

**MEETING OF THE COMMUNITY ADVISORY COMMITTEE
OF THE FLORIN RESOURCE CONSERVATION DISTRICT
BOARD OF DIRECTORS**

Agenda

Tuesday, March 21, 2023

3:00 PM

**9829 Waterman Road.
Elk Grove, CA 95624**

CALL TO ORDER, ROLL CALL AND PLEDGE OF ALLEGIANCE

Public Comment – Please complete a Request to Speak Form if you wish to address the Board. Members of the audience may comment on matters that are not included on the agenda. Each person will be allowed three (3) minutes, or less if a large number of requests are received on a particular subject. No action may be taken on a matter raised under "Public Comment" until the matter has been specifically included on an agenda as an action item. Items listed on the agenda will be opened for public comment as they are considered by the Board of Directors.

1. 2024-2028 Water Rate and Connection Fee Study

(Patrick Lee, Finance Manager)

Associate Director Comment

Public Comment

Adjourn to the next Community Advisory Committee Meeting – TBD

Florin Resource Conservation District – Elk Grove Water District

Water Rate Study

CAC and Board Meetings - March 21, 2023



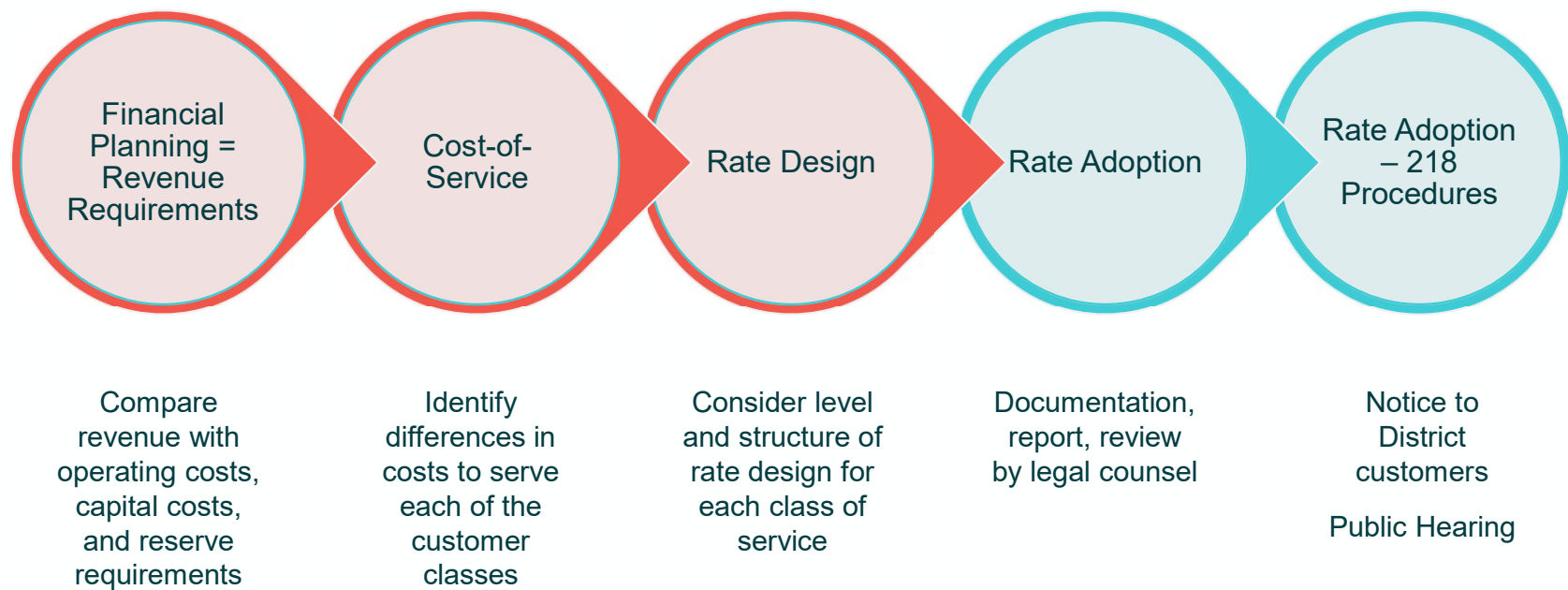
Agenda

1. Where We Are In Rate Setting Process
2. Financial Plan Summary
3. Proposition 218 and Cost-based Rates
4. Cost-of-Service
5. Water Rate Design
6. Capacity Fees

