

## CAMBRIA COMMUNITY SERVICES DISTRICT

TO: Board of Directors

AGENDA NO. **6.C.**

FROM: Rudy Hernandez, Finance Manager  
Jerry Gruber, General Manager

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Meeting Date: January 18, 2018	Subject: DISCUSSION AND CONSIDERATION OF IMPLEMENTATION OF WATER AND SEWER RATES PURSUANT TO RESOLUTION 01-2016
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### **RECOMMENDATION:**

Staff recommends that the Board of Directors approve the implementation of the 4% water and sewer rate increases previously adopted by Resolution 01-2016, to go into effect on March 1, 2018, and direct staff to mail a courtesy notice to CCSD customers advising of the upcoming rate increases.

### **FISCAL IMPACT:**

The proposed water and sewer rate increases are necessary to provide adequate revenue to fund the annual costs of water and sewer operations, and to reduce any annual budget deficits. The 4% increase in water rates is projected to bring in an additional \$126,000 in annual water revenue, while the 4% increase in wastewater rates will amount to an additional \$79,475 annually.

### **DISCUSSION:**

In late 2015 the Board commissioned a Water & Sewer Rate Study (Rate Study) which then became the basis for the noticed public hearing conducted in accordance with the requirements of Proposition 218. On February 12, 2016, the Board of Directors adopted Resolution 2016-01 (copy attached), which approved a graduated rate schedule with four (4) annual 4% inflationary increases. The first increase took effect on March 1, 2017, and the second increase was scheduled to take effect January 1, 2018; however, staff postponed implementing the increases to allow the Board to consider this item.

Although the rate increases have already been approved by the Board and go into effect automatically, the Board has the discretion to waive, postpone or reduce them, if they determine it is appropriate to do so. Staff recommends that the Board approve implementing the rate increases as previously approved, effective March 1, 2018.

The Rate Study was conducted by Bartle Wells & Associates, a qualified third-party consultant (Rate Consultant) with vast experience in rate-setting matters for all types of government agencies. The Rate Consultant's primary duty was to "forensically" analyze the District's costs (both current and future) of providing safe and reliable water and wastewater services, and then, based upon such cost analysis, provide recommendations as to the proper level of rates that produce enough income to allow the District to provide safe and reliable water and wastewater services. Nothing has come to staff's attention that changes the premised findings and recommendations of the Rate Consultant.

Key factors driving the need for rate increases include:

- **Help restore balance budgets.** In recent years, both water and wastewater utilities experienced annual budget deficits. The rate increases are needed to assist in bringing revenues back in line with the costs of providing services, restoring financial stability.
- **Help fund critical improvements to aging infrastructure.** The rate increases help fund CCSD's highest-priority water system capital needs and provide a minimal prudent level of funding for repairs, replacements, and rehabilitation of aging infrastructure. (The increased wastewater rates do not account for potential future regulatory-required upgrades to CCSD's wastewater treatment plant. CCSD plans to pursue grants and low-rate subsidized financing to help fund these infrastructure needs.)
- **Ongoing cost inflation.** Small annual rate increases keep revenues in line with the cost of inflation, which tends to be higher for utilities such as water and wastewater. Another annual increase includes labor costs. Some of these costs include increases in retirement plans, base salaries, health and dental premiums, and worker's compensation premiums. Other miscellaneous increases include the cost of electricity, gasoline and other insurance premiums such as liability and vehicles.

Although not legally required, by sending a courtesy notice of the upcoming rate increases in the form attached to this agenda report, ratepayers may be better able to prepare for the increases that will be billed for 2018, should the Board follow staff's recommendation.

Attachment: Resolution 01-2016  
Notice of Increases to Water and Wastewater Rates

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BOARD ACTION: Date \_\_\_\_\_ Approved: \_\_\_\_\_ Denied: \_\_\_\_\_

UNANIMOUS \_\_\_RICE \_\_\_FARMER \_\_\_BAHRINGER \_\_\_WHARTON\_\_\_PIERSON