



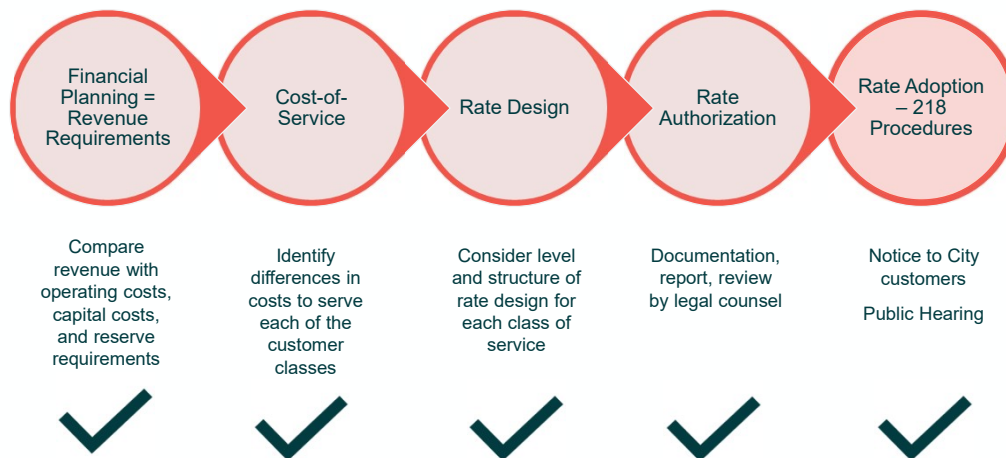
Water & Wastewater Rates

Public Hearing:
February 15, 2024



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Key Steps in Conducting the District's Rate Study



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Level of Service Goals - Water

- Replacing undersized and leaking mains
- Improving systemwide reliability in times of emergency
- Increasing water storage
- Fire and storm damage recovery



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Level of Service Goals - Wastewater

- Regulatory requirements drive additional capital needs
- Existing collection system needs improvement before it can be connected to County CSA 7



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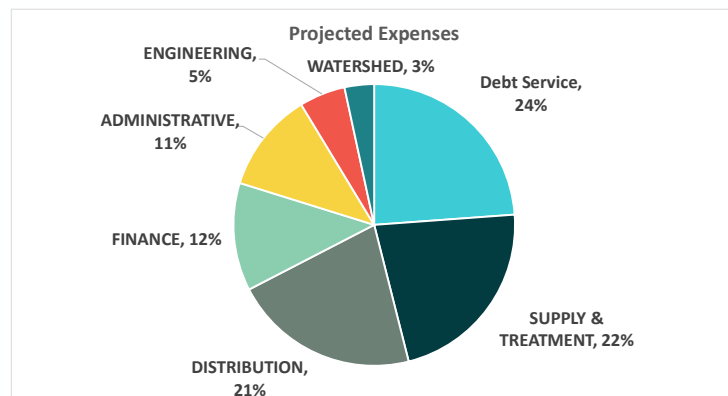
Water Enterprise



