



# UTILITY RATES

## PUBLIC WORKS SERVICES

# Background: How did we get here?

- Last Rate Adjustments:
  - January 2014 – Water/Sewer
  - August 2010 – Water/Sewer/Disposal
- No rate adjustments in FY 14/15 & 15/16
- Increase in Operating Costs
- Emergency/Unexpected Maintenance/Repair (Water)
  - Well 15: \$52,500
  - Well 18: \$92,250
- Reduced Revenue due to Water Conservation:
  - Water: \$450,000 (or approx. 18%)
  - Sewer: \$200,000 (or approx. 13.5%)
- 100% Allocation of RDA Bond Payment \$400,000/yr. (Sewer)

# Water Fund – No Rate Increase

## Water Operating Fund

	Actual 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Beginning Fund Balance	771,260	708,087	203,505	(236,203)	(688,893)	(1,219,765)	(1,563,972)
Revenue							
Service Charges	2,506,120	2,331,132	2,377,755	2,425,310	2,473,816	2,523,292	2,573,758
Other Revenue	186,704	332,527	231,798	171,357	174,190	177,075	180,015
<b>TOTAL REVENUE</b>	2,692,824	2,663,659	2,609,553	2,596,667	2,648,006	2,700,367	2,753,773
Expenditures							
O&M	2,059,808	2,374,867	2,202,835	2,229,926	2,345,866	2,263,962	2,275,481
Debt Service/Capital	696,189	793,374	846,426	819,431	833,011	780,613	804,071
<b>TOTAL EXPENDITURES</b>	2,755,997	3,168,241	3,049,261	3,049,357	3,178,877	3,044,575	3,079,552
<b>ENDING FUND BALANCE</b>	708,087	203,505	(236,203)	(688,893)	(1,219,765)	(1,563,972)	(1,889,752)
2 Month Operating Reserve	341,542	393,811	331,806	369,654	388,978	375,327	377,247

# Sewer Fund – No Rate Increase

## Sewer Operating Fund

	Actual 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Beginning Fund Balance	1,057,138	741,830	597,124	161,968	(312,575)	(719,499)	(1,076,140)
Revenue							
Service Charges	2,723,367	2,762,615	2,795,213	2,900,125	3,016,830	3,077,166	3,138,709
Other Revenue	116,039	176,930	123,945	60,724	60,724	60,724	60,724
<b>TOTAL REVENUE</b>	2,839,406	2,939,545	2,919,158	2,960,849	3,077,554	3,137,890	3,199,433
Expenditures							
O&M	2,009,591	2,142,397	2,135,688	2,235,543	2,307,587	2,382,525	2,456,568
Debt Service/ Capital	1,145,123	941,854	1,218,626	1,199,849	1,176,891	1,112,006	1,222,419
<b>TOTAL EXPENDITURES</b>	3,154,714	3,084,251	3,354,314	3,435,392	3,484,478	3,494,531	3,678,987
<b>ENDING FUND BALANCE</b>	741,830	597,124	161,968	(312,575)	(719,499)	(1,076,140)	(1,555,694)
2 month Operating Reserve	333,674	355,032	353,914	370,591	382,598	395,087	407,428

# FY 16/17 Budget Assumptions

- Approximately 25% of existing debt service obligations will be paid for through development impact fees.
- General fund will provide \$200,000 to the Water Operating Fund and \$100,000 to the Sewer Operating Fund as one-time revenue contribution.
- Given the many variables, no estimate has been provided for possible revenue recovery related to the upcoming suspension of watering restrictions.

# REQUIRED WATER RATES TO MAINTAIN CURRENT SERVICE LEVELS

Minimum Rate Adjustment					
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>Residential</b>					
Fixed Charge	\$11.40	\$11.86	\$12.09	\$12.09	\$12.09
First 9,000 gals (per kgals)	1.141	1.187	1.210	1.210	1.210
Over 9,000 gals (per kgals)	1.848	1.922	1.961	1.961	1.961
<b>Commercial</b>					
Fixed Charge	\$11.40	\$11.86	\$12.09	\$12.09	\$12.09
All Use (per kgals)	1.386	1.441	1.470	1.470	1.470
<b>Industrial</b>					
Fixed Charge	\$11.40	\$11.86	\$12.09	\$12.09	\$12.09
All Use (per kgals)	1.473	1.532	1.562	1.562	1.562

