

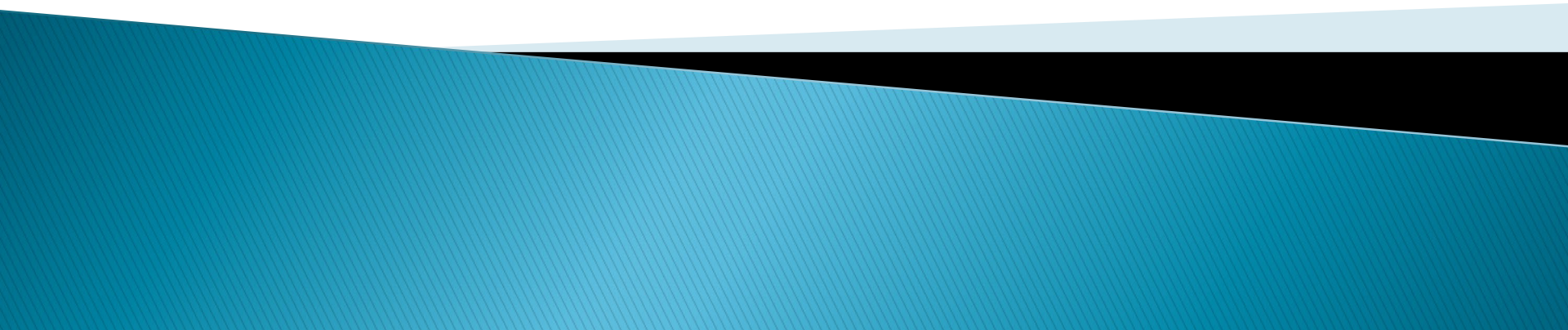
Oceano Community Services District



Water System Revenues
Study Session
& Policy Direction

Ordinance 2015-01&2017-01

ESTABLISHED WATER SERVICE CHARGES

- ❑ Enacted in the midst of a drought
 - ❑ Customers continue to conserve water
 - ❑ Existing rates insufficient to cover water costs
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Pro Forma - Current Rates

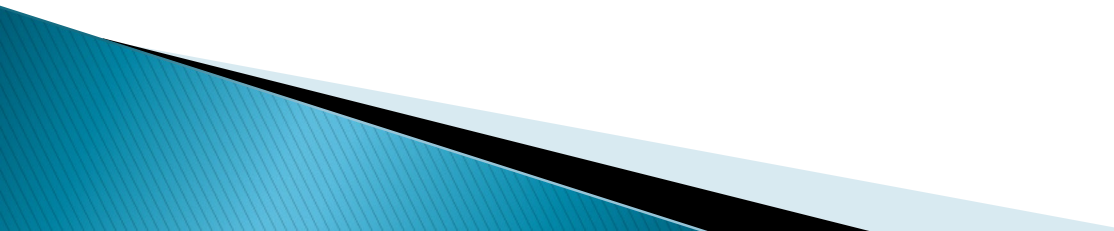
Oceano CSD	Rate Increase	Supply	3%	3%	3%	3%	3%	3%
		Base	3%	3%	3%	3%	3%	3%
Revenues and Expenses		Cost Inflation	3%	3%	3%	3%	3%	3%
Total Water Sales (CCF)	286,637	298,522	298,522	298,522	298,522	298,522	298,522	298,522
	2018-19	2019-20	2020-21	2021- 22	2022-23	2023-24	2024-25	
	Actual	Estimated	Budget	Projection	Projection	Projection	Projection	Projection
Water Sales - Supply	1,155,432	1,269,794	1,280,760	1,319,183	1,358,758	1,399,521	1,441,507	
Water Sales - Base	984,006	1,022,206	1,049,240	1,080,717	1,113,139	1,146,533	1,180,929	
System Connection Fees	45,493	50,884	51,639	53,188	54,784	56,427	58,120	
Delinquent Fees	28,481	27,930	27,000	27,810	28,644	29,504	30,389	
New Account Setup Fees	2,700	3,240	3,240	3,337	3,437	3,540	3,647	
Courtesy Notices Fees	4,322	4,329	4,500	4,635	4,774	4,917	5,065	
Wheeling Fees	22,621	21,525	25,000	25,750	26,523	27,318	28,138	
Interest	2,370	0	0	0	0	0	0	
Grant Revenue	104,318	0	0	0	0	0	0	
Other Revenues	19,978	29,330	11,350	11,691	12,041	12,402	12,775	
Total - Revenues	2,369,720	2,429,238	2,452,729	2,526,311	2,602,100	2,680,163	2,760,568	
Water Supply - Lopez (Pass through)	472,914	462,693	493,997	493,997	493,997	493,997	493,997	
Water Supply - State (Pass through)	953,953	1,101,264	1,151,000	1,151,000	1,151,000	1,151,000	1,151,000	
Source of Supply- Expenses	1,426,867	1,563,957	1,644,997	1,644,997	1,644,997	1,644,997	1,644,997	
Salaries & Benefits	238,932	267,692	349,858	360,354	371,164	382,299	393,768	
Admin Allocation	378,606	517,907	555,363	572,024	589,185	606,860	625,066	
Services & Supplies	223,649	203,911	291,220	299,957	308,955	318,224	327,771	
Transfers	71,375	34,888	56,075	57,757	59,490	61,275	63,113	
O&M- Expenses	912,562	1,024,398	1,252,516	1,290,091	1,328,794	1,368,658	1,409,718	
CIP Projects - Fixed Assets	267,821	270,057	40,000	75,000	150,000	150,000	150,000	
Capital - Expenses	267,821	270,057	40,000	75,000	150,000	150,000	150,000	
Total - Expenses	2,607,250	2,858,412	2,937,513	3,010,088	3,123,791	3,163,655	3,204,715	
Revenues minus Expenses	(237,530)	(429,174)	(484,784)	(483,778)	(521,691)	(483,492)	(444,147)	
Water Fund Ending Reserve Balance	1,390,488	961,314	476,530	(7,248)	(528,939)	(1,012,430)	(1,456,577)	
Minimum Reserve Balance (3 months expenses)	651,812	714,603	734,378	752,522	780,948	790,914	801,179	

