

Montara Water & Sanitary District



Sewer Rate Study

May 31, 2018



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INDEPENDENT PUBLIC FINANCE ADVISORS

Background

■ Sewer utility is a financially self-supporting enterprise

- Sewer service charges are the main source of revenues
- Rates need to be set at levels adequate to fund operations, maintenance, debt service, & capital improvement needs

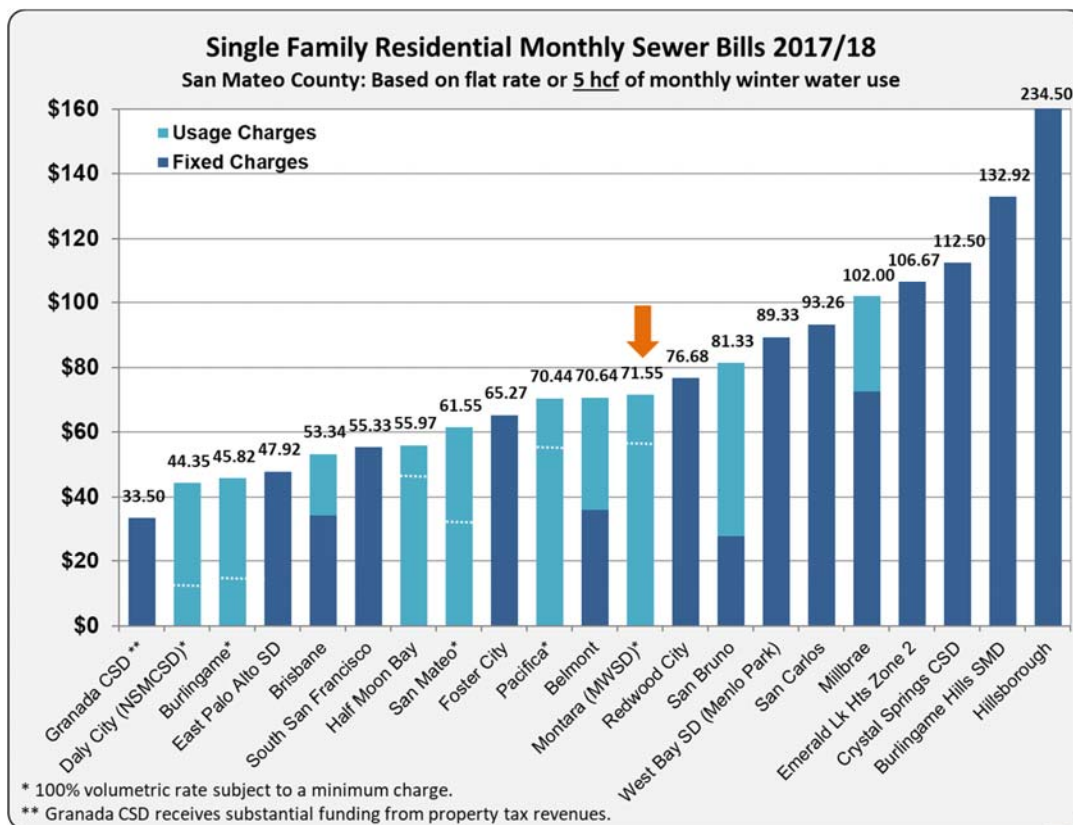


■ Infrastructure needs driving need for rate increases

- Sewer Authority Mid-Coastside's 40-year old wastewater treatment plant and conveyance system require increased funding for rehabilitation of aging infrastructure
- MWSD's aging sewer collection system needs ongoing funding for repair, rehabilitation, and replacement of aging sewer pump stations and pipelines
 - MWSD has been proactive in funding deferred maintenance & investing in infrastructure rehabilitation over past decade (increased funding starting 10 years ago)

Sewer Rate History

- Last sewer rate study completed in 2010
 - Anticipated reaching maximum adopted rates over 4 years
 - Spread out rate increases over 8 years
- Small, inflationary rate increases implemented most years over past decade
 - Decline in billed usage has offset impact of rate increases in recent years
 - Many customers currently pay same or lower sewer bills in inflation-adjusted terms as they did 10 years ago
- Typical residential bill in middle range compared to other agencies in San Mateo County (many of which are substantially larger)
 - Many agencies have adopted substantially higher rate increases in recent years
 - Many agencies facing need to fund replacement of aging sewer infrastructure



Need for Rate Increases

■ Key factors driving need for rate increases

➤ SAM infrastructure in need of major reinvestment due to age and condition

- 40+ year-old treatment plant in coastal conditions
- Many treatment plants built in 1970's (Clean Water Act) are now at the end of their working lives
- Treatment plant was funded mostly by EPA grants, minimal ratepayer investment over 40+ years

➤ SAM operating expenses have been substantially increasing

- SAM member assessments increased 25% in 2017/18
- SAM member assessments projected to increase an additional 18% next fiscal year
- Additional potential legal costs related to lawsuit (both for SAM and MWSD)

➤ Aging MWSD sewer collection system in need of rehabilitation & replacement

➤ Small annual rate increases needed to keep up with cost inflation



Financial & Rate Projections

■ BWA developed financial & rate projections for 3 scenarios

A One-Time Increase: Large rate spike to support full capital funding needs

B Phased Approach: Phase in rate increases & phase in capital funding

➔ C Reduced Phased Approach: Slower phase in of rate increases & capital funding

■ Rates designed to reflect the cost of providing service and phase in funding for capital needs

