



*2020/21 Water Rate Study
Board Presentation
May 5th, 2021*



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Summary of Key Points

- Water enterprise is a self-supporting enterprise
 - Revenues must be adequate to fund the costs of providing service
- Last rate study was in March 2012; Adopted 4 years of rates increases through January 1, 2016
- Water enterprise is facing significant capital projects, including \$7.3 MM water meter project and \$1.8 MM of water line replacements over the next 10 years
- 2020/21 Study includes rate increases for the next 5 years. Rate increases will be effective July 1 of each year, beginning in 2021 through 2026.

History of Water Rates

Residential Water Rates					
	Prop 218 Notice Rates				Current
	1-Jan-13	1-Jan-14	1-Jan-15	1-Jan-16	
	Rates	Rates	Rates	Rates	
Water Use Base per Month					
When Metered Includes 10 HCF	\$13.80	\$16.60	\$19.90	\$23.90	\$23.84
Flat Rate Per Month (Unmetered)	\$13.80	\$16.60	\$19.90	\$23.90	\$23.84
Consumption Charge Per HCF (Metered)	\$0.48	\$0.58	\$0.69	\$0.83	\$0.84
Commercial Water Rates					
Water Use Base per Month					
1" Meter and below	\$13.80	\$16.60	\$19.90	\$23.90	\$23.84
1 1/2" Meter	\$15.60	\$18.70	\$22.50	\$27.00	\$26.95
2" Meter	\$22.80	\$27.30	\$32.80	\$39.40	\$39.39
3" Meter	\$32.40	\$38.90	\$46.70	\$56.05	\$55.98
4" Meter	\$42.00	\$50.40	\$60.40	\$72.40	\$72.57
6" Meter	\$61.20	\$73.50	\$88.20	\$105.90	\$105.74
8" Meter	-	-	-	-	\$119.74
Consumption Charge Per HCF	\$0.48	\$0.58	\$0.69	\$0.83	\$0.84

HCF = Hundred Cubic Feet

History of Water Rates (Continued)

	Prop 218 Notice Rates				Current
	1-Jan-13	1-Jan-14	1-Jan-15	1-Jan-16	
Landscape Water Rates					
Water Use Base per Month					
3/4" to 2" meter	\$10.80	\$12.90	\$15.40	\$18.50	-
Flat Rate Per Month (Unmetered)	\$10.80	\$12.90	\$15.40	\$18.50	\$23.87
Consumption Charge Per HCF	\$0.48	\$0.58	\$0.69	\$0.83	\$0.84
Proposed Institutional (School) Water Rates					
School Special per Month (1)	\$32.40	\$38.88	\$46.60	\$55.99	N/A
	\$44.40	\$53.28	\$63.94	\$76.73	N/A
	\$70.80	\$84.96	\$101.95	\$122.34	N/A
	\$124.80	\$149.76	\$179.71	\$215.65	N/A
Fire line Services					
Base Rate/Amount- Fire line services are a flat rate monthly charge.					
2" Line	N/A	N/A	N/A	N/A	\$12.96
3" Line	N/A	N/A	N/A	N/A	\$13.78
4" Line	N/A	N/A	N/A	N/A	\$14.00
6" Line	N/A	N/A	N/A	N/A	\$19.02
8" Line	N/A	N/A	N/A	N/A	\$24.04
10" Line	N/A	N/A	N/A	N/A	\$24.87
1 Adjusted annually based on study enrollment					



Cash Fund Reserves, July 1st 2020

<u>Account</u>	<u>Balance As of July 1st, 2020</u>
General Checking	\$406,301
Payroll	\$43,387
Savings	\$1,104,952
Restricted funds	\$279,052
LAIIF (also Restricted)	<u>\$471,188</u>
	\$2,304,880
Unrestricted Cash	\$1,554,640
Legal Expense Fund	\$235,000
Total Cash	\$1,319,640

Why a Rate Increase is Needed

- Operations & maintenance
- Capital improvement plan (CIP)
- Includes \$8.3MM of projects over the next 5 years
- District will likely need to fund the water meter project with a loan
- To obtain financing, City must adopt rates to show ability to repay future debt service

