



**Water Resources  
Economics**

PROMOTING THE VALUE AND PRICE OF  
WATER SERVICE



# Water, Recycled Water, and Sewer Rate Study

## South Coast Water District

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BOARD OF DIRECTORS MEETING

APRIL 20, 2023

# Objective of Today's Workshop

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- Review Financial Plan Scenarios
- Board Chooses Appropriate Financial Plan for the Prop 218 Notice

# Important Dates (Schedule)

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- ~~Study Kickoff, February 14~~
- ~~First Workshop, March 23 – Financial Plan Framework~~
- ~~Second Workshop, April 11 – Present Financial Plan~~
- Third Workshop, April 20 – Updated Financial Plan
- Board Authorizes Proposition 218 Notice, April 27
- Proposition 218 hearing notice, May 8
- Public Hearing, June 22

**Rates Implemented July 1, 2023**

# Current Reserve Target and Coverage Ratio Requirement

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## ■ Water Reserves

- Working Capital Reserve - 6 months of operating expenses (policy) 12 months would be optimal
- Rate Stabilization Reserve – 30% of annual water supply costs
- Emergency Reserve – 2% of total plant and equipment (\$1,355,372)
- Capital Reserve – Average of 5 years of planned PAYGO capital spending

## ■ Sewer Reserves

- Working Capital Reserve - 6 months of operating expenses (policy) 12 months would be optimal
- Rate Stabilization Reserve – 30% of annual sewage treatment costs
- Emergency Reserve – 2% of total plant and equipment (\$3,430,687)
- Capital Reserve – Average of 5 years of planned PAYGO capital spending
- Restricted SRF Loan Reserve – Equal to one year of debt service for the tunnel SRF Loan

## ■ Coverage Rate Requirement –

- 1.25 Legal requirement
- 2.25 Forecasted to maintain credit rating

# Main Discussion Points/Direction

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## Discussion:

- CIP –
  - Similar during first three years for each scenario (Staff sees these projects as necessary and high priority)
- Coverage ratio-
  - Coverage Ratio on the Sewer side is the major driver
  - SRF debt service payment for the tunnel starts in FY 2025
  - Coverage ratio is calculated based on total District revenues and operating expenses
    - Combine water and sewer
  - To maintain combined 2.25 debt service coverage ratio, an overall increase in the water and sewer bill would need to be between 9% and 10.3% per year for three years based on the scenarios presented
  - Received input from the Board to shift more of the rate increase on Sewer, due to the SRF debt service payment

## Direction:

- Major Policy option: Should we maintain 2.25 debt service policy, which requires a 9 to 10% overall customer rate increase for combined water and sewer each year based on the scenarios presented?

# Water Financial Plan Discussion

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# Water Financial Plan Scenarios

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**Scenario 1 - Fully Fund CIP** – All planned capital projects are funded and executed

**Scenario 2 - High/Medium Priority CIP** – Capital funding includes projects deemed high or medium priority by staff during the next 3 years, low priority CIP is estimated in outer years

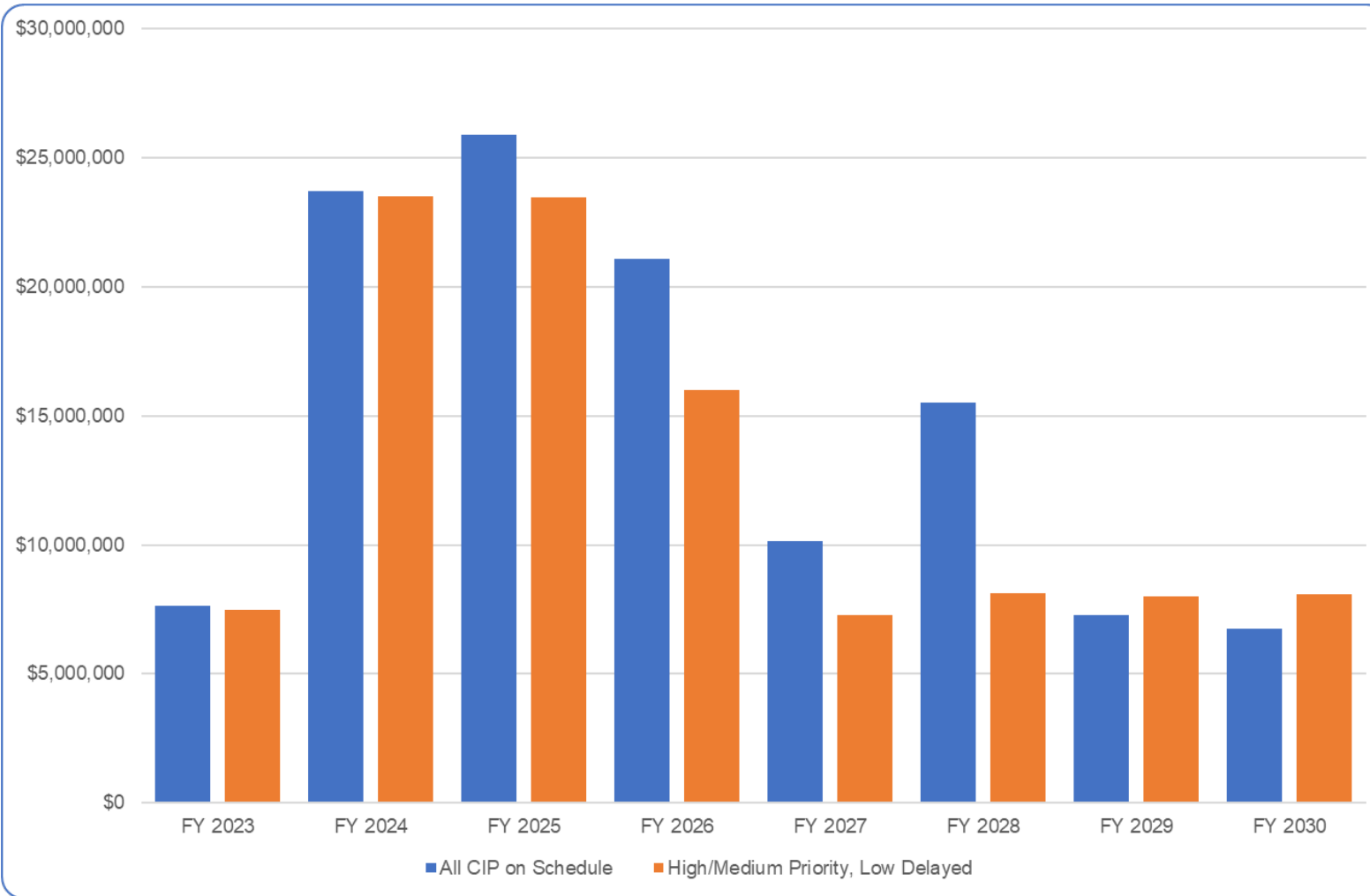
**Scenario 3 – High/Medium Priority CIP** - Capital funding includes projects deemed high or medium priority by staff during the next 3 years, low priority CIP is estimated in outer years, adjustments are balanced between Water and Sewer

**Scenario 4 – High/Medium Priority CIP** - Capital funding includes projects deemed high or medium priority by staff during the next 3 years, low priority CIP is estimated in outer years, adjustments were designated by the Board of Directors

Each scenario will include the following sections:

- CIP
- Operating Position
- Ending Balance
- Coverage Ratio

# Water Capital Planning Options

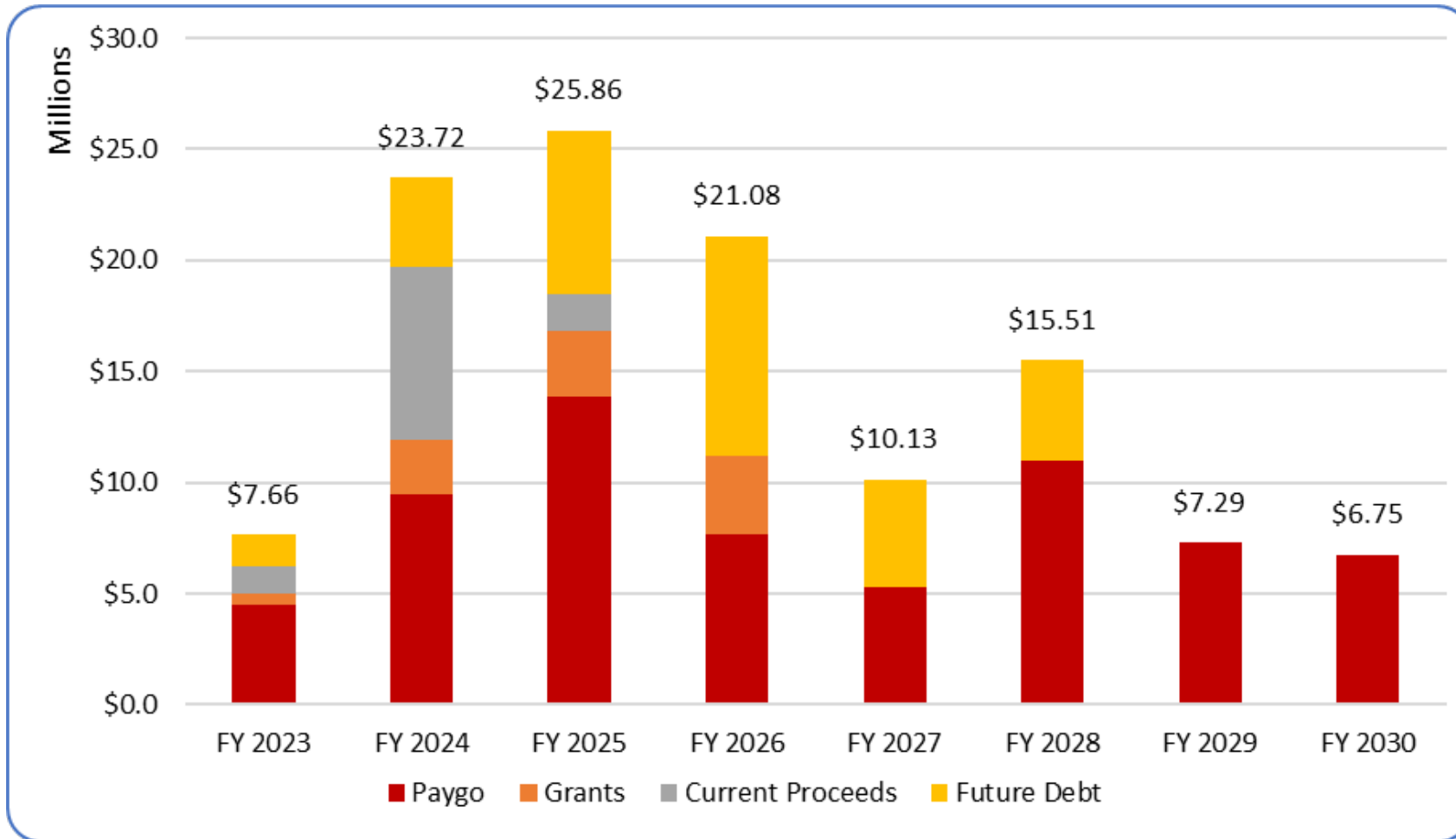


# Water

## Scenario 1 – Fully Fund CIP– CIP by Fund Type

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	7%	7%	7%	5%	5%	5%	5%

### Water

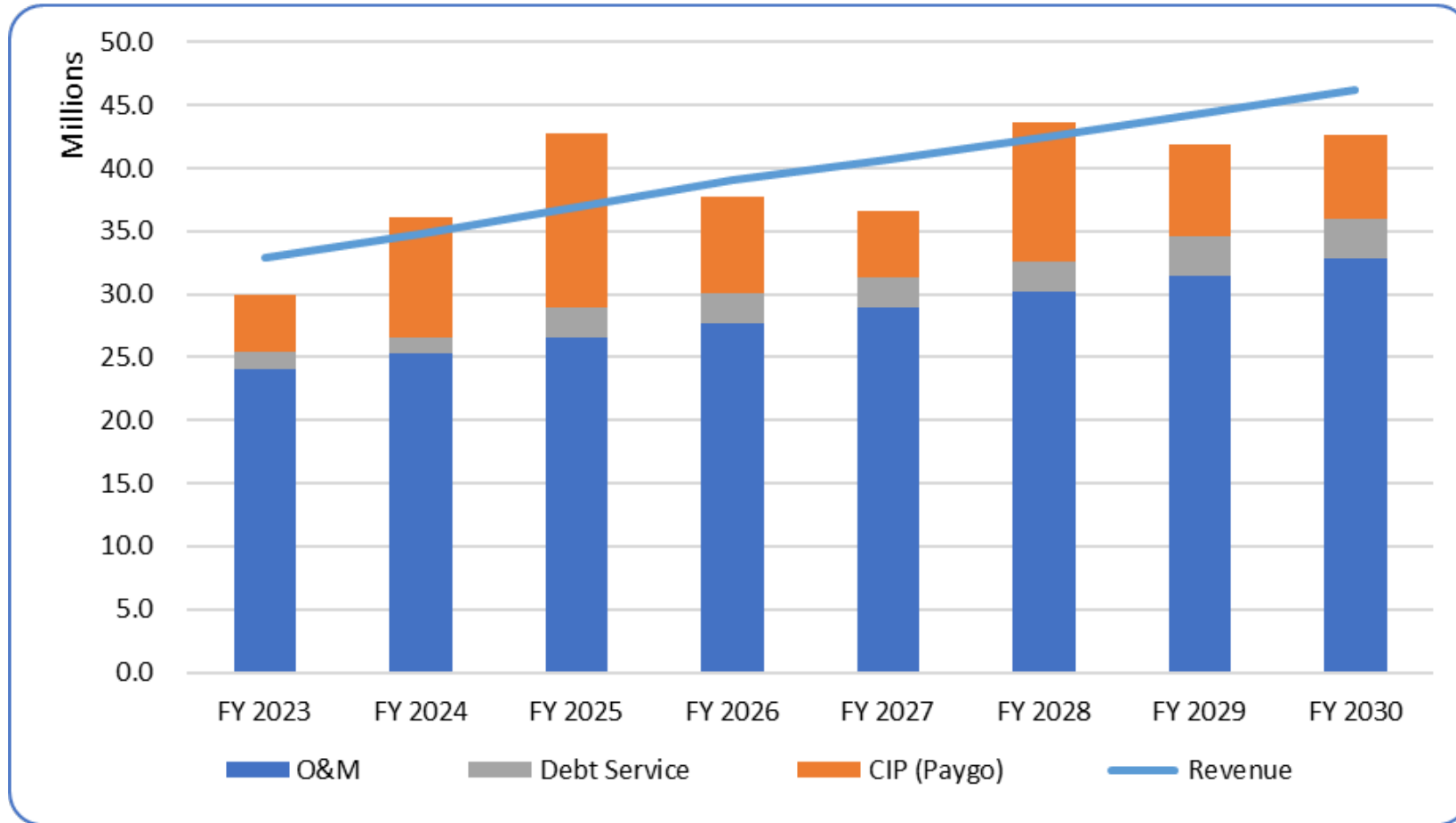


# Water

## Scenario 1 – Fully Fund CIP– Operating Position

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	7%	7%	7%	5%	5%	5%	5%

### Water

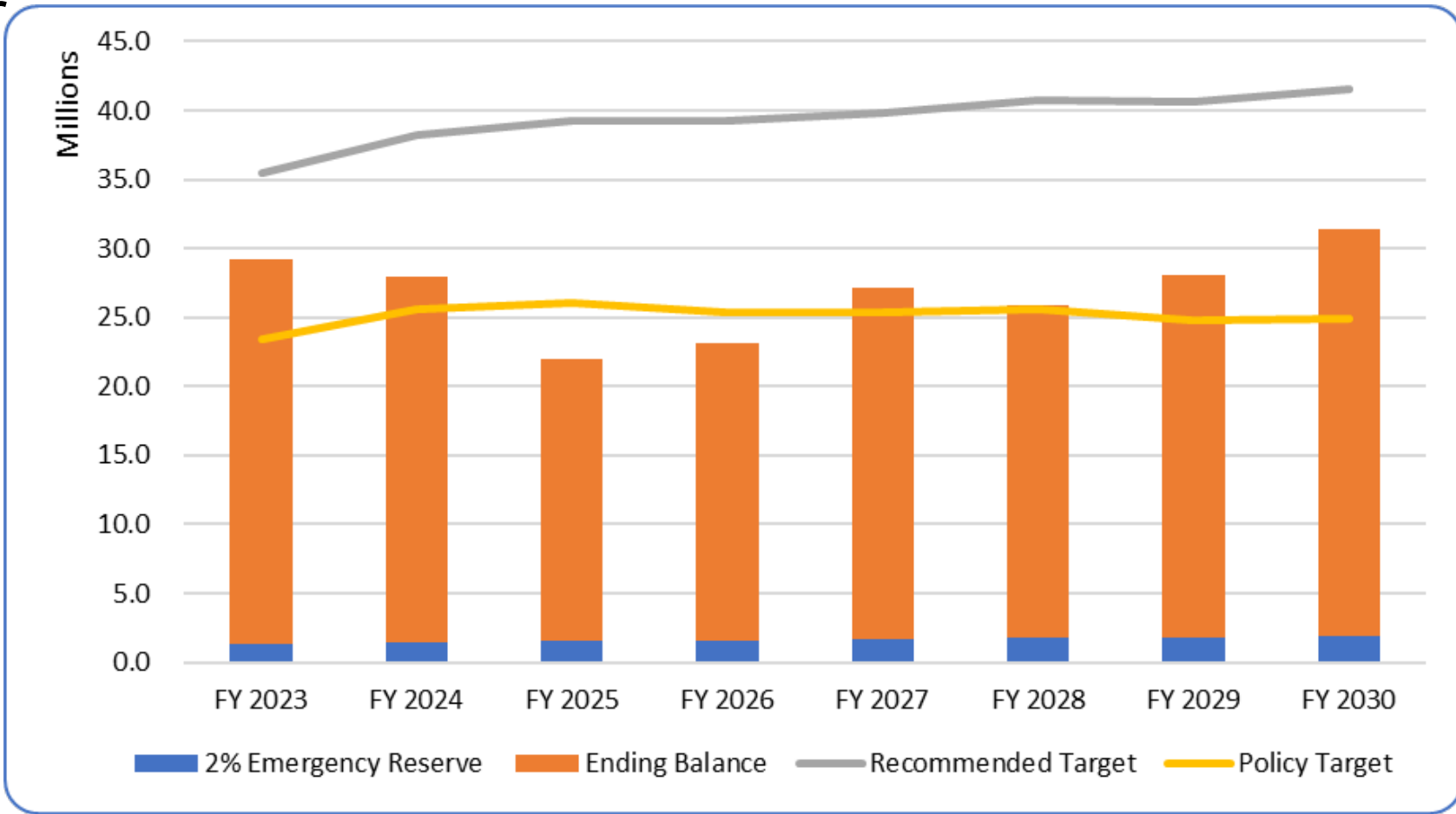


# Water

## Scenario 1 – Fully Fund CIP– Fund Balance

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	7%	7%	7%	5%	5%	5%	5%

### Water

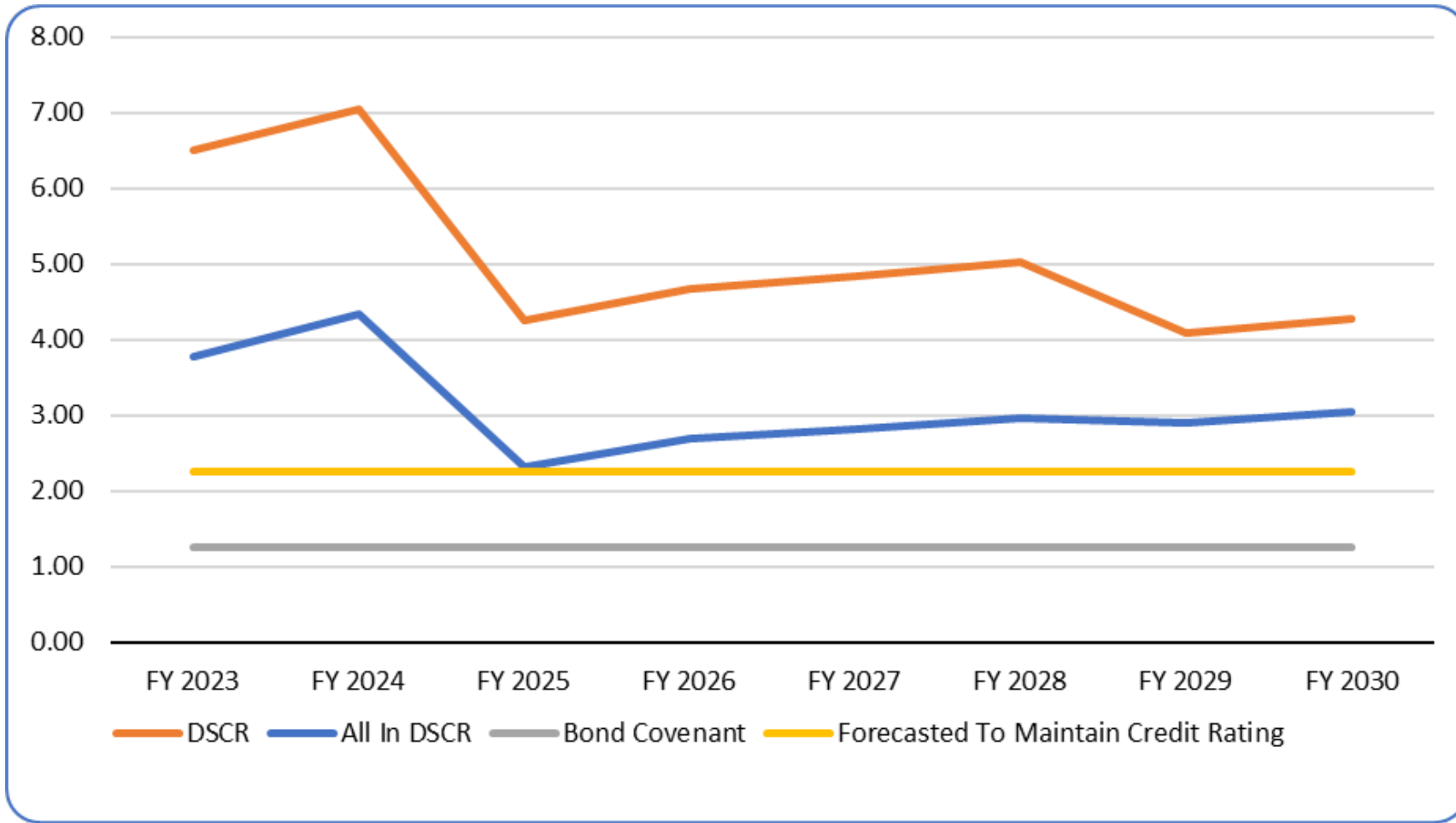


# Water

## Scenario 1 – Fully Fund CIP– Debt Service Coverage

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	7%	7%	7%	5%	5%	5%	5%

### Water

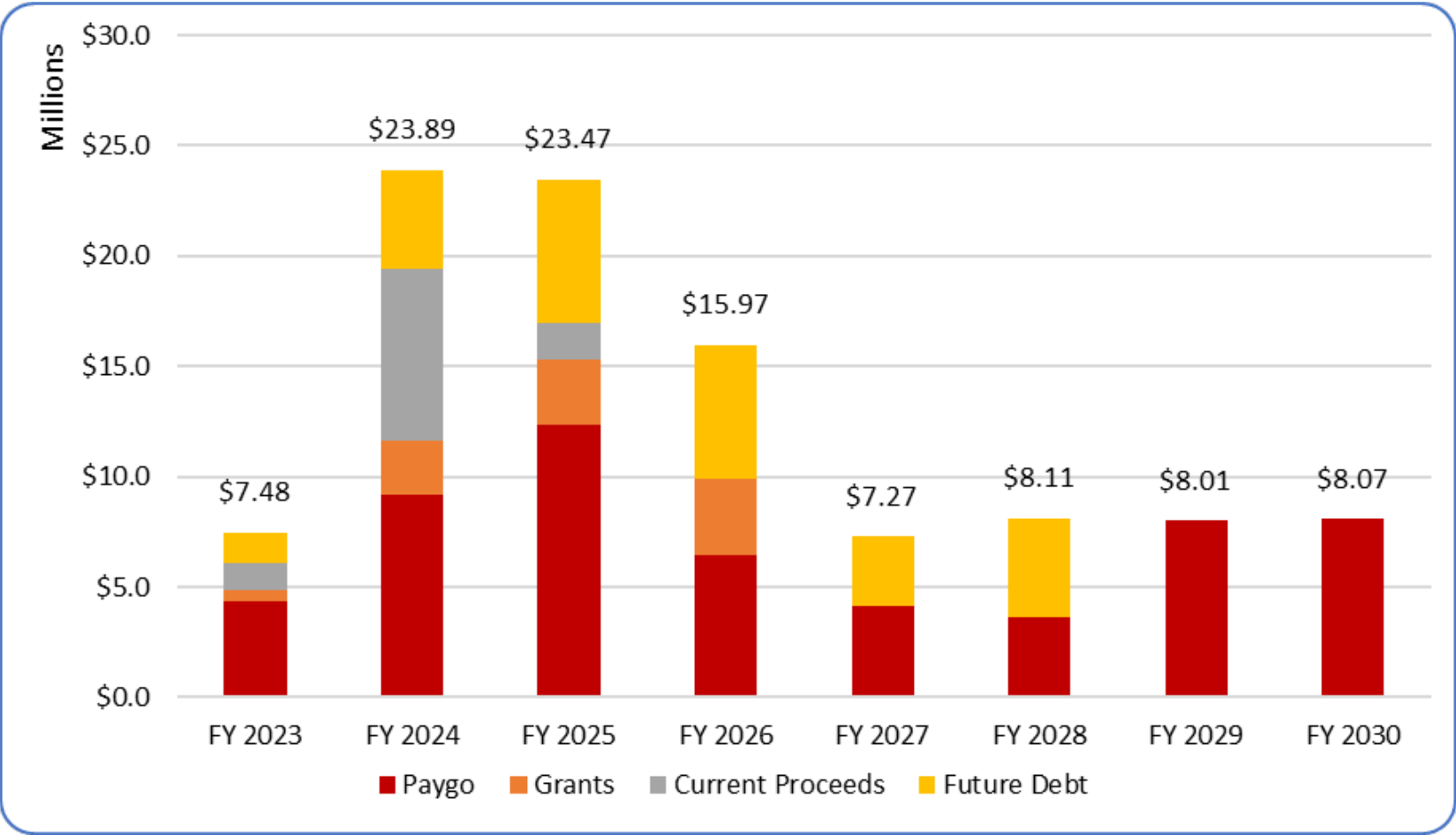


# Water

## Scenario 2 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	5%	5%	5%	4%	4%	4%	4%

### Water

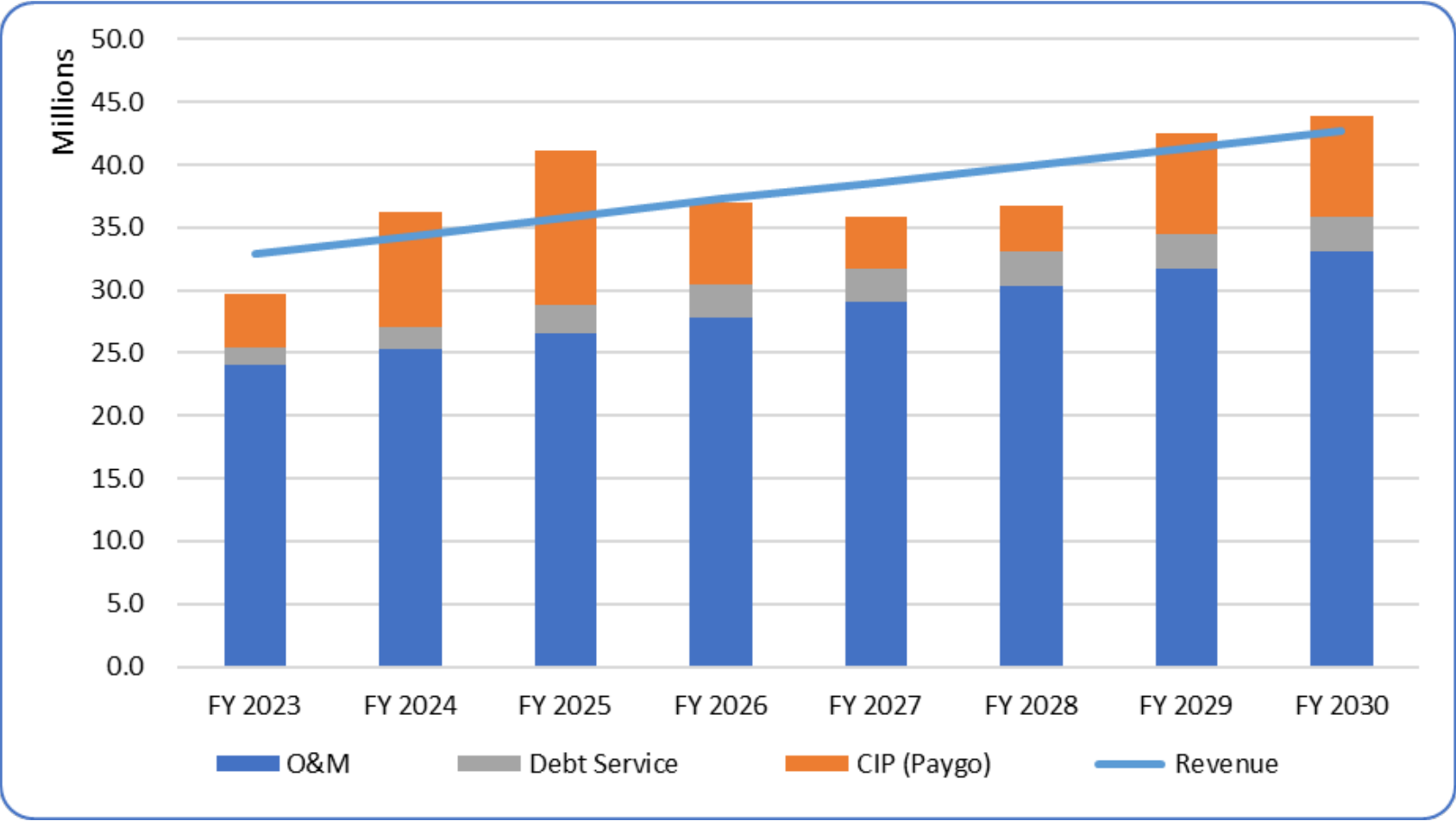


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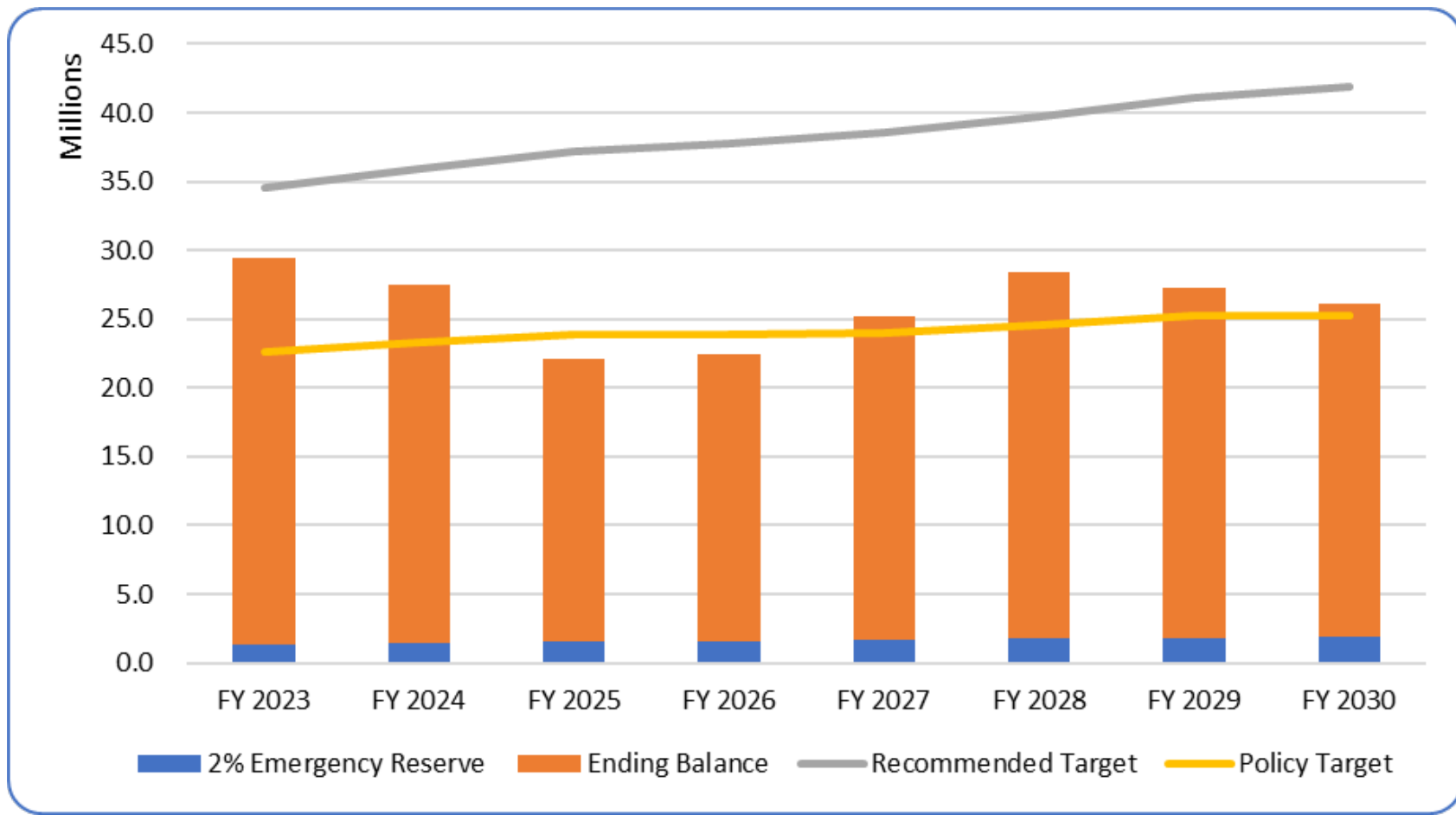


# Water

## Scenario 2 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
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### Water

