



# Water and Wastewater *Town Council Meeting* Rate Study *December 5, 2017*



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS

# Presentation Overview

- Review current water and wastewater rates, current state of each enterprise
- Outline projected costs
- Address proposed rate increases
  - *Ad-Hoc Committee recommendation*
- Address proposed structure changes
  - *Meet Proposition 218 requirements*
  - *Ensure customer equitability*
- Rate Adoption Timeline
  - *Meeting Goal: receive approval to mail Prop 218 notices (Maximum Rates)*



# 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



# Current Water Rates

## Fixed Charges

### - Monthly Fixed Charges

- *Meter Service Charge*
  - Varies by meter size
  - 87% Surcharge Outside Town
- *System Replacement Fee*
  - Recovers a portion of capital expenses
- *Fire Charge*
  - 2 customers currently pay
  - \$20.00 – 6" meter
  - \$40.00 – 8" meter

Current Meter Service Charge		
Meter Size	\$/Meter Inside Town	\$/Meter Outside Town
3/4"	\$39.32	\$73.53
1"	\$66.85	\$124.98
1.5"	\$129.78	\$242.62
2"	\$208.44	\$389.68
3"	\$393.28	\$735.21
4"	\$656.78	\$1,227.82
6"	\$1,309.63	\$2,448.29
8"	\$2,096.20	\$3,918.73
Current Water System Replacement Fee		
Meter Size	\$/Meter Inside Town	\$/Meter Outside Town
3/4"	\$6.26	\$6.26
1"	\$10.65	\$10.65
1.5"	\$20.67	\$20.67
2"	\$33.19	\$33.19
3"	\$62.63	\$62.63
4"	\$104.60	\$104.60
6"	\$208.57	\$208.57
8"	\$333.83	\$333.83



# Current Water Rates Usage Charges

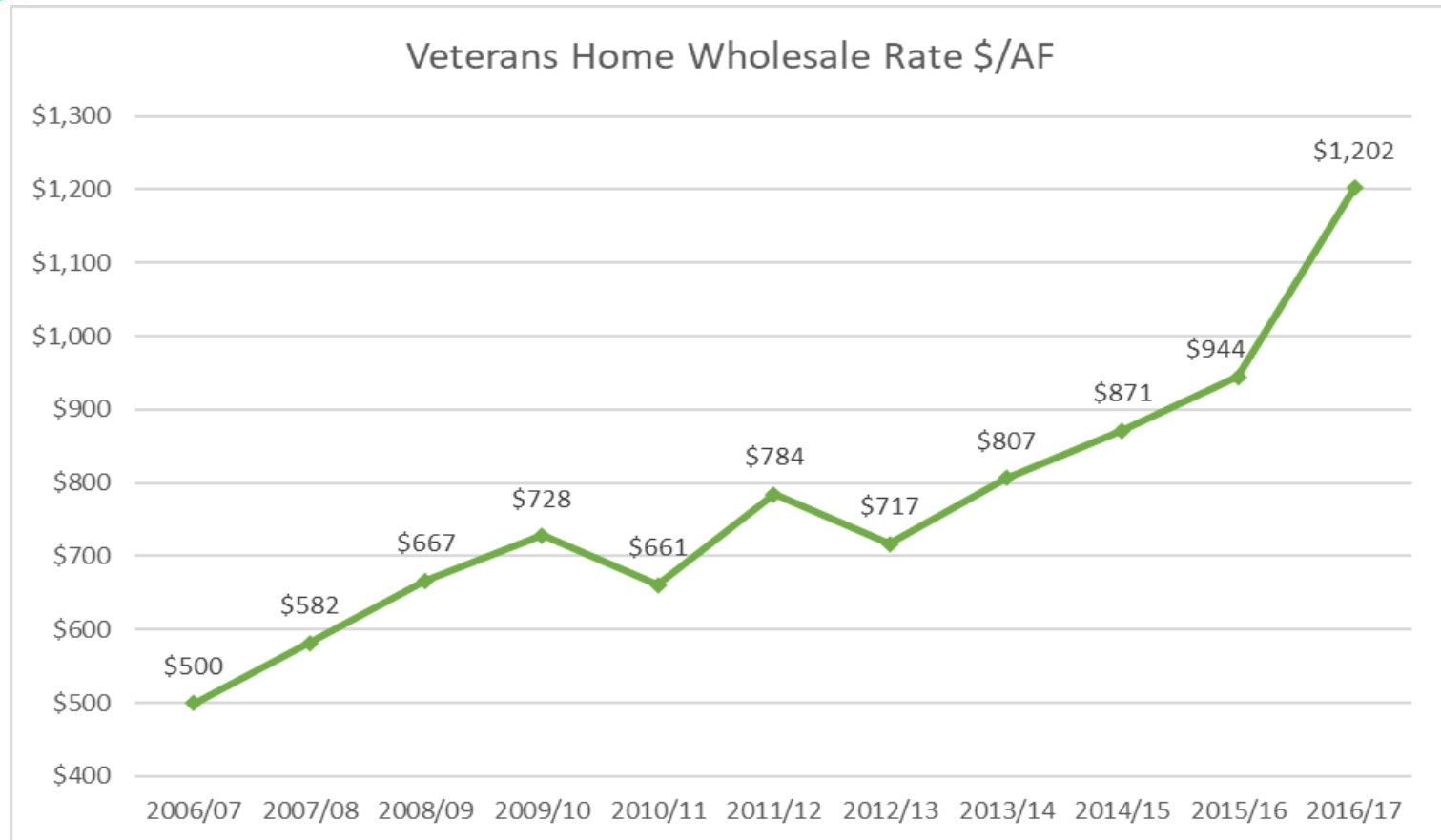
## - Monthly Usage Charges

- *Single Family Residential Users – 4 Tier Structure*
  - Encourages conservation
  - San Juan Capistrano Decision – tiers must be cost-justified
  - 75% surcharge outside town
- *All Other Users – Single Tier Structure*
  - 75% surcharge outside town

Current Usage Charge		
User Class	<u>\$/kgal Inside Town</u>	<u>\$/kgal Outside Town</u>
Single Family		
Tier 1 (0-4 units)	\$2.57	\$4.53
Tier 2 (5-10 units)	\$3.87	\$6.79
Tier 3 (11-20 units)	\$5.81	\$10.17
Tier 4 (20+ units)	\$11.61	\$20.32
Multi Family	\$4.40	\$7.70
Non-Residential	\$4.40	\$7.70



