



# City of Beaumont

**Sewer Rate Study**

City Council Meeting

May 30, 2023

# Agenda

**Project Scope**

**Proposition 218**

**Financial Planning**

**Rates and Bills**

**Rate Survey**

# Project Scope



# Review of Project Scope

- 10-Year Financial Plan
- Cost-of-Service Analysis
- Five-Year Rate Projection
- Adjacent Agency Benchmarking
- Microsoft Excel Model
- Rate Study Report

# Proposition 218



# Review of Proposition 218

- Revenues Cannot Exceed Costs
- Revenues Must Be Used for Utility Service
- Fees Must Be Proportional to the Cost to Provide Service
- Service Must Be Available

# Financial Planning



# Previous Presentation at the Council Workshop on April 10, 2023

- Financial planning scenario presented with \$7 million debt financing
- In today's presentation, the financial planning scenarios presented do not reflect the use of any debt financing.



# Changes Since the April 10<sup>th</sup> Workshop

Item	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
<b>Capital Improvement Expenditures</b>							
Revised CIP Expenditures	\$5,160,000	\$7,749,462	\$2,386,913	\$1,949,220	\$2,007,697	\$1,581,356	\$20,834,647
Original CIP Expenditures	<u>\$5,560,000</u>	<u>\$7,014,462</u>	<u>\$6,796,913</u>	<u>\$3,095,820</u>	<u>\$2,952,495</u>	<u>\$4,257,498</u>	<u>\$29,677,187</u>
CIP Expenditure Reduction	(\$400,000)	\$735,000	(\$4,410,000)	(\$1,146,600)	(\$944,798)	(\$2,676,141)	(\$8,842,540)
<b>Capacity Fees</b>							
Revised Capacity Fees	\$3,783,021	\$2,586,380	\$2,026,956	\$1,905,618	\$1,149,502	\$1,917,477	\$13,368,954
Original Capacity Fees	<u>\$2,665,372</u>	<u>\$1,770,236</u>	<u>\$1,392,178</u>	<u>\$1,905,618</u>	<u>\$1,149,502</u>	<u>\$1,917,477</u>	<u>\$10,800,383</u>
Increase in Capacity Fees	\$1,117,649	\$816,144	\$634,778	\$0	\$0	\$0	\$2,568,571
<b>Summary of Changes:</b>	\$8,842,540	Less CIP Expenditures					
	<u>\$2,568,571</u>	More Capacity Fee Receipts					
	\$11,411,111	Total Positive Improvements					

# Revised Financial Planning Scenarios

## Scenario 1:

- Ramp-Up to \$1.499 million annual administrative overhead
- No debt financing

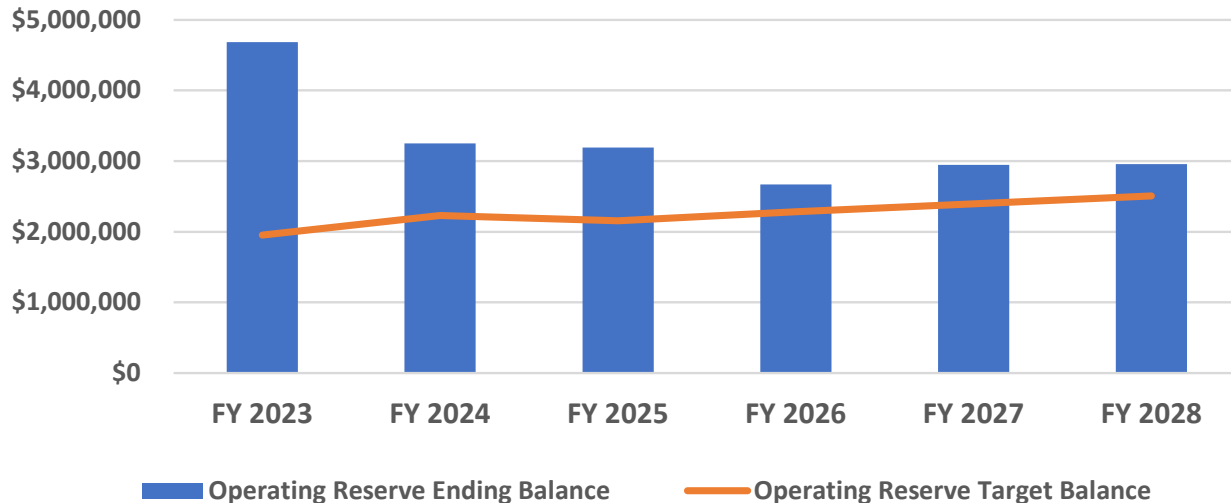
## Scenario 2:

