



**Utility Rate Study Presentation
January 14, 2016
Joe Pomroy**

Summary

- Rate Study Purpose
- Rate Study Fundamentals
- 2011 5-Yr Rate Study – Look Back
- 2016 5-Yr Rate Study – Look Forwards
 - Rate Study Financials
 - Water and Sewer Rates
- Rate Comparisons
- Timeline
- Recommendation

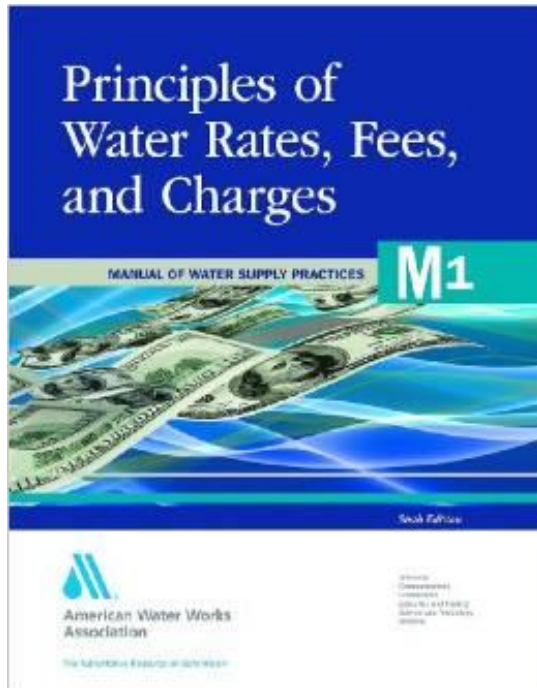
Rate Study Purpose

- Determine Revenue Projections
- Examine Full Cost Pricing
- Balance Costs Equitably Among User Classes
- Provide Price Signals to Users
- Determine Needs for Bonding
- Fund Utility for Future Users

Rate Study Fundamentals

- District Strategic Plan
 - Mission, Vision, Goals and Objectives, Culture Training, & Customer Service Training
- Industry Best Practices
 - Effective Utility Management
 - AWWA Best Practice Manuals
 - Professional Organizations, AWWA & WEF
 - Industry Peers
 - Benchmarking and Performance Measures

Rate Study Fundamentals



- AWWA Manuals of Practice
- Industry best practices
- Guiding document – 60 years
- 300 pages of rate info
- Commodity demand method
- Increasing block rate structure

2011 5-Year Rate Study

- How did we do on our projections over the 5 year period from 2011 to 2016?

Component	Projected In 2011	Actual Looking Back
Annual Average	5.8% / yr	6.1% / yr
Total Increase	32.2%	34.3%

2016 5-Year Rate Study

- Water Rates - ↑2.4%
- Sewer Rates - ↑3.8%
- Overall Rates - ↑3.2%
- Increase is Spread Across Rate Components
- Average 3.4% Increase for Next 5 Years
- Commodity-Demand Model (fixed, variable, and CIP components)

Operating Revenues and Expenses

5-Year Plan	2016-17	2017-18	2018-19	2019-20	2020-21	5-Yr Sum
Operating Revenue	6,543,000	6,759,000	6,982,000	7,214,000	7,454,000	\$34,952,000
Operating Expense	(6,847,000)	(7,037,000)	(7,237,000)	(7,441,000)	(7,650,000)	(\$36,212,000)
					Subtotal	(\$1,260,000)

Does not include depreciation

Operating Revenue Increases on average 3.3% per year.

Operating Expense Increases on average 2.0% per year.

Capital Revenues and Expenses

5-Year Plan	2015-16	2016-17	2017-18	2018-19	2019-20	5-Yr Sum
Capital Revenue	4,715,000	4,878,000	5,047,000	5,222,000	5,403,000	\$25,265,000
Capital Expense	(4,783,000)	(4,295,000)	(4,637,000)	(4,343,000)	(4,642,000)	(\$22,700,000)
					Subtotal	\$2,565,000

Export Project = Currently Accumulating \$2 million per/year
 Capital Revenue Increases on average 3.5% per year.
 Note 1 - Capital Expense is net of grants and debt proceeds.

