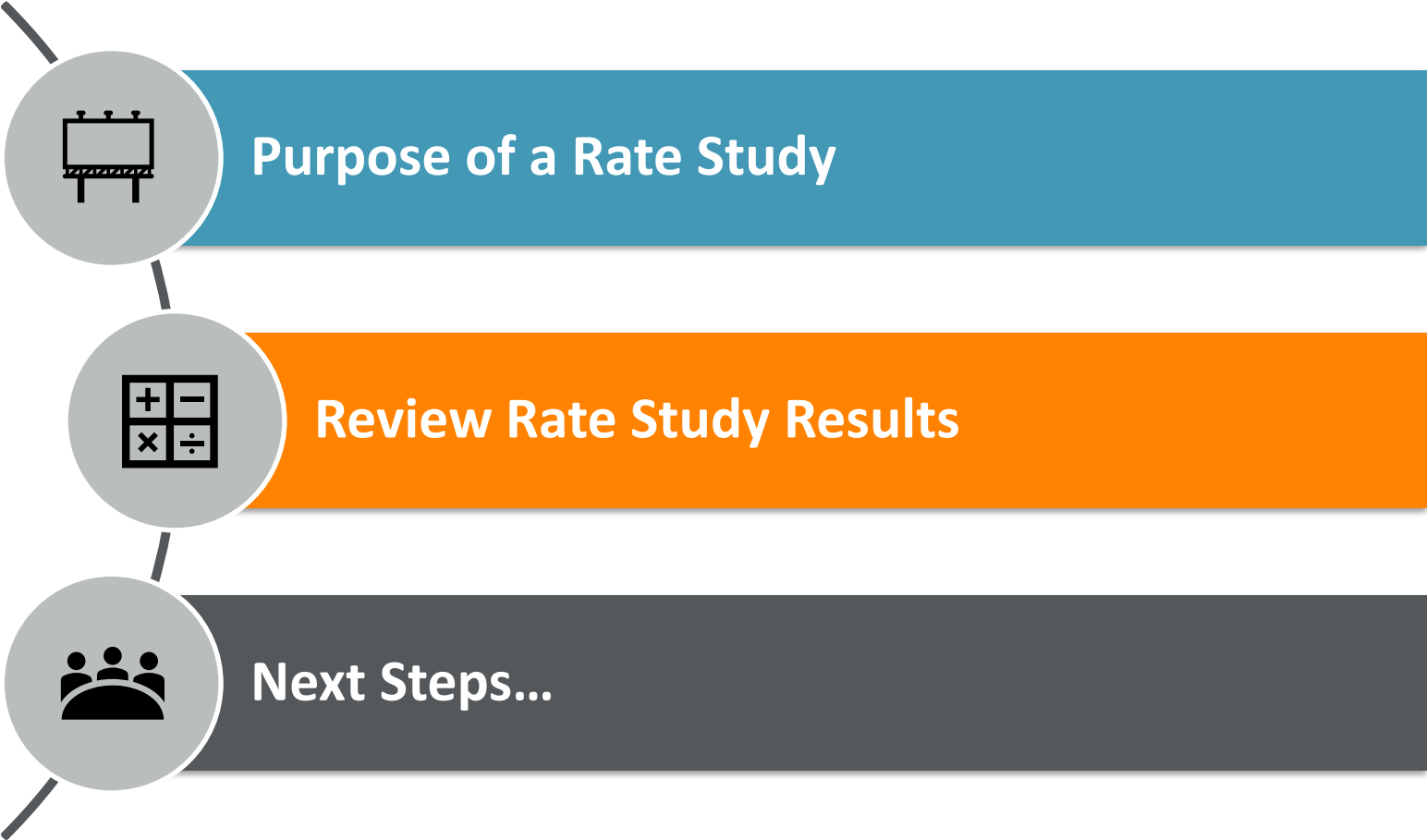
Alpine Springs County Water District

Rate Study Results

May 12th, 2023

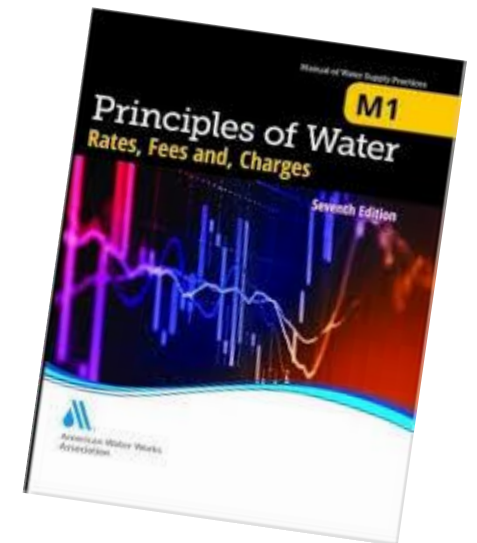


Overview of the Presentation



Purpose of a Rate Study

- Provide an adequate level of rate revenue to operate and maintain the District's water, sewer, and garbage utilities
- Develop the study using generally accepted methodologies tailored to the Districts utilities and unique customer characteristics
- Reflect prudent financial planning criteria
 - Maintain target debt service coverage (DSC) ratio
 - Prudent rate funding of capital
 - Meet target reserve balances
- Develop cost-based utility rates
 - Meet the intent of Proposition 218

