


AVILA BEACH
COMMUNITY SERVICES DISTRICT

Post Office Box 309, Avila Beach, CA. 93424

MEMORANDUM

TO: Board of Directors

VIA: Kathy Richardson, General Manager

FROM: John L. Wallace, District Engineer 

DATE: March 11, 2014

SUBJECT: Rate Study—Water and Sewer Service Charges; Next Steps

Recommendations:

1. Receive this report on updated status and proposed new rates for water and sewer service charges.
2. Receive comments from the Finance Committee re: the Committee's meeting held on February 22, 2014 to discuss adjustments to the current rate study.
3. Reach consensus on the proposed rate increases shown on **Attachment 1**, or alternatively, provide direction to staff and the Finance Committee to continue to review/revise the proposed rate adjustments and to return to the Board at a later time.
4. If consensus is reached on the proposed rates presented herein or as modified by the Board at this meeting, proceed to a public hearing and adoption process in accordance with Prop 218.
5. Retain Mr. Bill Statler, to assist with drafting the public notice and Prop 218 findings necessary for adoption and the public protest hearing. (see attached schedule, **Attachment 2** for estimated dates).
6. Take any public testimony re: this status report and proposed new rates in general.

Discussion:

At the Board meeting on February 11, 2014, the Board received a report and PowerPoint presentation from Mr. Bill Statler on the process for setting new rates and

the current status of the rate study. The District had retained Mr. Statler, a local financial consultant to review the previous conclusions and reports prepared by NBS and to provide more insight on the NBS work and recommendations on possible alternatives to the rates being proposed by NBS.

Mr. Statler provided staff, the Finance Committee and the Board with a briefing that focused on the process and rate setting criteria. After the presentation, and after receiving public comment, the Board continued the item to allow for the Finance Committee to again review the proposed rates, especially in light of:

- Setting appropriate reserve targets
- Meeting necessary total revenue requirements
- Reconciliation of the rates proposed for restaurants, and
- The overall financial impact to the ratepayers

The Finance Committee met on February 22, 2014 to discuss these matters. There is tentative agreement on the following:

Finance Committee conclusions

1. Water and sewer rates are to be proposed utilizing "Scenario No. 2" (without Chevron).
2. The fixed water rates for 1" meters are to be the same as $\frac{3}{4}$ -5/8 meters where a 1" meter was installed for fire protection.
3. Restaurant rates needed further adjustment. (This has been addressed in the currently proposed rate structure).
4. Further discussion needs to take place relating to any relief (ie previously discussed as a possible \$10 credit) for lower income customers having a verifiable assistance plan from other utilities. This credit if approved, would need to be funded from the General Fund and not from water and sewer rate proceeds. Any further action on a possible assistance program, any such credit will need to be evaluated on a year to year basis depending on impact on District revenues. Consideration of an assistance program can be done separately from the Board's consideration of water and sewer rates.
5. The Prop 218 process will not allow new rates to go into effect until the next fiscal year (FY 2014-15); see schedule (**Attachment 2**).

Rate Structure as discussed in the Finance Committee meeting February, 22, 2014.

The following scenarios were provided by staff in review with the Finance Committee:

1. The revenue generated by the existing customer roll as billed in January

2. Revenue generated by a 15% increase in water unit rate, and a 20% increase in sewer rates, to include:
 1. A five (5) unit minimum for each.
 2. A three (3) unit minimum for each
 3. A one (1) unit minimum for each, in effect charging for the first water used

The analysis from each of these scenarios indicated that the revenue generated was not sufficient to cover the expenses and reserves needed or; in one case the increase in the minimum charges for residential users was very large (comparable to the NBS study),

But other scenarios were evaluated with a recommendation for full Board consideration as discussed below.

Suggested Rate Structure as derived from the Finance Committee deliberations

It is recognized that the future wastewater expenses of operating and maintaining the sewer and wastewater treatment plant are greater than that for the water system and therefore a scenario using a 10% increase in existing water rates and a 25% increase in the existing sewer rates were run. **(Attachment 1)** These adjustments:

- Eliminated the projected deficit in the water and sewer revenues of approximately \$68,000/ year (against expenses) and provided about a \$11,000 surplus/yr with which to bolster reserves and to assist with capital improvement projects (CIP's). The currently scheduled CIP's are being rescheduled to spread out those costs more into future years where justified. These adjustments will be finalized in the preparation of the FY 2014-15 Budget.
- Keeps the five (5) unit minimum as currently provided for in the District's existing rate structure.
- Recognizes that the major CIP's, namely the WWTP upgrade, will most likely be funded by a State Revolving Fund loan, but there will be significant expense with the WWTP upgrade and a revised rate structure will need to be implemented to be able to service the loan. (State requirement)
- Also provides for a constant five-year increase (with the same percentages) if needed by the District. It is important to note that if the revenue projections indicate that the full increase is not needed each successive year, then the Board may make the decision to eliminate the increase or to adopt a smaller increase.

