



Comprehensive Water Rate Study



North Beach Water District Public Hearing

December 11, 2014

Angie Sanchez Virnoche, Principal





Overview

- ◆ Rate study completed as part of Comprehensive Water System Planning Process
- ◆ Detailed work Session held with Board on November 26 to review results and incorporate feedback



Rate Study Overview

- ◆ Rate study evaluates the sufficiency of revenue to meet all utility financial obligations
- ◆ Includes operating expenses, debt service, capital costs and financial targets
- ◆ Results in a rate strategy that balances financial needs and customer impacts
- ◆ Develops rates that collect the necessary level of revenue

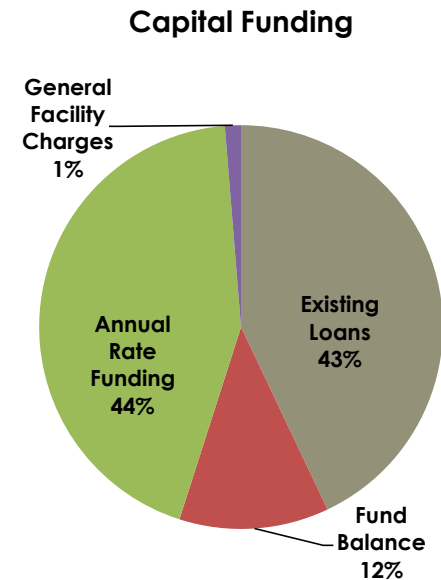
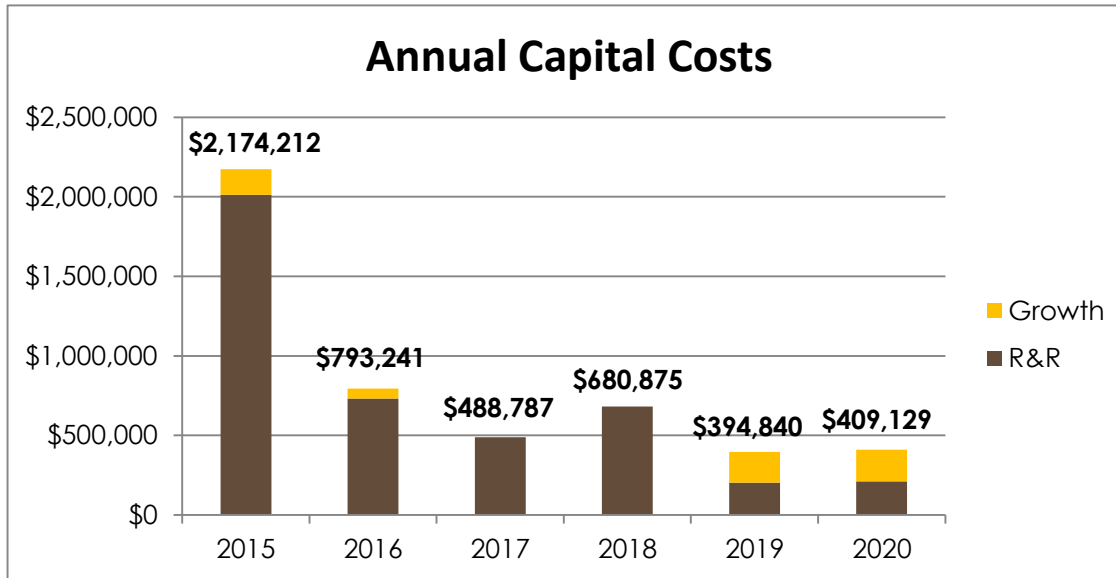


Key Factors

- ◆ **Financial plan/rate forecast developed for 20-years (2015 – 2034)**
 - Focus is on 3 - 6 years for rate setting (2015 - 2020)
- ◆ **The District's 2015 proposed budget is used as the basis**
- ◆ **Annual escalation factors**
 - Growth rate average annual 0.26% from water system plan
 - General expenses use 2.39% (10-year average CPI)
 - Labor expenses 2.86% (10-year average ECI)
 - State Excise Tax 5.029%; Business & Occupation Tax 1.50%
- ◆ **Existing debt service ~ \$449,000 - \$546,000/year**
- ◆ **Fund balance minimum \$450,000**



