



AGENDA
SPECIAL MEETING OF THE
BOARD OF DIRECTORS
WEDNESDAY, JANUARY 15, 2025 - 9:30 AM
1391 Engineer Street, Vista, CA 92081
Phone: (760) 597-3100 www.vidwater.org

NOTICE FOR PARTICIPATION

In compliance with the Americans with Disabilities Act, if special assistance is needed to participate in the Board meeting telephonically, please contact the Board Secretary during regular business hours at (760) 597-3128. Notification received 48 hours before the meeting will assist Vista Irrigation District in making reasonable accommodations.

The public may participate in this meeting in-person and by teleconference. To join this meeting via telephone, please dial (877) 873-8018; the Pass Code is 474698#.

Public Participation/Comment: Members of the public can also participate in the meeting by emailing your comments on an agenda item to the Board Secretary at BoardSecretary@vidwater.org; such email should include the agenda item number in the subject line and must be received before the time the meeting commences. Members of the public, whether participating in-person or telephonically, may address the Board of Directors in real-time during the public comment period and when specific agenda items are being considered. Please announce your attendance if participating telephonically or fill out a speaker slip if participating in-person if you would like to provide real-time public comment.

1. CALL TO ORDER

2. ROLL CALL – DETERMINATION OF QUORUM

3. PLEDGE OF ALLEGIANCE

4. CONSIDER APPROVAL OF AGENDA

In the case of an emergency, items may be added to the Agenda by a majority vote of the Board of Directors. An emergency is defined as a work stoppage, a crippling disaster, or other activity that severely imperils public health, safety, or both. Also, items that arise after the posting of the Agenda may be added by a 2/3 vote of the Board. Items on the agenda may be taken out of sequential order as their priority is determined by the Board of Directors. The Board may take action on any item appearing on the agenda.

5. ORAL COMMUNICATIONS

Members of the public may address the Board on items not appearing on the posted agenda, which are within the subject matter jurisdiction of the Board. Speakers are asked to limit their comments to five (5) minutes; the total time allowable for all public comment on items not appearing on the agenda at any one meeting may be limited. Comments on items listed on the agenda will be taken before or during discussion of the agenda item. Members of the public desiring to address the Board are asked to complete a speaker's slip available on the table near the entrance of the Boardroom and present it to the Board Secretary prior to the meeting.

6. **COMPREHENSIVE COST OF SERVICE/WATER RATE STUDY WORKSHOP**
Recommendation: Receive an informational presentation on the Comprehensive Cost of Service/Water Rate Study.
7. **COMMENTS BY DIRECTORS**
This item is placed on the agenda to enable individual Board members to convey information to the Board and the public not requiring discussion or action.
8. **COMMENTS BY GENERAL COUNSEL**
Informational report by the General Counsel on items not requiring discussion or action.
9. **COMMENTS BY GENERAL MANAGER**
Informational report by the General Manager on items not requiring discussion or action.
10. **ADJOURNMENT**

- *The agenda package and materials related to an agenda item submitted after the packet's distribution to the Board are available for public review in the lobby of the District office during normal business hours.*
- *Agendas and minutes are available at www.vidwater.org.*
- *VID Board meetings are generally held on the first and third Wednesday of each month.*

AFFIDAVIT OF POSTING

I, Ramee Ogilvie, Board Secretary of the Vista Irrigation District, hereby certify that I posted a copy of the foregoing agenda outside the lobby of the District office at 1391 Engineer Street, Vista, California at least 24 hours prior to the meeting, in accordance with Govt. Code Sec. 54956.

Date: January 7, 2025



Ramee Ogilvie, Board Secretary



STAFF REPORT

Agenda Item: 6

Board Meeting Date: January 15, 2025
Prepared By: Shallako Goodrick
Approved By: Brett Hodgkiss

SUBJECT: COMPREHENSIVE COST OF SERVICE/WATER RATE STUDY WORKSHOP

RECOMMENDATION: Receive an informational presentation on the Comprehensive Cost of Service/Water Rate Study.

PRIOR BOARD ACTION: At its October 23, 2024 meeting, the Board authorized the General Manager to enter into an agreement with Raftelis Financial Consultants, Inc. (Raftelis) to prepare comprehensive cost of service/water rate study and provide associated public outreach services in an amount not to exceed \$91,716.

FISCAL IMPACT: None.

SUMMARY: Historically, staff has prepared cost of service/water rate studies (based on capital projects being funded on a pay-go basis) and developed the required noticing for the public hearing in compliance with Proposition 218. However, with the District incorporating debt financing into this cost of service/water rate study, staff (with input from its financial advisor, NHA Advisors) determined that it would be best to use a consulting firm that has experience in integrating financing instruments into water rate models to prepare the cost of service/water rate study. The District entered into an agreement with Raftelis to prepare comprehensive cost of service/water rate study, including cost of services analysis and water rate model development, and provide associated public outreach services (e.g. town hall meetings, public hearing notices, etc.).

Staff has requested that Raftelis make a presentation to the Board to share information about the cost of service/water rate study process and public outreach activities. Topics to be discussed will include rate setting basics, recent water rate cases, the District's current water rate structure, fixed charge basics and trends, and a public outreach overview. This will be an interactive workshop that will provide the Board with opportunities to ask questions and provide feedback about the topics discussed.

Steve Gagnon and Gina DePinto from Raftelis will be making today's presentation.

ATTACHMENT: Presentation slides

Vista Irrigation District

Water Rate Study – Rate Setting Basics, Rate Structure
and Fixed Charge Considerations



Raftelis Project Team



Steve Gagnon, PE (AZ)
Project Manager

24 years of experience

16+ years of financial planning
and rate setting for CA utilities

Registered with the MSRB as a
Municipal Advisor

Environmental Engineer in AZ

Former Chair of CA-NV AWWA
Financial Management Committee



Gina DePinto, APR
Communications Lead

Manager

35 years communications and
outreach experience

Member Public Relations Society
of America

Member California Assn of Public
Information Officials

Member AWWA: CA-NV Section

Member Municipal Managers
Assn of Southern California



Nicki Bartak
Staff Consultant

Consultant

6 years of experience in the water
and utility industry

Member AWWA: Rocky Mountain
Section

Agenda

1. Introduction
2. Rate Setting Basics
3. Cozhiar vs Otay Water District
4. Fixed Charge Considerations
5. Public Outreach

What is a Rate Study?

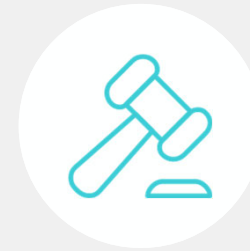
A financial planning and rate setting process that considers:



Community Objectives:
Conservation, Affordability
Fairness & Equity
Rate and Revenue Stability

