WATER AND WASTEWATER RATES

July 24, 2017

Public Works Commission Meeting

Objective

- Fiscally sustainable (Phase #1)
  - Revenue requirement
  - Pass-through
- Regulatory compliance and water supply reliability (Phase #2)

Background

- Input from Public Works Liaison
- Two Phases:

1) Rate Adjustment to address five-year water & wastewater revenue requirements (Current)

2) Unit Capital Charge (Water Enterprise Plan) (Summer – Fall 2018)

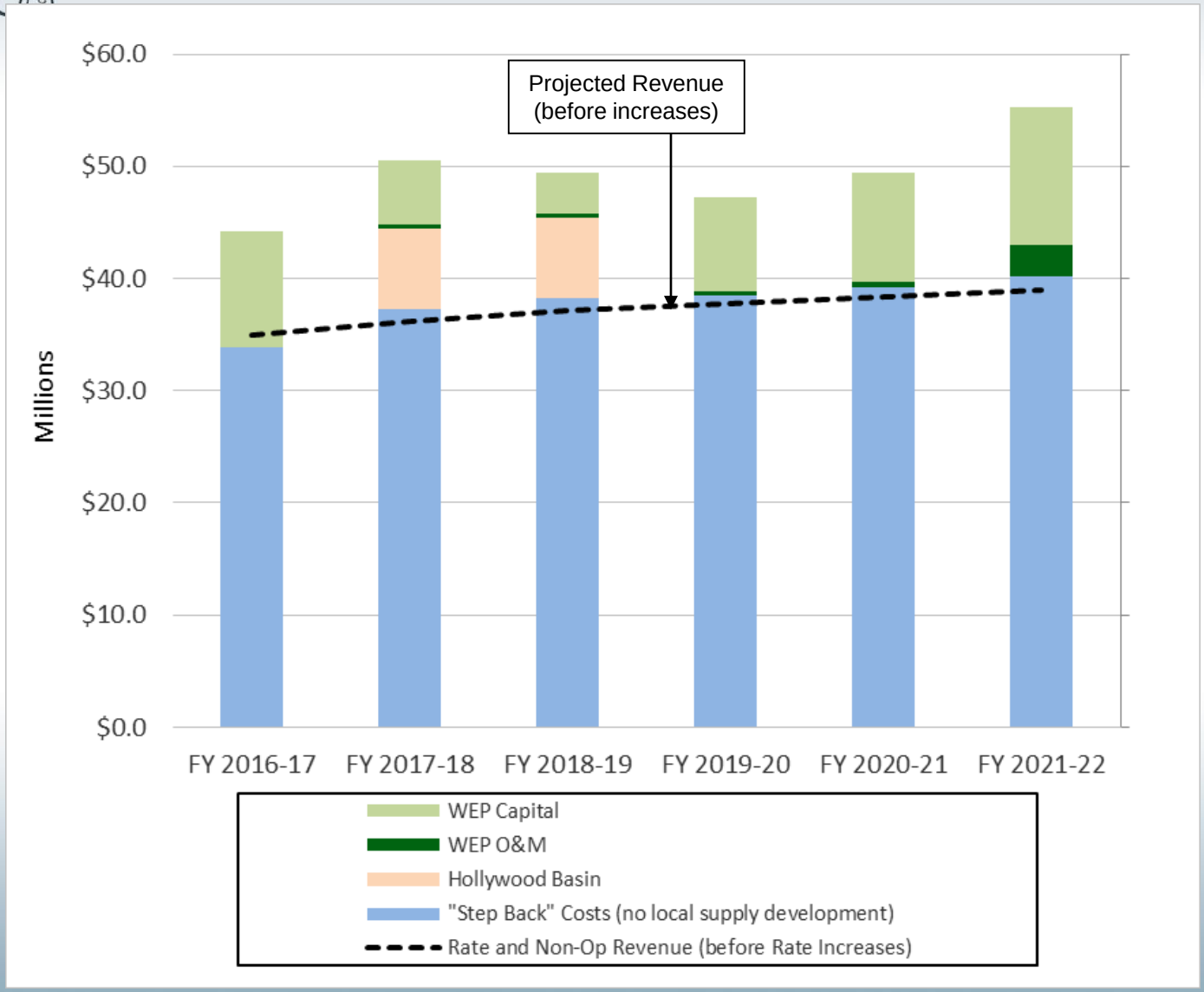
Background

- 5-year rate schedule for Phase #1
- Recommend authorization of pass-through charges
- 3 Revenue Requirement Considerations:
  - Step-Back (Scenario 1): No City water production
  - Base (Scenario 2) : Hollywood Basin water production
  - Water Enterprise Plan (WEP) Enhancements (Scenario 3): Hollywood Basin + Central Basin Implementation

