

Olivehurst Public Utilities District



Water & Sewer Rates

April 21, 2022



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Presentation Overview

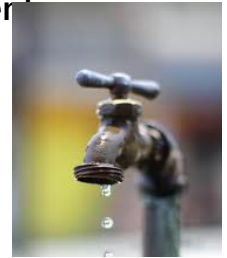


- Background
- Water Rates
- Sewer Rates
- Next Steps

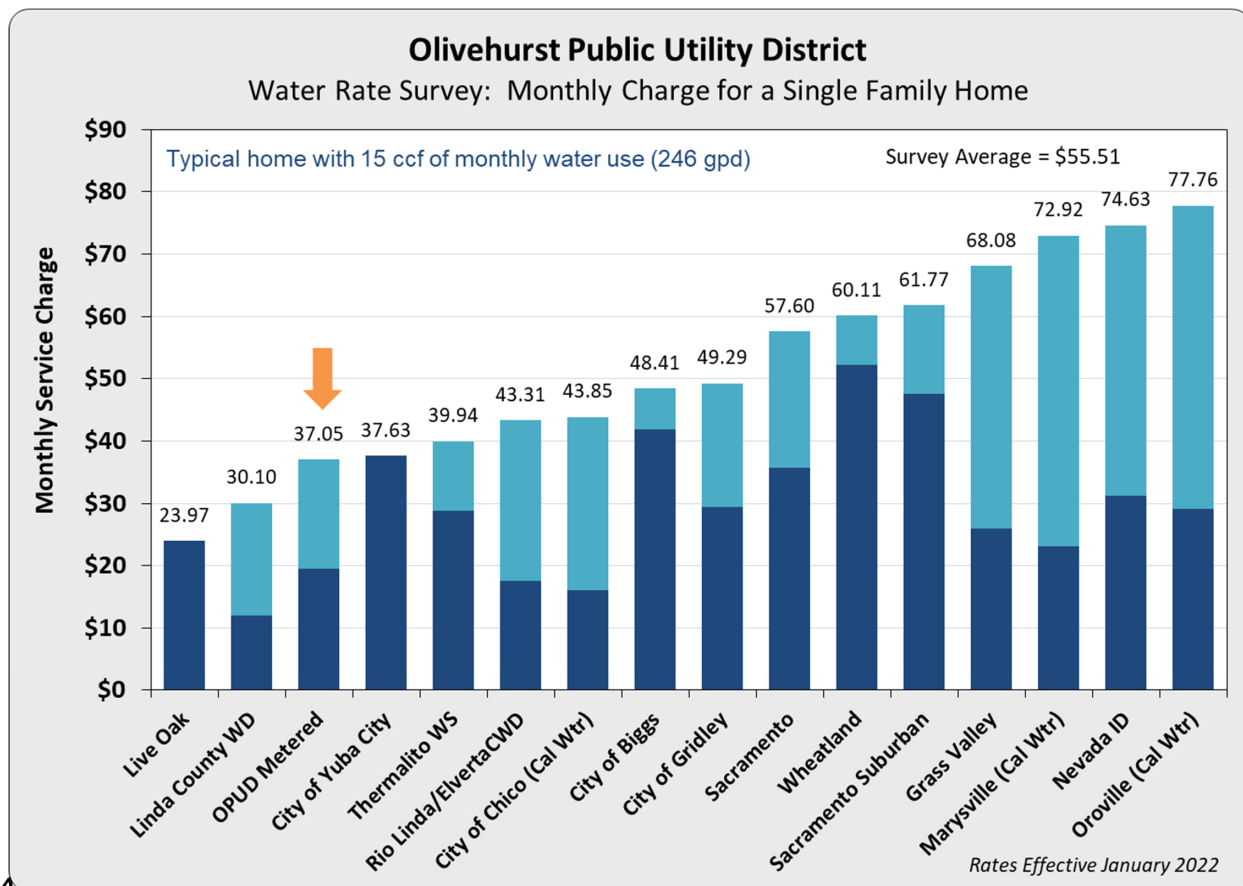
Purpose: Discuss findings and draft rate recommendations and receive input

