

SOQUEL CREEK WATER DISTRICT

Board Workshop

November 6, 2018



Agenda

- Financial Plan Scenarios
- Cost of Service Analysis
- Inclining Tier Rates
- Emergency Rates



Financial Plan Review

Revenue Adjustment

Summary:

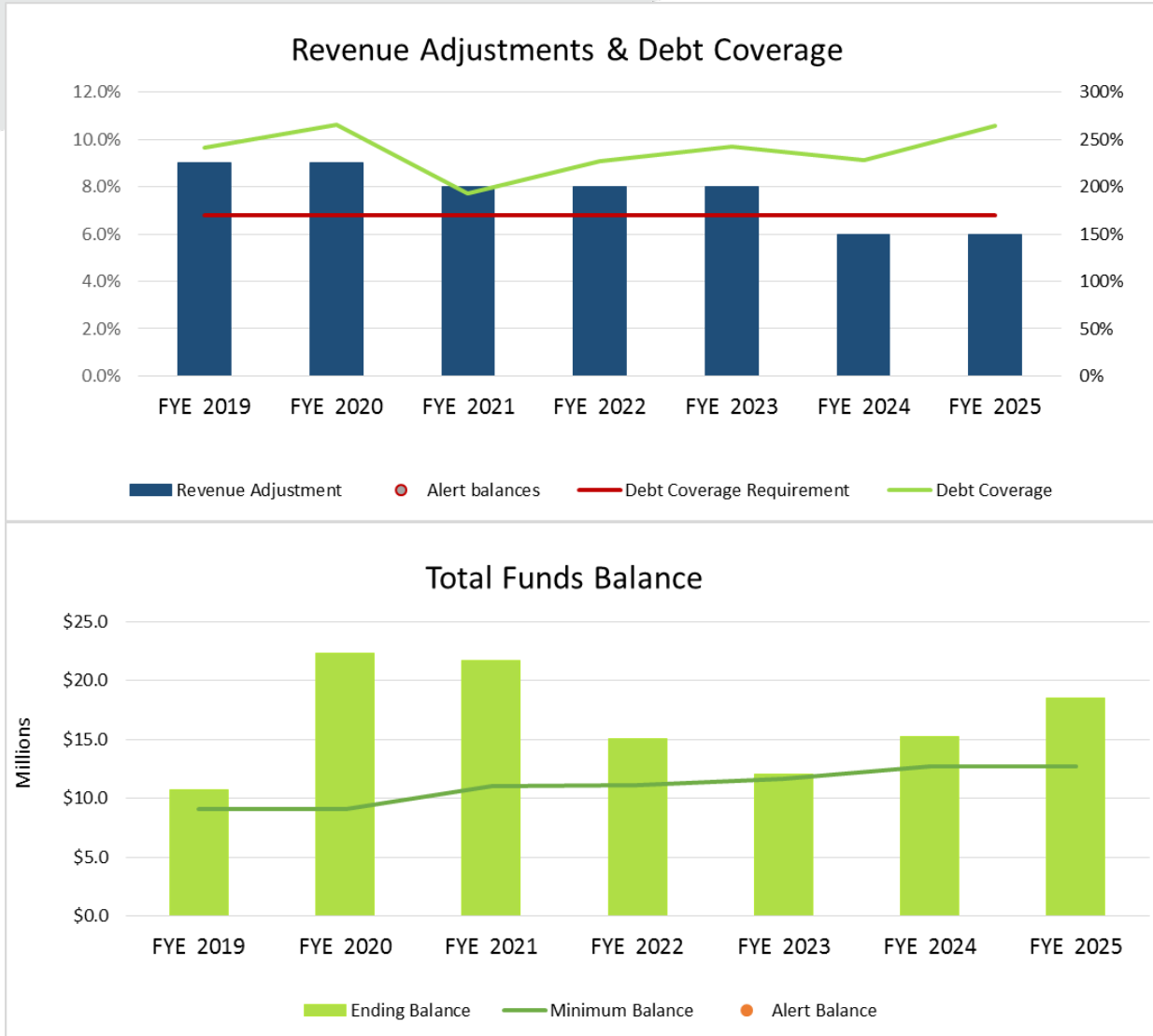
FY 2018-2019 through FY 2024-2025

- Scenario 1:
 - › 9%/ 9%/ 8%/ 8%/ 8%/ 6%/ 6%
 - › Grants Received - \$45,000,000
 - › Debt Issue - \$52,000,000

