



UTILITIES RATE STUDY 2020

WATER, SEWER, SOLID WASTE, & STORM WATER

CITY COUNCIL MEETING
APRIL 22, 2020



LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

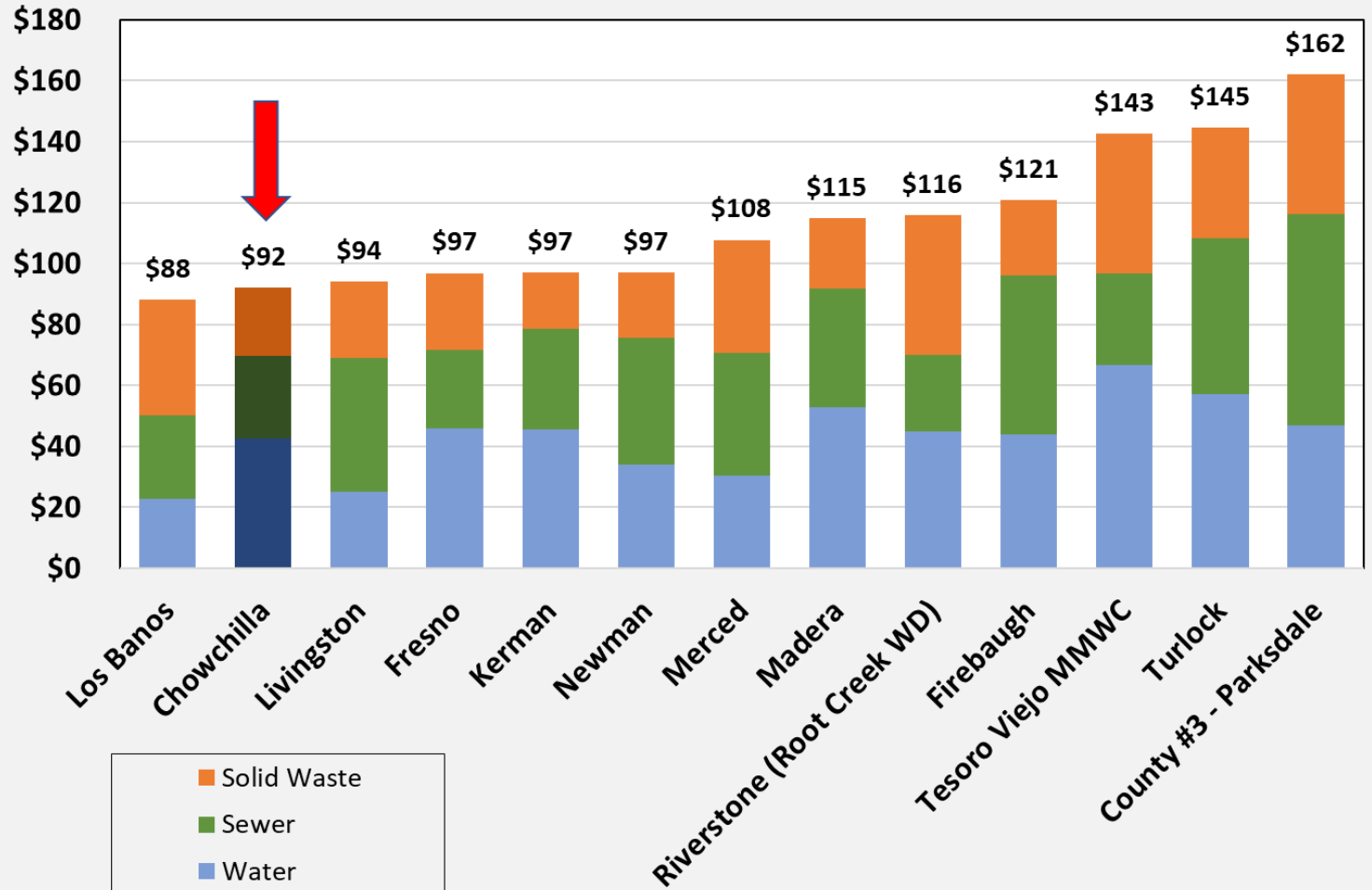
BACKGROUND

- **Utility rates are subject to Proposition 218**
 - Rates must be based on the reasonable cost of service
 - Rates must proportionally recover costs based on how customers take service
 - Covers rates over a maximum 5-year period
 - Procedural requirements: conduct a rate study, mail a notice to property owners, hold a hearing a minimum of 45 days later, protest vote
- **Utilities are enterprise funds**
 - Self supported from rates and charges
 - Separate from General Fund
 - No tax revenue received



