



SOUTH TAHOE PUBLIC UTILITY DISTRICT

Proposed 2023/24 Budget and Ten-Year Financial Plan



Board Workshop April 6, 2023
Paul Hughes – Chief Financial Officer





Proposed 2023/24 Budget and Ten-Year Financial Plan

- Financial Presentation
- Fiscal Year 2024 Rate Discussion
and Board Direction



2023/24 PROPOSED BUDGET

BUDGET MESSAGE HIGHLIGHTS

Paul Hughes
Chief Financial Officer





2023/24 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 2023/24 budget includes 9.5% water and sewer rate increases.
- Ten-year forecast currently assumes 9.5% water and sewer rate increases annually through 2028/29, 6% thereafter to fund the “Needs Based” CIP’s.
- Adopting rates less than assumed will require reductions to the CIP’s.
- A new Prop 218 notice will be required for new rates beginning FY 2025





TOTAL REVENUES & EXPENSES 2023/24 Projected

Revenues	\$53.3M
Expenses	<u>\$66.3M</u>
Difference	(\$13.0M)
Loan Proceeds	\$11.3M
Change in Reserves	<u>\$ 1.7M</u>
	\$13.0M



TOTAL PROJECTED RESERVE BALANCES

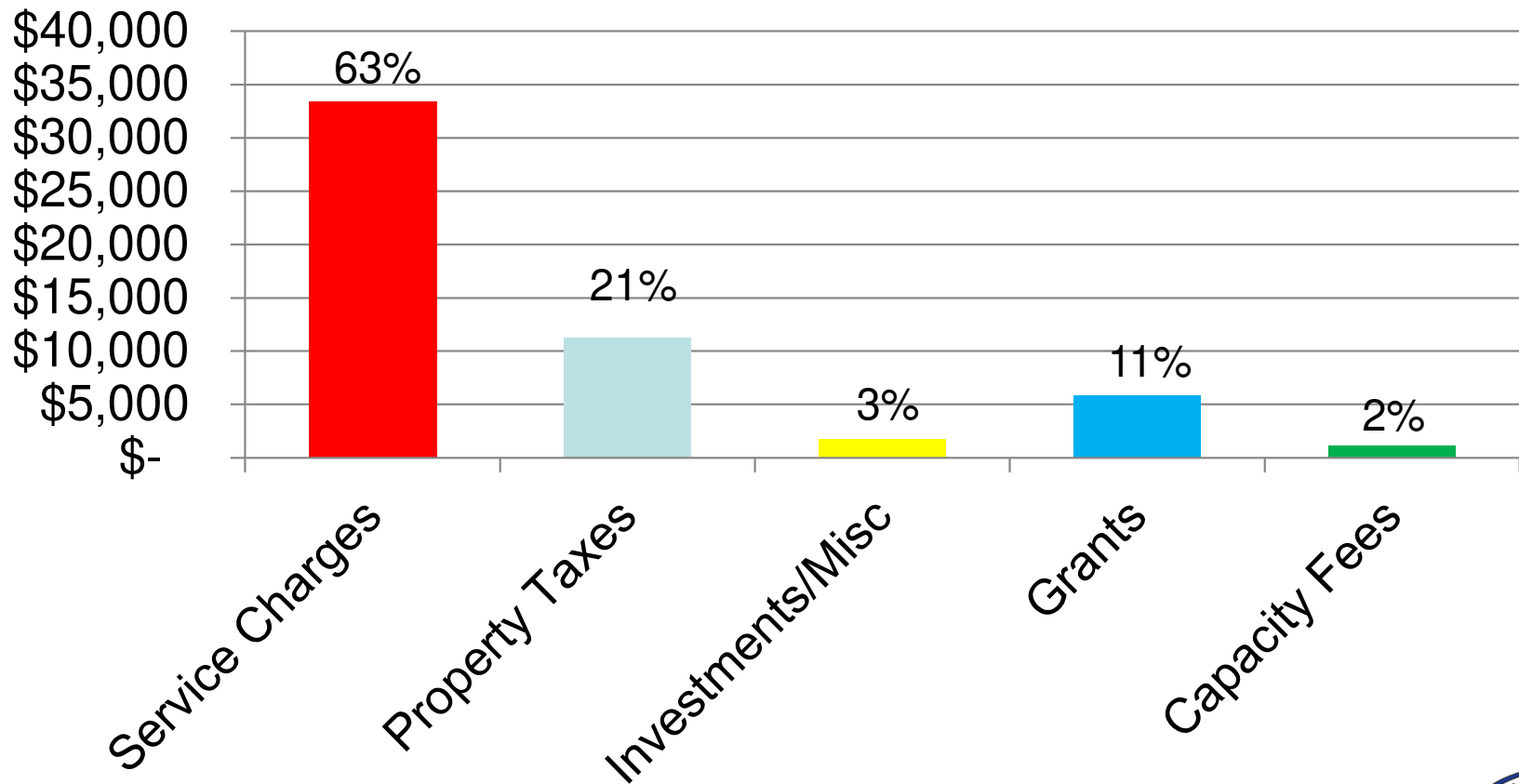
	<u>6/30/23</u>	<u>6/30/24</u>
Operating	\$ 6.7	\$ 7.3
Capital	\$10.9	\$10.1
Debt	\$ 2.4	\$ 3.0
Rate Stabilization	<u>\$ 7.9</u>	<u>\$ 5.8</u>
Total	\$27.9	\$26.2
Change	\$ (1.7M)	





