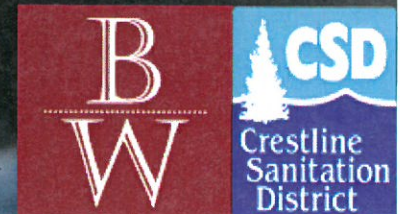




# Crestline Sanitation District Rate Study Overview

February 8, 2024



# Presentation Overview



**Bartle Wells Associates**



**District Overview**



**Study Objectives**



**Rate Study Process**



**Existing Rates and Rate Survey**



**Schedule**



# BARTLE WELLS ASSOCIATES

INDEPENDENT PUBLIC FINANCE ADVISORS

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Independent public finance advisory firm founded 1964

## Areas of Expertise:

- Cost-of-service rate studies
- Strategic financial planning
- Municipal advisor for debt
- Litigation support and expert witness
- Served over 500 public agencies in CA
- Charter Member of the National Association of Municipal Advisors

### BWA Key Services

- *Rate & Fee Studies*
- *Financial Plans*
- *Project Financing*

# District Overview

- The District provides sewer service to 4,702 accounts
  - 5,281 equivalent dwelling units (EDUs)
- The District is self-supporting and rates are the main source of revenues
- Rates for need to be set at levels adequate to fund the cost of providing service
- Current rate for sewer service is \$52.82 per EDU per month implemented in 2020

