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UTILITIES ADVISORY COMMITTEE (UAC)

WASTEWATER, POTABLE WATER
& NON-POTABLE WATER
RATE RECOMMENDATIONS

UTILITIES ADVISORY COMMITTEE MEETING SESSIONS

- Met in two separate sessions
- First stage interrupted by critical failure of wastewater treatment plant (WWTP) components
- First stage recommendations formally withdrawn prior to submittal to City Council
- Second stage commenced after WWTP emergency repairs

COMMITTEE MEMBERS

- Richard Corneille - Vice Chair
 - Monty Dill
 - John E. James - Chair
 - Ernest P. Marquez Jr.
 - Christine Roque
 - Richard Smith
 - Vacancy
-
- Michael Ten Eyck - 1st Session
 - Jonathon Corbridge – 1st & 2nd Sessions

MISSION STATEMENT/GOALS

- The Utilities Advisory Committee will assist the City Council in undertaking a potable water, wastewater and non-potable water utilities rate study
- The Committee will:
 - Examine different approaches to establishing potable water, wastewater and non-potable water rates
 - Promote understanding and appreciation for **different points of view**, and
 - Build consensus that will ensure a balanced approach to **divergent interests** in the community concerning utility rates.

FINANCIAL ANALYSIS

- Reviewed Overall Financial Needs to Maintain Safe, Reliable Systems and Service to Residents
- All operations were analyzed in the following financial areas:
 - Operation and Maintenance (O&M) costs
 - Capital Improvement Projects (Capital Investment)
 - Revenue Projections at Current Rates
 - Reserve Balances
 - Reserve Balance Target
 - Required Revenue Adjustments to Maintain Reserves
 - Keep Credit Rating at or Above Current AA- Level

REVENUE SOURCES*

- Grant Awards - Associated with Clean Water Act and other related regulations
- DIF (Development Impact Fee) Revenues - Assessed to new development projects
- Rate Fees - Revenues generated from customers using specific utilities

*Each utility must generate revenues to cover costs

WASTEWATER

- **Wastewater Operations and Maintenance Costs**
 - **Collection System –**
 - **Primarily Gravity Flow Pipe System**
 - **Inspection And Periodic Clean Out**
 - **Treatment Plant – Continuous Flow From the City at Large Must be Treated and Discharged on a continuous Basis**
 - **Electricity**
 - **Chemicals**
 - **Replacement Parts**
- **Capital Improvement per Master Plan**

