



Presentation: Draft Water Rates

*Board Meeting
July 17, 2023*



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Presentation Overview

- Review water system finances, capital and O&M needs, and proposed water rates.
- **Tonight's goal: Provide a presentation on the draft water rates and study and receive board direction to finalize the report to initiate the Prop. 218 process.**



Legislation Affecting Water Rates

- Proposition 218

- *Water rates must be based on cost of service*
- *Revenues must be used only for water system*
- *Water service must be immediately available*
- *Cannot use water charges to fund general government services*

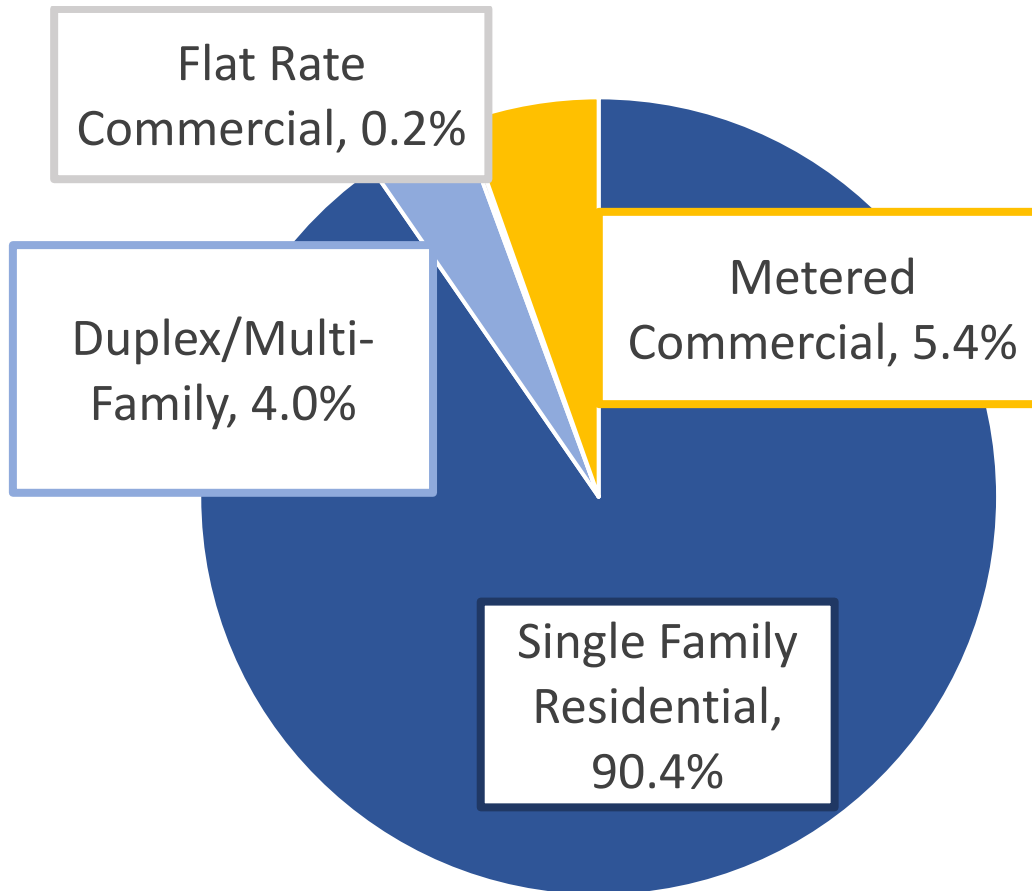


Water System Overview

- Water system is a self-supporting enterprise
 - *Revenues must be sufficient to cover system expenses*
- Water supply comes from groundwater pumped from District wells
 - *Emergency interconnection with Sacramento Suburban Water District*
- Water enterprise currently has \$4.34M in outstanding debt
- Near-term (through FY 2026) Capital Needs: \$9.23M
- June 30, 2022, Fiscal Year Ending Fund Balances
 - *Total: \$3.15M*
- Currently serving about 2,000 accounts



