

City of San Luis

2022 Water/Wastewater/Sanitation Rate Study

Public Hearing

March 2023



A blue-tinted photograph of a water treatment plant. The image shows various pieces of industrial machinery, including large pipes, valves, and what appears to be a large motor or pump unit. The background is slightly blurred, focusing attention on the equipment in the foreground. The overall scene is industrial and technical.

WATER & WASTEWATER BACKGROUND ON RATES

21st Century Water & Wastewater Rate Facts



- Average utility has been increasing rates **5-6% per year**, a trend that is expected to continue and may accelerate
- American Water Works Association (AWWA) forecasts that water and wastewater rates across the U.S. will **triple** in the next 15 years
- Rate adjustments are primarily due to reasons beyond a utility's direct control – inflation, necessary Capital Improvement Plans, wholesale costs, and other indirect expenses
- 30-40% of utilities charge rates that **do not cover their costs**



City of San Luis

Water and Wastewater Rate Background



- City has not adjusted rates since 2017
- Currently, rates are recovering less than cost of providing service
- High inflation is driving up utility operating and capital costs
- City plans to fund \$46.9 million in water and wastewater capital improvements over next ten years
- Combination of above factors results in need to implement a new long-term rate plan



Current Water and Wastewater Rates



Residential

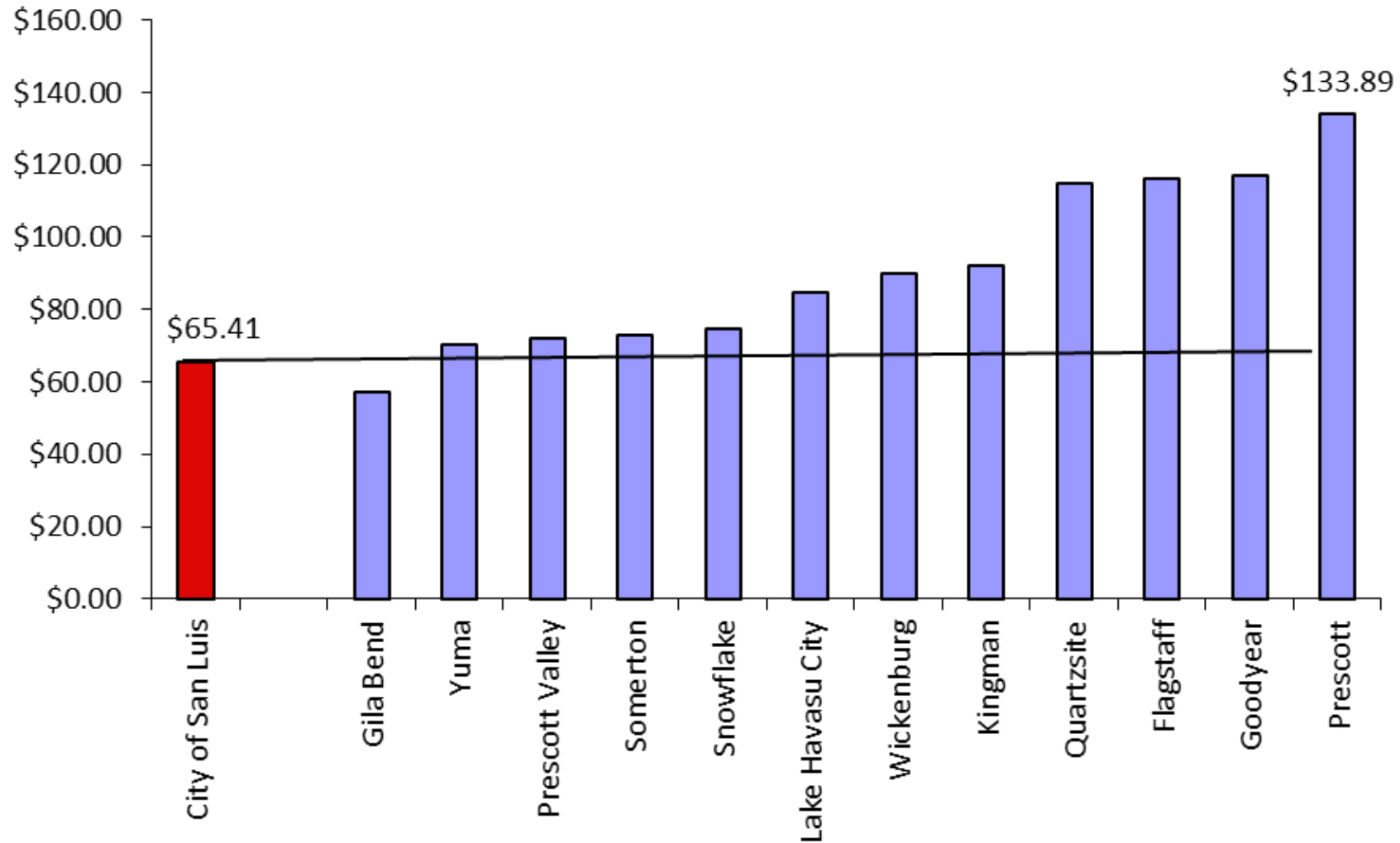
Base Charge	\$	13.80
First 2,000 Gal		
Volume Charge Per 1,000 Gal		2.11
2,001 - Above		