WATER SYSTEM REVENUES

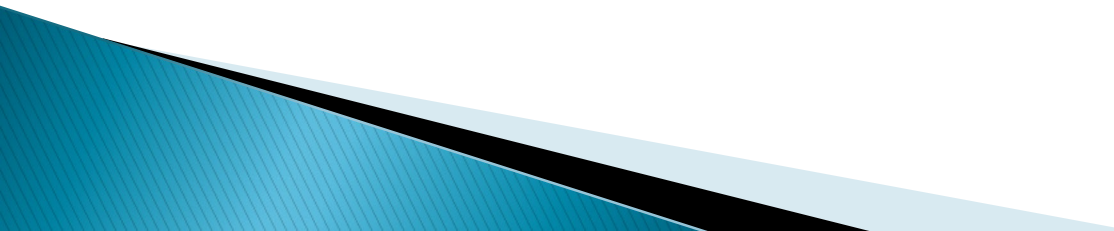
What was NOT addressed in prior ordinances?

- ✓ The District's Long Term Plan
 - ❖ System Infrastructure Repairs (CIP)
 - ❖ Staffing Needs
 - ❖ Financial Reserves

GOALS FOR DISCUSSION

- ✓ Initial Policy Direction on Water System Revenues
 - ✓ Process & Next Steps
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Initial Policy Direction on Water System Revenues

- ❖ Should the Capital Improvement Program be funded?
 - ❖ Should 6 units of water in base rate be eliminated?
 - ❖ Should a Multi-Family customer class be created?
 - ❖ Should the usage rate be uniform or two-tiered?
 - ❖ Should increase be done all at once or phased in?
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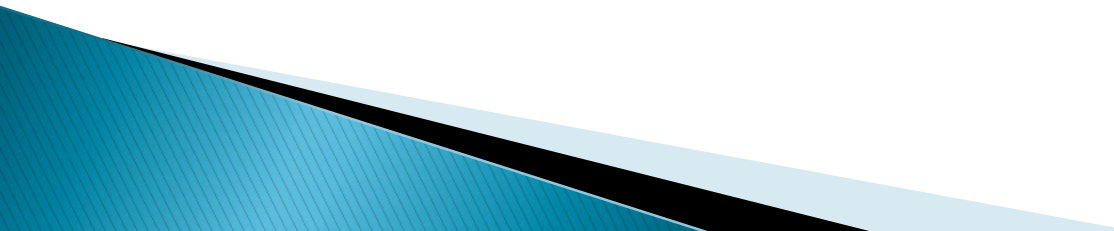
Initial Policy Direction on Water System Revenues

- ❖ Should the Capital Improvement Program be funded?
 - ❖ \$186,000 annual need identified in 2010
 - ❖ Was not implemented
 - ❖ Capital projects funded from reserves since
 - ❖ 2019 CIP update identifies over \$4 million needed over next 10 years
 - ❖ \$150,000 annually will fund that need thru pay as you go and debt financing
 - ❖ \$4.22 monthly bill impact
 - ❖ \$122,000 annual depreciation expense

