



SOUTH TAHOE PUBLIC UTILITY DISTRICT

Proposed 2024/25 Budget and Ten-Year Financial Plan



Board Workshop March 19, 2024
Andrea Salazar— Chief Financial Officer





2024/25 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

<u>Water CIP Required Rate Funding Levels</u>	<u>Years 1-3</u>	<u>Year 4</u>	<u>Year 5</u>
Baseline	9.50%	9.50%	5.00%
Identified Capital Needs	14.50%	14.50%	14.50%
Identified Capital Needs Less Acc. WL	12.50%	5.00%	5.00%

<u>Sewer CIP Required Rate Funding Levels</u>	<u>Years 1-5</u>
Baseline	9.50%
Identified Capital Needs	13.50%

- Adopting rates less than assumed will require reductions to the CIP's.
- A Prop 218 notice process is currently ongoing for rates beginning FY 2025



TOTAL REVENUES & EXPENSES 2024/25 Projected

Revenues	\$54.7M
Expenses	\$69.1M
Variance	<u>(\$14.5M)</u>
Loan Proceeds	\$18.3M
Change in Reserves	<u>(\$3.8M)</u>
	\$14.5M



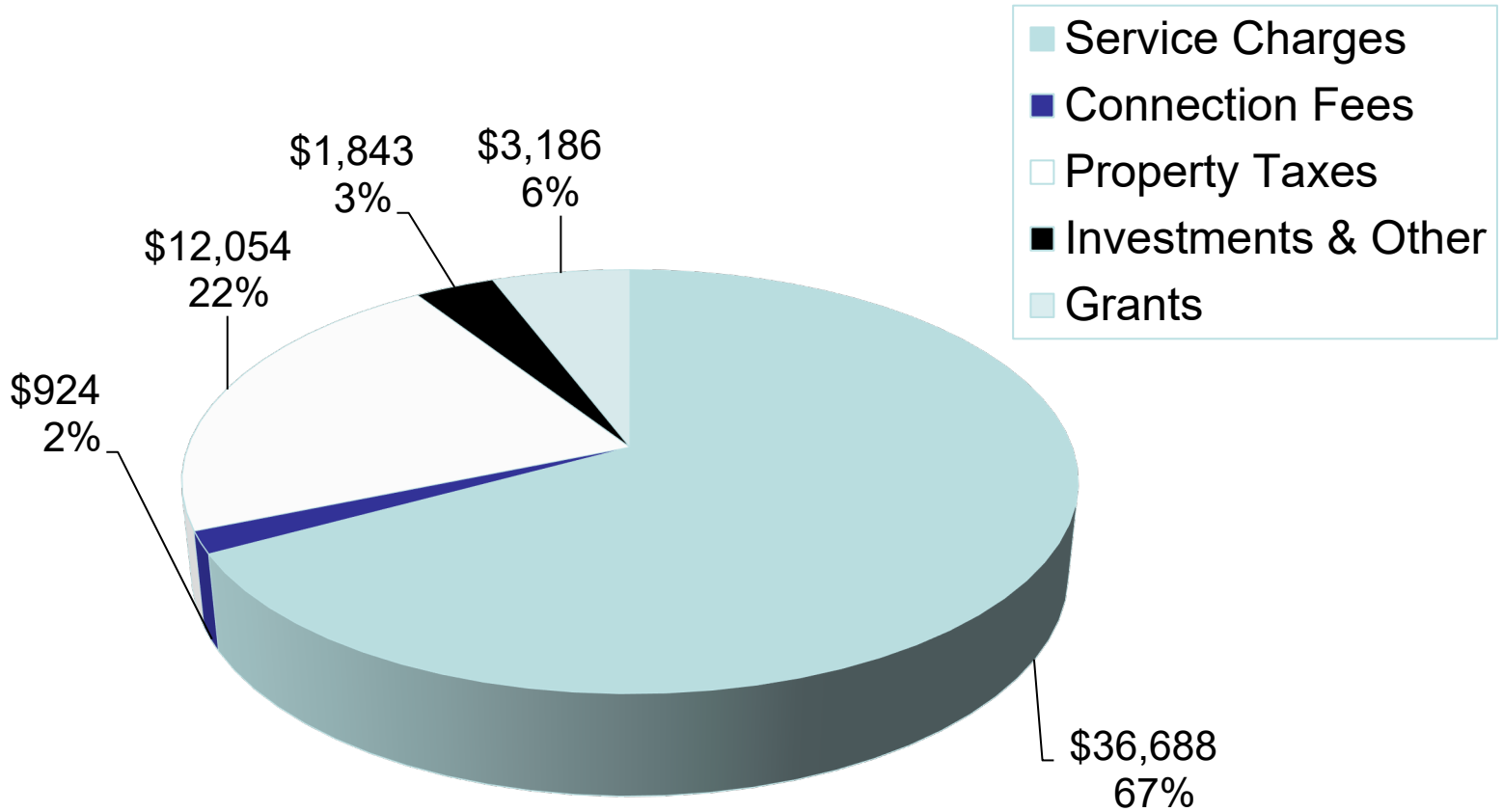
TOTAL PROJECTED RESERVE BALANCES (In thousands)

