

# MEMORANDUM

**To:** Lisa Celaya, Adam Jones, Jill Friedman, Ana Osante, City of San Diego  
**From:** John Wright and Bill Stannard, Raftelis  
**Date:** June 8, 2021  
**Re:** Use of a 5-Year Average of IWCP Revenue

This memorandum presents the estimated rate and bill impacts of modifying the level of IWCP revenue reflected in the wastewater financial plan.

## Change in IWCP Revenue

As shown in the table below, the use of a 5-Year historical average results in approximately \$3.0 less annual IWCP revenue in FY 2022 and future years as compared to the original financial plan.

Original IWCP Revenue	FY 2022	FY 2023	FY 2024	FY 2025
IWCP Notice of Violation Fees	\$664,599	\$664,599	\$664,599	\$664,599
IWCP Industrial User Discharge Permit Fees	\$2,070,445	\$2,070,445	\$2,070,445	\$2,070,445
IWCP Lab Monitoring Fees	\$0	\$0	\$0	\$0
IWCP Trucked Waste Permit & Load Fees	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
IWCP Imported Flow Fees	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
IWCP Penalties	\$513,312	\$513,312	\$513,312	\$513,312
<b>Total Original IWCP Revenue</b>	<b>\$7,748,356</b>	<b>\$7,748,356</b>	<b>\$7,748,356</b>	<b>\$7,748,356</b>
Revised IWCP Revenue (5-Year Average)	FY 2022	FY 2023	FY 2024	FY 2025
IWCP Notice of Violation Fees	\$22,215	\$22,215	\$22,215	\$22,215
IWCP Industrial User Discharge Permit Fees	\$151,049	\$151,049	\$151,049	\$151,049
IWCP Lab Monitoring Fees	\$58,118	\$58,118	\$58,118	\$58,118
IWCP Trucked Waste Permit & Load Fees	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
IWCP Imported Flow Fees	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
IWCP Penalties	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$4,731,382</b>	<b>\$4,731,382</b>	<b>\$4,731,382</b>	<b>\$4,731,382</b>
<b>Difference</b>	<b>(\$3,016,974)</b>	<b>(\$3,016,974)</b>	<b>(\$3,016,974)</b>	<b>(\$3,016,974)</b>

The reduction in IWCP revenue does not change the total system FY 2022 net revenue requirement from rates which remains at \$292.0 million. Instead, the \$3.0 million reduction in IWCP revenue is absorbed by a drawdown of cash reserves. The table below shows the estimated FY 2022 cash reserve and debt service coverage impacts of the change.

Metric	Original Model	5-Year IWCP Averaging	Difference
Days of Cash on Hand	263	259	(4)
Ending Balance	\$197,721,748	\$194,680,444	(\$3,041,304)
Unrestricted Cash	\$76,791,674	\$73,750,370	(\$3,041,304)
Senior Debt	1.43	1.40	(0.03)
Total Debt Service	1.31	1.29	(0.03)

### **Change in Rates and Customer Bill Impacts - Assuming No Other Changes in the Original Model**

Although the overall FY 2022 total system net revenue requirement remains at \$292.0 million, the reduction in IWCP revenues does cause a minor reallocation of the change in cash reserves in the cost-of-service model. This results in the revenue requirement for the Municipal Subsystem to decrease by approximately \$609K with a corresponding \$609K increase in the Metropolitan Subsystem revenue requirement. The tables below show the rate and customer bill impacts assuming no other change in the original cost-of-service model other than the change in projected IWCP revenues.

Rate Impacts: Change to a 5-Year Average of IWCP Rate Revenues (No Other Changes)					
Rate / Charge	Current Rates	Original COS Rates vs. Current Rates		Revised COS Rates with Change in IWCP Revenue vs. Current Rates	
Service Charge	\$15.33	\$15.11	-1.4%	\$15.17	-1.0%
SFR Commodity	\$3.598	\$4.720	31.2%	\$4.716	31.1%
MFR Commodity	\$5.028	\$4.720	-6.1%	\$4.716	-6.2%
Commercial/Industrial					
Flow	\$3.767	\$3.122	-17.1%	\$3.117	-17.3%
COD	\$0.224	\$0.208	-7.2%	\$0.208	-7.2%
TSS	\$0.552	\$0.469	-15.0%	\$0.469	-15.0%

Bill Impacts: Change to a 5-Year Average of IWCP Rate Revenues (No Other Changes)					
Customer Class	Current Bill	Original COS Bill vs. Current Bill		Revised COS Bill with Change in IWCP Revenue vs. Current Bill	
SFR	\$36.92	\$43.43	18.1%	\$43.47	17.7%
MFR	\$206.38	\$194.47	-5.8%	\$194.38	-5.8%
Commercial	\$438.38	\$374.55	-14.6%	\$374.24	-14.6%

### **Change in Rates and Customer Bill Impacts - Stantec Trunk Sewer and Muni Pumping Allocation**

Raftelis assigned the capital costs associated with trunk sewers and municipal pumping facilities to the meters and services demand parameter and recovered these costs via the monthly service charge. Stantec recommends, and Raftelis accepts, that these costs be allocated to the flow demand parameter and recovered via commodity charges. The tables below show the rate and customer bill impacts of changing the allocation of trunk sewers and municipal pumping within the context of modifying the IWCP revenue as discussed above. *Note that no other changes have been made in the cost of service model:*

- *The residential COD strength loading remains at 766.4 mg/L*
- *The allocation of infiltration and inflow costs remains 67% accounts and 33% volume.*

Rate Impacts: Change to a 5-Year Average of IWCP Revenues Recovery of Trunk Sewer and Muni Pumping Capital Costs via Commodity Rates as Recommended by Stantec					
Rate / Charge	Current Rates	Original COS Rates vs. Current Rates		Revised COS Rates with Change in IWCP Revenue vs. Current Rates	
Service Charge	\$15.33	\$15.11	-1.4%	\$14.14	-7.8%
SFR Commodity	\$3.598	\$4.720	31.2%	\$4.786	33.0%
MFR Commodity	\$5.028	\$4.720	-6.1%	\$4.786	-4.8%
Commercial/Industrial					
Flow	\$3.767	\$3.122	-17.1%	\$3.191	-15.3%
COD	\$0.224	\$0.208	-7.2%	\$0.208	-7.2%
TSS	\$0.552	\$0.469	-15.0%	\$0.469	-15.0%

Bill Impacts: Change to a 5-Year Average of IWCP Rate Revenues Recovery of Trunk Sewer and Muni Pumping Capital Costs via Commodity Rates as Recommended by Stantec					
Customer Class	Current Bill	Original COS Bill vs. Current Bill		Revised Bill with Change in IWCP Revenue vs. Current Bill	
SFR	\$36.92	\$43.43	18.1%	\$42.86	16.1%
MFR	\$206.38	\$194.47	-5.8%	\$196.01	-5.0%
Commercial	\$438.38	\$374.55	-14.6%	\$378.69	-13.6%