

COUNCIL WATER COMMITTEE

WASTEWATER RATE STUDY DRAFT RESULTS

March 12, 2019

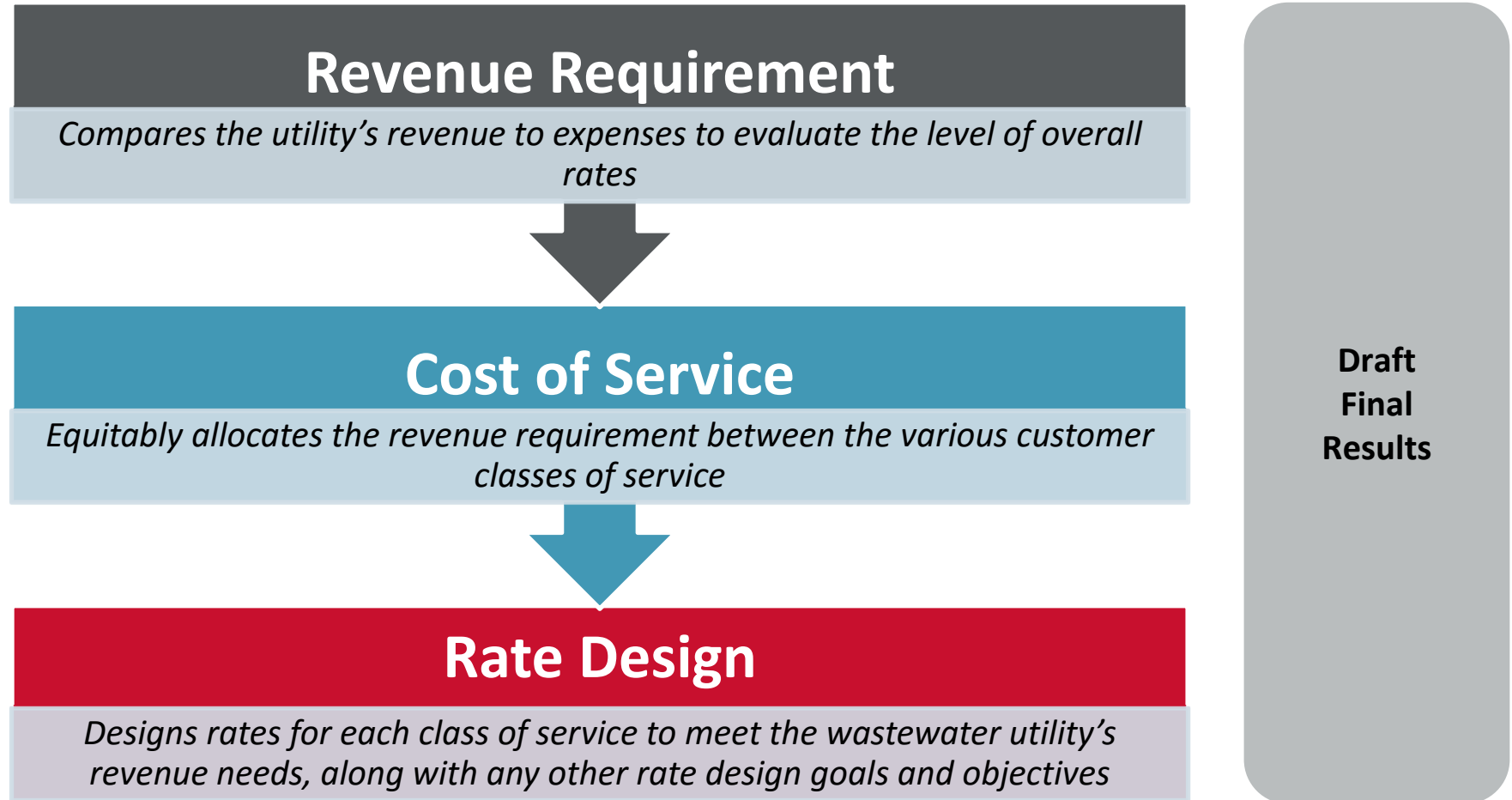
PURPOSE OF RATE STUDY

- Provide Sufficient Revenue to Operate and Maintain City's Wastewater Infrastructure and Position City to Support Economic Growth and Development
- Develop Equitable And Cost-Based Rates
- Meet Intent of Proposition 218
- Reflect Prudent Financial Planning Criteria
- Study Developed Using Generally Accepted Methodologies Tailored to the City's System and Customer Characteristics