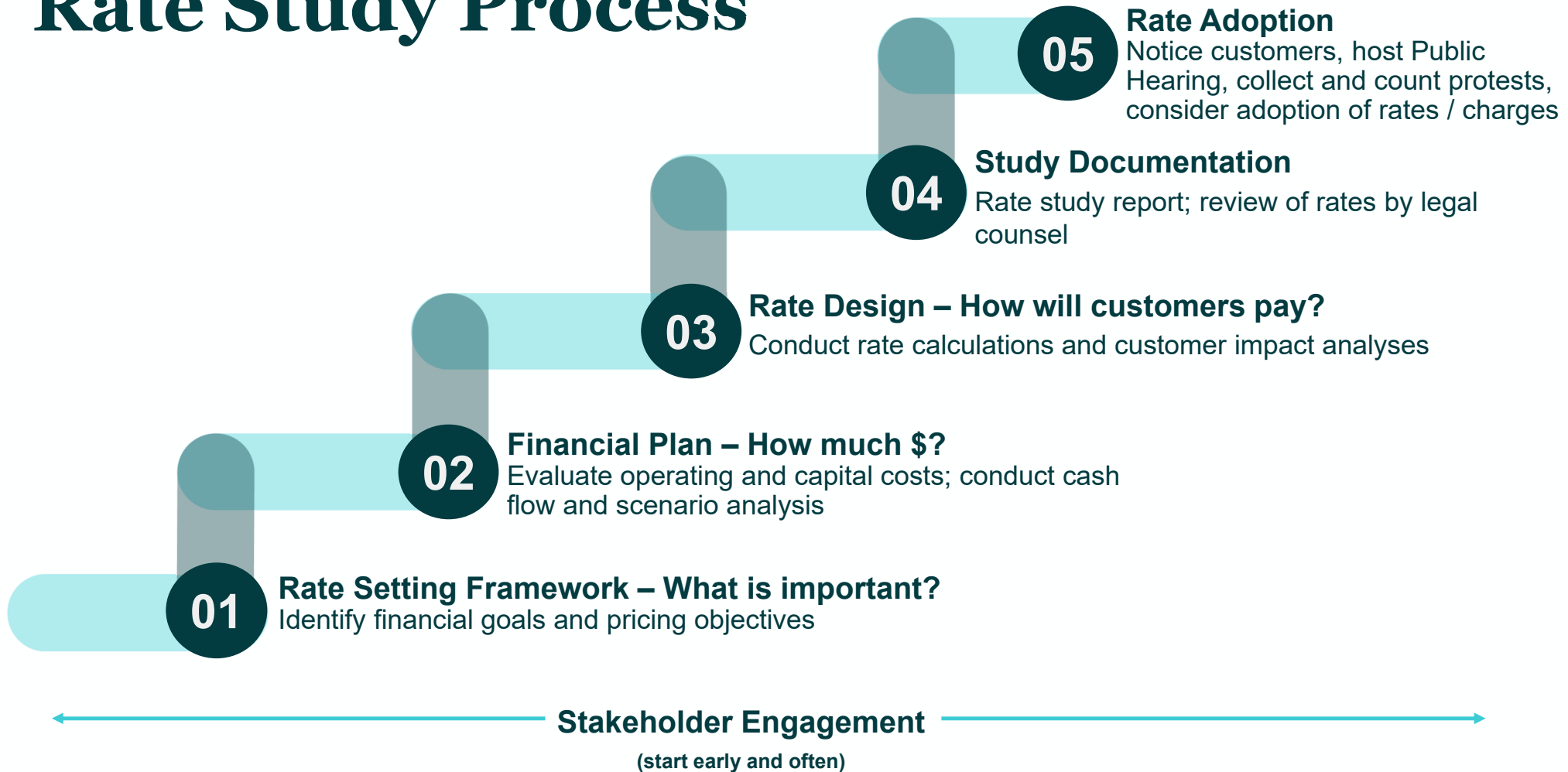


**Promotes Utility Financial
Viability by Recovering
Costs:**
O&M
Capital
Reserves
Debt Service



Legally Defensible

Rate Study Process

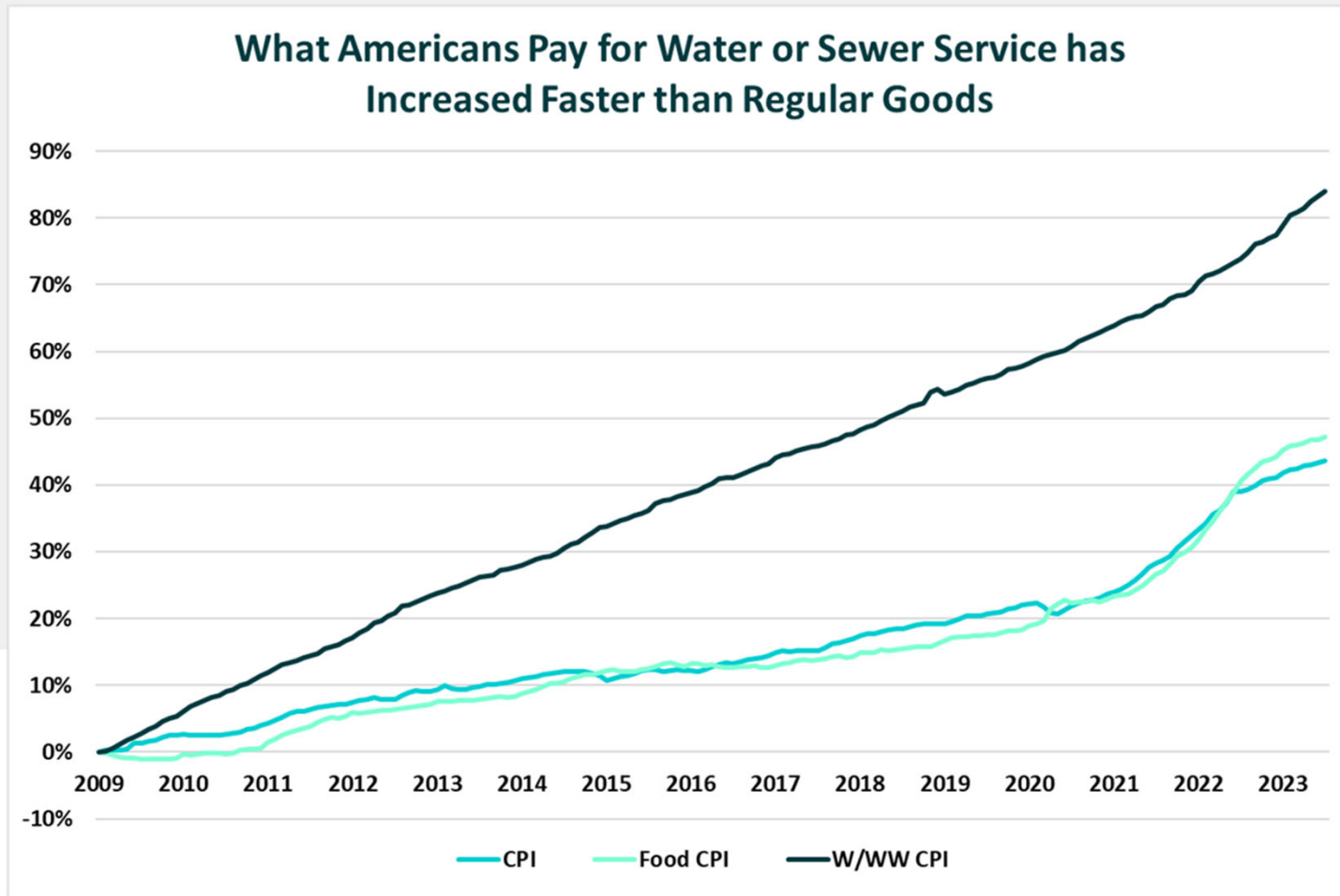


Why Would the District do a Water Rate Study?

