

Water Rate-FAQ's

Investing in our Future

The City of Dixon is dedicated to providing safe and reliable water services in a cost-effective manner while protecting the public's health. Dixon is fortunate that the water supply is through groundwater and not through purchased water, as is the case with other agencies.

The City has retained an independent professional firm to review the system's financial requirements for the next five years and identified the necessary water rate increases to take place. Dixon needs to pay for improvement to the City's aging water infrastructure such as wells, pumps and pipes in order to continue to provide safe and reliable water service to its nearly 3,000 customers.



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Exploring why a water rate increase is necessary.

What do my water rates fund?

The majority of rates pays for the operation and maintenance of the system this includes:

- Salaries & benefits
- Chemicals
- Lab Testing
- Equipment Repair & Maintenance
- Legal Services
- Special Supplies
- Training
- Utilities – such as PG&E, telephone bills, water bills
- Vehicle fuel and maintenance
- Consultants and contracts services such as for on-call generator maintenance, SCADA project management, audit, pump and motor servicing
- Permitting Fees
- Office supplies
- Staff charges from other departments such as for utility billing, engineering, HR, finance
- Capital Improvement Program that will continue the safe and reliable delivery of water

- Capital outlay such as vehicle purchase
- Increases to operating reserves

How will the money be spent?

Since the City took over the water system from DSWA (Dixon Solano Water Authority), costs have continued to rise for its operation. Many capital improvements have not been undertaken due to the lack of funding availability. Several water rehabilitation projects have been identified:

- School Well Replacement \$3.9 million
- Industrial Well Replacement \$2.5 million
- Watson Ranch Well Replacement \$2.2 million

These wells are all 40 years old or more and have reached their useful life and need to be replaced. Other projects include:

- Industrial Electrical System Upgrades
- SCADA System Improvements
- Meter Replacement Program
- Industrial Well & Hydro Tank Improvements
- Watson Ranch Service Replacement

I conserved water during the drought, why are my rates going up?

The state-wide drought required agencies in California to have a mandatory reduction. The Dixon customer response was great which resulted in less demand for water with more efficient water usage. Water conservation through reduction means that the City's revenue base decreased. Almost all revenues in the water enterprise are generated from water sales.

The City Council adopted Ordinance 14-012 on August 26, 2014 to initially comply with the temporary drought restriction measures to achieve a twenty percent (20%) reduction in outdoor water use. This meant a 20% in our revenue or a reduction of \$340,000.



What happened to the money generated by the last rate increase?

From establishing water reserves to emergency capital project costs,

When was the last time rates increased?

DSWA rate increases were last implemented on 12/1/13 and have remain unchanged since that time and no rate study has been undertaken.

When rates were raised by DSWA, part of the purpose was noted as toward an operating reserve? Has this been done?

Yes, there is a separate fund. The Water Operating Fund Reserve Fund 332 exists within the City's Fund Structure. The current balance as of July 2018 is \$526,442.

What about a water capital reserve?

Yes, the City does maintain a separate Water Capital Reserve Fund 333. The current balance is \$374,327.

So from the rate increase \$900,769 has been set-aside toward these two reserve funds.

What else has the money been spent on?

Quite a bit of funds generated by water sales has gone toward funding water capital projects – nearly \$1.25 million. Each year the Council adopts a Capital Improvement Program and there have been some emergency repairs needed by the system. Projects include:

- Watson Tank Recoating
- Water Master Plan
- Water Rate Study
- Chromium Study
- School Well Construction
- Industrial Well Rehab
- SCADA System Impv.
- Valve Exercising Program
- 2017 Emergency Repairs
- Watson Ranch Well Emergency Repairs
- Valley Glen & School Well Repairs.