	<u>6/30/2024</u>	<u>6/30/2025</u>
Operating	\$ 6,929	\$ 7,631
Capital	\$ 10,029	\$ 11,742
Debt	\$ 2,726	\$ 4,581
Rate Stabilization	\$ 5,503	\$ 5,054
Total	\$ 25,187	\$ 29,008

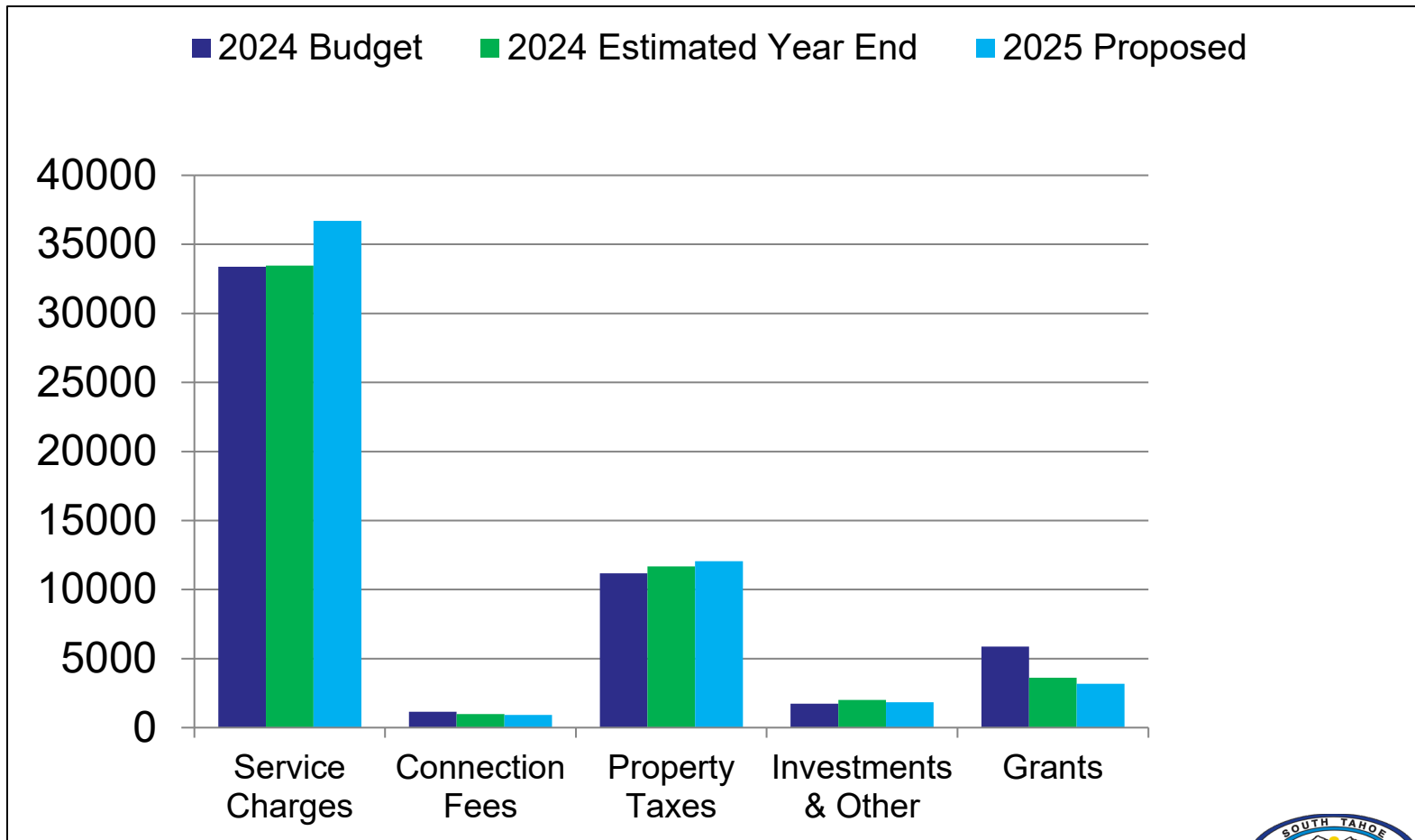
Increase of \$3.8M



Projected Water and Sewer Total Revenue \$54,695 (In Thousands)