Non-Residential

Base Charge		
First 2,000 Gal		
5/8"	\$	35.10
1"		58.62
1 1/2"		116.89
2"		187.09
3"		409.64
4"		1,404.07
6"		2,925.15
8"		4,212.22
Volume Charge Per 1,000 Gal		
Schools		2.95
Commercial/City		2.66

	Base Charge	Volume Chg/ 1,000 Gal
Residential	\$ 40.00	\$ -
Residential - Senior	20.23	-
Residential Gadsden	55.27	-
Comm/Gov/Schools	24.50	2.47
Gadsden - School	205.81	-
Gadsden - Non Residential	76.35	-

Current Monthly Residential Charges | 7,500 Gal Water and Wastewater



A blue-tinted photograph of a water treatment plant. The image shows various pieces of industrial machinery, including large pipes, valves, and pumps, arranged in a room with windows in the background. The overall scene is industrial and technical.

WATER & WASTEWATER CUSTOMERS & VOLUMES

Water and Wastewater Accounts | Test Year 2023



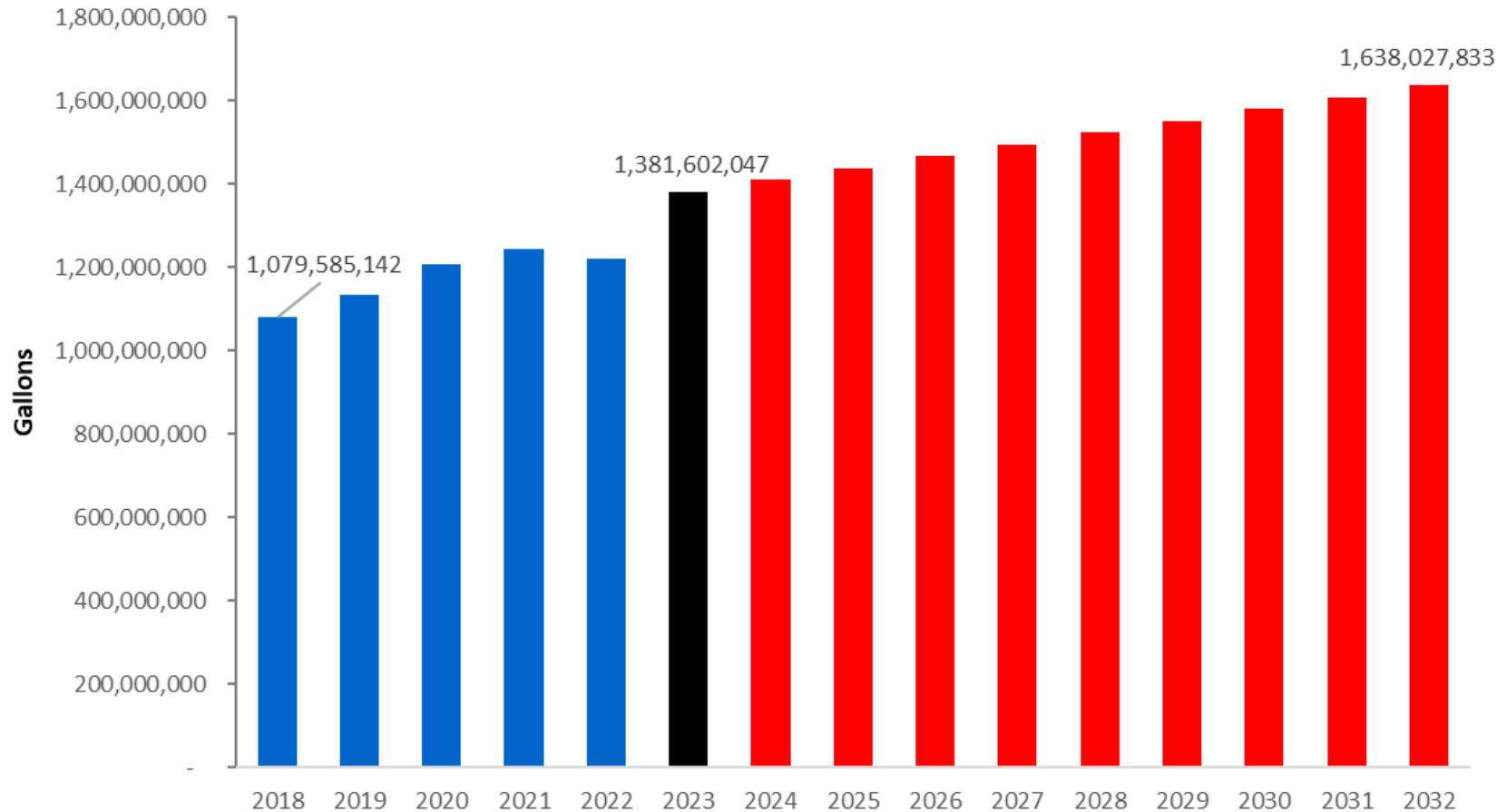
Account growth over period 2023-2032 forecast to be on average 200 new accounts per year.

