



Water and Wastewater Rate Recommendations for 2014 & 2015

Santa Rosa City Council
February 4, 2014

2014 & 2015 Rate Review

- **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

- ▶ 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

- ▶ 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

- ▶ 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

- ▶ **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

- ▶ 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

- ▶ 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

- ▶ **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

- ▶ 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

- ▶ 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