TOTAL REVENUES 2023/24 Projected

9.5% WATER, 9.5% SEWER RATE INCREASES
\$53,340 (In Thousands)

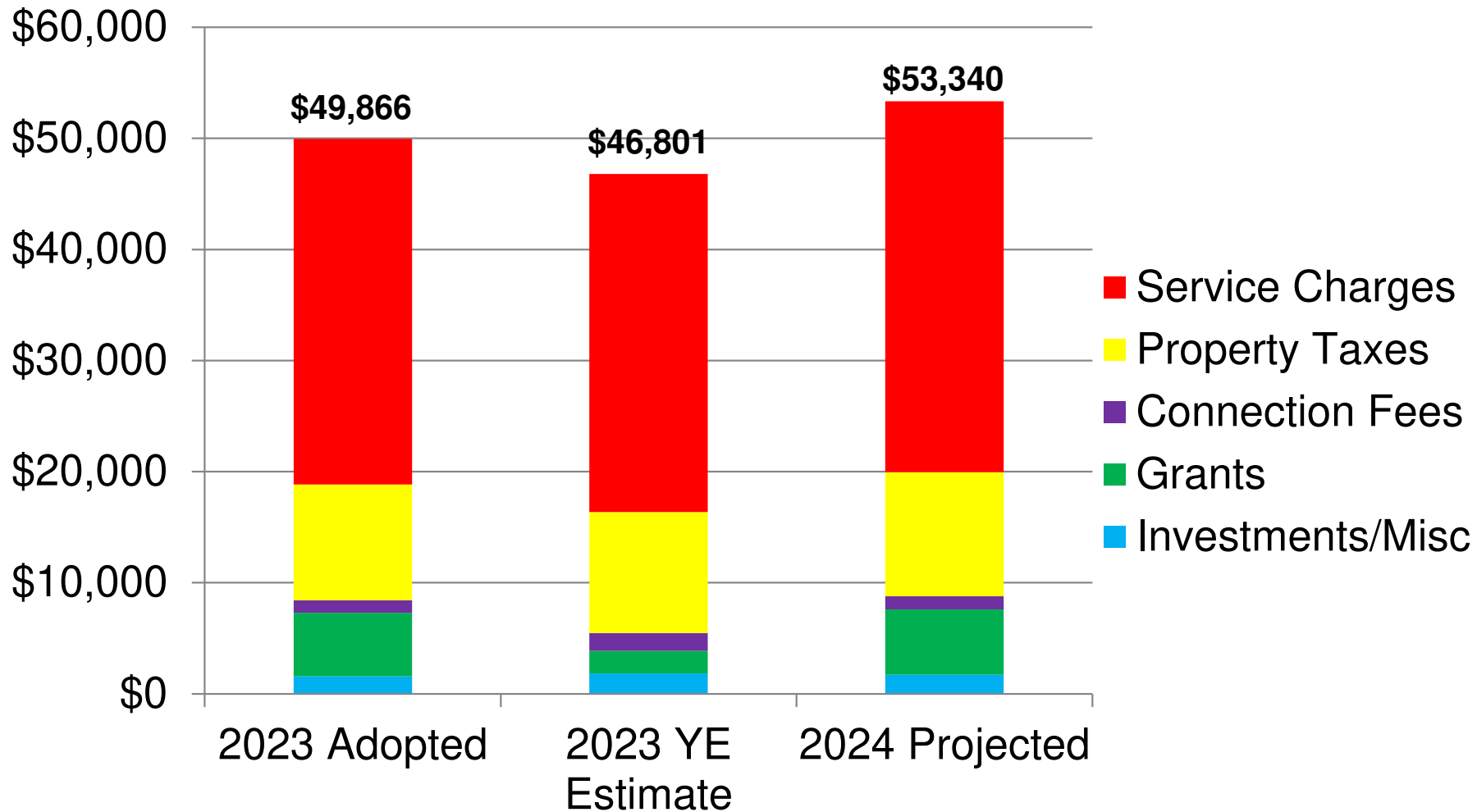




