



Water and Wastewater *Community Workshop* Rate Study *February 6, 2018*



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Presentation Overview

- Review proposed water and wastewater rates, possible alternatives
- Address proposed structure changes
 - *Meet Proposition 218 requirements*
 - *Ensure customer equitability*
- Define future state of the water and wastewater enterprises
- Rate Adoption Timeline
 - *Meeting Goal: answer community questions before Public Hearing February 20, 2018.*



Legislation Affecting Water and Wastewater Rates

- Proposition 218

- *Water and wastewater rates must be based on cost of service*
- *Must be proportional to all customers*
- *One group of customers cannot be subsidized by another group*
- *San Juan Capistrano Decision 2015: tiered rates must be cost justified*

- Proposition 26

- *Water and wastewater fees (service turn-on fees, meter test fees, etc.) must not exceed the cost of service*

- Government Code 66000

- *Water and wastewater capacity fees must be based on a reasonable nexus between the amount of the fee and the benefit received by new connections*



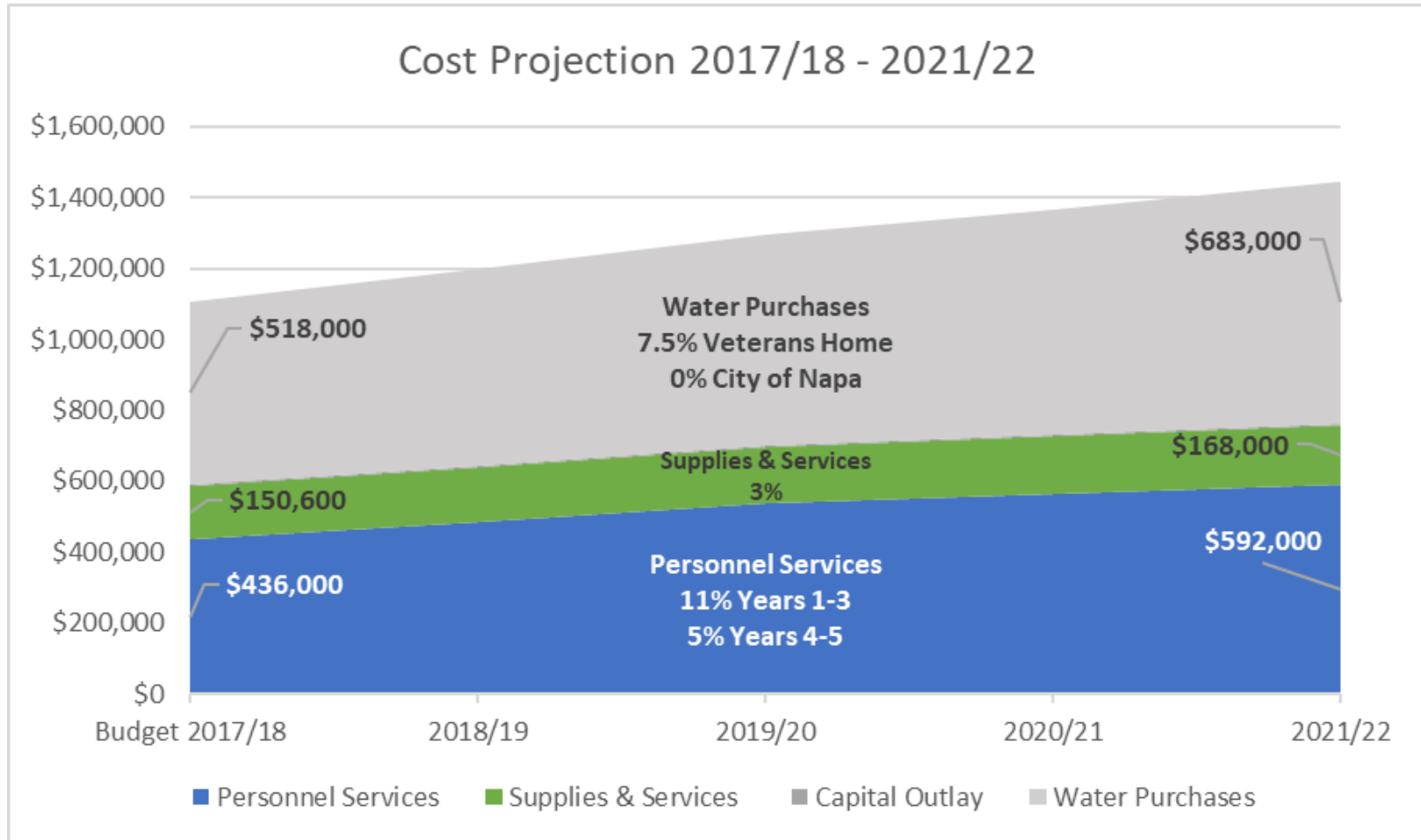
Water System Overview



- Water system is a self-supporting enterprise
 - *Revenues must be sufficient to cover operating expenses*
- Water is purchased from the Veterans Home
 - *The cost of water is increasing*
- The water enterprise currently holds no debt
- 5-Year Capital Improvement Plan \$2.1 Million
- 2016/17 Fund Balance
 - *Unrestricted: \$1.4 million*
 - *Restricted Drought Water Reserve Bank: \$2 million*
- Rates have not been increased since 2015



