



Water and Wastewater Utility Rates

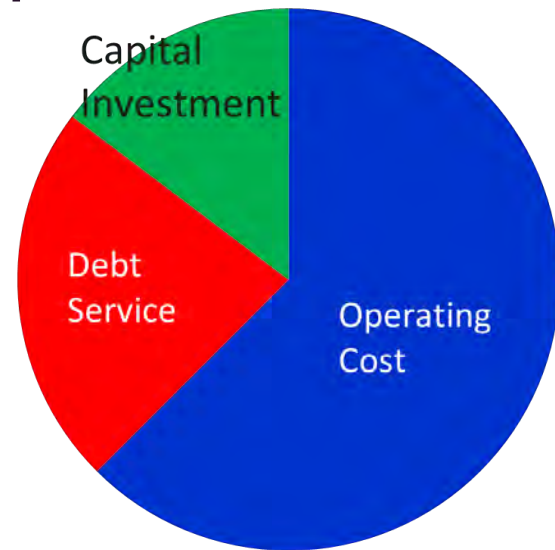


Diana Langley, Interim City Manager
June 18, 2019



Purpose of Rates

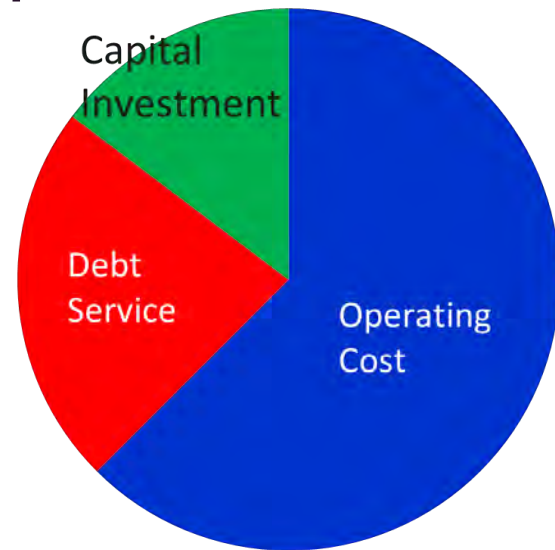
- To ensure adequate revenues in the Water and Wastewater Enterprise Funds for:
 - Operation and Maintenance
 - Debt Service Coverage
 - Capital Projects





Purpose of Rates

- To ensure adequate revenues in the Water and Wastewater Enterprise Funds for:
 - Operation and Maintenance
 - Debt Service Coverage
 - Capital Projects





Background

- 4/5/16- Council adopted the Water and Wastewater Rate Study
 - Proposed adjustments to the City's water and wastewater rates over the next 5 years
 - Covers rates through FY 20/21



Background

- 6/21/16 – Council adopted Water and Wastewater Ordinances
 - Provides for Council review of rates on an annual basis as part of the fiscal year budget review process, prior to July 1 implementation of the increases for each year
 - Council retains authority to set rates by resolution



Background

- 1/22/19 Water & Wastewater Workshop
 - Council directed staff to present 3 options for FY 19/20 for water and wastewater rates



Water Conservation (Compared to 2013)

| Month | 2016 | 2017 | 2018 |
|-----------|-------|-------|-------|
| July | 29.7% | 17.0% | 20.1% |
| August | 20.8% | 13.3% | 18.8% |
| September | 17.2% | 8.0% | 13.7% |
| October | 24.0% | 6.1% | 11.3% |
| November | 30.2% | 24.0% | 5.6% |
| December | 22.4% | 12.8% | 16.4% |
| January | 11.4% | 10.4% | 12.5% |
| February | 24.5% | 4.6% | 20.7% |
| March | 28.7% | 29.9% | 35.8% |
| April | 35.8% | 29.9% | 34.4% |
| Average: | 24.5% | 15.6% | 18.9% |

