

SOUTH TAHOE PUBLIC UTILITY DISTRICT

Proposed 2019/20 Budget and Ten-Year Financial/Capital Plan



Board Workshop March 13, 2019

Paul Hughes – Chief Financial Officer

Shannon Cotulla – Assistant General Manager





2019/20 PROPOSED BUDGET

BUDGET MESSAGE HIGHLIGHTS

Paul Hughes
Chief Financial Officer



2019/20 Budget and Long-Range Forecast:

- Balanced – available resources equal expenditures plus reserves
- Complies with Board adopted reserve policies – operating/capital/rate stabilization
- Meets required debt coverage ratios – net operating revenues cover at least 120% of annual debt payments



RATE ASSUMPTIONS

- Proposed 2019/20 budget includes 5.0% Water, 5.0% Sewer rate increases.
- Supports Fire Flow & Data Driven CIP's.
- Forecast assumes 5-year rate schedule to be issued with the Prop 218 notice. 5% increases in years 6 – 10.
- Annual rate changes must be confirmed by the Board.

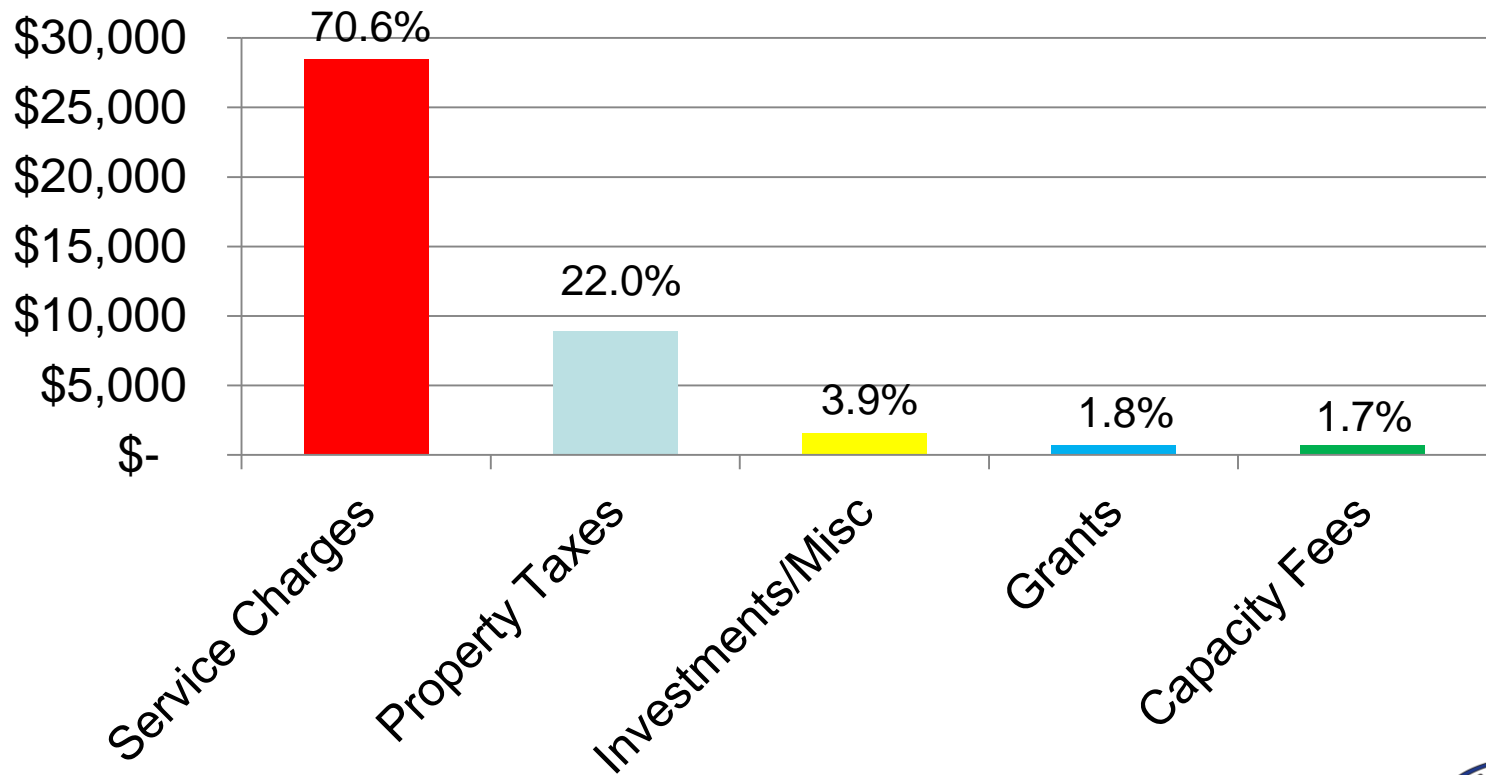


RATE ASSUMPTIONS

- Adopting rates less than 5.0% requires revising capital improvement plans (CIP's).
- Adopting rates greater than 5% beyond year one requires issuance of a new Prop 218 notice.
- Rate increases are entirely for the capital program. Not necessary for day to day operations.

TOTAL REVENUES 2019/20 Projected

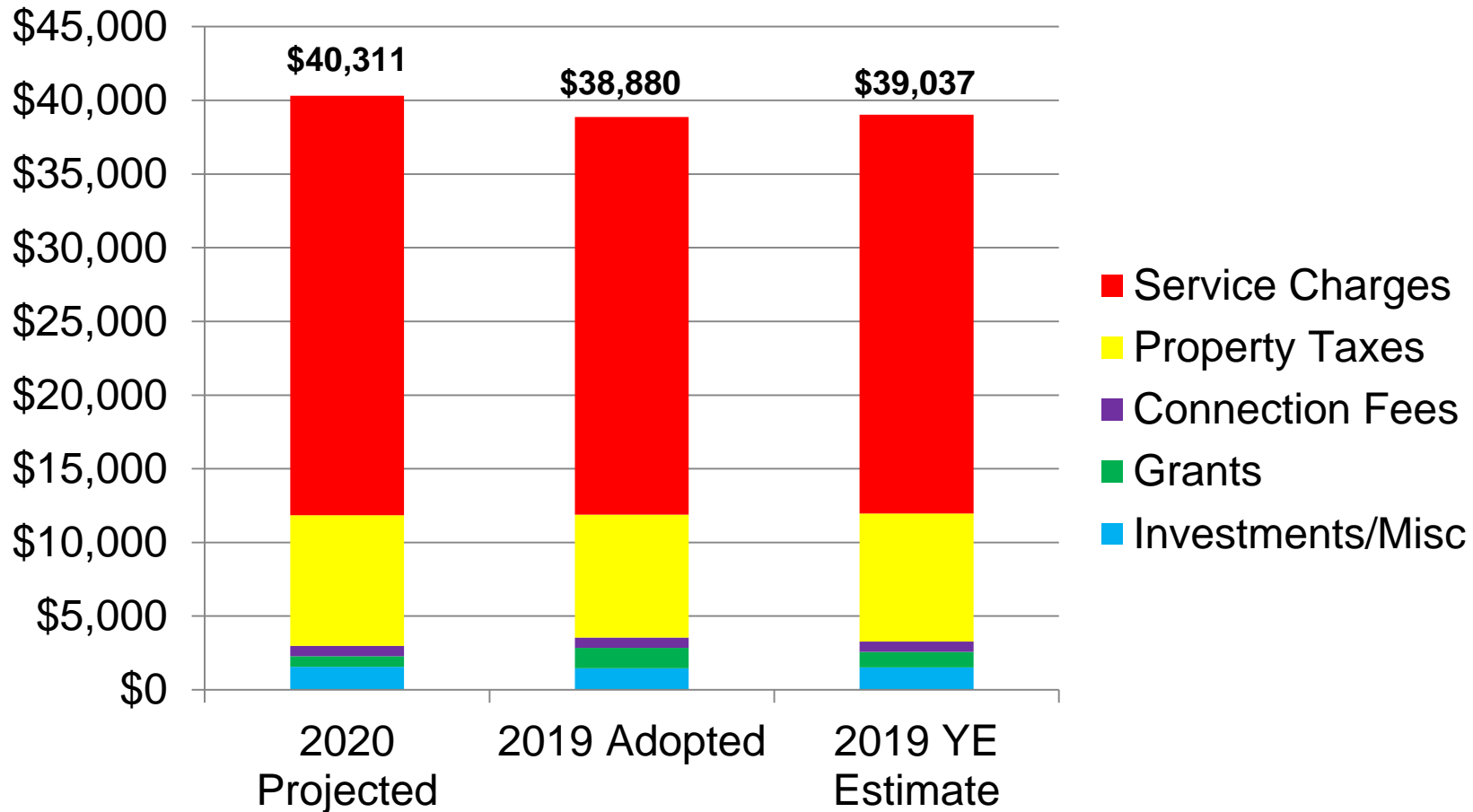
5.0% WATER, 5% SEWER RATE INCREASES
\$40,311 (In Thousands)



