Olivehurst Public Utilities District

Water & Sewer Rates

April 21, 2022

Presentation Overview

- Background
- Water Rates
- Sewer Rates
- Next Steps

Purpose: Discuss findings and draft rate recommendations and receive input
OPUD Utility Finances

- OPUD’s water & sewer utilities are financially self-supporting enterprises.
- Service charges are the main source of revenues.
- Rates need to be set at levels adequate to fund operations, maintenance, debt service, and capital improvements needs.
- Water rates last increased Jan-1, 2021.
- Sewer rates last increased Jan-1, 2017; no increases for over 5 years.
- OPUD also did not implement authorized inflationary rate adjustments.
- Current water & sewer rates are both in the lower range compared to other regional agencies.

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Olivehurst Public Utility District
Water Rate Survey: Monthly Charge for a Single Family Home

Typical home with 15 ccf of monthly water use (246 gpd)

Survey Average = $55.51

Rates Effective January 2022
Rate Study Objectives

- BWA developed updated 10-year financial projections
- Identified future water & sewer operating, maintenance, debt service & capital improvement funding needs
- Evaluated water & sewer rate increases needed to support projected expenses
- Phased in water & sewer rate increases as gradually as possible to:
  - Recover the costs of providing service
  - Support future balanced budgets
  - Help minimize annual impact on ratepayers
Water Rates

Water Finances & Rates

- Prior rate increases put the water utility on a more stable financial footing
  - Water enterprise previously experienced budget deficits; fund reserves had been fully drawn down due to inadequate water rate revenues (partially due to drought)

- Water enterprise facing financial challenges that will require rate increases
  - Capital improvement needs of aging infrastructure:
    - Many pipelines are undersized for current fire flow standards & are 70+ years old
    - Funding phased into $600,000 per year to help address highest-priority needs
  - Water utility is currently under-staffed, additional staffing needed for operations
    - Includes funding for 2 new water system operators
  - Ongoing cost inflation (utilities, staffing, insurance, supplies, etc.)

- Gradual rate increases needed to support projected funding needs
  - Draft recommendation: 5% annual water rate increases for each of next 5 years
  - Assumes no change to water rate structure
  - First rate increase would not become effective until Jan-1, 2023
## Projected Water Rates

<table>
<thead>
<tr>
<th>Rate Increase %</th>
<th>5%</th>
<th>5%</th>
<th>5%</th>
<th>5%</th>
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<tbody>
<tr>
<td><strong>METERED RATE ACCOUNTS</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>3/4” Meter</strong></td>
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<tr>
<td>Fixed Monthly Charge</td>
<td>$19.50</td>
<td>$20.48</td>
<td>$21.50</td>
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<td>Water included with Fixed Charge</td>
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<td>Consumption Charge per ccf</td>
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<td>$2.15</td>
<td>$2.26</td>
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<td>For water use in excess of allowance</td>
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<tr>
<td><strong>1” - 4” Meters</strong></td>
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<tr>
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<td>Consumption Charge per ccf</td>
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<td><strong>FLAT RATE ACCOUNTS</strong></td>
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<tr>
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<td>3/4” Service</td>
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<td>87.29</td>
<td>91.65</td>
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</table>

Rates for meters over 4” shall be determined on a case-by-case basis.

| Consumption Charge per 100 gallons | $0.26 | $0.27 | $0.29 | $0.30 | $0.32 | $0.33 |

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## Water Rate Impacts

<table>
<thead>
<tr>
<th>Rate Increase %</th>
<th>5%</th>
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<th>5%</th>
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<td>Monthly Bill</td>
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<td>5.92</td>
<td>5.97</td>
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</tbody>
</table>
Olivehurst Public Utility District
Historical & Projected Monthly Water Charges

1996 rate + 3.8% escalation

3/4" Meter with 15 ccf use

Projected

Olivehurst Public Utility District
Water Rate Survey: Monthly Charges for a Single Family Home

Typical home with 15 ccf of monthly water use (246 gpd)

Current Average = $55.51

23.97 30.10 37.05 37.63 38.93 39.94 43.31 43.85 48.41 49.29 57.60 60.11 61.77 68.08 72.92 74.63 77.76

Other agencies are also anticipating rate increases in upcoming years.

Rates Effective January 2022
Sewer Rates

Sewer Finances & Rates

- Sewer rates have not been increased in over 5 years
- Sewer enterprise facing financial challenges that will require rate increases
  - Capital improvement needs of aging infrastructure:
    - OPUD has a lot of aging sewer system infrastructure that will need to be rehabilitated and/or replaced in upcoming years to support safe & reliable service
    - Funding phased into $600,000 per year to help address highest-priority needs
  - Sewer utility is currently under-staffed
    - Includes funding for 1 new sewer system operator
  - Ongoing cost inflation (utilities, staffing, insurance, supplies, etc.)
- Gradual rate increases needed to support projected funding needs
  - Draft recommendation: $2 per month sewer rate increases for each of next 5 years
  - Equates to roughly 4% - 5% increases each year
  - First rate increase would not become effective until Jan-1, 2023
<table>
<thead>
<tr>
<th>Current Sewer Rates</th>
<th>Projected Water Rates Effective</th>
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<tbody>
<tr>
<td>Jan-1 2023</td>
<td>Jan-1 2024</td>
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<tr>
<td>Monthly Sewer Rate Increase $</td>
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<td>Sewer Rate Increase %</td>
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<tr>
<td>Residential (per dwelling unit)</td>
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<td>Commercial (per EDU)</td>
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<tr>
<td>Schools (per EDU)</td>
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</tr>
</tbody>
</table>

1 Nonresidential accounts are assigned a number of Equivalent Dwelling Units (EDUs) by the District based on estimated sewer flow & strength with a minimum assignment of 1 EDU.

2 Schools are billed based on number of faculty/staff, and average daily attendance (ADA) of students. according to the following formula.

Current EDU Formula: EDUs = (A + B + C) / 280 gpd x D / 30

- A = number of faculty and staff x 20 gpd
- B = ADA for number of elementary/middle school students x 18 gpd
- C = ADA for number of high school students x 20 gpd
- D = number of school days in month
- gpd = gallons per day
**Next Steps**

- **Next steps**
  - Obtain input & Board direction to move forward with the Proposition 218 noticing process for increasing rates

- **Proposition 218 procedural requirements**
  - Mail notices of proposed rate increases to property owners/customers at least 45 days prior to the date of the public hearing
  - Hold Public Hearing to consider proposed rates
  - Rate increases subject to “majority protest”

- As proposed, first water and sewer rate increases would not become effective until Jan-1, 2023

- Water & sewer rates projected to remain in lower to lower-middle range compared to other regional agencies
Questions & Discussion