Attached **(Attachment 3)** are the results of applying these increases and a chart that shows what increases would be needed across the next five years.

Next Steps

At this point, the Board should consider the recommendations above and provide further

direction to the Finance Committee and staff.

Conclusion

It is not the intent of the District to unduly burden the residents and customers by needlessly increasing the cost of the services. However, there does come a point in time where increasing the water and sewer rates must be considered. It is vitally important that rates for services keep up with the cost of providing those services.

Attachments:

1. Proposed rate structure as recommended by the Finance Committee after their meeting on February 22, 2014
2. Prop 218 estimated rate implementation schedule
3. Graphs showing rate increases over the next five years

AVILA BEACH COMMUNITY SERVICES DISTRICT
SCHEDULE A

ABCSD EXISTING MONTHLY RATE STRUCTURE and Commodity Charge

| CLASS | WATER RATE Existing | SEWER RATE Existing | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing |
|--------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|
| | | | | | | |
| RESIDENTIAL | \$8.14 | \$5.74 | 5 UNITS | \$40.70 | \$28.70 | \$69.40 |
| MULTI-FAMILY | \$8.14 | \$6.07 | 5 UNITS | \$40.70 | \$30.35 | \$71.05 |
| RESTAURANTS | \$8.14 | \$8.27 | 5 UNITS | \$40.70 | \$41.35 | \$82.05 |
| COMMERCIAL/PUBLIC | \$8.14 | \$7.74 | 5 UNITS | \$40.70 | \$38.70 | \$79.40 |
| INDUSTRIAL/LAUNDRY | \$8.14 | \$8.83 | 5 UNITS | \$40.70 | \$44.15 | \$84.85 |

ABCSD EXISTING MONTHLY RATE STRUCTURE Increased Commodity Charge 2014/15
Water Rate increase 10%
Sewer Rate Increase 25%

| CLASS | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing |
|--------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|
| | | | | | | | | | | | | | | | | | | |
| RESIDENTIAL | \$8.95 | \$7.18 | 5 \$ | 44.75 | \$35.90 | \$80.65 | \$9.85 | \$8.98 | 5 \$ | 49.23 | \$44.88 | \$94.10 | \$9.85 | \$8.98 | 5 \$ | 49.23 | \$44.88 | \$94.10 |
| MULTI-FAMILY | \$8.95 | \$7.59 | 5 \$ | 44.75 | \$37.95 | \$82.70 | \$9.85 | \$9.49 | 5 \$ | 49.23 | \$47.44 | \$96.66 | \$9.85 | \$9.49 | 5 \$ | 49.23 | \$47.44 | \$96.66 |
| RESTAURANTS | \$8.95 | \$10.34 | 5 \$ | 44.75 | \$51.70 | \$96.45 | \$9.85 | \$12.93 | 5 \$ | 49.23 | \$64.63 | \$113.85 | \$9.85 | \$12.93 | 5 \$ | 49.23 | \$64.63 | \$113.85 |
| COMMERCIAL/PUBLIC | \$8.95 | \$9.68 | 5 \$ | 44.75 | \$48.40 | \$93.15 | \$9.85 | \$12.10 | 5 \$ | 49.23 | \$60.50 | \$109.73 | \$9.85 | \$12.10 | 5 \$ | 49.23 | \$60.50 | \$109.73 |
| INDUSTRIAL/LAUNDRY | \$8.95 | \$11.04 | 5 \$ | 44.75 | \$55.20 | \$99.95 | \$9.85 | \$13.80 | 5 \$ | 49.23 | \$69.00 | \$118.23 | \$9.85 | \$13.80 | 5 \$ | 49.23 | \$69.00 | \$118.23 |

ABCSD EXISTING MONTHLY RATE STRUCTURE Increased Commodity Charge 2016/17
Water Rate increase 10%
Sewer Rate Increase 25%

| CLASS | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing |
|--------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|
| | | | | | | | | | | | | | | | | | | |
| RESIDENTIAL | \$10.83 | \$11.22 | 5 \$ | 54.15 | \$56.09 | \$110.24 | \$11.91 | \$14.02 | 5 \$ | 59.56 | \$70.12 | \$129.68 | \$11.91 | \$14.02 | 5 \$ | 59.56 | \$70.12 | \$129.68 |
| MULTI-FAMILY | \$10.83 | \$11.86 | 5 \$ | 54.15 | \$59.30 | \$113.44 | \$11.91 | \$14.82 | 5 \$ | 59.56 | \$74.12 | \$133.68 | \$11.91 | \$14.82 | 5 \$ | 59.56 | \$74.12 | \$133.68 |
| RESTAURANTS | \$10.83 | \$16.16 | 5 \$ | 54.15 | \$80.78 | \$134.93 | \$11.91 | \$20.20 | 5 \$ | 59.56 | \$100.98 | \$160.54 | \$11.91 | \$20.20 | 5 \$ | 59.56 | \$100.98 | \$160.54 |
| COMMERCIAL/PUBLIC | \$10.83 | \$15.13 | 5 \$ | 54.15 | \$75.63 | \$129.77 | \$11.91 | \$18.91 | 5 \$ | 59.56 | \$94.53 | \$154.09 | \$11.91 | \$18.91 | 5 \$ | 59.56 | \$94.53 | \$154.09 |
| INDUSTRIAL/LAUNDRY | \$10.83 | \$17.25 | 5 \$ | 54.15 | \$86.25 | \$140.40 | \$11.91 | \$21.56 | 5 \$ | 59.56 | \$107.81 | \$167.37 | \$11.91 | \$21.56 | 5 \$ | 59.56 | \$107.81 | \$167.37 |

