

**Welcome to the 2023
Proposed Water Rates Public Workshop**



Board of Directors Introductions



President Ryan Saunders



Vice President Carl Dolk



Director Robert Matteoli



Director Gwynne Pratt



Director David Ross

Our History

- The Grand Jury report released October 28, 2021 highlighted the need to invest money in the infrastructure, capital improvement, operations and maintenance in order to continue to provide a reliable and safe supply of drinking water to the rate payers.
- Bartle Wells Associates was contracted on September 12, 2022 to preform a rate study based upon Del Paso Manor Water District's 2009 Master Plan, the 2011 LAFCO Municipal Service Review, the 2021 HydroScience Strategic Water Solutions Technical Memorandum and the July 2021 General Manager's Final Recommendations.
- On July 17, 2023 the board approved the rate study and the dates for public workshop and protest hearing, formally initiating the District's Proposition 218 rate increase process.

Exhaustion Objection vs Protest

- The exhaustion objection is an opportunity to resolve an objection to how the rate study was formulated and/or how the water rates were derived. An objection does not necessarily count as a protest but is an objection to the process or the administration of that process.
- A protest is protesting the rates themselves and will be counted at the protest hearing. If more than 50% plus one protest, then the proposed rate increase does not pass.
- For a protest to count, it must be received before the end of the protest hearing on September 18, 2023. No late protests will be accepted. The protest must indicate that it is a protest to the proposed rates and include (1) the date; (2) the designation of parcel address or parcel number; (3) the printed name of the protestant; and (4) an original signature of the record owner, trustee, authorized signatory of a corporation/partnership, or customer of record with respect to the property identified on the protest

Overview

- Presentation by Bartle Wells Associates explaining the rate study
- Questions and answers
- Upcoming schedule and how to submit comments and questions



Presentation: Proposed Water Rates

*Community
Workshop
August 21, 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 proposed water rates and study and receive public input.**



