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City of Fowler

# Water Rate Analysis

February 21, 2023

Public Finance  
Public-Private Partnerships  
Development Economics  
Clean Energy Bonds

*Office Locations: Newport Beach | San Jose | San Francisco | Riverside | Dallas | Houston | Raleigh | Tampa*

# Agenda

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- Introduction
- 2021-2022 Summary
- Budget Comparison
- Items Funded in 5-Year Program
- Comparison with other jurisdictions
- Potential Scenarios
- Sample Monthly Water Bills
- 5-Year Model
- Topics for Consideration
- Next Steps

# Introduction

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- City's existing water rates are not able to fund City's water operations and facilities costs
- City staff has engaged DTA to analyze potential new water rate structures based on City's latest costs and projections and aggregate usage data
- Based on information presented here today, we are requesting Council input

# 2021-2022 Summary

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- Total 2021-22 Budget equal to \$1.66 million
- 2021-22 rate structure
  - Base monthly rate of \$23.240 for first 10,000 gallons
  - Commodity rate of \$2.324 per 1,000 gallons above 10,000 gallons
- Total 2021-22 Rate Revenue equal to \$1.40 million
- Total 2021-22 Other Revenue equal to \$0.15 million
- Total 2021-22 Revenue of \$1.55 million

# Budget Comparison

Item	2021-22 Actual	2022-23 Original Budget *	2022-23 Alternate Budget (2022-23 Original Budget + updated CIP costs + Estimated Operating Reserve) **
Revenue Requirement			
<i>Operating Costs</i>			
Wage & Benefits	\$775,738	\$928,080	\$928,080
Operations & Maintenance	\$114,334	\$163,602	\$163,602
Outside Services	\$75,981	\$105,165	\$105,165
Utilities/Energy	\$295,066	\$202,225	\$202,225
Insurance	\$75,366	\$75,126	\$75,126
Miscellaneous	\$58,137	\$99,205	\$99,205
<i>Subtotal Operating Costs</i>	<i>\$1,394,622</i>	<i>\$1,573,404</i>	<i>\$1,573,404</i>
Capital Expenditures – Pay-as-you-go	\$137,639	\$280,000	\$469,500
Debt Service	\$126,140	\$125,098	\$125,098
Estimated Operating Reserve	\$0	\$0	\$52,447
<b>Total</b>	<b>\$1,658,401</b>	<b>\$1,978,502</b>	<b>\$2,168,002</b>

\* Used in Scenarios 0 and 1

\*\* Used in Scenarios 2 and 3

# Items Funded in 5-Year Program \*

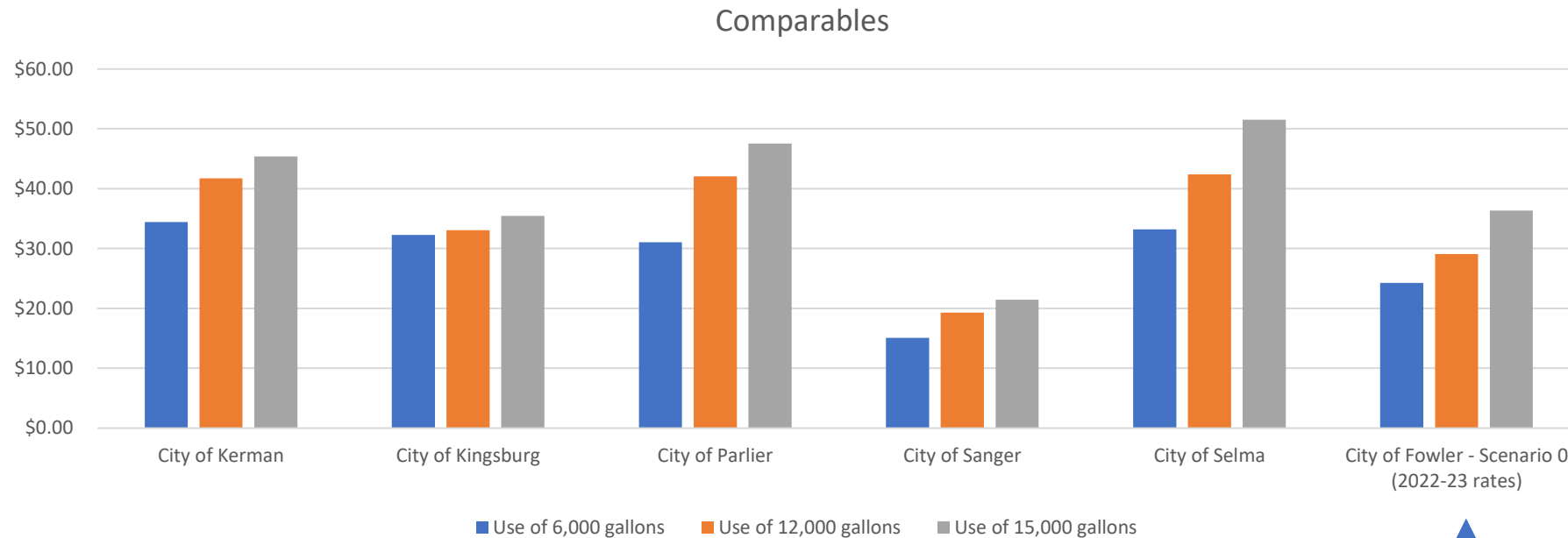
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- What is updated CIP paying for?
  - Replace hydrants/valves
  - Replace remaining water meters
  - Water system GIS database
  - Water master plan
  - SKGSA contribution
- Estimated Operating Reserve