Existing Wastewater Treatment Plant

Inflows from
All
Residents

Recycled
Water
Increases Total
Available
Water

Sales Revenue
Offset Total
Costs

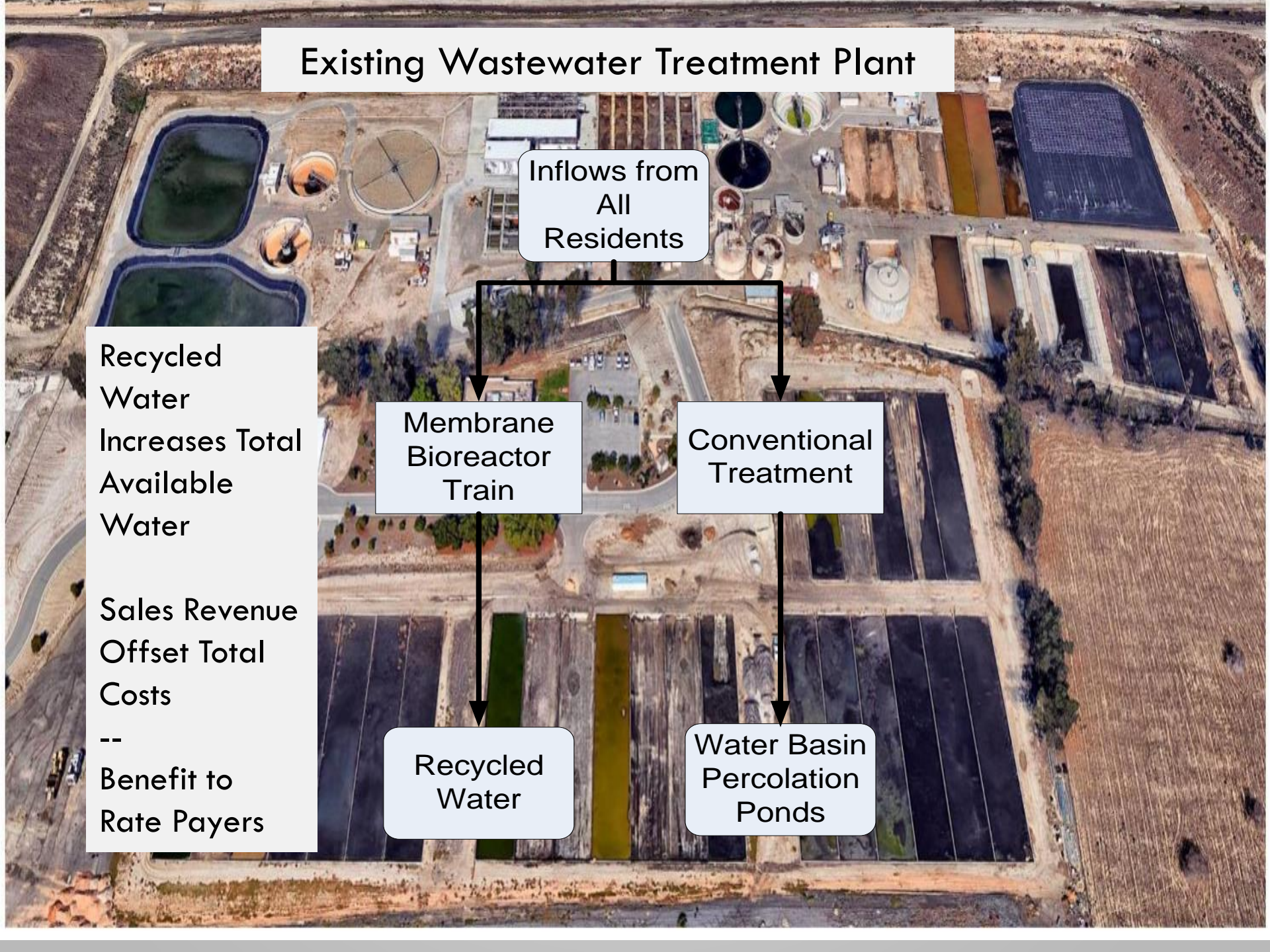
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Benefit to
Rate Payers

Membrane
Bioreactor
Train

Conventional
Treatment

Recycled
Water

Water Basin
Percolation
Ponds



Wastewater Treatment Plant (WWTP)

- **WWTP Assessed by Multiple Firms**
- **Capital Improvement Projects**
 - **Major Upgrade Needed -- Partial List**
 - **Infrastructure Piping**
 - **Electrical Panel Updates**
 - **SCADA Implementation**
 - **Membrane Bioreactor Train**

Wastewater Treatment Plant (WWTP)

- **Critical Failure of MBR filters**
- **Consultant recommended a 2 phase approach**
 - **1st Phase to replace MBR train**
 - **2nd Phase to rehabilitate remaining WWTP**
- **Costs/Funding**
 - **MBR from existing reserves - \$7.8MM**
 - **Phase 2 from rate adjustments and issuance of debt**
- **Total Costs - \$53MM**

