

# Phelan Piñon Hills Community Services District

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*Rate Workshop*

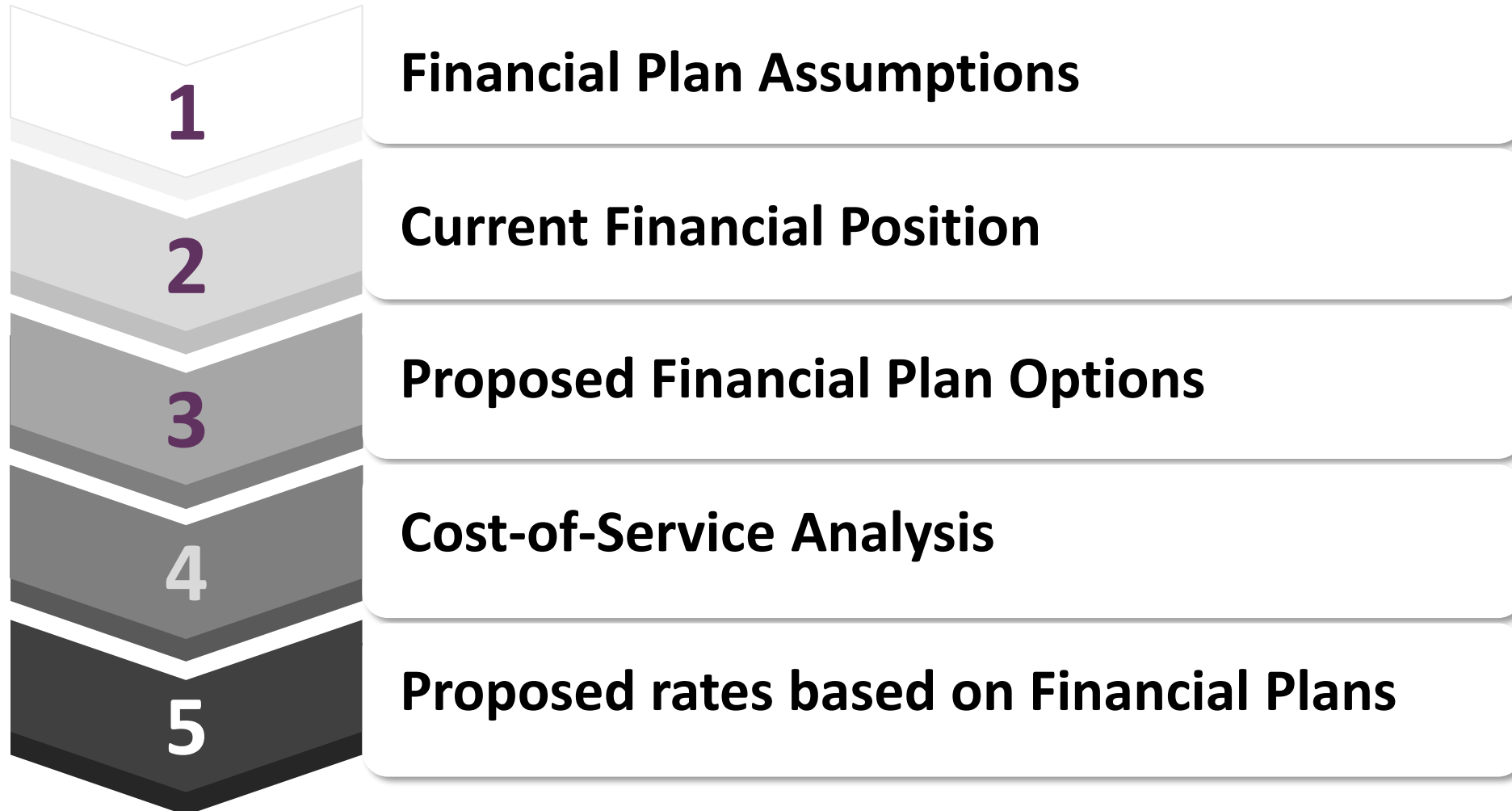
**August 9, 2023**

**B**CONSULTING



# Financial Plan Workshop

## Agenda



# Financial Plan Key Assumptions

Long-Term Financial Plan



# Financial Assumptions

## Account and Usage Data

Key Assumptions	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Account Growth					
Residential	0.0%	0.0%	0.0%	0.0%	0.0%
Commercial	0.0%	0.0%	0.0%	0.0%	0.0%
Institutional	0.0%	0.0%	0.0%	0.0%	0.0%
Total Accounts	7,200	7,200	7,200	7,200	7,200

Consumption by Customer Class	(HCF)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential						
Tier 1	(0-9 HCF)	511,842	511,842	511,842	511,842	511,842
Tier 2	(9-29 HCF)	374,997	374,997	374,997	374,997	374,997
Tier 3	(29+ HCF)	0	0	0	0	0
Subtotal Residential Consumption (HCF)		886,839	886,839	886,839	886,839	886,839
Commercial	(uniform)	9,089	9,089	9,089	9,089	9,089
Institutional	(uniform)	62,392	62,392	62,392	62,392	62,392
<b>Total Consumption by Customer Class (HCF)</b>		<b>958,320</b>	<b>958,320</b>	<b>958,320</b>	<b>958,320</b>	<b>958,320</b>

# Financial Assumptions

## Expense Escalators and Water Supply Assumptions

Key Assumptions	Source:	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Expenditure Escalation						
Benefits		5.0%	4.0%	4.0%	4.0%	4.0%
CalPers		5.0%	6.0%	6.0%	6.0%	6.0%
Capital Construction	ENR 20-City 5-Year Average	7.2%	3.9%	3.9%	3.9%	3.9%
Energy Costs		5.0%	10.0%	10.0%	10.0%	10.0%
General Costs	CPI - LA (BLS) 5-Year Average	7.4%	4.0%	4.0%	4.0%	4.0%
Non-Inflated		0.0%	0.0%	0.0%	0.0%	0.0%
Salaries		5.0%	6.0%	6.0%	6.0%	6.0%
Water Supply		Pass-Through	Pass-Through	Pass-Through	Pass-Through	Pass-Through
Water Loss		15.0%	15.0%	15.0%	15.0%	15.0%