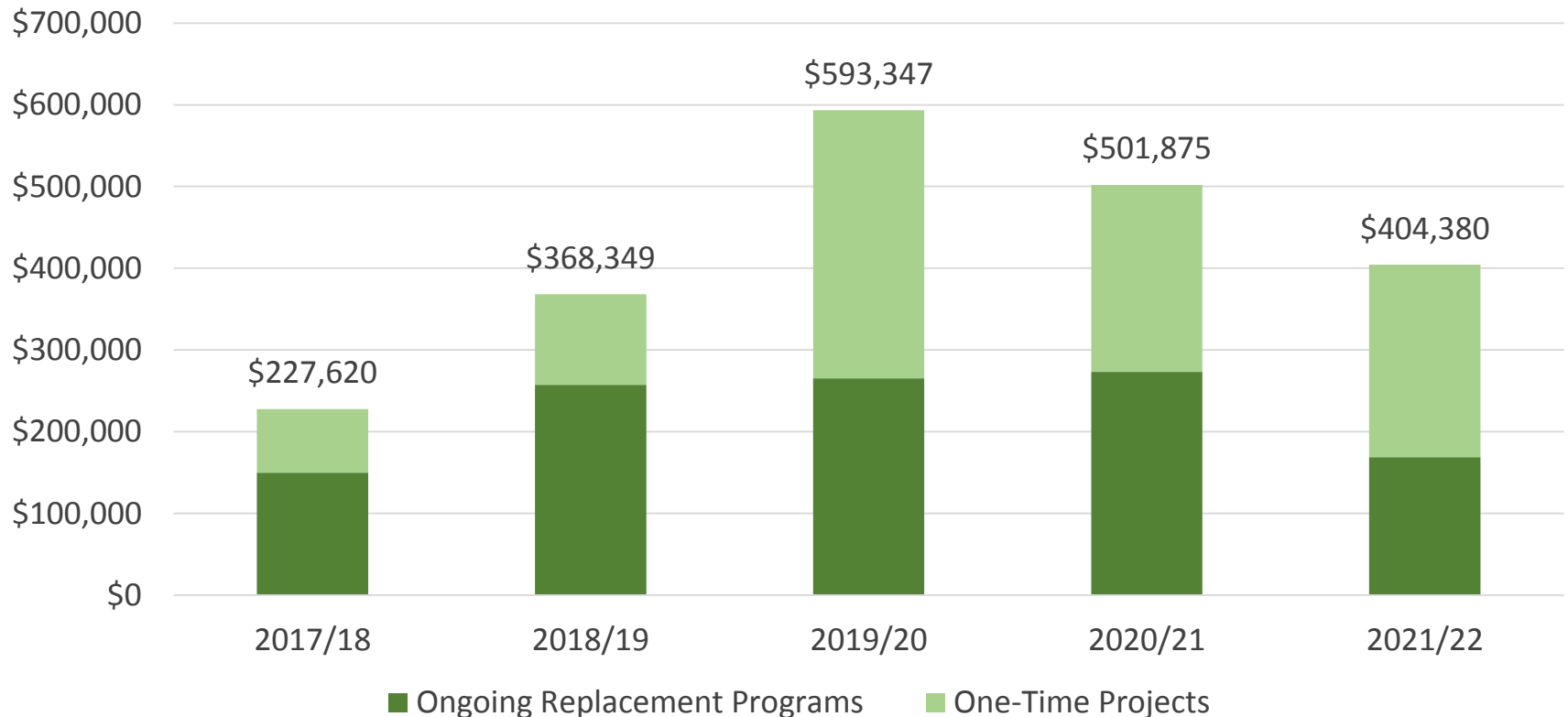
Water Operations Cost Projection





Five-Year Water Capital Plan

Total Water Capital Plan: \$2.1 Million

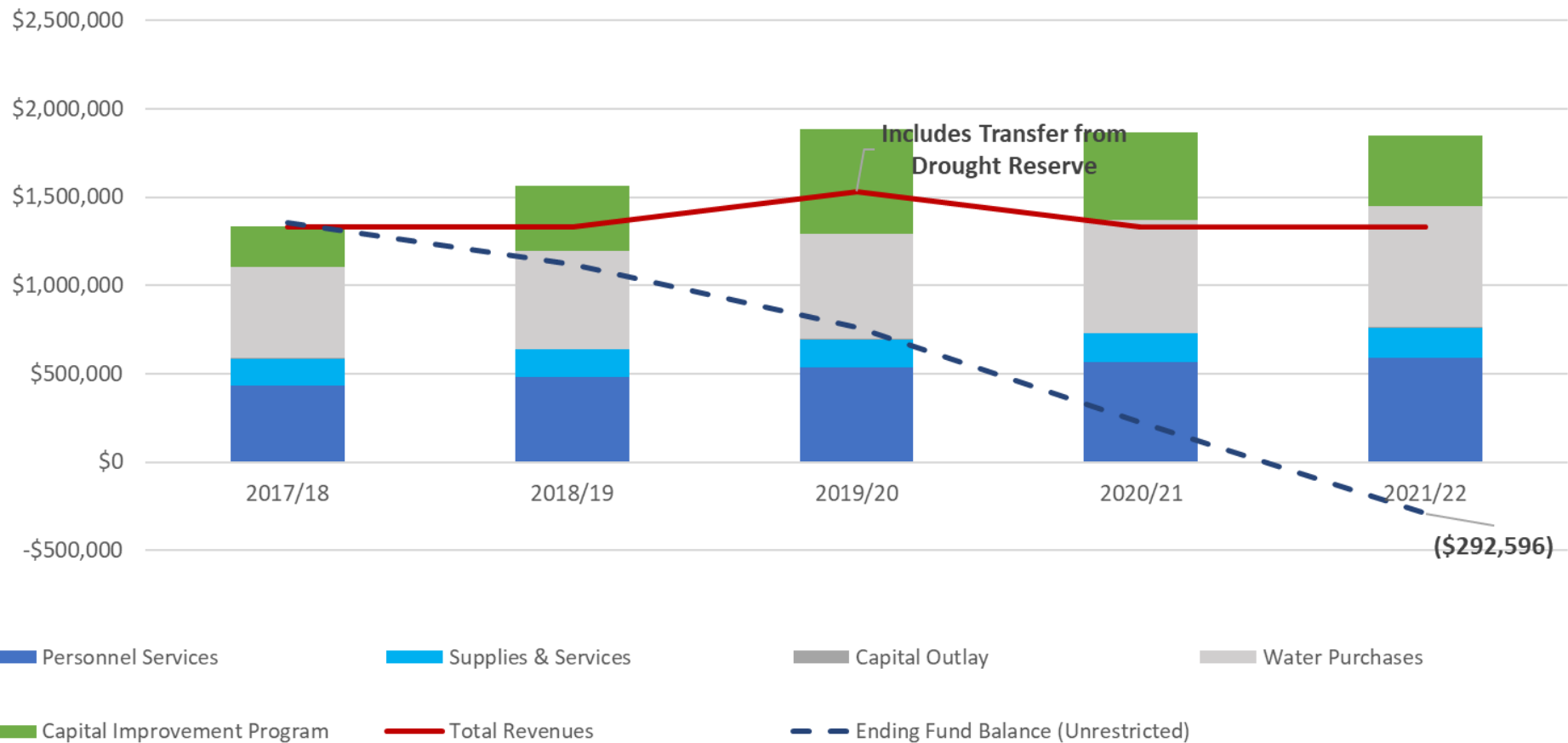


Current revenues are not sufficient to cover needed projects





Revenue and Expense Projection – No Rate Increases



Current revenues are not sufficient to cover needed projects





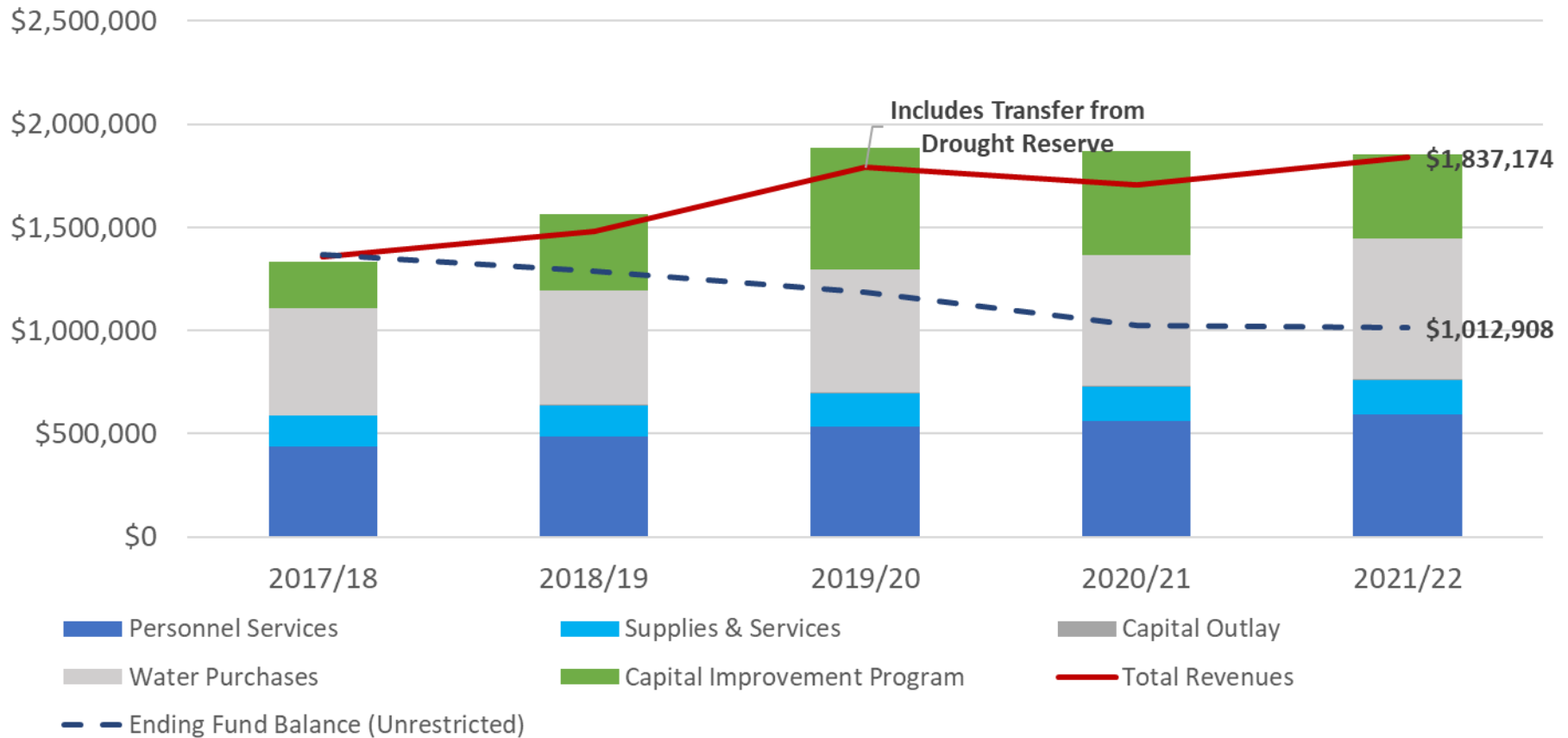
Proposed Water Rate Increase

- Proposed increases are sufficient to cover all capital projects and maintain emergency reserves
 - *Transfer \$200,000 from Drought Water Reserve Bank to mitigate rate impacts – Ad Hoc Committee Recommendation*

<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
