



**Indian Wells Valley Water District
2024 Rate Study**

Preliminary Findings

Finance Committee Meeting

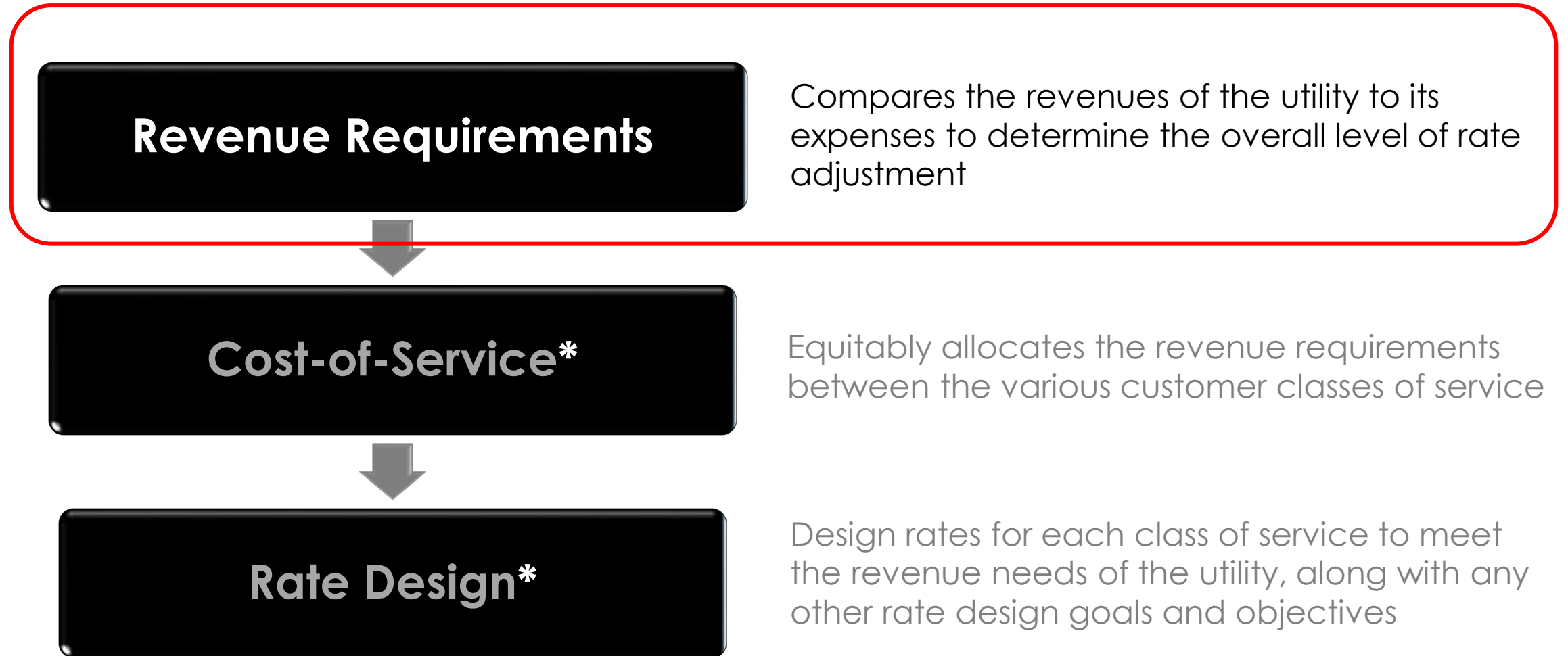
October 8, 2024



Agenda

1. Scope of Work and Objectives
2. Financial Plan Findings
3. Project Schedule

The Rate Setting Process



* Not included in scope of work because findings from last study are still applicable.

Legal Requirements for Setting Water Rates In California

Proposition 218 (Article XIID, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).

