



**SUPPLEMENTAL AGENDA MATERIALS**  
**Regular City Council Meeting**  
**October 18, 2022**

**Agenda Item:**

**12) NEW BUSINESS:**

- a. Accept the latest rate analysis proposal and authorize staff to mail and print notices for Proposition 218 hearing on December 20, 2022.

# CITY OF WASCO

## Water and Sewer Rate Study Rate Report Review



October 18, 2022



**LECHOWICZ + TSENG**  
MUNICIPAL CONSULTANTS

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Project Manager



# Background

- Sewer rates were last increased in 2007
- Water rates were last increased in 2017
- Water and Sewer Funds are Enterprise Funds -> should be self-supported by rates
- Rate study will cover a 5-year period and determine water and sewer rates
  - First rate change January 1, 2023
  - July 1 of 2023, 2024, 2025, 2026
- Rate adjustments are governed by Proposition 218
  - Rates must be based on the reasonable cost of service and proportionally recover costs based on how customers take service
  - Public hearing and protest voting procedures
  - Same process as the solid waste rate adjustment



# Water Revenue Analysis

- Water Fund financial health is strong
  - Estimated \$11M in cash reserves at year end
  - Positive net revenues – rates are covering operating costs
  - About \$3.3M in operating revenues vs. \$3.1M in operating expenses
  - No existing or planned debt
  - State Revolving Fund grant of \$25M+ for well replacement and TCP treatment
- Slight revenue increase recommended to keep up with inflation by FY2027
- Draw on \$2.3M of reserves to phase-in rate structure changes
- However, proposed rates maintain reserves for emergency repairs, further TCP treatment, and drought contingency



# Current Water Rates

| Use Category              | Minimum Service Fee | Monthly Base Volume (ccf) | Rate per ccf Beyond Base Volume |
|---------------------------|---------------------|---------------------------|---------------------------------|
| Single Family Residential | \$28.60             | 25                        | \$4.03                          |
| Multi-Family 2 Units      | \$34.32             | 30                        | \$4.03                          |
| Multi-Family 3-4 Units    | \$51.48             | 45                        | \$4.03                          |
| Multi-Family 5-8 Units    | \$80.08             | 70                        | \$4.03                          |
| Multi-Family 9-20 Units   | \$137.27            | 120                       | \$4.03                          |
| Multi-Family 21-40 Units  | \$343.17            | 300                       | \$4.03                          |
| Multi-Family 41+ Units    | \$343.17            | 300                       | \$4.03                          |
| Commercial General        | \$22.88             | 20                        | \$4.03                          |
| Industrial                | \$34.32             | 30                        | \$4.03                          |
| Institutional             | \$137.27            | 120                       | \$4.03                          |
| Irrigation                | \$137.27            | 120                       | \$4.03                          |
|                           | \$91.52             | 80                        | \$4.03                          |

- Base allotment was designed to include 75% of usage
- However, currently includes 90% of residential water use

ccf – hundred cubic feet; 1 ccf = 748 gallons



# Water Billing

- Water use is measured in cubic feet (cf) or hundred cubic feet (ccf)
- 1 cubic foot (cf) = 7.48 gallons
- 1 ccf = 100 cf = 748 gallons

## Census Data – household size

| All Topics                                        | Wasco city, California | United States |
|---------------------------------------------------|------------------------|---------------|
| <b>Population Estimates, July 1 2021, (V2021)</b> | 28,173                 | 331,893,745   |
| Households, 2016-2020                             | 6,464                  | 122,354,219   |
| Persons per household, 2016-2020                  | 3.40                   | 2.60          |

- Average residential monthly use is 15 ccf or 11,220 gallons
- 15 ccf/month is 110 gallons per person per day
- 25 ccf/month (current base allotment) is 183 gallons per person per day
- 7 ccf/month is 51.3 gallons per person per day



# Water Rate Structure Adjustments

- New \$0.78/month meter fee for all customers
- Drought rates for water shortage emergencies
- Reduce the single family residential base water allotment from 25 ccf to 7 ccf
  - Consistent with indoor water use during historically low water years
  - Statewide target is 52.5 gallons per capita per day by 2025 and 50 gallons by 2030
  - Civil enforcement begins in 2027 (Senate Bill (SB) 606 / Assembly Bill (AB) 1668)
  - 7 ccf roughly equates to about 51 gallons per capita per day
  - Reduces “non-revenue” water provided in the allotment (SB 555)
- Reduce the allotments of all other customers to reflect indoor/low period, efficient use
- Customers have more control over their bills



