



Special Districts Department
Water and Sanitation Division

Rate Study

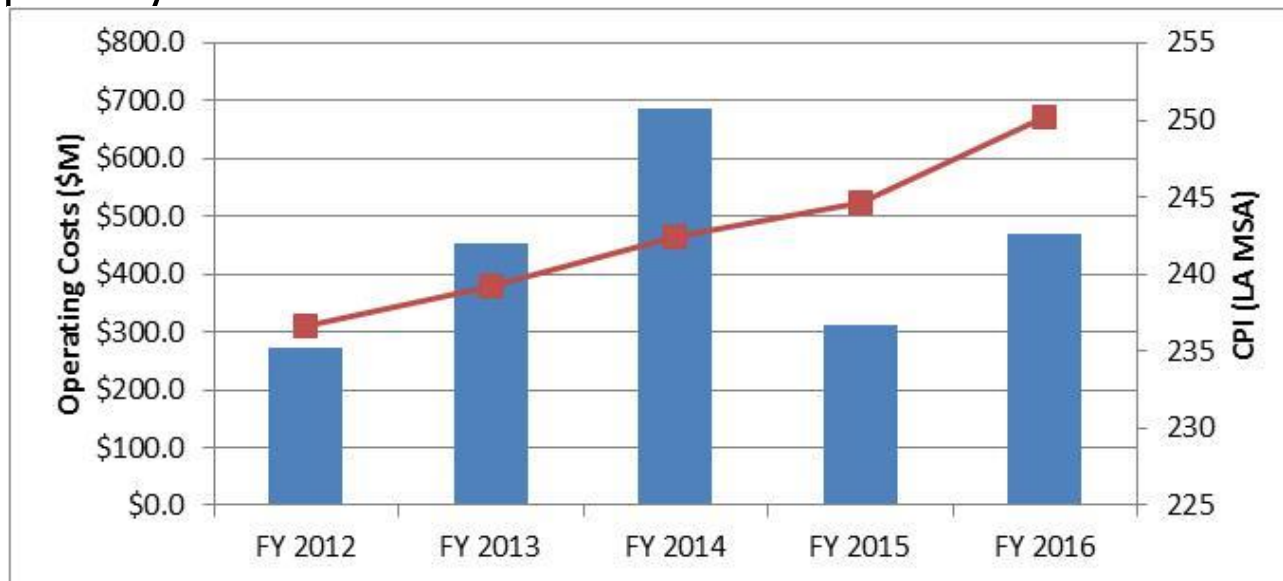
CSA 42 Oro Grande – Water and Sewer
January 2017

