



CITY OF REDDING REPORT TO THE CITY COUNCIL

MEETING DATE: November 19, 2019 ITEM NO. 9.11(k)	FROM: Chuck Aukland, Public Works Director
APPROVED BY	
<hr style="width: 80%; margin: 0 auto;"/> Chuck Aukland, Public Works Director 11/7/2019 caukland@ci.redding.ca.us	<hr style="width: 80%; margin: 0 auto;"/> Barry Tippin, City Manager 11/13/2019 btippin@cityofredding.org
SUBJECT: 9.11(k)--Consider setting a Public Hearing regarding a four-year package of rate increases for Solid Waste, Water, and Wastewater Utilities and approve Protest Notice format.	

Recommendation

Approve the following regarding proposed rate increases for Solid Waste, Water, and Wastewater Utilities:

- (1) Approve the attached Protest Notice format; and
- (2) Approve setting a Public Hearing on February 4, 2020, 6:00 p.m., in the City Council Chambers, 777 Cypress Avenue, Redding, California, to consider a four-year package of rate increases for Solid Waste, Water and Wastewater Utilities proposed for implementation on or about March 1, 2020.

Fiscal Impact

Proposed annual utility rate increases for Solid Waste, Water, and Wastewater over the next four years are three percent, four percent and four percent respectively. The total impact for the average household will be approximately \$3.68 per month beginning on or about March 1, 2020, increasing to a total increase above current rates of \$19.71 per month in year four.

Alternative Action

Alternatives for the City Council (Council) to consider are:

1. Modify and approve the protest notice with adjustments to the proposed rate increases (up or down) and set the public hearing for February 4, 2020. The implication of this alternative is that staff will, to the extent practical, adjust utility expenses (capital project schedules and programs) to match revenues. If proposed rates are adjusted downward the ability to properly maintain the utility systems may be compromised.
2. The Council may decline to set a public hearing at this time and direct staff to come back at a later date to show additional justification for any rate adjustments. The implication of this alternative is that the Council determines no rate adjustments are necessary at this time but would consider adjustments at a later date.

Background/Analysis

Rate Update Process: The City of Redding (City) retained NBS Consultants to undertake the necessary cost-of-service studies and utility-rate analyses used to prepare rate adjustment recommendations for the Solid Waste, Wastewater, and Water Utilities. The recommended rates take into consideration the maintenance and operation of each utility, such as purchasing raw water, electricity, supplies, rehabilitation and replacement of equipment and infrastructure, personnel costs, and regulatory compliance.

As part of the update process, staff asked a number of citizens to sit as an "advisory group" (AG) to assist staff and the consultant. Public Works often uses advisory groups to ensure staff understands the impacts of decisions on various utility and infrastructure users in the community. The AG for this effort was composed of the following individuals who are utility rate customers through their home and/or business in Redding:

- Allie Figura – Educator and Member of the City Manager Goals and Objectives Committee
- Kenny Breedlove – Real Estate Professional and Business/Restaurant Owner
- Michele Goedert – Commercial Real Estate Broker and Planning Commissioner
- James Crockett – Educator
- Janice Cunningham – Consultant
- Sami Kader – Business Owner/Consulting (Civil) Engineer

The focus of the AG was to ensure that the methodology used in the analyses was appropriate, function as a "sounding board" regarding options to modify the rate structures, and provide personal input on the reasonableness of the rates and fees. The AG met six times between July and September 2019, and provided extremely valuable input regarding growth-rate projections, capital improvement program time frames, potential adjustments to the rate structures, and a host of other items.

Recent Rate Adjustments: The Council last considered Water, Wastewater, and Solid Waste rate adjustments during a public hearing in November 2016. At that time, the Council approved increases for the three Utilities as follows:

UTILITY	2016*	2017*	2018*
Solid Waste	2% \$0.92	2% \$0.48	2% \$0.49
Wastewater	4% \$1.95	4% \$2.03	4% \$2.11
Water	5% \$8.35	5% \$1.98	5% \$2.10
TOTAL	\$11.22	\$4.49	\$4.70

*Monthly increase for typical single-family home using 96 gallon solid waste service and 1,600 cubic feet of water per month.

In order to maintain adequate financial operating reserves and relative rate stability through time, it is appropriate that the Council consider adopting Water, Wastewater, and Solid Waste rate adjustments incrementally to avoid potential future "rate shock," while maintaining the financial integrity of the City's Municipal Utilities. There was no rate increase in 2019.

Proposed Rate Increases. The following table shows the proposed four years of rate increases for the Utilities. The amounts shown are the proposed monthly increases for a typical single-family residence for each year of the program, which would become effective on or about March 1, 2020.

UTILITY	2020*	2021*	2022*	2023*
Solid Waste	3% \$0.89	3% \$0.78	3% \$0.80	3% \$0.82
Wastewater	4% \$2.19	4% \$2.28	4% \$2.37	4% \$2.47
Water	4% \$0.60	4% \$2.11	4% \$2.18	4% \$2.22
TOTAL	\$3.68	\$5.17	\$5.35	\$5.51

*Monthly increase for typical single-family home using 96 gallon solid waste service and 2,100 cubic feet of water per month.

Need For Rate Increases: The City provides various utility services for its citizens and some select areas outside the City. The day-to-day operations of each utility are funded through monthly service rates and are not supported by property taxes or sales taxes paid by residents. The City's utility operations must be financially self-sufficient and fiscally responsible, and must provide reliable services to prevent impacts to customers as a result of deferred maintenance or lack of system capacity. While the Water, Wastewater and Solid Waste Utilities have been highly successful in containing costs, there are ongoing fiscal challenges that must be addressed, including:

- Expanding environmental and regulatory mandates associated with water quality, waste diversion (increased recycling), air quality, endangered-species protection, and more.
- Increasing fuel, energy, chemical, material, equipment, and labor costs in all utilities.
- Needed upgrades to Foothill Treatment Plant, new source water wells and replacement of Pump Station No. 1 in the Water Utility.
- Critical aging pipe-replacement needs in the Water distribution and Wastewater collection systems.
- Meeting debt service associated with the recent critical upgrades to the Clear Creek Wastewater Treatment Plant and the Stillwater Wastewater Treatment Plant.

These challenges place continuous upward pressure on rates, and they will continue to do so into the foreseeable future for the Utilities. By proactively anticipating these future needs, the City and its Utilities strive to prevent dramatic and unanticipated increases in rates and disruption to services and maintain a reasonable level of operating funds using the lowest responsible rates.

Because each Utility is fundamentally different, detailed information and the recommended rates are summarized in Attachments B, C, and D.

Public Participation in Rate Setting Process: To ensure public participation in the rate-setting process and implement the requirements of Proposition 218, a Notice of Public Hearing and Protest Procedures (Notice) will be mailed to every property owner as well as each Water, Wastewater, and Solid Waste Utility customer in the City/service area receiving one or more of these services in accordance with Resolution 2019-93 adopted on September 17, 2019. The notices will be mailed a minimum of forty-five (45) days prior to the date of the public hearing. This will involve notice to over 32,000 utility account holders and parcel owners within the City and another 1,000 outside the City. If the total protest forms representing a simple majority (“50 percent plus one”) of the properties are returned against the proposed rate adjustments, the Council will not be able to enact any rate increases. Staff does not propose to include self-addressed stamped envelopes with the Notice.

