









Olympic Valley Public Service District Water and Sewer Rate & Fee Study

January 21, 2025 | 

1



Overview of the Presentation

-  Purpose of the Study
-  Overview of the Rate Study Process
-  Draft Study Results
-  Summary & Next Steps
-  Questions & Discussion

2

Purpose of the Study

- Provide sufficient revenue to operate and maintain the District's water and sewer utilities
- Meet requirements of Proposition 218
 - Develop cost-based and proportional rates that reflect customer and system characteristics
 - Provide an administrative record
- Reflect prudent financial planning criteria
 - Funding capital improvement and replacement needs
 - Maintain target minimum reserve levels
- Develop the Study using generally accepted methodologies tailored to the District's system and customer characteristics

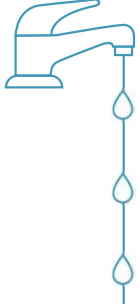
3

Proposition 218 – Establishing Cost Based Rates

- Proposition 218 is a California constitutional amendment designed to protect taxpayers by limiting the methods in 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
 - 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) charge to customers (revenues)

4


Developing Cost-Based Rates



- REVENUE REQUIREMENT**
Compares the revenue of the utility to the expenses to evaluate the level of the current rates
- COST OF SERVICE**
Proportionally distributes the revenue requirement to the customer classes of service
- RATE DESIGN**
Design rates for each class of service to meet the revenue requirement, cost of service results, and rate design goals and objectives

5

Revenue Requirement Analysis



6

Revenue Requirement – Overview

- Compares utility revenues to expenses
 - Determines the level of rate revenue adjustment necessary
- Uses prudent financial planning criteria
 - Adequate funding of renewal and replacements
 - Maintaining sufficient ending reserve balances
- Reviews a specific time period
 - Typically, five-to-ten-year period
 - Rate setting is often 2 – 5 years
- Utilities are 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 publicly owned utilities

7

7

Revenue Requirement – Key Assumptions

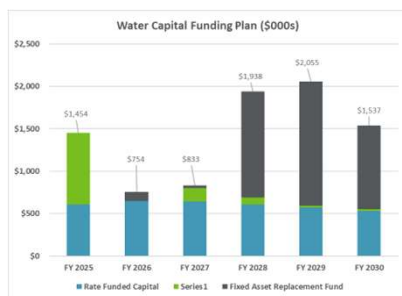
- Revenues independently calculated based on the specific customer characteristics of each utility
- Expenses based on FY 2025 budget for each utility
 - Projected through FY 2034 based on annual inflationary factors
- Capital funding plan addresses need for improvements as well as renewal and replacement
 - Utilizes the District’s Capital Improvement and Capital Replacement Plans for each utility
- Target annual rate funding of capital (FY 2025 – FY 2030)
 - Water: averages \$600,000 per year
 - Sewer: averages \$500,000 per year



8

8

Water Capital Funding Plan



9

9

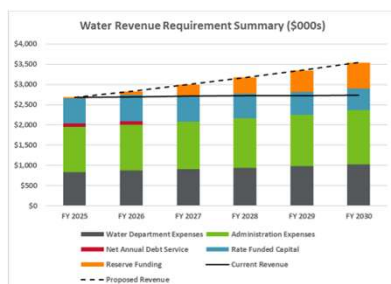
Sewer Capital Funding Plan



10

10

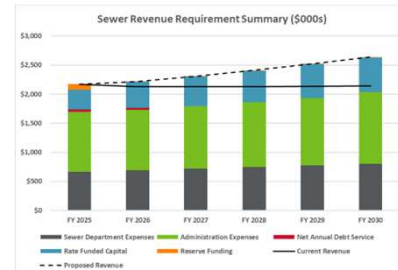
Water Revenue Requirement



11

11

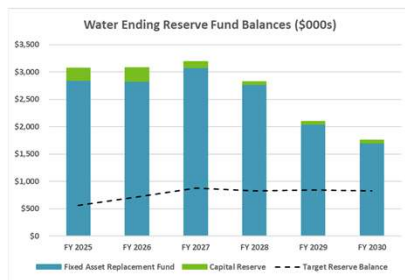
Sewer Revenue Requirement



12

12

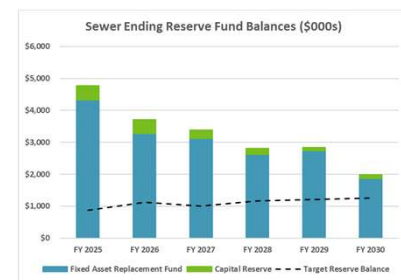
Water Reserve Levels



13

13

Sewer Reserve Levels



14

14

Revenue Requirement Summary

- Annual rate adjustments are necessary to prudently fund the water and sewer utilities
 - O&M** – fund current and future inflationary increases
 - Capital** – increase rate funding for annual renewal and replacement and necessary system improvements
 - Reserves** – maintain adequate funds for cash flow, emergency situations, and strong financials for credit ratings

