



# City of Avalon

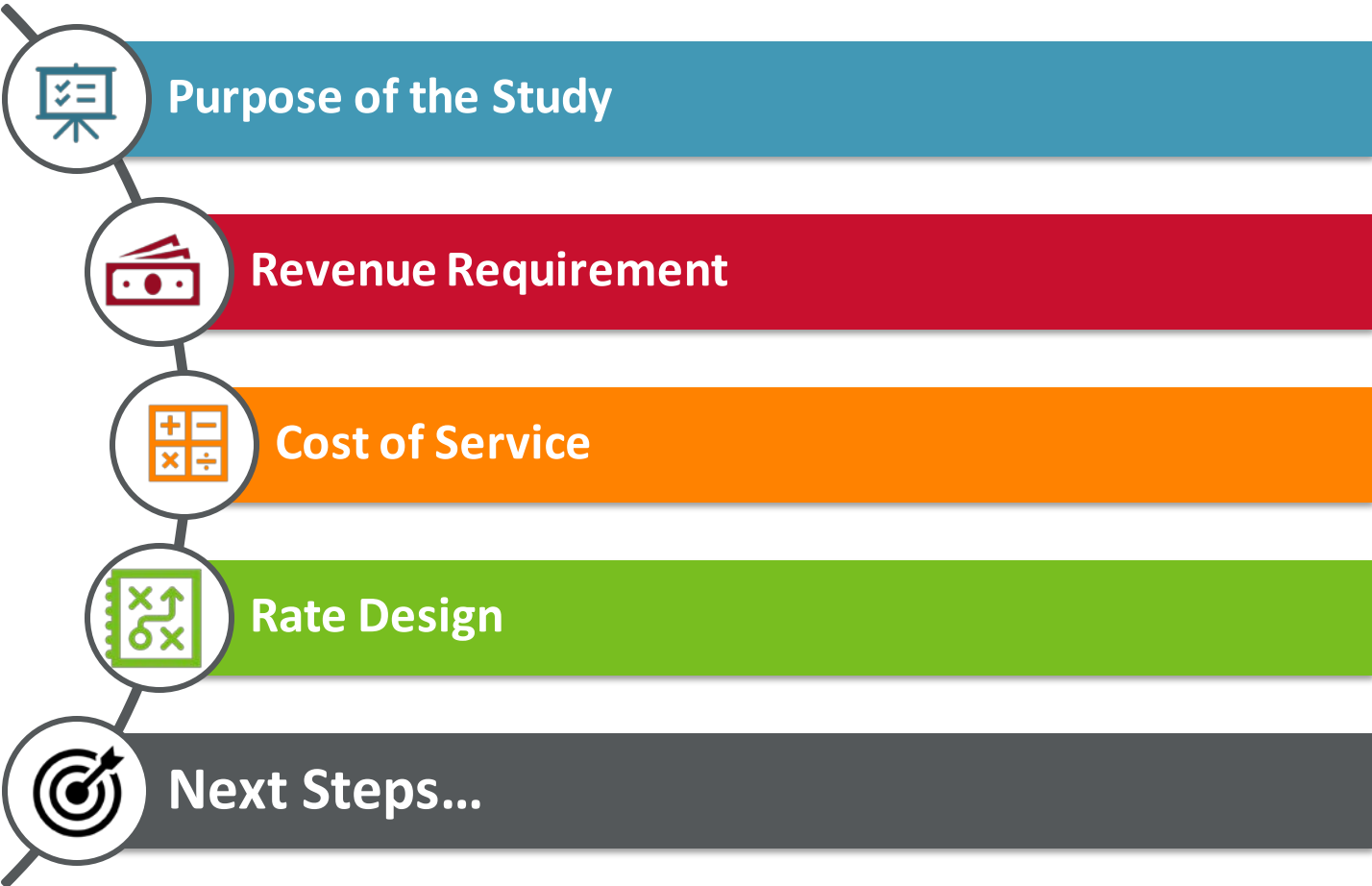
## Summary Results

Sewer, Saltwater, and Solid Waste Rate Study

April 6, 2021



# Overview of the Presentation

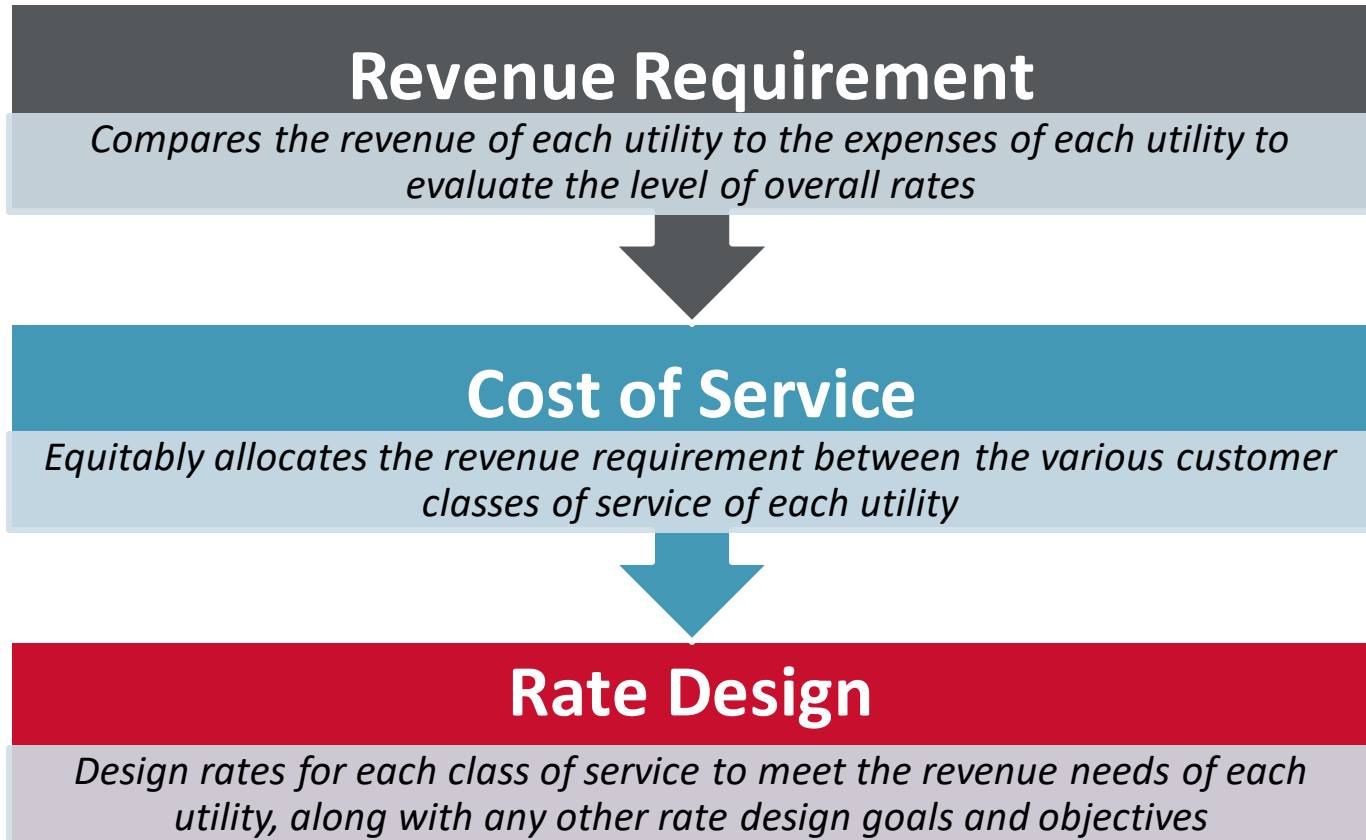


## Purpose of the Study

- Provide sufficient revenue to operate and maintain the City's sewer, saltwater, and solid waste utilities
- Develop proportional and cost-based rates
  - Meet the requirements and intent of Proposition 218
- Reflect prudent financial planning criteria
  - Meeting O&M expense obligations
  - Funding necessary capital improvement projects
  - Maintaining adequate cash reserves
- Develop the study using generally accepted methodologies tailored to the City's system and customer characteristics



# Developing Cost-Based Rates



# Revenue Requirement



# Revenue Requirement - Overview

Compares utility revenues to expenses

- Determines the level of revenue adjustment necessary to maintain each utility

Uses prudent financial planning criteria

- Adequate funding of renewal and replacements
- Maintaining sufficient ending reserve balances

Reviews a specific time period

- Typically a three to ten year period

Utility is analyzed on a “stand-alone basis”

- No transfer of funds from other City funds
- Rates need to support operations and capital

Utilizes the “cash basis” methodology

- Generally accepted method for municipal utilities

## Revenue Requirement - Key Assumptions

- O&M expenses based on the FY 2020-21 budget projected through FY 2025-26
  - Solid waste – impacted by annual funding of future closure costs, cost of unfunded mandates, and future landfill expansion costs
- Capital improvement plan for FY 2020-21 through FY 2025-26
  - Sewer – substantial level of infrastructure investment needed
- Maintain target financial metrics
  - Fully fund annual operating expenses
  - Provide adequate level of funding for annual capital projects
  - Maintain target minimum cash reserve levels

# Summary of the Revenue Requirement Analyses

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>Sewer</b>		7.0%	7.0%	3.5%	3.0%	3.0%
<i>Monthly Res Sewer Bill</i>	\$72.75	\$77.84	\$83.29	\$86.21	\$88.79	\$91.46
<b>Solid Waste</b>		19.5%	19.5%	9.5%	3.0%	3.0%
<i>Monthly Res Solid Waste Bill</i>	\$46.63	\$55.72	\$66.58	\$72.91	\$75.10	\$77.35
<b>Saltwater</b>		2.5%	2.5%	2.5%	2.5%	2.5%
