



CITY OF
TULARE, CALIFORNIA

WATER AND WASTEWATER RATE STUDY

Presented by **Kevin Burnett**



PRESENTATION CONTENTS

- Introduction
- Review purpose of study
- Overview of utility rate setting process
- Summary of projected revenue increases
- Preliminary rates
- Next steps

PURPOSE OF THE RATE STUDY

- Evaluate sufficiency of existing water and sewer revenue to:
 - Provide funding for current and future operating, maintenance, and capital expenses
 - Meet minimum reserve level requirements
 - Meet legal obligations associated with outstanding debt
- Develop rates which will generate sufficient revenue **to** meet cost of providing essential services
 - Adjust rates between classes to appropriately reflect the cost to serve each class

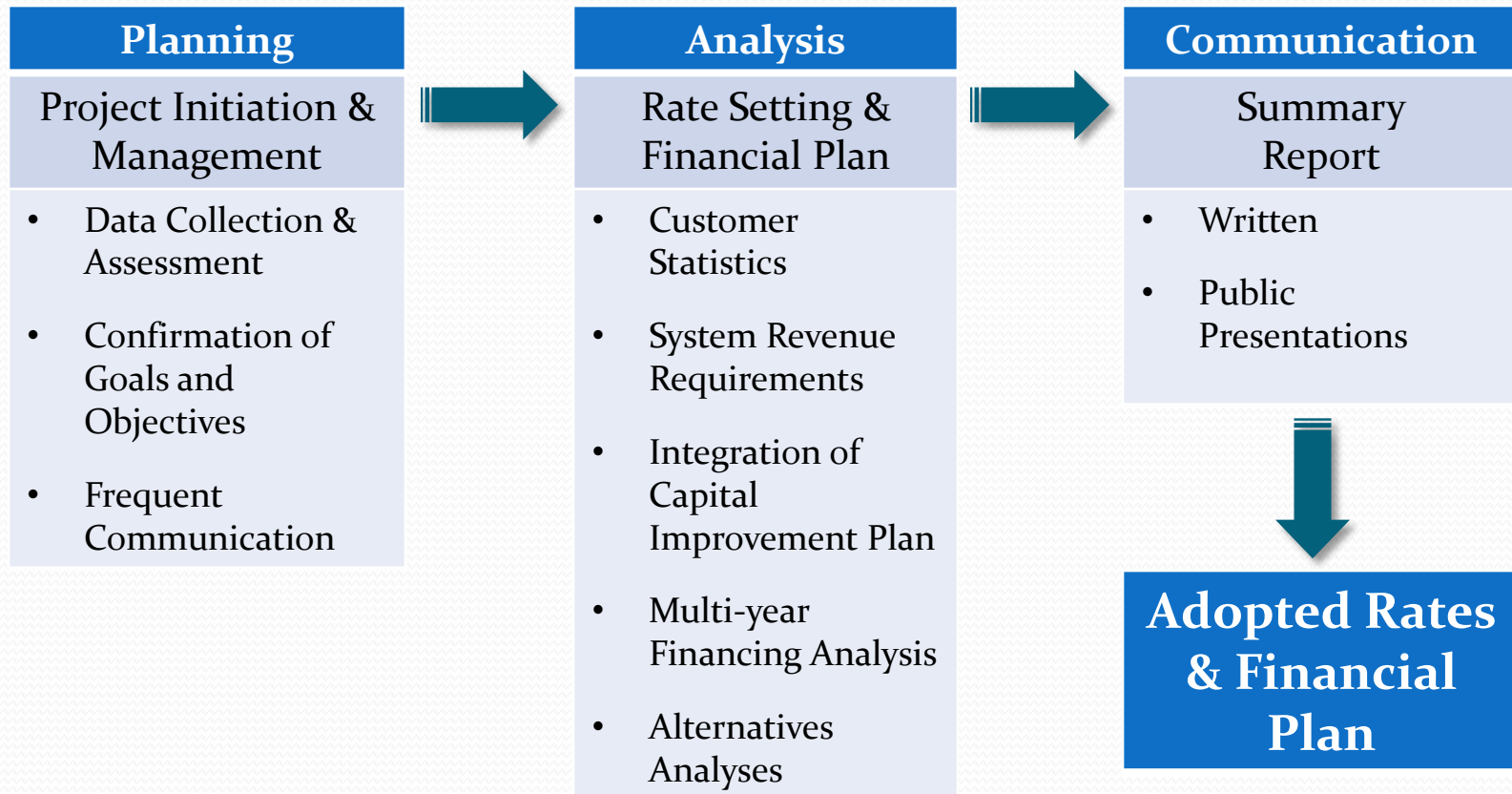
FINANCIAL TARGETS

- Cashflow model incorporates several financial targets:
 - Operating reserves: 90 days of operations and maintenance expense (O&M)
 - Debt service coverage: 1.25 times annual debt service
 - There must be \$1.25 of net revenue for every \$1.00 of annual debt service

PRIMARY ASSUMPTIONS AND GOALS

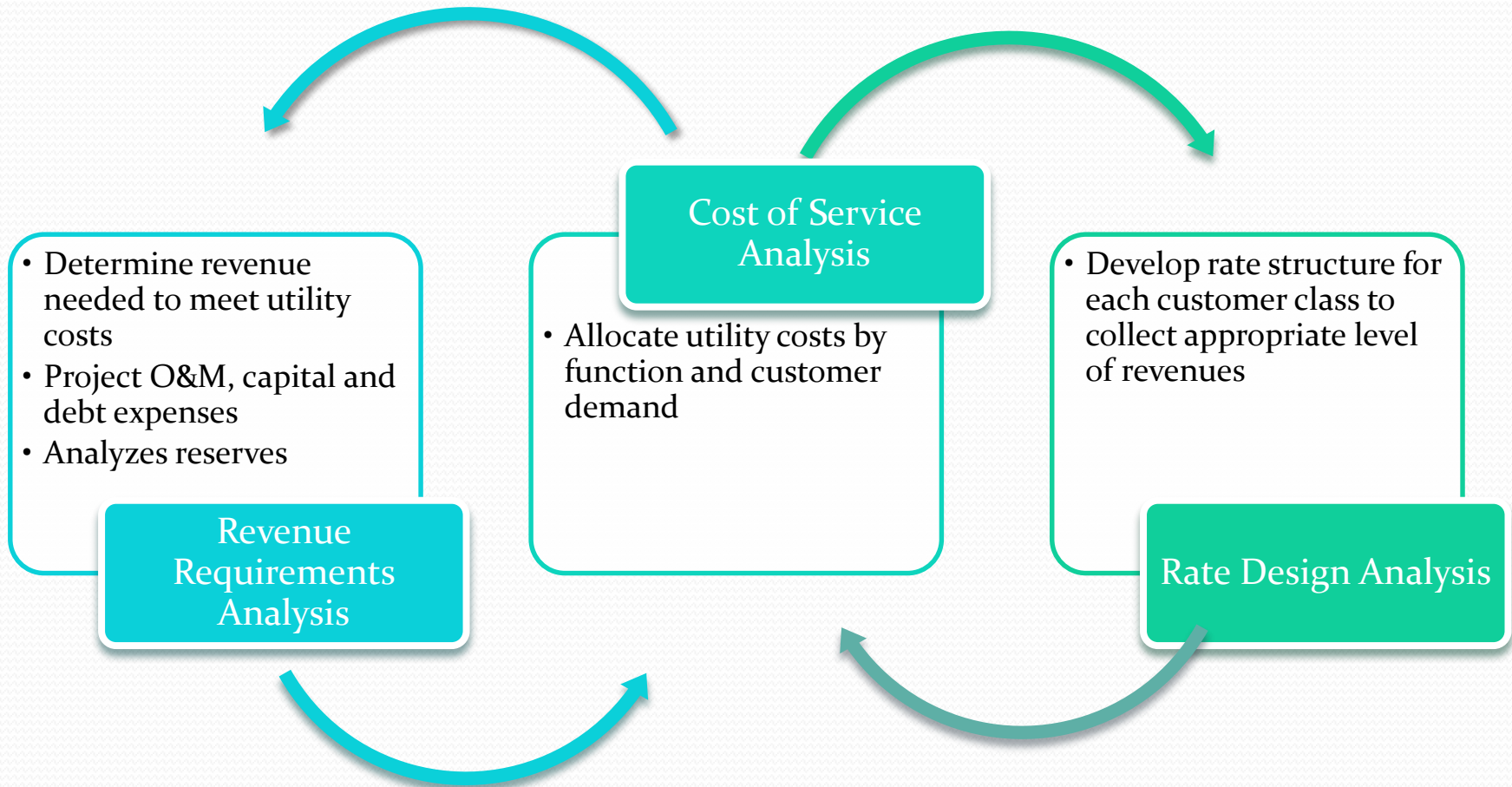
- Yearly escalation factors:
 - Customer growth per year– 2.7% (per the General Plan)
 - Operating costs – 3.0%
- Capital projects planned in the City's 10-year CIP