Summary of Current Customers



94% of District Accounts are Residential





Summary of Current Customers

| Residential Lot Size | Single-Family Residential | | Duplex/ | Total Residential |
|------------------------------------|---------------------------|-----------------------|-----------|-------------------|
| | Accounts | Multi-Family Accounts | | Accounts |
| 0 - 5,000 sq. ft. lot | 2 | | 0 | 2 |
| 5,001 - 8,000 sq. ft. lot | 808 | | 12 | 820 |
| 8,001 - 11,000 sq. ft. lot | 776 | | 61 | 837 |
| 11,001 - 14,000 sq. ft. lot | 141 | | 6 | 147 |
| 14,001 - 17,000 sq. ft. lot | 23 | | 0 | 23 |
| 17,001 - 20,000 sq. ft. lot | 7 | | 0 | 7 |
| Over 20,000 sq. ft. lot | 28 | | 0 | 28 |
| Total | 1,785 | | 79 | 1,864 |
| | | | | Commercial |
| Commercial | | | | Accounts |
| Flat Rate | | | | 4 |
| Metered Accounts (size in inches): | | | | |
| 5/8" | | | | 1 |
| 1" | | | | 17 |
| 1 1/2" | | | | 27 |
| 2" | | | | 40 |
| 3" | | | | 13 |
| 4" | | | | 7 |
| 6" | | | | 2 |
| Total | | | | 111 |
| Total Water Accounts | | | | 1,975 |





System Capital Projects

- Core Capital Improvement Plan: \$9.23M
 - *Well 7 Rehabilitation: \$2.99M*
 - *Well 4 Rehabilitation: \$0.96M*
 - *Hydraulic Model: \$0.04M*
 - *2D-3 Pipeline Replacement: \$5.25M*
- Alternative projects being considered
 - *2D-1 Pipeline Replacement: \$2.69M*
 - *2D-2 Pipeline Replacement: \$2.64M*
 - *2C Pipeline Replacement: \$1.69M*
 - *Well 3 Treatment Evaluation: \$0.05M*
 - *Survey Existing Sites: \$0.10M*

Forsgren Identified Projects

Projects Update - April 2023

AGENDA

| Project Name | Priority Rank | Estimated Cost | Status |
|-----------------------------------|---------------|----------------|---------------------------------|
| Intertie 1 Marconi | 1 | \$151,000 | Complete |
| Intertie 2 Eastern | 1 | \$121,000 | Complete |
| Intertie 3 Watt | 1 | \$150,000 | Under Construction |
| Well 2 Rehabilitation | 4 | \$837,000 | In Design |
| Groundwater Investigation | 4 | \$27,000 | Complete (District-Wide ESA) |
| Well 6B Automatic Transfer Switch | 6 | \$54,000 | Trouble-shooting Underway |
| Well 9 Generator | 7 | \$460,000 | In Design |
| Well 7 Rehabilitation | 8 | \$2,986,200 | 218 Proposed |
| Well 4 Rehabilitation | 9 | \$958,000 | 218 Proposed |
| Hydraulic Model | 10 | \$40,000 | 218 Proposed |
| 2D-3 Pipeline Replacement | 11 | \$5,250,000 | 218 Proposed |
| 2D-1 Pipeline Replacement | 11 | \$2,691,000 | 218 Proposed (Tier 1 Alternate) |
| 2D-2 Pipeline Replacement | 11 | \$2,638,000 | 218 Proposed (Tier 1 Alternate) |
| 2C Pipeline Replacement | 14 | \$1,690,000 | 218 Proposed (Tier 1 Alternate) |
| Well 3 Treatment Evaluation | 15 | \$50,000 | 218 Proposed (Tier 2 Alternate) |
| Survey Existing Sites | 26 | \$100,000 | 218 Proposed (Tier 2 Alternate) |



Outstanding Debt

- One Outstanding Debt Issue: Bank Loan Refinanced 2020
 - *Current Balance: \$4.34M*
 - Annual Debt Service about \$323,000
 - *Debt Service Coverage Requirement*
 - Net Revenues = 120% of Debt Service



