

City of San Luis

Water/Wastewater/Sanitation

Cost of Service Study

Council Presentation

Facts About Water and Wastewater Rates in the 21st Century



- ◆ Average utility has been increasing rates 5-6% per year; trend expected to continue
- ◆ AWWA expects water and ww rates to triple in the next 15 years
- ◆ Rate adjustments are primarily due to reasons beyond a utility's control – inflation, system replacement, etc.
- ◆ 30-40% of utilities currently charge rates that do not cover their costs

How Have City's Water and WW Rates Benefitted Ratepayers?



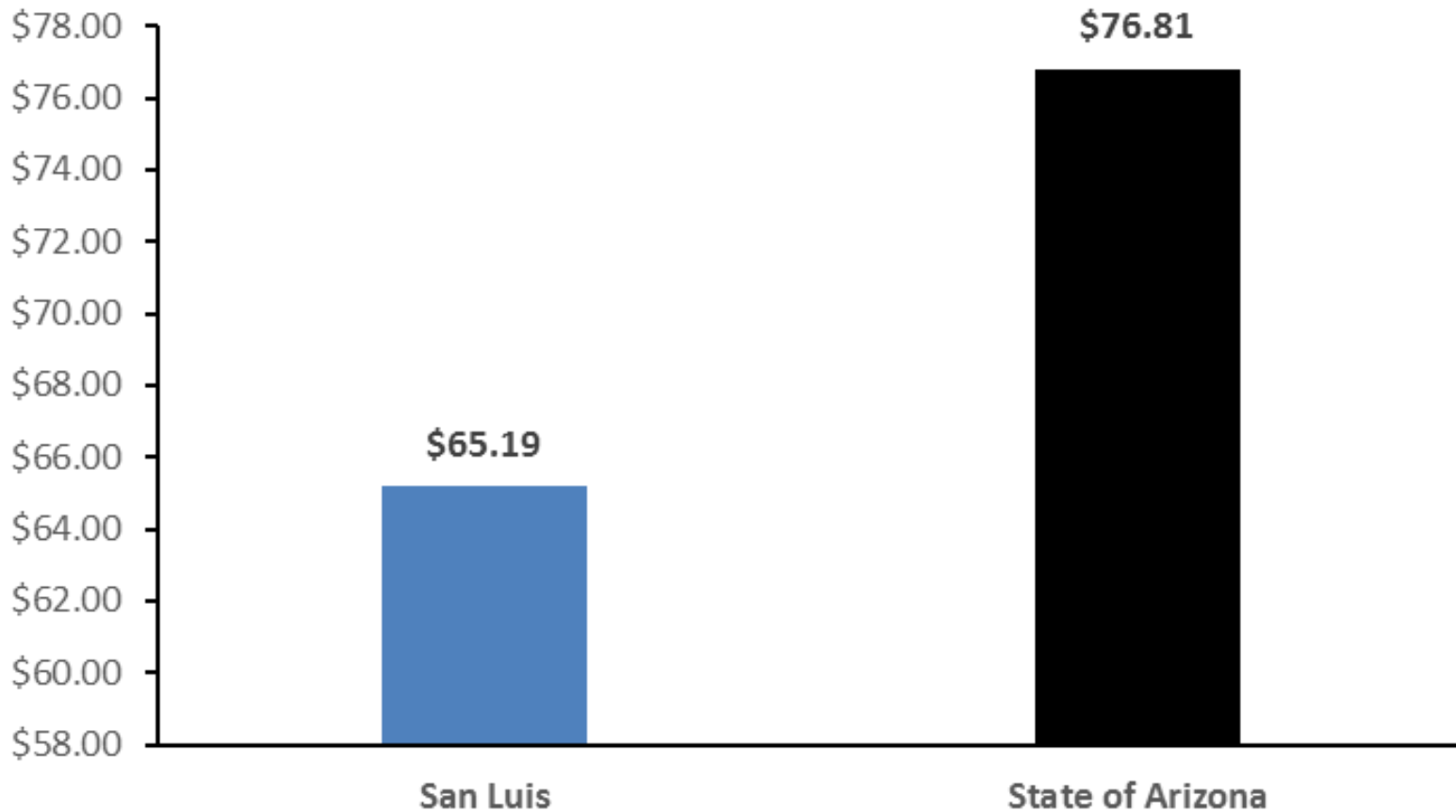
- ◆ City has been charging rates that are among the lowest in the state
- ◆ City Staff and Council have contained costs in order to keep rates low
- ◆ City is now addressing a need to expand its WWTP and issuing \$12 million in debt to fund the expansion and other needed repairs
- ◆ However, because Council has been proactive with rate setting, the need for rate increases in most years will be moderate and below the national average

