

5:00 P.M. Study Session
18-327

City of Santa Clara

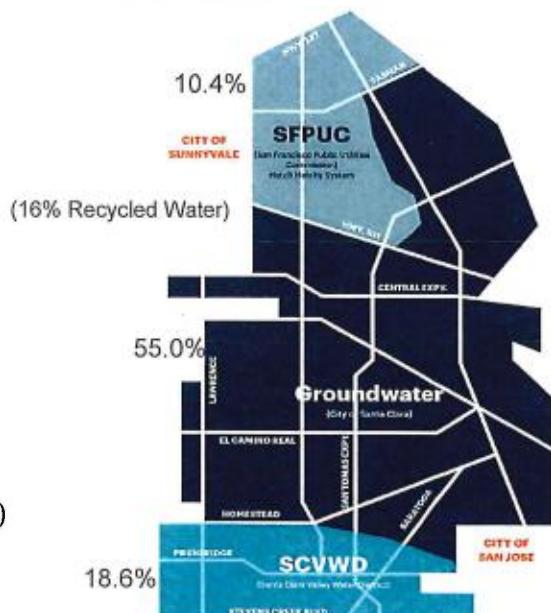
City Council Meeting

Review of Water & Sewer Rate Study Report – Study Session



Water System

- Approx. 26,000 service connections
- 335 miles of distribution mains
- 7 storage tanks totaling 28.8 MG
- 24 groundwater wells
- 3 booster stations
- 3 imported water connections
 - 2 San Francisco Public Utilities Commission(SFPUC)
 - 1 Santa Clara Valley Water District(SCVWD)
- 9 emergency interties to surrounding water agencies



Sanitary Sewer System

- Approx. 26,162 service connections
- 288 miles of sewer line
- 8 sewer lift stations
- 13-14 million gallons per day discharged and treated
- City services are collection only
- Treatment services provided by San Jose and Santa Clara Regional Wastewater Facility



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Recycled Water System

- Approx. 238 service connections
- 33 miles of distribution pipeline
- Recycled water purchased from South Bay Recycling
 - Recycled water generated at the San Jose-Santa Clara Regional Wastewater Facility
- Recycled water accounts for 17% of total water sales
- Uses include irrigation, industrial process water, cooling towers, and toilet flushing



Rate Study Process

- Revenue Requirements
 - Compares the revenues of the utility to its expenses to determine the overall level of revenue adjustment
- Cost of Service
 - Equitably allocate the revenue requirements between the various customer classes of service
- Rate Design
 - Design rates for each class of service to meet the revenue needs of the utility, along with any other rate design goals and objectives

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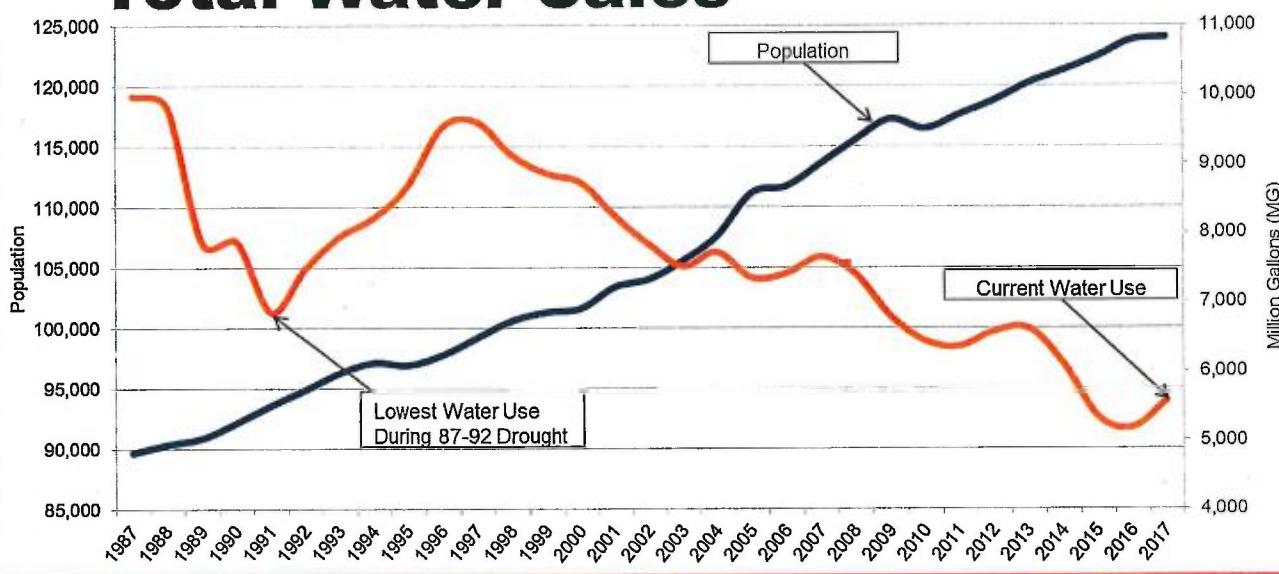
City of Santa Clara Revenue Requirements

