

Town Hall Meeting

Citizen Rate Review Committee

February 4, 2016

Agenda

- CRRC History and Objectives
- Overview of Rate Setting Process
- System Requirements
 - Capital improvements
 - Operations
- Recommended Revenues and Rates
- Bill Comparisons
- Next Steps

CRRC History and Objectives

CRRC Objectives



Revenue
Sufficiency

Encourage efficient
use of resources

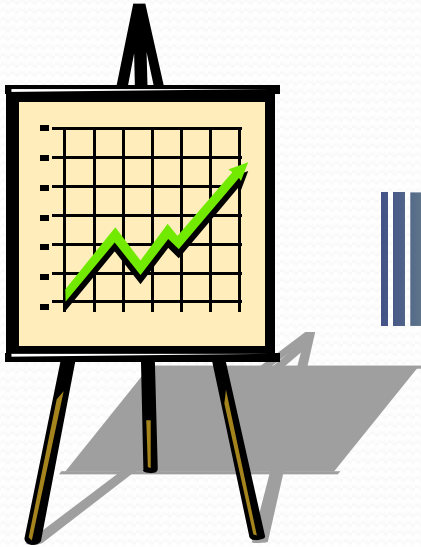
Equity between new and existing
users

Costs recovered in proportion to use
(consistency with cost of service)

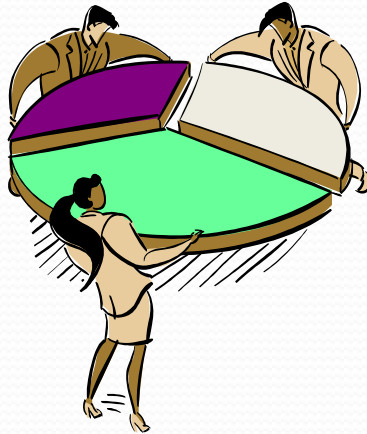
Overview of Rate-Setting Process

3-Step Rate-Setting Process

Financial Plan



Cost of Service Analysis



Rate Design



Financial Plan Development

- Annual cash flow projections over 5-10 year periods

Sources of Funds

Reserves

Service Revenues

SDCs*

Miscellaneous Fees

Other (interest, grants, etc.)

Operating Expenses

Personnel

Materials

Services

Utilities

Repair & Maint.

