

City of Sausalito
Proposition 218 Hearing to Establish
FY2019/20 to FY2023/24
Sewer Rates

June 17, 2019



V.W. HOUSEN
& ASSOCIATES



Background - Rates

- * The City's last rate study was completed in 2014, and set rates through 2019
- * Sewer rates have a fixed component and a volumetric component based on average water use
- * City rates are collected through the tax roll for sewage collection only
- * SMCS D has its own rate



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SEWER RATE STUDY REPORT

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SUBJECT: SEWER RATE STUDY

DATE: FEBRUARY 27, 2014

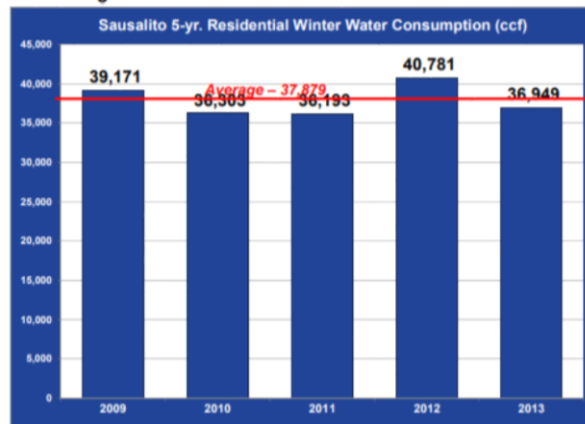
PURPOSE

The purpose of this report is to summarize NBS' findings resulting from the Sewer Rate Study performed for the City of Sausalito ("City" or "Utility"). As a part of this rate study, NBS projected revenues and expenditures, developed net revenue requirements, evaluated cost-of-service cost allocations and rate design alternatives. This report summarizes the results of this rate study and recommends new sewer rates. These appendices are included at the end of this report for the purpose of further documenting these results, and contain key tables and figures from the Sewer Rate Study.

SUMMARY OF RATE STUDY RESULTS

After extensive review of financial plans, including capital improvements and new debt issuance, NBS and City staff concluded that an initial 30% increase in the annual revenue from sewer rates will be needed in FY 2014/15, followed by smaller increases of 3% and 4% in FY 2015/16 through FY 2018/19. Additionally, winter water consumption data and effluent generation estimates for each customer class have resulted in winter water consumption costs being allocated to each customer class. As a result, the scale of rate increases for winter water consumption costs are also changed. Other recommendations include:

Figure 5. Historical Residential Winter Water Use



Rates Must Cover Cost of Service in a Manner that is Equitable and Manages Risk

Operating Costs

- Admin
- Engineering
- Operations
- Pumping

Debt Service

- 2015 Sewer Revenue Bonds
- 2011 SRF Loan

Capital Needs

- Whiskey Springs PS
- Pipeline Replacement
- Annual Unplanned Repairs

Current Sewer Rates

- * Single Family: \$546.48
- * Single-Family Attached: \$391.75
- * Duplexes: \$420.99
- * Multi-Family: \$310.24
- * Commercial : \$546.48 / EDU
- * In Addition, All Customers Pay a Volumetric Charge of \$1.10 per ccf average water use

2019 Sewer Rate Study Involved 3 Steps

1

**FINANCIAL PLAN/
REVENUE
REQUIREMENTS**

**Step 1: Financial Plan/
Revenue Requirements –**
Compares current sources and uses of funds and determines the revenue needed from rates and project rate adjustments.

2

**COST-OF-SERVICE
ANALYSIS**

**Step 2: Cost-of-Service
Analysis –** Proportionately allocates the revenue requirements to the customer classes in compliance with industry standards and State Law.