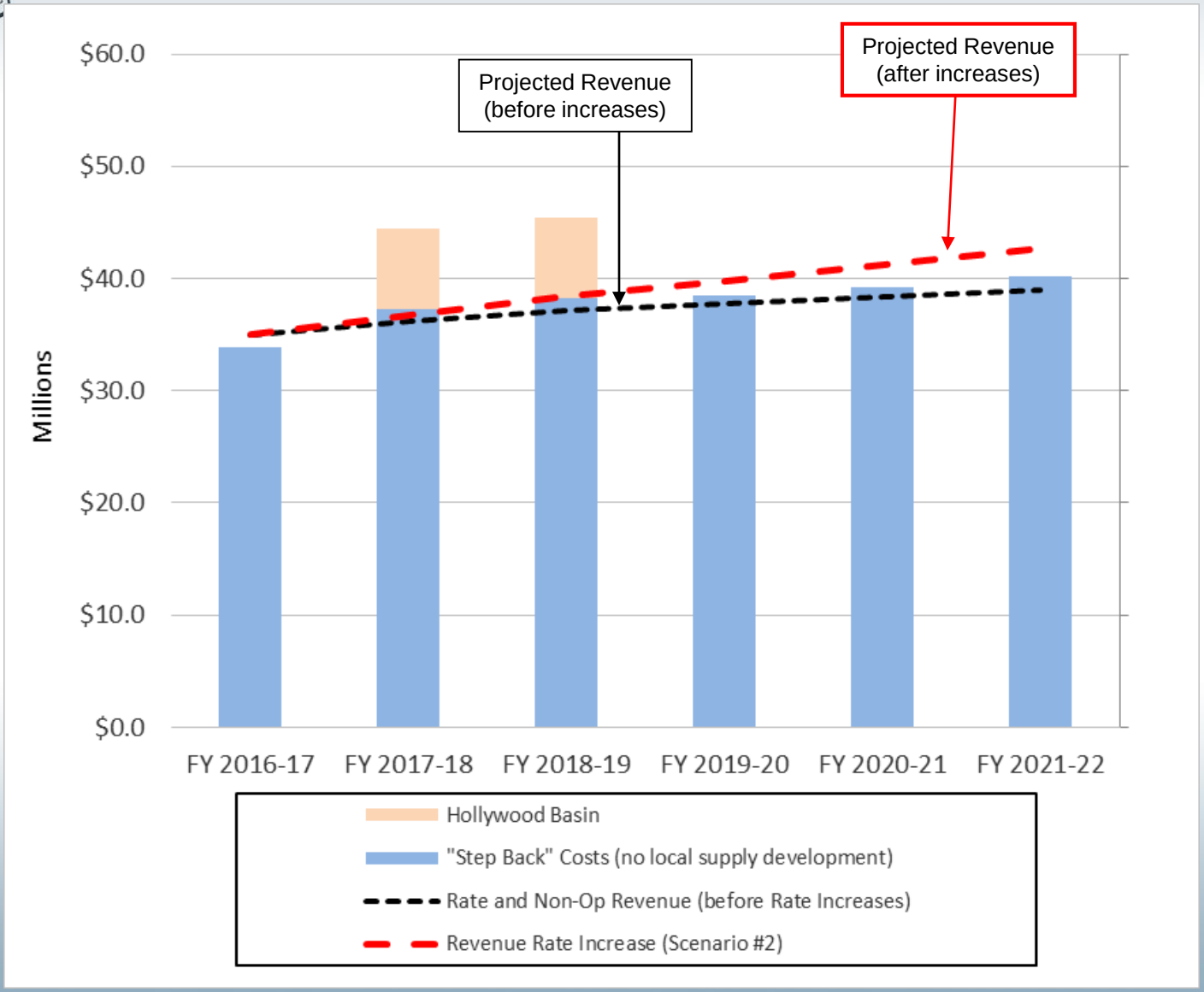
Updated Water Rate Assumptions

- Revenues
  - Growth in accounts
  - Lease revenue
  - Capacity fee revenue
  - Water supply charge revenue
- Expenses
  - ISF Adjustments
  - Hollywood Basin Improvements - ~$14.2M
  - Updated O&M
  - Updated WEP
  - Model assumes 80% of budgeted CIP for rate setting purposes
- Rates
  - Continuation of current rate structures
  - Continuation of West Hollywood rate structure

Revenue & Expense Projections



Scenario 2: Rev. & Exp. Projs.



Scenario Summary

Scenario	Key Cost Assumptions [1]	Gen Fund Contribution [2]	Total Bond Issuance [3]	Rate Adjustments				