REVENUES

Year-to-Year Comparisons

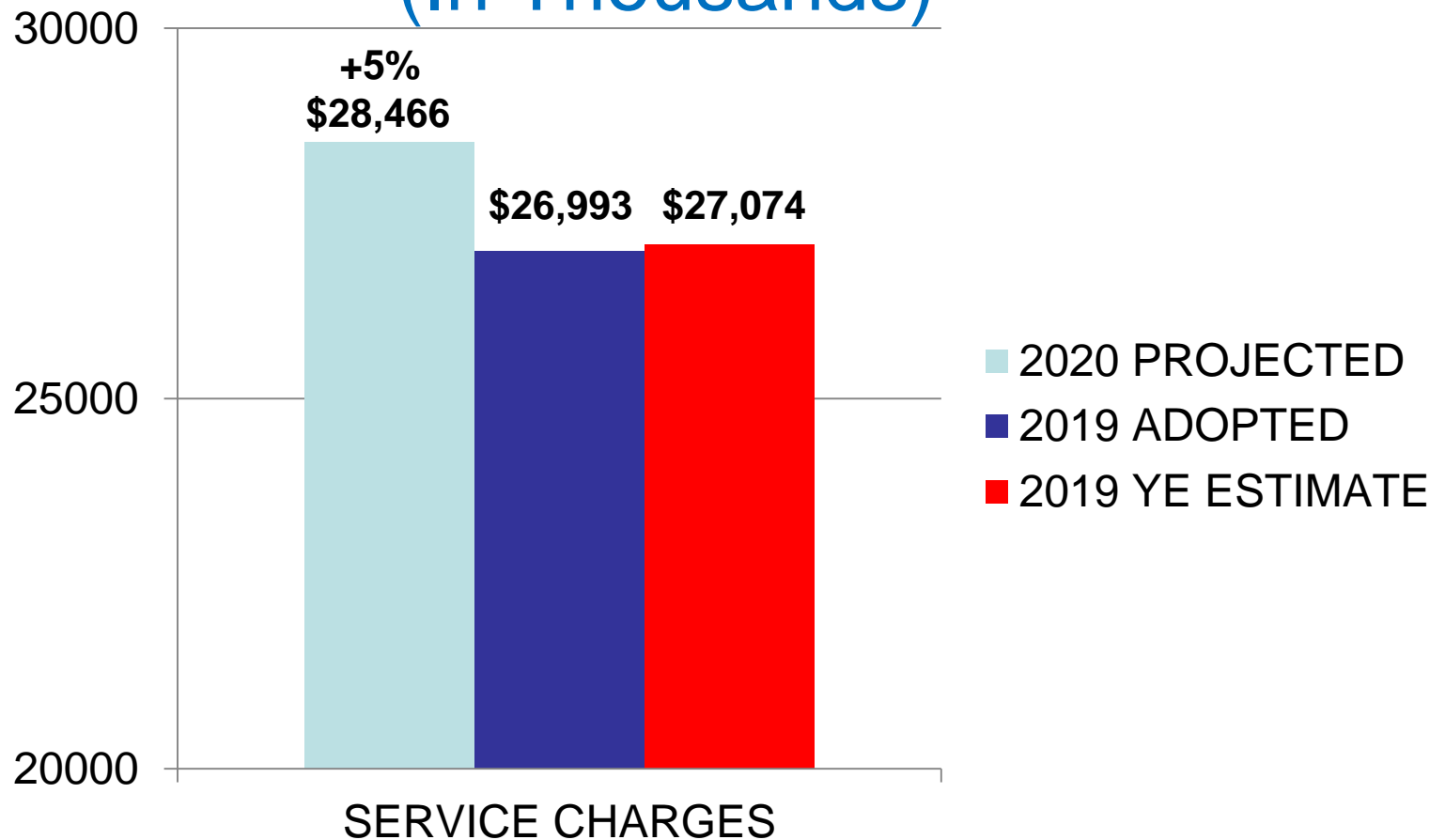
(In Thousands)



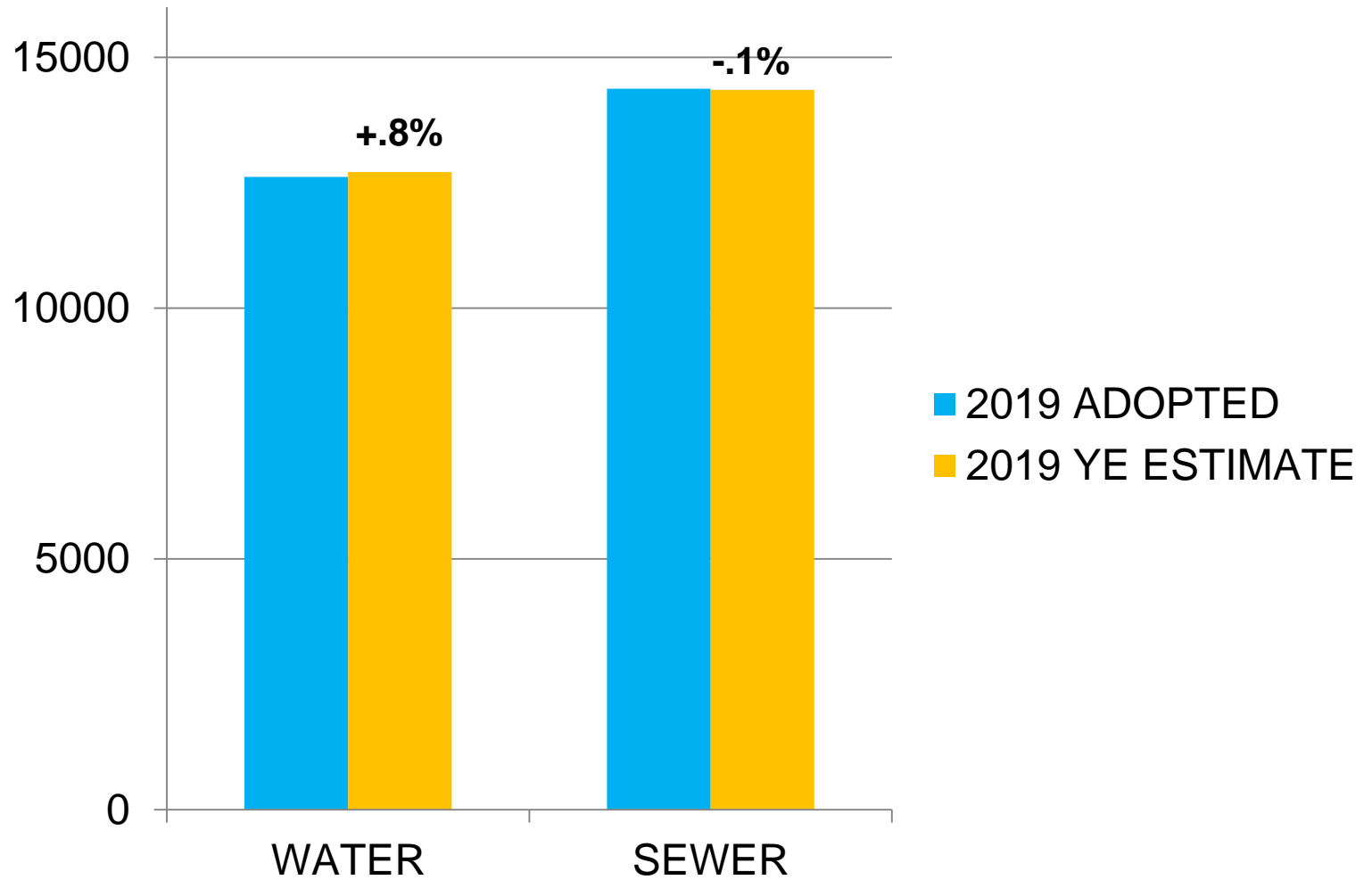
SERVICE CHARGES

WATER & SEWER COMBINED

(In Thousands)



