

# Town of Discovery Bay CSD

## Potential Water and Sewer Rate Adjustments



March 5, 2025



**LECHOWICZ + TSENG**  
MUNICIPAL CONSULTANTS

Alison Lechowicz  
Project Manager



# Background

- Water and sewer utilities are enterprise funds and should be self-supported by rate revenues
- Water and sewer rates are subject to Proposition 218
  - Rates must be based on the reasonable cost of service
  - Rates must proportionally recover costs based on how customers take service
  - Covers rates over a maximum 5-year period
  - Procedural requirements: conduct a rate study, mail a notice to property owners/tenants, hold a hearing a minimum of 45 days later, protest vote



# Background Continued

- NEW January 1, 2025 Exhaustion of Administrative Remedies:
  - Customers have the option submit a Written Objection to the rate proposal (must cite specific statutes, rules, constitutional provisions, regulations, and/or cases that are alleged to be violated)
  - Failure to submit a Written Objection limits future lawsuits
- Last rate study was conducted in 2020



# Rate Study Goals

- Update the cost of service
- Collect sufficient funds to cover:
  - Operations and maintenance (maintenance has increased significantly in recent years)
  - Debt obligations
  - Repair and replacement of infrastructure (main driver of the rate increases)
  - Maintain prudent reserves
- New rates effective July 1 (concurrent with the fiscal year and property tax submittal)

# WATER FUND





# Current Monthly Water Rates

Vacant	\$14.67
Non-irrigation Account Charge	
up to 1 Inch Meter	\$23.02
1 1/2 Inch Meter	\$42.98
2 Inch Meter	\$66.94
3 Inch Meter	\$130.80
4 Inch Meter	\$202.64
6 Inch Meter	\$402.22
Irrigation Account Charge	
up to 1 Inch Meter	\$20.62
1 1/2 Inch Meter	\$38.18
2 Inch Meter	\$59.24
3 Inch Meter	\$115.73
4 Inch Meter	\$180.27
6 Inch Meter	\$359.54
Meter Install Fee (10-year payback)	\$8.01
Volume Rate - All Usage (\$/ccf)	\$2.577
ccf = 100 cubic feet = 748 gallons	

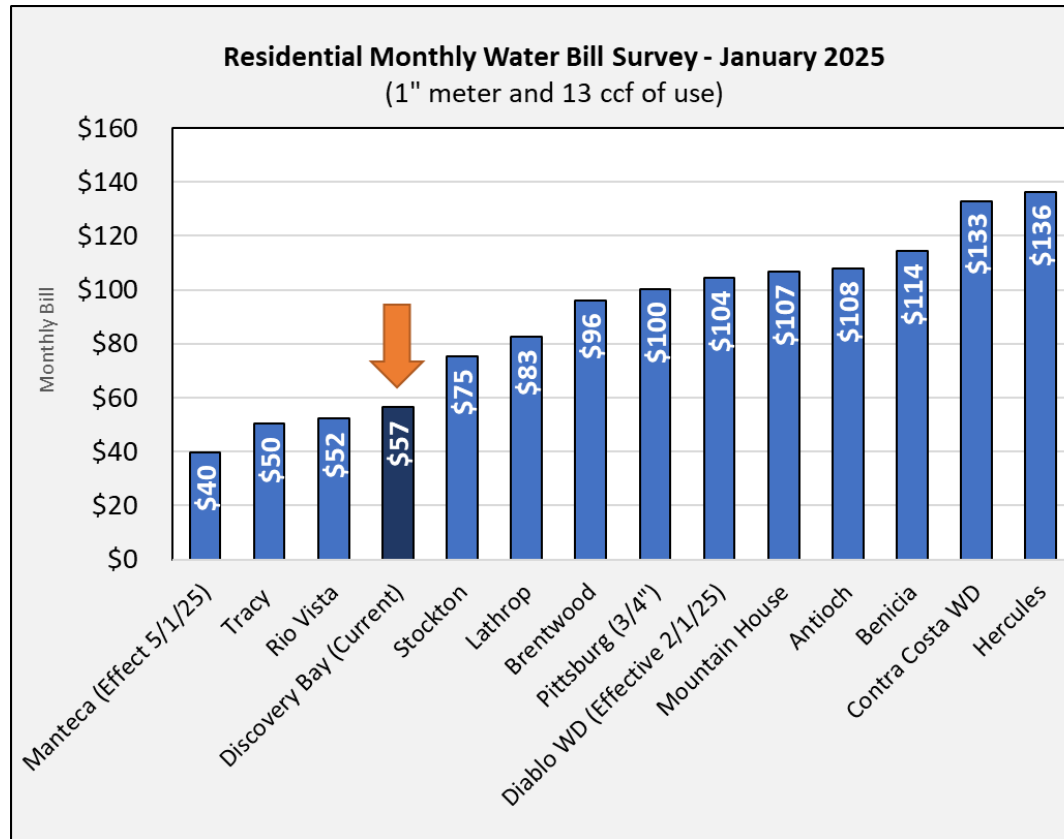
	FY2025 Est. Revenues
Meter Fees	\$1.82M
Install Fee	\$0.34M
Volume (Usage)	\$2.94M
Less Delinquencies	<u>(\$0.10M)</u>
Total Rate Revenue	\$5.00M

Expires July 2027



# Water Bill Survey

- Typical single family residential Town customer is served by a 1" meter, uses 13 ccf monthly, and pays a monthly bill of \$56.52 (does not include the meter installation fee)