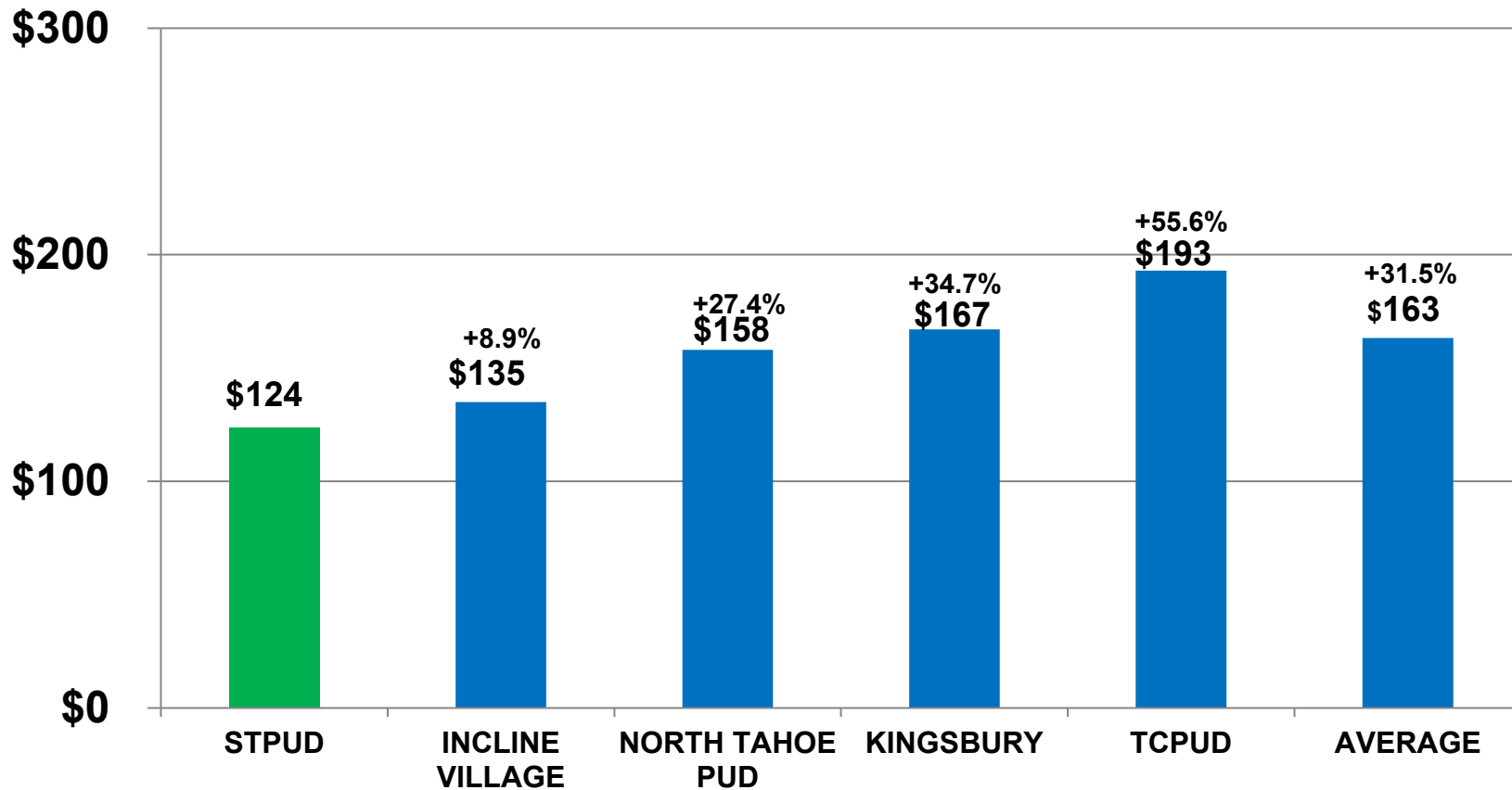


Water and Sewer Combined Revenue Year-to-Year Comparisons (In Thousands)



BASIN RATE COMPARISON

Combined Monthly Water & Sewer

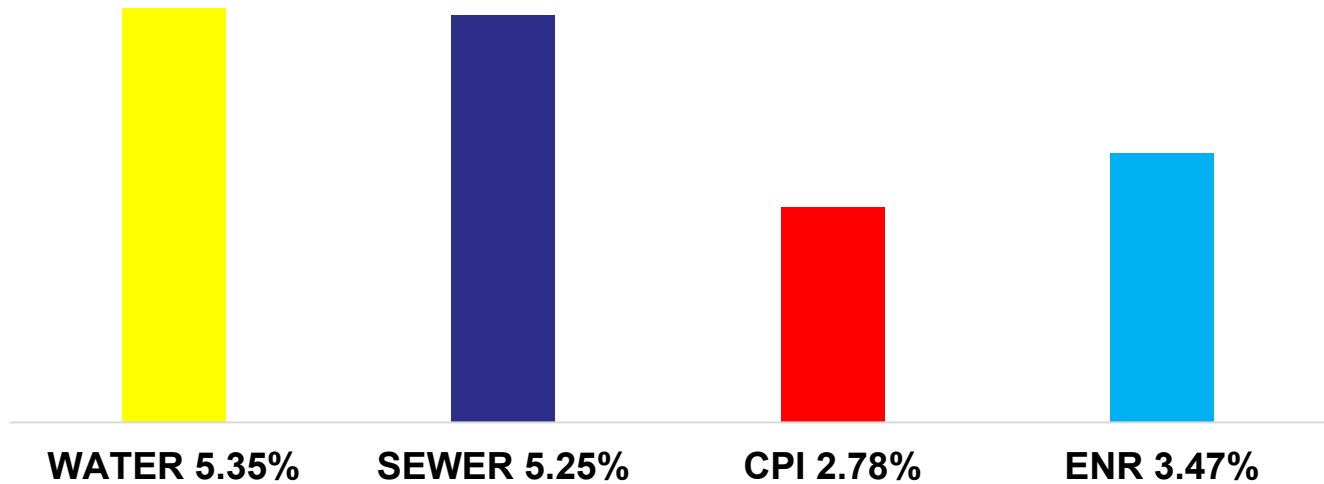


**Average doesn't include STPUD*



SERVICE CHARGE RATES

10-Year District Rate Increase History Compared to Inflation Indexes



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

FISCAL YEAR	ADOPTED										PROPOSED
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
WATER	6.50%	6.50%	6.50%	6.50%	5.00%	4.00%	0.00%	0.00%	9.00%	9.50%	9.50%
SEWER	6.00%	6.00%	6.00%	6.00%	6.00%	5.00%	0.00%	0.00%	8.00%	9.50%	13.50%
CPI - MAY TO MAY	0.80%	0.40%	2.00%	3.00%	2.80%	0.50%	5.40%	8.40%	4.40%		
ENR - MAY TO MAY	2.40%	3.41%	3.65%	3.00%	2.00%	1.67%	5.00%	8.50%	2.18%		
Typical Monthly Water Bill	\$ 44.47	\$ 47.32	\$ 50.41	\$ 53.75	\$ 56.41	\$ 59.75	\$ 59.75	\$ 59.75	\$ 65.10	\$ 71.28	\$ 78.06
Typical Monthly Sewer Bill	\$ 33.34	\$ 35.34	\$ 37.46	\$ 39.71	\$ 42.09	\$ 44.46	\$ 44.46	\$ 44.46	\$ 48.02	\$ 52.58	\$ 59.68
Total	\$ 77.81	\$ 82.66	\$ 87.87	\$ 93.46	\$ 98.50	\$ 104.21	\$ 104.21	\$ 104.21	\$ 113.12	\$ 123.87	\$ 137.74

