

WATER RATE STUDY 2020

FINAL RECOMMENDATIONS



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MUNICIPAL CONSULTANTS

BACKGROUND

- Water rates were last increased in December 2015
- Water Fund is operating in a deficit
 - Without rate increases, reserve fund will be depleted by 2023/24
- Water Fund is an Enterprise Fund
 - Self supported from rates and charges
 - Separate from General Fund
- Rate study covers 5-year period (FY2021 through FY2025)
 - New rates are proposed for Feb 1, 2021
 - Future rate increases will be effective Jan 1 of each year



WATER SYSTEM OVERVIEW

- The City relies solely on groundwater via 10 wells that draw water from the Anderson Subbasin.
- The Water distribution system includes over 46 miles of piping, two storage reservoirs, and chlorination and pumping facilities
- Customer Accounts & Consumption:

	Accounts		Consumption	
	#	%	cf	%
RESIDENTIAL				
Single Family	2,788	79%	48,428,608	53%
Apartments/Mobile Parks	<u>90</u>	<u>3%</u>	<u>10,923,810</u>	12%
Total Residential	2,878	82%	59,352,418	65%
NON-RESIDENTIAL				
Commercial	313	9%	14,116,457	16%
Churches	13	0%	1,477,578	2%
Government	49	1%	2,252,554	2%
Industrial	20	1%	717,587	1%
Schools	<u>12</u>	<u>0%</u>	<u>2,861,539</u>	<u>3%</u>
Total Non-Residential	407	12%	21,425,715	24%
WOODED ACRES	233	7%	10,114,102	11%
TOTAL	3,518	100%	90,892,235	100%



CURRENT MONTHLY WATER RATES

MONTHLY FIXED CHARGES	
<u>Meter Size</u>	
5/8" and 3/4"	\$12.30
1"	\$15.24
1-1/2"	\$24.20
2"	\$36.18
3"	\$48.16
4"	\$102.12
6"	\$147.51
8"	\$222.89

CONSUMPTION CHARGE - OVER 1,000 CF	
City Charge for Usage Over 1,000 CF	\$0.01192
Outside City Charge for Usage Over 1,000 CF	\$0.01227

CF = cubic feet. 1 CF = 7.48 gallons

FIXED CHARGE:

- All customers are charged a fixed charge based on meter size.
- Meter size is used as a proxy for the estimated demand each customer can place on the water system.
- Recovers fixed expenses, ex. staffing, customer service, system maintenance, and repairs.
- Generates 44% of total water sales revenues.

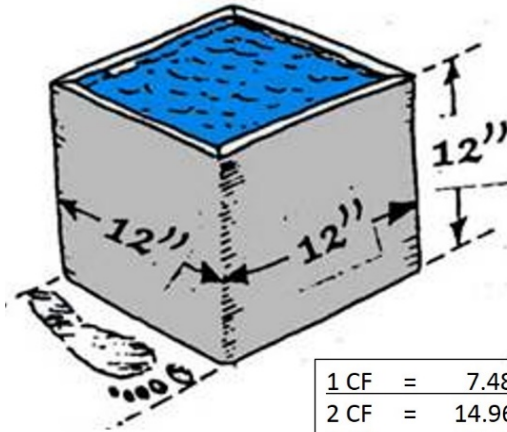
CONSUMPTION CHARGE:

- All customers are billed at a single tier for consumption over 1,000 cf.
- Outside City customers are charged a higher rate due to higher service costs.
- Recovers variable expenses, ex. utilities and chemicals.
- Generates 56% of total water sales revenues.



1 CUBIC FOOT = 7.48 GALLONS

ONE CUBIC FOOT of WATER



IS EQUAL TO

7.48 GALLONS



1 CF	=	7.48	Gallons
2 CF	=	14.96	Gallons
3 CF	=	22.44	Gallons
10 CF	=	70.48	Gallons
20 CF	=	149.60	Gallons
30 CF	=	224.40	Gallons
40 CF	=	299.20	Gallons
50 CF	=	374.00	Gallons
75 CF	=	561.00	Gallons
100 CF	=	748.00	Gallons (1) Unit of Water

