



SOUTH TAHOE PUBLIC UTILITY DISTRICT


Proposed 2022/23 Budget and Ten-Year Financial Plan



Board Workshop March 23, 2022

Paul Hughes – Chief Financial Officer





Proposed 2022/23 Budget and Ten-Year Financial Plan

- Financial Presentation
- Fiscal Year 2023 Rate Discussion
and Board Direction





2022/23 PROPOSED BUDGET

BUDGET MESSAGE HIGHLIGHTS

Paul Hughes
Chief Financial Officer





2022/23 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

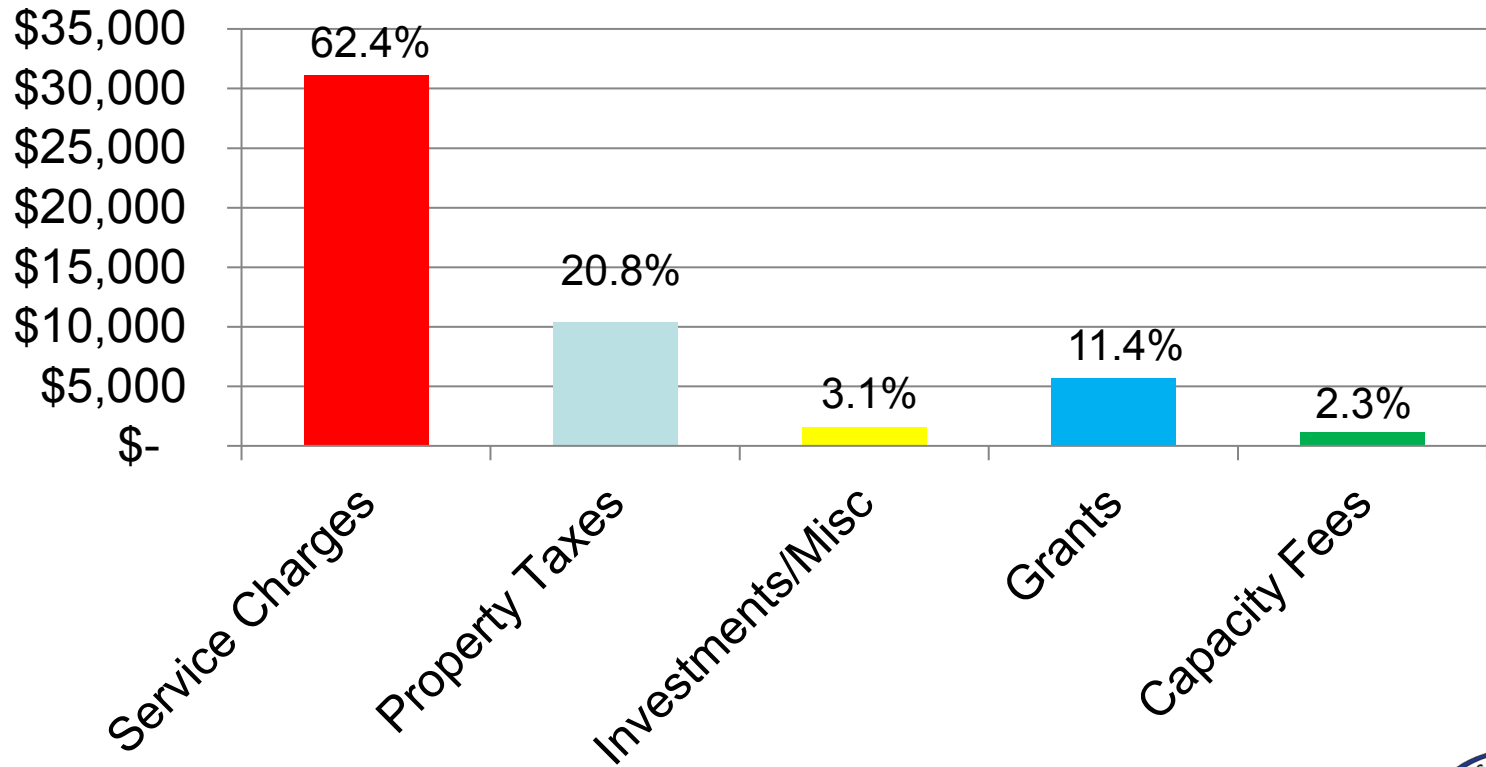
RATE ASSUMPTIONS

- Proposed 2022/23 budget includes 9% water, 8% sewer rate increases.
- Ten-year forecast assumes 8.75% Water and 8% Sewer rate increases annually 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 beginning FY 2025 for future rate increases.



