



Town of Yountville
"The Heart of the Napa Valley"

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

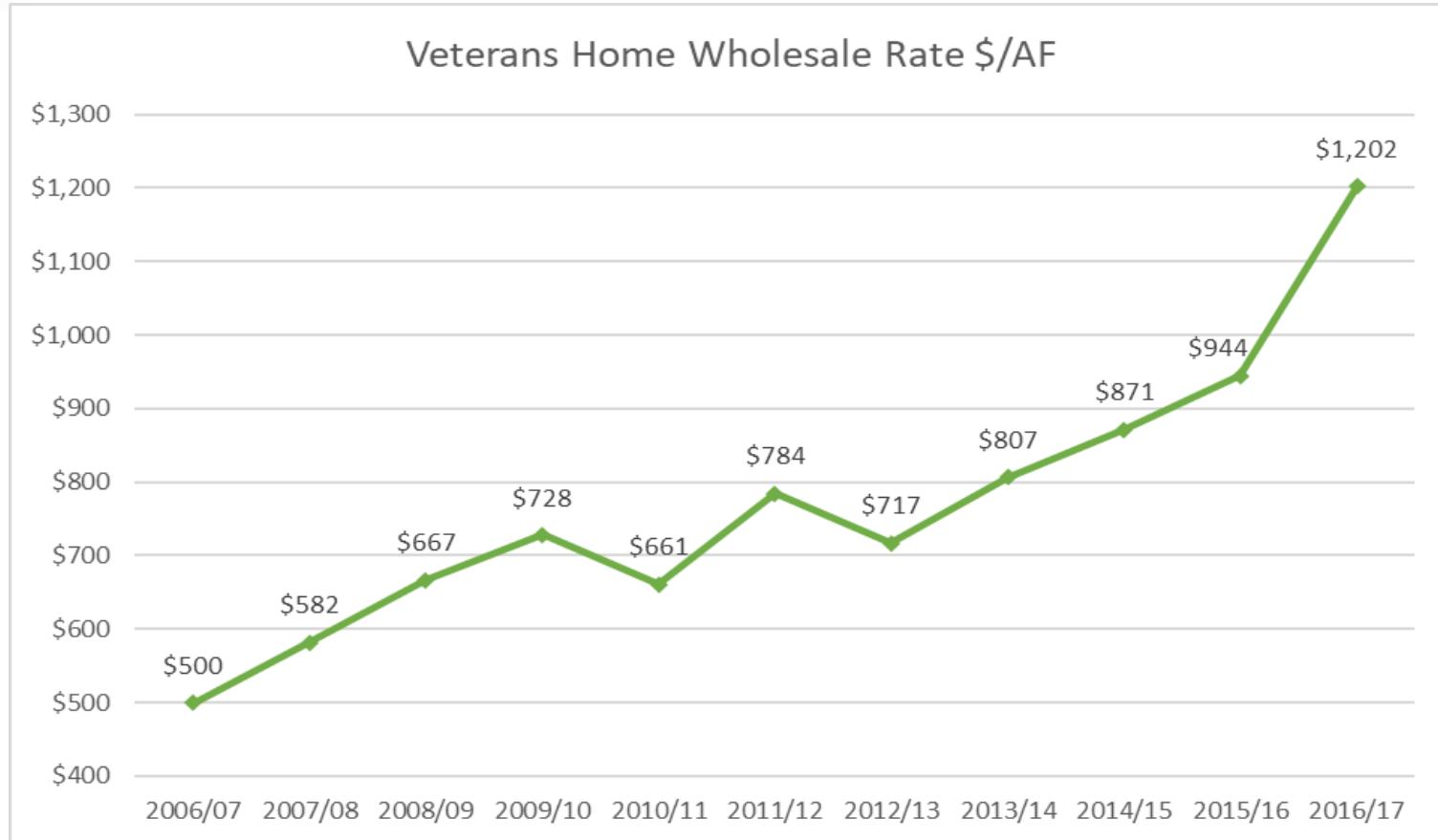
- *Single Family Residential Users – 4 Tier Structure*
 - Encourages conservation
 - San Juan Capistrano Decision – tiers must be cost-justified
 - 75% surcharge outside town
- *All Other Users – Single Tier Structure*
 - 75% surcharge outside town

Current Usage Charge		
User Class	\$/kgal Inside Town	\$/kgal Outside Town
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



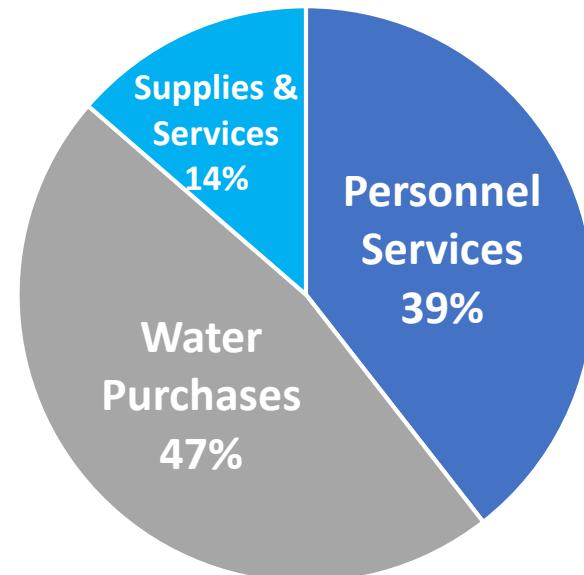
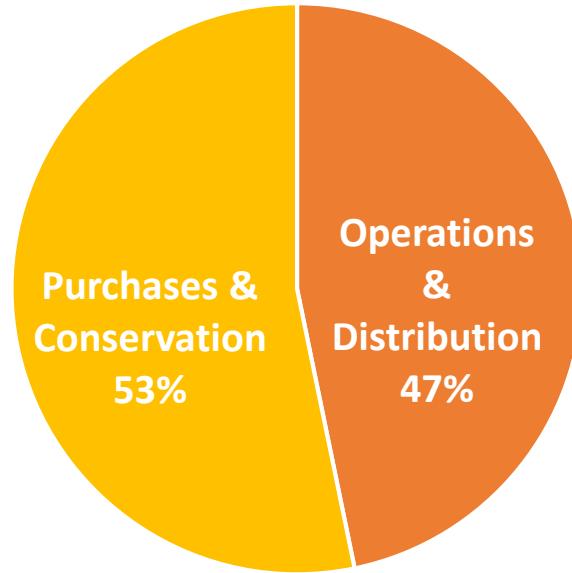
*The Town purchases water from the Veterans Home
Prices can be volatile and are steadily increasing*