Current Residential Water Rates

Residential

| Single Family Residential Fixed Rate | \$ per Month |
|---|------------------------------|
| 0 - 5,000 sq. ft. lot | \$26.90 |
| 5,001 - 8,000 sq. ft. lot | \$35.20 |
| 8,001 - 11,000 sq. ft. lot | \$41.40 |
| 11,001 - 14,000 sq. ft. lot | \$47.60 |
| 14,001 - 17,000 sq. ft. lot | \$53.80 |
| 17,001 - 20,000 sq. ft. lot | \$60.05 |
| Over 20,000 sq. ft. lot | \$60.05 + \$2.07 per 1k sqft |

| Duplex/Multi-Family Fixed Rate | \$ per Month |
|---------------------------------------|---------------------|
| 5,001 - 8,000 sq. ft. lot | \$56.90 |
| 8,001 - 11,000 sq. ft. lot | \$63.15 |
| 11,001 - 14,000 sq. ft. lot | \$69.35 |

| Capital Improvement Plan Charge | \$ per Month |
|--|---------------------|
| Residential up to 1" | \$23.05 |
| Residential over 1" (per 1") | \$23.05 |
| Duplex/Multifamily (each side) | \$23.05 |
| Additional Connection (per 1") | \$23.05 |





Current Commercial Water Rates

Commercial

| Flat Rate Commercial | \$ per Month |
|----------------------|--------------|
| 3/4" - 5/8" | \$45.50 |
| 1" | \$62.85 |
| 1 1/2" | \$90.90 |
| 2" | \$184.00 |

| Volumetric Rate Commercial | \$ per HCF |
|----------------------------|------------|
| \$ per 100 CU ft | \$1.39 |

| Meter Readiness to Service Charge | \$ per Month |
|-----------------------------------|--------------|
| 5/8" | \$15.10 |
| 1" | \$37.80 |
| 1 1/2" | \$75.60 |
| 2" | \$120.95 |
| 3" | \$226.80 |
| 4" | \$378.00 |
| 6" | \$756.00 |
| 8" | \$1,209.60 |
| 10" | \$1,738.80 |

| Capital Improvement Plan Charge | \$ per Month |
|---------------------------------|--------------|
| Commercial up to 1" meter | \$23.05 |
| Commercial 1 1/2" meter | \$46.10 |
| Commercial 2" meter | \$73.75 |
| Commercial 3" meter | \$138.30 |
| Commercial 4" meter | \$230.50 |
| Commercial 6" meter | \$461.00 |

Other

| Temporary Construction Water | \$ per CF |
|------------------------------|-----------|
| \$ per 100 CU ft | \$2.09 |

| Fire Sprinkler Readiness Rate | \$ per month |
|-------------------------------|--------------|
| 4" | \$75.60 |
| 6" | \$151.20 |
| 8" | \$241.90 |
| 10" | \$347.75 |





DPMWD Reserves 6/30/22

District Reserve Balance

| Fund | Balance 6/30/22 |
|------------------------------|------------------------|
| Local Agency Investment Fund | \$2,252,932 |
| Bank Balance | \$894,522 |
| Total | \$3,147,454 |

- Operating Reserve Policy requires that minimum balance be 50% of annual operating budget (6 months O&M).
- Reserves are essential for DPMWD operations.





Budgeted Revenues

| No. | Category | Budget | Projection -> |
|----------------------|---|---|---|
| | | Approved 2022-23 ^[1] | Projection 2023-24 ^[2] |
| 4101 | Fixed Revenues | \$1,077,040 | \$1,471,955 |
| <u>4151</u> | <u>Volumetric/Usage Revenues</u> | <u>\$281,807</u> | <u>\$385,137</u> |
| Subtotal | O&M Revenue | \$1,358,848 ▲ | \$1,857,092 |
| <u>4501</u> | <u>Interest Income</u> | | \$21,068 ▲ |
| <u>4111</u> | <u>CIP Charge Revenue^[3]</u> | <u>\$595,035</u> ▲ | <u>\$598,811</u> |
| Total Revenue | | \$1,953,883 | \$2,476,970 |

[1] From the Approved 2022-23 Budget.

[2] Reflects the projected revenue from the recommended rate increases.

[3] Formerly known as System Maintenance Charge.