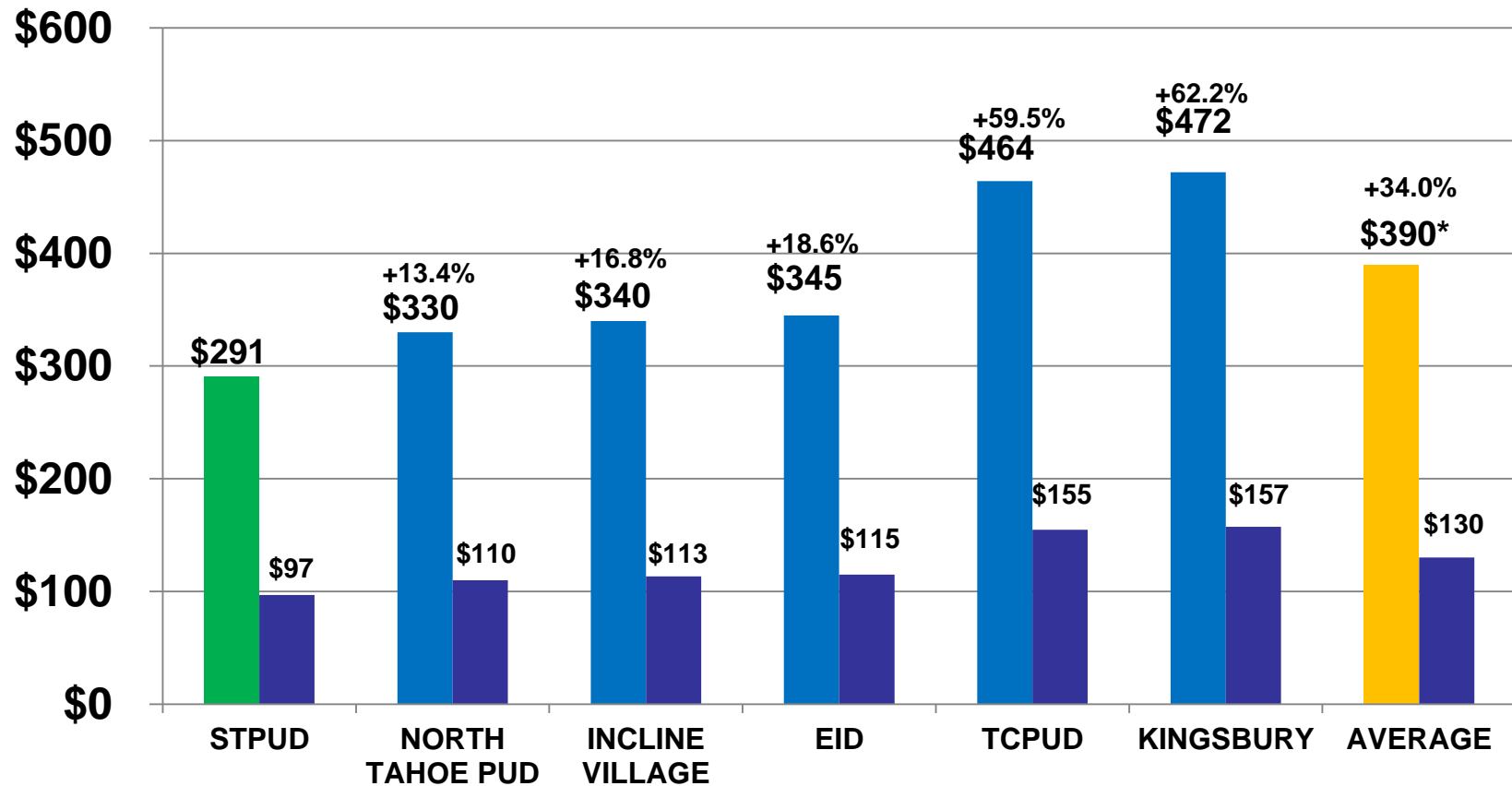
SERVICE CHARGES



DISTRICT RATES LOWEST

Combined Water & Sewer Quarterly/Monthly

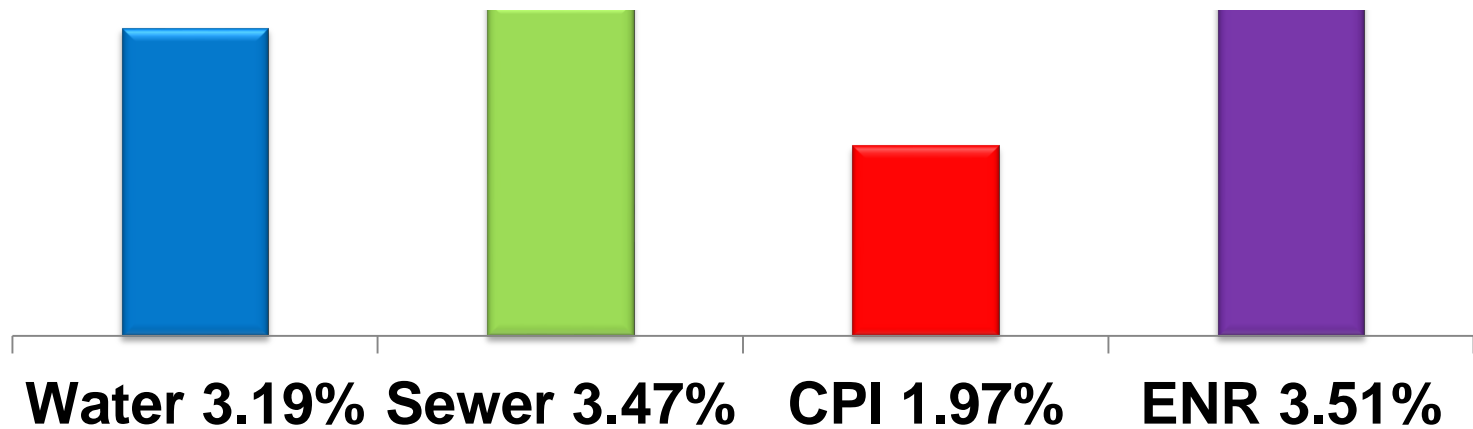
Current Year



**Average doesn't include STPUD*

SERVICE CHARGE RATES

15-Year District Rate Increase History Compared to Inflation Indexes



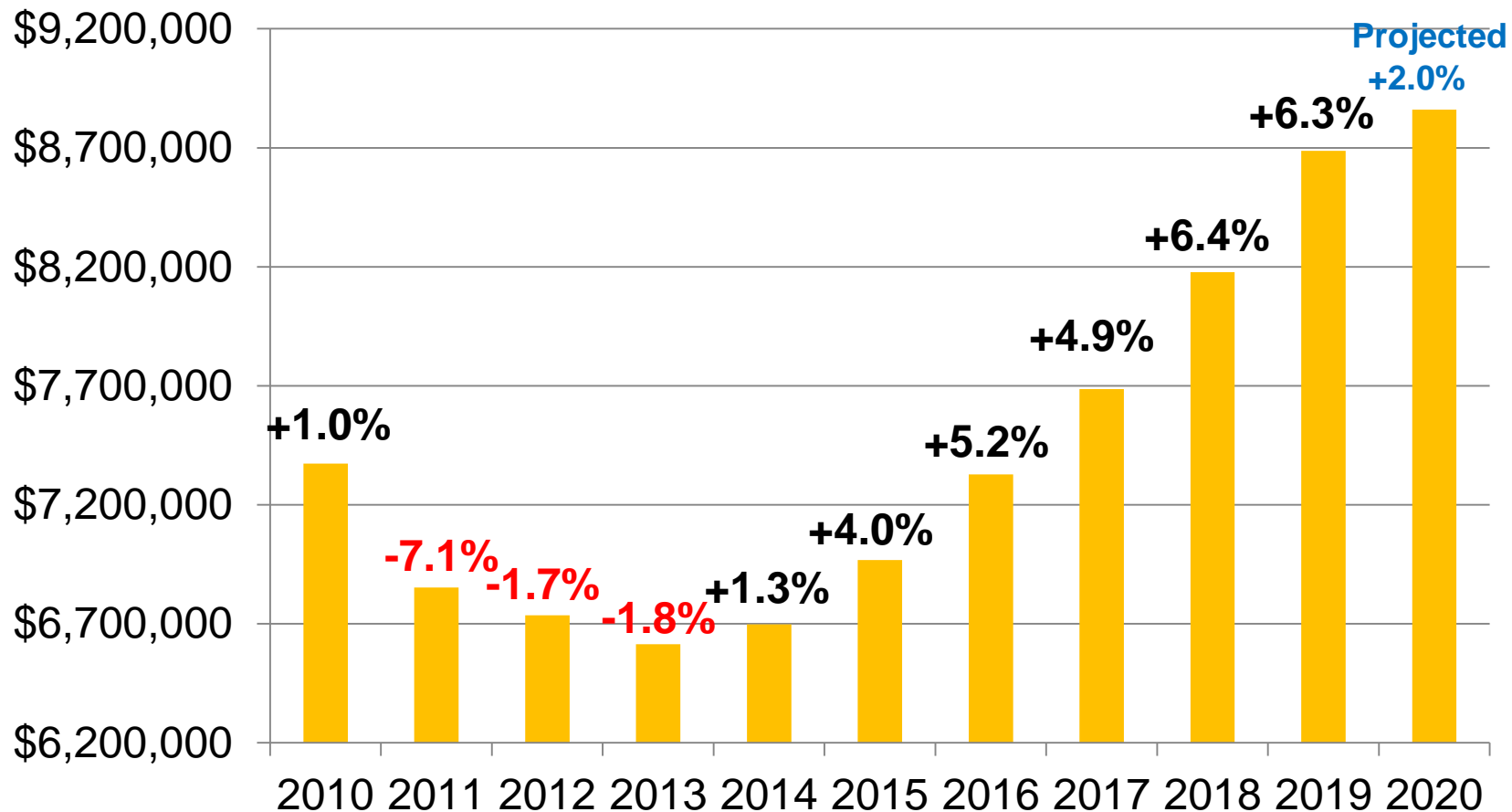
Five-Year Rate Schedule issued with Prop 218 Notice - Typical Residential Customer

FY 2019 RATES	FISCAL YEAR PERCENTAGE AND QUARTERLY INCREASE				
	2020	2021	2022	2023	2024
TYPICAL RESIDENTIAL COMBINED WATER & SEWER BILL					
Water \$169.24	6.8%	5.0%	5.0%	5.0%	5.0%
Sewer \$126.27	5.6%	5.0%	5.0%	5.0%	5.0%
Additional / Qtr.	\$18.75	\$15.74	\$16.43	\$17.44	\$18.15
Additional / Mth.	\$ 6.25	\$ 5.25	\$ 5.48	\$ 5.81	\$ 6.05

Typical residential customer = ¾" meter, 26 ccf, 3 sewer units

PROPERTY TAX REVENUES

2019/20 PROJECTED \$8,860,000





SOUTH TAHOE RDA TAX TRANSFERS CONTINUE

- 2019/20 Property Tax transfer = \$439,000
- Equals 5.0% of District gross Property Tax
- Transfers from the District to the Successor Agency of the South Tahoe RDA will continue until all bonded debt is satisfied – Approximately 2041