- **Rates must keep up with the District's costs**
- Water service is not like other government services (Police, Fire, Libraries, Parks) that are funded by tax dollars from a General Fund
- The District is primarily funded by customer rate revenue
 - › It's a non-profit business
- By law (Proposition 218), rates must be based on the cost to serve water



Utility Rates vs. Other Goods



CBS News article: "Water costs are rising across the US – here is why", August 27, 2019

Proposition 218 Requirements – Paraphrased

Cannot collect more than what you need

Revenue must be used to cover the costs for which the charge was imposed

Must send a written notice to customers no less than 45 days before a public hearing

The fee may not exceed the proportional cost to serve the parcel

The charge must be for a service that is actually used or immediately available

Key California Legal and Regulatory Requirements

Cost of Service Requirements

Proposition 26



Proposition 218
Article XIIC and XIID of
California Constitution



Water Conservation



**Article X of California
Constitution**



Water Code Section 106
Domestic water use
prioritized over irrigation



Urban Water Use Objective
Calculated efficiency and
reporting



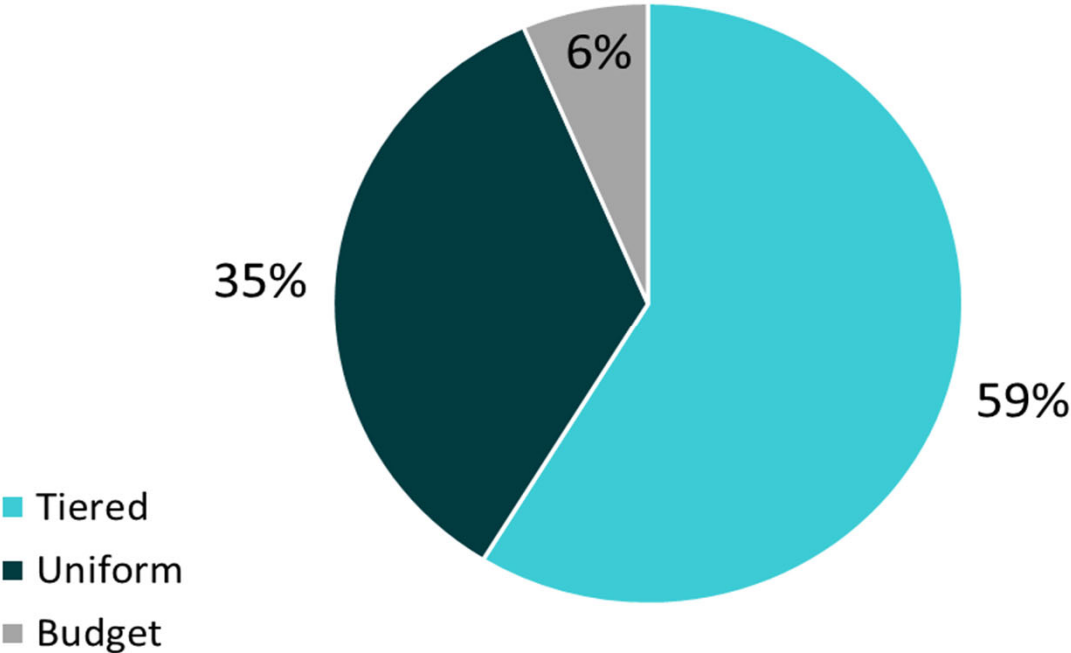
SWRCB self certification of three
years adequate supplies

Rate Structure Prevalence



FY 2023 CA-NV AWWA Rate Survey Results

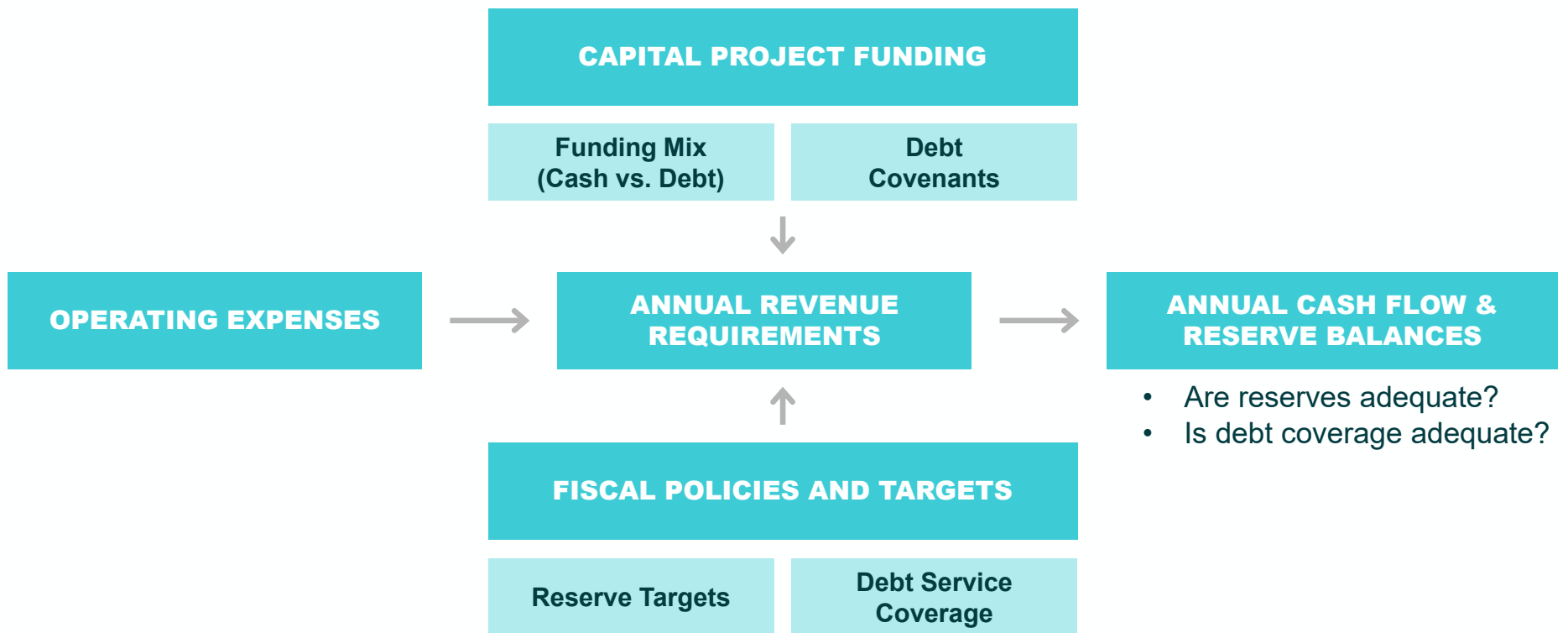
Prevalence of Rate Structures Based on a Survey of 325 Agencies



