



# Water and Wastewater Rate Recommendations for 2014 & 2015

Santa Rosa City Council  
February 4, 2014

# 2014 & 2015 Rate Review

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- **Board of Public Utilities**
  - Multiple Budget Subcommittee meetings – September / October
  - Study Session – October 3, 2013
  - Unanimous Rate Recommendation to Council – November 7, 2013
- **City Council**
  - Study Session – November 19, 2013
  - Public Hearing – January 7, 2014
  - Council reconsideration – January 14, 2014
  - Continued – February 4, 2014

# Council Concerns

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- ▶ Reserve Balances
- ▶ Low Income Assistance
- ▶ SCWA Budget and City involvement
- ▶ Moving to a cash funding model for Subregional capital improvement program



# Water Reserve Fund Balance

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- ▶ Currently 2.6x target
- ▶ In 2009 water reserves were about a third of target level
- ▶ Restored reserves over 4 years
  - ▶ Sustainable reductions in operations and staffing
  - ▶ 11% water use increase in 2012/13
    - ▶ Not expected to continue



# Water Reserves – Offsetting current and future rate increases

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- ▶ No usage rate increase for operations
- ▶ Buffer variability in use
  - ▶ Weather and economic patterns
  - ▶ Potential drought
- ▶ Use reserve balance as one-time revenue source
  - ▶ Avoid rate impacts of debt funding Master Plan projects and large special projects



# Wastewater Reserve Fund Balance

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- ▶ Currently 1.8x target
  - ▶ In 2009 water reserves were just under target level
  
- ▶ This rate recommendation draws down reserves to offset rates
  - ▶ Reserves drawn down to target level by 2016/17



# Wastewater – Offsetting required rate increase

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- ▶ Draw down reserve to target level
- ▶ Un-appropriate \$3 million from 2013/14 local wastewater capital improvement program
  - ▶ Still above baseline funding
- ▶ Less debt financing in 2014 than previously anticipated for Subregional projects



# Low Income Assistance

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- ▶ Program Development
  - ▶ Board of Public Utilities Budget Subcommittee
  - ▶ Economic Development and Housing
  - ▶ Utility Billing
- ▶ Determining guidelines
- ▶ Identifying Funding Sources
- ▶ Identifying partnerships
  - ▶ Existing programs
- ▶ Follow up study session
  - ▶ City Council – March 11, 2014



# SCWA Budget Review

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- ▶ Technical Advisory Committee (TAC) – staff
  - ▶ Currently reviewing and providing input
- ▶ Water Advisory Committee (WAC) – elected officials
  - ▶ Initial presentation February 3, 2014
- ▶ SCWA Council presentation and recommendation to WAC representative
  - ▶ Scheduled for February 25, 2014
- ▶ WAC – advisory vote
  - ▶ Tentatively scheduled for March 3, 2014

# Cash funding Subregional

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- ▶ Treatment Plant built in 1970's – aging
- ▶ Current cash funding \$1 million per year
- ▶ Debt Financing costs approximately \$1.90 for each \$1 of funding
  - ▶ Cash funding normal replacement and upgrades will save ratepayers nearly \$1 billion over the next 30 years

# Rate Recommendations

# Rate Recommendations – 2014 & 2015

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- ▶ Total water rate impact for average customer approximately 3%
  - ▶ 5% water fixed rate increase
    - ▶ Approximately \$0.60/month for single family residences
  - ▶ 0% water usage rate increase
  - ▶ Renew pass-through increase on cost of wholesale water
    - ▶ SCWA increase if 5% = 2.2% usage increase in July (about \$0.10 per tg)
  - ▶ Provides revenue stability in the case of water use decline
- ▶ 3.5% wastewater fixed and usage increase
  - ▶ Approximately \$3/ month for single family residences
  - ▶ Allows more cash funding of Subregional infrastructure – less dependence on debt financing



## Discussion

Wastewater rate resolution

Water rate ordinance