

Long-Term Financial Planning

Authorization of a Tahoe Cedars & Madden Creek Water System Reconstruction Strategy



Tahoe City Public Utility District

Presentation Outline

- Long-Term Financial Planning Process Update
- Review Major Components of the Recommended Strategy
 - Project Implementation Plan Development
 - Project Funding Plan Development
 - Cost of Service Analysis/Rate Study (Project-Specific & District-Wide)
 - Public Outreach Plan Development
- **Staff Recommendation/Board Direction**



Long-Term Financial Planning Process Update



Long-Term Financial Planning Goals

Ensure the District is financially prepared to:

- Achieve District Mission
- Accomplish Strategic Priorities
- Ensure Financial Sustainability

Link annual budgets together into a coherent long-term strategy

Provide a consistent level of services to the community

Help achieve utility rate stability over the long-term



GFOA Phased Approach to LTFP

Mobilization Phase

- prepare the organization for long-term planning by creating consensus on what the purpose and results of the planning process should be.

Analysis Phase

- produce information that supports planning and strategizing. The analysis phase includes the projections and financial analysis commonly associated with long-term financial planning.

Decision Phase

- **decide how to use the information provided.**

Execution Phase

- after the plan is officially adopted, strategies must be put into action (e.g. funding required in achieving goals). The execution phase is where the strategies become operational through the budget, financial performance measures, and action plans.

Results of the Mobilization Phase

Adoption of new & updated Financial Policies (7)

Identified pressing issues and top priorities

Completed preliminary financial forecasts

Established the need for debt financing and clarified the type of projects that should be considered for debt financing

Identified and discussed service level preferences (adopted a single transition rate – one water rate by 2024)



Results of the Analysis Phase

Examined Long-Term Projection Scenarios (30-Year & 10-Year)

Trended revenue & expenditures | Capital project assumptions | Debt financing

Analyzed Long-Term Projections for Challenges to Fiscal Stability

- Developed 10-Year Water, Sewer, and Parks Capital Improvement Plans (CIPs)
- Identified available revenue sources to fund the CIPs
- Determined actions necessary to fund the CIP while maintaining strong finances
- Developed a financial model for long-term financial planning



Goals of the Decision Phase

Provide direction on a near-term strategy to address current priorities:

- Tahoe Cedars Water System Reconstruction
- Madden Creek Water System Reconstruction

Use this direction to move into the Execution Phase

- Strategy becomes operational through the budget, financial performance measures, and action plans.



Tahoe Cedars & Madden Creek Reconstruction Project Plan Development



Recommended Project Approach

Pursue full system reconstruction for both TC & MC as expeditiously as possible:

- **Contract and complete CEQA/NEPA environmental review**
- **Contract and complete design level surveying**
- **Scope/contract for preliminary and then final design and permitting**
 - **Based on funding options and practical contract management limits, develop a project phasing plan (preliminary)**
 - **Develop construction documents and permitting for each phase**
 - **Phasing plan and project timing may be impacted by private service lateral relocation timing (back-of-lot transitions)**



Proposed Tahoe Cedars System Improvements

Estimated \$37M for design/permitting/construction

Does not include \$5M in customer-owned lateral relocation

- 79,000 linear feet (15 miles) of pipeline replacements
- 1,180 public service lateral replacements
- New water meters for all connections
- 97 new fire hydrants (172 total)



Proposed Madden Creek System Improvements

Estimated \$7M for design/permitting/construction

- 18,400 linear feet (3.5 miles) of pipeline replacements
- 124 public service lateral replacements
- New water meters for all connections
- 32 new fire hydrants (52 Total)



Project Plan Development Next Steps

Surveying Professional Services Agreements

- MC – Board approved in October 2021 - partially completed / field work for remainder to begin in July
- TC – Request For Qualifications (RFQ) scheduled for distribution in August

CEQA/NEPA & Environmental Review Professional Services Agreement

- TC & MC Scheduled for Board approval in August

Preliminary Design & Permitting Professional Services Agreements

- MC – Scheduled Board approval in September (local consultant)
- TC – RFQ scheduled for distribution in October
- Incorporate Funding/Financing Agency requirements in to revised phasing plan