# Rate Study Objectives



**Financial Sufficiency**



**Legal Compliance (Prop. 218)**

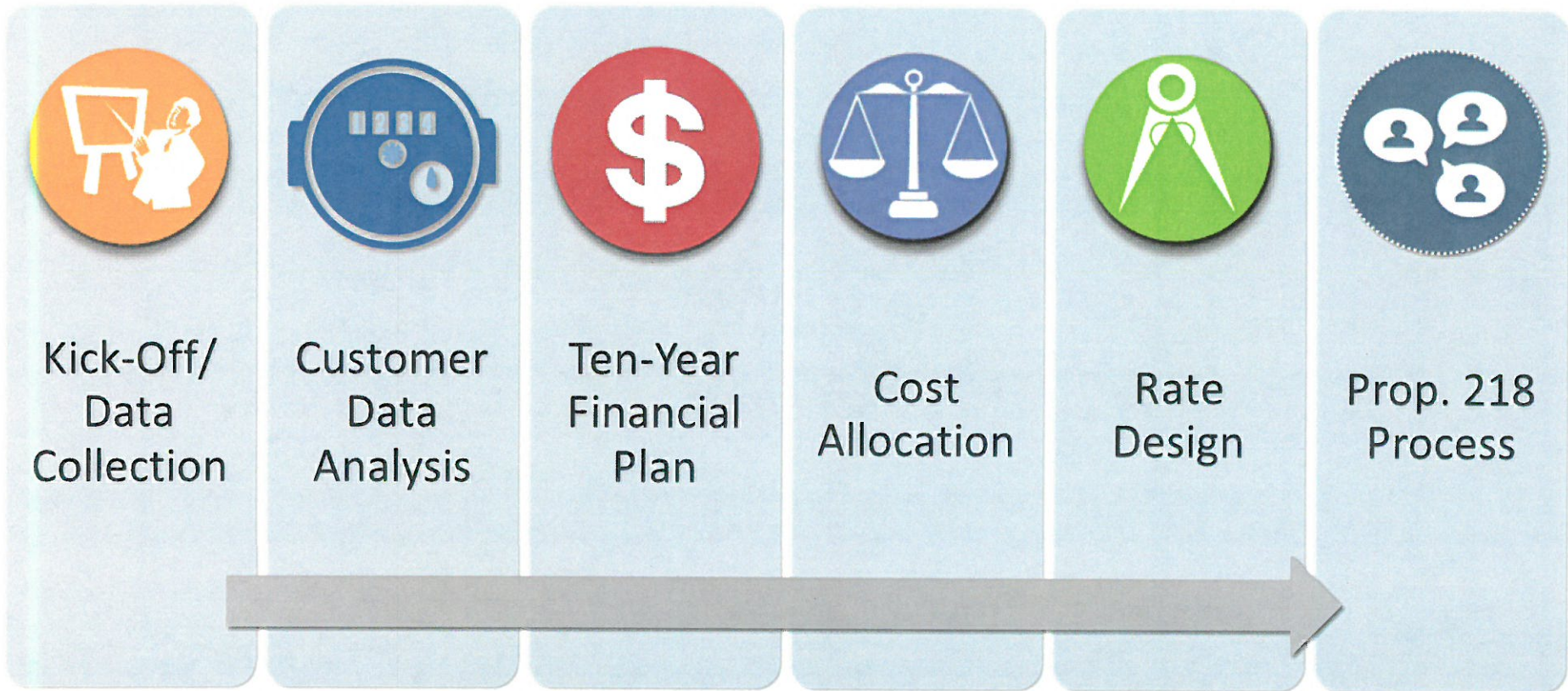


**Rates Aligned with District Objectives**



**Customer Focus**

# Rate Study Process



# Ten-Year Financial Plan



Developed 10-year financial projections to identify rate revenue necessary to:

- Fund operating & maintenance expenses
- Fund capital improvement needs
- Maintain adequate fund reserves
- Meet debt service coverage requirements
- Support different rate increase options

Financial plans serve as roadmaps for funding operating and capital programs and maintaining long-term financial health.

# Gradual Rate Increases

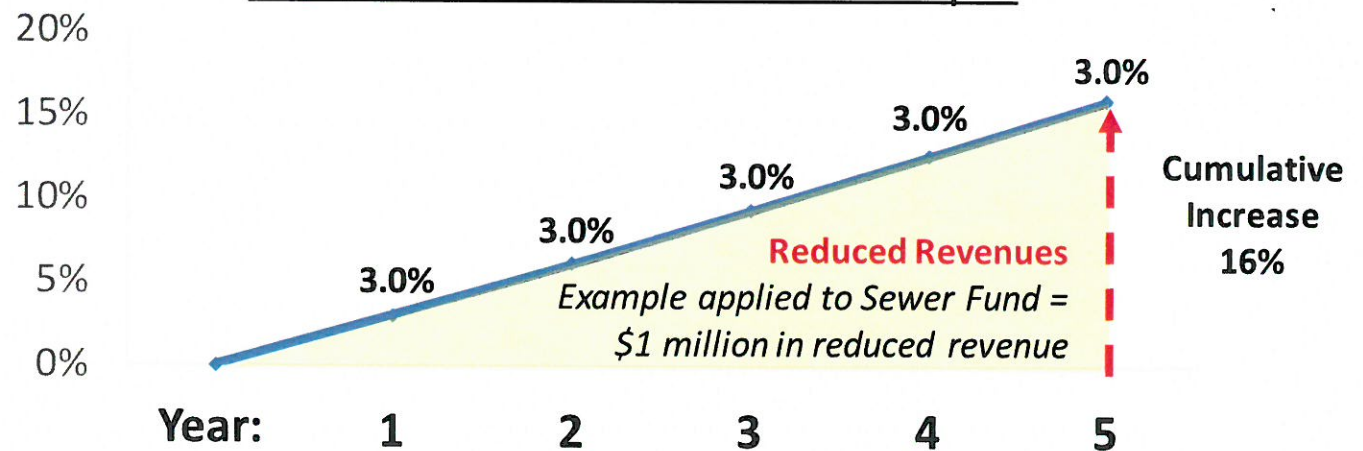


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- Gradual annual rate increases are key
- Keep revenues aligned with costs of service
- Minimize annual impact on ratepayers
- Avoid need for infrequent rate spikes