- \$1.499 million annual administrative overhead beginning in FY 2025
- No debt financing

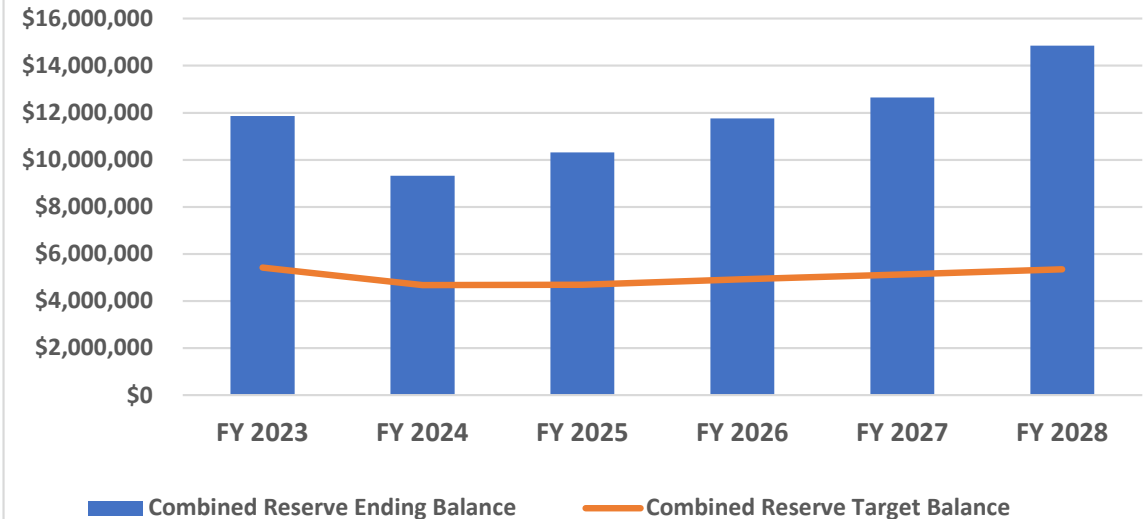
# Scenario 1: Ramp-Up to Full Admin OH

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Rate Revenue Adjustment	0.0%	5.0%	4.0%	3.0%	3.0%	2.0%
External Debt Financing	\$0	\$0	\$0	\$0	\$0	\$0
Administrative Overhead	\$650,000	\$650,000	\$862,250	\$1,074,500	\$1,286,750	\$1,499,000

**Operating Reserve Ending Balance**



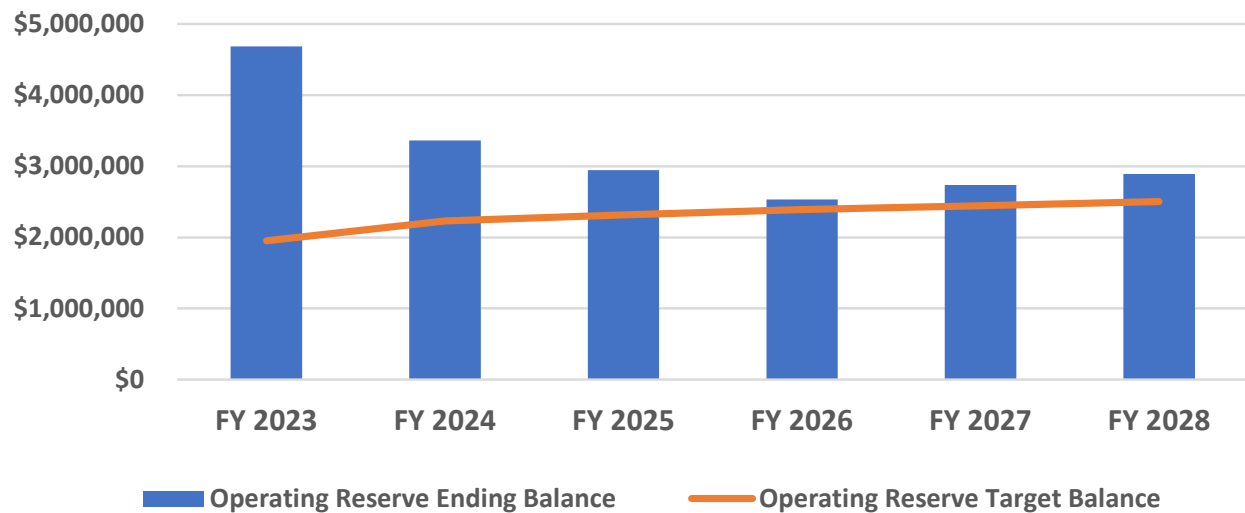
**Combined Cash Reserves Ending Balance**



