

City of Davis

WASTEWATER RATE & COST OF SERVICE STUDY
FINANCIAL PLAN OVERVIEW

UTILITIES COMMISSION MEETING 1/20/2021



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

2020 Wastewater Rate & Cost of Service Study Overview

Data Collection & Review

Financial Plan

Road map to financial sustainability

Cost of Service Study

Cost allocation to customer classes

Wastewater Rate Design

Develop rate recommendations

**Public Outreach &
Prop 218 Requirements**

Opportunity for written protest

**Wastewater
Rate Adoption
FY 2021 –
FY 2025**

Financial Plan

Objectives

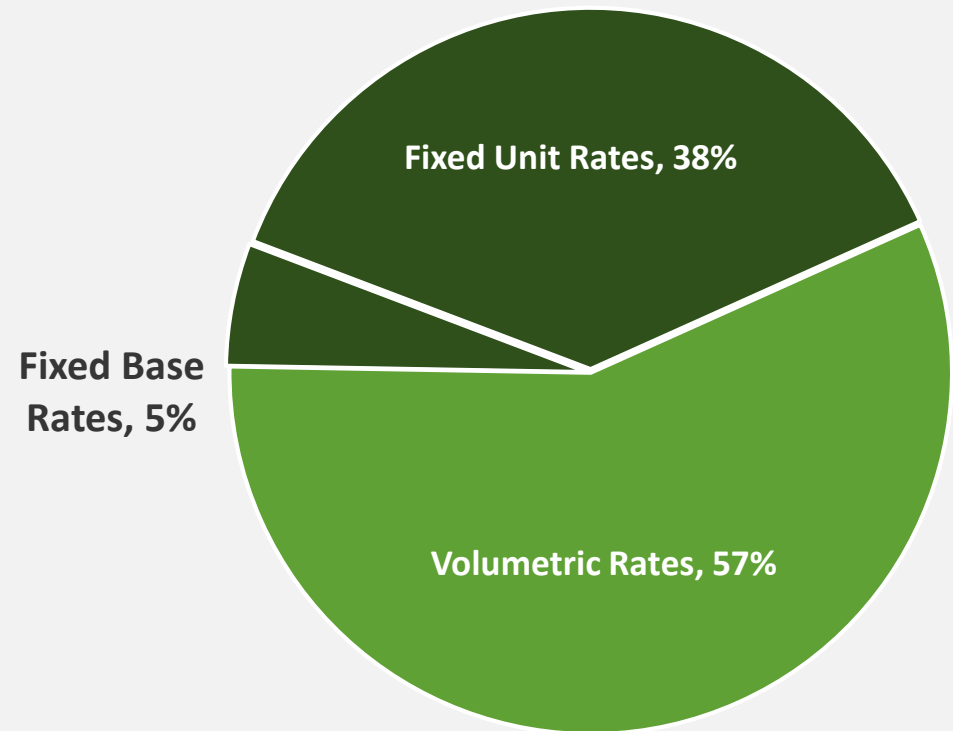
- Review current and projected revenues and expenditures
- Develop 5-year and 20-year cash flow projections
- Determine annual rate revenue requirements that:
 1. Fund necessary operating, debt service, and capital costs
 2. Maintain adequate fund reserves
 3. Meet debt service coverage requirements



Current Rate Revenue

2019-20 Wastewater Rate Revenue: \$13.6 million

- Last rate study conducted in 2014 – 0% rate increases for 5 years
- Rate structure has three components
 - Fixed Rates total 43%:
 - Base Rate recovers billing costs from all accounts
 - Unit Rates recover residential fixed costs based on dwelling unit size & number
 - Volumetric rates total 57%:
 - recover flow and strength-based costs from all users

