



# City of Burlingame



## Water & Sewer Rates September 7, 2021 City Council Study Session



BARTLE WELLS ASSOCIATES  
INDEPENDENT PUBLIC FINANCE ADVISORS

# Bartle Wells Associates

- Financial consulting firm specializing in utility rates and finance
- Professional services: 1) utility rate & fee studies, 2) financial plans, 3) financial advisor for debt financing
- Charter Member: National Association of Municipal Advisors
- MSRB-Registered Municipal Advisory Firm
- Consulted for over 500 public agencies throughout California, including numerous Bay Area cities and special districts
- Assisted City with last water rate study, recent capacity charge updates, and a prior State Revolving Fund Loan
- Extensive experience developing water & sewer rate studies



# Presentation Overview

---



- Background
- Water Rates
- Sewer Rates
- Next Steps
- Questions/Discussion

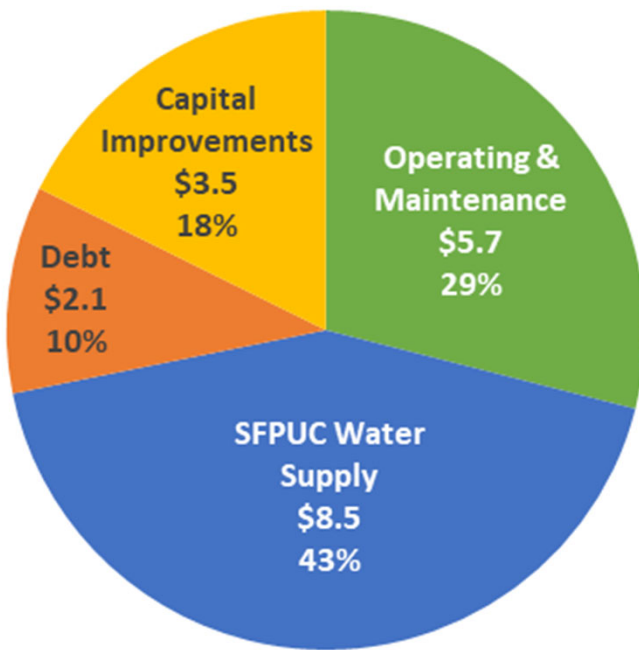
# Background

---

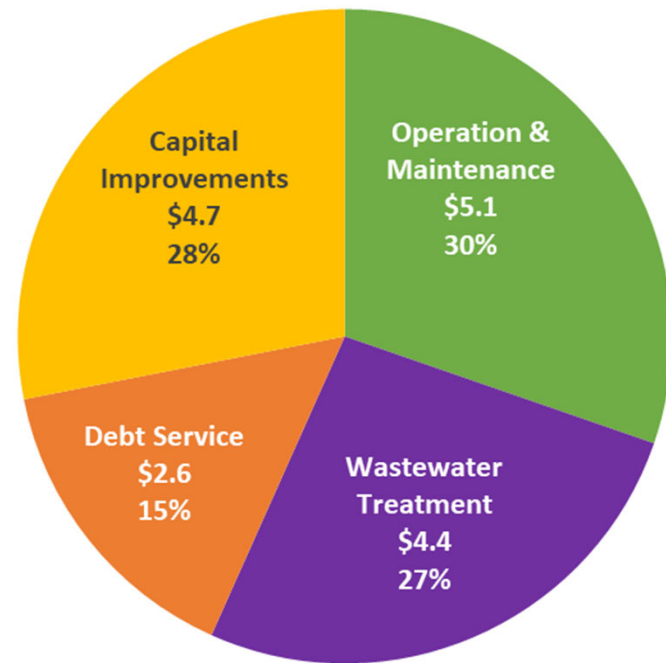
- Water and sewer utilities are self-supporting enterprises funded primarily from water and sewer service charges
  - Rates need to be set at adequate levels to support each utilities operating, maintenance, debt service, and capital funding needs
- City last adopted 3 years of water rate increases effective January 1 of 2017 – 2019; no water rate increases implemented in 2020 or 2021
- No sewer rate increases in over 9 years (last increase effective July 2012)
- Combined water & sewer rates for typical single family homes are in the lower range compared to other agencies in San Mateo County
  - Water rates in upper-middle range
  - Sewer rates in lower range
- Customers billed via bi-monthly utility bill for water, sewer & garbage

