



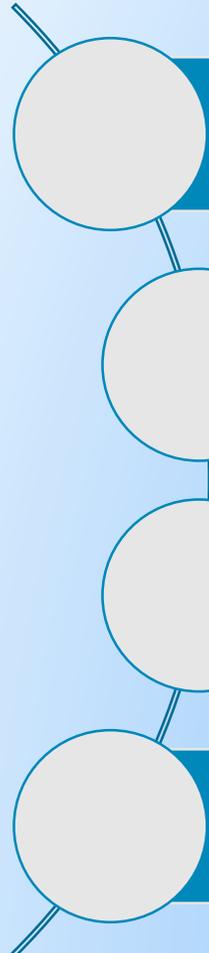
FYE 2020 Water Rate Study Update

City of Upland
City Council Presentation
9 March 2020

WATER
OUR FOCUS
OUR BUSINESS
OUR PASSION

 **carollo**
Engineers...Working Wonders With Water®

Agenda

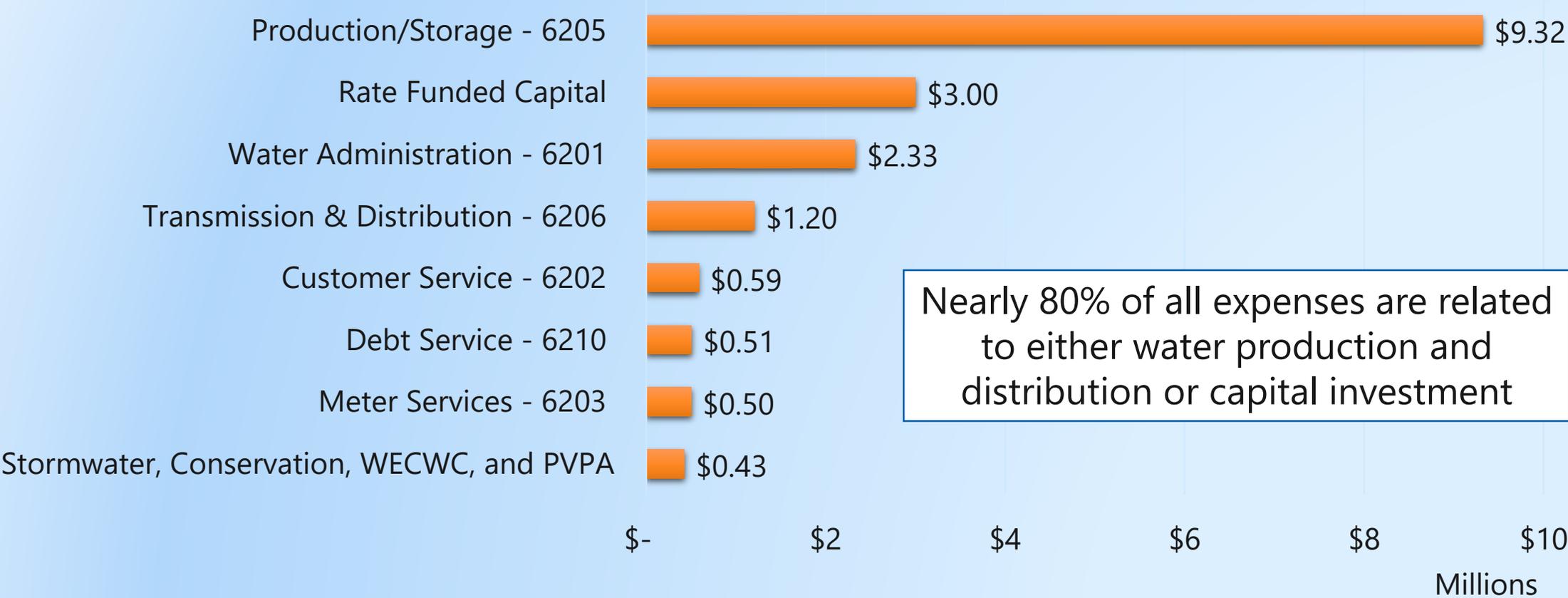
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- Purpose/Introduction
 - Recap of FYE 2018 Rate Study and Recommendations
 - FYE 2020 Rate Model Update
 - Updated Recommendations and Next Steps



Background

What do water rates cover?

