

2024 Water Rate Study

Final Draft

Sacramento Suburban Water District

July 15, 2024



Agenda

1. Review Financial Plan
2. Cost of Service & Rate Design
3. Water Shortage Surcharges
4. Capacity Fees
5. Project Schedule

Legal Requirements for Setting Water Rates In California

Proposition 218 (Article XIII D, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).

Financial Plan

2020 – 2024 Economic Impacts

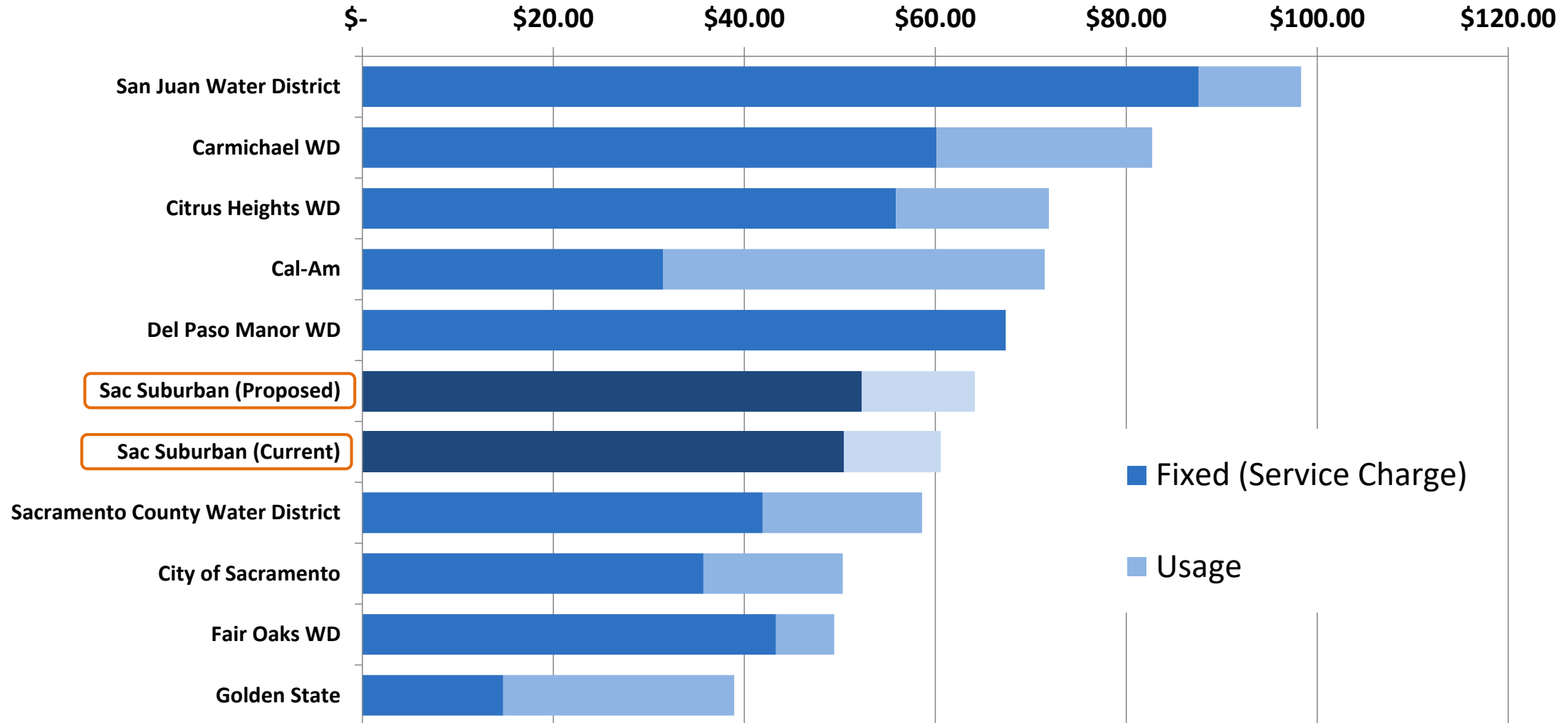
- COVID-19: Changed everything. . .

