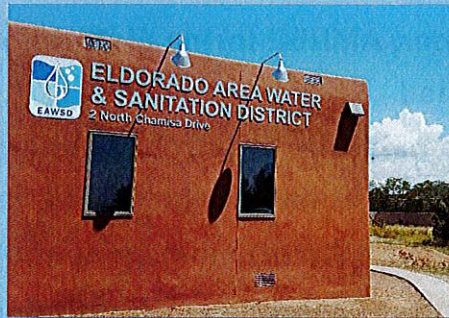
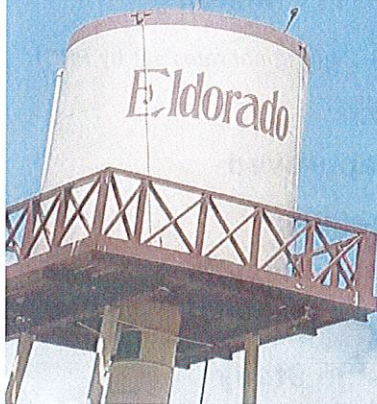




COST OF SERVICE AND RATE DESIGN STUDY PUBLIC HEARING

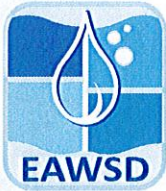


ELDORADO AREA WATER & SANITATION DISTRICT
March 27, 2024 – RATE STUDY PUBLIC HEARING



RATE STUDY PUBLIC HEARING | AGENDA

- I. Historical Timeline**
- II. Rate Study Committee**
- III. Need for Rate Adjustment**
- IV. Success in Pursuit of Grant Funds to offset costs**
- V. Rate Study Consultant**
- VI. Cost of Service and Rate Design Study (Nelisa Heddin)**
- VII. Next Steps**
- VIII. Questions and Audience Input**

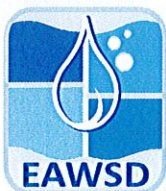


RATE STUDY PUBLIC HEARING | I. HISTORICAL TIMELINE

- 1973 Eldorado developer, AMREP forms El Dorado Utilities (EDU)**
- 1997 EAWSD was formed**
- 2002 Voters approve bond issue to purchase utility from EDU**
- 2004 EAWSD files condemnation suit; jury valuation: \$11+ Million**
- 2005 Purchase completed; EAWSD management begins** *(original rates set by PRC)*
- 2018 Initiated Rate Study to establish current rates**
- 2019 December – Current 2020 - 2024 rate schedule approved**
- 2022 November – New Rate Study authorized, work begins**
- 2023 October 18th – Presentation to Board of Preliminary Results**
- 2024 January 31st – Today’s informal Public Forum**
- 2024 March 27th – Public Hearing to present Rate Design Study**

ELDORADO AREA WATER & SANITATION DISTRICT

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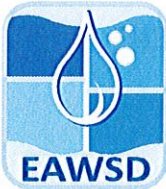
RATE STUDY PUBLIC HEARING | II. RATE STUDY COMMITTEE MEMBERSHIP

- **Elizabeth Roghair**, Chair; Board Member, Treasurer*
- **David Burling**, Board Member, Finance Committee Chair*
- **Steve King**, General Manager
- **Phil Speicher**, Past Board Director/Treasurer, Finance Committee Member*
- **Joe Loewy**, Capital Planning and Advisory Committee Member*
- **Leslie Bischoff**, Finance Committee Member*
- **Jessa Huybrechts**, CPA, EAWSD Controller

* EAWSD Customer and Local Resident

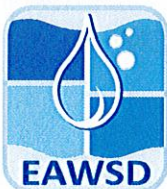
ELDORADO AREA WATER & SANITATION DISTRICT

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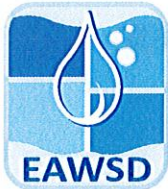


CURRENT 2020 – 2024 RATE SCHEDULE FEATURES

- **Revenues cover original purchase bond issues**
Final payment June 2025
- **Revenues to cover current capital projects debt obligations**
Insufficient to meet projected needs
- **Covers \$600,000 in annual system rehab and repairs**
No provision for future cost increases
- **Covers current Operating and Administrative costs**
No provision for future cost increases
- **Insufficient to cover in Santa Fe County Supplemental Water Deliveries**

