

Goals for tonight's meeting:

- Receive input from the public
- Discuss revenue model in order to move the Board toward a consensus view, so Raftelis can proceed to the next step--developing alternative rate structures

Scenarios of the revenue models presented tonight are slightly revised from those presented on Sept. 7, and reflect the consensus view of the B&F Committee and staff considering two big questions:

- 1. How do we rebuild the cross-country raw water pipelines: above-ground or buried?***
- 2. Do we concur with the assumptions Raftelis used in the revenue model?***

1. How do we rebuild the cross-country raw water pipelines: above-ground or buried?

Scenarios of financial model will be shown for both:

- above-ground at an estimated cost of \$25M
- buried at an estimated cost of \$52M

Consensus view of B&F Committee is to go with the above-ground option.

2. Do we concur with the assumptions Raftelis used in the revenue model?

A) Are the rates of inflation adopted for various categories of expenses appropriate?

Years 1 and 2: use averages for the last 3 years

Years 3-5: use 10-yr long-term averages

B) The revenue model assumes that expenses will grow at the rate of inflation.

Should the model account for new incremental one-time and ongoing expenses?

No modification to model

C) Is it realistic to assume the District will complete \$27M in capital projects in FY2024 and more than \$50M in FY2024-2026?

No. Capital expenditures have been spread out over a longer period of time.

D) Are the reserve target levels set appropriately?

Yes. They are based on the District's reserve policy adopted in 2020-21, assuming an estimate of \$375M for the value of total capital assets.

E) How fast do we want to reach target reserve levels?

Increase reserve levels every year, reaching reserve target levels in Year 4.

F) Do we want constant annual increases in revenues or should we "front-load" increases?

Front load revenues to be higher in Years 1 and 2 than in Years 3-5.

G) Do we want to take out debt? If so, in what form(s) (e.g., loan, bond issue)?

Revenue model shows debt in form of market loan (20 years @ 4.3% interest). Bond possibility needs further discussion.



Water & Wastewater Financial Plans

September 14, 2023



Raftelis Team



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RAFTELIS

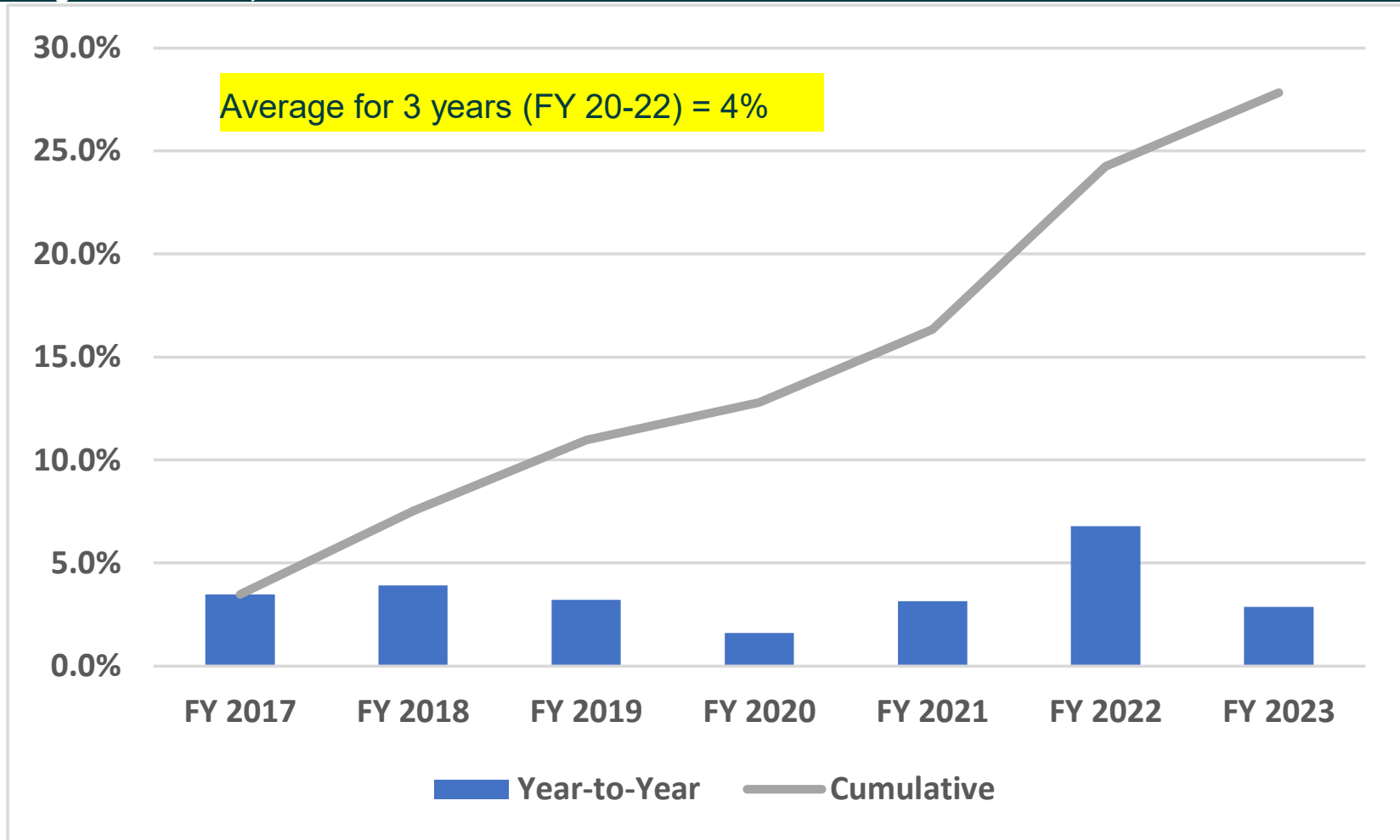
Key Focus Areas

- Financial Plans - Inflation
- Water Key Inputs & Financial Plans
- Wastewater Key Inputs & Financial Plans