# What Do Water & Sewer Rates Pay For?

**Water Rates**  
(\$ millions)



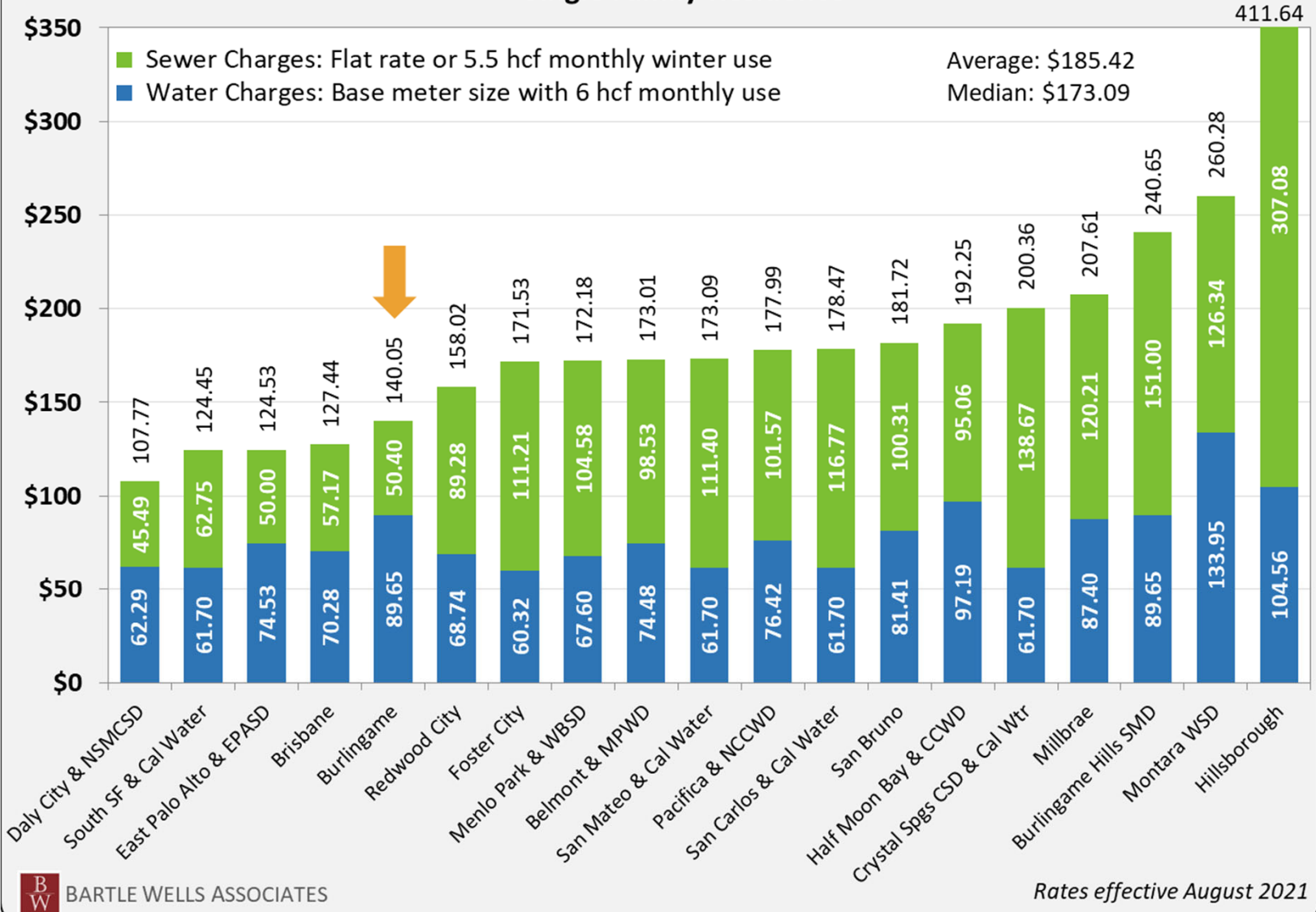
**Sewer Rates**  
(\$ millions)



Based on 3-year average of projected expenses 2021/22 – 2023/24.

## Combined Monthly Water & Sewer Bill Survey

### Single Family Residence



Some agencies receive property tax revenues that help reduce funding needs from rates.  
Many agencies previously adopted or anticipate rate increases in upcoming years.

# Rate Study Summary

---

- Rate study overview

- Developed updated 10-year financial projections for water & sewer utilities
- Evaluated rate increases needed to support each utilities' operating, maintenance, debt service, and capital funding needs
- Updated sewer rate structure to keep rates for each customer class aligned with the cost of providing service

- General findings & recommendations

- Water Rates: No increases recommended at this time
- Sewer Rates: Rate increases needed to support operating and capital needs
- Recommend phasing in sewer rate increases over 3 years

- With projected sewer rates, combined utility bills for typical single family homes are projected to remain among the lowest in the County