Note: Seniors are eligible for a 5% discount on their rates

# Water Fund – Minimum Rate Adjustment

## Water Operating Fund – Minimum

	Actual 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Beginning Fund Balance	771,260	708,087	203,505	338,981	382,980	419,854	641,649
Revenue							
Service Charges	2,506,120	2,331,132	2,710,640	2,875,447	2,991,615	3,051,447	3,112,476
Other Revenue	186,704	332,527	432,797	173,357	176,189	180,076	184,015
<b>TOTAL REVENUE</b>	2,692,824	2,663,659	2,943,437	3,048,804	3,167,804	3,231,523	3,296,491
Expenditures							
O&M	2,059,808	2,374,867	2,202,835	2,229,926	2,345,866	2,263,962	2,275,480
Debt Service/Capital	696,189	793,374	805,126	774,880	785,065	745,766	763,360
<b>TOTAL EXPENDITURES</b>	2,755,997	3,168,241	2,807,961	3,004,805	3,130,930	3,009,728	3,038,840
<b>ENDING FUND BALANCE</b>	708,087	203,505	338,981	382,980	419,854	641,649	899,300
2 Month Operating Reserve	343,301	395,811	333,806	371,654	390,978	377,327	379,247

## Current Water Rates vs Required Minimum Rate

User	Current	Minimum	Difference	% Difference	Users
Low (3,000 gal)	\$20.85	\$14.82	-\$6.03	-29%	4%
Current Base* (9,000 gal)	\$20.85	\$21.67	+\$0.82	+4%	22%
Typical (12,000 gal)	\$24.46	\$27.21	+\$2.75	+11%	41%
High (22,000 gal)	\$36.40	\$45.69	+\$9.29	+26%	33%

\* Current base includes up to 9,000 gallons of water per month

# REQUIRED SEWER RATES TO MAINTAIN CURRENT SERVICE LEVELS

## Minimum Rate Adjustment

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>Residential</b>					
Per Month	\$29.83	\$33.70	\$33.70	\$33.70	\$33.70
<b>Commercial</b>					
Per Month	\$33.03	\$37.32	\$37.32	\$37.32	\$37.32
Flow (per kgals)	3.303	3.732	3.732	3.732	3.732
<b>Industrial</b>					
Flow (per kgals)	1.620	1.830	1.830	1.830	1.830
BOD					
First 15,000 lbs	.336/lb./kgals	.380/lb./kgals	.380/lb./kgals	.380/lb./kgals	.380/lb./kgals
BOD					
Next 15,000 lbs	.535/lb./kgals	.605/lb./kgals	.605/lb./kgals	.605/lb./kgals	.605/lb./kgals
BOD					
Over 30,000 lbs	.732/lb./kgals	.828/lb./kgals	.828/lb./kgals	.828/lb./kgals	.828/lb./kgals
SS					
	.318/lb./kgals	.359/lb./kgals	.359/lb./kgals	.359/lb./kgals	.359/lb./kgals

# Sewer Fund – Minimum Rate Adjustment

## Sewer Operating Fund – Minimum

	Actual 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Beginning Fund Balance	1,057,138	741,830	597,124	385,429	394,095	661,953	486,598
Revenue							
Service Charges	2,723,367	2,762,615	3,130,639	3,608,375	3,680,543	3,754,154	3,829,237
Other Revenue	116,039	176,930	225,445	62,224	62,224	63,224	64,224
<b>TOTAL REVENUE</b>	2,839,406	2,939,545	3,356,084	3,670,599	3,742,767	3,817,378	3,893,461
Expenditures							
O&M	2,009,591	2,412,397	2,185,688	2,285,543	2,357,588	2,432,525	2,506,751
Debt Service/ Capital	1,145,123	941,854	1,383,660	1,381,848	1,378,890	1,151,410	1,219,228
<b>TOTAL EXPENDITURES</b>	3,154,714	3,084,251	3,569,348	3,66,391	3,736,478	3,583,935	3,725,979
<b>ENDING FUND BALANCE</b>	741,830	597,124	383,680	387,067	393,357	626,800	794,282
2 month Operating Reserve	333,674	357,006	364,281	380,924	392,931	405,421	417,792