March 1	January 1	January 1	January 1	January 1
7.0%	7.0%	7.0%	7.0%	7.0%



Revenue and Expense Projection – Proposed Rates



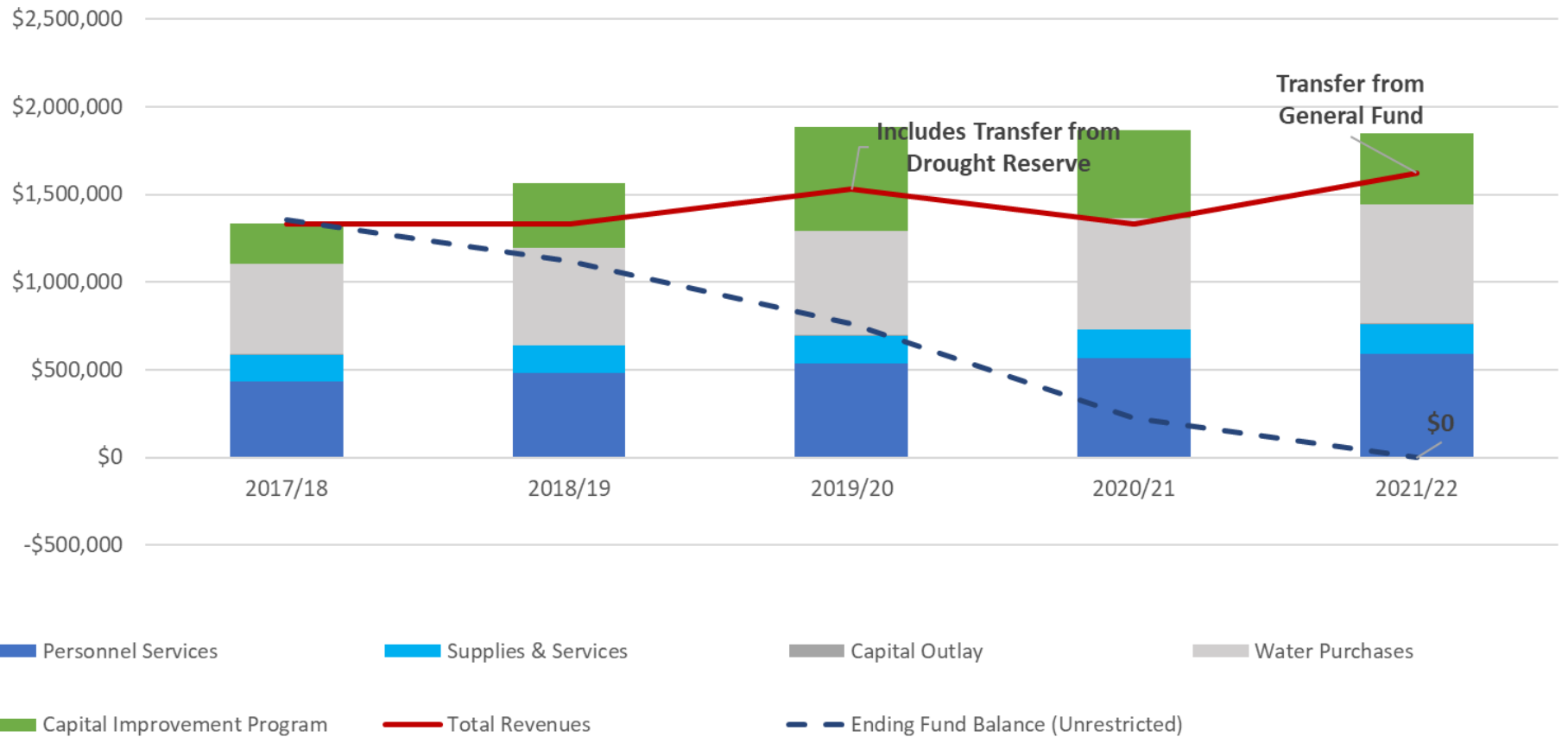


Potential for General Fund Subsidy and 0 Fund Balance

- General Fund subsidies can temporarily relieve rate increases
 - *Rate payers will see a large spike in rates once the General Fund can no longer subsidize the rates*
- Fund balance allows for smooth rate increases over time by covering expenses when capital projects surpass rate revenue
 - *When fund balance is 0, rate increases/general fund contributions must cover 100% of expenses*
- BWA recommends adopting the proposed rates to smooth required increase over time