Inflation	2020	2021	2022	2023	2024	Total
CPI-U West Class B/C	1.7%	4.9%	8.2%	3.3%	3.5%	21.7%
Rate Increases	2020	2021	2022	2023	2024	Total
	5%	4%	3%	3%	3%	18%

- Changes in Construction Costs between 2019 and 2023
 - Fire Hydrant Assembly costs increased by **146%**
 - Short side service costs increased by **142%**
 - 1 mile of water main increased by **75%**
 - Drilled Wells increased by **203%**

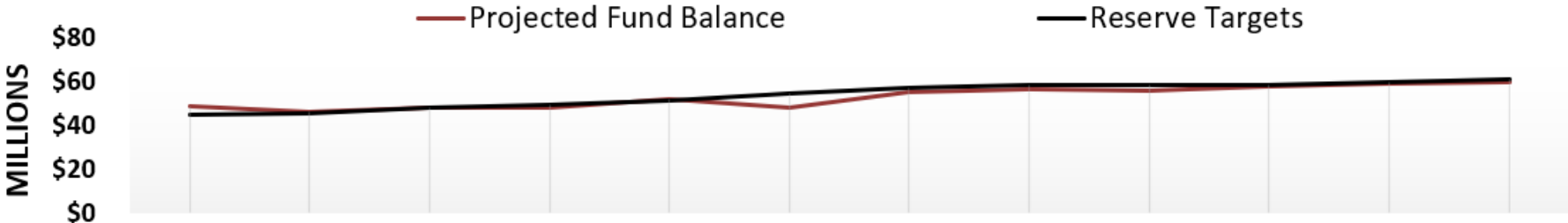
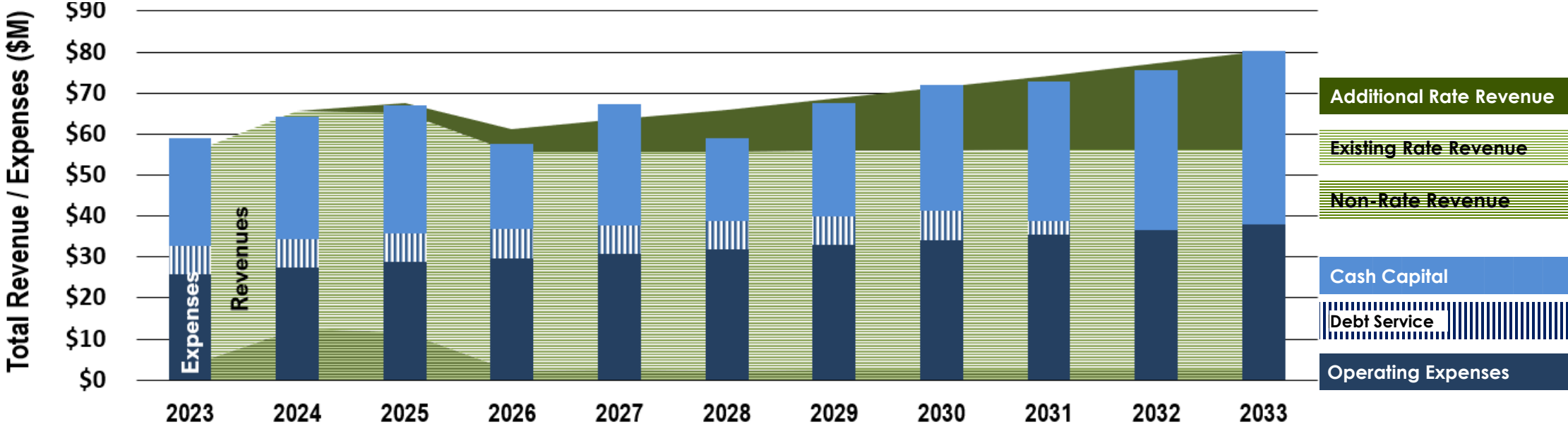
Survey – Single Family Homes

Monthly Bill for typical water usage (10 HCF per month and ¾" meter *)



* Some utilities have a minimum meter size of 1"

10-Year Cash Flow Forecast



	2023	2024	Proposed				Forecasted				
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate Revenue Increase:			5.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Debt Coverage Ratio:	4.22	5.44	5.57	4.48	4.69	4.88	5.11	5.34	11.36	na	na

COST OF SERVICE AND RATE DESIGN

Cost Allocation Results

	Account Charge	Meter Charge	Uniform Rate	Tier 1 Rate	Tier 2 Rate
Units:	46,967 Accounts	94,127 Equivalent Meters	5,353,000 hcf	4,633,700 hcf	2,744,300 hcf
Revenue Requirement:	\$3,919,620	\$34,145,655	\$6,971,525	\$5,372,581	\$4,236,219
Units Costs:	\$83.45 per account per year or \$6.95 per account per month	\$362.76 Per equivalent meter per year or \$30.23 per equivalent meter per month	\$1.30 Per hcf for Uniform Rates	\$1.16 Per hcf for Tier 1	\$1.54 Per hcf for Tier 2
Fixed Revenue 69.7%			Variable Revenue 30.3%		