WATER Total Accounts		WASTEWATER Total Accounts	
Residential	7,690	Residential	5,726
Comm/Gov	256	Residential-Senior	1,789
Schools	27	Residential Gadsden	170
City	130	Comm/Gov/Schools	252
		Gadsden-School	1
		Gadsen-Non Residential	12
		City	22
Total	8,103	Total	7,972

Historical and Forecast Water Consumption (gallons)



Residential Average Monthly Usage/Account = 9,638 Gallons



Billed consumption average annual growth rate of 1.9%.

Water usage varies considerably with weather patterns, the model is based on the overall trend. Annual results may vary significantly.

A blue-tinted photograph of a water treatment plant. The image shows various pieces of industrial machinery, including large pipes, valves, and cylindrical tanks, arranged in a room with windows in the background. The overall scene is industrial and technical.

WATER & WASTEWATER CURRENT AND FORECAST COST OF SERVICE

City of San Luis

Water and Wastewater Rate Background



- Operating expenses expected to rise at higher rate in next 2-3 years due to increased inflation
- Personnel costs to increase to reach industry norms and allow more appropriate compensation to employees
- \$21 million WWTP expansion will add to operating costs in 2025
- Growth in accounts will produce revenues that will offset some expense increases
- Biggest impact on rate plan: how to fund the expected **\$46.9 million** in water and wastewater capital improvements



CIP Rate and Debt Financing

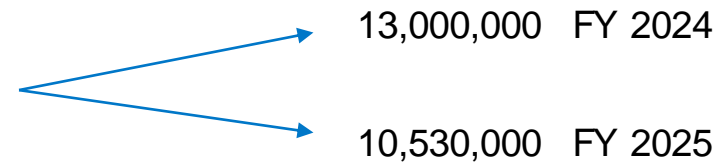


		<u>CIP Funding</u>
Development Fees	\$	3,300,000
Reserves and Rates		<u>12,500,000</u>
Sub- Total		15,800,000

