

Suisun-Solano Water Authority

Water Rate Study

Customer Outreach Meeting(s) Presentation
September 14, 15 and 22, 2021

Presented by

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Overview of the Presentation

- **Key Water Rate Study Objectives and Findings**
- **Water Rate Study**
 - Prepare Financial Plan
 - Cost-of-Service Analysis
 - Rate Design
 - Proposed Water Rates
- **Bi-Monthly Water Bill Comparisons**
- **Next Steps**
- **Question & Answers**

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Suisun-Solano Water Authority – Water Rate Study

- **Suisun-Solano Water Authority (SSWA)**

- SSWA is your water provider.
- SSWA is a partnership between the City of Suisun City and the Solano Irrigation District.

- **The Water Rate Study**

- Prepared by NBS Consulting with SSWA staff oversight. NBS prepared the majority of this presentation.
- The Water Rate Study was initially completed in February of 2020 but was pulled back because of the Board’s concern of the financial impact of any water rate increase on customers during the initial instability of the COVID-19 pandemic.
- The Water Rate Study proposes water rate increases for 3 years.



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- **Customer Notification**

- Mailed Notice of Public Hearing Regarding Proposed Water Rates, Proposition 218 Notice
- **The Water Rate Study is on the City of Suisun City’s website**
 - https://www.suisun.com/wp-content/files/SSWA_Draft_Rate_Study_Report_07-22-2021.pdf
 - Request a copy by contacting Elizabeth “Beth” Luna of City of Suisun City 707-421-3215, or eluna@suisun.com

Why 3-year and not a 5-Year Water Rate Study?

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- **In 2012** an Asset Condition Assessment completed-produced a plan for priority asset upgrades; primary at the Water Treatment Plant.
- **In 2015** 5-year Rate Study Adopted/Implemented, to fund continuing operations and asset upgrades by issuing long-term debt.
- **In 2016 & 2019** Issued \$18 million in Municipal Bond Debt. The bond proceeds were used to finance the following projects:
 - Clarifier Replacement
 - Pipeline to Storage Tank 2a & 2b
 - Chemical Feed Replacement
 - Misc. Pipeline Projects (small projects)
 - Water Meter Replacement
 - Media Rehabilitation
 - *Additional Projects Completed & Funded with Connection Fees from Developers:*
 - 2 Million Gallon Tank 2b
 - Electrical Upgrades at the treatment plant
- **Planned for 2022** Update the 2012 Asset Condition Assessment-next round of asset upgrades-to maintain the water system.
 - Projected need to issue additional Bond Debt
 - 3-year water rate increase program to fund operating costs, cash reserve balances and identified capital projects, while waiting for the results of the 2022 Asset Condition Assessment.

Why Increase the Water Rates?

1. Projected Cost Inflation

- The rates were last increased in July 2019. There has been inflation since then.
- Projected 3.12% inflation for general operating costs for each of the 3 years
- Projected 3.00% labor costs increase for each of the 3 years

2. Planned Capital Improvement Projects

- We need continued re-investment into the Water System. Some pipes are over 100 years old. Old Town, for example, needs large segments of pipelines and valves replaced.
- The Water Treatment Plant (WTP) and Pumping Stations are highly mechanized, and equipment needs to be replaced on a continual basis before it hits end-of-life. For example, the interiors of Tank 2a, Gregory Hill Tank and Sports Complex tank need to be sandblasted and re-coated. Each costing \$1m, total \$3m.
- Further, many of the pumps at the WTP need replacing and cannot be run-to-failure. The City's water system cannot go offline. Therefore, they are replaced at an industry standard end-of-life (i.e. 20 years, 40 years, etc.).

3. Maintain Required Cash Reserves

Water Rate Study Objectives

The Water Rate Study is based on:

- ✓ Legal requirements, and
- ✓ Industry standards for rate setting in the *American Water Works Association's: Principals of Water Rates, Fees, and Charges, Manual M1.*

1. Develop Financial Plan

- Project revenues, **at current water rates**, operating and debt service expenses
- Maintain approved cash reserve targets

2. Perform Cost-of-Service Analysis

- Analysis of Water Consumption and Billing Data
- Allocation of Costs to Rate Components

3. Calculate New Water Rates

- Fixed & Variable Charges

Water Rate Study

1. Develop Financial Plan

- The Financial Plan estimates the costs to be recovered from water rates.
 - Operating and Maintenance (O&M)
 - Debt Service – principal & interest
 - Capital Projects – currently planned and anticipated future
 - Maintain cash reserve balances

Financial Plan, cont.