# The Cost of Water is Increasing



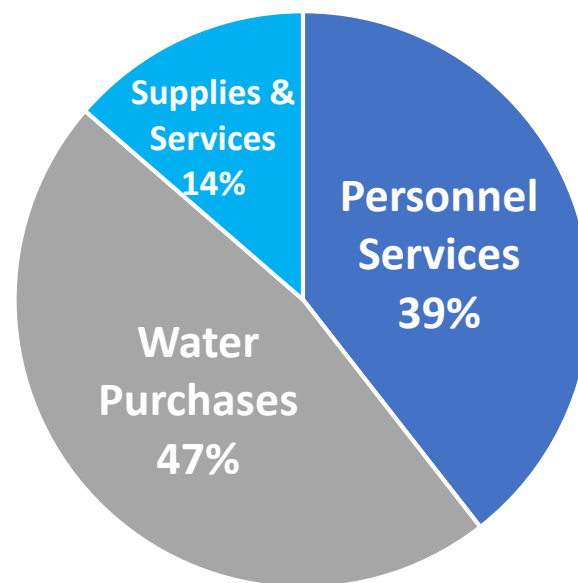
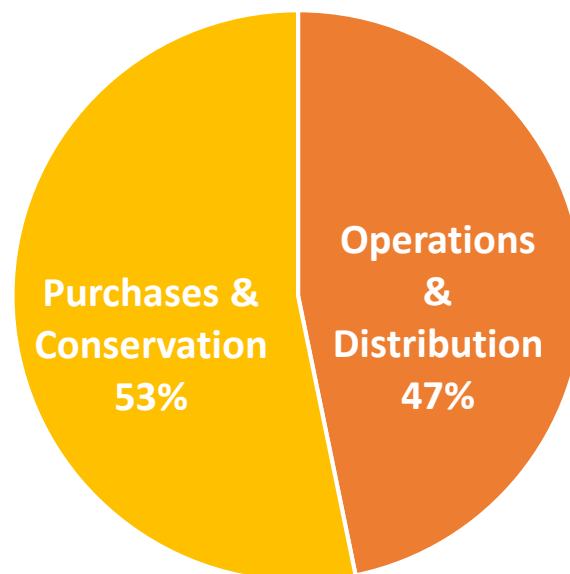
*The Town purchases water from the Veterans Home  
Prices can be volatile and are steadily increasing*





# 2017/18 Water Operations Budget

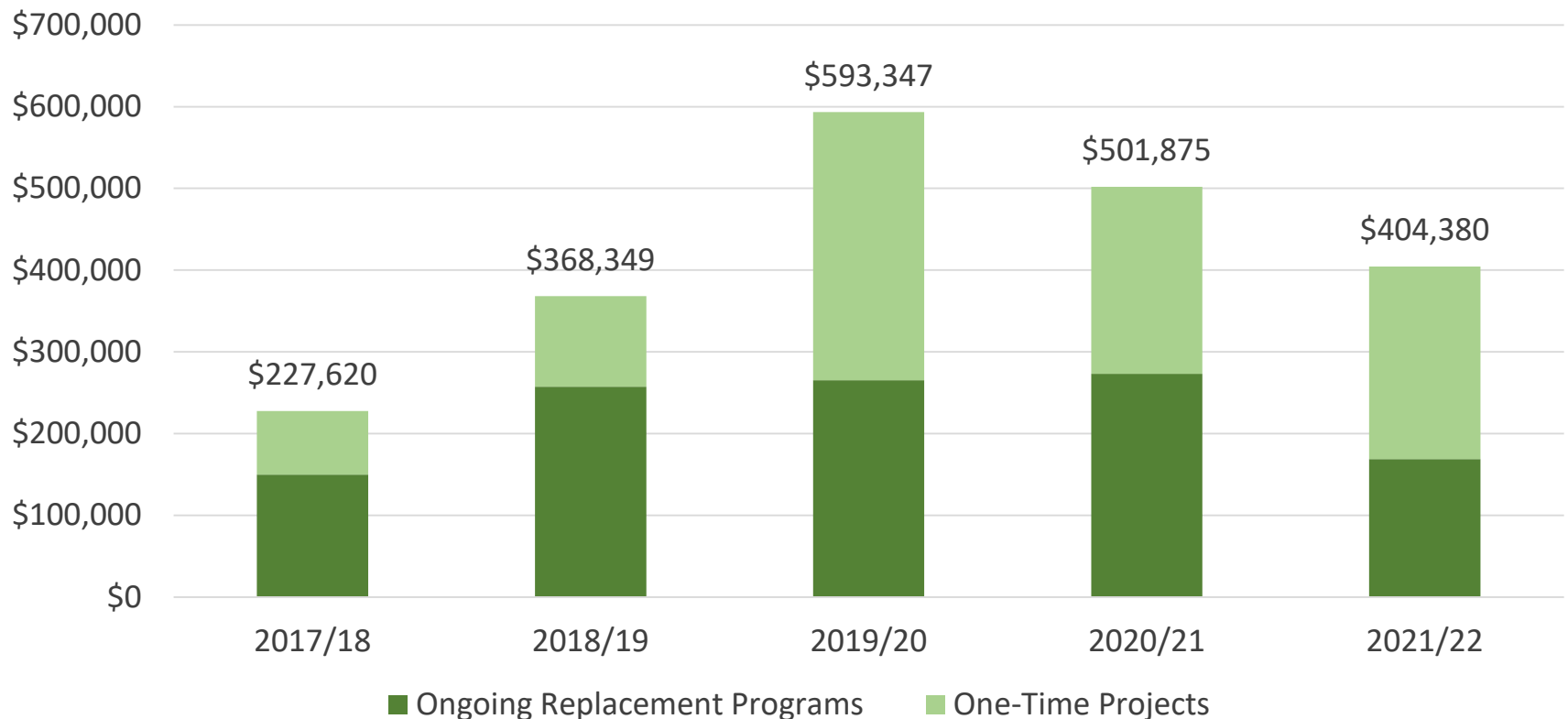
- Total: \$1.1 million excluding depreciation
- Largest Expense: Water Purchases
  - 95% Veterans Home
  - 5% City of Napa emergency supply
- Conservation Program
  - \$70,000 (portion of personnel, supplies)
  - Can be used to cost-justify second tier
- Expenses projected to increase an average of 6% per year