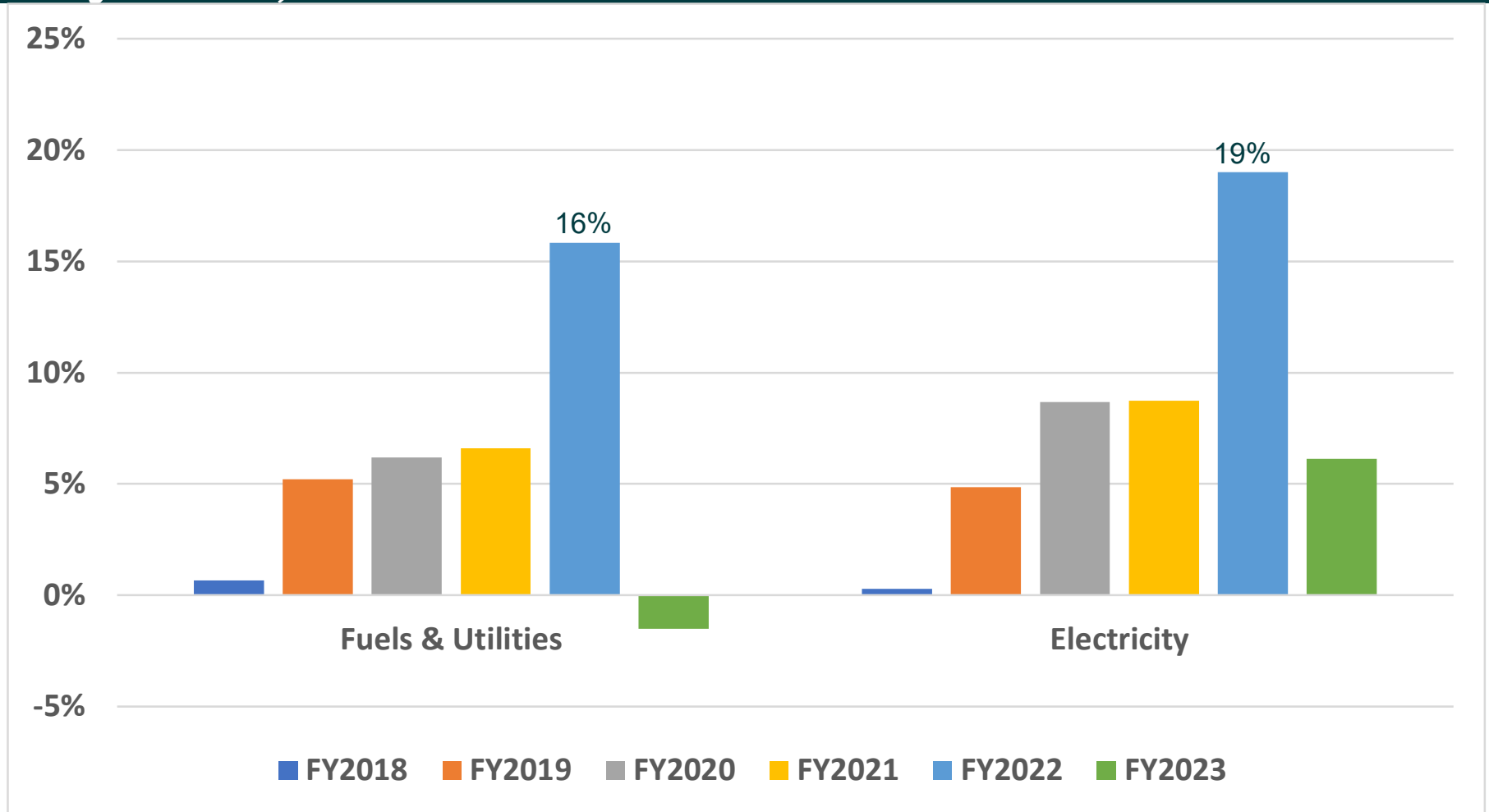
Financial Plans – Inflation



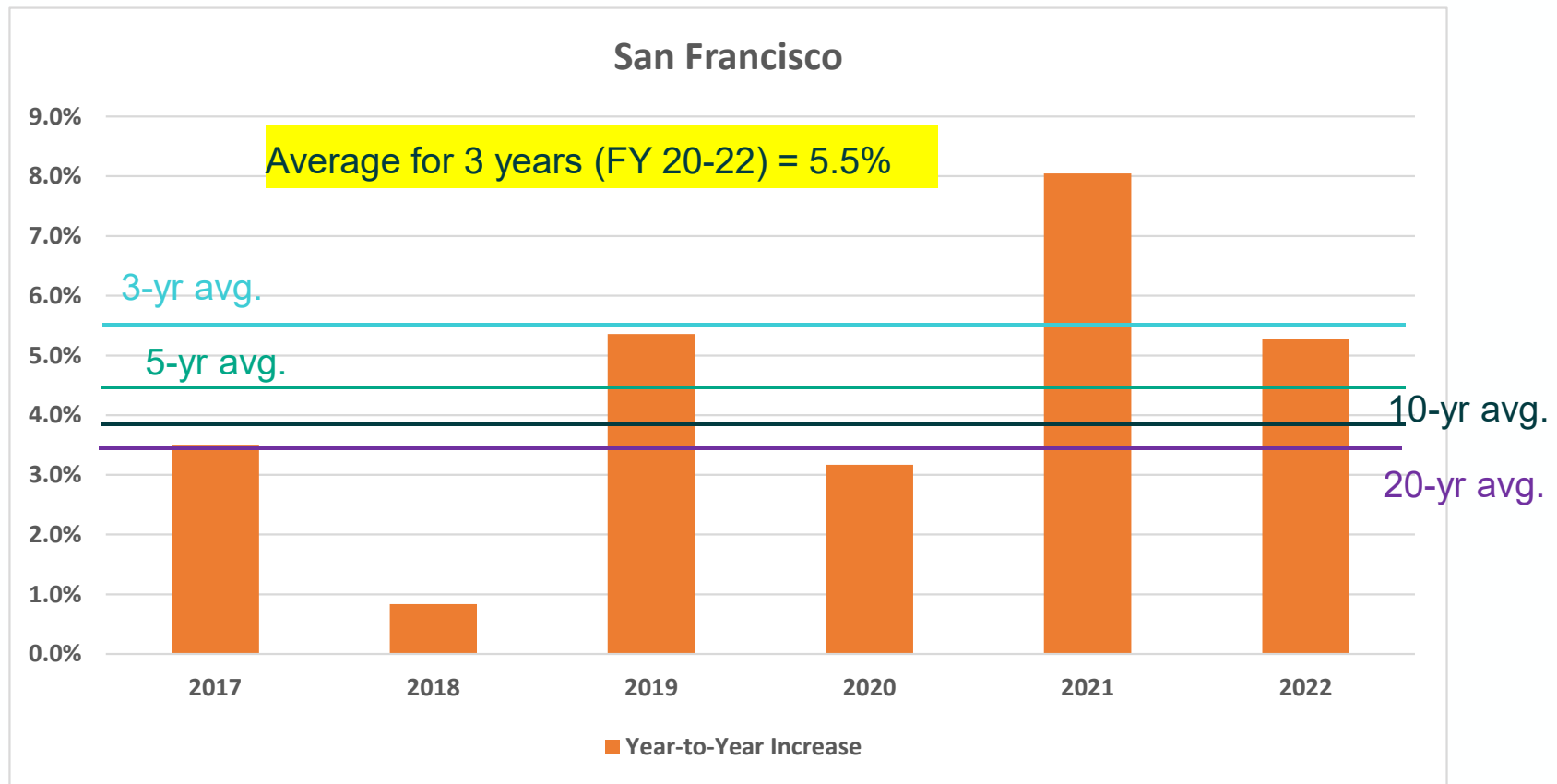
Consumer Price Index: San Francisco-Oakland-Hayward, CA