# Water Proposed Five-Year Adjustment

| Use Category   | Current         | PROPOSED        |                 |                 |                 |                 |
|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                |                 | January 1, 2023 | July 1, 2023    | July 1, 2024    | July 1, 2025    | July 1, 2026    |
| Single Family  | \$28.60<br>25   | \$29.38<br>21   | \$27.55<br>17   | \$25.72<br>13   | \$23.89<br>10   | \$20.23<br>7    |
| MF, 2 Units    | \$34.32<br>30   | \$35.10<br>25   | \$33.07<br>21   | \$31.04<br>17   | \$29.01<br>13   | \$24.93<br>9    |
| MF, 3-4 Units  | \$51.48<br>45   | \$52.26<br>39   | \$50.55<br>33   | \$48.84<br>27   | \$47.13<br>22   | \$43.73<br>17   |
| MF, 5-8 Units  | \$80.08<br>70   | \$80.86<br>62   | \$79.54<br>54   | \$78.22<br>46   | \$76.90<br>38   | \$74.28<br>30   |
| MF, 9-20 Units | \$137.27<br>120 | \$138.05<br>106 | \$134.70<br>92  | \$131.35<br>78  | \$128.00<br>64  | \$121.28<br>50  |
| MF, 20+ Units  | \$343.17<br>300 | \$343.95<br>270 | \$346.42<br>240 | \$348.89<br>210 | \$351.36<br>180 | \$356.28<br>150 |
| Volume Rate    | \$4.03          | \$1.50          | \$1.81          | \$2.12          | \$2.43          | \$2.72          |