# Five-Year Water Capital Plan

Total Water Capital Plan: \$2.1 Million



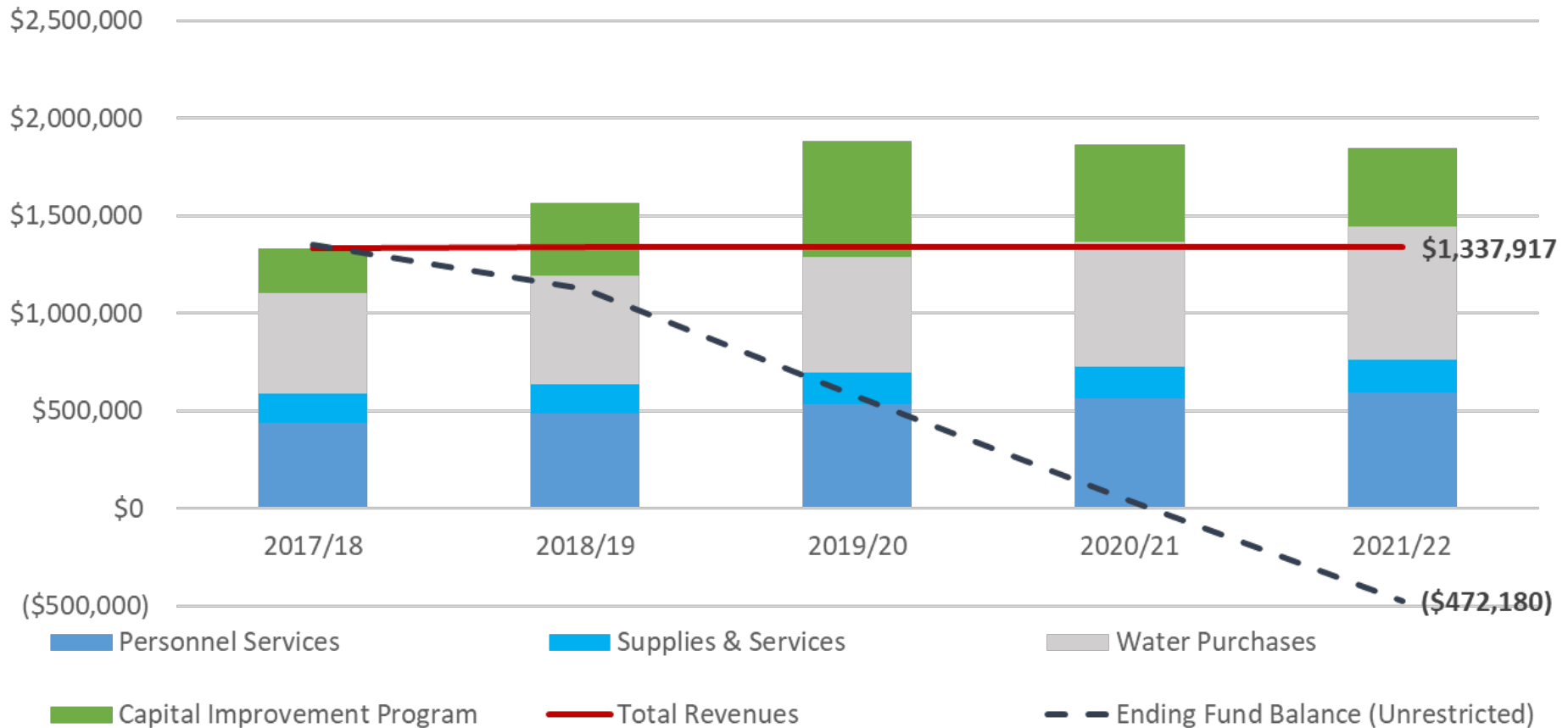
*Current revenues are not sufficient to cover needed projects*







# Revenue and Expense Projection – No Rate Increases



*Current revenues are not sufficient to cover needed projects*





# Proposed Water Rate Increase Options

- Proposed increases are sufficient to cover all capital projects and maintain adequate reserves
  - *Option 1: Cover all expenses*

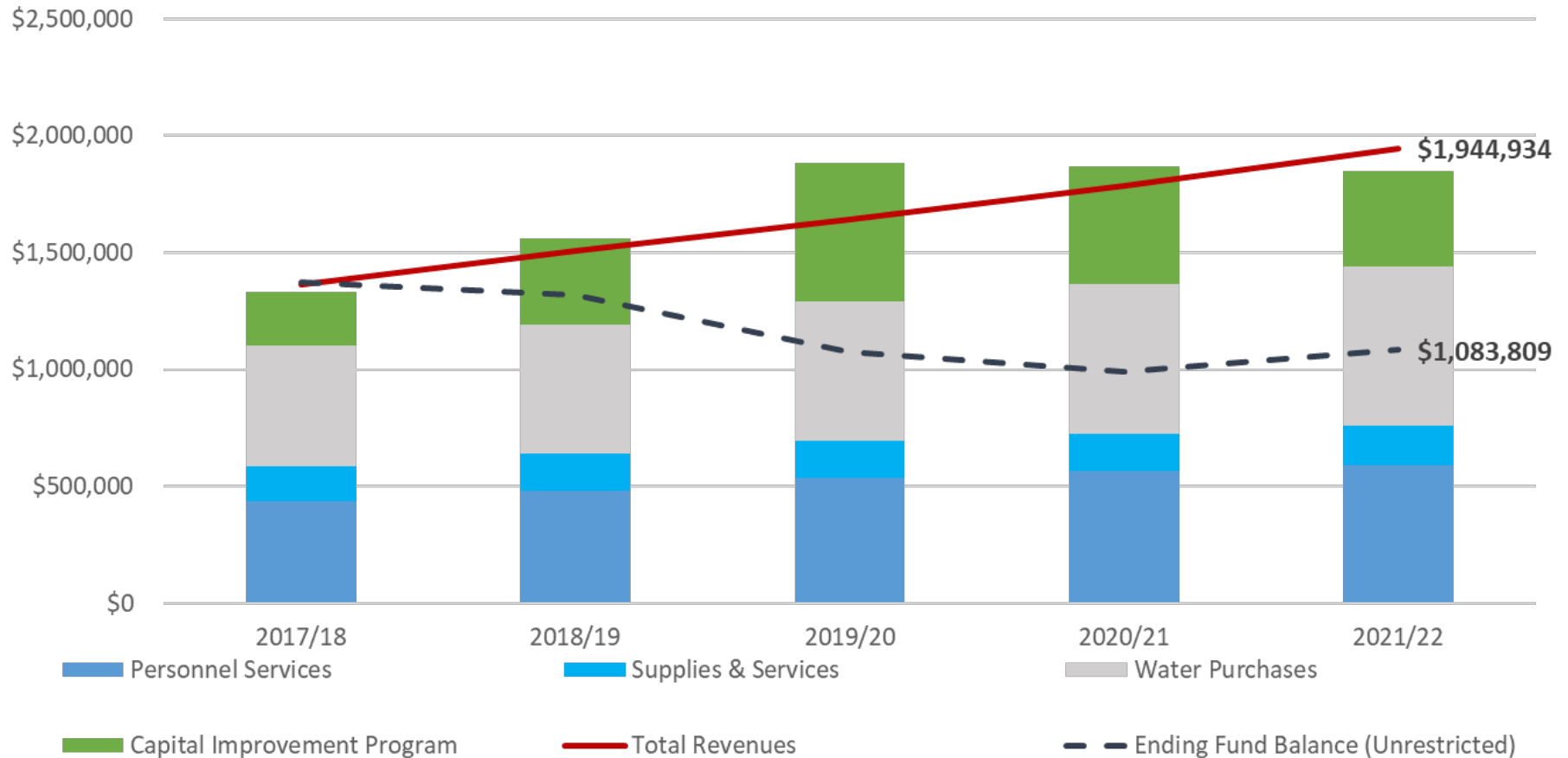
<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
March 1	January 1	January 1	January 1	January 1
8.5%	8.5%	8.5%	8.5%	8.5%

