



City of Healdsburg

Water & Wastewater Rate Study
City Council Presentation | March 18, 2024



Agenda

-  Utility Financial Plan Review
-  Study Results and Recommendations
 - Water Rates
 - Wastewater Rates
-  Bill Impacts and Bill Comparisons

Rate Study Process

Step 1: Rate Setting Framework

- Financial goals and policies
- Pricing objectives
- Alternative rate structures for evaluation

Step 3: Rate Design

- Cost of Service Analyses (Cost allocations)
- Alternative rates design
- Rate calculations & customer impact analyses

Step 5: Rate Adoption – 218 Procedures

- Notice to City customers
- Public Hearing

Step 2: Financial Plan

- Evaluation of operating and capital costs
- Cash flow analysis for financial sufficiency
- Scenario Analysis

Step 4: Rate Adoption

- Documentation
- Study Report
- Review by legal counsel

We're Here

Start

Completion

Council Feedback February 5, 2024

- A Water Enterprise Financial Plan that prioritizes water supply projects
- Tiered Rates alternatives for Residential Users, including a Three-Tier Option
- Preserve financial reserves policies

Utility Financial Planning



Long-Range Financial Plan Drivers



Inflationary Pressures



Supply Sources and
Costs



Cash Reserves



Future Borrowing Terms
and Assumptions



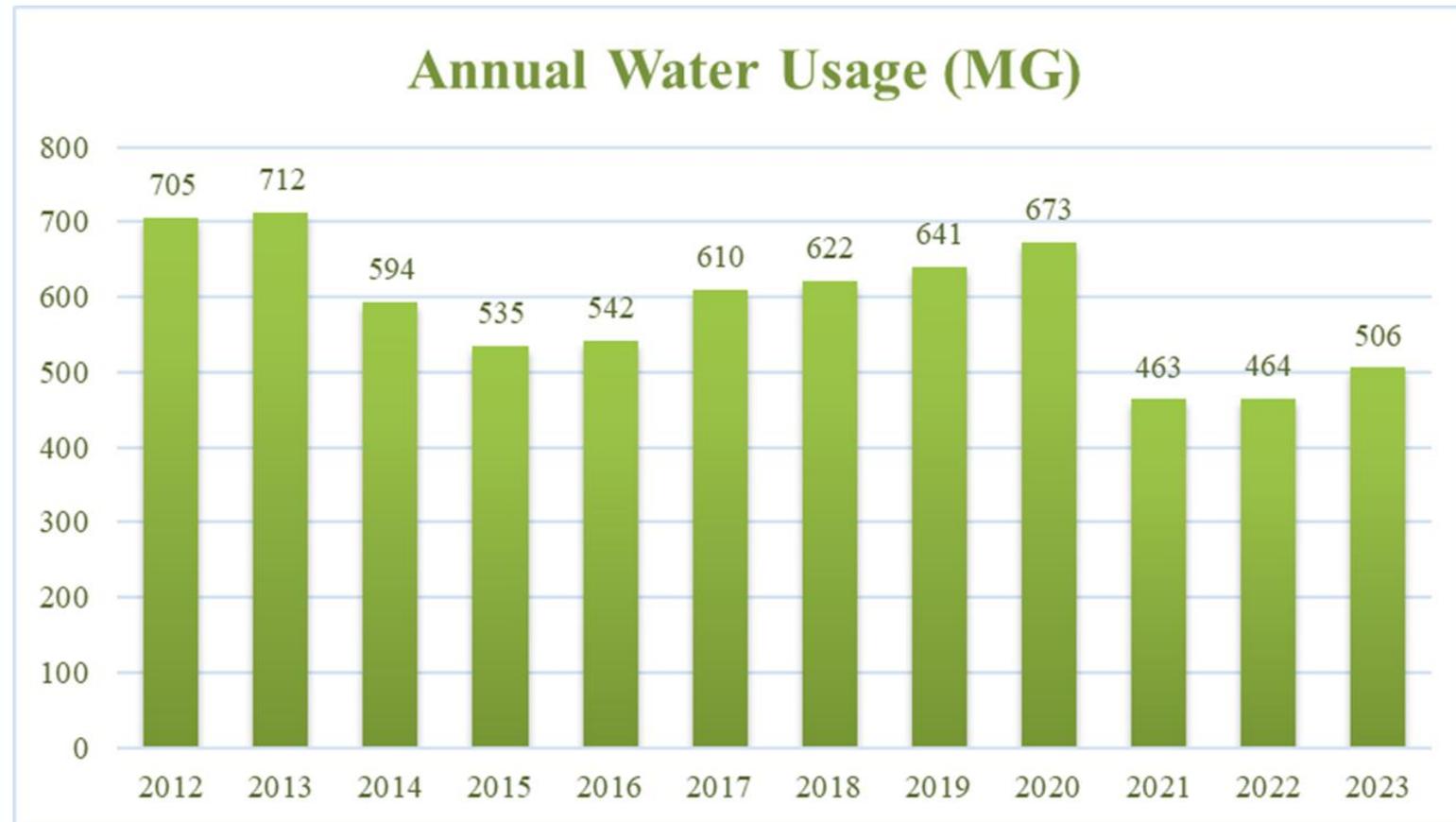
Baseline Water
Sales Estimates



Capital Reinvestment

Baseline Water Demands

- Baseline demand projected from Fiscal Year (FY) 2023
- Represents 20% reduction from historical average
- Aligns with reductions experienced by other water agencies across California
- Calendar Year (CY) 2023 usage was 126 GPCD versus the regional average of 93 GPCD



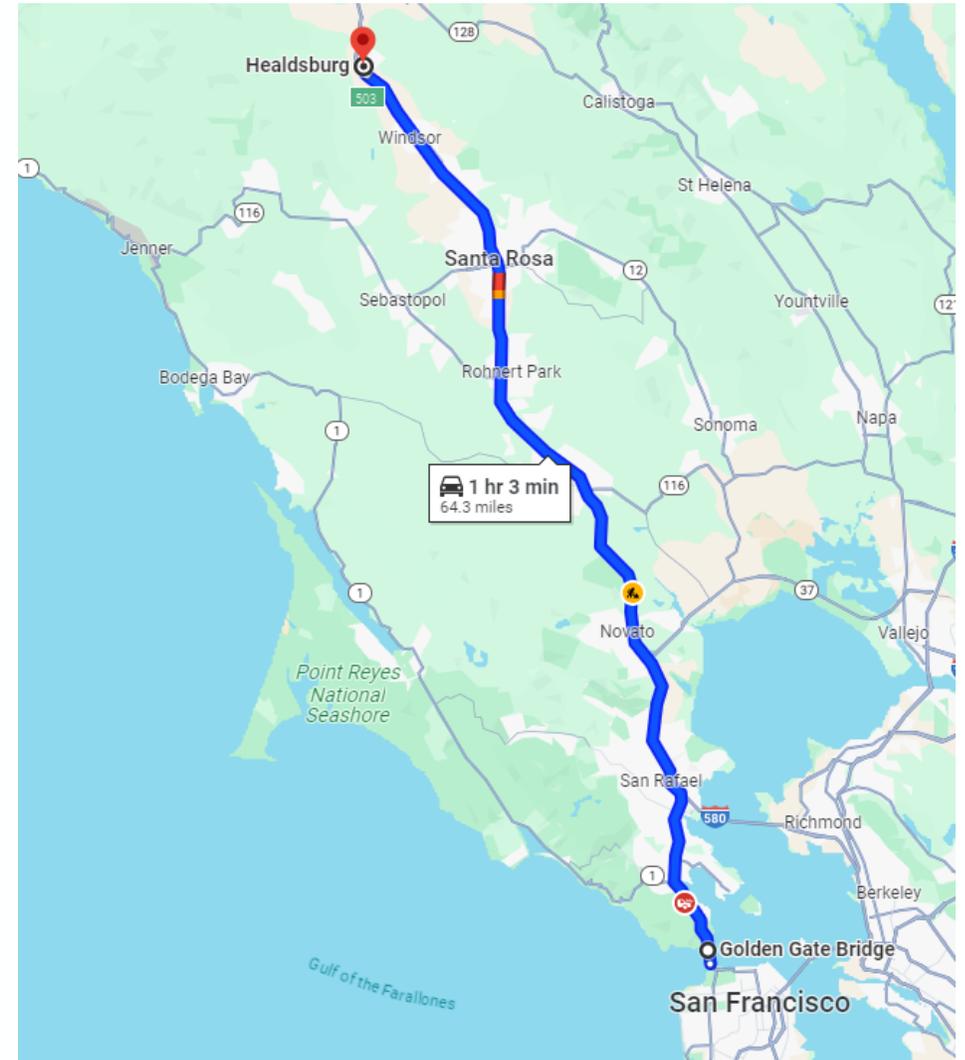
MG = Million Gallons

Capital Improvements



Aging Infrastructure

- 120 miles of utility pipeline
 - Equivalent of roundtrip from Healdsburg to Gold Gate Bridge
- 1/3 of pipes 50+ years old
- Averaging two water service repairs per week