# Water Fund Current Financial Position

- Rate revenues of about \$5.0M plus additional water revenues of \$0.5M total about \$5.5M
- Operating costs and existing debt service total about \$5.6M
- However, maintenance and repairs have increased significantly in recent years
- New recommended employee for regulatory compliance
- About \$6.1M in existing cash reserves
- Financial challenge is to keep up with recent operating cost increases and fund necessary capital projects





# Water Capital Funding (\$M)

Project Categories	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	5-Year Total
Solar System at WTP I	2.59	0.41	0.00	0.00	0.00	3.00
Solar System at WTP II	0.00	0.37	0.00	0.00	0.00	0.37
Admin Building	2.51	0.00	0.00	0.00	0.00	2.51
Well 8	1.00	0.00	0.00	0.00	0.00	1.00
Other Projects I	0.51	0.39	0.41	0.39	0.29	1.98
Other Projects II	0.00	0.00	0.00	0.00	0.24	0.24
Mainline Pipe	1.00	3.50	3.50	3.50	3.50	15.00
Underwater Crossing	0.00	0.00	0.76	4.99	0.00	5.76
<b>Total Projects</b>	<b>\$7.60</b>	<b>\$4.66</b>	<b>\$4.67</b>	<b>\$8.89</b>	<b>\$4.03</b>	<b>\$29.85</b>

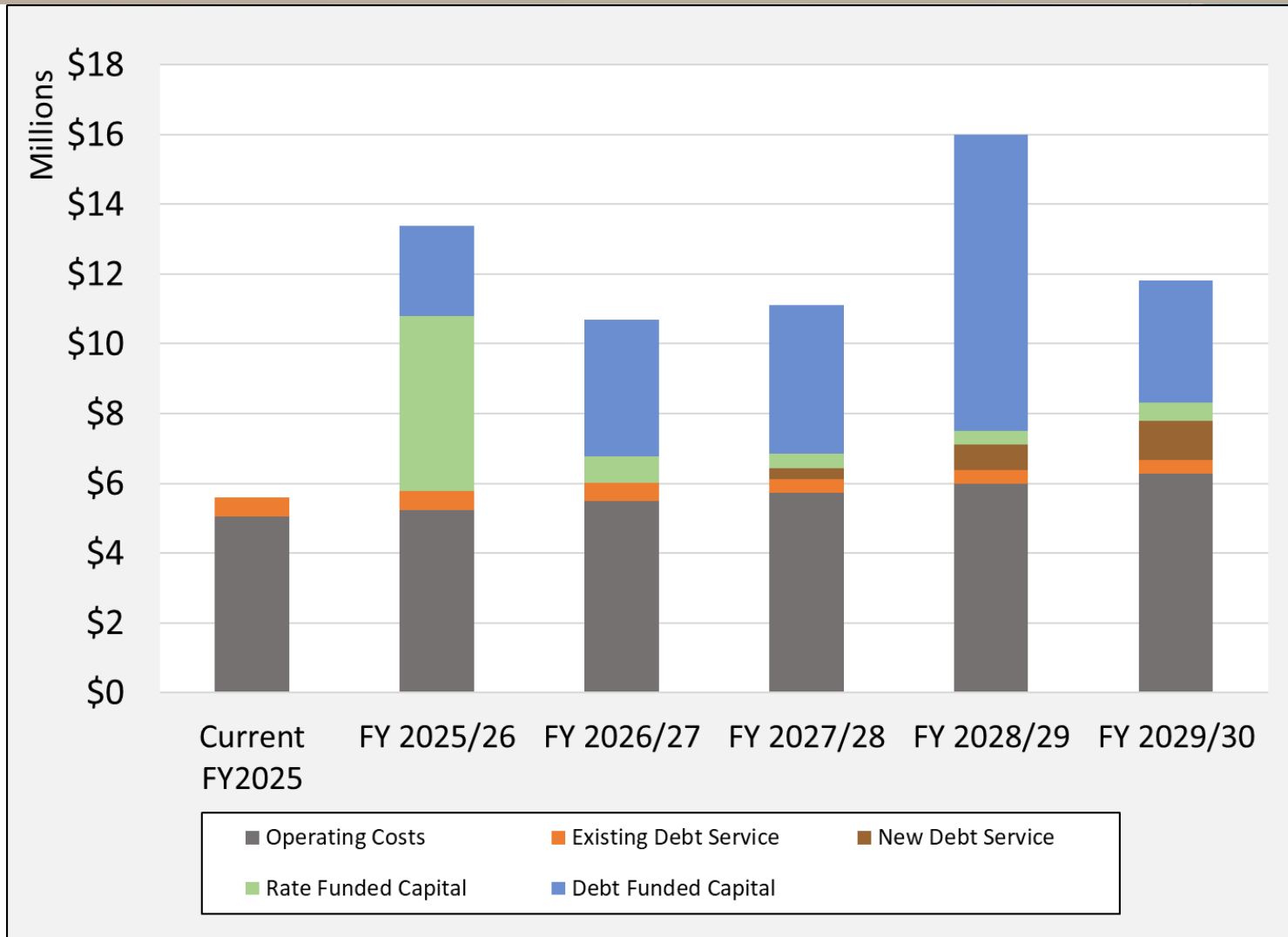
CA Energy Commission loan of \$3 million paid back over 16 years at 1%; debt service cost is intended to be covered by energy savings