Allison M. Edmisten
Division Manager, Fiscal & Admin Svcs
January 5, 2017

- Background
- Finances
- Rates & Rate Impacts
- Proposition 218
- Next Steps

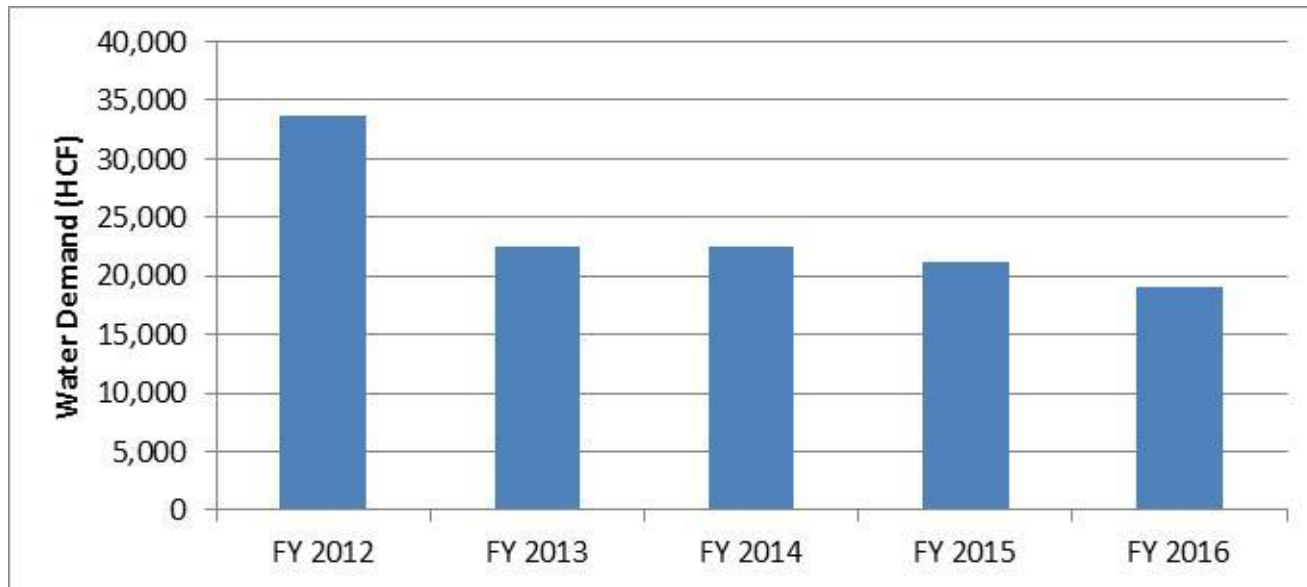
- CSA 42 serves the area of Oro Grande and is a combined water and sewer utility.
 - Oro Grande has approximately 136 water connections and 190 sewer connections, which total a population of less than 1,000
- In December 2015, the Department received approval from the Board of Supervisors to conduct a rate study for all of the water and sanitation districts.