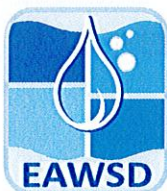


- Rising Operating and Maintenance costs due to inflation.**
- Aging water facility infrastructure much of which is over 45 years old.**
 - ✓ **Rehab and Repair of existing facilities to extend useful life.**
 - ✓ **Replacement of existing facilities at the end of their useful life.**
- Payment for a new source of supplemental water supply from Santa Fe County essential to addressing declining groundwater levels.**



a. RISING OPERATING AND MAINTENANCE COSTS

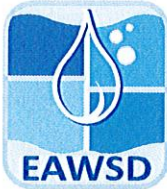
- **CPI 20 Cities average has increased an average of 5% a year over the past three years.**
- **Recent trends and forecasts project lower rates of inflation in the coming years.**



b. AGING WATER FACILITY INFRASTRUCTURE

6 Water Storage Tanks — AGES: 21 to 40 years
TYPICAL USEFUL LIFE: 50 to 60 years
Requires repainting and new corrosion protection every 15 to 20 years
— \$400,000 to \$500,000

5 Booster Pump Stations — AGES: 6 to 40 years
TYPICAL USEFUL LIFE: 50 to 60 years
Requires mechanical and electrical rehab every 20 to 25 years
— \$100,000 to \$200,000



b. AGING WATER FACILITY INFRASTRUCTURE - CONTINUED

11 Active Wells — AGES: 6 to 40 years

TYPICAL USEFUL LIFE: 45 to 60 years

Requires Inspection, cleaning and mechanical rehab every 5 to 6 years

— \$50,000 to \$75,000

✓ **39 Pressure Reducing Valves** — AGES: 4 to 40+ years

TYPICAL USEFUL LIFE : 30 to 40 years

Requires Rehab every 5 years — \$5,000 to 15,000

Replacement cost — \$30,000 to \$60,000

✓ **130 Miles of Pipeline** — AGE: 2 to 50 years

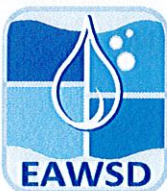
EXPECTED USEFUL LIFE: 50 to 70 years

Includes 106 miles of substandard PVC pipe 30 to 40+ years old (83%)

Replacement costs including new service connections — \$500,000 to \$1,000,000 per mile

ELDORADO AREA WATER & SANITATION DISTRICT

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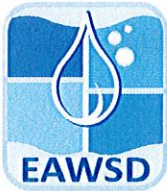
c. DECLINING WATER LEVELS

Implementation of Santa Fe County Water Delivery project provides a critically needed supplemental source of water supply as required to address declining groundwater levels.

- Initial water deliveries of 100 acre feet/year (afy) to ramp up to 200 afy (approx. 40% of total demand) in four years. Current wholesale water delivery rate of \$7.46 per thousand gallons or \$243,000 per 100 af.
- Payment of in lieu of surface water rights based at \$19,431 per acre foot (af) for 200 afy discounted by \$1.5M due to shared project cost savings. Annual payments of \$238,620 over ten years.

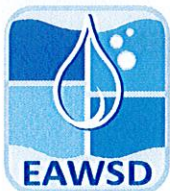
ELDORADO AREA WATER & SANITATION DISTRICT

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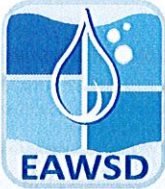


SUCCESS IN PURSUIT OF GRANTS AND LOAN FORGIVENESS TO OFFSET HIGH COSTS OF CAPITAL PROJECTS (2020 TO 2023)

• Drinking Water Loan Forgiveness	\$ 985,000
• Legislative Grants	\$ 1,950,000
• Water Trust Board Grant/Loans (grant portion)	\$ 1,750,000
Total	\$ 4,685,000



- **Industry expert in financial planning and management for municipal utilities.**
- **Specialist in cost of service and rate design studies.**
- **20 years experience providing consulting services to utilities of all sizes throughout the Southwest.**
- **Masters of Business Administration from NMSU with a specialty in finance.**
- **Past Chair of the Texas American Water Works Association Rates and Charges Subcommittee.**
- **Consultant for 2015 and 2019 EAWSD Rate Studies.**

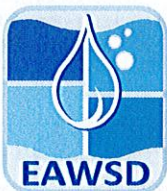


RATE STUDY PUBLIC HEARING | VII. NEXT STEPS

- ❑ Rate Study Committee considered input from **January 31st PUBLIC FORUM**.
- ❑ Board considered RATE STUDY FINAL REPORT at its **Wednesday February 21, 2024, Board Meeting** and it was accepted as presented.
- ❑ The Board's rate proposal is being presented tonight, **Wednesday, March 27th**, in a formal PUBLIC HEARING and presided over by a Hearing Officer certified by the Public Regulation Commission, (PRC) and held here in the District's Administration Office-Public Conference Room, at 2 N. Chamisa Dr.
- ❑ Following tonight's PUBLIC HEARING, the Hearing Officer will adopt, reject or modify the Board's proposal within 30 days following the PUBLIC HEARING.
- ❑ Any District qualified elector may appeal the Hearing Officer's decision within 20 days after it is published.
- ❑ If there is no appeal, the Hearing Officer's decision becomes final.
- ❑ If there is an appeal, the Board must take action to approve, reject or amend the Hearing Officer's decision.
- ❑ The Board's decision can be appealed to District Court.