RATE REVENUE REQUIREMENTS SUMMARY	Projection	Projected Rate Adoption Period		
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Proposed Annual Rate Revenue Increase	0.00%	3.00%	4.00%	5.00%
Sources of Water Funds (Revenues)				
Rate Revenue - Current Rates	\$ 6,400,000	\$ 6,428,160	\$ 6,456,444	\$ 6,484,852
Non-Rate Revenues	425,964	467,825	463,213	463,473
Sources of Funds - Current Rates	\$ 6,836,577	\$ 6,895,985	\$ 6,919,657	\$ 6,948,325
<i>plus:</i> Revenue from Rate Increases	-	192,845	459,699	809,050
Total Sources of Funds (Revenues)	\$ 6,836,577	\$ 7,088,830	\$ 7,379,356	\$ 7,757,375
Uses of Water Funds (Expenses)				
Operating Expenses:				
Administration/Accounting	\$ 1,470,724	\$ 1,550,423	\$ 1,569,763	\$ 1,617,405
Operations and Maintenance	2,024,279	2,257,830	2,325,603	2,395,417
Treatment Plant Operations	1,380,253	1,408,635	1,450,935	1,494,506
Bond Administration Expenses	13,400	13,400	13,817	14,249
Subtotal: Operating Expenses	\$ 4,888,656	\$ 5,230,288	\$ 5,360,119	\$ 5,521,577
Other Expenses, Debt Service	\$ 1,015,363	\$ 924,560	\$ 993,776	\$ 995,729
Total Uses of Water Funds (Expenses)	\$ 5,904,019	\$ 6,154,848	\$ 6,353,895	\$ 6,517,306
Net Cash Available For Capital Assets & Other Cash Reserves	\$ 932,559	\$ 933,982	\$ 1,025,461	\$ 1,240,070
<u>Operating Fund Cash Reserves</u>				
Beginning balance	\$ 1,397,045	\$ 1,476,000	\$ 1,539,000	\$ 1,588,000
Transfer from Net Cash Available	78,955	63,000	\$ 49,000	41,000
Ending Balance	\$ 1,476,000	\$ 1,539,000	\$ 1,588,000	\$ 1,629,000
Target Balance 90 day of Expense or 25% of Expenses	\$ 1,476,000	\$ 1,539,000	\$ 1,588,000	\$ 1,629,000
<u>Capital Asset Rehabilitation & Replacement Fund Cash Reserves</u>				
Beginning balance	\$ 4,020,329	\$ 3,784,773	\$ 2,420,318	\$ 2,752,925
Transfer from Net Cash Available	853,604	870,982	\$ 976,460	1,199,070
Used for Capital Assets	\$ (1,089,200)	\$ (2,235,437)	\$ (643,853)	\$ (884,781)
Ending Balance	\$ 3,784,733	\$ 2,420,318	\$ 2,752,925	\$ 3,067,214
Target Balance, Minimum For Unidentified Projects	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
<u>Rate Stabilization Fund Cash Reserves</u>				
Beginning balance	\$ 300,000	\$ 303,000	\$ 306,000	\$ 309,000
Interest Income	3,000	3,000	3,000	3,000
Ending Balance	\$ 303,000	\$ 306,000	\$ 309,000	\$ 312,000

2. Cost-of-Service Analysis

Objective:

Proportionately distribute revenue requirements to each component of the rate structure.

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Major Components

1. Classification of expenses to the following categories:
 - Commodity-related costs (**vary with water consumption Variable Rate**)
 - Capacity-related costs (**stable regardless of consumption levels Fixed Rate**)
 - Customer Service-related costs (**customer billing Fixed Rate**)

Completed the allocation of costs to variable & fixed charges.

Cost-of-Service Analysis, cont.

SSWA Proposed Rate Distribution

Classification Components	SSWA Proposed Net Revenue Requirements	
	FY 2021/22 ¹	
Commodity/Variable-Related Costs	\$ 3,400,336	51%
Capacity/Fixed-Related Costs	3,162,187	48%
Customer-Related Costs	58,482	1%
Net Revenue Requirement	\$ 6,621,005	100%

1. Reflects SSWA's updated ratio of fixed vs. volumetric charges.

- Current rate structure collects 50% of rate revenue from fixed rates and 50% from variable rates.