Revenue and Expense Projection – Delay Rate Increases to Year 5

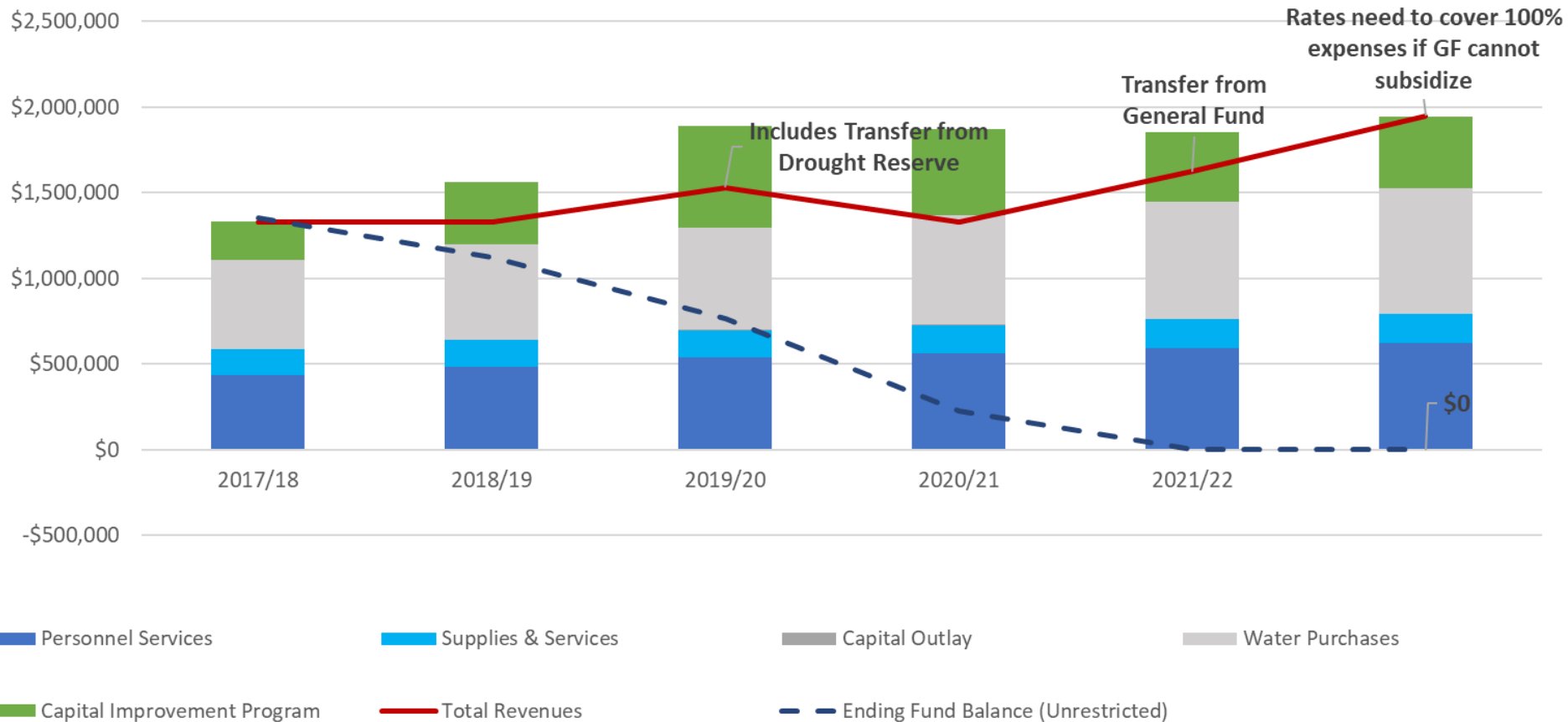


If rates remain constant, in Year 5 Water will need a \$300,000 contribution from the general fund or a 45% rate increase





Revenue and Expense Projection – Delay Rate Increases to Year 6



Assuming General Fund transfer in Year 5, in Year 6 water will need a \$600,000 contribution from the General Fund or a 94% rate increase





Proposed Water Rate Structure

- Monthly Fixed Charges

- *No proposed structure change*
 - Varied by meter size – high water users pay more
 - 46% Fixed Revenue collection
- *Proposed 70% Surcharge Outside Town*
 - Applies to meter service charge and system replacement fee
 - Updated calculation: recovers ongoing expenses for infrastructure outside town
- *Fire Charge*
 - 20% of meter charge (AWWA Standard)

2017/18 Proposed Meter Service Charges 7% Rate Increase		
Meter Size	\$/Meter Inside Town	\$/Meter Outside Town
3/4"	\$42.07	\$71.52
1"	\$71.53	\$121.60
1.5"	\$138.86	\$236.07
2"	\$223.03	\$379.15
3"	\$420.81	\$715.38
4"	\$702.75	\$1,194.68
6"	\$1,401.30	\$2,382.22
8"	\$2,242.93	\$3,812.99
2017/18 Proposed System Replacement Fee 7% Rate Increase		
Meter Size	\$/Meter Inside Town	\$/Meter Outside Town
3/4"	\$6.70	\$11.39
1"	\$11.40	\$19.37
1.5"	\$22.12	\$37.60
2"	\$35.51	\$60.37
3"	\$67.01	\$113.92
4"	\$111.92	\$190.27
6"	\$223.17	\$379.39
8"	\$357.20	\$607.24



Proposed Water Rate Structure

- Monthly Usage Charges

- *Single Family 2-Tier Rate*
 - Conservation expenses can be used to create a 2-tier structure
- *All Other Users Single Tier*
- *54% Variable Revenue collection*

2017/18 Proposed Usage Charges 7% Rate Increase	
User Class	\$/kgal Inside and Outside Town
Single Family	
Tier 1 (0-4 Units)	\$3.17
Tier 2 (4+ Units)	\$3.63
Multi Family	\$3.52
Non-Residential	\$3.52

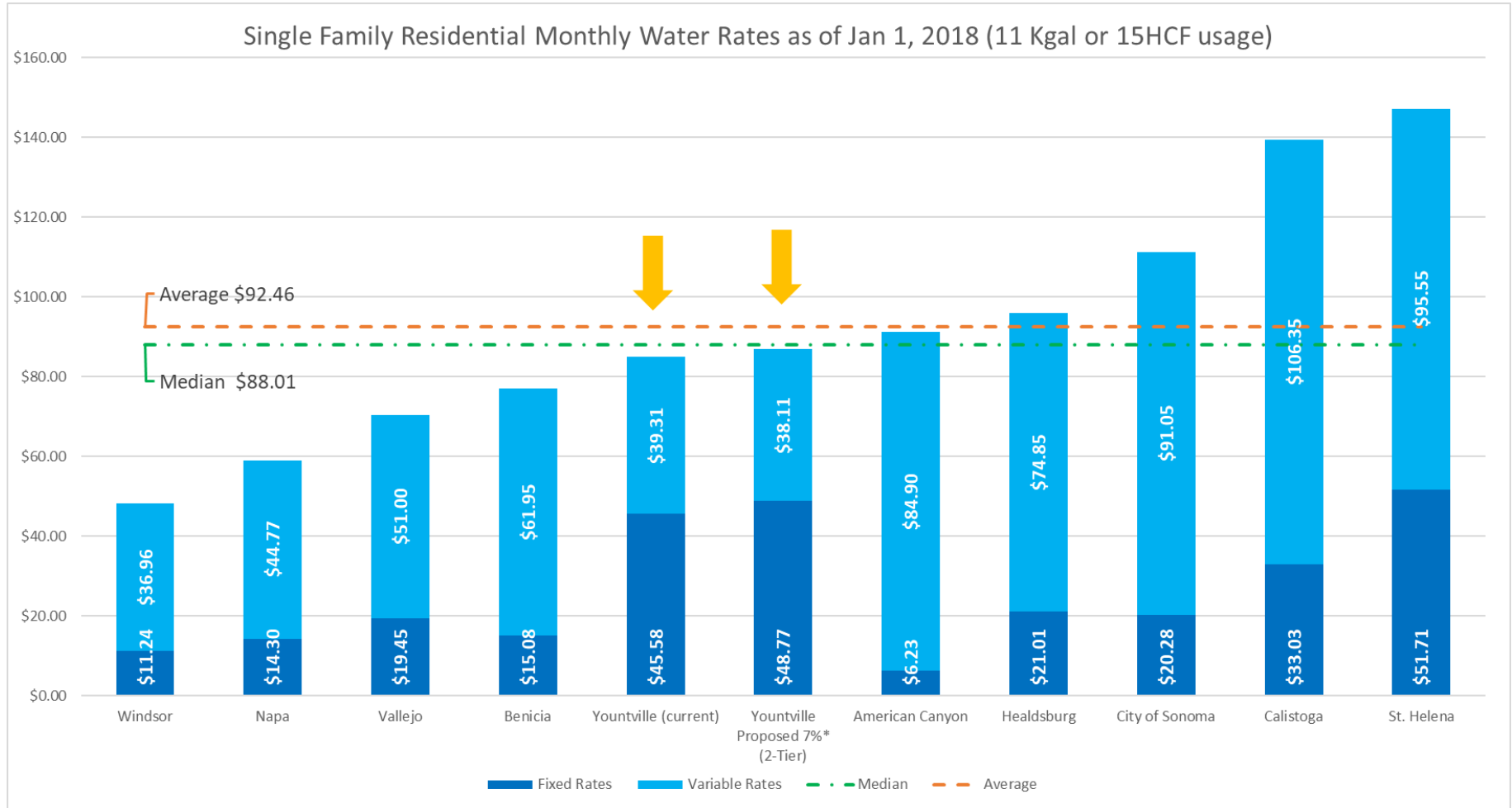


Proposed Bill Impacts 2018

- Low Users will see a larger increase
 - *Tier 1 rate has gone up*
- Average users will see a smaller increase
- High Users will see a decrease in the first year
 - *Tiers 3 and 4 have been eliminated*
 - *The Town can only cost-justify two tiers*