Membrane Bioreactor Train Replacement



Old



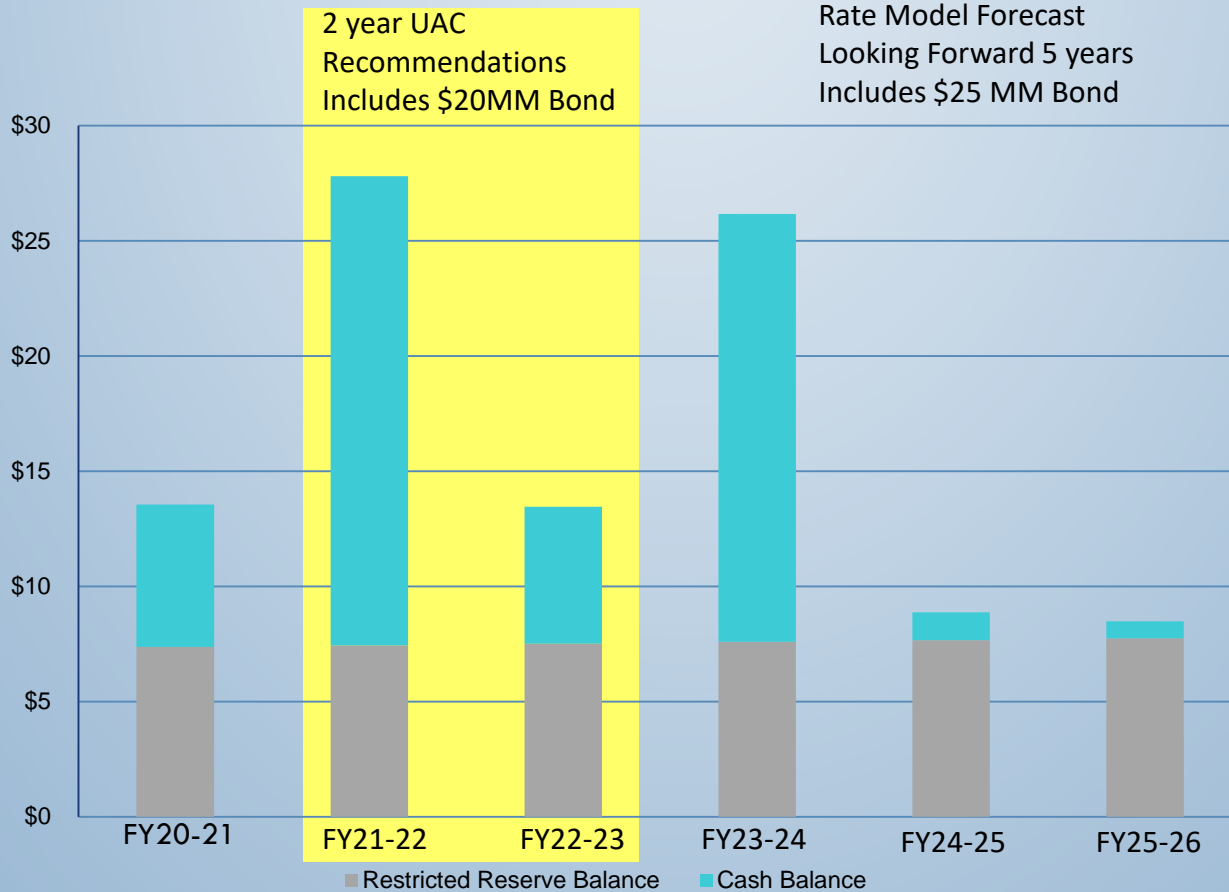
New

RECOMMENDED WASTEWATER RATES

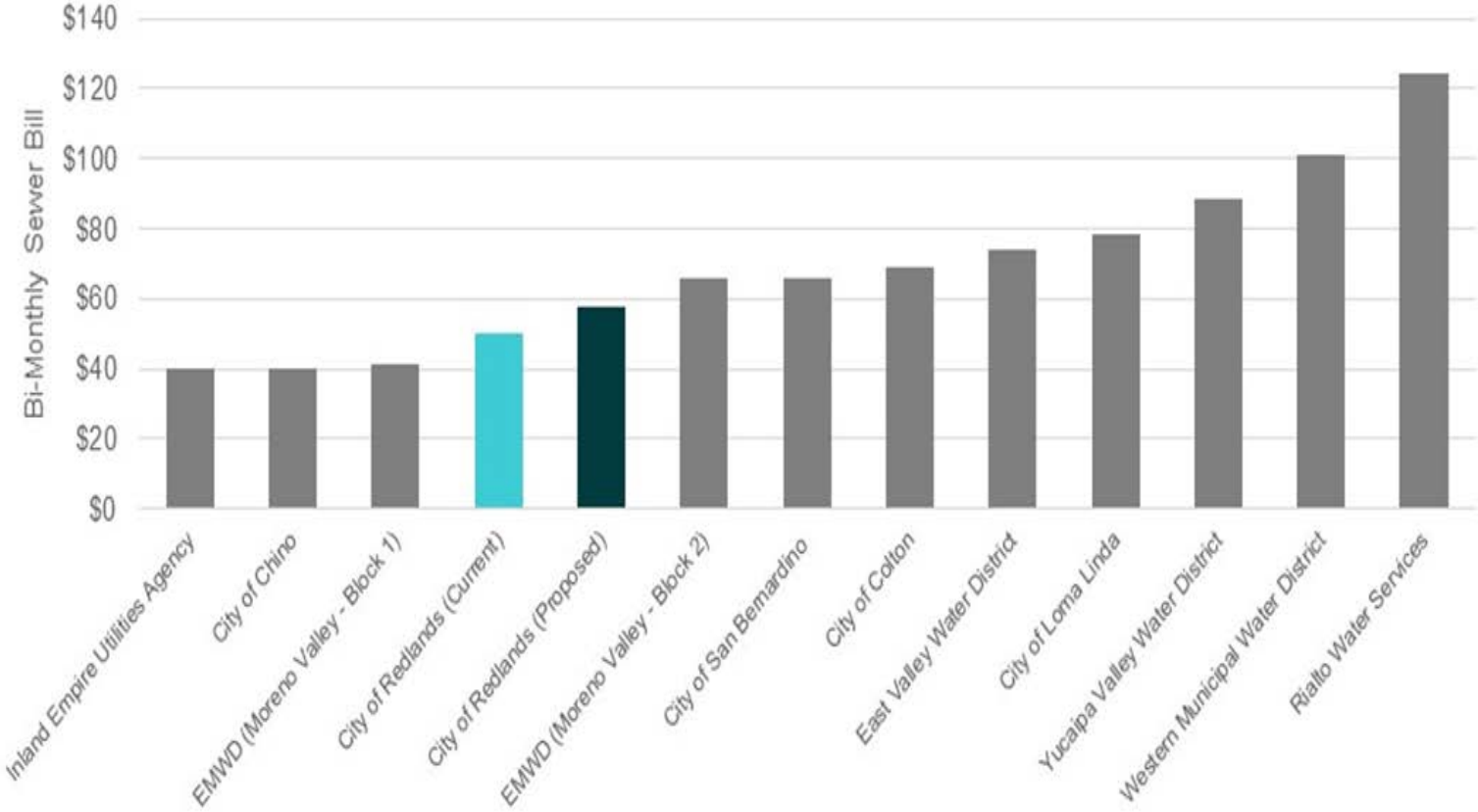
| | | 2-year UAC recommendation | | Rate Model Forecast Looking Forward 5 yrs | | |
|---------------------------------------|----------|---------------------------|-----------|---|-----------|-----------|
| Revenue Adjustments | | 15.0% | 15.0% | 15.0% | 5.0% | 5.0% |
| Bi-Monthly Rates | Current | July 2021 | July 2022 | July 2023 | July 2024 | July 2025 |
| Residential (\$/dwelling unit) | | | | | | |
| Single Family | \$50.05 | \$57.81 | \$66.49 | \$76.47 | \$80.30 | \$84.32 |
| Multiple Family | \$37.59 | \$44.52 | \$51.20 | \$58.88 | \$61.83 | \$64.93 |
| Non-Residential (\$/ccf) | | | | | | |
| Low Strength I | \$2.05 | \$2.24 | \$2.58 | \$2.97 | \$3.12 | \$3.28 |
| Low Strength II | \$2.16 | \$2.66 | \$3.06 | \$3.52 | \$3.70 | \$3.89 |