Water & Recycled Water and Sewer

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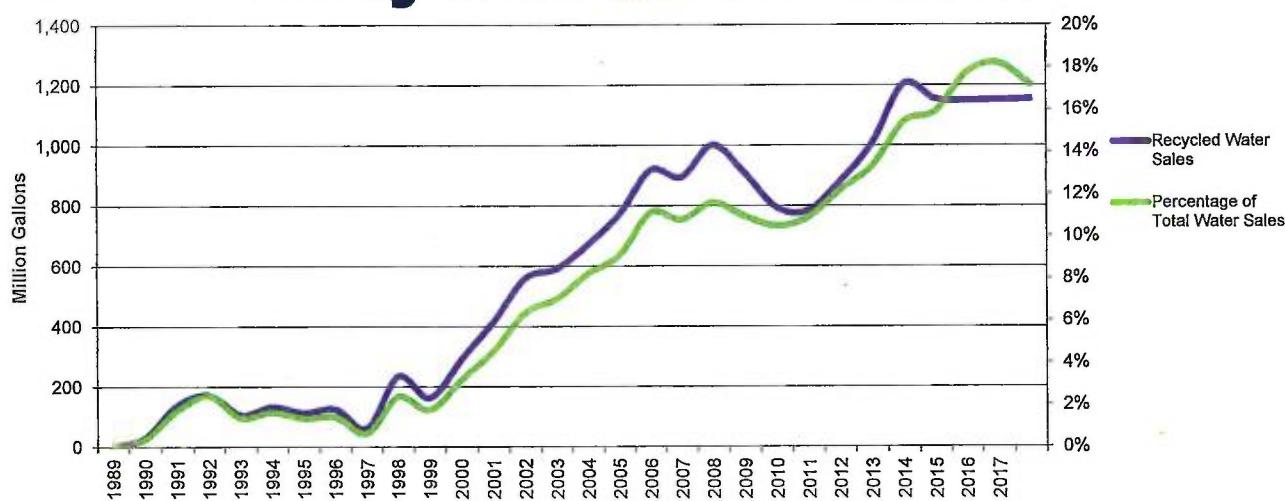


Total Water Sales



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Recycled Water Sales



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Wholesale Water Rates

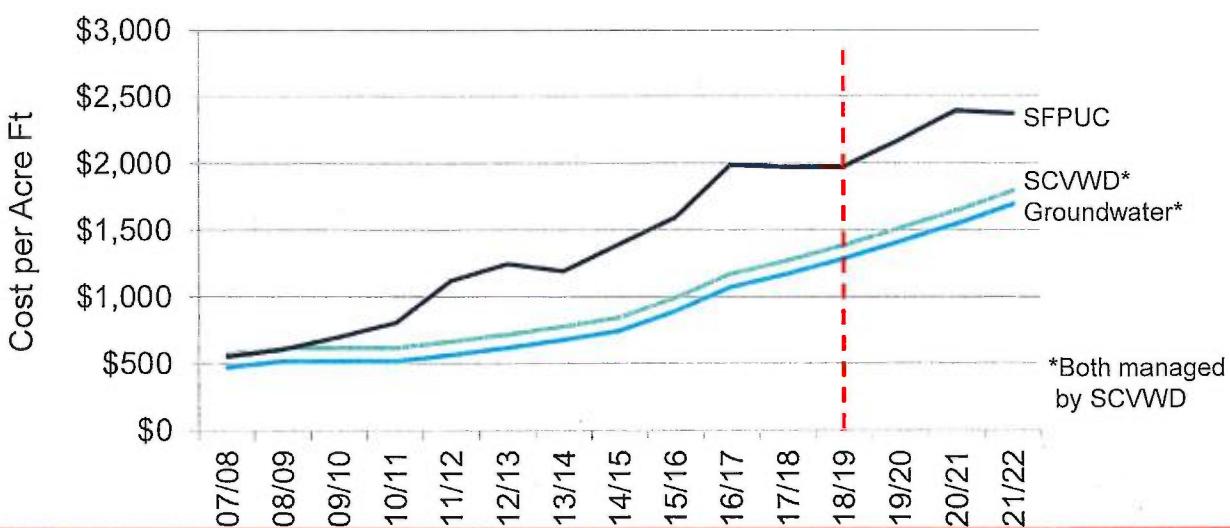
Water Wholesaler	Current FY17/18 \$/AF	Approved FY18/19 \$/AF	FY18/19 % Cost Increase
Groundwater (SCVWD)	\$1,175	\$1,289	9.7%
Treated Water (SCVWD)	\$1,275	\$1,389	8.9%
Hetch Hetchy (SFPUC)	\$1,991	\$1,956*	(1.11)%*
Recycled Water (SBWR)	\$1,070	\$1,184	10.7%

