

# Phelan Piñon Hills Community Services District

*Financial Plan and Rate Review*

**Public Hearing: May 6, 2020**



# Study Goals

## Main Objectives



District at end of adopted rates. Develop financial plan for next 5 years and beyond



Develop model with updated consumption analysis and financials



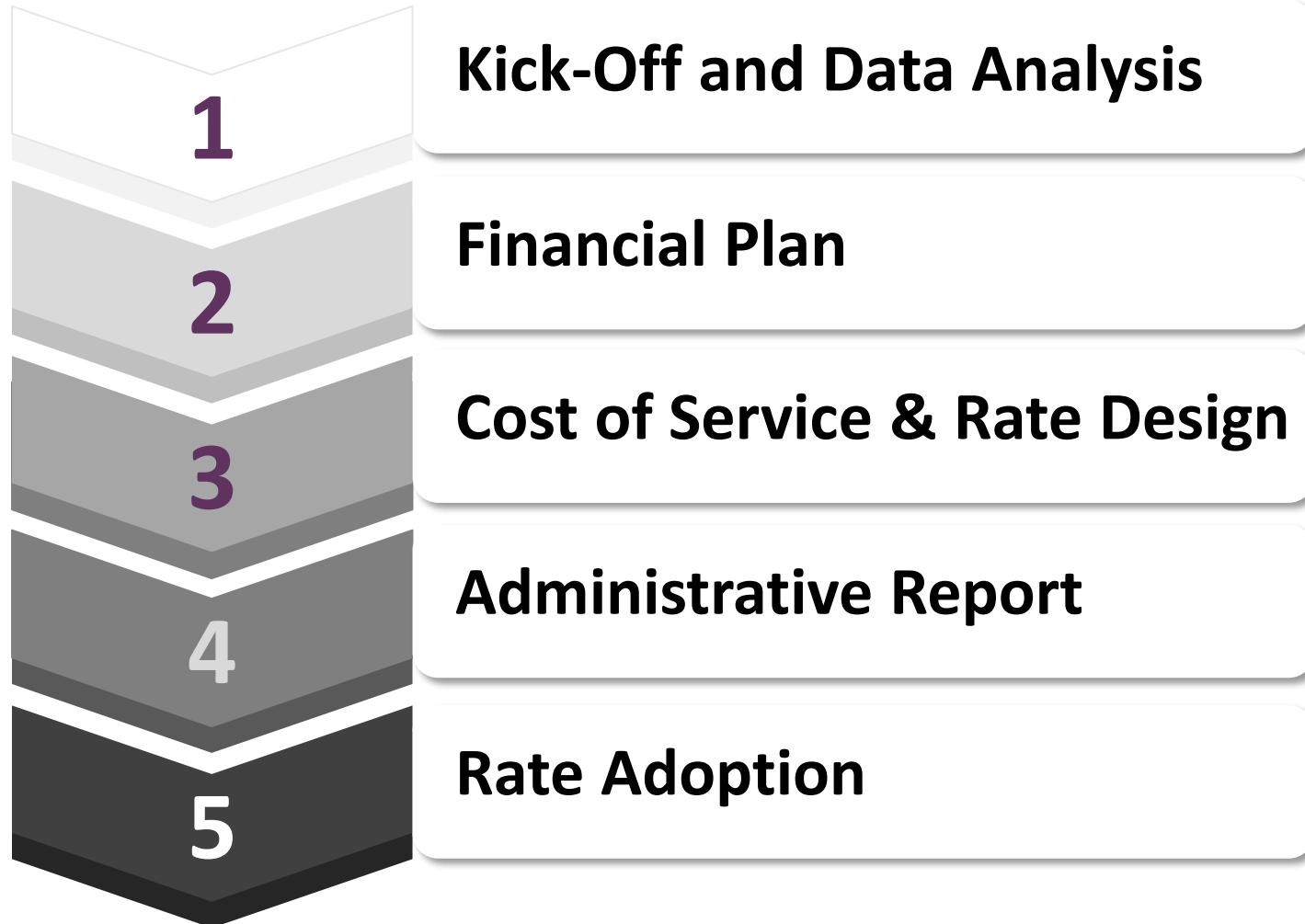
Develop equitable rates that meet industry standards while complying with Proposition 218



