

Appendix J Drought Rate Structure Resolution No 2015-19

AMADOR WATER AGENCY

SPECIAL MEETING

OF THE
BOARD OF DIRECTORS OF THE
AMADOR WATER AGENCY
HAS BEEN CALLED BY THE PRESIDENT FOR
July 21, 2015
6:30 p.m.

Amador County Administration Center- Board Chambers
810 Court Street, Jackson CA 95642

Public Notice: Members of the public will have the opportunity to directly address the Agency Board of Directors concerning any item listed on this Special Meeting Notice before or during consideration of that item.

There is a three minute time limit per person.

1. CALL TO ORDER

2. AWA WATER SYSTEM

A. Amador Water Agency Water Service

Public Hearing on the Proposed (1) New Uniform Water Rate Structure For Single Family Customers, (2) New Temporary Water Shortage Rate Surcharges On Water Usage, (3) Transition Of Flat Rate Customers To Metered Water Rates, And (4) Schedule Of Annual Automatic Inflationary Rate Adjustments and determination of protests received

B. Resolution No. 2015-19 Discussion and Possible Adoption of Resolution No. 2015-19 Adopting New Uniform Water Rate Structure For Single Family Customers, (2) New Temporary Water Shortage Rate Surcharges On Water Usage, (3) Transition Of Flat Rate Customers To Metered Water Rates, And (4) Schedule Of Annual Automatic Inflationary Rate Adjustments

3. ADJOURNMENT

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, then please contact Cris Thompson at (209) 223-3018 or (209) 257-5281 (fax). Requests must be made as early as possible, and at least two-full business days before the start of the meeting.

RESOLUTION NO. 2015-19

**OF THE BOARD OF DIRECTORS OF THE
AMADOR WATER AGENCY
ADOPTING NEW UNIFORM WATER RATES FOR SINGLE-FAMILY CUSTOMERS,
TEMPORARY WATER SHORTAGE RATE SURCHARGES ON WATER USAGE,
METERED WATER RATES FOR FLAT-RATE WATER CUSTOMERS, AND A
SCHEDULE OF ANNUAL AUTOMATIC INFLATIONARY RATE ADJUSTMENTS**

WHEREAS, the Amador Water Agency (“Agency”) Board of Directors has accepted and reviewed the *Fiscal Year 2015-2016 Water Rate Update and Water Shortage Financial Strategy Final Report* (“Water Rate Update”) dated June 3, 2015 prepared by The Reed Group, Inc. for the Agency;

WHEREAS, on May 22, 2015, the Agency mailed a Notice of Public Hearing on the previously adopted automatic inflationary adjustments to water rates and charges to be imposed on July 1, 2015, as well as the proposed new uniform water rate structure for single-family customers, the proposed new temporary water shortage rate surcharges on water usage, the proposed meter water rates for transitioning flat-rate customers, and the proposed schedule of associated annual automatic inflationary rate adjustments to property owners and tenants of properties receiving water service within the Agency’s water service areas in compliance with section 6(a) of Article XIII D of the California Constitution for a public hearing to be held on July 21, 2015;

WHEREAS, the Water Rate Update identified the need for, and benefits of, implementing various adjustments to the Agency’s water usage rates and monthly service charges so that customers pay their proportionate share of the costs incurred to provide water service to them;

WHEREAS, the proposed adjustments to the Agency’s water usage rates and monthly water service charges, which include (i) adoption of a new uniform water rate structure for single-family customers; (ii) implementation of temporary water shortage rate surcharges on water usage; (iii) transitioning of flat-rate customers to metered water rates; and (iv) implementation of various inflationary rate adjustments through July 2020, will help ensure that the Agency’s financial and water service obligations can be met with reduced risk and uncertainty;

WHEREAS, the Water Rate Update demonstrates that the revenues derived from the proposed adjustments to the Agency’s water usage rates and monthly water service charges will not exceed the funds required to provide water service to the affected parcels;

WHEREAS, as set forth in the Water Rate Update, the amount of the proposed water usage rate and monthly water service charge imposed on any one affected parcel will not exceed the proportional cost of the water service attributable to the parcel or person in compliance with California law, including section 6(b)(3) of Article XIII D of the California Constitution and