*due to reduction in BAWSCA bond charge

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Wholesale Water Costs



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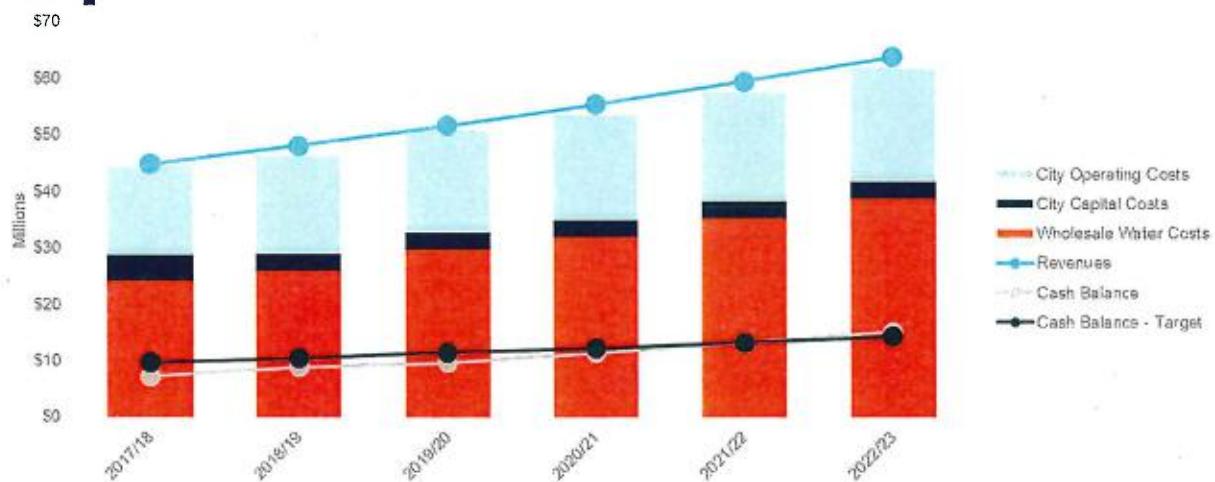
Water Utility Cost Drivers

- Wholesale Water Purchases – 62% of O&M Costs (Potable); 81% of O&M Costs (Recycled)
- Infrastructure Rehabilitation and Replacement
 - Proposed capital projects for the City's water distribution system = \$21 million over the next 5 years (potable)

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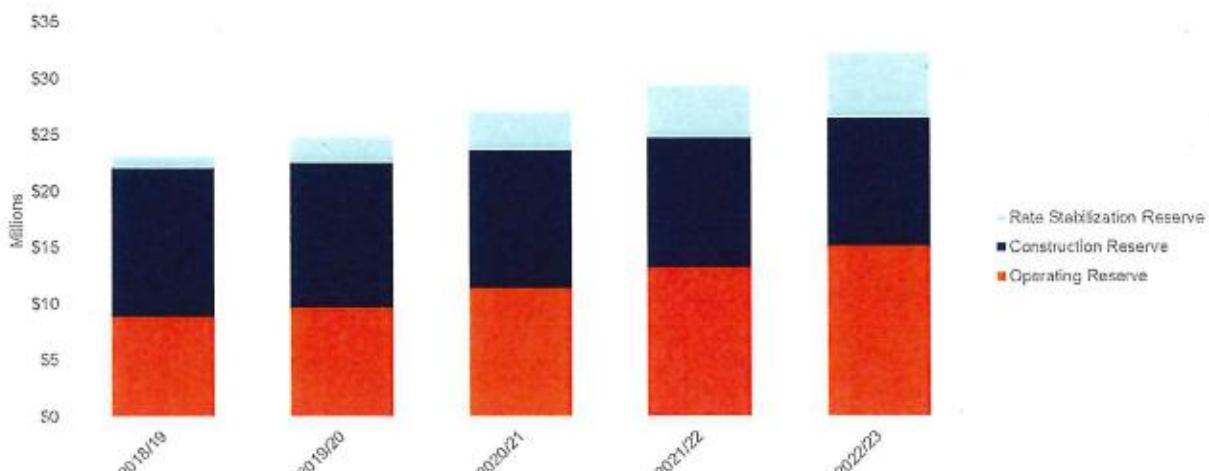
Water Operating Revenues and Expenses