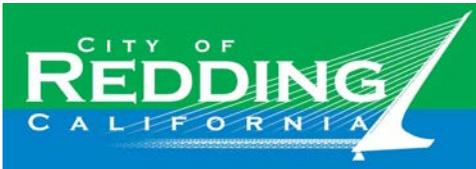
In order to reduce costs, the proposal is to consolidate the hearings and notices for the Water, Wastewater and Solid Waste Utilities into one combined notice and hearing, and establish rate adjustments for a four-year period. Additional notification of the public hearing and proposed rate increases will include postings on the City's website and social media outlets, and coverage in the newspaper and other local media sources. Staff hosted a public informational workshop in the City's Community room on November 4, 2019.

Council Priority/City Manager Goals

- **Communication and Transparency** – “Improve the quality of communication with the public and City employees to enhance knowledge and increase transparency to improve public trust.”
- **Budget and Financial Management** – “Achieve balanced and stable 10-year Financial Plans for all funds.”
- **Government of the 21st Century** – “Be relevant and proactive to the opportunities and challenges of today's residents and workforce. Anticipate the future to make better decisions today.”

Attachments

- Prop 218 Notice
- 2019 Solid Waste System Overview and Proposed Rates
- 2019 Waste Water System Overview and Proposed Rates
- 2019 Water System Overview and Proposed Rates



Notice of Public Hearing On Proposed Rate Increases for Water, Wastewater, and Solid Waste Utilities

NOTICE IS HEREBY GIVEN that the City of Redding will hold a public hearing on Tuesday, February 4, 2020, at 6 p.m., in the City Council Chambers at 777 Cypress Avenue, Redding, California, to consider adoption of proposed increases to rates for Water, Wastewater, and Solid Waste Utility services.

Reasons for the proposed rates and instructions for protesting the rate increases are described in more detail below. For additional information, please visit the City of Redding Utility website at: www.reddingutilities.com.

This notice explains proposed Water, Wastewater, and Solid Waste Utility service rate increases for City of Redding customers. The proposed rate increases will only apply to utilities provided by the City, not services provided by other entities, such as the Bella Vista Water District or Centerville Community Services District. Review your City utility bill to determine services received.

What Do Water, Wastewater, and Solid Waste Rates Fund? The City provides water, wastewater (sewer), and solid waste (refuse and recycling) services to residential and commercial customers in the Redding area. These Utilities are operated to be financially self-sufficient. Monthly rates paid by customers are the primary source of revenue. Utility rates are calculated to provide funds to recover the costs for maintenance and operation of each Utility, such as purchasing raw water, electricity, supplies, rehabilitation and replacement of equipment/infrastructure, employee costs, and regulatory compliance. Ratepayer revenue is not used for other general government purposes. For more information about water, wastewater, and solid waste rates and services, please call (530) 224-6068. Visit www.reddingutilities.com for additional information, including City Council reports, utility master plans, and other related materials.

Compliance with Proposition 218: Utility rate increases are subject to Proposition 218 requirements approved by California voters in 1996. The City must: (1) inform property owners of the proposed increase(s), (2) clearly demonstrate the basis on which the rates are calculated, and (3) hold a public hearing at least 45 days after public notification. If written protests are received representing a majority of properties receiving the utility service, the proposed rate increase(s) will not be imposed. If a sufficient number of protests are not received, the rate increases may be approved by the City Council. Although state law does not require it, the City of Redding sends notification to and accepts written protests from the utility account holder (ratepayers) in addition to the property owners.

How Do I Protest the Proposed Rate Increase? The property owner and the utility account holder (ratepayer) subject to the proposed rate changes may submit a protest against any or all of the proposed rate changes by filing a written protest with the City Clerk at or before the time set for the public hearing.

Please be advised: (1) More than one notice may be sent for a single property because the City sends notices to both property owners and ratepayers. (2) Property owners may receive more than one copy of this notice if they own multiple properties and/or have multiple City of Redding utility accounts. (3) While the City may receive multiple protests for a given property, only one protest can be counted for each property. (4) Not all utility services apply to each property, for example, some residents receive water from other providers. (5) A Public Hearing and Majority Protest is not an election, there are no “yes” and “no” votes.

If you object to the proposed increase in utility rates for a property you own and/or a utility service you receive, you may submit a written protest against any or all of the proposed rate increases by providing the following information: (1) the property address and/or Shasta County Assessor’s Parcel Number where the service is received; (2) the utility account holder or property owner’s printed name and signature; and (3) listing the proposed utility increase(s) being protested. Then place your written protest notice in an envelope and submit to the City of Redding-City Clerk, 3rd floor, at 777 Cypress Avenue, Redding, California via one of the following methods: (1) U.S. mail, (2) hand-deliver to the City Clerk’s Office, or (3) in person prior to the close of the public hearing. In order for the written protest to be counted as a valid protest, it must contain all the information noted above and be received (not postmarked) by the City Clerk no later than the end of the public hearing noticed above on **February 4, 2020**.

If you do not object to the proposed rate increases to fund the operation, maintenance, and replacement costs relating to providing Water, Wastewater, and Solid Waste utilities, you do not need to submit a written protest or take any other action.



You may prepare a written protest as instructed above or use this form to protest the proposed utility rate increases.

I, _____, protest the proposed _____ rate increase(s).
(Print first and last name, must be legible) (Print Water, Wastewater, and/or Solid Waste)

Property Address or Assessor’s Parcel Number: _____
(Print legibly)

Please sign here: _____

If you wish to use this form as your written protest, please fill out and hand deliver or mail in a stamped envelope to:

City of Redding, City Clerk, 777 Cypress Avenue, Redding, CA, 96001

Proposed Changes to Water, Wastewater, and Solid Waste Rates: An increase in the rates is necessary in order to recover sufficient revenues to operate and maintain the City’s water, wastewater, and solid waste systems. Specifically, the proposed increases are needed to cover inflationary cost increases of energy, fuel, chemicals, rehabilitation/replacement of equipment, employee costs, and regulatory compliance. Also, additional funding is needed to replace significant portions of the City’s aging water and sewer infrastructure network if the City is to continue to provide reliable service to its customers and comply with the requirements of various regulatory agencies. In addition, a new commercial fee is being introduced to provide hauling and disposal services for cannabis waste. If approved, the proposed rate increases will become effective beginning with the first utility billing cycle in March 2020.

The rate increases shown in Table 1 are for a typical single-family residential customer who uses a yearly average of 2,100 cubic feet of water per month, is connected to the City’s sewer system, and utilizes a single 96-gallon refuse cart. Note that there will continue to be no additional charge for collecting one green-waste cart and one recycling cart per week.

TABLE 1
Rate Comparison: Typical Single Family Residential Customer

Service	Current Rate ('18/19)	Proposed Rate FY 2019/20	Proposed Rate FY 2020/21	Proposed Rate FY 2021/22	Proposed Rate FY 2022/23
Water service/month	\$51.20	\$51.80	\$53.91	\$56.09	\$58.31
Wastewater/month	\$54.86	\$57.05	\$59.33	\$61.70	\$64.17
Solid Waste - 96 gallon/mo.	\$25.01	\$25.90	\$26.68	\$27.48	\$28.30
Total	\$131.07	\$134.75	\$139.92	\$145.27	\$150.78

Impact on Solid Waste Bills: The proposed single-family residential rates for the various size solid waste carts are depicted in Table 2. Commercial accounts have a recommended increase of 3 percent. Because of the diverse nature of commercial collection, such as varying number of pickup days per week, size of containers, etc., it is not practical to list all charges and estimated rate changes for this Utility. However, those charges are listed online at www.reddingutilities.com.