REVENUES

Year-to-Year Comparisons

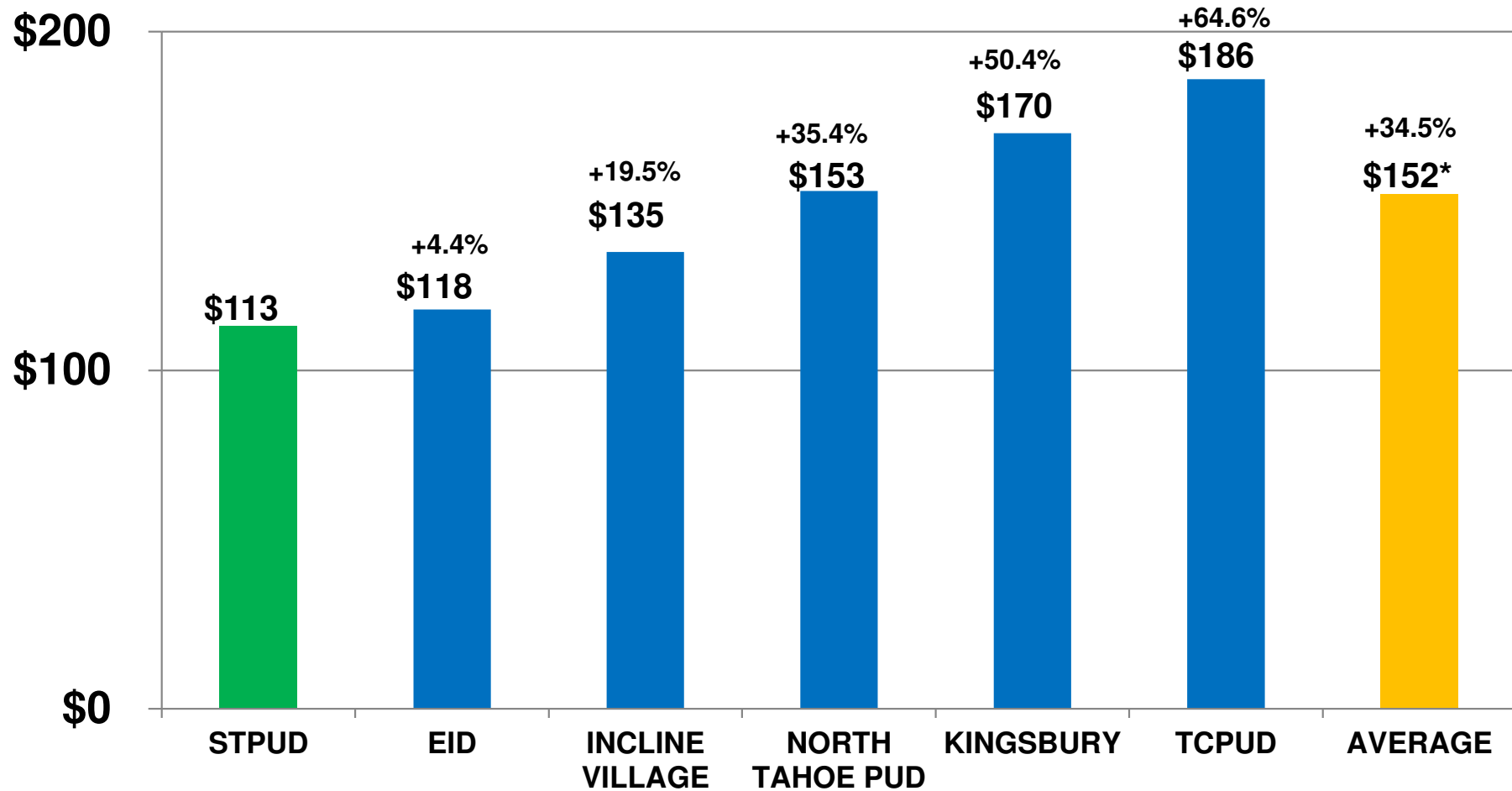
(In Thousands)



