



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS

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**DATE:** November 24, 2021  
**TO:** Don Reynolds, City Manager, City of San Juan Bautista  
**FROM:** Erik Helgeson, Senior Project Manager  
**SUBJECT:** Revised Rate Tables Reflecting Updated Capital Costs

## MEMORANDUM

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### **INTRODUCTION/BACKGROUND**

Bartle Wells Associated developed a wastewater rate study for the City of San Juan Bautista (City) which was presented to the City Council on October 19, 2021. At that meeting the City Council authorized City staff to mail 218 notices with the rates recommended in the rate study. The primary driver for the recommended rate increases was the project to connect the San Juan Bautista collection system to the Hollister treatment plant (Project). After the October 19<sup>th</sup> meeting the estimated project cost was revised from \$12.66 million to \$18.17 million. The following memo and attached tables are updated to demonstrate that the rates presented on October 19<sup>th</sup> are sufficient to support the updated project cost.

### **UPDATED MODEL ASSUMPTIONS**

The assumptions in the rate model were conservative in order to ensure sufficient revenues. The following assumptions were updated for this analysis.

#### Growth

The rate study did not assume any growth to be conservative. However, the master plan assumed a 1.9% annual growth rate. BWA updated the cashflow to reflect a 1% annual growth rate in rate revenue and connection fees.

#### Financing

The rate study made financing assumptions based on a traditional bond to be conservative. However, the financing the City will likely receive will be from either SRF or USDA. The attached tables reflect SRF financing.

#### Expenses

BWA reviewed the expense assumptions with City staff and updated the projected expense reductions after the treatment services are transferred to the City of Hollister.

#### Inflation

BWA revised the inflation assumptions after FY 2022/23 down from 3.5% to 3%.

### Grant Funding

The rate study assumed the City will receive \$6 million in financing. BWA reviewed all of the likely grant sources with City staff and \$6.3 million seems likely.

### **CONCLUSION**

While the cost of the Project has significantly increased, with reasonable updates to the rate study assumptions the rates will still support the Project.

**Attachment: Revised Rate Study Tables**

# Draft Sewer Rate Study Revised Project Cost Assumptions

11/24/21



**SAN JUAN BAUTISTA**  
*The City of History*



**BARTLE WELLS ASSOCIATES**  
Independent Public Finance Advisors

**Table A**  
**City of San Juan Bautista**  
**Recommended Sewer Rates**  
**Sewer Rate Study - Revised Project Cost Assumptions**

<b>Proposed Rates</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
	<i>Existing</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
<b>Residential Sewer Rates</b>						
<b>Monthly Fixed Rate</b>	<b>\$83.61</b>	<b>\$96.58</b>	<b>\$110.10</b>	<b>\$125.52</b>	<b>\$143.09</b>	<b>\$150.24</b>
<b>Commercial Sewer Rates</b>						
<b>Min. Monthly Base Charge</b>	<b>\$84.03</b>	<b>\$96.58</b>	<b>\$110.10</b>	<b>\$125.52</b>	<b>\$143.09</b>	<b>\$150.24</b>
<b>Volumetric Rates</b>						
Standard Strength \$/1,000 gal	<b>\$9.10</b>	<b>\$14.66</b>	<b>\$16.71</b>	<b>\$19.05</b>	<b>\$21.72</b>	<b>\$22.81</b>
Moderate Strength \$/1000 gal	<b>\$13.35</b>	<b>\$14.66</b>	<b>\$16.71</b>	<b>\$19.05</b>	<b>\$21.72</b>	<b>\$22.81</b>
High Strength \$/1,000 gal	<b>\$18.18</b>	<b>\$14.66</b>	<b>\$16.71</b>	<b>\$19.05</b>	<b>\$21.72</b>	<b>\$22.81</b>

**Table 1**  
**City of San Juan Bautista**  
**Projected Operating Expenses**  
**Sewer Rate Study - Revised Project Cost Assumptions**

