

Leland Meadow Water & Sewer District

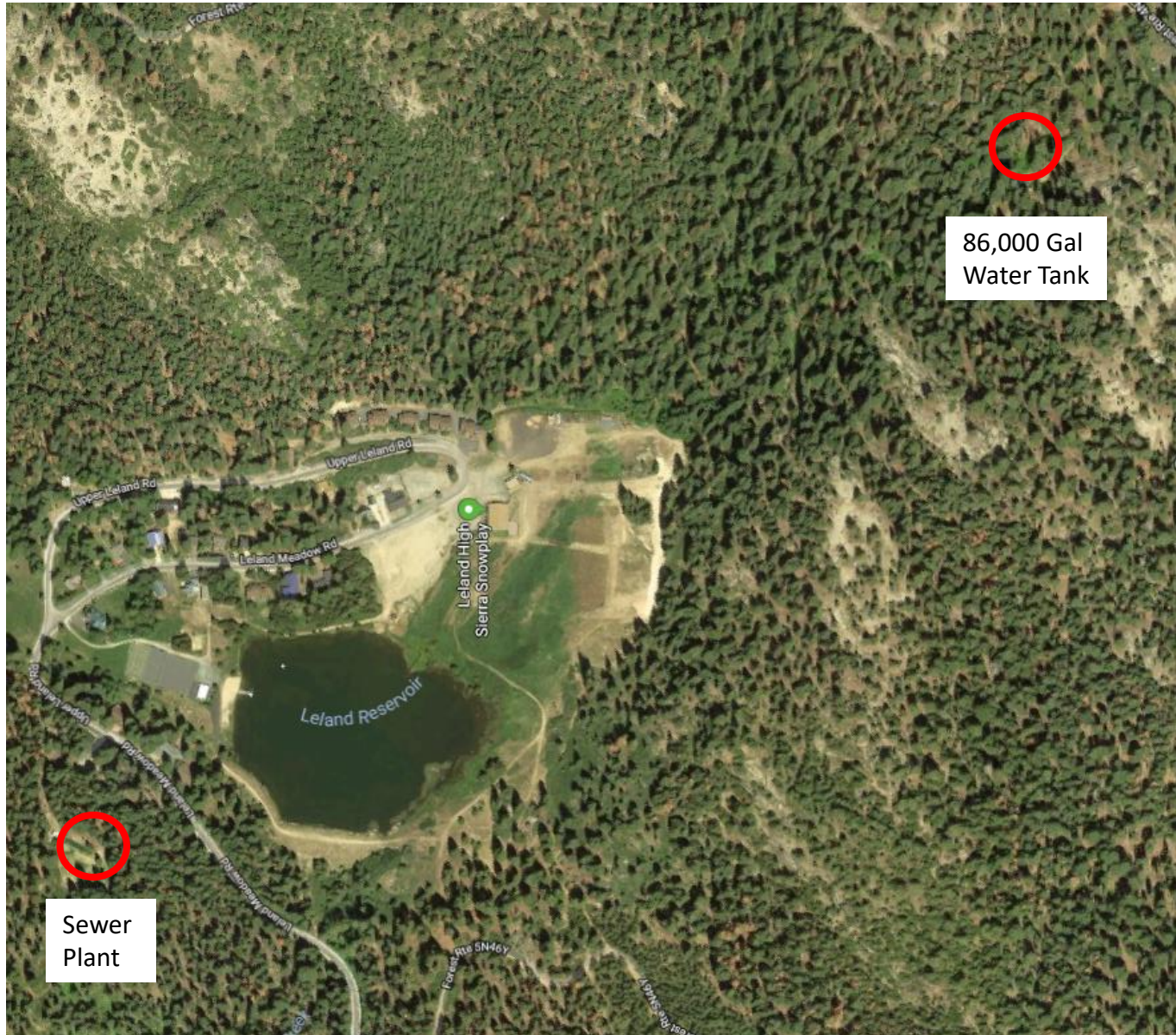
September 1, 2018

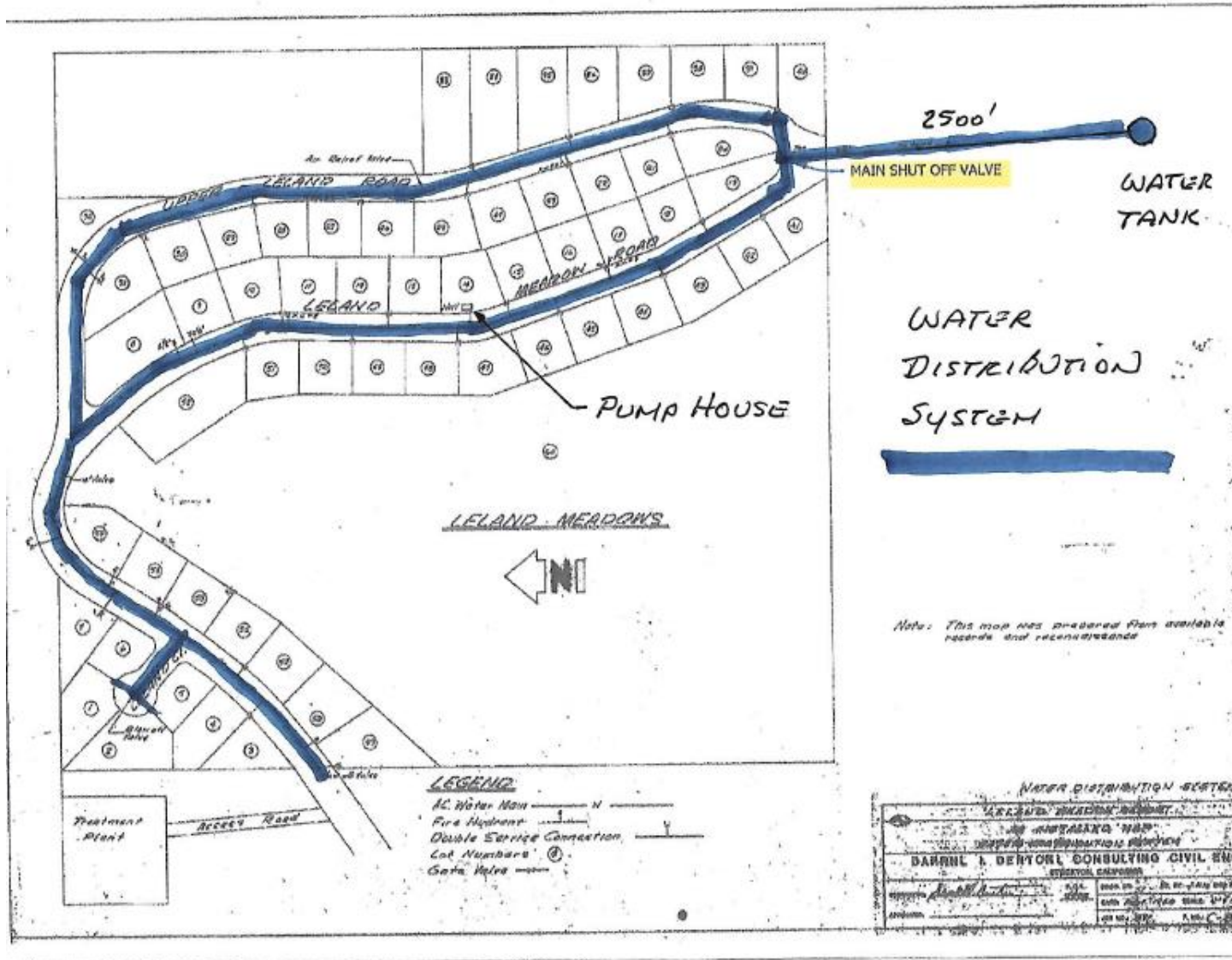
Leland Meadow Water/Sewer District

- Agenda
- Background & Overview
- 2019 Financial Plan
- Long Term Financial Plan
 - Rates from Similar Districts
 - Association Reserves Study
- LMWD Board Recommendations
- California Proposition 218 Process for Rate Increases
- Customer Participation
- Frequently Asked Questions

Leland Meadow Water & Sewer System Background & Overview

- Water & Sewer Infrastructure constructed in 1960s
- Maintained for reliable service
- Improvements:
 - 86,000-gallon water tank
 - Automated water level system
 - Sewer treatment plant & holding ponds
 - Individual customer water meters
 - Sewer Treatment Plant
 - Holding Ponds