BILL SURVEY

Single Family Residential
Monthly Water, Sewer, and Solid Waste Bill Comparison



SOLID WASTE UTILITY

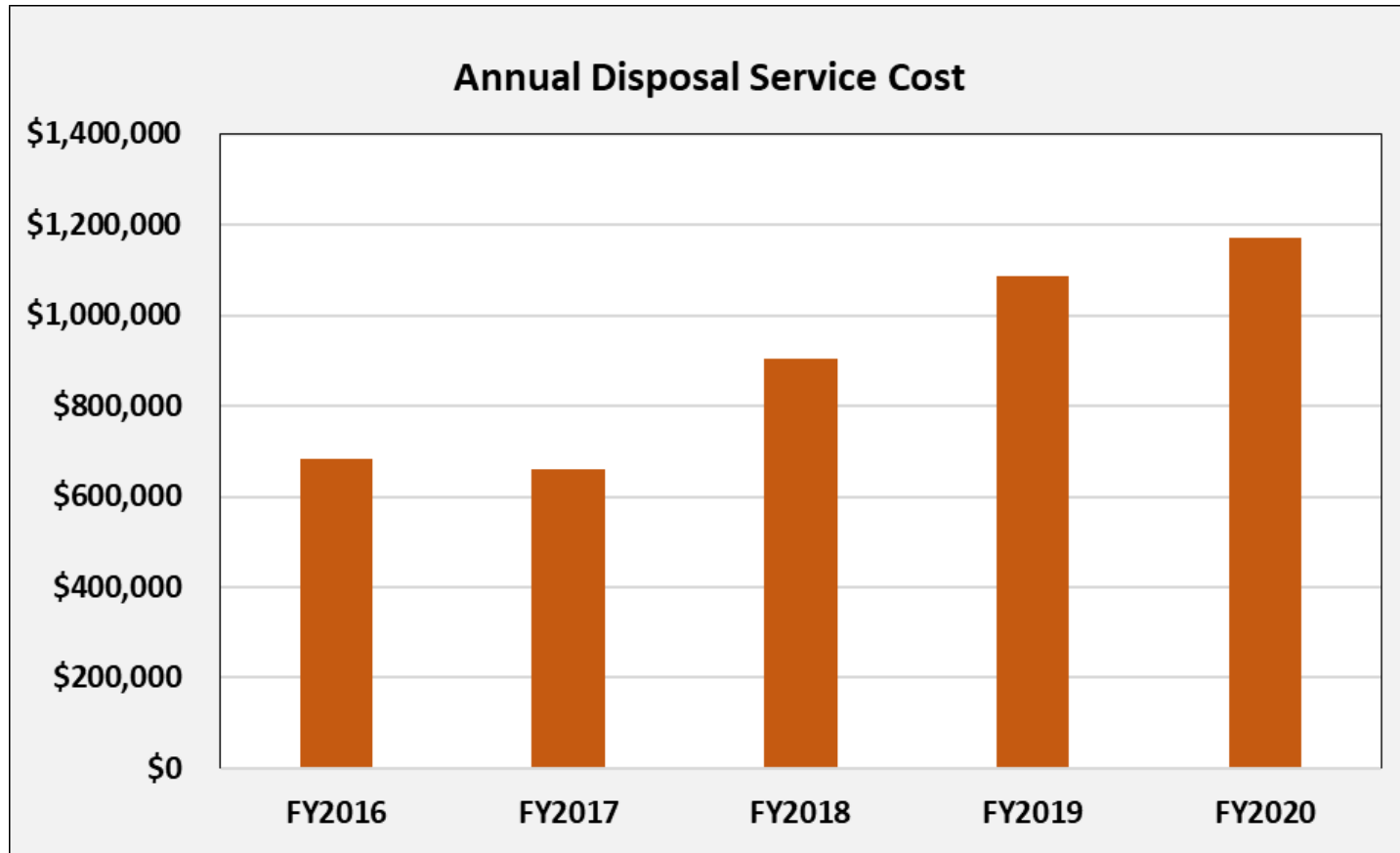


SOLID WASTE SYSTEM OVERVIEW

- **City contracts with Mid Valley Disposal to provide weekly solid waste collection. Last contract amendment was in 2018.**
- **Rates are set by Mid Valley Disposal, and a percentage is added on by the City for overhead costs. City has not increased their portion of rates in 10 years.**
- **Total customer accounts = 3,600**
- **Without rate increases and a loan from the General Fund, the solid waste fund will be operating in a deficit and will deplete its fund reserves by the end of this year**



MID VALLEY DISPOSAL COSTS



Since 2016, disposal costs have increased over 60%.
The City has no control over these costs.



SOLID WASTE RATE OPTIONS

Solid Waste Rate Option Comparison					
Rate Option	Proposed				
	FY2021	FY2022	FY2023	FY2024	FY2025
Solid Waste Option #1: Loan Payback Starts in FY2021 - Includes \$240K interfund loan from General Fund - First debt service payment due in FY2021	24.0%	15.0%	3.0%	3.0%	3.0%
Solid Waste Option #2: Loan Payback Starts in FY2023 - Includes \$240K interfund loan from General Fund. - First debt service payment due in FY2023.	19.0%	19.0%	3.0%	3.0%	3.0%
Solid Waste Option #3: Loan Payback Starts in FY2025 - Includes \$240K interfund loan from General Fund. - First debt service payment due in FY2025.	18.0%	18.0%	3.0%	3.0%	3.0%



PROPOSED RESIDENTIAL SOLID WASTE RATES

Customer	Current	Proposed				
		FY2021	FY2022	FY2023	FY2024	FY2025
Residential (per set) (1)	\$22.38	\$26.63	\$31.69	\$32.64	\$33.62	\$34.63
Residential Extra Toter (each)	\$12.45	\$14.82	\$17.64	\$18.17	\$18.72	\$19.28
Locking Lid for Bin (each)	\$16.10	\$19.16	\$22.80	\$23.48	\$24.18	\$24.91

