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City of Fowler

# Water Rate Council Workshop

July 18, 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
- Proposed Rate Structure
- Revenue Requirements
- Capital Projects and Debt Service Detail
- Annual Revenue Detail
- Summary
- Sample Monthly Water Bills
- Comparison with other jurisdictions
- Next Steps

# Introduction

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- DTA participated in Council workshop 5/2/23
- City staff and DTA presented scenarios related to a two-tier rate structure
- Council directed City staff to proceed with two-tier conservation based structure
- Team is now here to present the proposed rate structure and next steps to implementation

# Proposed Rate Structure

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- Prior conservation rate structure based on two-tiers with same rates for all land uses
- Proposed two-tier rate structure:
  - Tiered conservation rate structure for Residential Property, Commercial Property, and Institutional Property
  - Tiered constant rate structure for Industrial Property (no conservation component)
- Structure was updated slightly to be more equitable pursuant to Prop 218
- City staff and DTA reviewed existing rate data and better allocated the revenues/costs to the different land uses
- Timing of capital improvements was adjusted slightly
- Structure now includes a separate rate for industrial property due to their relatively higher usage

# Proposed Rate Structure

Year Number	Current	Projected Year				
		1	2	3	4	5
Fiscal Year	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
<b>Resi./Comm./Inst. Rate</b>						
Base Rate (\$ for first 10,000 gallons)	\$24.24	\$26.50	\$27.83	\$29.22	\$30.68	\$32.21
Additional Rate (\$ per 1,000 gallon)	\$2.42	\$4.64	\$4.87	\$5.11	\$5.37	\$5.64
<b>Industrial Rate</b>						
Base Rate (\$ for first 10,000 gallons)	\$24.24	\$40.80	\$42.84	\$44.98	\$47.23	\$49.59
Additional Rate (\$ per 1,000 gallon)	\$2.42	\$4.08	\$4.28	\$4.50	\$4.72	\$4.96

- Reserve balance at end of 5 years equal to approximately 3.7 months of O&M costs
- No years of negative cash flow or draw on reserve balance
- Assumes annual cost inflation of 3.00%
- Assumes 5.00% reduction in overall residential usage due to conservation
- For residential/commercial/institutional property, assumes 1.75% rate multiplier for Tier 2 rate per 1,000 gallons
- For industrial property, assumes no multiplier for Tier 2 rate per 1,000 gallons

Note: Year 1 increase is approximately 9.3% for res./comm/inst. and 68% for industrial. Rates increase each year thereafter at 5.0% annually.

# Revenue Requirements

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- Employee wages and benefits
- Annual operations & maintenance
- Existing debt service
- Capital expenditures
- Establish an operational reserve fund

# Revenue Requirements

Year Number	Projected Year				
	1	2	3	4	5
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
Revenue Requirement					
<i>Operating Costs *</i>					
Wage & Benefits	\$955,922	\$984,600	\$1,014,138	\$1,044,562	\$1,075,899
Operations & Maintenance	\$168,511	\$173,566	\$178,773	\$184,137	\$189,661
Outside Services	\$108,320	\$111,570	\$114,917	\$118,364	\$121,915
Utilities/Energy	\$208,292	\$214,541	\$220,977	\$227,606	\$234,434
Insurance	\$77,380	\$79,701	\$82,092	\$84,555	\$87,092
Miscellaneous	\$102,181	\$105,247	\$108,404	\$111,656	\$115,006
<i>Subtotal Operating Costs</i>	\$1,620,606	\$1,669,224	\$1,719,301	\$1,770,880	\$1,824,006
Capital Expenditures – Pay-as-you-go	\$448,943	\$666,337	\$822,721	\$903,493	\$1,069,092
Debt Service	\$123,881	\$103,334	\$103,254	\$103,189	\$103,233
<b>Total</b>	<b>\$2,193,430</b>	<b>\$2,438,895</b>	<b>\$2,645,276</b>	<b>\$2,777,562</b>	<b>\$2,996,331</b>