| Low Strength III | \$2.64 | \$3.07 | \$3.54 | \$4.08 | \$4.29 | \$4.51 |
| Medium Strength I | \$3.17 | \$3.49 | \$4.02 | \$4.63 | \$4.87 | \$5.12 |
| Medium Strength II | \$3.64 | \$3.91 | \$4.50 | \$5.18 | \$5.44 | \$5.72 |
| Medium Strength III | \$4.11 | \$4.32 | \$4.97 | \$5.72 | \$6.01 | \$6.32 |
| High Strength I | \$4.60 | \$4.74 | \$5.46 | \$6.28 | \$6.60 | \$6.93 |
| High Strength II | \$5.00 | \$5.15 | \$5.93 | \$6.82 | \$7.17 | \$7.53 |
| Large Volume User | \$2.76 | \$3.07 | \$3.54 | \$4.08 | \$4.29 | \$4.51 |
| Minimum Charge (\$) | \$37.59 | \$44.52 | \$51.20 | \$58.88 | \$61.83 | \$64.93 |
| Schools (\$/100 ADA) | | | | | | |
| Elementary | \$119.36 | \$124.43 | \$143.10 | \$164.57 | \$172.80 | \$181.44 |
| Secondary & High | \$198.94 | \$199.09 | \$228.96 | \$263.31 | \$276.48 | \$290.31 |
| Septage Charge (\$/gal) | \$0.11 | \$0.10 | \$0.12 | \$0.14 | \$0.15 | \$0.16 |