2017/18 Water Operations Budget

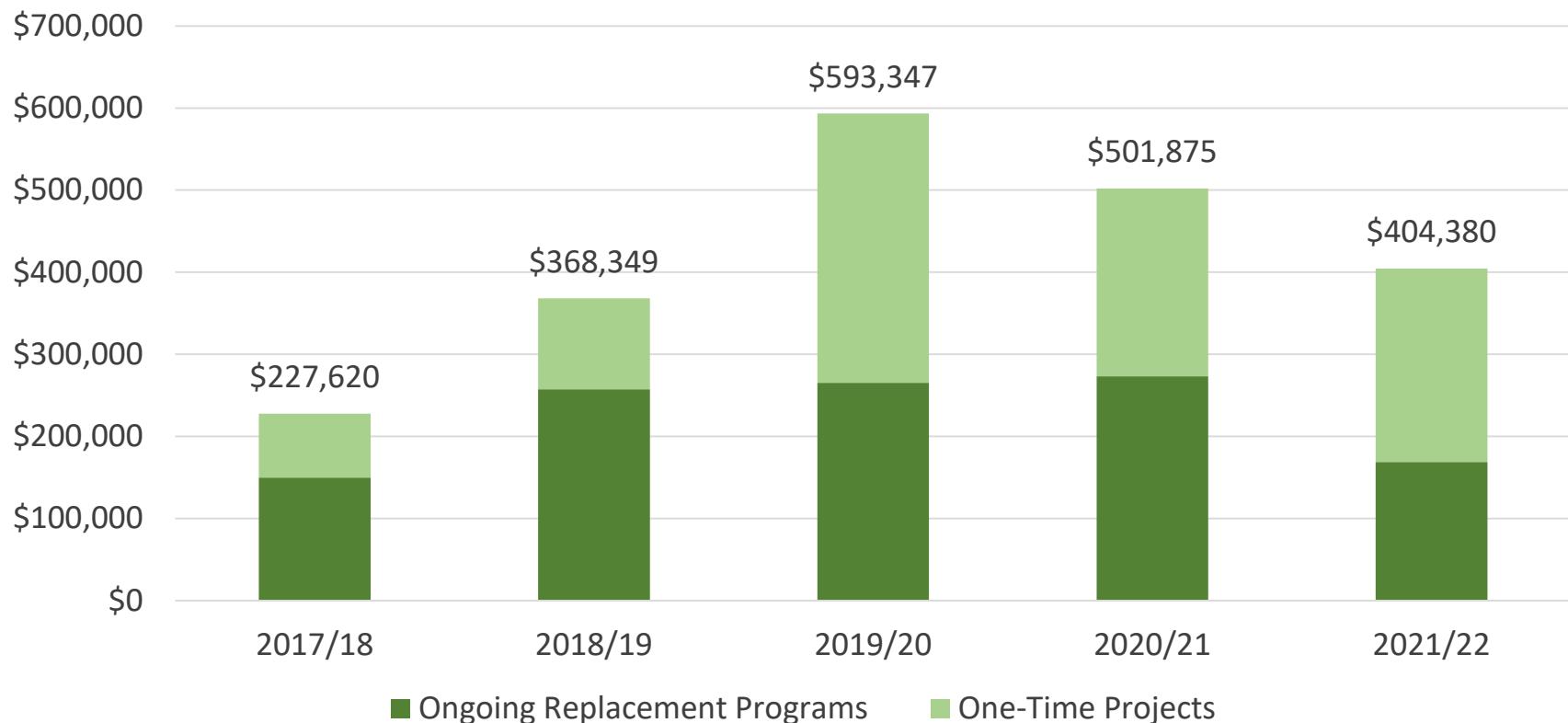
- Total: \$1.1 million excluding depreciation
- Largest Expense: Water Purchases
 - 95% Veterans Home
 - 5% City of Napa emergency supply
- Conservation Program
 - \$70,000 (portion of personnel, supplies)
 - Can be used to cost-justify second tier
- Expenses projected to increase an average of 6% per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