Approach to Established Cost-Based Rates



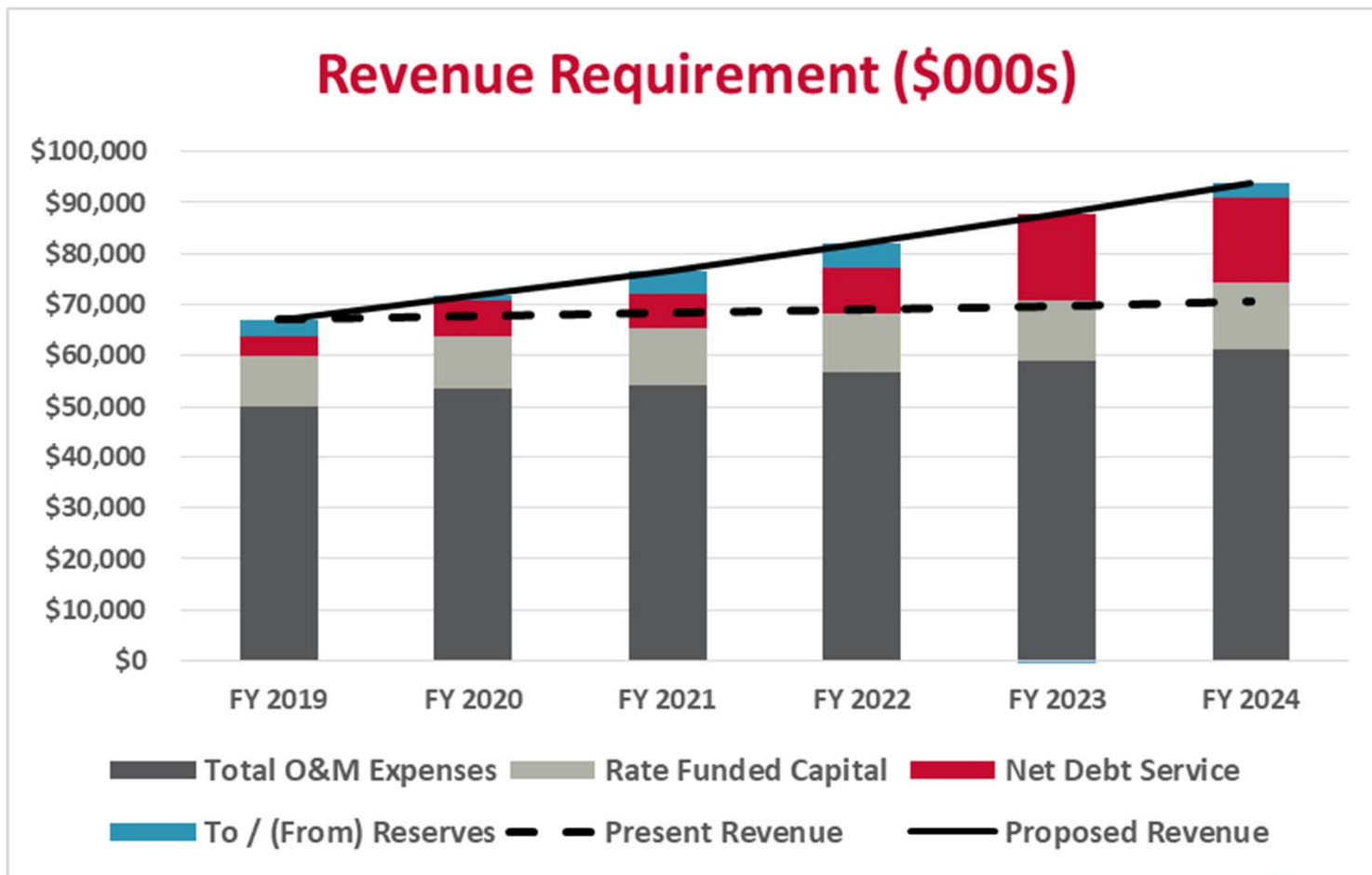
Capital Improvement Plan (\$000s)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Sanitary Systems Repairs	\$900	\$579	\$3,389	\$2,469	\$5,977	\$14,718
Sanitary Pump Stations	0	0	99	2,661	0	6,446
RWCF Project – Construction	2,514	39,600	45,000	55,156	47,631	8,100
RWCF Project – City Costs	279	4,519	5,274	6,638	5,887	1,028
RWCF Upgrades	250	822	2,109	1,974	8,121	3,419
Oversize Collection Lines	4,183	244	250	271	278	7,141
Pump Station Rehab	1,312	3,044	6,505	6,210	2,016	5,805
Sewer Deficiency Improv.	9,482	11,548	16,155	4,248	4,639	11,137
Street Improvements	27	13	14	14	14	15
Capital Asset Replacements	<u>0</u>	<u>964</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,428</u>
Total	\$18,947	\$61,332	\$78,794	\$79,640	\$74,564	\$59,236

