

Alameda County Water District



Proposed 2022 Rates & Charges

Public Hearing, February 10, 2022

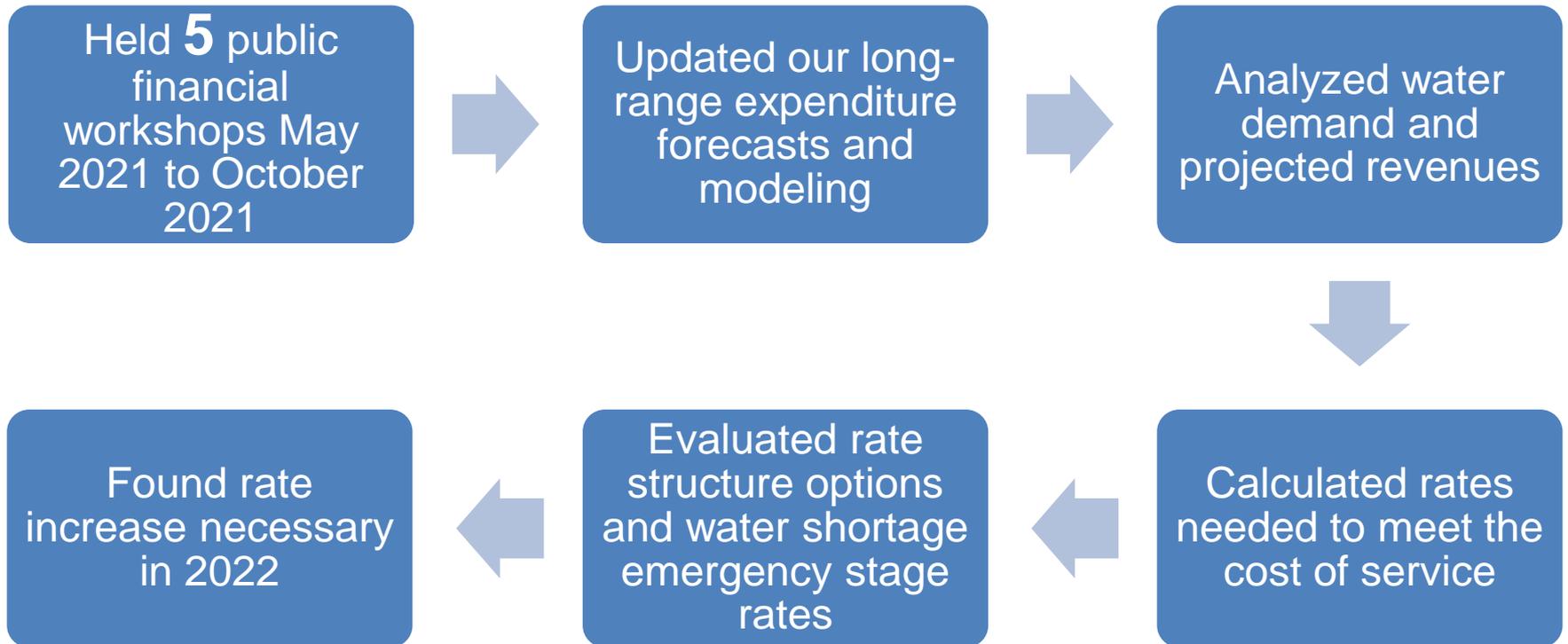
Jon Wunderlich, Director of Finance
Sydney Oam, Financial Analysis Supervisor

Presentation Overview

- ACWD Rate Setting Process
- Why are Rate Increases Necessary?
- What is ACWD Doing to be Efficient and Control Costs?
- Financial Plan Review
- ACWD's Proposed Water Rates & Charges
- Drought Update and Related Rates Proposal
- Miscellaneous Rates and Charges
- How Can I Save Money?
- Protest Procedures and Status
- Recommendations

ACWD Rate Setting Process

Starting in May 2021



Notice of Public Hearing

- At the December 9, 2021 meeting, the Board set February 10, 2022, at 6:00 p.m. as the date and time for a public hearing and authorized staff to mail Proposition 218 notifications
- Notices of the public hearing were posted on the District's website, social media outlets, local newspapers, and local city halls and libraries
- Notices were included in customer water bills
- Staff has performed a number of different public outreach efforts including a community meeting held virtually on January 20, 2022

Why Are Rate Increases Necessary?

Multiple factors create pressure on rates:

- **Increasing labor costs** – latest union contract includes a 3.25% cost-of-living increase each year in 2022 and 2023 and 3.14% in 2024
- **Capital projects** – fund significant water supply and water quality initiatives, including Los Vaqueros Reservoir Expansion, Delta Conveyance, PFAS treatment, and Alameda Creek watershed preservation and protection
- Increasing environmental and water quality **regulations**
- Increasing costs for **water purchases** from SFPUC and the State Water Project
- **Meeting debt covenants** and maintaining sufficient reserves and ACWD's excellent AAA bond rating

Capital Projects and Initiatives Funded by Rate Dollars

Advanced Metering Infrastructure (AMI)

REMOTELY READS YOUR WATER METER AND PROVIDES ENHANCED CAPABILITIES TO KEEP YOU INFORMED

CYBERSAFE INTERNET PROTOCOLS
ENCRYPTED

New Wireless Transmitter and/or Replacement Meter

Wireless Information Network

Secure Online Customer Portal

BENEFITS

- Receive Leak Alerts
- Encourage Efficient Water Use
- Monitor Water Use
- Review and Pay Bills
- Operational Efficiencies

ACWD Advanced Metering
YOUR SMART WATER CONNECTION

acwd.org/ami
@AlamedaCountyWD



What is ACWD Doing to be Efficient and Control Costs?

- Managing water supplies to maximize use of lowest-cost water
- Implementing AMI to provide customers better tools to track their water use, improve metering accuracy, and to provide long-term operational savings
- Increasing energy efficiency to reduce power costs
- Lowering costs related to our vehicle fleet by transitioning to a leasing program
- Refinancing existing debt to lower debt service costs
- Partnering with other agencies to execute joint projects to reduce costs and community impacts
- Teaming with other agencies to secure lower prices on necessary chemicals



What is ACWD Doing to be Efficient and Control Costs?

Leveraging other funding options:

- Secured significant funding from grants and partnerships with other agencies:
 - Received \$21 million in grants and reimbursements over the past three years primarily for mandated projects in Alameda Creek
 - Estimate receiving an additional \$17 million in grants and reimbursements over the next three years for various capital projects
- Maintaining excellent bond ratings and may strategically use debt for a share of the AMI project to help manage cash flow and spread costs out over time

Financial Plan Review

Financial Planning Model

Current Assumptions

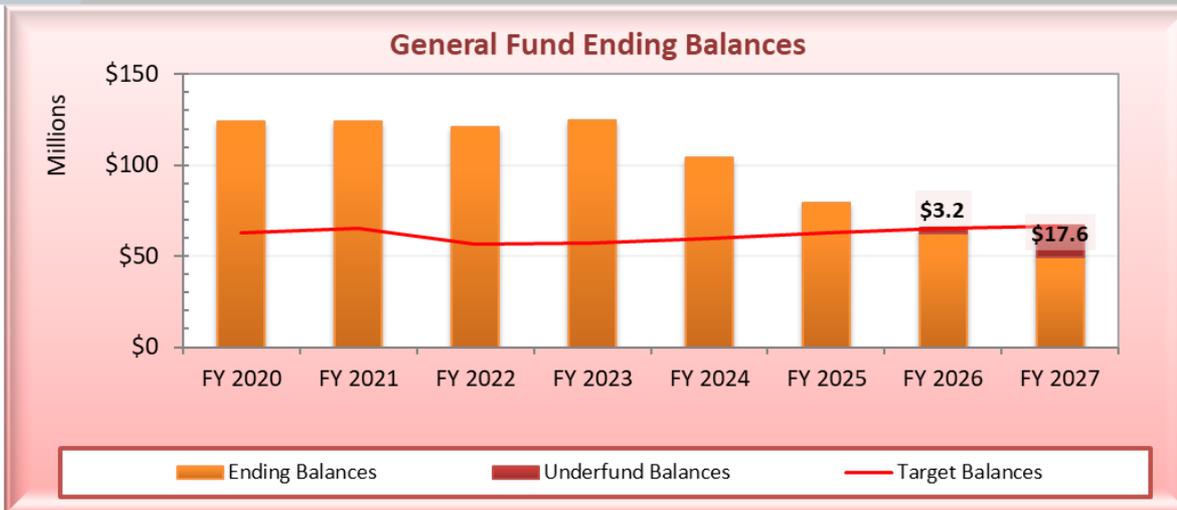
- Labor costs includes latest union contract with 3.25% cost-of-living increase each year in 2022 and 2023 and 3.14% in 2024
- Discretionary payments for pension/OPEB liabilities to achieve full funding by 2032
- Financial plan fully funds the current Capital Improvement Program (CIP)
- Estimated \$15 million funding added for PFAS treatment
- \$19.5 million in State Revolving Fund loan for AMI Project

