



# City of Los Altos

**Sewer Rate Study  
Proposition 218 Hearing**

*June 26, 2018*

# Overview of Presentation

- **Financial Plan / Rate Study**
- **Proposed Sewer Rates**
- **Monthly Bill Impacts**
- **Sub-metering multi-family / commercial condominiums**



# Rate Design Objectives



Moderate Increases To Rate Revenue throughout the next 5 years. The Sewer Utility is in a fiscally strong position.



Maintain Fixed/Volumetric Split – New rates maintain current allocation: 60% Fixed & 40% Volumetric.



Rate Adjustments – annual bill impacts are 3% or less per year.

# Financial Plan

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		Projected			
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
<b>Sources of Wastewater Funds</b>						
Rate Revenue Under Prevailing Rates	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Additional Revenue from Rate Increases (1)	-	150,000	334,500	524,535	720,271	921,879
Sewer Service Charge not on Tax Roll	400,000	400,000	400,000	400,000	400,000	400,000
Non-Rate Revenues	52,100	31,835	44,012	61,733	80,968	98,877
Reserves Used for Capital Expenses	2,411,827	2,912,151	3,022,151	2,739,473	2,827,667	2,980,131
<b>Total Sources of Funds</b>	<b>\$ 8,863,927</b>	<b>\$ 9,493,986</b>	<b>\$ 9,800,664</b>	<b>\$ 9,725,741</b>	<b>\$10,028,906</b>	<b>\$10,400,888</b>
<b>Uses of Wastewater Funds</b>						
Operating Expenses	\$ 3,606,883	\$ 3,619,614	\$ 3,771,246	\$ 3,918,434	\$ 4,084,011	\$ 4,254,008
Debt Service	126,204	245,630	452,269	465,652	470,458	470,650
Reserve-Funded Capital Expenses	2,411,827	2,912,151	3,022,151	2,739,473	2,827,667	2,980,131
Rate-Funded Capital Expenses	-	-	-	-	-	-
<b>Total Use of Funds</b>	<b>\$ 6,144,914</b>	<b>\$ 6,777,395</b>	<b>\$ 7,245,666</b>	<b>\$ 7,123,559</b>	<b>\$ 7,382,136</b>	<b>\$ 7,704,790</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>2.50%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Cumulative Rate Increases</b>	<b>0.00%</b>	<b>2.50%</b>	<b>5.58%</b>	<b>8.74%</b>	<b>12.00%</b>	<b>15.36%</b>
<b>Rate Revenue with Annual Rate Increase(s)</b>	<b>\$ 6,000,000</b>	<b>\$ 6,150,000</b>	<b>\$ 6,334,500</b>	<b>\$ 6,524,535</b>	<b>\$ 6,720,271</b>	<b>\$ 6,921,879</b>
Surplus (Deficiency) before Rate Increase	2,719,013	2,716,590	2,554,997	2,602,182	2,646,770	2,696,098
Surplus (Deficiency) after Rate Increase	2,719,013	2,866,590	2,889,497	3,126,717	3,367,042	3,617,977
<b>Net Revenue Requirement (2)</b>	<b>\$ 3,280,987</b>	<b>\$ 3,433,410</b>	<b>\$ 3,779,503</b>	<b>\$ 3,922,353</b>	<b>\$ 4,073,501</b>	<b>\$ 4,225,781</b>