TOTAL REVENUES 2022/23 Projected

9% WATER, 8% SEWER RATE INCREASES
\$49,866 (In Thousands)

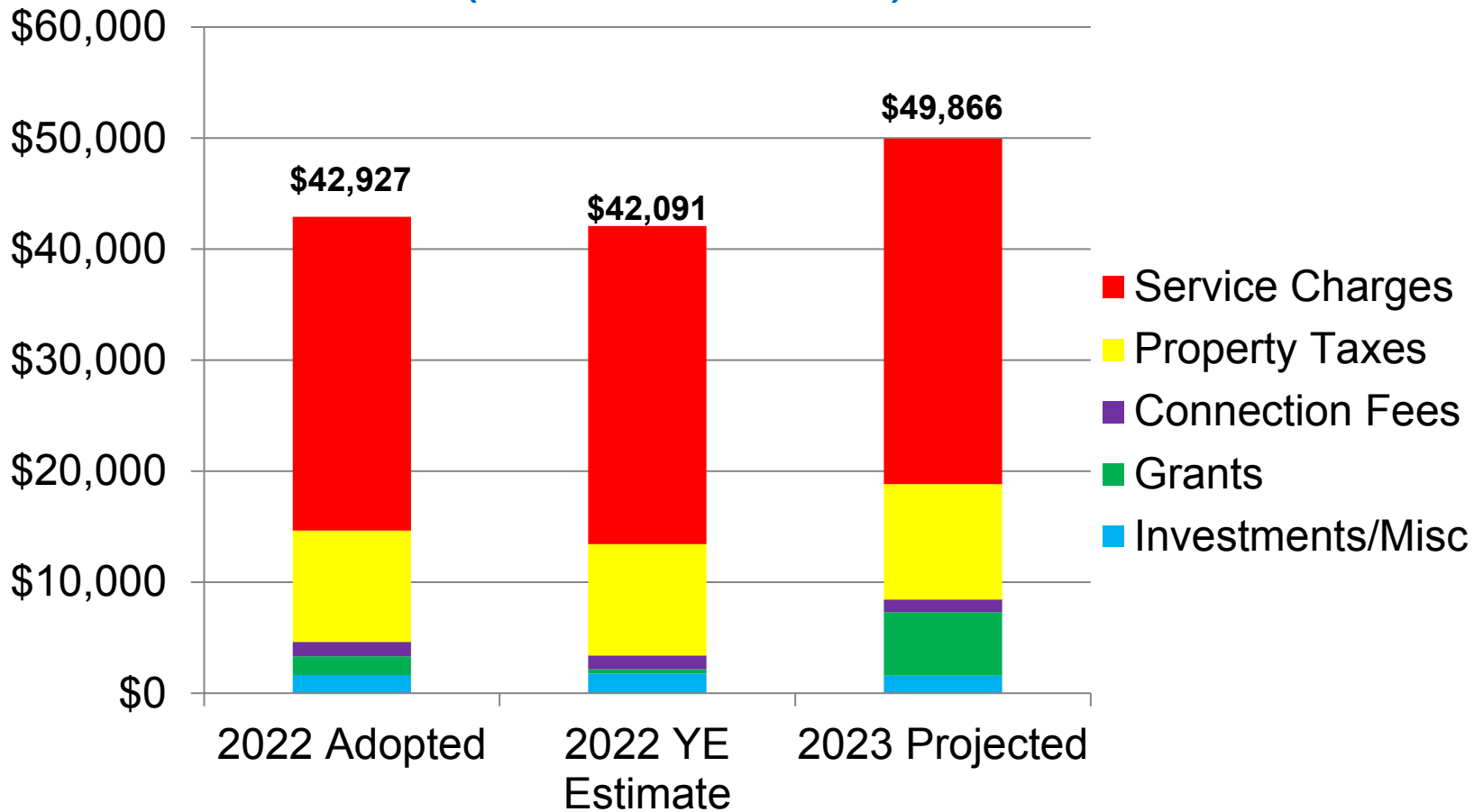




