



NORTH TAHOE PUBLIC UTILITY DISTRICT
Board of Directors Special Meeting Agenda
North Tahoe Event Center
8318 North Lake Boulevard, Kings Beach, CA
Attendance by Teleconference: 1400 J Street, Sacramento, CA 95814

Tuesday, June 13, 2023, at 12:30 P.M.

Welcome to a meeting of the North Tahoe Public Utility District Board of Directors

The District welcomes you to its meetings. Your opinions and suggestions are encouraged. With a few exceptions, all meetings are recorded and available online after the meeting has concluded. The meeting is accessible to people with disabilities. In compliance with Section 202 of the Americans with Disabilities Act of 1990 and in compliance with the Ralph M. Brown Act, anyone requiring reasonable accommodation to participate in the meeting should contact the North Tahoe Public Utility District office at (530) 546-4212, at least two days prior to the meeting.

In addition, all written public comments received by 11:30 p.m. on June 13, 2023 will be distributed to the District Board Members for their consideration and all written comments will be included in the minutes. Pictures, graphics, or other non-written comments may be included in the minutes at the discretion of the Board of Directors. Written comments may be emailed to mmoga@ntpud.org, mailed or dropped-off at NTPUD's Administrative Offices located at 875 National Ave., Tahoe Vista, CA. 96148.

The Board of Directors may take action upon any item listed on the agenda at any time during the meeting. Scheduled items will be heard at or after the time noted, but the Directors may interrupt or defer discussion in order to deal with other matters. No action will be taken at the meeting on any business not appearing on the posted agenda except as permitted by Government Code Section 54954.2.

TIMED ITEMS ON THIS AGENDA

12:30 P.M. Public Comment and Questions

- A. CALL TO ORDER/OPEN SESSION/PLEDGE OF ALLEGIANCE**
- B. REVIEW AGENDA** - *Agenda Items may be taken off the agenda or taken out of order.*
- C. PUBLIC COMMENT AND QUESTIONS (12:30 P.M.):** *Any person wishing to address the Board of Directors on items on the agenda or matters of interest to the District not listed elsewhere on the agenda may do so at this time. Please limit comments and questions to three (3) minutes since no action can be taken on items presented under Public Comment.*
- D. Water and Sewer Utilities Cost-of-Service Study Workshop** - Presentation by Shawn Koorn of HDR (Pages 2-25)
- E. PUBLIC COMMENT AND QUESTIONS:** *See protocol established under Agenda Item C, Public Comment and Questions.*
- F. ADJOURNMENT**



NORTH TAHOE PUBLIC UTILITY DISTRICT

DATE: June 13, 2023

ITEM: D

FROM: Office of the General Manager

SUBJECT: Water and Sewer Utilities Cost-of-Service Study Workshop

RECOMMENDATION:

Receive a presentation from Shawn Koorn of HDR Engineering and provide discussion and feedback on the District's Cost-of-Service Study. No action by the Board of Directors is agendaized for this item.

DISCUSSION:

The District is nearing the end of the current five-year rate period, and it is now time to undertake a new Cost-of-Service Study to assess the District's utility rates relative to its projected costs over the next five-year period. This next step in the District's ongoing "rate maintenance" effort is consistent with industry best practices, Board discussion during the previous Cost-of-Service Study, and the priorities established for the Fiscal Year 22/23 Operating Budget and the District's new five-year Strategic Plan. Further, the priorities established by the Board of Directors in the District's five-year Capital Improvement Plan are dependent on the ability of utility rate revenue to fund them.

At the September 13, 2022 meeting, the Board of Directors authorized a contract with HDR to execute the Cost-of-Service Study for the next five-year period. Since that time, staff has been working with HDR on the data-gathering phase of the project. This workshop serves as the kick-off of the study effort with the Board of Directors.

At the March 14, 2023 meeting, the Board of Directors received a presentation from Shawn Koorn of HDR Engineering, providing feedback and initiating the Cost-of-Service Study.

Today's workshop will focus on the proposed escalation factors utilized by the cost-of-service model over the five-year study period as well as potentially transitioning the State/Federal Mandate Fee into the System Replacement Fee within the rates.


STRATEGIC PLAN ALIGNMENT:

Goal 3: Enhance District governance and partnerships – Objective B: Ensure financial sustainability of the District – Tactic 2: Complete and implement new Five-year Rate Structure – Activity a: Engage a consultant to conduct a cost-of-service study; and – Activity b: Assemble internal support team with an identified sponsor; and – Activity c:

Staff recommendation presented to Board for consideration and adoption in compliance with California Proposition 218 requirements.

