



Tahoe City Public Utility District

2019 Water & Sewer Rate Study Considerations and Assumptions

June 21, 2019

HDR



Overview of the Presentation

**Overview of the
Rate Study
Process**

**Preliminary
Study Approach
and Assumptions**

Next Steps...

Purpose of the Study

- Provide sufficient revenues to operate and maintain the District's water and sewer infrastructure
- Develop equitable and cost-based rates
 - Meet the intent of Proposition 218
- Reflect prudent financial planning criteria
- Develop the study using generally accepted methodologies
 - Tailored to the District's system and customer characteristics
- Reflect the LTFP process and direction



Developing Cost-Based Water & Sewer Rates

Revenue Requirement

Compares the revenue of the utility to the expenses to evaluate the level of overall rates



Cost of Service

Equitably allocates the revenue requirement between the various customer classes of service



Rate Design

Design rates for each class of service to meet the revenue needs of the utilities, along with any other rate design goals and objectives

Preliminary Results

**In Development - Policy
Direction Needed**

Water Systems – Key Issues and Challenges

Significant Capital Infrastructure Needs

- Tahoe Cedars/Madden Creek/Timberland
- Regional water supply and storage
- Ongoing renewal and replacement

Rate Transition Plan

- Tahoe Cedars
- Madden Creek
- Timberland

Future System Acquisition

- Define goals, objectives, and policy/approach
- Develop strategy and methodology for “on-boarding” new systems
- Identify funding needs and source

Communication Plan & Prop 218 Process

- Define public outreach strategy
- Develop pathway to comply with Prop 218 requirements

Water Rate Study – Preliminary Assumptions

Maintain Unified View of TCPUD Water System

- “One Water” approach – big happy family
- Everyone contributes to current and future needs of the system
- Ultimately produces better service levels and economies of scale (everyone benefits)

Revenue Requirement & Cost of Service

- Develop analyses as one system
- All revenues and costs are included and then allocated appropriately to the customer classes

West Lake Tahoe Regional Water Treatment Plant

- Construction cost to be financed and debt service paid with property tax

Water Rate Study – Preliminary Assumptions (*continued*)

Capital Improvement Plan

- Prioritize capital based on system condition
- Possible funding sources:
 - Rates
 - Property tax
 - Grants
 - Financing (long-term borrowing)
 - Special Assessment

