



**Utility Rate Study Presentation
February 25, 2015
Joe Pomroy**

Summary

- Public Works Management
- Infrastructure Report Card
- Watermain Replacement Strategy
- Rate Study Financials
- Water and Sewer Rates
- Rate Comparisons
- Timeline

Public Works Management

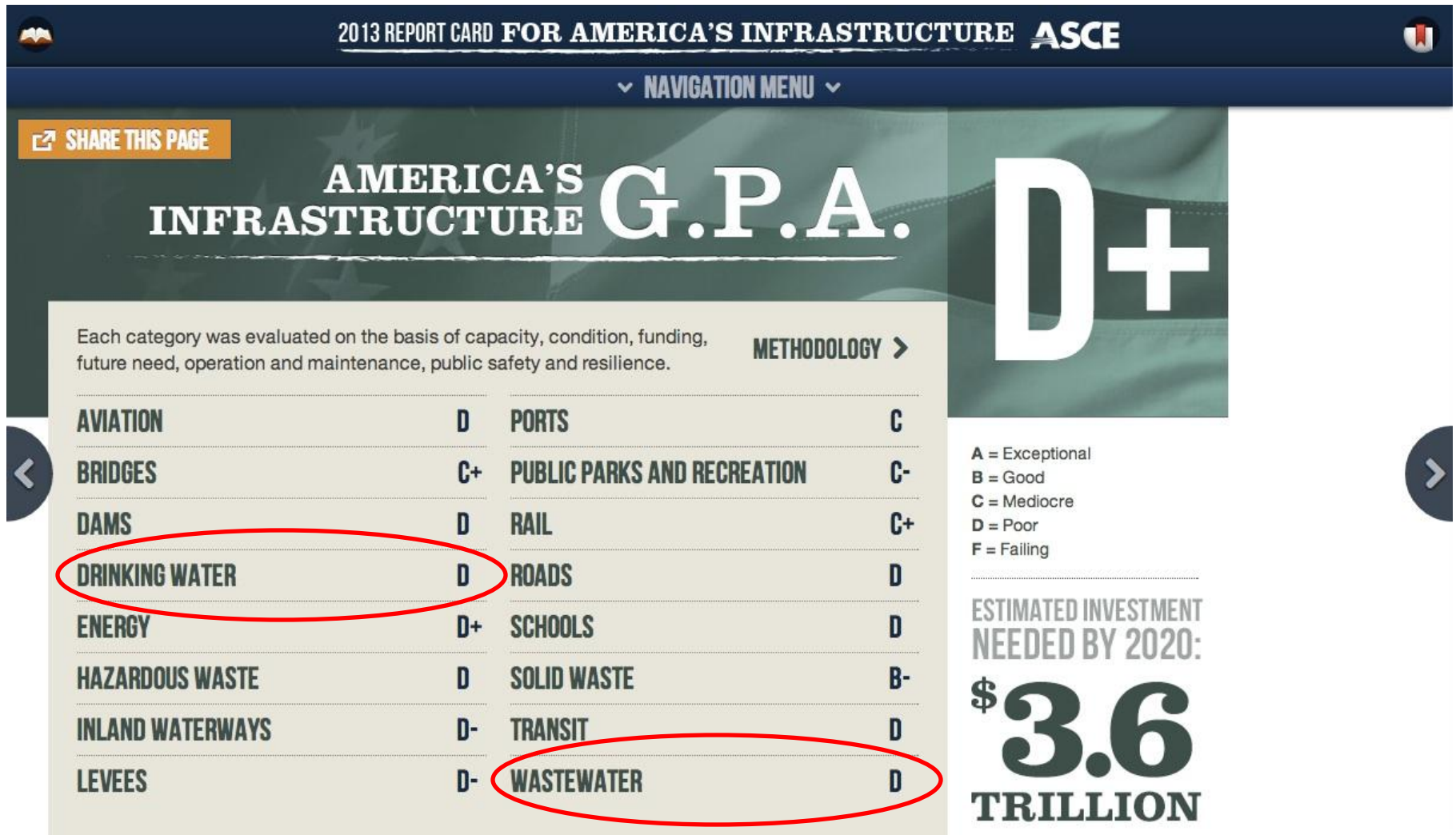
- District Strategic Plan
 - Mission, Vision, Goals and Objectives, Culture Training, & Customer Service Training
- Industry Best Practices
 - Effective Utility Management
 - AWWA Best Practice Manuals
 - Professional Organizations, AWWA & WEF
 - Industry Peers
 - Benchmarking and Performance Measures