ABCSD EXISTING MONTHLY RATE STRUCTURE Increased Commodity Charge 2015/16
Water Rate increase 10%
Sewer Rate Increase 25%

| CLASS | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing |
|--------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|
| | | | | | | | | | | | | | | | | | | |
| RESIDENTIAL | \$9.85 | \$8.98 | 5 \$ | 49.23 | \$44.88 | \$94.10 | \$9.85 | \$8.98 | 5 \$ | 49.23 | \$44.88 | \$94.10 | \$9.85 | \$8.98 | 5 \$ | 49.23 | \$44.88 | \$94.10 |
| MULTI-FAMILY | \$9.85 | \$9.49 | 5 \$ | 49.23 | \$47.44 | \$96.66 | \$9.85 | \$9.49 | 5 \$ | 49.23 | \$47.44 | \$96.66 | \$9.85 | \$9.49 | 5 \$ | 49.23 | \$47.44 | \$96.66 |
| RESTAURANTS | \$9.85 | \$12.93 | 5 \$ | 49.23 | \$64.63 | \$113.85 | \$9.85 | \$12.93 | 5 \$ | 49.23 | \$64.63 | \$113.85 | \$9.85 | \$12.93 | 5 \$ | 49.23 | \$64.63 | \$113.85 |
| COMMERCIAL/PUBLIC | \$9.85 | \$12.10 | 5 \$ | 49.23 | \$60.50 | \$109.73 | \$9.85 | \$12.10 | 5 \$ | 49.23 | \$60.50 | \$109.73 | \$9.85 | \$12.10 | 5 \$ | 49.23 | \$60.50 | \$109.73 |
| INDUSTRIAL/LAUNDRY | \$9.85 | \$13.80 | 5 \$ | 49.23 | \$69.00 | \$118.23 | \$9.85 | \$13.80 | 5 \$ | 49.23 | \$69.00 | \$118.23 | \$9.85 | \$13.80 | 5 \$ | 49.23 | \$69.00 | \$118.23 |

ABCSD EXISTING MONTHLY RATE STRUCTURE Increased Commodity Charge 2017/18
Water Rate increase 10%
Sewer Rate Increase 25%

| CLASS | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM USE Existing | SEWER MINIMUM USE Existing | TOTAL MINIMUM Existing |
|--------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|---------------------|---------------------|----------------------|----------------------------|----------------------------|------------------------|
| | | | | | | | | | | | | | | | | | | |
| RESIDENTIAL | \$11.91 | \$14.02 | 5 \$ | 59.56 | \$70.12 | \$129.68 | \$11.91 | \$14.02 | 5 \$ | 59.56 | \$70.12 | \$129.68 | \$11.91 | \$14.02 | 5 \$ | 59.56 | \$70.12 | \$129.68 |
| MULTI-FAMILY | \$11.91 | \$14.82 | 5 \$ | 59.56 | \$74.12 | \$133.68 | \$11.91 | \$14.82 | 5 \$ | 59.56 | \$74.12 | \$133.68 | \$11.91 | \$14.82 | 5 \$ | 59.56 | \$74.12 | \$133.68 |
| RESTAURANTS | \$11.91 | \$20.20 | 5 \$ | 59.56 | \$100.98 | \$160.54 | \$11.91 | \$20.20 | 5 \$ | 59.56 | \$100.98 | \$160.54 | \$11.91 | \$20.20 | 5 \$ | 59.56 | \$100.98 | \$160.54 |
| COMMERCIAL/PUBLIC | \$11.91 | \$18.91 | 5 \$ | 59.56 | \$94.53 | \$154.09 | \$11.91 | \$18.91 | 5 \$ | 59.56 | \$94.53 | \$154.09 | \$11.91 | \$18.91 | 5 \$ | 59.56 | \$94.53 | \$154.09 |
| INDUSTRIAL/LAUNDRY | \$11.91 | \$21.56 | 5 \$ | 59.56 | \$107.81 | \$167.37 | \$11.91 | \$21.56 | 5 \$ | 59.56 | \$107.81 | \$167.37 | \$11.91 | \$21.56 | 5 \$ | 59.56 | \$107.81 | \$167.37 |