## Deferred Rate Increase Example

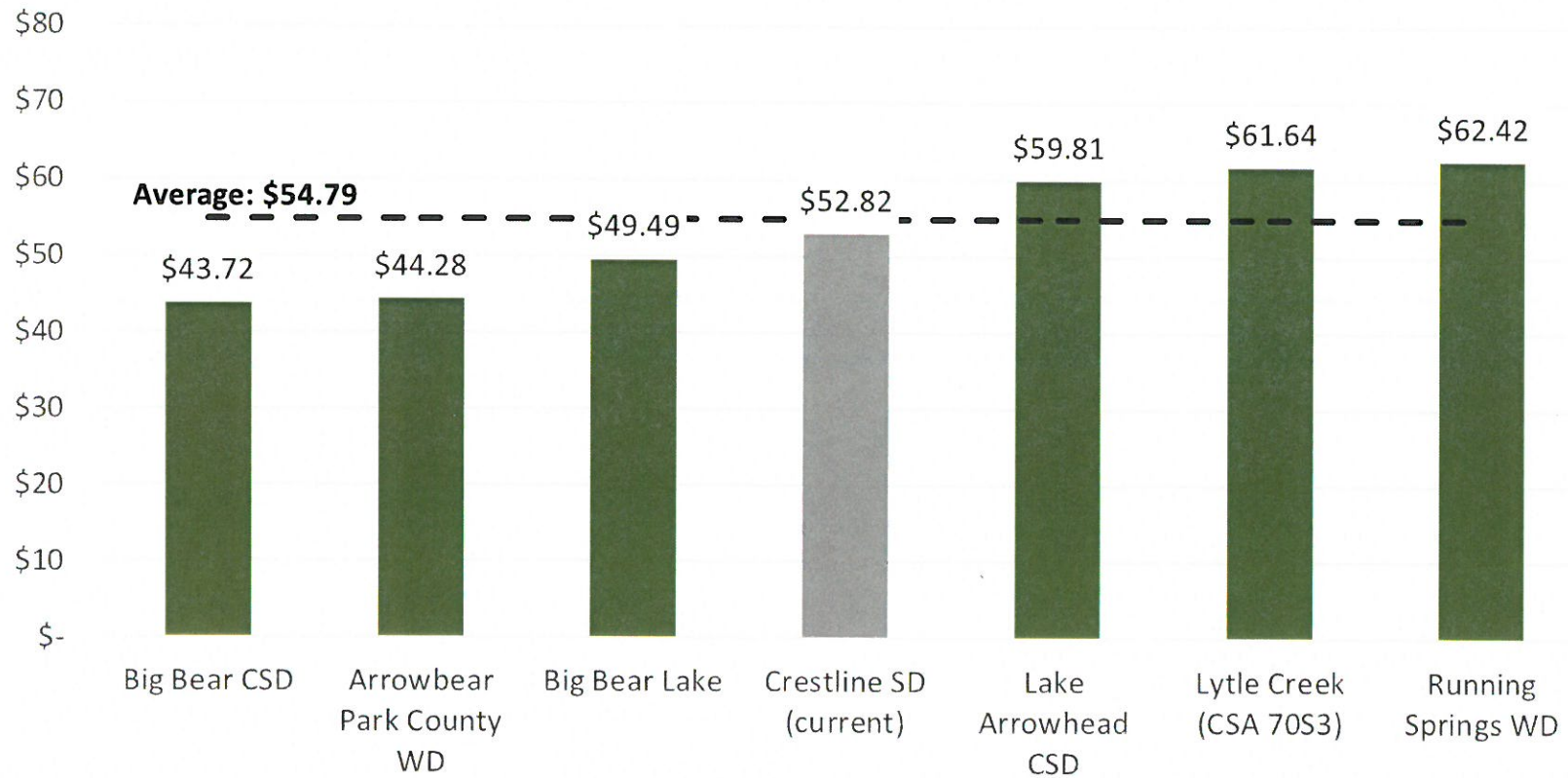




# Financial Challenges

- Aging infrastructure & capital improvement needs
  - Sewer system upgrades, repairs & replacements needed maintain safe & reliable operations
  - \$12.4 million in projected capital spending over the next 5 years
    - Dudek master plan
- Debt Service
  - \$12 million SRF Loan for the Huston Creek Plant project
    - Estimated annual payments \$450,000
- Operating cost inflation
  - Overall inflation projected 3% to 5% per year over next 5 years
  - New labor MOU contract as of 7/1/2023
  - Consumer Price Index (CPI) has increased 19% since 2020 (last rate increase)
  - Annual rate adjustments needed to keep rates in line with escalating costs (electricity, staffing, materials, insurance, etc.)
- Maintain prudent reserves
  - Emergencies, demand fluctuation, cash funding capital, etc.