Prepare a comprehensive administrative record

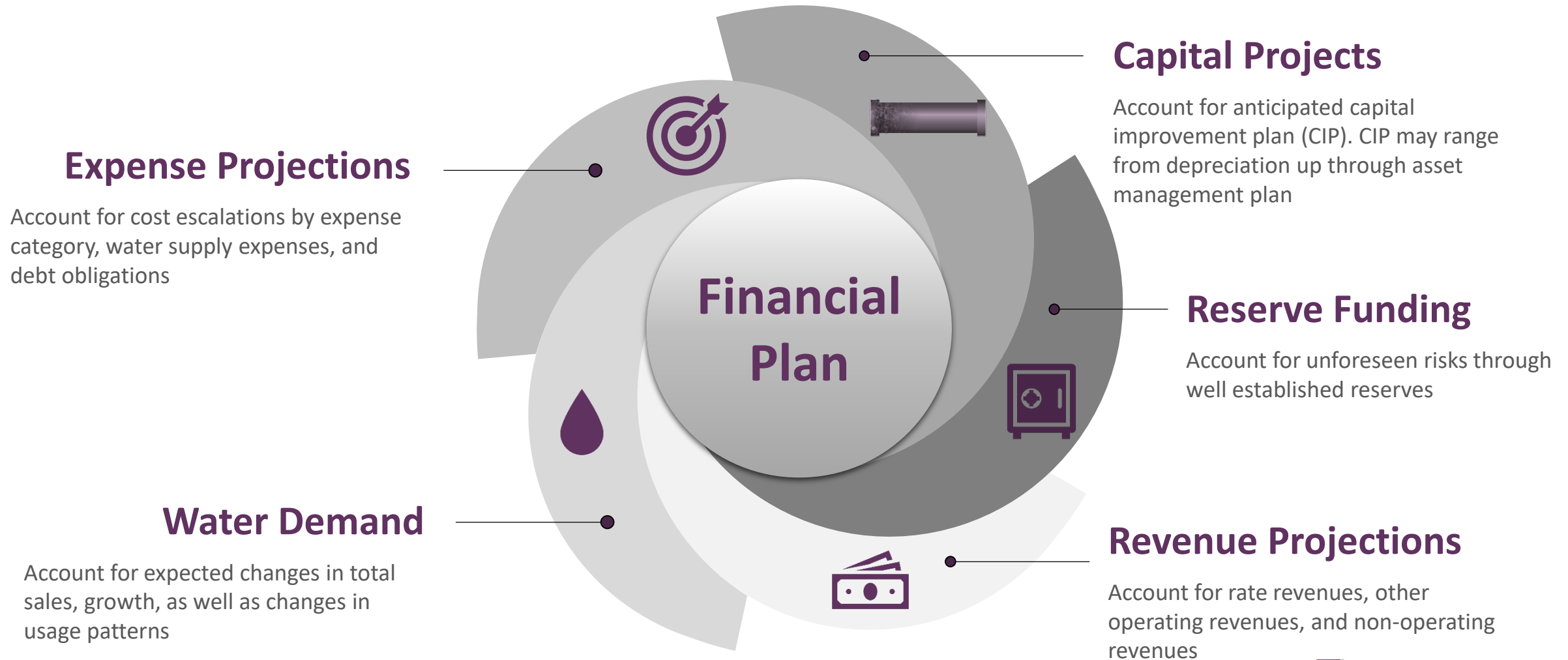
# Approach

## Rate Study Components



# Financial Plan Summary

## Factors Impacting the Financial Plan



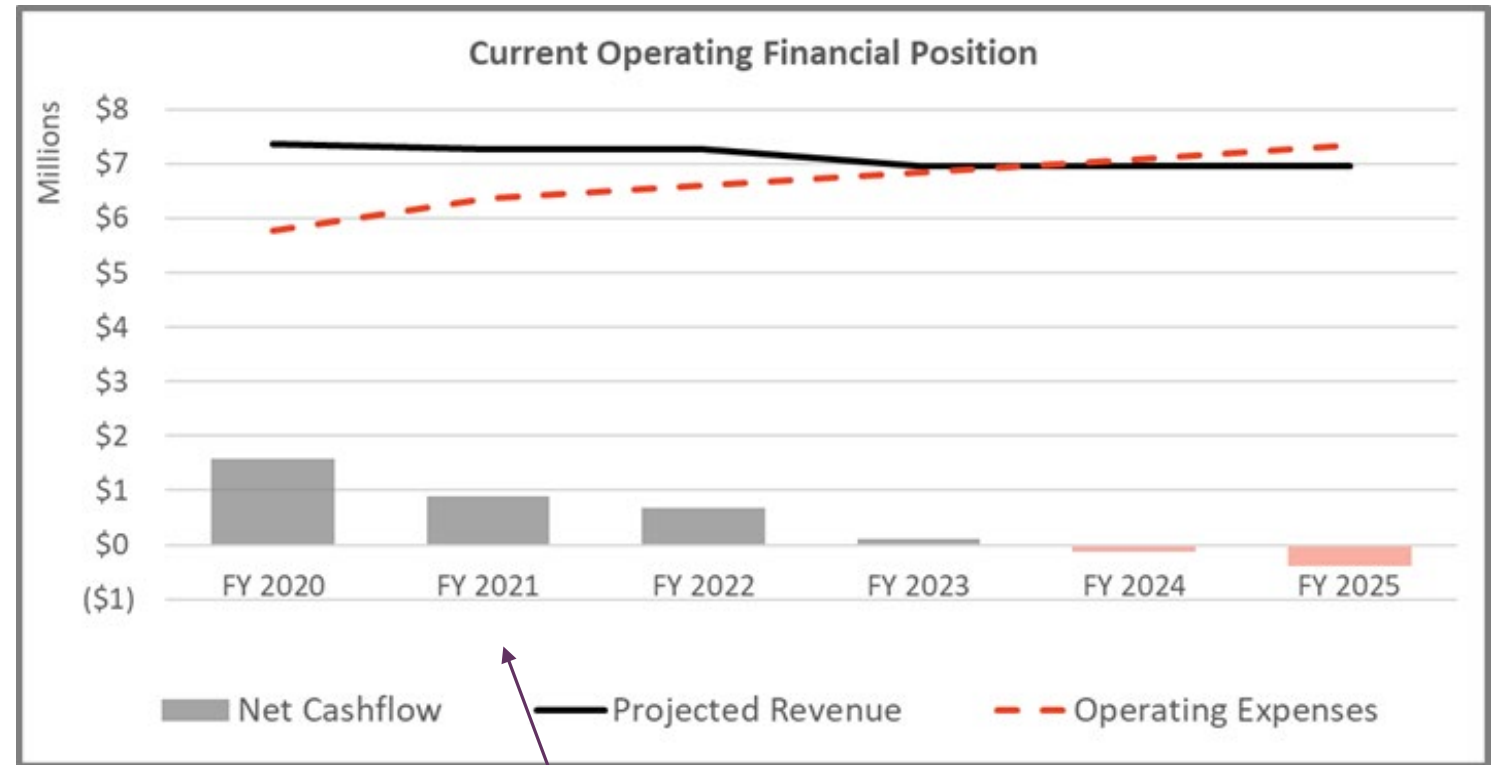
# District's Financial Position

## Current Rates

➤ Ending balance reduced by capital spending

## Financial Plan Metrics

- Generate positive annual operating net income
- Comply with debt covenants
- Sufficiently fund capital needs
- Meet reserve targets based on policies