OPUD Utility Finances

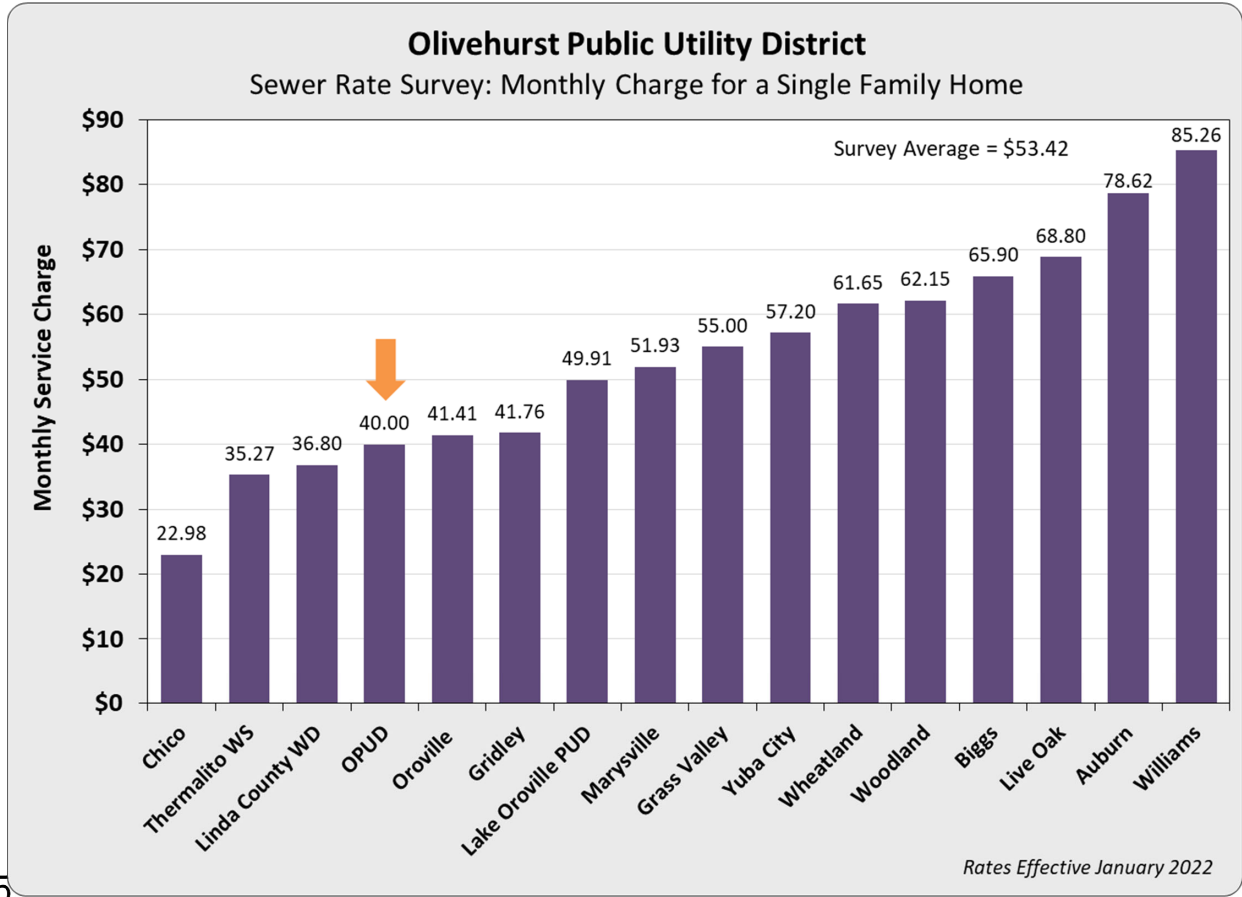
- OPUD's water & sewer utilities are financially self-supporting entities
- Service charges are the main source of revenues
- Rates need to set at levels adequate to fund operations, maintenance, debt service & capital improvements needs
- Water rates last increased Jan-1, 2021
- Sewer rates last increased Jan-1, 2017; *no increases for over 5 years*
- OPUD also did not implement authorized inflationary rate adjustments
- *Current water & sewer rates are both in the lower range compared to other regional agencies*



