Phelan Piñon Hills CSD
Established 2008

A. 4176 Warbler Road
P.O. Box 294049
Phelan, CA 92329
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SPECIAL BOARD MEETING AGENDA

August 2, 2023 – 4:00 p.m.
Phelan Community Center
4128 Warbler Road, Phelan, CA 92371
& Via Conference Call (see below)

SPECIAL BOARD MEETING – 4:00 P.M.

Call to Order – Pledge of Allegiance

Roll Call

1) **Approval of Agenda**

2) **Public Comment** – Under this item, any member of the public wishing to directly address the Board on any item of interest that may or may not be within the subject matter jurisdiction of the Board, but not listed on the agenda, may do so at this time. However, the Board is prohibited by law from taking any action on any item not appearing on the agenda unless the action is otherwise authorized by the Brown Act. Any member of the public wishing to directly address the Board on any item listed on the agenda may do so when the item is being considered by the Board. Speakers are requested to be brief in their remarks. The Chair may limit each speaker to a comment period of five (5) minutes.

3) **Board Workshop – Water Rate Study**
   - Presentation on Long-Term Financial Plan
     By: Habib Isaac, IB Consulting, Inc.

4) **Review of Action Items**

5) **Adjournment**

Pursuant to Government Code Section 54954.2(a), any request for a disability-related modification or accommodation, including auxiliary aids or services, that is sought in order to participate in the above-agendized public meeting should be directed to the District's General Manager at (760) 868-1212 at least 24 hours prior to said meeting.

Agenda materials can be viewed online at www.pphcsd.org/meetings

Remote Viewing:
To watch the livestream (view only – nonparticipating), visit our YouTube channel:

PPHCSD YouTube Channel Link

Remote Participation:
To provide public comment, or otherwise participate remotely, select the meeting you wish to attend on the District's website and then click the "Join Remote Meeting" option.

Mission Statement:

The Mission of the Phelan Piñon Hills Community Services District is to efficiently provide authorized services and maximize resources for the benefit of the community.

Authorized Services:

- *Water*
- *Parks & Recreation*
- *Street Lighting*
- *Solid Waste & Recycling*

https://www.pphcsd.org/meetings

Please be advised that remote participation and livestreaming options are provided as a courtesy to the public and technical issues could occur, resulting in delays or the inability to participate remotely or livestream. It is recommended that you attend in person to ensure you can participate.

Written Comments:
You may also email your public comment to the Board Secretary at ksevy@pphcsd.org by the meeting start time listed on this agenda. Your comment will be added to the record by the Board Secretary.

Please check the District website for updates on this meeting. We encourage you to sign up for our email notifications by emailing ksevy@pphcsd.org or by visiting our website and completing the signup form at www.pphcsd.org under the "Agendas and Minutes" tab.

Phelan Piñon Hills Community Services District

Financial Plan Workshop

August 2, 2023

IB CONSULTING

Phelan Piñon Hills CSD
Established 2008

Financial Plan Workshop

Agenda

1. Financial Plan Summary
2. Financial Plan Assumptions
3. Current Financial Position
4. Proposed Financial Plan
5. Next Steps

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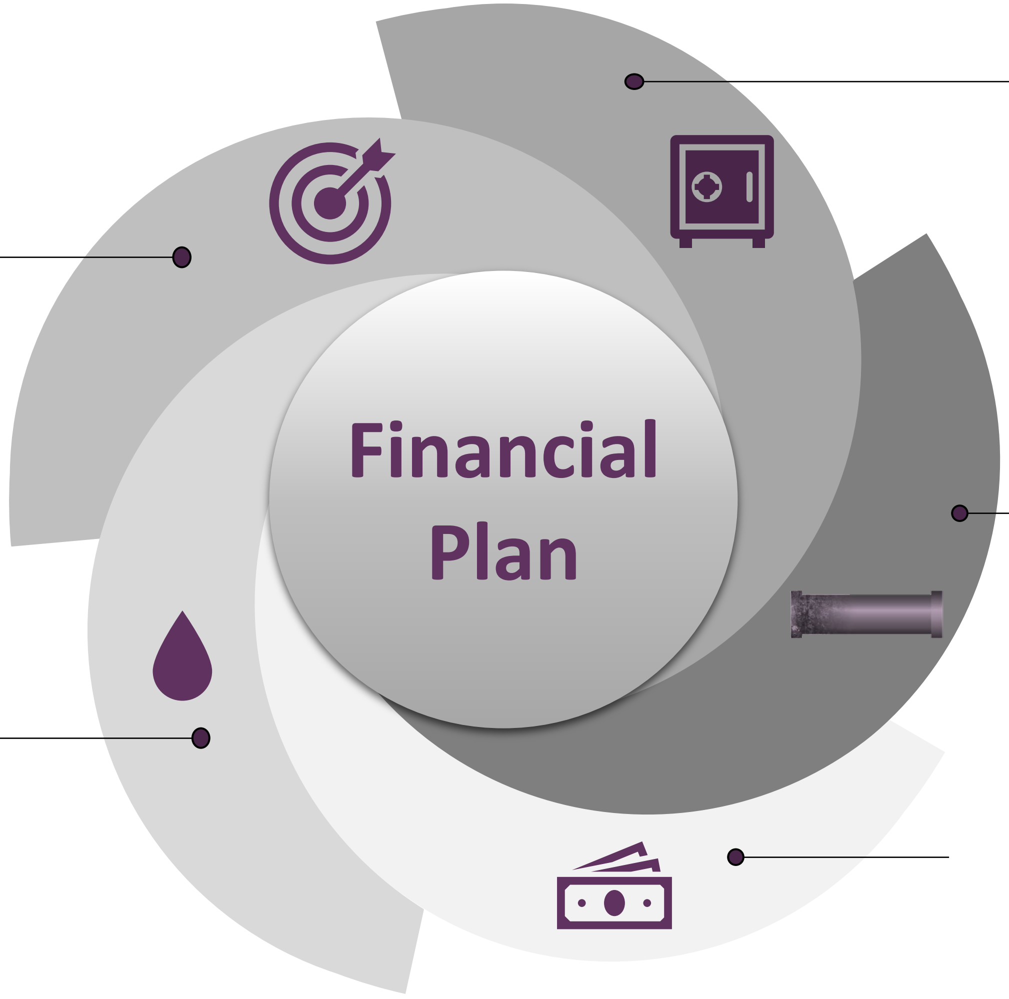
Financial Plan Summary

Factors Impacting the Financial Plan



Reserve Funding

Account for unforeseen risks through well established reserves

Expense Projections

Account for cost escalations by expense category and any debt obligations

Capital Spending

Account for anticipated repair and replacement projects to maintain a safe and reliable system.