All other projects (plus \$370K of the solar system) total about \$6.85 million and will be funded by District funds

Funded via market rate bonds totaling \$20 million paid back over 30 years at 5.25%; new annual debt service of \$1.14 million

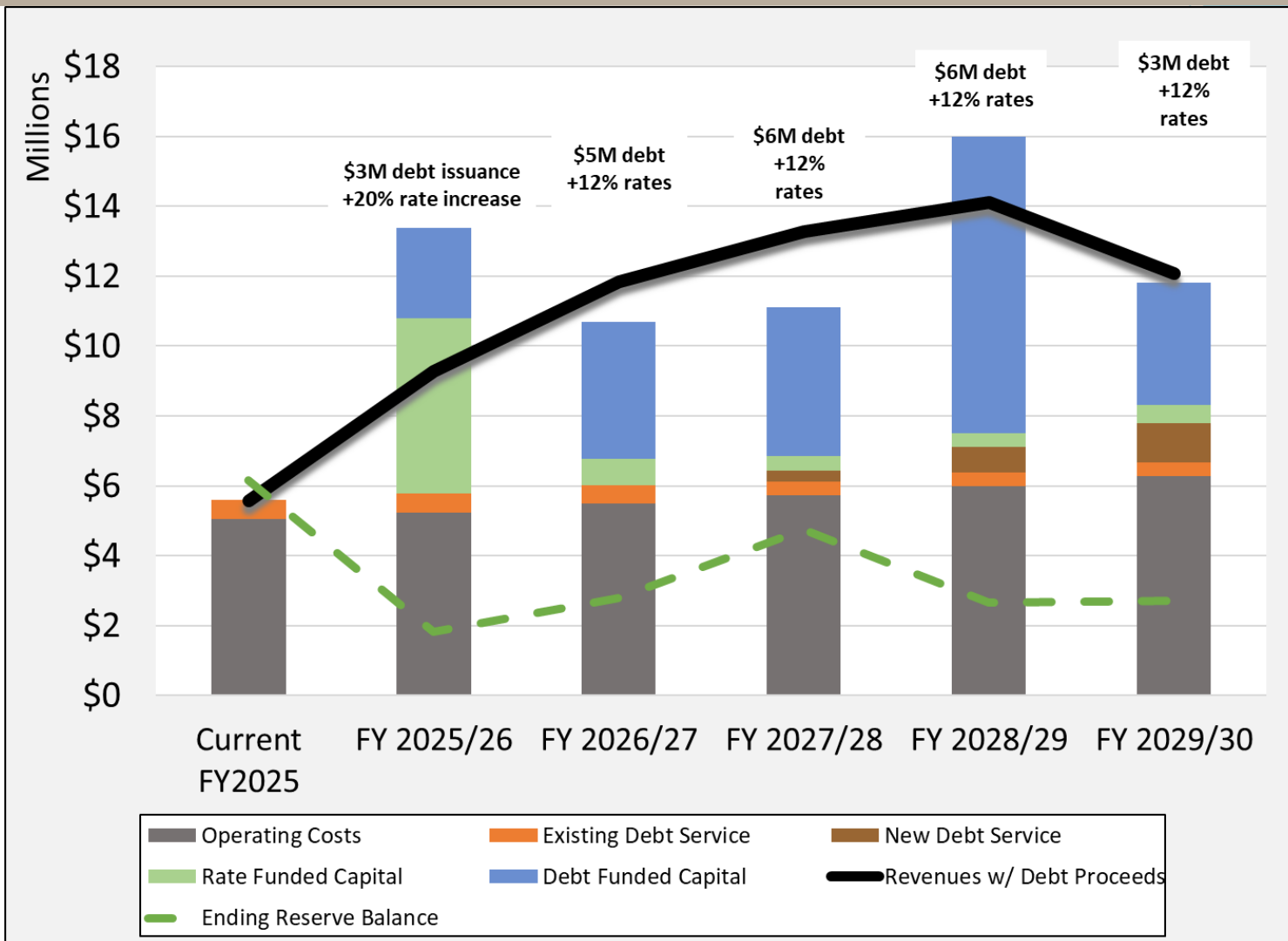


# Water Cash Flow





# Water Cash Flow Continued



\*Not every customer will receive exactly the % rate increase due to their water usage characteristics and breakdown in costs between meter fees and volume rates



# Proposed Water Rates

	Current	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Meter Fee up to 1"	\$23.02	\$34.35	\$38.47	\$43.09	\$48.26	\$54.05
Meter Replacement Fee	\$8.01	\$8.01	\$8.01	\$0.00	\$0.00	\$0.00
Volume Rate (\$/ccf)	\$2.577	\$2.645	\$2.962	\$3.317	\$3.715	\$4.161
Avg Bill (13ccf)*	\$56.52	\$68.74	\$76.98	\$86.21	\$96.56	\$108.14
		22%	12%	12%	12%	12%

Fees for larger meter sizes as well as meter fees for irrigation customers will increase by the same % as domestic 1" meters