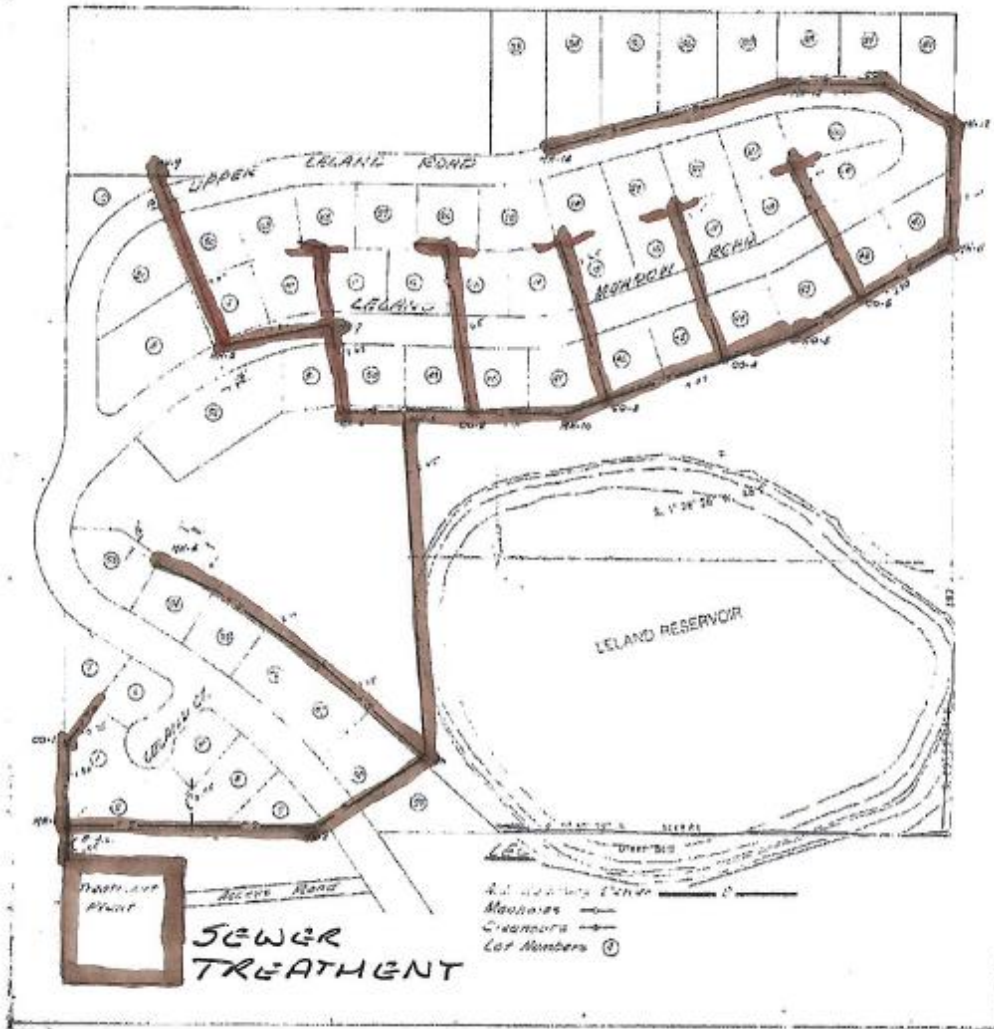




Water System Main Components

- Water Source – groundwater
- 500 feet deep well
- 7.5 horsepower pump
- 7,000 feet of concrete pipe from water source to water tank and to Customers
- 86,000 gallon water tank
- Customer Meters
- Fire hydrants





SEWER SYSTEM

- ### Sewer System Main Components
- 5,500 feet of concrete pipe from Customers to sewer plant
 - Sewer Treatment building holding multi-compartment aeration tank
 - Flows to 3 holding ponds/leach field where is percolated

Note: This map was prepared from available records and field measurements.

