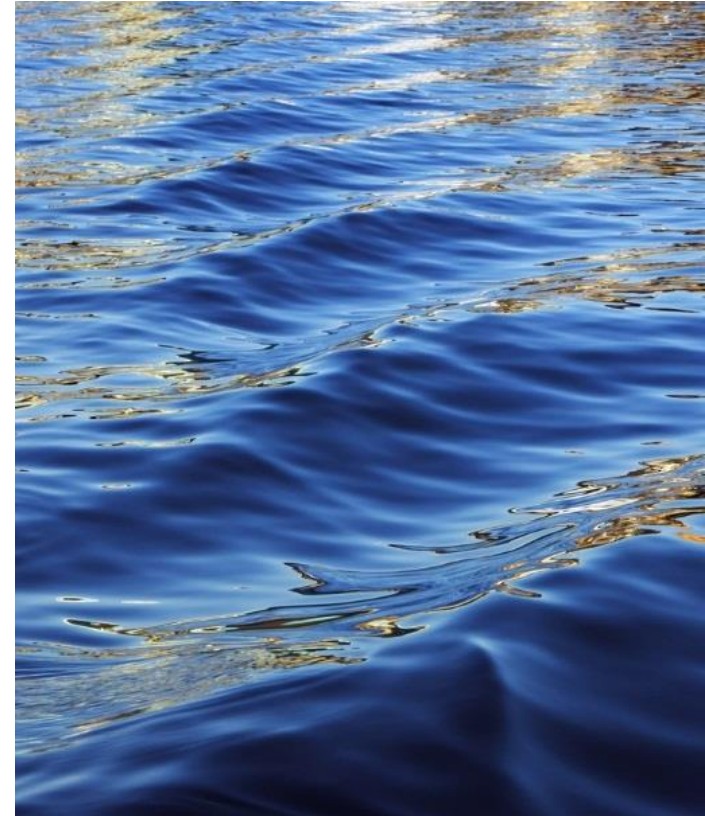


Water Rate Study Presentation

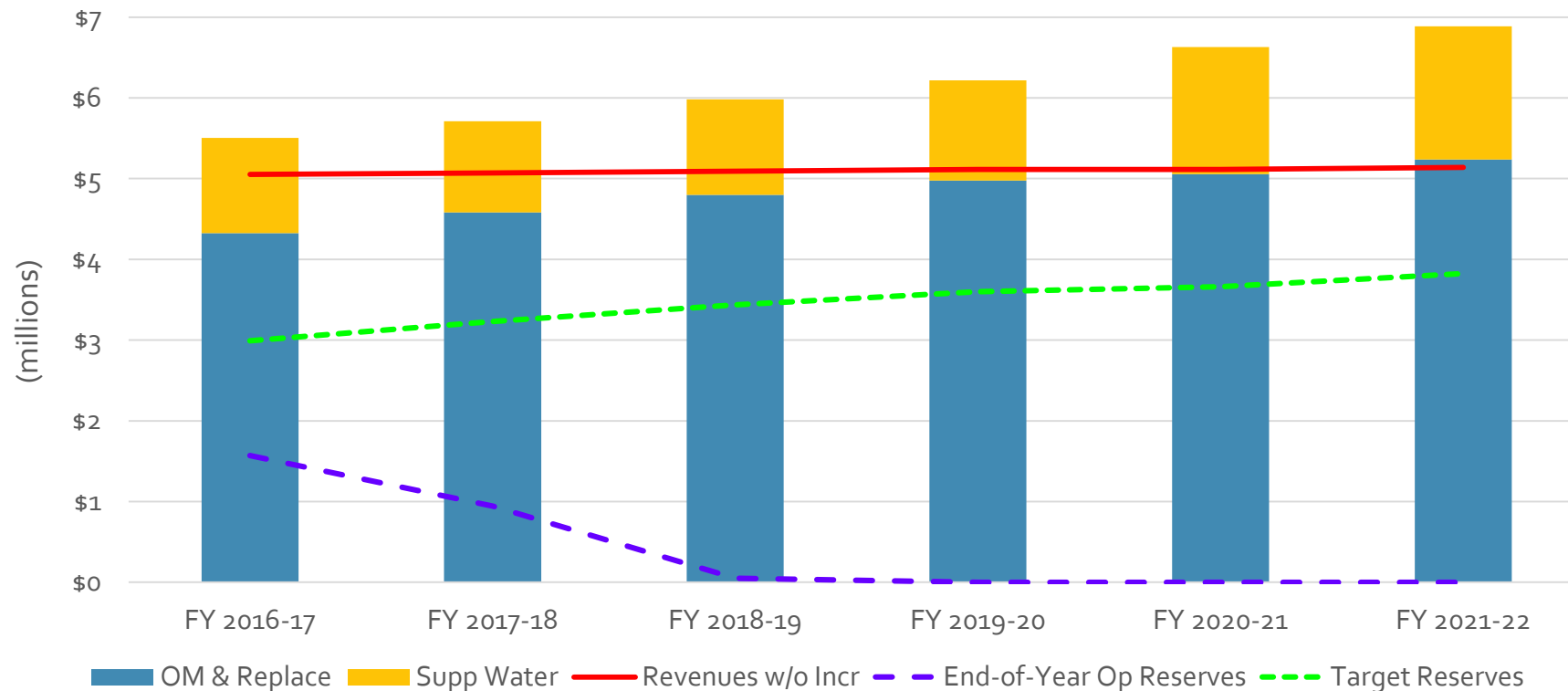
Nipomo Community Services District

Presented By: Clayton Tuckfield, PE MBA
Tuckfield & Associates
July 2017



Why Are Rate Increases Needed?

- Analyses show annual deficits, and reserves are below target
- Facing increased Supplemental Water Cost Beginning FY 20-21



Agenda

- Financial and Reserve Policies
 - Current Reserves and Target Reserves
 - Financial Planning Goals
- Financial Plan and Revenue Adjustments
 - Historical Water Sales Volume
 - Financial Plan
- Water Rate Design
 - Proposed Rate Structure
- Bill Impacts
- Bill Survey
- Timeline and Next Steps

Financial Goals and Reserve Policies

• Financial Goals

- Minimize revenue increases over 10-years
- Meet Budget Goals and Reserve Policy Targets
- Fund annual capital replacement through transfer of \$566,000 plus inflation
 - Annually to Water Replacement Reserve (Fund 805)
- Meet Debt Service Coverage Requirements

• Reserve Policy

- NCS D has adopted Reserve Policy in Resolution No. 2017-1435
 - Operating Reserve Policy – 365 days of O&M
 - Rate Stabilization Reserve Policy - \$400,000