Rate Design

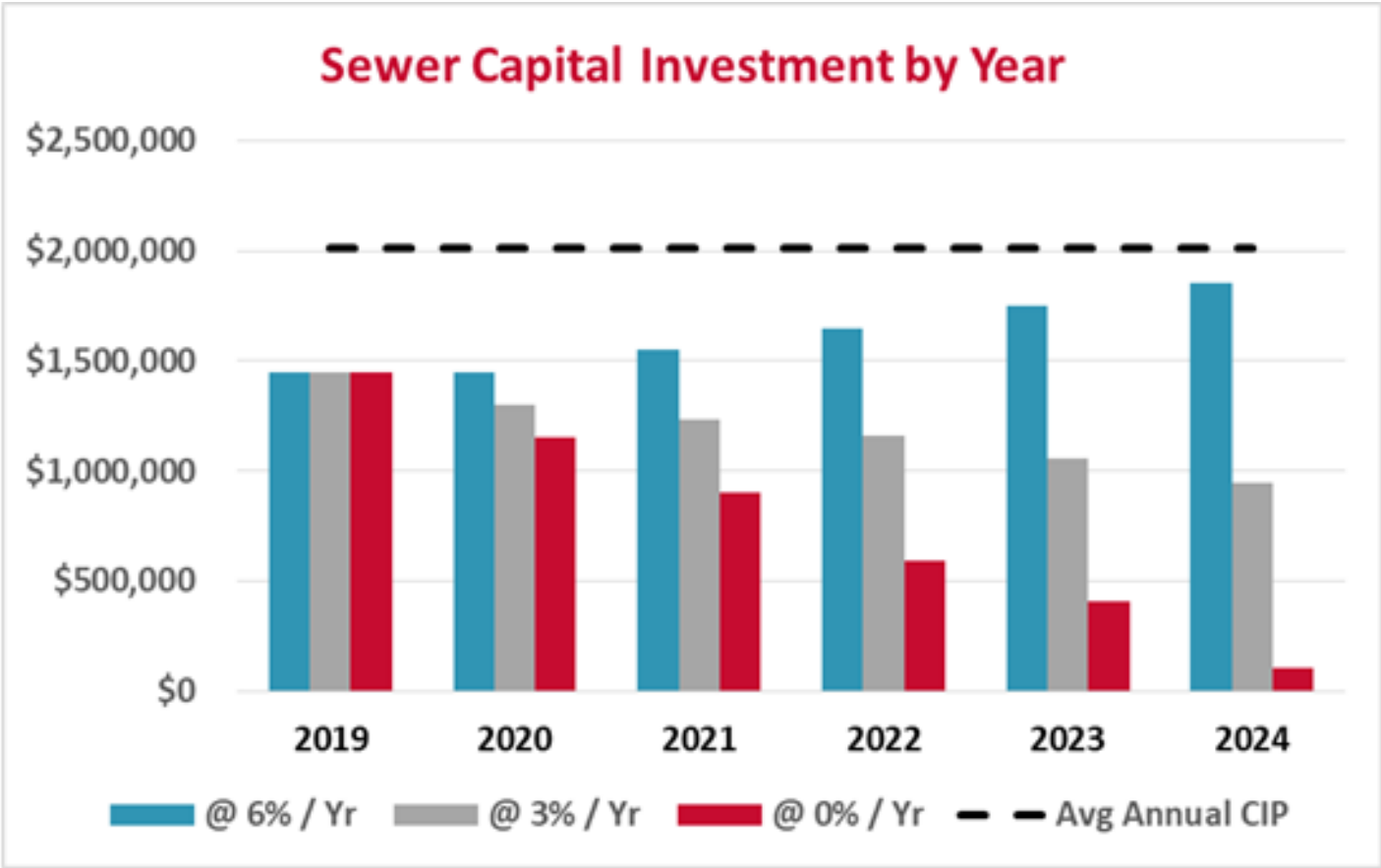
- Same rate structure for all customer classes
- Timberland transition to full rates January 2020
- Tahoe Cedars and Madden Creek transition over time (stopgap via property tax revenues)

Water Capital Improvement Funding Plan

- Annual revenue adjustments of 6% provides approximately \$2.5 million per year through rates
- Current capital plan does not include total capital needs
 - Reduced plan for the next 5-years
- Funding sources and timing needed for:
 - Acquisition system full improvements
 - Regional storage
- Future funding for capital improvements will be included within the long-term financial planning process

Sewer Capital Improvement Funding Plan

- Targeting approximately \$1.5 million annually
- Current capital plan is approximately \$2.0 million per year