# Water Rates



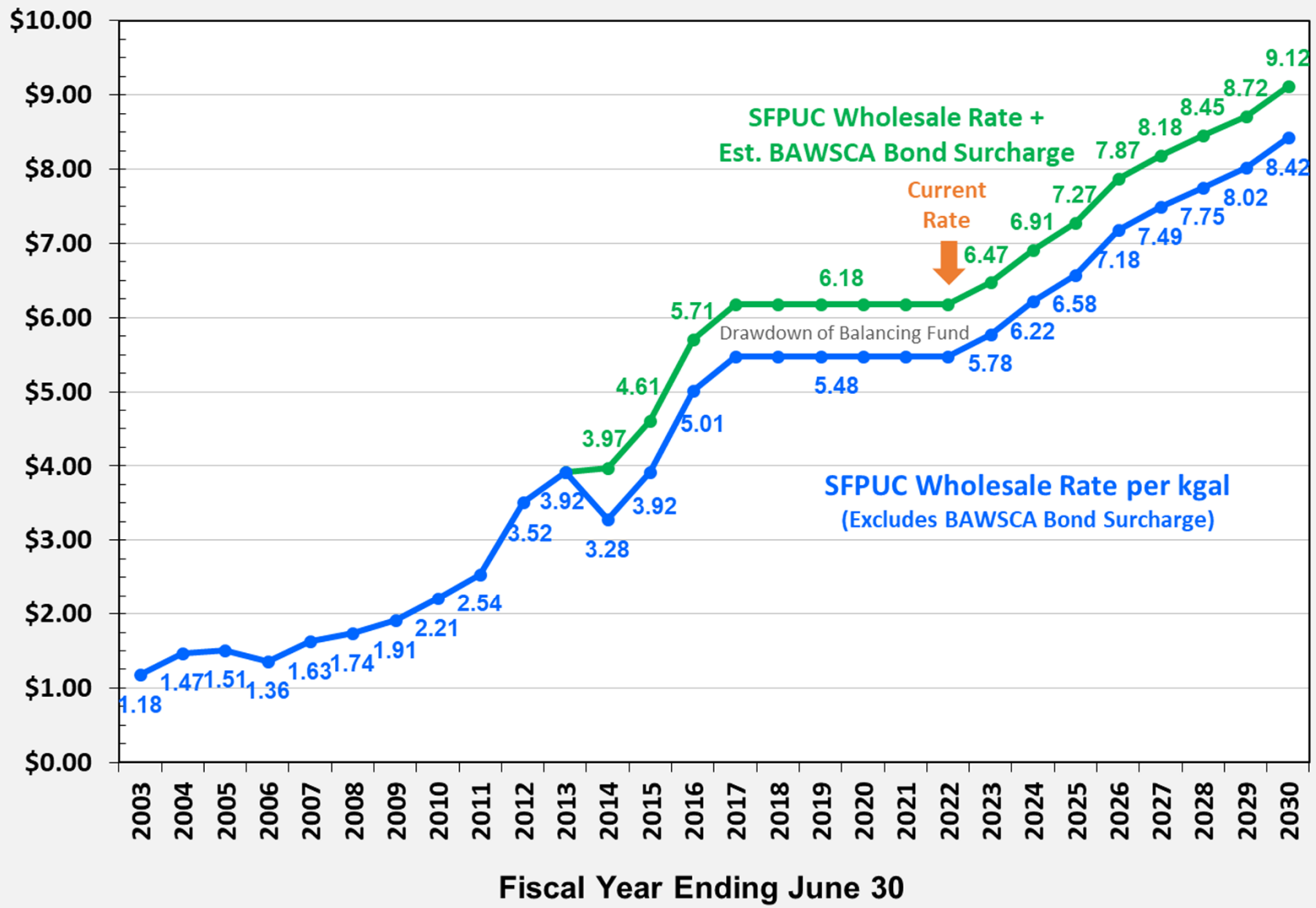


# Water Rate Overview

- City last adopted 3 years of rate increases effective Jan-1, 2017 - 2019
  - Rates designed to support operating and capital programs and increasing costs of SFPUC water supply
  - SFPUC wholesale rates have increased slower than previously projected
- No water rate increases implemented in 2020 or 2021
- No new water rate increases are needed or recommended at this time
- Projections indicate likely need for small inflationary rate increases in future years to keep rates aligned with costs of service
- Covid-19 impacts: decrease in commercial use has been partially offset by increase in residential use
- City monitoring drought conditions
- City can re-evaluate water rates in future years