Capital Projects – Water Meter Project

Project Name & Description	Totals
<u>Water Meter Project</u>	
1. 8" Water Main & Appurtenances	\$901,600
2. Construct Meter Stop, Meter, and Meter Box on Existing Service at Front of House	\$1,591,200
3. Construct New 1" Water Service including Meter and Meter Box and Tie-in to Existing Service Line at Front of House	\$972,400
4. Construct On-site Plumbing to Tie-in New Water Service to Existing Plumbing at Rear of House	<u>\$1,056,000</u>
Subtotal	\$4,521,200
Contingencies 15%	\$678,180
Total	\$5,199,380
Preliminary Engineering and Environmental @ 25%	\$1,299,845
Construction Management @ 15%	\$779,907
Estimated Costs (rounded)	\$7,280,000
Source: General Information Package	



Capital Projects – Water Main Replacements

Street	From	To	Approx. Length (ft.)	Est. Cost
Los Altos	Effie	Clark	660	\$125,400
Diana	Magill	Los Altos	1,000	\$190,000
Magill	Effie	Diana	330	\$62,700
Birch	Thorne	Harrison	660	\$125,400
Farris	Locust	Spruce	420	\$79,800
Clark	Herndon	Los Altos	1,550	\$294,500
Herndon	Clark	Effie	420	\$79,800
Locust	Ingram	San Pablo	1,970	\$374,300
Total			7,010	\$1,331,900
15% contingencies				\$199,785
Subtotal				\$1,531,685
20% Engineering PS & E				\$306,337
Total costs for line replacements				\$1,838,022
10 - Year Annual Cost:				\$183,802

Key Rate Structure Recommendations

- Align meter charges based on American Water Works Association (AWWA) standard meter capacity ratios
- Eliminate 10 hundred cubic foot allotment for metered customers
- Combine commercial, landscape, and institutional rates into “Non Residential” category
- Charge unmetered residential users based on square footage and dwelling units to promote rate equity.

Key Changes From Last Presentation

- Calculated rate for single family residential based on one dwelling unit and lot size with 5 categories:
 - 0 through 5,000 Square Foot Lot: 54 lots
 - 5,001 through 7,000 Square Foot Lot: 580 lots
 - 7,001 through 11,000 Square Foot Lot: 804 lots (~50%)
 - 11,001 through 17,000 Square Foot Lot: 146 lots
 - Over 17,000 Square Foot Lot: 73 lots
- Multi-unit residential are recommended to be charged a rate based on dwelling units and lot size
- Rates are based on estimated water usage for landscaping for each lot size category. Dwelling unit usage is estimated based on an average of 3 residents per unit using 55 gallons per day per person.

Proposed Rate Scenario 1 – Pay for Meter Project

	<u>Current Rates*</u>	<u>Proposed Rates</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
Unmetered Commercial	\$23.84	\$23.84	\$25.86	\$28.06	\$30.45	\$33.03	\$35.84
Unmetered Landscape	\$23.87	\$23.84	\$25.86	\$28.06	\$30.45	\$33.03	\$35.84
Unmetered Residential, Per ESU	\$23.84	-	-	-	-	-	-
Unmetered Single Family Residential Per Lot							
0 through 5,000 Square Foot Lot		\$21.01	\$22.79	\$24.73	\$26.83	\$29.11	\$31.59
5,001 through 7,000 Square Foot Lot		\$22.43	\$24.34	\$26.41	\$28.66	\$31.09	\$33.73
7,001 through 11,000 Square Foot Lot		\$23.94	\$25.97	\$28.18	\$30.57	\$33.17	\$35.99
11,001 through 17,000 Square Foot Lot		\$25.83	\$28.03	\$30.41	\$33.00	\$35.80	\$38.84
Over 17,000 Square Foot Lot		\$32.06	\$34.78	\$37.74	\$40.94	\$44.42	\$48.20
Unmetered Multi Unit Residential							
Per Unit		\$16.00	\$17.36	\$18.83	\$20.43	\$22.17	\$24.05
Per Square 1K Foot of Lot Size		\$2.71	\$2.94	\$3.19	\$3.46	\$3.75	\$4.07
All Metered Users							
Metered Residential, Per ESU	\$23.84	\$18.28	\$19.83	\$21.51	\$23.34	\$25.33	\$27.48
Non Residential, by Meter Size							
¾"	\$23.84	\$18.28	\$19.83	\$21.51	\$23.34	\$25.33	\$27.48
1"	\$23.84	\$18.28	\$19.83	\$21.51	\$23.34	\$25.33	\$27.48
1 ½"	\$26.95	\$36.55	\$39.66	\$43.03	\$46.69	\$50.65	\$54.96
2"	\$39.39	\$58.48	\$63.45	\$68.85	\$74.70	\$81.05	\$87.94
3"	\$55.98	\$109.65	\$118.97	\$129.09	\$140.06	\$151.96	\$164.88
4"	\$72.57	\$182.76	\$198.29	\$215.15	\$233.43	\$253.27	\$274.80
Fire Lines:							
Meter Size							
2"	\$12.96	\$11.70	\$12.69	\$13.77	\$14.94	\$16.21	\$17.59
4"	\$14.00	\$36.55	\$39.66	\$43.03	\$46.69	\$50.65	\$54.96
6"	\$19.02	\$73.10	\$79.32	\$86.06	\$93.37	\$101.31	\$109.92
8"	\$24.04	\$116.96	\$126.91	\$137.69	\$149.40	\$162.10	\$175.87
Volumetric Charges							
All Use Rate (HCF)		\$0.56	\$0.60	\$0.65	\$0.71	\$0.77	\$0.84
Rate, 10 HCF Allotment	\$0.84						
*Additional \$0.91 per month per account charge for meter reading recommended when meters are installed							
**Current commercial volumetric rates include first 10 HCF. Proposed rates eliminate allowance and charge each unit of water							