SEWERAGE SYSTEM

LELAND RESORT TRACT	
AS INSTALLED MAP OF SEWERAGE SYSTEM	
DARRYL I. DENTON, CONSULTING CIVIL ENGINEER STOCKTON, CALIFORNIA	
DATE: 1964	SCALE: AS SHOWN
PROJECT: LELAND RESORT TRACT	NO. OF SHEETS: 2
SHEET NO.: 1	DATE: 1964



LMWD 2019 Financial Plan

PROJECTED CASH BALANCES AT DECEMBER 31, 2018			
- BALANCE - RESERVE ACCOUNT			42,625
- BALANCE - CHECKING			2,105
TOTAL ESTIMATED CARRY FORWARD BALANCES			44,730
CASH RECEIPTS FOR 2019			
- WATER AND SEWER FEES - (60 CUST. @ \$275/Q)			66,000
- RESERVE ACCT CONTR - (60 CUST. @ \$25/Q)			6,000
TOTAL CASH COLLECTIONS FOR 2019			72,000
SUB TOTAL			116,730
	2019 PLAN	2018 YE PROJECTED	
CASH DISBURSEMENTS FOR 2019			
TOTAL ANNUAL OPERATING EXPENSES	82,400	77,916	
CAPITAL IMPROVEMENTS			
- SEWER PLANT IMPROVEMENTS - WATER LINE AND WALKWAYS IN SEWER PLANT BUILDING			5,000
TOTAL DISBURSEMENTS FOR 2019	\$87,400		
PROJECTED CASH BALANCE AS OF DECEMBER 31, 2019			29,330
- BALANCE - RESERVE ACCOUNT			25,000
- BALANCE - CHECKING ACCOUNT			4,330
			29,330

LMWD Annual Operating Expenses

					2019 PLAN		2018 YE PROJECTED
<u>CASH DISBURSEMENTS FOR 2019</u>							
NORMAL ANNUAL OPERATING EXPENSES							
REGULATORY REQUIREMENTS					13,200		13,468
INSURANCE					3,500		3,062
MAINTENANCE							
- SUPPLY & FIRE SYSTEM - HYDRANTS					25,000		23,176
- SEWER SYSTEM					20,000		19,688
- WATER TANK ROAD					3,000		0
PROFESSIONAL SERVICES					11,700		13,185
MISCELLANEOUS					1,800		1,507
UTILITIES - PG&E - WELL PUMP					1,350		1,223
UTILITIES - PG&E - SEWER PLANT					870		793
UTILITIES - AT&T - PUMP HOUSE & LAND LINE					1,980		1,812
TOTAL ANNUAL OPERATING EXPENSES					82,400		77,916

LMWD Long Term Financial Plan

- Board wants to develop a Long Term Financial Plan
- Gathered Rate Information from similar Water and Water/Sewer Districts
- Hired Association Reserves to perform Reserve Study
- Next Step will be to gather more information and formulate Long Term Plan

Rates from Similar Districts

WATER & SEWER DISTRICTS - MONTHLY FEES

CALAVERAS WATER & SEWER 13,080 Water & 4,848 Wastewater Customers					GROVELAND WATER & SEWER 3,235 Customers					YOSEMITE ESTATES WATER & SEWER 59 Customers			
	WATER	WATER	SEWER	TOTAL	WATER	WATER	SEWER	SEWER	TOTAL	WATER	WATER	SEWER	TOTAL
VOLUME GALLONS	BASE CHG	SUR CHC	BASE CHG		BASE CHG	SUR CHC	BASE CHG	SUR CHC		BASE CHG	RES'VE ASS'NT	BASE CHG	
LM AVG 1035	84.22	1.50	89.96	\$175.68	52.93	7.46	78.85	7.22	\$146.46	50.00	53.00	57.00	\$160.00

WATER DISTRICTS - MONTHLY FEES

STRAWBERRY WATER ONLY 385 Customers				COLD SPRINGS WATER ONLY 530 Customers		
	WATER	WATER	TOTAL	WATER	WATER	TOTAL
VOLUME GALLONS	BASE CHG	SUR CHC		BASE CHG	SUR CHC	
LM AVG 1035	97.52	16.25	\$113.77	41.92	1.38	\$43.30