Attachment 1
3/11/14

ABCSD EXISTING MONTHLY RATE STRUCTURE Increased Commodity Charge 2018/19

Water Rate increase 10%

Sewer Rate Increase 25%

| CLASS | WATER RATE proposed | SEWER RATE proposed | MINIMUM USE Existing | WATER MINIMUM Proposed | SEWER MINIMUM Proposed | TOTAL MINIMUM Proposed |
|--------------------|---------------------|---------------------|----------------------|------------------------|------------------------|------------------------|
| | | | | | | |
| RESIDENTIAL | \$13.10 | \$17.53 | 5 | \$ 65.52 | \$87.65 | \$153.16 |
| MULTI-FAMILY | \$13.10 | \$18.53 | 5 | \$ 65.52 | \$92.65 | \$158.17 |
| RESTAURANTS | \$13.10 | \$25.24 | 5 | \$ 65.52 | \$126.22 | \$191.74 |
| COMMERCIAL/PUBLIC | \$13.10 | \$23.63 | 5 | \$ 65.52 | \$118.16 | \$183.68 |
| INDUSTRIAL/LAUNDRY | \$13.10 | \$26.95 | 5 | \$ 65.52 | \$134.77 | \$200.28 |

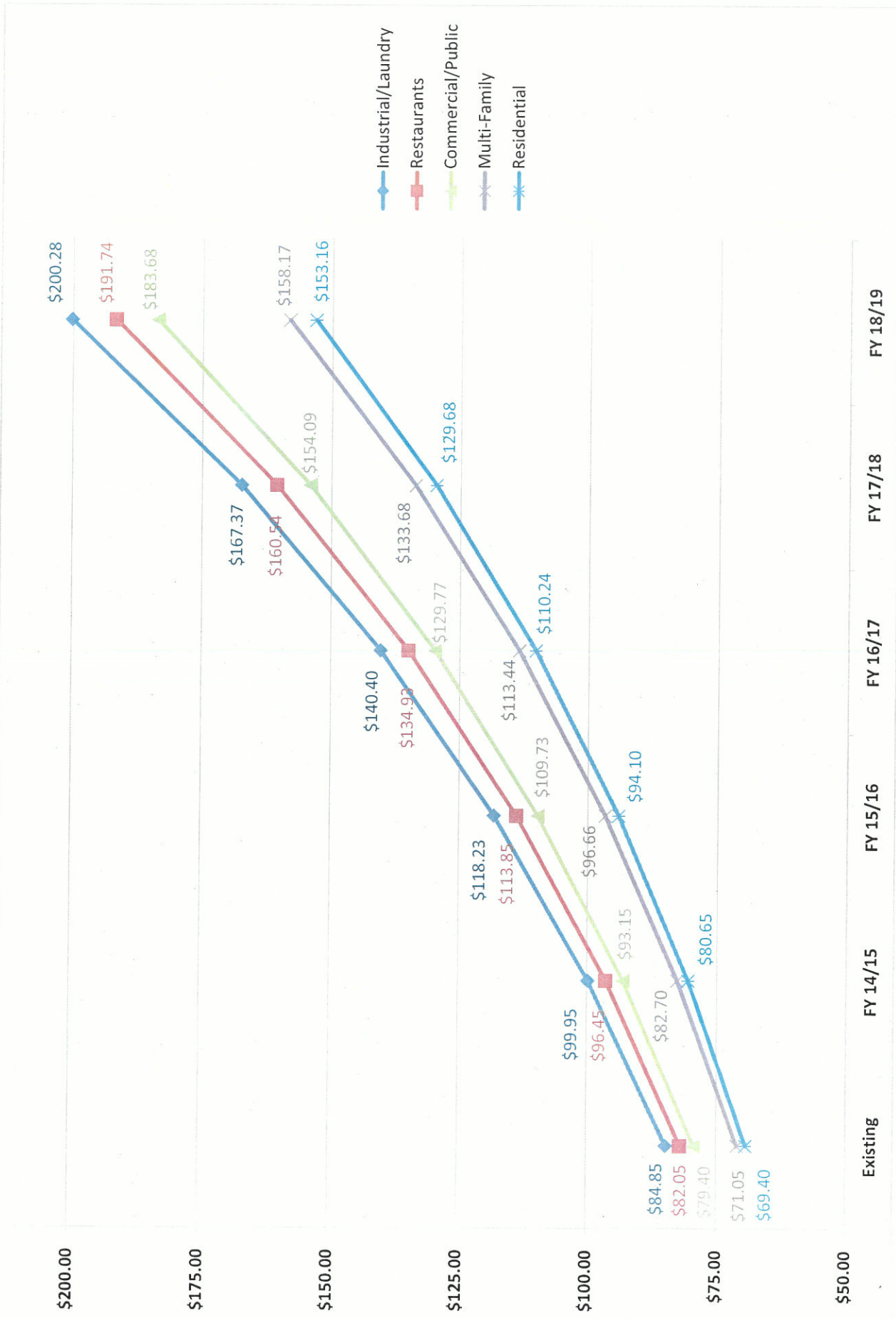
Avila Beach Community Services District
Rate Study / Proposition 218 Process