1 - Set includes three 96-gallon totters for Refuse, Recycles, and Green Waste



PROPOSED COMMERCIAL TRASH RATES

Customer	Current	Proposed				
		FY2021	FY2022	FY2023	FY2024	FY2025
COMMERCIAL TRASH						
1 yard bin						
1x per week	\$43.71	\$52.01	\$61.89	\$63.75	\$65.66	\$67.63
2x per week	\$87.37	\$103.97	\$123.72	\$127.43	\$131.25	\$135.19
3x per week	\$133.74	\$159.15	\$189.39	\$195.07	\$200.92	\$206.95
4x per week	\$173.87	\$206.91	\$246.22	\$253.61	\$261.22	\$269.06
5x per week	\$216.40	\$257.52	\$306.45	\$315.64	\$325.11	\$334.86
6x per week	\$256.97	\$305.79	\$363.89	\$374.81	\$386.05	\$397.63
2 yard bin						
1x per week	\$70.57	\$83.98	\$99.94	\$102.94	\$106.03	\$109.21
2x per week	\$135.91	\$161.73	\$192.46	\$198.23	\$204.18	\$210.31
3x per week	\$199.60	\$237.52	\$282.65	\$291.13	\$299.86	\$308.86
4x per week	\$268.48	\$319.49	\$380.19	\$391.60	\$403.35	\$415.45
5x per week	\$338.17	\$402.42	\$478.88	\$493.25	\$508.05	\$523.29
6x per week	\$404.41	\$481.25	\$572.69	\$589.87	\$607.57	\$625.80
3 yard bin						
1x per week	\$90.35	\$107.52	\$127.95	\$131.79	\$135.74	\$139.81
2x per week	\$178.08	\$211.92	\$252.18	\$259.75	\$267.54	\$275.57
3x per week	\$254.10	\$302.38	\$359.83	\$370.62	\$381.74	\$393.19
4x per week	\$342.43	\$407.49	\$484.91	\$499.46	\$514.44	\$529.87
5x per week	\$430.66	\$512.49	\$609.86	\$628.16	\$647.00	\$666.41
6x per week	\$515.40	\$613.33	\$729.86	\$751.76	\$774.31	\$797.54
4 yard bin						
1x per week	\$110.13	\$131.05	\$155.95	\$160.63	\$165.45	\$170.41
2x per week	\$217.67	\$259.03	\$308.25	\$317.50	\$327.03	\$336.84
3x per week	\$310.62	\$369.64	\$439.87	\$453.07	\$466.66	\$480.66
4x per week	\$418.99	\$498.60	\$593.33	\$611.13	\$629.46	\$648.34
5x per week	\$525.72	\$625.61	\$744.48	\$766.81	\$789.81	\$813.50
6x per week	\$632.41	\$752.57	\$895.56	\$922.43	\$950.10	\$978.60
5 yard bin						
1x per week	\$129.95	\$154.64	\$184.02	\$189.54	\$195.23	\$201.09
2x per week	\$246.52	\$293.36	\$349.10	\$359.57	\$370.36	\$381.47
3x per week	\$348.47	\$414.68	\$493.47	\$508.27	\$523.52	\$539.23
4x per week	\$465.92	\$554.44	\$659.78	\$679.57	\$699.96	\$720.96
5x per week	\$581.64	\$692.15	\$823.66	\$848.37	\$873.82	\$900.03
6x per week	\$697.36	\$829.86	\$987.53	\$1,017.16	\$1,047.67	\$1,079.10
6 yard bin						
1x per week	\$146.05	\$173.80	\$206.82	\$213.02	\$219.41	\$225.99
2x per week	\$274.31	\$326.43	\$388.45	\$400.10	\$412.10	\$424.46
3x per week	\$390.11	\$464.23	\$552.43	\$569.00	\$586.07	\$603.65
4x per week	\$521.42	\$620.49	\$738.38	\$760.53	\$783.35	\$806.85
5x per week	\$651.12	\$774.83	\$922.05	\$949.71	\$978.20	\$1,007.55
6x per week	\$780.74	\$929.08	\$1,105.61	\$1,138.78	\$1,172.94	\$1,208.13



PROPOSED COMMERCIAL RECYCLE & ORGANIC RATES

	Proposed				
	FY2021	FY2022	FY2023	FY2024	FY2025
COMMERCIAL RECYCLE					
96 Gallon					
1x per week	\$11.31	\$11.65	\$12.00	\$12.36	\$12.73
2x per week	\$20.36	\$20.97	\$21.60	\$22.25	\$22.92
3x per week	\$29.42	\$30.30	\$31.21	\$32.15	\$33.11
2 yard bin					
1x per week	\$35.07	\$36.12	\$37.20	\$38.32	\$39.47
2x per week	\$63.13	\$65.02	\$66.97	\$68.98	\$71.05
3x per week	\$91.19	\$93.93	\$96.75	\$99.65	\$102.64
3 yard bin					
1x per week	\$44.69	\$46.03	\$47.41	\$48.83	\$50.29
2x per week	\$80.44	\$82.85	\$85.34	\$87.90	\$90.54
3x per week	\$116.19	\$119.68	\$123.27	\$126.97	\$130.78
4 yard bin					
1x per week	\$55.44	\$57.10	\$58.81	\$60.57	\$62.39
2x per week	\$99.78	\$102.77	\$105.85	\$109.03	\$112.30
3x per week	\$144.13	\$148.45	\$152.90	\$157.49	\$162.21
6 yard bin					
1x per week	\$76.37	\$78.66	\$81.02	\$83.45	\$85.95
2x per week	\$137.46	\$141.58	\$145.83	\$150.20	\$154.71
3x per week	\$198.55	\$204.51	\$210.65	\$216.97	\$223.48
COMMERCIAL ORGANIC					
96 Gallon					
1x per week	\$16.97	\$17.48	\$18.00	\$18.54	\$19.10
2x per week	\$24.89	\$25.64	\$26.41	\$27.20	\$28.02
3x per week	\$32.81	\$33.79	\$34.80	\$35.84	\$36.92
2 yard bin					
1x per week	\$59.62	\$61.41	\$63.25	\$65.15	\$67.10
2x per week	\$107.32	\$110.54	\$113.86	\$117.28	\$120.80
3x per week	\$155.02	\$159.67	\$164.46	\$169.39	\$174.47
3 yard bin					
1x per week	\$75.97	\$78.25	\$80.60	\$83.02	\$85.51
2x per week	\$136.75	\$140.85	\$145.08	\$149.43	\$153.91
3x per week	\$197.52	\$203.45	\$209.55	\$215.84	\$222.32

