



BOARD FINANCE COMMITTEE MEETING
WEDNESDAY, MARCH 15, 2023, at 11:00AM
1075 OLD COUNTY ROAD, BELMONT, CALIFORNIA

AGENDA

1. Call to Order

A. Roll Call

2. Public Comment

Members of the public may address the Board on the Consent Agenda or any item of interest within the jurisdiction of the Board but not on its agenda today. In compliance with the Brown Act, the Board cannot discuss or act on items not on the agenda. Please complete a speaker's form and give it to the District Secretary. Each speaker is limited to three (3) minutes.

3. Discuss water revenue requirement and potential for Proposition 218 protest hearing process for an SFPUC pass-through rate adjustment for FY 2023/2024.

4. Review proposed schedule for Finance Committee meetings in 2023.

5. Adjournment

This agenda was posted at the Mid-Peninsula Water District's office, 1075 Old County Road, in Belmont, California, and on its website at www.midpeninsulawater.org.

ACCESSIBLE PUBLIC MEETINGS

Upon request, the Mid-Peninsula Water District will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation (including auxiliary aids or services), to enable individuals with disabilities to participate in public meetings and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested. Requests should be sent to the Interim General Manager y at (650) 591-8941 or rramirez@midpennsulawater.org. Requests must be received at least two days before the meeting. Requests will be granted whenever possible and resolved in favor of accessibility.



DATE: March 15, 2023
TO: MPWD Finance Committee
FROM: Rene A. Ramirez, Interim General Manager
RE: Water Revenue Requirement for FY 2023/2024 and Recommendation Potential for an SFPUC Pass-Through Rate Adjustment Effective July 1, 2023

MEMORANDUM

Attached for discussion are excerpts of financial slides from the SFPUC Annual Wholesale Customer meeting held on February 16, 2023. It is anticipated that the SFPUC will formally notify all Wholesale Customers by the end of March 2023 of a proposed rate adjustment needed for fiscal year 2023/24 (effective July 1, 2023). Right now, the rate adjustment is projected to be 11.6%. You will see in the slides the SFPUC is currently projecting no rate increases over three fiscal years between 2024/25 through 2026/27, and a 4.5% rate increase in fiscal year 2027/28.

Since the MPWD is outside of a rate plan that is in compliance with Proposition 218, staff will be recommending that process for the projected 11.6% rate increase for our fiscal year 2023/24 beginning on July 1, 2023.