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Rate Study Objectives

- BWA developed updated 10-year financial projections
- Identified future water & sewer operating, maintenance, debt service & capital improvement funding needs
- Evaluated water & sewer rate increases needed to support projected expenses
- Phased in water & sewer rate increases as gradually as possible to:
 - Recover the costs of providing service
 - Support future balanced budgets
 - Help minimize annual impact on ratepayers

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Water Rates



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Water Finances & Rates

- **Prior rate increases put the water utility on a more stable financial footing**
 - Water enterprise previously experienced budget deficits; fund reserves had been fully drawn down due to inadequate water rate revenues (partially due to drought)
 - **Water enterprise facing financial challenges that will require rate increases**
 - Capital improvement needs of aging infrastructure:
 - Many pipelines are undersized for current fire flow standards & are 70+ years old
 - Funding phased into \$600,000 per year to help address highest-priority needs
 - Water utility is currently under-staffed, additional staffing needed for operations
 - Includes funding for 2 new water system operators
 - Ongoing cost inflation (utilities, staffing, insurance, supplies, etc.)
 - **Gradual rate increases needed to support projected funding needs**
 - Draft recommendation: 5% annual water rate increases for each of next 5 years
 - Assumes no change to water rate structure
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- First rate increase would not become effective until Jan-1, 2023



Projected Water Rates						
	Current Water Rates	Projected Water Rates Effective				
		Jan-1 2023	Jan-1 2024	Jan-1 2025	Jan-1 2026	Jan-1 2027
Rate Increase %		5%	5%	5%	5%	5%
METERED RATE ACCOUNTS						
3/4" Meter						
Fixed Monthly Charge	\$19.50	\$20.48	\$21.50	\$22.58	\$23.71	\$24.90
<i>Water included with Fixed Charge</i>	6 ccf	6 ccf	6 ccf	6 ccf	6 ccf	6 ccf
Consumption Charge per ccf	\$1.95	\$2.05	\$2.15	\$2.26	\$2.37	\$2.49
<i>For water use in excess of allowance</i>						
1" - 4" Meters						
Fixed Monthly Charge	\$32.50	\$34.13	\$35.84	\$37.63	\$39.51	\$41.49
<i>Water included with Fixed Charge</i>	10 ccf	10 ccf	10 ccf	10 ccf	10 ccf	10 ccf
Consumption Charge per ccf	\$1.95	\$2.05	\$2.15	\$2.26	\$2.37	\$2.49
<i>For water use in excess of allowance</i>						
FLAT RATE ACCOUNTS						
Fixed Monthly Charge						
3/4" Service	\$46.80	\$49.14	\$51.60	\$54.18	\$56.89	\$59.73
1" Service	75.40	79.17	83.13	87.29	91.65	96.23

Rates for meters over 4" shall be determined on a case-by-case basis.