Why Rates Need to Increase

- Capital Improvement Charges to Fund Debt Payments
 - *Aging pipelines, wells, and other infrastructure require repair or replacement*
 - *Rate increase needed to fund new debt service payments on projected \$9.23M debt issuance*
- O&M Rate Increases to Eliminate Operating Deficits
 - *Compensate for recent spike in inflation*
 - *Increase in operating costs*
 - *Increase in repair costs*



Projected Operating Expenses

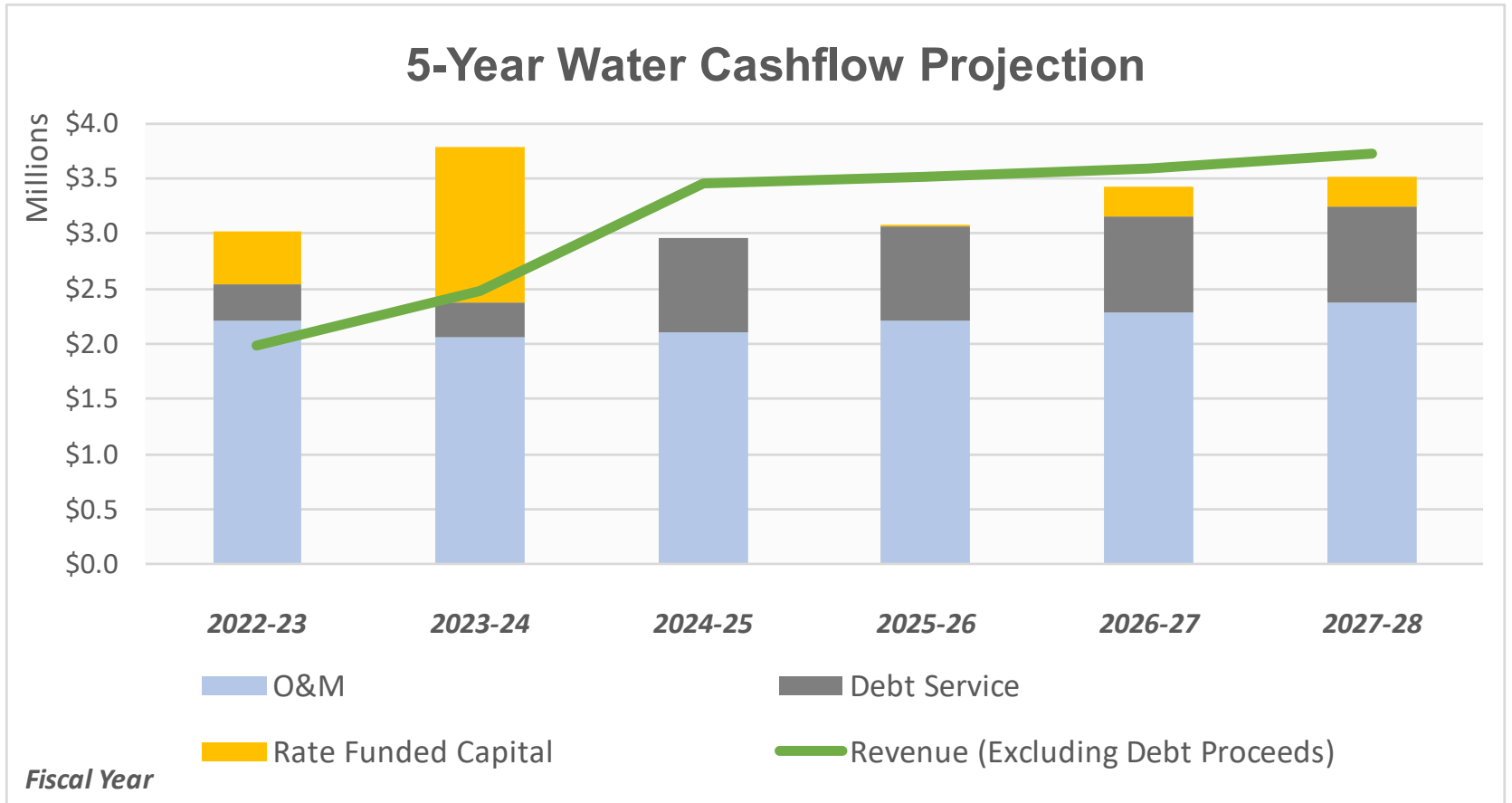
| | Estimated 2022-23 ^[1] | Budgeted 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 5102 Payroll and Payroll Taxes | \$ 574,855 | \$ 551,051 | \$ 578,604 | \$ 607,534 | \$ 631,835 | \$ 657,108 |
| 5121 Conservation | 7,888 | 3,400 | 3,570 | 3,749 | 3,898 | 4,054 |
| 5151 Power | 123,000 | 112,000 | 117,600 | 123,480 | 128,419 | 133,556 |
| 5201 Repairs & Maintenance | 277,505 | 216,000 | 226,800 | 238,140 | 247,666 | 257,572 |
| 5251 Insurance | 61,445 | 59,500 | 62,475 | 65,599 | 68,223 | 70,952 |
| 5301 Lab Testing | 7,098 | 7,000 | 7,350 | 7,718 | 8,026 | 8,347 |
| 5351 Engineering | 292,592 | 250,000 | 262,500 | 275,625 | 286,650 | 298,116 |
| 5451 City Water (Diversion Billing) | 6,000 | 7,000 | 7,350 | 7,718 | 8,026 | 8,347 |
| 5452 Backflow Program | 2,000 | 2,000 | 2,100 | 2,205 | 2,293 | 2,385 |
| 6151 Office Expense | 92,908 | 91,500 | 96,075 | 100,879 | 104,914 | 109,110 |
| 6171 Bank Fees | 2,195 | 2,000 | 2,100 | 2,205 | 2,293 | 2,385 |
| 6251 Audit | 12,000 | 12,000 | 12,600 | 13,230 | 13,759 | 14,310 |
| 6255 Election Related | 3,000 | 3,000 | 3,150 | 3,308 | 3,440 | 3,577 |
| 6301 Legal | 236,000 | 200,000 | 210,000 | 220,500 | 229,320 | 238,493 |
| 6401 Misc. | 5,000 | 5,000 | 5,250 | 5,513 | 5,733 | 5,962 |
| 6451 Pers Retirement | 100,500 | 100,500 | 105,525 | 110,801 | 115,233 | 119,843 |
| 6501 Employee Healthcare (JPIA & CalPER | 80,000 | 90,000 | 94,500 | 99,225 | 103,194 | 107,322 |
| 6502 Retiree Health Benefits (CalPERS) | 70,000 | 80,000 | 84,000 | 88,200 | 91,728 | 95,397 |
| 6551 Conference & Travel | 10,000 | 10,000 | 10,500 | 11,025 | 11,466 | 11,925 |
| 6561 Association Dues | 62,264 | 58,500 | 61,425 | 64,496 | 67,076 | 69,759 |
| 6601 Professional Admin / Regulatory Fees | 182,495 | 131,700 | 138,285 | 145,199 | 151,007 | 157,048 |
| 6610 Certification / Continued Education | 6,000 | 5,000 | 5,250 | 5,513 | 5,733 | 5,962 |
| Equipment | | 60,000 | | | | |
| Total | \$ 2,214,745 | \$ 2,057,151 | \$ 2,097,009 | \$ 2,201,859 | \$ 2,289,933 | \$ 2,381,531 |