Current Reserves and Target Reserves

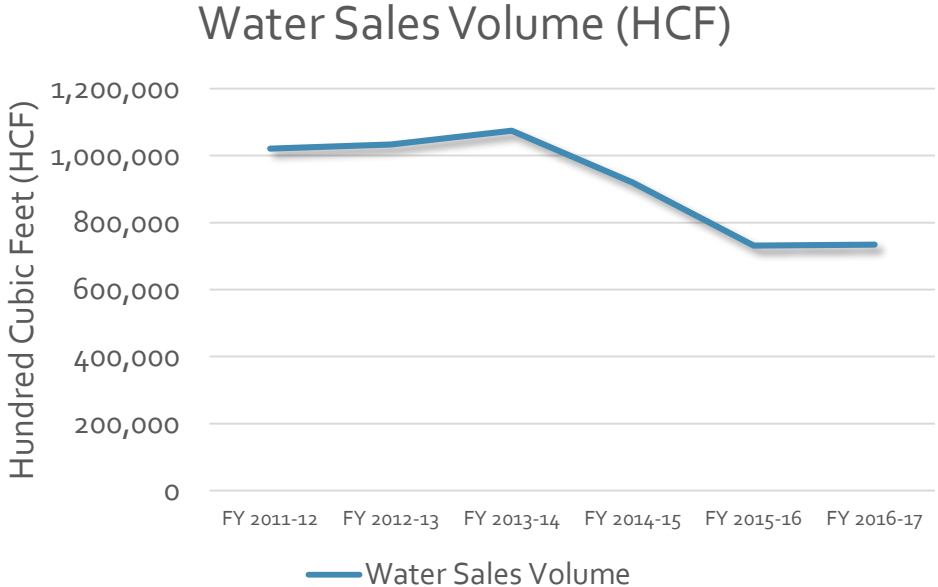
- Reserves as of June 30, 2016

Reserve Type	Reserve Balance	Reserve Target
Fund 125 Water Operating Reserve	\$1,449,165	\$2,993,000
Fund 126 SWP	\$55,946	\$0
Fund 128 Rate Stabilization	\$404,021	\$400,000
Total	\$1,909,132	\$3,393,000