Five-Year Water Capital Plan

Total Water Capital Plan: \$2.1 Million

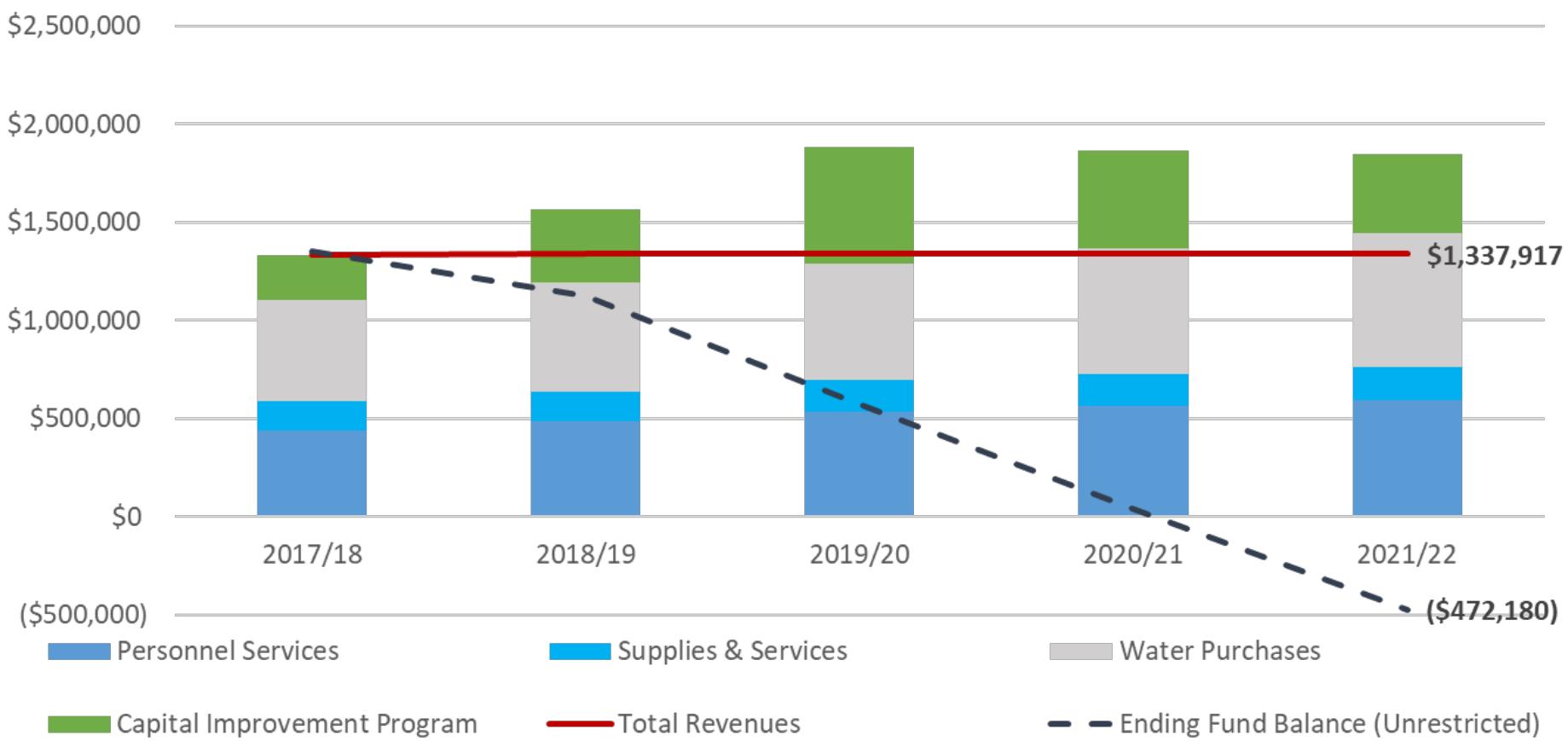


Current revenues are not sufficient to cover needed projects





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%

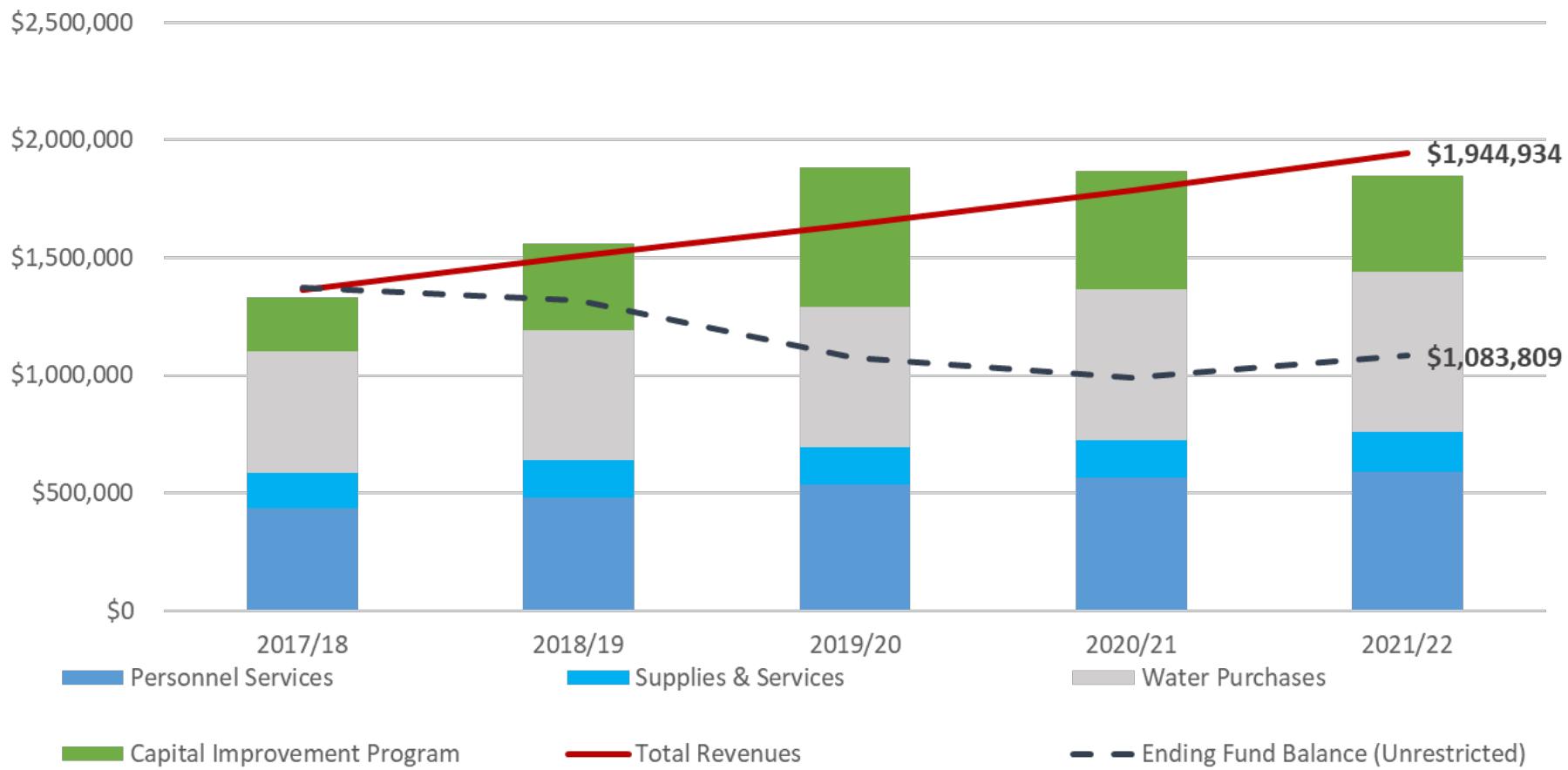
- *Option 2: Transfer \$200,000 from Drought Water Reserve Bank to mitigate rate impacts – Ad Hoc Committee Recommendation*