1,000 CF = 7480.52 Gallons



WHY RATE INCREASES ARE NEEDED

- **Increases in operating & maintenance costs, including:**
 - PG&E rate increases
 - Back-up generators due to Public Safety Power Shutoffs by PG&E
 - Compliance with state water board regulations
 - Vehicle replacements due to California Air Resources Board regulations
 - Replacing aging infrastructure
- **To maintain reserve funds for emergencies**
- **Eliminate existing deficit spending**
- **Maintain a positive credit rating to position the City for grant funding for major projects**

(Note: The water rates do not add facilities for new development. New development either constructs the new facilities or pays a development fee)



PROPOSED WATER RATES

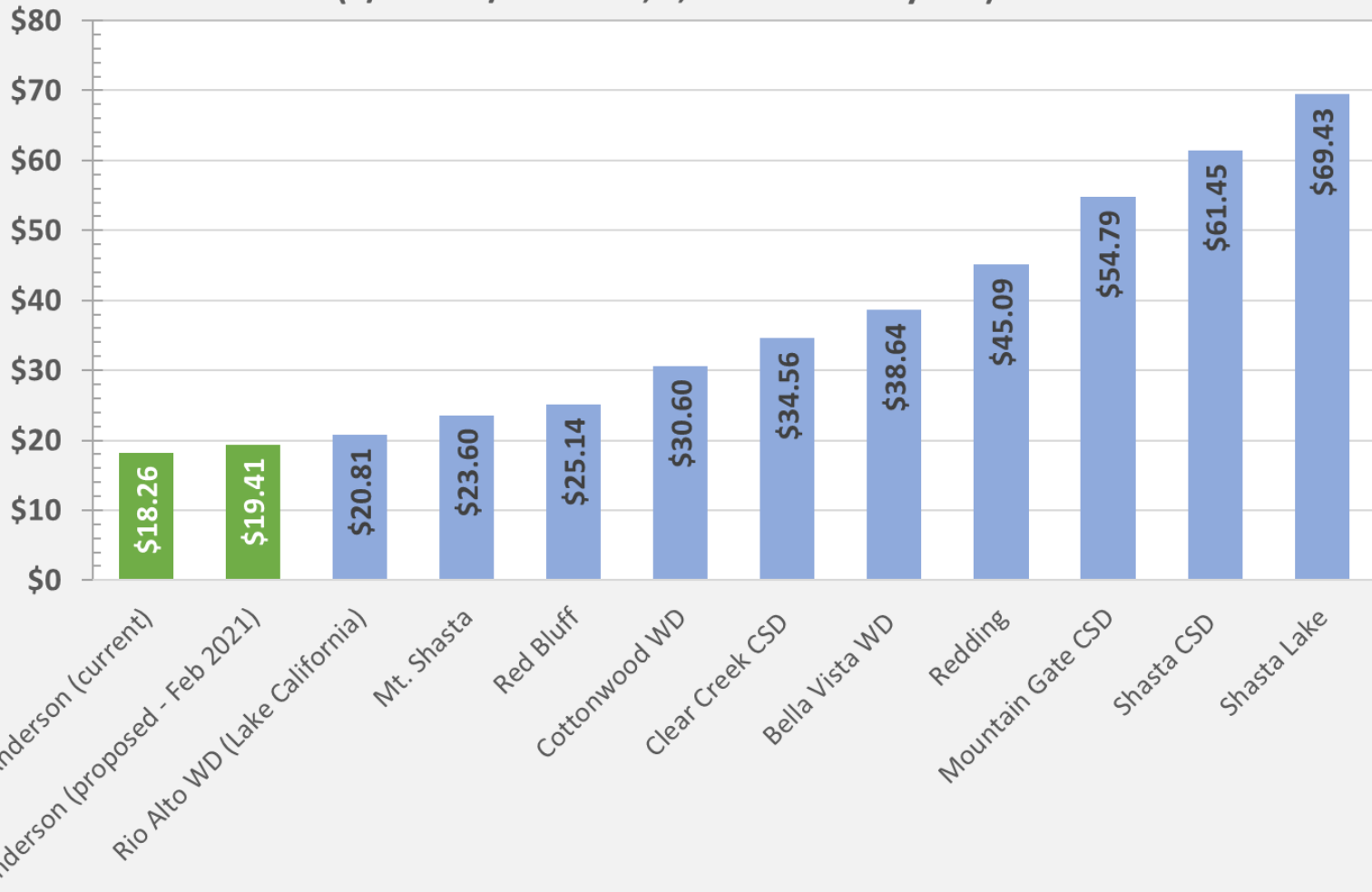
Meter Size	Current	PROPOSED				
		2020/21	2021/22	2022/23	2023/24	2024/25
FIXED METER CHARGE						
5/8" and 3/4"	\$12.30	\$13.02	\$13.56	\$14.22	\$14.85	\$15.51
1"	\$15.24	\$16.33	\$17.02	\$17.84	\$18.63	\$19.46
1-1/2"	\$24.20	\$24.62	\$25.67	\$26.89	\$28.08	\$29.32
2"	\$36.18	\$34.56	\$36.05	\$37.75	\$39.42	\$41.16
3"	\$48.16	\$61.06	\$63.73	\$66.71	\$69.66	\$72.74
4"	\$102.12	\$90.88	\$94.87	\$99.29	\$103.68	\$108.26
6"	\$147.51	\$173.72	\$181.37	\$189.79	\$198.18	\$206.92
8"	\$221.89	\$273.12	\$285.17	\$298.39	\$311.58	\$325.32
CONSUMPTION CHARGE - OVER 1,000 CF						
City Charge for Usage Over 1,000 CF	\$0.01192	\$0.01277	\$0.01340	\$0.01408	\$0.01478	\$0.01552
Outside City Charge for Usage Over 1,000 CF	\$0.01227	\$0.01315	\$0.01381	\$0.01450	\$0.01523	\$0.01599