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Water System Avg Rate Adjustment	--	6.0%	6.0%	6.0%	6.0%	6.0%
Avg Annual Residential Customer Bill ^[1]	\$1,935.55	\$2,051.68	\$2,174.78	\$2,305.27	\$2,443.59	\$2,509.20
Annual Change		\$116.13	\$123.10	\$130.49	\$138.32	\$146.62
Sewer System Avg Rate Adjustment	--	5.0%	5.0%	5.0%	5.0%	5.0%
Avg Annual Residential Customer Bill ^[2]	\$810.34	\$850.86	\$893.40	\$938.07	\$984.97	\$1,034.22
Annual Change	--	\$40.52	\$42.54	\$44.67	\$46.90	\$49.25

[1] – 3/4-inch Meter Charge + 120,000 gallons; no cost of service changes are included
 [2] – Annual Fixed Charge; no cost of service changes are included

15

15

Cost of Service Analysis

16

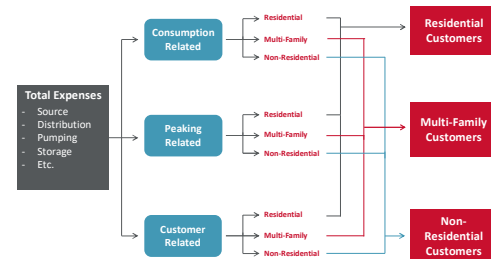
Cost of Service Assumptions

- Provides the basis to meet Proposition 218 requirements
 - Proportional distribution of costs between customer classes
- Customer classes of service were reviewed for each utility
 - Rates were adjusted based on cost of service results
- Revenue requirement distributed proportionally to customer classes of service based on:
 - Water:**
 - Average usage
 - Peak usage
 - Number of customers
 - Sewer:**
 - Assumed flow
 - Number of customers

17

17

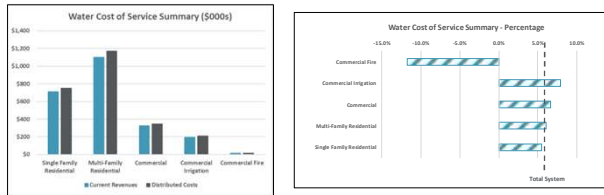
Cost of Service EXAMPLE Process (water)



18

18

Water Cost of Service Results Summary

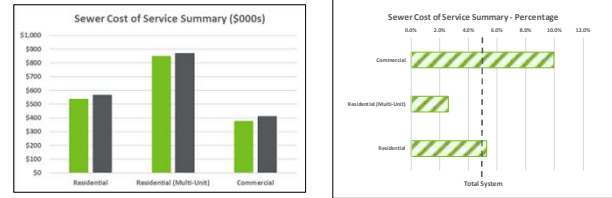


* Cost of service results are implemented in Year 1 only *

19

19

Sewer Cost of Service Results Summary



* Cost of service results are implemented in Year 1 only *

20

20

Cost of Service Summary

- Analysis reflects facility and service requirements of each customer class of each utility
- Minor cost differences exist for both the water and sewer systems
- Should be reviewed periodically to reflect changes in customer and system characteristics
- Snapshot in time based on current costs and system usage
- Cost of service average unit costs provide basis for proposed rate designs



21

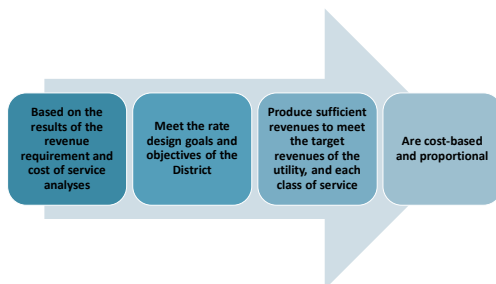
21

Rate Design



22

Rate Design - Overview



23

23

Overview of the Rate Design

Proposed Water Rates

- Maintains current rate structure for all customer classes
- Commercial and commercial Irrigation fixed charge
 - Transitioned to a $\frac{3}{4}$ " meter basis
 - Reflect AWWA safe operating capacity meter ratios by year 5
- Developed separate commercial fire rate schedule

