

SAN JUAN BAUTISTA



Water Rate Study

July 19, 2022



5A Proposed Water Rate Increase

Joining us tonight:

Erik Helgeson, Bartle Wells

Jeff Cattaneo San Benito County Water District CEO

Attorney Mark Mandel, Proposition 218 expert

Background- (slides 1-7)

EPA Status- developing the Capital Improvement Project (slides 8- 12)

Rate Study – Cost Components (13-20)

Proposition 218 Process (21-23)

5A Proposed Water Rate Increase

The Water Enterprise Fund is used to isolate and protect water fees from being co-mingled with other financial resources. Verified by the annual audit

Each monthly payment for water pays for the water system

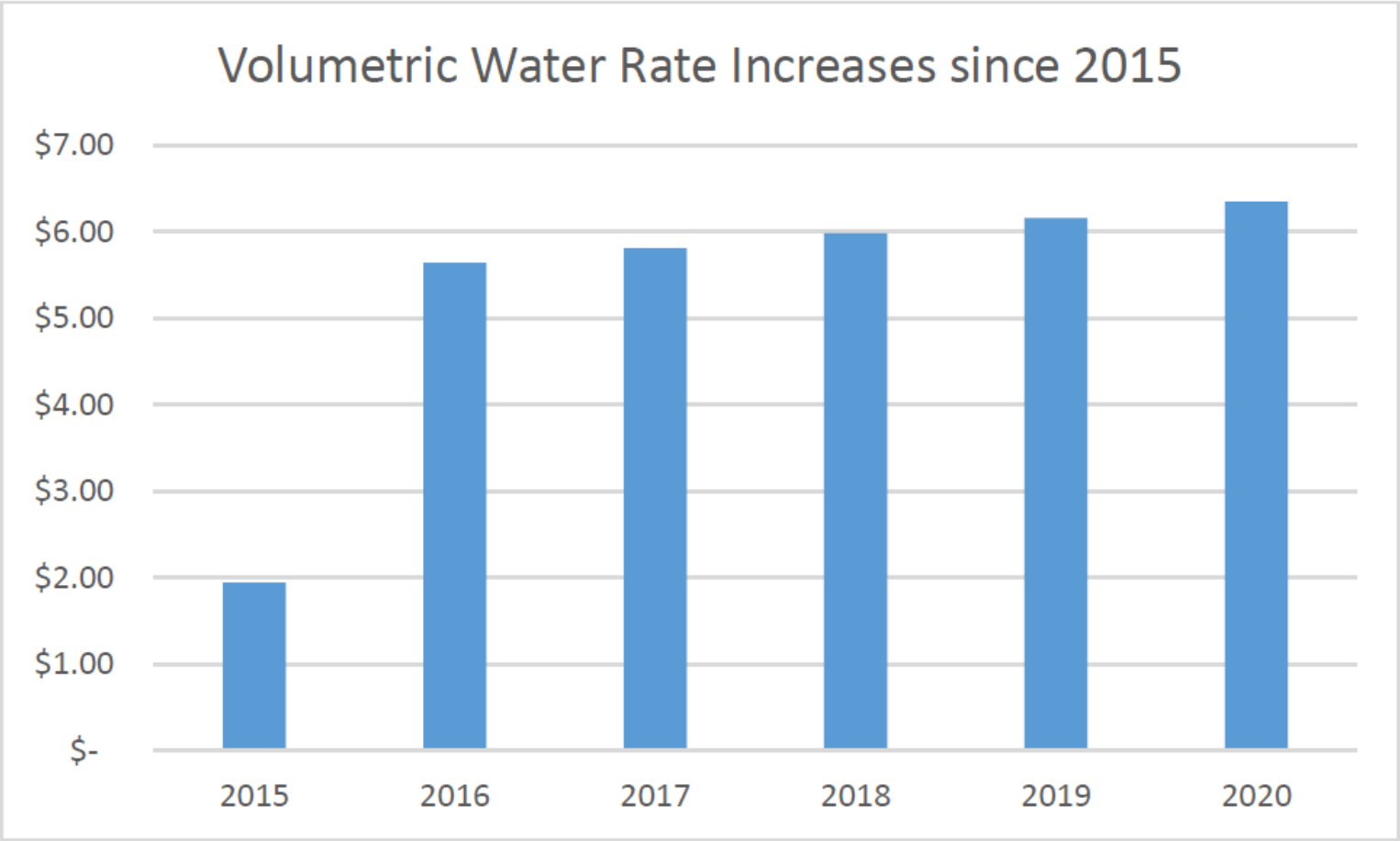
Base Rate and **Volumetric Rate** (\$/1000 gallons)