Typical residential customer = $\frac{3}{4}$ " meter, 4,488 gallons, 3 sewer units



LONG-TERM RATES TO FUND CIP'S

FINANCE COMMITTEE/STAFF RECOMMENDATION

Rates to fund Needs Based Sewer CIP and Needs Less WL Water CIP

	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>
WATER	9.50%	9.50%	9.50%	9.50%	9.50%
SEWER	13.50%	9.50%	9.50%	9.50%	9.50%

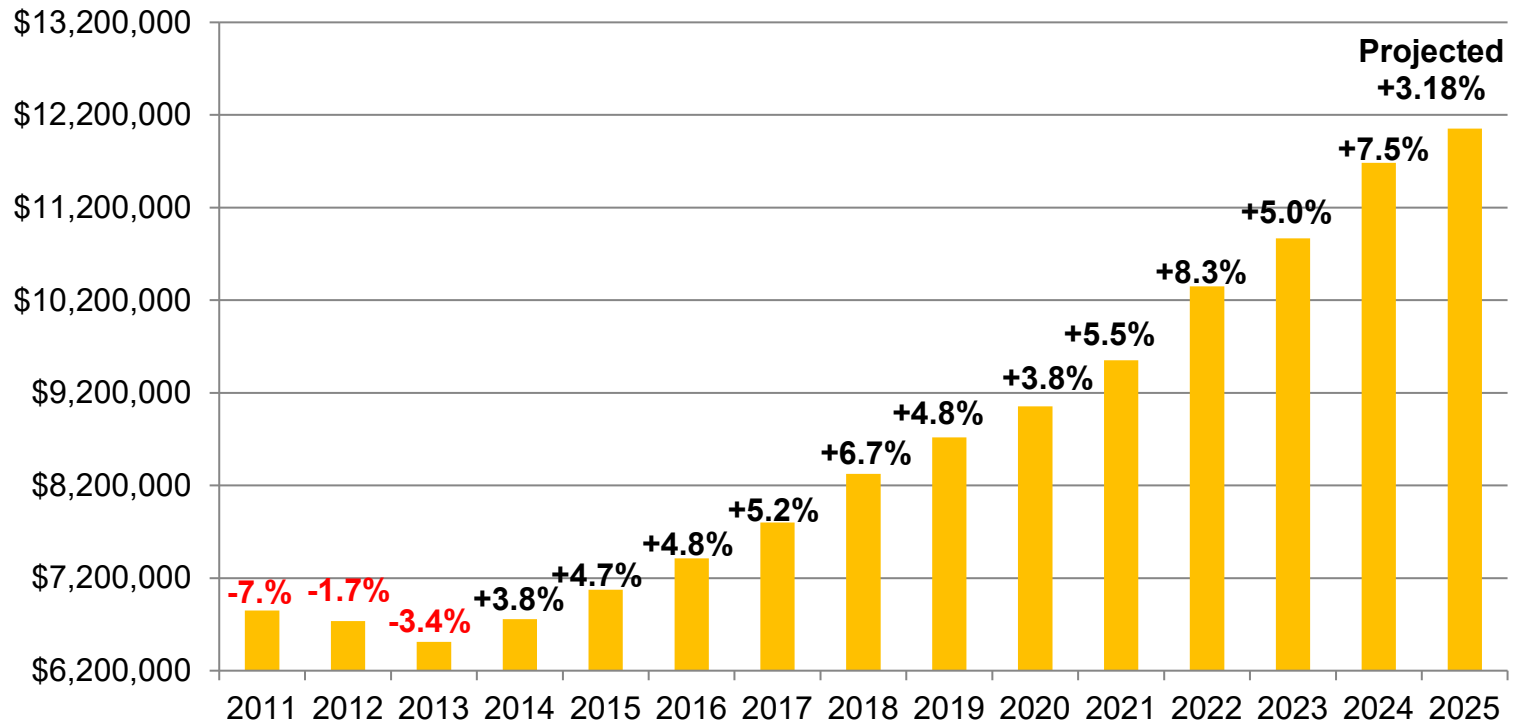
Average Monthly Residential Bill Impact

WATER	\$ 6.29	\$ 6.89	\$ 7.55	\$ 8.26	\$ 9.05
SEWER	<u>\$ 7.10</u>	<u>\$ 5.47</u>	<u>\$ 5.99</u>	<u>\$ 6.56</u>	<u>\$ 7.18</u>
TOTAL	\$13.39	\$12.36	\$13.54	\$14.82	\$16.23