Reserve Targets established by Policy from Resolution No. 2017-1435

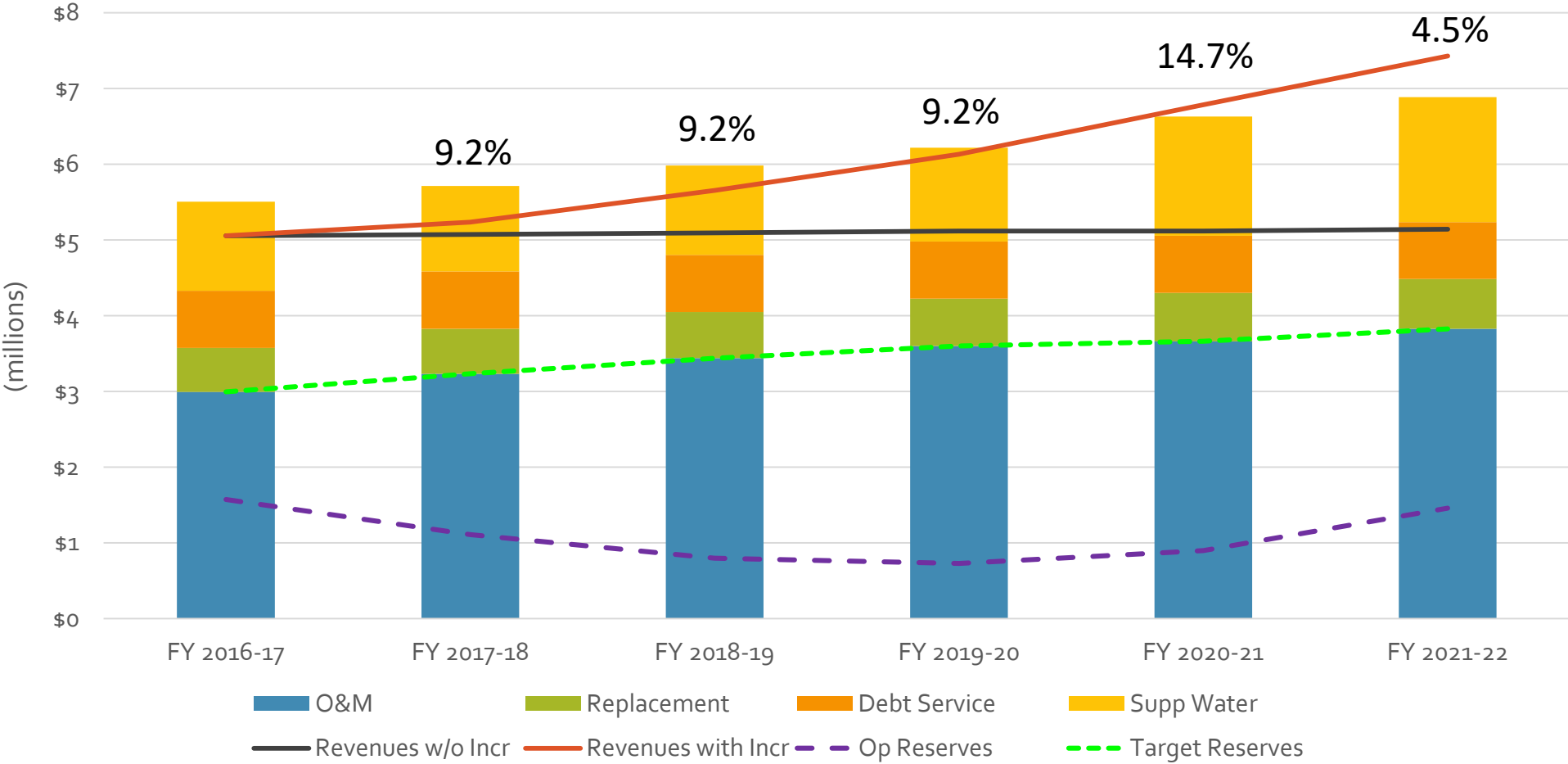
Historical Water Sales Volume

- Decrease of **32%** in water sales volume from FY 2013-14 to FY 2015-16
- Reduction meets Executive Order mandate
- Result is loss of about \$1.2M in annual revenue at current water rates



	Water Sales Volume (HCF)
FY 2011-12	1,020,499
FY 2012-13	1,033,151
FY 2013-14	1,073,971
FY 2014-15	918,979
FY 2015-16	731,602
FY 2016-17	734,530

Financial Plan (combined Fund 125 and Fund 126)



Why are Increases Higher than Inflation?

- Revenue loss of about \$1.2M annually due to lower water sales volume at current water rates
- Projected annual deficit needs to be overcome
- Need to rebuild Operating Reserve to Target level
 - Going from \$1.5M cash now to \$4.6M in FY 2025-26
 - Gradually building the reserve over 10 years to Target level
- Must take 1,000 AFY of Supplemental Water Beginning FY 20-21
 - Only need to take 800 AFY now
 - Annual increase of about \$260K in FY 20-21

Proposition 218 Review

- **Property Related Fee**
 - California Supreme Court defined Property Related Fee in *Big Horn-Desert View Water Agency v. Virjil*
 - Fees and charges for on-going retail water service are a Property Related Fee
- **Property related fees for water and sewer service**
 - Revenues must not exceed cost of service
 - Revenues can only be used for purpose for which fee is imposed
 - Amount of fee must not exceed the proportional cost of service attributable to that parcel

San Juan Capistrano Decision

- Reaffirmed rates must be proportional to cost of service
- Previously proportionality by customer class was sufficient
- Now must justify costs in rate tiers
- Conservation rates are not prohibited but must comply with Proposition 218