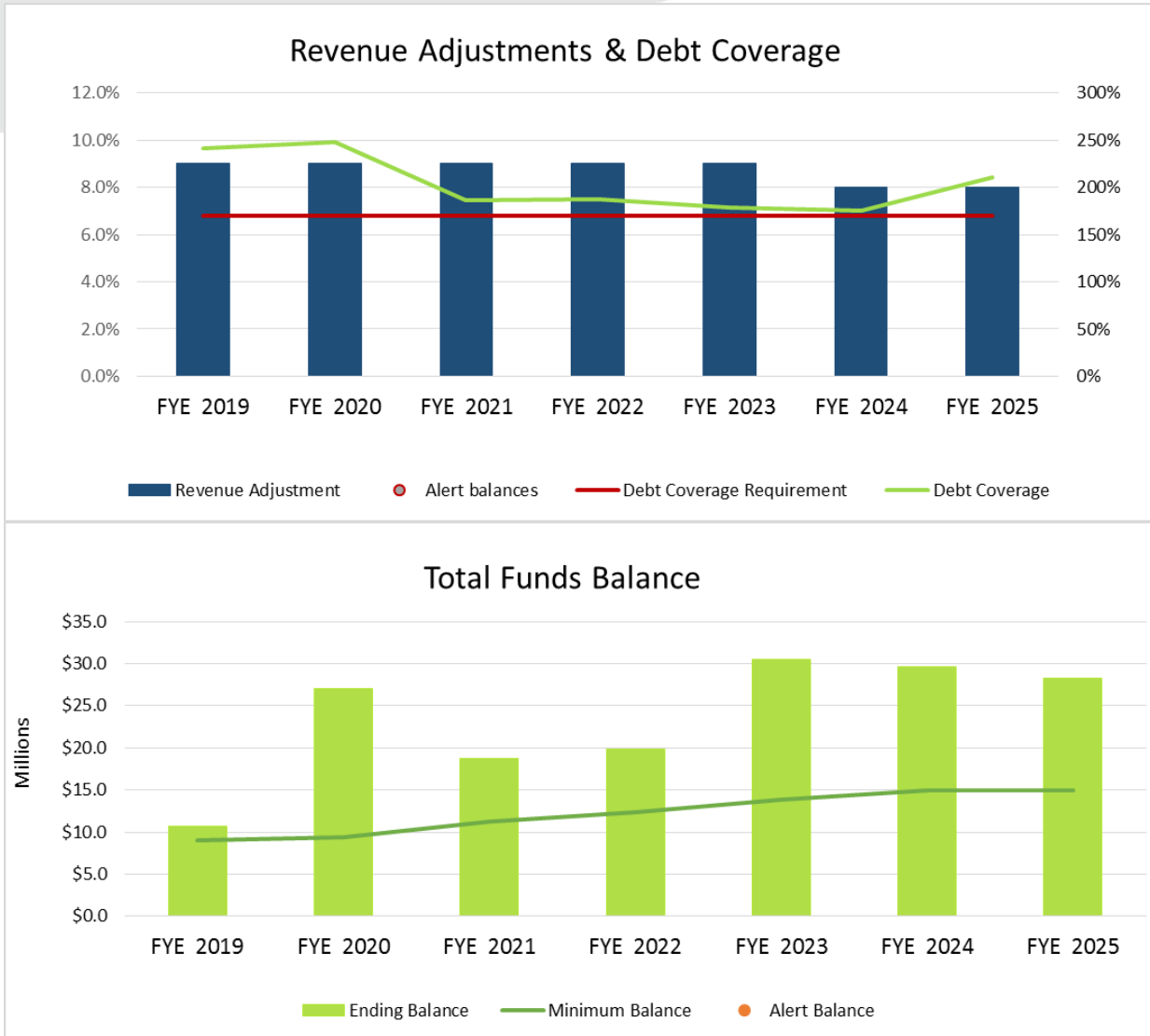
- Scenario 2:
 - › 9%/ 9%/ 9%/ 9%/ 9%/ 8%/ 8%
 - › Debt Issue - \$95,000,000