\* Operating costs include annual 3% annual escalation

# Capital Projects & Debt Service Detail

Year Number	Projected Year				
	1	2	3	4	5
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
<b>Capital Expenditures - Pay-as-you-go:</b>					
Replace 20 Hydrants/25 Valves	\$0	\$227,500	\$227,500	\$0	\$0
Replace 600 Water Meters	\$0	\$0	\$112,500	\$112,500	\$225,000
Replace 100 Water Services	\$0	\$0	\$0	\$260,000	\$260,000
Water System GIS Database	\$50,000	\$0	\$0	\$0	\$0
SGMA Contribution (5yr FY23/24 through FY 27/28)	\$398,943	\$438,837	\$482,721	\$530,993	\$584,092
<b>Subtotal</b>	<b>\$448,943</b>	<b>\$666,337</b>	<b>\$822,721</b>	<b>\$903,493</b>	<b>\$1,069,092</b>
<b>Debt Service:</b>					
2004 Water System Exhibit B	\$103,331	\$103,334	\$103,254	\$103,189	\$103,233
Farmers Loan 2010 Bond Refunding	\$20,550	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$123,881</b>	<b>\$103,334</b>	<b>\$103,254</b>	<b>\$103,189</b>	<b>\$103,233</b>
<b>Total Capital Improvements &amp; Debt Service</b>	<b>\$572,824</b>	<b>\$769,671</b>	<b>\$925,975</b>	<b>\$1,006,682</b>	<b>\$1,172,325</b>