Effective Utility Management



Taken from the Effective Utility Management Primer

ASCE Infrastructure Report Card



District Report Card

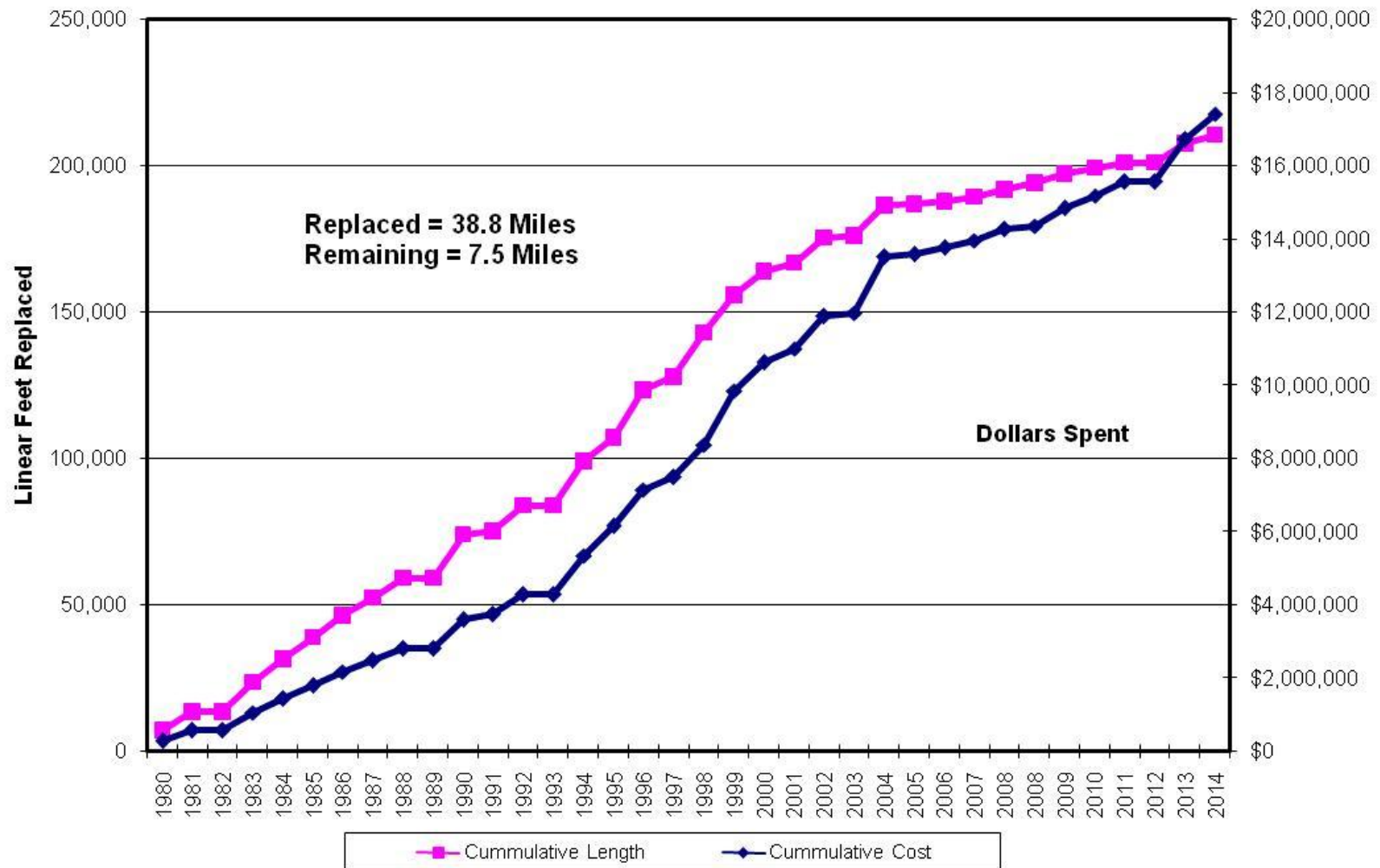
Facility	1992 Grade	2015 Grade
Water Treatment Plant	C-	A+
Wastewater Treatment Plant	A+	B-
Wastewater Collection (Sewer mains)	B+	A-
Water Distribution (Watermains)	B-	B+
Water Pumping	A-	B+
Wastewater Pumping	B+	C+