Capital Improvement Plan Funding Approach

- Capital Improvement Projects
 - \$353 Million over the 5-Year Period (FY 2020 – FY 2024)
- Assumed Funding Sources
 - Long-Term Borrowing - \$163 Million
 - Available Reserves - \$132 Million
 - Rate Funded Capital - \$58 Million
- Long-Term Borrowing
 - Assumed revenue bonds at this time
 - Conservative approach for rate setting
 - No guarantee low interest loans are available at this time
 - Need to maintain debt service coverage ratios over the long-term

Revenue Requirement



Revenue Requirement Summary

- Revenue Adjustments are Necessary
 - Fund necessary capital improvement projects
 - Maintain legally required debt service coverage ratios
 - Fund inflationary increases in O&M expenses
- Average Annual Revenue Adjustments of 6.0%
 - First year adjustments vary among various customer class
 - 6% per year for each customer class for following 4 years
- Absent revenue adjustments, service levels will not be maintained and RWCF Project will not be funded

Cost of Service Key Assumptions

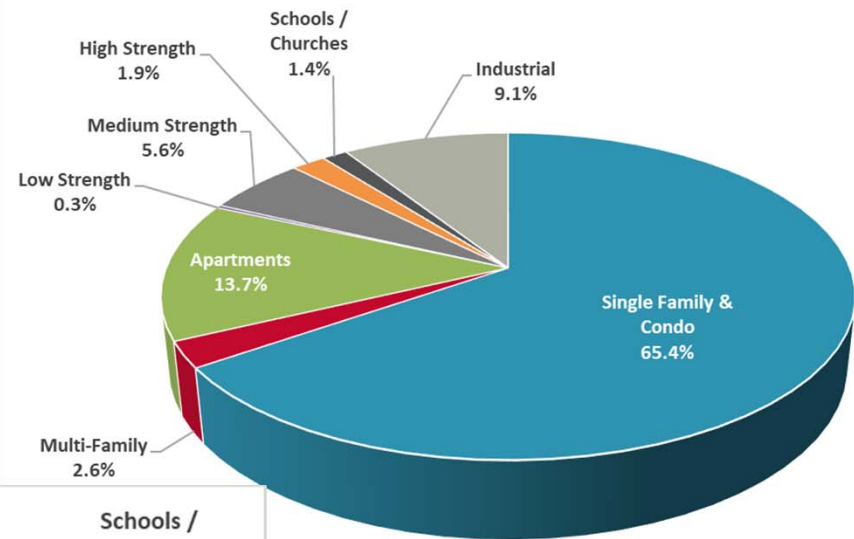
- Customer classes reviewed and current rate schedules were maintained
 - Reflect contemporary customer classes and characteristics
- Revenue requirement reviewed and allocated proportionally to the various customer classes of service based on:
 - Volume – average annual flow
 - Strength – BOD and SS
 - Customer – number of customers
- Cost of service average unit costs provide basis for proposed rate designs