Where We Are In Rate Setting Process



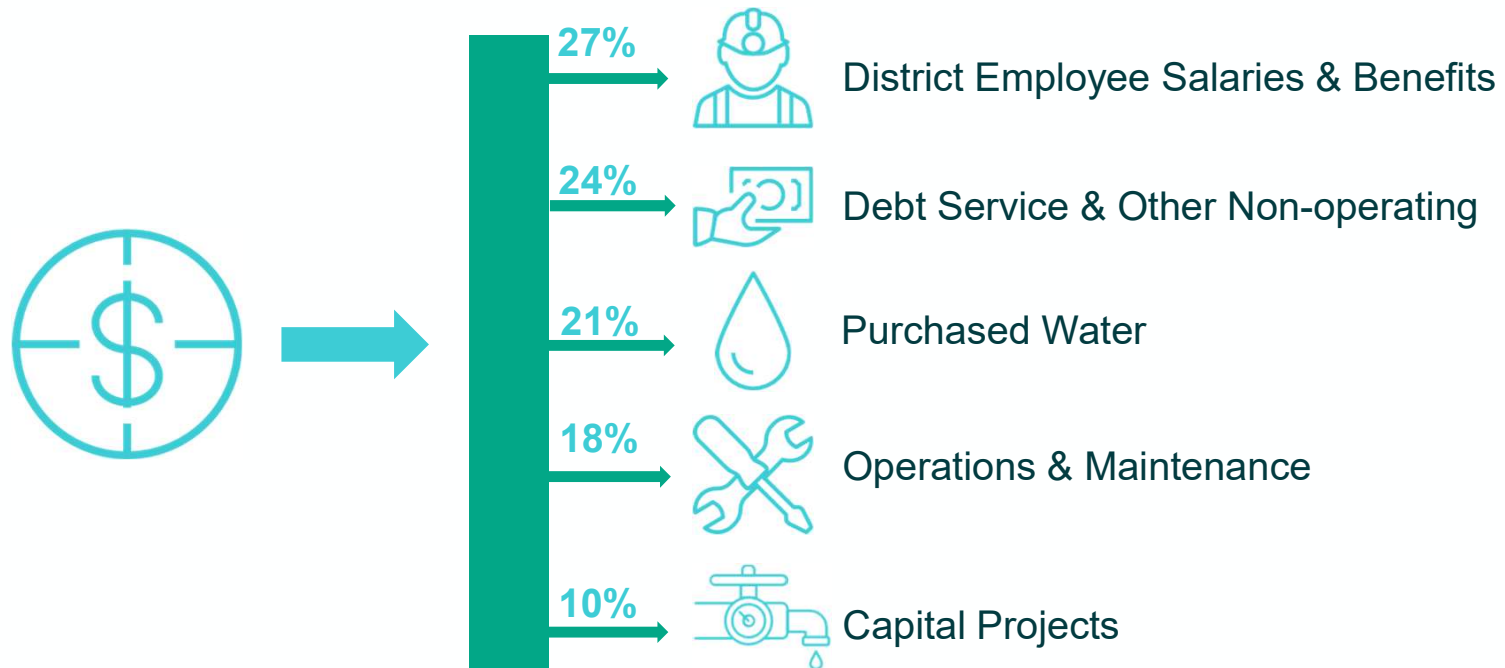
Key Steps in Conducting a Rate Study



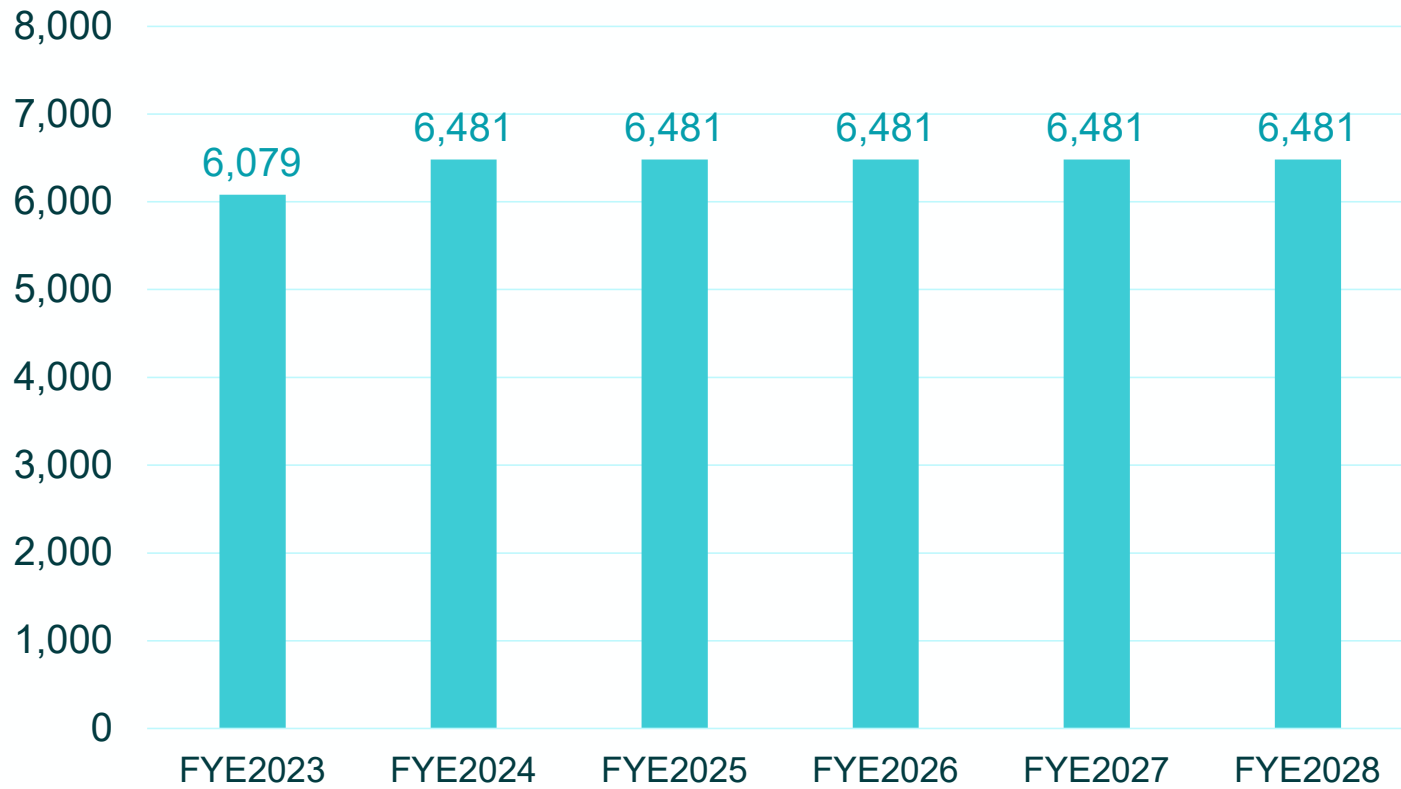
Financial Plan Summary



All Revenues Go to Operations, Improvement, and Growth of the Water System



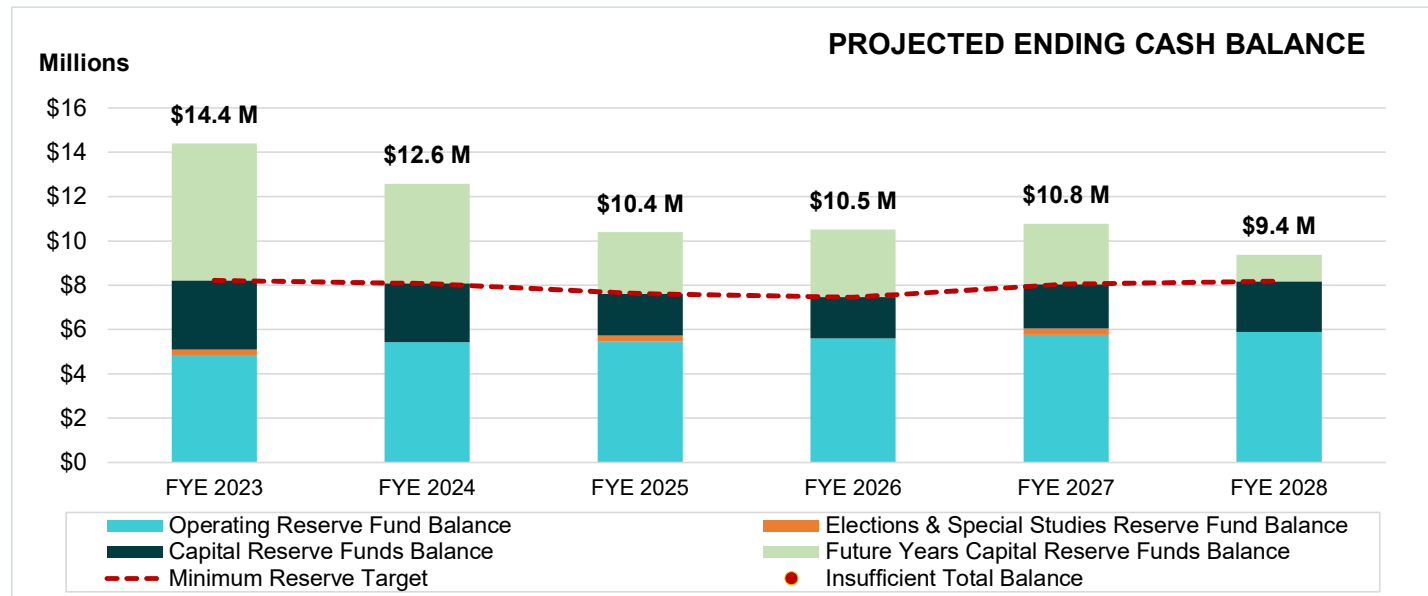
Water Demand Assumptions, AF



Purchased water = \$4M

Recommended Financial Plan

Effective Date	Revenue Adj.
Jan. 1, 2024	4.5%
Jan. 1, 2025	4.5%
Jan. 1, 2026	4.5%
Jan. 1, 2027	4.5%
Jan. 1, 2028	4.5%



Proposition 218 and Cost-based Rates



Key California Legal And Regulatory Requirements

- **Cost-of-Service Requirements**

- › Proposition 218 (Article XIII C and XIII D of California Constitution)
- › Proposition 26
- › California Government Code 54999

- **Water Conservation**

- › Article X of California Constitution
- › Water Code Section 106 – Domestic water use prioritized over irrigation
- › SB 606 + AB 1668 – calculated efficiency and reporting
- › SWRCB self certification of three years adequate supplies and set conservation standards equal to their projected supply shortage