Rate Setting 101

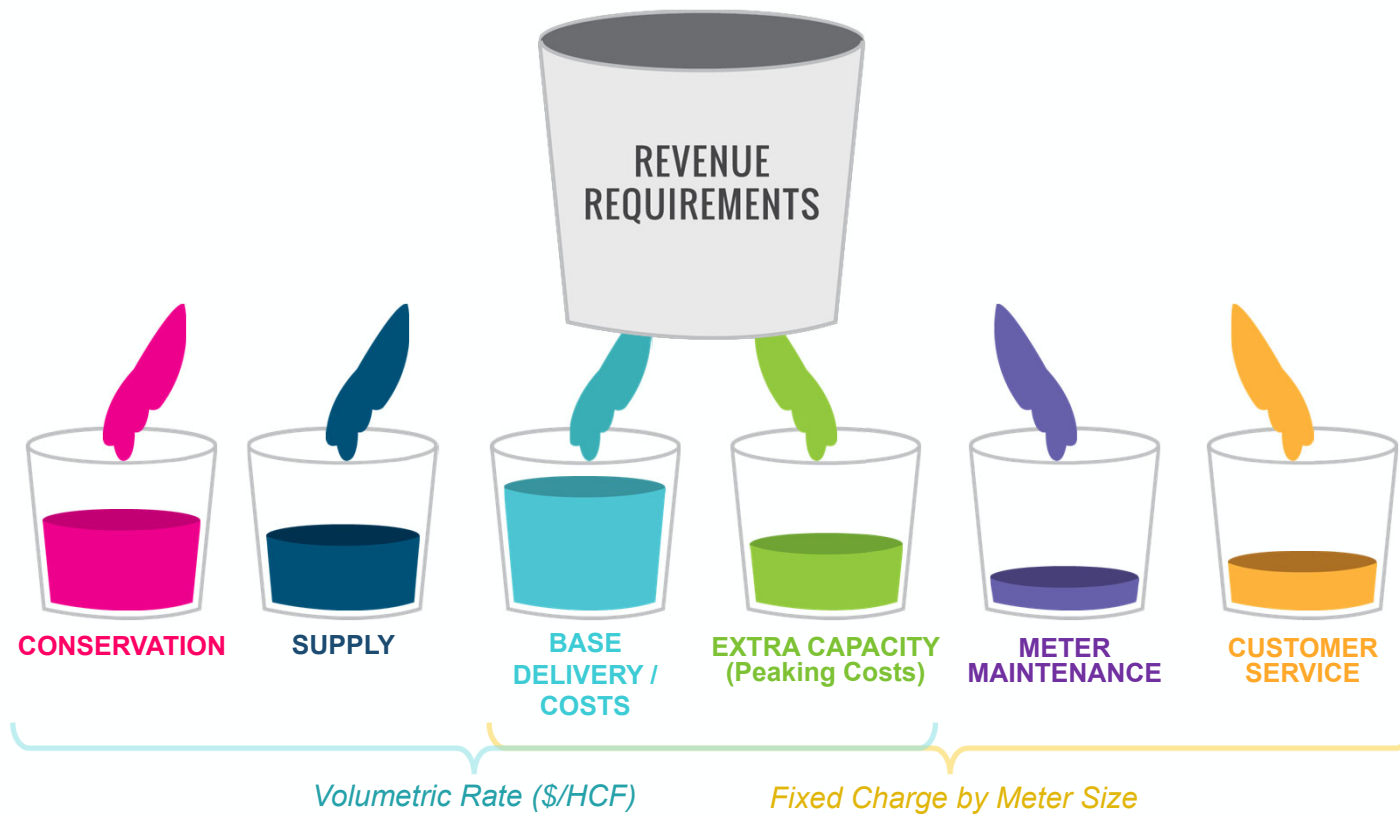


Financial Planning



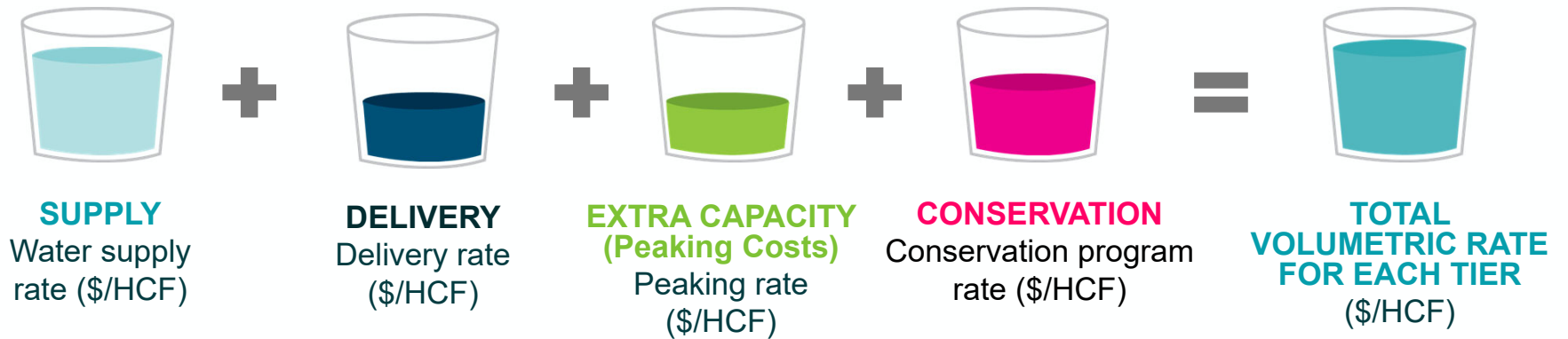
Cost of Service

Allocation to Cost Components



Rate Design

Volumetric Rate Derivation



District of Utopia (Residential)

	Water Supply	Delivery	Peaking	Conservation	Revenue Offset	Total Rate
Tier I	\$1.055	\$0.579	\$0.361	\$0.000	-\$0.074	\$1.921
Tier II	\$2.645	\$0.579	\$0.454	\$0.000	\$0.000	\$3.678
Tier III	\$2.907	\$0.579	\$0.651	\$1.229	\$0.000	\$5.366

District of Sweet Dreams (Residential)

	Water Supply	Delivery	Peaking	Conservation	Total Rate
Tier I	\$3.11	\$0.83	\$0.16	\$0.03	\$4.22
Tier II	\$3.11	\$0.83	\$0.47	\$0.03	\$4.51
Tier III	\$3.11	\$0.83	\$0.86	\$0.03	\$4.81

Peaking Costs Defined

Electric utility peak loads

- Producers “fire-up” plants or buy power to meet peak loads

Water utilities experience peak loads and need the right sized infrastructure to meet those loads

- **Infrastructure:** storage tanks, transmission/distribution pipes, pumps are often sized to meet peak day, and sometimes hourly flows
 - › Capital costs are affected by infrastructure size
 - › Operating costs can be allocated in proportion to design or operating conditions
- Wholesale water supply costs
 - › Metropolitan Water District Capacity Charge
 - recovers the costs of peaking capacity within the distribution system
 - Based on 3-year trailing peak use
 - Reasonable to assign the MWD Capacity Charge as a peaking cost

Peaking's Role in System Design/Evaluation

Every system is different:

Water Master Plans

- “System Design or System Evaluation Criteria”- design factors used to evaluate the water system

Design guidance

- San Diego County Water Agencies' Standards
 - › Section 2.3 and 4.1

Often a minimum size for water mains

DISTRIBUTION SYSTEM ANALYSIS

The hydraulic model is used to evaluate the system pressures under the demand conditions of year 2025 for the following three criteria.

1. Meet PHD while maintaining a minimum pressure of 40 psi
2. Meet PHD while not exceeding the maximum pressure of 90 psi and 125 psi for hilly terrain (if possible)
3. Meet MDD and fire flow while maintaining a minimum pressure of 20 psi

The results of these analyses are discussed below.

System Pressures under Maximum Day and Peak Hour Conditions

For the first criterion, the model is run for 24 hours with MDD. The demands at 7 AM on the maximum day are equal to PHD. The pressures are evaluated only for the 5,773 demand nodes, because the pressure criteria do not apply to transmission mains or at water facility locations, provided that the minimum pressure exceeds 5 psi. The model run identifies 94 demand nodes or approximately 2 percent of the system with pressures below 40 psi. Low pressures vary between 2 and 40 psi. Most of these locations are isolated areas and are relatively insignificant to the overall system successful operation. Thus, no recommendations are made for these junctions with low pressures during Year 2025 PHD conditions.

Peaking's Role In System Design/Evaluation

Western Municipal Water District below

2.01 SYSTEM DEMAND CRITERIA FOR TRACT DEVELOPMENT

Western's staff reserves the right to determine criteria for each water system or sub-system based upon conditions that may exist for that particular location, anticipated level of development, planned use or other criteria. **In general, however, water pipelines, tanks, pump stations, pressure reducing stations and appurtenances shall be sized to handle the highest demand on the system within the sphere of influence and shall provide capacity for the following conditions:**