ATTACHMENTS: Cost-of-Service Study PowerPoint Presentation

REVIEW TRACKING:

Approved By: 
Bradley A. Johnson, P.E.
General Manager/CEO



North Tahoe Public Utility District Preliminary Results and Review of Key Assumptions

June 13, 2023

Overview of the Presentation

- Overview of Setting Cost Based Rates
- Review of Key Assumptions
 - Escalation Factors
 - State/Federal Mandate Fee
- Next Steps



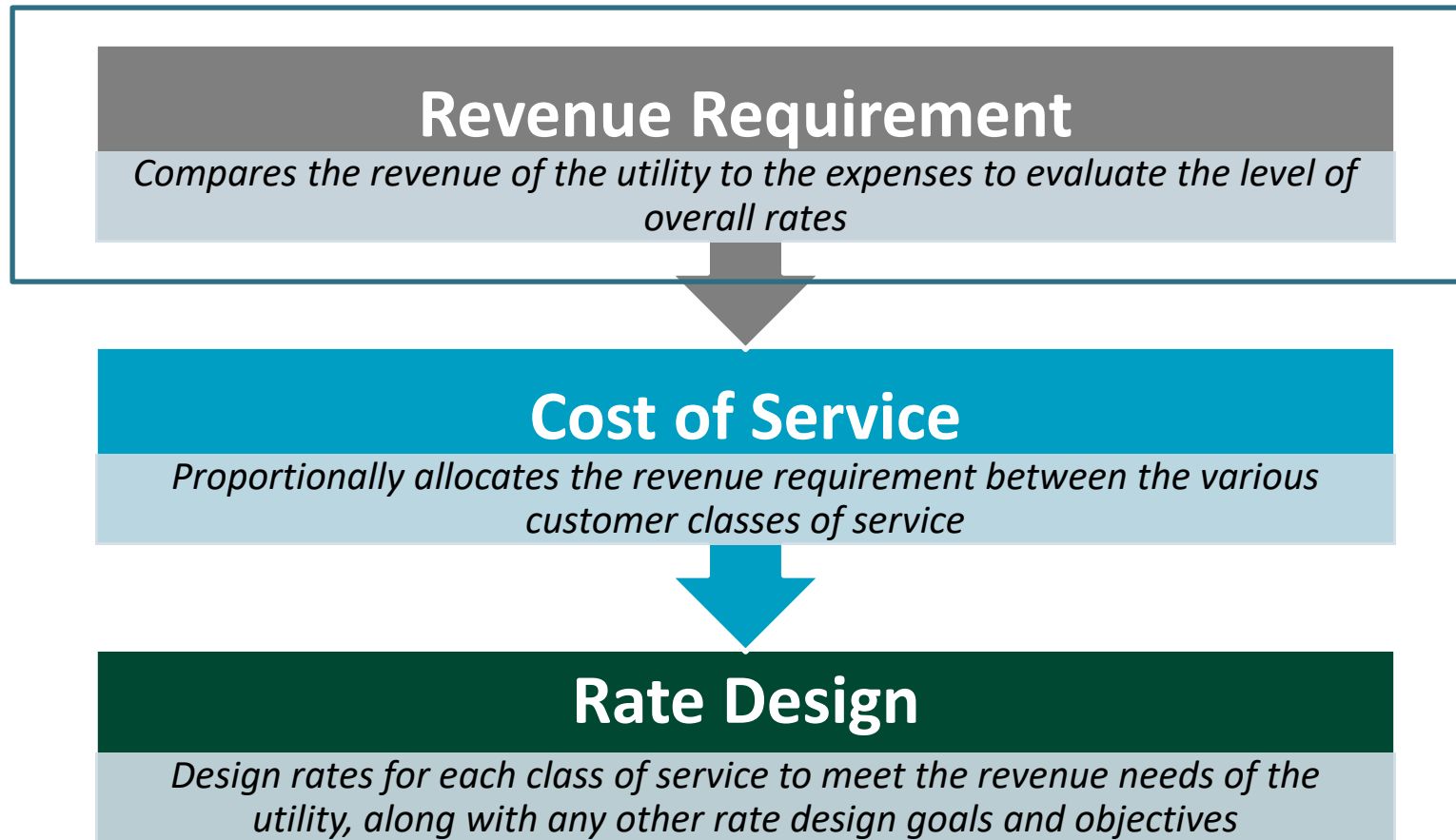
Purpose of the Study

- Develop an analysis to financially sustain the District's water and sewer infrastructure
 - Proposed rates for the next five-year rate setting period
- Reflect prudent financial planning criteria
 - Maintain target debt service coverage (DSC) ratio
 - Adequate rate funding of capital infrastructure
 - Meet target reserve balances
- Develop the analyses using generally accepted methodologies and the District's system and customer characteristics
- Meet the intent of the requirements laid out in Proposition 218
 - Develop proportional and cost-based rates
 - Provide administrative record

Proposition 218 – Setting Cost-Based Rates

- Proposition 218 is a California constitutional amendment designed to protect taxpayers by limiting the methods by which local governments can create or increase taxes, fees and charges without taxpayer consent
- Proposition 218 is not prescriptive in defining a “cost-based” rate
- In part, Proposition 218 requires
 - Fees shall not exceed the **reasonable cost** of providing the service
 - Fees shall not exceed the **proportional cost** of providing the service
- Cost of service analysis results (unit costs) are the foundation of the proposed rates
 - Nexus between cost to provide service (expenses) and rates (fixed and variable) charged to customers (revenues)

Developing Cost-Based Rates



Overview of the Revenue Requirement

Compares utility revenues to expenses

- Determines if revenue (rate) adjustments are necessary

Uses prudent financial planning criteria

- Adequate funding of renewal and replacements
- Maintaining sufficient ending reserve balances

Reviews a specific time period

- Typically a five-to-ten-year period
- Rates are established for a five-year period

Utility is analyzed on a “stand-alone basis”

- No transfer of funds from other District funds
- Rates need to support operations and capital