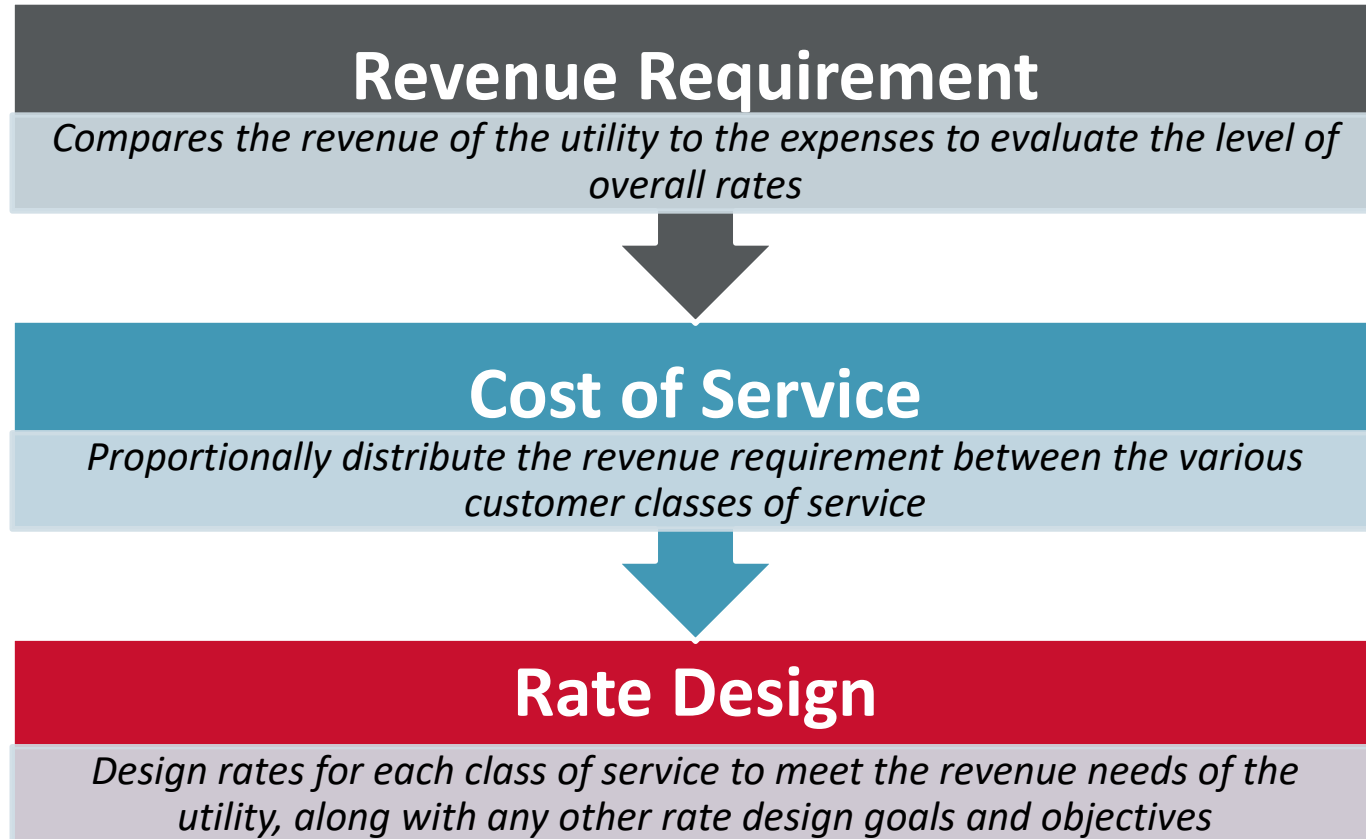


Proposition 218

- Provides the requirement for setting and implementing property related rates and fees
 - California constitution Article XIII D
- Requires a cost basis for establishing the level of the rates
- Requires a customer notification process and protest hearing
- If no majority protest, the governing body may implement the proposed rates



Developing Cost-Based Utility Rates




Key Assumptions of the Study

- Calculated annual revenues based on current rates and customer statistics
- Started with the District's FY 2022-23 budget
 - Projected based on escalation factors for FY 2023-24 through FY 2027-28
- Utilized the District's master plan to develop the capital improvement plan
 - Developed capital funding plan (rates, long-term debt, and reserves)
- Cost of service test year is FY 2023-24 to develop proposed rates for year 1
 - 5-year transition plan (FY 2023-24 through FY 2027-28)

Fire Fuels Management

- District collects revenues to fund preventative fire fuels management to protect utilities
- Currently charged separately; historically, charged within water and sewer rates
- Recommend returning to be charged within the water and sewer operating budget



**Revenue
Requirement**

Overview of the Revenue Requirement

Compares utility revenues to expenses

- Determines the level of revenue (rate) adjustment necessary

Uses prudent financial planning criteria

- Adequate funding of renewal and replacements
- Maintaining sufficient ending reserve balances

Reviews a specific time period

- Typically, review a five-to-ten-year period
- Rate setting is often 2 – 5 years

