



# CALAVERAS COUNTY WATER DISTRICT

## Proposed Five-Year Rate Plan

*A generational investment in our community*

CCWD is committed to engaging with the public during its 2023 rate-setting process.

This document provides slides from our town hall presentations regarding the Prop 218 process, the financial planning process that CCWD went through, and details about the proposed rates. This represents roughly the first half of the slides we shared at the town halls, which focuses on the process the District has completed thus far. CCWD will distribute a separate document with the remaining slides with details about the cost increases we've endured, cost savings and supplemental revenue efforts, and the critical infrastructure projects that are driving the rate increases.

In short, CCWD's water and wastewater rates are expected to substantially increase over the next 5 years. CCWD does not wish to burden its customers, but must respond to the increasing costs for everything from materials, fuel, power, wildfire preparedness and insurance, regulations, etc. As a responsible non-profit agency, CCWD must plan accordingly and set its rates to cover its operations and infrastructure costs.

CCWD understands this rate change will be difficult for all customers, especially those on fixed incomes. CCWD's employees are also ratepayers, Calaveras residents, and locals who are dedicated to ensuring reliable and compliant water and wastewater services to CCWD's customers. CCWD is taking these steps as necessary to keep its systems functioning for current and future generations. We are proposing these increases because the impact on the community would be more costly if we don't have the resources and CCWD is committed to provide the services our communities depend on now and into the future.

# PROPOSITION 218 RATE STUDY PROCESS



1. Data Compilation



2. Financial Plan



3. Rate Design



4. Rate Workshop



5. Prop 218 Notice



6. Community Workshops



7. Public Hearing

SEPTEMBER 13, 2023  
@ 5:30 P.M.

CCWD started this process in October 2022. Since then, we have discussed this in at least six public Board meetings, as well as ten meetings during our Finance and External Relations Committees. We conducted three town hall meetings in the Spring: February 16 in Valley Springs, March 20 in Copperopolis, and April 16 in Ebbetts Pass. In those town hall meetings and in many other meetings with local organizations and individuals, we discussed this process, as well as the need for significant rate increases. We strongly encouraged people to attend the future Finance Committee and Board meetings where we discussed rates and CCWD's budget in detail. We also added statements to our bills in May and June alerting customers of this ongoing process and posted the process on social media repeatedly throughout this year.

After the Prop 218 notice was mailed to each customer on July 25, we conducted three community meetings and countless other interactions with community groups and individual customers.

CCWD worked hard to inform the public about this process and the rationale for the rate increases, but we have also learned some valuable lessons about how we can improve our public outreach in the future. We really appreciate the constructive feedback and the support we have received from many of our customers. We will continue to strive for more effective public outreach and engagement.

# PROTEST PROCESS

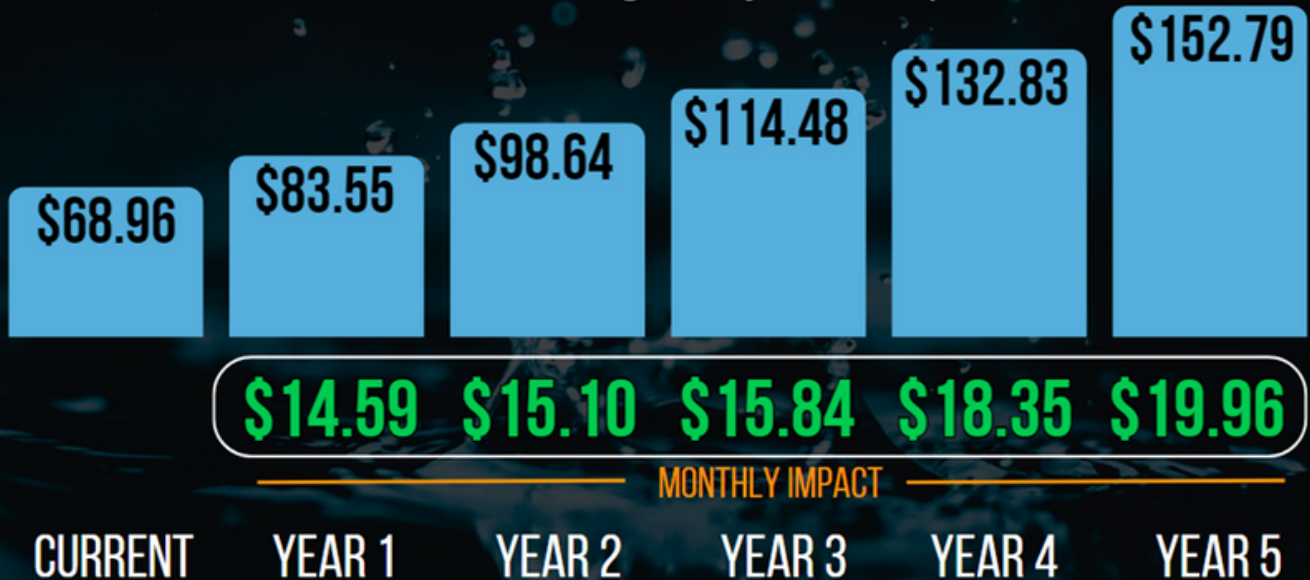
**CCWD Board of Directors will consider all protests:**