Capital Financing

Cash Funded

Debt Service

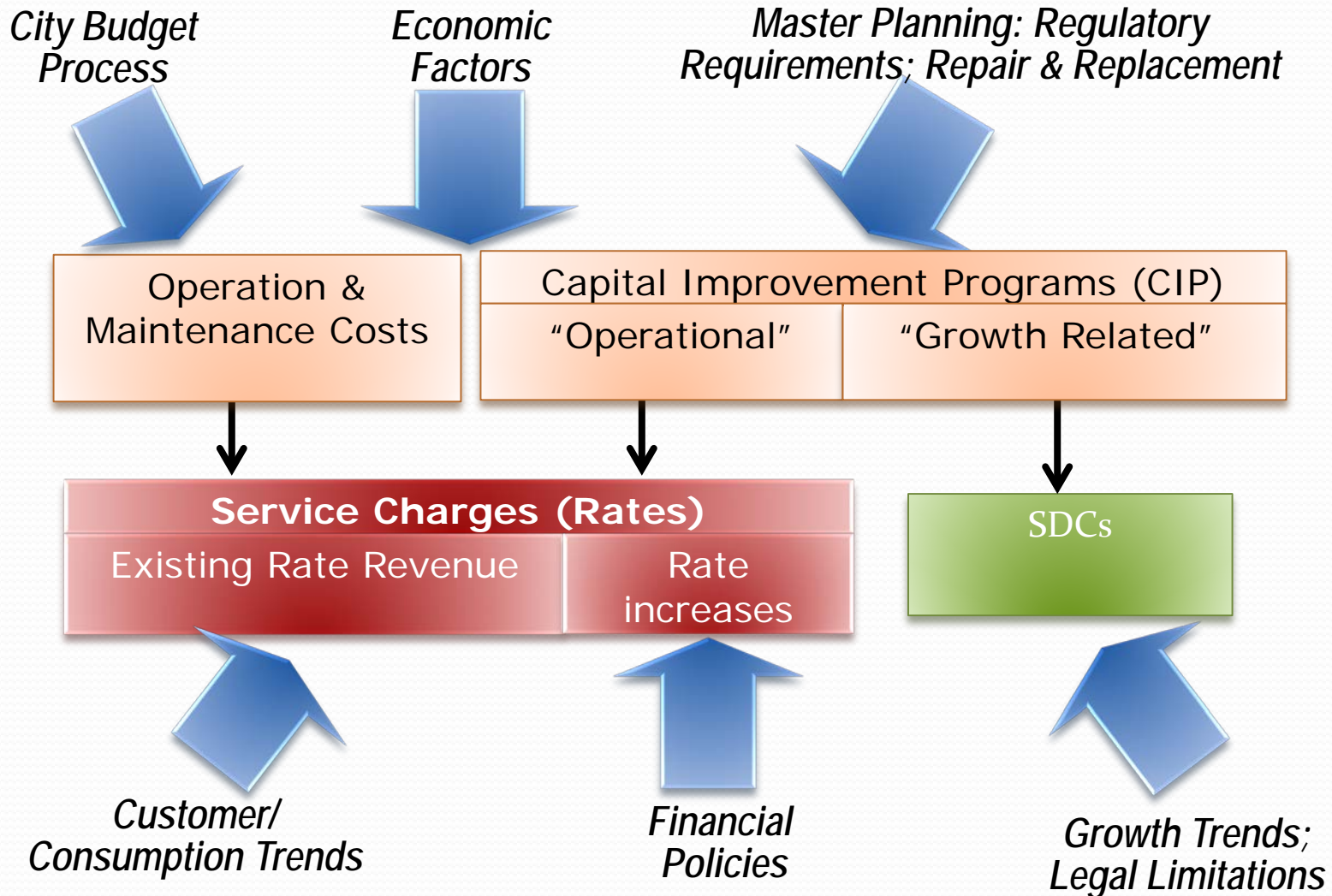
Other Requirements

Fund Transfers

Future Capital Reserves

*SDCs = System Development Charges

Financial Plan Drivers



Current Rate Pressures



- * Favorable borrowing terms (wastewater)
- * Staff position management
- * Existing reserves



- * Replacement of aging infrastructure
- * Wastewater treatment plant recent expansion
- * Cash funding for future projects
- * Declining water sales per account



System Requirements

Water System CIP Highlights

North Valley Reservoirs

- System Planning
 - Master plan update (\$0.3 m)
 - Water Conservation Plan (\$.025m)
- Water Storage
 - North Valley Reservoir Design & Construction (\$2.2 m)
- Supply
 - Hypochlorite Generator (\$0.5 m)
 - Well #1 & 2 Decommissioning (\$0.2 m)
- Transmission/Distribution
 - Line replacement & valves (\$0.7 m)
 - Fixed Based Radio Read Meters (\$1.25 m)
 - Springbrook Rd. Waterline (\$0.5 m)
 - College Street Waterline (\$0.5 m)



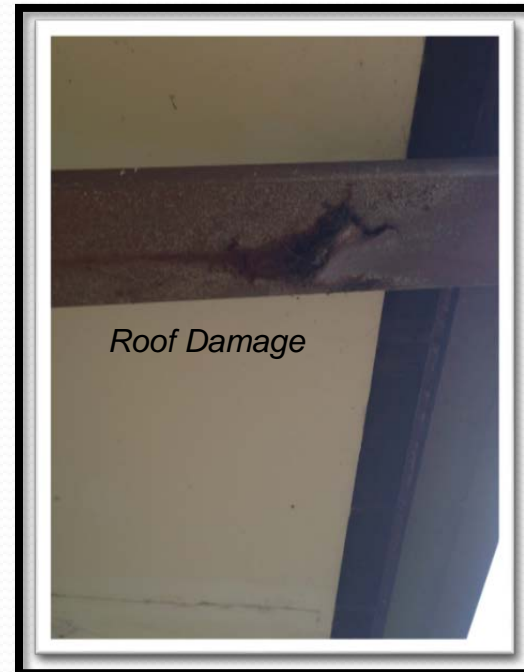
Wastewater System CIP Highlights:

Treatment

- Just completed major renovations & expansion: (\$25 m)
- Still to complete:
 - Add'l sawdust bays (\$0.35 m)
 - Remodel of admin building (\$0.3 m)
 - Oxidation Ditch repairs (\$2.2 m)
 - Roofing (\$0.25 m)
 - Compost Facility (\$ 0.1 m)

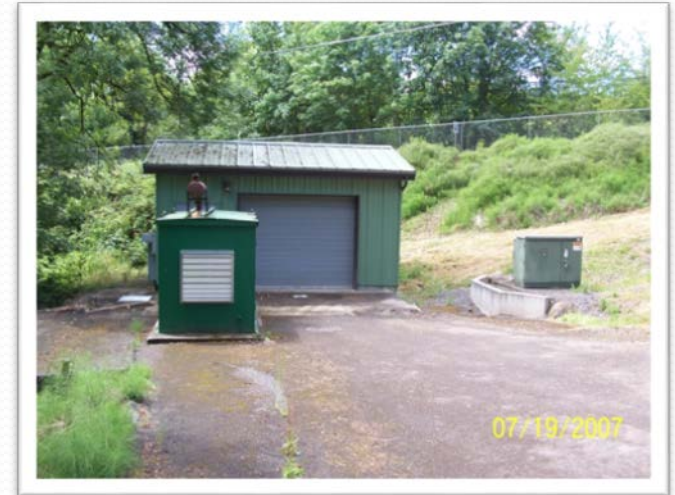


Structural Issues at the Oxidation Ditches



Wastewater System CIP Highlights: Other

- Pumping
 - Dayton Avenue Pump Station (\$4.3 m)
 - Coating Fernwood and Creekside Pump Stations (\$0.2 m)
- Collection
 - Hess Creek (\$0.6 m)
 - Infiltration & inflow mitigation (\$1.75 m)
- Wastewater Master Plan (\$0.3 m)



Dayton Avenue Pump Station



Pipe Lining

Stormwater System Highlights

- Design Manual Update(\$0.02 m)
- Drainage Upgrades
 - Blaine Street: Hancock to 11th Street (\$1.1 m)
 - Villa Road: Culvert Replacements (\$0.35m)
 - Center Street: Pipe Replacements (\$1.4 m)
 - N. Elliot: Construct storm drainage (\$0.25m)
- Maintenance/Regulatory Requirements (\$0.05 m per year)