3. Water Rate Design

FY 2021/22 Variable Rates

For expenses that vary with water consumption

Customer Classes	Number of Accounts ¹	Water Consumption (ccf/yr) ¹	Target Rev. Req't from Vol. Charges	Uniform Commodity Rates (\$/ccf)
Single Family Residential	8,097	873,525	\$ 2,478,843	\$2.84
Multi-Family & Non-Residential	410	324,727	921,493	\$2.84
Total	8,507	1,198,252	\$ 3,400,336	

1. Number of accounts and water consumption is from source file: *No. 3 Summary of user charge-rate revenues by month.xlsx*.

Maintain the current uniform rate design structure in compliance with legal requirements.

Water Rate Design, cont.

FY 2021/22 Bi-Monthly Fixed Rates

For expenses that are stable regardless of usage

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Meter Size	Hydraulic Capacity Factor	Number of Meters	Equivalent Meters	Fixed Charge		Total Fixed Meter Charge	Estimated Revenue
				Customer Component	Capacity Component		
5/8 - 3/4 inch	1.00	7,952	7,952	\$1.15	\$56.98	\$58.12	\$ 2,773,181
3/4 inch	1.00	23	23	\$1.15	\$56.98	\$58.12	8,021
1 inch	1.60	280	448	\$1.15	\$91.16	\$92.31	155,081
1 1/2 inch	2.00	150	300	\$1.15	\$113.96	\$115.10	103,591
2 inch	4.00	77	308	\$1.15	\$227.91	\$229.06	105,824
3 inch	6.40	17	109	\$1.15	\$364.66	\$365.80	37,312
4 inch	10.00	5	50	\$1.15	\$569.78	\$570.92	17,128
6 inch	20.00	3	60	\$1.15	\$1,139.55	\$1,140.70	20,533
Total		8,507	9,250				\$ 3,220,669

Current vs. Proposed Water Rates

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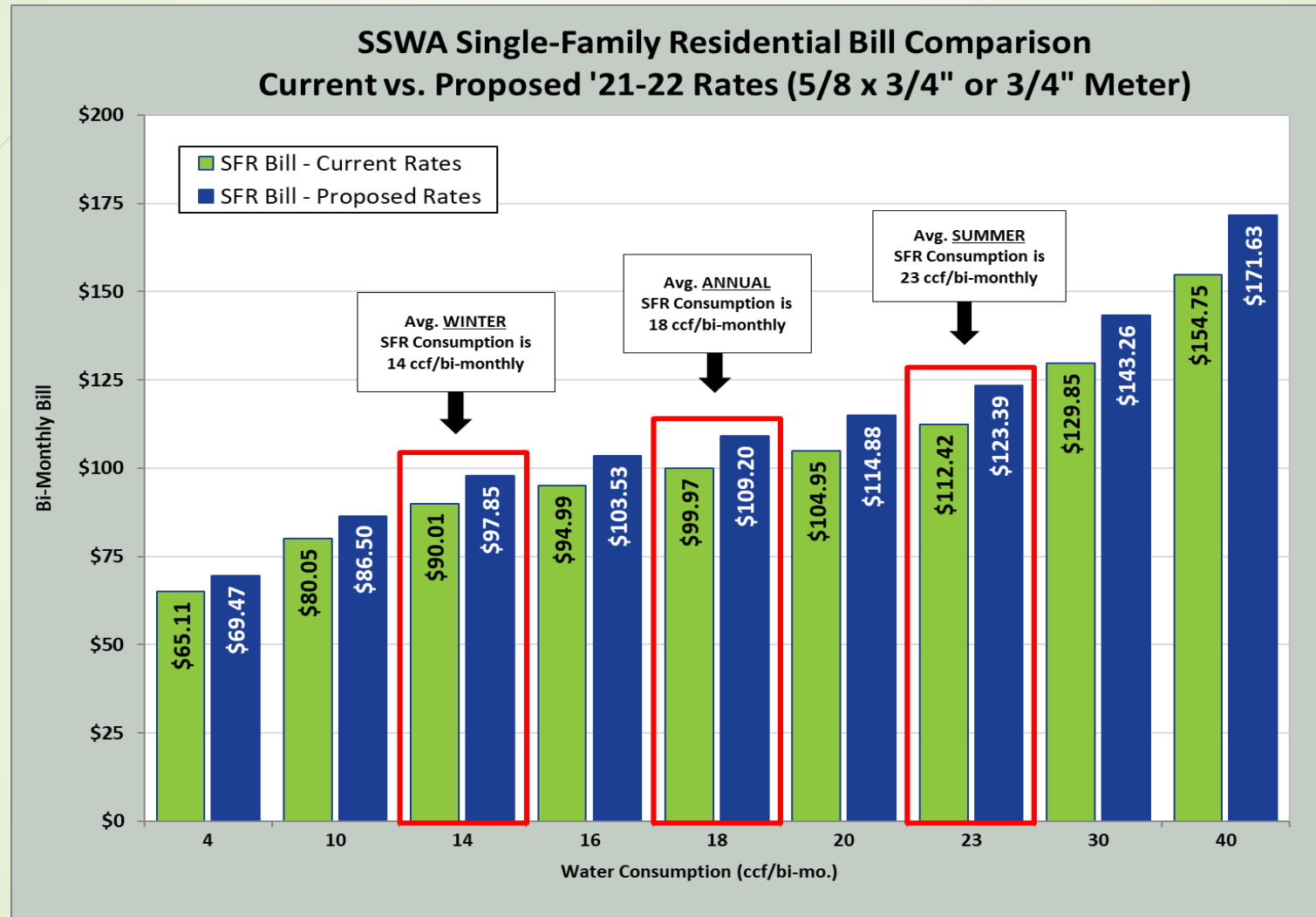
Suisun-Solano Water Authority Current and Proposed Water Rates				
Water Rate Schedule	Current Rates	Proposed Rates ¹		
		FY 2021/22	FY 2022/23	FY 2023/24
Fixed Charges:				
5/8x 3/4 inch	\$55.15	\$58.12	\$60.45	\$63.47
3/4 inch	\$55.15	\$58.12	\$60.45	\$63.47
1 inch	\$87.55	\$92.31	\$96.00	\$100.80
1 1/2 inch	\$109.15	\$115.10	\$119.70	\$125.69
2 inch	\$217.14	\$229.06	\$238.22	\$250.13
3 inch	\$325.13	\$365.80	\$380.43	\$399.46
4 inch	\$433.12	\$570.92	\$593.76	\$623.45
6 inch	\$1,081.06	\$1,140.70	\$1,186.33	\$1,245.64
Commodity Charges for All Water Usage (\$/ccf*):				
Uniform Rate	\$2.49	\$2.84	\$2.95	\$3.10