Financial Plan

Revenue

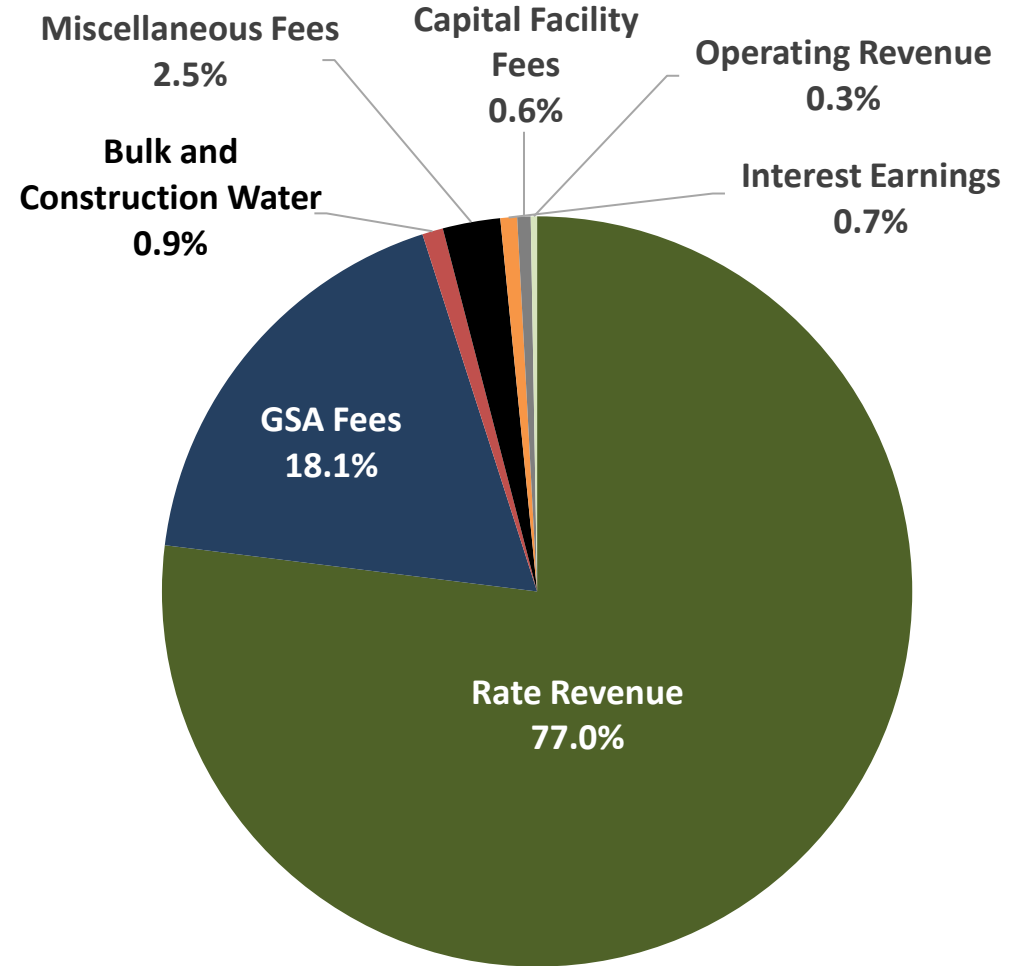
FY2024/25 Budget

Rate Revenue	\$13,357,000
GSA Fees	\$3,139,000
Bulk and Construction Water	\$156,000

Non-Rate Revenue

Miscellaneous Fees	\$430,000
Interest Earnings	\$125,000
Capital Facility Fees	\$100,000
Operating Revenue	\$47,000

