

## Key Messages

- Proposed revenue increase consistent with 2018 CIP
  - 6.0% for treated water and untreated water
- Provides funding towards
  - Infrastructure renewal and replacement
  - Maintaining high level of service to customers
  - Maintaining sufficient reserves
- Public Response
  - Approximately 60,000 Prop 218 notices sent
  - 13 written protests received

## Schedule

- Finance Committee - Assumptions Oct. 25, 2017 ✓
- Board of Directors - Assumptions Nov. 15, 2017 ✓
- Proposition 218 Notices Mailed Nov. 16, 2017 ✓
- Board of Directors - Revenue Requirements Dec. 6, 2017 ✓
- **Board of Directors Jan. 3, 2018**
  - **Public Hearing on Proposed Changes**
  - **Consider Adopting Rates, Fees, Charges**
- Water Rate Changes Effective Feb. 1, 2018
- FRC Adjustments Effective Apr. 1, 2018

## Projected Revenue Increases\*

Customer Class	2018 Rate Review	2019	2020	2021	2022	2023	2024	2025	2026	2027
Untreated Water	6.00%	6.00%	6.00%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Treated Water	6.00%	6.00%	6.00%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%

\* Based on 2018-2027 CIP. Annual inflation assumptions: 3.5% for operating expenditures, 4.0% for capital expenditures, 7.0% for CVP costs, and 4.0% for energy costs

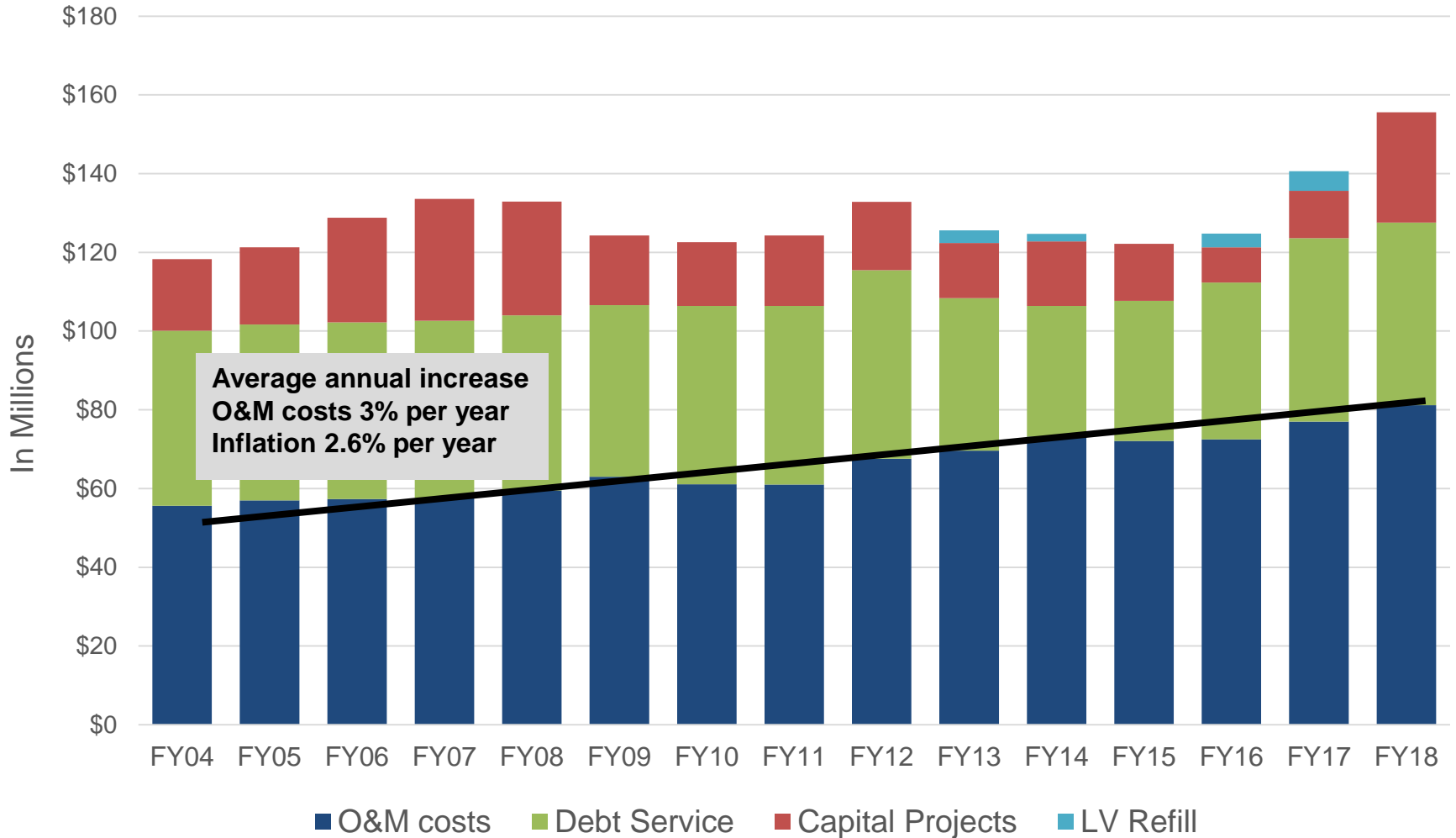
## 2018 Rate Review

- Customers projected to continue efficient water use over the next 10 years in anticipation of state long-term conservation mandates