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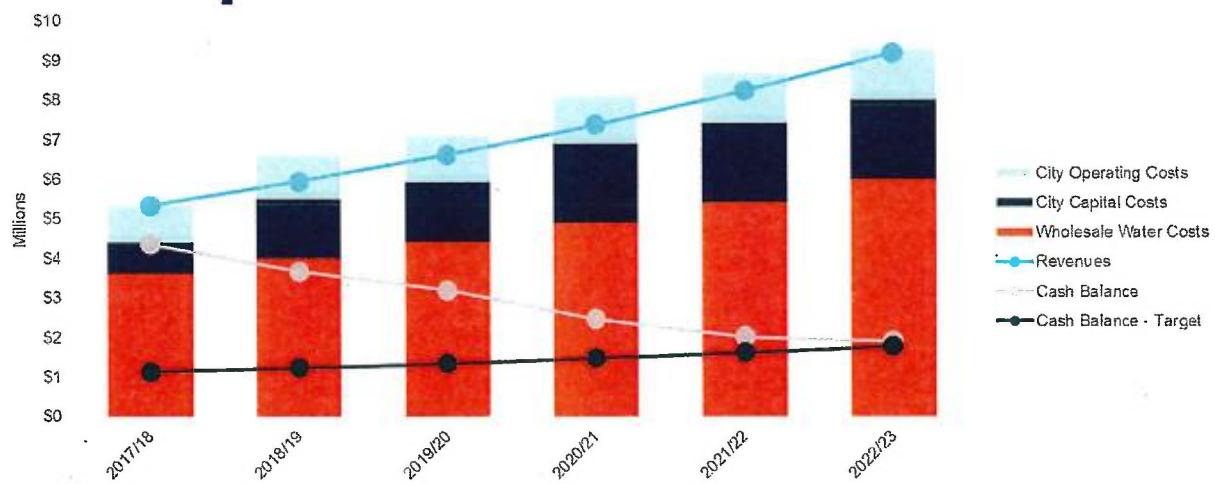
Water Reserves



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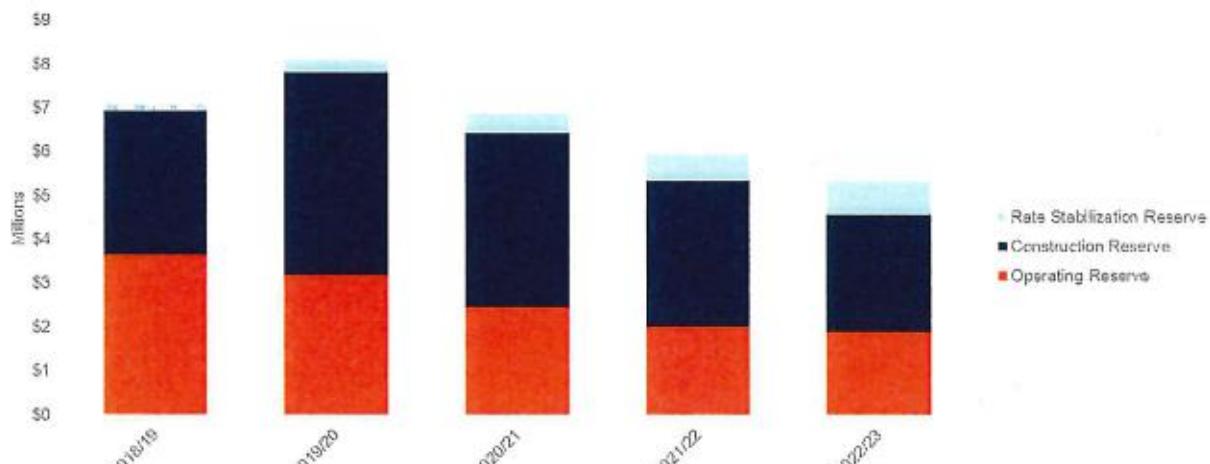
Recycled Water Operating Revenues and Expenses