Financial Plan - Supplemental Supply w/Grants



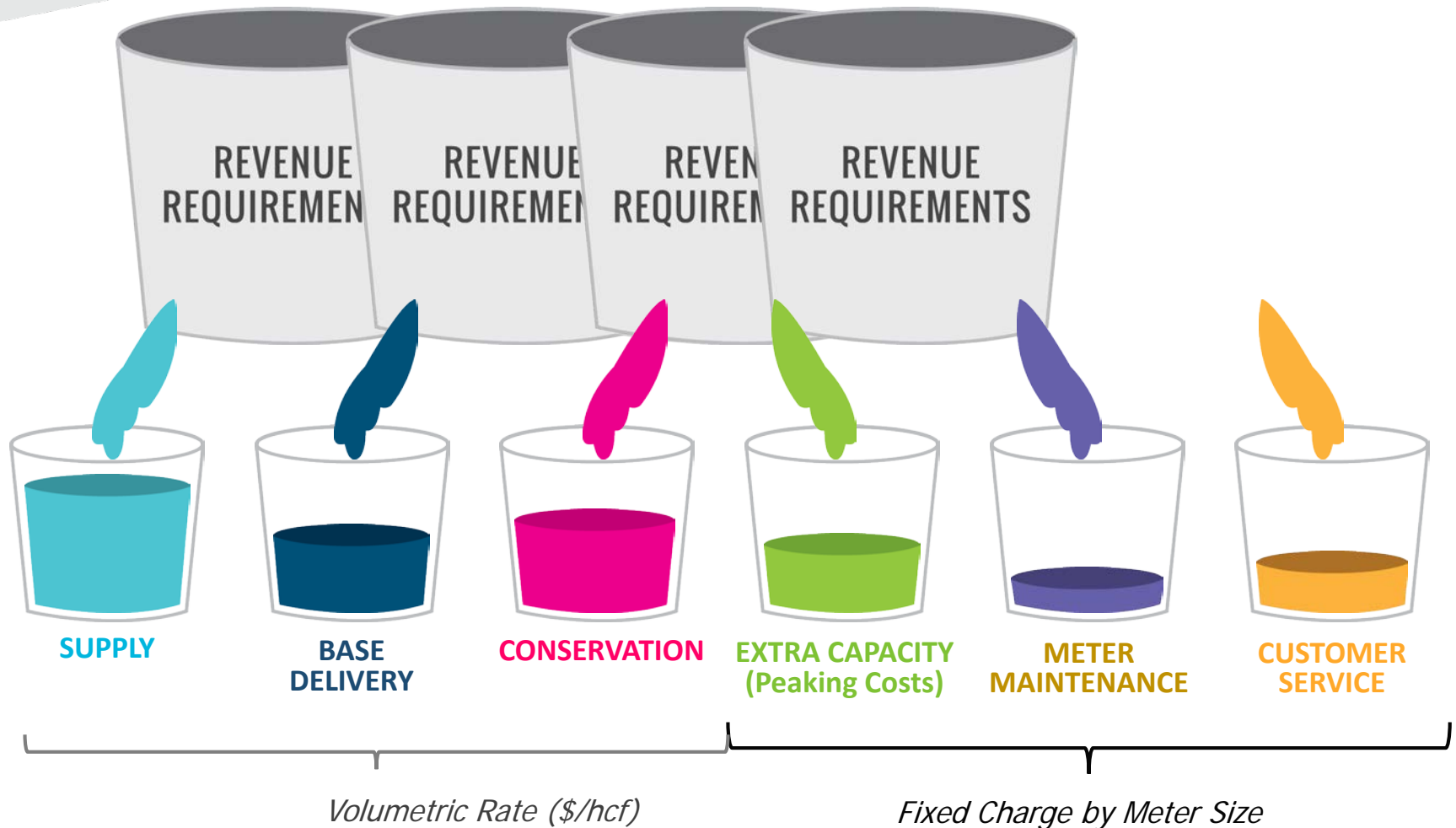
Financial Plan - Supplemental Supply w/out Grants



Cost of Service Review

Cost of Service Evaluation

Allocation to Cost Components



Cost of Service

- Total FY 2018-2019 Revenue Requirement: \$21,541,249
 - › (9% revenue increase)

- Cost of Service Components:

Water Reliability	\$5,499,932	Variable
Supply (production)	\$5,054,452	Variable
Base Delivery (average daily demand)	\$4,078,368	Variable
Max Day and Max Hour (peaking)	\$2,199,895	Fixed
Fire Protection (public and private fire capacity)	\$2,137,270	Fixed
Meters (maintenance)	\$1,531,789	Fixed
Customer (billing and customer service)	\$1,039,542	Fixed
Total	\$21,541,249	



Inclining Tier Rates

Fixed Charge Recommendation

- Increase fixed revenue recovery from 35/65 towards 40/60
- Due to similarity in peaking characteristics, meter charges will include two rate classes:
 - › Irrigation
 - › All other users (SFR, MFR, Commercial)
- Peaking costs will be recovered on the meter charges

Rates and Charges in this presentation include a 9% revenue adjustment in March of the current fiscal year
(FY 2018-2019)



