



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 11/2/2021

To: Board of Supervisors

Department or Agency Name(s): Transportation and Public Works

Staff Name and Phone Number: Johannes J. Hoevertsz, 707-565-2231

Vote Requirement: 4/5th

Supervisorial District(s): Fifth

Title:

1:30 P.M. CSA #41 Water - Jenner/ Prop 218 Hearing/ Adoption of Amended Water Service Ordinance

Recommended Action:

- A) Conduct a hearing of the Board of Supervisors pursuant to Proposition 218 for CSA #41 Jenner Zone of Benefit ("Zone") to consider proposed rate increases for providing water service.
- B) If no majority protest exists, introduce and adopt an amendment to Ordinance No. 4026 of the Board of Supervisors for the Zone to adopt the proposed rate increases effective July 1, 2022, and establish direct charges to pay for meter replacements.

(4/5th Vote Required) (Fifth District)

Executive Summary:

The Department of Transportation and Public Works (TPW) will conduct a hearing to consider proposed annual increase of up to 2% each year over a five-year period; switching from a multi-rate meter charge based on size and type of connection (residential or commercial), to a single-rate meter charge regardless of type of connection; switching from a single tiered water Usage Rate, to a two-tiered water Usage Rate; and a continuance of an annual Consumer Price Index (CPI) increase for providing water service to the County Service Area (CSA) #41 Jenner Zone of Benefit ("Zone"). The County provides water services to the community of Jenner and maintains the water system with revenues received from the sale of water and monthly meter charges. Water rates are analyzed every five years and approved by the Board through a Proposition 218 process. This ensures rates are equitable and sufficient to fund water utility operations and capital improvements. In January 2021, County staff reviewed and analyzed the existing rates, costs to the system, and existing fund balance. The analysis determined that existing rates may not be sufficient enough to sustain water system operations and maintenance in order to provide water service to the residents of Jenner.

Staff is introducing and recommending the approval of an amendment to Ordinance No. 4026 to allow for annual rate increases to Base Rates, Water Usage Rates, and other system fees for the next five years and to establish direct charges to pay for meter replacement for the Zone.

Discussion:

The County's broad objective is to develop fair and equitable rates that adequately fund water utility operations and capital improvements in order to continue to provide water service to the residents in a manner that complies with safe drinking water laws.

Background

The Jenner Zone of Benefit is located in the unincorporated County along Highway 1 (see Attachment 3). The Zone has 127 connections all of which have a 5/8" meter. The current rate structure is comprised of two components: the Base Rate component and the Water Usage component. The Base Rate applies to all customers and is dependent on the size of the installed water meter and the type of customer (residential or commercial); the Water Usage applies to each customer per 1,000 gallons consumed. These rates, costs to the system, and existing fund balance were reviewed and analyzed by County Staff in January 2021. The analysis demonstrated that the current rates do not meet the County's broad objective.

Financial Plan and Rate Study Findings

On December 8, 2015, the Board executed an agreement with NBS Government Finance Group, Inc. (NBS) for a Financial Plan and Rate Update Study for the four County Service Area (CSA) #41 Zones of Benefit: Fitch Mountain, Freestone, Jenner and Salmon Creek Zones of Benefit. The goal of the project was to independently assess and evaluate each of the four Zones' existing financial situations and provide recommendations on water rates that would provide each Zone with financial stability. After 5 years of implementing the rates proposed by NBS, County staff have determined that the revenue received during that period of time is insufficient to accumulate the necessary funds for providing water service to residents, which includes the cost of operations and maintenance of the Zone. After reviewing the average water usage by commercial and residential properties it was discovered that some residential properties used large volumes of water and some commercial properties used smaller volumes of water. Based on Staff's analysis, it was determined that the effort to provide fixed services was the same for each customer, regardless of meter size, such that consolidating to a single meter rate was more equitable. Therefore, the new proposed rate will provide for a single Base Rate regardless of meter size or whether the user is commercial or residential. The second component of the proposed rate increase is the change from a single tier Water Usage Rate to a two-tiered Water Usage rate. These two-tiered systems will allow the Zone to charge customers more equitably, as larger consumption of water places a bigger strain on the water system and therefore higher costs to the system as a whole.