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

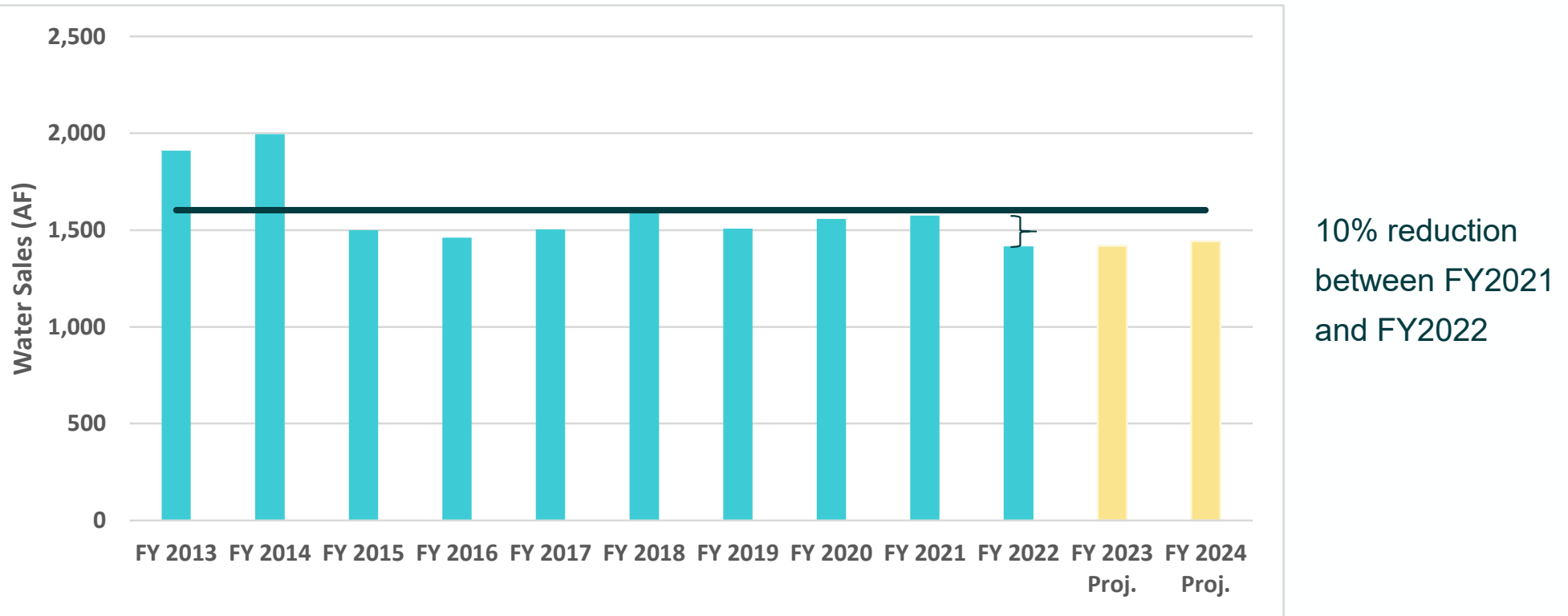
Water System

- Revenue sources:
 - › >85 percent from current 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