| Rate Study | 2013 | | | | | | | | | | | | 2014 | | |
|--|---------|-----|-----|-----|-----|-----|---------|-----|-----|----------|---------|-----|------|--|---------|
| | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | | | |
| NBS presentation to Board (Rate Study methodology) | 3/12/13 | | | | | | | | | | | | | | |
| NBS presentation to Board (Final Report) | | | | | | | 9/10/13 | | | | | | | | |
| Finance Committee review | | | | | | | 9/30/13 | | | | | | | | |
| Board considers recommended adjustments to Rates and Connection Fees | | | | | | | 10/8/13 | | | | | | | | |
| Board considers and adopts Connection Fees | | | | | | | | | | 12/10/13 | | | | | |
| Connection Fees in effect | | | | | | | | | | | 1/1/14 | | | | |
| Board reviews NBS recommended Service Charges | | | | | | | | | | | 1/14/14 | | | | |
| Finance Committee meeting | | | | | | | | | | | 1/27/14 | | | | |
| Board to review Service Charges with tentative present by consultant (Statler) | | | | | | | | | | | | | | | 2/11/14 |

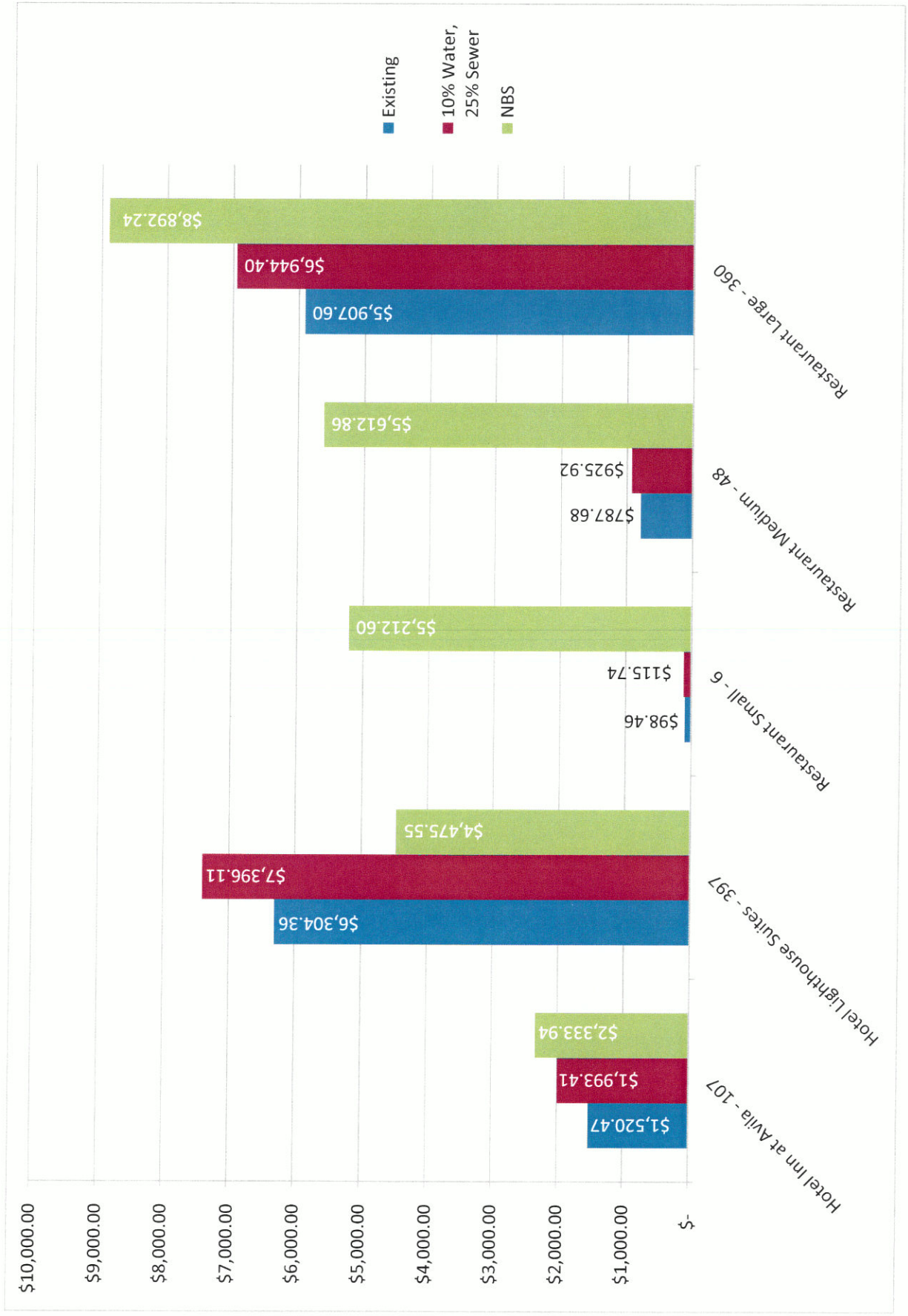
| Proposition 218 Process | 2014 | | | | | | | | | | | | |
|---|---------|---------|---------|-----|-----|-----|---------|--|--|--|---------|------------------|--|
| | Feb | Mar | Apr | May | Jun | Jul | Aug | | | | | | |
| Board reviews rate charge alternatives | 2/11/14 | | | | | | | | | | | | |
| Finance Committee meeting | 2/22/14 | | | | | | | | | | | | |
| Board considers Finance Committee recommended rates | | 3/11/14 | | | | | | | | | | | |
| Board considers final rates; Reviews Prop 218 notice | | | 4/11/14 | | | | | | | | | | |
| Prop 218 notices printed and mailed | | | 4/23/14 | | | | | | | | | | |
| Protest Hearing (regular meeting) | | | | | | | 6/10/14 | | | | | | |
| Meters read; Rates in effect by Resolution | | | | | | | 6/26/14 | | | | | | |
| July water usage; meters read 7/25/14, bills out 7/31/14 with new rates applied | | | | | | | | | | | 7/31/14 | | |
| New revenue received | | | | | | | | | | | | 8/1/14 - 8/31/14 | |