Water Demands

Account for expected changes in total water usage, growth, as well as changes in service needs

Revenue Projections

Account for rate revenues, other operating revenues, and non-operating revenues

Financial Plan Key Assumptions

Long-Term Financial Plan

Noticed Water Fixed Charges

Monthly ($/Meter)

Base Fixed Charges

Meter Size	FY 2023 (July 1st)	FY 2024 (July 1st)	FY 2025 (July 1st)	FY 2026 (July 1st)
≤ 3/4”	$24.17	$25.63	$25.63	$25.63
1"	$36.57	$38.77	$38.77	$38.77
1.5"	$67.58	$71.64	$71.64	$71.64
2"	$104.79	$111.08	$111.08	$111.08
3"	$222.60	$235.96	$235.96	$235.96
4"	$396.23	$420.01	$420.01	$420.01
6"	$811.70	$860.41	$860.41	$860.41
10"	$1,741.85	$1,846.37	$1,846.37	$1,846.37

Chromium 6 Surcharge

- $9.71 Flat Charge per account
- Remains constant through FY 2031
- Covers specific expenses associated with Chromium 6 mitigation

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Noticed Water Variable Rates

Commodity Rates ($/HCF)

Variable Rates

Customer Class	Tier Widths	FY 2023 (July 1st)	FY 2024 (July 1st)	FY 2025 (July 1st)	FY 2026 (July 1st)
Residential					
Tier 1	0 – 9	$2.90	$3.08	$3.08	$3.08
Tier 2	9 – 29	$3.31	$3.51	$3.51	$3.51
Tier 3	29+	$7.99	$8.47	$8.47	$8.47
Commercial	Uniform	$3.87	$4.11	$4.11	$4.11
Institutional	Uniform	$4.20	$4.46	$4.46	$4.46

Financial Assumptions

Account and Usage Data

Key Assumptions		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Account Growth						
Residential		0.0%	0.0%	0.0%	0.0%	0.0%
Commercial		0.0%	0.0%	0.0%	0.0%	0.0%
Institutional		0.0%	0.0%	0.0%	0.0%	0.0%
Total Accounts		7,200	7,200	7,200	7,200	7,200

Consumption by Customer Class	*(HCF)*	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential						
Tier 1	*(0-9 HCF)*	511,842	511,842	511,842	511,842	511,842
Tier 2	*(9-29 HCF)*	374,997	374,997	374,997	374,997	374,997
Tier 3	*(29+ HCF)*	0	0	0	0	0
Subtotal Residential Consumption (HCF)		886,839	886,839	886,839	886,839	886,839
Commercial	*(uniform)*	9,089	9,089	9,089	9,089	9,089
Institutional	*(uniform)*	62,392	62,392	62,392	62,392	62,392
Total Consumption by Customer Class (HCF)		**958,320**	**958,320**	**958,320**	**958,320**	**958,320**

Financial Assumptions

Expense Escalators and Water Supply Assumptions

Key Assumptions	Source:		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Expenditure Escalation							
Benefits			5.0%	4.0%	4.0%	4.0%	4.0%
CalPers			5.0%	6.0%	6.0%	6.0%	6.0%
Capital Construction	*ENR 20-City*	*5-Year Average*	7.2%	3.9%	3.9%	3.9%	3.9%
Energy Costs			5.0%	10.0%	10.0%	10.0%	10.0%
General Costs	*CPI - LA (BLS)*	*5-Year Average*	7.4%	4.0%	4.0%	4.0%	4.0%
Non-Inflated			0.0%	0.0%	0.0%	0.0%	0.0%
Salaries			5.0%	6.0%	6.0%	6.0%	6.0%
Water Supply			Pass-Through	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Water Loss			15.0%	15.0%	15.0%	15.0%	15.0%

Water Supply Assumptions	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Water Billings/Sales (AF)	2,200 AF	2,200 AF	2,200 AF	2,200 AF	2,200 AF
Water Demand	2,588 AF	2,588 AF	2,588 AF	2,588 AF	2,588 AF
Less: Free Production Allowance	2,518 AF	2,284 AF	2,050 AF	1,816 AF	1,582 AF
Less: Carryover	71 AF	305 AF	AF	AF	AF
Replacement Water	AF	AF	539 AF	773 AF	1,007 AF