Water Supply Security

Contract Water from Lake Sonoma

- Loss of the Potter Valley Project reduces the reliability of the upper Russian River
- Council provided direction to staff to prioritize development of more stable water supplies
- By deferring treatment improvements at the Fitch Well field, those funds could support the rehabilitate and restore pumping capacity at the Dry Creek wells
- Increased pumping capacity allows the City pump stored water from Lake Sonoma providing greater water security during future droughts
- Impacts to previously proposed rate increases is minimal, roughly an additional 1% in the third year
- If treatment improvements are delayed, the City would likely lose the use of the Fitch Well fields until those improvements are constructed.

Financial Outlook



Reserves Policy Discussion

- Maintain Operating Reserve target of 25% operating expenses (90 days of working capital)
- Revise Capital Fund Reserve to form a Rate Stabilization Reserve
 - Maintains target of \$1 million
 - Removes specific capital contingency earmarks

This recommendation:



Mitigates otherwise higher rate increases



Reinforces fiscal responsibility

Water Financial Plan

| Fiscal Year | Revenue Adjustment | Planned Bonds |
|-------------|--------------------|---------------|
| FY 2025 | 21% | \$0.00 |
| FY 2026 | 20% | \$0.00 |
| FY 2027 | 13% | \$0.00 |
| FY 2028 | 12% | \$0.00 |
| FY 2029 | 12% | \$13,000,000 |
| FY 2030 | 10% | \$0.00 |
| FY 2031 | 3% | \$0.00 |
| FY 2032 | 3% | \$0.00 |
| FY 2033 | 3% | \$0.00 |

Recommended 3-Year Revenue Adjustments



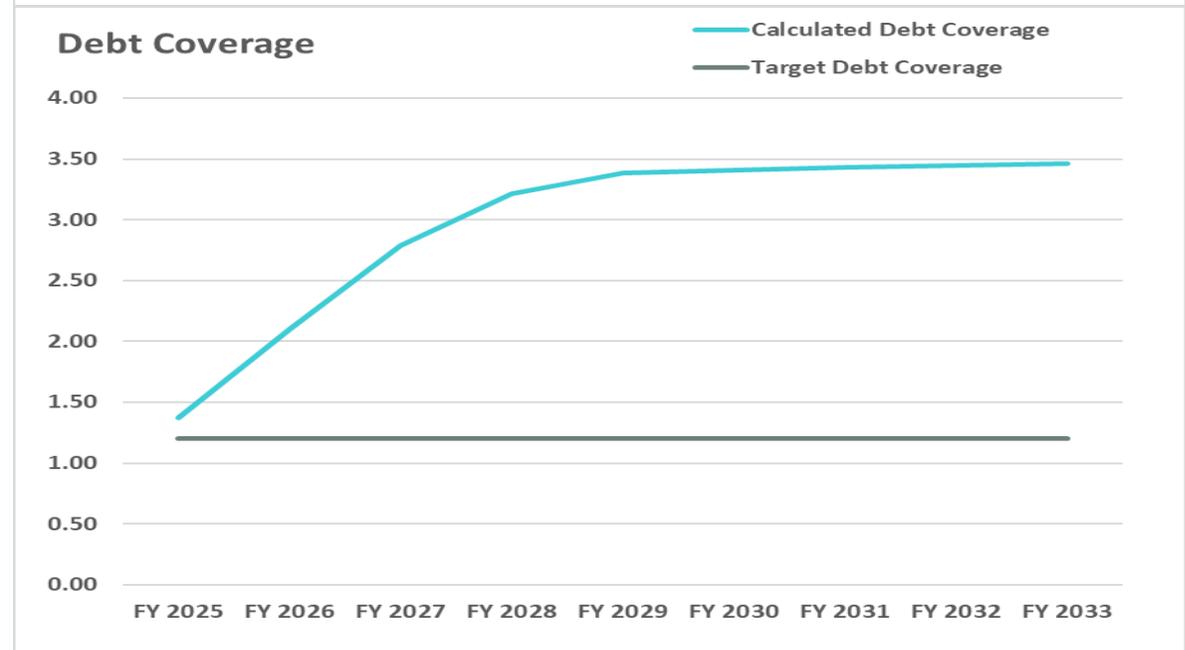
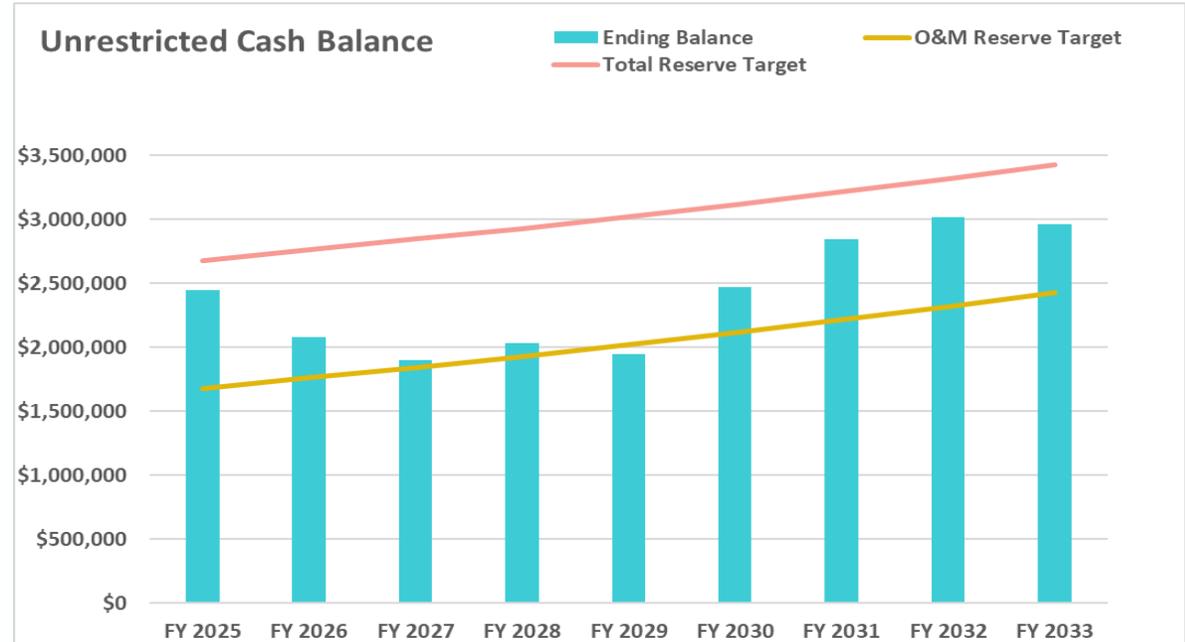
Water Rate Increase Comparisons

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|----------------|-------------------|---------|---------|---------|---------|
| Healdsburg | 21% | 20% | 13% | 12% | 12% |
| St Helena | 28% | 8% | 8% | 8% | 8% |
| Calistoga | 50% | 12% | 10% | 6% | 6% |
| City of Sonoma | 5% | 5% | 5% | 5% | 5% |
| Rohnert Park | 5% | 5% | 5% | - | - |
| Sebastopol | Study in Progress | | | | |
| Cloverdale | 12% | 12% | 12% | - | - |
| Santa Rosa | 4% | - | - | - | - |
| Windsor | Study in Progress | | | | |