■ 2 years of rate increases proposed at this time

- Substantial steps toward meeting future capital funding needs
- MWSD can re-evaluate rates in future years

■ Lower rate increases in near term result in need for larger rate increases in future, and vice versa



Proposed Sewer Rates

PROPOSED SEWER RATES			
	Current Sewer Rates	Proposed Rates Effective	
		July 1, 2018	July 1, 2019
Sewer Service Charge Rates	Equivalent	Rate	Rate
Customer Class	rate per hcf	per hcf	per hcf
Residential	\$14.31	\$17.41	\$21.07
Restaurants	25.96	30.21	36.55
Motels	15.39	18.33	22.18
Offices	12.65	15.69	18.98
General Commercial	13.70	16.80	20.33
Schools	12.88	15.93	19.28
Hospitals	14.40	17.36	21.01

Sewer Service Charge Rates are usage-based rates billed per hundred cubic feet (hcf) of billable use; 1 hcf = one hundred cubic feet, or approximately 748 gallons.

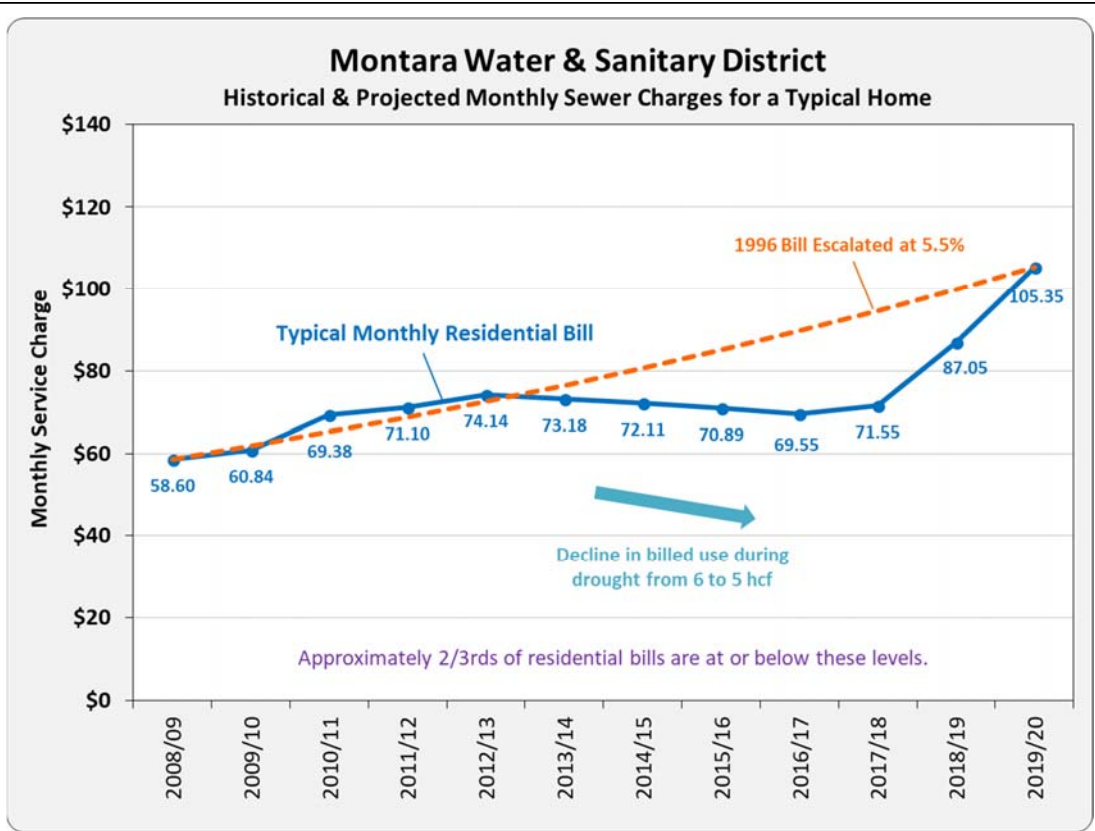
Annual sewer bills are subject to a minimum charge based on 4 hcf per month (48 hcf per year) of billable use.



Projected Impacts

PROJECTED RESIDENTIAL RATE IMPACTS					
		Monthly Use (hcf)	Current 2017/18	Projected	
				2018/19	2019/20
Monthly Charges					
Minimum	50% of bills	4.0	\$57.24	\$69.64	\$84.28
Typical Bill	67% at or below	5.0	71.55	87.05	105.35
Med-High	Top 10%	7.5	107.33	130.58	158.03
High	Top 5%	9.0	128.79	156.69	189.63
Annual Charges					
Minimum	50% of bills	4.0	\$686.88	\$835.68	\$1,011.36
Typical Bill	67% at or below	5.0	858.60	1,044.60	1,264.20
Med-High	Top 10%	7.5	1,287.90	1,566.90	1,896.30
High	Top 5%	9.0	1,545.48	1,880.28	2,275.56





9



Sewer Rate Study Process

- **Late 2017** **Rate study initiated**
- **March 8** **Board Meeting: Review preliminary findings & rate scenarios and provide initial input**
- **April 5** **Board Meeting: Review revised findings & rate scenarios and provide additional input**
- **April 12** **Proposition 218 Notices mailed to property owners (begin 45-day waiting period, 1,969 notices mailed)**
- **May 31** **Public Hearing on proposed sewer rates**
- **July 1** **New rates effective for upcoming fiscal year**



10