City of Upland FYE 2020 Budget



Nearly 80% of all expenses are related to either water production and distribution or capital investment

Bi-Monthly Fixed Charges and Volumetric Rates

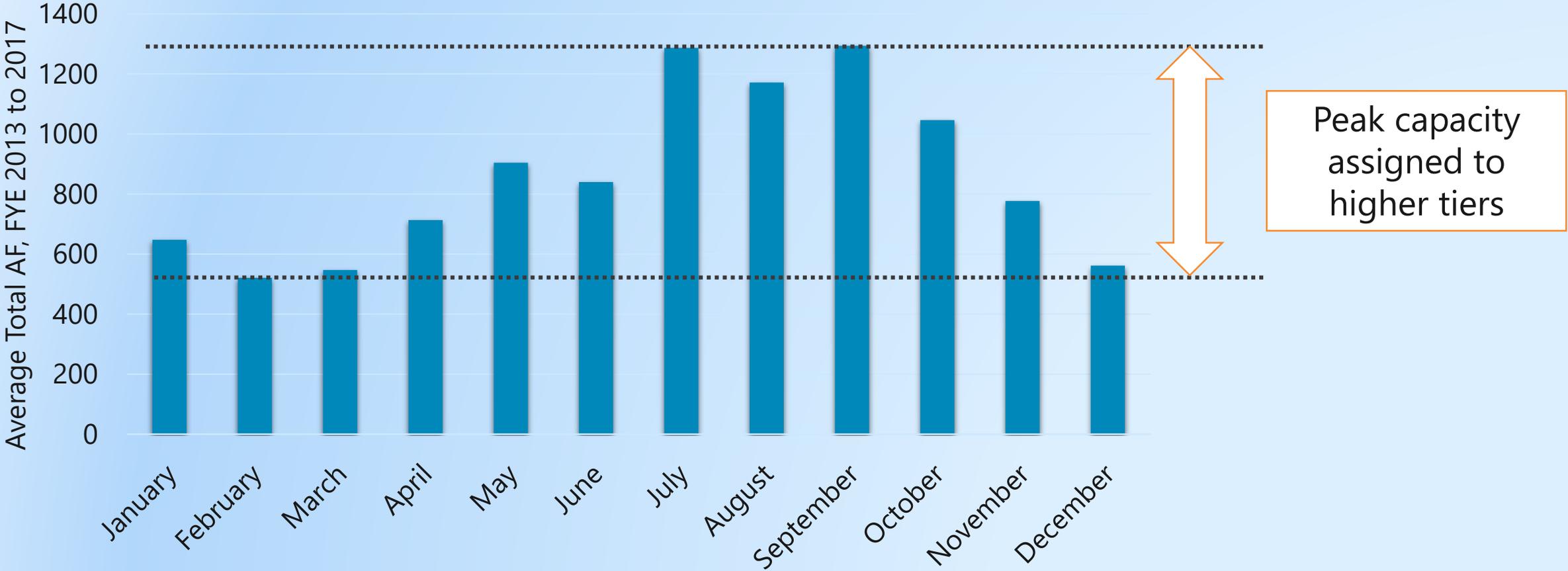
Meter Size	Bi-Monthly Fixed Charge
5/8"	\$52.25
3/4"	\$66.25
1"	\$94.15
1-1/2"	\$164.00
2"	\$247.80
3"	\$471.25
4"	\$722.65
6"	\$1,421.00
8"	\$2,259.00

Single Family	\$/CCF
Tier 1 (0 – 20 CCF)	\$1.91
Tier 2 (21 – 50 CCF)	\$2.52
Tier 3 (>50 CCF)	\$3.01

