

Water & Wastewater Financial Plans

September 7, 2023



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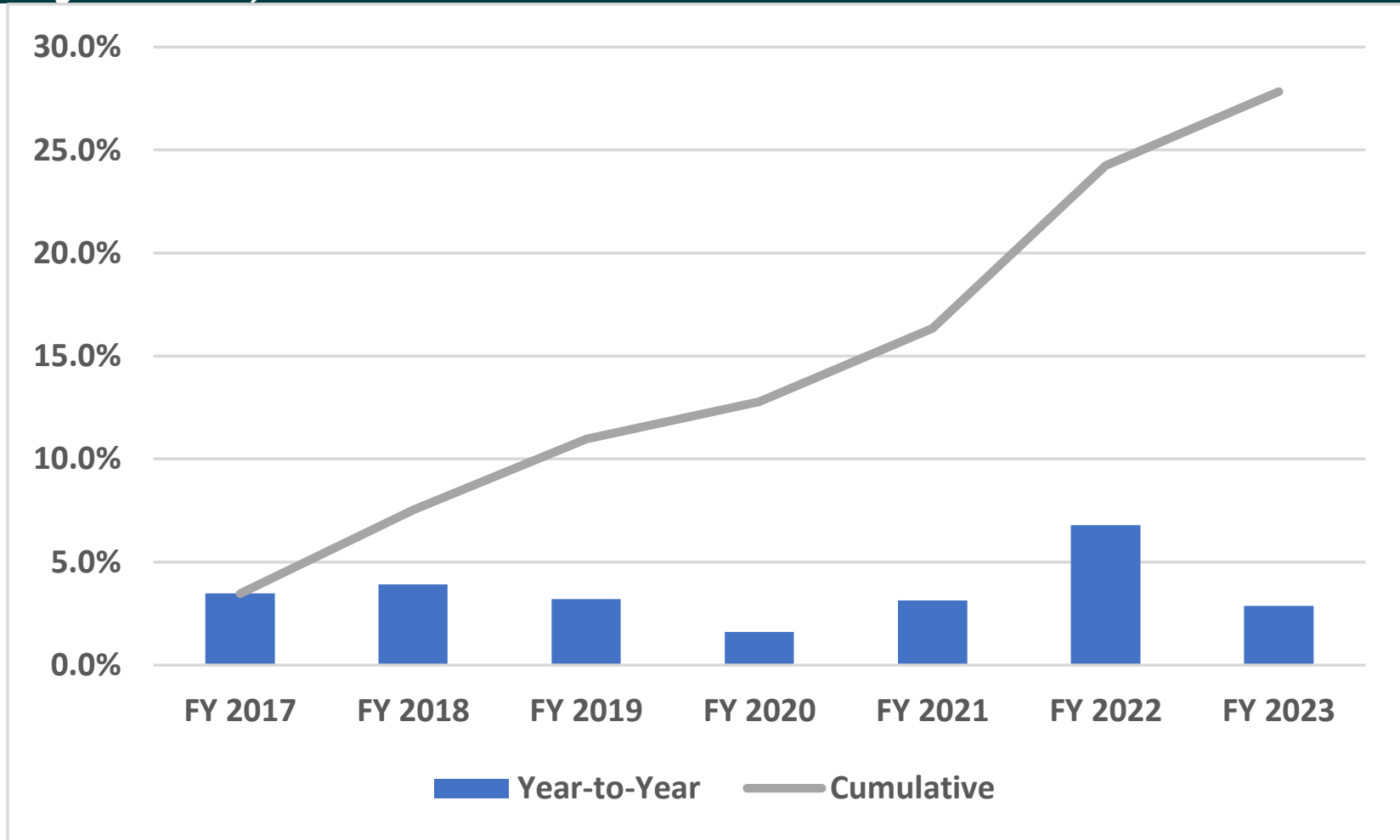
Key Focus Areas

- Financial Plans - Inflation
- Water Key Inputs, Status Quo, & Financial Plans
- Wastewater Key Inputs, Status Quo, & Financial Plans