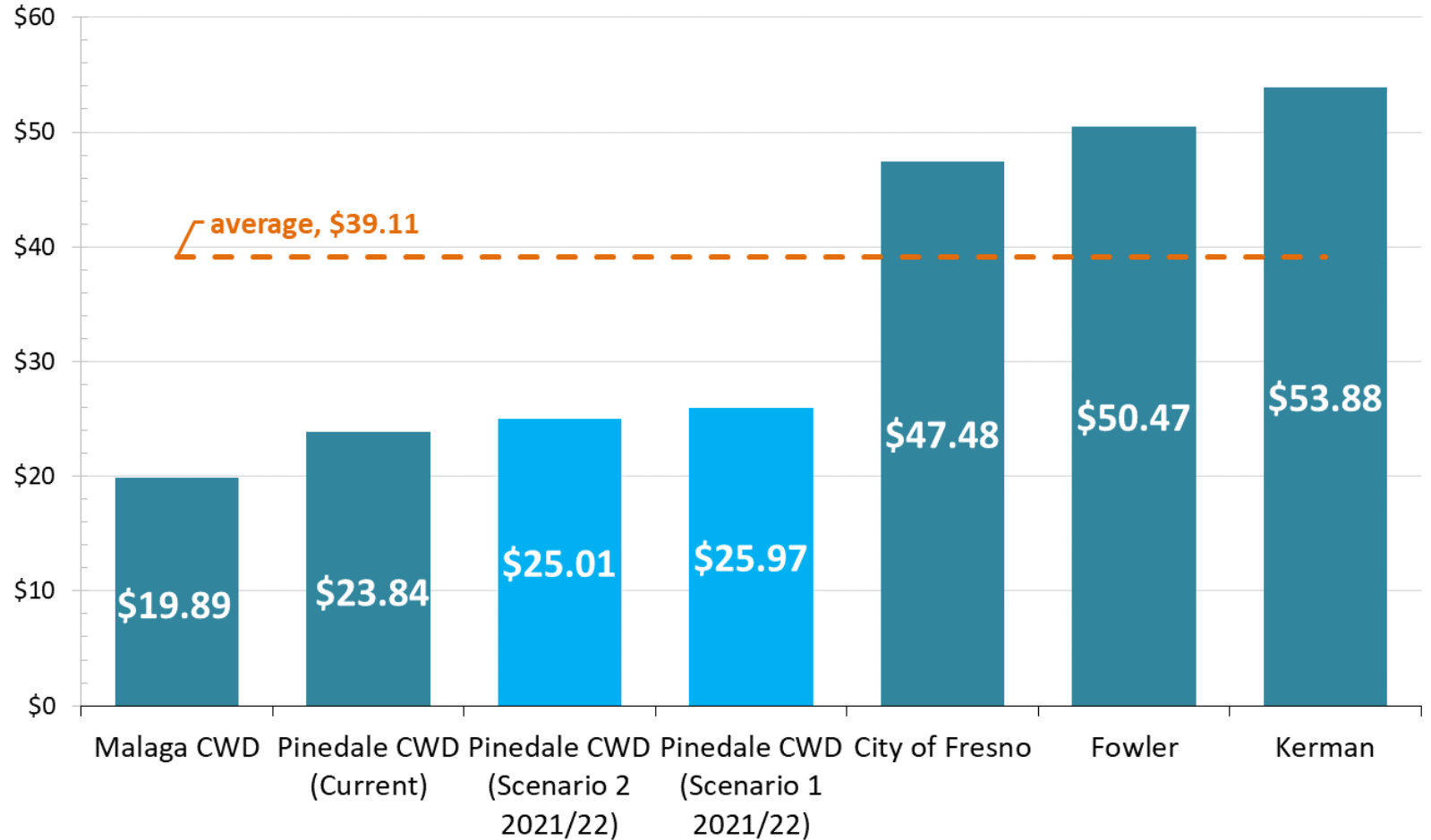
Proposed Rate Scenario 2 – No Meter Project Cost