**Commercial
Recycle &
Organic rates
are increased
by 3% ea. year**

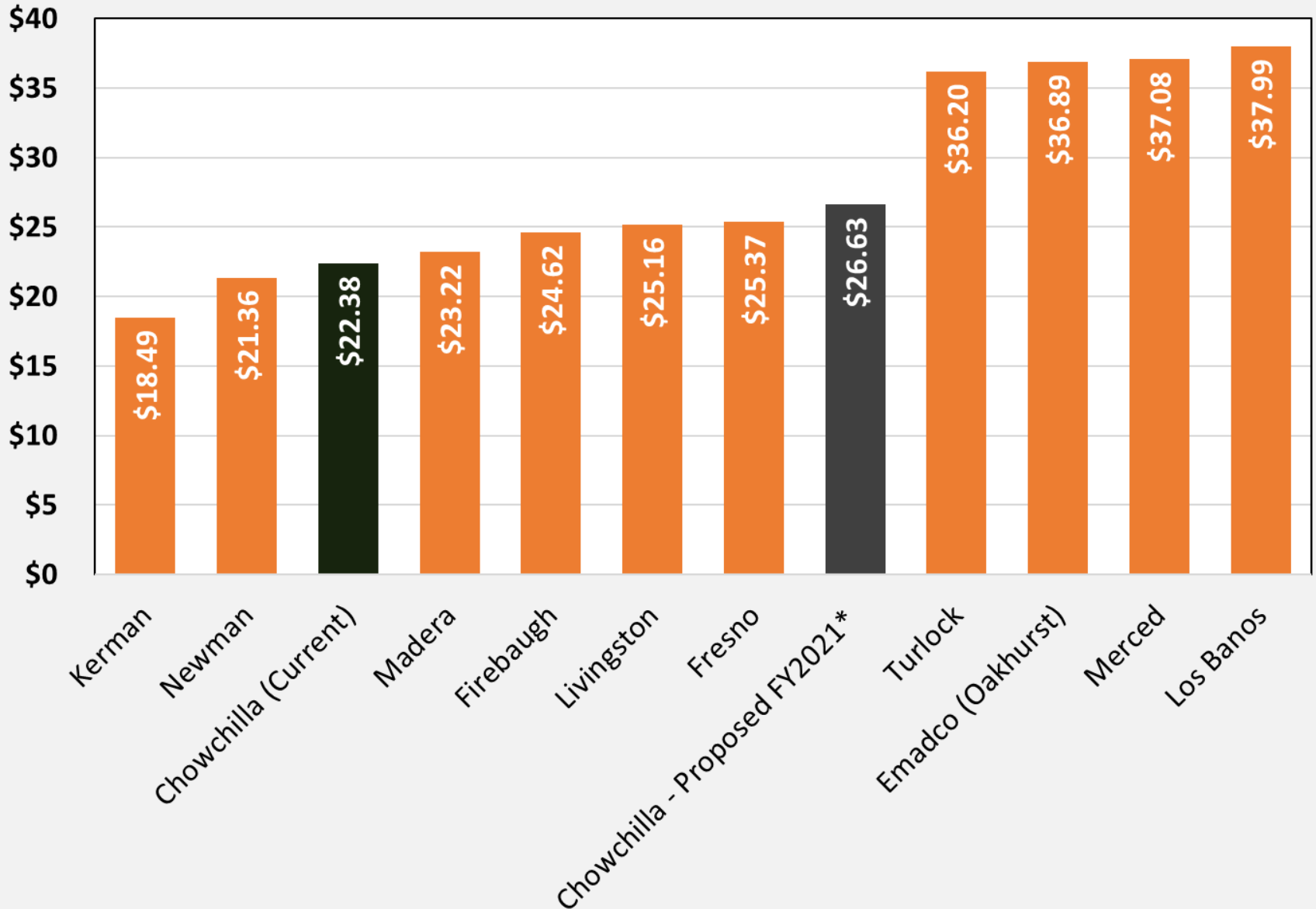


SAMPLE SOLID WASTE BILL IMPACTS

	Current Bill	Proposed				
		FY2021	FY2022	FY2023	FY2024	FY2025
Single Family Residential	\$22.38	\$26.63	\$31.69	\$32.64	\$33.62	\$34.63
<i>\$ Change</i>		\$4.25	\$5.06	\$0.95	\$0.98	\$1.01
<i>% Change</i>		19.0%	19.0%	3.0%	3.0%	3.0%
Commercial: 1 Yard Bin, 1x per week	\$43.71	\$52.01	\$61.89	\$63.75	\$65.66	\$67.63
<i>\$ Change</i>		\$8.30	\$9.88	\$1.86	\$1.91	\$1.97
<i>% Change</i>		19.0%	19.0%	3.0%	3.0%	3.0%
Commercial: 2 Yard Bin, 1x per week	\$70.57	\$83.98	\$99.94	\$102.94	\$106.03	\$109.21
<i>\$ Change</i>		\$13.41	\$15.96	\$3.00	\$3.09	\$3.18
<i>% Change</i>		19.0%	19.0%	3.0%	3.0%	3.0%
Commercial: 4 Yard Bin, 3x per week	\$310.62	\$369.64	\$439.87	\$453.07	\$466.66	\$480.66
<i>\$ Change</i>		\$59.02	\$70.23	\$13.20	\$13.59	\$14.00
<i>% Change</i>		19.0%	19.0%	3.0%	3.0%	3.0%



Single Family Residential Monthly Solid Waste Bills



WATER UTILITY



WATER SYSTEM OVERVIEW

- **City relies solely on groundwater**
- **Total customer accounts = 3,800**
- **Completed City-wide metering project in 2018**
- **Includes \$2.43 million in capital projects including the development of Well 15**
- **Without rate increases, the water fund will miss debt service coverage covenants and will not meet its operating fund reserve target by FY2024**



WATER RATE OPTIONS

Rate Option	Proposed				
	FY2021	FY2022	FY2023	FY2024	FY2025
Water Option #1: Cash Fund Well 15 - Funds \$2.43M in capital projects. No new debt. - Assumes \$750,000 in development impact fees	4.0%	4.0%	4.0%	4.0%	4.0%
Water Option #2: Cash Fund Well 15, No Impact Fees - Funds \$2.43M in capital projects. No new debt. - Assumes no impact fees	5.0%	5.0%	5.0%	5.0%	5.0%
Water Option #3: No Well 15 - Funds \$925,000 in capital projects. Does not include Well 15. - Assumes no impact fees	3.0%	3.0%	3.0%	3.0%	3.0%



PROPOSED WATER RATES

	Current	Proposed				
		FY2021	FY2022	FY2023	FY2024	FY2025
METER CHARGES						
<u>Meter Size</u>						
1"	\$20.59	\$22.00	\$23.10	\$24.26	\$25.47	\$26.74
1 1/2"	\$30.03	\$35.00	\$36.75	\$38.59	\$40.52	\$42.55
2"	\$41.36	\$50.60	\$53.13	\$55.79	\$58.58	\$61.51
3"	\$77.23	\$92.20	\$96.81	\$101.65	\$106.73	\$112.07
4"	\$130.10	\$139.00	\$145.95	\$153.25	\$160.91	\$168.96
6"	\$275.48	\$269.00	\$282.45	\$296.57	\$311.40	\$326.97
COMMODITY RATE (\$/hcf)						
Single Family Residential						
Tier 1: 0 - 18 hcf	\$0.97	\$1.11	\$1.17	\$1.23	\$1.29	\$1.35
Tier 2: Over 18 hcf	\$1.25	\$1.43	\$1.50	\$1.58	\$1.66	\$1.74
Non-Single Family Commodity Rate	\$1.04	\$1.20	\$1.26	\$1.32	\$1.39	\$1.46
METER INSTALL & RETROFIT CHARGES						
2013 Metered Customers	\$6.51	\$6.51	\$6.51	\$6.51	\$6.51	\$6.51
2014 Retrofitted Customers	\$2.44	\$2.44	\$2.44	\$2.44	\$2.44	\$2.44
2015 Retrofitted Customers	\$2.44	\$2.44	\$2.44	\$2.44	\$2.44	\$2.44