Current Wastewater Rates Effective July 2017



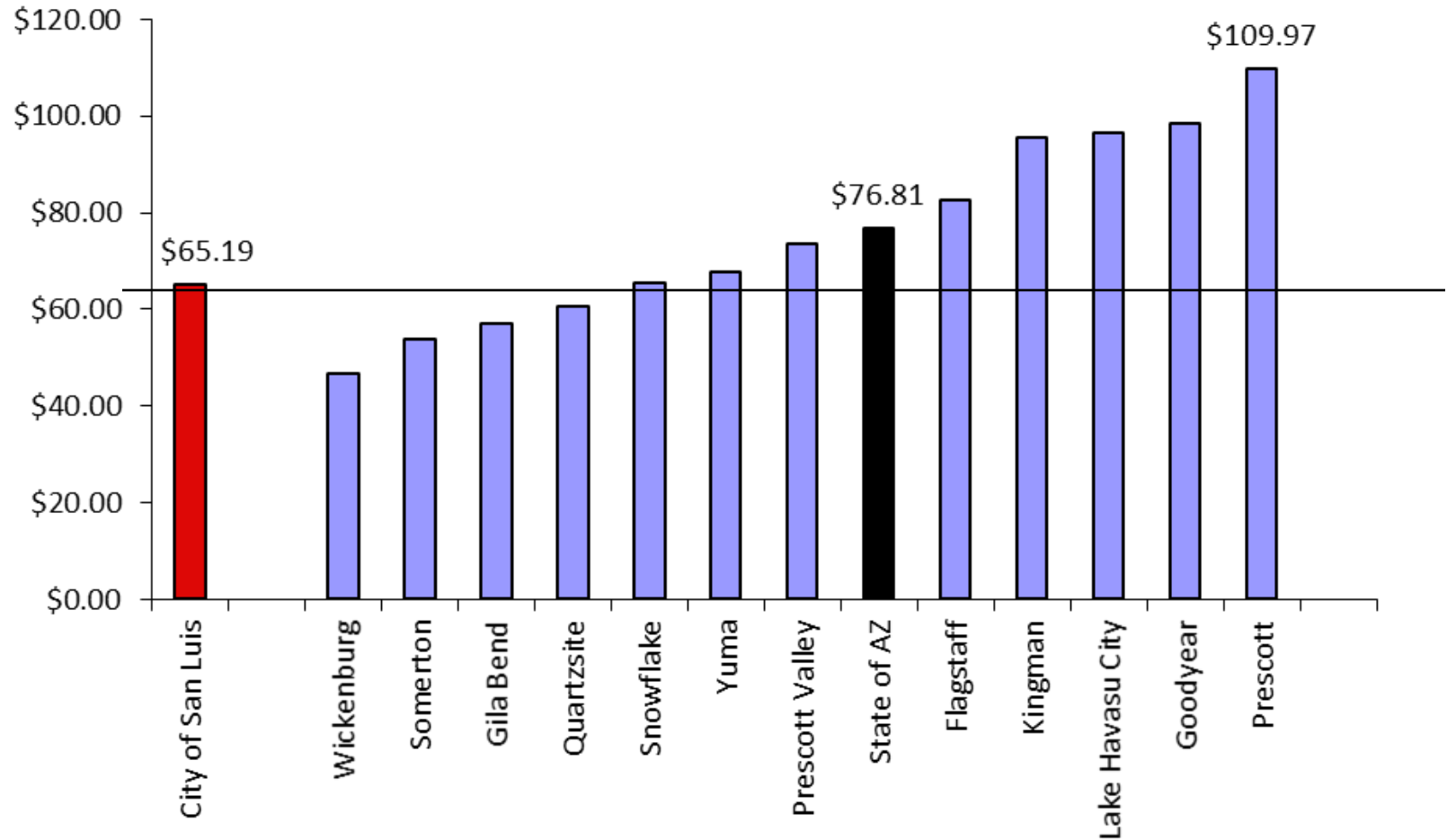
| | Base Charge | Volume Chg/ 1,000 Gal |
|-------------------------|-------------|--------------------------|
| Residential | \$ 40.00 | \$ - |
| Residential - Senior | 20.24 | - |
| Residential Gadsden | 55.27 | - |
| Comm/Gov/Schools | 24.50 | 2.47 |
| Gadsden-School | 205.81 | - |
| Gadsden-Non Residential | 76.35 | - |

Comparison of Monthly Charges 7,500 Gallons Water/WW



City's 2017 rates are 15% below 2015 state average!