Financial Planning Model

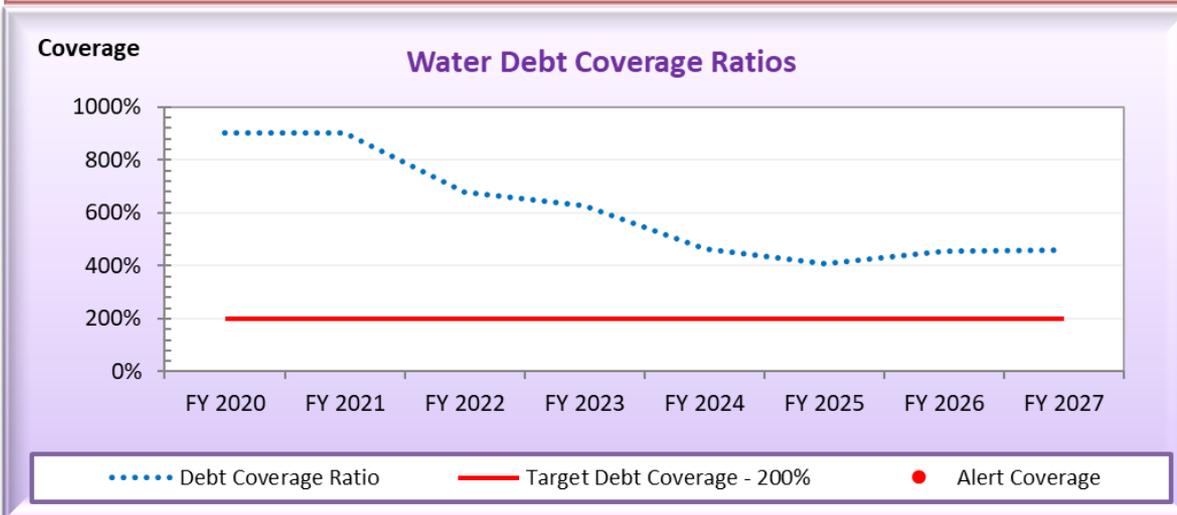
Current Assumptions

- Updated billed demands projections for currently observed conservation, assumes drought conditions end June 30, 2023
- Water purchase costs based on expected availability and newly anticipated 16.3% SFPUC rate increase effective July 1, 2022 (previously anticipated 5.4% rate increase)
- Updated dedicated fire service line rates
- Water revenue adjustments – 6% fixed revenue increase effective March 1, 2022; 3% uniform rate increases each fiscal year on out
- Implementation of water shortage emergency stage rates (stage 2a rate) through June 30, 2023

Financial Planning Model Metrics

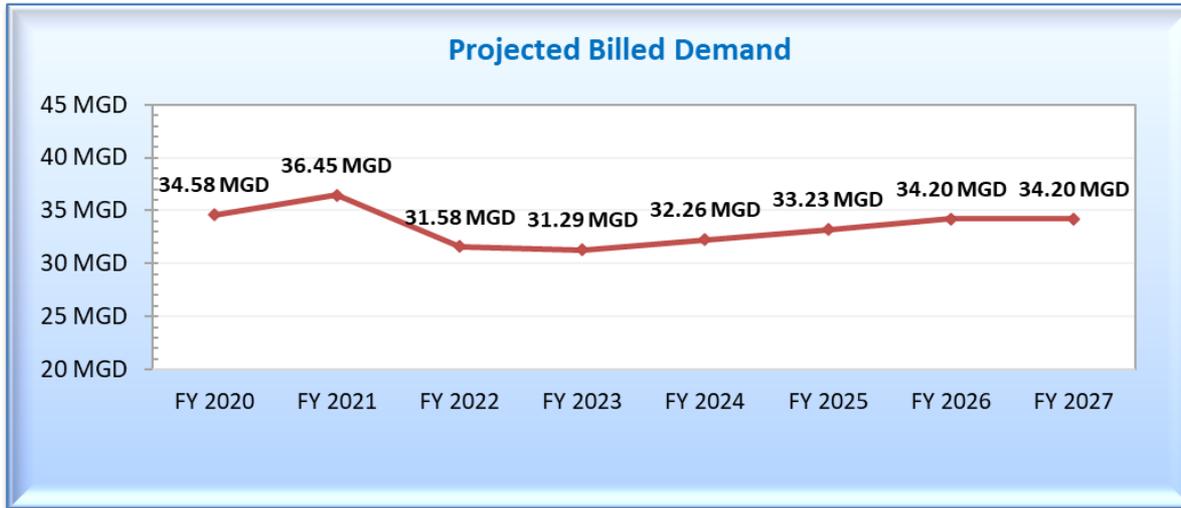


- Low balance of \$49.2 million in FY 2026/27 (\$17.6 million below reserve target)

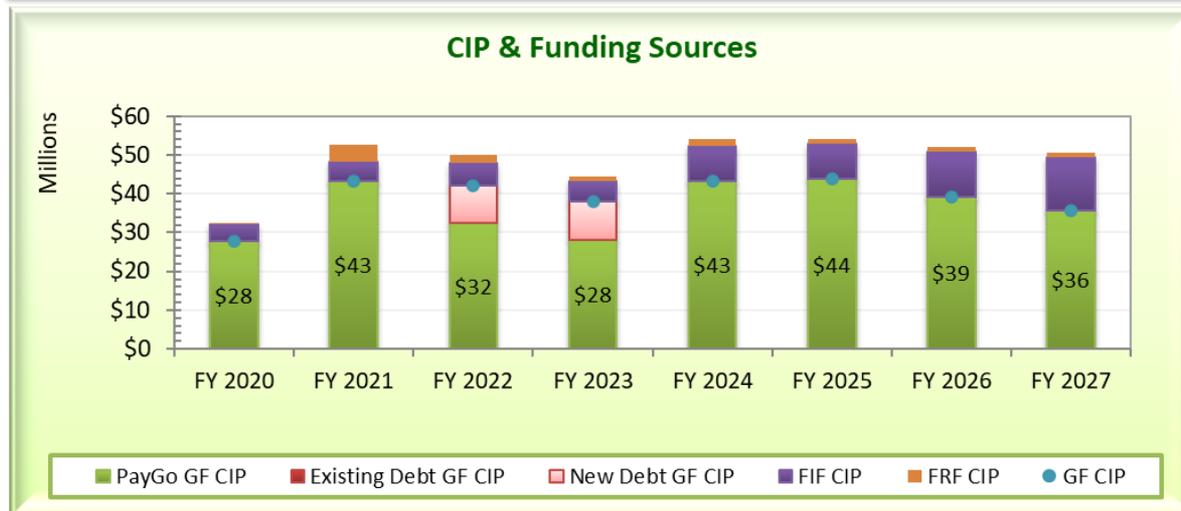


- Debt coverage ratio at 460% in FY 2026/27

Financial Planning Model Metrics

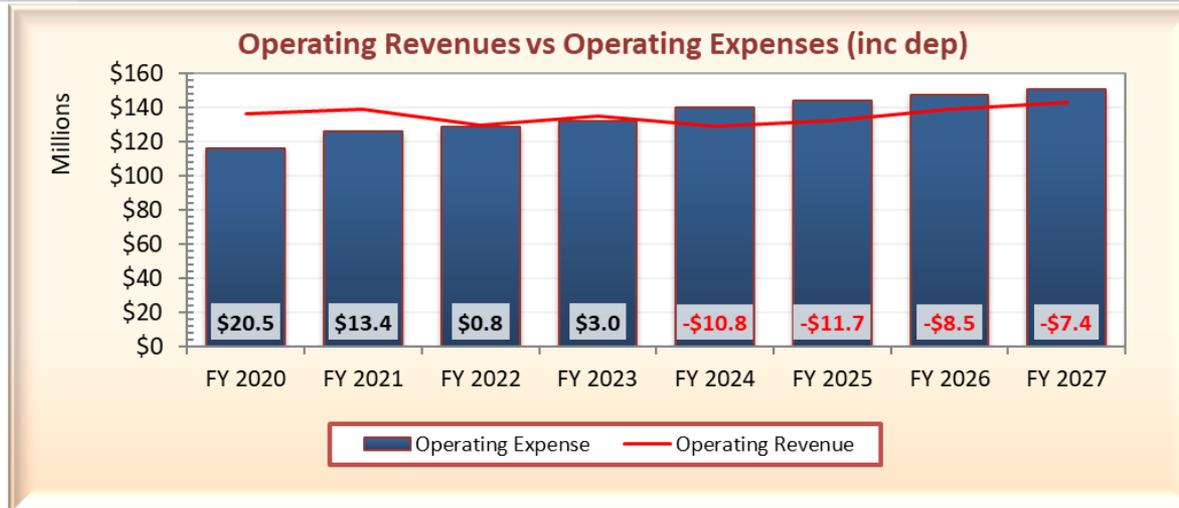


- Projected billed demand based on currently observed conservation and drought restrictions