Project Funding Plan Development



Recommended Project Funding Plan Approach

Aggressively pursue and maximize grant funding

Pursue debt financing for the full replacement project costs

- Low Interest Loan Programs (SRF/USDA/WIFIA)
- Bonds

Fund the debt service through a combination of:

- General water rate revenue
- Property tax revenue
- Project-area customer specific revenue (rates, special assessment)
- Potential grant funding

The costs associated with private customer service line relocations necessary in the Tahoe Cedars system are the responsibility of the customer. However, the District may consider providing a financing option for customers via a special assessment or low-interest loan program



Simple Project Financing Scenario

Madden Creek Water System Improvements Cost	\$7M
Tahoe Cedars Water System Improvements Cost	<u>\$37M</u>
<i>Total Estimated Costs</i>	\$44M

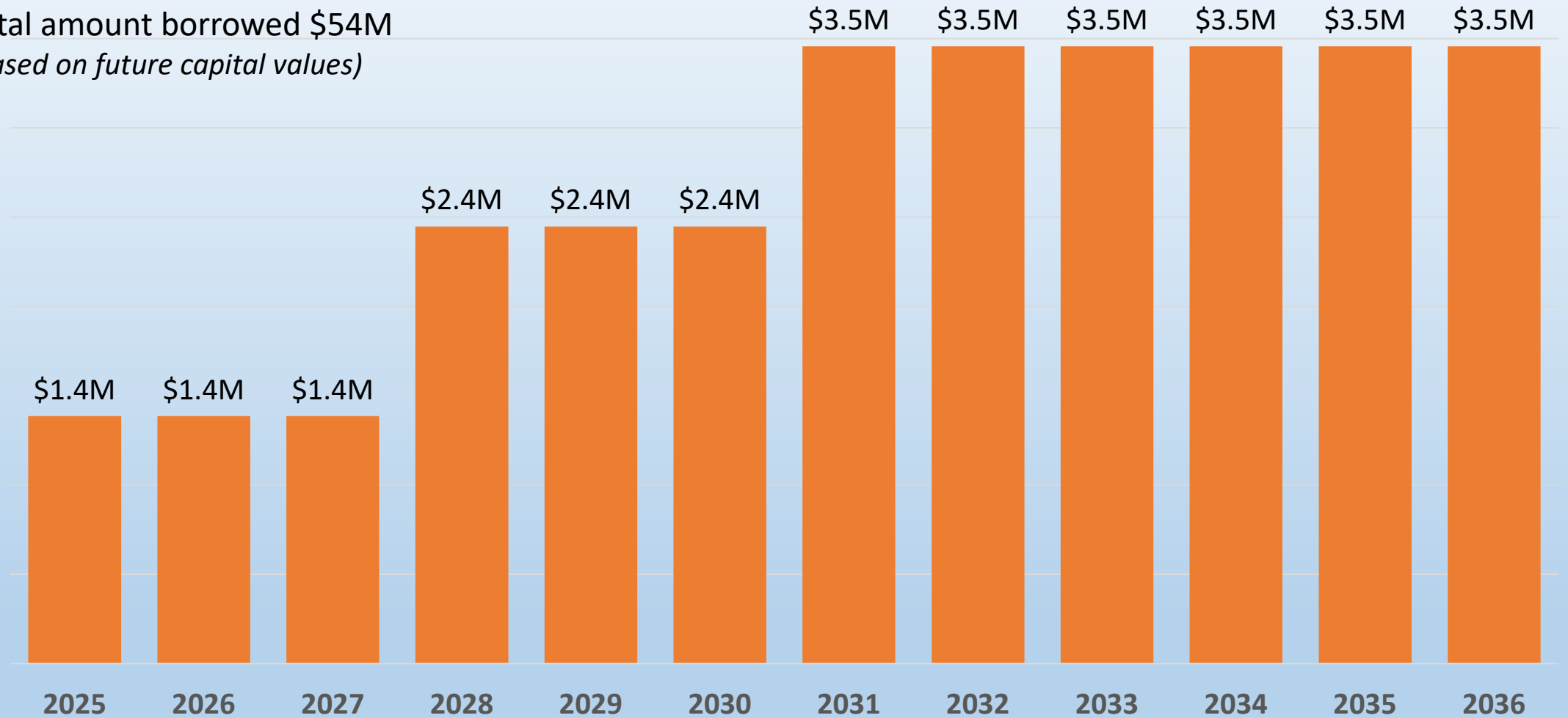
TCPUD finances total project costs based on future capital values (not including private customer service line relocations)