<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%



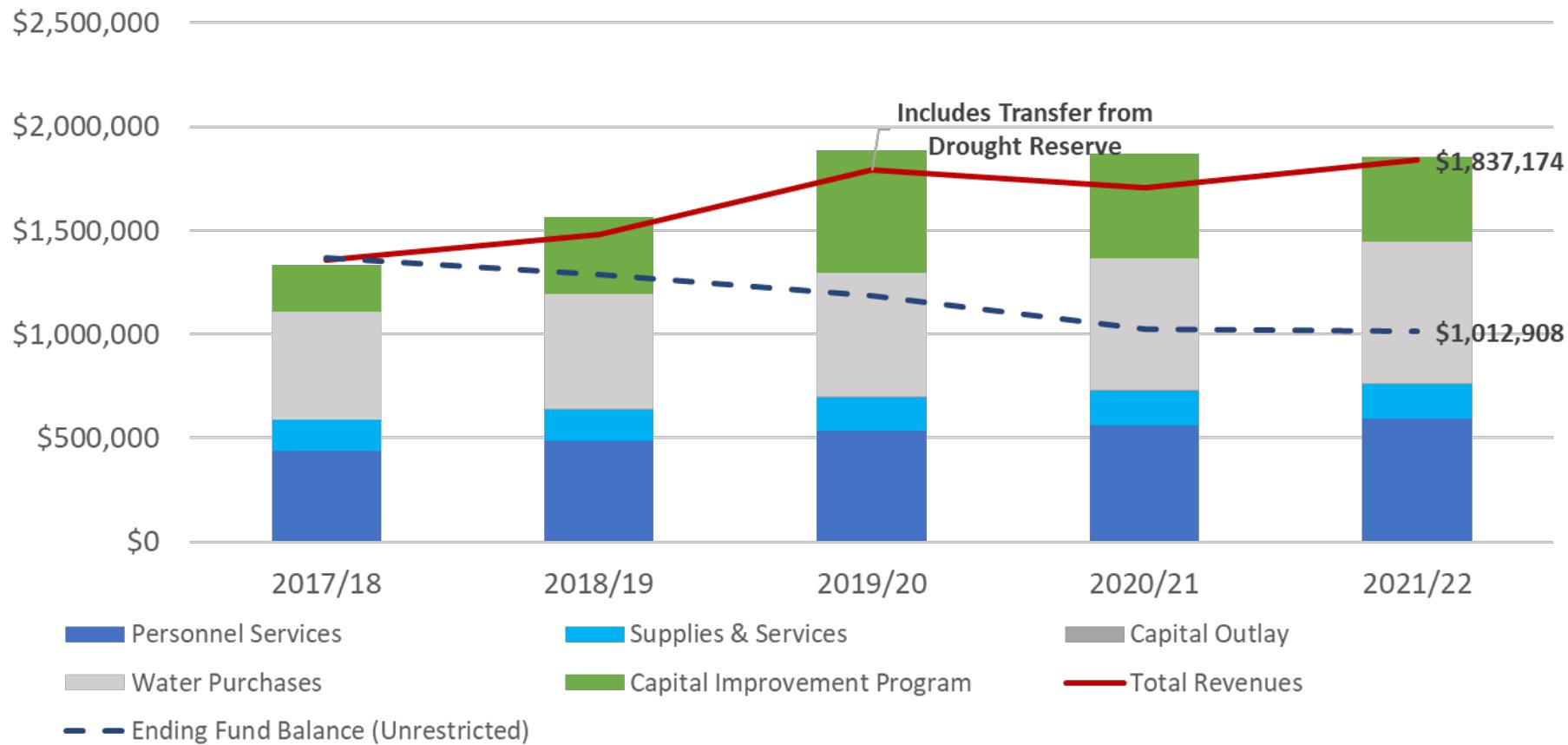


Revenue and Expense Projection – Option 1 (8.5%)