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*

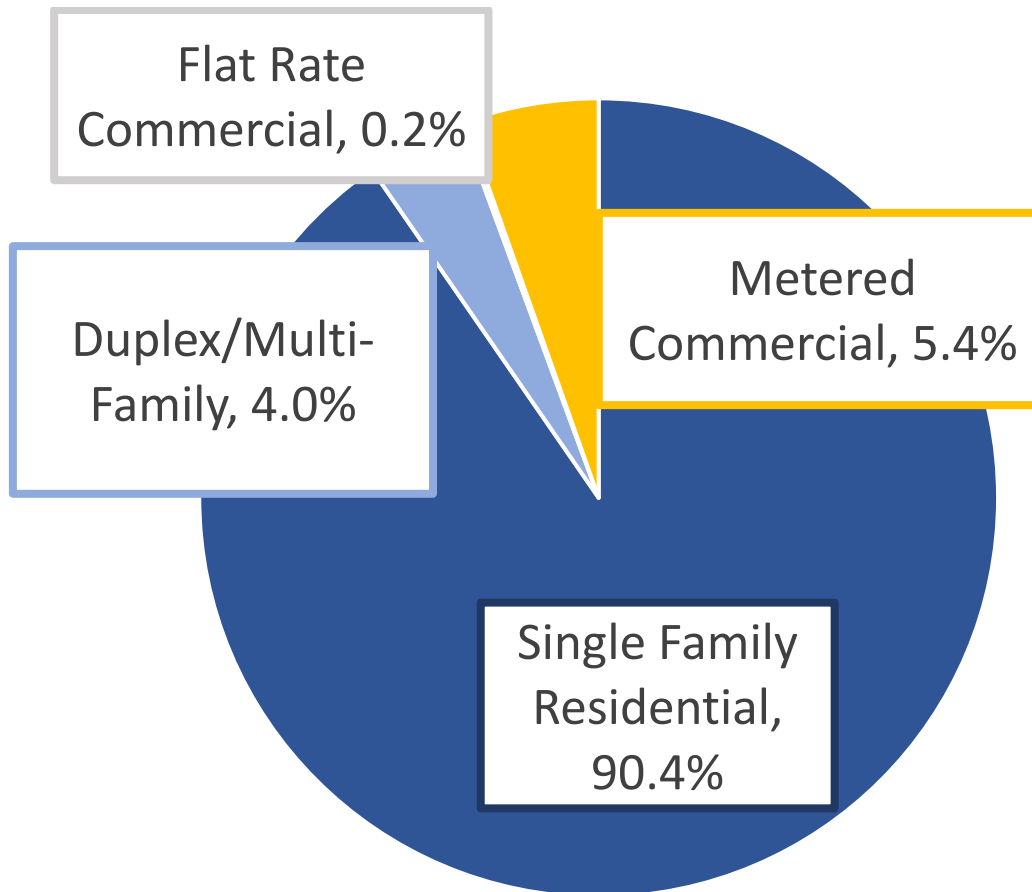


Water System Overview

- 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

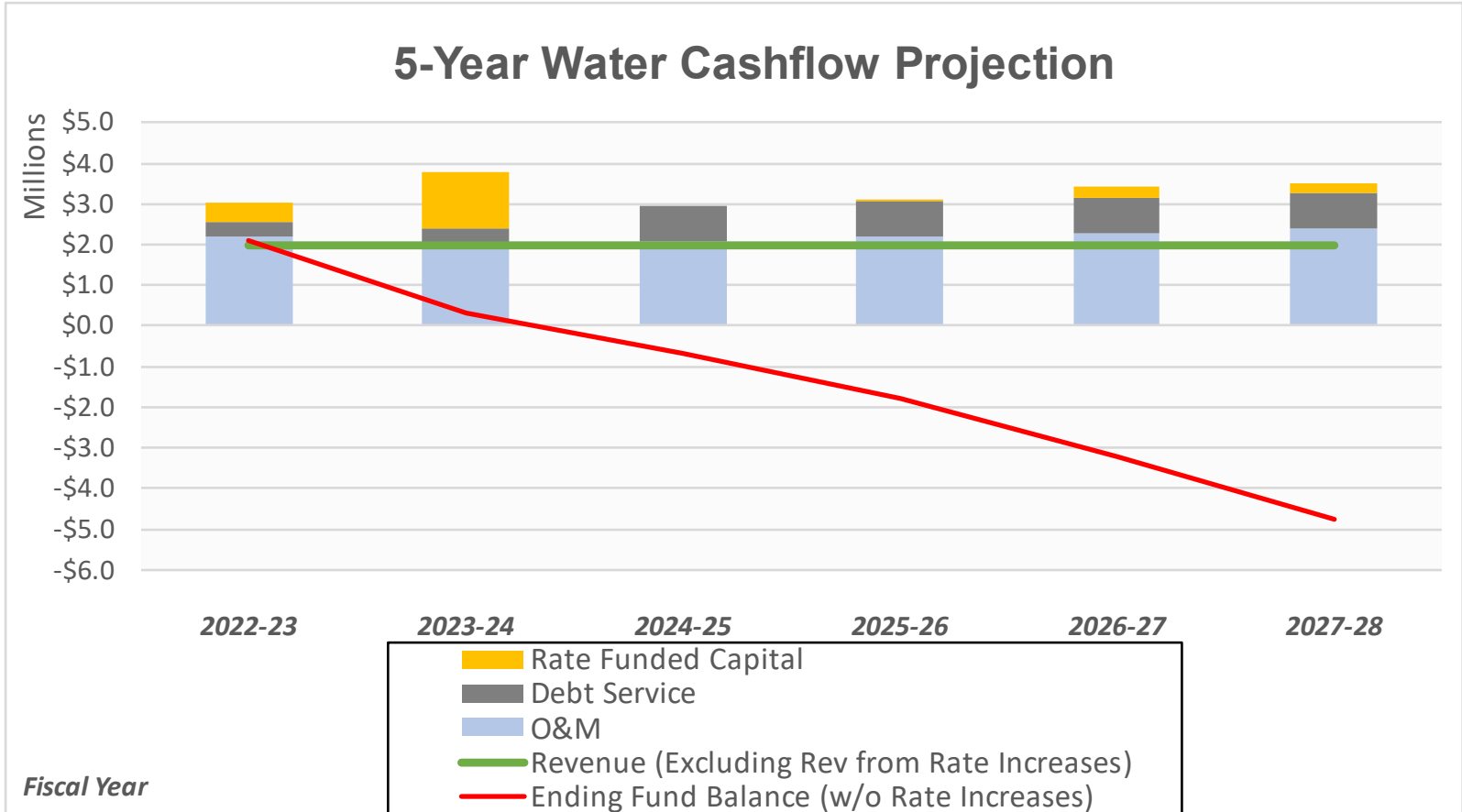
[1] FY 2022-23 expenses are conservatively estimated based on partial year results.





