

Attached are 2 updated pages from the February 8,  
2023 packet.

increased revenues by 16.0% in water, and by 13.5% in sewer.

On November 22, 2022 staff executed a Professional Services Contract to HDR Engineering, Inc. to conduct the utility rate study for provision of water and sewer services. The study is intended to establish 5-year water and sewer utility rates for all customer types.

The rate study sets forth the appropriate rates for water and sewer service to meet revenue and expense requirements and to achieve the appropriate Fund Balance and Working Capital. The rate increases are necessary to fund the current, and future, operating and capital expenses. The recommended utility rate increases for year one, as proposed, would increase Water Utility revenues by 10% and Sewer Utility revenues by 13.5%. The impact of these increases on the average residential customer are a one-year average Water utility rate increase of eight percent (8%), and a one-year average Sewer utility rate increase of thirteen point two percent (13.2%). The percentage for the average utility rate increase is based upon an average customer using 10,000 gallons per month for water and 3,000 gallons per month for sewer.

There are no recommended changes to the Public Works Fee Schedule.

The rate study informs the District that long-term borrowing is needed to provide the funding necessary for the updated 5-year capital plan. This includes \$3.57 million for water projects and \$52.74 million for sewer projects occurring during FY 2024-2028. As the Trustees are aware the majority of the projected sewer borrowing will be needed for the Effluent Pipeline Project primarily through SRF funding. Other funding sources recognized in the rate study are reserve funding for the Effluent Pipeline project of \$15.4 million. As well as \$4.2 million grant funding from the Army Corp of Engineers for the Effluent Storage Tank project.

The following tables show the current versus proposed FY 2023/24 rate comparisons for water and sewer for this average customer when maintaining the current rate structure and adjusting rates to meet the revenue requirements.

**Residential Water Rate Comparison**

<b>Rate Component</b>	<b>Current Rate</b>	<b>Proposed Rate</b>	<b>Change</b>
Base Rate	\$15.10	\$17.30	\$2.20
Capital Improvements	\$15.10	\$15.10	\$0.00
Customer Admin Fee	\$4.23	\$4.44	\$0.21
Defensible Space	\$1.05	\$1.05	\$0.00
<b>Total Monthly Base Water Bill</b>	<b>\$35.48</b>	<b>\$37.89</b>	<b>\$2.41</b>
Water Use	\$1.95	\$2.15	\$0.20

### Five-Year Utility Revenue Increase Plan

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Water Revenue Adjustment	10.0%	8.5%	8.0%	3.0%	3.0%
Sewer Revenue Adjustment	13.5%	8.0%	6.0%	3.5%	3.0%

These recommended revenue increases take into account a gradual approach over a five-year period to achieve operating and capital reserve fund targets per Board policy. Doing so gradually lessens the immediate impact to customers, as opposed to an even greater rate increase to meet these policies in the short-term. The following table shows the likely annual reserves each year for the Utility Fund based upon the proposed rate increases.

### Utility Reserve Funds

<b>Operating Fund</b>	FY 2024	FY 2025	FY2026	FY 2027	FY 2028
Ending Balance	\$2,181,295	\$2,106,186	\$2,363,465	\$2,458,959	\$2,688,886
Target	\$2,746,544	\$2,892,832	\$3,016,804	\$3,083,748	\$3,228,659
<b>Capital Fund</b>					
<b>Capital Fund</b>	FY 2024	FY 2025	FY2026	FY 2027	FY 2028
Ending Balance	\$4,698,746	\$5,572,995	\$6,449,750	\$6,780,405	\$7,837,443
Target	\$3,787,968	\$3,896,042	\$4,007,208	\$4,121,554	\$4,239,173

The above table illustrates that the Fund Reserve target for the Operating Funds is not met during the next five fiscal years. The Capital Reserves meet the target in FY 2024.

### Schedule

The schedule for the proposed rate adoption is as follows:

<b>Utility Rate Study Schedule</b>	<b>Date</b>
Rate Study Presentation	February 8, 2023
Set Date of Public Hearing to Adopt New Utility Rates	March 8, 2023
Publish Notice of Public Hearing in Newspaper	March 10, 2023
Conduct Public Hearing and Adopt New Utility Rates	April 26, 2023