Presentation Overview

- Rate Proposal
- Rate Setting Process
- Why are Water Rates Going Up?
- What is ACWD Doing to Control Costs?
- Financials
- Proposed Water Rates & Charges
- Miscellaneous Fees & Charges
- Customer Assistance Program
- Staff Recommendation
Proposed Increase in Water Rates & New Water Shortage Emergency State Rates

- ACWD staff has proposed increases to both the bi-monthly service charge and the per-unit water consumption charge.
  - 4 percent - March 1, 2019
  - 4 percent – March 1, 2020
- Staff proposes adopting water shortage emergency stage rates.
ACWD Rate Setting Process

- Held **Six** public financial workshops _February 2018 to October 2018_
- Developed a long-range expenditure forecast
- Evaluated rate structure options
- Analyzed water demand and projected revenues
- Calculated rates needed to meet the cost of service
- Found increases of 4% necessary for the next two years
Why Are Rates Going Up?

Multiple factors create pressure on rates:

- **Increasing labor costs** – latest union contract includes a 1% cost-of-living increase in 2018 and 3% each year in 2019 and 2020.
- **Capital projects**, including Alameda Creek Fish Ladders, pipeline replacement and renewal projects, including the CA WaterFix Project, and Advanced Metering Infrastructure (AMI).
- Increasing costs for **water purchases** from the State Water Project.
- **Paying down liabilities** for retiree benefit obligations over the next 13 years which increases short-term costs but saves about $45 million long-term.
- **Increasing costs** for energy, chemicals, and other essential supplies.
- **Unfunded State mandates** (e.g., lead testing in schools, environmental regulations, etc.)
What is ACWD Doing to Control Costs?

- Negotiated significant long-term savings on health benefits costs in latest union contract.
- Continued “Lean” staffing.
- Managing water supplies to maximize use of lowest-cost water (Decommissioned the Mission San Jose Water Treatment Plant).
- Prioritizing capital projects.
- Increasing energy efficiency to reduce power costs.
- Responsibly addressing retirement-related liabilities.
What is ACWD Doing to Control Costs?

Finding other funding sources to meet cash flow needs:

- Secured ~$18 million in grants and reimbursements for mandated projects in Alameda Creek
- Maintaining a great bond rating and may strategically use debt for a portion of the AMI project.
Where is the Money Going?

- Rate increase dollars are needed to meet the overall cost of service.
- The District reviews its budget by cost center and by cost element. Allocating the $4.2 million rate increase by cost element is as follows:
  - Wages and benefits: $1.8 million
  - Capital projects: $1.2 million
  - Water purchases: $0.8 million
  - Operations & maintenance: $0.4 million
  - Total: $4.2 million
- Debt service and developer-reimbursed projects are excluded.
Where is the Money Going?

FY 19/20
Allocation of Rate Increase by Cost Center

- Source of Supply Labor: $212,575
- Source of Supply Other: $898,534
- Operations & Maintenance Labor: $787,457
- Operations & Maintenance Other: $305,670
- Administrative & General Labor: $387,853
- Advanced Funding: $203,016
- Pension/OPEB: $275,162
- Labor: $112,490
- Capital Projects: $1,017,244
- Other: $275,162
FY19 Residential Bill Impacts

Sample Residential Bimonthly Water Bills
3/4-inch Meter with Inside District Rates

<table>
<thead>
<tr>
<th>Bimonthly Usage</th>
<th>Current Bimonthly Bill</th>
<th>Proposed FY19 Bimonthly Bill</th>
<th>$ Impact</th>
<th>% Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 CCF</td>
<td>$77.82</td>
<td>$80.94</td>
<td>$3.12</td>
<td>4.0%</td>
</tr>
<tr>
<td>12 CCF</td>
<td>$103.32</td>
<td>$107.46</td>
<td>$4.14</td>
<td>4.0%</td>
</tr>
<tr>
<td>16 CCF</td>
<td>$120.31</td>
<td>$125.13</td>
<td>$4.82</td>
<td>4.0%</td>
</tr>
<tr>
<td>23 CCF</td>
<td>$150.06</td>
<td>$156.07</td>
<td>$6.01</td>
<td>4.0%</td>
</tr>
<tr>
<td>30 CCF</td>
<td>$179.80</td>
<td>$187.00</td>
<td>$7.20</td>
<td>4.0%</td>
</tr>
<tr>
<td>50 CCF</td>
<td>$264.78</td>
<td>$275.38</td>
<td>$10.60</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