Griffith v. Pajaro Valley Water Management Agency ((2013) 220 Cal.App.4th 586, 601) and other relevant case law;

WHEREAS, as a result of the proposed adjustments to the Agency's water usage rate and service charge structure, the Agency's customers will benefit from improved financial stability and certainty, thereby providing for a more reliable water service;

WHEREAS, the Agency Board of Directors received presentations and public comment on the proposed adjustments to the Agency's water usage rate and charge structure at its regular publicly noticed, public meetings on April 9, 2015, April 23, 2015, May 14, 2015, and June 11, 2015.

WHEREAS, the Agency Board of Directors held a public hearing on July 21, 2015, during which it received oral and written comments, and written protests, regarding the proposed adjustments to the Agency's water usage rate and service charge structure;

WHEREAS, at the close of the public hearing, the Agency Board of Directors received less than a majority of written protests from the affected parcels, as defined by section 6(a)(2) of Article XIII D of the California Constitution; and

WHEREAS, the Agency Board of Directors has considered the comments received, as well as the number of valid written protests, and has decided to adopt and implement the proposed adjustments to the Agency's water usage rate and service charge structure, as more fully described in the Water Rate Update, for the Agency's water customers.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Amador Water Agency hereby finds, determines and orders as follows:

1. The above recitals are hereby made findings of the Agency Board of Directors and are incorporated herein.

2. The Amador Water Agency Water Usage Rates and Monthly Service Charges, Proposed Temporary Water Shortage Rate Surcharges, Water Usage Rates and Monthly Service Charges for Transitioning Flat-Rate Customers, and Schedule of Annual Automatic Inflationary Rate Adjustments, attached hereto as Attachment "A" and incorporated herein by this reference, are hereby adopted and shall become effective on August 1, 2015 as described in Attachment "A". (Exhibit 1 of Attachment A shows Water Usage Rates and Monthly Service Charges that took effect on July 1, 2015 pursuant to the Agency Board of Director's adoption of Resolution No. 2013-22 approving a schedule for annual inflationary adjustments to water usage rates and monthly service charges.) These adopted rates and charges are necessary to cover the ongoing and increasing costs of providing water service, including operation and maintenance costs, debt service obligations, and water system replacement, rehabilitation, repair and upgrade needs. These costs include labor costs, regulatory costs, collection costs, administrative and customer service costs, and costs related to facilities replacement, rehabilitation, repair and upgrade of the Agency's water systems. Revenues derived from the adopted rates and charges shall be used only for purposes related to the Agency's water systems.

3. Additional future adjustments to the adopted water usage rates and monthly water service charges shall occur on July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, and July 1, 2020, as described in Attachment "A". Adjustments will be made to all water usage rates and monthly service charges by the change in the Consumer Price Index (CPI-U) as calculated by the U.S. Bureau of Labor Statistics for the San Francisco-Oakland-San Jose area (Series CUURA422SAO) between February of the then-current year and February of the then-previous year; provided that no annual increase shall exceed three percent (3%). In addition, in no event shall any adjustment result in rates that exceed the cost of providing water service. The monthly debt service charges in Attachment "A" shall not be increased or adjusted for inflation.

4. The monthly debt service charges for each service area in Attachment "A" shall be reduced as existing debt obligations are retired. The amount of the reduction shall be determined at the time of each debt retirement using the same principles used to calculate the monthly debt service charges, as contained in the *Amador Water Agency System-Wide Cost of Service and Water Rate Study*, dated April 25, 2013.

5. To the extent that the terms and provisions of this resolution may be inconsistent or in conflict with the terms or conditions of any prior ordinance, resolution, rule or regulation governing water rates and charges for the Agency's service areas, the terms of this resolution shall prevail and any such inconsistent and conflicting provisions of prior ordinances, resolutions, rules or regulations are hereby repealed.

6. If any provision of this resolution or application thereof to any person or circumstance is held invalid, no other provision of this resolution shall be affected thereby.