CAPACITY CHARGES

2019/20 PROJECTION \$702,000

- Capacity charges projected are equivalent to 35(sewer), 30(water) typical residential connections
- Generic Commercial Estimate:
 - 50 Sewer Units
 - Total Water connections equivalent to one 4" connection
- Account for 2% of total revenues and 5.8% of infrastructure revenues



GRANTS

2019/20 PROJECTED \$725,000

- 2019/20 Budget: EDCWA, Bureau of Rec, SWRCB, CTC
- Outstanding Grant Applications \$2.5M
– FEMA, CalFire, Tahoe Sierra IRWM
- Grants received over the last 16 years
= approximately \$25.3M

INVESTMENTS

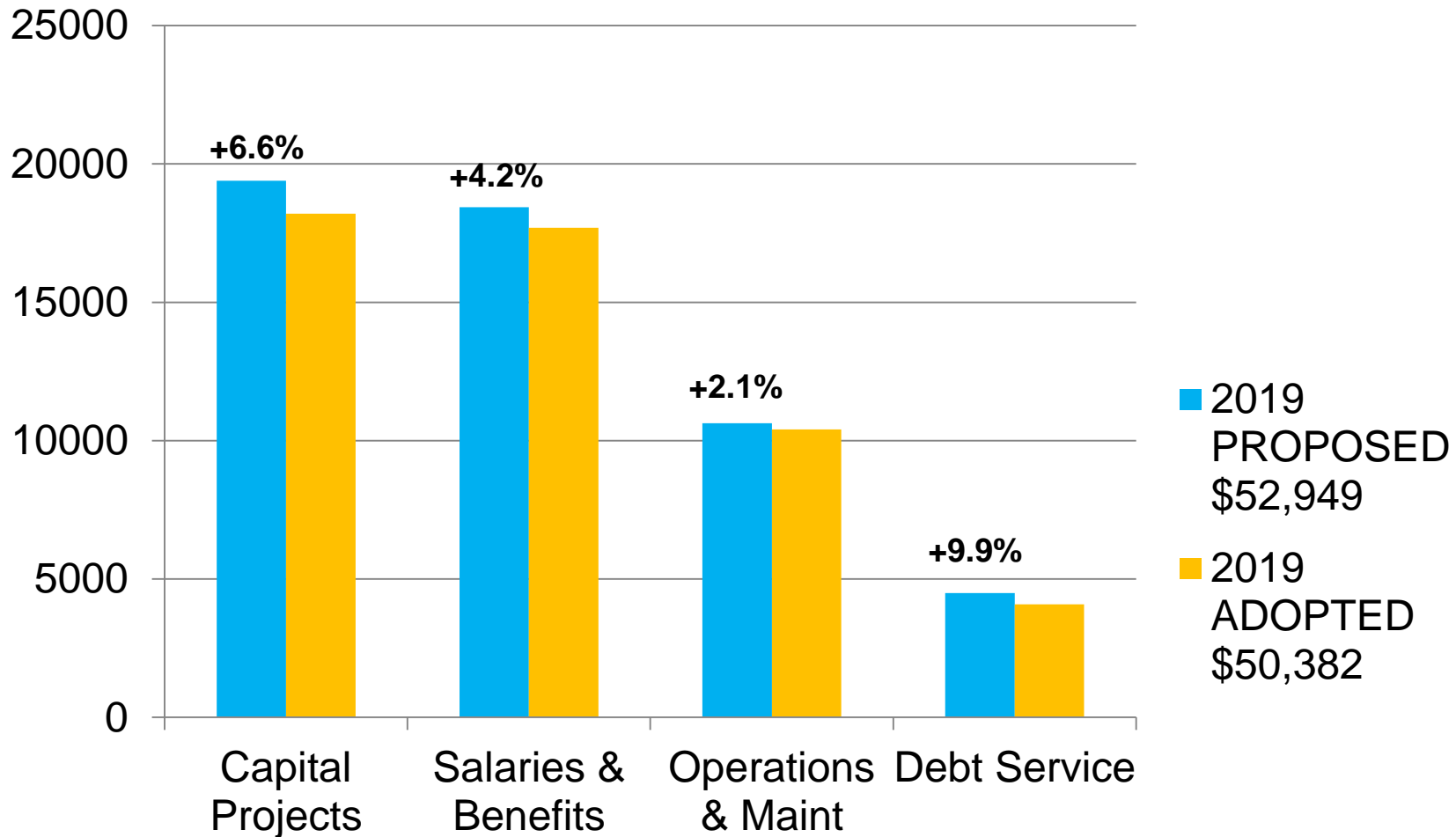
2019/20 PROJECTED \$509,000

- Still experiencing low return rates but improving modestly
- Recently seen increases of 50-100 basis points on new investments

Revenue reductions offset by lower borrowing rates: new debt and refi's

EXPENDITURES

FISCAL YEAR 2020 PROPOSED EXPENDITURE BUDGET COMPARED TO 2019 ADOPTED BUDGET (In Thousands)





O&M and S&B

2019/20 PROJECTED vs. 2018/19 ADOPTED





OPERATIONS & MAINTENANCE

ONGOING DAY-TO-DAY EXPENSES

- \$10.6M - \$222,000 or 2.1% increase compared to the current year budget
- Increase is due to fluctuations in one-time expenditures or capital transfers.



OPERATIONS & MAINTENANCE

One-Time Expenditures - Sewer

- Recycled Water MP \$200K
- WWTP Master Plan \$155K
- Sewer Modeling \$55K
- Pump Station Gear Assmt \$50K
- Sewer Flow Monitoring \$35K
- CalTrans Reimb Agmt \$25K
- Bijou VFD Spare Parts \$15K