## SFPUC Wholesale Water Rates (\$ per kgal)



# Sewer Rates



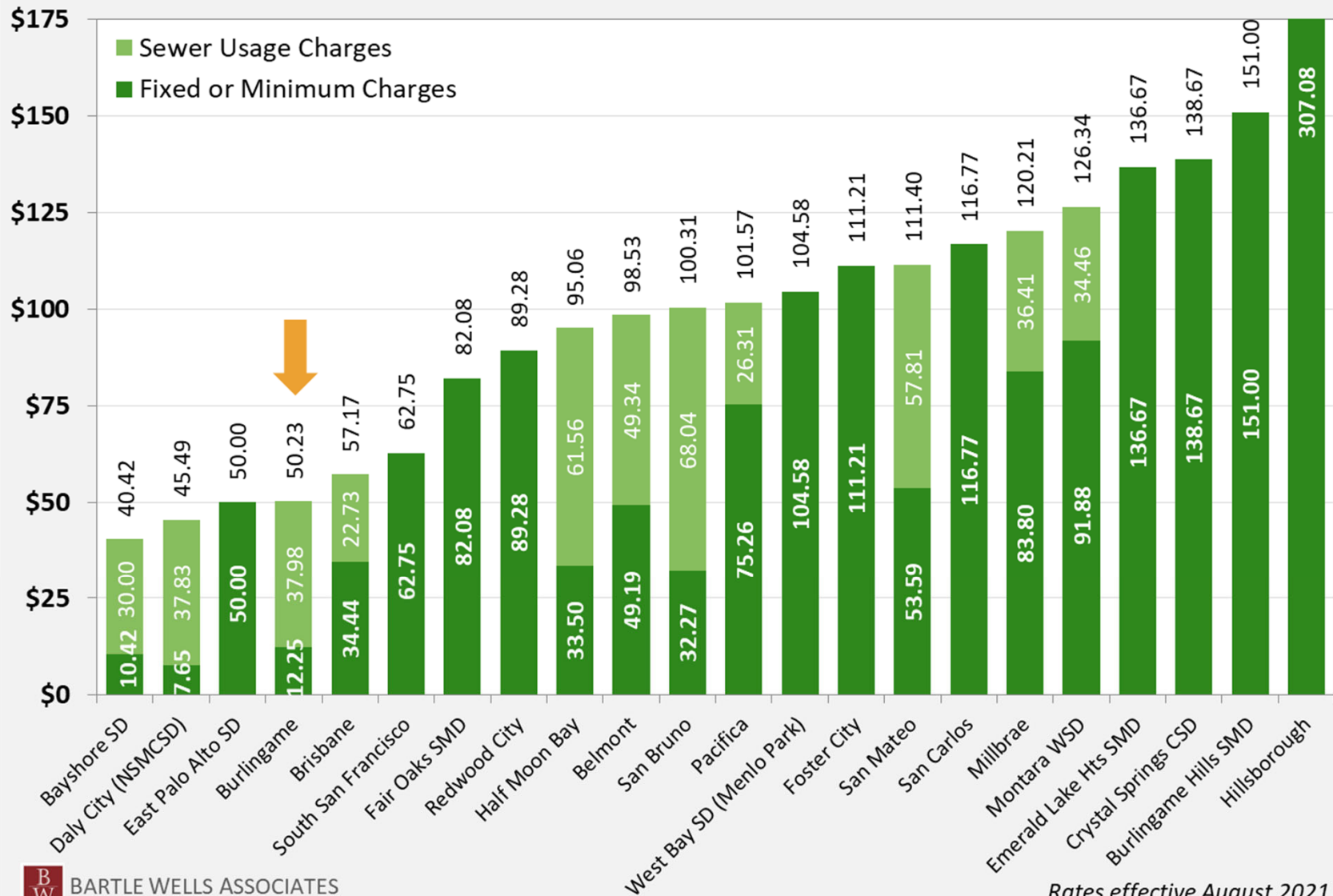
# Sewer Rate Overview

- No sewer rate increases over the past 9 years
  - Current rates have been in effect since July 1, 2012
- City's sewer rates for typical single family homes are among the lowest in San Mateo County
- Financial projections indicate need for rate increases over next 3 years
  - Costs have increased over the past 9 years with no corresponding rate increases
  - Fund high-priority sewer system capital improvement needs
  - Keep rates aligned with costs of providing service
- Covid-19 impacts: Commercial usage has declined, particularly from restaurants & hotels (revenues decreased by ~\$2 million in FY2020/21)
- With proposed rate increases, City's sewer rates for typical single family homes will remain among the lowest in the County



## Single Family Residential Monthly Sewer Rates

Based on flat rate or 5.5 hcf (4.1 kgals) of monthly winter water use



# Capital Improvement Needs

- Sewer facilities include:

- Collection System: 95 miles of pipelines, 6 pump stations
- Wastewater Treatment Plant: Serves Burlingame, half of Hillsborough & Burlingame Hills SMD (operated by Veolia)
- Effluent disposal via North Bayside System Unit (NBSU)
- Significant backlog of aging infrastructure



- Master plans & engineering analysis identify wastewater system capital improvements

- Wastewater Treatment Plant Master Plan Update (2016)
- Wastewater Collection System Master Plan Update (2021)
- Cost Estimate: \$63 million over first 5 years (with 3% cost escalation)
- Addresses highest-priority needs

# Sewer Rate Study

## ■ Evaluated rate increases under 2 scenarios

### ➤ Scenario A: Full CIP

- \$63 million over 5 years with 3% cost escalation
- Assumes \$23 million cash funding + \$40 million of debt financing

### ➤ Scenario B: Deferred CIP

- \$42 million over 5 years
- \$22 million cash funding + \$20 million debt financing for high-priority WWTP Project (Replace Digester No. 2, Digester Equip Building & Sludge Handling Building)



## ■ Developed updated sewer rate structure

- Sewer rate structure has not been adjusted since at least 2006
- Provides administrative record that rates reasonably recover the cost of service to each customer class in compliance with Prop 218
- Aimed to maintain continuity with current rate structure but rates for some classes increase more than others due to realignment with cost of service

