

EXHIBIT A

WATER AND SEWER RATE STUDY PRESENTATION

A dynamic background image showing water being poured from a glass, creating a large splash with many bubbles. The water is clear and bright blue. The background is split into a white upper half and a light blue lower half, with a dark blue curved shape at the top right and a green vertical bar on the far right.

City of Santa Paula **Water and Sewer** **Rate Study Results**

Public Workshop

July 17, 2019

Presented by
Greg Ghironzi, NBS
Alice Bou, NBS

Overview of Presentation

- **Background**
- **Comparison of Water Rate Alternatives**
- **Comparison of Sewer Rate Alternatives**
- **Schedule to Adopt New Rates**
- **Recommended Next Steps**

Background

- **NBS completed a draft rate study report in 2016 and updated those results in September 2017.**
- **No action has been taken on those results to date.**
- **This rate study began in March 2019 and incorporates the latest assumptions regarding costs, capital projects, and customer data.**
- **Multiple rate alternatives were developed in response to recent changes in O&M budgets and capital projects.**
- **Recommended water and sewer rates will be developed after review and direction from the Rate Advisory Group, City Council, and staff input.**

Background (cont.)

- **Broader Rate-Setting Goals:**
 - **Funding all anticipated O&M costs.**
 - **Funding capital improvement projects.**
 - **Maintaining adequate reserve fund levels.**
 - **Maintaining necessary funding levels for the next five years.**
 - **Complying with Proposition 218 requirements.**

Background (cont.)

▪ Rate Study Methodology:

1 FINANCIAL PLAN

Compares current sources and uses of funds and determines the revenue needed from rates and projects rate adjustments.

2 COST-OF-SERVICE ANALYSIS

Proportionately allocates the revenue requirements to the customer classes in compliance with industry standards and State Law.

3 RATE DESIGN ANALYSIS

Considers what rate structure will best meet the City's need to collect rate revenue from each customer class.

Comparison of Water Rate Alternatives

Water – Summary of Financial Plan

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		Projected			
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Sources of Water Funds						
Rate Revenue Under Prevailing Rates	\$ 7,500,000	\$ 7,539,000	\$ 7,578,203	\$ 7,617,609	\$ 7,657,221	\$ 7,697,039
Non-Rate Revenues	531,561	531,561	531,561	531,561	531,561	531,561
Interest Earnings	-	70,239	49,369	-	-	-
Total Sources of Funds	\$ 8,031,561	\$ 8,140,800	\$ 8,159,133	\$ 8,149,170	\$ 8,188,782	\$ 8,228,600
Uses of Water Funds						
Water Supply & Distribution Expenses	\$ 5,864,899	\$ 6,148,126	\$ 6,452,535	\$ 6,780,012	\$ 6,991,883	\$ 7,211,453
Debt Service	3,981,500	3,980,500	3,975,500	3,981,500	3,982,750	3,979,250
Rate-Funded Capital Expenses	-	-	2,467,223	1,900,000	5,275,000	1,775,000
Total Use of Funds	\$ 9,846,399	\$ 10,128,626	\$ 12,895,258	\$ 12,661,512	\$ 16,249,633	\$ 12,965,703
Surplus (Deficiency) before Rate Increase	\$ (1,814,838)	\$ (1,987,826)	\$ (4,736,125)	\$ (4,512,341)	\$ (8,060,851)	\$ (4,737,103)
Additional Revenue from Rate Increases ¹	-	-	-	-	-	-
Surplus (Deficiency) after Rate Increase	\$ (1,814,838)	\$ (1,987,826)	\$ (4,736,125)	\$ (4,512,341)	\$ (8,060,851)	\$ (4,737,103)
Projected Annual Rate Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<i>Cumulative Rate Increases</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
Net Revenue Requirement ²	\$ 9,314,838	\$ 9,526,826	\$ 12,314,328	\$ 12,129,951	\$ 15,718,072	\$ 12,434,142

1. Assumes new rates are implemented October 1, 2019, and on July 1st each year thereafter.

2. Total Use of Funds less non-rate revenues and interest earnings. This is the annual amount needed from water rates.

Water – Description of Rate Alternatives

- **Alternative #1 – No Rate Increases (the results if the City makes no changes to rates).**
- **Alternative #2 – 15% Annual Rate Increases for the next 5 years.**
- **Alternative #3 – Rate Increases to Meet Debt Coverage Ratios.**
- **Alternative #4 – Issuing \$15 million in Revenue Bonds (in FY 2020/21) and Delaying three CIP Projects.**

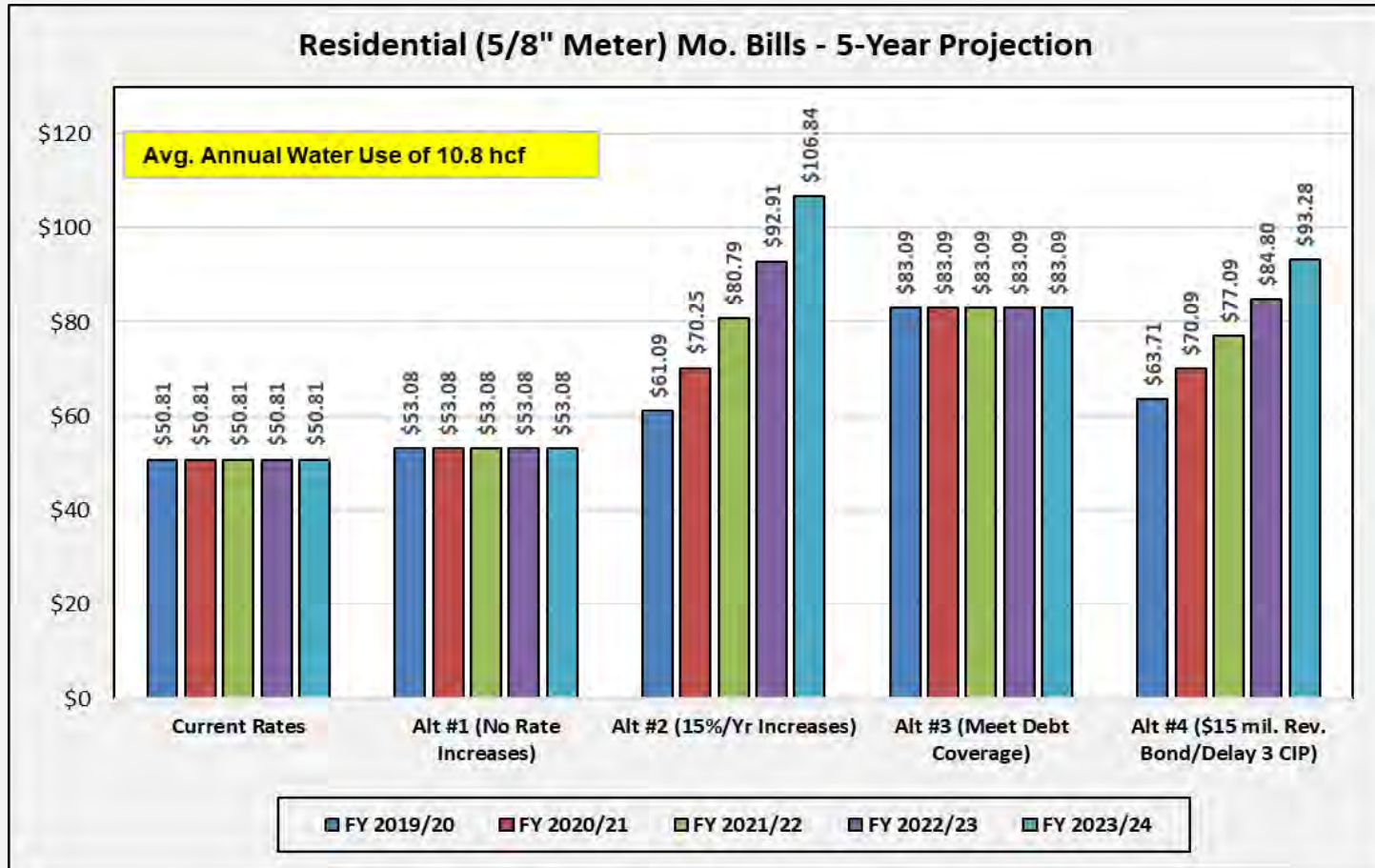
Water – Summary of Rate Alternatives

- Rate Increases by Alternative:

Rate Alternatives	Annual Rate Increases				
	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
<i>Alternative 1 - No Rate Increases</i>	0.00%	0.00%	0.00%	0.00%	0.00%
<i>Alternative 2 - 15% Annual Rate Increase</i>	15.00%	15.00%	15.00%	15.00%	15.00%
<i>Alternative 3 - Annual Rate Increase for Debt Coverage</i>	56.50%	0.00%	0.00%	0.00%	0.00%
<i>Alternative 4 - \$15 mil. Rev. Bonds/Delay 3 CIPs</i>	20.00%	10.00%	10.00%	10.00%	10.00%

Water – Summary of Rate Alternatives

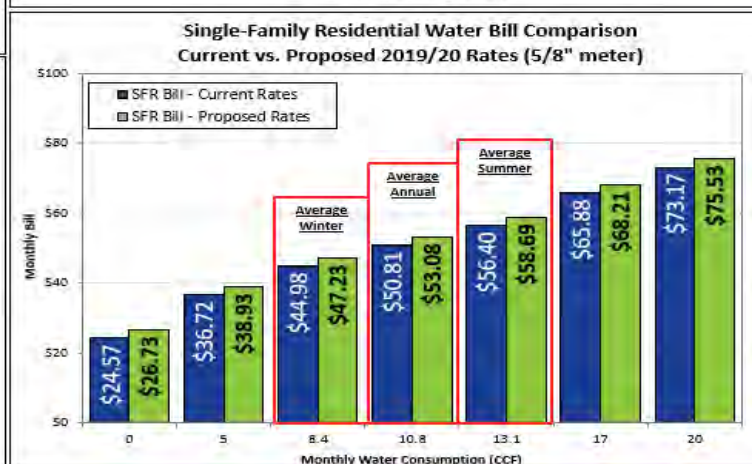
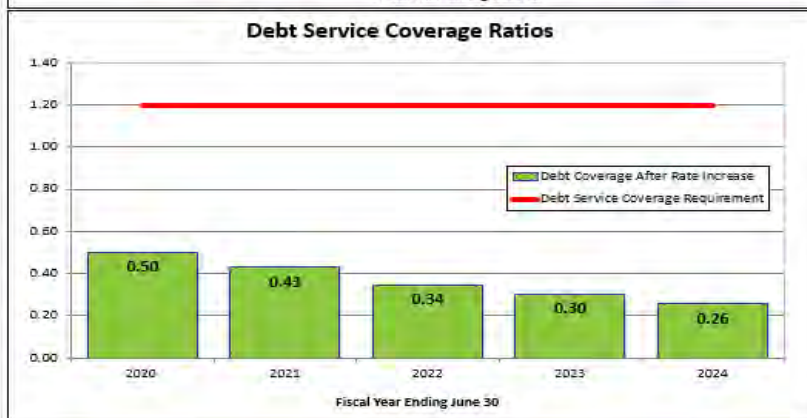
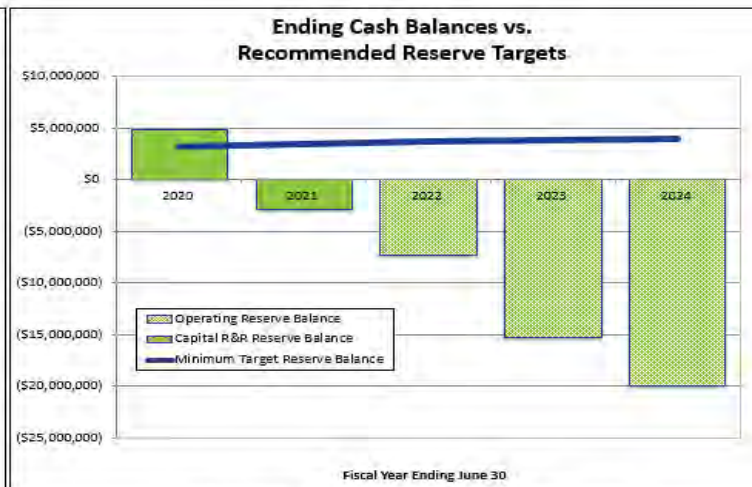
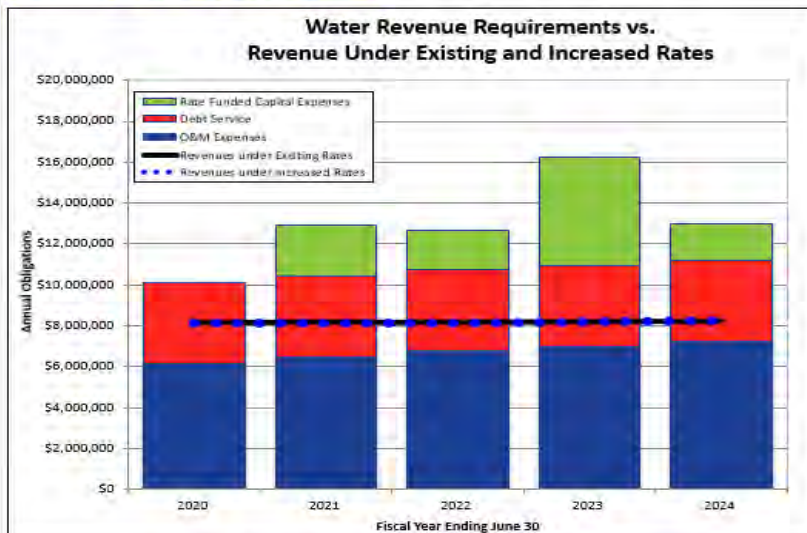
- Projected Monthly Residential Bills by Alternative:



Water – Summary of Rate Alternatives

■ Analysis of Alternative #1 (No Rate Increases):

