

A dynamic background image showing water being poured from a glass, creating a 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

Public Workshop

August 5, 2019

Presented by
Greg Clumpner, 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 public review and direction from the Rate Advisory Group, City Council, and staff input.**

Background (cont.)

- **Broader Rate-Setting Goals:**
 - Keeping rate increases as low as possible
 - 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	\$ 7,575,000	\$ 7,650,750	\$ 7,727,258	\$ 7,804,530	\$ 7,882,575
Non-Rate Revenues	531,561	531,561	531,561	531,561	531,561	531,561
Interest Earnings	-	70,239	50,943	-	-	-
Total Sources of Funds	\$ 8,031,561	\$ 8,176,800	\$ 8,233,254	\$ 8,258,819	\$ 8,336,091	\$ 8,414,136
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	-	-	1,856,223	5,325,000	5,200,000	1,700,000
Total Use of Funds	\$ 9,846,399	\$ 10,128,626	\$ 12,284,258	\$ 16,086,512	\$ 16,174,633	\$ 12,890,703
Surplus (Deficiency) before Rate Increase	\$ (1,814,838)	\$ (1,951,826)	\$ (4,051,004)	\$ (7,827,693)	\$ (7,838,542)	\$ (4,476,566)
Additional Revenue from Rate Increases ¹	-	-	-	-	-	-
Surplus (Deficiency) after Rate Increase	\$ (1,814,838)	\$ (1,951,826)	\$ (4,051,004)	\$ (7,827,693)	\$ (7,838,542)	\$ (4,476,566)
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	\$ 11,701,754	\$ 15,554,951	\$ 15,643,072	\$ 12,359,142

1. Assumes new rates are implemented November 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 – Hybrid of Declining Annual Rate Increases (15%, 13%, 11%, 9%, 9%)**

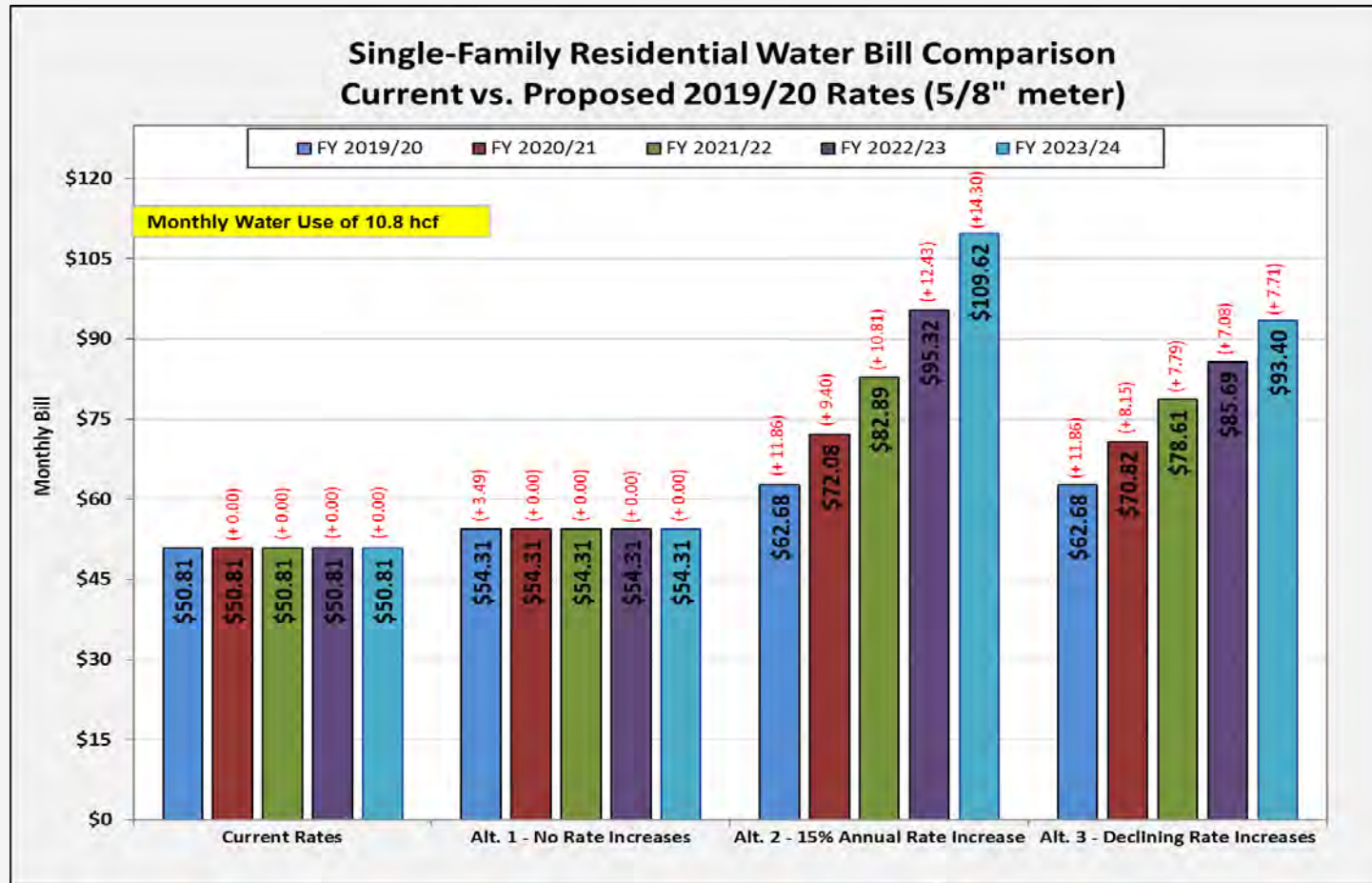
Water – Summary of Rate Alternatives

- **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 Declining Rate Increases</i>	15.00%	13.00%	11.00%	9.00%	9.00%

