SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: May 7, 2009

SUBJECT: APPROVAL OF FISCAL YEAR 2009-2010 WATER RATES

RECOMMENDED ACTION: A. Hold a public hearing on the proposed Fiscal Year 2009-2010 (FY10) Water Rates;
B. Consider introduction of Ordinance 39 which establishes water rates for FY10.

FISCAL IMPACT: Adopts water rates that will develop the revenue needed to fund District operations and capital programs in FY10.

DISCUSSION:

The action requested today is an important milestone in restructuring the Sweetwater Springs Water District water rates. The water rate restructuring was done with the intent of providing equitable water rates to all District customers based on the cost of service for those customers. The Board started this effort with a rate study (Study) that was concluded in January 2007. The Study recommended that the meter multiplier be based on American Water Works Association (AWWA) flow standards and that the Capital Debt Reduction Charge (CDRC) be tied to meter size for commercial and public customers. It recommended that the rates for residential single family and multiple family classes not include a meter multiplier and recommended a multiunit multiplier for the multiple family class. It also provided for new tier sizes and that the tier sizes be adjusted by the meter and multiunit multipliers where applicable.

This past fall the District staff did additional review of the Study, adjusted the rates to fit with current revenue needs, and provided 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). Changes that came out of this review included:

- Updating the Income Model to reflect current conditions and using the updated model to review the Study recommendations.
- Recommendation that the commercial meter surcharge recommended by the Study not be included in the rates.
- Recommendation that CDRC be increased to include one third of recent private placement loan principal and interest payments.

- Revising the Water Usage Rate and Capital Debt Reduction Charge to reflect current costs.

Ordinance 39, Exhibit A shows the proposed rates. 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. That analysis did not take into effect any reduction in water use that may come from reduced water sales from the summer water conservation effort.

The major features of the restructured water rates 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 CDRC 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.
- The meter multiplier affects only the Commercial and Public accounts. The multifamily multiplier affects only multifamily accounts.

The rate structure proposed should work well for the District well into the future. We expect to recommend annual small rate increases to the Base Rate and the Water Usage Rates based on this structure to account for cost of living increases and increases to the CDRC to repay principal and interest on District loans as those loan balances get used for needed capital projects.

District staff made a considerable effort to reach out to customers to explain the Rate Study and the resulting restructured water rates. These efforts included:

- Focus Group in Summer 2008.
- Public Meeting advertised by mailer to all commercial customers in January 2009.
- Outreach to Chambers of Commerce and Rotary.
- Information on District Website, including Water Rate Calculator (over 800 hits).
- Proposition 218 Notice with explanation of rate structure in March 2009.

Throughout this review period, including after mailing of the Proposition 218 notice in March, District staff have been answering many questions on the phone. We have been told in these phone calls that the rate calculator has been helpful in estimating the possible effects of the restructured rates. Actual protests to the rate restructuring at the time of this agenda report have been 8.

In summary, the restructured water rates proposed for FY10 provide an improved rate structure for Sweetwater Springs Water District customers. As proposed the rates provide the revenue needed to operate the District in FY10 and a rate structure with which to fund District operations and capital improvement projects into the future. Introduction of Ordinance 39 at the May meeting and adoption at the June meeting will allow the restructured rates to be effective for water bills on or after July 3, 2009.

Ordinance No. 39

AN ORDINANCE OF THE SWEETWATER SPRINGS WATER DISTRICT ESTABLISHING WATER RATES FOR FISCAL YEAR 2009-2010

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, the District Board of Directors commissioned a detailed water rate study to evaluate the District's water rates and recommend a restructured rate system that equitably recovers the cost of providing water services; and

WHEREAS, the District has provided customer outreach to explain the water rate restructuring, including public meetings, a mailer to all customers explaining the rate restructure and proposed rate changes, as well as a rate calculator and other rate information on the District's website; and

WHEREAS, based on the studies and information provided, 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, in March of 2009 District staff sent formal notices of the public hearing on the proposed rate structure, in accordance with the requirements of Article XIII-D, Section 6(b) of the California Constitution; 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, 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 7, 2009 to hear public testimony on the proposed water rate structure, and heard all testimony regarding the proposed water rates and accepted all comments and protests; 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 structure; 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 detailed rate study that was commissioned by the District Board of Directors establishes a need and a basis for restructuring water rates.

2. Modifications to the original rate study that were developed by staff have been reviewed and approved by the Board and the rate study, as modified, supports the proposed water rate changes, as described in Exhibit "A".

3. 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.

4. 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.

5. 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.

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

NOW, THEREFORE BE IT ORDAINED 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 3, 2009 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.

This Ordinance was introduced at a regular meeting of the District Board of Directors held on May 7, 2009, by the following vote:

Wanda Smith : _____
Victoria Wikle : _____
Jim Quigley: _____
Ken McLean: _____
Gaylord Schaap: _____

_____
Victoria Wikle
President of the Board

ATTEST:

_____
Julie A. Kenny
Clerk of the Board

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 3, 2009

The rates indicated below shall be effective as of July 3, 2009, and these fees, rates and charges shall supersede and replace those in Ordinance 31.

Table 1. Sweetwater Springs Water District Rates for 2009-10 Base Rate, Water Usage Rate, and Capital Debt Reduction Charge

		Tier 1	Tier 2	Tier 3	Tier 4	
Water Usage Rate		**1.15**	**$2.30**	**$3.45**	**$5.00**	
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	$50.00	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	$77.50	12	31	124	>124	$15.04
3 units	$105.00	17	42	168	>168	$20.37
4 units	$132.50	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	$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

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.