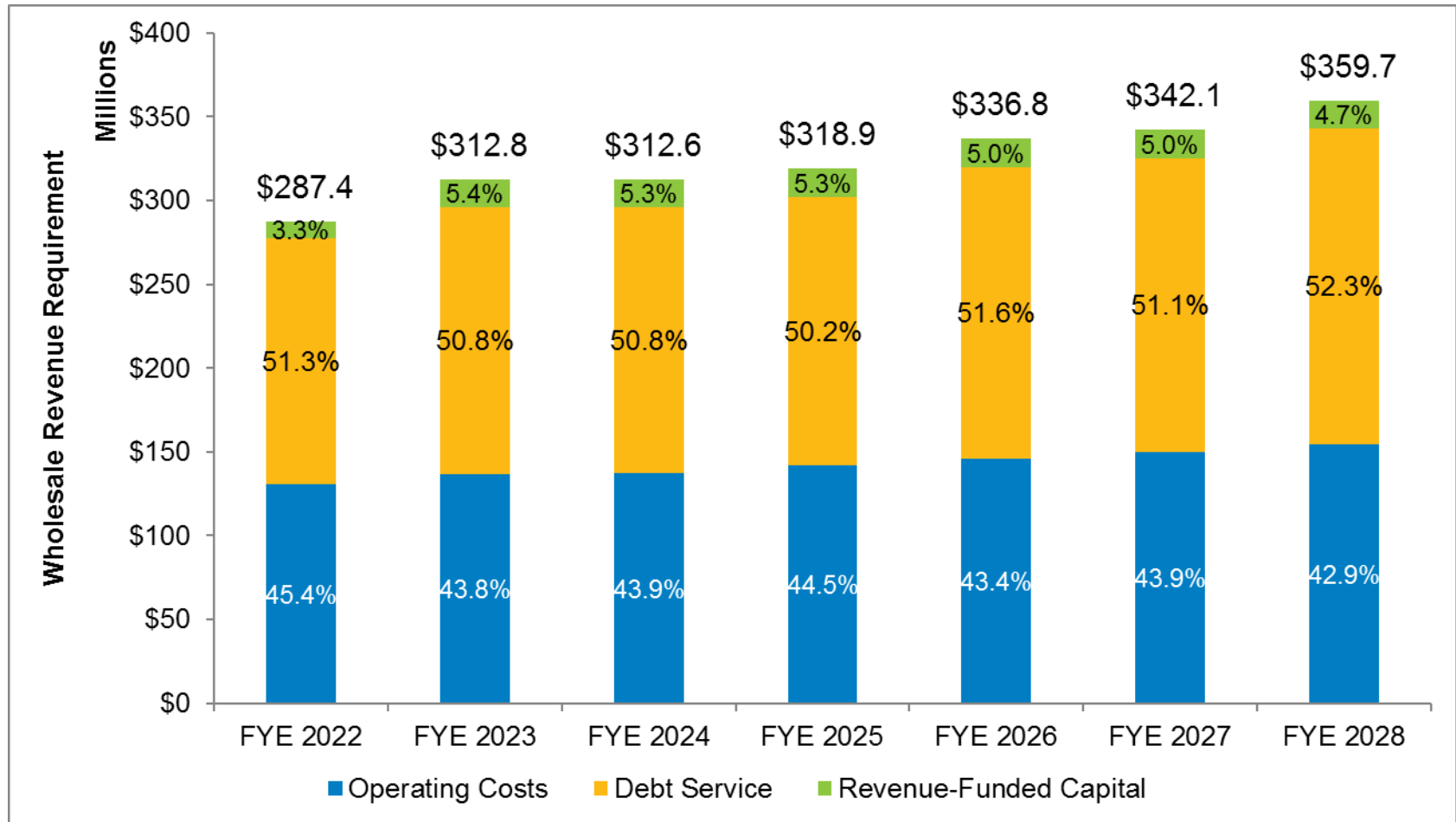
Drivers of Wholesale Rates

Wholesale Rate =

$$\frac{\text{Wholesale Revenue Requirement} \pm \text{Balancing Account}}{\text{Wholesale Volumes}}$$

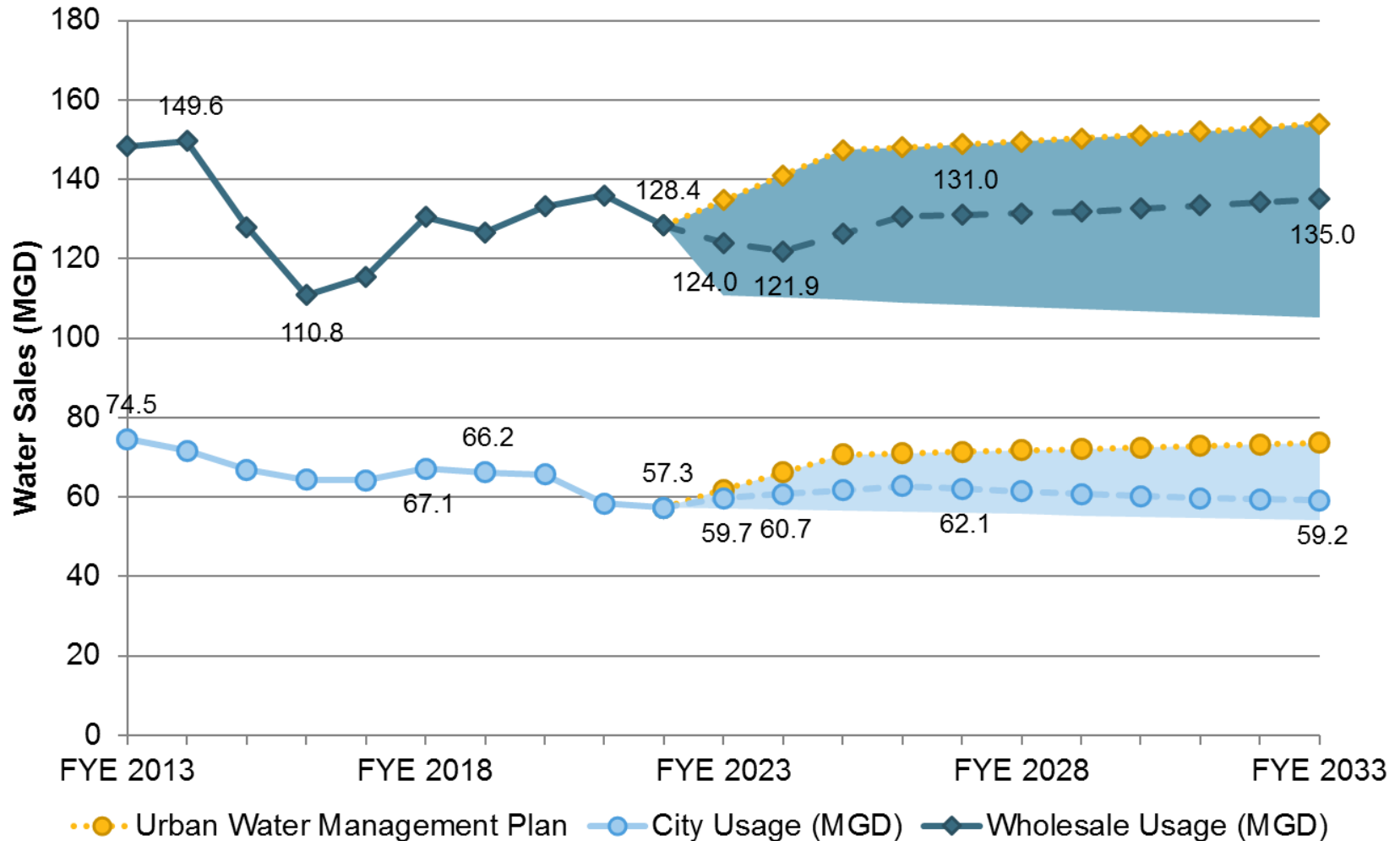
- 1) Wholesale Revenue Requirement set based on Adopted Budget
 - Increasing operating and debt service expenses
- 2) Water Sales Volumes Still Low
 - Drought impact
 - Covid-19 recovery
- 3) Balancing Account
 - Fully repaid by end of FYE 2023