# Monthly Residential Sewer Rate Survey



# Proposition 218



## **Voter-approved constitutional amendment 1996**

- Added Articles 13C & 13D to the California Constitution

## **Substantive requirements for property-related charges**

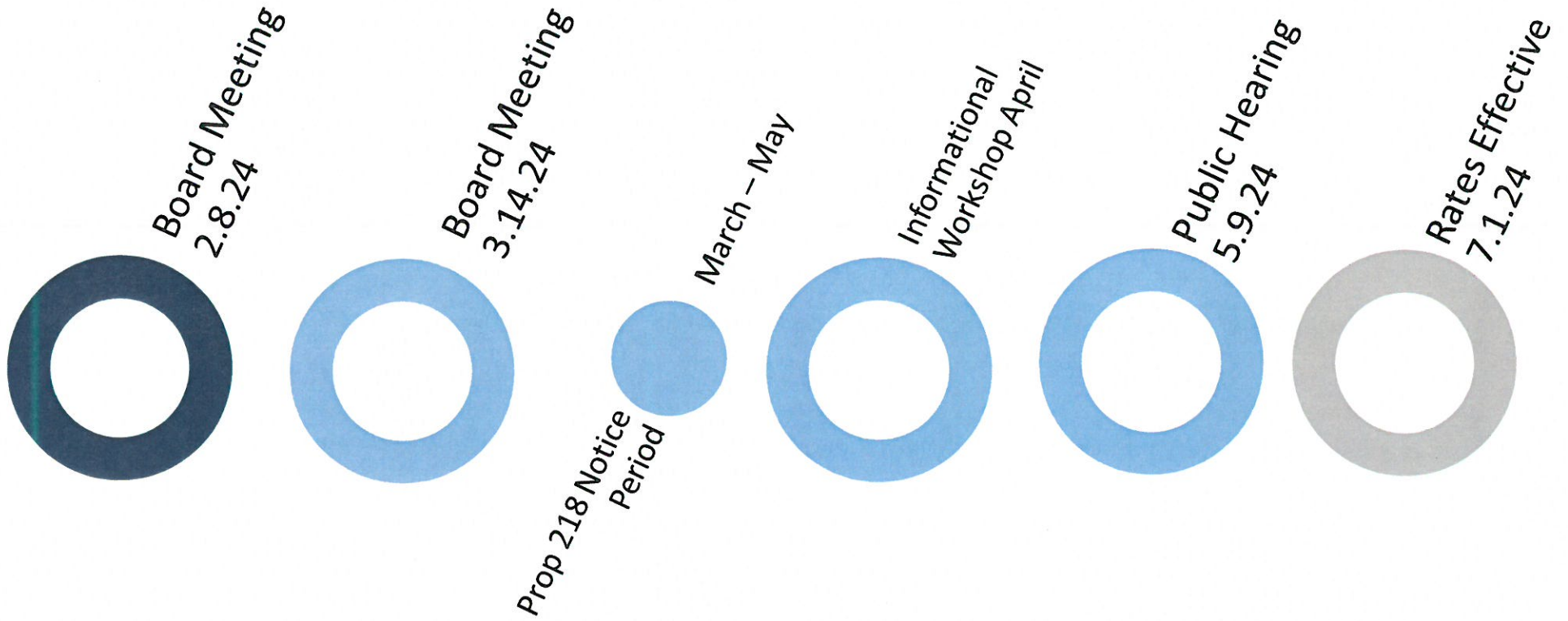
- Rates cannot exceed cost of providing service
- Proportionate cost recovery (fair and equitable)

## **Procedural requirements for rate increases**

- Mail notice of rate increases to all property owners/customers
- Hold public hearing at least 45 days after the mailing
- Rates are subject to “majority protest”

# Rate Study Draft Next Steps

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ASSOCIATES