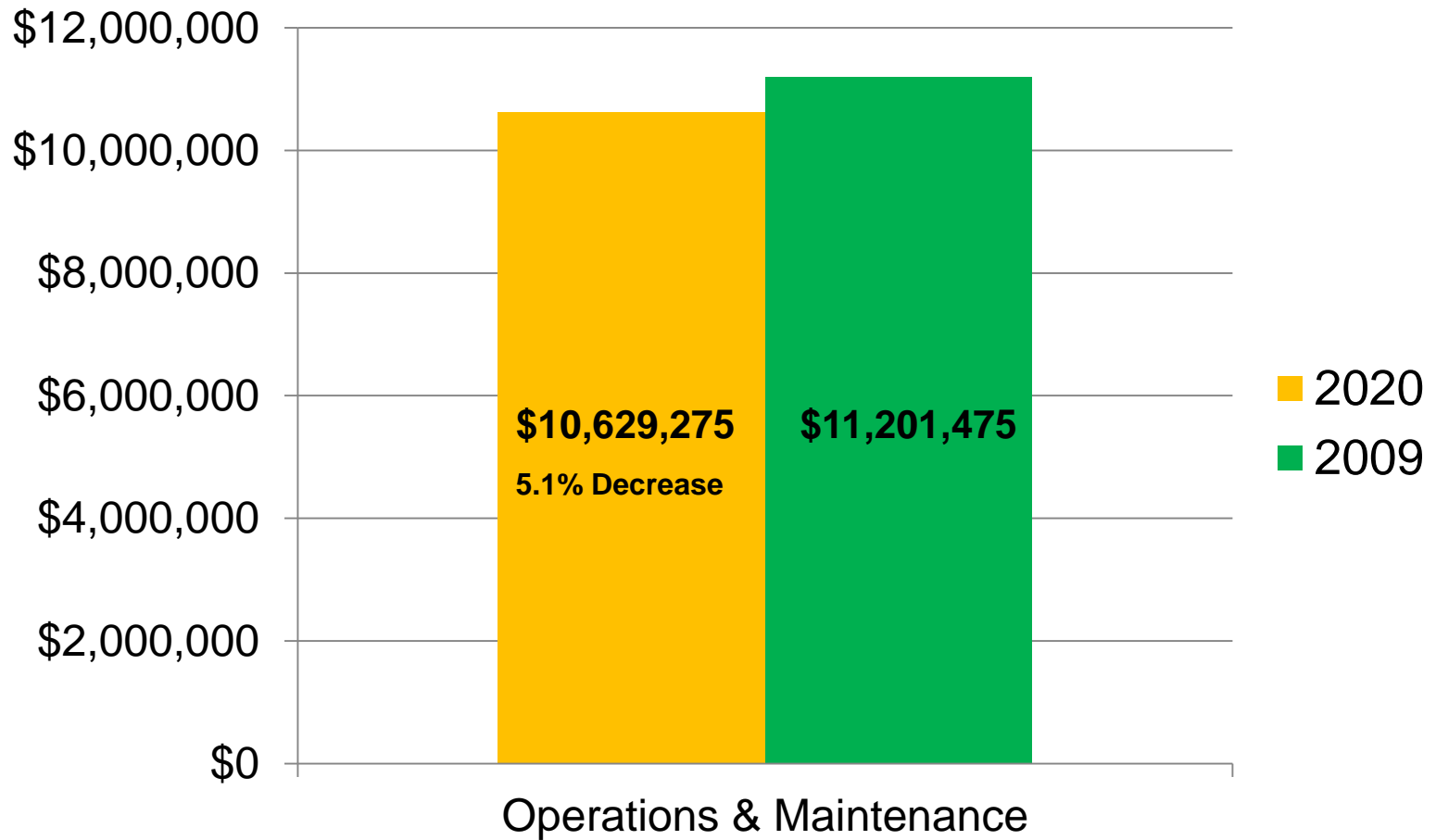


OPERATIONS & MAINTENANCE

One-Time Expenditures - Water

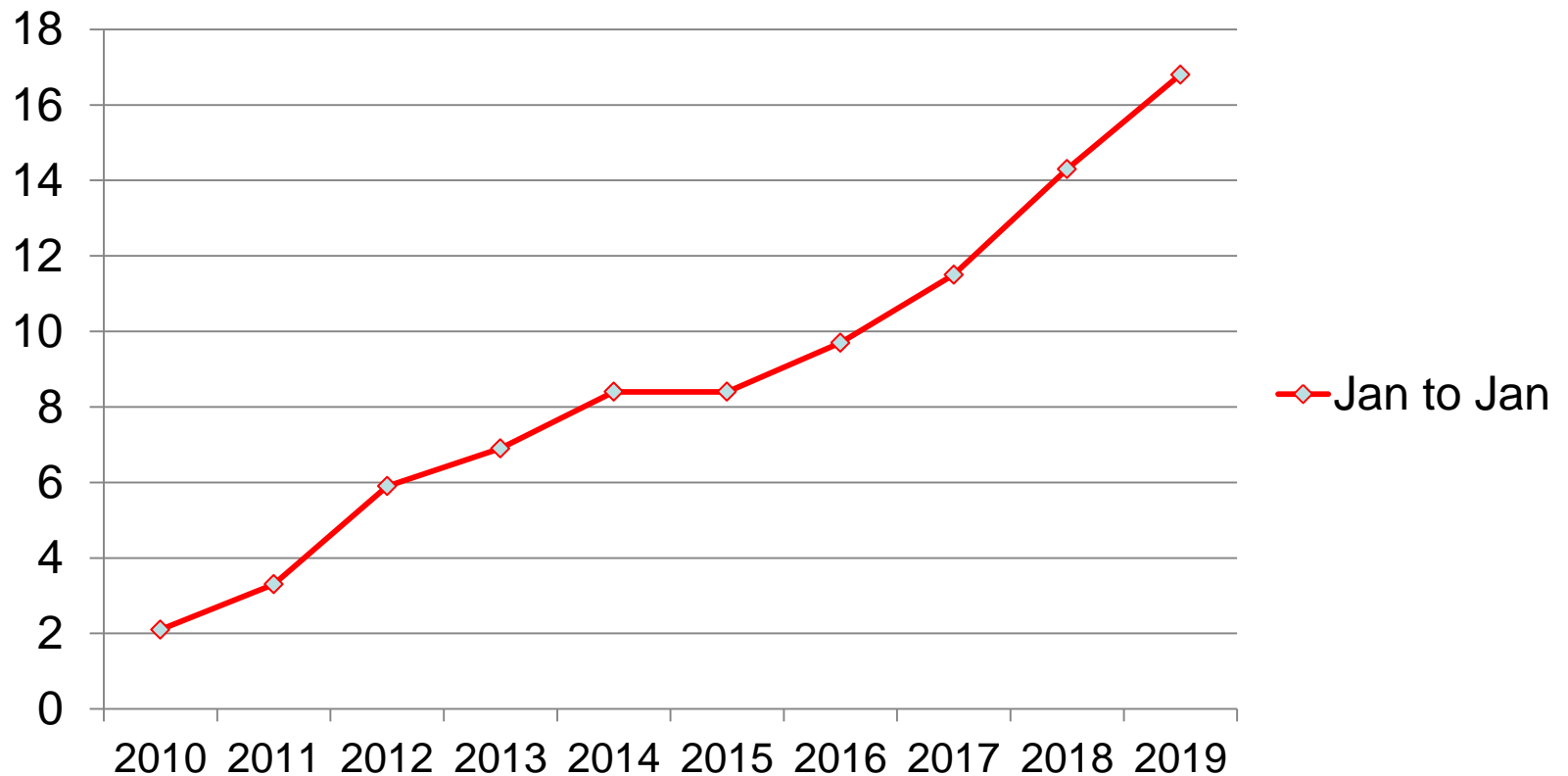
- Well Destructutions \$120K
- Ground Water Mgmt Plan \$70K
- Water Rights – KJ \$60K
- Water System Modeling \$50K
- Firm Source Capacity Plan \$50K
- GIS/Asset Mgmt Support \$40K
- Well Cleaning \$25K

O&M 2019/20 vs. 2008/09



Cumulative Inflation 2010 - 2019

16.8 %





SALARIES & BENEFITS

\$18.4M - \$747K or 4.2% increase over current year

- 2.5% COLA - \$289K
- 3.0% Survey Adjustment - \$350K
- PERS rate increase - \$174K
- Approx Savings from turnover – (\$66K)



SALARIES & BENEFITS

CalPERS

- Classic Plan - 20.640% of salaries, up 2.751% of salaries
- PEPRA Plan - 7.081% of salaries, up 0.178%. 32 (27%) employees enrolled in this Plan

	Classic	PEPRA	ANNUAL
	2.7% @ 55	2.0% @ 62	DISTRICT SAVINGS
SAVINGS EXAMPLE: 28			
- EMPLOYEE EARNING \$60,000/YR	\$ 12,384	\$ 4,249	\$ 8,135



SALARIES & BENEFITS

CalPERS

- Reducing the expected rate of return on investments from 7.5% to 7.0%
- Phased in over 3 years beginning FY 18/19
- Estimated impact after 5 years is a 19% increase – 20.1% to 23.9% of salaries



SALARIES & BENEFITS

Labor Contract

- Current contract expires June 2021
- Compensation study expected to be complete by March 2018 and implemented July 2019.
(Implementation to be negotiated)



CAPITAL EXPENDITURES

Assumes Annual 5% Rate Increases

Ten-Year Water CIP - \$60.0M (Fire Flow)

Ten-Year Sewer CIP - \$81.5M (Data Driven)