Water – Summary of Rate Alternatives

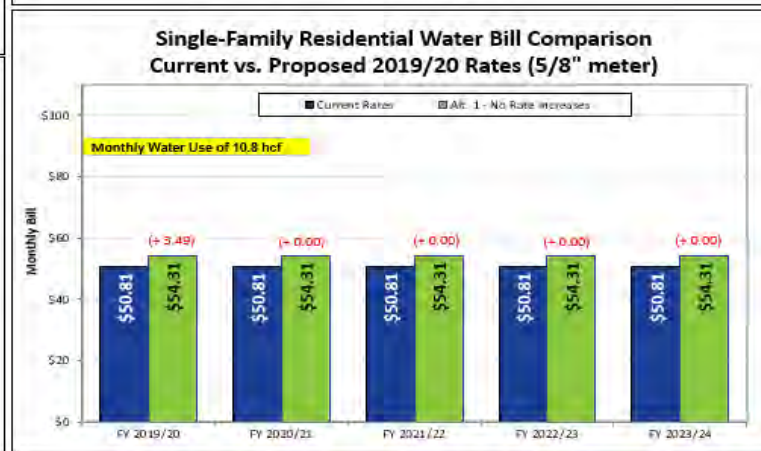
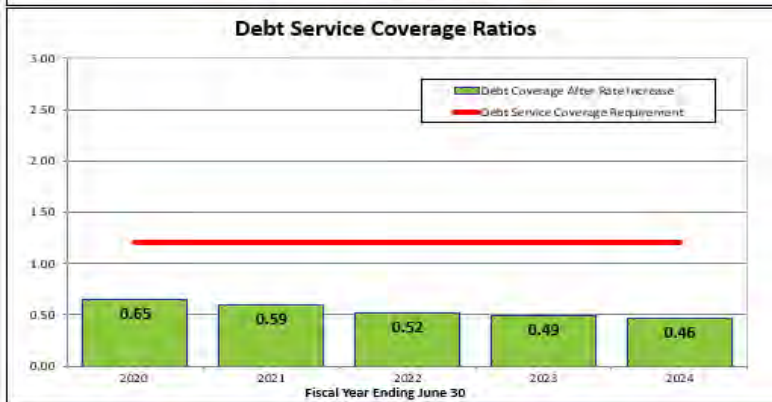
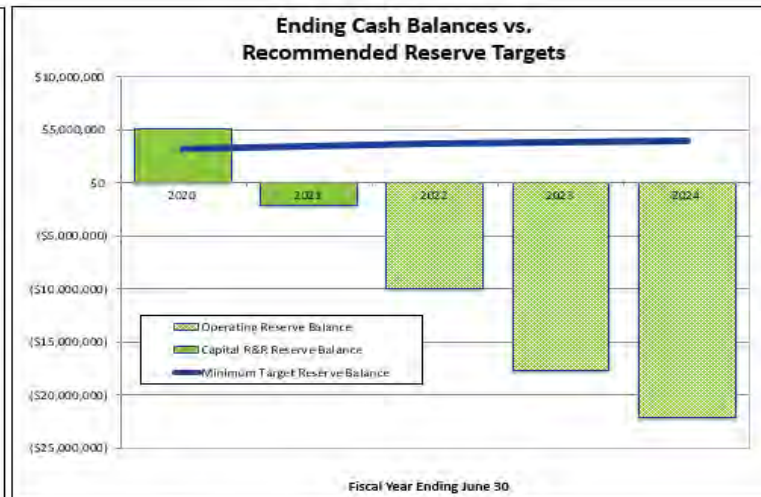
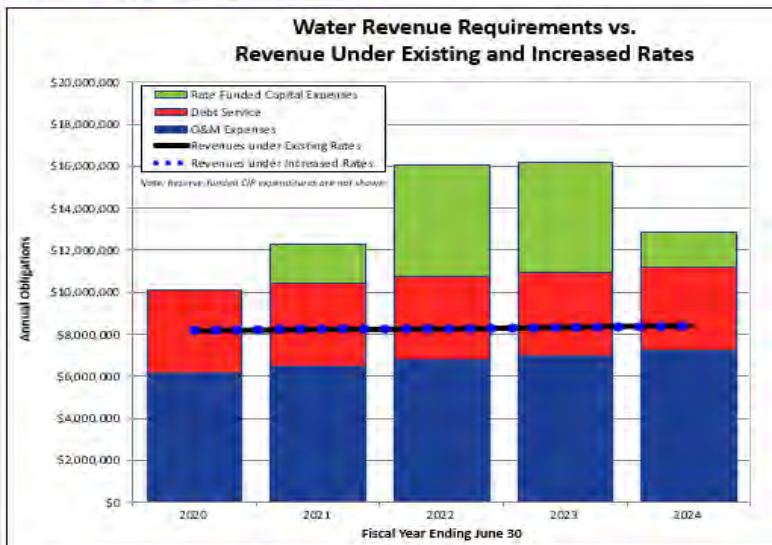
- Projected Monthly Residential Bills by Alternative:



Water – Summary of Rate Alternatives

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

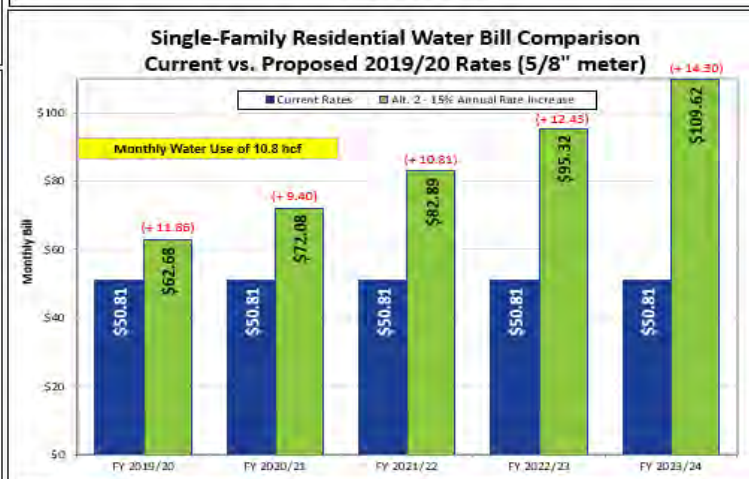
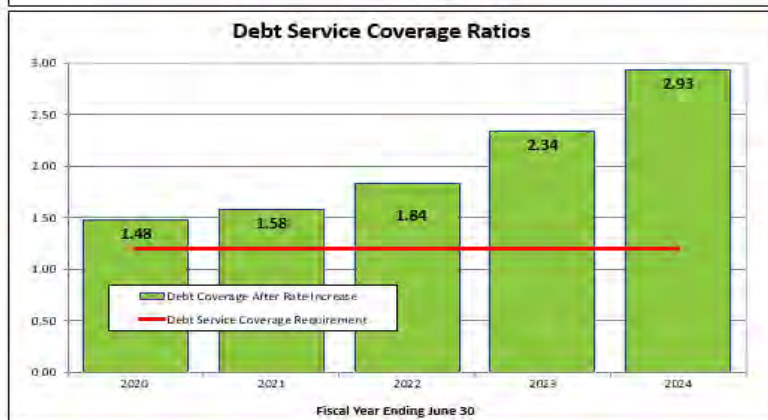
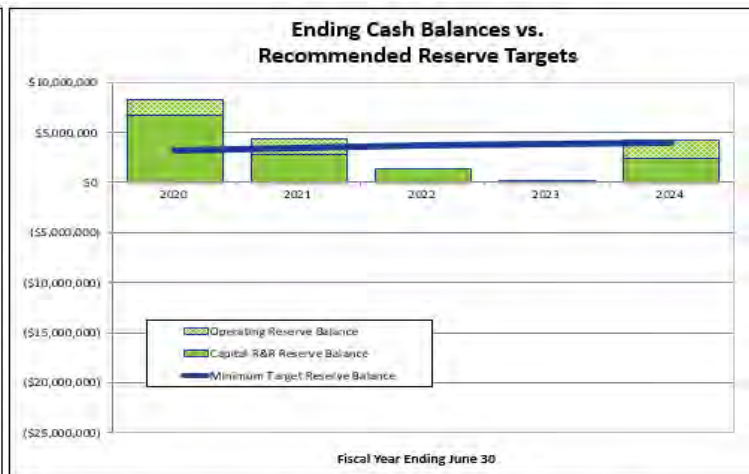
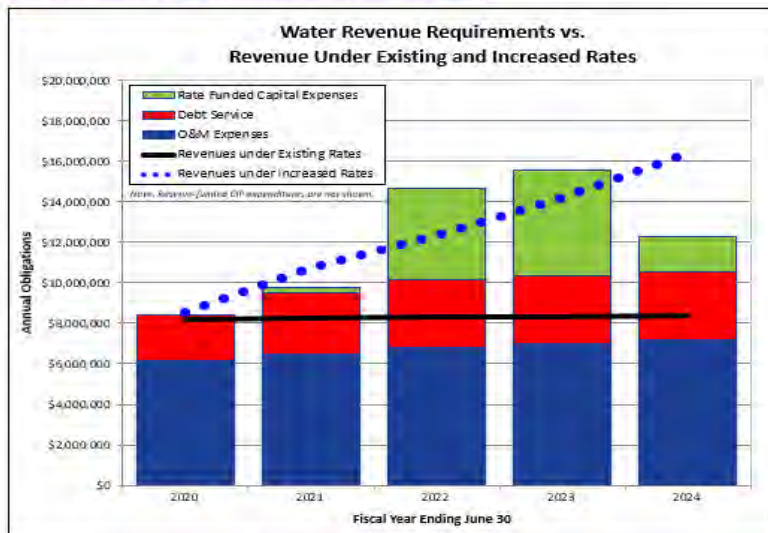
Alternative 1 - No Rate Increases



Water – Summary of Rate Alternatives

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

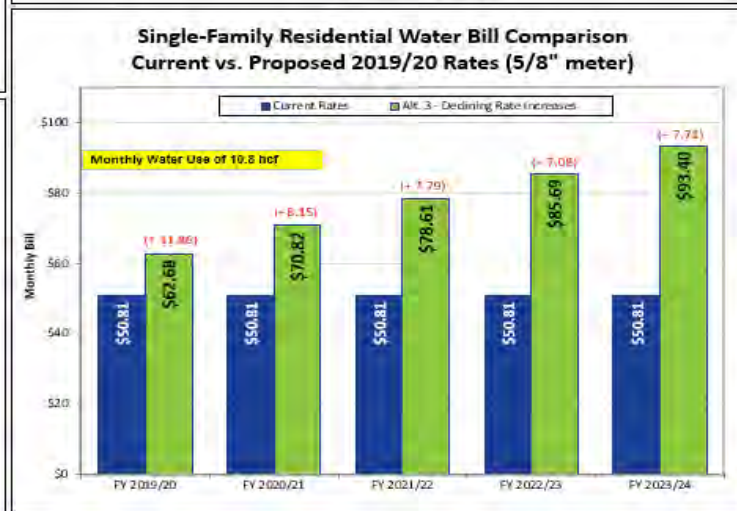
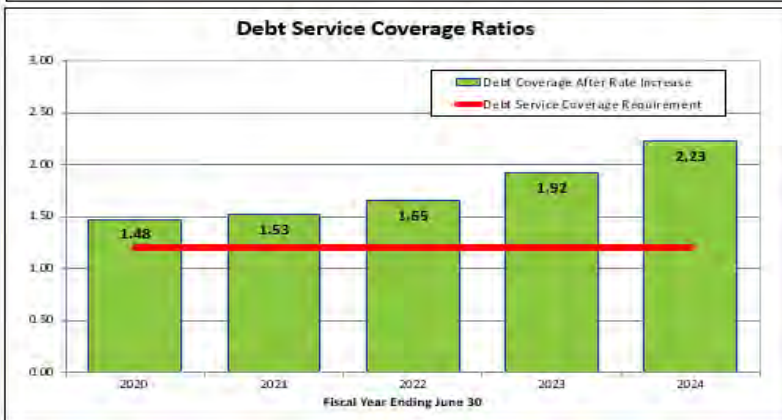
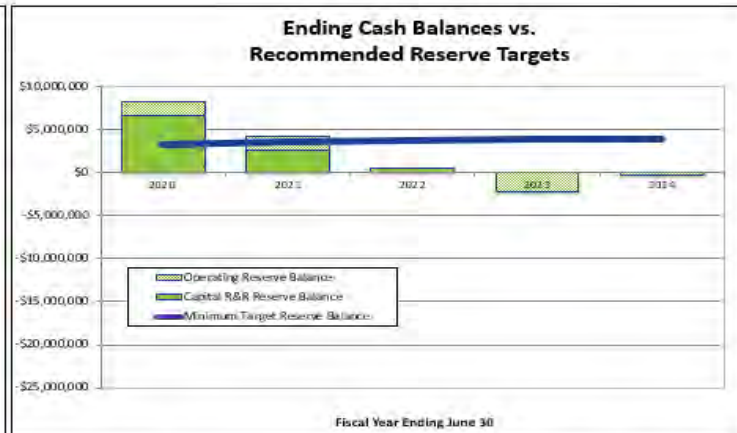
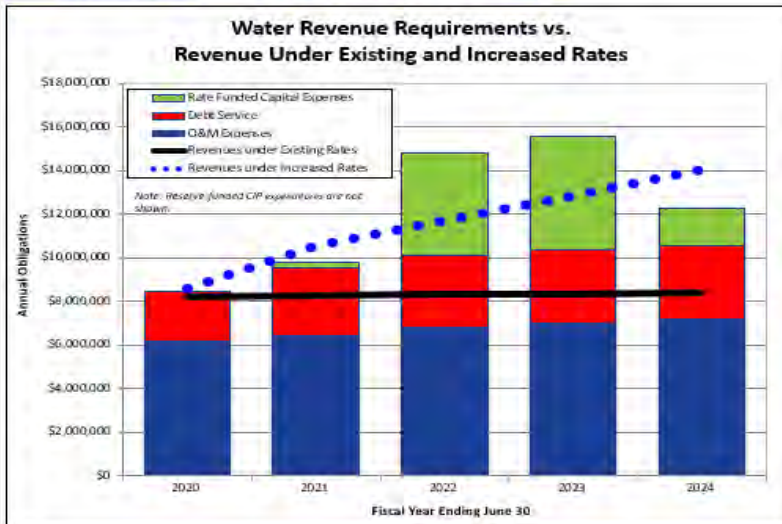
Alternative 2 - 15% Annual Rate Increase



