



**NORTH TAHOE PUBLIC UTILITY DISTRICT  
Board of Directors Special Meeting Agenda  
North Tahoe Event Center  
8318 North Lake Boulevard, Kings Beach, CA**

**Tuesday, September 12, 2023, at 12:00 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 11:00 a.m. on September 12, 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](mailto: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**

*12:00 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 (12:00 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 Wastewater Utilities Cost-of-Service Study Workshop](#) - Presentation by Shawn Koorn of HDR (Pages 2-29)**
- E. PUBLIC COMMENT AND QUESTIONS:** *See protocol established under Agenda Item C, Public Comment and Questions.*
- F. ADJOURNMENT**



## NORTH TAHOE PUBLIC UTILITY DISTRICT

**DATE:** September 12, 2023

**ITEM:** D

**FROM:** Office of the General Manager

**SUBJECT:** Water and Wastewater 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 agendized for this item.

### **DISCUSSION:**

The District is nearing the end of the current five-year rate period and has undertaken 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 23/24 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.

At the June 13, 2023 meeting, the Board of Directors received a presentation from focusing 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.

At the July 19, 2023 special meeting, the Board of Directors received a presentation focusing on reviewing key Wastewater assumptions, including capital funding and the allocation of General & Administrative costs to fully reflect the operational and maintenance costs associated with each of the enterprises.

At the August 8, 2023 regular meeting, the Board of Directors received a presentation focusing on reviewing the key Water assumptions, including capital funding and allocation of General & Administrative costs to fully reflect the operational and maintenance costs associated with each of the enterprises.


This workshop will focus on reviewing proposed rate adjustments to both the Water and Wastewater utilities developed from feedback received to date from the Board of Directors regarding capital funding and allocation of General & Administrative costs.

**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 Summary of Key Water and Wastewater Assumptions

September 12, 2023

# Overview of the Presentation

- Overview of Setting Cost Based Rates
- Review prior rate study goals and outcomes
- Prior Key Assumption Discussions
- Summary and Results of Key Assumptions
  - Overview of Property Tax Revenue Projections and other Enterprise Fund analysis
  - Summary of the Water and Wastewater Rate Scenarios
- Next Steps