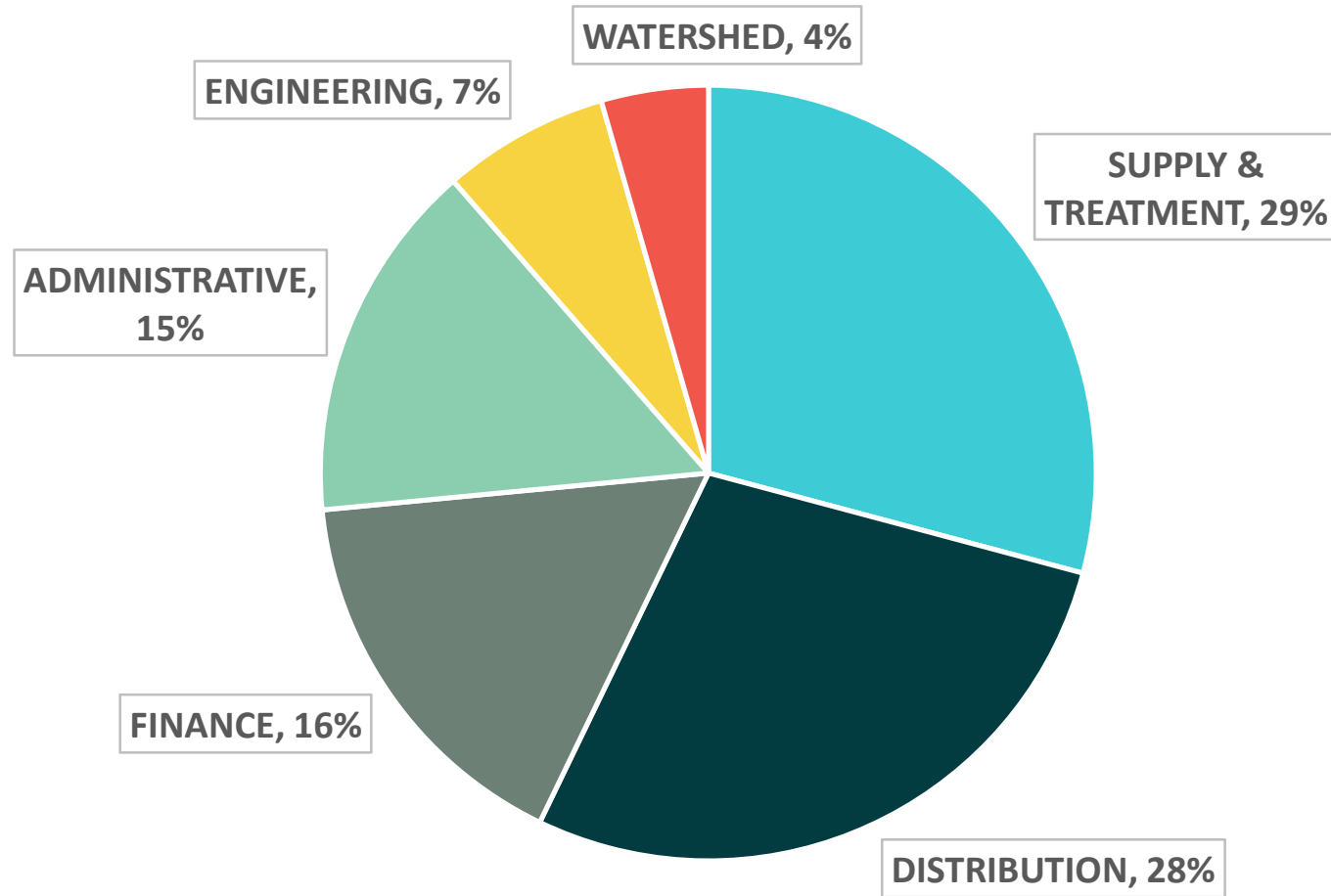
Source: FY2022 ACFR, Schedule 4

Level of Service Goals - Water

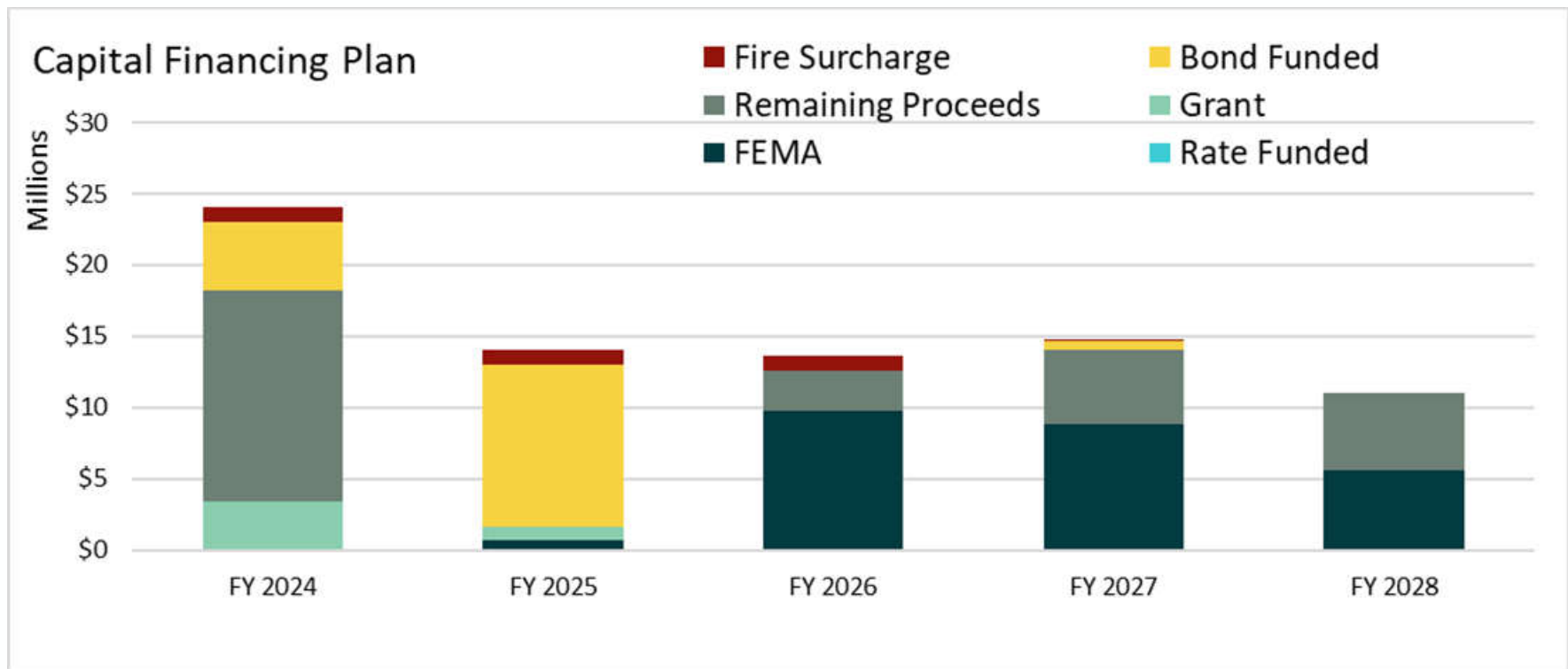
- Replacing undersized and leaking mains
- Reducing water loss
- Improving systemwide reliability in times of emergency
- Additional water storage in times of emergency



Expense Summary 5 Year Average - Water

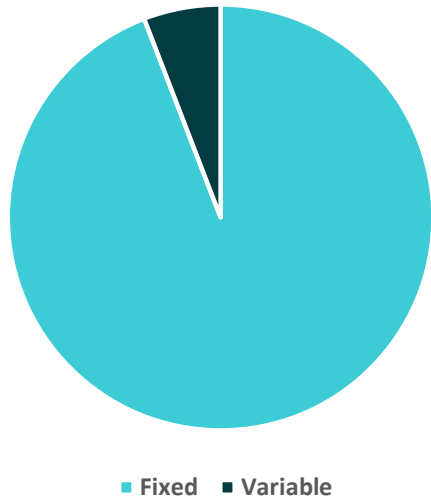


Water Capital



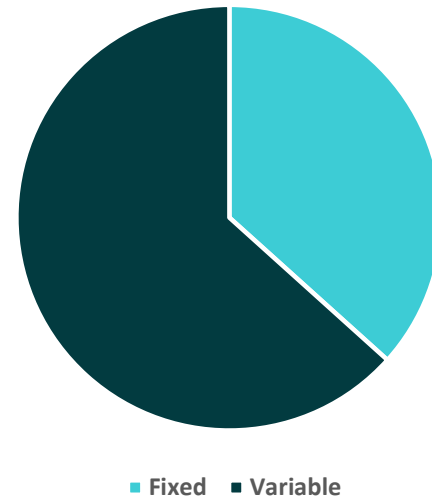
Fixed vs Variable: Expenses and Revenues

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.
- At current rates this will be collected by FY 2026
- CZU projects expected to be complete in FY2028