Water – Summary of Rate Alternatives

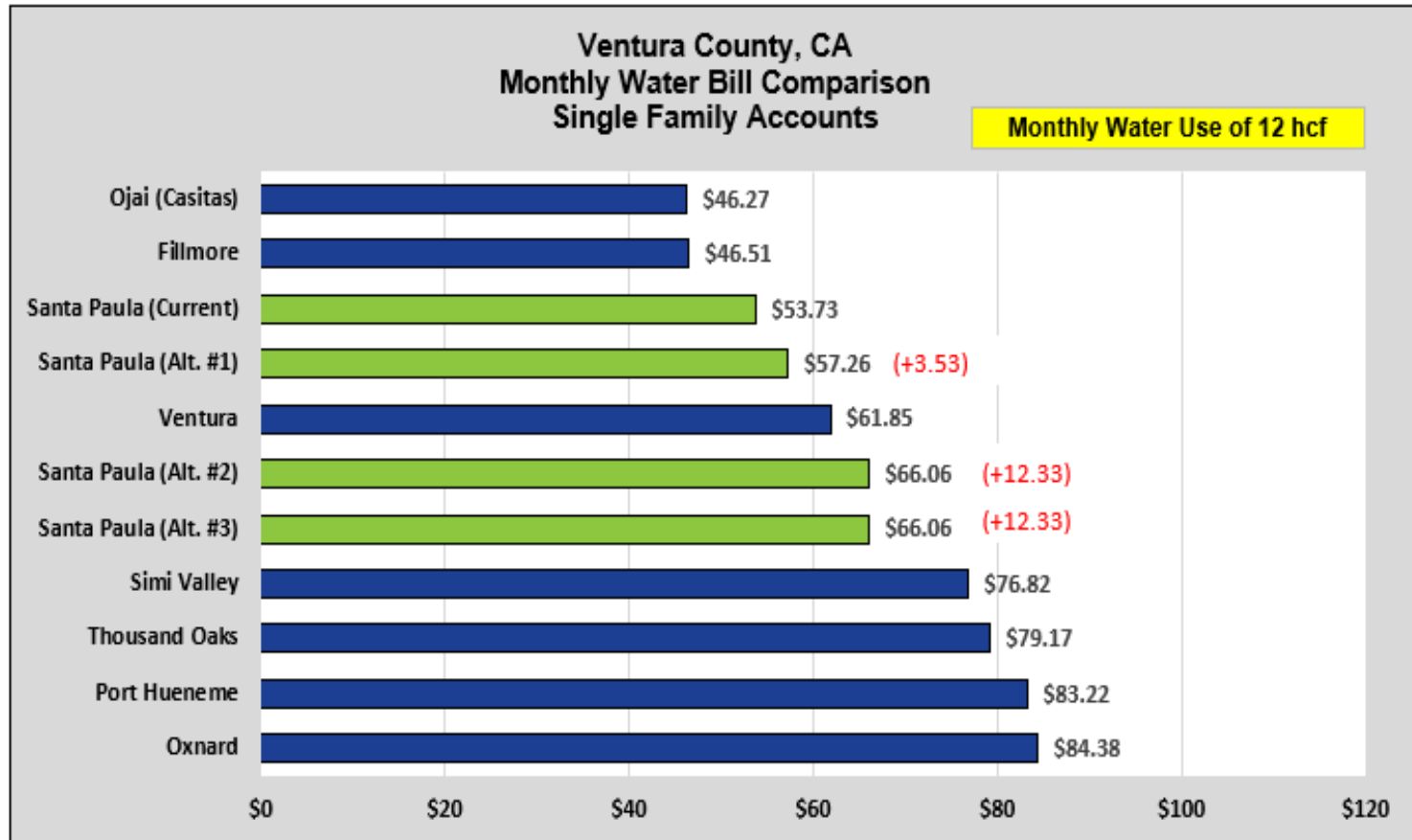
■ Analysis of Alternative #3 (Declining Rate Increases):

Alternative 3 - Annual Declining Rate Increases



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	Budget	Projected				
	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	\$ 10,850,000	\$ 10,958,500	\$ 11,068,100	\$ 11,178,800	\$ 11,290,600	\$ 11,403,500
Additional Revenue from Rate Increases ¹	-	-	-	-	-	-
Non-Rate Revenues	128,097	137,048	120,732	38,100	38,100	38,100
Total Sources of Funds	\$ 10,978,097	\$ 11,095,548	\$ 11,188,832	\$ 11,216,900	\$ 11,328,700	\$ 11,441,600
Uses of Wastewater Funds						
Operating Expenses	\$ 4,202,170	\$ 4,341,278	\$ 4,485,182	\$ 4,634,057	\$ 4,788,082	\$ 4,947,446
Debt Service	4,861,895	4,860,325	4,863,550	4,862,325	4,863,775	4,862,650
Rate-Funded Capital Expenses	1,384,500	-	7,739,729	9,799,000	3,617,000	934,000
Total Use of Funds	\$ 10,448,565	\$ 9,201,603	\$ 17,088,461	\$ 19,295,382	\$ 13,268,857	\$ 10,744,096
Surplus (Deficiency) before Rate Increase	\$ 529,532	\$ 1,893,945	\$ (5,899,630)	\$ (8,078,482)	\$ (1,940,157)	\$ 697,504
Surplus (Deficiency) after Rate Increase	\$ 529,532	\$ 1,893,945	\$ (5,899,630)	\$ (8,078,482)	\$ (1,940,157)	\$ 697,504
Projected Annual Rate Increase	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%
Net Revenue Requirement ²	\$ 10,320,468	\$ 9,166,555	\$ 17,069,730	\$ 19,359,282	\$ 13,332,757	\$ 10,807,996

1. Assumes new rates are implemented November 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 – Use Separate Funding Sources for Recycled Water Distribution System.**

