



Public Hearing on Proposed Water and Sewer Rates for 2024 and 2025 and Adoption of Proposed Biennial Budget for Fiscal Years 2023-24 and 2024-25

John Adams
June 21, 2023

Agenda

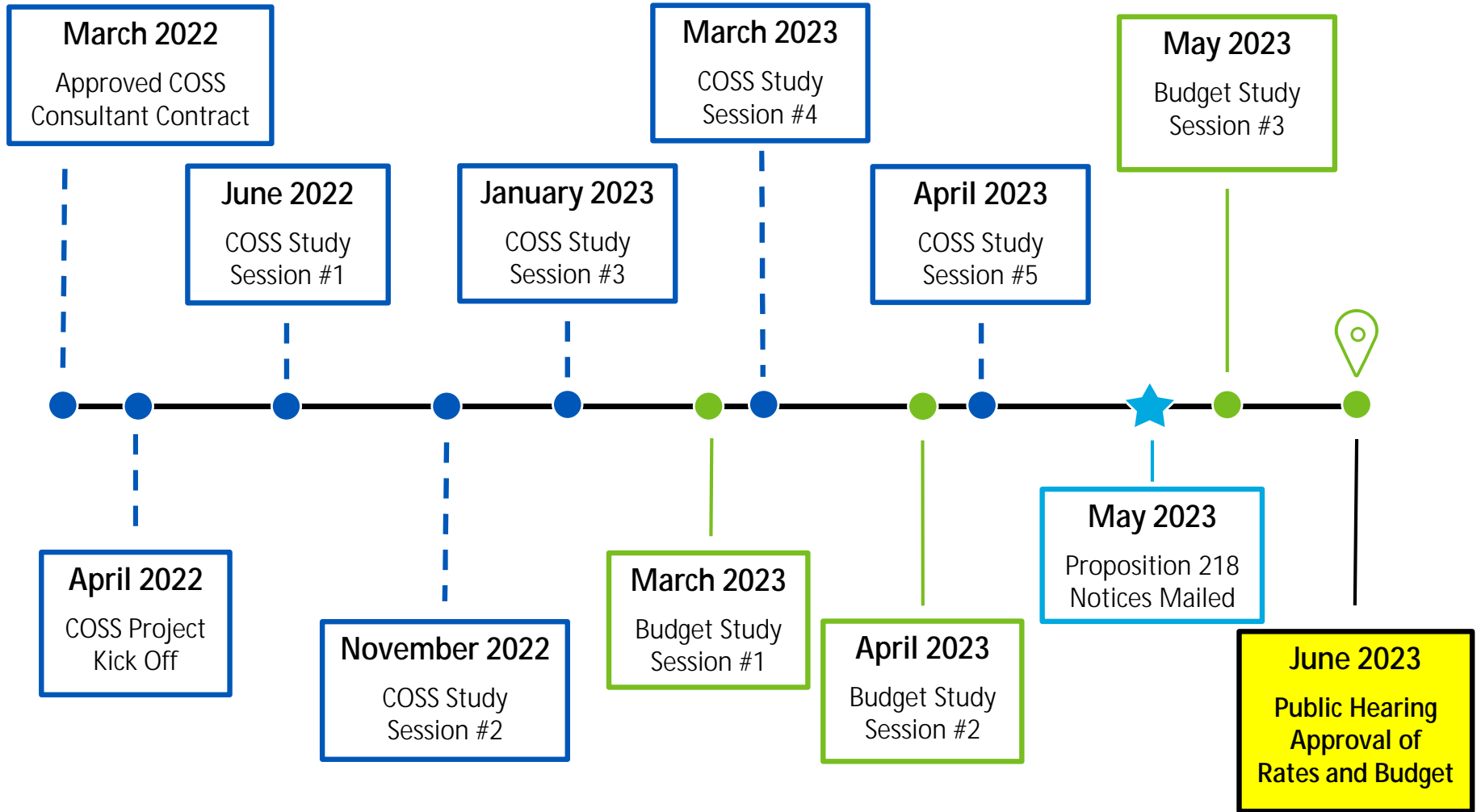
- Rates and Budget Timeline
- Proposed Budget Summary
- Proposed Water/Sewer Rates
- Impact to EMWD without Rate Increases
- Proposition 218 Notices and Customer Outreach
- Legislative Change to Noticing/Adoption Process
- Recommendation

Budget and Rate Setting is Centered Around EMWD's Strategic Plan:

With a clearly defined mission and vision, as well as guiding principles that define how we interact with customers and employees, EMWD is driven by standards to provide safe, reliable, economical and environmentally sustainable services:

- Highly reliable and cost-effective water, wastewater, and recycled water service
- Protection of public and environmental health
- Superior customer service
- Sound planning and operational efficiency
- Fiscal responsibility and appropriate investment
- Exemplary employer
- Effective communication, advocacy, and community partnerships

Rates and Budget Timeline for FYs 2023-24 and 2024-25

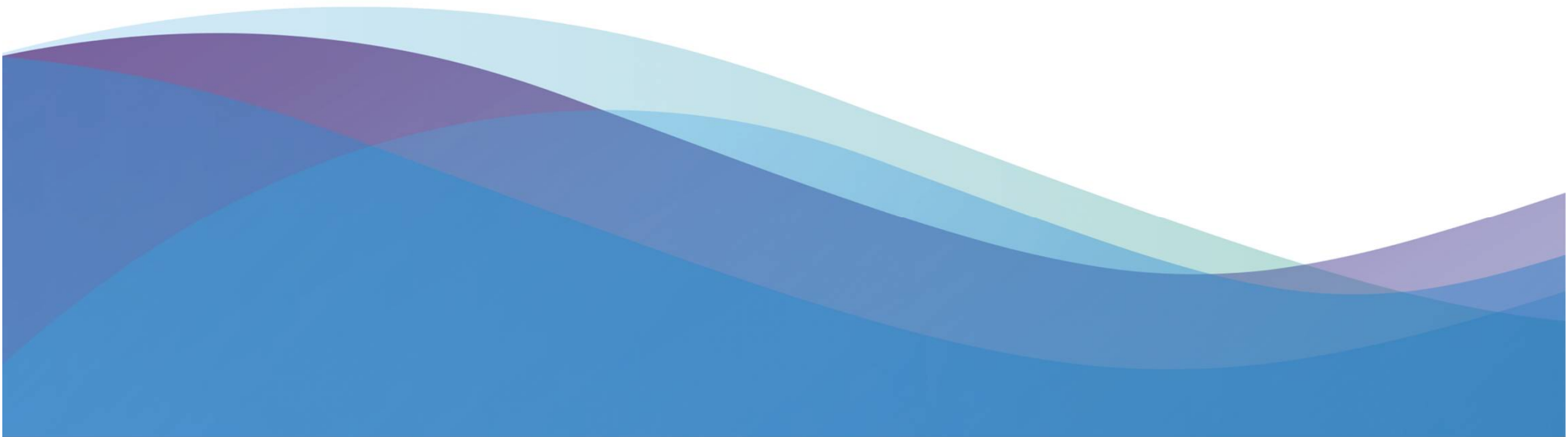


● 2023 Cost of Service Study (COSS)

● Biennial Budget FYs 2023-24 and 2024-25



Proposed Biennial Budget Summary



Proposed Biennial Budget Expenditures

| Expenditures (\$000) | FY 2022-23 | FY 2023-24 | FY 2024-25 | 2 Year Avg* |
|-------------------------------|------------------|------------------|------------------|-------------|
| | Budget Update | | | |
| Operating Expenses | 236,704 | 266,175 | 275,980 | 8.3% |
| Capital Improvements (CIP)* | 116,134 | 128,375 | 123,371 | 23.9% |
| Debt Service | 59,000 | 61,930 | 63,210 | 3.6% |
| Operating Fixed Assets (OFA)* | 27,135 | 41,634 | 24,731 | 9.8% |
| General & Administrative | 33,266 | 35,072 | 36,071 | 4.2% |
| Pension Trust Contribution | 15,000 | 15,000 | 15,000 | 0.0% |
| Misc/Other | 7,110 | 9,060 | 8,946 | 12.9% |
| Total | \$494,348 | \$557,247 | \$547,308 | 5.4% |

*CIP and OFA represent change in consolidated two-year budgeted amounts for FY 2023-24 and FY 2024-25 compared to budgeted amounts for FY 2021-22 and FY 2022-23 and exclude grant receipts and carry-overs.