Proposed Meter Charges

9% revenue increase

Meter Size	SFR		MFR		Commercial		Irrigation	
	Current SFR	Proposed SFR	Current MFR	Proposed MFR	Current Commercial	Proposed Commercial	Current Irrigation	Proposed Irrigation
5/8" Restricted	\$16.47	\$21.56	\$11.14	\$21.56	\$18.97	\$21.56	\$30.10	\$27.89
5/8"	\$32.95	\$37.08	\$22.27	\$37.08	\$37.94	\$37.08	\$60.20	\$49.75
3/4"	\$32.95	\$37.08	\$33.41	\$37.08	\$56.91	\$37.08	\$90.30	\$49.75
1"	\$32.95	\$83.66	\$55.68	\$83.66	\$94.85	\$83.66	\$150.49	\$115.34
1.5"			\$100.23	\$161.29	\$170.73	\$161.29	\$270.89	\$224.65
2"			\$194.89	\$394.18	\$331.98	\$394.18	\$526.73	\$552.59
3"			\$367.51	\$782.33	\$626.01	\$782.33	\$993.25	\$1,099.14
4"			\$490.01	\$1,558.64	\$834.68	\$1,558.64	\$1,324.34	\$2,192.25
6"			\$1,336.39	\$2,490.21	\$2,276.41	\$2,490.21	\$3,611.83	\$3,503.99
8"			\$1,781.85	\$4,353.34	\$3,035.22	\$4,353.34	\$4,815.78	\$6,127.46



Inclining Tier Rate Structure

- Two-tier structure with tier breakpoint at 6 hcf, representing available water to each account at basin pre-recovery goal (2,300 AFY)
- SFR and MFR to have same tier breaks and price
 - › One “Residential” class
- Commercial and Irrigation to have same uniform rate



Water Reliability

- Water Reliability costs are estimated at \$5.5 million
- Costs incurred to improve the long term health of the groundwater basin
- Supplemental supply costs recovered from:
 - › Tier 2 Residential water use
 - › Across all units of uniform Commercial and Irrigation rate



Commodity Rates

- Two Rate Classes:
 - › Two-tier Residential (SFR, MFR)
 - › Uniform Non-Residential (Commercial, Irrigation)
- Rate Components:
 - › Supply (groundwater production)
 - › Base Delivery (average daily demand)
 - › Water Reliability (supplemental supply)



Proposed Commodity Rates

	Tier (hcf)	Use (hcf)	Supply	Base Delivery	Reliability	Proposed Rate (\$/hcf)
Residential						
Tier 1	0-6	824,163	\$4.00	\$2.42	\$0.00	\$6.43
Tier 2	>6	194,974	\$4.00	\$2.42	\$22.76	\$29.19
Non-Residential						
Commercial	N/A	156,344	\$4.00	\$2.42	\$4.36	\$10.79
Irrigation	N/A	87,630	\$4.00	\$2.42	\$4.36	\$10.79