Wholesale Share of Expenses



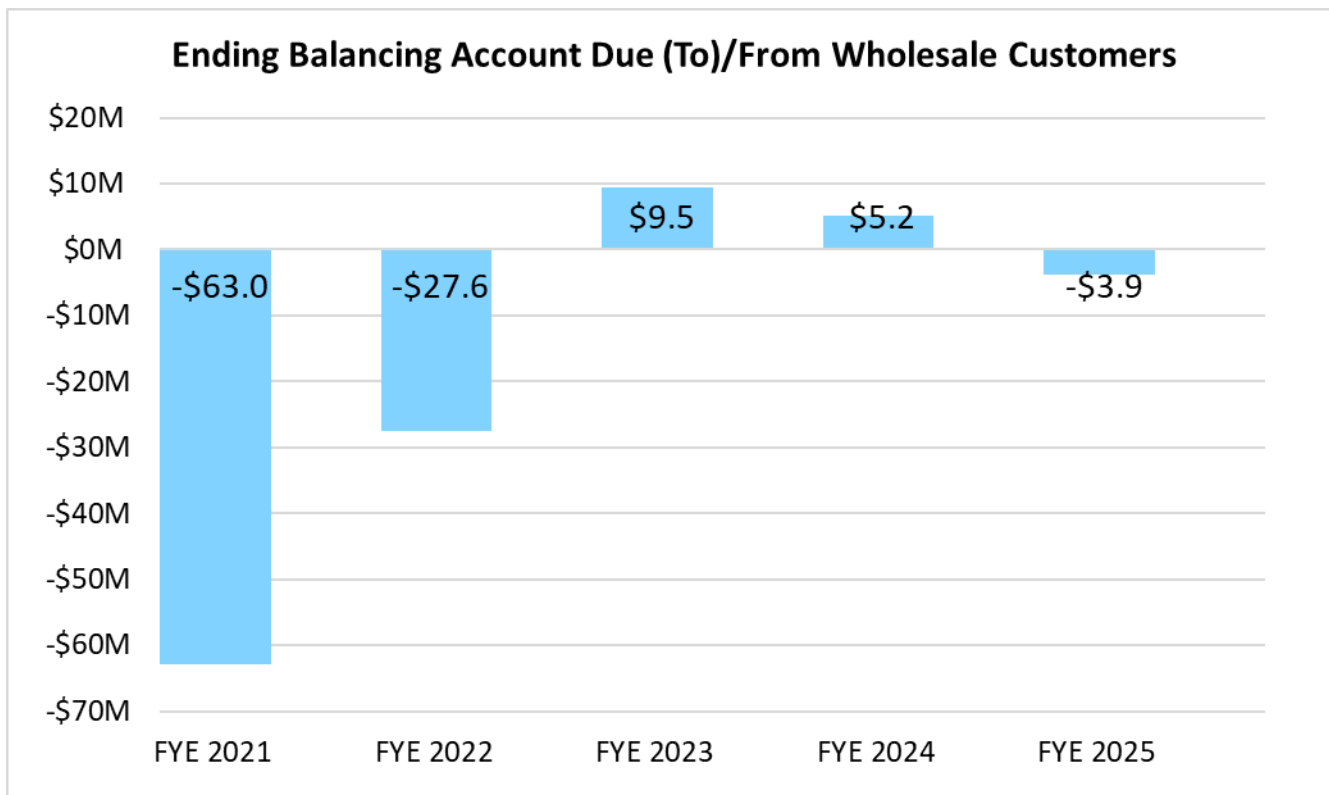
- Steady increase in operating costs
- Biggest growth in capital expenses

