



**Special Districts Department**  
**Water and Sanitation Division**

## **Rate Study**

CSA 70 Zone J (Oak Hills) – Water  
CSA 70 SP-2 (High Country) - Sewer

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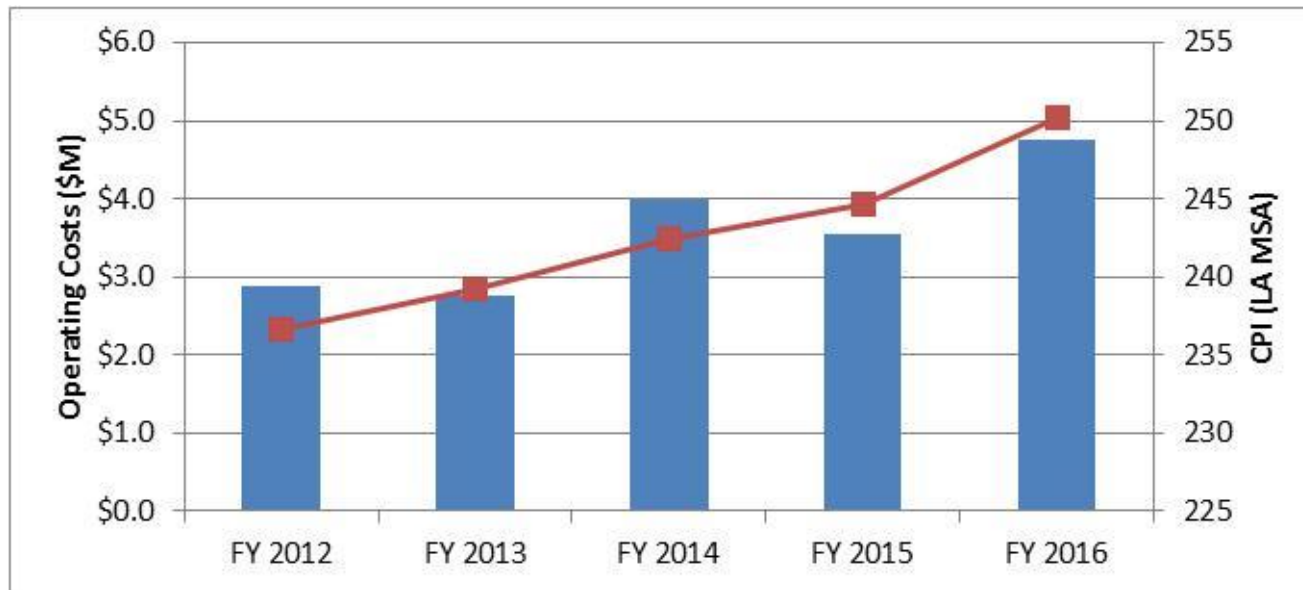
- Background
- Finances
- Rates & Rate Impacts
- Proposition 218
- Next Steps

# Why Are We Reviewing Rates?

- State Water Conservation Mandate
- San Juan Capistrano Rate Tier Ruling
- Regulatory Changes
- Capital Improvements/Aging Infrastructure
- Financial Stability of the District