TABLE 2 – Proposed Solid Waste Rates

SOLID WASTE RATE SCHEDULE	Current Rates ('18/19)	Proposed Rates			
		FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
<i>Annual Rate increases as shown in Financial Plan:</i>		3.00%	3.00%	3.00%	3.00%
Residential Wheeled Cart Monthly Rate					
45-Gal Container	\$22.36	\$23.16	\$23.85	\$24.57	\$25.30
64-Gal Container	\$23.37	\$24.20	\$24.93	\$25.68	\$26.45
96-Gal Container	\$25.01	\$25.90	\$26.68	\$27.48	\$28.30
Additional Green Waste Container	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
Landfill Monitoring	\$0.22	\$0.22	\$0.22	\$0.22	\$0.22

Impact on Water and Wastewater Bills: Water and wastewater rates vary by size of water meter and type of wastewater effluent (i.e., rates are higher for restaurants and similar “high-strength” users). The complete schedule of rate increases under consideration is shown in Tables 3 and 4.

TABLE 3 – Proposed Water Rates

Water Rate Schedule	Current Rates	Recommended Rates			
		FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		4.00%	4.00%	4.00%	4.00%
Fixed Service Charge					
Monthly Fixed Service Charge - Standard Meters:					
5/8 inch	\$21.17	\$22.15	\$23.04	\$23.96	\$24.92
3/4 inch	\$28.04	\$29.61	\$30.79	\$32.02	\$33.30
1 inch	\$41.77	\$44.52	\$46.30	\$48.15	\$50.08
1.5 inch	\$76.09	\$81.79	\$85.06	\$88.47	\$92.01
2 inch	\$117.27	\$126.52	\$131.59	\$136.85	\$142.32
3 inch	\$227.10	\$245.81	\$255.64	\$265.87	\$276.50
4 inch	\$350.66	\$380.00	\$395.20	\$411.01	\$427.45
6 inch	\$693.88	\$752.77	\$782.88	\$814.19	\$846.76
8 inch	\$1,105.75	\$1,200.08	\$1,248.08	\$1,298.01	\$1,349.93
Commodity Charges for All Water Consumed					
Uniform Rate	\$1.43	\$1.41	\$1.47	\$1.53	\$1.59

TABLE 4 – Proposed Wastewater Rates

SEWER RATE SCHEDULE	Current Rates ¹	Proposed Rates			
		FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
<i>Annual Rate increases as shown in Financial Plan:</i>		4.00%	4.00%	4.00%	4.00%
Monthly Service Charges:					
Single Family Dwelling (\$/residence)	\$54.86	\$57.05	\$59.33	\$61.70	\$64.17
Multi Family Dwelling (\$/unit)	\$40.59	\$42.21	\$43.90	\$45.66	\$47.49
Standard Commercial billed monthly (\$/ccf)	\$5.64	\$5.87	\$6.10	\$6.34	\$6.59
Standard Commercial calculated annually (\$/# HE) ²	\$54.86	\$57.05	\$59.33	\$61.70	\$64.17
Commercial Food Preparation billed monthly (\$/ccf)	\$11.28	\$11.73	\$12.20	\$12.69	\$13.20
Commercial Food Preparation calculated annually (\$/# HE)	\$109.72	\$114.11	\$118.67	\$123.42	\$128.36

HE = Household Equivalent

Exhibit B

Solid Waste Overview

The City of Redding collects, produces recycled product, transports to the landfill, and buries waste for over 30,000 residential and commercial customers. In terms of tonnage of material handled, the Solid Waste Utility handled the following volumes in Fiscal Year 2018-2019.

Activity	Weight 2018-2019
Waste collected	93,711
Self-haul waste	21,227
Household Hazardous	443
Recyclables	12,408
Green waste	22,510
Other waste-sweeping	1,204
Total Tons	151,503

The City also operates the Richard W. Curry West Central Landfill (West Central Landfill) for Shasta County and buried a total of 167,203 tons of waste from both jurisdictions. To help meet diversion requirements, the City operates a Household Hazardous Waste Facility, compost operation, recyclables collection operation, green-waste collection operation, recycling drop-off center, reuse facility, used motor oil and filter recycling program, and mattress recycling program; pulls recyclables off the floor of the Transfer Station; and operates an appliance program for residents. The Solid Waste Utility is experiencing increased operating costs associated with state regulations related to: (1) stormwater pollution prevention, (2) commercial and multi-family recycling, (3) air quality regulations related to diesel emissions, and (4) mandatory organics recycling and diversion.

Existing Rates

Because it serves a wide variety of customers, the Utility has 19 different service rates for different types and sizes of containers and the number of pickups per week. Built into these service rates are the costs of operation of the particular service and the shared cost of operation of other services, such as street sweeping, litter abatement and shopping cart removal, street maintenance (as a result of heavy truck use), storm drain waste disposal, and charges from other agencies or departments. These costs of operation vary by size of container, type of container, and frequency of collections (in terms of the volume of material handled, the residential and nonresidential sectors are about equal). To keep rates as low as possible and provide beneficial programs, the e-waste diversion and household hazardous waste programs receive funds from a supplemental charge to users of the West Central Landfill.

Also included within the Solid Waste Utility rate is a Benton Landfill monitoring charge. This is a state requirement mandating funds to monitor and maintain the closed and inactive City owned landfill. The monitoring surcharges that affect all customers are not proposed to be changed.

Proposed Rates

The attached 10-Year Financial Plan (Figure SW-1) summarizes the current Solid Waste Utility budget and projects what the expenditures and revenues will be over the next 10 years. The Plan also shows the recommended increases necessary for the next four years and possible increases

for the remaining six years of the 10-year projection. The public hearing will only address the rates for the first four years of the 10-Year Financial Plan.

The following table shows the existing rate and what is proposed for a typical single-family home:

SOLID WASTE RATE SCHEDULE	Current Rates	Proposed Rates			
	('18/19)	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
<i>Annual Rate increases as shown in Financial Plan:</i>		3.00%	3.00%	3.00%	3.00%
Residential Wheeled Cart Monthly Rate					
45-Gal Container	\$22.36	\$23.16	\$23.85	\$24.57	\$25.30
64-Gal Container	\$23.37	\$24.20	\$24.93	\$25.68	\$26.45
96-Gal Container	\$25.01	\$25.90	\$26.68	\$27.48	\$28.30
Additional Green Waste Container	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
Landfill Monitoring	\$0.22	\$0.22	\$0.22	\$0.22	\$0.22

Cost Increases and Programs

Tipping-fee (landfill charge) increases, truck and equipment costs, fuel costs to operate vehicles and equipment, planned transfer station facility expansion and maintenance projects, charge for street maintenance, customer service costs, health and maintenance costs, increased recycling programs and monitoring, and other charges have all increased for the Utility. The net effect is that the Utility increase rates over the next four years to cover projected cost increases, and prevent a rapid reduction of the reserve and its depletion. The proposed rates will allow the reserve to be maintained at a level that meets or exceeds 90 days cash on hand. The effects of Assembly Bill 1826 (a bill to divert organics, which includes food waste), Assembly Bill 341 (a bill to increase diversion from 50 percent to 75 percent by increasing the focus on commercial and multi-family dwellings) and Senate Bill 1383 (a bill to reduce disposal of organics and increase food recovery) have resulted in upward cost pressure. Additionally, a new commercial fee is proposed in order to address the costs associated with the regulatory requirements of hauling of cannabis waste.