Things from the 1960s



35 Years of Watermain Replacement

Watermain Replacement CIP



Watermain Report Card - 1995

Pipe Type	Miles of Pipe	Percent of Total Pipe Miles	Condition Score	Condition Grade
Concrete Pipe	49.0	50%	91	A-
PVC	6.4	6%	98	A+
Ductile Iron	10.3	10%	96	A
Original Steel	30.0	31%	60	D-
Welded Steel	2.6	3%	84	B
	98.2	100%	Overall	B-

Watermain Report Card - 2015

Pipe Type	Miles of Pipe	Percent of Total Pipe Miles	Condition Score	Condition Grade
Concrete Pipe	49.0	47%	85	B
PVC	20.3	20%	97	A
Ductile Iron	23.8	23%	95	A
Original Steel	7.5	7%	60	D-
Welded Steel	2.6	3%	85	B
	103.2	100%	Overall	B+

Watermain Leaks and Breaks

Year	Watermain Leak (minor)	Watermain Break (major)
2010	16	2
2011	21	3
2012	31	2
2013	39	2
2014	29	1

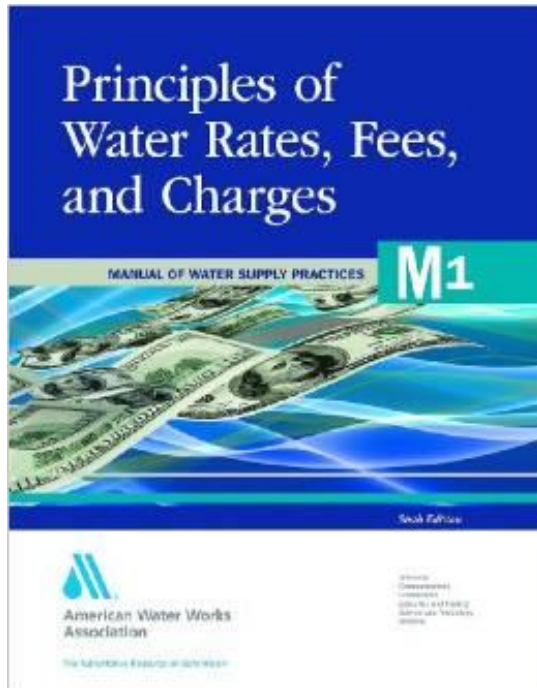
Watermain Leaks and Breaks

- 5 Concrete watermain breaks
- 1 PVC watermain breaks (pipe defect)
- 1 Ductile Iron watermain breaks (pre 1980 pipe)
- 139 Steel watermain leaks and 3 breaks

Pipe Types	Breaks/Leaks 2010-2014	Average Annual Breaks/Leaks	Annual Average Per 100 Miles
Concrete	5	1	2
PVC	1	0	1
Ductile Iron	1	0	1
Original Steel	142	28	379

Industry annual average is 11 breaks per 100 miles.

AWWA Standards Manual



- Industry best practices
- Guiding document – 60 years
- 300 pages of rate Info
- Price Signaling
- Commodity demand method
- Increasing block rate structure

2015 Rate Study

- Capital Infrastructure Driven
- Water Rates - ↑2.0%
- Sewer Rates - ↑4.0%
- Overall Rates - ↑3.2%
- Increase Across All Rate Components
- Average 3.3% Increase for Next 5 Years

Operating Revenues and Expenses

5-Year Plan	2015-16	2016-17	2017-18	2018-19	2019-20	5-Yr Sum
Operating Revenue	6,354,000	6,552,000	6,756,000	6,967,000	7,186,000	\$33,815,000
Operating Expense	(6,607,000)	(6,812,000)	(7,022,000)	(7,238,000)	(7,438,000)	(\$35,117,000)
					Subtotal	(\$1,302,000)

Does not include depreciation

Operating Revenue Increases on average 3.2% per year.