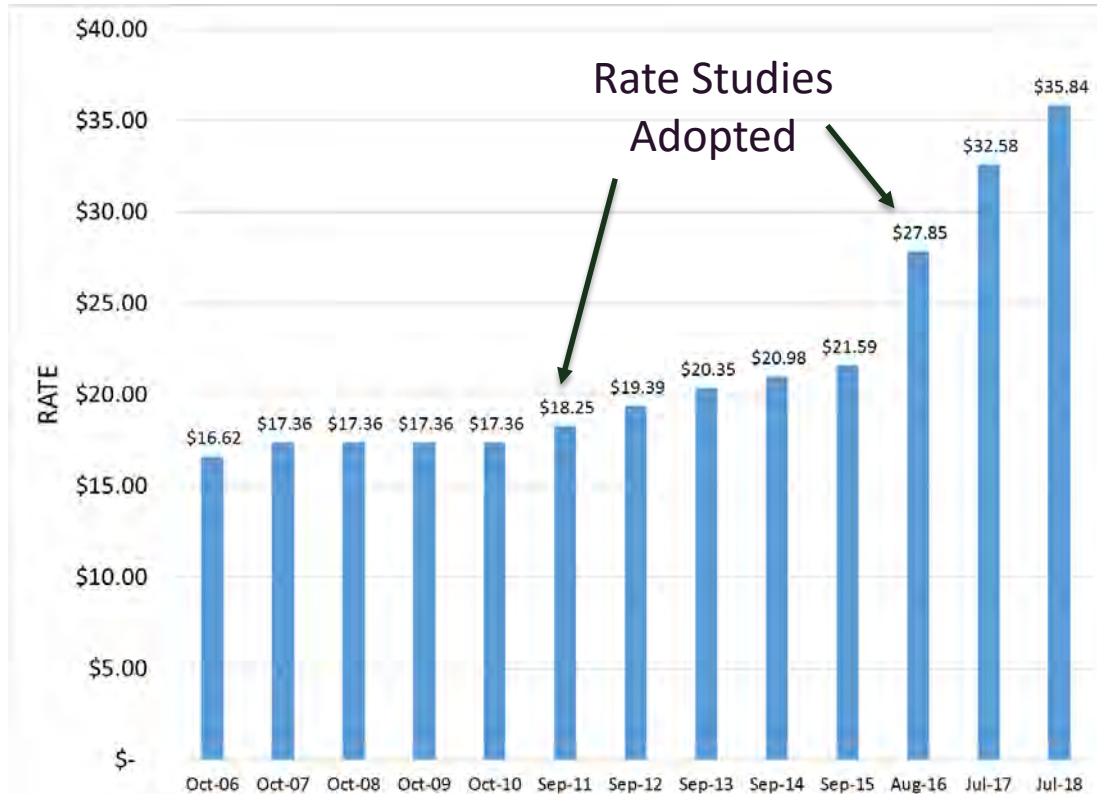


FY 18/19 Revenue Projections

- **Water Sales**
 - Expected to be approximately 6.5% higher as compared to 10% rate increase
- **Wastewater Service Charges**
 - Expected to be approximately 6.1% higher as compared to 8% rate increase

