MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF
VISTA IRRIGATION DISTRICT

January 15, 2025

A Special Meeting of the Board of Directors of Vista Irrigation District was held on Wednesday, January 15, 2025, at the offices of the District, 1391 Engineer Street, Vista, California.

1. CALL TO ORDER

President Sanchez called the meeting to order at 9:30 a.m.

2. ROLL CALL

Directors present: Miller, Olson, Kuchinsky, MacKenzie, and Sanchez.

Directors absent: None.

Staff present: Brett Hodgkiss, General Manager; Ramae Ogilvie, Secretary of the Board; Lesley Dobalian, Director of Water Resources; Randy Whitmann, Director of Engineering; Frank Wolinski, Director of Operations and Field Services; Shallako Goodrick, Director of Administration; Elizabeth Xaverius, Administrative Assistant; Brent Reyes, Management Analyst; and Rick Pooley, Information Technology Supervisor. General Counsel Elizabeth Mitchell of Burke, Williams & Sorensen was also present.

Other attendees: Steve Gagnon, Vice President and Gina DePinto, Manager of Raftelis Financial Consultants, Inc. (Raftelis); LaVonne Peck of the San Luis Rey Indian Water Authority (SLRIWA). Stephanie Zehran of the SLRIWA was present via teleconference.

3. PLEDGE OF ALLEGIANCE

Director Kuchinsky led the Pledge of Allegiance.

4. APPROVAL OF AGENDA

25-01-09	***Upon motion by Director Kuchinsky, seconded by Director Olson and unanimously carried (5 ayes: Miller, Olson, Kuchinsky, MacKenzie, and Sanchez), the Board of Directors approved the agenda as presented.***

5. ORAL COMMUNICATIONS

No public comments were presented on items not appearing on the agenda.

6. COMPREHENSIVE COST OF SERVICE/WATER RATE STUDY WORKSHOP

See staff report attached hereto.

Director of Administration Shallako Goodrick introduced Steve Gagnon and Gina DePinto of Raftelis who gave an informational slideshow presentation (attached hereto as Exhibit A) on the Comprehensive Cost of Service/Water Rate Study (Study).

Mr. Gagnon presented an overview of the rate study process including rate setting basics, Propositions 26 and 218 cost of service requirements, peaking costs as it related to Coziahr vs Otay Water District water rate case,

the District's current water rate structure and fixed charge basics and trends within other agencies. He provided clarification on peaking, noting that the District's current rate structure does not account for peaking. Director Miller commented that although not peaking, the District's cost of water is directly affected by periodic changes in the climate (dry versus wet years) and mentioned other agencies have considered adding a climate resiliency charge to offset these types of fluctuations. Mr. Gagnon summarized legislation, Assembly Bill 2257 and Senate Bill 323, related to adopting administrative exhaustion procedures for Proposition 218 ratemaking and a 120-day statute of limitations for legal challenges.

Ms. Goodrick clarified the capital projects being considered in the Study; she stated that this Study will determine what the debt service reserve will need to be so that debt can be issued and serviced for future capital improvement projects.

Ms. DePinto presented an overview of the process for implementing a communications and outreach plan. She reviewed the various methods of public outreach and different ways of disseminating public information; Ms. DePinto discussed the importance of starting public education early, providing plenty of opportunities for public engagement and presenting a message that is clear, consistent and focused on the value of the service. She also noted the benefit of educating the public on the legal requirements for rate setting through the Proposition 218 process. Ms. DePinto explained Raftelis' role in the process and said that they will work closely with District staff, the Public Affairs Committee and the Board to determine the best outreach methods for the District.

The Board discussed the information presented, received clarification on the Study timeline, offered suggestions related to communications and outreach and discussed the next steps.

The Board thanked Mr. Gagnon and Ms. DePinto for their presentation.

7. COMMENTS BY DIRECTORS

None were presented

8. COMMENTS BY GENERAL COUNSEL

None were presented

9. COMMENTS BY GENERAL MANAGER

Mr. Hodgkiss thanked the Board for their time and ongoing support through this process.

10. ADJOURNMENT

There being no further business to come before the Board, at 11:42 a.m., President Sanchez adjourned the meeting.

