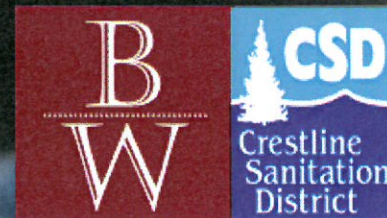


Crestline Sanitation District Draft Rate Study Results

March 14, 2024



Presentation Overview



District Overview



Study Objectives



Financial Challenges



Capital Needs



Rate Scenarios



Rate Survey



Schedule

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

Financial Challenges



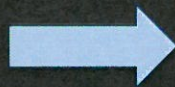
- Aging infrastructure & capital improvement needs
 - Sewer system upgrades, repairs & replacements needed maintain safe & reliable operations
 - \$14.8 million in projected capital spending over the next 5 years
 - \$12.4 million Dudek master plan, \$3.5 million collection system CIP
 - \$24.9 million in projected capital spending over the next 10 years
- Debt Service
 - \$11.9 million SRF Loan for the Huston Creek Plant project
 - Estimated annual payments \$454,554
- 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.
 - Recommended minimum is one year of operating costs, \$4.5 million
 - Board reserve target, \$14.4 million

Financial Plan Scenarios

- **Key Scenario Considerations**
 - Customer impacts
 - Amount and timing of capital spending
 - Ending reserve level
- **Scenario 1: Rate revenue increases of 5% in 23/24 and then 3% annually**
 - Fund only part of the master plan
 - Erosion of reserves
- **Scenario 2: Annual rate revenue increases of 4%**
 - Fund only part of the master plan
 - Maintain just below one year of operating expenses in reserves
- **Scenario 3: Annual rate revenue increases of 6%**
 - Fully fund adopted master plan with a mixture of debt and cash
 - Maintain above one year of operating expenses in reserves