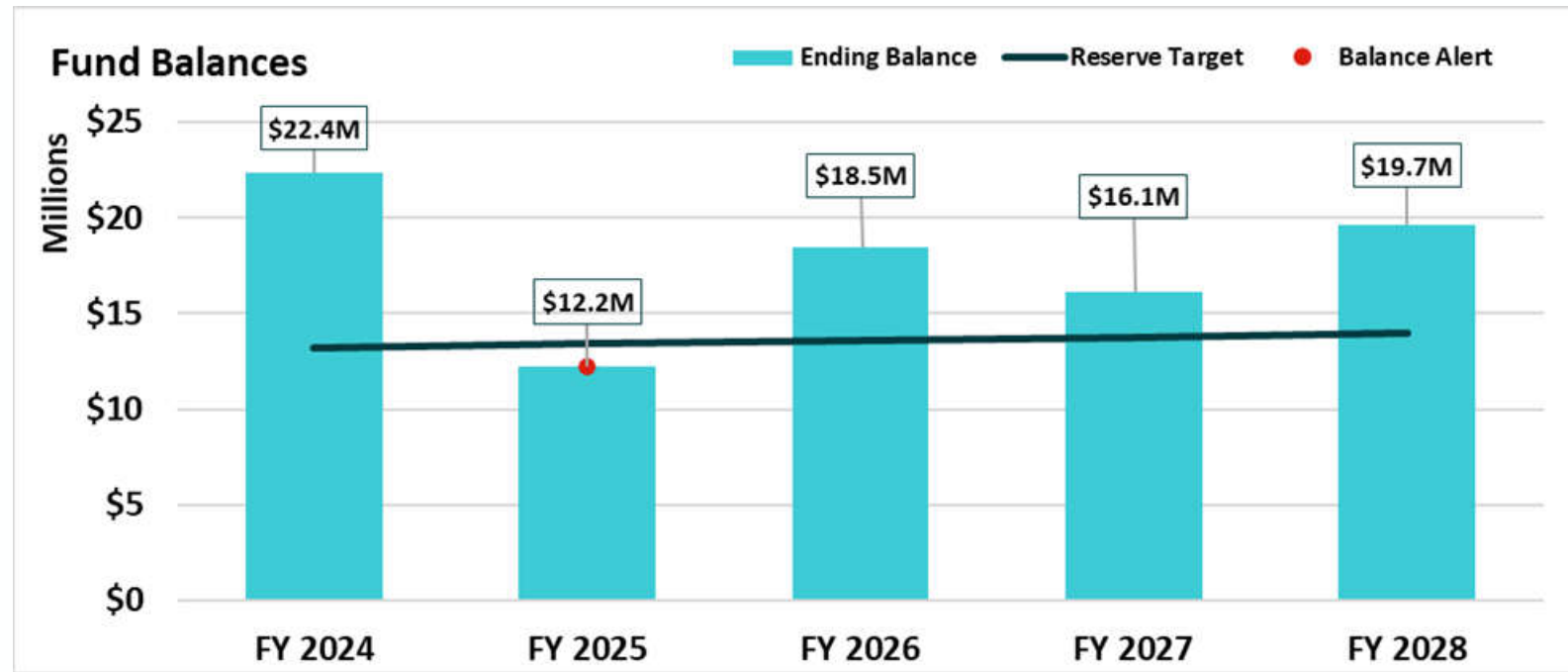
Financial Plan – Water Scenario 1

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

Financial Plan – Scenario 1

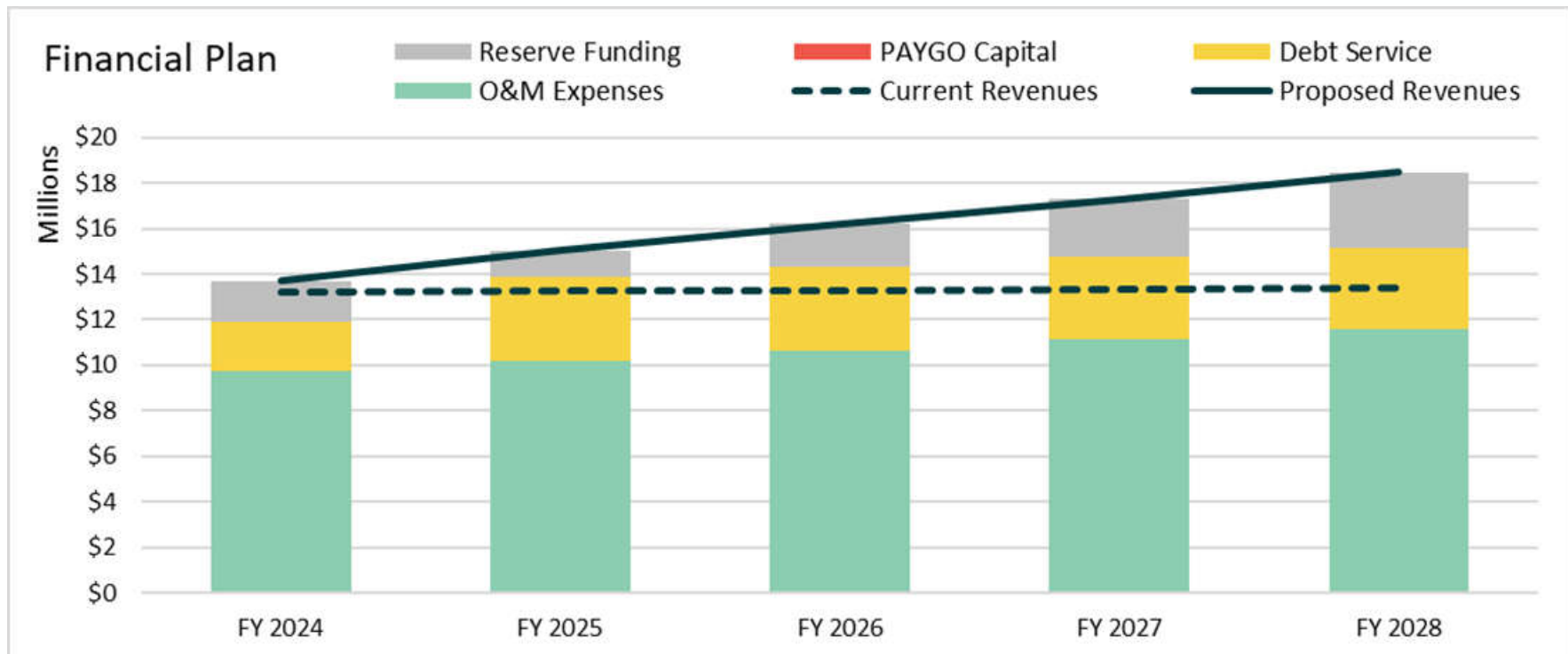
Reserves

- 10% per year *revenue* increase FY 2024 – FY 2025
- 7% per year revenue increase FY 2026 – FY 2028
- \$19 million debt issuance FY 2024
- No change in fire surcharge
- Keep fire surcharge revenue limit at \$5M



Financial Plan – Scenario 1

Financial Plan



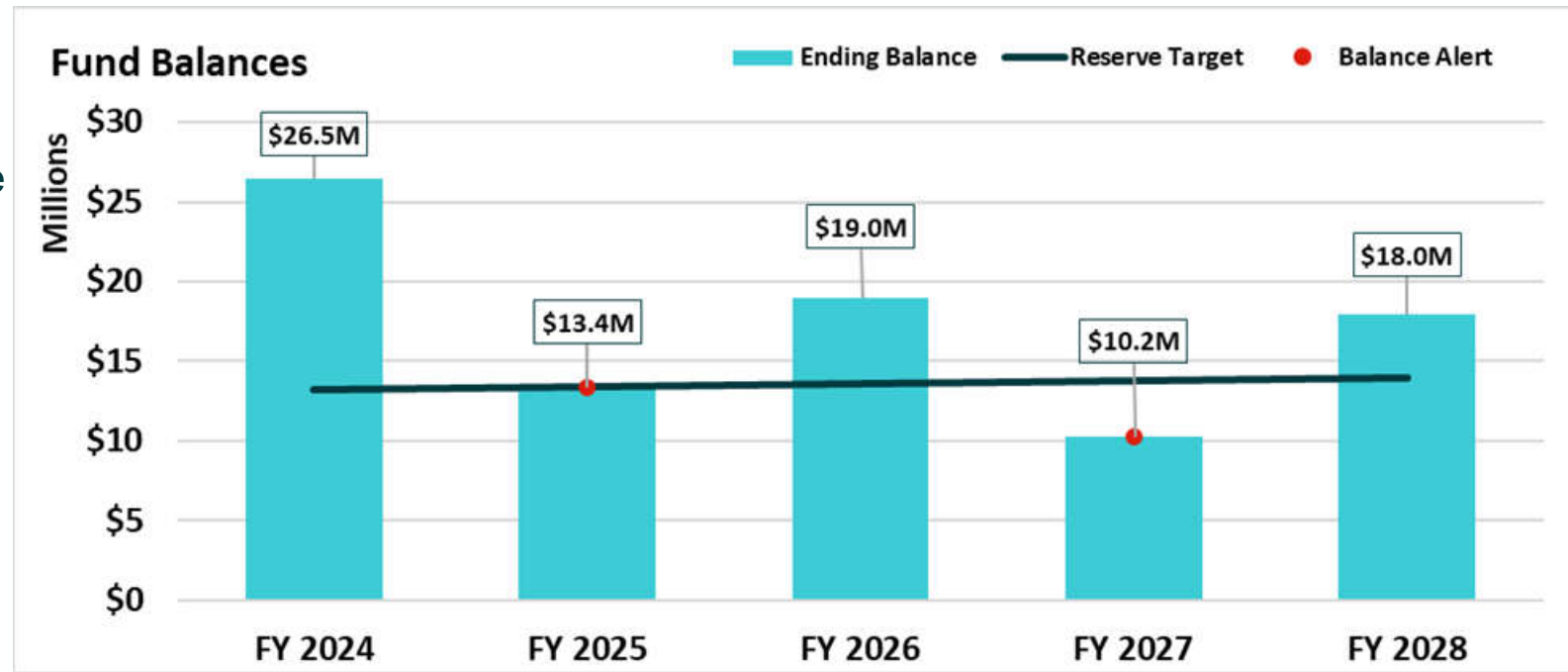
Financial Plan – Water Scenario 2

- Buried Peavine & Clear Creek supply line
- Uninflated CZU project estimated cost total \$52 million FY 2023-FY 2028
 - › Peavine Supply project and Clear Creek 5 mile supply line project costs double from Scenario 1
- 90% reimbursement from FEMA is not guaranteed
- Environmental concerns