Wastewater Financial Plan

| Fiscal Year | Revenue Adjustment | Planned Bonds |
|-------------|--------------------|---------------|
| FY 2025 | 18% | \$0.00 |
| FY 2026 | 18% | \$0.00 |
| FY 2027 | 15% | \$0.00 |
| FY 2028 | 9% | \$0.00 |
| FY 2029 | 5% | \$0.00 |
| FY 2030 | 3.5% | \$0.00 |
| FY 2031 | 3.5% | \$0.00 |
| FY 2032 | 3% | \$0.00 |
| FY 2033 | 3% | \$0.00 |

Recommended 3-Year Revenue Adjustments



Wastewater Rate Increase Comparisons

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|----------------|-------------------|---------|---------|---------|---------|
| Healdsburg | 18% | 18% | 15% | 9% | 5% |
| St Helena | 50% | 4% | 4% | 4% | 4% |
| Calistoga | 35% | 25% | 3% | 3% | 3% |
| City of Sonoma | - | - | - | - | - |
| Rohnert Park | Study in Progress | | | | |
| Sebastopol | Study in Progress | | | | |
| Cloverdale | 10% | 10% | 10% | | |
| Santa Rosa | 2% | - | - | - | - |
| Windsor | Study in Progress | | | | |

Financial Plan vs. Cost of Service

Financial Plan

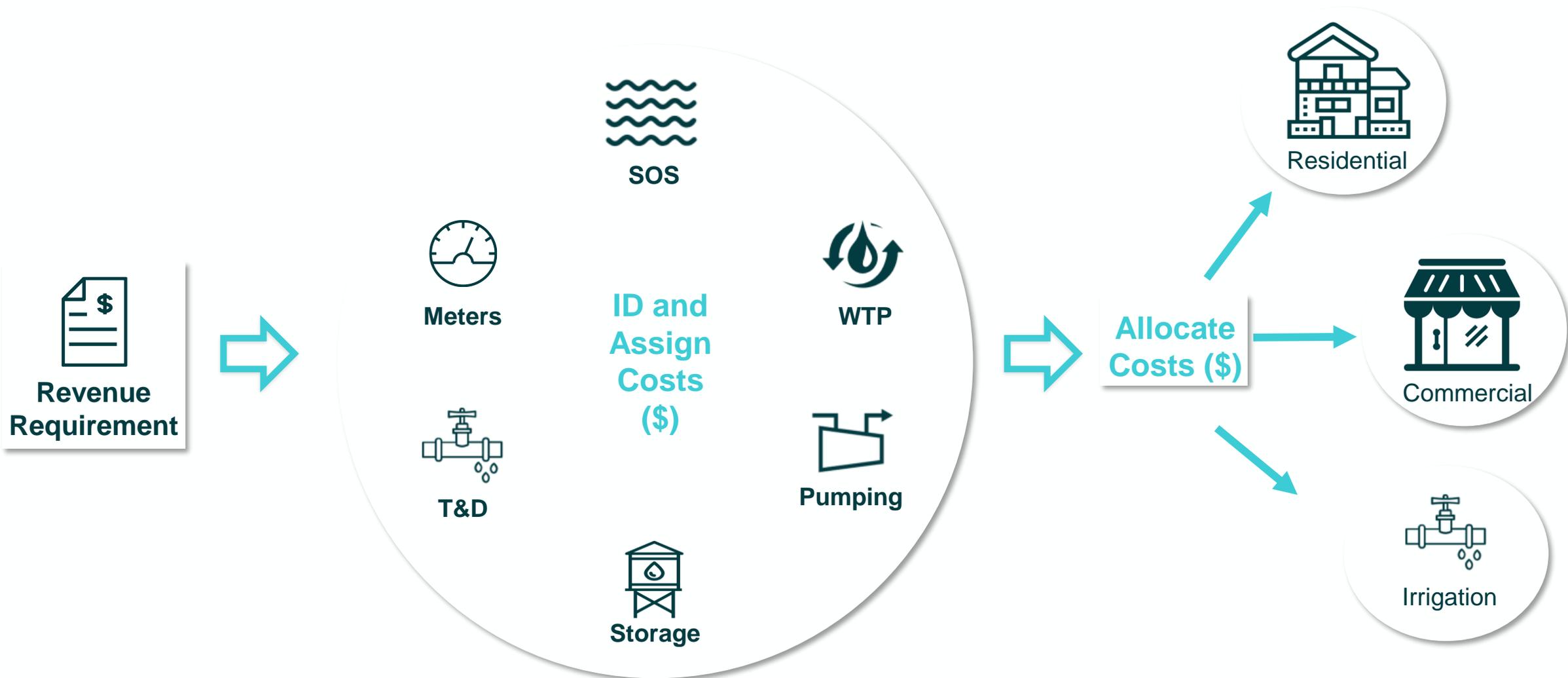
- Determines the TOTAL amount of revenue required from water rates each year (i.e., how large of a pie do we need?)

Cost of Service

- Determines how the overall rate revenue requirement is allocated to various customer classes (i.e., how do we slice the pie based on costs incurred?)

Cost of Service Analysis

Is everyone paying their proportionate share?



Proposed Rates



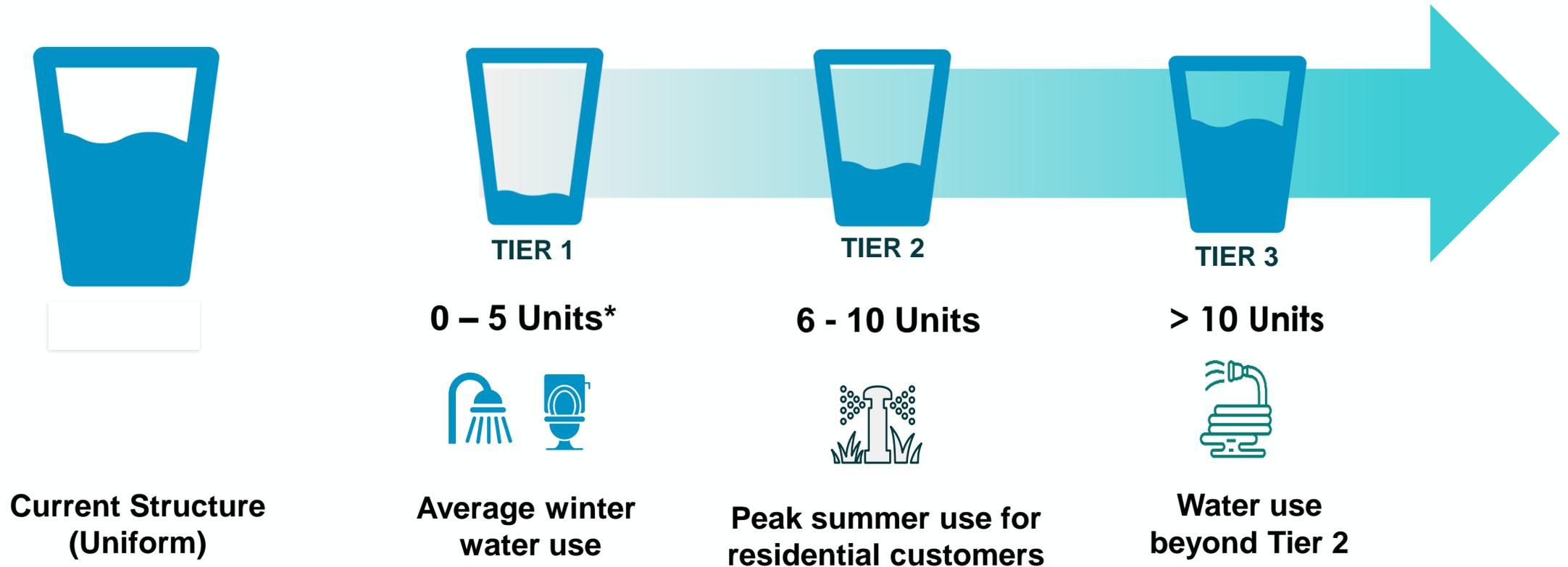
Proposed Fixed Monthly Service Charges - Water