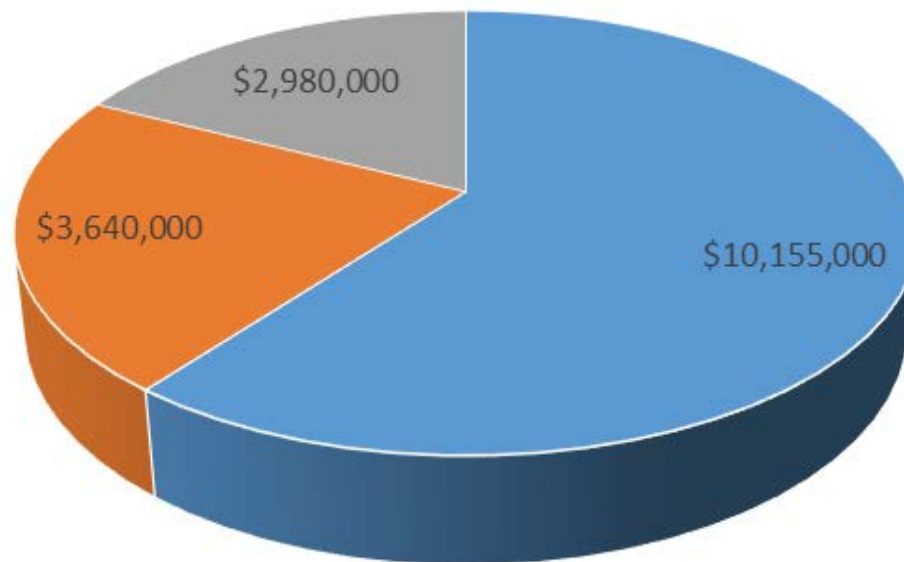
Villa Road Culverts



Blaine St Project Map

5-Year Capital Improvement Plan Summary

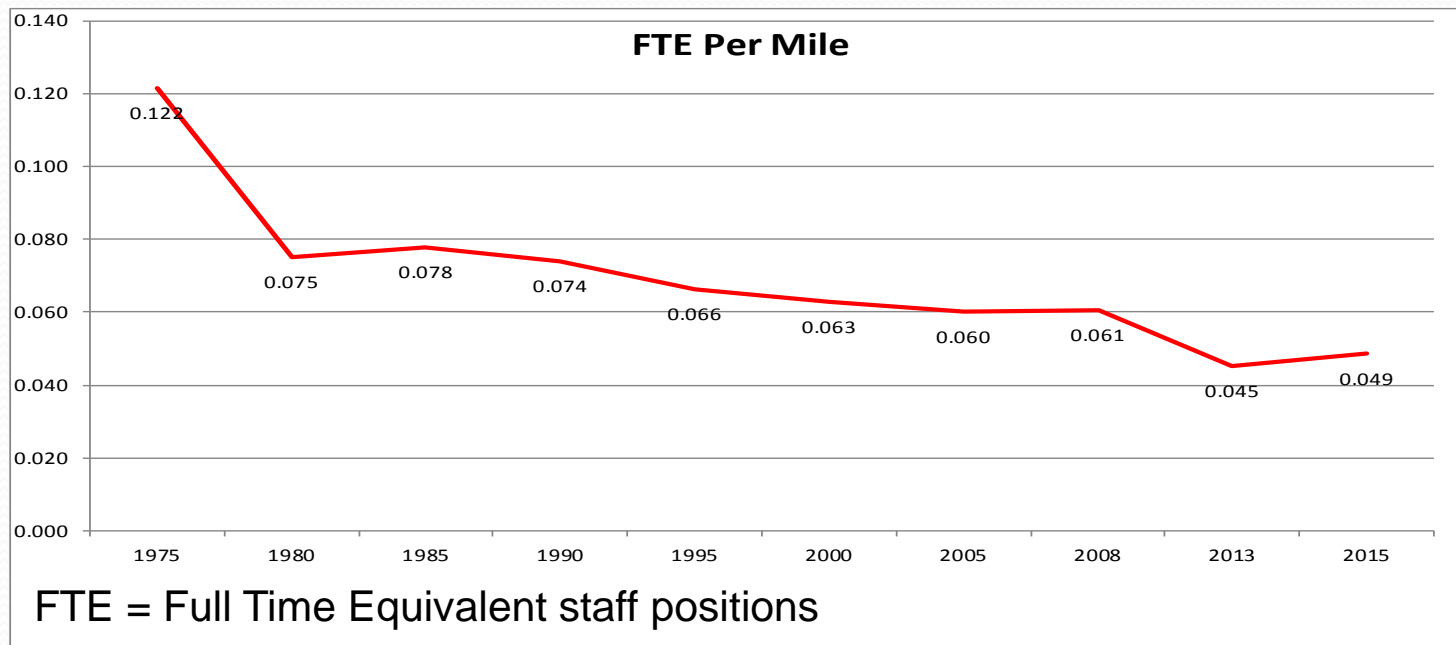
Five Year CIP



■ Wastewater ■ Water ■ Stormwater

System Operation Cost Highlights

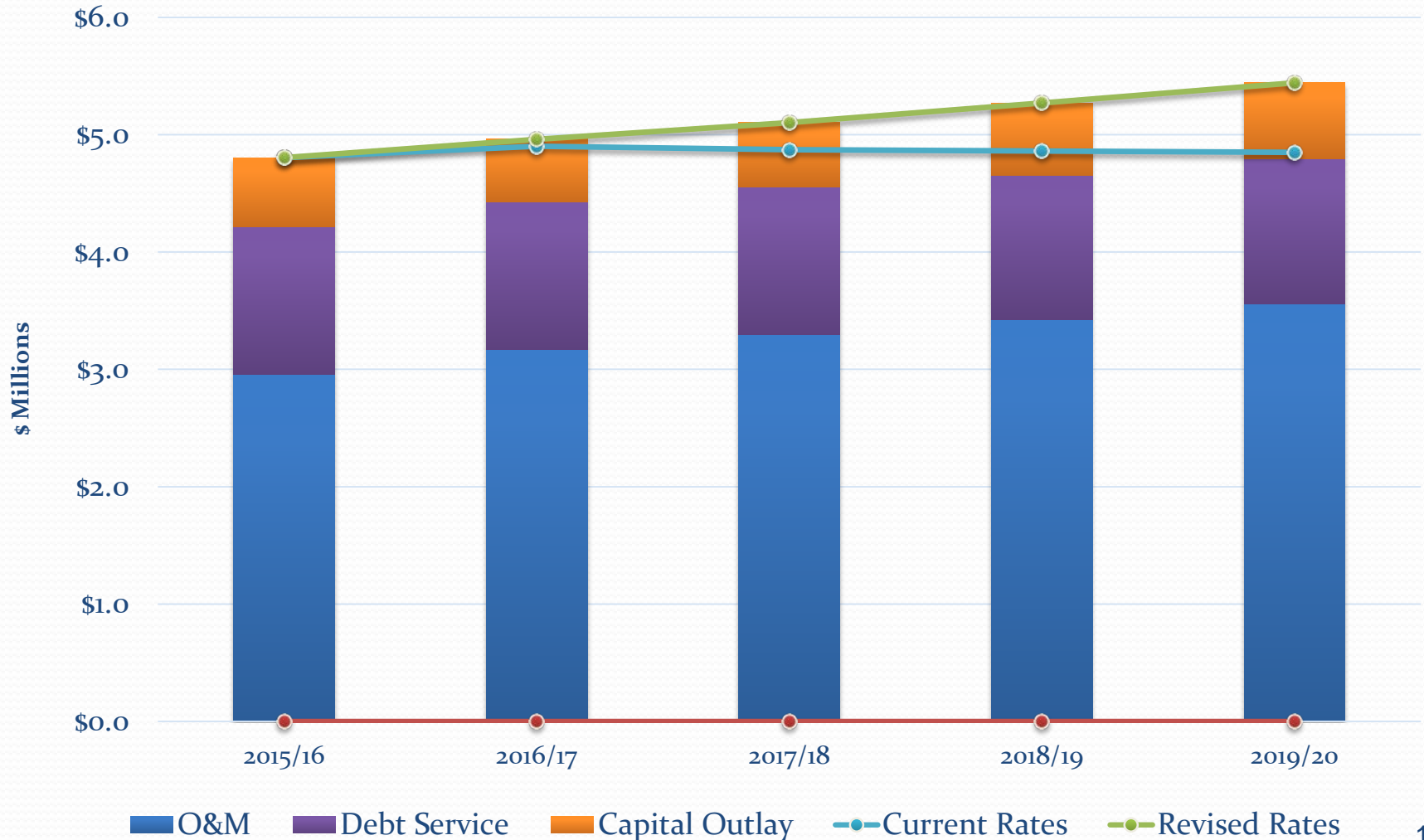
- **Labor**
 - FTE management
 - Public Employee Retirement System cost escalation
 - Cost of living and non-represented personnel salary adjustments
- **Other Factors**
 - Repair & maintenance (e.g., infiltration & inflow management)
 - Pass-through costs (e.g., power and chemicals)