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<i>Consumption Charge per 100 gallons</i>	\$0.26	\$0.27	\$0.29	\$0.30	\$0.32	\$0.33
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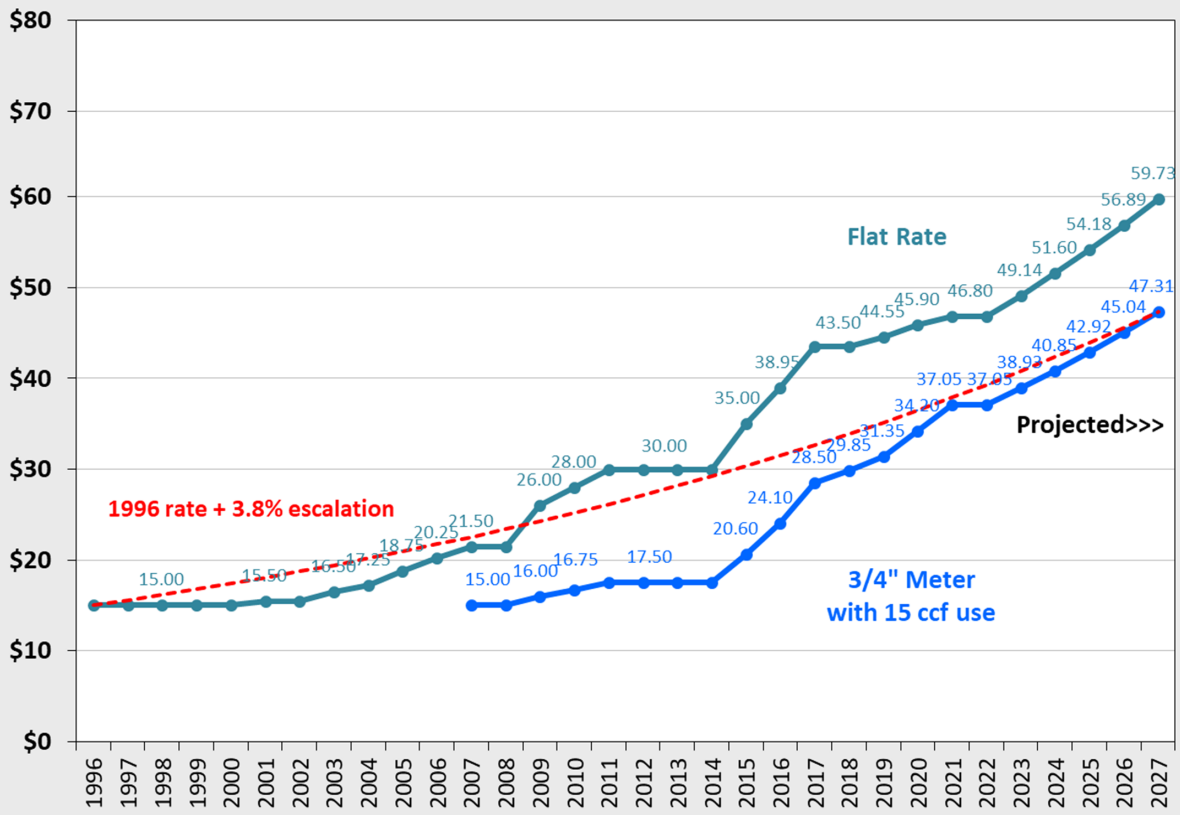


Water Rate Impacts							
	Monthly Water Use (ccf)	Current Water Rates	Projected Water Rates Effective				
			Jan-1 2023	Jan-1 2024	Jan-1 2025	Jan-1 2026	Jan-1 2027
Rate Increase %			5%	5%	5%	5%	5%
3/4" Metered Rate Accounts							
Monthly Bill	6	\$19.50	\$20.48	\$21.50	\$22.58	\$23.71	\$24.90
Increase			0.98	1.02	1.08	1.13	1.19
Monthly Bill	10	27.30	28.68	30.10	31.62	33.19	34.86
Increase			1.38	1.42	1.52	1.57	1.67
Monthly Bill	15	37.05	38.93	40.85	42.92	45.04	47.31
Increase			1.88	1.92	2.07	2.12	2.27
Monthly Bill	20	46.80	49.18	51.60	54.22	56.89	59.76
Increase			2.38	2.42	2.62	2.67	2.87
Monthly Bill	30	66.30	69.68	73.10	76.82	80.59	84.66
Increase			3.38	3.42	3.72	3.77	4.07
Monthly Bill	50	105.30	110.68	116.10	122.02	127.99	134.46
Increase			5.38	5.42	5.92	5.97	6.47