Patrick H. Sanchez, President

ATTEST:

Ramae Ogilvie, Secretary
Board of Directors
VISTA IRRIGATION DISTRICT

VISTA IRRIGATION DISTRICT

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

VISTA IRRIGATION DISTRICT

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

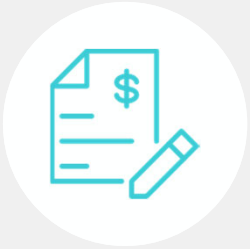
Agenda

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:

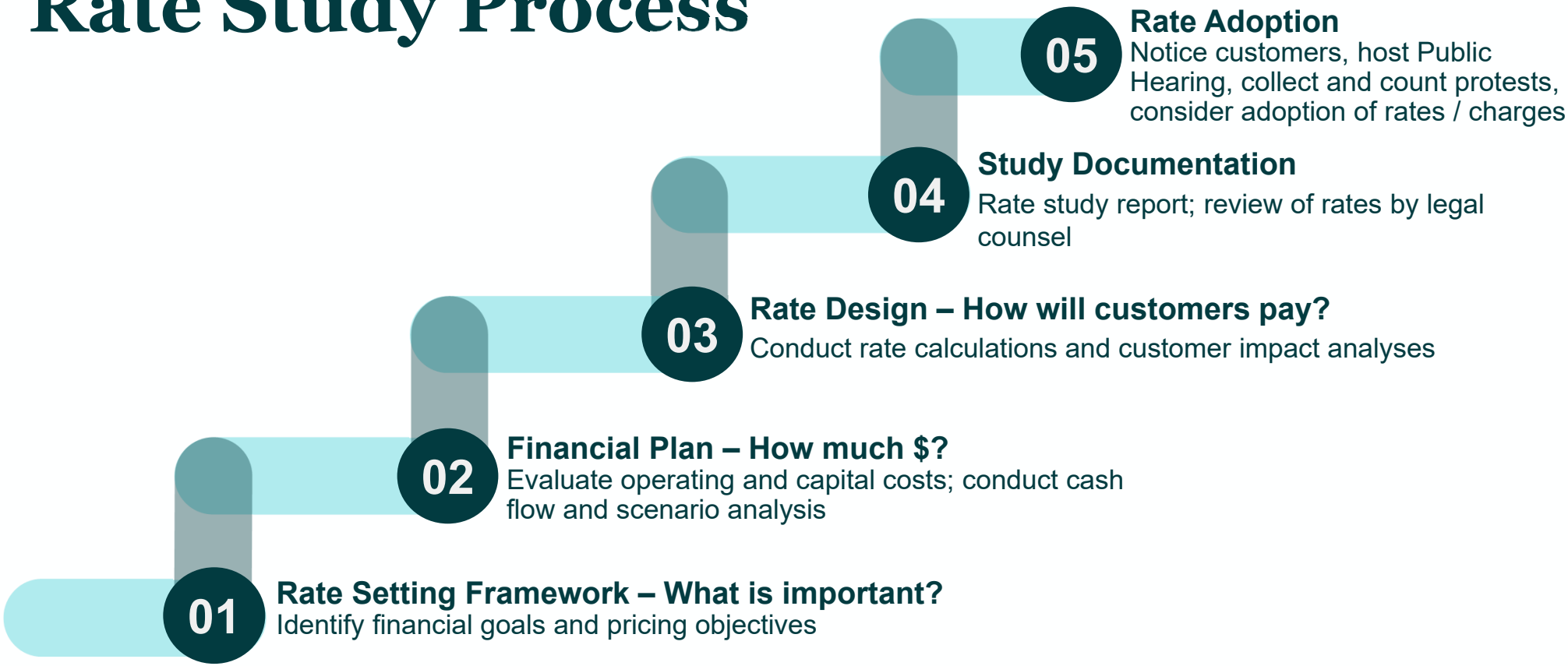
Community Objectives:
Conservation, Affordability
Fairness & Equity
Rate and Revenue Stability