Ccf = hundred cubic feet; 1 ccf = 748 gallons

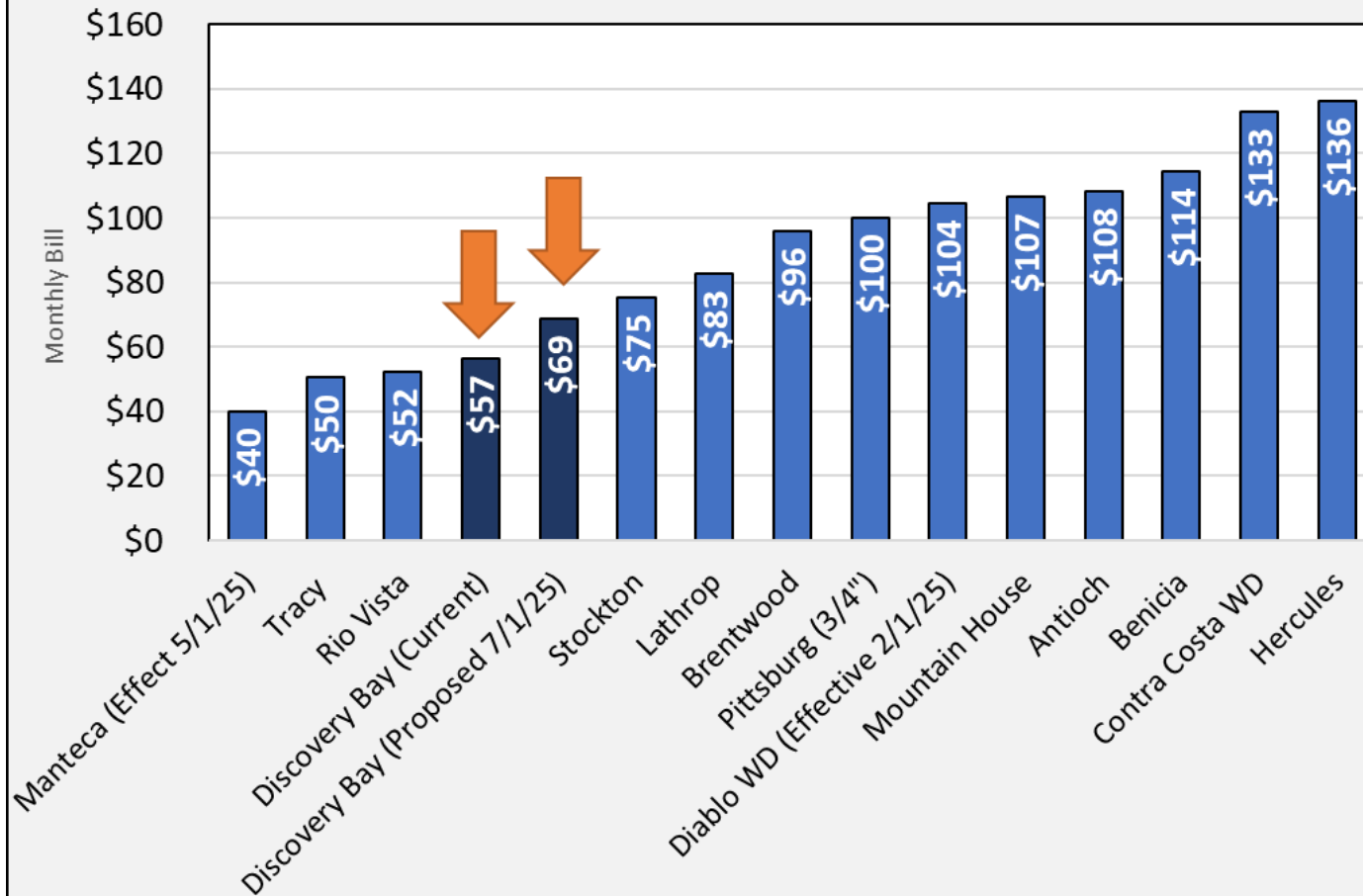
\* Does not include the meter replacement fee



# Water Bill Survey

Residential Monthly Water Bill Survey - January 2025

(1" meter and 13 ccf of use)