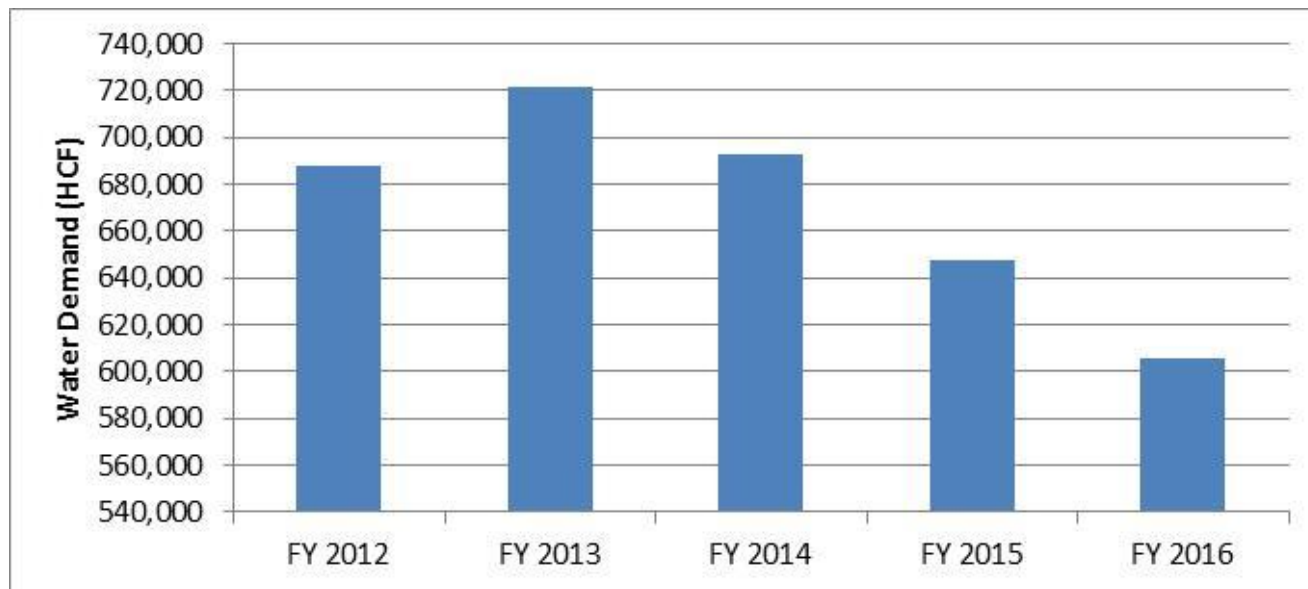
- CSA 70, Zone J serves the area of Oak Hills
  - Zone J has approximately 3,254 water connections, which equates to a population of roughly 12,040
- CSA 70 SP-2 serves the High Country Development tract of homes
  - SP-2 has approximately 503 sewer connections, which equates to a population of roughly 1,861
- In December 2015, the Department received approval from the County Administrative Office 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.
- Operating costs have risen over the past 5 years.