- Must be submitted in writing, even if you attend the public hearing
- Letters must be received prior to the close of the public hearing on Wednesday, **September 13, 2023**
- A sample letter is available on our website: [ccwd.org](http://ccwd.org)

CCWD will count the protests and will maintain a master list so that customers can verify that their protest was counted. If a simple majority (50% + 1) of CCWD's customers submit protest letters, CCWD cannot raise rates as currently proposed. CCWD will then need to re-issue a 45-day public notice of another rate hearing. The consequence of the delay will mean that CCWD's budget deficit for this year will only increase, and the financial position will worsen.

# PROPOSED MONTHLY WATER IMPACT

Base Rate + 187 gal/day consumption

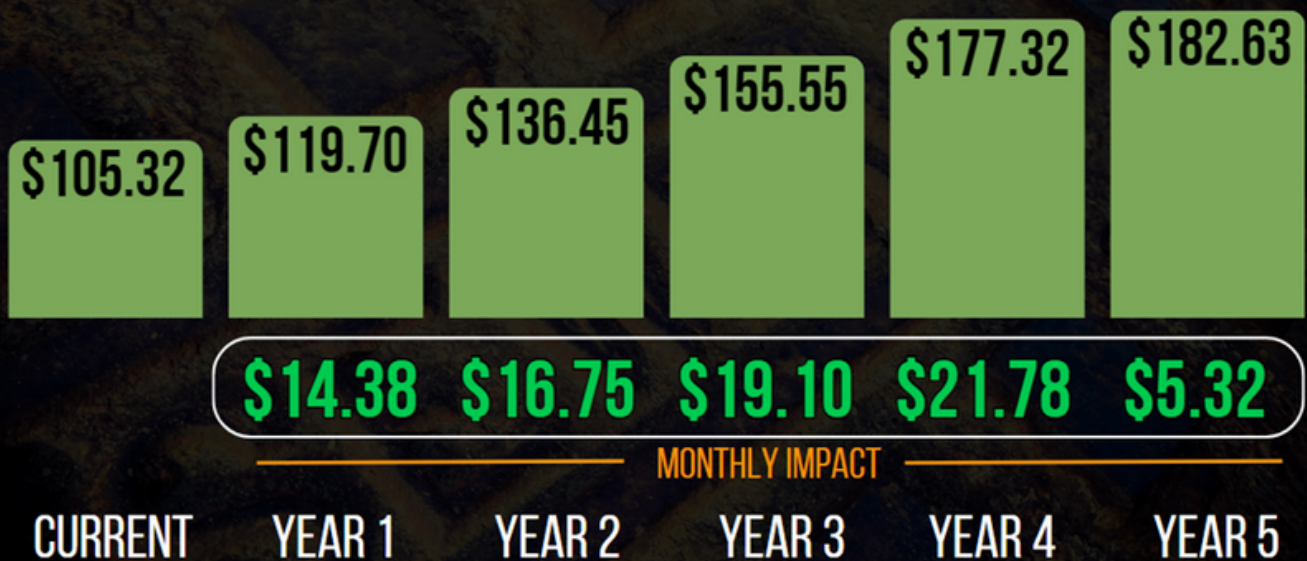


CCWD bills bi-monthly, but most people track their household budget monthly, so we wanted to be up front about the monthly impact of the proposed rate increase for a residential water customer who uses 187 gallons per day (1,500 cubic feet, or 15 HCF per billing cycle). Please note that this is simply a rough example of the financial impact to a customer using this amount of water in a one-month period, and the actual impact may be more or less than what is reflected above based on individual residential customer consumption habits.

- Year 1 Bi-Monthly Cost = \$168
- Year 1 Monthly Cost = \$84
- Year 1 Daily Cost = \$2.80
  
- Year 5 Bi-Monthly Cost = \$306
- Year 5 Monthly Cost = \$153
- Year 5 Daily Cost = \$5.10