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

Legally Defensible

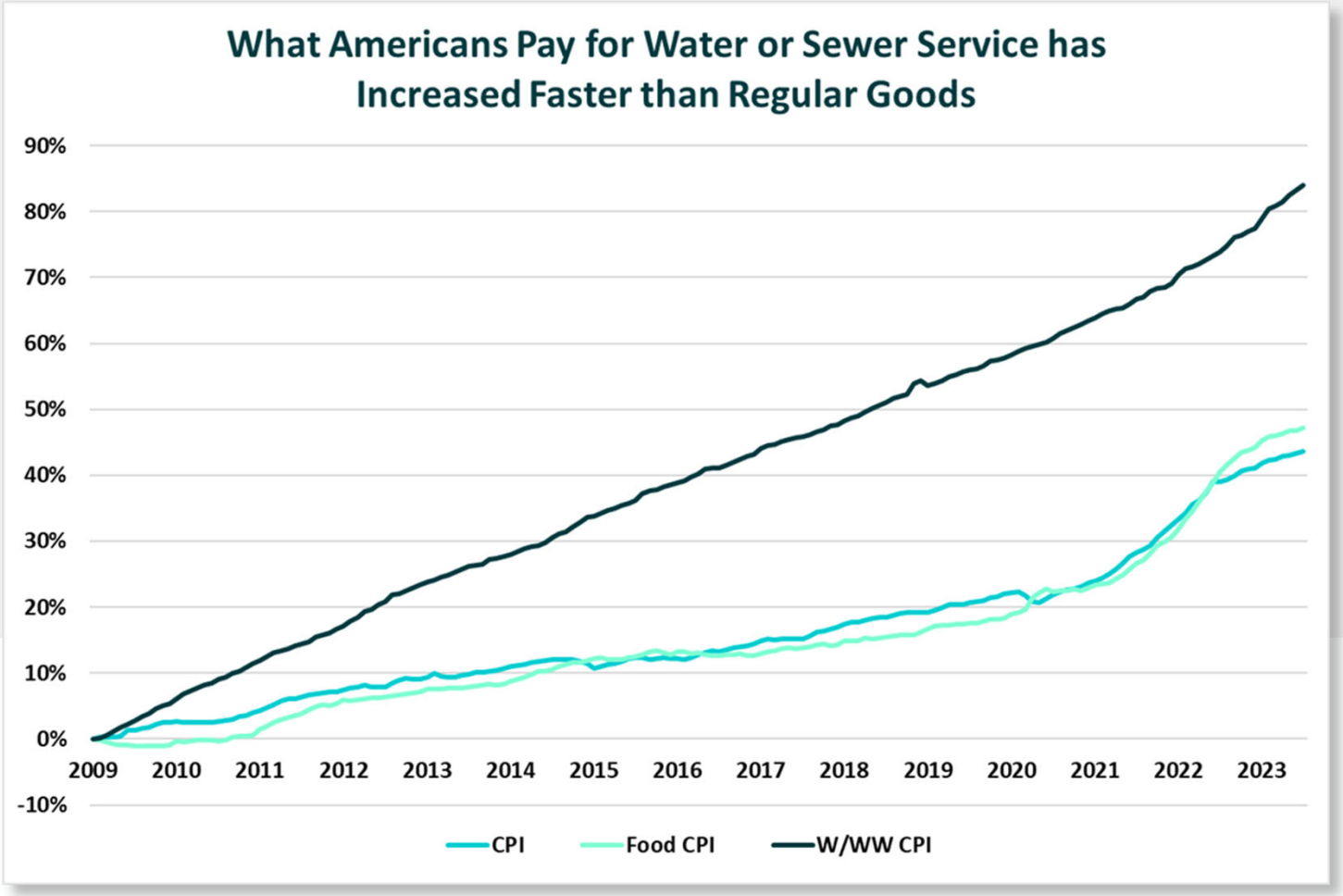
Rate Study Process



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

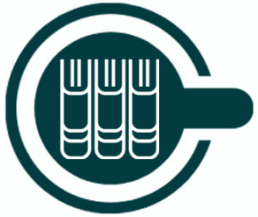
Proposition 26

Proposition 218
Article XIIIC and XIIID of California Constitution

Water Conservation

Article X of California Constitution

Water Code Section 106
Domestic water use prioritized over irrigation



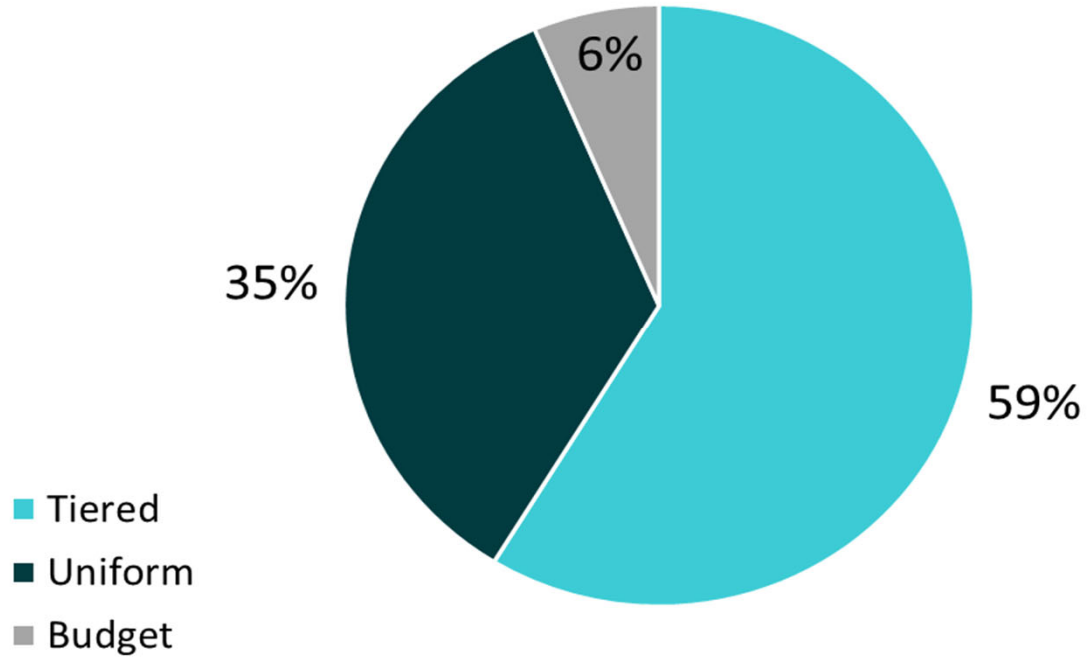
Urban Water Use Objective
Calculated efficiency and reporting