Increases in Operating Expenditures

| | FY 21-22 Actual | FY 22-23 Budget Update | FY 23-24 Budget | FY 24 vs FY 23 % Change | FY 24-25 Budget | FY 25 vs FY 24 % Change |
|---|--------------------|------------------------------|--------------------|-------------------------------|--------------------|-------------------------------|
| Energy | \$23.4M | \$23.1M | \$29.7M | 29% | \$33.2M | 12% |
| Outside Services | \$23.1M | \$28.7M | \$29.7M | 3% | \$31.5M | 6% |
| Chemicals | \$7.2M | \$8.8M | \$14.1M | 60% | \$16.6M | 18% |
| Materials and Supplies | \$10.3M | \$11.8M | \$11.9M | 1% | \$12.1M | 1% |
| Software License, Support, and Subscriptions | \$4.1M | \$5.1M | \$5.8M | 14% | \$6.0M | 3% |
| Administrative Expenses | \$4.1M | \$4.9M | \$5.1M | 4% | \$4.9M | -4% |
| Refuse and Waste Hauling | \$3.3M | \$3.4M | \$5.0M | 45% | \$5.2M | 5% |

Efforts to Mitigate Inflationary Pressures

- Proactively seeking grant opportunities and successfully obtaining funding to secure millions of dollars reducing the financial burden for ratepayers
- Reducing budgeted positions through attrition and technology efficiencies
- Continued expansion of local water supply and reducing import of more expensive water supplies
- Utilizing Reserve funds to offset cost impacts and maintain stable rates
- Maintaining AAA credit rating through strong financial management
 - Proactive debt management lowers costs of borrowing
- Investing in sustainability projects to reduce reliance on purchased energy
 - Increasing solar production through EMWD Solar Projects (Phases 1 – 3)
 - Battery storage opportunities



Purchase of Surplus Water

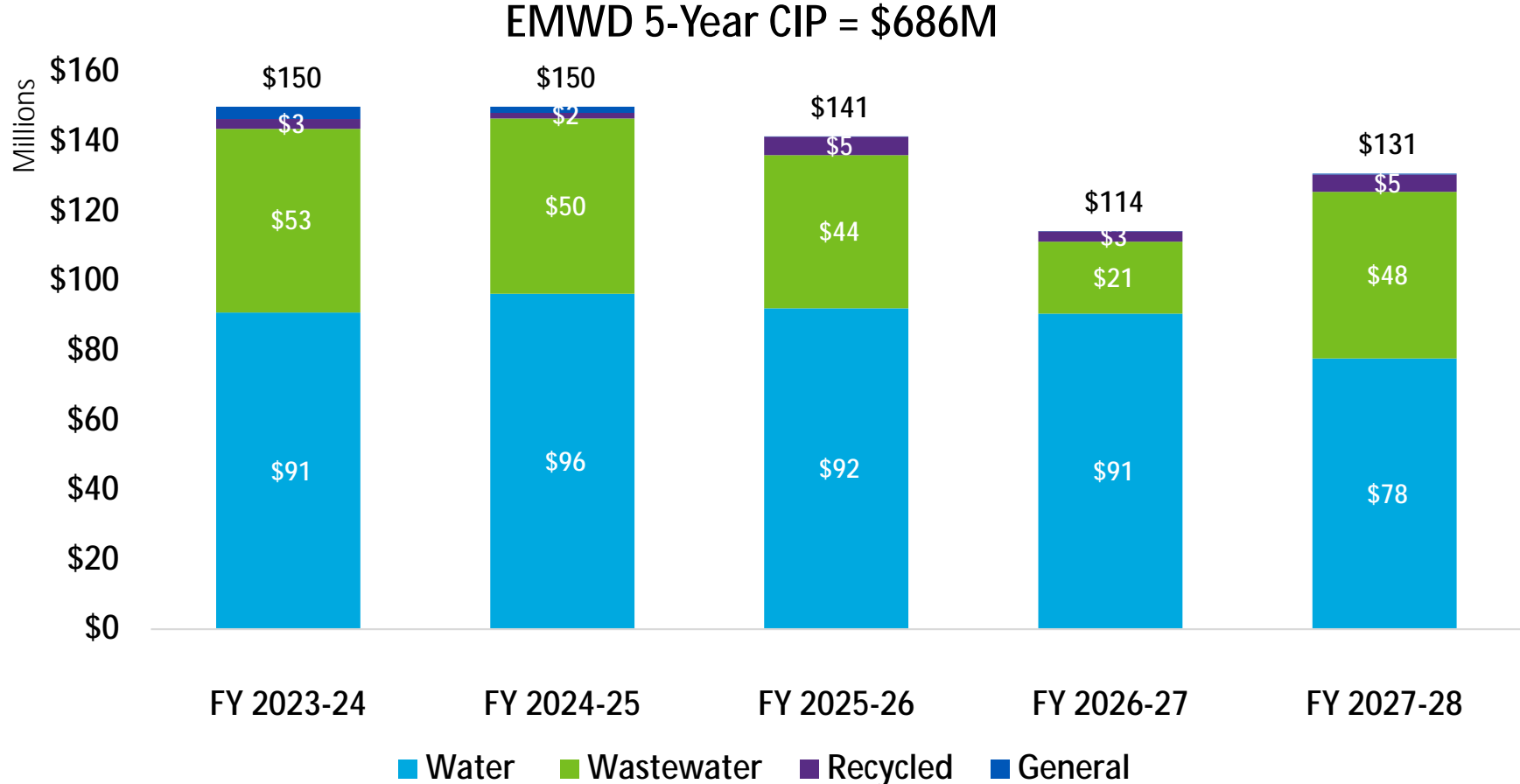
Replenishment Water

- Deliveries began April 2023
- Expecting Deliveries for 2023 and Pre-deliveries for 2024 and 2025 through April 2024
- **\$4.1 Million Budgeted FY 2023-24**
 - **5,833 AF (EMWD share of 17,309 AF)**

Cyclic Water

- Deliveries began June 2023
- Up to 11,500 AF Cyclic Delivery (In-lieu or Direct)
- **\$9.2 Million Budgeted FY 2023-24**
 - **6,429 AF In-Lieu; 4,000 AF Direct Recharge**

