

Town of Discovery Bay CSD

Potential Water and Sewer Rate Adjustments



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LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

Alison Lechowicz
Project Manager



Background

- Water and sewer utilities are enterprise funds and should be self-supported by rate revenues
- Water and sewer rates are subject to Proposition 218
 - Rates must be based on the reasonable cost of service
 - Rates must proportionally recover costs based on how customers take service
 - Covers rates over a maximum 5-year period (Town typically prefers 4 year plans)
 - Procedural requirements: conduct a rate study, mail a notice to property owners/tenants, hold a hearing a minimum of 45 days later, protest vote
- Last rate study was conducted in 2020



Rate Study Goals

- Update the cost of service
- Collect sufficient funds to cover:
 - Operations
 - Debt obligations
 - Repair and replacement of infrastructure
 - Funding of reserves for emergencies
- Meet legal requirements
 - Prop 218
 - Water conservation requirements
- New rates effective July 1 (concurrent with the fiscal year and property tax submittal)

WATER FUND





Current Monthly Water Rates

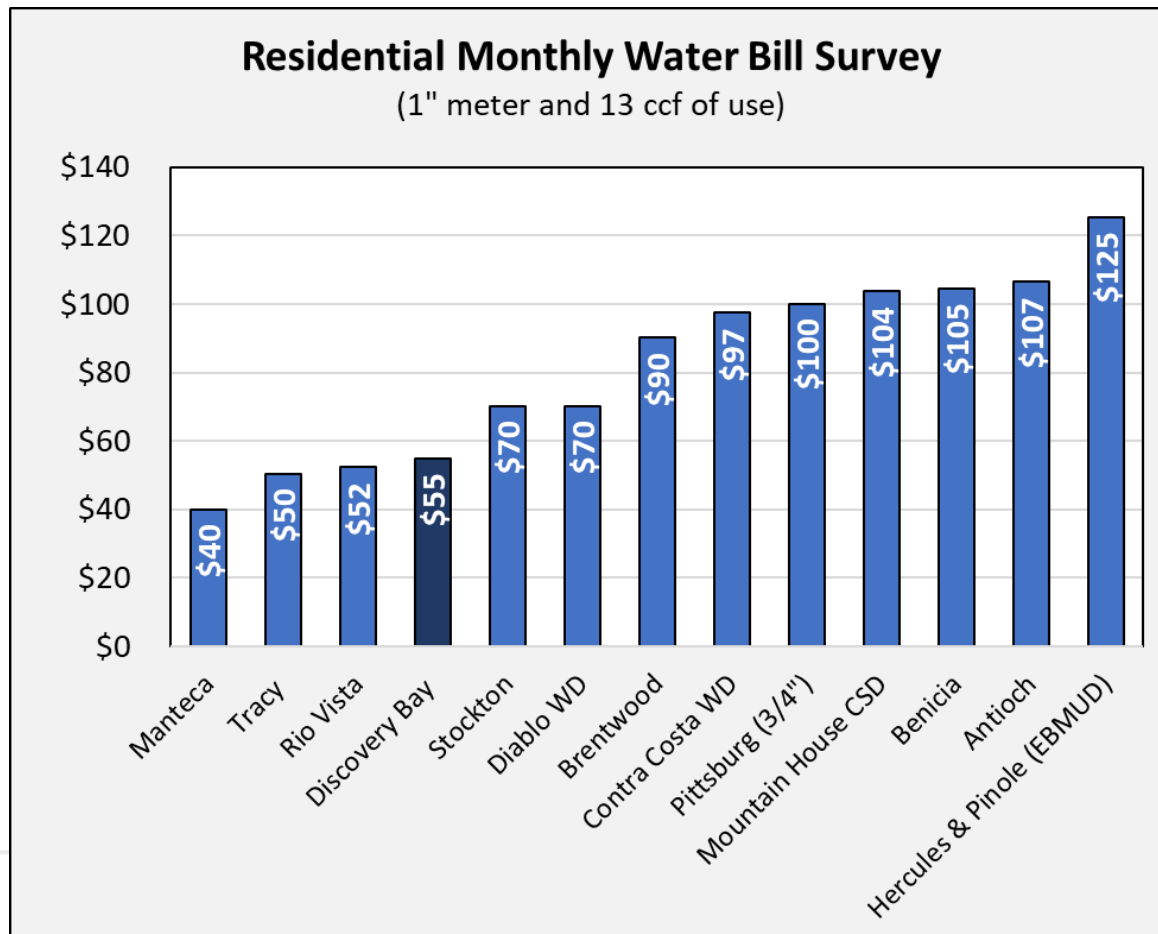
Vacant	\$14.67
Non-irrigation Account Charge	
up to 1 Inch Meter	\$22.62
1 1/2 Inch Meter	\$42.24
2 Inch Meter	\$65.92
3 Inch Meter	\$129.20
4 Inch Meter	\$200.40
6 Inch Meter	\$398.18
Irrigation Account Charge	
up to 1 Inch Meter	\$20.26
1 1/2 Inch Meter	\$37.90
2 Inch Meter	\$59.07
3 Inch Meter	\$115.73
4 Inch Meter	\$180.27
6 Inch Meter	\$359.54
Meter Install Fee (10-year payback)	\$8.01
Volume Rate - All Usage (\$/ccf)	\$2.479
ccf = 100 cubic feet = 748 gallons	

