SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-A**

FROM: Steve Mack, General Manager

Meeting Date: May 3, 2012

SUBJECT: APPROVAL OF FISCAL YEAR 2012-2013 WATER RATES

RECOMMENDED ACTION:

A. Hold a public hearing on the proposed Fiscal Year 2012-2013 (FY13) Water Rates;

B. Approve Resolution 12-08 which establishes water rates for FY13, increasing the Base Rate and Water Usage Charges by 3% as shown in Table 1.

FISCAL IMPACT: Adopts water rates that will increase water sales revenues by approximately $26,000 to fund District operations and capital programs in FY13.

DISCUSSION:

Last year (Spring 2011) the Board decided to pursue a plan to have modest annual water rate increases to develop capital improvement program funding to a sustainable level. The target was to develop $500,000 for capital improvement funding on an annual basis and financial analysis showed that 9 years of 3% water rate increases would reach that goal.

As discussed last year, Sweetwater Springs Water District's current financial condition remains good with one exception – lack of sustainable funding for ongoing capital improvements. The District has adequate revenues to fund operations, and debt repayment is covered mostly by the annual Flat Charge that appears on the property tax bill and by the Capital Debt Reduction Charge (CDRC). In recent years, after payment of all other expenses, the District has had approximately $250,000 in revenues from water rates to contribute towards capital expenses. This amount is too small to fund the capital programs needed by the District to bring its infrastructure up to standard. Recent capital programs have been funded by loans or by funding assistance from the Russian River Redevelopment Committee (RRROC) and the Sonoma County Community Redevelopment Agency. More loans are not advisable and RRROC funding assistance will not happen again.

There's no question that the District's infrastructure is substandard. Even with the capital programs of the past several years, the District averages approximately 250 leaks per year, 27% system losses, and requires many service interruptions to repair leaks. Most of the facilities inherited by Sweetwater Springs Water District when it took over Citizen's Utilities in 1992 were constructed in a haphazard manner and all

of it needs replacing, except that replaced or constructed in the last twenty years. The District's 2012-18 Capital Improvement Program (CIP) is a "catch-up" CIP which aims to bring the District's water system up to an acceptable standard, as measured by water quality, system leaks, system losses, and fire protection. Because of the demise of redevelopment, the approved 2012-2018 CIP is not affordable even with the planned water rate increases, unless other sources of grants are found. It will need to be revised.

In the post redevelopment world, the District must rely on its own water rates for funding capital improvements which means the plan for developing sustainable capital funding remains important. The experience from this current year shows that a 3% increase in the Base Rate and Water Usage Charges will develop approximately a 1.5% increase in revenue if water sales continue to decline at the current 4% per year rate. Staff will continue to monitor the revenue situation; if water rate revenue does not keep pace with capital improvement funding needs, the 3% per year rate increase plan may need to be revised.

Table 1 shows the proposed Base Rate and Water Usage Charges for various customer classes and tiers. Table 2 shows the effects of a 3% rate increase on typical District water customers based on the various rate classes and median water use for those classes. The table shows the effect on the FY 2013 water bills ($1.55 bimonthly for median single family residential). Observations:

- A 3% increase for the Base Rate and the Water Use Rate results in a 2.2% increase for the median residential customer because water bills include the CDRC which is not being changed and the Tier 1 rate is unchanged because of the effect of rounding to the nearest five cents.

- As noted above, the FY 2013 recommended water rates are rounded to the nearest 5 cents (this makes calculations and change making easier for staff). This keeps Tier 1 rate unchanged and results in a greater increase for the Tier 2 charge which had the opposite effect last year.

- The recommended water rate increases do not include increasing the CDRC. The CDRC was put in place to cover District capital debt and has not been fully raised to cover the debt costs of the 2008 Private Placement Loan (annual payments of $404,314 versus CDRC revenue of $216,000). The District promised not to increase the CDRC for two years as a part of receiving RRROC funding support in 2010 and that promise ran through FY 2012. Staying with that approach would put off increasing the CDRC through FY 2014 (two more years of funding support were given in the Spring of 2011).

Proposition 218 Notice

The required Proposition 218 Notice was done last year. Notice for proposed water rate increases were mailed to all property owners by March 21, 2011. The Notice provided for an increase to the Base Rate and Water Usage Charges of up to 3% for FY 2012 and FY 2013 and included the proposed rate schedules and a

protest form. A total of 317 protests were received, including those presented at the May 5, 2011 public hearing. The Proposition 218 mailing was not repeated this year but bill inserts showing the proposed water rate increases were included in water bills mailed in April and March.