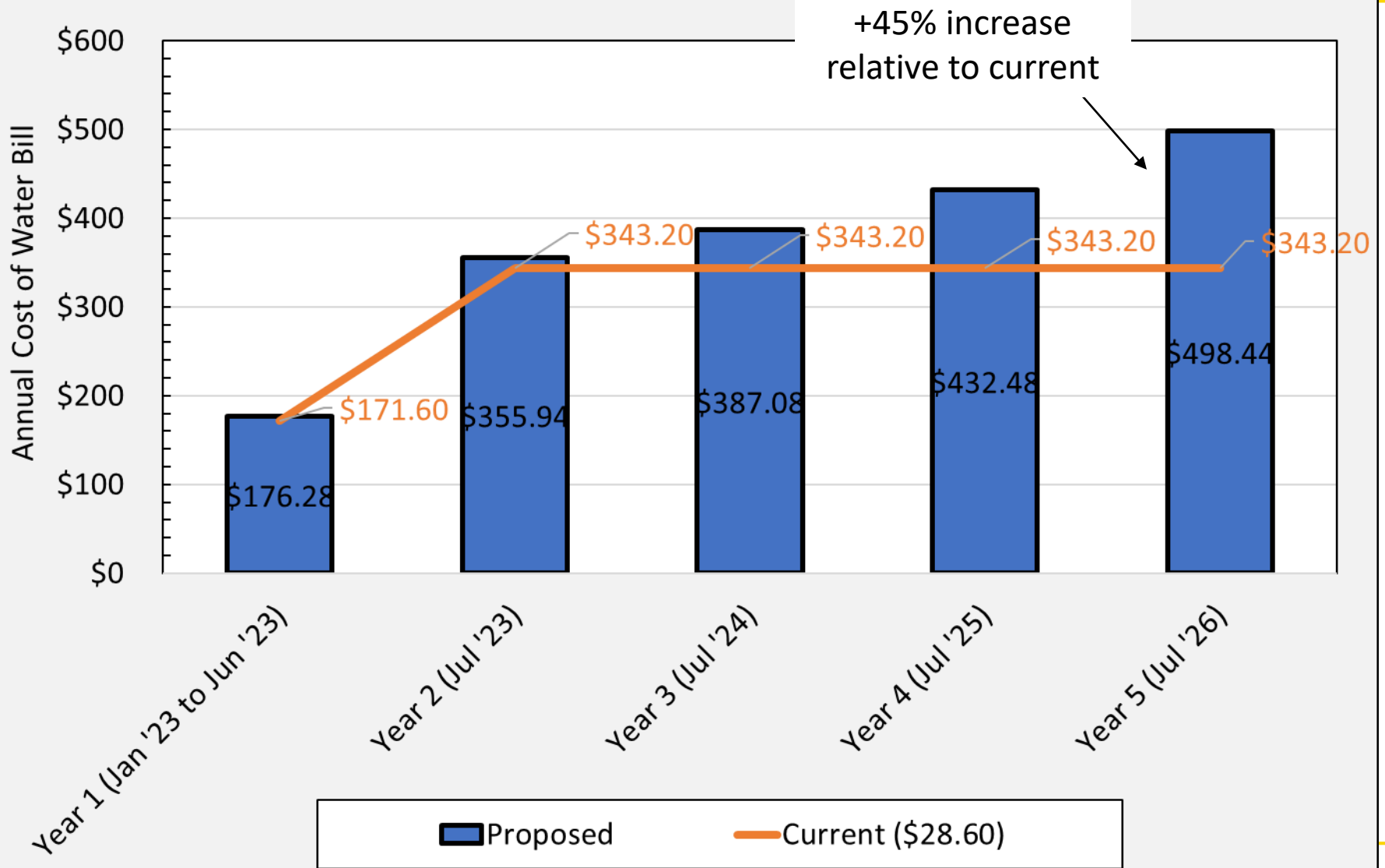




# Water Proposed Five-Year Adjustment

| Use Category         | Current         | PROPOSED        |                |                |                |                |
|----------------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
|                      |                 | January 1, 2023 | July 1, 2023   | July 1, 2024   | July 1, 2025   | July 1, 2026   |
| <b>Commercial</b>    | \$22.88<br>20   | \$23.66<br>17   | \$22.03<br>14  | \$20.40<br>11  | \$18.77<br>8   | \$15.53<br>5   |
| <b>General</b>       | \$34.32<br>30   | \$35.10<br>25   | \$32.13<br>20  | \$29.16<br>15  | \$26.19<br>11  | \$20.23<br>7   |
| <b>Industrial</b>    | \$137.27<br>120 | \$138.05<br>106 | \$134.70<br>92 | \$131.35<br>78 | \$128.00<br>64 | \$121.28<br>50 |
| <b>Institutional</b> | \$137.27<br>120 | \$138.05<br>106 | \$134.70<br>92 | \$131.35<br>78 | \$128.00<br>64 | \$121.28<br>50 |
| <b>Irrigation</b>    | \$91.52<br>80   | \$92.30<br>70   | \$89.64<br>60  | \$86.98<br>50  | \$84.32<br>40  | \$78.98<br>32  |
| <b>Volume Rate</b>   | \$4.03          | \$1.50          | \$1.81         | \$2.12         | \$2.43         | \$2.72         |