## ■ Phased in rate adjustments over 3 years



## City of Burlingame

### Bi-Monthly Single Family Residential Sewer Bill Distribution (2017-2019 Winter Use Jan-Apr)

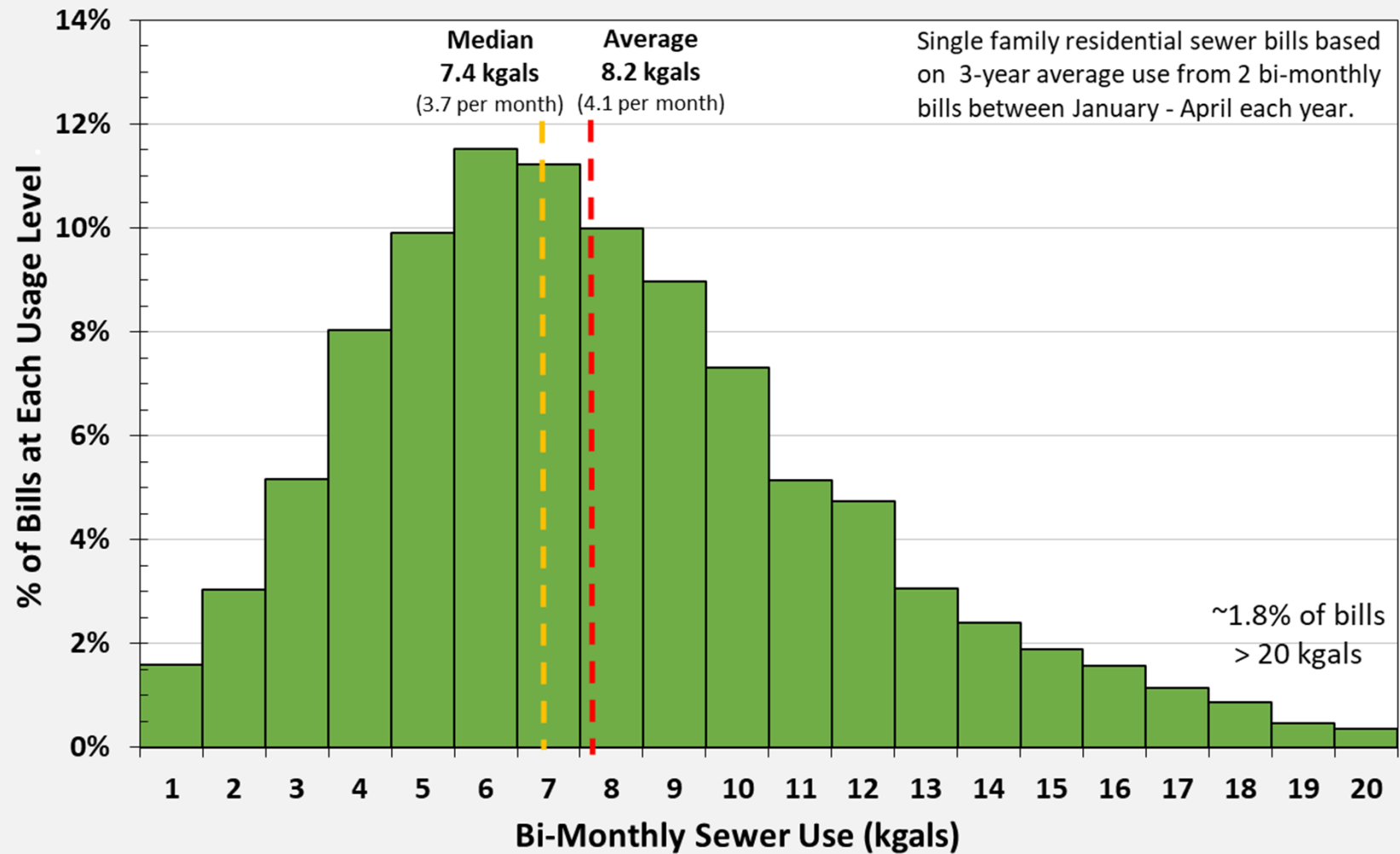


Chart shows average bi-monthly use rounded to nearest whole number.

# Sewer Rate Scenarios

Effective Date	Avg Monthly Winter Use		Current Sewer Rates	Projected Rates Effective		
	kgals	% of Bills		Jan-1 2022	Jan-1 2023	Jan-1 2024
Scenario A - Full CIP						
Overall Rate Increase				9%	9%	9%
Single Family Monthly Charges						
Low Use	2.5	Lowest 25% of bills at 2.5 or lower	\$30.63	\$33.95	\$37.28	\$40.63
Average Use	4.1	Middle 1/3rd of bills between 3.0 - 4.5	50.23	55.68	61.13	66.63
Med-High Use	6.0	Top 15% of bills at 6.0 or higher	73.50	81.48	89.46	97.50
Scenario B - Deferred CIP						
Overall Rate Increase				7%	7%	7%
Single Family Monthly Charges						
Low Use	2.5	Lowest 25% of bills at 2.5 or lower	\$30.63	\$33.23	\$35.83	\$38.43
Average Use	4.1	Middle 1/3rd of bills between 3.0 - 4.5	50.23	54.49	58.75	63.02
Med-High Use	6.0	Top 15% of bills at 6.0 or higher	73.50	79.74	85.98	92.22