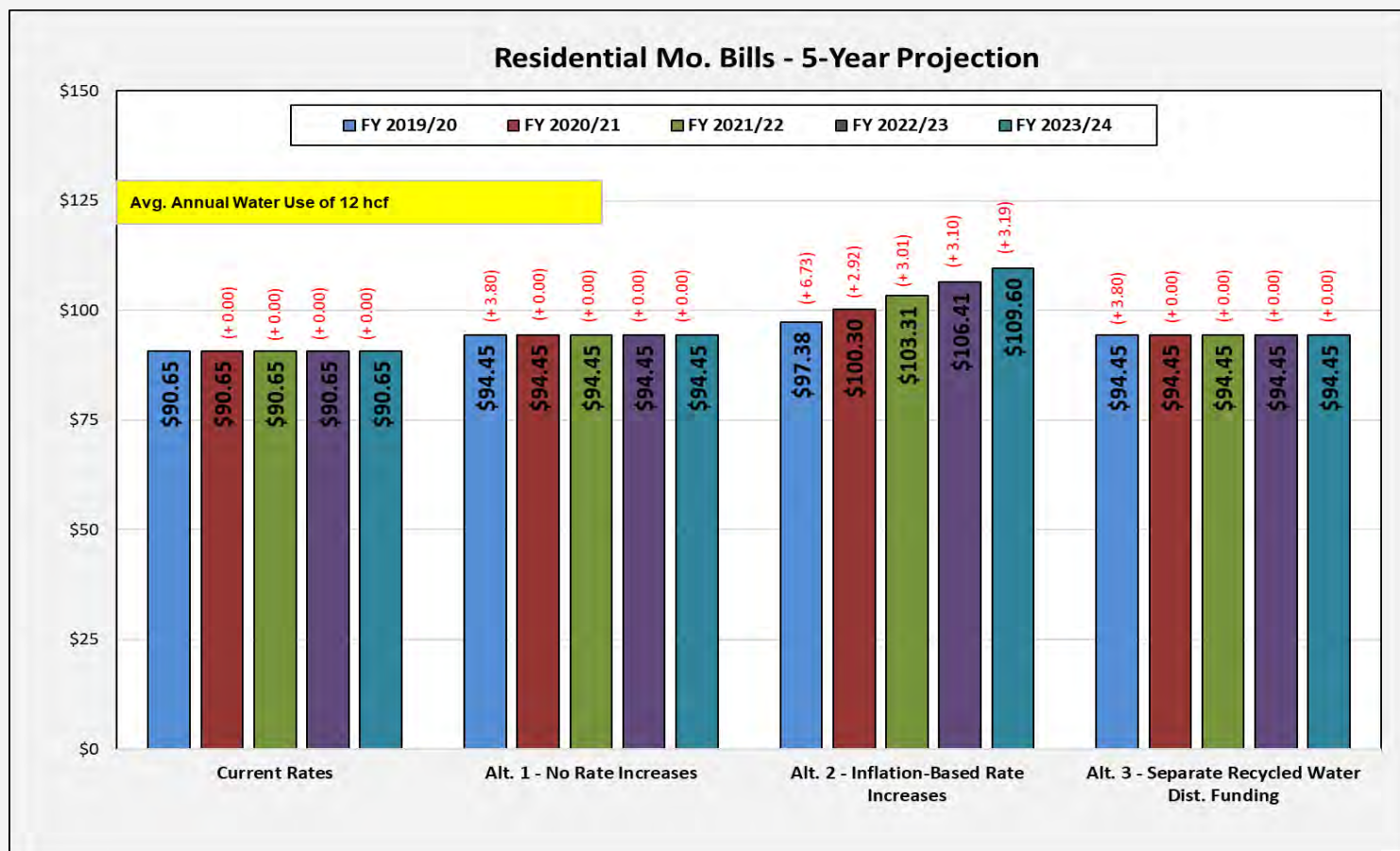
Sewer – Summary of Rate Alternatives

- 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 - Separate Recycled Water Dist. Funding</i>	0.00%	0.00%	0.00%	0.00%	0.00%

Sewer – Summary of Rate Alternatives

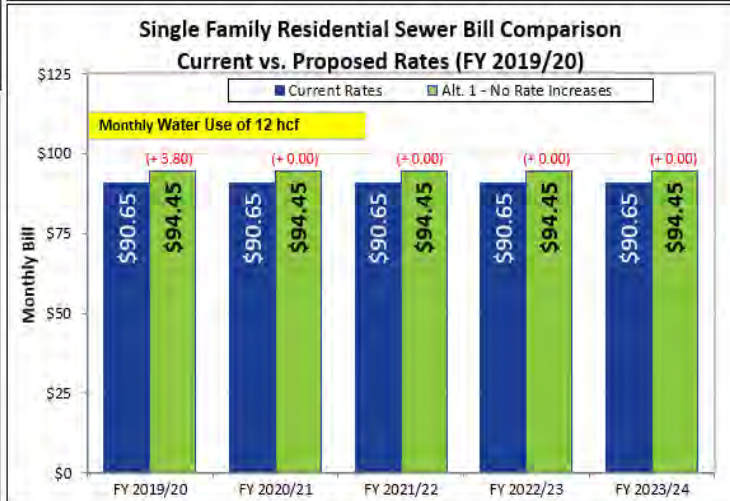
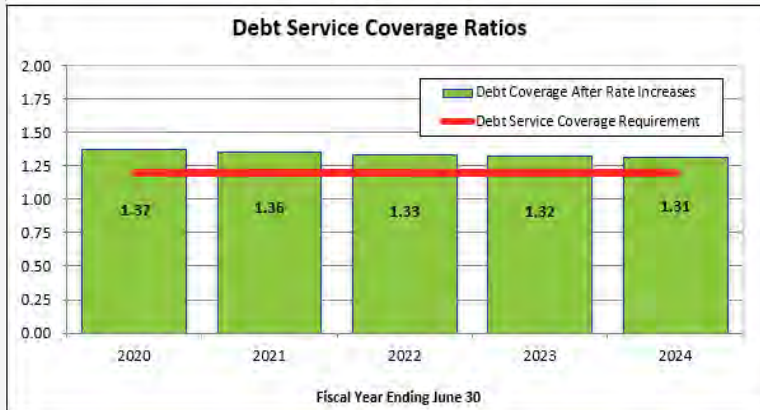
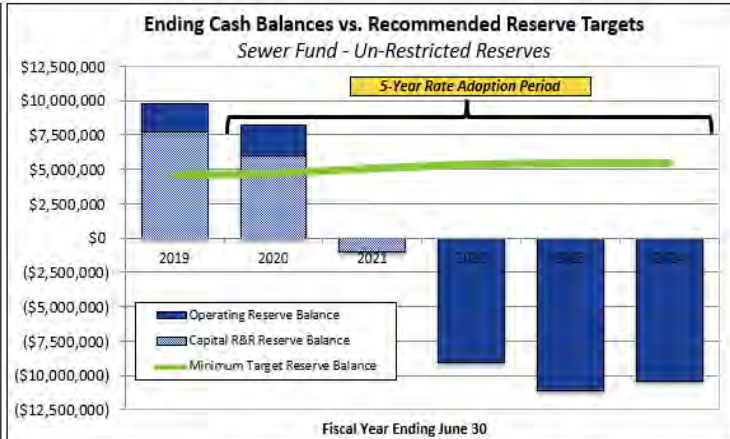
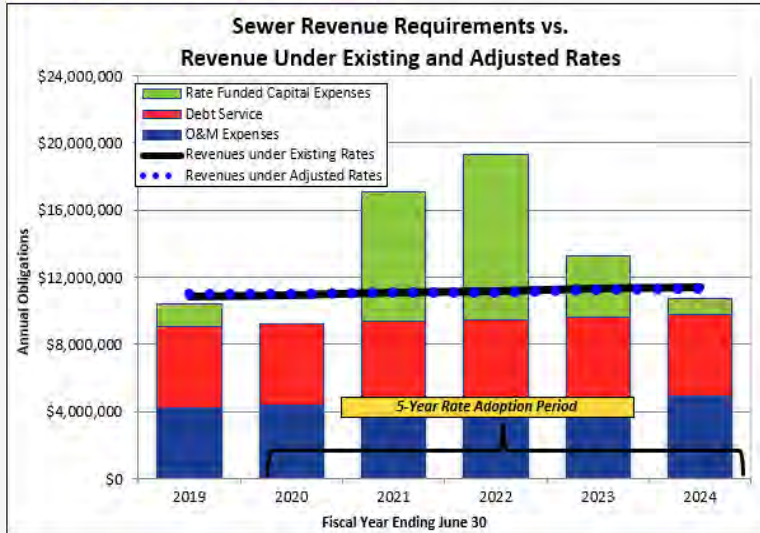
- Projected Monthly Residential Bills by Alternative:



Sewer – Summary of Rate Alternatives

Analysis of Alt. #1 (No Rate Increases):

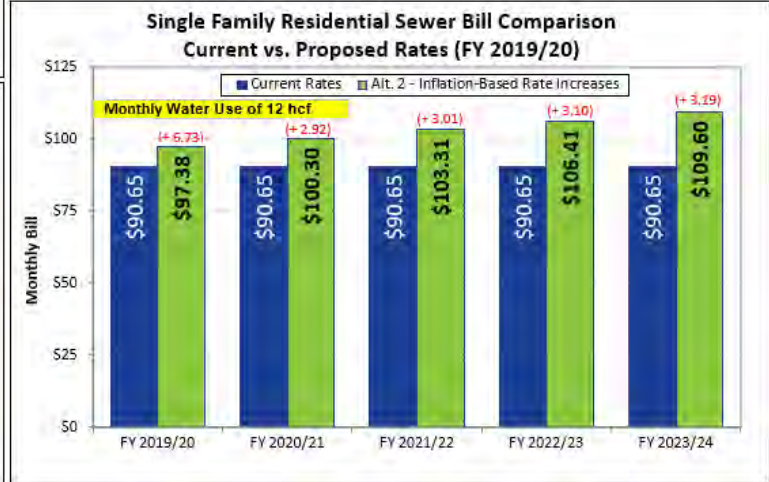
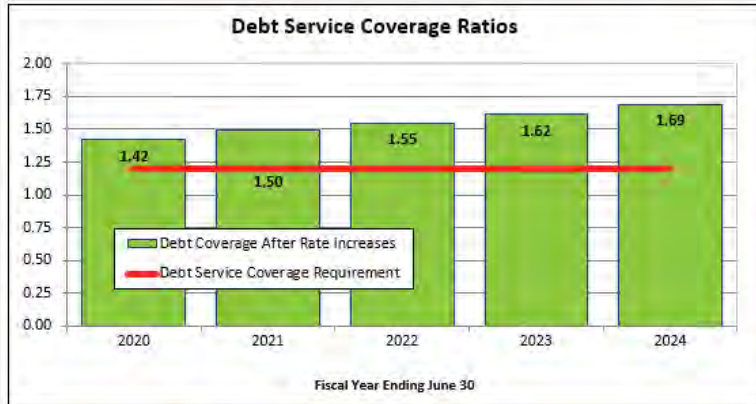
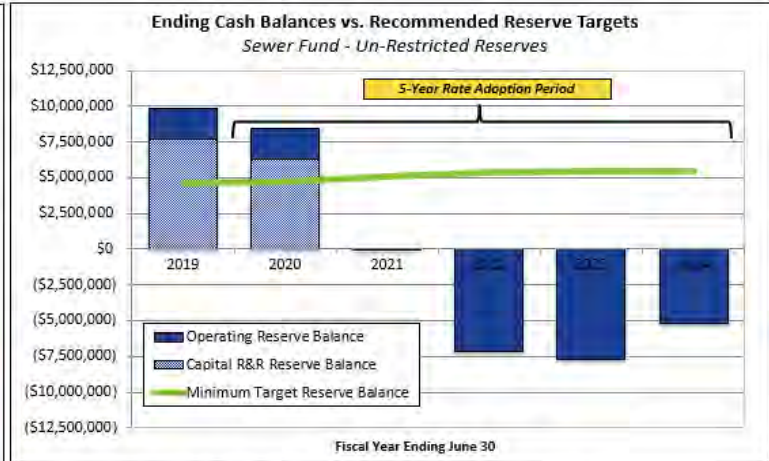
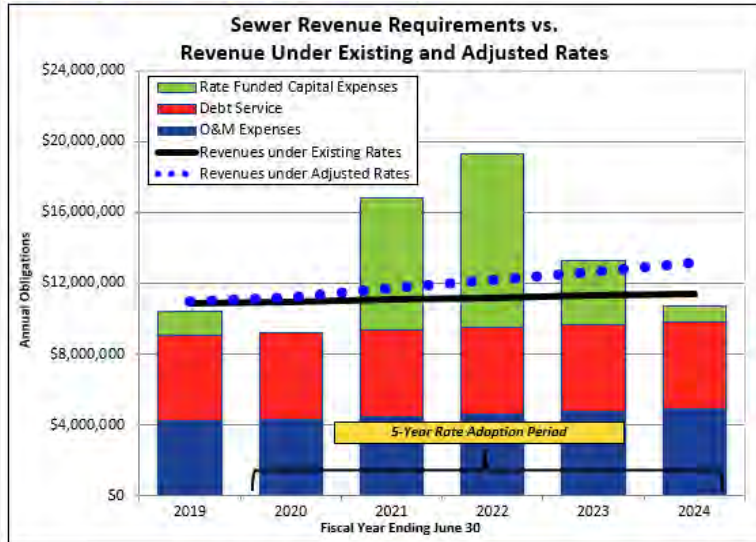
Alternative 1 - No Rate Increases