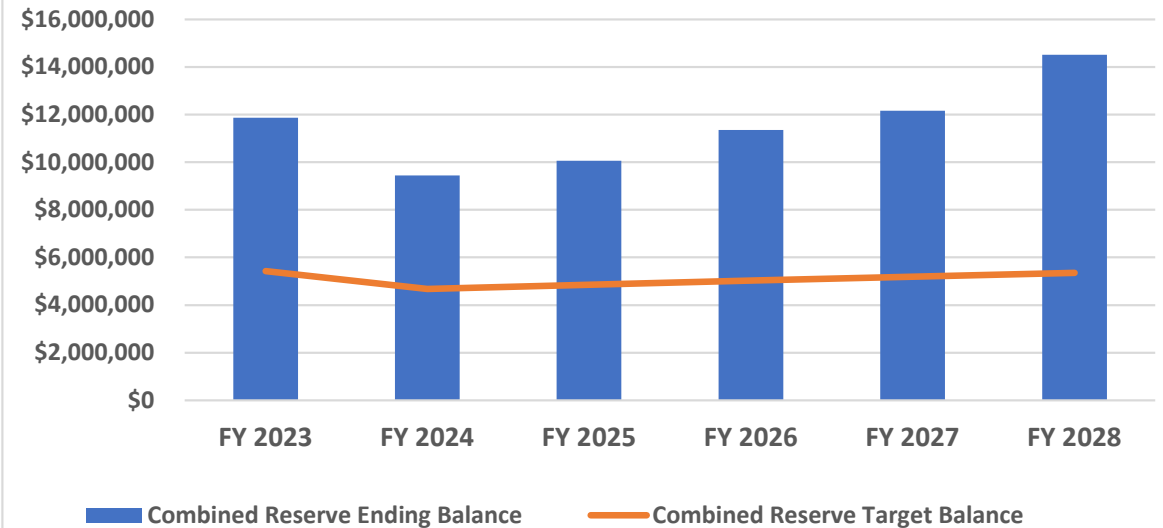
# Scenario 2: \$1.499 Million Admin OH in FY 2025

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Rate Revenue Adjustment	0.0%	6.0%	5.0%	3.0%	2.0%	2.0%
External Debt Financing	\$0	\$0	\$0	\$0	\$0	\$0
Administrative Overhead	\$650,000	\$650,000	\$1,499,000	\$1,499,000	\$1,499,000	\$1,499,000