Proposed Rates (Year 1)

Tier Allocations (per month)

Current & Proposed:

Tier 1: 0 to 15 HCF

Tier 2: 15 HCF+

	Current	Proposed Year 1	Change	
Residential* Tiered Usage Rate (per HCF)				
Tier 1	\$1.01	\$1.16	\$0.15	14.9%
Tier 2	\$1.32	\$1.54	\$0.22	16.7%
Uniform Usage Rate (per HCF)				
Multifamily	\$1.43	\$1.30	-\$0.13	-9.1%
Commercial	\$1.52	\$1.30	-\$0.22	-14.5%
Fixed Monthly Service Charges (per month)				
5/8" meter	\$36.38	\$37.18	\$0.80	2.2%
3/4" meter	\$50.46	\$52.30	\$1.84	3.6%
1" meter	\$78.63	\$82.53	\$3.90	5.0%
1.5" meter	\$149.07	\$158.10	\$9.03	6.1%
2" meter	\$233.57	\$248.79	\$15.22	6.5%
3" meter	\$458.95	\$490.63	\$31.68	6.9%
4" meter	\$712.49	\$762.70	\$50.21	7.0%
6" meter	\$1,416.77	\$1,518.46	\$101.69	7.2%
8" meter	\$2,543.63	\$2,727.66	\$184.03	7.2%
10" meter	\$3,388.77	\$3,634.57	\$245.80	7.3%
12" meter	\$4,762.12	\$5,108.28	\$346.16	7.3%

* Includes single family and small multifamily accounts (3 units or fewer)

Bill Impact Analysis

	Meter Size	Monthly Water Use (hcf)	Current Bill	Proposed Bill	Change \$	%
Single Family						
Low Use	3/4"	7.0	\$57.53	\$60.42	\$2.89	5.0%
Median Use	3/4"	9.0	\$59.55	\$62.74	\$3.19	5.4%
Average Use	3/4"	14.0	\$64.60	\$68.54	\$3.94	6.1%
Above Average Use	3/4"	20.0	\$71.90	\$77.40	\$5.50	7.6%
High Use	1"	42.0	\$129.11	\$141.51	\$12.40	9.6%
Multifamily						
Small Complex	1"	35.0	\$128.68	\$128.03	-\$0.65	-0.5%
Average Complex	1.5"	92.0	\$280.63	\$277.70	-\$2.93	-1.0%
Large Complex	2"	153.0	\$452.36	\$447.69	-\$4.67	-1.0%
Very Large Complex	6"	835.0	\$2,610.82	\$2,603.96	-\$6.86	-0.3%
Commercial						
Average Water Use	3/4"	15.0	\$73.26	\$71.80	-\$1.46	-2.0%
High Water Use	3/4"	45.0	\$118.86	\$110.80	-\$8.06	-6.8%
Average Water Use	2"	91.0	\$371.89	\$367.09	-\$4.80	-1.3%
High Water Use	2"	273.0	\$648.53	\$603.69	-\$44.84	-6.9%
Average Water Use	4"	390.0	\$1,305.29	\$1,269.70	-\$35.59	-2.7%
High Water Use	4"	1170.0	\$2,490.89	\$2,283.70	-\$207.19	-8.3%

* Results include the 5 percent Year 1 rate increases

Private Fire Protection

- About 15-20% of transmission capacity is driven by fire protection requirements
- Private fire services deliver fire protection directly to buildings
- Fire Protection capacity is made up of about 84% public fire hydrants and 16% private fire services

	Number of Accounts	Monthly Account Charge	Monthly Private Fire Capacity Charge	Total Monthly Private Fire Charge	Annual Revenue	Current Rate
2" Service	16	\$6.95	\$4.73	\$11.68	\$2,200	\$15.87
3" Service	7	\$6.95	\$12.62	\$19.57	\$1,600	\$29.76
4" Service	233	\$6.95	\$26.82	\$33.77	\$94,400	\$48.40
6" Service	362	\$6.95	\$78.88	\$85.83	\$372,800	\$96.41
8" Service	281	\$6.95	\$168.02	\$174.97	\$590,000	\$170.55
10" Service	31	\$6.95	\$302.11	\$309.06	\$115,000	\$266.45
12" Service	11	\$6.95	\$488.27	\$495.22	\$65,400	\$296.95
Totals	941				\$1,241,400	

WATER SHORTAGE SURCHARGE POLICY

Water Shortage Surcharge Analysis

	Use Reduction Goal -->	Up to 20%	Up to 30%	Up to 40%	Up to > 50%
Assumed Water Use Reduction -->		16%	26%	35%	45%
Water Shortage Surcharge -->		0%	0%	13%	32%

	Normal Supply	Stage 1	Stage 2	Stage 3	Stage 4
<i>Estimated Financial Impact from Water Shortage</i>					
Reduced Water Sales Revenue	(na)	-\$2,653,000	-\$4,311,000	-\$5,803,000	-\$7,461,000
Reduced Water Purchase Costs	(na)	\$1,841,231	\$2,992,000	\$2,992,000	\$2,992,000
Reduced Pumping & Chemical Costs	(na)	\$38,000	\$511,000	\$733,000	\$979,000
Increase in Conservation Program Costs	(na)	-\$177,700	-\$266,700	-\$355,700	-\$443,700
Estimated Financial Deficit:	\$0	-\$951,469	-\$1,074,700	-\$2,433,700	-\$3,933,700
Increase in Revenue from Surcharges	(na)	\$0	\$0	\$1,401,000	\$2,918,000
Strategic Use of Reserves	\$0	-\$951,469	-\$1,074,700	-\$1,032,700	-\$1,015,700

Sample Single Family Residential Charges

Based on CY 2025 Rates

Shortage Stage	Single Family Use Reduction Goal	Monthly Water Use (Gallons) ¹	Monthly Service Charge	Water Usage Charge	Water Shortage Charge	Total Monthly Water Bill	Change from Normal Bill ³
<i>Average Single Family Customer Meeting Reduction Goals ²</i>							
Normal Conditions	0%	10,500	\$52.30	\$16.28	n/a	\$68.58	n/a
Stage 1 Voluntary	20%	8,400	\$52.30	\$13.03	n/a	\$65.33	-\$3.25
Stage 2 Mandatory	30%	7,400	\$52.30	\$11.48	n/a	\$63.78	-\$4.80
Stage 3 Mandatory	40%	6,300	\$52.30	\$9.77	\$1.27	\$63.34	-\$5.24
Stage 4 Mandatory	50%	5,300	\$52.30	\$8.22	\$2.63	\$63.15	-\$5.43
<i>Average Single Family Customer With No Water Use Reduction ²</i>							
Normal Conditions	0%	10,500	\$52.30	\$16.28	n/a	\$68.58	n/a
Stage 1 Voluntary	20%	10,500	\$52.30	\$16.28	n/a	\$68.58	\$0.00
Stage 2 Mandatory	30%	10,500	\$52.30	\$16.28	n/a	\$68.58	\$0.00
Stage 3 Mandatory	40%	10,500	\$52.30	\$16.28	\$2.12	\$70.70	\$2.12
Stage 4 Mandatory	50%	10,500	\$52.30	\$16.28	\$5.21	\$73.79	\$5.21

Notes:

¹ Water usage is rounded the nearest 100 gallons.

² Assumes single family customer with 3/4" meter and average water usage during "normal conditions" (i.e., Stage 0).

³ Comparison is with water bill based on normal water usage and standard water rates.

CAPACITY FEE STUDY

Buy-In Calculation

RCNLD of all assets	\$431,156,000
Less Outstanding Debt Principal as of December 31, 2023	-\$43,045,000
Construction In Progress	\$33,625,000
Plus Total Cash Reserves	\$46,377,000