- *Option 2: 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%

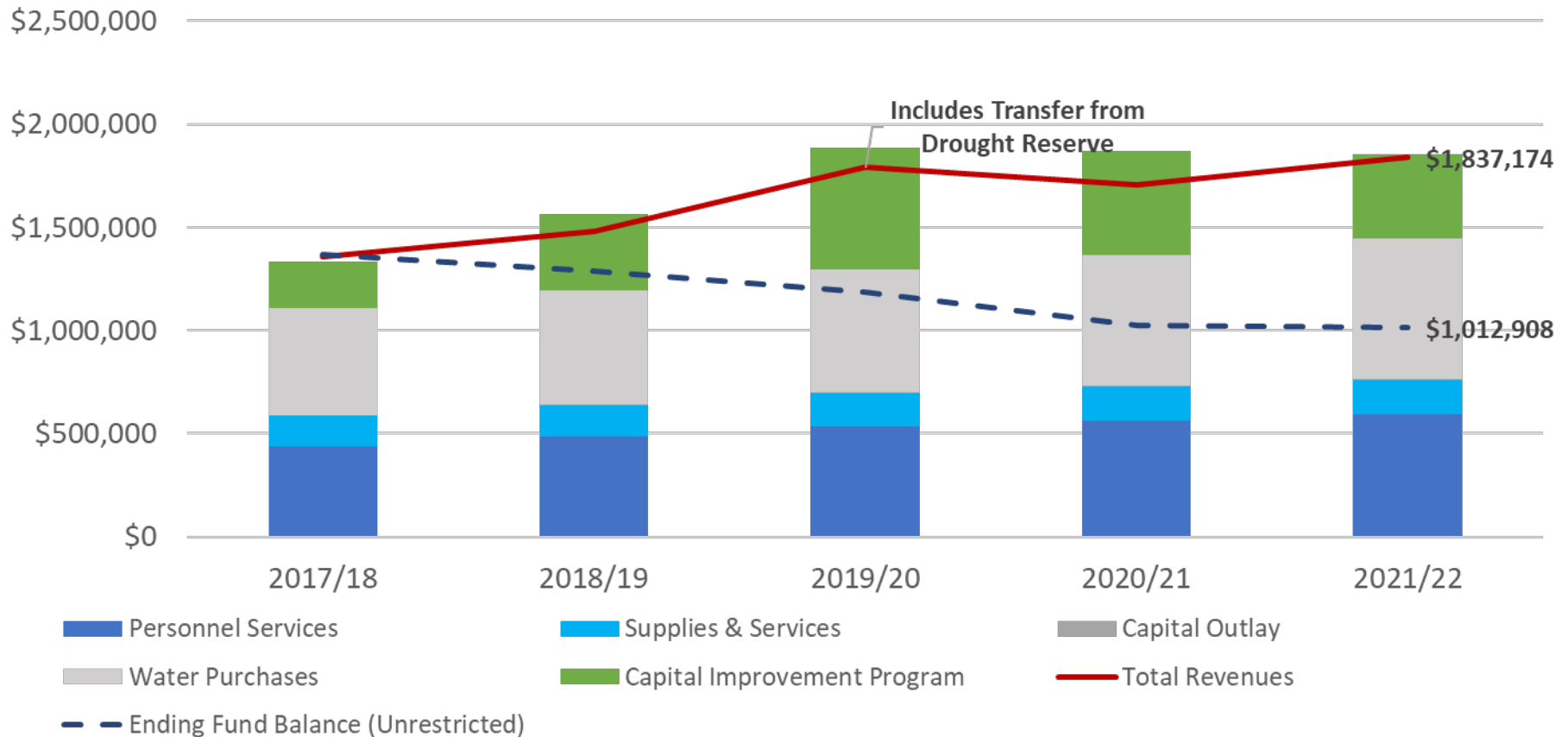


# Revenue and Expense Projection – Option 1 (8.5%)

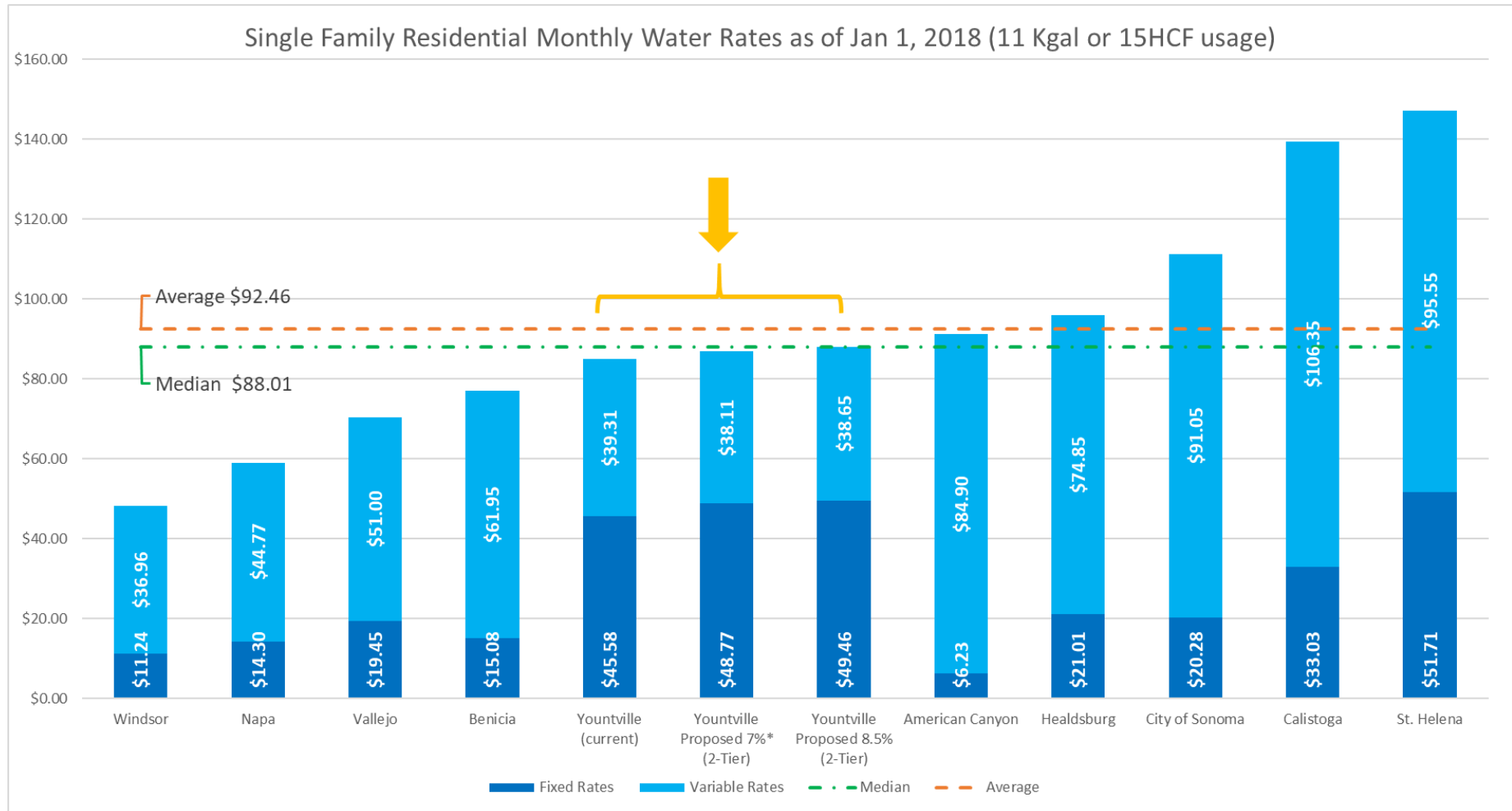




# Revenue and Expense Projection – Option 2 (7%)



# Water Rate Survey – Napa/Sonoma Area



*The Town's rate is below the area average and will maintain its position with either rate increase option*





# Proposed Water Rate Structure (Option 2)

## - Monthly Fixed Charges

- *No proposed structure change*
  - 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 (Option 2)

## - 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



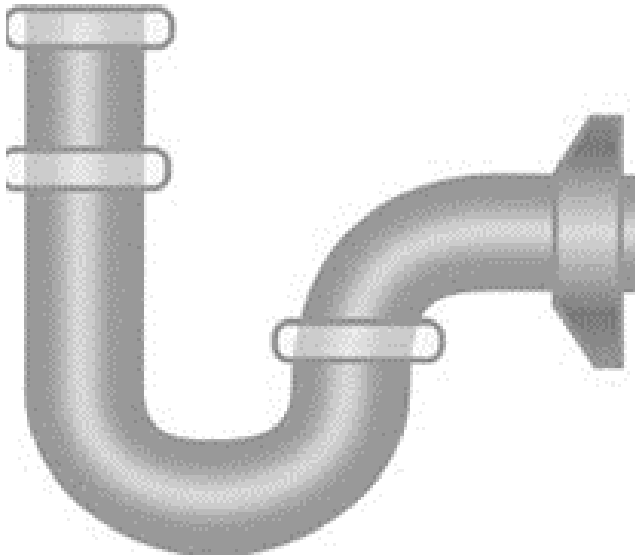
# Proposed Bill Impacts – Option 2

- 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
  - *Tiers 3 and 4 have been eliminated*
  - *The Town can only cost-justify two tiers*

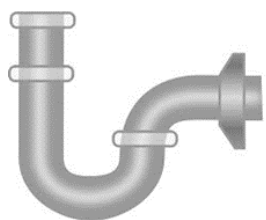
<u>Single Family Bill</u>	<u>kgal usage</u>	<u>Current Rate</u>	<u>Proposed Rate</u> <u>2017/18</u>
			<b>7% overall increase</b>
<b>Low User</b>	4	<b>\$55.86</b>	<b>\$61.45</b>
<i>\$ increase</i>			<i>\$5.59</i>