➤ FY 2021 – FY 2024 Includes Chromium 6, Civic Center, and Meter Replacement

# District's Financial Position

## Current Rates

### Results from Review

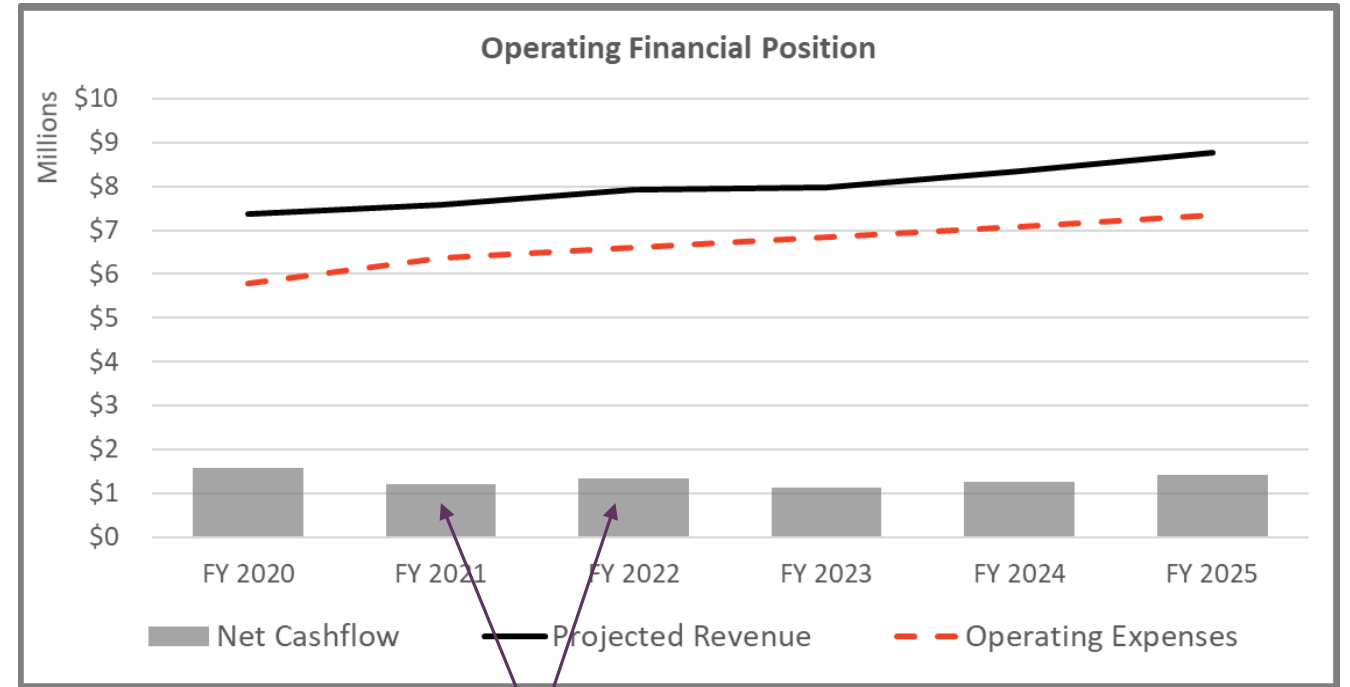
- Maintain positive net income in future years
- Ongoing capital replacement needs is primary driver
- Additional revenues needed to continue replacement program while maintaining healthy reserves
  - Debt financing would amortize capital over longer period
- Reduce reliance on property tax
- Payback reserves used for water rights and chromium 6 improvements