[1] FY 2022-23 expenses are conservatively estimated based on partial year results.





5-Year Water Cashflow Projection





Water Rate Derivation

- No Change to Current Rate Structure
 - *Residential (Unmetered)*
 - Fixed Flat O&M rates based on lot size
 - Fixed Flat Capital Improvement Plan Charge (formerly System Maintenance Charge)
 - *Commercial (Metered)*
 - Fixed Flat Meter-Readiness-to-Serve Charge (O&M rates based on meter size)
 - Variable O&M rate based on water consumption
 - Fixed Flat Capital Improvement Plan Charge (formerly System Maintenance Charge)



Draft Projected Rate Increases

- Typical Single Family Residential monthly water charge (5,001 to 8,000 sq.ft. lot):

| | <u>Current</u> | <u>2023-24</u> | <u>2024-25</u> | <u>2025-26</u> | <u>2026-27</u> | <u>2027-28</u> |
|--|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Fixed Monthly O&M Rate per Unit | \$35.20 | \$54.56 | \$57.29 | \$60.15 | \$63.16 | \$66.32 |
| <u>Capital Improvement Plan Charge</u> | <u>\$23.05</u> | <u>\$23.05</u> | <u>\$44.17</u> | <u>\$44.17</u> | <u>\$44.17</u> | <u>\$44.17</u> |
| Total Monthly Charge | \$58.25 | \$77.61 | \$101.46 | \$104.33 | \$107.33 | \$110.49 |
| <i>Year-to-Year Increase in Monthly Charge</i> | \$0.00 | \$19.36 | \$23.85 | \$2.86 | \$3.01 | \$3.16 |
| <i>% Monthly Charge Increase</i> | \$0.00 | 33.2% | 30.7% | 2.8% | 2.9% | 2.9% |