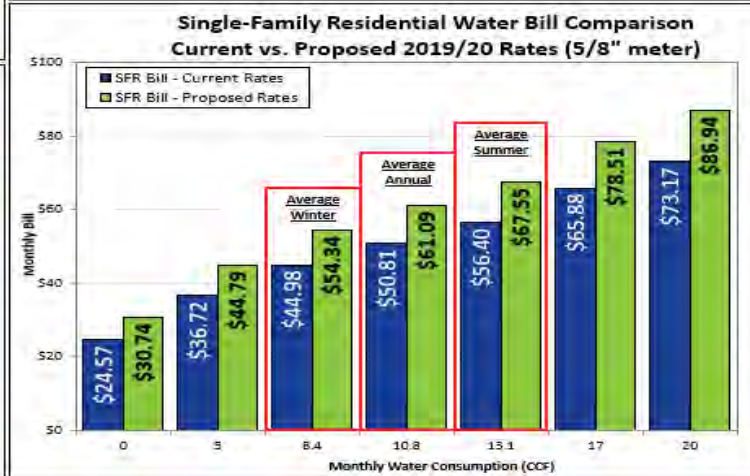
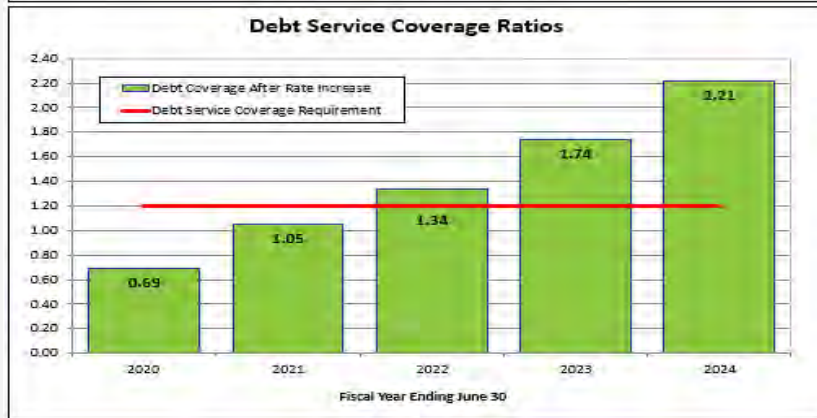
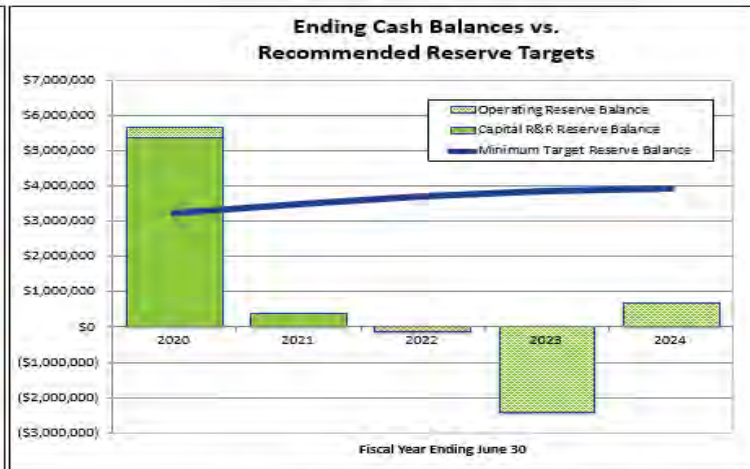
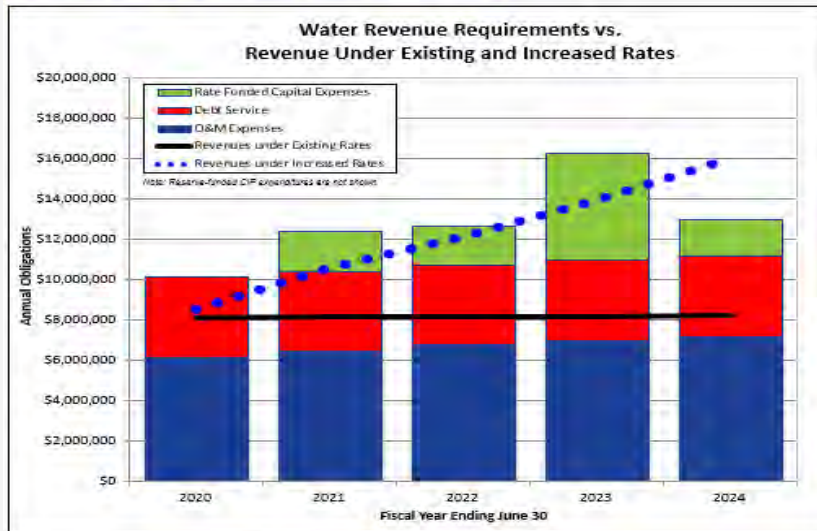
Alternative 1 - No Rate Increases



Water – Summary of Rate Alternatives

■ Analysis of Alternative #2 (15% Rate Increases):

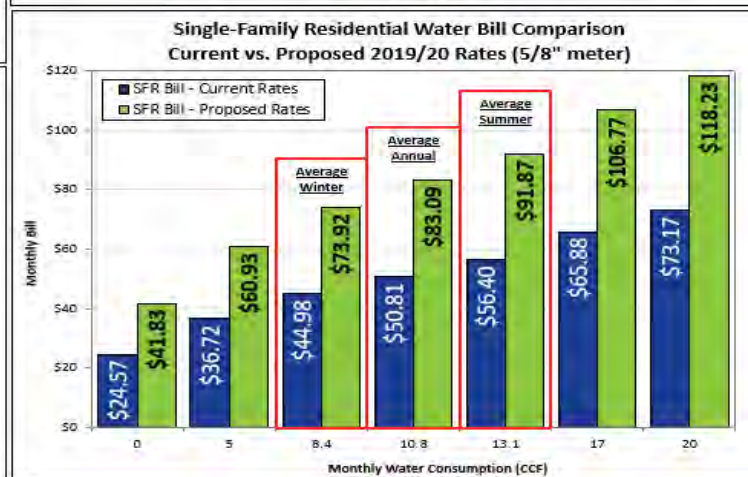
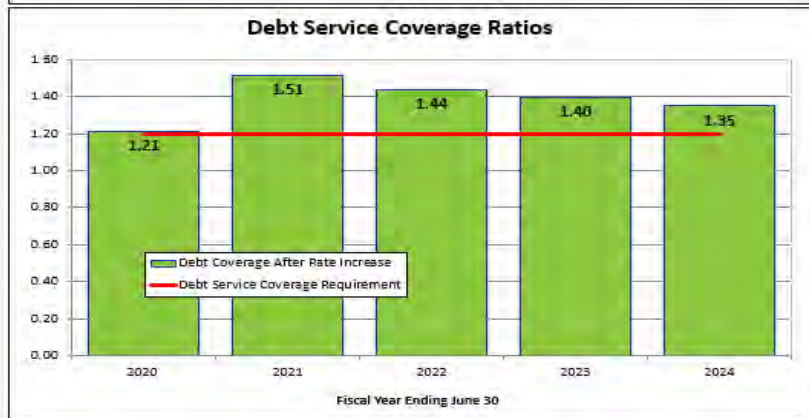
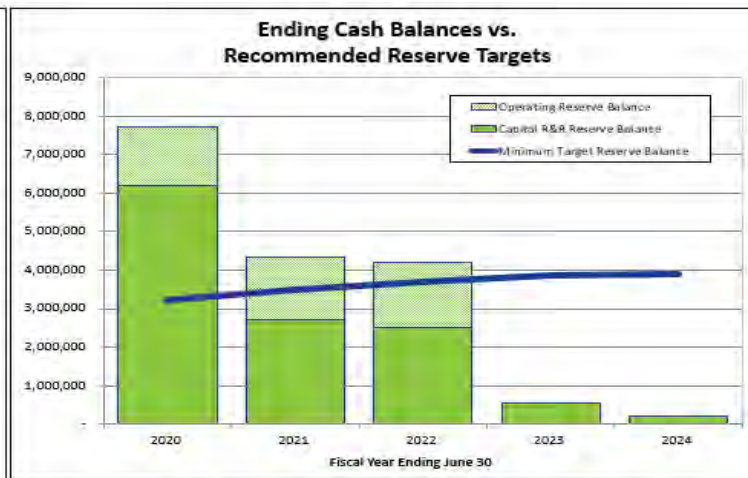
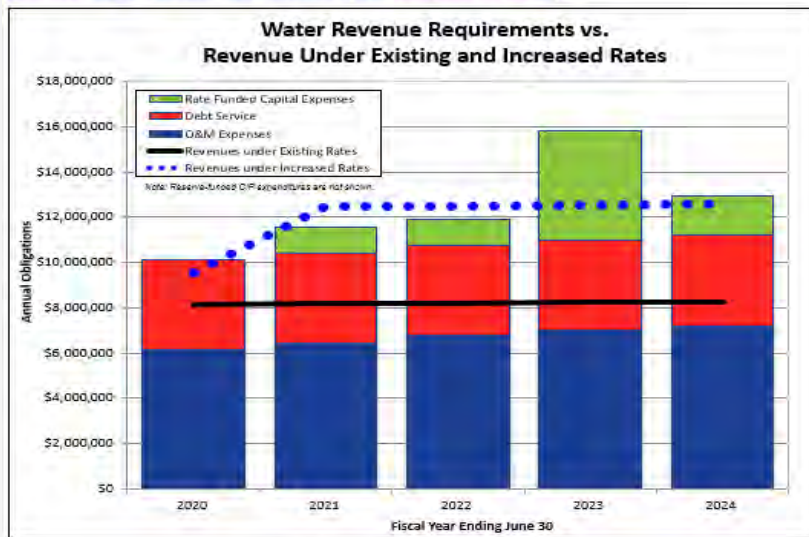
Alternative 2 - 15% Annual Rate Increase



Water – Summary of Rate Alternatives

■ Analysis of Alternative #3 (Meeting Debt Coverage):