Total Revenues and Expenses

2016 Five Year Rate Study	5-Year Total
Operating and Capital Revenue	\$60,217,000
Operating and Capital Expense	\$58,912,000
Net increase in reserves	\$1,305,000

Proposed 2016 Water Rates

Current 2015 Rate Component	2015 Rate		Proposed 2016 Rate Component	2016 Rate	Change
Base Rate	\$ 9.74		Base Rate	\$ 10.00	\$0.26
Capital Improvements	\$ 13.96		Capital Improvements	\$ 14.36	\$0.40
Customer Account Fee	\$ 3.35		Customer Account Fee	\$ 3.45	\$0.10
Defensible Space	\$ 1.05		Defensible Space	\$ 1.05	-
Monthly Water Bill	\$ 28.10		Monthly Water Bill	\$ 28.86	\$0.76
Consumption	\$ 1.35		Consumption	\$ 1.39	\$0.04
1st Tier	\$ 1.02		1st Tier	\$ 0.97	(\$0.05)
2nd Tier	\$ 1.18		2nd Tier	\$ 1.23	\$0.05

Consumption, Tier 1 and Tier 2 is cost per 1000 gallons of water use

Proposed 2016 Sewer Rates

Current 2015 Rate Component	2015 Rate		Proposed 2016 Rate Component	2016 Rate	Change
Base Rate	\$ 15.81		Base Rate	\$ 16.52	\$ 0.71
Capital Improvements	\$ 28.79		Capital Improvements	\$ 29.86	\$ 1.07
Customer Account Fee	\$ 3.35		Customer Account Fee	\$ 3.45	\$ 0.10
Monthly Sewer Bill	\$ 47.95		Monthly Sewer Bill	\$ 49.83	\$ 1.88
Sewer Use Rate	\$ 2.79		Sewer Use Rate	\$ 2.90	\$ 0.11

Sewer Use is cost per 1000 gallons of water use.

Residential sewer consumption is capped in summer months.

Utility Bill History – Median User

Year	Monthly Water Charge	Monthly Sewer Charge	Total Monthly Water and Sewer Charge
2011	\$32.81	\$43.42	\$76.23
2012	\$33.97	\$46.04	\$80.01
2013	\$34.66	\$51.24	\$85.90
2014	\$35.41	\$55.75	\$91.16
2015	\$36.15	\$57.96	\$94.11
2016 Proposed	\$37.15	\$60.24	\$97.39

The breakdown of the **\$21.16** Rate Increase from 2011 to 2016 is **\$11.78** for the Effluent Export Project and **\$4.26** for other Water and Sewer CIP's, an average increase of **3.9%** per year

- **\$5.12** for Operating Cost Increases, an average increase of **1.3%** per year

Add Slide

- Add slide with different meter sizes to show how the base rates increase with increasing meter size

Utility Bill – Median User

Charge	Amount	% of Bill
Variable	\$18.70	19%
Fixed	\$33.42	34%
Capital	\$44.22	46%
Defensible Space (watershed protection)	\$1.05	1%
Total	\$97.39	100%

45% of the monthly fees are for Capital Charges

Water Rate Equity Comparison

Customer Class	Revenue as % of Water Revenue	Demand as % of Water Demands
Commercial	10.5%	10.5%
Residential	82.2%	81.3%
IVGID Facilities	5.3%	6.2%
IVGID Snowmaking	1.6%	1.8%
Misc accounts	0.4%	0.2%

