Agenda

- Review Financial Workshops Timeline (est. 5 minutes)
- Development Charges Follow-up (est. 75 minutes)
- Rate Study Overview (est. 15 minutes)
- Policy Objectives (est. 30 minutes)
  › Fixed/Variable Revenue Allocation
- Cost of Service Overview (est. 15 minutes)
- Account Establishment Fees (est. 15 minutes)
- State Water Property Override Tax (est. 15 minutes)
- Next Steps (est. 10 minutes)
Board Guidance

• Equity Buy-In
• Facilities Connection Charge Methodology
• Multi-Year Adjustments for Facilities Connection Charges
• Consolidation of Development Charges
• Water Rate Policy Objectives
• Account Establishment Fee
• State Water Project Override Property Tax
Financial Workshops Timeline

• February 22: Development Charges Overview

• April 26: Water Rates Overview
  › Development Charges Follow-up
  › Water Rates 101
  › Policy Objectives
    – Fixed/Variable Revenue Allocation
  › Cost of Service Requirements
  › Account Establishment Fees
  › State Water Project Override Property Tax

• May 22: Mid-cycle Budget Review
  › Operating Budget Amendments
  › 25 year CIP/Capital Budget Amendments
    – AMI Project Update
  › Reserve Policy Revisions
Financial Workshops Timeline

• June 5: Water Rate Design Review
  › Financial Planning Model Updates
  › Water Rates Design
    – Tiered Rates for Single-Family Residential Customers
    – Tier Thresholds
    – Stage Rates
    – Service Charges for Meters Upsized for Fire Flows

• July 26: Water Rate Design Review
  › Water Rates Follow-up
Financial Workshops Timeline

- September 27: Financial Workshop
  - Development Charges Follow-up
  - Water Rates Follow-up

- December 6: Water Rates and Development Charges
  - Financial Planning Model Updates
  - Help on Tap Review
  - Set Proposition 218 Public Hearing
  - Set Mitigation Fee Act Public Hearing

- February 14, 2019 (Board Meeting): Rate and Fee Adoption
  - Water Rates effective March 1, 2019
  - Development Charges effective May 1, 2019
Development Charges
Follow Up
Development Charges Follow Up

• Recap of February 22 Workshop
• FCC Buy-In Component Phase In
• FCC Methodology: Unit Type or Meter Size
• Multi-Year Adjustments
• Consolidate Development Charges
• Regulatory Requirements
February 22 Workshop Recap

- Overview of development charges
- Brief discussion of Facilities Reimbursement Charges (FRC)
- In-Depth review of Facilities Connection Charges (FCC)
  - Phase-in of a Buy-in Component
  - Unit Type vs. Meter Size methodology for applying the charges
- Consideration multi-year development charges
February 22 Workshop Recap

• Additional information was requested:
  › Solicit feedback from other organizations
  › How would a buy-in component affect FCCs if phased in over seven years?
  › Administratively, how would it work if the District did change to meter size for residential FCCs?
  › What is the historical Construction Cost Index?
  › What would FRC restructuring look like?

• We will review additional information on each of these topics in today’s workshop
Current ACWD Development Charges

- **Facilities Connection Charges (FCC)** are deposited to the Facilities Improvement Fund (FIF), which funds the growth-related portion of the District’s Capital Improvement Program (CIP).

- **Facilities Reimbursement Charges (FRC)** are deposited to the Installers Reimbursement Fund (IRF), which reimburses developers for certain costs that benefit other developers such as offsite facilities or oversized water mains.
Overview of Proposed FCC Components

• Equity Buy-In – Recognizes that existing users have developed and maintained a utility system that can accommodate growth
  › Based on value of existing system and current demand

• Incremental – Focuses on the cost of additional facilities included in Capital Improvement Program (“growth pays for growth”)
  › Based on total capital improvements benefitting growth and incremental increase in capacity

• Comprehensive – A combination of Buy-In and Incremental
Development Charges Feedback

• District staff met with the Building Industry Association (BIA) Bay Area to discuss potential changes to development charges currently being evaluated. The primary feedback was:
  › Are developers asked to “pay twice” in order to subsidize water rates?
  › Will the higher development fees result in increased level of service (faster turnaround)?