# Annual Revenue Detail

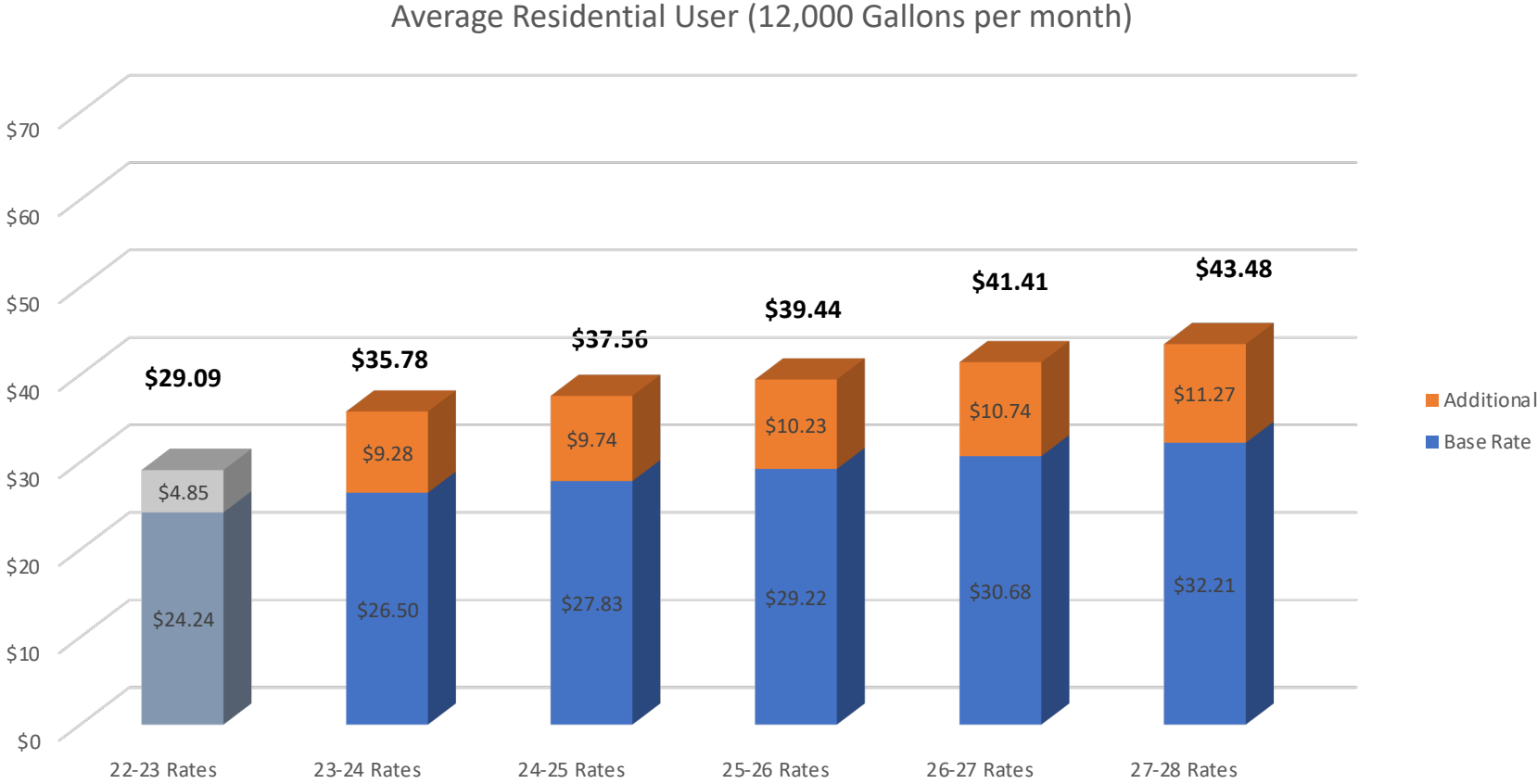
Year Number	Projected Year				
	1	2	3	4	5
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
<b>Residential/Commercial/Institutional Rate</b>					
Base Tier	\$690,378	\$739,538	\$783,544	\$830,176	\$879,590
Commodity Tier	\$991,681	\$975,705	\$1,032,973	\$1,093,619	\$1,157,841
<b>Subtotal</b>	<b>\$1,682,059</b>	<b>\$1,715,243</b>	<b>\$1,816,517</b>	<b>\$1,923,795</b>	<b>\$2,037,431</b>
<b>Industrial Rate</b>					
Base Tier	\$11,750	\$12,338	\$12,955	\$13,603	\$14,283
Commodity Tier	\$629,836	\$661,328	\$694,394	\$729,114	\$765,570
<b>Subtotal</b>	<b>\$641,587</b>	<b>\$673,666</b>	<b>\$707,349</b>	<b>\$742,717</b>	<b>\$779,853</b>
<b>Non-Rate Revenue</b>	<b>\$180,548</b>	<b>\$180,548</b>	<b>\$180,548</b>	<b>\$180,548</b>	<b>\$180,548</b>
<b>Total Revenue</b>	<b>\$2,504,194</b>	<b>\$2,569,457</b>	<b>\$2,704,415</b>	<b>\$2,847,059</b>	<b>\$2,997,831</b>

