

# Donala Water and Sanitation District

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## Water and Wastewater Utility Rate Study

November 12, 2024





## Study Goals

A financial and rate roadmap which will sustain the long-term financial health of the District's water and wastewater utilities

# Objectives:



**Financial sufficiency:** Align rate revenues that are sufficient to meet annual expenditures, debt coverage and required reserves



**Capital funding:** Fund capital projects by balancing the use of debt, rates, and reserves while minimizing rate impacts



**Fair and equitable rates:** Rate structures which recover the cost to provide service to each customer class



**Minimize customer impacts:** Smooth and predictable revenue increases that meet the utilities' financial obligations while minimizing bill impacts

# Starting at the End



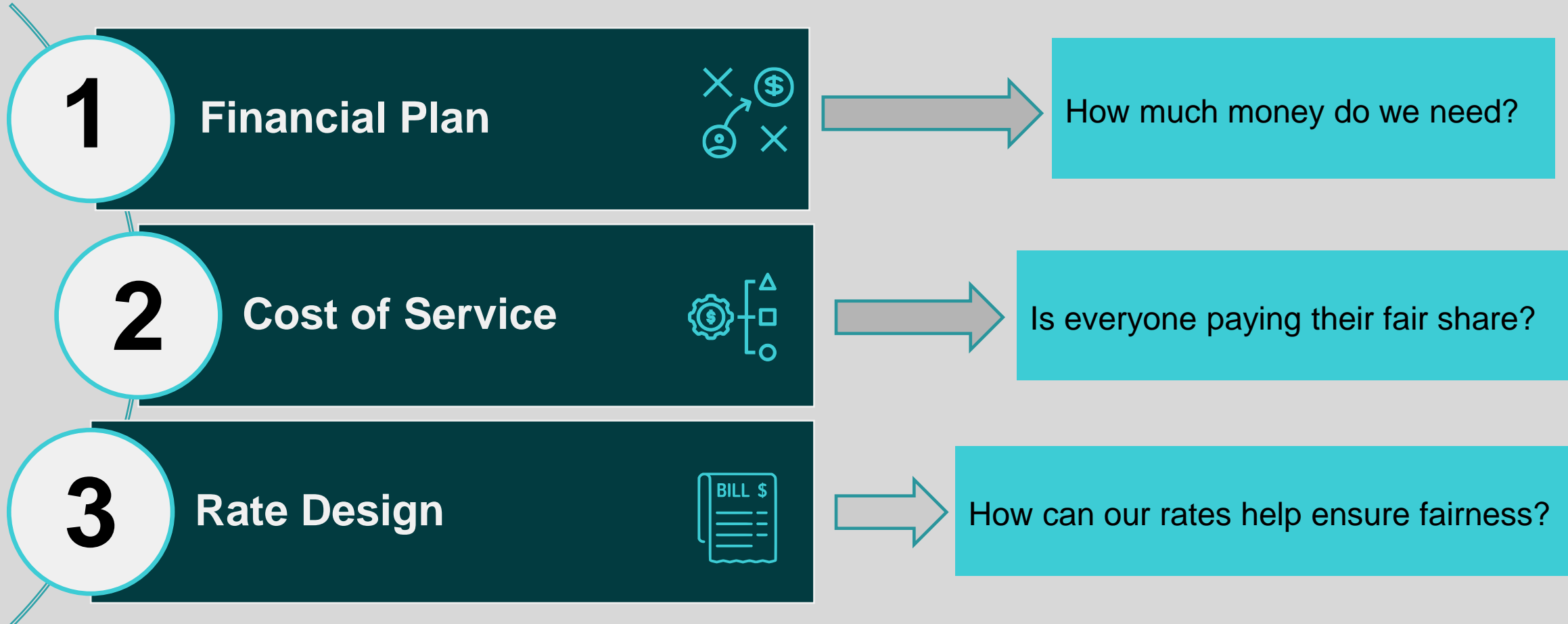
# Proposed 2025 typical water and wastewater monthly bill

## Residential – 5,000 gal water, 3,000 gal wastewater

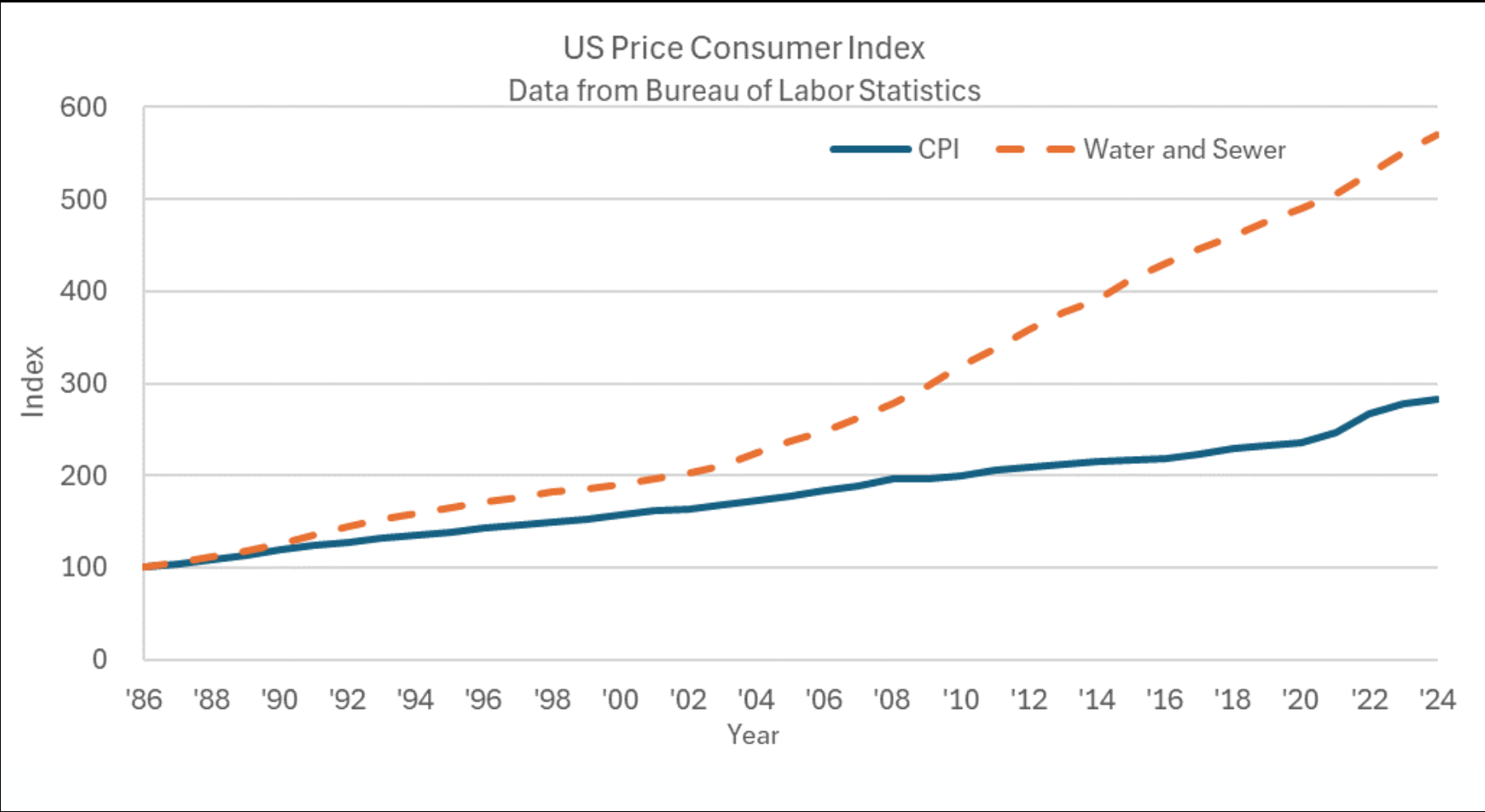
### 3/4” Meter



# A structured process to meet the goals and objectives



# Utility Costs Continue to Increase Faster than General Inflation



U.S. Bureau of Labor Statics is the source of both indices: CPI-U (U.S. City average of all items), Water and Sewerage Maintenance (U.S. City average)

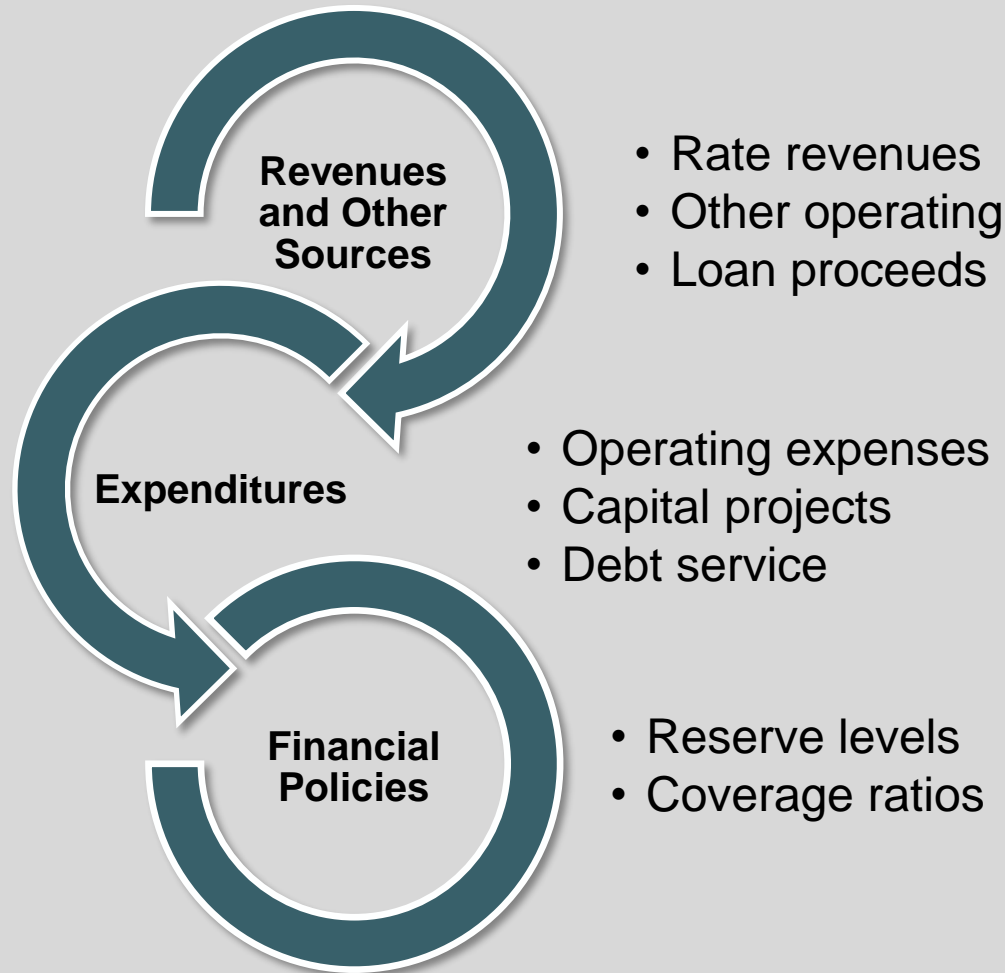
# Financial Plans





# The financial planning process

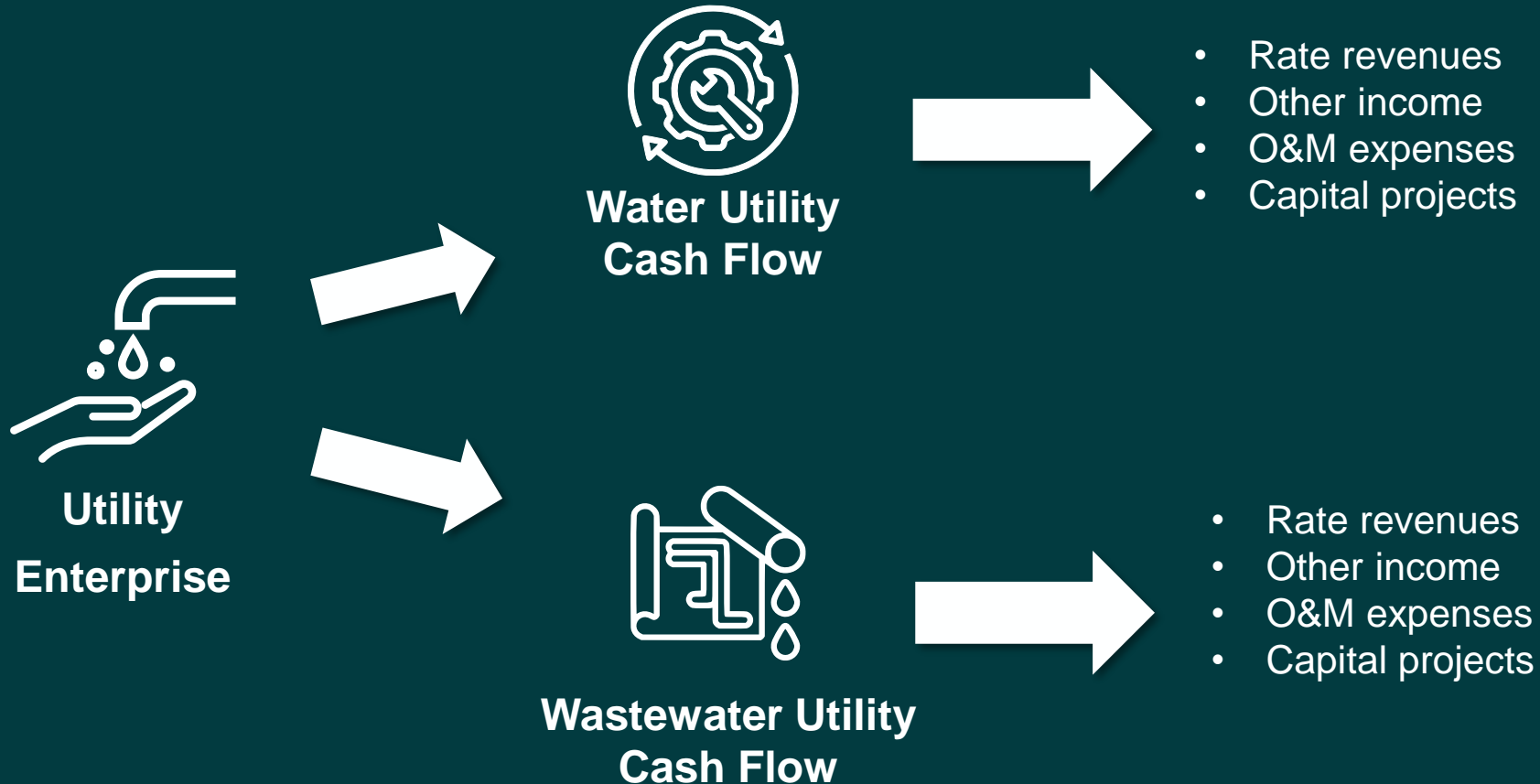
*What is the revenue required to meet expenditures?*



**Multi-Year  
Financial Plan  
Scenarios**



# Financial planning cash flow structure





# Financial plan assumptions

## Reserve targets

- Operating reserve: 180 days of O&M
- Capital reserve: 1 year depreciation expense

## Inflation factors

- Salaries and wages: 4.5%
- Utilities: 5.0%, decreasing to 4% in 2027
- CSU convey, treat, and deliver: 6.5%
- Chemicals: 4.0%
- Miscellaneous materials and supplies: 3.0%

## Financing strategy

- Balance use of reserves and rate increases to minimize impacts to customers
- Bring each utility to financial self-sufficiency by 2029



# Capital improvement program scenarios (2025 – 2033), \$ millions

## Scenario 1: R.Hull Rehabilitation

|                                       | Excluding<br>Inflation | Including<br>Inflation |
|---------------------------------------|------------------------|------------------------|
| • Aquifer storage and recovery pilot  | \$4.00                 | \$5.13                 |
| • Chlorine system upgrade             | 0.75                   | 0.86                   |
| • Plant rehab                         | 1.50                   | 1.71                   |
| • Future capital replacement projects | 3.25                   | 4.67                   |
| • Future well projects                | <u>4.28</u>            | <u>5.49</u>            |
| • <b>Total 2025 – 2033</b>            | <b>\$13.78</b>         | <b>\$17.87</b>         |

## Scenario 2: Loop Authority

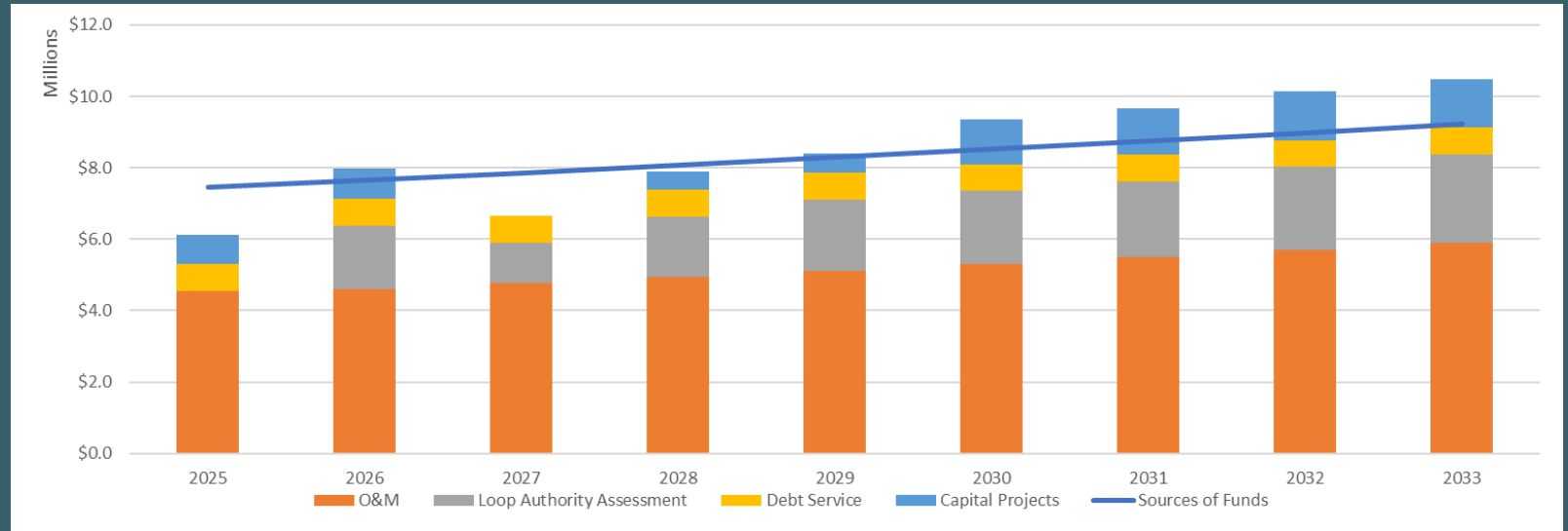
|                                      |                |                |
|--------------------------------------|----------------|----------------|
| • Aquifer storage and recovery pilot | \$4.00         | \$5.13         |
| • Future well projects               | 2.00           | 2.88           |
| • Loop Authority Assessment          | 15.59          | 15.59          |
| • <b>Total 2025 – 2033</b>           | <b>\$21.59</b> | <b>\$23.60</b> |



# Water operating cash flow

## Scenario 2: Loop Authority, 5% annual increases (2025 – 2033)

### Revenues and Expenditures



### Ending Balance and Target Reserves



# Water utility financial plan scenario summary

## Scenario 1:

### R.Hull Rehabilitation

- Total capital improvement program: \$17.87 million
- Full funding of the Aquifer storage and recovery pilot, Plant rehabilitation, and chlorine system upgrade, future capital replacement, and well improvements
- 5.0% annual revenue adjustments 2025 – 2033
- Reserves remain above target for the study period

## Scenario 2:

### Loop Authority

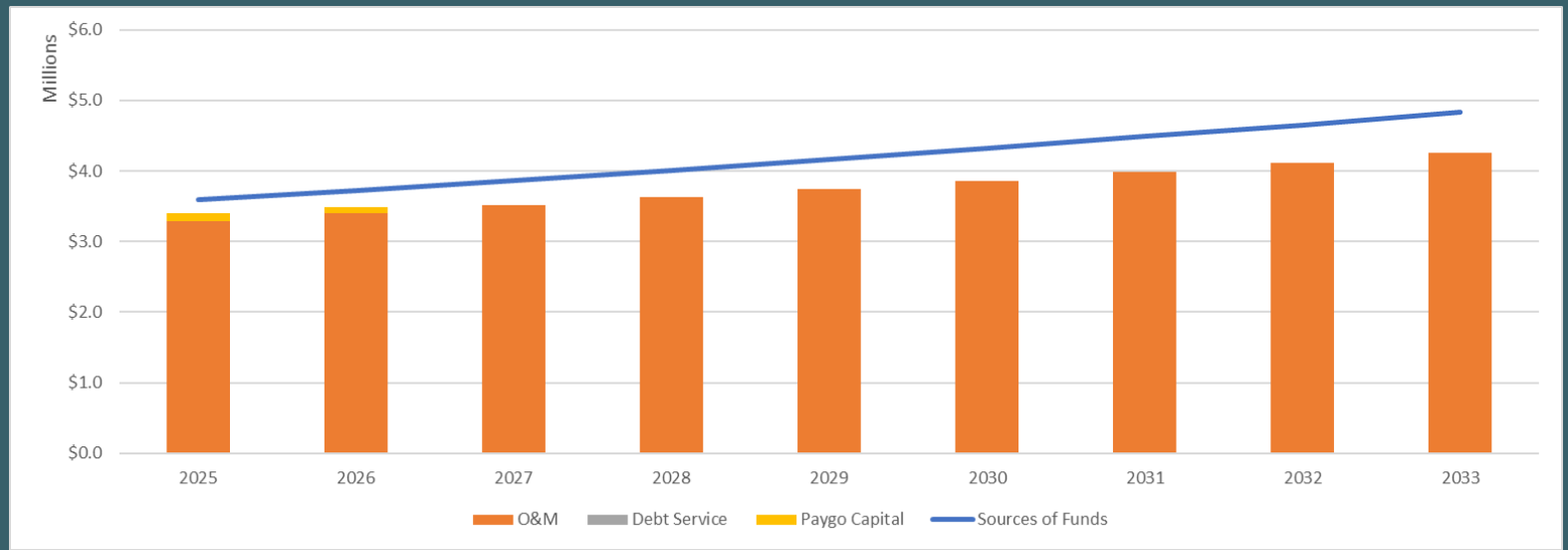
- Total capital improvement program: \$23.60 million
- Full funding of aquifer storage and recovery pilot and annual loop assessment
- Only other project is well rehab and new well construction: \$2.88 million
- 5.0% annual revenue adjustments 2025 – 2033
- Reserves remain above target for the study period