WASTEWATER RESERVE BALANCES

Wastewater - Ending Balances



Regional Bi-Monthly Sewer Bill Comparison Single Family Residential



POTABLE WATER

- Water Operations and Maintenance Costs
 - Water Treatment
 - Surface Water - Chemicals
 - Water Wells
 - Electric Pumping Costs
 - Chemicals
 - Reservoirs
 - Maintenance and Chemicals
 - Pipe Delivery System
 - Leak Repair
- Capital Improvement Projects per Master Plan
 - Yearly Pipe Replacement
 - Other Infrastructure Investments and Betterments

RECOMMENDED WATER RATES

2-year UAC
recommendation

Rate Model Forecast
Looking Forward 5 yrs

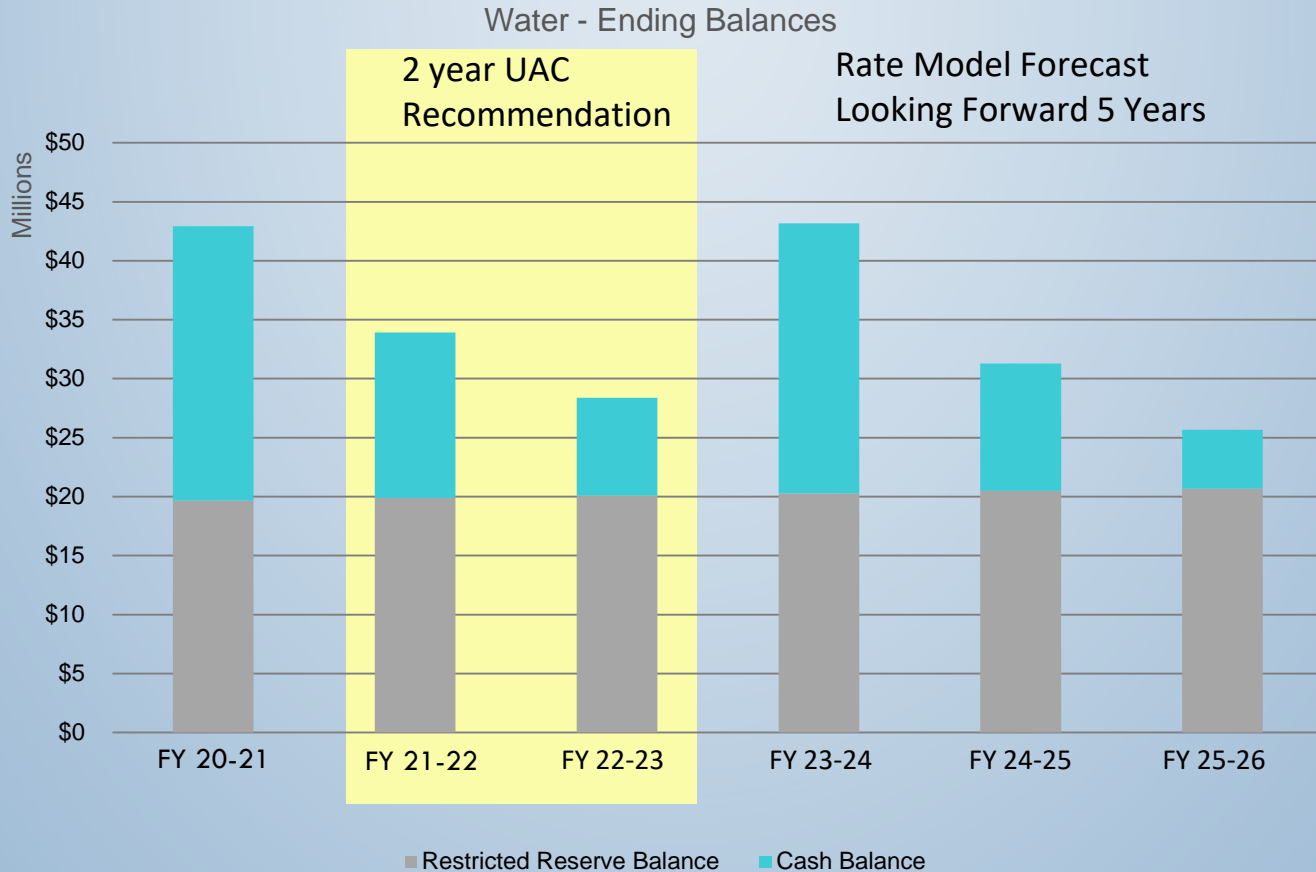
Revenue

Adjustments

0.0% 0.0% 4.0% 4.0% 4.0%

| Bi-Monthly Rates | | Tiers | Current | July 2021 | July 2022 | July 2023 | July 2024 | July 2025 |
|----------------------------------|---------|-------|------------|------------|------------|------------|------------|------------|
| Water Service Charge | | | | | | | | |
| 5/8" | | | \$32.10 | \$32.10 | \$32.10 | \$33.39 | \$34.73 | \$36.12 |
| 3/4" | | | \$43.17 | \$43.17 | \$43.17 | \$44.90 | \$46.70 | \$48.57 |