REVENUES

Year-to-Year Comparisons

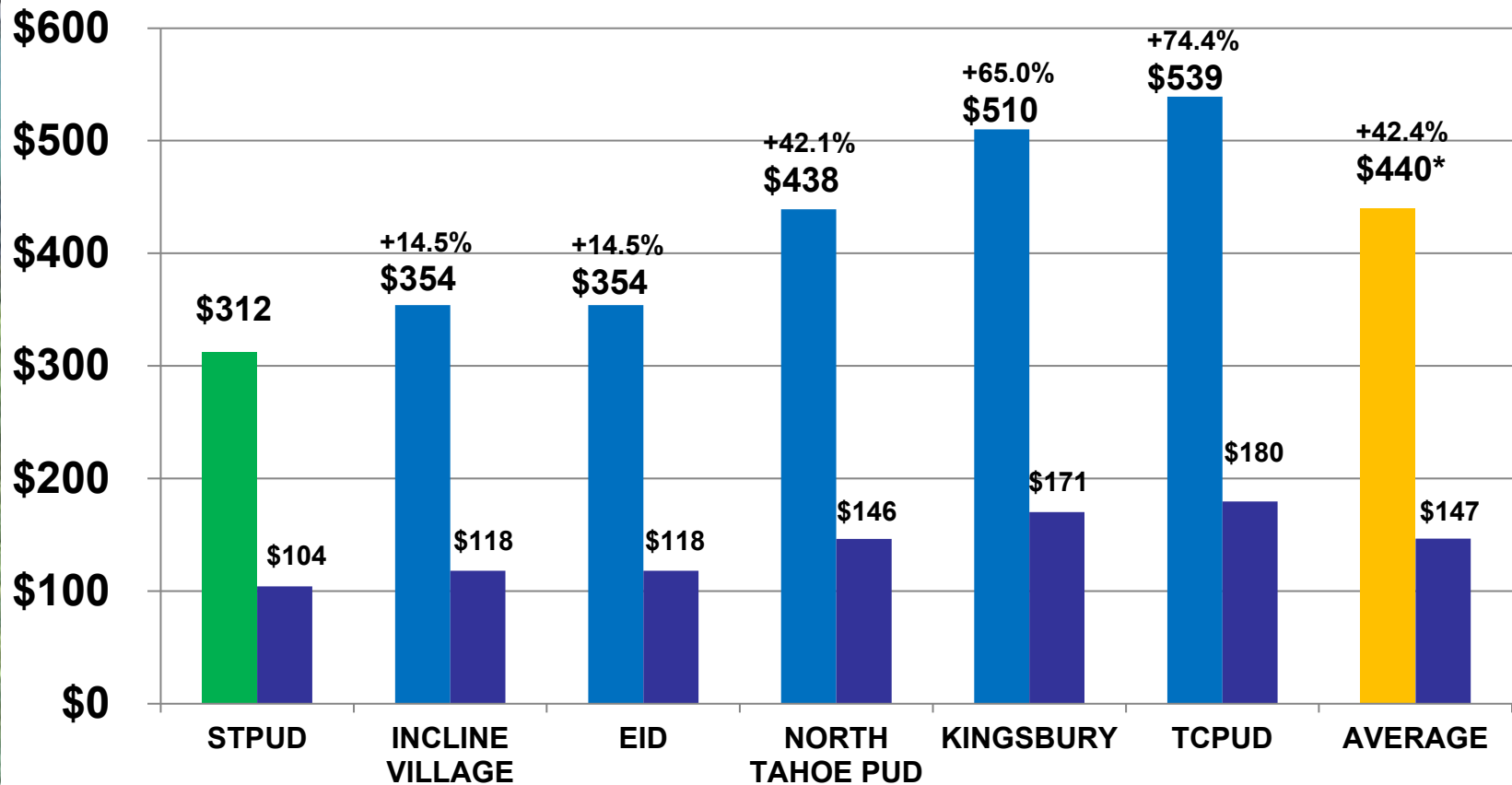
(In Thousands)