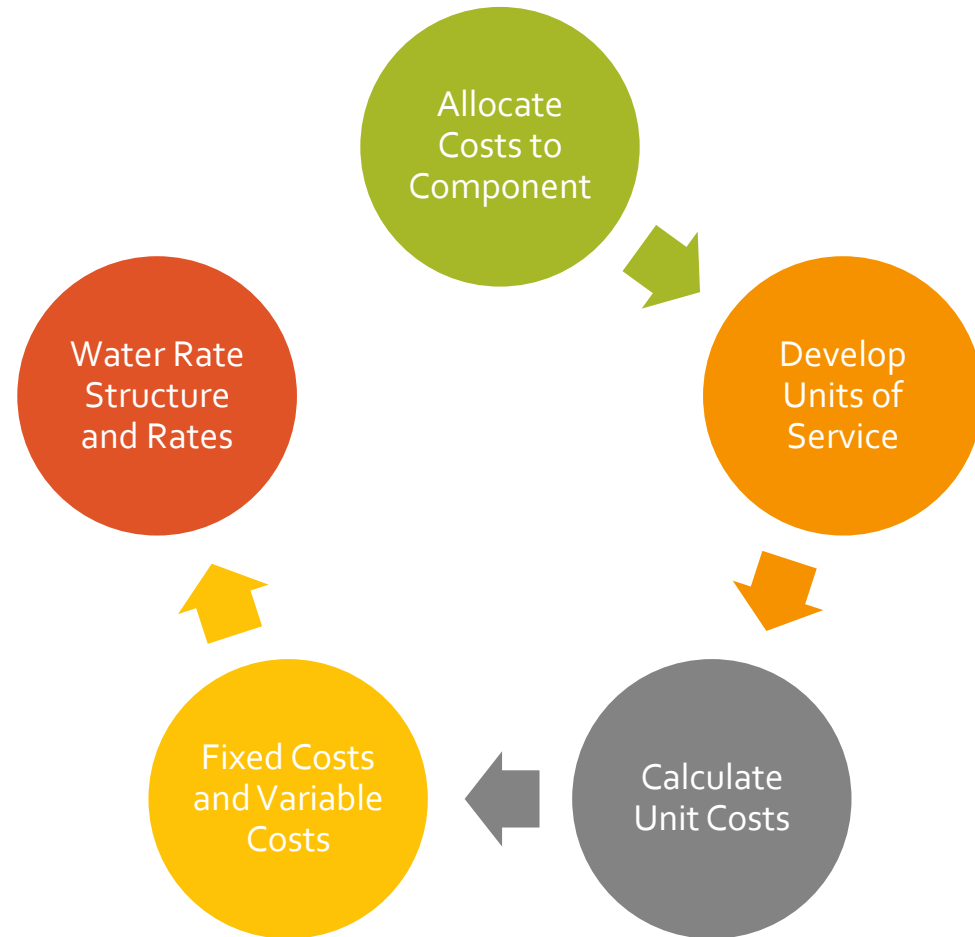


Recent Legislative Action

- January 2014 – State declares emergency and urges voluntary 20% water usage reduction
- April 2015 – Executive Order imposes mandatory 25% water usage reduction; NCS D required reduction is 28%
- May 2016 – Executive Order to extend emergency regulation through January 2017
- February 2017 – Extended emergency regulations unchanged to Nov 2017
- April 2017 – State Agencies release Final Report “Making Conservation A California Way of Life”
 - Intended to establish the way forward for water conservation

Rate Design Process

- Defensible Cost of Service Methodology
 - Follow AWWA and recent court decisions
 - Goal is to determine cost responsibility
- Recover Costs through Fair and Equitable Water Rates
 - Fixed Charges
 - Variable Charges



Proposed Rate Structure and Rates

Bi-monthly Fixed Charges

Meter Size	Current Charge	January 1, FY 17-18	January 1, FY 18-19	January 1, FY 19-20	January 1, FY 20-21	January 1, FY 21-22
		Fixed Charge (\$ per bi-month)				
5/8 thru 1 inch	\$58.12	\$42.51	\$46.52	\$51.59	\$58.26	\$60.15
1-1/2 inch	\$163.54	\$51.49	\$55.55	\$60.87	\$67.97	\$69.74
2 inch	\$256.84	\$67.40	\$72.08	\$78.43	\$87.05	\$88.97
3 inch	\$469.68	\$152.51	\$163.70	\$178.85	\$200.11	\$204.56
4 inch	\$770.31	\$197.75	\$210.55	\$228.44	\$253.78	\$258.52
6 inch	\$1,524.85	\$335.12	\$349.88	\$372.90	\$406.41	\$410.27
8 inch	\$1,777.11	\$492.11	\$509.09	\$538.01	\$580.83	\$583.68

Private Fire Protection Bi-monthly Fixed Charges

Hydrant Size	Current Charge	January 1, FY 17-18	January 1, FY 18-19	January 1, FY 19-20	January 1, FY 20-21	January 1, FY 21-22
inches						
1 inch	\$0.00	\$0.64	\$0.71	\$0.77	\$0.86	\$0.90
1-1/2 inch	\$0.00	\$1.87	\$2.07	\$2.25	\$2.51	\$2.61
2 inch	\$0.00	\$3.99	\$4.41	\$4.79	\$5.34	\$5.56
3 inch	\$15.75	\$11.58	\$12.82	\$13.91	\$15.52	\$16.15
4 inch	\$18.90	\$24.69	\$27.32	\$29.65	\$33.07	\$34.42
6 inch	\$28.33	\$71.71	\$79.36	\$86.13	\$96.07	\$99.99
8 inch	\$39.37	\$152.82	\$169.13	\$183.54	\$204.73	\$213.08
10 inch	\$47.23	\$274.83	\$304.15	\$330.07	\$368.17	\$383.19