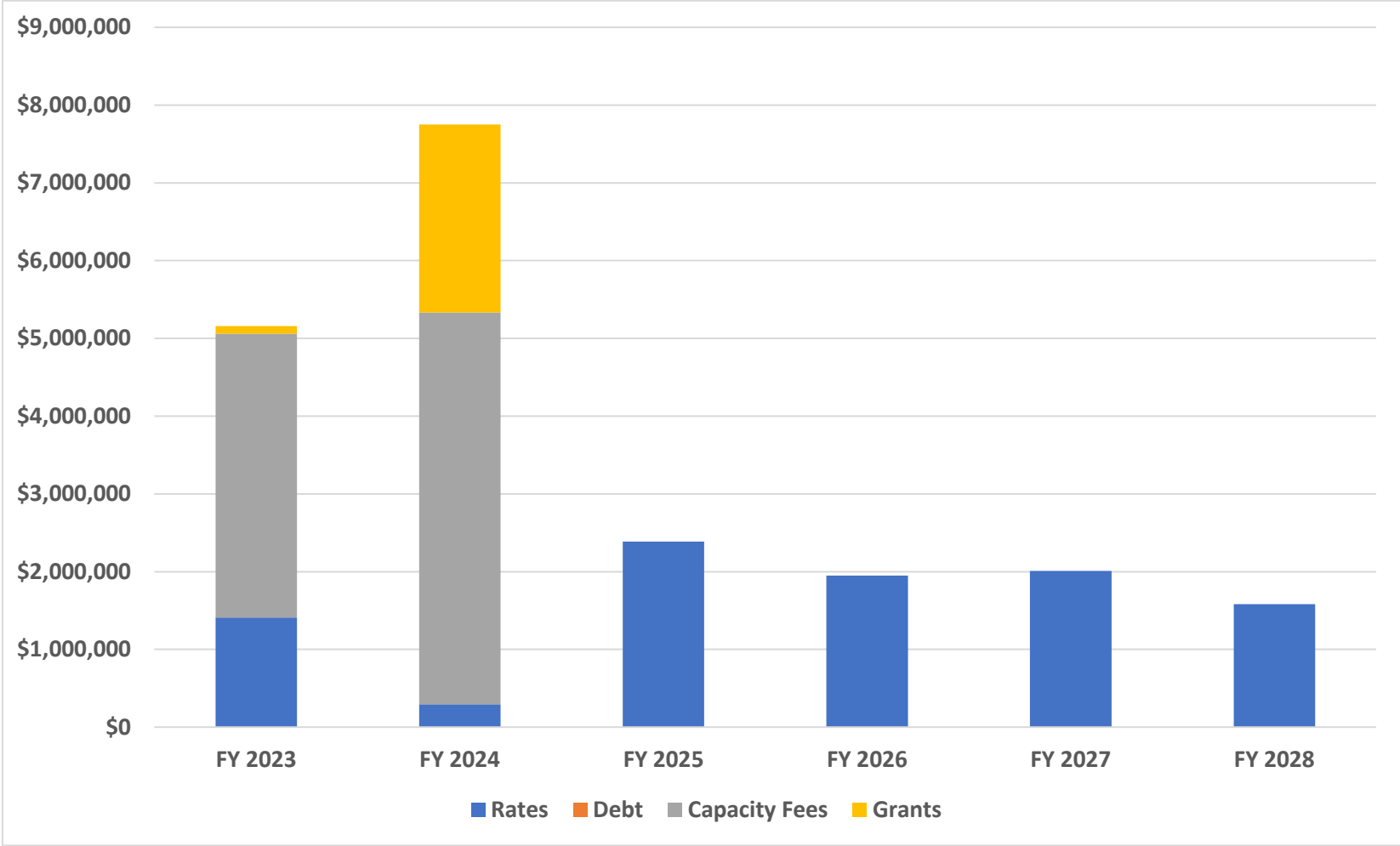
### Operating Reserve Ending Balance



### Combined Cash Reserves Ending Balance



# CIP Financing Summary: Scenarios 1 and 2



# Key Drivers of Required Rate Increases

- **Planned CIP Expenditures: Inflation Adjusted Total of \$20.9 million\***

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
Total CIP	\$5,160,000	\$7,749,462	\$2,386,913	\$1,949,220	\$2,007,697	\$1,581,356	\$20,834,647

\* Detail of CIP provided in the Council agenda packet

- **Continued Funding of the Repair and Replacement Reserve Fund**
  - \$2 million annual rate-funded contribution
  - Dollars used throughout the planning horizon for repair and replacement CIP projects

Inflation	Category	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
	General	5.0%	5.0%	4.0%	3.0%	2.0%
	Personnel	2.5%	2.5%	2.5%	2.5%	2.5%
	Administrative	5.0%	3.0%	3.0%	3.0%	2.0%
	Operating	5.0%	3.0%	3.0%	3.0%	2.0%
	Utilities	5.0%	5.0%	5.0%	5.0%	5.0%
	Construction Costs	5.0%	5.0%	4.0%	3.0%	3.0%