\* 5-Year CIP based on alternate budget

# Comparison with other Jurisdictions

- Monthly water bill for single family homes assuming low, mid, and high water usage



↑  
*2022-23 Rates  
Budget Shortfall*

# Potential Scenarios

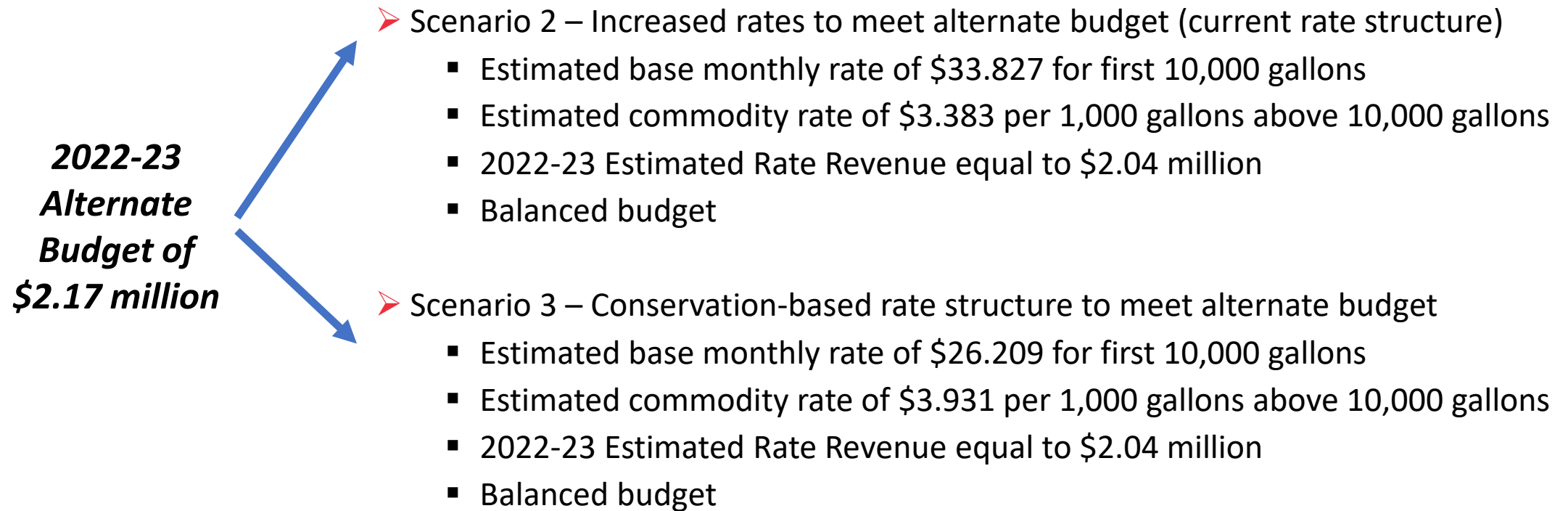
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- Scenario 0 – Do Nothing
  - Base monthly rate of \$24.240 for first 10,000 gallons
  - Commodity rate of \$2.424 per 1,000 gallons above 10,000 gallons
  - 2022-23 Estimated Rate Revenue equal to \$1.46 million
  - 2022-23 Estimated shortfall equal to approximately \$336,000
  