# WASTEWATER FUND





# Current Monthly Equivalent Sewer Rates

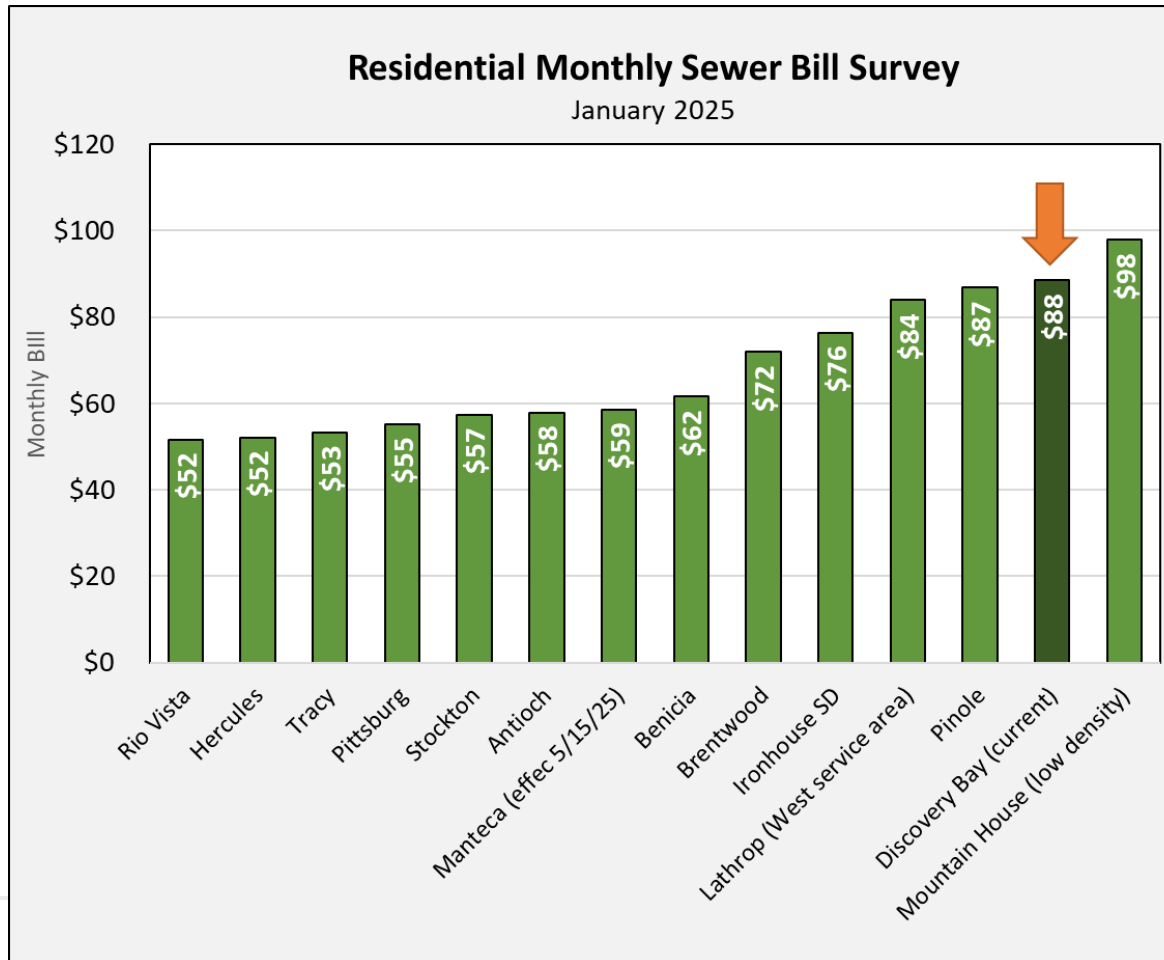
<b>Residential Unmetered</b>	<b>Monthly (\$/month)</b>
Single Family - Each DU	\$88.46
Multiple Family/Condos - Each DU	\$72.40
Vacant	\$18.67
	<b>Use</b>
<b>Nonresidential Metered</b>	<b>(\$/ccf)</b>
Business/Government/Clubs	\$7.501
Restaurants/Bars/Dining Facilities	\$19.696
Schools	\$6.853
Other Domestic Strength Users	\$7.501
DU = Dwelling Unit – billed on tax roll	
ccf = 100 cubic feet = 748 gallons	

	<b>FY2025 Est. Revenues</b>
Fixed Fees	\$6.38M
Metered Flow	<u>\$0.11M</u>
Total Rate Revenue	\$6.49M



# Sewer Bill Survey

- Residential customers are billed on the tax roll. Monthly equivalent costs are shown below.







# Sewer Fund Current Financial Position

- Rate revenues of about \$6.5M plus additional sewer revenues of \$0.5M total about \$7M
- Revenues adequately cover operating costs and existing debt service of about \$6.3M
- Positive net revenues of about \$700,000.
- \$11.8M of capital projects planned over the next five years
- About \$10.8M in existing cash reserves; recommended spend down of about \$4.9M on capital projects over the next five years
- Proposed annual rate increase of 6% consisting of
  - 4% is needed absent any capital projects for inflationary operating cost increases and to maintain strong coverage on existing debt
  - 2% to fund projects



