



Eastern Municipal Water District  
California

Approved  
Jun 19, 2019 9:00 AM

Action/Info Item  
3933

**Approve the Proposed Biennial Operating and Capital Budget for Fiscal Years 2019-20 and 2020-21, Adopt Proposed Resolution Amending the Administrative Code as it Relates to the Consolidated Schedule of Rates, Fees and Charges, and Authorize a One-Time OPEB Trust (CalPERS) Contribution for Fiscal Year 2018-19**

Information

**Department:** Finance      **Sponsors:**  
**Category:** Action/Info Item      **Meeting Workflows:** Board Meeting Workflow

Attachments

- Printout
- Exhibit A - Proposition 218 Public Hearing Notices
- Exhibit B - Copies of Protest Letters Received through June 12, 2019
- Exhibit C - Resolution to Adopt Schedule of Rates, Fees and Charges
- Exhibit D - Consolidated Schedule of Rates, Fees, and Charges
- Exhibit E - Proposed Biennial Budget for FY 2019-20 and FY 2020-21 Presentation

Background

The first Board Workshop was held on February 20, 2019 to review the major assumptions, consolidated sources and uses of funds, and projected capital improvements. A second Board Workshop was held on March 20, 2019 to review a preliminary Fiscal Years 2019-20 and 2020-21 Budget, which included consolidated summaries of the budget expenditures and receipts, operating fixed assets, and preliminary rate adjustments. On April 17, 2019, a third and final Board Workshop was held to review a preliminary Budget Summary for Fiscal Years 2019-20 and 2020-21, capital improvements, rate recommendations, and Proposition 218 Notices.

**SUMMARY - BUDGET:**

The proposed Biennial Budget for Fiscal Years 2019-20 and 2020-21 (Biennial Budget) is attached as Exhibit E and is summarized below (rounded to the nearest \$100):

	FY 2019-20	FY 2020-21
Operating Revenue		
Water Service	\$ 149,295,000	\$ 156,529,500
Wastewater Service	101,881,600	107,000,400
Recycled Water Service	11,102,200	11,788,400
Non-Operating Revenue		
Property Tax/Standby	\$ 41,000,000	\$ 41,600,000
Connection & Dev't Fees	46,992,000	50,027,000
Interest Income	11,925,000	12,500,000
Other Income/Grants	6,500,000	7,000,000
<b>Total Revenue</b>	<b>\$ 368,695,800</b>	<b>\$ 386,445,300</b>

	FY 2019-20	FY 2020-21
Operating Expenses		
Water Purchases	\$ 75,350,000	\$ 78,021,000
Water Operations	56,430,500	58,693,600
Wastewater Operations	64,146,900	66,241,100
Recycled Water Operations	7,417,600	7,696,300
Non-Operating Expenses		
General & Administrative	\$ 26,908,800	\$ 28,087,300
Miscellaneous	1,000,000	1,000,000
Special Projects & Studies	3,975,000	5,425,000
COP/Bonds Debt Service	58,402,000	59,851,000
OPEB Trust Contribution	18,000,000	19,000,000
<b>Total Expenses</b>	<b>\$ 311,630,800</b>	<b>\$ 324,015,300</b>
<b>Net Operating Margin</b>	<b>\$ 57,065,000</b>	<b>\$ 62,430,000</b>
Capital Commitments		
Operating Fixed Assets	\$ 30,164,800	\$ 25,935,700
Capital Improvement Plan	70,899,500	84,008,100
Contribution from Debt/ Reserves	( \$ 43,999,300)	( \$ 47,513,800)
<b>Total Expenditures</b>	<b>\$ 412,695,100</b>	<b>\$ 433,959,100</b>