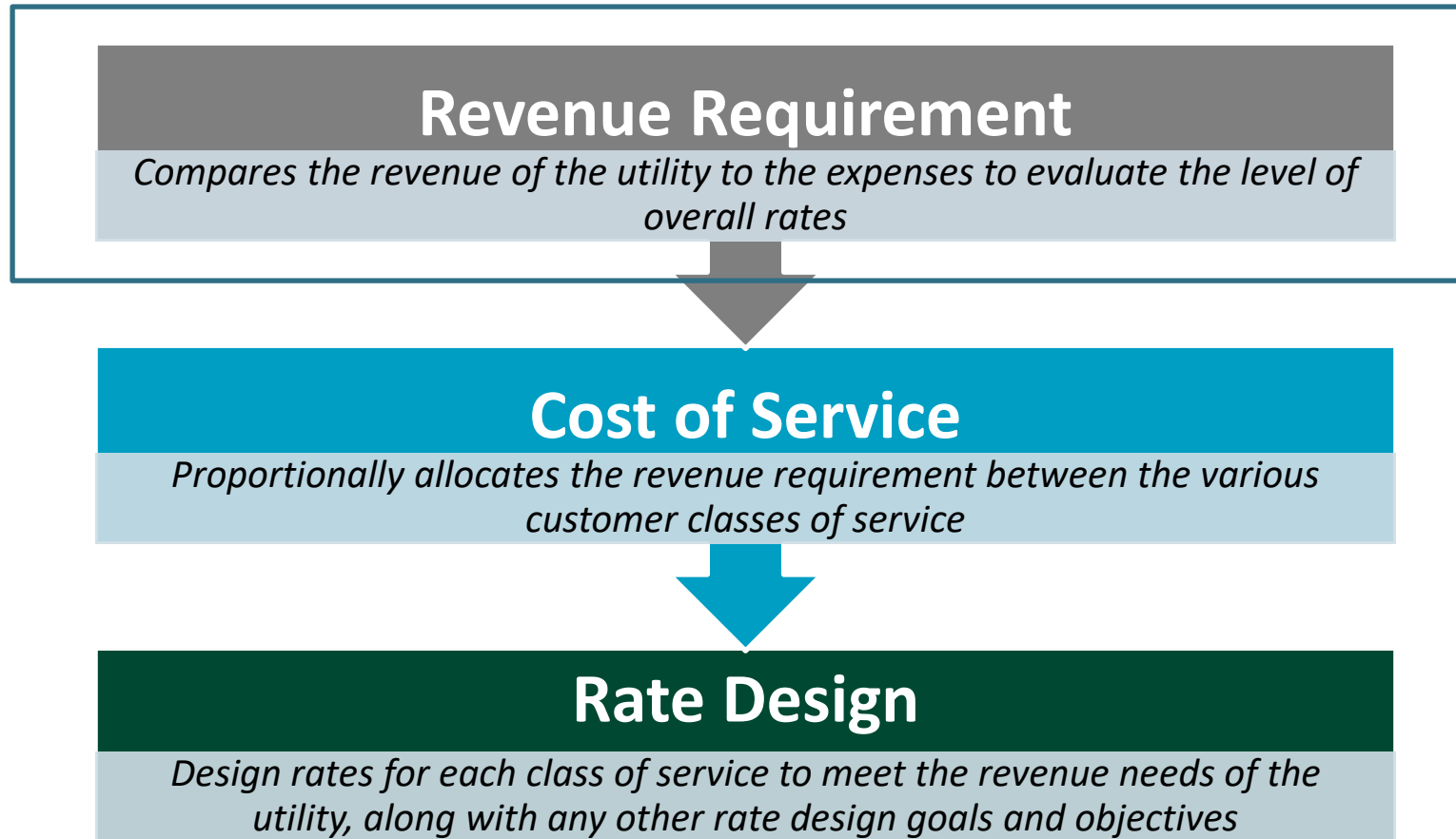
# Purpose of the Study

- Develop an analysis to financially sustain the District's water and wastewater 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





# Revenue Requirement Goals and Objectives

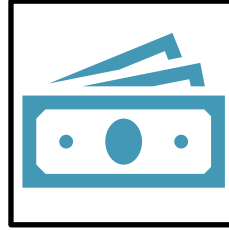


## Adequately fund annual operating costs

Costs continue to increase since the last rate study

District has also been impacted by recent inflationary trends

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

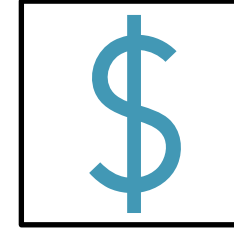


## Providing sufficient capital funding for

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)

# 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

# Prior Rate Study Goals and Outcomes

- Established the G&A fund
  - Property tax funds annual overhead costs
    - Previously included in water and wastewater (primarily wastewater)
  - Transitioned water and wastewater O&M funding away from property tax funding
- Further supported recreation and parks funding through property taxes
- Developed an initial target for capital renewal and replacement funding across all funds
  - Rate funded capital for water and wastewater
  - Property tax funding for other funds
- Updated the water and wastewater rate structure to proportional cost-based levels
  - Established a revised tiered water rate structure
- Updated the water and wastewater connection fees to cost based levels

## Prior Rate Study Goals and Outcomes (Cont'd)

- Resulted in a rate transition plan that was adopted by the Board through a Proposition 218 process

	<b>FY 18/19</b>	<b>FY 19/20</b>	<b>FY 20/21</b>	<b>FY 21/22</b>	<b>FY 22/23</b>	<b>FY 23/24</b>
Water Avg. Bill @ 6,000 gal.	\$65.30	\$78.23	\$80.10	\$81.71	\$83.41	\$85.14
Water % System Adjustment	--	0.0%	2.5%	2.0%	2.0%	2.0%
Wastewater Avg. Bill	\$19.14	\$32.96	\$41.19	\$44.17	\$47.95	\$51.86
Wastewater % System Adjustment	--	90.0%	22.0%	9.0%	9.0%	9.0%