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RATE STUDY PUBLIC HEARING | VIII. QUESTIONS & AUDIENCE INPUT

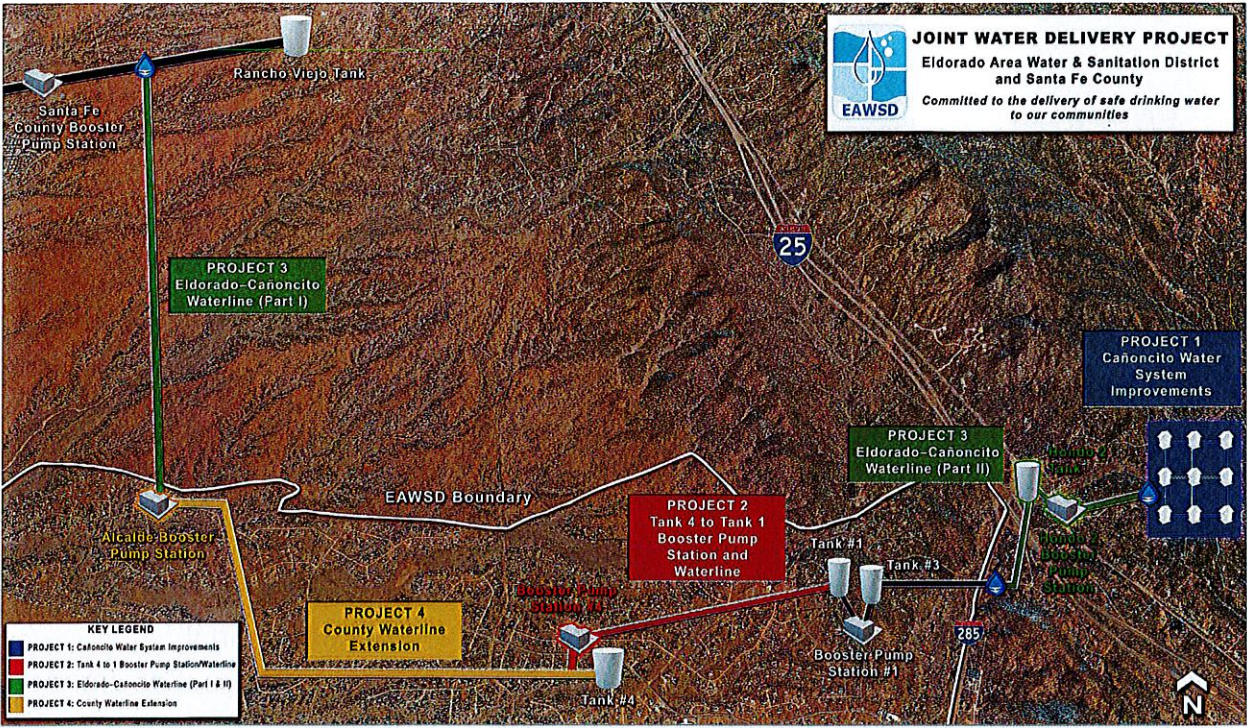


EMAIL ADDITIONAL QUESTIONS, COMMENTS OR OBSERVATIONS TO:

- info@EAWSD.org
(Reference the 3/27/2024 RATE STUDY PUBLIC HEARING in the subject line)

ELDORADO AREA WATER & SANITATION DISTRICT

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ELDORADO AREA WATER & SANITATION DISTRICT

ELDORADO AREA WATER & SANITATION DISTRICT | Capital Projects & Infrastructure Improvements 2018 - 2023

Benefits of these much-needed investments in capital improvements to the District's aging infrastructure include reduced loss of our precious and limited water supply, reduced service interruptions, and an overall increase in the level of service that we can provide to our customers. In total the District has invested just over \$11.6M in upgrades and improvements to our water infrastructure, \$3.6M or 31% of which was paid for by grants or loan forgiveness. Thanks to our State Representatives and funding agencies who have fully supported these projects. Many thanks to each of our customers who provided the revenue required to pay for and finance these critically important projects.