<u>Single Family Bill</u>	<u>kgal usage</u>	<u>Current Rate</u>	<u>Proposed Rate</u> <u>2017/18</u>
			7% overall increase
Low User	4	\$55.86	\$61.45
<i>\$ increase</i>			<i>\$5.59</i>
Average User	11	\$84.89	\$86.86
<i>\$ increase</i>			<i>\$1.97</i>
High User	20	\$137.18	\$119.53
<i>\$ increase</i>			<i>-\$17.65</i>

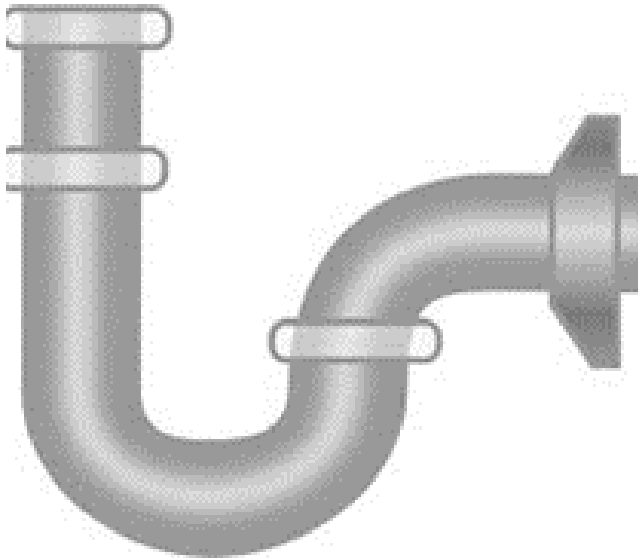
Water Rate Survey – Napa/Sonoma Area



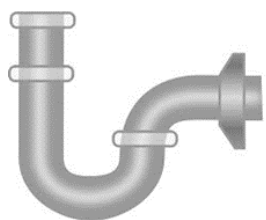
The Town's rate is below the area average and will maintain its position with the proposed rates



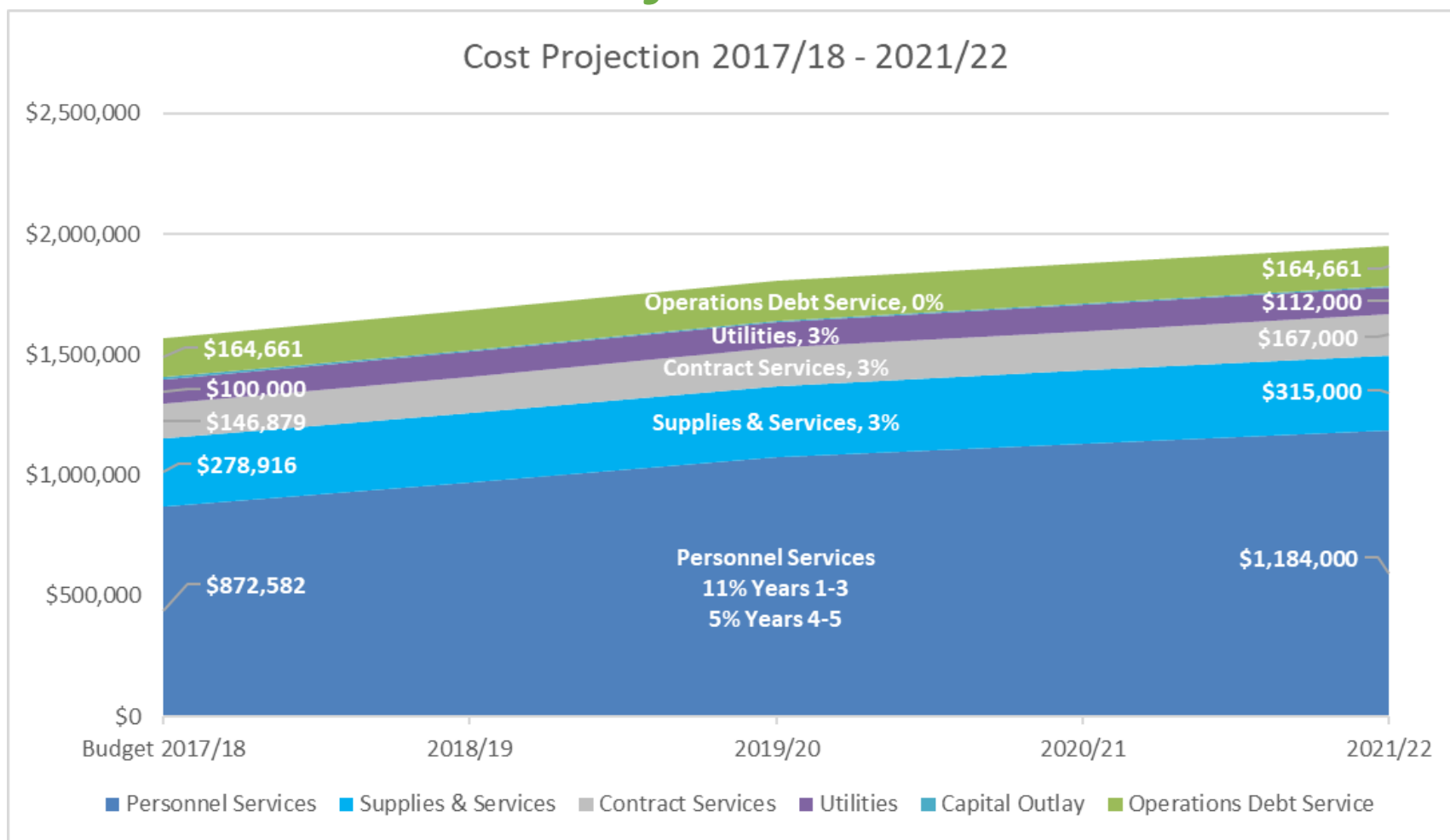
Wastewater System Overview

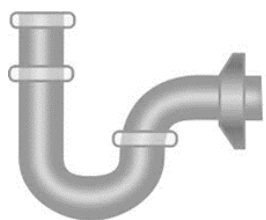


- Sewer system is a self-supporting enterprise
 - *Revenues must be sufficient to cover operating expenses*
- Veterans Home contributes revenue based on usage and shared capital costs
- 2016/17 Fund Balance
 - *Unrestricted: \$3 million*
- 5-Year Capital Improvement Plan \$3.36 million
- Rates have not been increased since 2015



Wastewater Operations Cost Projection



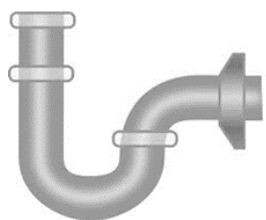


Wastewater Debt Service Obligations

<u>Issue</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
2010 Energy Efficient Grant	\$12,525	\$12,525	\$12,525	\$12,525	\$12,525
2014 SRF Loan	164,661	164,661	164,661	164,661	164,661
2013 Madison Yount Project	28,427	29,343	28,885	28,428	29,316
Total Wastewater Enterprise Debt Service	\$205,613	\$206,529	\$206,071	\$205,614	\$206,502