Non-SFR Classes	\$/CCF
Multi-Family	\$2.34
Commercial	\$2.25
Landscape	\$2.58
Public Agencies	\$2.85
Schools	\$2.73
Recycled Water	\$2.06

Upland's tiered water rates are structured to reflect cost of service for residential customers

Upland Single Family Residential Monthly Usage





FYE 2018 Rate Study Recap

The FYE 2018 Rate Study recommended aggressive rate increases to tackle several challenges the City was facing

Declining Water Sales

Increasing Water Purchase Costs

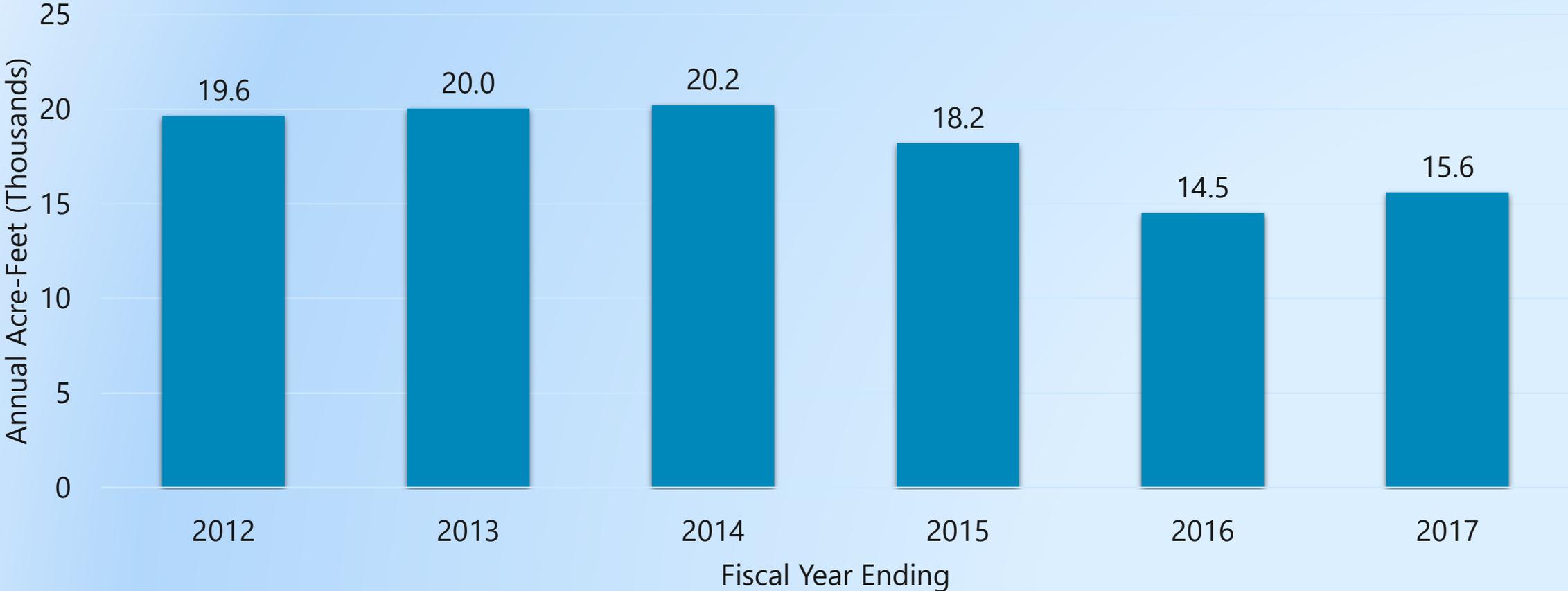
Significant Capital Investment Needs

Insufficient Reserve Funding

Year	Revenue Increase
FYE 2018	17%
FYE 2019	9%
FYE 2020 (not yet implemented)	9%
FYE 2021	5%
FYE 2022 and beyond	3%

Water sales fell 28% from FYE 2014 to 2016, resulting in a substantial drop in City water utility revenue