Capital Improvement Program

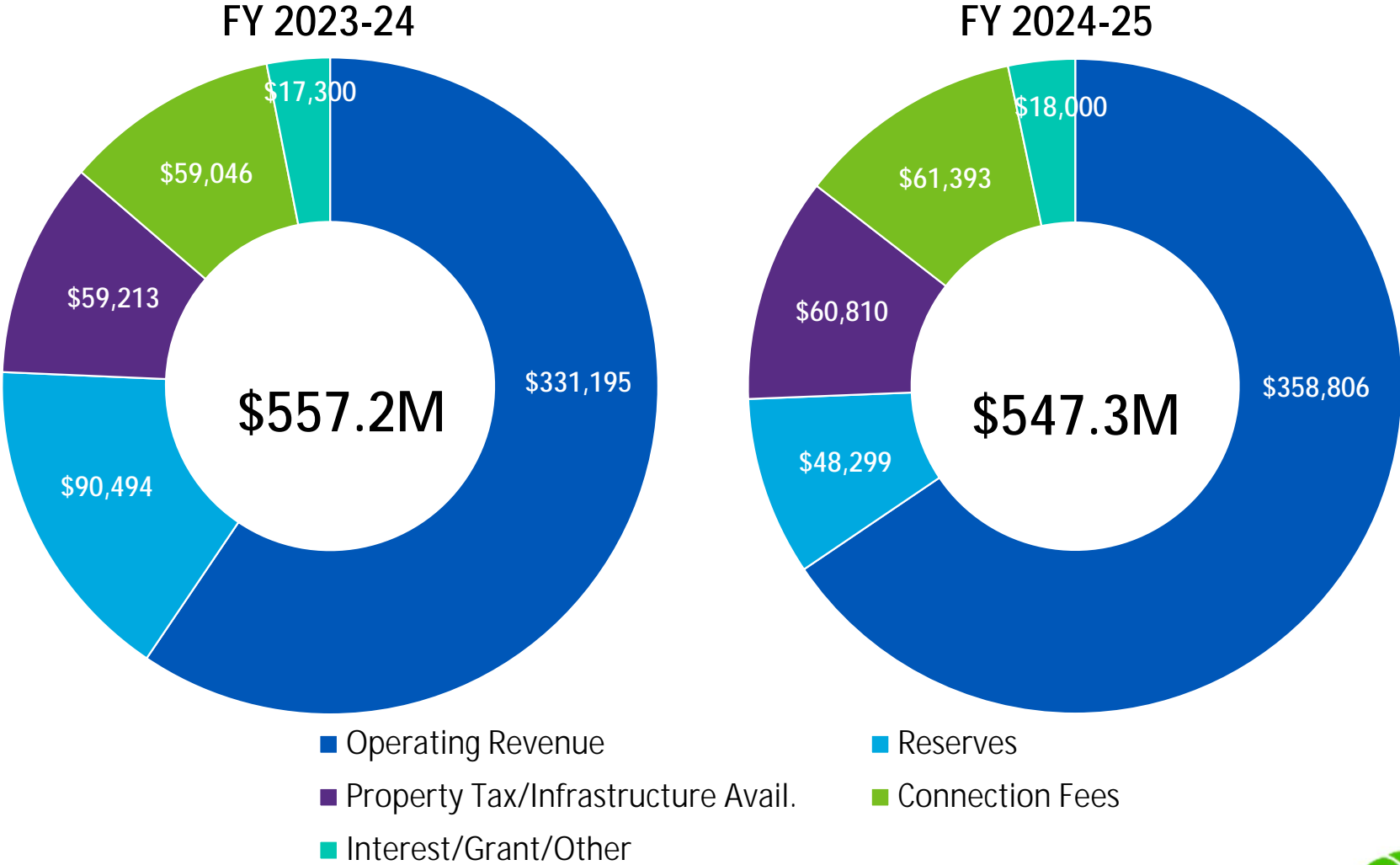


- 5-Year CIP includes \$115 million of projects funded externally
 - \$48 million of external funding for FY 2023-24 and FY 2024-25
- 20-Year Cumulative External Funds Received = \$688M



Proposed Biennial Budget Funding Sources

Budgeted Funding Sources (\$000)



Proposed Consolidated Budget

| Category | FY 2022-23 Budget Update | FY 2023-24 Budget | FY '24 vs FY '23 % Change | FY 2024-25 Budget | FY '25 vs FY '24 % Change |
|--|-----------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|
| Revenues | | | | | |
| Operating Revenues | \$ 302,708,552 | \$ 331,194,500 | 9.4% | \$ 358,806,400 | 8.3% |
| Property Tax & Standby | 53,800,643 | 59,213,000 | 10.1% | 60,810,000 | 2.7% |
| Connection & Development Fees | 50,760,000 | 59,045,600 | 16.3% | 61,392,500 | 4.0% |
| Interest Income | 6,500,000 | 8,900,000 | 36.9% | 9,500,000 | 6.7% |
| Other Income | 8,330,000 | 8,400,000 | 0.8% | 8,500,000 | 1.2% |
| Total Revenues | \$ 422,099,195 | \$ 466,753,100 | 10.6% | \$ 499,008,900 | 6.9% |
| Expenses | | | | | |
| Operating Services Expense | \$ 236,703,526 | \$ 266,175,452 | 12.5% | \$ 275,979,842 | 3.7% |
| General & Administrative | 33,265,954 | 35,072,237 | 5.4% | 36,070,905 | 2.8% |
| Misc/Special Projects & Studies | 7,110,000 | 9,060,000 | 27.4% | 8,946,000 | -1.3% |
| Bond Debt Service | 59,000,000 | 61,930,000 | 5.0% | 63,210,000 | 2.1% |
| Pension Trust Contribution | 15,000,000 | 15,000,000 | 0.0% | 15,000,000 | 0.0% |
| Total Expenses | \$ 351,079,480 | \$ 387,237,689 | 10.3% | \$ 399,206,747 | 3.1% |
| Net Operating Margin to Support Capital Commitments | \$ 71,019,715 | \$ 79,515,411 | 12.0% | \$ 99,802,153 | 25.5% |
| Capital Commitments | | | | | |
| Operating Fixed Assets | 27,134,841 | \$ 41,634,003 | 53.4% | \$ 24,730,676 | -40.6% |
| Capital Improvement Program (CIP) | 116,133,738 | 128,375,411 | 10.5% | 123,370,557 | -3.9% |
| Total Capital Commitments | \$ 143,268,579 | \$ 170,009,414 | 18.7% | \$ 148,101,233 | -12.9% |
| Less: Net Operating Margin | \$ (71,019,715) | \$ (79,515,411) | 12.0% | \$ (99,802,153) | 25.5% |
| Less: Reserves | (72,248,864) | (90,494,003) | 25.3% | (48,299,080) | -46.6% |
| Net | \$ - | \$ - | | \$ - | |
| TOTAL EXPENDITURES | \$ 494,348,059 | \$ 557,247,103 | 12.7% | \$ 547,307,980 | -1.8% |

- Operating Revenue includes Proposed Rate Adjustments subject to Board approval
- Overall Net Operating Margin (PayGo) to fund Capital Commitments of \$79.5M and \$99.8M in FY24 and FY25
- \$90.5M and \$48.3M balance of Capital Commitments funded through designated reserves in FY24 and FY25

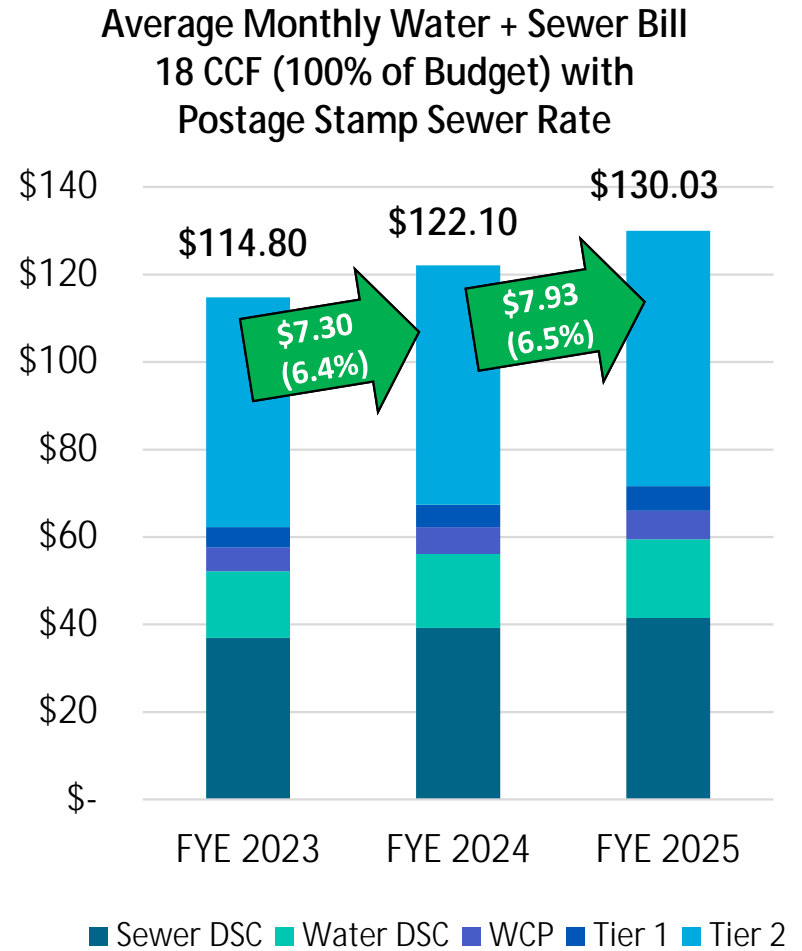


Proposed Water and Sewer Rates



Cost of Service Study Results

- Cost of Service Study performed April 2022 – April 2023
 - Define/allocate revenue requirements
 - Calculate unit cost for rate components
 - Financial model established with actual results, budget, and forecast
- Reserves utilized to mitigate significant cost increases to customers
- Consolidated five service area sewer rates to one postage stamp sewer rate
 - Phase-in over 7 years
- Resulting monthly impact for average customer (water & sewer):
 - 6.4% (2024)
 - 6.5% (2025)



DSC = Daily Service Charge
WCP = Water Supply Reliability Capital Projects Charge