Bi-monthly Variable Charges

Classification	Current Rate	January 1, FY 17-18	January 1, FY 18-19	January 1, FY 19-20	January 1, FY 20-21	January 1, FY 21-22
		Variable Charge (\$ per HCF)				
Single-family Residential (1")						
Tier 1 - 0 to 24 units	\$3.40					
Tier 2 - 25 to 40 units	\$3.98					
Tier 3 - 41 to 100 units	\$5.17					
Tier 4 - Over 100	\$8.11					
All Consumption		\$4.97	\$5.45	\$5.95	\$6.92	\$7.17
Multifamily Residential (1")						
Tier 1 - 0 to 8 units	\$3.40					
Tier 2 - 9 to 12 units	\$3.98					
Tier 3 - 12 to 25 units	\$5.17					
Tier 4 - Over 25	\$8.11					
All Consumption		\$4.97	\$5.45	\$5.95	\$6.92	\$7.17
Commercial (1")						
Tier 1 - 0 to 55 units	\$3.98					
Tier 2 - Over 55 units	\$5.17					
All Consumption		\$4.97	\$5.45	\$5.95	\$6.92	\$7.17
Irrigation (1")						
Tier 1 - 0 to 55 units	\$3.98					
Tier 2 - Over 55 units	\$5.17					
All Consumption		\$4.97	\$5.45	\$5.95	\$6.92	\$7.17
Agriculture	\$4.44	\$4.97	\$5.45	\$5.95	\$6.92	\$7.17
Construction/Hydrant	\$4.44	\$4.97	\$5.45	\$5.95	\$6.92	\$7.17
Supplemental Water	[\$1.03 included in current rates above]					

SFR and MFR Bi-Monthly Bill Impacts

		Single-family Residential							
		Current Bill			Proposed FY 17-18 Bill				
Description	Use (HCF)	Service	Volume	Current	Service	Volume	Proposed	Dollar	Percent
		Charge	Charge	Bill	Charge	Charge	Bill	Difference	Change
	0	\$58.12	\$0.00	\$58.12	\$42.51	\$0.00	\$42.51	(\$15.61)	-26.9%
Very Low	5	\$58.12	\$17.00	\$75.12	\$42.51	\$24.85	\$67.36	(\$7.76)	-10.3%
Low	10	\$58.12	\$34.00	\$92.12	\$42.51	\$49.70	\$92.21	\$0.09	0.1%
Median	19	\$58.12	\$64.60	\$122.72	\$42.51	\$94.43	\$136.94	\$14.22	11.6%
Average	25	\$58.12	\$85.58	\$143.70	\$42.51	\$124.25	\$166.76	\$23.06	16.0%
High	40	\$58.12	\$145.28	\$203.40	\$42.51	\$198.80	\$241.31	\$37.91	18.6%
Very High	50	\$58.12	\$196.98	\$255.10	\$42.51	\$248.50	\$291.01	\$35.91	14.1%

		Multifamily Residential Bi-monthly Bill							
		Current Bill			Proposed FY 17-18 Bill				
Description	Use (HCF)	Service	Volume	Current	Service	Volume	Proposed	Dollar	Percent
		Charge	Charge	Bill	Charge	Charge	Bill	Difference	Change
	0	\$58.12	\$0.00	\$58.12	\$42.51	\$0.00	\$42.51	(\$15.61)	-26.9%
Very Low	2	\$58.12	\$6.80	\$64.92	\$42.51	\$9.94	\$52.45	(\$12.47)	-19.2%
Low	5	\$58.12	\$17.00	\$75.12	\$42.51	\$24.85	\$67.36	(\$7.76)	-10.3%
Median	9	\$58.12	\$31.18	\$89.30	\$42.51	\$44.73	\$87.24	(\$2.06)	-2.3%
Average	11	\$58.12	\$39.14	\$97.26	\$42.51	\$54.67	\$97.18	(\$0.08)	-0.1%
High	15	\$58.12	\$58.63	\$116.75	\$42.51	\$74.55	\$117.06	\$0.31	0.3%
Very High	25	\$58.12	\$110.33	\$168.45	\$42.51	\$124.25	\$166.76	(\$1.69)	-1.0%