Recommended Revenues & Rates

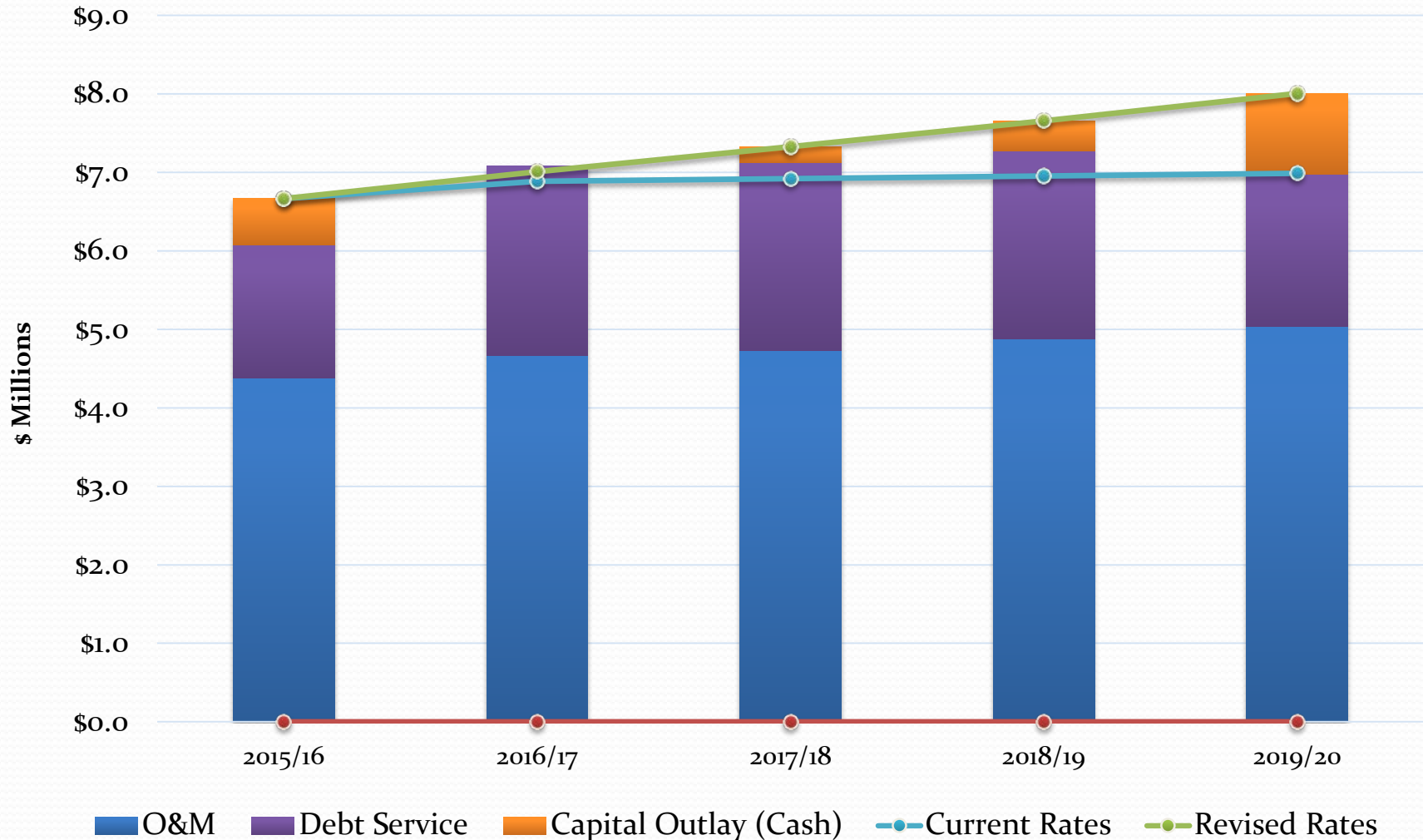
Water System Revenue Increases

**Recommended annual rate increase = 3.5%*

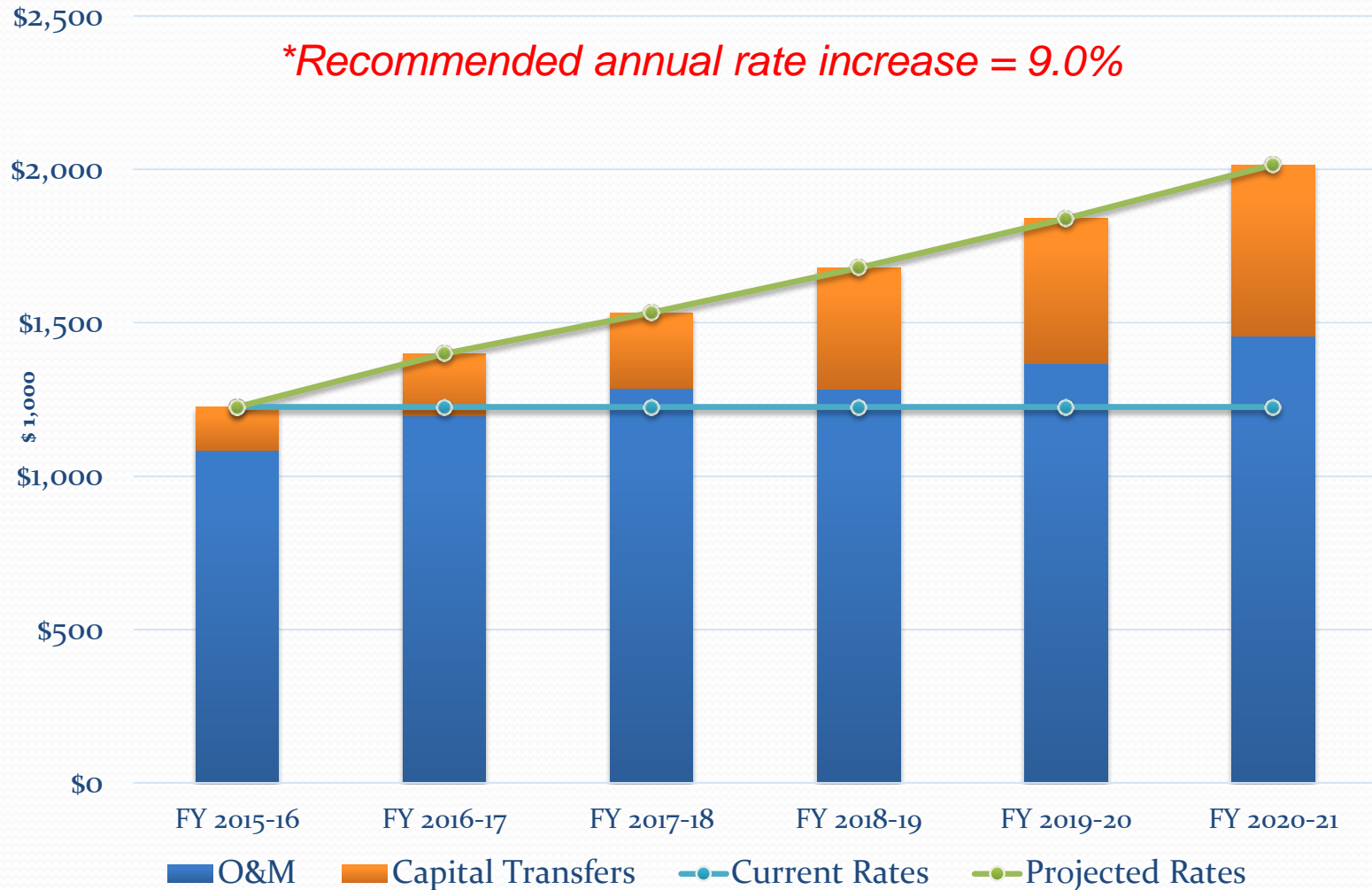


Wastewater System Revenue Increases

**Recommended annual rate increase = 4.0%*



Stormwater System Revenue Increases



Recommended Water Rates & Average Residential Bill

**Recommendation to increase revenue from fixed charges to 27% (from 23%)*

	Adopted	Proposed	Proposed
Customer Class	2015/16	2016/17	2017/18
Service Charge (\$/Month)	\$1.93	\$2.18	\$2.18
Meter Charge (\$/Month)			
3/4"	\$11.78	\$12.48	\$12.95
8"	\$627.87	\$665.18	\$690.24
Volume Charge (\$/ccf)			
Residential	\$3.85	\$3.86	\$4.00
Multifamily	\$3.15	\$3.16	\$3.27
Commercial	\$3.75	\$3.81	\$3.94
Industrial	\$3.95	\$4.01	\$4.15
Irrigation	\$6.69	\$6.96	\$7.20
Outside City	\$5.78	\$5.79	\$6.01
Public Agency	\$3.88	\$3.97	\$4.11
Avg. Residential Bill (7 ccf)	\$40.67	\$41.69	\$43.16
		\$1.02	\$1.47