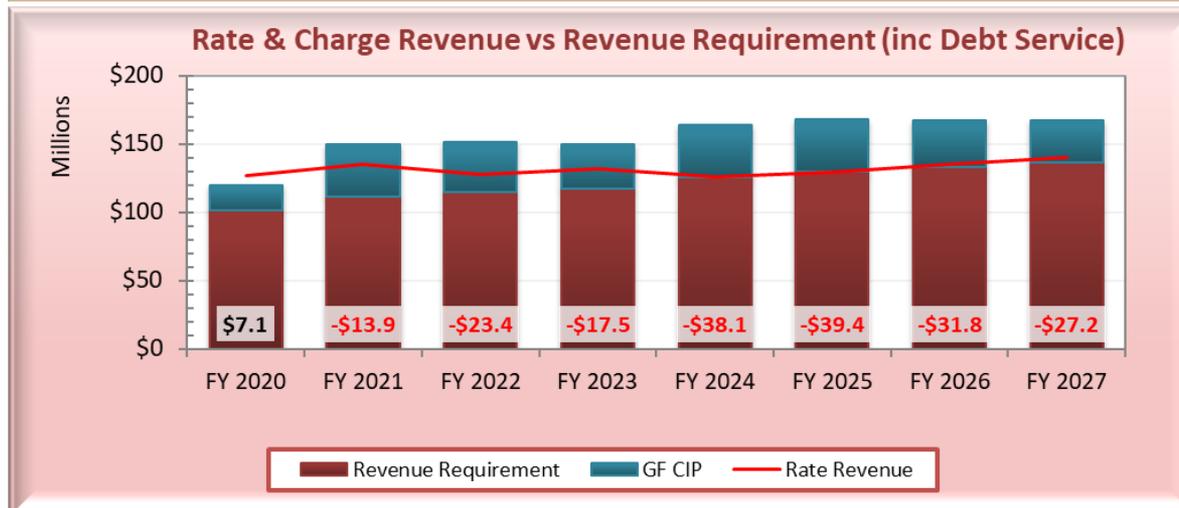


- Includes estimated \$15 million for PFAS treatment

Financial Planning Model Metrics



- Reliance on other revenue sources to cover operating expenses

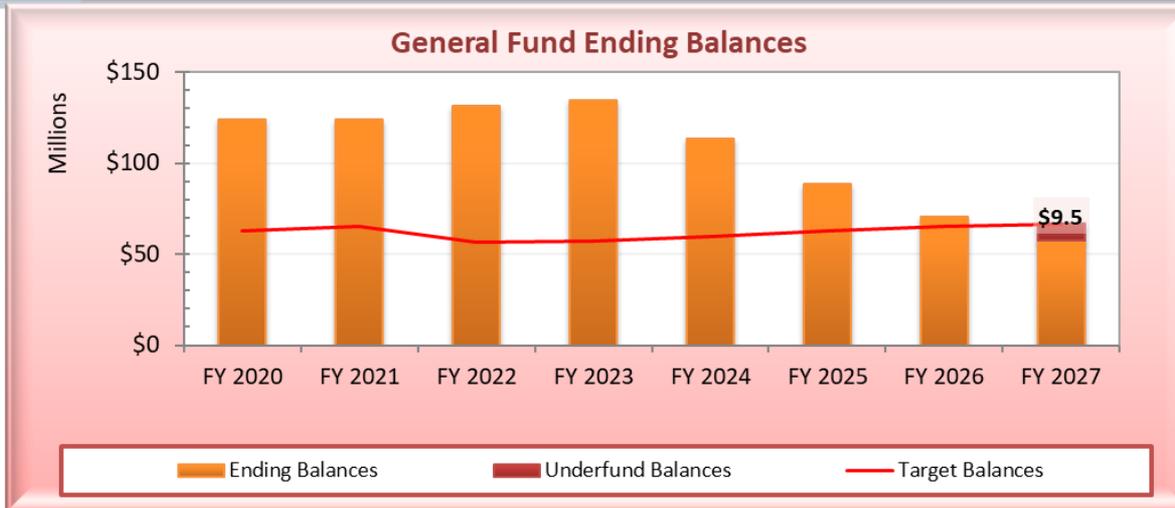


- Reliance on other revenue sources in addition to water rate and charge revenue

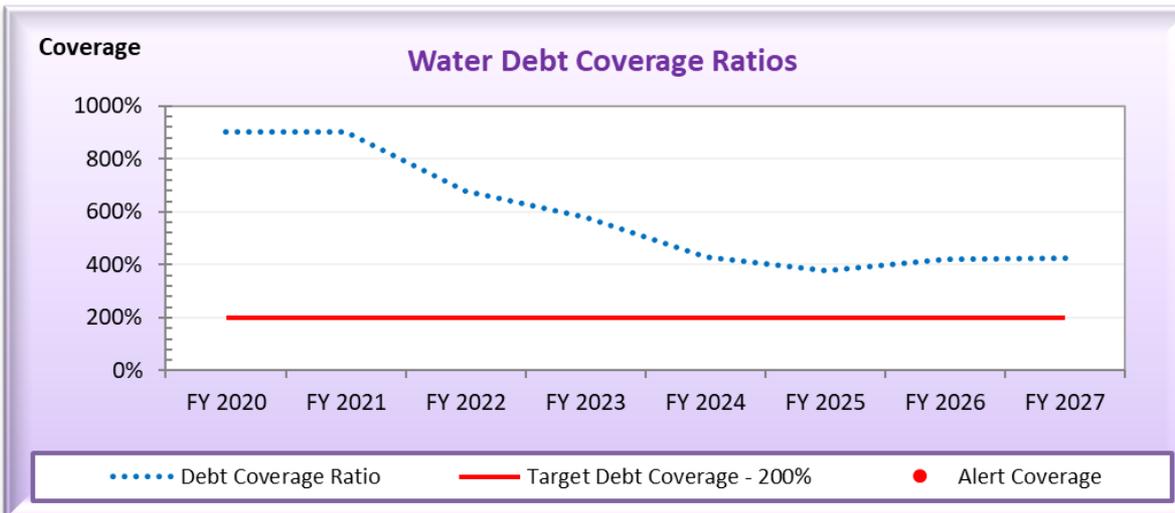
Financial Planning Model Alternative Scenario

- The following slide shows metrics based on an additional \$10M in debt issuance to finance the AMI project (\$29.5M total)
- The General Fund balance in FYE 27 is about \$10M below the target and debt coverage remains over 400%
- The District is intentionally conservative in its financial planning and actual results may exceed projections
 - If financial results do not exceed projections, the District could consider additional bond funding for the CIP in 2025 – concurrent with refunding the 2015 bonds

Financial Planning Model Metrics



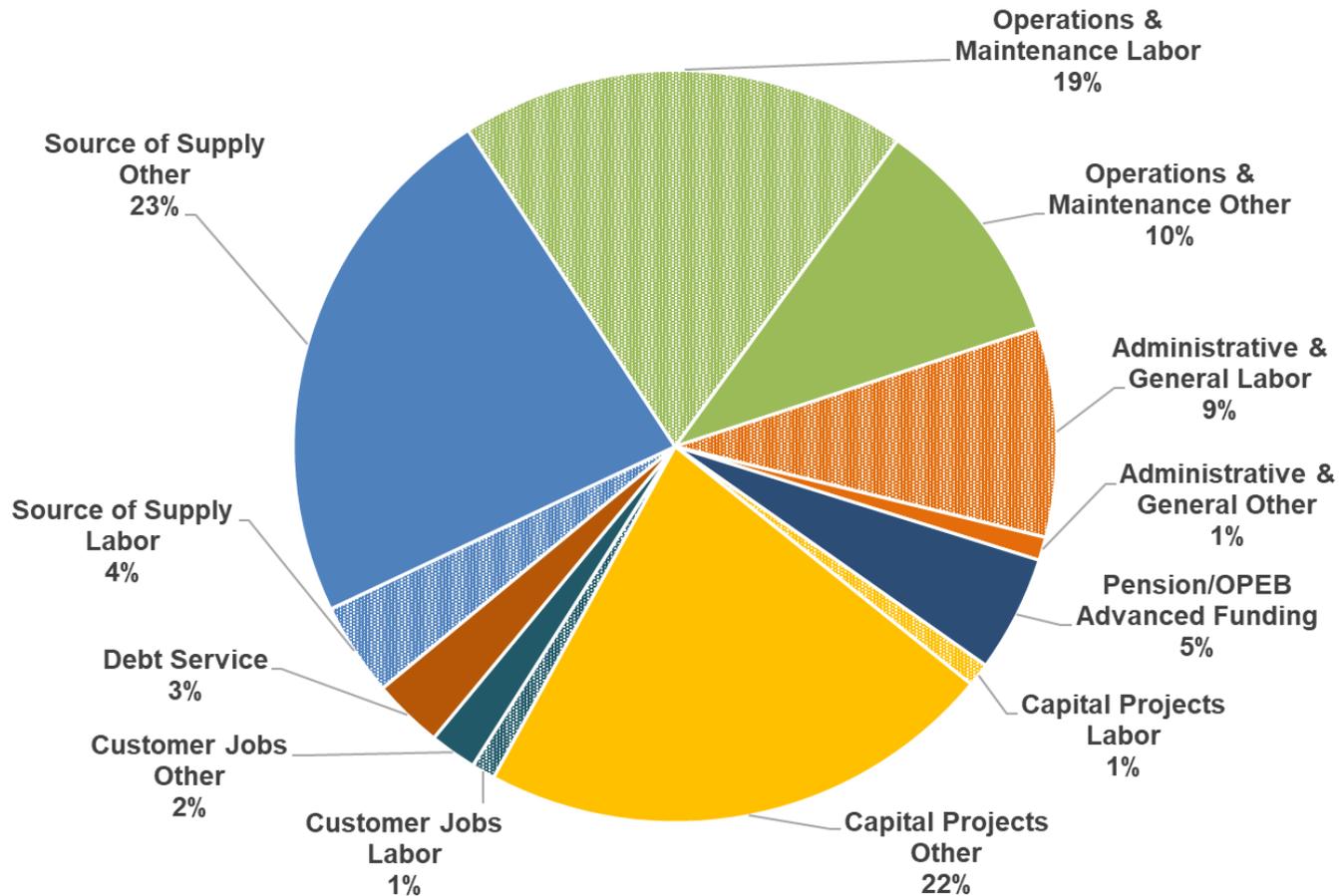
- Low balance of \$57.3 million in FY 2026/27 (\$9.5 million below reserve target)