Proposed Rate Increase

Proposed rate increases are intended to ensure rates are equitable and sufficient to fund water utility operations, capital improvements, and keep up with rising costs to the system. There would be one Base Rate for each meter for each customer, which does not take into consideration the size of the meter or if a customer is residential or commercial. The proposed Water Usage rate structure is a two-tiered rate structure with rates established per 1,000 gallons of water consumed for the first 5,000 gallons per month and per 1,000 gallons for over 5,000 gallons per month. The proposed increase is for a maximum annual 2% rate increase, over a five-year period, and would be subject to an annual financial analysis by County staff in order to determine if an increase should be assessed or not. In addition to the 2% maximum annual rate increase, and at a minimum, an annual inflationary increase (CPI) would also be assessed to both the Base Rate and Water Usage components of monthly fees. If approved, proposed rates would become effective July 1, 2022.

The rate proposals were presented to the Jenner community on June 3, 2021. At this meeting, the community was provided with a summary of the last five years of financials; charts depicted the average monthly change

to a customer’s bill, and five-year projections with the proposed rate structure. The rate structure presented below is supported by the community water committee and County staff.

The following table summarizes the current rates and proposed tiered restructure and rates:

CSA #41 Jenner Zone of Benefit - Rates	Current FY 21-22	Proposed Tiered Restructure	Proposed 2% increase (effective 7/1/22)	Proposed 2% increase (effective 7/1/23)	Proposed 2% increase (effective 7/1/24)	Proposed 2% increase (effective 7/1/25)
Residential Meter Charge						
5/8" meter	\$ 63.24	\$ 71.12	\$ 72.54	\$ 73.99	\$ 75.47	\$ 76.98
1" meter	\$ 153.34	\$ 71.12	\$ 72.54	\$ 73.99	\$ 75.47	\$ 76.98
1-1/2" meter	\$ 303.53	\$ 71.12	\$ 72.54	\$ 73.99	\$ 75.47	\$ 76.98
2" meter	\$ 483.76	\$ 71.12	\$ 72.54	\$ 73.99	\$ 75.47	\$ 76.98
Commercial Meter Charge			\$ -	\$ -	\$ -	\$ -
5/8" meter	\$ 261.62	\$ 71.12	\$ 72.54	\$ 73.99	\$ 75.47	\$ 76.98
1" meter	\$ 648.97	\$ 71.12	\$ 72.54	\$ 73.99	\$ 75.47	\$ 76.98
1-1/2" meter	\$ 1,294.76	\$ 71.12	\$ 72.54	\$ 73.99	\$ 75.47	\$ 76.98
2" meter	\$ 2,069.73	\$ 71.12	\$ 72.54	\$ 73.99	\$ 75.47	\$ 76.98
Water Usage Charges						
per 1,000 gallons of water	\$ 10.73	\$ -	\$ -	\$ -	\$ -	\$ -
per 1,000 gallons, up to 5,000 gallons	\$ -	\$ 6.16	\$ 6.28	\$ 6.41	\$ 6.54	\$ 6.67
per 1,000 gallons, above 5,000 gallons	\$ -	\$ 21.19	\$ 21.61	\$ 22.05	\$ 22.49	\$ 22.94

Note: Rates do not include the annual inflationary increase that will be extended by the Proposed Ordinance. The CPI has not yet been published by the Bureau of Labor Statistics as of the preparation of this notice.

Based on the analysis of water usage for the Jenner system over the past five years the rate structure has been modified to reflect rates based on water usage rather than the property type receiving the water or meter utilized to track usage. The difference in cost between customers will be based on water consumption per month. Each customer will pay the same fixed monthly fee and will pay according to a two-tier structure for water consumption.

Meter Replacement

The Zone’s existing, well-aged, water meter system fails to accurately capture water usage from customers. This represents a loss of revenue for system maintenance. County Staff proposes to replace existing water meters with similar meters to those that replaced meters from the CSA#41 Fitch Mountain Zone of Benefit, where the system also experienced high water loss.

The Zone’s twelve-month water loss average is 31.07%, or 135,842 gallons per month.