PROPERTY TAX REVENUES

2024/25 PROJECTED \$12M



PROPERTY TAX DISTRIBUTION BETWEEN FUNDS

FINANCE COMMITTEE RECOMMENDATION

	SEWER FUND		WATER FUND		TOTAL
2024/25	8,076,371	67%	3,977,600	33%	12,053,971
2025/26	7,959,881	64%	4,477,091	36%	12,436,972
2026/27	7,828,016	61%	5,003,917	39%	12,831,933
2027/28	7,678,820	58%	5,560,154	42%	13,238,974
2028/29	7,649,793	56%	6,009,143	44%	13,658,936
2029/30	7,893,000	56%	6,200,000	44%	14,093,000
2030/31	8,143,000	56%	6,397,000	44%	14,540,000
2031/32	8,401,000	56%	6,600,000	44%	15,001,000
2032/33	8,668,000	56%	6,809,000	44%	15,477,000



SOUTH TAHOE RDA TAX TRANSFERS CONTINUE

- 2024/25 Property Tax transfer = \$560,000
- Equals 4.6% of projected 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

2024/25 PROJECTION \$924,000



Sewer - \$570,000 3-year average and 10% annual reduction



Water - \$354,000



Water capacity charges projected are equivalent to 30 typical residential connections



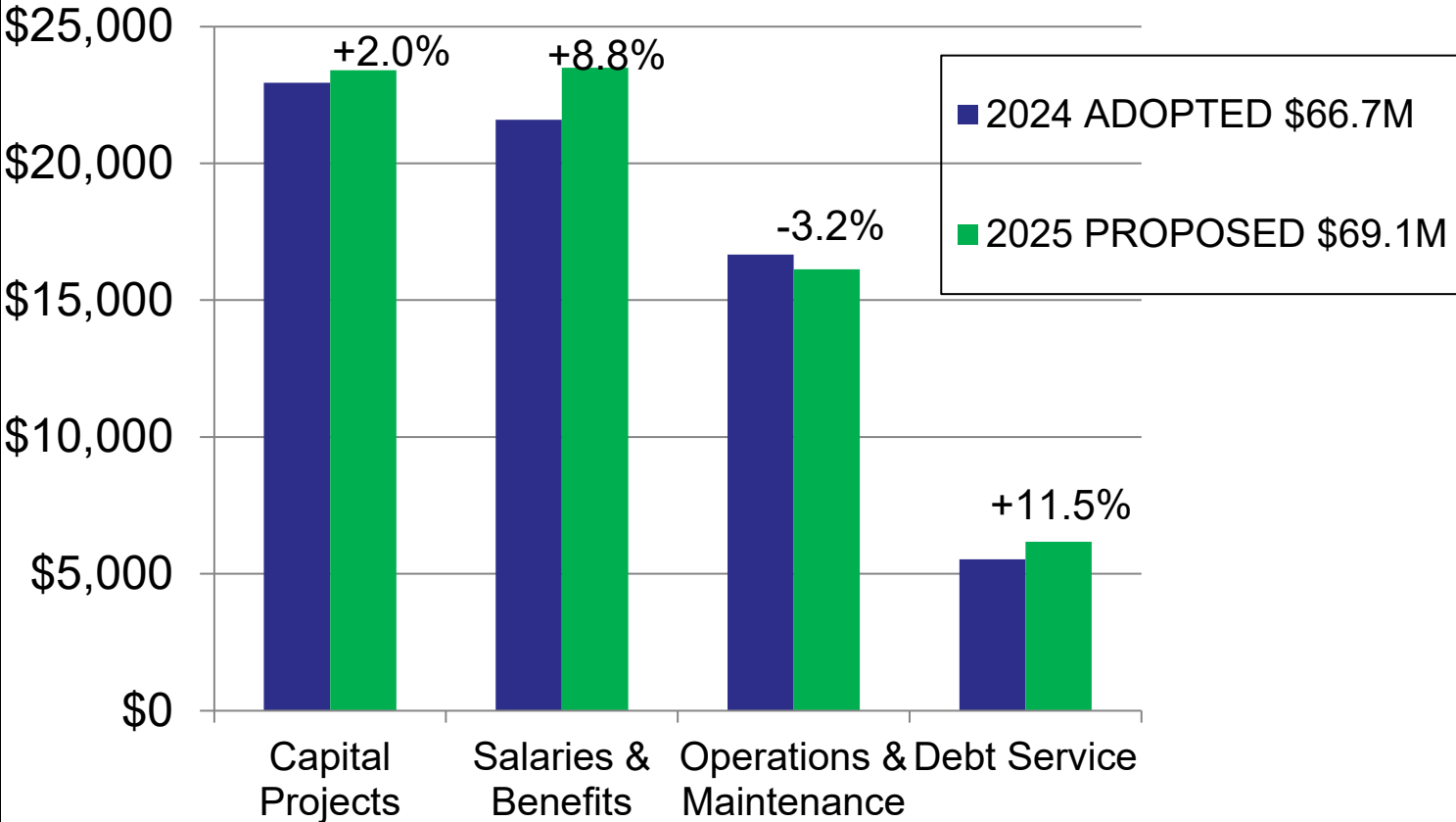
Generic Commercial Estimate:

100 Plumbing Fixtures
Total Water connections equivalent to one 4" connection



EXPENDITURES

FISCAL YEAR 2024 ADOPTED EXPENDITURE BUDGET COMPARED TO 2025 PROPOSED BUDGET





OPERATIONS & MAINTENANCE

ONGOING DAY-TO-DAY EXPENSES

- Decrease of \$534K or 3.2%
 - Primary decreases:
 - \$288K - Sewer Crossings Assessment
 - \$55K - Cathodic Protection
 - \$10K - Solar Support
 - \$35K - Blue Ribbon



SALARIES

	<u>SALARIES</u>	<u>BENEFITS</u>	<u>TOTAL</u>
FISCAL YEAR 2025 PROPOSED SALARIES AND BENEFITS:	\$ 15,693,907	\$ 7,797,870	\$ 23,491,777
FISCAL YEAR 2024 BUDGETED SALARIES AND BENEFITS:	\$ 14,398,974	\$ 7,194,333	\$ 21,593,307
DIFFERENCE \$	\$ 1,294,933	\$ 603,537	\$ 1,898,470
DIFFERENCE %	9.0%	8.4%	8.8%

EXPLANATION:

SALARIES: BOARD APPROVED ONE ADDITIONAL POSITION OF DIRECTOR OF OPERATIONS - \$203,194
 2.5% COLA FOR ALL EMPLOYEES EFFECTIVE 7/1/2024 - Approximately \$310,000
 5% STEP INCREASES FOR EMPLOYEES NOT AT THE TOP OF THEIR SCALE - Approximately \$220,000
 SAVINGS DUE TO TURNOVER AND REHIRING AT LOWER SALARY SCALE STEPS - Approximately (\$100,000)

BENEFITS: BOARD APPROVED ONE ADDITIONAL POSITION OF DIRECTOR OF OPERATIONS - \$107,296
 12% INCREASE IN JPIA HEALTH INSURANCE RATES - \$292,000
 NET DECREASE IN CALPERS EXPENSE, CAUSED BY CLASSIC RETIREES AND NEW PEPRA EE's - (\$150,000)
 INCREASE IN FICA - \$45,000
 OTHER MISC. PAYROLL INCREASES - \$45,000



BENEFITS – CalPERS Classic

FISCAL YEAR	INCREASE (DECREASE)	DISTRICT RATES AS A PERCENT OF SALARIES			
		EMPLOYER RATE*	EMPLOYEE PAID RATE	EMPLOYER PAID EMPLOYEE RATE	TOTAL EMPLOYEE RATE
2019/20	2.751%	20.640%	8.000%	0.000%	8.00%
2020/21	2.828%	23.468%	8.000%	0.000%	8.00%
2021/22	1.888%	25.356%	8.000%	0.000%	8.00%
2022/23	1.944%	27.300%	8.000%	0.000%	8.00%
2023/24	1.312%	28.612%	8.000%	0.000%	8.00%
2024/25	8.748%	37.360%	8.000%	0.000%	8.00%

*EMPLOYER RATE INCLUDES UNFUNDED LIABILITY PREPAID IN FULL BY JULY 31

CURRENT DISTRICT POLICY: RATE INCREASES ARE SHARED EQUALLY WITH EMPLOYEES UNTIL THE EMPLOYEE PAID RATE REACHES THE 8% MAXIMUM ACCORDING TO CURRENT CALPERS POLICY.