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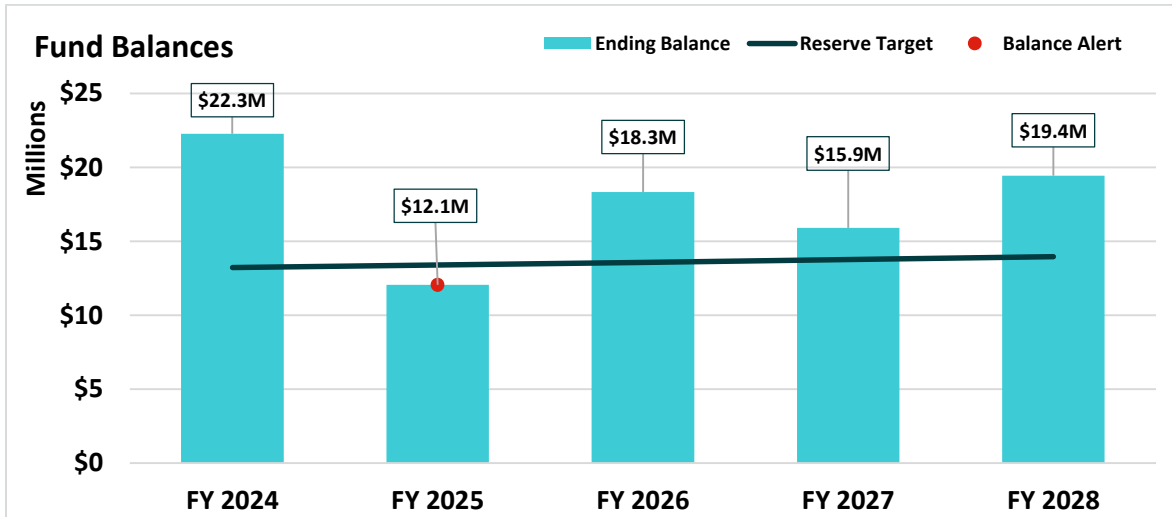
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All Revenues Go to Operations and Improvement of the Water System



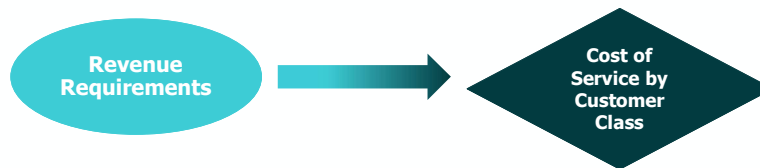
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Approved Water Financial Plan Projection



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What is Cost of Service?



- Method to recover costs from customers in proportion to their use of the system, recognizing the impact of each class on system facilities and operations
 - Allocation of cost of service to customer classes is based on how customers use water (peak flows versus average flows)
- Cost of service is described in the AWWA M1 manual, *Principles of Water Rates, Fees and Charges*
- Used throughout the United States to set public and privately owned utility water rates

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Proposed Water Rate Structure Changes

- Create a separate line item for capital-related costs to increase transparency
- For increased revenue stability: increase fixed cost recovery from 37% to 45%
- For affordability: develop tiered rates for residential customer class
- Add a new charge for private fire service

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Tier & Peaking Considerations

- San Juan Capistrano: Key Factors
 - › Does not prohibit tiered rates but requires that they be justified
 - › City used multipliers to justify the tiered rates without any administrative record of an underlying rationale
 - › Raftelis was then retained to redo the tiered rates and were not challenged
- Peaking costs (operations, maintenance, and capital) are related to treatment, reservoirs/storage, transmission, and distribution
- The water system is used day-to-day to meet customer demand
- Fire is emergency use only, and the industry standard is to allocate costs on customer usage and demand

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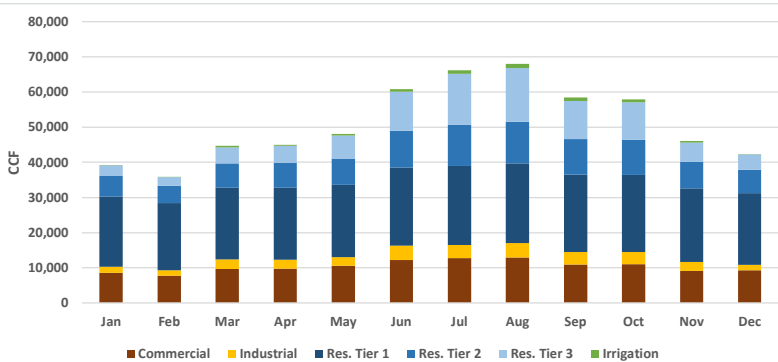
Customer Class Definitions Based on Demand Characteristics

- Single Family Residential – Includes homes with a single ADU
- Commercial - Includes multi residential, mobile homes, and homes with two or more ADUs
- Industrial - Includes schools and private mutuals
- Irrigation - Includes parks

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Water System Demand Characteristics