# Summary

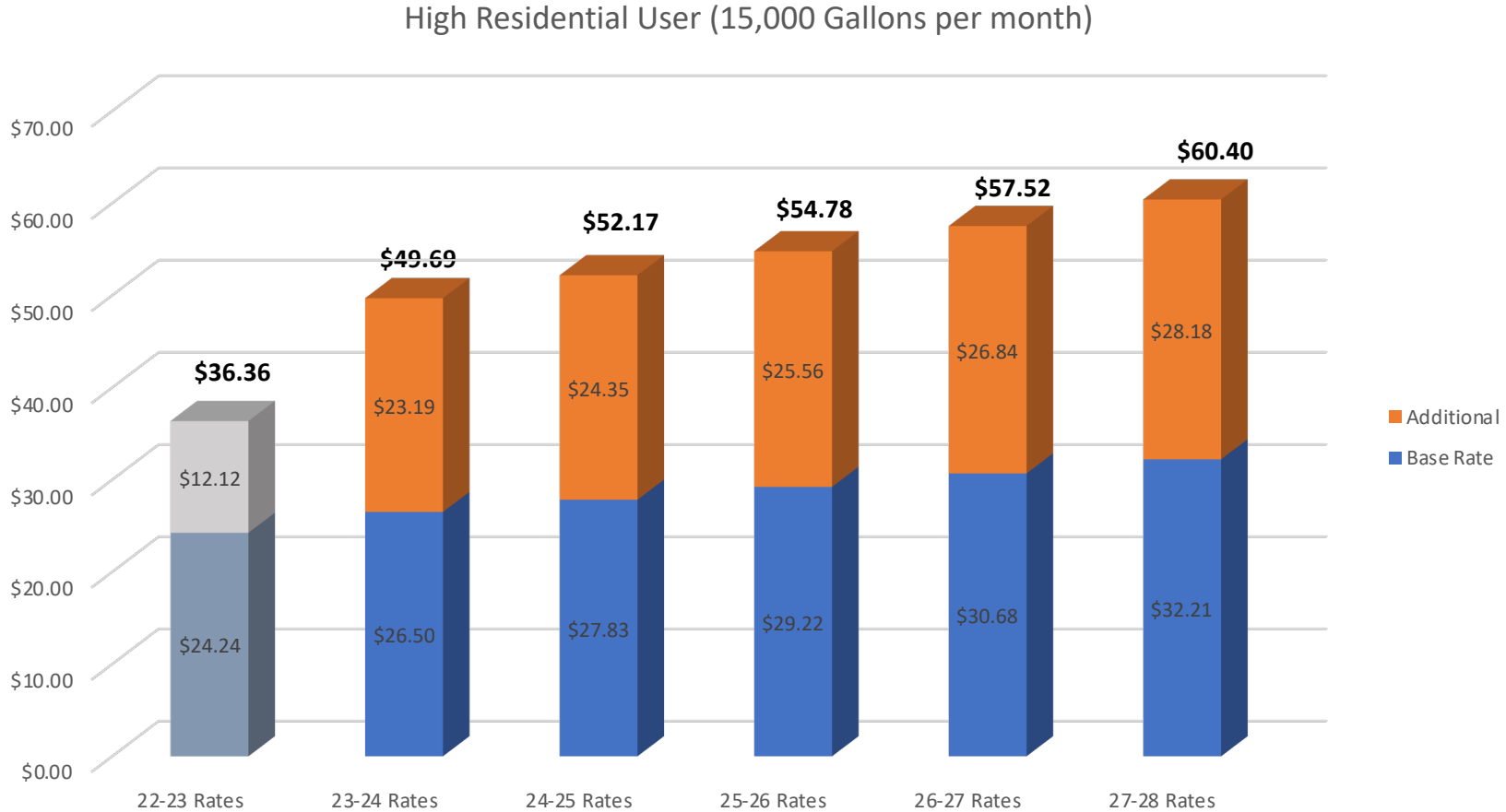
Year Number	Projected Year				
	1	2	3	4	5
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
Revenue Requirements	\$2,193,430	\$2,438,895	\$2,645,276	\$2,777,562	\$2,996,331
Revenue	\$2,504,194	\$2,569,457	\$2,704,415	\$2,847,059	\$2,997,831
<b>Net Revenue</b>	<b>\$310,764</b>	<b>\$130,562</b>	<b>\$59,139</b>	<b>\$69,497</b>	<b>\$1,500</b>
Operating Reserve Balance *	\$310,764	\$441,326	\$500,464	\$569,960	\$571,460

