ORIGINAL

SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: December 4, 2008

Subject: PROPOSED WATER RATES REVISION

RECOMMENDED ACTION: Approve Water Rates for public presentations.

FISCAL IMPACT: None

DISCUSSION:

The Board has been studying the District's water rates structure with the intent of approving rates that are more equitable to all customer classes. To that end the Board commissioned a water rate study by Brelje and Race which was completed in January 2007. Since that time the Board has done additional review to determine the best course of action. With the advent of a new General Manager to provide additional review, adjust the rates to fit with current financial conditions, and provide public outreach to affected groups, the Board has given general direction to have the new rate structure in place for the next fiscal year (July 2009). At the November 2008 meeting the Board was presented with a progress report that included:

- Status of the Income Model
- Review of basic rate structure recommendations
- Recommendation that commercial meter surcharge not be included
- Recommendation that Capital Debt Reduction Charge (CDRC) be increased to include one third of recent private placement loan interest payments.

Questions that came up at the November meeting included:

- How do we capture developer "make-up" fees? According to requirements of Ordinance 18, in 2008 new connections pay $3,420 per meter to buy into the system, in addition to charges for the time and materials for the actual physical connection. This charge increases by $245 every year. It was established to recapture costs for the original bonds approved to purchase the District facilities and upgrade infrastructure. It is not adjusted for meter size nor does it recapture the loans paid for with the Capital Debt Reduction Charge.

- What is the District's definition of multi-family customer class? District Policy 3060.70:...A dwelling subject to the multi-unit charge shall include, but not be limited to, each residential unit in addition to the primary unit containing cooking, sleeping and sanitation facilities, or a separately metered electrical service, whether attached to, or detached from the primary unit. Trailer/mobile home spaces rented out on a year-round basis shall also be subject to the multi-unit charges. Specifically exempted are those units subject to the transient occupancy tax.

- Show ranges of water use for the various customer classes in the figures. I will include this information in my PowerPoint presentation. Table 1 below presents in tabular form the bimonthly water use statistics for the past year for most customer classes.

Table 1. Bimonthly Water Use Statistics for Sweetwater Springs Water District Customer Classes, October 2007- September 2008 (100 cubic feet (Units))

	SFR	MFR <6, Number of Dwelling Units				Commercial, Meter Size (in)			
		2	3	4	5	5/8	1	1.5	2
Median	7	12	18	22	33.5	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

Since the November 2008 meeting I have used the income model to evaluate the preliminary recommendations presented at that meeting and various water usage charge alternatives available to the District. That evaluation supports the recommendations in last month's presentation. One addition that I would like to present in this agenda report and discuss at the meeting is the continuation of four tiers in the water usage rate (the Rate Study recommended three tiers and the rates presented last month followed that recommendation).

One of the issues in the review of District rates was that several commercial customers are using water in excess of the recommended flow rates for the meters they have. One approach to resolve that is to require those customers to increase the size of their meters. Another approach is to use water use pricing to encourage proper meter size. This can be done by

having a fourth tier appropriately placed to penalized excessive use when compared to meter size. Using this approach, excessive water use for a smaller meter size will result in higher total water costs when compared to the total cost of water for the same water use when using (and being charged for) a larger meter. The analysis I have done indicates that having a 4th tier at 80 units for a 5/8 inch meter achieves the desired effect. I will demonstrate how this works in my PowerPoint presentation at the Board meeting.

Table 2 shows the recommended rates that update the Rate Study Summary Report recommendations for current conditions. Analysis by the District's income model show that these rates generate the appropriate amount of revenue to fund District operations and capital projects in Fiscal Year 2009-2010 and are the rates that would be used for the public outreach needed to inform the District customers about the changed rate structure. The District will still need to go through the budget process and the Board will need to approve the Fiscal Year 2009-2010 budget prior to these rates, or any other water rates different what is currently approved, going into effect, including a public hearing on the proposed rates in the Spring of 2009.

The major features of the rate structure include:

- The Base Rate for Commercial and Public customers is based on AWWA flow standards.
- Multifamily accounts have a 0.55 multiplier for extra units.
- The Capital Debt Reduction Charge is based on meter size.
- The CDRC is increased to reflect costs of private placement loan.
- The Flat Charge does not change.
- Water Usage charges retain four tiers
- The meter multiplier and multifamily multiplier adjust the tiers for those accounts.

Upon approval by the Board I will proceed with public presentations based on the PowerPoint presentation given to the Board at the December 4, 2008 meeting.

Table 2. Proposed Sweetwater Springs Water District Rates for 2009-10						
	Base Rate	Water Usage Rate				Capital Debt Reduction Charge
		Tier 1	Tier 2	Tier 3	Tier 4	
		1.15	$2.30	$3.45	$5.00	
Meter Size (in)		Max Usage (Hcf)	Max Usage (Hcf)	Max Usage (Hcf)	Max Usage (Hcf)	
0.625	$50.00	8	20	80	>80	$ 9.70
1	$125.00	20	50	200	>200	$ 24.25
1.5	$250.00	40	100	400	>400	$ 48.50
2	$400.00	64	160	640	>640	$ 77.60