 - Black and Veatch was the consultant awarded the contract and has been working with staff over the last year to determine the revenue requirements in order to keep each water and sanitation district fiscally solvent.

- The last implemented rate adjustments occurred in 2014-15.
- Combined water and sewer operating costs have started to rise, but the District was able to control costs by reducing capital expenditures over the past 2 years.



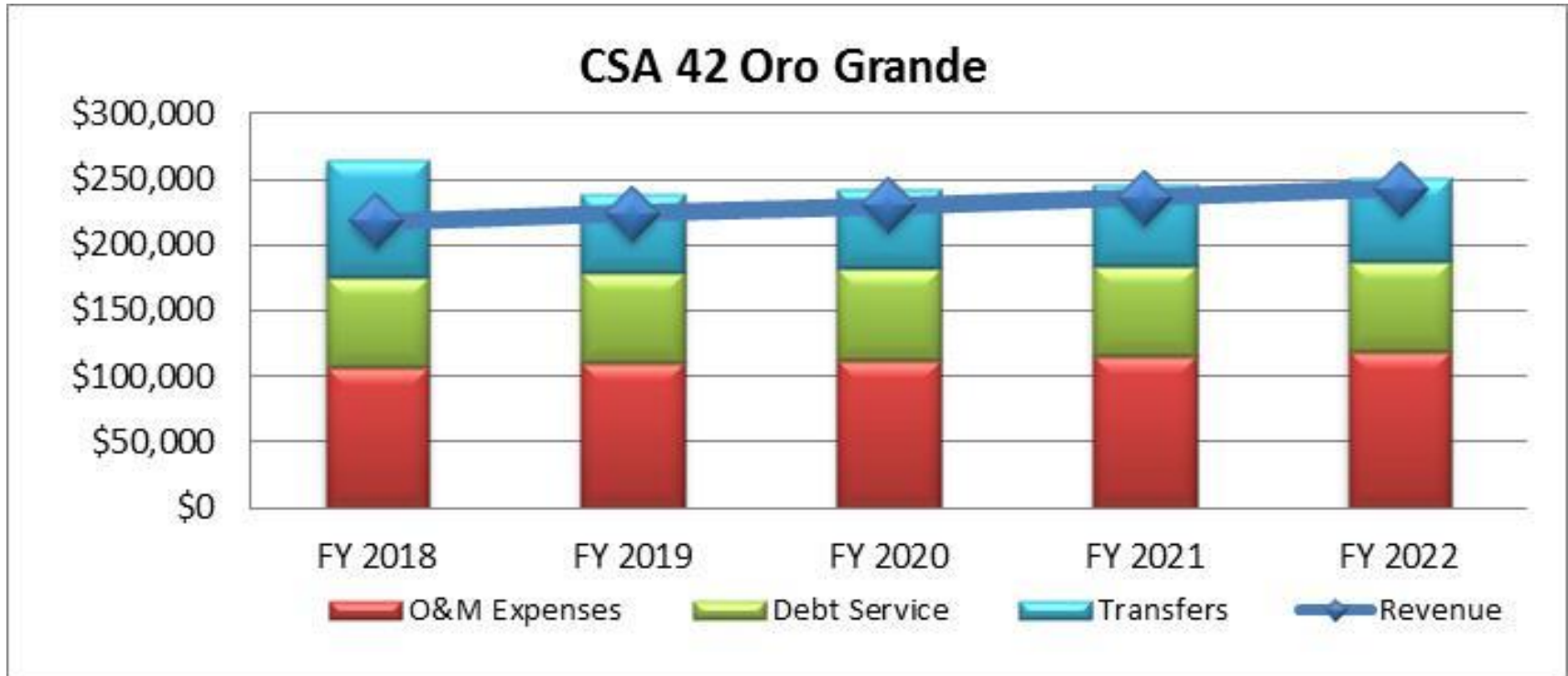
- Minor capital improvements have occurred, but there are anticipated high-cost, high-priority projects that need to be addressed.