<b>Average User</b>	11	<b>\$84.89</b>	<b>\$86.86</b>
<i>\$ increase</i>			<i>\$1.97</i>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



# 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



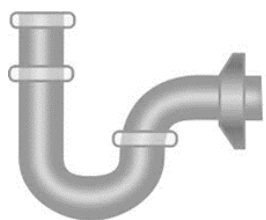
# Current Wastewater Rates

## Fixed Charges

### - Monthly Fixed Charges

- *Residential users – flat rate per dwelling unit*
- *Commercial users – rate based on meter size*

Residential Monthly Sewer Service Charge	
<u>Classification</u>	<u>Per Dwelling Unit</u>
Single Family	\$35.22
Multi-Family	\$23.22
Mobile Homes	\$23.22
Non-Residential Monthly Sewer Service Charge	
<u>Meter Size</u>	<u>All Non-Res Accounts</u>
3/4"	\$50.06
1"	\$85.10
1.5"	\$165.19
2"	\$265.30
3"	\$500.57
4"	\$835.95
6"	\$1,666.90
8"	\$2,668.04



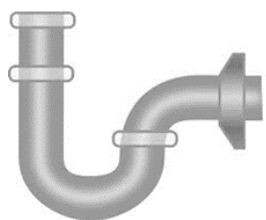
# Current Wastewater Rates

## Fixed Charges (cont'd)

### - Monthly Fixed Charges

- *System Replacement Fee*  
– flat rate by meter size
  - Recovers a portion of capital expenses

Monthly System Replacement Fee	
<u>Meter Size</u>	<u>All Accounts</u>
3/4"	\$9.60
1"	\$16.32
1.5"	\$31.68
2"	\$50.88
3"	\$96.00
4"	\$160.32
6"	\$319.68
8"	\$511.68