1. Assumes new rates are implemented July 1, 2018.

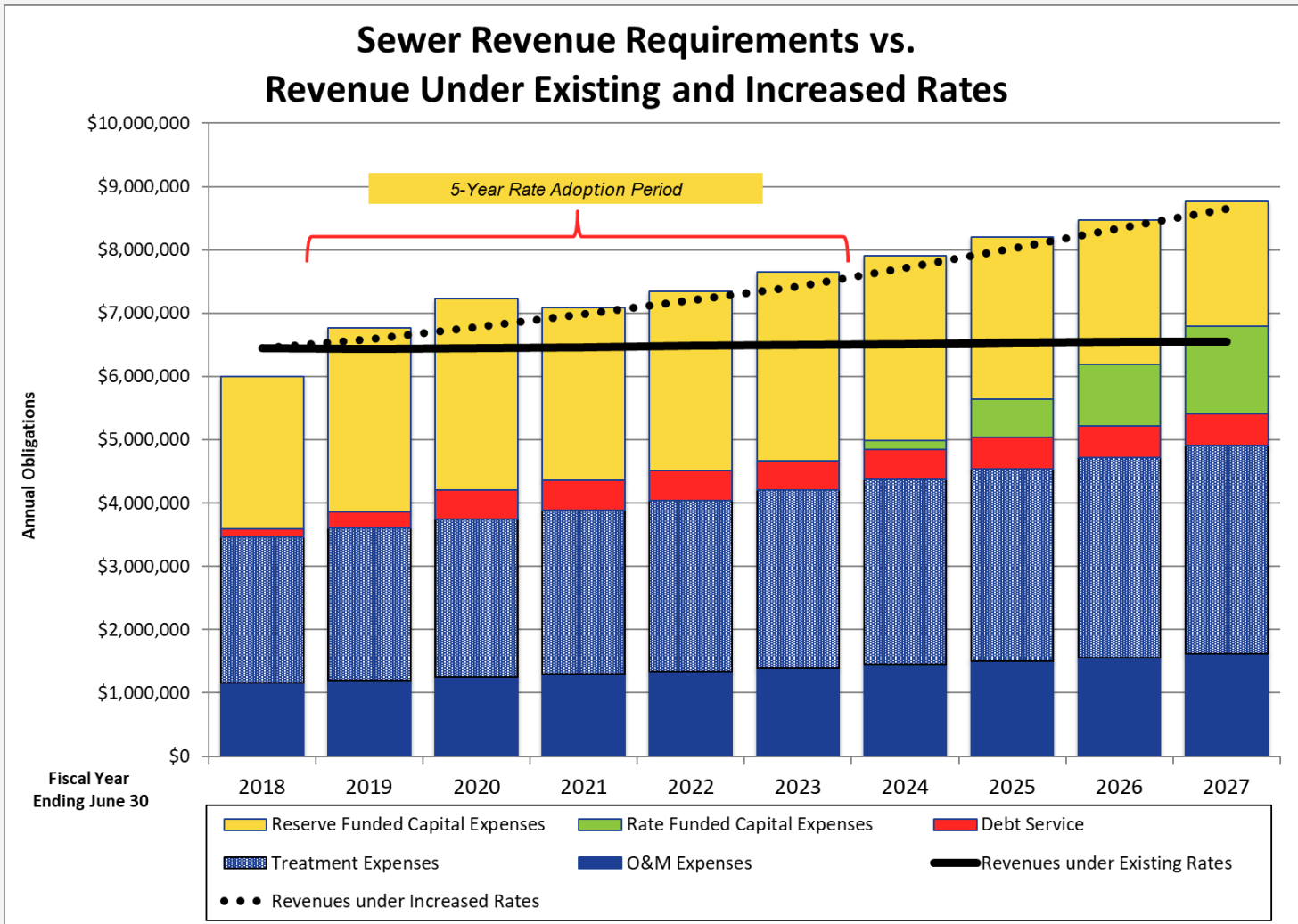
2. Total Use of Funds less non-rate revenues. This is the annual amount needed from wastewater rates.