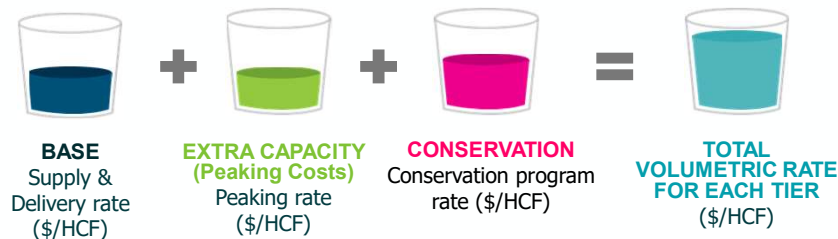
	Max Month	Average Demand	Peaking Ratio
Commercial	12,959	10,390	1.25
Industrial	4,061	2,829	1.44
Res. Tier 1	22,664	21,093	1.07
Res. Tier 2	11,823	8,391	1.41
Res. Tier 3	15,261	7,789	1.96
Irrigation	1,252	543	2.31

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Tiered Rate Design Derivation

- Tiered rates must be based on the cost to serve water to customers in that tier
 - Used customer demand characteristics to determine classes and tiers
- The total tiered rates can be broken down into different components

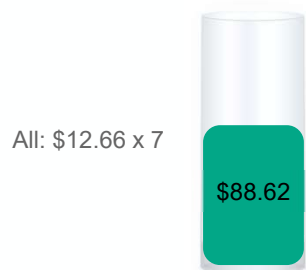


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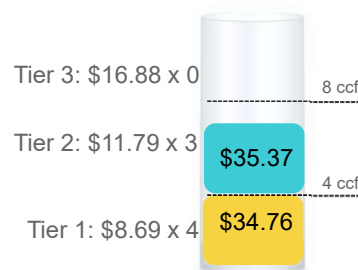
Single Family Example Bill Calculation

Current Rates



Consumption:	\$ 88.62
5/8" Service Charge:	\$ 35.34
5/8" Fire Recovery:	\$ 9.67
Water Charges	\$133.63

Proposed FY 2024



Consumption:	\$ 70.13
5/8" Service Charge:	\$ 48.04
5/8" Capital Charge:	\$ 7.65
5/8" Fire Recovery:	\$ 9.67
Water Charges	\$135.49

1 ccf = 1 unit
= 748 gallons

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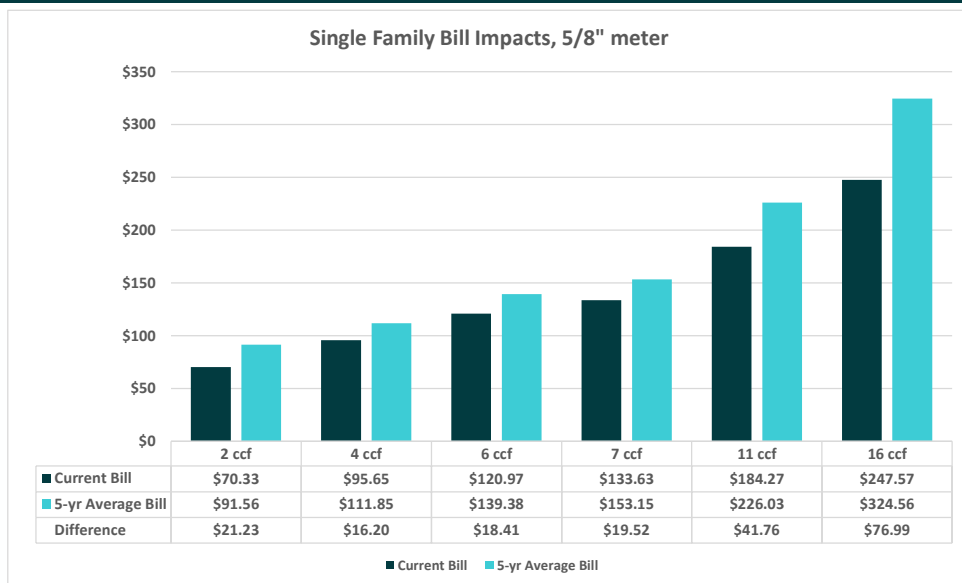
Fire Recovery Surcharge

- Charges to remain in place until \$5M threshold is reached.
- Anticipate meeting threshold early in FY2027, after which the charge will be eliminated.