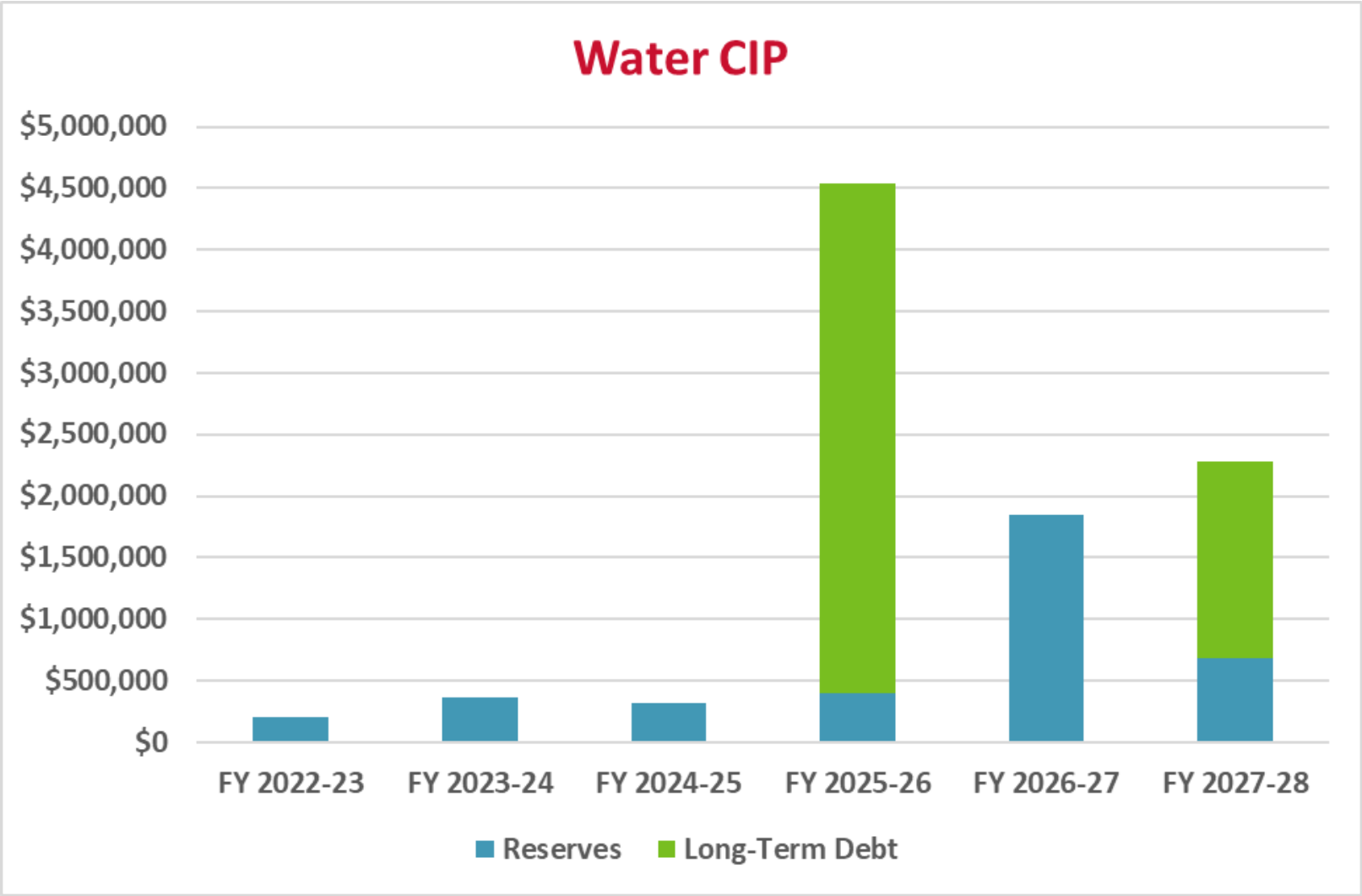
Utilities is analyzed on a “stand-alone basis”

- No transfer of funds from other District funds
- Rates need to support operations and capital