Scenario A: Full Capital Improvement Program				
Effective Date	Current Sewer Rates (1)	Projected Rates Effective On or After		
		Jan-1 2022	Jan-1 2023	Jan-1 2024
<b>Overall Rate Increase %</b>		<b>9%</b>	<b>9%</b>	<b>9%</b>
<i>Impacts will vary by customer class due to 3-year phase in of rate realignment</i>				
<b>Sewer Rates per Customer Class</b>				
<i>Volumetric sewer rates per 1,000 gallons of metered water use, subject to a minimum bi-monthly charge.</i>				
Single Family/Duplex (2)	\$12.25	\$13.58	\$14.91	\$16.25
Multi-Unit Residential	11.45	13.05	14.65	16.25
Light Commercial	13.53	14.44	15.35	16.25
Moderate/Heavy	21.97	23.80	25.63	27.45
Food Related	32.59	34.14	35.69	37.24
Institutional/Schools/Churches	4.80	6.71	8.62	10.52
Minimum Bi-Monthly Charge (3)	\$24.50	\$27.16	\$29.82	\$32.50
Monthly Equivalent	12.25	13.58	14.91	16.25

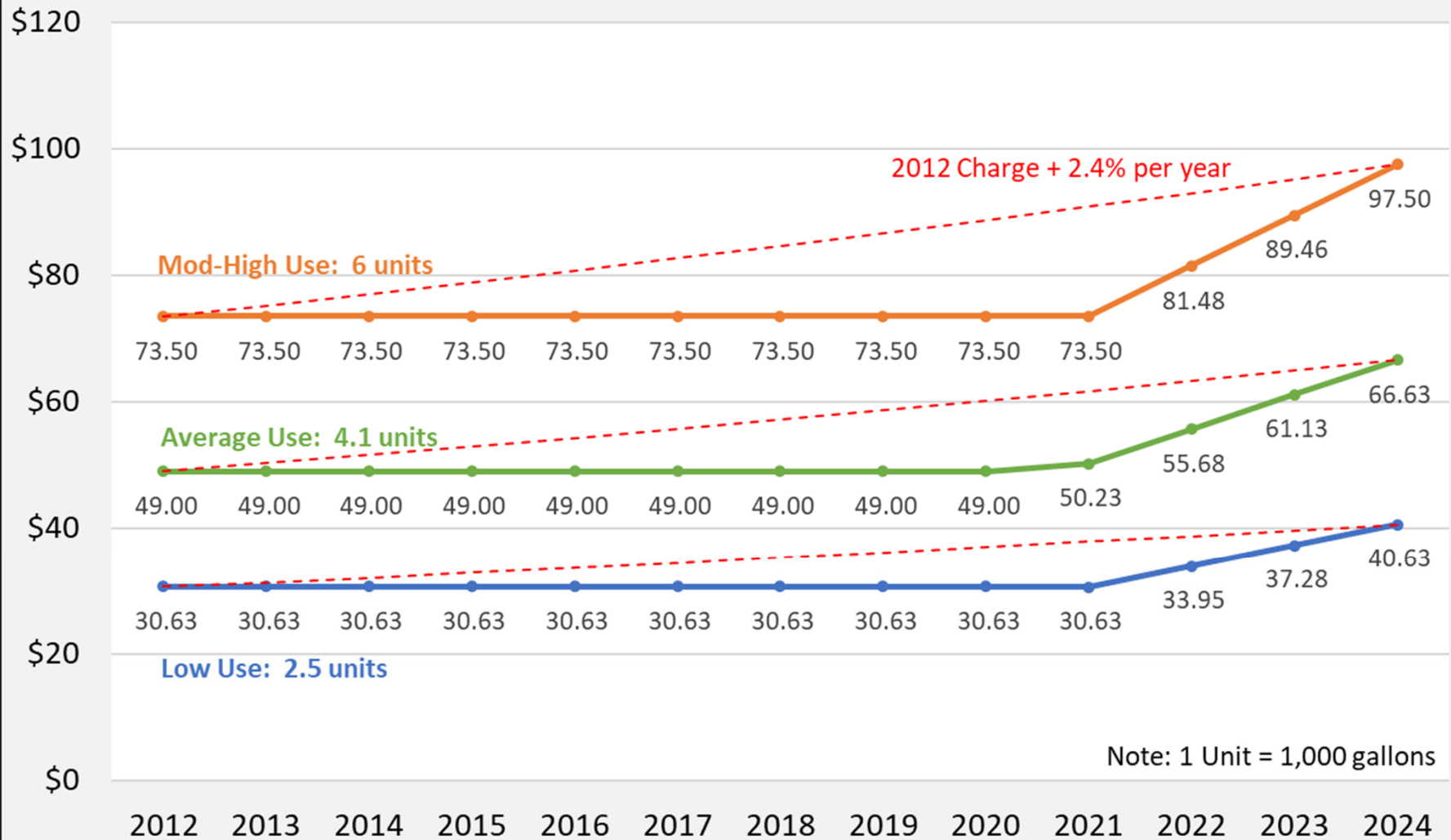
1 Current sewer rate have been effective since July 1, 2012 with no increases in over 9 years.