1 CCF = 748 gallons
FY19 Customer Impacts of 4% Revenue Adjustment

Customer Impacts

<table>
<thead>
<tr>
<th>$ Increase in Bimonthly Bills</th>
<th>Residential</th>
<th>Non-Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $5</td>
<td>62%</td>
<td>40%</td>
</tr>
<tr>
<td>$5 to $15</td>
<td>37%</td>
<td>23%</td>
</tr>
<tr>
<td>$15 to $25</td>
<td>1%</td>
<td>12%</td>
</tr>
<tr>
<td>$25 to $50</td>
<td>0%</td>
<td>11%</td>
</tr>
<tr>
<td>&gt; $50</td>
<td>0%</td>
<td>13%</td>
</tr>
</tbody>
</table>
Proposed Water Rates Increases
How do ACWD’s rates compare?

2019 AVERAGE WATER BILL COMPARISON*
Based on 16 HCF (200 gallons per day) Consumption Bimonthly and a 5/8 or 3/4 inch meter

<table>
<thead>
<tr>
<th>Service Area</th>
<th>2019 Average Water Bill (Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Burlingame</td>
<td>$128.13</td>
</tr>
<tr>
<td>North Coast County Water District</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Millbrae</td>
<td>$128.13</td>
</tr>
<tr>
<td>Calif Water Svs. Co. - Bear Gulch</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of San Bruno</td>
<td>$128.13</td>
</tr>
<tr>
<td>Mid-Peninsula Water District</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Palo Alto</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Redwood City</td>
<td>$128.13</td>
</tr>
<tr>
<td>Calif Water Svs. Co. - South SF</td>
<td>$128.13</td>
</tr>
<tr>
<td>Calif Water Svs. Co. - Mid Peninsula</td>
<td>$128.13</td>
</tr>
<tr>
<td>San Francisco Water Dept (SPUC)</td>
<td>$128.13</td>
</tr>
<tr>
<td>San Jose Water Company</td>
<td>$128.13</td>
</tr>
<tr>
<td>Calif Water Svs. Co. - Los Altos</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Mountain View</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Hayward</td>
<td>$128.13</td>
</tr>
<tr>
<td>Marin Municipal Water District</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Milpitas</td>
<td>$128.13</td>
</tr>
<tr>
<td>Calif Water Svs. Co. - Livermore</td>
<td>$128.13</td>
</tr>
<tr>
<td>Contra Costa Water Dist</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of San Jose Municipal Water Dist</td>
<td>$128.13</td>
</tr>
<tr>
<td>ACWD (Proposed)</td>
<td>$128.13</td>
</tr>
<tr>
<td>ACWD (Current)</td>
<td>$128.13</td>
</tr>
<tr>
<td>North Marin Water Dist - Novato</td>
<td>$128.13</td>
</tr>
<tr>
<td>Dublin San Ramon Service Dist</td>
<td>$128.13</td>
</tr>
<tr>
<td>East Bay Mud</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Daly City</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Sunnyside</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Foster City (Estero)</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Livermore</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Santa Clara</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of Pleasanton</td>
<td>$128.13</td>
</tr>
<tr>
<td>City of East Palo Alto</td>
<td>$128.13</td>
</tr>
</tbody>
</table>

* Comparison based on November 5, 2016 data.
Droughts & Long-Term Outages

- California Lessons Learned
  - Water
  - Financial

Do Droughts Smarter!
Water Shortage Emergency Stage Rates

- Four levels of stage rates are proposed based on conservation targets of 10%, 20%, 30%, and 50%
- Stage rates are set up as a charge on each unit of consumption. If you use more you pay more, but if you use less you pay less
- Example with a 20% system-wide conservation target:

<table>
<thead>
<tr>
<th>Customer A</th>
<th>Customer B</th>
<th>Customer C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does not conserve</td>
<td>Conserves requested 20%</td>
<td>Conserves 30%</td>
</tr>
<tr>
<td>Bill goes up</td>
<td>Bill stays about the same</td>
<td>Bill goes down</td>
</tr>
</tbody>
</table>
FY19 Stage Rates Bill Impacts

Sample Residential Bills Current vs. Proposed FY19
(Inside District with 3/4" meter)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Charge</strong></td>
<td>$52.33</td>
<td>$54.43</td>
<td>$54.43</td>
<td>$54.43</td>
</tr>
<tr>
<td><strong>Commodity Charge</strong></td>
<td>$67.98</td>
<td>$70.70</td>
<td>$70.70</td>
<td>$56.56</td>
</tr>
<tr>
<td><strong>Stage Rate Surcharge</strong></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$17.06</td>
<td>$13.64</td>
</tr>
<tr>
<td><strong>Total Bimonthly Bill</strong></td>
<td>$120.31</td>
<td>$125.13</td>
<td>$142.19</td>
<td>$124.64</td>
</tr>
</tbody>
</table>
## Miscellaneous Fees & Charges

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>After Hours Connection Charge</td>
<td>$180</td>
<td>$190</td>
</tr>
<tr>
<td>Damaged Angle Stop Charge</td>
<td>$306</td>
<td>$317</td>
</tr>
<tr>
<td>Electric Vehicle Charging Station</td>
<td>$1.25/Hour</td>
<td>$1.65/Hour</td>
</tr>
<tr>
<td>Field Charge / Reconnection Charge</td>
<td>$43</td>
<td>$44</td>
</tr>
<tr>
<td>Fire Hydrant Meter Charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3” Meter + RP Device Deposit</td>
<td>$1,548</td>
<td>$1,605</td>
</tr>
<tr>
<td>Late Return Fee</td>
<td>$96/bill</td>
<td>$110/bill</td>
</tr>
<tr>
<td>Overdue Meter Reading Fee</td>
<td>$89/bill</td>
<td>$102/bill</td>
</tr>
<tr>
<td>Metered Jumper Assembly Charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6” Meter + RP Device Deposit</td>
<td>$4,440</td>
<td>$4,770</td>
</tr>
<tr>
<td>Monthly Rental</td>
<td>$216</td>
<td>$237</td>
</tr>
<tr>
<td>Meter Re-Installation Charge</td>
<td>$94</td>
<td>$98</td>
</tr>
</tbody>
</table>

All proposed increases are based on the cost of service.
Customer Assistance Program

- Help on Tap provides qualifying customers a $20 credit to the bi-monthly service charge
- Income guidelines set at 200% of the Federal Poverty Level
- 945 customers enrolled as January 31, 2019

Recommendations

- Increase the bi-monthly credit to $25
- Maintain the current income guidelines
- Collect data and wait for AB 401 guidelines, which are still under development by the State Water Resources Control Board (draft report released January 2019)
Fireline Residential Service

- Service through a single meter for residential needs and a home’s fire sprinkler system.
  - Meters are typically oversized to accommodate fire sprinkler systems.
- Customers with oversized meters have provided feedback that the current policy is unfair because the service charge is based on meter size.
- Fireline residential service policy evaluated during the rates process.
- The rates presented this evening are based on fireline residential customers being charged based on the meter size they would need absent their fire sprinkler system.
Staff Recommendations

- Proceed with a public hearing to consider revising the District’s general rates and charges and consider and adopt a resolution amending the District’s Rate and Fee Schedule regarding general rates and charges

- Approve proposed amendments to the District’s Rate and Fee Schedule, including adjustments to:
  - 1) General water rates and charges and implementing water shortage emergency stage rates
  - 2) Miscellaneous fees and charges
  - 3) the customer assistance program, and make a finding that the changes are exempt from CEQA, and amend the Fiscal Year 2018/19 budget in connection with these amendments

- March 1, 2019 and March 1, 2020 Effective Dates
Thank You!

Fill up with tap!
Delivered when you need it.