\* Ending reserve balance covers costs for roughly 3.7 months

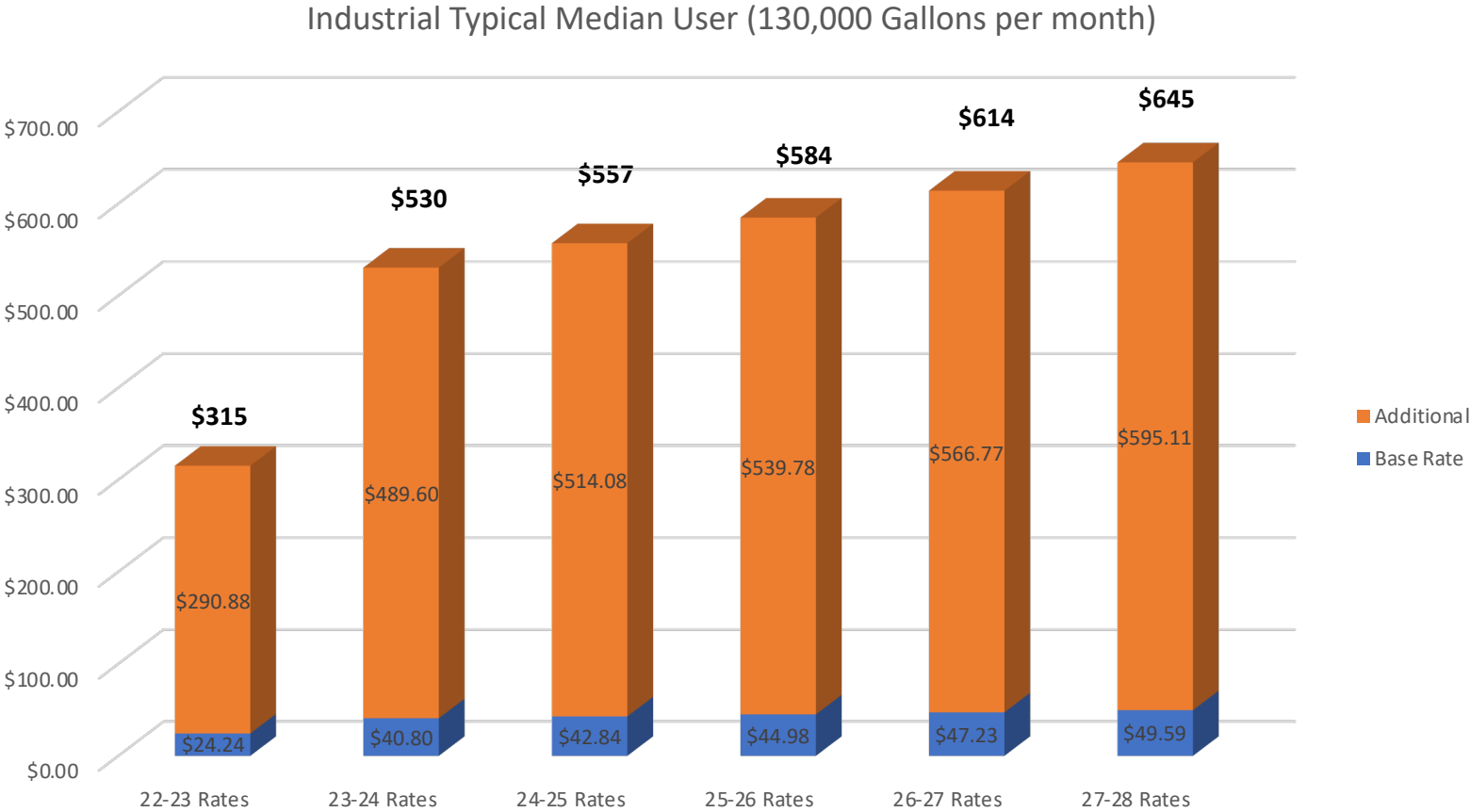
# Sample Residential Monthly Water Bills