Acquired System Rate Transition Plans

▪ **Timberland**

- Transition to full TCPUD water rates in 2020

▪ **Tahoe Cedars / Madden Creek**

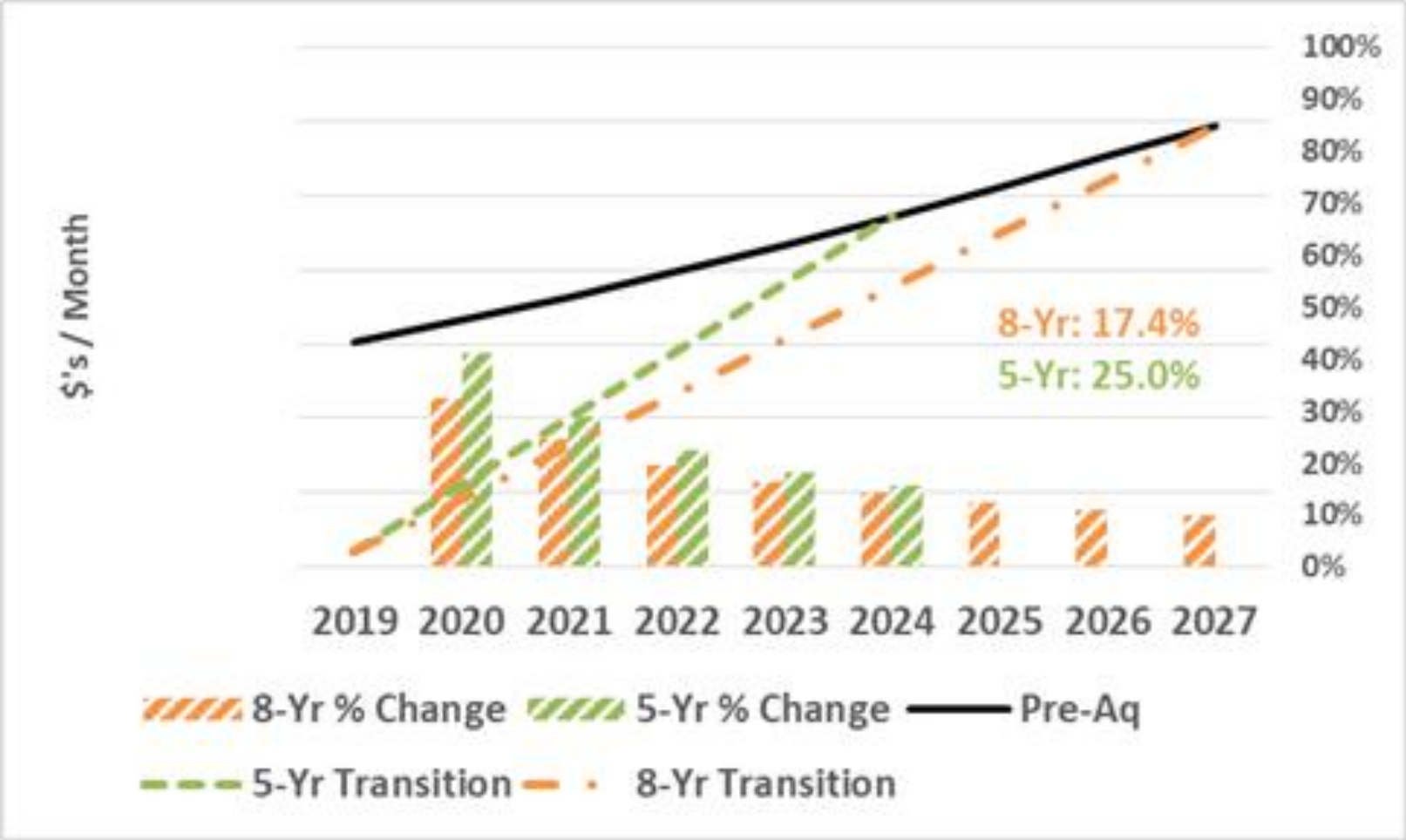
○ **Option 1**

- 10-year transition period (by 2028)
- Consistent with pre-acquisition discussions
- Results in longer timeline for infrastructure improvements (15 – 20 yrs)
- Rates to be transition with stopgap from property tax revenues
 - » Approximately \$5.0 million over the 8 year time frame