# Proposed Financial Plan

## 10-Year Planning Period

### Proposed Financial Plan

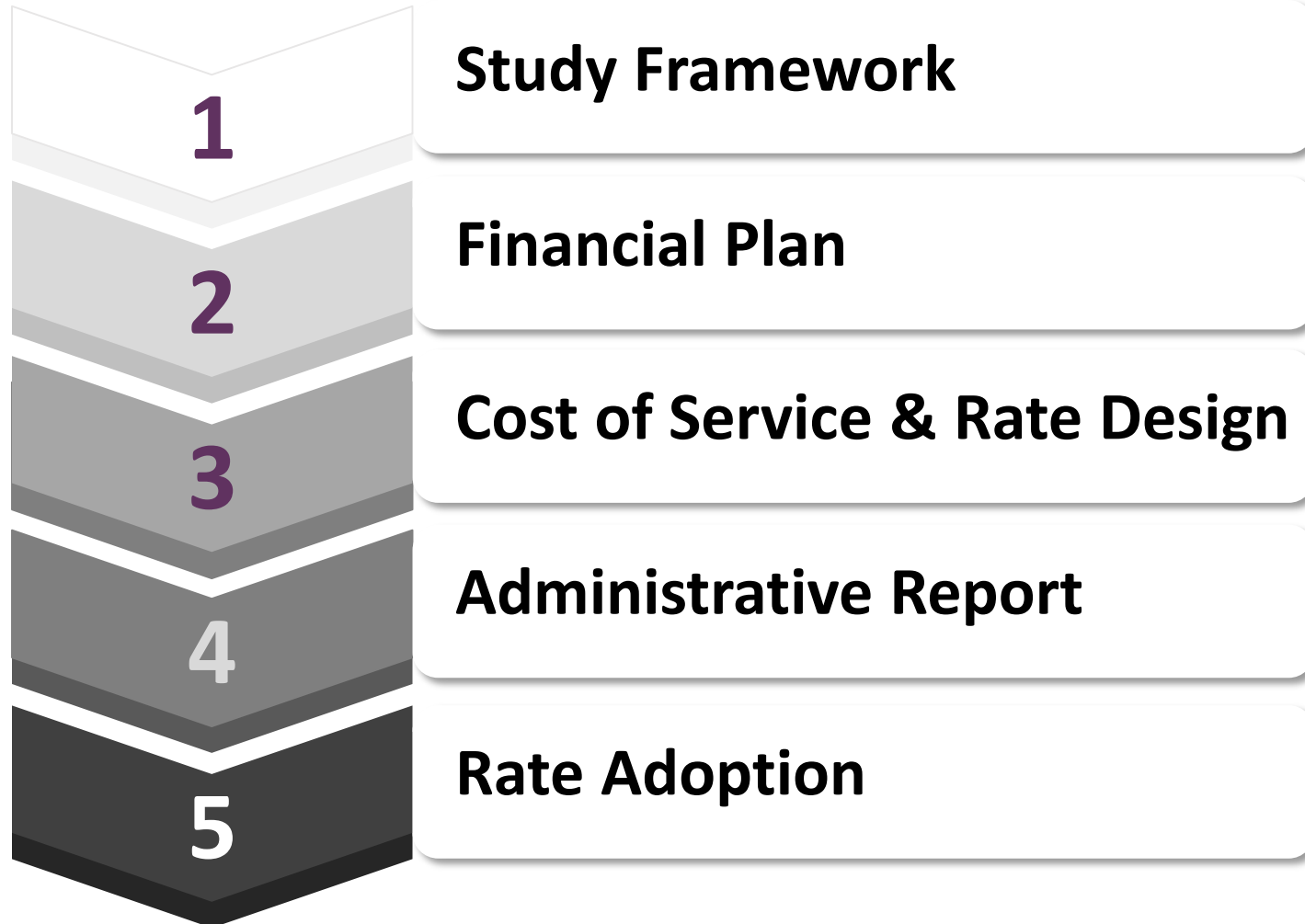
- Positive annual operating net income ✓
- Comply with debt covenants ✓
- Fund capital schedule ✓
- Meet reserve targets ✓



- FY 2021: \$4M – Civic Center
- FY 2022- FY 2024: \$7.5M – Chromium 6 Project

# Approach

## Rate Study Components





# Rate Design

## Structure

- Maintain current rate structure
  - Residential: 2-tiered rate structure
  - Non-residential: Uniform rates
- Cost of Service adjustments
  - Incorporates recent usage trends
  - Efficient water use is the new norm
  - Updated cost allocations ensure rates reflect the cost of delivering water
  - Tiered costs updated to reflect proportionate share based on demand
- Fixed / Variable Recovery
  - Maintain fix charge recovery at around 50%