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Single Family Bill Impacts at Different Usage Levels

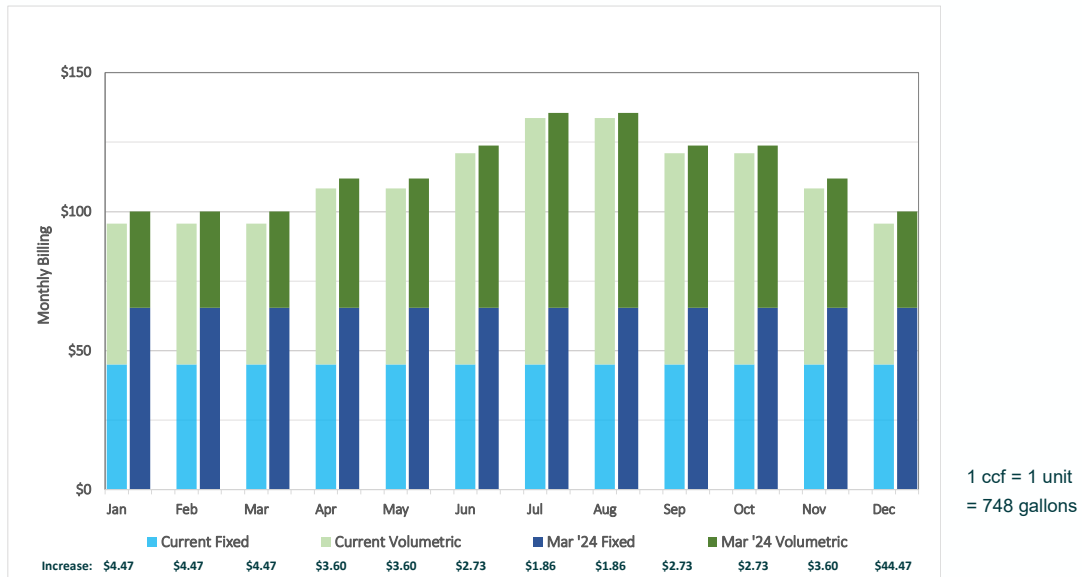


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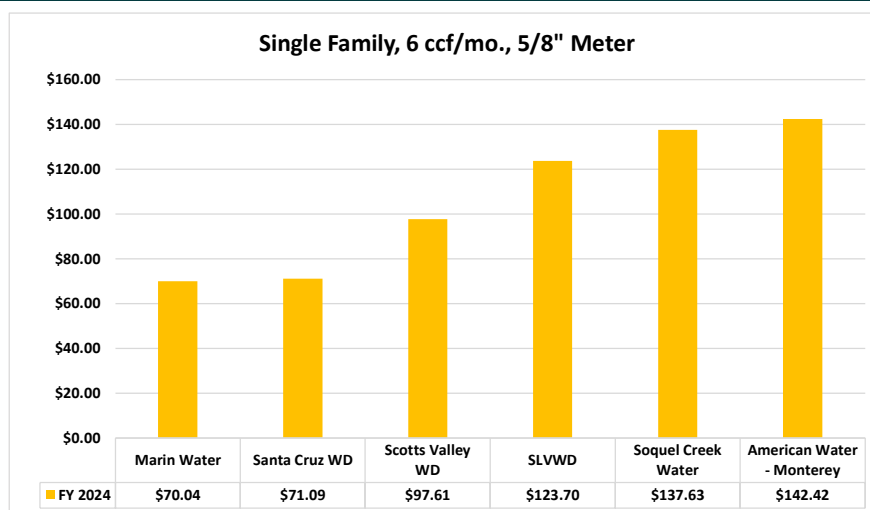
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Example Seasonal Variation – Single Family Bill