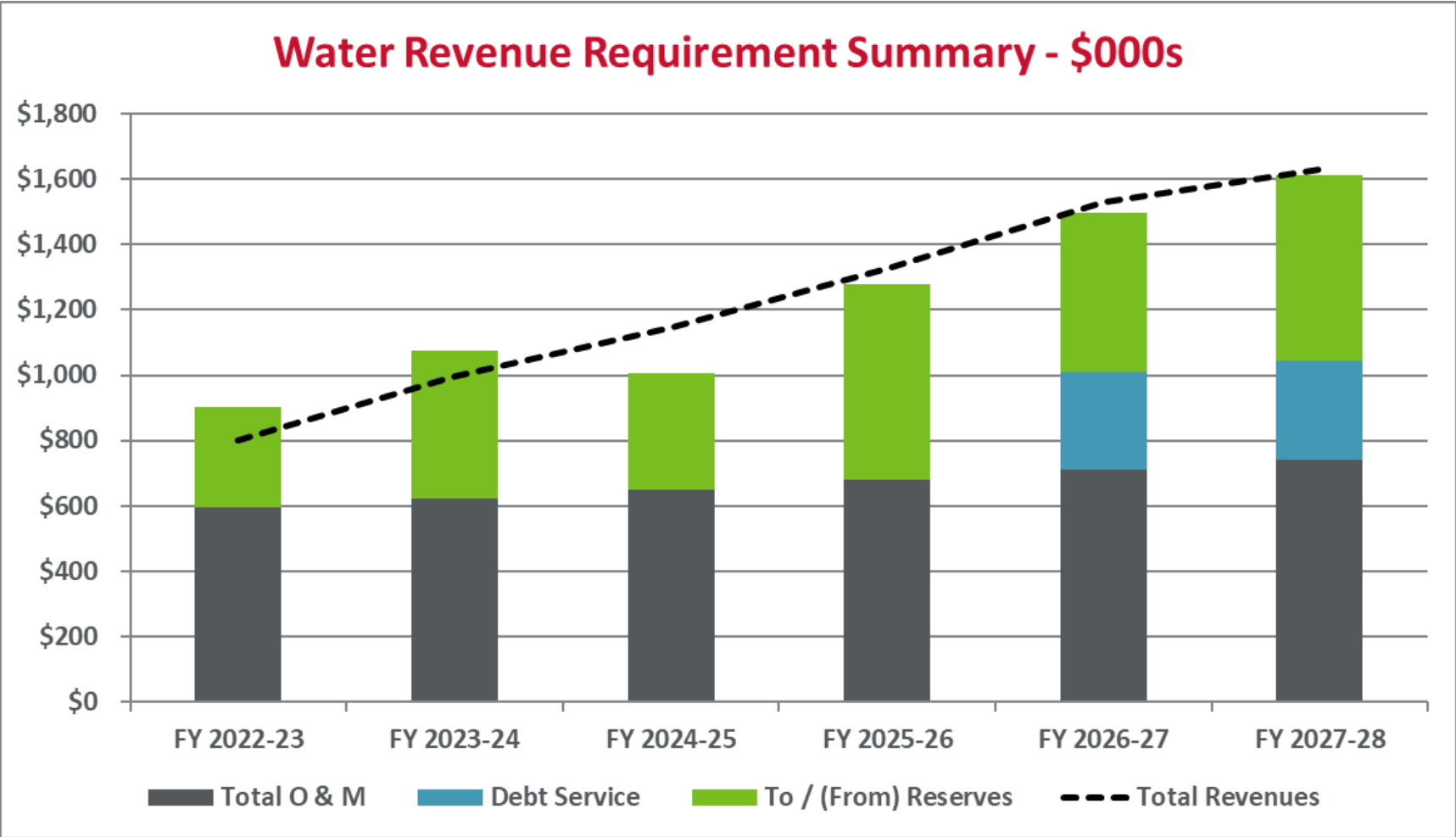
Utilizes the “cash basis” methodology

- Generally accepted method for municipal utilities

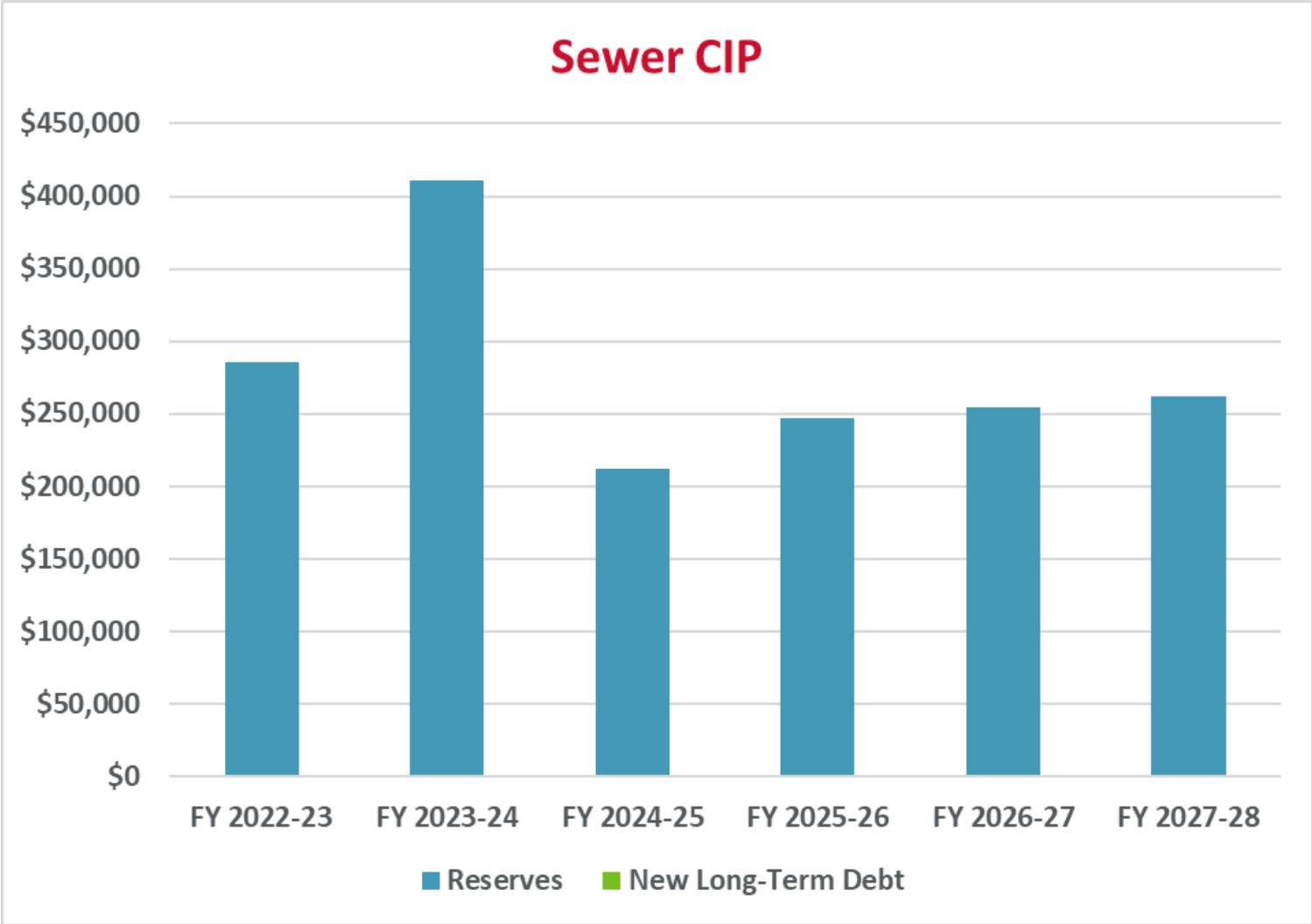
Water Capital Improvement Plan



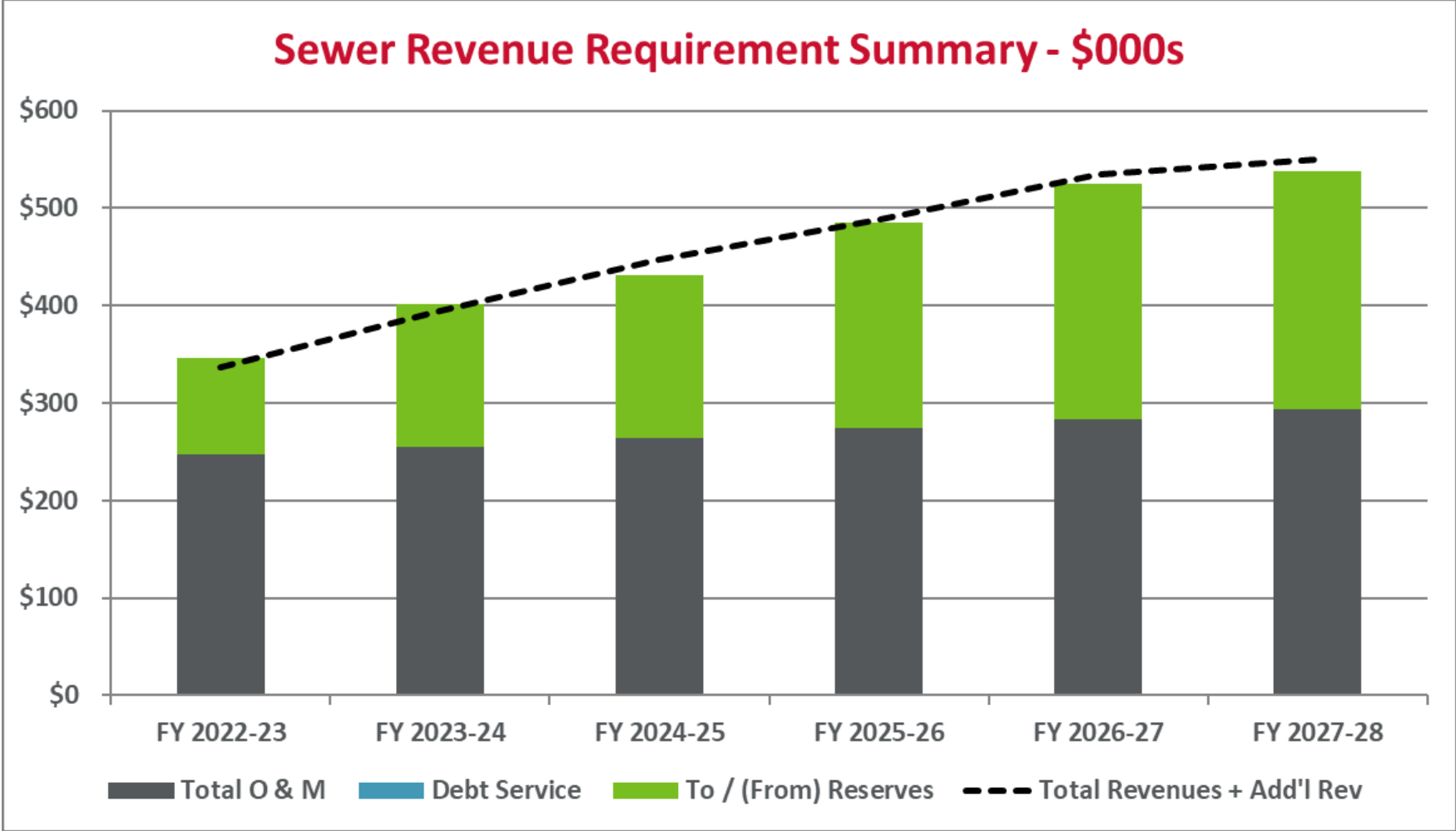
Water Revenue Requirement



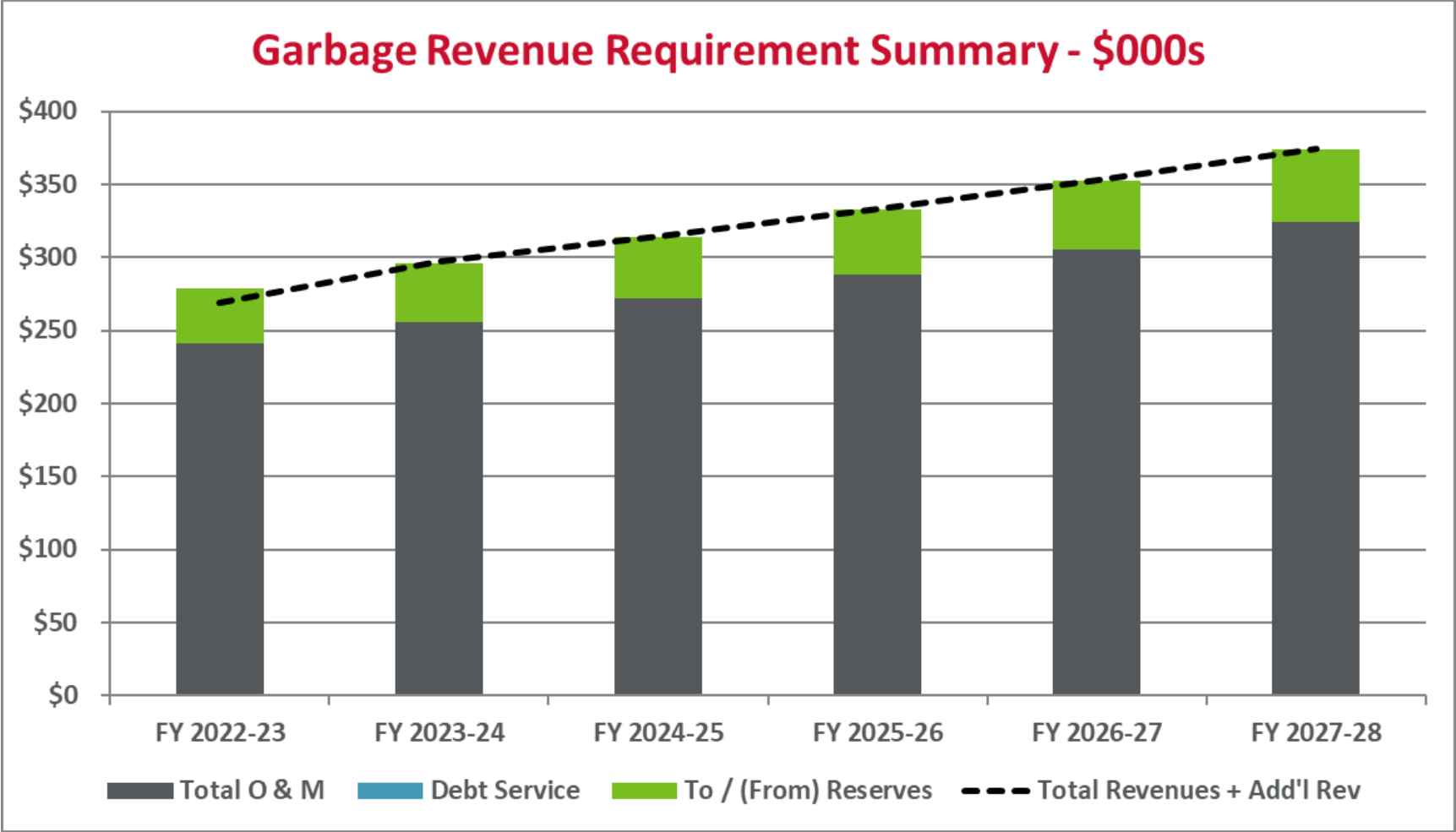
Sewer Capital Improvement Plan