Utilizes the “cash basis” methodology

- Generally accepted method for municipal utilities

Revenue Requirement Goals and Objectives

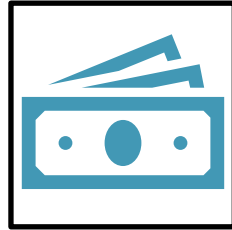


Adequately fund annual operating costs

Costs continue to increase since the last rate study

District has also been impacted by recent inflationary trends

Balance the impacts of funding G&A costs supporting each utility (balancing use of property tax revenues)

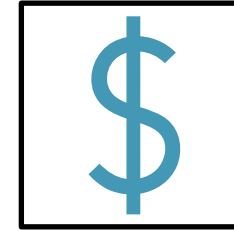


Providing sufficient capital funding for

Necessary system improvements

Annual renewal and replacements

Use of property tax revenues



Cost-Based Rates

Balance the impacts to rates to adequately fund annual O&M and capital improvement needs

Ensure adequate debt service coverage ratios

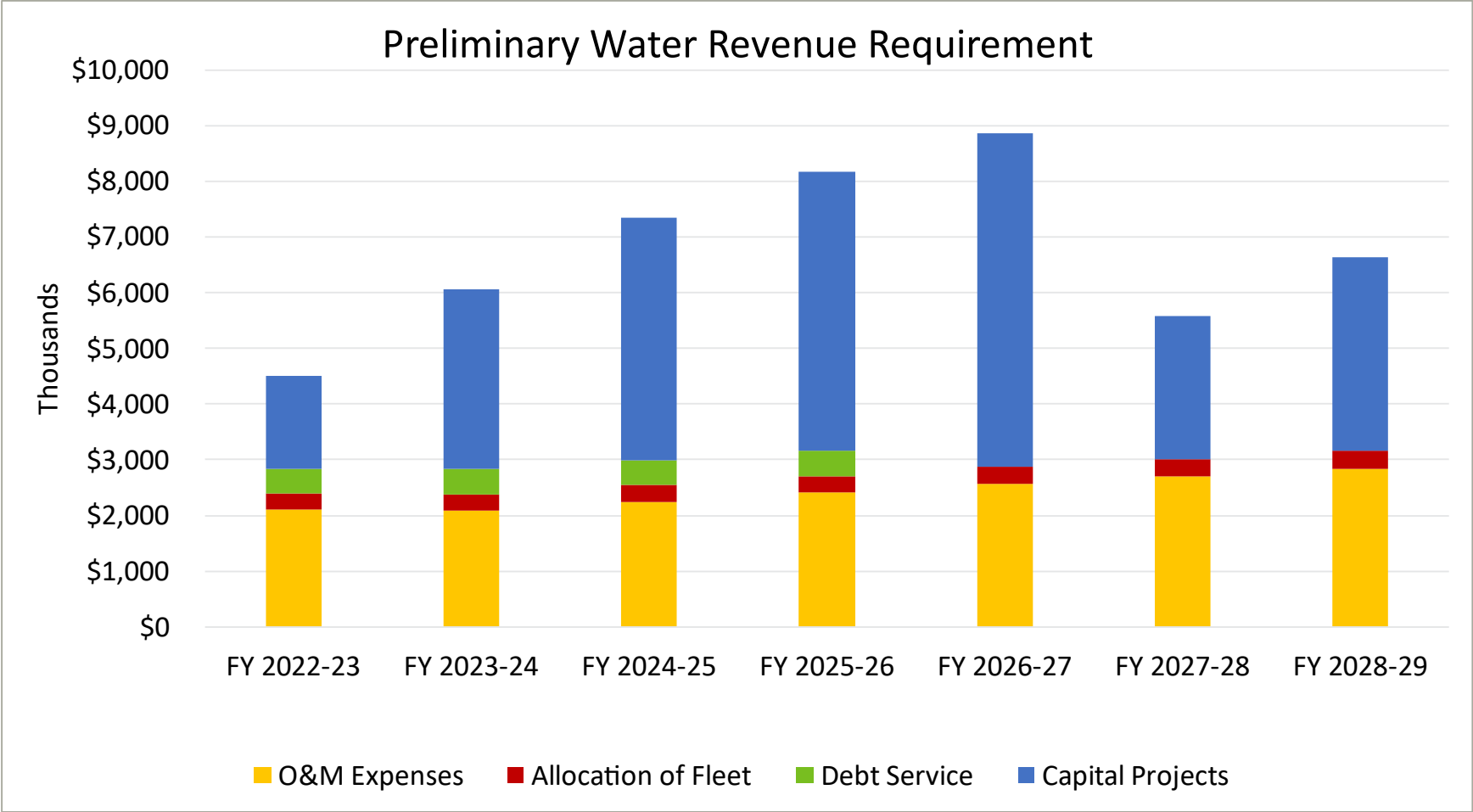
Maintain prudent reserve levels

Develop proposed rates for next five years (FY 24/25 – FY 28/29)