ELDORADO AREA WATER & SANITATION DISTRICT

Eldorado Area Water & Sanitation District

Cost of Service and Rate Design Study

March 27, 2024



Nelisa Heddin Consulting, LLC
(512) 589-1028
nheddin@nelisaheddinconsulting.com



Presentation Overview

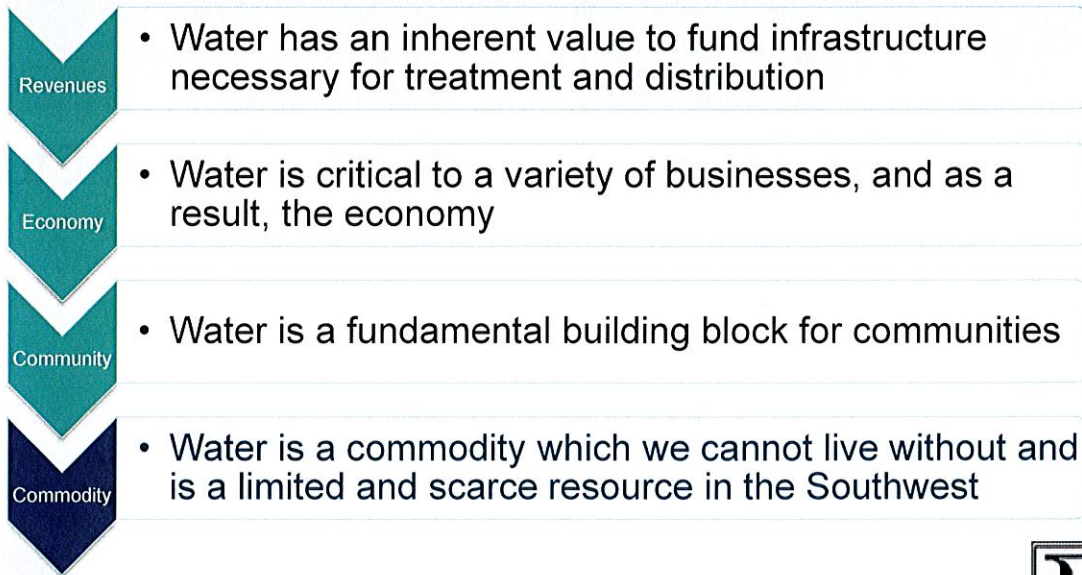
- ❖ Economic Reality of Water
- ❖ Driving Forces for Change in Rates
- ❖ Project Approach
- ❖ Findings
- ❖ Recommendations

"When the well is dry, we learn the worth of water."

- Ben Franklin -



Economic Reality of Water

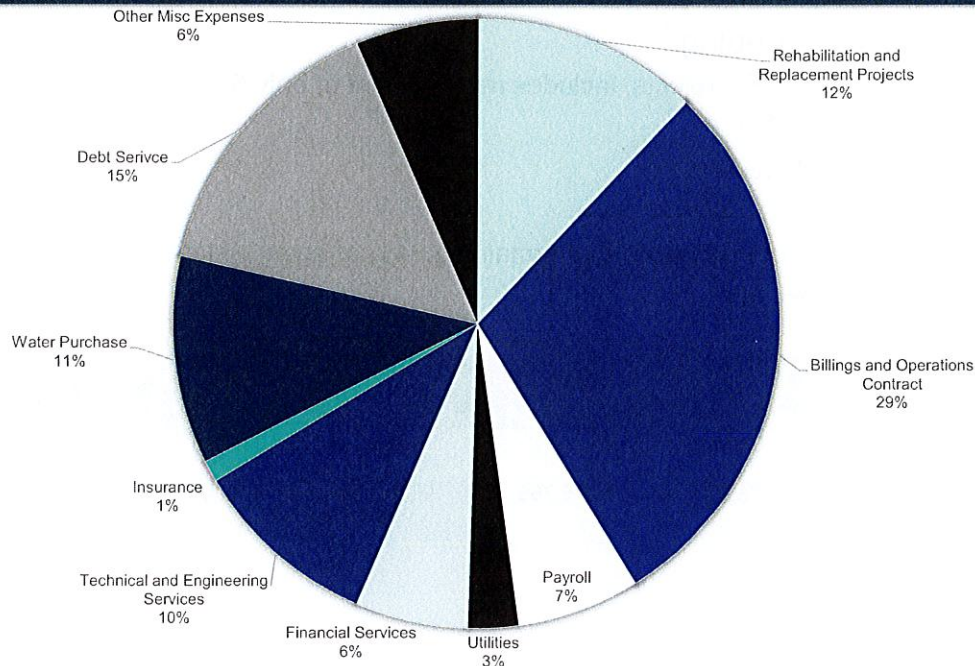


Driving Forces

- Rising O&M costs due to inflation
- Aging water facility infrastructure (40 plus year old system) requiring extensive repair and replacement
- New water supply from the County essential to address declining groundwater levels
- Revenues required to meet capital needs
 - Over \$13M in capital needs in next 5 years
 - District requires revenues sufficient to fund these projects