				1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022
1	**Step Back** (no local supply development)	$0	$0	1.0%	1.0%	1.0%	1.0%	1.0%
2	**Base** (Scenario 1 + Hollywood Basin)	$0	$0	3.0%	2.0%	2.0%	2.0%	2.0%
3a	**WEP Enhancements** (Scenario 2 + WEP Costs)	$0	$20,000,000	10.0%	10.0%	2.0%	2.0%	2.0%
3b		$10,000,000	$20,000,000	9.0%	3.0%	3.0%	3.0%	3.0%
3c		$18,000,000	$20,000,000	3.0%	3.0%	3.0%	3.0%	3.0%

[1] All scenarios assume 80% of CIP budget for rate setting purposes

Projected Well Rehab costs are $14.2M (spread over FY 2017-18 and FY 2018-19)

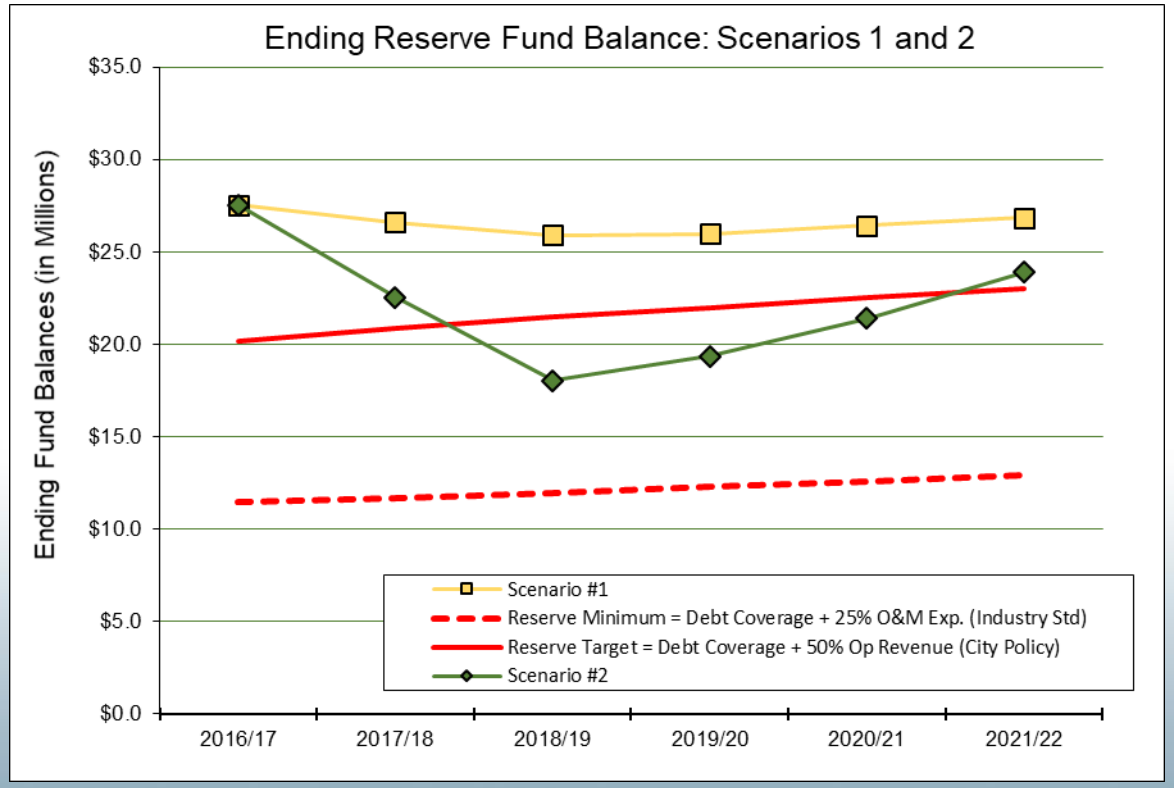
Projected WEP costs are $54.5M over six years (FY 2016-17 through FY 2021-22)