	Current Rates*	Proposed Rates	2021/22	2022/23	2023/24	2024/25	2025/26
Unmetered Commercial	\$23.84	\$23.84	\$24.91	\$26.03	\$27.20	\$28.43	\$29.70
Unmetered Landscape	\$23.87	\$23.84	\$24.91	\$26.03	\$27.20	\$28.43	\$29.70
Unmetered Residential, Per ESU	\$23.84	-	-	-	-	-	-
Unmetered Single Family Residential Per Lot							
0 through 5,000 Square Foot Lot		\$21.01	\$21.95	\$22.94	\$23.97	\$25.05	\$26.18
5,001 through 7,000 Square Foot Lot		\$22.43	\$23.44	\$24.50	\$25.60	\$26.75	\$27.96
7,001 through 11,000 Square Foot Lot		\$23.94	\$25.01	\$26.14	\$27.32	\$28.54	\$29.83
11,001 through 17,000 Square Foot Lot		\$25.83	\$27.00	\$28.21	\$29.48	\$30.81	\$32.19
Over 17,000 Square Foot Lot		\$32.06	\$33.50	\$35.01	\$36.58	\$38.23	\$39.95
Unmetered Multi Unit Residential							
Per Unit		\$16.00	\$16.72	\$17.47	\$18.25	\$19.08	\$19.93
Per Square 1K Foot of Lot Size		\$2.71	\$2.83	\$2.96	\$3.09	\$3.23	\$3.37
All Metered Users							
Metered Residential, Per ESU	\$23.84	\$18.28	\$19.10	\$19.96	\$20.86	\$21.79	\$22.77
Non Residential, by Meter Size							
¾"	\$23.84	\$18.28	\$19.10	\$19.96	\$20.86	\$21.79	\$22.77
1"	\$23.84	\$18.28	\$19.10	\$19.96	\$20.86	\$21.79	\$22.77
1 ½"	\$26.95	\$36.55	\$38.20	\$39.91	\$41.71	\$43.59	\$45.55
2"	\$39.39	\$58.48	\$61.11	\$63.86	\$66.74	\$69.74	\$72.88
3"	\$55.98	\$109.65	\$114.59	\$119.74	\$125.13	\$130.76	\$136.65
4"	\$72.57	\$182.76	\$190.98	\$199.57	\$208.56	\$217.94	\$227.75
Fire Lines:							
Meter Size							
2"	\$12.96	\$11.70	\$12.22	\$12.77	\$13.35	\$13.95	\$14.58
4"	\$14.00	\$36.55	\$38.20	\$39.91	\$41.71	\$43.59	\$45.55
6"	\$19.02	\$73.10	\$76.39	\$79.83	\$83.42	\$87.18	\$91.10
8"	\$24.04	\$116.96	\$122.23	\$127.73	\$133.48	\$139.48	\$145.76
Volumetric Charges							
All Use Rate (HCF)		\$0.56	\$0.58	\$0.61	\$0.63	\$0.66	\$0.69
Rate, 10 HCF Allotment	\$0.84						
*Additional \$0.91 per month per account charge for meter reading recommended when meters are installed							
**Current commercial volumetric rates include first 10 HCF. Proposed rates eliminate allowance and charge each unit of water							