Requires borrowing - \$27.1M Water,
\$27.5M Sewer

District utilizes State Revolving Fund when available



PROPOSED CAPITAL IMPROVEMENTS

2020 – 2029 Capital Improvement Plans

Shannon Cotulla
Assistant General Manager



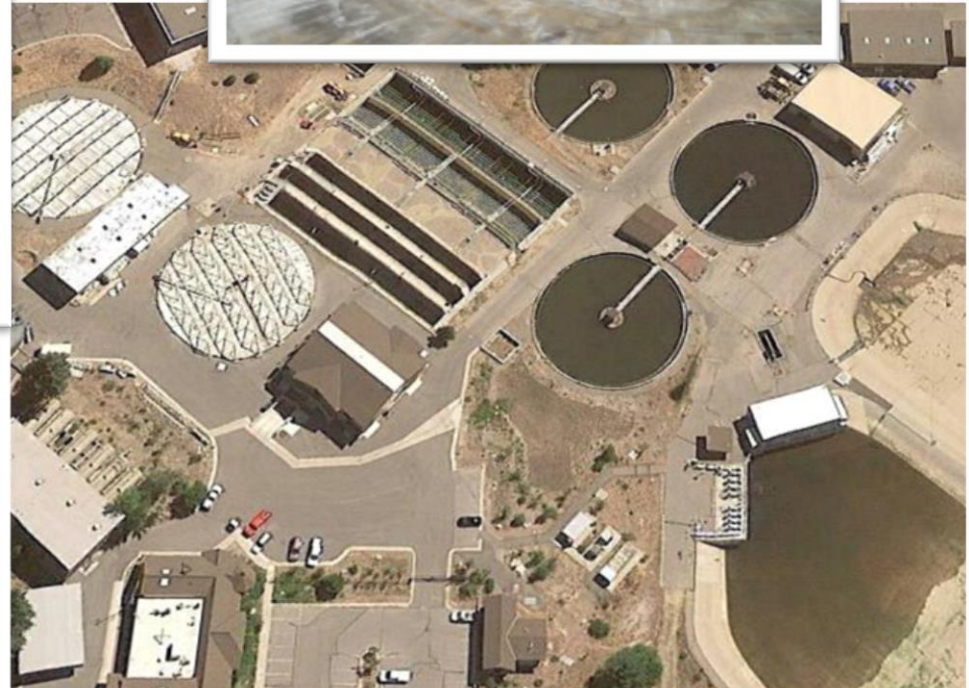
PROPOSED CAPITAL IMPROVEMENTS

2020 – 2029 Capital Improvement Plans

Shannon Cotulla
Assistant General Manager

Sewer System Challenge

Aging Infrastructure: 50 to 60 year old Assets





Sewer System Solutions

Asset Management and Capital Improvement Programs

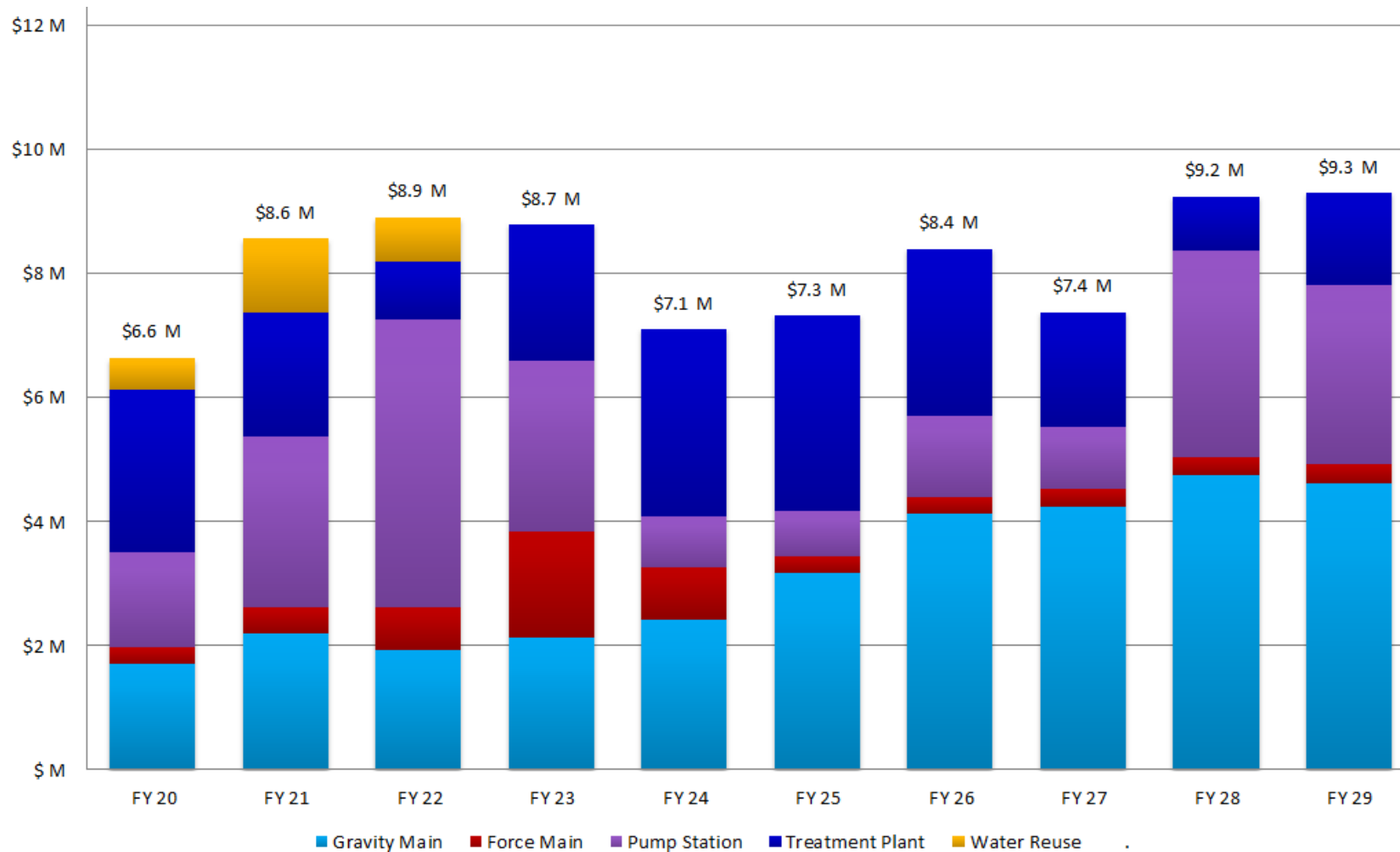
Condition Assessments

TV of Representative Sampling of Gravity
Sewer Mains (7%)

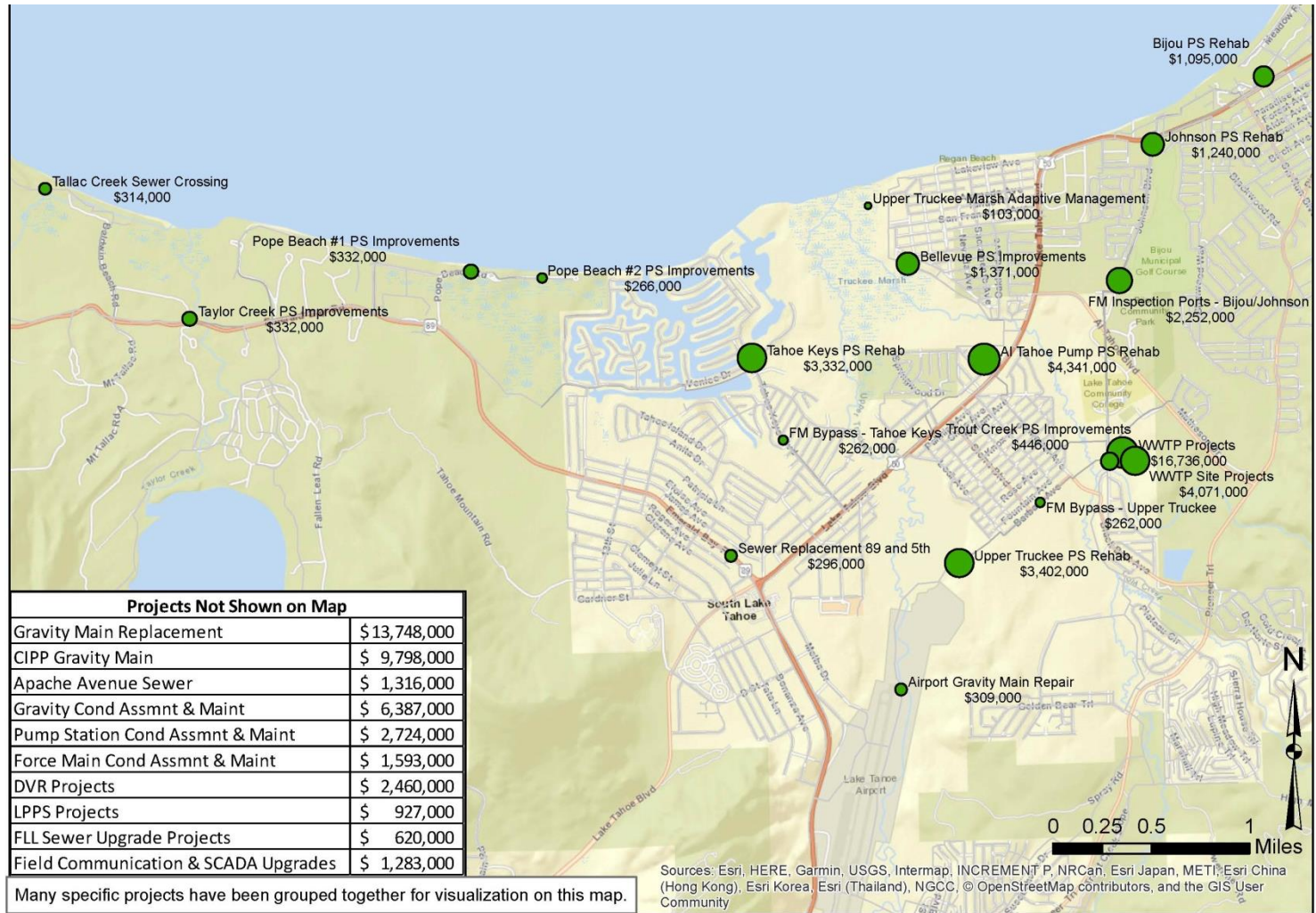
Data Driven Capital Improvement Plan

Sewer 10-Year CIP 2020 - 2029

\$81.5M – Data Driven Plan



Sewer 10-Year CIP 2020 - 2029





Water System Challenges

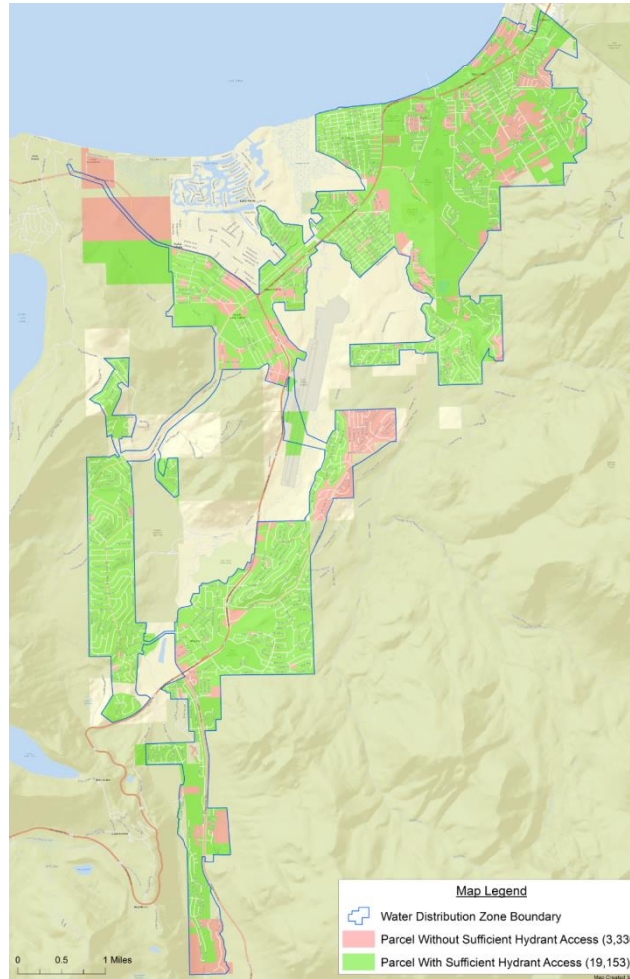
Aging Infrastructure

- 50 to 60 year old System
- Majority of leaks are on steel pipe
- 54% of water mains are 50-60 year old steel pipe
 - 725,354 feet
 - \$253 Million to replace
 - 50 years to replace at \$5 Million per year
- 80 to 120 Year Life WITH Cathodic Protection

Fire Protection

- More than 10% of service area has insufficient fire flow and/or access to a fire hydrant
- Entire community is at risk