Operating Expense Increases on average 3.1% per year.

Capital Revenues and Expenses

5-Year Plan	2015-16	2016-17	2017-18	2018-19	2019-20	5-Yr Sum
Capital Revenue	4,557,000	4,722,000	4,893,000	5,070,000	5,255,000	\$24,497,000
Capital Expense	(4,196,000)	(4,943,000)	(4,525,000)	(4,157,000)	(4,642,000)	(\$22,463,000)
					Subtotal	\$2,034,000

Export Project = Currently Accumulating \$2 million per/year
 Capital Revenue Increases on average 3.6% per year.
 Note 1 - Capital Expense is net of grants and debt proceeds.

Total Revenues and Expenses

2015 Five Year Rate Study	5-Year Total
Operating and Capital Revenue	\$58,312,000
Operating and Capital Expense	(\$57,580,000)
Net increase in reserves	\$732,000

Impacts to Uncommitted Utility Reserves

July 1, 2014 Reserve Balance	\$2.5 Million
July 1, 2020 Reserve Balance	\$3.3 Million
Target Reserve Balance	\$5.0 Million

Proposed 2015 Water Rates

2014 Rate Component	2014 Rate		2015 Rate Component	2015 Rate	Year to Year Change
Base Rate	\$ 9.55		Base Rate	\$ 9.74	\$0.19
Capital Improvements	\$ 13.69		Capital Improvements	\$ 13.96	\$0.27
Customer Account Fee	\$ 3.25		Customer Account Fee	\$ 3.35	\$0.10
Defensible Space	\$ 1.05		Defensible Space	\$ 1.05	-
Monthly Water Bill	\$ 27.54		Monthly Water Bill	\$ 28.10	\$0.56
Consumption	\$ 1.32		Consumption	\$ 1.35	\$0.03
1st Tier	\$ 1.00		1st Tier	\$ 1.02	\$0.02
2nd Tier	\$ 1.16		2nd Tier	\$ 1.18	\$0.02

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

Proposed 2015 Sewer Rates

2014 Rate Component	2014 Rate		2015 Rate Component	2015 Rate	Change
Base Rate	\$ 15.20		Base Rate	\$ 15.81	\$ 0.61
Capital Improvements	\$ 27.68		Capital Improvements	\$ 28.79	\$ 1.11
Customer Account Fee	\$ 3.25		Customer Account Fee	\$ 3.35	\$ 0.10
Monthly Sewer Bill	\$ 46.13		Monthly Sewer Bill	\$ 47.95	\$ 1.82
Consumption	\$ 2.68		Variable Rate	\$ 2.79	\$ 0.11

Consumption is cost per 1000 gallons of water use.

Residential sewer consumption is capped in summer months.

Utility Bill History – Median User

Year	Monthly Water and Sewer Bill
2008	\$67
2009	\$67
2010	\$68
2011	\$75
2012	\$80
2013	\$86
2014	\$91
2015	\$94

The breakdown of the **\$27** Rate Increase from 2008 to 2015 is:

- \$14** for the Effluent Export Project and **\$4** for other Water and Sewer CIP's,
an average increase of **3.5%** per year
- **\$9** for Operating Cost Increases, an average increase of **1.7%** per year

Utility Bill – Median User

Charge	Amount	% of Bill
Variable	\$18.08	19%
Fixed	\$32.25	34%
Capital	\$42.75	45%
Defensible Space	\$1.05	1%
Total	\$94.13	100%