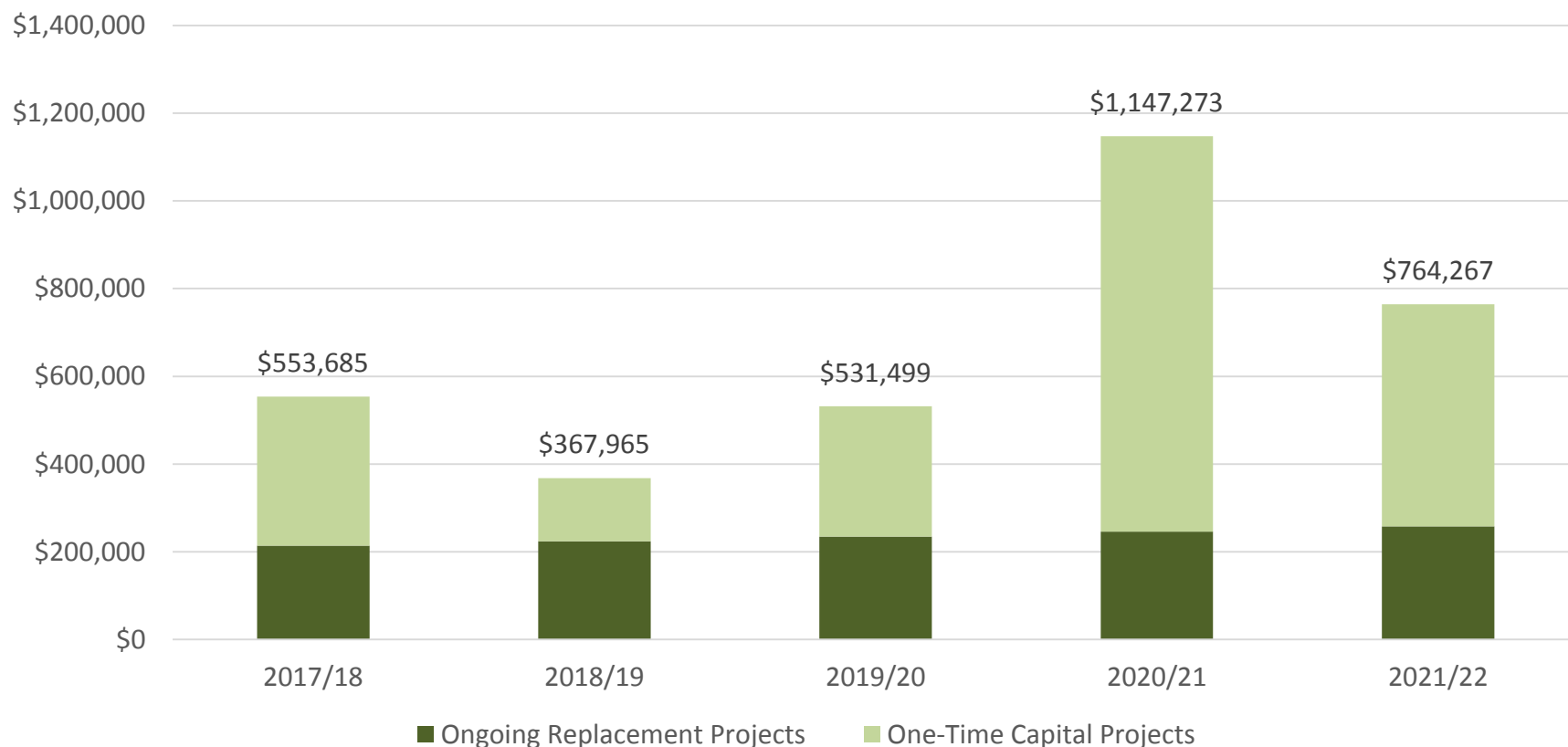
2010 Energy Efficient Grant estimated to be paid off in 2023/24





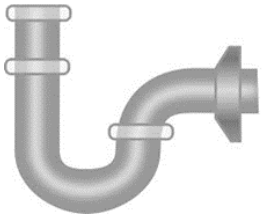
5-Year Wastewater Capital Plan

Total Wastewater Capital Plan: \$3.36 Million

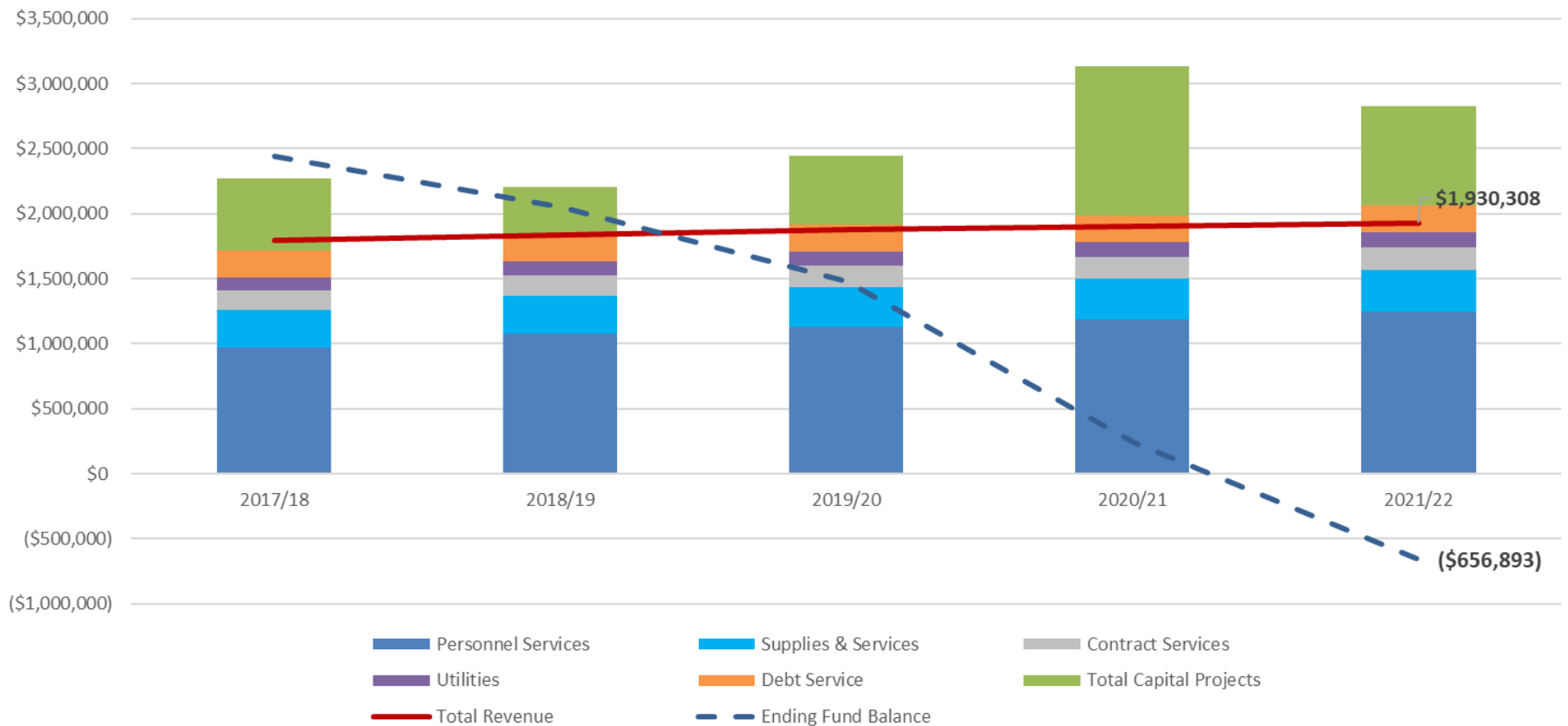


Current revenues are not sufficient to cover needed projects



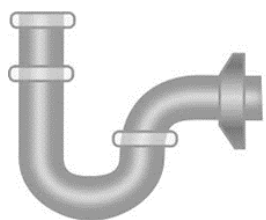


Revenue and Expense Projection – No Rate Increases



Without rate increases, the Wastewater enterprise will not meet debt service coverage in Year 2