Sewer Revenue Requirement



Garbage Revenue Requirement



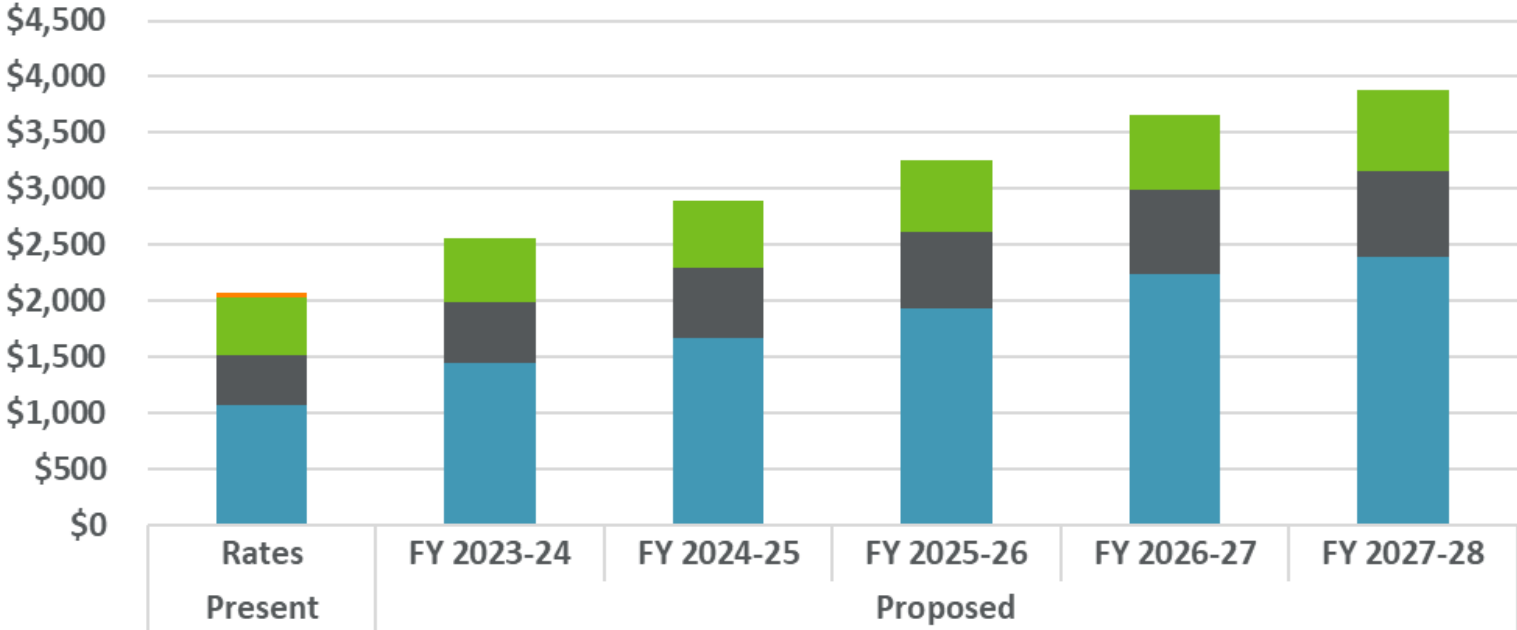
Revenue Requirement Summary

- Rate adjustments are necessary to fully fund O&M expenses, provide adequate capital improvement funding, and maintain prudent minimum reserve levels
- Multi-year rate adjustments are proposed in order to provide a smoother transition of rates

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Average
Water	24.5%	15.5%	15.5%	15.5%	6.5%	15.5%
Sewer	17.5%	13.5%	9.5%	9.5%	3.0%	10.6%
Garbage	10.5%	6.0%	6.0%	6.0%	6.0%	6.9%
<i>Total Bill Impact</i>	<i>24.3%</i>	<i>13.0%</i>	<i>12.4%</i>	<i>12.5%</i>	<i>5.8%</i>	<i>13.6%</i>