Commercial and Irrig Bi-Monthly Bill Impacts

		Commercial (1-inch meter) Bi-monthly Bill							
		Current Bill			Proposed FY 17-18 Bill				
Description	Use (HCF)	Service	Volume	Current	Service	Volume	Proposed	Dollar	Percent
		Charge	Charge	Bill	Charge	Charge	Bill	Difference	Change
	0	\$58.12	\$0.00	\$58.12	\$42.51	\$0.00	\$42.51	(\$15.61)	-26.9%
Very Low	10	\$58.12	\$39.80	\$97.92	\$42.51	\$49.70	\$92.21	(\$5.71)	-5.8%
Low	20	\$58.12	\$79.60	\$137.72	\$42.51	\$99.40	\$141.91	\$4.19	3.0%
Median	45	\$58.12	\$191.00	\$249.12	\$42.51	\$223.65	\$266.16	\$17.04	6.8%
Average	62	\$58.12	\$278.89	\$337.01	\$42.51	\$308.14	\$350.65	\$13.64	4.0%
High	75	\$58.12	\$346.10	\$404.22	\$42.51	\$372.75	\$415.26	\$11.04	2.7%
Very High	100	\$58.12	\$475.35	\$533.47	\$42.51	\$497.00	\$539.51	\$6.04	1.1%