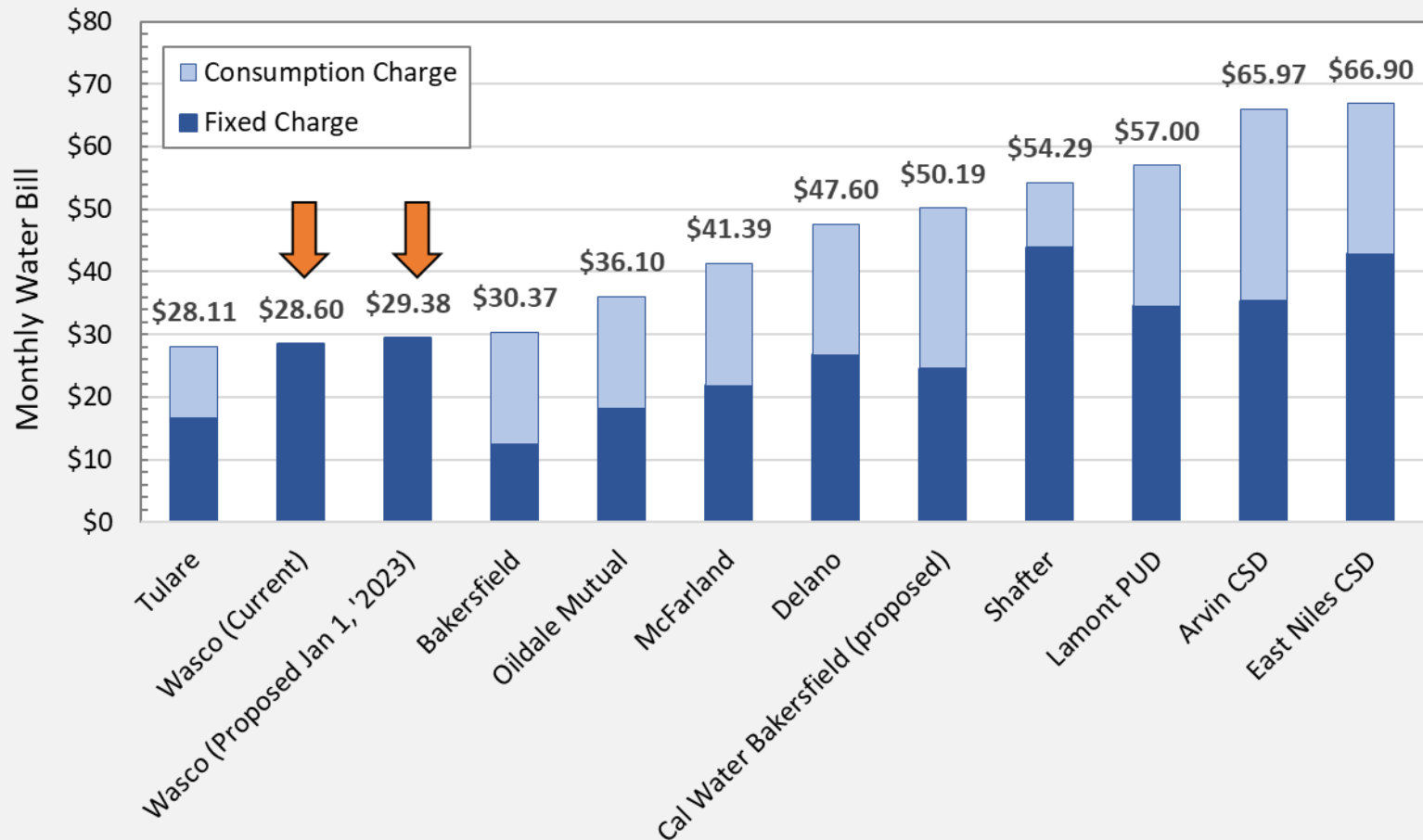
# Annual Cost for Average Single Family Residential Customer





# Water Rate Survey

## Monthly Water Bill Survey Single Family Residential (15 ccf average use)





# Drought Rates

- If the Governor declares a drought, City Council can implement drought rates but is not obligated to
- During a drought, some costs will be reduced due to lower water use such as pumping and chemicals
- However, many operating costs would not be reduced and would be recovered over a smaller amount of water sales

## Drought rates \$/ccf (minimum service fees and base volumes remain the same)

| Drought Stage     | January 1, 2023 | July 1, 2023 | July 1, 2024 | July 1, 2025 | July 1, 2026 |
|-------------------|-----------------|--------------|--------------|--------------|--------------|
| 20% Water Cutback | \$1.78          | \$2.14       | \$2.51       | \$2.88       | \$3.22       |
| 30% Water Cutback | \$1.97          | \$2.38       | \$2.79       | \$3.20       | \$3.58       |
| 40% Water Cutback | \$2.23          | \$2.70       | \$3.16       | \$3.62       | \$4.05       |
| Normal year       | \$1.50          | \$1.81       | \$2.12       | \$2.43       | \$2.72       |



# Sewer Revenue Analysis

- Sewer Fund financial health is strong
  - \$3.5M estimated cash reserves June 2022
  - Annual O&M is about \$2.1M and revenues are about \$2.5M
  - Positive net revenues – rates are covering operating costs
  - No existing or planned debt
- Recommended spending of \$350,000 to \$400,000 annually on sewer line replacements (1 mile per year) in Years 3 to 5
- Recommended +2.5% annual revenue increases to keep up with inflation