# Capital Expenditure Summary

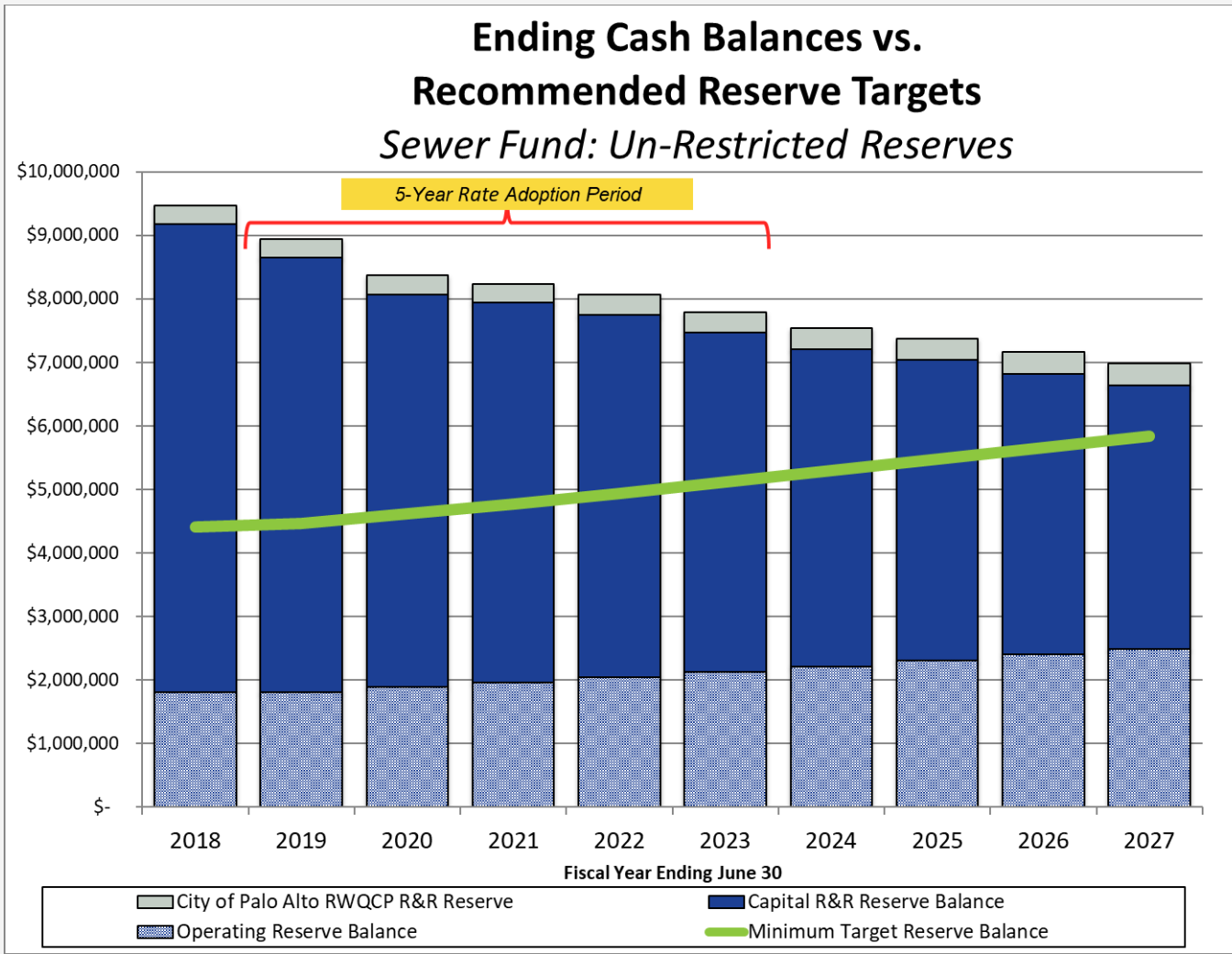
CIP Expenditures <i>(shown in future year dollars)</i>	Budget	Projected					TOTAL
	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY2017/18 - FY 2022/23
<b>Project Descriptions</b>							
Sewer System Repair Program	\$ 600,000	\$ 628,300	\$ 657,758	\$ 688,418	\$ 720,326	\$ -	\$ 3,294,802
Structural Reach Replacement	800,000	824,000	848,720	874,182	900,407	-	4,247,309
Root Foaming	274,000	289,430	305,539	322,354	343,280	-	1,534,604
CIPP Corrosion Replacement	320,000	342,990	360,706	382,454	405,183	-	1,811,334
Fats, Oils, Grease Program (FOG)	60,000	63,860	67,898	72,120	76,535	-	340,412
GIS Updates	60,000	63,860	67,898	72,120	76,535	-	340,412
Sewer System Management Plan Update	-	26,780	-	30,596	-	-	57,376
Sanitary Sewer Video Inspection	-	391,400	424,360	-	-	-	815,760
City of Palo Alto RWQCP Minor CIP Fund (3)	297,827	281,531	289,273	297,228	305,402	313,801	1,785,062
Placeholder for Future Year Capital Projects (4)	-	-	-	-	-	2,666,330	2,666,330
<b>TOTAL</b>	<b>\$ 2,411,827</b>	<b>\$ 2,912,151</b>	<b>\$ 3,022,151</b>	<b>\$ 2,739,473</b>	<b>\$ 2,827,667</b>	<b>\$ 2,980,131</b>	<b>\$ 16,893,401</b>



