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City of Fowler

# Water Rate Council Workshop

November 7, 2023

Public Finance  
Public-Private Partnerships  
Development Economics  
Clean Energy Bonds

*Office Locations: Irvine | 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 meeting 7/18/23
- Following the Council meeting, Council provided the following guidance:
  - Council directed City staff to proceed with a two-tiered conservation-based structure
  - Council directed City staff to reduce capital costs
  - Council directed City staff to increase base tier threshold from 10,000 gallons to 12,000 gallons
  - Council directed City staff to reduce ending reserve balance
  - Council also expressed desire to reduce rate for Industrial Property while maintaining equitable allocation to all land use types
- Team is now here to present the proposed rate structure and next steps to implementation

# Proposed Rate Structure

- Proposed two-tier rate structure based on threshold of 12,000 gallons per month for Tier 1:
  - Tiered conservation rate structure for Residential Property, Commercial Property, and Institutional Property - assumes 1.80 rate multiplier for Tier 2 rate per 1,000 gallons
  - Tiered constant rate structure for Industrial Property (no conservation component) - assumes no multiplier for Tier 2 rate per 1,000 gallons
- Capital improvement costs were adjusted slightly
- Reserve balance at end of 5 years equal to approximately 2.0 months of O&M costs
- Results summarized below:

Item	7/18/2023 Council Meeting	Current Model
Residential	Base rate of \$26.50	Base rate of \$26.35
Industrial	Base rate of \$40.80	Base rate of \$40.15
Reserves (months)	3.76 months	2.00 months
Capital Improvement Costs	\$3,910,586	\$4,093,175

# Proposed Rate Structure

		Projected Year				
Year Number	Current	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 12,000 gallons)	\$24.24	\$26.350	\$27.67	\$29.05	\$30.50	\$32.03
Additional Rate (\$ per 1,000 gallon)	\$2.42	\$4.743	\$4.98	\$5.23	\$5.49	\$5.77
<b>Industrial Rate</b>						
Base Rate (\$ for first 12,000 gallons)	\$24.24	\$40.150	\$42.16	\$44.27	\$46.48	\$48.80
Additional Rate (\$ per 1,000 gallon)	\$2.42	\$4.015	\$4.22	\$4.43	\$4.65	\$4.88

- Reserve balance at end of 5 years equal to approximately 2.0 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 1.80 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 8.7% for res./comm/inst. and 66% 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	\$727,669	\$770,736	\$849,409	\$919,100	\$826,260
Debt Service	\$123,881	\$103,334	\$103,254	\$103,189	\$103,233
<b>Total</b>	<b>\$2,472,156</b>	<b>\$2,543,294</b>	<b>\$2,671,964</b>	<b>\$2,793,169</b>	<b>\$2,753,499</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>					
Water Master Plan	\$100,000				
Vehicles					
Replace 40 Hydrants		\$130,000	\$130,000		
Replace 50 Water Valves	\$39,000	\$39,000			
Replace 1200 Water Meters		\$20,000	\$92,500	\$112,500	\$225,000
Replace 200 Water Services		\$130,000	\$130,000	\$260,000	
Water System GIS Database	\$50,000				
Well 4 Deferrred Maintenance (Hydro Tanck Replacement)	\$48,000				
Well 5Deferrred Maintenance (Shade Structure, Generator)	\$58,000				
Well 6 Deferrred Maintenance (Flow Meter, Shade Structure)	\$22,000				
SGMA Contribution (5yr FY23/24 through FY 27/28)	\$410,669	\$451,736	\$496,909	\$546,600	\$601,260
<b>Subtotal</b>	<b>\$727,669</b>	<b>\$770,736</b>	<b>\$849,409</b>	<b>\$919,100</b>	<b>\$826,260</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>\$851,550</b>	<b>\$874,070</b>	<b>\$952,663</b>	<b>\$1,022,289</b>	<b>\$929,493</b>