Water Supply Assumptions	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Water Billings/Sales (AF)	2,200 AF	2,200 AF	2,200 AF	2,200 AF	2,200 AF
Water Demand	2,588 AF	2,588 AF	2,588 AF	2,588 AF	2,588 AF
Less: Free Production Allowance	2,518 AF	2,284 AF	2,050 AF	1,816 AF	1,582 AF
Less: Carryover	71 AF	305 AF	AF	AF	AF
Replacement Water	AF	AF	539 AF	773 AF	1,007 AF

# Current Financial Position

Long-Term Financial Plan



# Current Financial Position

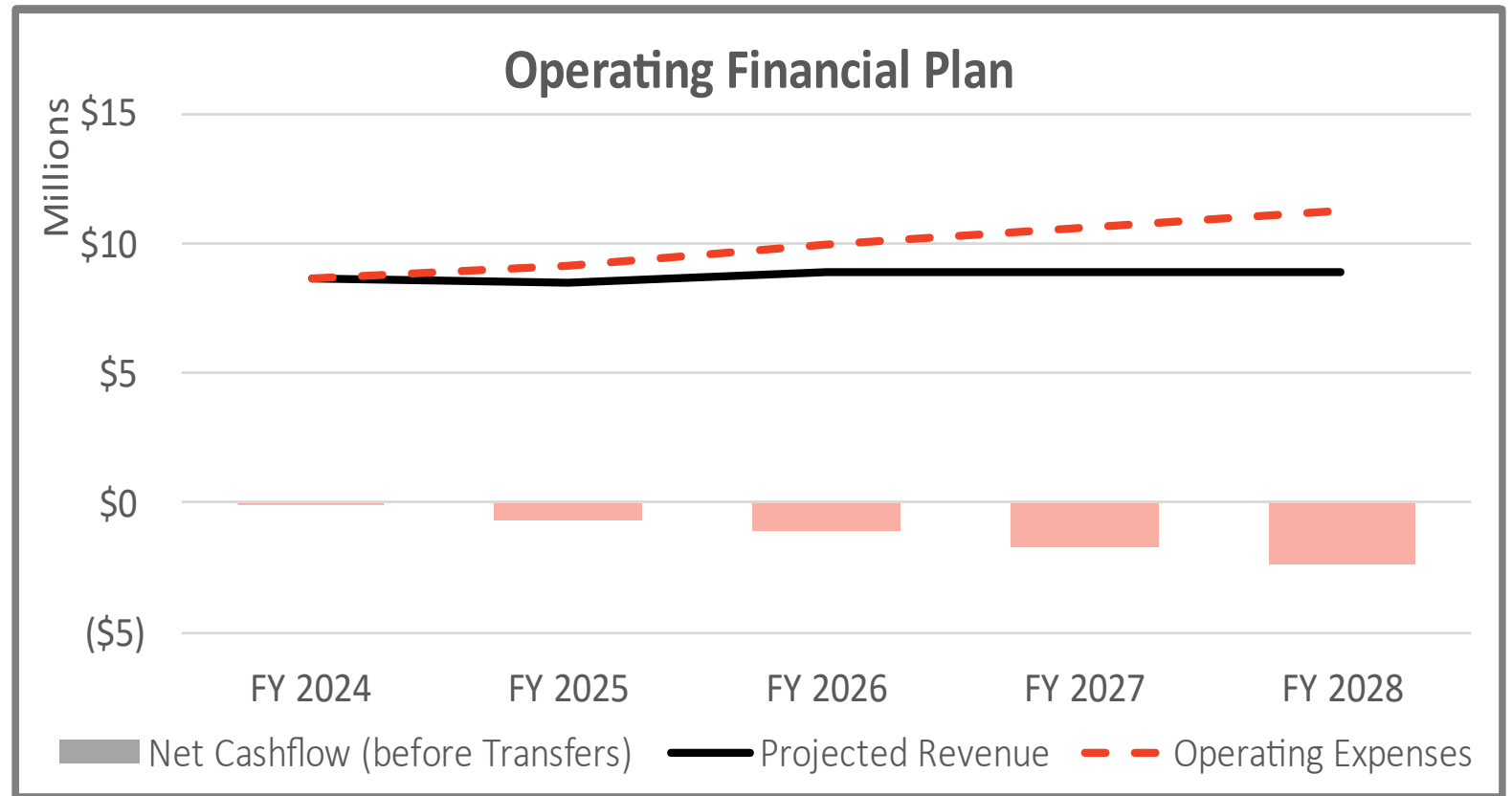
## Water Enterprise

### Financial Plan Metrics

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

### Additional Comments

- Includes rate adjustments for FY 2024 through FY 2026
- Includes \$6M debt proceeds for Civic Center
- CIP = \$18.6M through FY 2028



# Capital Improvement Plan

## FY 2024 – FY 2028

Project Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Chromium Mitigation Projects (Cr6 Funding Source)</b>					
Well Profiling (Contingent on state ruling)	\$0	\$0	\$450,000	\$0	\$0
Equip with Cr6 packer	\$150,000	\$0	\$0	\$0	\$0
Additional Water Supply	\$0	\$0	\$2,000,000	\$0	\$0
Well, Equip, 12" pipeline 6K LF (\$2.4mil)	\$0	\$0	\$0	\$0	\$0
Existing 6A (0.4 MG) (Contingent on Fec	\$0	\$700,000	\$0	\$0	\$0
Design / Studies	\$100,000	\$0	\$0	\$0	\$0
<b>Master Plan Reservoirs</b>					
7A-1 (.079 MG) 7A-2 (.079 MG)	\$0	\$0	\$0	\$2,035,000	\$0
Design / Equipping / Studies	\$0	\$0	\$0	\$100,000	\$0
L1 (.483 MG)	\$0	\$0	\$0	\$647,500	\$0
Design / Equipping / Studies	\$0	\$0	\$0	\$100,000	\$0
<b>Master Plan Pipeline</b>					
P1-1,900 LF (8") replace 6"	\$0	\$252,700	\$0	\$0	\$0
P3 -9,500 LF (12")	\$0	\$0	\$0	\$0	\$1,989,200
P14-1,400 (8")	\$0	\$0	\$186,200	\$0	\$0
P15-2,600 LF (8") replace 6"	\$0	\$0	\$0	\$314,600	\$0
<b>Meters</b>					
O & M	\$700,000	\$0	\$0	\$0	\$0
<b>Boosters</b>					
Infrastructure	\$0	\$135,000	\$135,000	\$135,000	\$135,000
<b>Smithson Springs</b>					
Construction (capture tank)	\$0	\$0	\$25,000	\$0	\$0
<b>Land Aquisition</b>					
Purchase	\$0	\$100,000	\$0	\$0	\$0