Attachment 2
3/11/14

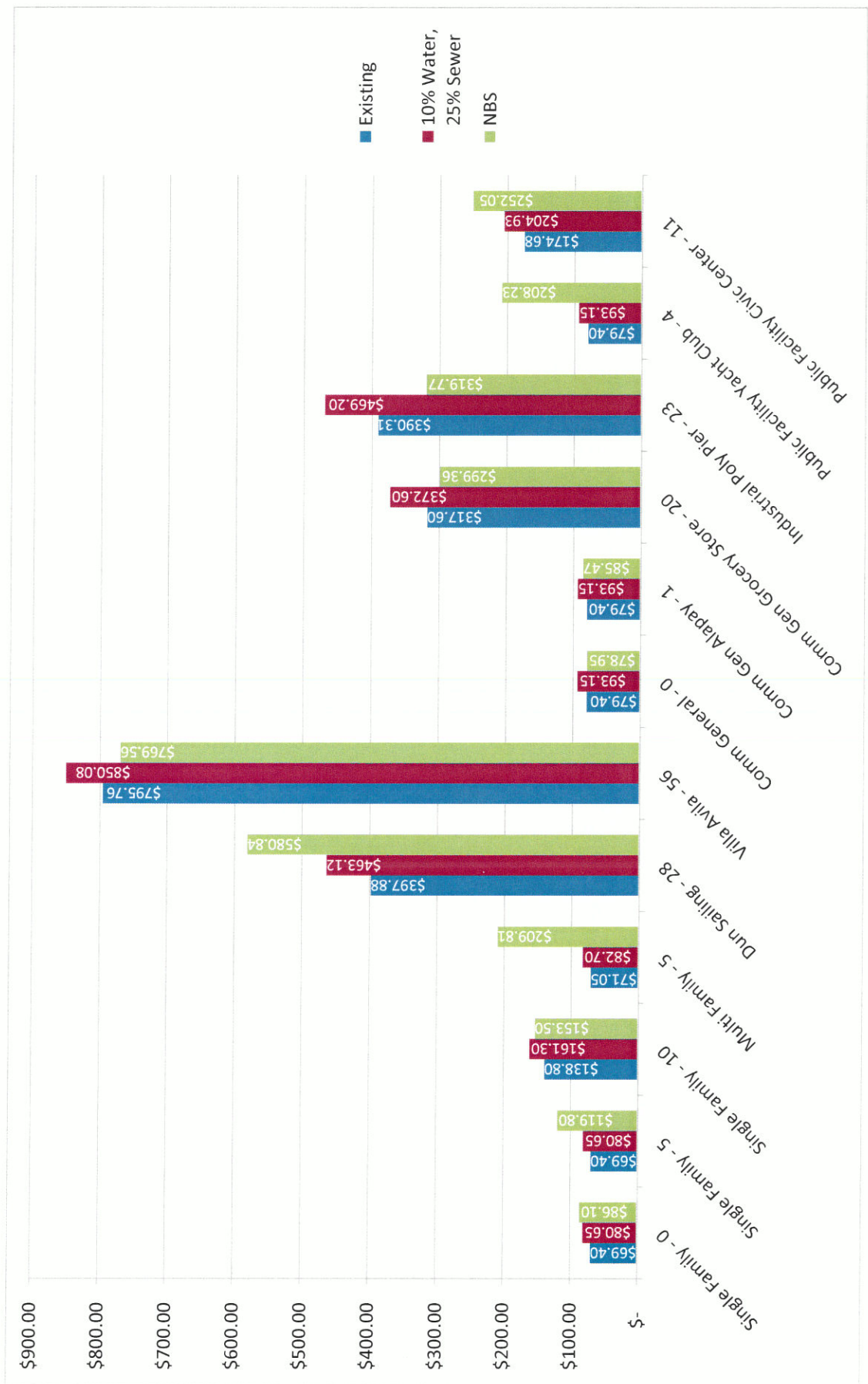
Avila Beach Community Services District
 Projected Water and Sewer Rates for Minimum Service Charges
 FY 2014/15 through FY 2018/19



