



Solano Irrigation District
Water Rates and Charges Committee
Kick-off Meeting

July 6, 2015

Why are you here tonight?

- The SID Board of Directors directed Staff to assemble Customer-based committee to review the water rates.
- You were each sent a letter (everyone in the District was) asking you if you wanted to be on the Committee.
- The Committee's mission is to review the proposed 2015 Water Rates and Charges and make recommendations consistent with existing Law and District Policies.
- The process may take six (6) months or more.

Meeting Overview

1. Introductions
2. Discuss Background and District Overview
3. Discuss CRC & Rate Policies
4. Review Committee Workplan & Schedule
 - a) Capital Replacement Charge (CRC) Study
 - b) Water Rate Study
 - c) Meet 2 times a month discussing “a” and “b” above over the next 6 months (or, less depending on necessity)
5. Finalize Committee Logistics (i.e. we need to get to about 10 to 12 committee members)
6. Time Permitting: Discuss Overview of CRC

Background & Overview

Topic Background

- The Solano Irrigation District has been working on a Study to up update its Water Rates and Capital Replacement Charges (CRC – *for M&I customers only*) since fall 2013.
- The goal had been to accomplish three (3) basic goals;
 - I. Adjust the rates such that each service area is paying its own way (not being subsidized by other service areas),
 - II. Update the charge for capital replacement (programming and funding the replacement of aging infrastructure) and,
 - III. Keep up with cost escalations.
- At the April 21, 2015 Board Meeting, the Board did not vote to increase the water rates or the CRC. The Board, however, did direct Staff to work with an appointed customer-based committee to review the water rates and to return to the Board in about six (6) months.

General District Overview

- The District/SID has 141,000 ac-ft of Solano Project (SP) water for Ag and Municipal and Industrial (M&I) users
 - The District's Ag allocation is 121,000 ac-ft plus more depending on carry-over or groundwater
 - The District's M&I customers are allocated 20,000 ac-ft
 - The District annually supplements with groundwater
- Prior to the 1970's, the District only delivered water to Ag customers
- In the 1970's, the District agreed to serve many of the County's rural development community's non-potable water for landscaping
- The District served some areas raw water for in-home usage. Those homes had Point of Entry (POE) water treatment system

The District has 2 Types of Customers

- M&I
- Ag

M&I

- The total number of the District's M&I customers is about 1,225
- 2 Types of M&I Customers
 - Public Water Systems (PWS) (drinking water)
 - Non-Public Water Systems (NPWS) (non-drinking water)

PWS

- In the mid-1990's, the State enforced regulation on POE systems
- This (and other reasons) caused many of the rural county developments to be categorized as PWS
- Within the District, there are 8 unique systems:
 - Stocking Ranch PWS
 - Blue Ridge Oaks PWS
 - Peabody PWS
 - Quail Canyon PWS
 - Gibson Canyon PWS
 - Elmira PWS
 - Tolenas PWS
 - Pleasant Hills Ranch Estates PWS
- The PWS are regulated by the State of California, Regional Water Quality Control Board, Division of Drinking Water (DDW)

NPWS

- The NPWS (non-drinking) mainly serve outdoor landscaping or industrial zones but, some serve former POE customers
- The District serves 9 such NPWS:
 - Vacaville Area
 - North Village NPWS
 - Allison Ulatis NPWS
 - Nut Tree NPWS
 - Fairfield Area
 - Paradise Valley NPWS
 - Fairfield Corporate Commons NPWS
 - North Cordelia NPWS
 - Blue Ridge Oaks NPWS
 - Peabody NPWS
 - Green Valley NPWS
- The NPWS are not regulated by the State
- The systems serve either filtered or non-filtered non-potable water

Other M&I Customers

- The District sells bulk water to Vacaville, Fairfield, Suisun City and Benicia
- Additionally, the District operates SSWA

Benefits to SID Customers

- The revenues generated from the bulk water sales and the partnership with SSWA benefit all District customers
- Specifically, Bulk Water Sales, Power Plant and Property Tax Revenues allow us to offset about 100% of G&A expenses (*for example, in 2015, \$2.8m in non-rate revenue which offset most of the \$2.9m in G&A expenses*)!

