

Rate Program Summary 2023-2028

Presented by:

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Preparation and Analysis

- Rate assumptions are included annually with each adopted budget
- Each budget includes a ten-year cashflow estimate
- Capital Improvement Program (CIP) Master Plan was last completed in 2017

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Preparation and Analysis

- Staff engaged a qualified independent consulting firm, HDR Engineering, to conduct a comprehensive cost of service rate study to validate financial assumptions.
- HDR performed the revenue analysis to develop cost based Regional Sewer Service Fees, Capacity Charges and ancillary charges as well as cost allocation amongst customer classes.
- HDR also evaluated the current rebate program and recommended changes for better efficiency and to simplify the process for both the customer and OC San.

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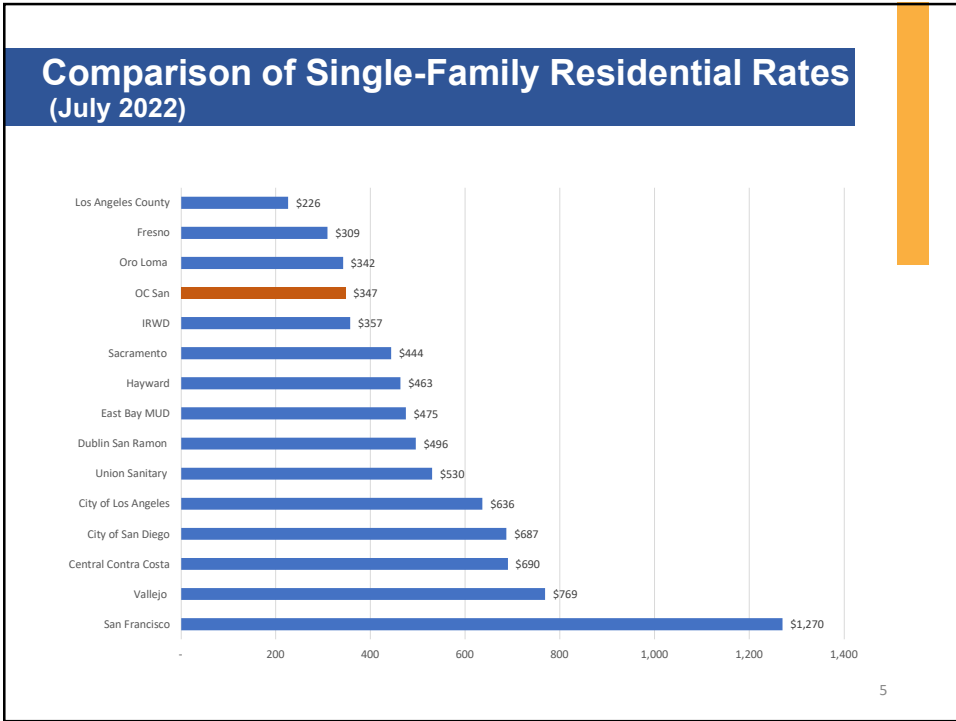
Revenue

Majority of OC San Revenue comes from the General User Fees

1) General User Fees	\$ 356.5 M	69.2%
2) Property Taxes	\$ 109.8 M	21.3%
3) Interest/Assessments	\$ 18.0 M	3.5%
4) Other Fees/Charges	\$ 31.1M	6.0%
Total Fees & Charges	\$ 515.4 M	100.0%

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General User Fees (69% of total revenue)

Staff recommends on average 3.5% annual increases

Year	2018 (Budget)	2022 (Budget)	Proposed Rates
2022 (Current)	\$351	\$347	\$347
2023	\$359	\$358	\$358
2024	\$367	\$370	\$371
2025	\$373	\$382	\$384
2026	\$379	\$395	\$397
2027	\$385	\$408	\$411

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Industrial O&M Fees

**Industrial User O&M Fee
High Strength Dischargers
Represents \$12.5M (2.4% of total revenue)**

- Staff recommends annual increases of 4.7%-5.6% over a five-year period for high strength dischargers.

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Capital Facilities Capacity Charge

**CFCC
One-Time Connection Charge
Represents \$12.9M (2.5% of total revenue)**

- Residential Capacity Charges will remain flat for 2023-24 and increase annually by the Engineering News Record (ENR) Construction Cost Index.
- Non-residential Capacity Charges will decrease by approximately 33% in 2023-24 and then increase annually by the ENR Construction Cost Index.

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Supplemental Capital Facilities Capacity Charge

SCFCC

**Annual charge for exceeding established baselines
Represents \$4.3M (.8% of total revenue)**

- The SCFCC is charged to high strength industrial users who exceed standard discharge amounts.
- Currently, there are 45 industrial dischargers who are charged the SCFCC for one or more constituents.
- These users would see increases on average of 6.3%.

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Rebates and Refunds

- OC San processes over 2000 rebate/refund requests annually with an additional 1200 customers locked into a reduced charge.
- Staff and our consultant evaluated our current rebate program
- Staff recommends redesigning the program and modeling it after LA County Sanitation Districts tiered rebate program and moving from a 3-year lock-in to a 5-year lock-in to better serve our customers:

<u>Average Flow divided by Assumed Discharge</u>	<u>Customer Reduction</u>
90% or Greater	0%
70% - 89%	20%
50% - 69%	30%
30% - 49%	60%
29% or less	80%

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Schedule for Adoption

- 1) November Steering Committee – Rate Plan Overview
- 2) December Operations Committee – Rate Plan Overview
- 3) December Admin Committee – Rate Study and Prop. 218 Notices
- 4) December Board – Rate Study and Prop. 218 Notices
- 5) February 2023 – Mail Prop. 218 Notices
- 6) February Board – First Reading of the Ordinances
- 7) March Board – Public Hearing, Second Reading and Adoption
- 8) July 1, 2023 – New rate schedules go into effect

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Questions



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