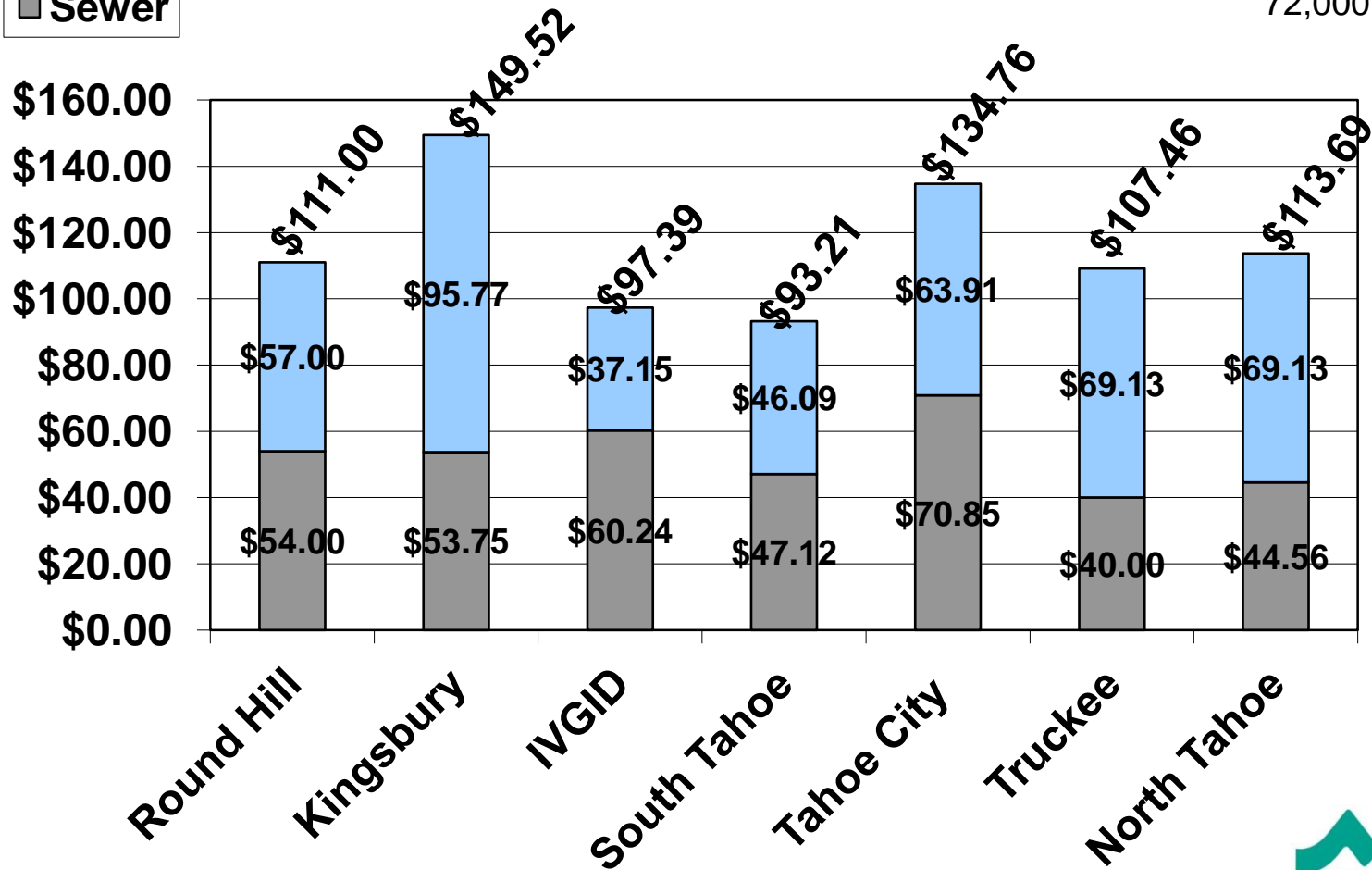
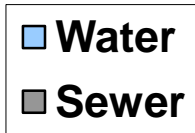
Sewer Rate Equity Comparison

Customer Class	Revenue as % of Sewer Revenue	Demand as % of Sewer Demands
Commercial	10.5%	10.2%
Residential	87.6%	88.1%
IVGID Facilities	1.4%	1.4%
IVGID Snowmaking	0%	0%
Misc accounts	0.5%	0.3%