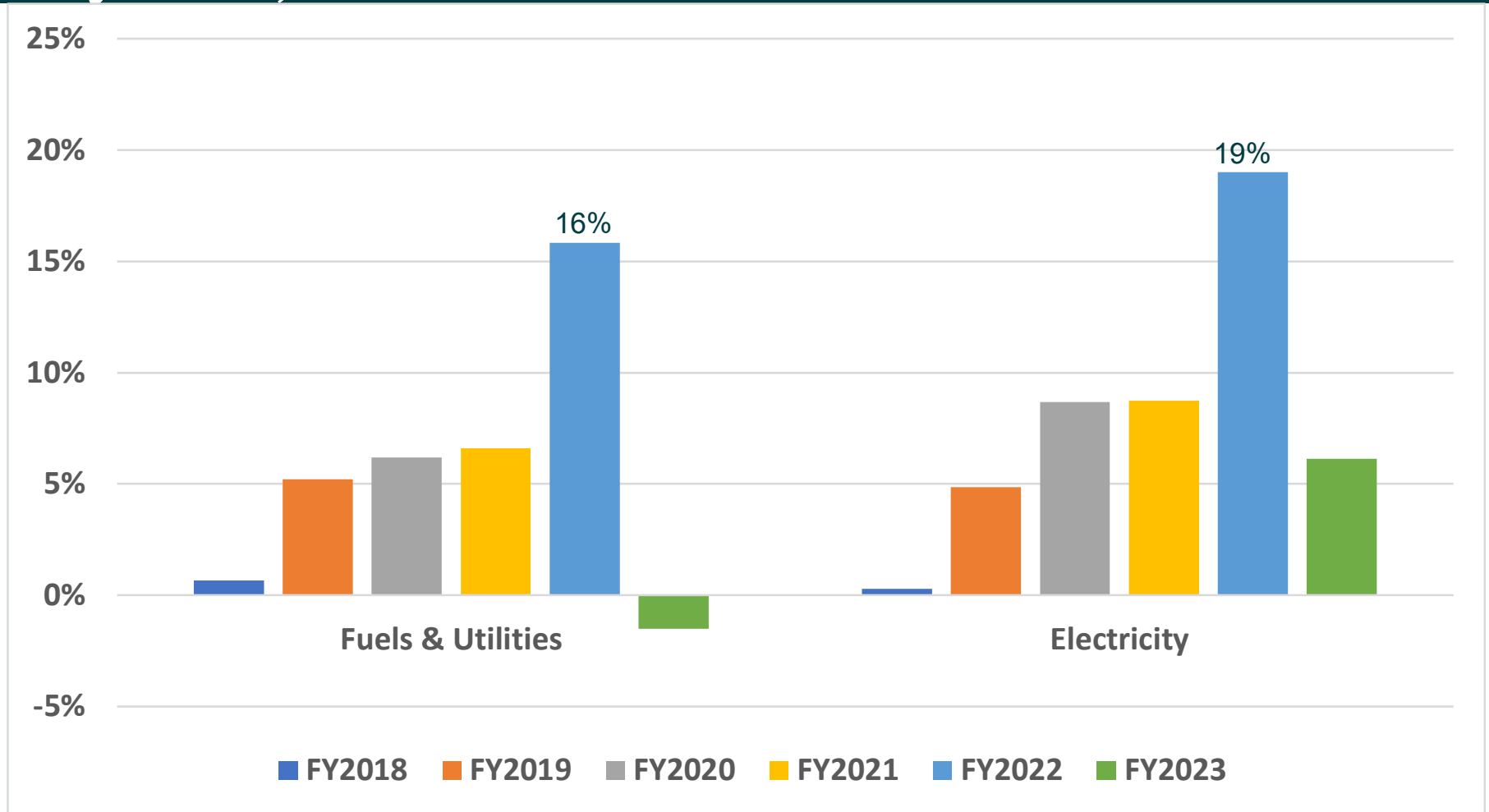
Financial Plans – Inflation



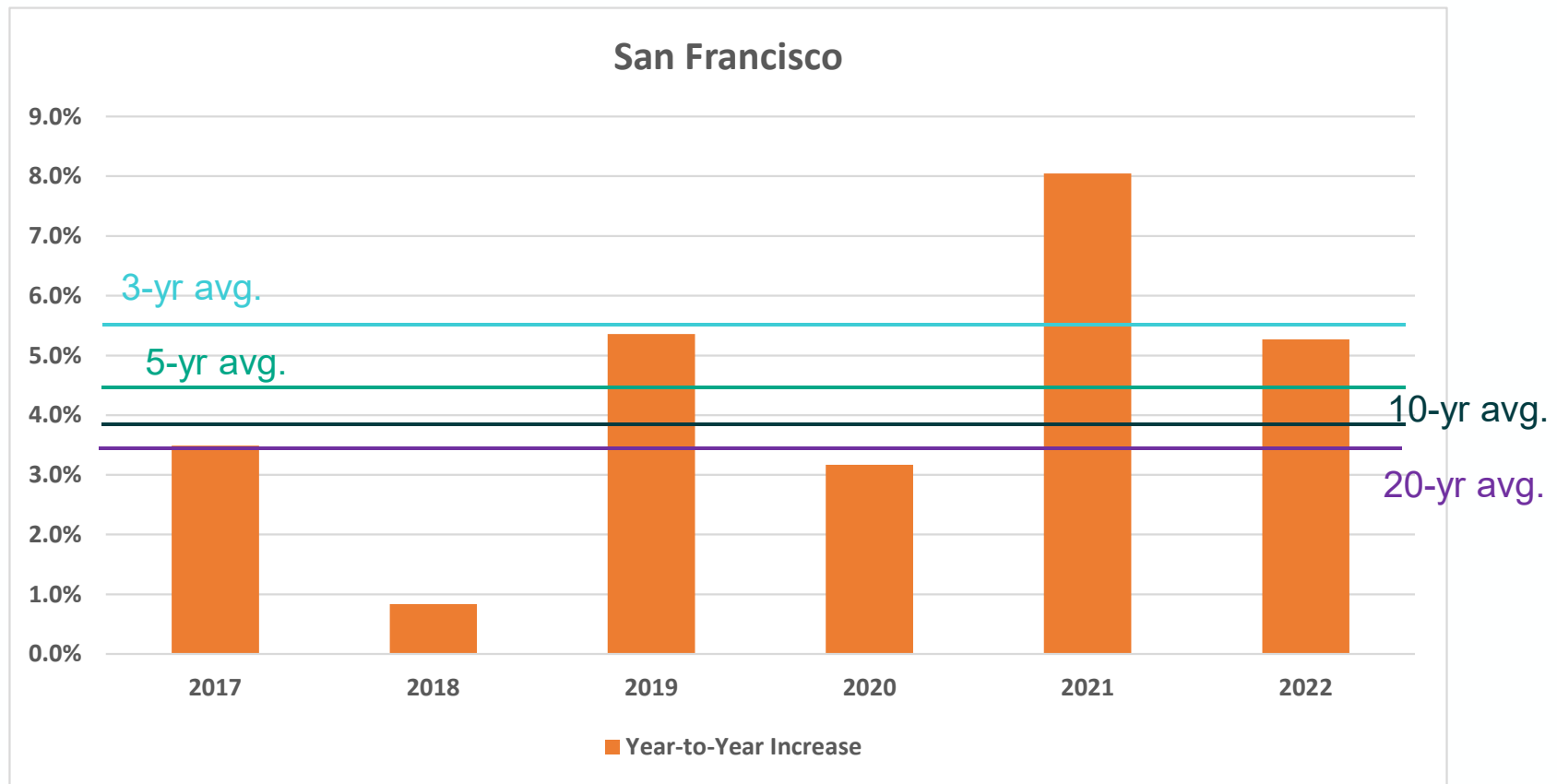
Consumer Price Index: San Francisco-Oakland-Hayward, CA



Consumer Price Index: San Francisco-Oakland-Hayward, CA



Engineering News Record – Construction Cost Index



Financial Plan - Water



Water System

- 9 surface water intakes
- 7 well heads
- 52 storage tanks
- 30 booster pump stations
- 2 surface water treatment plants
- 190 miles of mainlines
- ~7,900 service connections
- 36 zones
- Over 600,000 hundred cubic feet (1,377 acre-feet) delivered each year

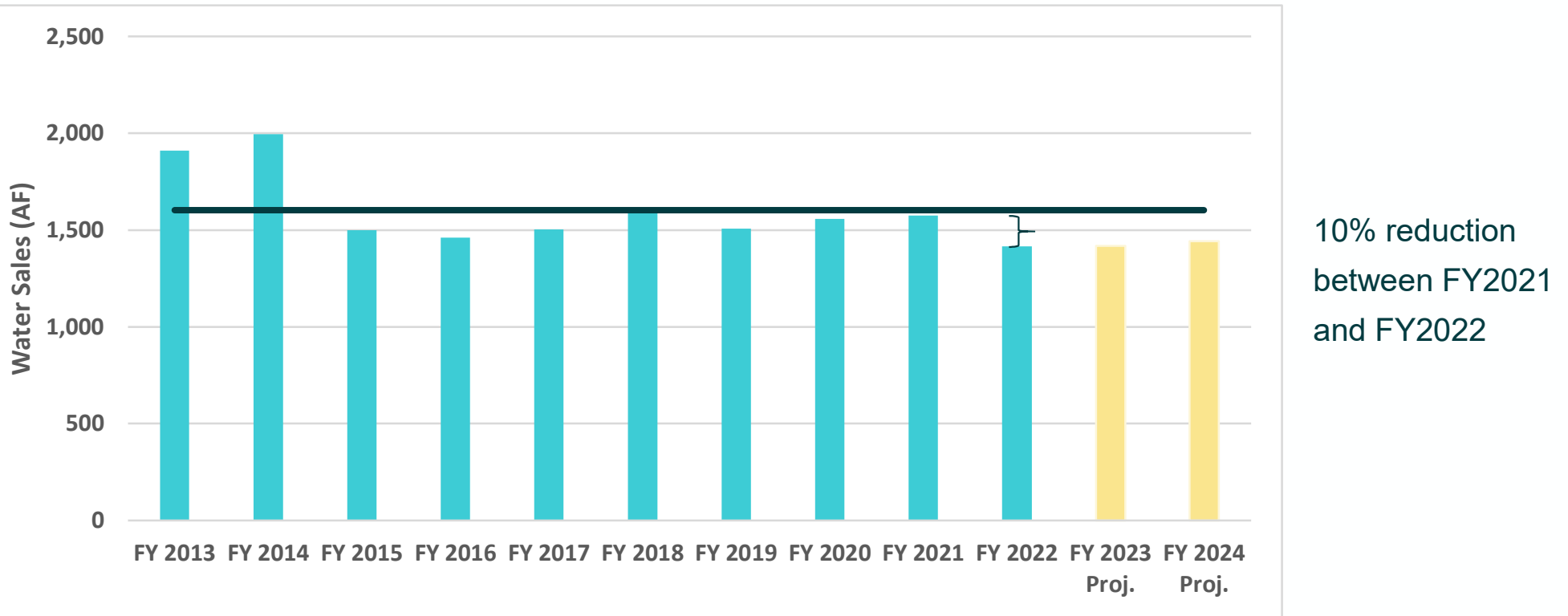
Water System

- Revenue sources:
 - › >85 percent from rates
 - › ~9 percent from taxes & assessments
 - › Remainder: operating grants, interest income, and other operating/non-operating revenue

Water Demand and Account Assumptions

- Growth in residential accounts is ~8 accounts per year except in FY24 based on anticipated developments.
 - › FY24: Bracken Brae & Forest Springs Consolidation (~150 units)
- Presume demand only changes due to the increase in accounts.