Preliminary Revenue Requirement Key Assumptions

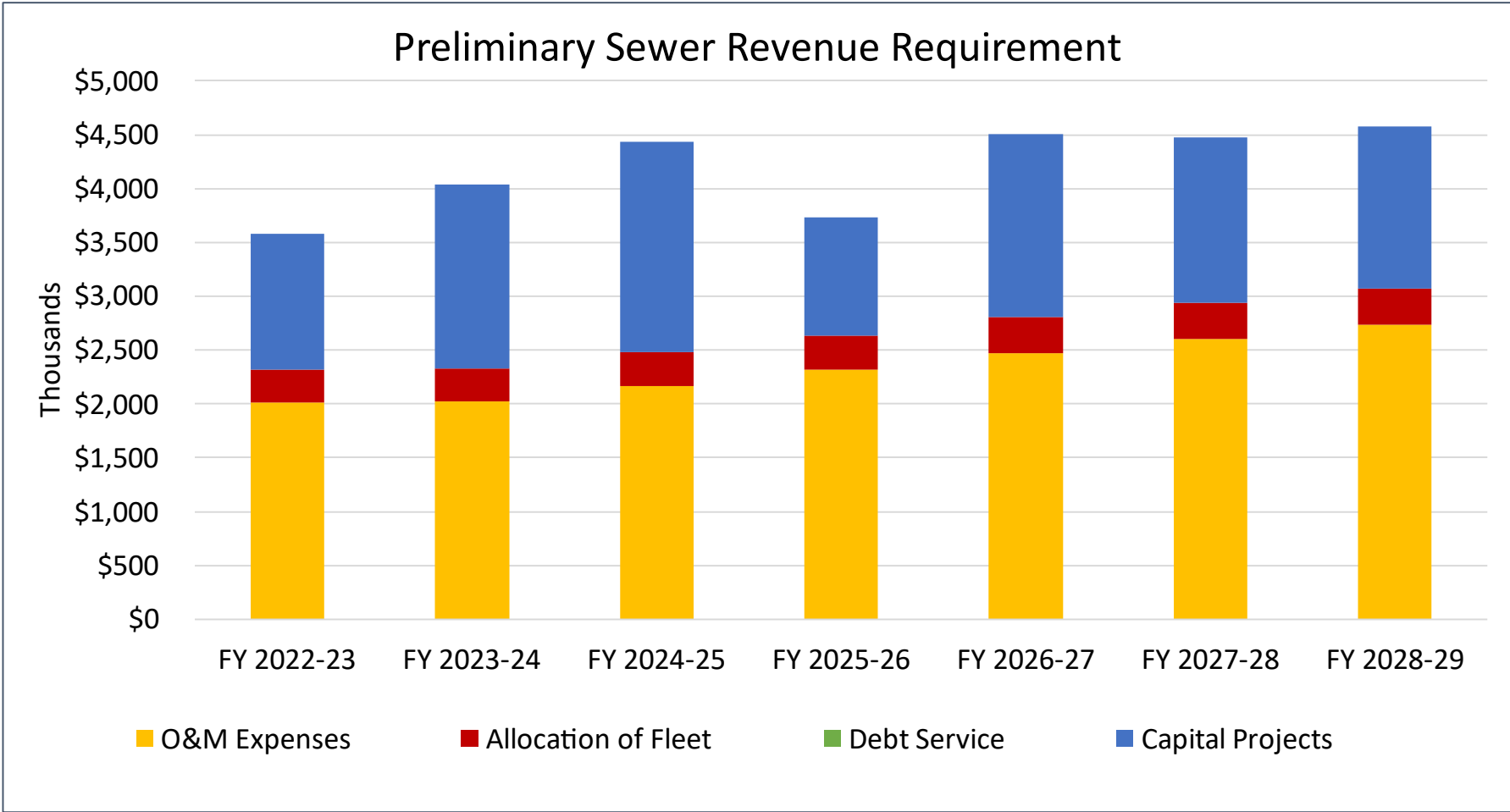
- Revenues based on recent customer characteristics and current adopted rates (FY 22/23 and FY 23/24)
- Assumed minimal annual customer growth (0.77%)
- O&M based on the proposed FY 23/24 budget
- Annual average inflationary increase of approximately 6.0% (Key Assumption)
- Capital funding based on current capital plan (Key Assumption future discussion)