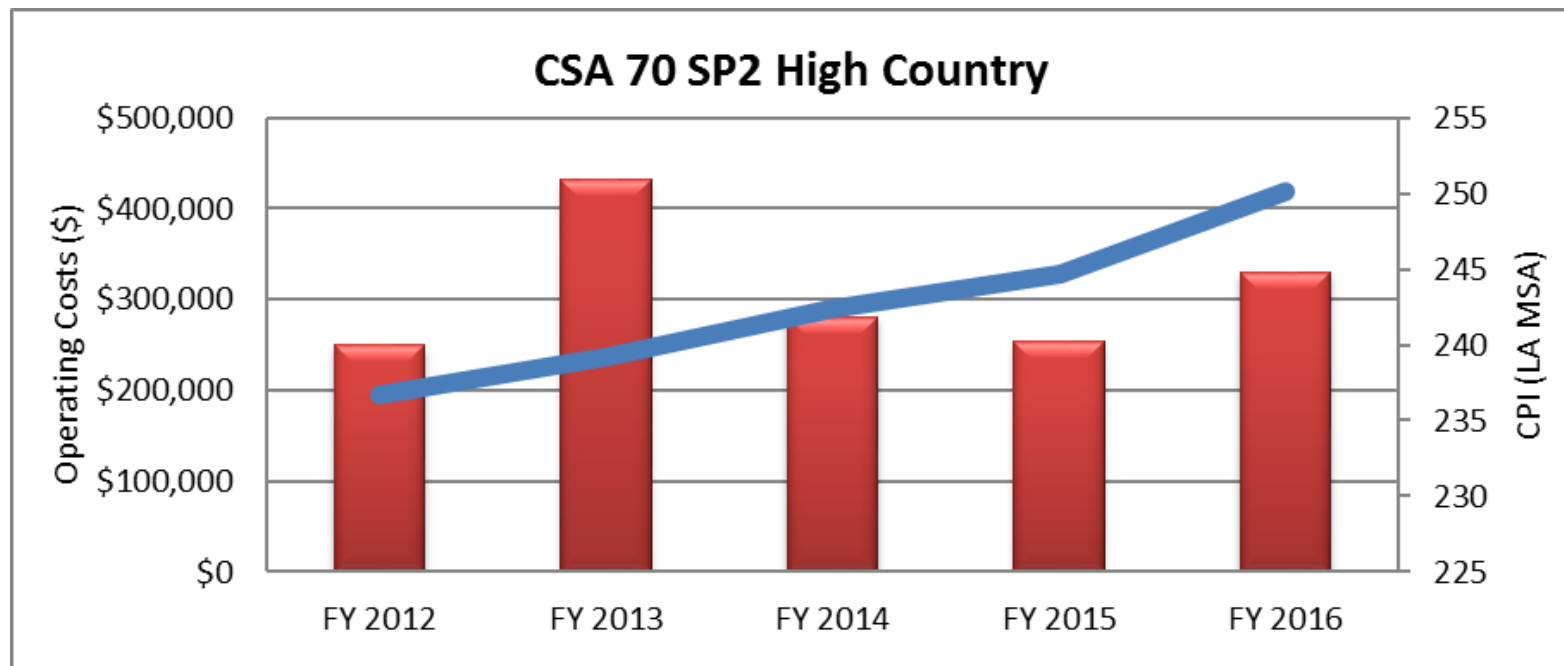


- Minor capital improvements have occurred, but there are anticipated high-cost, high-priority projects that need to be addressed.
  - Chromium VI Treatment, Well #6 / R3 Connection

