

CAMBRIA COMMUNITY SERVICES DISTRICT

TO: Board of Directors

AGENDA NO. **3.D.**

FROM: Paavo Ogren, Interim General Manager

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Meeting Date: May 23, 2019

Subject: DISCUSSION AND CONSIDERATION OF ADOPTION OF RESOLUTION 19-2019 APPROVING WATER, SUSTAINABLE WATER FACILITY AND SEWER RATE INCREASES EFFECTIVE JULY 1, 2019 AS AUTHORIZED IN RESOLUTION 27-2018 IN ACCORDANCE WITH PROPOSITION 218

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**RECOMMENDATIONS:**

Staff recommends that the Board of Directors adopt Resolution 19-2019 approving water, Sustainable Water Facility (SWF) and sewer rate increases, effective July 1, 2019.

**FISCAL IMPACT:**

The proposed water, SWF and sewer rate increases are necessary to provide adequate revenues to: a) fund the annual costs of operating and maintaining CCSD's water, SWF, and sewer systems, and b) support increased funding for capital improvements primarily needed to repair, replace, and/or upgrade aging infrastructure. Specifically, the water rate increases are designed to phase in capital improvement funding to an annual level of \$700,000 over 3 years; the sewer rate increases are designed to phase in capital improvement funding to an annual level of \$800,000 over 3 years; and the SWF rates are designed to help restore balanced budgets assuming the facility is in operation for 2 months of each year on average.

The Bartle Wells analysis indicates that increases prescribed for July 1, 2019 will increase water rates by 10%, SWF rates by 14% and sewer rates by 15%. Details associated with the rate increases are illustrated in Exhibit "A" attached to Resolution 27-2018 and Resolution 19-2019.

**DISCUSSION:**

On October 4, 2018, the Board of Directors held a public hearing to consider adoption of Resolution 27-2018 establishing water, SWF and sewer rates for the then current fiscal year and increases on July 1, 2019 and July 1, 2020, and to determine if a majority protest to the proposed rate increases existed at that time. Water, SWF and sewer rate analysis and recommendations were prepared by Bartle Wells Associates. The October 4, 2018 meeting followed a number of prior meetings with CCSD's ad hoc Rate Study Committee and the Board of Directors that occurred from April through June 2018. Although a significant number of protests were received at the October 4, 2018 public hearing, a majority protest did not exist and Resolution 27-2018 was adopted.

As set forth in the notice required under Proposition 218 (Notice) leading to the adoption of Resolution 27-2018, the increases are necessary because the CCSD's utilities rely primarily on

revenues from service charges to fund the costs of providing service. As such, water, SWF and sewer rates must be set at levels adequate to fund the costs of operating and maintaining the District's water, SWF and sewer utility systems to support safe and reliable service. The Notice also indicated that the proposed rates were needed to fund capital improvement costs for repairing and replacing aging infrastructure. Many of CCSD's facilities are approaching the end of their useful operating lives and are in need of rehabilitation and/or replacement. These facilities include aging water and sewer pipelines, water pump stations, sewer lift stations, and CCSD's wastewater treatment facilities. Additional infrastructure improvements are needed to comply with regulatory requirements, including capital improvements to CCSD's Sustainable Water Facility and wastewater treatment plant.

Today's recommended action to adopt Resolution 19-2019 is in accordance with Resolution 27-2018 and Proposition 218. At the time that Resolution 27-2018 was adopted, the Board could have established automatic rate increases effective on July 1, 2019 and July 1, 2020. Instead, the Board opted to have those increases specifically considered and approved by the Board prior to implementation. By doing so, the Board reserved the right to review the fiscal status of the District's Water, SWF and Wastewater Funds before implementing the rate increases.

On April 23, 2019, the Finance Committee considered and approved findings supporting the July 1, 2019 rate increases on a 4-1 vote. Those findings are incorporated into the attached Resolution 19-2019. The findings include consistency with the needs established at the time Resolution 27-2018 was adopted on October 4, 2018. Additional findings were adopted by the Finance Committee supporting the rate increases and which identify actions taken by the District to establish goals, and promote accountability, cost effectiveness, coordination of standing committee efforts and budgetary actions, consistent with the need for the increases established in Resolution 27-2018.

Attachments: Resolution 19-2019

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BOARD ACTION: Date \_\_\_\_\_ Approved: \_\_\_\_\_ Denied: \_\_\_\_\_

UNANIMOUS:\_\_\_ PIERSON\_\_\_ FARMER \_\_\_RICE \_\_\_ STEIDEL \_\_\_ HOWELL\_\_\_