The Utility expects to expand some current programs and investigate the addition of new programs during the next several years. However, the Utility will need to continue public education, continue to improve route efficiency, add equipment and resources to meet mandatory diversion requirements, and monitor staffing levels in order to facilitate daily routes and collections. The Utility uses revenues from the sale of recyclables to offset a portion of the cost of collection and diversion of recyclables and organics from the landfill. The State has continued to increase emphasis on recycling and mandate the implementation of organics diversion programs as part of the plan to reduce greenhouse gas emissions.

Attachments:

Figure SW-1 Proposed Ten-Year Financial Plan with recommended rates

Figure SW-1

	Projected												
	Budget	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
RATE REVENUE REQUIREMENTS SUMMARY¹													
Sources of Solid Waste Funds													
Rate Revenue Under Prevailing Rates	\$ 16,905,190	\$ 16,960,702	\$ 17,017,858	\$ 17,076,658	\$ 17,136,918	\$ 17,199,004	\$ 17,262,917	\$ 17,328,838	\$ 17,396,950	\$ 17,467,436	\$ 17,540,479	\$ 17,616,443	
Fee Revenue	2,059,130	2,127,868	2,199,090	2,272,889	2,349,337	2,432,163	2,519,726	2,612,281	2,709,096	2,815,442	2,924,433	3,037,279	
Other Revenue	1,547,160	1,552,180	1,557,348	1,562,664	1,568,113	1,573,727	1,579,506	1,585,467	1,591,626	1,597,999	1,604,604	1,611,473	
Interest Earnings (in O&M, Capital and Debt Reserves) ²	161,740	122,017	90,354	83,582	84,765	81,585	87,560	95,749	117,222	146,783	153,600	126,528	
Total Sources of Funds	\$ 20,673,220	\$ 20,762,768	\$ 20,864,650	\$ 20,995,793	\$ 21,139,134	\$ 21,306,479	\$ 21,489,709	\$ 21,682,335	\$ 21,895,894	\$ 22,097,661	\$ 22,283,117	\$ 22,441,724	
Uses of Solid Waste Funds													
Operating Expenses:													
Solid Waste Administration	\$ 2,532,420	\$ 2,896,710	\$ 2,779,980	\$ 2,868,580	\$ 2,960,200	\$ 3,055,010	\$ 3,153,140	\$ 3,254,560	\$ 3,359,530	\$ 3,468,100	\$ 3,580,460	\$ 3,696,640	
Residential Collection Expenses	3,303,070	3,324,720	3,337,790	3,436,180	3,537,400	3,641,520	3,748,640	3,858,830	3,972,170	4,088,790	4,208,780	4,332,400	
Commercial Collection Expenses	3,590,250	3,485,730	3,489,320	3,591,910	3,697,350	3,805,730	3,917,120	4,031,670	4,149,410	4,270,450	4,394,890	4,523,010	
Roll-Off Collection Expenses	1,076,000	1,104,290	1,134,450	1,168,510	1,203,520	1,239,510	1,276,540	1,314,590	1,353,740	1,394,010	1,435,420	1,478,090	
Resource Recovery Expenses	5,274,040	5,132,830	5,283,640	5,440,740	5,598,490	5,763,080	5,932,640	6,107,270	6,287,170	6,472,540	6,663,470	6,860,460	
Transfer Station Expenses	2,681,350	2,822,780	2,812,560	2,898,000	2,985,970	3,076,510	3,169,750	3,265,770	3,364,670	3,466,510	3,571,370	3,679,480	
Hazardous Household Waste Expenses	453,920	522,890	537,770	554,640	572,060	589,990	608,530	627,650	647,370	667,760	688,800	710,540	
Street Sweeping Expenses	1,225,600	1,222,860	1,234,960	1,250,550	1,266,650	1,283,260	1,300,440	1,318,140	1,336,440	1,355,320	1,374,840	1,394,980	
Subtotal: Operating Expenses	\$ 20,136,650	\$ 20,512,810	\$ 20,610,470	\$ 21,209,110	\$ 21,821,640	\$ 22,454,610	\$ 23,106,800	\$ 23,778,480	\$ 24,470,500	\$ 25,183,480	\$ 25,918,030	\$ 26,675,600	
Other Expenditures:													
Rate-Funded Capital Expenses ³	51,000	1,035,000	243,450	-	-	-	-	-	-	-	-	1,893,000	5,723,521
Subtotal: Other Expenditures	\$ 51,000	\$ 1,035,000	\$ 243,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,893,000	\$ 5,723,521
Total Uses of Solid Waste Funds	\$ 20,187,650	\$ 21,547,810	\$ 20,853,920	\$ 21,209,110	\$ 21,821,640	\$ 22,454,610	\$ 23,106,800	\$ 23,778,480	\$ 24,470,500	\$ 25,183,480	\$ 27,811,030	\$ 32,399,121	
plus: Revenue from Rate Increases	-	286,329	1,168,333	1,788,027	2,432,755	3,325,278	4,264,046	5,251,587	6,290,599	7,116,156	7,976,038	8,872,009	
Annual Surplus/(Deficit)	\$ 485,570	\$ (498,714)	\$ 1,179,063	\$ 1,574,710	\$ 1,750,248	\$ 2,177,147	\$ 2,646,954	\$ 3,155,441	\$ 3,715,993	\$ 4,030,336	\$ 2,448,124	\$ (1,085,388)	
Net Revenue Req 1. (Total Uses, less Non-Rate Revenue)	\$ 16,419,620	\$ 17,745,745	\$ 17,007,128	\$ 17,289,975	\$ 17,819,424	\$ 18,347,135	\$ 18,880,008	\$ 19,424,983	\$ 19,971,556	\$ 20,553,256	\$ 23,068,392	\$ 27,573,841	
Total Rate Revenue After Rate Increases	\$ 16,905,190	\$ 17,247,031	\$ 18,186,191	\$ 18,864,685	\$ 19,569,673	\$ 20,524,282	\$ 21,526,963	\$ 22,580,424	\$ 23,687,549	\$ 24,583,592	\$ 25,516,517	\$ 26,488,453	
Projected Annual Rate Increase⁴	0.00%	3.00%	3.00%	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%	3.00%	3.00%	3.00%	
Cumulative Increase from Annual Rate Increases	0.00%	3.00%	6.09%	9.27%	12.55%	17.05%	21.74%	26.60%	31.67%	35.62%	39.65%	43.88%	
1. Revenues and expenses for FY 2018/19 through FY 2028/29 are per source file: REDDING_SW 10 Year Plan FY 19-21 061819.xlsx.													
2. Beginning in FY 2019/20, interest earnings are calculated in this exhibit based on projected pooled cash earnings shown in the Reserve Fund Summary table.													
3. These are the only capital expenditures funded directly with rate revenue. Rolling stock expenditures are shown in the Rolling Stock Reserve Fund.													
4. Rate increases apply to both solid waste rates and fees, and are selected in the Financial Plan Alternatives.													