# Prior Key Assumption Discussion

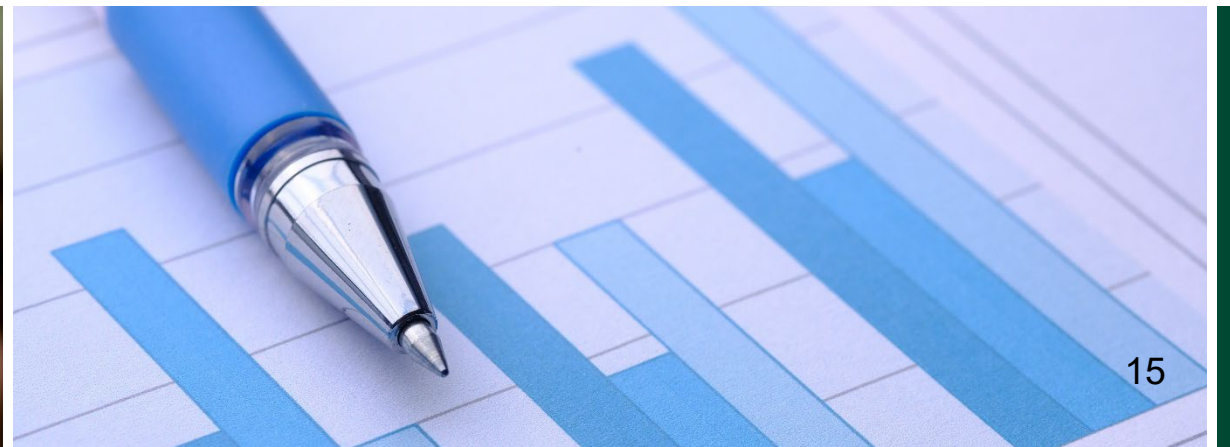
- June 13, 2023 Board Discussion
  - State/Federal Mandate Fee combined with capital charge for proposed rates
  - Review and discussion of proposed escalation factors for Water and Wastewater
  - Annual O&M annual impact ranges from 6.5% in FY 2024-25 declining to 5% in FY 2028-29
- July 19, 2023 Board Discussion
  - Wastewater key assumptions
    - Capital funding approach
    - G&A funding scenarios
      - » Continued funding through property tax revenues
      - » Wastewater allocated G&A funded through wastewater revenues (rates)

# Prior Key Assumption Discussion (Cont'd)

- August 8, 2023 Board Discussion
  - Review of prior rate study goals and outcomes
  - Water key assumptions
    - Capital funding approach – 10-year phased vs. 5-year plan
    - G&A funding scenarios
      - » Continued funding through property tax revenues
      - » Water allocated G&A funded through water revenues (rates)

# Summary of the Key Assumptions

- Review of property tax revenue projection of other Enterprise Funds
  - Currently funding Recreation and Parks, Fleet and Equipment, and G&A/Base
- Summary of the final proposed Water and Wastewater rate alternatives