- Current: Residential fixed charges based on Dwelling Units (DU)
- Proposed: All Classes based on meter size

| Description | Current FY 2024 | Proposed FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
|---|-----------------|------------------|------------------|------------------|
| Residential Fixed Monthly Service Charge | | | | |
| Single Family | \$28.61 | By Meter Size | By Meter Size | By Meter Size |
| Single Family + ADU (per DU) | \$21.84 | By Meter Size | By Meter Size | By Meter Size |
| Multi-Family (Per DU) | \$17.01 | By Meter Size | By Meter Size | By Meter Size |
| | | | | |
| Fixed Monthly Service Charges | | | | |
| Up to 1" | \$45.26 | \$41.34 | \$49.61 | \$56.06 |
| 1 1/2" | \$86.90 | \$77.94 | \$93.53 | \$105.69 |
| 2" | \$136.86 | \$121.86 | \$146.24 | \$165.26 |
| 3" | \$253.46 | \$238.98 | \$286.78 | \$324.07 |
| 4" | \$419.91 | \$370.75 | \$444.90 | \$502.74 |
| 6" | \$1,127.75 | \$736.76 | \$884.12 | \$999.06 |

RESIDENTIAL (SFR & MFR)

Proposed Rate Structure Modifications

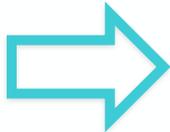


*1 Unit = Hundred Cubic Foot (HCF) 748 gallons or approximately 15 bathtubs

SFR = Single Family Residential / MFR = Multi-Family Residential; tiers are per dwelling unit for MFR connections

Proposed Residential (SFR & MFR) Water Commodity Rates

| Current FY 2024 Rate Water Commodity Charges (\$/HCF) | |
|--|--------|
| Uniform Rate (All Units) | \$6.48 |

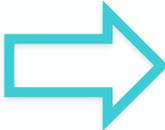


| FY 2025 Rate Water Commodity Charges (\$/HCF) | |
|--|---------|
| Tier 1 (0-5 HCF) | \$6.48 |
| Tier 2 (6-10 HCF) | \$8.41 |
| Tier 3 (>10 HCF) | \$10.80 |

Multifamily residential is allotted usage tiers for each Dwelling Unit on the connection

Proposed Non-Residential Water Commodity Rates

| Current FY 2024 Rate Water Commodity Charges (\$/HCF) | |
|--|--------|
| Commercial | \$6.48 |
| Industrial | \$6.48 |
| Landscape | \$6.48 |



| FY 2025 Rate Water Commodity Charges (\$/HCF) | |
|--|---------|
| Commercial | \$7.61 |
| Industrial | \$9.49 |
| Landscape | \$11.06 |

Customer Classes are defined and charged based on their demand characteristics

Proposed Water Commodity Rates (\$/HCF)

| Class and Tier | Current FY 2024 | Proposed FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
|---|-----------------|------------------|------------------|------------------|
| Residential (Single Family & Multi-Family) | | | | |
| Tier 1 (0-5 HCF) | \$6.48 | \$6.48 | \$7.78 | \$8.80 |
| Tier 2 (6-10 HCF) | \$6.48 | \$8.41 | \$10.10 | \$11.42 |
| Tier 3 (>10 HCF) | \$6.48 | \$10.80 | \$12.96 | \$14.65 |
| | | | | |
| Non-Residential Classes | | | | |
| Commercial | \$6.48 | \$7.61 | \$9.14 | \$10.33 |
| Industrial | \$6.48 | \$9.49 | \$11.39 | \$12.88 |
| Landscape | \$6.48 | \$11.06 | \$13.28 | \$15.01 |
| Riverview HOA | \$1.59 | \$1.93 | \$2.32 | \$2.63 |

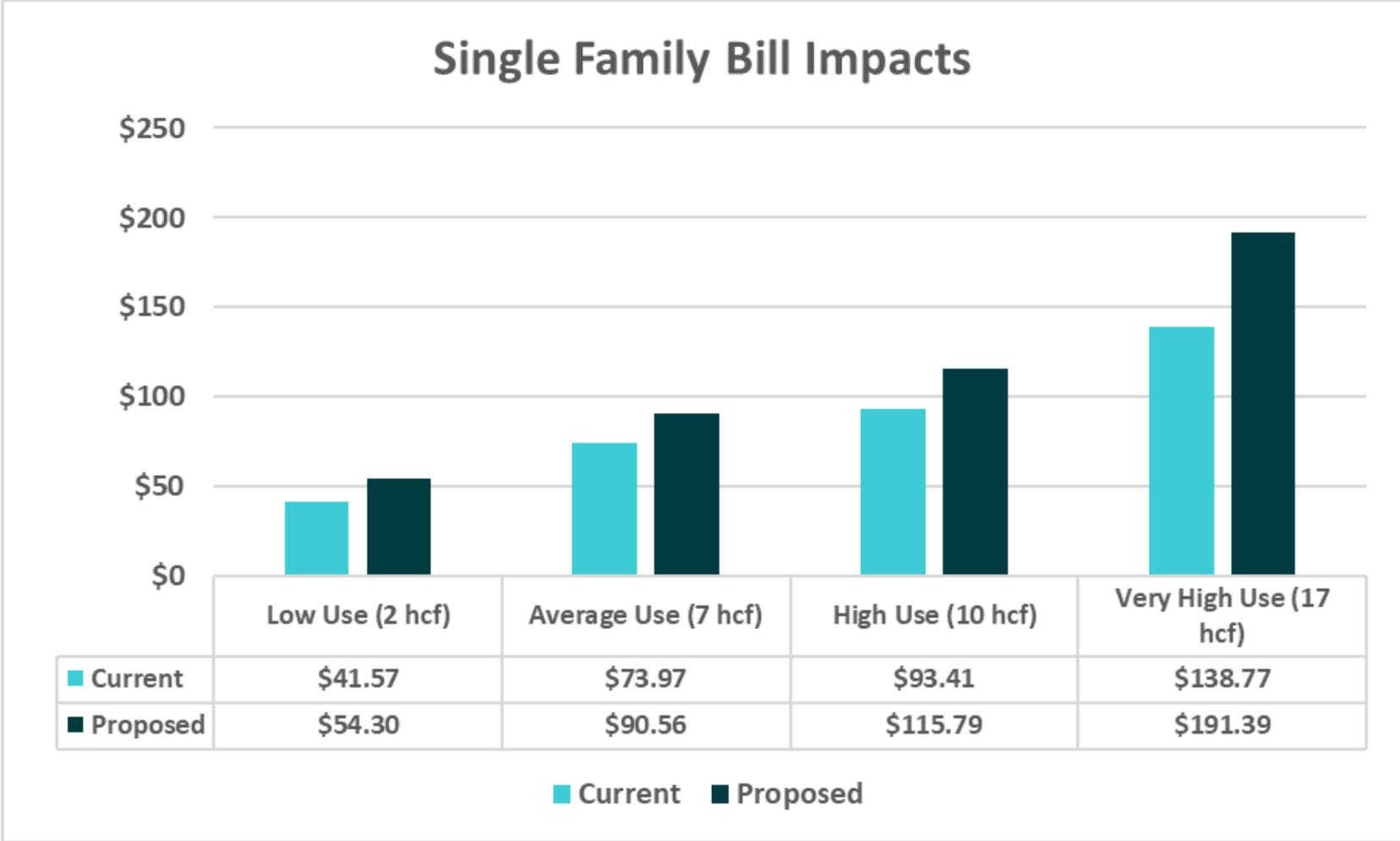
¹¹ Only the volumetric rate applicable to Riverview HOA under the terms of the 1997 order of condemnation. HOA Riverview pays a fixed monthly service charge by meter size that increases based schedule.