<i>Monthly Res Saltwater Bill</i>	\$22.13	\$22.69	\$23.25	\$23.84	\$24.43	\$25.04



**Cost of Service**



# Overview of the Cost of Service

## What is cost of service?

- Analysis to equitably allocate the revenue requirement to the customer classes of service

## Why cost of service

- Generally accepted as “fair and equitable”
- Avoids subsidies
- Revenues reflect costs

## Objectives of Cost of Service

- Determine if subsidies exist
- Develop average unit costs

# Summary of the Cost of Service Analysis

- Maintained the same approach as the prior rate study
- Developed an analysis to equitably and proportionally allocate costs between the customer classes (i.e., rate schedules) of each utility
  - Sewer – per equivalent unit based on industry standard flow assumptions by customer type
  - Solid Waste – based on estimated trash generation estimates by customer type
  - Saltwater – based on the estimated consumption equivalencies by customer type
- Analysis provides the basis for proposed rates that meet the intent and requirements of Proposition 218

# Rate Design



# Rate Design Key Assumptions

- No rate structure design changes are proposed at this time
  - Only the level of proposed rates has been adjusted
- Proposed rates are based on the revenue requirement and cost of service analysis
- Rate transition plan

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Sewer	7.0%	7.0%	3.5%	3.0%	3.0%
Solid Waste	19.5%	19.5%	9.5%	3.0%	3.0%
Saltwater	2.5%	2.5%	2.5%	2.5%	2.5%

# Rate Design – Present and Proposed Annual Sewer Rates

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>Residential</b>	\$873.00	\$934.10	\$999.50	\$1,034.50	\$1,065.55	\$1,097.50
<b>Commercial</b>						
Public Shower	\$289.80	\$310.10	\$331.80	\$343.40	\$353.70	\$364.30
Hotel	480.15	513.75	549.70	568.95	586.05	603.60
Laundries	1,178.55	1,261.05	1,349.30	1,396.55	1,438.50	1,481.60
Shops / Offices	873.00	934.10	999.50	1,034.50	1,065.55	1,097.50
Other Combined Shops / Offices	558.70	597.80	639.65	662.05	681.95	702.35
Take-out Restaurant	1,325.20	1,417.95	1,517.20	1,570.35	1,617.50	1,666.00
Churches	1,764.90	1,888.40	2,020.65	2,091.40	2,154.15	2,218.75
Bar / Restaurant (<100)	2,624.95	2,808.65	3,005.30	3,110.55	3,203.90	3,300.00
Bar / Restaurant (>100)	3,925.05	4,199.75	4,493.80	4,651.15	4,790.75	4,934.40

# Rate Design – Present and Proposed Annual Solid Waste Rates

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>Residential</b>	\$559.51	\$668.60	\$799.00	\$874.90	\$901.15	\$928.20
<b>Res &gt; 10 Units</b>	447.69	535.00	639.35	700.10	721.10	742.75
<b>Shops / Office</b>	884.15	1,056.55	1,262.60	1,382.55	1,424.05	1,466.75
<b>Grocer</b>	2,652.45	3,169.70	3,787.80	4,147.65	4,272.10	4,400.25
<b>Gathering Space</b>	442.10	528.30	631.30	691.25	712.00	733.35
<b>Restaurants &lt; 100 seats</b>	3,536.60	4,226.25	5,050.35	5,530.15	5,696.05	5,866.95
<b>Restaurants &gt; 100 seats</b>	7,073.20	8,452.45	10,100.70	11,060.25	11,392.05	11,733.80
<b>Restaurants - Take Out</b>	1,768.30	2,113.10	2,525.15	2,765.05	2,848.00	2,933.45
<b>Hotel Room</b>	213.23	254.80	304.50	333.45	343.45	353.75
<b>Grease Removal</b>	\$2.56	\$3.06	\$3.66	\$4.01	\$4.13	\$4.25

# Rate Design – Present and Proposed Annual Saltwater Rates

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>Residential</b>	\$265.60	\$272.30	\$279.10	\$286.10	\$293.25	\$300.60
<b>Commercial</b>	\$265.60	\$272.30	\$279.10	\$286.10	\$293.25	\$300.60
<b>Hotel</b>	\$146.10	\$149.75	\$153.50	\$157.35	\$161.30	\$165.35



## Next Steps

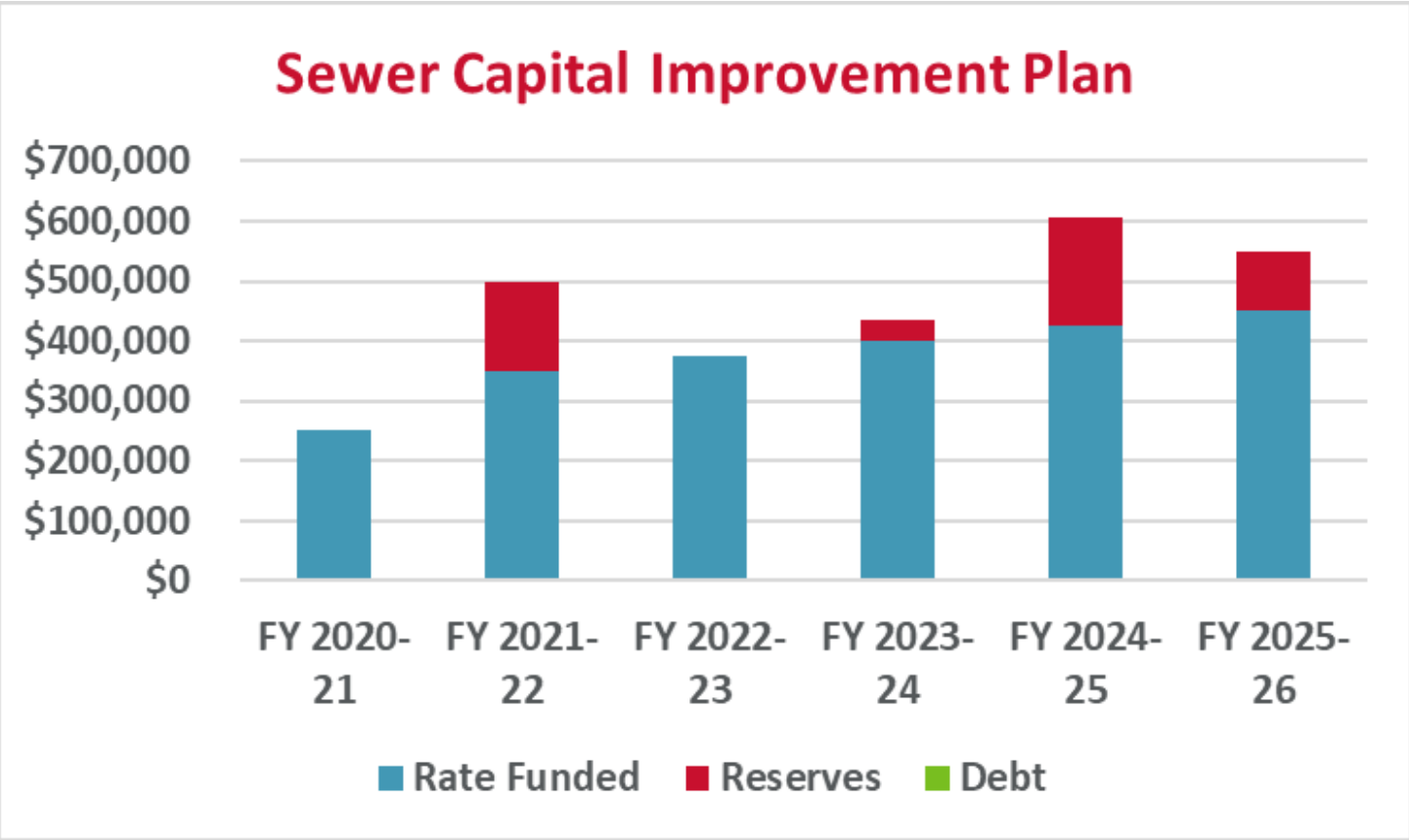
- Incorporate Council input regarding study results
  - Develop final proposed rates (FY 2021-22 – FY 2025-26)
- Gain Council direction to set public hearing and send Proposition 218 notice to customers
- Public hearing (06.01.21)
  - Present final proposed rates
  - Council may adopt the proposed rates if no majority protest



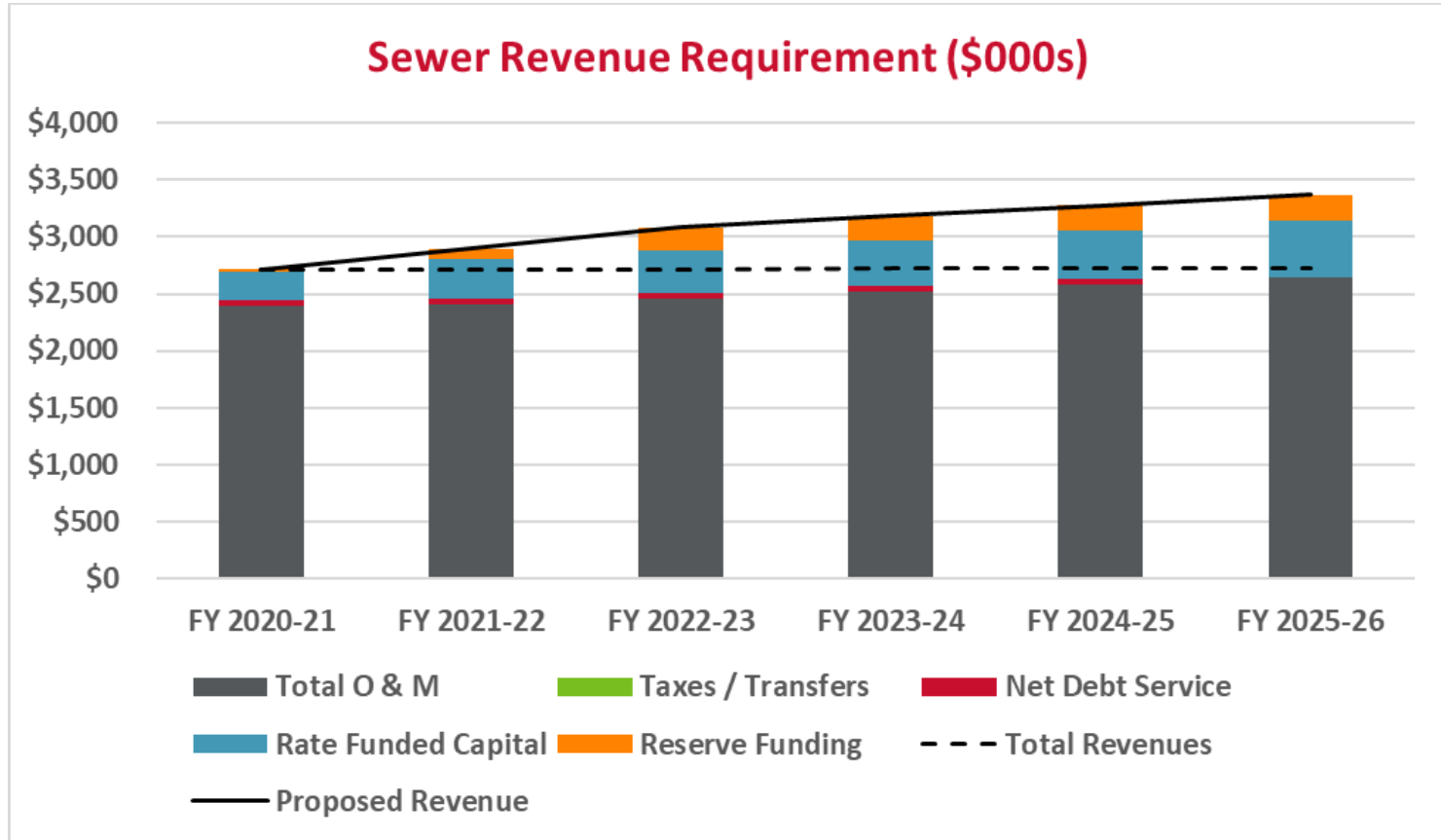
**Thank you for your input!**



# Revenue Requirement – Sewer Capital



# Revenue Requirement – Sewer Summary



**FY 2021-22**

**7.0%**

**FY 2022-23**

**7.0%**

**FY 2023-24**

**3.5%**

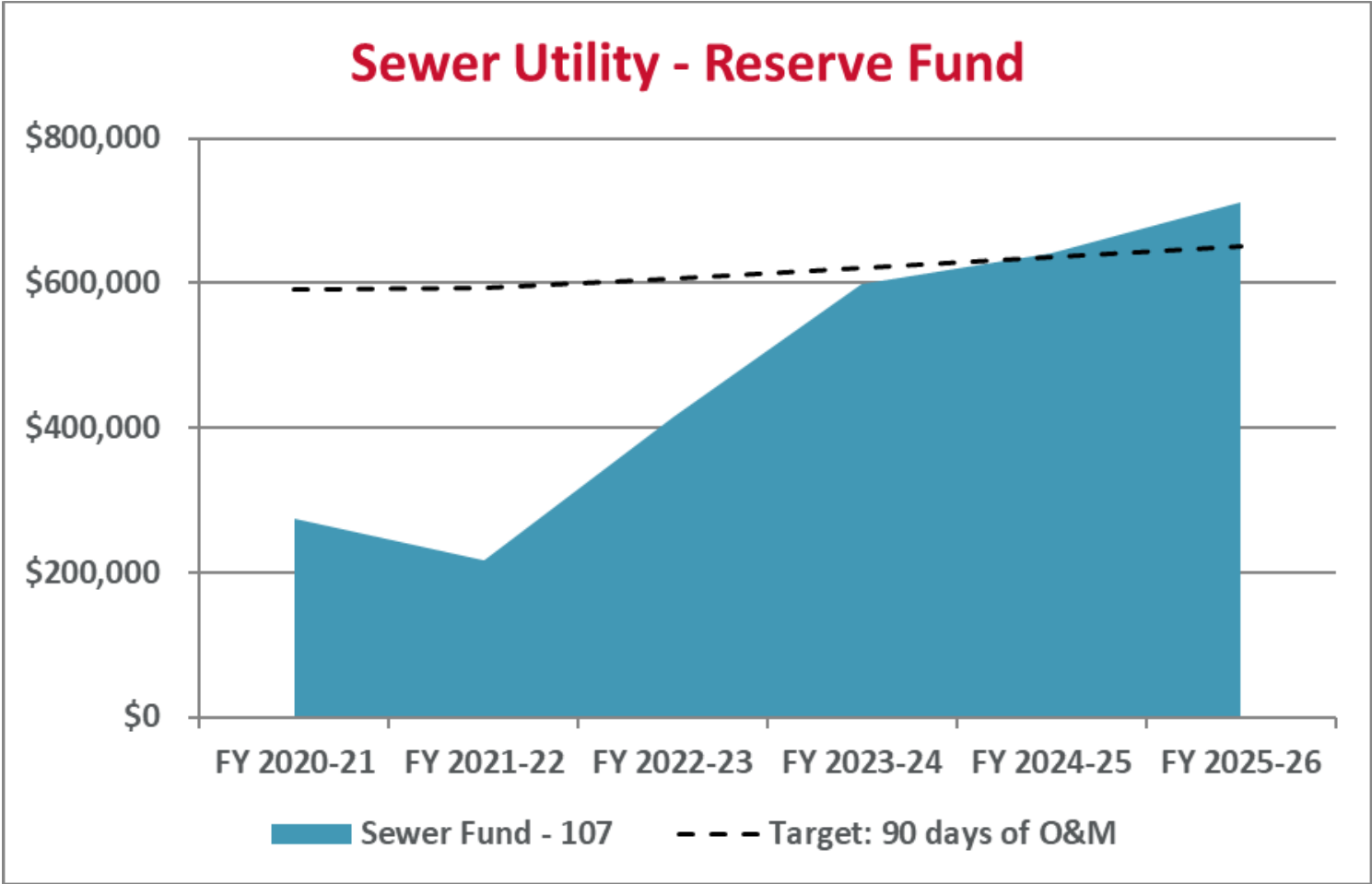
**FY 2024-25**

**3.0%**

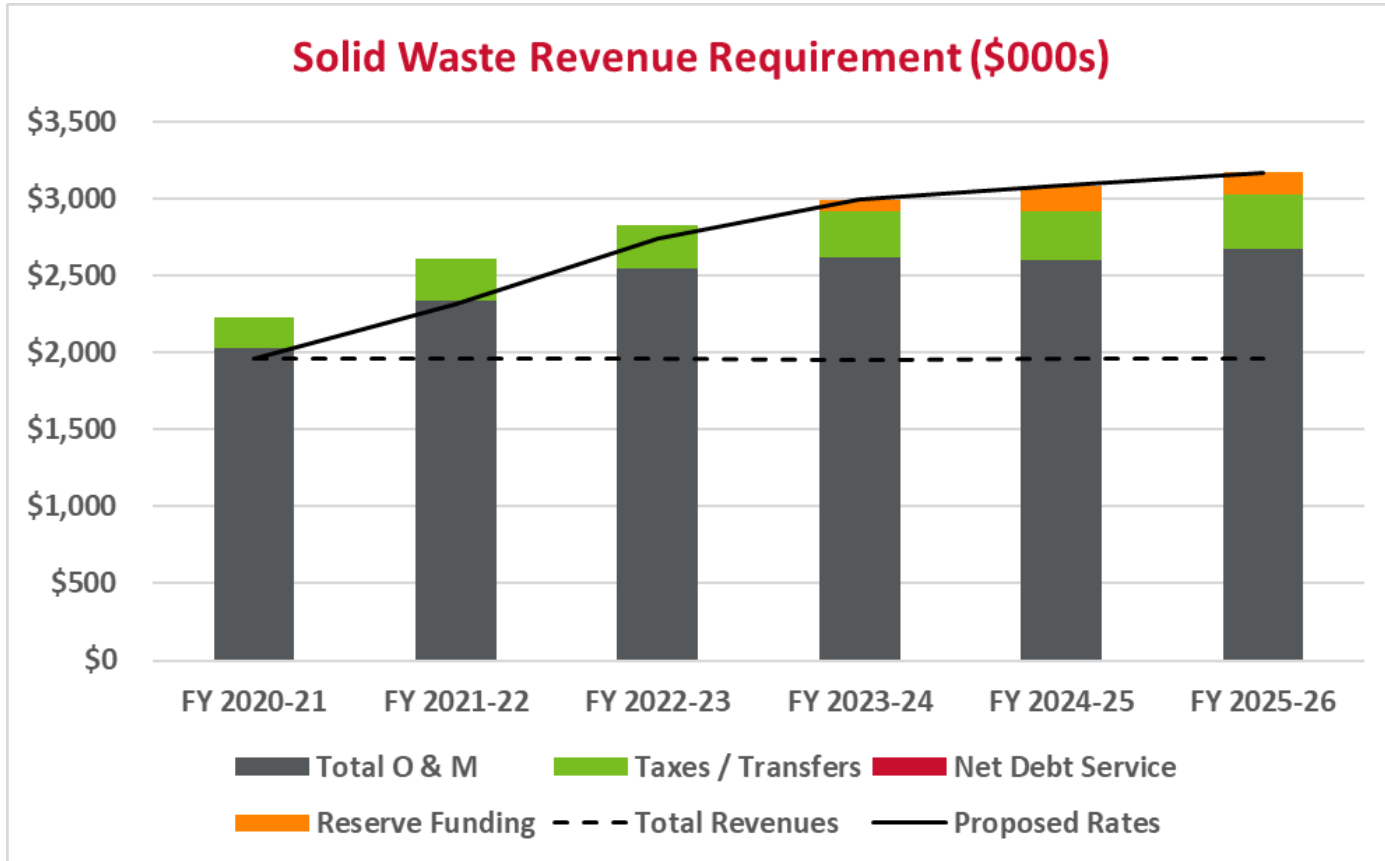
**FY 2025-26**

**3.0%**

# Revenue Requirement – Sewer Cash Reserves



# Revenue Requirement – Solid Waste Summary



**FY 2021-22**

**19.5%**

**FY 2022-23**

**19.5%**

**FY 2023-24**

**9.5%**

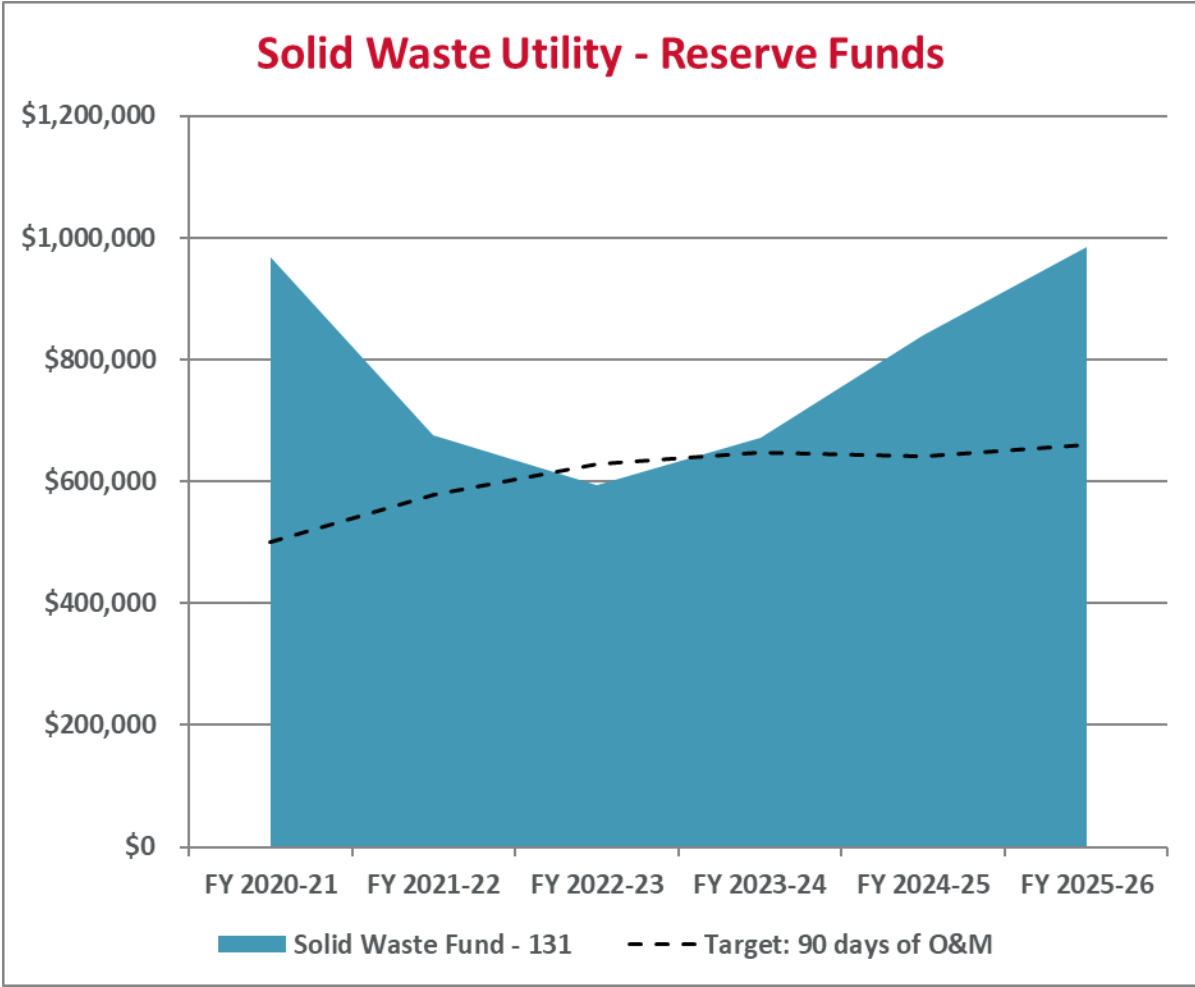
**FY 2024-25**

**3.0%**

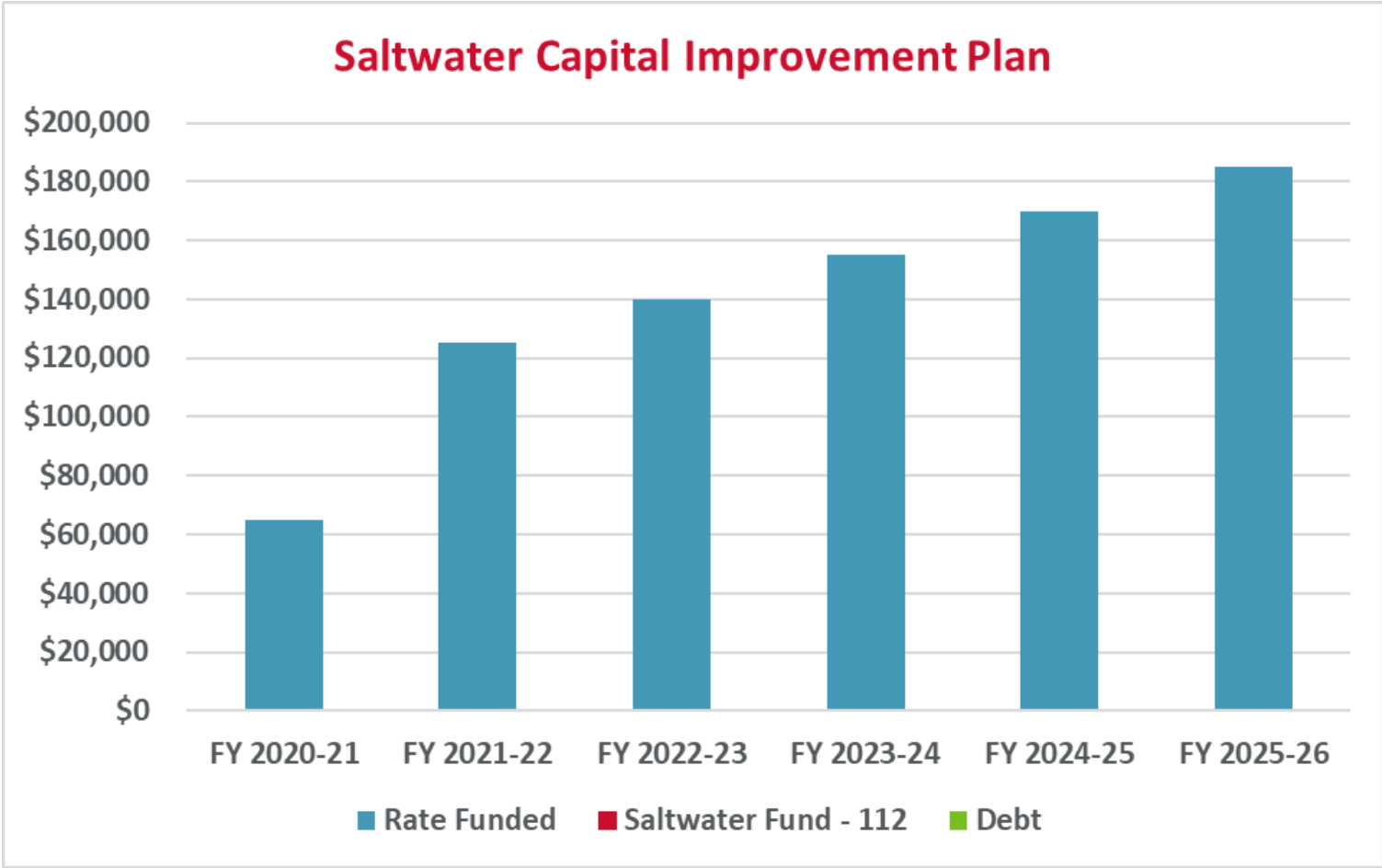
**FY 2025-26**

**3.0%**

# Revenue Requirement – Solid Waste Cash Reserves

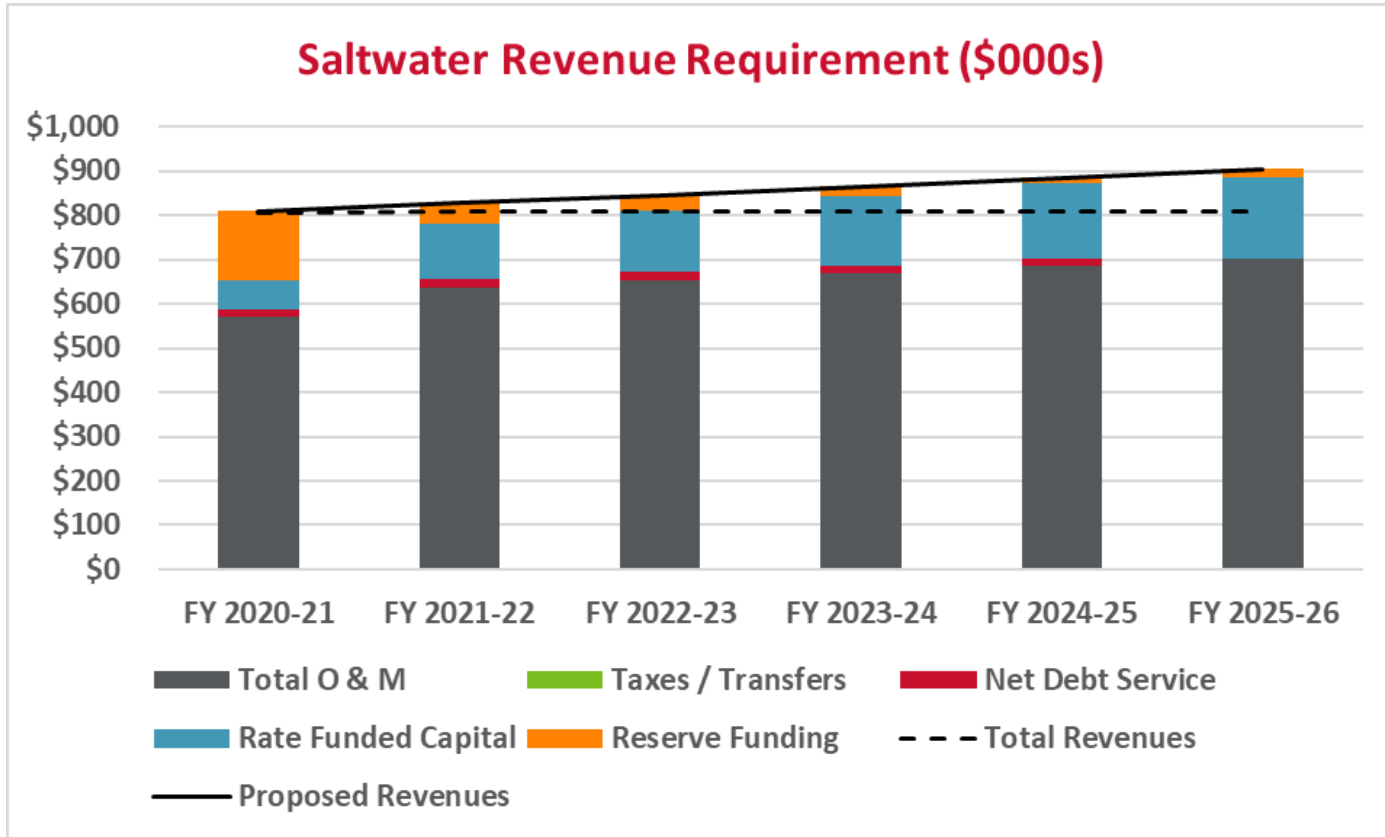


# Revenue Requirement – Saltwater Capital





# Revenue Requirement – Saltwater Summary



**FY 2021-22**

**2.5%**

**FY 2022-23**

**2.5%**

**FY 2023-24**

**2.5%**

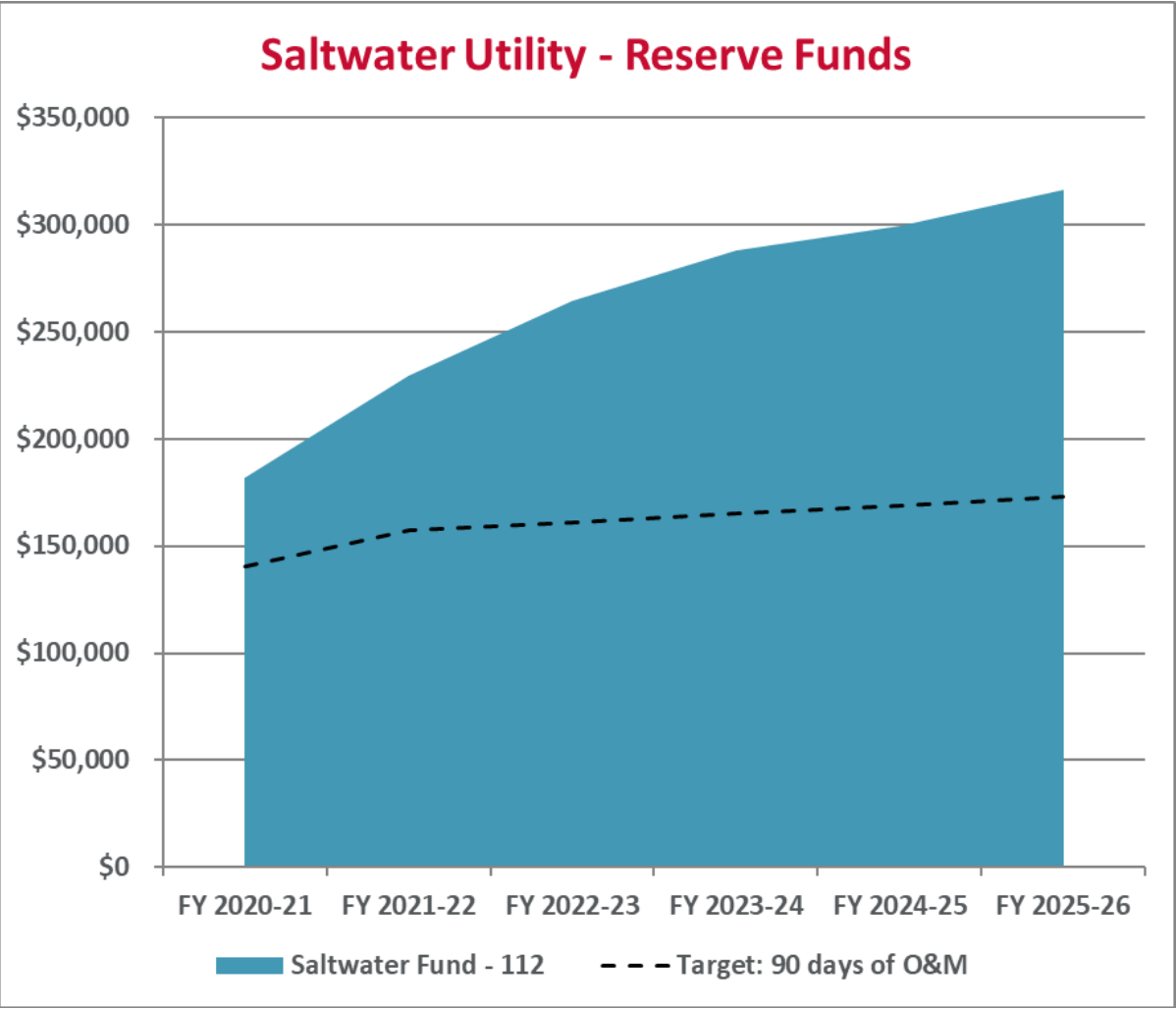
**FY 2024-25**

**2.5%**

**FY 2025-26**

**2.5%**

# Revenue Requirement – Saltwater Cash Reserves



# Rate Design – Sewer Monthly Bill Impacts

Customer Class	Present Rates	Proposed Rates	Difference	
			\$	%
Residential	\$72.75	\$77.84	\$5.09	7.0%
Public Shower	24.15	25.84	1.69	7.0%
Hotel	40.01	42.81	2.80	7.0%
Laundries	98.21	105.09	6.88	7.0%
Shops / Offices	72.75	77.84	5.09	7.0%
Combined Shops / Offices	46.56	49.82	3.26	7.0%
Take-out Restaurant	110.43	118.16	7.73	7.0%
Churches	147.08	157.37	10.29	7.0%
Bar / Restaurant (<100)	218.75	234.05	15.31	7.0%
Bar / Restaurant (>100)	327.09	349.98	22.89	7.0%

# Rate Design – Solid Waste Monthly Bill Impacts

Customer Class	Present Rates	Proposed Rates	Difference	
			\$	%
Residential	\$46.63	\$55.72	\$9.09	19.5%
Res > 10 Units	37.31	44.58	7.28	19.5%
Shops / Office	73.68	88.05	14.37	19.5%
Grocer	221.04	264.14	43.10	19.5%
Gathering Space	36.84	44.03	7.18	19.5%
Restaurants < 100 seats	294.72	352.19	57.47	19.5%
Restaurants > 100 seats	589.43	704.37	114.94	19.5%
Restaurants - Take Out	147.36	176.09	28.73	19.5%
Hotel Room	17.77	21.23	3.46	19.5%
Grease Removal	2.56	3.06	0.50	19.5%

# Rate Design – Saltwater Monthly Bill Impacts

<b>Customer Class</b>	<b>Present Rates</b>	<b>Proposed Rates</b>	<b><i>Difference</i></b>	
			<b>\$</b>	<b>%</b>
<b>Residential</b>	\$22.13	\$22.69	\$0.56	2.5%
<b>Commercial</b>	\$22.13	\$22.69	\$0.56	2.5%
<b>Hotel</b>	\$12.18	\$12.48	\$0.30	2.5%