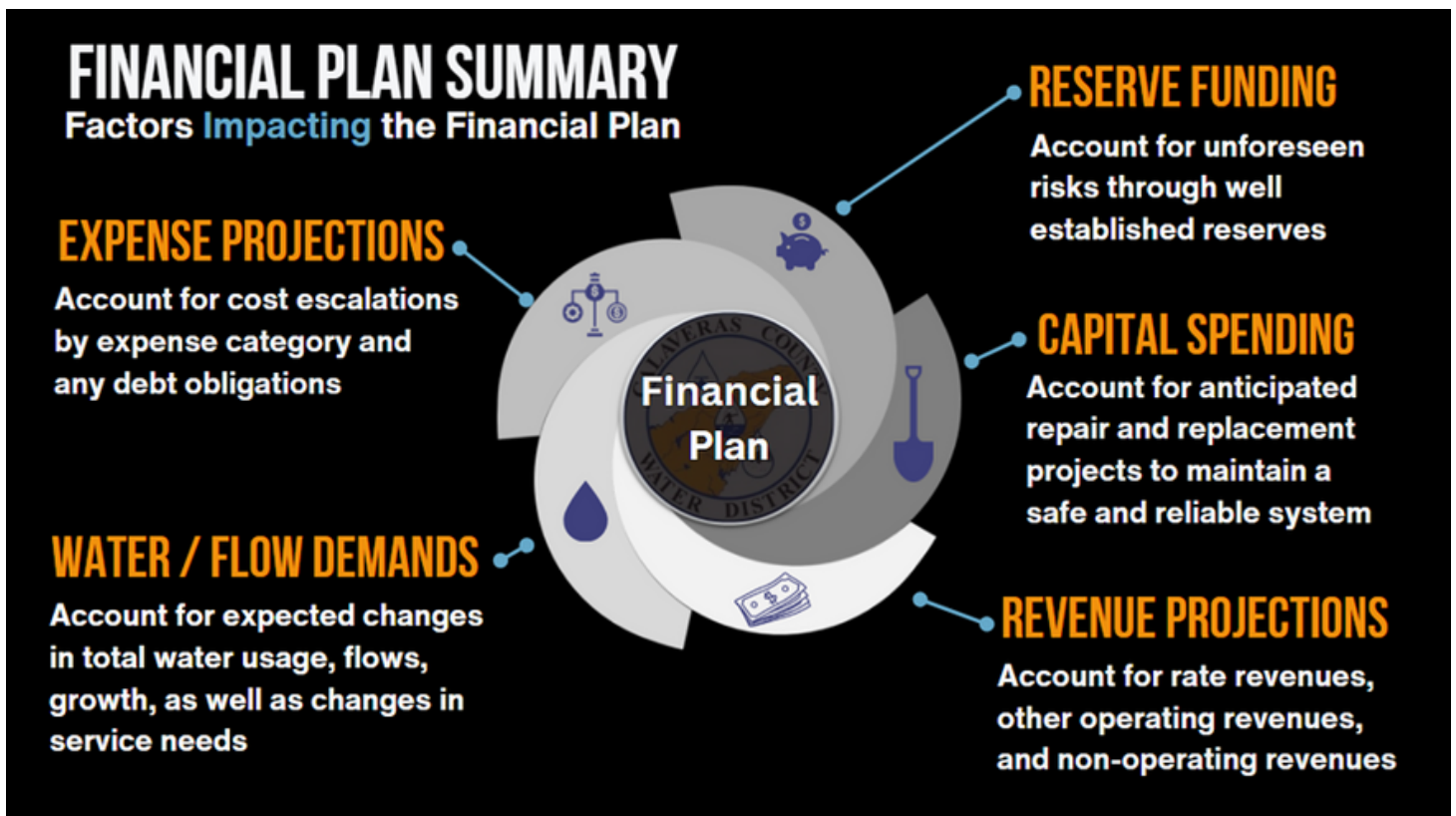


# PROPOSED MONTHLY WASTEWATER IMPACT



Like the previous slide, this slide shows the monthly impact for residential wastewater customers in each year of the proposed five-year rate increases.

- Year 1 Bi-Monthly Cost = \$240
- Year 1 Monthly Cost = \$120
- Year 1 Daily Cost = \$3.99
  
- Year 5 Bi-Monthly Cost = \$366
- Year 5 Monthly Cost = \$183
- Year 5 Daily Cost = \$6.12



The Financial Plan is the first step in preparing a rate study, and includes the review of the District’s revenues, expenditures, capital spending, reserve requirements/funding, and water use characteristics.