Historical & Projected Water Sales



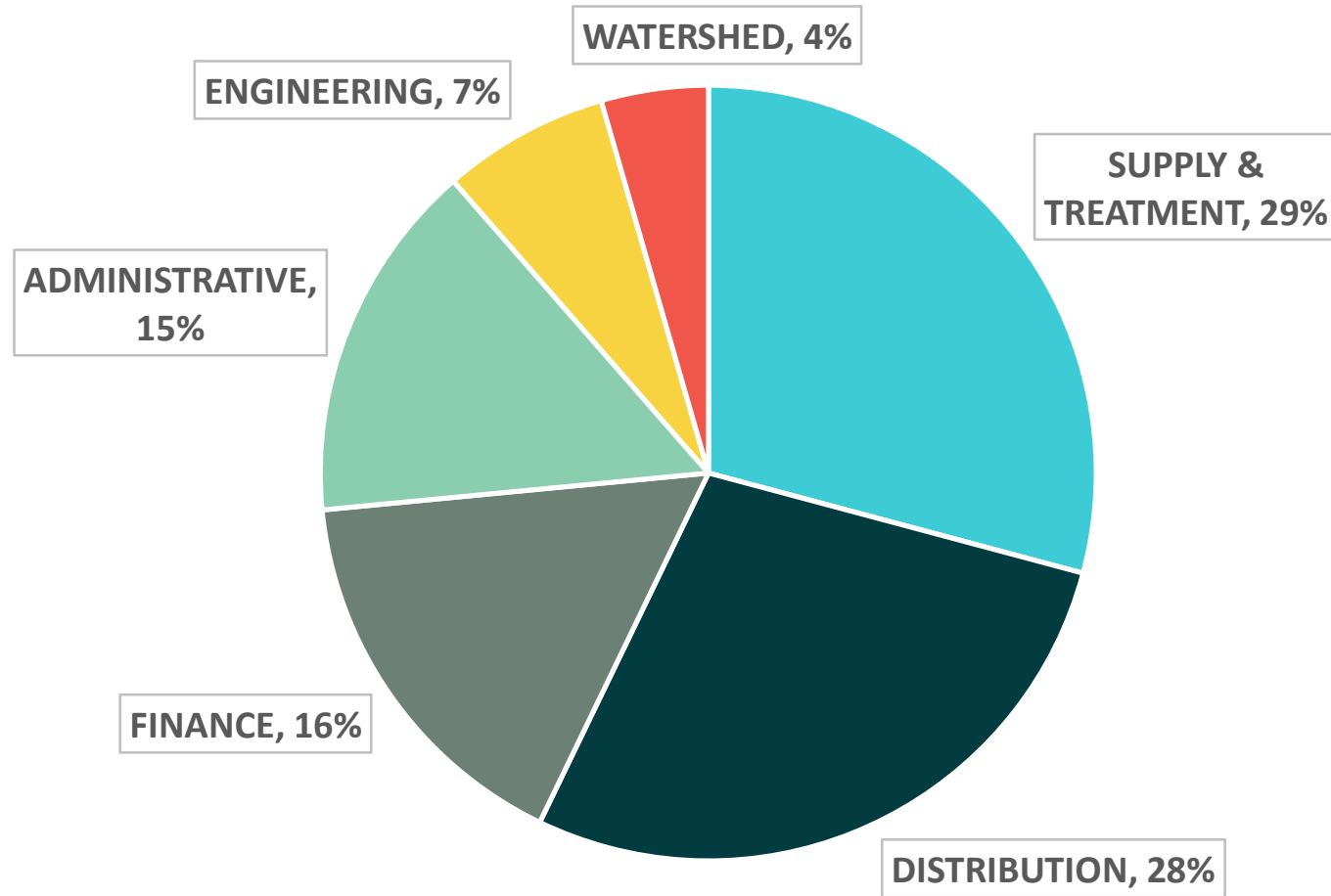
Source: FY2022 ACFR, Schedule 4

Level of Service Goals - Water

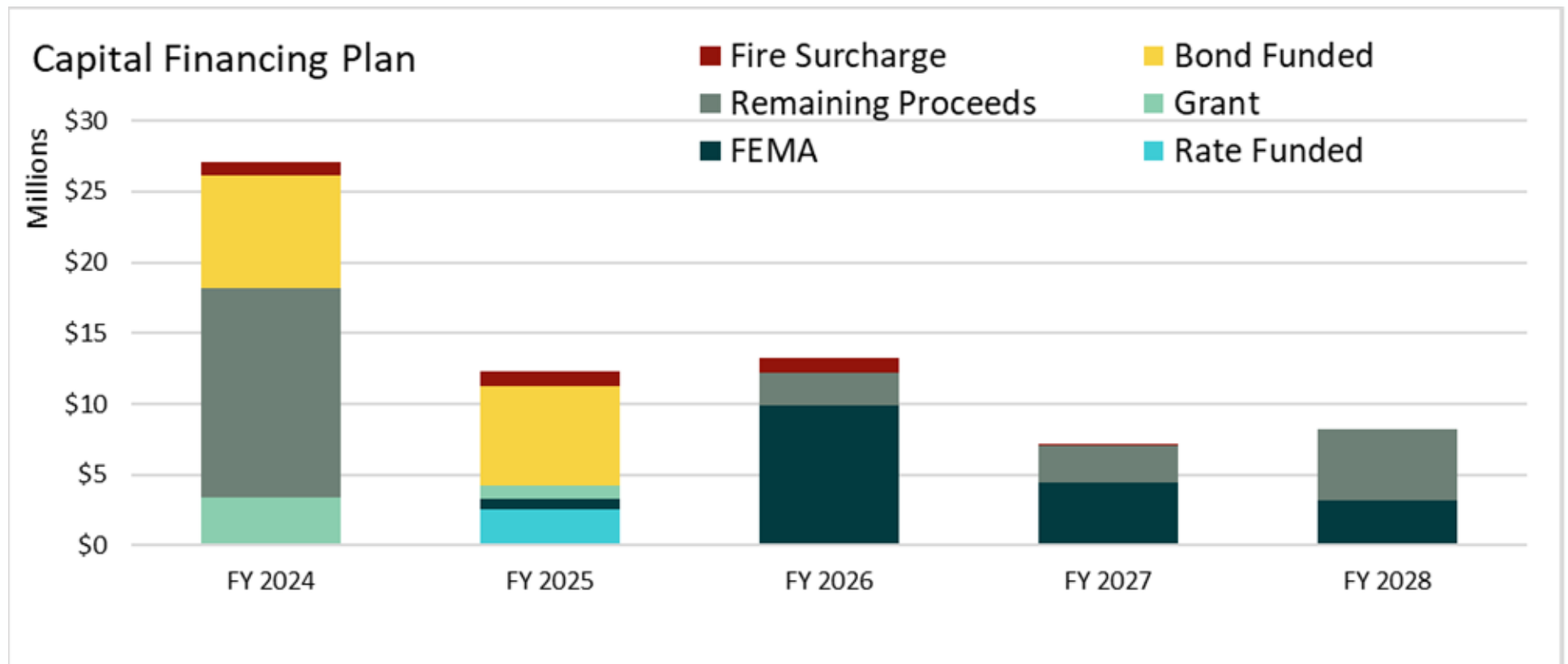
- Replacing undersized and leaking mains
- Reducing water loss
- Improving systemwide reliability in times of emergency
- Additional water storage in times of emergency



Expense Summary 5 Year Average - Water

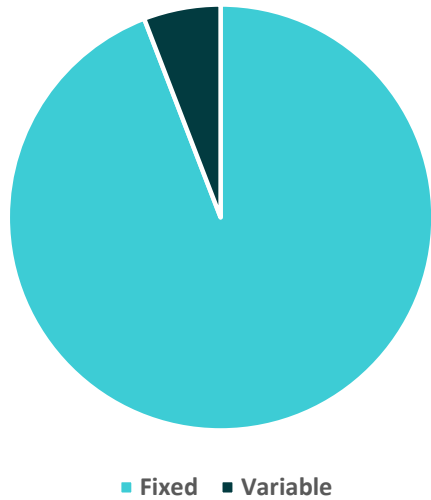


Water Capital



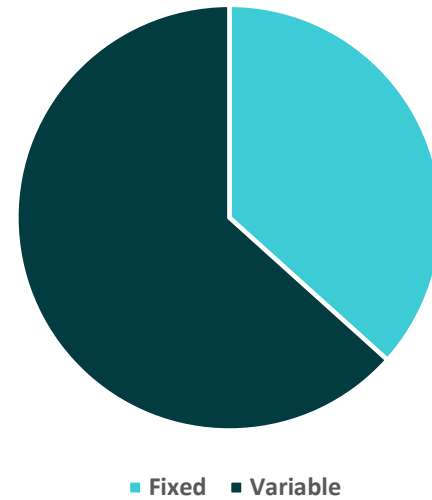
Fixed vs Variable: Expenses and Revenues

Expenses



Fixed = 94%

Rate Revenue



Fixed = 37%

Water Reserve Targets

- Operations = 4.5 months of O&M budget
 - › Target ~ \$3.7M
- Capital Improvements = 2.5% of replacement cost
 - › Estimated replacement cost = \$375M
 - › Target ~ \$9.4M
- Compensated absences = 1/3 of balance on audited financials.
 - › Presuming balance = \$600k in FY2024, increasing at general inflation
 - › Target ~\$200k

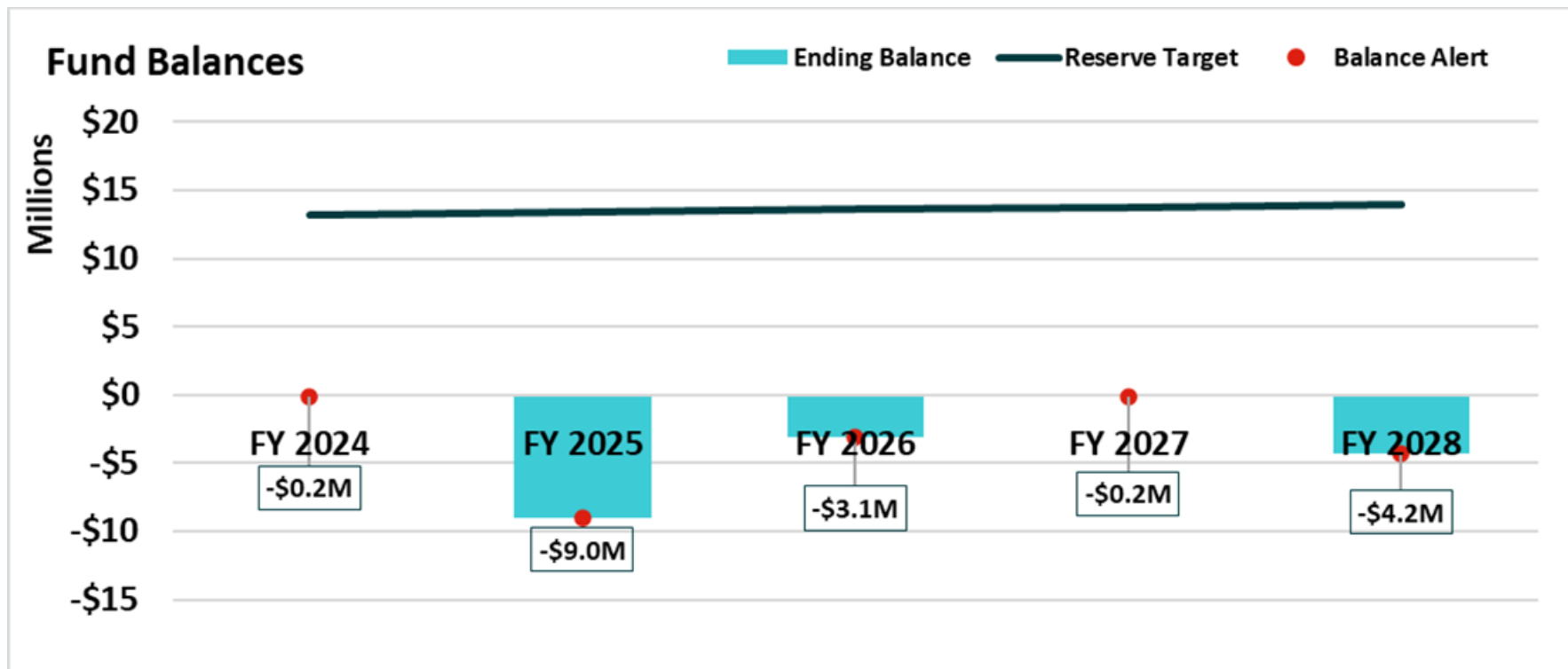
Fire Surcharge

- Collected monthly for each account based on meter size
- Restricted fund: money can only be used for CZU projects
- Currently revenue to be collected is limited to \$5M based on initial gross estimation of project cost.
- CZU projects expected to be complete in FY2028