Rates and Charges include a 9% revenue adjustment in FY 2018-2019

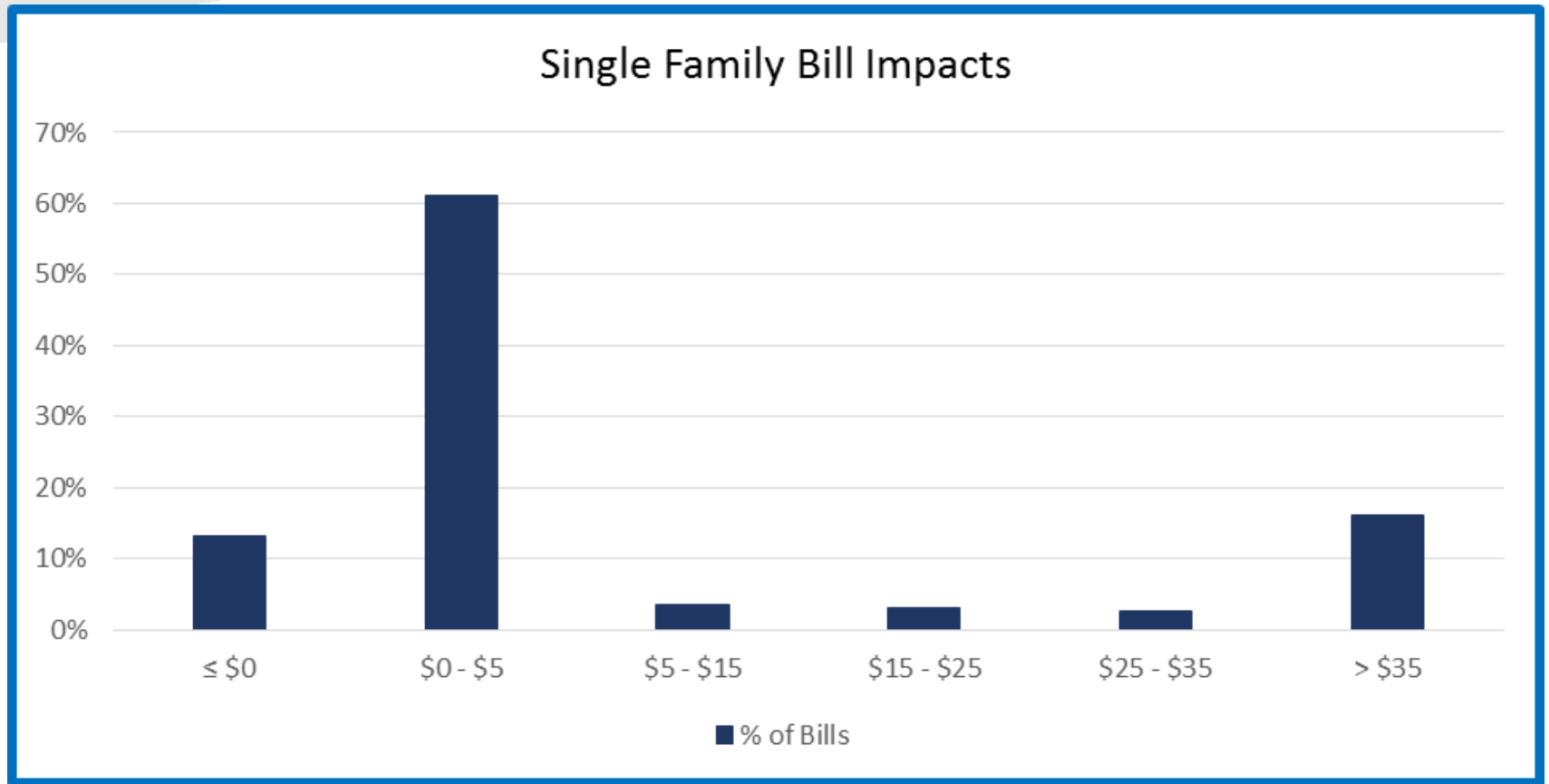


Comparison of Current versus Proposed Tiers

Tier	Current Tier Width (SFR)	Current Price	Proposed Tier Width (SFR)	Proposed Price
Tier 1	0-3.99	\$6.90	0-5.99	\$6.43
Tier 2	4-7.99	\$6.90	6+	\$29.19
Tier 3	8-13.99	\$21.01	N/A	N/A
Tier 4	14+	\$44.01	N/A	N/A