Recommended Wastewater Rates and Average Residential Bill

**Recommendation to increase revenue from fixed charges to about 33% (from 32%)*

Component	Current 2015/16	Proposed 2016/17	Proposed 2017/18
Service Charge (\$/Month)	\$20.66	\$21.20	\$22.41
Multifamily Unit Charge	\$18.24	\$18.59	\$19.73
Volume Charge (\$/ccf)			
Single Family	\$8.19	\$8.57	\$8.84
Multifamily	\$8.19	\$8.57	\$8.84
Commercial - 1	\$8.19	\$8.57	\$8.84
Commercial - 2	\$10.02	\$10.52	\$10.85
Commercial - 3	\$16.37	\$17.26	\$17.79
Industrial	\$10.02	\$10.52	\$10.85
Outside City	\$8.19	\$8.57	\$8.84
<i>Avg Residential Bill (5 ccf)</i>	<i>\$63.17</i>	<i>\$65.69</i>	<i>\$68.30</i>
<i>Bill Increase</i>		<i>\$2.52</i>	<i>\$2.61</i>

Recommended Stormwater Rates & Average Residential Bill

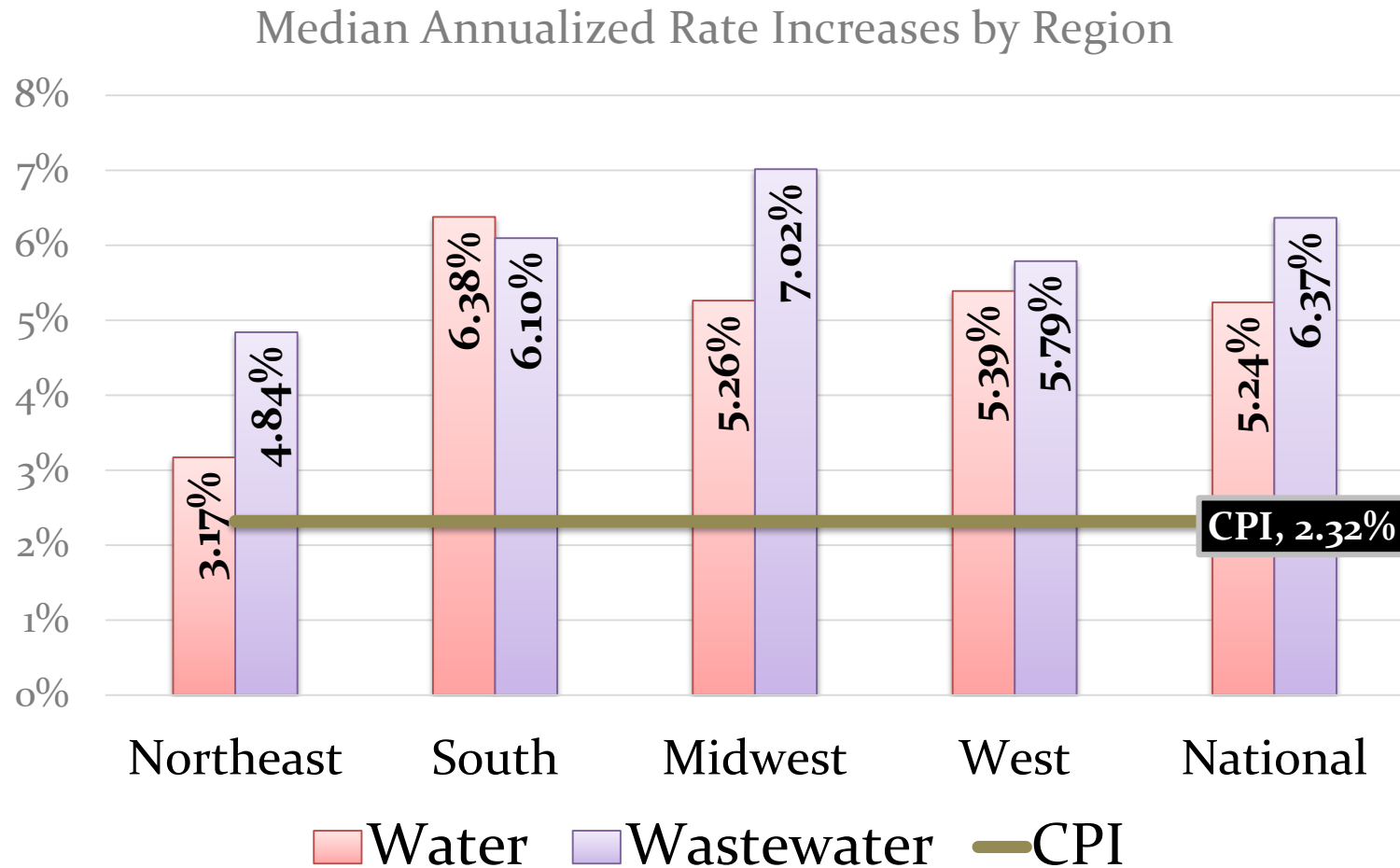
	Current	Proposed	Proposed
Item	2015/16	2016/17	2017/18
<i>Rate per Equivalent Dwelling Unit</i>	\$8.67	\$9.45	\$10.30
<i>Residential Bill Change</i>		\$0.78	\$0.85