DISTRICT RATES LOWEST

Combined Water & Sewer Quarterly/Monthly

As of 1/1/2022

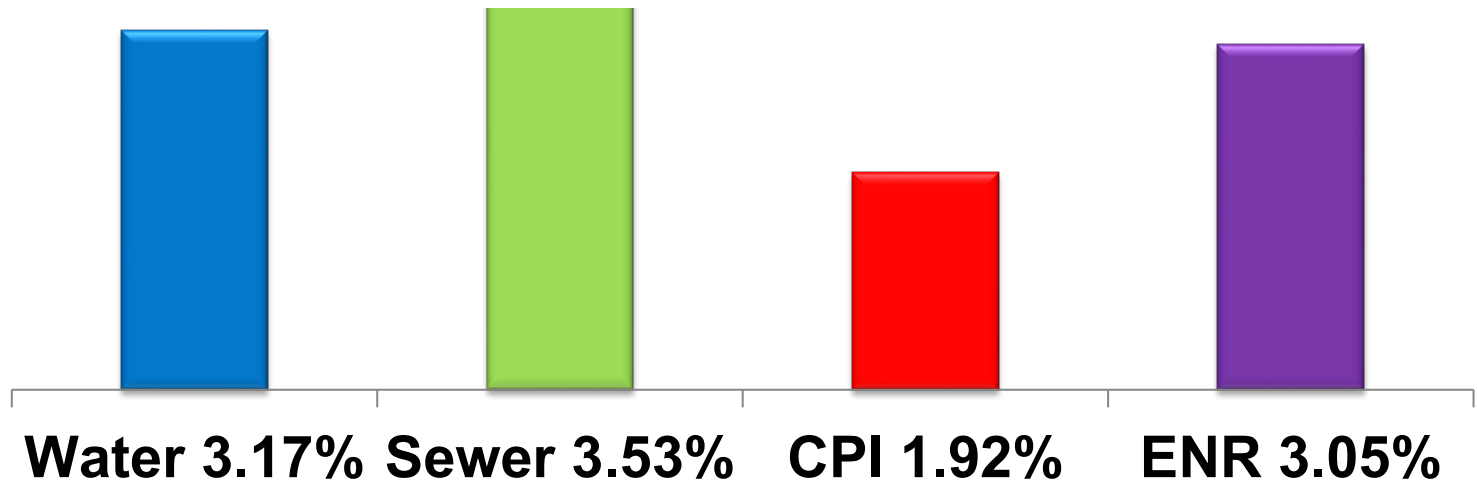


**Average doesn't include STPUD*



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%
QUARTERLY INCREASE	\$17.11	\$17.42	\$18.4	\$19.44	\$20.53
MONTHLY INCREASE	\$5.70	\$5.81	\$6.13	\$6.48	\$6.84

Typical residential customer = $\frac{3}{4}$ " meter, 26 ccf, 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>PROPOSED</u>	<u>PROPOSED</u>
YEAR	2020	2021	2022	2023	2024
WATER	4%	0%	0%	9%	9%
SEWER	5%	0%	0%	8%	8%
QUARTERLY INCREASE	\$17.11	\$0	\$0	\$26.80	\$29.10
MONTHLY INCREASE	\$5.70	\$0	\$0	\$8.93	\$9.70

Typical residential customer = $\frac{3}{4}$ " meter, 26 ccf, 3 sewer units



LONG-TERM RATES TO FUND CIP'S

CIP MEETING			FINANCE COMMITTEE RECOMMENDATION		
YEAR	WATER	SEWER	YEAR	WATER	SEWER
1	13.10%	10.25%	1	9.00%	8.00%
2	13.10%	10.25%	2	9.00%	8.00%
3	8.50%	5.75%	3	8.75%	8.00%
4	8.50%	5.75%	4	8.75%	8.00%
5	8.50%	5.75%	5	8.75%	8.00%
6	8.50%	5.75%	6	8.75%	8.00%
7	8.50%	5.75%	7	8.75%	8.00%
8	8.50%	5.75%	8	8.75%	8.00%
9	8.50%	5.75%	9	8.75%	8.00%
10	8.50%	5.75%	10	8.75%	8.00%