Monthly Cost of Water/WW Service 7,500 Gallons



FY 2017 Customer Accounts

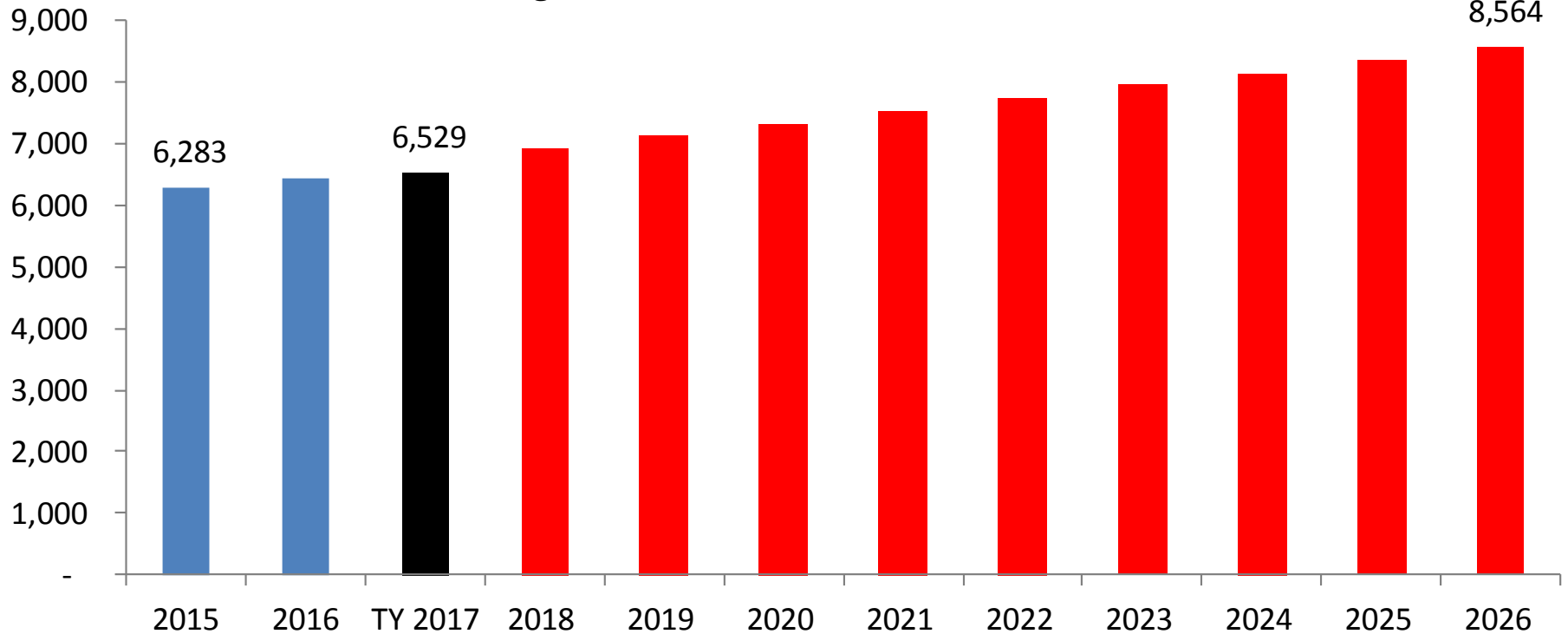


| WATER Total Accounts | | WASTEWATER Total Accounts | |
|----------------------|--------------|---------------------------|--------------|
| Residential | 6,150 | Residential | 5,899 |
| Comm/Gov | 238 | Residential-Senior | 13 |
| Schools | 26 | Residential Gadsden | 158 |
| City | 115 | Comm/Gov/Schools | 218 |
| | | Gadsden-School | 1 |
| | | Gadsden-Non Residential | 3 |
| | | City | 19 |
| Total | 6,529 | Total | 6,311 |