Project Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Civic Center (Funding Source)</b>					
Construction SP 1.7	\$6,000,000	\$500,000	\$0	\$0	\$0
<b>Reservoirs</b>					
Infrastructure	\$0	\$0	\$0	\$1,000,000	\$0
<b>Planning</b>					
Report	\$0	\$25,000	\$15,000	\$0	\$0
<b>Repair and Maintenance Plan</b>					
Maintenance	\$48,300	\$267,200	\$48,300	\$48,300	\$48,300
Maintenance	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Rehab Well	\$125,000	\$115,000	\$115,000	\$115,000	\$115,000
Rehab Well 1B (2023) & 2A (2024)	\$0	\$200,000	\$0	\$0	\$0
Rehabilitation	\$80,000	\$85,000	\$85,000	\$85,000	\$85,000
Site Upgrade	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Rebuiled / Replacement / Maintenance	\$15,000	\$10,000	\$10,000	\$10,000	\$10,000
Service Line Replacement (150/yr)	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
Water Pipeline Lowering/Covering	\$68,000	\$61,000	\$58,000	\$96,000	\$110,000
O & M Contract (2016-2026)	\$35,575	\$35,575	\$35,575	\$35,575	\$35,575
Support Services & Training	\$6,000	\$15,000	\$15,000	\$15,000	\$15,000
Vegetation Mitigation	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
UCMR5	\$0	\$15,000	\$0	\$0	\$0
<b>Capital Purchase</b>					
Field Truck	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
Software	\$0	\$0	\$0	\$0	\$40,000
Subtotal Scenario 1 - Baseline CIP	\$7,547,875	\$2,736,475	\$3,398,075	\$4,956,975	\$2,803,075
<b>Scenario 1 - Baseline CIP Total Costs</b>	<b>\$7,547,875</b>	<b>\$2,736,475</b>	<b>\$3,398,075</b>	<b>\$5,151,955</b>	<b>\$3,027,927</b>



# Current Financial Position

## Previously noticed rates

### Results From Review

- Outlook reflects operating deficit beginning in FY 2025
- Not meeting debt coverage
- Capital spending reduced, but still requires the use of reserves
- No longer meeting the minimum reserve targets by FY 2025