Financial Plan – Scenario 2

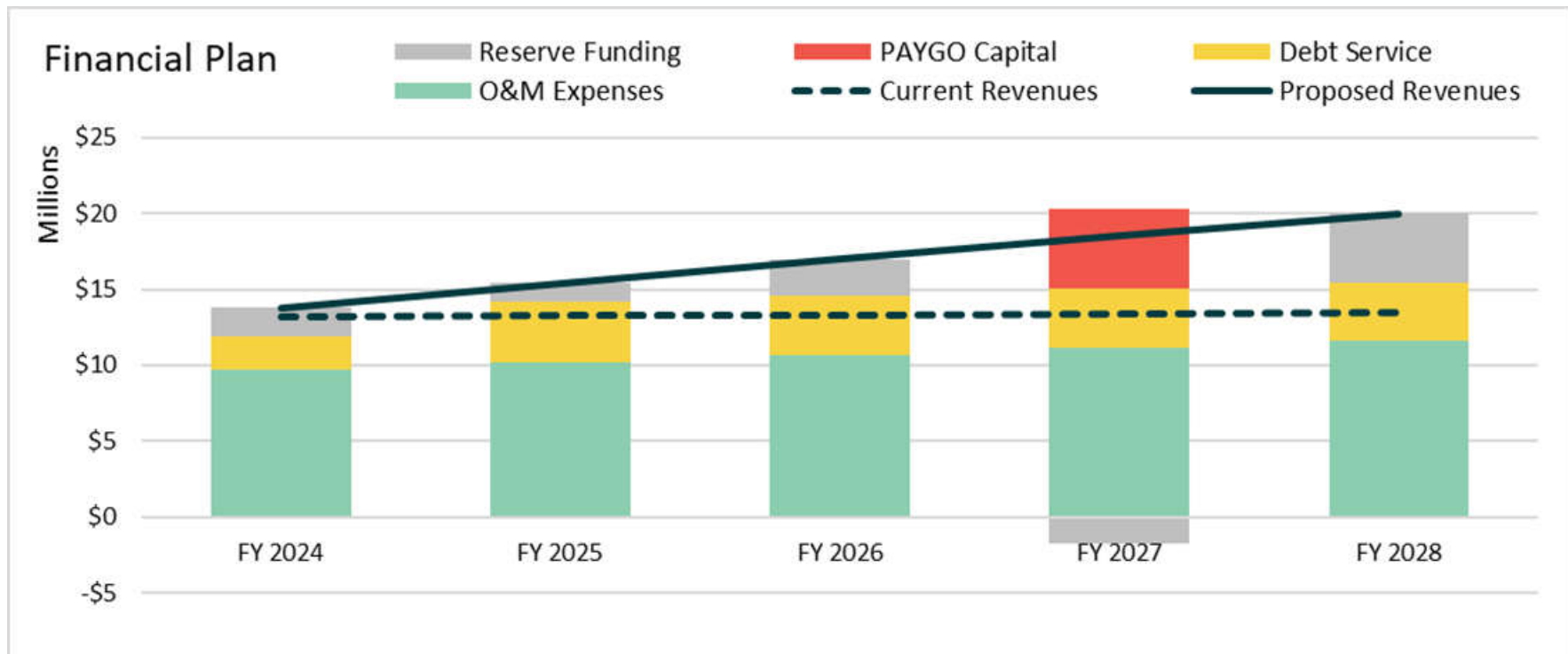
Reserves

- 12% per year *revenue* increase FY 2024 – FY 2025
- 10% per year revenue increase FY 2026 – FY 2028
- \$23 million debt issuance FY 2024
- No change in fire surcharge
- Keep fire surcharge revenue limit at \$5M



Financial Plan – Scenario 2

Financial Plan



Financial Plan - Wastewater



Bear Creek Estates Wastewater System

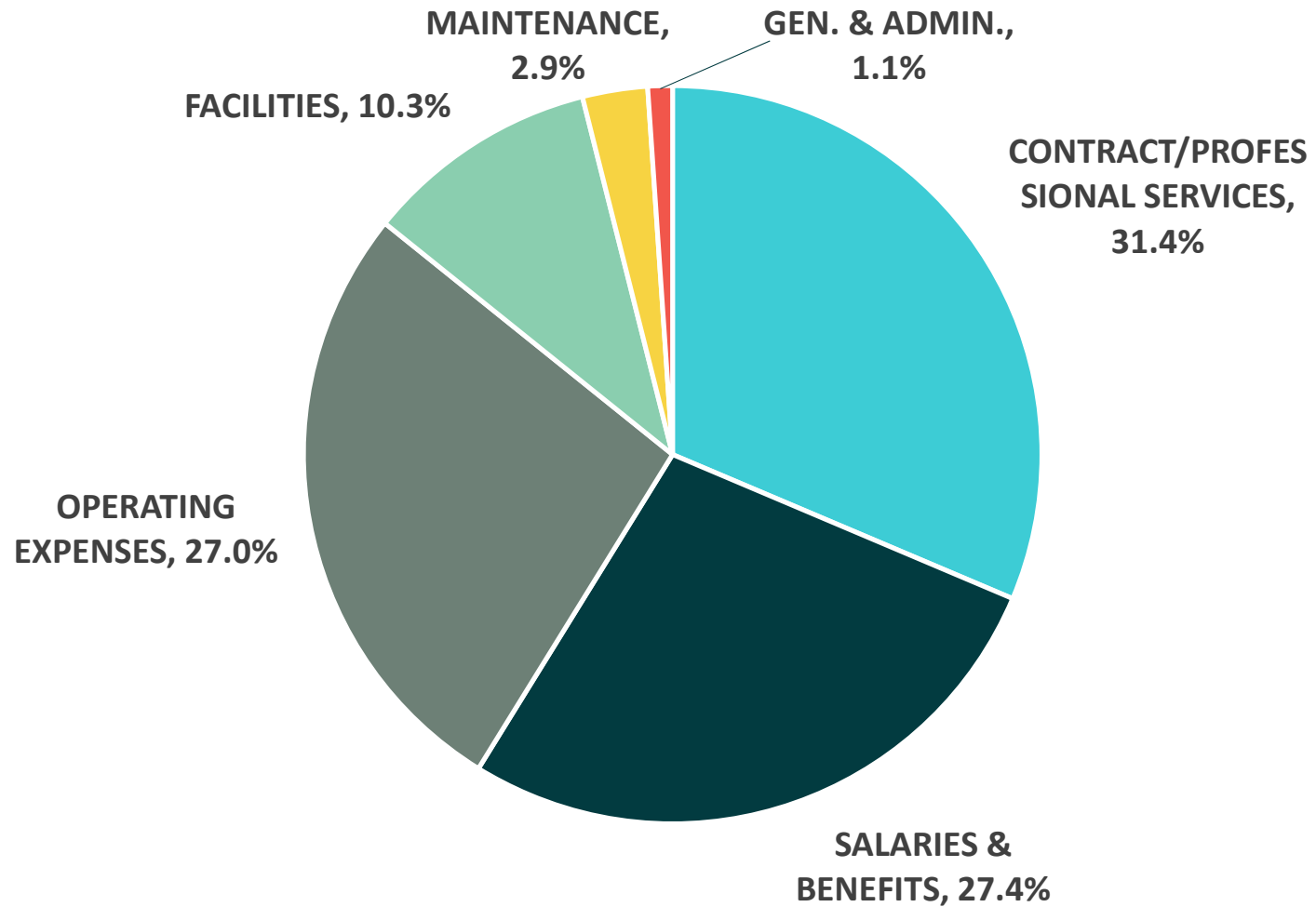
- Serves 56 residences
- Collection system:
 - › 19 manholes
 - › 2 cleanouts
 - › ~3,600 linear feet of gravity sewer lines
 - › ~2,600 linear feet of force mains
 - › 2 sewer pump stations
 - › 56 laterals
- Treatment system
 - › Septic with 3-stage trickling filter system
 - › Clarifier tanks
- Last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