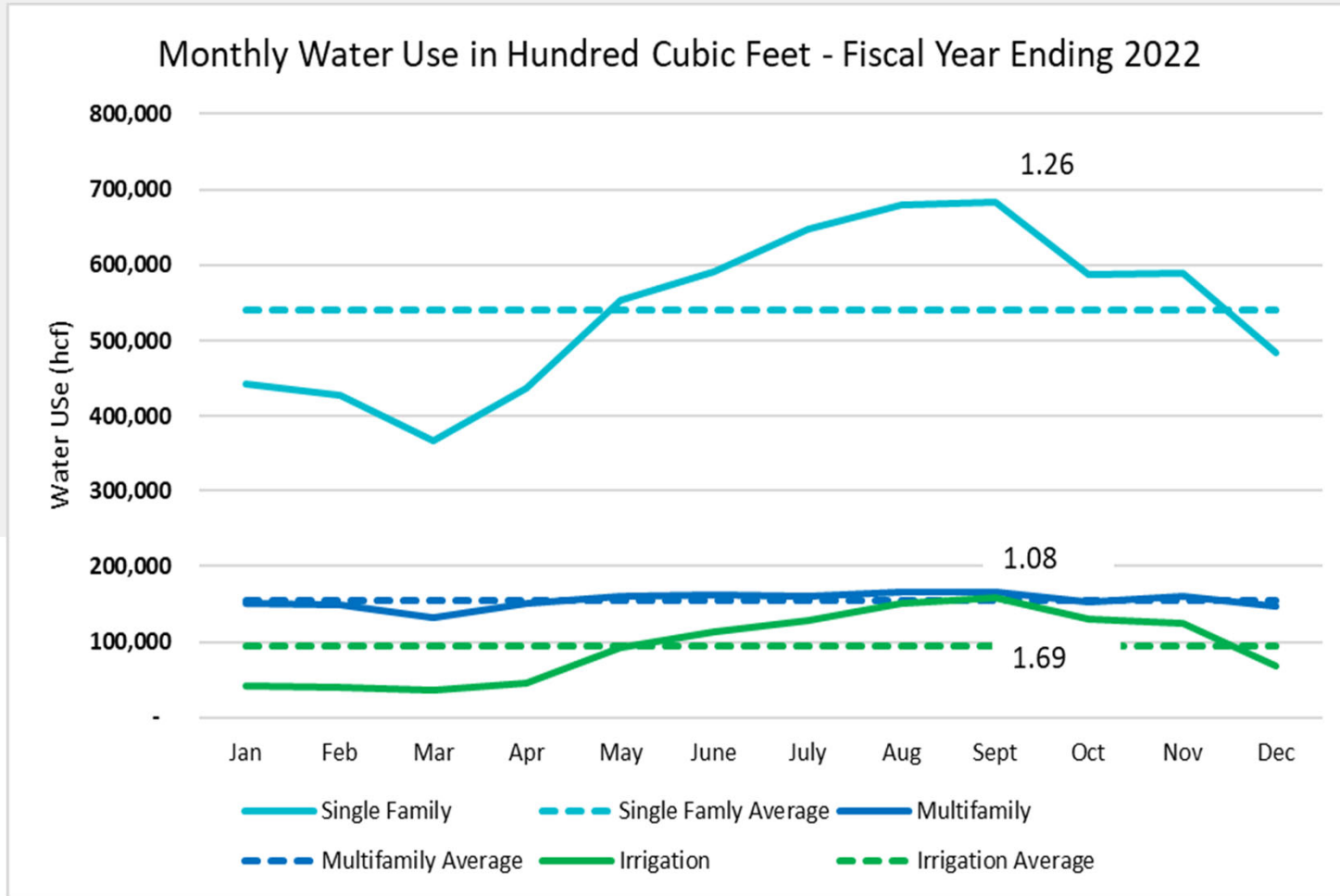
1. The peak hour demand.
2. The maximum daily demand plus fire flow.
3. Tank refill, if required.

Table 7-1
Water System Evaluation Criteria

Description	Value	Units	Evaluation Demand Conditions
Water Supply			
Meet MDD with the largest source ¹ out of service while maintaining reservoir levels over the course of the day.	N/A	N/A	MDD
System Pressure			
Maximum Pressure	90	psi	PHD
Maximum Pressure for Hilly Terrain	125	psi	PHD
Minimum Pressure, without fire flow	40	psi	PHD
Minimum Pressure, with fire flow	20	psi	MDD
Pipeline Velocity			
Maximum Velocity for Transmission Pipelines (16-inch diameter and greater)	5	fps	MDD
Maximum Velocity for Distribution Pipelines (less than 16-inch diameter)	8	fps	MDD
Fire Flow Requirements			
Single family Residential	1,250	gpm	MDD for 1 hour
Medium Density Residential	1,500	gpm	MDD for 2 hours
High Density Residential	3,000	gpm	MDD for 3 hours
Commercial	3,000	gpm	MDD for 3 hours
Industrial	3,000	gpm	MDD for 3 hours
Office	3,000	gpm	MDD for 3 hours
Schools	4,000	gpm	MDD for 4 hours
Open Space	0 – 1,000	gpm	n/a
Storage Volume			
Operational	30 percent of MDD	MG	MDD
Fire Fighting	Highest fire flow requirement	MG	MDD
Emergency	50 percent MDD	MG	MDD
Booster Station Capacity			
All gravity fed zones: Meet MDD and replenish the operational storage of reservoirs with largest pump unit out of service for 24 hours	N/A	N/A	MDD
All pumped zones (without gravity storage supply): Meet PHD with largest pump unit out of service for 24 hours	N/A	N/A	PHD

1 - The largest supply source of the City is the connection with the PWR-JWL at Arrow Highway and E. Street serving Reservoir 5.

Peaking: Yearly Water Use



Ignoring Peaking Costs

- One less component to better allocate costs
- One less component to help differentiate the rate in each tier
- One less component to help send a price signal

City of Utopia (Residential)

	Water Supply	Delivery	Peaking	Conservation	Revenue Offset	Rate w/o Peaking	Rate w Peaking
Tier I	\$1.055	\$0.579	\$0.432	\$0.000	-\$0.074	\$1.992	\$1.921
Tier II	\$2.645	\$0.579	\$0.432	\$0.000	\$0.000	\$3.656	\$3.678
Tier III	\$2.907	\$0.579	\$0.432	\$1.229	\$0.000	\$5.147	\$5.366

Must Peaking be Part of Rates?



No requirement to implement rates that allocate peaking costs to customer classes or tiers

- It is peer reviewed guidance suggested by the AWWA M1 Manual



Many agencies in California have a uniform rate for all customers, thereby not accounting for peaking

- A uniform rate *by class*, allocates peaking costs to each class, and accounts for peaking



Coziahr vs Otay

Regarding Peaking:

1. Otay did not show the court how peaking costs affects rates,
2. Monthly data is not sufficient because *time* of use is important
 - › Time of use *not* important; the *magnitude* of the peak, on the peak day, in comparison to other classes is important

Regarding only tiering the SFR class:

1. “Unjustified Differential Treatment” since the Single-Family class is tiered and non-residential is not

Should All Classes be Tiered?

- Rates are deemed fair and equitable if each class pays its share; this meets the Prop 218 requirement of the cost to serve the parcel
- Tiered rates have historically applied to Single Family customers
 - › SFR water use is more homogeneous compared to other classes;
 - › Homes need *approximately* the same amount of water, mostly have the same meter size, and any use beyond a certain amount (tier 1 or tier 2) is outdoor discretionary water use



Should All Classes be Tiered?

- When we assign supply costs to the tiers, we are making a judgement call on what is reasonable indoor water use for homes (in tier 1)
 - › Tier 1 gets the lowest water supply unit rate
 - › Tier 2 water “comes from” more expensive, often imported, water supply
- Not only is the rate based on the cost, but it sends a price signal and promotes reasonable water use
- Easy to define what is a *reasonable volume* for tier 1 SFR use because most homes need a similar volume; anywhere from 5 to 10 hcf monthly

Should All Classes be Tiered?

- It is difficult to define a reasonable tier 1 (and other tier) water use for commercial / industrial
 - › There is much more variation in commercial water use
 - › Example: small business (clothing store) vs food & beverage manufacturer, hospital, or textiles
- We often agree, that it is reasonable to assign higher cost water to tier 2 SFR use because its discretionary
- But is it equitable to charge a large commercial/industrial customer, who's water use will mostly fall in tier 3, the higher unit rate of water supply?