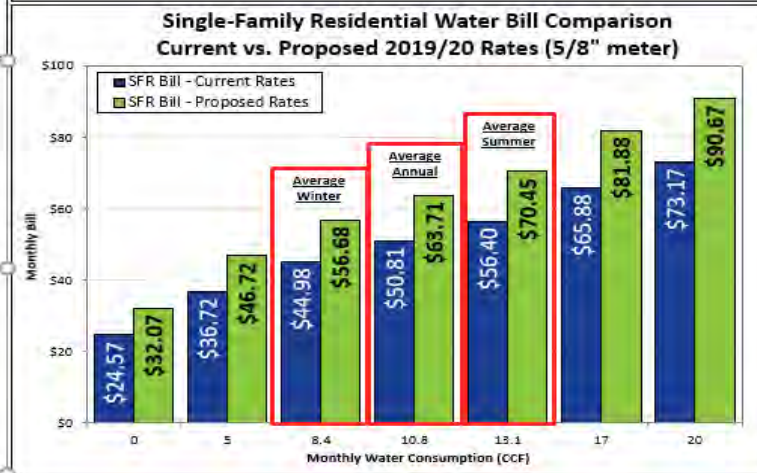
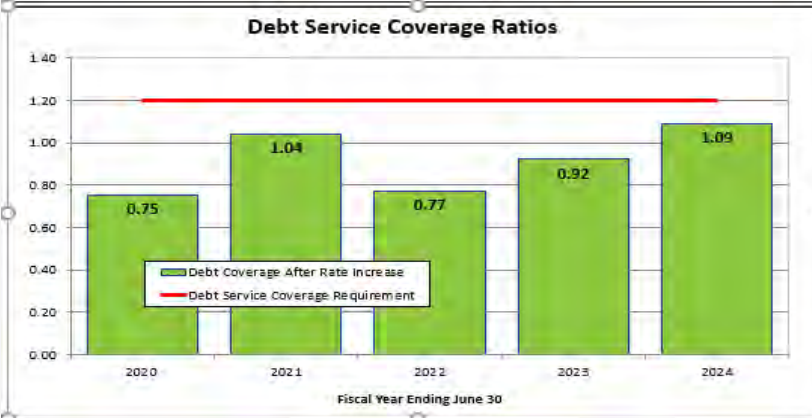
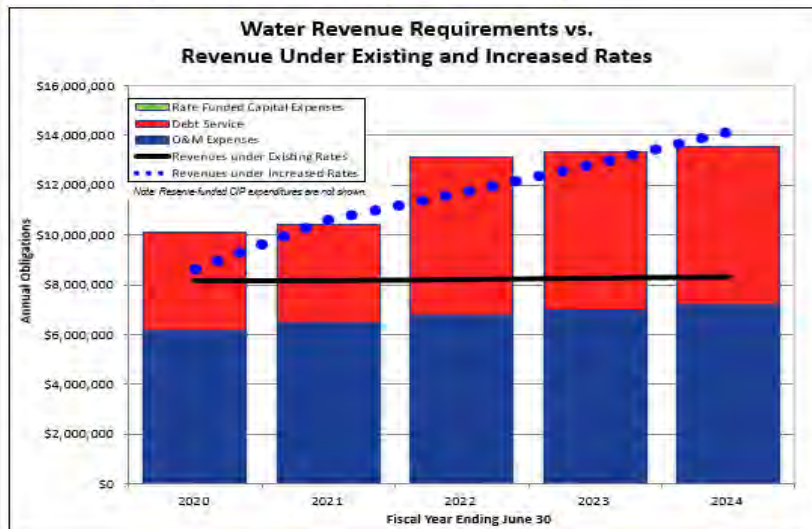
Alternative 3 - Annual Rate Increase for Debt Coverage



Water – Summary of Rate Alternatives

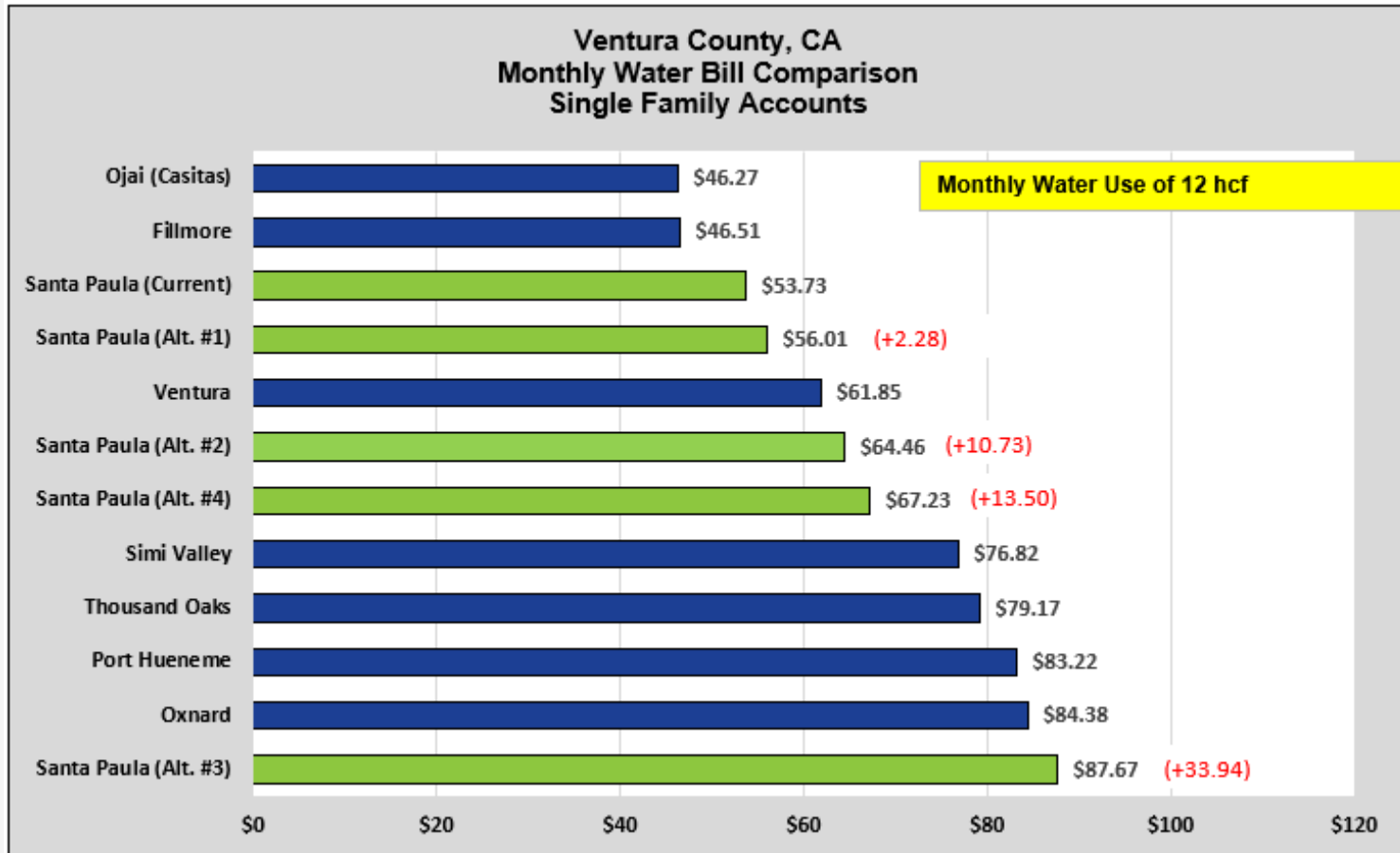
■ Analysis of Alternative #4 (\$15 mil. Revenue Bond):