# Proposed Financial Plan

- 1) Full CIP
- 2) Revised CIP



# Option 1: Proposed Financial Plan

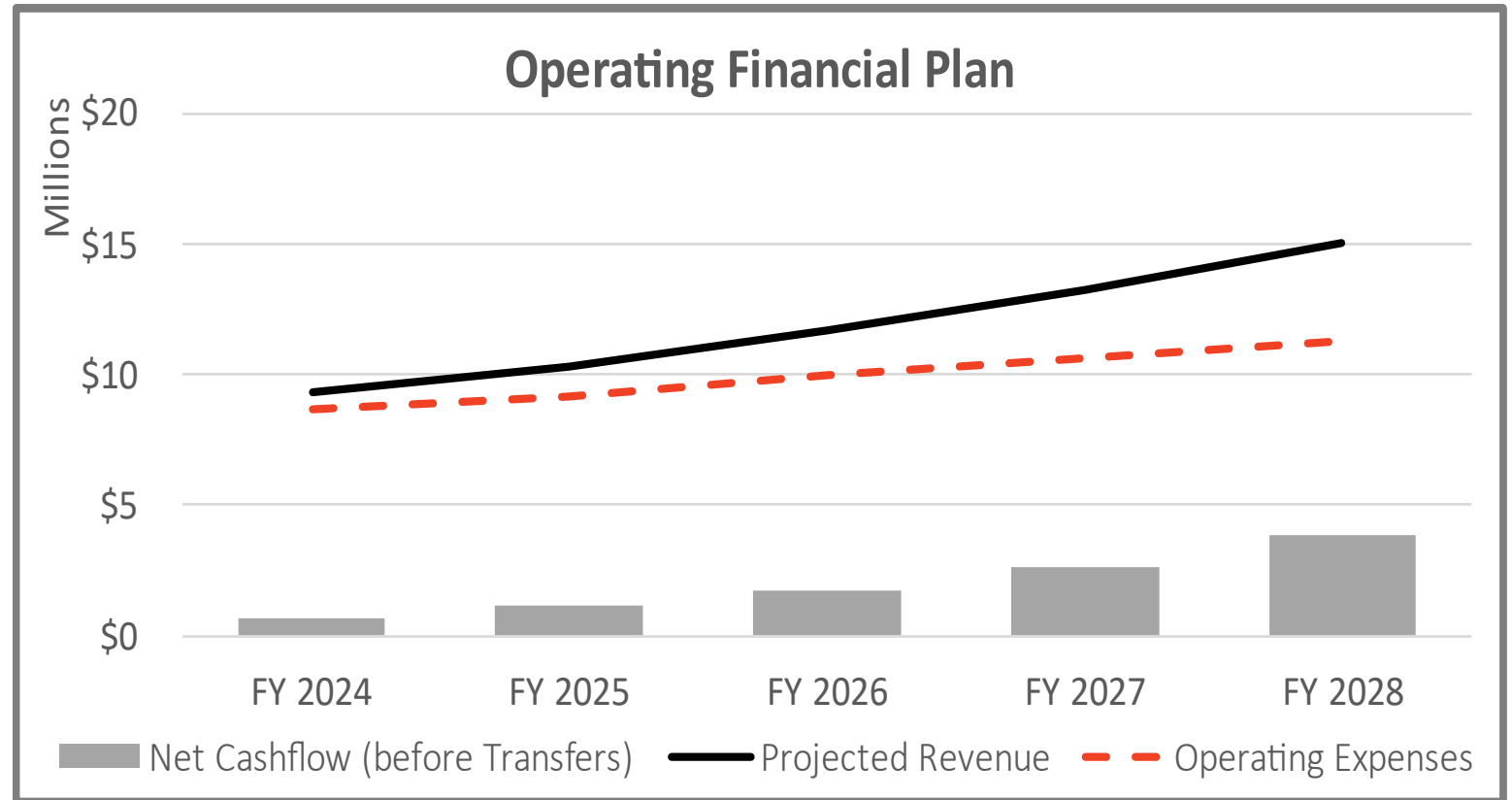
## FY 2024 – FY 2028 Planning Period

Revenue Adjustments:

FY 2024 – FY 2028: 16%, 16%, 16%, 16%, 16%

### Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Fully Fund Planned CIP
  - \$18.6M



# Reduced Capital Improvement Plan

**FY 2024 – FY 2028**

Project Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Chrom 6	\$250,000	\$700,000	\$2,450,000	\$0	\$0
Civic Center	\$6,000,000	\$500,000	\$0	\$0	\$0
Placeholder	\$0	\$0	\$0	\$0	\$0
Placeholder	\$0	\$0	\$0	\$0	\$0
Placeholder	\$0	\$0	\$0	\$0	\$0
Carryforward	\$0	\$0	\$0	\$0	\$0
Out-Years	\$0	\$0	\$0	\$1,796,263	\$1,796,263
Subtotal Scenario 3 -	\$6,250,000	\$1,200,000	\$2,450,000	\$1,796,263	\$1,796,263
<b>Scenario 3 - Total Costs</b>	<b>\$6,250,000</b>	<b>\$1,200,000</b>	<b>\$2,450,000</b>	<b>\$1,866,918</b>	<b>\$1,940,353</b>

- Outer years = Depreciation index by ENR-CCI
- Total CIP costs through FY 2028 = \$13.7M

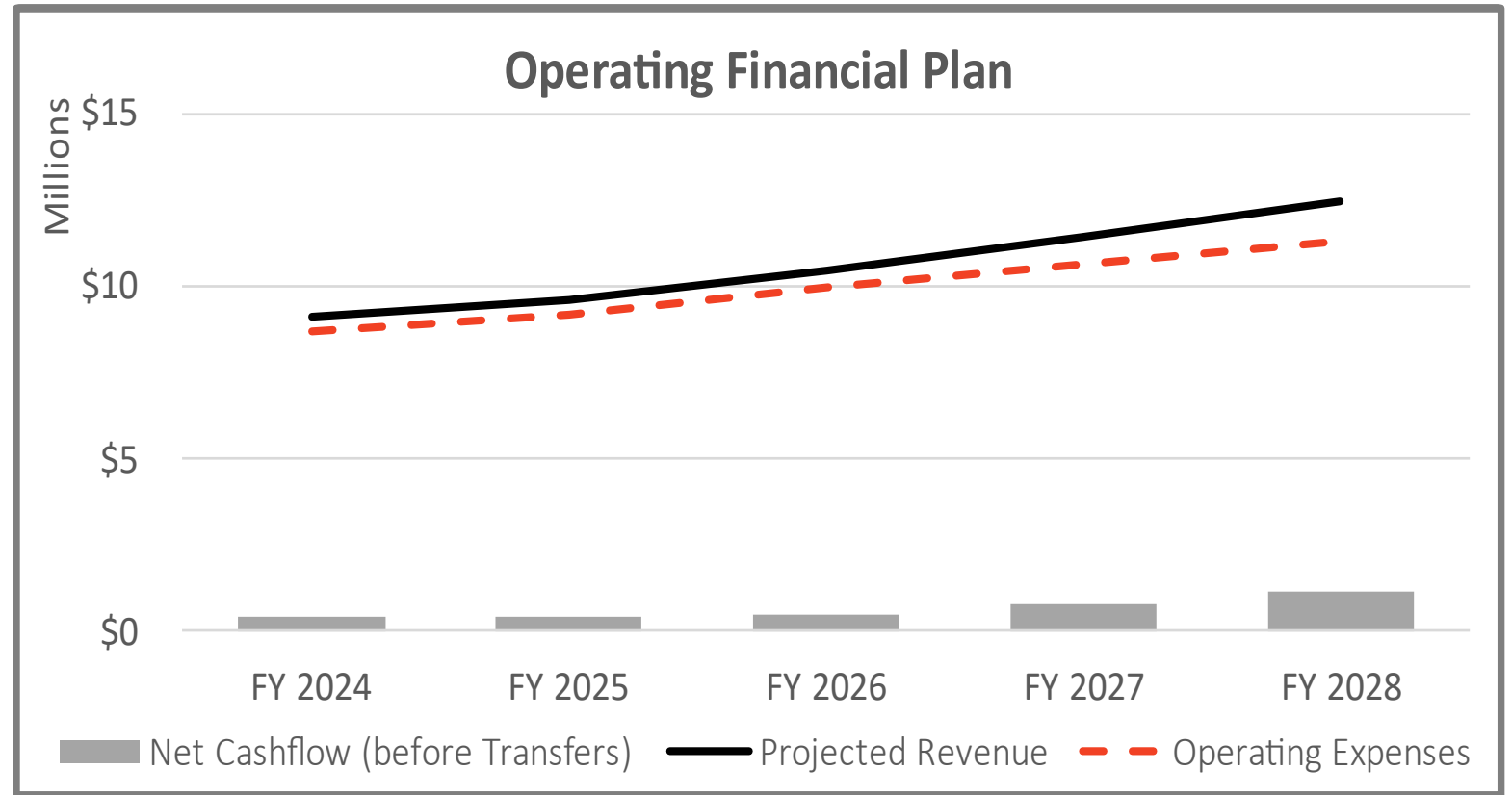
# Option 2: Proposed Financial Plan

## FY 2024 – FY 2028 Planning Period

Revenue Adjustments:  
FY 2024 – FY 2028: 11%, 11%, 11%, 11%, 11%

### Proposed Financial Plan

- Positive Net Income
- Meets minimum reserve target each year
- Reduced CIP
  - \$13.7M