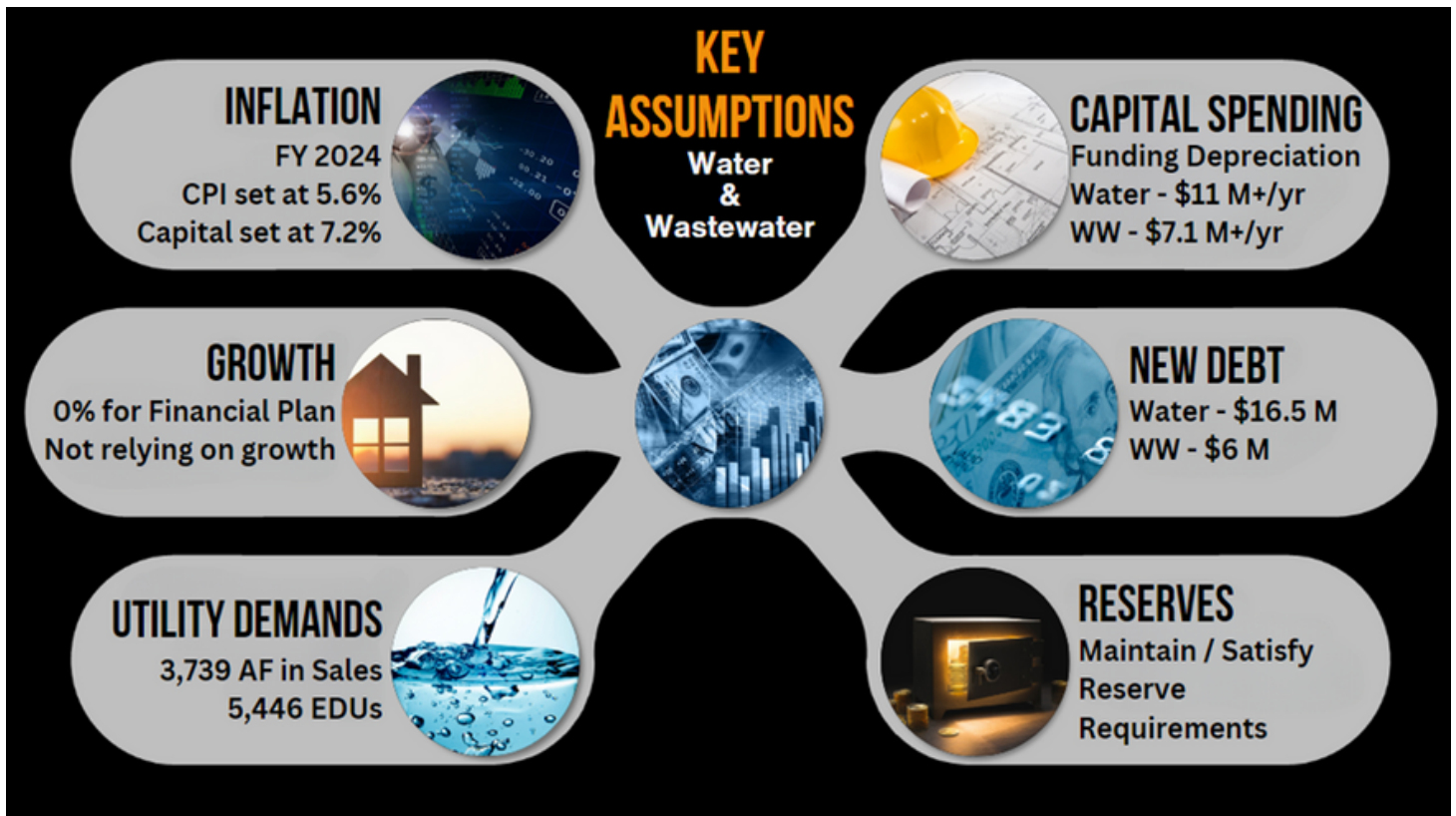
**Expense Projections** - Expenses are analyzed by department and by expenditure type, including salaries and benefits, services and supplies, capital outlay and debt. This includes a look back, as well as a look forward to project costs during the five years of the rate plan.

**Revenue Projections** - Includes rate revenues, other operating revenues, and non-operating revenues, such as property taxes and hydro revenues from the District’s two hydro projects, the North Fork project and New Hogan.

**Capital Spending** - The capital spending plan is based on the District’s five-year water and wastewater Capital Improvement Program (CIP) and spans the duration of the rate plan. Project costs beyond FY 23-24 include an inflation factor.

**Reserve Funding** - The District maintains reserves to better manage the timing between the receipt of revenues and the payment of expenses. This is especially true with CIP grant funding. The District also maintains a 90-day emergency reserve, a rate stabilization reserve related to debt, and asset replacement reserves required under two USDA loans.

**Water/Flow Demands** - An in-depth analysis of the district’s current and future water flows and customer usage is used to help allocate costs in the cost-of-service model.



**Inflation:** This slide only shows the first-year inflation assumption; however, the financial plan assumes the rates of inflation will come back down to historical norms after Fiscal Year 23/24.

**Growth:** While we anticipate some new customers will be added during the five-year financial plan, we don't know when or how many, so the conservative assumption and best financial practice is not to assume growth. If growth occurs, it will help fund infrastructure projects only in the service area where new customers are added. If new revenue is generated by growth, CCWD has the option to implement smaller rate increases than those included in the proposed rate schedule. The CCWD Board has implemented smaller rates in the past.