[2] Contributions from General Fund to be made during FY2017-18 and is in addition to the $3M contribution already approved

[3] Bond issuances are assumed to be issued during FY 2019-20

Water Fund Reserve Balance

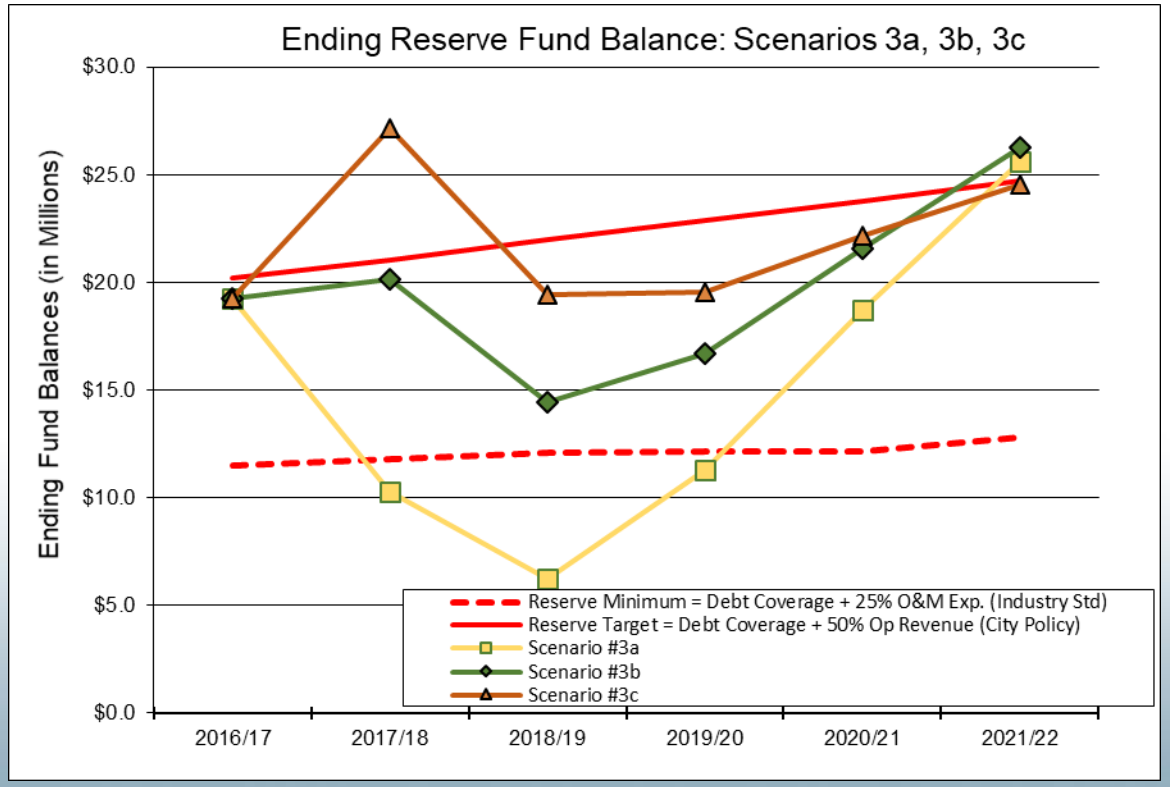
Scenario	Key Cost Assumptions	Gen Fund Contribution	Total Bond Issuance	Rate Adjustments				
				1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022
1	**Step Back** (no local supply development)	$0	$0	1.0%	1.0%	1.0%	1.0%	1.0%
2	**Base** (Scenario 1 + Hollywood Basin)	$0	$0	3.0%	2.0%	2.0%	2.0%	2.0%