Driving Forces Expense Summary



2025 Total Expenses = \$5,131,183



Revenues Rates are Set to Recovery

- Expenses – Off-sets = Revenue Requirements
- Based Upon FY2024 Budget, with Adjustments
- Includes Annual Rehabilitation and Replacement Funding
- Includes Adjustments to Maintain a Proper Level of Reserves



Revenue Requirements

- Includes CIP Funding:
 - \$8.8M in CIP Projects, includes replacement of only 6% (\$6M) of aging water system
- Does **not** Include:
 - Profit
 - Funding for replacement of remaining 94% of aging water system
 - Additional Items

	2025	2026	2027	2028	2029
Revenue Requirements	\$ 3,078,103	\$ 3,375,766	\$ 3,688,576	\$ 3,894,252	\$ 4,100,479



Recommended Rate and Fee Design

	2024 Adopted	2025	2026	2027	2028	2029
Monthly Minimum Charge	\$ 29.91	\$ 31.41	\$ 32.98	\$ 34.29	\$ 35.32	\$ 36.38
Volumetric Charge (per thousand gallons)						
1-3,000 Gallons	\$ 12.82	\$ 13.27	\$ 13.73	\$ 14.21	\$ 14.71	\$ 15.32
3,001-6,000 Gallons	\$ 16.03	\$ 16.59	\$ 17.16	\$ 17.76	\$ 18.38	\$ 19.15
6,001-10,000 Gallons	\$ 21.82	\$ 23.22	\$ 24.03	\$ 24.87	\$ 25.74	\$ 26.81
10,001-20,000 Gallons	\$ 37.46	\$ 40.64	\$ 42.05	\$ 43.52	\$ 45.04	\$ 46.92
20,001-30,000 Gallons	\$ 64.53	\$ 71.12	\$ 73.58	\$ 76.16	\$ 78.82	\$ 82.11
Over 30,001 Gallons	\$ 96.81	\$ 106.68	\$ 110.38	\$ 114.24	\$ 118.23	\$ 123.16
Tax Levy Assumption*	\$ 4.36	\$ 4.36	\$ 4.36	\$ 4.36	\$ 4.36	\$ 4.36
Out of District Charge	\$ 60.56	\$ 75.78	\$ 78.23	\$ 80.46	\$ 82.41	\$ 84.41



Effect on Bill at Various Use Levels

Bill Analysis	2024	2025	2026	2027	2028	2029
3,000 Gallons	\$ 68.37	\$ 71.22	\$ 74.17	\$ 76.92	\$ 79.45	\$ 82.34
3,700 Gallons (Average Use)	\$ 79.59	\$ 82.83	\$ 86.18	\$ 89.36	\$ 92.31	\$ 95.75
5,000 Gallons	\$ 100.43	\$ 104.39	\$ 108.49	\$ 112.45	\$ 116.21	\$ 120.64
7,000 Gallons	\$ 138.28	\$ 144.20	\$ 149.68	\$ 155.08	\$ 160.34	\$ 166.60
10,000 Gallons	\$ 203.74	\$ 213.87	\$ 221.76	\$ 229.68	\$ 237.55	\$ 247.03
20,000 Gallons	\$ 578.34	\$ 620.26	\$ 642.24	\$ 664.86	\$ 687.96	\$ 716.21
30,000 Gallons	\$ 1,223.64	\$ 1,331.45	\$ 1,378.09	\$ 1,426.43	\$ 1,476.18	\$ 1,537.26
50,000 Gallons	\$ 3,159.84	\$ 3,465.02	\$ 3,585.61	\$ 3,711.13	\$ 3,840.85	\$ 4,000.43
Average annual increase for customer using 3,700 gallons		4.1%	4.0%	3.7%	3.3%	3.7%

**Average use is approximately 3,700 gallons per month*



Recommendations

- Proceed with Adoption and Implementation of Recommended Rates
- Monitor Operating Results Monthly and Annually
- Review Need for Change in Mill Levy Annually
- Continually Evaluate CIP Needs
- Implement Future Increases to Fund CIP Requirements
- Update Analysis Every 3-5 Years (Minimum)