Association Reserves' Study

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Water System & Pump House				
806	Water Tank - Replace	50	37	\$144,500
925	Pump House - Rehab	25	10	\$3,300
1206	Sand Filter - Replace	18	9	\$4,500
1703	Well - Maintain	30	20	\$16,500
1817	Fire Hydrants - Replace	40	10	\$17,500
1819	Fire Alarm System - Replace	20	6	\$9,000
1833	Control Panels for Pumps - Repl	20	15	\$10,000
1835	Electrical Controls - Replace	20	14	\$18,000
1850	Distribution Lines - Repl (2")	75	21	\$108,100
1850	Distribution Lines - Repl (4")	75	22	\$225,250
1850	Distribution Lines - Repl (6")	75	23	\$405,500
2605	Transmission System - Replace	30	27	\$32,150
2629	Telemetry System - Replace	20	14	\$2,200
Sewer System & Plant Building				
410	Septic Tanks - Replace	30	20	\$17,600
515	Fence - Replace	35	19	\$13,350
925	Sewer Plant Building - Rehab	30	15	\$27,500
1712	Aerator - Replace	15	6	\$10,000
1834	Sewer Lines (4")- Repair/Replace	75	21	\$134,000
1834	Sewer Lines (6")- Repair/Replace	75	22	\$286,000
1834	Sewer Lines (8")- Repair/Replace	75	23	\$110,000
1836	Manhole - Clean/Repair	30	23	\$10,000
1987	Blower - Replace	15	6	\$5,500

- Association Reserves is a recognized industry authority in preparing Reserve Studies for Association-governed communities and districts
- Their costs are based on industry averages and AR's experience with many water and sewer districts, many of them in the Sierras

Association Reserve Study

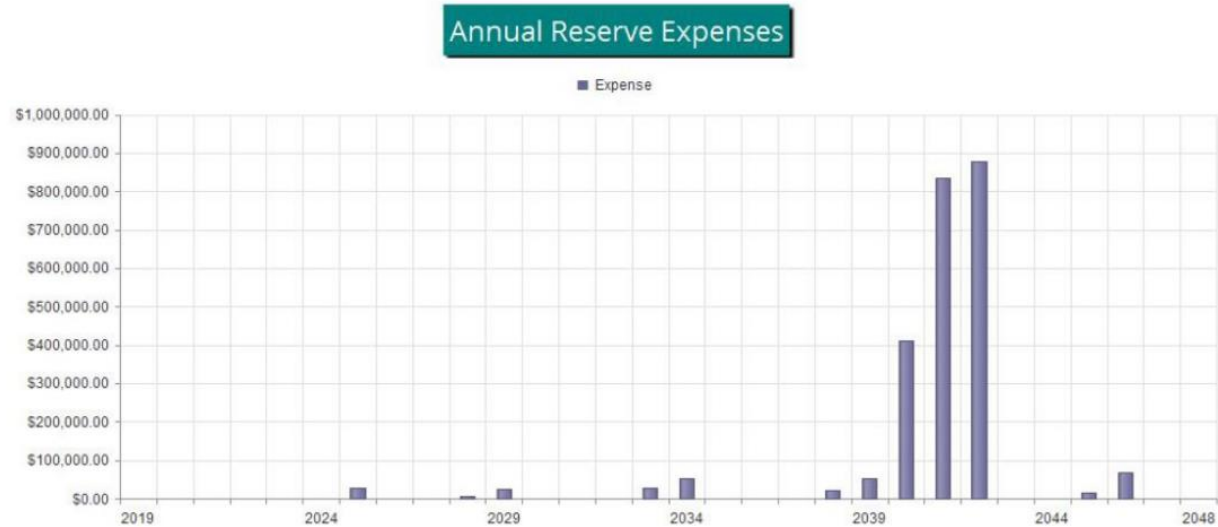


Figure 1

- With proper maintenance the large expenditures related to the concrete pipe are not expected to be needed for 20+ years
- Once replaced, the pipe will be expected to last another 75+ years

Association Reserve Study: Recommendation

30-Year Reserve Plan Summary

35041-0
Full

Fiscal Year Start: 2019	Interest: 1.00 %	Inflation: 2.25 %
Reserve Fund Strength Calculations: (All values of Fiscal Year Start Date)	Projected Reserve Balance Changes	

