

# Utility Rate Discussion

Presentation to Council

May 12, 2020

# Utility Rate Considerations

- Brief recap of Study results/ questions from last meeting
- Update on Repair Expenses
- FY21 Rate Options
- Long-Term Utility Fiscal Strategy

# Study Results

- City’s existing infrastructure:
  - Water line: 609,122 linear feet, \$343M replacement cost
  - Sewer line: 535,583 linear feet, \$329M replacement cost
  - Total: 1.14 M linear feet, \$672M replacement cost
  - 308 “vertical assets” (water tanks, pump stations)
    - \$8.2M replacement cost
  
- In the next 25 years, we will reasonably have to replace:
  - 50,000 lf water (8%, \$27M)
  - **288,000 lf sewer (54%, \$159M)**
  - 206 vertical assets (67%, \$2M)
  - Total Cost: \$188,000,000



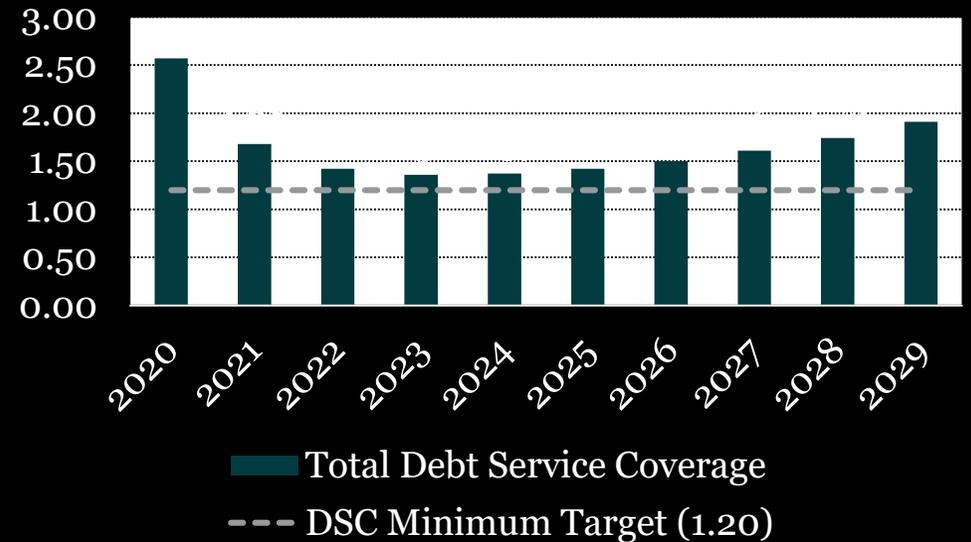
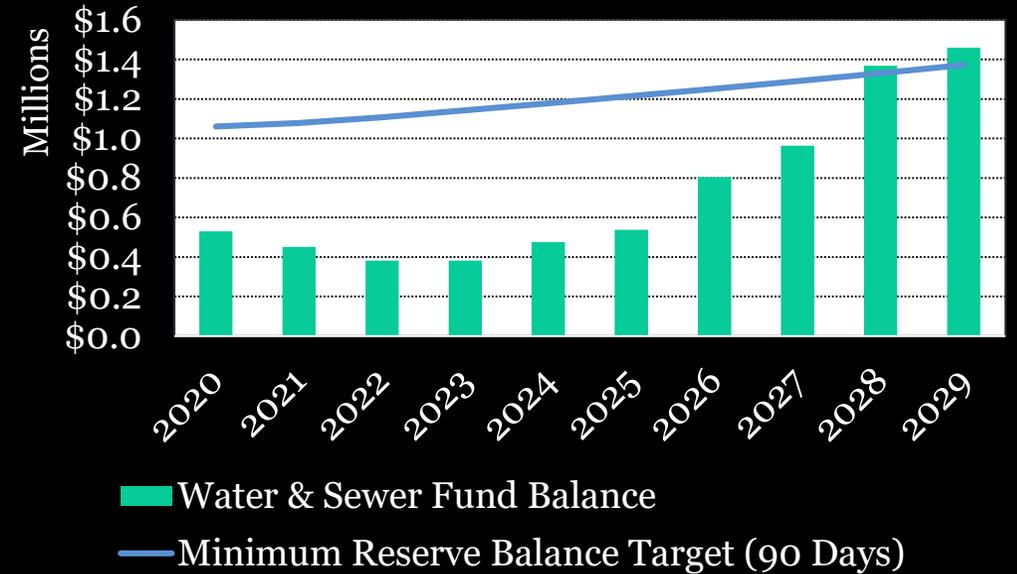
# Study Results (continued)