3

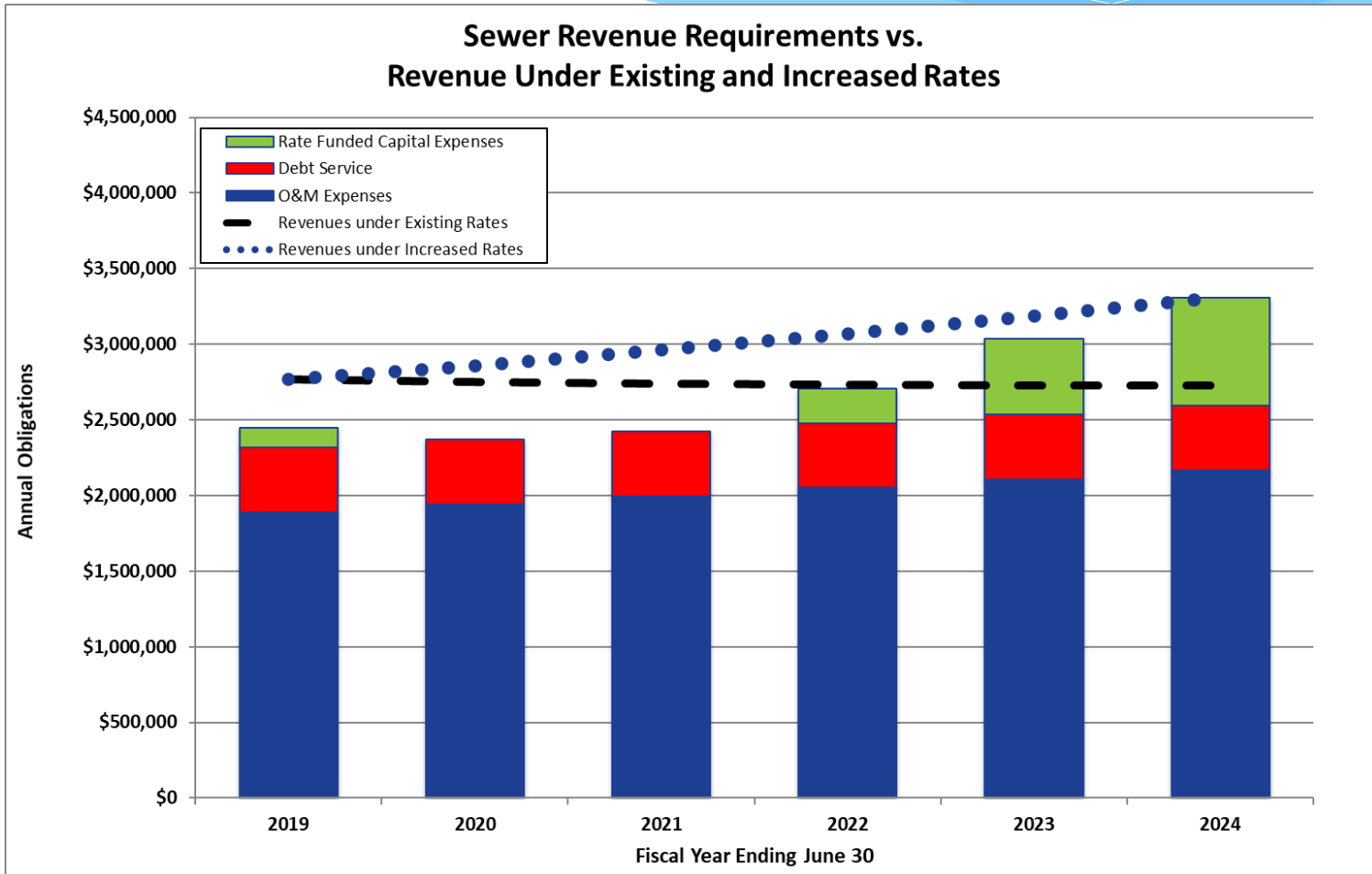
**RATE DESIGN
ANALYSIS**

Step 3: Rate Design - Considers what rate structure will best meet the City's need to collect rate revenue from each customer class.

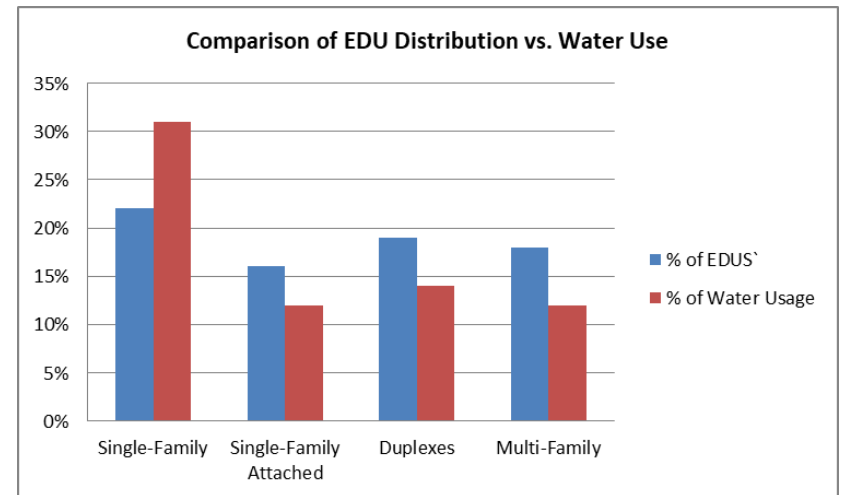
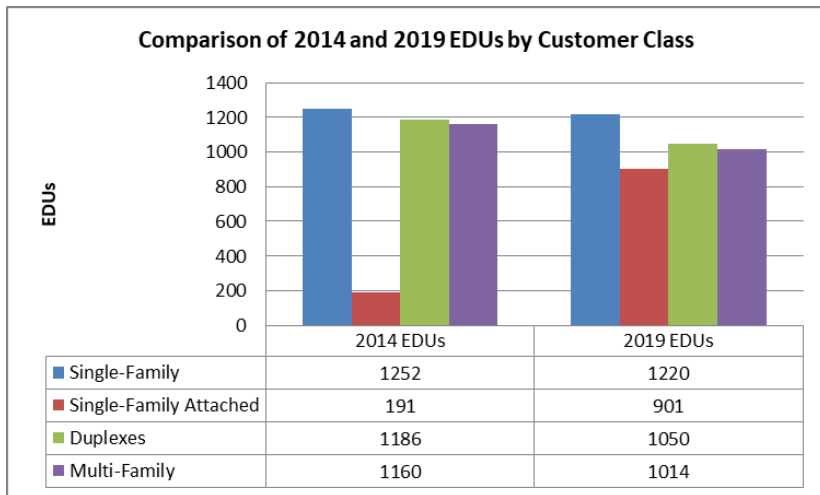
Projected Operating and Capital Costs