<b>Cost Escalation</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
General Inflation Factor			3.5%	3.5%	3.0%	3.0%	3.0%
<b>Expenses<sup>1</sup></b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
	<i>Actual</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
502.000 · Salaries and Wages - FT	\$138,857	\$119,209	\$113,132	\$117,092	\$120,604	\$124,222	\$127,949
504.000 · Salaries and Wages - OT	\$0			\$0	\$0	\$0	\$0
508.000 · FICA	\$9,340	\$9,028	\$9,786	\$10,129	\$10,432	\$10,745	\$11,068
510.000 · Worker's Comp	\$4,940	\$5,623	\$5,193	\$5,375	\$5,536	\$5,702	\$5,873
514.000 · Health Insurance	\$25,683	\$18,821	\$22,724	\$23,519	\$24,225	\$24,952	\$25,700
518.000 · 457k Retirement Contribution	\$757	\$754	\$1,762	\$1,824	\$1,878	\$1,935	\$1,993
522.000 · Uniforms & Alterations	\$191	\$233	\$500	\$518	\$533	\$549	\$565
524.000 · Phys., Drug & Psych Testing	\$0	\$15	\$100	\$104	\$107	\$110	\$113
526.000 · Education and Training	\$412	\$875	\$1,000	\$1,035	\$1,066	\$1,098	\$1,131
528.000 · Travel/Per Diem/Car Allowance	\$35		\$500	\$518	\$533	\$549	\$565
550.000 · Office Supplies	\$2,968	\$1,544	\$2,000	\$2,070	\$2,132	\$2,196	\$2,262
558.000 · Printing and Copies	\$334	\$135	\$100	\$104	\$107	\$110	\$113
548.000 · Advertising	\$0		\$200	\$207	\$213	\$220	\$226
562.000 · Food and Beverages	\$161	\$295	\$500	\$518	\$533	\$549	\$565
516.000 · Insurance - Liab/Bond/Auto/Prop	\$11,218	\$13,237	\$14,500	\$15,008	\$15,458	\$15,921	\$16,399
544.000 · Computer Software Service	\$1,514	\$513	\$500	\$518	\$533	\$549	\$565
545.000 · Computer Hardware Service	\$146	\$286	\$500	\$518	\$533	\$549	\$565
530.000 · Dues and Subscriptions	\$519	\$0	\$750	\$776	\$800	\$824	\$848
634.000 · Copier Services & Lease	\$1,270	\$1,416	\$1,750	\$1,811	\$1,866	\$1,922	\$1,979
638.000 · Bank Charges/PR Processing	\$2,250	\$2,250	\$4,000	\$4,140	\$4,264	\$4,392	\$4,524
551.000 · Postage and Freight	\$2,780	\$3,089	\$2,700	\$2,795	\$2,878	\$2,965	\$3,054
600.000 · Operational Contracts <sup>2</sup>	\$114,164	\$122,824	\$135,000	\$139,725	\$69,863		\$0
602.000 · Legal		\$7,620	\$5,000	\$5,175	\$5,330	\$5,490	\$5,655
604.000 · Engineering	\$0	\$9,289	\$7,530	\$7,794	\$8,027	\$8,268	\$8,516
612.002 · Security	\$1,871	\$2,412	\$2,800	\$2,898	\$2,985	\$3,074	\$3,167
612.006 · Web maintenance		\$967		\$0	\$0	\$0	\$0
624.000 · Janitorial		\$182	\$275	\$285	\$293	\$302	\$311
654.000 · Chemical Testing <sup>2</sup>	\$21,014	\$71,922	\$65,000	\$67,275	\$33,638	\$10,000	\$10,300
640.000 · Telecomm	\$2,089	\$2,172	\$2,500	\$2,588	\$2,665	\$2,745	\$2,827
642.000 · Electricity	\$64,031	\$71,452	\$83,000	\$85,905	\$88,482	\$68,352	\$70,403
656.000 · Licenses and Permits	\$5,197	\$5,659	\$6,000	\$6,210	\$6,396	\$6,588	\$6,786
531.000 · Bad debt	\$0		\$8,000	\$4,000	\$4,000	\$4,000	\$4,000
712.000 · Materials	\$84	\$0	\$1,000	\$1,035	\$1,066	\$1,098	\$1,131
532.01 · Equipment Rental	\$0	\$0	\$1,500	\$1,553	\$1,599	\$1,647	\$1,696
701.000 · Small Tools	\$602	\$724	\$1,500	\$1,553	\$1,599	\$1,647	\$1,696
702.000 · Safety Gear & First Aid	\$0		\$1,500	\$1,553	\$1,599	\$1,647	\$1,696
554.000 · Gasoline & Diesel Fuel	\$3,297	\$2,320	\$4,000	\$4,140	\$4,264	\$4,392	\$4,524
552.000 · Chemical and Gasses	\$3,759	\$8,053	\$4,500	\$4,658	\$4,797	\$988	\$1,018
716.000 · Parts - City Rep. Vehicles	\$457	\$542	\$1,000	\$1,035	\$1,066	\$1,098	\$1,131
718.000 · Parts - City Rep. Equipment	\$3,850	\$2,293	\$4,000	\$4,140	\$4,264	\$4,392	\$4,524
720.000 · Parts - City Rep. Water	\$2	\$45		\$0	\$0	\$0	\$0
722.000 · Parts - City Rep. Sewer	\$5,335	\$7,066	\$8,000	\$8,280	\$8,528	\$8,784	\$9,048
765.000 · Sludge Removal	\$9,107			\$0	\$0	\$0	\$0
764.001 · Sewer Maint. Outside	\$561	\$17,670	\$2,000	\$2,070	\$2,132	\$2,196	\$2,262
751.001 · Maint. & Repair Wells	\$9	\$0		\$0	\$0	\$0	\$0
752.000 · Vehicle Maint. - Outside	\$0	\$52		\$0	\$0	\$0	\$0
754.000 · Equipment Maint. - Outside	\$4,872	\$9,145	\$7,500	\$7,763	\$7,995	\$8,235	\$8,482
762.000 · Streets Maint. & Paving	\$31		\$1,000	\$1,035	\$1,066	\$1,098	\$1,131
766.000 · Sewer Maint. - Plant	\$1,451	\$12,965	\$2,500	\$2,588	\$2,665		\$0
Transfer G&A Expenses	\$69,952	\$36,497	\$36,496	\$36,496	\$36,496	\$36,496	\$36,496
<b>Total Operating Expenses</b>	<b>\$515,110</b>	<b>\$569,194</b>	<b>\$573,798</b>	<b>\$588,324</b>	<b>\$495,048</b>	<b>\$382,598</b>	<b>\$392,861</b>
<i>% Change from Previous Year</i>	<i>41.4%</i>	<i>-37.6%</i>	<i>11.4%</i>	<i>3.4%</i>	<i>-13.7%</i>	<i>-35.0%</i>	<i>-20.6%</i>