Proposed Sewer Rates

- No rate structure changes are proposed

Year 1 rate adjustments include cost of service results
Years 2 – 5 reflect annual overall system revenue adjustments

24

24

Water Rate Design – Single Family & Multi-Family Residential Rates

Single Family Residential

	Present Rates	Proposed Rates				
		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Fixed Charge						
SFR	\$1,222.75	\$1,274.80	\$1,351.29	\$1,432.37	\$1,518.31	\$1,609.41
Consumption Charge						
0-120	\$5.94	\$6.34	\$6.72	\$7.12	\$7.55	\$8.00
120-220	12.08	14.76	15.64	16.58	17.58	18.62
220-280	18.90	20.09	21.29	22.56	23.92	25.35
280+	41.86	42.96	45.53	48.25	51.16	54.21

Multi-Family Residential

	Present Rates	Proposed Rates				
		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Fixed Charge						
MFR	\$592.77	\$665.59	\$705.53	\$747.86	\$792.73	\$840.29
Consumption Charge						
All Usage	\$10.30	\$9.69	\$10.27	\$10.89	\$11.54	\$12.23

25

25

Water Rate Design – Commercial, Commercial Irrigation & Commercial Fire Rates

Commercial

Present Rates	Proposed Rates					
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Fixed Charge						
3/4"	\$1,004.28	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1"	1,095.90	1,025.00	1,025.00	1,025.00	1,025.00	1,040.00
1 1/2"	1,222.75	1,340.73	1,451.49	1,558.24	1,658.99	1,756.80
2"	2,458.00	2,687.99	2,869.30	3,050.62	3,247.70	3,450.30
3"	3,924.47	4,292.10	4,584.89	4,897.68	5,230.46	5,583.20
4"	7,357.70	8,057.60	8,805.70	9,555.80	10,349.23	11,188.00
6"	12,275.43	13,438.67	14,660.69	15,942.71	17,283.63	18,698.80
8"	24,550.87	26,878.34	28,899.45	30,920.70	32,499.74	34,655.20
Consumption Charge						
All Usage	\$7.89	\$8.36	\$8.86	\$9.39	\$9.95	\$10.55

Commercial Irrigation

	Present Rates	Proposed Rates				
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	
Fixed Charge						
5/8"	\$1,004.28	\$0.00	\$0.00	\$0.00	\$0.00	
3/4"	1,095.90	1,025.00	1,025.00	1,025.00	1,040.00	
1"	1,222.75	1,340.73	1,433.49	1,526.24	1,626.99	
1 1/2"	2,458.00	2,687.99	2,869.30	3,050.62	3,247.70	
2"	3,924.47	4,292.10	4,584.89	4,897.68	5,230.46	
3"	7,357.70	8,057.60	8,805.70	9,555.80	10,400.00	
4"	12,275.43	13,438.67	14,660.69	15,942.71	17,283.63	
6"	24,550.87	26,878.34	28,899.45	30,920.70	32,499.74	
Consumption Charge						
All Usage	\$14.28	\$14.85	\$15.74	\$16.68	\$17.68	

Commercial Fire

	Present Rates	Proposed Rates				
		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Fixed Charge						
5/8"	\$1,004.28	\$890.75	\$944.20	\$1,000.85	\$1,060.90	\$1,124.55

26

26

Sewer Rate Design

	Present Rates	Proposed					
		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	
Fixed Charge	\$/Year						
Residential		\$810.34	\$853.12	\$895.78	\$940.57	\$987.60	\$1,036.98
Residential (Multi-Unit)		\$637.57	\$654.32	\$687.04	\$721.39	\$757.46	\$795.33
Commercial		\$1,434.51	\$1,578.75	\$1,657.69	\$1,740.57	\$1,827.60	\$1,918.98
Residential - Pool / Spa		\$1,058.71	\$1,111.65	\$1,167.23	\$1,225.59	\$1,286.87	\$1,351.21
Consumption Charge	\$/1,000 gal						
Commercial							
> 75,000		\$19.14	\$21.05	\$22.10	\$23.21	\$24.37	\$25.59

27

27

Connection Fees

28

Overview of Connection Fees

- New connections pay a "buy-in" for existing assets and related facilities and an "incremental" fee for future or new, expansion related facilities
 - One time charge to pay into the system, a share equal to the value of the funds paid by others
 - New connections to pay a proportional share of facilities needed to serve them
 - Does not include O&M costs in calculation
- Based on the District's planning documents, capital improvement plan (CIP), and existing assets