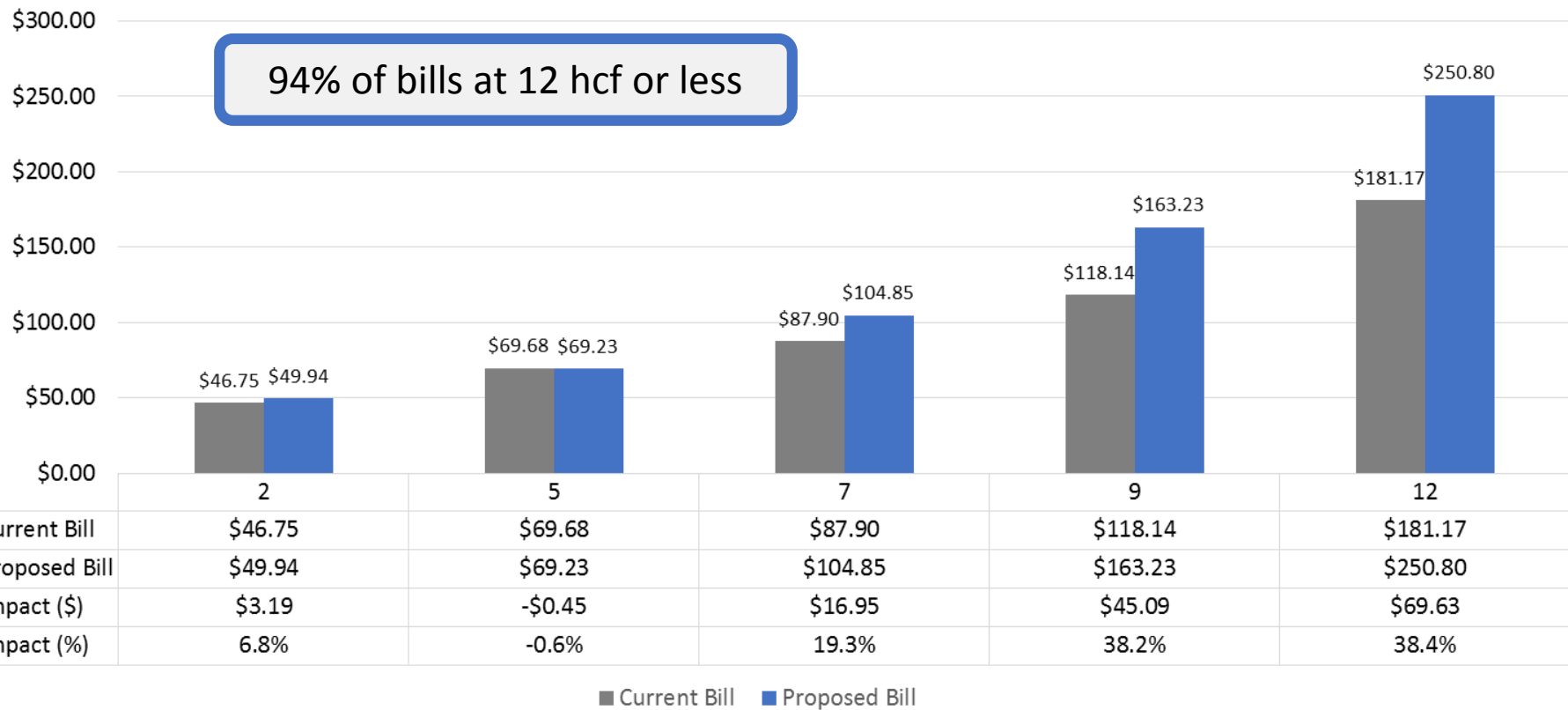


Bill Impacts



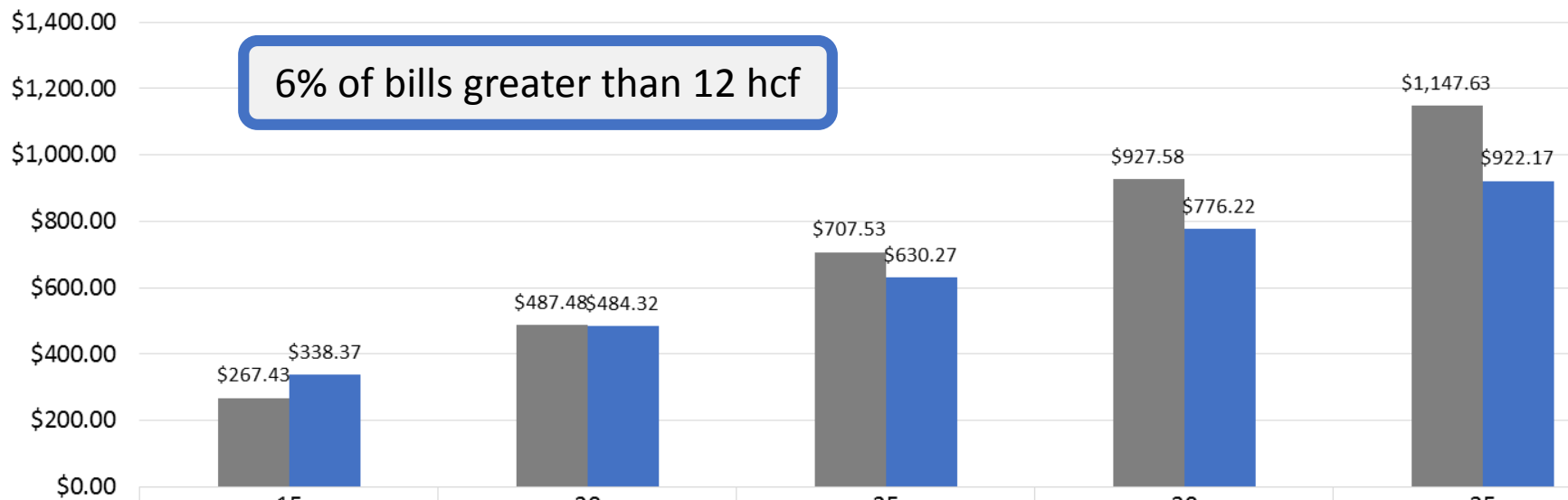
Bill Impacts

SFR Monthly Bill Impacts with a 5/8" Meter with Various Levels of Use



Bill Impacts

SFR Monthly Bill Impacts with a 5/8" Meter with Various Levels of Use



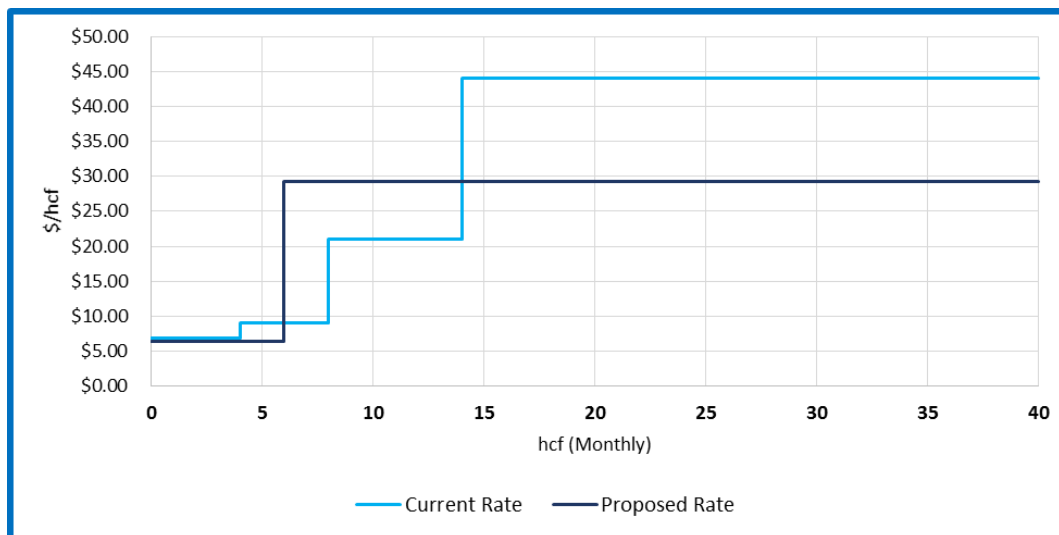
	15	20	25	30	35
■ Current Bill	\$267.43	\$487.48	\$707.53	\$927.58	\$1,147.63
■ Proposed Bill	\$338.37	\$484.32	\$630.27	\$776.22	\$922.17
Impact (\$)	\$70.94	-\$3.16	-\$77.26	-\$151.36	-\$225.46
Impact (%)	26.5%	-0.6%	-10.9%	-16.3%	-19.6%

■ Current Bill ■ Proposed Bill



Revenue Stability

- 15% of water use is in proposed Residential Tier 2
- \$5.7 million in water sales revenue is in proposed Residential Tier 2
 - › Represents 42% of total commodity sales revenue
- Given the significant price differentiation between Tier 1 and Tier 2 Raftelis recommends the District monitor for changes in water sales in Tier 2



Private Fireline Charges

9% revenue increase

Fireline Size	Fireline Count	Proposed Monthly Charges	Current Charges	Difference (\$)	Difference (%)