7. The modifications, restructuring and adjustments to the Agency's water usage rates and monthly service charges are, among other things, for the purpose of continuing to provide funds to meet the costs of operating, maintaining and replacing the water system facilities within the Agency and to provide funding for capital projects necessary and/or required to maintain service within the Agency's existing service areas. The Agency Board of Directors therefore finds that the adoption of this resolution is exempt from application of the California Environmental Quality Act pursuant to section 21080(b)(8) of the California Public Resources Code and authorizes the President to execute the Report of Review for CEQA Exemptions and the General Manager to execute and file a Notice of Exemption.

8. The water usage rates and monthly service charges set forth above and more particularly described in Attachment "A" are not discriminatory or excessive, will be sufficient under Government Code section 54515, will comply with Government Code sections 54340 and following, and will otherwise comply with law. Delinquent rates and penalties when recorded as provided in Government Code sections 54340 and following shall constitute a lien upon the real property served.

The foregoing resolution was duly passed and adopted by the Board of Directors of the Amador Water Agency at a special Board meeting held on this 21st day of July, 2015, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Signed and approved by me after its passage this 21st day of July, 2015.

Richard L. Farrington
President, Board of Directors

Attest:

Cris L. Thompson
Clerk of the Board of Directors

(1) NEW UNIFORM WATER RATE STRUCTURE FOR SINGLE FAMILY CUSTOMERS

At present, water rates for single family homes include a 3-tier water usage rate structure. During the public hearing on July 21, the Agency's Board of Directors considered simplifying the water rate structure by eliminating the three tiers and replacing them with a uniform water rate. As approved, the three tier rates for single family customers shown in Exhibit 1, above, is replaced with a single uniform water usage rate of \$2.30 per CCF¹. This rate structure change does not affect either the monthly service charges or the monthly debt service charges nor does it affect on the water rates of other water service customers

Effective Date of Proposed Rate Structure Change for Single Family Customers

As adopted, the proposed changes to the water rate structure for single family customers will become effective on August 1, 2015.

(2) NEW TEMPORARY WATER SHORTAGE RATE SURCHARGES ON WATER USAGE

Statewide Drought and Mandatory Water Conservation

California is in the midst of a severe multi-year drought. In 2014, customers of the Amador Water Agency reduced water use by about 14 percent through voluntary measures. However, because of the continued lack of rainfall and snowpack, on April 1, 2015, the Governor declared mandatory water rationing with a statewide goal of 25 percent by urban water utilities. In response to this mandate, on April 9 the Agency's Board of Directors adopted new water conservation policies, including the following stages of water shortage:

- Normal conditions
- Stage 1 – Water Alert (up to 20% water use reduction goal)
- Stage 2 – Water Warning (21% to 30% water use reduction goal)
- Stage 3 – Water Crisis (31% to 40% water use reduction goal)
- Stage 4 – Water Emergency (41% to 50% water use reduction goal).

Each stage of water shortage includes various restrictions on water use and requirements to eliminate waste and excessive use. During its April 9 meeting the Agency's Board of Directors also declared Stage 2 – Water Warning conditions with a goal to reduce overall water use by 25 percent relative to 2013 water use.

Reasons for the Proposed Temporary Water Shortage Rate Surcharges on Water Usage

As the Agency enters the fourth year of drought, the current financial situation is unsustainable. While the Agency has cut costs wherever possible, and is relying on limited financial reserves to meet financial obligations, State-mandated rationing is necessitating a need for supplemental water rate revenue.

The Agency is following a multi-pronged strategy to offset the effects of reduced water sales and to mitigate the financial impacts of water shortage. This strategy includes (1) using a portion of available financial reserves to bridge the deficit gap, (2) adopting temporary water shortage rate surcharges to augment water rate revenue, and (3) reducing funding for planned capital projects in the most severe conditions to preserve cash. Proposed temporary water shortage rate surcharges are necessary to help cover the ongoing cost of providing water service during periods of declared water shortages.