# Cost-of-Service / Rate Design

**Rate Structure Revisions and  
Proposed Rates**

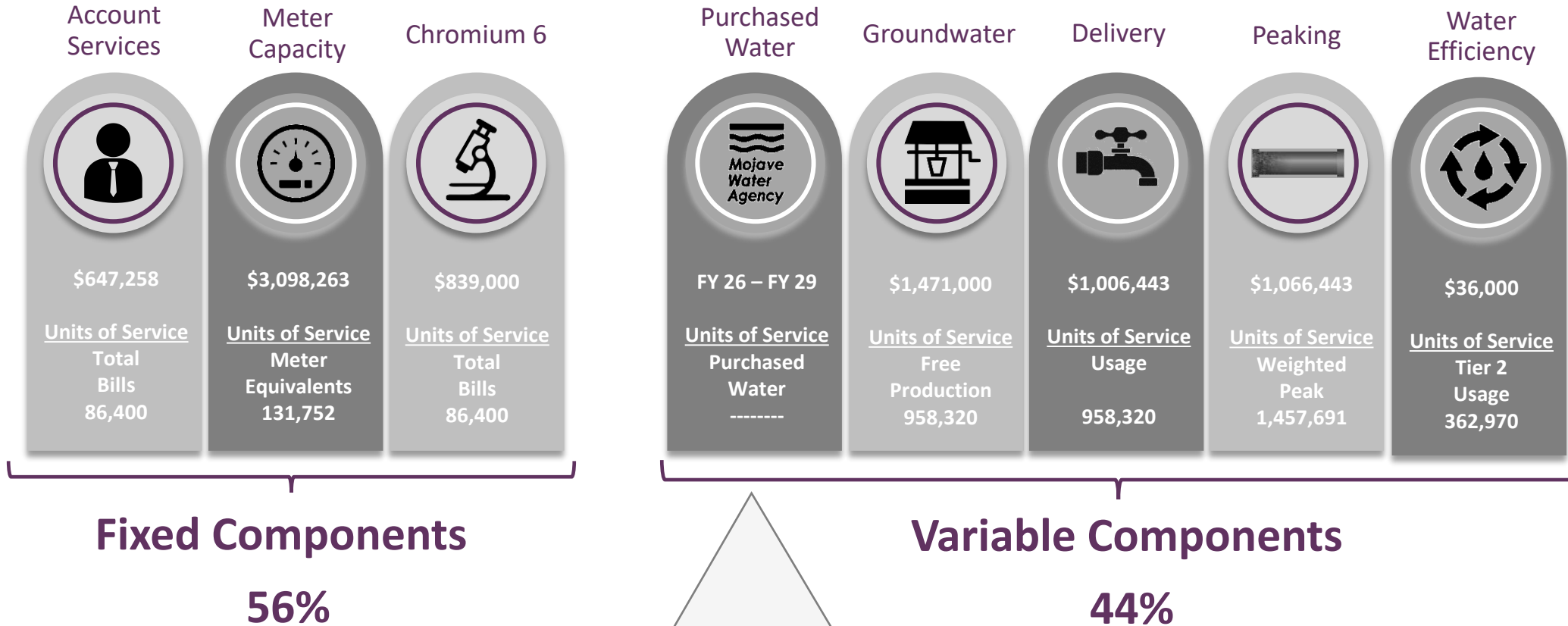


# Water Revenue Requirements Full CIP

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Revenue Requirements</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
<b>Specific Expenses</b>					
<i>Water Supply</i>					
MWA/Antelope WM Admin. & Bio Fee	\$15,000	\$15,000	\$12,000	\$10,000	\$9,000
MWA/Antelope WM Make Up Water	\$3,000	\$3,000	\$3,000	\$5,000	\$6,000
MWA/AVW Replacement Water	\$0	\$0	\$315,000	\$451,000	\$588,000
AVW Purchases (Emergency)	\$5,000	\$5,000	\$6,000	\$8,000	\$11,000
Electricity GW	\$1,453,000	\$1,598,000	\$1,392,000	\$1,356,000	\$1,300,000
Electricity Leased Water	\$0	\$0	\$366,000	\$577,000	\$827,000
<i>Chromium 6 Mitigation</i>	\$839,000	\$839,000	\$839,000	\$839,000	\$839,000
<i>Conservation</i>	\$36,000	\$38,000	\$40,000	\$41,000	\$43,000
<b>Total Specific Expenses</b>	<b>\$2,351,000</b>	<b>\$2,498,000</b>	<b>\$2,973,000</b>	<b>\$3,287,000</b>	<b>\$3,623,000</b>
<b>Operating Expenses</b>					
Administration	\$2,177,000	\$2,287,000	\$2,402,000	\$2,524,000	\$2,653,000
Customer Accounts/Meters	\$718,000	\$756,000	\$796,000	\$838,000	\$882,000
Distribution/Transmission	\$615,000	\$644,000	\$674,000	\$706,000	\$739,000
Engineering	\$450,000	\$475,000	\$501,000	\$529,000	\$558,000
Operations	\$822,000	\$867,000	\$913,000	\$962,000	\$1,014,000
Production (Source of Supply)	\$511,000	\$536,000	\$563,000	\$592,000	\$621,000
Vehicles and Equipment	\$219,000	\$228,000	\$237,000	\$246,000	\$256,000
Water Quality	\$106,000	\$112,000	\$118,000	\$124,000	\$131,000
Inter-Transfers	(\$104,000)	(\$52,000)	\$0	\$0	\$0
<b>Total Operating Expenses</b>	<b>\$5,514,000</b>	<b>\$5,853,000</b>	<b>\$6,204,000</b>	<b>\$6,521,000</b>	<b>\$6,854,000</b>
<b>Debt Service</b>					
Existing Debt	\$1,365,000	\$1,351,000	\$1,338,000	\$1,338,000	\$1,338,000
Existing Debt Offsets	(\$522,222)	(\$522,222)	(\$522,222)	(\$522,222)	(\$522,222)
<b>Total Debt Service</b>	<b>\$842,778</b>	<b>\$828,778</b>	<b>\$815,778</b>	<b>\$815,778</b>	<b>\$815,778</b>
<b>Other Funding</b>					
<i>Revenue Offsets</i>					
Meter Installation/Fees/Connections	(\$88,000)	(\$88,000)	(\$88,000)	(\$88,000)	(\$88,000)
Other Operating Income	(\$305,000)	(\$305,000)	(\$305,000)	(\$305,000)	(\$305,000)
Non-Operating Revenues	(\$1,123,000)	(\$607,000)	(\$604,000)	(\$607,000)	(\$609,000)
<b>Total Revenue Offsets</b>	<b>(\$1,516,000)</b>	<b>(\$1,000,000)</b>	<b>(\$997,000)</b>	<b>(\$1,000,000)</b>	<b>(\$1,002,000)</b>
<i>Adjustments</i>					
Reserve Funding	\$636,222	\$1,157,222	\$1,700,222	\$2,649,222	\$3,811,222
Adjustment for Mid-Year Increase	\$336,500	\$0	\$0	\$0	\$0
<b>Total Adjustments</b>	<b>\$972,722</b>	<b>\$1,157,222</b>	<b>\$1,700,222</b>	<b>\$2,649,222</b>	<b>\$3,811,222</b>
<b>Total Other Funding</b>	<b>(\$543,278)</b>	<b>\$157,222</b>	<b>\$703,222</b>	<b>\$1,649,222</b>	<b>\$2,809,222</b>