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Neighboring Agency Comparison, FY2024



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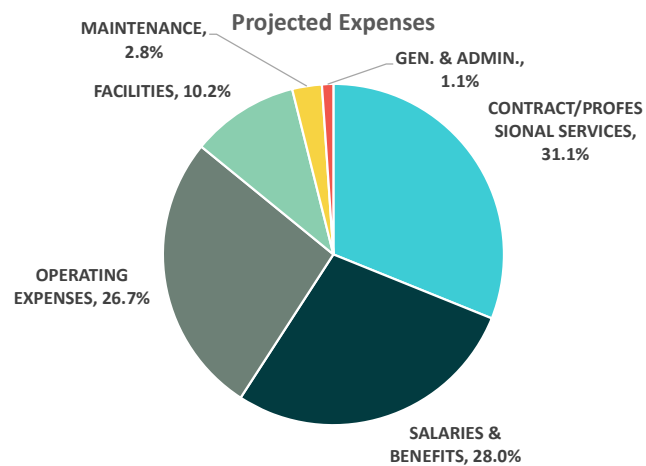
Wastewater Enterprise



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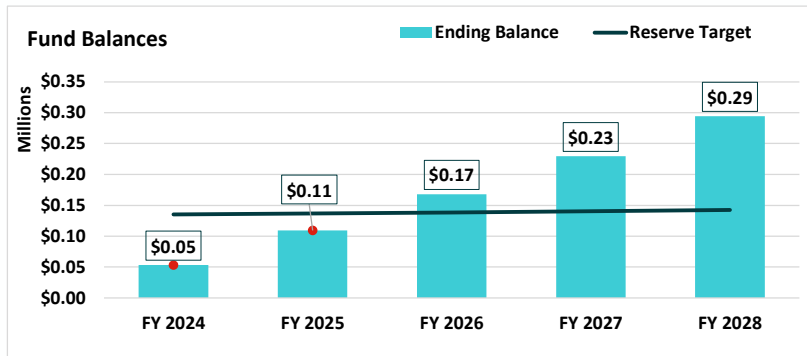
All Revenues Go to Operations of the Wastewater System



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Approved Water Financial Plan Projection

- Notice of Violation of Wastewater Discharge Permit issued April 1, 2016 (ongoing)
- Keep pace with projected overall increase in operations and maintenance costs



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Wastewater Revenue Adjustment Rationale for Bear Creek Estates

- Provide customers with a steady, regular schedule of rate adjustments that align with projected annual increases in expenses
- Have sufficient funds to cover annual expenses while building reserves to target levels by FY2026
- If reserves grow over time as projected, reserves over the target will be used to help defray costs required to bring the treatment plant into compliance, if required by the State Water Board