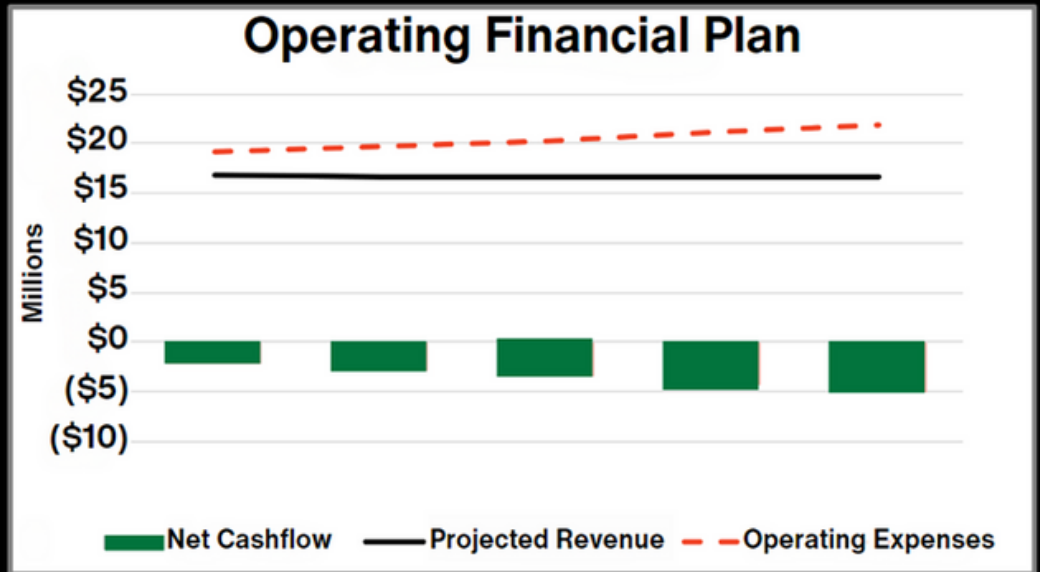
**New Debt:** To spread the cost of expensive construction projects over many years, the financial plan anticipates financing a portion of the Capital Improvement Program (CIP). This is consistent with sound financial practice in the water industry.

# CURRENT FINANCIAL POSITION

## At Existing Rates

### Financial Plan Metrics

- Generate Positive Net Income
- Comply with Debt Covenants
- Sufficiently Fund Capital Needs
- Meet Reserve Targets



Due to significant cost increases over the last three years, and despite constant efforts to reduce expenses, CCWD has a water operating budget deficit this year. Without significant rate increases, or if the rate increase is delayed, the deficit will increase, which will be detrimental to CCWD's ability to maintain safe and reliable water and wastewater service.

The debt service coverage ratio is an important factor in our water rates. Financing infrastructure is critical for water agencies and failing to satisfy our debt covenants could have costly consequences, including jeopardizing our ability to get future grants and low-interest loans. Just as there are costs and credit impacts for a homeowner who fails to pay their mortgage, CCWD could be severely impacted financially if it fails to meet its debt service coverage ratios, which would ultimately cost our communities more in the short and long term.

We also need to generate more revenue to cover the costs of needed infrastructure repair and replacement projects that are vital to our communities' health and well-being.



# FINANCIAL POSITION

Water at Current Rates

## RESULTS FROM REVIEW

### Requires Revenue Increases Each Year

- **Eliminate ongoing operating deficit over the planning period**
- **Satisfy debt coverage of 125%**
- **Maintain water system by addressing certain repair and replacement projects**
- **Replenish and maintain healthy reserves**

The bottom line is that without significant rate increases, CCWD can't close its current budget deficit, risks failing to satisfy its debt covenants, and will not be able to fund critical infrastructure projects. We understand the impact these rate increases have on the community. It's not that we don't care, in fact, the opposite is true. We do care, which is why we are putting forward a plan that ensures CCWD will meet the current and future needs of our communities.

Please reference previous slides (6-8) for detailed information on each of the points made above.

# FINAL PROPOSED WATER FINANCIAL PLAN

## FY 2024 - 2028

### Financial Plan Key Components

#### Satisfy Debt Coverage of 125%

- Uses Rate Stabilization Reserve to buydown debt
- \$520k to principal buydown
- FY 2024 coverage at 131%

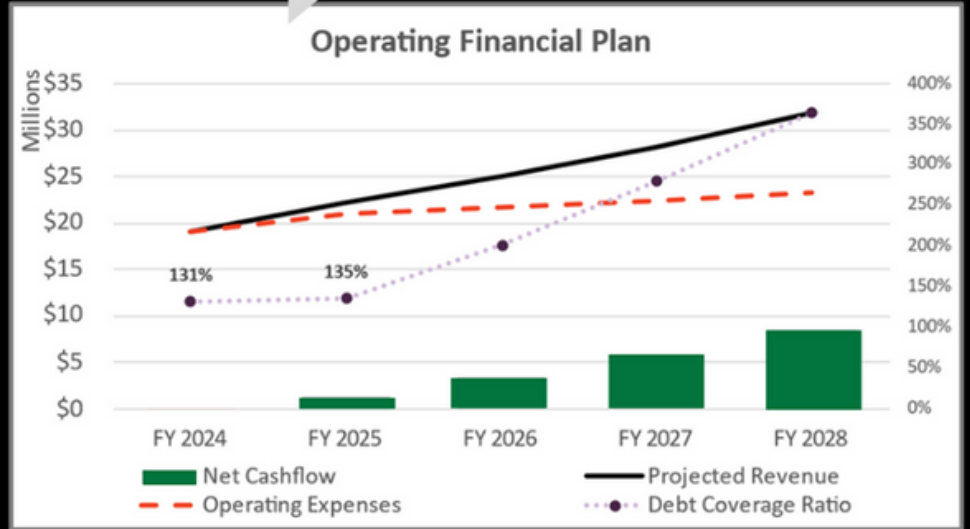
#### Generate Positive Net Income

#### Capital Improvement Plan

- Adjusted project timing over 5 years
- Proposed Debt issue in FY 2025
  - \$16.5M to cover capital spending

#### Revenue Adjustments:

FY 2024 - FY 2028: 22%, 18%, 16%, 16%, 15%



The proposed financial plan, unfortunately, requires significant rate increases. However, it puts CCWD on a path to financial stability and generates net positive revenue above the operating budget to fund much-needed infrastructure projects. While we understand the impact this has on customers, it is our responsibility and is in our communities' best interests to have safe and reliable water and wastewater service and invest in the infrastructure that not only we can rely on, but our children and their children can rely on as well.