• District staff also received feedback from staff at EBMUD and DSRSD on the issue of assessing development charges by meter size for residential connections
### FCC Buy-In Component Phase In
(Single Family Dwelling - Preliminary)

<table>
<thead>
<tr>
<th></th>
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<td>Equity Buy-In</td>
<td>$0</td>
<td>$1,856</td>
<td>$2,814</td>
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<td>$5,688</td>
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<td>$9,735</td>
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<tr>
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<td>$2,268</td>
<td>$2,952</td>
<td>$3,636</td>
<td>$4,320</td>
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<tr>
<td>Incremental</td>
<td>$6,862</td>
<td>$5,963</td>
<td>$5,963</td>
<td>$5,963</td>
<td>$5,963</td>
<td>$5,963</td>
<td>$5,963</td>
<td>$5,963</td>
</tr>
<tr>
<td>Total</td>
<td>$6,862</td>
<td>$7,547</td>
<td>$8,231</td>
<td>$8,915</td>
<td>$9,599</td>
<td>$10,283</td>
<td>$10,967</td>
<td>$11,651</td>
</tr>
</tbody>
</table>

*Excludes proposed multi-year adjustments based on CCI*
Staff Recommendation

• Raftelis and staff preliminarily recommend phasing in the buy-in component over a five year period
  › This results in an increase in total connection fees of about $958 per year while the seven year phase-in increases fees by about $684 per year
  › These amounts would be increased annually by the Construction Cost Index, if approved by the Board
  › These amounts will change based on updates to the Capital Improvement Program and final FY 2017/18 financial results

• Staff will bring back a final recommendation once proposed connection fee amounts are finalized
# Meter Size Basis: Transition Considerations

<table>
<thead>
<tr>
<th>Administrative/Policy Changes</th>
<th>Procedural Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACWD (not applicant) to define and enforce meter sizes</td>
<td>• Collect applicant data and expected demands/flow rates</td>
</tr>
<tr>
<td>Policy/agreement limiting ACWD liability</td>
<td>• Verification of fixture count and demand</td>
</tr>
<tr>
<td>Policies/standards re: defining meter sizes</td>
<td></td>
</tr>
<tr>
<td>Potential policy regarding adjustments in fee amounts due to meter oversizing for:</td>
<td>• Verification and quantification of onsite uses, e.g. fire protection and/or ADU</td>
</tr>
<tr>
<td>• Fire flows/fire sprinkler systems</td>
<td></td>
</tr>
<tr>
<td>• Accessory Dwelling Units (ADU’s)</td>
<td></td>
</tr>
<tr>
<td>• Low pressure applications</td>
<td></td>
</tr>
<tr>
<td>Redundant Service Connections (large master metered applications)</td>
<td>• Assess fees for each redundant meter</td>
</tr>
<tr>
<td>Affected policies/standards/agreements:</td>
<td>Affected processes:</td>
</tr>
<tr>
<td>• Development Policy</td>
<td>• Customer Job Application and processing</td>
</tr>
<tr>
<td>• Development Specifications</td>
<td>• PWSE processes</td>
</tr>
<tr>
<td>• Standard Specifications &amp; Details</td>
<td>• Meter release process (fee changes)</td>
</tr>
<tr>
<td>• Public Water System Extension (PWSE) Agreement</td>
<td></td>
</tr>
<tr>
<td>• Rate and Fee Schedule</td>
<td></td>
</tr>
</tbody>
</table>
Staff Recommendation

- Raftelis and staff recommend to maintain current FCC structure (unit type for residential and meter size for non-residential)
  - Based on understood residential capacity impact
  - Consistent with how District facilities are sized (based on water demands and fire flows)
  - Maintains administrative policies and procedures
  - Applicant maintains responsibility for meter size with District applying a reasonableness test

- As the types of development evolve, staff will continue to evaluate our approach to development charges
Multi-Year Adjustments