Current Fire Protection Map





Water System Solutions

Aging Infrastructure

- Replace/Rehabilitation
 - 725,354 feet of steel pipe
 - Other Water Mains
 - Wells, Tanks
 - Booster & PRV's
- Extend asset life
 - Cathodic Protection
 - Monitoring Assets
 - Maintain valves and hydrants


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Fire Protection

- Replace roughly 100,000 feet of pipe
- Install hydrants
- Construct booster stations

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Water 10-Year CIP 2020-2029

\$60M (5% Annual Plan)

Rate 5% rate increase per year for 10 years

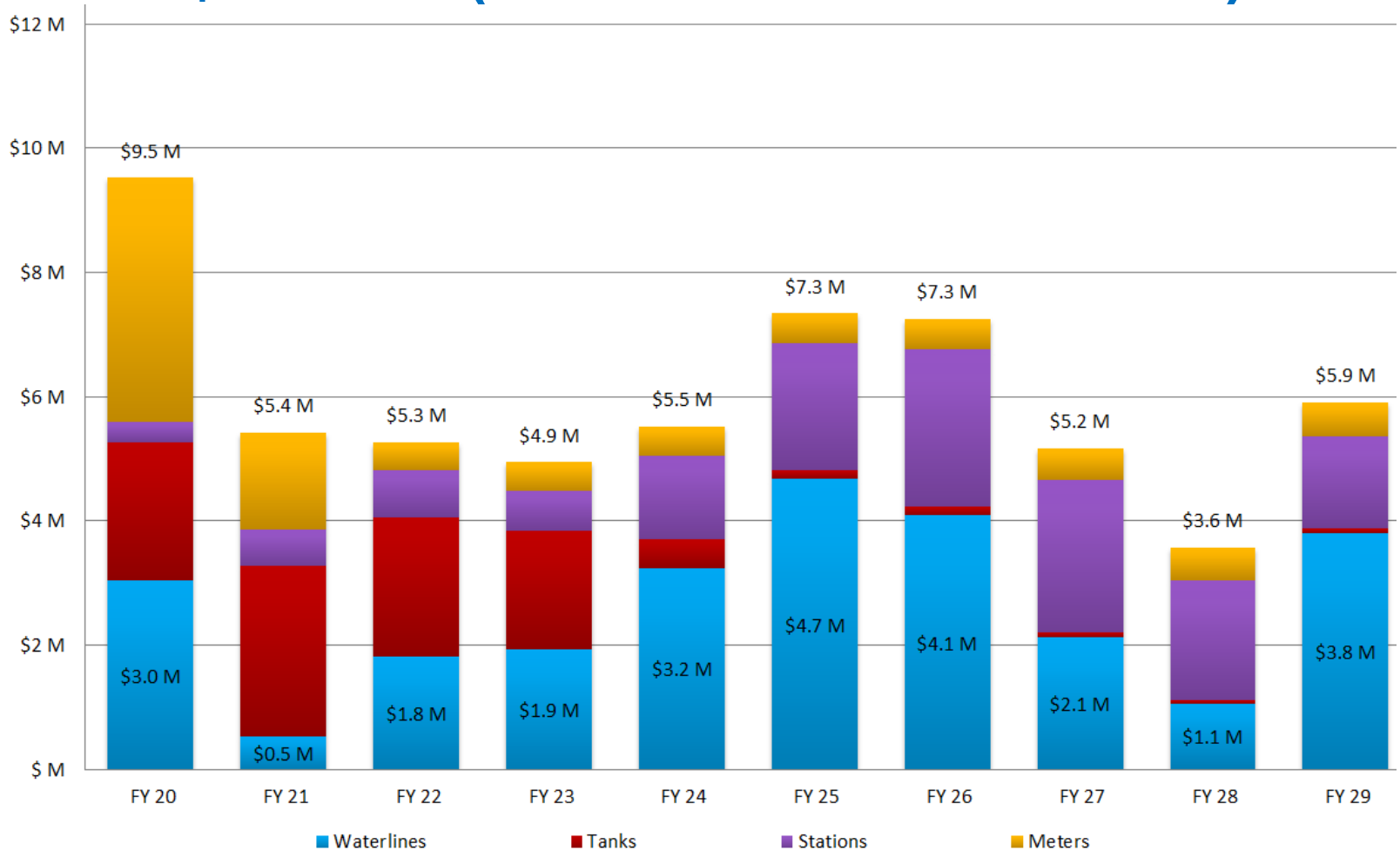
- First Year is Variable

Return for Investment

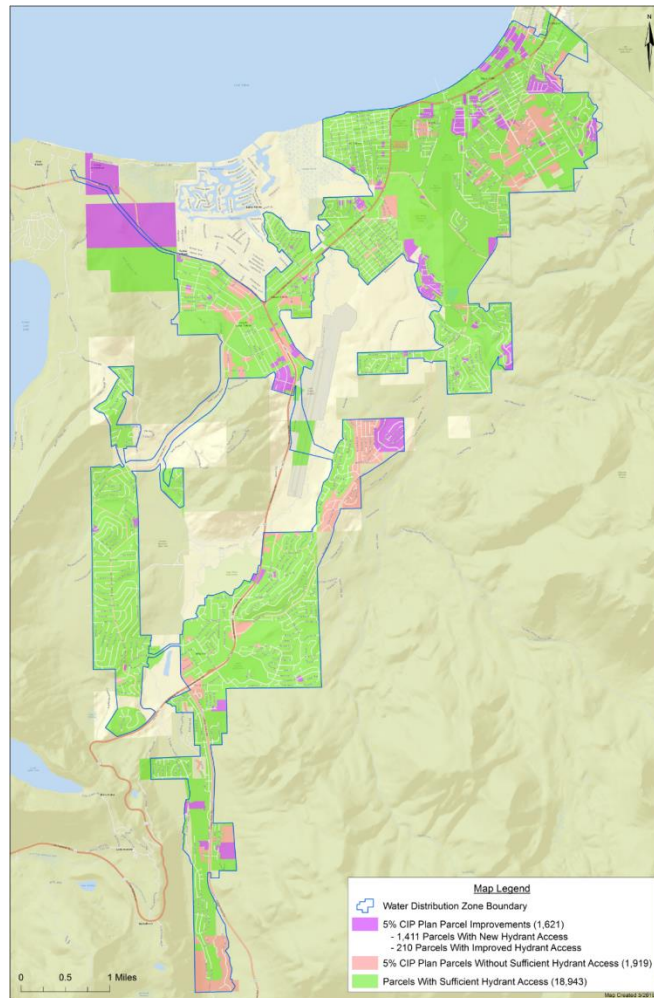
- 20 Years to complete fire protection
- \$26 Million Investment in Water Mains
 - 100 years to replace all steel pipe
- \$14 Million in Asset Management Proj.
 - Monitoring Critical Waterlines, Booster Stations, and Wells, Cathodic Protection, Valve and Hydrant Replacements, Well Inspect/Assessments, Tank Seismic Eval, SCADA Upgrades, Communication Upgrades, Water Efficiency Improvements, Meter Maintenance and Replacement, Pump Replacements

Water 10-Year CIP 2020-2029

\$60M (5% Annual Plan)



Water 10-Year CIP 2020-2029 \$60M (5% Annual Plan) – Map





Water 10-Year CIP 2020-2029 \$88M (7% Fire Protection Plan)