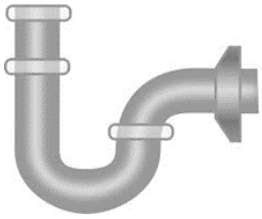


Proposed Wastewater Rate Increases

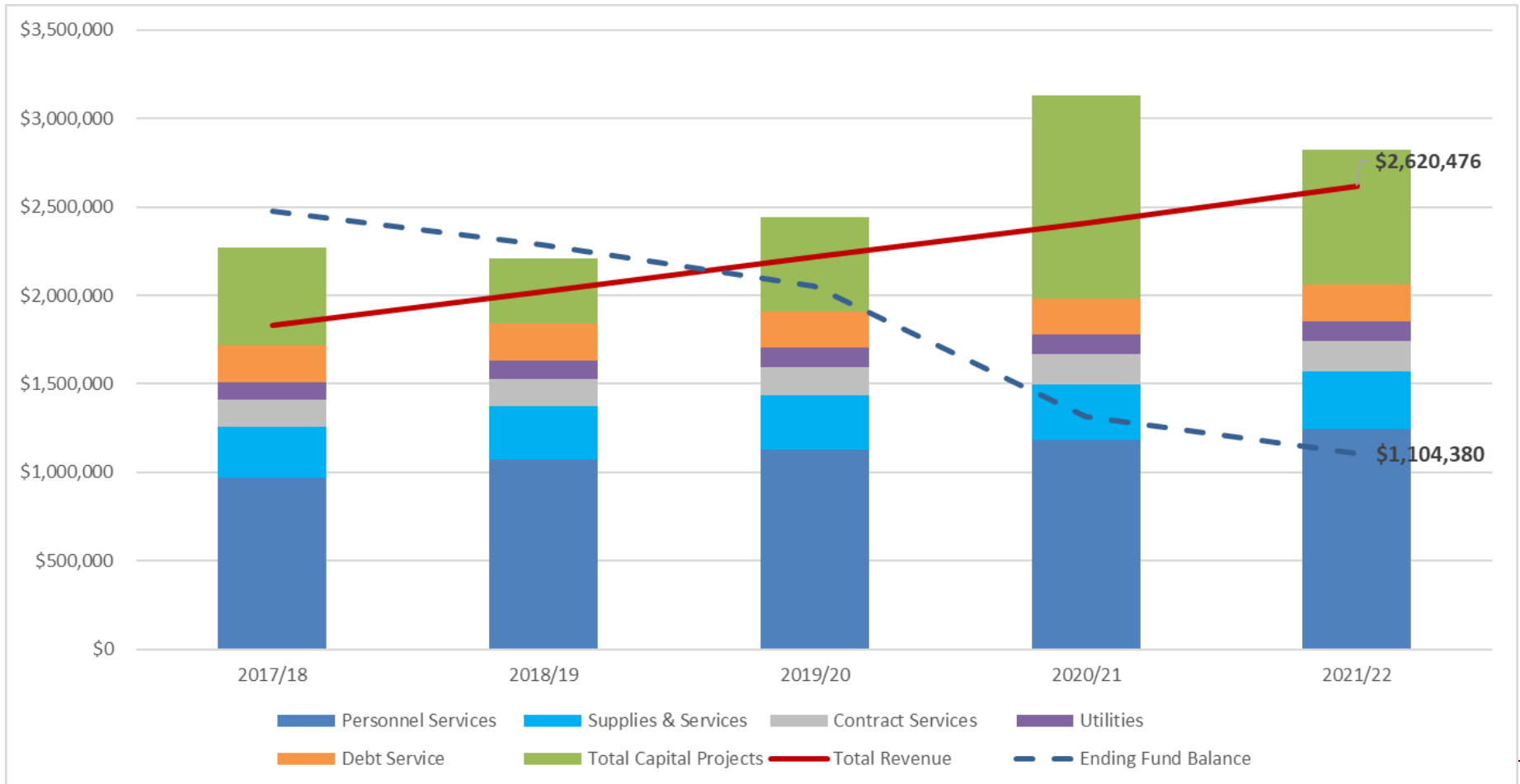
- Proposed increases are sufficient to cover all capital projects, meet debt service coverage requirements and maintain adequate reserves
- No proposed structure change

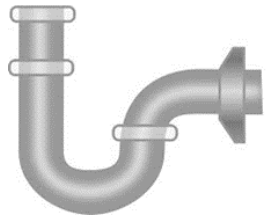
<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
March 1	January 1	January 1	January 1	January 1
12.0%	12.0%	12.0%	12.0%	12.0%

Single Family Monthly Bill Impact		
	<u>Current</u>	<u>2017/18 Proposed</u>
Single Family Charge	\$35.22	\$39.45
System Replacement Fee ¾" meter	\$9.60	\$10.75
Total Monthly Bill	\$44.82	\$50.20
\$ increase		\$5.38