• Development Charges are not typically sensitive to annual changes in customer demands as water rates.
• M1 manual recommends reviewing development charges at least every five years.
• A few of the surveyed agencies index development charges to Engineering News-Record (ENR) Cost Construction Index (CCI):
  › San Francisco Public Utilities Commission
  › Contra Costa Water District
  › Dublin San Ramon Services District
• Raftelis and staff recommend Facilities Connection Charges be adjusted annually based on the ENR CCI.
Construction Cost Index (CCI)

- Published monthly by Engineering News-Record for 20 US cities
- Includes materials and labor components
- Proposed Base Index: December 2018 (San Francisco, CA)
- High (last 10 years): 7.1% (2008)
- Low (last 10 years): -0.6% (2009)
- Average (last 10 years): 2.8%
- Average (last 5 years): 3.0%

<table>
<thead>
<tr>
<th>Year</th>
<th>Dec CCI (SF)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>9,131.81</td>
<td></td>
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<tr>
<td>2008</td>
<td>9,781.67</td>
<td>7.1%</td>
</tr>
<tr>
<td>2009</td>
<td>9,722.17</td>
<td>-0.6%</td>
</tr>
<tr>
<td>2010</td>
<td>10,120.29</td>
<td>4.1%</td>
</tr>
<tr>
<td>2011</td>
<td>10,204.79</td>
<td>0.8%</td>
</tr>
<tr>
<td>2012</td>
<td>10,355.09</td>
<td>1.5%</td>
</tr>
<tr>
<td>2013</td>
<td>10,898.84</td>
<td>5.3%</td>
</tr>
<tr>
<td>2014</td>
<td>10,915.84</td>
<td>0.2%</td>
</tr>
<tr>
<td>2015</td>
<td>11,155.41</td>
<td>2.2%</td>
</tr>
<tr>
<td>2016</td>
<td>11,609.44</td>
<td>4.1%</td>
</tr>
<tr>
<td>2017</td>
<td>12,014.72</td>
<td>3.5%</td>
</tr>
</tbody>
</table>
Staff Recommendation

- Raftelis and Staff recommends 5 year rates with 4 inflationary multi-year adjustments for FCC
  
  › Year 1: based on cost of service study
    - December 2018 – Set Mitigation Fee Act Public Hearing
    - January 2019 – Developer Memo notification
    - February 2019 – Mitigation Fee Act Public Hearing
    - May 1, 2019 – Effective Date
  
  › Year 2-5: based on December San Francisco CCI
    - December 20xx – Determine annual CCI adjustment
    - January 20xx – Developer Memo notification
    - May 1, 20xx – Effective Date
Consolidate Development Charges

• FRC was tailored for a period of rapid growth and area expansion that required reimbursable infrastructure that benefited other developers (offsite facilities, extensions, oversized mains, etc.)

• Anticipated to have greater infill development in the future with less need for additional reimbursable infrastructure

• The Hilton Farnkopf & Hobson (1998) and Bartle Wells Associates (2011) studies have also included recommendations to streamline and simplify development charges
Staff Recommendation

-RAFTELIS and staff recommend consolidating the FRC into the FCC
  - FRC would become a component of the FCC
  - Capital Contributions would be integrated into CIP
  - FRC component would be calculated similarly to FCC (based on reserve balance, projected reimbursable capital contributions and development forecasts)
  - Revenue would continue to be accounted for separately in the Installer’s Reimbursement Fund
  - As the types of development evolve, staff will continue to evaluate our approach to the FRC
Regulatory Requirements

- California Government Code Sections §66013, §66016, §66022, and §66023 pertain to Water Connection and Capacity Charges (Development Charges)

- Development Charges must:
  - Reflect the link between the fees and the benefits received by new customers
  - Not exceed the proportional share of costs associated with providing service

- Requires separate fund accounting/annual reporting
- May only be used for capital costs
- Development charges collected as part of “Equity Buy-in” approach may be used only for capital assets that benefit existing ratepayers
Rate Study Overview
Water Rates

• Water Rates Overview
• Policy Objectives
  › Fixed/Variable Revenue Allocation
• Account Establishment Fees
• State Water Project Override Tax
Overview of Rate Study

• How Should we View Water?
• Rate Study at a Glance
• Current Industry Trends and Challenges
• Rate Setting Principles: Financial Goals and Pricing Objectives
• Cost of Service 101
How Should We View Water?