When revenues exceed expenditures, the funds are placed in a **reserve account**, and can only be used to repair or expand the water system

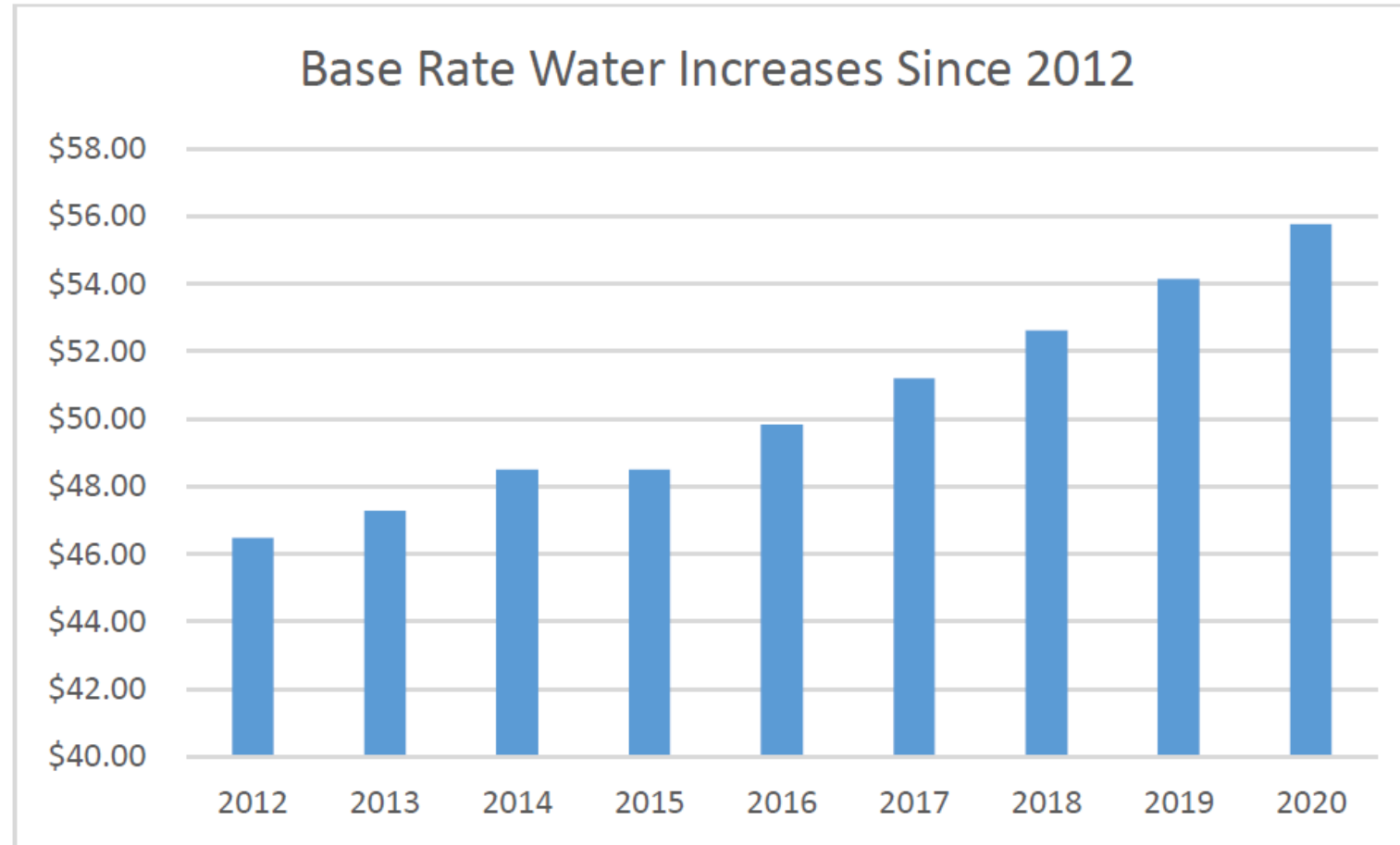
Water connection fees collected from development and all new connections, are also used to pay to increase the systems capacity (aka “capacity fee”)

5.A- WATER RATE INCREASE HISTORY 2012- 2019

The rates approved in 2015, were for a five-year period ending 2019. Since 2012, the water rates increased 2% and starting in 20-15, they increased 2.6%. They were not changed in 2021 and the volumetric rate remains at \$6.35 per gallon.