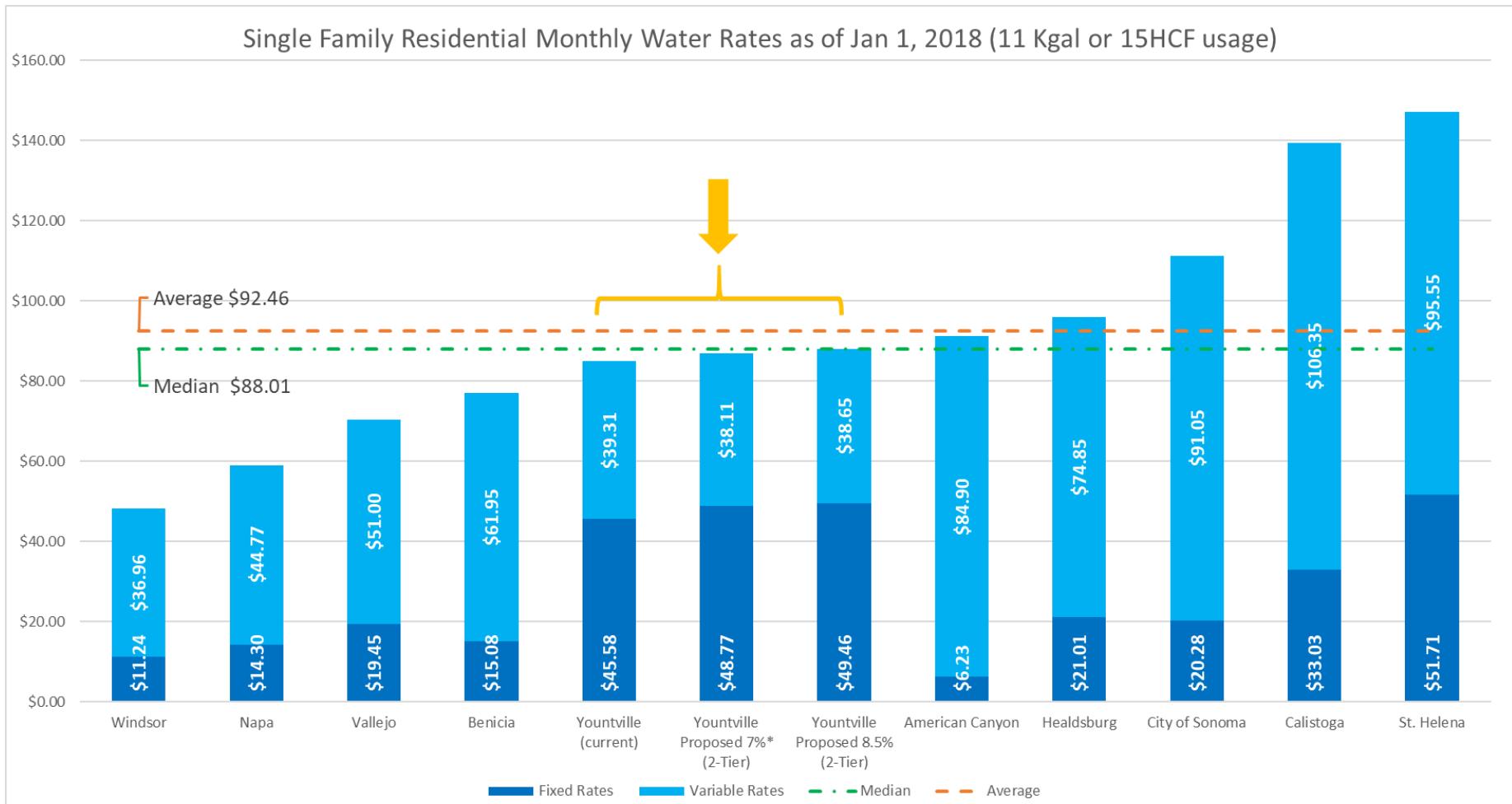




Revenue and Expense Projection – Option 2 (7%)



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		
<u>Meter Size</u>	<u>\$/Meter Inside Town</u>	<u>\$/Meter Outside Town</u>
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		
<u>Meter Size</u>	<u>\$/Meter Inside Town</u>	<u>\$/Meter Outside Town</u>
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



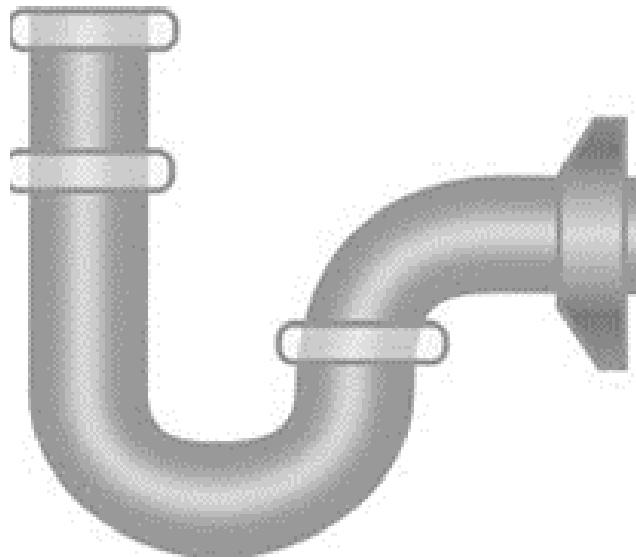


Proposed Bill Impacts – Option 2

- 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*

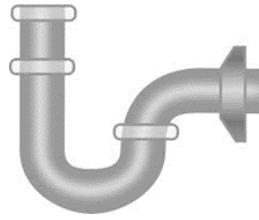
Single Family Bill	kgal usage	Current Rate	Proposed Rate 2017/18 7% overall increase
Low User	4	\$55.86	\$61.45
\$ increase			\$5.59
Average User	11	\$84.89	\$86.86
\$ increase			\$1.97
High User	20	\$137.18	\$119.53
\$ increase			-\$17.65

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

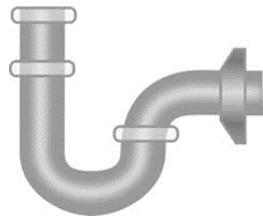
Fixed Charges

- 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



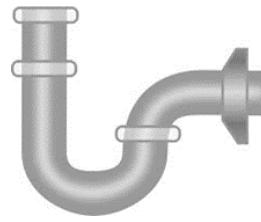
Current Wastewater Rates Fixed Charges (cont'd)