DISTRICT RATES LOWEST

Combined Monthly Water & Sewer

As of 1/1/2023



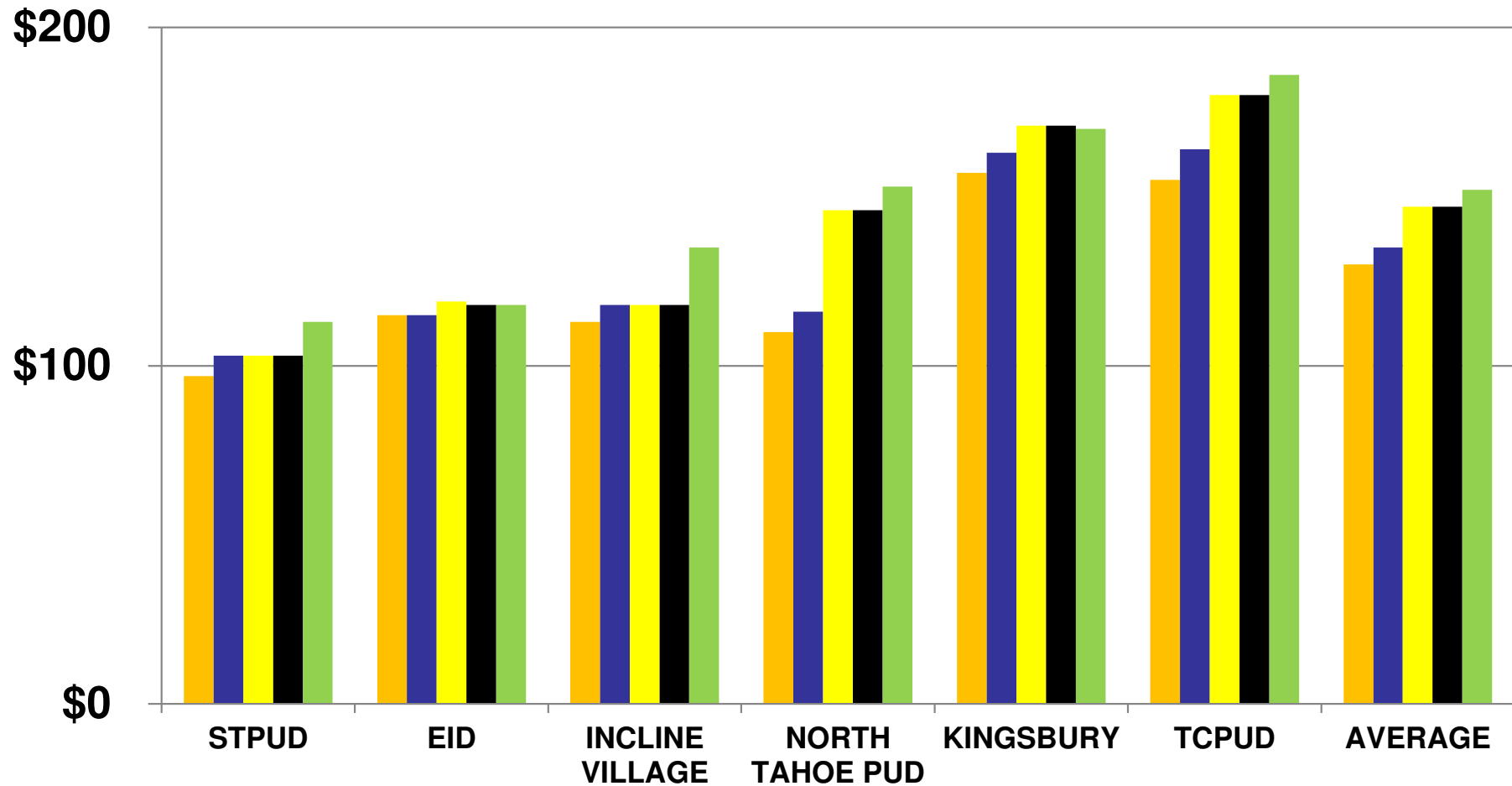
*Average doesn't include STPUD



DISTRICT RATES LOWEST

Combined Monthly Water & Sewer

Last 5 Years

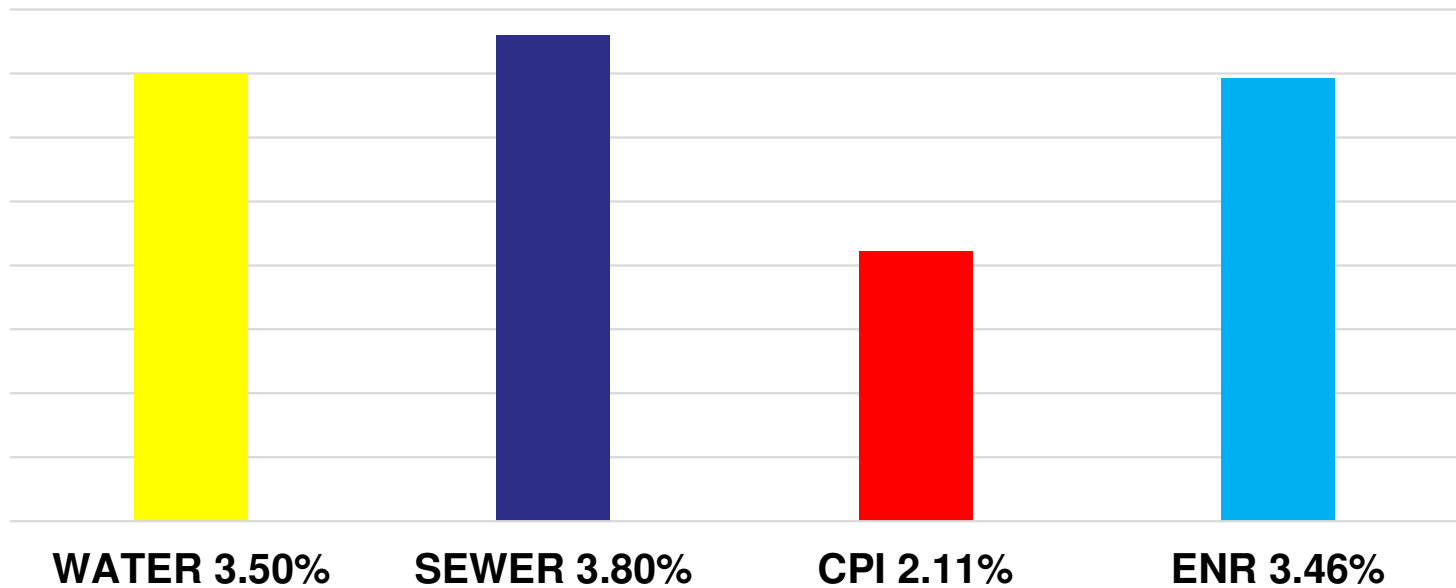


**Average doesn't include STPUD*



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

	<u>PROJECTED</u>	<u>PROJECTED</u>	<u>PROJECTED</u>	<u>PROJECTED</u>	<u>PROJECTED</u>
YEAR	2020	2021	2022	2023	2024
WATER	6%	6%	6%	6%	6%
SEWER	5%	5%	5%	5%	5%
MONTHLY INCREASE	\$5.70	\$5.81	\$6.13	\$6.48	\$6.84

Typical residential customer = ¾” meter, 6,483 gallons, 3 sewer units



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

	<u>ADOPTED</u>	<u>ADOPTED</u>	<u>ADOPTED</u>	<u>ADOPTED</u>	<u>PROPOSED</u>
YEAR	2020	2021	2022	2023	2024
WATER	4%	0%	0%	9%	9.5%
SEWER	5%	0%	0%	8%	9.5%
MONTHLY INCREASE	\$5.70	\$0	\$0	\$8.93	\$10.75

Typical residential customer = ¾" meter, 6,483 gallons, 3 sewer units



LONG-TERM RATES TO FUND CIP'S

FINANCE COMMITTEE DISCUSSION

<u>YEAR</u>	<u>WATER</u>	<u>SEWER</u>
2023/24	9.5%	9.5%
2024/25	9.5%	9.5% New Prop 218
2025/26	9.5%	9.5%
2026/27	9.5%	9.5%
2027/28	9.5%	9.5%
2028/29	9.5%	9.5%
2029/30	6.0%	6.0% New Prop 218
2030/31	6.0%	6.0%
2031/32	6.0%	6.0%
2032/33	6.0%	6.0%