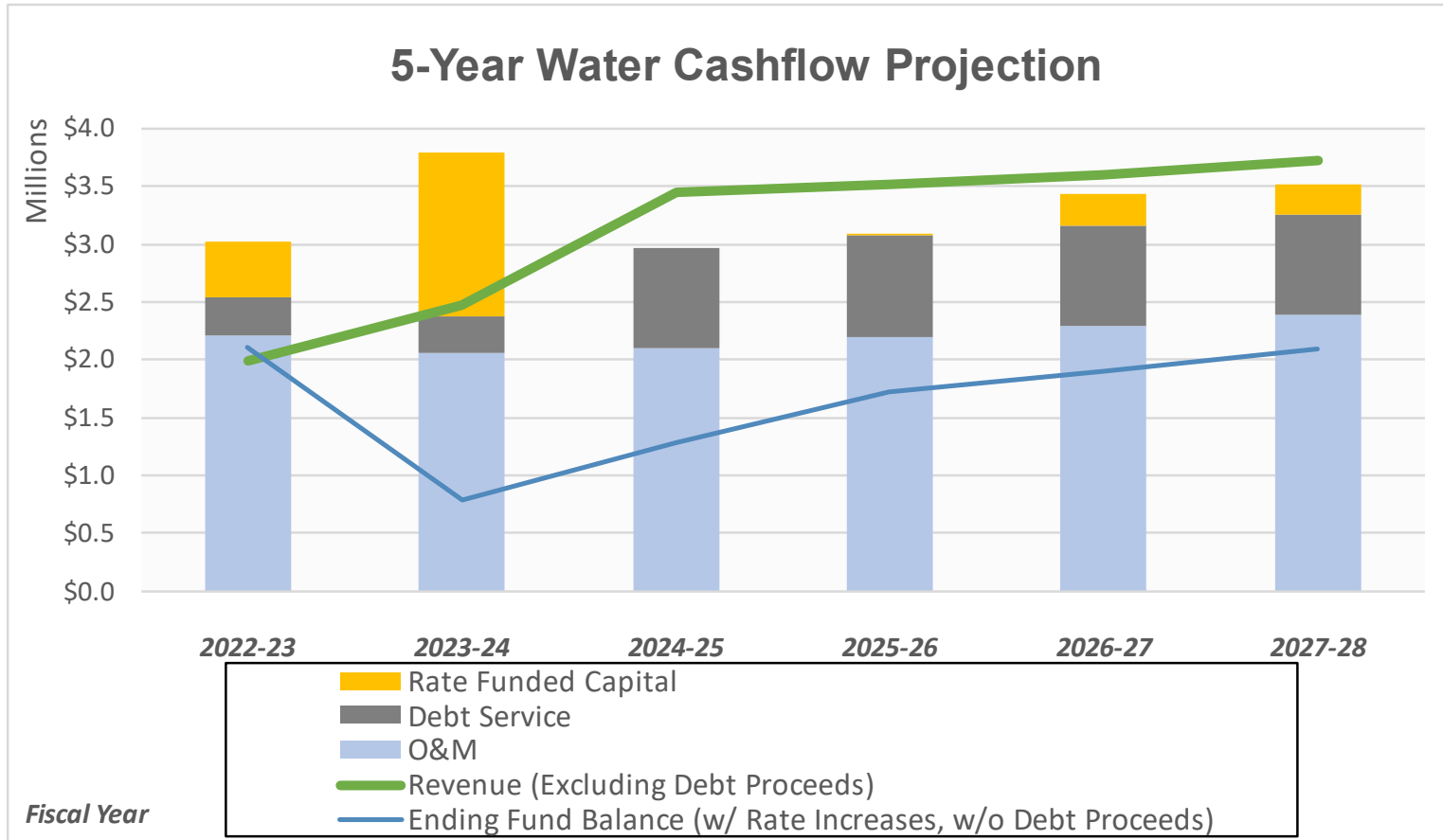
5-Year Water Cashflow Projection

WITHOUT Rate Increases





5-Year Water Cashflow Projection **WITH** Rate Increases