<sup>1</sup>Based on SJB budget

<sup>2</sup>Expenses reduced as waste is sent to Hollister for treatment

**Table 2**  
**City of San Juan Bautista**  
**Projected Operating Revenues**  
**Sewer Rate Study - Revised Project Cost Assumptions**

Cost Escalation	Inflation	2020	2021	2022	2023	2024	2025	2026
General Inflation Factor	General	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
No Escalation	None	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Demand Growth	Demand			1.0%	1.0%	1.0%	1.0%	1.0%

Revenue		FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
		<i>Actual</i>	<i>Actual</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
486.000 · Utility Fees Commercial		\$185,201	\$291,929					
485.000 · Utility Fees Residential		\$819,653	\$819,653					
<b>Rate Revenue</b>	<b>Demand</b>	<b>\$1,004,854</b>	<b>\$1,111,582</b>	<b>\$1,122,698</b>	<b>\$1,292,674</b>	<b>\$1,488,385</b>	<b>\$1,713,727</b>	<b>\$1,973,185</b>
<b>Additional Rate Revenue<sup>1,2</sup></b>		<b>\$0</b>	<b>\$0</b>	<b>\$157,178</b>	<b>\$180,974</b>	<b>\$208,374</b>	<b>\$239,922</b>	<b>\$98,659</b>
Other Revenue								
490.000 · Misc. Revenue	None							
459.000 · Remib. - Proj/Dev. Costs	None							
484.000 · Interest and Penalties	None	\$18,371	\$20,000	\$12,671	\$15,991	\$22,268	\$28,654	\$30,647
480.003 · Reimbursed City expens	None							
<b>Total Other Revenue</b>		<b>\$18,371</b>	<b>\$20,000</b>	<b>\$12,671</b>	<b>\$15,991</b>	<b>\$22,268</b>	<b>\$28,654</b>	<b>\$30,647</b>
<b>Total Operating Revenue</b>		<b>\$1,023,225</b>	<b>\$1,131,582</b>	<b>\$1,292,547</b>	<b>\$1,489,640</b>	<b>\$1,719,027</b>	<b>\$1,982,302</b>	<b>\$2,102,491</b>
<i>% Change from Previous Year</i>		<i>9.7%</i>	<i>10.6%</i>	<i>14.2%</i>	<i>15.2%</i>	<i>15.4%</i>	<i>15.3%</i>	<i>6.1%</i>