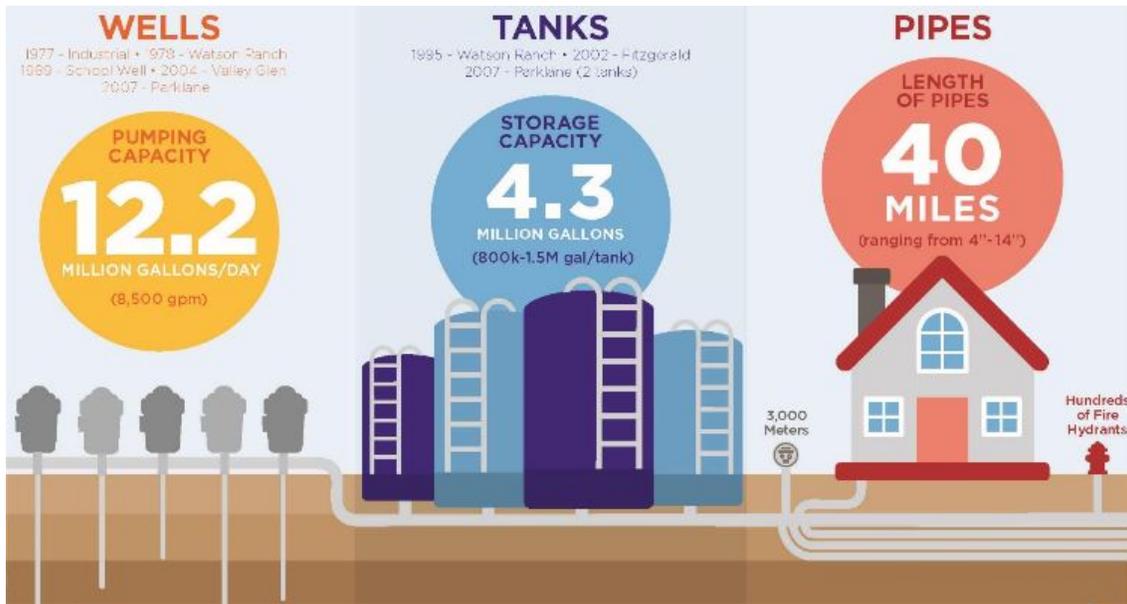
PG&E Bills have increased 17% since the rate increase and equipment repairs & maintenance has increased 114%

How do rates compare to other agencies?

Assuming 12 ccf of monthly water usage (equal to the single family residential average in Dixon in fiscal year 2017), monthly range from \$34.82 to \$87.86 per month.

What happens if the proposed water rate increases are not implemented?

The Water Fund would bring in less money than expenses resulting in difficulties in providing safe reliable water to its customers. The City could be unable to adequately maintain, repair wells, pipes and other capital equipment that are required to safely deliver quality water to customers.



Did you consider phasing in these capital investments more slowly to avoid such a large increase?

Yes. The projects that are being undertaken are essential in order to maintain our commitment to public health and a high level of system reliability. Our rates have been lower than those of many other water providers in the area. Starting these projects now and utilizing bond (debt) financing will ultimately be in the best interest of our customers.

But I am on a fixed income and this increase is so drastic. Do you have a program to get a discount?

Unfortunately no. Under State law, customers (users) must be charged for the amount of water costs related to their use. Dixon cannot give discounts based on income level. While we hear that PG&E offers such discounts, they operate under the rules of the Public Utilities Commission.

UPCOMING TIMETABLE

- **October 9, 2018** – Water Study Session at 6 pm with Dixon City Council
- **November 13, 2018** – Water Rate Study presented for acceptance by Dixon City Council
- **January 8, 2019** – Public Hearing to consider a water service rate increase at the Dixon City Council Meeting

Q: I pay taxes, why can't those be used to provide water service?

A: Taxes, such as property and sales tax, are General Fund revenue sources which pay to support general government activity such as public safety, recreation and public works. Revenue derived from water customers supports the operation of the water system which is managed as an "enterprise fund". Basically, it is self-sufficient like a business enterprise. The utility does not operate for profit.

Q: Have these proposed rates been approved by the Council?

A: No, at this time, options are being presented to the City Council for evaluation and consideration. The rate study with the proposed rates will need to be accepted by Council in November 2018 and then a public hearing will take place in January 2019 to consider the rates. The process will be conducted as a Proposition 218 hearing whereby a written protest must be received with a signature.

State Water Resources Control Board

It should be noted that the Permit to Operate the system issued by the State Water Resources Control Board, Division of Drinking Water (DDW) on 9/15/14) states the following:

"The City shall follow the recommendations of both the rate fee structures (with anticipated rate increases) and Asset Management Plan capital improvements including implementing necessary water rate increases to fund the water system and pending capital expenditures."

WATER RATE STUDY

The City Council awarded the project to Raftelis Financial Consultants on January 23, 2018 by adopting Resolution 18-014. Staff had previously received Council authorization to circulate a Request for Proposal (RFP) to complete a Water Rate Study. Five proposals had been submitted, and staff interviewed four responsive proposers. A rate consultant can independently analyze the City's current water rate structure and determine the updated cost of service for the next five years.