LONG-TERM RATES TO FUND CIP'S

- Utilized funds from the Sewer Rate Stabilization Reserve in 2023 and 2024
- Increased the transfer of Property Tax to the Water Fund

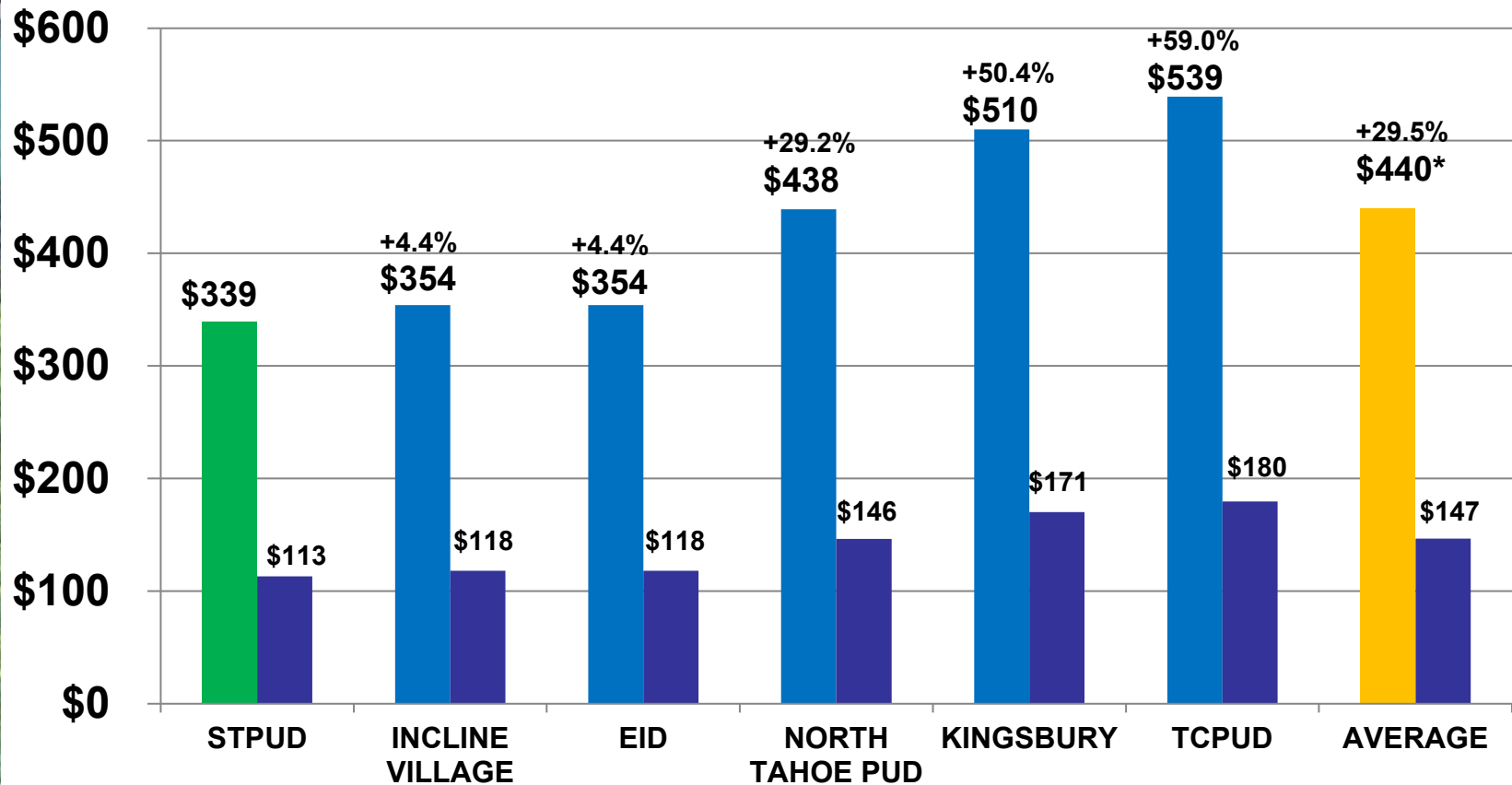




DISTRICT RATES LOWEST

Combined Water & Sewer Quarterly/Monthly

As of 7/1/2022

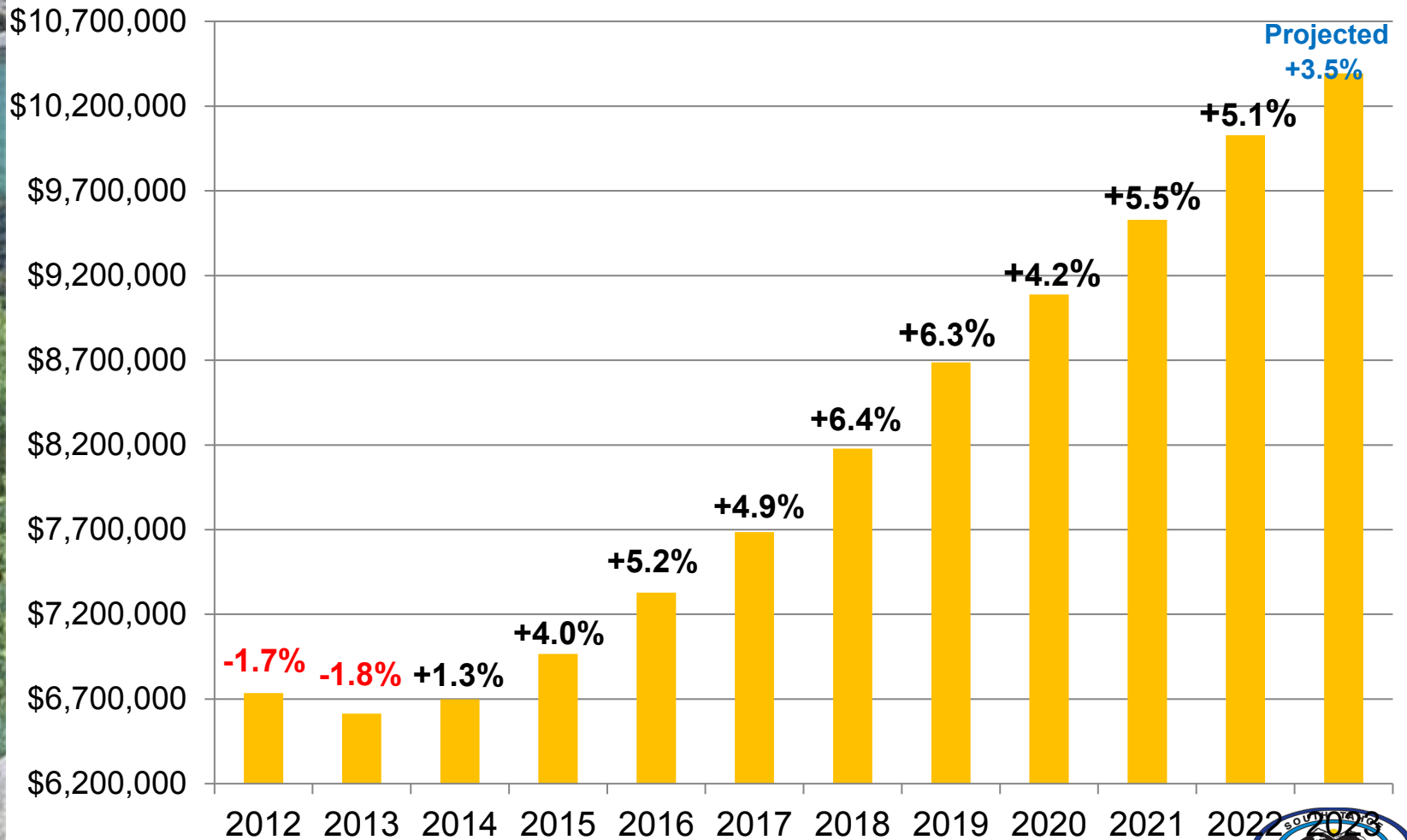


**Average doesn't include STPUD*



PROPERTY TAX REVENUES

2022/23 PROJECTED \$10,394,000





PROPERTY TAX DISTRIBUTION BETWEEN FUNDS

FY 2022/23

Sewer Fund – 75%; \$7,795,806

Water Fund – 25%; \$2,598,602

- 70/30 2023/24 – 2025/26
- 85/15 2026/27 – 2031/32
- May adjust in the future to address changing priorities