Cost of Service – Allocation Factors

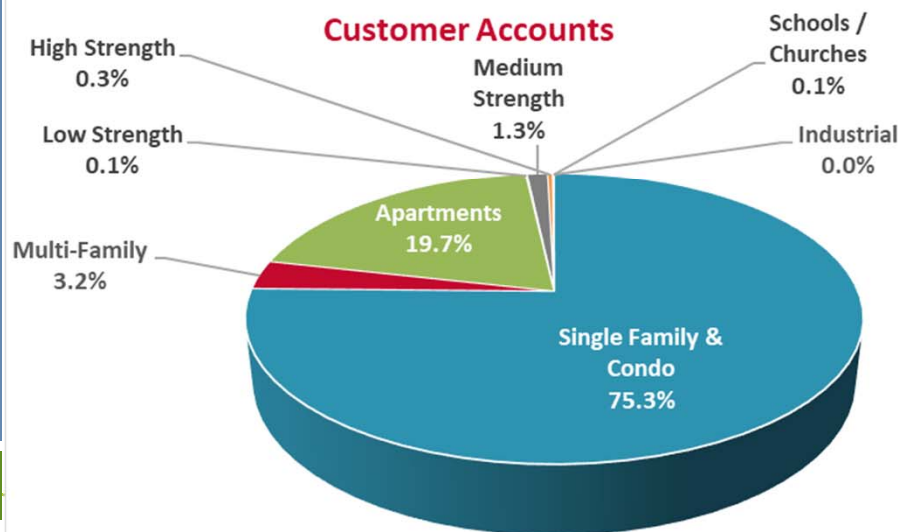
	Volume (VOL)	Biochemical Oxygen Demand (BOD)	Suspended Solids (SS)	Actual Customer (AC)	Revenue Related (RR)
Residential					
Single Family & Condo	63.7%	55.5%	53.8%	75.3%	66.1%
Multi-Family	2.3%	2.0%	1.9%	3.2%	2.6%
Apartments	10.2%	8.9%	8.7%	19.7%	13.2%
Commercial / Institutional					
Low Strength	0.5%	0.4%	0.4%	0.1%	0.3%
Medium Strength	7.9%	9.0%	9.6%	1.3%	5.7%
High Strength	2.1%	3.5%	3.8%	0.3%	1.9%
Schools / Churches	2.4%	2.4%	2.4%	0.1%	1.4%
Industrial	11.0%	18.3%	19.5%	0.0%	8.7%

Revenue By Customer Class

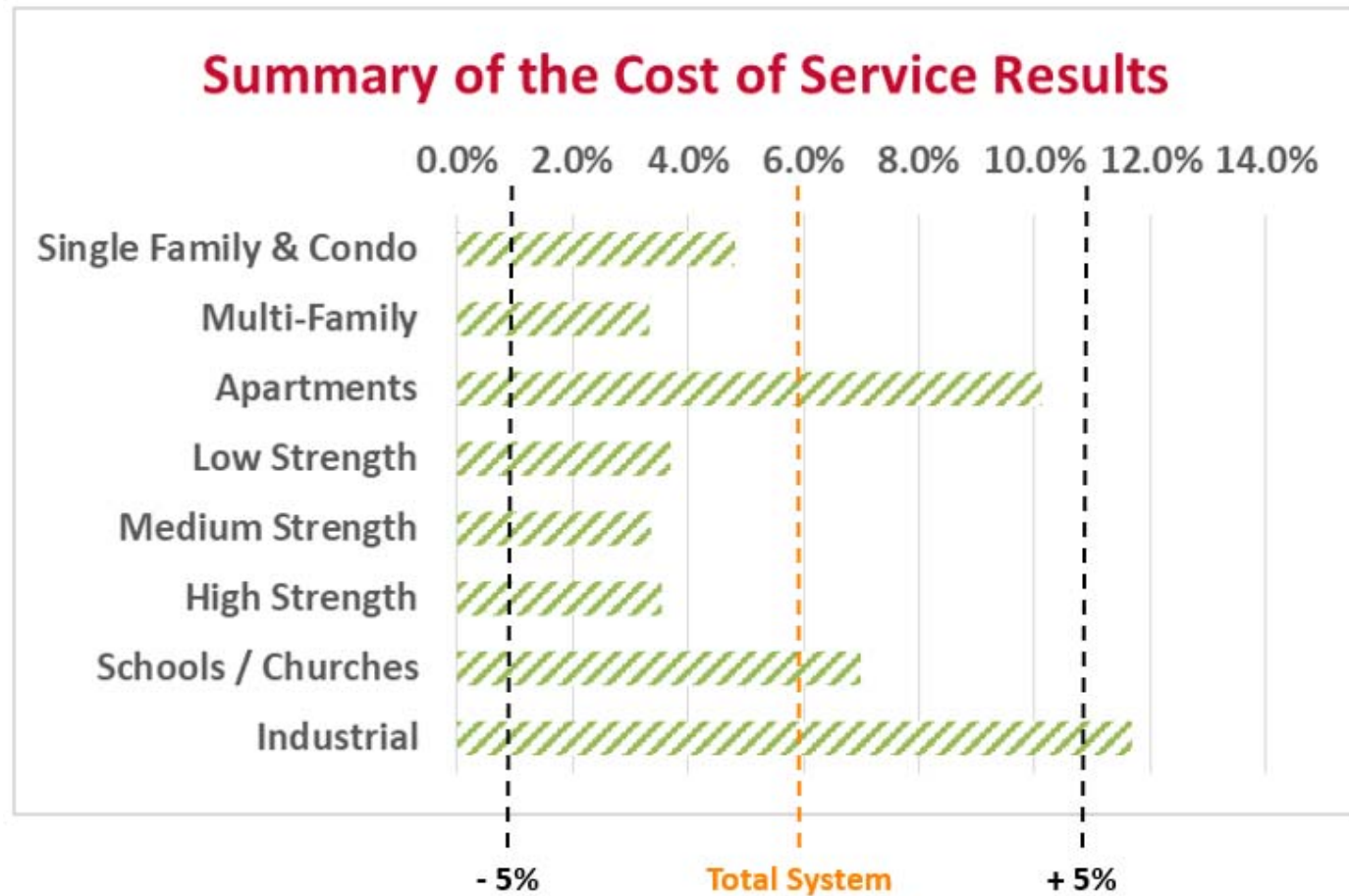
Proposed Cost Allocation by Customer Group