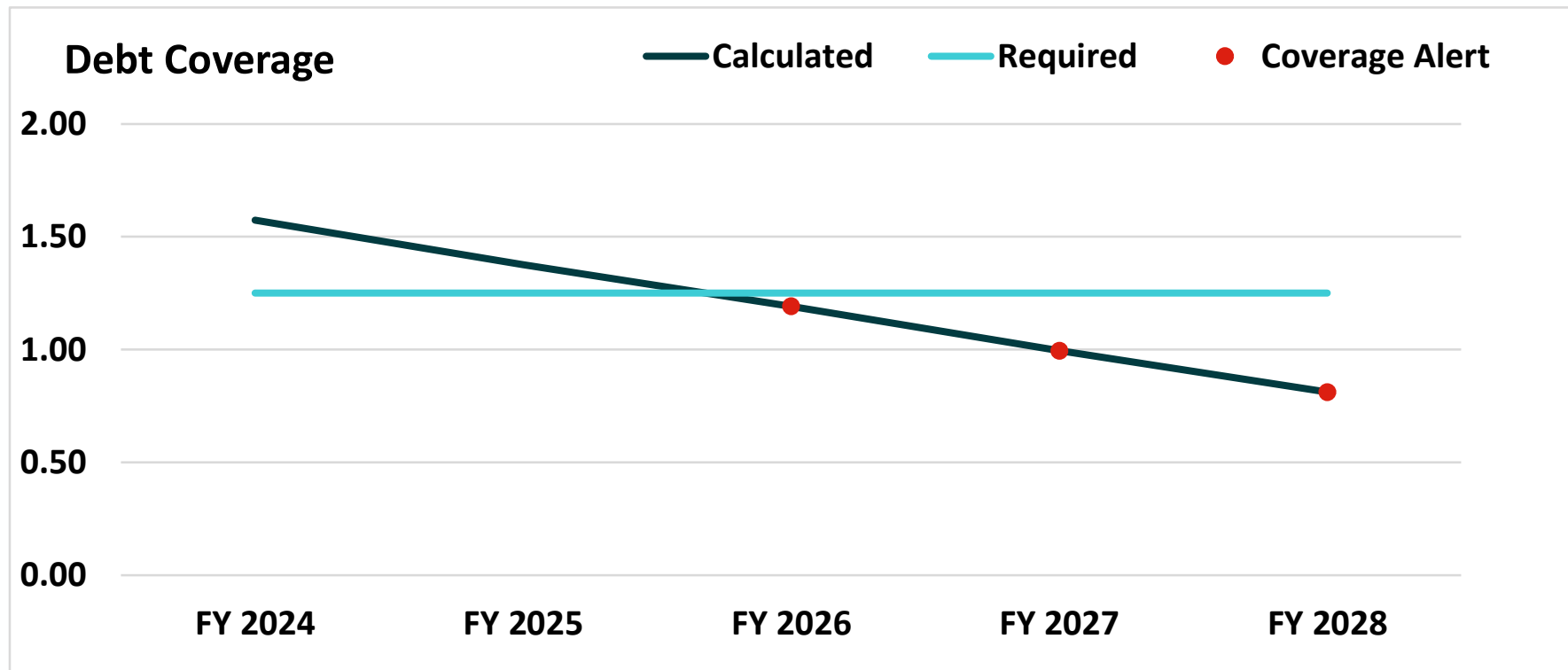
Financial Plan – Water Scenario 1

- Above ground Peavine & Clear Creek supply line
- Inflated CZU project cost total \$25 million FY 2023-FY 2028
- Guaranteed 90% reimbursement from FEMA

Financial Plan – Scenario 1 Water Status Quo

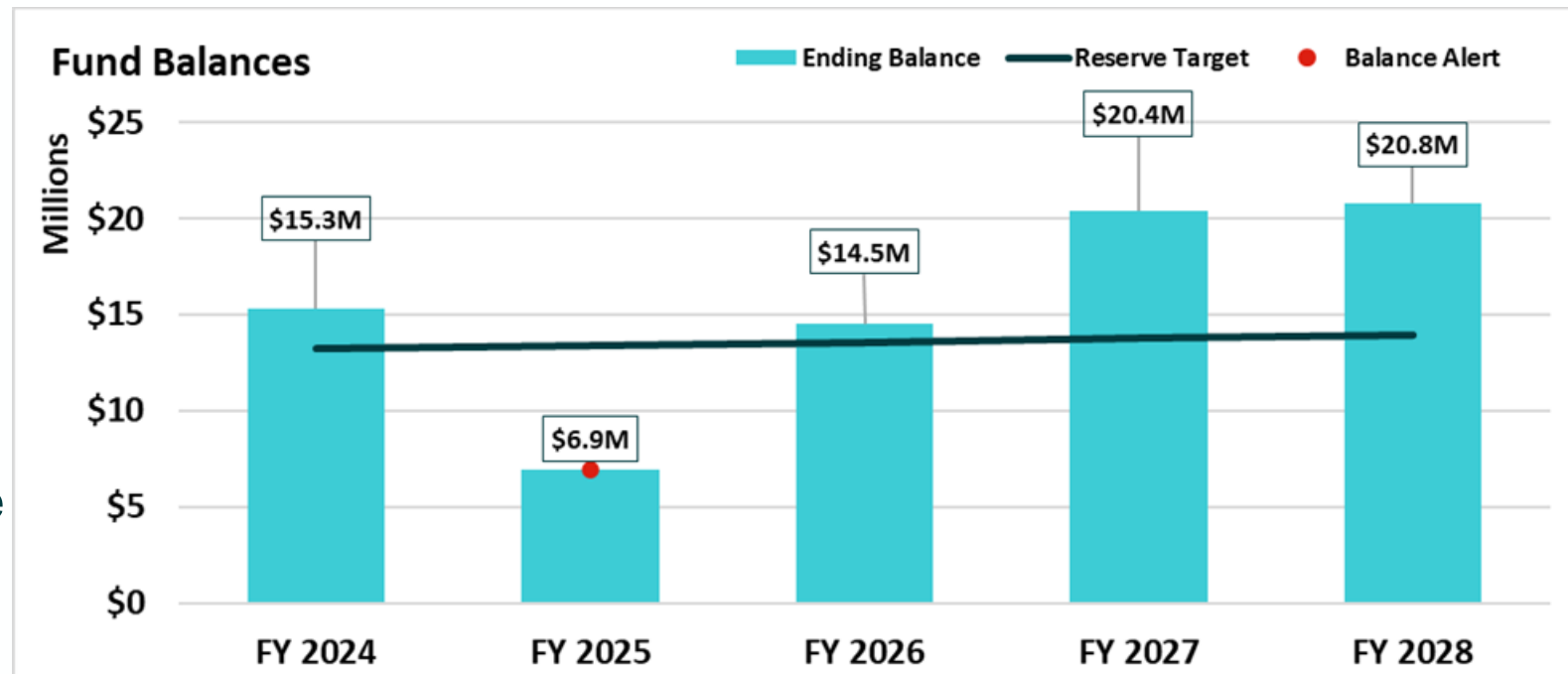


Financial Plan – Scenario 1 Status Quo



Financial Plan – Scenario 1 Option 1

- 9% per year *revenue* increase
- \$15 million debt issuance FY 2024
- No change in fire surcharge
- Keep fire surcharge revenue limit at \$5M