Exhibit 2 presents the proposed temporary water shortage rate surcharges, which are

¹ One CCF = 100 cubic feet = 748 gallons.

expressed as percentages to be applied to the Agency's normal water usage rates. The exhibit illustrates how the rate surcharges will apply to the Agency's water rates effective in August 2015. When necessary in future years, the surcharge percentages would be applied to the then-current water usage rates.

The rate surcharges affect only the water usage rates, and do not affect either monthly service charges or monthly debt service charges. Rate surcharges are temporary and will be applied only when the Agency's Board of Directors declares a water shortage. The surcharges will be terminated when the Board of Directors declares an end to water shortage conditions.

**Exhibit 2
Amador Water Agency
Proposed Temporary Water Shortage Rate Surcharges**

	Normal Supply	Stage 1 Water Alert	Stage 2 Water Warning	Stage 3 Water Crisis	Stage 4 Water Emergency
Use Reduction Goals -->	None	Up to 20%	21% to 30%	31% to 40%	41% to 50%
Water Shortage Rate Surcharge (1)	None	18%	34%	54%	75%
Water Usage Rates, with Surcharges Applied (\$/CCF) (2)					
General Service Customers (3)	\$ 2.30	\$ 2.71	\$ 3.08	\$ 3.54	\$ 4.03
Mule Creek State Prison	\$ 1.69	\$ 1.99	\$ 2.26	\$ 2.60	\$ 2.96
Wholesale Agencies	\$ 1.27	\$ 1.50	\$ 1.70	\$ 1.96	\$ 2.22
Untreated Water	\$ 0.59	\$ 0.70	\$ 0.79	\$ 0.91	\$ 1.03
Monthly Service Charges (4)					
All Meter Sizes	Varies		No Change to Service Charges		
Monthly Debt Service Charges (4)					
All Meter Sizes	Varies		No Change to Debt Service Charges		

Notes:

- (1) Water shortage rate surcharges are temporary incremental increases in normal water usage rates applied during water shortage conditions declared by the Board of Directors.
- (2) This exhibit shows water shortage rate surcharges applied to FY 15-16 water rates, for illustrative purposes. The percentages shown would be applied to any then-current water rates when water shortage conditions are declared by the Board of Directors.
- (3) General service customers include single family, commercial, and commercial treated water customers.
- (4) No changes to the fixed monthly service charges or debt service charges would occur as a result of the water shortage rate surcharges.

(3) TRANSITION OF FLAT RATE CUSTOMERS TO METERED WATER RATES

A small number of legacy customers in Sutter Creek, Amador City, and along the Amador Canal continue to use water from the Agency under a flat rate schedule. In compliance with State law, the Agency has been installing meters on these water services and collecting water usage data. State law also requires that all water service customers pay for service based on metered water usage. Because of severe drought conditions, during its April 9, 2015 regular meeting, the Agency Board of Directors determined that all flat rate customers are to be transitioned to metered water rates as soon as possible.

Exhibit 3 presents the complete normal metered water rate schedule, including water usage rates, monthly service charges, and monthly debt service charges applicable to metered water service to be effective on August 1, 2015. These water rates will apply to flat rate customers transitioned to metered rates. The proposed temporary water shortage rate surcharges (shown

in Exhibit 2), as adopted, will also apply to transitioned customers.

Exhibit 3
Amador Water Agency
Proposed Water Usage Rates and Monthly Service Charges Effective August 1, 2015 (1)

Water Usage Rates (\$/CCF)		Monthly Service Charges		
	Treated Water		Untreated Water	Treated Water
General Service Customers (2)	\$ 2.30	5/8" meter	\$ 7.87	\$ 13.33
Mule Creek State Prison	\$ 1.69	3/4" meter	\$ 9.50	\$ 17.70
Wholesale Agencies	\$ 1.27	1" meter	\$ 12.75	\$ 26.41
		1 1/2" meter	\$ 20.91	\$ 48.22
		2" meter	\$ 30.68	\$ 74.40
		3" meter	\$ 56.76	\$ 144.19
Untreated Irrigation	\$ 0.59	4" meter	\$ 86.08	\$ 222.69
Untreated Indus. & Publ. Agen.	\$ 0.59	6" meter	\$ 167.53	\$ 440.77
		2" Indus./Public meter	\$ 108.88	
		3" Indus./Public meter	\$ 213.14	
		4" Indus./Public meter	\$ 330.43	
		6" Indus./Public meter	\$ 656.26	
CAWP-Retail Cust. Only (3)	\$ 0.83	Mule Creek State Prison		\$ 11,997.53
		Drytown CWD		\$ 671.95
		City of Plymouth		\$ 2,512.48
		City of Jackson		\$ 10,988.54
		Pine Grove CSD		\$ 1,441.34
		Mace Meadows MWC		\$ 1,114.07
		Rabb Park CSD		\$ 143.39