Staff is evaluating securing a loan through the Small Water Systems Fund to replace meters for each water customer of the Zone. In the event that a loan is pursued with Board approval, a property related fee will be collected on the Sonoma County tax roll to pay for a loan, which will be financed through the small water

systems loan program. An assessment of \$60.28 per connection/meter located on each property would be charged per year for 10 years. This reflects the financing of a principal amount of \$532.84 per connection at a rate of 2.5% over the set period, with total payments equating to \$602.77 over 10 years. In order for the annual property related fee to be added on to the 2022-2023 Tax Roll, there must not be a successful majority protest from the Zone property owners. If there is a successful majority protest, the Zone will continue with the purchase of meters, however, the loan will be paid back out of revenues generated by water sales, which could lead to further rate increases in future years if revenues are unable to keep up with expenses.

It is worth noting that the Jenner Water Zone paid off its \$956,800 loan from the State last year. This represents the elimination of the annual property related fee of \$430 to each property.

Proposition 218 Procedures

The Rate Analysis demonstrates compliance with Proposition 218's requirements as follows: (1) Revenues from the rates do not exceed the funds required to provide the service; (2) Revenues derived from the rates will not be used for any purpose other than that for which the rate is imposed; (3) The amount of the rate imposed on any parcel or person does not exceed the proportional cost of the service attributable to the parcel; and (4) No rate will be imposed for a service unless that service is used by or immediately available to the owner of the property.

A "Notice to All Property Owners of the CSA #41 Jenner Zone of Benefit" regarding this public hearing and the proposal to adjust water rates was mailed to all property owners and tenants on September 10, 2021 (over 45 days prior to the public hearing) according to the provisions and requirements of Proposition 218 (Constitution of California, Article XIII D, Section 6 (2)). Under Proposition 218, owners of record for a parcel or tenant directly liable for payment of fees subject to the proposed rate increases may submit a written protest regarding the proposed rate increases no later than the close of the public hearing. If there is a majority protest of 50% plus 1 of the current property owners and or tenants, then the new rates would not be adopted by the Board, and would remain unchanged.

The Summary of Ordinance for CSA #41 Zones of Benefit was published five days before this public hearing.

Staff is recommending the approval of the amendment to the Ordinance No. 4026, as amended, of the Board of Supervisors for the Jenner Zone of Benefit approved on September 13, 2016.

Prior Board Actions:

09/13/2016: Pursuant to Proposition 218 public hearing, Board approved rate increases for the CSA #41 Jenner Zone of Benefit and adopted the resolution ordering the annual water charges to be collected on the County of Sonoma tax roll for the total amount of \$65,457.68 for Fiscal Year 2016-2017.

12/8/15: Board approved Agreement with NBS Government Finance Group, Inc., to prepare a financial plan and rate update study for the CSA #41 Zones of Benefit.

05/24/11: Board adopted Ordinance No. 5942 amending Ordinance No. 4026.

05/17/11: Board conducted a public hearing pursuant to Proposition 218 majority protest procedures.

10/14/08: Board approved a resolution authorizing the purchase of water;

6/10/08: Board adopted ordinances amending water fee schedules for Small District Fee Schedules.

FISCAL SUMMARY

Expenditures	FY 21-22 Adopted	FY22-23 Projected	FY 23-24 Projected
Budgeted Expenses	\$0	\$5,155	\$5,361
Additional Appropriation Requested			
Total Expenditures	\$0	\$5,155	\$5,361
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$0	\$5,155	\$5,361
Use of Fund Balance			
Contingencies			
Total Sources	\$0	\$5,155	\$5,361

Narrative Explanation of Fiscal Impacts:

The Fiscal Year 2021-22 adopted budget for CSA #41 Jenner Water Operations projected revenues of \$128,871. Revenues were projected conservatively, as water usage was difficult to estimate during the COVID-19 pandemic. Water usage may also be impacted by recent drought conditions. Should proposed rates become effective July 1, 2022, revenues are anticipated to increase by an estimated \$5,155 during Fiscal Year 2022-23, dependent on water usage.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

None.

Attachments:

1. Ordinance amending Ordinance No. 4026, as amended, of the Board of Supervisors for the CSA #41 Jenner Zone of Benefit.
2. Notice to All Property Owners of the CSA #41 Jenner Zone of Benefit.
3. Map of the Jenner Zone of Benefit.
4. Rate Analysis.
5. PowerPoint Presentation.

Related Items "On File" with the Clerk of the Board:

None.