1 - 1 hundred cubic feet (hcf) = 748 gallons



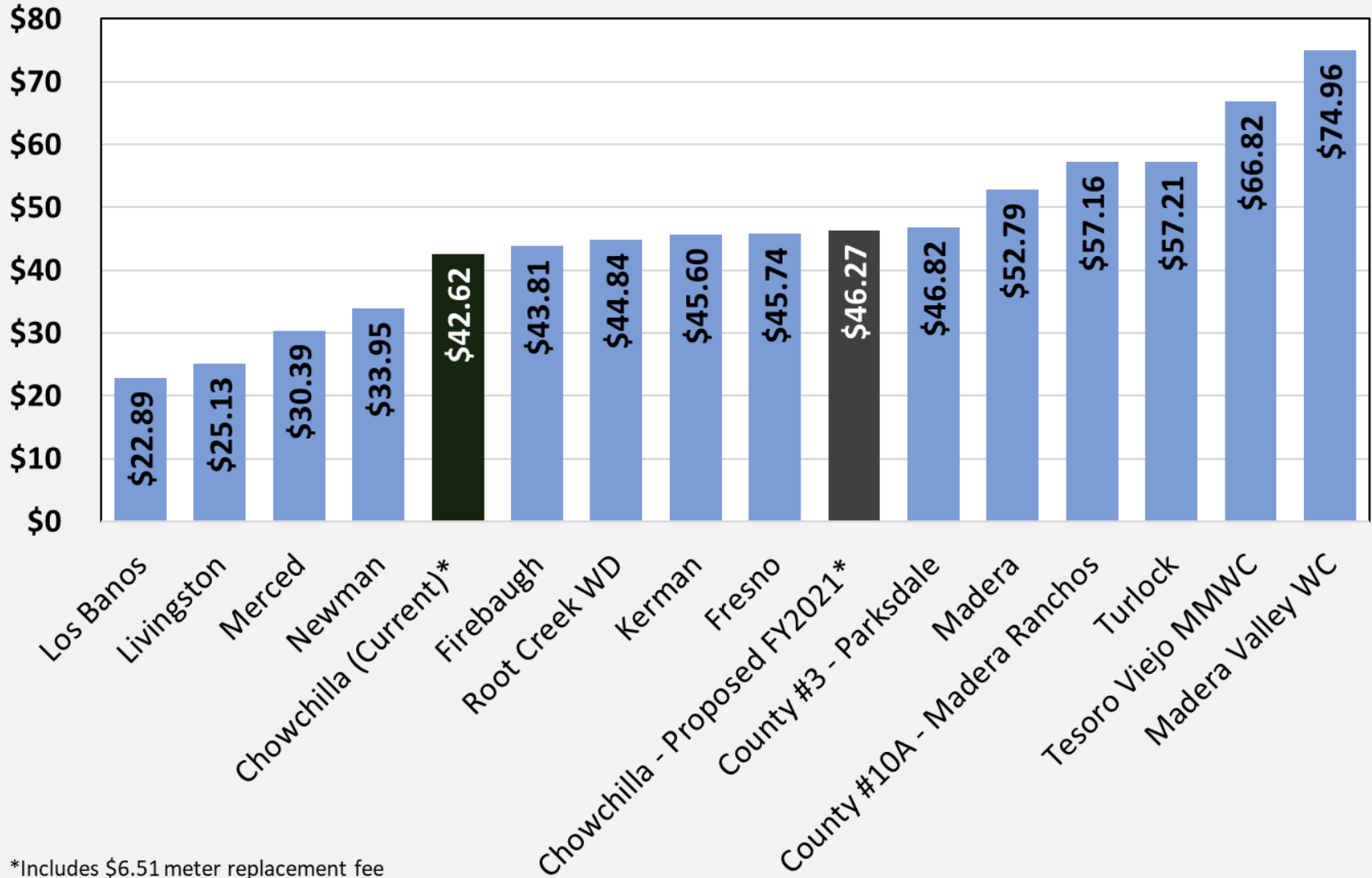
SAMPLE WATER BILL IMPACTS

	Current Bill	Proposed				
		FY2021	FY2022	FY2023	FY2024	FY2025
Single Family Residential: 1" meter, 9 hcf						
Total Monthly Water Bill	\$29.95	\$31.99	\$33.63	\$35.33	\$37.08	\$38.89
\$ Change		\$2.04	\$1.64	\$1.70	\$1.75	\$1.81
% Change		6.8%	5.1%	5.1%	5.0%	4.9%
Single Family Residential: 1" meter, 16 hcf						
Total Monthly Water Bill	\$36.11	\$39.76	\$41.82	\$43.94	\$46.11	\$48.34
\$ Change		\$3.65	\$2.06	\$2.12	\$2.17	\$2.23
% Change		10.1%	5.2%	5.1%	4.9%	4.8%
Single Family Residential: 1" meter, 34 hcf						
Total Monthly Water Bill	\$58.05	\$64.86	\$68.16	\$71.68	\$75.25	\$78.88
\$ Change		\$6.81	\$3.30	\$3.52	\$3.57	\$3.63
% Change		11.7%	5.1%	5.2%	5.0%	4.8%

Due to the updated cost of service allocation, the bill impact for the first year will vary based on your customer class, water meter size, and monthly usage.



Single Family Residential Monthly Water Bill Survey (1" meter, 16 hcf monthly use)



*Includes \$6.51 meter replacement fee

SEWER UTILITY



SEWER SYSTEM OVERVIEW

- Sewer system includes a 1.8 million gallon-per-day (MGD) sewer treatment plant, 4 sewage lift pump stations, & 37 miles of sewer pipelines.
- Total customer accounts = 4,400
- Includes \$1.65 million in capital projects to replace aging mains & equipment
- **\$20M Fairmead Annexation Project**
 - Anticipated completion date is FY2024
 - City is applying for a State grant to fund entire project
 - Current ratepayers benefit from project
 - Gravity sewer will be extended to industrial park
 - WWTP is upgraded to newer technology
 - Allows for increased maintenance activities and extends life of the plant.
 - Additional operating costs will be shared between City ratepayers & Fairmead residents beginning in FY2024



SEWER RATE OPTIONS

Rate Option	Proposed				
	FY2021	FY2022	FY2023	FY2024	FY2025
Sewer Option #1: Fairmead Project, No 3rd Aeration Bay - Funds \$1.65M in capital projects. - Includes Fairmead O&M costs.	5.0%	5.0%	5.0%	5.0%	5.0%
Sewer Option #2: No Fairmead, SRF Loan for 3rd Aeration Bay - Funds \$4.25M in capital projects. \$2.6M SRF loan. - No Fairmead O&M costs.	4.0%	4.0%	4.0%	4.0%	4.0%
Sewer Option #3: No Fairmead, Cash Fund 3rd Aeration Bay - Funds \$4.25M in capital projects. No SRF loan. - No Fairmead O&M costs.	16.0%	16.0%	16.0%	16.0%	0.0%