| 1" | | | \$64.67 | \$64.67 | \$64.67 | \$67.26 | \$69.96 | \$72.76 |
| 1 1/2" | | | \$116.79 | \$116.79 | \$116.79 | \$121.47 | \$126.33 | \$131.39 |
| 2" | | | \$172.83 | \$172.83 | \$172.83 | \$179.75 | \$186.94 | \$194.42 |
| 3" | | | \$299.23 | \$299.23 | \$299.23 | \$311.20 | \$323.65 | \$336.60 |
| 4" | | | \$462.10 | \$462.10 | \$462.10 | \$480.59 | \$499.82 | \$519.82 |
| 6" | | | \$853.02 | \$853.02 | \$853.02 | \$887.15 | \$922.64 | \$959.55 |
| 8" | | | \$1,256.97 | \$1,256.97 | \$1,256.97 | \$1,307.25 | \$1,359.54 | \$1,413.93 |
| 10" | | | \$2,977.00 | \$2,977.00 | \$2,977.00 | \$3,096.08 | \$3,219.93 | \$3,348.73 |
| 12" | | | \$3,915.20 | \$3,915.20 | \$3,915.20 | \$4,071.81 | \$4,234.69 | \$4,404.08 |
| Water Usage Rate (\$/ccf) | | | | | | | | |
| Building Water Usage | | | | | | | | |
| Tier 1 | 16 | | \$1.46 | \$1.46 | \$1.46 | \$1.52 | \$1.59 | \$1.66 |
| Tier 2 | 27 | | \$1.78 | \$1.78 | \$1.78 | \$1.86 | \$1.94 | \$2.02 |
| Tier 3 | Over 27 | | \$2.69 | \$2.69 | \$2.69 | \$2.80 | \$2.92 | \$3.04 |