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



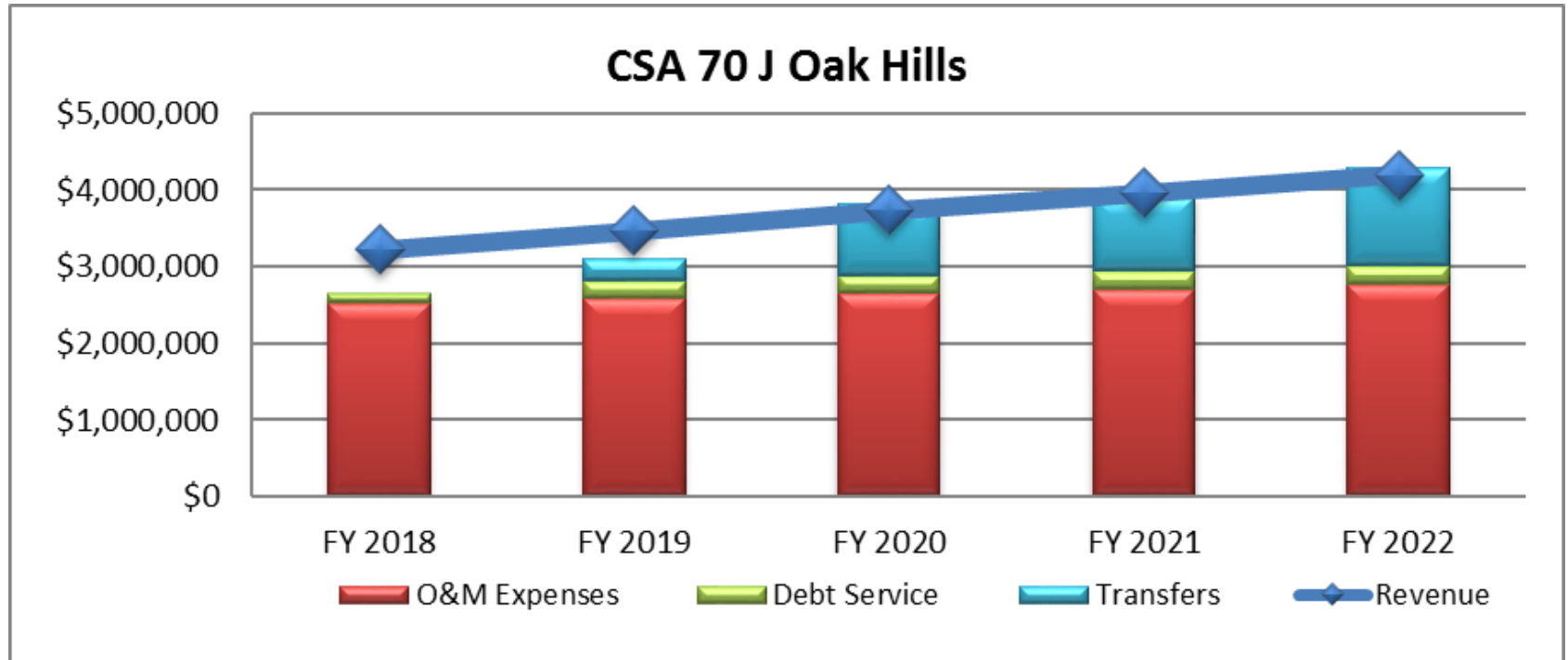
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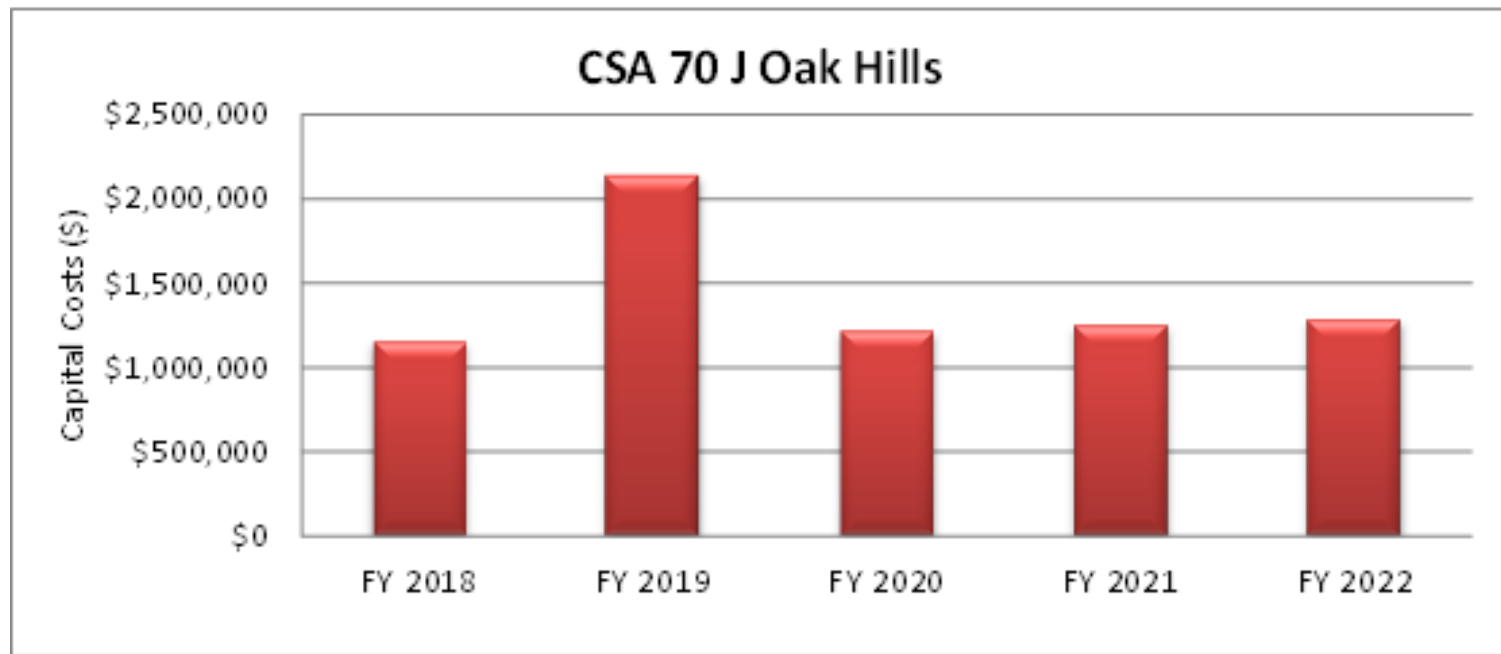
- Developed financial projections to determine annual revenue requirements and any necessary rate adjustments.
  - Based on customer billing information
  - Analyzed FY 2012 to FY 2016 historical data and FY 2017 budget
  - Incorporated continued state water conservation mandates
  - Included existing debt service payments and future \$1.5 million in debt-financing for critical capital needs (Zone J)
  - \$1.2M per year (Zone J) and \$114k per year (High Country) for annual maintenance, repairs, rehab
  - Operating cost inflation projected at 2-4%