- Scenario 1 – Increased rates to meet current budget
  - Estimated base monthly rate of \$29.815 for first 10,000 gallons
  - Estimated commodity rate of \$2.982 per 1,000 gallons above 10,000 gallons
  - 2022-23 Estimated Rate Revenue equal to \$1.80 million
  - Balanced budget

**Note: All numbers shown above are preliminary and subject to change. To fully fund 5-year CIP, rate increases will be needed.**



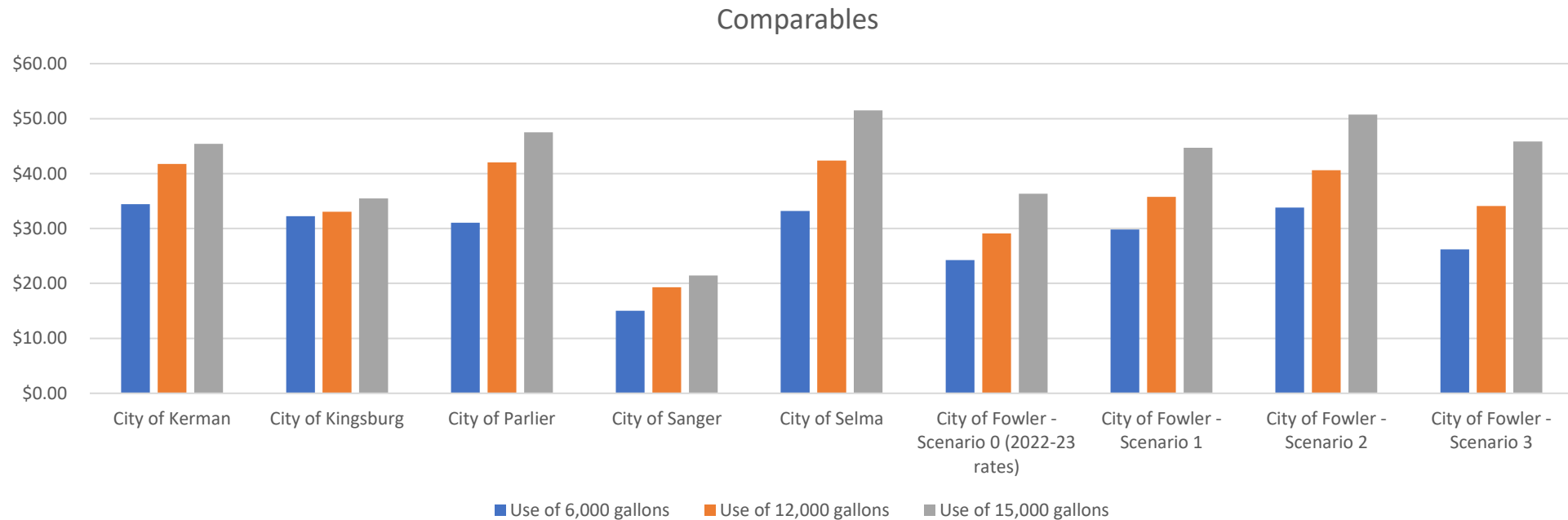
# Potential Scenarios (cont.)