Water as a Commodity

› Water is a limited resource
› The unit rate of water should be high
› Revenues are dependent on sales
› Promote conservation
› Assist with affordability for health and safety
› Financial risk during drought conditions

Water as a Service

› Water is one of the most capital intensive products
› 80 to 90% of the cost of a water agency is fixed, regardless of usage
› We pay for the ability to use water – 24 hours, 7 days a week
› High fixed cost to reflect the nature of the water utility
› Assist with revenue stability during drought conditions
› Does not promote conservation or affordability for health and safety
Rate Study at a Glance

Rate Setting Framework
- Financial goals and policies
- Pricing objectives

Financial Plan
- Evaluation of CIP and financing options
- Cash flow analysis for financial sufficiency

Cost of Service & Rate Design
- Cost allocations
- Rate design
  - Rate calculations
  - Customer impact analyses

Final Rate Adoption
- Report
- Prop 218 Notice
- Public Hearing
Financial Goals

• To ensure financial sufficiency
• To manage and mitigate risks
• To minimize rate fluctuations
• To achieve/maintain a certain credit rating
Key Legislation in California Affecting Water Rate Study

• Cost of Service Requirements
  › Proposition 2 18 (Article XIIIC and XIIID of California Constitution)
  › Proposition 26
  › California Government Code Section 54999

• Water Conservation
  › Article X of California Constitution
  › CA Water Code Chapter 3.4 – Allocation-based Conservation Water Pricing (AB 2882)
  › SB X7-7 – 20% reduction by 2020
  › New SWRCB regulations call for each agency to self certify that they have adequate supplies for three years assuming drought of 2012-2015 and set conservation standards equal to their projected supply shortage
CASE STUDY:
City of San Juan Capistrano

• Recent Litigation: CTA vs. City of SJC
  › Rate payers (Capistrano Taxpayer Association, CTA) sued the City of San Juan Capistrano over its water budget rate structure

• The Orange County Superior court ruled that the rates did not meet the nexus requirement

• Key factors:
  › Lack of administrative record
  › City used multipliers to justify the tiered rates without any administrative record of an underlying rationale
Water System Cost Structure

**FIXED**
- Does not vary with production
- Salaries, debt service, etc.

**VARIABLE**
- Varies with water production
- Power, chemicals, etc.
Water System Cost Structure

**Fixed Costs are High**

80 TO 95% of total annual costs

**Variable Costs are Low**

5 TO 20% of total annual costs
Financial Nature of Fixed Cost / Variable Revenue Business Model

- During increased water sales, cost are spread over more water molecules
  - Lower pressure on rates
  - “Behind the Curtain Era”: 1960’s to 1980’s

- The reciprocal is true: Decreased water sales create pressure to increase rates
  - “In the Spotlight Era”: 1990’s to present
District Cost and Revenue Structure

- **Supply (variable), 14%**
- **Peaking (fixed or variable), 24%**
- **Base Delivery (fixed or variable), 55%**
- **Customer Service (fixed), 2%**
- **Service Charge (fixed), 28%**
- **Property Tax (fixed), 9%**
- **Variable Water Sales (variable), 15%**
- **Reliable Water Sales (quasi-fixed), 48%**
Annualized $ Increase in Monthly Bills

Average Annual Growth Rate from 2003 - 2015

*Single Family Residential based on 15 hcf/month

**ACWD increase based on average single family residential bill increase from 2003-2018 (current average use is 8 hcf/month; was 11.5 hcf/month in 2003)
Good Times, Bad Times and . . .