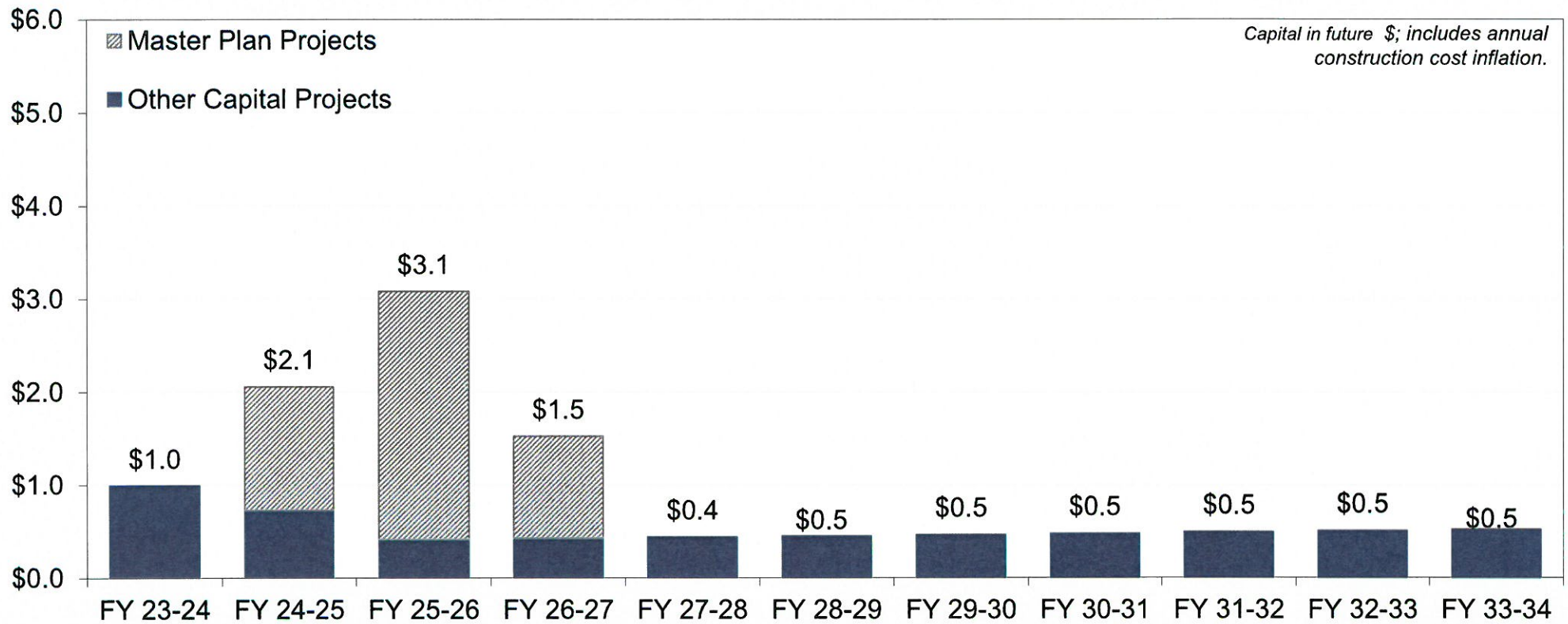
Capital Needs

Projects only funded in Scenario 3



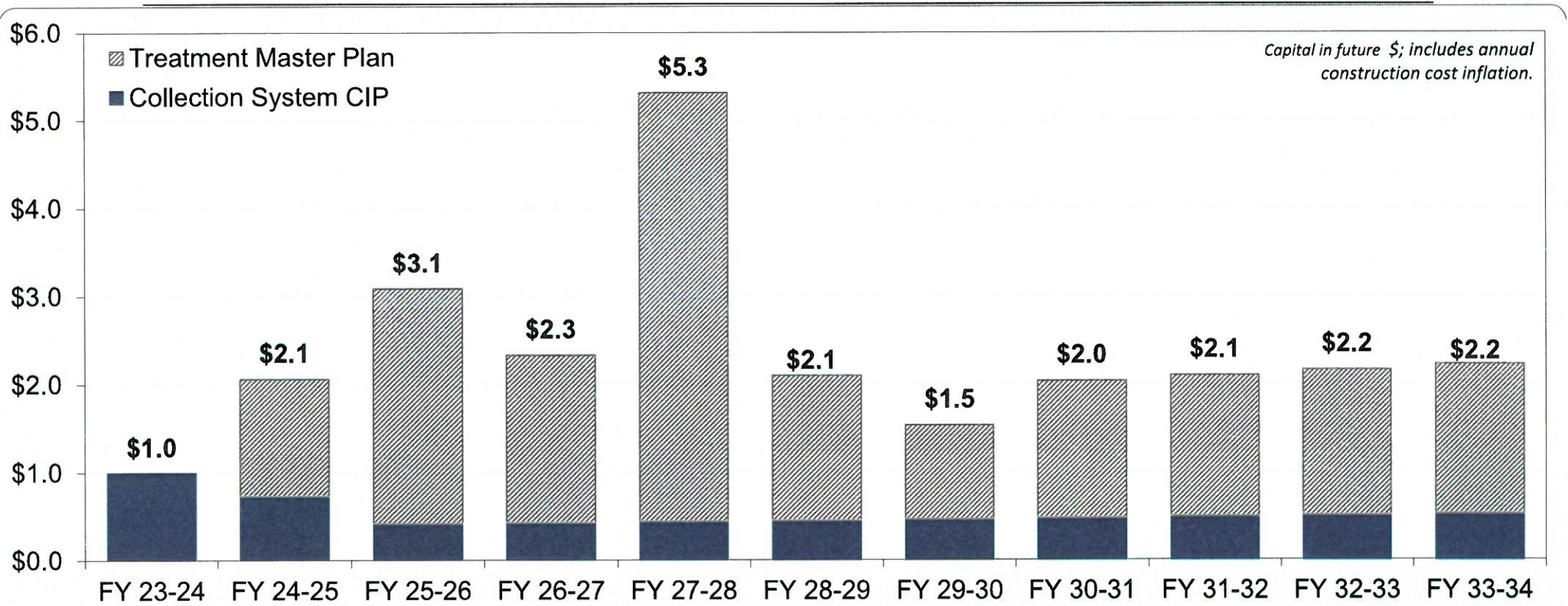
Project Description	Total 10-Year Cost
Huston Creek WWTP Retaining Wall	\$531,000
Collection System Flow Data Analysis and Hydraulic Model Updat	\$135,000
Seeley Creek WWTP Access Road Assessment	\$95,000
Seeley Creek WWTP Primary Clarifier Condition Assessment	\$142,000
Houston Creek WWTP Ongoing Facility Safety Upgrades	\$406,000
Houston Creek WWTP Access Road Replacement	\$2,496,000
Seeley Creek Primary Clarifier Upgrade	\$1,020,000
Seeley Creek WWTP Primary ODS Electrical Upgrade	\$267,000
Lake Gregory Wet Well Capacity Upgrade	\$808,000
Seeley Creek WWTP Access Road Replacement	\$4,677,000
Seeley Creek WWTP Well Construction	\$605,000
Seeley Creek WWTP Ancillary Systems Upgrade	\$696,000
Nutrient Management Study	\$304,000
Huston Creek Primary Clarifiers Structural Assessment	\$228,000
Huston Creek Primary Clarifier Replacement	\$7,567,000
Other CIP	\$4,941,711
Total	\$24,918,711