TOTAL ESTIMATED EMPLOYER CONTRIBUTIONS FOR 2024/25: \$2,144,952

ESTIMATED DECREASE OVER 2023/24: (\$51,044)

CURRENTLY 51 EMPLOYEES ARE ENROLLED IN THIS CALPERS PLAN, 7 LESS PARTICIPANTS THAN FY 2023-24



BENEFITS – CalPERS PEPRA

DISTRICT RATES AS A PERCENT OF SALARIES

FISCAL YEAR	INCREASE	DISTRICT RATES AS A PERCENT OF SALARIES			
		EMPLOYER RATE	EMPLOYEE PAID RATE	EMPLOYER PAID EMPLOYEE RATE	TOTAL EMPLOYEE RATE
2013/14	0.000%	6.250%	6.250%	0.000%	6.250%
2014/15	0.000%	6.250%	6.250%	0.000%	6.250%
2015/16	-0.013%	6.237%	6.250%	0.000%	6.250%
2016/17	0.327%	6.564%	6.250%	0.000%	6.250%
2017/18	-0.008%	6.556%	6.250%	0.000%	6.250%
2018/19	0.347%	6.903%	6.250%	0.000%	6.250%
2019/20	0.178%	7.081%	6.750%	0.000%	6.750%
2020/21	1.092%	8.173%	6.750%	0.000%	6.750%
2021/22	-0.184%	7.989%	6.750%	0.000%	6.750%
2022/23	-0.158%	7.831%	6.750%	0.000%	6.750%
2023/24	-0.151%	7.680%	7.750%	0.000%	7.750%
2024/25	0.190%	7.870%	7.750%	0.000%	7.750%

TOTAL ESTIMATED EMPLOYER CONTRIBUTIONS FOR 2024/25 - \$484,622

ESTIMATED INCREASE OVER 2023/24 - \$181,511

	Classic 2.7% @ 55	PEPRA 2.0% @ 62	ANNUAL DISTRICT SAVINGS
SAVINGS EXAMPLE:			
- EMPLOYEE EARNING \$60,000/YR	\$ 22,416	\$ 4,722	\$ 17,694

CURRENTLY 69 EMPLOYEES ARE ENROLLED IN THIS CALPERS PLAN, 13 ADDITIONAL PARTICIPANTS THAN FY 2023-24



CAPITAL EXPENDITURES

<u>CIP Levels</u>	<u>Water</u>	<u>Sewer</u>		
Baseline	\$115.8M	\$109.8M		
Identified Capital Needs	\$175.3M	\$132.3M		
Identified Capital Needs Less Acc. WL	\$133.7M			
<u>Water CIP Required Rate Funding Levels</u>	<u>Years 1-3</u>	<u>Year 4</u>	<u>Year 5</u>	
Baseline	9.50%	9.50%	5.00%	
Identified Capital Needs	14.50%	14.50%	14.50%	
Identified Capital Needs Less Acc. WL	12.50%	5.00%	5.00%	
<u>Sewer CIP Required Rate Funding Levels</u>	<u>Years 1-5</u>			
Baseline	9.50%			
Identified Capital Needs	13.50%			

When possible, the District utilizes the State Revolving Fund Program to complete sewer and water projects. This program offers subsidized interest rates that are typically lower than the General tax-exempt market.



PROPOSED FY 2025 RATE INCREASES

Board Discussion/Direction

Impacts to typical residential customer:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Monthly	\$6.29	\$7.10	\$13.39



Next Steps

Early April: Notify customers of proposed rate increases

May 16: Board takes action on proposed fiscal year 2025 rate increases and budget

July 1: New budget effective



Questions and Comments