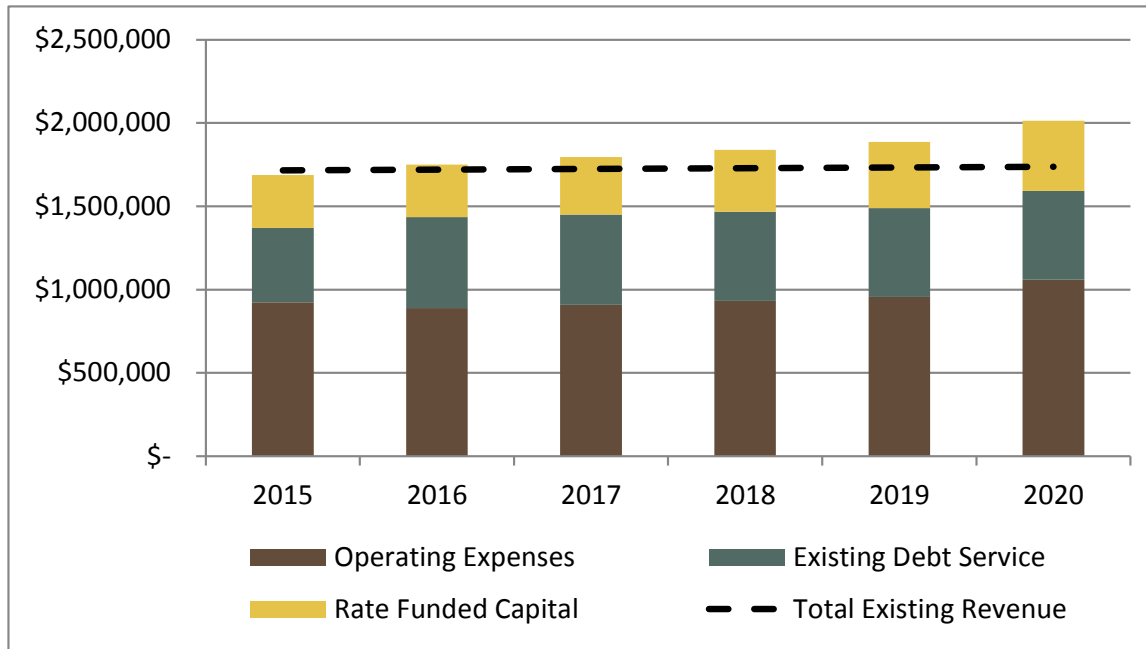
Capital Costs



- ◆ **Capital costs based on current Water System Plan in progress**
 - \$4.9 million 2015 - 2020
 - Costs escalated to year of construction
- ◆ **No new debt – existing resources and rate revenue are funding capital**



Summary Financial Plan/Rate Forecast



	2015	2016	2017	2018	2019	2020
Annual Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%



Existing Rates

- ◆ One rate schedule applied to all customers
- ◆ Fixed monthly charge by meter size + all water use billed
- ◆ 85% revenue recovery from fixed charge, 15% variable

	Existing Rate
Monthly Charge	
Residential/Commercial	
3/4 Inch	\$ 39.73
1 Inch	\$ 66.33
1 1/2 Inch	\$ 132.34
2 Inch	\$ 202.56
3 Inch	\$ 230.78
4 Inch	\$ 348.69
6 Inch	\$ 677.23
Fire Flow	
6 Inch	\$ 77.56
8 Inch	\$ 101.57
Volume Charge	
All Water Use	\$ 2.19



Rate Options

- ◆ Two rate options presented to the Board
- ◆ Board recommended a modified rate option
- ◆ Proposed rate structure changes phased in over 6 years
 - Phase in fire charges to cost of service
 - Recalibrate rates so approx. 20% of revenue is generated from water meter charge



Summary of 6-year Proposed Rate Phase-in

Phased-In Rates	Current	2015	2016	2017	2018	2019	2020
Monthly Base Rate							
Residential							
3/4 Inch	\$ 39.73	\$ 39.73	\$ 39.73	\$ 40.16	\$ 41.09	\$ 42.04	\$ 43.02
1 Inch	\$ 66.33	\$ 66.33	\$ 66.33	\$ 67.06	\$ 68.62	\$ 70.21	\$ 71.85
Commercial							
3/4 Inch	\$ 39.73	\$ 39.73	\$ 39.73	\$ 40.16	\$ 41.09	\$ 42.04	\$ 43.02
1 Inch	\$ 66.33	\$ 66.33	\$ 66.33	\$ 67.06	\$ 68.62	\$ 70.21	\$ 71.85
1 1/2 Inch	\$ 132.34	\$ 132.34	\$ 132.34	\$ 133.72	\$ 136.82	\$ 140.00	\$ 143.26
2 Inch	\$ 202.56	\$ 202.56	\$ 202.56	\$ 204.80	\$ 209.54	\$ 214.41	\$ 219.41
3 Inch	\$ 230.78	\$ 230.78	\$ 230.78	\$ 233.31	\$ 238.71	\$ 244.26	\$ 249.95
4 Inch	\$ 348.69	\$ 348.69	\$ 348.69	\$ 352.58	\$ 360.74	\$ 369.12	\$ 377.73
6 Inch	\$ 677.23	\$ 677.23	\$ 677.23	\$ 684.68	\$ 700.53	\$ 716.81	\$ 733.51
Fire Flow							
6 Inch	\$ 77.56	\$ 107.90	\$ 138.25	\$ 168.59	\$ 198.93	\$ 229.28	\$ 259.62
8 Inch	\$ 101.57	\$ 153.88	\$ 206.18	\$ 258.49	\$ 310.80	\$ 363.10	\$ 415.41
Metered Water Rate	\$ 2.19	\$ 2.53	\$ 2.89	\$ 3.13	\$ 3.22	\$ 3.31	\$ 3.41
Percent Fixed Revenue	84.7%	82.8%	81.0%	80.0%	80.0%	80.0%	80.0%
Percent Variable Revenue	15.3%	17.2%	19.0%	20.0%	20.0%	20.0%	20.0%