# Proposed FY 2024 Rates



# FY 2024 Rates Under Each Scenario

Line	Fixed Charges (\$/Month)	Current Rates	Scenario 1	Scenario 2
1	Single Family	\$47.21	\$49.83	\$50.22
2	Multi-Family & Mobile Home-Rural	\$29.24	\$28.32	\$28.55
3				
4	Schools	\$1.07	\$1.09	\$1.10
5				
6	Commercial - Low	\$25.77	\$6.11	\$6.14
7	Commercial - Medium	\$47.21	\$6.11	\$6.14
8	Commercial - High	\$151.07	\$6.11	\$6.14
9				
10	Dura Plastics Products	\$0.00	\$553.08	\$553.02
11	Perricone Juice	\$0.00	\$553.08	\$553.02
12	Rudolph Food Company	\$169.27	\$553.08	\$553.02
13	CJ Foods #1	\$0.00	\$553.08	\$553.02
14	CJ Foods #2	\$0.00	\$553.08	\$553.02
15	Precision Stamping	\$148.24	\$553.08	\$553.02
16				
Line	Variable Charges (\$/HCF)	Current Rates	Scenario 1	Scenario 2
18	Single Family	N/A	N/A	N/A
19	Multi-Family & Mobile Home-Rural	N/A	N/A	N/A
20				
21	Schools	N/A	N/A	N/A
22				
23	Commercial - Low	\$2.77	\$4.87	\$4.91
24	Commercial - Medium	\$3.75	\$5.86	\$5.91
25	Commercial - High	\$7.31	\$9.80	\$9.88
26				
27	Dura Plastics Products	\$3.84	\$5.08	\$5.13
28	Perricone Juice	\$2.94	\$10.78	\$10.87
29	Rudolph Food Company	\$0.00	\$0.00	\$0.00
30	CJ Foods #1	\$11.07	\$13.26	\$13.37
31	CJ Foods #2	\$5.71	\$8.13	\$8.20
32	Precision Stamping	\$0.00	\$4.87	\$4.91