CF = cubic feet. 1 CF = 7.48 gallons

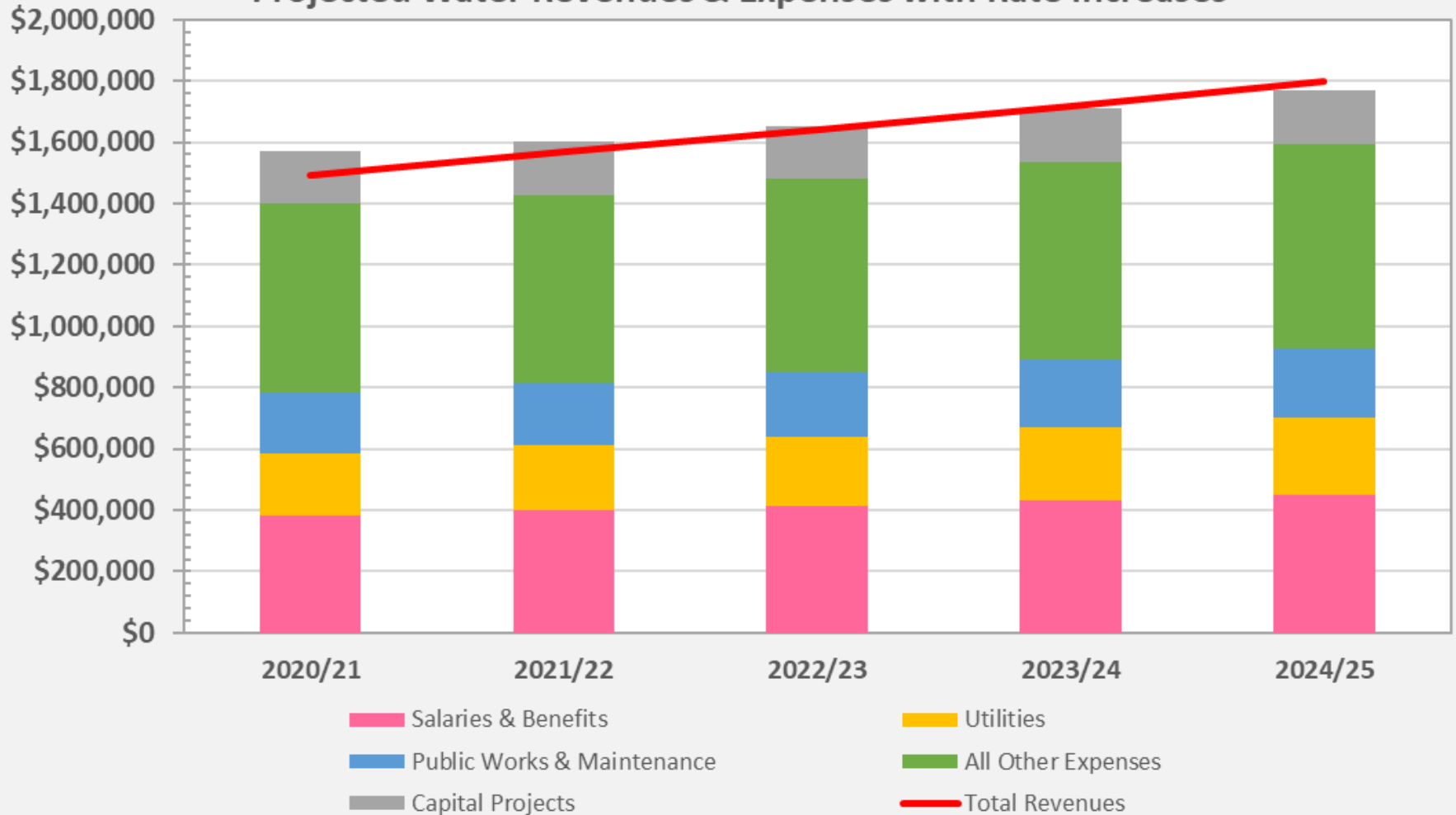


SINGLE FAMILY RESIDENTIAL WATER RATE SURVEY

Single Family Residential Monthly Water Bill Survey