Customer Accounts



Cost of Service Results



*Cost of service results are implemented in Year 1 only

Rate Design – Current Rates

- Residential
 - Flat Fixed Charge
 - Different charge for each sub category (single family & condo, multi-family, and apartments)
- Commercial / Institutional
 - Flat Fixed Charge with Volumetric Charge (\$/HCF)
 - Different volumetric charge for each sub category (low, medium, high strength, and schools / churches [ADA basis])
- Industrial
 - Administration / Stand-by Charge
 - Flow (\$/MG), BOD (\$/1,000 lbs), and SS (\$/1,000 lbs)
- O&M Charge
 - Flow (\$/MG), BOD (\$/1,000 lbs), and SS (\$/1,000 lbs)

Proposed Residential Rates

	Current Rates	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Single Family & Condo						
City	\$42.06	\$44.10	\$46.75	\$49.56	\$52.53	\$55.68
Non-City	38.36	40.22	42.63	45.19	47.90	50.77
Multi-Family						
City	\$40.20	\$41.55	\$44.04	\$46.68	\$49.48	\$52.45
Non-City	36.06	37.27	39.51	41.88	44.39	47.05
Apartments						
City	\$34.22	\$37.68	\$39.94	\$42.34	\$44.88	\$47.57
Non-City	30.04	33.08	35.06	37.16	39.39	41.75