Preliminary Water Revenue Requirement Analysis



Annual O&M averages ~50% of total revenue requirement over projected time period

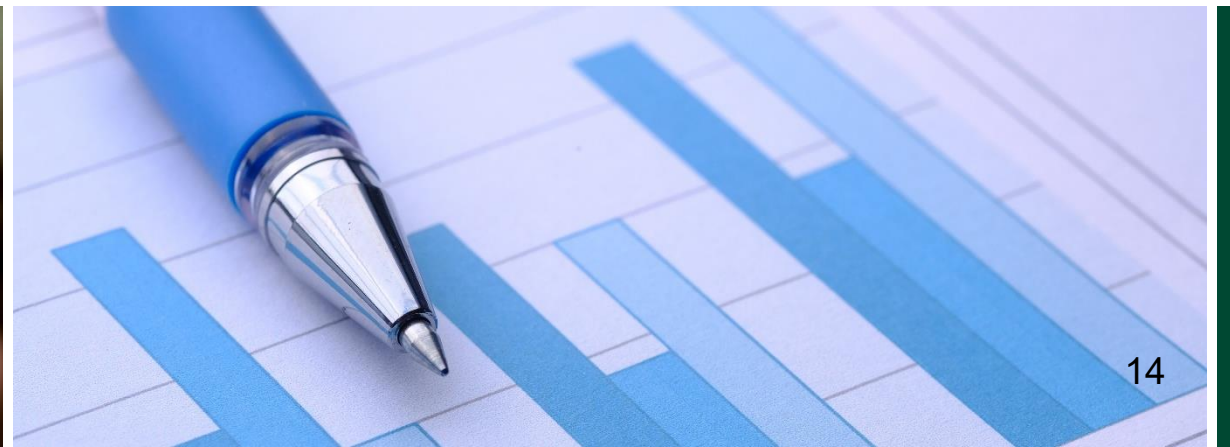
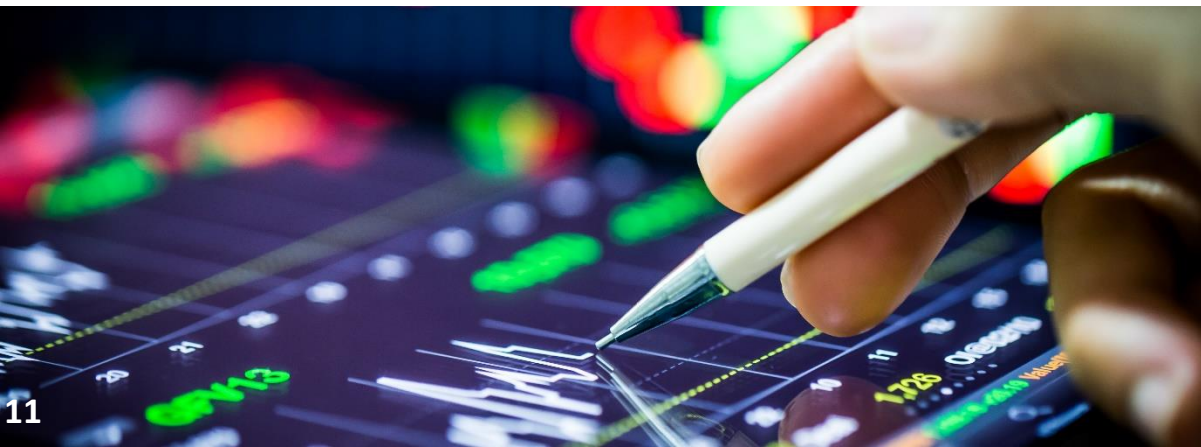
Preliminary Sewer Revenue Requirement Analysis



Annual O&M averages ~70% of total revenue requirement over projected time period

Key Assumptions – Board Feedback and Direction

- Preliminary Escalation Factors
- Transition of State/Federal Mandate fee into capital charge
- Future Board revenue requirement discussions
 - Capital plan funding analysis
 - Use of long-term debt
 - Timing of projects
 - Water and Sewer Funding of allocable G&A expenses



Escalation (Inflation) Factors Discussion

- Reviewed prior study assumptions
- Reviewed current inflationary factors/impacts
 - CPI / BLS CCI / ENR CCI and other agencies
- Developed a projection of escalation factors to attempt to account for future inflationary impacts

	FY	FY	FY	FY	FY	O&M Weighting	
	2024-25	2025-26	2026-27	2027-28	2028-29	Water	Sewer
Customer Growth	0.77%	0.77%	0.77%	0.77%	0.77%		
Salaries	7.50%	7.50%	7.50%	5.50%	5.50%	34%	39%
Benefits	8.50%	8.50%	8.50%	6.50%	6.50%	21%	22%
Professional Services	4.00%	4.00%	4.00%	4.00%	4.00%	8%	8%
Materials & Supplies	6.00%	5.00%	4.00%	3.00%	3.00%	13%	12%
Equipment	4.00%	4.00%	4.00%	4.00%	4.00%	1%	2%
Miscellaneous	2.00%	2.00%	2.00%	2.00%	2.00%	14%	13%
Utilities	9.00%	8.00%	7.00%	4.00%	4.00%	9%	5%

State and Federal Mandate Fee Discussion

- Fee is used to supplement capital funding to support regulatory and mandated water and sewer operations and capital
- Prior rate study, and current study approach, is to utilize fee revenue to support capital program
- Current study recommendation is to remove the State/Federal Mandate fee and include in the system replacement rate (capital funding)
 - Single capital charge
 - Simplify the rate schedule
 - Reduce administrative requirement

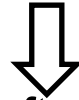


Next Steps

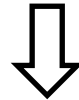
Key assumption presentations and direction



Review draft revenue requirement analysis – based on policy discussion



Review draft cost of service and rate design analysis



Develop Final Study Recommendations

Tentative Project Schedule

- July/August 2023 review capital funding and G&A implications and preliminary study results
- August 2023 review study recommendations
- September 2023 present study recommendations and rate design
- November 2023 public hearing

Board Discussion



Current Sewer Rates

	FY 2022-23	FY 2023-24	
Residential			
Base Rate	\$31.13	\$34.67	<i>Per EDU</i>
System Replacement Rate	15.48	15.81	<i>Per EDU</i>
State/Federal Mandate Fee	1.34	1.37	<i>Per EDU</i>
	-----	-----	
Total Residential	\$47.95	\$51.86	
Non-Residential			
Base Rate	See Non-Residential Table		<i>Per EDU</i>
System Replacement Rate	See Non-Residential Table		<i>Per EDU</i>
State/Federal Mandate Fee	1.34	1.37	<i>Per EDU</i>
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Total Non-Residential			