PROPOSED SEWER RATES

	Current	Proposed				
		FY2021	FY2022	FY2023	FY2024	FY2025
SEWER RATES						
<i>Residential (Per Dwelling Unit)</i>						
Single Family	\$25.58	\$26.28	\$27.59	\$28.97	\$30.42	\$31.94
Multi-Family/Mobile Homes	\$19.18	\$19.39	\$20.36	\$21.38	\$22.45	\$23.57
<i>Commercial Metered (Per hcf) (1)</i>						
Group 1: Extra-low Strength	\$1.78	\$2.45	\$2.57	\$2.70	\$2.84	\$2.98
Group 2: Low Strength	\$1.94	\$2.75	\$2.89	\$3.03	\$3.18	\$3.34
Group 3: Medium Strength	\$2.03	\$2.95	\$3.10	\$3.26	\$3.42	\$3.59
Group 4: High Strength	\$4.89	\$5.60	\$5.88	\$6.17	\$6.48	\$6.80
DEBT SERVICE CHARGES						
<i>Residential (Per Dwelling Unit)</i>						
Single Family	\$1.41	\$1.41	\$1.41	\$1.41	\$1.41	\$1.41
Multi-Family/Mobile Homes	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05
<i>Commercial (Per hcf) (1)</i>						
Group 1: Extra-low Strength	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09
Group 2: Low Strength	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11
Group 3: Medium Strength	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11
Group 4: High Strength	\$0.31	\$0.31	\$0.31	\$0.31	\$0.31	\$0.31

1 - Based on 80% of consumption. 1 hundred cubic feet (hcf) = 748 gallons

Group 1 includes schools. Group 2 includes general commercial and churches. Group 3 includes hospitals. Group 4 includes restaurants.