TYPICAL UTILITY RATE-SETTING PROCESS



UTILITY RATE SETTING PROCESS

Holistic Approach to Rate Design:



UTILITY RATE SETTING PROCESS

Evaluate Current Financial Condition

Operating Revenues

less Operating Expenses

less Debt Service

less Transfers

less Capital Expenditures

less Reserve Requirements

= Total Available Resources

vs. Needed Capital Additions (ongoing R&R) and O&M

Identify Optimum Funding Strategy

FINANCIAL PLANS

WHY INCREASE REVENUE?

- Water Fund
 - Additional revenue is needed to:
 - Meet cash reserve targets
 - Fund capital needs (average of \$7.6 million a year)
 - Meet repair and replacement capital needs
 - Transmission line replacement (\$33.9 million over next 10 years)
 - Continue to fund current service standards

WHY INCREASE REVENUE?

- Sewer Fund
 - Additional revenue is needed to:
 - Meet debt service coverage requirements
 - Fund capital needs (average of \$9.5 million a year)
 - Meet repair and replacement capital needs
 - Pipe replacement (\$34 million over next 10 years)

REVENUE RECOMMENDATIONS - WATER

Option 1: Water Financial Plan

Fiscal Year	Revenue Increase	Debt Issuance (millions)	Fiscal Year	Revenue Increase	Debt Issuance (millions)
2016-17	41%	\$20.73	2021-22	4%	\$-
2017-18	12%	-	2022-23	2%	-
2018-19	8%	-	2023-24	2%	-
2019-20	6%	13.83	2024-25	2%	-
2020-21	6%	-			

REVENUE RECOMMENDATIONS - WATER

Option 2: Water Financial Plan

Fiscal Year	Revenue Increase	Debt Issuance (millions)	Fiscal Year	Revenue Increase	Debt Issuance (millions)
2016-17	30%	\$20.73	2021-22	3%	\$-
2017-18	30%	-	2022-23	2%	-
2018-19	4%	-	2023-24	2%	-
2019-20	4%	13.83	2024-25	2%	-
2020-21	4%	-			

REVENUE RECOMMENDATIONS - SEWER

Sewer Financial Plan					
Fiscal Year	Revenue Increase	Debt Issuance (millions)	Fiscal Year	Revenue Increase	Debt Issuance (millions)
2016-17	9%	\$-	2021-22	1%	-
2017-18	9%	-	2022-23	1%	-
2018-19	9%	-	2023-24	1%	-
2019-20	2%	-	2024-25	1%	-
2020-21	2%	-			

PRELIMINARY RATES

MONTHLY BASE CHARGE - WATER

Option 1						
Meter Size	Current	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
¾-inch	\$13.94	\$12.29	\$13.76	\$14.87	\$15.76	\$16.70
1-inch	17.14	20.52	22.98	24.82	26.31	27.89
1 ½-inch	25.14	40.93	45.84	49.51	52.48	55.63
2-inch	37.74	65.51	73.37	79.24	84.00	89.04
3-inch	57.13	131.13	146.87	158.61	168.13	178.22
4-inch	89.13	204.87	229.45	247.81	262.68	278.44
6-inch	169.11	409.63	458.79	495.49	525.22	556.73
8-inch	265.10	655.43	734.08	792.81	840.38	890.80
10-inch	377.08	942.27	1,055.34	1,139.77	1,208.16	1,280.65