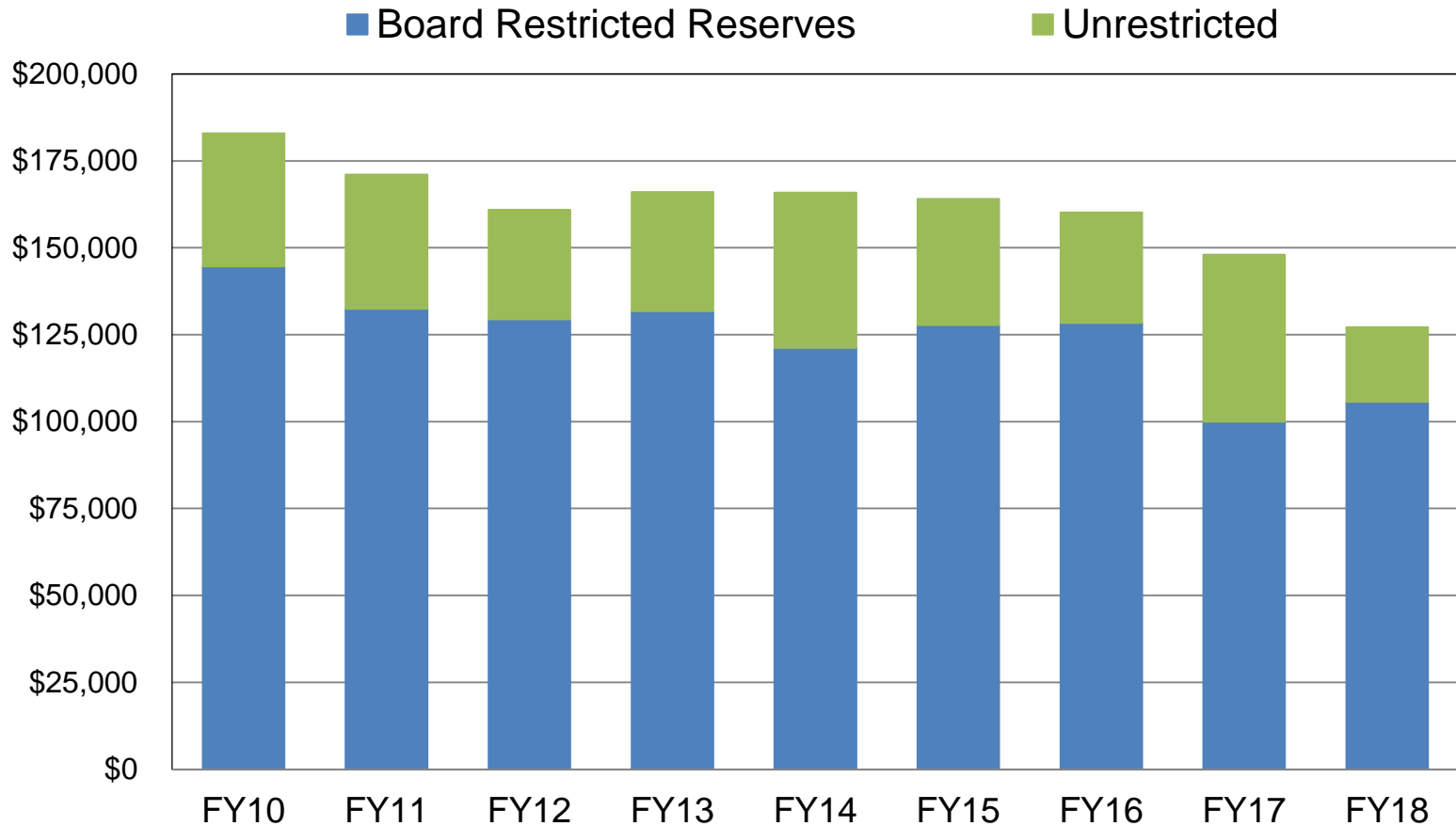
## Cost Reduction Efforts

- Staffing 5% (16 positions) lower than 20 years ago due to business efficiencies, despite adding over \$1 billion in assets
- Restructured health benefit plans; increased employee contributions
- Debt refinanced for lower interest rates
- Optimized water treatment; one plant shutdown in offseason
- Storage increased to 96% of capacity to prepare for next drought
  - Two-year effort completed in one with lowest cost source water
- New technology increased service efficiencies
- Obtained grants and outside funding
- Vehicle replacement term extended (7 to 10 years)