Proposition 218 Substantive Requirements

Revenues
cannot exceed
the funds
required to
provide the
service



Revenues
cannot be
used for any
purpose other
than to pay
for the
service for
which it was
charged.



The amount
of the fee
cannot
exceed the
**proportion-
al cost of
providing
service** to
that parcel



Task:

- **Set rates proportional to the cost of providing the service**
- **Reasonably allocate amongst grouped feepayers, based on cost-of-service**
- **Use reliable data**

Proposition 218 Procedural Requirements

Identify parcels
subject to
the charge.



Calculate
the amount of
the charge to
be imposed.



Provide written notice to all record owners
including:

- The amount
- The basis upon which the amount was calculated
- The reason for the charge
- The date, time, and location of a public hearing on the charge



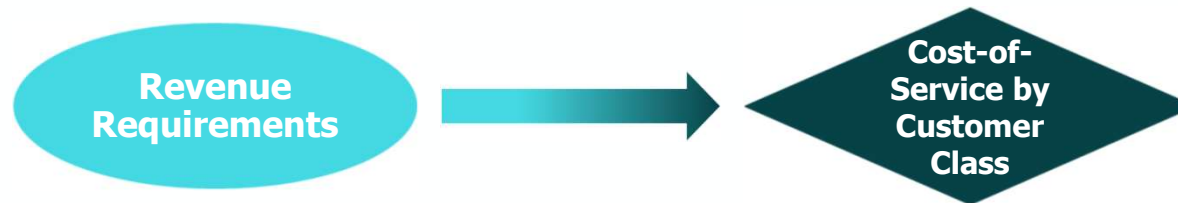
Hold a public hearing no less than 45 days from mailing the notice.

- Consider all protests to the charge.
- If a majority of owners protest the charge, the agency shall not adopt it.