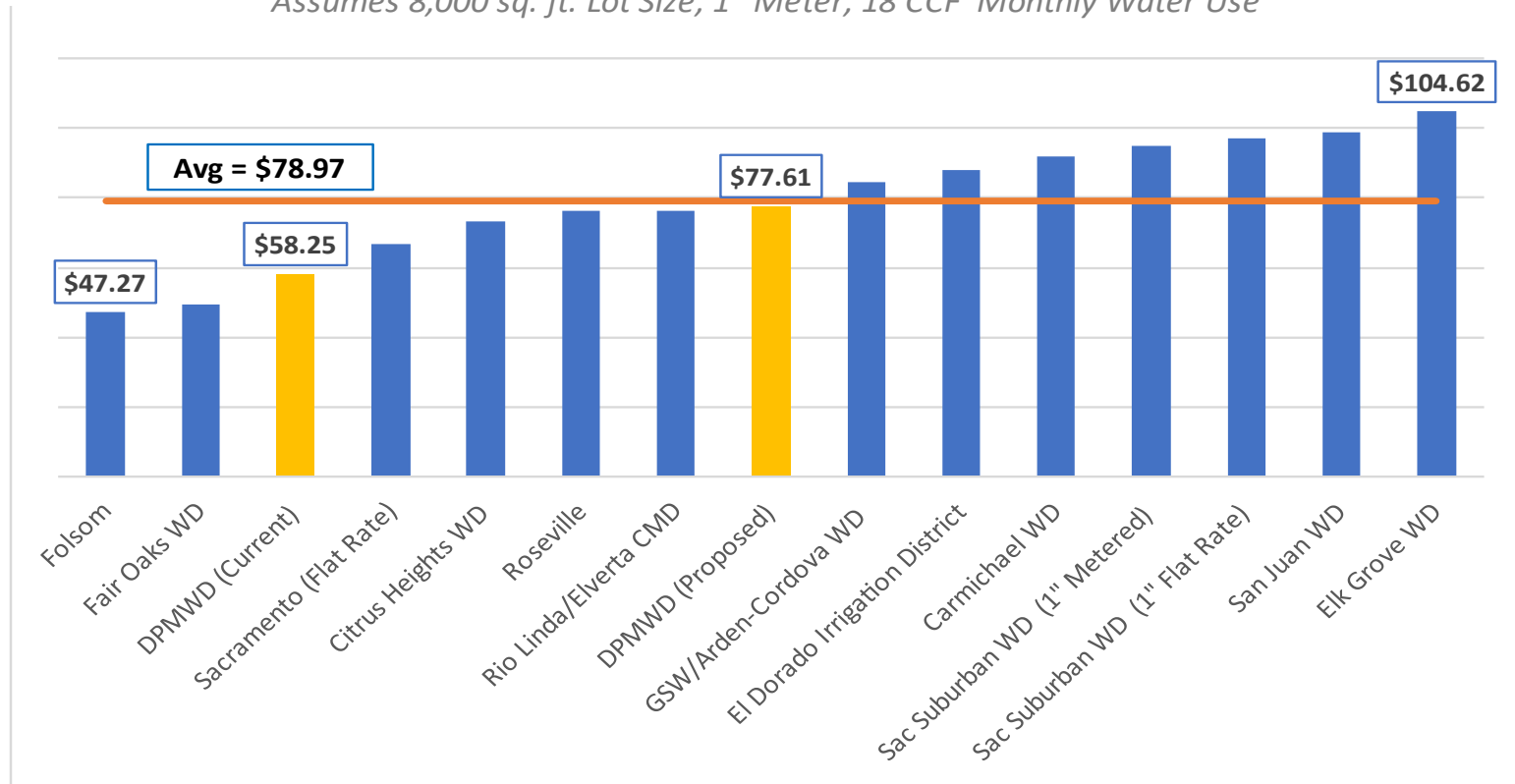


Residential Water Bill Comparison Snapshot

Survey of Single Family Residential Monthly Water Bills

Conducted April 2023

Assumes 8,000 sq. ft. Lot Size, 1" Meter, 18 CCF Monthly Water Use



- This survey represents a snapshot of current rates. Some of the water agencies listed above are in, or may soon begin, the process of reviewing and updating their rates.
- The proposed DPMWD rates shown in the chart above only depict the first year (FY 2023/24) of proposed rate increases.