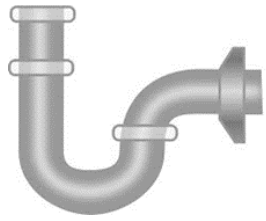


# Current Wastewater Rates Usage Charges

## - Monthly Usage Charges Non Residential Accounts Only

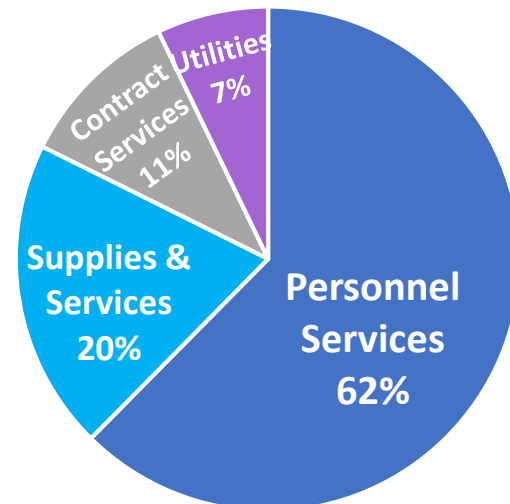
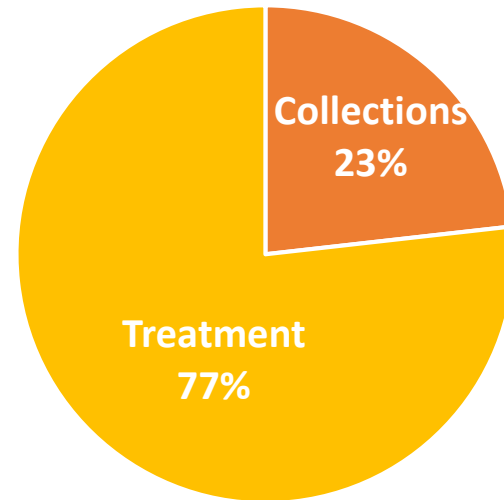
- *Low Strength: Church, Schools, Group Homes, Town Use, Office, Barber Shop*
- *Medium Strength: Hotels/Inns, Multi-Commercial*
- *High Strength: Restaurants, Tasting Rooms*

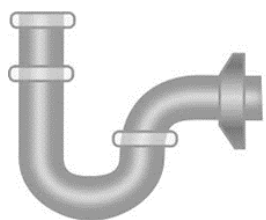
Volumetric Strength Charges	
<u>Non-Residential Customer Class</u>	<u>\$/kgal</u>
Low Strength	\$2.846
Medium Strength	\$4.017
High Strength	\$10.445



# 2017/18 Sewer Operations Budget

- Total: \$1.6 million excluding depreciation/transfers
- Largest Expense: Sewer Treatment
- Expenses projected to increase an average of 4% per year



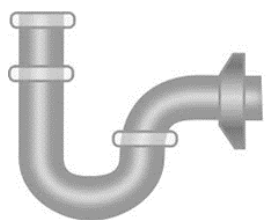


# Wastewater Debt Service Obligations

<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
<b>Total Wastewater Enterprise Debt Service</b>	<b>\$205,613</b>	<b>\$206,529</b>	<b>\$206,071</b>	<b>\$205,614</b>	<b>\$206,502</b>

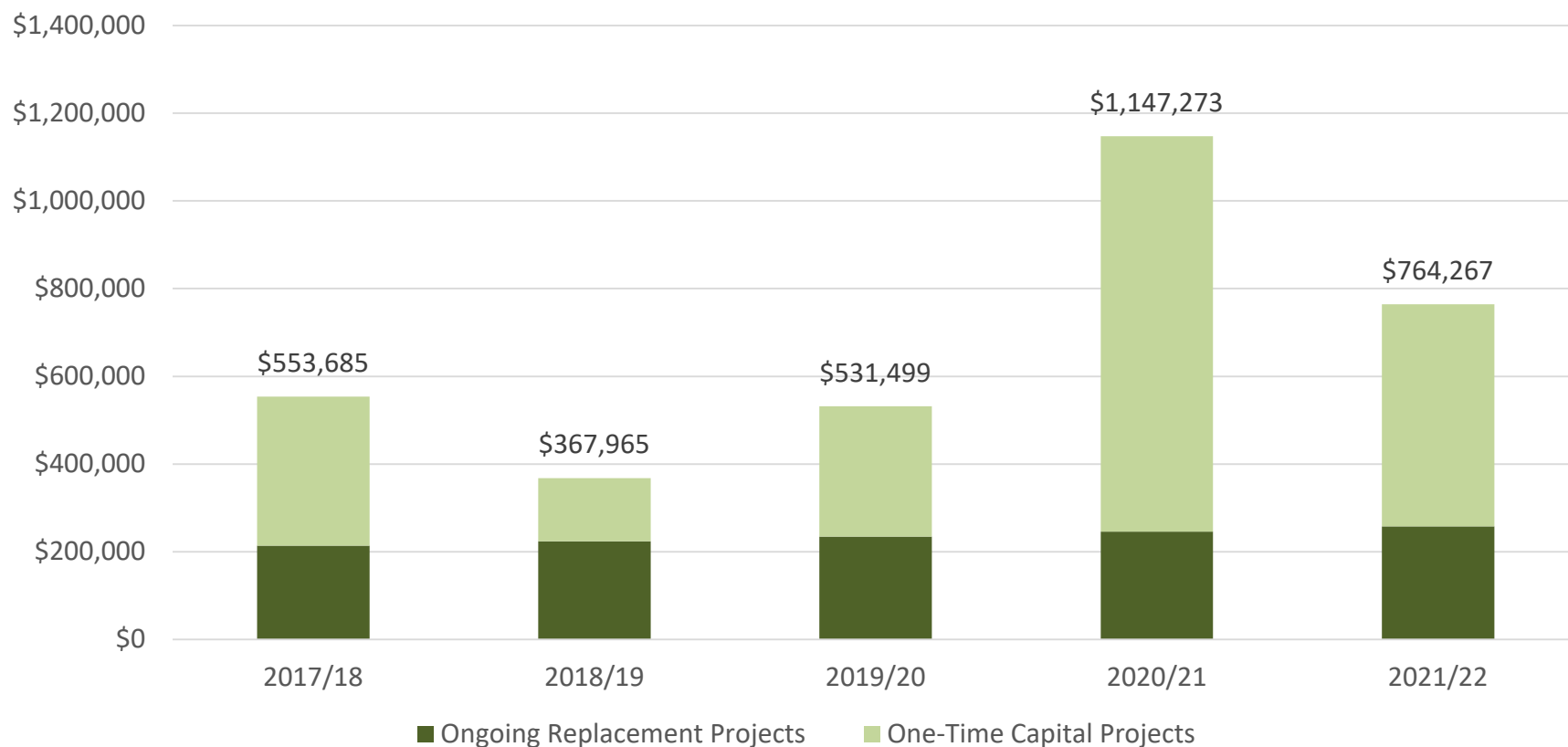
*2010 Energy Efficient Grant estimated to be paid off in 2023/24*