Historical and Forecast Water Accounts



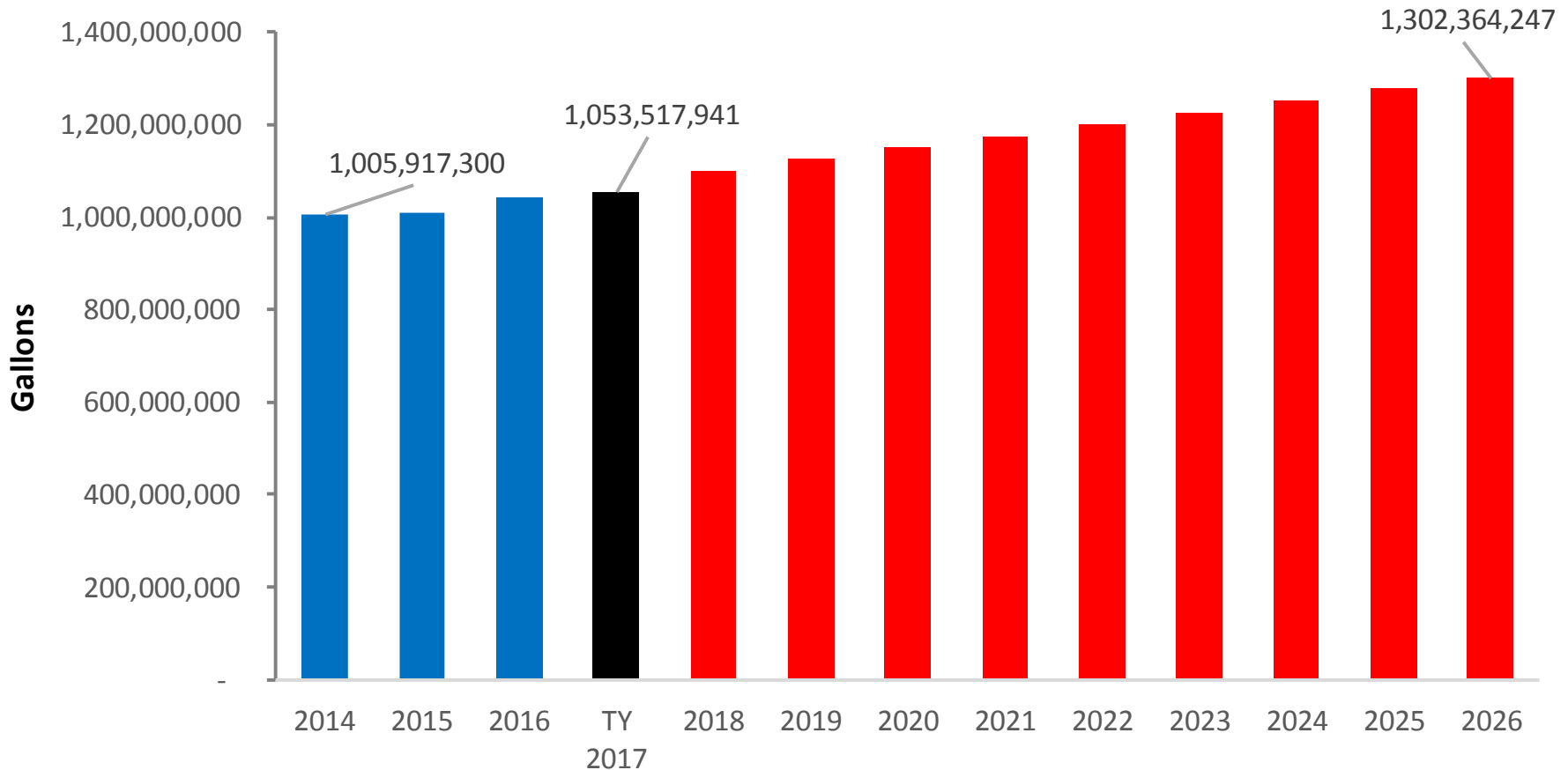
Avg. Annual Growth