

**MINUTES OF THE COMMUNITY ADVISORY COMMITTEE MEETING
OF THE FLORIN RESOURCE CONSERVATION DISTRICT/
ELK GROVE WATER DISTRICT**

Thursday, April 19, 2018

Attendance:

Committee Members Present: Robert Blank, Gary Crotwell, Robert Stresak, Ken Strom, Inderjit Kallirai and Dwight Weathers

Staff Present: Mark J. Madison, General Manager; Patrick Lee, Finance Manager; Stefani Phillips, Board Secretary; Bruce Kamilos, Associate Civil Engineer; Donella Murillo, Finance Supervisor; Sarah Jones, Program Manager; and Amber Kavert, Administrative Assistant II (Confidential)

Consultants Present: Shawn Koorn, HDR Consulting, Inc.; Kevin Lorentzen, HDR Consulting, Inc.

1. 2018-2022 Water Rate and Connection Fee Studies

Shawn Koorn, HDR Consulting Inc. presented the agenda for the meeting. He reiterated the key study assumptions and considerations.

Rate Study

Mr. Koorn reminded the Community Advisory Committee (CAC) that the rate study is assuming the medium estimate from last meetings scenarios.

A discussion occurred regarding the Summary of Revenue Requirements and possible rate adjustments.

Mark Madison, General Manager stated he would like to go two (2) years without a rate increase.

CAC member, Dwight Weathers asked if it is an executive decision to not increase rates for two years. Mr. Madison responded that nothing is set in stone; the current idea of not increasing rates for two years comes from the philosophy the Elk Grove Water District (EGWD) has that, "If we do not need it, then we do not ask for it". He mentioned that there are always other options, such as increasing rates at 2% each year instead or increasing at 3% from the beginning and if things are going well, decreasing the amount at a later date.

Mr. Koorn mentioned the goal is to look out over the next five (5) years for the Proposition 218 process, which will set the maximum rates the District can implement at any time over that five (5) year time period. As the District has done in the past, if the District does not feel they need to use the full amount they could go below the maximum without needing to go through another Proposition 218 process. On the other hand, if the District sets the maximum too low they would have to go through another process. For this reason, Mr. Koorn stated, he recommends using 3% all the way across the board. Discussion ensued on the rates and reserves.

Mr. Madison presented the question, should the District do a 0% increase for the first two (2) years and then do 3% the next three (3) or should the District continue with the 3% each year and if the funds become flush, we back off. Discussion followed.

The CAC generally felt okay about continuing with 3% going forward because it is gradual.

Mr. Koorn presented a drought scenario over the course of a seven (7) year period as requested by the CAC.

Mr. Koorn talked about the importance of the Cost of Service Analysis for Proposition 218. He reminded the CAC that the Cost of Service Analysis is a method to equitably allocate the revenue requirement to the various customer classes of service, which in the District's case are residential, non-residential, and irrigation. He explained to the CAC how the Cost of Service Analysis allocates revenue requirement. After the consultants ran the cost of service analysis for Fiscal Year (FY) 2018-19, it indicated that the residential and non-residential revenue requirement decreased, while the irrigation customer's revenue requirement went up significantly. In the first year, the District is trying to establish the cost of service, which is going to give the unit costs for what the rates will be and then the District can adjust the rates each year for the five (5) years; this meets the intent of Proposition 218.

Mr. Koorn showed the difference between a 65/35 (fixed/variable) rate structure and a 60/40 rate structure; with the 65/35 rate structure the fixed charge decreases compared to the District's current rates. A discussion took place. Associate Director, Ken Strom mentioned that as a tax payer, he would like to see agencies in general not raise rates. He also stated that in general, he does not see many restraints from those companies, so he thinks the District is doing the right thing. Mr. Madison responded that he knows the District's rates are high in general, but with the 65/35 scenario it shows that the District is not trying to gouge anybody.

Mr. Koorn informed the CAC that with the 65/35 rate structure, the customers can have a little more control over their bill because there is more pull on the consumption (variable) side. Discussion continued.

CAC member, Dwight Weathers asked why 30 units is the magical number for the tier split. Mr. Koorn responded, the District tries to capture the majority of consumption, including summertime use, in the first tier of 30 units. He mentioned that this is how tier pricing is determined; when it comes to anything over 30 units, the District has other costs incurred, such as using bigger pipes, etc., which drives the differential.