29

29

Connection Fee Methodology

- Determination of equivalent units
 - Links to infrastructure required to serve the District's customers
- Calculation of system valuation for connection fee purposes
 - Includes both existing assets / infrastructure as well as planned future improvements (e.g., capital)
- Determination of any credits (e.g., debt service principal)
 - Avoid double charging – once through connection fees and again within rates
- District using combined approach (consistent with past practices/methodology)
 - Blended value of both existing and future system capacity
 - Debt credit for both water and sewer connection fees for facility loan
 - Asset replacement costs based on FY 2025 District Capital Replacement Plan (CRP) for each utility
 - Uses replacement cost new less depreciation (RCNLD)

30

30

Connection Fee Summary

- Based on the analysis for the District's water and sewer connection fees, the current connection fees are justified and do not exceed the calculated maximum allowable connection fee for either utility
- Recommending the connection fees are annually adjusted by the Engineering News Record Construction Cost Index (ENR CCI) 20-City Average for no more than 5 consecutive years

31

31

Present and Proposed Water Connection Fees

Meter Size	Ratio	Fee ^[3]
Hotel Units ^[1]	0.40	\$5,816
3/4" Meter ^[2]	0.60	6,589
1" Meter	1.00	10,981
1 1/2" Meter	2.00	21,962
2" Meter	3.20	35,139
3" Meter	6.00	65,886
4" Meter	10.00	109,810
6" Meter	20.00	219,620

[1] – Hotel room or lock-off unit with kitchenette or no cooking facility

[2] – Applies to residential remodels or additions that are not required to install a fire suppression system

[3] – Connection fee for meters ≥ 2" may be calculated by the District on a case-by-case basis

32

32

Present and Proposed Sewer Connection Fees

Meter Size	Ratio	Fee
1" Meter	1.00	\$5,627
1 1/2" Meter	2.00	11,254
2" Meter	3.20	18,006
3" Meter	6.00	33,762
4" Meter	10.00	56,270
6" Meter	20.00	112,540

33

33

Next Steps

- Receive Board feedback and input
 - Update the Study to reflect Board direction
- Set public hearing date
 - Present final study results, findings, and recommendations
 - If no majority protest (50% +1) Board may move to implement noticed rates



34

34

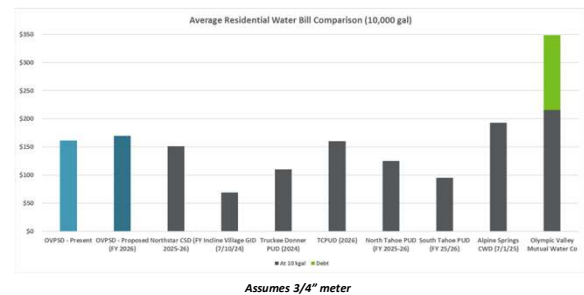
Thank you for your input! Questions?



35

35

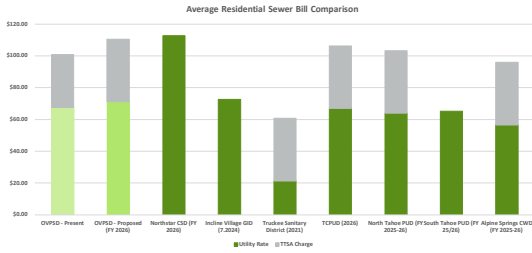
Water Local Comparison



36

36

Sewer Local Comparison



37

Local Adopted Rates Comparison

	Olympic Valley	Alpine Springs	TCPUD	Northstar	Martis	TDPUD	STPUD	NTPUD
Water								
FY 2023-24	24.5%					8.0%		
FY 2024-25	15.5%			4.0%	6.2%	7.0%	9.5%	11.0%
FY 2025-26	15.5%		12.5%	5.0%	6.7%		9.5%	11.0%
FY 2026-27	6.0%	15.5%	9.5%	5.0%	7.2%		9.5%	11.0%
FY 2027-28	6.0%	6.5%	9.5%	5.0%	7.8%		9.5%	11.0%
FY 2028-29	6.0%		9.5%	5.0%	8.5%		9.5%	11.0%
FY 2029-30	6.0%		9.5%					
FY 2030-31	6.0%							
Sewer								
FY 2023-24	17.5%							
FY 2024-25	13.5%			6.1%			13.5%	11.0%
FY 2025-26	9.5%		9.5%	6.6%			9.5%	11.0%
FY 2026-27	5.0%	9.5%	8.0%	7.0%			9.5%	11.0%
FY 2027-28	5.0%	3.0%	8.0%	7.6%			9.5%	11.0%
FY 2028-29	5.0%		8.0%	8.1%			9.5%	11.0%
FY 2029-30	5.0%		8.0%					
FY 2030-31	5.0%							

38