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Current Financial Position

Long-Term Financial Plan

Current Financial Position – Operating

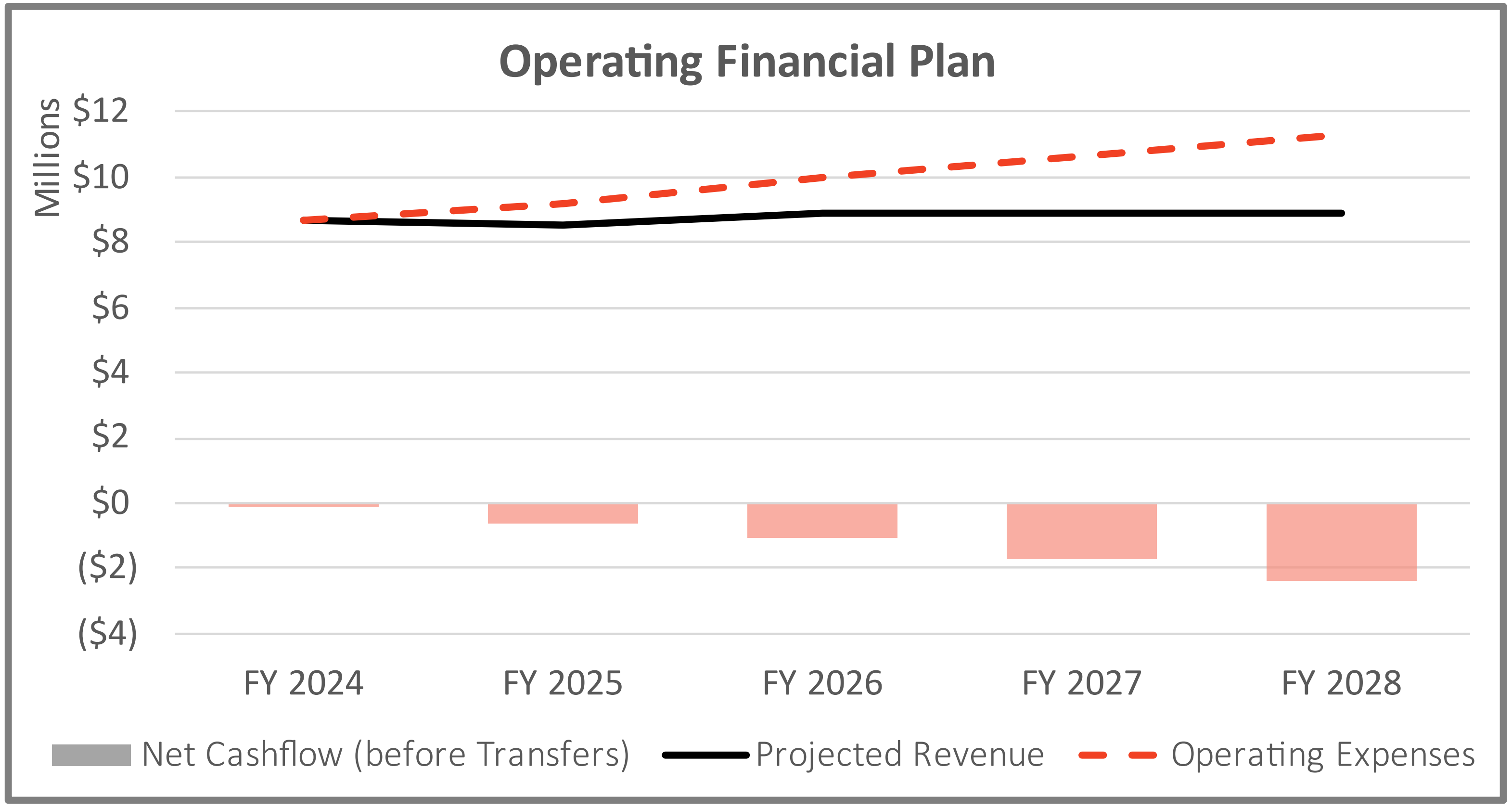
Water Enterprise

Financial Plan Metrics

- Generate Positive Net Income
- Comply with Debt Covenants
- Sufficiently Fund Capital Needs
- Meet Reserve Targets

Additional Comments

- Includes rate adjustments for FY 2024 through FY 2026
- Includes $6M debt proceeds for Civic Center
- CIP = $21.8M through FY 2028



Current Financial Position – Capital

Water Enterprise

Financial Plan Metrics

- Generate Positive Net Income
- Comply with Debt Covenants
- Sufficiently Fund Capital Needs
- Meet Reserve Targets

Additional Comments

- Includes rate adjustments for FY 2024 through FY 2026
- Includes $6M debt proceeds for Civic Center
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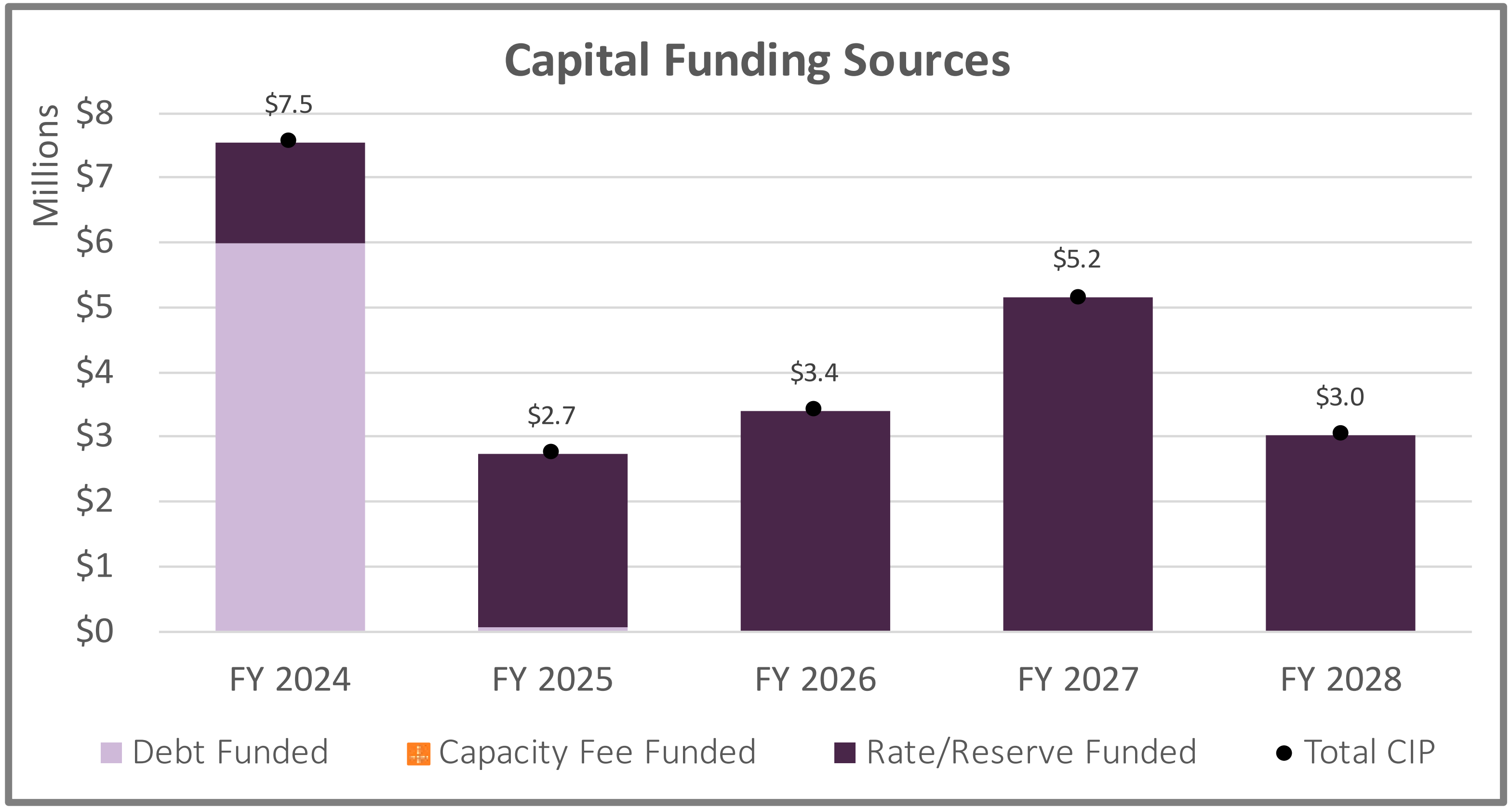

Current Financial Position – Reserves

Water Enterprise

Financial Plan Metrics

- Generate Positive Net Income
- Comply with Debt Covenants
- Sufficiently Fund Capital Needs
- Meet Reserve Targets