## Current Sewer Rates vs Required Minimum Rate

<b>Current</b>	<b>Minimum</b>	<b>Difference</b>	<b>% Difference</b>
\$26.63	\$29.83	+3.20	+12.02%

# Minimum Rate Adjustment

## Total FY 16/17 Bill – 12,000 gallons

	<b>Current</b>	<b>Minimum</b>	<b>Difference</b>	<b>% Difference</b>
Water	\$24.46	\$27.21	+\$2.75	+11%
Sewer	26.63	29.83	+\$3.20	+12%
Disposal	29.53	29.53	+0	+0%
Total	\$80.62	\$86.57	\$5.95	+7%

# Utility System Needs

- Water
  - New Well 21 (Planned for 2010) - \$2,000,000
  - Upgrade SCADA System - \$65,000
  - Equipment Maintenance/Repair/Replacement (Depreciation)
- Sewer
  - WDR Permit (Not “if” – But “when”) - \$500,000
  - WWTP Expansion, Phase II (est. \$28m)
  - Biosolids “Sludge” Removal (New Requirement)
  - Disposal Pond Maintenance
  - Equipment Maintenance and Replacement (Depreciation)

# Water Fund – Recommended Rate

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>Residential</b>					
Fixed Charge	\$11.80	\$12.39	\$13.01	\$13.01	\$13.01
First 9,000 gals (per kgals)	1.190	1.250	1.312	1.312	1.312
Over 9,000 gals (per kgals)	1.928	2.025	2.126	2.126	2.126
<b>Commercial</b>					
Fixed Charge	\$11.80	\$12.39	\$13.01	\$13.01	\$13.01
All Use (per kgals)	1.411	1.482	1.556	1.556	1.556
<b>Industrial</b>					
Fixed Charge	\$11.80	\$12.39	\$13.01	\$13.01	\$13.01
All Use (per kgals)	1.484	1.559	1.637	1.637	1.637

# Water Fund Balance

	Actual 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Beginning Fund Balance	771,260	708,087	203,505	340,091	385,601	393,324	555,501
Revenue							
Service Charges	2,506,120	2,331,132	2,805,750	3,004,958	3,218,310	3,282,676	3,348,330
Other Revenue	186,704	332,527	432,797	173,357	176,189	179,076	183,015
<b>TOTAL REVENUE</b>	<b>2,692,824</b>	<b>2,663,659</b>	<b>3,238,547</b>	<b>3,178,315</b>	<b>3,394,499</b>	<b>3,461,752</b>	<b>3,531,345</b>
Expenditures							
O&M	2,059,808	2,374,867	2,202,835	2,229,926	2,345,866	2,263,962	2,275,480
Debt Service/Capital	696,189	793,374	899,126	902,880	1,040,911	1,035,612	1,087,206
<b>TOTAL EXPENDITURES</b>	<b>2,755,997</b>	<b>3,168,241</b>	<b>3,101,961</b>	<b>3,132,805</b>	<b>3,386,776</b>	<b>3,299,574</b>	<b>3,362,686</b>
<b>ENDING FUND BALANCE</b>	<b>708,087</b>	<b>203,505</b>	<b>340,091</b>	<b>385,601</b>	<b>393,324</b>	<b>555,501</b>	<b>724,160</b>
2 Month Operating Reserve	343,301	395,811	333,806	371,654	390,978	377,327	379,247

## Current Water Rates vs Recommended Rate

User	Current	Recmd Option	Difference	% Difference	Users
Low (3,000 gal)	\$20.85	\$15.37	-\$5.48	-26.28%	4%
Current Base* (9,000 gal)	\$20.85	\$22.51	+\$1.66	+7.96%	22%
Typical (12,000 gal)	\$24.46	\$28.29	+\$3.83	+15.66%	41%
High (22,000 gal)	\$36.40	\$47.57	+11.17	+30.69%	33%