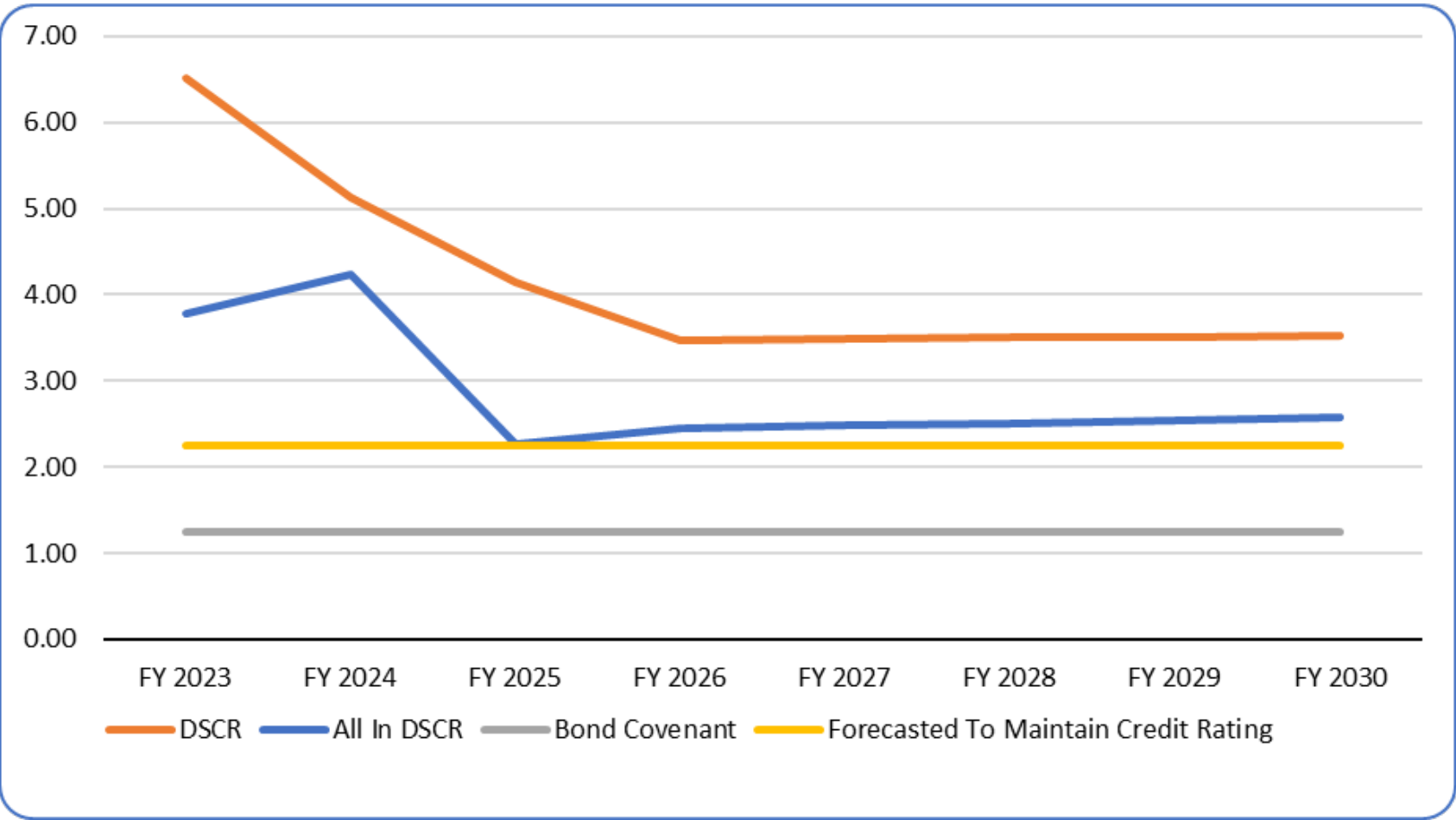


# Water

## Scenario 2 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	5%	5%	5%	4%	4%	4%	4%

### Water

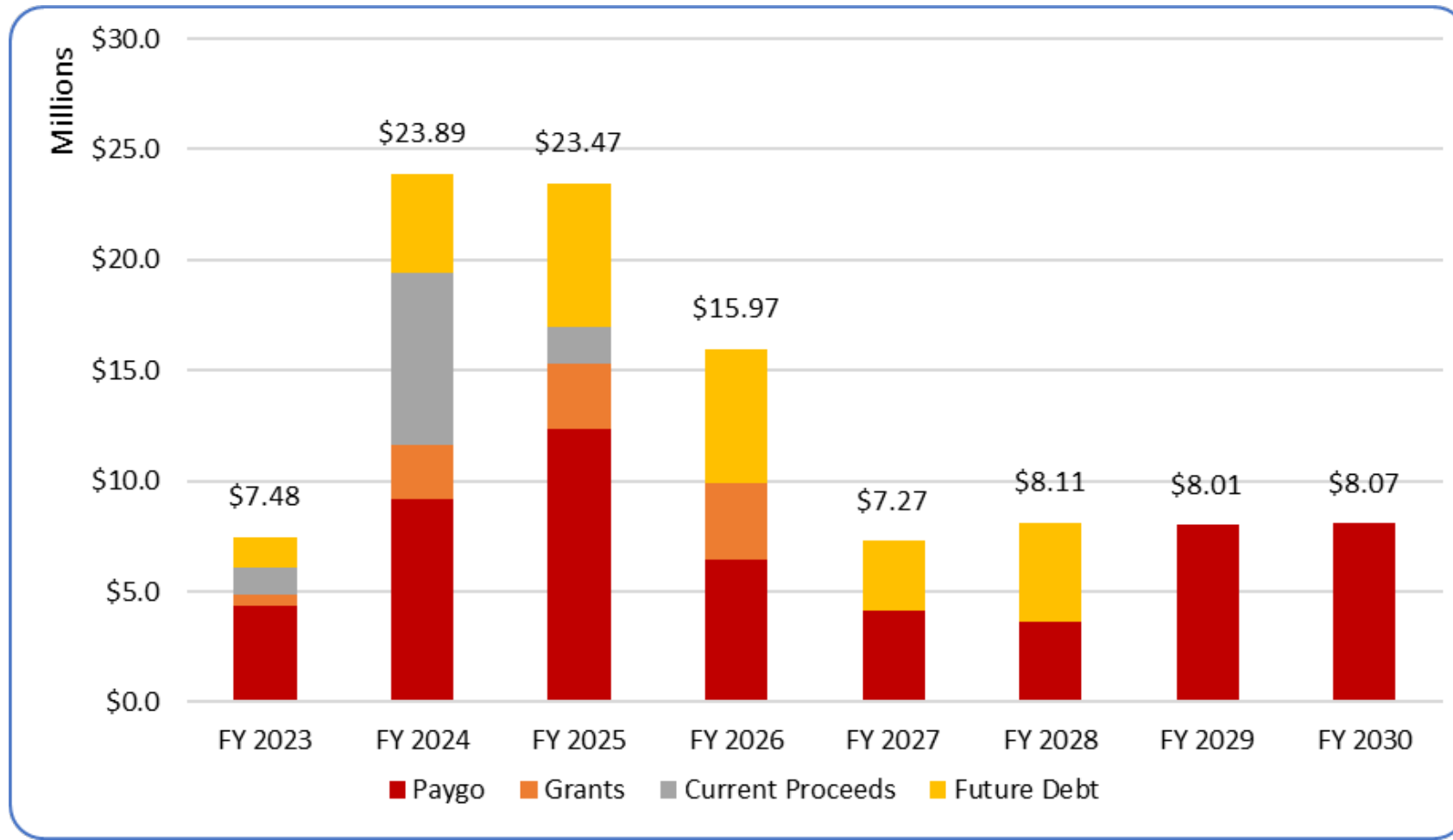


# Water

Scenario 3 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (increase balanced between water and sewer)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	8%	8%	5%	5%	5%	5%	5%

## Water

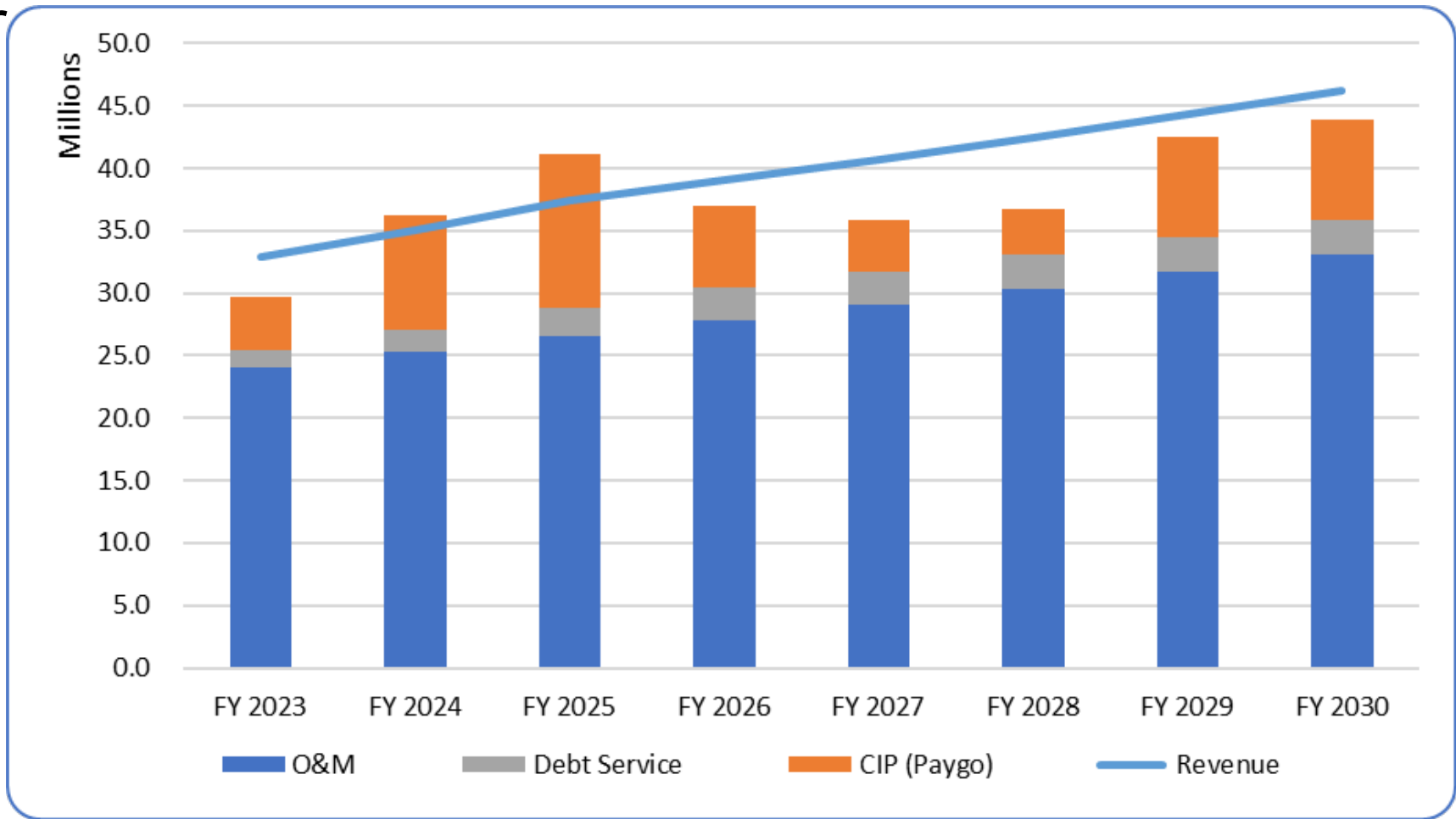


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	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	8%	8%	5%	5%	5%	5%	5%

Water

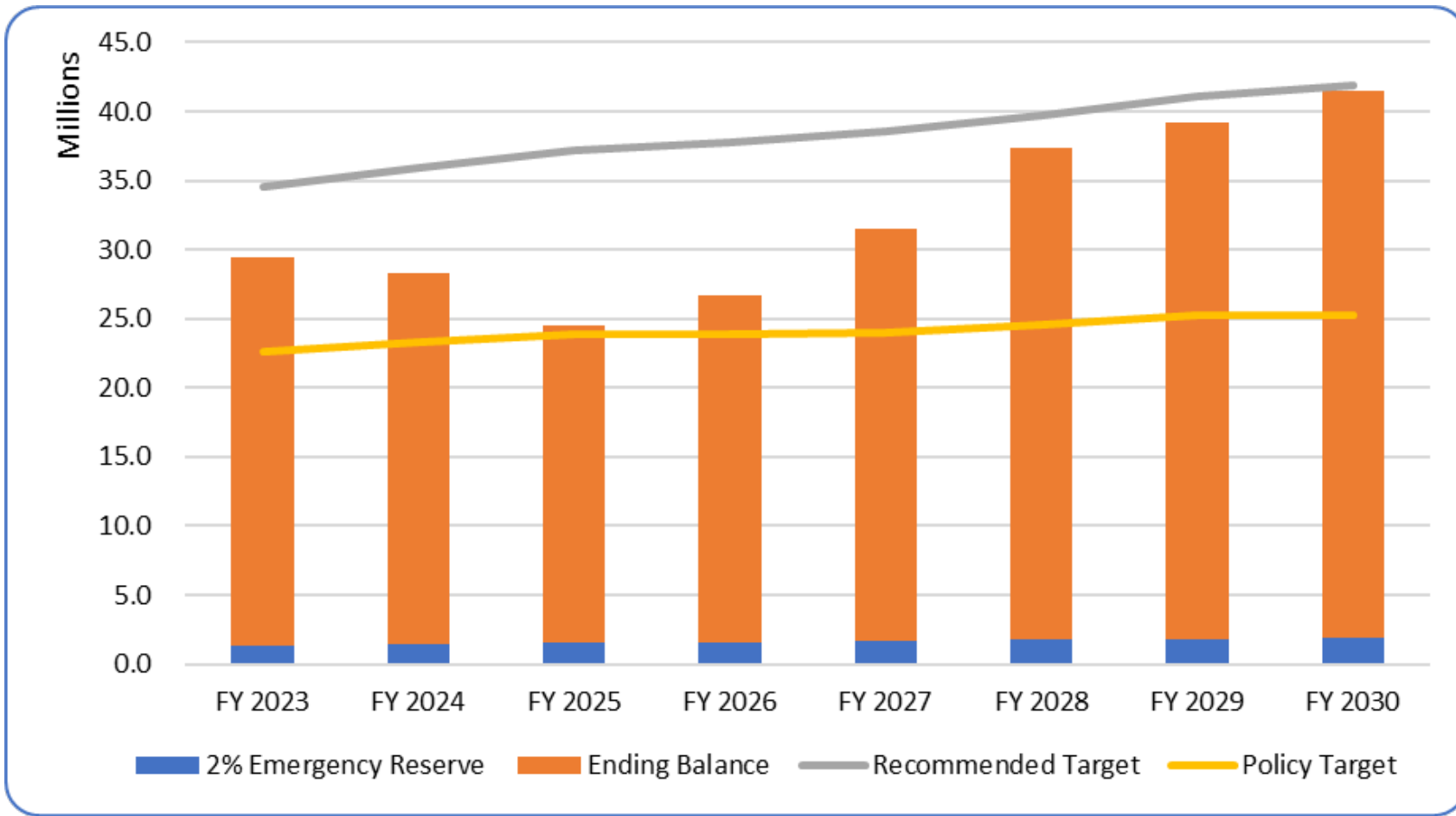


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## Water

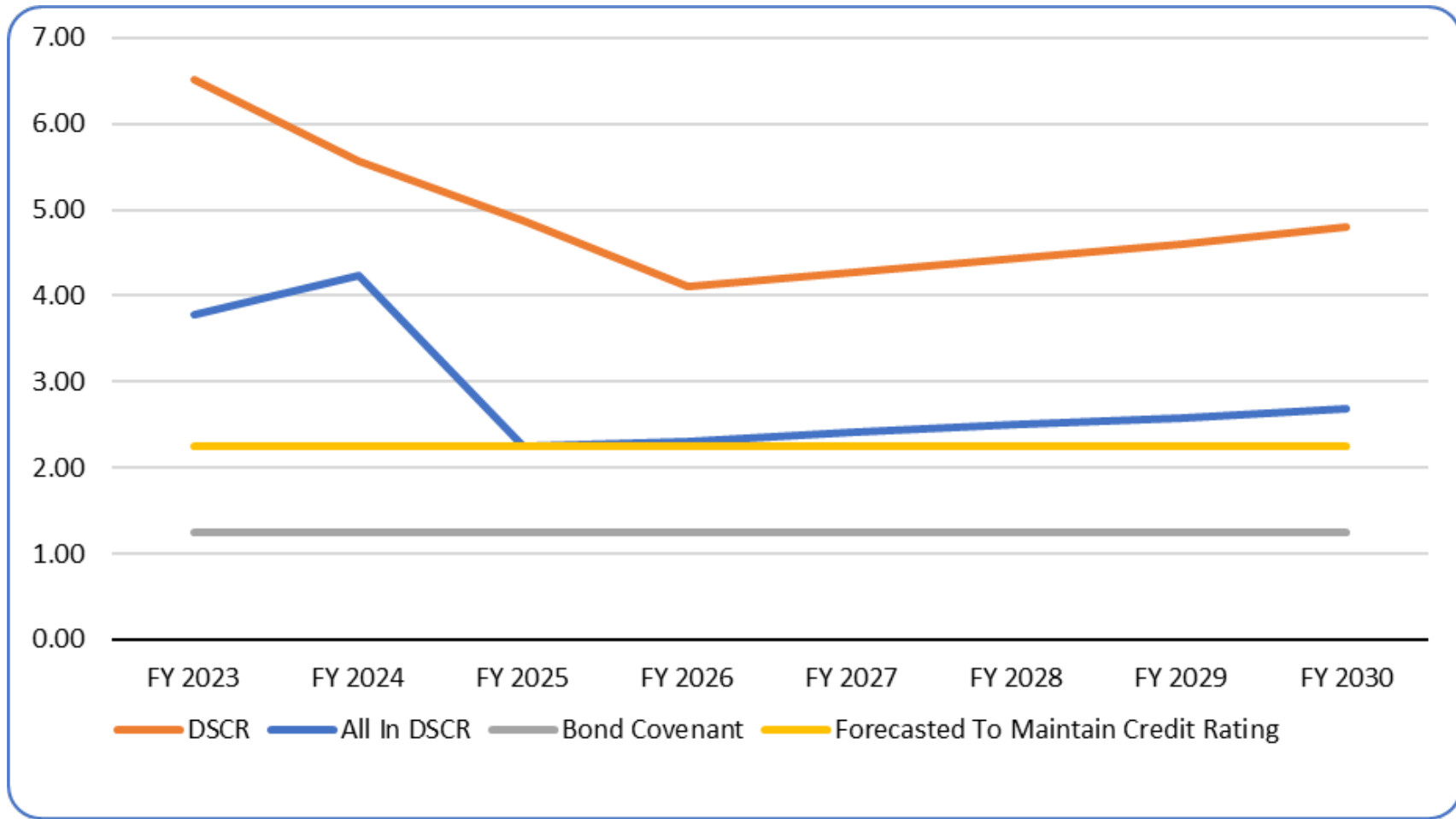


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Scenario 3 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (increase balanced between water and sewer)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
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## Water