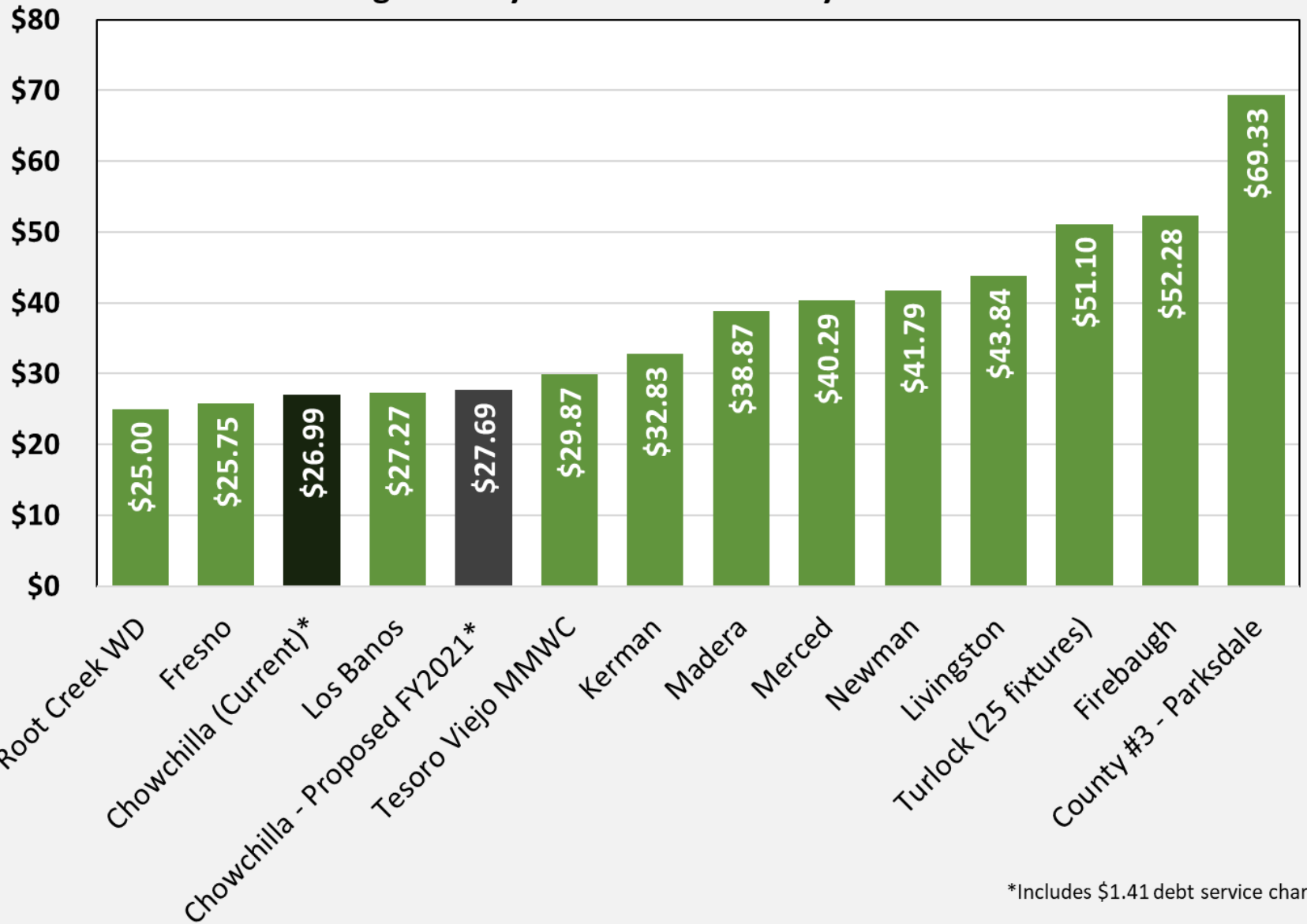
SAMPLE SEWER BILL IMPACTS

	Current Bill	Proposed				
		FY2021	FY2022	FY2023	FY2024	FY2025
Single Family Residential	\$25.58	\$26.28	\$27.59	\$28.97	\$30.42	\$31.94
<i>\$ Change</i>		\$0.70	\$1.31	\$1.38	\$1.45	\$1.52
<i>% Change</i>		2.7%	5.0%	5.0%	5.0%	5.0%
Multi-Family Residential	\$19.18	\$19.39	\$20.36	\$21.38	\$22.45	\$23.57
<i>\$ Change</i>		\$0.21	\$0.97	\$1.02	\$1.07	\$1.12
<i>% Change</i>		1.1%	5.0%	5.0%	5.0%	5.0%

Due to the updated cost of service allocation, the bill impact for the first year will vary based on your customer class.