# Annual Revenue Detail

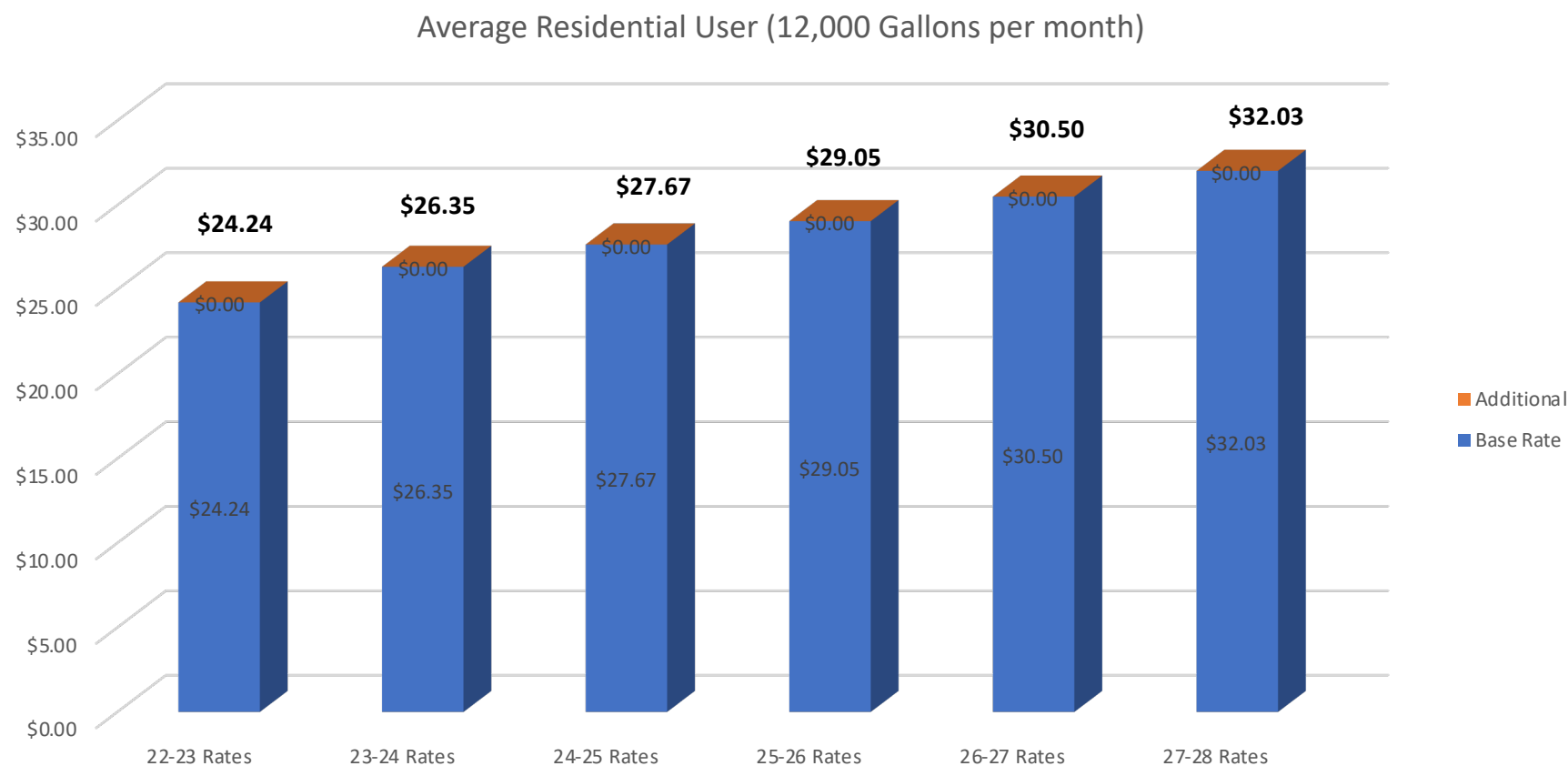
Year Number	Projected Year				
	1	2	3	4	5
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
<b>Residential/Commercial/Institutional Rate</b>					
Base Tier	\$686,470	\$735,352	\$779,109	\$825,476	\$874,611
Commodity Tier	\$991,475	\$973,996	\$1,031,373	\$1,092,143	\$1,156,508
<b>Subtotal</b>	<b>\$1,677,945</b>	<b>\$1,709,349</b>	<b>\$1,810,482</b>	<b>\$1,917,619</b>	<b>\$2,031,119</b>
<b>Industrial Rate</b>					
Base Tier	\$11,563	\$12,141	\$12,748	\$13,386	\$14,055
Commodity Tier	\$619,802	\$650,792	\$683,332	\$717,498	\$753,373
<b>Subtotal</b>	<b>\$631,365</b>	<b>\$662,933</b>	<b>\$696,080</b>	<b>\$730,884</b>	<b>\$767,428</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>\$2,489,858</b>	<b>\$2,552,830</b>	<b>\$2,687,110</b>	<b>\$2,829,051</b>	<b>\$2,979,095</b>

