

**Metropolitan Domestic Water Improvement District  
Board of Directors Study Session**

**March 28, 2016**

**Discussion of Proposed Adjustment of Rates & Fees  
And Consideration of Scheduling a Public Hearing**

Synopsis

The Board of Directors is requested to discuss scheduling a public hearing to consider adjusting the rate structure. In addition, the public hearing would also include consideration to change certain fees to ensure those fees capture the cost of service.

**Background**

Last year, revenue stability was enhanced by restructuring the rate schedules to have fixed revenue cover more of the fixed costs in a way that has minimal impact to the average customer. Financial cycle stability was also accomplished by having the rate adjustment aligned with planned expenses while developing the fiscal year budget.

At its March 21, 2016 meeting, the Finance Oversight Committee discussed with staff options with regards to rate adjustments. Staff would like to present the proposal to the Board of Directors for discussion and direction.

**Proposed Adjustments to Rates & Fees**

With the decline in water usage appearing to continue into the future, the District is moving forward with revenue stability. Revenue could be further exasperated by weather or economic downturns, which adds to the need for a more stable revenue structure. Last year, the Board of Directors supported the concept of having the Water Availability Rate (base rate) capture more of the District's fixed costs, which has helped to increase financial stability.

Fixed costs can be defined as those expenses that are incurred regardless of the amount of water used, while variable costs are those more closely tied to the amount of water pumped and delivered. The larger the percentage of fixed costs covered by the Water Availability Rates, the more financial stability for the District and its customers. This year, the proposed Water Availability Rate will capture the majority of fixed costs, up to 90%, while balancing the Water Consumption Charges so that the average customer has a minimal increase to their water bill.

The requested budget includes a proposed increase in metered water sales and a ten-cent per 1,000 gallon increase in Water Resource Utilization Fees. Page 5 of the requested budget shows the revenue with the requested changes and without the requested changes and Page 6 shows operating expenditures would exceed the operating revenue with no change in rates. The

proposed rate structure would include the first 3,000 gallons of water used in the Water Availability Rate.

The cost for dual meters would change since it is calculated as one-third of the Water Availability Rate. A new fee for testing small and large meters has been added, and the cost of a meter re-read has been updated to cover the cost of service.

The rate schedule for the most common meter size (5/8-inch meter) is listed below for each service area. Commercial and multi-family customers' rates will be calculated according to their larger meter sizes.

### **Metro Main & Metro Hub Proposed Rate & Fee Adjustments (5/8" Meter)**

- Adjust the Water Availability Rate (base rate) from \$27.00 to \$29.50 and include the first 3,000 gallons at no additional Consumption Charge
- Adjust Tier 1 (3,001-10,000 gallons) Consumption Charges from \$2.66 to \$2.75 per 1,000 gallons
- Adjust Tier 2 (10,001-17,000 gallons) Consumption Charges from \$4.30 to \$4.60 per 1,000 gallons
- Adjust Tier 3 (17,001-24,000 gallons) Consumption Charges from \$5.70 to \$6.10 per 1,000 gallons
- Adjust Tier 4 (over 24,001 gallons) Consumption Charges from \$7.02 to \$7.10 per 1,000 gallons
- Adjust the Water Resources Utilization Fee from \$0.40 to \$0.50 per 1,000 gallons

Based on the average monthly usage for residential customers in Metro Main and Metro Hub of 8,000 gallons per month, the average monthly bill would change from \$44.80 to \$47.25, for a cost increase of \$2.45 per month, or 5.47%.

### **Metro Southwest – Diablo Village Proposed Adjustments (5/8" Meter)**

- Adjust the Water Availability Rate (base rate) from \$27.00 to \$31.00 and include the first 3,000 gallons at no additional Consumption Charge
- Adjust Tier 1 (3,001-10,000 gallons) Consumption Charges from \$2.66 to \$3.00 per 1,000 gallons
- Adjust Tier 2 (10,001-17,000 gallons) Consumption Charges from \$4.30 to \$4.60 per 1,000 gallons
- Adjust Tier 3 (17,001-24,000 gallons) Consumption Charges from \$5.70 to \$6.10 per 1,000 gallons
- Adjust Tier 4 (over 24,001 gallons) Consumption Charges from \$7.02 to \$7.10 per 1,000 gallons
- Adjust the Water Resources Utilization Fee from \$0.40 to \$0.50 per 1,000 gallons

Based on the average monthly usage for residential customers in Metro Southwest – Diablo Village of 5,300 gallons per month, the average monthly bill would change from \$39.02 to \$40.55, for a cost increase of \$1.53 per month, or 3.9%.

