

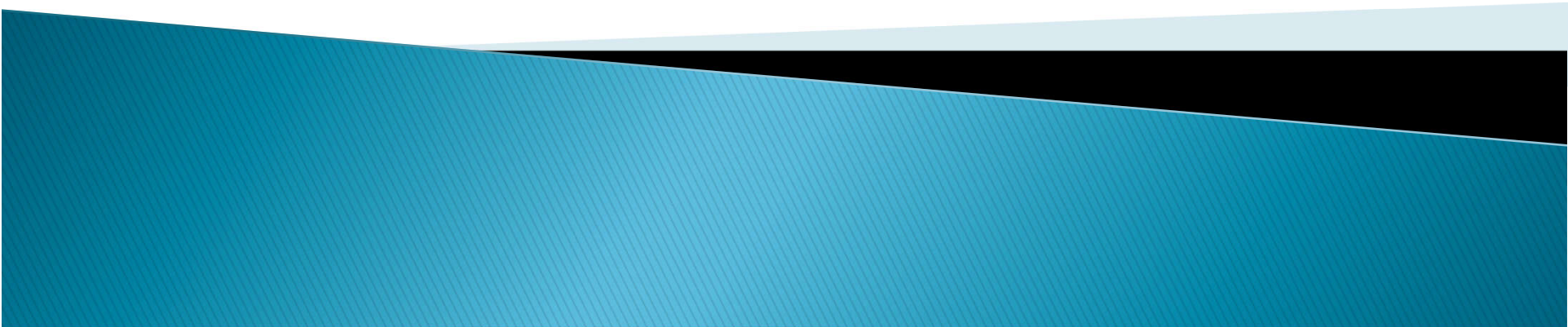
Oceano Community Services District



Water Rate Increase
Informational Presentation

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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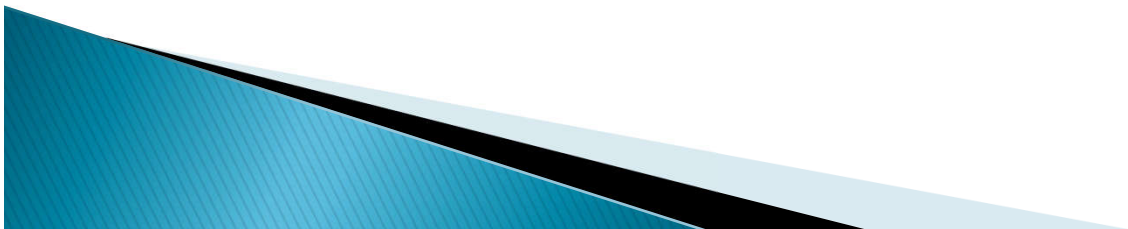
Pro Forma - Current Rates

Pro Forma - Current Rates							
Oceano CSD	Rate Increase	Supply	3%	3%	3%	3%	3%
		Base	3%	3%	3%	3%	3%
Revenues and Expenses		Cost Inflation	3%	3%	3%	3%	3%
Total Water Sales (CCF)	286,637	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
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 RATE INCREASE

What was NOT addressed in prior ordinances?

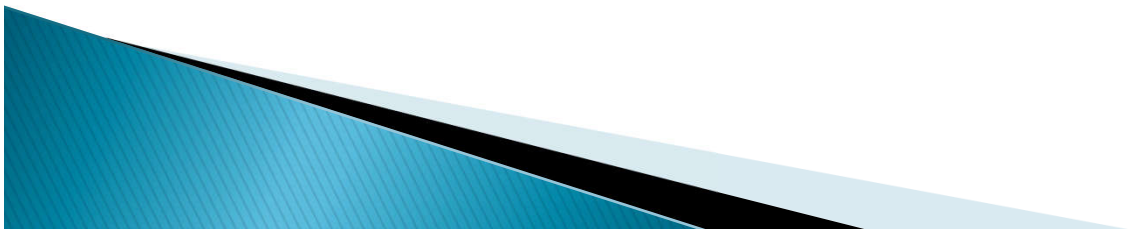
- ✓ The District's Long-Term Plan
 - ❖ System Infrastructure Repairs (CIP)
 - ❖ Staffing Needs
 - ❖ Financial Reserves



WATER RATE INCREASE

What is addressed in this Ordinance?