Single Family Residential Customer Water Bill*

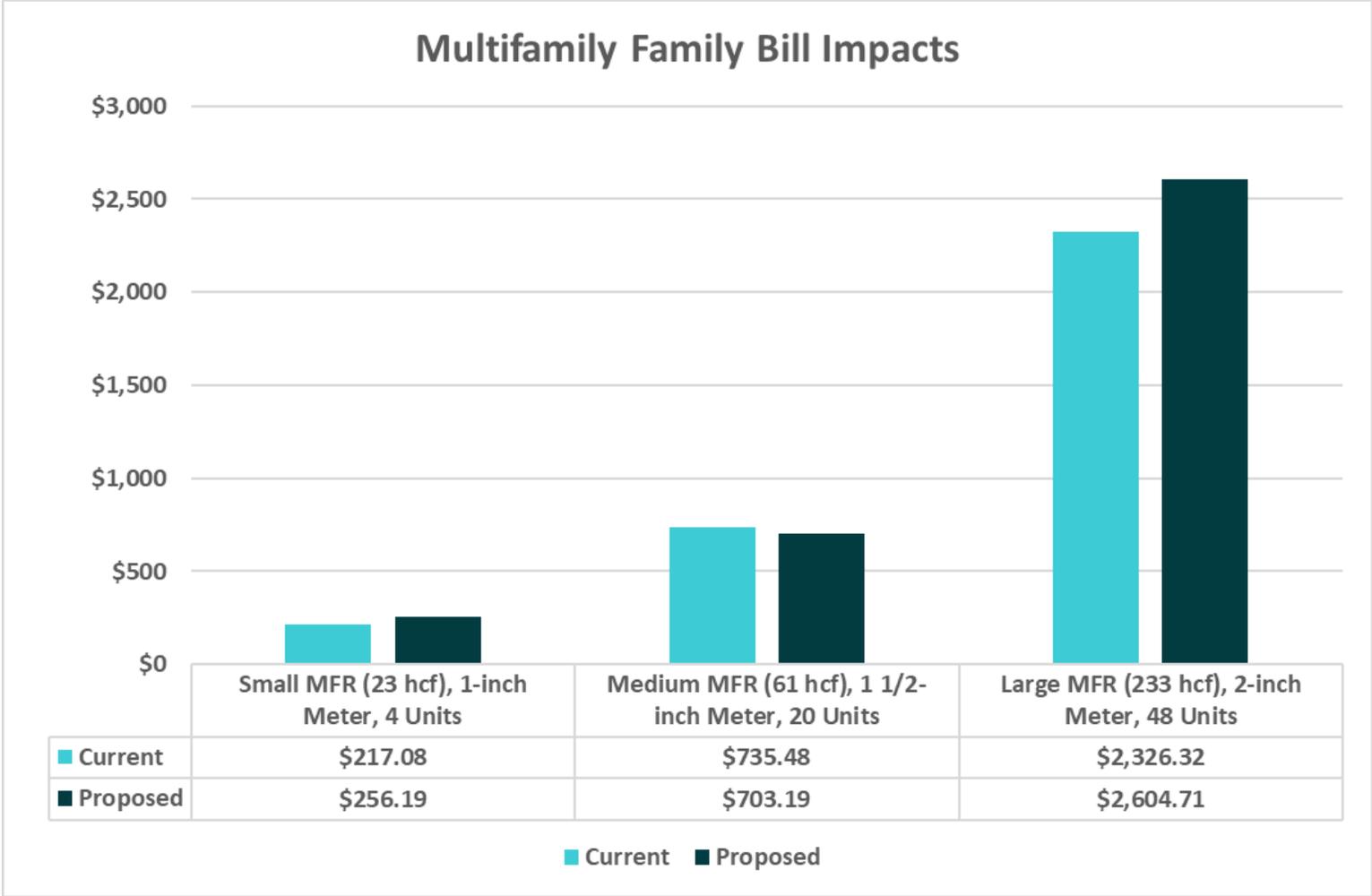


** Comparison reflects an average single-family customer with a 1" or smaller connection, using 7 Units (HCF) of water per month*