- Operating fund projections with rate increases.

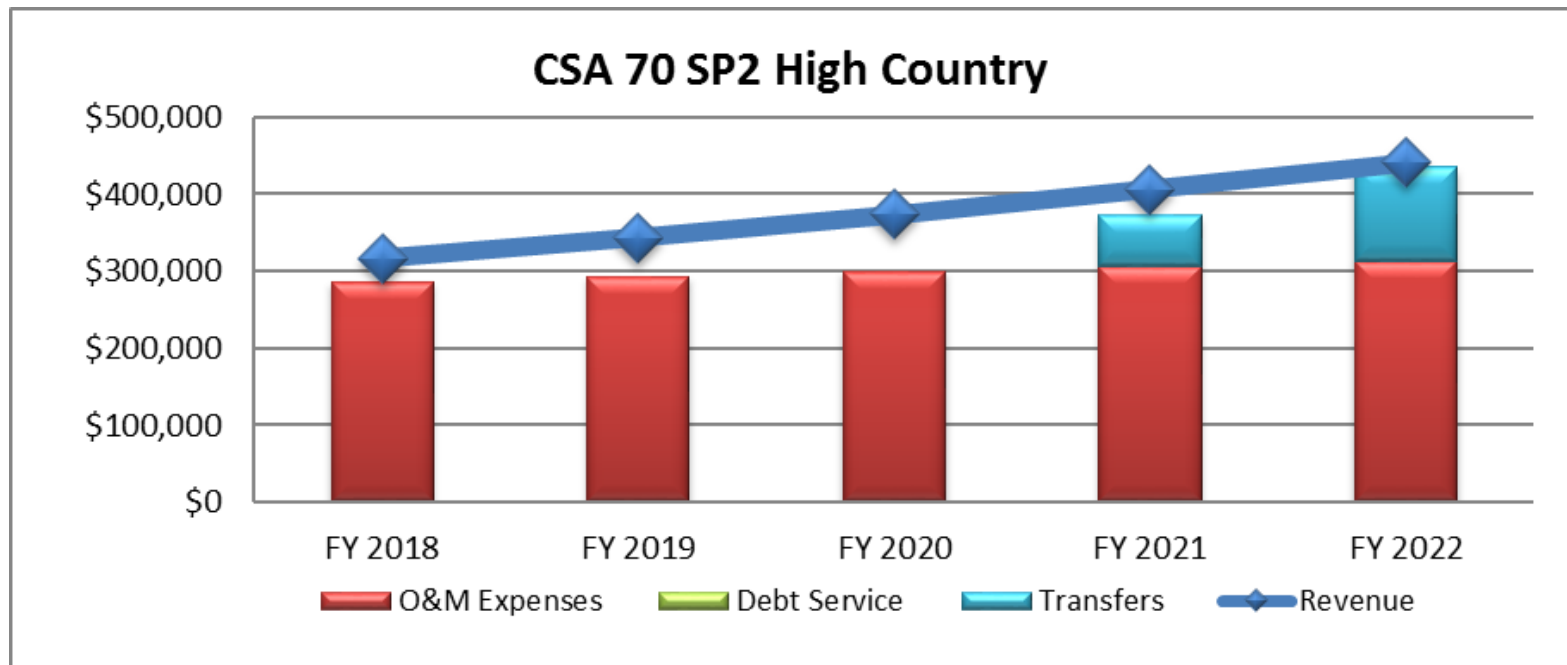


- Capital Improvement Program expenditures over the five-years.
  - Capital expenditures included routine projects that keep the system in working condition and one-time additions/betterments
  - Largest planned project is the Chromium VI Treatment at over \$3M.