Table 1. Proposed Sweetwater Springs Water District Rates (Bimonthly)
Effective July 1, 2012 ***Hcf = 100 cubic feet = one unit =748 gallons***

Meter Size	Base Rate*	Water Usage Rate				Capital Debt Reduction Charge*
		Tier 1 $ 1.20	Tier 2 $ 2.45	Tier 3 $ 3.65	Tier 4 $ 5.30	
		Max Usage (Hcf)	Max Usage (Hcf)	Max Usage (Hcf)	Usage (Hcf)	
0.625”	$53.05	8	20	80	>80	$9.70
1”	$132.60	20	50	200	>200	$24.25
1.5”	$265.25	40	100	400	>400	$48.50
2”	$424.35	64	160	640	>640	$77.60

** The Base Rate and Capital Debt Reduction Charge (CDRC) are also increased by the Multiple Unit Multiplier of 0.55 for Multi-Family accounts. For examples, with a 2 unit account, the Base Rate is $82.23 and the CDRC is $15.04.*

Table 2. Estimate of 3% Water Rate Increase Effect on Typical Water Users by Class (100 cubic feet (Units), FY 13)

	SFR	MFR, Number of Dwelling Units				Commercial, Meter Size (in)			
		2	3	4	5	5/8	1	1.5	2
Median Water Use	7	12	18	22	34	15	47	192	174
Average	10.4	15.5	29.1	25.9	39.1	33	76	190	257
25%	2	7	10	14.3	25.8	3	24	93	22
75%	13	20	31	35.8	49.3	44	103	289	478
90%	22	31	51.7	47	60	82	200	309	584
Number of Accounts	3,092	252	44	18	6	132	12	1	9
Median Bill Current	$69.60	$109.26	$150.12	$188.58	$236.64	$87.25	$240.45	$821.60	$841.70
Median Bill Proposed	$71.15	$111.66	$153.38	$192.69	$241.60	$89.50	$247.00	$844.55	$865.05
Bimonthly Difference	$1.55	$2.40	$3.26	$4.11	$4.96	$2.25	$6.55	$22.95	$23.35
% Increase	2.2%	2.2%	2.2%	2.2%	2.1%	2.6%	2.7%	2.8%	2.8%

Resolution No. 12-08

A Resolution of the Board of Directors of the Sweetwater Springs Water District Adopting Water Rates for Fiscal Year 2012-2013

WHEREAS, pursuant to Water Code Section 31007, the District Board of Directors is authorized to establish rates and charges sufficient to pay for operating expenses, provide for repairs and depreciation of works and pay for the principal and interest on debt; and

WHEREAS, pursuant to Water Code Section 31025, the District shall fix and through the General Manager collect water rates; and

WHEREAS, based on the 2007 Rate Study conducted by Brelje and Race ("2007 Rate Study") and other information provided to the Board of Directors, the Board of Directors has evaluated the anticipated revenues and expenditures necessary to operate the District and cover the costs of providing water services to customers of the District; and

WHEREAS, the funding assistance for the District Capital Improvement Program (CIP) from the Russian River Redevelopment Oversight Committee and the Sonoma County Community Redevelopment Agency has allowed the District to delay increases in the Capital Debt Reduction Charge; and

WHEREAS, the District cannot rely on these funding sources to fund the District's CIP in the future; and

WHEREAS, in March of 2011 District staff sent formal notices of the public hearing on the proposed rate structure for Fiscal Years 2011-2012 (FY12) and 2012-2013 (FY13), in accordance with the requirements of Article XIII-D, Section 6(b) of the California Constitution, and provided a water bill insert to all customers explaining the proposed water rate changes and has included other rate information on the District's website; and

WHEREAS, the formal notices advised ratepayers and property owners of the new proposed rate structure and the process for submitting protests to said rate structure to the District, in accordance with the requirements of Article XIII-D, Section 6(b) of the California Constitution; and

WHEREAS, the District Board of Directors conducted a public hearing on May 5, 2011 to hear public testimony on the proposed water rate structure for FY12, and heard all testimony regarding the proposed water rates and accepted all related comments and protests for both Fiscal Years 2012 and 2013; and

WHEREAS, at the conclusion of the public hearing the District Clerk tabulated the number of protests and reported that there was not a majority protest of the proposed water rate structures for FY12 and FY13; and

WHEREAS, the District Board of Directors conducted a public hearing on May 3, 2012 to hear public testimony on the proposed water rate structure for FY13, and heard all testimony regarding the proposed water rates and accepted all related comments; and

WHEREAS, based on the evidence and testimony provided at the time of the public hearing on this matter, the Board of Directors finds as follows:

1. The proposed rate increases set forth in Exhibit “A” follow the recommendations of the 2007 Rate Study that was commissioned by the District Board of Directors as a basis for restructuring water rates commencing in May 2009.