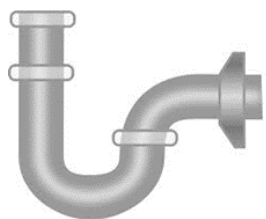
# 5-Year Wastewater Capital Plan

Total Wastewater Capital Plan: \$3.36 Million

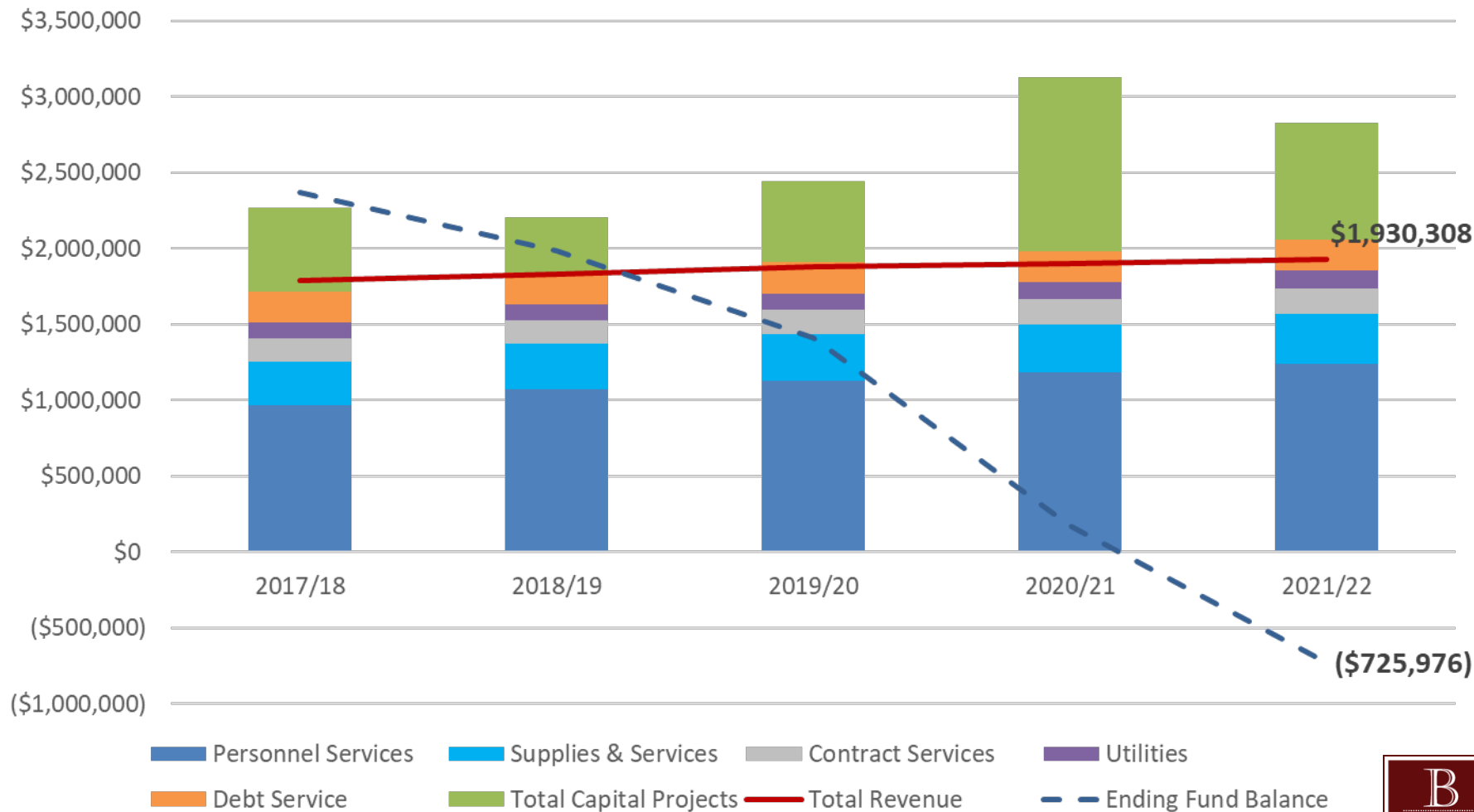


*Current revenues are not sufficient to cover needed projects*

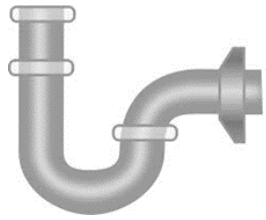




# Revenue and Expense Projection – No Rate Increases





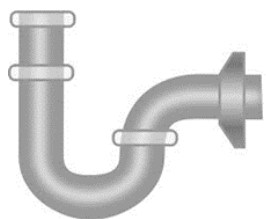


# Proposed Wastewater Rate Increases

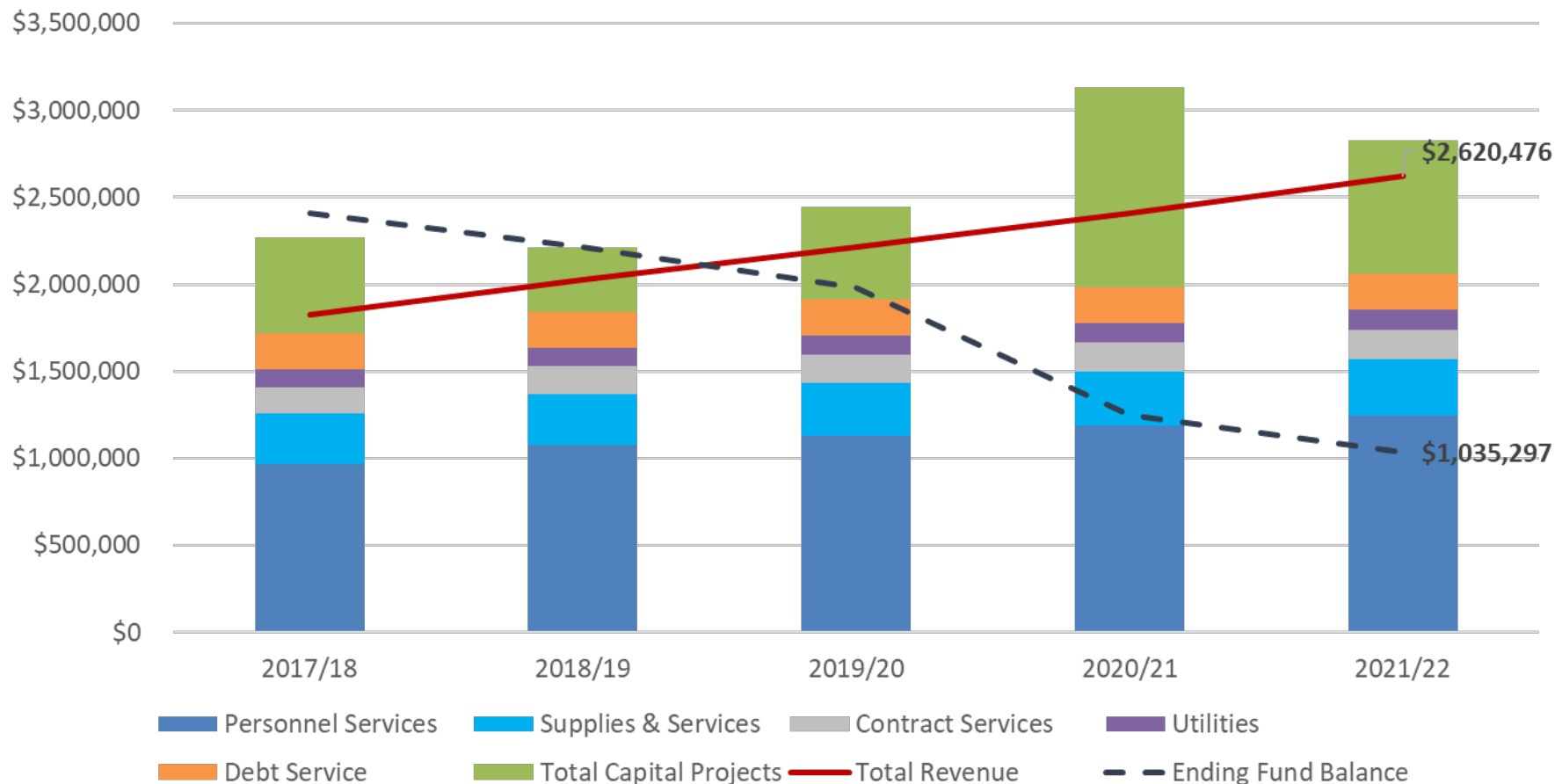
- Proposed increases are sufficient to cover all capital projects, meet debt service coverage requirements and maintain adequate reserves