Alternative 4 - \$15 mil. Rev. Bonds/Delay 3 CIPs



Regional Water Bill Comparisons

- Water Rates: Residential Class



Comparison of Sewer Rate Alternatives

Sewer – Summary of Financial Plan

Summary of Sources and Uses of Funds and Net Revenue Requirements	Actuals	Budget	Projected				
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Sources of Wastewater Funds							
Rate Revenue Under Prevailing Rates	\$ 11,045,934	\$ 10,850,000	\$ 10,906,400	\$ 10,963,100	\$ 11,020,100	\$ 11,077,400	\$ 11,135,000
Additional Revenue from Rate Increases ¹	-	-	-	-	-	-	-
Non-Rate Revenues	659,318	128,097	137,048	120,206	38,100	38,100	38,100
Total Sources of Funds	\$ 11,705,252	\$ 10,978,097	\$ 11,043,448	\$ 11,083,306	\$ 11,058,200	\$ 11,115,500	\$ 11,173,100
Uses of Wastewater Funds							
Operating Expenses	\$ 4,593,161	\$ 4,202,170	\$ 4,341,278	\$ 4,485,182	\$ 4,634,057	\$ 4,788,082	\$ 4,947,446
Debt Service	4,860,420	4,861,895	4,860,325	4,863,550	4,862,325	4,863,775	4,862,650
Rate-Funded Capital Expenses	9,235,602	1,384,500	-	7,791,829	9,799,000	3,617,000	934,000
Total Use of Funds	\$ 18,689,183	\$ 10,448,565	\$ 9,201,603	\$ 17,140,561	\$ 19,295,382	\$ 13,268,857	\$ 10,744,096
Surplus (Deficiency) before Rate Increase	\$ (6,983,931)	\$ 529,532	\$ 1,841,845	\$ (6,057,255)	\$ (8,237,182)	\$ (2,153,357)	\$ 429,004
Surplus (Deficiency) after Rate Increase	\$ (6,983,931)	\$ 529,532	\$ 1,841,845	\$ (6,057,255)	\$ (8,237,182)	\$ (2,153,357)	\$ 429,004
Projected Annual Rate Increase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cumulative Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Revenue Requirement ²	\$ 18,029,864	\$ 10,320,468	\$ 9,166,555	\$ 17,122,355	\$ 19,359,282	\$ 13,332,757	\$ 10,807,996

1. Assumes new rates are implemented October 1, 2019 and on July 1st each year thereafter.

2. Total Use of Funds less Non-Rate Revenues. This is the annual amount needed from wastewater rates.

Sewer – Description of Rate Alternatives

- **Alternative #1 – No Rate Increases (the results if the City makes no changes to rates).**
- **Alternative #2 – Inflation-Based Rate Increases for the next 5 years (3%/year).**
- **Alternative #3 – Issuing \$20 million in Revenue Bonds (issued in FY 2020/21).**
- **Alternative #4 – Use Separate Funding for Recycled Water Distribution System.**

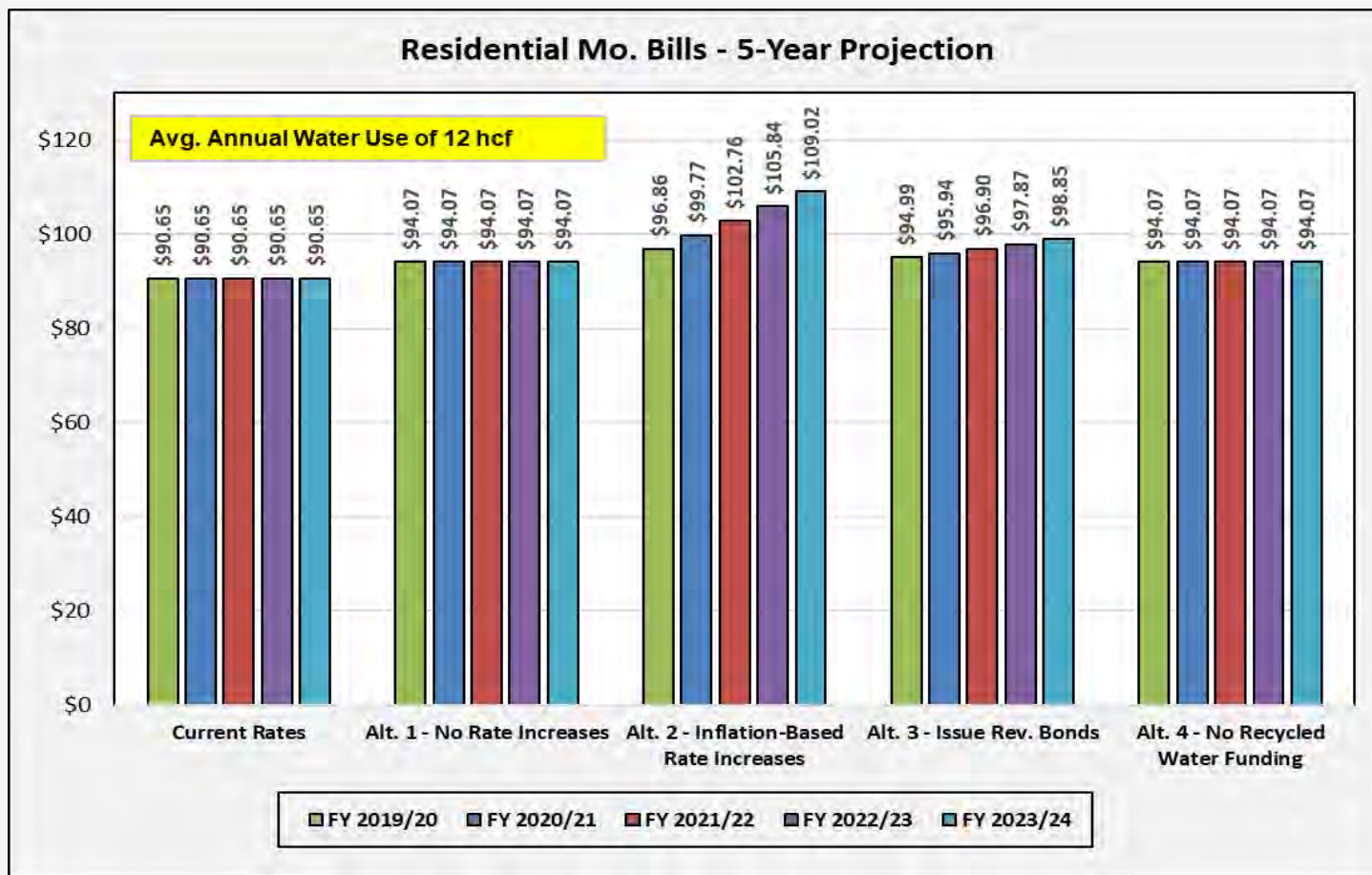
Sewer – Summary of Rate Alternatives

- **Rate Increases by Alternative:**

Rate Alternatives	Annual Rate Increases				
	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
<i>Alt. 1 - No Rate Increases</i>	0.00%	0.00%	0.00%	0.00%	0.00%
<i>Alt. 2 - Inflation-Based Rate Increases</i>	3.00%	3.00%	3.00%	3.00%	3.00%
<i>Alt. 3 - Issue Rev. Bonds/Minimize Rate Increases</i>	1.00%	1.00%	1.00%	1.00%	1.00%
<i>Alt. 4 - Separate Recycled Water Dist. Funding</i>	0.00%	0.00%	0.00%	0.00%	0.00%

