

# Review of Treated Water Rates for Calendar Years 2025 and 2026

October 16, 2024  
Regular Board Meeting



# Strategic Plan

## Goal A

**Reliable Water Supply and Infrastructure:** Provide customers with reliable water supply and infrastructure

## Goal G

**Fiscal Responsibility:** Operate the Agency in a fiscally responsible manner

# Takeaways

1. Board adopted a balanced Two-Year Budget assuming the adopted treated water rates with **no** additional adjustments.
2. Comprehensive review performed September 2024.
3. Rate review indicates rates, as adopted, are sufficient to meet planned revenue requirements and financing objectives set forth in the rate study. Therefore, staff recommends no change.

# Background

- Treated water rates = primary source of revenue to the Water Enterprise
- Four year treated water rates schedule adopted by Board via Resolution No. 22-93, dated November 16, 2022, for CYs 2023-2026.
  - › 5.5% annual rate revenue adjustment
  - › Direction to revisit rates for CYs 2025 and 2026
  - › Fixed charges allocated based on two-year rolling average of use

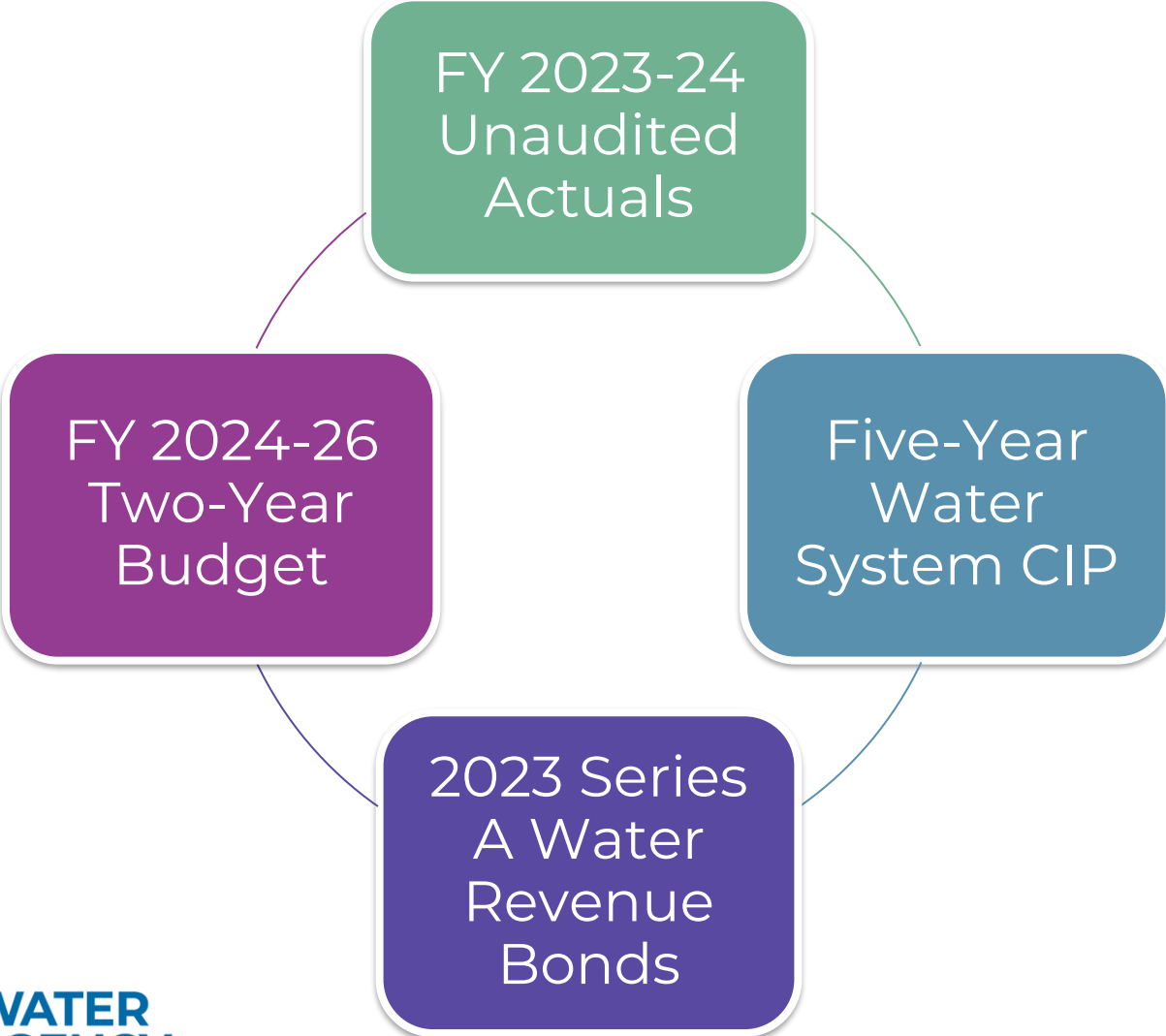


Stoneridge PFAS Treatment Facility

# Adopted Treated Water Rate Objectives

- Minimum objective = Meet annual cost of service requirements
- Key financial objectives as determined by the Board:
  1. Continue participation in water supply reliability projects
  2. Issue debt to fund Chain of Lakes PFAS Treatment Facility project and meet future debt service obligations
  3. Fund \$2.9M of total Stoneridge PFAS Treatment Facility Project
  4. Meet target and minimum reserve requirements as set forth in Agency's Reserve Policy