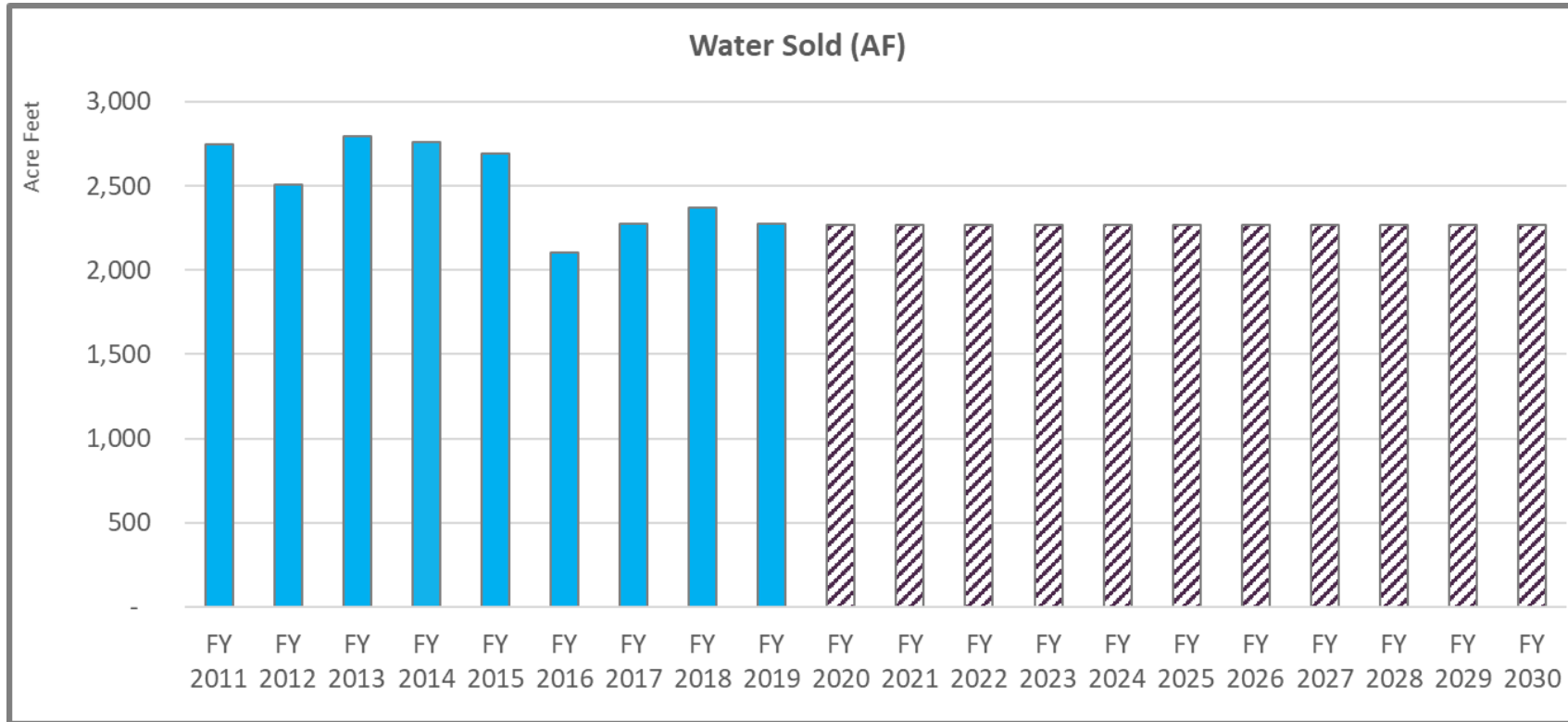
# FY 2021 Revenue Requirements

## Cost of Service

Revenue Requirements	FY 2021			
	Specific	Operating	Debt	Total
<b>District O&amp;M</b>				
Administration		\$1,463,000		\$1,463,000
Chromium 6 Mitigation	\$809,000			\$809,000
Conservation		\$60,000		\$60,000
Customer Accounts/Meters		\$623,000		\$623,000
Distribution/Transmission		\$674,000		\$674,000
Engineering		\$296,000		\$296,000
Operations		\$694,000		\$694,000
Production		\$617,000		\$617,000
Supply		\$13,000		\$13,000
Vehicles and Equipment		\$138,000		\$138,000
Water Quality		\$78,000		\$78,000
Transfers		(\$260,000)		(\$260,000)
<b>Total District O&amp;M</b>	<b>\$809,000</b>	<b>\$4,396,000</b>	<b>\$0</b>	<b>\$5,205,000</b>
<b>Debt Service</b>				
Existing Debt			\$939,642	\$939,642
Civic Center			\$232,483	\$232,483
<b>Total Debt Service</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,172,125</b>	<b>\$1,172,125</b>
<b>Total Operating Expense</b>	<b>\$809,000</b>	<b>\$4,396,000</b>	<b>\$1,172,125</b>	<b>\$6,377,125</b>
<b>Revenue Offsets</b>				
Misc Fees		(\$116,000)		(\$116,000)
Other Operating Income		(\$187,000)		(\$187,000)
Non-Operating Revenues	(\$809,000)	(\$836,931)		(\$1,645,931)
<b>Total Revenue Offsets</b>	<b>(\$809,000)</b>	<b>(\$1,139,931)</b>	<b>\$0</b>	<b>(\$1,948,931)</b>
<b>Adjustments</b>				
Adjustment for Net Income		\$1,210,806		\$1,210,806
<b>Total Adjustments</b>	<b>\$0</b>	<b>\$1,210,806</b>	<b>\$0</b>	<b>\$1,210,806</b>
<b>Revenue Requirements</b>	<b>\$0</b>	<b>\$4,466,875</b>	<b>\$1,172,125</b>	<b>\$5,639,000</b>