- Debt coverage ratio at 426% in FY 2026/27

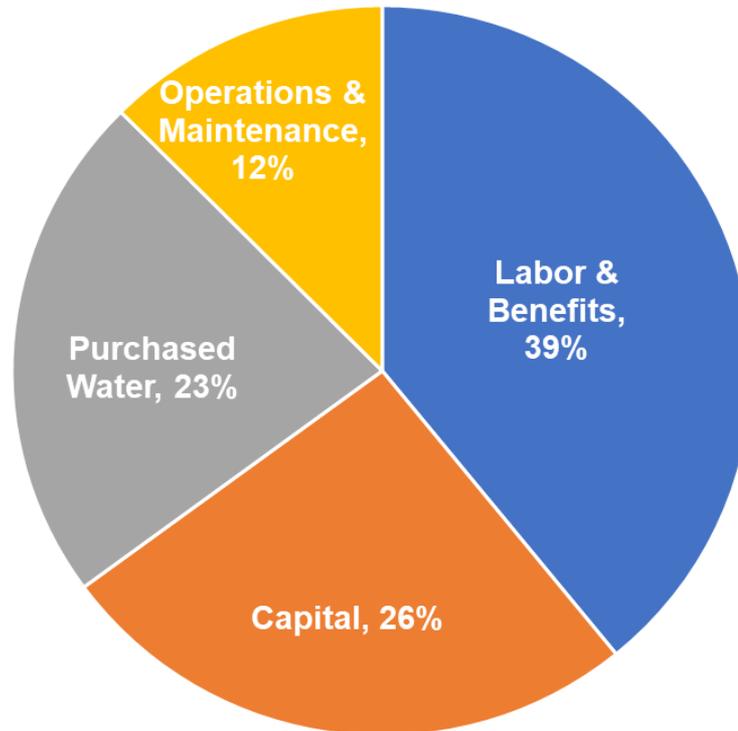
District Budget Overview

FY 2021/22 Adopted Budget
\$156.0 million



Where is the Money Going?

Cost Increase Component



Proposed rate increase would generate about \$2.3 million allocated to employee compensation, capital projects, water purchases, and operations & maintenance

Proposed Water Rates

ACWD's Proposed Water Rates & Charges

- No increase is proposed to the baseline water consumption charge
- Bimonthly service charges for each size of water meter

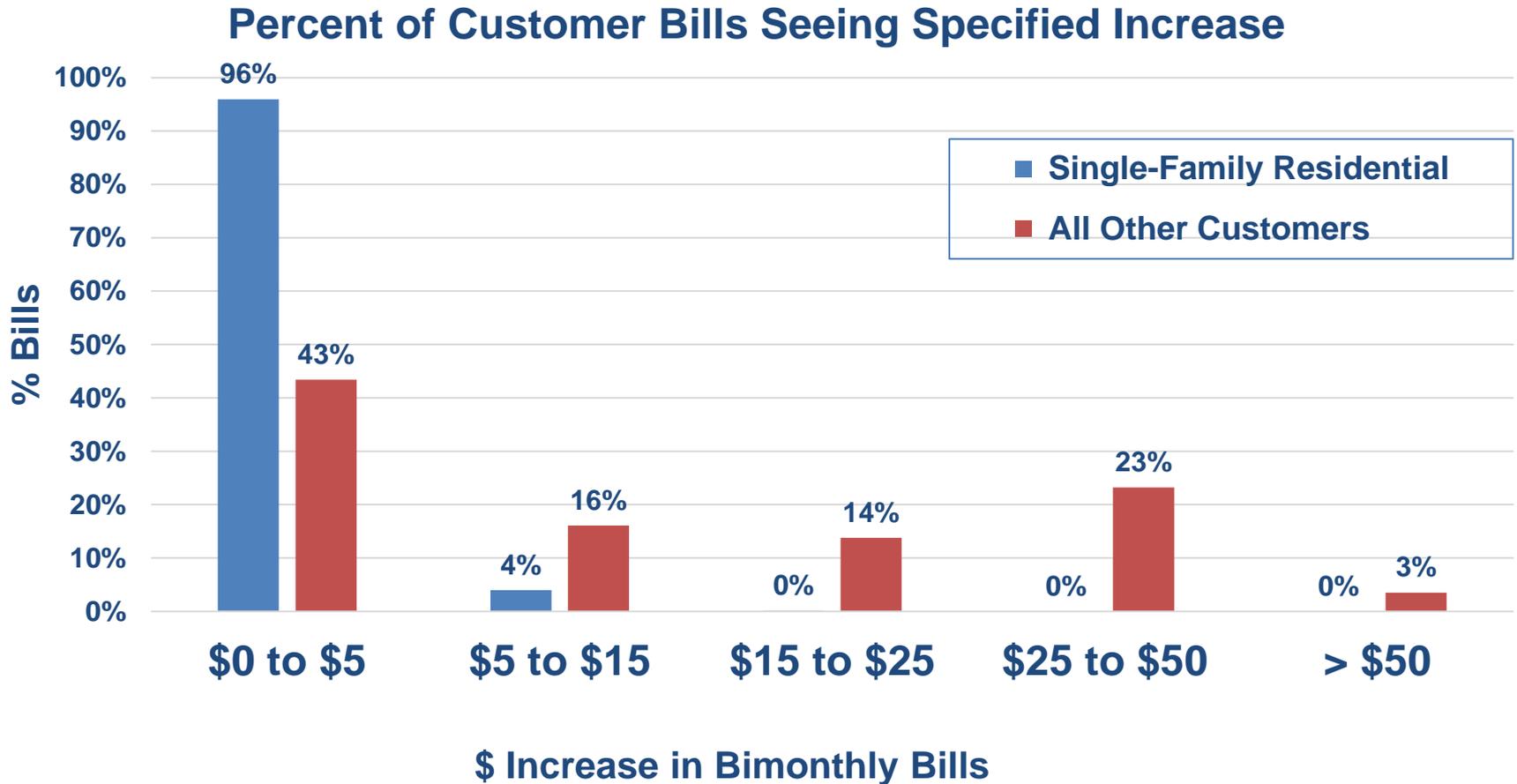
Meter Size	Current	March 1, 2022 Proposed Effective Date	Increase
5/8 & 3/4 inch meter	\$56.61	\$58.94	\$2.33
1 inch meter	\$87.29	\$94.18	\$6.89
1-1/2 inch meter	\$163.97	\$182.25	\$18.28
2 inch meter	\$255.99	\$287.95	\$31.96
3 inch meter	\$547.39	\$622.64	\$75.25
4 inch meter	\$976.81	\$1,115.87	\$139.06
6 inch meter	\$2,464.48	\$2,824.56	\$360.08
8 inch meter	\$4,304.88	\$4,938.41	\$633.53
10 inch meter	\$6,451.99	\$7,404.57	\$952.58

Proposed Private Fire Service Rates

- Proposed private fire service charges to recover costs associated with private fire service capacity

Private Fire Connection Size	Current Private Fire Service Rates	Proposed Effective March 1, 2022 Private Fire Service Charges
3/4 inch meter	\$71.01	\$7.93
1 inch meter	\$71.01	\$8.12
2 inch meter	\$71.01	\$9.97
4 inch meter	\$71.01	\$21.46
6 inch meter	\$75.81	\$47.57
8 inch meter	\$80.61	\$92.59
10 inch meter	\$85.41	\$160.32
12 inch meter	\$90.21	\$254.19