Exhibit C

Wastewater Utility Overview

The Wastewater Utility funds and operates two regional wastewater treatment plants. It also manages over 434 miles of sewer collection line and 18 lift stations serving over 38,100 connections. The utility's rates do not fund maintenance of lateral lines from the sewer line to a building. The wastewater treatment plants process the wastewater and discharge to the Sacramento River. Of the wastewater collected and treated by the utility, about 70 percent is from residential customers and 30 percent is from nonresidential or commercial customers.

Peak hydraulic loads for the Wastewater Utility are just the opposite of those of the Water Utility due to the intrusion of storm water into the sewer system. The terms for this are inflow and infiltration (I&I) and there is an ongoing effort of the utility to reduce the flow due to this. For illustrative purposes, in the summer, peak dry weather flows to the two treatment plants are about 10 million gallons per day (MGD) in a normal year. In the winter, peak wet weather flows can reach 50 MGD or a five-fold increase. In order to prevent overflows into the river, the utility must be able to process these flows.

Like the other utilities, the Wastewater Utility has been affected by cost increases for continued environmental and regulatory mandates, materials and chemicals, fuel, salaries, health and retirement costs, and capital construction. These pressures are projected to continue into the foreseeable future.

The key challenge for the wastewater system is I&I. As the physical integrity of a sewer system deteriorates over time, I&I increases. The resulting hydraulic loads reduce available capacity, increase treatment costs, and increase the likelihood of sanitary sewer overflows (SSO's). Some of the City's sewer lines are more than 100 years old. The Capital Improvement Plan for the next ten years includes a significant pipe replacement program, pipe and manhole rehabilitation projects, and storm drain improvements.

The Clear Creek Wastewater Treatment Plant was built in 1966 and expanded in 1979 to treat a peak wet weather flow of 16.2 MGD. In 2014, an \$83 million rehabilitation and expansion project was completed that increased the peak wet weather capacity to 40 MGD. The Stillwater Wastewater Treatment Plant was put into operation in 1991 to treat a peak flow of 8.7 MGD. A \$13 million rehabilitation and expansion project was also completed in 2014 that increased the peak wet weather capacity to 14.4 MGD. The majority of the funding for the plant rehabilitations and expansions was from low-interest loans from the State. Both projects were funded by a combination of connection fees paid by new development and monthly rates.

The table below shows planned capital projects of more than \$500,000 planned in the next five years for the Wastewater Utility along with the projected cost and the source of funding. "Rates" represent the portion of funding from monthly sewer rates. "Fees" are revenue from the connection fees paid by new development.

Wastewater Utility Capital Improvements 2020-2025

Capital Projects	Cost	Funding Source
Inflow and Infiltration Reduction	\$9,303,390	Rates 100%
System Maintenance	\$1,556,900	Rates 100%
West Side Interceptor Phase III	\$7,088,000	Fees 100%
6-8" Line Repair/Replacement	\$24,336,790	Rates 100%
Lift Station Improvements	\$1,478,990	Rates 100%
Miscellaneous Treatment Plant Improvements	\$622,770	Rates 100%
Woodacre Drive	\$512,394	Rates 100%
Lake Redding Interceptor I	\$5,252,460	Rates 91% and Fees 9%
Locust Street Lift Station	\$1,253,350	Rates 100%
Mercury Drive Sewer	\$662,600	Rates 100%
Clear Creek Wastewater Treatment Plant	\$3,816,910	Rates 100%
Stillwater Wastewater Treatment Plant	\$2,727,940	Rates 100%
SWWTP Scrubber Replacement	\$750,000	Rates 100%
Buenaventura Sewer	\$5,134,310	Rates 91% and Fees 9%
Sulphur Creek	\$2,931,430	Fees 100%
Clear Creek Pond Upgrades	\$3,413,095	Rates 75% and Fees 25%

Rates fund a significant portion of the costs associated with maintaining the sanitary sewer system. Whether or not the City will be able to accomplish all of these projects depends on the number of new connections, rates, and the actual construction costs. If an identified capital improvement cannot be funded, it will be deferred until funding is available and will then compete with other new needs.

Proposed Rates

Wastewater rates are predicated on the expense to maintain and expand the system needed to collect, transport, and treat wastewater. The flow produced by a typical single-family residence is expressed as a “household equivalent” (HE) and is the basis for rate charges. For example, a single-family household is expressed as one HE, and one HE is equivalent to 240 gallons per day of wastewater. An apartment is slightly less, and commercial, industrial, and public uses are calculated based on the number of household equivalents they generate each day. Industrial users have not only the volume of discharge calculated, but the strength of that discharge as well. Some commercial customers also have a rate that reflects the strength of discharge. The strength of the wastewater is measured as the amount of solids and organics in the wastewater. For example, typical food preparation facilities (restaurants) will discharge higher strength wastewater than a retail store.

The following table shows the recommended rate increases for all customer classes:

Comparison of Existing to Proposed Rates

SEWER RATE SCHEDULE	Current Rates ¹	Proposed Rates			
		FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
<i>Annual Rate increases as shown in Financial Plan:</i>		4.00%	4.00%	4.00%	4.00%
Monthly Service Charges:					
Single Family Dwelling (\$/residence)	\$54.86	\$57.05	\$59.33	\$61.70	\$64.17
Multi Family Dwelling (\$/unit)	\$40.59	\$42.21	\$43.90	\$45.66	\$47.49
Standard Commercial billed monthly (\$/ccf)	\$5.64	\$5.87	\$6.10	\$6.34	\$6.59
Standard Commercial calculated annually (\$/# HE) ²	\$54.86	\$57.05	\$59.33	\$61.70	\$64.17
Commercial Food Preparation billed monthly (\$/ccf)	\$11.28	\$11.73	\$12.20	\$12.69	\$13.20
Commercial Food Preparation calculated annually (\$/# HE)	\$109.72	\$114.11	\$118.67	\$123.42	\$128.36

HE=Household Equivalent

The attached Ten-Year Financial Plan, Figure WW-1, summarizes the current Wastewater Utility budget and future expenditures and revenues with the recommended increases. The public hearing only addresses the rates for the first four years of the Ten-Year Financial Plan.

It is the recommendation of the Wastewater Utility that the proposed rate increases are approved to fund the ongoing maintenance and upkeep of the sanitary sewer system for the benefit of citizens of the City of Redding.