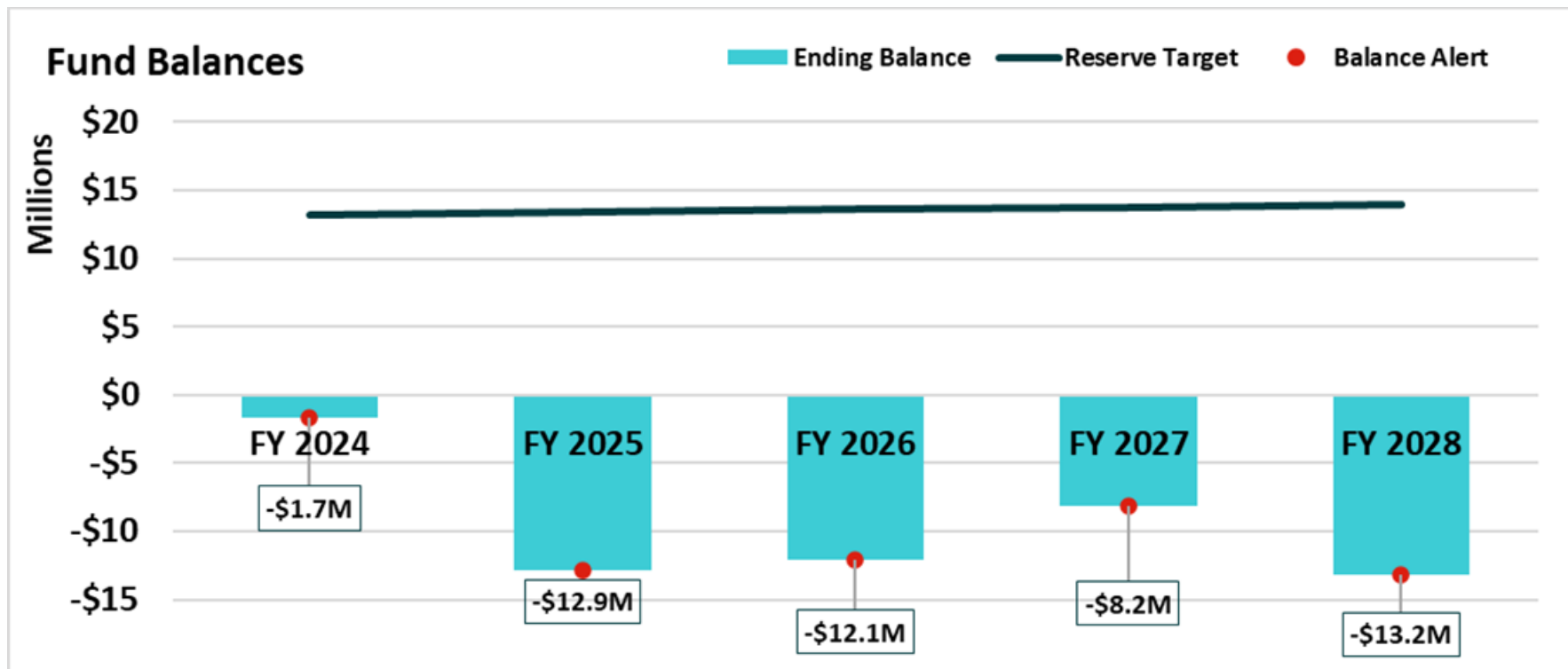
Financial Plan – Scenario 1 Option 1

Financial Plan	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<i>Operating Fund</i>					
Beginning Balance	\$6,488,650	\$8,203,442	\$9,509,538	\$11,617,464	\$14,636,524
Sources of Funds					
Water Rate Revenue	\$12,019,208	\$13,207,447	\$14,408,997	\$15,719,860	\$17,149,980
Other Revenues	\$1,543,806	\$1,570,886	\$1,588,534	\$1,611,522	\$1,634,853
Interest Income	\$73,460	\$75,601	\$105,635	\$131,270	\$166,973
Total - Sources of Funds	\$13,636,474	\$14,853,934	\$16,103,166	\$17,462,651	\$18,951,806
Uses of Funds					
O&M Expenses	\$9,738,824	\$10,193,152	\$10,640,180	\$11,111,654	\$11,609,174
Debt Service	\$2,182,858	\$3,354,686	\$3,355,061	\$3,331,936	\$3,221,163
Total - Uses of Funds	\$11,921,682	\$13,547,837	\$13,995,241	\$14,443,591	\$14,830,337
Ending Balance (net operating revenue + debt)	\$8,203,442	\$9,509,538	\$11,617,464	\$14,636,524	\$18,757,993
<i>Capital Fund</i>					
Beginning Balance	\$0	\$7,085,262	-\$2,592,728	\$2,925,849	\$5,773,754
Sources of Funds					
Fire Surcharge Revenue	\$1,004,153	\$1,005,093	\$1,006,023	\$91,447	\$0
Grant	\$3,416,166	\$936,000	\$0	\$0	\$0
Remaining Loan Proceeds	\$14,791,805	\$0	\$0	\$0	\$0
FEMA 75% Proceeds	\$0	\$0	\$8,572,403	\$4,461,600	\$0
FEMA 90% Proceeds	\$0	\$685,417	\$9,168,120	\$5,465,866	\$4,429,152
Debt Proceeds	\$15,000,000	\$0	\$0	\$0	\$0
Total - Sources of Funds	\$34,212,124	\$2,626,509	\$18,746,546	\$10,018,912	\$4,429,152
Uses of Funds					
Capital Projects	\$27,126,862	\$12,304,500	\$13,227,968	\$7,171,008	\$8,189,010
Total - Uses of Funds	\$27,126,862	\$12,304,500	\$13,227,968	\$7,171,008	\$8,189,010
Ending Balance	\$7,085,262	-\$2,592,728	\$2,925,849	\$5,773,754	\$2,013,896
Combined Fund Ending Balance	\$15,288,704	\$6,916,810	\$14,543,313	\$20,410,278	\$20,771,889

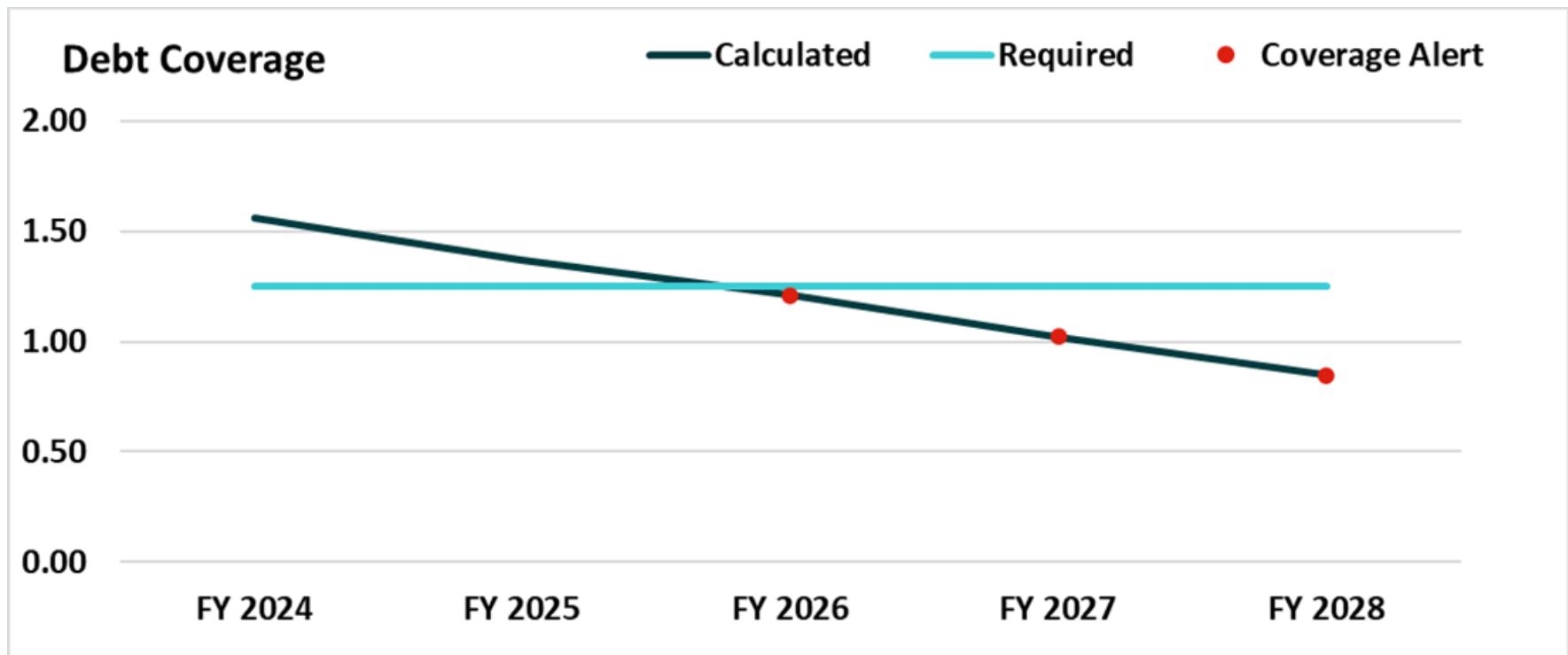
Financial Plan – Water Scenario 2

- Buried Peavine & Clear Creek supply line
- Inflated CZU project estimated cost total \$52 million FY 2023-FY 2028
 - › Peavine Supply project and Clear Creek 5 mile supply line project costs triple
- 90% reimbursement from FEMA is not guaranteed
- Environmental concerns