\* Current base includes up to 9,000 gallons of water per month

# Sewer Fund – Recommended Rate

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>Residential</b>					
Per Month	\$33.29	\$37.28	\$37.28	\$39.52	\$41.10
<b>Commercial</b>					
Per Month	\$36.86	\$41.29	\$41.29	\$43.76	\$45.51
Flow (per kgals)	3.686	4.129	4.129	4.376	4.551
<b>Industrial</b>					
Flow (per kgals)	1.808	2.024	2.024	2.146	2.232
BOD					
First 15,000 lbs	.375/lb./kgals	.420/lb./kgals	.420/lb./kgals	.445/lb./kgals	.463/lb./kgals
BOD					
Next 15,000 lbs	.598/lb./kgals	.669/lb./kgals	.669/lb./kgals	.709/lb./kgals	.738/lb./kgals
BOD					
Over 30,000 lbs	.818/lb./kgals	.916/lb./kgals	.916/lb./kgals	.971/lb./kgals	1.009/lb./kgals
SS	.355/lb./kgals	.398/lb./kgals	.398/lb./kgals	.421/lb./kgals	.438/lb./kgals

# Sewer Fund Balance

	Actual 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Beginning Fund Balance	1,057,138	741,830	597,124	388,237	403,633	642,775	492,283
Revenue							
Service Charges	2,723,367	2,762,615	3,494,016	3,991,564	4,071,395	4,401,992	4,669,633
Other Revenue	116,039	176,930	225,445	62,224	63,224	63,224	62,224
<b>TOTAL REVENUE</b>	<b>2,839,406</b>	<b>2,939,545</b>	<b>3,719,461</b>	<b>4,053,788</b>	<b>4,134,619</b>	<b>4,465,216</b>	<b>4,731,857</b>
Expenditures							
O&M	2,009,591	2,412,397	2,185,688	2,285,543	2,357,588	2,432,525	2,506,751
Debt Service/ Capital	1,145,123	941,854	1,742,660	1,752,848	1,537,890	2,183,183	2,289,001
<b>TOTAL EXPENDITURES</b>	<b>3,154,714</b>	<b>3,084,251</b>	<b>3,928,348</b>	<b>4,038,391</b>	<b>3,895,478</b>	<b>4,615,707</b>	<b>4,795,751</b>
<b>ENDING FUND BALANCE</b>	<b>741,830</b>	<b>597,124</b>	<b>388,237</b>	<b>403,633</b>	<b>642,775</b>	<b>492,283</b>	<b>428,389</b>
2 month Operating Reserve	333,674	357,006	364,281	380,924	392,931	405,421	417,792

## Current Sewer Rates vs Recommended Rate

<b>Current</b>	<b>Base</b>	<b>Difference</b>	<b>% Difference</b>
\$26.63	\$33.29	+6.66	+25.00%

# Recommended Rate Adjustment

## Total FY 16/17 Bill – 12,000 gallons

	<b>Current</b>	<b>Recmd</b>	<b>Difference</b>	<b>% Difference</b>
Water	\$24.46	\$28.29	+\$3.83	+16%
Sewer	26.63	33.29	+\$6.66	+25%
Disposal	29.53	29.53	+0	+0%
<b>Total</b>	<b>\$80.62</b>	<b>\$91.11</b>	<b>\$10.49</b>	<b>+13%</b>