## Revenue Funded Costs



## Reserve Balances



*\*Board restricted reserves include rate stabilization fund, capital improvement fund, Facility Reserve Charge reserves and others*

## Projected Additional 2018 Revenue w/ 6.0% Increase

- |                   |             |
|-------------------|-------------|
| • Treated Water   | \$4,250,000 |
| • Untreated Water | \$2,305,000 |

## Average Customer Increases

### • Treated Water

Single Family Residential <i>(based on 260 gallons per day water usage)</i>	\$3.51/month
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### • Untreated Water

Metered Landscape Irrigation <i>(based on 1,000 gallons per day usage)</i>	\$4.83/month
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Unmetered Landscape <i>(based on 0.1 acre of irrigated property)</i>	\$7.47/year
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Municipal/Industrial <i>(based on 100,000 gallons per day usage)</i>	\$391.00/month*
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*\*Increase only applies to untreated water component of retailers' costs*

## Customers using less water experience lower increases

Gallons per Day	Current Charge	Proposed Charge	\$ Increase	% Increase
100	\$34.72	\$36.34	\$1.62	4.7%
200	\$50.66	\$53.53	\$2.87	5.7%
260*	\$58.62	\$62.13	\$3.51	6.0%
300	\$66.59	\$70.73	\$4.14	6.2%
400	\$82.53	\$87.93	\$5.40	6.5%
500	\$98.47	\$105.12	\$6.65	6.8%
800	\$146.27	\$156.71	\$10.44	7.1%
1000	\$178.15	\$191.11	\$12.96	7.3%

\* Average residential treated water customer



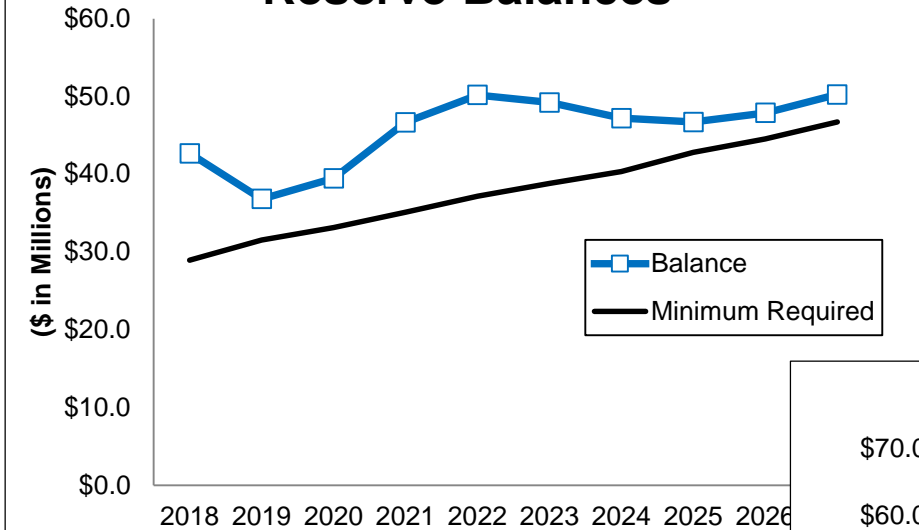
## Current Rate Comparisons

Single Family Residential Monthly (Treated) Water Charges					
September 2017					
	Assumed gallons per day				
	<u>260</u>	<u>400</u>	<u>600</u>	<u>750</u>	<u>1000</u>
<b>Golden State WC</b>	<b>\$ 75.95</b>	<b>\$ 116.21</b>	<b>\$175.00</b>	<b>\$219.10</b>	<b>\$ 292.59</b>
<b>Martinez</b>	<b>74.02</b>	<b>100.60</b>	<b>136.04</b>	<b>162.62</b>	<b>206.92</b>
<b>EBMUD<sup>2</sup></b>	<b>73.36</b>	<b>108.25</b>	<b>167.01</b>	<b>211.08</b>	<b>284.53</b>
<b>Pittsburg</b>	<b>60.79</b>	<b>86.11</b>	<b>128.99</b>	<b>161.15</b>	<b>214.75</b>
<b>CCWD<sup>1,2</sup></b>	<b>59.21</b>	<b>83.11</b>	<b>114.98</b>	<b>138.89</b>	<b>178.73</b>
<b>Antioch</b>	<b>54.75</b>	<b>81.09</b>	<b>124.49</b>	<b>157.04</b>	<b>211.29</b>
<b>Brentwood</b>	<b>52.31</b>	<b>75.03</b>	<b>111.73</b>	<b>142.45</b>	<b>195.77</b>
<b>DWD</b>	<b>43.43</b>	<b>64.01</b>	<b>91.45</b>	<b>112.03</b>	<b>146.33</b>