Revenue and Expense Projection – Proposed Increases



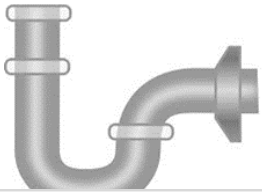


Potential for General Fund Subsidy, 0 Fund Balance

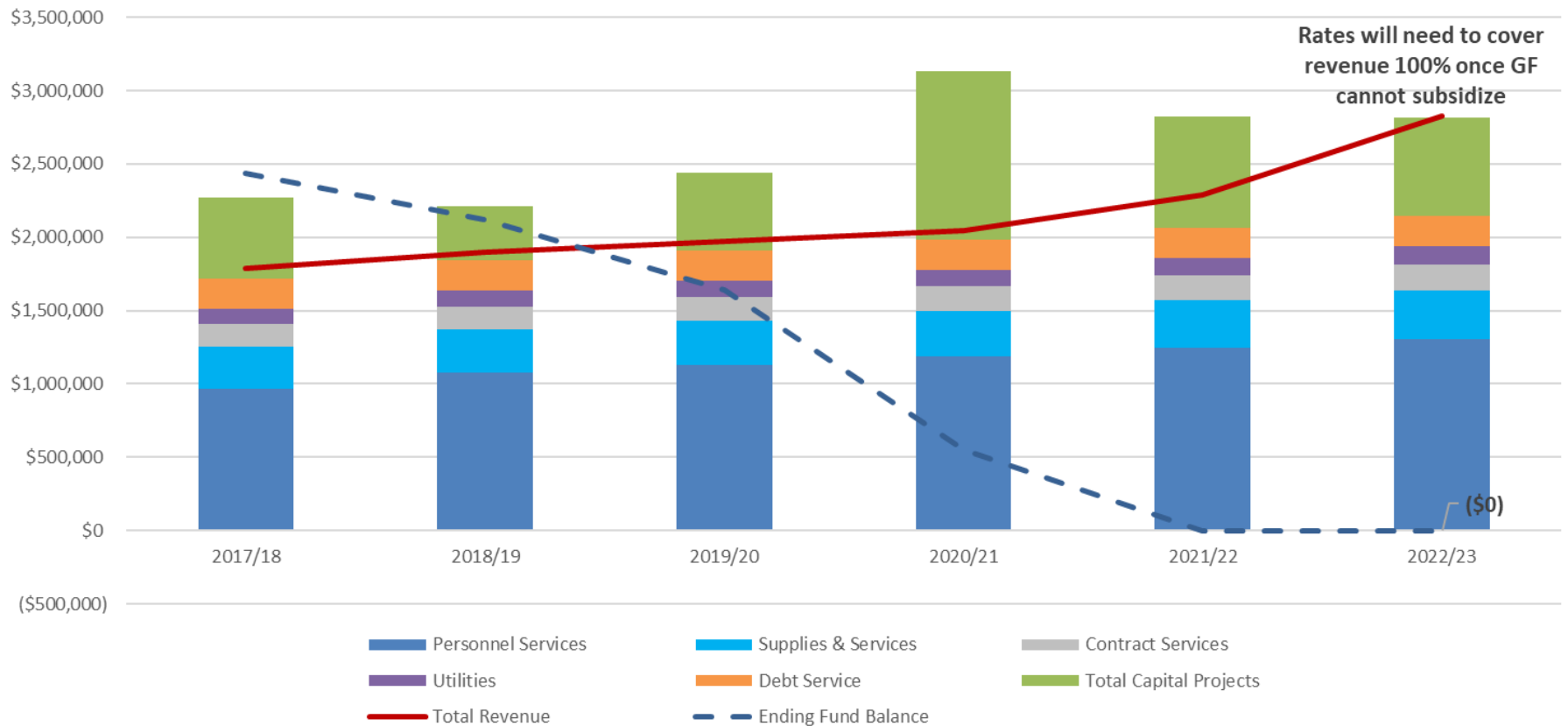
- General Fund subsidies can temporarily relieve rate increases
 - *Rate payers will see a large spike in rates once the General Fund can no longer subsidize the rates*
 - *Rates cannot be flat without GF intervention in Year 2 (enterprise will not meet debt service coverage)*

<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>5-Year Total</u>
\$0	\$67,281	\$92,710	\$140,820	\$356,083	\$656,893

- Fund balance allows for smooth rate increases over time by covering expenses when capital projects surpass rate revenue
 - *When fund balance is 0, rate increases/general fund contributions must cover 100% of expenses*
- BWA recommends adopting the proposed rates to smooth required increase over time



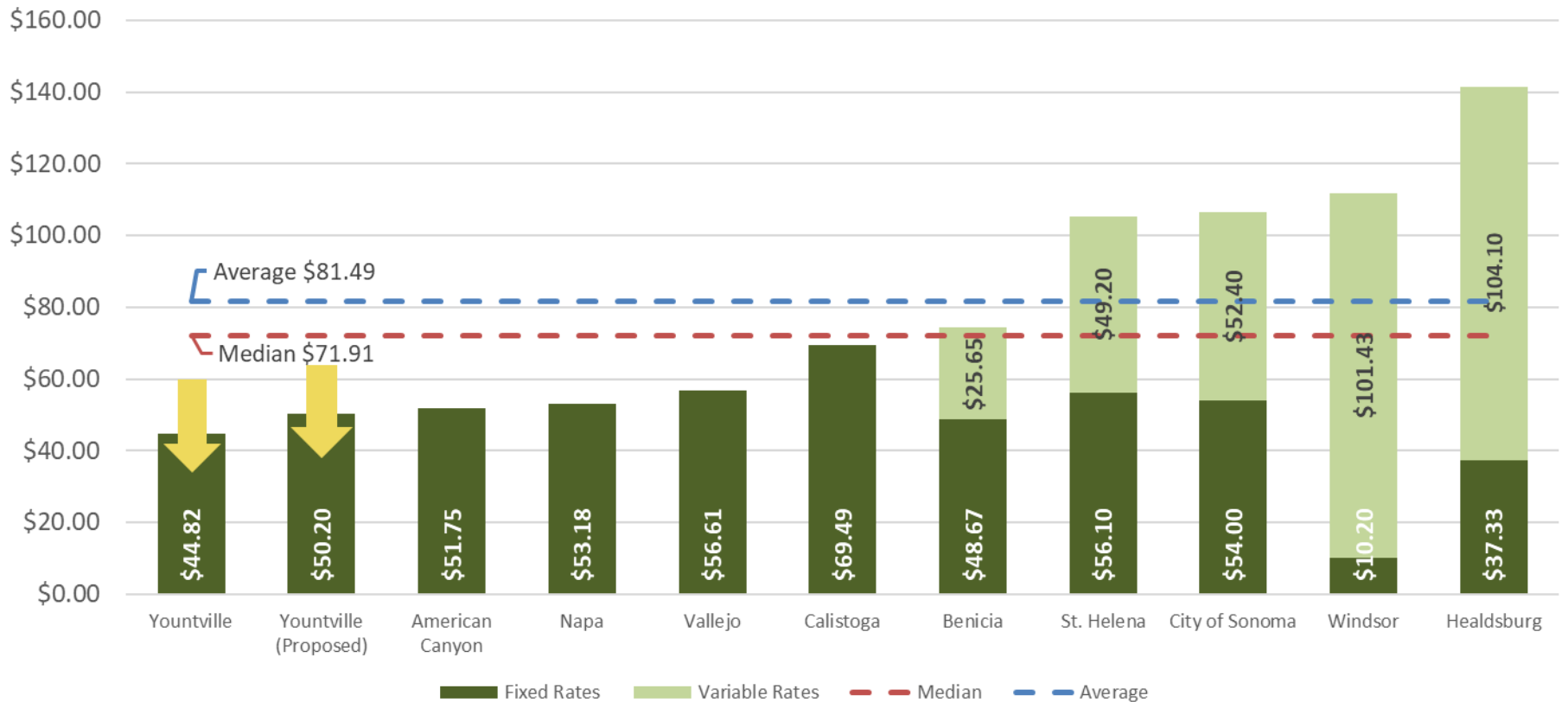
Revenue and Expense Projection – Delay Rate Increases to Year 6



Assuming General Fund transfers Years 1-5, in Year 6 wastewater will need a \$900,000 contribution from the General Fund or a 140% rate increase

Sewer Rate Survey – Napa/Sonoma Area

Single Family Residence Monthly Wastewater Rates January 1, 2018
(7 Kgal or 10HCF)



The Town's rate is the lowest in the area and will maintain its position with the proposed rate increase



Summary of Proposed Rates

- Water

- *Revise rate structure to reflect California legal requirements*
- *Gradually increase rate revenue over time to cover increasing costs and meet all targets*
 - \$200,000 transfer from Drought Reserve Fund to mitigate rate impacts

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March 1	January 1	January 1	January 1	January 1
7.0%	7.0%	7.0%	7.0%	7.0%

- Wastewater

- *Gradually increase rate revenue over time to cover increasing costs and meet all targets*

<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
March 1	January 1	January 1	January 1	January 1
12.0%	12.0%	12.0%	12.0%	12.0%



Proposition 218 Procedures

- Mail a notice to all ratepayers outlining proposed rates
 - *Notice Maximum Rates*
- Hold a Public Hearing at least 45 days after mailing to consider proposed rates February 20, 2018
 - *Receive public comments and written protests*
 - *If a majority of rate payers submit written protests (one per parcel), rates may not be passed*
 - *If there is no majority protest, rates may be passed by Council resolution*
- If approved, rates would be effective March 1, 2018
 - *Increased January 1 each year thereafter*





Water and Wastewater Rate Study

*Questions &
Comments*



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