Total: \$17,354,000

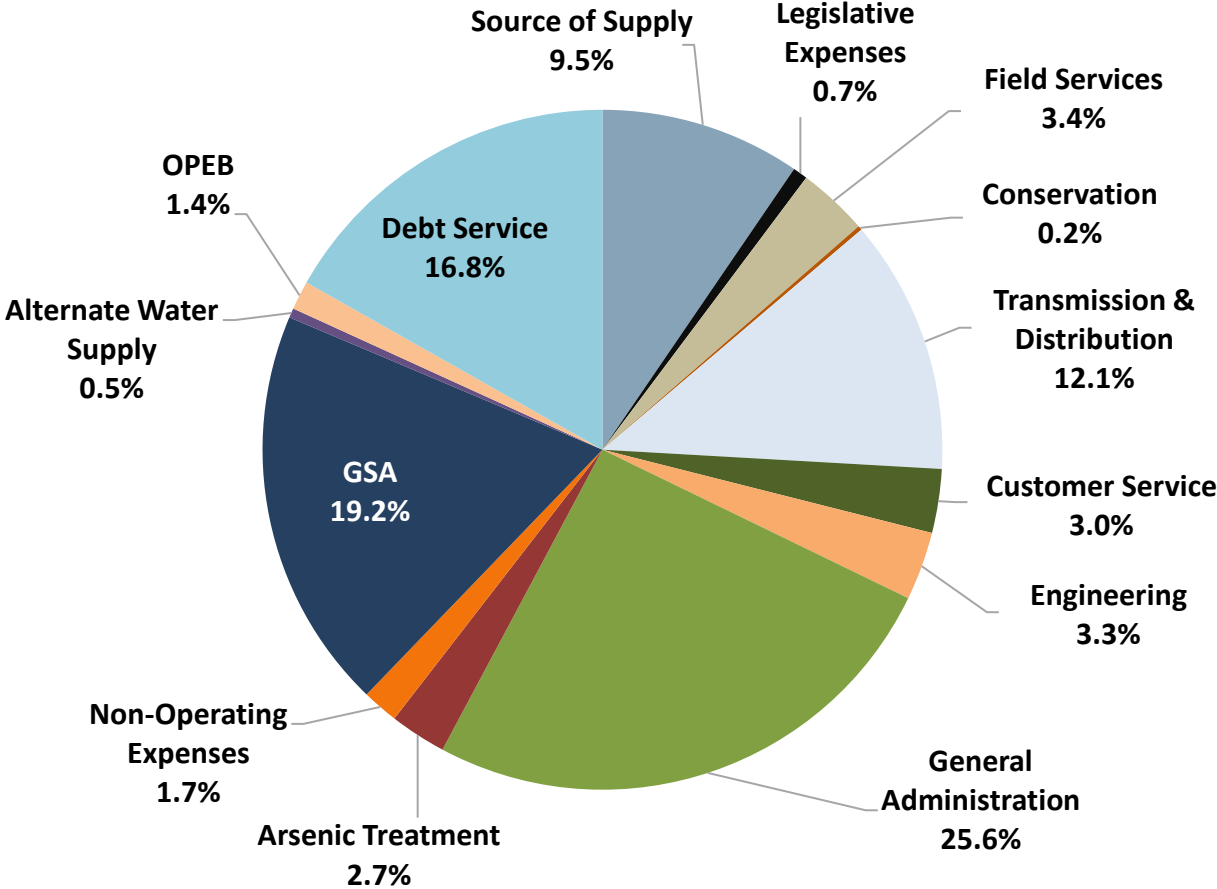


Operating and Debt Expenses

FY2024/25 Budget

Source of Supply	\$1,623,000
Legislative Expenses	\$119,000
Field Services	\$571,000
Conservation	\$34,000
Transmission & Distribution	\$2,062,000
Customer Service	\$517,000
Engineering	\$554,000
General Administration	\$4,358,000
Arsenic Treatment	\$457,000
Non-Operating Expenses	\$293,000
GSA	\$3,261,000
Alternate Water Supply	\$77,000
OPEB	\$233,000
Debt Service	\$2,862,000

Total Budget: \$17,021,000*



* Does not include capital spending. All operating costs are assumed to inflate by 3% per year for the next 10 years.

Reserve Policies

Reserve policies are important for protecting the District against unforeseen circumstances, stabilizing revenue requirements, and contributing towards the District's credit rating. The following reserve targets are proposed by this Study and are consistent with recent District practices.

1. **Operating Reserve**

< 6 month of operating budget (current target: \$5.5 million)

2. **Capital Improvement Reserve**

Target: \$10.8 million (cost of one well, one booster station and one storage tank)

