

# AVILA BEACH COMMUNITY SERVICES DISTRICT

Post Office Box 309, Avila Beach, CA. 93424

## MEMORANDUM

TO: Board of Directors

FROM: Brad Hagemann, General Manager

DATE: January 14, 2020

SUBJECT: Cost of Services and Rate Study Report

### **Recommendation:**

Receive presentation from consultant and any recommendations from the Finance Committee and provide direction to staff regarding completion of the Study

### **Background/Discussion:**

The Finance Committee initially met on October 29, to discuss the preliminary findings of the Cost of Services and Rate Study Report (Report). The Study preliminary findings indicate that a moderate 3% revenue increase each year over the next five years should adequately fund the anticipated Water and Sewer operations and maintenance and capital improvement program expenses. However, due to the fundamental changes in the proposed rate structure, the Committee members were concerned with how the new rates would be distributed over the various users. The Committee requested staff and the consultant prepare additional information and analysis and schedule another Committee meeting.

The Finance Committee met again on Thursday December 5<sup>th</sup>. The consultant had prepared one additional water rate option that included a tiered water rate schedule. District Legal counsel also attended the meeting. Director Berry attended the meeting on behalf of Director Najarian.

The Committee generally agreed that the two-tiered water rate structure was better than a single tiered rate since it encouraged water conservation. However, the Committee still struggled with the significant changes the proposed rate structure recommends since it is fundamentally different from the current rate structure. The District's existing rate structure has a minimum base rate that includes 0 – 5 units of water. Customers pay the same amount whether they use no water or up to five units of water. The consultant is recommending a lower minimum base rate wherein customers only pay for the number of units of water that they actually use. The proposed rate structure results in a lower bill or a modest increase for those customers using 2 units or less and increases the bill for those customers using 3 – 10 units. The Committee requested staff and consultant work with the County Public Works Department to re-calculate the fixed and variable water costs and come back with another tiered rate option. Staff and the consultant completed the requested analysis and the Committee is scheduled to meet on January 9<sup>th</sup> to discuss the analysis and all three rate options and hopefully have a recommendation for full Board consideration.

The consultant will make a presentation of his findings and recommendations at the January 14, 2020, Board meeting.