



Rural North Vacaville Water District

**PUBLIC HEARING TO REVIEW
PROPOSED RATE CHANGES**

June 9, 2015

Proposed Rate Changes

WHAT:

- Increase water rates and capital replacement charge

WHY:

- To cover escalating costs of providing water service and reduced revenues due to conservation
- Increased cost to repair numerous service leaks
- Increased operations and maintenance expenses
- Increased cost to comply with safe drinking regulations for arsenic removal
- Needed facility capital improvements
- Rebuilding reserves for maintenance, repairs and replacement

Developed by Independent Finance Experts

Specialized Utility Services Program, SUSP, did thorough review

- Ability to fund expenditures
- Appropriate Operating reserves and CIP reserves
- Condition of infrastructure
- Regulatory compliance
- Master 10 year plan for capital improvements

Conducted independent review and developed rate plan

Manager and Board reviewed, refined and approved in March

Calculated Capital Replacement and Reserve Needs

Qty	Component	Unit Cost	Installed Cost	Existing Reserve	Avg. Life Rem.	Annual Reserve	Monthly Reserve	Reserve Per Customer
Capital Improvement Program								
1	Meter Replacement	\$338,827	\$338,827	\$0	10	\$33,882.70	\$2,823.56	\$7.18
1	Condition Assessment	\$59,125	\$59,125	\$0	10	\$5,912.50	\$492.71	\$1.25
1	Generators	\$161,438	\$161,438	\$0	10	\$16,143.80	\$1,345.32	\$3.42
1	Pumping Plant Replacement	\$63,000	\$63,000	\$0	10	\$6,300.00	\$525.00	\$1.34
1	Electrical Panel Maint & Rehab	\$15,050	\$15,050	\$0	10	\$1,505.00	\$125.42	\$0.32
1	Tank #3 Inspection	\$32,928	\$32,928	\$0	10	\$3,292.80	\$274.40	\$0.70
1	Tank #4 Inspection	\$32,928	\$32,928	\$0	10	\$3,292.80	\$274.40	\$0.70
1	Tank Sand Blasting & Recoating	\$216,300	\$216,300	\$0	10	\$21,630.00	\$1,802.50	\$4.59
1	ERP	\$22,050	\$22,050	\$0	10	\$2,205.00	\$183.75	\$0.47
1	Pumping Plant Meter Replacement	\$19,338	\$19,338	\$0	10	\$1,933.80	\$161.15	\$0.41
1	Air Release Valve Installation	\$12,010	\$12,010	\$0	10	\$1,201.00	\$100.08	\$0.25
1	Station 3 Site Improvements	\$26,250	\$26,250	\$0	10	\$2,625.00	\$218.75	\$0.56
1	Station 4 Site Improvements	\$15,750	\$15,750	\$0	10	\$1,575.00	\$131.25	\$0.33
1	Flushing Program	\$60,200	\$60,200	\$0	10	\$6,020.00	\$501.67	\$1.28
1	Valve Exercising Program	\$68,600	\$68,600	\$0	10	\$6,860.00	\$571.67	\$1.45
1	Updated Operation maps and prints	\$5,000	\$5,000	\$0	10	\$500.00	\$41.67	\$0.11
1	Painting	\$10,750	\$10,750	\$0	10	\$1,075.00	\$89.58	\$0.23
Subtotal New Capital Replacement Program			\$1,159,544			\$115,954.40	\$9,662.87	\$24.59
New Project Program								
1	Arsenic Remediation Plant (Loan P&I)	\$874,308	\$874,308	\$0	40	\$21,857.70	\$1,821.48	\$4.63
1		\$0	\$0	\$0	40	\$0.00	\$0.00	\$0.00
Subtotal New project Program			\$874,308	\$0		\$21,857.70	\$1,821.48	\$4.63
Total Capital Programs			\$2,033,852			\$137,812.10	\$11,484.34	\$29.22

Capital Replacement and Reserve Needs

**CAPITAL REPLACEMENT CHARGE, CRC, RECOMMENDED \$94,320/year;
\$943,200 over 10 year period.**

Funding about half of Capital Improvement Plan focused on selected projects as noted below:

Fix Well #2 (\$700,000)

- Needed as backup per original design of system with Arsenic mitigation

Appropriate Mix of Other Projects (\$200,000)

- Meters, meter heads, meter ERTs, reservoirs, pipe repair, etc.