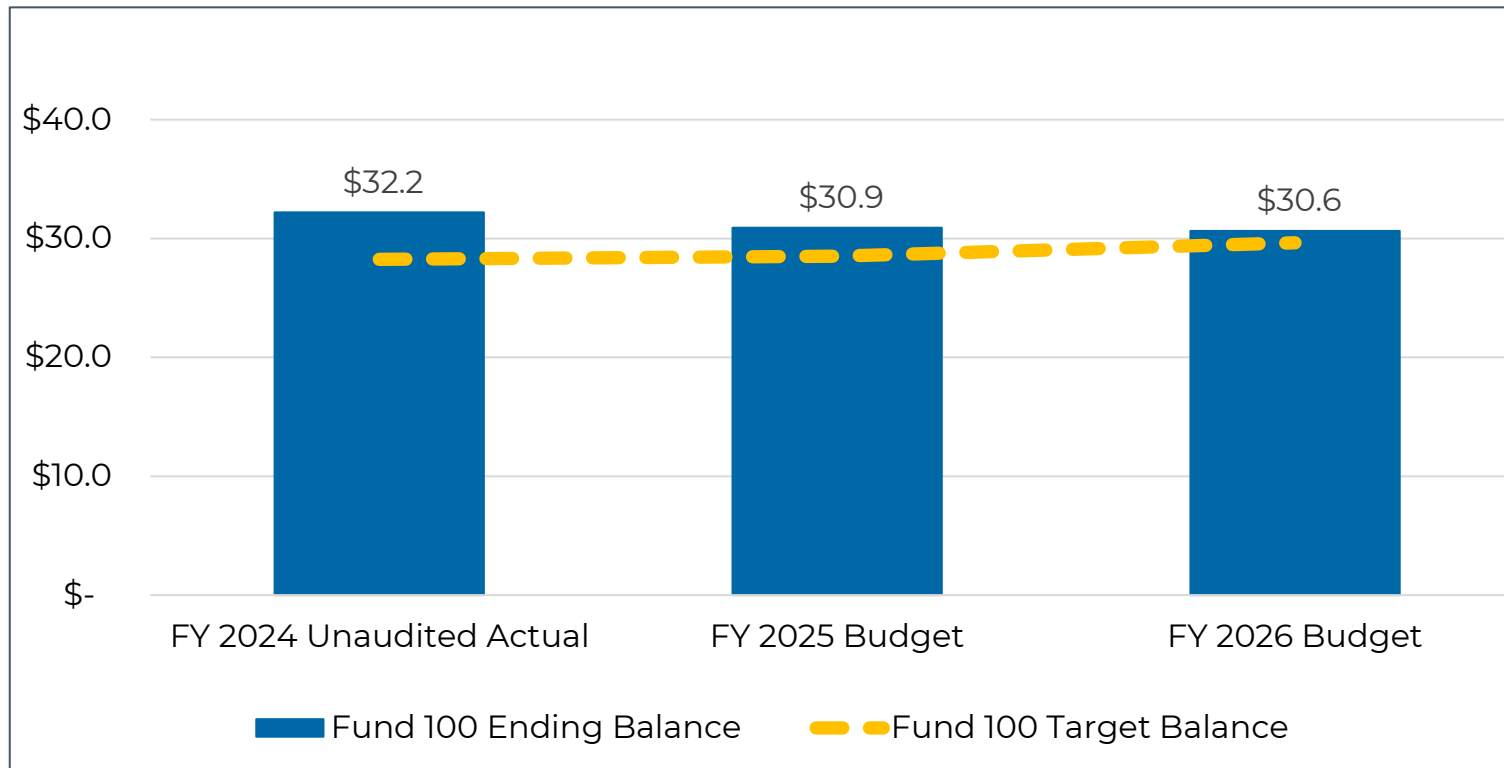
# Treated Water Rate Review



- Proforma updated to incorporate newly adopted Board actions.
- Rate review analyzed Agency’s actual and projected financial performance against policies and objectives.
- Staff met with Retailers to present findings.