Financial Plan – Scenario 2 Water Status Quo

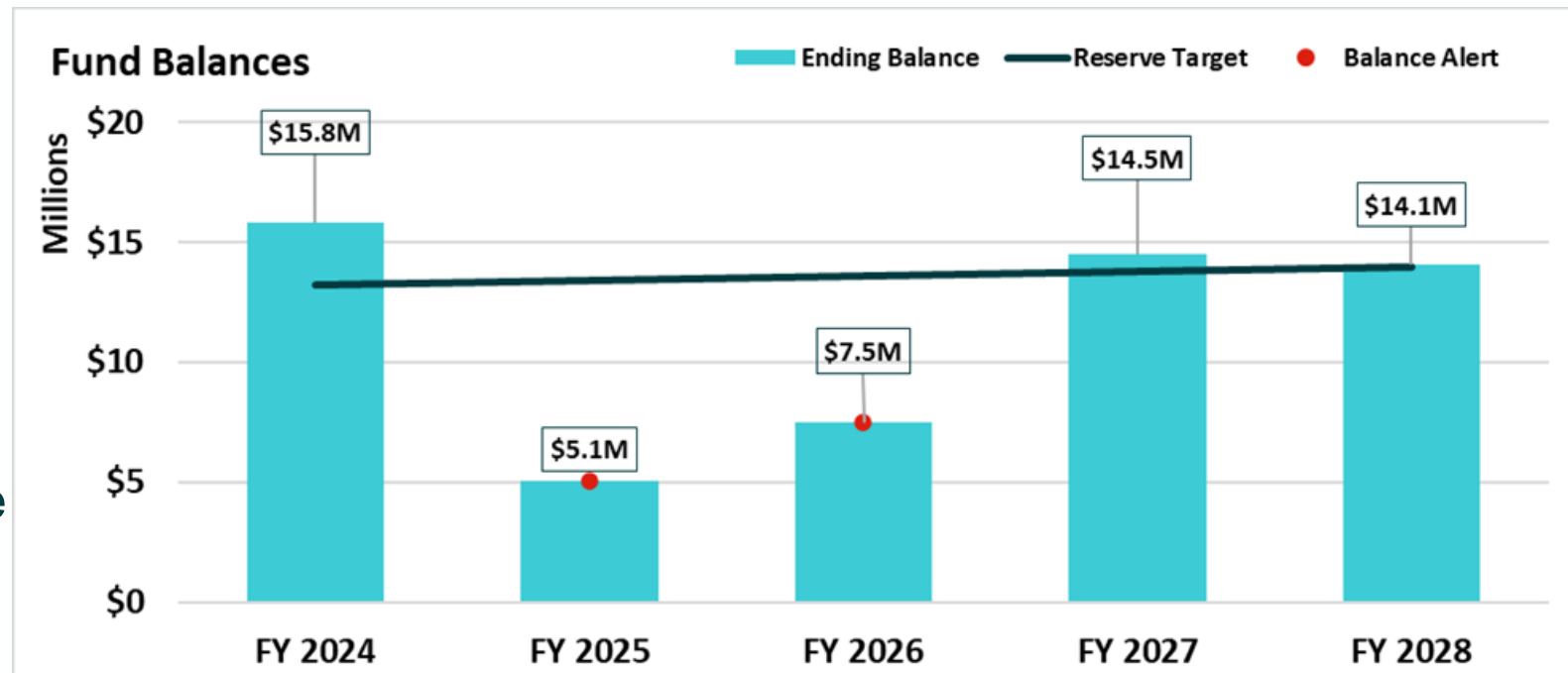


Financial Plan – Scenario 2 Status Quo



Financial Plan – Scenario 2 Option 1

- 9.5% per year *revenue* increase
- \$17 million debt issuance FY 2024
- No change in fire surcharge
- Keep fire surcharge revenue limit at \$5M



Financial Plan – Scenario 2 Option 1

Financial Plan	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<i>Operating Fund</i>					
Beginning Balance	\$6,488,650	\$8,227,698	\$9,460,966	\$11,579,650	\$14,698,185
Sources of Funds					
Water Rate Revenue	\$12,043,343	\$13,299,773	\$14,576,281	\$15,975,309	\$17,508,617
Other Revenues	\$1,543,806	\$1,570,886	\$1,588,534	\$1,611,522	\$1,634,853
Interest Income	\$73,582	\$66,540	\$105,203	\$131,389	\$165,879
Total - Sources of Funds	\$13,660,730	\$14,937,199	\$16,270,018	\$17,718,220	\$19,309,349
Uses of Funds					
O&M Expenses	\$9,738,824	\$10,193,152	\$10,640,180	\$11,111,654	\$11,609,174
Debt Service	\$2,182,858	\$3,510,779	\$3,511,154	\$3,488,030	\$3,377,257
Total - Uses of Funds	\$11,921,682	\$13,703,931	\$14,151,334	\$14,599,684	\$14,986,431
Ending Balance (net operating revenue + debt)	\$8,227,698	\$9,460,966	\$11,579,650	\$14,698,185	\$19,021,103
<i>Capital Fund</i>					
Beginning Balance	\$0	\$7,585,262	-\$4,380,728	-\$4,105,751	-\$219,510
Sources of Funds					
Fire Surcharge Revenue	\$1,004,153	\$1,005,093	\$1,006,023	\$91,447	\$0
Grant	\$3,416,166	\$936,000	\$0	\$0	\$0
Remaining Loan Proceeds	\$14,791,805	\$0	\$0	\$0	\$0
FEMA 75% Proceeds	\$0	\$0	\$8,572,403	\$4,461,600	\$0
FEMA 90% Proceeds	\$0	\$685,417	\$12,577,320	\$13,253,386	\$10,503,418
Debt Proceeds	\$17,000,000	\$0	\$0	\$0	\$0
Total - Sources of Funds	\$36,212,124	\$2,626,509	\$22,155,746	\$17,806,432	\$10,503,418
Uses of Funds					
Capital Projects	\$28,626,862	\$14,592,500	\$21,880,768	\$13,920,192	\$15,208,161
Total - Uses of Funds	\$28,626,862	\$14,592,500	\$21,880,768	\$13,920,192	\$15,208,161
Ending Balance	\$7,585,262	-\$4,380,728	-\$4,105,751	-\$219,510	-\$4,924,254
Combined Fund Ending Balance	\$15,812,960	\$5,080,237	\$7,473,899	\$14,478,675	\$14,096,849

Financial Plan - Wastewater



Bear Creek Estates Wastewater System

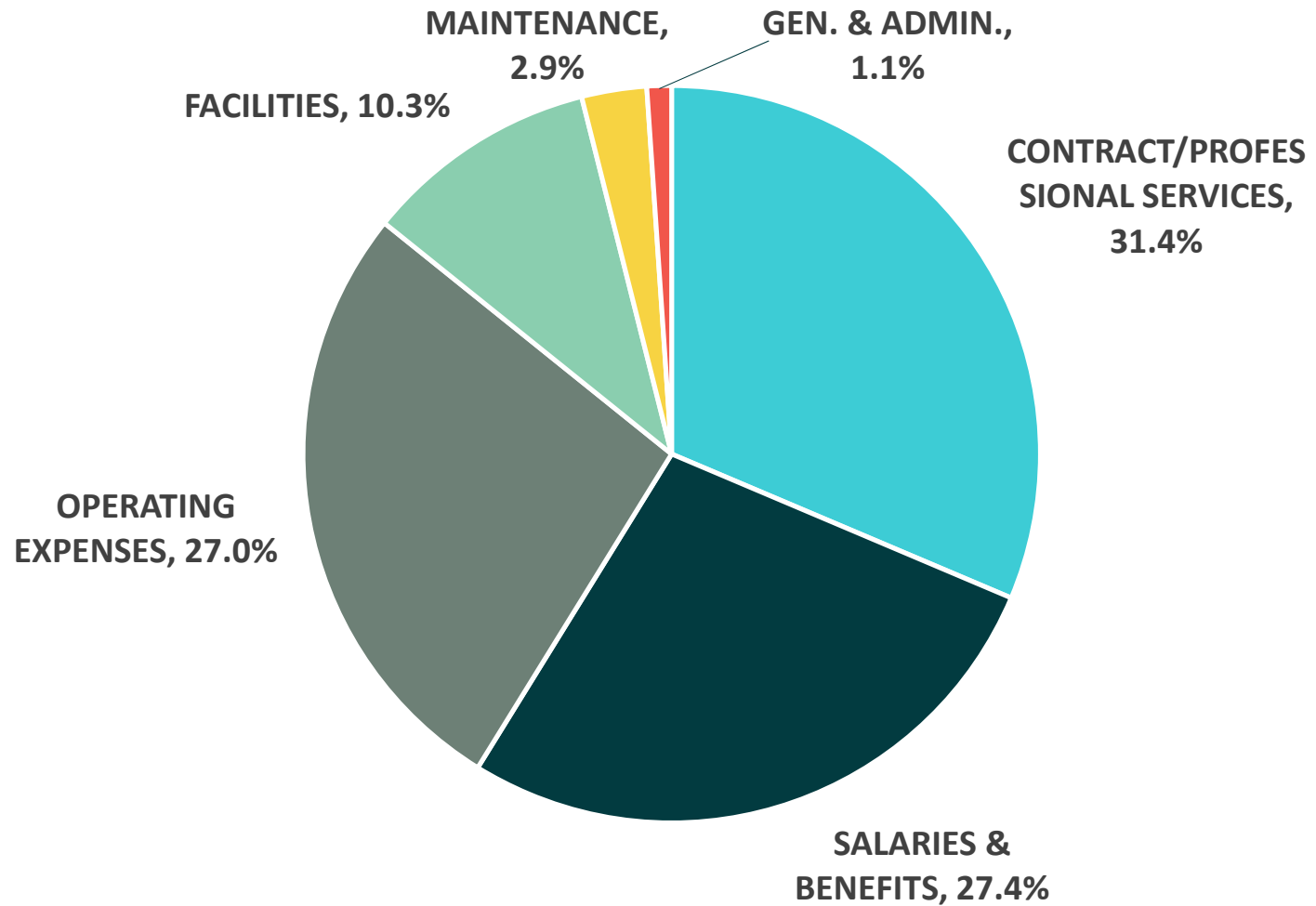
- Serves 56 residences
- Collection system:
 - › 19 manholes
 - › 2 cleanouts
 - › ~3,600 linear feet of gravity sewer lines
 - › ~2,600 linear feet of force mains
 - › 2 sewer pump stations
 - › 56 laterals
- Treatment system
 - › Septic with 3-stage trickling filter system
 - › Clarifier tanks
- Last upgrades completed between 2005 – 2013
- Notice of Violation of Wastewater Discharge Permit issued April 1, 2016 (ongoing)