Residential 5-Year Rate Projection

| Single Family O&M Rate, \$ per Month ^[1] | Current | 11/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
|---|---------|-----------|----------|----------|----------|----------|
| 0 - 5,000 sq. ft. lot | \$26.90 | \$41.70 | \$43.78 | \$45.97 | \$48.27 | \$50.68 |
| 5,001 - 8,000 sq. ft. lot ^[2] | \$35.20 | \$54.56 | \$57.29 | \$60.15 | \$63.16 | \$66.32 |
| 8,001 - 11,000 sq. ft. lot | \$41.40 | \$64.17 | \$67.38 | \$70.75 | \$74.28 | \$78.00 |
| 11,001 - 14,000 sq. ft. lot | \$47.60 | \$73.78 | \$77.47 | \$81.34 | \$85.41 | \$89.68 |
| 14,001 - 17,000 sq. ft. lot | \$53.80 | \$83.39 | \$87.56 | \$91.94 | \$96.53 | \$101.36 |
| 17,001 - 20,000 sq. ft. lot | \$60.05 | \$93.08 | \$97.73 | \$102.62 | \$107.75 | \$113.14 |
| Over 20,000 sq. ft. lot | \$60.05 | \$93.08 | \$97.73 | \$102.62 | \$107.75 | \$113.14 |
| Per 1k sq. ft. of lot above 20k ^[1] | \$2.07 | \$3.21 | \$3.37 | \$3.54 | \$3.71 | \$3.90 |
| Duplex/Multi-Family O&M Rate, \$ per Month | Current | 11/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
| 5,001 - 8,000 sq. ft. lot | \$56.90 | \$88.20 | \$92.60 | \$97.23 | \$102.10 | \$107.20 |
| 8,001 - 11,000 sq. ft. lot | \$63.15 | \$97.88 | \$102.78 | \$107.92 | \$113.31 | \$118.98 |
| 11,001 - 14,000 sq. ft. lot | \$69.35 | \$107.49 | \$112.87 | \$118.51 | \$124.44 | \$130.66 |
| Capital Improvement Plan Charge (CIP Charge) [3] | Current | 11/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
| Residential, up to 1" ^[2] | \$23.05 | \$23.05 | \$44.17 | \$44.17 | \$44.17 | \$44.17 |
| Residential, 1.25" | \$28.81 | \$34.58 | \$66.26 | \$66.26 | \$66.26 | \$66.26 |
| Residential, 1.5" | \$34.58 | \$46.10 | \$88.35 | \$88.35 | \$88.35 | \$88.35 |
| Residential, 2" | \$46.10 | \$73.76 | \$141.36 | \$141.36 | \$141.36 | \$141.36 |
| Duplex | \$46.10 | \$46.10 | \$88.35 | \$88.35 | \$88.35 | \$88.35 |
| Residential over 1" (per 1") | \$23.05 | \$23.05 | \$44.17 | \$44.17 | \$44.17 | \$44.17 |
| Additional Connection, per 1" | \$23.05 | \$23.05 | \$44.17 | \$44.17 | \$44.17 | \$44.17 |
| Total Single Family Residential Charge (O&M + CIP) | Current | 11/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
| Residential, 5,001 - 8,000 sq. ft. lot [2] | \$58.25 | \$77.61 | \$101.46 | \$104.33 | \$107.33 | \$110.49 |

[1] Charges based on size of residential lot. For lots over 20,000 SF, there is a charge per 1,000 SF over 20,000.

[2] Most common residential rate code.

[3] Formerly known as System Maintenance Charge.