M&I Capital Replacement Charge

- In late 2013, the District initiated a Capital Replacement Charge (CRC) Update. The study's mission was to look at a 10-year planning period and:
 - a) Identify facilities in need of rehabilitation and upgrade
 - b) Develop cost estimates & Schedules
 - c) Develop funding plan
- The overriding goal is to fund rehabilitation of facilities BEFORE the facilities fail
- For the PWS's, having a run-to-failure strategy is not acceptable.
 - A run-to-failure strategy could cause extensive service interruptions and be more costly while staff is; a) obtaining consensus for funding, b) ordering parts, etc.

2014 CRC

- The 2014 CRC Plan was adopted by the Board on November 18, 2014
- But, the adoption did NOT set the CRC fee for M&I customers
- Rather, the adoption directed staff to include the proposed fee as part of the April Rates and Fee Increase Process.

Ag

- The District covers more than 70,000 acres of which 38,000 acres were irrigated with SID water in 2014
- The total number of Ag customers is about 1,273
- Irrigation water is supplied through a network of 100ish miles of canals and 77 miles of pipes
- The majority of the water delivered comes from Lake Berryessa but, some is groundwater
- In 2014, the District supplied a total of 132,386 ac-ft of irrigation water in support of the nearly \$300 million Ag industry in Solano County

Ag: General Background

- The Ag distribution system was originally constructed in the 1950's to deliver supplemental irrigation water
- Over the last 60 years, the variety of crops grown within the District has expanded significantly with more than 35 different crops grown today
- This change in cropping pattern along with the changes in irrigation methods, has placed a burden on the delivery system ... it was not designed to accommodate today's practices
- So, we want to update our delivery method

Ag: Capital Needs

- The District is working to update its infrastructure to allow flexibility in meeting Ag water demands
- Over the next 5 years the District is focusing on canal “automation”
- Part of automation includes changes to the way the water users interact with the District, specifically the manner in which water is ordered, scheduled and delivered
- By in large, Ag improvements are funded by an *R&B Assessment* collected by County on Tax Bills
- BUT, no increase in the assessment for either Ag or M&I is proposed tonight!

2015 Water Rate & 2014 CRC Studies are Online

- SID recently updated its multi-year financial plan by conducting a comprehensive cost-of-service water rate study and the CRC Financial Plan.
 - ✓ *2015 Final Water Rate Study Report*
 - ✓ *2014 CRC Financial Plan*
- Available for public review at the offices of SID at 810 Vaca Valley Parkway, Suite 201, Vacaville, or on the SID website, www.sidwater.org.
- Stop by if you want a hard copy.

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CRC & Rate Policies

CRC Policy Statements

1. Develop a funding plan for all of the District's 17 PWS & NPWS
2. Set up separate fund accounts for each system (financial safeguards)
3. Develop a fee for only what's needed for capital re-investment over the next 5 and 10 years but, only adopt the first 5 years
4. The fee will be different for each service area because its customized
5. The fee collected can ONLY be used in the service area for which it was collected
6. The fee CANNOT be used for expenses in OTHER areas
7. The PWS fee is based on rehabilitation and upgrade needs on “**life cycle**” basis. Not a run-to-failure strategy.
8. The NPWS fee, however, could be RTF depending on customer input.
9. The fund should generate some reserve revenue for unanticipated capital upgrades or replacements

Water Rates Policy Statements

1. State law requires that rates and fees be set “...at levels sufficient to cover the costs”. As such, each service system cannot rely on outside funding, everything needs to be self-funded. The principle under State law is that one customer cannot subsidize or, be subsidized by another – “Separate System Principal”.
2. To the extent possible, the District shall applying non-water rate revenue to offset District’s overhead costs. In past years, this has been about 50%.
3. Project revenue and expenses over the next 5 years. Then, recommend a water rate increase based on said projection (water rate model).
4. Maintain 50% of operating reserve.
5. Base M&I water rate calculation 100% on volumetric charges and 0% on fixed charges (except for PHRE and SSWA). Or, a fixed/variable charge could be developed.
6. Base Ag water rates on volume.