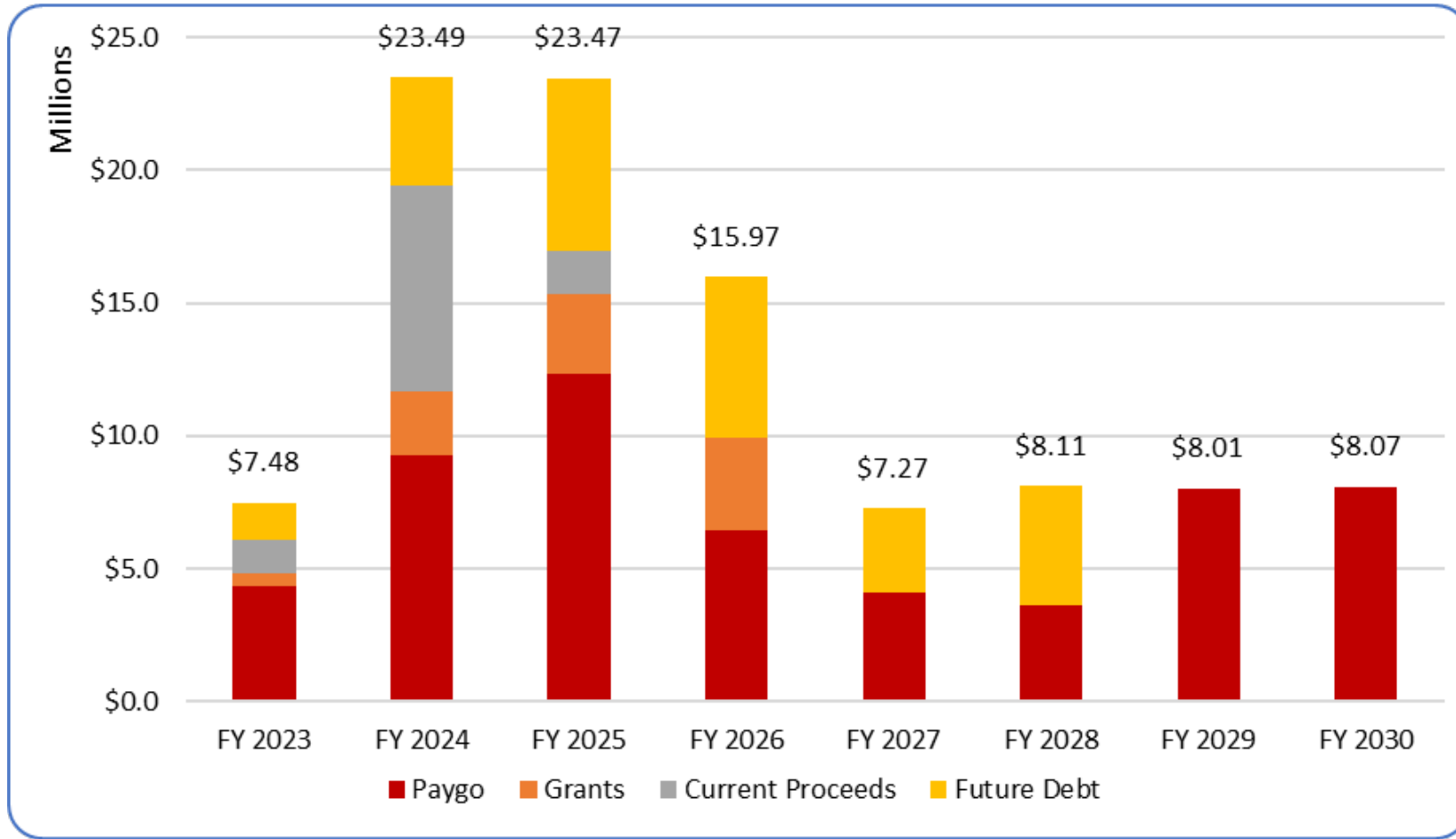


# Water

## Scenario 4 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (Board Approved Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	7%	7%	6%	5%	5%	5%	5%

### Water

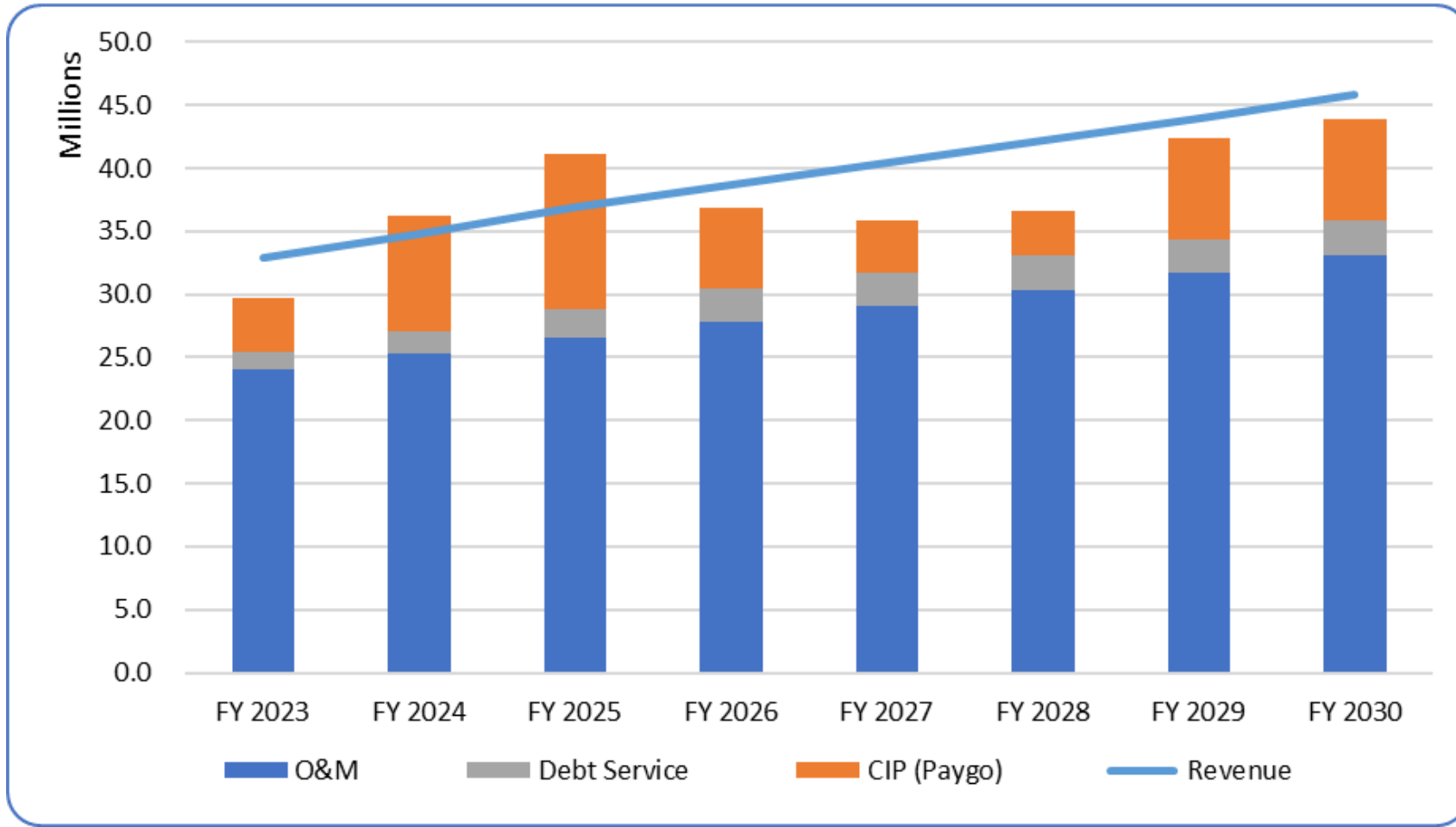


# Water

## Scenario 4 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (Board Approved Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	7%	7%	6%	5%	5%	5%	5%

### Water

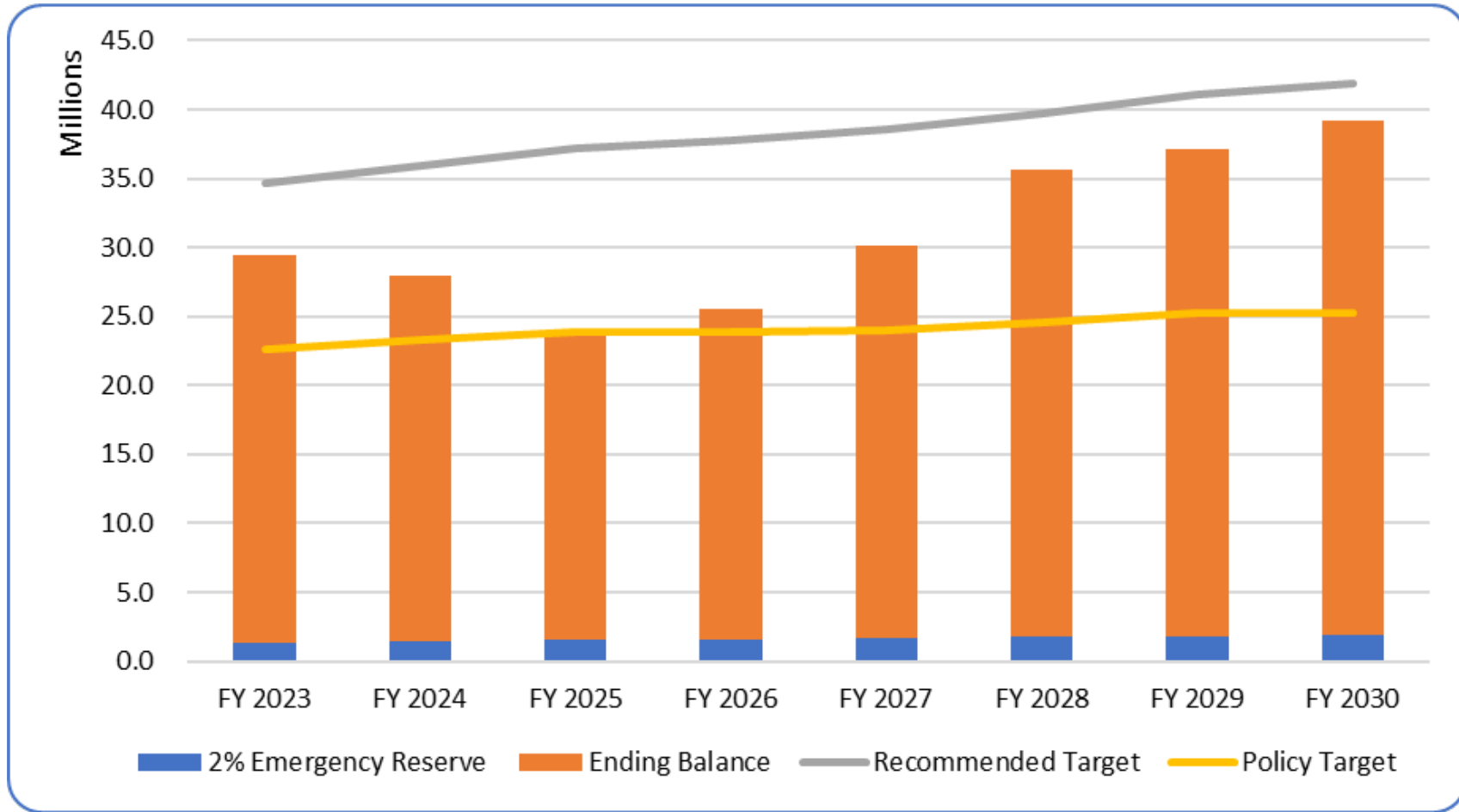


# Water

## Scenario 4 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (Board Approved Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	7%	7%	6%	5%	5%	5%	5%

### Water

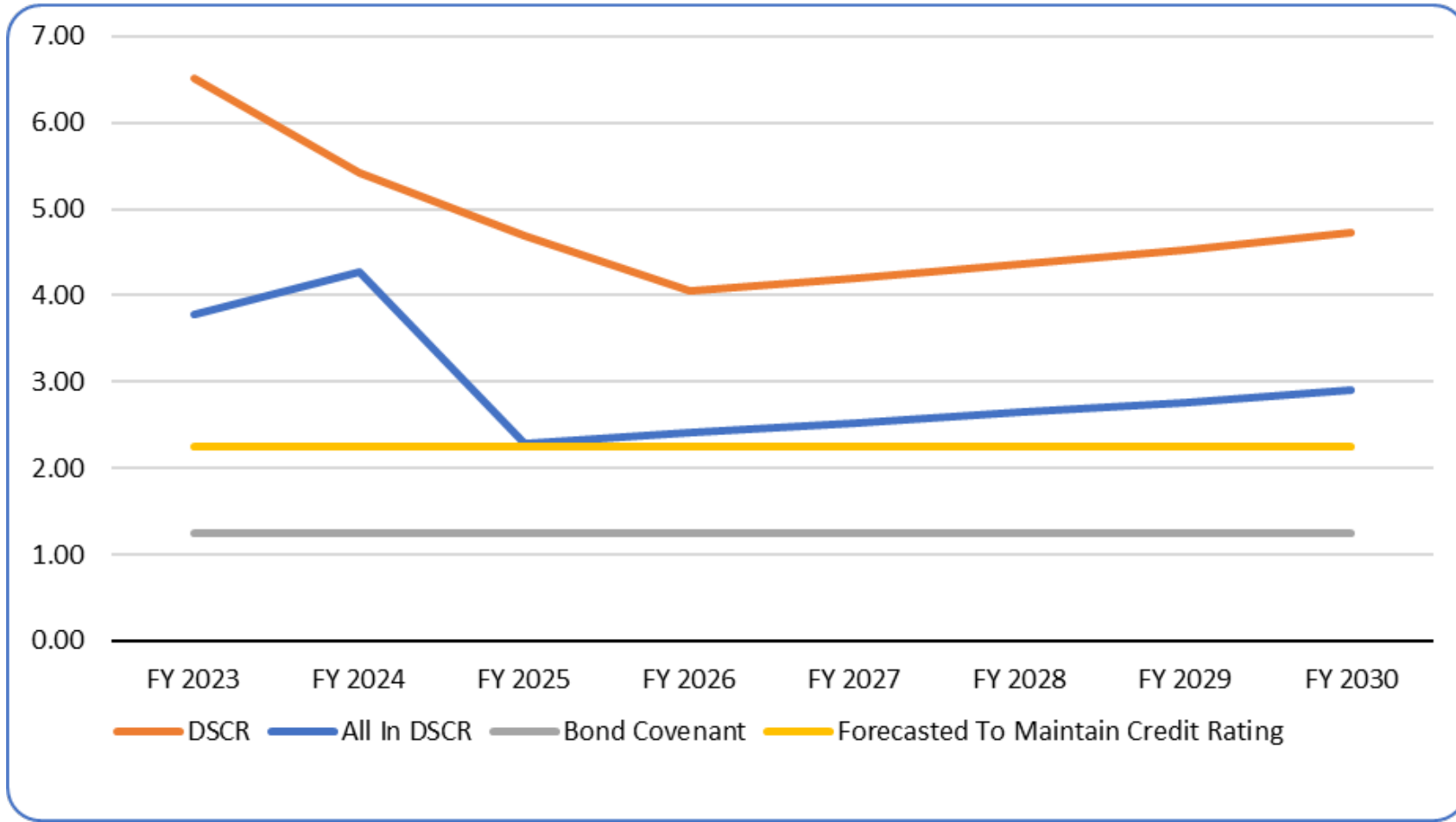


# Water

## Scenario 4 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (Board Approved Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	7%	7%	6%	5%	5%	5%	5%

### Water



# Summary of Water Scenarios (3/4”@10ccf)

## Scenario 1 - Fully Fund CIP

	FY 2024	FY 2025	FY 2026
Revenue Adjustment	7.0%	7.0%	7.0%
Average Monthly Residential Bill	<b>\$88.50</b>	<b>\$94.70</b>	<b>\$101.33</b>
Dollar Change	\$5.79	\$6.20	\$6.63

## Scenario 2 High/Medium Priority CIP, Low Delayed

	FY 2024	FY 2025	FY 2026
Revenue Adjustment	5.0%	5.0%	5.0%
Average Monthly Residential Bill	<b>\$86.85</b>	<b>\$91.19</b>	<b>\$95.75</b>
Dollar Change	\$4.14	\$4.34	\$4.56

## Scenario 3 High/Medium Priority CIP, Low Delayed, Balanced Water/Sewer

	FY 2024	FY 2025	FY 2026
Revenue Adjustment	8.0%	8.0%	5.0%
Average Monthly Residential Bill	<b>\$89.33</b>	<b>\$96.48</b>	<b>\$101.30</b>
Dollar Change	\$6.62	\$7.15	\$4.82

## Scenario 4 - High/Medium Priority CIP, Low Delayed (Board Approved)

	FY 2024	FY 2025	FY 2026
Revenue Adjustment	7.0%	7.0%	6.0%
Average Monthly Residential Bill	<b>\$88.50</b>	<b>\$94.70</b>	<b>\$100.38</b>
Dollar Change	\$5.79	\$6.20	\$5.68

# Sewer Financial Plan Discussion

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# Sewer Financial Plan Scenarios

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**Scenario 1 - Fully Fund CIP** – All planned capital projects are funded and executed

**Scenario 2 - High/Medium Priority CIP** – Capital funding includes projects deemed high or medium priority by staff during the next 3 years, low priority CIP is estimated in outer years

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Each scenario will include the following sections:

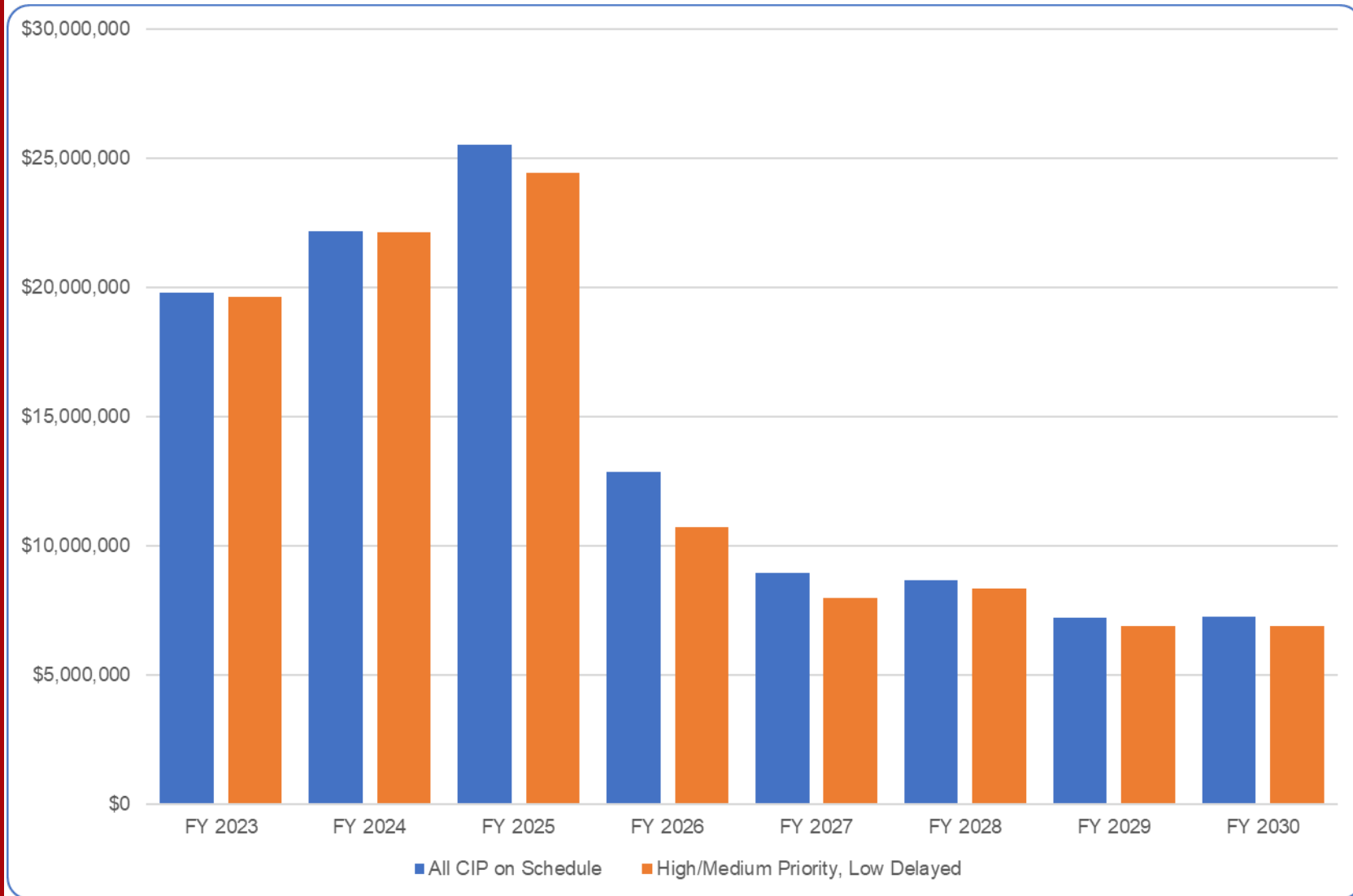
- CIP

- Operating Position

- Ending Balance

- Coverage Ratio

# Sewer Capital Planning Options

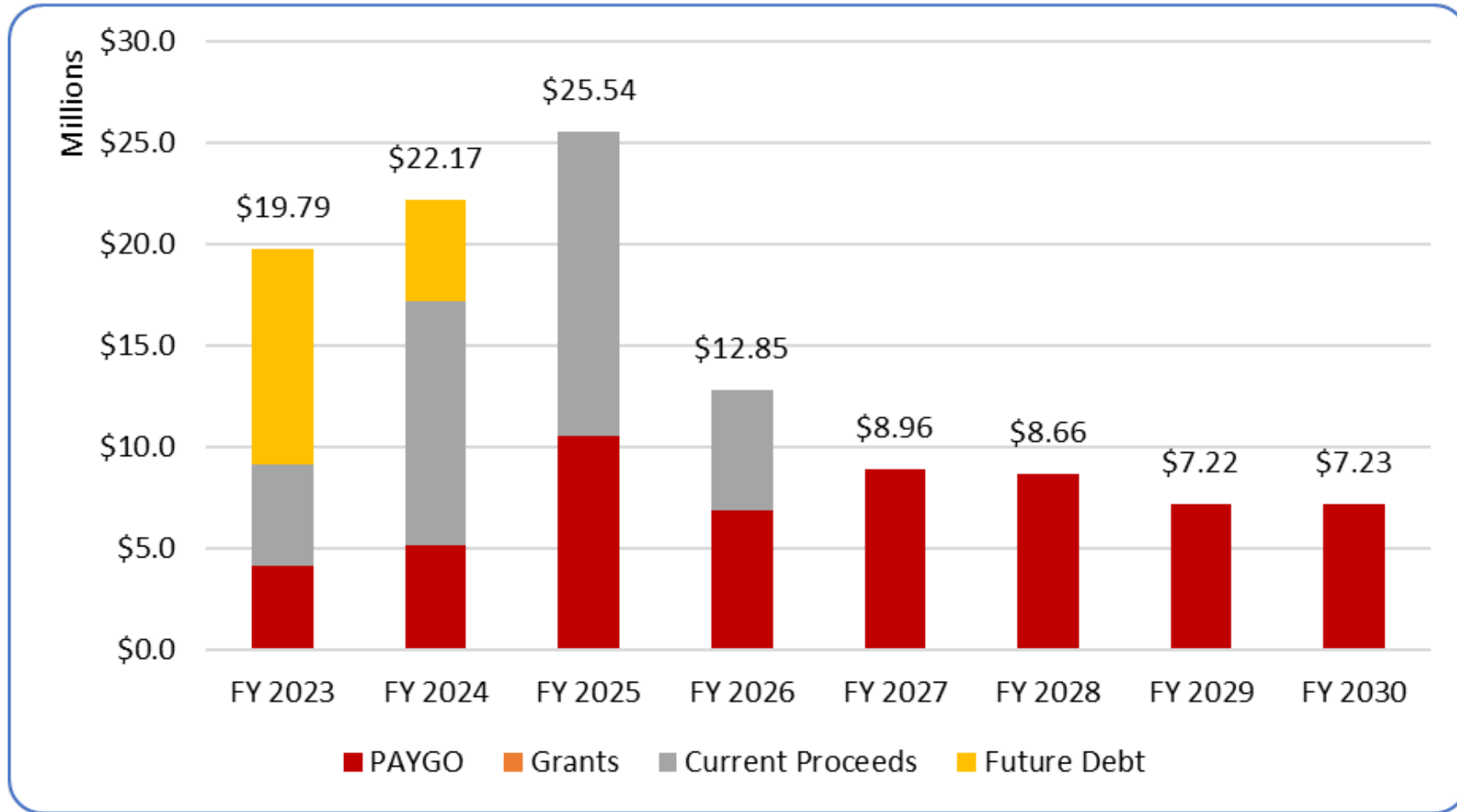


# Sewer

## Scenario 1 – Fully Fund CIP– CIP by Fund Type

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	14%	14%	14%	5%	5%	5%	5%

### Sewer

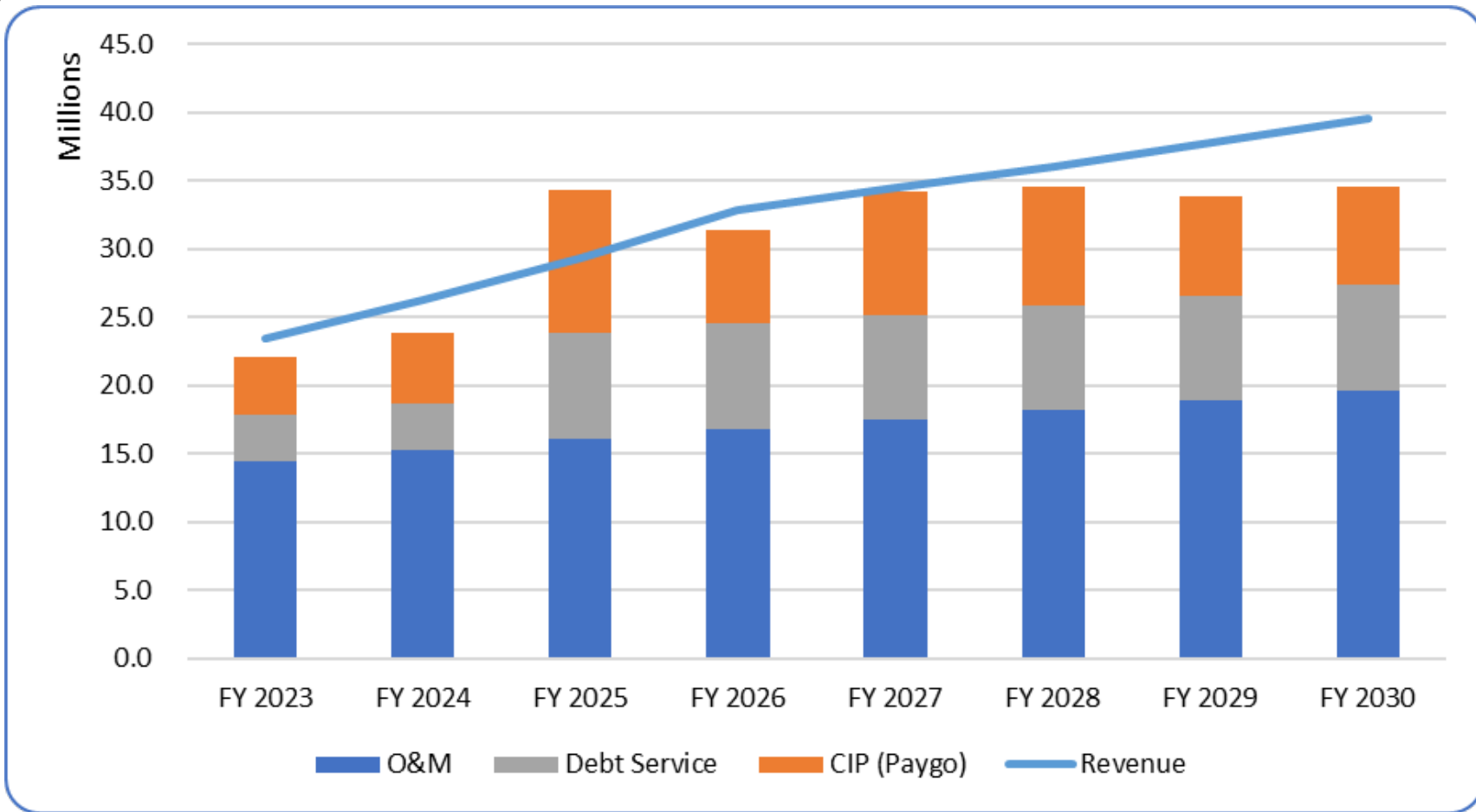


# Sewer

## Scenario 1 – Fully Fund CIP– Operating Position

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	14%	14%	14%	5%	5%	5%	5%

### Sewer

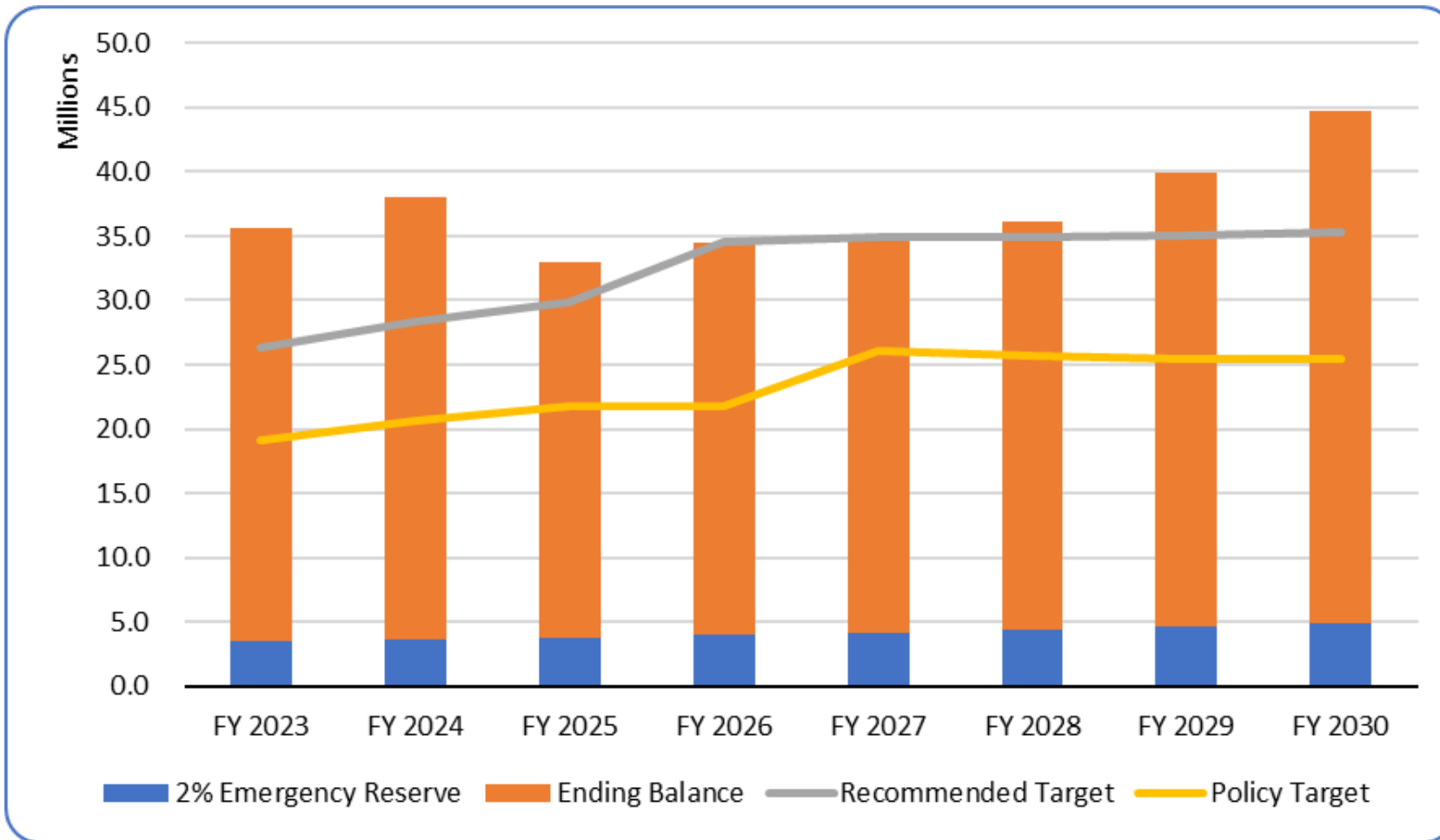


# Sewer

## Scenario 1 – Fully Fund CIP– Fund Balance

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	14%	14%	14%	5%	5%	5%	5%

### Sewer

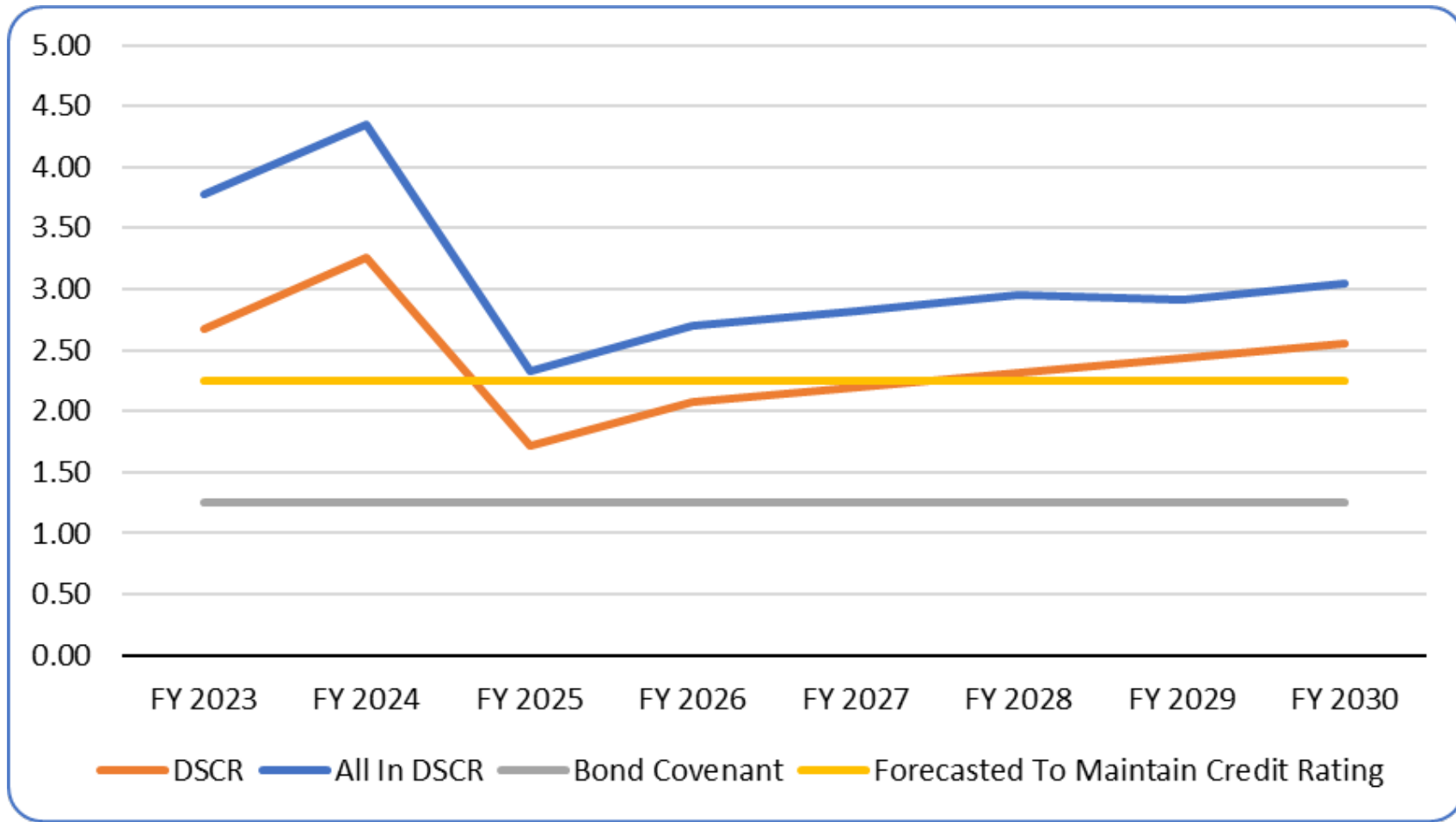


# Sewer

## Scenario 1 – Fully Fund CIP– Debt Service Coverage

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	14%	14%	14%	5%	5%	5%	5%

### Sewer

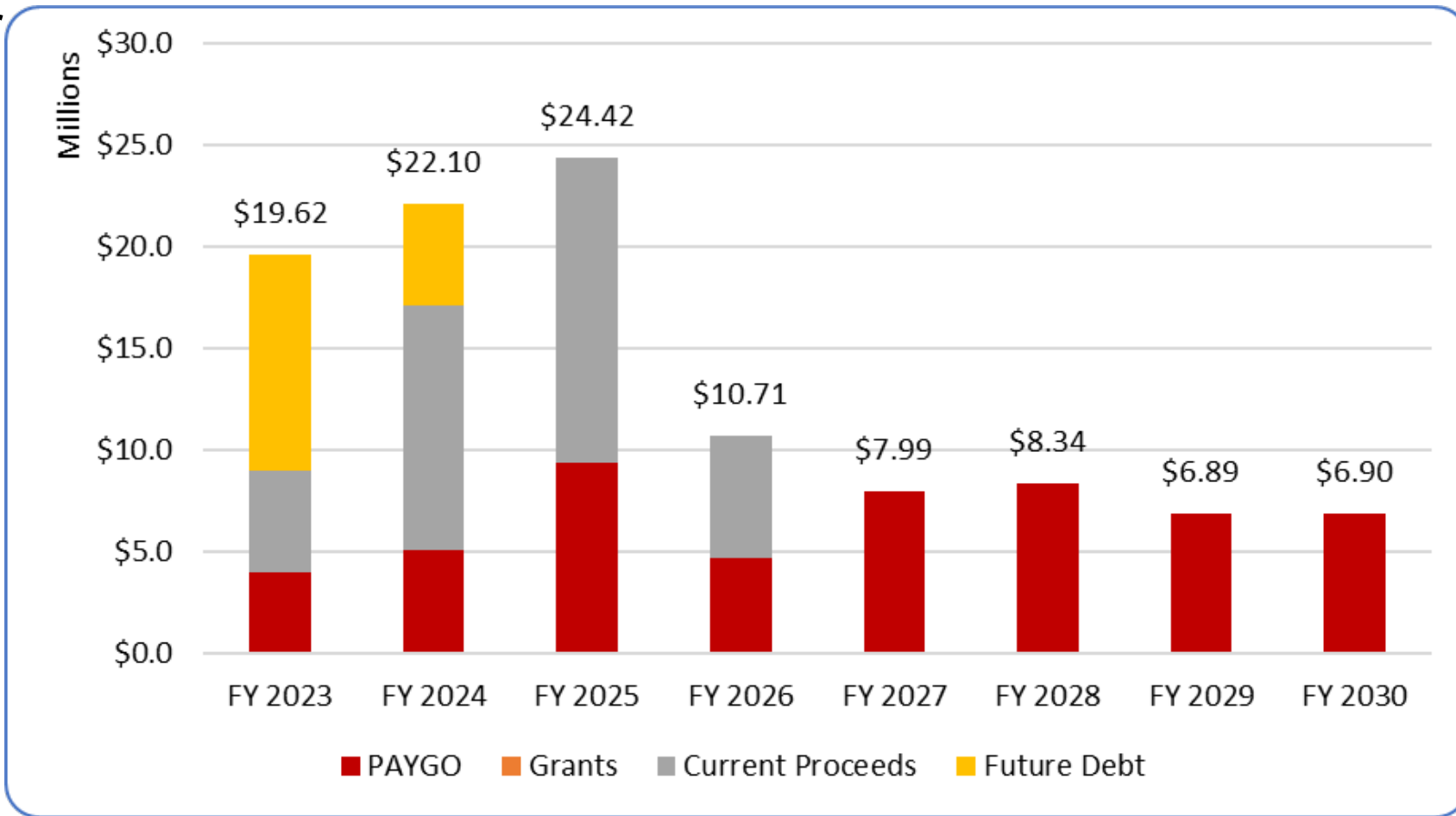