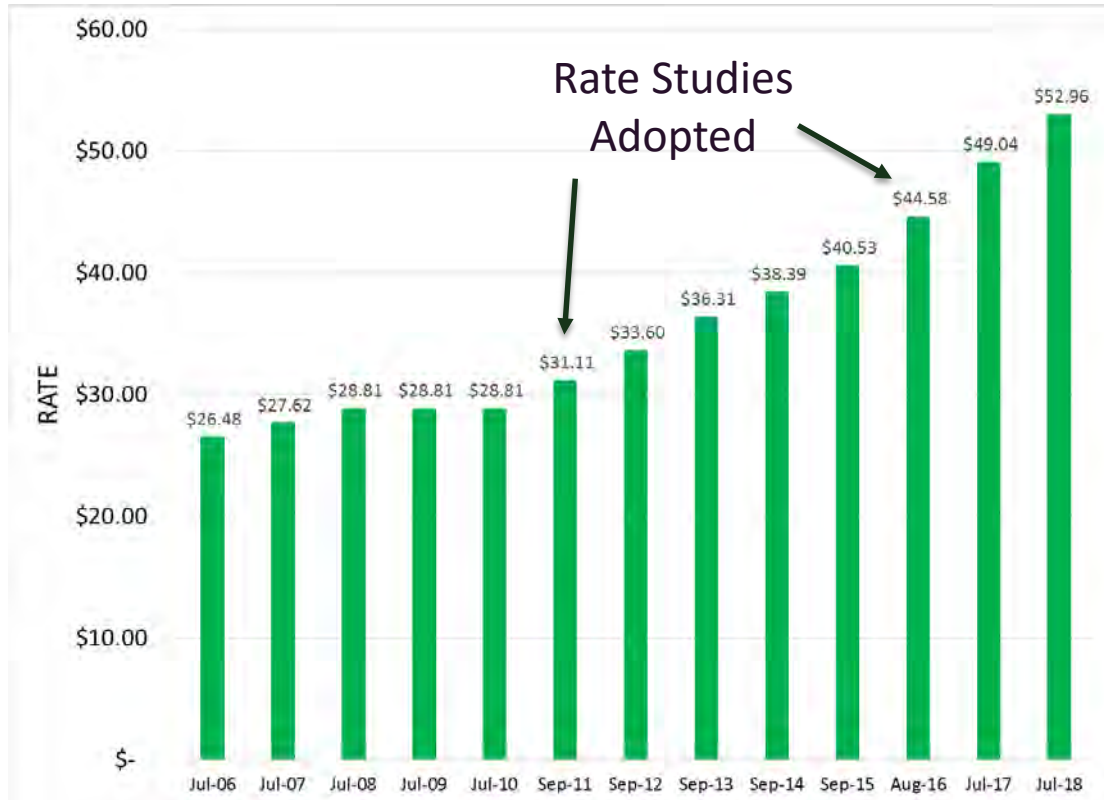


Water Rate History – 1" Meter





Wastewater Rate History - SFD





Rate Options

- Three options for FY 19/20 rates:

| Options | Water | Wastewater |
|---------|-------|------------|
| 1 | 0% | 0% |
| 2 | 3.5% | 4.0% |
| 3 | 7.0% | 8.0% |



*1HCF=7.48 Gallons

Proposed Water Rates

| Meter Size | Baseline HCF's* | Current Rate | 0% Increase | 3.5% Increase | 7% Increase | Prop. 218 Approved Amount |
|--------------------------|-----------------|--------------|-------------|---------------|-------------|---------------------------|
| 1" | 15 | \$35.84 | \$35.84 | \$37.09 | \$38.35 | \$41.01 |
| 1-1/2" | 30 | \$71.69 | \$71.69 | \$74.20 | \$76.71 | \$82.03 |
| 2" | 60 | \$143.40 | \$143.40 | \$148.42 | \$153.44 | \$164.07 |
| 3" | 240 | \$573.56 | \$573.56 | \$593.63 | \$613.71 | \$656.26 |
| 4" | 480 | \$1,147.14 | \$1,147.14 | \$1,187.29 | \$1,227.44 | \$1,312.54 |
| 6" | 900 | \$2,150.86 | \$2,150.86 | \$2,226.14 | \$2,301.42 | \$2,461.00 |
| 8" | 2,100 | \$5,018.70 | \$5,018.70 | \$5,194.35 | \$5,370.01 | \$5,742.34 |
| Flow Rate Per Excess HCF | | \$1.840 | \$1.840 | \$1.904 | \$1.969 | \$2.057 |



Proposed Wastewater Rates

| Sewer Rate Schedule | Current Rate | 0% Increase | 4% Increase | 8% Increase | Prop. 218 Approved Amount |
|------------------------------------|--------------|-------------|-------------|-------------|---------------------------|
| Single Family | \$52.96 | \$52.96 | \$55.08 | \$57.20 | \$59.34 |
| Multi-Family | \$42.38 | \$42.38 | \$44.08 | \$45.77 | \$47.48 |
| Commercial – C1 | \$52.96 | \$52.96 | \$55.08 | \$57.20 | \$59.34 |
| Commercial – C2 | \$59.59 | \$59.59 | \$61.97 | \$64.36 | \$66.76 |
| Commercial – C3 | \$72.17 | \$72.17 | \$75.06 | \$77.94 | \$80.86 |
| Commercial Volumetric Charge (HCF) | \$2.09 | \$2.09 | \$2.17 | \$2.26 | \$2.34 |
| Schools – Per Student/Year | \$24.32 | \$24.32 | \$25.29 | \$26.27 | \$27.25 |