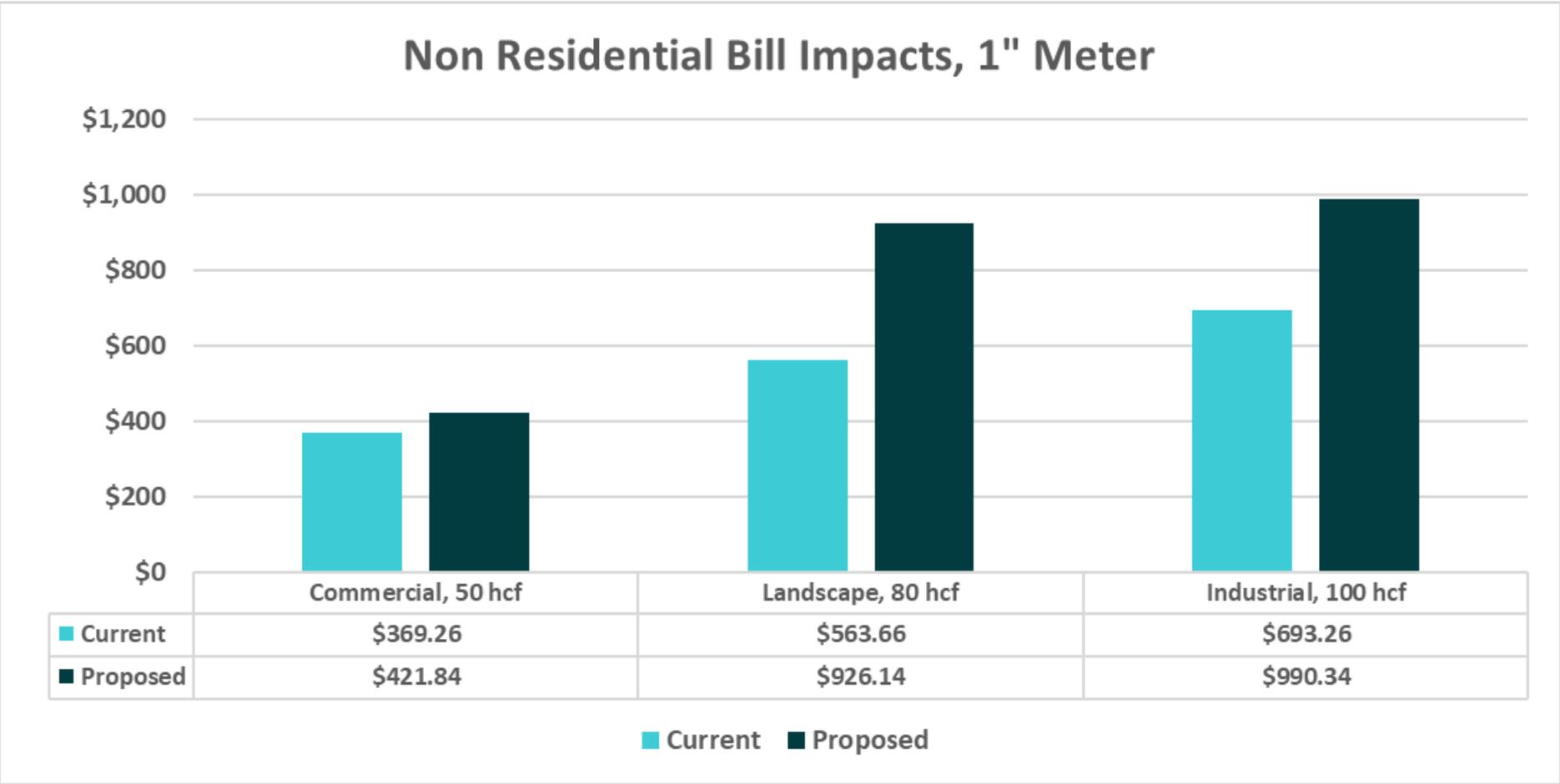
SFR Customer Bill Impacts - Water



MFR Bill Impacts - Water



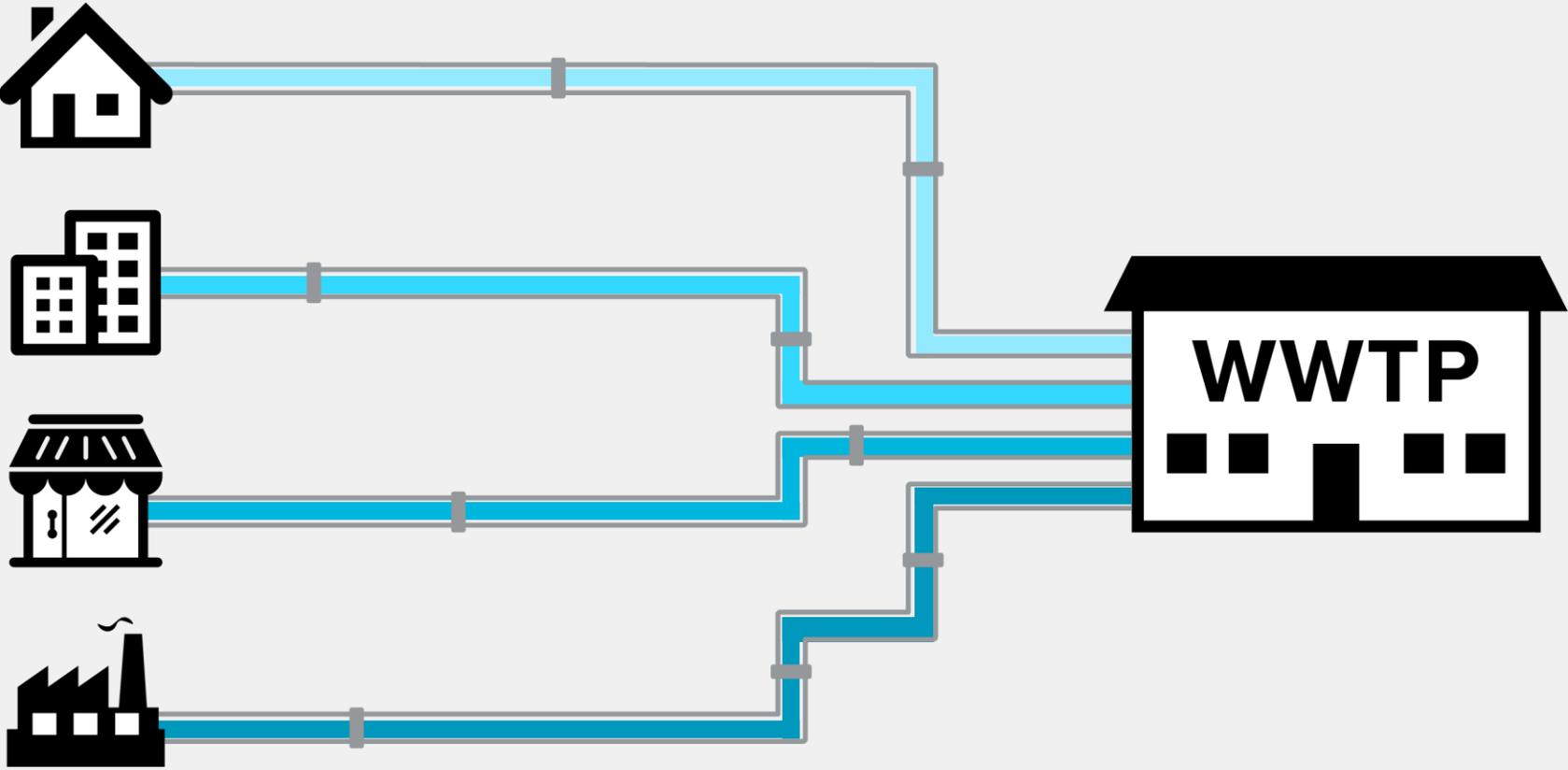
Non-Residential Bill Impacts - Water



Sewer Rates



Wastewater Cost Of Service Analysis



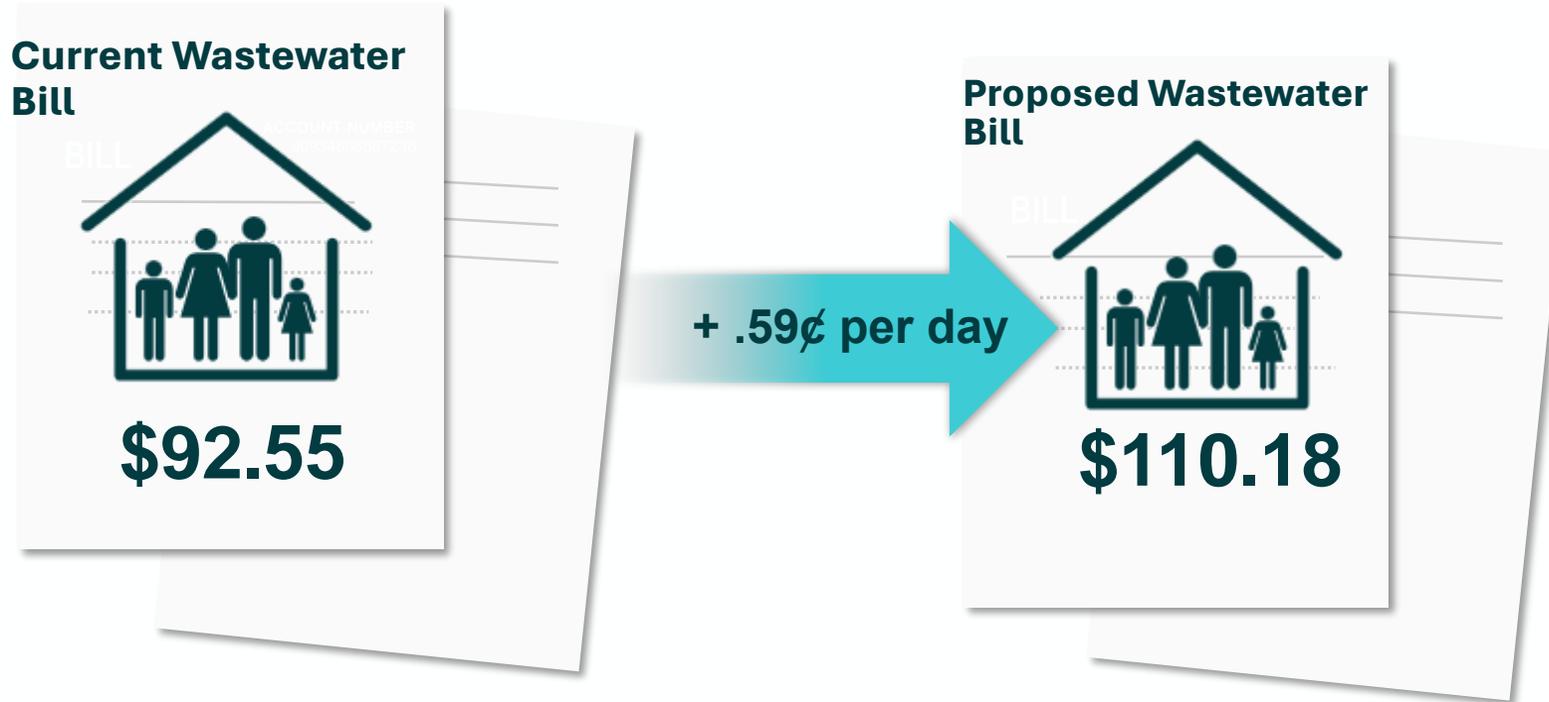
Proposed Monthly Service Charges - Wastewater

| Description | Current FY 2024 | Proposed FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
|--|-----------------|------------------|------------------|------------------|
| Monthly Residential Service Charges | | | | |
| Single Family Residential (SFR) | \$46.67 | \$51.33 | \$60.57 | \$69.66 |
| SFR + ADU | \$31.95 | N/A | N/A | N/A |
| Multi-Family Residential (MFR) | \$37.80 | \$36.94 | \$43.60 | \$50.14 |
| Flat Rate (Sewer Only SFR) | \$104.01 | \$110.18 | \$130.02 | \$149.53 |
| Monthly Non-Residential Service Charges (per meter) | | | | |
| Up to 1" | \$75.75 | \$83.88 | \$98.99 | \$113.84 |
| 1 1/2" | \$148.49 | \$243.37 | \$287.18 | \$330.26 |
| 2" | \$235.77 | \$396.68 | \$468.09 | \$538.31 |
| 3" | \$439.44 | \$1,279.52 | \$1,509.84 | \$1,736.32 |
| 4" | \$730.39 | \$1,405.05 | \$1,657.97 | \$1,906.67 |
| 6" | \$1,966.94 | \$1,405.05 | \$1,657.97 | \$1,906.67 |

Proposed Wastewater Usage Charges (\$/HCF)