Level of Service Goals - Wastewater

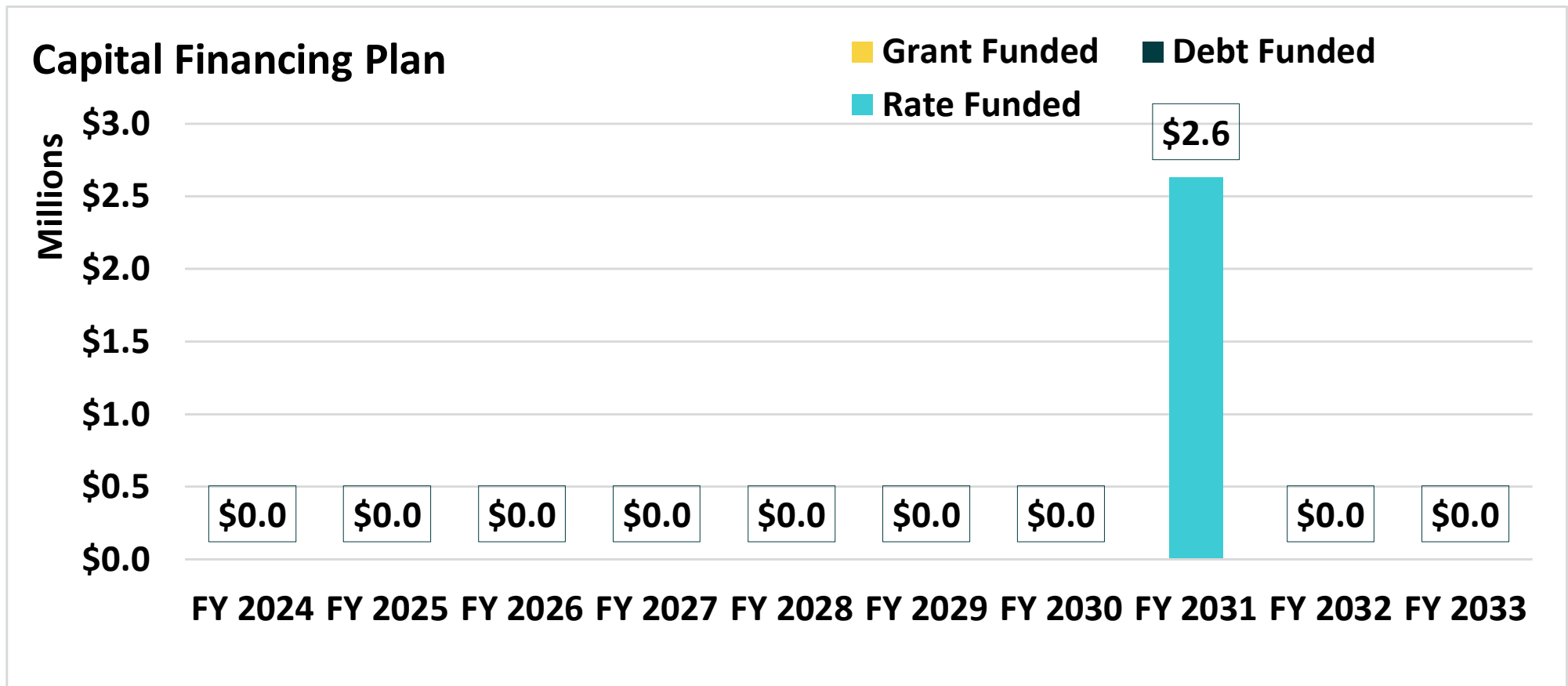
- Regulatory requirements drive additional capital needs
- Existing collection system needs improvement before it can be connected to County CSA 7



Expense Summary - Wastewater



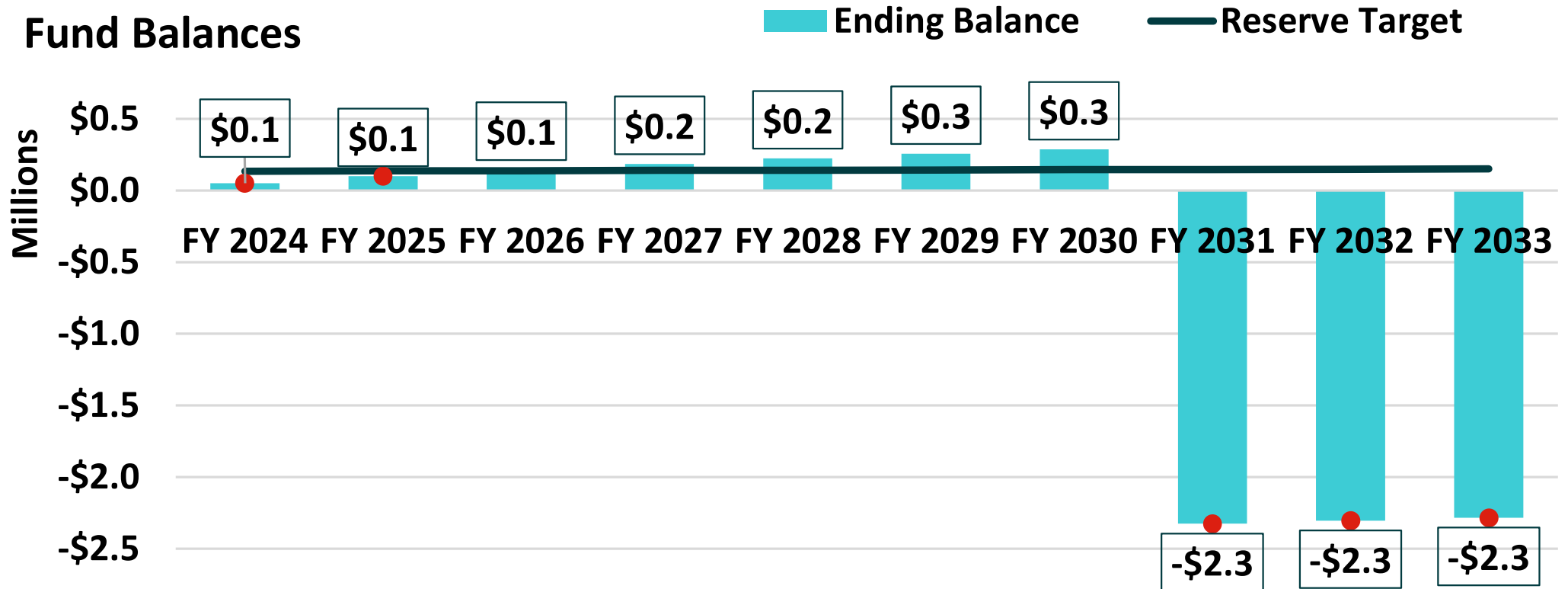
Wastewater Capital



Wastewater Reserve Targets

- Operations = 4.5 months of O&M budget
 - › Target ~ \$45,700
- Capital Improvements = 2.5% of replacement cost
 - › Replacement cost ~ \$3.4M
 - › Target ~ \$90,000

Financial Plan – Wastewater Status Quo

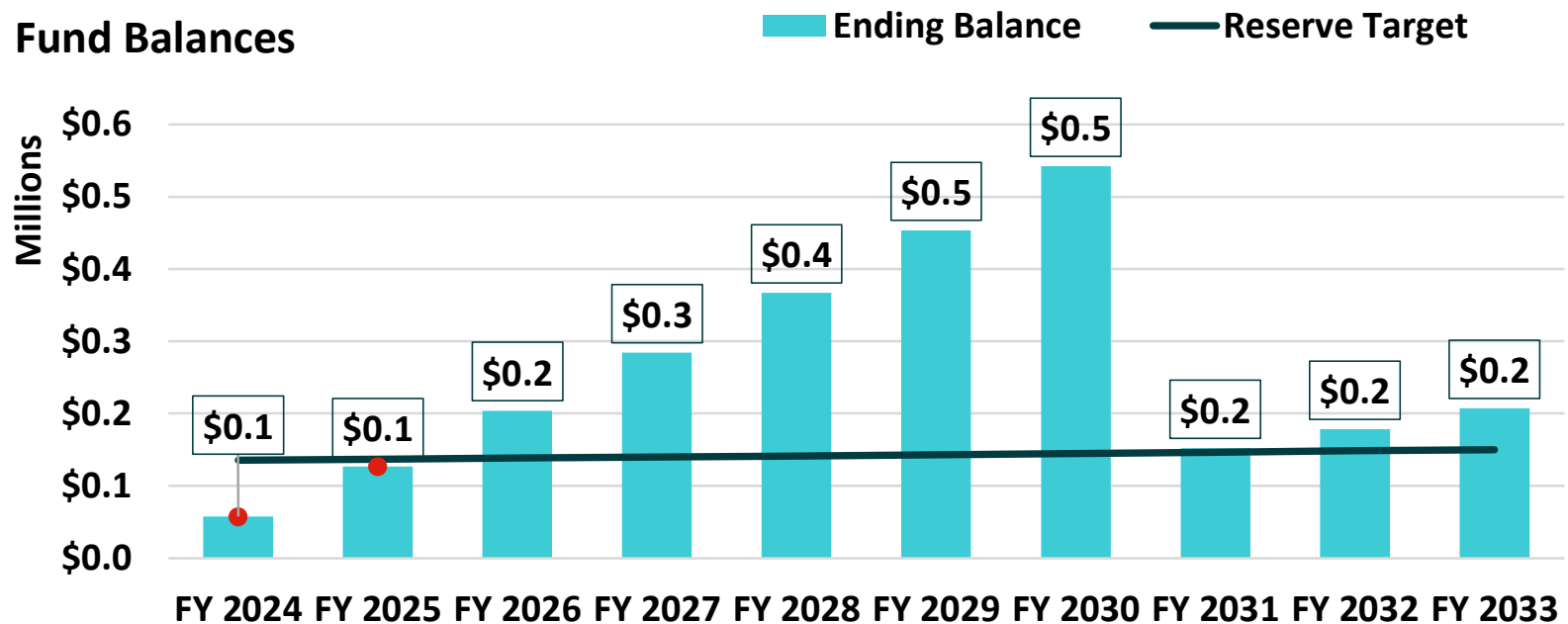


Financial Plan – Wastewater Scenario 1

- 50% grant
- \$0.9M debt FY2031 (3.5%, 20 yrs)