- Reduced water sales have reduced revenues.
 - A overall reduction of 16 percent in water demand since FY 2013 and even greater since FY 2012
 - State mandate in FY 2016 to reduce demand by 25 percent statewide

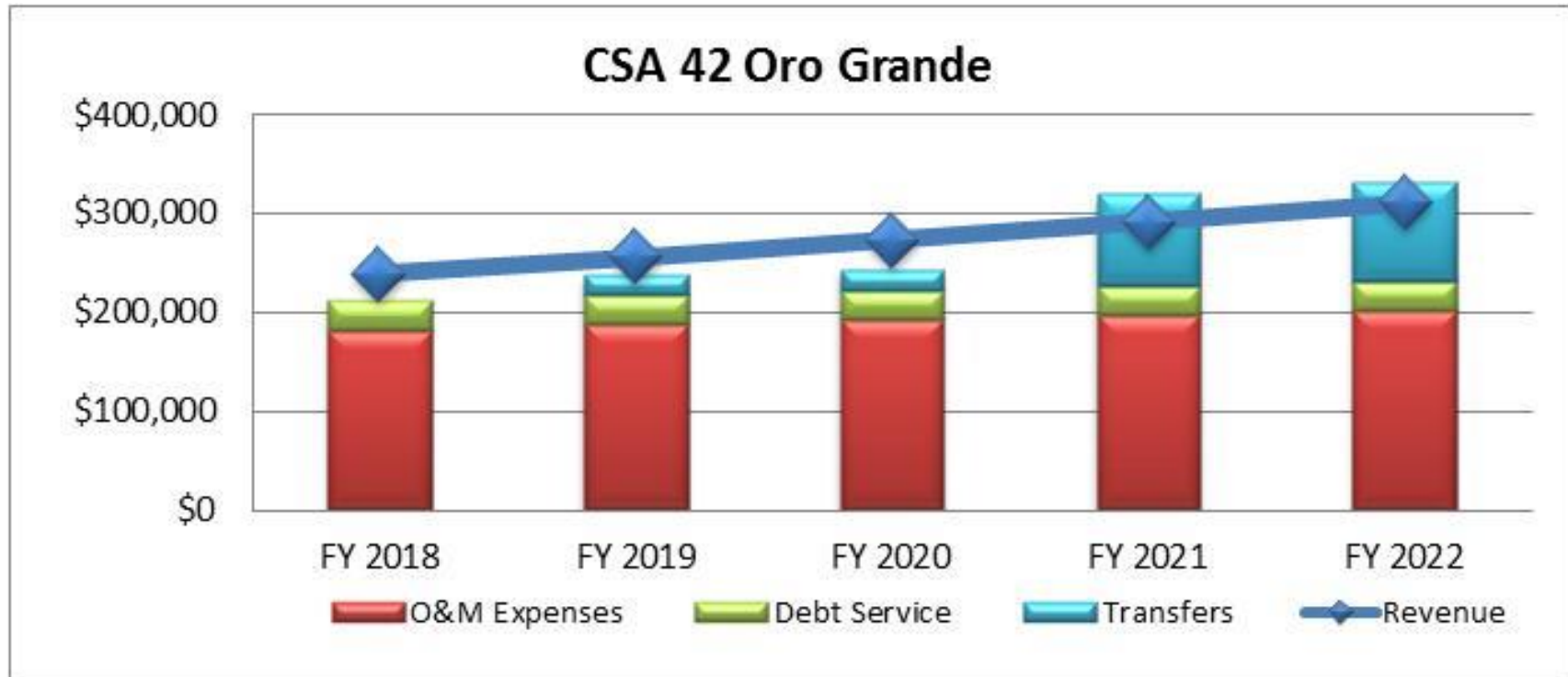


- Developed financial projections to determine annual revenue requirements and any necessary rate adjustments.
 - Based on best customer billing info available
 - Analyzed FY 2012 to FY 2016 historical data and FY 2017 budget
 - Incorporated continued state water conservation mandates