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%



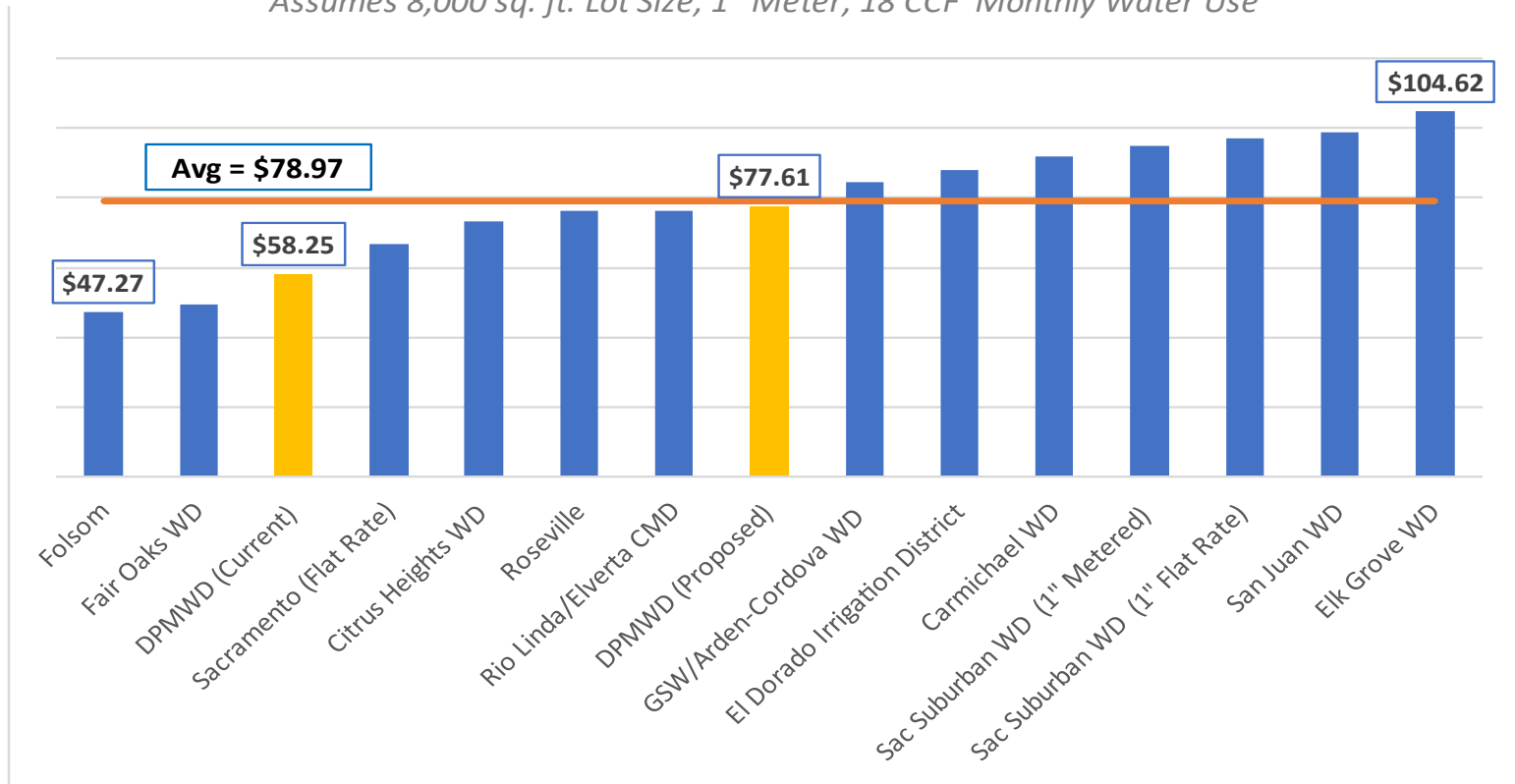


Residential Water Bill Comparison Snapshot

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