- ✓ The District's Long-Term Plan
 - ❖ Funding System Infrastructure Repairs (CIP)
 - ❖ Funding Increased Staffing 1.5 FTE
 - ❖ Minimum Financial Reserves



Water Rate Increase

- ❖ Funding the Capital Improvement Program
 - ❖ \$186,000 annual need identified in 2010
 - ❖ Was not implemented
 - ❖ Capital projects funded from grants/reserves
 - ❖ 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
 - ❖ Phased in over three years
 - ❖ \$4.22 monthly bill impact
 - ❖ \$122,000 annual depreciation expense

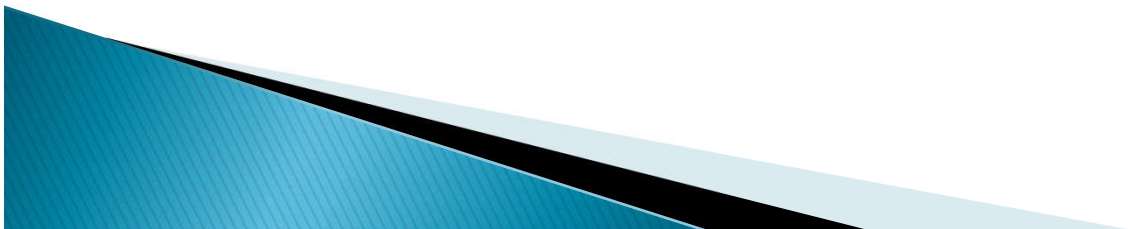




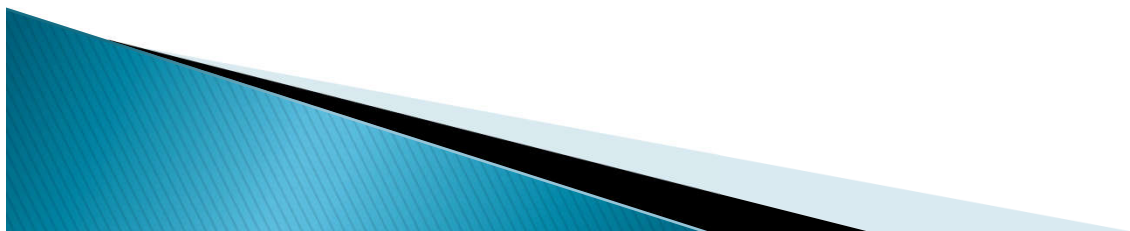


Water Rate Increase

- ❖ Funding Increased Staffing Needs
 - ❖ 1 FTE Utility System Operator added in 2019
 - ❖ \$113,412 annual salary and benefits
 - ❖ .5 FTE Account Administrator added in 2019
 - ❖ \$30,393 annual salary and benefits
 - ❖ Converted Utility System Supervisor to Utility System Manager and a Utility System Operator to a Lead Operator in 2019
 - ❖ \$20,000 annual cost differential

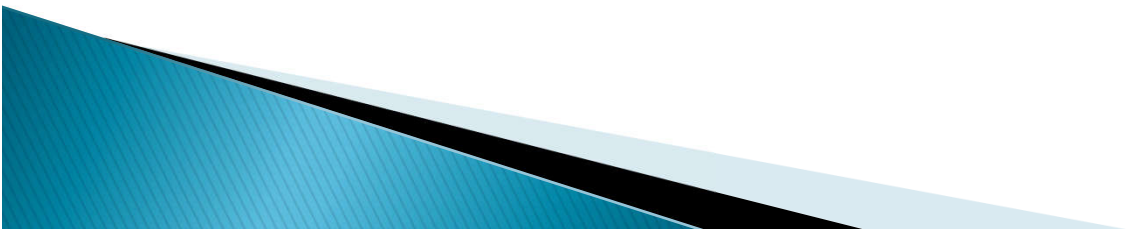


Agency	Total Staff	Utility Staff	Total Staff per Capita	Utility Staff per Connection
Oceano CSD	8.5	4	.0011	.0018
CSD 1	10	6	.0014	.0022
CSD 2	21.5	14.5	.0017	.0033
CSD 3	21.6	7	.0027	.0027
CSD 4	49	16	.0086	.0040



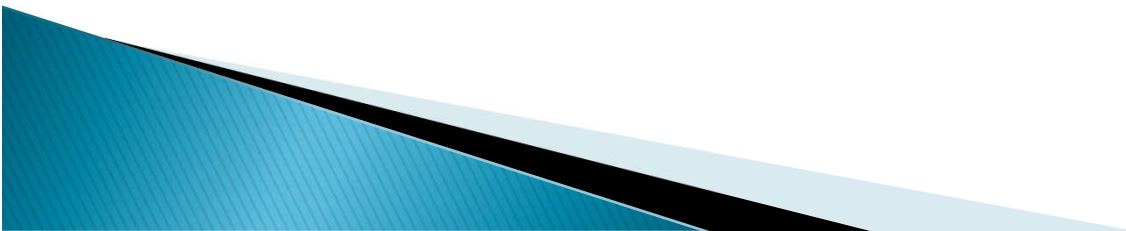
Water Rate Increase

- ❖ Funding Minimum Reserve Balance
 - ❖ Maintain above 3 months expenditures
 - ❖ No other reserves proposed



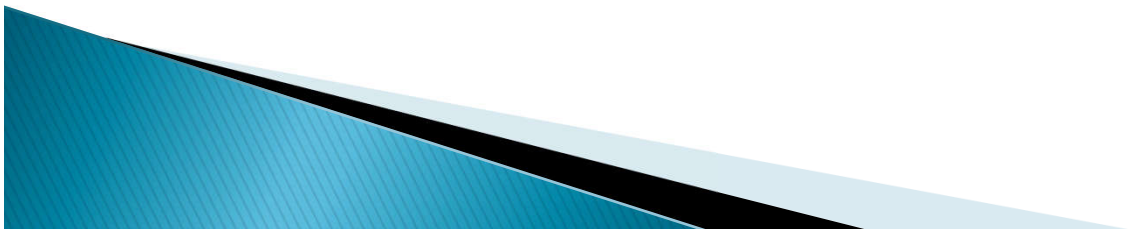
Water System Revenues Rate Structure

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



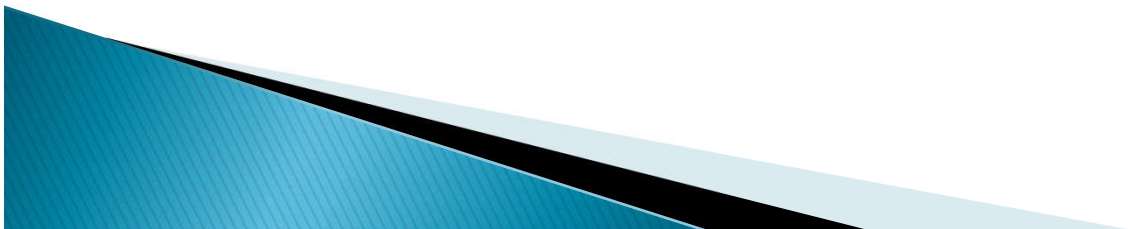
Water System Revenues Rate Structure

- ❖ Multi-Family customer class 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



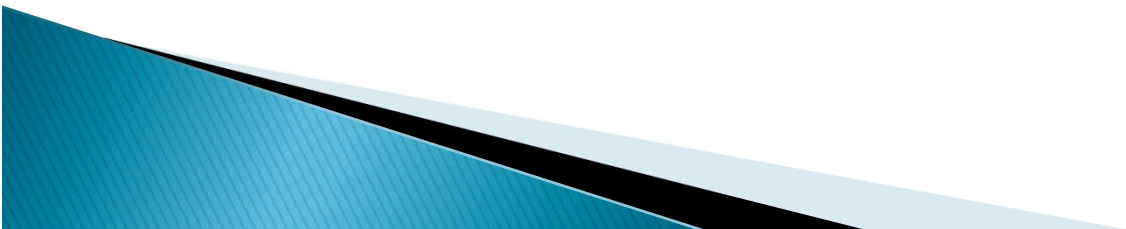
Water System Revenues Rate Structure

- ❖ Moving to two-tiered rate structure
 - ❖ Currently 5 tiers
 - ❖ San Juan Capistrano court decision
 - ❖ Two tiers tied directly to the cost of Lopez and State Water
 - ❖ Tier 1 – Lopez (0-6 units)
 - ❖ Tier 2 – State (above 6 units)



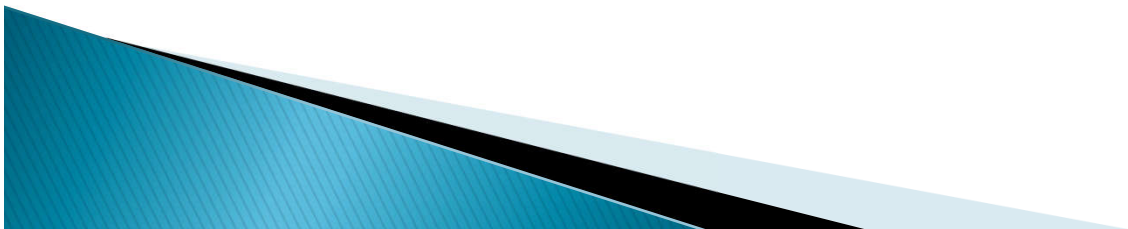
Water System Revenues Rate Structure

- ❖ Increase being phased in over time
 - ❖ 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 (Proposed Increase)	\$832	2.1%

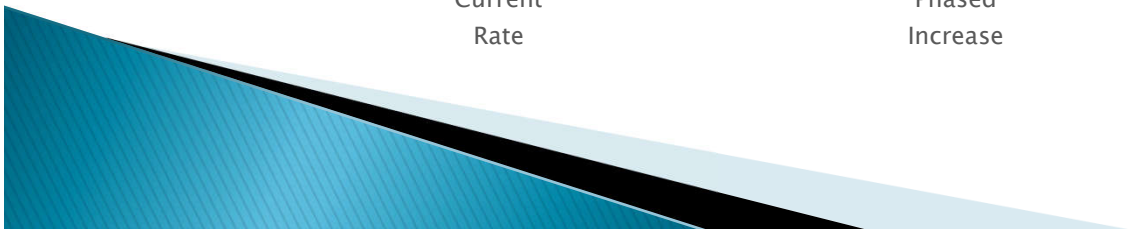
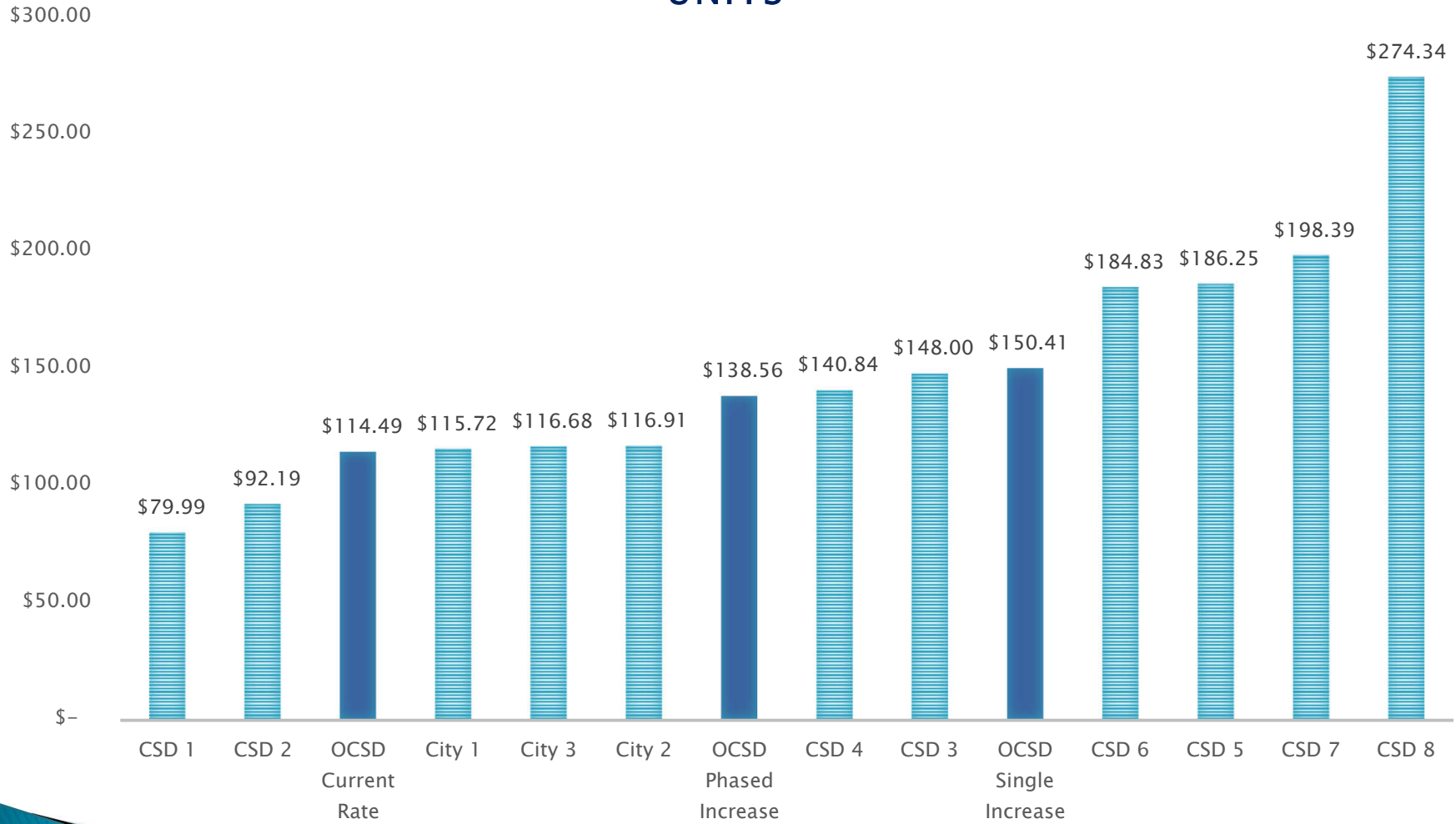


Addressing Affordability

- ✓ 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

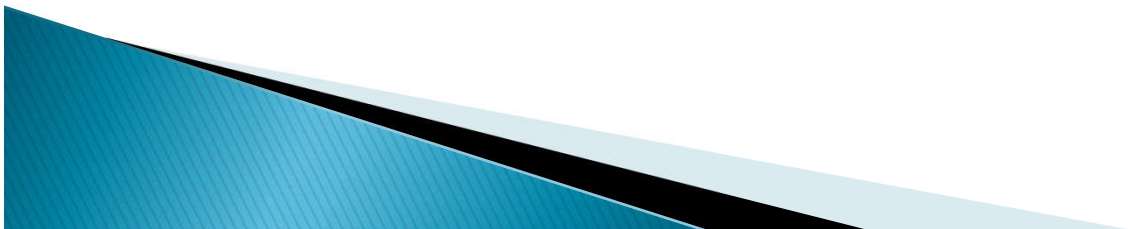


BI-MONTHLY WATER RATE COMPARISON – (SFR) 15 UNITS



Water Rate Increase

- ❖ What does community get?
 - ❖ Capital Improvement Program
 - ❖ Improved Health and Safety
 - ❖ Improved Fire Flow
 - ❖ Sufficient Staffing for Operations
 - ❖ Improved maintenance
 - ❖ Financially Sustainable System
 - ❖ Legally defensible rate structure
 - ❖ Equitable rates



PROCESS AND NEXT STEPS

- ✓ Proposition 218 & Timing
- ✓ Protest Hearing October 14, 2020
- ✓ Rates effective starting billing period in November