(5/8" or 3/4" meter, 1,500 cf monthly use)



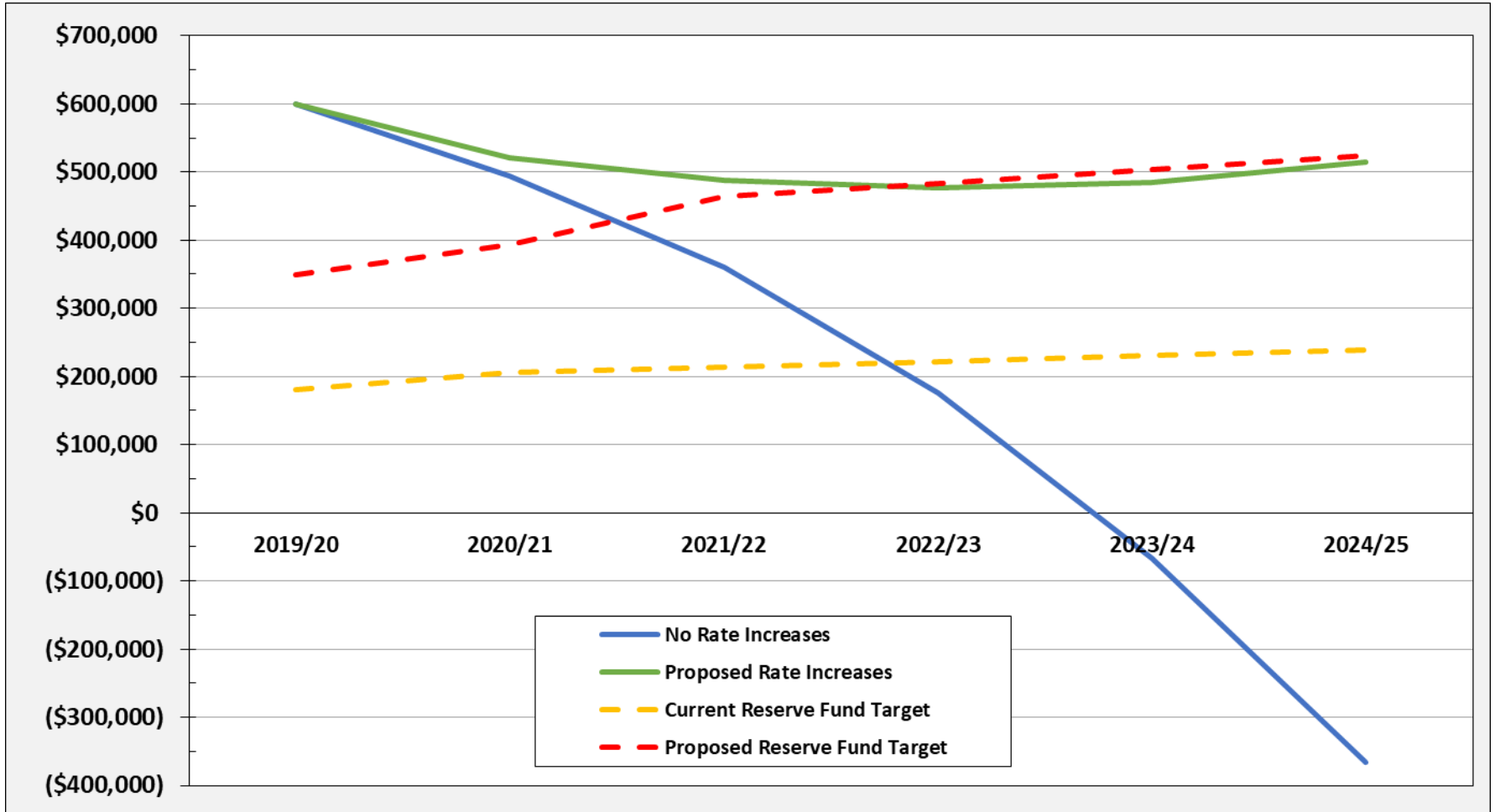
Projected Water Revenues & Expenses with Rate Increases