# Summary

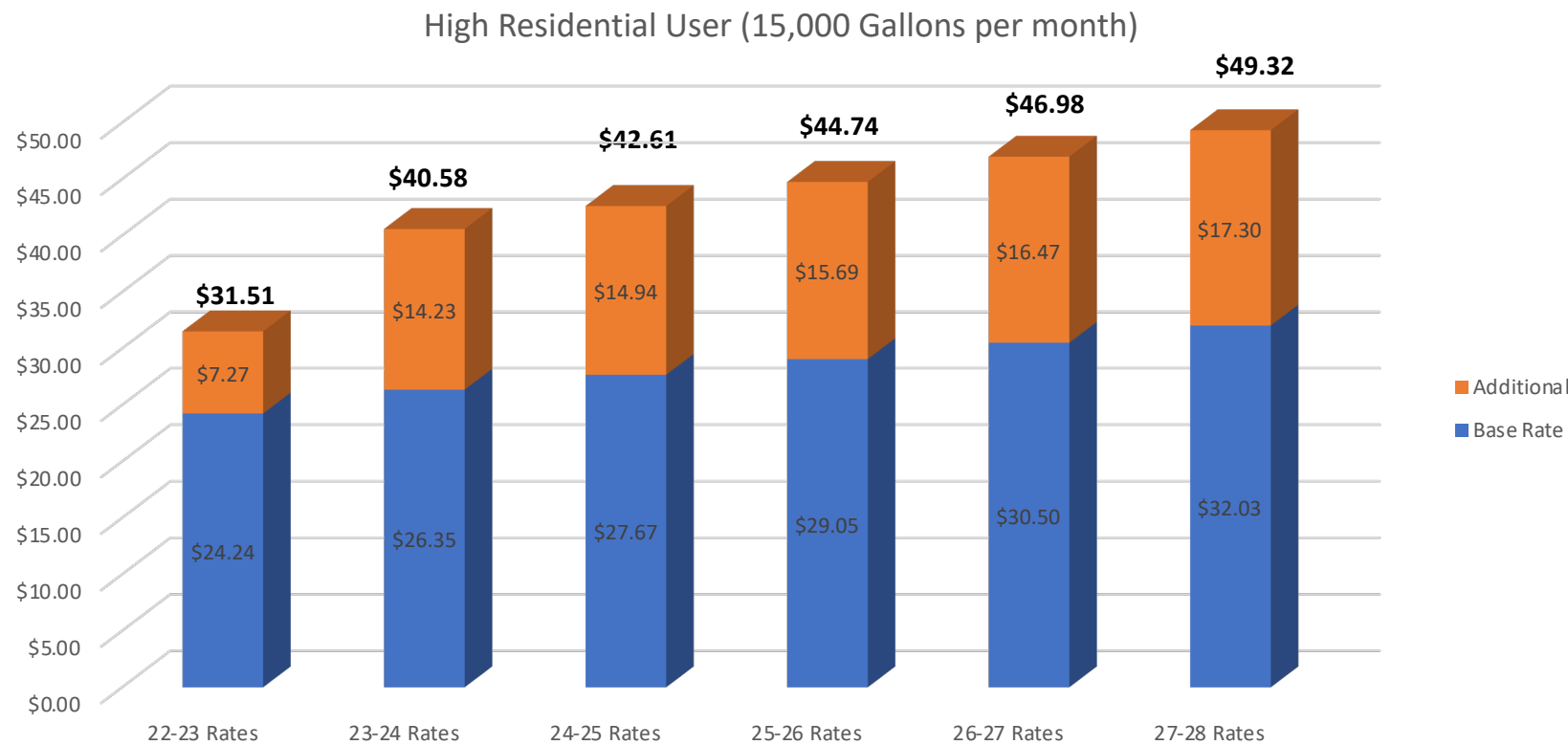
Year Number	Projected Year				
	1	2	3	4	5
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
Revenue Requirements	\$2,472,156	\$2,543,294	\$2,671,964	\$2,793,169	\$2,753,499
Revenue	\$2,489,858	\$2,552,830	\$2,687,110	\$2,829,051	\$2,979,095
<b>Net Revenue</b>	<b>\$17,703</b>	<b>\$9,536</b>	<b>\$15,145</b>	<b>\$35,882</b>	<b>\$225,596</b>
Operating Reserve Balance *	\$17,703	\$27,239	\$42,384	\$78,265	\$303,861