Partial Master Plan (Scenarios 1&2) 10-Year Sewer Capital Needs (\$Millions)



Source: Source: Dudek Master Plan.

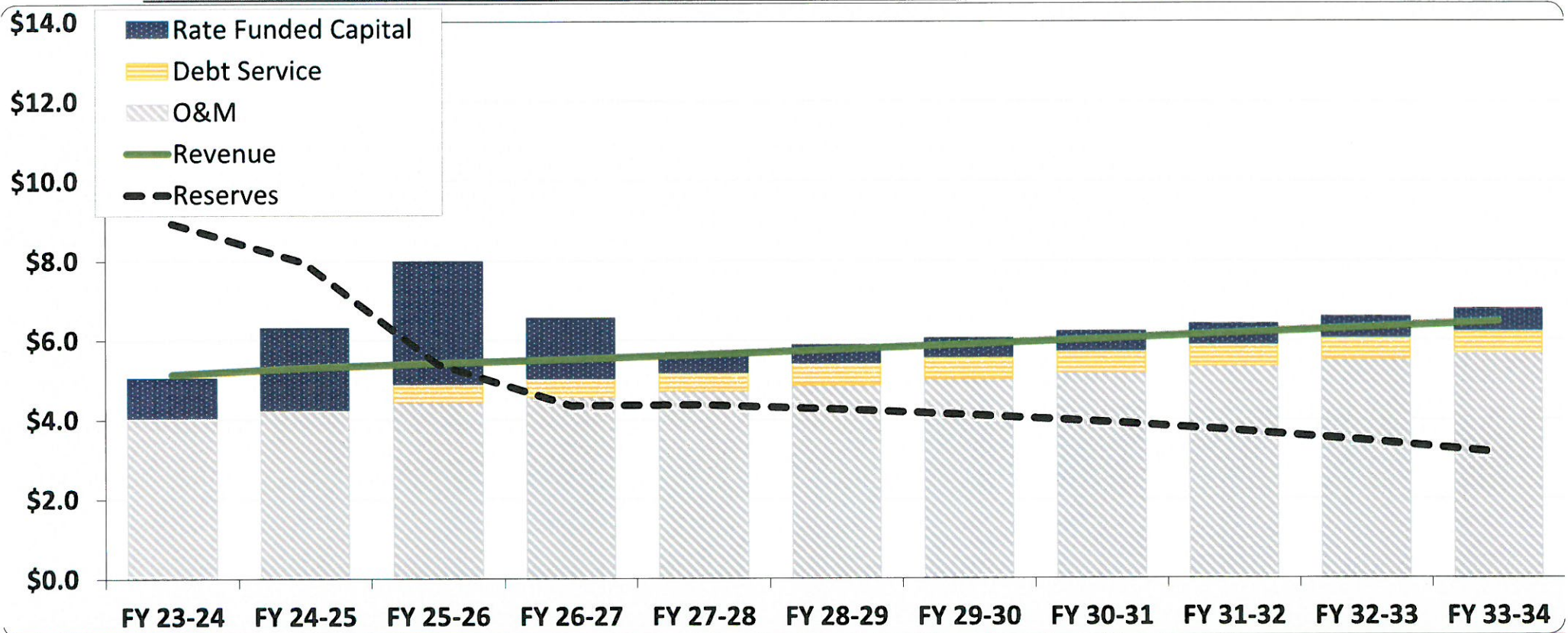
Adopted Master Plan (Scenario 3) 10-Year Sewer Capital Needs (\$Millions)