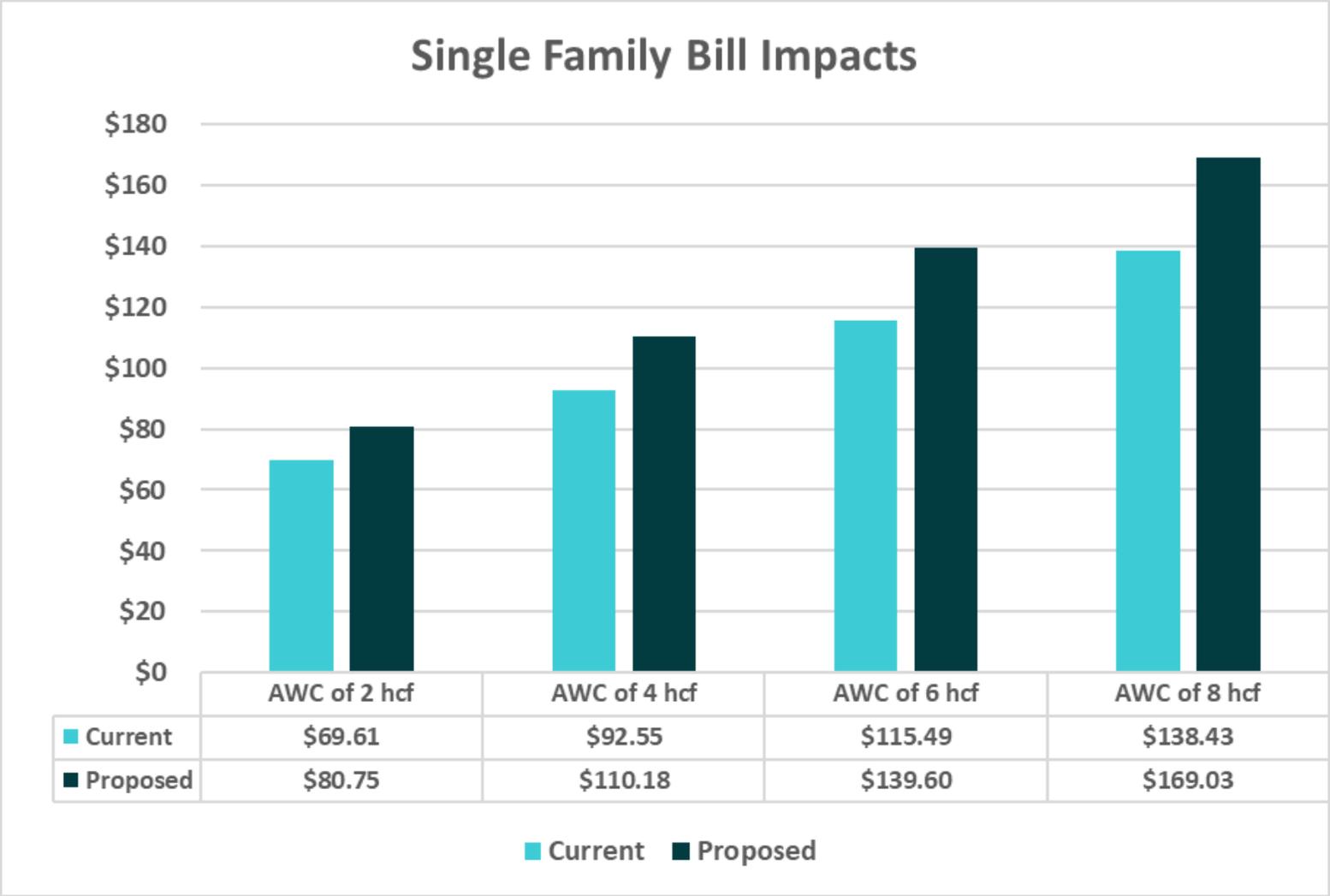
| Description | Current FY 2024 | Proposed FY 2025 | Proposed FY 2026 | Proposed FY 2027 |
|--|--------------------|---------------------|---------------------|---------------------|
| Wastewater Usage Charges (\$/HCF) | | | | |
| Residential (SFR/MFR) | \$11.47 | \$14.71 | \$17.37 | \$19.98 |
| Non-Residential | | | | |
| Low Strength | \$10.31 | \$11.43 | \$13.49 | \$15.52 |
| Medium Strength | \$15.09 | \$15.21 | \$17.95 | \$20.65 |
| High Strength | \$22.08 | \$21.08 | \$24.88 | \$28.62 |

Single Family Residential Customer Wastewater Bill*

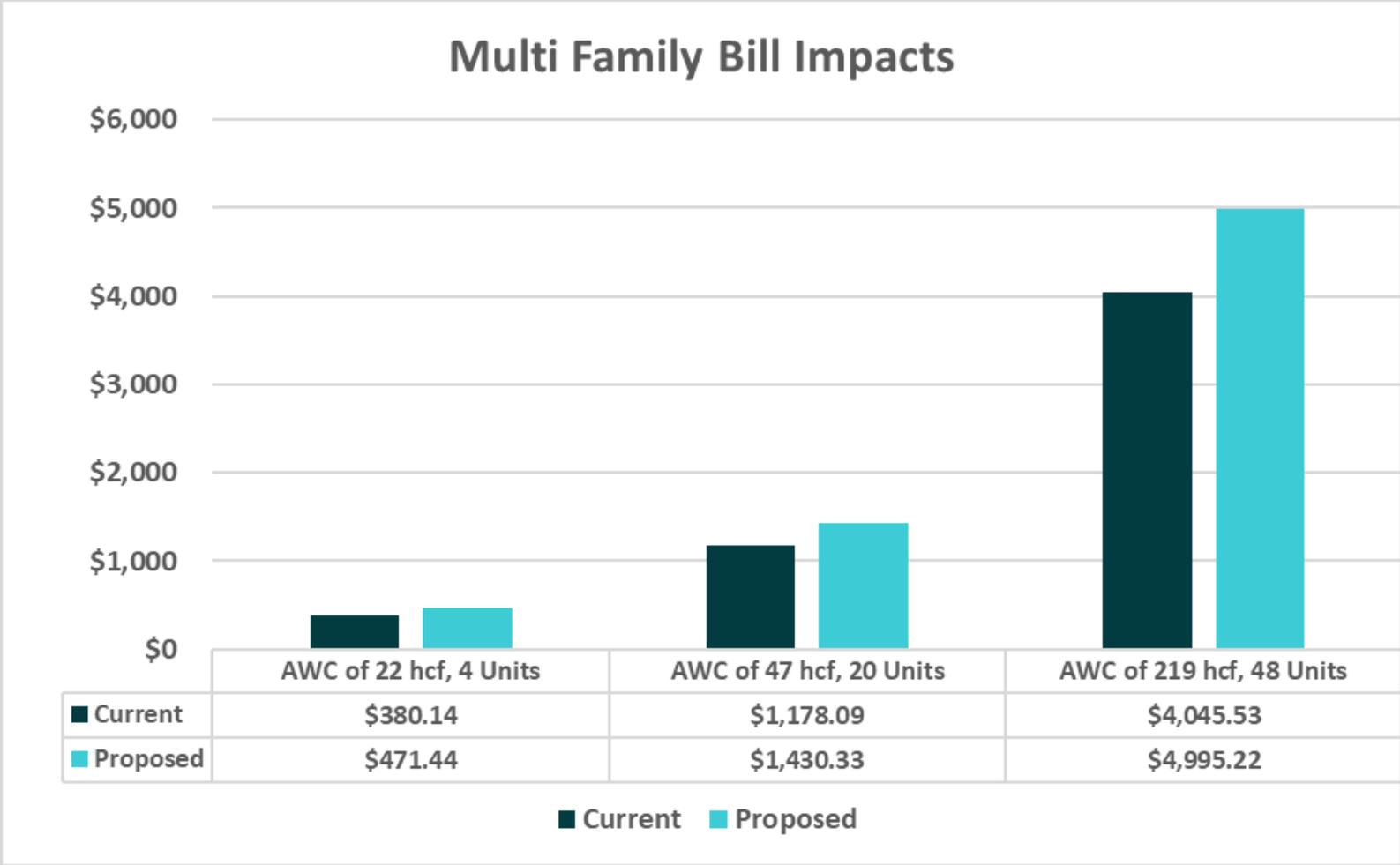


** Comparison reflects an average single-family customer using 4 Units (HCF) in the Average Winter Consumption (AWC) determination periods*