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Recycled Water Reserves



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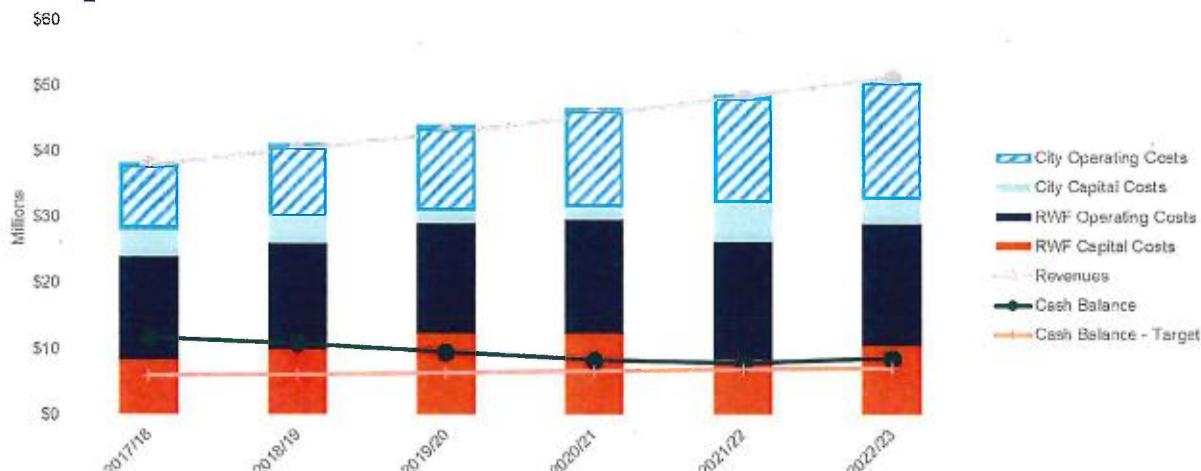
Sewer Utility Cost Drivers

- Capital costs will continue to be the primary cause for rate increases in the future
- Santa Clara's share of proposed capital projects at the Regional Wastewater Facility
 - \$146.8 million over next 5 years
 - \$16.2 million in FY 18/19
- Infrastructure Rehabilitation and Replacement
 - Proposed capital projects for the City's collection system = \$38.0 million over the next 5 years

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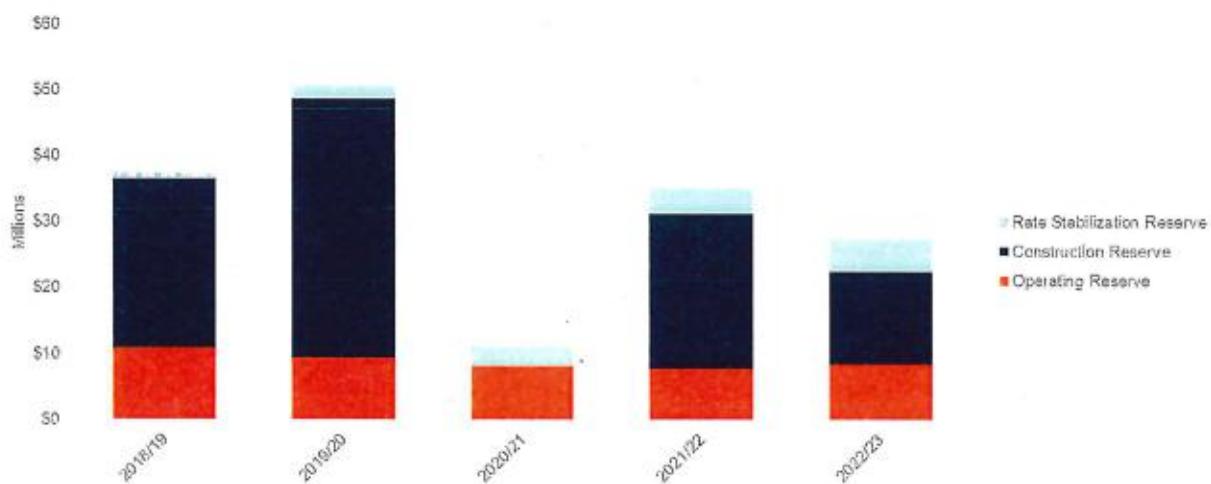
Sewer Operating Revenues and Expenses



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Sewer Reserves



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City of Santa Clara Cost of Service Analysis

Water & Recycled Water and Sewer

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What is Cost of Service?