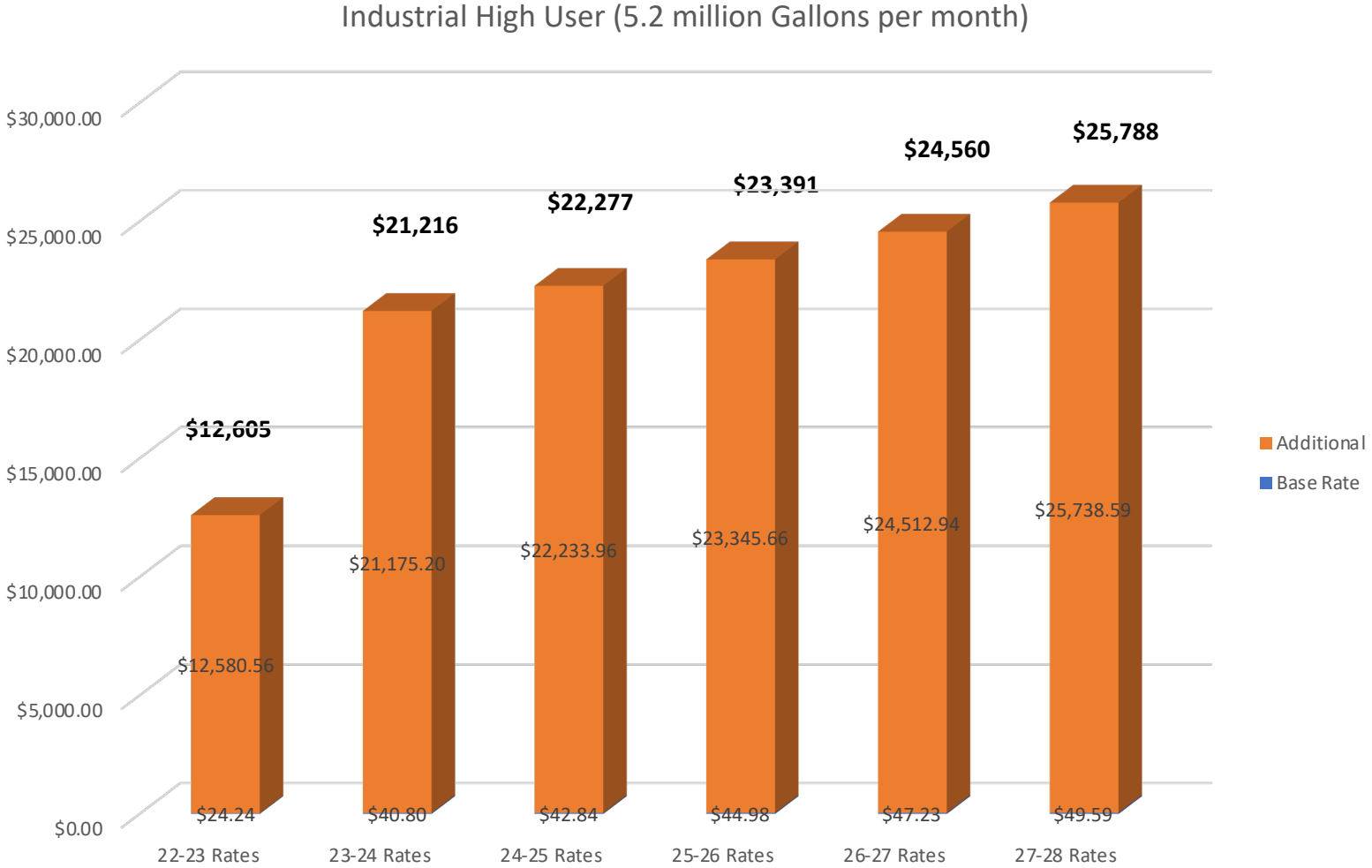
# Sample Residential Monthly Water Bills (cont.)