Proposed Wastewater Rates

| Sewer Rate Schedule | Current Rate | 0% Increase | 4% Increase | 8% Increase | Prop. 218 Approved Amount |
|-------------------------------|--------------|-------------|-------------|-------------|---------------------------|
| Industrial | | | | | |
| Volume (MG) | \$3,053.89 | \$3,053.89 | \$3,176.05 | \$3,298.20 | \$3,421.48 |
| TSS (lbs) | \$0.235 | \$0.235 | \$0.24 | \$0.25 | \$0.264 |
| BOD (lbs) | \$0.313 | \$0.313 | \$0.33 | \$0.34 | \$0.350 |
| | | | | | |
| Septage Hauler | | | | | |
| \$/Gallon | \$0.408 | \$0.408 | \$0.424 | \$0.441 | \$0.502 |
| Min. Charge 400 Gallons/ Dump | \$163.09 | \$163.09 | \$169.61 | \$176.14 | \$200.99 |



Bill Comparison for 1" Water Service (Single-Family Dwelling)

| Average Consumption | Current Water Bill | Current Sewer Bill | Total Bill | 3.5 % Increase Water Bill | 4% Increase Sewer Bill | Total Bill |
|---------------------|--------------------|--------------------|------------|---------------------------|------------------------|------------|
| Winter (7 HCF) | \$35.84 | \$52.96 | \$88.80 | \$37.09 | \$55.08 | \$92.17 |
| Annual (15 HCF) | \$35.84 | \$52.96 | \$88.80 | \$37.09 | \$55.08 | \$92.17 |
| Summer (24 HCF) | \$52.40 | \$52.96 | \$105.36 | \$54.23 | \$55.08 | \$109.31 |

| Average Consumption | 7% Increase Water Bill | 8% Increase Sewer Bill | Total Bill | Prop. 218 Water Bill | Prop. 218 Sewer Bill | Total Bill |
|---------------------|------------------------|------------------------|------------|----------------------|----------------------|------------|
| Winter (7 HCF) | \$38.35 | \$57.20 | \$95.55 | \$41.01 | \$59.34 | \$100.35 |
| Annual (15 HCF) | \$38.35 | \$57.20 | \$95.55 | \$41.01 | \$59.34 | \$100.35 |
| Summer (24 HCF) | \$56.07 | \$57.20 | \$113.27 | \$59.52 | \$59.34 | \$118.86 |



Fiscal Impact - Water

| | No Increase | 3.5% Increase | 7.0% Increase |
|---------------------------------------|-------------|---------------|---------------|
| Additional Revenue from Rate Increase | \$0 | \$546,560 | \$1,093,120 |
| Net Cash Flow After Rate Increases | \$2,624,745 | \$3,171,305 | \$3,717,865 |

Net cash flow does not take into account Council's recent direction to reallocate the 2013 Water Certificates from 75% new customers/25% existing customers to 50% new customers/50% existing customers. This results in a decrease of net cash flow available of \$347,886.



Funding Required for Existing Water System Deficiencies

| Facility | Capital Costs (Millions) | | | | |
|-----------------------------|--------------------------|------------|-------------|-------------|---------|
| | 1-5 Years | 6-10 Years | 11-15 Years | 16-20 Years | Total |
| Supply Improvements | \$0 | \$4.5 | \$3.2 | \$0 | \$7.7 |
| Renewal/Replacement Program | \$36.6 | \$27.1 | \$22.7 | \$19.0 | \$97.7 |
| Total: | \$36.6 | \$22.6 | \$19.5 | \$19.0 | \$105.4 |
| Average Per Year: | \$7.32 | \$4.52 | \$3.9 | \$3.8 | \$5.27 |

Source: Water Treatment Plant and Distribution System Master Plan, January 2019



Fiscal Impact - Wastewater

| | No Increase | 4.0% Increase | 8.0% Increase |
|---------------------------------------|-------------|---------------|---------------|
| Additional Revenue from Rate Increase | \$0 | \$628,736 | \$1,257,472 |
| Net Cash Flow After Rate Increases | \$1,480,856 | \$2,109,591 | \$2,738,327 |

Net cash flow does not take into account the anticipated increase in the cost to dispose of biosolids effective October 1st.