ARPA 7,600,000

Bonds **23,530,000**

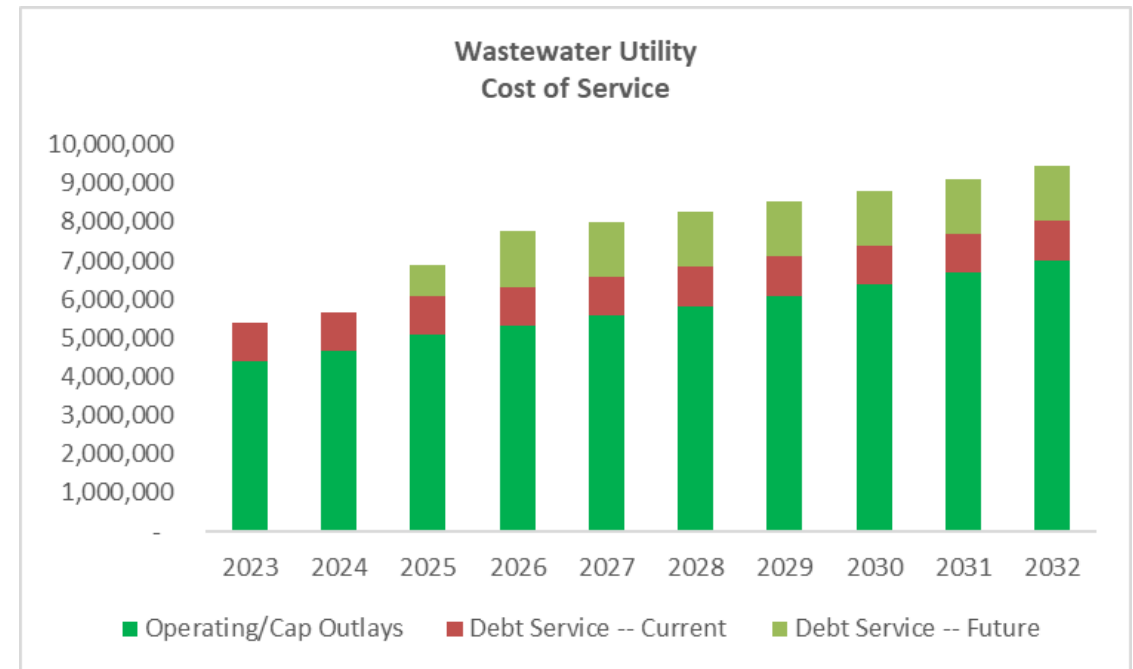
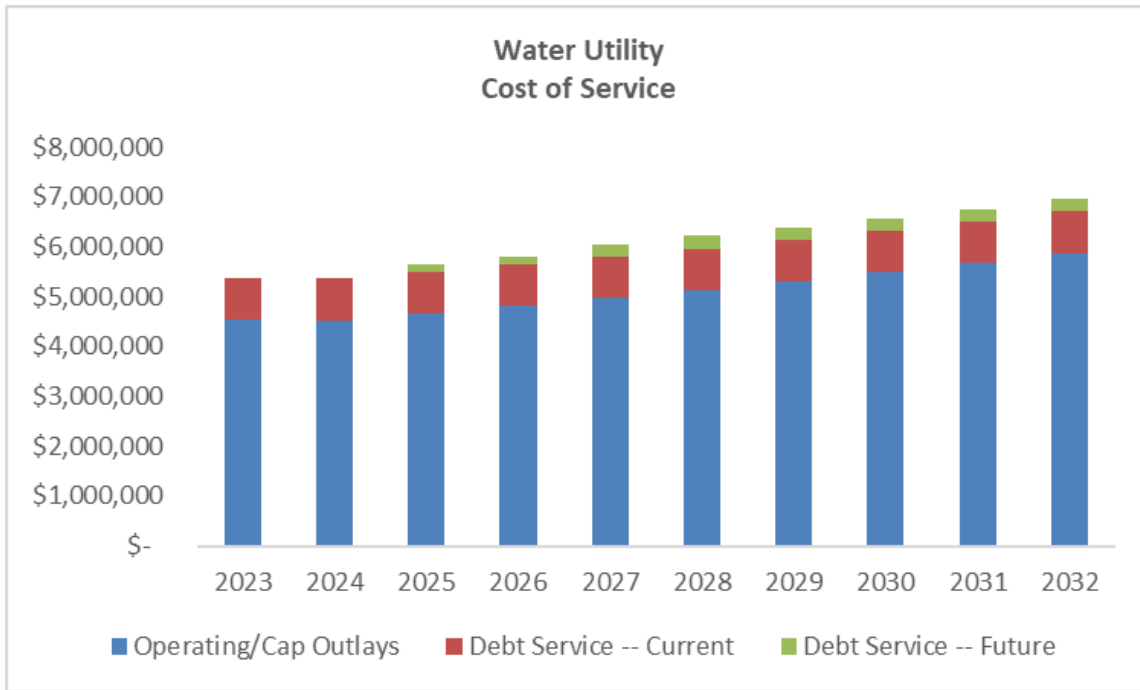
Total CIP Funding **46,930,000**



Term: 20 Years

Interest Rate: 4%

Forecast Revenue Requirement | Water and Wastewater



A blue-tinted photograph of a water treatment plant. The image shows various pieces of industrial machinery, including large pipes, valves, and what appears to be a large motor or pump unit. The background is slightly blurred, focusing attention on the equipment in the foreground. The overall scene is industrial and technical.