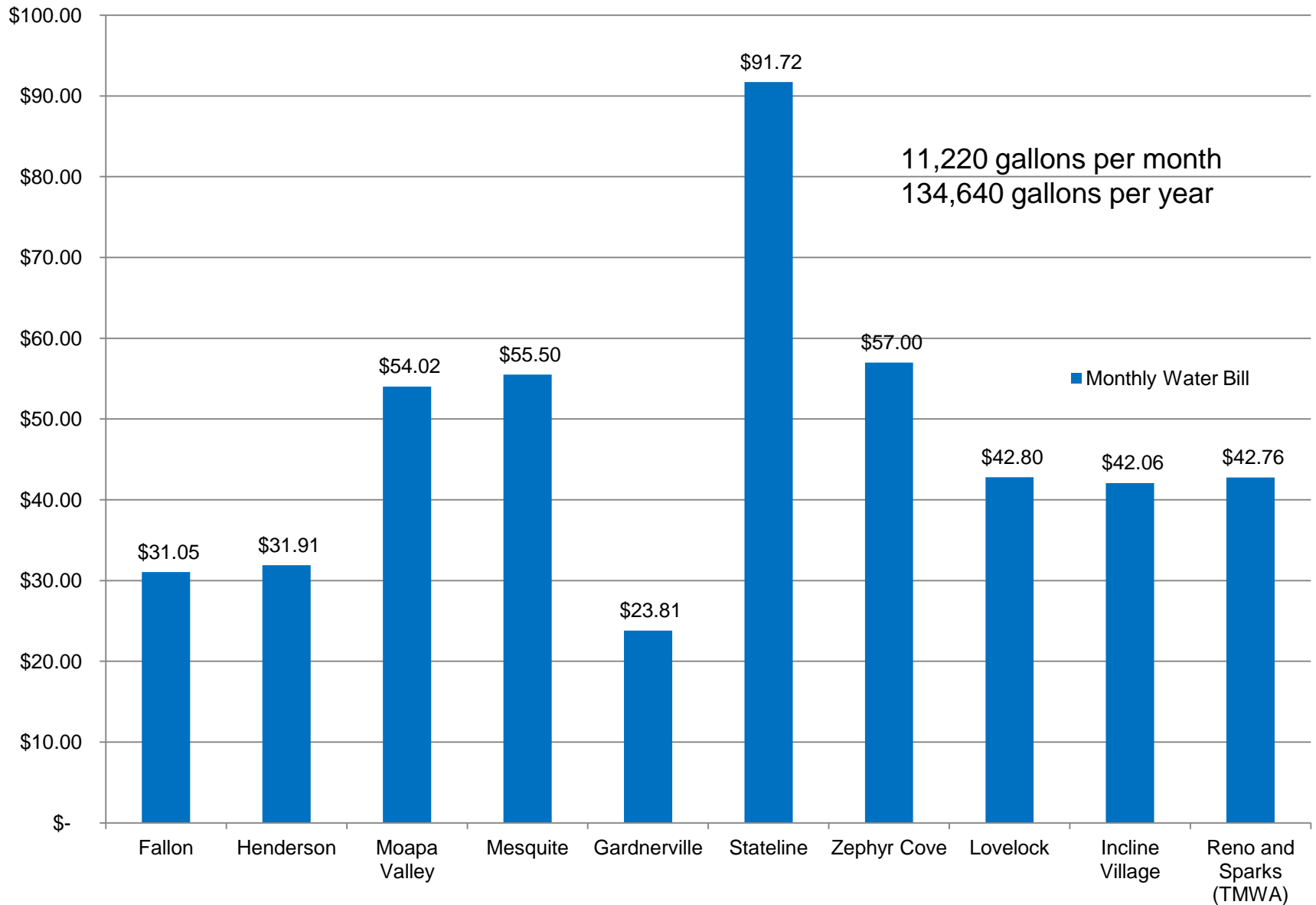
2016 Utility Bill Comparison

Single Family Average Monthly Bill
Rates applied to the Median User

6000 gallons per month
72,000 gallons per year



2015 California-Nevada Water Rate Survey (AWWA)



Federal Funding Received For CIP through 2015

- Sewer Export Project - \$15,500,000
 - Section 595 with USACE
- Water Infrastructure - \$3,346,000
 - Fire Partnership with USFS
- Received \$18,846,000 over 12 years
- Equates to \$2,095 per residential user,
Approx. \$15 per month over 12 years.

2016 Rate Study Summary

- 2016 Rate increase = 3.2%
 - Water Rate increase = 2.4%
 - Sewer Rate increase = 3.8%
- 2016-7 Revenue Increase - \$340,000
- 5-year average = 3.4% per year
- Potential 3 yr, 10% Increase, 3.3%/yr

Other Changes

- Minor Ordinance Language Changes
- No Change to User Fees (backflow, service calls, inspections)
- 5% Increase to Connection Fees for water and sewer

Utility Rate Timeline

Utility Rate Study	Date
Utility Rate Study Presentation	January 14, 2016
Utility Rate Study Presentation (if necessary)	February 4, 2016
Set Date for Public Hearing to Adopt New Utility Rates	March 3, 2016
Conduct Public Hearing and Adopt New Utility Rates	April 27, 2016
New Utility Rates go into effect	May 19, 2016

Recommendation

- That the Board of Trustees provides direction and comment to Staff on the 2016 Five Year Utility Rate Study and proposed utility rate increase for 2016.
- Direct staff to prepare documents and Ordinance 2 and Ordinance 4 amendments for a one year 3.2% utility rate increase.

Or

- Direct staff to prepare documents and Ordinance 2 and Ordinance 4 amendments for a three year 10.0% utility rate increase, average 3.3% utility rate increase per year.

Or

- Direct staff to bring back other options for the February 4, 2016 Board Workshop as specified by the Board.