



City of
PATTERSON
California



*2020/21 Sewer Rate Study
City Council Presentation
April 20th, 2021*



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Summary of Key Points

- Sewer enterprise is a self-supporting enterprise
 - Revenues must be adequate to fund the costs of providing service
- Last rate study was in 2015; Adopted 5 years of rates increases through July 1, 2019
- Sewer enterprise is facing capital projects, including collection system and water quality control facility (WQCF) improvements
- 2020/21 Study includes rate increases for the next 5 years. Rate increases will be effective July 1 of each year, beginning in 2021 through 2026.

History of Sewer Rates

	7/1/2014	12/2/2015 - 6/30/2016	2016/17	2017/18	2018/19	Current 2019/20
<i>Percent Change</i>	6%	6%	6%	6%	6%	6%
Residential						
Flat Rate	\$37.31	\$39.55	\$41.92	\$44.44	\$47.11	\$49.94
Diablo Grande (1)	\$55.97	\$59.33	\$62.88	\$66.66	\$70.67	\$74.91
Commercial						
Flat Rate includes 10 ccf	\$37.31	\$39.55	\$41.92	\$44.44	\$47.11	\$49.94
Over 10 ccf - rate per ccf	\$2.12	\$2.25	\$2.39	\$2.53	\$2.68	\$2.84
Industrial						
Flow - per gallon	0.005	0.005	0.005	0.006	0.006	0.006
BOD - per lb	0.588	0.623	0.660	0.700	0.742	0.787
SS - per lb	0.588	0.623	0.660	0.700	0.742	0.787



Sewer Fund Reserves

	Beginning Balance July 1, 2019	Projected Balance July 1, 2020
Sewer Operations - Fund 605		
<u>Cash Bank of the West</u>	<u>\$1,429,271</u>	<u>\$1,507,725</u>
Total Fund 605 Reserves	\$1,429,271	\$1,507,725
PPFA Sewer - Authority Bonds - Fund 607		
<u>Cash Fiscal Agent - Reserve Fund</u>	<u>\$503,865</u>	<u>\$505,666</u>
Total Fund 607 Reserves	\$503,865	\$505,666
Sewer Capital - Fund 606		
<u>Cash</u>	<u>\$1,693,458</u>	<u>\$983,906</u>
Total Fund 606 Reserves	\$1,693,458	\$983,906
Sewer Impact Fees - 416		
<u>Cash</u>	<u>\$68,373</u>	<u>\$102,717</u>
Total Sewer Impact Fee Reserves	\$68,373	\$102,717
Total Sewer Fund Reserves	\$3,694,967	\$3,100,014



Why a Rate Increase is Needed

- Operations & maintenance for the WQCF
- Operations & maintenance for the collection system
- Equipment & vehicle replacements
- Capital improvement plan (CIP)
- Includes \$7.3MM of projects over the next 5 years
- City will likely need to finance a portion of the projects with a loan
- To obtain financing, City must adopt rates to show ability to repay future debt service
- Rates DO NOT pay for development's share of the CIP



Capital Projects – Next 5 Years

WQCF \$29.98 MM of Projects (\$6.3 MM Ratepayers Share)

- Solids Thickening Pilot Testing
- Solids Dewatering Improvements - Phase I
- Pond 8 - Pond 2 Interconnection
- Percolation Pond Repair - Ponds 10-18
- WQCF Phase III Expansion
- South Ditch Clarifier

Collection System \$3.84 MM of Projects (\$1.03 MM Ratepayers Share)

- EX-01 Walnut Trunk Repair/Correction
- SD-01 First Street Cross-Connection Correction
- SD-02 Housing Authority Cross-Connection Correction
- Old Town Phase 2
- Ward Avenue Sewer Lift Rehab
- Year 5 Rehabilitation Project

Cost Reduction Efforts

- City has postponed replacing equipment (Vactor Truck) that was included in the last study completed in 2014/15
- Secured loan forgiveness of \$523,000 for new WQCF Administration Building
- City implementing green cost saving solutions:
 - Installed solar panels at the WQCF to drop utility costs.
 - Implemented an Animal Vegetation Management Program.
- City has formed partnerships with other Agencies & Cities for Stormwater Management Program

Proposed Rate Increases

PROPOSED RATES						
	Current	Proposed				
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Proposed Rate Increases (1)	0.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Residential						
Flat Rate	\$49.94	\$52.94	\$56.12	\$59.49	\$63.06	\$66.84
Diablo Grande (2)	\$74.91	\$79.41	\$84.18	\$89.24	\$94.59	\$100.26
Commercial						
Flat Rate includes 10 ccf	\$49.94	\$52.94	\$56.12	\$59.49	\$63.06	\$66.84
Over 10 ccf - rate per ccf	\$2.84	\$3.01	\$3.19	\$3.38	\$3.58	\$3.79
Industrial (3)						
Flow - per gallon	\$0.006	\$0.004	\$0.005	\$0.005	\$0.005	\$0.006
BOD - per lb	\$0.787	\$0.639	\$0.677	\$0.718	\$0.761	\$0.807
SS - per lb	\$0.787	\$0.623	\$0.661	\$0.700	\$0.742	\$0.787

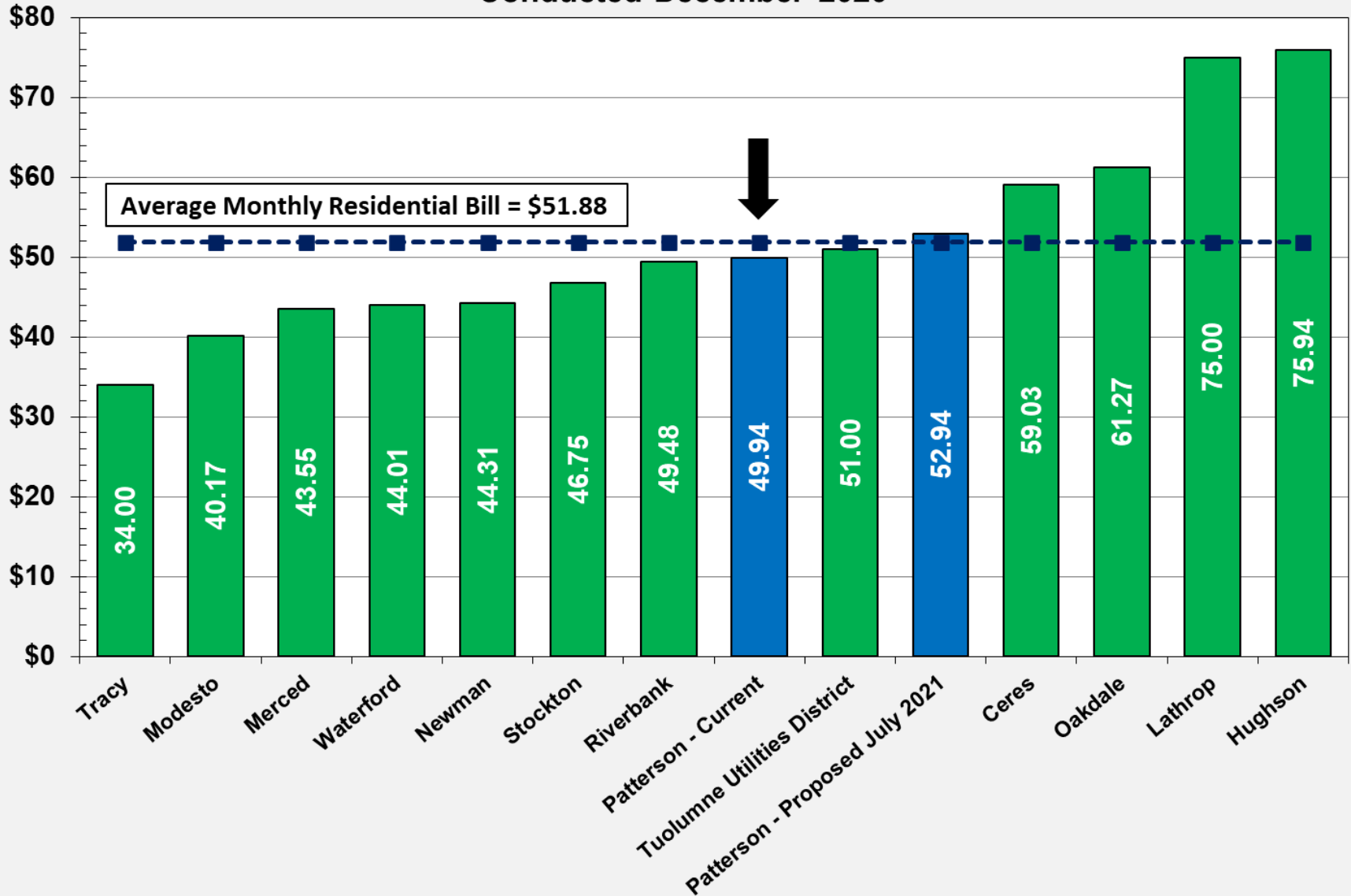
1 - Does not apply to industrial rate in FY 2021/22.

2 - Diablo Grande rate is 1.5 times the City's residential flat rate.

3 - Current industrial rate is not applied to any customers.



Single-Family Monthly Residential Sewer Rate Survey Conducted December 2020



Portable Waste Disposal Fee

- Cost of Service: Fees must be based on cost of service
- 2019 Comprehensive Fee Study: Determined new fee of \$75 based on cost allocation of public works expenses

Prop 218 Substantive Requirements

- Cost of Service: Fees cannot exceed the cost of service
- Intended Purpose: Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed
- Proportional Cost Recovery: The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer



Prop 218 Procedural Requirements

- Noticing Requirements: Must mail notice of proposed rate increases & info on public hearing to affected property owners
- Public Hearing: Hold public rate hearing at least 45 days after the notice is mailed
- Rate Increases Subject to Majority Protest: Rates cannot be adopted if more than 50% of ratepayers submit written protests

Schedule

Feb/March 2021

- 2-2-1 Meetings with Council

April 20th, 2021

- Council Meeting - Council Approves Resolution of intention, Initiating Proceedings & Set the Public Hearing

June 15th, 2021

- City Council Meeting – Council Considers Final Approval of Rate, Counting Protest & Adopt Resolution Implementing Five Year Rates Schedule

July 1, 2021

- Effective Date of New Sewer Rates



Questions and Comments?