The Base Rate also changed in 2015, increasing the annual increase from 2% per year (from 2012) to 2.6%. The residential Base Rate is currently set at \$55.76.



The residents of San Juan Bautista pay as little as \$75 per month for water, to as high as \$125 per month for water, and the average cost is \$104.04. The “Water Bill” includes the sewer flat rate of \$95.62. So, each Residential “Water and Sewer Bill” will range from \$155.62 to \$220.62, and average \$199.66.

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WATER ENTERPRISE FUND STATUS

IN FY 2021/2022

Water Revenues are budgeted at \$1,240,000

Water System Expenses are estimated to cost \$1,088,000

In FY 2021/22, Revenues will exceed expenses by \$152,000

WATER ENTERPRISE FUND		(ESTIMATED)
	FY20/21	FY 21/22
REVENUES	\$ 1,406,447	\$ 1,240,000
EXPENSES	\$ 910,005	\$ 1,088,000
NET	\$ 496,442	\$ 152,000
NET POSITION	\$ 2,492,241	\$ 2,644,241

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Summary of the Current water System
(May 31, 2022 Town Hall Meeting)

2 of the 3 City wells are in operation

The water system is vulnerable to nitrate contamination

Current costs pay for local ground water to be extracted and distributed

The enterprise fund revenues exceed expenses and have for the past several years

The Water Enterprise Fund is currently in a healthy fiscal position

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City Executed an EPA Administrative Order On Consent (AOC) in August 2020

Violating its WWTP Permit by sending too much salt to a creek

Committed to removing salts from the water

3 projects approved by the EPA to correct the system (Oct 2020);

1-Send wastewater to Hollister,

2-End the use of brine producing water softeners,

3-Committed to blending surface water with its well water.

Water Enterprise fund is tasked to pay for the import of surface drinking water from the San Benito County Water District (SBCWD)

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AOC- Progress made to-date

Wastewater

MOU Executed with the City of Hollister

Force-main is 99% designed

Permits are being completed

Securing \$6 million in grants and low interest loans (SRF is 1.5% now)

Fall of 2021- sewer rates approved to pay for the debt service on the loans-

to Pay the capital improvements needed to send wastewater to Hollister &

Hollister costs for treating the City's wastewater

Adopted the Ordinance to **ban the use of brine producing water softeners**

Postponed removal until the import of surface is completed

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EPA/AOC Progress (continued)

Water Import 6-Mile Pipeline from West Hills Treatment Plant

Adopted MOU with the SBCWD (February 2021)

Design is 30% completed

District's Capital Improvement Budget received in the fall of 2021

Costs of providing water negotiated December – February

Tony Akel and Dmitry Semenov/Ridgeline Consulting

These costs are integral piece of the Water Rate Study

Water Rate Study- publicized May 21, 2022; Town Hall Mtg. May 31

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Capital Improvement Component (\$7.7 million)

6-mile pipeline from West Hills Treatment Plant

Detailed assessment of the City's Water System

City's Water Master Plan- the fall of 2020 (Tony Akel)

Amended to integrate the import of water from SBCWD

Projects the City's needs from now until 2040

based upon the General Plan

Amended growth rate to 1.9% per year

City consumes 1.04-1.70 mill. gallons per day;

System to import water is designed for 2.25 million gallons per day

65% of that is needed to size the pipe correctly

5A Proposed Water Rate Increase

Bartle Wells' Erik Helgeson, MBA, Assistant Vice President

Worked with Doug Dove who completed the City's 2015 Rate Study

Completed the City's Sewer Rate Study

Completed this draft working with Dmitry Semenov and Tony Akel

Here to review the Study and Answer Questions

5A- Water Rate Study Objectives

- Financial Sufficiency
 - Fund operating and capital costs while maintaining prudent reserves and debt coverage ratios
- Legally Compliant
 - Prop. 218
- Customer Focused
 - Smooth, predictable increases
- Aligned with District Priorities

Prop. 218 states that a customer's rates "must not generate revenues in excess of the cost of service for which the fee is charged."

Cal. Const., art. XIII D, § 6, subd. (b).