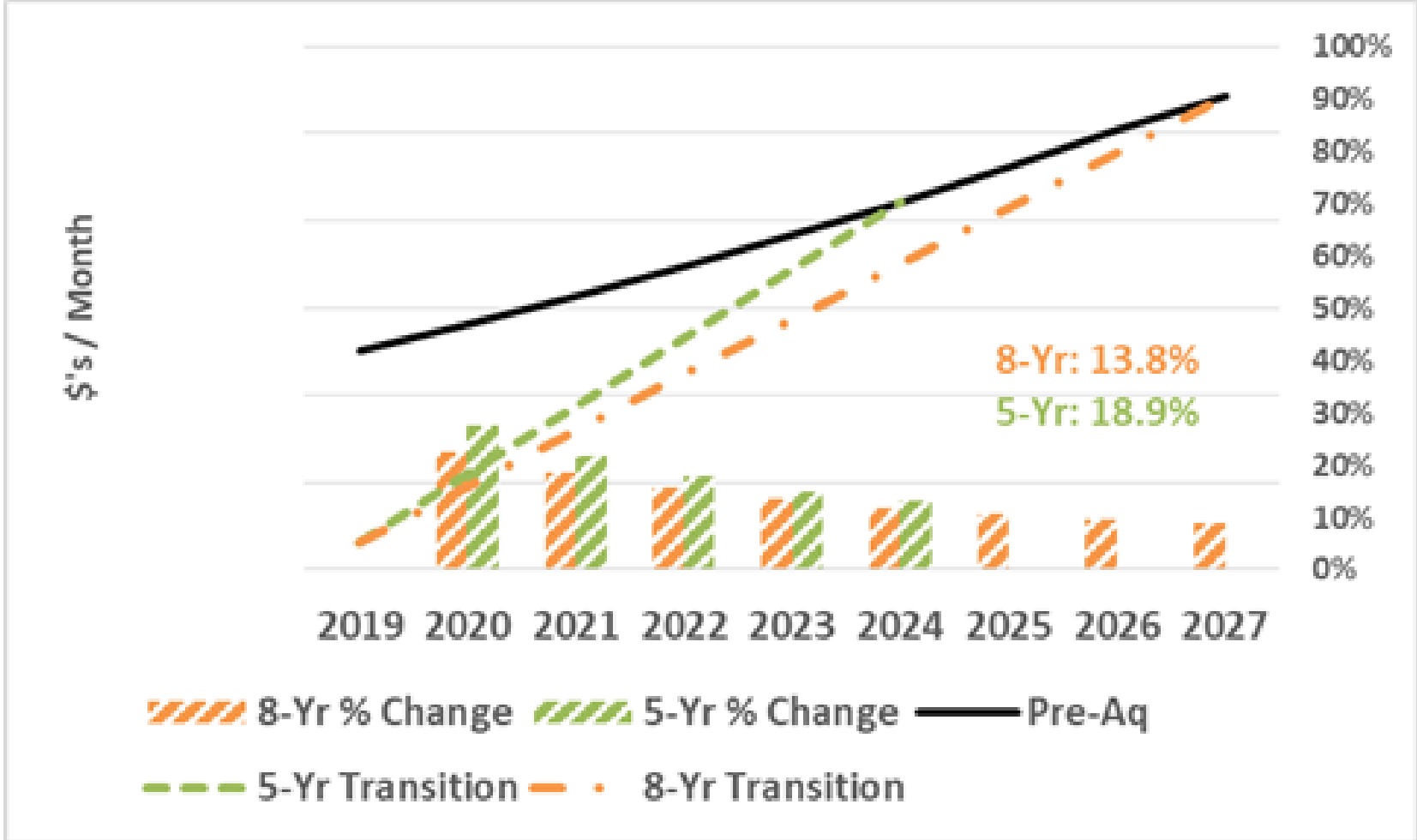
○ **Option 2**

- 6-year transition period (by 2024, 5th year of study)
- Results in shorter timeline for infrastructure improvements (6 – 12 yrs)
- Rates to be transition with stopgap from property tax revenues
 - » Approximately \$2.7 million over the 4 year time frame

Tahoe Cedars Rate Transition Approach



Madden Creek Rate Transition Approach



Next Steps

- Gain feedback and Board direction
- Incorporate today's discussion in the development of the rate study draft results and recommendations
- Early July 2019 – Focused community outreach
- July 22, 2019 – Special Board Meeting - Review draft results with the Board
- HDR to revise and finalize technical analyses
- Early August 2019 – Public outreach and HOA meetings
- August 16, 2019 – Regular Board Meeting – Present findings and recommendations - Set Public Hearing and send out Proposition 218 Notice
- October 18, 2019 – Regular Board Meeting – Public Hearing on rates and possible Prop. 218 Rate Adoption
- November 22, 2019 Board Meeting – 2020 Rate Adoption



Discussion