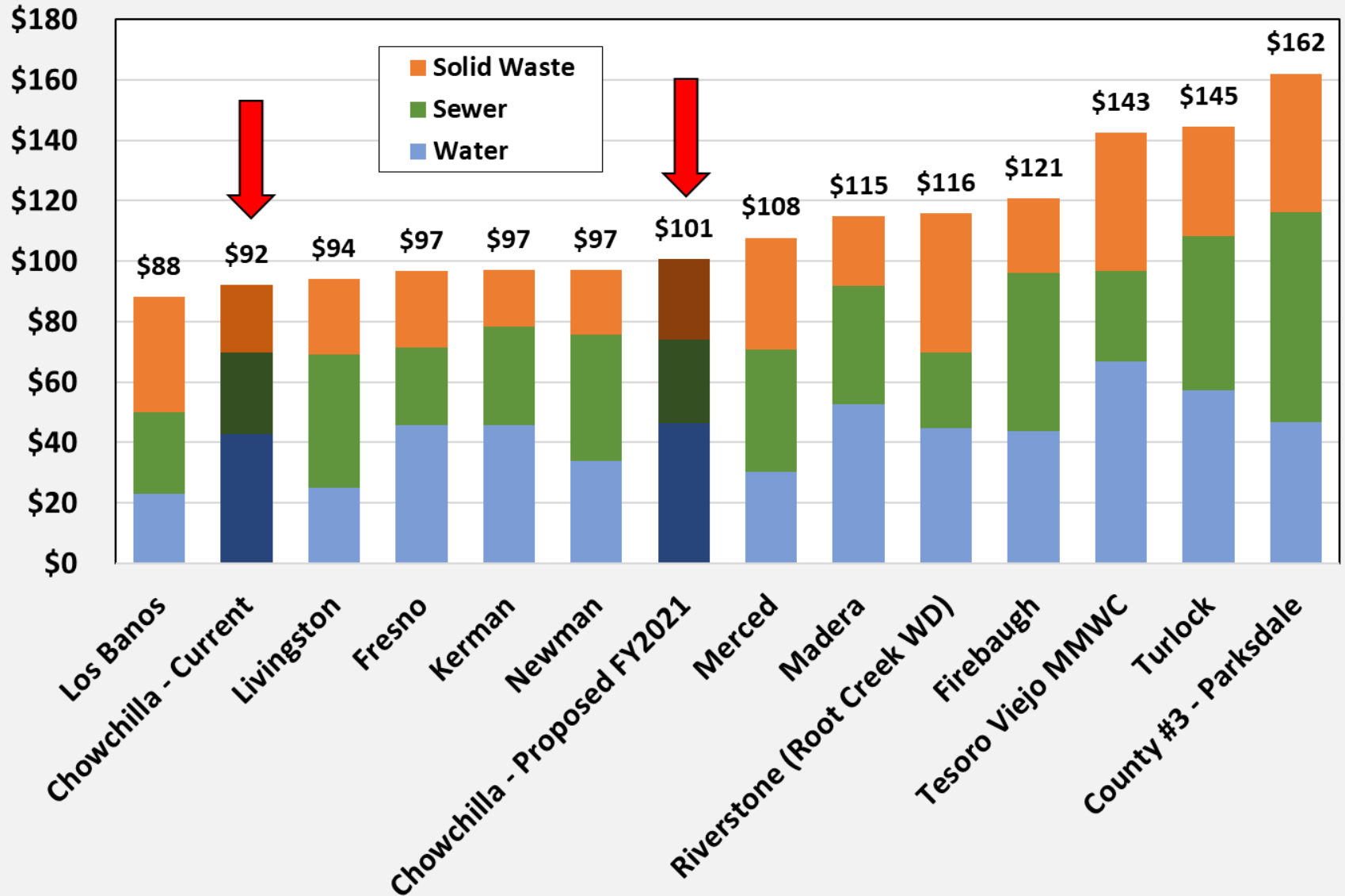


Single Family Residential Monthly Sewer Bills



*Includes \$1.41 debt service charge

Single Family Residential Monthly Water, Sewer, and Solid Waste Bill Comparison - FY2020



NEXT STEPS

DATE	ACTION
April 28, 2020	Present final recommendations to City Council; Council selects rate option and votes to proceed with Prop 218 process
May 5, 2020	Mail out Prop 218 Notices
June 23, 2020	Prop 218 Hearing
July 1, 2020	Rate increase goes into effect



QUESTIONS?