Water Fund - Areas of Focus

- **Increasing Operating Expenses**

- Inflation
- SBCWD annual water purchase costs
- SBCWD connection project costs

- **Project (including projected inflation) to Connect to San Benito County Water District (SBCWD)**

- **\$13.3 million (adjusted the \$12.654 million for inflation)**

- **Support Projected Debt Service**

- Maintain minimum debt service coverage of 1.30x
- Projected debt service
 - Existing debt service, \$409,360
 - Additional annual debt service in 2025, \$461,673
 - Total debt annual service in 2025, \$871,033

Table 1
City of San Juan Bautista
Water Compliance Project
Annual Cost Projection

Description	Annual Amount	Monthly Amount	Details
On-Going Costs			
Cost of Raw Water and Power	\$130,999	\$10,917	Table B-1
Treatment Cost	\$79,636	\$6,636	Table B-2
Fixed O&M Cost	\$108,881	\$9,073	Table B-2
Capital Reserve Contribution	\$41,821	\$3,485	Table B-3
Subtotal: On-Going Costs	\$361,339	\$30,112	
Amortized Costs			
HUAP Buy-In to SBCWD	\$229,525	\$19,127	Table A-1
Project Financing Repayment	\$461,673	\$38,473	Table 4
Subtotal: Amortized Costs	\$691,198	\$57,600	
Total Costs	\$1,052,537	\$87,711	
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No. of Connections	800	800	
Cost per Connection	\$1,316	\$110	

Table 2
City of San Juan Bautista
Water Compliance Project
Project Cost Summary - Construction

Item	Description	Amount	Details
1	Hollister Urban Area Project Buy-In	\$2,992,000	Table A-1
2	Construction Costs	\$7,691,000	Table A-2
3	SBCWD Non-Reimbursable Contribution	(\$869,565)	Table A-3
4	WTP Capital Reserve Contribution	\$352,246	Table A-4
5	Water Blending Equipment	\$100,000	Per HDR
6	Water Softeners Buy-Back	\$193,000	Per Stantec
7	ROW Acquisition	\$15,000	Per Stantec
8	Soft Costs	\$1,580,000	Table A-5
9	Financing Fees	\$235,000	Table 4
10	Construction Interest	\$366,267	Table 4
	TOTAL PROJECT COST	\$12,654,948	

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The Water Enterprise Fund has to finance approximately \$13 million

