

Water Rates

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Objectives

- ▶ Ensure sufficient revenues to meet the current operational and capital needs of the District.
- ▶ Plan for adequate reserves to implement the District's Capital Improvement Plan.
- ▶ Ensure equitable and proportional rates for all classes of customers as required by current legal requirements

The objectives of this study are to ensure sufficient revenues for our capital and expense budgets, plan for adequate reserves for our capital improvement plan, and ensure equitable and proportional rates.

California Constitution Article XIII D, Section 6(b) (Proposition 218)

1. **Revenues cannot exceed the cost of providing the service.**
2. Revenues must be used for the purpose collected.
3. **Fees and charges must be proportional to the cost to provide the service.**
4. Fees and charges may not be imposed for services not yet available to the property owner.

The regulation for fees and charges can be found in the California Constitution Article 13D, Section 6.

Our Water Rate Study focused on #1 and #3 of Section 6b which applies to apportioning the cost of providing water service to each ratepayer.

Water Rate Changes

Effective Date	1/5/2018	7/1/2015	7/1/2014	7/5/2013	7/2/2009	7/3/2008
Board Approval Date	12/5/2017	6/4/2013			6/2/2009	6/3/2008
Board Action	Ordinance 4	Ordinance 4			Ordinance 3	Amendment 8 to Ordinance 26
Residential Water Service Charge						
5/8" x 3/4"	\$17.04 (\$7.88)	\$24.92 \$1.14	\$23.78 \$1.08	\$22.70 \$1.04	\$21.66 \$0.00	\$21.66 \$0.55
3/4"	\$18.69 (\$7.65)	\$26.34 \$1.21	\$25.13 \$1.14	\$23.99 \$1.10	\$22.89 \$0.00	\$22.89 \$0.59
1"	\$25.03 (\$6.78)	\$31.81 \$1.46	\$30.35 \$1.38	\$28.97 \$1.34	\$27.63 \$0.00	\$27.63 \$0.75
1 1/2"	\$33.09 (\$5.67)	\$38.76 \$1.78	\$36.98 \$1.69	\$35.29 \$1.63	\$33.66 \$0.00	\$33.66 \$0.95
Water Usage Rates *						
1-10 units	\$1.83 \$0.46	\$1.37 \$0.06	\$1.31 \$0.06	\$1.25 \$0.06	\$1.19 \$0.00	\$1.19 \$0.04
11-17 units	\$1.17	\$1.58 \$0.08	\$1.50 \$0.07	\$1.43 \$0.06	\$1.37 \$0.00	\$1.37 \$0.09
17-49 units	\$2.75 \$0.97	\$1.78 \$0.08	\$1.70 \$0.08	\$1.62 \$0.07	\$1.55 \$0.00	\$1.55 \$0.12
over 50 units	\$0.01	\$2.74 \$0.13	\$2.61 \$0.12	\$2.49 \$0.11	\$2.38 \$0.83	

* 1 unit = 1 hundred cubic foot = 748 gallons

In the past 15 years, we have adjusted our water rates only five times and the only rate increase was the three year increase we adopted more than 10 years ago which went into effect in 2013, 2014, and 2015.

In 2009, rates were not changed, we just added a fourth water usage tier.

In 2018, the rates were reconfigured. The goal was to collapse the tiers and adjust the fixed charge to negate the increase. In the end, many customers saw a reduction in their monthly bill.