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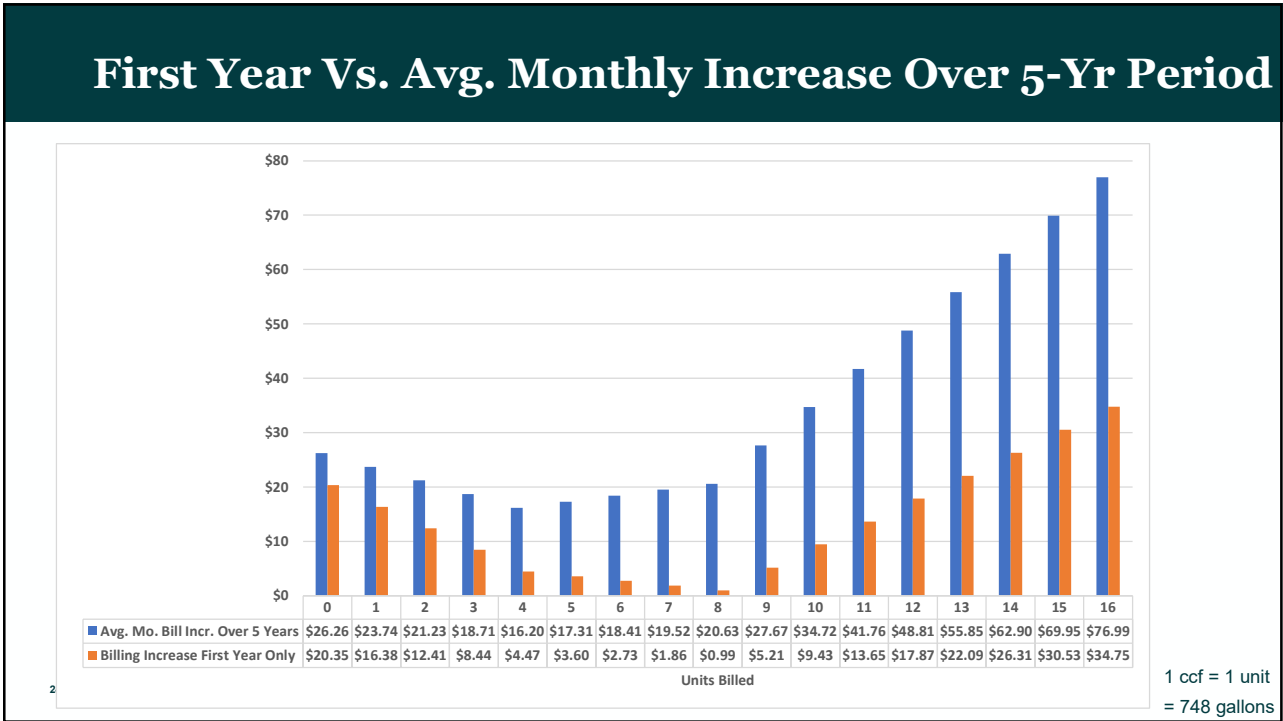
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Final Observations



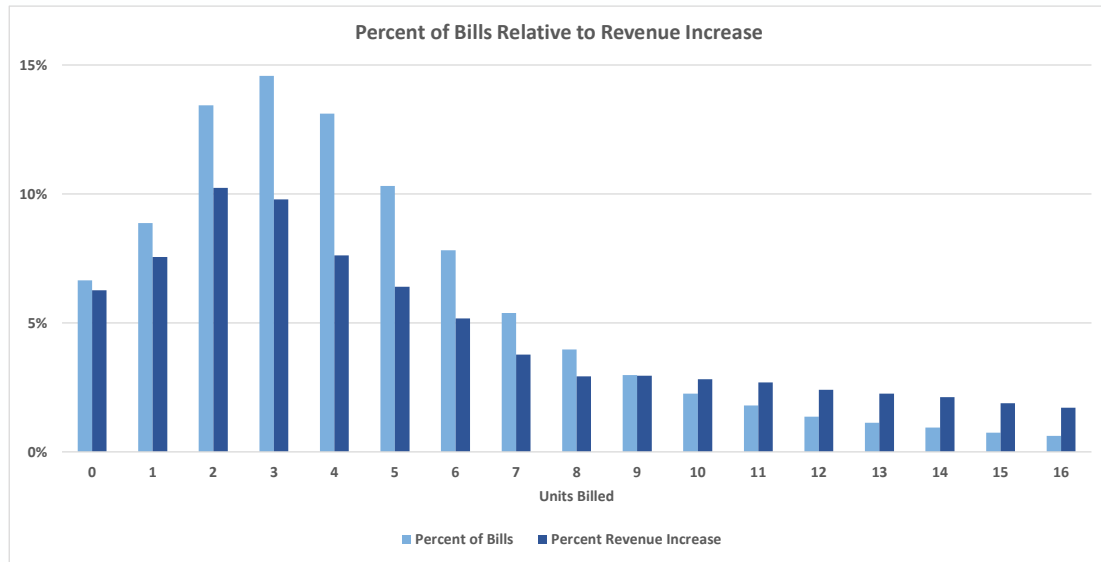
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Percent of Bills Relative to Revenue Increase



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Thank you

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