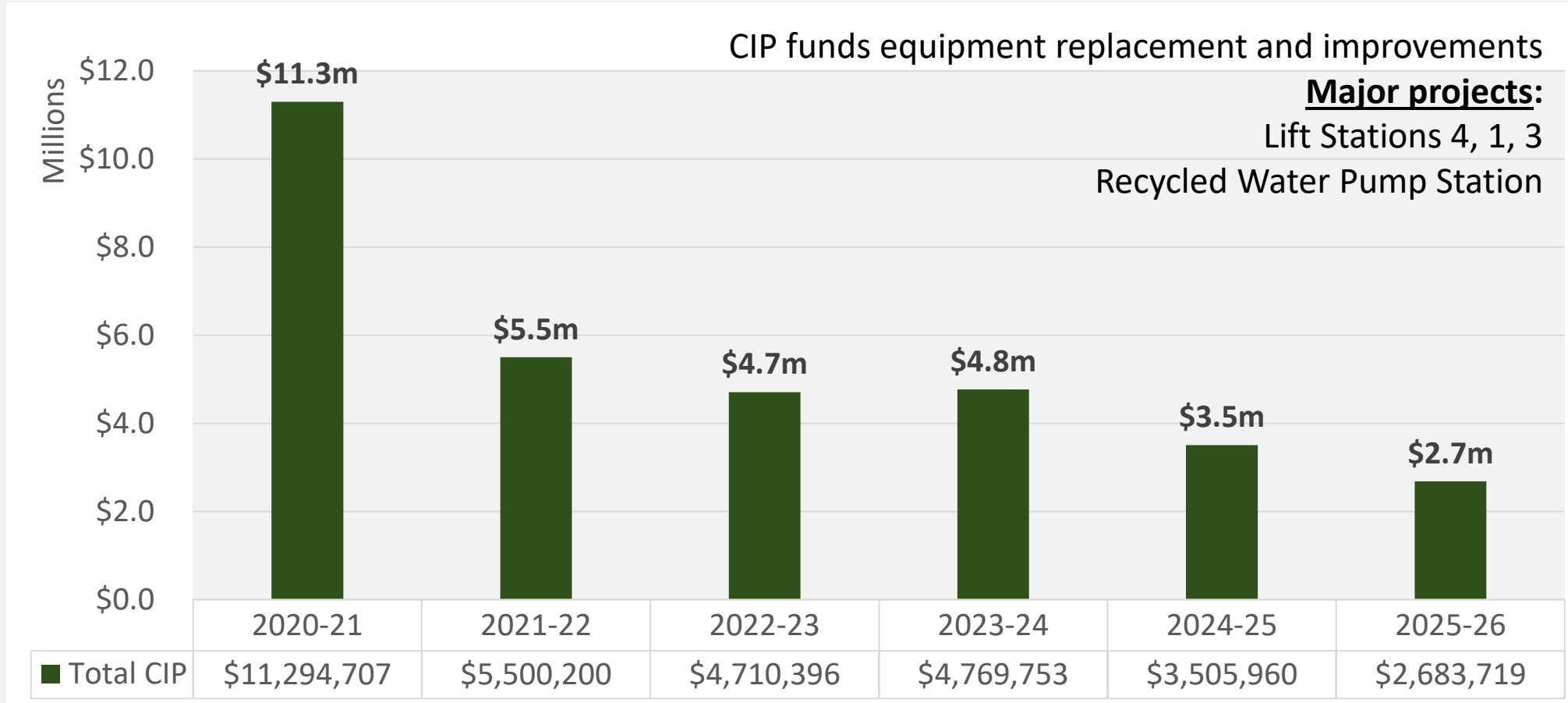


Wastewater Operating Expenses

Operations and Maintenance Expenses	2020-21 Budget	Long Term Annual Cost Projection	Source
Personnel Costs	\$4,828,188	1-3%	Leland Model
All Other O&M	\$5,699,609	2-3%	Leland Model / Avg Annual Inflation
Total O&M	\$10,527,797		



Capital Improvement Projects



Annual Debt Service

Current Debt Service Obligations	Avg. Annual Debt Service	Outstanding Principal	Year of Final Payment
SRF Loan – WWTP	\$2,086,828	\$50,116,921	2049

2014 loan for Davis Wastewater Treatment Plant Secondary and Tertiary Improvements project to meet the City's future wastewater treatment needs