■ **Cost Escalators: 6% for utilities, 4% for Salaries & Benefits, and 3% for all other expenses**



PROJECTED ENDING RESERVE FUND BALANCE



IMPACT TO SINGLE FAMILY RESIDENTIAL BILL

	Monthly Use (cf)	Current Bill	Proposed				
			2020/21	2021/22	2022/23	2023/24	2024/25
Single Family Residential: 5/8" or 3/4" meter, Low Use							
Fixed Meter Charge	900	\$12.30	\$13.02	\$13.56	\$14.22	\$14.85	\$15.51
<u>Consumption Charge</u>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total Monthly Water Bill		\$12.30	\$13.02	\$13.56	\$14.22	\$14.85	\$15.51
<i>\$ Change</i>				\$0.72	\$0.54	\$0.66	\$0.63
Single Family Residential: 5/8" or 3/4" meter, Avg Use							
Fixed Meter Charge	1,500	\$12.30	\$13.02	\$13.56	\$14.22	\$14.85	\$15.51
<u>Consumption Charge</u>		<u>\$5.96</u>	<u>\$6.39</u>	<u>\$6.70</u>	<u>\$7.04</u>	<u>\$7.39</u>	<u>\$7.76</u>
Total Monthly Water Bill		\$18.26	\$19.41	\$20.26	\$21.26	\$22.24	\$23.27
<i>\$ Change</i>				\$1.15	\$0.86	\$1.00	\$0.98
Single Family Residential: 5/8" or 3/4" meter, High Use							
Fixed Meter Charge	3,400	\$12.30	\$13.02	\$13.56	\$14.22	\$14.85	\$15.51
<u>Consumption Charge</u>		<u>\$28.61</u>	<u>\$30.65</u>	<u>\$32.17</u>	<u>\$33.79</u>	<u>\$35.48</u>	<u>\$37.25</u>
Total Monthly Water Bill		\$40.91	\$43.67	\$45.73	\$48.01	\$50.33	\$52.76
<i>\$ Change</i>				\$2.76	\$2.06	\$2.28	\$2.32

- Bill impacts for will vary based on meter size and actual consumption due to updated cost allocation



RATE INCREASE PROCEDURES

- **Proposition 218** was adopted by California voters in 1996 and added Articles 13C and 13D to the California Constitution
- **Proposition 218** governs how property-related charges are adopted:
 - Rates must be based on the reasonable cost of service
 - Rates must proportionally recover costs based on how customers take service
 - Revenues from rates can only be used for intended purpose
- **Procedural Requirements:**
 - The City conducted a rate study
 - The City Council authorized noticing water customers
 - Notices were mailed to water customers
 - The City Council will conduct a public hearing a minimum of 45 days after mailing the notices
 - Rates cannot be adopted if more than 50% of ratepayers submit written protests



TIMELINE

DATE	ACTION
Nov 17, 2020	City Council authorized sending rate increase notices to customers
Dec 1, 2020	Rate increase notices were mailed to customers
Jan 19, 2021	City Council plans to conduct a final rate increase public hearing
Feb 1, 2021	Planned date for first rate increase to go into effect. Future rate increases will be effective January 1 of each year, beginning in 2022, and continuing through January 1, 2025