Attachment 3
 3/11/14 1/3

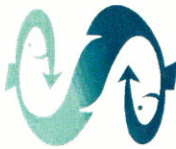


Customer Type and Usage



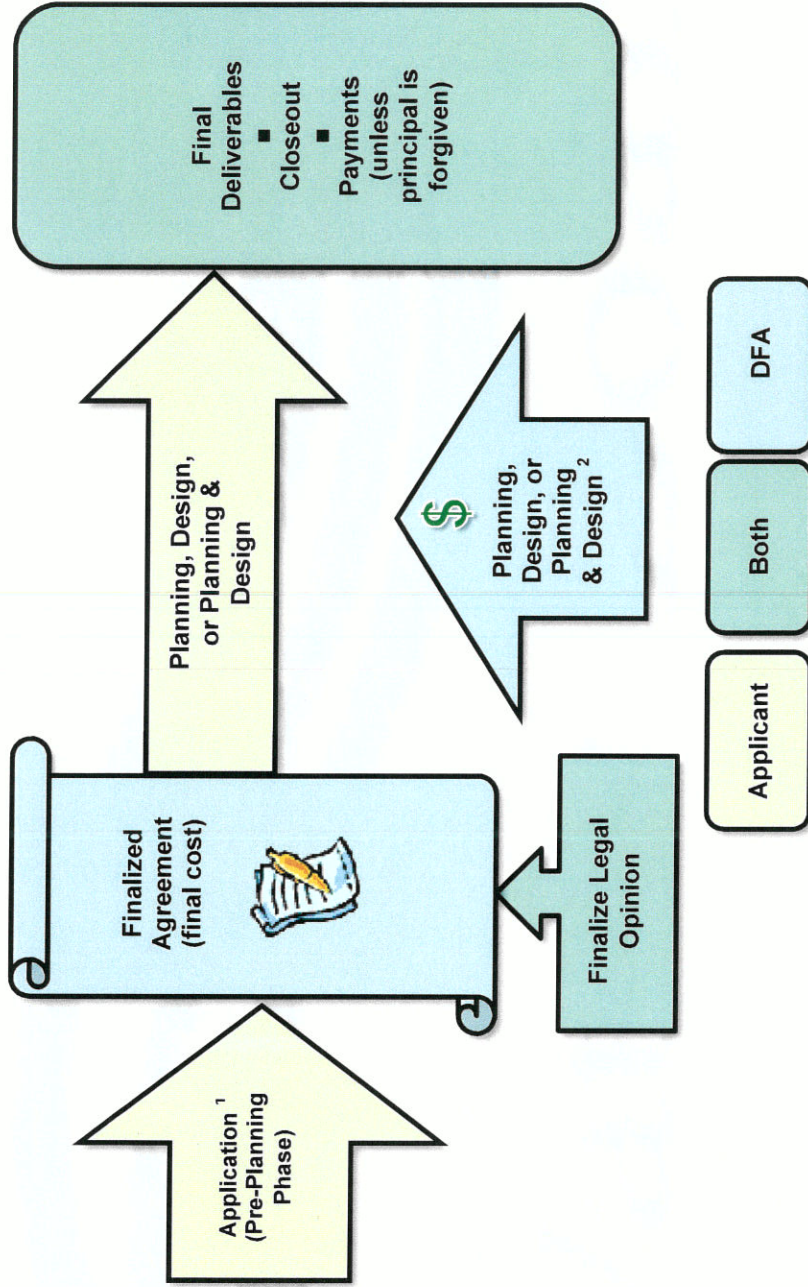
Customer Type and Usage

2/16



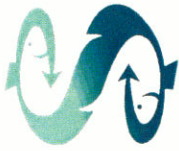
Clean Water
State Revolving Fund

CALIFORNIA CLEAN WATER STATE REVOLVING FUND Planning, Design, or Planning and Design Application Process