Current Revenue insufficient for:

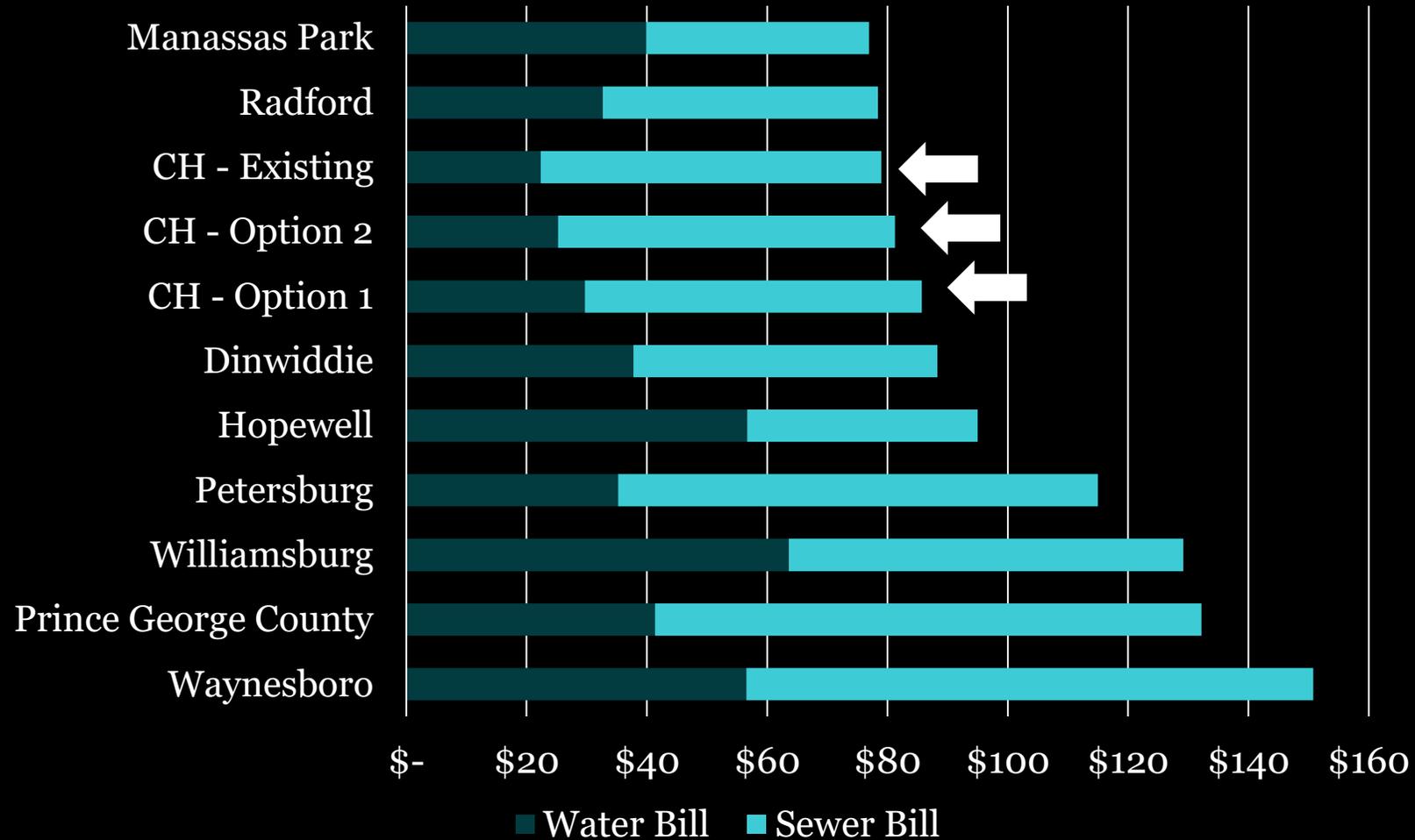
- Liquidity (90 days cash)
- Future Debt Reserves (120% of debt service)
- Replacement of Existing Capital

Recommendation for longer-term rates:

- \$7.5M annual capital outlay
  - fully replace \$188M in 25 years
  - 11.6% avg. annual rate increase
- \$4.0M annual capital outlay
  - Replaces \$100M in 25 years
  - Requires 47 years to replace \$188M
  - 7.6% avg. annual rate increase



# Neighboring/ Benchmark Localities



# Utility Emergency Repairs

(earlier version included as attachment to 20-FIN-2, March/ April)

## Sewer Emergency Repairs

## FY20 Cost

• Washington Avenue	\$145,231
• Hamilton Ave. at Bristol*	100,621
• Lee Ave. at Danville	161,132
• Lakeview Ave.	18,470
• Roanoke Ave.	<u>20,000</u>
TOTAL	\$445,454

Funds available for capital/emergency repairs:\*\* \$494,529

\*Does not include \$187,349 paid in FY19; total project = \$287,970

\*\* Includes \$3 capital charge proceeds, rebate from SCWA, and insurance proceeds

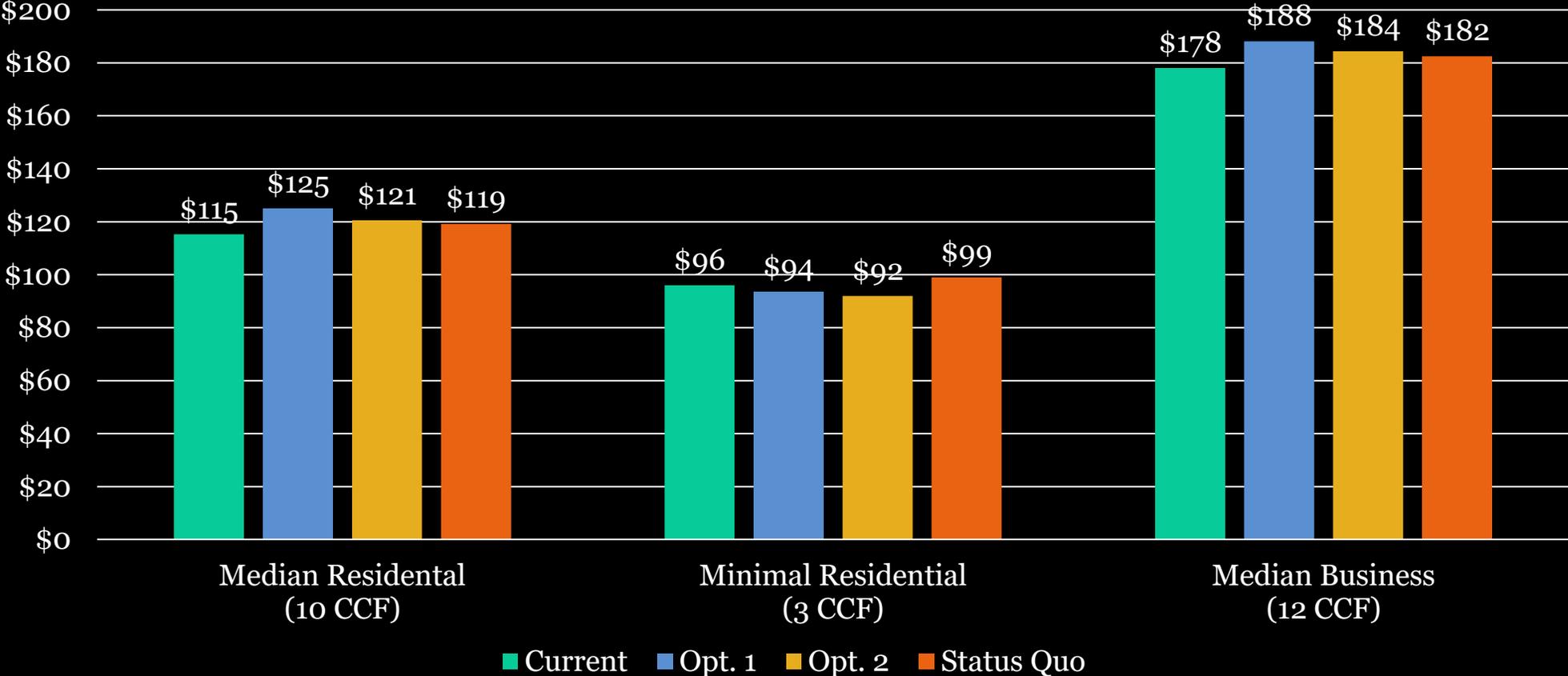
# Rate Options for FY2020-2021

- Part 1 – Consideration of Rate Structure:
  - Option 1: Lower base , no “free” consumption
  - Option 2: Slightly lower base w/ 6 CCF\* “free”
  - “Status Quo”: Same rate structure as current, and the approved rate increase would be applied uniformly to the current rates.
- Part 2 – Consideration of Percent Increase:
  - 5% Increase in revenue
  - 2.5% Increase in revenue