Attachments:

Figure WW-1 Proposed Ten-Year Financial Plan with recommended rates

Figure WW-1

	Budget		Projected											
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30		
RATE REVENUE REQUIREMENTS SUMMARY ¹														
Sources of Wastewater Funds														
Rate Revenue Under Prevailing Rates	\$ 28,961,550	\$ 29,056,653	\$ 29,154,571	\$ 29,255,304	\$ 29,358,541	\$ 29,464,905	\$ 29,574,399	\$ 29,687,333	\$ 29,804,021	\$ 29,924,776	\$ 30,049,911	\$ 30,180,052		
Non-Rate Revenues	(11,040)	(9,192)	(9,152)	(9,071)	(8,988)	(8,904)	(8,821)	(8,738)	(8,655)	(8,574)	(8,495)	(8,418)		
Interest Earnings (in O&M, Capital and Debt reserves) ²	-	280,300	195,210	254,862	249,204	269,907	302,352	235,794	283,613	319,263	286,363	238,572		
Total Sources of Funds	\$ 28,950,510	\$ 29,327,761	\$ 29,340,628	\$ 29,501,095	\$ 29,598,757	\$ 29,725,908	\$ 29,867,990	\$ 29,914,389	\$ 30,078,979	\$ 30,235,466	\$ 30,327,780	\$ 30,410,205		
Uses of Wastewater Funds														
Operating Expenses:														
Personnel	\$ 5,391,260	\$ 5,296,300	\$ 5,504,890	\$ 5,670,037	\$ 5,840,138	\$ 6,015,342	\$ 6,195,802	\$ 6,381,676	\$ 6,573,127	\$ 6,770,320	\$ 6,973,430	\$ 7,182,633		
Operating & Materials (Materials, Supplies & Svcs)	4,533,870	4,399,220	4,497,830	4,601,280	4,707,110	4,815,373	4,926,127	5,039,428	5,155,334	5,273,907	5,395,207	5,519,297		
Cost Allocation & Interdepartmental Charges	5,218,350	5,549,600	5,958,030	6,115,918	6,277,990	6,444,356	6,615,132	6,790,433	6,970,379	7,155,094	7,344,704	7,539,339		
Subtotal: Operating Expenses	\$ 15,143,480	\$ 15,245,120	\$ 15,960,750	\$ 16,387,235	\$ 16,825,237	\$ 17,275,071	\$ 17,737,061	\$ 18,211,537	\$ 18,698,840	\$ 19,199,322	\$ 19,713,341	\$ 20,241,269		
Other Expenditures:														
Existing Debt Service (funded by rates) ³	\$ 7,666,240	\$ 4,463,740	\$ 4,463,740	\$ 4,463,740	\$ 5,788,071	\$ 4,599,704	\$ 4,523,176	\$ 4,443,078	\$ 4,349,308	\$ 4,251,134	\$ 3,865,033	\$ 3,426,352		
Rate Funded Debt Reserve	-	-	-	-	-	-	-	-	-	-	-	-		
Rate-Funded Capital Expenses	-	8,288,921	5,583,628	7,124,394	5,630,265	5,961,082	11,565,784	9,516,167	8,849,505	12,702,733	18,092,105	22,261,108		
Subtotal: Other Expenditures	\$ 7,666,240	\$ 12,752,661	\$ 10,047,368	\$ 11,588,133	\$ 11,418,336	\$ 10,560,786	\$ 16,088,960	\$ 13,959,245	\$ 13,198,813	\$ 16,953,867	\$ 21,957,138	\$ 25,687,460		
Total Uses of Wastewater Funds	\$ 22,809,720	\$ 27,997,781	\$ 26,008,118	\$ 27,975,368	\$ 28,243,573	\$ 27,835,857	\$ 33,826,021	\$ 32,170,782	\$ 31,897,653	\$ 36,153,189	\$ 41,670,479	\$ 45,928,729		
plus: Revenue from Rate Increases	-	581,133	2,379,013	3,652,934	4,986,799	6,211,308	7,487,698	8,818,417	10,399,363	12,056,148	14,214,387	16,498,746		
Annual Surplus/(Deficit)	\$ 6,140,790	\$ 1,911,114	\$ 5,711,523	\$ 5,178,662	\$ 6,341,984	\$ 8,101,359	\$ 3,529,607	\$ 6,562,025	\$ 8,580,689	\$ 6,138,425	\$ 2,871,687	\$ 980,222		
Net Revenue Req't. (Total Uses less Non-Rate Revenue)	\$ 22,820,760	\$ 27,726,672	\$ 25,822,061	\$ 27,729,577	\$ 28,003,356	\$ 27,574,854	\$ 33,532,490	\$ 31,943,725	\$ 31,622,695	\$ 35,842,499	\$ 41,392,610	\$ 45,698,576		
Total Rate Revenue After Rate Increases	\$ 28,961,550	\$ 29,637,786	\$ 31,533,584	\$ 32,908,239	\$ 34,345,340	\$ 35,676,214	\$ 37,062,096	\$ 38,505,750	\$ 40,203,384	\$ 41,980,925	\$ 44,264,298	\$ 46,678,798		
Projected Annual Rate Increase	0.0%	4.0%	4.0%	4.0%	4.0%	3.5%	3.5%	3.5%	4.0%	4.0%	5.0%	5.0%		
Cumulative Increase from Annual Rate Increases	0.00%	4.00%	8.16%	12.49%	16.99%	21.08%	25.32%	29.70%	34.89%	40.29%	47.30%	54.67%		
Coverage After Rate Increase	1.80	1.43	2.28	2.16	2.10	2.76	1.78	2.48	2.97	2.44	1.74	1.29		
Coverage After Rate Increase (Excluding Rate Funded Capital)	1.80	3.29	3.53	3.76	3.07	4.06	4.34	4.62	5.01	5.43	6.42	7.78		
1. Revenue for FY 2018/19 is per the City's Proforma (Source file: <i>WW proforma for Budget 2019-21 9 2019.xlsx</i>) and expenses are per the City's Budget (Source file: <i>REDDING_doc20190617100115 (Sewer).pdf</i>).														
2. Refers to the City's budget for interest earnings in FY 2018/19. For all future years, interest earnings are calculated here based on the City's Pooled Cash Interest Rate. Source file: <i>REDDING_Pooled Cash Interest Rate Dec. 2018.xlsx</i> .														
3. Debt service that cannot be fully paid through the Impact Fee Reserve Fund has been added to Debt Service to be funded by rates.														

Exhibit D

Water Utility Overview

The City of Redding Water Utility provides water service to more than 90,000 people in what the United States Bureau of Reclamation (Bureau) recognizes as the Redding Water Service Area. This Bureau approved service area includes nearly all of the incorporated area of the City of Redding and a small area of the County in northwest of Redding. It does not include portions of northeast Redding served by the Bella Vista Water District and the southwest served by Centerville Community Service District. The annual demand of nearly 25,000 acre feet of water is largely met from the 27,000 plus acre feet of historic and post Shasta Dam water contracts. This surface water comes from Whiskeytown Reservoir via the Spring Creek conduit and the Sacramento River via Pump Station No. 1 (PS-1) located along the south side of the Sacramento River Trail. In addition, the City utilizes and has the capacity to draw nearly 11,000 acre-feet of groundwater from 17 wells located in the Enterprise area and southwest portions of town.

Water System Infrastructure

The infrastructure required to meet the demands can be divided into two key areas including:

Treatment - The City's water treatment infrastructure consists of the Foothill Water Treatment Plant, Buckeye Water Treatment Plant, 17 wells located in the Enterprise and Cascade areas and the supporting facilities. The Foothill Treatment Plant is the system's workhorse treating 40 percent of the City's water which is pumped from PS-1 located along the Sacramento River. The Buckeye Treatment Plant, which is located west of Keswick Lake along the Spring Creek Conduit, meets approximately 30 percent of the water demand for the City. The 17 Enterprise and Cascade wells meet the remaining 30 percent of Redding's water demand.