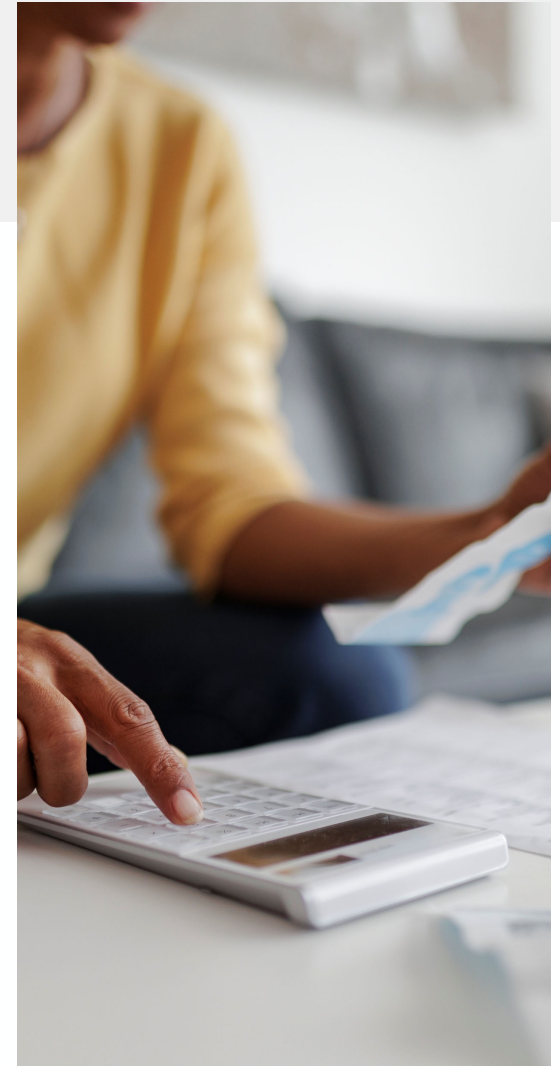
Should All Classes be Tiered?

Only way to avoid this is to have customer classes by **meter size**

- Forgo traditional customer classes, SFR, MFR, Commercial, Industrial etc.

But combining traditional classes ignores peaking behavior

- A 2” irrigation meter will “peak more” than a 2” commercial meter



Pros/Cons of VID's Current Rate Structure

AWWA M1 Manual		Cozhiar vs Otay Case	
Pros	Cons	Pros	Cons
Since each customer has an allotment by meter size, it minimizes commercial / industrial inequities of paying for most of their use in the upper tiers	Peaking costs are not acknowledged because traditional customer classes with the same meter are in the same group by meter size (Ex: 2" Irrigation vs 2" Commercial meters)	Don't have to explain and defend peaking Customer tiers are in line with capacity fees which are by meter size	
		All classes are tiered, therefore no concern of "Unjustified Differential Treatment"	

- In Summary, VID's rate structure does not account for peaking but looks favorable in light of the Cozhiar case.

Current Rate Structure

Meter Size	Bi-Monthly Service Charge	Emergency Water Storage Fee Bi-Monthly SDCWA Charge
5/8"	\$79.28	\$8.82
3/4" & 3/4 1"	\$104.60	\$8.82
1"	\$154.56	\$14.12
1 1/2"	\$280.56	\$26.46
2"	\$431.20	\$45.86
3"	\$833.06	\$94.68
4"	\$1,284.90	\$144.64
6"	\$3,042.94	\$264.60
8"	\$4,048.02	\$458.64
10"	\$6,057.30	\$687.96

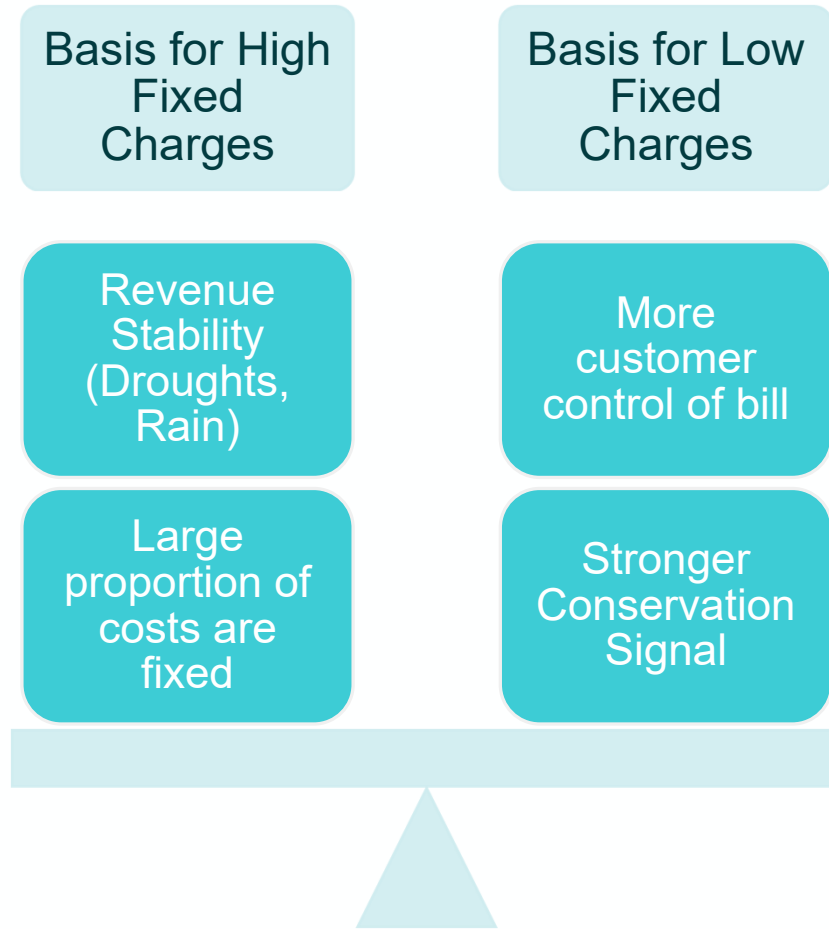
Meter Size	Monthly Water Allotments by Tier				
	Tier 1	Tier 2	Tier 3		
5/8"	0-4	5-42	43+	Tier 1	\$5.42
3/4" & 3/4 1"	0-6	7-60	61+	Tier 2	\$5.89
1"	0-15	16-150	151+	Tier 3	\$5.89
1 1/2"	0-30	31-300	301+	Ag Domestic	\$5.73
2"	0-48	49-480	481+	SAWR AG	\$4.72
3"	0-96	97-960	961+		
4"	0-150	151-1,500	1,501+		
6"	0-300	301-3,000	3,001+		
8"	0-480	481-4,800	4,801+		
10"	0-690	691-6,900	6,901+		