Rate = 3.1%



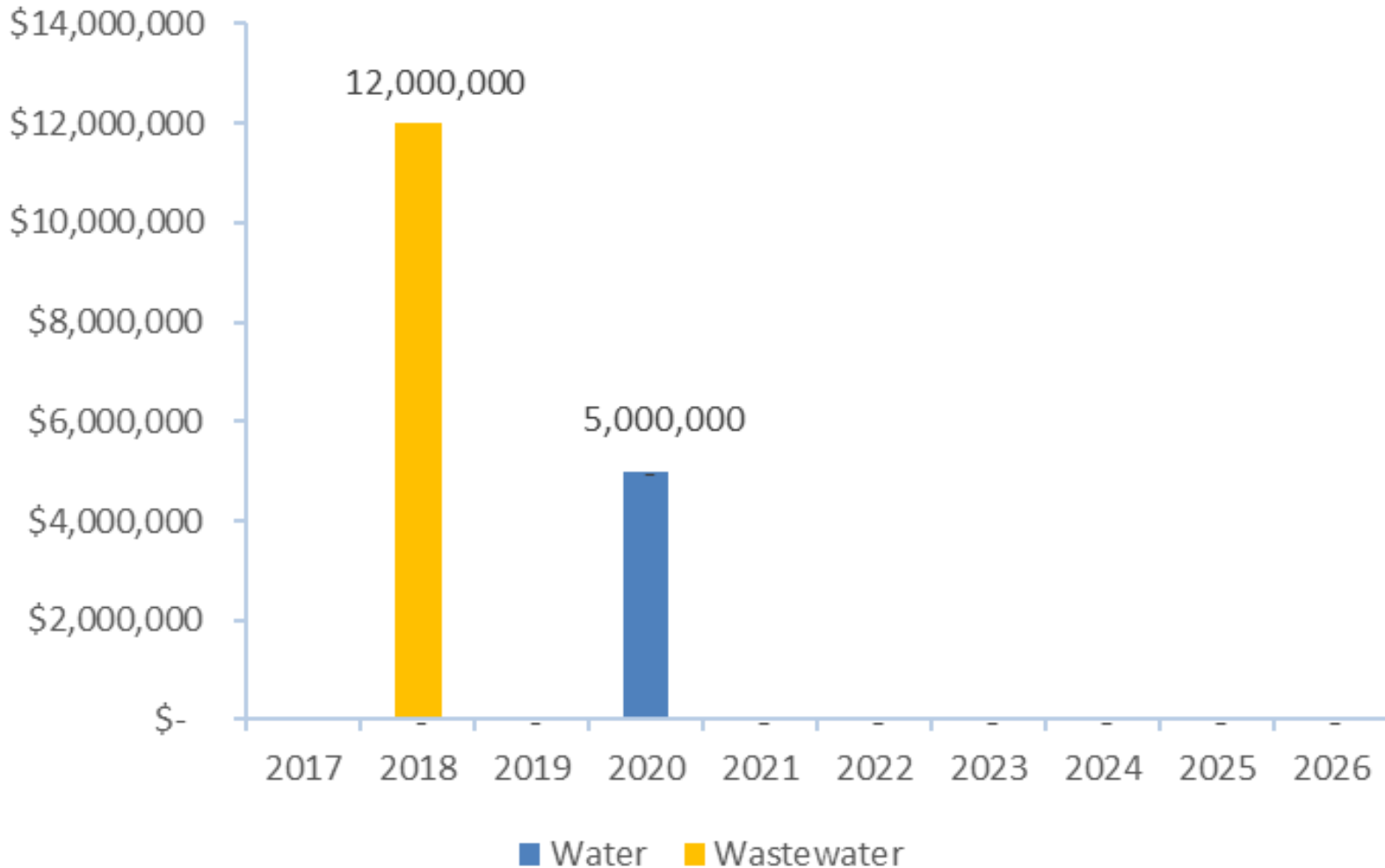
Historic and Forecasted Water Consumption