**Equivalent Dwelling Units are determined based on square footage impervious area for nonresidential customers*

Sample Residential Monthly Bill (Combined)

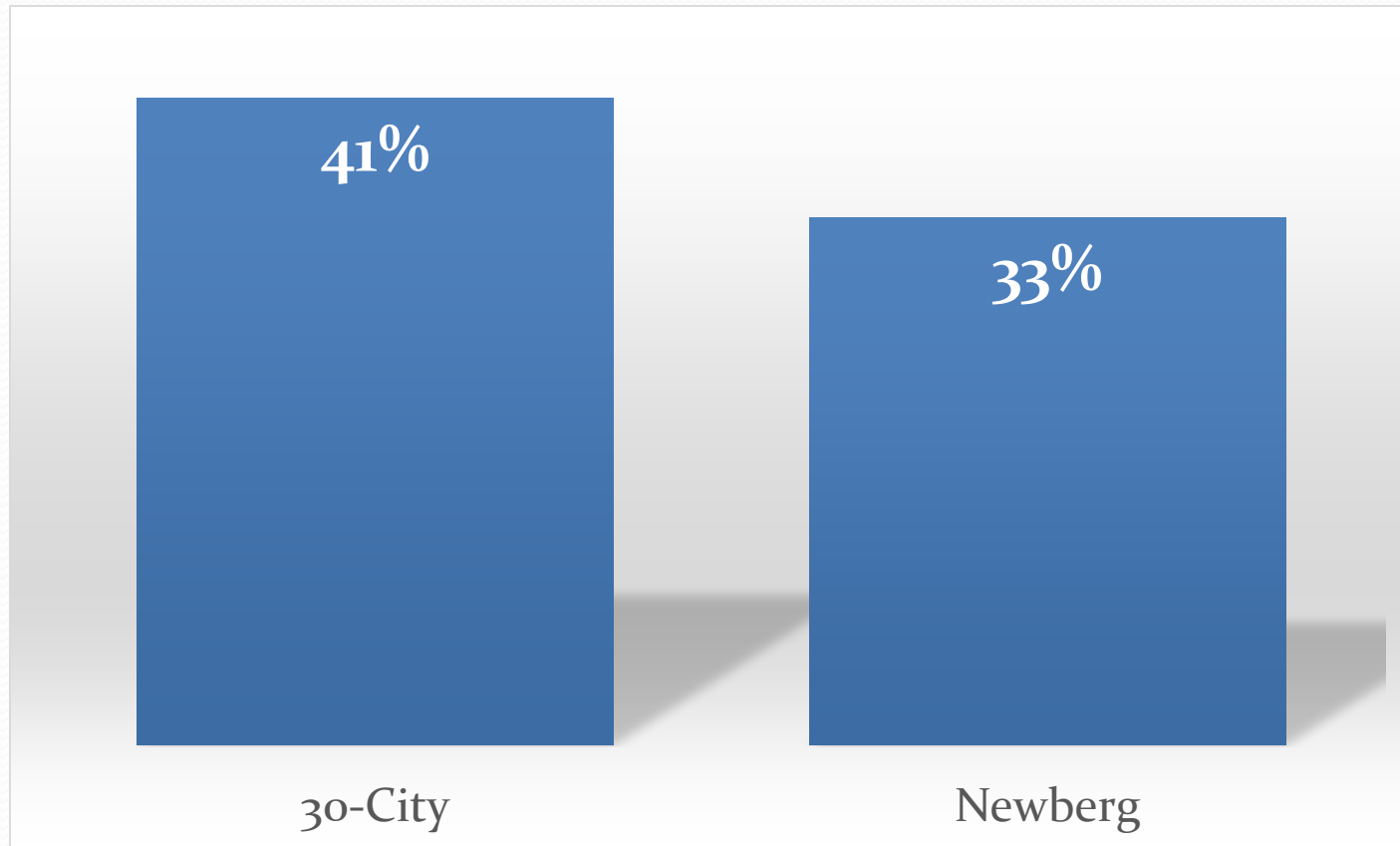
	Adopted	Proposed	Proposed
Utility	2015/16	2016/17	2017/18
Stormwater	\$8.67	\$9.45	\$10.30
Wastewater (5 ccf)	\$63.17	\$65.69	\$68.30
Water (7 ccf)	\$40.67	\$41.69	\$43.16
Total	\$112.51	\$116.83	\$121.76
<i>Difference (\$)</i>		\$4.32	\$4.93
<i>Difference (%)</i>		3.8%	4.2%