Customer Impacts of Proposed Rates

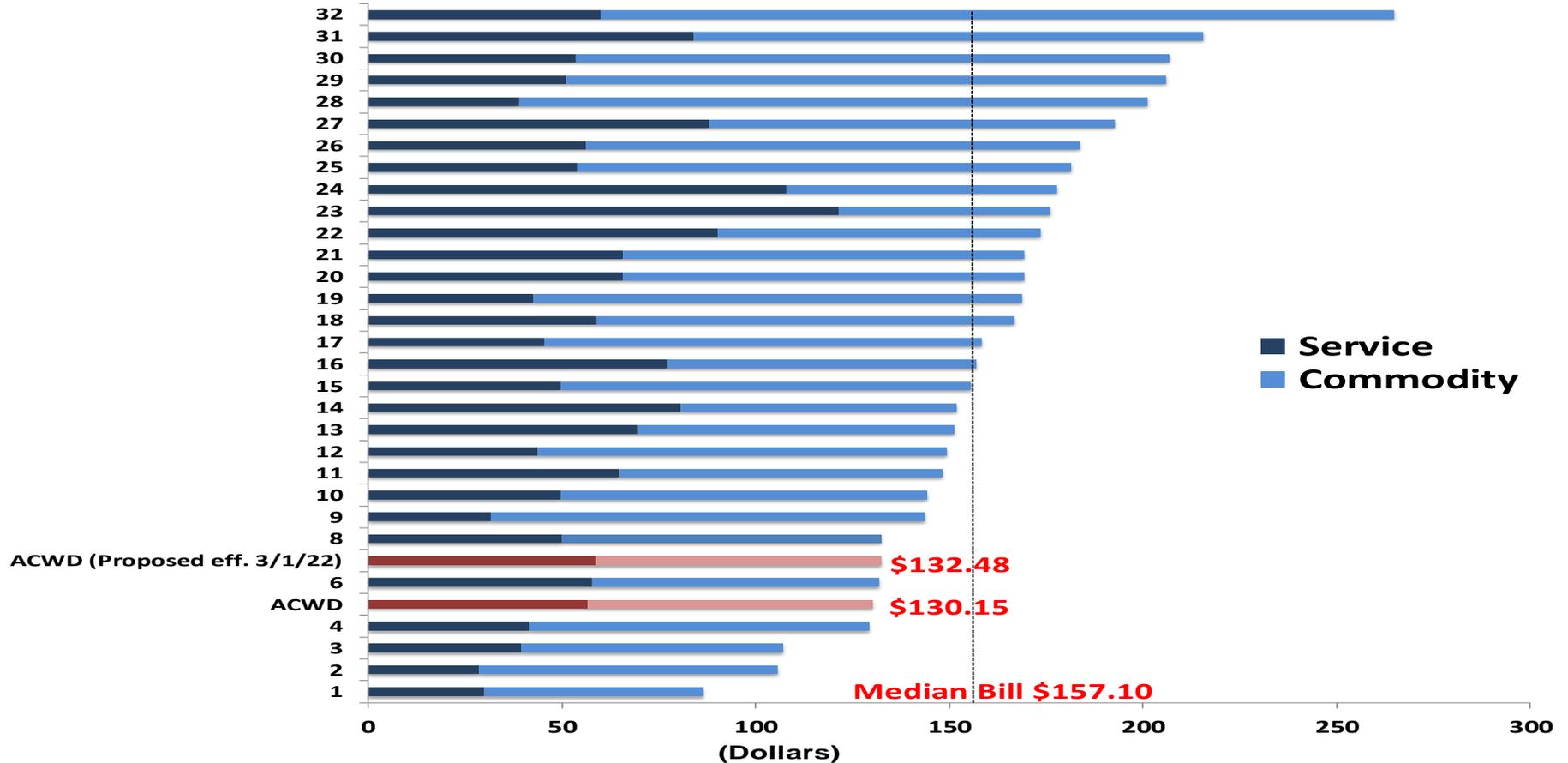


Proposed Water Rates Increase

How do ACWD's rates compare?

2021 MEDIAN WATER BILL COMPARISON*

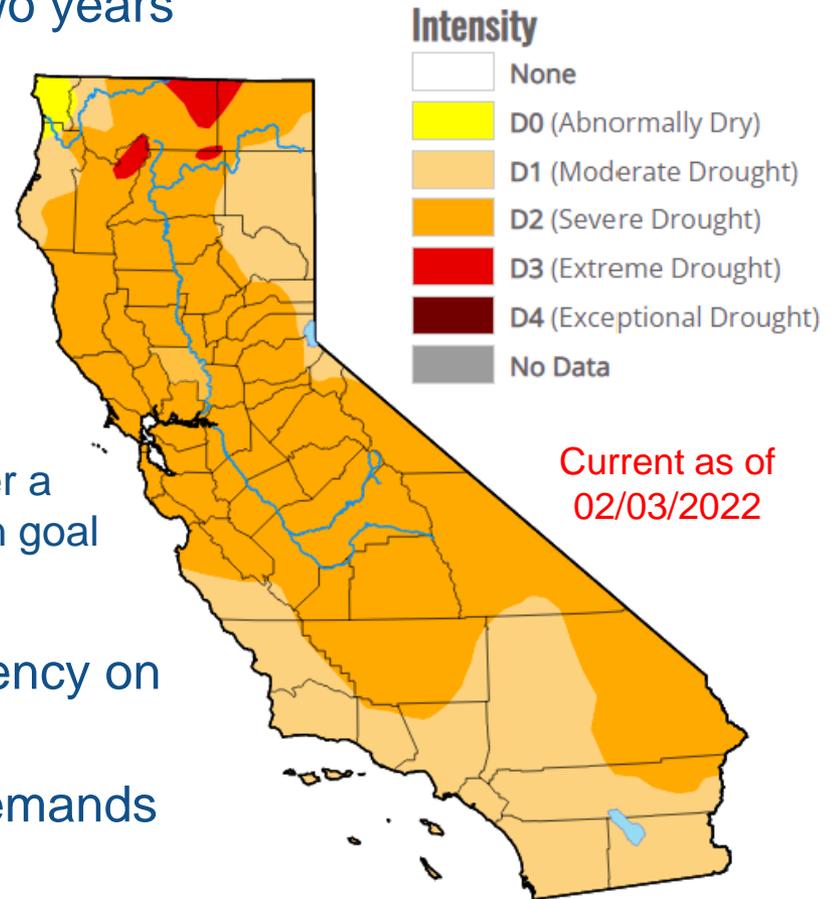
Based on 16 HCF (200 gallons per day) Consumption Bimonthly and a 5/8 or 3/4 inch meter



* Comparison based on July 7, 2021 data. Comparison of Commodity and Service charges only. Ranking is based on Total Cost including surcharges.

Drought Update

- Severe drought conditions over the past two years
- State's water storage levels remain low
- Rain & snow to date has helped, but more is needed
- State remains in a drought emergency
- Imported water supplies are limited
 - State Water Project – 15% allocation
 - San Francisco Regional Water System – under a water shortage emergency with 10% reduction goal
- Local conditions remain dry
- ACWD declared a Water Shortage Emergency on December 9, 2021
- 15% systemwide target to reduce water demands
- More information & rebates available at [acwd.org/drought](https://www.acwd.org/drought)



Source: US Drought Monitor, map released as of 02/03/2022:
<https://droughtmonitor.unl.edu/CurrentMap/StateDroughtMonitor.aspx?CA>

Water Shortage Emergency Stage Rates Overview

- The District declared a Stage 2 Water Shortage Emergency (15% District-wide reduction by targeting certain uses) and proposed implementation of a stage rate of \$0.787 per billing unit
- Stage rates are commonly called drought surcharges and function as follows:
 - They are an additional charge added on to water bills during a water shortage emergency, such as a drought
 - There is typically a schedule of stage rates based on the severity of the drought (more severe drought = more expensive stage rate)
 - The term ‘stage’ references the different ‘stages’ of the District’s water shortage contingency plan. A new stage rate would be charged if the District declares a different stage water shortage emergency
 - Proposed stage rates are designed to fully offset the net revenue loss during a water shortage emergency
 - Implementation of stage rates, just like the proposed increase to the bimonthly service charge, is contingent on Board approval

Water Shortage Emergency Stage Rates Schedule

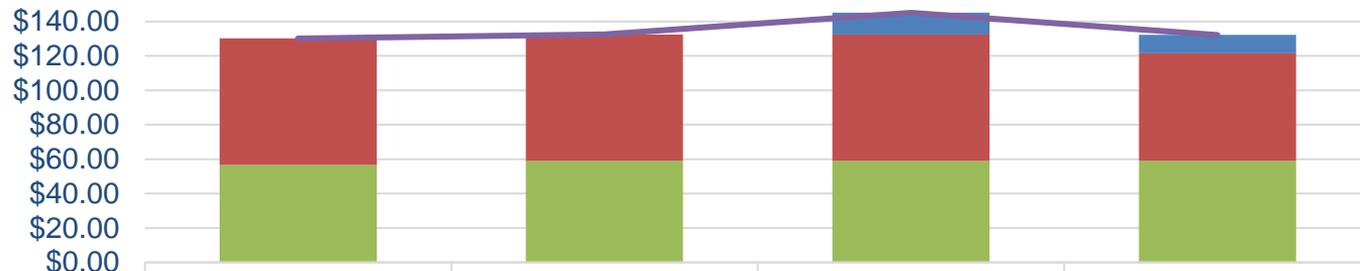
- Schedule of Stage Rates

Water Shortage Contingency Plan Stage	Reduction in Water Demand	Effective March 1, 2022 Unit Stage Rate (\$/unit)	Effective March 1, 2022 Commodity Rate Plus Stage Rate (\$/unit)
0	0%	\$0.000 / unit	\$4.596 / unit
1	10%	\$0.496 / unit	\$5.092 / unit
2a	15%	\$0.787 / unit	\$5.383 / unit
2b	20%	\$1.115 / unit	\$5.711 / unit
3a	25%	\$1.486 / unit	\$6.082 / unit
3b	30%	\$1.920 / unit	\$6.516 / unit
4	40%	\$3.000 / unit	\$7.596 / unit
5	50%	\$4.443 / unit	\$9.039 / unit
6	Up to 60%	\$5.852 / unit	\$10.448 / unit

Water Shortage Emergency Stage Rates Customer Impact

- Stage rates are proposed based on conservation targets of 10%, 15%, 20%, 25%, 30%, 40%, 50%, and up to 60%
- Proposed stage rates are set up as a charge on each unit of consumption. If you use more you pay more, but if you use less you pay less
- Example with a 15% conservation target:

Sample SFR Bimonthly Bill with Stage 2a Water Shortage



	Current Bill	Proposed Baseline Rates 16 CCF	Proposed Update at Stage 2a 16 CCF (No Reduction)	Proposed Update at Stage 2a 13.6 CCF (15% Reduction)
Stage Rate	\$0.00	\$0.00	\$12.59	\$10.70
Commodity Rate	\$73.54	\$73.54	\$73.54	\$62.51
Fixed Charge	\$56.61	\$58.94	\$58.94	\$58.94
Total Bimonthly Bill	\$130.15	\$132.48	\$145.07	\$132.15