Cost-of-Service



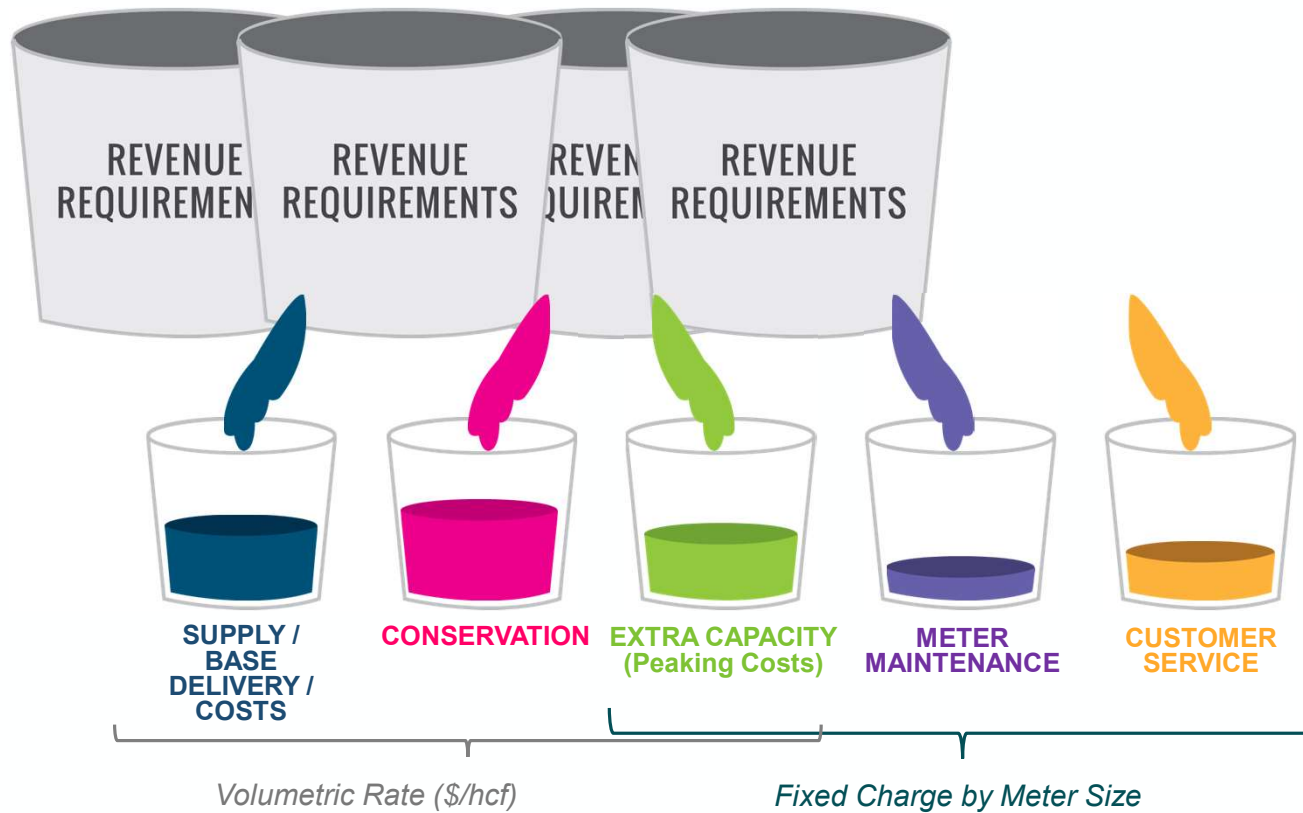
What is Cost-of-Service?



- Method to recover costs from users in proportion to their use of the system, recognizing the impact of each class on system facilities and operations
 - › A cost-based process of converting revenue requirements into unit costs
 - › Allocation of cost-of-service to customer classes is based on customer usage characteristics
- Cost-of-service is the fundamental benchmark used for establishing utility rates in the United States

Water Cost-of-Service

Allocation to Cost Components



Distribute Costs to Customer Classes

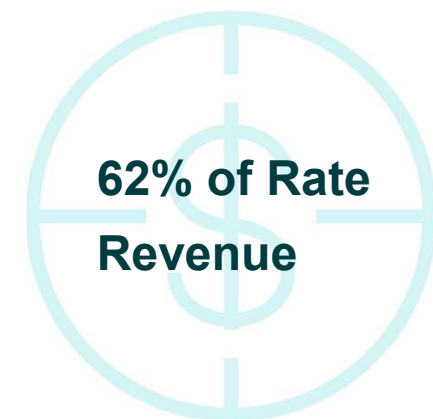


Water Rate Design

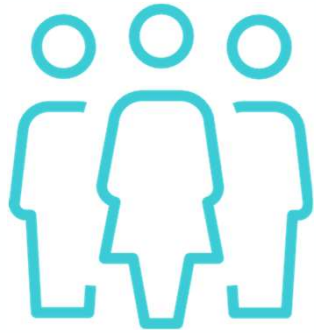


FRCD/EGWD's Current Fixed Charge

- Charge varies by meter size.



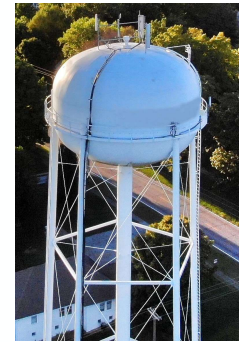
Fixed Cost Recovery – Types of Costs Included



- Customer service
- Billing & collection
- Processing and mailing bills



- Meter shop /maintenance/repair
- Meter reading



- System Capacity

FRCD/EGWD's Proposed Fixed Charge

- Proposed Fixed Charge is lower for the 1" meter and higher for larger meters
- Used AWWA hydraulic capacity ratios

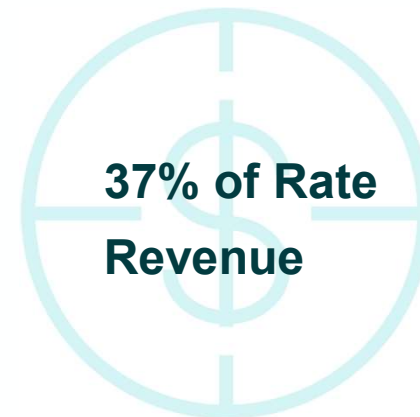
Meter Size	Number of Meters	Meter Ratio	Billing & Customer Service	Meters	Proposed Monthly Charge	Current Monthly Charge
1"	12,676	1.00	\$11.06	\$50.43	\$61.49	\$62.37
1.5"	102	2.00	\$11.06	\$100.86	\$111.92	\$87.79
2"	264	3.20	\$11.06	\$161.38	\$172.44	\$118.29
3"	22	7.00	\$11.06	\$353.02	\$364.08	\$189.48
4"	17	12.00	\$11.06	\$605.17	\$616.23	\$291.14
6"	5	27.00	\$11.06	\$1,361.63	\$1,372.69	\$545.33
8"	0	32.00	\$11.06	\$1,613.78	\$1,624.85	\$850.36
10"	0	84.00	\$11.06	\$4,236.18	\$4,247.24	\$1,206.22