Source: Dudek Master Plan.

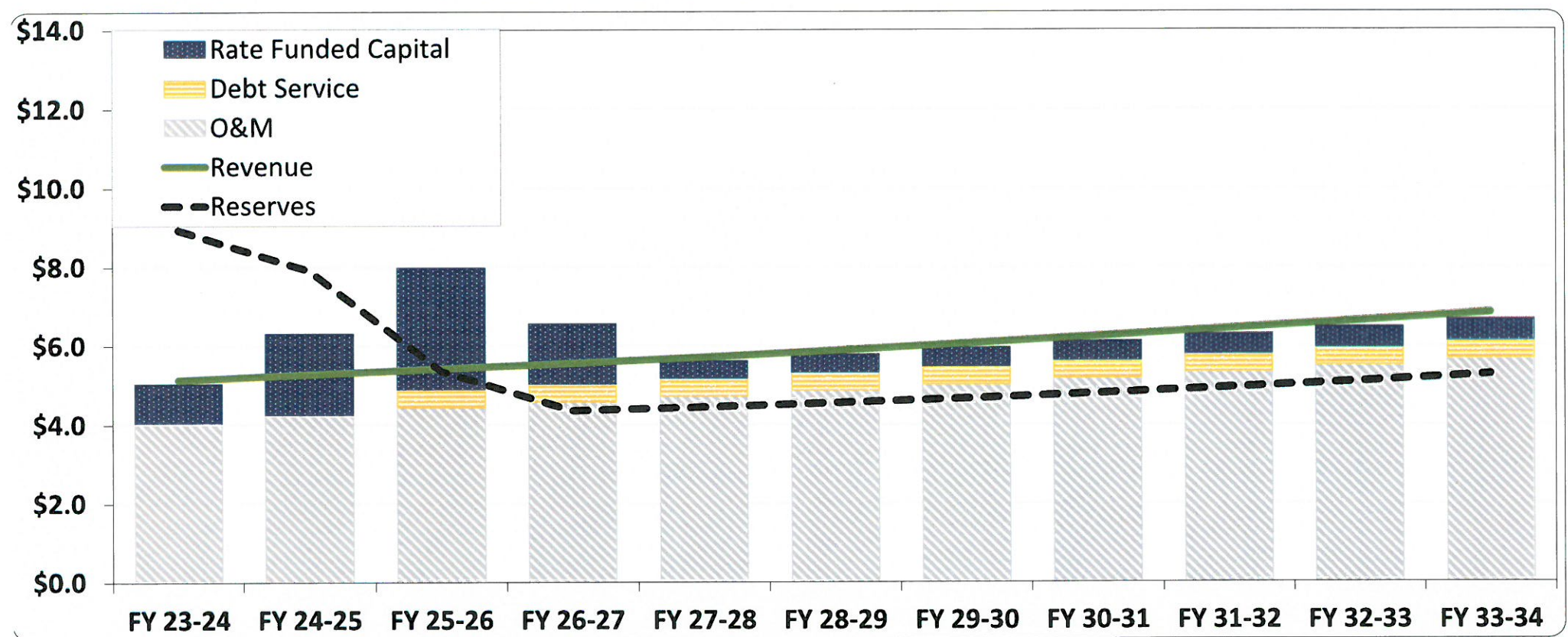
10-Year Water Financial Plan

Scenario 1: Rate revenue increases of 5% in 23/24 and then 3% annually



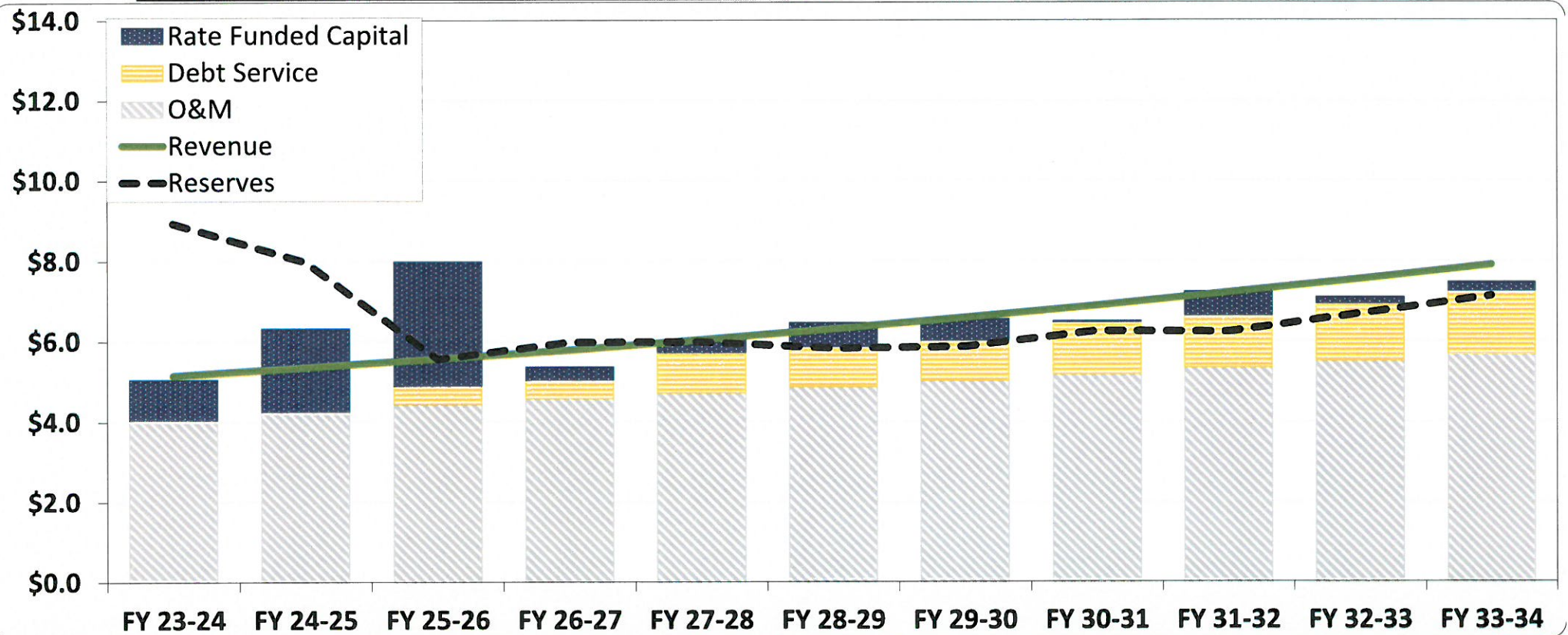
10-Year Water Financial Plan

Scenario 2: Annual rate revenue increases of 4%



10-Year Water Financial Plan

Scenario 3: Annual rate revenue increases of 6%



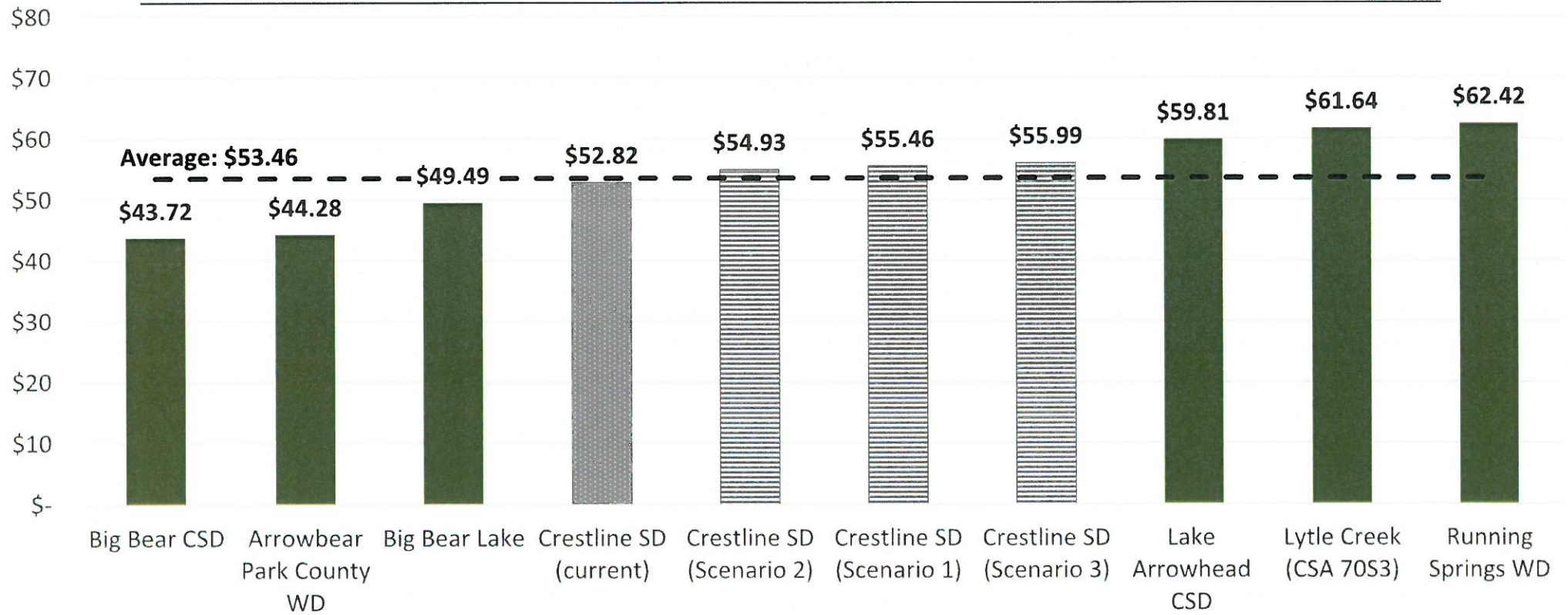
Financial Plan Scenarios Comparison

Scenario 1	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Rate Revenue Increase \$		\$167,365	\$105,440	\$108,603	\$111,862	\$115,217
Rate Revenue Increase %		5.0%	3.0%	3.0%	3.0%	3.0%
Capital Spending	\$992,600	\$2,058,000	\$3,080,575	\$1,525,012	\$439,823	\$453,017
Ending Reserves	\$8,936,803	\$7,939,466	\$5,384,917	\$4,344,061	\$4,360,596	\$4,250,151
Monthly Rate per EDU	\$52.82	\$55.46	\$57.12	\$58.83	\$60.59	\$62.41
Monthly Rate Change		\$2.64	\$1.66	\$1.71	\$1.76	\$1.82

Scenario 2	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Rate Revenue Increase \$		\$133,892	\$139,248	\$144,818	\$150,611	\$156,635
Rate Revenue Increase %		4.0%	4.0%	4.0%	4.0%	4.0%
Capital Spending	\$992,600	\$2,058,000	\$3,080,575	\$1,525,012	\$439,823	\$453,017
Ending Reserves	\$8,936,803	\$7,906,162	\$5,351,444	\$4,346,619	\$4,438,283	\$4,540,568
Monthly Rate per EDU	\$52.82	\$54.93	\$57.13	\$59.42	\$61.80	\$64.27
Monthly Rate Change		\$2.11	\$2.20	\$2.29	\$2.38	\$2.47