 - Included future \$550k in debt-financing for critical capital needs
 - \$140k per year for annual maintenance, repairs, rehab
 - Operating cost inflation projected at 2-4%
- Rate increases needed to sustain financial stability and keep up with inflationary cost increases
 - Rate increase recommendations for water are 3% per year for the period between FY 2018 and FY 2022
 - Rate increase recommendations for sewer are 25% in FY 2018 and 7% per year for the period between FY 2019 and FY 2022

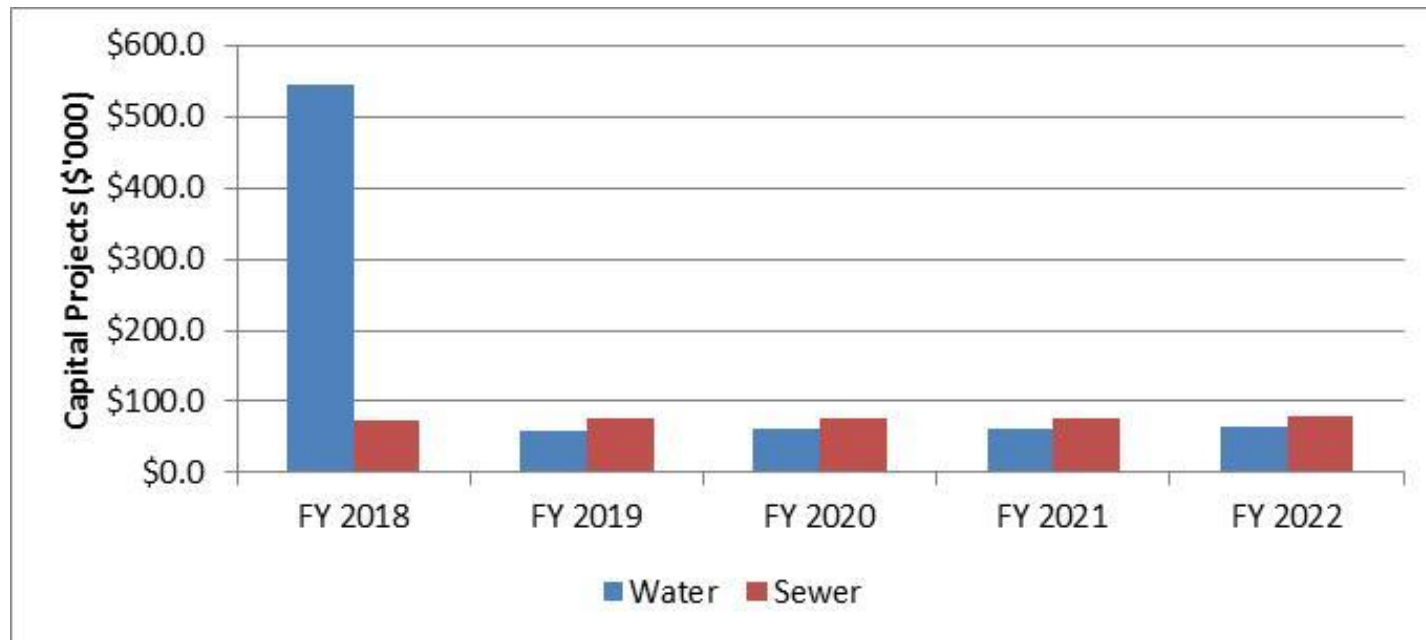
- Water operating fund projections with rate increases.