Initial Policy Direction on Water System Revenues

- ❖ Should 6 units of water in base rate be eliminated?
 - ❖ Difficult to legally defend under Prop 218 cost of service
 - ❖ Other agencies phasing out this feature
 - ❖ Time for Oceano to do the same

Initial Policy Direction on Water System Revenues

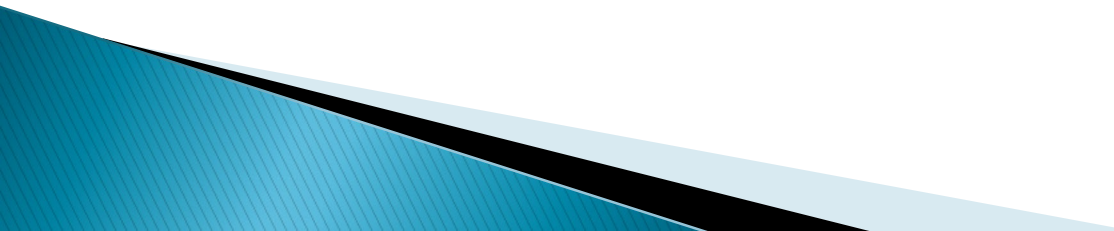
- ❖ Should a Multi-Family customer class be created?
 - ❖ Apartments, mobile home parks, duplexes, etc. served by a master meter
 - ❖ Cost of service is generally less and justifies this class
 - ❖ Less demand on system for storage, infrastructure, maintenance, and peaking
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Initial Policy Direction on Water System Revenues

❖ Should a Multi-Family customer class be created?

Option A		Option B
Single Family	Multi Family	Residential
\$ 60.53 Minimum bi-monthly charge	\$ 45.39 Minimum bi-monthly charge	\$ 54.94 Minimum bi-monthly charge

Initial Policy Direction on Water System Revenues

- ❖ Should the usage rate be uniform or two-tiered?
 - ❖ Currently 5 tiers
 - ❖ San Juan Capistrano court decision
 - ❖ Uniform rate has same rate for all water usage
 - ❖ Two tiers would be tied directly to the cost of Lopez and State Water
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Initial Policy Direction on Water System Revenues

❖ Should the usage rate be uniform or two-tiered?

Option A		Option B
Tier #1	Tier #2	Uniform Rate
0 to 6 Units	Over 6 Units	All Units
\$3.30 per Unit	\$6.47 per Unit	\$5.07 per Unit
Lopez Water	State Water	Lopez & State Water


Initial Policy Direction on Water System Revenues

- ❖ Should increase be done all at once or phased in?
 - ❖ Single increase in Year 1 with inflationary increases after
 - ❖ Combined 27% between base and usage rate
 - ❖ Three year phase in
 - ❖ Year 1 - 13%
 - ❖ Year 2 - 10%
 - ❖ Year 3 - 10%