- 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





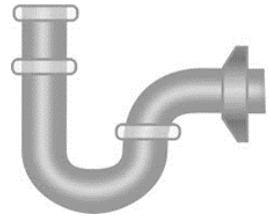
Current Wastewater Rates

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*

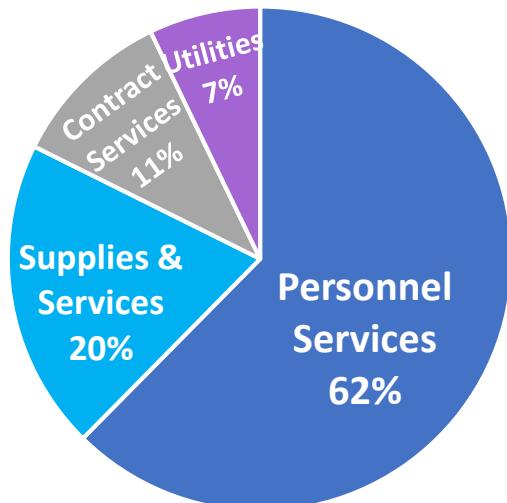
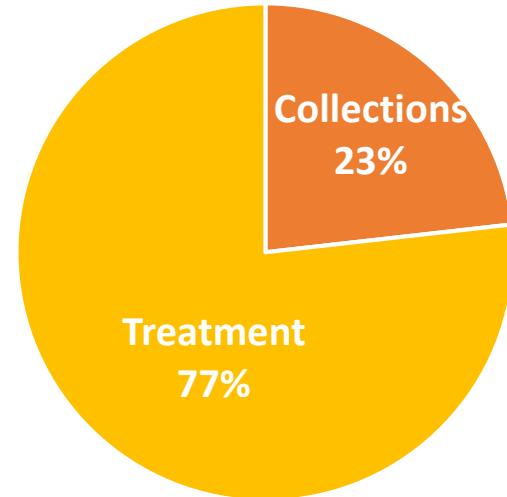
Volumetric Strength Charges	
<u>Non-Residential Customer Class</u>	<u>\$/kgal</u>
Low Strength	\$2.846
Medium Strength	\$4.017
High Strength	\$10.445

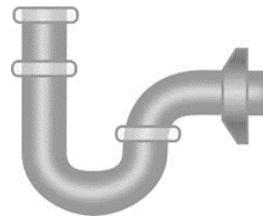




2017/18 Sewer Operations Budget

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



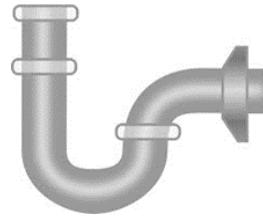


Wastewater Debt Service Obligations

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

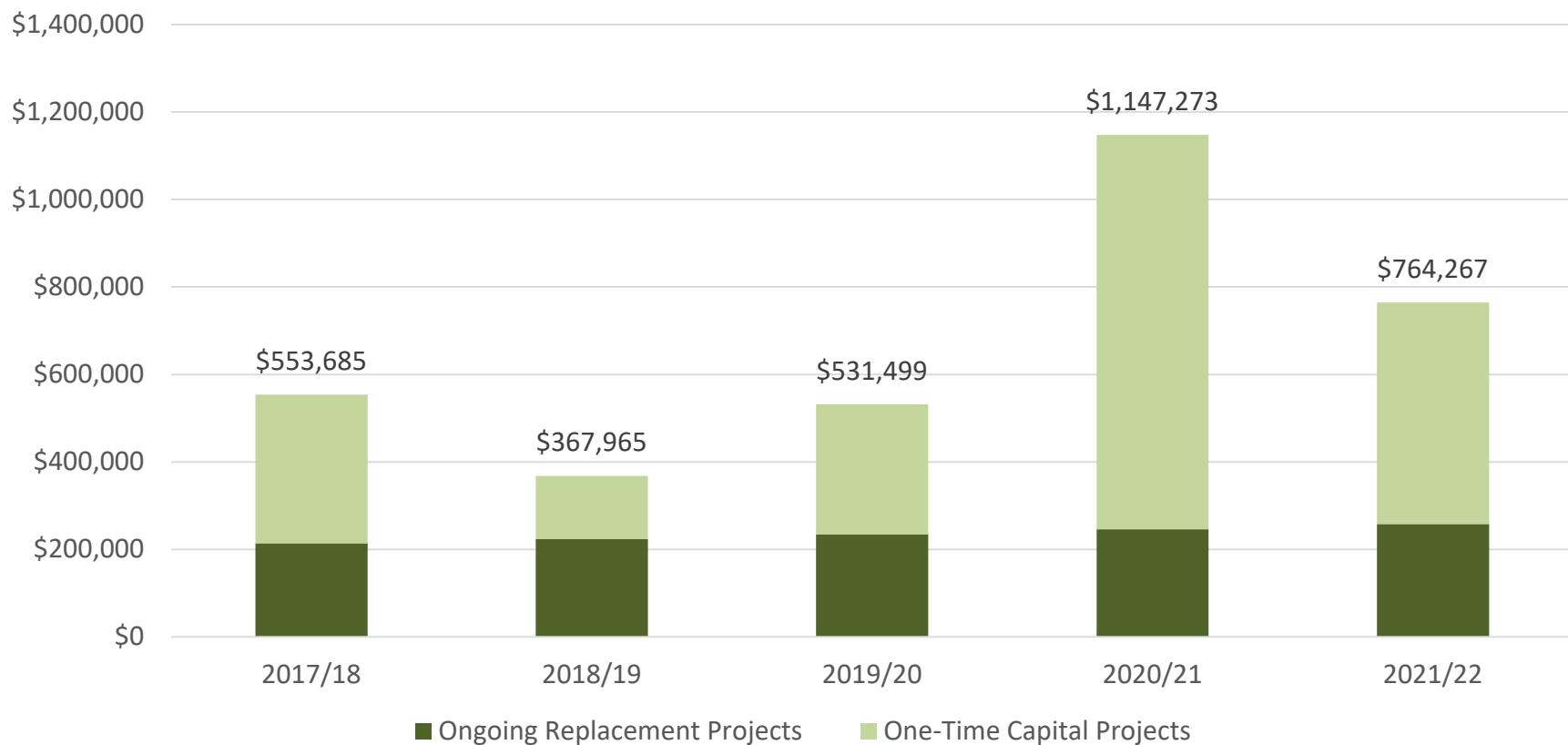
2010 Energy Efficient Grant estimated to be paid off in 2023/24