# Financial Plan, continued



# \$ Financial Plan, continued





# Current & Proposed Rates

Sewer Rate Schedule	Current Rates	Proposed Yearly Sewer Rates				
		Year 1	Year 2	Year 3	Year 4	Year 5
		FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Annual Fixed Service Charge per EDU	\$261.35	\$267.69	\$275.72	\$283.99	\$292.51	\$301.29
Volumetric Rate (\$/hcf) (1, 2)	\$2.07	\$2.15	\$2.21	\$2.28	\$2.35	\$2.42

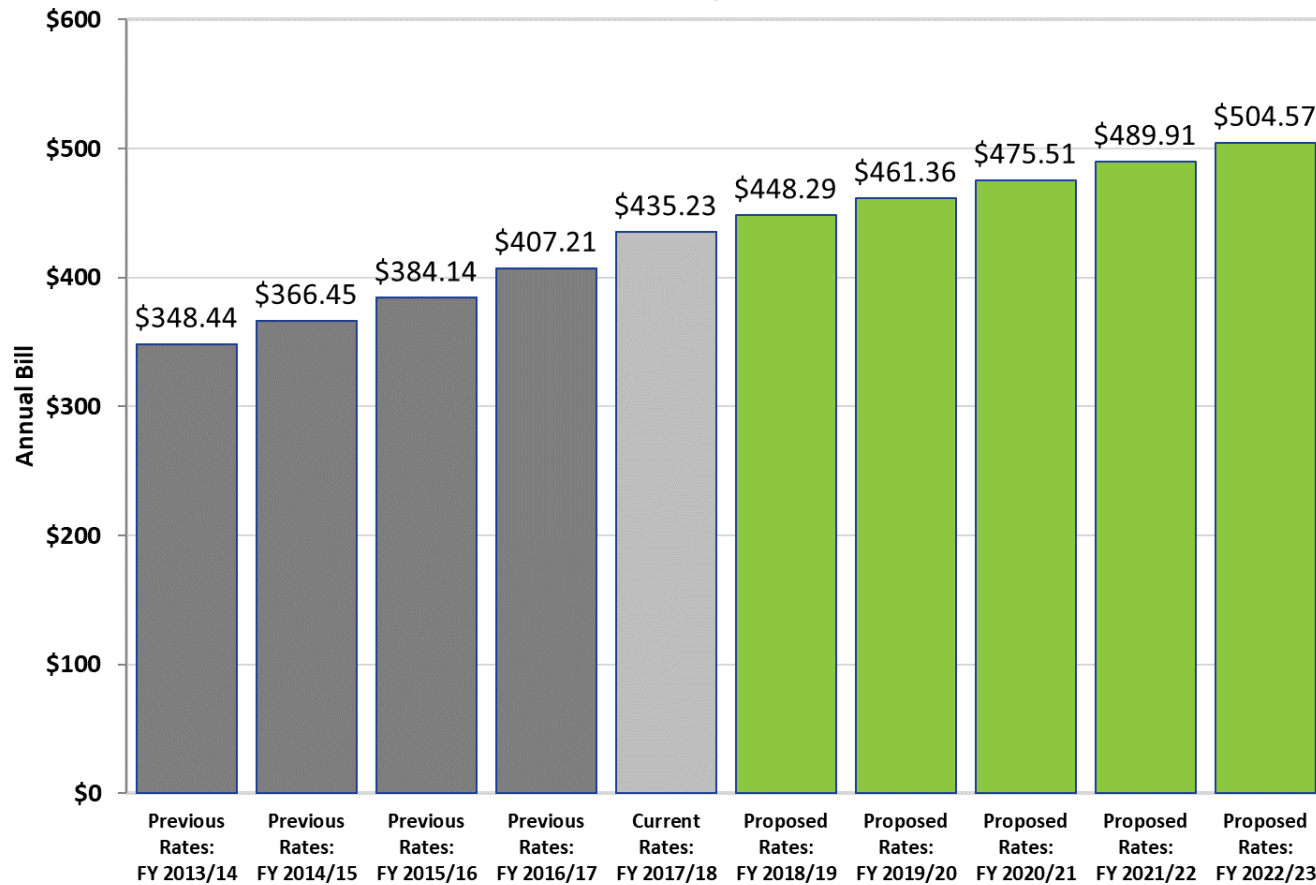
1. One Unit is equal to one HCF (Hundred Cubic Feet) or 748 gallons.
2. Rates are charged based on average winter water consumption (three lowest months from previous year).