Sewer – Summary of Rate Alternatives

■ Analysis of Alt. #2 (Inflation-Based Rate Increases):

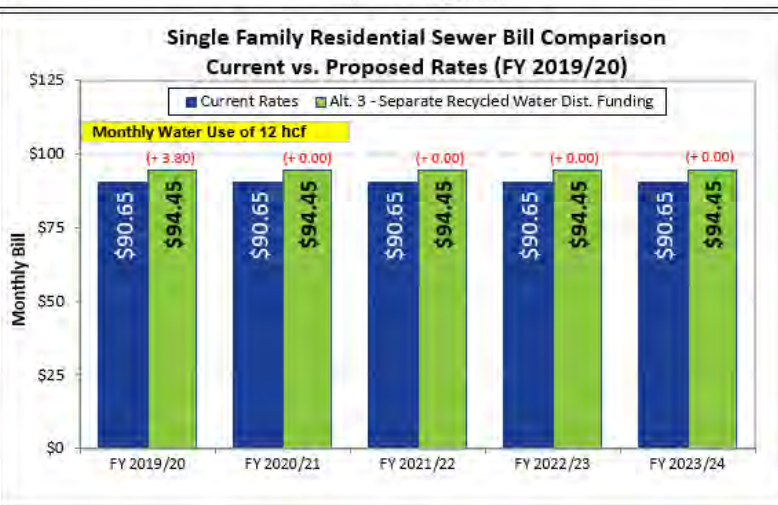
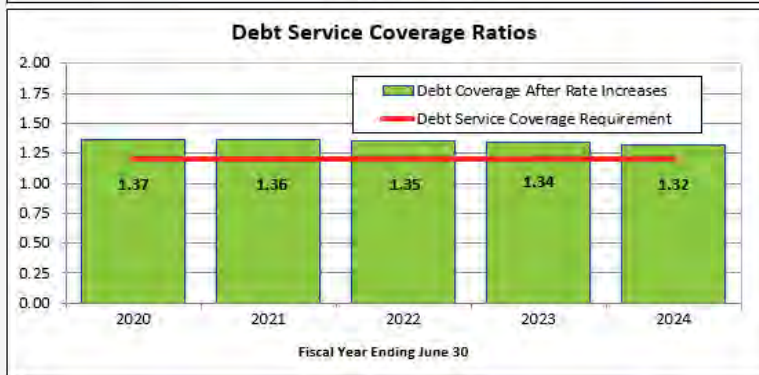
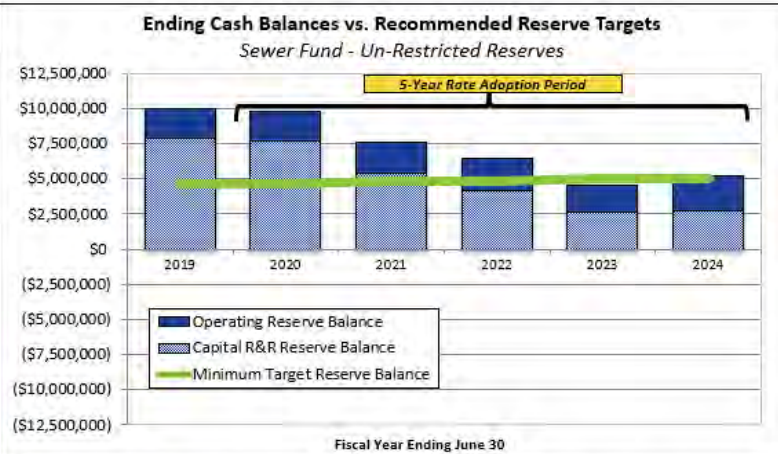
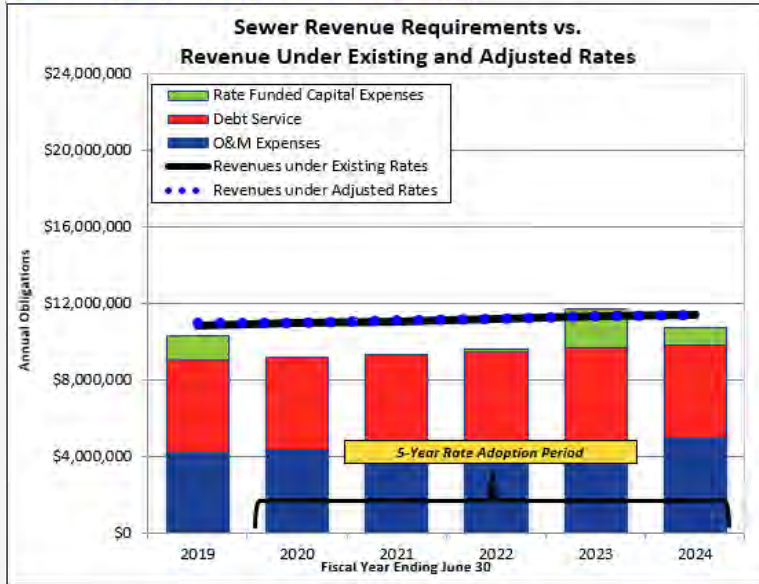
Alternative 2 - Inflation-Based Rate Increases