WATER & WASTEWATER PROPOSED RATE PLAN

Notes on Water and Wastewater Rate Plan



- 5-year rate plan with adjustments assumed to be effective April 27 2023 and January 1 of each year 2024 -- 2027
- Assumes no change in rate structure
- Uniform percentage adjustments for base and volume charges
- Funds entire cost of service without need for General Fund support after 2024
- Funds CIP-related long-term debt





Proposed Water Rate Plan

The rate plan fully funds all aspects of the water utility based on the existing market conditions and assumptions.

Rate Plan will also enable the City to fully fund its capital improvements.

WATER Rates

Residential

Base Charge - First 2,000 Gal
Usage Charge 2,001 Above

Comm/Gov/City/Schools/City

Base Charge 5/8
First 2,000 Gal 1"
1 1/2"
2"
Usage Charge -- Comm/Gov/City

	Current	Effective Apr 27 2023	Effective Jan-24	Effective Jan-25	Effective Jan-26	Effective Jan-27
Base Charge - First 2,000 Gal	\$ 13.80	\$ 15.04	\$ 16.40	\$ 16.72	\$ 16.72	\$ 17.06
Usage Charge 2,001 Above	2.11	2.30	2.51	2.56	2.56	2.61
Base Charge 5/8	35.10	38.26	41.70	42.54	42.54	43.39
First 2,000 Gal 1"	58.62	63.90	69.65	71.04	71.04	72.46
1 1/2"	116.89	127.41	138.88	141.65	141.65	144.49
2"	187.09	203.93	222.28	226.73	226.73	231.26
Usage Charge -- Comm/Gov/City	2.66	2.90	3.16	3.22	3.22	3.29

Recommend 2.0% annual adjustments on January 1 of each year beyond 2027



Proposed Wastewater Rate Plan

The rate plan fully funds all aspects of the wastewater utility based on the existing market conditions and assumptions.

Rate Plan will also enable the City to fully fund its capital improvements.

	Current	Effective Apr 27 2023	Effective Jan-24	Effective Jan-25	Effective Jan-26	Effective Jan-27
WASTEWATER Rates						
Residential						
Base Charge	\$ 40.00	\$ 45.20	\$ 50.62	\$ 56.70	\$ 63.50	\$ 67.95
Residential Senior						
Base Charge	20.23	22.86	25.60	28.68	32.12	34.36
Residential Gadsden						
Base Charge	55.27	62.46	69.95	78.34	87.74	93.89
Comm/Gov/Schools						
Base Charge	24.50	27.69	31.01	34.73	38.90	41.62
Usage Charge Per 1,000 Gal	2.47	2.79	3.13	3.50	3.92	4.20