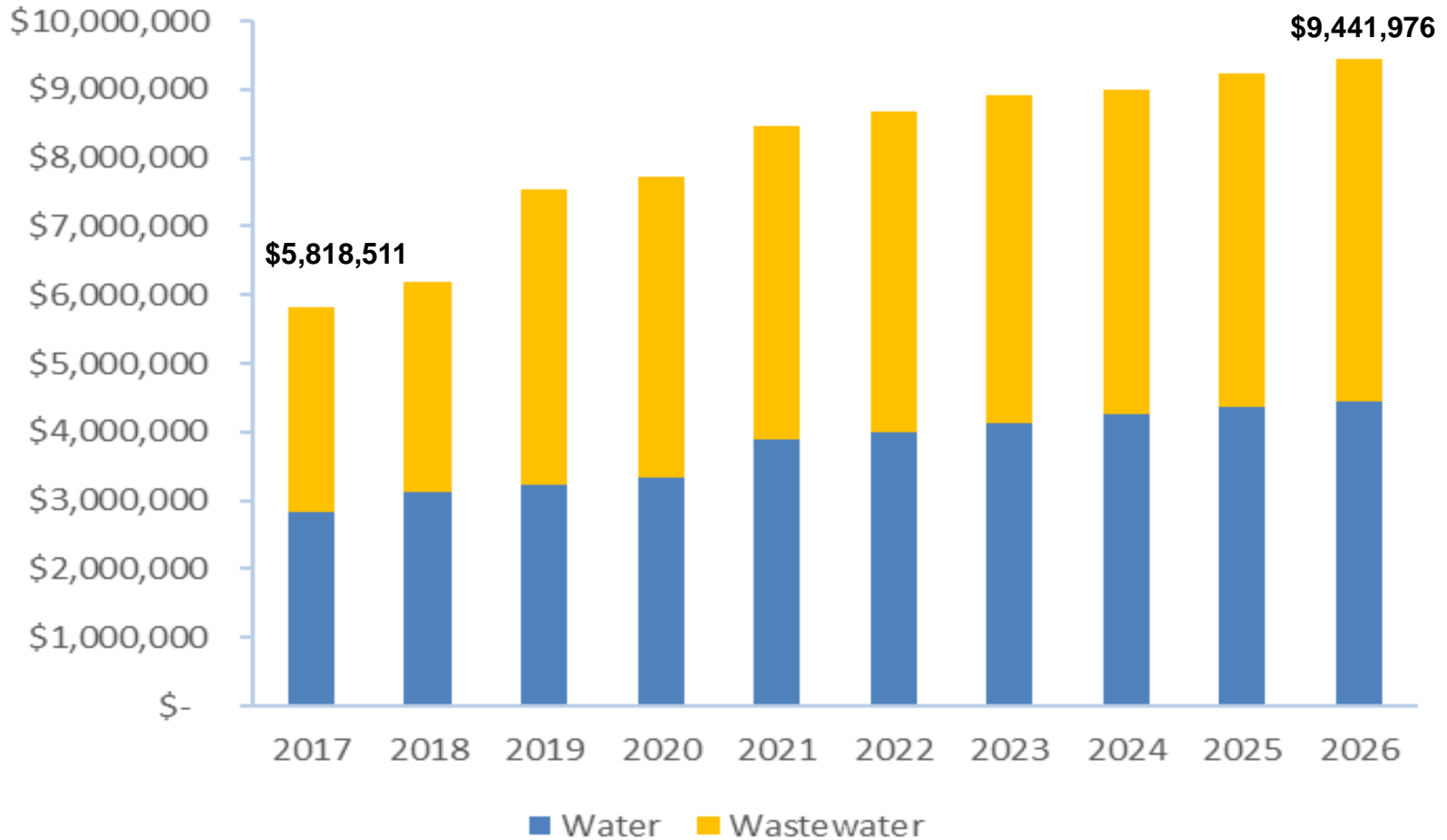
Avg. Annual Growth Rate = 2.4%



Forecast Water/WW Bond Issues



Forecast Water/WW Revenue Requirement



Water Rate Plan



PROPOSED WATER AND WASTEWATER RATE PLAN

WATER Rates

Residential

| | Current | Effective Jul-18 | Effective Jul-19 | Effective Jul-20 | Effective Jul-21 | Effective Jul-22 |
|-------------------------------|----------|------------------|------------------|------------------|------------------|------------------|
| Base Charge - First 2,000 Gal | \$ 13.80 | \$ 14.49 | \$ 14.93 | \$ 15.37 | \$ 15.68 | \$ 15.68 |
| Usage Charge 2,001 Above | 2.11 | 2.22 | 2.28 | 2.35 | 2.40 | 2.40 |

Comm/Gov/City/Schools/City

| | Current | Effective Jul-18 | Effective Jul-19 | Effective Jul-20 | Effective Jul-21 | Effective Jul-22 |
|-------------------------------|----------|------------------|------------------|------------------|------------------|------------------|
| Base Charge 5/8' | 35.10 | 36.86 | 37.96 | 39.10 | 39.88 | 39.88 |
| First 2,000 Gal 1" | 58.62 | 61.55 | 63.39 | 65.30 | 66.60 | 66.60 |
| 1 1/2" | 116.89 | 122.73 | 126.42 | 130.21 | 132.81 | 132.81 |
| 2" | 187.10 | 196.45 | 202.34 | 208.41 | 212.58 | 212.58 |
| 3" | 409.64 | 430.12 | 443.02 | 456.31 | 465.44 | 465.44 |
| 4" | 1,404.07 | 1,474.28 | 1,518.50 | 1,564.06 | 1,595.34 | 1,595.34 |
| 6" | 2,925.16 | 3,071.42 | 3,163.56 | 3,258.46 | 3,323.63 | 3,323.63 |
| 8" | 4,212.23 | 4,422.84 | 4,555.52 | 4,692.19 | 4,786.03 | 4,786.03 |
| Usage Charge -- Comm/Gov/City | 2.66 | 2.80 | 2.88 | 2.97 | 3.03 | 3.03 |
| Usage Charge -- Schools | 2.95 | 3.10 | 3.19 | 3.28 | 3.35 | 3.35 |