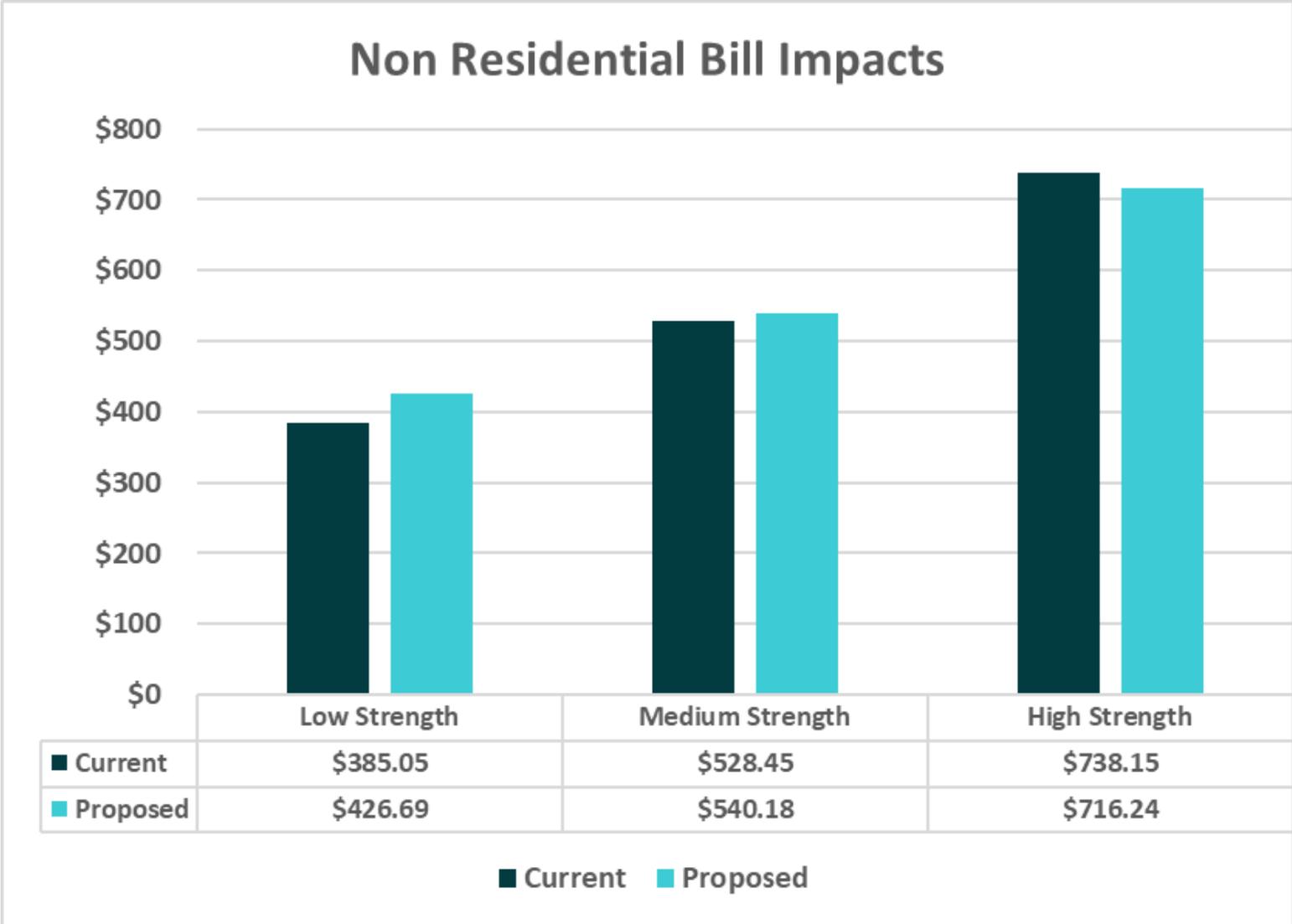
SFR Customer Bill Impacts - Wastewater



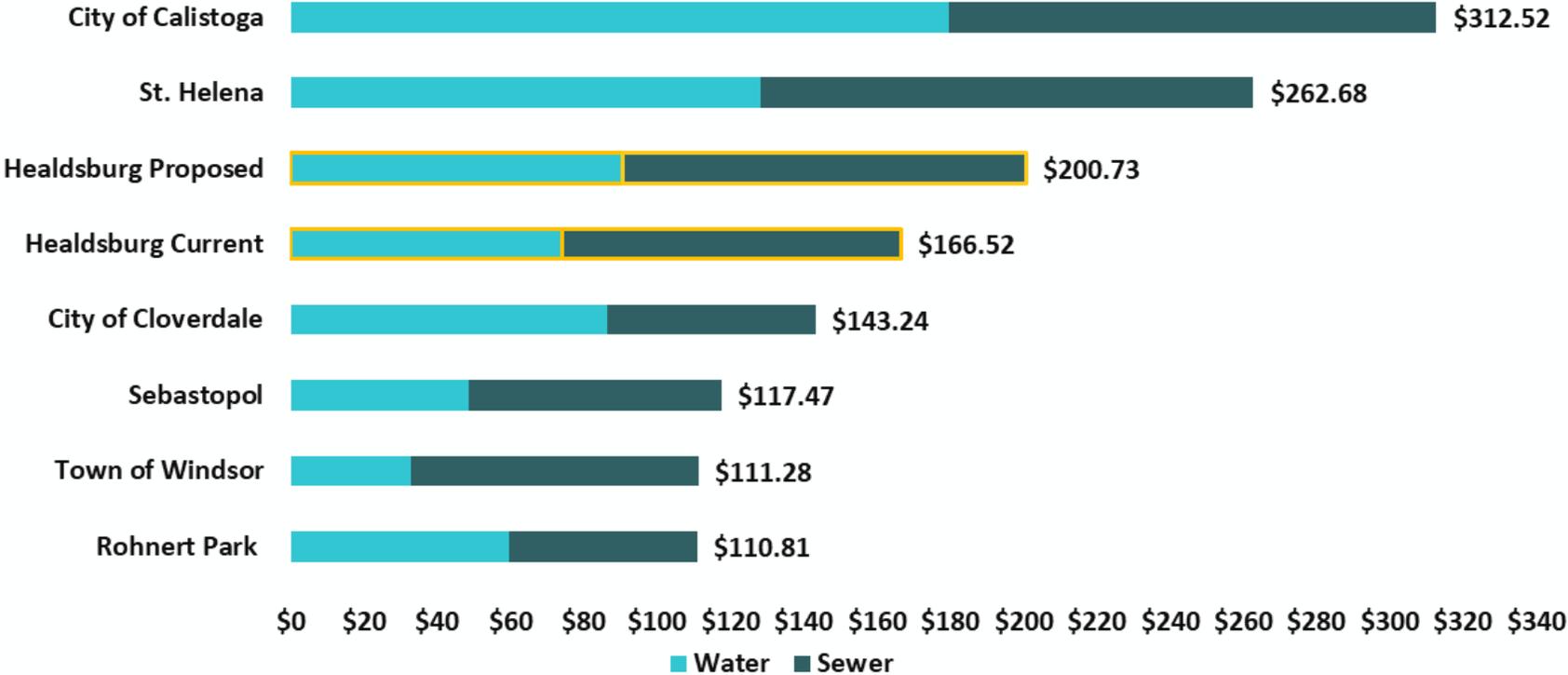
MFR Bill Impacts - Wastewater



Non-Residential Bill Impacts - Wastewater, 1" meter, 30 HCF



Combined Monthly Utility Bill – Neighboring Agency Survey (Single Family Residential: 7 HCF Water & 4 HCF Sewer)



Note: Sebastopol, Windsor, and Rohnert Park are currently conducting studies

Rate Study Next Steps

1

Request Council approve starting the Prop 218 process

March 18 City Council Meeting

2

Notice Postmark date

March 22

3

45 Day protest period

March 22 through May 6

4

Hold public meeting to hear community feedback and consider adoption of updated water and wastewater rates

May 6 City Council Meeting

5

Second Reading of the Ordinance

May 20

Year One Rate Implementation

July 1, 2024

Suggested Motion

- **Move to accept the 2024 Water and Wastewater Executive Summary recommendations and rate proposals**
- **Direct Staff to proceed with Proposition 218 notification and rate implementation processes with a Public Hearing scheduled for May 6, 2024**



Thank you

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