### **Metro Southwest – E&T Proposed Adjustments (5/8” Meter)**

- Adjust the Water Availability Rate (base rate) from \$22.00 to \$24.75 and include the first 3,000 gallons at no additional Consumption Charge
- Adjust Tier 1 (3,001-10,000 gallons) Consumption Charges from \$2.60 to \$2.67 per 1,000 gallons
- Adjust Tier 2 (10,001-17,000 gallons) Consumption Charges from \$4.30 to \$4.60 per 1,000 gallons
- Adjust Tier 3 (17,001-24,000 gallons) Consumption Charges from \$5.70 to \$6.10 per 1,000 gallons
- Adjust Tier 4 (over 24,001 gallons) Consumption Charges from \$7.02 to \$7.10 per 1,000 gallons
- Adjust the Water Resources Utilization Fee from \$0.40 to \$0.50 per 1,000 gallons

Based on the average monthly usage for residential customers in Metro Southwest – E&T of 8,800 gallons per month, the average monthly bill would change from \$42.36 to \$44.64, for a cost increase of \$2.28 per month, or 5.37%.

### **Metro Southwest – Lazy B Proposed Adjustments (5/8” Meter)**

- No change to the Water Availability Rate (base rate) of \$30.00
- No change to the Consumption Charges of \$3.90 per 1,000 gallons
- Adjust the Water Resources Utilization Fee from \$0.40 to \$0.50 per 1,000 gallons

Based on the average monthly usage for residential customers in Metro Southwest – Lazy B of 6,400 gallons per month, the average monthly bill would change from \$57.52 to \$58.16, for a cost increase of \$0.64 per month, or 1%.

### **Finance Oversight Committee**

At its March 21, 2016 meeting, the Finance Oversight Committee reviewed and discussed with staff the proposed adjustments to the rates and fees. The Finance Oversight Committee voted 8-0 to recommend that the Board of Directors consider approving the proposed rate structures for Fiscal Year 2017.

### **Scheduling a Public Hearing**

Based on the Finance Oversight Committee’s recommendations, it is recommended that the Board of Directors consider adopting the proposed rate and fee adjustments. This would require the scheduling of a public hearing to allow the public to provide comments to the Board on the proposed changes.

If the Board does want to schedule a rate hearing, it is recommended that an insert outlining the proposed changes in the rate adjustment be sent with the bills prior to the actual hearing date, as has been done in previous years with rate adjustments. Staff would prepare separate inserts for

each service area since there are variations. It should be noted that what is presented in the insert to customers prior to the public hearing does not obligate the Board in any way since the Board can always approve a variation of its recommendation at the public hearing after receiving public comment; however, it does provide customers with a general idea of what the Board is considering.

To accomplish having an insert sent to customers, along with other legal notification requirements for a hearing, it is recommended that the hearing be scheduled for May 23, 2016 and that any approved rate adjustment become effective July 1, 2016.

In addition to the public hearing, staff is proposing an Information Meeting be held on Wednesday, May 18, 2016. This would be similar to the Information Meeting held last year, which was well-received. Information Meetings are similar to an open house and are overseen by staff rather than the Board of Directors. While the public has opportunities to provide comments to the Board at public hearings, the Information Meeting does not have an agenda and allows customers to ask broader questions in a less formal venue than a public hearing. The insert sent to customers regarding the public hearing would also invite customers to attend the Information Meeting.

### **Recommendation**

It is recommended that the Board of Directors discuss with staff the proposed rate and fee adjustments as recommended by the Finance Oversight Committee.

It is also recommended that the Board schedule a rate hearing for Monday, May 23, 2016 at 6:00 p.m. At the rate hearing, the Board would consider rate adjustments as described in this report. In addition, the Board would consider changes to the meter re-read and meter testing fees. Dual meter fees would also be impacted because they are calculated as one third of the Water Availability Rate. Any changes to the rate structure would be effective July 1, 2016.

It is further recommended that an insert be sent to customers outlining the proposed adjustments to the rate and fees specific to their service area.

### **Recommended Motion**

I move to schedule a public hearing for May 23, 2016 at 6:00 p.m. for the purpose of discussing and possibly adopting an adjustment to the District's water rates as described in this report and discussed at this meeting.

Respectfully submitted,

Joseph Olsen, P.E.  
General Manager