2 Single Family/Duplex billed based on 3-year average water use from 2 bills between January - April.

3 The Minimum Bi-Monthly Charge is only levied when volumetric sewer rates result in charges that are lower than the Minimum.

# Single Family Monthly Sewer Charges

Scenario A: Full CIP



Scenario B: Deferred Capital Improvement Program				
Effective Date	Current Sewer Rates (1)	Projected Rates Effective On or After		
		Jan-1 2022	Jan-1 2023	Jan-1 2024
<b>Overall Rate Increase %</b>		<b>7%</b>	<b>7%</b>	<b>7%</b>
<i>Impacts will vary by customer class due to 3-year phase in of rate realignment</i>				
<b>Sewer Rates per Customer Class</b>				
<i>Volumetric sewer rates per 1,000 gallons of metered water use, subject to a minimum bi-monthly charge.</i>				
Single Family/Duplex (2)	\$12.25	\$13.29	\$14.33	\$15.37
Multi-Unit Residential	11.45	12.76	14.07	15.37
Light Commercial	13.53	14.14	14.75	15.37
Moderate/Heavy	21.97	23.30	24.63	25.97
Food Related	32.59	33.47	34.35	35.23
Institutional/Schools/Churches	4.80	6.52	8.24	9.95
Minimum Bi-Monthly Charge (3)	\$24.50	\$26.58	\$28.66	\$30.74
Monthly Equivalent	12.25	13.29	14.33	15.37

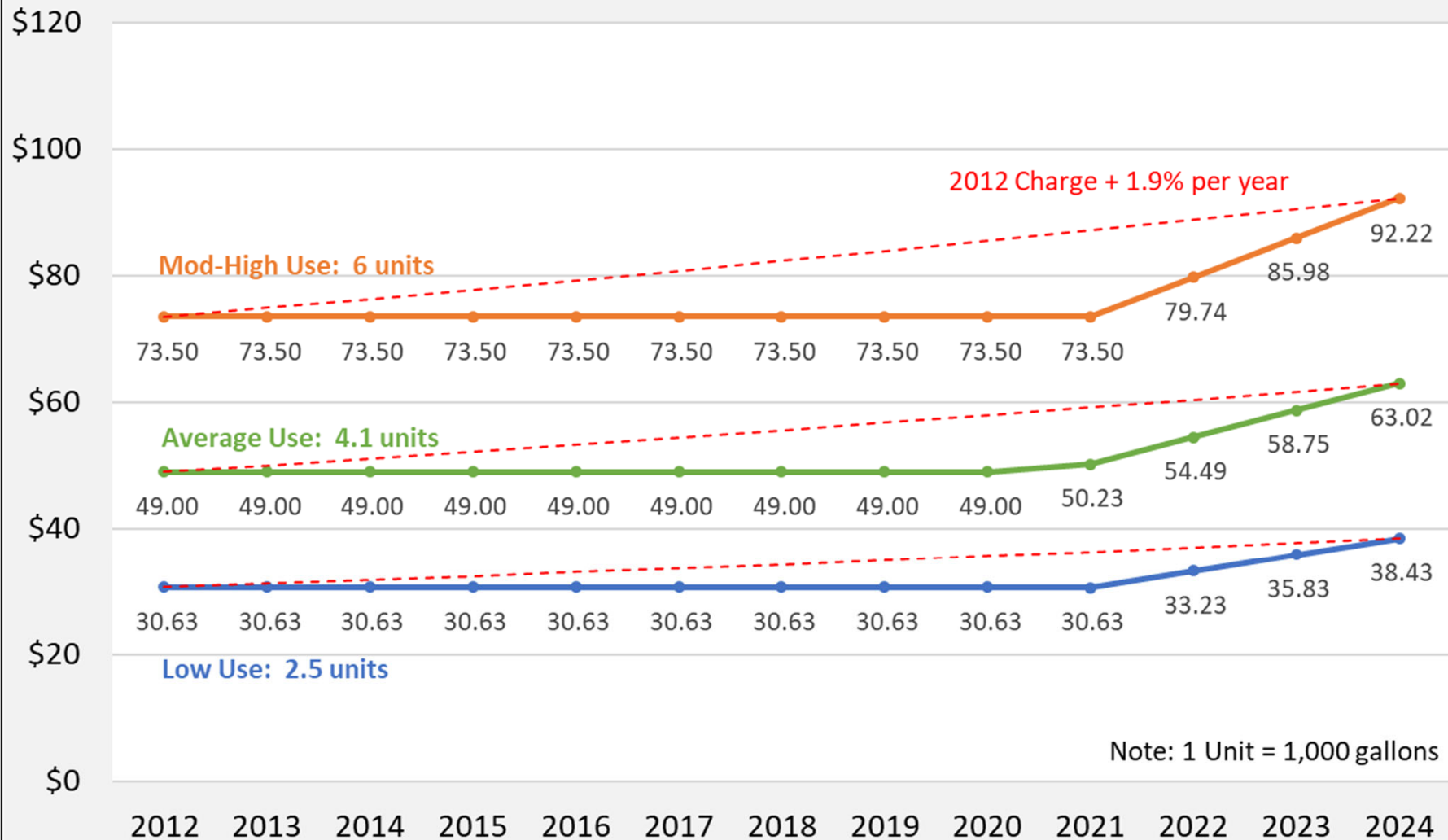
1 Current sewer rate have been effective since July 1, 2012 with no increases in over 9 years.