Fixed Charges



Fixed Charges

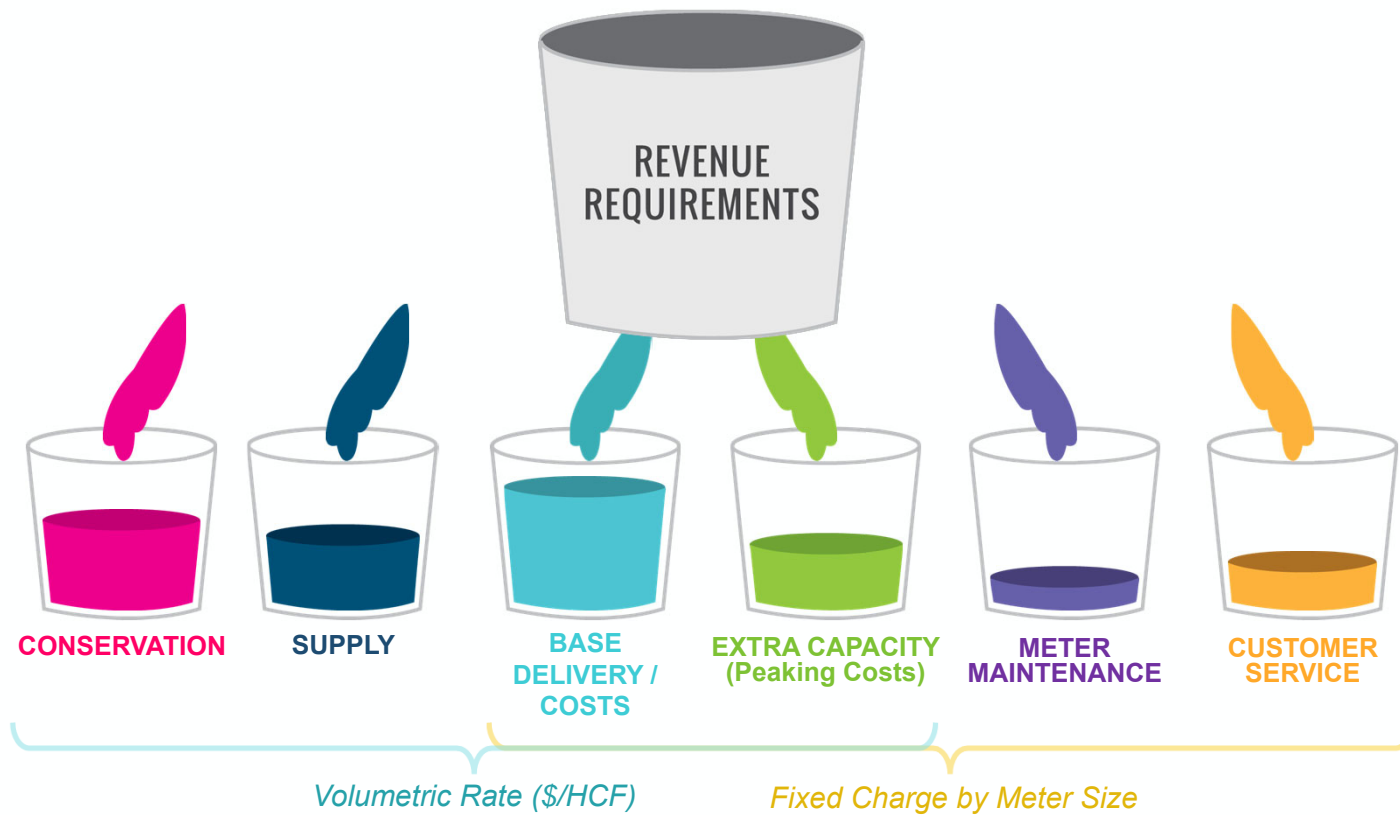
- 2023 and 2024 were very wet years; lowering revenue
- Drought mandates cause lower revenue
- Historically, the CA Water Efficiency Partnership¹ suggested no more than 30% fixed cost recovery
 - Faded away during the 2014 drought



¹Formerly the CA Urban Water Conservation Council

Cost of Service

Allocation to Cost Components



AWWA M1 Manual- Chapter IV.7

- Fixed Cost Recovery M1 Manual Starting Point:
 - › Customer costs – billing, answering calls, reading meters
 - › Meter maintenance costs – meter repair and replacement
- Results in a low level of fixed cost recovery – 5 to 10%
- Can use minimum distribution system approach
 - › Include cost to maintain a minimum pipe size (usually 6 or 8”),
- Can include other fixed costs if higher fixed revenue is desired

Survey of Other Agencies Fixed Revenue

- Big Bear is a seasonal area
- Shafter has unmetered customers required fixed/flat rates
- Staff estimates VID's current fixed revenue is approximately 39%

City / Water District	% Fixed Revenue Recovery
Huntington Beach	44%
Mesa Water District	28%
Ramona Municipal Water District	30%
San Dieguito Water District	27%
Hi-Desert Water District	35%
Pasadena Water and Power	41%
Burbank Water and Power	20%
Los Angeles Dept. of Water and Power	0%
Oxnard	29%
Seal Beach	31%
Shafter	69%
Olivenhain MWD	26%
Torrance Water	11%
La Canada ID	25%
Soquel Creek WD	60%
Placer County Water Agency	55%
Montecito Water District	26%
City of Camarillo	33%
City of Ventura	30%
Goleta Water District	33%
City of Calistoga	38%
City of St. Helena	40%
City of Healdsburg	40%
Coastside County WD	22%
Sacramento County WA	41%
Borrego WD	38%
Florin/Elk Grove WD	62%
City of Lincoln, CA - water	50%
City of Sonoma, CA	30%
Big Bear City CSD	76%
Big Bear Lake DWP	83%
Whittier	48%
San Diego	19%
Average	38%
<i>25th Percentile</i>	27%
<i>Median</i>	33%
<i>75th Percentile</i>	46%
Average w/o Big Bear and Shafter	34%

Fixed Charge Proposed Approach

- Start with including:
 - › Customer costs
 - › Meter Maintenance Costs
 - › O&M of the minimum size distribution system
- Discuss desired fixed revenue
- Model customer bill impacts and conservation signaling
- Adjust as needed

AB 2257 and SB 323



AB 2257

- Adds sections 53759.1 and 53759.2 to government code
- Prohibits Prop 218 related lawsuits unless a written objection to a fee/charge has been timely submitted and specifies the basis for alleged non-compliance to Prop 218
- Must follow procedures in 53759.1
- Definitions:
 - › Protests: Against a rate increase with or without a reason or substance
 - › Objection: Has a basis; identifies an error or a calculation that is baseless, not proportional, claims rates are not based on costs, etc.

Implementing AB 2257

Six steps:

1. Adopt ordinance / resolution establishing procedure
 2. In the public notice: specify the steps for an objection
 3. Receive objections
 - a. *Objections* until the close of the 45-day noticing period
 - b. *Protests* until close of the public hearing
 4. Respond
 - a. May need help from rate consultant
 5. Hold Public Hearing (or separate public meeting) to summarize objections and responses
 6. Adopt rates / charges
- Objection procedure runs parallel with Prop 218 protest hearing (public hearing)

Responding

- Identify response manager
- Prior to close of public hearing
- Reviewed by legal
- Rely on existing rate study for how rates comply with cost of service
- May need to update rate study
 - › Correct errors
 - › Add narrative
- Must have a process for objections
 - › Written only: email, mail, hand delivery
 - › Deadline
 - › Identify post mark/receipt date
 - › Verify objection is from property owner/ratepayer

At the Public Hearing (or separate prior meeting)

- Summarize Objections and Responses
- Public comment is not for presenting objections (those must be written)
- Board provides direction
 - › Clarify information
 - › Reduce rates, leave as is, or more time to evaluate
 - › Conclude objection process
- Responses can be at the public hearing or a meeting prior to the public hearing
- Public hearing takes place after objection process is complete

SB 323

- Limits legal challenges to 120 days of the effective date or date of final adoption/approval, whichever is later.
- Agency must include in the public notice a statement that there is a 120-day statute of limitations for challenging any new, increased, or extended fee or charge.

Communications and Outreach



Public Information

- Rate Study Webpage
- Frequently Asked Questions
- Infographics
- Direct Mail
- Short Explainer Video
- News Releases
- Prop 218 Notification
- Community Open House



THE CITY OF SEAL BEACH

Water and Wastewater Rate Study Investing in our Future



The City of Seal Beach is conducting a public process to ensure that the rates customers pay for water and sewer services are:

- ✓ Fair, equitable, and aligned with community values and priorities.
- ✓ Sufficient to ensure continued financial viability of City utilities.
- ✓ Financially viable to continue high levels of service while complying with ever more stringent regulatory requirements.
- ✓ Aligned with best practices and in accordance with state law.

Water and sewer services support the city's health and economy while protecting the environment. Over the past five years, inflation has risen nearly 21%, affecting the costs of providing these services.