Scenario 3	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Rate Revenue Increase \$		\$200,839	\$212,889	\$225,662	\$239,202	\$253,554
Rate Revenue Increase %		6.0%	6.0%	6.0%	6.0%	6.0%
Capital Spending	\$992,600	\$2,058,000	\$3,080,575	\$2,327,012	\$5,313,823	\$2,095,017
Ending Reserves	\$8,936,803	\$7,972,770	\$5,558,933	\$5,975,207	\$5,981,731	\$5,826,903
Monthly Rate per EDU	\$52.82	\$55.99	\$59.35	\$62.91	\$66.68	\$70.68
Monthly Rate Change		\$3.17	\$3.36	\$3.56	\$3.77	\$4.00

Monthly Residential Sewer Rate Survey



Proposition 218



Voter-approved constitutional amendment 1996

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

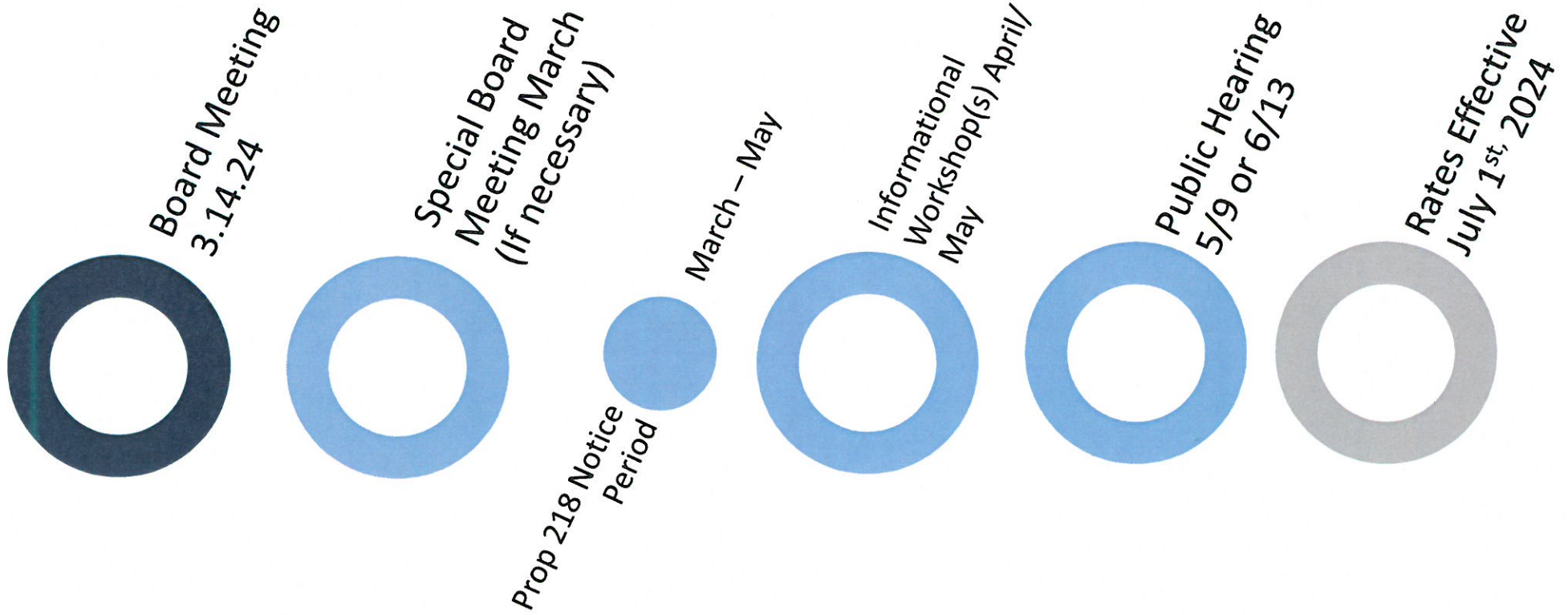
Substantive requirements for property-related charges

- 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





BARTLE WELLS
ASSOCIATES