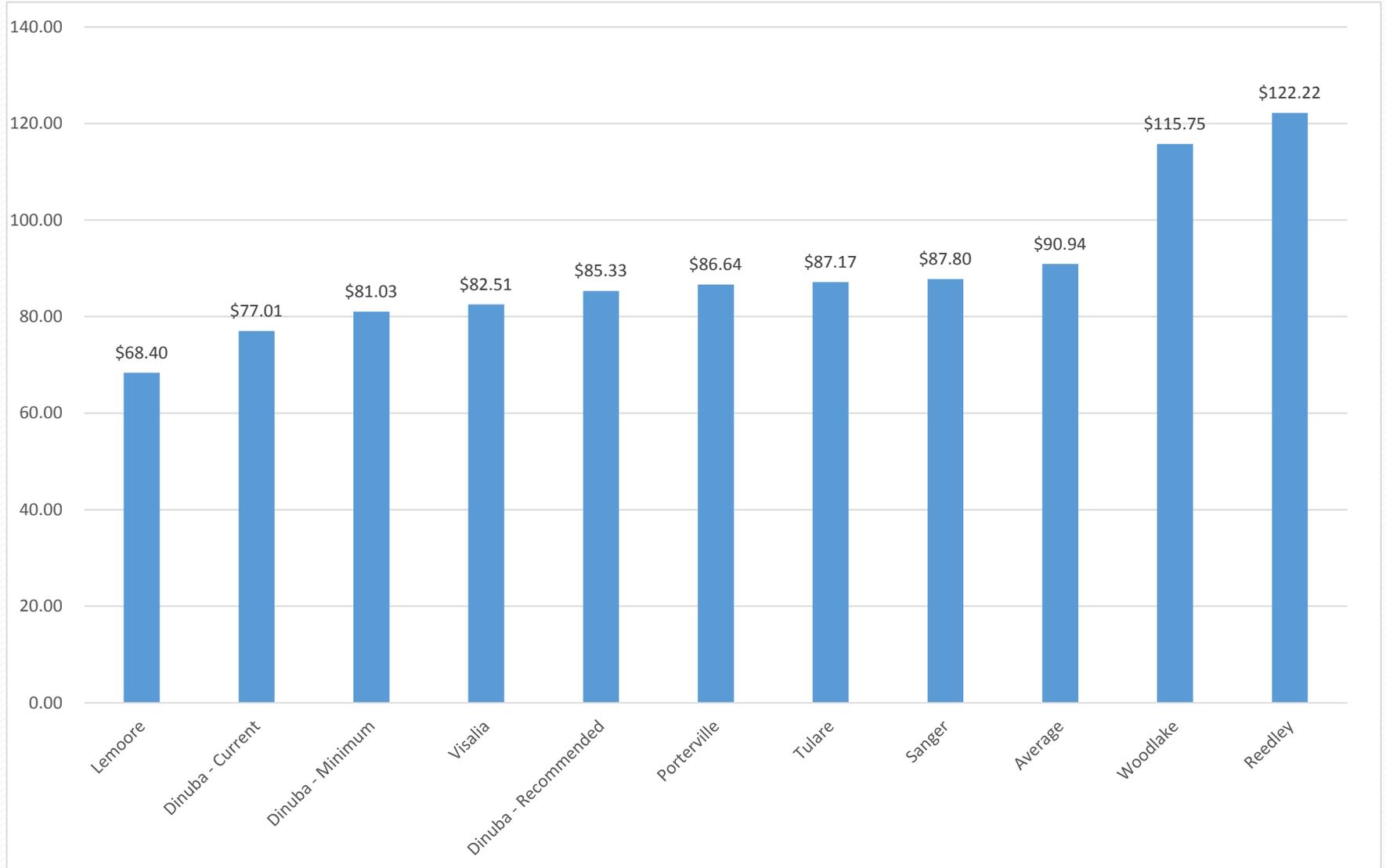
## Total FY 16/17 Bill – Minimum

	Current	Minimum	Difference	% Difference
Water (12KG)	\$24.46	\$27.21	+\$2.75	+11%
Sewer	26.63	29.83	+\$3.20	+12%
Disposal	29.53	29.53	+0	+0%
Total	\$80.62	\$86.57	\$5.95	+7%

## Total FY 16/17 Bill – Recommended

	Current	Recmd	Difference	% Difference
Water (12KG)	\$24.46	\$28.29	+\$3.83	+16%
Sewer	26.63	33.29	+\$6.66	+25%
Disposal	29.53	29.53	+0	+0%
Total	\$80.62	\$91.11	\$10.49	+13%

# Total Bill – How does Dinuba compare?



# Recap/Options

- Minimum Rate Adjustments – 1 year/5 years
  - Results in 7% increase in FY 16/17 (12,000 gallon customer)
  - Does not include depreciation (maintenance/replacement)
  - Only covers current operating costs (no emergencies)
  - Does not include any upgrades or expansion of facilities
- Recommended Rate Adjustment – 5 years
  - Results in 13% increase in FY 16/17 (12,000 gallon customer)
  - Includes some depreciation (maintenance/replacement)
  - Includes upgrades and expansion of facilities
    - WWTP Phase II Expansion (\$28M)
    - New Well No. 21 (\$2M)
    - New SCADA System (\$65K)

# NEXT STEPS

Tonight – Council approve rate option for public notification (Prop 218)

Options: Minimum Rates – 1 year/5 years

Recommended Rates – 1 year/5 years

Prop 218 Noticing period – 45 days

Public hearing to adopt rate adjustment resolutions/first reading of rate notice

Second reading of notice

New rates effective