Minimum Fund Reserve Targets

Fund Balance Policy	2020-21 Budget
1. Fund 531 – Operations	\$2,631,949
3-months total Operations & Maintenance	
2. Fund 532 - Capital Replacement	\$6,359,927
Average annual expenditure in 5-year CIP <i>Recommendation: minimum \$3 million</i>	
3. Rate Stabilization	\$711,724
5% of annual operating revenue for Wastewater	
4. Debt Funds Held as Required	\$2,086,828
One year of debt service payments	
Total Minimum Fund Balance	\$11,790,428



Wastewater Rate Revenue Requirement

Preliminary Draft 5-Year Cash Flow Projection

Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26
Effective Date	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Modeled Rate Increase	3.5%	3.5%	3.5%	3.5%	3.5%

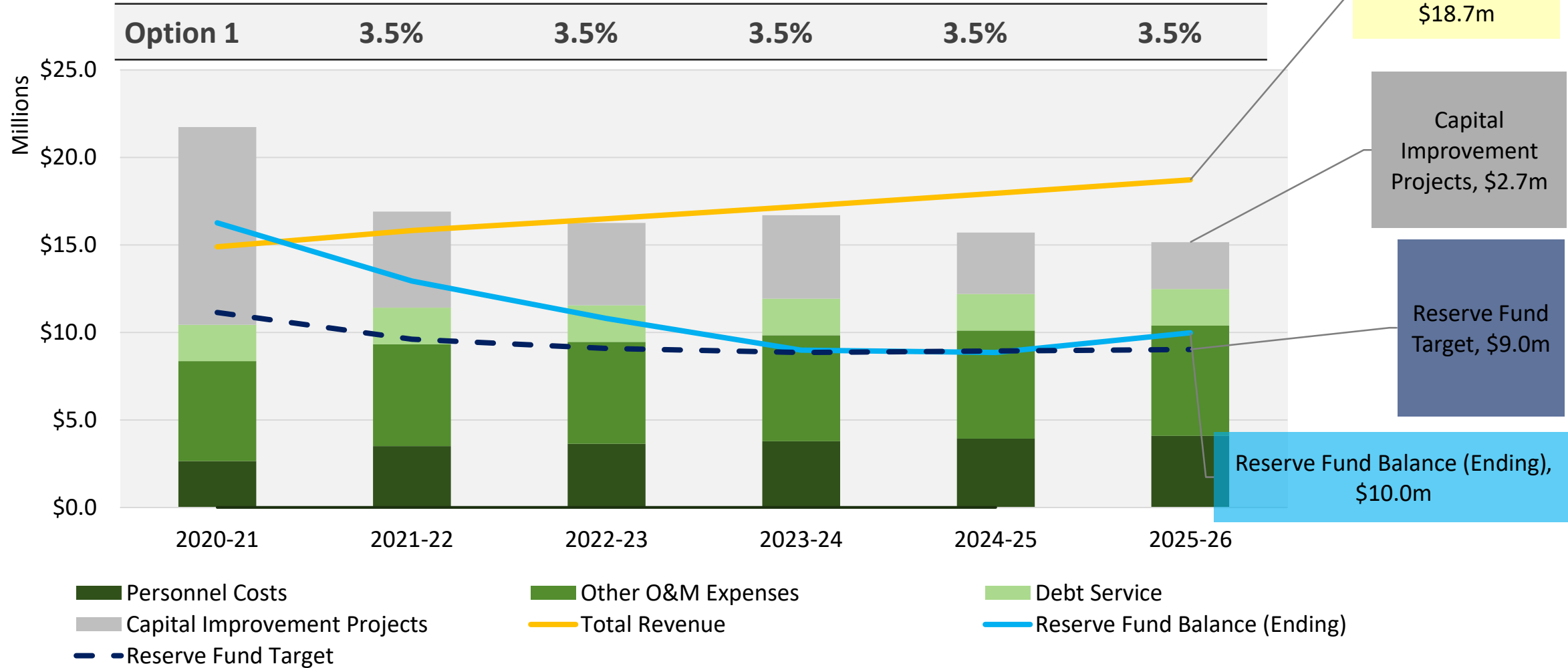
Model Rate Revenue Drivers Include:

- Sensitivity to customer bills during COVID-19
- Operations, Debt and Capital Improvement Plan funding
 - Cash funding all capital
- Minimum fund balance targets achieved
- Minimum 110% debt service coverage
- Preventing rate increase “spikes”

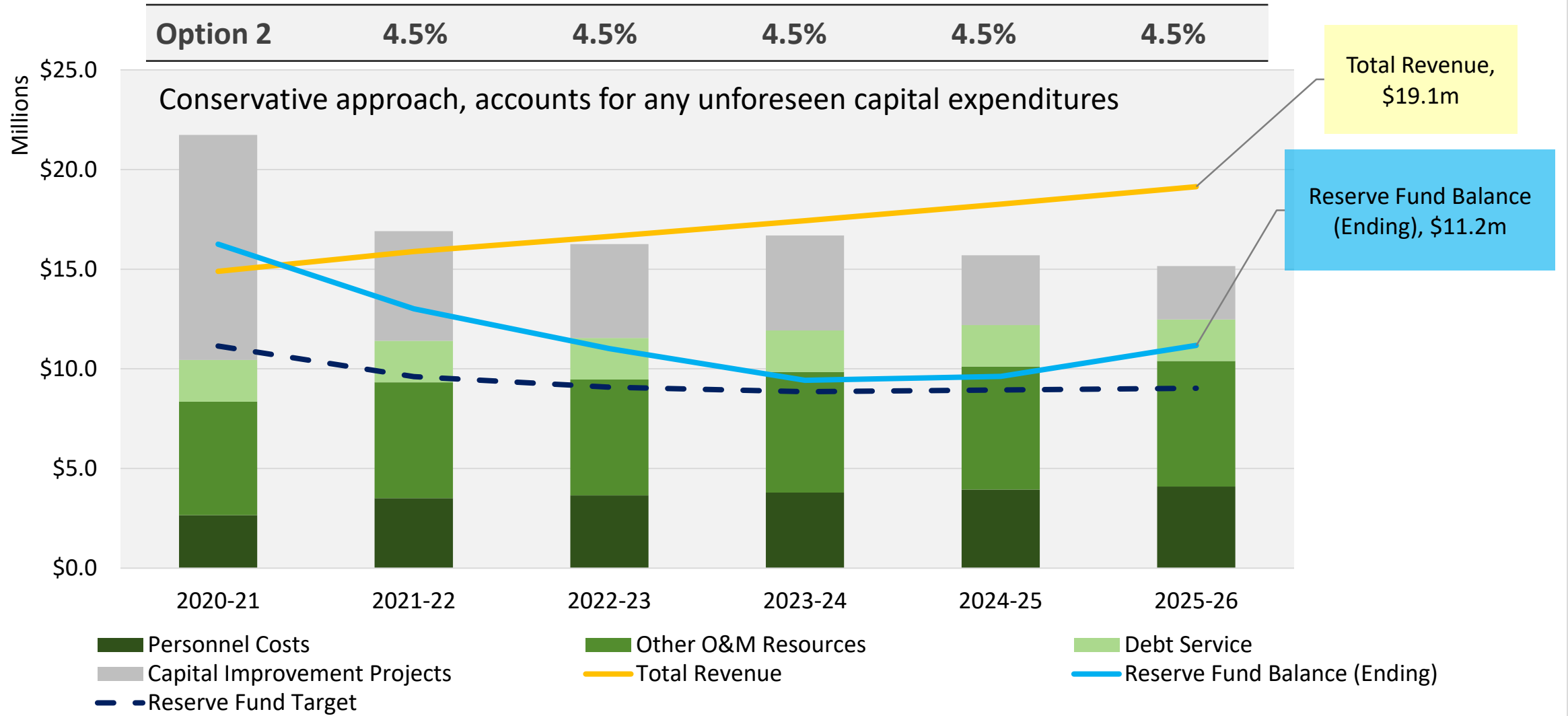


5-Year Cash Flow Projection

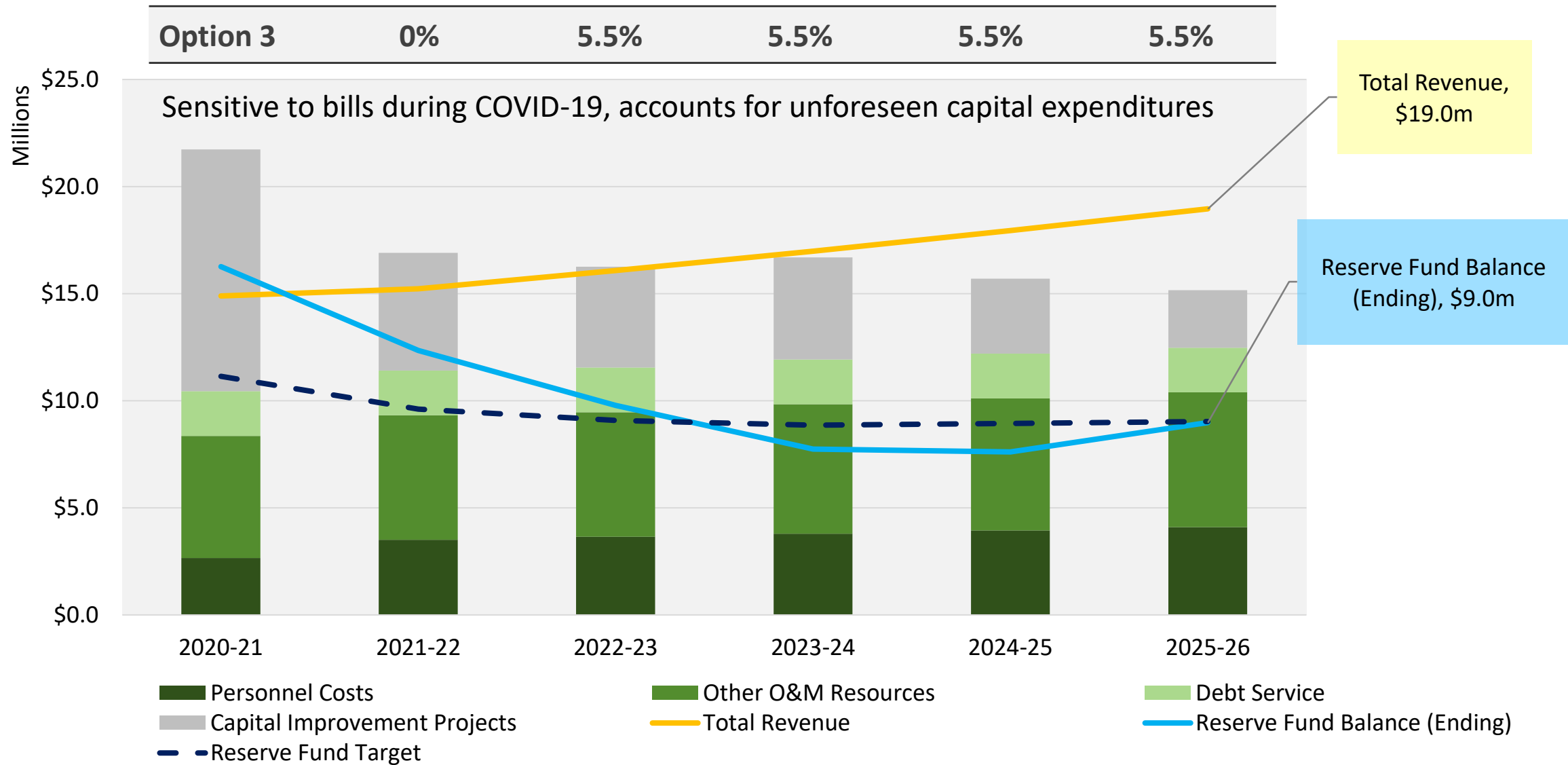
Wastewater Revenue, Expenses & Reserves