Annual Billed Water Consumption



The decrease in water production needs was more than offset by water production unit cost increases

FYE 2017

Today

San Antonio
Water Company
48% of water supply

\$222 / AF

58% increase



\$350 / AF

Water Facilities
Authority
22% of water supply

\$693 / AF

43% increase



\$992 / AF

The City's infrastructure was and is in need of substantial capital investment to maintain level of service



Well Pump Impeller Replacement



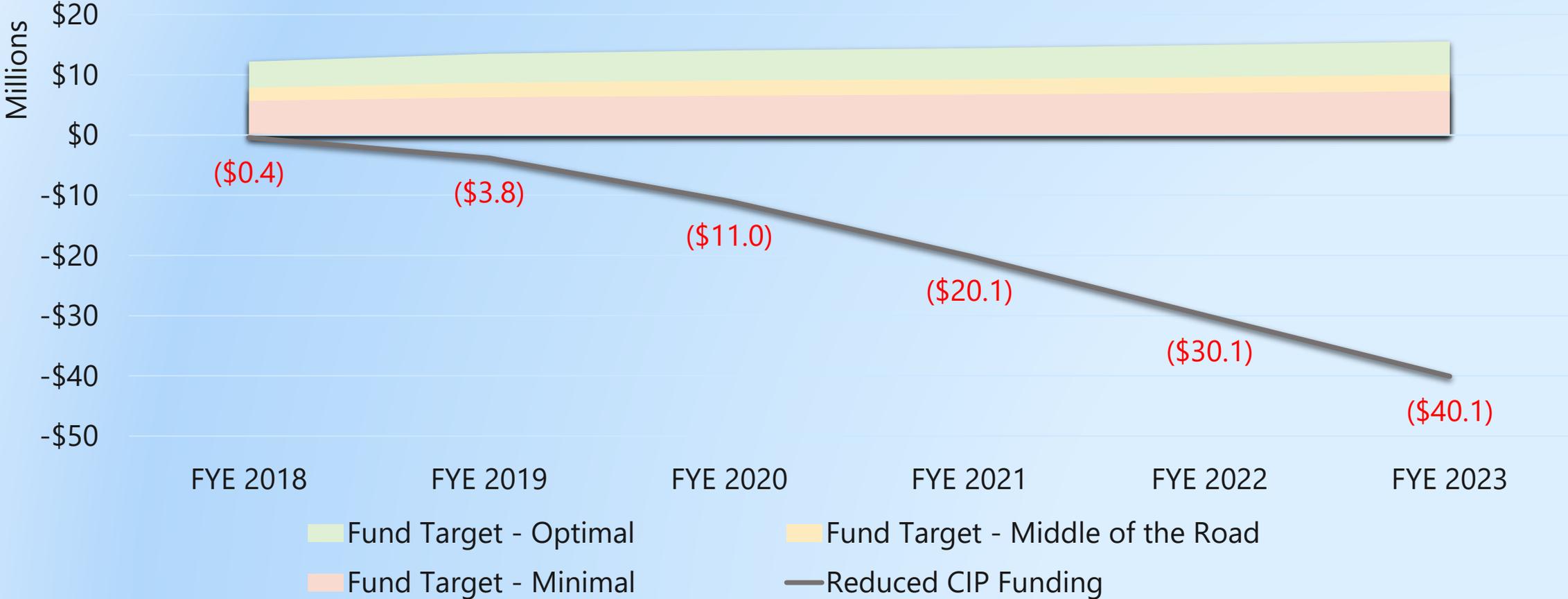
Pipeline Replacement



Meter Replacement

Reserve balances were trending below policy targets and were unable to fund capital programs

Total Reserve Analysis





FYE 2020 Update and Recommendations

What has changed?