- ❖ Bond financing (4% bond rate, plus bond fees)
- ❖ Bonds phased as projects are implemented – each phase allowing for offsetting grant or low interest loan programs
- ❖ 30 year borrowing period
- ❖ Full debt service payments phased in as projects are funded



Annual Debt Service Payment (DSP) 2025-2036

Total amount borrowed \$54M
(based on future capital values)



DSP begin to decrease in year 2055 / Final DSP year 2060 / Total DSP - \$103,710,642

Project Funding Plan Development Next Steps

Work with Municipal Advisor to identify best available financing options and strategies

Prepare project budgets and financial plans and bring back to Board for review/approval

Develop funding plan for private infrastructure component

Submit financing/funding applications



Cost-of-Service Analysis/Rate Study



Recommended Cost-of-Service Analysis Approach

Begin a rate study/cost-of-service analysis (to set rates for 2025-2029) with the understanding that:

- District property tax revenue may be used to fund up to 33% of the new water capital infrastructure debt service for the Tahoe Cedars and Madden Creek projects
- The cost-of-service analysis will determine what costs are unique to the Tahoe Cedars and Madden Creek projects, and therefore, should be paid for by those customers



Cost-of-Service Development Next Steps

Execute Agreement with HDR for Cost-of-Service Analysis/Rate Study

Work with engineering to determine what infrastructure project costs and service requirements are unique to Tahoe Cedars and Madden Creek customers

Revise the current cost of service analysis to incorporate Tahoe Cedars and Madden Creek customers for cost allocation

Results will provide the preliminary rate/charge for financial planning and funding purposes

Analysis will provide the approach and methodology to support the separate rate/charge for the next rate setting period



Public Outreach Plan Development



Recommended Public Outreach Plan Approach

Develop and implement a public outreach plan for both Tahoe Cedars and Madden Creek as well as the rest of the District's customers:

- It will describe: The District's long-term plan to update and rebuild facilities to provide continued quality service and pay for it in a fair and affordable manner.
- The message will be tailored to the interests of different groups

In the meantime, continue to communicate with TC and MC to ensure they understand the work underway to maintain the current system, and the scope of the rebuild and funding plans.



Project Planning Development Milestones

2022

- Professional Service Agreements (surveying / environmental / prelim design / permitting)
- Begin cost-of-service/rate study work
- Complete surveying
- Begin funding/financing application
- Develop and begin implementing the public outreach program

2023

- Complete CEQA/NEPA environmental review
- Begin preliminary design/permitting

2024

- Complete funding/financing applications
- Complete design/permitting/construction documents
- Prop. 218 notice

2025

- New rates take effect
- Begin construction



Staff Recommendation

The Board of Directors:

1. Authorize staff to proceed with the design, permitting and development of project implementation plans for the full reconstruction projects for both Tahoe Cedars and Madden Creek assuming debt financing of the full project costs currently estimated at \$44M in total
2. Authorize staff to prepare project budgets and financial plans and bring back to Board for review/approval
3. Authorize staff to begin a rate study/cost-of-service analysis (to set rates for 2025-2029) with the understanding that:
 1. District property tax revenue may be used to fund up to 33% of the new water capital infrastructure debt for the Tahoe Cedars and Madden Creek projects
 2. The cost-of-service analysis will determine what infrastructure costs are unique to the Tahoe Cedars and Madden Creek projects, and therefore, should be paid for by those customers
4. Authorize staff to begin development of a public outreach program