Annual Utility Bill

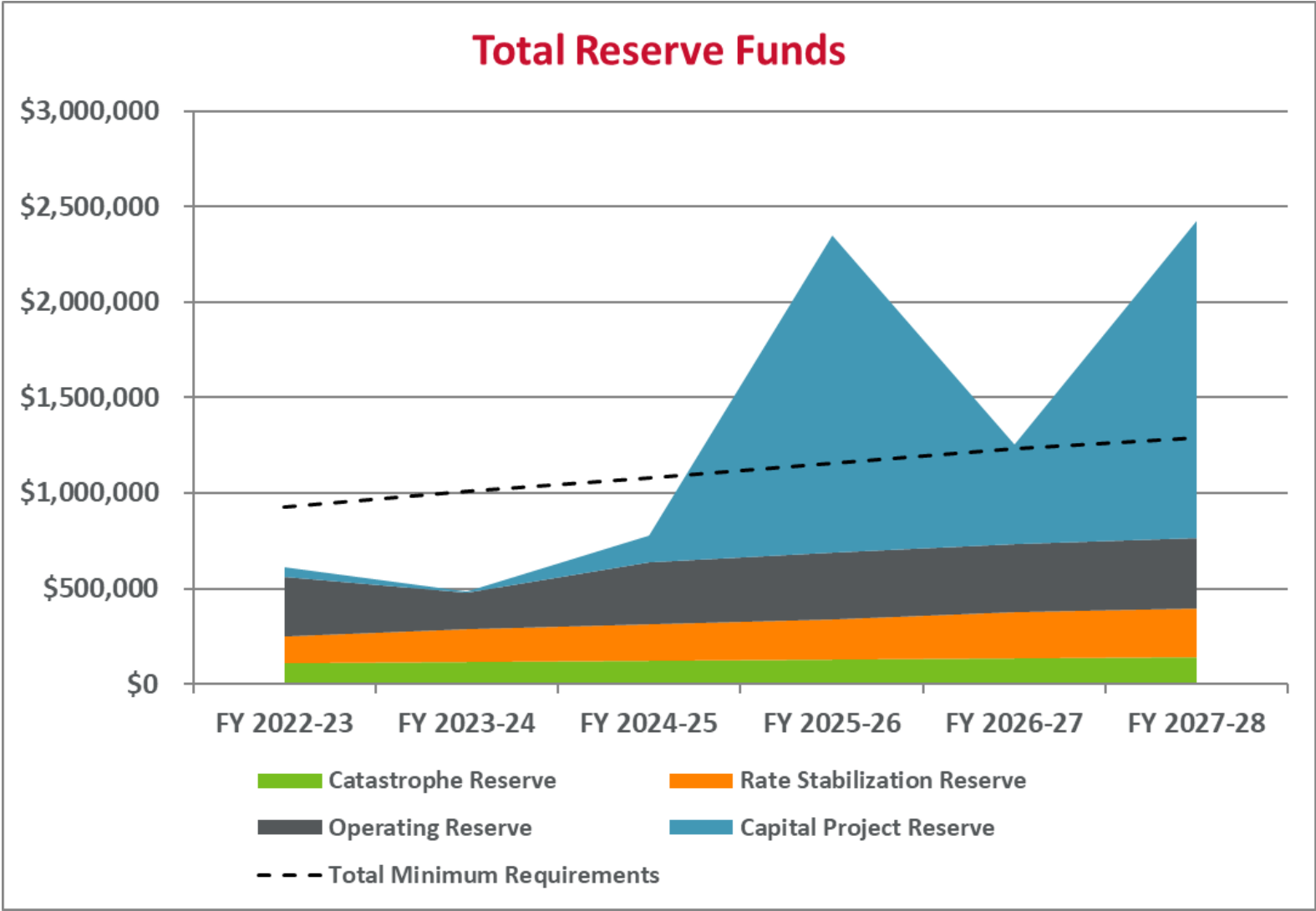
Total Annual Utility Bill



	Rates Present	Proposed				
		FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Fire Fuels Management Fee	\$35	\$0	\$0	\$0	\$0	\$0
Garbage	\$513	\$565	\$599	\$635	\$673	\$714
Sewer (4.5 Units)	\$449	\$546	\$619	\$678	\$743	\$765
Water (3/4" meter + 55,000 gal/yr)	\$1,074	\$1,453	\$1,678	\$1,942	\$2,247	\$2,398
Total	\$2,070	\$2,564	\$2,896	\$3,255	\$3,663	\$3,876

* Fire fuels management costs are included within water and sewer in FY 2023-24 through FY 2027-28 *

District Reserve Levels





Cost of Service

Overview of the Cost of Service

What is cost of service?

- Analysis to proportionally distribute the revenue requirement to the customer classes of service

Why cost of service

- Generally accepted as “proportional and equitable”
- Avoids subsidies
- Revenues reflect costs