1"	4	\$7.19	\$10.65	(\$3.46)	-32%
1.5"	7	\$10.78	\$10.65	\$0.13	1%
2"	1,265	\$14.37	\$14.00	\$0.37	3%
2.5"	0	\$17.96	\$34.32	(\$16.36)	-48%
3"	0	\$21.55	\$41.42	(\$19.87)	-48%
4"	91	\$28.74	\$74.55	(\$45.81)	-61%
6"	54	\$43.10	\$165.67	(\$122.57)	-74%
8"	11	\$57.47	\$284.01	(\$226.54)	-80%
Total	1,432				

Rates and Charges include a 9% revenue adjustment in FY 2018-2019



Emergency Rates

Emergency Rates Structure

- Tiered Commodity Charge (\$/hcf)
- Assumes equal water sales reductions across classes and tiers
- Accounts for:
 - › Additional conservation costs at each stage
 - › Variable water production cost savings
- All base rates are adjusted “across the board” by the required percentage change



Shortage Reduction Stages

Stage	Stage Description	Target Reduction	Additional Conservation Cost
Stage 1	Water Shortage Alert	5%	\$83,200
Stage 2	Water Shortage Warning	15%	\$166,500
Stage 3	Emergency Water Shortage	25%	\$249,700
Stage 4	Severe Water Shortage	35%	\$416,200
Stage 5	Critical Water Shortage Emergency	50%	\$541,000



Emergency Rates Schedule (FY 2018-2019)