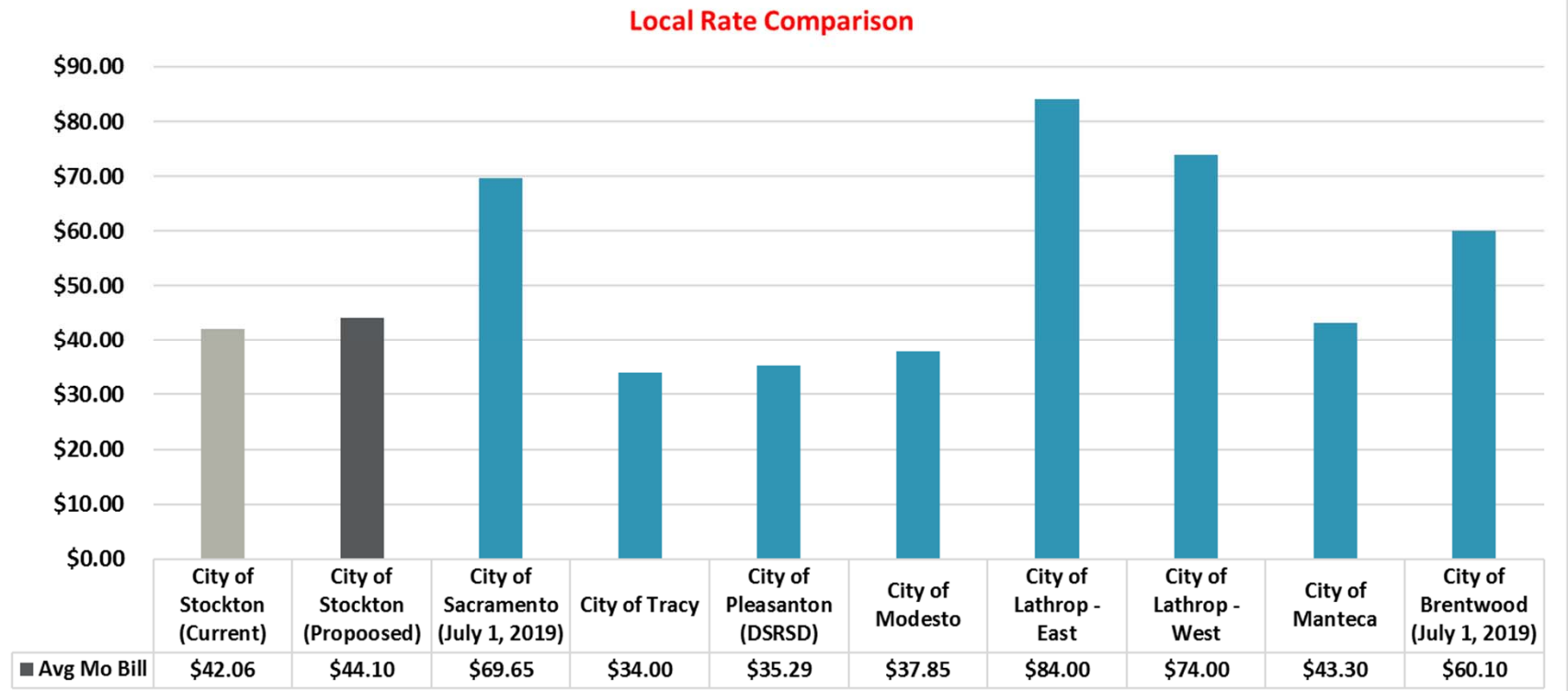
Proposed Non-Residential Rates

	Present Rates	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Base Charge	<i>\$ / Mo</i>					
City	\$23.16	\$21.25	\$22.53	\$23.88	\$25.31	\$26.83
Non-City	20.34	18.66	19.78	20.97	22.23	23.56
Consumption	<i>\$ / HCF</i>					
Low Strength	\$1.64	\$1.75	\$1.86	\$1.97	\$2.09	\$2.22
Medium Strength	2.03	2.14	2.27	2.41	2.55	2.70
High Strength	3.41	3.59	3.81	4.04	4.28	4.54
Schools / Churches (\$ / ADA)	0.96	1.03	1.09	1.16	1.23	1.30

Proposed Industrial Rates

	Present Rates	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Admin / Stand-By Charges						
Base Charge	\$23.16	\$21.25	\$22.53	\$23.88	\$25.31	\$26.83
Flow	613.86	685.00	726.10	769.67	815.85	864.80
BOD	99.37	111.00	117.66	124.72	132.20	140.13
SS	72.57	81.50	86.39	91.57	97.06	102.88
O&M Charges						
Flow	\$530.64	\$592.90	\$628.47	\$666.18	\$706.15	\$748.52
BOD	36.97	41.30	43.78	46.41	49.19	52.14
SS	59.16	66.10	70.07	74.27	78.73	83.45

Residential Rate Comparison



Rate Study Summary

- Revenue adjustments are necessary to fund the operating and capital needs of the wastewater utility
 - Necessary to maintain legal debt service coverage ratio
- Cost of service adjustments in year 1 provide cost-based and equitable rates for each customer class of service
 - Future rate adjustments based on annual revenue adjustment
- Rate design maintained the current rate structure for the customer classes of service
 - Current structure is contemporary
- Proposed rates reflect anticipated operational needs for the next five-year period