Process by which total system costs (O&M and capital costs) are allocated to the users of the system in an equitable manner

Why should costs be allocated?

- Recognize differences in customer class characteristics
- Charge users commensurate with services received
- Meet regulatory requirements (Proposition 218)
- Establish a basis for defensible rate design

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Cost of Service Process



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Water Cost Functions and Cost Components

- Assign revenue requirements to utility cost functions



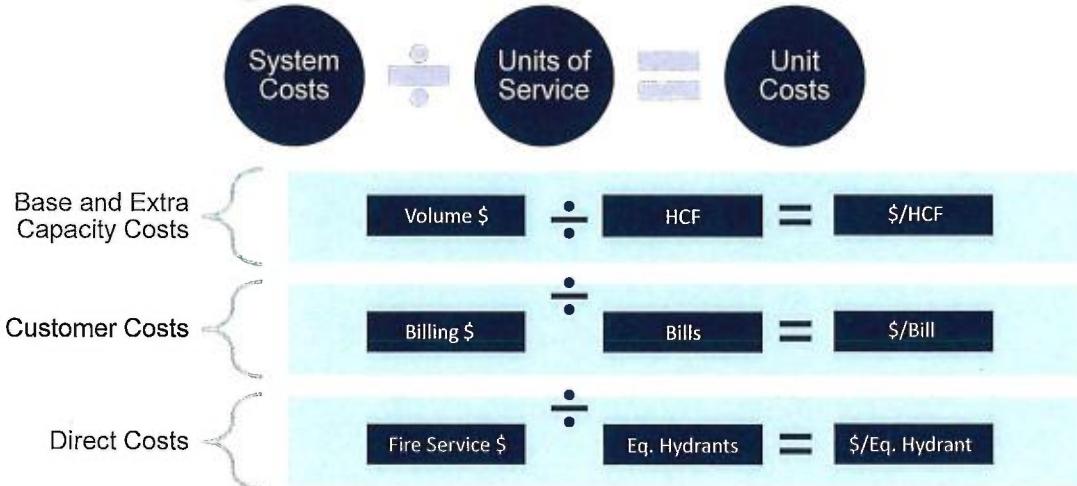
- Allocate functionalized cost to cost components



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Water System Unit Costs

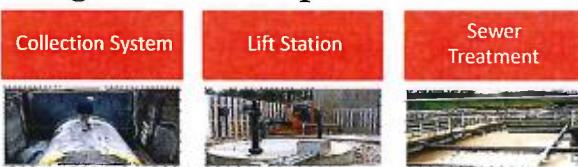


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Sewer Cost Functions and Cost Components

- Assign revenue requirements to utility cost functions



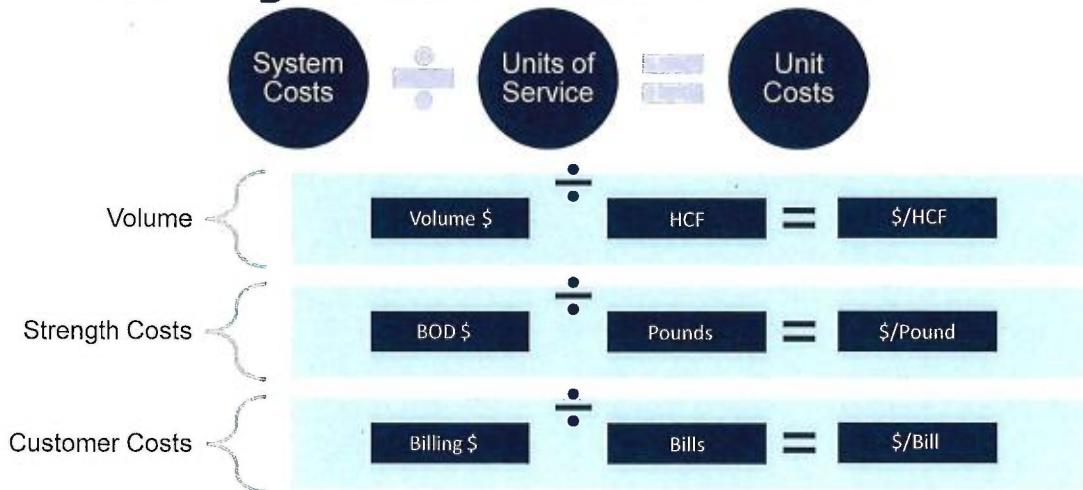
- Allocate functionalized cost to cost components



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Sewer System Unit Costs



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Distribute Costs to Customers



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City of Santa Clara

Rate Design

Water & Recycled Water and Sewer



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What is Rate Design?

Process by which rates are developed that recover the total system costs identified in revenue requirements

What is considered?

- Fair and equitable
- Revenue stability
- Recognizes customer classes
- Supports water conservation
- Meet City policies

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Water Rates

Minimum Monthly Service Charge

Meter Size	Existing Rate (\$/Month)	Proposed Rates (\$/Month)
5/8" x 3/4"	\$16.45	\$17.87
1"	\$26.22	\$27.85
1-1/2"	\$47.73	\$52.81
2"	\$67.49	\$82.77
3"	\$187.85	\$162.64
4"	\$264.39	\$252.50
6"	\$521.81	\$502.12
8"	\$800.11	\$801.66
10"	\$980.95	\$1,201.05
12"	\$1,266.15	\$1,687.80

Consumption Charge

Customer Class	Existing Rate (\$/HCF)	Proposed Rates (\$/HCF)
General Customer	\$5.69	\$5.98

- Modifications to Rate Structure:
 - Amended the usage allowance (HCF) associated with the minimum monthly service charge
 - Incorporated the Outside City and Agricultural customer classes with Inside City (General Customer)
- The proposed increase would be \$3.48/month for the average residential customer using 12 HCF/month

Recycled Water Rates

Minimum Monthly Service Charge

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Consumption Charge

Customer Class	Existing Rate (\$/HCF)	Proposed Rates (\$/HCF)
General Customer	\$3.35	\$3.58
Industrial Process	\$2.91	\$3.26
Industrial Process (PW)	\$1.86	\$2.26
Landscape Irrigation (PW)	\$2.42	\$2.79

- The proposed increase for a general customer would be \$52/month for the average commercial customer using 228.5 HCF/month

Sewer Rates

Monthly Service Charge

Customer Class	Existing Rate (\$/EDU)	Proposed Rates (\$/EDU)
Single Family Residential	\$41.65	\$42.91
Multi-Family Residential	\$41.65	\$42.91

- The proposed increase would be \$1.26/month for residential customers

Sewer Rates

Consumption Charge

Customer Class	Existing Rate (\$/HCF)	Proposed Rates (\$/HCF)	Customer Class	Existing Rate (\$/HCF)	Proposed Rates (\$/HCF)
Amusement Parks	\$5.60	\$5.88	Industrial Water Treatment	\$3.62	\$3.62
Auto Dealers & Service Station	\$5.45	\$5.90	Laundries	\$4.69	\$5.20
Churches	\$5.23	\$5.26	Machinery		
Commercial, Industrial, Misc.	\$4.71	\$5.15	Manufacturers	\$7.01	\$7.49
Electric & Electronic Equipment	\$4.17	\$4.65	Metal Plating	\$3.88	\$4.25
Food & Kindred Products	\$10.50	\$11.73	Motels & Hotels	\$5.35	\$6.01
Hospitals & Convalescent Homes	\$5.11	\$5.72	Paper	\$11.05	\$11.05
Industrial Chemical	\$7.94	\$8.65	Repair Shops & Car Washers	\$5.40	\$5.45
			Restaurants	\$10.54	\$11.90
			Schools & Colleges	\$5.49	\$5.88

Water and Sewer Rate Comparison



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Summary of Proposed Rates

- Water
 - 5.1% increase on 07/01/18 - \$3.48/month for a typical residential customer using 12 HCF/month
- Recycled Water
 - 6.9% increase on 07/01/18 for general customers – an increase of \$52/month for a typical general customer
- Sewer
 - 3.0% increase on 07/01/18 for residential - \$1.26/month on 7/1/18 for a typical residential customer
 - 9.6% average increase on 07/01/18 for non-residential customer

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