Miscellaneous Fees and Charges

Miscellaneous Rates and Charges

Charge	Current	Proposed Effective March 1, 2022
Damaged Angle Stop Charge	\$306.00	\$313.00
Damage Lock Charge	\$9.00	\$11.00
Metered Jumper Assembly Charges (6" Meter + RP Device):		
Deposit (6" Meter + RP Device)	\$5,037.00	\$5,240.00
Flow Restrictor Installation/Removal	N/A	\$198
After Hours Flow Restrictor Charge	N/A	\$384

Charge	Current	Proposed Effective May 1, 2022
Meter Installation Charges:		
3/4" Meter	\$254.00	\$261.00
1" Meter	\$287.00	\$273.00
1-1/2" Meter	\$495.00	\$468.00

Proposed Facilities Connection Charges (FCCs)

- Inflationary increase of 6.617% calculated based on the July 2020 - July 2021 increase in the Engineering News-Record Construction Cost Index for the San Francisco Bay Area as authorized by the Board's February 2019 action revising the District's FCCs

Unit Type	Incremental Cost Component per dwelling unit	Equity Buy-In Component per dwelling unit	Total
Residential Meters			
Single Family Dwelling Units	\$ 5,451	\$ 3,105	\$ 8,556
Multiple Dwelling Units (2 or more units per building)	\$ 4,578	\$ 2,547	\$ 7,125
Residential Dormitory Units	\$ 3,269	\$ 1,863	\$ 5,132
Non-residential, Municipal, and Irrigation Meters			
Meter Size	Incremental Cost Component	Equity Buy-In Component	Total
3/4"	\$ 8,176	\$ 4,659	\$ 12,835
1"	\$ 13,628	\$ 7,767	\$ 21,395
1-1/2"	\$ 27,258	\$ 15,534	\$ 42,792
2"	\$ 43,612	\$ 24,855	\$ 68,467
3"	\$ 95,404	\$ 54,370	\$ 149,774
4"	\$ 163,553	\$ 93,208	\$ 256,761
6"	\$ 367,996	\$ 209,720	\$ 577,716
8"	\$ 436,143	\$ 248,557	\$ 684,700

Other Proposed Changes

- **Lawn Be Gone! Rebate Program**
 - Transitioning administration of Water-Efficient Landscape program to BAWSCA
 - Rebate and budget do not change
- **Property Owner Responsibility after Tenant Default**
 - Require current and future property owners to put water service in their name after one tenant at a location over any period of time fails to pay the closing bill
- **Split Current Field Charge into Two Separate Charges**
 - Account Establishment: All new customers and customers moving from one location to another within the District service area are assessed an Account Establishment Fee. The fee will decrease over time as AMI meters are installed
 - Field Charge: Charged to any customer requesting service or requiring on-site notification that requires a field service visit – this fee will not decline due to AMI
 - No change proposed to current fee amount of \$46
- **Customer Assistance Program (Help on Tap)**
 - Increase program benefit from \$35 to \$40 bimonthly
 - Extend the enrollment period from 2 years to 3 years

How Can I Save Money?

- Help on Tap Program
 - The program provides assistance to income-qualified residential customers, which is defined as income below the greater of 50% of Area Median Income or 250% of the Federal Poverty Level
 - Proposed program revisions previously discussed
 - More information is available at [acwd.org/hot](https://www.acwd.org/hot)
- The District offers complimentary water-saving devices, water conservation advice and surveys, and rebate programs. More information: [acwd.org/drought](https://www.acwd.org/drought)

Protest Procedures and Status

- Protest Procedures

- Protests could be mailed to the District or submitted online
- One protest per parcel can be counted toward calculating a majority protest. There are 85,959 parcels in the District's boundary with a service connection, so 42,980 protests are required to meet the majority protest threshold
- Protests must be received before the end of the public hearing to count toward calculating a majority protest

- Protest Status

- As of noon on February 7, 2022, the District had received 76 protest submissions comprised of 62 online submittals, 9 emails, and 5 mailed letters
 - Customers protesting online were asked to identify the primary reason for their protest: 71% Service Charge, 23% Stage Rates, and 6% Other

Recommendations

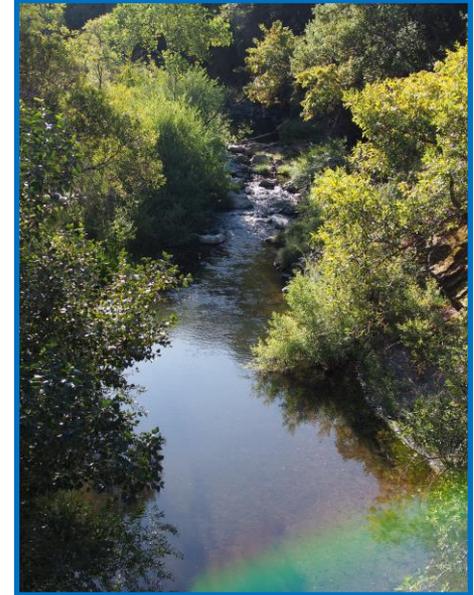
Staff Recommendations

1. Conduct a public hearing to receive comments on proposed revisions to the District's general rates and charges, including service charges, commodity charges, private fire service rates, and water shortage emergency stage rates
2. By motion, adopt resolutions approving revisions to water-related rates and various other fees and charges and amending the District's Rate and Fee Schedule accordingly and determining that the amendments are exempt from CEQA, including specific resolutions to:
 - 1) Revise general water rates and charges and private fire service rates
 - 2) Implement water shortage emergency stage rates
 - 3) Update miscellaneous fees and charges, the customer assistance program, and facilities connection charges

The proposed effective date for the changes is March 1, 2022 (except that development-related charges would be effective May 1, 2022)

Stay Connected to the District

- www.acwd.org
- ACWD Aqueduct Newsletter
- Facebook  & Twitter 
@AlamedaCountyWD



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Public Hearing, February 10, 2022

Thank you



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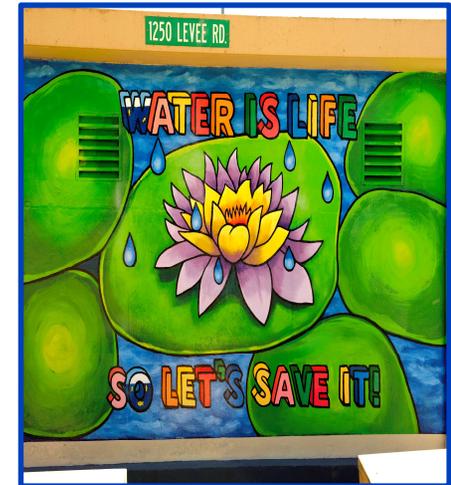


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Alameda County Water District

