



City of St. Helena
Water and Wastewater Rate Study Advisory
Committee
Regular Meeting
Tuesday, June 14, 2022 @ 10:00 AM

PLEASE NOTE: Any person who wishes to speak regarding an item on the agenda or make a comment under the "Oral Communication" portion of the agenda may do so, but please observe the time limit of four minutes.

This meeting will be conducted pursuant to the provisions of Government Code Section 54953 (as amended by AB 361) which authorizes teleconferenced meetings under the Brown Act during certain proclaimed States of Emergency. The Governor of California proclaimed a State of Emergency related to COVID-19 on March 4, 2020. This teleconferenced meeting is necessary so that the City can conduct essential business and is permitted under Government Code 54953 in order to protect public health and safety of attendees.

Consistent with Government Code Section 54953, this City of St. Helena Water and Wastewater Rate Study Advisory Committee Meeting will be held via teleconference only, and will not be physically open to the public. Water and Wastewater Rate Study Advisory Committee members and staff will teleconference into the meeting by audio and/or video. The meeting will be conducted via Zoom Webinar. Public comment for Water and Wastewater Rate Study Advisory Committee meetings will be accepted via email to publiccomment@cityofstheleena.org. All public comments must be emailed by 8:00 AM prior to the meeting. Emailed public comments will not be read out loud but will be publicly available and attached to the on-line Water and Wastewater Rate Study Advisory Committee agenda.

In the event a quorum of the Water and Wastewater Rate Study Advisory Committee loses electrical power or suffers an internet connection outage that is not corrected within 10 minutes, the meeting will automatically be adjourned. Any items noticed as public hearings will be continued to the next regularly scheduled meeting of the Water and Wastewater Rate Study Advisory Committee. Any other items on the agenda that the Committee has not taken action on will be placed on a future agenda.

Please see the end of the agenda for detailed **PUBLIC PARTICIPATION** instructions. To learn how to use Zoom, please see the instructions below.

Please click the link below to join the meeting:

<https://us02web.zoom.us/j/83742733632>

Or One tap mobile :

US: +16699006833,,83742733632# or +12532158782,,83742733632

Or Telephone:

Dial(for higher quality, dial a number based on your current location):

US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 301 715 8592 or

1. CALL TO ORDER

2. ROLL CALL

Committee Members: Arlene Corsetti, Garry Rose, Sean Maher, Mario Trinchero, Mark Smithers, Peter McCrea and Walter Nirenberg

Staff Liaison: Mandy Kellogg, Assistant Administrative Services Director

3. PUBLIC FORUM:

An opportunity for the public to directly address the Committee on items of interest to the public that are not listed on the agenda. Any person addressing the Committee should provide his or her name and address, and limit comments to four minutes. Because of restrictions imposed by **the Brown Act, the Committee may not engage in substantive discussion, nor take action on matters not described on the agenda.**

4. REPORTS BY STAFF AND BOARD

Reports by staff and/or Committee on items of general interest. Brief questions for clarification may be posed and answered, and Committee may request that items be placed on a future agenda. Except under certain circumstances, **the Brown Act prohibits any other discussion or action by the Water and Wastewater Rate Study Advisory Committee.**

5. NEW BUSINESS:

5.1. Brown Act Training

7 - 24

CEQA Determination: Not a CEQA project

Prepared By: Cindy Tzafopoulos, City Clerk

Recommendation:

Receive and file.

[Brown Act Training](#)

5.2. Chair and Vice Chair appointments

Prepared By: Cindy Tzafopoulos, City Clerk

Recommendation:

A member will nominate another member to be the Chair and the Vice Chair. The nomination is approved by the consensus of the majority of the Committee.

5.3. Presentation from Raftelis on Water and Wastewater rate setting, review of different rate structures, and outline of the proposed rate study process and schedule.

25 - 72

CEQA Determination: Not a CEQA project

Prepared By: Mandy Kellogg, Asst. Administrative Services Director

Recommendation:

Receive and file.

[Raftelis SR](#)

[Raftelis Presentation](#)

6. ADJOURNMENT

The next regular Water and Wastewater Rate Study Advisory Committee meeting is scheduled for June 28, 2022 at 10:00 a.m.

I do hereby certify that a copy of the foregoing agenda was posted on the City website on June 8, 2022.

Kamille Garcia, Administrative Records Assistant

In Compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please call the City Clerk's Office (707) 968-2742. Notification 72 hours prior to the meeting as required by Section 202 of the Americans with Disabilities Act will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

THE CITY OF ST. HELENA ENCOURAGES ONLINE PUBLIC PARTICIPATION IN VIRTUAL MEETINGS

St. Helena, CA– The City of St. Helena is committed to public participation in City government in a manner that is consistent with guidance provided by the Napa County Public Health Official and Governor Newsom's Executive Order N-25-20. These guidelines relate to social distancing, and are intended to protect everyone by limiting the spread of COVID-19 in our community. In adherence to these guidelines, the Water and Wastewater Rate Study Advisory Committee will host a Virtual Meetings on Zoom; a free teleconferencing tool that enables users to watch and/or call into the meeting from their computers or phones. This meeting will be open to public and allows for live public comment. The meeting will also be recorded, and posted on the City's website at the conclusion of the meeting: <https://sthelena.civicweb.net/Portal/>

The ZOOM web link, meeting ID, and phone number will be listed at the top of the Meeting Agenda. You will be required to enter the meeting ID, but there will be no password or participant ID.

How to Watch or Listen to Meetings:

1. Watch and Listen on Zoom.us by clicking on the link in the Agenda
2. Listen only by calling the Zoom number listed on the Agenda

Watch by Joining the Zoom Meeting:

1. **By Computer, Tablet, or Smart Phone:**
 1. Before joining the virtual Meeting, it is highly encouraged that you download the Zoom App. To sign up for your own free account, visit zoom.us/signup and enter your email address. You will receive an email from Zoom (no-reply@zoom.us). In this email, click Activate Account.
 2. If you are logged into your account, Enter the **Meeting ID** listed on the Agenda. If you have not created an account go to: <https://zoom.us/join> and enter the **Meeting ID**

3. Select if you would like to connect audio and/or video and tap **Join Meeting**.
 4. For specific instructions for your device, go to: <https://support.zoom.us/hc/en-us/articles/201362193-Joining-a-Meeting>
1. **Listen Only by Telephone:**
 1. **Dial** the number listed on the Agenda.
 2. At the prompt, enter the **Meeting ID** provided on the top of the Meeting Agenda and **Press #**. **A participate ID is not required.**
 3. To disconnect from the meeting, hang up the phone.

Ways to Provide Public Comment:

While attending the virtual Meeting, the public will have the opportunity to provide live public comment during Public Forum and after each agenda item. When it is the appropriate time for public comment the Chair will verbally open public comment. At this time each individual is permitted 4 minutes to speak.

1. Send a Public Comment in by 8:00 AM Prior to the Meeting to: publiccomment@cityofsthelena.org

The easiest way to provide public comment is to email your public comment. Public comments may be emailed to publiccomment@cityofsthelena.org. Please include in the subject line "COMMENT TO WATER AND WASTEWATER RATE STUDY ADVISORY COMMITTEE and the AGENDA ITEM." Any public comment is required to be submitted no later than 2 hours before the scheduled meeting and will be included as an attachment to the agenda. All public comments will be made publicly available and attached to the agenda item and will not be read out loud. All public comments that are received after 8:00 AM will be attached to the agenda the following day.

2. Provide Comment through Zoom meeting from a computer, tablet, or smart phone

This option allows the public to virtually attend the meeting as a muted 'attendee' with no video or screen sharing capabilities. You will be able to see and hear those participating in the meeting, but they will not be able to hear you until the host unmutes you.

If you wish to provide public comment during a specific agenda item or during public forum, you can use the "**raise hand**" feature located in the control panel at the bottom of your screen. The icon is a small blue hand. In Windows you can also use the Alt+Y keyboard shortcut to raise or lower your hand. In Mac you can also use the Option+Y keyboard shortcut to raise or lower your hand.

The host will be notified that you've raised your hand and you will be placed in a queue with all incoming requests. When it is your turn to speak, you will be notified that the host has unmuted you. To be removed from the queue, just click the '**raise hand**' button again.

3. Call in to the ZOOM meeting from a cell phone or landline phone only

This option allows the member of the public with the opportunity to verbally participate in public comment.

If you wish to speak during public comment time dial ***9** on your telephone.

The host will be notified that you would like to speak and you will be placed in a queue with all incoming requests.

When it is your turn to speak, you will be notified that the host has unmuted you. You may press ***9** again if you wish to be removed from the queue.

You will be notified at the end of your statement that you have been muted.



BROWN ACT TRAINING

PRESENTED BY
CINDY TZAFPOPOULOS, CITY CLERK

Basic Rule of the Brown Act

- All meetings of the legislative body (elected and appointed) of a local agency shall be open and public, and all persons shall be permitted to attend any meeting of the legislative body of a local agency, except as otherwise provided in [the Brown Act].” § 54950
- All meetings of the legislative body of a local agency must be open and public. § 54951
 - Cities are “local agencies”



“Ad-Hoc” Advisory Committee Exception

- All committees established by a legislative body must comply with the Brown Act, UNLESS it:
 - Is ADVISORY, not decision-making; AND
 - Includes ONLY Board Members; AND
 - Includes LESS than a quorum; AND
 - Does NOT have continuing subject matter jurisdiction; AND
 - Is NOT meeting on a fixed schedule set by the Board.

MEETINGS



- A “**meeting**” includes any gathering of a **majority** of the **members** of a legislative body at the **same time and location** to **hear, discuss, deliberate or take action** upon any item which is within its **subject matter jurisdiction**.

Types of Meetings

- **Formal Meetings**
 - Regular meetings
 - Special meetings
- **Informal Meetings**
 - Daisy Chain
 - Hub and Spoke
 - E-mail/Social Media/Technology

Special Meetings

- The presiding officer or a majority of the legislative body may call a special meeting at any time.
- Written notice must be delivered at least 24-hours before the time of the meeting to each legislative body member (unless waived in writing) and to each local newspaper of general circulation, radio and TV station which has requested such notice in writing.
- Only the business set forth in the notice may be considered at the meeting.

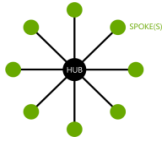
§ 54956



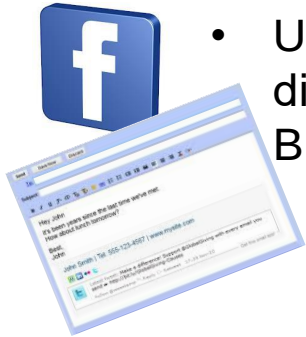
Serial Meetings



- Daisy Chain: If Member A contacts Member B, and Member B contacts Member C, and so on, until a quorum has been involved, this type of “serial meeting” may result in a violation of the Brown Act.



- Hub and spoke: An intermediary -- such as a staff member or even a developer or applicant -- contacts at least a quorum of the members to develop a collective concurrence on action to be taken by the legislative body.



- Use of e-mail or other technology/media by a majority of a legislative body to discuss, deliberate, or take action on items within the body’s jurisdiction violates the Brown Act.

Recommendations for E-mail

- Avoid sending e-mails to the whole legislative body.
 - If necessary, provide information only.
 - Do not solicit a response.
- Be careful replying to e-mails.
 - Do not communicate your position or make a commitment on a pending matter.
 - Do not direct a reply to a majority of the legislative body.
- Think carefully before sending any e-mail.
 - Remember, your e-mail can be forwarded by others to a majority of the legislative body.

Non-Meetings

- An employee or official of a local agency may engage in “**separate conversations or communications**” outside of a meeting in order to “**answer questions or provide information**” so long as that person “**does not communicate to members of the legislative body the comments or positions of any other member or members.**”

§ 54952.2(b)(2).

- Attendance by a majority of members at:
 - A **conference** that is related to the business of the agency that is **open to the public**;

Provided that a majority of the members do not discuss amongst themselves business “of a specific nature” that is within the subject matter jurisdiction of the agency.

§ 54952.2 (c)(2)

- Attendance by a majority of members at:
 - An **open and publicized meeting** organized to address a topic of local community concern by **a person or organization other than the local agency**;

Provided that a majority of the members do not discuss amongst themselves business “of a specific nature” that is within the subject matter jurisdiction of the agency.

§ 54952.2(c)(3)



Non-Meetings

- Attendance by a majority of members at:
 - A **purely social or ceremonial occasion**,
Provided that a majority of the members do not discuss amongst themselves business “of a specific nature” that is within the subject matter jurisdiction of the agency.
- 54952.2
- Attendance by a majority of members at:
 - An **open and noticed meeting of a standing committee** of that body,
Provided that the members of the legislative body who are not members of the standing committee **attend only as observers.**
- § 54952.2(c)(6)



AGENDA REQUIREMENTS AND DESCRIPTION

- Agenda Posting Requirements
- Agenda Description
- Public Comment
- Non-Agendized Items
- Adding Items to an Agenda



- Each item of business to be “*transacted or discussed*,” including items to be discussed in closed session, must be the subject of a “***brief general description***” which generally need not exceed 20 words.
§ 54954.2(a)(1)

Non-Agendized Items

- Action or discussion on any item not appearing on the posted agenda is generally prohibited.
- Members may only:
 - Briefly respond to public statements or questions,
 - Ask a question for clarification,
 - Make a brief announcement,
 - Make a brief report on his or her activities,
 - Provide a reference to staff or other sources for factual information, or
 - Request staff to report back to the legislative body in a subsequent meeting.
- The legislative body may direct staff to place the matter on a future agenda. § 54954.2(a)(2)

Meeting Documents

- The public has the **right to review** agendas and other writings distributed to a majority of the legislative body (except for privileged documents). A fee or deposit may be charged for a copy of a public record.

§ 54957.5(a) and (c)

- Writings must be made public:
 - **at the time distributed** to a majority of the legislative body (before or at a meeting) if prepared by the agency or a member of its legislative body, or
 - **after the meeting** if prepared by some other person.

§ 54957.5(b) and (c)

Recording of Meetings



- The public is allowed to use audio or video tape recorders or still or motion picture cameras at an open meeting, absent a reasonable finding by the legislative body that such recording, if continued, would persistently disrupt the proceedings due to noise, illumination, or obstruction of view. § 54953.5

Public Participation

- A regular meeting agenda must allow an opportunity for members of the public to speak **on any item of interest**, so long as the item is **within the subject matter jurisdiction** of the legislative body.
- The public must be allowed to speak on a **specific item** of business **before** or **during** the legislative body's consideration of it.
- Public comments at **special meetings** can be **limited to agenda items only**.

§ 54954.3 (a)



- Public comment is four minutes.



Limits on Public Participation

- The legislative body may **remove persons** from a meeting who willfully interrupt proceedings. If order still cannot be restored, the meeting room may be **cleared**.
- Members of the **news media** who have not participated in the disturbance must be allowed to continue to attend the meeting.

§ 54957.9

- The legislative body **cannot prohibit public criticism** of policies, procedures, programs, or services of the agency or the omissions of the legislative body itself.



Voting Disclosure

- Legislative bodies must publicly report:
 - any action taken; and
 - the vote or abstention on each action taken by each member present for the action at a meeting.

§ 54953(c)(2)



Where action is taken other than by a roll-call vote:

- The names of each member present who dissented, abstained, or otherwise did not participate should be stated so that there is a clear record of how the entire body voted.
- This information should be included in the minutes of the meeting, along with accurate records of each member's attendance at the meeting.

Questions?



Report to the City Council
Regular City Council - 10 May 2022

Agenda Section: OLD BUSINESS

Subject: Presentation from Raftelis on Water and Wastewater rate setting, review of different rate structures, and outline of the proposed rate study process and schedule.

CEQA Not a CEQA project
Determination:

Prepared By: Mandy Kellogg, Asst. Administrative Services Director

Reviewed By: April Mitts, Administrative Services Director

Approved By: James C. McCann, Interim City Manager

BACKGROUND

The City of St. Helena provides water and sewer services for approximately 2,600 residents and businesses both within and outside City limits. The City water and sewer rates are established by City Council.

The purpose of a water and wastewater rate study is to determine the level of funding required over the next five years to ensure that each utility is meeting financial obligations for ongoing operations and maintenance, debt service, and capital improvements while maintaining prudent reserves. Updating the water and wastewater rates to keep up with the rising costs of providing safe and high-quality drinking water and wastewater services is a key component of maintaining the financial viability of the utilities, including maintaining healthy fund balances/reserves for emergencies and applicable bond covenants, and debt coverage ratios for bond covenants, and strong credit ratings. Updates to the rate study are also necessary to fund investments in infrastructure maintenance and improvements which are mandated or otherwise necessary for safe and efficient operation of the utilities.

The City conducted a water and wastewater rate review in 2016 and the City Council adopted its current water and wastewater rates in 2017. The final rate increase approved in the current rate study was implemented in November 2021.

On December 3, 2021, the City released a Request for Proposals (RFP) for professional services to complete an updated Water and Wastewater Rate study. The City received a total of eight proposals. Based on the proposal, consultant's relevant experience, capacity for public engagement, references and interview, staff selected Raftelis.

On March 25, 2022, the City Council awarded a Professional Services Agreement to Raftelis to engage in the activities outlined in the proposal. During the meeting, City Council requested a subsequent meeting to include a rate setting educational presentation, review of different rate structures, and an outline of the proposed rate study process and schedule.

DISCUSSION

Per City Council direction at the March 25th council meeting, Raftelis is delivering a presentation on the rate study process which includes the following:

- Rate-setting in California
- Primary components of a water and wastewater rate study
- Evolution of rate-setting generally
- Common approaches to water, wastewater, and drought rate design, which Raftelis will employ during the study
- Tentative project schedule for completion of the City's study
- Preview of policy and pricing objectives

FISCAL IMPACT

There is no fiscal impact associated with this report.

RECOMMENDED ACTION

Receive and file.

ATTACHMENTS

[May 10 Water and Wastewater Rate Study Presentation](#)

City of St. Helena

Water and Wastewater Rate Study

City Council Meeting - May 10, 2022



Agenda

1. Introduction & Rate Study Process
2. Financial Planning
3. Water Cost of Service
4. Water Rate Design
5. Drought Rate Design
6. Sewer Cost of Service
7. Policy Objectives
8. Schedule

Raftelis Project Team



Jim Armstrong
Project Director



Kevin Kostiuk
Project Manager



Jonathan Jordan
Lead Consultant



Matt Wittern, APR, PMP
Outreach Lead

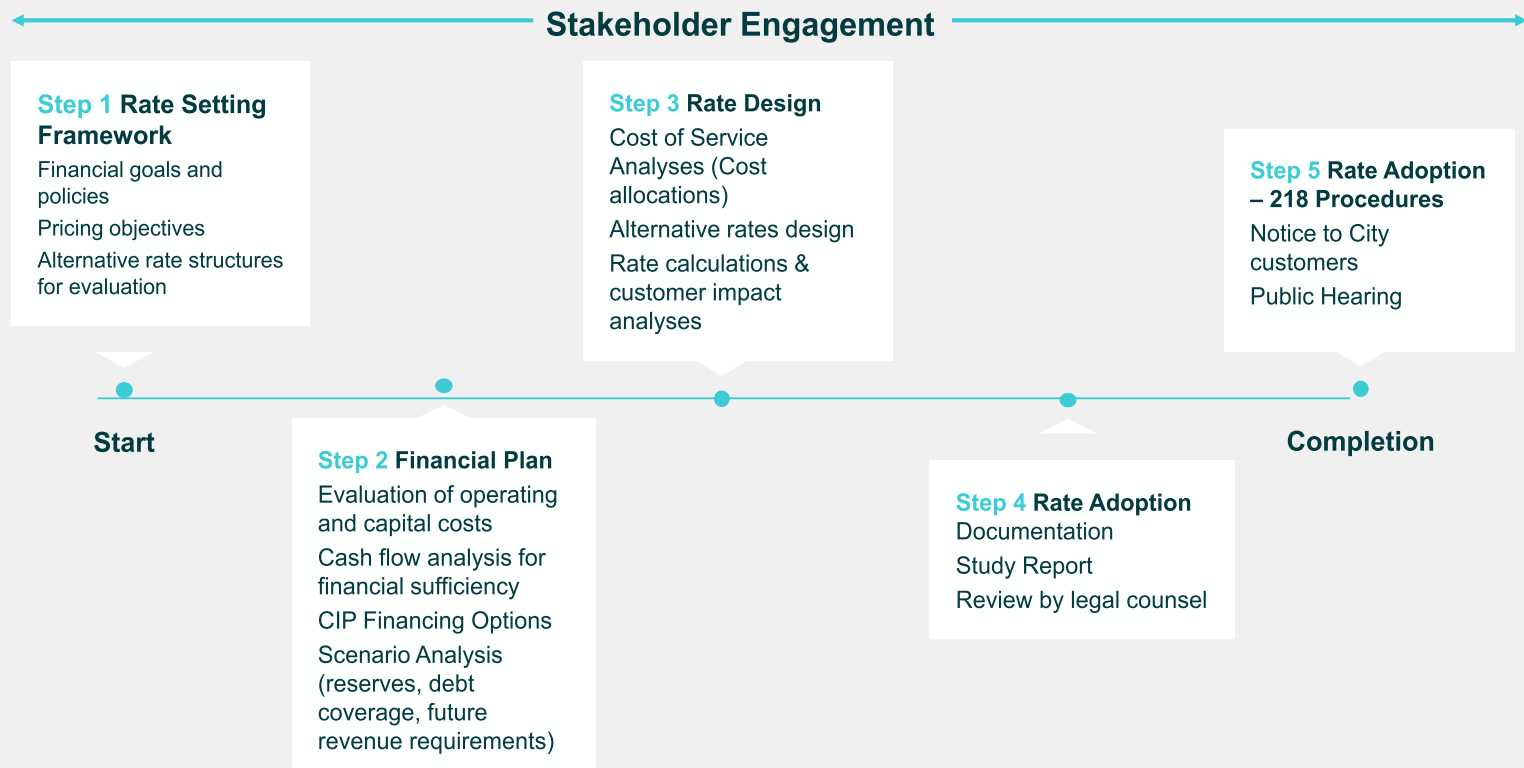


Gina DePinto, APR
Outreach



Sudhir Pardiwala, PE
Technical Advisor

Steps in Conducting a Rate Study



Proposition 218 and Cost-based Rates



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Key California Legal And Regulatory Requirements

- **Cost of Service Requirements**

- › Proposition 218 (Article XIII C and XIII D of California Constitution)
- › Proposition 26
- › California Government Code 54999

- **Water Conservation**

- › Article X of California Constitution
- › Water Code Section 106 – Domestic water use prioritized over irrigation
- › SB 606 + AB 1668 – calculated efficiency and reporting
- › SWRCB self certification of three years adequate supplies and set conservation standards equal to their projected supply shortage

Proposition 218 Requirements

- An agency cannot collect revenue beyond what is necessary to provide service
- Revenues derived by the charge shall not be used for any other purpose other than that for which the charge was imposed
- The amount of the fee may not exceed the proportional cost of service for the parcel
- No charge may be imposed for a service unless that service is actually used or immediately available to the owner of property
- A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing, when the agency considers all written protests against the charge

case study | City of **San Juan Capistrano**

- Ratepayers (Capistrano Taxpayer Association, CTA) sued the City of San Juan Capistrano over its rates
- The Orange County Appellate Court ruled that the rates did not meet the proportionality requirement of Proposition 218

Key Factors:

- Lack of strong administrative record
- Multipliers to justify the tiered rates without any administrative record of an underlying rationale

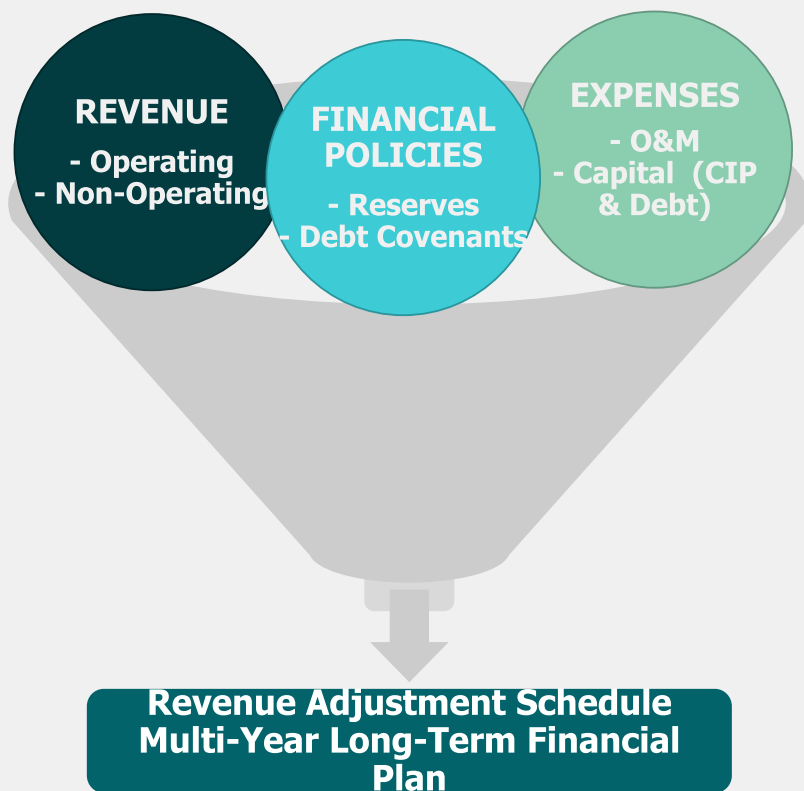
Outcome

- There must be a nexus between cost of providing services and rates
- This nexus needs to be clearly shown in the administrative record (study report)

Financial Plan Overview

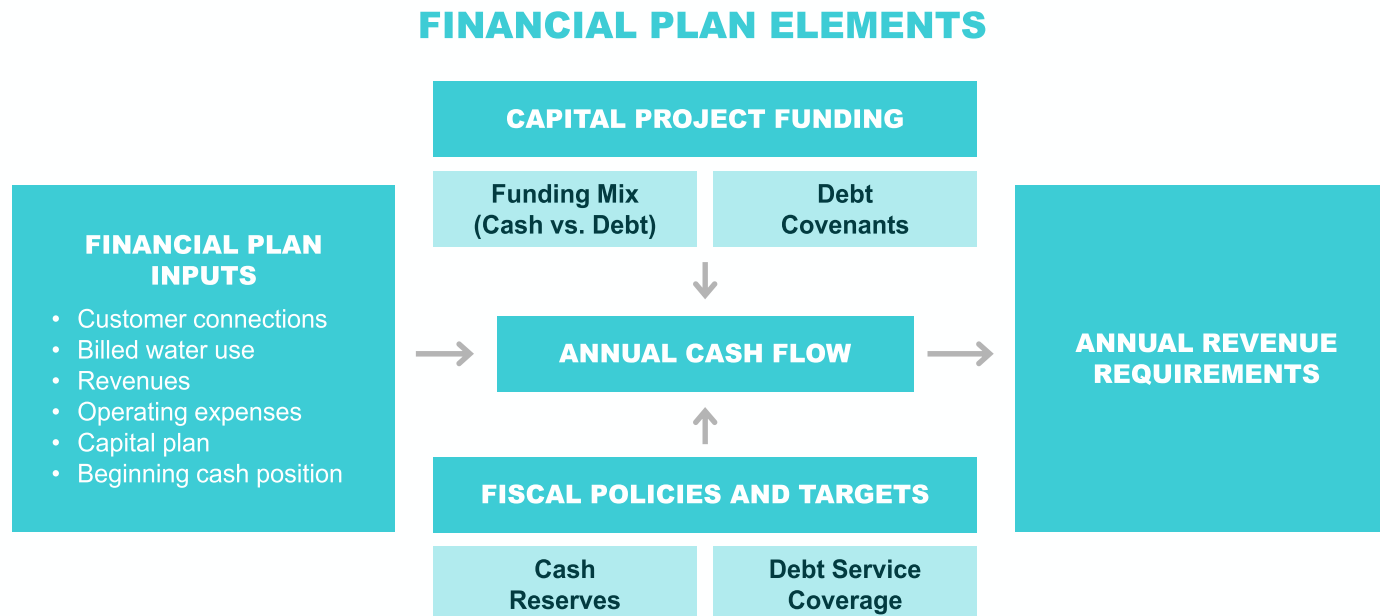


Financial Plan Overview



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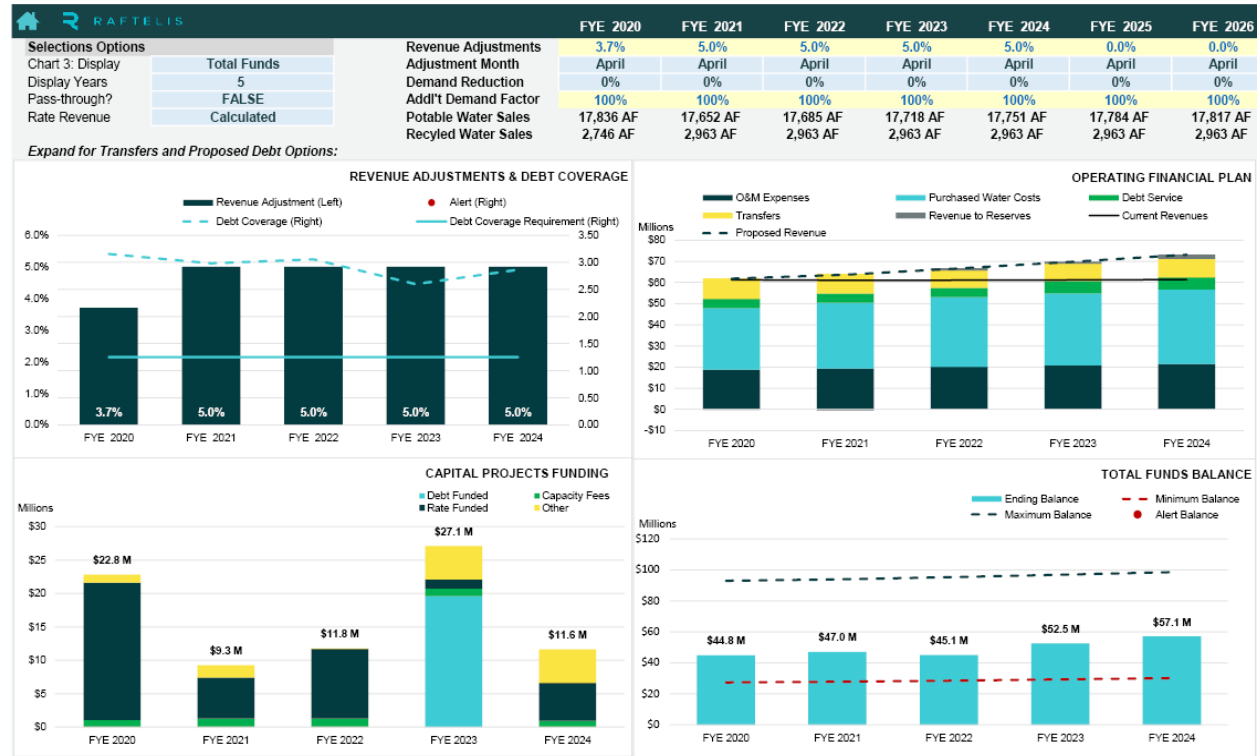
Revenue Requirements & Financial Planning



Financial Model Dashboard

Dashboard Provides:

- Critical model outputs
- Variables for scenario analyses
- Debt coverage and capacity
- Fund balances against reserve policies
- Operating and capital financing plans
- Virtually unlimited scenario planning capabilities



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Water Cost of Service



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WHAT IS COST OF SERVICE?



- Method to recover costs from users in proportion to their use of the system, recognizing the impact of each class on system facilities and operations
 - › A cost-based process of converting revenue requirements into unit costs
 - › Allocation of cost of service to customer classes is based on customer usage characteristics
- Cost of service is the fundamental benchmark used for establishing utility rates in the United States

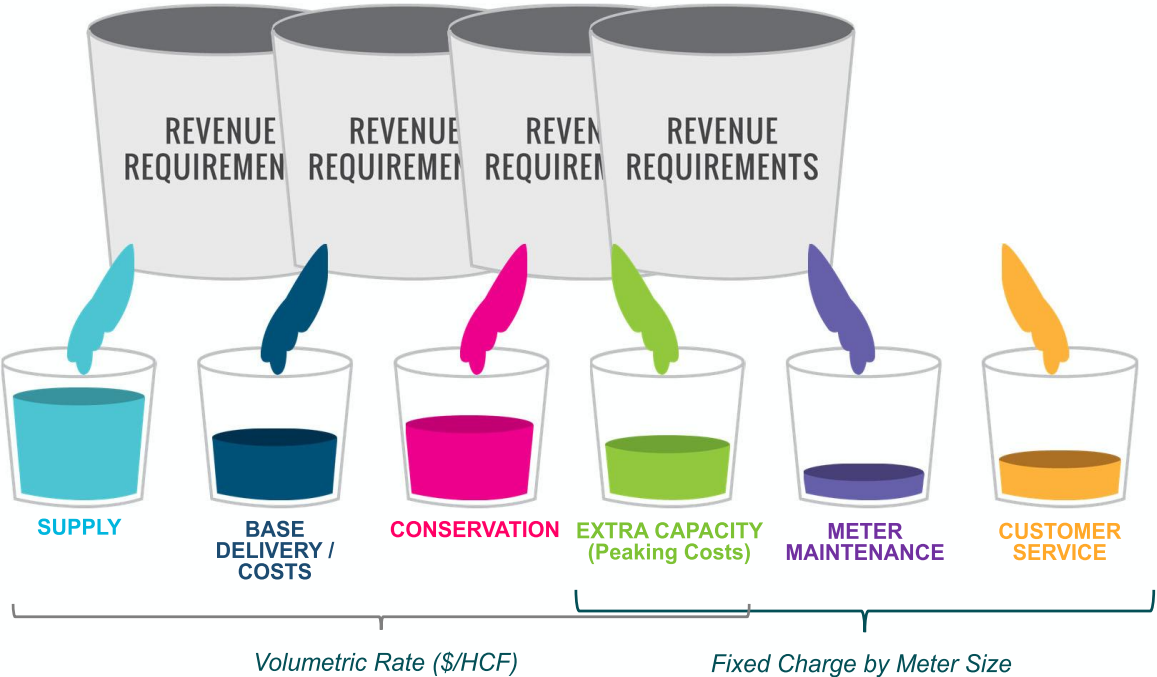
WHAT IS COST OF SERVICE?

- **Rationale:**

- › Different types of customers generate different costs because of their demand characteristics
- › Cost of service allows the matching of the rates charged to each group with the cost incurred to serve them
- › Each group will “pay its own way”; no subsidies

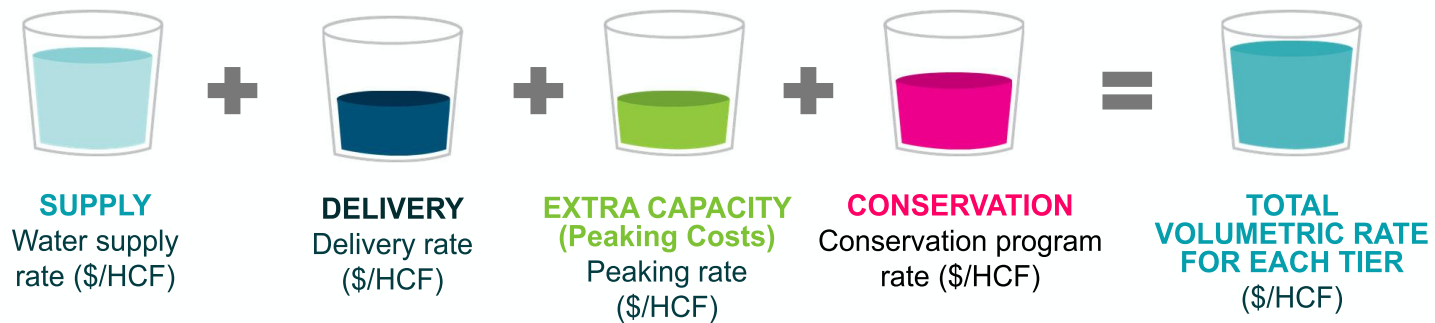
Cost of Service

Allocation to Cost Components



Rate Design

Commodity Rate Derivation



Water Rate Design



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Current Water Rates

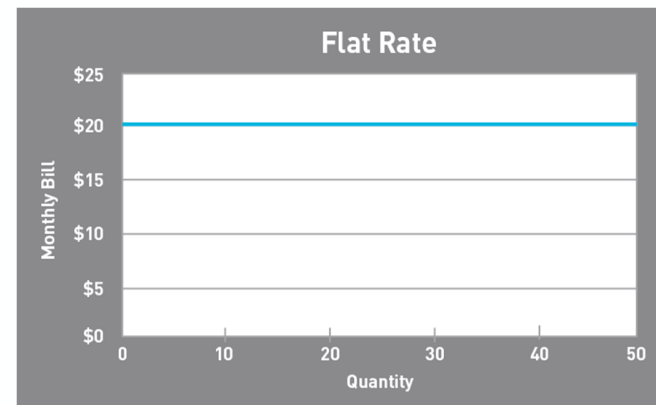
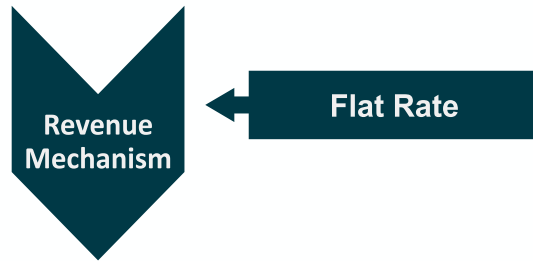
Uniform commodity charges

Seasonal rates

Shortage/non-shortage surcharges

Service Charge	Monthly By Meter Size
5/8", 3/4" & SF 1"	\$69.89
1"	\$128.22
1.5"	\$225.64
2"	\$342.00
3"	\$654.72
4"	\$1,011.98
6"	\$1,981.63
Private Fire	Monthly By Fireline Size
4"	\$13.33
6"	\$38.73
8"	\$82.53
Variable	\$
Raw Water <i>per Gallon</i>	\$0.00397
Treated Variable Charge	
Non-Drought	
Off-Peak (Nov-Apr)	\$6.50
Peak (May-Oct)	\$7.23
Drought	
Non-Peak (Nov-Apr)	\$6.87
Peak (May-Oct)	\$7.63

Water Rate Structure Evolution



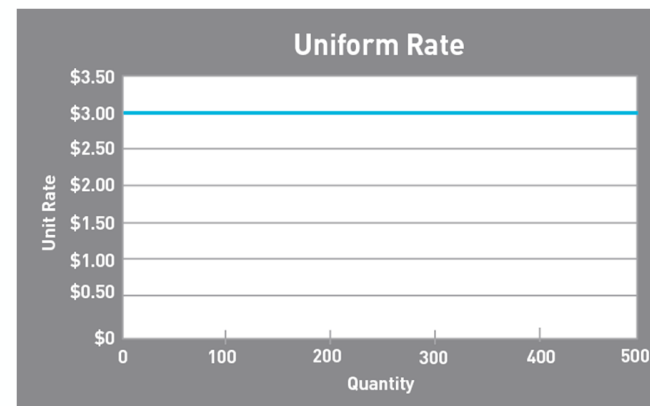
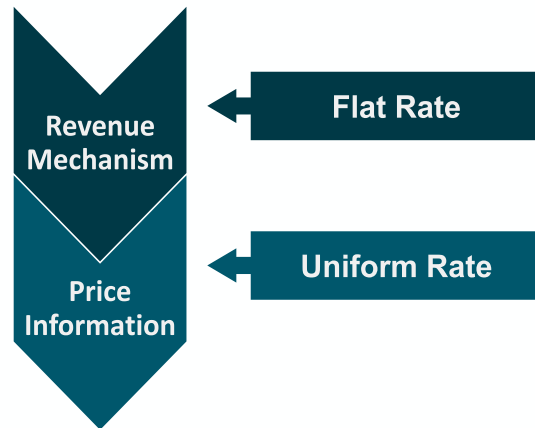
Flat Rate: \$xx / month regardless of usage

Pros: Revenue stability; easy to understand

Cons: Inequitable; no conservation signal; not affordable for essential use

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Water Rate Structure Evolution

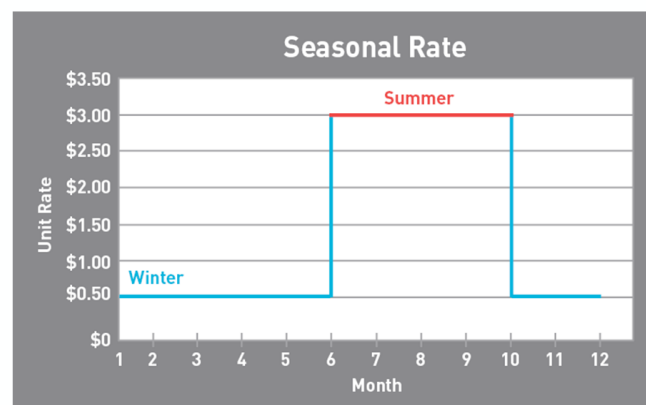
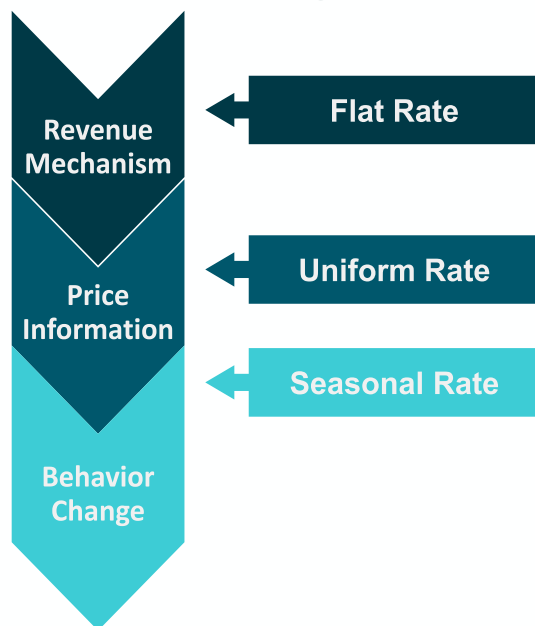


Uniform Rate: \$xx / hcf

Pros: Revenue stability; administrative ease; easy to understand

Cons: Weak conservation signal; not affordable for essential use

Water Rate Structure Evolution



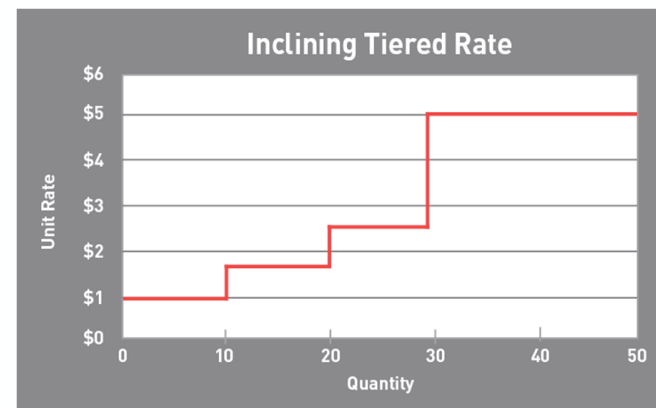
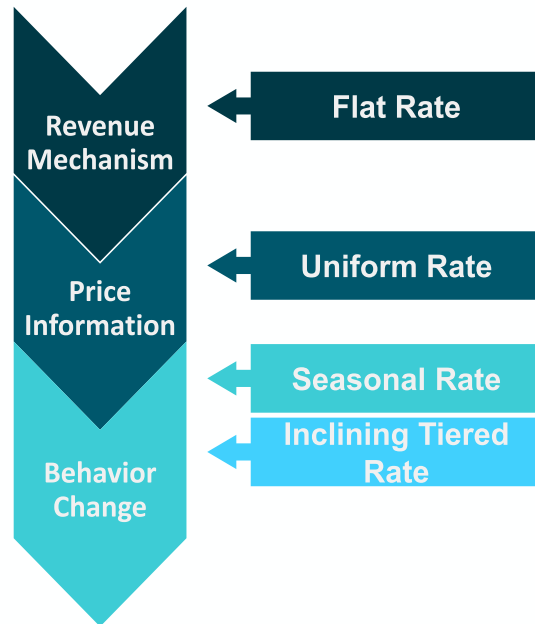
Seasonal Rate: \$ xxx / hcf in Summer,
\$ x/hcf in Winter

Pros: Promote water conservation in the summer; easy to administer

Cons: Revenue instability; not affordable for essential use

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Water Rate Structure Evolution



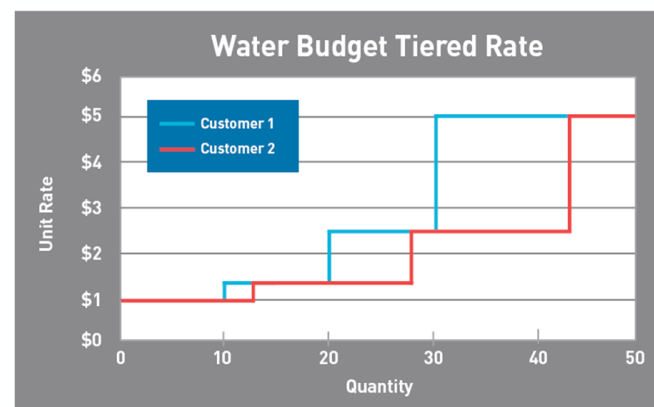
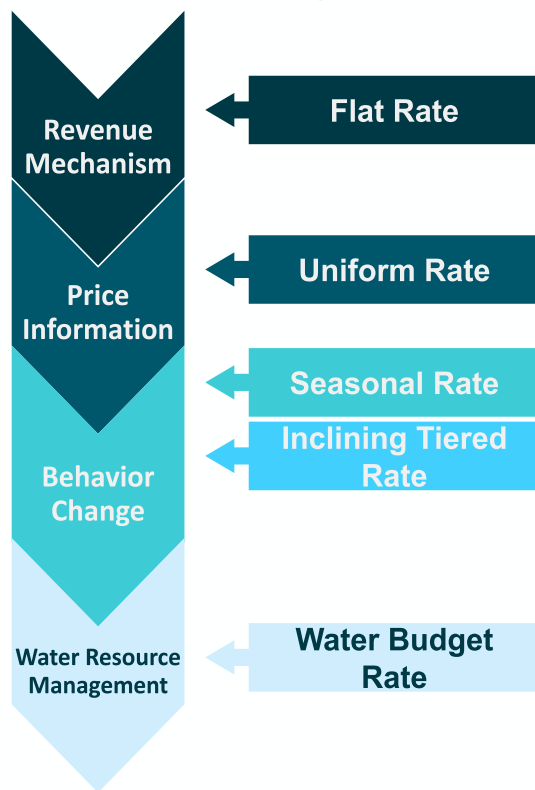
Inclining Tiered Rate:

Pros: Promotes conservation; affordable for essential use; easy to administer;; easy to understand

Cons: Targets large users, may generate revenue instability

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Water Rate Structure Evolution



Water Budget Tiered Rate:

Pros: Promote water efficiency; affordable for essential use; drought allocation tool; revenue stability

Cons: High administrative cost; harder to understand than inclining tiers; fairness concerns

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Tier Definition Options

- Based on water supply sources
 - › Directly relate available water and allotment in each tier
 - › Procedure: Identify volume available from lowest cost sources to define the tiers
- Based on peaking
 - › Base tiers on customer water use characteristics
 - › Procedure: Identify seasonal and peak demands to define tiers
- Based on water efficiency target
 - › Determine the appropriate indoor and outdoor water use
 - › Procedure: Utilize household data, efficiency targets, and average irrigated areas to define the tiers

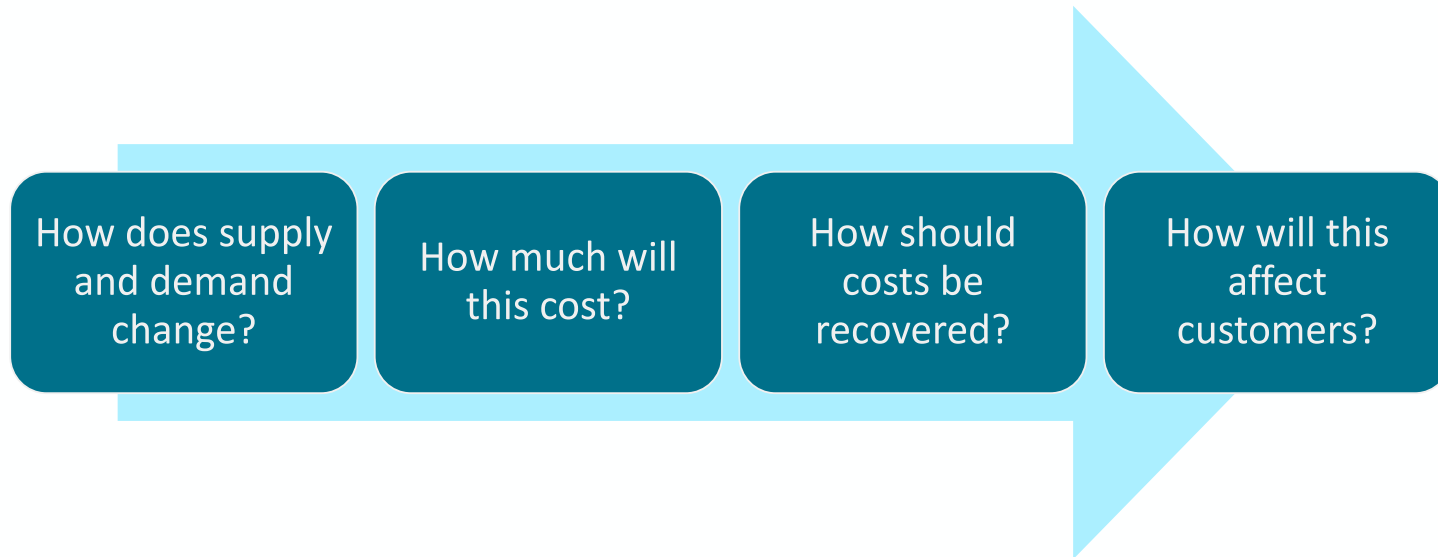
	Ground-Water \$/HCF	Purchased Groundwater \$/HCF	Imported Water \$/HCF	Delivery \$/HCF	Peaking \$/HCF	Conserv- ation \$/HCF	Revenue Offset \$/HCF	Proposed Rates \$/HCF
Residential								
Tier I	\$1.82			\$1.96	\$0.92		(\$0.32)	\$4.39
Tier II		\$4.04		\$1.96	\$1.22		(\$0.32)	\$6.91
Tier III			\$6.45	\$1.96	\$1.91	\$0.10		\$10.43

	Supply	Delivery	Conservation	Proposed Rate (\$/hcf)
Residential				
Tier I	\$4.00	\$2.43	\$0.00	\$6.43
Tier II	\$4.00	\$2.43	\$22.76	\$29.19

Drought Rates Overview



STEPS IN DEVELOPING DROUGHT RATES



DROUGHT IMPLICATIONS

- Demand reduction
 - › Where will the expected cutback occur and by how much?
- Change in operational costs
 - › Supplemental supply costs
 - › Temporary O&M
 - › Avoided variable costs
- Financial impact
 - › Net change in rate revenues and costs
 - › Bridge the difference between revenues from base rates and total revenue needs

Drought Rates Discussion

Drought Penalties

- Utilizes price to enforce water rationing
- Not intended to be revenue generating
- A violation not based on cost of service
- No subject to Prop. 218

Drought Rates

- Recovers the financial cost of shortage
- Revenue generating mechanism
- Requires a nexus between the cost of providing service and the associated rates
- Subject to Prop. 218

Drought Rate Options Comparison

Objectives	Monthly Fixed Charge	Uniform Commodity Charge	Uniform Percentage	Inclining Commodity Charge
Easy to understand and administer	★ ★ ★	★ ★	★ ★	★
Stability and guaranteed recovery of revenue	★ ★ ★	★ ★	★	★
Ability to change the bill	★	★ ★	★ ★ ★	★ ★ ★
Targeted use / conservation	★	★ ★	★ ★ ★	★ ★ ★
Promotes affordability	★	★ ★	★ ★	★ ★ ★

Drought Rate Options – Hypothetical Examples

- Monthly Fixed Charge
 - › \$12 for 3/4” meter
- Uniform Commodity Charge
 - › \$1.40 per HCF for all units of water
- Uniform Percentage applied to each Tier/Class
 - › 20% applied to existing rates for all units of water
- Inclining Commodity Charge
 - › Tier 1 (0 to 6 HCF) no surcharge
 - › Tier 2 (7 to 16 HCF) at \$1.50 per HCF
 - › Tier 3 (>16 HCF) at \$2.50 per HCF

Values shown are for illustration only

Sewer Cost of Service



Current Wastewater Rates

Residential:

Fixed flat charge

Flow by average winter use?

Non-Residential:

Fixed by meter size

Flow by actual water use

Significant spread in non-res flow rates

Residential	\$/Month
Fixed per Dwelling Unit	\$63.66
Variable Residential (\$/HCF)	\$5.58

Non-Residential Fixed	Monthly by Meter Size
5/8"	\$88.34
1"	\$220.86
1.5"	\$441.71
2"	\$706.74
3"	\$1,413.49
4"	\$2,208.57
6"	\$4,417.14

Non-Residential Variable	\$/HCF
Car Wash	\$3.86
Religious Places/Community Centers	\$4.29
Commercial	\$5.07
Commercial (City Buildings)	\$5.07
Groceries and Mortuaries	\$13.62
Laundry	\$4.42
Mixed Retail	\$8.52
Lodging with Food	\$10.22
Lodging without Food	\$5.54
Restaurant	\$13.50
Napa Valley College	\$4.22
Service Station	\$5.83
Winery Pre-Treated	\$5.39
Winery Non-Treated	\$23.75
Schools	\$2.10

Cost Of Service Analysis

1. Determine flow and strength of each customer class

- Examine inflow at the treatment plant and number of customers

2. Determine how much O&M and capital is flow or strength-related

- Allocate O&M costs and sewer assets by function

3. Determine revenues required for flow and strength

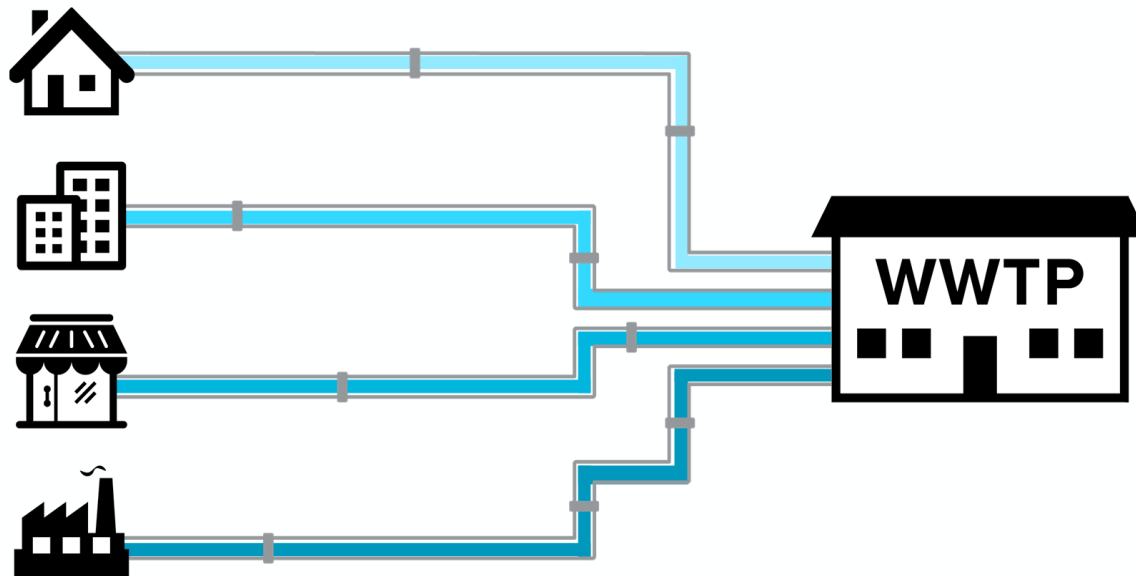
- Allocate revenue requirements based on above allocations

4. Determine customer class characteristics and unit cost

5. Distribution of costs to customer classes

Sewer Cost Of Service Analysis

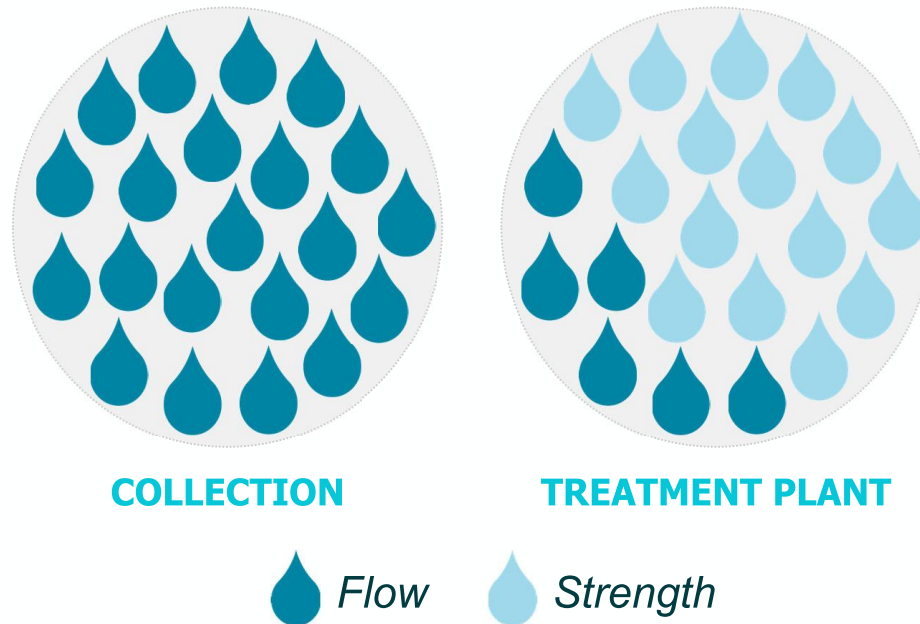
Step 1: Determine flow & strength of customers



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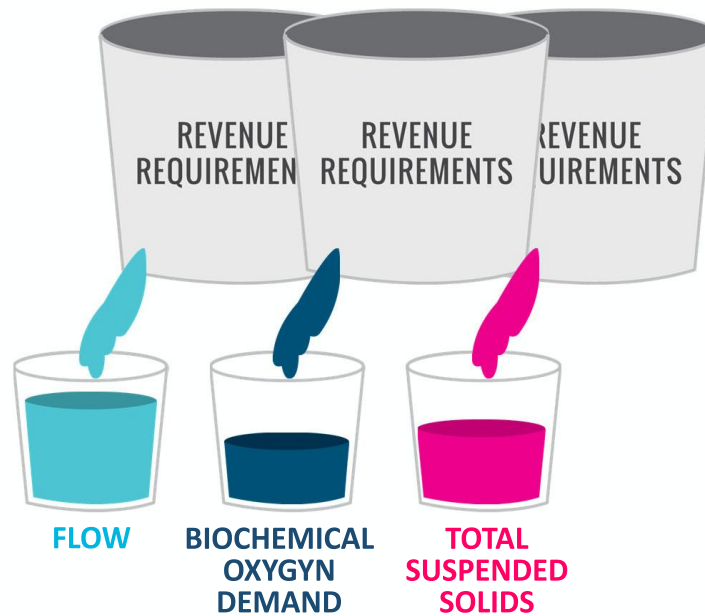
Sewer Cost Of Service Analysis

Step 2: Classify O&M costs & assets by function



Sewer Cost Of Service Analysis

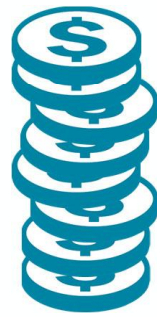
Step 3: Allocation of Revenue Requirements



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Sewer COST OF SERVICE ANALYSIS

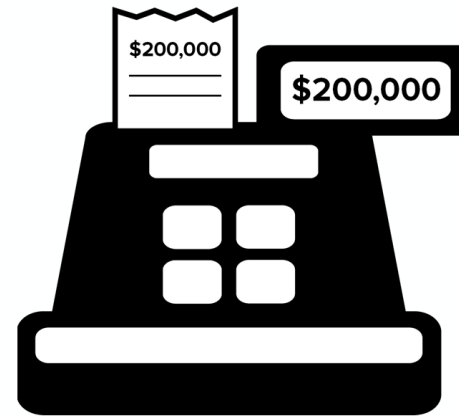
Step 4 and 5: Cost of each customer class



Flow



Strength



Commercial Class

Policy Objectives



Financial Policy Overview

- Goals of Financial/Reserve Policies:
 - › Mitigate financial risk
 - Rate/revenue instability
 - Emergency with asset failure
 - Volatility in working capital
 - › Achieve/maintain a certain credit rating
 - › Determine most opportune time to issue debt
- Prudent financial policies maintain financial solvency, provide guidelines for sound financial management with a long-range perspective, and enhance financial management transparency

Financial Health Indicators

Healthy Reserves

- Operating Reserve – results from positive cash flow
- Capital Reserve – can award contracts quickly and speed up projects if necessary
- Rate Stabilization – funds used during periods of revenue shortages (i.e., drought)
- Emergency – funds available in case of asset failure or natural disaster

Debt Coverage Ratio

- Exceed Official Statement requirements
- Achieve/maintain good credit ratings
- If there is no debt, what is the utility's debt capacity?
 - How much are you able to borrow with current rates?

Pricing Objectives



Common Pricing Objectives

Conservation	Finance	Affordability	Equity	Administration
• Reducing total annual demand • Reducing water waste • Reducing peak demand • Reducing outdoor water usage	• Enhancing revenue stability • Providing funding for alternative water supplies • Mitigating risk	• Minimizing customer impacts • Maintaining low average customer bills • Crafting rates that provide affordable water for essential uses	• Allocating water supplies equitably • Providing a drought management tool • Valuing efficiency of use over total use	• Allowing cost-effective administration • Allowing easy implementation • Enhancing customer understanding

Project Schedule

Task Name	Specifics	Dates
Project Kickoff	N/A	April 2022
City Council Meeting	Rates 101	May 10, 2022
Citizen's Advisory Committee (CAC) Meeting #1	On-Ramp/Rates 101	Mid-June 2022
City Council Workshop #1 & CAC Meeting #2	Pricing, Policy, & Rate Objectives	Late-June 2022
CAC Meeting #3 (tentative)	Rate Design	Mid-August 2022
Stakeholder Information / Community Meeting #1	Open House Format	Summer
City Council Workshop #2 & CAC Meeting #4	Preliminary Rates	September 2022
Stakeholder Information / Community Meeting #2	Open House Format	Fall
City Council Workshop #3	Revised/Final Rate Selection	November 2022
Administrative Record Development	Rate Study Report	December 2022-January 2023
City Council Meeting	Rate Authorization	Late-January 2023
Public Hearing	Rate Adoption	March 2023



Thank you

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