<sup>1</sup>Additional revenue based on recommended increase

<sup>2</sup>Additional adjusted if adopted mid-fiscal year

**Table 3**  
**City of San Juan Bautista**  
**Existing and Proposed Debt**  
**Sewer Rate Study - Revised Project Cost Assumptions**

<b>Description</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
	<i>Budget</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
<b>Existing Debt</b>						
2015 Enterprise Revenue Bonds	\$298,637	\$298,097	\$299,582	\$298,435	\$298,435	\$298,435
2016 General Fund Advance	36,496	36,496	36,496	36,496	36,496	36,496
<b>Total Current Debt Service</b>	<b>\$335,133</b>	<b>\$334,593</b>	<b>\$336,078</b>	<b>\$334,931</b>	<b>\$334,931</b>	<b>\$334,931</b>
<b>Proposed Borrowing</b>						
Net Proceeds Needed					\$11,866,200	
Repayment Term (yrs)					30	
Interest Rate					1.20%	
Month of Issue					1	
Issuance Cost					\$100,000	
Debt Service Reserve						
Total Debt Issue Size					\$11,966,200	
Annual Debt Service Payment (rounded)					\$477,000	
<b>Total Proposed Annual Water Debt</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$477,000</b>	<b>\$477,000</b>

**Table 4**  
**City of San Juan Bautista**  
**Capital Improvement Costs**  
**Sewer Rate Study - Revised Project Cost Assumptions**

<b>Project Description</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
<b>CIP (Current Dollars)</b>					
Fines RWQCB	\$36,000				
Capital Purchases/Improvements					
San Juan Canyon Rd					
Monterey & Alameda State HWY					
Lift Station Replacement (SJB WWTP)					
San Juan Bautista to Hollister		\$15,619,000			
Rancho Vista Lift Station					
Hollister Connection Fee (No Inflation)			\$2,547,200		
Collection System Upgrades and Replacement					
<b>Total CIP (Current Dollars)</b>	<b>\$36,000</b>	<b>\$15,619,000</b>	<b>\$2,547,200</b>	<b>\$0</b>	<b>\$0</b>



**Table 5**  
**City of San Juan Bautista**  
**Cash Flow Projections**  
**Sewer Rate Study - Revised Project Cost Assumptions**

<b>Operating Cashflow</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>Reserves</b>						
<i>Total Reserve Balance</i>	\$1,066,884	\$1,267,111	\$1,599,116	\$2,226,792	\$2,865,355	\$3,064,684
<b>Revenue Escalation</b>						
Rate Revenue Increase		14.0%	14.0%	14.0%	14.0%	5.0%
<b>Revenues</b>						
Rate Revenue	\$1,111,582	\$1,122,698	\$1,292,674	\$1,488,385	\$1,713,727	\$1,973,185
Rate Increase Revenue	0	157,178	180,974	208,374	239,922	98,659
Rate Increase Timing Adjustment		-78,589				
Other Revenue	20,000	12,671	15,991	22,268	28,654	30,647
Connection Fee Revenue	\$12,488	\$62,438	\$62,438	\$62,438	\$62,438	\$62,438
<i>Total Revenue</i>	<i>\$1,144,070</i>	<i>\$1,276,396</i>	<i>\$1,552,078</i>	<i>\$1,781,465</i>	<i>\$2,044,740</i>	<i>\$2,164,929</i>
<b>Expenses</b>						
Operating Expenses	\$569,194	\$573,798	\$588,324	\$495,048	\$382,598	\$392,861
Hollister Charges*	0	0	0	312,924	650,882	676,918
Existing Debt Service	335,133	334,593	336,078	334,931	334,931	334,931
New Debt Service	0	0	0	0	477,000	477,000
Rate Funded Capital	\$39,516	\$36,000	\$0	\$0	\$0	\$0
<i>Total Expenses</i>	<i>\$943,843</i>	<i>\$944,391</i>	<i>\$924,402</i>	<i>\$1,142,903</i>	<i>\$1,845,411</i>	<i>\$1,881,709</i>
<b>Net Revenues</b>	<b>\$200,227</b>	<b>\$332,005</b>	<b>\$627,676</b>	<b>\$638,563</b>	<b>\$199,329</b>	<b>\$283,220</b>
<b>Ending Unrestricted Balance</b>	<b>\$1,267,111</b>	<b>\$1,599,116</b>	<b>\$2,226,792</b>	<b>\$2,865,355</b>	<b>\$3,064,684</b>	<b>\$3,347,904</b>
Debt Coverage (Target 1.25)	1.72	2.10	2.87	2.91	1.25	1.35
*Hollister charges may change if Hollister performs a new wastewater rate study						
<b>Capital Funding</b>						
<b>Capital Revenues</b>						
Use of Debt Proceeds			\$10,619,000	\$1,247,200		
Grant Revenue	\$0	\$0	\$5,000,000	\$1,300,000		
Rate Funded Capital	\$39,516	\$36,000	\$0	\$0	\$0	\$0
<b>Total Capital Funding</b>	<b>\$39,516</b>	<b>\$36,000</b>	<b>\$15,619,000</b>	<b>\$2,547,200</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Capital Expenditures</b>	<b>\$39,516</b>	<b>\$36,000</b>	<b>\$15,619,000</b>	<b>\$2,547,200</b>	<b>\$0</b>	<b>\$0</b>