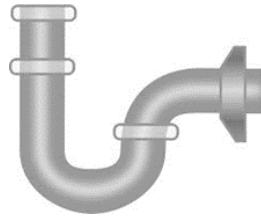
5-Year Wastewater Capital Plan

Total Wastewater Capital Plan: \$3.36 Million

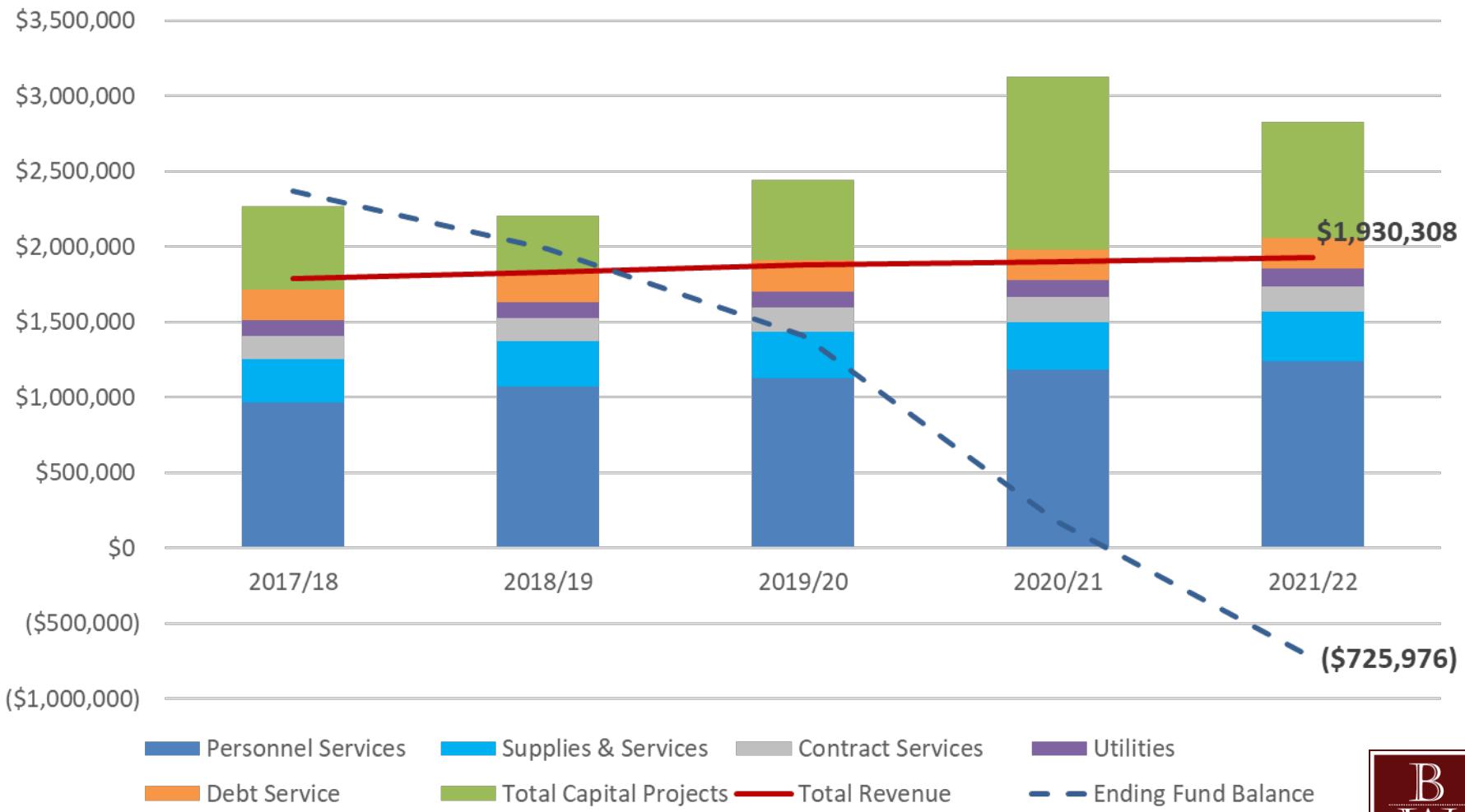


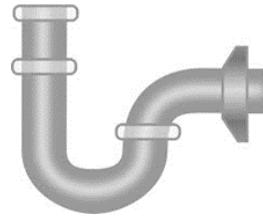
Current revenues are not sufficient to cover needed projects