# Sewer

## Scenario 2 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	14%	14%	14%	3%	3%	3%	3%

Sewer

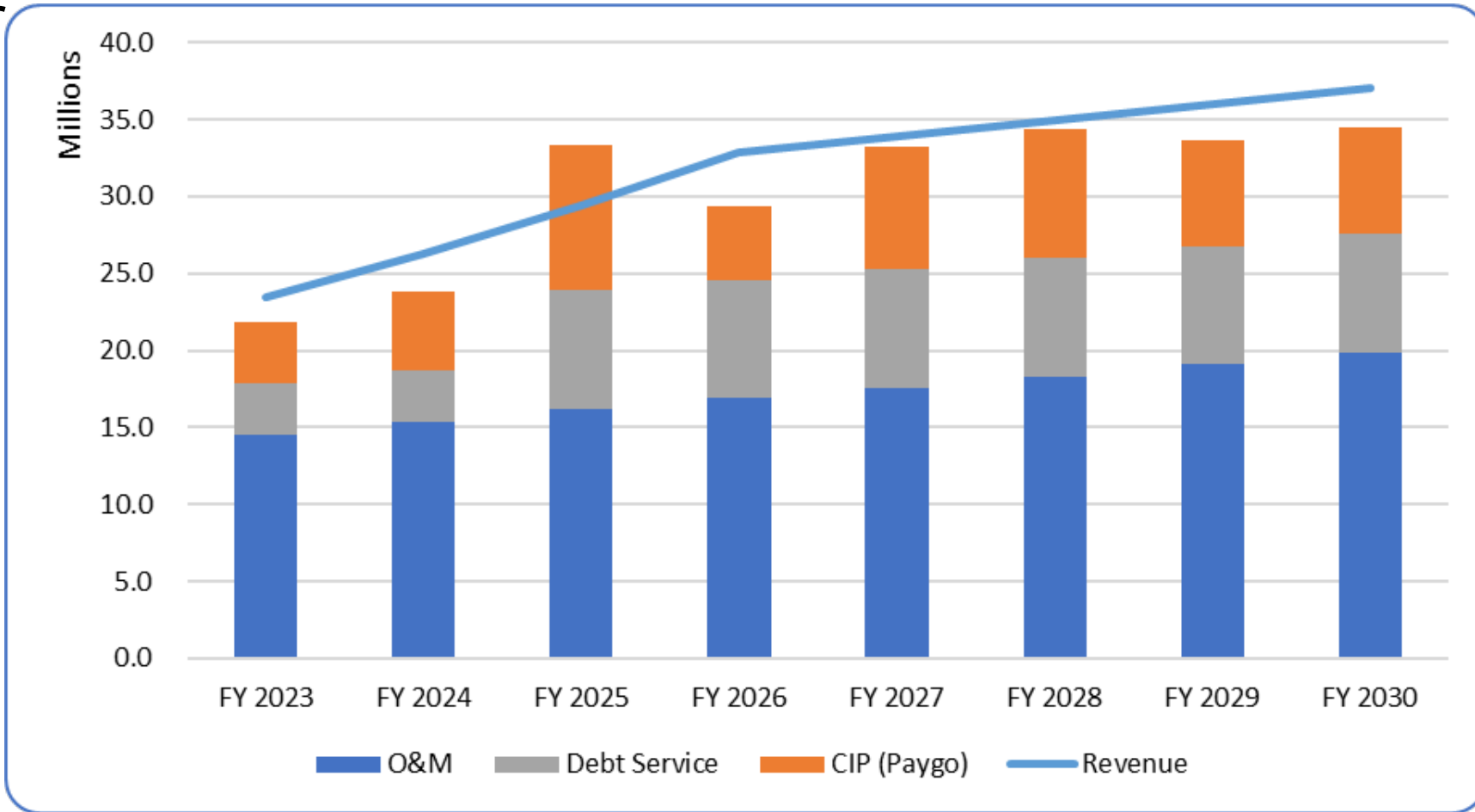


# Sewer

## Scenario 2 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	14%	14%	14%	3%	3%	3%	3%

### Sewer

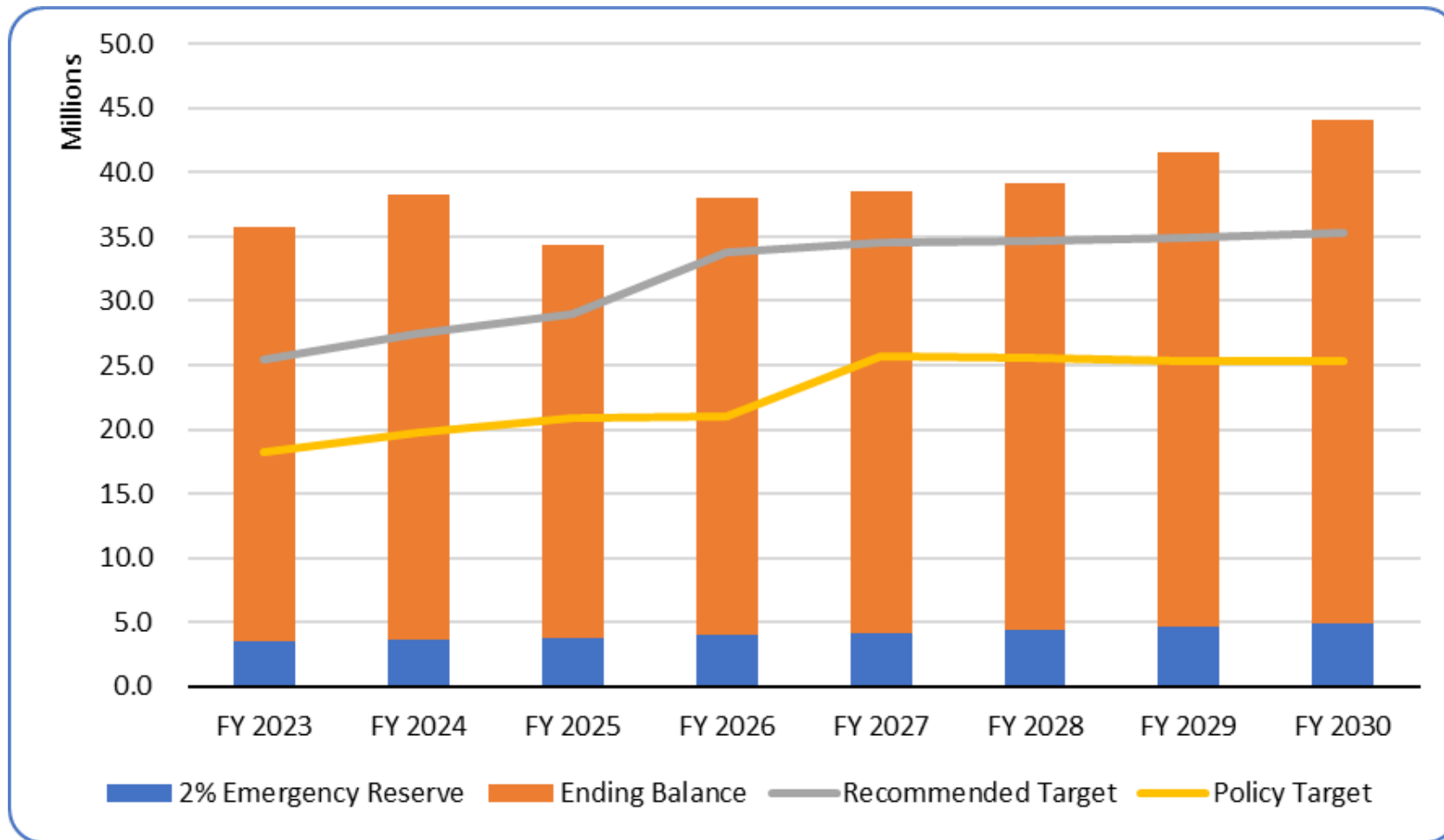


# Sewer

## Scenario 2 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	14%	14%	14%	3%	3%	3%	3%

### Sewer

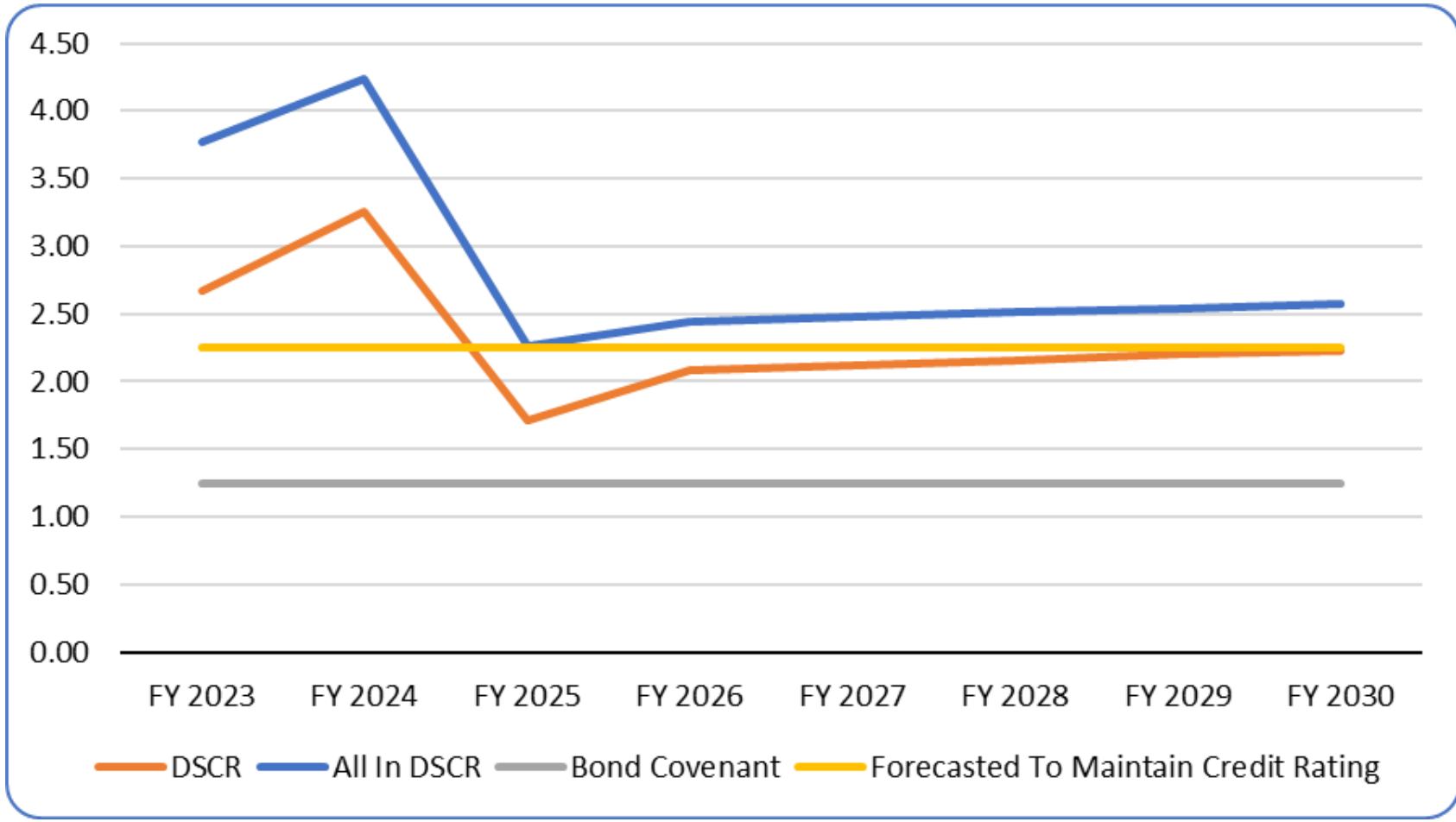


# Sewer

## Scenario 2 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	14%	14%	14%	3%	3%	3%	3%

### Sewer

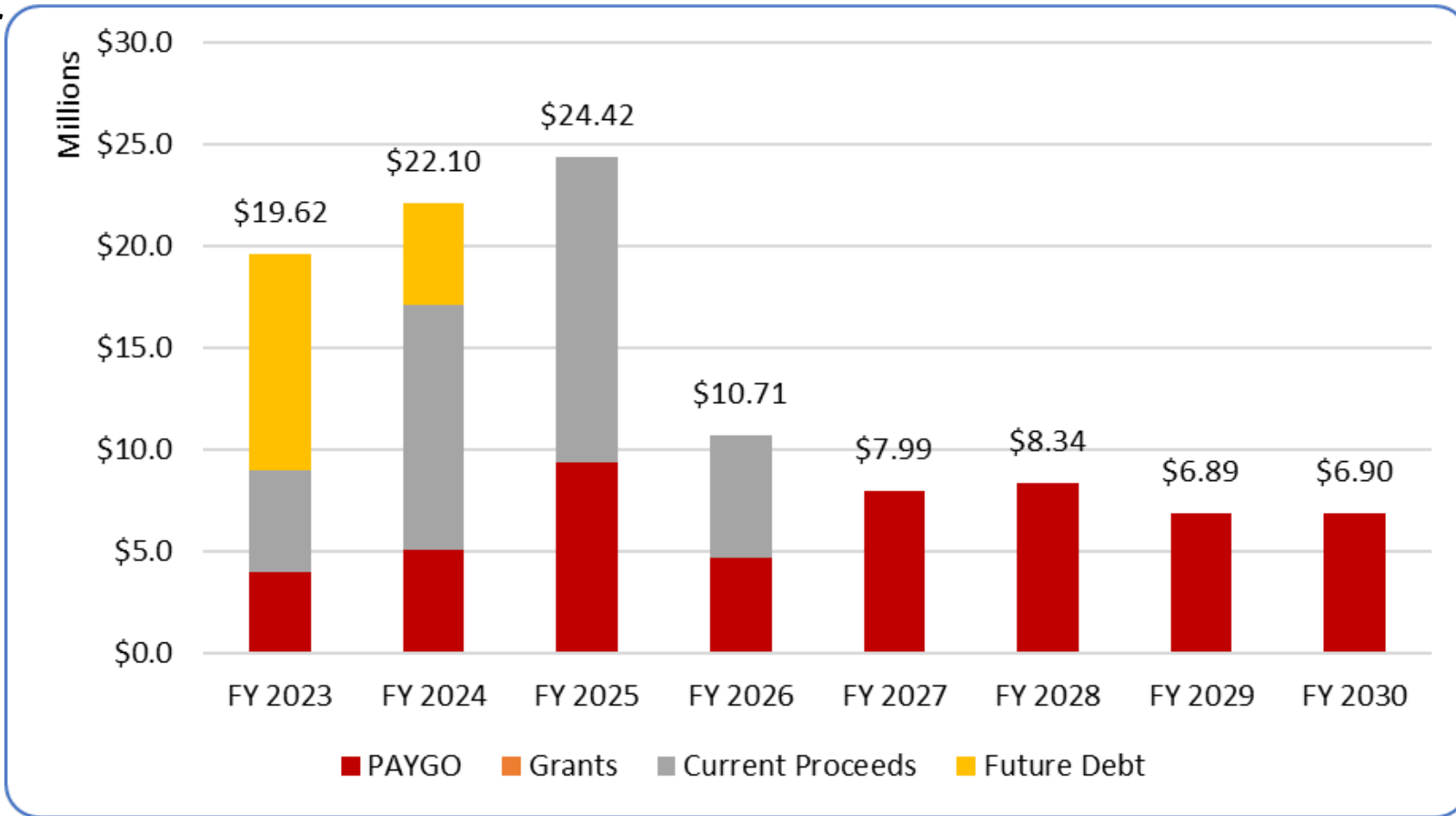


# Sewer

Scenario 3 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (increase balanced between water and sewer)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	10%	10%	8%	5%	4%	4%	4%

## Sewer

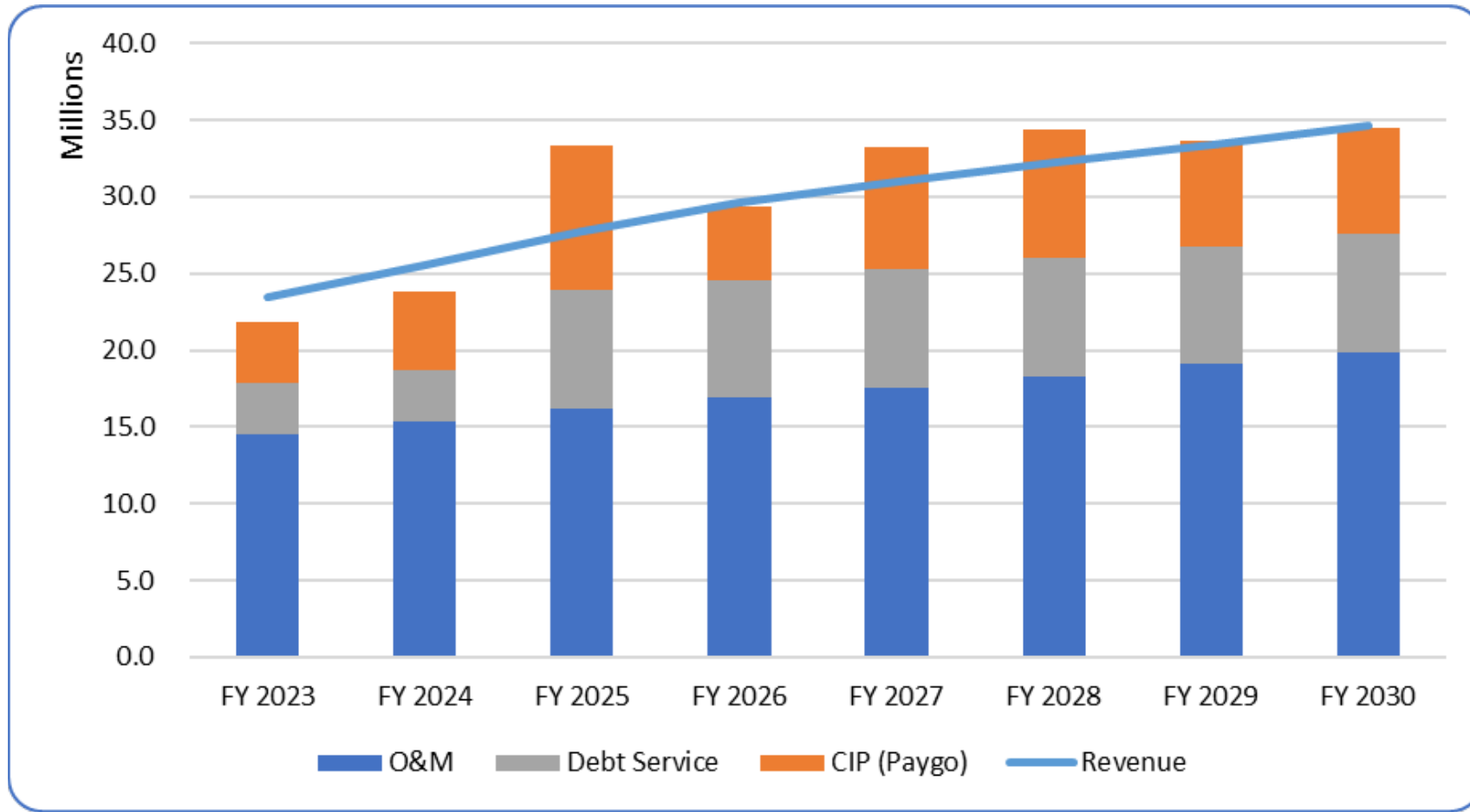