	FY2024 Est. Revenues
Meter Fees	\$1.79M
Install Fee	\$0.34M
Volume (Usage)	\$2.84M
Less Delinquencies	<u>(\$0.10M)</u>
Total Rate Revenue	\$4.87M



Water Bill Survey

Typical single family residential Town customer is served by a 1" meter, uses 13 ccf monthly, and pays a monthly bill of \$54.85 (does not include a meter installation fee)





Water Fund Current Financial Position

- Current revenues of about \$5M adequately cover current operating costs of about \$4.9M (O&M and outstanding debt)
- 2017 and 2022 outstanding bonds
- \$1.8M in existing operating reserves
- Inflationary increases needed for operations
- Financial challenge is to fund necessary capital projects



Water Capital Funding

- Existing capital reserves of \$1.7M and developer fees of \$1.9M
- Anticipated major projects
 - Project costs and timing to be refined over next few months
 - Water share approximately 50% of Office building \$3M to \$5M
 - Water pipeline replacements of up to \$20M; could be phased over 5 to 10 years
 - Underwater crossings \$2.6M
- Hypothetical financing of capital projects
 - Every \$5M of future debt proceeds is estimated to cost about \$370,000 in annual debt service costs (20 years at 4% interest)
 - Each \$5M of debt = about an 8% increase to current rates; about a \$5 increase to the average monthly bill