Wastewater Rate Plan



PROPOSED WATER AND WASTEWATER RATE PLAN

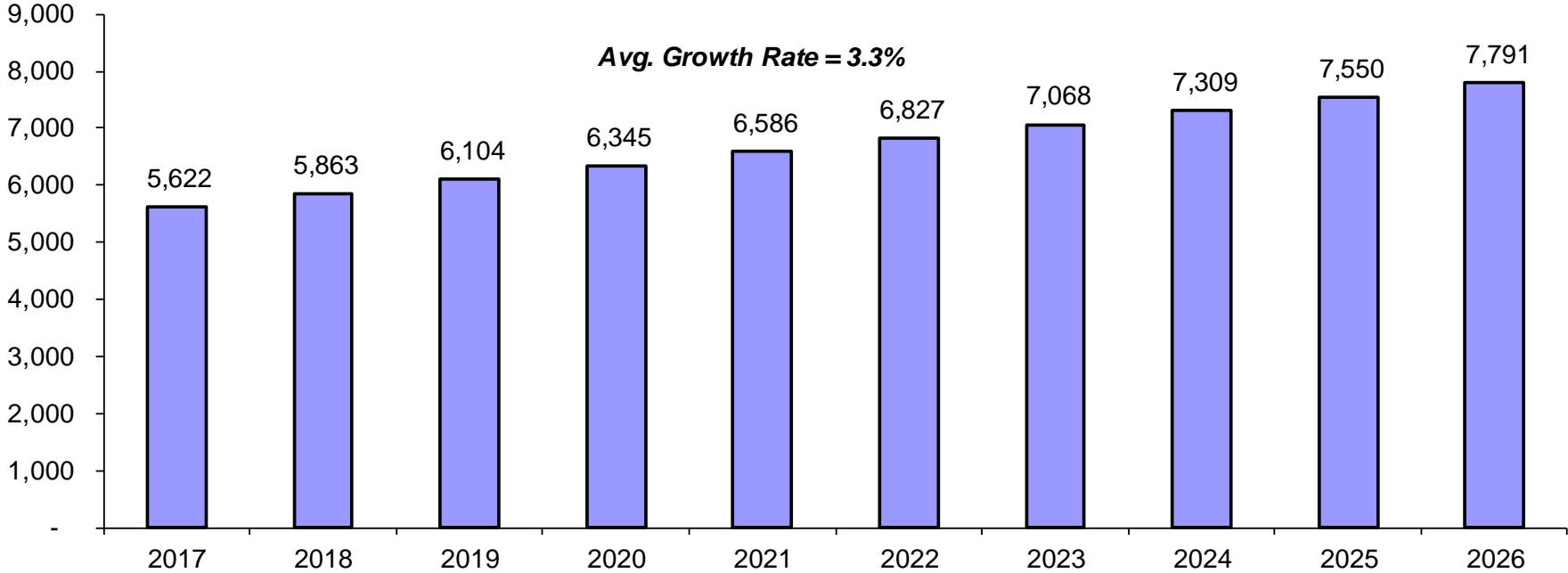
| | Current | Effective Jul-18 | Effective Jul-19 | Effective Jul-20 | Effective Jul-21 | Effective Jul-22 |
|--------------------------------|----------|---------------------|---------------------|---------------------|---------------------|---------------------|
| WASTEWATER Rates | | | | | | |
| Residential | | | | | | |
| Base Charge | \$ 40.00 | \$ 43.59 | \$ 47.52 | \$ 48.94 | \$ 49.92 | \$ 49.92 |
| Residential Senior | | | | | | |
| Base Charge | 20.24 | 22.06 | 24.04 | 24.76 | 25.26 | 25.26 |
| Residential Gadsden | | | | | | |
| Base Charge | 55.27 | 60.24 | 65.66 | 67.63 | 68.98 | 68.98 |
| Comm/Gov/Schools | | | | | | |
| Base Charge | 24.50 | 26.71 | 29.11 | 29.98 | 30.58 | 30.58 |
| Usage Charge Per 1,000 Gal | 2.47 | 2.69 | 2.93 | 3.02 | 3.08 | 3.08 |
| Gadsden-School | | | | | | |
| Base Charge | 205.81 | 224.34 | 244.53 | 251.86 | 256.90 | 256.90 |
| Gadsden-Non Residential | | | | | | |
| Base Charge | 76.35 | 83.22 | 90.71 | 93.43 | 95.30 | 95.30 |