Residential Tiers – Water Rate Build

- Household Budget (Tiers 1 and 2) – increase of \$0.27/billing unit (5.5%) in 2024 and \$0.39/billing unit in 2025 (7.5%)
- Excessive (Tier 3) – increase of \$0.51/billing unit (8.2%) in 2024 and \$0.38/billing unit (5.6%) in 2025
- Wasteful (Tier 4) – increase of \$0.22/billing unit (1.7%) in 2024 and \$0.77/billing unit (5.9%) in 2025

| | Household Budget | | Excessive | Wasteful |
|-------------------------------------|------------------|---------------|---------------|----------------|
| | Tier 1 | Tier 2 | Tier 3 | Tier 4 |
| Supply | \$1.11 | \$3.12 | \$3.44 | \$3.44 |
| MWD Tier 2 Cost Differential | - | - | - | \$0.46 |
| Base | \$0.17 | \$0.17 | \$0.17 | \$0.17 |
| Max Day | - | \$0.62 | \$0.62 | \$0.62 |
| Max Hour | - | - | \$1.78 | \$1.78 |
| Conservation | - | - | \$0.72 | \$6.48 |
| 2024 Rate (\$/billing unit)* | \$1.28 | \$3.91 | \$6.73 | \$12.95 |
| 2023 Rate (\$/billing unit) | \$1.17 | \$3.75 | \$6.22 | \$12.73 |

*Rates have been rounded up to the nearest \$0.01

Non-Residential – Water Rate Build

Non-residential tiered rate class has transitioned from mostly landscape irrigation customers to more domestic uses resulting in shifts in the cost of service

| | Non-Res Tier 1 | Non-Res Tier 2 | Non-Res Tier 3 | Non-Tiered |
|------------------------------------|----------------|----------------|----------------|---------------|
| Supply | \$3.12 | \$3.44 | \$3.44 | \$3.12 |
| MWD Tier 2 Cost Differential | - | - | \$0.46 | - |
| Base | \$0.16 | \$0.16 | \$0.16 | \$0.11 |
| Max Day | \$0.62 | \$0.62 | \$0.62 | \$0.37 |
| Max Hour | - | \$1.46 | \$1.46 | - |
| Conservation | - | \$2.24 | \$7.39 | - |
| | | | | |
| 2024 Rate (\$/billing unit) | \$3.90 | \$7.92 | \$13.53 | \$3.60 |
| 2023 Rate (\$/billing unit) | \$3.90 | \$7.92 | \$13.19 | \$3.32 |

(Rates have been rounded up to the nearest \$0.01)

Water Fixed Charges

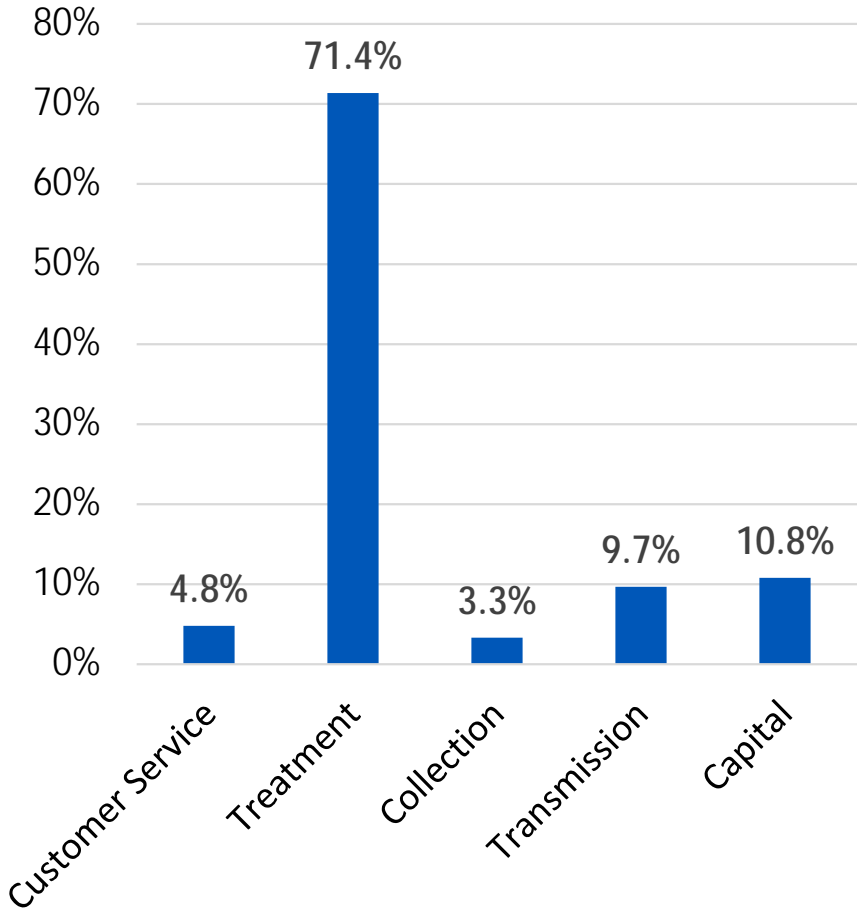
- Total Fixed Charges are projected to increase 11% in 2024 due to cost allocation update
 - Daily Service Charge (DSC) rate increase of \$1.71/month in 2024
 - Capital Fixed Charge monthly rate increase of \$0.60/month per EMS in 2024
- Total Fixed Charges projected to increase 7% in 2025

| | 2023 Rate (\$/Day) | 2024 Rate (\$/Day) | Daily Change | Monthly Change |
|------------------|--------------------|--------------------|----------------|----------------|
| Customer Service | \$0.160 | \$0.191 | \$0.031 | \$0.94 |
| Meter Service | \$0.340 | \$0.365 | \$0.025 | \$0.75 |
| Capital Charge | \$0.180 | \$0.200 | \$0.020 | \$0.65 |
| Total | \$0.680 | \$0.756 | \$0.076 | \$2.34 |



Sewer 2024 Postage Stamp Cost of Service

Cost Allocation Results by Rate Component



| | Allocated Costs | EDU | \$ / EDU / Month ¹ |
|-----------------------|-----------------|-------------|-------------------------------|
| Customer Service | \$4.4M | 2.2M | \$2.02 |
| Treatment | \$64.9M | 2.3M | \$27.76 |
| Collection | \$3.0M | 2.2M | \$1.40 |
| Transmission | \$8.8M | 2.3M | \$3.76 |
| Total | \$81.1M | | \$34.96² |
| Current | | | \$33.34 ³ |
| Capital Charge | \$9.8M | 2.3M | \$4.29 |
| Current | | | \$3.64 |
| Total | \$90.9M | | \$39.25 |
| Current | | | \$36.99 ² |

¹ Based on 30.4 days per billing cycle.
² Daily Service Charge is rounded up to nearest \$0.01 before monthly rate is calculated.
³ Estimated



Sewer Monthly Postage Stamp Seven-Year Phase-in

(includes capital charge)