Level of Service Goals - Wastewater

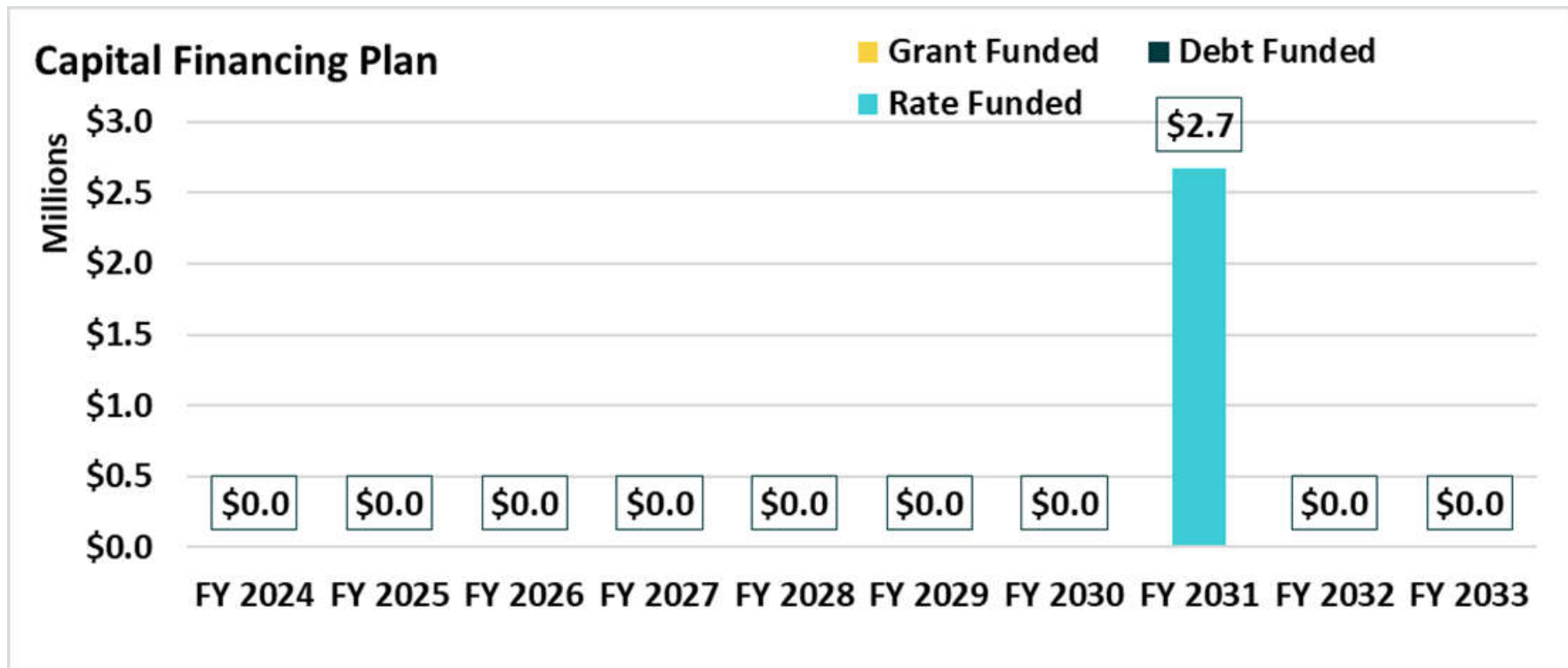
- Regulatory requirements drive additional capital needs
- Existing collection system needs improvement before it can be connected to County CSA 7