Distribution - Following treatment, the City's water is stored in 12 reservoirs throughout Redding and supplied to the utility's customers through over 550 miles of water main and 29,500 service connections. In addition, there are 11 booster pumps located throughout the city to maintain water pressure within the various pressure zones.

The Water Master Plan Update 2016 presents a review of the City's water system and provides planning direction for the system through 2035, including water demand forecasts, required water supply, and recommended capital improvements to needed to maintain and grow the system.

Water System Preservation Needs

Much of the existing water system infrastructure is dated and in need of preservation efforts to continue meeting Redding water demands. Key areas of need are summarized as follows:

- **Treatment** - following are key water treatment preservation-related facilities needs:
 - **Foothill Water Treatment Plant** - The Foothill Treatment Plant was initially constructed in 1920, went through a significant upgrade in 1979 that added additional capacity, and has had several smaller upgrades since to meet growing population and regulatory standards. In 2011, PACE Engineering prepared a Facilities Plan that provided a number of preservation related recommendations including replacement of

the supervisory control and data acquisition (SCADA) systems to better automate and ensure continued plant operation, electrical system upgrade, construction of a second backwash basin and clarifier to allow for adequate storage, replacement of the aging flocculator basins, and other various piping upgrades. The total cost of remaining preservation related improvements are estimated at \$6.2 million by 2020.

- **Enterprise Wells** - The Enterprise wells in particular have identified concerns with arsenic at two wells and iron/manganese at several other wells. It is recommended that wells with high arsenic levels remain offline as the resolution of the arsenic issues is substantial and water supply needs for the City can be met without these wells producing water. It is recommended, based on continued community interest in resolving the iron/manganese issue, that well head treatment at EW12, the highest producing well, be implemented to blend and dilute constituent levels to below their respective MCLs. It is also noted that the utility has made relatively significant operational changes with very positive results that have minimized the concerns including implementation of a more aggressive water main flushing program as well as “pushing” treated water from the Buckeye Treatment plant to east Redding allowing reduced water use from iron/manganese problematic wells.
- **Pump Station No. 1** - PS-1 was constructed in 1937 on the south side of the Sacramento River Trail just upstream of the Diestelhorst Bridge. The intake is influenced dramatically by river elevation levels dictated by downstream Anderson Cottonwood Irrigation District’s diversion program. It has been a target of concern with the National Oceanic and Atmosphere Administration (NOAA) Fisheries due to potential pump impacts on salmon migration in the Sacramento River. CH2M Hill completed a planning level study in 2002 summarizing several alternatives to relocate the pump station and it is recommended in the master plan to begin project development in the near term. A RFP will be released in 2020 to update the feasibility study and begin the engineering design process. Construction of a new pump station upstream is estimated at \$30 million within the next 10 years.
- **Distribution** - following are key preservation recommendations concerning water distribution related facilities:
 - **Storage** – Additional storage is necessary under existing conditions in the Hill 900 and Buckeye Pressure Zones to meet standard storage criteria for the combination of Equalization, Fire Service, and Emergency Storage. New 3.0MG and 3.5MG storage facilities are recommended to address the current conditions and provide for ultimate build-out and replacement of aging facilities. Additional storage to meet ultimate build-out demands in the Enterprise Pressure Zone, and replacement of older reservoirs is also identified.
 - **Pipe Replacement** - As noted above, the City has over 550 miles of water main with much of it cast iron or steel, typically 50 to 80 years old. In addition, the city has grown to where demands are being met in some of the pipes by increasing velocities which shorten the life of the pipe. Water pipe failures have become relatively common as highlighted by several failures of water lines in the last five years. It is recommended to continue and expand the City’s pipe replacement program to meet pipe age, material, and existing capacity issues at between \$2 million and \$6 million per year over the next 10 years.

Water System Future Growth Needs

The City of Redding’s water demands will continue to increase as the population in Redding grows. Growth rates, developed by Itron Inc. for the Redding Electric Utility, project growth rates ranging from 0.30 percent in 2017 to approximately 0.39 percent in 2027. Other factors that may affect water demand include State water conservation mandates and California Green Building Code requirements. The master plan analysis reviewed projected needs in the Short Term (five-year outlook), a 10- and 20-year outlook, and Ultimate Build Out (50 to 70 years). Following are highlights of the projected water infrastructure projected needs:

- **Treatment** - No additional growth related capacity needs are identified in the City’s treatment facilities over the next 10 years. In the 10- to 20-year time frame, based on current per capita consumption rates, it is expected that two additional wells will need to be added to the system, or two wells rehabilitated and reactivated, to meet projected demands.

- **Distribution** - Additional water main capacity will be needed to distribute water to areas of Redding where growth is being considered and capacity is not available or old, high velocity mains need replacement and larger pipes are recommended to meet additional demands. In the next five years, it is estimated that \$1 million in additional water main capacity will be needed to meet near term demands. In the 2020 to 2023 horizon, additional water main capacity will be needed highlighted by the construction of a 24” water main in Lake Boulevard to meet east Redding demands for Buckeye water.

The table below shows planned capital projects of more than \$1,000,000 for the Water Utility for the next five years, along with the projected cost and the source of funding. “Rates” represent the portion of funding from monthly water rates. “Fees” are revenue from the connection fees paid by new development:

Water Utility Capital Projects 2020-2025

Capital Projects	Cost	Funding Source
Foothill WTP Improvements	\$6,733,000	Rates 100%
Well Head Treatment – EW12	\$2,555,000	Rates 100%
Buckeye WTP Improvements	\$1,100,000	Rates 100%
Pump House No. 1 Relocation – Prelim Eng	\$1,500,000	Rates 100%
Water Main Replacement	\$21,685,000	Rates 100%
Lake Boulevard 24” Water Main	\$6,868,000	Rates 80% and Fees 20%
Cypress Booster Pump	\$1,000,000	Rates 100%
Hill 900 Reservoir	\$3,211,000	Rates 100%

Rates fund a significant portion of the costs associated with maintaining the water system.

Whether or not the City will be able to accomplish all of these projects depends on the number of new connections, rates, and the actual construction costs. If an identified capital improvement cannot be funded, it will be deferred until funding is available and will then compete with other new needs.

Proposed Rates

Water rates are predicated on the expense to maintain and expand the system needed to treat, pump, transport, and distribute water. The proposed water rate schedule includes a *fixed meter charge* to cover the majority of the cost of delivering water to the customer, as well as a *variable (commodity) charge* based on the actual amount of water consumed. Water consumption is measured in units of one hundred cubic feet (ccf), which is equal to 748 gallons. The following table shows the recommended rate increases for all customer classes:

Comparison of Existing to Proposed Rates

Water Rate Schedule	Current Rates	Recommended Rates			
		FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		4.00%	4.00%	4.00%	4.00%
Fixed Service Charge					
Monthly Fixed Service Charge - Standard Meters:					
5/8 inch	\$21.17	\$22.15	\$23.04	\$23.96	\$24.92
3/4 inch	\$28.04	\$29.61	\$30.79	\$32.02	\$33.30
1 inch	\$41.77	\$44.52	\$46.30	\$48.15	\$50.08
1.5 inch	\$76.09	\$81.79	\$85.06	\$88.47	\$92.01
2 inch	\$117.27	\$126.52	\$131.59	\$136.85	\$142.32
3 inch	\$227.10	\$245.81	\$255.64	\$265.87	\$276.50
4 inch	\$350.66	\$380.00	\$395.20	\$411.01	\$427.45
6 inch	\$693.88	\$752.77	\$782.88	\$814.19	\$846.76
8 inch	\$1,105.75	\$1,200.08	\$1,248.08	\$1,298.01	\$1,349.93
Commodity Charges for All Water Consumed					
Uniform Rate	\$1.43	\$1.41	\$1.47	\$1.53	\$1.59

A typical single family residence, using 21 ccf per month, would be as follows:

Schedule	Existing	2020/21	2021/22	2022/23	2022/23
Fixed Meter Charge + 21 ccf Commodity Charge	\$51.20	\$51.80	\$53.91	\$56.09	\$58.31

The attached Figure W-1 summarizes the current Water Utility's budget and future expenditures and revenues with the recommended increases. The public hearing only addresses the rates for the first four years of the Ten-Year Financial Plan. As discussed earlier in this report, the recommended rate increases affect both the service and the commodity charge.