Class	Base Rates	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Residential						
Tier 1	\$6.43	\$6.80	\$7.61	\$8.64	\$10.04	\$13.09
Tier 2	\$29.19	\$30.86	\$34.54	\$39.21	\$45.58	\$59.41
Non-Residential						
Commercial	\$10.79	\$11.41	\$12.77	\$14.50	\$16.85	\$21.96
Irrigation	\$10.79	\$11.41	\$12.77	\$14.50	\$16.85	\$21.96



Next Steps

- Board decision on finance plan and rate structure
- Draft Administrative Record (Study Report)
- Authorize Proposition 218 Notice - December 18, 2018
- Public Hearing – February 19, 2019



Q & A

Five-Year Rate Schedules

SFR/MFR/Commercial Fixed Charges

Meter Size	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
<i>Revenue</i>					
<i>Adjustment</i>	9%	9%	9%	9%	9%
5/8" Restricted	\$21.56	\$23.51	\$25.63	\$27.94	\$30.46
5/8"	\$37.08	\$40.42	\$44.06	\$48.03	\$52.36
3/4"	\$37.08	\$40.42	\$44.06	\$48.03	\$52.36
1"	\$83.66	\$91.19	\$99.40	\$108.35	\$118.11
1.5"	\$161.29	\$175.81	\$191.64	\$208.89	\$227.70
2"	\$394.18	\$429.66	\$468.33	\$510.48	\$556.43
3"	\$782.33	\$852.74	\$929.49	\$1,013.15	\$1,104.34
4"	\$1,558.64	\$1,698.92	\$1,851.83	\$2,018.50	\$2,200.17
6"	\$2,490.21	\$2,714.33	\$2,958.62	\$3,224.90	\$3,515.15
8"	\$4,353.34	\$4,745.15	\$5,172.22	\$5,637.72	\$6,145.12



Irrigation Fixed Charges

Meter Size	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
<i>Revenue</i>					
<i>Adjustment</i>	9%	9%	9%	9%	9%
5/8" Restricted	\$27.89	\$30.41	\$33.15	\$36.14	\$39.40
5/8"	\$49.75	\$54.23	\$59.12	\$64.45	\$70.26
3/4"	\$49.75	\$54.23	\$59.12	\$64.45	\$70.26
1"	\$115.34	\$125.73	\$137.05	\$149.39	\$162.84
1.5"	\$224.65	\$244.87	\$266.91	\$290.94	\$317.13
2"	\$552.59	\$602.33	\$656.54	\$715.63	\$780.04
3"	\$1,099.14	\$1,198.07	\$1,305.90	\$1,423.44	\$1,551.55
4"	\$2,192.25	\$2,389.56	\$2,604.63	\$2,839.05	\$3,094.57
6"	\$3,503.99	\$3,819.35	\$4,163.10	\$4,537.78	\$4,946.19
8"	\$6,127.46	\$6,678.94	\$7,280.05	\$7,935.26	\$8,649.44



Commodity Rates

Variable Rate	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
<i>Revenue Adjustment</i>	9%	9%	9%	9%	9%
SFR					
Tier 1	\$6.43	\$7.01	\$7.65	\$8.34	\$9.10
Tier 2	\$29.19	\$31.82	\$34.69	\$37.82	\$41.23
Tier 3	N/A	N/A	N/A	N/A	N/A
Tier 4	N/A	N/A	N/A	N/A	N/A
MFR					
Tier 1	\$6.43	\$7.01	\$7.65	\$8.34	\$9.10
Tier 2	\$29.19	\$31.82	\$34.69	\$37.82	\$41.23
Tier 3	N/A	N/A	N/A	N/A	N/A
Tier 4	N/A	N/A	N/A	N/A	N/A
Commercial Irrigation	\$10.79	\$11.77	\$12.83	\$13.99	\$15.25
Irrigation	\$10.79	\$11.77	\$12.83	\$13.99	\$15.25



Private Fireline Charges

Meter Size	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023
<i>Revenue</i>					
<i>Adjustment</i>	9%	9%	9%	9%	9%
1"	\$7.19	\$7.84	\$8.55	\$9.32	\$10.16
1.5"	\$10.78	\$11.76	\$12.82	\$13.98	\$15.24
2"	\$14.37	\$15.67	\$17.09	\$18.63	\$20.31
2.5"	\$17.96	\$19.58	\$21.35	\$23.28	\$25.38
3"	\$21.55	\$23.49	\$25.61	\$27.92	\$30.44
4"	\$28.74	\$31.33	\$34.15	\$37.23	\$40.59
6"	\$43.10	\$46.98	\$51.21	\$55.82	\$60.85
8"	\$57.47	\$62.65	\$68.29	\$74.44	\$81.14