- Scenario #1 – Minimal increases necessary
- Scenario #2 – Reserves dip below target to pay for Well Rehabilitation (~$14.2M) to increase local supply; reach reserves target by FY2021/22

Water Fund Reserve Balance

Scenario	Key Cost Assumptions	Gen Fund Contribution	Total Bond Issuance	Rate Adjustments				
				1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022
3a	**WEP Enhancements** (Scenario 2 + WEP Costs)	$0	$20,000,000	10.0%	10.0%	2.0%	2.0%	2.0%
3b		$10,000,000	$20,000,000	9.0%	3.0%	3.0%	3.0%	3.0%
3c		$18,000,000	$20,000,000	3.0%	3.0%	3.0%	3.0%	3.0%

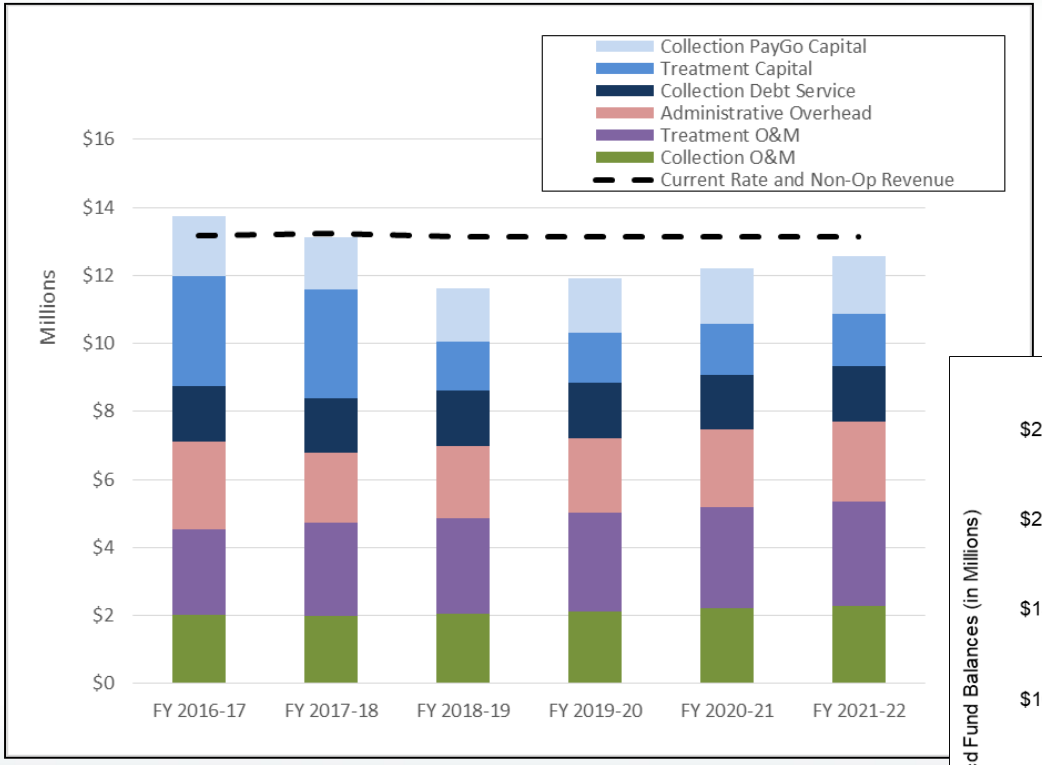


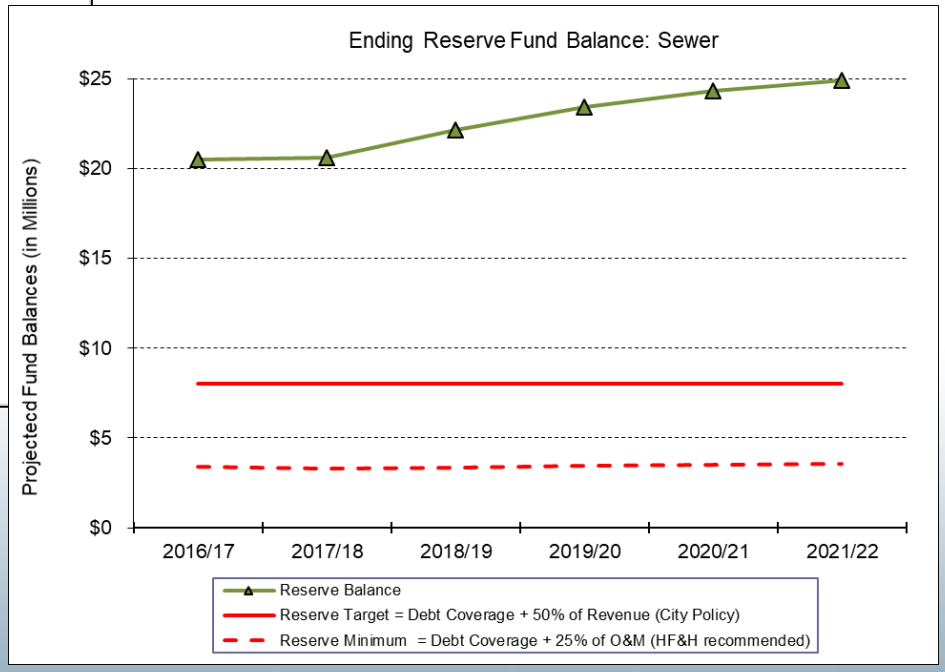
Scenario 3: Addition of WEP

- $54.5M in WEP-related Capital and O&M expenses
- Issue $20M bond to partially fund WEP
  - #3a – Not recommended; dips below minimum recommended reserve balance
  - #3b – Includes $10M General Fund contribution to reduce necessary rate increases to reach target reserves by FY2021-22
  - #3c – Increases General Fund contribution to $18M to reduce increases to 3% per year and still reach target reserves

Wastewater Fund Reserve Balance

- No increase in wastewater rates necessary at this time





Average Single-Family Residential Usage = 30 HCF Bi-monthly

Water				Wastewater		Total (Water + Wastewater)	