Drought Update



ACWD Board Meeting
February 10, 2022
Agenda Item 6.3.1

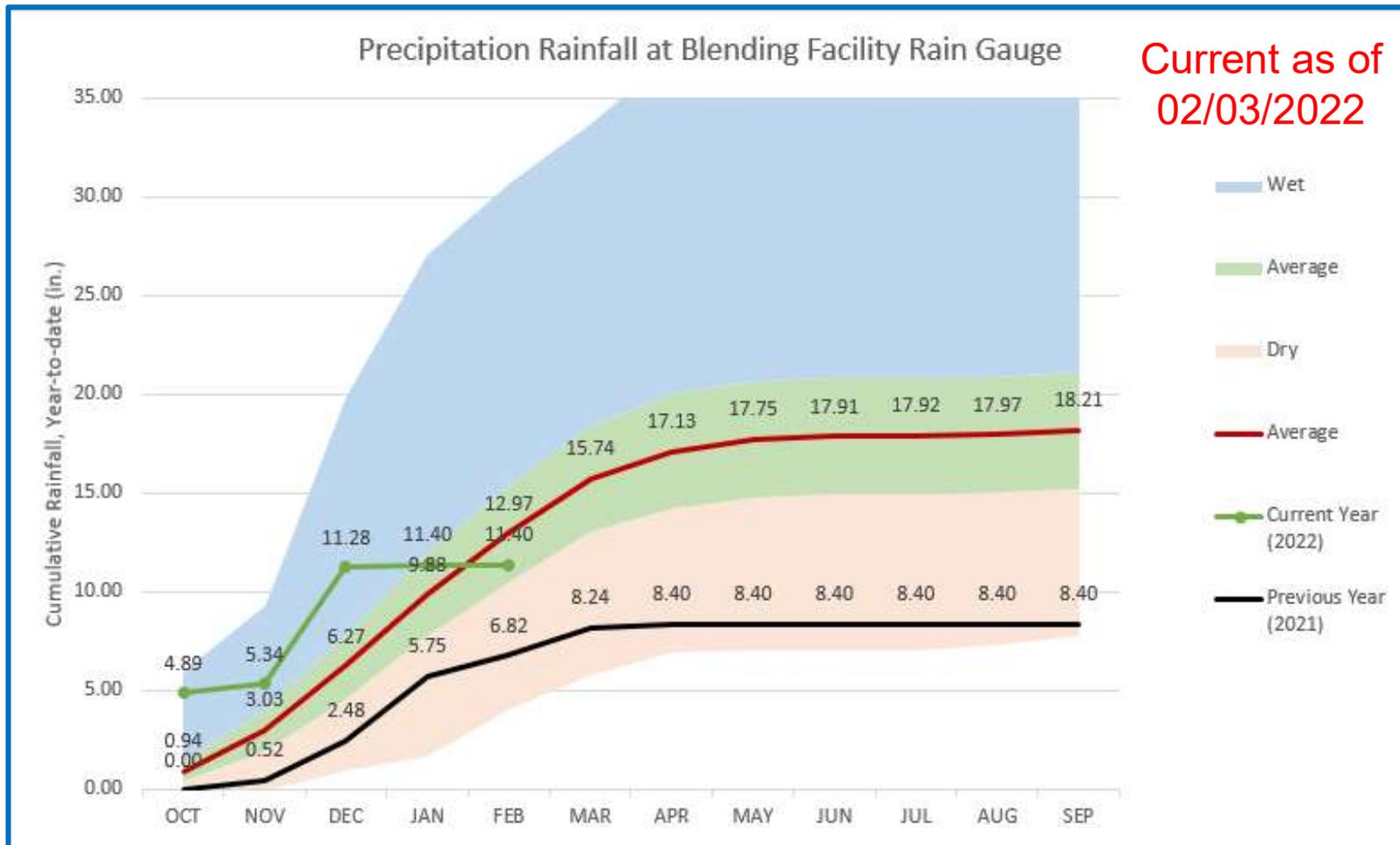
Alameda County Water District

Presenter

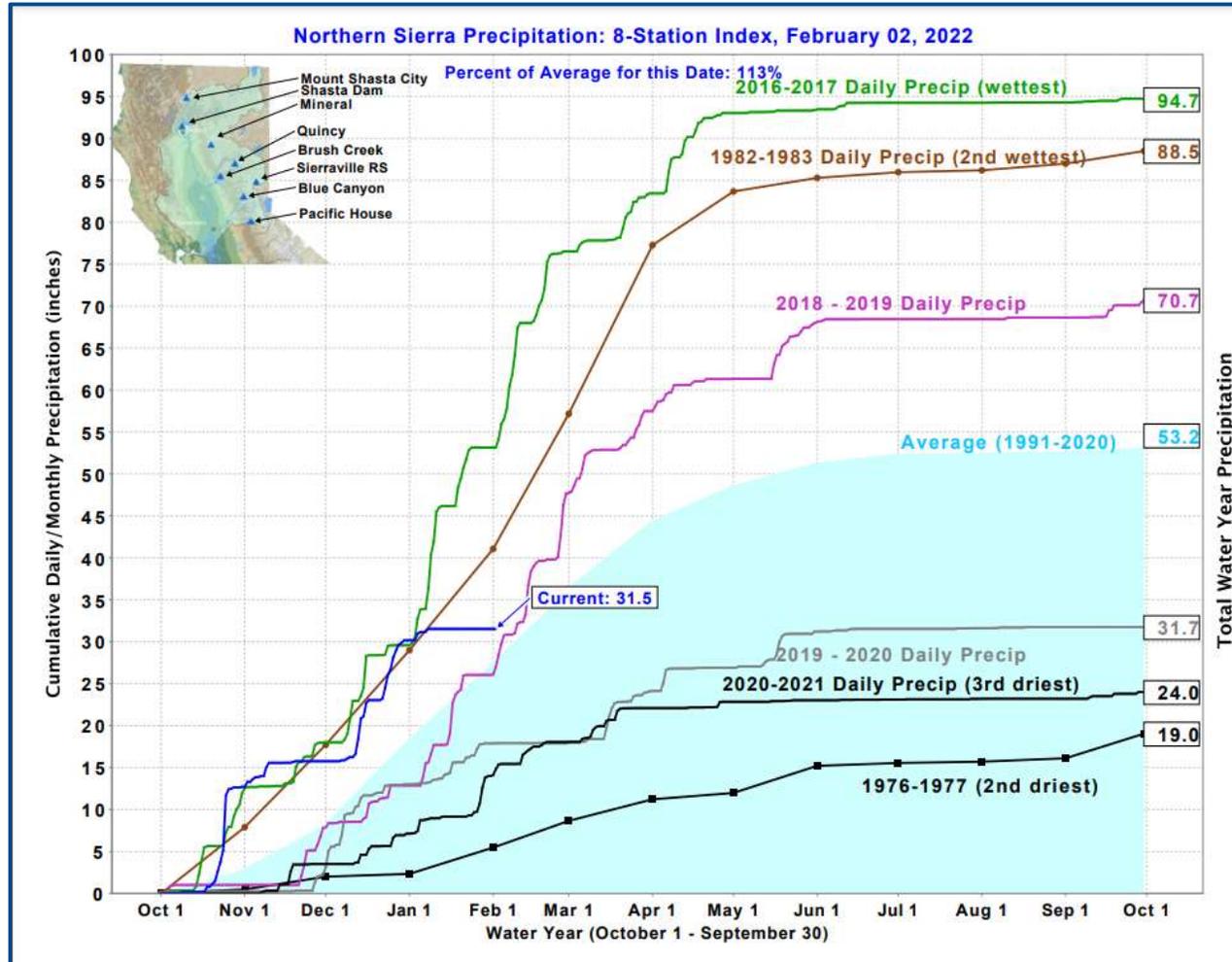
Leonard Ash, Water Supply Supervisor

ACWD Board Meeting
February 10, 2022
Agenda Item 6.3.1

Local Precipitation



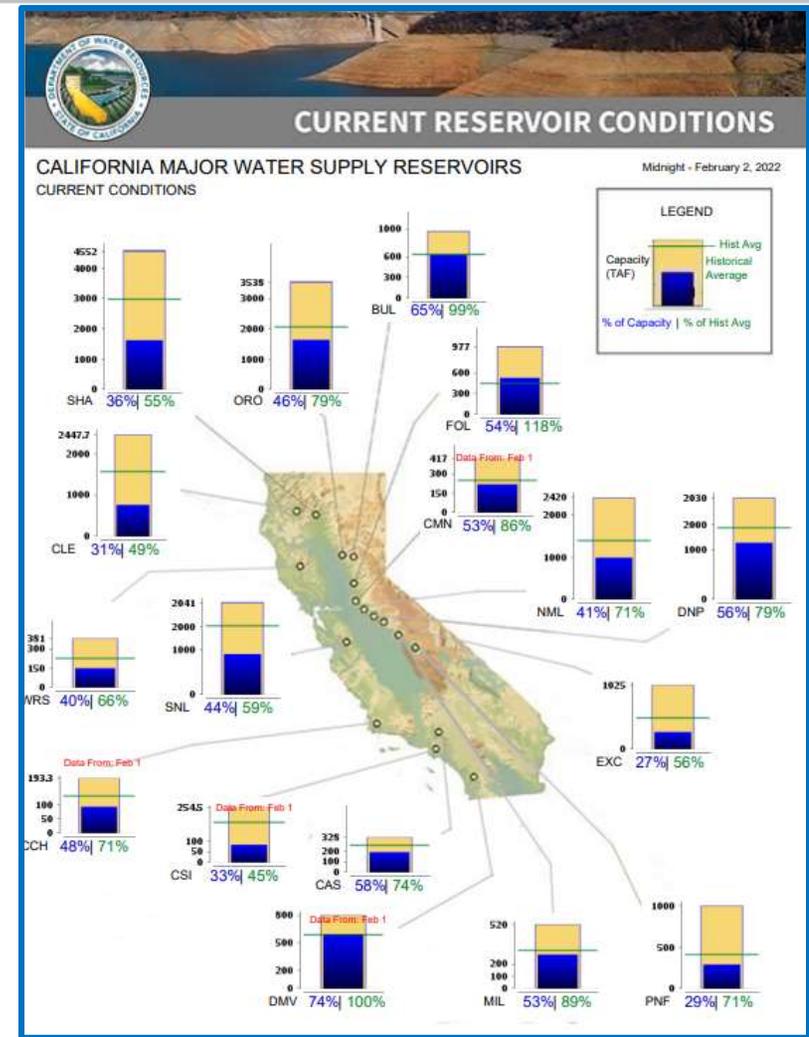
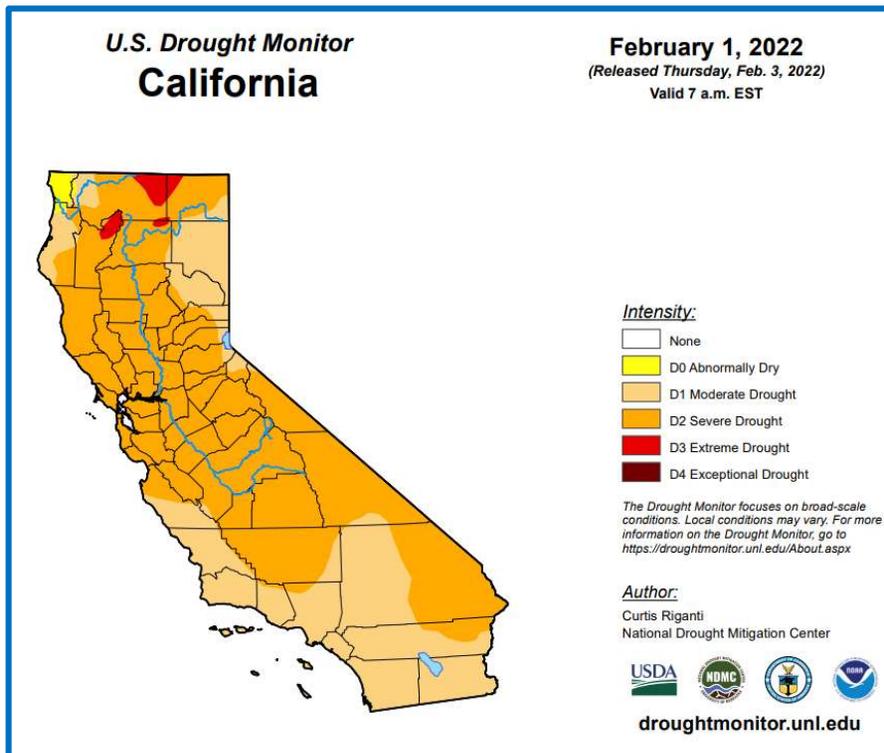
Northern Sierra Precipitation