1. These rates collect 51% of the total rate revenue from the fixed charges and 49% from the commodity charges.
* ccf = 100 cubic feet, or approximately 748 gallons.

Bi-Monthly Water Bill Comparisons

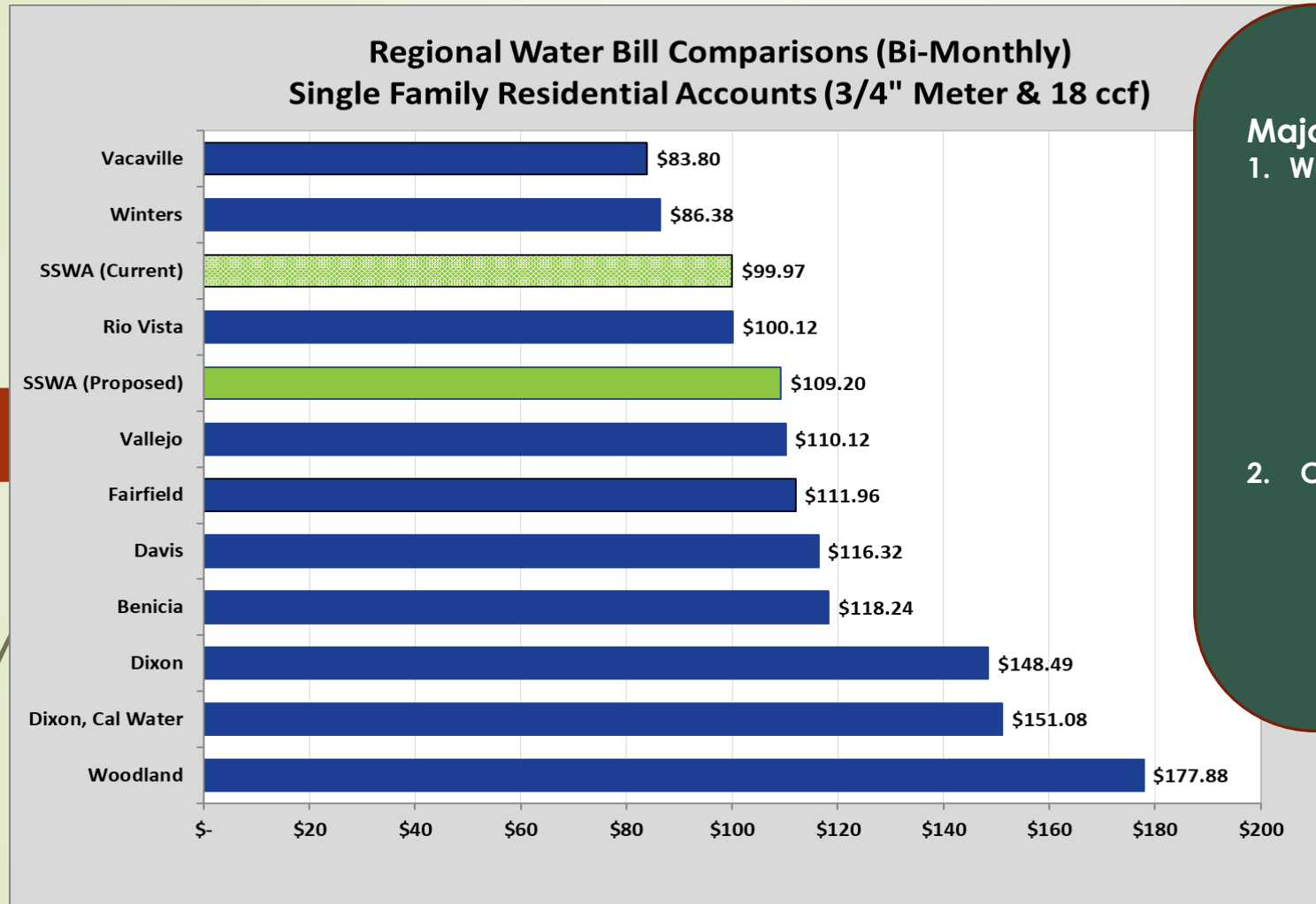
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Single-Family Residential Bill Comparison