Current Sewer Rates (Cont'd)

Base Charge by Customer Class			
	Unit	FY 2022-23	FY 2023-24
Motel w/o kitchen	<i>Per Living Unit/month</i>	\$10.06	\$11.20
Motel w/kitchen	<i>Per Living Unit/month</i>	13.11	14.60
Campsite w/sewer	<i># of Sites/month</i>	20.09	22.37
Campsite w/o sewer	<i># of Sites/month</i>	17.57	19.56
Other Business	<i># of Fixture Units/month</i>	4.00	4.45
Markets	<i># of Fixture Units/month</i>	7.05	7.85
Laundries	<i># of 10 lb Machines/month</i>	16.45	18.32
Restaurants & Bars			
Inside Seating	<i># of Seats/month</i>	3.08	3.43
Outside Seating	<i># of Seats/month</i>	1.02	1.13
Theatres	<i># of Seats/month</i>	0.39	0.44
Churches	<i># of Seats/month</i>	0.39	0.44
Barber Shops	<i># of Service Chairs/month</i>	10.59	11.79
Beauty Shops	<i># of Service Chairs/month</i>	17.57	19.56
Schools	<i># of seats/month</i>	0.07	0.07
Marina Boat Pumping Facility	<i>Per</i>	34.80	38.76
Swimming Pools	<i>Per Pool/month</i>	8.00	8.91
Snack Bars	<i># of fixture units/month</i>	3.08	3.43
Motel Res / Stock Coop / Studio	<i>Living Units/month</i>	26.61	29.64
Animal Shelter	<i>Per Account/month</i>	110.15	122.66
Service Stations	<i># of service bays/month</i>	53.75	59.85

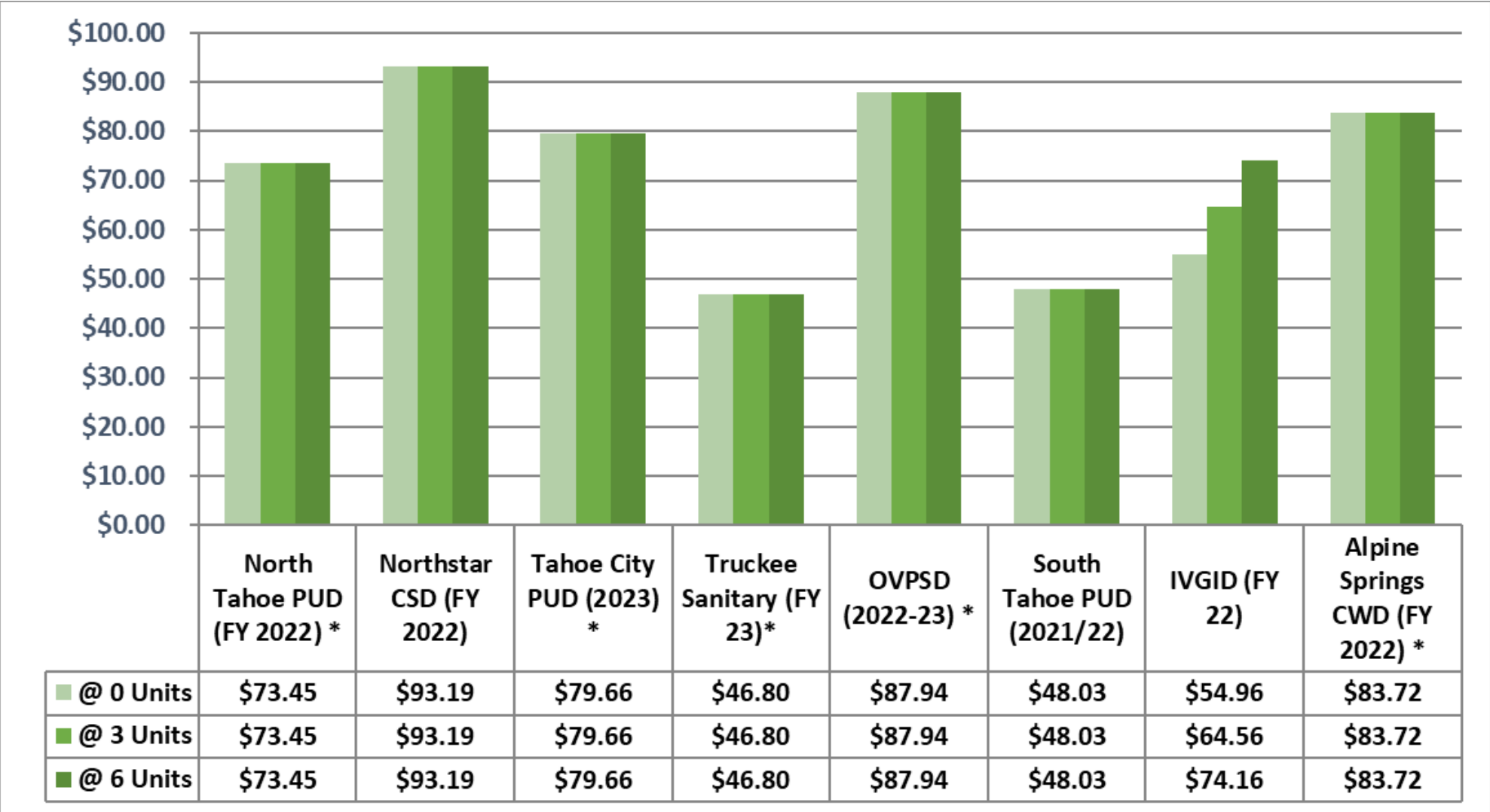
* rates do not include State and Federal mandate fee which is added to the above rate

