

2023 Sewer Rate Study

Financial Plan Update “Phase 2”

Sutter Creek City Council Meeting

May 15, 2023



Agenda

1. Recap of 2019 Rate Study
2. Preliminary Financial Plan Findings

History of Sewer Rates at Sutter Creek

- ✓ A 2008 rate study adopted three rate increases
 - However only one increase was implemented by City Council (the other two were deferred)
- ✓ The next rate study didn't occur until 2019
 - Inflation between 2008 and 2019 was approximately 33%
 - Between 2010 and 2019, **approximately \$2.4M in rate revenue** was not collected as a result of the deferred rate increases
- ✓ The 2019 study found that:
 - Cash reserves were low
 - Current revenues would not meet operating costs for the next year
 - Most capital spending had been deferred (therefore there was a backlog)
 - The City was facing significant capital expenses both for the local collection system and the regional wastewater treatment system

2019 Rate Study Adopted Approach

Phase 1 (address immediate needs):

Adopt a 5-year rate schedule that would:

- Address current and future operating costs;
- Fund the repair and replacement capital program for the collection system; and
- Better position the City to address Phase 2 costs and qualify for affordable debt.
- 5-year annual rate increases were **35%, 2%, 2%, 2%, & 2%**

Phase 2 (address wastewater treatment and disposal needs):

Adopt a new 5-year rate schedule that would:

- Supersede the Phase 1 schedule (i.e., implement around 2021)
- Address the treatment costs once the project and financing opportunities are better defined
- It was understood that Phase 2 rate increases could be materially higher than those proposed for Phase 1

Financial Comparison

In comparing the 2019 Rate Study forecast to current condition:

- Reserve levels are tracking as expected
- Revenues are tracking as expected
- Operating expenses are 18% higher than expected, driven primarily by:
 - ARSA costs (\$87 thousand per year higher than expected)
 - Insurance costs (\$111 thousand per year higher than expected)
- Average annual capital spending is behind by about \$145 thousand