<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	\$9.60	\$10.75
<b>Total Monthly Bill</b>	<b>\$44.82</b>	<b>\$50.20</b>
\$ increase		\$5.38

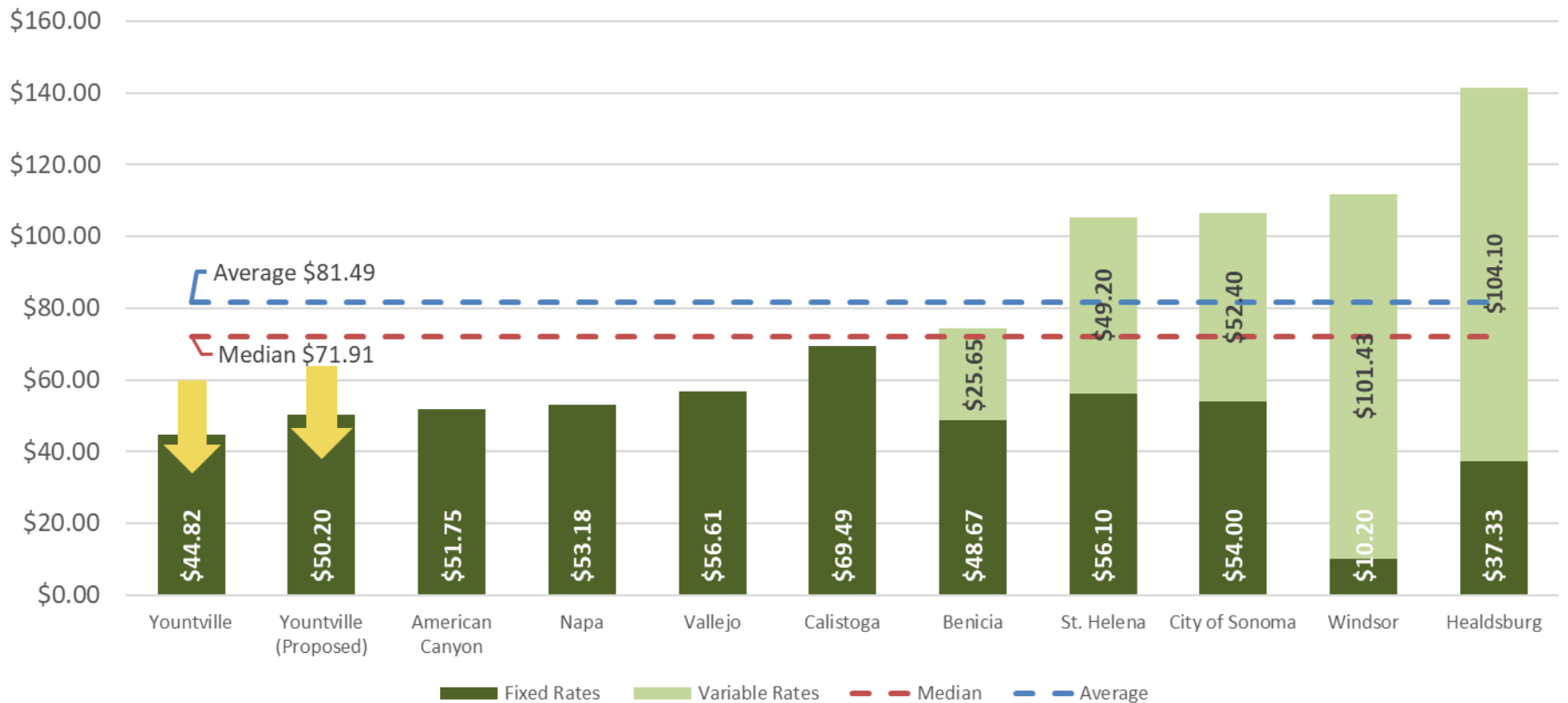


# Revenue and Expense Projection – Proposed Increases



# 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*



# 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
  - *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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