# Sewer

Scenario 3 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (increase balanced between water and sewer)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	10%	10%	8%	5%	4%	4%	4%

## Sewer

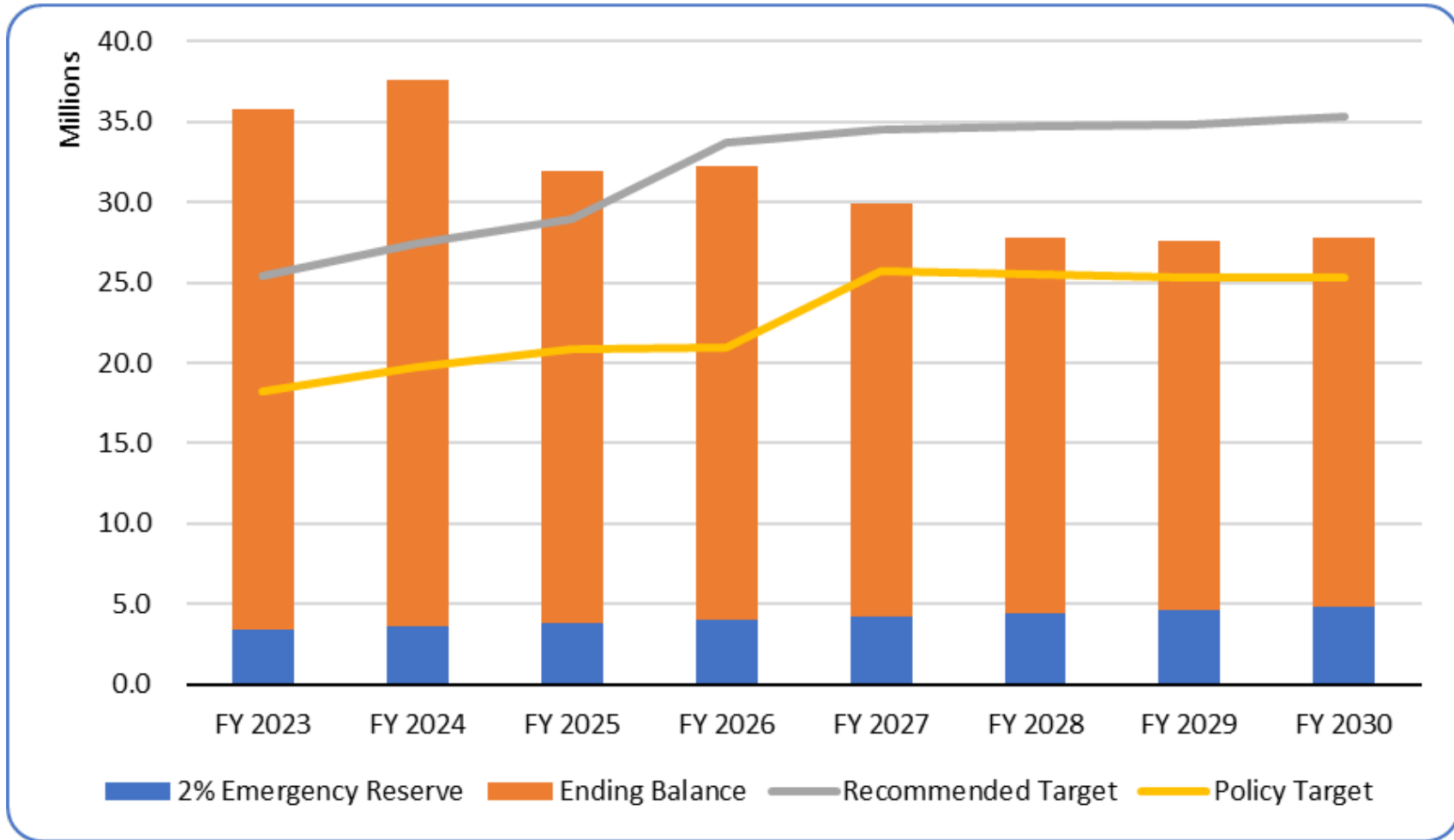


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Scenario 3 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (increase balanced between water and sewer)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
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## Sewer

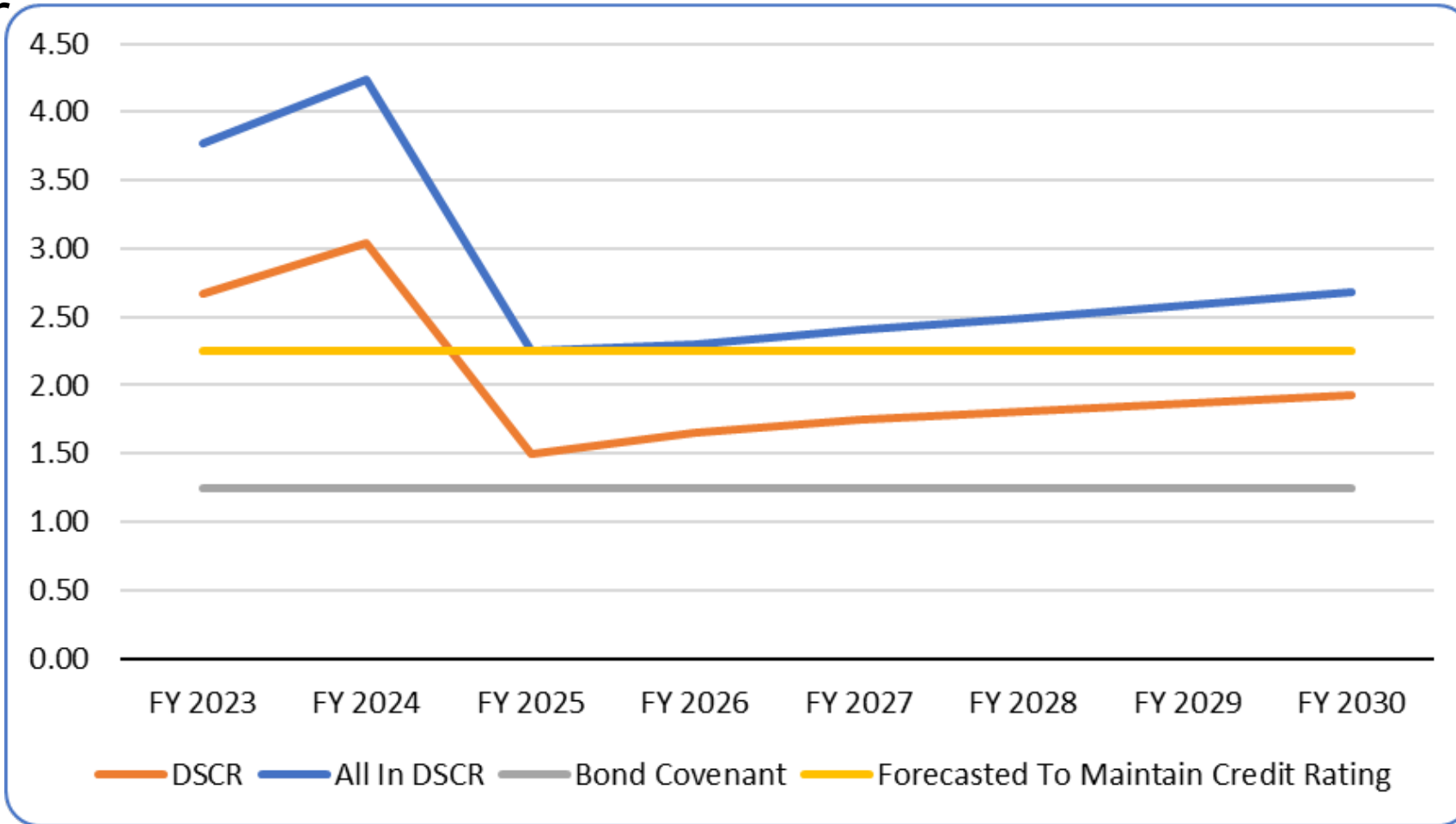


# Sewer

Scenario 3 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (increase balanced between water and sewer)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	10%	10%	8%	5%	4%	4%	4%

Sewer

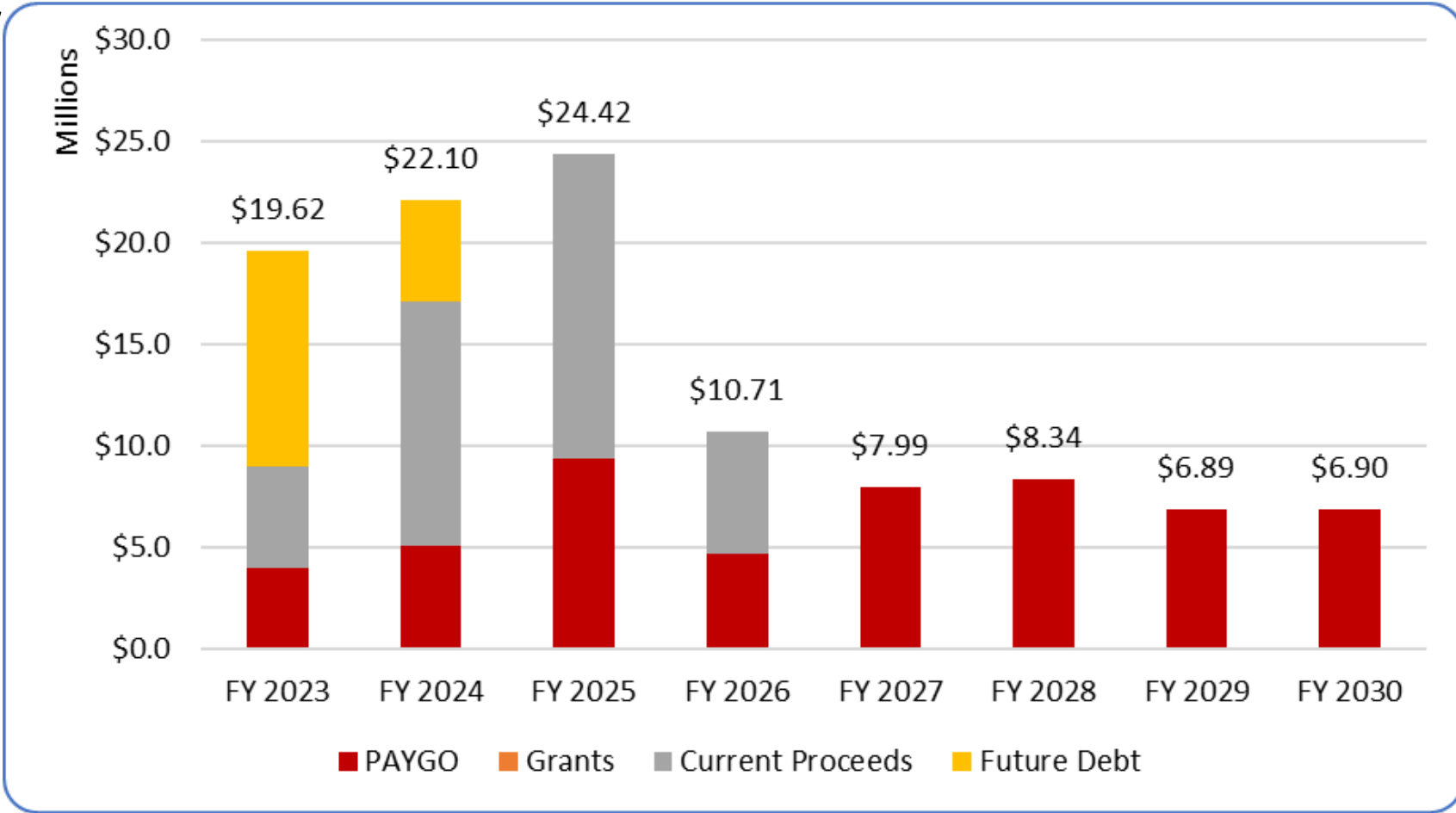


# Sewer

## Scenario 4 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (Board Approved Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	12%	12%	10%	5%	5%	5%	5%