45% of the monthly fees are for Capital Charges

Water Rate Equity Comparison

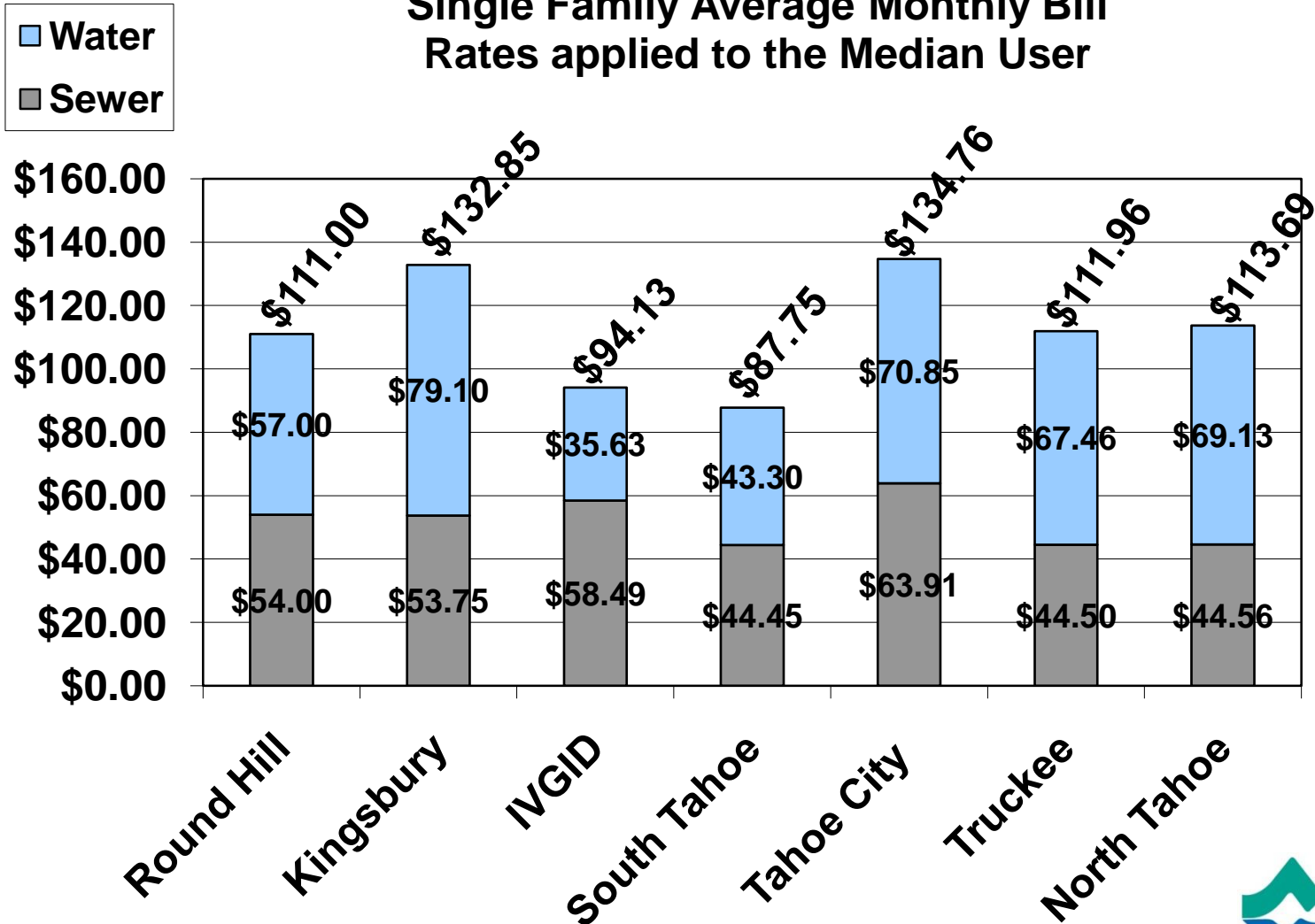
Customer Class	Revenue as % of Water Revenue	Demand as % of Water Demands
Commercial	10.5%	10.5%
Residential	82.2%	81.3%
IVGID Facilities	5.3%	6.2%
IVGID Snowmaking	1.6%	1.8%
Misc accounts	0.4%	0.2%