To keep pace with inflation and other rising costs, the City is conducting a utility rate study. Revenues from customer rates and charges help fund operations, maintenance, and critical capital

To stay informed through the rate study process, the City created a website with news, FAQs, informational videos, and a calendar of public meetings and events. Scan the QR Code to be



Category	Cost
Cost of purchasing water from Valley Water	44¢
Operating Costs (Electricity, maintenance, monitoring and administration)	19¢
Asset Depreciation (Infrastructure wear and tear)	14¢
Cost of Equity (System improvements financed through shareholders)	10¢
Taxes and Fees (Federal, state and local taxes on water and services)	7¢
Interest (Interest on systems improvements financed through debt)	6¢



Proposition 218 Notice



Safe, Reliable Water Now and Into the Future

Dear Neighbor,

The Soquel Creek Water District takes great pride in providing you with safe, high quality water service that is essential to your everyday life.

Beyond uses for fire protection and sanitation, water is a shared community resource that gives us parks to play in and helps us grow food in our gardens. It is a big responsibility and the employees who serve you are dedicated and take great pride in their work.

An equally important responsibility is ensuring our ability to continue to provide you and your family with water now and into the future. This requires careful analysis and planning, and I'm happy to report that the public rate study process to fund water reliability and resiliency that began earlier this year is nearing completion.

The proposed revised rate structure is partially driven by the District's guiding principle of increased equitability and fairness and the input of the customers participating on the Water Rates Advisory Committee. The rate study analysis and the District's total revenue needs per year result in the proposed water rate adjustments shown in this Notice. The rates were developed to adhere to state law, improve financial stability, and to be fair to all customers.

This Notice summarizes the findings of this work and notifies you of proposed changes to the water rate structure (how you are charged for water) and the proposed rates themselves (how much you are charged for water) that, if approved by the Board of Directors, would be adjusted in March.

The District Board of Directors will consider adopting these recommendations at a Public Hearing scheduled for Tuesday, February 20 at 6 pm.

Prior to that, we invite you to join us for a virtual community meeting on Thursday, January 25, and an open house on Thursday, February 8 where we will detail proposed changes to our water rate structure and answer your questions. Details about these events are enclosed.

Our thanks to all who participated in the rate study process to date, especially the customers involved with the Water Rates Advisory Committee who provided feedback to staff and the Board of Directors. The feedback was extremely valuable and helped us make an inclusive plan that will help ensure water security for years to come.

Sincerely,
Ron Duncan | General Manager
Leslie Strohm | Financial/Business Services Manager



Why are Sewer Service Charge Increases Needed?

The Sanitary District is a not-for-profit, self-supporting enterprise that relies primarily on revenues from sewer service charges to fund the costs of providing the service. Sewer rates must be set at levels adequate to fund the costs of operations, maintenance, debt service, and capital improvements needed to keep the aging wastewater system in good operating condition.

Since the District's current service charges were last set in 2010, several factors affecting the financial health of the wastewater utility include:

- High inflation, affecting the cost of materials and labor. Over the past 13 years, inflation has risen more than 20%.
- The District's Master Plan identified capital improvements and infrastructure needs required to, along with ongoing maintenance, ensure the collection system remains functional and reliable for the foreseeable future. The Sewer Master Plan identified several major infrastructure improvement needs as follows:
 - A minimum of \$5M to be spent on NASSCO Structural Category 5 condition sewer mains by Fall 2026 to comply with a legal settlement.
 - An estimated \$9.8M to be spent on critical upgrades to Paradise Pump Station (largest in the District by far) over the next 2 years.
 - An estimated \$13M+ to rehabilitate the existing Paradise Force Main and install a new parallel Paradise Force Main. The Sewer Master Plan is available on the rate study webpage linked in this Notice.



How Did the District Determine the Proposed Charges?

The District is proposing to increase the charges for its wastewater services based on a rate study developed by an independent public finance firm that evaluated the District's costs to safely maintain sanitary sewer services to our community and the needed revenue to maintain the sewer system. The District also pays the Central Marin Sanitation Agency (CMSA) to treat wastewater collected by the District. The CMSA is increasing its rates to treat wastewater, which is reflected in the rate study.



The Rate Study Report & Sewer Master Plan are available on the website at <http://townofcortemaderra.org/1035/SD2-Master-Plan-Rate-Study>. Scan this code to be taken directly to the website.

Proposed Wastewater Charges and Collection of Charges on the Tax Roll

Each parcel within Sanitary District No. 2 connected to the sewer system is charged an annual Sewer User Service Charge per sewer equivalent unit (SEU). Sewer service charges are collected on the Marin County property tax rolls, plus the County's \$2 per parcel/billing charge. If adopted, the proposed wastewater charges would become effective on July 1, 2024, and most customers would see the increased charges on their next and future tax bills.

PROPOSED RATE RECOMMENDATIONS



WATER: PROPOSED RATES

Customer rates and charges will differ depending on the type of account (residential, commercial, industrial), meter size, and water use. All customers pay a monthly service charge and a consumption (volumetric) rate. The proposed water rates include a tiered structure for Single Family Residential (SFR) customers. This structure would provide the first 12 billing units of water at a lower Tier 1 rate, and greater than 12 billing units would be billed at a higher Tier 2 rate. This structure helps to maintain affordable rates for water customers who are SFR and use water at a lower rate. The secondary benefit is to provide a disincentive for higher water users, aligning the costs for higher use. The Tiers represent the different consumption levels.

Monthly Service Charges

Monthly water service charge by meter size. Most City water customers have a 5/8-

RECOMENDACIONES DE TARIFAS PROPUESTAS



AGUA: TARIFAS PROPUESTAS

Las tarifas de los clientes varían en función del tipo de cuenta (residencial, comercial, industrial), el tamaño del contador y el consumo de agua. Todos los clientes pagan una cuota mensual de servicio y una tarifa de consumo (volumétrica). Las tarifas de agua propuestas incluyen una estructura escalonada para los clientes residenciales unifamiliares (SFR). Esta estructura proporcionaría las primeras 12 unidades de facturación de agua a una tarifa de nivel 1 más baja, y más de 12 unidades de facturación se facturarían a una tarifa de nivel 2 más alta. Esta estructura ayuda a mantener un servicio asequible para la mayoría de los clientes de agua de la ciudad que son SFR y utilizan 12 unidades de facturación o menos, en promedio. El beneficio secundario es proporcionar una señal de conservación para los usuarios de agua más altos, alineando los costos de los suministros más caros con un mayor uso. Los niveles representan los costos de servir a los clientes SFR en los diferentes niveles de consumo.

Propuesta de tarifas fijas mensuales del servicio de agua.

La tabla 1 muestra la cuota mensual de servicio de agua propuesta por tamaño del medidor para los próximos cinco años. La mayoría de los clientes de agua de la ciudad tienen una conexión con el medidor de 5/8 pulgadas.

Water Fixed Service Charges (Fixed Rates All Customers)

Monthly fixed service charges of water (tariffs fixed - all customers)

Current Actual	2024	2025	2026	2027	2028
\$50.12	\$62.82	\$70.36	\$77.40	\$82.05	\$86.98
\$125.31	\$151.07	\$169.20	\$186.12	\$197.29	\$209.13
\$250.62	\$298.16	\$333.94	\$367.34	\$389.39	\$412.76
\$400.99	\$474.66	\$531.62	\$584.79	\$619.88	\$657.08
\$751.86	\$886.50	\$992.88	\$1,092.17	\$1,157.71	\$1,227.38
\$253.10	\$1,474.84	\$1,651.83	\$1,817.02	\$1,926.05	\$2,041.62
\$06.20	\$2,945.69	\$3,299.38	\$3,629.10	\$3,846.85	\$4,077.67
\$09.92	\$4,710.71	\$5,276.00	\$5,803.60	\$6,151.82	\$6,520.93



Thank you

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