2 Single Family/Duplex billed based on 3-year average water use from 2 bills between January - April.

3 The Minimum Bi-Monthly Charge is only levied when volumetric sewer rates result in charges that are lower than the Minimum.

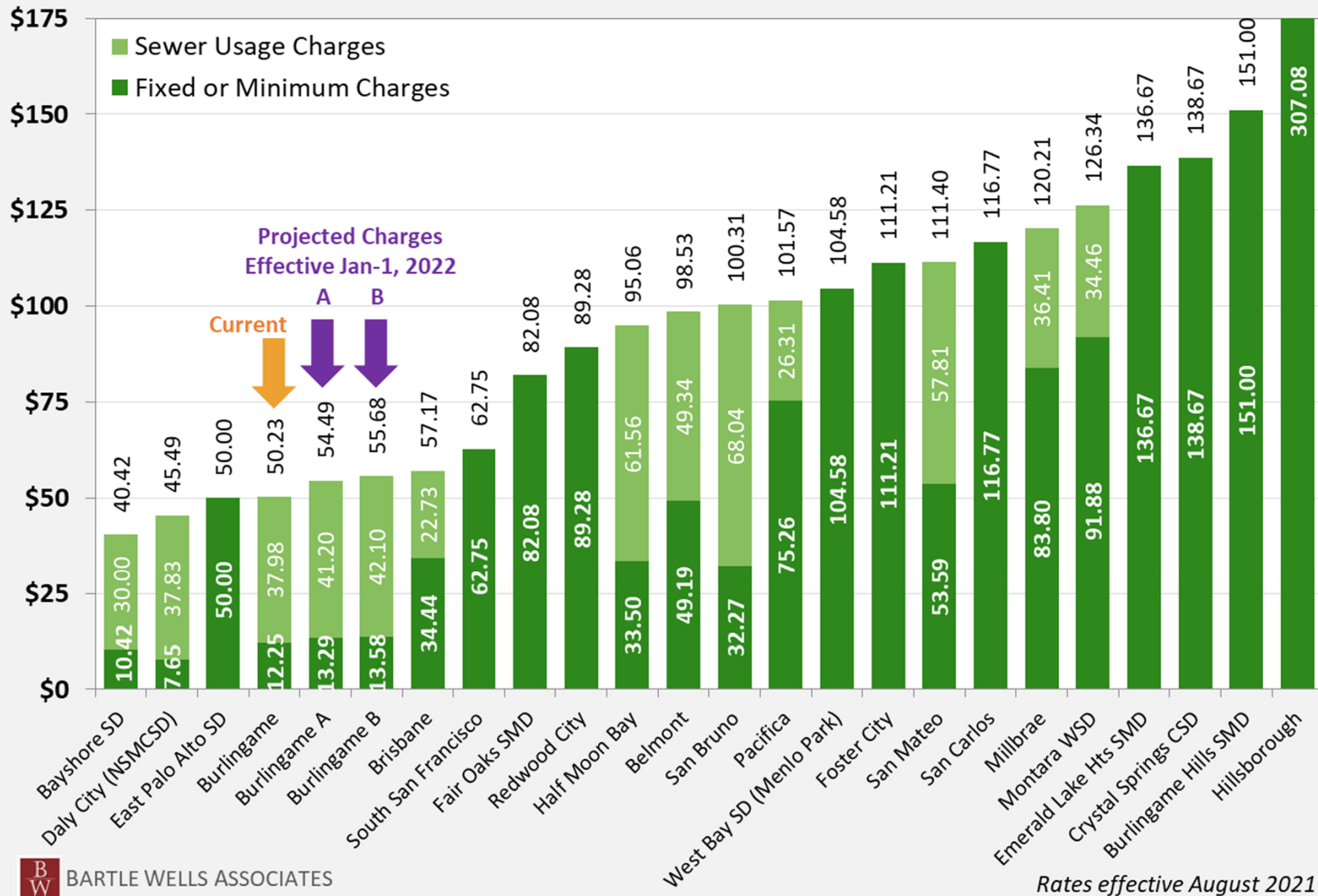
# Single Family Monthly Sewer Charges

Scenario B: Deferred CIP



## Single Family Residential Monthly Sewer Rates

Based on flat rate or 5.5 hcf (4.1 kgals) of monthly winter water use





# Next Steps

- Obtain Council input and direction
- Move forward with Proposition 218 process at Council's direction
  - Mail notices to property owners/ratepayers 45+ days prior to a Public Hearing
  - Hold Public Hearing on proposed sewer rates  
(*Tentative Date: November 15th Council Meeting*)
  - Rate increases subject to "majority protest"
- Goal: New rates become effective starting January 1, 2022



# Questions / Discussion