Expense Summary - Wastewater



Wastewater Capital



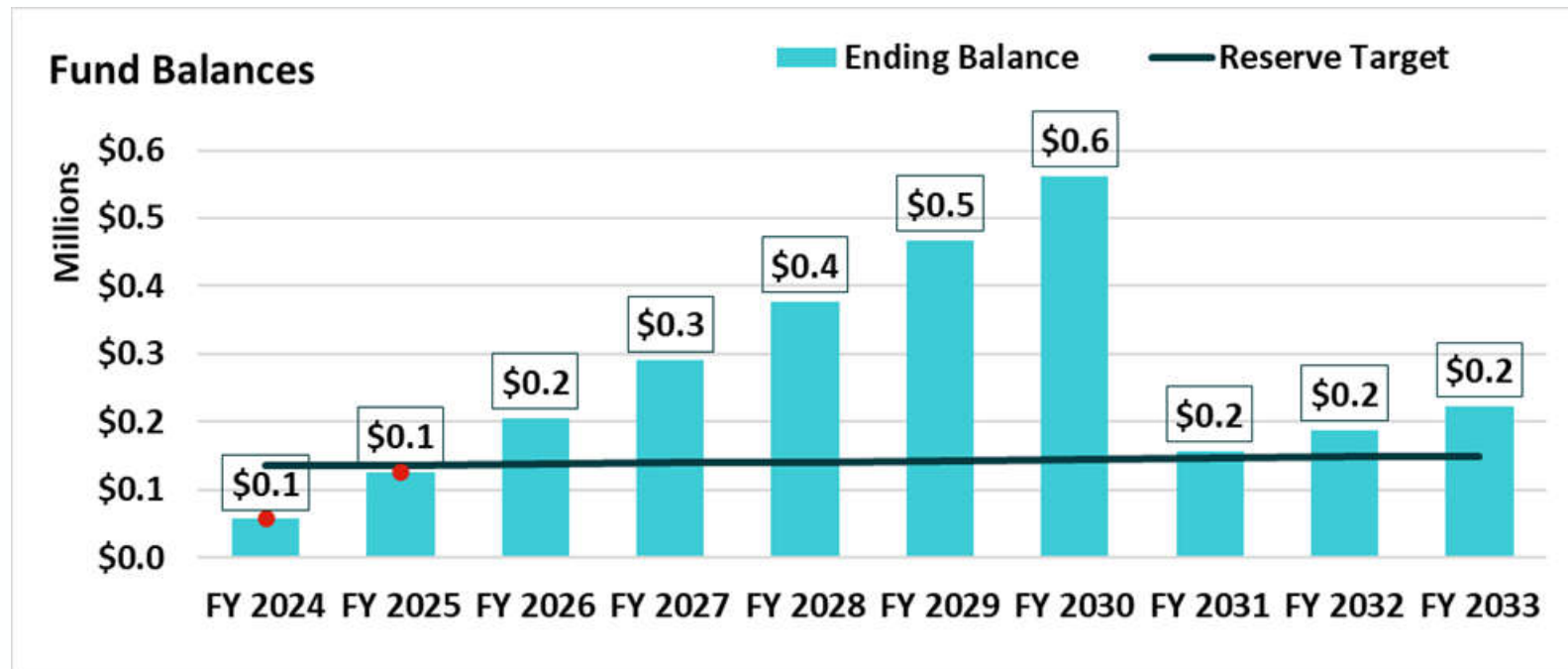
Wastewater Reserve Targets

- 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 Scenario 1

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

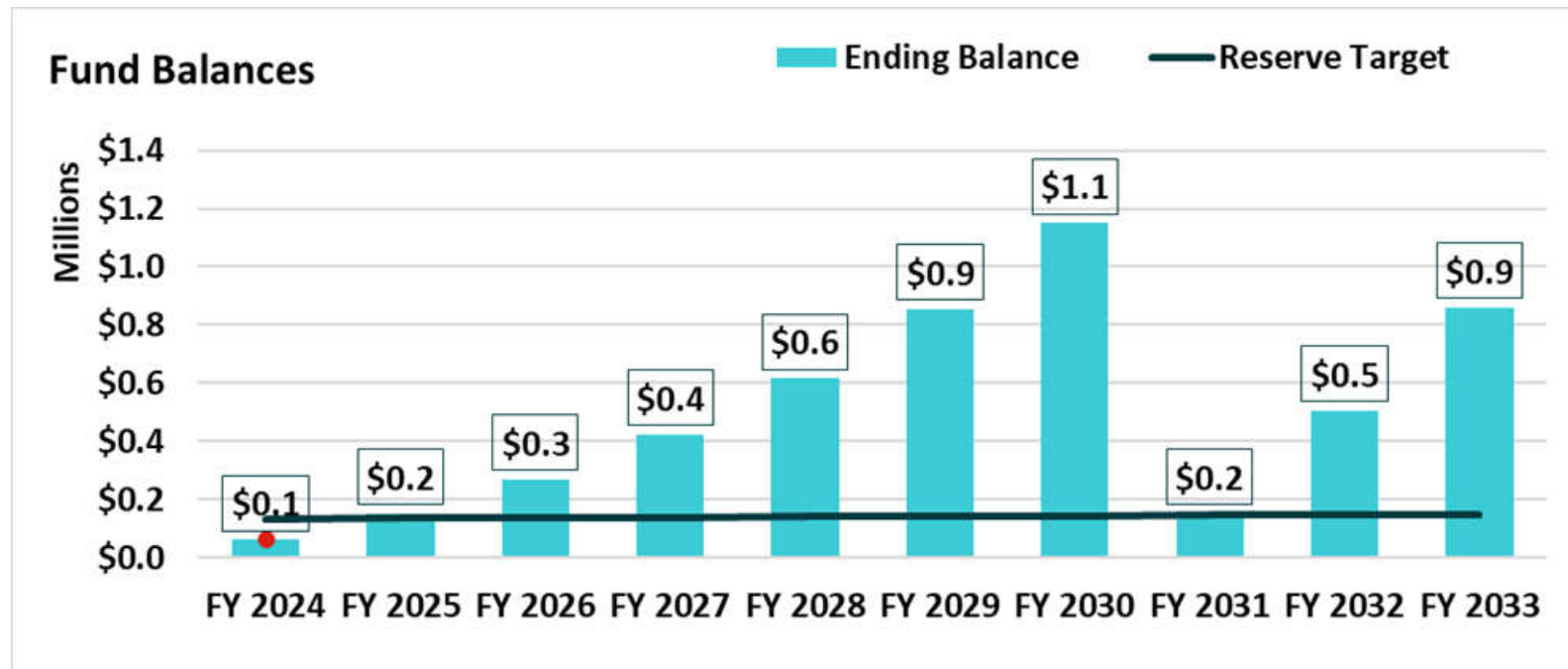
FY	Rev. Adj.
2024	8%
2025	8%
2026	5%
2027	3%
2028	3%
2029	3%
2030	3%
2031	3%
2032	3%
2033	3%



Financial Plan – Wastewater Scenario 2

- 50% grant
- No Debt

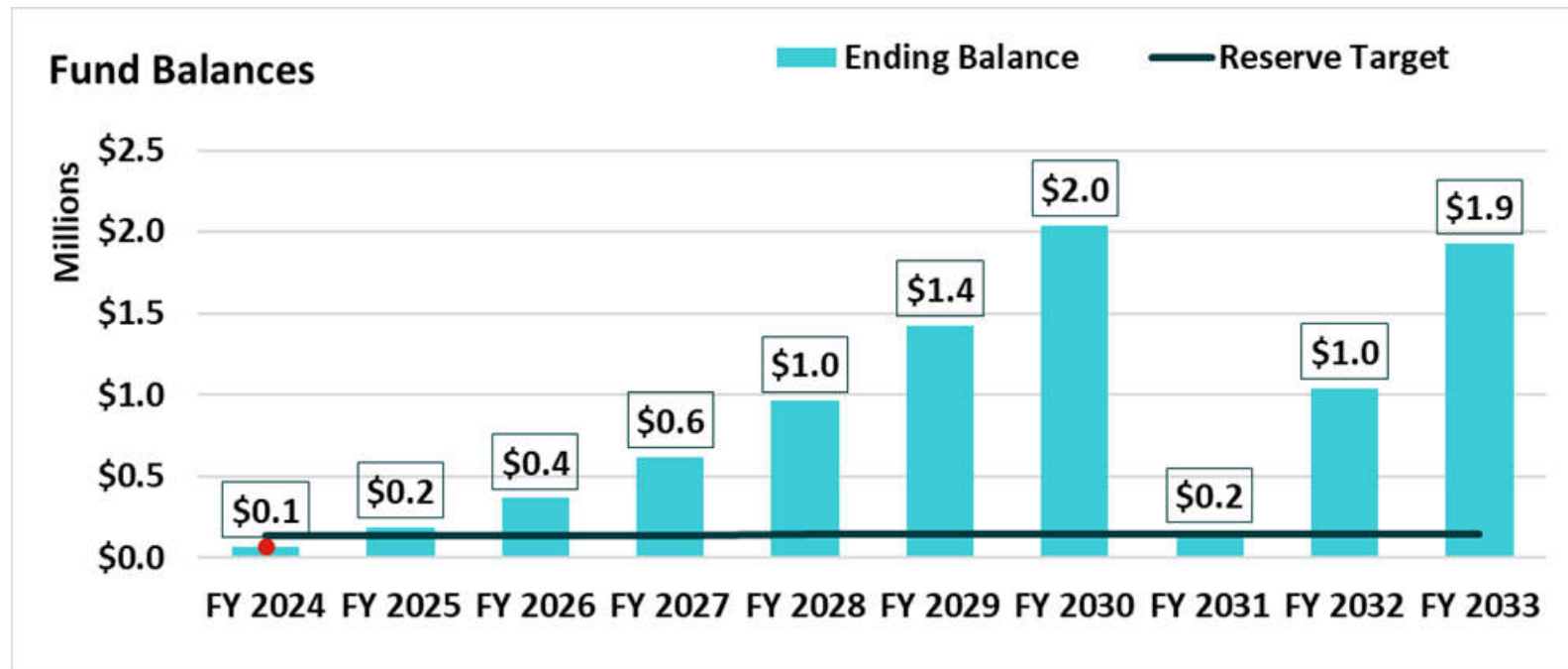
FY	Rev. Adj.
2024	15%
2025	15%
2026	15%
2027	15%
2028	15%
2029	15%
2030	15%
2031	10%
2032	0%
2033	0%



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	25%
2032	0%
2033	0%



Next Steps



Next Steps

- Select CZU project scenario: above ground or underground
- Finalize financial plans
- Perform cost-of-service analysis and develop rates on selected financial plan
 - › 1) existing water and wastewater rate structures
 - › 2) alternative water rate structure

Proposed Project Schedule

- Rates Discussion with Board – October 2023
- Public Outreach October-November 2023
- Board Discussion – November 2023
- Issue 218 Notice – November end
- Public Hearing – January 2024
- Rates Implemented – February 1, 2024

Thank you