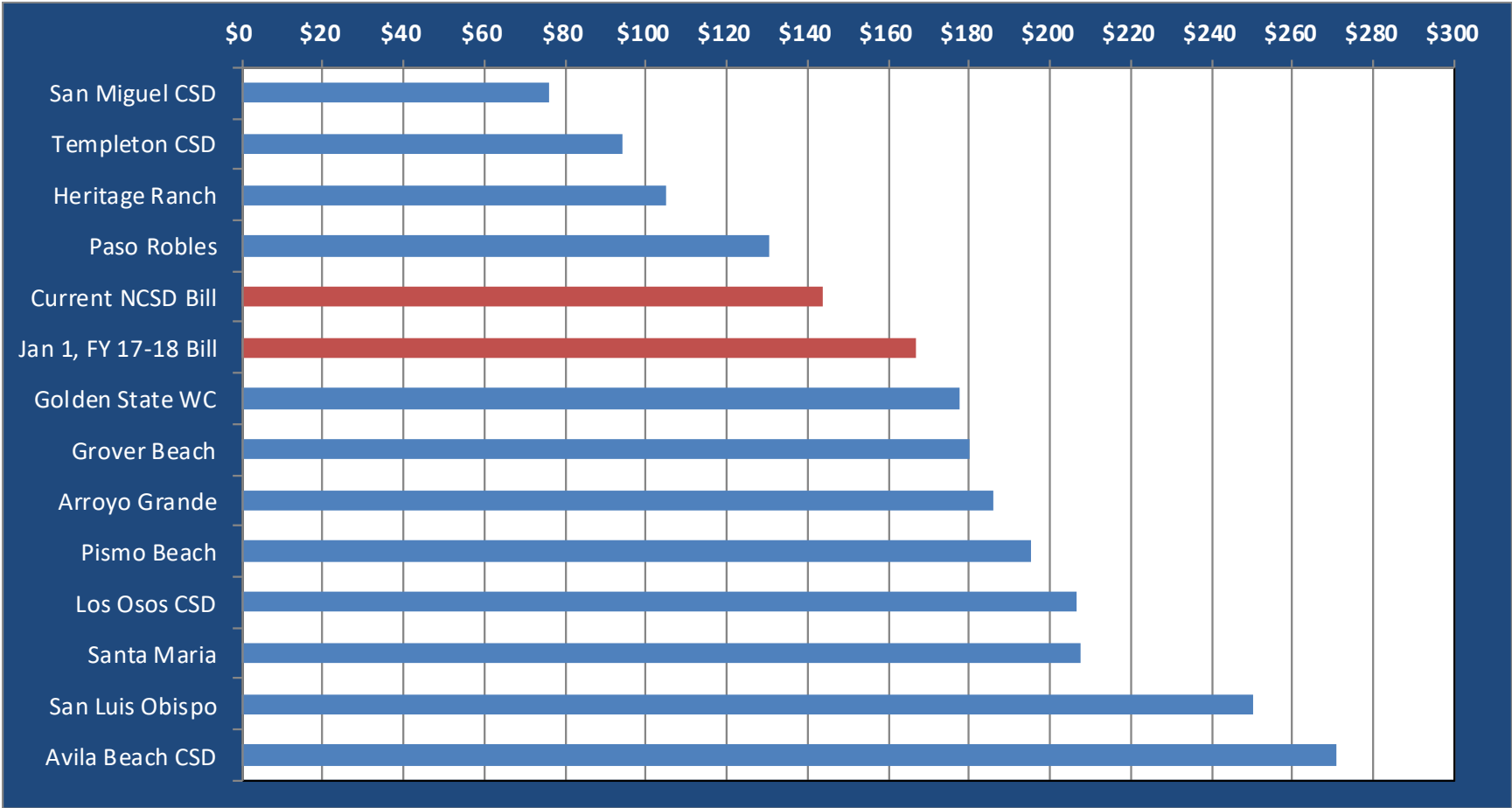
		Irrigation (1-inch meter) Bi-monthly Bill							
		Current Bill			Proposed FY 17-18 Bill				
Description	Use (HCF)	Service	Volume	Current	Service	Volume	Proposed	Dollar	Percent
		Charge	Charge	Bill	Charge	Charge	Bill	Difference	Change
	0	\$58.12	\$0.00	\$58.12	\$42.51	\$0.00	\$42.51	(\$15.61)	-26.9%
Very Low	50	\$58.12	\$199.00	\$257.12	\$42.51	\$248.50	\$291.01	\$33.89	13.2%
Low	80	\$58.12	\$354.10	\$412.22	\$42.51	\$397.60	\$440.11	\$27.89	6.8%
Median	121	\$58.12	\$566.07	\$624.19	\$42.51	\$601.37	\$643.88	\$19.69	3.2%
Average	170	\$58.12	\$819.40	\$877.52	\$42.51	\$844.90	\$887.41	\$9.89	1.1%
High	200	\$58.12	\$974.50	\$1,032.62	\$42.51	\$994.00	\$1,036.51	\$3.89	0.4%
Very High	250	\$58.12	\$1,233.00	\$1,291.12	\$42.51	\$1,242.50	\$1,285.01	(\$6.11)	-0.5%

Local Community Rate Structures

Agency	Rate Structure	Date Implemented
San Miguel CSD ^[1]	3-Tier	2007
Heritage Ranch CSD ^[1]	3-Tier	2009
Avila Beach CSD	Uniform	June 2014
Templeton CSD	4-Tier	July 2014
Pismo Beach	4-Tier	August 2014
Los Osos CSD	4-Tier	2015
Santa Maria ^[1]	4-Tier	July 2015
Arroyo Grande	3-Tier	August 2016
Paso Robles	Uniform	January 2017
San Luis Obispo	2-Tier	2017
Golden State WC	3-Tier	March 2017
Grover Beach	Uniform	March 2017

^[1] Rate Study currently in progress.

Bi-Monthly Bill Survey @ 25 HCF Bi-monthly



For water rates in effect March 2017

Timeline and Next Steps

- Draft Rate Study considered at July 12 Board meeting
 - Recommend to accept report at this meeting
- Perform Public Workshops on August 1
- Board meeting August 9 to Begin Prop 218 process
- Prop 218 Hearing Notice sent to owners by August 15
 - Notice initiates 45-day minimum notice prior to public hearing
- Public Hearing scheduled for October 11
- Water rates become effective January 1, 2018



Discussion

Financial Plan and Water Rate Study