Current		Proposed		Current	Proposed	Current	Proposed
Service	Volumetric	Service	Volumetric				
$43.36*	$142.00	$44.66*	$146.26	$87.38	$87.38	$272.74	$278.30

Average Multi-Family Residential Usage = 8 HCF (per unit) Bi-monthly

Water				Wastewater		Total (Water + Wastewater)	
Current		Proposed		Current	Proposed	Current	Proposed
Service	Volumetric	Service	Volumetric				
$43.36*	$181.00	$44.66*	$186.43	$436.90	$436.90	$661.26	$667.99

Average Commercial Usage = 19 HCF Bi-monthly

Water				Wastewater		Total (Water + Wastewater)	
Current		Proposed		Current	Proposed	Current	Proposed
Service	Volumetric	Service	Volumetric				
$43.36*	$126.54	$44.66*	$130.34	$168.72	$168.72	$338.62	$343.72

*Assumes 1” Meter **Assumes 1 ½” Meter ***Assumes 6” Meter

5 Year Bill Impacts

Single-Family Residential Bi-Monthly Bill Impact

	Current			Projected Total (Water + Wastewater) Bi-Monthly Bill					
Average Single-Family Residential Customer = 30 HCF Bi-monthly									
Usage	**Current**			**Projected Total (Water + Wastewater) Bi-Monthly Bill**					
	Water		Wastewater	Jan 1, 2018	Jan 1, 2019	Jan 1, 2020	Jan 1, 2021	Jan 1, 2022	Overall Increase
	Service	Volumetric							
30 HCF 1" Meter	$43.36	$142.00	$87.38	$5.56	$3.82	$3.89	$3.97	$4.05	$21.30
150 HCF									