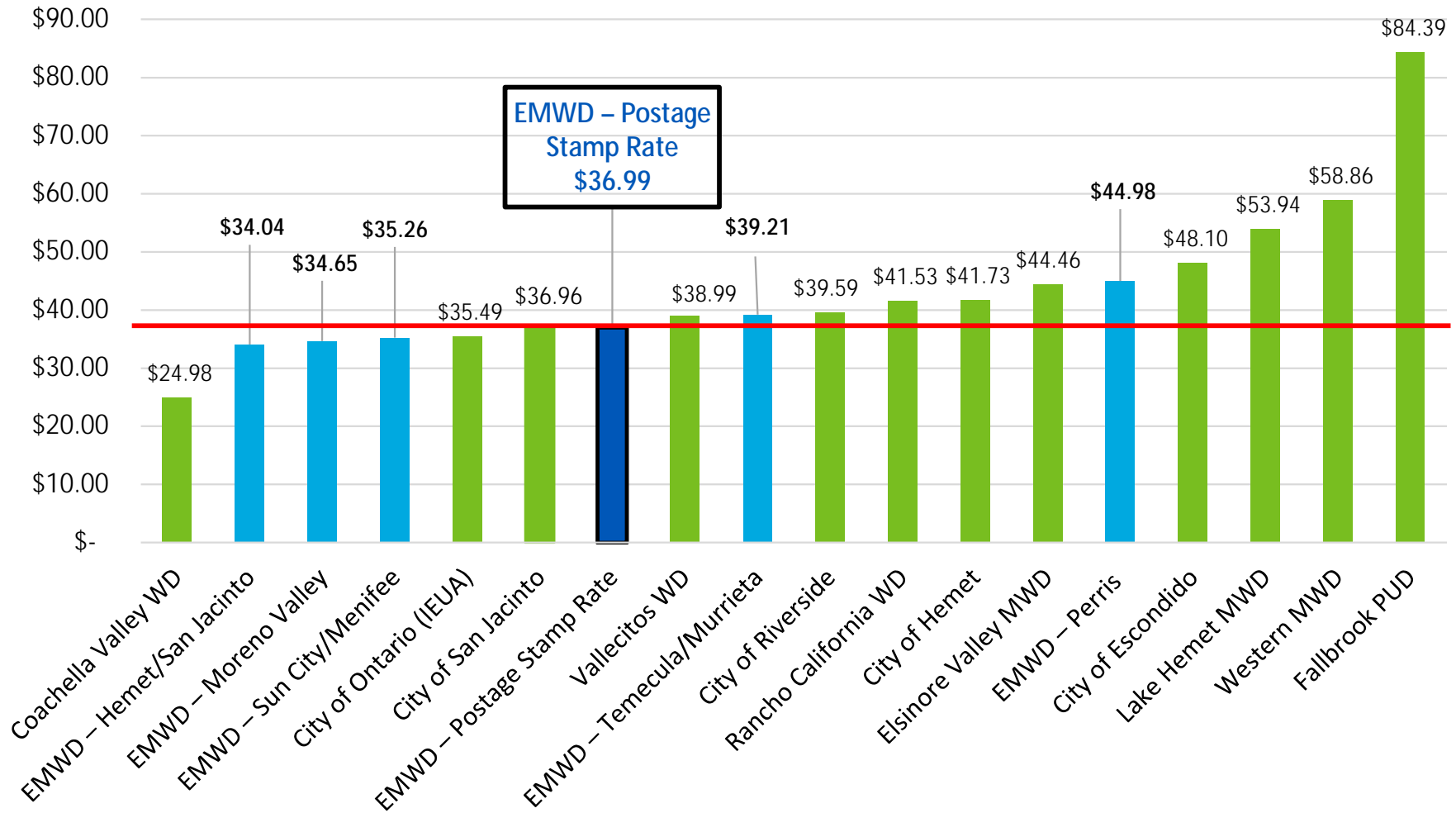
| | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
|-----------------------|----------|---------|---------|---------|---------|---------|---------|---------|
| Full Postage Stamp | \$36.99* | \$39.25 | \$41.50 | \$43.51 | \$45.73 | \$47.58 | \$49.54 | \$51.33 |
| | | 6% | 6% | 5% | 5% | 4% | 4% | 4% |
| SA 31 – Hemet / SJ | \$34.04 | \$36.58 | \$39.28 | \$41.81 | \$44.48 | \$46.88 | \$49.41 | \$51.33 |
| | | 7% | 7% | 6% | 6% | 5% | 5% | 4% |
| SA 32 – Moreno Valley | \$34.65 | \$37.16 | \$39.83 | \$42.30 | \$44.94 | \$47.28 | \$49.72 | \$51.33 |
| | | 7% | 7% | 6% | 6% | 5% | 5% | 3% |
| SA 33 – Sun City | \$35.26 | \$37.83 | \$40.53 | \$42.97 | \$45.55 | \$47.83 | \$50.20 | \$51.33 |
| | | 7% | 7% | 6% | 6% | 5% | 5% | 2% |
| SA 34 – Temecula | \$39.21 | \$40.87 | \$42.60 | \$44.37 | \$46.34 | \$48.19 | \$50.11 | \$51.33 |
| | | 4% | 4% | 4% | 4% | 4% | 4% | 2% |
| SA 35 – Perris | \$44.98 | \$45.91 | \$46.82 | \$47.74 | \$48.71 | \$49.68 | \$50.66 | \$51.33 |
| | | 2% | 2% | 2% | 2% | 2% | 2% | 1% |

*Estimated



Monthly Sewer Service Charge Comparison

As of January 2023



(EMWD rates include Capital Charge of \$3.64 for all service areas)



California Water and Sewer Rate Headlines

San Diego, California

Here's Why San Diego Water Rates Could Increase A Whopping 14% In 2024

By KOGO News

Mar 17, 2023

mij Marin Independent Journal

Marin Municipal Water District adopts historic rate hikes for water supply projects

Customers should expect a 20% increase in water bill costs during the first year of the four-year rate hike plan.

Rates for wastewater customers would rise 7 cents a day each of the next two fiscal years. These represent increases of approximately 8.5 percent in both FY 2024 and FY 2025. Actual changes in a customer's bill will depend on how much water is used each billing period.

 East Bay Municipal Utility District
<https://www.ebmud.com> > customers > billing-questions

Budget and rates :: East Bay Municipal Utility District - EBMUD

Notice: Water Service Rate Changes Effective July 1

On July 1, 2023, Elsinore Valley Municipal Water District (EVMWD) will institute a 5% CPI pass through in addition to previously noticed rates.

 Elsinore Valley Municipal Water District
<https://www.evmwd.com> > customers > customer-service

Rates & Fees | Elsinore Valley Municipal Water District, CA



- ABOUT US
- SAVE WATER & MONEY
- FACILITIES
- SERVICES
- CONSTRUCTION
- SAN JOAQUIN MARSH

Proposition 218 Notices

The Irvine Ranch Water District (IRWD) is a public agency that provides water and sewer service. Our rates are based on the actual cost to provide water and sewer service to our customers and are based on the expenses included in IRWD's budget. The IRWD Board of Directors adopted a two-year budget on April 24, 2023. The basis for the proposed rates is detailed in the [Cost of Service Study and the draft appendixes and technical memos \(which begin on page 159\)](#). **The proposed rates will be effective June 26, 2023, and implemented beginning July 1, 2023, and July 1, 2024.** As proposed, they are expected to increase the average residential bill by 9.9% per year. The increase is due primarily to uncontrollable pass-through cost increases from regional agencies that supply water, regional sewage, or energy services to IRWD, as well as inflation and increases in costs associated with continuing to provide the current high level of water and sewer service our customers expect. Information on how the rates are calculated is shown below.



Inflationary Impacts on California Water Agencies

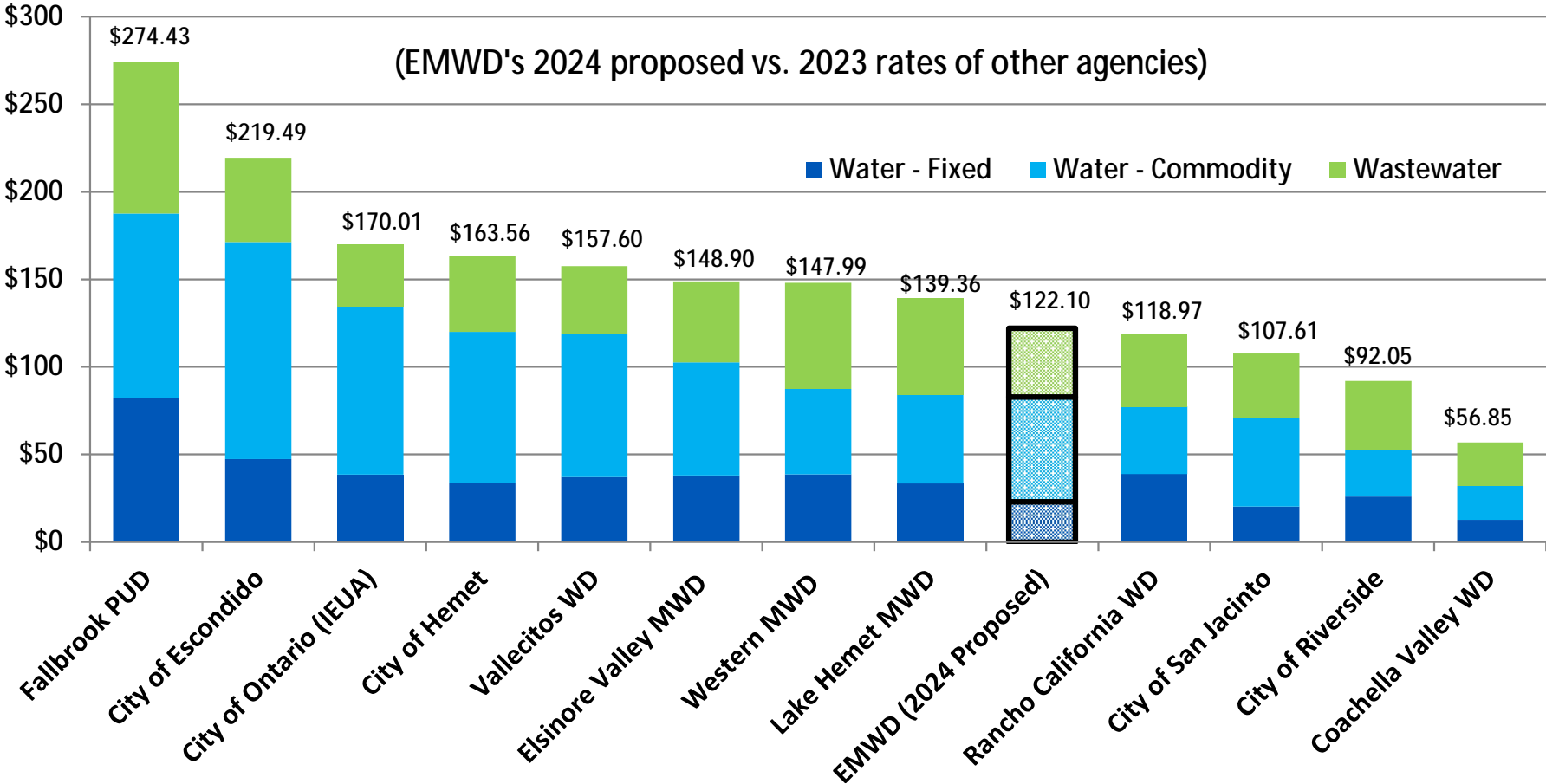
Consumer Price Index (CPI) Riverside – San Bernardino – Ontario: **8.9%**
 (September 2022 actual 12-month rolling average)