Recommendation

- Conduct a public hearing
- Adopt a Resolution setting the water rates at a rate less than the Proposition 218 approved rates
- Adopt a Resolution setting the wastewater rates at a rate less than the Proposition 218 approved rates



Alternatives

- Consider a different option for implementation of water and/or wastewater rates
- Adopt rates with an effective date of August 1, 2019



Questions?



Rate Impacts – Large Industrial Customer

Water

| Existing Bill June 2018-May 2019 | 3.5% Increase | 7.0% Increase |
|---------------------------------------------|----------------------|----------------------|
| \$1,091,230 | \$37,965 | \$76,500 |

Wastewater

| Existing Bill June 2018-May 2019 | 4.0% Increase | 8.0% Increase |
|---------------------------------------------|----------------------|----------------------|
| \$1,607,332.26 | \$64,293 | \$128,587 |



Proposition 218 Approved Rates - Water

| Meter Size | Baseline HCF's* | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------------|-----------------|------------|------------|------------|------------|------------|
| 1" | 11 | \$28.50 | \$33.91 | \$39.49 | \$41.01 | \$42.59 |
| 1-1/2" | 22 | \$57.00 | \$67.83 | \$78.98 | \$82.03 | \$85.18 |
| 2" | 44 | \$114.01 | \$135.67 | \$157.99 | \$164.07 | \$170.39 |
| 3" | 176 | \$456.02 | \$542.66 | \$631.93 | \$656.26 | \$681.53 |
| 4" | 352 | \$912.05 | \$1,085.34 | \$1,263.88 | \$1,312.54 | \$1,363.08 |
| 6" | 660 | \$1,710.09 | \$2,035.00 | \$2,369.76 | \$2,461.00 | \$2,555.74 |
| 8" | 1,540 | \$3,990.21 | \$4,748.36 | \$5,529.46 | \$5,742.34 | \$5,963.42 |
| Flow Rate Per Excess HCF | | \$1.430 | \$1.701 | \$1.981 | \$2.057 | \$2.137 |



Proposition 218 Approved Rates - Wastewater

| Sewer Rate Schedule | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|------------------------------------|---------|---------|---------|---------|---------|
| Single Family | \$44.58 | \$49.04 | \$53.95 | \$59.34 | \$65.27 |
| Multi-Family | \$35.67 | \$39.24 | \$43.16 | \$47.48 | \$52.23 |
| Commercial – C1 | \$44.58 | \$49.04 | \$53.95 | \$59.34 | \$65.27 |
| Commercial – C2 | \$50.16 | \$55.18 | \$60.69 | \$66.76 | \$73.44 |
| Commercial – C3 | \$60.75 | \$66.83 | \$73.51 | \$80.86 | \$88.95 |
| Commercial Volumetric Charge (HCF) | \$1.76 | \$1.93 | \$2.13 | \$2.34 | \$2.57 |
| Schools – Per Student/Year | \$20.47 | \$22.52 | \$24.77 | \$27.25 | \$29.97 |



Proposition 218 Approved Rates - Wastewater

| Sewer Rate Schedule | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------------|------------|------------|------------|------------|------------|
| Industrial | | | | | |
| Volume (MG) | \$2,570.61 | \$2,827.67 | \$3,110.44 | \$3,421.48 | \$3,763.63 |
| TSS (lbs) | \$0.198 | \$0.218 | \$0.240 | \$0.264 | \$0.290 |
| BOD (lbs) | \$0.263 | \$0.290 | \$0.319 | \$0.350 | \$0.385 |
| Septage Hauler | | | | | |
| \$/Gallon | \$0.343 | \$0.378 | \$0.415 | \$0.457 | \$0.502 |
| 400 Gallons | \$137.28 | \$151.01 | \$166.11 | \$182.72 | \$200.99 |
| 1,000 Gallon | \$343.20 | \$377.52 | \$415.27 | \$456.80 | \$502.48 |
| 1,500 Gallon | \$514.80 | \$566.28 | \$622.91 | \$685.20 | \$753.72 |