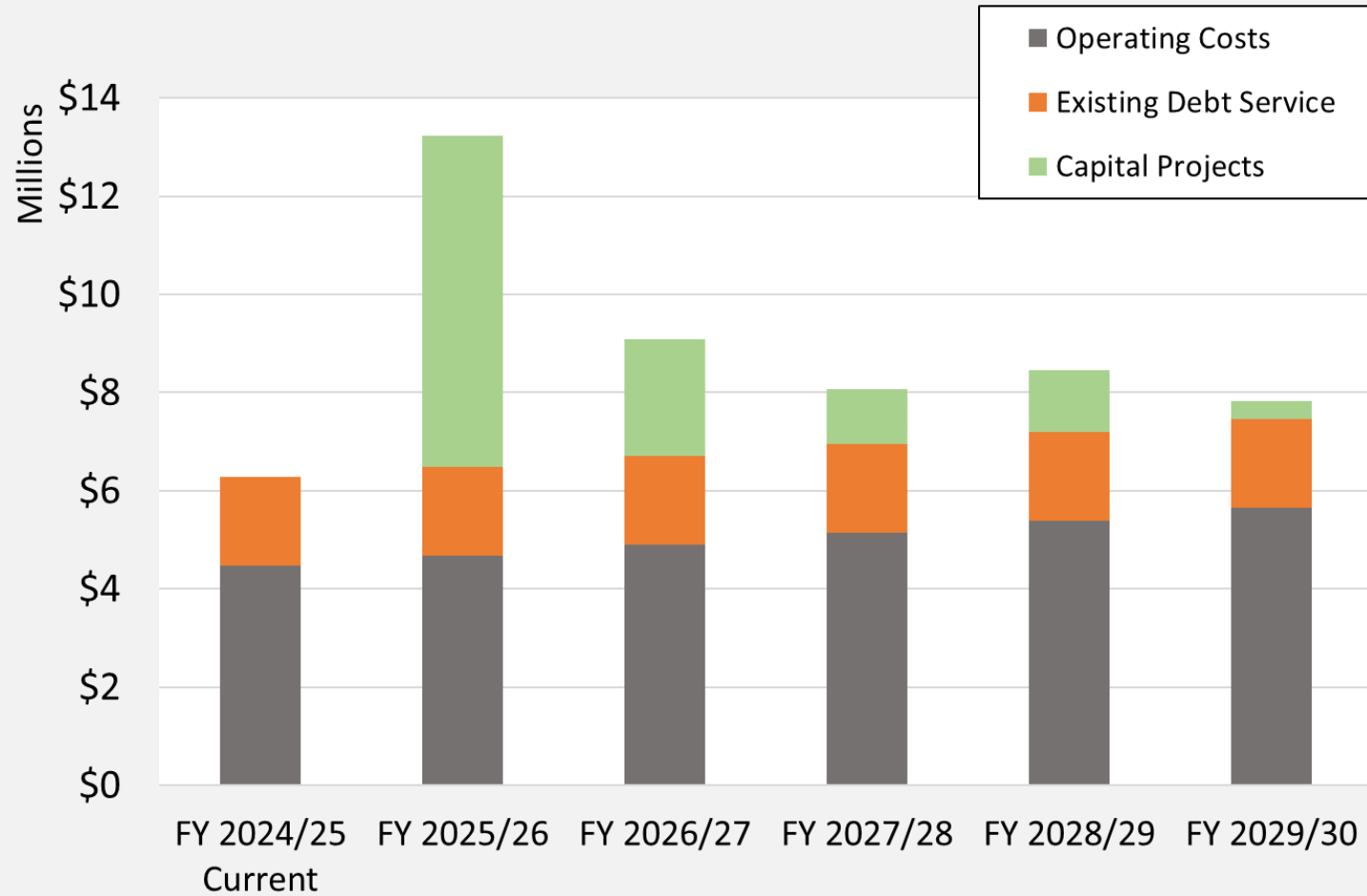
# Sewer Capital Funding (\$M)

Project Categories	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	5-Year Total
Admin Building	2.51	0.00	0.00	0.00	0.00	2.51
Belt Press WWTP#2	1.12	0.00	0.00	0.00	0.00	1.12
Decant Station	0.00	1.25	0.00	0.00	0.00	1.25
Digester Pond	0.00	0.00	0.84	0.94	0.00	1.79
Fencing at Plant 2	1.25	0.00	0.00	0.00	0.00	1.25
WWTP Pumping System	0.34	0.00	0.00	0.00	0.00	0.34
Equipment	0.76	0.55	0.00	0.00	0.00	1.31
Lift Stations	0.22	0.25	0.28	0.31	0.35	1.42
Other Projects	0.54	0.31	0.00	0.00	0.00	0.86
<b>Total</b>	<b>\$6.74</b>	<b>\$2.37</b>	<b>\$1.12</b>	<b>\$1.26</b>	<b>\$0.35</b>	<b>\$11.84</b>

Capacity Fees	0.70
Spend Down of Existing Reserves	4.90
Rate Revenue	<u>6.24</u>
<b>5-Year Total (\$M)</b>	<b>\$11.84</b>