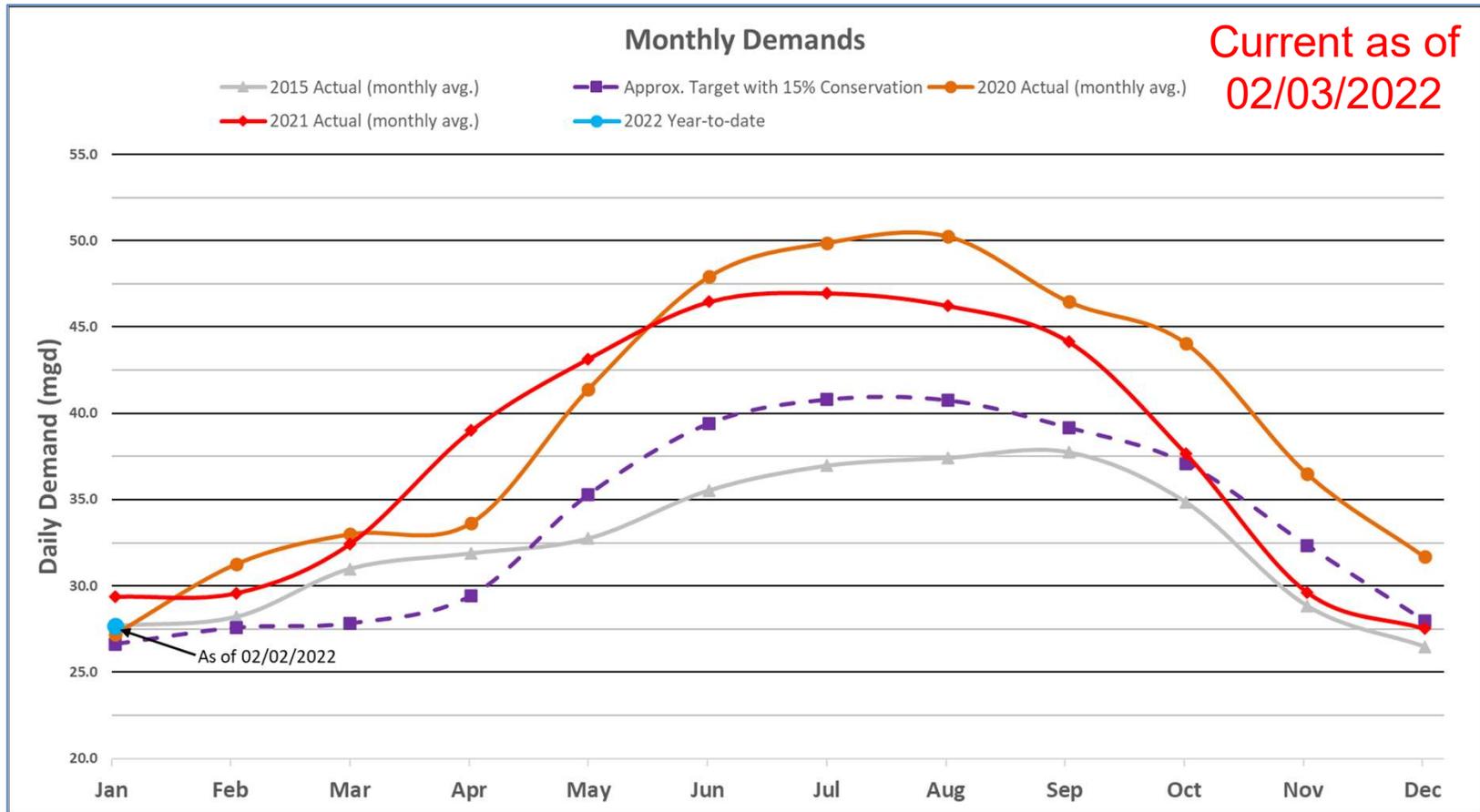
Current as of
02/03/2022

Statewide Conditions

Current as of
02/03/2022



Demand Response: 15% Voluntary Reduction



Drought Response Updates

- Statewide Actions
- San Francisco Public Utilities Commission (SFPUC) Imported Water Supplies
- Department of Water Resources (DWR) State Water Project (SWP) Imported Water Supplies
- Local Water Supplies
- District Actions



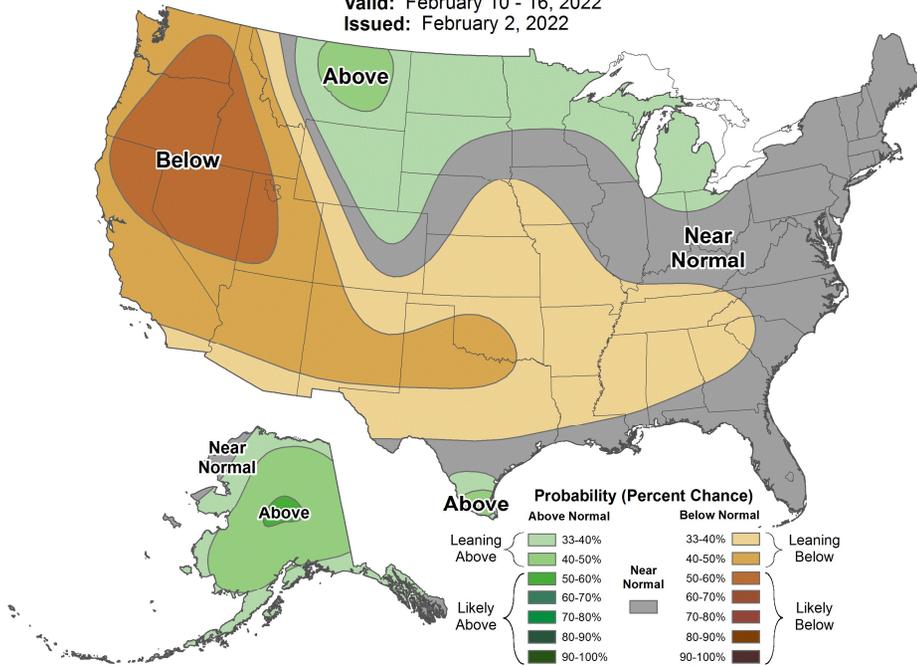
Precipitation Forecasts



8-14 Day Precipitation Outlook



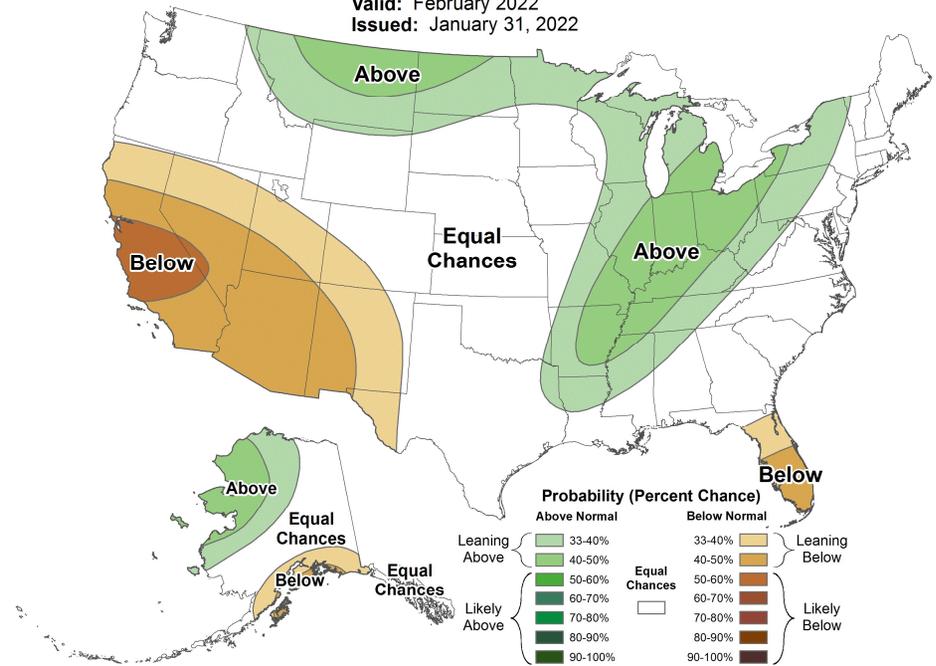
Valid: February 10 - 16, 2022
 Issued: February 2, 2022



Monthly Precipitation Outlook



Valid: February 2022
 Issued: January 31, 2022



Current as of
 02/03/2022

Questions?