Revenue and Expense Projection – No Rate Increases





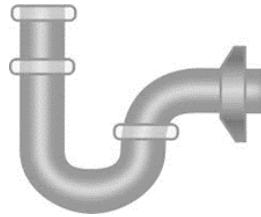
Proposed Wastewater Rate Increases

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

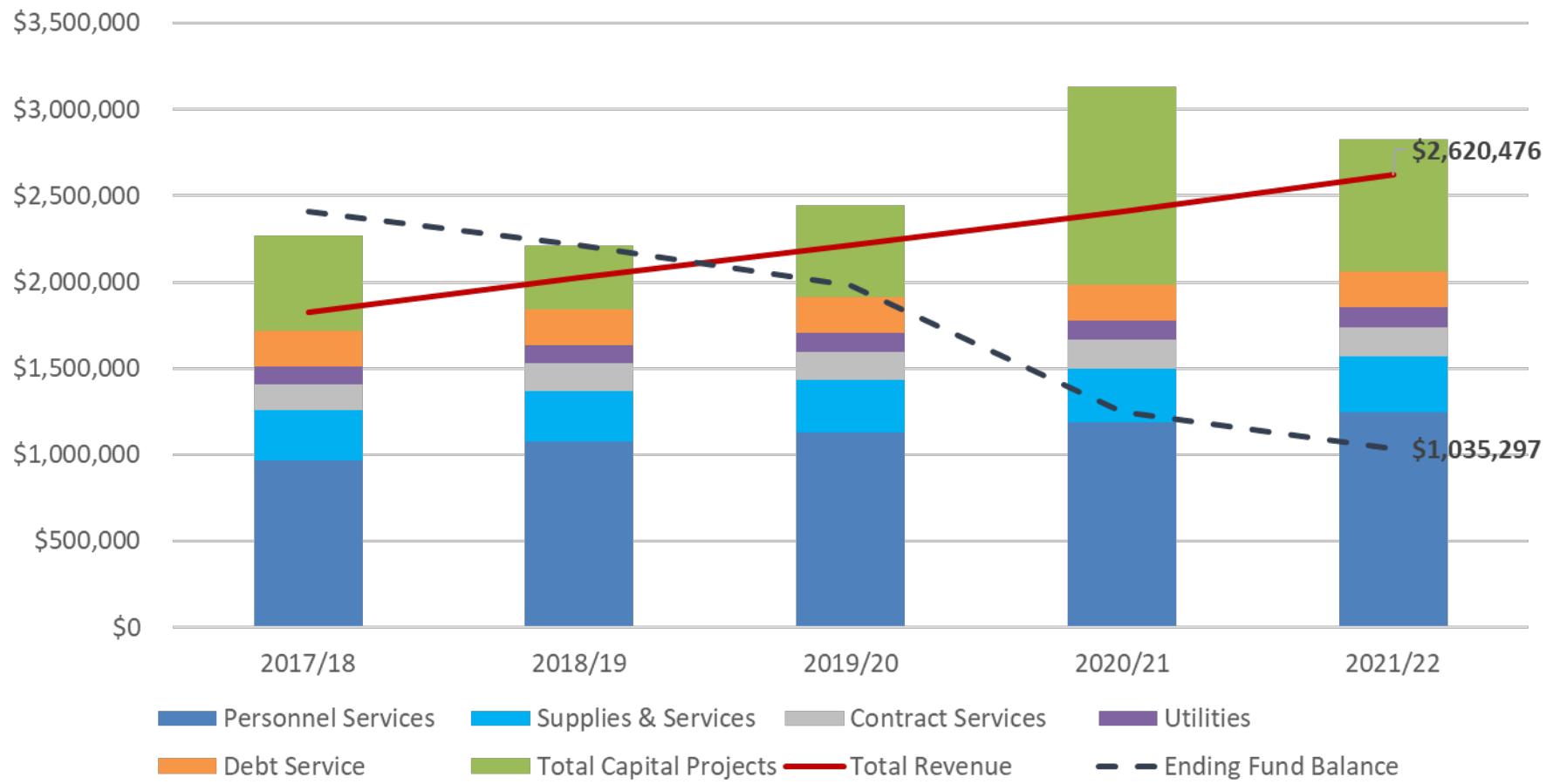
<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
March 1	January 1	January 1	January 1	January 1
12.0%	12.0%	12.0%	12.0%	12.0%

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
Total Monthly Bill	\$44.82	\$50.20
\$ increase		\$5.38



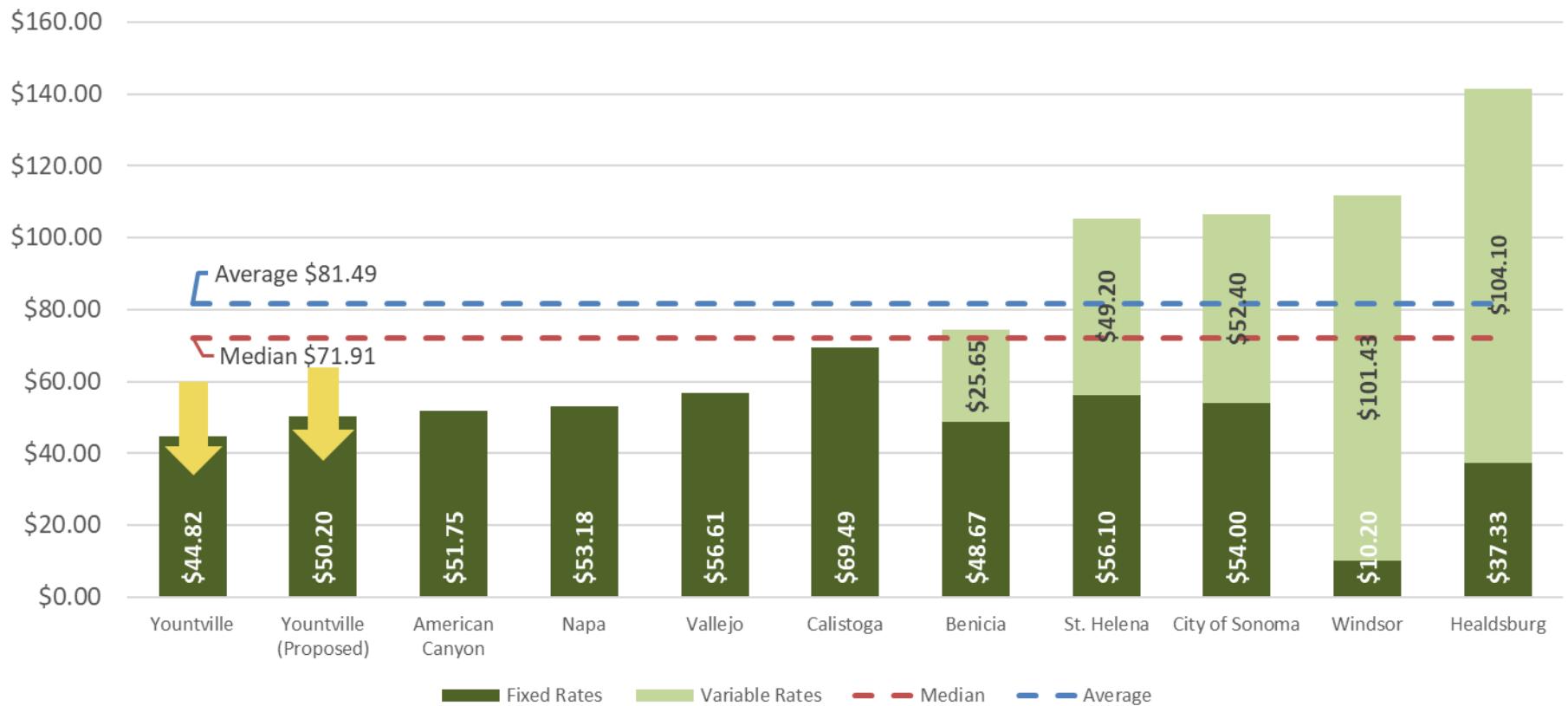


Revenue and Expense Projection – Proposed Increases



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 Questions & Rate Study Comments



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