Rate 7% rate increase per year for 10 years

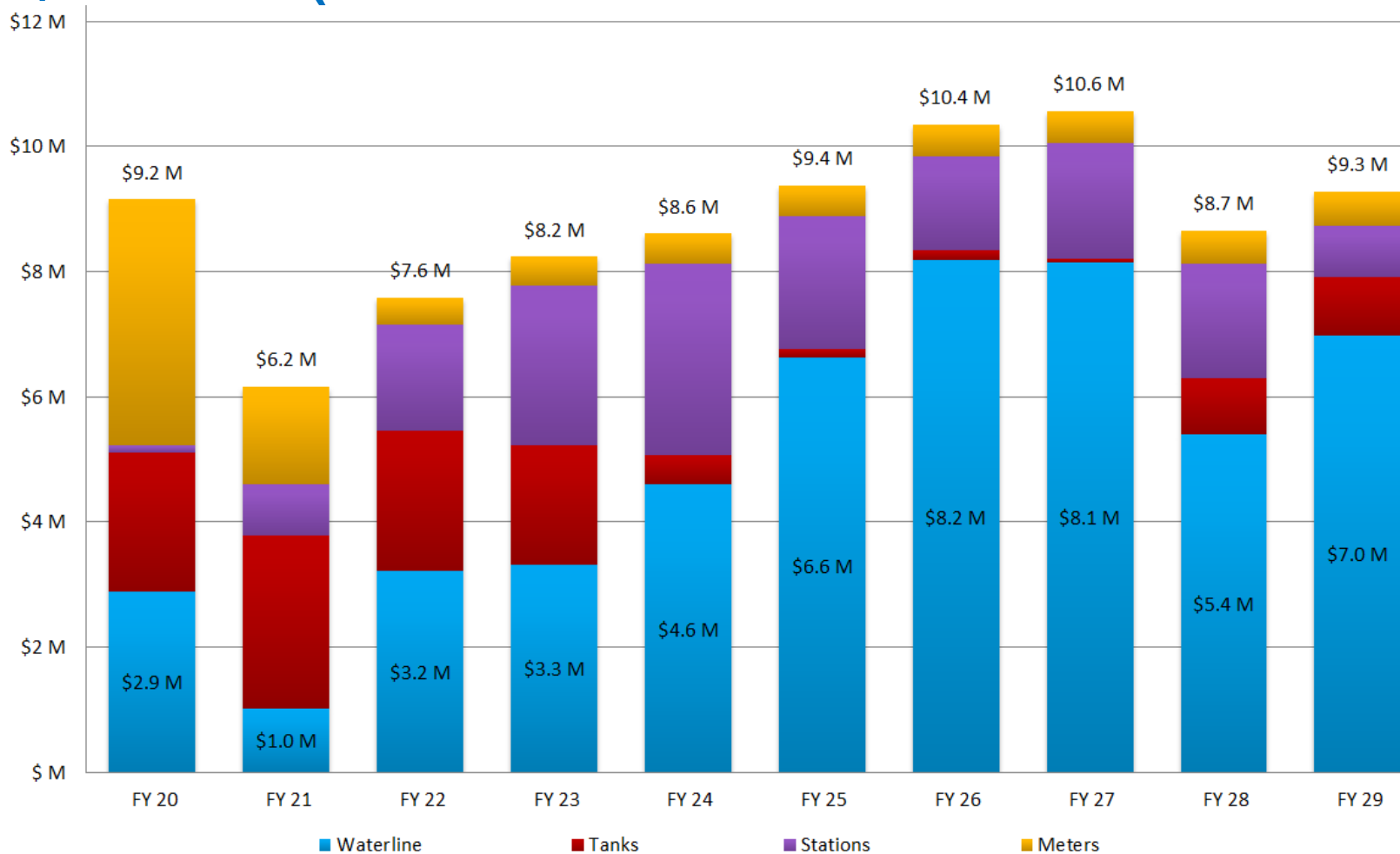
- First Year is Variable

Return for Investment

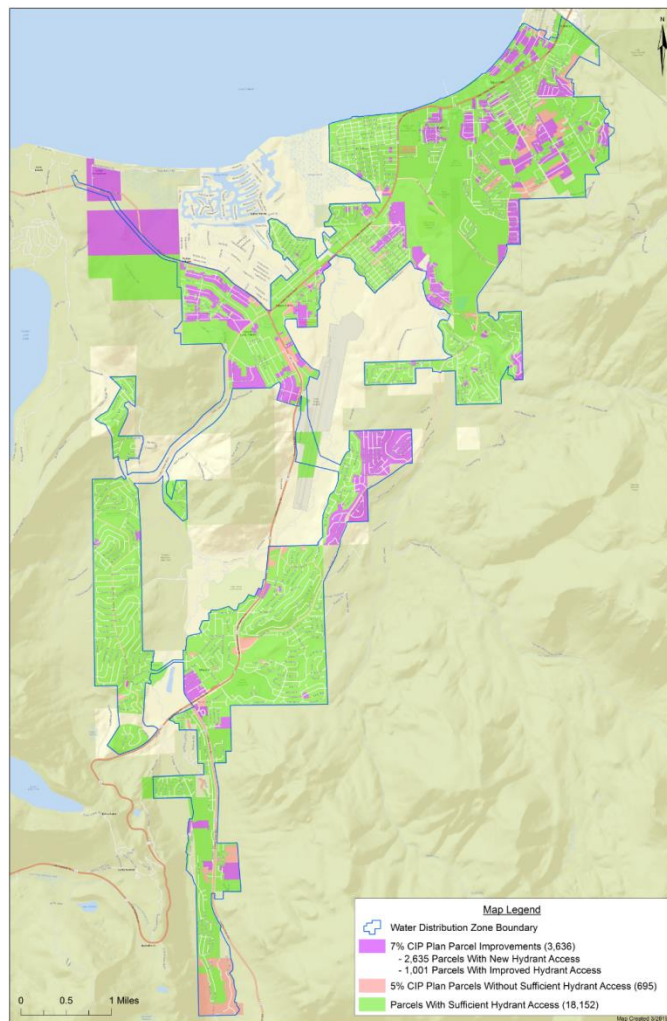
- 10 Years to complete fire protection
- \$50 Million Investment in Water Mains
 - 50 years to replace all steel pipe
- \$14 Million in Asset Management Proj.
 - \$14 Million in projects for the 5% Plan plus Electrical Maintenance Improvements


Water 10-Year CIP 2020-2029

\$88M (7% Fire Protection Plan)



Water 10-Year CIP 2020-2029 \$88M (7% Fire Protection Plan)





Water 10-Year CIP 2020-2029

\$104.9M (8.5% 100 YR Plan)

Rate 8.5% rate increase per year for 10 years

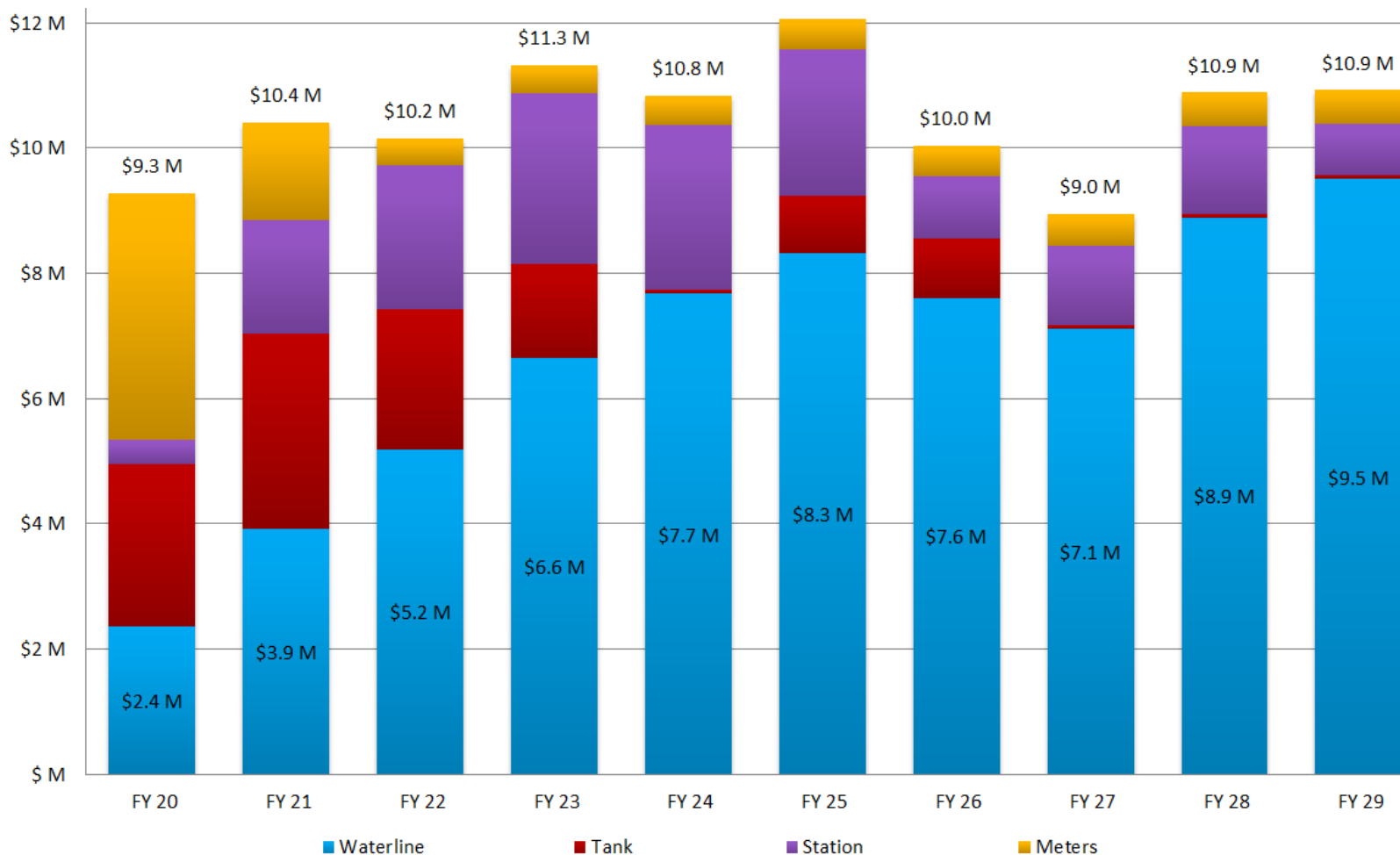
- First Year is Variable

Return for Investment

- 8 Years to complete fire protection
- \$67 Million Investment in Water Mains
 - 38 years to replace all steel pipe
- Asset Management
 - \$14 Million in projects from 5% Plan plus Electrical Maintenance Improvements and District Metered Areas

Water 10-Year CIP 2020-2029

\$104.9M (8.5% 100 YR Plan)





Water 10-Year CIP 2020-2029

CIP Plan Increase	5%	7%	8.5%
Total Investment	\$60 M	\$88 M	\$105 M
Fire Prot. Investment	\$26 M	\$50 M	\$67 M
Fire Protection-Time	20 Years	10 Years	8 Years
Steel Pipe Repl.-Time	100 Years	50 Years	38 Years



What's Next

April: Board/Public meeting –
April 18, 6 p.m.

**May: Public hearing and consider
rate confirmation – May 16,**
2 p.m.

July: Any rate changes take effect
July 1, 2019

Questions and Comments