Sewer – Summary of Rate Alternatives

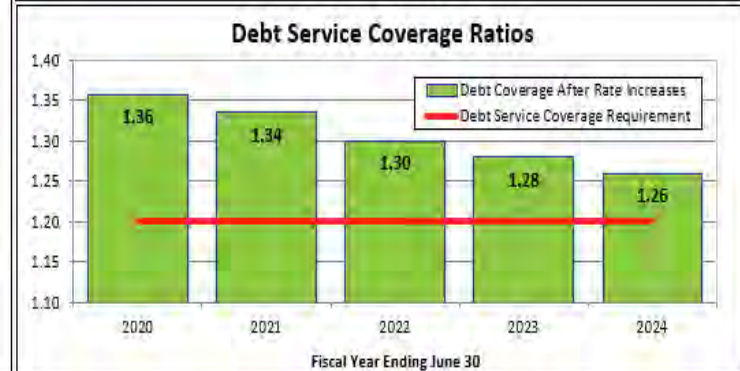
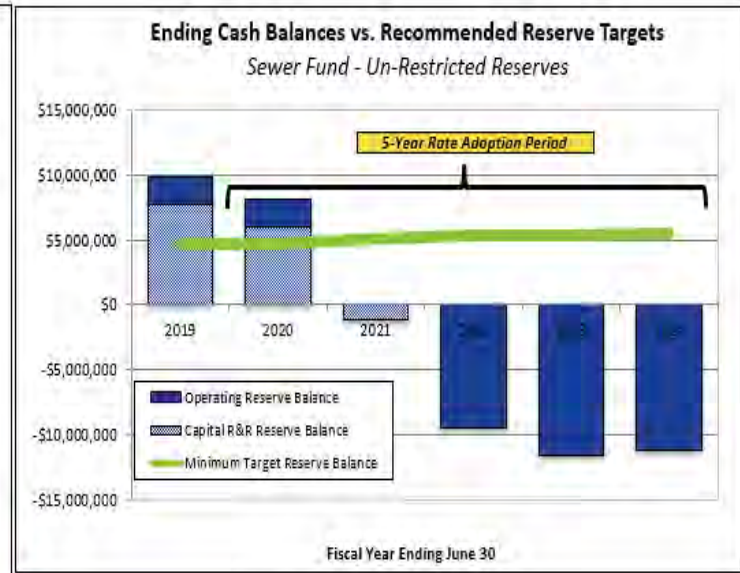
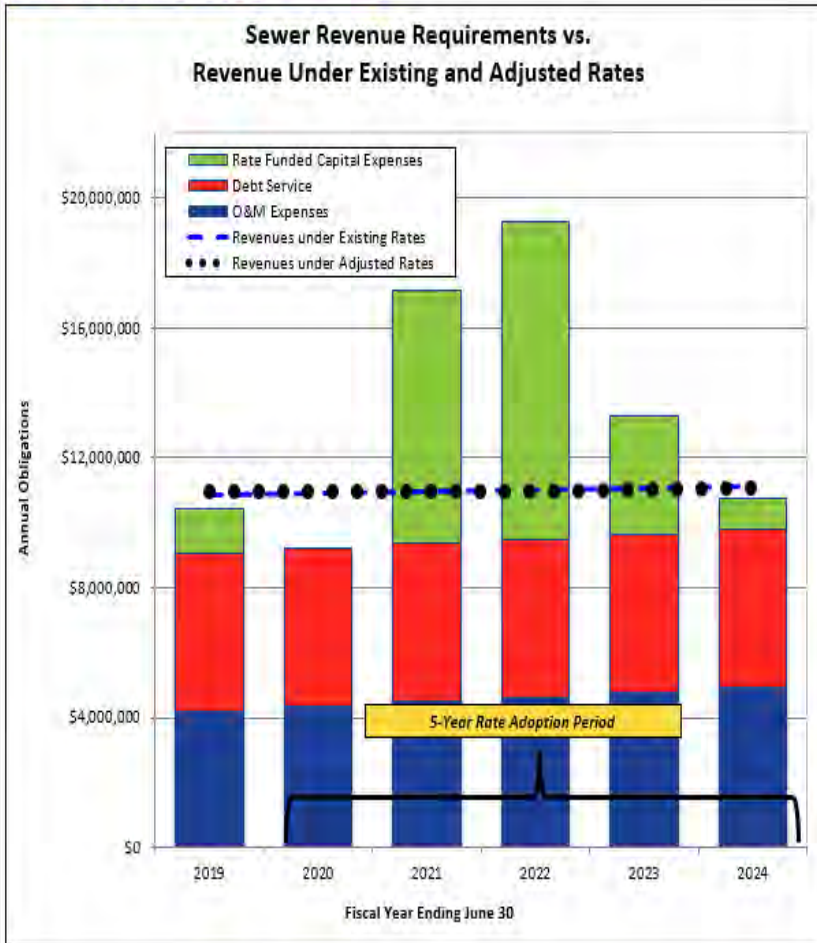
- Projected Monthly Residential Bills by Alternative:



Sewer – Summary of Rate Alternatives

■ Analysis of Alternative #1 (No Rate Increases):

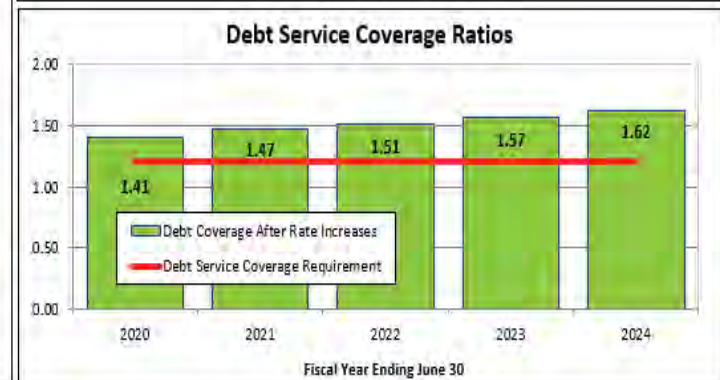
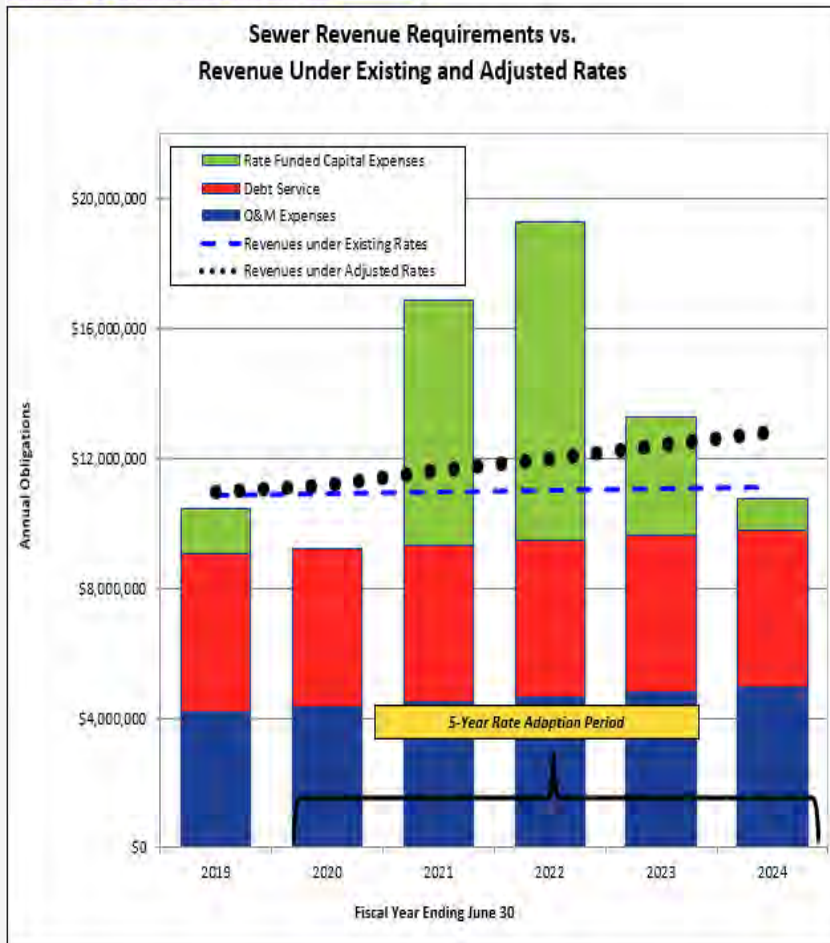
Alternative 1 - No Rate Increases



Sewer – Summary of Rate Alternatives

■ Analysis of Alternative #2 (Inflation Rate Increases):