# FY 2024 **COST-OF-SERVICE**: RATE COMPONENTS

## Account Services



**\$2,058,902**

Units of Service

**Total Bills**  
80,154

## Meter Capacity



**\$9,101,172**

Units of Service

**Meter**  
**Equivalents**  
82,488

## Delivery



**\$2,194,966**

Units of Service

**Usage**  
1,628,790

## Peaking



**\$1,478,761**

Units of Service

**Peak Usage**  
394,072

**FIXED COMPONENTS**

**75%**

**VARIABLE COMPONENTS**

**25%**

Rates are determined and composed based on these four factors. The proposed rate structure decreases the fixed portion of the rate from about 80% down to 75%. The high fixed portion of CCWD's rate reflects the fact that the majority of CCWD's costs are fixed regardless of the amount of water that customers use.

# FY 2024 PROPOSED FIXED CHARGES

## Bi-Monthly Fixed Charge Components

FY 2024  
Proposed  
Bi-Monthly  
Base  
Fixed  
Charge

| Meter Size | Capacity Ratio | Meters | Account Services | Meter Capacity |                 |
|------------|----------------|--------|------------------|----------------|-----------------|
| 5/8"       | 1.00           | 13,231 | \$25.69          | \$110.34       | <b>\$136.03</b> |
| 3/4"       | 1.50           | 3      | \$25.69          | \$165.51       | \$191.20        |
| 1"         | 2.50           | 79     | \$25.69          | \$275.85       | \$301.54        |
| 1 1/2"     | 5.00           | 23     | \$25.69          | 551.70         | \$577.39        |
| 2"         | 8.00           | 21     | \$25.69          | \$882.72       | \$908.41        |
| 3"         | 16.00          | 2      | \$25.69          | \$1,765.44     | \$1,791.13      |

This slide shows the proposed base rates for different meter sizes in the first year (October 16, 2023, through July 16, 2024) of the proposed five-year rate schedule.

# PROPOSED FIVE-YEAR FIXED CHARGE SCHEDULE

FY 2024 - FY 2028

| Meter Size | Current    | FY 2024    | FY 2025    | FY 2026    | FY 2027    | FY 2028    |
|------------|------------|------------|------------|------------|------------|------------|
| 5/8"       | \$120.35   | \$136.03   | \$160.52   | \$186.21   | \$216.01   | \$248.42   |
| 3/4"       | \$180.53   | \$191.20   | \$225.62   | \$186.21   | \$303.60   | \$349.14   |
| 1"         | \$300.89   | \$301.54   | \$355.82   | \$412.76   | \$478.81   | \$550.64   |
| 1 1/2"     | \$601.77   | \$577.39   | \$681.33   | \$790.35   | \$916.81   | \$1,054.34 |
| 2"         | \$962.83   | \$908.41   | \$1,071.93 | \$1,243.44 | \$1,442.40 | \$1,658.76 |
| 3"         | \$1,925.66 | \$1,791.13 | \$2,113.54 | \$2,451.71 | \$2,843.99 | \$3,270.59 |

This slide shows the maximum base rate for each meter size over each year of the proposed five-year rate schedule if the full rate increase is implemented in each year. Future rate increases could be lower, and CCWD will do everything in its power to minimize rate increases, but we wanted to show the max possible base rates.



# FY 2024 PROPOSED VARIABLE RATES

## Variable Rate Components

| Tiers           | Tier Definitions (HCF) | Delivery | Peaking | FY 2024 Proposed Variable Rate |
|-----------------|------------------------|----------|---------|--------------------------------|
| Tier 1          | 0 - 15                 | \$1.35   | \$0.72  | \$2.07                         |
| Tier 2          | 15.01 - 30             | \$1.35   | \$0.90  | \$2.25                         |
| Tier 3          | >30                    | \$1.35   | \$1.14  | \$2.49                         |
| Non-Residential | Uniform                | \$1.35   | \$0.94  | \$2.29                         |
| Irrigation      | Uniform                | \$1.35   | \$0.92  | \$2.27                         |

**Tier 1**  
Winter Average

**Tier 2**  
Summer Average

**Tier 3**  
Excess of Summer Average

**\*1 HCF = 748.05 Gallons\***

This slide shows the different variable components of the tiers for consumptive charges. The proposed rate structure eliminates the fourth tier and increases the amount of water that is available in Tier 1. The small number of non-residential and irrigation meters pay uniform consumption rates, meaning the consumption rate for those meters is not broken up into different tiers.

