



Board Agenda Item 8

DATE: January 21, 2020

TO: Board of Supervisors

SUBMITTED BY: Steven E. White, Director
Department of Public Works and Planning

SUBJECT: Protest Hearing On Water Service Fee Increase for Waterworks District No. 42,
Alluvial-Fancher Subdivision

RECOMMENDED ACTION(S):

Conduct a public hearing and receive written protests from Waterworks District No. 42, Alluvial-Fancher subdivision property owners on a proposal to increase the water service fee, as required under California Constitution Article XIII-D (Proposition 218) and upon completion of the public protest hearing, approve item A or B.

- A. If the Board finds that there is not a majority protest, adopt a Resolution adopting increased water service fees for Waterworks District No. 42, effective March 1, 2020.**
- B. If the Board finds that there is a majority protest, make a Finding that there is a majority protest and abandon the proceedings to increase the water service fee.**

Approval of the recommended action allows your Board to conduct a public hearing to receive written protests from Waterworks District No. 42 (WWD 42) property owners regarding the water service fee structure increase. The structure as proposed in Exhibit A is needed, as the current fee structure does not generate sufficient revenue to pay for WWD 42 expenses, causing reserves to deplete. If there is not a majority protest, approval of item "A" allows the adoption of the increased water service fee, which would improve WWD 42 cash flow, as well as build its reserves for future infrastructure projects necessary to improve and maintain water services. However, if there were a majority a protest, approval of item "B" would abandon the proceedings and the Department would schedule a future public meeting to discuss cost saving strategies with the residents. This item pertains to a location in District 5.

ALTERNATIVE ACTION(S):

There are no viable alternative actions.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended actions. All costs associated with water services to WWD 42 are paid for by the benefiting properties.

DISCUSSION:

WWD 42 was formed in 1972 to provide community water services to the residential area near Alluvial and Fancher Avenues, as shown in Exhibit B. The district currently provides water to 104 residential parcels.

The source of water is from three wells located within WWD 42's boundary.

The increased water service fee structure as proposed in Exhibit A is needed, as the current fee structure does not generate sufficient revenue to pay for WWD 42 expenses, causing its reserves to deplete. The last approved fee change occurred on February 5, 2008 for FY 2008-09 and included an annual 3% inflation factor. The last inflation factor occurred in FY 2012-13. Since FY 2012-13 the fee has remained at \$87.56/month.

Background

In 2012, the Department of Public Works and Planning began a two-year plan to install meters at all connected properties in WWD 42. After the last meter was installed in late 2014, Department staff met with the WWD 42 Citizens Advisory Committee (CAC) and other community members to discuss a usage-based fee structure. The CAC asked staff to postpone the fee adjustment process, i.e., Proposition 218 process (Prop. 218 process), for 12 months to gather enough water usage data to determine a usage-based fee structure. In early 2016, the CAC requested staff to conduct a well efficiency test on the three wells and provide WWD 42 community with Pacific Gas & Electric Company usage rates for the well system to calculate the electrical cost to pump water.

Due to the rising costs to operate and maintain the well system, and to ensure expenditures do not exceed revenues, the proposed fee structure would account for rising operation and maintenance costs and water usage, and help build the district's reserve.

In 2018, Department staff surveyed WWD 42 residents to gauge interest in adopting the usage-based fee structure. Based on the survey results, a majority of the residents were in favor of a usage-based fee.

Proposed Water Service Fee

Effective as of March 1, 2020, the proposed water service fee structure would include the following two components: 1) a Residential Base fee and 2) a Water Usage fee. The Residential Base fee is a flat rate and is the same rate for all households. The Water Usage fee is based on the electrical cost to pump water.

The proposed Residential Base fee is based on the projected FY 2018-19 costs (\$162,400) to operate, maintain, and administer the water distribution facilities services for WWD 42 minus the projected variable electrical costs (\$40,000). This cost (\$162,400-\$40,000) will be shared equally among the 104 connected parcels and spread over 12 months. The Residential Base fee also includes an additional \$50 per month to build the district's reserve for the future infrastructure projects, which will improve and maintain water delivery services. For example, the current infrastructure is over 40 years old, to date no major components have been replaced. The estimated cost to replace the major components is \$339,000, which includes three hydropneumatic tanks (3 x \$85,000 = \$255,000), three pumps and motor (3 x \$6,000 = \$18,000), and three sand separators (3 x \$20,000 = \$60,000). The \$50 per month will generate \$312,000 (\$50 x 104 parcels x 12 months x 5 years) over five years; to help offset the cost to replace the major components, when and if it is needed, but is not limited to just the major components. The Residential Base fee is \$148.08/month and was calculated by $(\$162,400 - \$40,000) / (104 \text{ parcels} \times 12 \text{ months}) = \$98.08 + \$50 = \$148.08/\text{month}$.

The Water Usage fee was calculated by dividing the projected utility cost by the gallons of water used by all 104 parcels during FY 2018-19 ($\$40,000 / 80,217,435 \text{ gallons} = \$0.000499/\text{gallon}$ or $\$0.50/1,000 \text{ gallons}$).

The proposed water service fee is presented as a monthly fee but will be charged bimonthly. The proposed water service fee increase includes inflation adjustments of 3% annually over a five-year period, rounded to the nearest cent (effective July 1 of each year beginning on July 1, 2020, with the last adjustment to occur on July 1, 2023).

Notifications and Public Meeting

On December 6, 2019, notifications for the Protest Hearing, as shown in Exhibit C, were mailed to the recorded owners of properties subject to the proposed increased water service fees, in accordance with California Constitution Article XIII-D requirements. The notification explained why the fee increase is needed, included instructions for submitting a written protest, and explained that if less than a majority of property owners submit a written protest to the proposed water service fee increase, the Board may set the fee effective March 1, 2020.

On January 7, 2020, Department staff held a public meeting with the WWD 42 community to discuss the proposed water service fee increase and answer any questions on the Prop. 218 process. Additionally, staff explained the ramifications of a majority protest against increasing the water service rates, which would include further depletion of WWD 42's reserves.

WWD 42 Current Cash Flow

For FY 2018-19 WWD 42 revenues totaled \$110,278 and expenditures totaled \$127,822. The difference of \$17,544 was funded through WWD 42 reserves, (at \$435,616 as of June 30, 2019). Without a water service fee increase, WWD 42 will continue to deplete its reserves. For FY 2019-20, staff estimates \$17,000 will be required from the reserves to meet operation and maintenance needs.

If there is a majority protest and the proposed water service fee increase is not approved, the Department will schedule a public meeting to discuss cost saving strategies.

REFERENCE MATERIAL:

BAI #16, February 20, 2008

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A - C
On file with Clerk - Resolution

CAO ANALYST:

Sonia M. De La Rosa