	Current			Total (Water + Wastewater) Bi-Monthly Bill					
Average Multi-Family Residential Customer = 8 HCF/unit Bi-monthly									
Usage	**Current**			**Total (Water + Wastewater) Bi-Monthly Bill**					
	Water		Wastewater	Jan 1, 2018	Jan 1, 2019	Jan 1, 2020	Jan 1, 2021	Jan 1, 2022	Overall Increase
	Service	Volumetric							
8 HCF/Unit 1" Meter	$43.36	$181.00	$436.90	$6.73	$4.62	$4.71	$4.81	$4.90	$25.78
1" Meter	$43.36	$78.00	$436.90	$3.64	$2.50	$2.55	$2.60	$2.65	$13.94
9 HCF/Unit 1" Meter	$43.36	$206.75	$436.90	$7.50	$5.15	$5.26	$5.36	$5.47	$28.74
16 HCF/Unit 1.5" Meter	$75.16	$490.95	$436.90	$16.98	$11.66	$11.90	$12.13	$12.38	$65.05
21 HCF/Unit 1.5" Meter	$75.16	$882.95	$436.90	$28.74	$19.74	$20.13	$20.53	$20.95	$110.09

Dollar Increase compared to the previous year (i.e. Increase in January 1, 2018 compared to current; increase January 1, 2019 compared to January 1, 2018)

5 Year Bill Impacts

Commercial Bi-monthly Bill Impact

Usage	Current			Total (Water + Wastewater) Bi-Monthly Bill					
	Water		Wastewater	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021	January 1, 2022	Overall Increase from 2018 - 2022
	Service	Volumetric		Increase	Increase	Increase	Increase	Increase	
25 HCF 1" Meter	$43.36	$166.50	$211.20	$6.30	$4.32	$4.41	$4.50	$4.59	$24.11
90 HCF 1" Meter	$43.36	$599.40	$671.40	$19.28	$13.24	$13.51	$13.78	$14.05	$73.86
5000 HCF 6" Meter	$647.53	$33,300.00	$35,434.20	$1,018.43	$699.32	$713.31	$727.57	$742.12	$3,900.75

Dollar Increase compared to the previous year (i.e. Increase in January 1, 2018 compared to current; increase January 1, 2019 compared to

Average Commercial Customer = 19 HCF Bi-monthly

Usage	Current			Total (Water + Wastewater) Bi-Monthly Bill					
	Water		Wastewater	Jan 1, 2018	Jan 1, 2019	Jan 1, 2020	Jan 1, 2021	Jan 1, 2022	Overall Increase
	Service	Volumetric							
19 HCF 1" Meter	$43.36	$126.54	$168.72	$4.90	$3.36	$3.43	$3.50	$3.57	$18.76

Phase 1 Schedule

5 Year Base Rate Implementation	Timeline
Presentation/Discussion at Public Works Commission	July 24, 2017
Public Notice Completed	August 1, 2017
Presentation to City Council (with notice)	August 15, 2017
Public Notice Distributed	September 22, 2017
Community Outreach •Commission Presentation/Discussion •Town Hall Meeting •Community Meetings •Chamber of Commerce •Social Media (Facebook, Twitter) •Newsletter •Newspaper	September/October 2017
Public Works Commission	October 12, 2017
Public Hearing (1st Reading)	November 7, 2017
Public Hearing (2nd reading)	November 21, 2017
Rates Effective	January 1, 2018

Recommendation

- Recommend the City Council notice for 5-year rates not-to-exceed those identified in Alternative #2;
- Recommend the City Council authorize allowable pass-through charges;
- Recommend the City Council adopt no rate increase for the Wastewater fund at this time;
- Recommend the City Council proceed with Cost of Service analysis and development of a water reliability unit charge.

Discussion