CAC member, Mark Freathy commented that the plan looks really good, and it looks fiscally responsible. He likes seeing the 0% increase for two (2) years and looking at it over the five (5) years, going up 3% the last three (3) years seems reasonable to him; he believes that seeing that 0% the first two (2) years sends a message to the ratepayers. Mr. Madison mentioned that he will carry that to the Board with the rest of the CAC member's consent.

Mr. Madison mentioned there are always winners and losers when the rate structure formula is changed; in this case the irrigation customers are the losers, which are the Consumnes Community Services District (CSD) and the Elk Grove Unified School District (EGUSD). He mentioned that if the CAC and the Board would like to go with the 65/35 rate structure, he would like to have focus groups for the irrigation users.

Mr. Koorn showed an example of how a bill will look for each customer class with the new rate structure impact. He mentioned he likes not having a rate adjustment in the first year because the District will need to be clear that the impacts will be a result of a new structure (65/35) and not a revenue increase. CAC member, Dwight Weathers commented that he likes the fact that the change in the bill will come from a rate structure change and not a rate increase. He stated, now he can control the way the rate structure affects him.

Bruce Kamilos, Assistant General Manager asked if the District could put the rate calculator on the website for customers to do "what if" scenarios. Sarah Jones, Program Manager responded that she will put it on the website.

Mr. Madison asked the group to read the HDR Consulting, Inc. Rate Study and provide comments to Patrick Lee, Finance Manager. Discussion continued regarding the rates.

Connection Fee

Mr. Koorn gave a definition of what a connection fee is, which is a one-time charge based on the value of the District's capacity and the amount of capacity needed by the new customer.

Mr. Koorn mentioned that this fee is for new customers, as well as existing customers requesting increased water capacity. Dwight Weathers, if someone wanted to go from a 1" to a 1.5" pipe, would they be charged a connection fee. Mr. Koorn replied yes, they would pay the connection fee for the incremental difference.

Mr. Koorn explained, to find the connection fee cost the consultants first start by looking at the cost of the infrastructure in the ground, bringing it up to today's dollars and then they divide that by the number of equivalent residential units on a system. The consultants also take a look at any future capital projects that may provide additional capacity on the system that the new customers should pay their fair share of.

A discussion occurred on fining people for stealing water.

Mr. Koorn will have a Connection Fee Status Update next meeting, May 2, 2018. Mr. Madison asked to have final comments for the rate study on that date.

Mr. Madison mentioned that May 16, 2018 the Rate Study will be presented for tentative adoption; protest notices will go out on May 17, 2018, 45 days out is the deadline for written protests. He also mentioned that there will be another CAC meeting on May 23, 2018 regarding Connection Fees.

Mr. Madison asked for a CAC representative to attend the June Regular Board Meeting to speak and support the study.

Mr. Madison commented that the District incurs around \$100,000 a year in credit card fees and not every customer uses their credit card to pay their bills. He mentioned that as of right now the District does not have a separate fee for those who use their credit card, but that is something that will be brought to the Board at the Finance Committee (FC) meeting.

Mr. Madison stated the question is, does the District break out the \$100,000 and simply collect it on an individual basis or does the District leave it folded in to the Rate Study and have everyone absorb that cost. Mr. Koorn stated that most utilities roll the credit card costs into the bill. It was

asked how much the fee cost per month in ratepayers bills. Mr. Madison responded that it is less than \$0.10 a month per everyone's bill.

CAC member, Robert Blank commented that when looking at a change like having a separate credit card fee imposed on the credit card users and thinking things will continue as they used to, they won't. He mentioned that as soon as the change is made, there will be unintended consequences (i.e. customers will stop using their credit cards and will miss payments or customers will use checks instead that may bounce, etc.). He stated that the fee is just a cost of doing business. Mr. Madison agreed with Mr. Blank stating he does not see a driving need to establish a separate fee. A discussion followed.

Respectfully submitted,

Stefani Phillips

Stefani Phillips, Board Secretary
AK/SP

Adjourn to next Community Advisory Committee Meeting: Wednesday, May 2, 2018.