# PROPOSED FIVE-YEAR VARIABLE RATE SCHEDULE

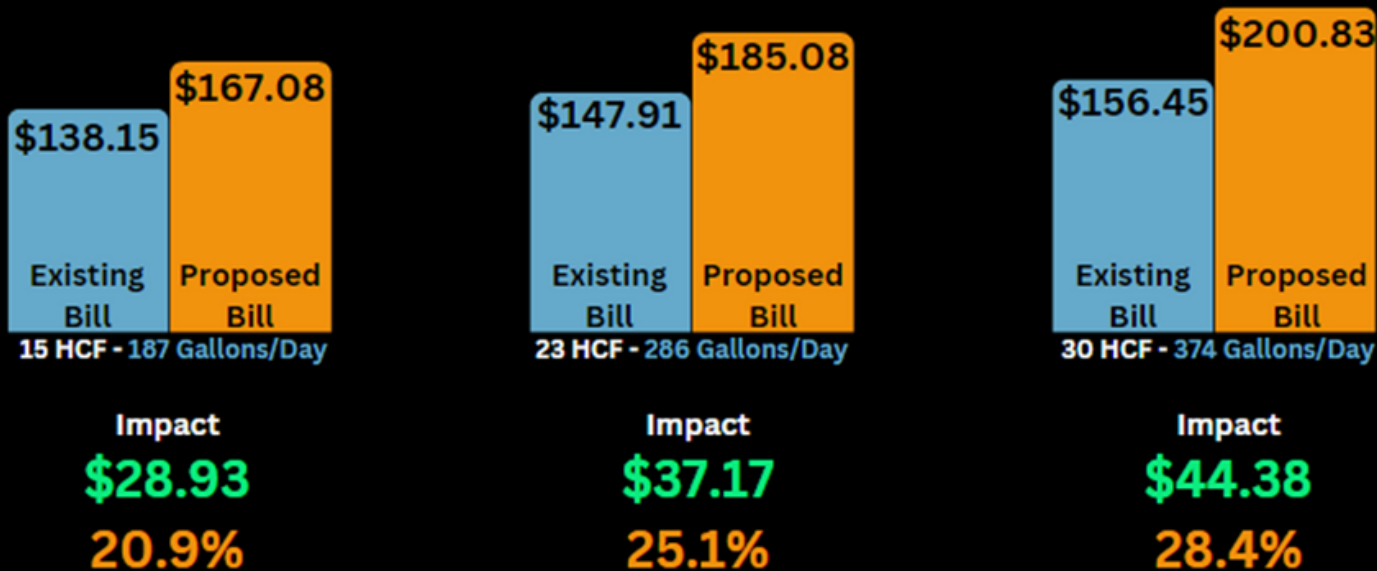
## FY 2024 - FY 2028

|                 | Current | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|-----------------|---------|---------|---------|---------|---------|---------|
| Tier 1          | \$1.17  | \$2.07  | \$2.45  | \$2.85  | \$3.31  | \$3.81  |
| Tier 2          | \$1.22  | \$2.25  | \$2.66  | \$3.09  | \$3.59  | \$4.13  |
| Tier 3          | \$1.68  | \$2.49  | \$2.94  | \$3.42  | \$3.97  | \$4.57  |
| Tier 4          | \$1.90  | N/A     | N/A     | N/A     | N/A     | N/A     |
| Non-Residential | \$1.57  | \$2.29  | \$2.71  | \$3.15  | \$3.66  | \$4.21  |
| Irrigation      | \$1.91  | \$2.27  | \$2.68  | \$3.11  | \$3.61  | \$4.16  |

This slide shows the cost for each 100 Cubic Feet (HCF) of water. 100 Cubic Feet (HCF) = 748.05 gallons.

# CUSTOMER IMPACTS

Single-Family Residential with 5/8" Meter



The above slide is an example of a bi-monthly bill using the proposed rates for year one for different consumption levels. Most customers will fall into the 15 HCF use over a two-month period.