<b>Revenue Requirement from Rates</b>	<b>\$8,164,500</b>	<b>\$9,337,000</b>	<b>\$10,696,000</b>	<b>\$12,273,000</b>	<b>\$14,102,000</b>

# FY 2024 Cost-of-Service Requirements

## Rate Components



➤ Leased water projected to be incurred in FY 2026 and beyond.



# FY 2024 Fixed Charges

## Fixed Charge Rate Components

Base Fixed Charge						FY 2024 Proposed Base Fixed Charge	Existing Fixed Charge	Difference (\$)
Meter Size	Capacity Ratio	Meters	Account Services	Meter Capacity				
≤3/4"	1.00	1,915	\$7.50	\$23.52	\$31.02	\$25.63	\$5.39	
1"	1.67	5,212	\$7.50	\$39.20	\$46.70	\$38.77	\$7.93	
1 1/2"	3.33	20	\$7.50	\$78.40	\$85.90	\$71.64	\$14.26	
2"	5.33	50	\$7.50	\$125.44	\$132.94	\$111.08	\$21.86	
3"	11.67	2	\$7.50	\$274.40	\$281.90	\$235.96	\$45.94	
4"	21.00	1	\$7.50	\$493.92	\$501.42	\$420.01	\$81.41	

# Water Supply

## Tiered Rates

- District is within adjudicated basin
  - Free production allowance continues to ramp down each year
  - Cost-of-Service analysis models the annual ramp down through FY 2029
    - ❖ FY 2024 = 50% reduction, with 5% annual reductions through FY 2029 (25% reduction)
- Rate Structure adjusted to 2-tiers reflecting groundwater rights
  - Tier 1 allocates Free Production Allowance (FPA) to all customers evenly
  - Tier 2 captures usage above available FPA
    - ❖ FY 2024 and FY 2025 – Carryover water available to cover excess demand without lease water
    - ❖ FY 2026 and beyond – Lease water required causing Tier 2 rate to increase in FY 2026 and beyond
  - All customers are subject to Tier 2 rate structure, reflecting water rights and FPA

# FY 2024 and FY 2025 Variable Rates

## Variable Rate Components

### FY 2024

Customer Class & Tier	Tier Definitions (HCF)	Projected Usage (HCF)	Water Supply	Delivery	Peaking	Water Efficiency	FY 2024 Proposed Variable Rate
All Customer Classes							
Tier 1	0 - 11	595,350	\$1.54	\$1.06	\$0.86	\$0.00	\$3.46
Tier 2	>11	362,970	\$1.54	\$1.06	\$1.55	\$0.10	\$4.25

➤ Water Supply same source and rate (Groundwater)

### FY 2025

Customer Class & Tier	Tier Definitions (HCF)	Projected Usage (HCF)	Water Supply	Delivery	Peaking	Water Efficiency	FY 2025 Proposed Variable Rate
All Customer Classes							
Tier 1	0 - 11	595,350	\$1.69	\$1.32	\$1.03	\$0.00	\$4.04
Tier 2	>11	362,970	\$1.69	\$1.32	\$1.85	\$0.11	\$4.97

➤ Water Supply same source and rate (Groundwater)

# FY 2026 – FY 2027 Variable Rates

## Variable Rate Components

### FY 2026

Customer Class & Tier	Tier Definitions (HCF)	Water Supply	Delivery	Peaking	Water Efficiency	FY 2026 Proposed Variable Rate
All Customer Classes						
Tier 1	0 - 9	\$1.86	\$1.57	\$1.12	\$0.00	\$4.55
Tier 2	>9	\$2.58	\$1.57	\$2.02	\$0.10	\$6.27

### FY 2027

Customer Class & Tier	Tier Definitions (HCF)	Water Supply	Delivery	Peaking	Water Efficiency	FY 2027 Proposed Variable Rate
All Customer Classes						
Tier 1	0 - 8	\$2.04	\$1.86	\$1.30	\$0.00	\$5.20
Tier 2	>8	\$3.00	\$1.86	\$2.33	\$0.09	\$7.28