FRC/EGWD's Proposed Private Fire Service

Connection Size	Number of Connections	Fire Demand Factor	Proposed Monthly Charge	Current Monthly Charge
2"	2	6.19	\$3.72	\$3.08
3"	2	17.98	\$10.79	\$8.96
4"	34	38.32	\$22.99	\$19.08
6"	156	111.31	\$66.77	\$55.43
8"	24	237.21	\$142.29	\$118.12
10"	12	426.58	\$255.89	\$212.42
12"	0	689.04	\$413.32	\$343.10

FRCO/EGWD's Current Commodity Rate

- Residential
 - Two-tier rate
 - ≤ 30 ccf/mo
 - > 30 ccf/mo
 - In 2013, tier 1 designed to capture the majority of use
- Non-residential: Uniform rate
- Irrigation: Uniform rate



Cost Causation Components – Base Extra Capacity Method

Base Costs: O&M expenses and capital costs associated with service to customers under *average* load conditions (base use)

Peaking Costs (Max Day): Costs associated with serving water during peak flows in excess of base use

Meter Maintenance: Maintenance and capital costs related to meters

Customer Service: Costs associated with serving customers, irrespective of the amount or rate of use: Meter reading, billing, customer accounting, customer service, collection expenses

Conservation: Costs associated with a conservation program

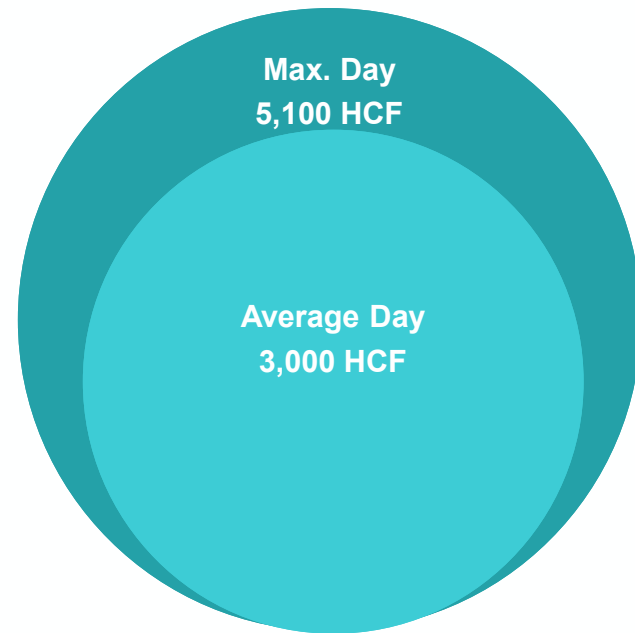
Definition of Peaking Costs (Max Day Costs)

Pipeline diameters are used as an example to underscore and visually illustrate how much more infrastructure is needed to meet peak demands.

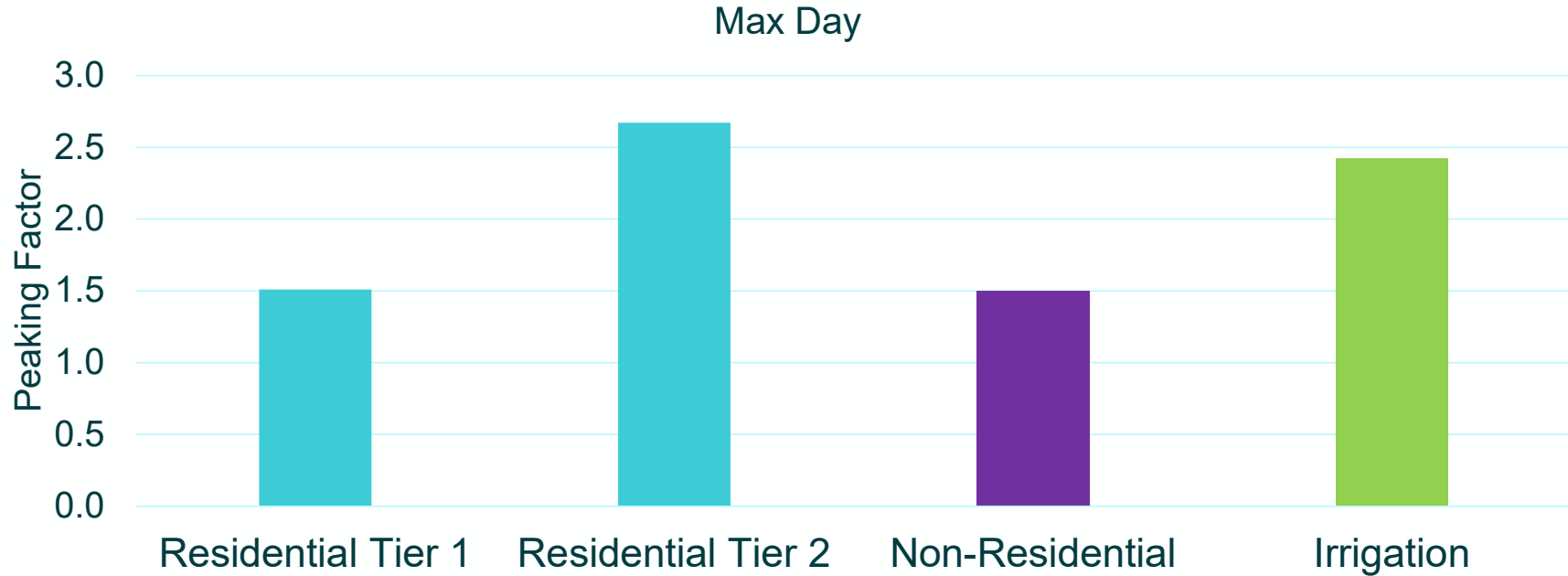
The same argument is extended to water storage tanks and pumps.