It is the recommendation of the Water Utility that the proposed rate increases are approved to fund the ongoing maintenance and upkeep of the water system for the benefit of citizens of the City of Redding.

Attachments:

Figure W-1 Proposed Ten-Year Financial Plan with recommended rates

Figure W-1

	Budget		Projected									
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
RATE REVENUE REQUIREMENTS SUMMARY¹												
Sources of Water Funds												
Rate Revenue Under Prevailing Rates	\$ 22,557,780	\$ 22,631,854	\$ 22,708,121	\$ 22,786,581	\$ 22,866,991	\$ 22,949,837	\$ 23,035,120	\$ 23,123,083	\$ 23,213,970	\$ 23,308,025	\$ 23,405,491	\$ 23,506,855
Non-Rate Revenue	508,490	520,798	535,291	550,282	565,793	581,848	598,472	615,693	633,540	652,043	671,237	691,154
Interest Earnings ³	118,530	542,063	510,160	440,566	415,435	470,418	522,294	458,918	325,469	201,947	198,167	136,158
Total Sources of Funds	\$ 23,184,800	\$ 23,694,715	\$ 23,753,572	\$ 23,777,430	\$ 23,848,219	\$ 24,002,103	\$ 24,155,886	\$ 24,197,694	\$ 24,172,979	\$ 24,162,014	\$ 24,274,894	\$ 24,334,168
Uses of Water Funds												
Operating Expenses:												
Personnel	\$ 4,347,930	\$ 4,490,120	\$ 4,717,040	\$ 4,848,251	\$ 4,993,699	\$ 5,143,510	\$ 5,297,815	\$ 5,456,749	\$ 5,620,452	\$ 5,789,065	\$ 5,962,737	\$ 6,141,620
Operating & Materials (Materials, Supplies & Svcs)	5,687,452	6,357,270	6,165,130	6,306,928	6,451,987	6,600,383	6,752,192	6,907,492	7,066,365	7,228,891	7,395,155	7,565,244
Cost Allocation & Interdepartmental Charges	5,059,740	5,062,220	5,464,530	5,609,340	5,757,988	5,910,574	6,067,204	6,227,985	6,393,027	6,562,442	6,736,347	6,914,860
Subtotal: Operating Expenses	\$ 15,095,122	\$ 15,909,610	\$ 16,346,700	\$ 16,764,519	\$ 17,203,674	\$ 17,654,467	\$ 18,117,211	\$ 18,592,227	\$ 19,079,843	\$ 19,580,399	\$ 20,094,240	\$ 20,621,724
Other Expenditures:												
Existing Debt Service ⁴	\$ 342,061	\$ 354,924	\$ 354,924	\$ 354,439	\$ 355,895	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	-	-	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	190,974	3,717,372	2,546,505	2,933,132	1,884,573	5,779,982	13,206,988	16,674,683	24,257,915	23,250,022
Subtotal: Other Expenditures	\$ 342,061	\$ 354,924	\$ 545,898	\$ 4,071,811	\$ 2,902,401	\$ 2,933,132	\$ 1,884,573	\$ 5,779,982	\$ 13,206,988	\$ 16,674,683	\$ 24,257,915	\$ 23,250,022
Total Uses of Water Funds	\$ 15,437,183	\$ 16,264,534	\$ 16,892,598	\$ 20,836,331	\$ 20,106,074	\$ 20,587,599	\$ 20,001,785	\$ 24,372,209	\$ 32,286,832	\$ 36,255,082	\$ 44,352,155	\$ 43,871,746
Plus: Revenue from Rate Increases ⁵	-	452,637	1,852,983	2,845,224	3,884,154	5,643,350	7,529,785	9,552,844	11,722,676	15,277,992	19,216,616	23,580,509
Increase/Decrease to Reserves	\$ 7,747,617	\$ 7,882,818	\$ 8,713,957	\$ 5,786,323	\$ 7,626,299	\$ 9,057,854	\$ 11,683,887	\$ 9,378,329	\$ 3,608,824	\$ 3,184,924	\$ (860,645)	\$ 4,042,931
Net Revenue Req't, Total Uses less Non-Rate Revenue	\$ 14,810,163	\$ 15,201,673	\$ 15,847,147	\$ 19,845,482	\$ 19,124,847	\$ 19,935,333	\$ 18,881,018	\$ 23,297,598	\$ 31,327,822	\$ 35,401,093	\$ 43,482,752	\$ 43,044,433
Total Rate Revenue After Rate Increases	\$ 22,557,780	\$ 23,084,491	\$ 24,561,104	\$ 25,631,805	\$ 26,751,145	\$ 28,593,187	\$ 30,564,905	\$ 32,675,927	\$ 34,936,646	\$ 38,586,016	\$ 42,622,106	\$ 47,087,364
Projected Annual Rate Revenue Increase	0.00%	4.00%	4.00%	4.00%	4.00%	6.50%	6.50%	6.50%	6.50%	10.00%	10.00%	10.00%
Cumulative Increase from Annual Revenue Increases	0.00%	4.00%	8.16%	12.49%	16.99%	24.59%	32.69%	41.31%	50.50%	65.55%	82.10%	100.31%
Debt Coverage Without Rate Increase⁶	23.64	21.93	20.86	19.78	18.66	N/A						
Debt Coverage With Rate Increase⁶	23.64	23.20	26.08	27.81	29.58	N/A						
¹ Revenue for FY 2017/18 & 2018/19 is per the City's Proforma (source file: REDDING_Water Proforma for NBS.xlsx) and expenses are per the City's Budget (source file: REDDING_doc20190617092128 (Water).pdf). ² Revenue and expenses for FY 2017/18 are based on actuals. Source file: REDDING_Water Proforma for NBS.xlsx & REDDING_doc20190617092128 (Water).pdf. ³ Interest Earnings are for Operating, Capital Rehabilitation & Replacement, and Pump House 1 Reserves. ⁴ Approximately 45% of annual debt service is allocated to water rates; the remaining is allocated to capacity fees (near development). ⁵ Initial rate increases are anticipated to be effective January 1st and July 1st each year thereafter. ⁶ Debt coverage requirement is 1.25 or greater per Official Statement. Source file: REDDING_Water & Wastewater 2013 Refunding Revenue Bonds.pdf.												