- ◆ **Phases in fire cost-of-service charges**
- ◆ **Variable revenue at 20% beginning in 2017**



Monthly Bill Comparisons

Average Customers	Existing Bill	Proposed Bill	Difference
Residential 3/4"			
Low (2.1 ccf)	\$ 44.33	\$ 45.04	\$ 0.71
Medium (3.5 ccf)	\$ 47.40	\$ 48.59	\$ 1.19
High (7 ccf)	\$ 55.06	\$ 57.44	\$ 2.38
Commercial 3/4"			
Low (3.7 ccf)	\$ 47.83	\$ 49.09	\$ 1.26
Medium (5.9 ccf)	\$ 52.65	\$ 54.66	\$ 2.01
High (17.5 ccf)	\$ 78.06	\$ 84.01	\$ 5.95



Next Steps

- ◆ Questions
- ◆ Rate Approval – December 22

Angie Sanchez Virnoche

Principal

angies@fcsgroup.com

Contact FCS GROUP:

425.867.1802

www.fcsgroup.com

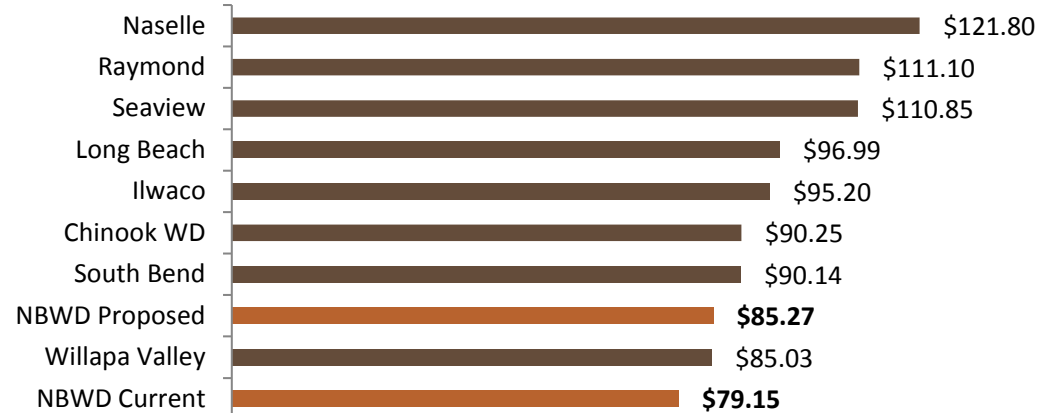


Neighboring Utility Comparison

Sample Bill - 4 ccf



Sample Bill - 18 ccf





Fire Customer Rate Comparisons

Average Monthly Bills for Commercial Customers with Fire Meters	Fire Meter Size	Comm. Meter #1	Comm. Meter #2	Average Usage	Existing Bill	Proposed Bill	Difference
2924 SUNSET VIEW RESORT**	8-inch	2.0-inch		27.00	\$ 363.26	\$ 424.85	\$ 61.59
3155 REGENCY LONG BEACH LLC**	6-inch	3.0-inch		128.25	\$ 589.21	\$ 663.65	\$ 74.44
4168 OMAN & SON**	6-inch	3/4-inch	3/4-inch	15.50	\$ 190.97	\$ 226.64	\$ 35.67
4510 OB SCHOOL DISTRICT 101**	6-inch	2.0-inch	3/4-inch	22.25	\$ 368.58	\$ 406.57	\$ 37.99



Water Meter Charge Basis

2015 Customer Data Combined	Account Charges (a)	MCE Factors (b)	MCE Charges (c)	Monthly Fixed Charge (d)
Res/Comm				
3/4 Inch	\$ 27.74	1.00	\$ 11.34	\$ 39.08
1 Inch	\$ 27.74	1.67	\$ 18.94	\$ 46.68
1 1/2 Inch	\$ 27.74	3.33	\$ 37.77	\$ 65.51
2 Inch	\$ 27.74	5.33	\$ 60.45	\$ 88.19
3 Inch	\$ 27.74	10.67	\$ 121.01	\$ 148.75
4 Inch	\$ 27.74	16.67	\$ 189.06	\$ 216.80
6 Inch	\$ 27.74	33.33	\$ 378.00	\$ 405.74
Fire Flow				
6 Inch	\$ -	33.33	\$ 229.47	\$ 229.47
8 Inch	\$ -	53.33	\$ 367.16	\$ 367.16

(a) Account charges = (total customer, peak, and fire costs) ÷ total accounts

(b) Meter capacity equivalent (MCE) factors from AWWA

(c) MCE charges = MCE cost x MCE factor

where MCE cost = (meter & service costs ÷ total MCEs) + (a portion of base costs ÷ total MCEs less fire)

(d) Monthly fixed charge = a + c