**Note: All numbers shown above are preliminary and subject to change. To fully fund 5-year CIP, rate increases will be needed.**

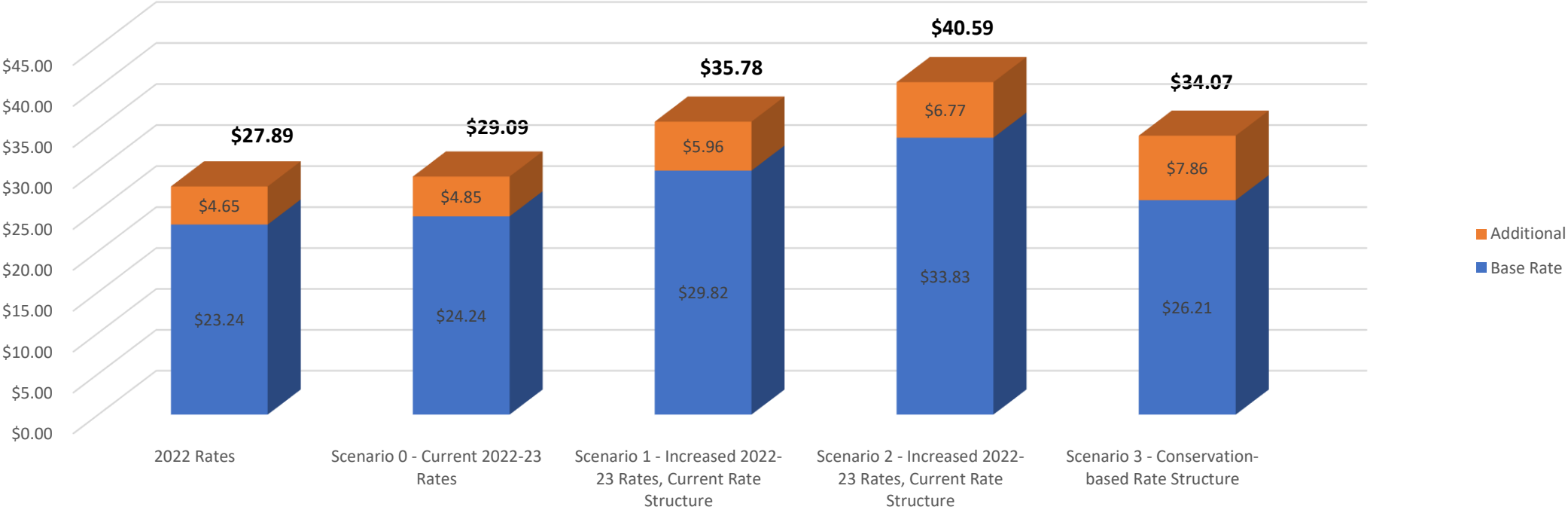
# Comparison with other Jurisdictions

- Monthly water bill for single family homes assuming low, mid, and high water usage



# Sample Monthly Water Bills

Average User (12,000 Gallons per month)



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*Funding Existing Budget*

↙ ↘  
*Funding Alternate Budget*

## 5-Year Model (to be prepared)

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- Rate Escalation
  - Growth/New Customers
  - Cost of Living Increases
  - Annual CIP Costs/Timing
  - Debt Service obligations/coverage requirements
  - Reserve Policy
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- Rate increases will be needed in future years to cover updated CIP costs and all other factors

# Topics for Consideration

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- City Council direction regarding the following:
  - Which budget to fund?
    - Current 2022-23 budget
    - Alternate 2022-23 budget
  - Which rate structure to use?
    - Current structure (constant rate per 1,000 gallons)
    - Conservation-based structure

# Next Steps

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- City Council to provide direction regarding budget and rate structure
- Timing/Schedule
  - Preliminary 5-year rate model
  - Draft rate study report
  - Prop 218 process

# Prop 218 Process

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Procedures/requirements in Article XIII C and D, Section 6(a) of the California Constitution to impose or increase a fee or charge are as follows:

- Provide written notice by mail to the customer and/or property owner of each identified parcel.
- Conduct a public hearing not less than 45 days after the mailing.
- Consider “all protests against the proposed fee or charge.”
- If written protests against the fee are presented by a majority of owners/tenants of the identified parcels, then the fee cannot be imposed.



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**Thank You!**

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