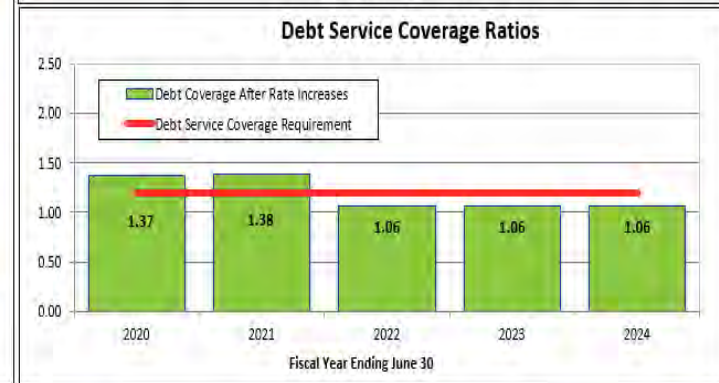
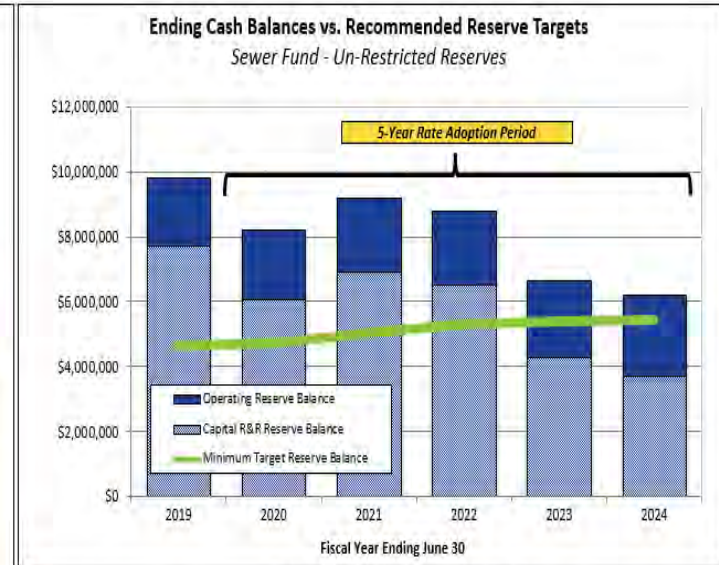
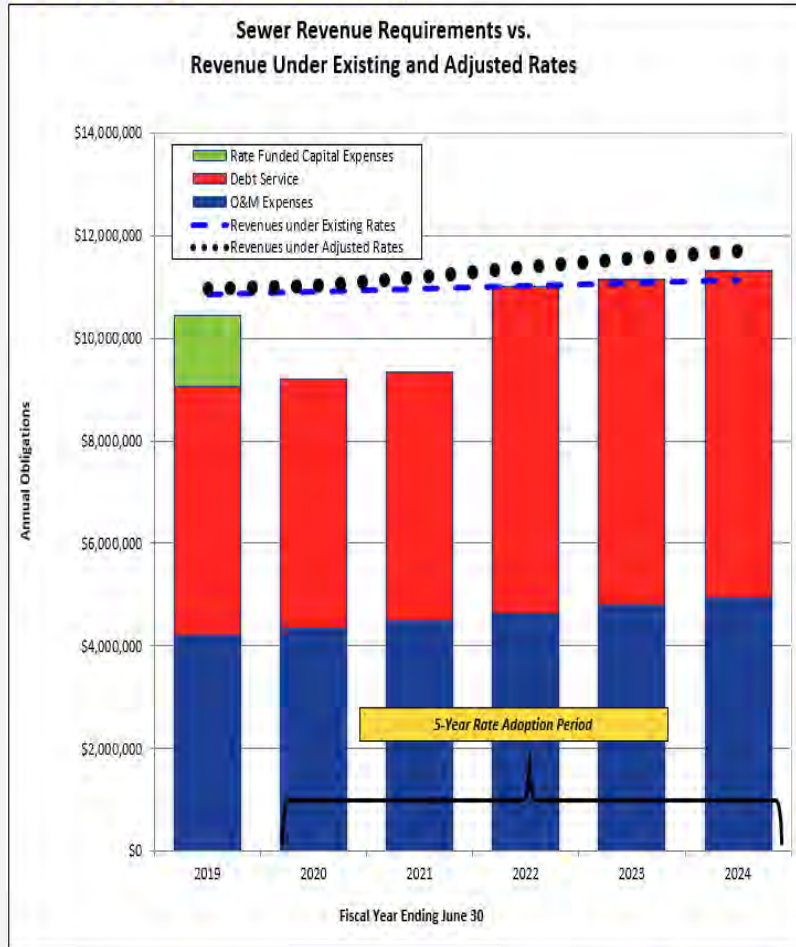
Alternative 2 - Inflation-Based Rate Increases



Sewer – Summary of Rate Alternatives

■ Analysis of Alternative #3 (\$20 mil. Revenue Bonds):

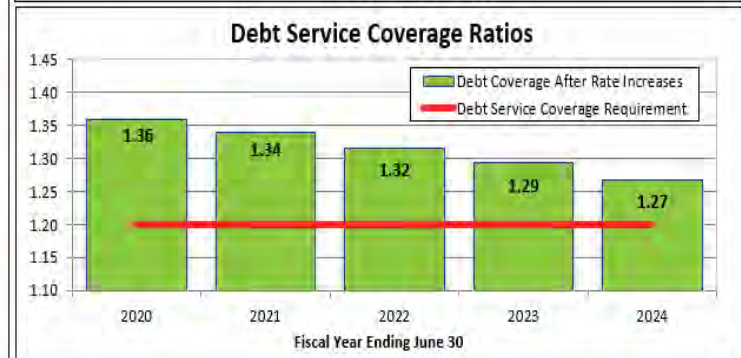
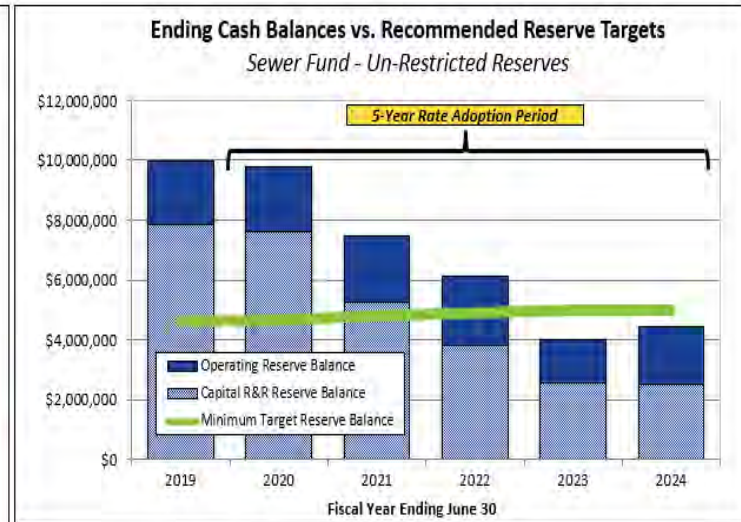
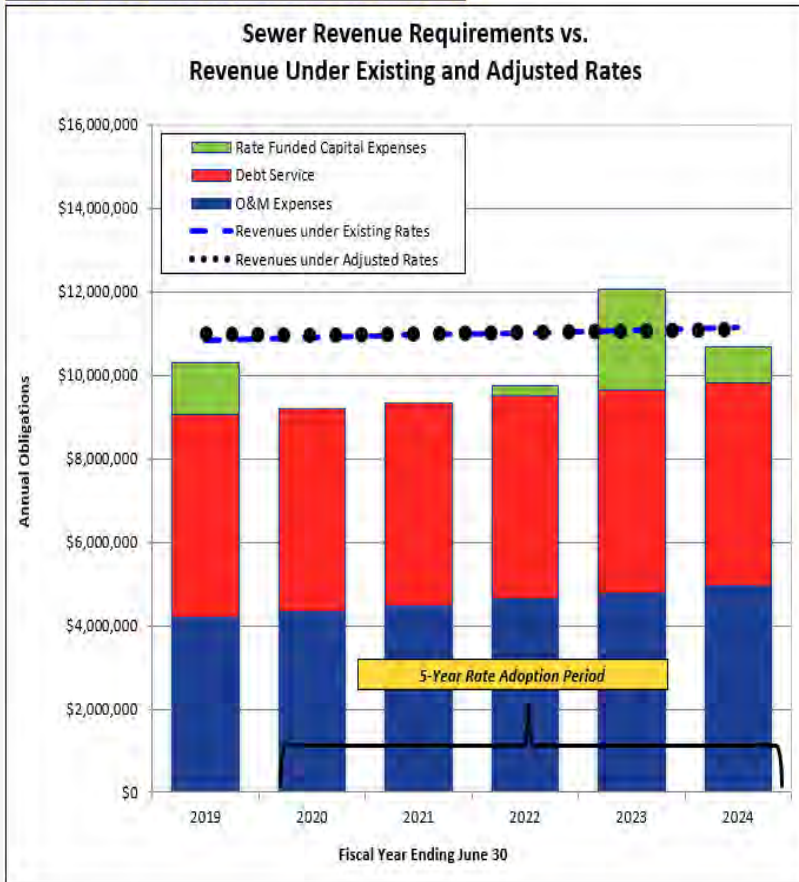
Alternative 3 - Issue Rev. Bonds/Minimize Rate Increases