### FY 2028

Customer Class & Tier	Tier Definitions (HCF)	Water Supply	Delivery	Peaking	Water Efficiency	FY 2028 Proposed Variable Rate
All Customer Classes						
Tier 1	0 - 7	\$2.25	\$2.20	\$1.51	\$0.00	\$5.96
Tier 2	>7	\$3.38	\$2.20	\$2.69	\$0.09	\$8.36

# Proposed Fixed Charges – Full Capital Plan

## Five Year Rate Schedule

Meter Size	Existing	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
≤3/4"	\$25.63	\$31.02	\$35.76	\$39.75	\$45.88	\$53.13
1"	\$38.77	\$46.70	\$53.61	\$59.41	\$68.36	\$78.95
1 1/2"	\$71.64	\$85.90	\$98.22	\$108.56	\$124.56	\$143.50
2"	\$111.08	\$132.94	\$151.76	\$167.54	\$192.00	\$220.96
3"	\$235.96	\$281.90	\$321.31	\$354.31	\$405.56	\$466.25
4"	\$420.01	\$501.42	\$571.16	\$629.55	\$720.28	\$827.73

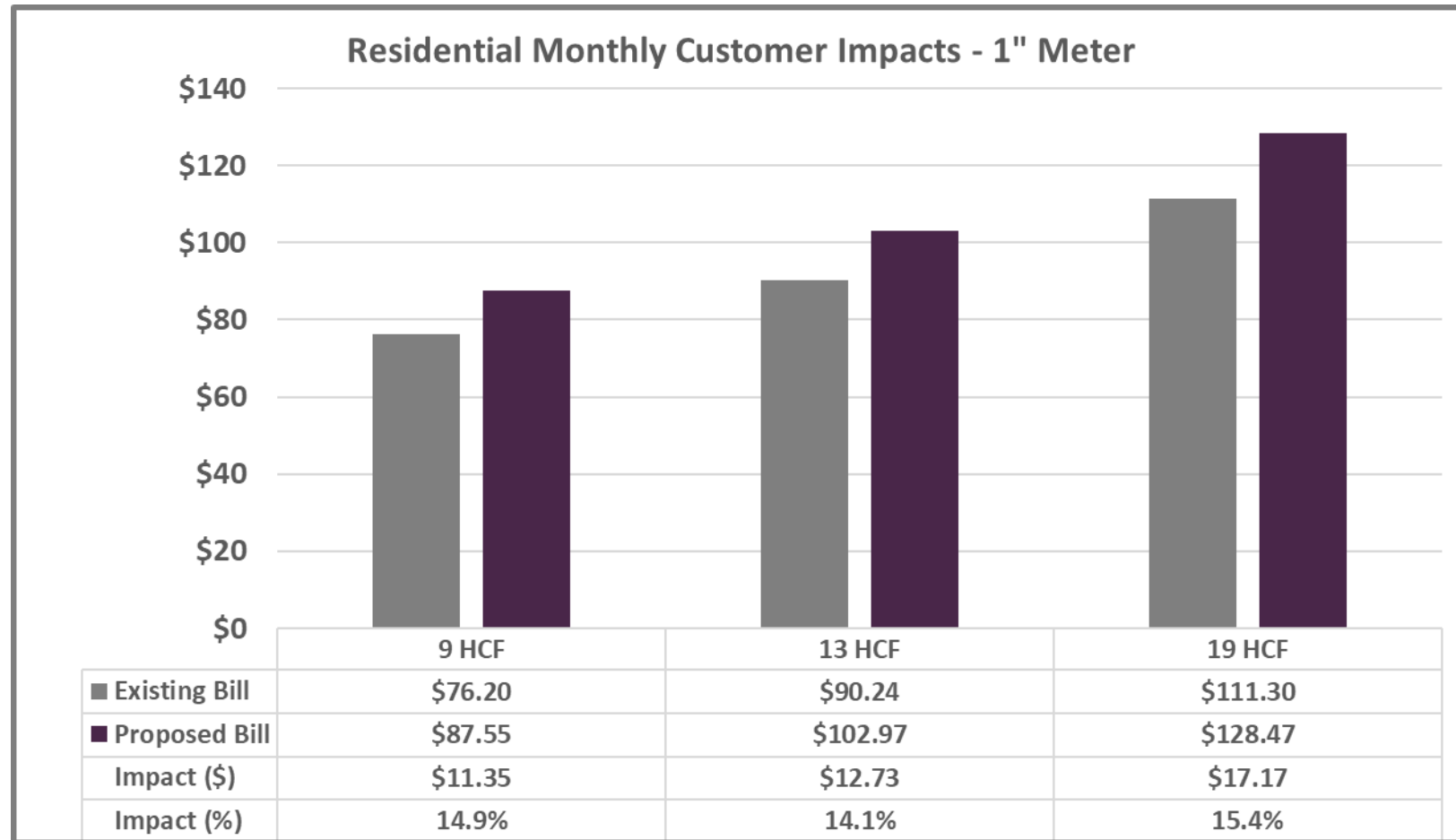
# Proposed Variable Rates – Full Capital Plan

## Five Year Rate Schedule

Customer Class	Existing	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Residential</b>						
Tier 1	\$3.08	\$3.46	\$4.04	\$4.55	\$5.20	\$5.96
Tier 2	\$3.51	\$4.25	\$4.97	\$6.27	\$7.28	\$8.36
Tier 3	\$8.47	N/A	N/A	N/A	N/A	N/A
<b>Commercial</b>						
Tier 1	\$4.11	\$3.46	\$4.04	\$4.55	\$5.20	\$5.96
Tier 2	N/A	\$4.25	\$4.97	\$6.27	\$7.28	\$8.36
<b>Institutional</b>						
Tier 1	\$4.46	\$3.46	\$4.04	\$4.55	\$5.20	\$5.96
Tier 2	N/A	\$4.25	\$4.97	\$6.27	\$7.28	\$8.36