\* Ending reserve balance covers costs for roughly 2.0 months

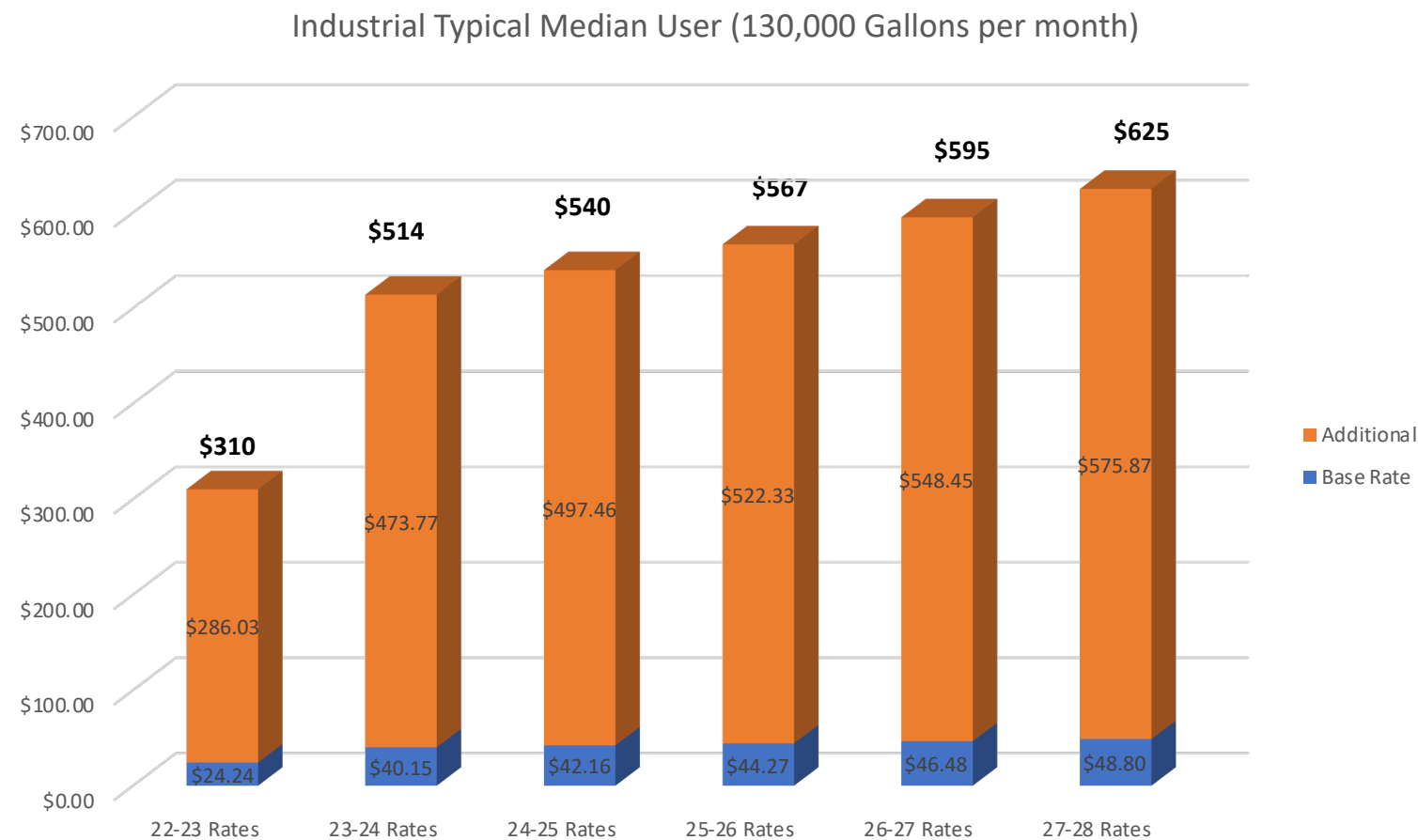
# Sample Residential Monthly Water Bills