# Current Sewer Rates

| <b>Category</b>             | <b>Units</b>    | <b>Charge</b> |
|-----------------------------|-----------------|---------------|
| Single-Family Residences    | Dwelling Unit   | \$23.78       |
| Apartment/Mobile Home       | Unit            | \$23.78       |
| Bakery                      | Each            | \$58.44       |
| Ball Park                   | Each            | \$8.71        |
| Barber and Beauty Shops     | Each            | \$34.68       |
| Bars (without dining)       | Each            | \$75.91       |
| Car Wash                    | Each            | \$92.34       |
| Churches                    | Each            | \$15.29       |
| Commercial Cleaners         | Each            | \$129.96      |
| Convenience Store           | Each            | \$17.26       |
| Doctor and Dentist Offices  | Each            | \$30.35       |
| Food Market                 | Per 1,000 sq ft | \$7.88        |
| Hospitals                   | Per Bed         | \$15.29       |
| Laundromats                 | Each            | \$298.70      |
| Meeting or Convention Halls | Each            | \$8.71        |



# Current Sewer Rates Continued

| Category                               | Units          | Charge     |
|----------------------------------------|----------------|------------|
| Mortuaries                             |                |            |
| (a) with embalming facilities          | Each           | \$86.67    |
| (b) without embalming facilities       | Each           | \$8.71     |
| Motion Picture Theaters                | Each           | \$58.44    |
| Office Buildings                       | Office Unit    | \$8.71     |
| Park (w/ wading pool)                  | Each           | \$15.29    |
| Pool Halls                             | Each           | \$58.44    |
| Printing and Publishing                | Each           | \$13.17    |
| Auto Repair Shops and Service Stations |                |            |
| (a) without wash racks                 | Each           | \$30.35    |
| (b) with wash racks                    | Each           | \$69.41    |
| Restaurants                            | Establishment  | \$166.61   |
| Retail Shop                            | Each           | \$8.71     |
| Schools – BILLED ANNUALLY              |                |            |
| (a) grammar                            | Pupil (a.d.a.) | \$9.02/yr  |
| (b) high school/junior high            | Pupil (a.d.a.) | \$10.91/yr |
| Public Swimming Pool                   | Each           | \$0.83     |
| Septage Receiving Station              | 1,800 gallons  | \$91.50    |



# Sewer Rate Adjustments

- Keep current fixed rate structure; investigate volume-based rates with future billing system upgrades
- Update flow and pollutant estimates for each category (last update in 2007) based on last three years of billing data and phased-in by year 5 (extensive review of 3 years of water usage records)
- Range of outcomes for commercial customers
- Keep one residential customer class (i.e. single family + multifamily)