# Financial Review Findings – Fund 100

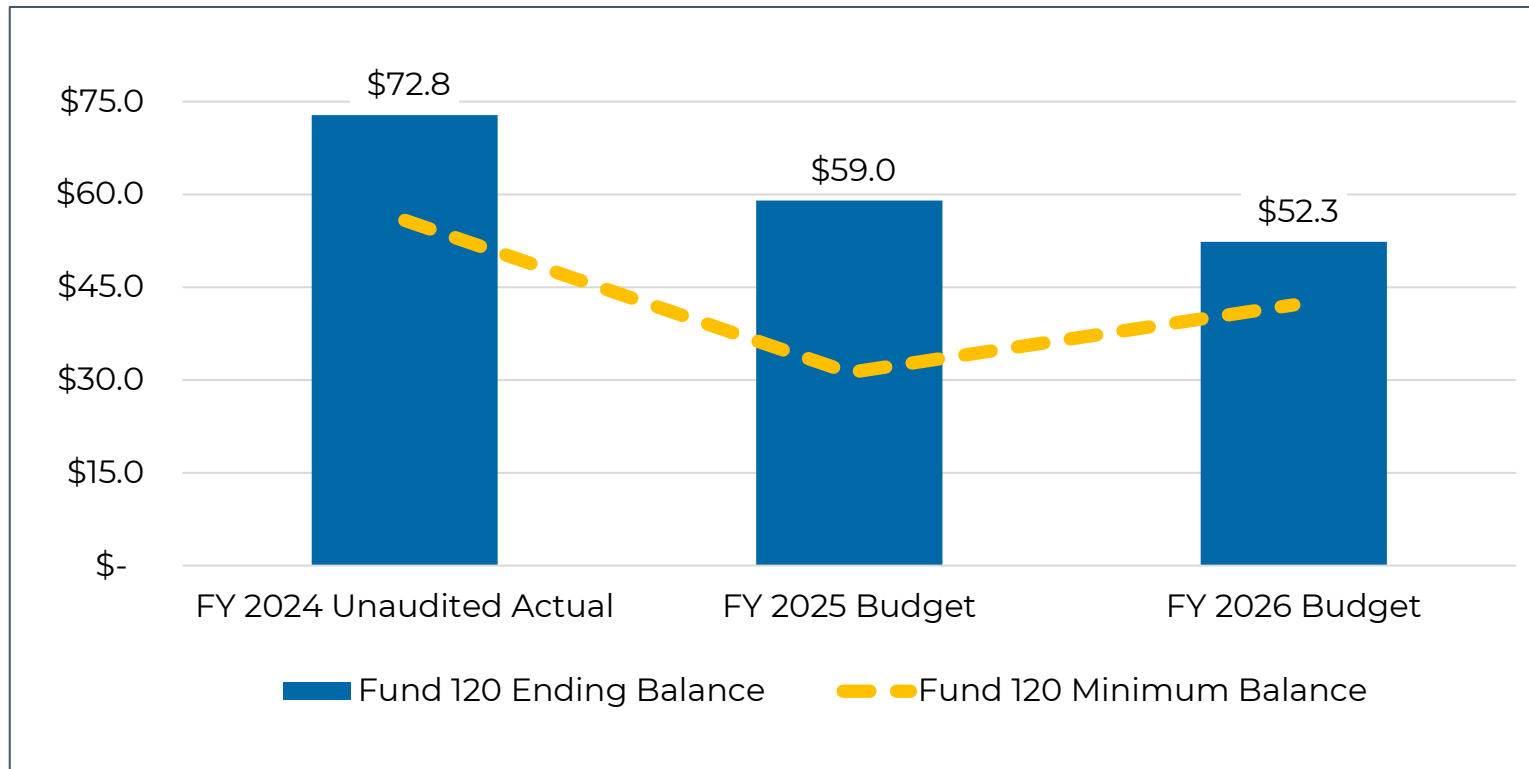
Fund 100  
Reserve Balance vs Target Level  
(\$ in millions)



Fund 100 reserves planned to meet target level requirements through FY 2025-26

# Financial Review Findings – Fund 120

Fund 120  
Reserve Balance vs Minimum Level  
(\$ in millions)



Fund 120 reserves planned to meet minimum level requirements through FY 2025-26



# CY 2025 & CY 2026 Treated Water Rates

	<b>CY 2025</b>	<b>CY 2026</b>
Volume-Based (55%)	\$2.44/ccf	\$2.47/ccf
Fixed Charges (45%)	\$31.8M	\$33.3M



**Stoneridge PFAS Treatment Facility**



**DVWTP O&M Team Celebrates Partnership for Safe Water 25-Year Directors Award**

## **Water Rate Revenue at Work!**

**Delta Conveyance Project Approved and Final EIR Certified**



**Construction of Chain of Lakes PFAS Treatment Facility**



# Sensitivity Analysis Results

Results of 5% acre-feet reduction in water sales each year:

Fiscal Year	Budgeted Water Sales (AF)	5% Reduction	Revenue Impact	Impact to Reserves
FY 2024-25	34,000	32,300	(\$3.6M)	\$2.8M below target
FY 2025-26	35,000	33,250		

Results of no rate increase in CY 2025 and a 5.5% rate revenue increase in CY 2026:

Calendar Year	Adopted Rate Increase	Adjusted Rate Increase	Revenue Impact	Impact to Reserves
CY 2025	5.5%	0%	(\$4.5M)	\$3.8M below target
CY 2026	5.5%	5.5%		

# Recommended Action/Next Steps

- Information Only
- Adopted rate schedule to continue for calendar years 2025 and 2026



**WATER  
AGENCY**

**Questions?**