COMBINED RESERVES RECOMMENDED ABOUT \$850,000

30% of 10-Year Capital Improvement Program Recommended (\$600,000)

- Current Reserve is approximately (\$342,000)

50% of Yearly Operations Recommended (\$250,000)

- Current Reserve is (\$226,000)

Developed a Budget: Operations and Maintenance

EXPENSES AND SOURCES OF FUNDS	2014	2015	2016	2017	2018
OPERATIONS & MAINTENANCE EXPENSES					
General Manager	41,000.00	41,820.00	42,656.40	43,509.53	44,379.72
Administration	4,500.00	4,590.00	4,681.80	4,775.44	4,870.94
Customer Billings	31,200.00	31,824.00	32,460.48	33,109.69	33,771.88
Meter Reading	12,000.00	12,240.00	12,484.80	12,734.50	12,989.19
Backflow Testing	15,200.00	15,504.00	15,814.08	16,130.36	16,452.97
Plant Operations	60,060.00	61,261.20	62,486.42	63,736.15	65,010.88
Engineering Services, Public Works	5,000.00	5,100.00	5,202.00	5,306.04	5,412.16
IFAS Technician	5,136.00	5,238.72	5,343.49	5,450.36	5,559.37
Underground Service Alert marking	12,000.00	12,240.00	12,484.80	12,734.50	12,989.19
Insurance - GL	11,000.00	11,220.00	11,444.40	11,673.29	11,906.75
Insurance - GM	2,000.00	2,040.00	2,080.80	2,122.42	2,164.86
Electricity	37,981.00	38,740.62	39,515.43	40,305.74	41,111.86
Diesel Fuel Oil, Bucktown Generator	671.00	684.42	698.11	712.07	726.31
Telephone	360.00	367.20	374.54	382.03	389.68
Road Maintenance	2,000.00	2,040.00	2,080.80	2,122.42	2,164.86
Vehicle Truck Expenses	2,664.00	2,717.28	2,771.63	2,827.06	2,883.60
Meter Reader Calibration	4,000.00	4,080.00	4,161.60	4,244.83	4,329.73
New Connections	6,000.00	6,120.00	6,242.40	6,367.25	6,494.59
Plant Maintenance and Minor Repairs	30,000.00	30,600.00	31,212.00	31,836.24	32,472.96
Tier 2 Deferred Maintenance	23,250.00	23,715.00	24,189.30	24,673.09	25,166.55
Tier 3 New Source Development	15,875.00	16,192.50	16,516.35	16,846.68	17,183.61
Depreciation Expenses	11,509.00	11,509.00	11,509.00	11,509.00	11,509.00
Total Operation and Maintenance Expenses:	333,406.00	339,843.94	346,410.64	353,108.67	359,940.67

Cost of running district including staff, utility, testing, billing, repairs, vehicles, etc.

\$330,000 to \$360,000 per year

Developed a Budget: General & Administrative

GENERAL & ADMINISTRATIVE EXPENSES					
Legal	13,050.00	13,311.00	13,577.22	13,848.76	14,125.74
Audit	8,000.00	8,160.00	8,323.20	8,489.66	8,659.46
Accountant	12,000.00	12,240.00	12,484.80	12,734.50	12,989.19
Audit Controller Office Fee	613.00	625.26	637.77	650.52	663.53
Webmaster	2,000.00	2,040.00	2,080.80	2,122.42	2,164.86
Office Supplies	3,600.00	3,672.00	3,745.44	3,820.35	3,896.76
Office Rent	4,800.00	4,896.00	4,993.92	5,093.80	5,195.67
Lien Releases	340.00	346.80	353.74	360.81	368.03
PO Box Rental	120.00	122.40	124.85	127.34	129.89
Auto Fold Billing	762.00	777.24	792.78	808.64	824.81
Postage	3,000.00	3,060.00	3,121.20	3,183.62	3,247.30
Check Scanner	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43
Bank Fees, CEO Account	1,800.00	1,836.00	1,872.72	1,910.17	1,948.38
Credit Card	420.00	428.40	436.97	445.71	454.62
Credit Card Transaction Charges	250.00	255.00	260.10	265.30	270.61
Billing Software	2,000.00	2,040.00	2,080.80	2,122.42	2,164.86
Backflow Management Software	3,500.00	3,570.00	3,641.40	3,714.23	3,788.51
Newsletter	500.00	510.00	520.20	530.60	541.22
Publications and Legal Notices	3,000.00	3,060.00	3,121.20	3,183.62	3,247.30
District Files Storage	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43
Organization Memberships	3,500.00	3,570.00	3,641.40	3,714.23	3,788.51
Licences, Permits and Fees	5,989.00	6,108.78	6,230.96	6,355.57	6,482.69
Elections	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43
Contingency	21,350.00	21,777.00	22,212.54	22,656.79	23,109.93
Capital Improvement Program	0.00	115,954.40	115,954.40	115,954.40	115,954.40
New Project Program	0.00	21,857.70	21,857.70	21,857.70	21,857.70
Total General and Administrative Expenses:	93,594.00	233,277.98	235,187.30	237,134.80	239,121.26
TOTAL EXPENSES (Line 30+ Line 59):	427,000.00	573,121.92	581,597.94	590,243.47	599,061.92