Larger pipes and tanks are more expensive to build and maintain and replace than smaller pipes/tanks

Costs are proportional to the area shown



Customer Class Peaking Factors Are Used To Allocate Costs



Commodity Rate Derivation

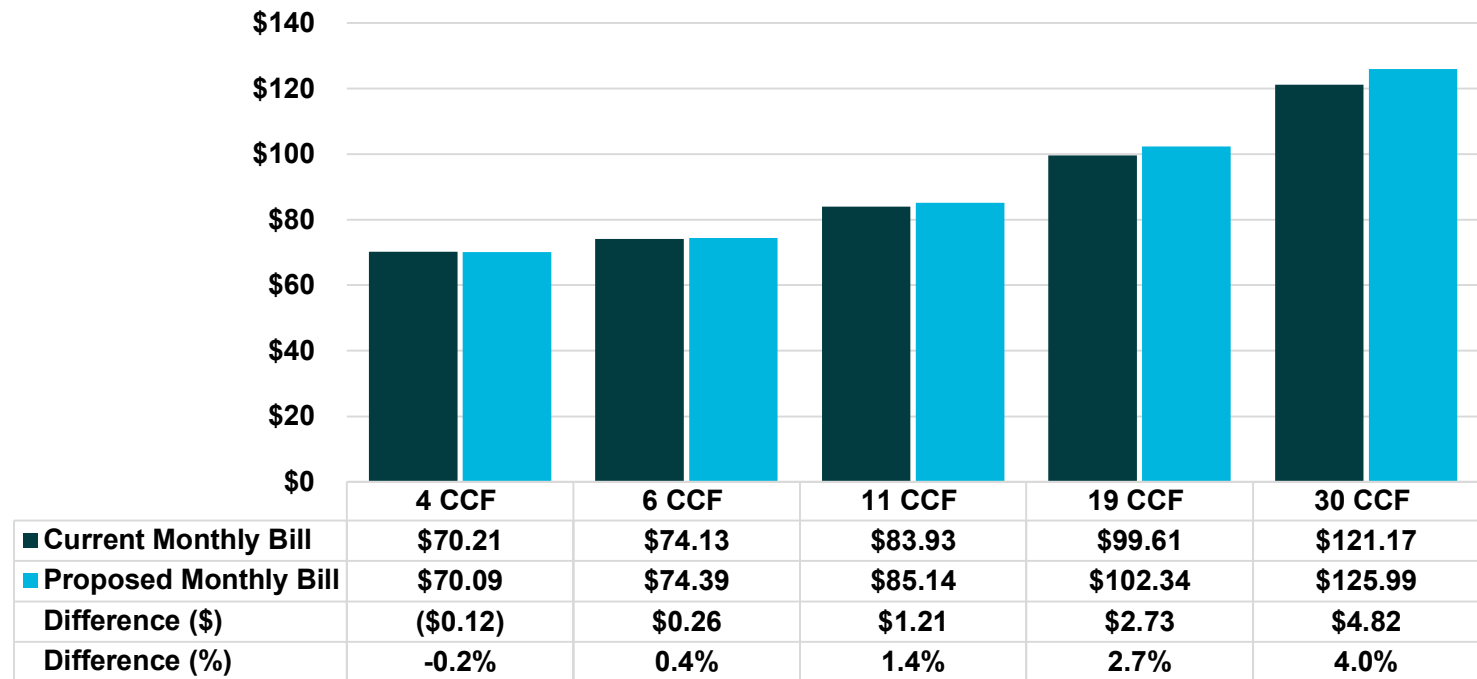
Customer Class/Tier	Water Use (CCF)	Base Delivery	Max Day	Conservation	Revenue Offsets	Proposed Rate (\$/CCF)	Current Rate (\$/CCF)
Residential Tier 1	1,952,603	\$1.784	\$0.449	\$0.029	(\$0.116)	\$2.15	\$1.96
Residential Tier 2	216,956	\$1.784	\$1.484	\$0.029	(\$0.116)	\$3.19	\$4.12
Non-Residential	322,176	\$1.784	\$0.440	\$0.029	(\$0.116)	\$2.14	\$1.83
Irrigation	331,389	\$1.784	\$1.264	\$0.029	(\$0.116)	\$2.97	\$2.32