Year	Starting	Fully	% Increase In Annual	Special Funding Needs Risk	Loan or		Interest	Reserve	
	Reserve Balance	Funded Balance			Percent Funded	Special Funding Needs			Interest Income
2019	\$42,875	\$1,008,862	4.2 %	High	200.00 %	\$18,000	\$0	\$521	\$0
2020	\$61,396	\$1,059,639	5.8 %	High	200.00 %	\$54,000	\$0	\$888	\$0
2021	\$116,284	\$1,112,191	10.5 %	High	4.50 %	\$56,430	\$0	\$1,452	\$0
2022	\$174,166	\$1,166,572	14.9 %	High	4.50 %	\$58,969	\$0	\$2,046	\$0
2023	\$235,181	\$1,222,837	19.2 %	High	4.50 %	\$61,623	\$0	\$2,672	\$0
2024	\$299,476	\$1,281,042	23.4 %	High	4.50 %	\$64,396	\$0	\$3,332	\$0
2025	\$367,204	\$1,341,249	27.4 %	High	4.50 %	\$67,294	\$0	\$3,886	\$27,999
2026	\$410,385	\$1,374,886	29.8 %	High	4.50 %	\$70,322	\$0	\$4,476	\$0
2027	\$485,183	\$1,438,632	33.7 %	Medium	4.50 %	\$73,487	\$0	\$5,243	\$0
2028	\$563,913	\$1,504,550	37.5 %	Medium	4.50 %	\$76,793	\$0	\$6,023	\$5,498
2029	\$641,232	\$1,567,085	40.9 %	Medium	4.50 %	\$80,249	\$0	\$6,714	\$25,983
2030	\$702,212	\$1,610,852	43.6 %	Medium	4.50 %	\$83,860	\$0	\$7,476	\$0
2031	\$793,548	\$1,682,961	47.2 %	Medium	4.50 %	\$87,634	\$0	\$8,412	\$0
2032	\$889,594	\$1,757,500	50.6 %	Medium	4.50 %	\$91,578	\$0	\$9,397	\$0
2033	\$990,568	\$1,834,540	54.0 %	Medium	4.50 %	\$95,699	\$0	\$10,293	\$27,583
2034	\$1,068,977	\$1,885,955	56.7 %	Medium	4.50 %	\$100,005	\$0	\$10,978	\$52,358
2035	\$1,127,603	\$1,914,056	58.9 %	Medium	4.50 %	\$104,505	\$0	\$11,853	\$0
2036	\$1,243,961	\$1,997,208	62.3 %	Medium	4.50 %	\$109,208	\$0	\$13,045	\$0
2037	\$1,366,214	\$2,083,133	65.6 %	Medium	4.50 %	\$114,122	\$0	\$14,298	\$0
2038	\$1,494,635	\$2,171,913	68.8 %	Medium	4.50 %	\$119,258	\$0	\$15,512	\$20,374
2039	\$1,609,030	\$2,242,800	71.7 %	Low	4.50 %	\$124,624	\$0	\$16,523	\$53,213
2040	\$1,696,964	\$2,282,669	74.3 %	Low	4.50 %	\$130,233	\$0	\$15,637	\$411,032
2041	\$1,431,802	\$1,958,552	73.1 %	Low	4.50 %	\$136,093	\$0	\$10,878	\$834,116
2042	\$744,657	\$1,195,547	62.3 %	Medium	1.50 %	\$138,134	\$0	\$3,771	\$876,656
2043	\$9,907	\$372,908	2.7 %	High	1.50 %	\$140,206	\$0	\$804	\$0
2044	\$150,917	\$429,193	35.2 %	Medium	1.50 %	\$142,310	\$0	\$2,231	\$0
2045	\$295,458	\$487,823	60.6 %	Medium	1.50 %	\$144,444	\$0	\$3,613	\$16,051
2046	\$427,464	\$532,462	80.3 %	Low	1.50 %	\$146,611	\$0	\$4,695	\$66,832
2047	\$511,938	\$527,309	97.1 %	Low	1.50 %	\$148,810	\$0	\$5,890	\$0
2048	\$666,639	\$591,527	112.7 %	Low	1.50 %	\$151,042	\$0	\$7,456	\$0

