This brief is provided to inform the board, staff, and public of the details of an agenda item that requires action from the board. The President of the Board will provide board members, staff, and the public the opportunity to ask questions about this topic when this agenda item is announced.

**Date:** 25 February 2022

**Originator:** General Manager

**Purpose of Brief:** Informational Briefing – Rate Study Review and Approval

**Supporting Documents Included:**

Att. A – Hansford Rate Study Presentation.

Att. B - Rate Study Introduction

Att. C - Rate Study Draft Report - February

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1. **Description:** Hansford Consulting finished the draft final rate study and associated analysis.
   1. Attachment A is Hansford’s latest presentation of rate study findings and recommended rates
   2. Attachment B is an introduction to the Study intended to provide a high level overview of the need for and findings of the study.
   3. Attachment C is the study’s draft report presenting the detailed Summary Findings, overview of the District’s Financial Health, Water and Sewer Calculations, and Impact on the District (Note: rates included in Attachment A may differ from those in this draft. For final rate information, please refer to attachment A.

Catherine Hansford will provide an overview of the study, answer questions, and provide the timeline and actions required to present to the community. Fully understanding the results and impact of the rate study will be critically important as we move this initiative forward. Please be prepared to ask questions, present concerns, and discuss all elements of the study.

1. **Reason for Recommended Board Action -** (*Consider compliance, cost savings, fixing a problem*): As previously presented, the District is on a relatively tight schedule to follow the Proposition 218 Process to institute the new rate structure on July 1st. To move forward, Catherine is asking the Board to take the following actions:

* Direct the draft report be made final
* Set a public hearing date
* Direct staff and consultants to send public hearing notices to customers informing them of the public hearing and their rights
* Appoint the General Manager and one (or two) Board members to approve the content and design of the Proposition 218 notice.

1. **Anticipated Impacts to the District (negative and/or positive) -** (*Consider financial impact, change in procedures, customer and staff communication, and effect if recommendations are not adopted*):

The District has not conducted a rate study in 15 years and has not increased water and sewer rates in over 10 years. The District is now at the point where increasing the rates is a critical requirement. The District contracted with Hansford Consulting to review every aspect of District financial health including operations, capital improvements, depreciation, and debt financing. Hansford’s objectives were to ensure rates meet the myriad legal requirements for water and sewer rates, to develop rates that are equitable to all rate players (everyone pays their fair share), and to ensure rates are transparent so all rate payers understand exactly what they are paying for.

Passing the new rate structure will require fundamental changes to the way the District charges for services. The changes will require a period of transition to implement the new rate structures.

Failure to implement new rates will result in some level of cuts in the way we conduct future business and minimize capital improvements to those required to keep the current systems in operation.

1. **Anticipated Impacts to the Customer –** *Standby, Residential, Commercial***:**

Higher rates are never desired but are necessary, not only to maintain the standard of services we are able to deliver today, but to develop the capacity to serve the growing community. Based on our Master Plan (updated every five years), and increased operating cost related to increasing cost of living and aging infrastructure, we are approaching a point where we will have difficulty serving more customers with existing capacity. Inability to invest in increases in water and sewer capacity will undoubtedly have an impact on property values.

1. **Recommendation (s):** Staff recommends that the Board thoroughly review the study to determine if District customers can support the rate increases recommended in the study. If able to pass this new rate structure, not only will the District’s financial health be assured, but the District will also be able to invest in the water and sewer capacity needed to assure services for buildout and to maintain property values in the District.