Water Sales: Actuals and 10-Year Financial Plan Projections



Balancing Account Impact

- Balancing account owed to wholesale was very high in recent years, allowing for lower rates as SFPUC paid it back
- Projecting full pay-back and money owed to retail by the end of this fiscal year
- No balancing account limits ability to smooth rate increases



FYE 2024 Projected Wholesale Rate

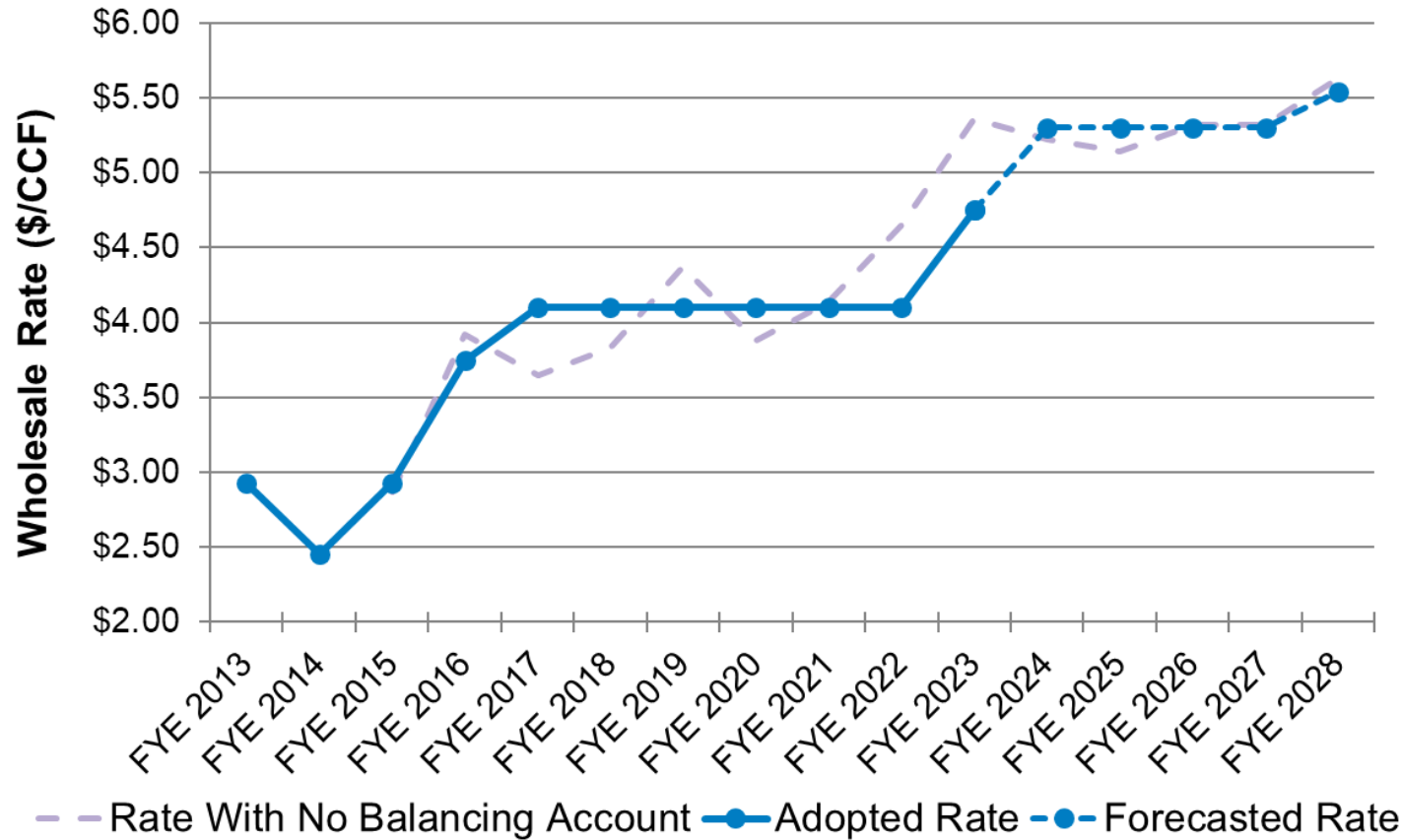
$$\text{FYE 2024 Rate} = \frac{\$313.9M + \$5.2M}{121.9 \text{ MGD}} = \$5.30/\text{ccf}$$