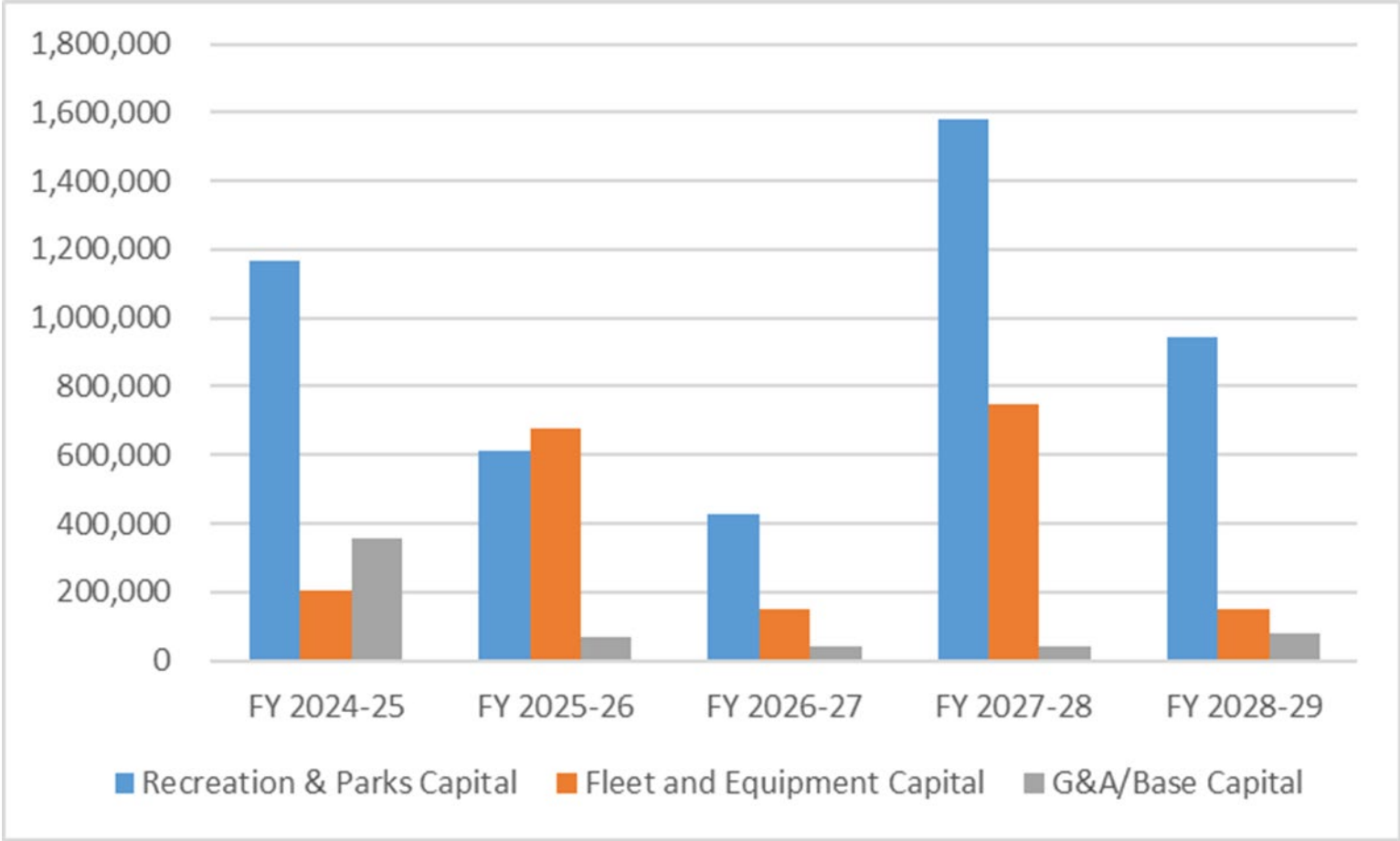
# Development of the Financial Plan for Other Enterprise Funds

- Property tax revenues fund O&M and capital for Recreation and Parks, Fleet and Equipment, and G&A/Base
- Analyzed projections over a ten-year period for the other combined Enterprise Funds
  - Focus is the initial five-year period to determine of property tax revenue requirements
  - Similar to the approach used for water and wastewater
- Starting point was the current budget and capital plans for each fund



# Other Enterprise Fund Capital Plans

- Five-year (FY 24/25-FY 28/29) CIP
  - Recreation and Parks
    - Five-year average - ~\$950,000
    - Five-year total - ~\$4.7 million
  - Fleet and Equipment
    - Five-year average - ~\$385,000
    - Five-year total - ~\$1.9 million
  - G&A/Base
    - Five-year average - ~\$117,000
    - Five-year total - ~\$585,000



# Other Enterprise Five-Year Capital Plans

Description	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	Total Budget
<b>BASE (01-19)</b>						
Base Administration Building Improvements	25,000	25,000	25,000	25,000	25,000	125,000
Administration Building Roof Improvements	250,000					250,000
Pavement Maintenance - Slurry Seal					40,000	40,000
Base Area Site Improvements	30,000					30,000
Electric Vehicle Charging Station		30,000				30,000
	305,000	55,000	25,000	25,000	65,000	475,000
<b>GENERAL &amp; ADMINISTRATIVE (01-19)</b>						
Server and Network Equipment Replacement	50,000	15,000	15,000	15,000	15,000	110,000
	50,000	15,000	15,000	15,000	15,000	110,000
<b>Total Base and G&amp;A</b>	\$ 355,000	\$ 70,000	\$ 40,000	\$ 40,000	\$ 80,000	\$ 1,190,000