SWRCB self certification of three years adequate supplies

Rate Structure Prevalence

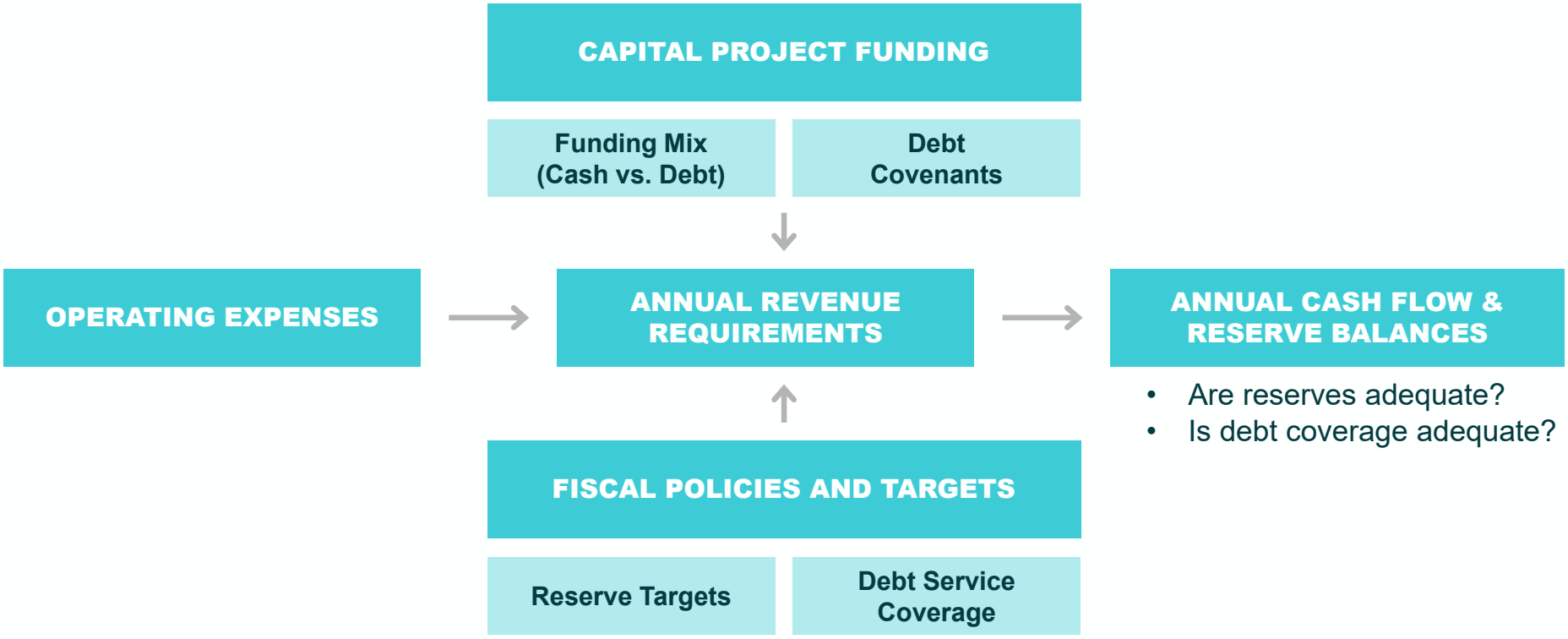
FY 2023 CA-NV AWWA Rate Survey Results

Prevalence of Rate Structures Based on a Survey of 325 Agencies



Rate Setting 101

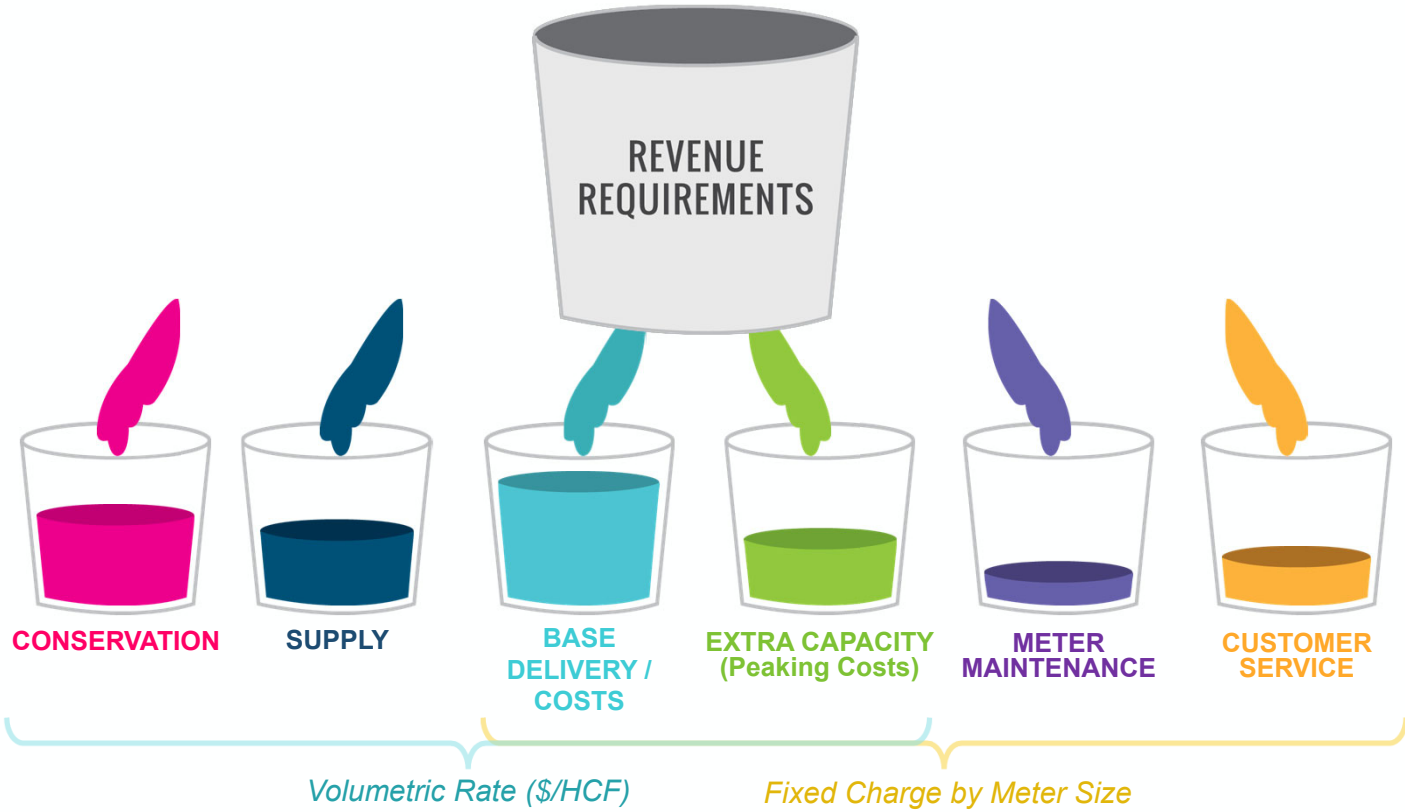
Financial Planning



- Are reserves adequate?
- Is debt coverage adequate?

Cost of Service

Allocation to Cost Components



Rate Design
Volumetric Rate Derivation

SUPPLY
Water supply rate ($/HCF)

DELIVERY
Delivery rate ($/HCF)

EXTRA CAPACITY (Peaking Costs)
Peaking rate ($/HCF)

CONSERVATION
Conservation program rate ($/HCF)

TOTAL VOLUMETRIC RATE FOR EACH TIER
($/HCF)

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**

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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:

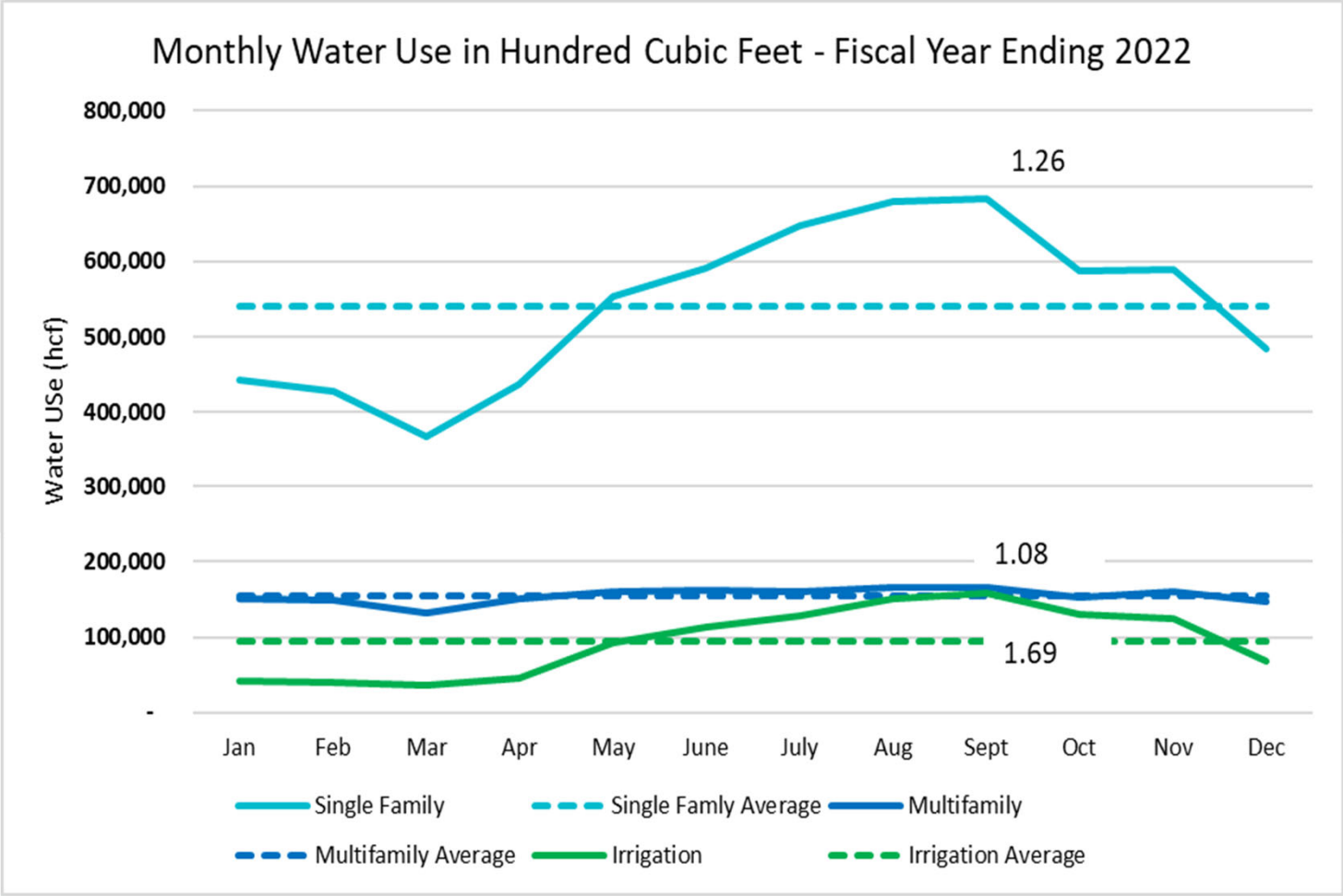
1. **The peak hour demand.**
2. **The maximum daily demand plus fire flow.**
3. **Tank refill, if required.**

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?

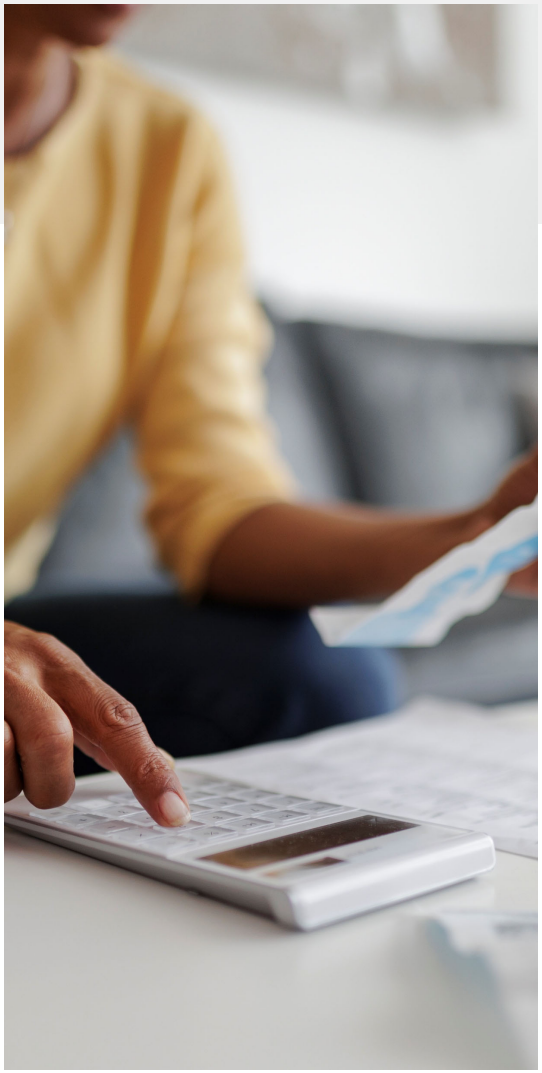
Should All Classes be Tiered?