Proposed Rate Plan Impact on Monthly Charges

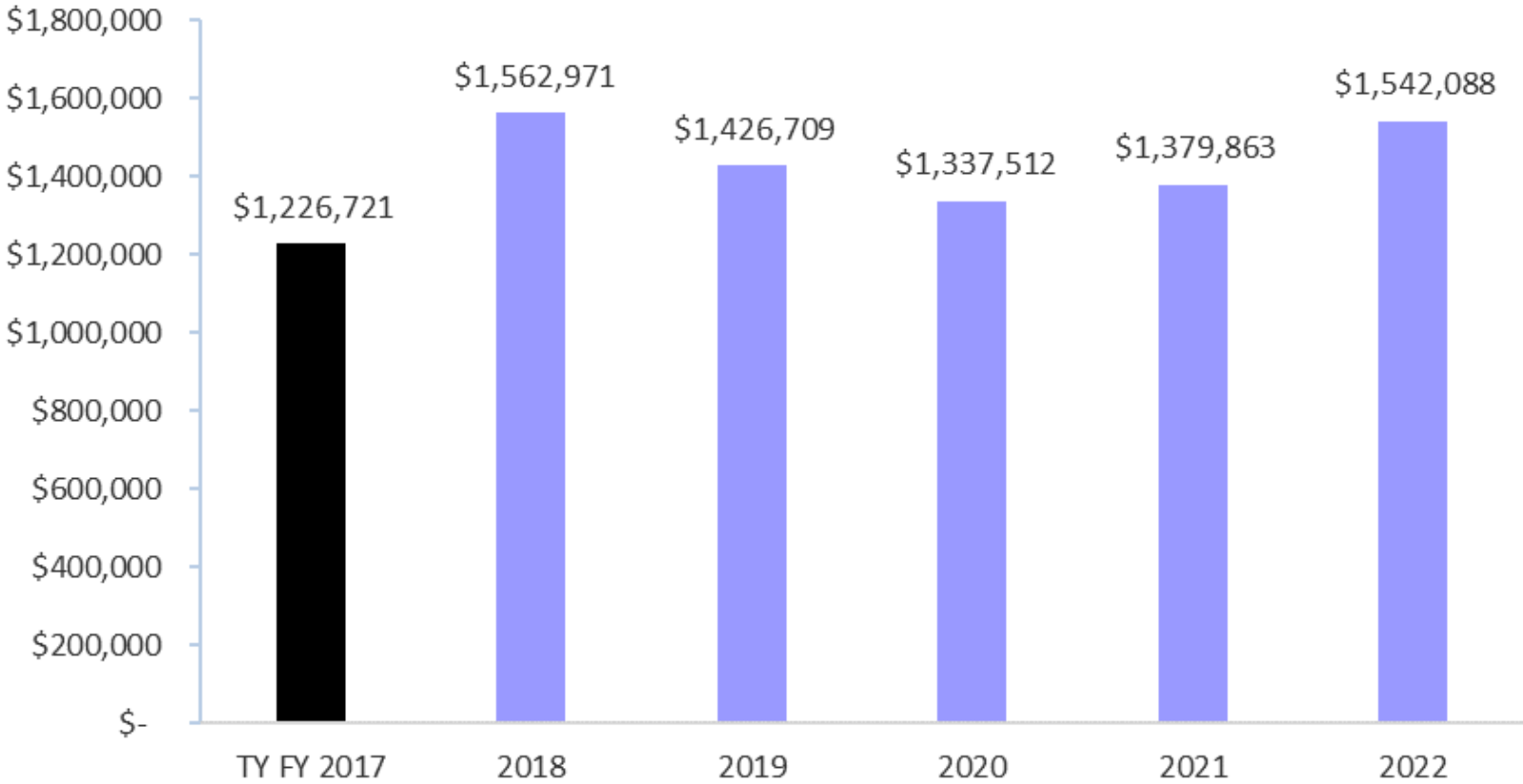


| | Current | Effective Jul-18 | Effective Jul-19 | Effective Jul-20 | Effective Jul-21 | Effective Jul-22 |
|---------------------------|----------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Residential 5,000 Gal | \$ 60.14 | \$ 64.74 4.60 | \$ 69.29 4.56 | \$ 71.37 2.08 | \$ 72.80 1.43 | \$ 72.80 - |
| Residential 10,000 Gal | 70.70 | 75.82 5.12 | 80.71 4.89 | 83.14 2.42 | 84.80 1.66 | 84.80 - |
| Comm/Gov/Sc 50,000 Gal | 334.25 | 356.87 22.62 | 377.24 20.37 | 388.56 11.32 | 396.33 7.77 | 396.33 - |

Forecast Sanitation Dept. Accounts



Forecast Sanitation Dept. Revenue Requirement



Sanitation Dept. Recommended Rates



| | SANITATION RATE PLAN | | | | | |
|-------------------------|----------------------|------------------|------------------|------------------|------------------|------------------|
| | Current | Effective Jul-18 | Jul-19 | Jul-20 | Jul-21 | Jul-22 |
| Residential Increase | \$ 18.34 | \$ 20.17 1.83 | \$ 20.58 0.40 | \$ 20.99 0.41 | \$ 21.41 0.42 | \$ 21.84 0.43 |
| Senior Increase | 8.05 | 8.86 0.81 | 9.03 0.18 | 9.21 0.18 | 9.40 0.18 | 9.58 0.19 |
| City 3 CY Increase | 139.22 | 153.14 13.92 | 156.20 3.06 | 159.33 3.12 | 162.52 3.19 | 165.77 3.25 |
| City 4 CY Increase | 200.97 | 221.07 20.10 | 225.49 4.42 | 230.00 4.51 | 234.60 4.60 | 239.29 4.69 |
| City 6 CY Increase | 277.88 | 305.67 27.79 | 311.78 6.11 | 318.02 6.24 | 324.38 6.36 | 330.86 6.49 |
| City 8 CY Increase | 371.26 | 408.39 37.13 | 416.55 8.17 | 424.88 8.33 | 433.38 8.50 | 442.05 8.67 |
| 300 Gallon Increase | 76.71 | 84.38 7.67 | 86.07 1.69 | 87.79 1.72 | 89.55 1.76 | 91.34 1.79 |
| Special Pickup Increase | 25.00 | 27.50 2.50 | 28.05 0.55 | 28.61 0.56 | 29.18 0.57 | 29.77 0.58 |

Presentation Summary

Benefits of Proposed Rate Plan



- ◆ Will ensure that utility has sufficient funds to pay operating expenses
- ◆ Will enable investment of \$17 million in future of City and utility system
- ◆ Will enable City to continue to provide an acceptable quality of service
- ◆ City's rates will continue to be below state average and among lowest in state