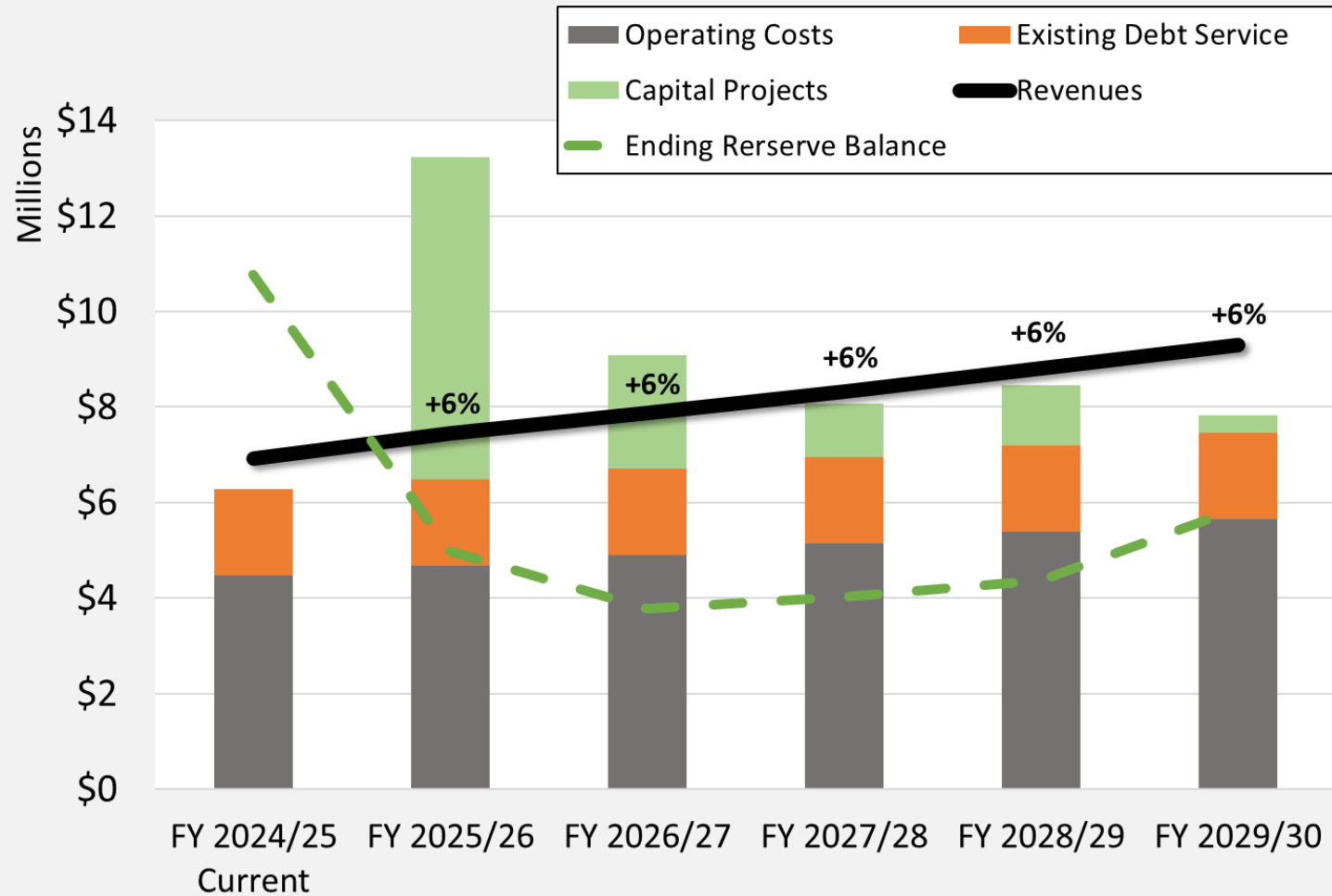


# Sewer Cash Flow





# Sewer Cash Flow Continued





# Residential Bill Impacts

	Current	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Residential Sewer Bill	\$88.46	\$93.77	\$99.40	\$105.36	\$111.68	\$118.38
		6%	6%	6%	6%	6%

	Current	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Water Bill (13ccf)*	\$56.52	\$68.74	\$76.98	\$86.21	\$96.56	\$108.14
Sewer Bill	<u>\$88.46</u>	<u>\$93.77</u>	<u>\$99.39</u>	<u>\$105.36</u>	<u>\$111.68</u>	<u>\$118.38</u>
Total Bill	\$144.98	\$162.50	\$176.37	\$191.57	\$208.23	\$226.52
		12%	9%	9%	9%	9%

Fees for other customer types are proposed to increase by the same % as single family customers

Ccf = hundred cubic feet; 1 ccf = 748 gallons

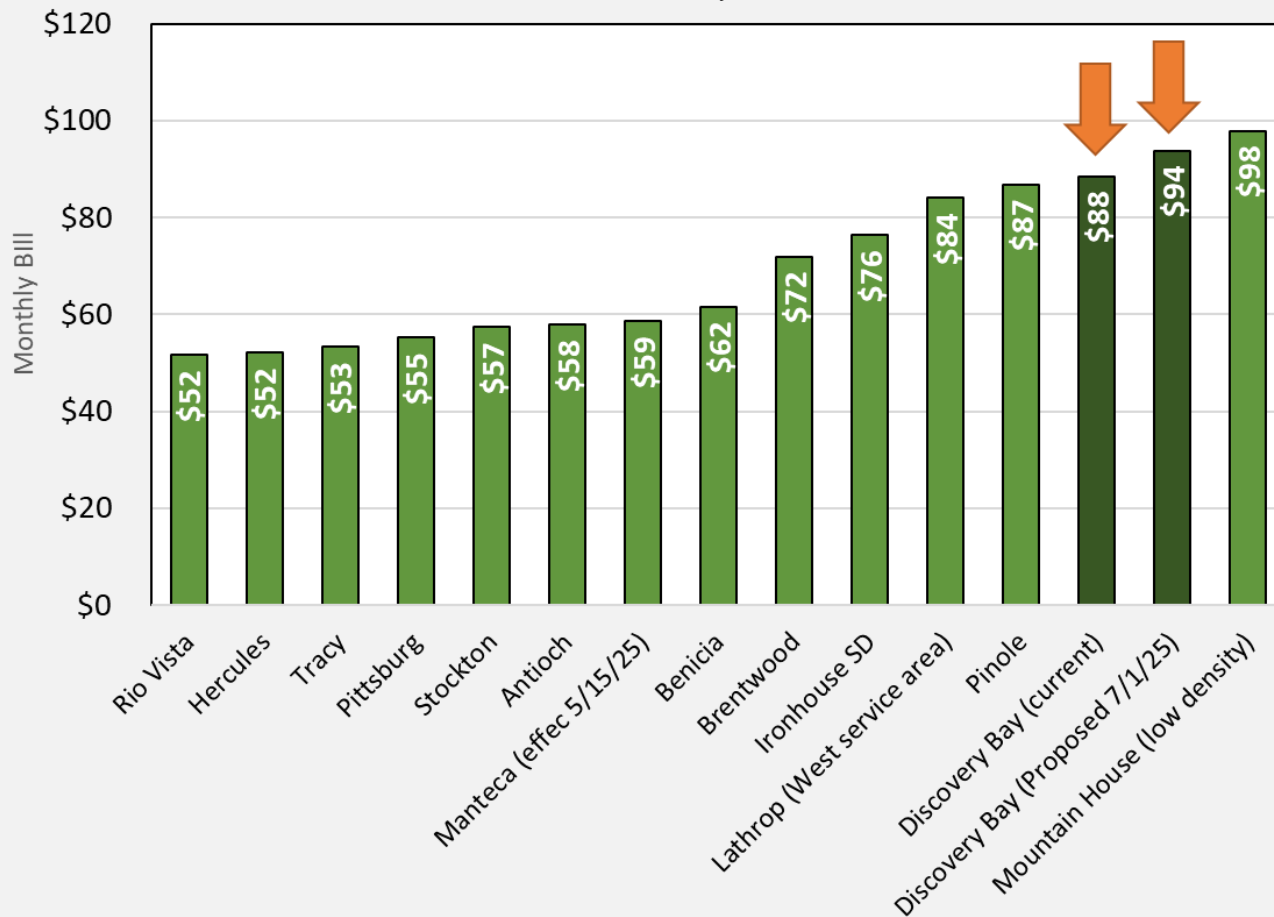
\* Does not include the meter replacement fee