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

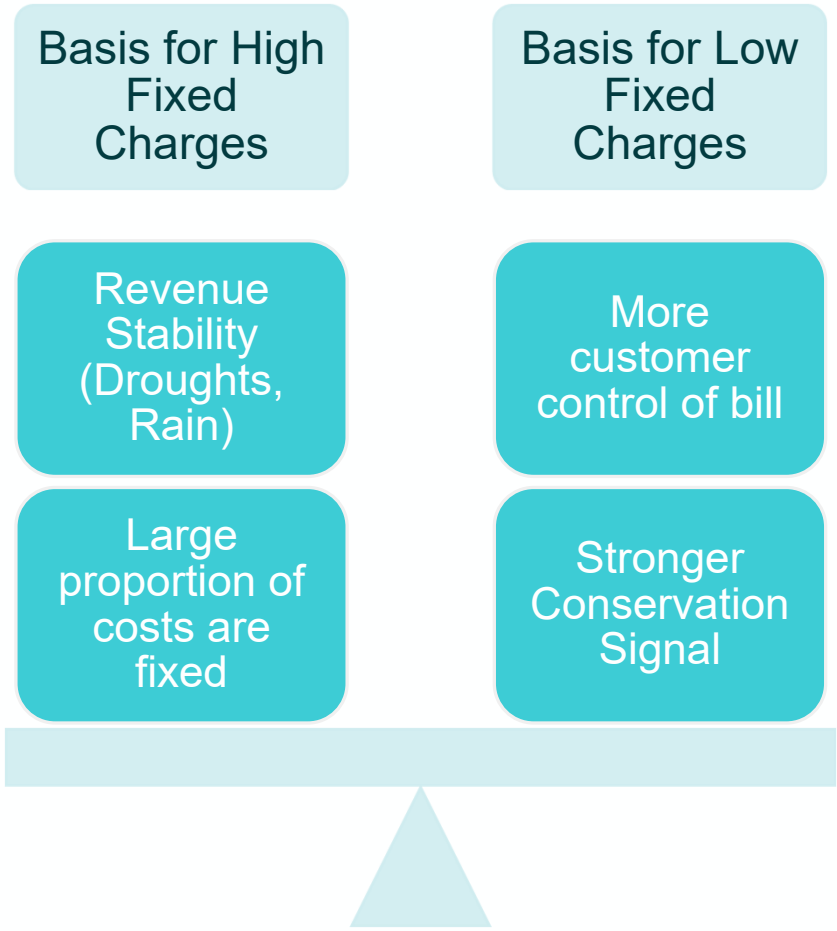
Meter Size	Monthly Water Allotments by Tier		
	Tier 1	Tier 2	Tier 3
5/8"	0-4	5-42	43+
3/4" & 3/4 1"	0-6	7-60	61+
1"	0-15	16-150	151+
1 1/2"	0-30	31-300	301+
2"	0-48	49-480	481+
3"	0-96	97-960	961+
4"	0-150	151-1,500	1,501+
6"	0-300	301-3,000	3,001+
8"	0-480	481-4,800	4,801+
10"	0-690	691-6,900	6,901+