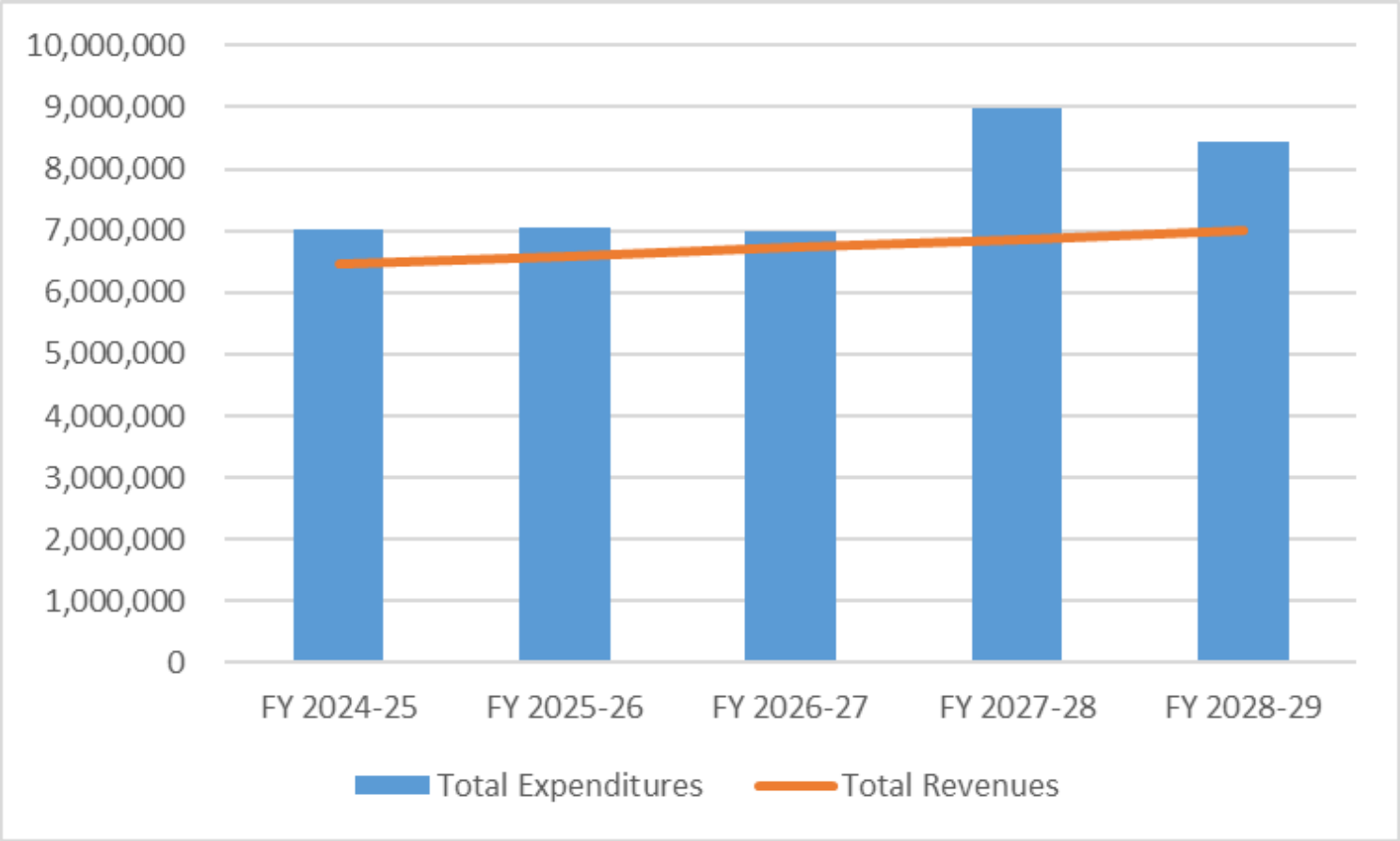
# Other Enterprise Five-Year Capital Plans (Cont'd)

Description	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	Total Budget
<b>FLEET (20-39)</b>						
Mechanical Wheelbarrow	25,000					25,000
11-Yard Vac-Con		600,000				600,000
Compact Loader	180,000					180,000
Crane Truck		75,000				75,000
5-Yard Vac-Con				600,000		600,000
Truck: 1/2 ton 1500HD 4x4 GMC Sierra			75,000			75,000
Truck: 1/2 ton 1500HD 4x4 GMC Sierra			75,000			75,000
Truck: 1/2 ton 1500HD 4x4 GMC Sierra				75,000	75,000	150,000
Truck: 1/2 ton 1500HD 4x4 GMC Sierra				75,000	75,000	150,000
	205,000	675,000	150,000	750,000	150,000	1,930,000