2. Pursuant to the analysis and recommendations contained in the 2007 Rate Study, the proposed water rates are directly related to the District’s actual cost of providing water service and are not levied for general revenue purposes.

3. Based on the 2007 Rate Study, the proposed water rates needed to cover those costs of operation, repair, and maintenance costs of the District's water system are neither excessive nor discriminatory.

4. Proper notice of the proposed rate structure and notice of a public hearing on the matter has been given to all ratepayers and owners of identified parcels within the District, in accordance with applicable law.

5. The proposed water rates, as described in Exhibit "A", attached, were not protested by a majority of the persons eligible to protest said rate structure.

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of the Sweetwater Springs Water District adopts the following:

Section 1. Base Rate, Water Usage, and Capital Debt Reduction Charge. Effective on all bills issued on or after July 1, 2012, the bi-monthly Base Rate, Water Usage Rate, and Capital Debt Reduction Charge shall be as shown in Table 1 of Exhibit “A”, attached.

Section 2. Severability. If any section, subsection, sentence, clause of phrase of this Ordinance is for any reason held by a court of competent jurisdiction to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of the Ordinance. The District Board of Directors hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause and phrase thereof irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases may be held invalid or unconstitutional.

I hereby certify that the foregoing is a full, true, and correct copy of a Resolution duly and regularly adopted and passed by the Board of Directors of the SWEETWATER SPRINGS WATER DISTRICT, Sonoma County, California, at a meeting held on May 3, 2012, by the following vote.

Director	Aye	No
Sukey Robb-Wilder	_____	_____
Jim Quigley	_____	_____
Richard Holmer	_____	_____
Gaylord Schaap	_____	_____
Victoria Wikle	_____	_____

_____
Sukey Robb-Wilder
President of the Board of Directors

_____

Attest: Julie A. Kenny
Clerk of the Board of Directors

Exhibit A

Sweetwater Springs Water District
Water Service Base Rate, Usage Charges and Capital Debt Reduction Charge

Effective on all bills issued on or after July 1, 2012

The rates indicated below shall be effective on all bills issued on or after July 1, 2012, and these fees, rates and charges shall supercede and replace those in Ordinance 39.

Table 1. Sweetwater Springs Water District Water Rates for 2012-13 Base Rate, Water Usage Rate, and Capital Debt Reduction Charge

		Tier 1	Tier 2	Tier 3	Tier 4	
Water Usage Rate		**1.20**	**2.45**	**3.65**	**5.30**	
A. Residential Single Family; no meter multiplier						
	Base Rate	Tier 1 Max Usage (Hcf)	Tier 2 Max Usage (Hcf)	Tier 3 Max Usage (Hcf)	Tier 4 Max Usage (Hcf)	**Capital Debt Reduction Charge (CDRC)**
Any meter size	$53.05	8	20	80	>80	$9.70
B. Residential Multiple Family – Multiple Unit Multiplier is 0.55 for every extra unit; no meter multiplier; charges for 2-4 units below.						
Any meter size	**Base Rate**	**Tier 1**	**Tier 2**	**Tier 3**	**Tier 4**	**CDRC**
2 units	82.23	12	31	124	>124	$15.04
3 units	$111.41	17	42	168	>168	$20.37
4 units	$140.58	21	53	212	>212	$25.71
C. Commercial and Public – meter multiplier based on meter size; no multiple unit multiplier.						
Meter Size (in)	**Base Rate**	**Tier 1**	**Tier 2**	**Tier 3**	**Tier 4**	**CDRC**
0.625	$53.05	8	20	80	>80	$9.70
1	$132.60	20	50	200	>200	$24.25
1.5	$265.25	40	100	400	>400	$48.50
2	$424.35	64	160	640	>640	$77.60

USER CLASSIFICATIONS. For the purposes of assessing water charges provided for in this exhibit, user classifications shall be as follows:

1. Residential Single Family: Applicable to all accounts serving one detached dwelling unit.
2. Residential Multiple Family: Applicable to all accounts serving two or more living units, as defined by District Policy 3010.70.
3. Commercial and Public: Applicable, without regard to meter size, to all accounts serving mercantile buildings, motels and other short term lodging establishments, office buildings, institutional buildings, parks, schools, churches, and other commercial and public agency establishments.