



Eastern Municipal Water District California

Action/Info Item 5835

Adopt Ordinance Approving Water and Sewer Rates and Service Charges for Calendar Years 2024 and 2025 and Amending the Administrative Code as it Relates to Incorporating Certain Adjustments to the Consolidated Schedule of Rates, Fees, and Charges; and Adopt Biennial Operating and Capital Budget for Fiscal Years 2023-24 and 2024-25

Information

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

Attachments

- [Printout](#)
- [Exhibit A - 2023 Water and Wastewater Cost of Service Rates Study Report](#)
- [Exhibit B - Proposed Biennial Budget for FY 2023-24 and FY 2024-25](#)
- [Exhibit C - Proposition 218 Public Hearing Notices](#)
- [Exhibit D - Copies of Protest Letters Received](#)
- [Exhibit E - Copies of Email Responses Received](#)
- [Exhibit F - Ordinance](#)
- [Exhibit G - Attachment A to Ordinance \(Water and Sewer Rates Updates\) Presentation](#)

Background

As part of the biennial budget planning process for Fiscal Years 2023-24 and 2024-25, Eastern Municipal Water District (EMWD) hired an independent consultant, Carollo Engineers, Inc. (Carollo), to perform the 2023 Water and Wastewater Cost of Service and Rates Study (Exhibit A). Carollo collaborated with District staff, Executive Management, and the Board of Directors of EMWD in the extensive effort to build and refine a sophisticated rate model based on usage analysis, revenue requirements, cost of service, key cost drivers, and financial projections.

Initiated in April 2022, the project resulted in five study sessions with the Board over the course of a year. At the project completion on April 19, 2023, Carollo issued the 2023 Water and Wastewater Cost of Service Rates Study Report, including preliminary rate results based on the proposed Operating and Capital Budget for Fiscal Years 2023-24 and 2024-25. At the final study session on April 19, 2023, the Board set a public hearing date for June 21, 2023.

In conjunction with the Cost of Service and Rates Study and as part of the biennial budget process for Fiscal Years 2023-24 and 2024-25, EMWD staff held three study sessions with the Board of Directors. The first study session was held on March 1, 2023, to review major assumptions, budget uncertainties due to high inflation and interest rate volatility, and wages and benefits.

On April 5, 2023, a second study session was held to review the Preliminary Budget for Fiscal Years 2023-24 and 2024-25 which included consolidated summaries of the budget expenditures and receipts, preliminary rate adjustments, and Capital Improvement Program and Operating Fixed Assets funding needs.

On May 17, 2023, a third and final study session was held to review a preliminary Budget Summary for Fiscal Years 2023-24 and 2024-25, refined Capital Improvement Program funding needs, and a draft budget document.

The proposed Biennial Budget for Fiscal Years 2023-24 and 2024-25 (Exhibit B) is summarized below:

	FY 2023-24	FY 2024-25
Operating Revenue		
Water Service	\$ 188,694,000	\$ 208,009,700
Wastewater Service	128,376,000	136,194,700
Recycled Water Service	14,124,500	14,602,000
Non-Operating Revenue		
Property Tax/Infrastructure Avail.	\$ 59,213,000	\$ 60,810,000
Connection & Dev't Fees	59,045,600	61,392,500
Interest Income	8,900,000	9,500,000
Other Income/Grants	8,400,000	8,500,000
Total Revenue	\$ 466,753,100	\$ 499,008,900
Operating Expenses		
Water Purchases	\$ 88,889,000	\$ 85,721,000
Water Operations	81,085,992	85,795,134
Wastewater Operations	86,134,508	93,893,627
Recycled Water Operations	10,065,952	10,570,081
Non-Operating Expenses		
General & Administrative	\$ 35,072,237	\$ 36,070,905
Miscellaneous	1,000,000	1,000,000
Special Projects & Studies	8,060,000	7,946,000
COP/Bonds Debt Service	61,930,000	63,210,000
Pension Trust Contribution	15,000,000	15,000,000
Total Expenses	\$ 387,237,689	\$ 399,206,747
Net Operating Margin	\$ 79,515,411	\$ 99,802,153
Capital Commitments		
Operating Fixed Assets	\$ 41,634,003	\$ 24,730,676
Capital Improvement Plan	128,375,411	123,370,557
Contribution from Debt/ Reserves Utilization	(\$ 90,494,003)	(\$ 48,299,080)
Total Expenditures	\$ 557,247,103	\$ 547,307,980

Summary – Budget and Rate Setting Process

For the Biennial Budget for Fiscal Years 2023-24 and 2024-25, EMWD proposes adjustments to water and sewer rates and service charges and incorporates the proposed adjustments in the budget assumptions for all enterprise functions. The process for establishing the proposed adjustments include a systematic and strategic examination of various factors such as the increased costs of imported water, rising operating, maintenance, and environmental regulatory compliance costs, and the investments EMWD makes in capital infrastructure and technology to reliably serve its customers and community. For the current budget cycle, the process also includes incorporating the results of the 2023 Water and Wastewater Cost of Service Rates Study Report. EMWD is committed to maintaining its aggressive pursuit of external funding support—such as grants and state loans—as well as identifying opportunities for refunding outstanding debt to further reduce costs for the customers EMWD serves and to keep rates and charges low requiring only nominal annual adjustments.