# Water Sales

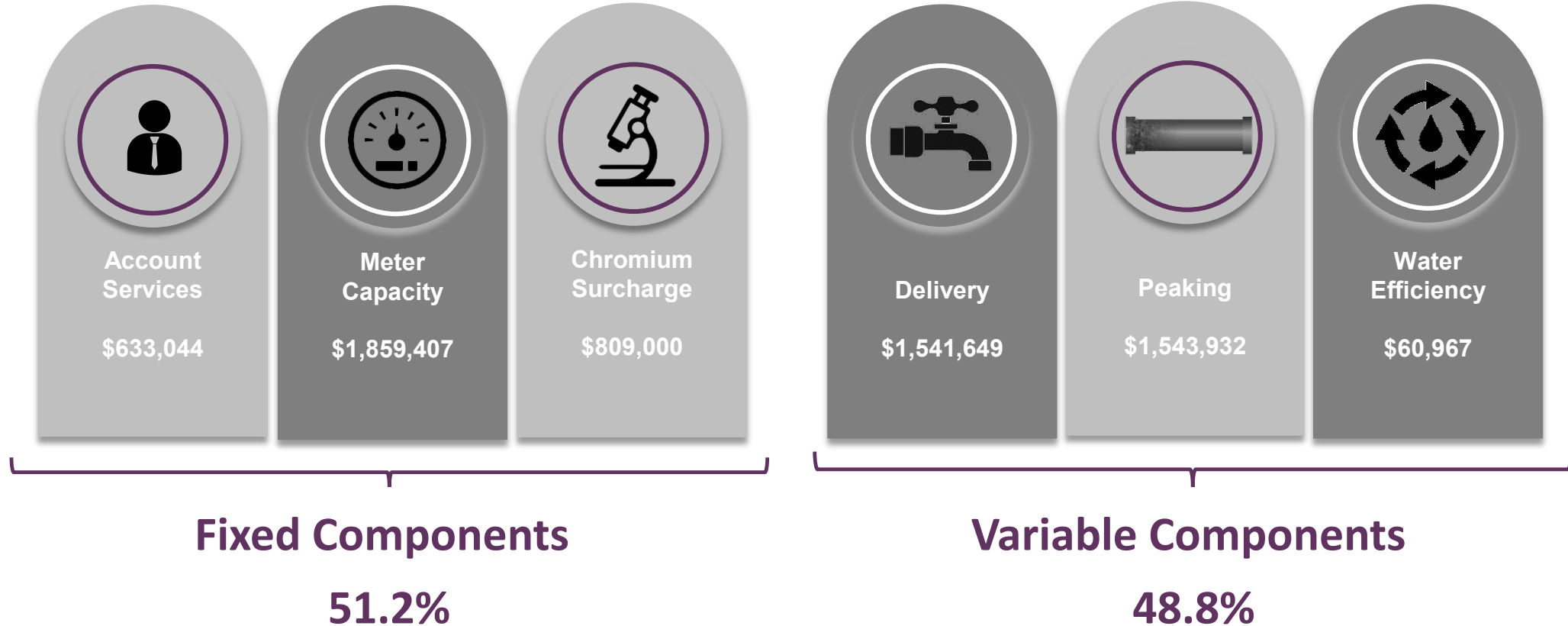
## Historical



- Water demand is hardening
- Water efficiency is the new norm

# Cost of Service

## Cost Components for Rate Development



# FY 2021 Fixed Charges

## Fixed Charge Components

Meter Size	Account Services [A]	Capacity Factor [B]	Meter Capacity [C]	FY 2021 Fixed Charges [D] = A+C	Current Rates
3/4"	\$7.61	1.00	\$14.67	<b>\$22.28</b>	\$19.16
1"	\$7.61	1.67	\$24.45	<b>\$32.06</b>	\$29.56
1 1/2"	\$7.61	3.33	\$48.90	<b>\$56.51</b>	\$55.54
2"	\$7.61	5.33	\$78.24	<b>\$85.85</b>	\$86.72
3"	\$7.61	11.67	\$171.15	<b>\$178.76</b>	\$159.47
4"	\$7.61	21.00	\$308.07	<b>\$315.68</b>	\$263.41

- Current Chromium Surcharge - \$9.71
  - No Change

# FY 2021 - Variable Charges

## Variable Rate Components

Customer Class	Delivery [A]	Peaking [B]	Conservation [C]	FY 2021 Variable Rates [D] = A+B+C	Current Rates
<b>Residential</b>					
Tier 1	\$1.57	\$1.07	\$0.00	<b>\$2.64</b>	\$2.53
Tier 2	\$1.57	\$2.28	\$0.16	<b>\$4.01</b>	\$4.00
<b>Multi-Family Residential</b>					
Tier 1	\$1.57	\$1.07	\$0.00	<b>\$2.64</b>	\$2.53
Tier 2	\$1.57	\$2.28	\$0.16	<b>\$4.01</b>	\$4.00
<b>Commercial</b>	\$1.57	\$1.42	\$0.07	<b>\$3.06</b>	\$3.02
<b>Institutional</b>	\$1.57	\$1.89	\$0.07	<b>\$3.53</b>	\$3.21

# Five - Year Rate Schedule

## Recommended Rates

Meter Fixed Charges (\$/Month)					