WATER RESERVE BALANCES

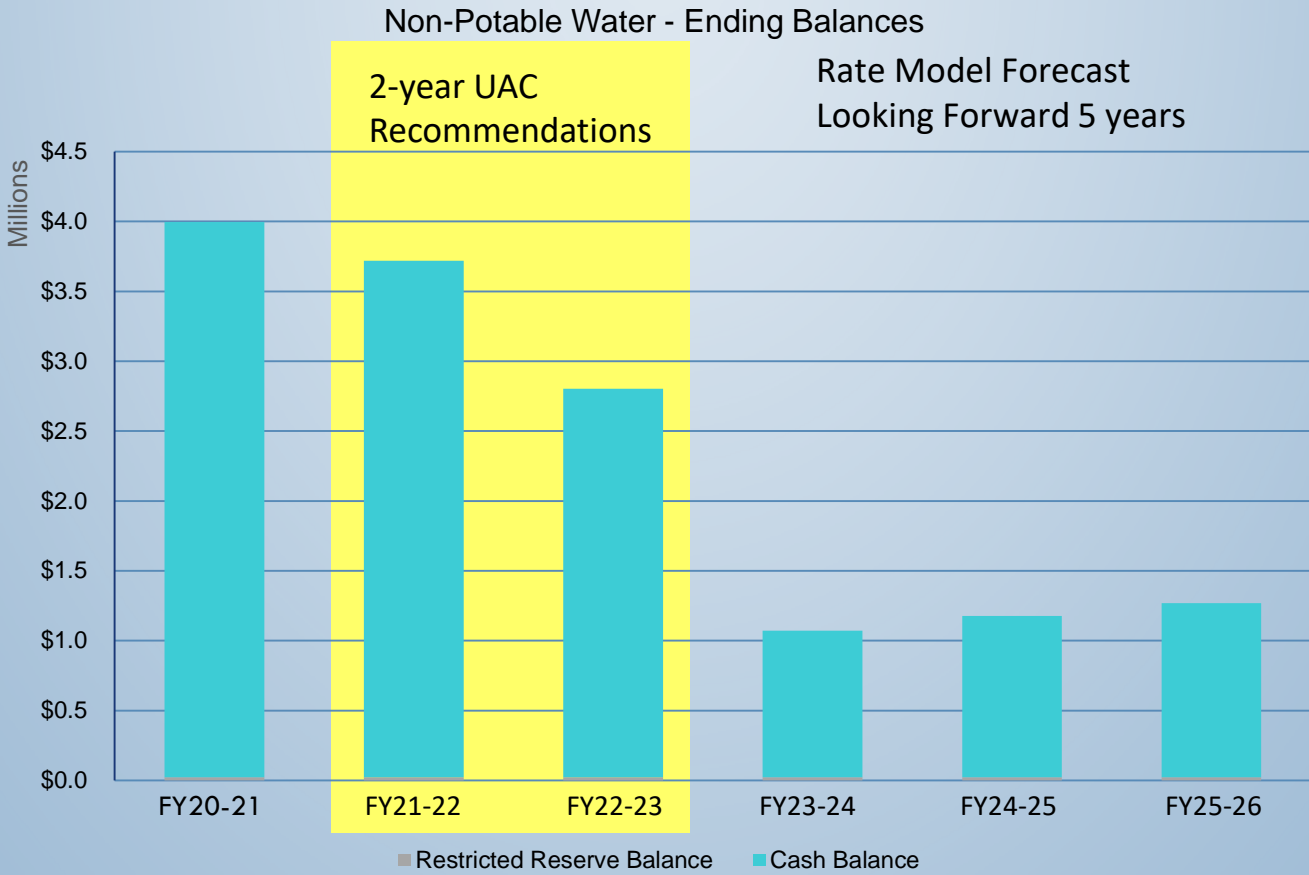


Recommended Non-Potable Water Rates*

| | | 2-year UAC recommendation | | Rate Model Forecast Looking Forward 5 yrs | | |
|---|----------|---------------------------|-----------|---|-----------|-----------|
| Revenue Adjustments | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Bi-Monthly Rates | Current | July 2021 | July 2022 | July 2023 | July 2024 | July 2025 |
| Non-Potable Water Service Charge (\$/meter size) | | | | | | |
| 3/4" | \$13.81 | \$13.81 | \$13.81 | \$13.81 | \$13.81 | \$13.81 |
| 1" | \$20.65 | \$20.65 | \$20.65 | \$20.65 | \$20.65 | \$20.65 |
| 1 1/2" | \$37.29 | \$37.29 | \$37.29 | \$37.29 | \$37.29 | \$37.29 |
| 2" | \$55.16 | \$55.16 | \$55.16 | \$55.16 | \$55.16 | \$55.16 |
| 3" | \$95.50 | \$95.50 | \$95.50 | \$95.50 | \$95.50 | \$95.50 |
| 4" | \$147.45 | \$147.45 | \$147.45 | \$147.45 | \$147.45 | \$147.45 |
| 6" | \$272.16 | \$272.16 | \$272.16 | \$272.16 | \$272.16 | \$272.16 |
| 8" | \$401.04 | \$401.04 | \$401.04 | \$401.04 | \$401.04 | \$401.04 |

*Only applies to non-potable water customers

NON-POTABLE WATER



BIMONTHLY BILL IMPACTS

AVERAGE SINGLE FAMILY

| Bi-Monthly Impacts | Proposed July 2021 | Proposed July 2022 | Proposed July 2023 | Proposed July 2024 | Proposed July 2025 |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Current Water Bill | \$121.08 | \$121.08 | \$121.08 | \$121.08 | \$121.08 |
| Proposed Water Bill | \$121.08 | \$121.08 | \$126.08 | \$131.44 | \$136.87 |
| Difference (\$) | \$0.00 | \$0.00 | \$5.00 | \$10.36 | \$15.79 |
| Current Wastewater Bill | \$50.05 | \$50.05 | \$50.05 | \$50.05 | \$50.05 |
| Proposed Wastewater Bill | \$57.81 | \$66.49 | \$76.47 | \$80.30 | \$84.32 |
| Difference (\$) | \$7.76 | \$16.44 | \$26.42 | \$30.25 | \$34.27 |