**SUMMARY – PROPOSED RATES AND CHARGES:**

On March 15, 2017, the Board approved the Cost of Service Rate Methodology associated with the allocation of costs and the development of rates to recover the costs for water, wastewater, and recycled water services. Staff prepared the Proposed Biennial Budget for Fiscal Years 2019-20 and 2020-21 and computed the proposed rates in accordance with the adopted Cost of Service Rate Methodology. On April 17, 2019, the Board approved the notice of a public hearing for consideration of rate increases to rates, fees and charges, a copy of which is attached as Exhibit A. On May 2, 2019, staff mailed 222,745 notices of the public hearing to property owners within the service area as required under Proposition 218 and protests to the implementation of those rates and charges have been tallied by the District. As of June 11, 2019, 18 protests were received by the District, which represents 0.008 percent of the total property owners, substantially less than the 50 percent necessary to prevent the Board from adopting the proposed rates, fees and charges. Copies of the protest letters received to date are attached as Exhibit B. Staff recommends adopting a Resolution to amend Resolution No. 5111, Administrative Code, Schedule of Rates, Fees and Charges, which are attached as Exhibit C and D.

**Water Rates**

Staff recommends a 3 percent annual commodity rate increase beginning January 1, 2020 and 2021. Additionally, staff recommends an increase in fixed charges of \$0.90 per month, for both 2020 and 2021. The typical single-family residential monthly water bill for a customer using 15 hundred cubic feet (ccf) would increase \$2.86 or 3.1 percent in 2020 and \$3.62 or 3.9 percent in 2021.

**Water Transitional Rates**

In June 2012, the Board opted to provide an eight-year phase out of the discounted agricultural water rates. Staff recommends as of January 2020, all agricultural customers using EMWD's potable water supply to be charged at potable rates. Additionally, staff recommends increasing the Fruitvale area water consumption rates according to the seven-year phase out approach which began in 2018.

**Sewer Rates**

Staff recommends a 3.8 percent annual increase for sewer daily service charge beginning January 1, 2020 and 2021. No change is recommended for the Fixed Charge for Sewer System Capital Projects of \$0.09041 per day.

#### Recycled Water Rates

Staff recommends a 7 percent annual recycled water commodity increase beginning January 1, 2020 and 2021.

#### **ONE-TIME UNBUDGETED OPEB TRUST CONTRIBUTION:**

In 2013, the Board adopted the OPEB Policy Principles which provided a framework for future decisions regarding funding other post-employment benefit (OPEB) obligations. One of the adopted policy principles is to use one-time gains in net operating margin to reduce the OPEB liability.

A recommended \$5.0 million one-time contribution to the CalPERS Employers' Retiree Benefit Trust (CERBT) would be funded by a forecasted \$18 million gain in net operating margin in FY 2018-19 versus budget. Strong revenues as well as lower operating expense were key factors in the favorable net operating margin.

### Financial/Strat Plan/Enviro

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#### **FINANCIAL IMPACT:**

As noted herein.

#### **STRATEGIC PLANNING GOAL/OBJECTIVE:**

Financial Stability: Enhance and maintain the District's strong financial position and credit quality by identifying and implementing specific opportunities to improve underlying financial metrics.

#### **ENVIRONMENTAL IMPACT:**

None

### Recommendation

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Approve the Biennial Operating and Capital Budget for Fiscal Years 2019-20 and 2020-21; Adopt the Proposed Resolution Amending the EMWD Administrative Code for Incorporating Certain Rates, Fees and Charges for 2020 and 2021; and Authorize a one-time additional OPEB Trust (CERBT) contribution of \$5.0 million in Fiscal Year 2018-19

### Meeting History

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**Jun 19, 2019 9:00 AM**      **Board of Directors**      **Regular Meeting**

 **Draft**

Resolution 2019-057

Mr. Turner provided a presentation on this item. Mr. Juarez, Mr. Chin, Ms. Toth, Ms. Sinclair, Ms. Daniel and Mr. Espinoza provided comments in opposition to the proposed adjustments and rate changes. In addition, Director Corona expressed concerns with the proposed increases to recycled water rates. Staff responded to Director Corona's concerns and Director Record offered additional comments supporting the recycled water program and rates, and suggested a future Planning Committee informational item on the subject.

**RESULT:**            **APPROVED [4 TO 1]**  
**MOVER:**            Randy A. Record, Board Member  
**SECONDER:**        David J. Slawson, Board Member  
**YES:**                Ronald W. Sullivan, Philip E. Paule, Randy A. Record, David J. Slawson  
**NO:**                 Stephen J. Corona

To access audio recordings of Board meetings from April 27, 2016 to present, please [click here](#).