Not assuming or applying any grants or low interest loans

Need \$7.7 million in capital; District can finance the City's cost

Assumes long-term financing by the District @ 4.5%

"Buying in" to its share of the fixed assets, and CIP reserves

Paying the pass-through costs for raw water

Paying the cost of treating and sending the water, O&M

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Rate Study

Relies on the Ridgeline Consulting Analysis of Data from the District

Relies on recent Audits and the Financial position of the Enterprise Fund

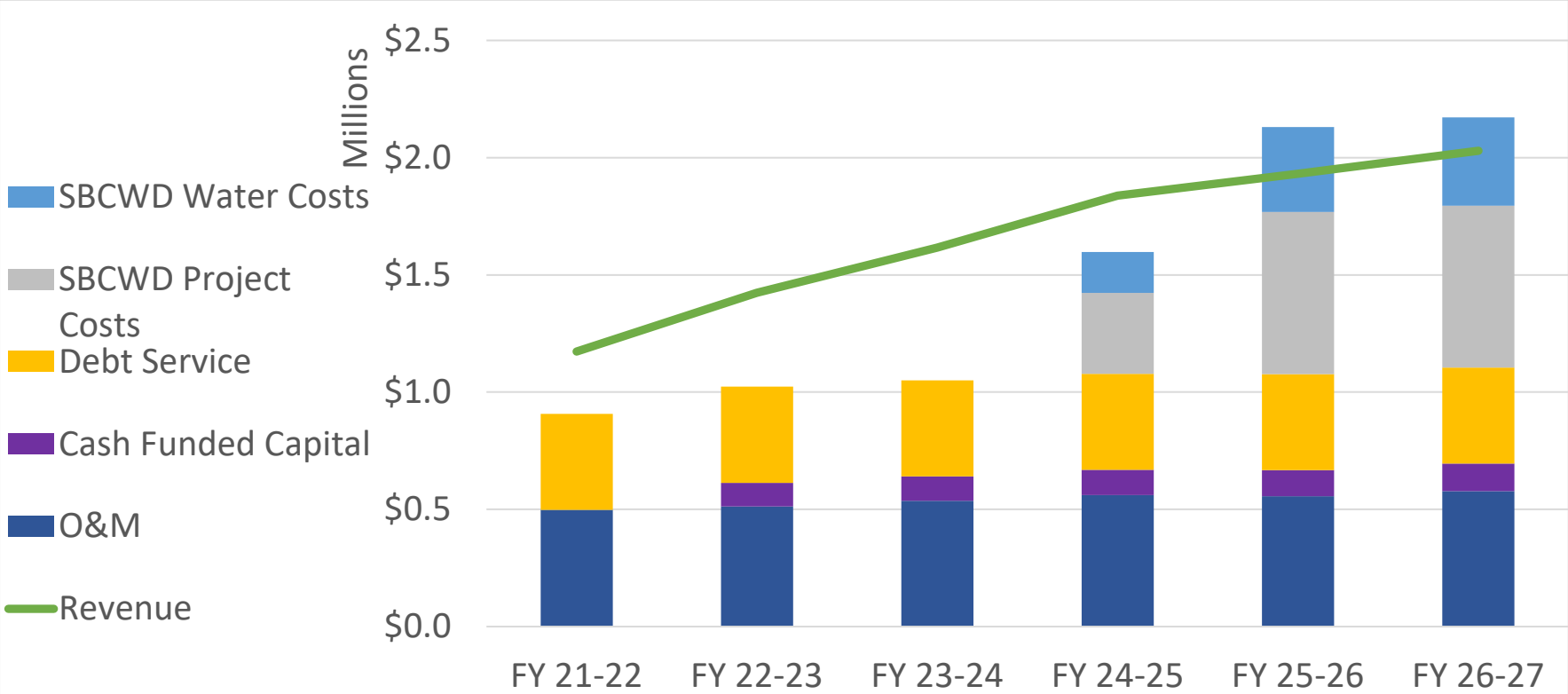
Analyzes savings in the current operations

only applying 35% of the drinking water; reduced City M & O in FY 25/26 when the new system comes on-line

Five-Year Financial Plan

Projected Rate Revenue Increases

	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Rate Revenue Increase	\$167,194	\$191,053	\$218,316	\$89,096	\$93,771
Debt Coverage Ratio	2.22	2.64	2.13	1.35	1.50



Proposed Water Rate Increases

- Projected Rate Adoption Sept. 1, 2022
- Noticed Rates are the Maximum Rates
 - Adopting maximum rates is necessary for project funding approval
 - The City may receive grant funds, the project may cost less than projected (design is at 30%)
 - BWA recommends the City review the financial position

Water Rates	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
	<i>Existing</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>	<i>Proposed</i>
Volumetric Rate \$/1000 gallons	\$6.35	\$7.05	\$8.04	\$9.17	\$9.63	\$10.12
Monthly Base Rate	\$55.76	\$65.91	\$75.15	\$85.68	\$89.97	\$94.47

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Proposition 218 Ballots sent May 31st

A majority of 833 customers have to protest the rate increase

City Council ultimately decides by Ordinance (proposed tonight)

5 written protests received as of 5 PM Monday

The City Clerk is required to tally the protests, then the Council can take action

Disapprove the Rate Increase

Take no action

Approve the First Reading of the Ord. Approving the Rate increase

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PROPOSITION 218 PROCESS

SECTION 2: Protest Submittal.

- A. Written protests against the proposed charge may be submitted to the City Clerk, by:
- (i) Delivery to the Office of the City Clerk located at 311 Second Street, San Juan Batista, CA 95045 during published business hours; or
 - (ii) Mail to the City Clerk at the following address: City Clerk, City of San Juan Batista, PO Box 1420, San Juan Batista, CA 95045; or
 - (iii) Personally submitting the protest at the public hearing.
- B. Protests, including those submitted by mail, must be *received* by the City no later than the close of the public testimony portion of the public hearing.
- C. The City cannot accept protests via fax or email.
- D. The City Council welcomes all interested persons to comment orally at the public hearing. However, unless accompanied by a written protest, oral comments at the public hearing do not qualify as a formal protest. Notwithstanding the foregoing; if, as a result of the COVID-19 emergency, the public is prohibited from attending the hearing in person and is required to participate remotely, the City Council will set aside a time prior to the close of the public testimony portion of the public hearing during which the City Clerk will accept an oral protest that will be treated as a written protest so long as all information (aside from signature) required of a written protest is provided orally.

Questions and Comments?