5-Year Cash Flow Projection Option 2



5-Year Cash Flow Projection Option 3



Utilities Commission Decision Points

1. Reserve Requirements

Recommendation: \$3 million minimum to capital reserve

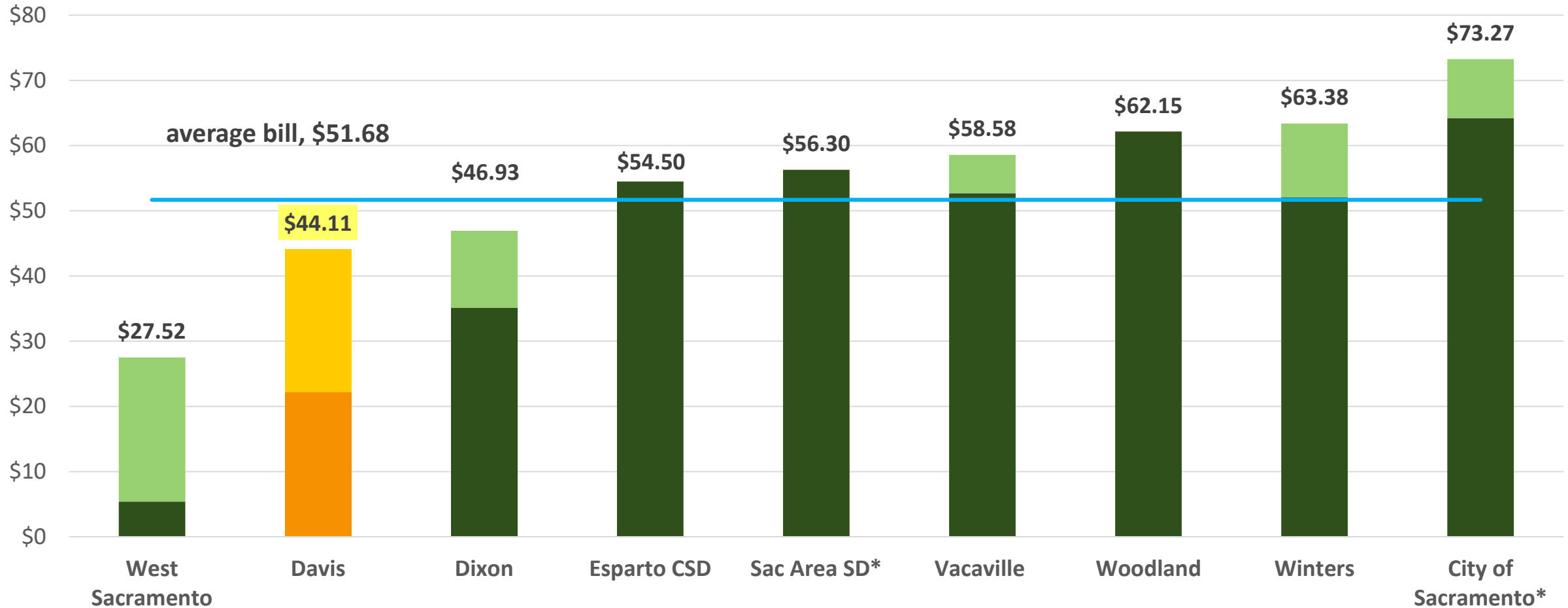
2. Financial Plan Assumptions

3. Questions on Revenue & Expenditures

4. Rate Revenue Increases & Schedule

Fiscal Year	2021-22	2022-23	2023-24	2024-25	2025-26
Effective Date	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
Option 1	3.5%	3.5%	3.5%	3.5%	3.5%
Option 2	4.5%	4.5%	4.5%	4.5%	4.5%
Option 3	0%	5.5%	5.5%	5.5%	5.5%

Single Family Wastewater Monthly Bill Survey FY 2021



■ Variable Charge
■ Fixed Charge

7 ccf average SFR winter water use where applicable
**Includes Sacramento Regional County Sanitation District Fixed Charge, \$37/month*