System Replacement Fee by Customer Class			
	Unit	FY 2022-23	FY 2023-24
Motel w/o kitchen	<i>Per Living Unit/month</i>	\$5.00	\$5.11
Motel w/kitchen	<i>Per Living Unit/month</i>	6.52	6.66
Campsite w/sewer	<i># of Sites/month</i>	9.99	10.20
Campsite w/o sewer	<i># of Sites/month</i>	8.73	8.92
Other Business	<i># of Fixture Units/month</i>	1.99	2.03
Markets	<i># of Fixture Units/month</i>	3.50	3.58
Laundries	<i># of 10 lb Machines/month</i>	8.18	8.36
Restaurants & Bars			
Inside Seating	<i># of Seats/month</i>	1.53	1.56
Outside Seating	<i># of Seats/month</i>	0.51	0.52
Theatres	<i># of Seats/month</i>	0.20	0.20
Churches	<i># of Seats/month</i>	0.20	0.20
Barber Shops	<i># of Service Chairs/month</i>	5.26	5.38
Beauty Shops	<i># of Service Chairs/month</i>	8.73	8.92
Schools	<i># of seats/month</i>	0.03	0.03
Marina Boat Pumping Facility	<i>Per</i>	17.30	17.68
Swimming Pools	<i>Per Pool/month</i>	3.98	4.06
Snack Bars	<i># of fixture units/month</i>	1.53	1.56
Motel Res / Stock Coop / Studio	<i>Living Units/month</i>	13.23	13.51
Animal Shelter	<i>Per Account/month</i>	54.76	55.94
Service Stations	<i># of service bays/month</i>	26.72	27.30

* System Replacement Fee is charged per Billing Unit

Sewer Utility

Local Residential Bill Comparison



Current Water Rates

	FY 2022-23	FY 2023-24
Single Family		
Fixed (\$/month)		
Base	\$34.85	\$35.55
System Replacement	29.96	30.58
State/Federal Mandate	1.62	1.67
0 -8,000 gallons	\$2.83	\$2.89
> 8,000 - 20,000 gallons	3.04	3.10
> 20,000 gallons	3.32	3.39

Tiers For Multi-Residential and Commercial Classes

Meter Size	Tier 1	Tier 2	Tier 3
3/4"	0 - 6,000 Gal	6,000 - 41,000 Gal	41,000 Gal & Greater
1"	0 - 11,000 Gal	11,000 - 46,000 Gal	46,000 Gal & Greater
1 1/2"	0 - 27,000 Gal	27,000 - 116,000 Gal	116,000 Gal & Greater
2"	0 - 41,000 Gal	41,000 - 134,000 Gal	134,000 Gal & Greater
3"	0 - 72,000 Gal	72,000 - 161,000 Gal	161,000 Gal & Greater
4"	0 - 112,000 Gal	112,000 - 261,000 Gal	261,000 Gal & Greater
6"	0 - 200,000 Gal	200,000 - 460,000 Gal	460,000 Gal & Greater
8"	0 - 560,000 Gal	560,000 - 1,288,000 Gal	1,288,000 Gal & Greater

	FY 2022-23	FY 2023-24
Multi-Residential		
Fixed (\$/month)		
Base		
3/4"	\$67.71	\$69.06
1"	118.53	120.90
1 1/2"	304.82	310.92
2"	460.58	469.79
3"	812.82	829.08
4"	1,266.70	1,292.04
6"	2,257.00	2,302.14
8"	6,319.60	6,445.99
System Replacement		
3/4"	\$29.96	\$30.58
1"	47.08	48.05
1 1/2"	121.06	123.57
2"	182.93	186.71
3"	322.82	329.49
4"	503.09	513.49
6"	998.69	1,019.34
8"	2,796.32	2,854.14
Dwelling Unit Fee	\$0.00	\$0.00
State/Federal Mandate	\$1.62	\$1.67
Variable (\$/1,000 gallons)		
Tier 1	\$2.78	\$2.84
Tier 2	2.90	2.96
Tier 3	3.17	3.23
* Tiers vary by meter size		