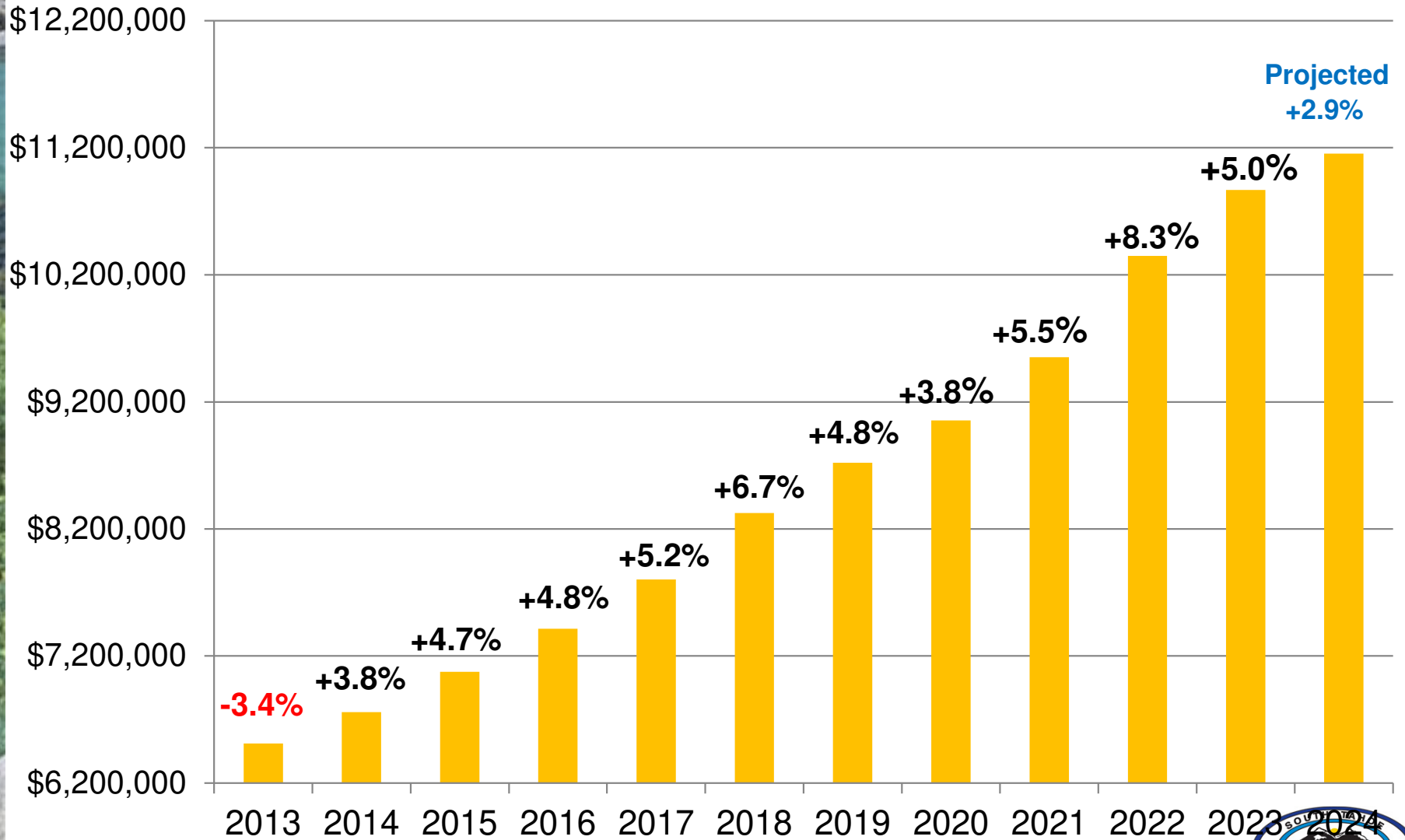
LONG-TERM RATES TO FUND CIP'S

- Utilized funds from the Sewer Rate Stabilization Reserve in 2023 and 2024 - \$4M
- Replenished over next 8 years
- Staff to work with Finance Committee next year to review/edit reserve policies



PROPERTY TAX REVENUES

2023/24 PROJECTED \$11,153,000





PROPERTY TAX DISTRIBUTION BETWEEN FUNDS

FY 2023/24

Sewer Fund – 70%; \$7,807,100

Water Fund – 30%; \$3,345,900

- 70/30 2024/25 – 2028/29
- 50/50 2029/30 – 2032/33

Ramp up to 56S/44W by 2029/30

- May adjust in the future to address changing priorities



PROPERTY TAX DISTRIBUTION BETWEEN FUNDS

	SEWER	WATER	
2023/24	70%	30%	
2024/25	67%	33%	
2025/26	64%	36%	
2026/27	61%	39%	
2027/28	58%	42%	
2028/29	56%	44%	-\$5.5M
2029/30	56%	44%	
2030/31	56%	44%	
2031/32	56%	44%	
2032/33	56%	44%	+\$3.3M