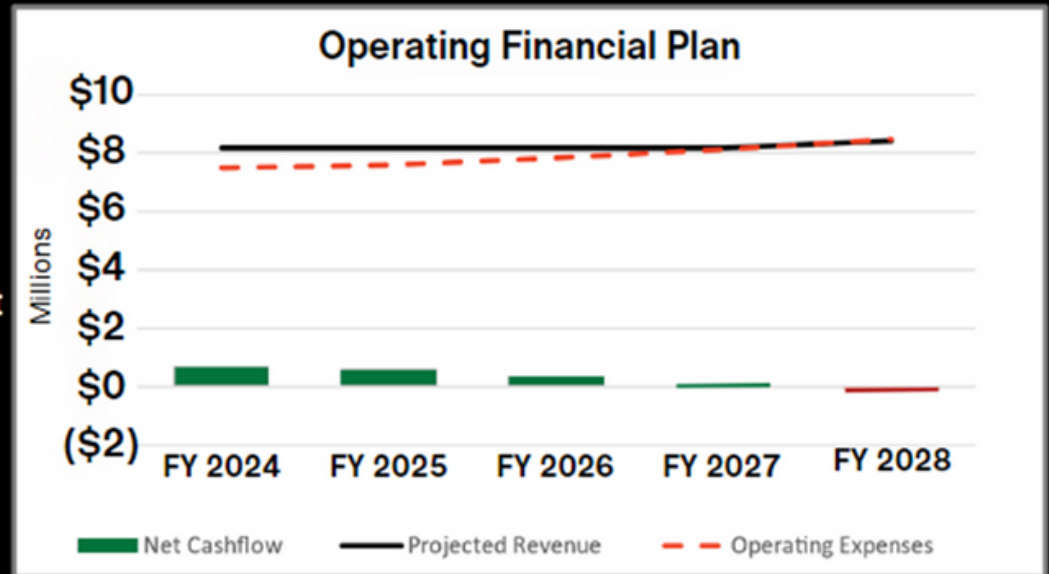
# CURRENT FINANCIAL POSITION

## Wastewater

### Financial Plan

#### Metrics

- Generate Positive Net Income
- Comply with Debt Covenants
- Sufficiently Fund Capital needs
- Meet Reserve Targets



While the wastewater budget picture is slightly better, without significant rate increases CCWD will have operating budget deficits by Fiscal Year 2026-27 and will not have enough revenue to implement critical infrastructure projects. The rate increases for wastewater are driven by cost increases impacting the operations budget and the need to invest in critical infrastructure projects.

# FINANCIAL POSITION

## Wastewater at Current Rates

### RESULTS FROM REVIEW

- Net income decreasing each year
- Reserves below the minimum requirements
- At existing rates, reserves would be used to cover capital expenses
  - Not sustainable long-term
  - Reserves already below minimum requirements
  - Reserves **depleted in FY 2025**

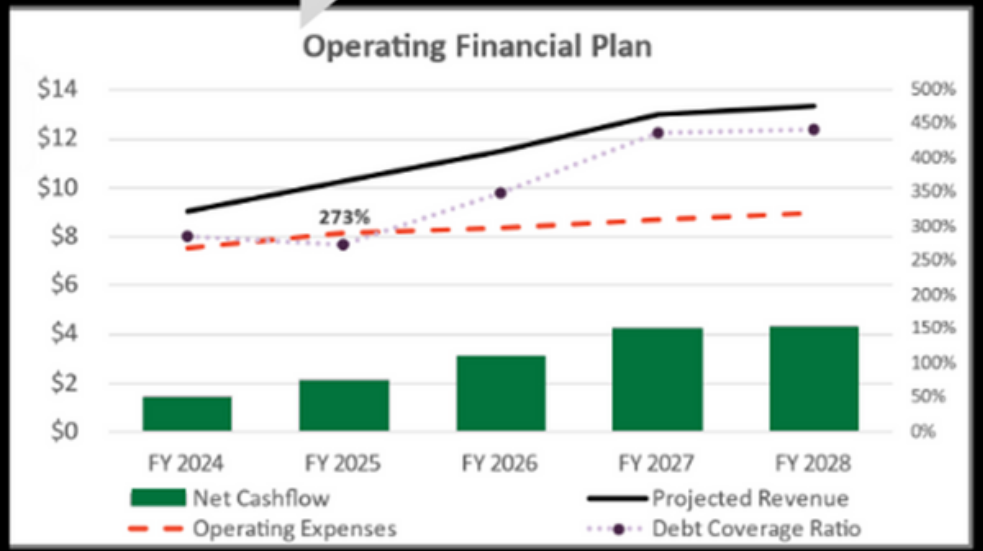
This slide summarizes the key takeaways from the financial review process as explained in the previous slides.

# PROPOSED WASTEWATER FINANCIAL PLAN

- Positive Net Income
- Fully fund capital needs
  - \$35.8M over next 5 years
- Issue debt to fund short-term capital
  - Allows rates to increase over time and transition to PAYGO funding
  - \$6M in FY 2024-25
  - Ensure ongoing dept coverage
- Meets Reserves during planning period

## Revenue Adjustments:

FY 2024 - FY 2028: 14%, 14%, 14%, 14%, 3%



This summarizes the five-year financial plan that will ensure CCWD is able to meet the needs of communities we serve.

# PROPOSED FIVE-YEAR EDU CHARGE SCHEDULE

FY 2024 - FY 2028

## Total Fixed Charges (\$/Bi-Month/EDU)

| Customer Class  | EDUs  | Current  | FY 2024  | FY 2025  | FY 2026  | FY 2027  | FY 2028  |
|-----------------|-------|----------|----------|----------|----------|----------|----------|
| Residential     | 4,711 | \$210.63 | \$239.39 | \$272.90 | \$311.09 | \$354.64 | \$365.26 |
| Non-Residential | 735   | \$206.18 | \$239.39 | \$272.90 | \$311.09 | \$354.64 | \$365.26 |

\*EDU = Equivalent Dwelling Unit

This slide shows the proposed five-year wastewater rate schedule if the maximum rate increase is implemented each year. As with the water base rates, the CCWD Board can not approve rates higher than proposed, but they could approve lower rates.