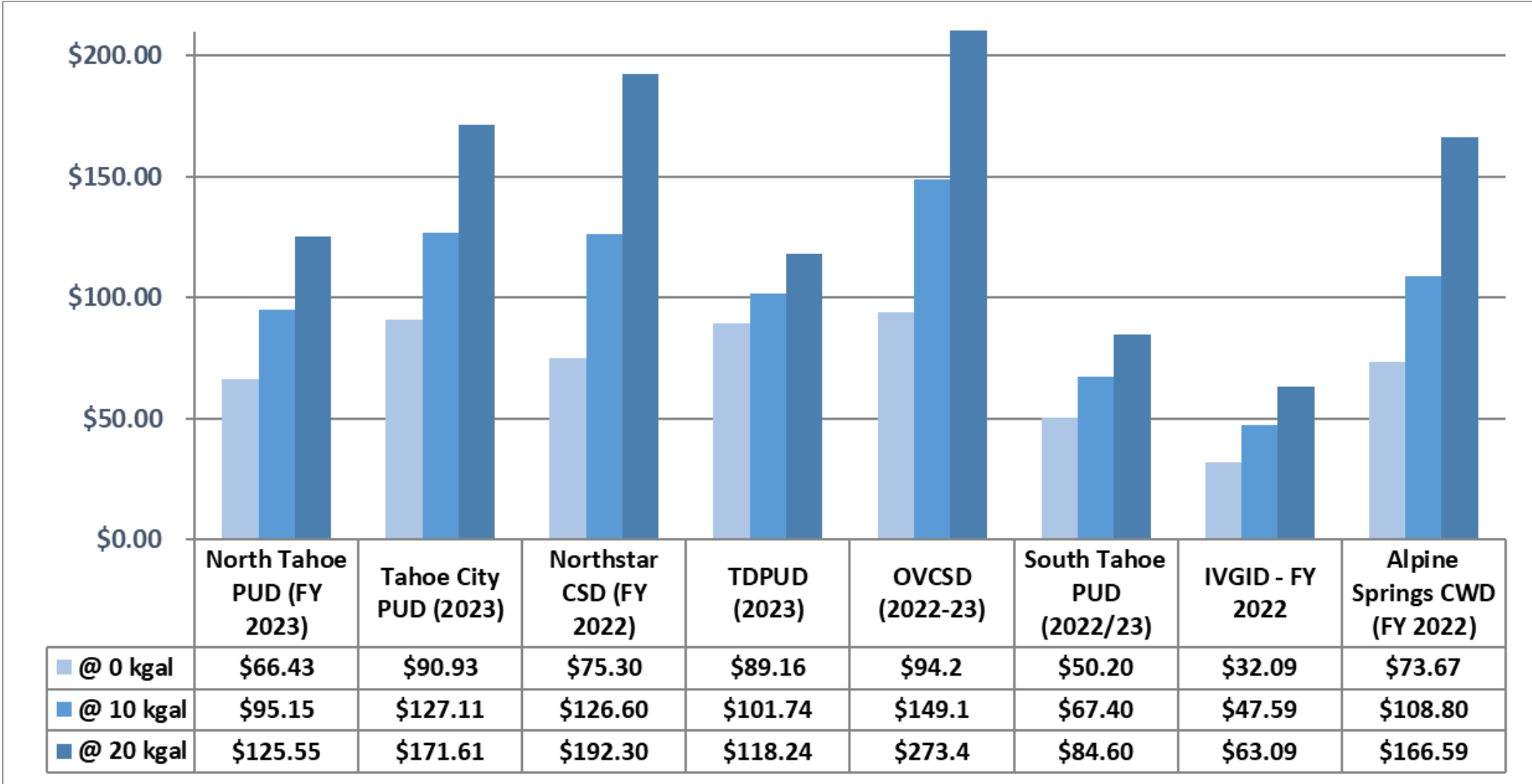
Current Water Rates (Cont'd)

	FY 2022-23	FY 2023-24
Commercial/Industrial		
Fixed (\$/month)		
Base		
3/4"	\$51.42	\$52.45
1"	90.02	91.82
1 1/2"	231.49	236.12
2"	349.78	356.78
3"	617.29	629.64
4"	961.98	981.22
6"	1,714.06	1,748.34
8"	4,799.36	4,895.35
System Replacement		
3/4"	\$29.96	\$30.58
1"	47.08	48.05
1 1/2"	121.06	123.57
2"	182.93	186.71
3"	322.82	329.49
4"	503.09	513.49
6"	998.69	1,019.36
8"	2,796.32	2,854.14
State/Federal Mandate	\$1.62	\$1.67
Variable (\$/1,000 gallons)		
Tier 1	\$2.79	\$2.85
Tier 2	2.99	3.05
Tier 3	3.13	3.19
* Tiers vary by meter size		

	FY 2022-23	FY 2023-24
Common Meter (Irrigation)		
Fixed (\$/month)		
Base		
3/4"	\$18.54	\$18.91
1"	32.46	33.11
1 1/2"	83.48	85.15
2"	126.14	128.66
3"	222.60	227.05
4"	346.90	353.84
6"	618.11	630.47
8"	1,730.69	1,765.31
System Replcement		
3/4"	\$30.61	\$31.22
1"	53.58	54.65
1 1/2"	137.78	140.54
2"	208.19	212.35
3"	367.41	374.76
4"	572.57	584.02
6"	1,020.20	1,040.60
8"	2,856.56	2,913.69
State/Federal Mandate	\$1.62	\$1.67
Variable (\$/1,000 gallons)		
Tier 1 - 0 - 41,000 gallons	\$3.25	\$3.32
Tier 2 > 41,000 gallons	3.62	3.69
* Tiers vary by meter size		

Water Utility

Local Residential Bill Comparison



Study Goals and Objectives

- Review and update capital funding analysis
- Review general and administrative expense allocation
- Review fixed/variable revenue through rates
- Update the sewer and water rates

Study Opportunities

- Evaluate alternatives for cluster meters (HOAs)
- Revise current non-residential sewer rate (EDU basis) to a meter size basis (like water)
- Revise current non-residential sewer connection fee (EDU basis) to a meter size basis (like water)
- Develop flat, unmetered, water rates for future potential use