Net -\$2.2M



SOUTH TAHOE RDA TAX TRANSFERS CONTINUE

- 2023/24 Property Tax transfer = \$476,000
- Equals 4.3% 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

2023/24 PROJECTION \$1,158,000

Sewer - \$804,000 3-year average

Water - \$354,000

- Water capacity charges projected are equivalent to 30 typical residential connections
- Generic Commercial Estimate:
 - 100 Plumbing Fixtures
 - Total Water connections equivalent to one 4" connection





CAPACITY CHARGES

2023/24 PROJECTION \$1,158,000

- Sewer charges are projected to decrease 10% annually
 - Don't want to assume that this type and level of development will continue for ten years
- Account for 2.2% of total revenues and 7.6% of available infrastructure revenues





GRANTS

2023/24 PROJECTED \$5.9M

CTC/FS - \$1.9M

FEMA/OES - \$1.9M

EDCWA - \$160K

TWFFS - \$.5M

PROP 1 - \$.4M

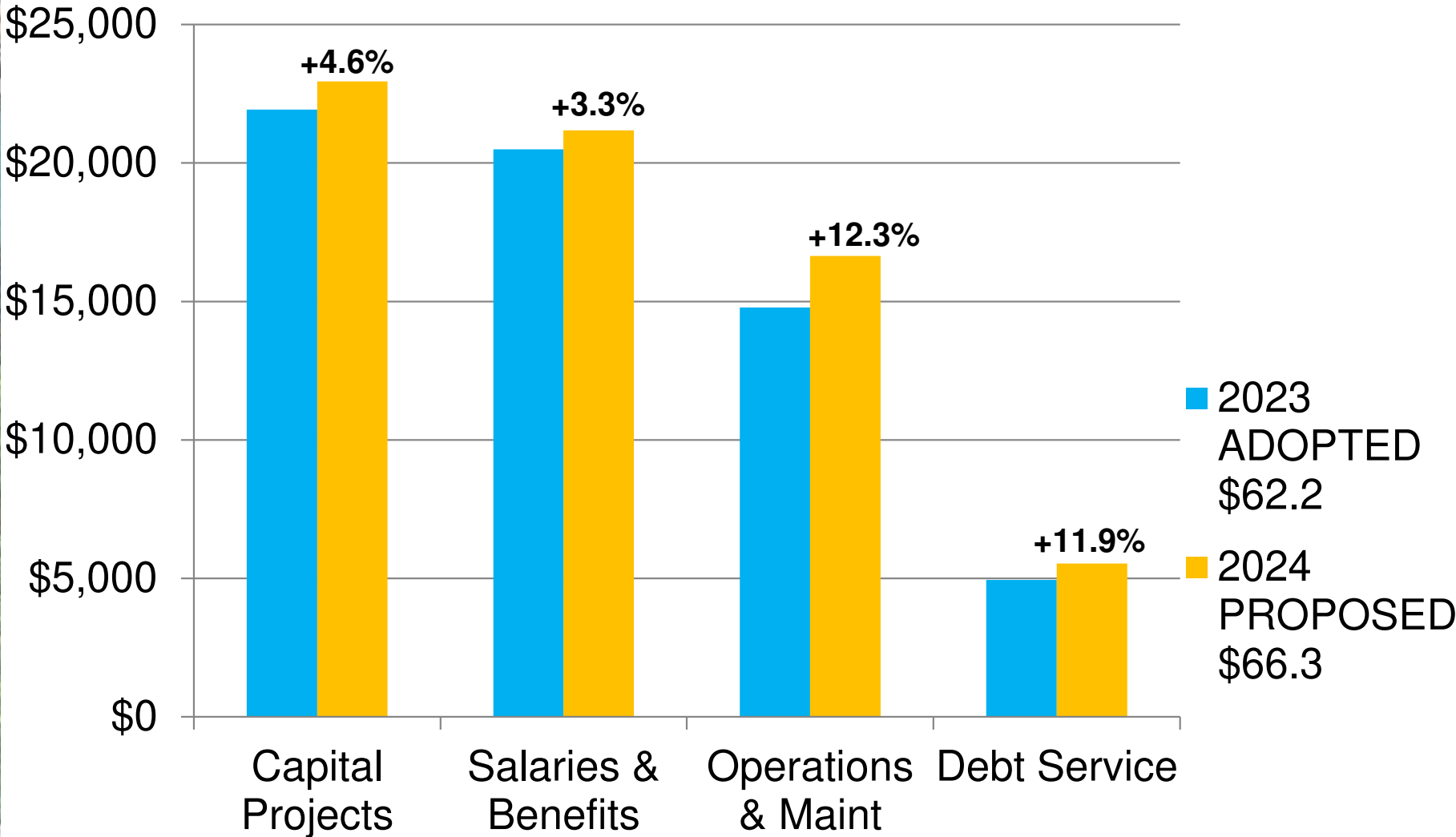
CSLT - \$.2M

- Outstanding Grant Applications \$3.7M
 - FEMA for Backup Power, Alpine Soil Stabilization
- Outstanding SRF Loan \$8M Bijou PS
- Congressional Appropriation Request
 - \$4.5M Pioneer Trail WL



EXPENDITURES

FISCAL YEAR 2024 PROPOSED EXPENDITURE BUDGET COMPARED TO 2023 ADOPTED BUDGET (In Thousands)





OPERATIONS & MAINTENANCE

ONGOING DAY-TO-DAY EXPENSES

- \$16.6M - \$1.8M or 12.3% increase compared to the current year budget
- Ongoing Increases:
 - Liberty Power Costs \$350K
 - IT Service Contracts/Equip \$157K
 - County Paving \$200K





OPERATIONS & MAINTENANCE

ONGOING DAY-TO-DAY EXPENSES

- \$16.6M - \$1.8M or 12.3% increase compared to the current year budget
- One-Time Increases:
 - Grant Funded Fuels Reduction \$1.1M





SALARIES & BENEFITS

\$21.2M - \$722K or 3.5% increase over current year

- Board approved positions – 3, \$308K
- 2.5% COLA - \$337K
- Step Increases - \$169K
- CalPERS increase - \$61K
- Health insurance premiums – (\$221K)
- Turnover/new hires – (\$105K)
- Everything else - \$171K





SALARIES & BENEFITS

CalPERS

