Rates Primer

Public Works Commission

12/9/2021
• Water & Wastewater Rates Background

• Purpose of Cost of Service Study

• Proposition 218

• Upcoming Water & Wastewater Rates Process

• Schedule

• Questions
Prior Rate Study Highlights

**Water**
- Developed 10-year revenue requirement model
- Phase 1 increased rates
- Phase 2 included:
  - Cost of Service-based rate model
  - Water reliability charge
  - Water shortage revenue stabilization factors

**Wastewater**
- No rate increases necessary
- Reserve targets fully met
Purpose of Cost of Service Study

Water

• Set rates for next five years to maintain revenue sufficiency
• Prepare at least three COS rate scenarios for evaluation
  ➢ Reserve fund levels
  ➢ Maintain revenue stability
• Review Outside City rates
• Review water reliability charge & water shortage revenue stabilization factors
**Purpose of Cost of Service Study**

**Wastewater**

- Set rates for next five years to maintain revenue sufficiency
- Prepare at least three COS rate scenarios for evaluation
  - Reserve fund levels
  - Explore flow-based component for Residential rates
  - Maintain revenue stability
  - Evaluate and update current commercial strength surcharge
Proposition 218

• Requires charges and fees not exceed the cost of service.

• Procedures to notify the public of Public Hearing process.

• 2/3 majority vote from City Council.
Focus on Proposition 218 Compliance throughout the rate study process

- Cost of service model and rate design analysis & Cost of Service Reports
- Prop 218 Notice
- Evaluation of each enterprise
- Community Outreach
- City Council Public Hearing
## Tentative Schedule

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Thank you!