| Water Agency | 2024 | 2025 | Population Served |
|---|---------------------|-------|-------------------|
| | Percent Bill Impact | | |
| Marin Water | 23.0% | 12.0% | 191,000 |
| San Diego County Water Authority | 14.0% | N/A | 3.3 Million |
| Irvine Ranch Water District | 9.9% | 9.9% | 422,000 |
| East Bay Municipal Utility District | 8.5% | 8.5% | 1.4 Million |
| San Francisco Public Utilities Commission | 8.3% | 8.3% | 2.7 Million |
| Elsinore Valley Municipal Water District | 8.2% | 4.5% | 161,000 |
| EMWD (Proposed – with Reserves Utilization) | 6.4% | 6.5% | 888,000 |
| EMWD (without Reserves Utilization) | 11.0% | 11.0% | 888,000 |

Each agency’s reported increase is based on average customer usage.
 Rates displayed in blue font have been adopted, others are proposed rates.

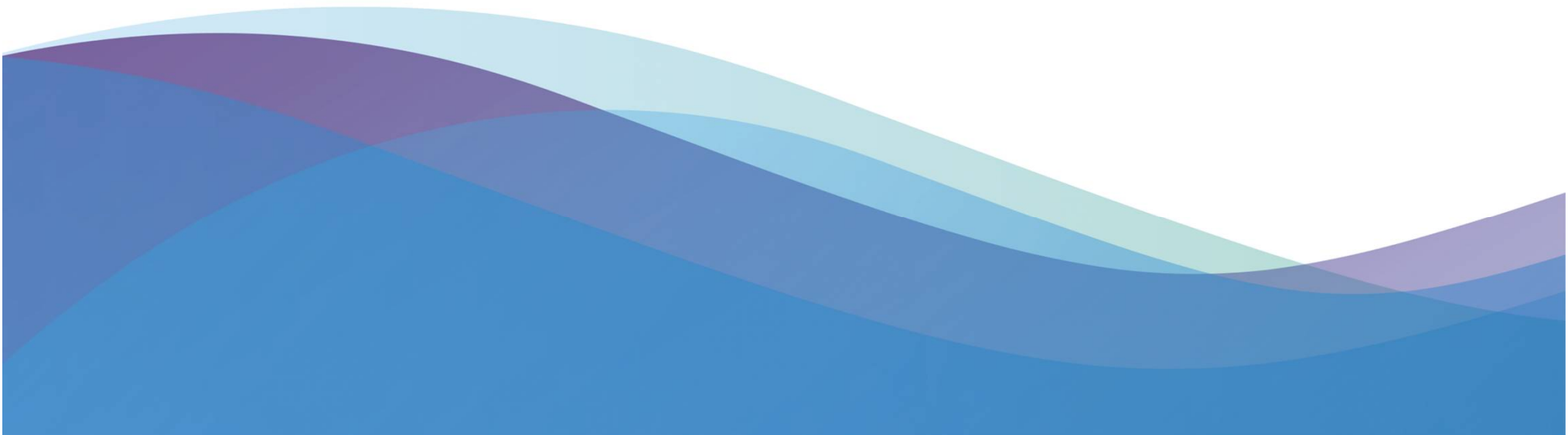
Typical Customer Monthly Bill Comparison

Water and Wastewater Services - Inland Districts 18 CCF



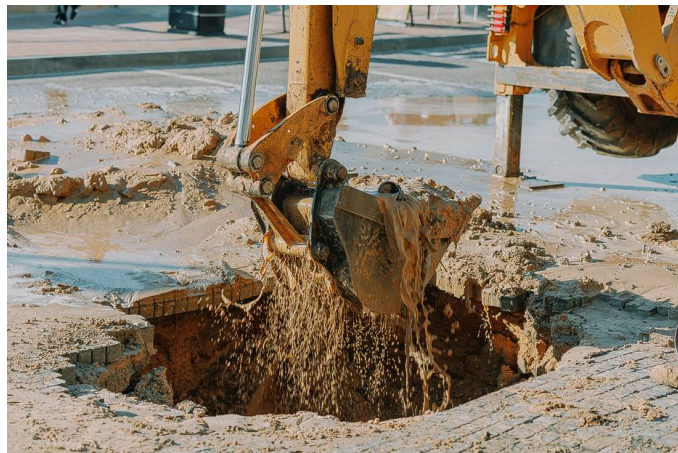


Impacts to EMWD without Rate Increases



Impacts to EMWD

- Reserve balances fall below targets
- Negative impact to credit ratings
- Borrowing costs increase
- Reduced CIP budget for system betterment and replacement
- Critical projects risk being cancelled or deferred
- Emergency repairs frequent and costly
- Severe long-term water and sewer system reliability issues



Unfunded Capital Projects without Rate Increases

2-Year Impact on CIP

Sewer Projects

| | | |
|---------------|--|-----------------|
| Murrieta | Golden Triangle Sewer Infrastructure | \$0.63M |
| Winchester | Winchester Lift Station Improvements | \$1.17M |
| Moreno Valley | Sewer Infrastructure Rehabilitation and Replacement Projects | \$27.93M |
| District Wide | Reclamation Sewer Plants Equipment Replacement | \$1.65M |
| Menifee | Wickerd Sewer Pipeline Replacement | \$0.80M |
| Hemet | Cawston Lift Station Replacement | \$1.01M |
| San Jacinto | Sewer Plant Rehabilitation Projects | \$12.36M |
| Perris | Biosolids Facility Improvements | \$2.79M |
| | Sewer Pipeline Installation and Replacement | \$0.40M |
| Temecula | Calle Medusa Sewer Pipeline Protection | \$5.43M |
| | Sewer Rehabilitation and Improvement Projects | \$1.92M |
| | Diaz Sewer Infrastructure | \$0.48M |
| | Warm Springs Lift Station Replacement | \$0.24M |
| Total | | \$56.81M |