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Workplan & Schedule

Workplan

- In order to accomplish the Board's direction, the Board approved a Workplan with the following basic elements:
 - I. Selection Process for Water Rate and Charges Committee Representatives
 - II. Update scope of services for District's Consultants
 - III. Workplan Process
 - IV. Schedule

I. Workplan: Selection Process for Committee Representatives

The work ahead for selected committee members is significant and is expected to focus on:

- ✓ Learning background data
- ✓ Board policies
- ✓ Review the Rates
- ✓ Review the CRC

Decisions are made by the Board, however, input is important. As such, the logistics are as follows:

- a) Schedule regular meetings. Meet on the **first and third Monday** of the month for the next six (6) months at 6:00 p.m. The meetings are anticipated to last about 2 hours and each meeting will be held at the SID office. The first meeting is scheduled for July 6, 2015.
- b) The District mailed a "*letter of interest*" to all District customers.
- c) Interested persons are you here tonight.
- d) The Board left the selection of Committee Members to be determined by the group that shows up for the first meeting but, the total number needs to be about 10 to 12 members.

II. Workplan: Update scope of services for District's Consultants

- The District worked with 2 consulting firms in the preparation of the 2014 Capital Replacement Plan (2014 CRC) and the 2015 Financial Plan and Water Rate Update (2015 Water Rates). Staff proposed to re-hire the firms for the Committee process with the following scope of services:
 - 2015 CRC. The study was prepared by Municipal Resources Group with a budget of \$79,900. In order to re-open this document, attend meetings, perform evaluations and updates, Staff recommends an initial budget of \$60,000.
 - 2015 Water Rates. The study was prepared by HF&H Consultants with a budget of \$48,200. In order to re-open this document, attend meetings, perform evaluations and updates, Staff recommends an initial budget of \$40,000.
- The SID Board said “no”. Only spend money running the financial model updates if absolutely required.

III. Workplan: Process/Steps

- 1) Establish the Water Rate and Charges Committee (tonight)
- 2) Meet on the first and third Monday of the month for the next six (6) months at 6:00 p.m. The meetings are anticipated to last about 2 hours each are to be held at the SID office. The first meeting is scheduled for July 6, 2015.
- 3) CRC (*Tackle CRC first*)
 - a) The Committee Methodically works CRC developing a recommendation by Committee.
 - b) Staff will also make a recommendation.
 - c) Hold 1 larger public outreach meeting (invite all stakeholders via post cards).
 - d) Provide a recommendation to the District's Board of Directors and ask for adoption
 - i. Follow the CRC and the Water Rate Policies adopted by the Board
 - ii. May have a staff recommendation that is different from the stakeholder group
- 4) Rates (*Tackle Rates second*)
 - a) Methodically work the Water Rate and Charges Committee through the Rates developing a recommendation by Committee.
 - b) Staff will also make a recommendation.
 - c) Hold 1 larger public outreach meeting (invite all stakeholders via post cards).
 - d) Provide a recommendation to the District's Board of Directors and ask for adoption
 - i. Follow the CRC and the Water Rate Policies adopted by the Board
 - ii. May have a staff recommendation that is different from the stakeholder group
- 5) Prop 218 Process
 - a) Upon adoption of a CRC and Rates recommendation by the Board, initiate a Prop 218 Process
 - b) Follow same detailed process as was followed for the April 21, 2015 process.

Schedule

- July 6, 2015 Hold first Committee Meeting
- July 20 thru Sept 7 Committee focus on CRC (allows 3 to 6 meetings)
- Sept 8, 2015 Hold larger CRC outreach meeting
- Oct 20, 2015 SID adopts updated CRC
- Nov 2 thru Jan 18 Committee focus on Rates (allows 3 to 6 meetings)
- Jan 19, 2016 Hold larger Water Rates outreach meeting
- Feb 16, 2016 SID adopts updated Proposed Water Rates
- Feb 20, 2016 Mail 218 Notices
- April 19, 2016 SID Board Considers 2016 Rates and CRC Update

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Committee Logistics

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- We need to get to about 10 to 12 committee members
- Discuss Binders
- Etc.

Questions & Comments