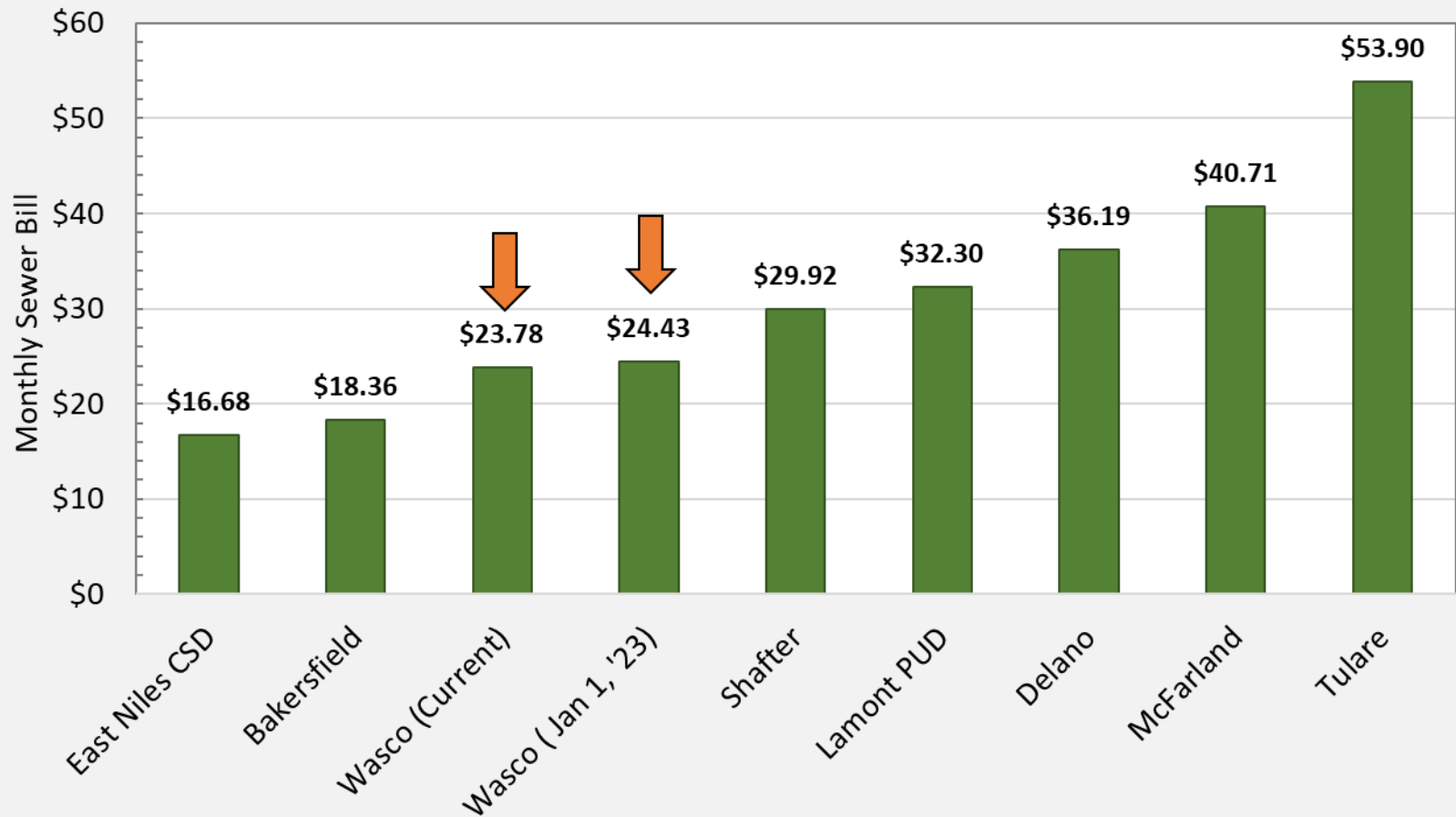
| Use Category               | Current | PROPOSED        |              |              |              |              |
|----------------------------|---------|-----------------|--------------|--------------|--------------|--------------|
|                            |         | January 1, 2023 | July 1, 2023 | July 1, 2024 | July 1, 2025 | July 1, 2026 |
| Single-Family Residences   | \$23.78 | \$24.43         | \$25.08      | \$25.73      | \$26.38      | \$27.05      |
| Apartment/Mobile Home Park | \$23.78 | \$24.43         | \$25.08      | \$25.73      | \$26.38      | \$27.05      |





# Sewer Rate Survey

## Monthly Sewer Bill Survey Single Family Residential





# Commercial Sewer Rates

| Use Category                | Current  | PROPOSED        |              |              |              |              |
|-----------------------------|----------|-----------------|--------------|--------------|--------------|--------------|
|                             |          | January 1, 2023 | July 1, 2023 | July 1, 2024 | July 1, 2025 | July 1, 2026 |
| Bakery, Theater, and Deli   | \$58.44  | \$58.79         | \$59.14      | \$59.49      | \$59.84      | \$60.19      |
| Ball Park                   | \$8.71   | \$9.29          | \$9.87       | \$10.45      | \$11.03      | \$11.60      |
| Barber and Beauty Shops     | \$34.68  | \$14.92         | \$15.30      | \$15.69      | \$16.09      | \$16.50      |
| Bars (without dining)       | \$75.91  | \$11.11         | \$11.39      | \$11.68      | \$11.98      | \$12.29      |
| Car Wash                    | \$92.34  | \$94.20         | \$96.06      | \$97.92      | \$99.78      | \$101.64     |
| Churches                    | \$15.29  | \$15.86         | \$16.27      | \$16.69      | \$17.12      | \$17.56      |
| Commercial Cleaners         | \$129.96 | \$57.98         | \$59.47      | \$60.99      | \$62.55      | \$64.15      |
| Convenience Store           | \$17.26  | \$20.68         | \$24.10      | \$27.52      | \$30.94      | \$34.36      |
| Doctor and Dentist Offices  | \$30.35  | \$34.80         | \$39.25      | \$43.70      | \$48.15      | \$52.59      |
| Food Market per 1,000 sq ft | \$7.88   | \$8.03          | \$8.18       | \$8.33       | \$8.48       | \$8.63       |
| Hospitals per bed           | \$15.29  | \$15.86         | \$16.27      | \$16.69      | \$17.12      | \$17.56      |
| Laundromats                 | \$298.70 | \$327.55        | \$356.40     | \$385.25     | \$414.10     | \$442.93     |
| Meeting or Convention Halls | \$8.71   | \$9.29          | \$9.87       | \$10.45      | \$11.03      | \$11.60      |