MONTHLY BASE CHARGE - WATER

Option 2

Meter Size	Current	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
¾-inch	\$13.94	\$11.33	\$14.73	\$15.32	\$15.93	\$16.57
1-inch	17.14	18.92	24.60	25.58	26.60	27.67
1 ½-inch	25.14	37.73	49.05	51.01	53.05	55.17
2-inch	37.74	60.39	78.51	81.65	84.91	88.31
3-inch	57.13	120.89	157.16	163.44	169.98	176.78
4-inch	89.13	188.87	245.53	255.35	265.57	276.19
6-inch	169.11	377.63	490.92	510.56	530.98	552.22
8-inch	265.10	604.23	785.5	816.92	849.60	883.58
10-inch	377.08	868.67	1,129.27	1,174.44	1,221.42	1,720.28

VOLUME RATE - WATER

Option 1

Class/Use	Current	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Residential						
0-9,000	\$0.564	\$0.664	\$0.744	\$0.803	\$0.852	\$0.903
9,001 – 30,000	0.813	1.088	1.218	1.316	1.395	1.478
> 30,000	1.625	1.452	1.627	1.757	1.862	1.974
Multi Family Residential						
All Use	0.462	0.539	0.603	0.652	0.691	0.732
Commercial						
All Use	0.747	0.541	0.606	0.655	0.694	0.736
Industrial						
All Use	0.630	1.168	1.308	1.413	1.498	1.587
School						
All Use	0.871	1.092	1.223	1.321	1.400	1.484
City						
All Use	0.871	0.935	1.047	1.131	1.199	1.270

VOLUME RATE - WATER

Option 2

Class/Use	Current	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Residential						
0-9,000	\$0.564	\$0.612	\$0.796	\$0.828	\$0.861	\$0.895
9,001 – 30,000	0.813	1.003	1.304	1.356	1.410	1.467
> 30,000	1.625	1.339	1.741	1.810	1.883	1.958
Multi Family Residential						
All Use	0.462	0.497	0.646	0.672	0.699	0.727
Commercial						
All Use	0.747	0.499	0.649	0.675	0.702	0.730
Industrial						
All Use	0.630	1.077	1.400	1.456	1.514	1.575
School						
All Use	0.871	1.007	1.309	1.362	1.416	1.473
City						
All Use	0.871	0.862	1.120	1.165	1.212	1.260

SEWER RATES

Class/Use	Current	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Single Family	\$42.00	\$43.60	\$47.53	\$51.80	\$52.84	\$53.90
Multi Family (each unit)	32.34	33.57	36.59	39.89	40.69	41.50
Mobile Home Parks (each space)	33.31	26.63	29.02	31.63	32.27	32.91
Senior Discount	21.00	21.80	23.76	25.90	26.42	26.95
Commercial I (\$/1,000 gals)	3.75	2.79	3.04	3.31	3.38	3.45
Commercial II (\$/1,000 gals)	3.59	2.67	2.91	3.17	3.23	3.30
Commercial III (\$/1,000 gals)	3.55	2.64	2.88	3.13	3.20	3.26
Commercial IV (\$/1,000 gals)	5.46	4.06	4.42	4.82	4.92	5.02
Industrial						
Flow (\$/1,000 gals)	2.54	2.79	3.04	3.31	3.38	3.45
BOD (\$/100 pounds)	15.11	16.05	17.49	19.07	19.45	19.84
TSS (\$/100 pounds)	19.54	21.50	23.44	25.54	26.06	26.58
Schools (per student per month)	1.48	0.771	0.841	0.917	0.935	0.954

NEXT STEPS

- Finalize financial plans
- Develop rates
- Meet with elected officials to present recommended financial plans and rates
- April 7 – Present draft report and draft Prop 218 notice with BPU
- April 21 – Final report and final Prop 218 notice (begin 45 days) with BPU
- June 16 - Public hearing with BPU
- June 21 - First reading with City Council
- July 19 – Second reading with City Council
- September 1 – Rates effective



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QUESTIONS & DISCUSSION