- Tier 1: ≤ 30 ccf/mo
- Tier 2: > 30 ccf/mo

Proposed Water Rate Schedule	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028
Proposed Revenue Adjustment	N/A	COS	4.5%	4.5%	4.5%	4.5%
<u>Monthly Fixed Charges (by Meter Size)</u>						
1"	\$62.37	\$61.49	\$64.26	\$67.16	\$70.19	\$73.35
1.5"	\$87.79	\$111.92	\$116.96	\$122.23	\$127.74	\$133.49
2"	\$118.29	\$172.44	\$180.20	\$188.31	\$196.79	\$205.65
3"	\$189.48	\$364.08	\$380.47	\$397.60	\$415.50	\$434.20
4"	\$291.14	\$616.23	\$643.97	\$672.95	\$703.24	\$734.89
6"	\$545.33	\$1,372.69	\$1,434.47	\$1,499.03	\$1,566.49	\$1,636.99
8"	\$850.36	\$1,624.85	\$1,697.97	\$1,774.38	\$1,854.23	\$1,937.68
10"	\$1,206.22	\$4,247.24	\$4,438.37	\$4,638.10	\$4,846.82	\$5,064.93
<u>Commodity Charges (per CCF)</u>						
Residential						
Tier 1 (0-30 CCF per Month)	\$1.96	\$2.15	\$2.25	\$2.36	\$2.47	\$2.59
Tier 2 (30.01+ CCF per Month)	\$4.12	\$3.19	\$3.34	\$3.50	\$3.66	\$3.83
Non-Residential						
Uniform	\$1.83	\$2.14	\$2.24	\$2.35	\$2.46	\$2.58
Irrigation						
Uniform	\$2.32	\$2.97	\$3.11	\$3.25	\$3.40	\$3.56
<u>Private Fire Protection Service Monthly Fixed Charges (by Connection Size)</u>						
2"	\$3.08	\$3.72	\$3.89	\$4.07	\$4.26	\$4.46
3"	\$8.96	\$10.79	\$11.28	\$11.79	\$12.33	\$12.89
4"	\$19.08	\$22.99	\$24.03	\$25.12	\$26.26	\$27.45
6"	\$55.43	\$66.77	\$69.78	\$72.93	\$76.22	\$79.65
8"	\$118.12	\$142.29	\$148.70	\$155.40	\$162.40	\$169.71
10"	\$212.42	\$255.89	\$267.41	\$279.45	\$292.03	\$305.18
12"	\$343.10	\$413.32	\$431.92	\$451.36	\$471.68 ²⁷	\$492.91

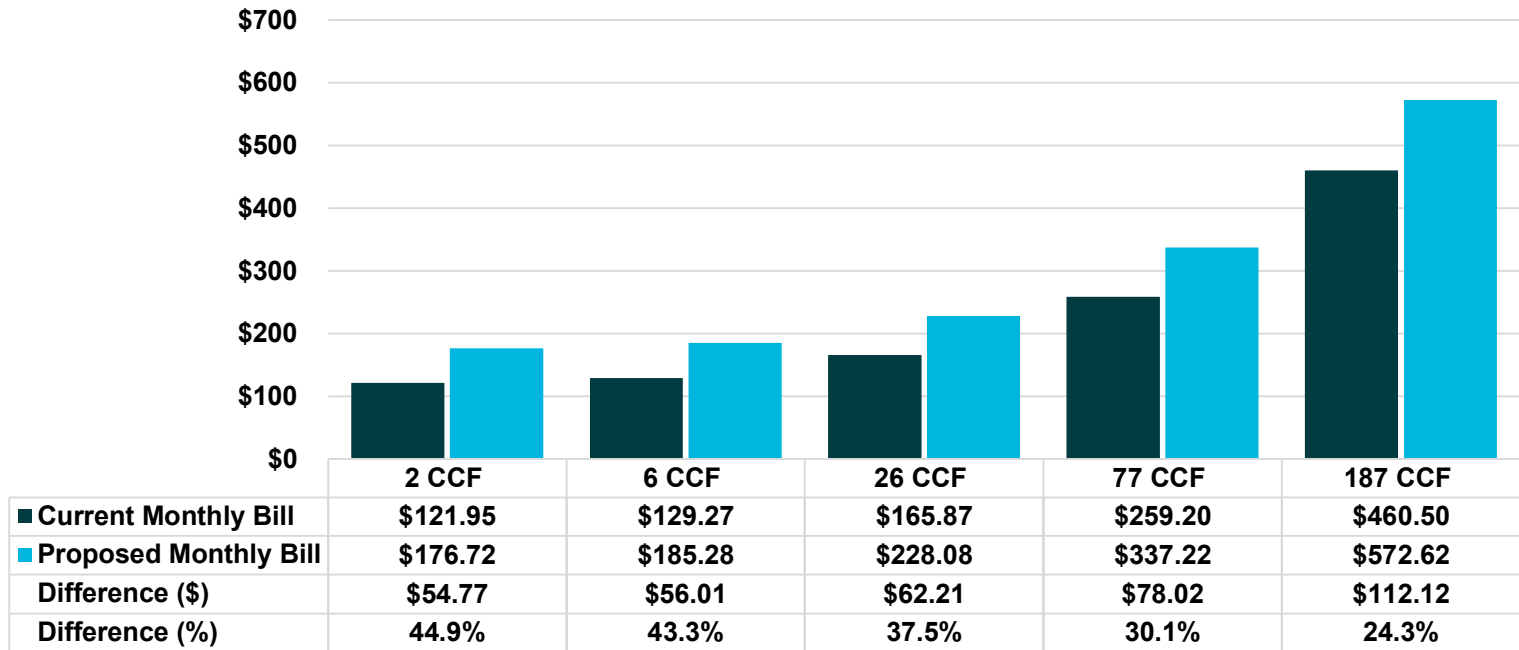
Bill Impact:

Single Family Residential Monthly Bill Impacts for 1" Meter, 11 ccf = Median



Bill Impact:

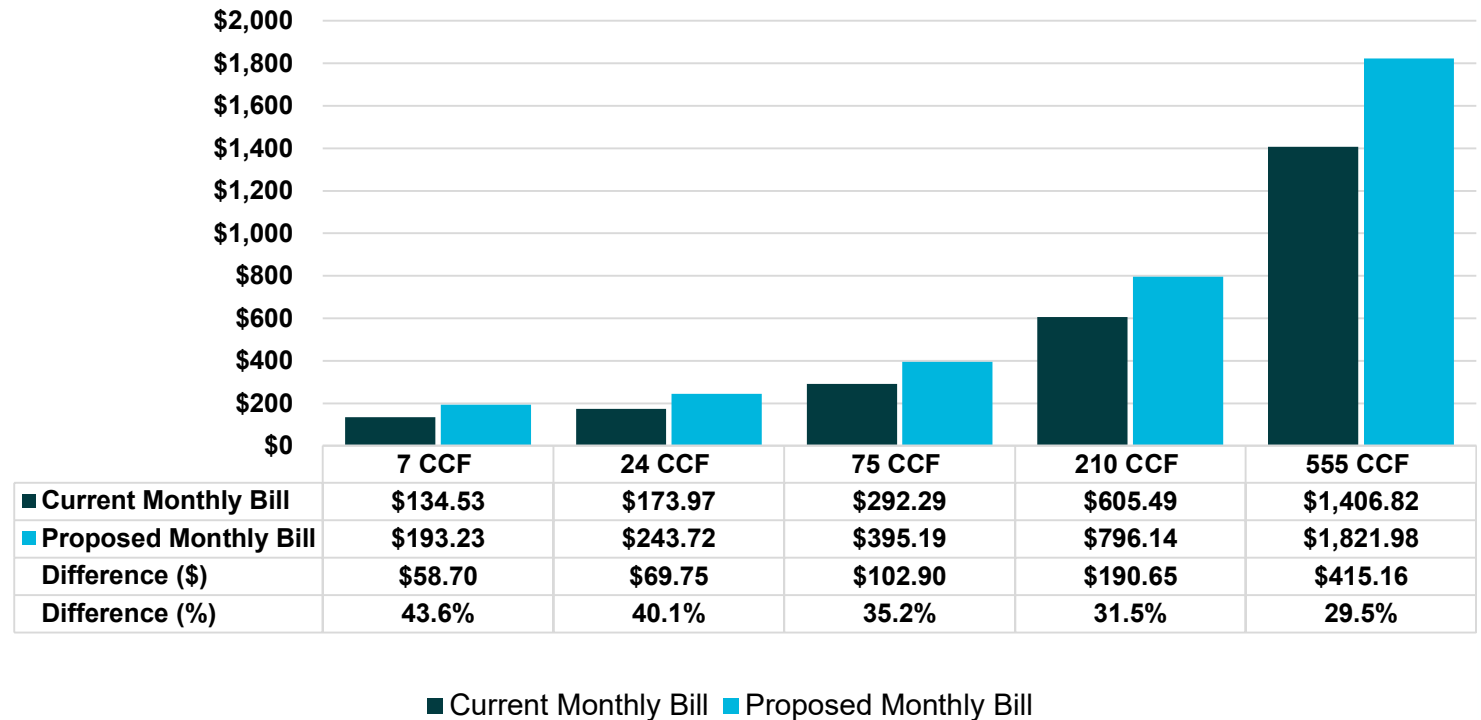
Non-Residential Monthly Bill Impacts for 2" Meter, 26 ccf = Median



■ Current Monthly Bill ■ Proposed Monthly Bill

Bill Impact:

Irrigation Monthly Bill Impacts for 2" Meter, 75 ccf = Median



Capacity Fees



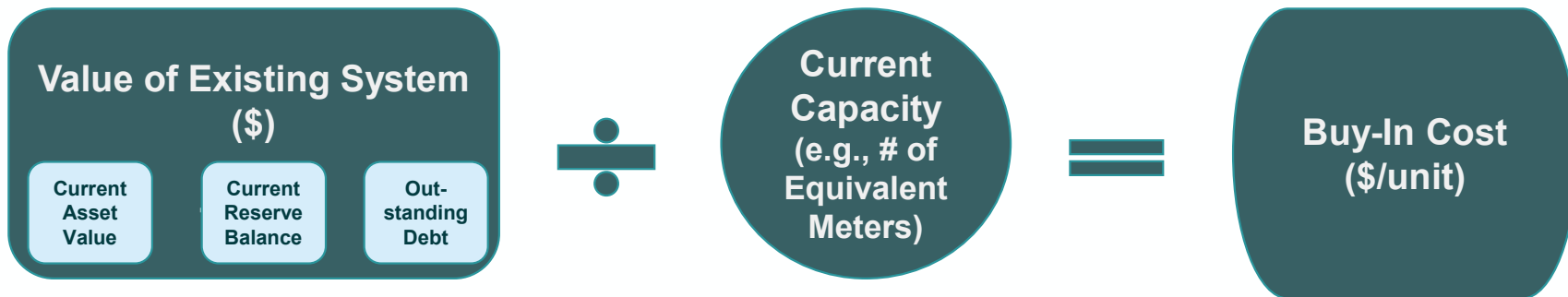
Capacity Fee Requirement

- Assembly Bill (“AB”) 1600 (codified as California Government Code Sections 66000-60025)
- Capacity/Development Fees must not exceed the share of costs associated with providing service

FRC/EGWD's Capacity Fee

- One-time charge
- Applies to all new development requiring water from the system
- Purpose: Reimburse existing customers for their investment in the system

Equity Buy-in



Capacity Fee – Service Area 1

Basis of Proposed Water Capital Fee	Equity Buy-in
Existing Equity Buy-In Component	RCLD-Total
SA1 Backbone System Value	\$ 48,877,117
Less SA 1 Outstanding Debt Principal (1)	\$ 21,488,535
SA1 Cash on Hand (1)	\$ 10,067,262
Adjusted System Value	\$ 37,455,844
Number of Equivalent Meters (EM)	8,725
Buy-in Unit Charge @ 1" Meter, \$/EM	\$ 4,292

(1) Allocated to SA1 based on RCLD asset valuation.

- Excluding non-backbone assets (e.g., distribution lines, contributed assets)
- Subtract outstanding debt principal because the bond holders “own” that portion of the asset value
- Include cash on hand as that’s equity that has been contributed to the system.

Proposed Capacity Fee

	EM	EM	Proposed	Current
	Capacity (gpm)	Capacity Ratio	\$/EM	\$/EDU (\$/EM)
1"	50	1.0	\$4,292	\$4,479
1 1/2"	100	2.0	\$8,584	\$8,958
2"	160	3.2	\$13,734	\$14,333
3"	350	7.0	\$30,044	\$26,874
4"	600	12.0	\$51,504	\$44,790
6"	1350	27.0	\$115,884	\$89,580

Next Steps

- Board directs staff to move forward with proposed rates or alternative
- Draft report
- Prepare Proposition 218 notice

Thank you!