California’s Drought Level at the last week of April

Source: U.S. Drought Monitor
Historic Underinvestment Spawns Growing Capital Requirement

The US is funding just one-third of its water infrastructure needs

US needs to invest a minimum of $123 billion per year in water infrastructure over the next 10 years

National investment gap: $82 billion per year

Uncle Sam is Not Going to Help Us

Per Capita Federal spending has fallen from $76 in 1977 to $11 in 2014

From: Economic Impact of Investing in Water Infrastructure, Value of Water Campaign
Is This the NEW NORMAL?

**REDUCTION IN WATER SALES**
- Drought / Conservation Pressure
- Increase water / wastewater bill
- Economic cycle
- Water-efficient appliances

**DECLINES IN OTHER REVENUE**
- Facilities Connection Charges
- Interest earnings

**INCREASING COSTS**
- Future source requirements
- Regulatory requirements
- Environmental investments
- Growing replacement needs
- Seismic resiliency
Policy Objectives
What Policy Tools Do We have to Solve this Problem?

Conservation Rates

Ordinance to restrict water

Conservation messaging

Turf replacement program

Development of new water supplies
## Common Policy Objectives

<table>
<thead>
<tr>
<th>Conservation</th>
<th>Funding Mechanism</th>
<th>Affordability</th>
<th>Equity and Allocation Methodologies</th>
<th>Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reducing total annual demand</td>
<td>• Enhancing revenue stability</td>
<td>• Minimizing customer impacts</td>
<td>• Allocating water supply equitably</td>
<td>• Allowing cost-effective administration</td>
</tr>
<tr>
<td>• Reducing water waste</td>
<td>• Ensuring financial sufficiency</td>
<td>• Maintaining low average customer bills</td>
<td>• Providing a drought management tool</td>
<td>• Allowing easy implementation</td>
</tr>
<tr>
<td>• Reducing peak demand</td>
<td>• Providing funding mechanisms for alternative water supply, conservation program</td>
<td>• Crafting rates that provide affordable water for essential uses</td>
<td>• Allocating capital costs equitably</td>
<td>• Enhancing customer understanding</td>
</tr>
<tr>
<td>• Reducing outdoor water usage</td>
<td></td>
<td></td>
<td>• Complying with government regulations and guidelines</td>
<td></td>
</tr>
</tbody>
</table>

2010 Objectives & Requirements

OBJECTIVES
- Promotes efficiency
- Targets outdoor water use
- Affordability for essential use
- Perceived to be fair to the public
- Revenue stability
- Easy to implement
- Easy to administer
- Customer understanding

COMMON REQUIREMENTS
- Assist with SBx 7-7
- Minimize customer impacts
- Potential funding mechanism for alternative water supply & conservation programs
- Maintain low, average customer bill
- Compatible with Emergency Response Plan / Consistent with Drought Management Action Plan
- Comply with CUWCC MOU
- Comply with all Legal requirements
# Monthly Water Cost

8 Hundred Cubic Feet (District residential average)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Service Charge¹</th>
<th>Commodity Charge</th>
<th>Elevation Charge²</th>
<th>Total³</th>
<th>Service Charge Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda County WD</td>
<td>$26.17</td>
<td>$33.99</td>
<td>-</td>
<td>$60.16</td>
<td>43.5%</td>
</tr>
<tr>
<td>East Bay MUD</td>
<td>$22.60</td>
<td>$28.89</td>
<td>$2.32</td>
<td>$53.81</td>
<td>42.0%</td>
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<tr>
<td>Contra Costa WD</td>
<td>$22.80</td>
<td>$33.76</td>
<td>$0.64</td>
<td>$57.20</td>
<td>39.9%</td>
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<td>Dublin San Ramon SD</td>
<td>$22.79</td>
<td>$28.48</td>
<td>-</td>
<td>$51.27</td>
<td>44.4%</td>
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<tr>
<td>San Francisco PUC</td>
<td>$13.14</td>
<td>$60.16</td>
<td>-</td>
<td>$73.30</td>
<td>17.9%</td>
</tr>
<tr>
<td>Marin Municipal WD⁴</td>
<td>$26.22</td>
<td>$32.56</td>
<td>-</td>
<td>$58.78</td>
<td>44.6%</td>
</tr>
</tbody>
</table>

