

AVILA BEACH
COMMUNITY SERVICES DISTRICT

Post Office Box 309, Avila Beach, CA. 93424

MEMORANDUM

TO: Board of Directors

FROM: Brad Hagemann, General Manager and District Engineer

DATE: March 10, 2020

SUBJECT: Rate Study—Water and Sewer Service Charges; Approval of Prop 218 Notice and setting of date for Protest Hearing for May 12, 2020

Recommendations:

1. Receive and approve the final draft of the Water and Wastewater Rate Study Report.
2. Receive and consider any public testimony regarding the Report.
3. Confirm the proposed rates as the rates intended for adoption pending the required Prop 218 Protest Hearing.
4. Review and approve the attached Notice for Proposed Rate Increase for Water and Sewer Service Charges (Prop 218 Notice).
5. Set May 10, 2020 as the date for a public hearing and to receive any protests to the proposed rates

Background/Discussion:

In May 2019, the Avila Beach Community Services District (District) retained Tuckfield and Associates to prepare a Cost of Services and Water and Wastewater Rate Study Report (Study). The Finance Committee initially met on October 29, 2019 to discuss the preliminary findings and recommendations of the Report. The Study preliminary findings indicated that a moderate 3% revenue increase each year over the next five years should adequately fund the anticipated Water and Sewer operations and maintenance and capital improvement program expenses. However, due to the fundamental changes in the proposed rate structure, the Committee members were concerned with how the new rates would be distributed over the various users. The Committee requested staff and the consultant prepare additional information and analysis and schedule another Committee meeting.

The Finance Committee met again on Thursday December 5th. The consultant had prepared one

additional water rate option that included a tiered water rate schedule. District Legal counsel also attended the meeting. At the December 5th meeting the Committee generally agreed that the two-tiered water rate structure was better than a single tiered rate since it encouraged water conservation. However, the Committee still struggled with the changes the proposed rate structure recommended since it is fundamentally different from the current rate structure. The District's existing rate structure has a minimum base rate that includes 0 – 5 units of water. Customers pay the same amount whether they use no water or up to five units of water. The consultant recommended a lower minimum base rate wherein customers only pay for the number of units of water that they actually use. The proposed rate structure results in a lower bill or a modest increase for those customers using 2 units or less and increases the bill for those customers using 3 – 10 units.

The Committee requested staff and consultant work with the County Public Works Department to re-calculate the fixed and variable water costs and come back with another tiered rate option. Staff and the consultant completed the requested analysis and the Finance Committee met again on January 9th to discuss the analysis and all three rate options. At the conclusion of the meeting the Committee recommended the full Board consider Water Option 2 and Wastewater Option 2 as their preferred alternative.

At the January 14, 2020 Board meeting, Mr. Tuckfield provided a detailed presentation on purpose and details of the Study, the Water and Wastewater Financial Plans and the rate designs.

At the conclusion of the January 14, presentation and discussion, the Board directed Mr. Tuckfield to:

- Final the Report with a recommendation for implementing Water Rate Option 2 and Wastewater Rate Option 2;
- Assist staff with the preparation of the draft Prop 218 Hearing Notice, implementing the above noted rate schedule; and
- Bring the above items back for formal approval at the March 10, 2020 Board meeting.

Mr. Tuckfield's final draft of the Study and the draft Prop 218 Hearing Notice are attached to this staff report. Staff recommends the Board approve the Study and direct staff to send out the Prop 218 Hearing Notice, establishing May 14, 2020, as the public hearing date for the new Water and Wastewater rates. If the new rates are approved, they will go in to effect July 1, 2020.