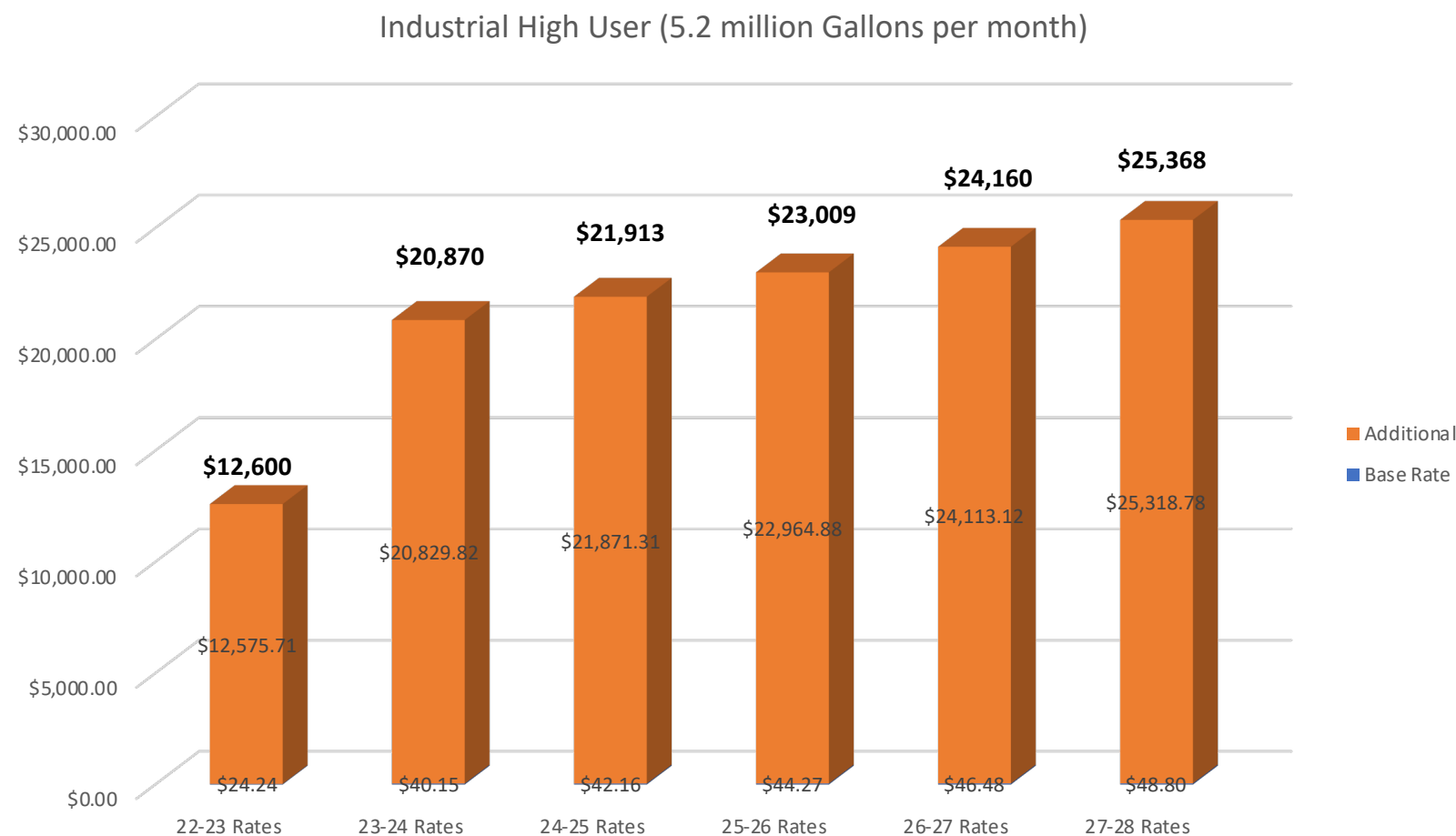
# Sample Residential Monthly Water Bills (cont.)