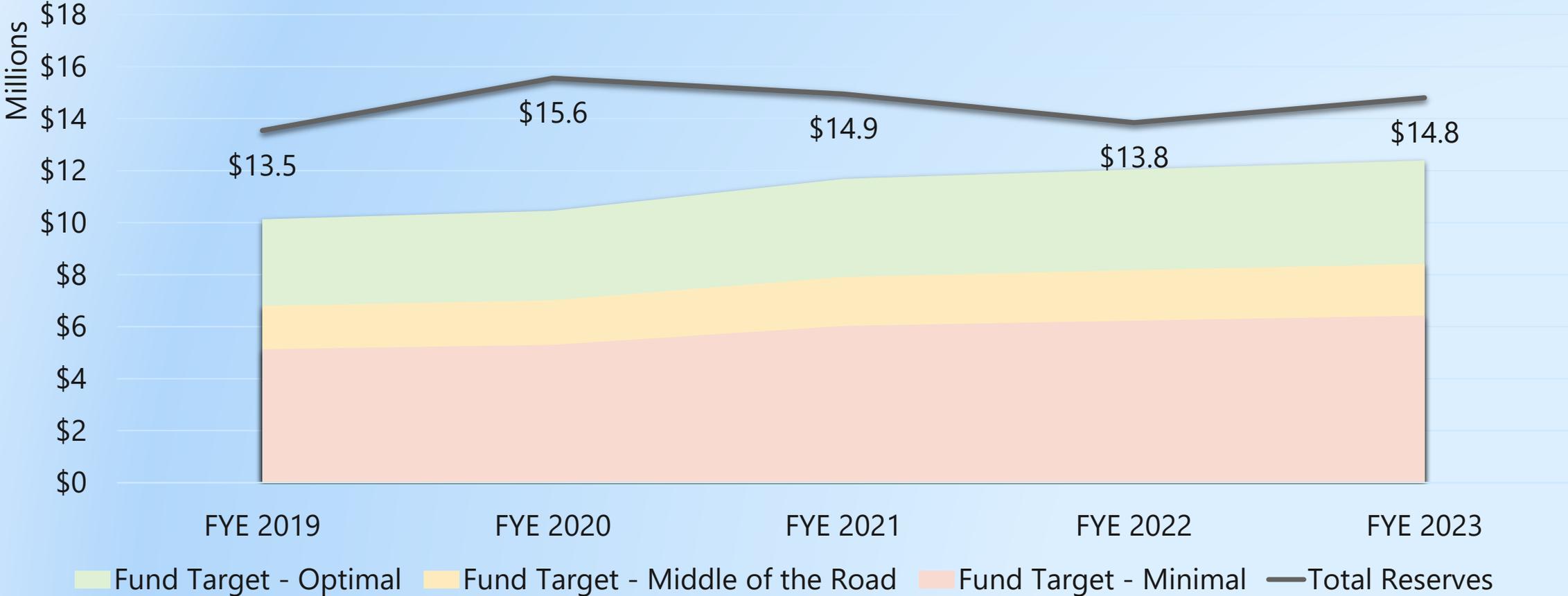
- The initial rate increases improved the utility's financial standing
- Water sales have stabilized
- Some capital projects were deferred
- The City has found additional funding for CIP through SRF
- Reserves have been replenished due to increased revenues

Our analysis reviewed and updated several data sources from the City

- Capital Improvement Plans
- Rehabilitation & Replacement Schedule
- FY 2018/19 Actual Revenues & Expenses
- FY 2019/20 Budgeted Expenses and Non-Rate Revenue
- Fund Balances
- Debt Service Payments

Our analysis tested these updated financial inputs over the next several years

Total Reserve Analysis



Carollo's recommendation

Defer rate increases for FYE 2020

- The City may defer the scheduled 9% increase for FYE 2020 without negative impact projected

Reassess financial health annually

- For FYE 2021 and beyond, implement increases if needed
- Long-term, it is recommended that rates keep pace with inflation

Review cost of service as needed

- As drivers change (drought, CIP, etc.), conduct a cost of service review to meet Prop 218 needs

Upland's rates remain below the average for neighboring agencies in the region

Regional Bill Comparison for SFR Using 34 CCF Bi-Monthly