### Sewer

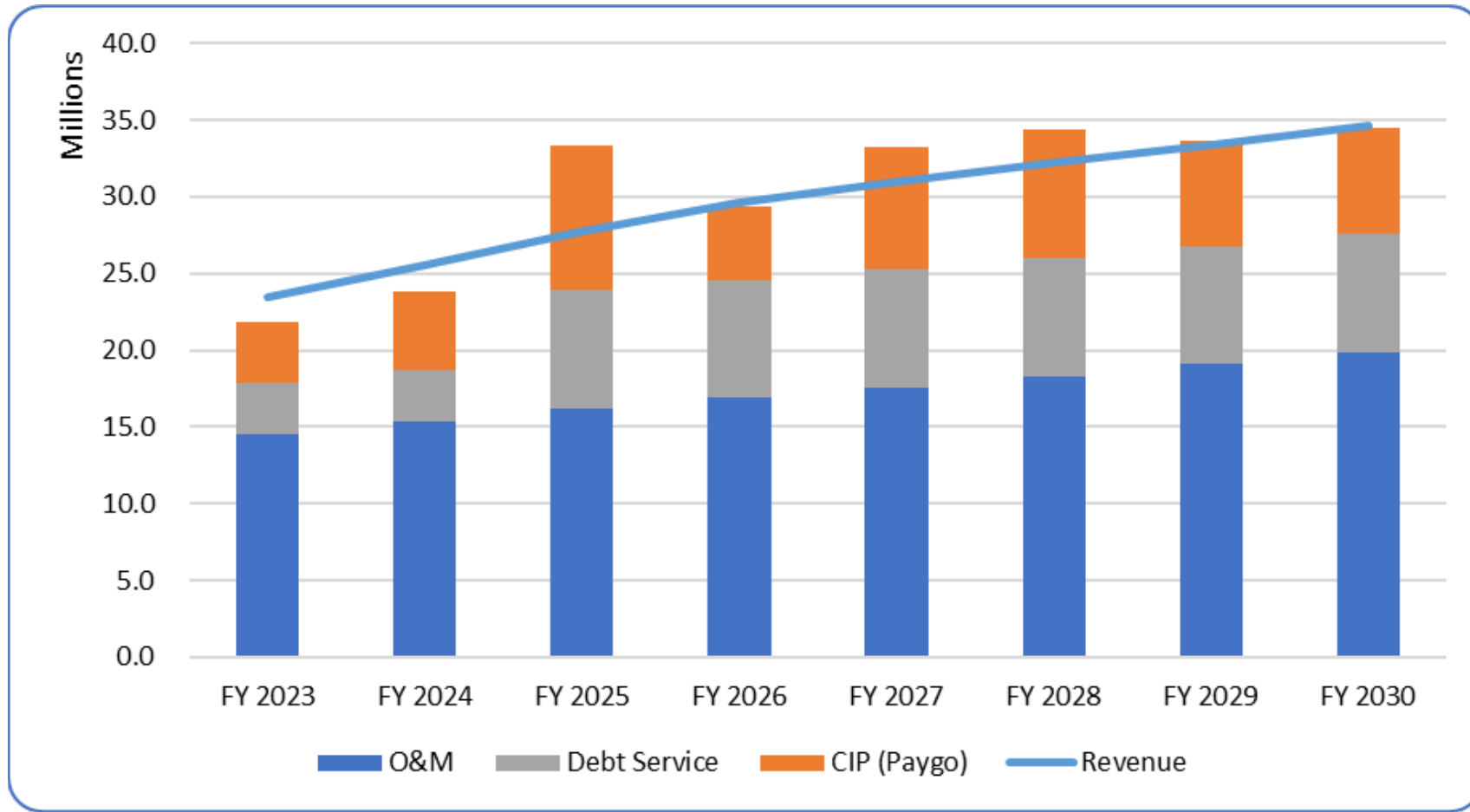


# Sewer

## Scenario 4 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (Board Approved Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	12%	12%	10%	5%	5%	5%	5%

### Sewer

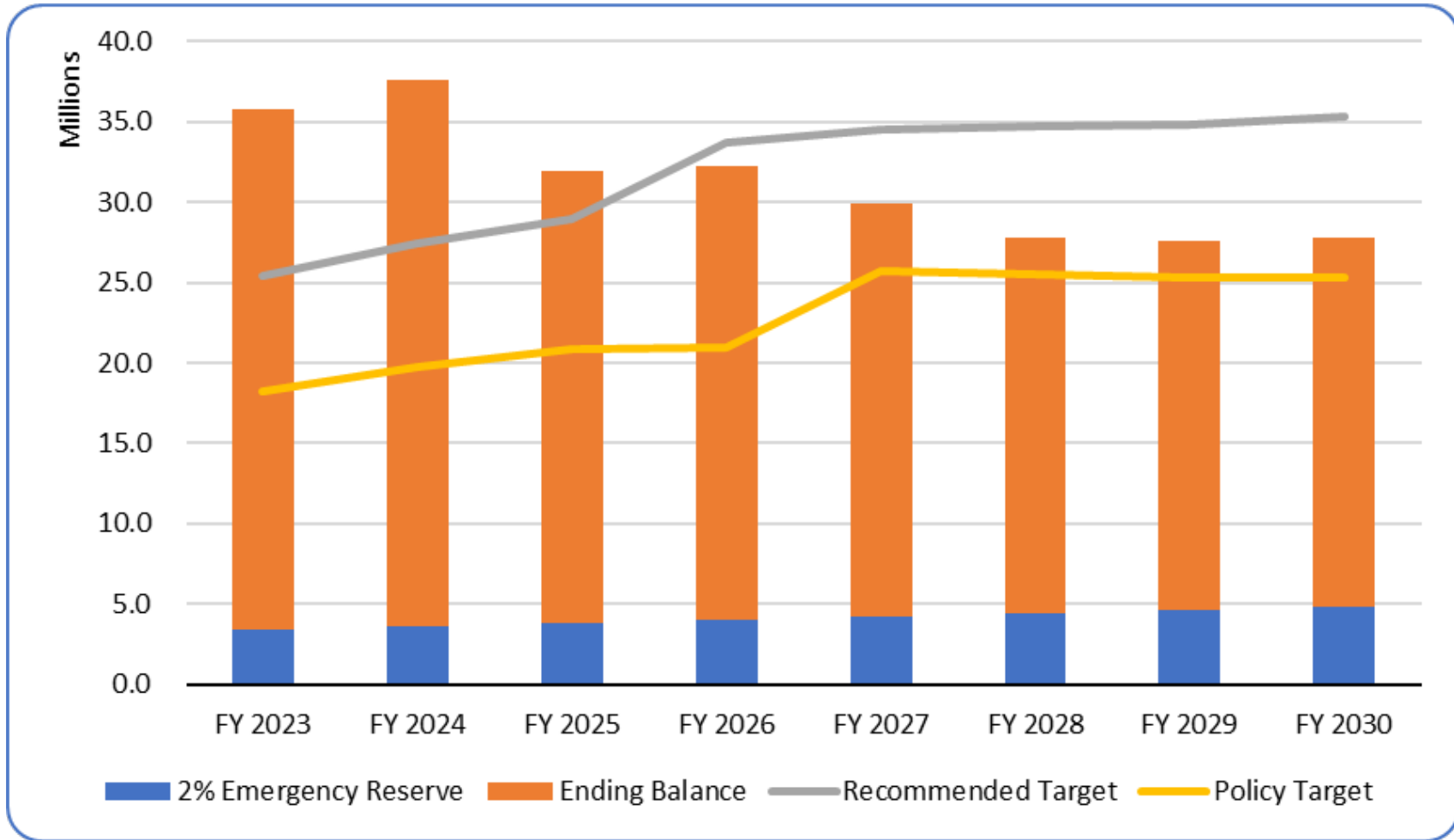


# Sewer

## Scenario 4 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (Board Approved Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	12%	12%	10%	5%	5%	5%	5%

### Sewer

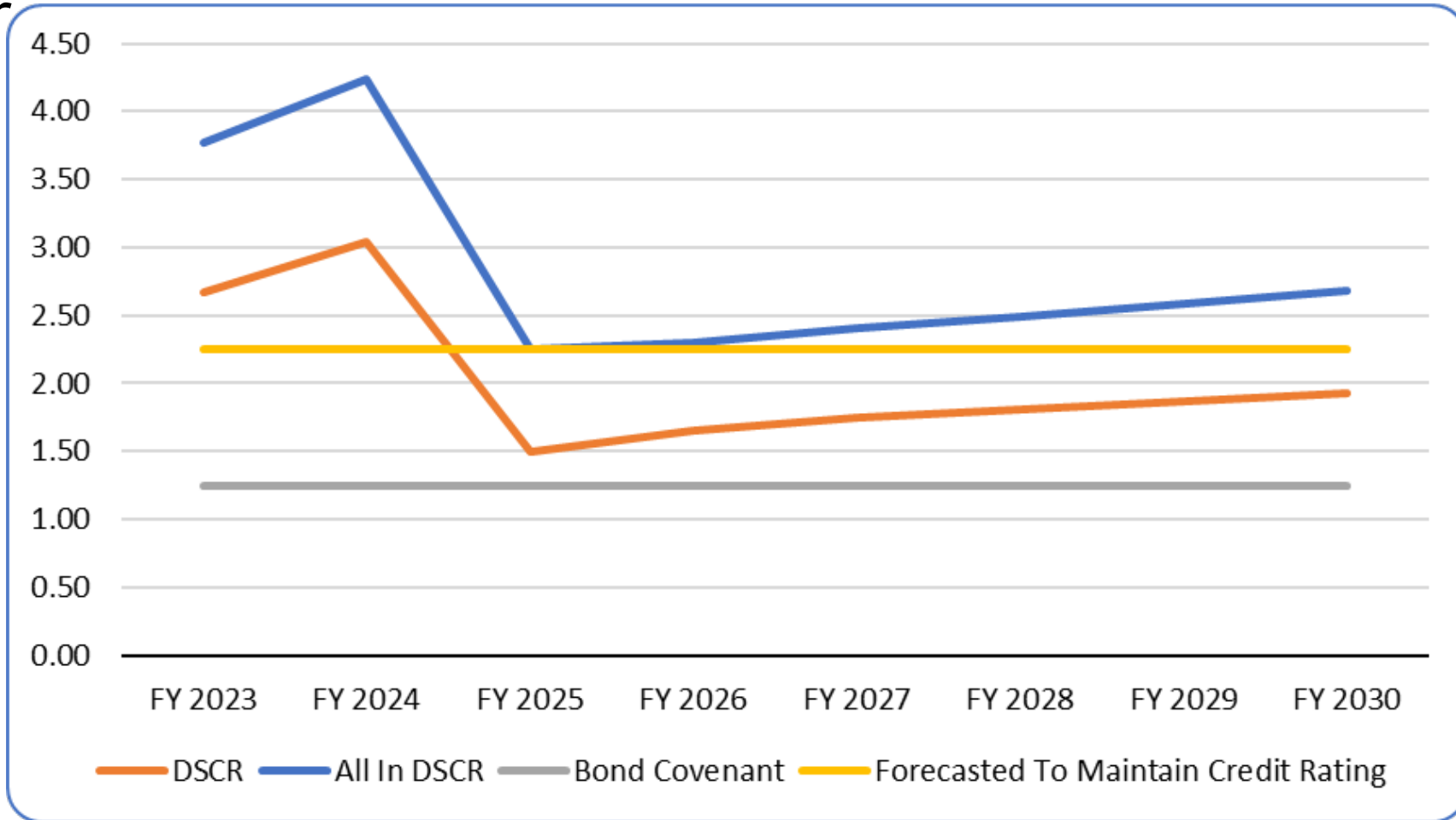


# Sewer

## Scenario 4 – High/Medium Priority CIP, Low Delayed– CIP by Fund Type Recommended (Board Approved Scenario)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenue Adjustment	12%	12%	10%	5%	5%	5%	5%

### Sewer



# Summary of Sewer Scenarios (Block 2, 6-10 ccf winter average)

## Scenario 1 - Fully Fund CIP

	FY 2024	FY 2025	FY 2026
Revenue Adjustment	14.0%	14.0%	14.0%
Average Monthly Residential Bill			
<b>\$74.94</b>	<b>\$85.43</b>	<b>\$97.39</b>	<b>\$111.03</b>
Dollar Change	\$10.49	\$11.96	\$13.63

## Scenario 2 - High/Medium Priority CIP, Low Delayed

	FY 2024	FY 2025	FY 2026
Revenue Adjustment	14.0%	14.0%	14.0%
Average Monthly Residential Bill			
<b>\$74.94</b>	<b>\$85.43</b>	<b>\$97.39</b>	<b>\$111.03</b>
Dollar Change	\$10.49	\$11.96	\$13.63

## Scenario 3 High/Medium Priority CIP, Low Delayed, Balanced Water/Sewer

	FY 2024	FY 2025	FY 2026
Revenue Adjustment	10.0%	10.0%	8.0%
Average Monthly Residential Bill			
<b>\$74.94</b>	<b>\$82.43</b>	<b>\$90.68</b>	<b>\$97.93</b>
Dollar Change	\$7.49	\$8.24	\$7.25

## Scenario 4 - High/Medium Priority CIP, Low Delayed (Board Approved)

	FY 2024	FY 2025	FY 2026
Revenue Adjustment	12.0%	12.0%	10.0%
Average Monthly Residential Bill			
<b>\$74.94</b>	<b>\$83.93</b>	<b>\$94.00</b>	<b>\$103.41</b>
Dollar Change	\$8.99	\$10.07	\$9.40

<b>Scenario 1 - Fully Fund CIP</b>						<b>10.3%</b>
Water	\$88.50	Sewer	\$85.43	Combined	\$173.93	<b>\$16.28</b>
<b>Scenario 2 - High/Medium Priority CIP, Low Delayed</b>						<b>9.3%</b>
Water	\$86.85	Sewer	\$85.43	Combined	\$172.28	<b>\$14.63</b>
<b>Scenario 3 - High/Medium Priority CIP, Low Delayed, Balanced Water/Sewer</b>						<b>9.0%</b>
Water	\$89.33	Sewer	\$82.43	Combined	\$171.76	<b>\$14.11</b>
<b>Scenario 4 - High/Medium Priority CIP, Low Delayed, (Board Approved)</b>						<b>9.4%</b>
Water	\$88.50	Sewer	\$83.93	Combined	\$172.44	<b>\$14.79</b>

# Combined Bill Impacts (Average Residential Customer)

# Next Steps

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- Decide on a financial plan scenario
- Board approve Proposition 218 Notice

# Questions?

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# Water Rates

Fixed Charges		
Customer Class	Meter Size	Monthly Fee
Meter Charge	3/4"	\$29.47
	1"	\$51.91
	1-1/2"	\$86.24
	2"	\$151.74
	3"	\$337.16
	4"	\$754.88
	6"	\$1,463.88

Variable Charges		
Customer Class	Tier - Width	Unit Cost
Residential	Tier 1 - 10 ccf	\$2.99
	Tier 2 - 6 ccf	\$3.80
	Tier 3 - All ccf	\$3.90
Potable Water - Commercial	Tier 1-All ccf	\$3.35
Recycled Water	Tier 1-All ccf	\$5.67
Potable Water - Irrigation	Tier 1-All ccf	\$3.53
HOA Potable	Tier 1-All ccf	\$3.29
HOA Recycled	Tier 1-All ccf	\$5.45
HOA Irrigation	Tier 1-All ccf	\$3.53

- Fixed charge billed annually on tax roll.
- Peak demand rate charged to all potable customers based on second highest demand month: **\$28.01** per ccf.
  - Peak demand is not assessed on Recycled Customers
- Variable rates billed monthly.

Note: The District will pass-through the amount of MWDOC and SOCWA rate increases that are greater than projected and used to develop the District's Rates. The pass-through increases must be approved by the District Board of Directors and will only be applied to the District's variable rates.

# Sewer Rates

Fixed Charges	
Customer Class	Monthly Fee
Residential Low (WQA 0-5)	\$68.72
Residential Mid (WQA 6-10)	\$74.94
Residential High (WQA 11+)	\$87.61
Low Strength Com	\$0.00
Medium Strength Com	\$0.00
High Strength Com	\$0.00
HOA	\$37.62

Variable Charges		
Customer Class	Tier - Width	Unit Cost
Residential Low (WQA 0-5)	All Use	\$0.00
Residential Mid (WQA 6-10)	All Use	\$0.00
Residential High (WQA 11+)	All Use	\$0.00
Low Strength Com	All Use	\$8.50
Medium Strength Com	All Use	\$11.07
High Strength Com	All Use	\$14.78
HOA	All Use	\$1.48

- Fixed charges billed annually on tax roll.
- Residential Fixed charge based on Winter Quarterly Average water use (Dec, Jan, and Feb).
- Fixed charge paid per unit for HOA.

- Minimum charge of \$74.94 billed if commercial flow is below threshold.

Note: The District will pass-through the amount of MWDOC and SOCWA rate increases that are greater than projected and used to develop the District's Rates. The pass-through increases must be approved by the District Board of Directors and will only be applied to the District's variable rates.