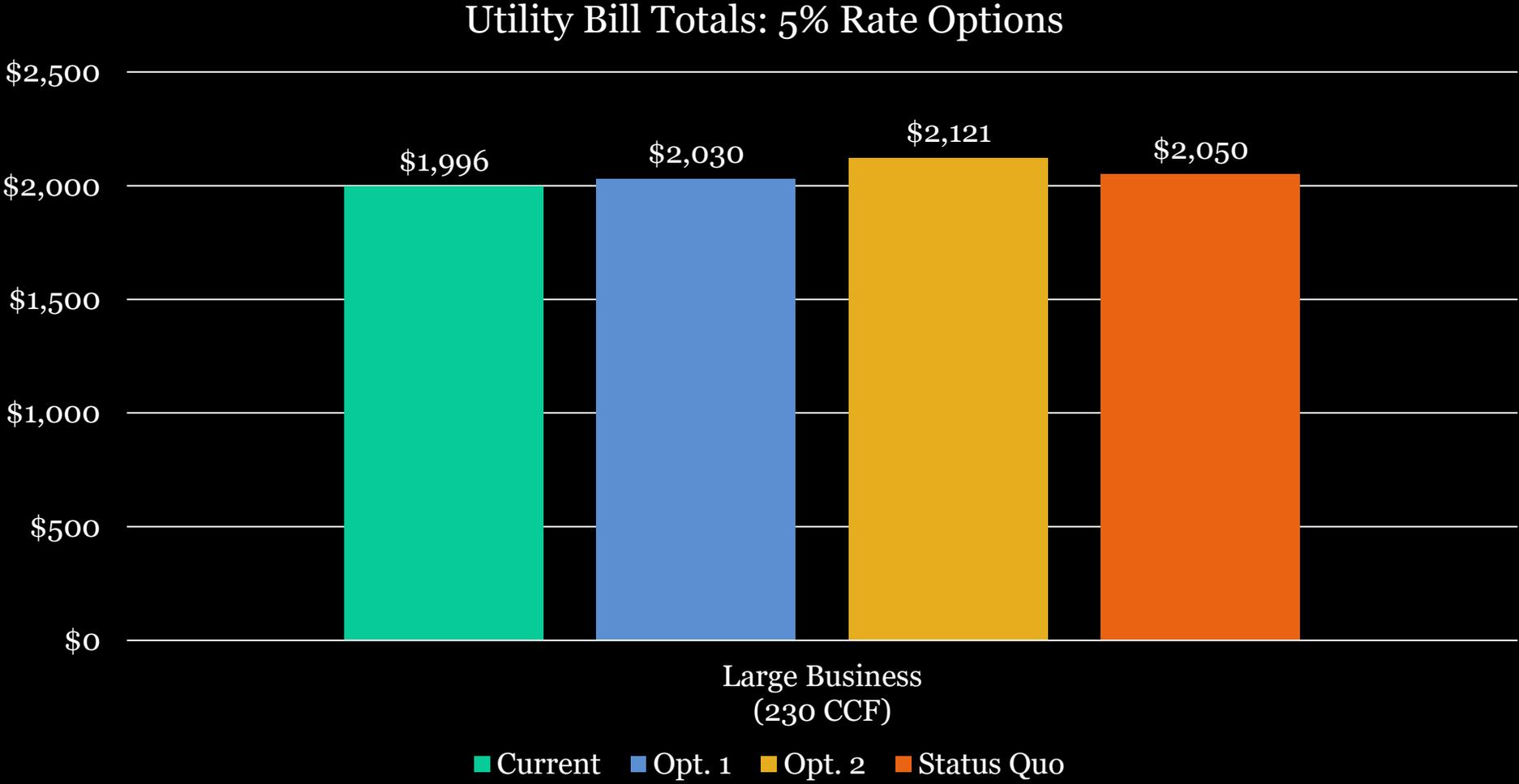
\*One CCF is one-hundred cubic feet of water