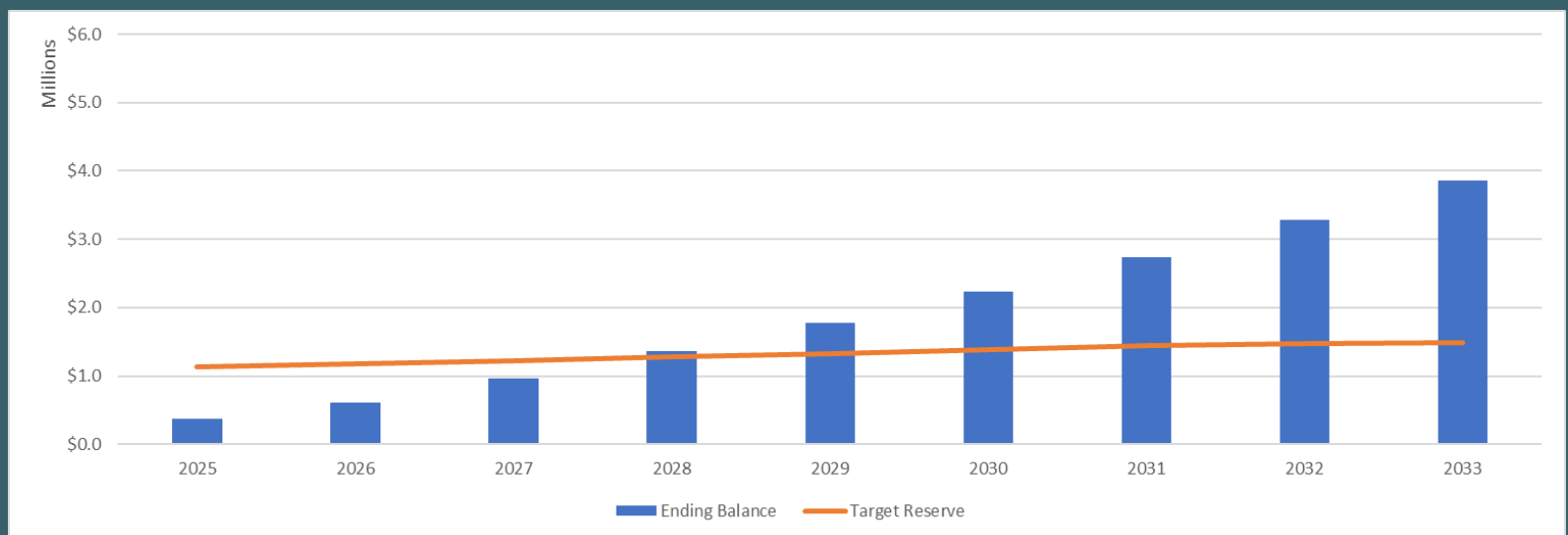
# Sewer operating cash flow

## 5.0% annual increases 2025 - 20233

### Revenues and Expenditures



### Ending Balance and Target Reserves

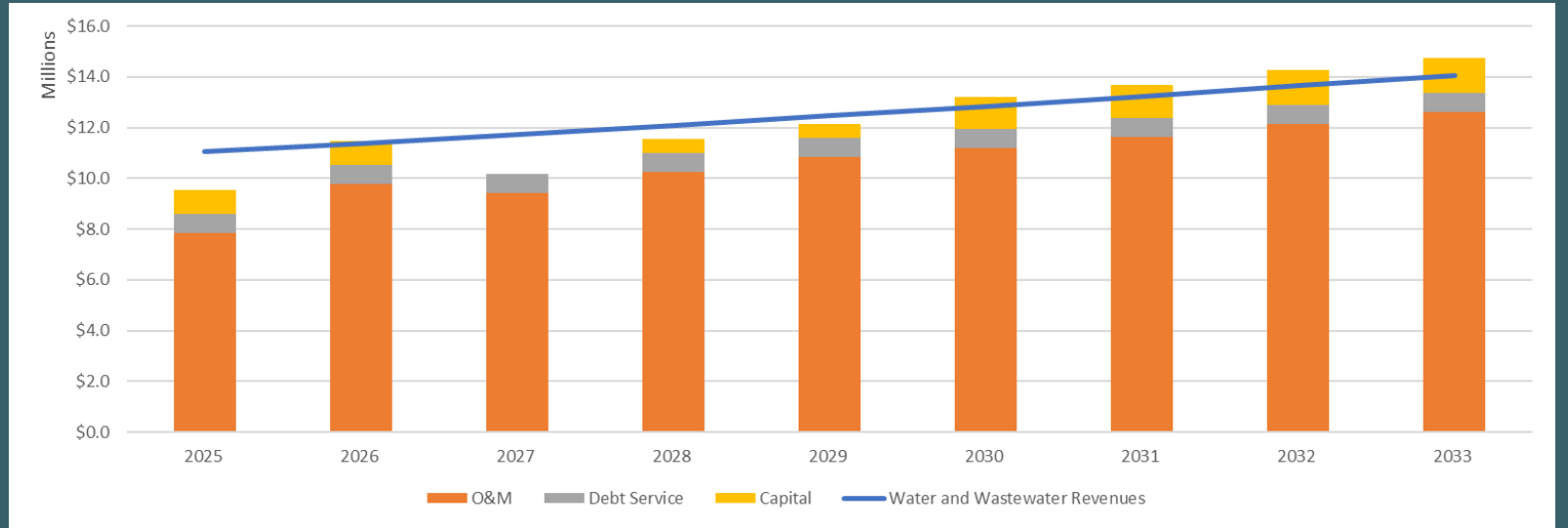




# Combined water and wastewater cash flow

## Water scenario 2: Loop Authority + wastewater cash flow

### Revenues and Expenditures



### Ending Balance and Target Reserves



# Proposed Rates



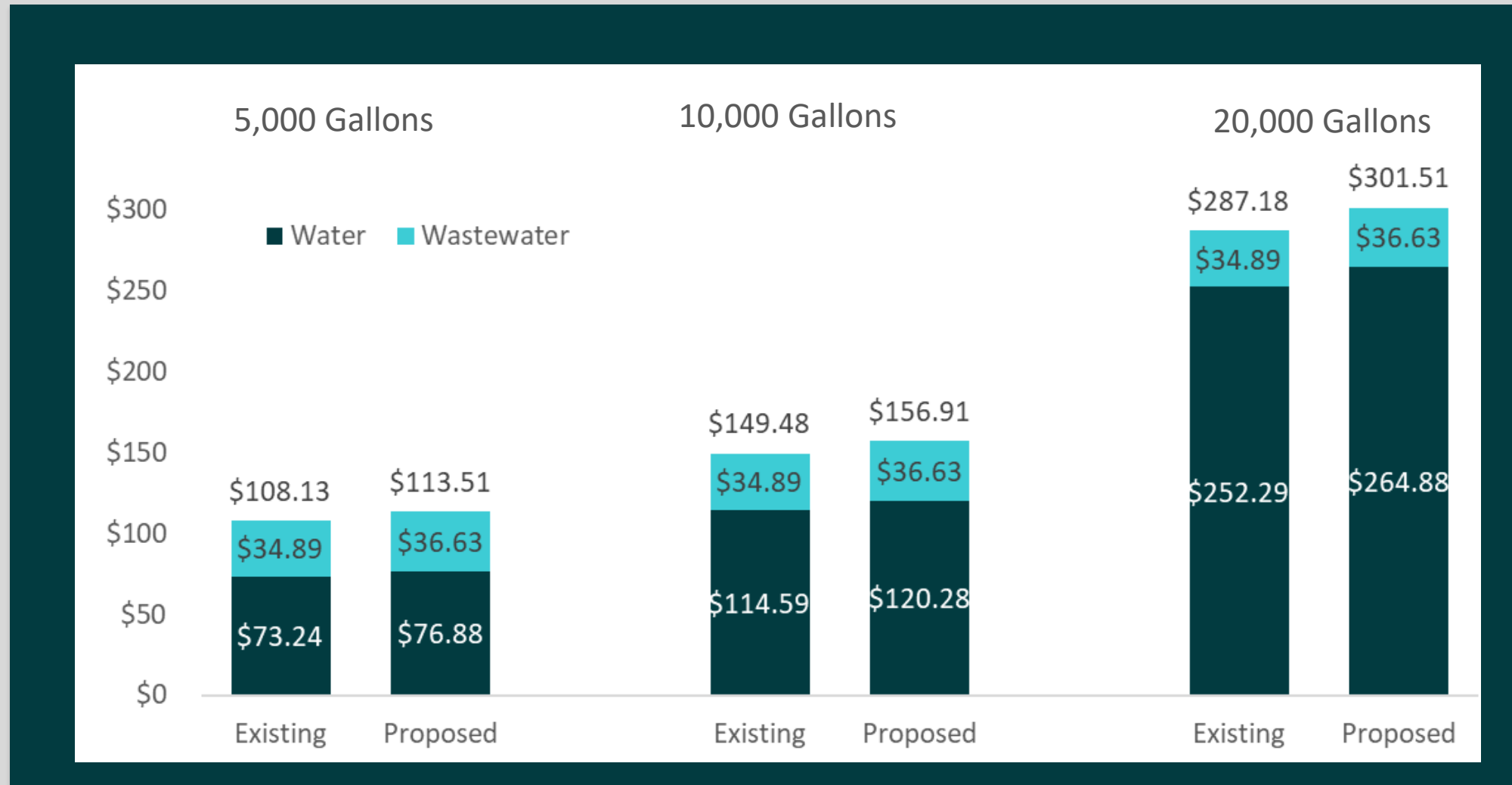
# Water and wastewater utilities

## Comparison of existing and proposed rates

| Water Utility                            |             |                      |                      | Sewer Utility                            |             |                      |                      |
|--|-------------|----------------------|----------------------|--|-------------|----------------------|----------------------|
|  | <u>2024</u> | <u>4.5% Increase</u> | <u>2025 Proposed</u> |  | <u>2024</u> | <u>4.5% Increase</u> | <u>2025 Proposed</u> |
| <b>Service Charge, \$ per bill</b>       | \$31.89     | \$33.33              | \$33.48              | <b>Service Charge, \$ per bill</b>       | \$7.14      | \$7.46               | \$7.50               |
| <b>Volume Rate, \$ per 1,000 gallons</b> |             |                      |                      | <b>Volume Rate, \$ per 1,000 gallons</b> | \$9.25      | \$9.67               | \$9.71               |