SOUTH TAHOE RDA TAX TRANSFERS CONTINUE

- 2022/23 Property Tax transfer = \$476,000
- Equals 4.6% 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

2022/23 PROJECTION \$1,143,000

Sewer - \$824,900

Water - \$318,000

- Capacity charges projected are equivalent to 83(sewer), 30(water) typical residential connections
- Generic Commercial Estimate:
 - 50 Sewer Units
 - Total Water connections equivalent to one 4” connection



CAPACITY CHARGES

2022/23 PROJECTION \$1,143,000

- 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 2.3% of total revenues and 7.5% of available infrastructure revenues



GRANTS

2022/23 PROJECTED \$5.7M

CTC/FS - \$795K FEMA/OES - \$4.5M

EDCWA - \$160K BOR - \$150K

TSIRWMP - \$140K

- Outstanding Grant Applications
\$29.3M – Federal Funds for Waterline Replacements
- Grants received over the last 19 years
= approximately \$30M





INVESTMENTS

2022/23 PROJECTED \$464,000

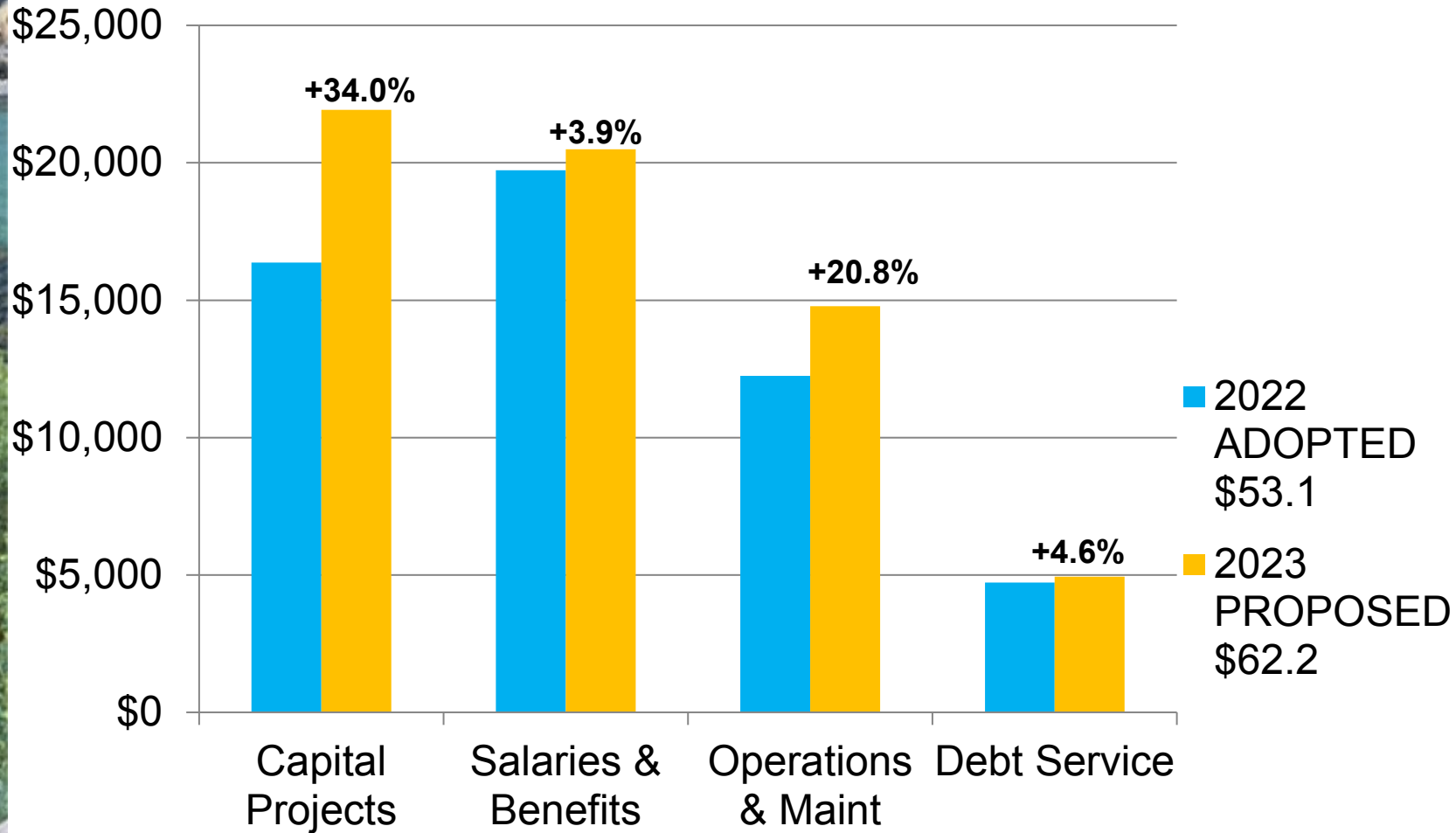
- Will continue to experience low return rates
- Feds continue to hold rates down, although 25bp incremental increases are expected
- Investment Strategy: principle preservation (state requirement)