- Sewer operating fund projections with rate increases.



- Capital Improvement Program expenditures over the five-years.
 - Capital expenditures include routine projects that keep the system in working conditions and one-time additions/betterments



- Other planned Capital Improvement Projects
 - Ongoing annual future pipeline replacement
 - Reservoir #2 (0.25 MG) design and construction
 - Water chlorinators
 - SCADA @ well and tank sites
 - Meter Replacements
 - Mill St railway crossing
 - Ongoing collection system repairs
 - Sewer system repairs – P#1600

- The water rate structure includes:
 - Facility Charge (based on meter size)
 - Consumption Charge (based on hundred cubic feet)
 - Current - three tier system; Proposed – three tier system
 - Same charges for residential and commercial accounts
- Adjustments to current rates:
 - County's policy is to recover costs based on 60%/40% split between fixed and variable. The policy was enacted to increase revenue stability
 - Facility Charge based on meter costs, billing costs, and public fire protection costs
 - Tiers based on supply costs, delivery costs, and peaking costs

- Existing Rate Structure

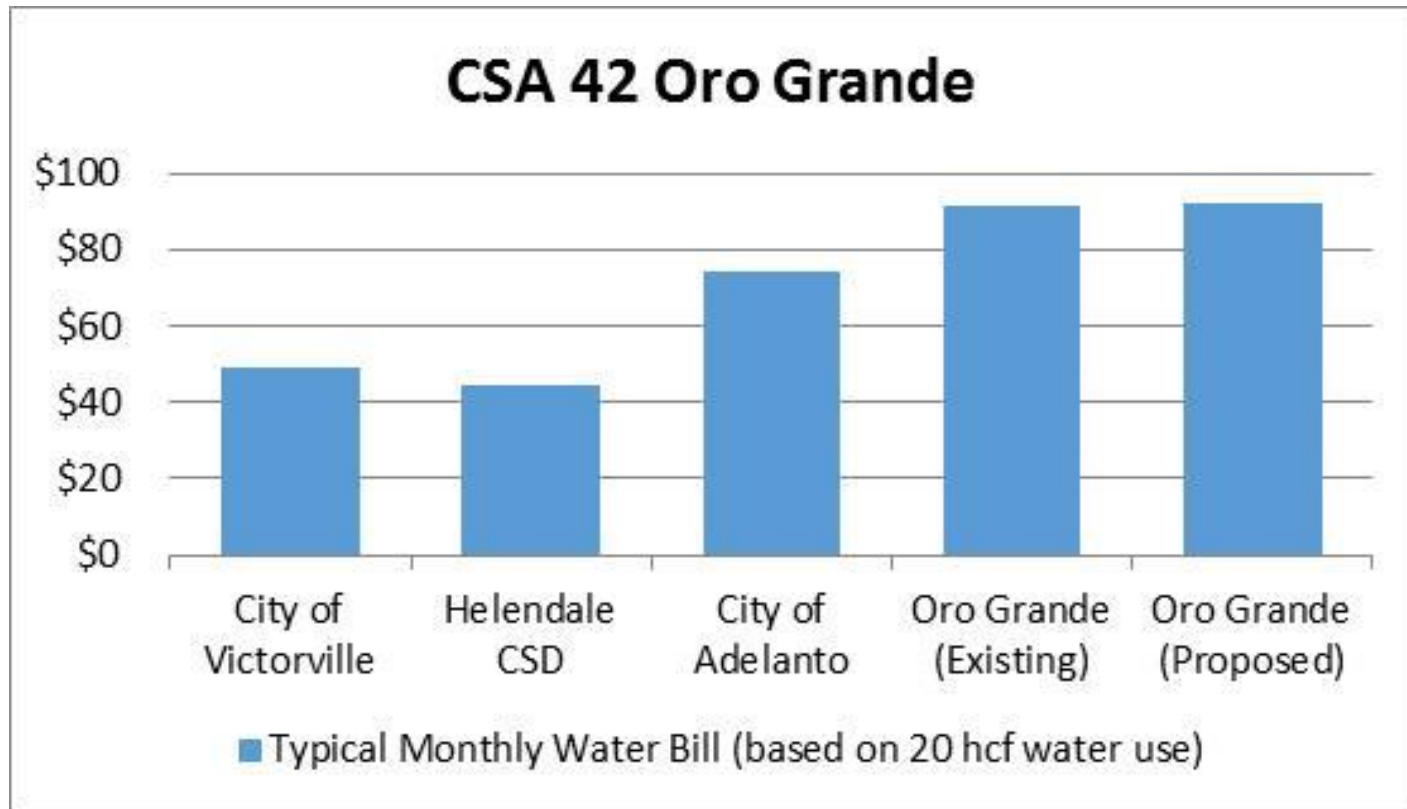
Water	
Meter Size	FY 2016
Ready To Serve Charge	(\$/monthly)
3/4"	\$30.78
1"	51.30
1.5"	102.60
2"	164.16
3"	328.32
4"	513.00
6"	1,026.00
8"	1,641.00
Commodity Charge	(\$/HCF)
0-14 hcf	\$2.75
>14-80 hcf	3.16
>80 hcf and above	3.64