# Sample Industrial Monthly Water Bills

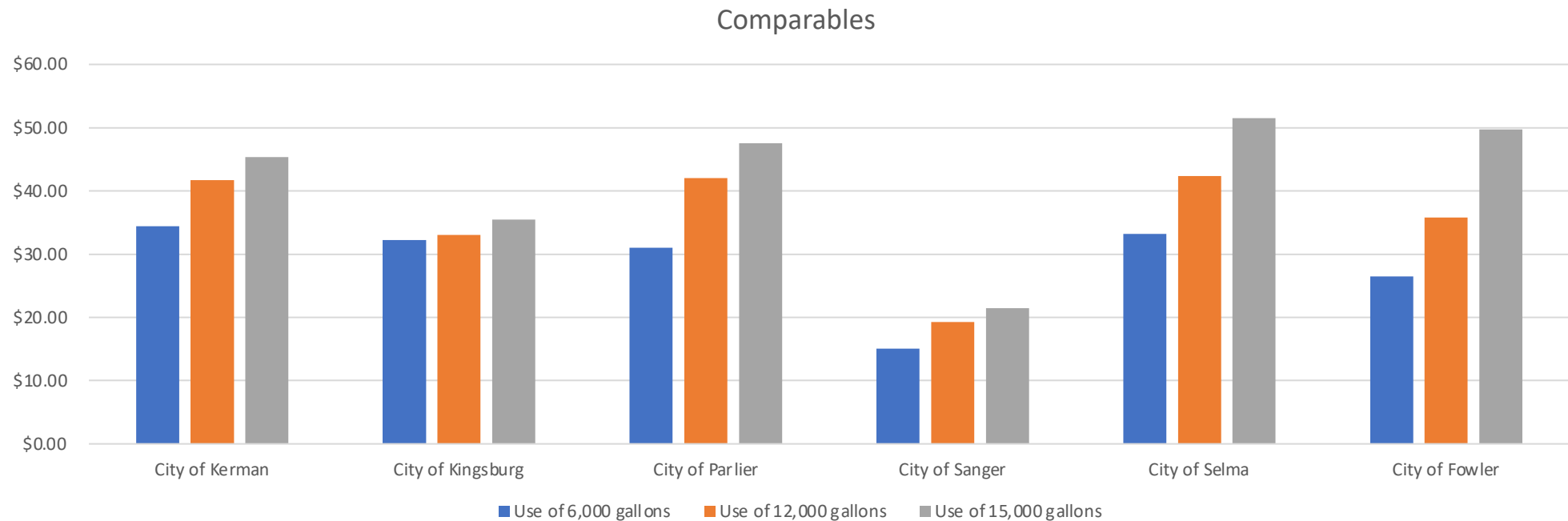


# Sample Industrial Monthly Water Bills



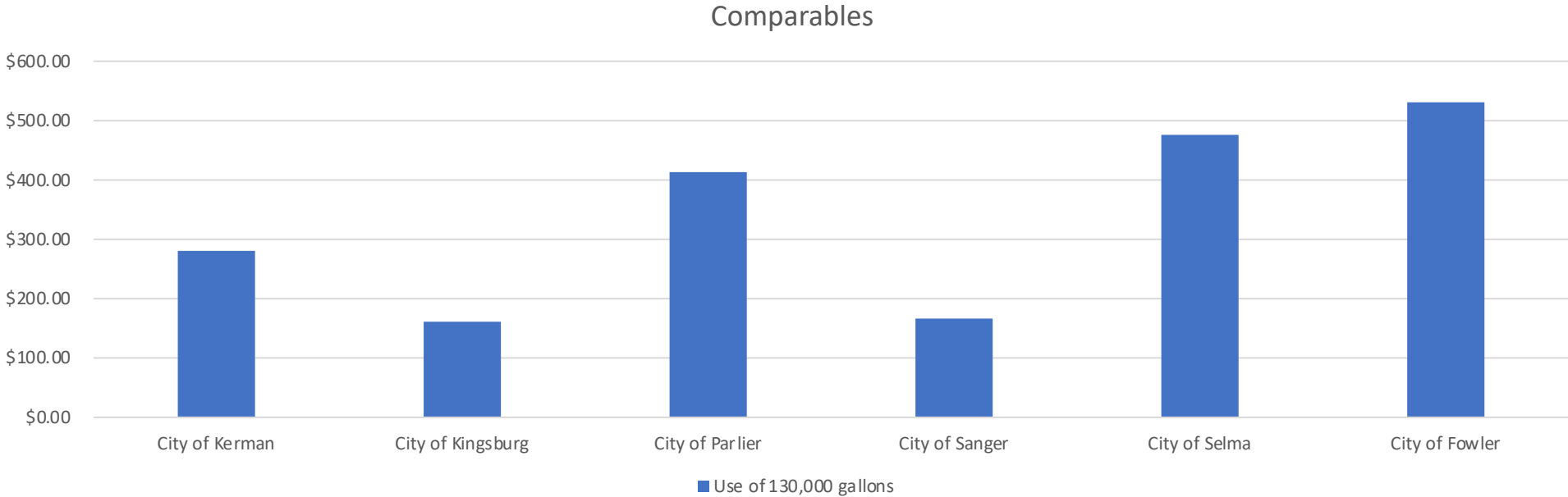
# Comparison with other Jurisdictions

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



# Comparison with other Jurisdictions

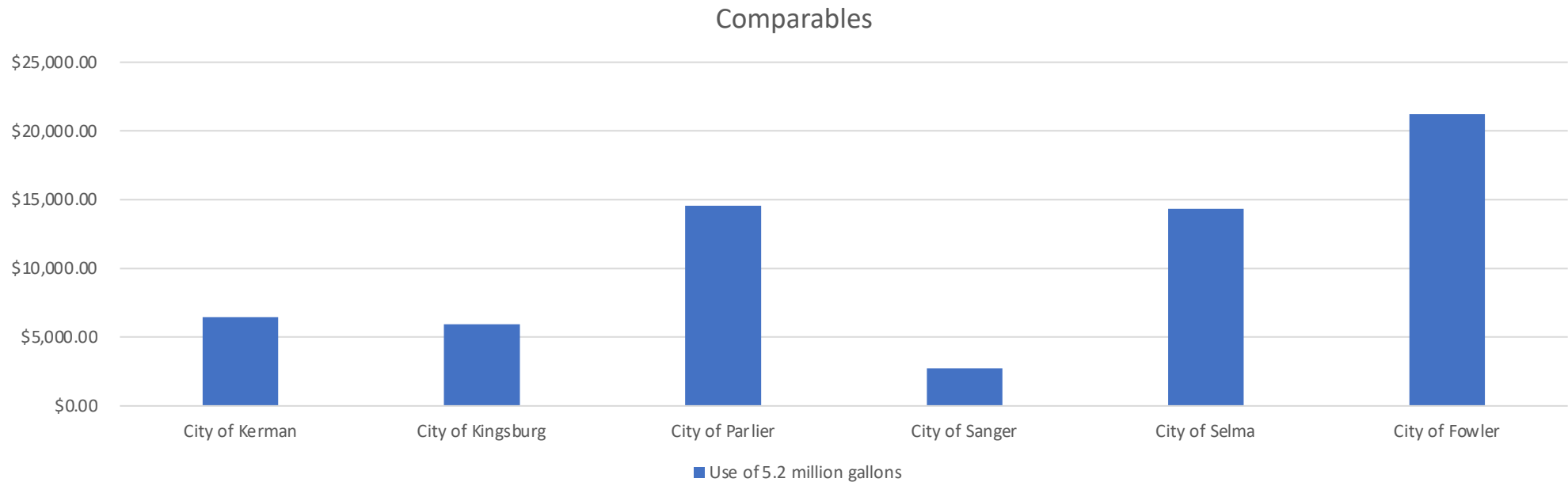
- Monthly water bill for industrial property assuming 130,000 gallons/month





# Comparison with other Jurisdictions

- Monthly water bill for industrial property assuming 5.2 million gallons/month



# Next Steps

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- July 18 – Today’s Council workshop
- July 28 - DTA coordinates with City regarding “record owners” for Notices of Public Hearing
- August 25 - DTA provides final Rate Study report and Notice
- Prop 218 Process
  - September 1 - Mail notices no later than 45 days prior to public hearing
  - October 17 - Conduct public hearing
  - October 17 - New rates are adopted if no majority protest



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**Thank You!**

**18201 Von Karman Avenue, Suite 220  
Irvine, CA 92612**