National Increases Outpacing Inflation*



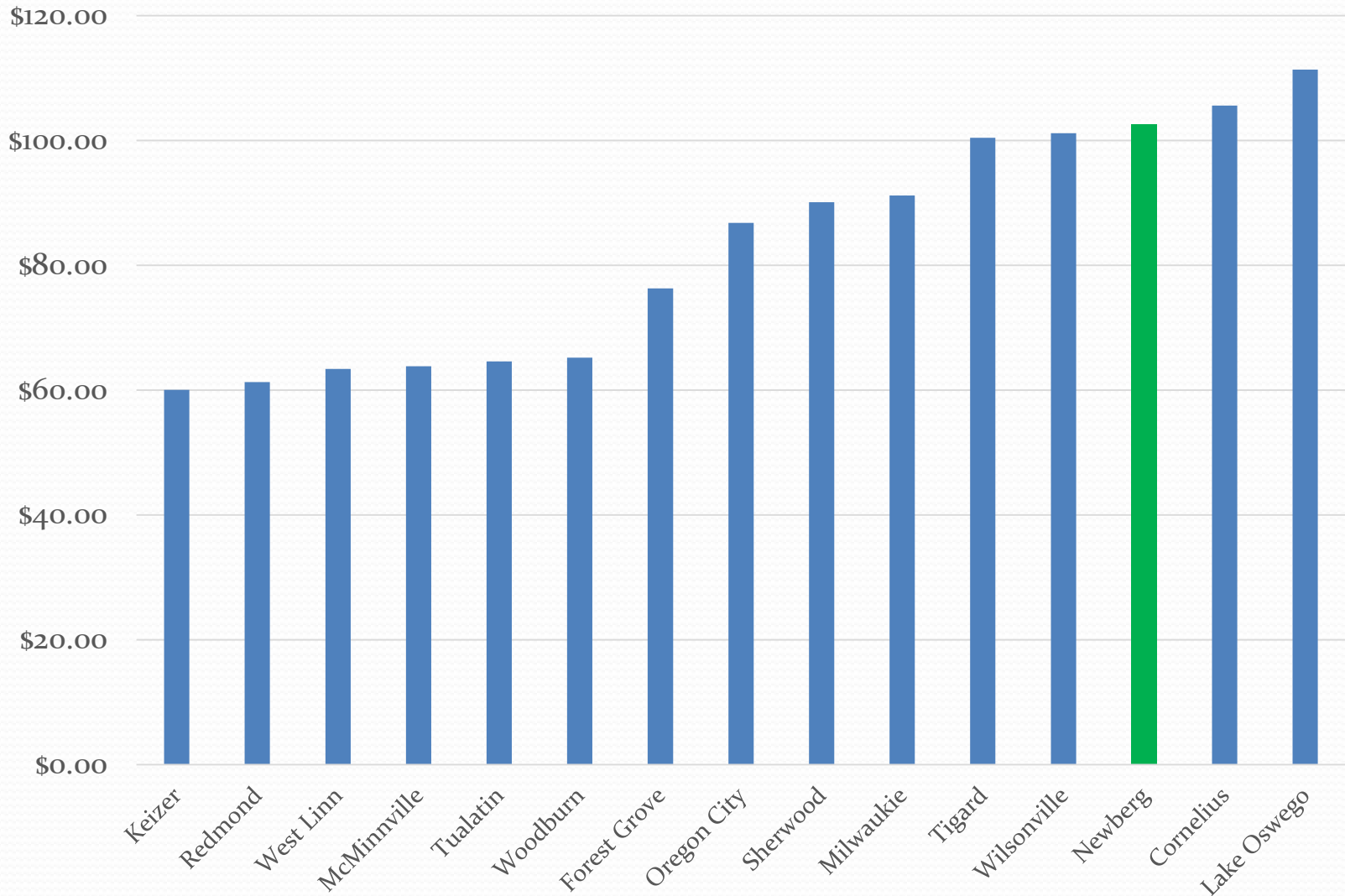
*2014 Water and Wastewater Rate Survey (American Water Works Association and Raftelis Financial Consultants)

2010 – 2015 Cumulative Household Bill Increase Comparison*



*Combined water, wastewater and stormwater bill

Residential Utility Bill* Comparison (2016)



**Includes water, wastewater and stormwater fees only; based on 5 ccf monthly use*

Nonpotable Rate Proposal

	Nonpotable	Potable (1)	% Nonpotable
Volume Rates			
Operation & Maintenance	\$1.82		
Capital	\$1.31		
Total	\$3.13		
Potable Irrigation Customer		\$6.69	47%
Potable System Average		\$4.17	75%
Monthly Base Charge			
4" Meter	\$55.24	\$198.66	28%
8" Meter	\$173.82	\$629.80	28%
Sample Bill (2)			
4" Meter	\$1,620.97	\$2,282.83	71%
8" Meter	\$3,305.27	\$4,798.15	69%
(1) January 2016 adopted rates			
(2) Potable based on system avg rate and 500 ccf for 4", 1,000 ccf for 8"			

Next Steps

Next Steps

- CRRC Deliberations: Feb. 4 and 18
- City Council Public Hearing: Mar. 7