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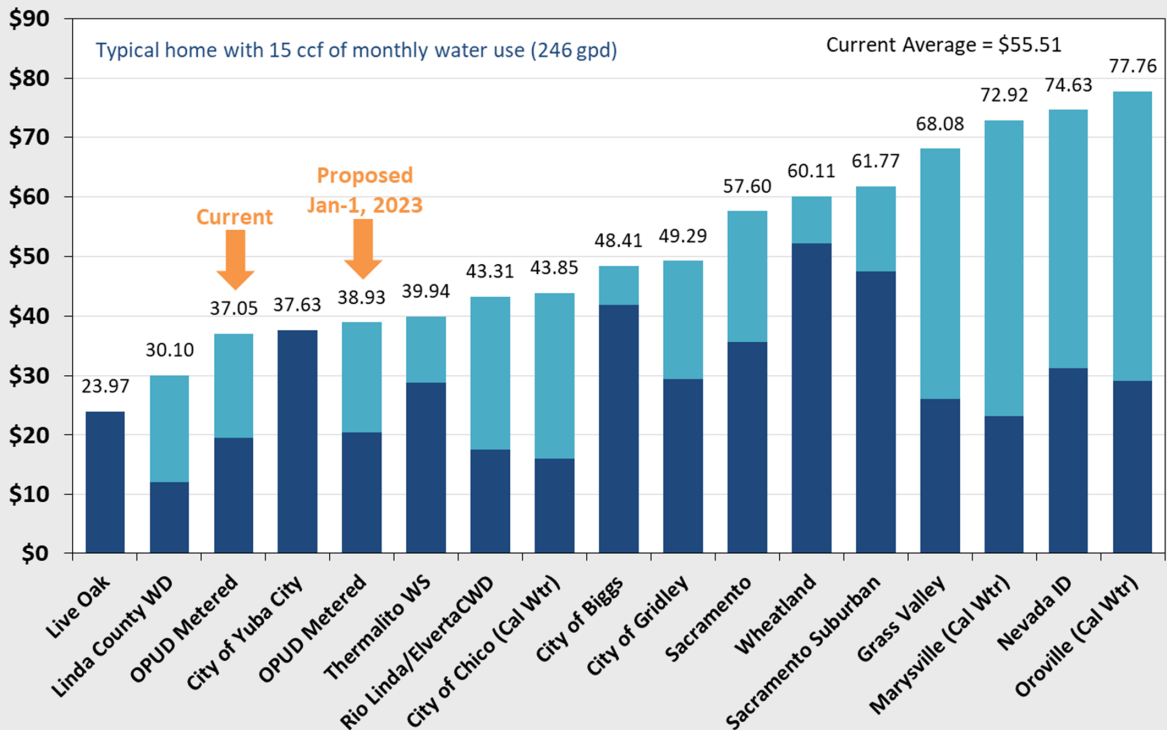
Olivehurst Public Utility District Historical & Projected Monthly Water Charges



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Olivehurst Public Utility District

Water Rate Survey: Monthly Charges for a Single Family Home



Other agencies are also anticipating rate increases in upcoming years.

Rates Effective January 2022

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Sewer Rates



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Sewer Finances & Rates

- Sewer rates have not been increased in over 5 years
- Sewer enterprise facing financial challenges that will require rate increases
 - Capital improvement needs of aging infrastructure:
 - OPUD has a lot of aging sewer system infrastructure that will need to be rehabilitated and/or replaced in upcoming years to support safe & reliable service
 - Funding phased into \$600,000 per year to help address highest-priority needs
 - Sewer utility is currently under-staffed
 - Includes funding for 1 new sewer system operator
 - Ongoing cost inflation (utilities, staffing, insurance, supplies, etc.)
- Gradual rate increases needed to support projected funding needs
 - Draft recommendation: \$2 per month sewer rate increases for each of next 5 years
 - Equates to roughly 4% - 5% increases each year
 - First rate increase would not become effective until Jan-1, 2023

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Projected Sewer Rates

	Current Sewer Rates	Projected Water Rates Effective				
		Jan-1 2023	Jan-1 2024	Jan-1 2025	Jan-1 2026	Jan-1 2027
Monthly Sewer Rate Increase \$		\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Sewer Rate Increase %		5.0%	4.8%	4.5%	4.3%	4.2%
Residential (per dwelling unit)	\$40.00	\$42.00	\$44.00	\$46.00	\$48.00	\$50.00
Commercial (per EDU) ¹	40.00	42.00	44.00	46.00	48.00	50.00
Schools (per EDU) ²	40.00	42.00	44.00	46.00	48.00	50.00

1 Nonresidential accounts are assigned a number of Equivalent Dwelling Units (EDUs) by the District based on estimated sewer flow & strength with a minimum assignment of 1 EDU.