# Single-Family Residential Bill Comparison

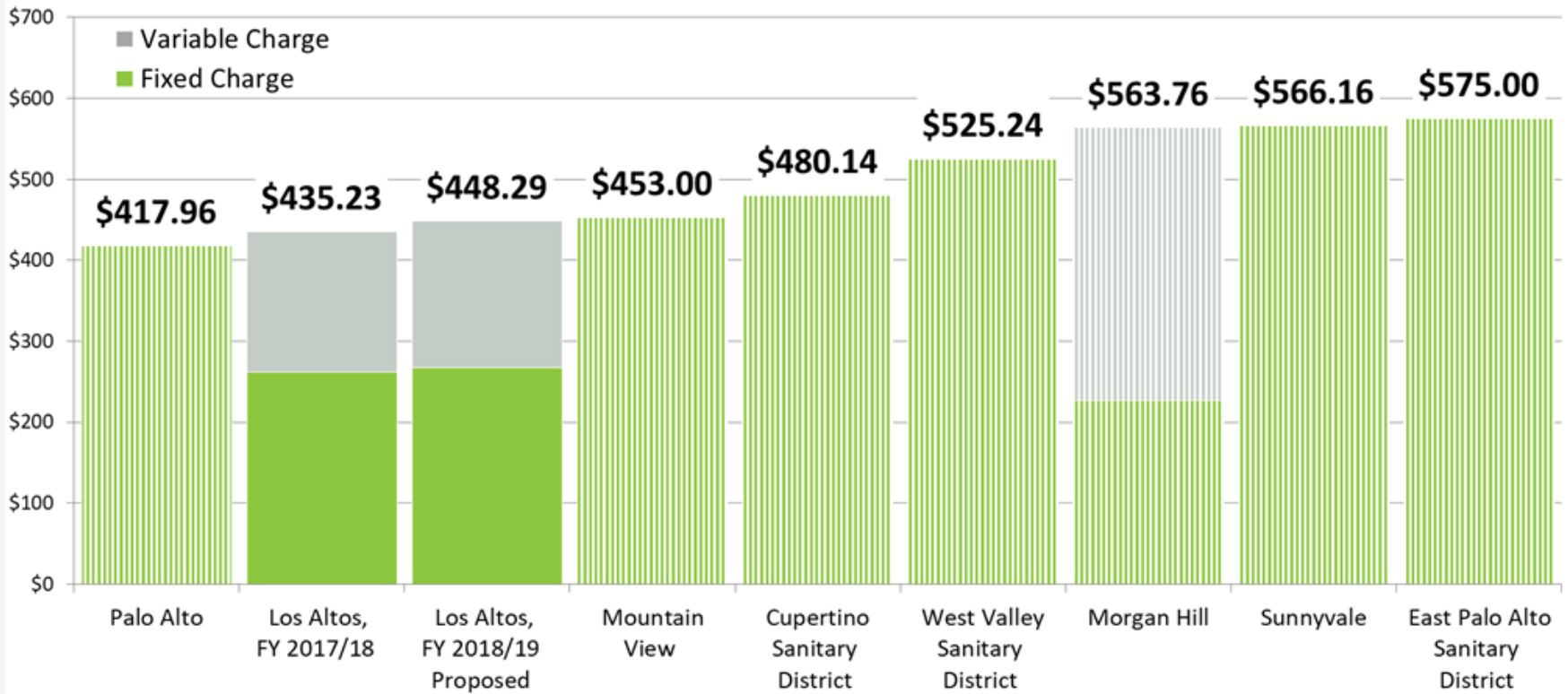
## Annual Single Family Residential Sewer Bill Comparison Current vs. Proposed Rates



*Shown with 1 EDU & 84 hcf/year*



# Regional Bill Comparison – FY 2018/19



*Sewer rate calculation assumes a winter-based average consumption of 84 HCF Annually*

*Comparison rate data sourced from Agency websites.*



# Sub-metering

- **New Section - 10.12.137. Billing of Master Metered Condominium Units with Water Sub-Meters**
- **Allows for individual water consumption data of condominium units to be used in calculation of sewer charges**
- **New building codes require condominiums to be sub-metered**