1. 5/8” and 3/4” charges are averaged for agencies with separate charges.
2. Weighted-average charge is used for EBMUD and the lowest charge is used for CCWD.
3. Based on current rates. ACWD has already implemented its 2018 rate adjustment while most agencies will implement rate increases effective July 1, 2018.
4. Marin Municipal recently adopted a fixed watershed management fee, which is imbedded in the amount shown for their service charge.
### What are Our Policy Objectives?

<table>
<thead>
<tr>
<th>Policy Objectives</th>
<th>Importance Ranking</th>
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</thead>
<tbody>
<tr>
<td>Conservation</td>
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<tr>
<td>Funding Mechanism</td>
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<tr>
<td>Affordability</td>
<td></td>
</tr>
<tr>
<td>Equity and Allocation Methodologies</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td></td>
</tr>
</tbody>
</table>
Cost of Service
WHAT IS COST OF SERVICE?

• The attempt 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
Both water systems have annual demand of approximately 10,500 AF/year.

Which water system requires larger facilities/infrastructure?
### Usage Characteristics by Customer Class for System 1

<table>
<thead>
<tr>
<th></th>
<th>Average Demand</th>
<th>Max Month Demand</th>
<th>Peaking Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>134</td>
<td>140</td>
<td>1.10</td>
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<tr>
<td>Irrigation</td>
<td>389</td>
<td>537</td>
<td>1.38</td>
</tr>
<tr>
<td>Residential</td>
<td>264</td>
<td>363</td>
<td>1.37</td>
</tr>
<tr>
<td>Total</td>
<td>771</td>
<td>1,024</td>
<td>1.33</td>
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</table>
WATER SYSTEM COSTS AND PEAKING DEMAND

Usage Characteristics by Customer Class for System 2

<table>
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<tr>
<th></th>
<th>Average Demand</th>
<th>Max Month Demand</th>
<th>Peaking Ratio</th>
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</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>134</td>
<td>156</td>
<td>1.17</td>
</tr>
<tr>
<td>Irrigation</td>
<td>455</td>
<td>1,153</td>
<td>2.54</td>
</tr>
<tr>
<td>Residential</td>
<td>292</td>
<td>396</td>
<td>1.35</td>
</tr>
<tr>
<td>Total</td>
<td>881</td>
<td>1,703</td>
<td>1.93</td>
</tr>
</tbody>
</table>
WHAT IS COST OF SERVICE?

Rationale:

• Different types of customers generate different costs because their patterns of use or characteristics are different

• Cost of service allows the matching of rates charged to each group with the costs of serving them

• Each group will “pay its own way”; no subsidies
BASE-EXTRA CAPACITY METHOD
AWWA MANUAL M16TH EDITION

SUPPLY  BASE DELIVERY  PEAKING  METER MAINTENANCE  CUSTOMER SERVICE  FIRE

REVENUE REQUIREMENTS  REVENUE REQUIREMENTS  REVENUE REQUIREMENTS  REVENUE REQUIREMENTS
WHERE DO WE RECOVER OUR COST?

<table>
<thead>
<tr>
<th>Cost Components</th>
<th>Fixed or Variable</th>
<th>How to allocate cost</th>
<th>% of 2017 Costs (From last rate study)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Service</td>
<td>Fixed</td>
<td>Number of Accounts</td>
<td>2.0%</td>
</tr>
<tr>
<td>Meter Maintenance</td>
<td>Fixed</td>
<td>Meter cost ratio</td>
<td>4.4%</td>
</tr>
<tr>
<td>Base Delivery</td>
<td>Fixed</td>
<td>Meter capacity ratio</td>
<td>54.5%</td>
</tr>
<tr>
<td></td>
<td>Variable</td>
<td>Uniform rate</td>
<td></td>
</tr>
<tr>
<td>Peaking</td>
<td>Fixed</td>
<td>Meter capacity ratio</td>
<td>24.4%</td>
</tr>
<tr>
<td></td>
<td>Variable</td>
<td>Peaking ratio</td>
<td></td>
</tr>
<tr>
<td>Supply</td>
<td>Variable</td>
<td>Allocate to customer class and then by tier</td>
<td>13.5%</td>
</tr>
</tbody>
</table>
Account Establishment Fees
### Account Establishment Fee Survey