# Rate Options: 5% Increase

Utility Bill Totals: 5% Rate Options

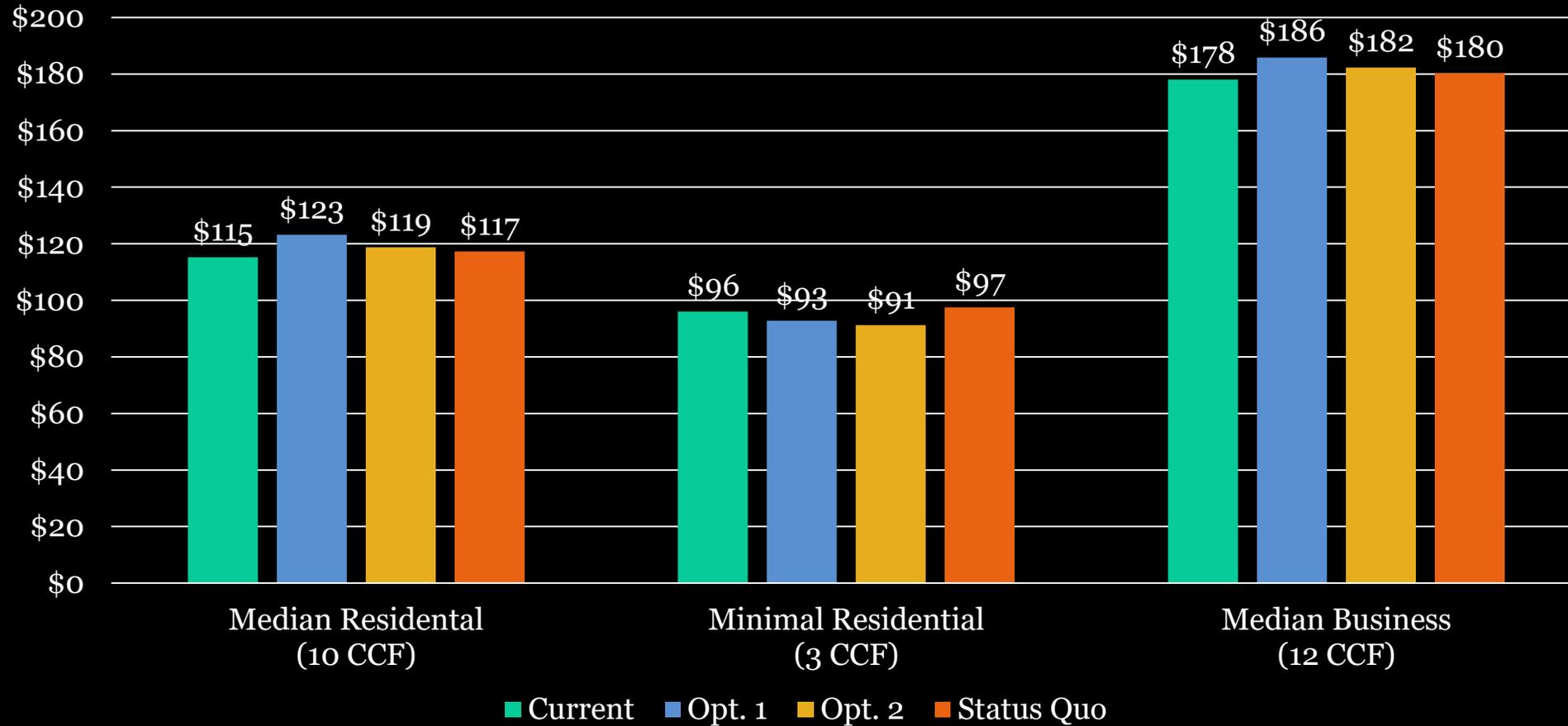


# Rate Options: 5% Increase

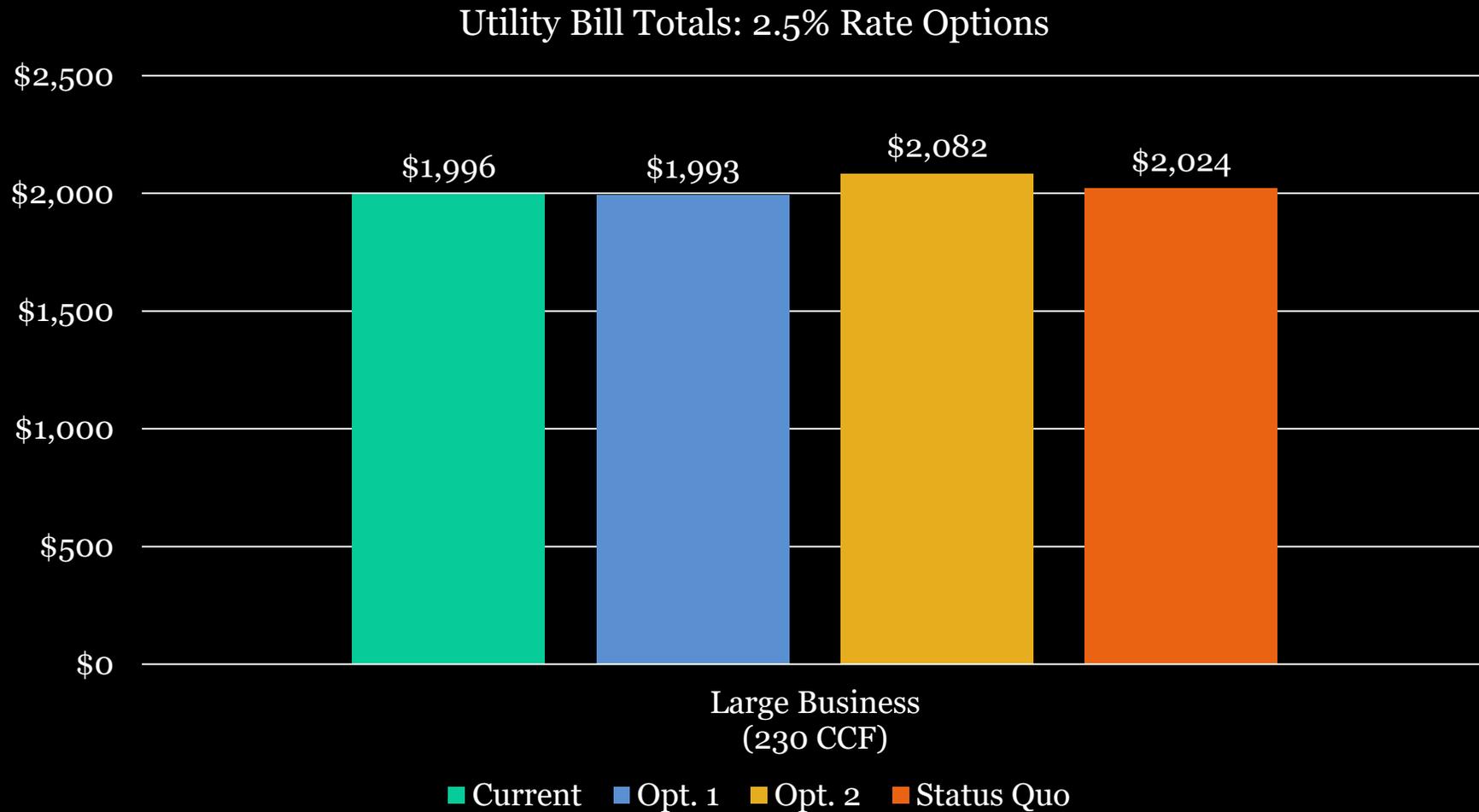


# Rate Options: 2.5% Increase

Utility Bill Totals: 2.5% Rate Options



# Rate Options: 2.5% Increase



## 2.5% Increase vs. 5% Increase

- Revenue Difference: (\$109,200)
- Would require reductions in operational expenses in the water/sewer fund based on budgeted revenues/expenses for FY 21.

# Utility Rate Decisions/ Discussion

Rate Structure:	Option 1 (Decrease base, no included minimum) Option 2 (Slight Base Decrease, 6 CCF* included) No Change/ Status Quo
Percent Increase:	5% (Staff Proposed, Budgeted) 2.5% (\$109,200 reduction)
Long-Term Plan:	11.6% range, \$7M capital spend, 25 year replacement 7.6% range, \$4.5M capital spend, 47+ year replacement

\*One CCF is one-hundred cubic feet of water