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%

2015 Utility Bill Comparison

Single Family Average Monthly Bill
Rates applied to the Median User



2013 AVERAGE MONTHLY WATER CHARGES COMPARISON BY COUNTY

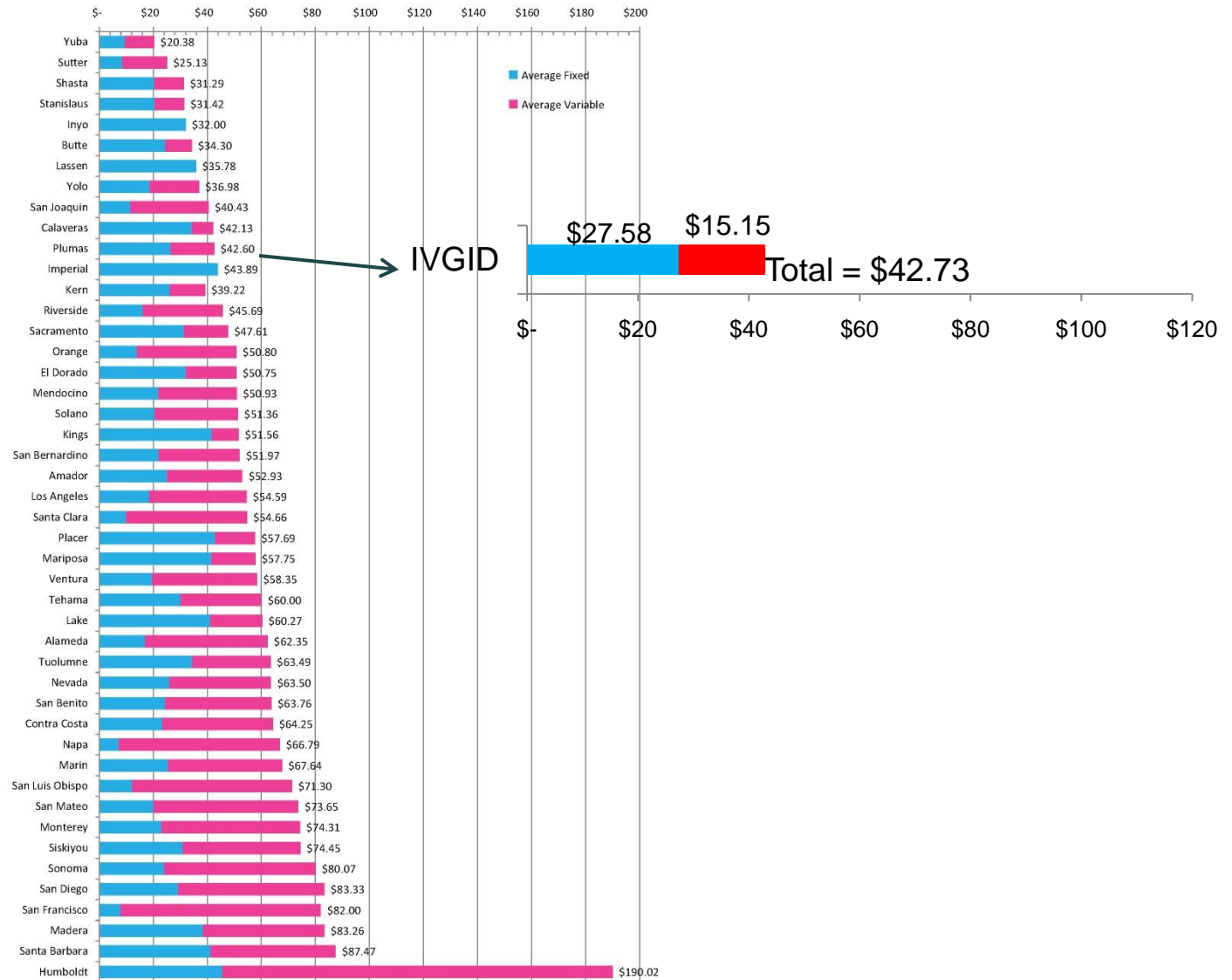
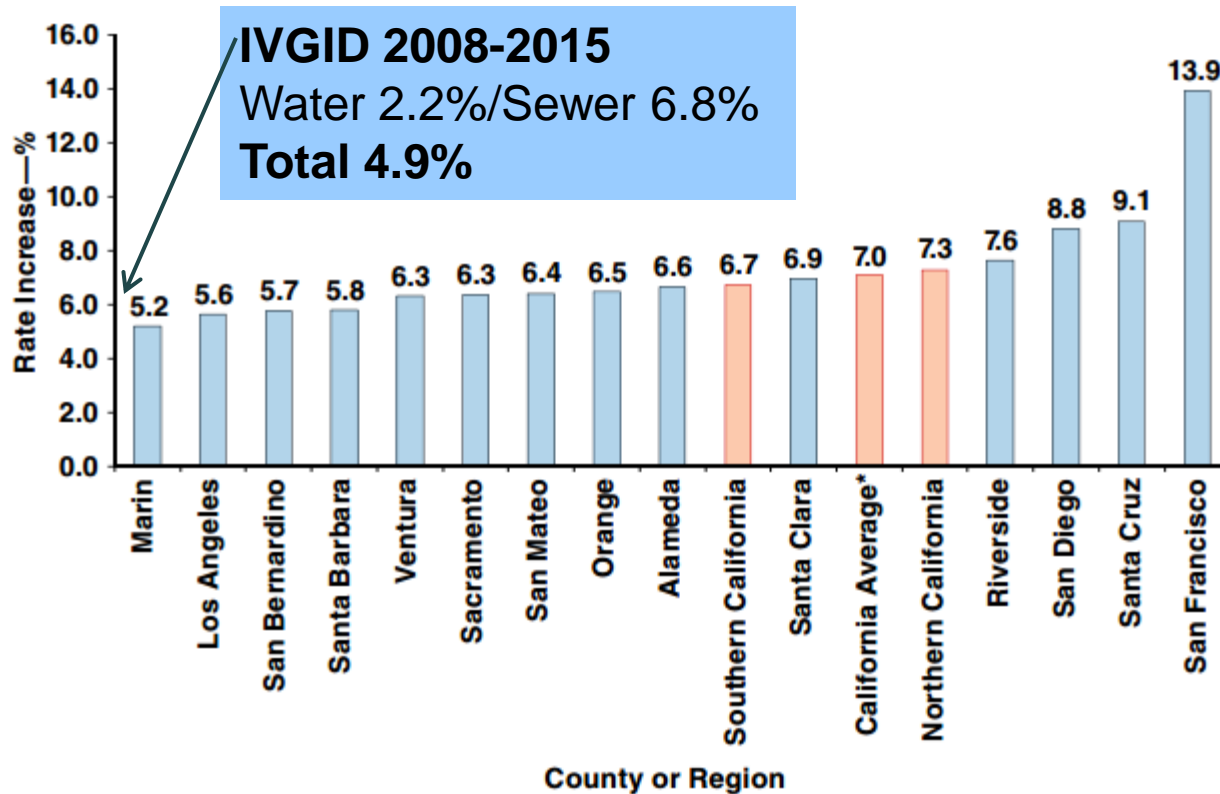