# Sample Industrial Monthly Water Bills

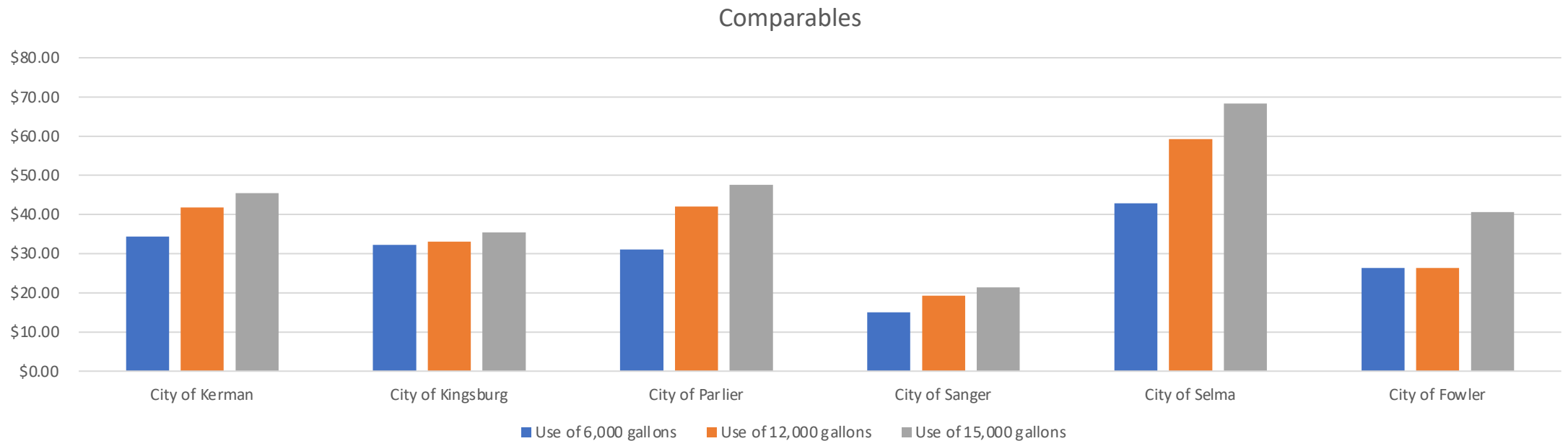


# Sample Industrial Monthly Water Bills



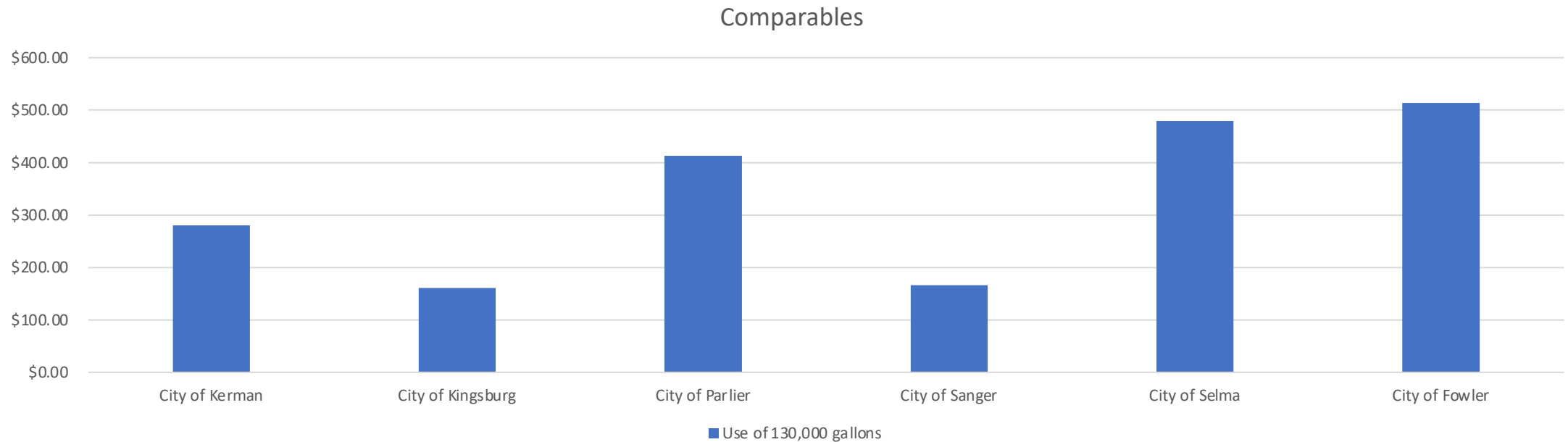
# Comparison with other Jurisdictions

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



# Comparison with other Jurisdictions

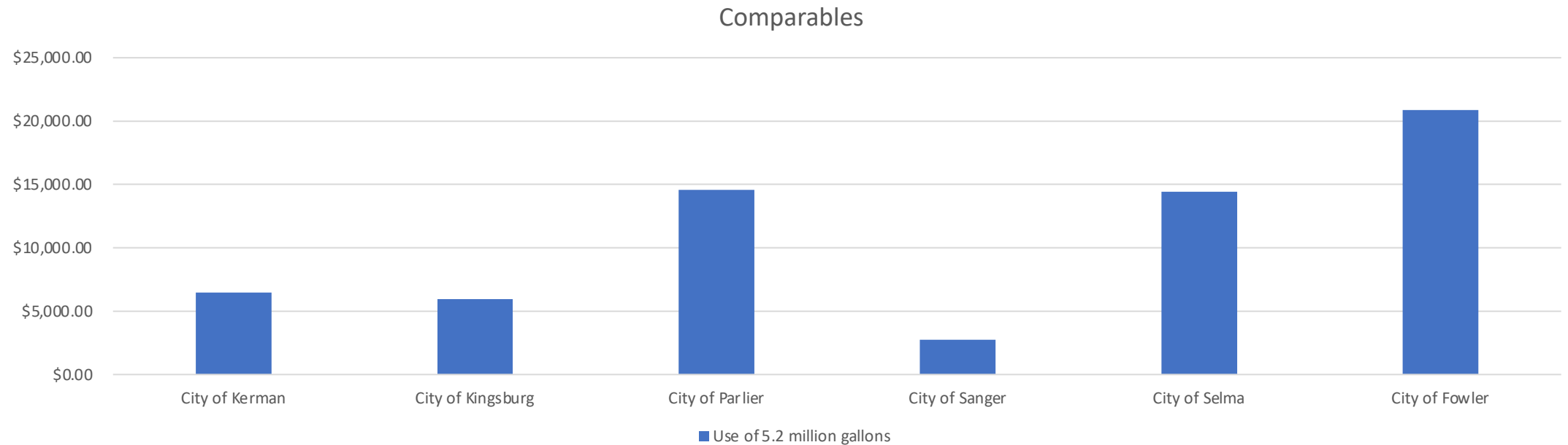
- Monthly water bill for industrial property assuming 130,000 gallons/month





# Comparison with other Jurisdictions

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



# Next Steps

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- November 7 – Today's Council meeting
- January 16, 2024 – Council approves final Rate Study report and initiates Prop 218 process
- Prop 218 Process
  - January 19 - Mail notices no later than 45 days prior to public hearing
  - March 5 - Conduct public hearing
  - March 5 - New rates are adopted if no majority protest



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**Thank You!**

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