

**Metropolitan Domestic Water Improvement District
Board of Directors Meeting**

May 11, 2015

Status of Public Hearing for Proposed Rate & Fee Adjustments

Synopsis

This agenda item is to report to the Board of Directors the status of the May 18, 2015 public hearing for the proposed rate and fee adjustments to enhance revenue stability.

Background

At the March 30, 2015 study session, the Board of Directors approved the scheduling of a public hearing on May 18, 2015 for the purpose of discussing and possibly adopting an adjustment to the District's water rates, water service connection fee, private fire service line monthly fee, inspection fees, and plan review fees as had been recommended by the Finance Oversight Committee and discussed by the Board at the study session.

At its March 23, 2015 meeting, the Finance Oversight Committee voted 8-0 to recommend to the Board of Directors to adjust the rate structure to better balance revenue generated for fixed and variable expenditures. The Finance Oversight Committee also voted 8-0 to recommend to the Board of Directors to adopt the adjustments to the water service connection fee, private fire service line monthly fee, inspection fees, and plan review fees as presented by staff at the Committee's March 23, 2015 meeting.

The focus for this rate cycle is revenue stability. Specifically, by balancing the Water Availability Rate and the Water Consumption Charges, the District is able to capture up to 83% of its fixed costs while the average customer would have less than a \$1.00 increase to their monthly water bill. The changes to the various fees ensures that the fees capture the cost of service.

Issues

An insert outlining the proposed rate and the fee adjustments was sent to all customers to invite them to the May 18, 2015 hearing. The insert describes the proposed balancing of the rate schedule to ensure greater revenue stability for the District. All necessary notices for the May 18, 2015 public hearing have taken place.

The following is the proposed adjustment per the Board's direction at the March 30, 2015 study session, which was presented in the billing insert to customers.

<p style="text-align: center;">Proposed Rate Schedule – Residential 5/8” Meter Metro Main & Metro Hub Effective July 1, 2015</p>
<p style="text-align: center;">Water Availability Rate \$27.00 (currently \$22.00)</p>
<p style="text-align: center;">Water Consumption Charges</p> <p style="text-align: center;">1st Tier (0 - 4,000 gallons) 99¢ per 1,000 gallons (<i>currently \$2.00</i>)</p> <p style="text-align: center;">2nd Tier (4,001 - 11,000 gallons) \$2.66 per 1,000 gallons (<i>currently \$2.70</i>)</p> <p style="text-align: center;">3rd Tier (11,001 - 18,000 gallons) \$4.30 per 1,000 gallons (<i>currently \$4.21</i>)</p> <p style="text-align: center;">4th Tier (18,001 - 25,000 gallons) \$5.70 per 1,000 gallons (<i>currently \$5.62</i>)</p> <p style="text-align: center;">5th Tier (over 25,001 gallons) \$7.02 per 1,000 gallons (<i>currently \$7.02</i>)</p>

Similar adjustments are proposed for the Metro Diablo Village and Metro E&T service areas including structuring both service areas’ rates to have the same five tiers for Water Consumption Charges as the other District service areas in order to promote the efficient use of water.

At the public hearing, the Board will also consider adjustments to the water service connection fee, private fire service line monthly fee, inspection fees, and plan review fees. These adjustments ensure that the cost of the service provided is captured solely by the fee.

At the public hearing, staff will provide an overview of the proposed adjustments and the public will have an opportunity to give comments on the proposal. The Board will then be able to discuss the proposed rate and fee adjustments and determine whether to approve them or not. If approved, the adjustment is intended to become effective July 1, 2015.

The insert also invited customers to an information meeting on May 13, 2015. The information meeting is an opportunity for customers to learn more about the District’s revenue stability efforts including the proposed rate and fee adjustments. Also, District residents may gain more understanding of the District and then better formulate their comments that they may want to make at the public hearing as well as give customers an opportunity to informally interact with District staff.

As discussed at the March 30, 2015 study session, the District is also seeking financial cycle stability this year by having the rate adjustment aligned with planned expenses while developing the fiscal year budget. Following the May 18, 2015 public hearing, the Fiscal Year 2016 budget will be brought to the Board consideration to adopt at the June 8, 2015 meeting.

Recommendation

No Board action is necessary at this meeting. Board members are requested to ask any questions they may have regarding the May 18, 2015 public hearing and the proposed fee adjustments as well as the May 11, 2015 information meeting.

Respectively submitted,

Joseph Olsen, P.E.
General Manager