- Classic Plan - 28.612% of salaries, up 1.312% of salaries. \$2,195,996
- PEPRA Plan - 7.680% of salaries, down .151%. 56 (49%) employees enrolled in this Plan. \$303,111

	Classic	PEPRA	ANNUAL
	2.7% @ 55	2.0% @ 62	DISTRICT SAVINGS
SAVINGS EXAMPLE:			
- EMPLOYEE EARNING \$100,000/YR	\$ 28,612	\$ 7,860	\$ \$20,752



SALARIES & BENEFITS

CalPERS rate increases due to:

- Reduced the expected rate of return on investments from 7.5% to 7.0%
- If less income is expected from investments then more income must come from employer rates.
- Changes to actuarial assumptions: life expectancy, retirement age, etc.





SALARIES & BENEFITS

Labor Contracts

- Current contracts expire June 2024
- Include annual 2.5% COLA's
- Requires wage survey during FY 2024
- Negotiations for new contracts to take place during FY 2024





SALARIES & BENEFITS

Recommended New Positions FY24

- IT System Administrator - \$141K
 - the number of physical pieces of hardware, programs and service contracts has substantially increased
- Engineering Inspector - \$108K
 - reduces the amount of contract inspection work required



CAPITAL EXPENDITURES

Assumes Annual 9.5% Rate Increases
for 6 years

Ten-Year Water CIP - \$121.7M

Ten-Year Sewer CIP - \$118.7M

Requires additional borrowing:

- \$47.4M Water, \$63.2M Sewer

District utilizes State Revolving Fund when available
Principle and interest payments funded with future rate
increases

FY 2024 Capital Spending: Includes all Departments

- Water \$ 9.8M

- Sewer \$13.1M



PROPOSED FY 2024 RATE INCREASES

Board Discussion/Direction

WATER – 9.5%; SEWER – 9.5%

- Impacts to typical residential customer:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Monthly	\$6.19	\$4.56	\$10.75

Max increases allowed: Water – 18.18%; Sewer – 12.54%
Monthly Increase - \$17.85



What's Next

Early April: Notify customers of proposed rate increases

May 18: Board takes action on proposed fiscal year 2024 rate increases and budget

July 1: New budget effective

Questions and Comments