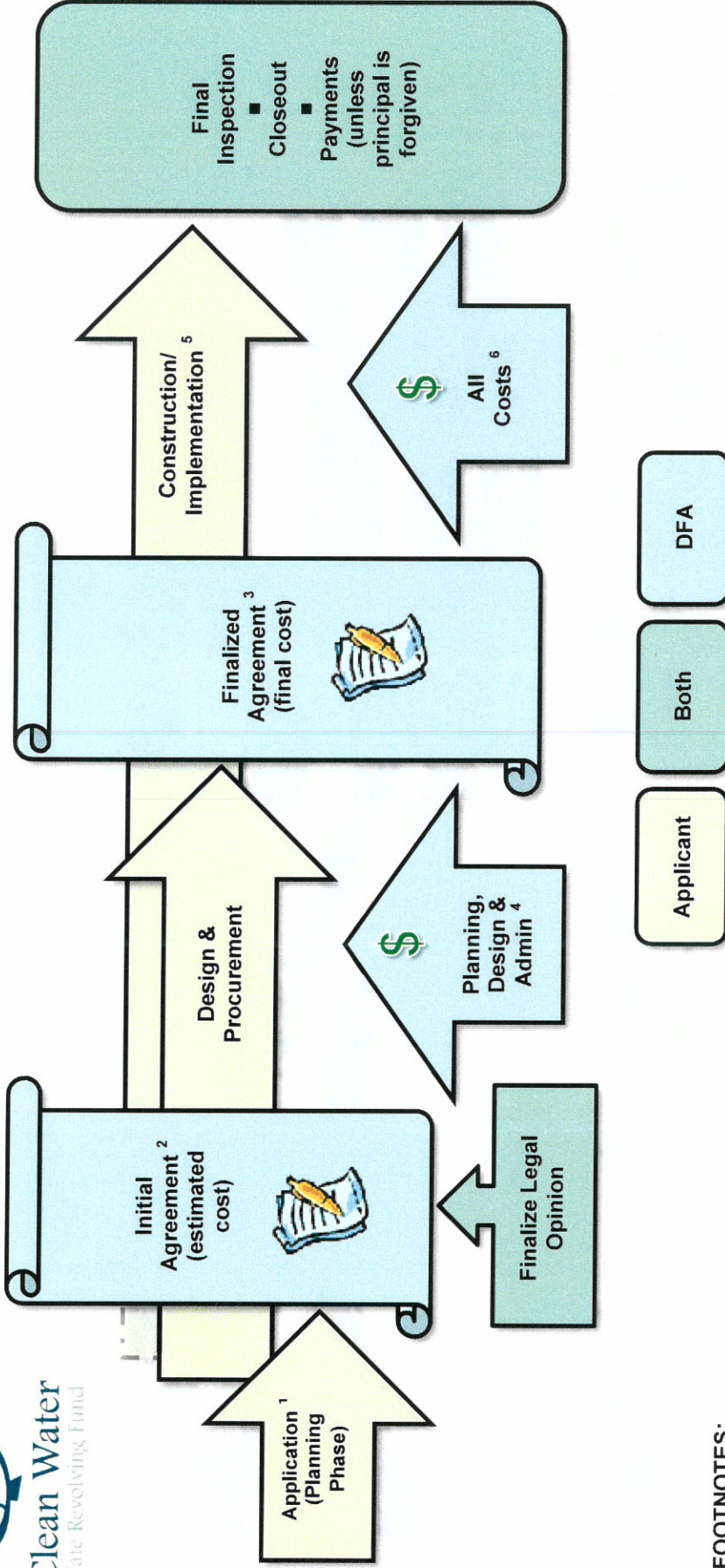
FOOTNOTES:

- 1 The application for a planning, design, or planning and design financing agreement consists of the application form, the "technical" package, and the "financial security" package. Incomplete applications may be submitted, but complete applications will be reviewed and approved for financing first.
- 2 Disbursement of planning, design, or planning and design costs require an executed financing agreement. Disbursement will be limited to 70 percent of the financing amount until the recipient submits the draft deliverables. Disbursement will be limited to 90 percent of the financing amount until the recipient submits the final deliverables.



Clean Water
State Revolving Fund

CALIFORNIA CLEAN WATER STATE REVOLVING FUND Construction/Implementation Application Process



FOOTNOTES:

- 1 The application for an initial financing agreement consists of the "general," "technical," "environmental," and "financial security" packages. Incomplete applications may be submitted, but complete applications will be reviewed and approved for financing first.
- 2 The project may receive a finalized agreement at this stage if all procurement (i.e., purchases and bidding) is complete or the final project budget for a "Non-Point" or "Estuary" project can be established.
- 3 The applicant must submit the "final budget approval" package to receive a finalized agreement.
- 4 Disbursement of planning, design, and administration (soft) costs requires an executed initial agreement. Soft costs incurred before the initial financing agreement is approved, and eligible equipment and material itemized in the initial agreement and purchased in accordance with applicable federal and state laws, can be reimbursed.
- 5 Applicants, at their risk, may award construction contracts without DFA approval. Construction costs incurred before the initial financing agreement is approved are ineligible for reimbursement. DFA recommends that the applicant receive a finalized agreement before starting construction to ensure that construction costs are eligible.
- 6 Disbursement of construction/implementation costs requires an executed finalized agreement. All costs include any remaining soft costs, equipment/material costs itemized in the initial agreement, and construction management and construction or implementation costs itemized in the final budget approval.