3. **Vehicle Reserve**

Policy: \$350,000

4. **Computer Replacement Reserve**

Policy: \$100,000

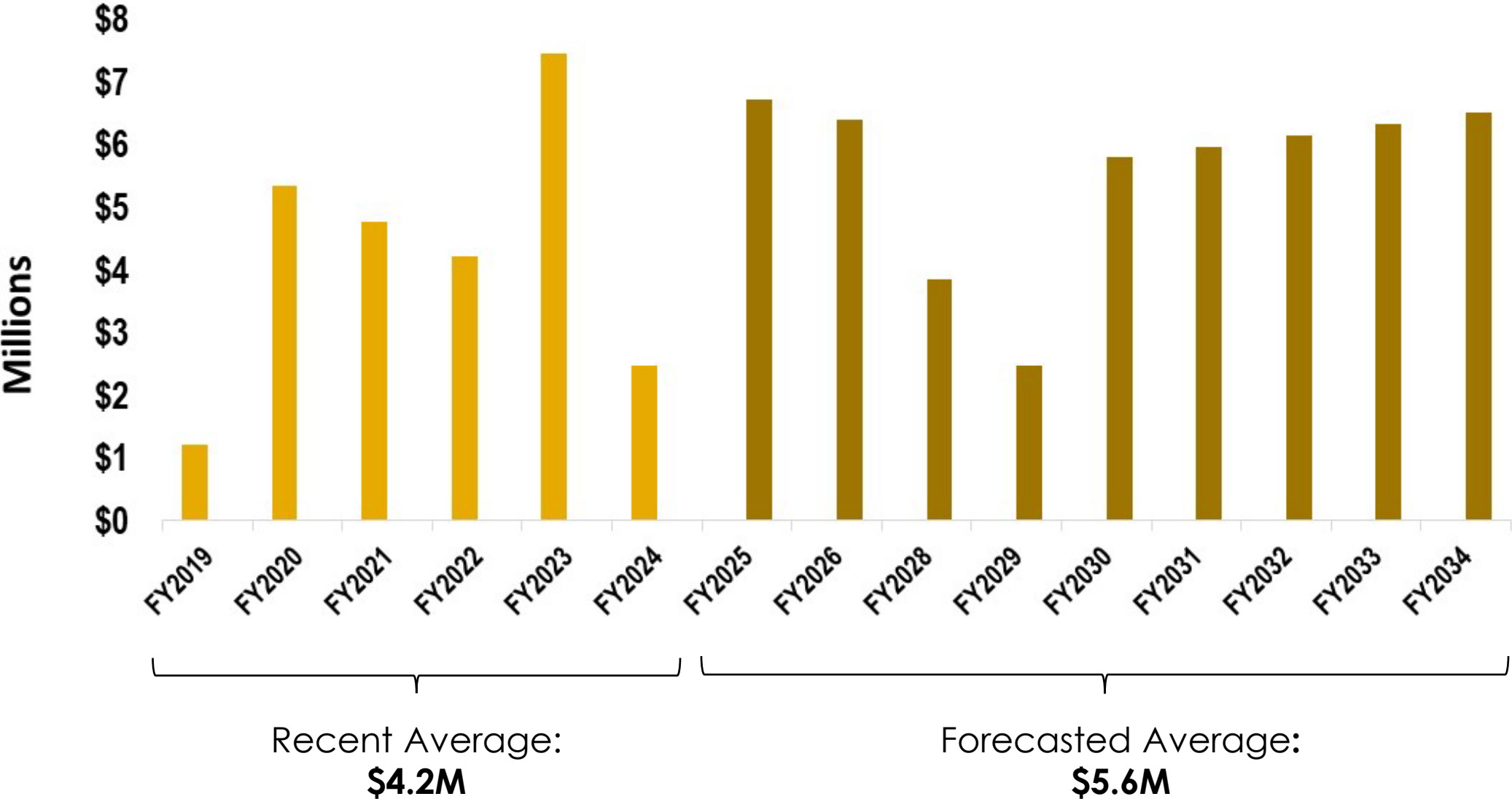
Capital Projects

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<u>Water Supply</u>					
Well Rehabilitation		\$300,000	\$300,000	\$300,000	\$300,000
New Well Development					
Miscellaneous Water Supply	\$145,000	\$1,167,500	\$1,097,500	\$1,035,000	\$110,000
TOTAL WATER SUPPLY	\$145,000	\$1,467,500	\$1,397,500	\$1,335,000	\$410,000
<u>Transmission and Distribution</u>					
Springer 24" Line		\$3,400,000			
Bowman 30"					
La Mirage Mainline Replacements			\$1,375,000	\$1,375,000	\$1,375,000
Inyokern 30"	\$6,000,000				
Miscellaneous T&D	\$216,500	\$691,500	\$516,500	\$266,500	\$266,500
TOTAL TRANSMISSION & DISTRIBUTION	\$6,216,500	\$4,091,500	\$1,891,500	\$1,641,500	\$1,641,500
TOTAL TECH	\$22,000	\$115,000	\$30,000	\$15,000	\$15,000
TOTAL GENERAL PLANT	\$35,000	\$535,000	\$625,000	\$545,000	\$145,000
TOTAL FUTURE SOURCE OF SUPPLY	\$314,000	\$0	\$0	\$0	\$0
TOTAL CAPITAL PROGRAM:	\$6.7M	\$6.2M	\$3.9M	\$3.5M	\$2.2M

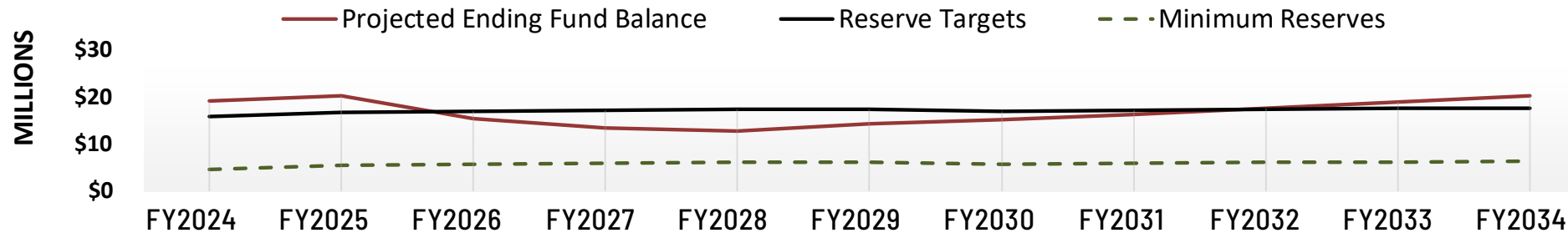
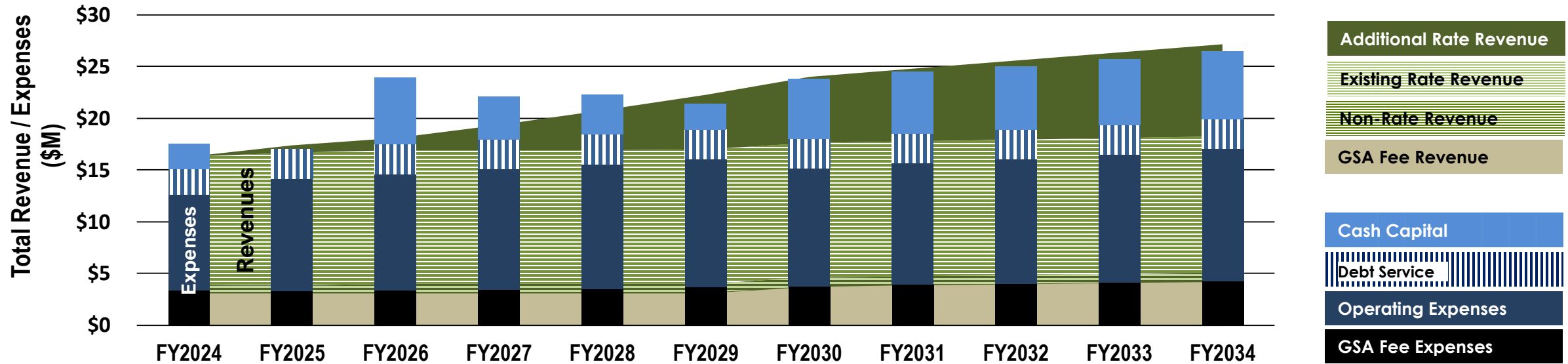
* All costs expressed in 2024 dollars