Additional Comments

- Includes rate adjustments for FY 2024 through FY 2026
- Includes $6M debt proceeds for Civic Center
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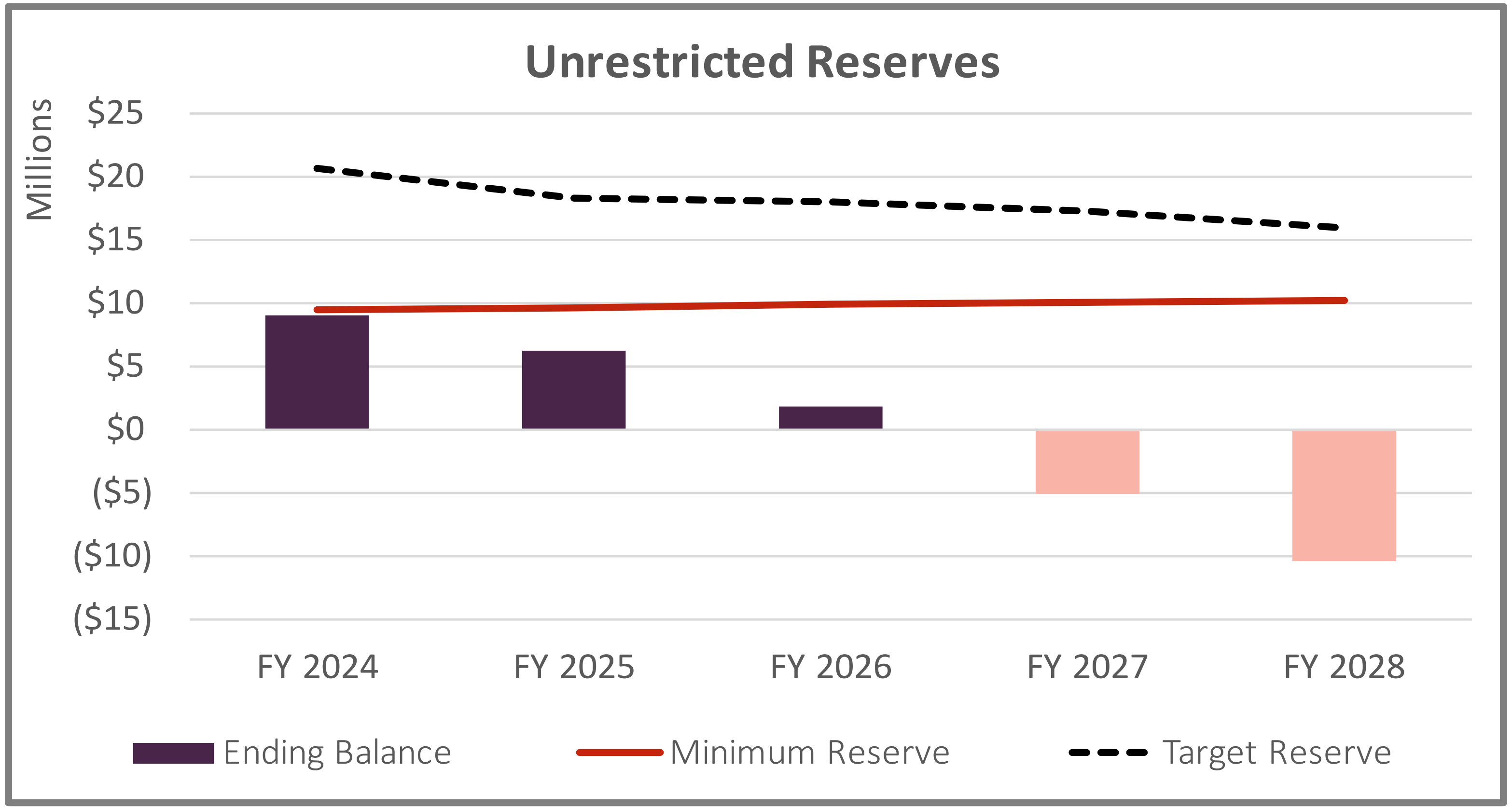


Capital Improvement Plan

FY 2024 – FY 2028

Project Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Chromium Mitigation Projects (Cr6 Funding Source)					
Well Profiling (Contingent on state ruling	$0	$0	$450,000	$0	$0
Equip with Cr6 packer	$150,000	$0	$0	$0	$0
Additional Water Supply	$0	$0	$2,000,000	$0	$0
Well, Equip, 12" pipeline 6K LF ($2.4mil)	$0	$0	$0	$0	$0
Existing 6A (0.4 MG) (Contingent on Fe	$0	$700,000	$0	$0	$0
Design / Studies	$100,000	$0	$0	$0	$0
Master Plan Reservoirs					
7A-1 (.079 MG) 7A-2 (.079 MG)	$0	$0	$0	$2,035,000	$0
Design / Equipping / Studies	$0	$0	$0	$100,000	$0
L1 (.483 MG)	$0	$0	$0	$647,500	$0
Design / Equipping / Studies	$0	$0	$0	$100,000	$0
Master Plan Pipeline					
P1-1,900 LF (8") replace 6"	$0	$252,700	$0	$0	$0
P3 -9,500 LF (12")	$0	$0	$0	$0	$1,989,200
P14-1,400 (8")	$0	$0	$186,200	$0	$0
P15-2,600 LF (8") replace 6"	$0	$0	$0	$314,600	$0
Meters					
O & M	$700,000	$0	$0	$0	$0
Boosters					
Infrastructure	$0	$135,000	$135,000	$135,000	$135,000
Smithson Springs					
Construction (capture tank)	$0	$0	$25,000	$0	$0
Land Aquistion					
Purchase	$0	$100,000	$0	$0	$0

Project Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Civic Center (Funding Source)					
Construction SP 1.7	$6,000,000	$500,000	$0	$0	$0
Reservoirs					
Infrastructure	$0	$0	$0	$1,000,000	$0
Planning					
Report	$0	$25,000	$15,000	$0	$0
Repair and Maintenance Plan					
Maintenance	$48,300	$267,200	$48,300	$48,300	$48,300
Maintenance	$25,000	$25,000	$25,000	$25,000	$25,000
Rehab Well	$125,000	$115,000	$115,000	$115,000	$115,000
Rehab Well 1B (2023) & 2A (2024)	$0	$200,000	$0	$0	$0
Rehabilitation	$80,000	$85,000	$85,000	$85,000	$85,000
Site Upgrade	$5,000	$5,000	$5,000	$5,000	$5,000
Rebuiled / Replacement / Maintenance	$15,000	$10,000	$10,000	$10,000	$10,000
Service Line Replacement (150/yr)	$120,000	$120,000	$120,000	$120,000	$120,000
Water Pipeline Lowering/Covering	$68,000	$61,000	$58,000	$96,000	$110,000
O & M Contract (2016-2026)	$35,575	$35,575	$35,575	$35,575	$35,575
Support Services & Training	$6,000	$15,000	$15,000	$15,000	$15,000
Vegetation Mitigation	$5,000	$5,000	$5,000	$5,000	$5,000
UCMR5	$0	$15,000	$0	$0	$0
Capital Purchase					
Field Truck	$65,000	$65,000	$65,000	$65,000	$65,000
Software	$0	$0	$0	$0	$40,000
Subtotal Scenario 1 - Baseline CIP	$7,547,875	$2,736,475	$3,398,075	$4,956,975	$2,803,075
Scenario 1 - Baseline CIP Total Costs	$7,547,875	$2,736,475	$3,398,075	$5,151,955	$3,027,927

Reserve Requirements

FY 2024 Existing Reserves

Reserve Scenario / Options:

			FY 2024 Ending Balance	FY 2024 Minimum	FY 2024 Target
Operating Fund Minimum:	90	*days of operating expenses*	$1,810,356	$1,810,356	
Operating Fund Target:	180	*days of operating expenses*			$3,620,712
Replacement Reserve Minimum:	2	*year(s) of Annual Depreciation*	$5,039,335	$3,592,526	
Replacement Reserve Target:	2	*year(s) of 5-Year Average CIP*			$8,744,923
Disaster Reserve Minimum:	10.0%	*of Assets*	$3,946,325	$3,811,915	
Disaster Reserve Target:	20.0%	*of Assets*			$7,623,831
Rate Stabilization Reserve Minimum:	5.0%	*of Rate Revenue*	$389,304	$395,600	
Rate Stabilization Reserve Target:	10.0%	*of Rate Revenue*			$791,200
Required Debt Coverage:	115.0%		$11,185,320	$9,610,398	$20,780,666

Current Financial Position

Previously noticed rates

Results From Review

- Outlook reflects operating deficit beginning in FY 2025
- Not meeting debt coverage
- Capital spending reduced, but still requires the use of reserves
- No longer meeting the minimum reserve targets by FY 2025

Proposed Financial Plan

1) **Planned CIP**
2) **Revised CIP**

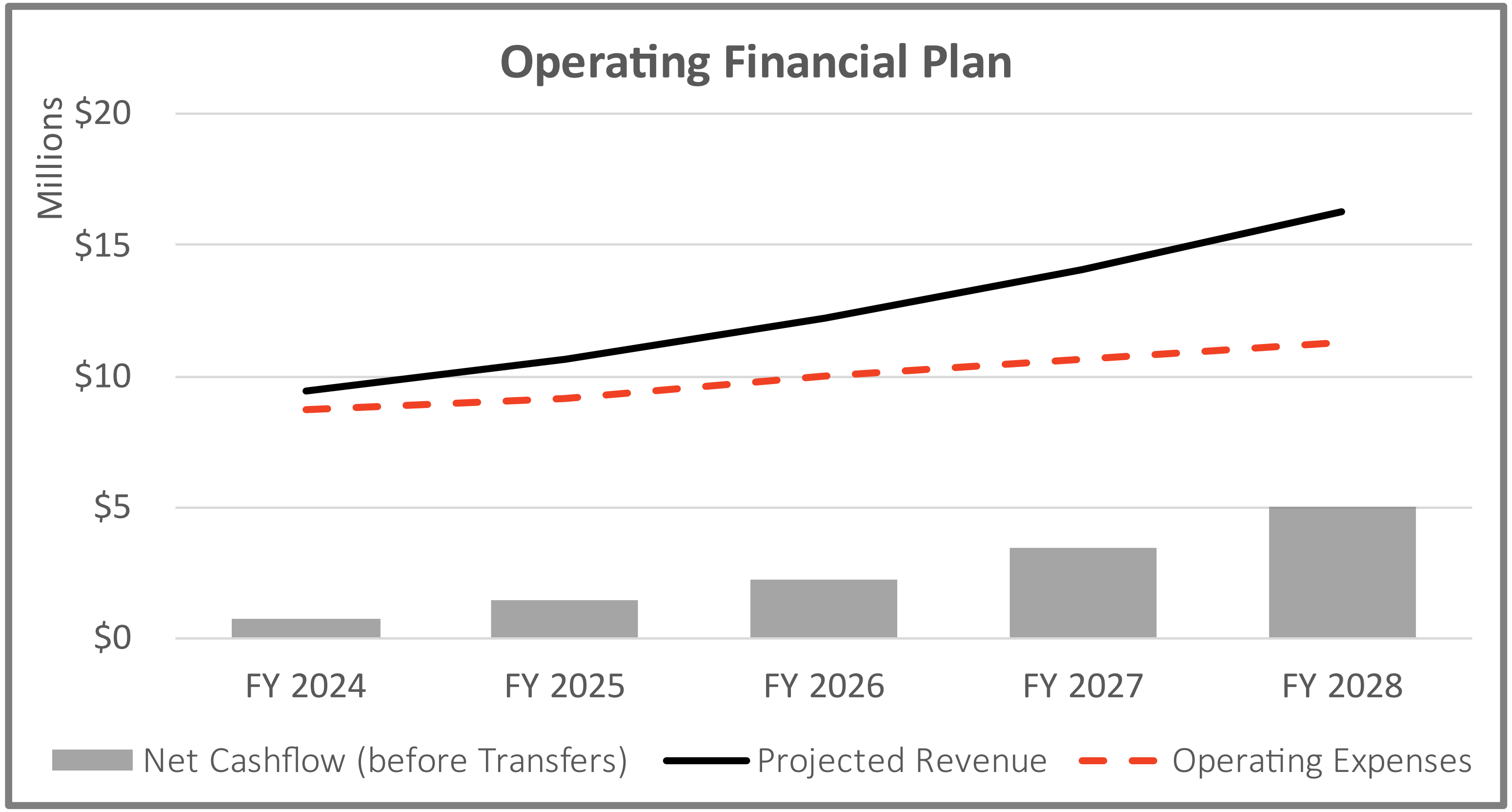
Option 1: Proposed Financial Plan – Operating

FY 2024 – FY 2028 Planning Period

Revenue Adjustments:
FY 2024 – FY 2028: 18%, 18%, 18%, 18%, 18%

Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Fully Fund Planned CIP
  - **$21.8M**