WASTEWATER FUND





Current Monthly Sewer Rates

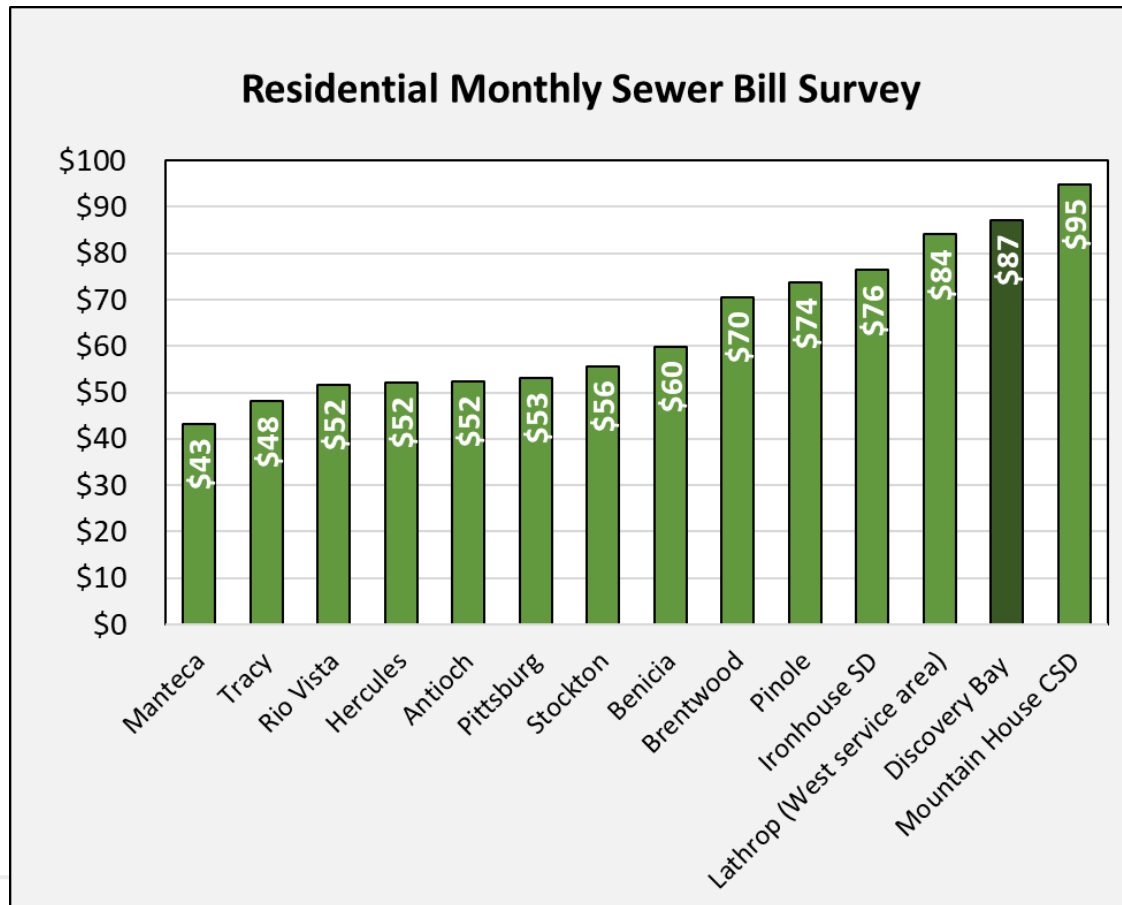
Residential Unmetered	Monthly (\$/month)
Single Family - Each DU	\$87.15
Multiple Family/Condos - Each DU	\$70.17
Vacant	\$18.67
	Use
Nonresidential Metered	(\$/ccf)
Business/Government/Clubs	\$7.109
Restaurants/Bars/Dining Facilities	\$19.078
Schools	\$6.475
Other Domestic Strength Users	\$7.109
DU = Dwelling Unit - billed on tax roll	
ccf = 100 cubic feet = 748 gallons	

	FY2024 Est. Revenues
Fixed Fees	\$6.28M
Metered Flow	<u>\$0.11M</u>
Total Rate Revenue	\$6.39M



Sewer Bill Survey

- Residential customers are billed on the tax roll. Monthly equivalent costs are shown below.