2 Schools are billed based on number of faculty/staff, and average daily attendance (ADA) of students, according to the following formula.

Current EDU Formula: $EDUs = (A + B + C) / 280 \text{ gpd} \times D / 30$

A = number of faculty and staff x 20 gpd

B = ADA for number of elementary/middle school students x 18 gpd

C = ADA for number of high school students x 20 gpd

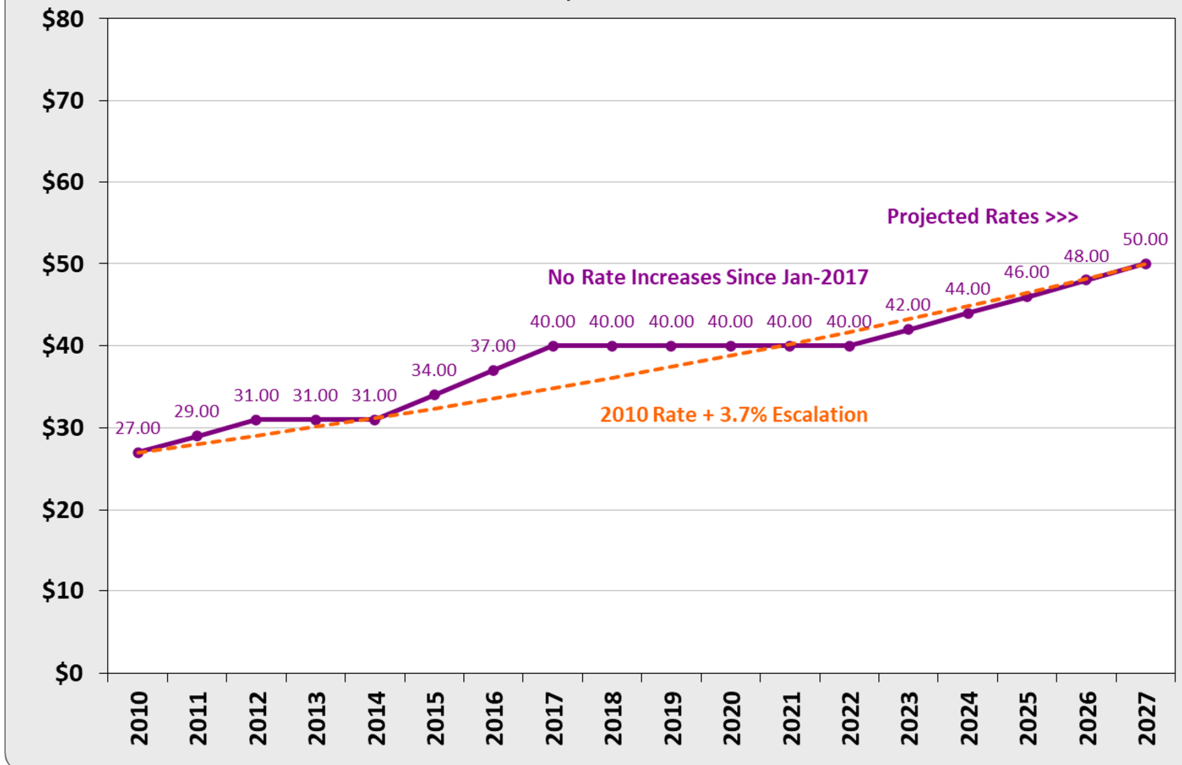
D = number of school days in month

gpd = gallons per day

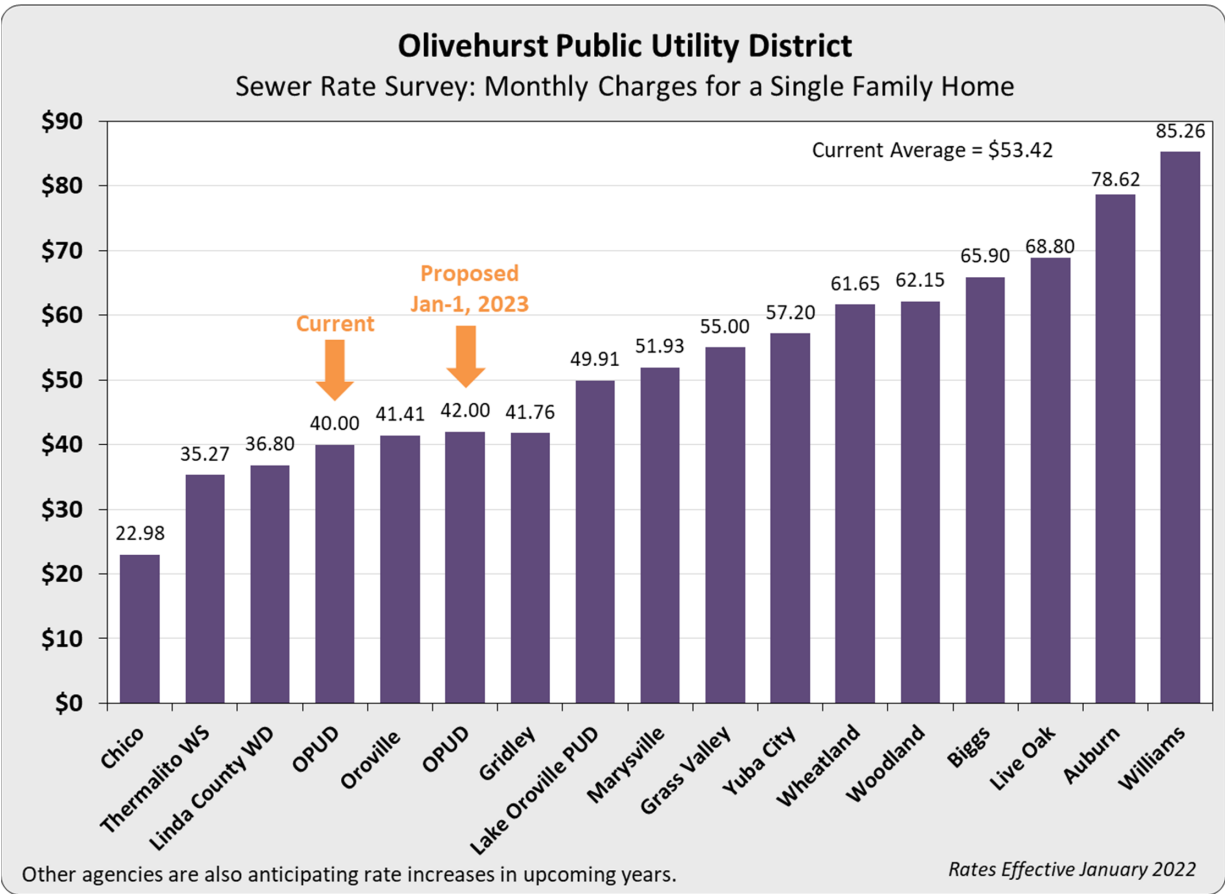
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Olivehurst Public Utility District Historical Monthly Residential Sewer Rates



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Next Steps

- Next steps

- Obtain input & Board direction to move forward with the Proposition 218 noticing process for increasing rates



- Proposition 218 procedural requirements

- Mail notices of proposed rate increases to property owners/customers at least 45 days prior to the date of the public hearing
- Hold Public Hearing to consider proposed rates
- Rate increases subject to "majority protest"

- As proposed, first water and sewer rate increases would not become effective until Jan-1, 2023

- Water & sewer rates projected to remain in lower to lower-middle range compared to other regional agencies

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Questions & Discussion