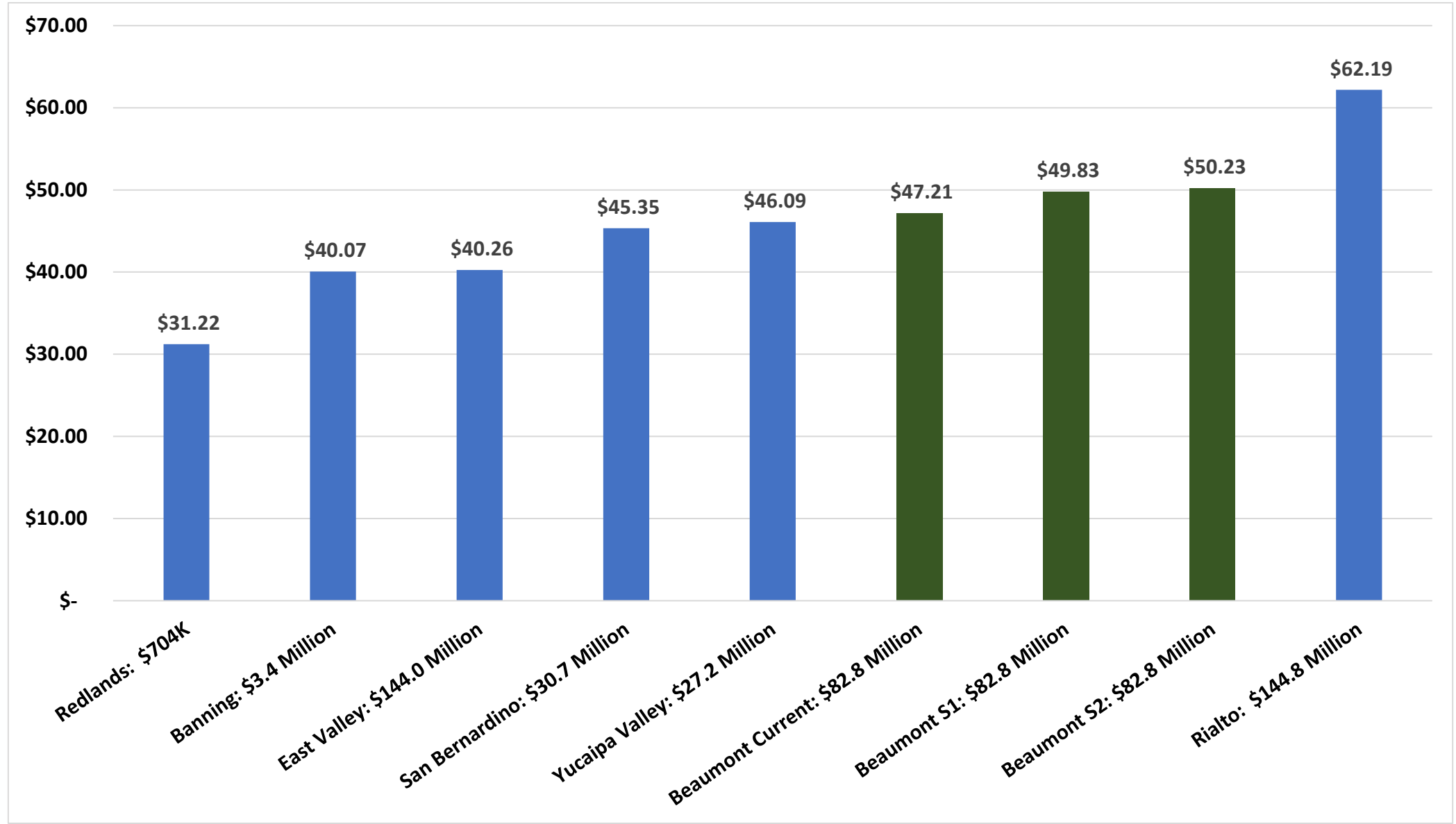
# FY 2024 Monthly Bill Impacts

Customer Class	Monthly Bill			Monthly Change in Bill	
	Current Bill	Scenario 1	Scenario 2	Scenario 1	Scenario 2
Single Family Residential	\$47.21	\$49.83	\$50.22	\$2.62	\$3.01
Multi-Family & Mobile Home-Rural	\$29.24	\$28.32	\$28.55	(\$0.92)	(\$0.69)
Schools (Per Student)	\$1.07	\$1.09	\$1.10	\$0.02	\$0.03
Commercial Low	\$136.57	\$201.01	\$202.63	\$64.44	\$66.06
Commercial - Medium	\$197.21	\$240.45	\$242.42	\$43.24	\$45.21
Commercial - High	\$443.47	\$398.19	\$401.54	(\$45.28)	(\$41.93)
Dura Plastics Products	\$358.33	\$1,027.11	\$1,030.94	\$668.77	\$672.60
Perricone Juice (Note 1)	\$13,852.50	\$46,585.34	\$46,976.68	\$32,732.84	\$33,124.18
Rudolph Food Company	\$169.27	\$553.08	\$553.02	\$383.81	\$383.75
CJ Foods #1	\$47,608.33	\$57,593.52	\$58,081.93	\$9,985.19	\$10,473.59
CJ Foods #2	\$2,891.67	\$4,668.00	\$4,702.77	\$1,776.33	\$1,811.10
Precision Stamping	\$148.24	\$675.74	\$676.68	\$527.50	\$528.44

**Note 1:** Perricone Juice currently has a temporary agreement with the City to implement an onsite treatment program. Without this agreement, the company's monthly bill would be \$43,667.

# Single Family Residential Bill Comparison

(with Long-Term Debt at FYE 2022)



# Next Steps

- Today's Meeting:
  - Council selects its preferred financial planning scenario
- Next Council Meeting:
  - Projection of proposed rates for FY 2024 – FY 2027
  - Authorization to Issue Proposition 218 notice
- Proposition 218 Notice Issued
- Council Proposition 218 Hearing:
  - Held a minimum of 45 days after Proposition 218 Notice Issued
  - Approval of Rates assuming inadequate protests received
- Target Effective Date: September 1, 2023

Q&A



# Thank you!

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