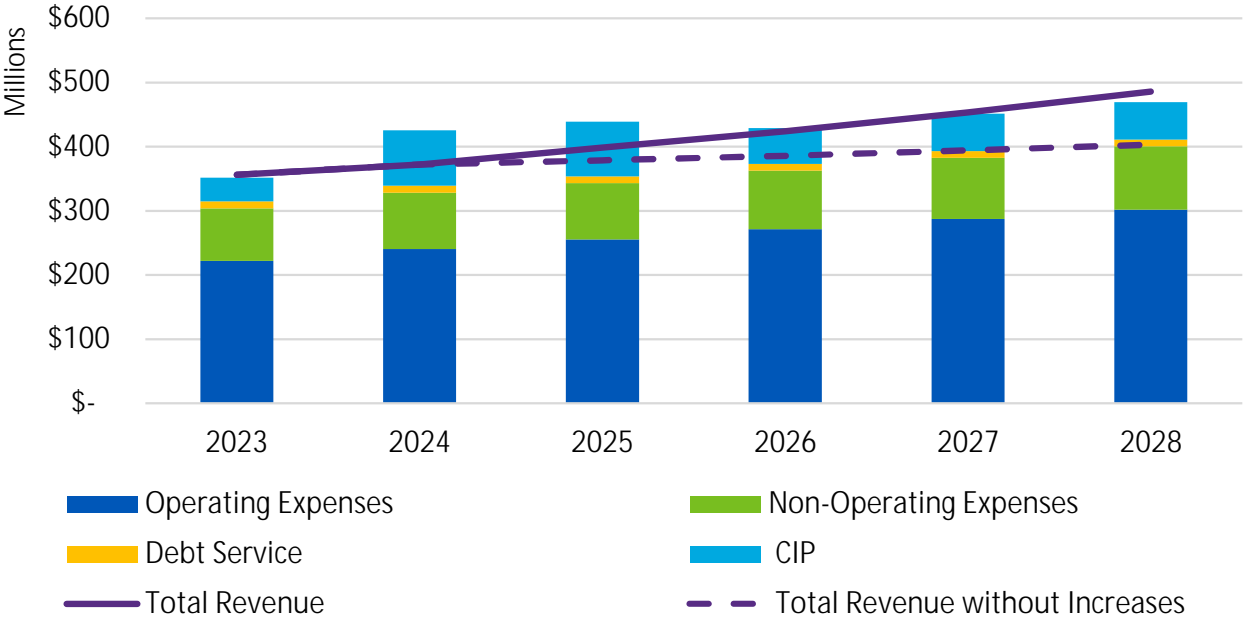
Water Projects

| | | |
|---------------|---|-----------------|
| Winchester | Dutch Village Tank Rehabilitation | \$0.74M |
| | Rice Road Pipeline Installation | \$0.22M |
| | Winchester Water Pressure Improvement | \$0.14M |
| Moreno Valley | Groundwater Improvements | \$16.30M |
| | Moreno Valley Wells Equipping | \$2.73M |
| | Perris Blvd. Pipeline Relocation | \$1.19M |
| Menifee | Potable Pipelines Replacements Projects | \$1.56M |
| | Brackish Water Pipeline Installation | \$0.86M |
| Hemet | State Street Pipeline Replacement | \$1.49M |
| | Mission Canyon II Pump Station Replacement | \$0.45M |
| Murrieta | Los Alamos Hills Water Facilities Integration | \$0.23M |
| Romoland | Booster Station and Pipeline Construction | \$0.80M |
| | Romoland Pipeline Replacement | \$0.74M |
| San Jacinto | San Jacinto Groundwater Wells Equipping | \$1.79M |
| | Groundwater Treatment Facility | \$1.78M |
| | Purified Water Replenishment Projects | \$1.27M |
| Perris | Murrieta Road Booster Station Replacement | \$8.97M |
| | Good Hope Water System Improvements | \$2.01M |
| | Potable Pipelines Installations | \$1.17M |
| | Mead Valley Booster Pump Station Replacement | \$0.78M |
| Total | | \$45.24M |

Water and Sewer – Cash Flow and Reserve Scenarios

| Reserve Excess (Deficiency) – Cumulative | | | | | |
|--|-----------|-----------|------------|------------|------------|
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| With Rate Increases | (\$29.6M) | (\$48.0M) | (\$31.3M) | (\$6.2M) | \$34.0M |
| Without Rate Increases | (\$39.8M) | (\$87.4M) | (\$119.1M) | (\$164.1M) | (\$217.3M) |

Water and Sewer Cash Flow Projections





Proposition 218 Notices and Customer Outreach



Draft Proposition 218 Notices

- Staff prepared specific Proposition 218 Notices for each customer segment:
 - Residential Water and Sewer
 - Non-residential Water and Sewer
 - Agricultural Water
 - Fruitvale (ID 24) Water and Sewer
 - Sewer Only
 - EMWD billed customers
 - Customers billed by other agencies
- Notices include:
 - Public Hearing Date: June 21, 2023
 - EMWD Efforts to Minimize Rate Increases
 - Water Budget Background and Calculations
 - Sewer Block Calculations
 - EMWD Water Shortage Contingency Plan



The flyer features the EMWD logo at the top left, which consists of a stylized green and blue wave above the text 'emwd'. To the right of the logo is the text 'SPECIAL NOTICE • MAY 2023'. The main title of the notice is 'EMWD Efforts Minimize Rate Increases Amid Record Inflation'. The body of the notice is divided into several paragraphs of text, including a section titled 'YOU'RE INVITED TO ATTEND OUR RESIDENTIAL RATES PUBLIC HEARING' with details on the date (June 21, 2023), time (9 a.m.), and location (Eastern Municipal Water District Board Room, 2270 Trumble Road, Perris, CA 92570). It also includes information about the public hearing process, such as the need for written protests and the availability of more information on the EMWD website.

emwd SPECIAL NOTICE • MAY 2023

EMWD Efforts Minimize Rate Increases Amid Record Inflation

One of EMWD's main priorities is to maintain the financial stability and responsible stewardship of ratepayer funds as we continue to deliver high-quality, safe and reliable water, wastewater and recycled water services throughout our 558 square mile service area to nearly one million customers.

EMWD recently conducted a Cost of Service Study to ensure that its rate structure adequately reflected the costs of providing these essential services. The study showed that unprecedented inflation has increased costs significantly for EMWD operations and supplies such as energy and chemicals which are necessary to maintain the extensive network of pipelines, equipment, treatment facilities, storage facilities, and more.

In addition to day-to-day operations, EMWD must continuously invest in its facilities and equipment to keep your water, wastewater and recycled water systems operating efficiently, with minimal emergencies such as water pipeline breaks or sewer spills. EMWD aggressively seeks opportunities such grant funding, and has secured millions of dollars, which ultimately reduces the financial burden for customers.

EMWD is committed to balancing a strong financial position and operational efficiencies with its investments over an appropriate period of time. This is done by securing reserve funds, financing, and rate revenue to achieve the most benefits to customers. Thanks to this proactive financial strategy, EMWD is able to utilize reserve funds over the next two years to help offset the most significant inflationary costs we've seen in nearly 40 years.

We hope when you see water flowing from the faucet or flushing down a drain, you know that EMWD's highly trained staff are working 24/7/365 to monitor and test your water and wastewater and maintain facilities to provide you with safe and reliable water, wastewater and recycled water services today, and tomorrow.

YOU'RE INVITED TO ATTEND OUR RESIDENTIAL RATES PUBLIC HEARING

Date: June 21, 2023
Time: 9 a.m.
Location: Eastern Municipal Water District Board Room
2270 Trumble Road, Perris, CA 92570

The Board of Directors of Eastern Municipal Water District (EMWD) will conduct a public hearing to consider changes to the water and sewer rate structures and rates set forth herein. Any customers or property owners may appear at the hearing to make comments regarding the proposed changes. To file an opposition, property owners and tenants of real property who are directly liable to pay water and/or sewer bills may submit a written protest against the proposed water rate increases, the proposed sewer rate increases, or both. Written protests may be mailed or delivered in-person to Eastern Municipal Water District, Attention: 2024-2025 Proposed Rates, PO Box 8300, Perris, CA 92572-8300. Protests must include: your name, parcel number and/or service address, and your signature. All written protests must be received prior to the conclusion of the public hearing. Challenges to Board adopted rates are subject to a 120-day statute of limitations.

More information about the proposed changes is available in this document and online at www.emwd.org/ProposedRates.

Aviso de audiencia pública para considerar los tarifas de agua y alcantarilla basada en el costo de servicio.

Outreach and Results of Proposition 218 Notices

Outreach (As of 6/13/23):

- Printed Notices: 252,970 Prop. 218 notices mailed to all customers
- Kubra E-Blasts: 58,295 with 1,001 click-throughs
- CC E-Blast: 158,642
- Webpage Hits: 2,318
- Bill Estimator: 4 Accounts
- Customer Service Calls: 2
- Social Media: 342 Impressions
- Press Release Page Views: 119

Results:

As of June 16, 2023, EMWD has received 12 written protests, or 0.005%

(If Protests are more than 50% of affected property owners or tenants, the Board would not impose rate increases.)