Recommend 2.0% annual adjustments on January 1 of each year beyond 2027

Impact on Monthly Water and Wastewater Charges



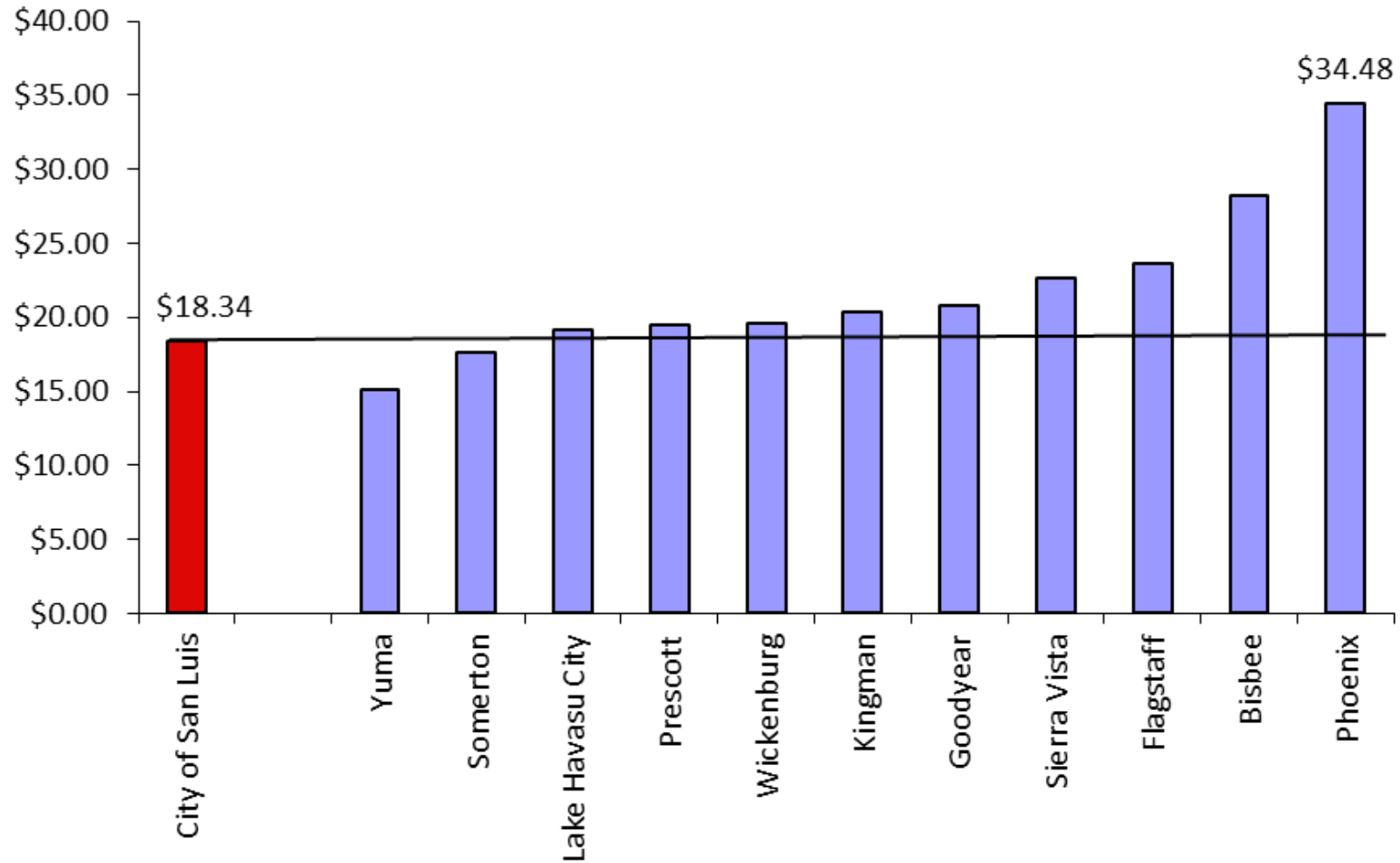
	Current	Effective Apr 27 2023	Effective Jan-24	Effective Jan-25	Effective Jan-26	Effective Jan-27
Residential 5,000 Gal	\$ 60.13	\$ 67.14 7.01	\$ 74.54 7.40	\$ 81.09 6.55	\$ 87.90 6.80	\$ 92.83 4.93
Residential 10,000 Gal	70.68	78.64 7.96	87.07 8.43	93.88 6.80	100.68 6.80	105.87 5.19
Comm/Gov/Sch 50,000 Gal	334.30	370.31 36.01	408.65 38.34	435.56 26.90	460.73 25.17	481.69 20.96