<sup>1</sup> Does not include excess use charge

<sup>2</sup> Includes estimated impact of property taxes

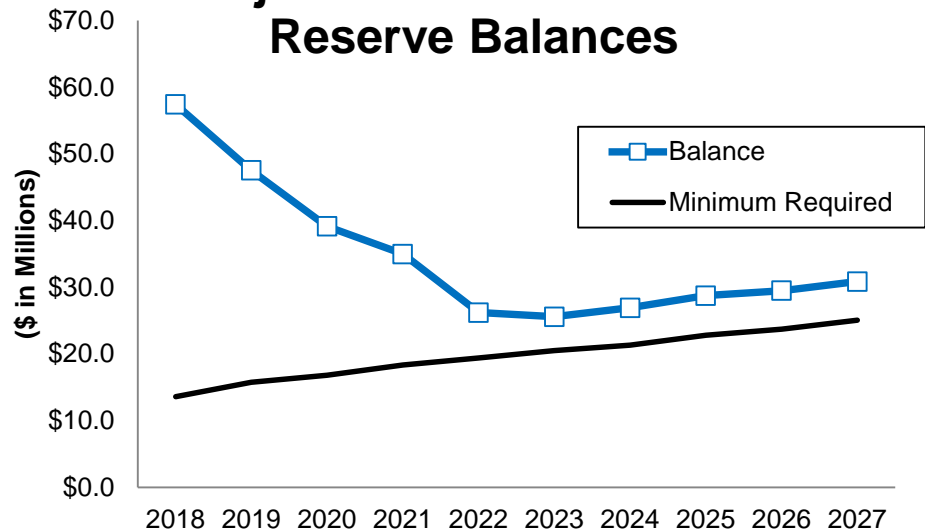
## Projected Treated Water Reserve Balances



## Treated Water Reserve Balances - Projected Drawdown

## Untreated Water Reserve Balances - Projected Drawdown

## Projected Untreated Water Reserve Balances



## 2018 Facility Reserve Charges (FRC)

- Allocations based on 2015 FRC Study
- Portion increased for inflation, based on annual Engineering News Record factor of 3.8%

FRC	Current	2018 Proposed	Change
Untreated Water	\$5,443	\$5,489	0.8%
Treated Water	\$20,442	\$20,885	2.2%

## Other Changes/Adjustments

- **Engineering Services:** primarily recovers District labor costs
- Adjusting for CPI since 2016 (3.1% in 2016 and 2.7% in 2017)

Number of Services	Current Not-to-Exceed	2018 Proposed Not-to-Exceed
Five or less	\$185	\$195
Six to 35	\$522	\$551
Greater than 35	\$754	\$797

## Other Changes/Adjustments

- **Los Vaqueros Recreation Facilities Parking:**
  - Provide free parking for qualifying veterans by accepting California State Parks Distinguished Veterans Pass
  - Many local agencies, including East Bay Regional Park District, honor the pass at their facilities
  
- **Los Vaqueros Recreation Fishing Access Passes:**
  - Fees are used to restock fish and improve fish habitat
  - Due to drought, cost of trout increased by 35% over the last two years
  - Increase fee from \$5.00 to \$6.00 to address cost increase and allow adequate stocking of the reservoir

## Other Changes/Adjustments (continued)

- **Turn-on Charge:**
  - Recovers cost of account set up & meter read prior to start of new service
  - 2018 year two of approved two-year phased increase based on cost-of-service in 2017 rate review

2016	2017	2018
\$17.00	\$25.00	<b>\$34.00</b>

### Other Changes/Adjustments (continued)

- **Submetering Requirement:**
  - New state law requires new multi-unit structures to submeter individual units, effective January 1, 2018
  - District would require applicants for new service to demonstrate compliance with this requirement
  - These submeters are not subject to FRCs
  - Proposed changes to the Code of Regulations effective January 3, 2018

## Other Changes/Adjustments (continued)

- **District's Standard Easement Agreement:** proposed changes to clarify the District's related actions and intent by
  - Defining the District's rights of ingress and egress to facilities without the need for large easement areas along the ingress/egress route
  - Defining the Easement Agreement as non-exclusive
  - Further defining limitations on obstructions within the easement area



## Recommended Actions

- Conduct Public Hearing
- Adopt Resolution No. 18-001 amending Title 5
- Adopt Resolution No. 18-002 amending Title 1
- Adopt Resolution No. 18-003 modifying portions of the District's Standard Easement Agreement