As of June 16, 2023, EMWD has received 21 emailed responses in opposition

Proposed Sewer Service Rates

EMWD collects and treats an average of 49 million gallons of wastewater (sewer) every day at its four operating regional water reclamation facilities. Sewer service areas were originally defined by the geographic area surrounding the plant serving that area, and rates were set based on the costs to serve that area. Today, all of EMWD's facilities are interconnected, which allows staff to shift flows as necessary for optimal efficiency and reliability. As a result, EMWD is proposing to transition to a universal blended, or "postage stamp" sewer rate over the next seven years.

Sewer rates are calculated using a baseline Daily Service Charge and Block Factors based on the number of people living in the house, as well as a Sewer System Capital Projects Charge. Residential customers on water budgets are assigned to one of four sewer blocks determined by the number of people per household according to the chart on this page. Larger households have a higher block factor based on the assumption that they have higher sewer flows because they do more laundry and dishes, take more showers, etc. and, as a result, are charged a higher sewer rate.


The proposed sewer block factors better reflect the current proportional demands on EMWD's system based on updated customer data. The proposed rates shown on the next page address the increased cost of treatment and operations, specifically energy, chemicals and waste hauling costs that significantly exceeded the average inflationary rate, as well as investments in necessary facility maintenance projects.

The total proposed increases range from 2 to 7 percent effective January 1, 2024, and another 2 to 7 percent effective January 1, 2025. EMWD is using reserve funds to minimize the cost impacts, leaving the proposed increases below the annual average inflation rate, also known as CPI, which was 8.7 percent for EMWD's service area in 2022.

| SEWER BLOCK FACTORS | | | | |
|---------------------|----------------------|---------|---------------------------|---------------------------|
| Block | People per Household | Current | Proposed Effective 1/1/24 | Proposed Effective 1/1/25 |
| 1 | 1-2 | 60% | 65% | No change |
| 2 | 3-4 | 100% | 100% | |
| 3 | 5-6 | 125% | 135% | |
| 4 | 7 or more | 170% | 170% | |

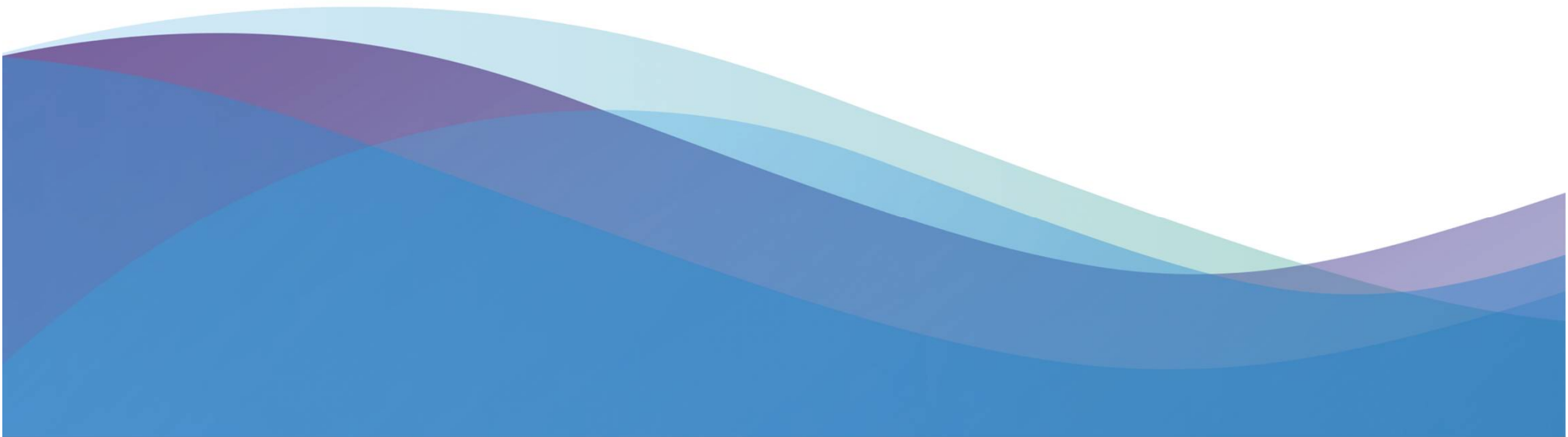
Each block is designed around a specific household size to be more representative of the amount of wastewater contributed to the sewer system.

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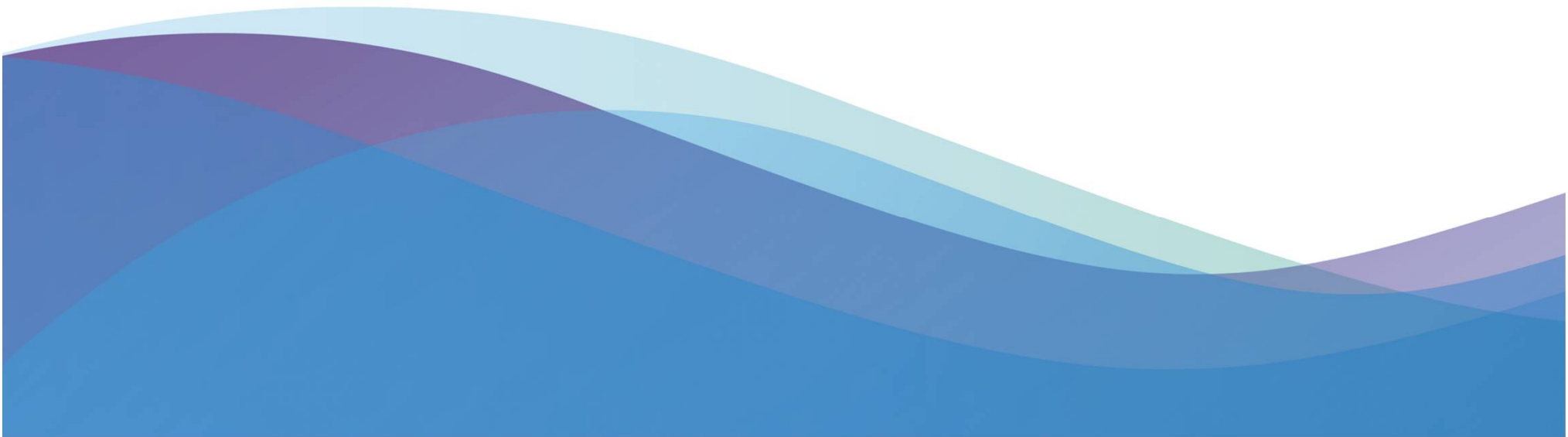


Public Comment





Legislative Change to Rates and Fees Noticing, Approval, and Adoption Process



Governance on Fee Noticing and Adoption Process

Water and Sewer Rates

- ü Governed by Proposition 218 (1996 – "Right to Vote on Taxes Act")
- ü Amended the CA State Constitution
- ü Water and sewer rates considered "Property Related Fees and Charges"
- ü Requires a 45-Day notice to all affected customers
- ü Requires Agency to conduct a Public/Protest Hearing before Adoption

Fees for Service and Connection Fees

- ü Governed by Proposition 26 (2010 – Defining a Tax and 2/3rds Requirement)
- ü Amended the CA State Constitution
- ü Defines all levies, charges, exactions are taxes, except for seven exceptions
- ü Fees for Service and Connection Fees are covered under those exceptions
- ü Limited Noticing Requirements
- ü EMWD Standard is to Notify the Riverside Building Industry Association (BIA)

California Initiative No. 21-0042A1

- Would amend portions of Propositions 13, 26, and 218
- Would impose restrictions for public agencies to enact, modify or expand taxes, assessments, fees, and property-related charges
- Retroactive application to all rates and fees adopted after January 1, 2022
- Includes:
 - Water and Sewer Rates
 - Fees for Service
 - Financial Participation Charges
- Changes adoption process from “Resolution” to “Ordinance”
 - Municipal Water Districts do not have the same procedural requirements imposed on cities and County Water Districts to adopt an ordinance

Qualified for the CA
November 2024 Ballot

Impact to EMWD: Adjustments to rates and fees will be adopted by Ordinance for rates and fees effective January 1, 2024, to comply with the proposed Initiative

Recommendation

- Adopt Ordinance to approve water and sewer rates and service charges for calendar years 2024 and 2025, and amend the EMWD Administrative Code for incorporating certain adjustments to rates, fees, and charges; and
- Adopt the Biennial Operating and Capital Budget for Fiscal Years 2023-24 and 2024-25.





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