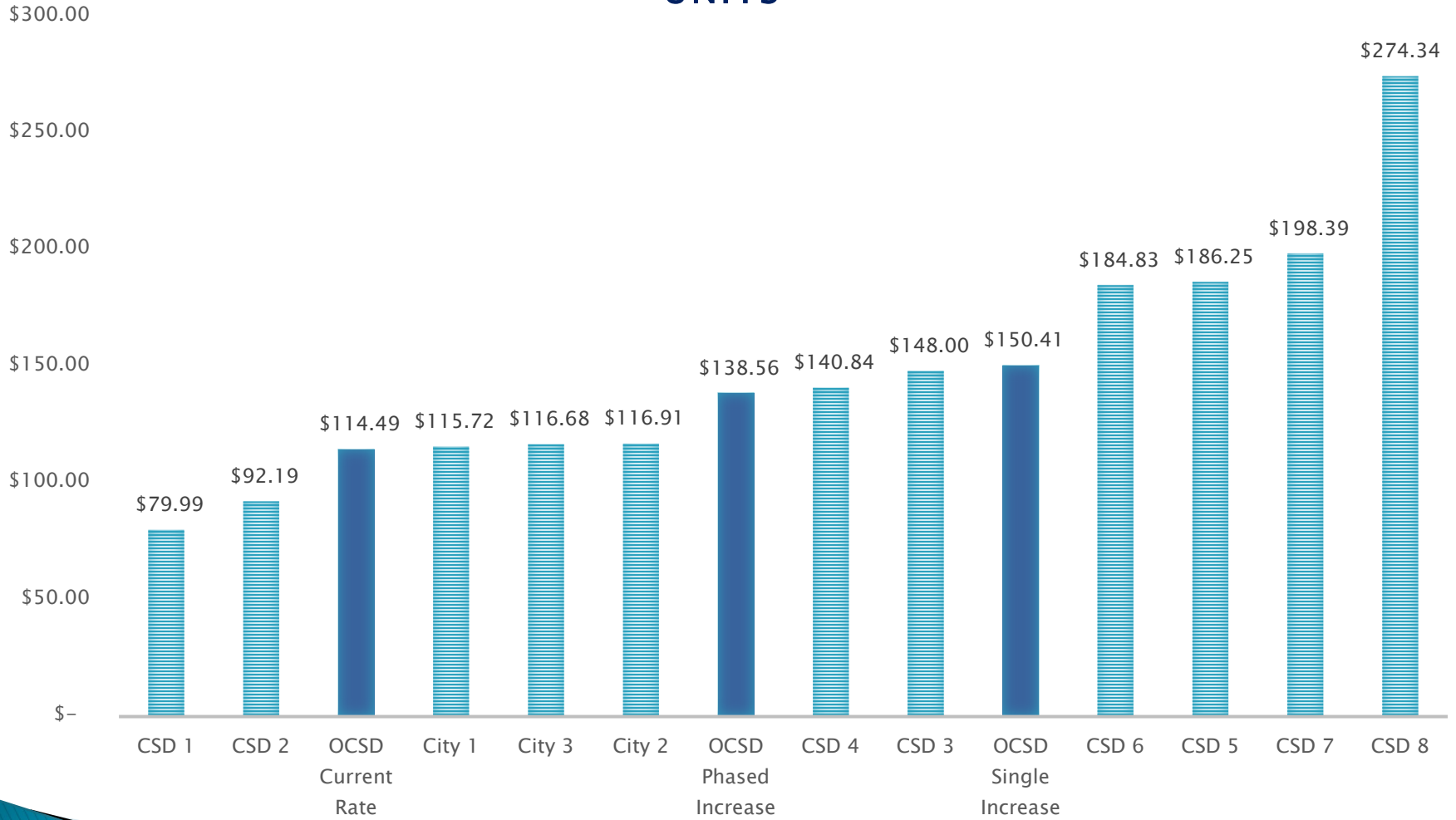
OCEANO CSD RESIDENTIAL WATER AFFORDABILITY

	Annual	% of MHI
Median Household Income	\$39,000	
Affordability Thresholds	\$585-\$1,560	1.5-4%
Average Water Cost (Single Increase)	\$903	2.3%
Average Water Cost (Phased Increase)	\$832	2.1%

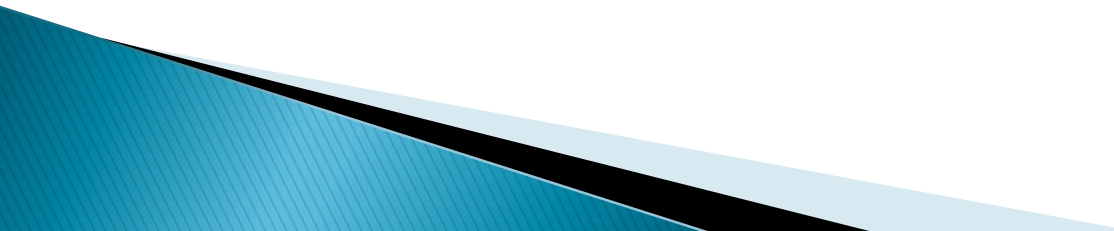
Addressing Affordability

- ✓ Proposition 218 Limitations
 - ✓ Create Multi-family customer class
 - ✓ Ease burden by phasing in increases
 - ✓ CIP
 - ✓ Rates
 - ✓ Target savings from grants to low income
 - ✓ State Program
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BI-MONTHLY WATER RATE COMPARISON – (SFR) 15 UNITS



PROCESS AND NEXT STEPS

- ✓ Proposition 218 & Timing
 - ✓ Early August introduce ordinance
 - ✓ Protest Hearing in October
 - ✓ Rates effective starting billing period in November
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PROCESS AND NEXT STEPS

▶ Proposition 218

❖ Services Charges / Property Related Fees

Protest Hearing,

- ✓ Not sooner than 45 days after the Notice...

Noticing Requirements, with specific details,

- ✓ The Amount (the Rate Structure)
- ✓ The Basis upon which the Amount is Calculated
- ✓ The Reason; and,
- ✓ The Date, Time and Location of the Public Hearing

Initial Policy Direction on Water System Revenues

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