Meter Size	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
5/8"	\$22.28	\$23.62	\$25.04	\$26.55	\$28.15
3/4"	\$22.28	\$23.62	\$25.04	\$26.55	\$28.15
1"	\$32.06	\$33.99	\$36.03	\$38.20	\$40.50
1 1/2"	\$56.51	\$59.91	\$63.51	\$67.33	\$71.37
2"	\$85.85	\$91.01	\$96.48	\$102.27	\$108.41
3"	\$178.76	\$189.49	\$200.86	\$212.92	\$225.70
4"	\$315.68	\$334.63	\$354.71	\$376.00	\$398.56
6"	\$643.31	\$681.91	\$722.83	\$766.20	\$812.18
8"	\$1,376.81	\$1,459.42	\$1,546.99	\$1,639.81	\$1,738.20

Chromium 6 Surcharge (\$/Month)	
Meter Size	All Years
5/8"	\$9.71
3/4"	\$9.71
1"	\$9.71
1 1/2"	\$9.71
2"	\$9.71
3"	\$9.71
4"	\$9.71
6"	\$9.71
8"	\$9.71

Variable Rates (\$/hcf)					
Customer Class	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Residential</b>					
Tier 1	\$2.64	\$2.80	\$2.97	\$3.15	\$3.34
Tier 2	\$4.01	\$4.26	\$4.52	\$4.80	\$5.09
<b>Commercial</b>	\$3.06	\$3.25	\$3.45	\$3.66	\$3.88
<b>Institutional</b>	\$3.53	\$3.75	\$3.98	\$4.22	\$4.48

**Habib Isaac**

IB Consulting

Principal | Managing Partner

Phone: 951-595-9354 | Email: [hisaac@IBConsultingInc.com](mailto:hisaac@IBConsultingInc.com)

**Andrea Boehling**

IB Consulting

Principal | Managing Partner

Phone: 615-870-9371 | Email: [aboehling@IBConsultingInc.com](mailto:aboehling@IBConsultingInc.com)

**Thank You**



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