- Other planned Capital Improvement Projects
  - Ongoing annual pipeline replacement
  - Water line extension/looping
  - Transmission line replacement
  - Water system chlorinators
  - Well house #5 enclosure for Motor Control Center
  - Well #6/R3 Connection
  - Chromium Treatment

- Operating fund projections with rate increases.



- The water rate structure includes:
  - Facility Charge (based on meter size)
  - Consumption Charge (based on hundred cubic feet)
    - Current - six 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 and is becoming an industry standard.
    - For CSA 70 Zone J (Oak Hills), we will move toward the 60/40 ratio over the five-year period
  - 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

### County Service Area 70 J - Oak Hills

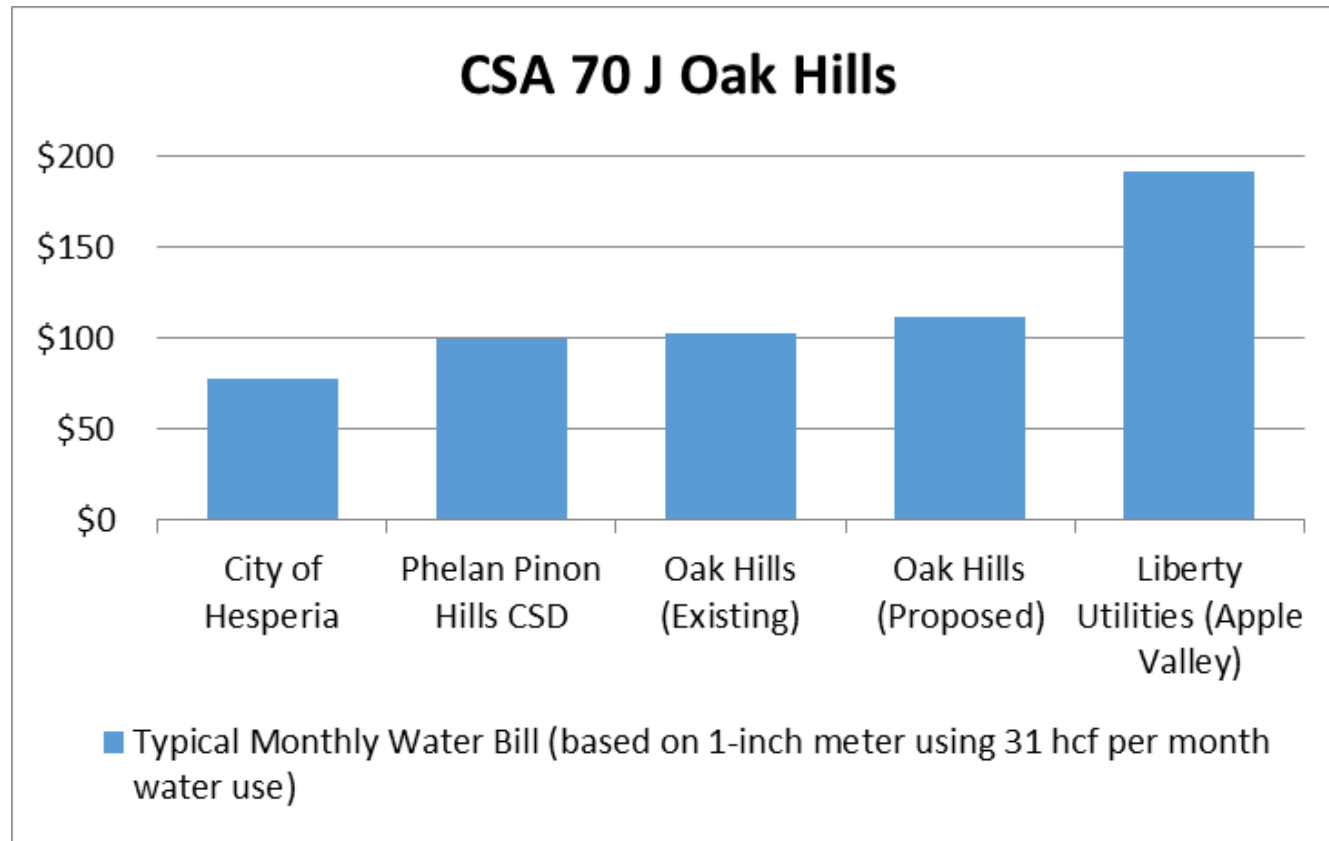
Description	Fiscal Year 2017
Facility Charge (by Month)	
3/4"	\$ 30.40
1"	30.40
1 1/2"	60.80
2"	97.28
3"	194.56
4"	304.00
6"	608.00
8"	972.50