LMWD Board Original Recommendation

- 2 Phased Approach addresses what we know today and develops a long term plan
- Propose immediate \$150/Quarter Rate Increase with Phase 1
 - To address the rising annual operation & maintenance costs
 - Increase contributions to the Reserve Fund
- Thorough evaluation for Long Term Financial Plan in Phase 2

LMWD Board Revised Recommendation

- Over the next several months, the Board will perform a “**Deep Dive**” to investigate and evaluate information and return to Customers with recommendations:
 - Working with professional industry experts, **refine replacement cost estimates and time forecasts** for major water and sewer system components using “best practices”.
 - Working with experts in small water/sewer districts, establish what **methods are available to fund future large capital projects**. Focus on utilizing borrowing to “smooth out” the impact on Customers over the next 75 years.
 - Working with experts in small water/sewer districts, evaluate and analyze our LMWD costs and usage and determine what, if any **usage fees** should be implemented
 - evaluate what costs are variable and related to usage and what costs are fixed
 - evaluate customer usage once we have at least a full year of usage data
 - evaluate what additional regulations or costs may be involved if we add a usage fee
- Board return to Customers when analysis and evaluation complete with recommended proposal for rate adjustments; expect to accomplish in 6 – 9 months.

Proposition 218 & Rate Increases

- If LMWD recommends a rate increase in the future, the District must adhere to requirements voted into law by California Voters in 1996 California Proposition 218 related to any proposed rate increase.
- Prop 218 Required Process
 - The LMWD must prepare a description and justification of the fee increase in a notice that will be mailed to each customer/property owner.
 - The LMWD must conduct a public hearing no sooner than 45 days of the distribution of the notice.
 - Customers can file protests to the fee after the notice is issued (instructions will be included in the notice).
 - Increased fee goes into effect unless a majority of the customer/property owners file written protests opposing the rates before the end of the public hearing.

Need Customer Participation

- Take our Water and Sewer System Driving Tour at 2 pm Today (September 1, 2018)
- Review our Reserve Study and their recommendations
- Offer any experience or expertise on how to minimize future expenditures and how to fund them
- Participate in “Deep Dive” by reviewing information as it is distributed and offer thoughts and suggestions

Frequently Asked Questions (FAQ)

Q: When was our last rate increase?	A: 1/1/12 the rate went to \$300/quarter
Q: Is the current discussion because Operating Expenses are increasing or because future Capital Costs are needed?	A: BOTH!
Q: Is the Board proposing a Rate Increase at our 9/1/18 Meeting?	A: No.
Q: What is the LMWD Board recommending now?	A: The LMWD, with assistance of industry experts is going to perform a “Deep Dive” into our future financial picture and return to the Customers within a few months with a recommendation as needed for rate adjustments.
Q: The Association Reserves study indicates that the water and sewer piping system must be replaced once the system is around 75 years old. Other water districts (San Francisco) have had pipes in service for longer. Will LMWD look at more repairs vs replacing and extending the life of the systems?	A: This aspect of the future financial forecast will be evaluated with the assistance of industry experts employing “best practices”.
Q: Is the water district going to be exploring charging based on usage rather than the flat fee model we have now?	A: Yes. The District is going to be evaluating costs that are variable with usage and those that are not variable with usage to determine if fees should have a usage component.
Q: The Association Reserves study recommends that all future capital expenditures be funded with fees collected from Customers starting immediately. Aren’t there other ways to pay for these large costs?	A: The LMWD will explore and evaluate alternative funding methods including borrowing.
Q: Are we moving to a monthly billing system?	A: Not at present but if Customers would prefer, we could implement a monthly billing system.
Q: When will LMWD return to the Customers with recommendations for rate adjustments:	A: Once the “Deep Dive” is complete, the LMWD Board will return to the Customers, likely within the next 6 – 9 months.
Q: If the LMWD Board returns to the Customers with a recommendation for a rate increase, will there be a vote?	A: LMWD must follow California Prop 218 Regulations which require formal notice and a public hearing for any rate increase. Customers will have the opportunity to protest any fee increase. The increased fee goes into effect unless a majority of the customer/property owners file written protests opposing the rates before the end of the public hearing.

Notes