FY	Rev. Adj.
2024	8%
2025	8%
2026	3%
2027	3%
2028	3%
2029	3%
2030	3%
2031	3%
2032	3%

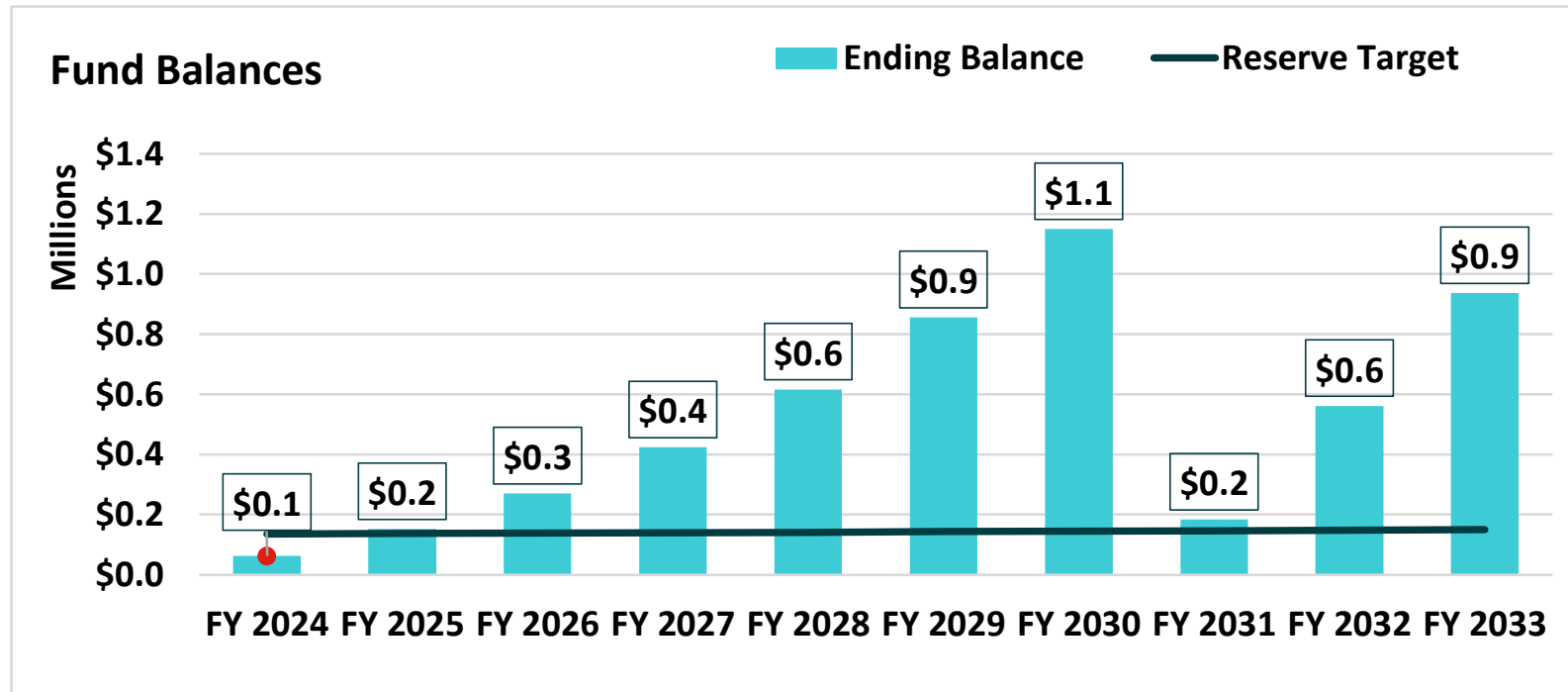
Fund Balances



Financial Plan – Wastewater Scenario 2

- 50% grant

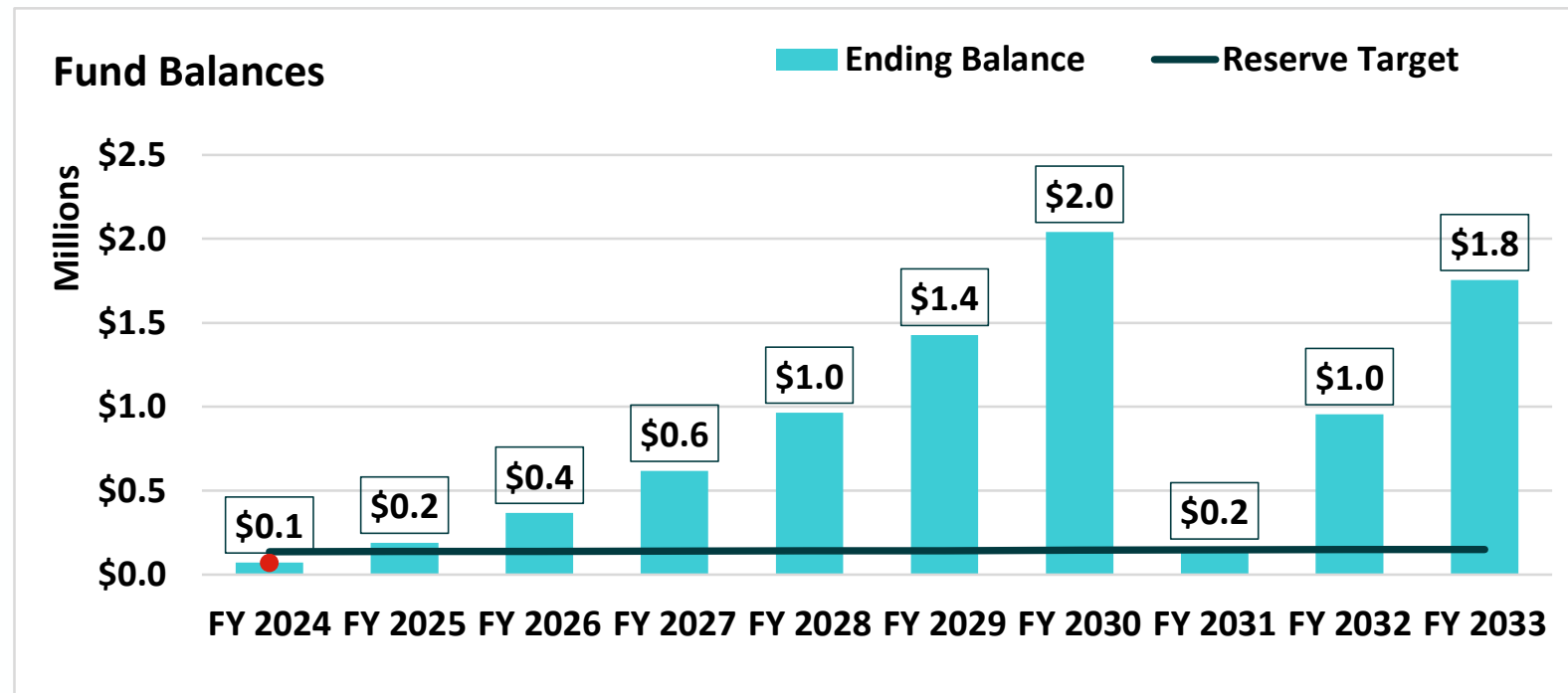
FY	Rev. Adj.
2024	15%
2025	15%
2026	15%
2027	15%
2028	15%
2029	15%
2030	15%
2031	0%
2032	0%



Financial Plan – Wastewater Scenario 3

- All cash

FY	Rev. Adj.
2024	25%
2025	25%
2026	25%
2027	25%
2028	25%
2029	25%
2030	25%
2031	15%
2032	0%



Next Steps



Next Steps

- Further adjust financial plan & scenarios as needed
- Select CZU project scenario
- Perform cost-of-service analysis and develop rates on selected financial plan
 - › 1) existing water and wastewater rate structures
 - › 2) alternative water rate structure

Project Schedule

- Rates Discussion with Board – October 2023
- Public Outreach September-November 2023
- Board Discussion – December 2023
- Public Hearing – January 2024
- Rates Implemented – February 1, 2024

Thank you