| Current Water and Wastewater Bill | \$171.13 | \$171.13 | \$171.13 | \$171.13 | \$171.13 |
| Proposed Water and Wastewater Bill | \$178.89 | \$187.57 | \$202.55 | \$211.74 | \$221.19 |
| Difference (\$) | \$7.76 | \$16.44 | \$31.42 | \$40.61 | \$50.06 |
| <i>Customers w/Non-Potable Water</i> | | | | | |
| Current Non-Potable Water Bill | \$53.41 | \$53.41 | \$53.41 | \$53.41 | \$53.41 |
| Proposed Non-Potable Water Bill | \$53.41 | \$53.41 | \$53.41 | \$53.41 | \$53.41 |
| Difference (\$) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Current Combined Bill | \$224.54 | \$224.54 | \$224.54 | \$224.54 | \$224.54 |
| Proposed Combined Bill | \$232.30 | \$240.98 | \$255.96 | \$265.15 | \$274.60 |
| Difference (\$) | \$7.76 | \$16.44 | \$31.42 | \$40.61 | \$50.06 |

RATE ADJUSTMENT RECOMMENDATIONS SUMMARY

- Wastewater
 - 15% a year for each of next 2 years
 - Issuance of \$25MM in debt to cover initial Phase 2 costs
- Potable Water
 - 0% a year for each of next 2 years
 - Will retain Capital Investment needed for continued reliable water delivery service
 - Will retain reserve balances at recommended target level
- Non-Potable Water
 - 0% a year for each of next 2 years
 - Retains reserve balances to allow for future expansion of non-potable system

RATE ADJUSTMENT RECOMMENDATIONS SUMMARY

- Reconvene UAC end of 2021 calendar year
 - Re-evaluate level of capital expenditures and other infrastructure betterments per new master plans
 - Review cash and reserves levels of all funds
 - Recommend rate adjustments for years 3 and 4
- Recommend Staff apply for SRF loans before issuing bonds
- Recommend Staff review current status of DIF charges for all utilities

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The End

Thank you

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Questions ?