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



EXPENDITURES

FISCAL YEAR 2023 PROPOSED EXPENDITURE BUDGET COMPARED TO 2022 ADOPTED BUDGET (In Thousands)





OPERATIONS & MAINTENANCE

ONGOING DAY-TO-DAY EXPENSES

- \$14.8M - \$2.5M or 20.8% increase compared to the current year budget
- Ongoing Increases:
 - Liberty Power Costs \$915K
 - Line Flushing \$264K
 - Monthly Billing \$162K
 - Regulatory Operating Permits \$91K
 - Other \$245K





OPERATIONS & MAINTENANCE

ONGOING DAY-TO-DAY EXPENSES

- \$14.8M - \$2.5M or 20.8% increase compared to the current year budget
- One-Time Increases:
 - Grant Funded Fuels Reduction \$620K
 - Engineering Contract Services \$239K

SALARIES & BENEFITS

\$20.5M - \$761K or 3.9% increase over current year

- 2.5% COLA - \$320K
- Step Increases - \$240K
- CalPERS increase - \$112K
- Additional CS Employees - \$200K
- Turnover/new hires – (\$75K)



SALARIES & BENEFITS

CalPERS

- Classic Plan - 27.300% of salaries, up 1.944% of salaries. \$2,116,867
- PEPRA Plan - 7.776% of salaries, down .213%. 51 (44%) employees enrolled in this Plan. \$266,869

	Classic	PEPRA	ANNUAL
	2.7% @ 55	2.0% @ 62	DISTRICT SAVINGS
SAVINGS EXAMPLE:			
- EMPLOYEE EARNING \$75,000/YR	\$ 20,475	\$ 5,832	\$ 14,643



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



CAPITAL EXPENDITURES

Assumes Annual 8.75% and 8% Rate
Increases in years 3 - 10

Ten-Year Water CIP - \$113.9M

Ten-Year Sewer CIP - \$105.0M

Requires additional borrowing:

- \$53.0M Water, \$50.7M Sewer

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

FY 2023 Capital Spending: Includes all Departments

- Water \$10.6M

- Sewer \$11.3M



PROPOSED FY 2023 RATE INCREASES

Board Discussion/Direction

WATER – 9%; SEWER – 8%

- Impacts to typical residential customer:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Monthly	\$5.38	\$3.56	\$8.94
Quarterly	\$16.13	\$10.67	\$26.80



What's Next

Early April: Notify customers of proposed rate increases

May 19: Board votes on proposed fiscal year 2023 rate increases and budget

Questions and Comments