**Table 6**  
**City of San Juan Bautista**  
**Sewer Flow Estimate**  
**Sewer Rate Study - Revised Project Cost Assumptions**

<b>Estimated Sewer Flow Units</b>	<b>Units</b>	<b>Unit of Measure</b>
<i>Estimated City Population</i>	<i>2,151.00</i>	<i>#</i>
<i>Residential Units</i>	<i><u>815.00</u></i>	<i>#</i>
<i>Occupancy</i>	<i>2.64</i>	<i>#</i>
<i>Indoor Water Use per Resident (Sewer Flow)</i>	<i><u>55.00</u></i>	<i>Gallons per Day (GPD)</i>
<i>Annual Sewer Flow per Residential Unit</i>	<i>52,983.22</i>	<i>Gallons</i>
<i>Annual Sewer Flow per Residential Unit</i>	<i>52.98</i>	<i>1,000 Gallons</i>
<b>Annual Residential Sewer Flow</b>	<b>43,181.33</b>	<b>1,000 Gallons</b>
<b>FY 2020-21 Commercial Sewer Flow</b>	<b><u>22,884.99</u></b>	<b>1,000 Gallons</b>
<b>Total Annual Sewer Flow Estimate</b>	<b>66,066.32</b>	<b>1,000 Gallons</b>

**Table 7**  
**City of San Juan Bautista**  
**Sewer Rate Derivation**  
**Sewer Rate Study - Revised Project Cost Assumptions**

<b>Fixed Charge Calculation</b>	<b>Units</b>	<b>Sewer Billed Use<sup>1</sup></b>	<b>Return Factor<sup>2</sup></b>	<b>Estimated Sewer Flow</b>	<b>Sewer Cost Allocation</b>	<b>Revenue Requirement</b>
Residential	815	43,181.33	1	43,181.33	73.80%	\$944,500
Commercial	77	22,884.99	0.67	15,332.95	26.20%	\$335,376
<b>Total</b>	<b>892</b>	<b>66,066.32</b>		<b>58,514.27</b>		<b>\$1,279,876</b>

1: Residential billed use based on estimated indoor consumption and Commercial billed use is based on metered water use

2: Commercial return factor based on annual winter use as a percent of total water demand

15.49                      77.43

**Commercial Volumetric**

<b>Rate Derivation</b>	<b>Units</b>	<b>Unit of Measure</b>
Total Sewer Flow	22,884.99	1,000 Gallons
Revenue Requirement	\$335,375.71	\$
<b>Sewer Volumetric Unit Rate</b>	<b>\$14.66</b>	<b>\$ per 1,000 gallons</b>

**Residential Fixed**

<b>Rate Derivation</b>	<b>Units</b>	<b>Unit of Measure</b>
Residential Units	815.00	Unit
Revenue Requirement	\$944,499.98	\$
<b>Total Monthly Fixed Charge</b>	<b>\$96.58</b>	<b>\$ per Unit per Month</b>