Sewer – Summary of Rate Alternatives

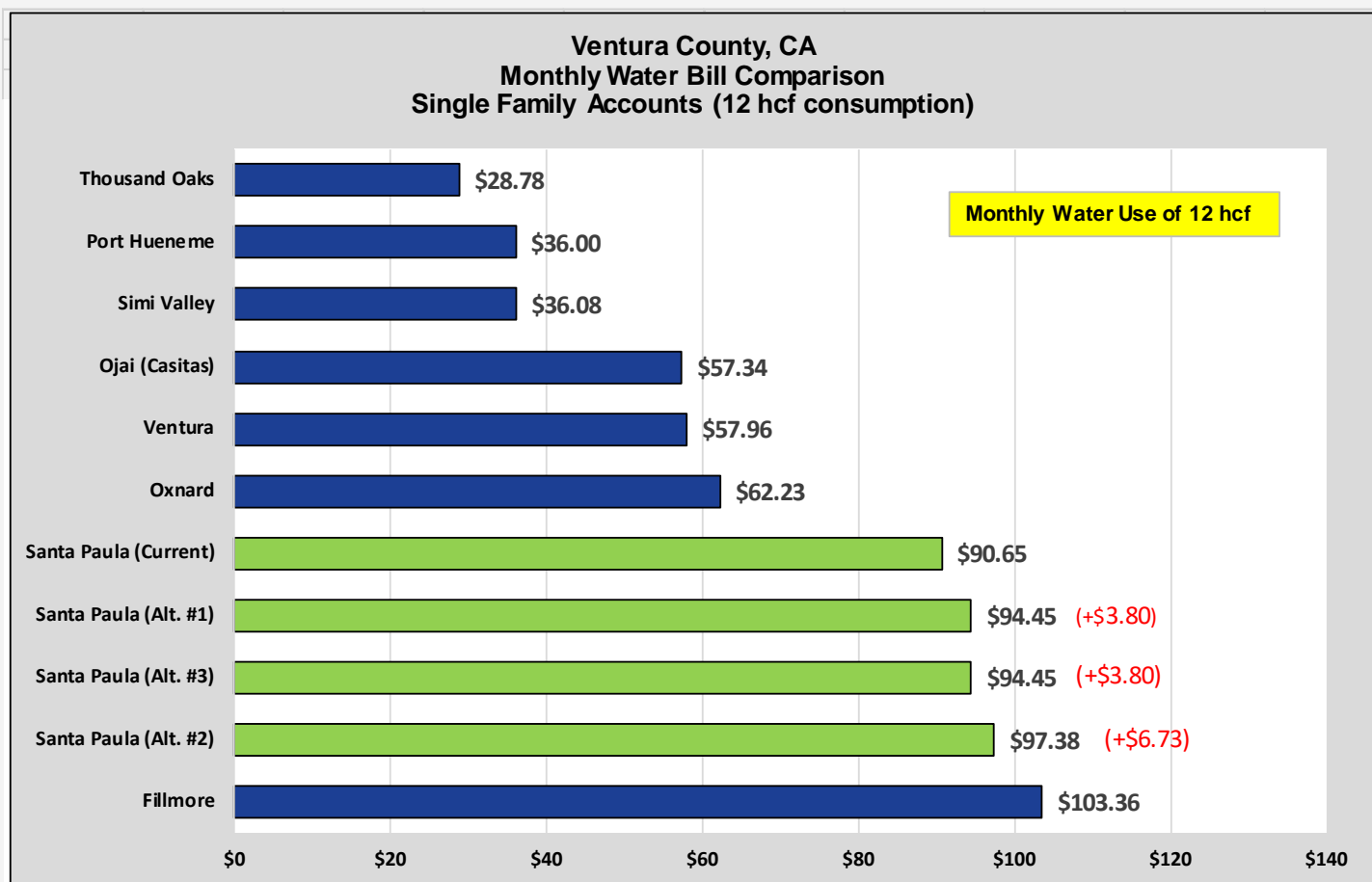
■ Analysis of Alt. #3: (No Recycled Dist. System Funding)

Alternative 3 - Separate Recycled Water Dist. Funding



Sewer – Summary of Rate Alternatives

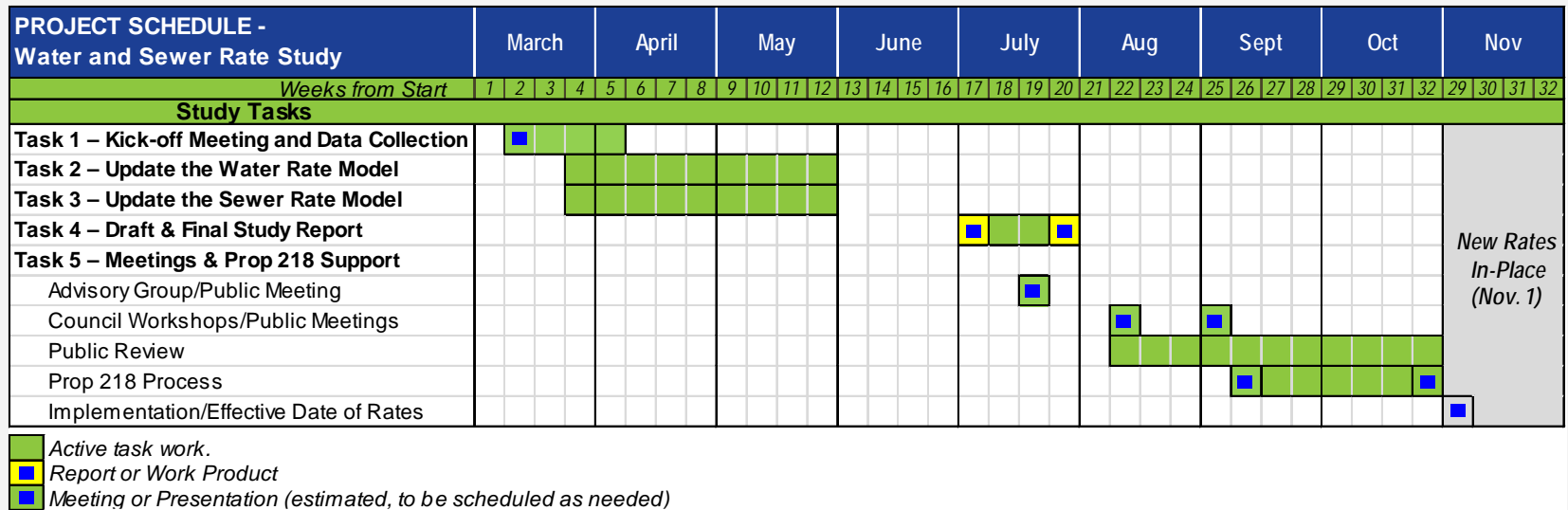
- Projected Monthly Residential Bills by Alternative:



Summary of Next Steps

Schedule

- Finalize the Rate Study in July after Council review
- Second Council Workshop – August 21
- Public Review – August 5 and September 4
- Prop 218 Noticing (45 days minimum) – September until end of October
- Rates Effective – November 1, 2019



Recommended Next Steps

- Refine the proposed rate alternatives for water & sewer rate alternatives based on additional review.
- Incorporate final rate alternative in Draft Study Report (initial alternatives shown in Appendix).
- Finish gathering input from Advisory Group, public & Council and complete a legal review.
- Present final recommendations at September 4th Council meeting (public hearing).
- Council directs staff to mail Prop 218 protest notices (beginning of a 45-day noticing period).
- Complete Prop 218 process & adopt new rates (public hearing); target implementation of November 1, 2019.