| <u>Threshold</u>                         | <u>2024</u> | <u>4.5% Increase</u> | <u>2025 Proposed</u> |  |             |                      |                      |
| <b>Residential</b>                       |             |                      |                      |  |             |                      |                      |
| Tier 1: 0 - 10,000 gal                   | \$8.27      | \$8.64               | \$8.68               |  |             |                      |                      |
| Tier 2: 10,001 - 20,000                  | 13.77       | 14.39                | 14.46                |  |             |                      |                      |
| Tier 3: 20,001 - 30,000                  | 18.39       | 19.22                | 19.31                |  |             |                      |                      |
| Tier 4: 30,001 - 40,000                  | 27.59       | 28.83                | 28.97                |  |             |                      |                      |
| Tier 5: 40,001 - 50,000                  | 26.82       | 28.03                | 28.16                |  |             |                      |                      |
| Tier 6: >50,000                          | 46.01       | 48.08                | 48.31                |  |             |                      |                      |
| <b>Multifamily and Irrigation</b>        |             |                      |                      |  |             |                      |                      |
| Tier 1                                   | \$8.27      | \$8.64               | \$8.68               |  |             |                      |                      |
| Tier 2                                   | 13.77       | 14.39                | 14.46                |  |             |                      |                      |
| Tier 3                                   | 18.39       | 19.22                | 19.31                |  |             |                      |                      |
| Tier 4                                   | 27.59       | 28.83                | 28.97                |  |             |                      |                      |
| Tier 5                                   | 26.82       | 28.03                | 28.16                |  |             |                      |                      |
| Tier 6                                   | 46.01       | 48.08                | 48.31                |  |             |                      |                      |

# Residential typical bill comparison for 2025

## 3/4" meter



# Next steps



- Finalize financial plans for water and wastewater



- Develop class-based cost of service



- Rate design alternatives



- Board presentation to present final results



# Thank you!

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