FYE 2024 Rate Increase = 11.6%

Factors driving rate increase:

- *Growth in capital spending*
- *Continued low water usage*
- *Balancing account will be fully repaid by the end of this fiscal year*

Historic and Projected Wholesale Rates



	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028
Rate Change	11.4%	-16.4%	19.6%	28.0%	9.3%	0.0%	0.0%	0.0%	0.0%	0.0%	15.9%	11.6%	0.0%	0.0%	0.0%	4.5%
Actual Rate	\$2.93	\$2.45	\$2.93	\$3.75	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10	\$4.10	\$4.75	\$5.30	\$5.30	\$5.30	\$5.30	\$5.30
Cost of Service Rate			\$2.87	\$3.92	\$3.65	\$3.83	\$4.37	\$3.88	\$4.14	\$4.65	\$5.36	\$5.22	\$5.14	\$5.32	\$5.32	\$5.63

Wholesale Revenue Requirement and Balancing Account

Wholesale Revenue Requirement Summary

(\$M)	Actual		Projected				
	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028
Wholesale Revenue Requirement (WRR)							
Operating Costs	130.5	137.0	137.2	142.0	146.0	150.2	154.4
Debt Service	147.3	158.9	158.7	160.2	173.9	175.0	188.3
Revenue-Funded Capital	9.6	16.9	16.7	16.8	16.9	17.0	17.0
Subtotal WRR	\$287.4	\$312.8	\$312.6	\$318.9	\$336.8	\$342.1	\$359.7
Adjustments & Payments	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Debt Service Coverage	2.3	14.2	1.5	0.5	4.8	0.4	4.7
Total Wholesale Revenue Requirement	\$289.4	\$326.6	\$313.9	\$319.2	\$341.3	\$342.2	\$364.1
Wholesale Rate Increase	0.0%	15.9%	11.6%	0.0%	0.0%	0.0%	4.5%
Rate (\$/CCF)	\$4.10	\$4.75	\$5.30	\$5.30	\$5.30	\$5.30	\$5.54
Usage Basis (MGD)	128.4	124.0	121.9	126.2	130.6	131.0	131.4
Total Wholesale Revenues	\$257.0	\$289.6	\$318.2	\$328.3	\$339.7	\$340.7	\$358.0
Balancing Account Due (To)/From Wholesale Customers							
Beginning Balancing Account	(63.0)	(27.6)	9.5	5.2	(3.9)	(2.3)	(0.9)
Revenue Under/(Over) Collection	35.4	37.0	(4.2)	(9.1)	1.6	1.4	6.1
Ending Balancing Account	(27.6)	9.5	5.2	(3.9)	(2.3)	(0.9)	5.2

Wholesale Water Rate Schedule

Approximate Date	Item
April 2023	Notification of Wholesale Water Rates
May 2023	Commission Rate Hearing
July 2023	FY 2023-24 Rates Effective



TO: MPWD Finance Committee
FROM: Rene A. Ramirez, Interim General Manager
DATE: March 15, 2023
RE: Proposed Schedule for Finance Committee Meetings

MEMORANDUM

PROPOSED 2023 SCHEDULE FOR FINANCE COMMITTEE MEETINGS

In a manner similar to the schedule in 2022, the proposed schedule seeks to hold the second or third Wednesday of the month between March and October for Finance Committee meetings. The meetings are open to the public and propose to start at 10:00 a.m., or at a time convenient to the Committee.

March 15, 2023

- SFPUC Pass-thru Water Rate Adjustment for FY2023/2024

April 12, 2023

- Draft FY 2023/2024 Operating and Capital Budgets

May 10, 2023

- Proposed FY 2023/2024 Operating and Capital Budgets
- Revised Review -Miscellaneous Fee Schedule

June 14, 2023

- Proposed Water Rates Effective January 1, 2024
- Review of Proposed Water Capacity Charges and Water Demand Offset Fees

July 12, 2023

- Hold Open

September 13, 2023

- Hold Open

October 11, 2023

- Hold Open