- Operating costs average \$2.0 per year, including a 2.7 percent increase per year
- Debt Service on 2015 Revenue Bond averages \$427,904 per year
- SRF Loan repayment is 67,373 per year
- Capital Expenditures average \$1.1M per year.
- \$1.2M target for reserves

Resulting Rate Structure Increases by 4 Percent Per Year



Other Components Considered in Updates to the Rate Structure



The relative distribution of occupied parcels by customer class has changed, based on County records

The updated rate structure reflects 2018 water usage data from MMWD

Proposed Sewer Rates (4% Annual Increase)

Customer Class	Current Rates	Proposed Sewer Rates				
		FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
<i>Projected Annual Increase in Rate Revenue</i>		4.00%	4.00%	4.00%	4.00%	4.00%
Residential Customers						
<u>Fixed Charges (\$/Year/Dwelling Unit)</u>						
Single-Family	\$546.48	\$624.24	\$649.21	\$675.18	\$702.19	\$730.27
Single-Family Attached	\$391.75	\$339.22	\$352.79	\$366.91	\$381.58	\$396.84
Duplexes	\$420.99	\$339.26	\$352.83	\$366.95	\$381.62	\$396.89
Multi-Family	\$310.24	\$300.41	\$312.43	\$324.93	\$337.93	\$351.44
<u>Volumetric Charges (\$/ccf of Average Winter Water Use)</u>						
All Residential Customers	\$1.10	\$1.09	\$1.13	\$1.18	\$1.22	\$1.27
Commercial/Industrial Customers						
<u>Fixed Charges (\$/Year/Dwelling Unit)</u>						
All Commercial and Industrial	\$546.48	\$561.67	\$584.14	\$607.51	\$631.81	\$657.08
<u>Volumetric Charges (\$/ccf of Annual Water Use in Prior Calendar Year)</u>						
All Commercial and Industrial	\$1.10	\$1.09	\$1.13	\$1.18	\$1.22	\$1.27

Highlights from Rate Analysis

- The proposed rate structure enables the City to continue to provide a high level of service, as needed to protect the environment and its residents
- The proposed rate structure manages rate impacts without significantly compromising capital improvement progress
- The updated sewer rates continue to ensure equity for rate payers. Rebates are also available for low-income residents.
- Without continuing to update current rates, the City does not have the money needed to continue essential sewer upgrades. The funds would come at the expense of other essential City services.

Rate-Setting Timeline

Activity	Proposed Timeline
Council Discussion and Action to Begin 45-Day Comment Period	April 30, 2019
Mail Notice of Public Hearing	May 1, 2019
Public Comment Period	May 1 through June 18, 2019
Public Hearing at Council Meeting	June 18, 2019
If Approved, Take Action to Adopt New Rates	June 18, 2019
New Rates in Effect	July 1, 2019

Today's Public Hearing

- (1) Open Public Hearing and receive public comment and protests
 - As of 6/17/19, 4 protests have been received
 - As of 6/17/19, 7 calls were received via hotline
 - Protests may be received from resident or property owner, but only 1 protest will be considered per parcel
- (2) Close Public Hearing;
- (3) If less than 1,751 protests have been received (representing 50% + 1 of property owners), the Council may consider taking action to implement the new rates by Ordinance, as outlined in staff report

Thank You