Total Utility Valuation: \$468,113,000

**divided by existing
capacity: 94,127**

**Proposed Capacity
Charge (\$ per EM): \$4,973**

**2023 RFC update (\$ per
EM): \$4,463**

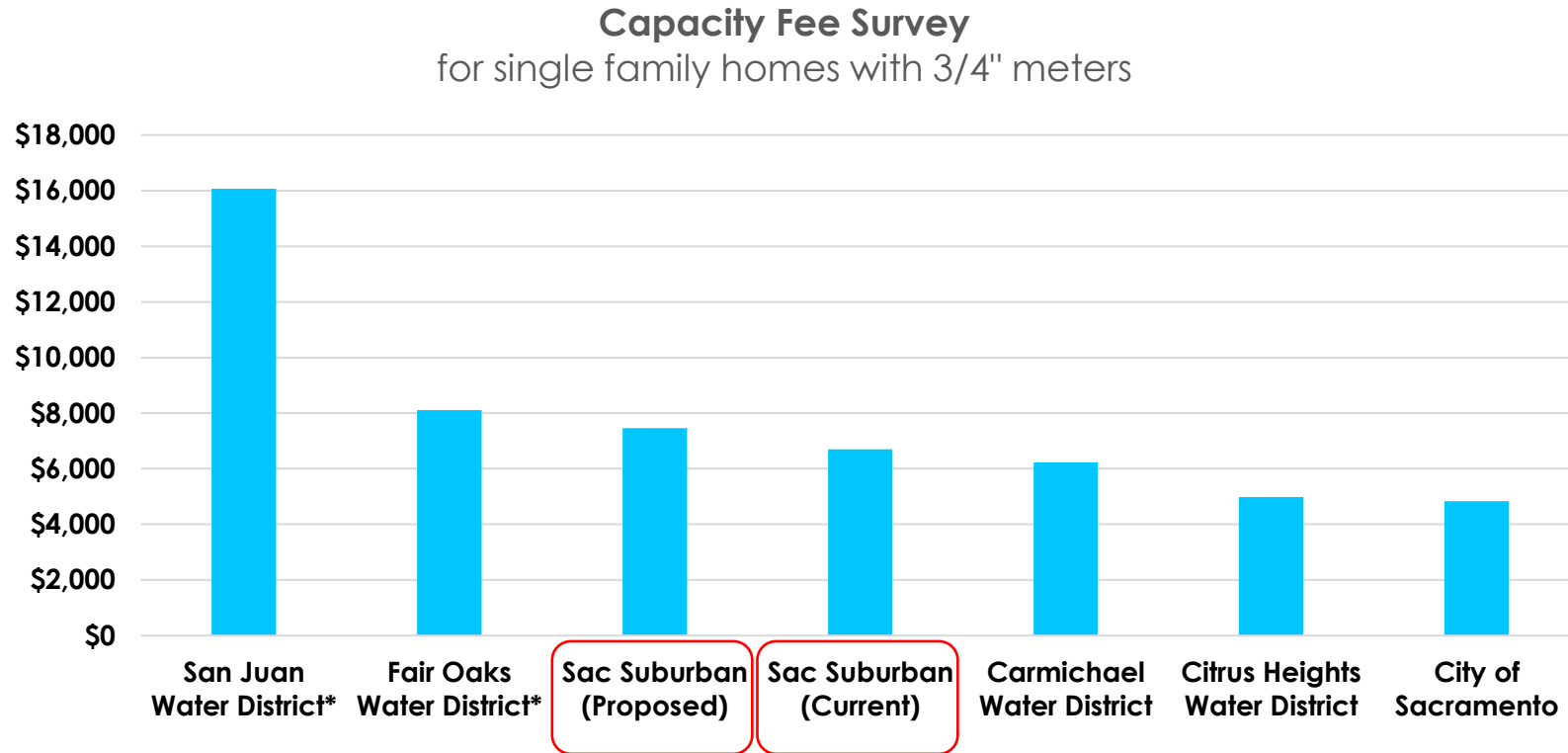
Increase: \$510 11.4%

Proposed Capacity Fee Schedule

	Current	Proposed	Change
5/8" Service	\$4,463	\$4,973	\$510 11.4%
3/4" Service	\$6,695	\$7,460	\$765 11.4%
1" Service	\$11,158	\$12,433	\$1,275 11.4%
1 1/2" Service	\$22,315	\$24,865	\$2,550 11.4%
2" Service	\$35,704	\$39,784	\$4,080 11.4%
3" Service	\$71,409	\$79,568	\$8,159 11.4%
4" Service	\$111,576	\$124,325	\$12,749 11.4%
6" Service	\$223,152	\$248,650	\$25,498 11.4%
8" Service	\$401,674	\$447,570	\$45,896 11.4%
10" Service	\$535,565	\$596,760	\$61,195 11.4%
12" Service	\$753,138	\$839,194	\$86,056 11.4%

Capacity Fee Survey

for single family homes with 3/4" meter



* Smallest available connection size is 1"

Next Steps

Project Schedule

- June Board Workshop – 06/24/24
 - Water Rate Study Timeline Approved
 - Presentation of initial Water Rate Study findings
- July Board Meeting – 07/15/24
 - Final draft of Water Rate Study Presented
 - Consider approval for purposes of holding a Public Hearing
 - Board to approve sending Notices. (Printing set for 08/05/24; mailing on 08/16/24.)
- August Board Meeting – 08/19/24
 - Provide Board/Public with FAQ's and Answers
- September Board Meeting – 09/16/24
 - Provide Board/Public with FAQ's and Answers
- Open House – 10/09/24, 6:00 pm (tentative)
 - Multi-Purposed Event, Including answering questions on Water Rate Study
- October Special Board Meeting – 10/14/24, 6:00 pm
 - Public Hearing on Proposed Water Rates
- New Rates Proposed Effective Date – 01/01/2025