

CAMBRIA COMMUNITY SERVICES DISTRICT

TO: Board of Directors

AGENDA NO. **3.A.**

FROM: Jerry Gruber, General Manager

Meeting Date: July 12, 2018 Subject: RECEIVE AND DISCUSS WATER, SUSTAINABLE WATER FACILITY AND SEWER RATE RECOMMENDATIONS FROM BARTLE WELLS ASSOCIATES, AND CONSIDER PROPOSED WATER, SUSTAINABLE WATER FACILITY AND SEWER RATES AND SETTING A PROPOSITION 218 PROTEST HEARING DATE

RECOMMENDATIONS:

Staff recommends that the Board of Directors receive and discuss the water, Sustainable Water Facility and sewer rate recommendations from Bartle Wells Associates, and consider selecting proposed water, Sustainable Water Facility and sewer rates and setting a Proposition 218 protest hearing date.

FISCAL IMPACT:

The proposed water, Sustainable Water Facility (SWF), and sewer rate increases are phased in over the next three years to provide revenue necessary to fund the normal annual costs of water and sewer operations, as well as to provide funding needed for capital improvements to repair and replace aging facilities and comply with regulatory requirements.

Attached is a complete set of revised tables from Bartle Wells Associates, as well as the revised Proposition 218 notice incorporating the rates under the Scenario B Phase In. The tables include: a) water rate tables, b) SWF rate tables, c) sewer rate tables, and d) tables/charts showing the combined impacts. Mr. Handlers incorporated the recently approved preliminary budgets, which resulted in slightly decreased rates from what was previously presented.

Water Rate Increase Scenarios:

Cambria Community Services District
Summary of Water Rate Scenarios

	Sept-1 2018	July-1 2019	July-1 2020
A) Front-Load Increase			
Rate Increase %	32%	0%	0%
CIP Funding	\$700,000	\$700,000	\$700,000
B) Phased Approach			
Rate Increase %	15%	10%	5%
CIP Funding	\$400,000	\$600,000	\$700,000
C) Reduced Phase-In			
Rate Increase %	10%	8%	6%
CIP Funding	\$300,000	\$400,000	\$500,000

Proposed Sustainable Water Facility rates:

Cambria Community Services District
 Projected Sustainable Water Facility Charges

	Current Rates	Proposed SWF Charges Effective On or After				
		Sept 1 2018	July 1 2019	July 1 2020	July 1 2021	July 1 2022
Target Overall Rate Increase %		16%	14%	12%	5%	5%
FIXED BI-MONTHLY METER CHARGES						
Single Family Residences						
Monthly charge	\$6.50	\$7.93	\$9.04	\$10.13	10.64	\$11.17
Bi-monthly charge	13.00	15.86	18.08	20.26	21.28	22.34
All Other Accounts						
<i>Monthly charge based on water meter size</i>						
<i>Meter Size</i>	<i>Water Demand Ratio</i>	<i>Transition to same meter ratios as water rates</i>				
5/8 or 3/4-inch	1.00	\$7.93	\$9.04	\$10.13	\$10.64	\$11.17
1-inch	2.50	19.83	22.60	25.33	26.60	27.93
1-1/2-inch	5.00	39.65	45.20	50.65	53.20	55.85
2-inch or larger	10.00	79.30	90.40	101.30	106.40	111.70
SWF QUANTITY CHARGES						
<i>Charge per unit (ccf) of metered water use</i>						
SWF Quantity Charge						
<i>For SWF facility cost recovery</i>						
Rate Tier	Bi-Monthly Use	Charge per Unit (ccf)³				
Tier 1	1 - 4 ccf	\$1.50	\$1.75	\$1.99	\$2.23	\$2.34
Tier 2	5 - 16 ccf	3.00	3.50	3.99	4.47	4.68
Tier 3	>16 ccf	4.50	5.25	5.98	6.70	7.02
Temporary SWF Operating Surcharge						
<i>Only charged during periods of operation</i>						
Rate Tier	Bi-Monthly Use	Charge per Unit (ccf)³	<i>Temporary SWF Operating Surcharges are eliminated and rolled into ongoing SWF Quantity Charges</i>			
Tier 1	1 - 4 ccf	\$1.50				
Tier 2	5 - 16 ccf	3.00				
Tier 3	>16 ccf	5.00				

SWF rates were originally adopted prior to construction and operation of the facility based on preliminary engineering cost estimates. These rates need to be increased to provide adequate funding for operations and maintenance and to provide a small level of ongoing funding for capital improvements. The proposed SWF rates eliminate the previously-adopted temporary surcharges levied during periods of operation and transition cost recovery to the ongoing rates charged year-round. The proposed rates support funding for two months of SWF operations (including brine hauling and disposal costs) each year. If the SWF does not need to be operated in future years, CCSD may be able to defer and/or reduce future year rate increases.

Sewer Rate Increase Scenarios:

	Sept-1 2018	July-1 2019	July-1 2020
A) Front-Load Increase			
Rate Increase %	50%	0%	0%
CIP Funding	\$800,000	\$800,000	\$800,000
B) Phased Approach			
Rate Increase %	18%	15%	12%
CIP Funding	\$300,000	\$500,000	\$800,000
C) Reduced Phase-In			
Rate Increase %	16%	13%	10%
CIP Funding	\$150,000	\$400,000	\$600,000

DISCUSSION:

The Board of Directors previously directed that staff move forward with a rate study to evaluate rate increases needed to support financial stability of the Water and Sewer Funds and to provide adequate funding for capital improvements to the District’s aging water and sewer system infrastructure. At that time, the Board approved retaining Bartle Wells Associates to prepare the rate study and assist in the Proposition 218 process.

Alex Handlers presented three options for rate structures during a townhall meeting held on June 19, 2018 at the Cambria Veterans Hall to receive public input. There were approximately 55 people in attendance, including staff and the media. Many comments and questions were received.

Proposition 218, which was adopted by the voters in November, 1996, added Article XIID to the State Constitution and governs the process for water rate increases. Under Section 6 of Article XIID, a notice must be sent to all property owners and customers at least 45 days before the public hearing. A draft notice with proposed water, SWF, and sewer rates will be prepared following the Board’s selection of the rate structure. Staff recommends that the Board of Directors approve the mailing of the notice to property owners and ratepayers, subject to additional changes that are deemed necessary by the General Manager and District Counsel, and set the date and time of a public hearing at which protests will be tabulated. If no majority protest exists, the proposed rates would be considered for adoption. The Board would have the authority to adopt rates at or below the levels included in the Proposition 218 Notice.

Key decisions for Board input and direction include:

- Proposed rates to include in the Proposition 218 Notice;
- Effective date for proposed rate increases (the draft recommendations assume the first rate increase would become effective September 1, 2018, with future increases being effective on July 1 (the beginning of the fiscal year));
- Setting a date and time for a Public Hearing on the proposed rates;
- Direction for staff to move forward with the preparation and mailing of the Proposition 218 Notice to affected property owners and ratepayers. The notice must be mailed at least 45 days prior to the date of the Public Hearing.

Attachments: Revised Rate Study Tables – July 5, 2018
Draft Proposition 218 Notice

BOARD ACTION: Date _____ Approved: _____ Denied: _____

UNANIMOUS: ___RICE ___BAHRINGER ___FARMER ___WHARTON___PIERSON___