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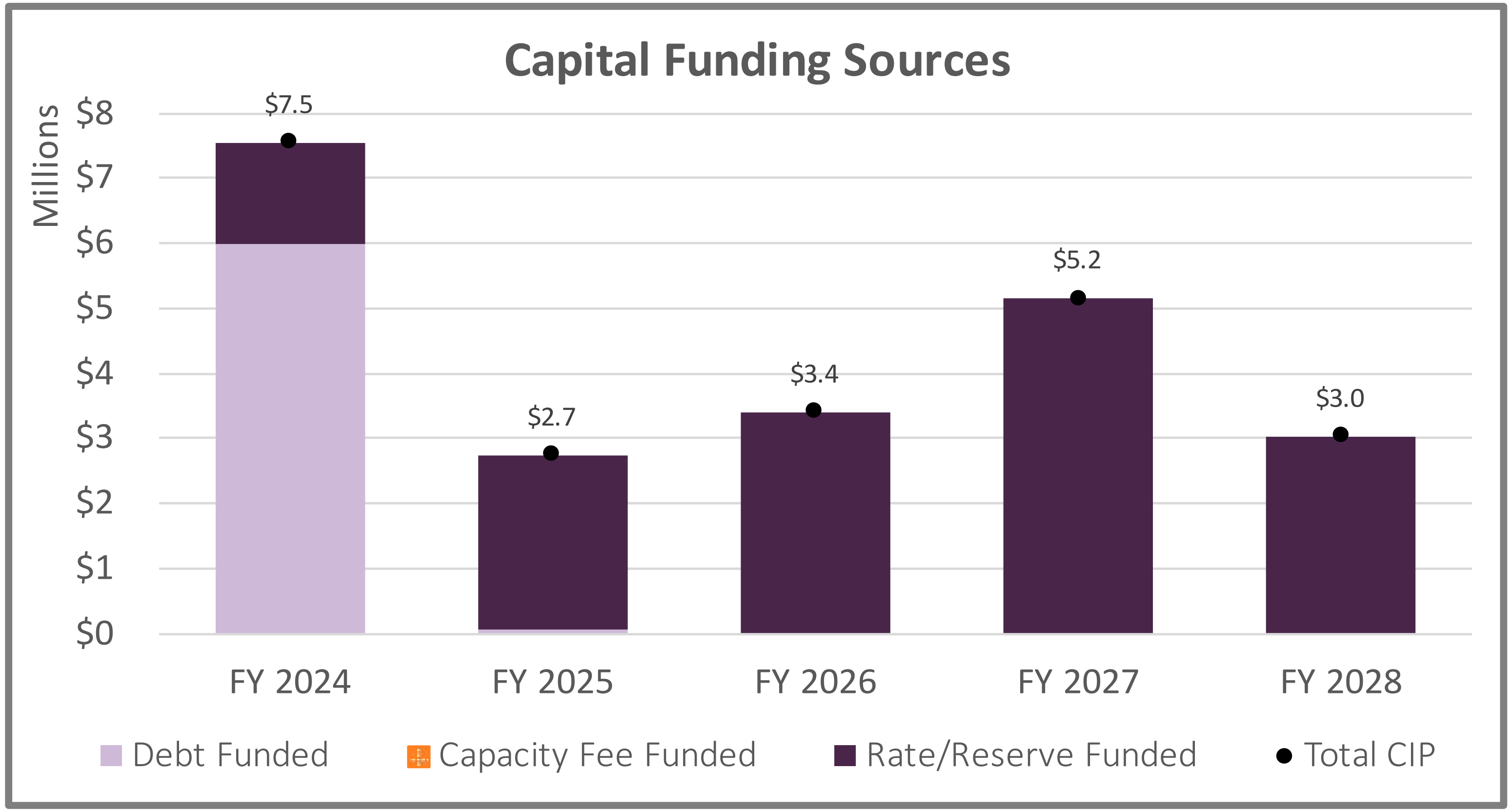
Option 1: Proposed Financial Plan – Planned CIP

FY 2024 – FY 2028 Planning Period

Revenue Adjustments:
FY 2024 – FY 2028: 18%, 18%, 18%, 18%, 18%

Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Fully Fund Planned CIP
  - **$21.8M**



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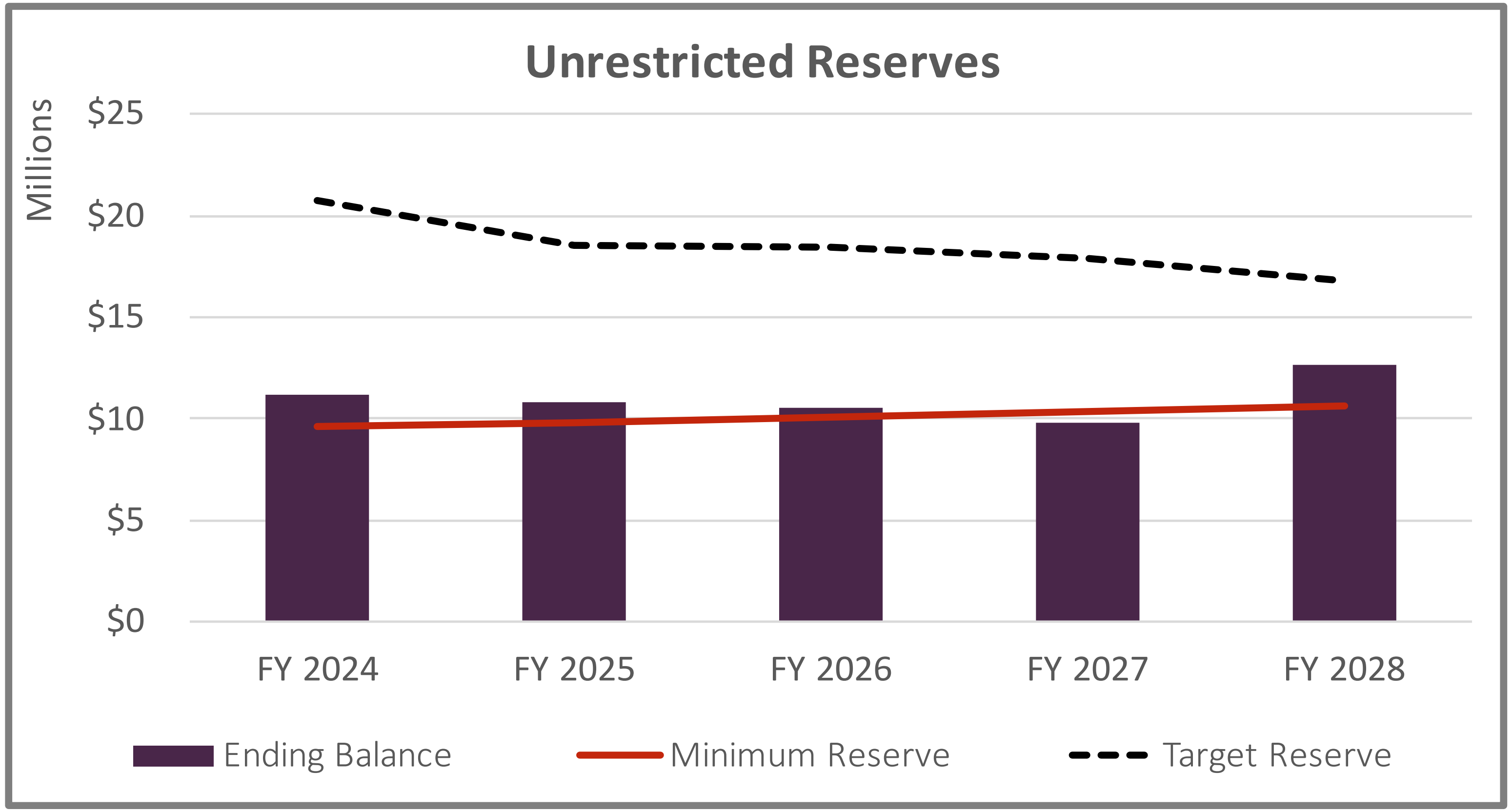
Option 1: Proposed Financial Plan – Reserves

FY 2024 – FY 2028 Planning Period

Revenue Adjustments:
FY 2024 – FY 2028: 18%, 18%, 18%, 18%, 18%

Proposed Financial Plan

- ➢ Positive Net Income
- ➢ Meets minimum reserve target each year
- ➢ Fully Fund Planned CIP
  - **$21.8M**