Description	Fiscal Year 2017
Commodity Charge (Bi-Monthly Fee per hcf)	
0-14 hcf*	\$ 2.09
>14-72 hcf*	2.40
>72-108 hcf*	3.09
>108-144 hcf*	3.27
>144-180 hcf*	3.60
>180 hcf* and above	3.77

- Proposed Rate Structure

Water Charges	Proposed Rate Schedule				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	(\$/month)	(\$/month)	(\$/month)	(\$/month)	(\$/month)
Ready To Serve Charge					
3/4"	\$ 35.29	\$ 40.57	\$ 46.48	\$ 52.09	\$ 57.29
1"	35.29	40.57	46.48	52.09	57.29
1.5"	68.89	79.51	91.49	102.59	112.98
2"	109.38	126.42	145.71	163.43	180.09
3"	217.48	251.67	290.49	325.88	359.27
4"	338.95	392.41	453.16	508.40	560.59
6"	676.21	783.18	904.85	1,015.20	1,119.60
8"	1,081.09	1,252.30	1,447.09	1,623.61	1,790.67
Commodity Charge	(\$/HCF)	(\$/HCF)	(\$/HCF)	(\$/HCF)	(\$/HCF)
0-21 hcf	\$1.83	\$1.85	\$1.86	\$1.83	\$1.83
22-50 hcf	2.55	2.55	2.55	2.49	2.48
> 50 hcf	3.46	3.44	3.42	3.32	3.29

- Rate Impact and comparison to neighboring utilities





- Rate Impact for an average water customer

<b>Impact on Single Family Residential with a 1-inch meter using 31 HCF per month.</b>					
Overall Revenue Adjustment	7.0%	7.0%	7.0%	5.0%	5.0%
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Existing Rate Structure	\$ 130.86	\$ 134.51	\$ 145.49	\$ 157.52	\$ 167.51
Proposed Rate Structure	\$ 134.51	\$ 145.49	\$ 157.52	\$ 167.51	\$ 177.81
Increase (\$) per billing cycle (2 months)	\$ 3.65	\$ 10.98	\$ 12.03	\$ 9.99	\$ 10.30
Increase (%) per billing cycle (2 months)	2.8%	8.2%	8.3%	6.3%	6.1%