# Commercial Sewer Rates

| Use Category                      | Current  | PROPOSED        |              |              |              |              |
|-----------------------------------|----------|-----------------|--------------|--------------|--------------|--------------|
|                                   |          | January 1, 2023 | July 1, 2023 | July 1, 2024 | July 1, 2025 | July 1, 2026 |
| Mortuaries                        |          |                 |              |              |              |              |
| (a) with embalming facilities     | \$86.67  | ---             | ---          | ---          | ---          | ---          |
| (b) without embalming facilities  | \$8.71   | \$9.29          | \$9.87       | \$10.45      | \$11.03      | \$11.60      |
| Office Buildings and Retail Shops | \$8.71   | \$9.29          | \$9.87       | \$10.45      | \$11.03      | \$11.60      |
| Park (w/ wading pool)             | \$15.29  | \$15.86         | \$16.27      | \$16.69      | \$17.12      | \$17.56      |
| Pool Halls                        | \$58.44  | \$11.11         | \$11.39      | \$11.68      | \$11.98      | \$12.29      |
| Printing and Publishing           | \$13.17  | ---             | ---          | ---          | ---          | ---          |
| Auto Repair Shops                 |          |                 |              |              |              |              |
| (a) without wash racks            | \$30.35  | \$8.18          | \$8.39       | \$8.61       | \$8.83       | \$9.06       |
| (b) with wash racks               | \$69.41  | \$17.25         | \$17.69      | \$18.14      | \$18.60      | \$19.08      |
| Restaurants                       | \$166.61 | \$167.36        | \$168.11     | \$168.86     | \$169.61     | \$170.35     |
| Public Swimming Pool              | \$0.83   | ---             | ---          | ---          | ---          | ---          |
| Potato Shed                       | \$1.07   | ---             | ---          | ---          | ---          | ---          |
| Septage Receiving Station         | \$91.50  | ---             | ---          | ---          | ---          | ---          |

Industrial rates proposed to remain the same – customers have service agreements



# School Sewer Rates

- Rates billed based on average daily attendance (ADA)
- ADA reported once annually and billed once annually
- The schools do not have designated indoor only use. Metered water use includes outdoor irrigation.
- Reviewed industry typical flow estimates for ADA. Rates based on 8 gallons per day use for elementary schools and 10 gallons per day for high school
- Elementary +1.1%/year; Junior/High +1.8%/year

|            | <b>Current Charge (\$/ADA/YR)</b> | <b>January 1, 2023 Proposed Charge (\$/ADA/YR)</b> | <b>July 1, 2023 Proposed Charge (\$/ADA/YR)</b> | <b>July 1, 2024 Proposed Charge (\$/ADA/YR)</b> | <b>July 1, 2025 Proposed Charge (\$/ADA/YR)</b> | <b>July 1, 2026 Proposed Charge (\$/ADA/YR)</b> |
|------------|-----------------------------------|----------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Elementary | \$9.02                            | \$9.12                                             | \$9.22                                          | \$9.32                                          | \$9.42                                          | \$9.52                                          |
| High       | \$10.91                           | \$11.11                                            | \$11.31                                         | \$11.51                                         | \$11.71                                         | \$11.92                                         |



# Rate Study Schedule

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- October 18 – Present report to City Council
- November 4 – Mail Prop 218 notice of rate hearing to customers (latest possible mail date)
- November/December – 45-day Prop 218 waiting period; conduct ratepayer outreach
- December 20 – Proposition 218 hearing
- January 1 – Implement new rates absent a majority protest



# Questions?

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