Figure K: 2013 Average Monthly Water Charges Comparison by County in California

Figure K shows the average monthly rate for 15 ccf by county. Based on our survey, the highest rates are found in Humboldt County, while the lowest rates are in Yuba County. Only one agency responded for Humboldt County.

FIGURE 2 Annualized rate increases of all counties 2003–2013 *Water Rates Only



*“California Average” represents the full dataset, from the 10 years of surveys, that has more than the 14 counties called out in the analysis.

Federal Funding Received For CIP through 2014

- Sewer Export Project - \$15,500,000
 - Section 595 with USACE
- Water Infrastructure - \$3,100,000
 - Fire Partnership with USFS
- Received \$18,600,000 over 11 years
- Equates to \$2,067 per residential user, Approx. \$16 per month over 11 years.

2015 Rate Study Summary

- 2015 Rate increase = 3.2%
 - Water Rate increase = 2.0%
 - Sewer Rate increase = 4.0%
- 2015-16 Revenue Increase - \$330,000
- 5-year average = 3.3% per year

Other Changes

- No Ordinance Language Changes
- No Change to User Fees
(backflow, service calls, inspections)

Utility Rate Timeline

- **February 25, 2015** - Set Public Hearing Date for Proposed Water and Sewer Ordinance Amendments and Utility Rate Structure for April 29, 2015
- **April 29, 2015** - Conduct Public Hearing for Proposed Water and Sewer Ordinance Amendments and Utility Rate Structure
- **April 29, 2015** — General Business Item on Water and Sewer Ordinance Amendments
- **May 19, 2015** – Implement New Rates with May Bills if Approved