Recommend 2.0% annual adjustments on January 1 of each year beyond 2027

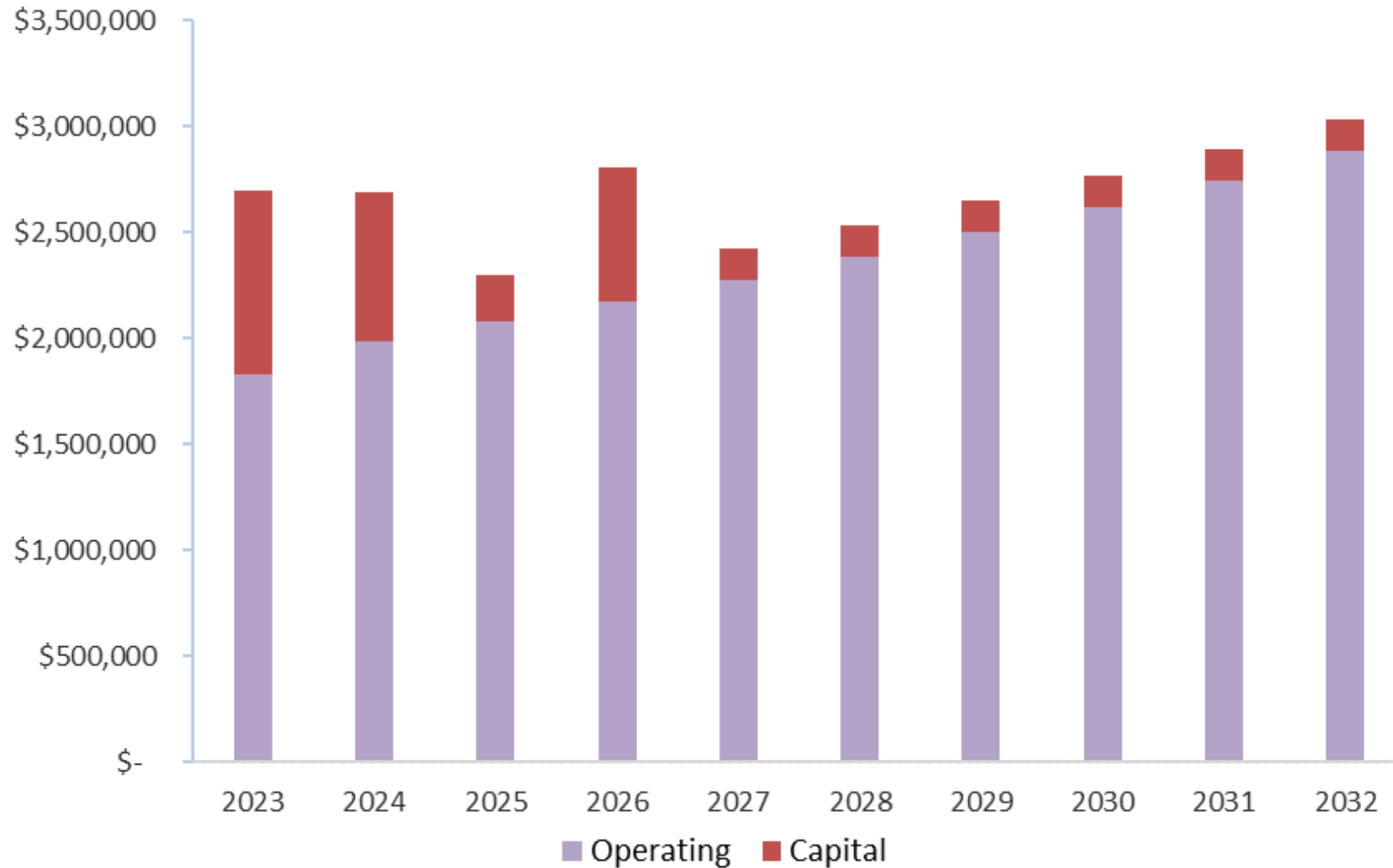


Sanitation

Current Monthly Residential Charges | Sanitation



Forecast Cost of Service | Sanitation



PRELIMINARY & SUBJECT TO CHANGE



Notes on Sanitation Rate Plan

- Current sanitation revenues are not covering all costs
- Significant capital outlays required in next 3 years
- As with water/wastewater, Project team recommends 5-year rate plan with adjustments assumed to be effective April 27 2023 and January 1 of each year 2024 -- 2027
- Rate plan funds entire cost of service without need for General Fund support after 2024
- Also recommend ordinance contain provision allowing 2.0% annual increases after 2027



Sanitation Utility | Recommended Monthly Charges



Assumes no change in fundamental rate structure.

Rate Plan will also enable the City to fully fund its capital outlays without issuing debt.

	Current Rate	SANITATION RATE PLAN				
		Effective Apr 27 2023	Effective Jan-24	Effective Jan-25	Effective Jan-26	Effective Jan-27
Residential	\$ 18.34	\$ 20.72	\$ 23.42	\$ 26.46	\$ 29.90	\$ 29.90
Increase		2.38	2.69	3.04	3.44	-
Senior	8.05	9.10	10.28	11.62	13.13	13.13
Increase		1.05	1.18	1.34	1.51	-
Environmental Fee	0.50	1.80	1.81	1.82	1.83	1.84

Recommend 2.0% annual adjustments on January 1 of each year beyond 2027



SUMMARY

How Does Rate Plan Benefit Ratepayers & City?



- Proposed rate plans enable the utility to fully fund all maintenance, operating and capital costs
- Will enable City to continue to provide an acceptable quality of service
- Will enable City to invest \$46.9 million to maintain and improve the utility system
- City's rates will continue to be below state average





Questions?