* Annual capital spending starting in FY2030 are assumed to be \$5.0 million (in 2024 dollars)

Projected Capital Spending



Cash Flow Forecast based on Proposed Rate Increases



	Proposed*					Projected				
Rate Revenue Increase:	12.0%**	8.0%	8.0%	8.0%	8.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Debt Coverage Ratio: 1.12 1.53 1.81 2.10 2.44 3.33 3.44 3.57 3.69 3.78

Net Debt Proceeds:

* First proposed rate increases to be effective February 1 of 2025; subsequent rate increase will be on January 1.

** Replaces previously approved rate increase of 8% on January 1, 2025.

2022 Financial Plan vs. Current Financial Plan

Volumetric Revenue:

- Total annual water usage during the 2022 Study was 2.43M HCF, which we assumed would remain the same.
- Total annual water usage in FY2024 was 2.17M HCF, a 10.5% decrease.
- This decrease has yielded a 19.4% shortfall in revenue.

CIP spending from FY2025 through FY2029:

- 2022 Financial Plan assumed \$16.0M
- Current Financial Plan assumes \$23.7M (\$7.7M increase, or 48%)

Operating Costs:

- Operating costs through FY2024 have been similar to those projected by the 2022 Financial Plan
- The budgeted operating costs in FY2025 have jumped by 13% (compared to a 3% increase forecasted by the 2022 Study)

Future Recycled Water Treatment Plant Project

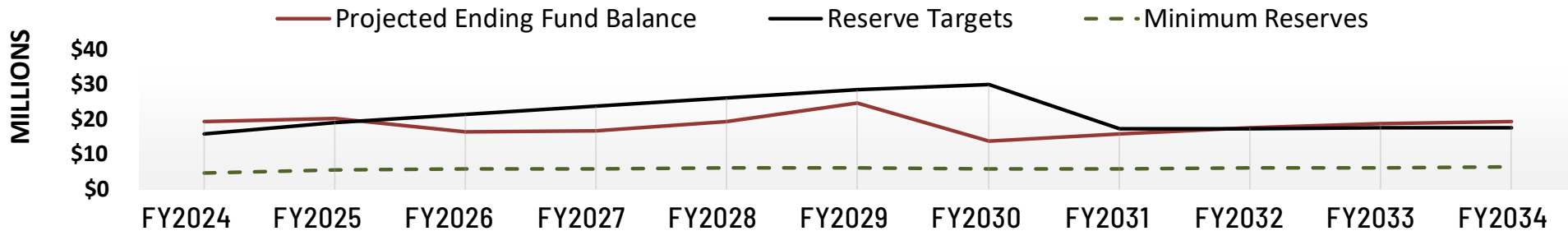
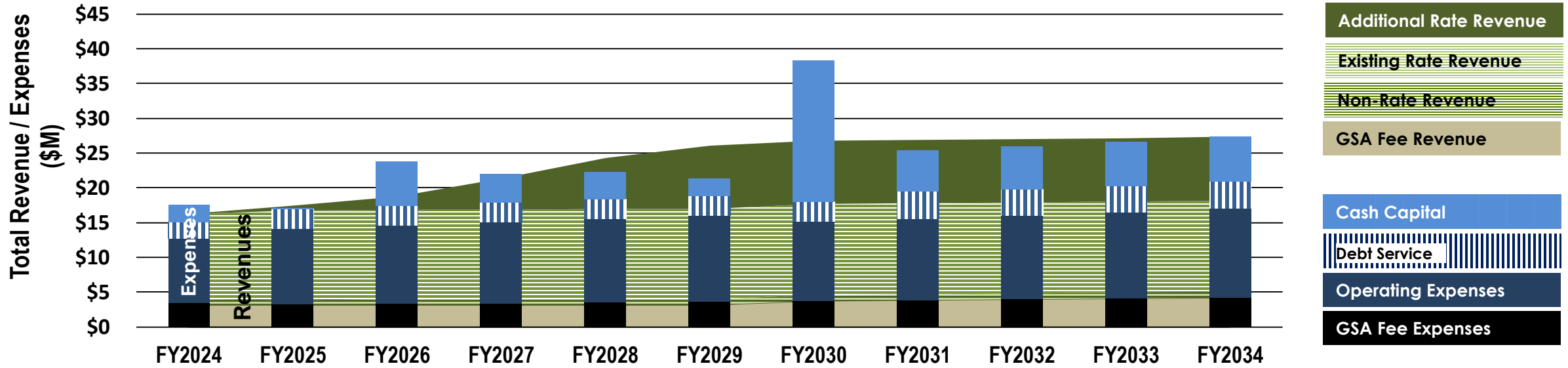
Estimated Project Numbers:

- Project Start: 2030
- Cost: \$100M
- Funding:
 - 75% paid by outside funding (grants, etc.)
 - Remaining \$25M will be half financed and half cash-funded

The RWTP project costs were not included in the current financial plan because there are too many unknowns regarding costs and timing.

The following slide shows the *estimated* rate impact if the above costs were included in the financial plan.

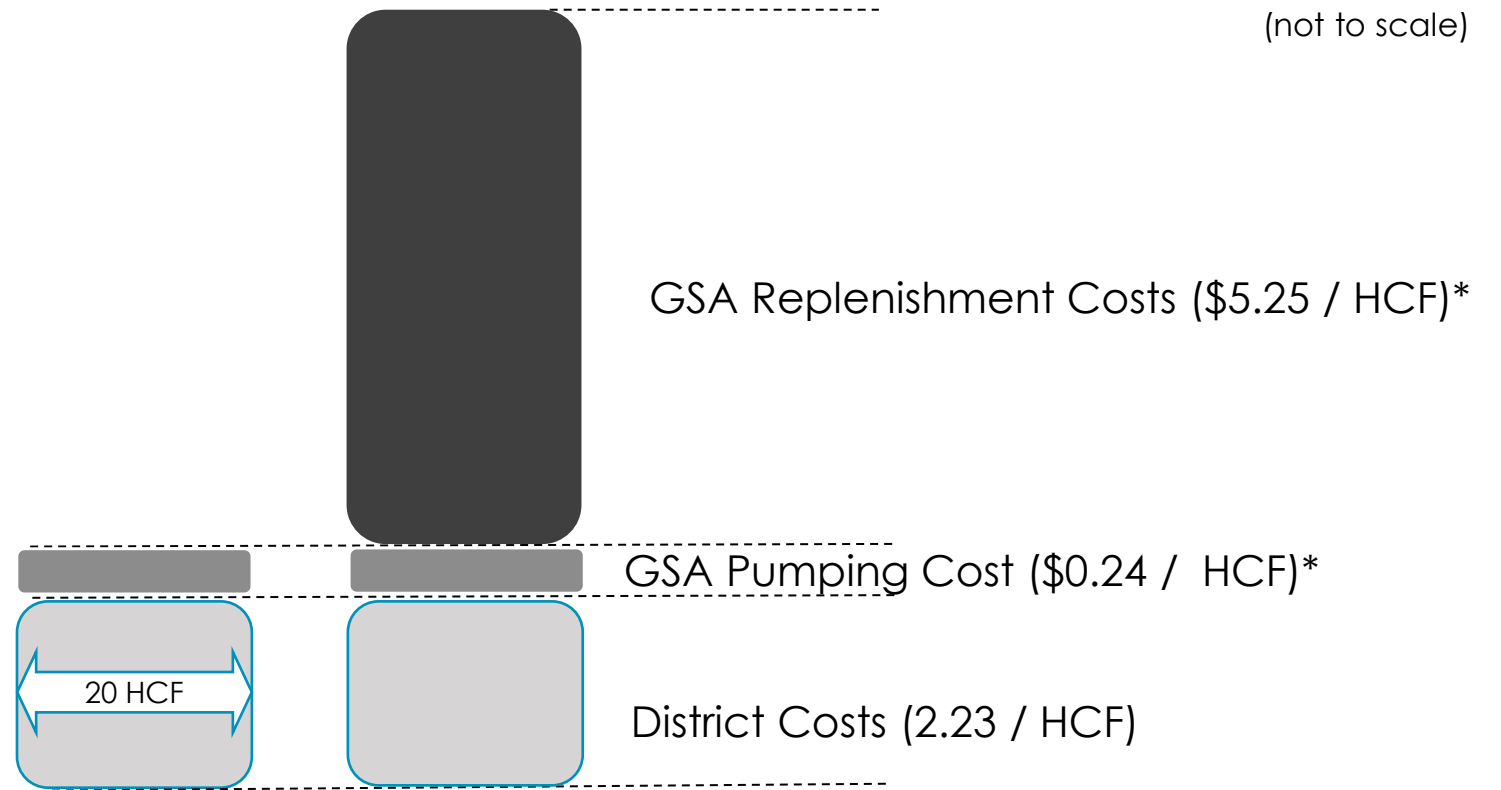
Cash Flow Forecast including \$13M reserve for future RWTP by 2030 (estimate only)