# Other Enterprise Five-Year Capital Plans (Cont'd)

Description	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	Total Budget
<b>Recreation and Parks (80-99)</b>						
Wayfinding and Destination Signage Project *	150,000					150,000
TVRA Dredging Project	400,000					400,000
Regional Park Stairway Rebuild	25,000	200,000				225,000
NTEC - Furnishings, Fixtures and Building Improvements	100,000	100,000	100,000	100,000		400,000
Park Facility Improvements	60,000	60,000	60,000	60,000		240,000
Parks Building Improvements	60,000					60,000
Pavement Maintenance - Slurry Seal	60,000	100,000	100,000	500,000		760,000
Regional Park Bocce & Basketball Courts			50,000	300,000		350,000
Regional Park Parking Management	250,000					250,000
TVRA East End Improvements (Design)	60,000					60,000
Pinedrop Trail Reconstruction (Design)		150,000				150,000
Secline Property Improvements (Design)			60,000			60,000
Regional Park ADA/Parking Improvements at Field #5			60,000	500,000		560,000
Regional Park - Ramada				120,000		120,000
Estimated FY 28/29 (Avg. of prior years)					946,250	946,250
	1,165,000	610,000	430,000	1,580,000	946,250	4,731,250

# Other Enterprise Combined Expenditures (capital & O&M) compared to Other Enterprise Fund Revenues



	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Annual Deficiencies	(\$540,349)	(\$447,305)	(\$266,856)	(\$2,119,868)	(\$1,449,887)

# Summary of the G&A Cost Allocation

- Developed an allocation approach primarily based on operating expenses
- Results in the following allocation of G&A cost

Total	Water	Wastewater	Recreation
100%	37%	36%	27%

- To fully represent the costs of each enterprise, the enterprise's share of G&A O&M and capital costs should be allocated
- **It is then a Board policy discussion/decision to use property tax revenue or rate revenues to fund the G&A portion of each enterprise**

# Final Water and Wastewater Rate Alternatives

- Developed final rate alternatives for each utility (water and wastewater) based on prior discussions with the Board
  - Available funding, after rate adjustments, determines the level of transition to rate funding of allocable G&A costs to each utility (water and wastewater)
- Capital plan reflects discussions with the Board
  - Five-year Wastewater plan as previously proposed
  - Water plan phased over a ten-year period as presented at last meeting

# Final Water and Wastewater Rate Alternatives

- Assumes rate adjustment is the same for each utility for each of the four alternatives
  1. 9% annual adjustment for both water and wastewater
  2. 10% annual adjustment for both water and wastewater
  3. 11% annual adjustment for both water and wastewater
  4. 12% annual adjustment for both water and wastewater
- Phasing and alternatives can be revised further based on Board input



# Available Property Tax Generated by Phase Out from Water and Wastewater

	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	Total
1. 9% Annual Adjustment	\$163,778	\$462,026	\$573,070	\$936,575	\$1,288,337	\$3,423,786
2. 10% Annual Adjustment	\$257,504	\$668,867	\$915,425	\$1,440,270	\$1,983,092	\$5,265,159
3. 11% Annual Adjustment	\$351,231	\$877,597	\$1,264,062	\$1,957,891	\$2,703,576	\$7,154,356
4. 12% Annual Adjustment	\$444,957	\$1,088,217	\$1,619,037	\$2,489,692	\$3,450,496	\$9,092,399
Other Enterprise Fund Annual Deficiencies	(\$540,349)	(\$447,305)	(\$266,856)	(\$2,119,868)	(\$1,449,887)	(\$4,824,265)

# Net Available Property Tax Generated by Phase Out from Water and Wastewater

	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	Total
1. 9% Annual Adjustment	(\$376,571)	\$14,721	\$306,213	(\$1,183,292)	(\$161,550)	(\$1,400,480)
2. 10% Annual Adjustment	(\$282,845)	\$221,562	\$648,569	(\$679,598)	\$533,205	\$440,893
3. 11% Annual Adjustment	(\$189,119)	\$430,292	\$997,206	(\$161,977)	\$1,253,689	\$2,330,091
4. 12% Annual Adjustment	(\$95,392)	\$640,912	\$1,352,181	\$369,824	\$2,000,609	\$4,268,133

# Board Discussion and Direction





## Next Steps

Key assumption Board  
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

- October 2023 review cost of service, rate design, and connection fee alternatives
- November 2023 present study recommendations and rate design
- December 2023 set public hearing date, and develop public notice materials/information
- January/February 2024 public hearing

## Study Goals and Objectives

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

## Study Opportunities

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