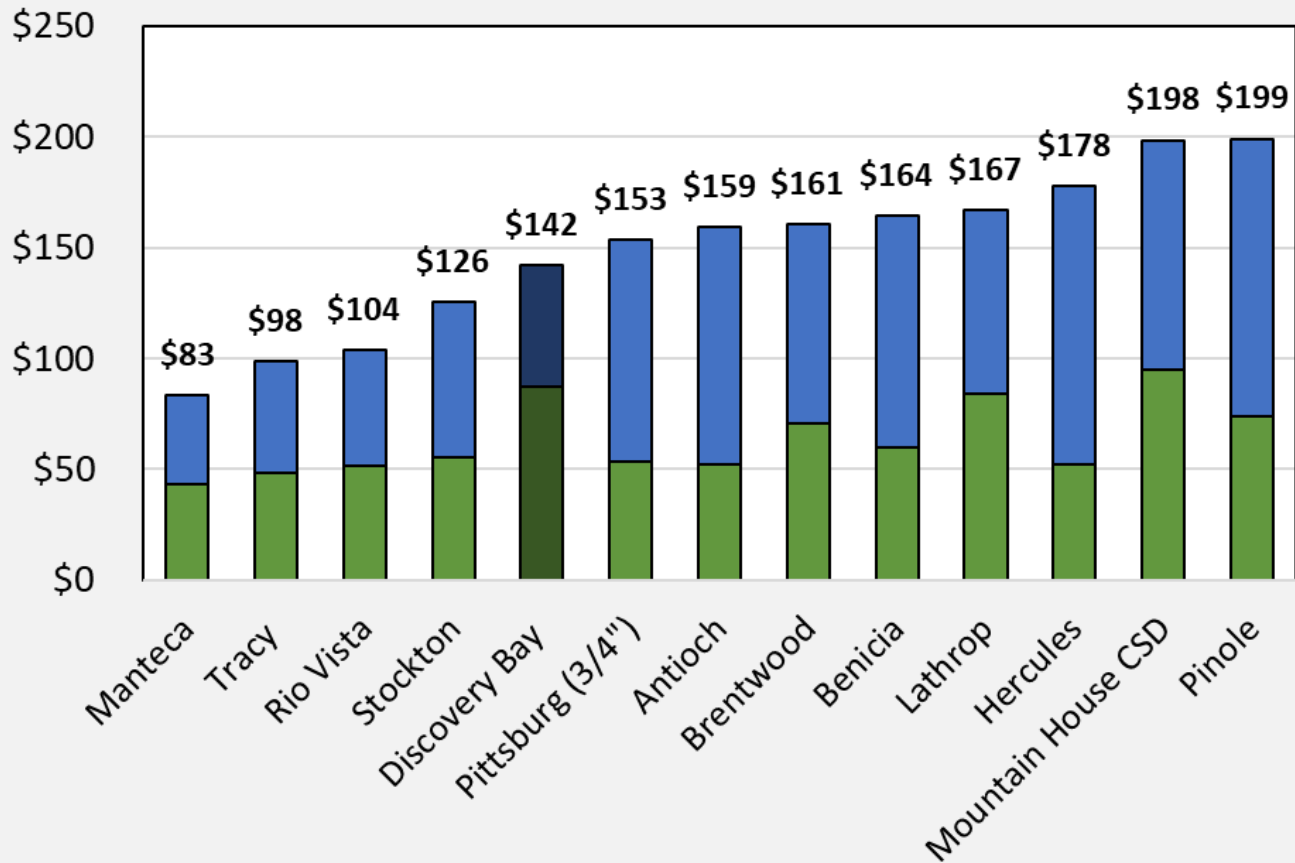




Combined Monthly Bill Survey

Residential Monthly Water & Sewer Bill Survey

(1" meter and 13 ccf of water use)





Sewer Fund Current Financial Position

- Current revenues of about \$6.6M adequately cover current operating costs of about \$6.0M (O&M and outstanding debt)
- 2017 and 2022 outstanding bonds
- \$1.7M in existing operating reserves
- Inflationary increases needed for operations
- Financial challenge is to fund necessary capital projects



Sewer Capital Funding

- Existing capital reserves of \$3.1M and developer fees of \$0.2M
- Upcoming major projects
 - Project costs and timing to be refined over next few months
 - Sewer share approximately 50% of Office building \$3M to \$5M
 - Plus about \$8M in treatment plant equipment and upgrades, pipeline replacements, lift stations, and vehicles
- Hypothetical financing of capital projects
 - Every \$5M of future debt proceeds is estimated to cost about \$370,000 in annual debt service costs (20 years at 4% interest)
 - Each \$5M of debt = about a 6% increase to current rates; about a \$5 increase to the monthly bill



Rate Study Tentative Schedule

- Presentations to the Board
 - March 6 (Informational)
 - April 3 (finalize the rate study)
- Proposition 218 notices mailed to customers April 19
 - Customers have the right to protest the water rates, sewer rates, or both
 - Protests must be in writing and be received by the end of the public hearing
 - If more than 50% of property owners protest, rates cannot be implemented
- Public hearing will be held June 5
- If approved, rates will go into effect July 1
- Each year, Board will review the budget and rates (if approved). Board has the option to adopt lower rates without additional hearings.



Conclusion