Sewer	
Customer	FY 2016
Flat Charge	(\$/monthly)
Equivalent Dwelling Unit	\$79.44

- Proposed Rate Structure

Water					
Meter Size	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Ready To Serve Charge	(\$/monthly)	(\$/monthly)	(\$/monthly)	(\$/monthly)	(\$/monthly)
3/4"	\$34.25	\$35.27	\$36.33	\$37.42	\$38.55
1"	56.99	58.70	60.46	62.27	64.14
1.5"	113.33	116.73	120.23	123.84	127.55
2"	181.21	186.64	192.24	198.01	203.95
3"	362.45	373.32	384.52	396.06	407.94
4"	566.09	583.08	600.57	618.58	637.14
6"	1,131.54	1,165.49	1,200.45	1,236.46	1,273.56
8"	1,810.35	1,864.66	1,920.60	1,978.22	2,037.56
Commodity Charge	(\$/HCF)	(\$/HCF)	(\$/HCF)	(\$/HCF)	(\$/HCF)
0-21 hcf	\$2.78	\$2.87	\$3.15	\$3.31	\$3.48
>22-42 hcf	2.93	3.02	3.32	3.49	3.66
>42 hcf and above	3.09	3.18	3.50	3.67	3.85

- Rate Impact and comparison to neighboring utilities

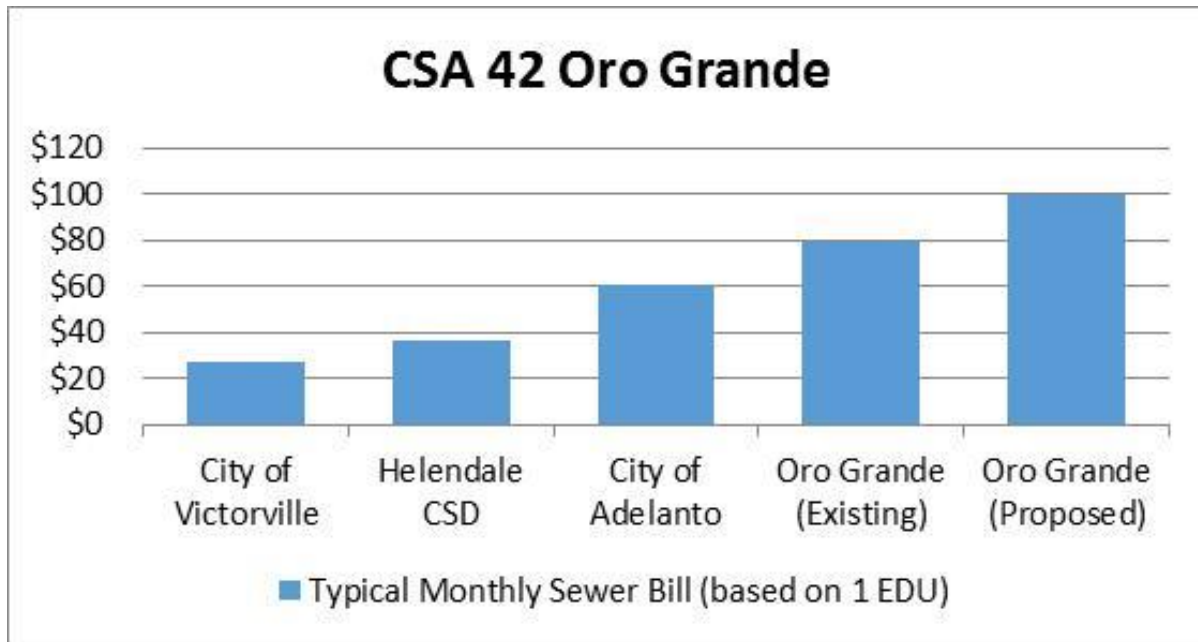


- Rate Impact for an average water customer

<i>Impact on Single Family Residential with a 1" meter using 31 HCF per billing cycle.</i>			
		Per Month	Per Billing Cycle
Existing Meter Charge	1"	\$ 51.30	\$ 102.60
Proposed Meter Charge	1"	\$ 56.99	\$ 113.98
Increase		\$ 5.69	\$ 11.38
		Per HCF	Per Billing Cycle
Existing Tier 0-14 hcf	14 hcf	\$ 2.75	\$ 38.50
Existing Tier 14-80 hcf	17 hcf	\$ 3.16	\$ 53.72
			\$ 92.22
Proposed Tier 0-21 hcf	21 hcf	\$ 2.78	\$ 58.38
Proposed Tier 22-42 hcf	10 hcf	\$ 2.93	\$ 29.30
			\$ 87.68
Decrease			\$ (4.54)
Net Increase per billing cycle			\$ 6.84
% Increase per billing cycle			4%

- Proposed Rate Structure

Sewer					
Customer	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	(\$/monthly)	(\$/monthly)	(\$/monthly)	(\$/monthly)	(\$/monthly)
Equivalent Dwelling Unit	\$99.30	\$106.25	\$113.69	\$121.64	\$130.16



- Enacted in November 1996, Proposition 218 (the Right to Vote on Taxes Act) added Articles XIII C and XIII D to the California Constitution.
- The articles defined a fee as “any levy other than an ad valorem tax, a special tax, or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service”. Water and sewer charges were considered property related.
- Proposition 218 added the following substantive requirements:
 - Revenues derived from the fee or charge cannot exceed the funds required to provide the property related service
 - Revenues derived from the fee or charge cannot be used for any other purpose other than for which the fee or charge was imposed for
 - A property-related fee or charge cannot exceed the proportional cost of service attributable to the parcel

- Majority protest process (not an election) subject to Proposition 218.
- San Bernardino County's Board of Directors adopts resolution declaring intention to increase rates and to establish procedures for accepting protests.
- Mail out a notice minimum 45 days in advance of a public hearing on the proposed rate increase.
- Property owners or tenants may submit written protests.
- Hold the public hearing and count all protests received before close of the public hearing.
- If more than 50% of parcels protest, then the County cannot increase the rates.
- Absent a majority protest, Board of Directors can adopt the 5-year rate plan.

- What if the proposed rates don't pass?
 - Regulatory issues
 - Indefinite deferral of capital improvement projects
 - Decreased services
 - Financially insolvent

- Present this information at community meetings in January/February 2017
- Prop 218 Notices will be sent out mid February
- Fee hearing at the Board on April 4, 2017
- Fee adoption at the Board on April 18, 2017
- New Fees (if approved) in place July 1, 2017