The Board will be presented for consideration proposed adjustments to recycled water rate adjustments in the Fall which will be based off the results of the 2022 Recycled Water Rate Study as guidance.

Summary – Rate Adjustments

For water and sewer rates, staff utilized the 2023 Water and Wastewater Cost of Service Rates Study Report, including preliminary rate results based on the proposed Fiscal Years 2023-24 and 2024-25 Operating and Capital Budget. The proposed water and sewer rates updates are summarized below:

Water Rates

Staff recommends a 6.5 percent and a 6.9 percent average annual commodity rate increase beginning January 1, 2024 and 2025, respectively. Additionally, staff recommends an overall increase in fixed charges of \$2.36 and \$1.52 per month for 2024 and 2025, respectively. Separately, certain Fruitvale area water consumption rates are increasing according to the seven-year phase-in plan approved by the Board in 2018.

Sewer Rates

Staff recommends a 6.1 percent increase for sewer daily service charge beginning January 1, 2024, and a 5.7 percent increase beginning January 1, 2025. Additionally, staff recommends a \$0.65 per EDU increase in the monthly Capital Fixed Charge beginning January 1, 2024 and a \$0.24 per EDU increase beginning January 1, 2025. As reflected in the 2023 Water and Wastewater Cost of Service Rates Study Report, staff recommends adopting a seven-year phase-in plan to align all sewer rates to a uniform, postage stamp rate.

Overall Impact

The typical single-family residential monthly water/sewer bill for a customer using 18 hundred cubic feet would increase \$7.30 or 6.4 percent in 2024 and \$7.93 or 6.5 percent in 2025.

Proposition 218 Public Noticing and Customer Outreach

On April 19, 2023, the Board approved the Proposition 218 Public Hearing Notices (Exhibit C) which notifies the public of the public hearing to consider water and sewer rate increases. On May 5, 2023, staff mailed 252,970 notices to EMWD customers and 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 staff. In addition to the public noticing efforts, EMWD performed significant customer outreach to communicate the proposed rate increases and the public hearing which included notification on EMWD's website, E-blasts to customers, and social media posts on EMWD social media platforms.

As of June 16, 2023, 12 written protest letters were received by EMWD, which represents 0.005 percent of notices sent, 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 (Exhibit D) and Copies of Emailed Responses Received (Exhibit E) are attached for reference.

Fee Noticing, Approval and Adoption Process

In January 2022, the California Business Roundtable filed Initiative No. 21-0042A1, known as the Taxpayer Protection and Government Accountability Act (Initiative), to impose significant restrictions on the ability of public agencies to enact, modify, or expand taxes, assessments, fees, and property-related charges. In February 2023, the California Secretary of State announced the Initiative qualified for the November 2024 ballot. Proponents now have until June 27, 2024 to consider withdrawing the initiative before the Secretary of State officially certifies it for the ballot.

If approved by the voters, the Initiative will amend the state constitutional provisions relating to the levying of fees and taxes. It categorizes every charge or levy as either a tax or as an "exempt charge." The "exempt

charge” definition appears to capture water and sewer rates. Historically, EMWD sets its rates by resolution, after complying with its Proposition 218 notice and hearing requirements. The Initiative states that an agency shall set its “exempt charges” by Ordinance. To be proactive, the District’s legal counsel recommends the Board consider approving future rate increases by Ordinance.

The proposed Ordinance (Exhibit F) amends the District’s Administrative Code to update certain water and sewer rates and service charges within the District’s Consolidated Schedule of Rates, Fees, and Charges. Attachment A to the Ordinance (Water and Sewer Rates Updates) (Exhibit G) includes the proposed updates to water and sewer rates and service charges for calendar years 2024 and 2025.

Financial/Strat Plan/Enviro

FINANCIAL IMPACT:

As noted herein.

STRATEGIC PLANNING GOAL/OBJECTIVE:

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

ENVIRONMENTAL IMPACT:

None

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.

Meeting History

Jun 21, 2023 9:00 AM **Board of Directors** **Regular Meeting**  **Draft**

Ms. Marquez addressed the Board and provided her comments regarding the proposed rate increase.

Mr. Charles addressed the Board and provided his comments in support of the proposed rate increase.

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

Adopt the Proposed Ordinance to Approve Water and Sewer Rates and Service Charges for Calendar Years 2024 and 2025 and Amend the District's Administrative Code

Meeting 6/21/2023 9:00 AM

Vote Results

Philip Paule	Voter	Yes
Stephen Corona	Seconder	Yes
Jeff Armstrong	Voter	Yes
Randy Record	Voter	Yes
David Slawson	Mover	Yes

June 21, 2023 9:00 AM  spacerApproved

Ordinance 2023-004

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

Adopt the Biennial Operating and Capital Budget for Fiscal Years 2023-24 and 2024-25

Meeting 6/21/2023 9:00 AM

Vote Results

Philip Paule	Voter	Yes
Stephen Corona	Voter	Yes
Jeff Armstrong	Secunder	Yes
Randy Record	Voter	Yes
David Slawson	Mover	Yes

June 21, 2023 9:00 AM  spacerApproved

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