

City of Livingston
Dec 17th Council Meeting

**Utility Rates Study and
Proposed Rates**

2019 Sanitation Rate Study

CITY OF LIVINGSTON

Findings

- Solid waste rates pay for Gilton contract and City-provided services. About 80% of revenues pay for Gilton contract.
- Current fee collections are greater than operating costs.
- Sanitation fund has built up a 9-month operating costs reserve; this can be lowered to a prudent reserve level of 4 months.

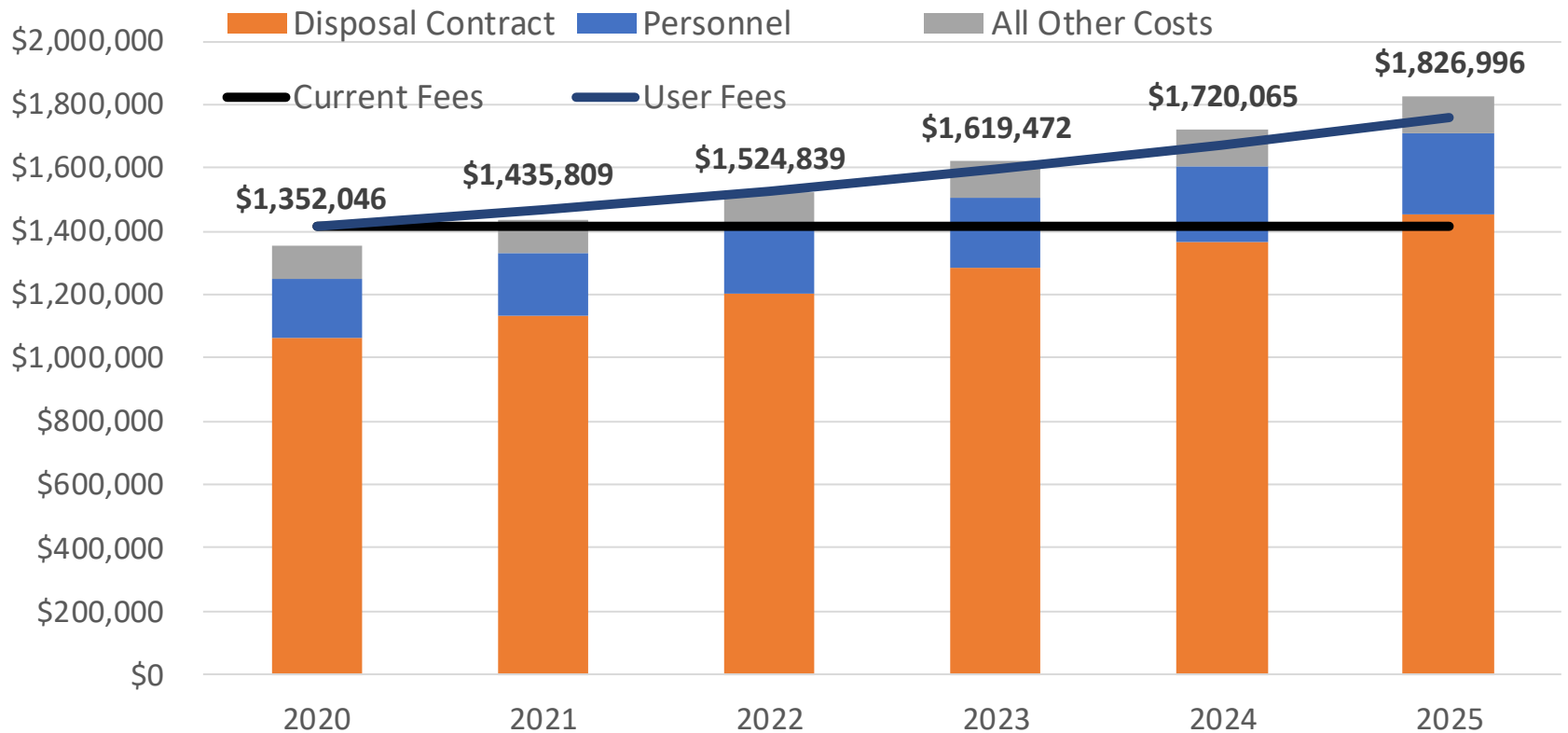
Why are Reserves Higher than Projected in 2013?

- Slightly lower Expenses than Projected
 - Gilton contract expenses were higher than projected but City costs were lower than projected
 - No large capital expenditures were necessary
- Greater Revenues than Projected
 - Greater growth in number of services

Revenue Requirement

- Determines amount to be collected in monthly fees
- Operating Costs less Credits
 - Credits include \$ from other governments, late fees, interest, miscellaneous
- 75% - 80% of costs for Gilton Contract
 - Increase each year (per contract) by Consumer Price Index and/or increased landfill costs with the Merced County Regional Waste Management Authority- as requested by Gilton, PLUS growth in number of customers

Revenue Requirement



With Increase in User Fees, City can address SB 1383

- With the calculated rates, the revenue requirement is covered each year.
- With growth in number of services projected and existing cash balance, the City should be able to address SB 1383.
- The projected cash flow incorporates \$100,000 each year (in 2019 \$'s) for additional spending on SB 1383.

Most Common Services Calculated Rates

Service Type	Current	Fiscal Year Ending					
		2020	2021	2022	2023	2024	2025
	<i>New Rates Effective ---></i>	<i>May 2020</i>	<i>Jan. 2021</i>	<i>Jan. 2022</i>	<i>Jan. 2023</i>	<i>Jan. 2024</i>	<i>Jan. 2025</i>
	<i>Rate Increase ---></i>	<i>0.0%</i>	<i>3.5%</i>	<i>4.0%</i>	<i>4.5%</i>	<i>5.0%</i>	<i>5.0%</i>

Rates do not include charges for special services that are scheduled between the customer and provider such as off schedule pick up, container maintenance, and delivery charges.

SINGLE FAMILY RESIDENTIAL

Once per week pickup

96 gal. cart	\$25.16	\$25.16	\$26.04	\$27.08	\$28.30	\$29.72	\$31.20
Add'l cart	\$5.97	\$5.97	\$6.18	\$6.43	\$6.72	\$7.05	\$7.40
96 gal. cart greenwaste	\$1.33	\$1.33	\$1.38	\$1.43	\$1.50	\$1.57	\$1.65
Add'l greenwaste cart	\$5.97	\$5.97	\$6.18	\$6.43	\$6.72	\$7.05	\$7.40

MULTI-FAMILY & COMMERCIAL

Once per week pickup

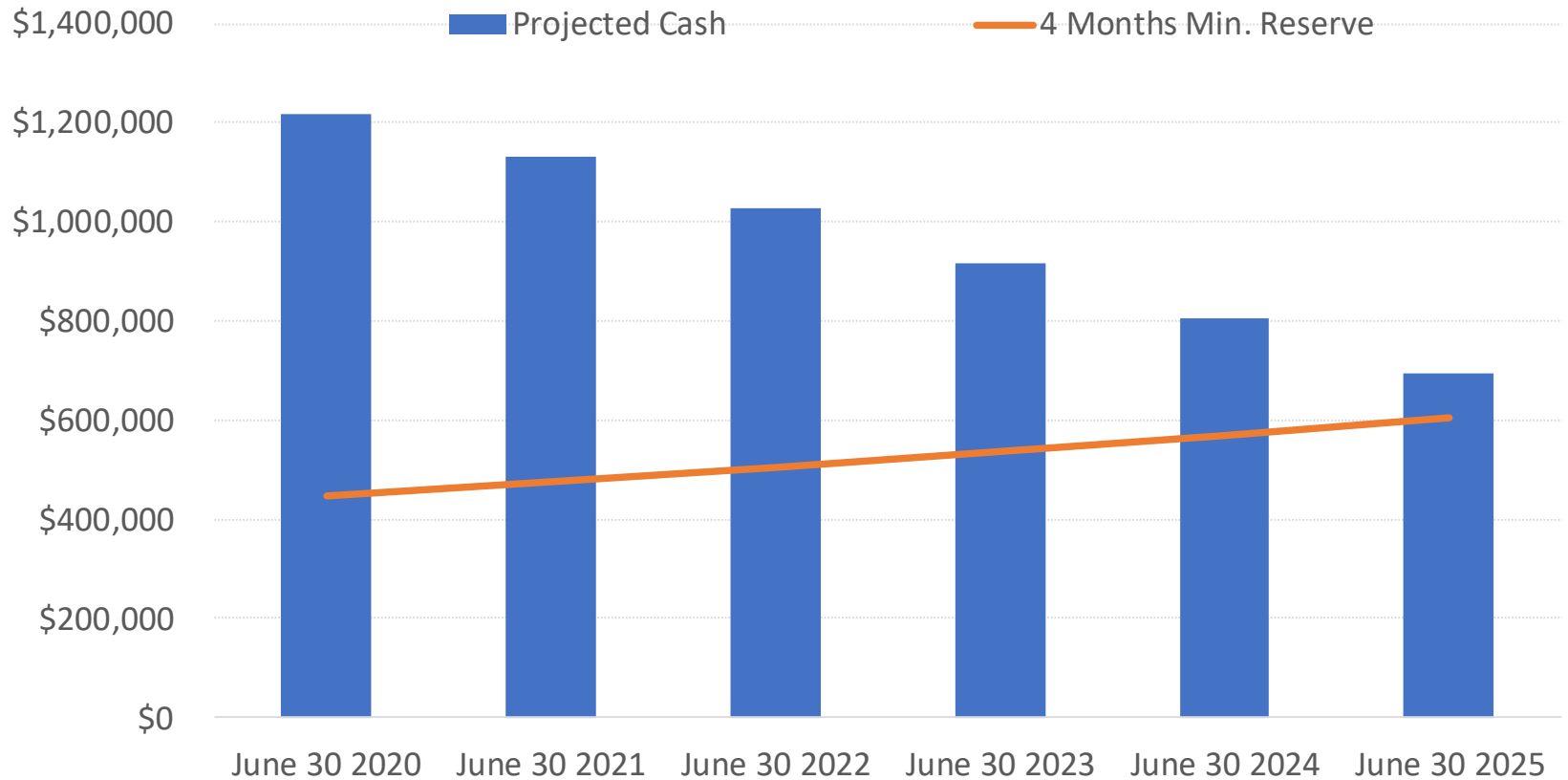
1 cubic yard container	\$47.36	\$47.36	\$49.02	\$50.98	\$53.27	\$55.94	\$58.73
2 cubic yards container	\$94.41	\$94.41	\$97.71	\$101.62	\$106.20	\$111.51	\$117.08
3 cubic yards container	\$139.86	\$139.86	\$144.76	\$150.55	\$157.32	\$165.19	\$173.45
4 cubic yards container	\$179.04	\$179.04	\$185.31	\$192.72	\$201.39	\$211.46	\$222.03
6 cubic yards container	\$251.71	\$251.71	\$260.52	\$270.94	\$283.13	\$297.29	\$312.15
Organics Bin (New)		\$264.20	\$273.45	\$284.39	\$297.18	\$312.04	\$327.65

Recycle Bins

4 & 6 cubic yard containers	\$71.41	\$71.41	\$73.91	\$76.86	\$80.32	\$84.34	\$88.55
-----------------------------	---------	---------	---------	---------	---------	---------	---------

Projected Cash Balance

Includes addressing SB 1383 @ \$100K / year in 2019 \$'s



Domestic Wastewater Rate Study

CITY OF LIVINGSTON

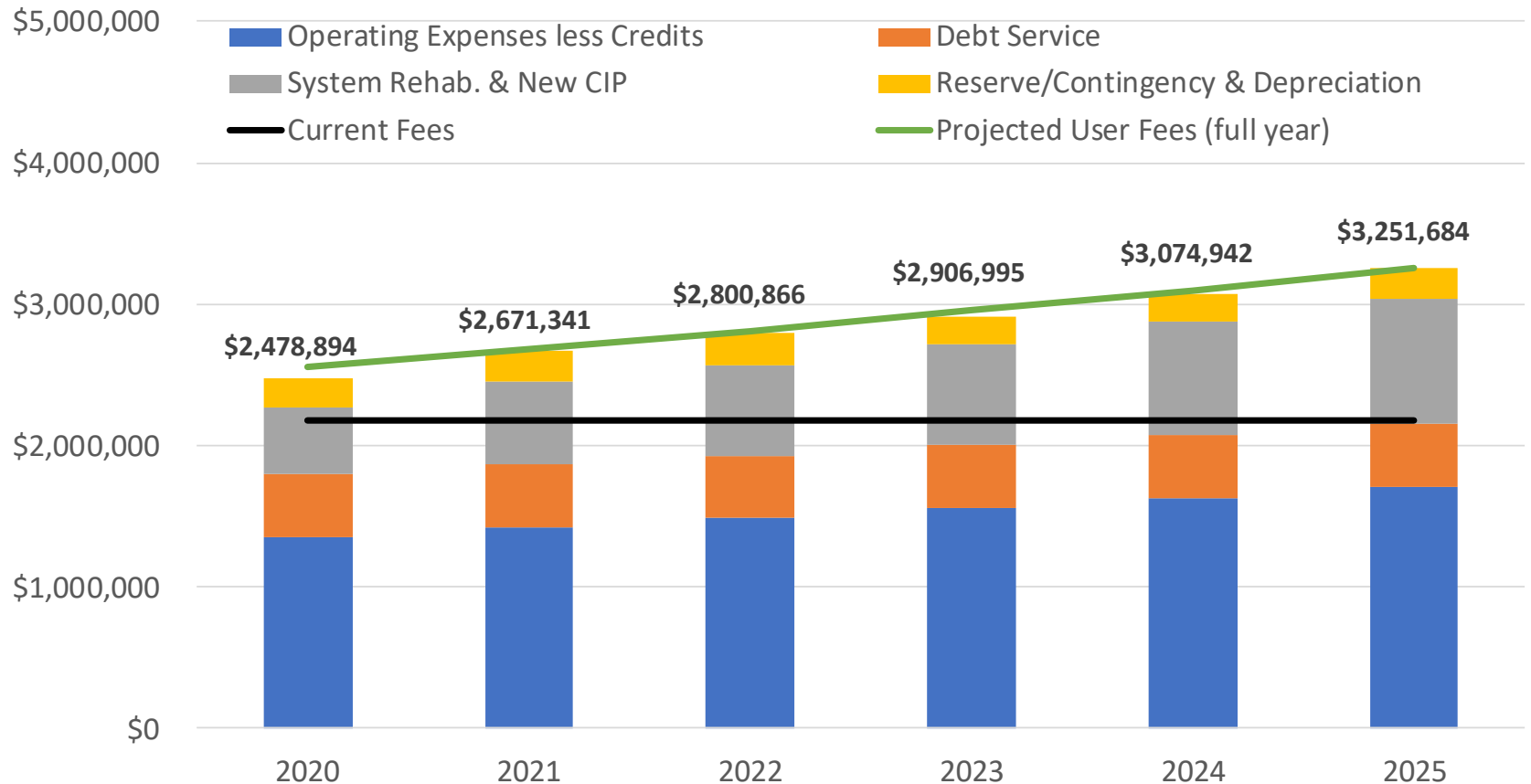
Findings

- Current fee collections are greater than operating costs
- Wastewater fund has 5 months of operating costs reserve; the minimum target level is 4 months of operating expenses
- Need to increase rates for projected costs AND adjust rates to reflect cost of service changes
 - Shift in customer base and updated flow, strength parameters used for cost allocation

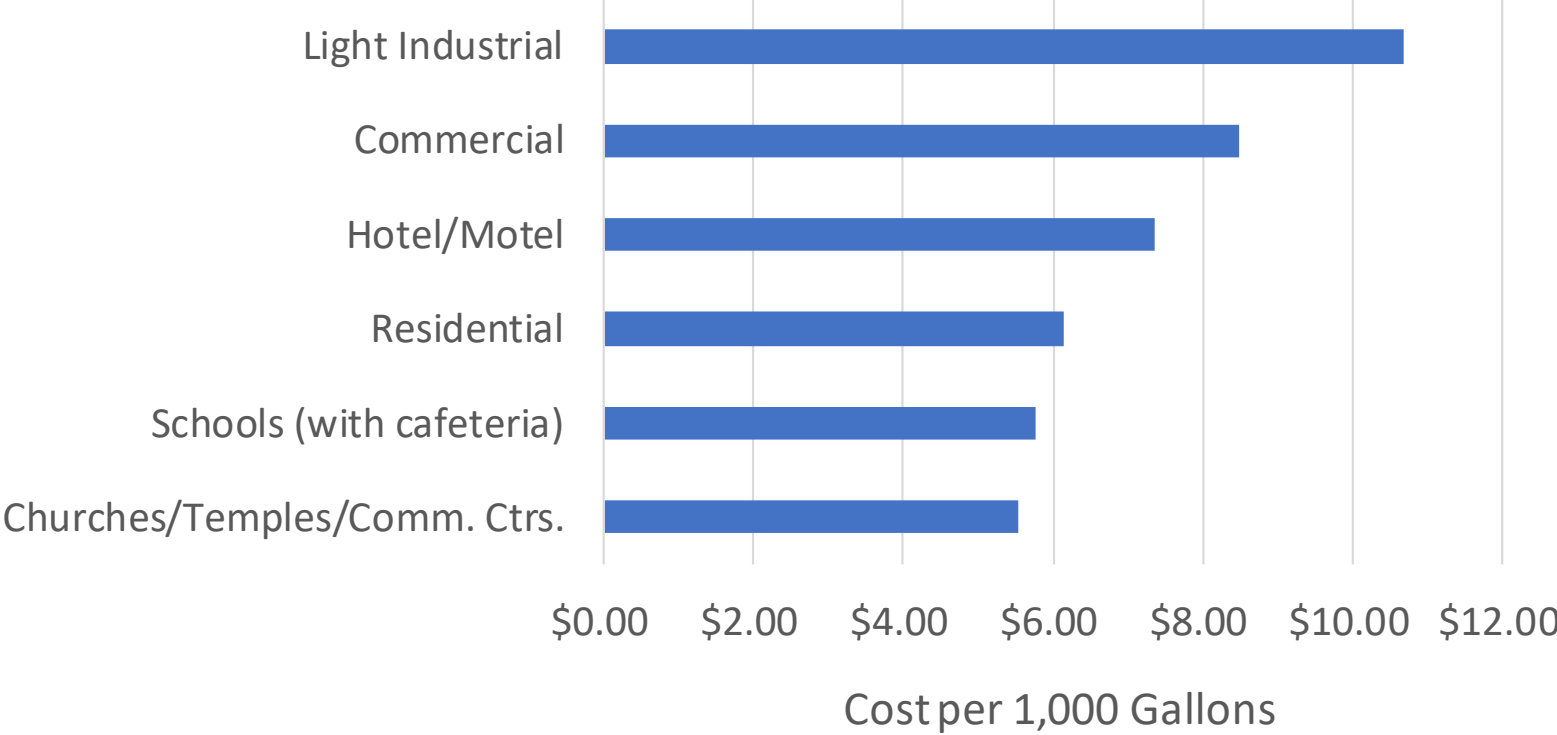
Revenue Requirement

- Determines amount to be collected in monthly fees
- Operating Costs
 - Increased each year 4.6%
 - Equipment & Vehicle purchases
 - Cash-Funded System Rehabilitation (mostly sewer line replacement)
 - NO new debt service anticipated
- Less Credits
 - Credits include \$ from other governments, late fees, interest, miscellaneous

Revenue Requirement



Cost of Wastewater Service Fiscal Year 2020



Cost of Service

- Shift in Customer Base (growth in City since 2014)
- Updated flow and strength parameters
- Causes some customer rate changes to be greater than others
 - Smooth the increases for some customers between now and the 2nd year by taking the mid-point of current and January 2021 rates.

Calculated Rate Schedule

Customer Category	Billing Basis	Current Rates Effective --->	FY 2019/20 May 2020	FY 2020/21 Jan. 2021	FY 2021/22 Jan. 2022	FY 2022/23 Jan. 2023	FY 2023/24 Jan. 2024	FY 2024/25 Jan. 2025
Residential	per unit	\$43.84	\$45.99	\$48.14	\$50.54	\$53.07	\$55.72	\$58.51
Non-Residential								
Churches/Temples/Comm. Ctrs.	per account	\$42.28	\$47.94	\$50.34	\$52.86	\$55.50	\$58.28	\$61.19
Schools (with cafeteria)	per student	\$1.46	\$1.73	\$1.82	\$1.91	\$2.01	\$2.11	\$2.21
Hotel/Motel	per room	\$17.22	\$22.40	\$23.52	\$24.69	\$25.93	\$27.22	\$28.58
Light Industrial (Base)	per account	\$43.84	\$45.99	\$48.14	\$50.54	\$53.07	\$55.72	\$58.51
Commercial (Base)	per account	\$43.84	\$45.99	\$48.14	\$50.54	\$53.07	\$55.72	\$58.51
Variable Charges for Non-Residential Only								
Light Industrial [1]	per gallon	\$0.010417	\$0.010794	\$0.011171	\$0.011730	\$0.012316	\$0.012932	\$0.013579
Commercial [2]	per gallon	\$0.003837	\$0.006729	\$0.007065	\$0.007418	\$0.007789	\$0.008179	\$0.008588

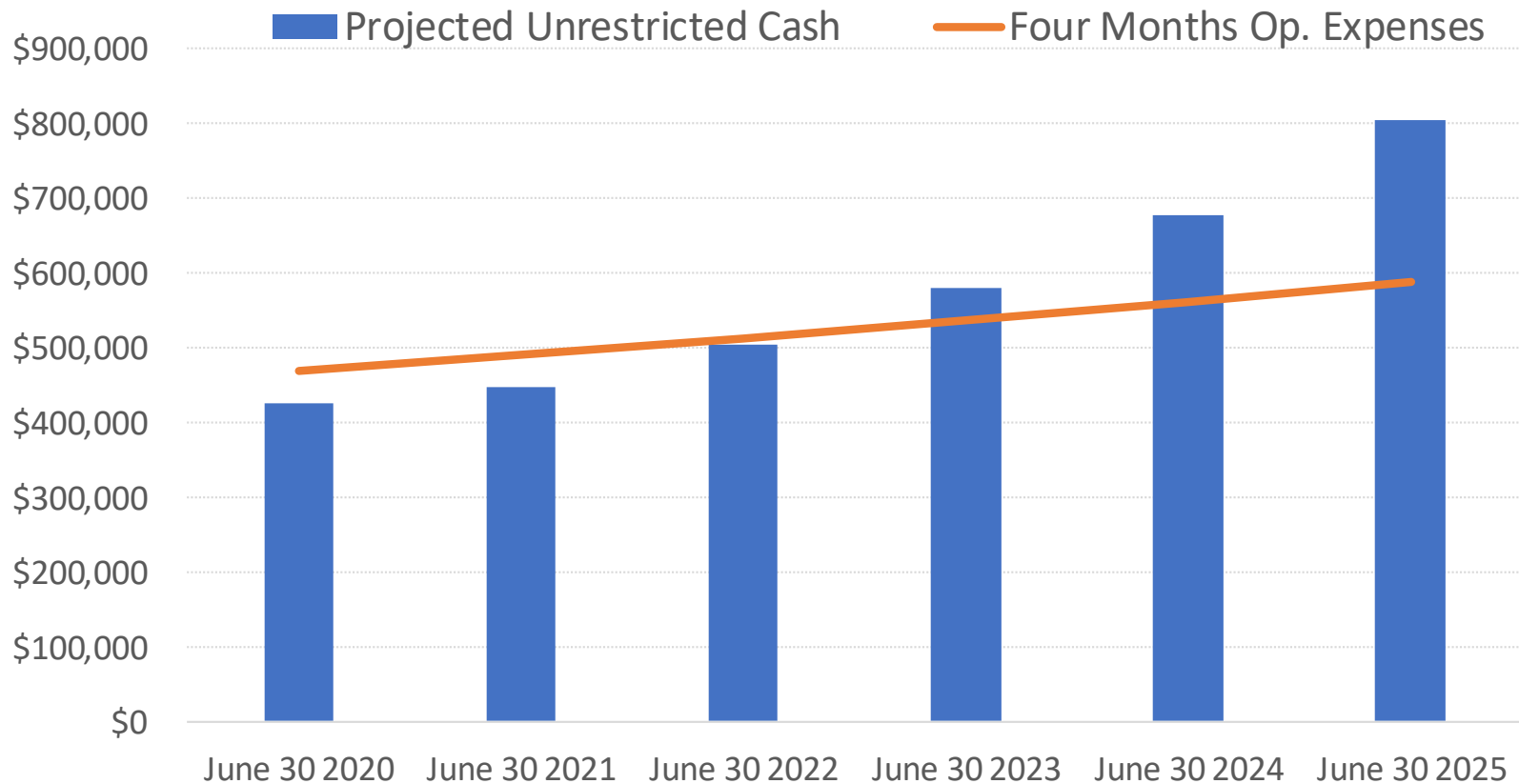
Source: 2019 HEC rate study.

summ

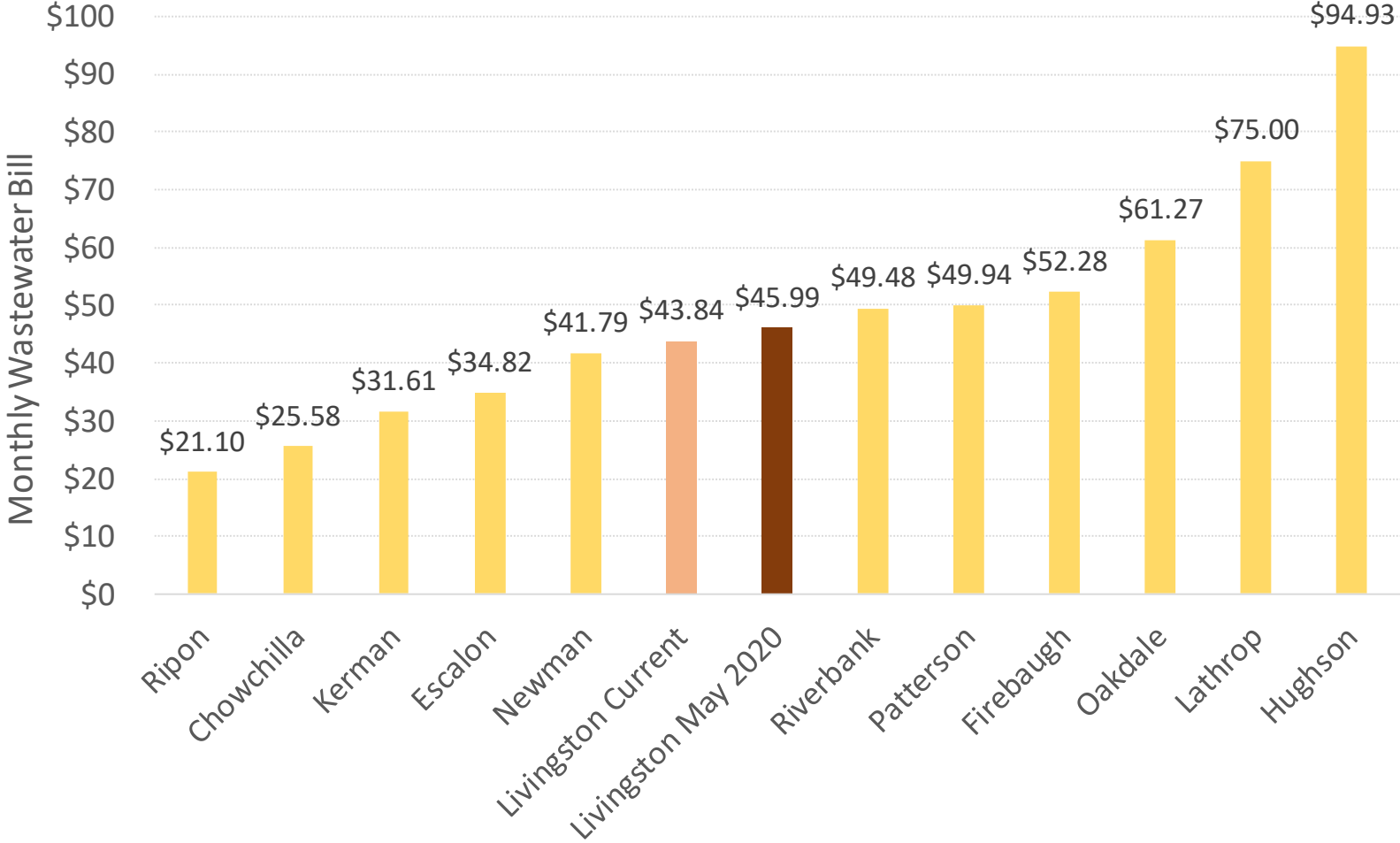
[1] Charge applied to the first 95% of total water use per month.

[2] Charge applied to the first 70% of total water use per month.

Projected Cash Balance



Comparison Monthly Wastewater Bills



Affordability

Item	Current Rates	Rates May 2020 [1]
Monthly Water Bill		
Monthly Median Household Income (MHI)	\$4,426.25	\$4,426.25
Monthly Wastewater Bill	\$43.84	\$45.99
Average Monthly Bill as Percentage of MHI [2]	0.99%	1.04%
Median Household Income (MHI)		
Statewide California	\$67,169	
Estimated Livingston [3]	\$53,115	
Livingston MHI as a percentage of the State MHI [4]	79.1%	

Source: HEC, State Water Resources Control Board, and US Census Bureau.

aff

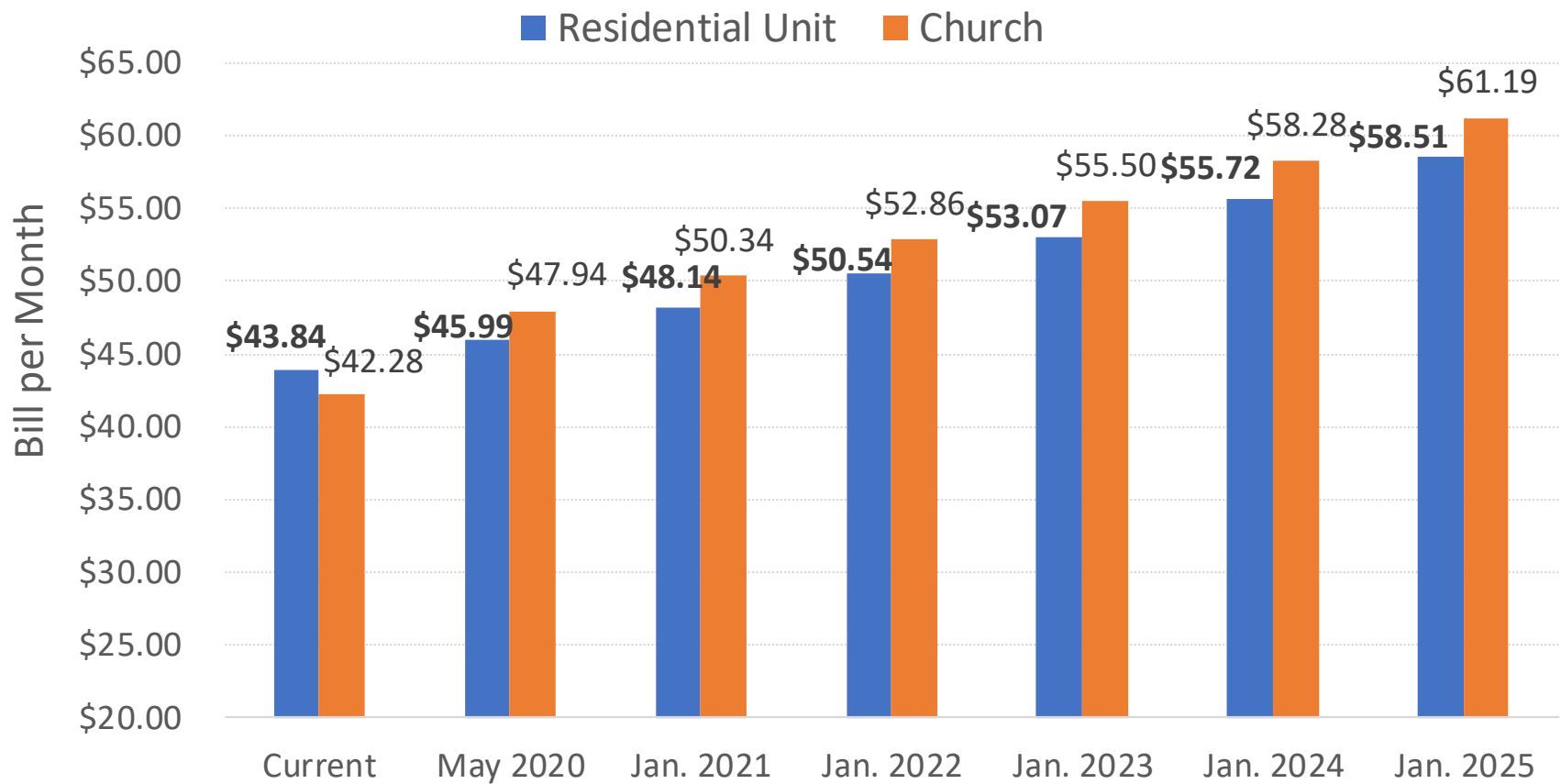
[1] Bills must be greater than or equal to 1.5% of MHI to qualify for Disadvantaged principal forgiveness.

[2] Bills that are 1.5% to 2.0% of MHI are considered affordable.

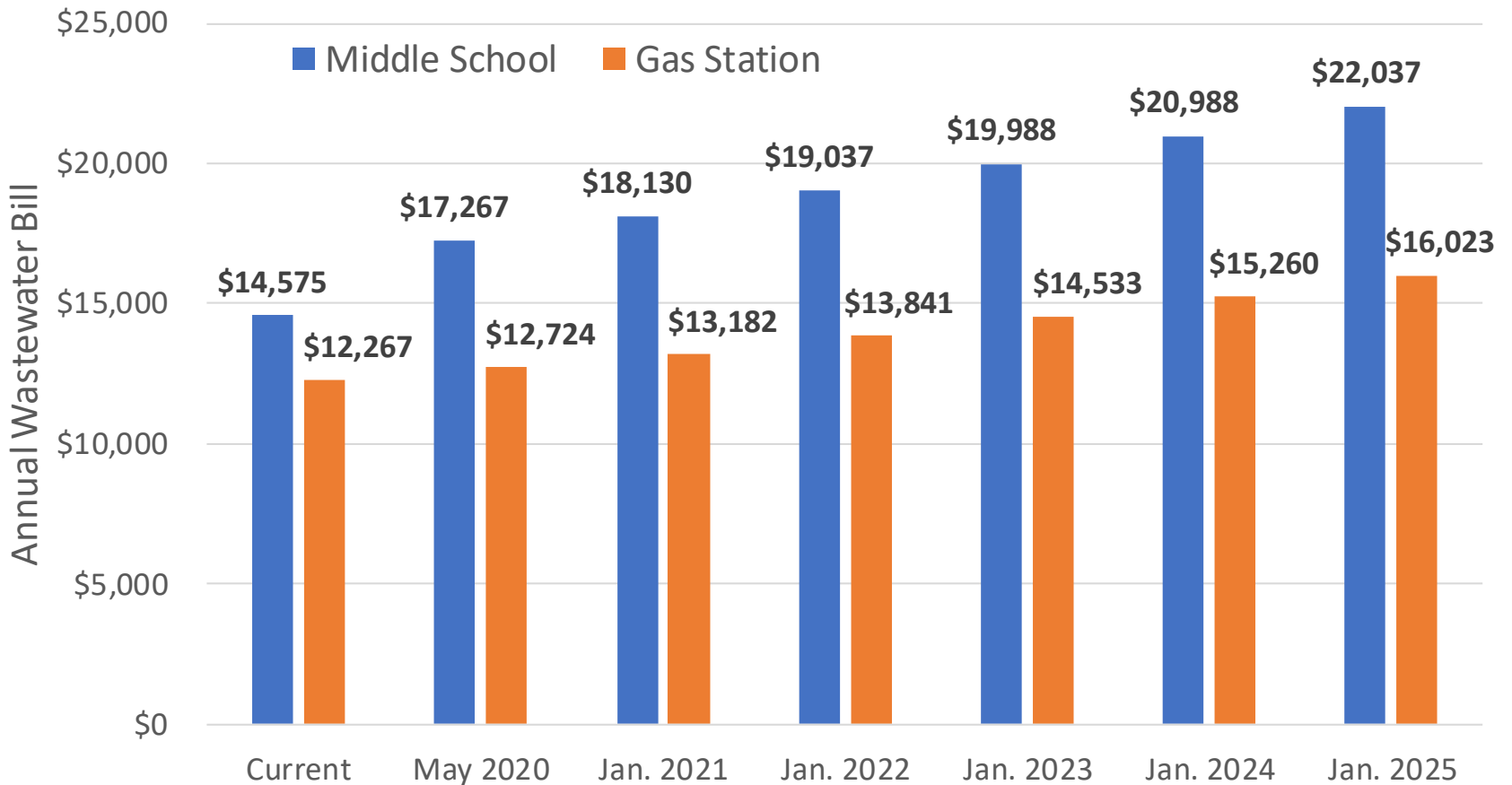
[3] 2017 5-year American Community Survey.

[4] Per SWRCB, community with an MHI <80% of the Statewide MHI is Disadvantaged. For a Disadvantaged Community to qualify for principal forgiveness must exceed 1.5% of the service area MHI.

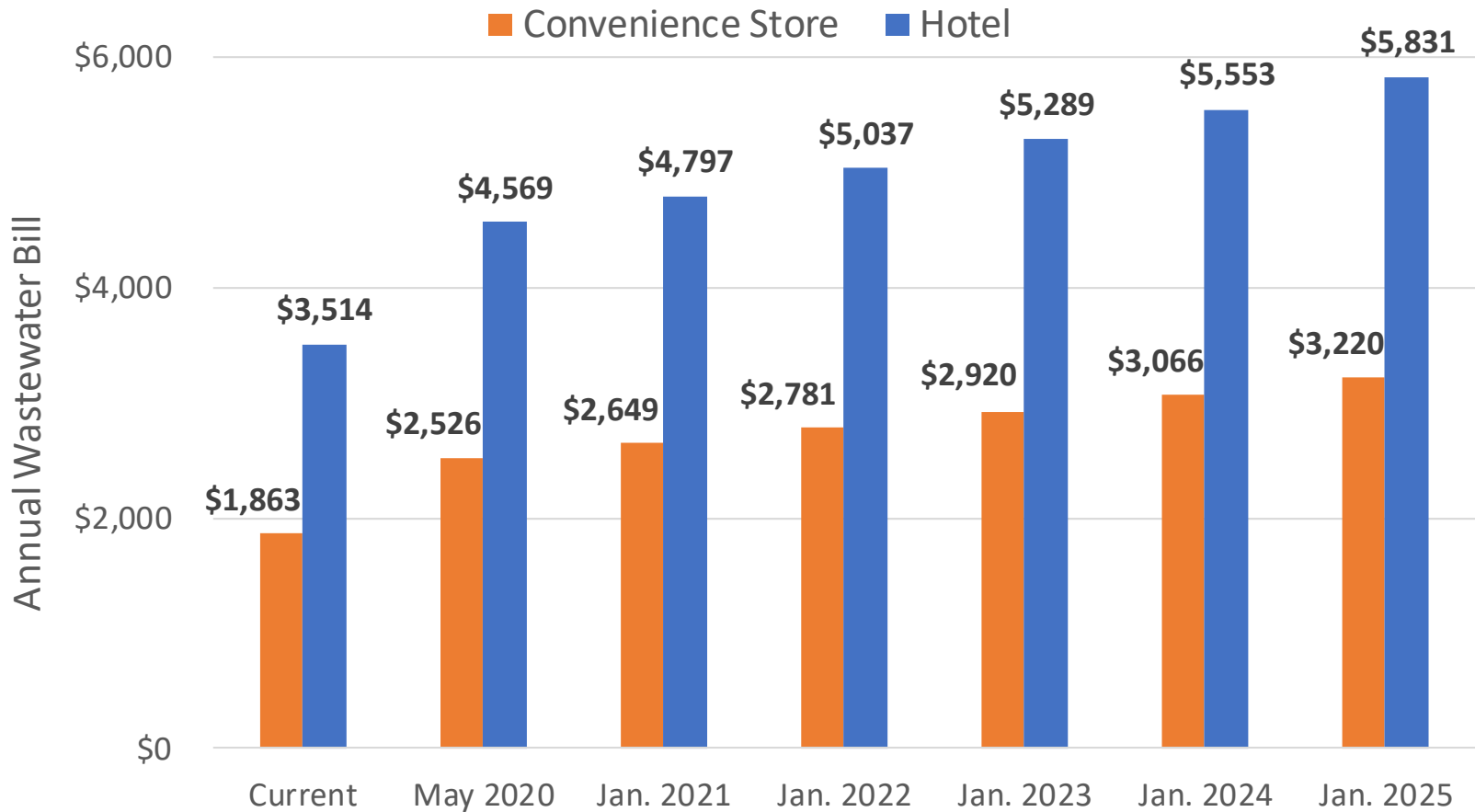
Projected Wastewater Bills: Residential Unit and Church



Projected Wastewater Bills: Gas Station and Middle School



Projected Wastewater Bills: Convenience Store and Hotel



Water Rate Study

CITY OF LIVINGSTON

Findings

- Current fee collections are deliberately greater than operating costs – needed for large cash outlay in next 2 years
- Large capital improvements plan of \$24.56 Million over the next 5 Years
- Industrial customers keep water use more steady through the year than most Central Valley communities but one customer is responsible for 65% of the annual water fund revenue stream
- No proposed changes to rate structure

Capital Improvements Costs and Funding

	Estimated Cost in Inflated Dollars 2020-2025	Funding Source
Well 8 - New Well	\$1,030,000	Reserves
Well 9 - New Well	\$1,200,000	Reserves
Well 11 - New Well	\$1,200,000	Foster Farms
Well 12 Conveyance & Treatment	\$1,935,875	Reserves
Well 8 & 9 Conveyance & Treatment Plant	\$4,635,000	SRF Loan [1]
Well 14 & 16 Conveyance & Treatment Plant - secured loan	\$4,000,000	SRF Loan
Well 13 & 17 Conveyance, Treatment Plant & Storage Tank	\$8,755,000	SRF Loan [1]
Water Line Replacement Ph 4 (Walnut, Davis, White, N Main)	\$1,412,397	Reserves
Park Surface Water Irrigation	\$370,800	Reserves [2]
Server Upgrades	\$25,000	Reserves
Total Estimated Water Improvements Cost	\$24,564,073	

Source: City of Livingston November 2019.

cip sum

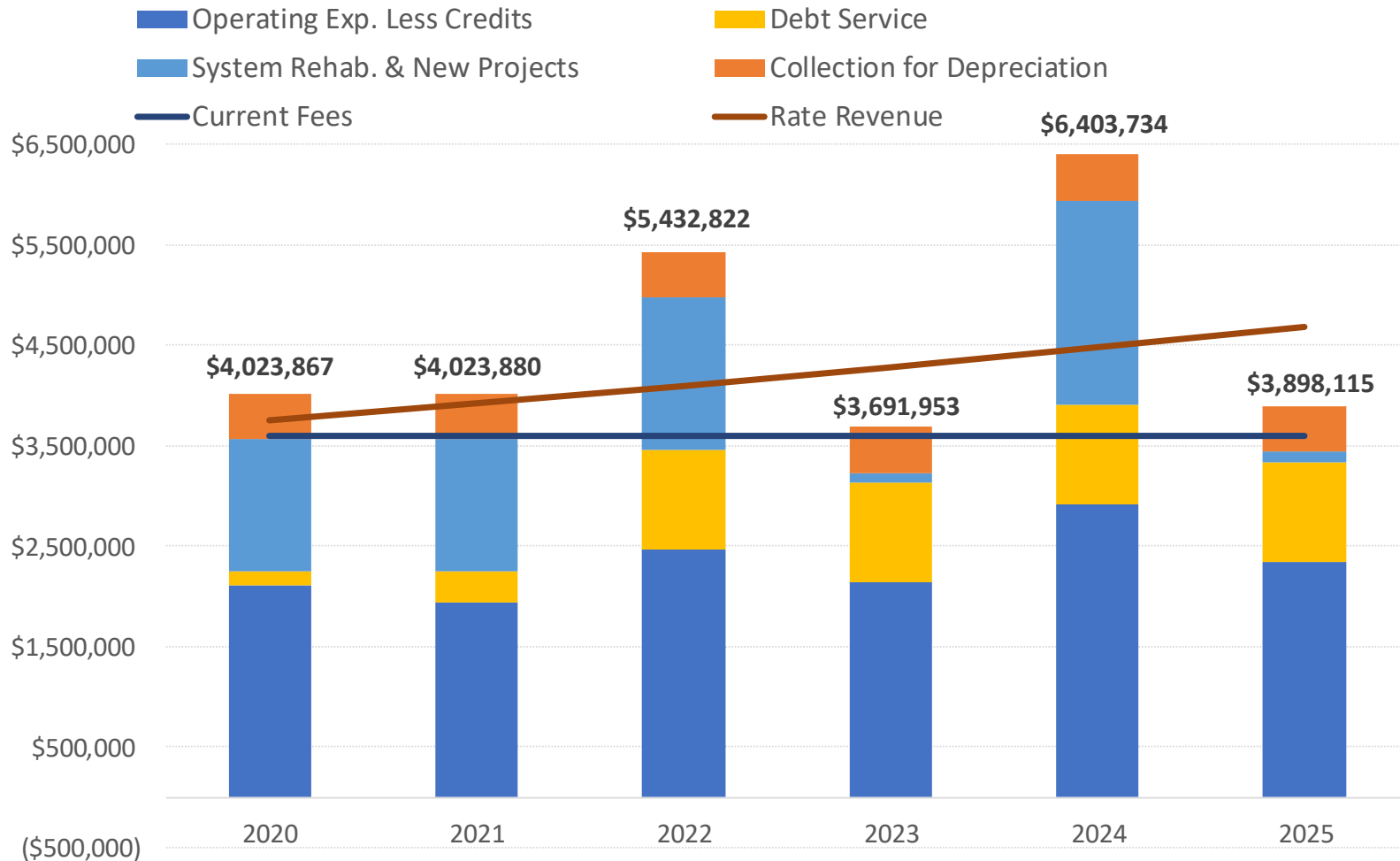
[1] A portion of debt service to be repaid with connection fees.

[2] A portion of this project will be funded by a grant.

Revenue Requirement

- Determines amount to be collected in monthly fees
- Operating Costs
 - Increase 4.5% per year
 - Additional O&M for new wells
 - Estimated new debt service for new wells & treatment
- Less Credits
 - Credits include \$ from other governments, late fees, interest, miscellaneous

Revenue Requirement



Cost of Service

- Functional Allocation – 45% of costs in monthly service charge
- Rate Design – 35% of costs in monthly service charge
- Lower amount determined most appropriate due to large use by industrial customers with very few water meters
 - Capacity (as measured by meters) less significant in determining use of system as for most water systems

Study Results

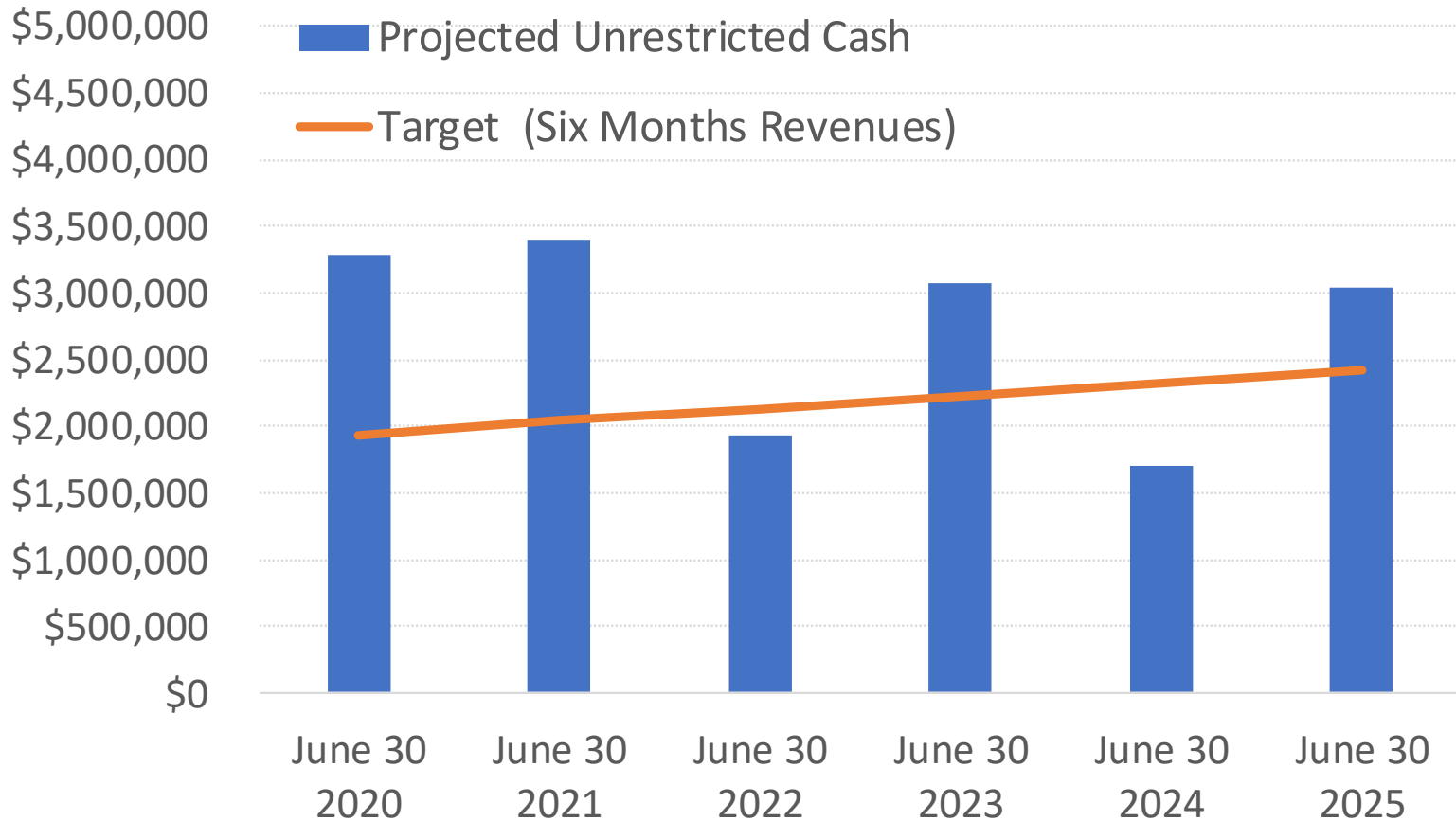
- Monthly service charges and use charges increase for all customer categories.
- Monthly meter replacement fee for 1.5", 3" & 10" meters reduced. All other monthly meter fees increase.
- Use rate for construction water (not a property-related fee) increases proportionately more than other fees due to change in methodology
- Current cash reserves drawn down for capital projects

Water Rates Projection – Inside City

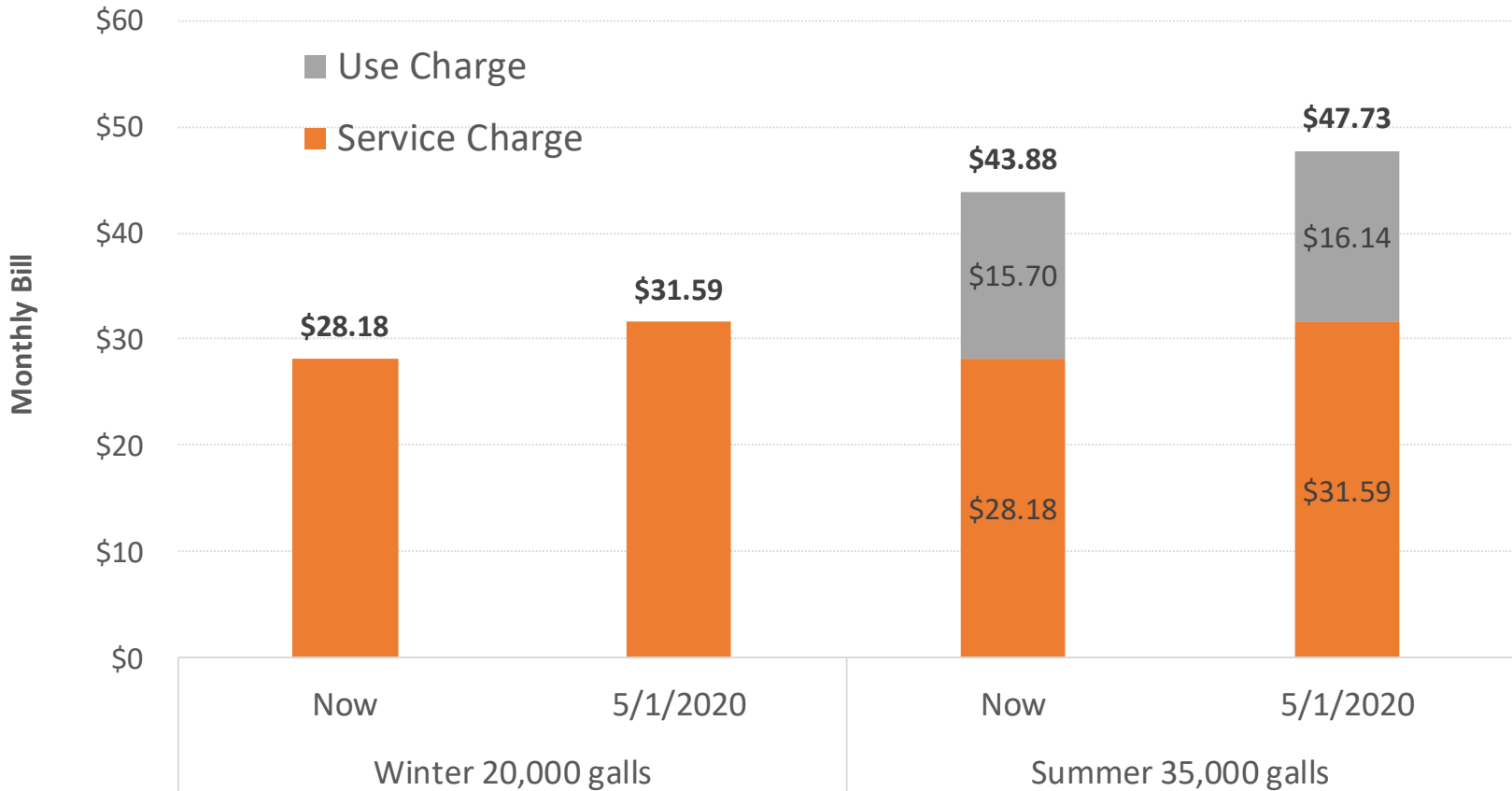
Outside City is 1.5x

Charges	Current	May 2020	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25
Base Charge	Inside City *						
1" and smaller	\$25.13	\$28.38	\$29.46	\$30.59	\$31.77	\$32.99	\$34.25
1.5"	\$50.27	\$56.76	\$58.93	\$61.19	\$63.53	\$65.97	\$68.51
2"	\$80.43	\$90.81	\$94.28	\$97.90	\$101.65	\$105.56	\$109.61
3"	\$175.94	\$198.64	\$206.25	\$214.15	\$222.36	\$230.90	\$239.78
4"	\$301.61	\$340.53	\$353.56	\$367.11	\$381.19	\$395.83	\$411.05
6"	\$628.35	\$709.44	\$736.59	\$764.82	\$794.15	\$824.65	\$856.35
8"	\$1,206.43	\$1,362.13	\$1,414.26	\$1,468.45	\$1,524.77	\$1,583.33	\$1,644.19
10"	\$1,910.18	\$2,156.70	\$2,239.24	\$2,325.04	\$2,414.23	\$2,506.93	\$2,603.30
Meter Fee							
1" and smaller	\$3.05	\$3.21	\$3.31	\$3.41	\$3.51	\$3.62	\$3.72
1.5"	\$11.11	\$7.57	\$7.80	\$8.04	\$8.28	\$8.52	\$8.78
2"	\$12.13	\$14.46	\$14.90	\$15.35	\$15.81	\$16.28	\$16.77
3"	\$25.74	\$18.05	\$18.59	\$19.15	\$19.72	\$20.31	\$20.92
4"	\$40.61	\$42.72	\$44.01	\$45.33	\$46.69	\$48.09	\$49.53
6"	\$56.33	\$73.83	\$76.04	\$78.32	\$80.67	\$83.09	\$85.59
8"	\$89.50	\$120.38	\$123.99	\$127.71	\$131.54	\$135.49	\$139.55
10"	\$204.51	\$155.35	\$160.01	\$164.81	\$169.76	\$174.85	\$180.10
Service Charge Monthly Water Allowance							
Attached Residential (per Unit)	10,000	gallons					
Detached Residential (per Unit)	25,000	gallons					
Non-Residential (per Meter)	35,000	gallons					
Consumption Charge per 1,000 gallons of water in excess of allowance each month							
All Customers	\$1.57	\$1.61	\$1.69	\$1.76	\$1.84	\$1.92	\$2.00
Construction Water	\$1.17	\$1.75	\$1.83	\$1.91	\$1.99	\$2.07	\$2.16

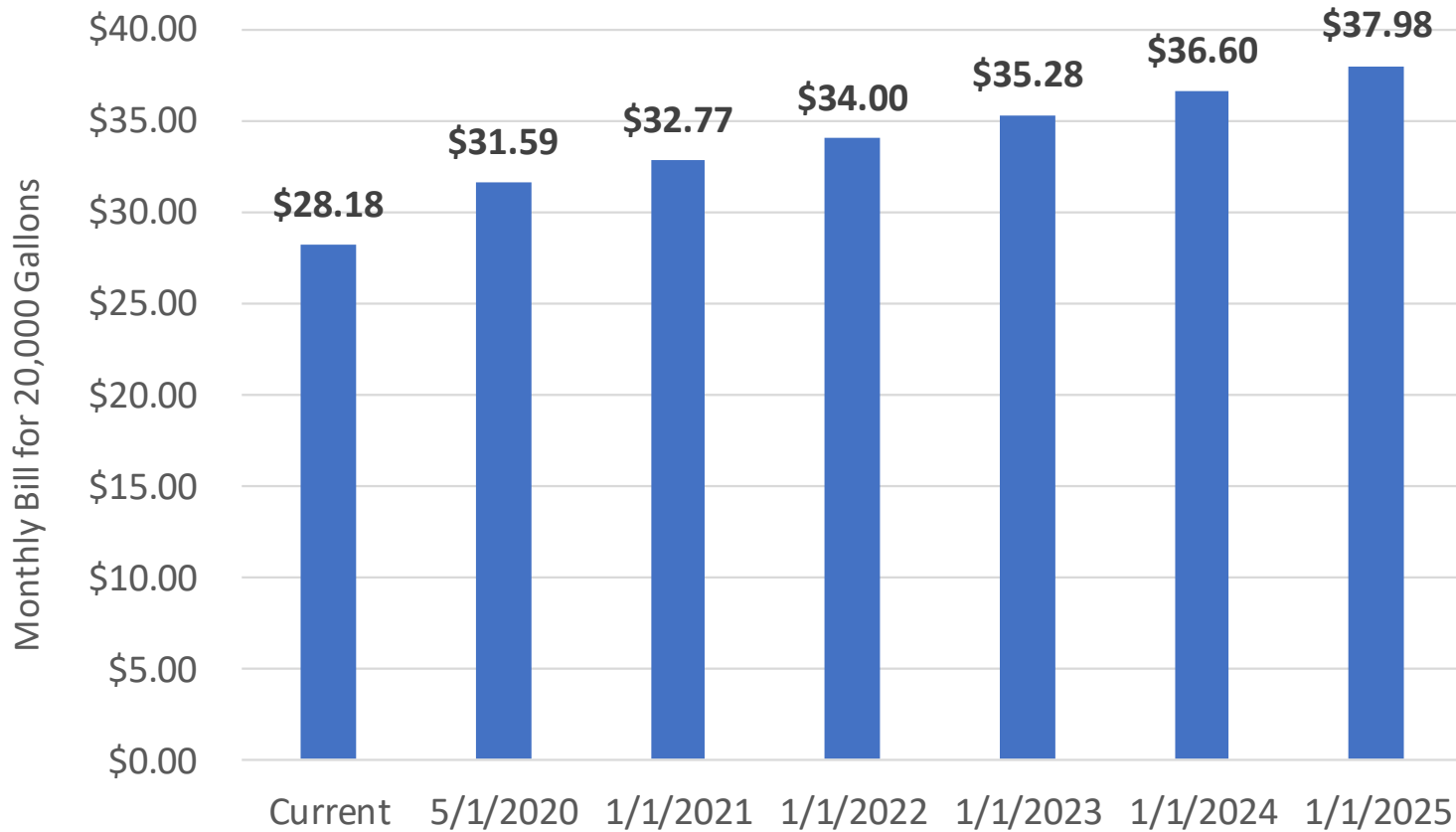
Projected Cash Balance



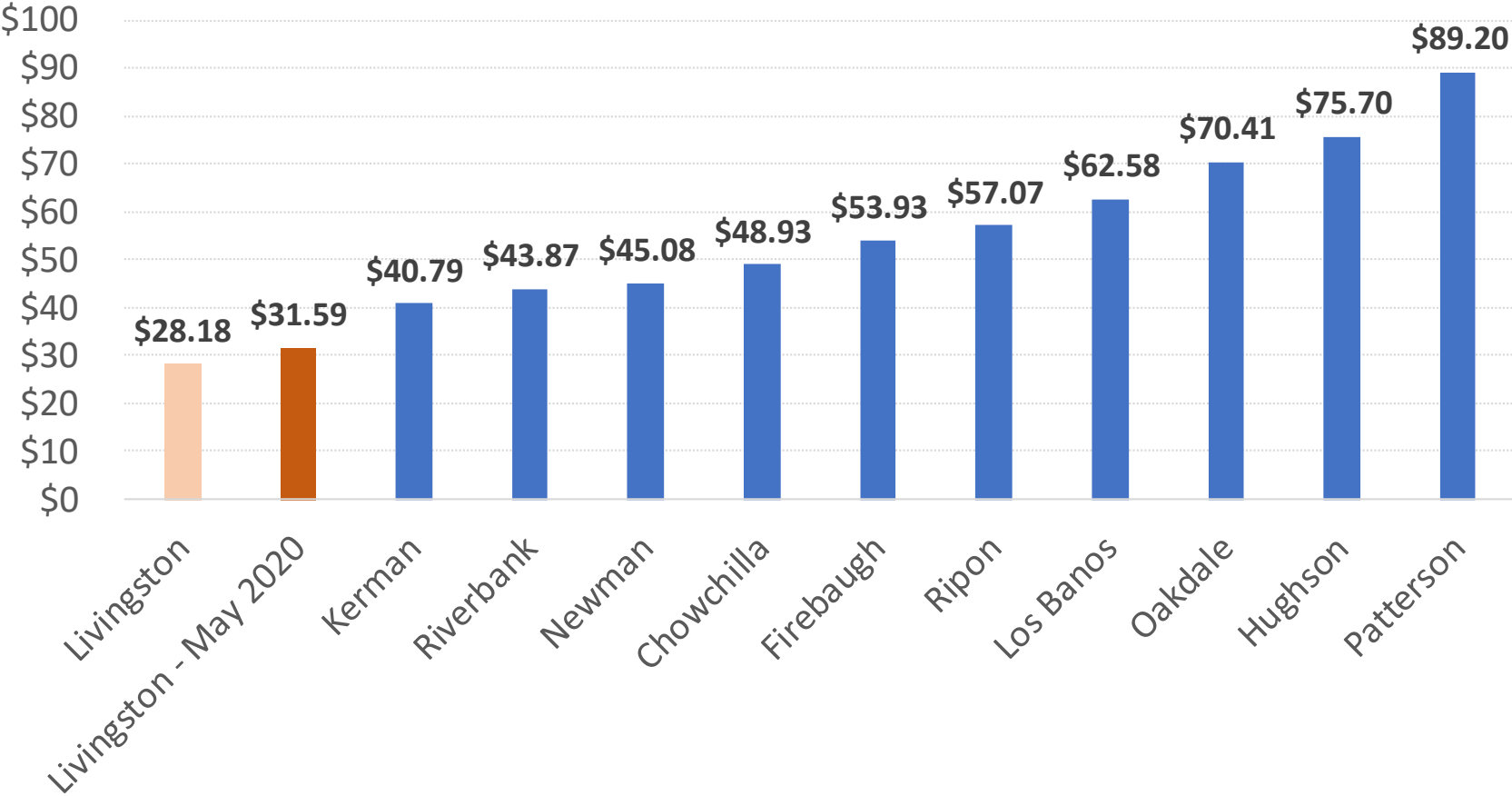
First Year Seasonal Bill Impact Residential Home



Projected Single Family Bill Home using <25,000 Gallons



Comparison Monthly Water Bills Home using 20,000 Gallons



Affordability

Item	Current Rates	Rates May 2020 [1]
Monthly Water Bill		
Monthly Median Household Income (MHI)	\$4,426.25	\$4,426.25
Monthly Water Bill < 25,000 Gallons	\$28.18	\$31.59
Average Monthly Water Bill as Percentage of MHI [2]	0.64%	0.71%
Median Household Income (MHI)		
Statewide California	\$67,169	
Estimated Livingston [3]	\$53,115	
Livingston MHI as a percentage of the State MHI [4]	79.1%	

Source: HEC, State Water Resources Control Board, and US Census Bureau.

aff

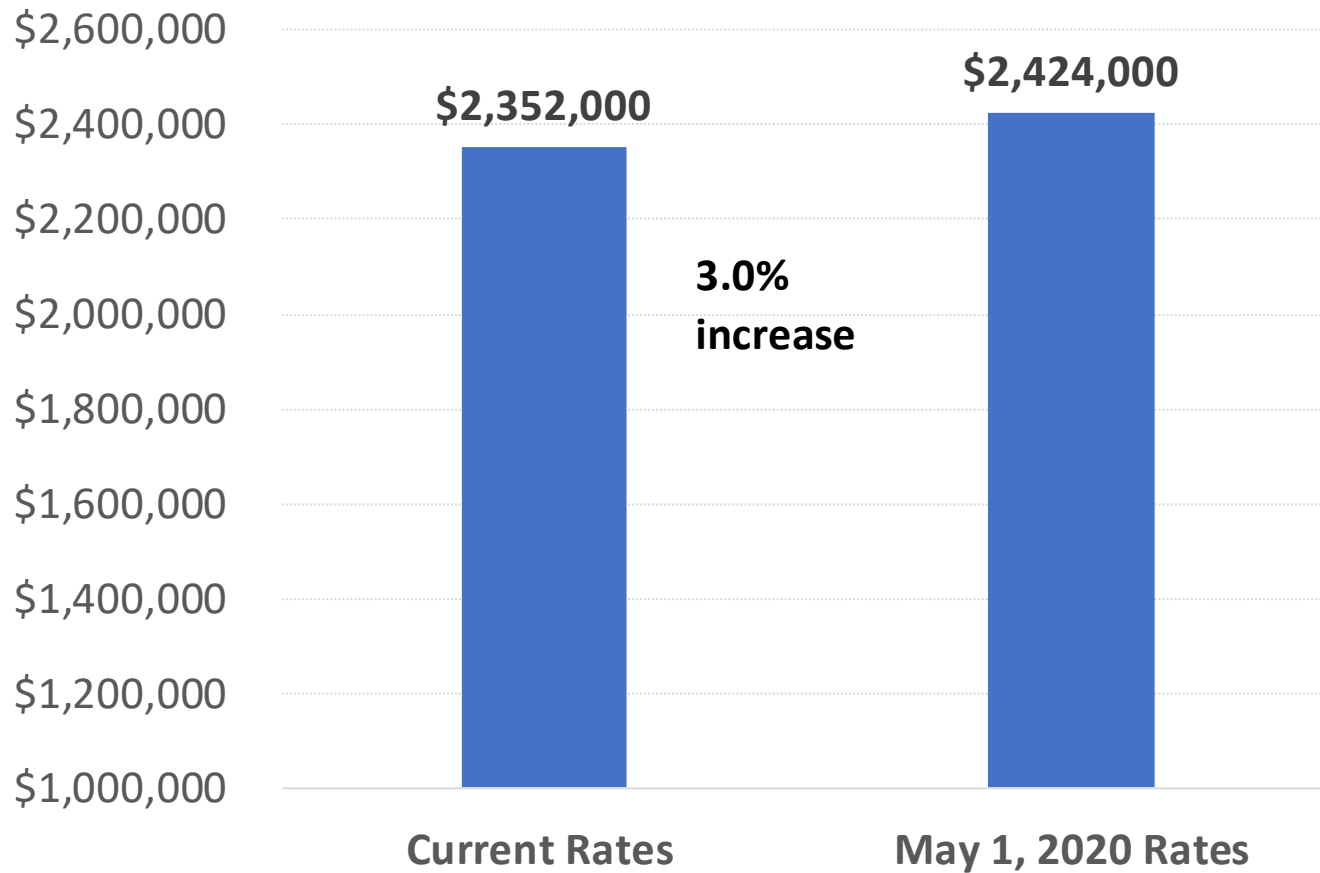
[1] Bills must be greater than or equal to 1.5% of MHI to qualify for Disadvantaged principal forgiveness.

[2] Water bills that are 1.5% to 2.0% of MHI are considered affordable.

[3] 2017 5-year American Community Survey.

[4] Per SWRCB, community with an MHI <80% of the Statewide MHI is Disadvantaged. For a Disadvantaged Community to qualify for grant funding water rates must exceed 1.5% of the service area MHI.

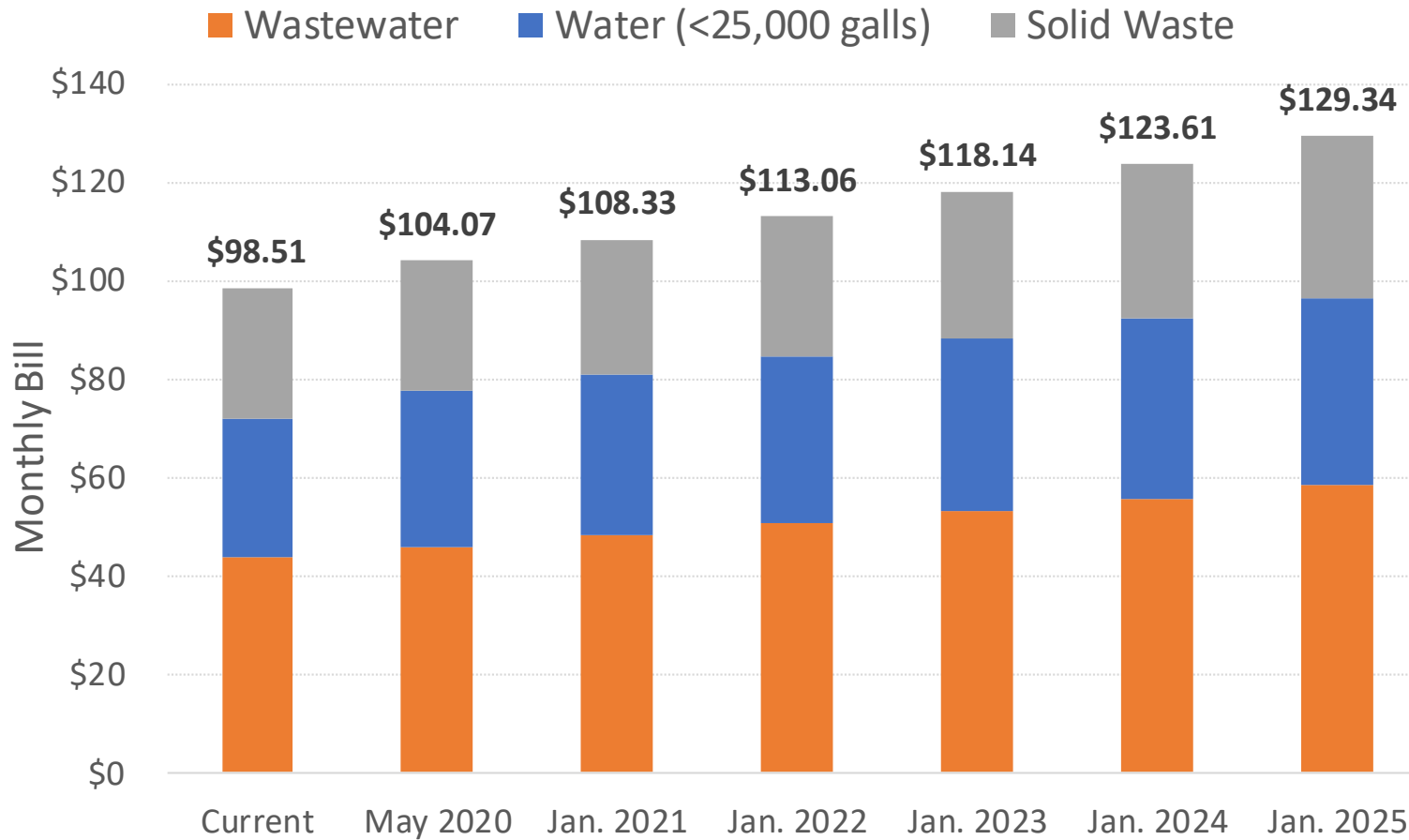
Annual Estimated Impact to Foster Farms



Combined Utilities Bill Impact

Residential Unit

Combined Utilities Bill Impact



Schedule

Dec 17th 2019: Introduce Proposed Rates

January 2019: Mail Public Notices with Proposed Rate Schedules

February 2019: Hold Public Workshops explaining new rates

March 17th 2019: Public Hearing to adopt new utility rates

End April Billing Cycle: New Rates applied to May bills for May trash and sewer service and end of April water meter reads