Objectives of Cost of Service

- Determine if subsidies exist
- Develop average unit costs

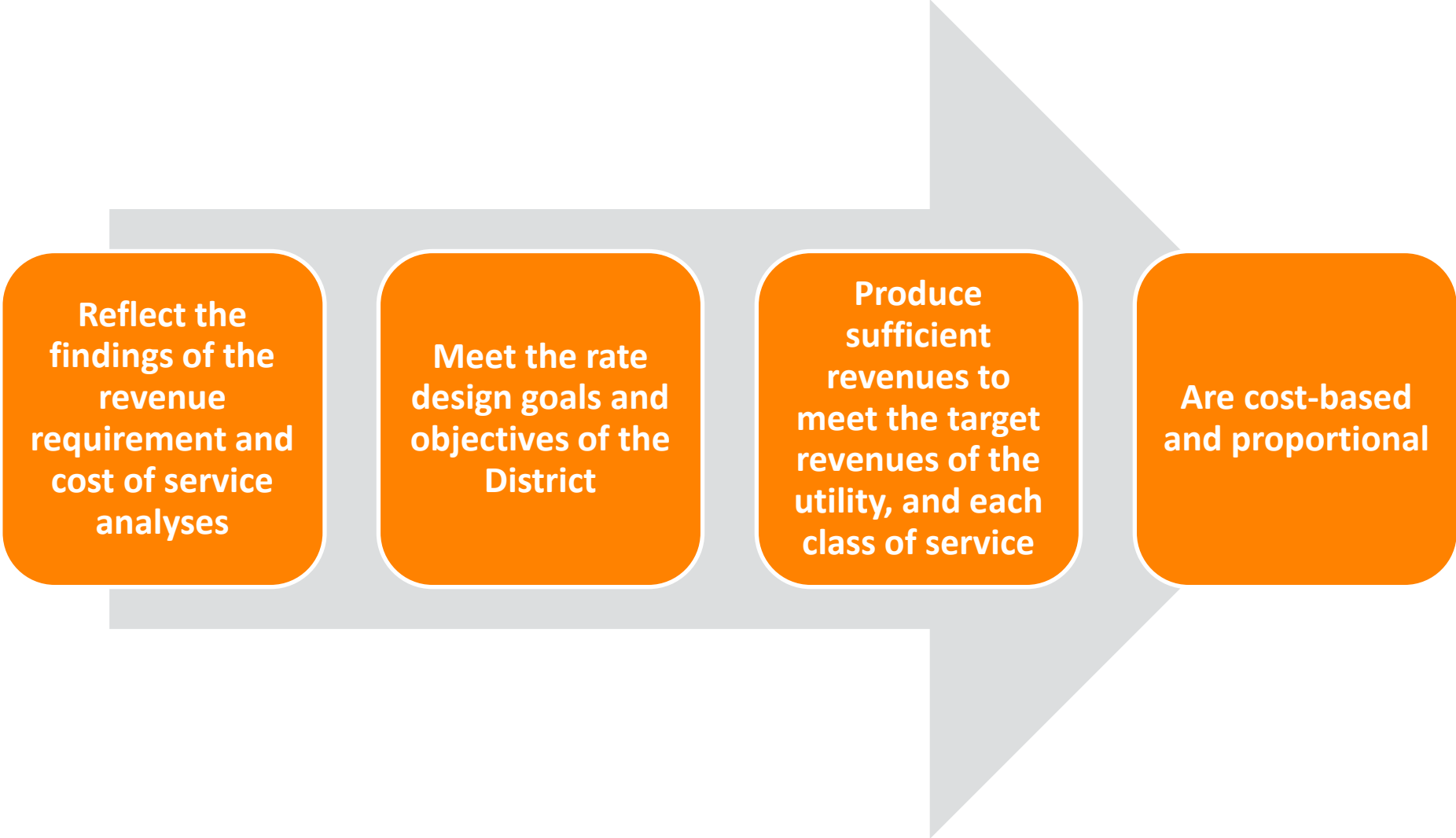
Cost of Service Summary

- Cost of service analysis provides the basis for the proposed rates
 - Based on customer characteristics and facility requirements
- Results show the need for minor cost of service of service adjustments
 - Reflect cost of service results to meet the intent of Prop 218
- Summary of the approach:
 - Water: distributed to the tiers and fixed charge
 - Sewer: distributed on a per unit basis
 - Garbage: distributed between District and contractor costs



Rate Design

Overview of the Rate Design



Rate Design - Water

	<i>Present Rates</i>	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
<i>Proposed Rate Adjustments</i>		24.5%	15.5%	15.5%	15.5%	6.5%
Base Charge						
3/4"	\$884.00	\$1,235.00	\$1,426.00	\$1,648.00	\$1,904.00	\$2,029.00
1"	1,474.00	2,062.00	2,382.00	2,752.00	3,180.00	3,388.00
1 1/2"	2,936.00	4,113.00	4,751.00	5,488.00	6,340.00	6,753.00
2"	4,698.00	6,583.00	7,603.00	8,782.00	10,144.00	10,804.00
3"	8,810.00	12,350.00	14,264.00	16,476.00	19,031.00	20,269.00
Usage (per 1,000 gallons)						
0 - 100,000 gal	\$3.45	\$3.96	\$4.58	\$5.35	\$6.24	\$6.71
100,000 - 200,000 gal	4.71	5.02	5.80	6.77	7.89	8.47
200,000 + gal	8.85	8.50	9.82	11.42	13.27	14.21
Snowmaking	\$1.32	\$1.64	\$1.89	\$2.18	\$2.52	\$2.68

Rate Design - Sewer

	Present					
	Rates	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
<i>Proposed Rate Increases</i>		17.5%	13.5%	9.5%	9.5%	3.0%
Base Charge						
<i>Per Fixture Unit</i>	\$99.80	--	--	--	--	--
Com	--	\$117.30	\$133.10	\$145.70	\$159.50	\$164.30
<i>Per Customer</i>						
Res	--	\$545.60	\$619.30	\$678.10	\$742.50	\$764.80

Residential average number of fixture units = 4.5

At present rates, bill impact = \$449

Rate Design - Garbage

	Present	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Rates					
<i>Proposed Rate Revenue Adjustment</i>		10.5%	6.0%	6.0%	6.0%	6.0%
Garbage Contract Rate	\$322.90	\$322.90	\$342.30	\$362.80	\$384.60	\$407.70
Administration Fee	189.80	242.40	256.90	272.30	288.60	305.90
Total per Customer	\$512.70	\$565.30	\$599.20	\$635.10	\$673.20	\$713.60

Next Steps

- Proposition 218 Process
 - Hold public hearing (today)
 - Board adopt the proposed rates, if no major protest
- Finalize the rate study
- Set rate implementation date
 - July 1, 2023

Thank you!