Regional Single Family Residential Bill Comparisons

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Major Factors Contribution to Water Rates

1. Water Source:

- **Ground Water** add chlorine minimal cost
 - Rio Vista & Dixon 100% Ground Water
 - Vacaville partially Ground Water
- **Surface Water** needs to fully treated, requires a water treatment plant cost are high.
 - SSWA 100% Surface Water

2. Customer Base/Economies of Scale:

- SSWA 8,500 customers
- Vallejo, Fairfield & Vacaville each have about 4 times the customer base to spread fixed costs over.

Next Steps

1. **A Notice of Public Hearing on Proposed Water Rates has been mailed to all SSWA customers.**

Host three (3) Public Informational Meetings:

- ✓ ZOOM meeting: Tuesday, September 14, 2021, 11:00 AM,
<https://us02web.zoom.us/j/83418664563?pwd=cHYrNnpITHdlQ2hCcFNrTE5UbzZVUT09>
- ✓ ZOOM Meeting, Wednesday, September 15, 2021, 3:00 PM
<https://us02web.zoom.us/j/86004948335?pwd=SXpMM1c5NkxRR2xZR25tK0lFdTkvZz09>
- ✓ In person meeting: Wednesday, September 22, 2021, 6:00 PM, Kroc Center 586 E. Wigeon Way, Suisun City. The Kroc Center requires masks for all attendees.

3. **Public Hearing on October 12, 2021, the Board of Directors consider the adoption of the water rate increases. Until the close of the Public Hearing will accept physical paper protest or no votes.**
4. **The Board President will close the public hearing and direct staff to count the protest votes. If 50% plus 1 of the Water Rate Payers protest or vote “no,” on the proposed water rate increase, the process stops. If less than 50% protest are received, the SSWA Board will hold a final vote on adoption of the Proposed Water Rates.**

Resources

1. Each Customer was provided with a notification of the Rate Increase Process. The “notification” follows state law Proposition 218. It sets a Public Hearing Regarding Proposed Water Rates. It also informed you of three Outreach Meetings.
2. For detailed information regarding the Water Rate Study, see the full Study located on the City of Suisun City website:
https://www.suisun.com/wp-content/files/SSWA_Draft_Rate_Study_Report_07-22-2021.pdf

Or request a copy by contacting Elizabeth “Beth” Luna of City of Suisun City:
707-421-3215, or eluna@suisun.com
3. If you would like to speak with someone, please call us. In particular, call Cammie Morin, SID/SSWA Finance Director at 707-455-4008. You can also email Cammie at cmorin@sidwater.org
4. If you still have questions, please call Cary Keaten, SID/SSWA General Manager at 707-455-4009. You can also email Cary at ckeaten@sidwater.org

Questions and Answers

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