Volumetric Phase In Options

- **Option 1 (Selected):** Conduct one year of mock billing after meters are installed. Charge full volumetric rate after the first year.
 - Pros: Customers can see their usage and hypothetical bills, which will encourage conservation, fixing of leaks, etc
 - Cons: Customers may ignore the mock bills if they don't have to pay them
- **Option 2:** Phase in residential volumetric rate versus fixed rate component over 5 years beginning when meters are installed.
 - Pros: Customers will not get hit with high usage bills as rates are slowly phased in, but will gradually receive a conservation signal
 - Cons: More difficult to explain changing rates to customers. Customers may be slower to conserve.
- In both options, BWA recommends adjusting volumetric rates after total District usage is known to avoid exceeding revenue requirements

Single Family Residential Monthly Water Rate Survey (17 HCF)



*assumes 17 hcf monthly usage and 8,000 square foot lot

Schedule

April 2021

- Rate workshop with Board

May 2021

- Board Meeting - Board Approves Resolution of intention, Initiating Proceedings & Set the Public Hearing

June 2021

- Board Meeting – Board Considers Final Approval of Rate, Counting Protest & Adopt Resolution Implementing Five Year Rates Schedule

July 1, 2021

- Effective Date of New Water Rates

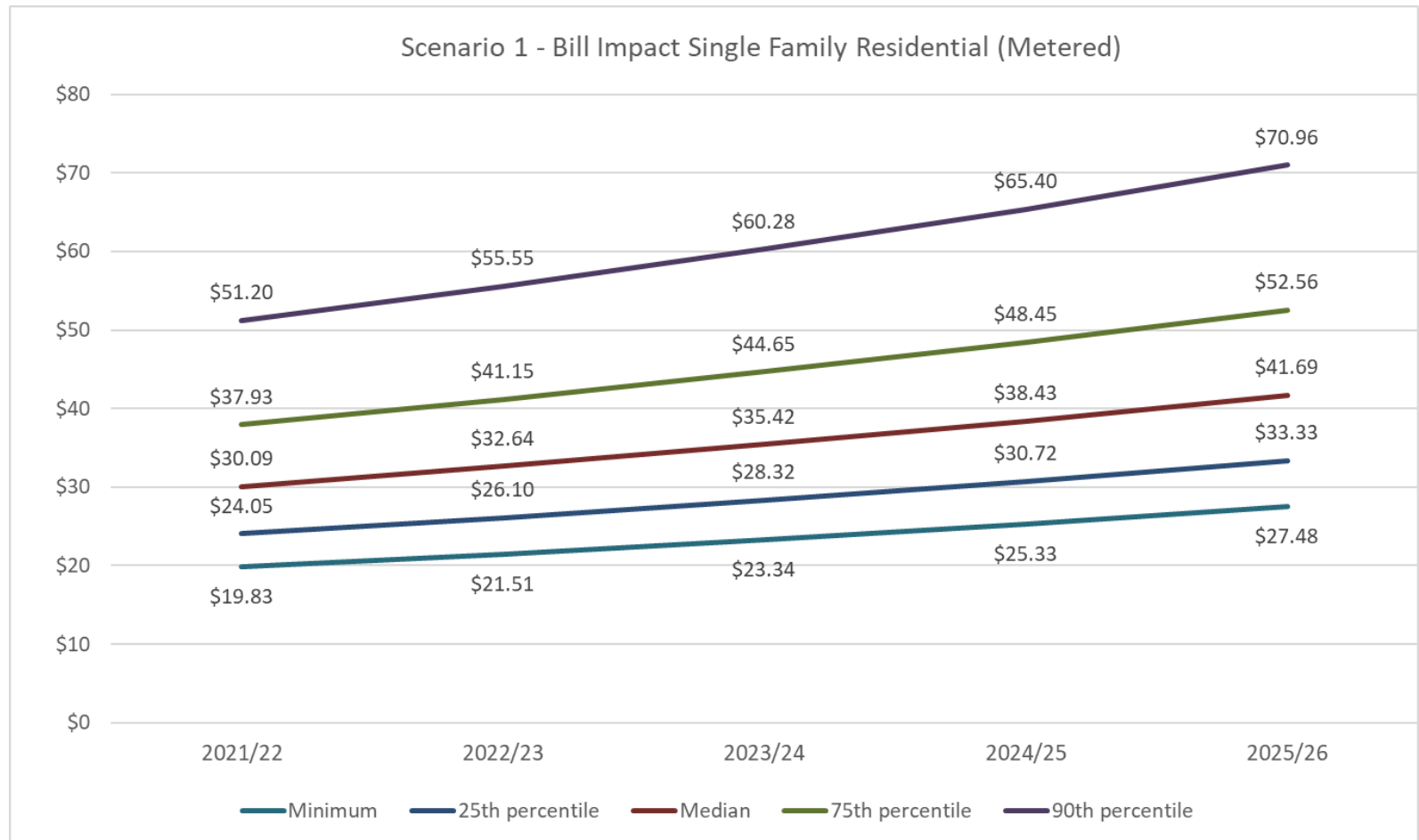


Questions and Comments?