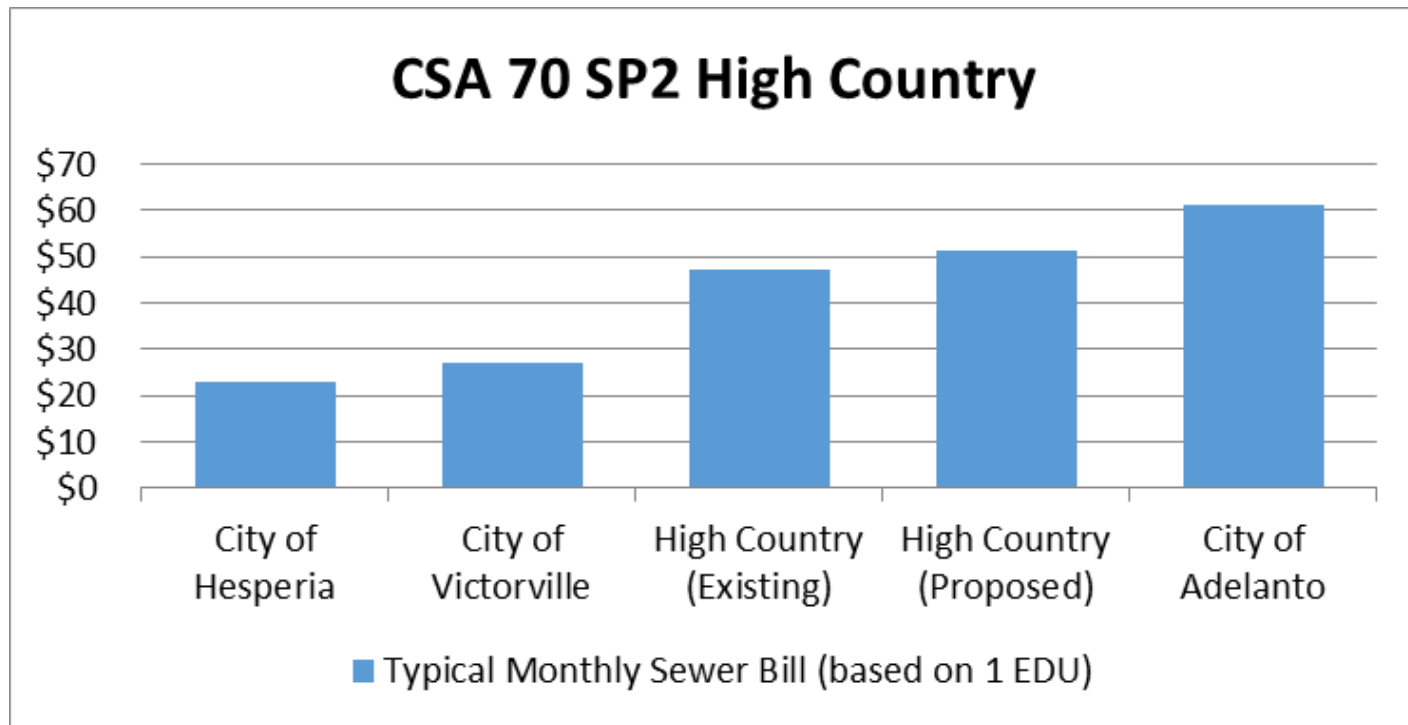
## Existing Rate Structure

Sewer	
Customer	FY 2016
Flat Charge	(\$/monthly)
Equivalent Dwelling Unit	\$47.15

## Proposed Rate Structure

Sewer	
Customer	
Flat Charge	(\$/monthly)
Equivalent Dwelling Unit	
FY 2018	\$51.28
FY 2019	\$55.76
FY 2020	\$60.64
FY 2021	\$65.95
FY 2022	\$71.72

- Rate Impact and comparison to neighboring utilities



- Rate impact for sewer customer

Overall Revenue Adjustment	8.75%	8.75%	8.75%	8.75%	8.75%
	Year 1	Year 2	Year 3	Year 4	Year 5
Existing Rate Structure	\$ 47.15	\$ 51.28	\$ 55.76	\$ 60.64	\$ 65.95
Proposed Rate Structure	\$ 51.28	\$ 55.76	\$ 60.64	\$ 65.95	\$ 71.72
Increase (\$) per month	\$ 4.13	\$ 4.48	\$ 4.88	\$ 5.31	\$ 5.77

- Mail out a notice a minimum 45 days in advance of public hearing on the proposed rate increase.
- Property owners or tenants may submit written protests.
- Absent a majority protest, Board of Supervisors can adopt the 5-year rate plan.

- What if the proposed rates don't pass?
  - Regulatory issues which could result in fines to the district
  - Indefinite deferral of capital improvement projects
  - Decreased services
  - Financially insolvent

- Present this information at community meetings in January and 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