# Single-Family Customer Impact – Full Capital

## FY 2024 Rates for 1" Meter



# Proposed Fixed Charges – Reduced Capital Plan

## Five Year Rate Schedule

Meter Size	Existing	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
≤3/4"	\$25.63	\$29.46	\$32.25	\$33.83	\$36.90	\$40.38
1"	\$38.77	\$44.42	\$48.47	\$50.75	\$55.23	\$60.31
1 1/2"	\$71.64	\$81.82	\$89.02	\$93.05	\$101.04	\$110.12
2"	\$111.08	\$126.70	\$137.68	\$143.81	\$156.02	\$169.90
3"	\$235.96	\$268.82	\$291.77	\$304.55	\$330.13	\$359.21
4"	\$420.01	\$478.26	\$518.85	\$541.43	\$586.70	\$638.18



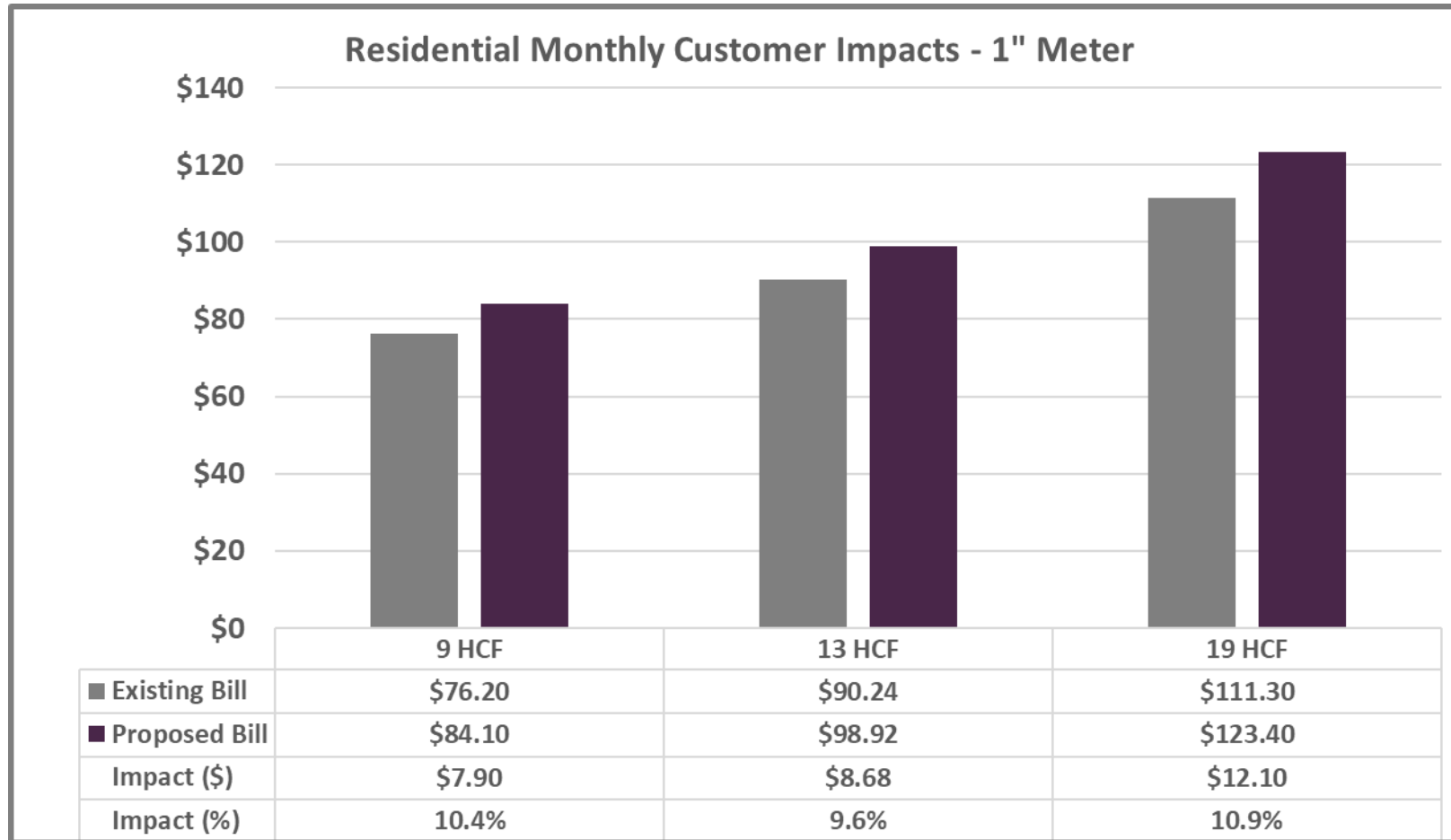
# Proposed Variable Rates – Reduced Capital Plan

## Five Year Rate Schedule

Customer Class	Existing	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Residential</b>						
Tier 1	\$3.08	\$3.33	\$3.76	\$4.09	\$4.49	\$4.96
Tier 2	\$3.51	\$4.08	\$4.60	\$5.65	\$6.34	\$7.04
Tier 3	\$8.47	N/A	N/A	N/A	N/A	N/A
<b>Commercial</b>						
Tier 1	\$4.11	\$3.33	\$3.76	\$4.09	\$4.49	\$4.96
Tier 2	N/A	\$4.08	\$4.60	\$5.65	\$6.34	\$7.04
<b>Institutional</b>						
Tier 1	\$4.46	\$3.33	\$3.76	\$4.09	\$4.49	\$4.96
Tier 2	N/A	\$4.08	\$4.60	\$5.65	\$6.34	\$7.04

# Single-Family Customer Impact – Reduced Capital

## FY 2024 Rates for 1" Meter



# Next Steps



# Next Steps

## Upcoming Tasks / Meetings

- Select Preferred Financial Plan and Corresponding Rates
- IB Consulting will Draft Report
- District to prepare Prop. 218 Notice
- Set Public Hearing Date in October