<table>
<thead>
<tr>
<th>Agency</th>
<th>Account Est. Fee</th>
<th>Amount</th>
<th>Waive for Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda County Water District</td>
<td>Yes</td>
<td>$43</td>
<td>No</td>
</tr>
<tr>
<td>City of Santa Clara</td>
<td>Yes</td>
<td>$30</td>
<td>No</td>
</tr>
<tr>
<td>City of Hayward</td>
<td>Yes</td>
<td>$70</td>
<td>No</td>
</tr>
<tr>
<td>City of Milpitas</td>
<td>No</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>East Bay MUD&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Yes</td>
<td>$54</td>
<td>No</td>
</tr>
<tr>
<td>City of Pleasanton</td>
<td>Yes</td>
<td>$15</td>
<td>No</td>
</tr>
<tr>
<td>City of Palo Alto</td>
<td>No</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Contra Costa Water District</td>
<td>Yes</td>
<td>$34</td>
<td>No</td>
</tr>
<tr>
<td>Dublin San Ramon Services District</td>
<td>Yes</td>
<td>$19</td>
<td>No</td>
</tr>
<tr>
<td>City of Mountain View&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Yes</td>
<td>$112</td>
<td>No</td>
</tr>
<tr>
<td>San Jose Water Company</td>
<td>No</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

1. Waived for landlords for intervening service.
2. Fee only applies after hours (after 3pm M-F and weekends/holidays)
Account Establishment Fees

- This fee recovers the cost of sending a District employee to check the meter read and unlock the meter (if necessary) when a customer starts service
- Only charged when an account is established
- Currently charged to all customers – new customers and transferring customers
- Most, but not all, surveyed agencies charge a fee. None of the surveyed agencies waive the fee for transfers
- Annual revenues approximately $300,000
Staff Recommendation

• Staff recommends eliminating account establishment fees upon full implementation of Advanced Metering Infrastructure (AMI) project
  › AMI will significantly reduce the need to send a District employee to check meter reads
  › AMI will save up to an estimated 15,000 truck rolls per year for move-ins and move-outs and an estimated 1,000 truck rolls per year for re-reads
State Water Project Property Override Tax
State Water Property Override Tax

• The District assesses a special property tax to recover the groundwater portion of State Water Project costs. This is currently set at 0.0082% of the assessed property value, but has varied over time based on the groundwater share of State Water Project Costs as follows:
  › Collects 67.7% of State Water Project fixed costs - based on the groundwater portion of the capacity of the District’s production facilities
  › Collects State Water Project variable costs based on the amount of state water transferred for groundwater basin use

• This methodology has been in place since 1993 with fixed cost allocation percentages revised in 2001 and 2017

• How should SWP water costs be collected in the future?
  › Property Tax Override?
  › Water Bills?
  › Combination?
State Water Property Override Tax

• The District is authorized to collect up to 100% of State Water costs through the property tax assessment
• There are modest financial benefits through increased collection through property tax
• Any change in policy must be coordinated with a rates process to ensure water rates are based on the cost of service
• If the Board is interested in evaluating the SWP property override tax policy, staff will analyze options in this water rates process
Next Steps

• Recap of today’s discussion
  › Development Charges
    – Equity Buy-In
    – Facilities Connection Charge Methodology
    – Multi-Year Adjustments
    – Consolidation of Development Charges
  › Water Rates Overview
  › Policy Objectives
  › Cost of Service Requirements
  › Account Establishment Fees
  › State Water Project Override Tax

• Follow up at June 5 Financial Workshop
Thank you!

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213 262 9304 / sgaur@raftelis.com
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