Sewer – Summary of Rate Alternatives

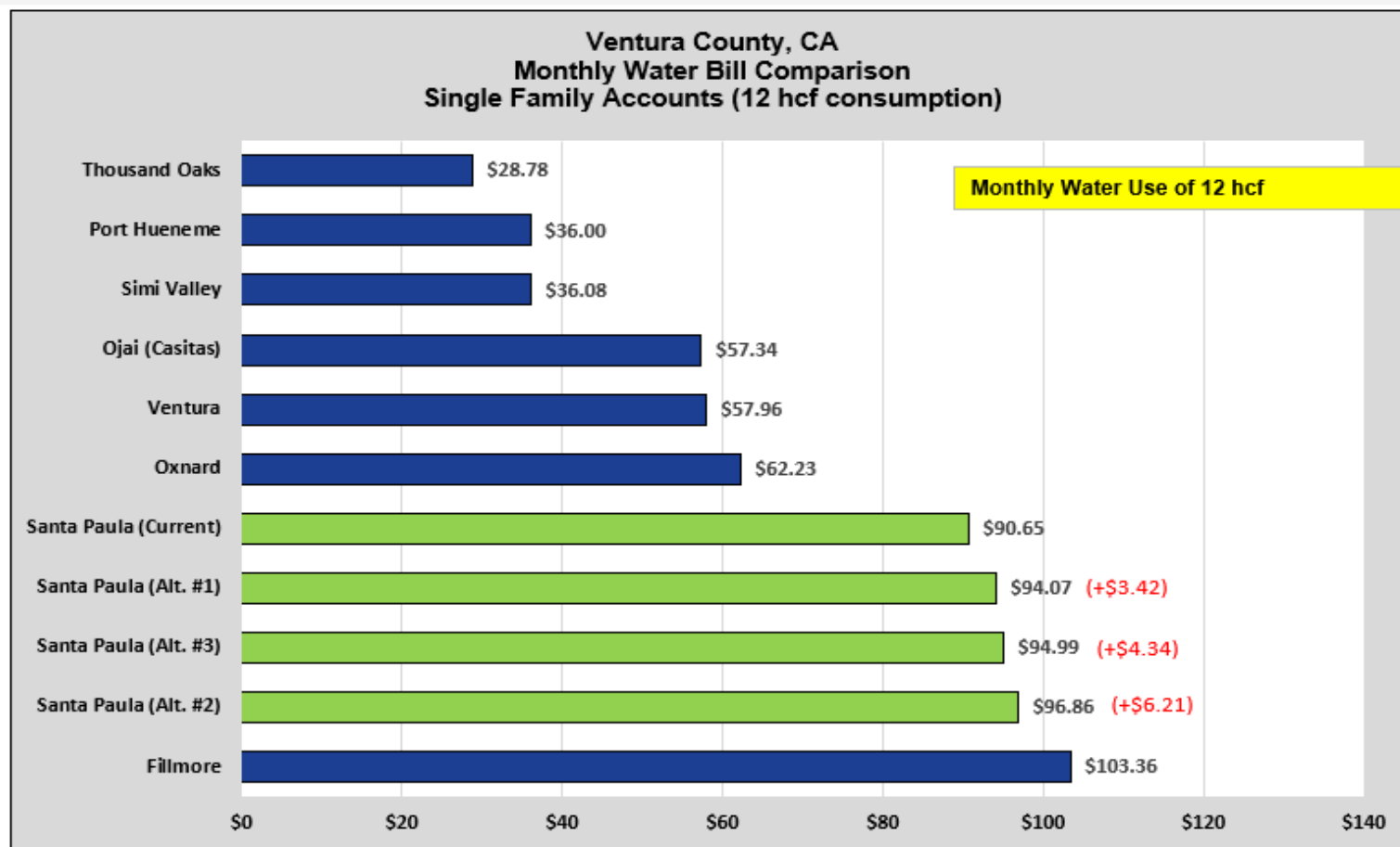
Analysis of Alternative #4 (No Recycled Distribution System Funding):

Alternative 4 - Separate Recycled Water Dist. Funding



Sewer – Summary of Rate Alternatives

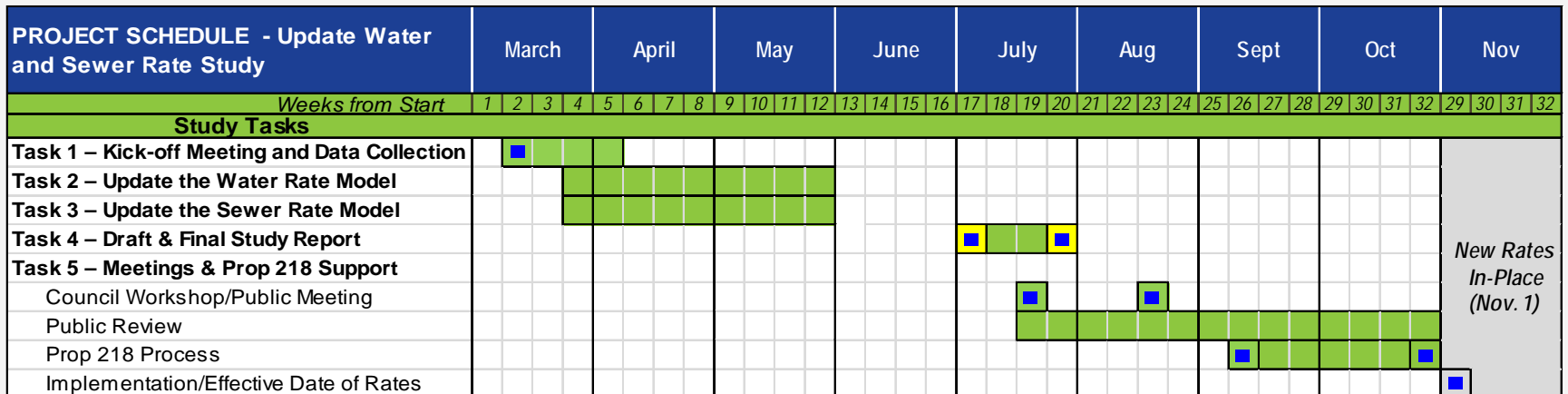
- Projected Monthly Residential Bills by Alternative:



Summary of Next Steps

Schedule

- Finalize the Rate Study in July after Council review
- Second Council Workshop – in August
- Public Review – August and September
- Prop 218 Noticing (45 days minimum) – Mid-September until Last week in October
- Rates Effective – November 1, 2019



New Rates
In-Place
(Nov. 1)

- Active task work.
- Report or Work Product
- Meeting or Presentation (estimated, to be scheduled as needed)

Recommended Next Steps

- Refine the proposed rate alternatives for water & sewer rate alternatives.
- NBS will incorporate final rate alternative in Draft Study Report and document initial alternatives in Appendix.
- Finish gathering input from Advisory Group, public & Council; complete legal review.
- Present final recommendations at September Council meeting (public hearing).
- Council needs to direct staff to mail Prop 218 protest notices (thereby beginning 45-day noticing period).
- Complete Prop 218 process & adopt new rates (public hearing); target implementation of November 1, 2019.