# Sewer Bill Survey

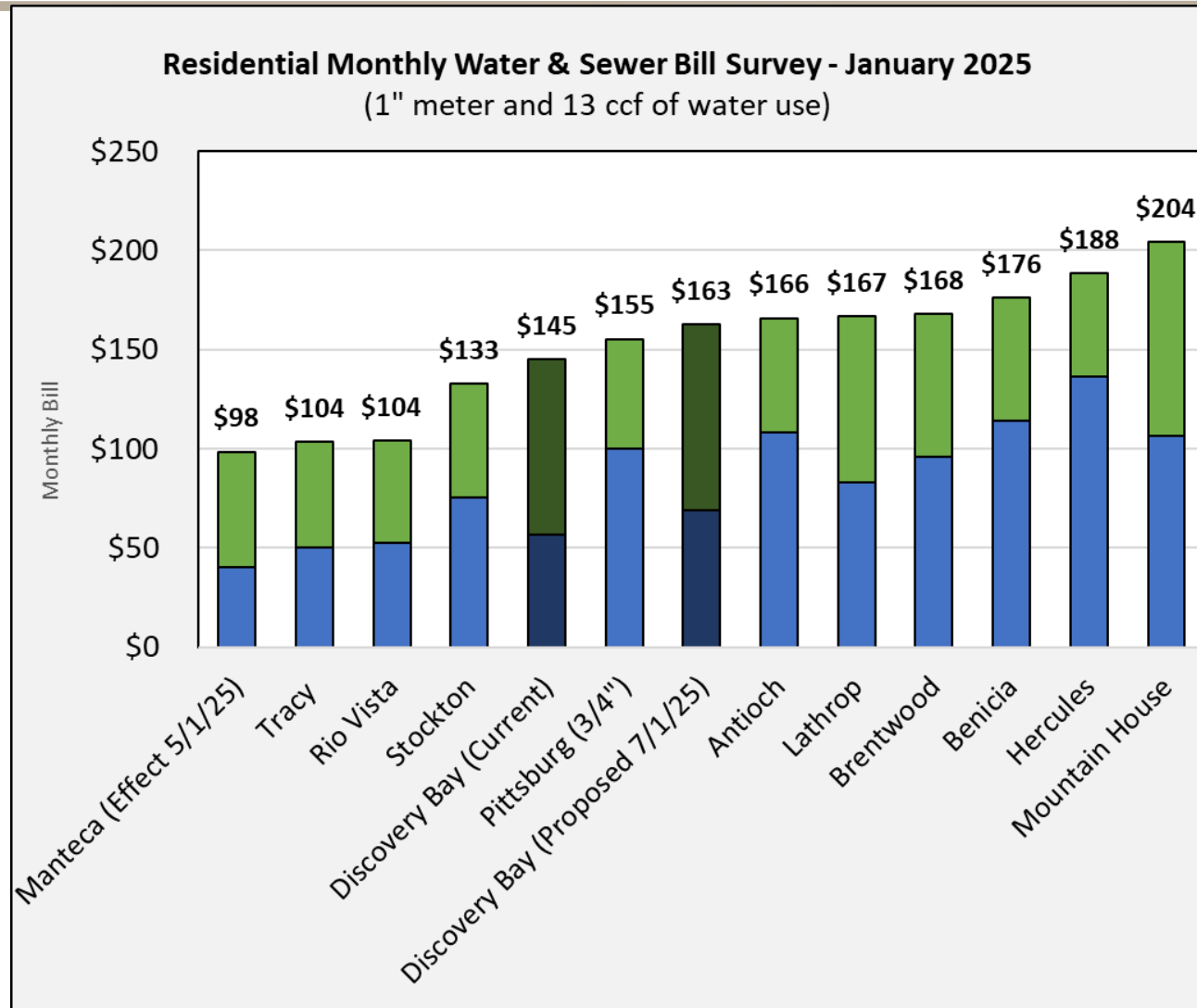
## Residential Monthly Sewer Bill Survey

January 2025





# Combined Bill Survey





# Rate Study Tentative Schedule

- Present the Rate Study Report to the Board on April 2
- Proposition 218 notices mailed to customers April 11
  - Customers have the right to protest the water rates, sewer rates, or both
  - Protests must be in writing and be received by the end of the public hearing
  - If more than 50% of property owners protest, rates cannot be implemented
  - Customers can also file Written Objections
- Public hearing is planned for June 18
- If approved, rates will go into effect July 1
- Each year, Board will review the budget and rates (if approved). Board has the option to adopt lower rates without additional hearings.





# Conclusion