Legal, audit, web, office supplies, billing, legal notices, file storage, licenses

Approximately \$100,000 per year, the Capital Improvement Budget is additional

Developed a Budget: General & Administrative

SOURCE OF FUNDS / REVENUES RECEIVED						
Cash Revenues (Water rates)	398,483.00	557,819.64	568,976.03	580,355.55	591,962.66	
Fire Hydrant Water Meter	2,481.00	2,530.62	2,581.23	2,632.86	2,685.51	
Backflow Testing	15,200.00	15,504.00	15,814.08	16,130.36	16,452.97	
Late Fees	200.00	204.00	208.08	212.24	216.49	
Lien/Recording Fees	1,000.00	1,020.00	1,040.40	1,061.21	1,082.43	
Return Check Fees	250.00	255.00	260.10	265.30	270.61	
Credit Card Convenience Fee	250.00	255.00	260.10	265.30	270.61	
New Connections Deposits	6,000.00	6,120.00	6,242.40	6,367.25	6,494.59	
Interest Income	2,585.00	2,636.70	2,689.43	2,743.22	2,798.09	
Administration Fees	551.00	562.02	573.26	584.73	596.42	
TOTAL REVENUE (Lines 64 through 73):	427,000.00	577,078.26	588,619.83	600,392.22	612,400.07	
NET LOSS OR GAIN:	0.00	3,956.34	7,021.89	10,148.75	13,338.15	
NET CASH FLOW (Contribution to Reserves)	0.00	141,768.44	144,833.99	147,960.85	151,150.25	
Total non-water rates revenue	\$28,517.00	\$29,087.34	\$29,669.09	\$30,262.47	\$30,867.72	

Source of funds: mostly increased rates, but also backflow testing, new connections, interest income

\$427,000 to \$612,000 per year

Two Charges: Base & Consumption

1. Base Service Charges

- Every water customer pays a monthly base water service charge even if water is not used
- This charge covers the District's costs of keeping the water system in operational condition, so that it is able to provide water to the customer
- 2% annual increases each July

Base Monthly Fee	Current	2015	2016	2017	2018	2019
Developed Connections	\$58.00	\$70.00	\$70.71	\$71.44	\$72.16	\$72.90
Undeveloped Connections	\$58.00	\$70.00	\$70.71	\$71.44	\$72.16	\$72.90
Supplemental Connections	\$14.00	\$17.00	\$17.17	\$17.35	\$17.53	17.70

Two Charges: Base & Consumption

2. Consumption Charges

- Every customer also pays a usage charge based on the amount measured through their meter.
- Tier 1 pays for Routine Maintenance and Repairs
- Tiers 2 & 3 pays for the increased maintenance and repair costs as water use increases, and to build a new source development, arsenic treatment and water conservation fund.
- May likely have to adjust tiers in the future due to clarification of Prop. 218 requirements.

Monthly Tier Levels	Current	2015	2016	2017	2018	2019
Tier 1 0-25 ccf	\$1.65	\$2.00 0-15 ccf	\$2.02 "	\$2.04 "	\$2.06 "	\$2.08 "
Tier 2 26-50 ccf	\$3.10	\$3.75 16-35 ccf	\$3.79 "	\$3.83 "	\$3.87 "	\$3.91 "
Tier 3 Over 50 ccf	\$6.35	\$7.50 Over 35 ccf	\$7.58 "	\$7.65 "	\$7.73 "	\$7.81 "

Summary

Increasing base rate to fund Operations and Maintenance Services

Increasing tiers and consumption charge to pay for leaks, deferred maintenance, and some needed improvements

Average Customer Increase (Base Rate & Capital Replacement Charge & Tiered Rates) – About \$40 per month

Keeping rates as low as reasonably possible:

- Keep expenses down (no office, no payroll, cost control)
- Funding only half of recommended capital facility improvements over initial 10-year period.

Next Steps

Review input from customers.

Final counting of protest votes and Board deliberation on June 9th at Public Hearing.

- 7:00 at Vacaville Fire Protection District Fire Station #67.

The Board can review rate charges and changes that remain within the approved 5 year rate plan.