Reduced Capital Improvement Plan

FY 2024 – FY 2028

Project Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Chrom 6	$250,000	$700,000	$2,450,000	$0	$0
Civic Center	$6,000,000	$500,000	$0	$0	$0
Placeholder	$0	$0	$0	$0	$0
Placeholder	$0	$0	$0	$0	$0
Placeholder	$0	$0	$0	$0	$0
Carryforward	$0	$0	$0	$0	$0
Out-Years	$0	$0	$0	$1,796,263	$1,796,263
Subtotal Scenario 3 -	$6,250,000	$1,200,000	$2,450,000	$1,796,263	$1,796,263
Scenario 3 - Total Costs	$6,250,000	$1,200,000	$2,450,000	$1,866,918	$1,940,353

- Outer years = Depreciation index by ENR-CCI
- Total CIP costs through FY 2028 = $13.7M

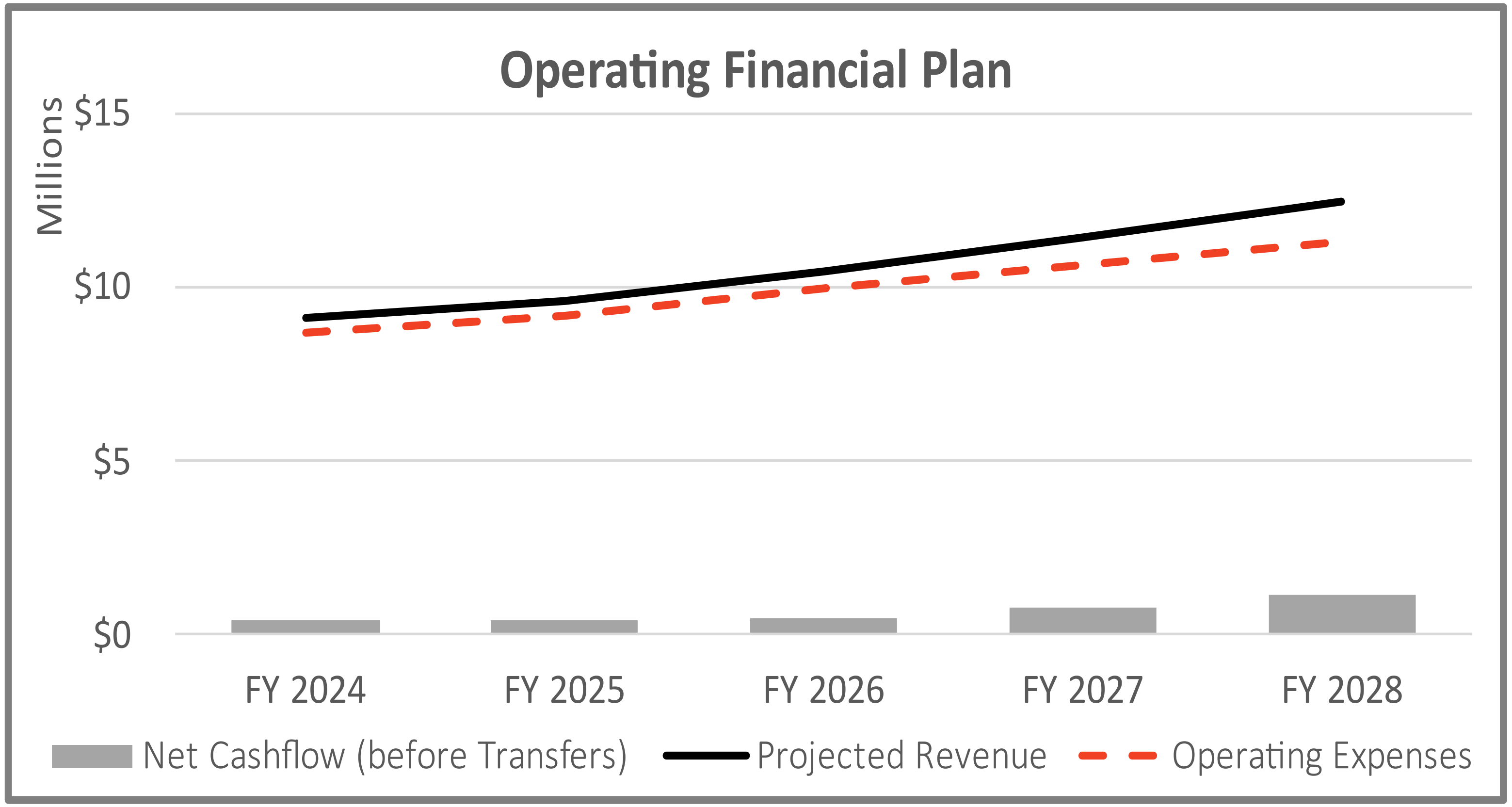
Option 2: Proposed Financial Plan – Operating