Commercial 5-Year Rate Projection

| Flat Rate Commercial, \$ per Month | Current | 11/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
|---|----------------|------------------|-----------------|-----------------|-----------------|-----------------|
| 3/4" - 5/8" | \$45.50 | \$70.53 | \$74.05 | \$77.75 | \$81.64 | \$85.72 |
| 1" | \$62.85 | \$97.42 | \$102.29 | \$107.40 | \$112.77 | \$118.41 |
| 1 1/2" | \$90.90 | \$140.90 | \$147.94 | \$155.34 | \$163.10 | \$171.26 |
| 2" | \$184.00 | \$285.20 | \$299.46 | \$314.43 | \$330.15 | \$346.66 |
| Volumetric Rate, \$ per CCF | Current | 11/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
| \$ per 100 cubic ft | \$1.39 | \$2.15 | \$2.26 | \$2.38 | \$2.49 | \$2.62 |
| Meter Readiness-to-Service Charge, \$ per Month | Current | 11/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
| 5/8" | \$15.10 | \$23.41 | \$24.58 | \$25.80 | \$27.09 | \$28.45 |
| 1" | \$37.80 | \$58.59 | \$61.52 | \$64.60 | \$67.83 | \$71.22 |
| 1 1/2" | \$75.60 | \$117.18 | \$123.04 | \$129.19 | \$135.65 | \$142.43 |
| 2" | \$120.95 | \$187.47 | \$196.85 | \$206.69 | \$217.02 | \$227.87 |
| 3" | \$226.80 | \$351.54 | \$369.12 | \$387.57 | \$406.95 | \$427.30 |
| 4" | \$378.00 | \$585.90 | \$615.20 | \$645.95 | \$678.25 | \$712.17 |
| 6" | \$756.00 | \$1,171.80 | \$1,230.39 | \$1,291.91 | \$1,356.50 | \$1,424.33 |
| 8" | \$1,209.60 | \$1,874.88 | \$1,968.62 | \$2,067.06 | \$2,170.41 | \$2,278.93 |
| 10" | \$1,738.80 | \$2,695.14 | \$2,829.90 | \$2,971.39 | \$3,119.96 | \$3,275.96 |
| Capital Improvement Plan Charge (CIP Charge)^[1] | Current | 11/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
| Commercial up to 1" | \$23.05 | \$23.05 | \$44.17 | \$44.17 | \$44.17 | \$44.17 |
| Commercial 1 1/2" | \$46.10 | \$46.10 | \$88.35 | \$88.35 | \$88.35 | \$88.35 |
| Commercial 2" | \$73.75 | \$73.75 | \$141.34 | \$141.34 | \$141.34 | \$141.34 |
| Commercial 3" | \$138.30 | \$138.30 | \$265.05 | \$265.05 | \$265.05 | \$265.05 |
| Commercial 4" | \$230.50 | \$230.50 | \$441.75 | \$441.75 | \$441.75 | \$441.75 |
| Commercial 6" | \$461.00 | \$461.00 | \$883.50 | \$883.50 | \$883.50 | \$883.50 |
| Temporary Construction Water^[2] | Current | 11/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
| \$ per 100 cubic ft | \$1.43 | \$2.15 | \$2.26 | \$2.38 | \$2.49 | \$2.62 |
| Fire Sprinkler Readiness Rate | Current | 11/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
| 4" | \$75.60 | \$117.18 | \$123.04 | \$129.19 | \$135.65 | \$142.43 |
| 6" | \$151.20 | \$234.36 | \$246.08 | \$258.38 | \$271.30 | \$284.87 |
| 8" | \$241.90 | \$374.95 | \$393.69 | \$413.38 | \$434.05 | \$455.75 |
| 10" | \$347.75 | \$539.01 | \$565.96 | \$594.26 | \$623.97 | \$655.17 |

[1] Capital Improvement Plan Charge, formerly known as System Maintenance Charge.

[2] Temporary Construction Water will pay the same volumetric rate as metered commercial accounts beginning 11/1/2023.





Preliminary Rate Study Schedule

- July 17 Board Meeting – Draft Rate Presentation
- August 1 Mail Prop. 218 Notices
- August 21 Community Workshop
- September 18 Public Protest Hearing & Possible Adoption of Rates
- November 1 Effective Date of New Rates



Questions, Comments, & Input



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS