



# City of Calistoga City Council Workshop

## Water and Wastewater Funds Revised Rate Change Summary

August 13, 2013



SPILMAN & Associates  
Municipal Consulting Services

# Work Session Objectives

## Follow Up to January & February Workshop

- ▶ To review changes in data and projections from prior Workshops
- ▶ To review financial objectives and assumptions for development
- ▶ To review revised projections of additional rate increases to meet financial objectives
- ▶ To review impact of different rate options on selected users
- ▶ To provide staff direction to proceed with recommended changes to water rates

# Changes since prior Workshops

- ▶ Passage of Measure C
- ▶ Updated data from FY 13–14 Budget
- ▶ Updated Impact of Napa Wholesale Water Rate Changes
- ▶ Updated Development Projections
- ▶ Revised Capital Improvement Projects
- ▶ Revisited Options to user rate changes and impact on user rates and billings
- ▶ Sale of Carryover State Water allocation
- ▶ Review of Billing cycle for Single Family Residences

# Financial Objectives

- ▶ Eliminate operating deficits requiring advances from the General and Other funds
- ▶ Achieve and maintain operating cash reserves of 20%
- ▶ Fund Equipment and Replacement Reserve at an adequate level.
- ▶ Meet minimum Debt ratio (1.2 operating revenues over expenses)
- ▶ Provide for needed Capital Improvements to maintain systems with funding from new developments, financing and grants.

# Rate Studies Assumptions

- ▶ Current rate structures remain the same with certain exceptions.
- ▶ Single Family Residential conservation rate structure remains the same.
- ▶ Projections for a new four-year period from FY 13-14 to FY 16-17
- ▶ Water & Wastewater users and use for projections based on analysis from FY 08-09 to FY 12-13
- ▶ Development is projected on known developments
- ▶ Other growth is assumed minimal with little speculation on potential development.
- ▶ Water production from Kimball Reservoir maintained at 350 af
- ▶ City of Napa/NBA Wholesale water rate increases
- ▶ Annual changes in operating costs are estimated for:

Labor	Wholesale Water Rate
Services & supplies	Chemicals
Energy	Sludge Disposal
- ▶ Minimal emergency repairs or replacement of equipment
- ▶ Limited Capital improvement projects scheduled and funded

# Development Projections and Connection Fees

Development Projections By Project and Acre Feet of Use	FY 12-13 to FY 16-17	Water Connection Fee				
		FY 13	FY 14	FY 15	FY 16	FY 17
		\$ 34,425	\$ 35,114	\$ 35,114	\$ 35,114	\$ 35,114
Indian Springs Resort	258,304		258,304			
Enchanted Resorts	876,245		876,245			
Silver Rose	1,242,544			1,242,544		
Arden Winery	38,900		38,900			
Calistoga Apts	263,971		263,971			
Miscellaneous – residential/commercial	250,598	33,509	52,671	53,724	54,799	55,895
<b>Estimated Development Projections</b>	<b>2,930,562</b>	<b>33,509</b>	<b>1,490,091</b>	<b>1,296,268</b>	<b>54,799</b>	<b>55,895</b>
<b>Allocation of Connection Fees</b>						
To Debt Service – 65%	1,904,865					
To Projects – 35%	1,025,697					

# Development Projections and Connection Fees, continued

Development Projections By Project and Acre Feet of Use	FY 12-13 to FY 16-17	Wastewater Connection Fee				
		FY 12-13	FY 13-14	FY 14- 15	FY 15-16	FY 16-17
		\$ 99,901	\$ 100,508	\$ 100,508	\$ 100,508	\$ 100,508
Indian Springs Resort	-					
Enchanted Resorts	-					
Silver Rose	3,981,342	1,694,745		2,286,597		
Arden Winery	113,574		113,574			
Calistoga Apts	52,666		52,666			
Miscellaneous – residential/commercial	414,255	-	100,508	102,518	104,569	106,660
Estimated Development Projections	4,561,837	1,694,745	266,748	2,389,115	104,569	106,660
Allocation of Connection Fees						
To Debt Service – 80%	3,649,469					
To Projects – 20%	912,367					

# Role of Development in Setting Rates

- ▶ The City's adopted General Plan identifies new development at the appropriate level for the city.
- ▶ Development allows for replacement of worn out or inadequate facilities to be replaced at a lower cost to the rate payer
- ▶ New development will bring added operating revenues to the water and wastewater funds – Estimated by FY 16–17 at \$270,000 per year
- ▶ Improvements to both systems will add reliability and capacity to the systems to meet the community needs and regulatory standards
- ▶ Improvements to both systems over the last ten years were required for;
  - Replacement of failing infrastructure
  - Compliance with specific State orders to maintain reliability of the systems for water supply, fire protection and treatment capacity
  - Compliance with Federal and State environmental and health regulations



# Role of Development in Setting Rates, continued

- ▶ New development will directly pay for the improvements related to increased capacity and share the improvement costs for replacement and upgrading.
- ▶ Existing residences and businesses have a higher quality up-to-date water and wastewater systems that are more reliable, complies with health and environmental standards which new development has paid a fair share.
- ▶ Changes in the usage, due to new development, will shift allocation of costs between users and likely benefit existing residents
- ▶ New development is charged a one-time connection fee to repay portion of costs for past and future improvements and for a portion of the debt service related to improvements

# Water CIP Update & Funding

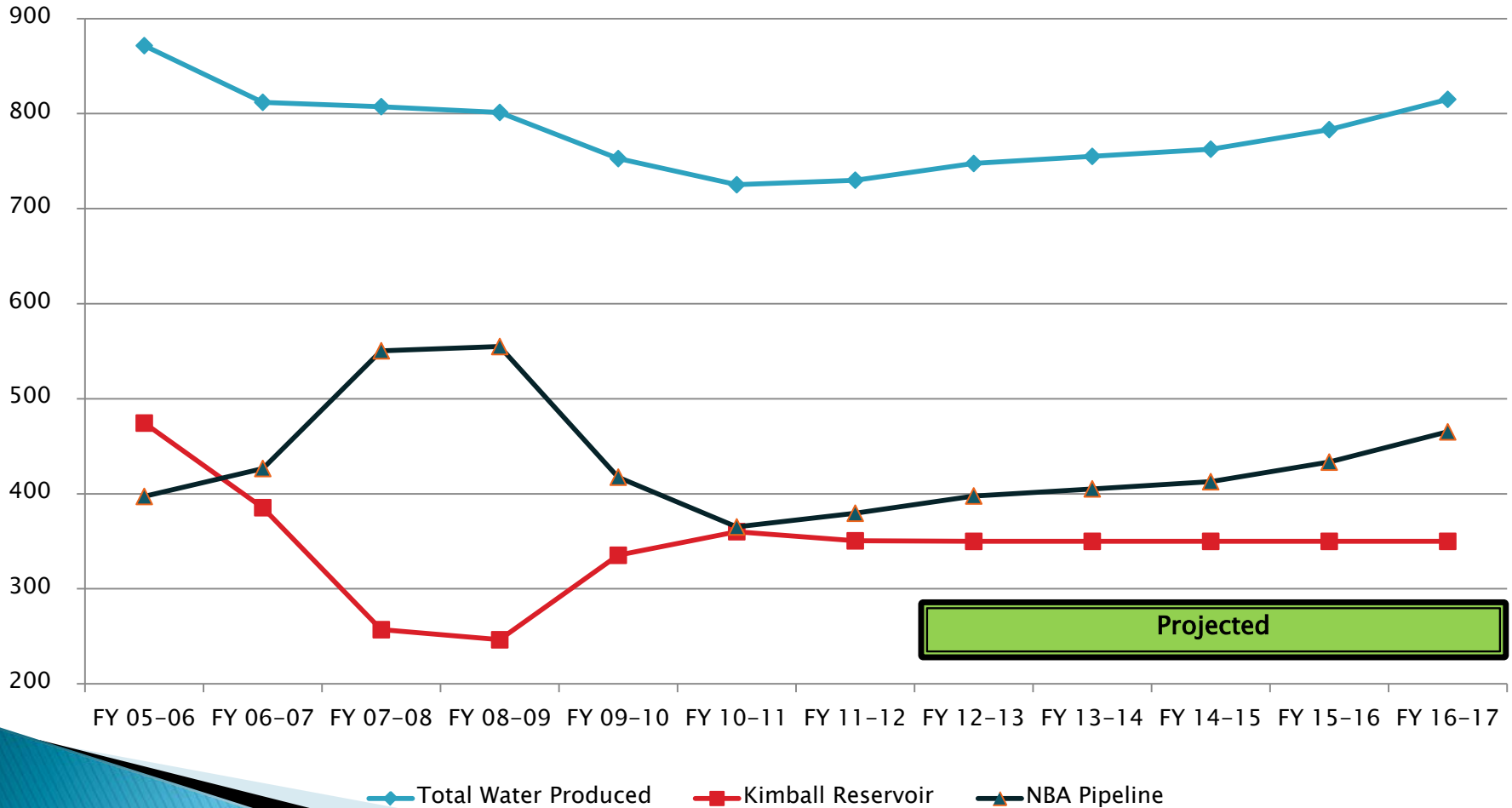
	Budget	Projected	Projected	Projected	Project
Capital Projects	FY 13-14	FY 14-15	FY 15-16	FY 16-17	Total
Pipeline-Myrtle Dale/Grant/Kimball Main	152,000	-	-	-	152,000
NBA Pump Station (Dwyer Road)	300,000	1,500,000	-	-	1,800,000
Polybutylene Service Replacement	-	-	125,000	75,000	200,000
Automatic Meter Read Program	-	-	150,000	50,000	200,000
NBA Cathodic Protection Survey	-	-	25,000	150,000	175,000
GIS Survey	25,000	-	-	-	25,000
Water Sampling Stations	20,000	-	-	-	20,000
Kimball Intake Tower and Improvements	150,000	500,000	-	-	650,000
Pump Protection - Kimball	-	-	-	25,000	25,000
Pope St Pump Station Telemetry Update	-	60,000	-	-	60,000
Water Valve Replacement	15,000	15,000	15,000	-	45,000
Harley street Rehabilitation	-	74,800	-	-	74,800
Riverlea Pathway Water Line Relocation	6,000	35,000	-	-	41,000
<b>Total Capital Improvements</b>	<b>668,000</b>	<b>2,184,800</b>	<b>315,000</b>	<b>300,000</b>	<b>3,467,800</b>
<b>Funding Sources</b>					
Connection Fees	366,000	184,800	315,000	300,000	1,165,800
New Debt Proceeds		1,500,000			1,500,000
Grants - Measure A	302,000	500,000			802,000
<b>Total Funding Sources</b>	<b>668,000</b>	<b>2,184,800</b>	<b>315,000</b>	<b>300,000</b>	<b>3,467,800</b>

# Wastewater CIP Update & Funding

	Budget	Projected	Projected	Projected	Project Totals
Capital Projects	FY 13-14	FY 14-15	FY 15-16	FY 16-17	
GIS System	25,000	-	-	-	25,000
Palisades Sewer Lift Station Coating Repair	100,000	-	-	-	100,000
Sewer Lateral Replacement	5,000	5,000	5,000	-	15,000
Harley Street Rehabilitation	-	63,250	-	-	63,250
Pine St Lift Station concrete Coating	100,000	-	-	-	100,000
Additional WWTP Alarms	30,000	-	-	-	30,000
Filter Area Spiral Stairway	40,000	-	-	-	40,000
Effluent Disposal Study	75,000	-	-	-	75,000
New Effluent Storage Pond	325,000	600,000	-	-	925,000
HS Reclaimed Water System Upgrade	50,000	-	-	-	50,000
<b>Total Capital Improvements</b>	<b>750,000</b>	<b>668,250</b>	<b>5,000</b>	<b>-</b>	<b>1,423,250</b>
<b>Funding Source – Connection Fees</b>	<b>750,000</b>	<b>668,250</b>	<b>5,000</b>	<b>-</b>	<b>1,423,250</b>

# Water Sources

## Kimball Reservoir and NBA Pipeline



# North Bay Aqueduct Wholesale Rates and Cost

	Revised	Budget	Projected	Projected	Estimated
	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
	Current				
City of Napa Rates per 1000 gallons	\$ 1.43	\$ 2.00	\$ 2.66	\$ 3.40	\$ 3.57
		40%	33%	28%	5%
Projected Wholesale Water use in acre feet (325,800 gallons)	387.5	405.2	412.7	433.3	465.2
City of Napa – Treat & Wheel	\$ 179,589	\$ 264,059	\$ 357,744	\$ 480,119	\$ 541,158
County of Napa NBA/Kern/State	274,531	275,863	276,890	278,507	280,719
County of Napa Fixed Capital	275,493	282,380	289,440	296,675	304,092
<b>Total</b>	<b>\$ 729,612</b>	<b>\$ 822,302</b>	<b>\$ 924,073</b>	<b>\$1,055,302</b>	<b>\$1,125,969</b>
		13%	12%	14%	7%
Added annual costs mainly due to City of Napa rate changes		\$ 75,960	\$ 166,890	\$ 280,556	\$ 327,869

# Sale of Carryover State Water Allocation

- ▶ State sponsored demonstration project administered by DWR to allow sale of carryover water from prior years State Water Project water allocations
- ▶ DWR established sales price of \$253 per acre foot of water
- ▶ Napa County jurisdictions had first right of refusal for any water offered from Napa County agencies
- ▶ Calistoga offered 1,100 acre feet for sale through DWR
- ▶ American Canyon purchased 16 acre feet from Calistoga
- ▶ Balance purchased by other State Water Contractors
- ▶ City expects to receive \$278,300 from water sale in FY 13-14

# Current Adopted Annual % Rate Increases effective January 1<sup>st</sup>

		Budget	Projected	Projected	Projected
		FY 13-14	FY 14-15	FY 15-16	FY 16-17
<b>Water</b>				Based on est. CPI % change	
	Service Charge by Meter Size	2.3%	2.2%	2.0%	2.0%
	Volume of Water used	1.5%	1.6%	2.0%	2.0%
<b>Wastewater</b>					
	Single Family Fixed	3.1%	1.5%	2.0%	2.0%
	Multi Family and Mobile Home	1.1%	0.5%	2.0%	2.0%
	Transient	4.3%	5.3%	2.0%	2.0%
	Restaurant & Bakeries	3.4%	1.8%	2.0%	2.0%
	All Other uses	-7.2%	-1.9%	2.0%	2.0%

# Projections from FY 13-14 to FY 16-17

## Revenues & Expenses over next Four Years with only adopted rate increases

	Water	Wastewater	Total
<b>Users, Grant &amp; Other Revenues</b>	10,524,782	9,859,249	20,384,031
<b>Less Operating Expenses &amp; Equipment</b>	(9,481,463)	(8,323,007)	(17,804,470)
<b>Less Existing Debt Service</b>	(2,618,585)	(2,783,834)	(5,402,419)
<b>Working Capital Available</b>	(70,643)	(24,582)	(95,225)
<b>Net Ending Operating Balance &amp; No Reserves</b>	(1,645,909)	(1,272,174)	(2,918,083)



# Projections from FY 13-14 to FY 16-17

## Additional Revenues needed over next Four Years to fund Operations, existing debt and reserves mainly from User rates – no use of connection fees

	Water	Wastewater	Total
For Operations	1,645,909	1,272,174	2,918,083
Reserves at 20% for Operations & Debt	504,000	418,000	922,000
<b>Total <u>Additional Revenues</u> Needed</b>	<b>2,149,909</b>	<b>1,690,174</b>	<b>3,840,083</b>
<b>Annual Additional % Rate increase to current Adopted Rates</b>			
From Rates Added Annual increases	10.0%	9.2%	
Or Annual General Fund Subsidy	537,477	422,544	960,021

# Projections from FY 13-14 to FY 16-17

## Add Use of Partial Water and Full Wastewater Connection Fees for Debt Payment and new added Water CIP Debt

	Water	Wastewater	Total
Additional Revenues Needed	2,149,909	1,690,174	3,840,083
Less Funding from Connection Fees	(659,291)	(2,227,067)	(2,886,358)
Added Cost of New Debt Service	203,000	-	203,000
Net Development & CIP Activity	1,693,618	(536,893)	1,156,725
<b>Annual Additional Rate increase to current Adopted Rates</b>			
From Rates Added Annual increases	8.5%	n/a	
Or Annual General Fund Subsidy	423,405	n/a	423,405

# Projections from FY 13-14 to FY 16-17

## Add Use of Full Water and Wastewater Connection Fees for Debt Payment and new added Water CIP Debt

	Water	Wastewater	Total
Additional Revenues Needed	2,149,909	1,690,174	3,840,083
Less Funding from Connection Fees	(1,183,927)	(2,227,067)	(3,410,994)
Added Cost of New Debt Service	203,000	-	203,000
Net Development & CIP Activity	1,168,982	(536,893)	632,089
<b>Annual Additional Rate increase to current Adopted Rates</b>			
From Rates Added Annual increases	6.0%	n/a	
Or Annual General Fund Subsidy	292,246	n/a	292,246

# Revised Water Rate Annual % Rate Changes

	Budget	Projected	Projected	Projected
	FY 13-14	FY 14-15	FY 15-16	FY 16-17
<b>Water</b>			Based on CPI % change	
<b>Service Charge Revised % annual change in Rates</b>				
Operations, <u>no</u> connection fees or new debt	12.4%	12.4%	12.2%	12.2%
Operations, <u>partial</u> connection fees & new debt	10.9%	10.9%	10.7%	10.7%
Operations, <u>full</u> connection fees & new debt	8.4%	8.3%	8.1%	8.1%
<b>Volume of Water used Revised % annual change Rates</b>				
Operations, <u>no</u> connection fees or new debt	11.6%	11.6%	12.2%	12.2%
Operations, <u>partial</u> connection fees & new debt	10.1%	10.1%	10.7%	10.6%
Operations, <u>full</u> connection fees & new debt	7.6%	7.6%	8.1%	8.1%

# Revised Wastewater Rate Annual % Rate Changes

	Budget	Projected	Projected	Projected
	FY 13-14	FY 14-15	FY 15-16	FY 16-17
<b>Wastewater</b>			Based on CPI % change	
<b>Revised % annual change in rates</b>				
<b>Operations, <u>no</u> connection fees</b>				
Single Family Fixed	12.3%	10.7%	11.2%	11.2%
Multi Family and Mobile Home	10.3%	9.7%	11.2%	11.2%
Transient	13.5%	14.5%	11.2%	11.2%
Restaurant & Bakeries	12.6%	11.0%	11.2%	11.2%
All Other uses	2.0%	7.3%	11.2%	11.2%
<b>Operations, <u>partial</u> connection fees</b>	no change from adopted rates			
<b>Operations, <u>full</u> connection fees</b>	no change from adopted rates			

# Summary of Revised Projections

- ▶ Additional User Rate annual increase to adopted rates over next four years without development and connection fees

Water – 10%

Wastewater – 9.2%

- ▶ Additional User Rate annual increase to adopted rates over next four years with development and connection fees

Water – 6% to 8.5%

Wastewater – 0%

# Single Family Two Month Water & Wastewater Bills

Average Single Family Home	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Current Adopted Rates	\$ 317.10	\$ 322.04	\$ 328.46	\$ 334.96
	2.2%	1.6%	2.0%	2.0%
Revised Rates for Operations & <u>No Connection Fees</u>	\$ 347.82	\$ 387.47	\$ 433.49	\$ 484.92
Added Two Month Cost	\$ 37.62	\$ 39.65	\$ 46.02	\$ 51.43
Combined % Increase from Prior Year	12.1%	11.4%	11.9%	11.9%
Revised Rates for Operations, <u>Partial Connection Fees</u> , new debt	\$ 333.54	\$ 356.88	\$ 384.06	\$ 413.85
Added Two Month Cost	\$ 23.34	\$ 23.34	\$ 27.18	\$ 29.79
Combined % Increase from Prior Year	7.5%	7.0%	7.6%	7.8%
Revised Rates for Operations, <u>Full Connection Fees</u> , new debt	\$ 328.71	\$ 346.34	\$ 366.76	\$ 388.63
Added Two Month Cost	\$ 18.51	\$ 17.63	\$ 20.42	\$ 21.86
Combined % Increase from Prior Year	6.0%	5.4%	5.9%	6.0%

# Multi-Family Two Month Water & Wastewater Bills

Average Multi-Family Home	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Current Adopted Rates	223.59	226.24	230.76	235.34
	1.5%	1.2%	2.0%	2.0%
<u>Revised Rates for Operations &amp; No Connection Fees</u>	245.10	271.90	304.04	339.94
Added Two Month Cost	24.84	26.80	32.13	35.90
Combined % Increase from Prior Year	11.3%	10.9%	11.8%	11.8%
<u>Revised Rates for Operations, Partial Connection Fees, new debt</u>	233.66	247.64	264.89	283.78
Added Two Month Cost	13.39	13.97	17.26	18.89
Combined % Increase from Prior Year	6.1%	6.0%	7.0%	7.1%
<u>Revised Rates for Operations, Full Connection Fees, new debt</u>	230.70	241.16	254.27	268.29
Added Two Month Cost	10.43	10.46	13.11	14.02
Combined % Increase from Prior Year	4.7%	4.5%	5.4%	5.5%



# Mobile Home Monthly Water & Wastewater Bills

Average Mobile Home	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Current Adopted Rates	68.84	69.59	70.98	72.39
	1.4%	1.1%	2.0%	2.0%
<u>Revised Rates for Operations &amp; No Connection Fees</u>	75.45	83.61	93.48	104.49
Added Monthly Cost	7.57	8.16	9.87	11.02
Combined % Increase from Prior Year	11.2%	10.8%	11.8%	11.8%
<u>Revised Rates for Operations, Partial Connection Fees, new debt</u>	71.80	75.89	81.03	86.64
Added Monthly Cost	3.93	4.08	5.14	5.62
Combined % Increase from Prior Year	5.8%	5.7%	6.8%	6.9%
<u>Revised Rates for Operations, Full Connection Fees, new debt</u>	70.93	73.98	77.90	82.09
Added Monthly Cost	3.05	3.05	3.92	4.18
Combined % Increase from Prior Year	4.5%	4.3%	5.3%	5.4%

# Transient Lodging Monthly Water & Wastewater Bills

Average Transient Lodging – 10 Units	FY 13–14	FY 14–15	FY 15–16	FY 16–17
Current Adopted Rates	1,057.83	1,101.17	1,123.19	1,145.51
	3.4%	4.1%	2.0%	2.0%
<u>Revised Rates for Operations &amp; No Connection Fees</u>	1,157.91	1,319.24	1,472.85	1,644.19
Added Monthly Cost	134.62	161.33	153.62	171.33
Combined % Increase from Prior Year	13.2%	13.9%	11.6%	11.6%
<u>Revised Rates for Operations, Partial Connection Fees, new debt</u>	1,087.08	1,163.09	1,221.99	1,285.69
Added Monthly Cost	63.80	76.00	58.90	63.70
Combined % Increase from Prior Year	6.2%	7.0%	5.1%	5.2%
<u>Revised Rates for Operations, Full Connection Fees, new debt</u>	1,078.48	1,144.35	1,191.25	1,240.87
Added Monthly Cost	55.20	65.87	46.89	49.62
Combined % Increase from Prior Year	5.4%	6.1%	4.1%	4.2%

# Summary of Impacts Associated with Conversion of Residential Utility Billing from Bi-Monthly to Monthly

	<b>Current Bi-Monthly Billing</b>	<b>Monthly Billing Using Average Meter Readings</b>	<b>Monthly Billing Using Monthly Meter Readings</b>
<b>Estimated Annual Costs</b>	<b>\$99,838</b>	<b>\$126,730</b>	<b>\$199,676</b>
<b>Estimated Annual Finance Dept. Hours</b>	<b>835</b>	<b>1,371</b>	<b>1,670</b>
<b>Estimated Annual Public Works Hours</b>	<b>1,410</b>	<b>1,428</b>	<b>2,820</b>
<b>Annual Postage and Billing Contractor</b>	<b>\$3,900</b>	<b>\$7,800</b>	<b>\$7,800</b>

# Pros and Cons of Converting Residential Utility Billing to Monthly

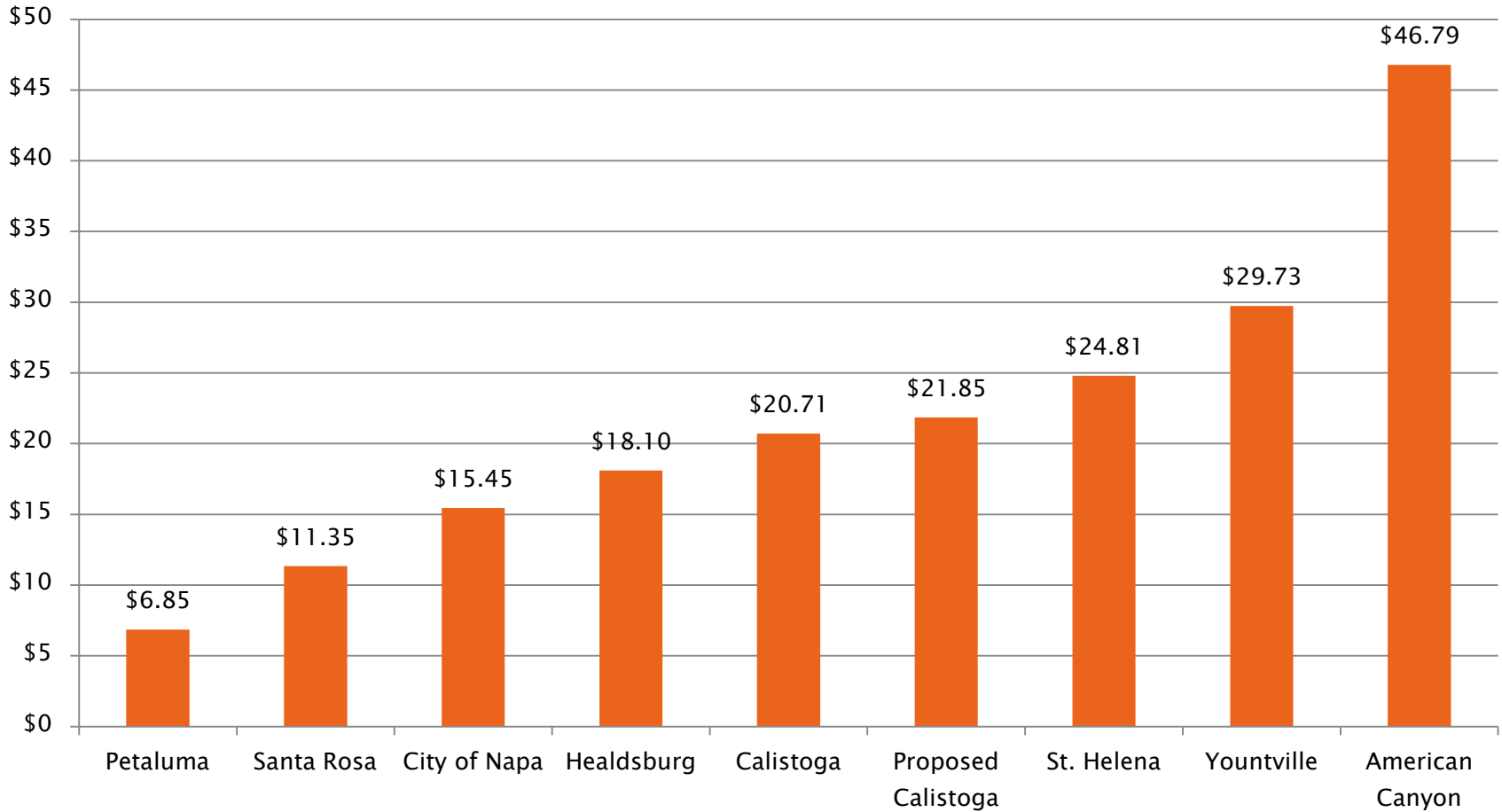
## Pros

- ▶ Customer receives bill monthly which may allow for easier household monthly budgeting
- ▶ Stabilizes cash flow for City – \$215K/month vs. \$430K every two months
- ▶ Potentially less turn-offs due to smaller monthly bill vs. larger bill every two months

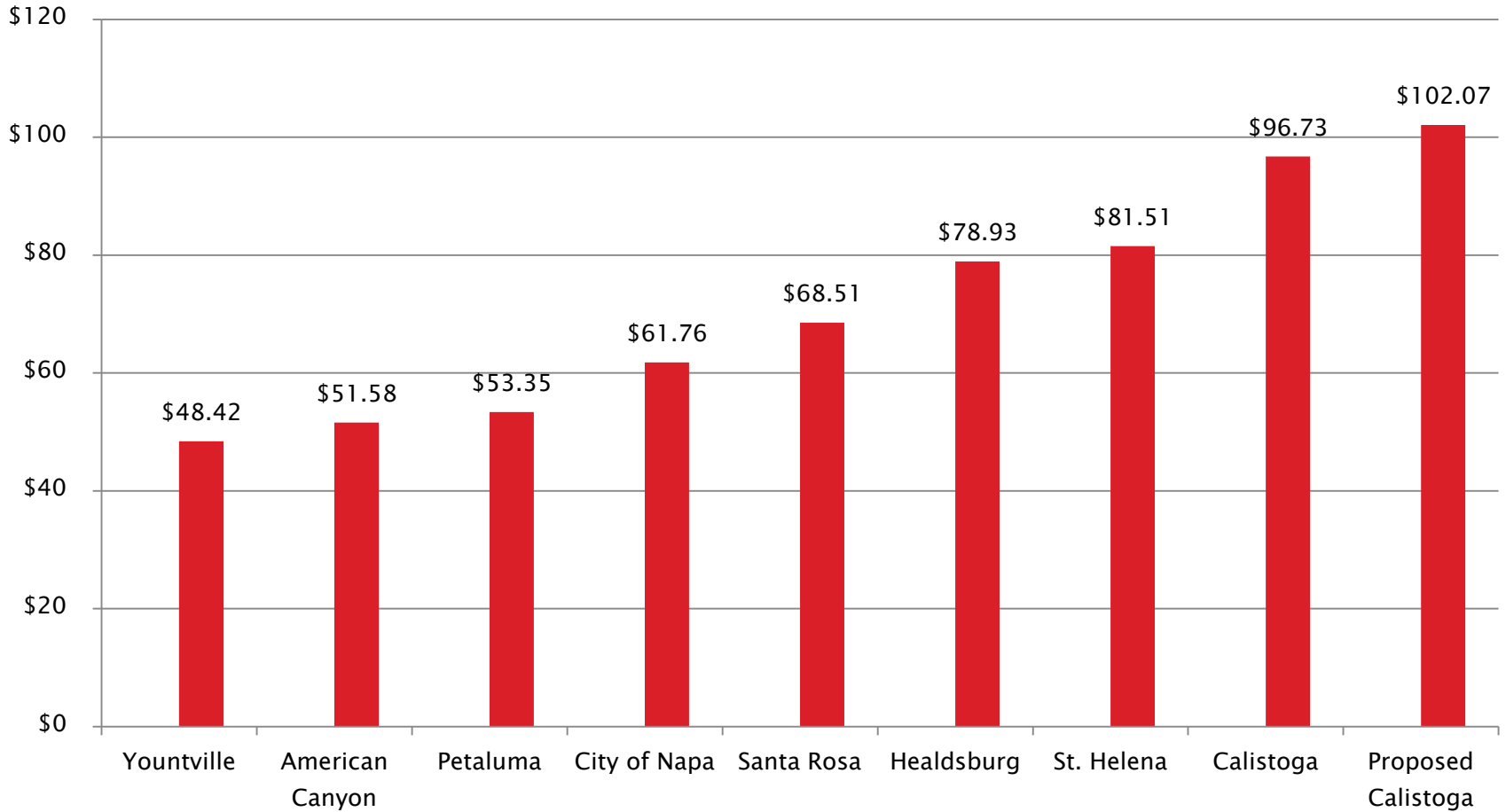
## Cons

- ▶ Increased cost to utilities that would need to be factored into rate increase
- ▶ Increased level of effort by staff and lost productivity
- ▶ Front counter and phone interaction with customers would be monthly instead of every other month
- ▶ Shutoff notices and reactivation fees and penalties would occur monthly instead of every other month

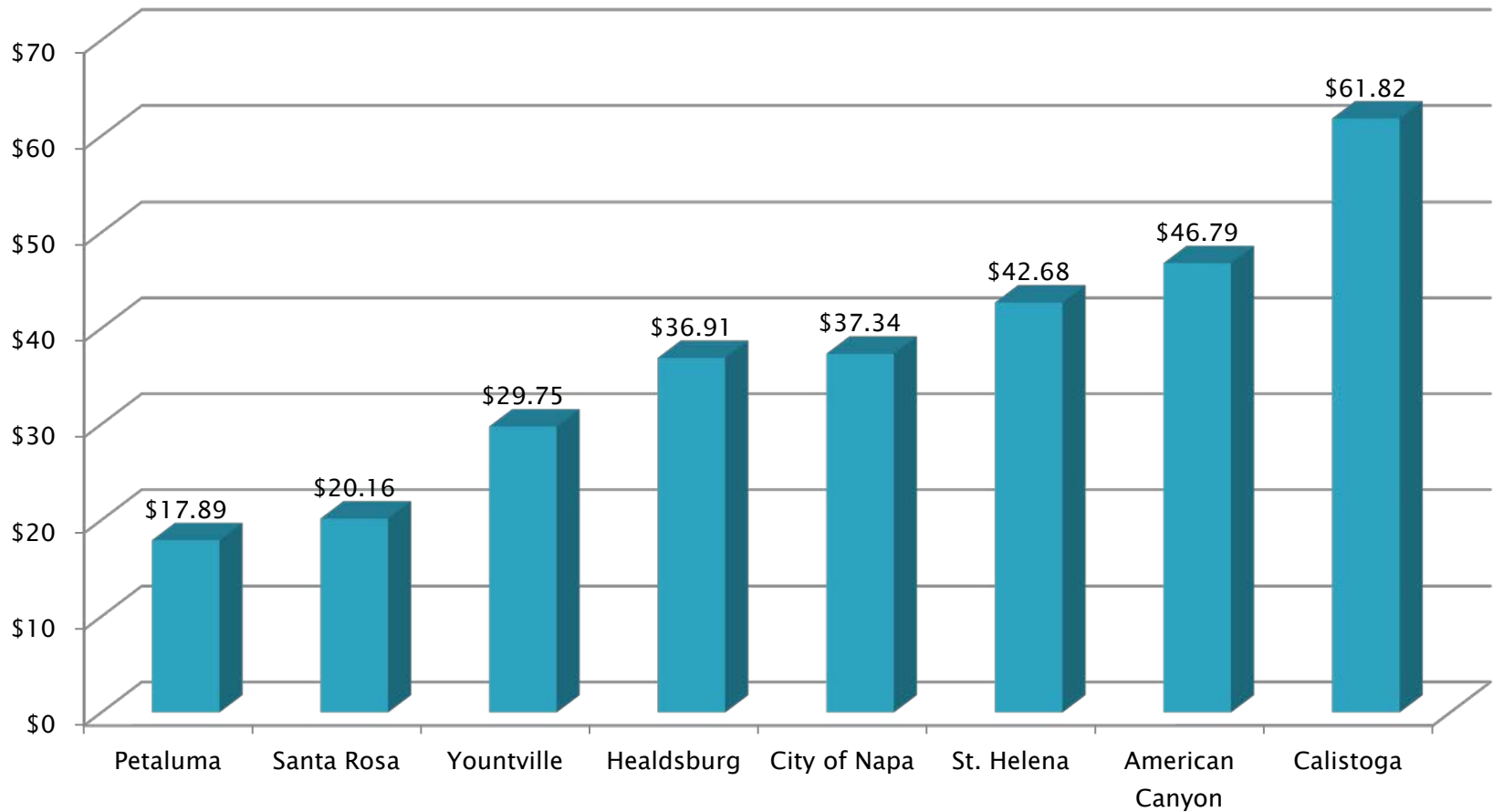
# Comparison of Single Family Residence Water bills to other Agencies (Flat Monthly Rate)



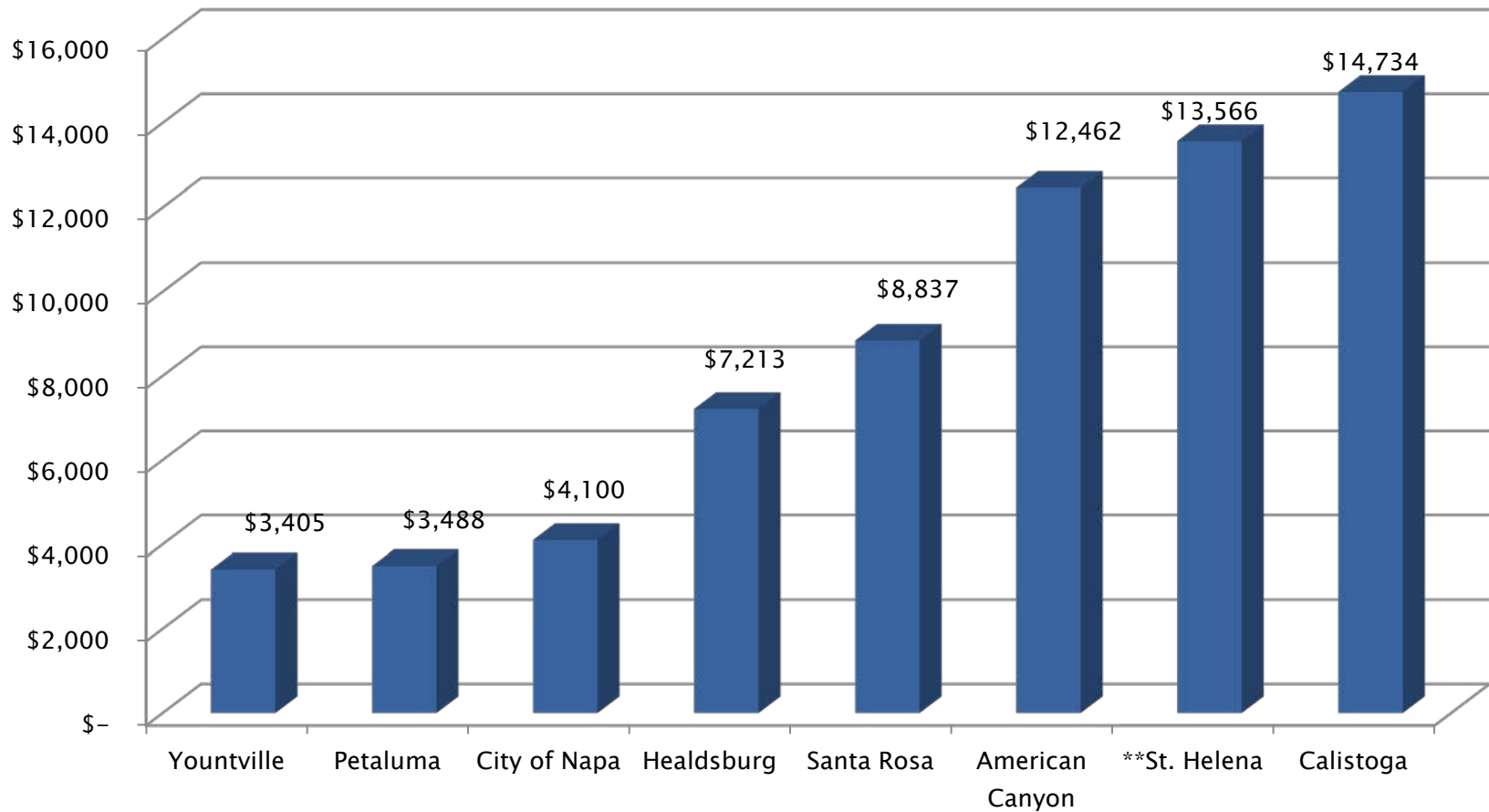
# Comparison of Single Family Residence Water bills to other Agencies (Based on Usage)



# Comparison of Single Family Residence Wastewater bills to other Agencies (Flat Monthly Rate)

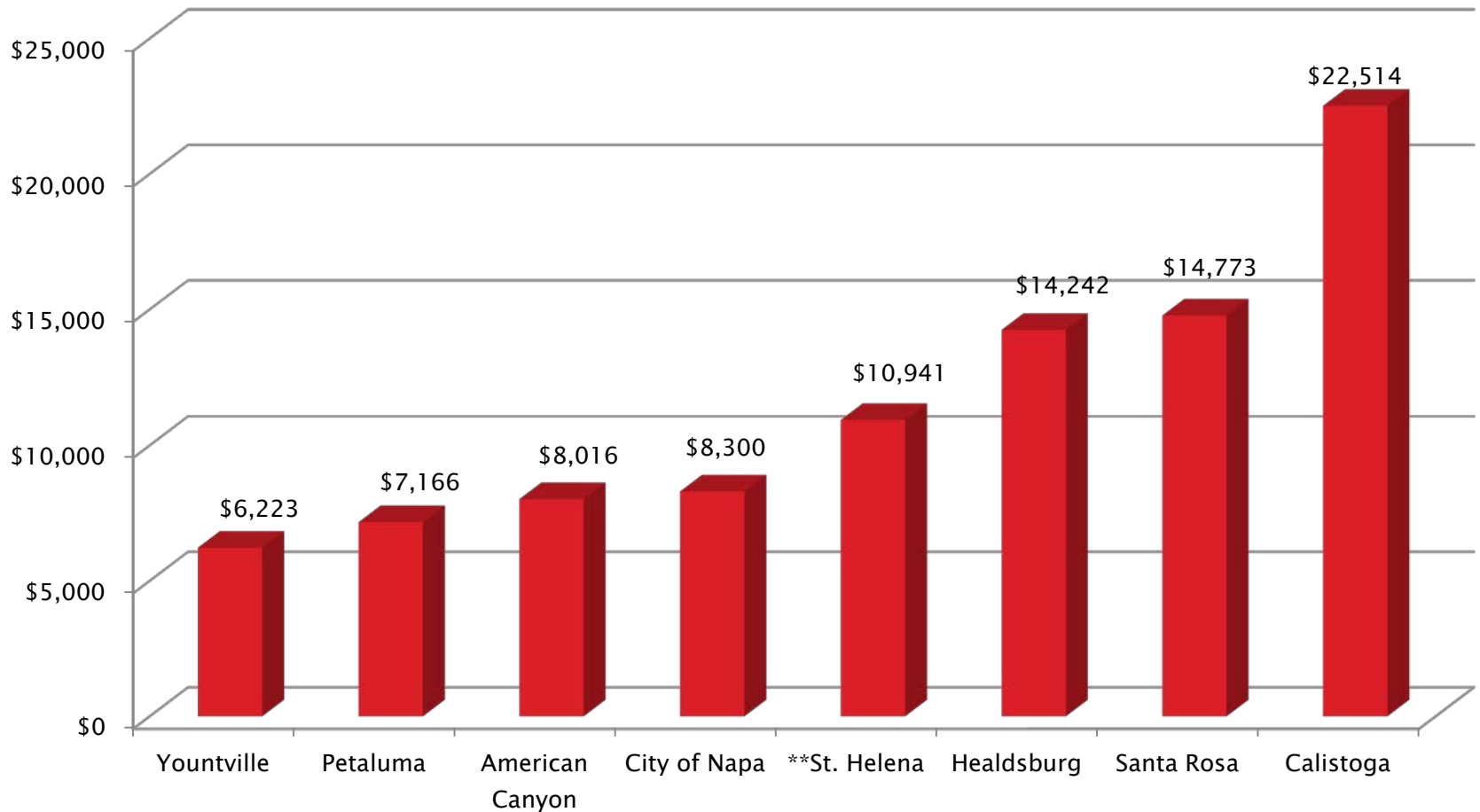


# Comparison of Single Family Residential Water connection fees to other Agencies





# Comparison of Single Family Residential Wastewater connection fees to other Agencies



# Recommendations

- ▶ Use full allocation of Connection fees to fund annual portion of water and wastewater debt service for Capital Improvements
- ▶ Revised Water rates from FY 13–14 to FY 16–17 to cover increase of operations, wholesale water cost and build adequate reserves
- ▶ Maintain current allocation of costs and other factors to the different users, with minor adjustments and corrections
- ▶ Continue process to amend and implement adjusted Water rates as of January 2014
- ▶ Direct Staff to return on August 20<sup>th</sup> for action to implement next steps

# Next Steps

- ▶ Develop draft Rate Study Reports based on City Council Direction
- ▶ September 3<sup>th</sup> – Hold Public Hearing to review Draft Reports
- ▶ Provide 45 Day Public Notice to ratepayers and property owners
- ▶ November 5<sup>th</sup> – Hold Formal Public Hearing on Rate changes
- ▶ November 19<sup>th</sup> – Adopt Final Reports and Introduce Ordinance for rate changes
- ▶ December 3<sup>rd</sup> – Adopt Ordinances
- ▶ January 2<sup>nd</sup> – Ordinance for Rate changes effective for all utility bills from last billing date