FY 2024 – FY 2028 Planning Period

Revenue Adjustments:
FY 2024 – FY 2028: 11%, 11%, 11%, 11%, 11%

Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Reduced CIP
  - **$13.7M**



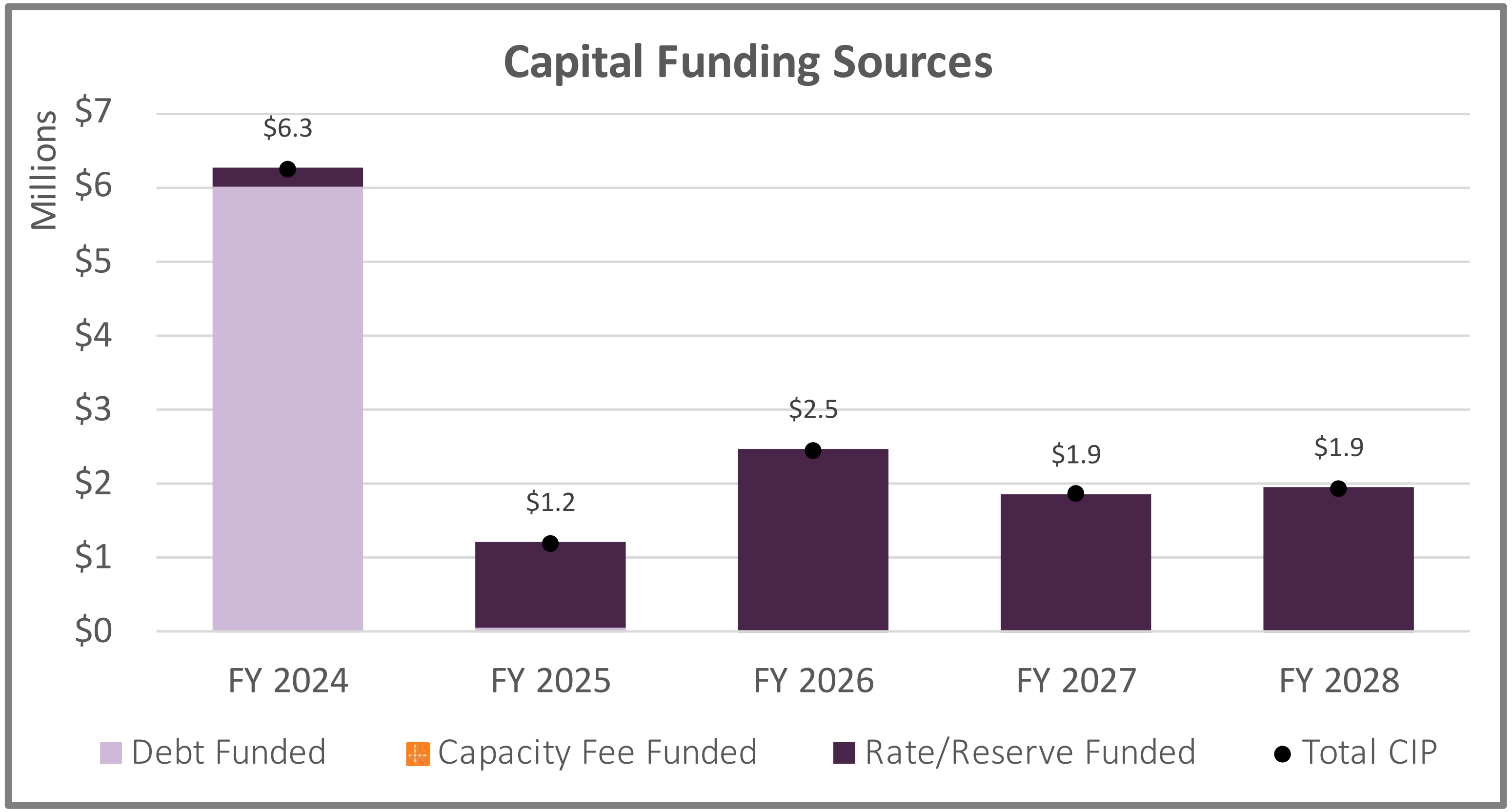
Option 2: Proposed Financial Plan – Revised CIP

FY 2024 – FY 2028 Planning Period

Revenue Adjustments:
FY 2024 – FY 2028: 11%, 11%, 11%, 11%, 11%

Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Reduced CIP
    - **$13.7M**



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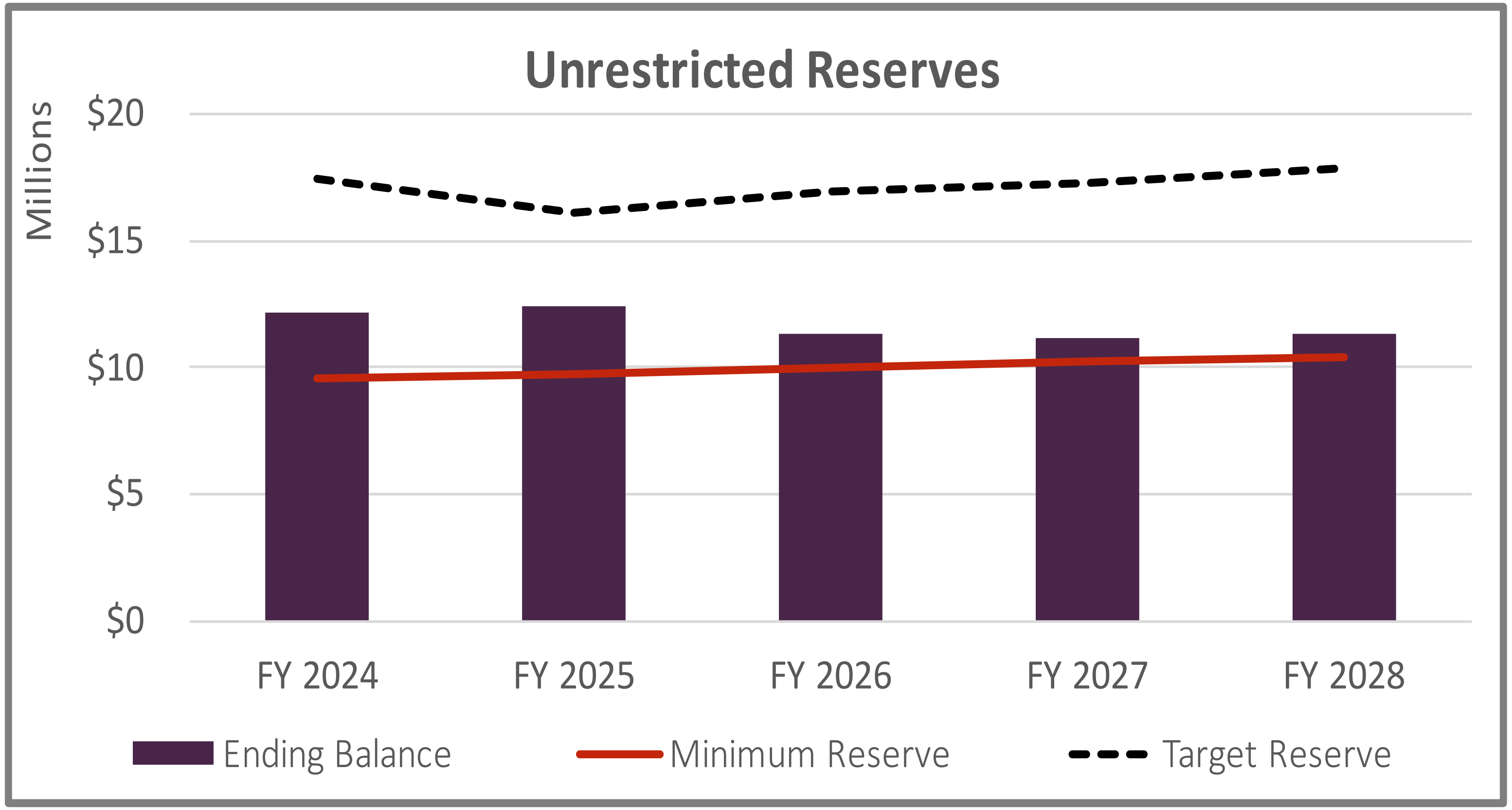
Option 2: Proposed Financial Plan – Reserves

FY 2024 – FY 2028 Planning Period

Revenue Adjustments:
FY 2024 – FY 2028: 11%, 11%, 11%, 11%, 11%

Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Reduced CIP
  - **$13.7M**



Next Steps

Cost-of-Service Study

Next Steps

Upcoming Tasks / Meetings

- Cost-of-Service Analysis
- Rate Development
- Board Rate Workshop ~~August 10th~~ August 9th