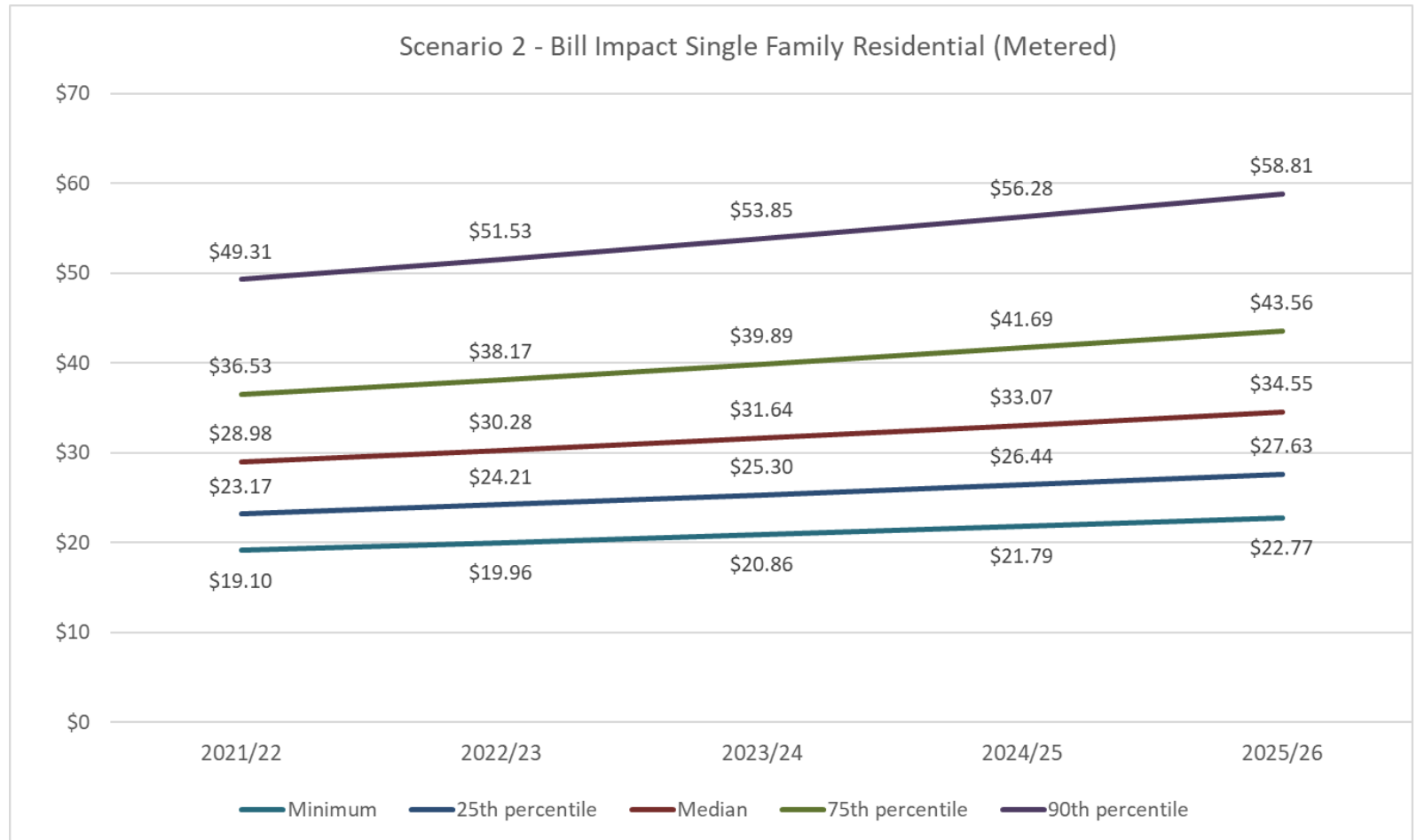


Appendix Slides

Scenario 1 – Metered Bill Impacts Based on Regional Usage

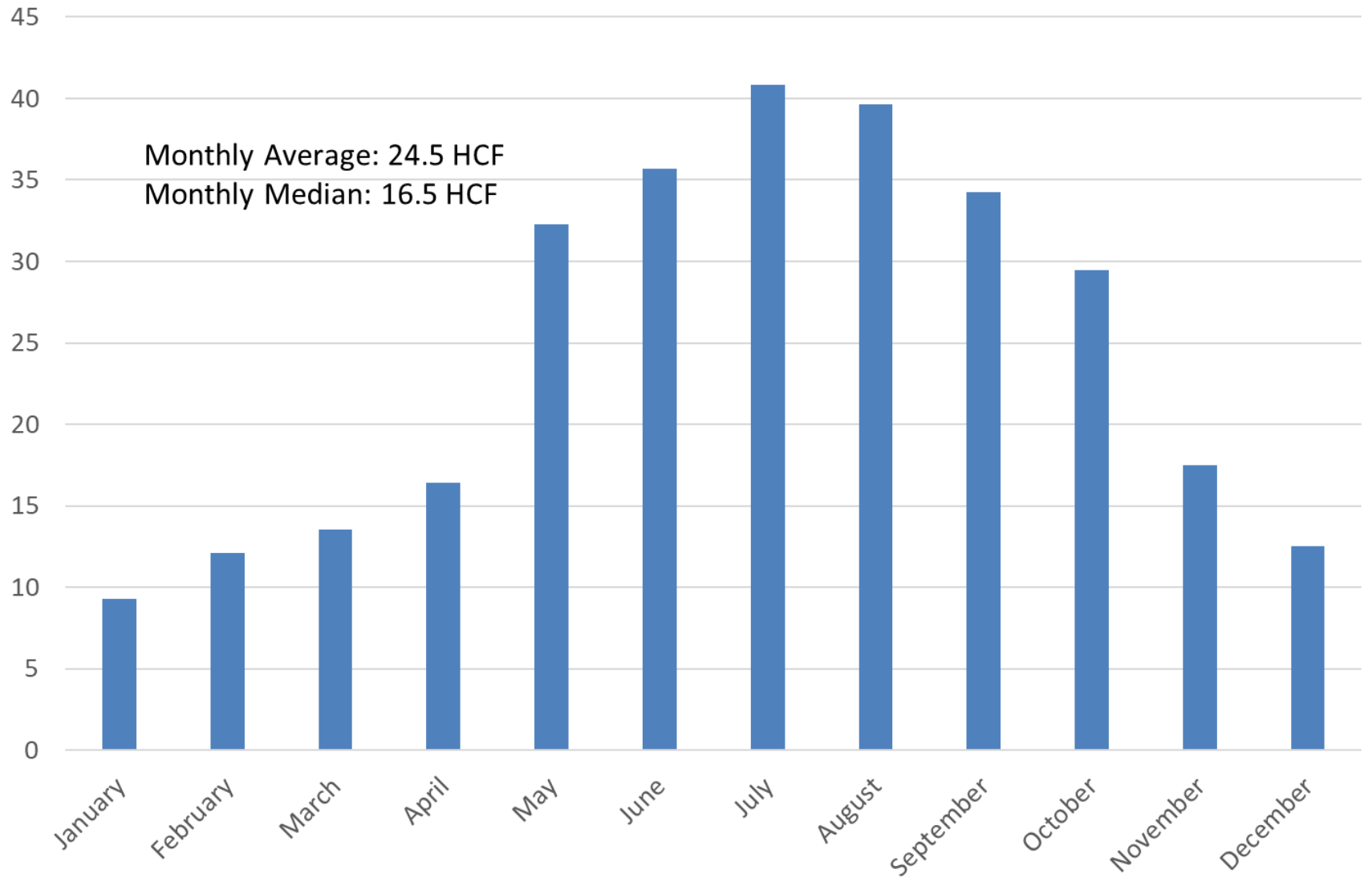


Scenario 2 – Metered Bill Impacts Based on Regional Usage

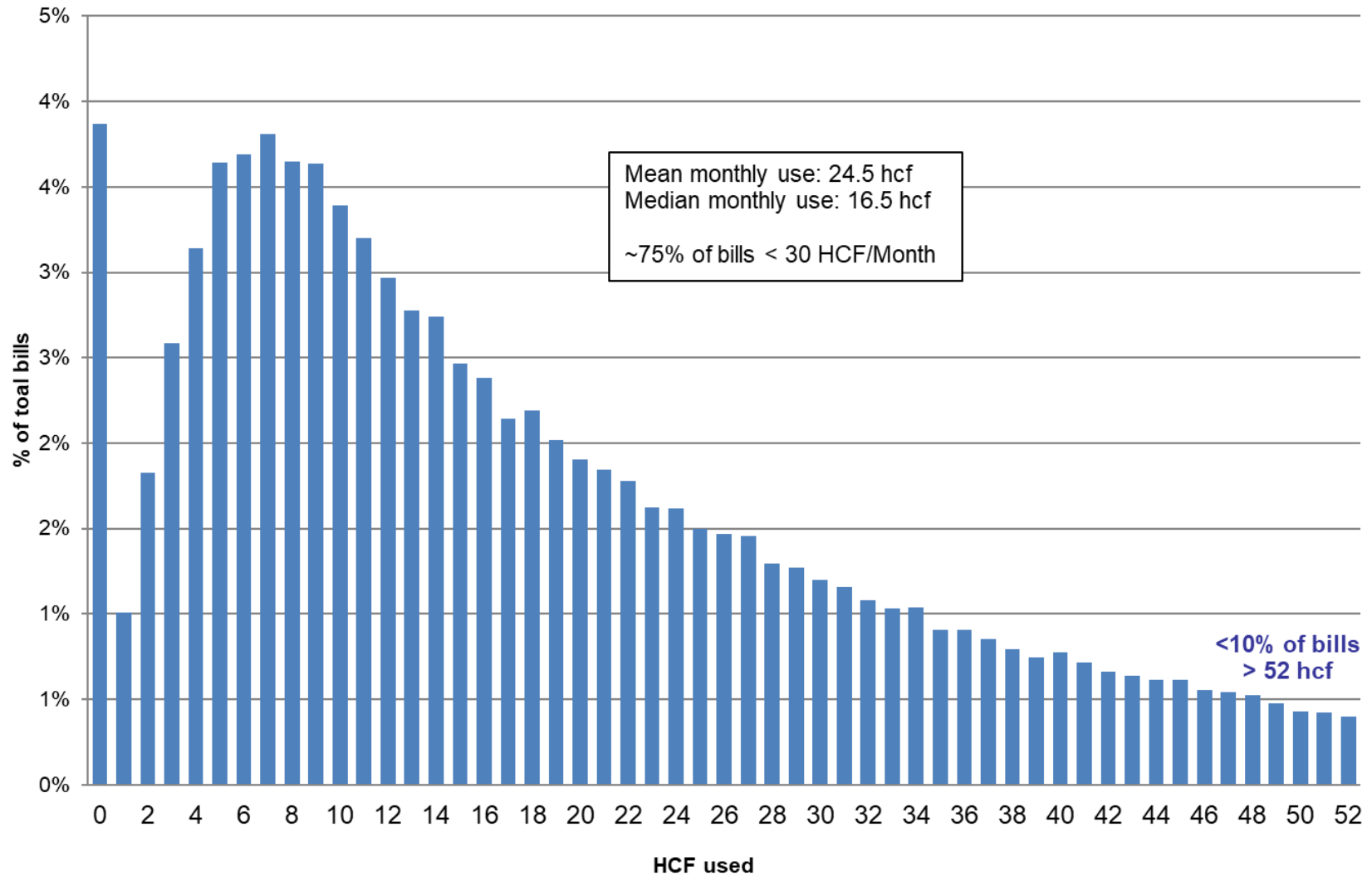


Single Family Home Average Usage (HCF per Month) - Zip Codes 93711, 93704 & 93710

Monthly Average: 24.5 HCF
Monthly Median: 16.5 HCF



Single Family Residence Monthly Water Consumption CY 2020 Zip Codes 93711, 93704 & 93710



Prop 218 Substantive Requirements

- Cost of Service: Fees cannot exceed the cost of service
- Intended Purpose: Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed
- Proportional Cost Recovery: The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer

Prop 218 Procedural Requirements

- Noticing Requirements: Must mail notice of proposed rate increases & info on public hearing to affected property owners
- Public Hearing: Hold public rate hearing at least 45 days after the notice is mailed
- Rate Increases Subject to Majority Protest: Rates cannot be adopted if more than 50% of ratepayers submit written protests