Monthly Debt Service Charges by Service Area (4)

	Amador Water System Service Area	CAWP Service Area (5)	Lake Camanche Service Area	La Mel Heights Service Area
5/8" meter	\$ 13.02	\$ 15.19	\$ 5.88	\$ 31.13
3/4" meter	\$ 19.53	\$ 22.78	\$ 8.82	\$ 46.70
1" meter	\$ 32.55	\$ 37.97	\$ 14.71	\$ 77.83
1 1/2" meter	\$ 65.10	\$ 85.94	\$ 29.42	\$ 155.66
2" meter	\$ 104.16	\$ 121.50	\$ 47.06	\$ 249.06
3" meter	\$ 208.33	\$ 243.00		
4" meter	\$ 325.51	\$ 379.68		
6" meter	\$ 651.02	\$ 759.36		
2" Indus./Public meter	\$ 416.65			
3" Indus./Public meter	\$ 833.30			
4" Indus./Public meter	\$ 1,302.03			
6" Indus./Public meter	\$ 2,604.07			
Mule Creek State Prison	\$ 10,416			
Drytown CWD	\$ 1,042	\$ 7,494.16	Pine Grove CSD	
City of Plymouth	\$ 4,538	\$ 5,516.18	Mace Meadows MWC	
City of Jackson	\$ 14,748	\$ 876.22	Rabb Park CSD	

Notes:

- (1) Includes a 2.5 percent increase in water usage rates and monthly service charges effective July 1, 2015 (see Exhibit 1), as well as the change to the single family water usage rate structure to be effective August 1, 2015.
- (2) General service customers include single family, multi-family, and commercial customers.
- (3) The pumping surcharge for CAWP-Retail customers will be terminated when the GSL begins operation.
- (4) Monthly debt service charges are unaffected by other changes proposed for FY 15-16.
- (5) The CAWP-Retail debt service charges will be 89 percent of the amount shown until the GSL becomes operational. For example, the debt service charge for a 5/8" meter will be \$13.47 until that time.

Effective Dates of Transition of Flat Rate Customers to Metered Water Rates

Customers currently paying flat water rates will be transitioned to the Water Agency's metered water rates effective on the first billing cycle following the customer's receipt of information containing water usage data for a 12-month period. For most flat rate customers, the transition will occur on August 1, 2015.

(4) SCHEDULE OF ANNUAL AUTOMATIC INFLATIONARY RATE ADJUSTMENTS

In June 2013, the Agency's Board of Directors adopted a schedule for automatically adjusting water usage rates and monthly service charges for changes in inflation. Under the existing schedule, on July 1 of each year the Agency adjusts all water usage rates and monthly service charges by the change in the Consumer Price Index (CPI-U) as calculated by the US Bureau of Labor Statistics for the San Francisco-Oakland-San Jose area (Series CUURA422SAO) between February of the then-current year and February of the then-previous year. Annual inflationary increases are capped at 3 percent. In no event shall any such rate adjustment result in rates that exceed the cost of providing water service. Monthly debt service charges are not adjusted for inflation.

The existing annual adjustment schedule was adopted for a five-year period and is in effect through July 2018. At this time, the Board of Directors is adopting a new five-year schedule of inflationary adjustments, thereby providing for annual inflationary adjustments from July 1, 2016 through July 1, 2020. There are no changes to the adjustment calculation described above.