# QUESTIONS and COMMENTS

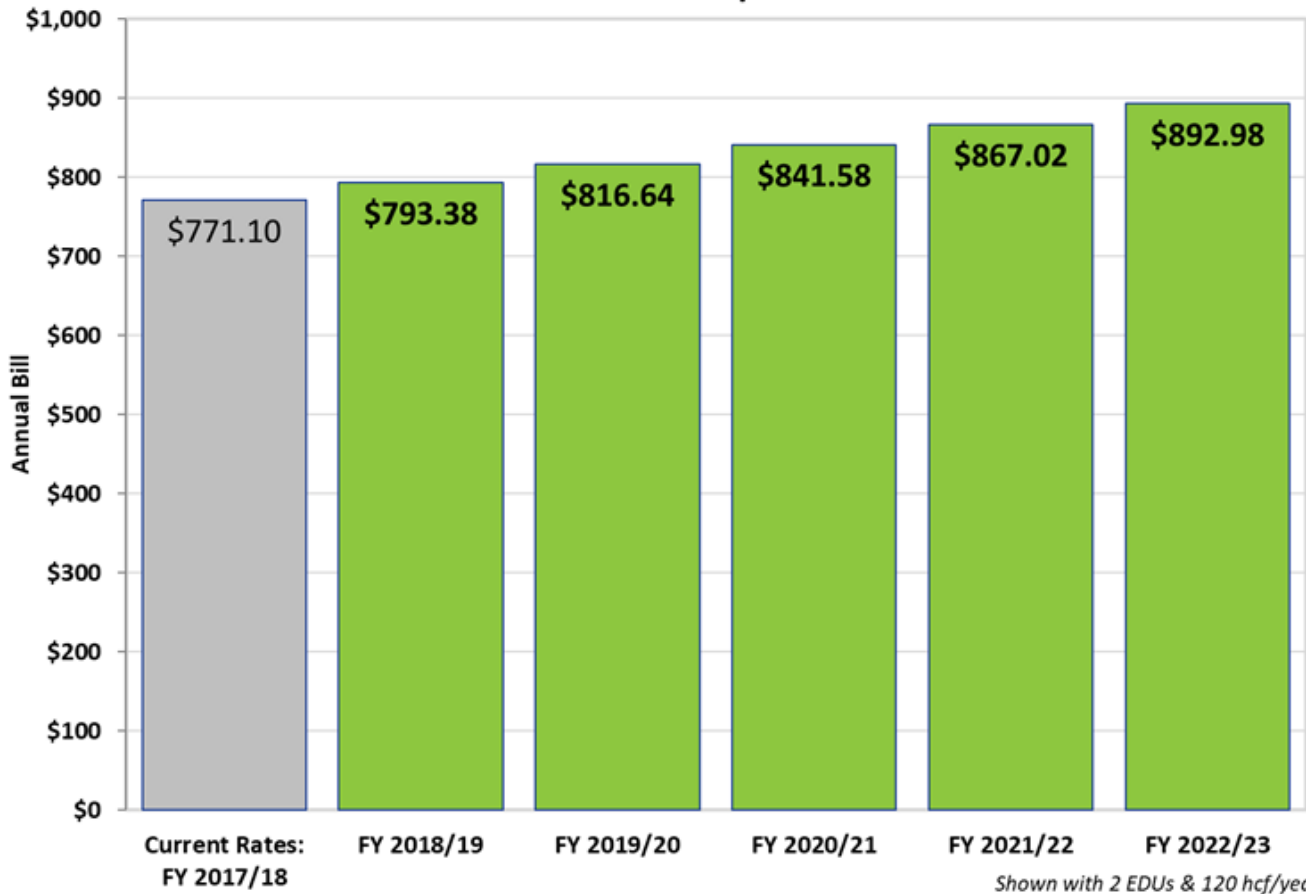
## Financial Plan, continued

Fiscal Year	Rate Revenue Requirement
2017/18	\$3.28 Million
2018/19	\$3.43 Million
2019/20	\$3.78 Million
2020/21	\$3.92 Million
2021/22	\$4.07 Million
2022/23	\$4.23 Million



# Multi-Family Residential Bill Comparison

5 Year Annual Multi Family Residential Sewer Bill Comparison  
Current vs. Proposed Rates





# Commercial Bill Comparison