Tier 1	$5.42
Tier 2	$5.89
Tier 3	$5.89
Ag Domestic	$5.73
SAWR AG	$4.72

Fixed Charges

Fixed Charges

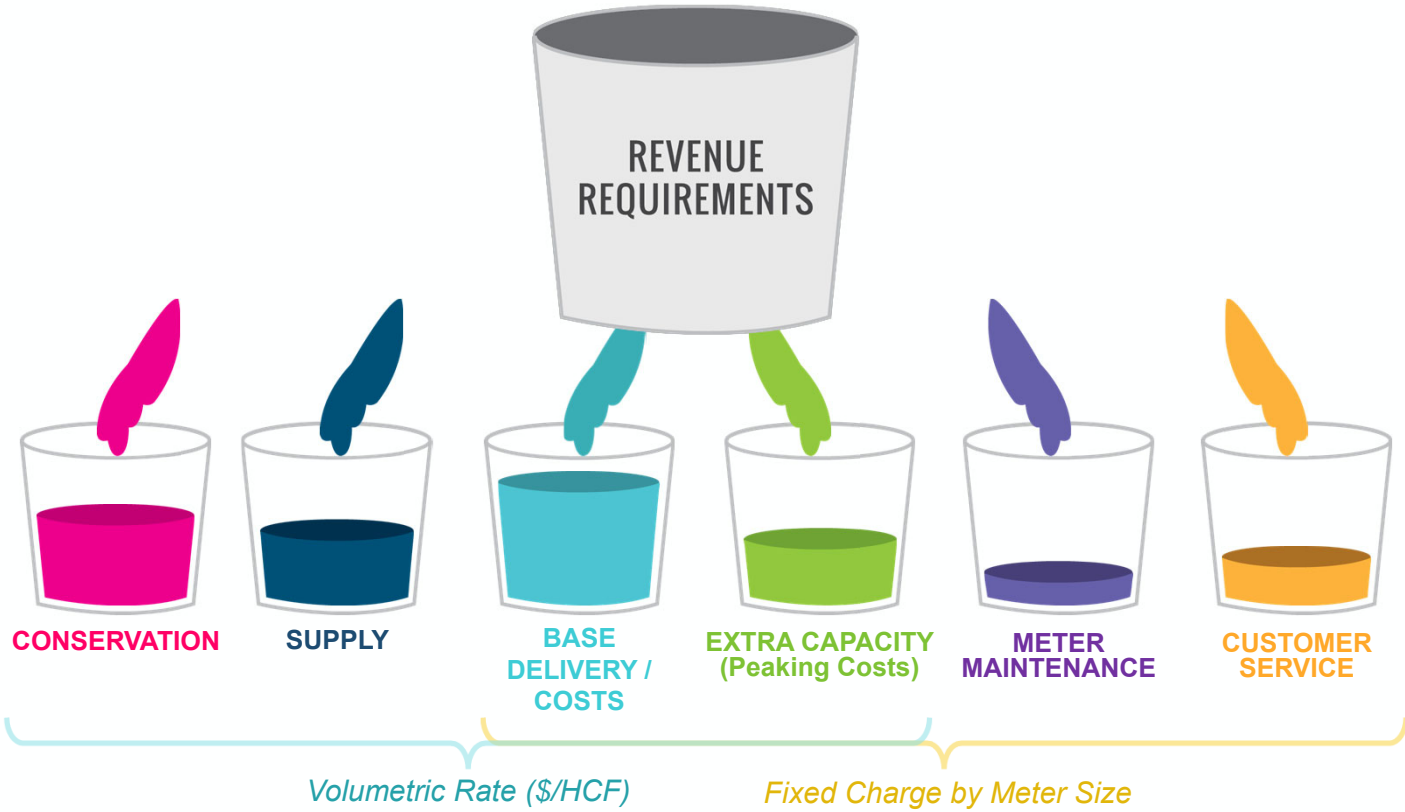
- 2023 and 2024 were very wet years; lowering revenue
- Drought mandates cause lower revenue
- Historically, the CA Water Efficiency Partnership[1] suggested no more than 30% fixed cost recovery
  - Faded away during the 2014 drought



[1]*Formerly 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 Municiapl 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%**
25th Percentile	27%
Median	33%
75th Percentile	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

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

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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.*

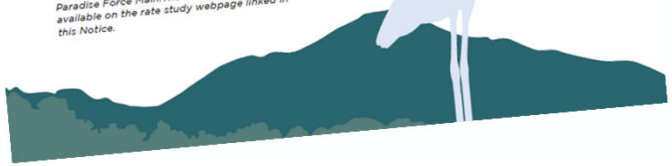
How Did the District Determine the Proposed Charges?

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://townofcortemadera.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
is structure helps to maintain affordable
y water customers who are SFR and use
age. The secondary benefit is to provide
er water users, aligning the costs for
higher use. The Tiers represent the
s at the different consumption levels.

d Service Charges
nthly water service charge by meter
ost City water customers have a 5/8-

Water Fixed Service Charges (Fixed Rates All Customers)

s fijas mensuales del servicio de agua (tarifas fijas - todos los clientes)

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	$1,227.18
253.10	$1,474.84	$1,651.83	$1,817.02	$1,926.05	$2,041.62
506.20	$2,945.69	$3,299.18	$3,629.10	$3,846.85	$4,077.67
009.92	$4,710.71	$5,276.00	$5,803.60	$6,151.82	$6,520.93

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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 costes de los suministros más caros con un mayor uso. Los niveles representan los costes 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.

RAFTELIS

Thank you

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