	Proposed					Projected				
Rate Revenue Increase:	15.0%	15.0%	15.0%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Coverage Ratio:	1.17	1.85	2.55	3.35	3.72	4.25	3.13	3.07	2.98	2.88
Net Debt Proceeds:						\$14.5M				

Year 1 Commodity Rates

(not to scale)



	Tier 1	Tier 2
Proposed:	\$2.47	\$7.72
Current:	\$2.23	\$7.48
Change:	10.8%	3.2%

Percent of water sales: 76% 24%

PROPOSED RATE SCHEDULE (1 of 3)

CURRENT

Commodity Charges (per HCF)

	District Rates	GSA Extraction Fee	GSA Replenishment	Total
Tier 1	\$1.99	\$0.24	\$0.00	\$2.23
Tier 2	\$1.99	\$0.24	\$5.25	\$7.48

Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$38.19	\$11.10	\$49.29
1"	\$58.57	\$18.50	\$77.07
1 1/2"	\$109.50	\$37.01	\$146.51
2"	\$170.63	\$59.22	\$229.85
3"	\$333.64	\$118.42	\$452.06
4"	\$517.03	\$185.04	\$702.07
6"	\$1,026.42	\$370.08	\$1,396.50
8"	\$1,637.70	\$592.13	\$2,229.83
10"	\$2,350.87	\$851.18	\$3,202.05

Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.29
Zone C	\$0.54
Zone D	\$0.83
Zone E	\$1.12

Private Fire Service

Meter Size	Monthly Charge
1"	\$2.04
2"	\$12.65
3"	\$36.71
4"	\$78.20
6"	\$227.18
8"	\$484.14
10"	\$870.65

Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$241.03
Volumetric Unit Rate (per HCF):	\$7.48

* May be pro-rated for partial months.

Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$37.66
Volumetric Charge (per HCF):	\$7.51

Effective February 1, 2025

Commodity Charges (per HCF)

	District Commodity Rate	GSA Extraction Fee	GSA Replenishment Fee	Total
Tier 1	\$2.23	\$0.24	\$0.00	\$2.47
Tier 2	\$2.23	\$0.24	\$5.25	\$7.72

Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$42.77	\$12.43	\$55.20
1"	\$65.60	\$20.72	\$86.32
1 1/2"	\$122.64	\$41.45	\$164.09
2"	\$191.11	\$66.33	\$257.44
3"	\$373.68	\$132.63	\$506.31
4"	\$579.07	\$207.24	\$786.31
6"	\$1,149.59	\$414.49	\$1,564.08
8"	\$1,834.22	\$663.19	\$2,497.41
10"	\$2,632.97	\$953.32	\$3,586.29

Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.32
Zone C	\$0.60
Zone D	\$0.93
Zone E	\$1.25

Private Fire Service

Meter Size	Monthly Charge
1"	\$2.28
2"	\$14.17
3"	\$41.12
4"	\$87.58
6"	\$254.44
8"	\$542.24
10"	\$975.13

Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$269.95
Volumetric Unit Rate (per HCF):	\$8.37

* May be pro-rated for partial months.

Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$42.18
Volumetric Charge (per HCF):	\$8.41

PROPOSED RATE SCHEDULE (2 of 3)

Effective January 1, 2026

Commodity Charges (per HCF)

	District Commodity Rate	GSA Extraction Fee	GSA Replenishment Fee	Total
Tier 1	\$2.41	\$0.24	\$0.00	\$2.65
Tier 2	\$2.41	\$0.24	\$5.25	\$7.90

Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$46.19	\$13.42	\$59.61
1"	\$70.85	\$22.38	\$93.23
1 1/2"	\$132.45	\$44.77	\$177.22
2"	\$206.40	\$71.64	\$278.04
3"	\$403.57	\$143.24	\$546.81
4"	\$625.40	\$223.82	\$849.22
6"	\$1,241.56	\$447.65	\$1,689.21
8"	\$1,980.96	\$716.25	\$2,697.21
10"	\$2,843.61	\$1,029.59	\$3,873.20

Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.35
Zone C	\$0.65
Zone D	\$1.00
Zone E	\$1.35

Private Fire Service

Meter Size	Monthly Charge
1"	\$2.46
2"	\$15.30
3"	\$44.41
4"	\$94.59
6"	\$274.80
8"	\$585.62
10"	\$1,053.14

Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$291.55
Volumetric Unit Rate (per HCF):	\$9.04

* May be pro-rated for partial months.

Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$45.55
Volumetric Charge (per HCF):	\$9.08

Effective January 1, 2027

Commodity Charges (per HCF)

	District Commodity Rate	GSA Extraction Fee	GSA Replenishment Fee	Total
Tier 1	\$2.60	\$0.24	\$0.00	\$2.84
Tier 2	\$2.60	\$0.24	\$5.25	\$8.09

Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$49.89	\$14.49	\$64.38
1"	\$76.52	\$24.17	\$100.69
1 1/2"	\$143.05	\$48.35	\$191.40
2"	\$222.91	\$77.37	\$300.28
3"	\$435.86	\$154.70	\$590.56
4"	\$675.43	\$241.73	\$917.16
6"	\$1,340.88	\$483.46	\$1,824.34
8"	\$2,139.44	\$773.55	\$2,912.99
10"	\$3,071.10	\$1,111.96	\$4,183.06

Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.38
Zone C	\$0.70
Zone D	\$1.08
Zone E	\$1.46

Private Fire Service

Meter Size	Monthly Charge
1"	\$2.66
2"	\$16.52
3"	\$47.96
4"	\$102.16
6"	\$296.78
8"	\$632.47
10"	\$1,137.39

Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$314.87
Volumetric Unit Rate (per HCF):	\$9.76

* May be pro-rated for partial months.

Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$49.19
Volumetric Charge (per HCF):	\$9.81

PROPOSED RATE SCHEDULE (3 of 3)

Effective January 1, 2028

Commodity Charges (per HCF)

	District Commodity Rate	GSA Extraction Fee	GSA Replenishment Fee	Total
Tier 1	\$2.81	\$0.24	\$0.00	\$3.05
Tier 2	\$2.81	\$0.24	\$5.25	\$8.30

Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$53.88	\$15.65	\$69.53
1"	\$82.64	\$26.10	\$108.74
1 1/2"	\$154.49	\$52.22	\$206.71
2"	\$240.74	\$83.56	\$324.30
3"	\$470.73	\$167.08	\$637.81
4"	\$729.46	\$261.07	\$990.53
6"	\$1,448.15	\$522.14	\$1,970.29
8"	\$2,310.60	\$835.43	\$3,146.03
10"	\$3,316.79	\$1,200.92	\$4,517.71

Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.41
Zone C	\$0.76
Zone D	\$1.17
Zone E	\$1.58

Private Fire Service

Meter Size	Monthly Charge
1"	\$2.87
2"	\$17.84
3"	\$51.80
4"	\$110.33
6"	\$320.52
8"	\$683.07
10"	\$1,228.38

Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$340.06
Volumetric Unit Rate (per HCF):	\$10.54

* May be pro-rated for partial months.

Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$53.13
Volumetric Charge (per HCF):	\$10.59

Effective January 1, 2029

Commodity Charges

	District Commodity Rate	GSA Extraction Fee	GSA Replenishment Fee	Total
Tier 1	\$3.03	\$0.24	\$0.00	\$3.27
Tier 2	\$3.03	\$0.24	\$5.25	\$8.52

Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$58.19	\$16.90	\$75.09
1"	\$89.25	\$28.19	\$117.44
1 1/2"	\$166.85	\$56.40	\$223.25
2"	\$260.00	\$90.24	\$350.24
3"	\$508.39	\$180.45	\$688.84
4"	\$787.82	\$281.96	\$1,069.78
6"	\$1,564.00	\$563.91	\$2,127.91
8"	\$2,495.45	\$902.26	\$3,397.71
10"	\$3,582.13	\$1,296.99	\$4,879.12

Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.44
Zone C	\$0.82
Zone D	\$1.26
Zone E	\$1.71

Private Fire Service

Meter Size	Monthly Charge
1"	\$3.10
2"	\$19.27
3"	\$55.94
4"	\$119.16
6"	\$346.16
8"	\$737.72
10"	\$1,326.65

Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$367.26
Volumetric Unit Rate (per HCF):	\$11.38

* May be pro-rated for partial months.

Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$57.38
Volumetric Charge (per HCF):	\$11.44

Schedule

1. Present preliminary recommendations to Finance Committee – October 8 ✓
2. Present preliminary recommendations to Board – October 15
3. Present final recommendations to Board – TBD
4. Deadline to mail Prop 218 Notices – TBD
5. Hold Public Hearing – TBD
6. Implement Rates – February 1, 2024