Revenue Requirements

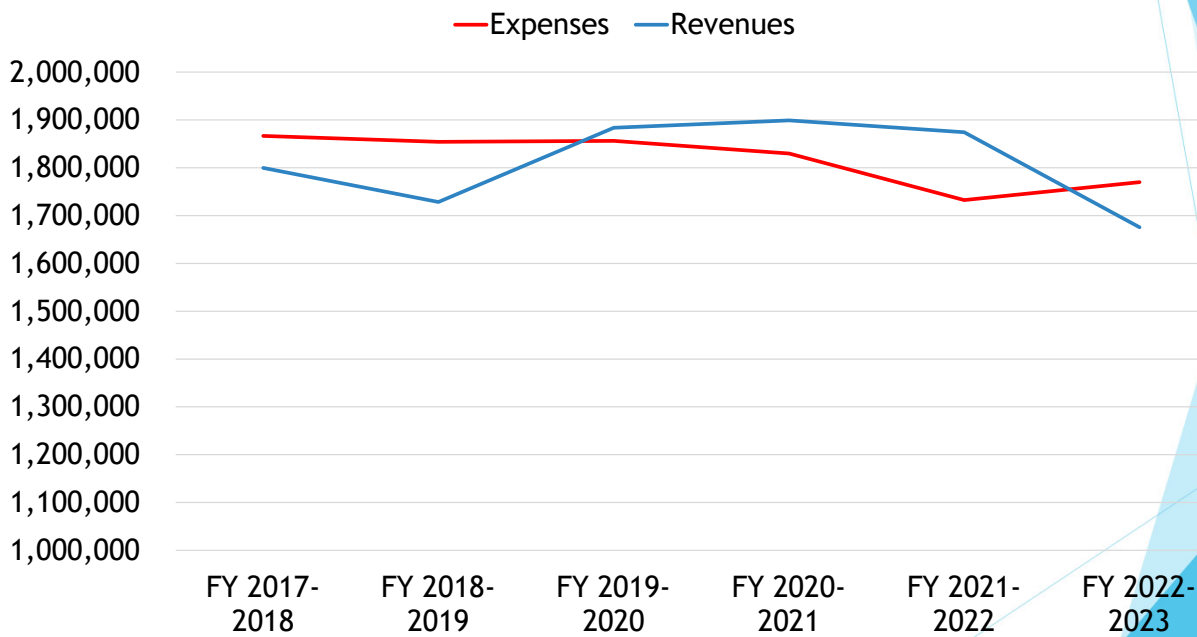
Category	FY 2023-2024	FY 2024-2025	FY 2025-2026
	Adopted	Projected	Projected
Power	365,900	380,536	395,757
Water Treatment and Distribution	354,307	368,479	383,218
Depreciation	250,000	260,000	270,400
Administration	194,010	201,770	209,841
Transportation	12,750	13,260	13,790
Salaries and Benefits	942,800	981,656	1,020,922
Total Water Operating Expense Budget	\$2,119,767	\$2,205,702	\$2,293,930
Projected Revenue (at current rates)	1,759,679	1,759,679	1,759,679
Budget Shortfall	(\$360,088)	(\$446,023)	(\$534,251)

We prepare our budget once a year, so we projected expenses for the next two years assuming a 4% inflation factor.

The projected revenues assume no change in rates and no large variations in water consumption.

This year, we need an additional \$360,000 to balance the operating budget.

Audited Revenues and Expenses



As you can see, in the past few years, we have had little variation in revenues and expenses. However, except for 2020 and 2021 where revenues were higher than normal because water consumption increased during the pandemic quarantine, our revenues have not been sufficient to meet our expenses.

Compensation Study

Survey Classification	Monthly Base Salary			Monthly Total Compensation			Agencies Compared
	VVCS D Maximum Base Salary	Labor Market Mean Base Salary	% Above or Below Labor Market Mean	VVCS D Total Compensation	Labor Market Mean Total Compensation	% Above or Below Labor Market Mean	
General Manager	\$16,045	\$16,316	(1.69%)	\$19,195	\$20,352	(6.02%)	11
Operations and Maintenance Manager	\$10,090	\$10,341	(2.49%)	\$12,915	\$13,444	(4.09%)	11
Administrative Services Manager	\$10,090	\$12,069	(19.62%)	\$12,915	\$15,285	(18.35%)	11
Finance Administrator	\$8,356	\$8,565	(2.50%)	\$11,087	\$11,417	(2.97%)	8
Service Person II	\$6,814	\$6,388	6.24%	\$9,461	\$9,073	4.10%	11
Service Person I	\$6,025	\$5,719	5.08%	\$8,496	\$8,145	4.13%	11
Board Secretary / Administrative & Accounting Assistant	\$6,330	\$6,376	(0.72%)	\$8,951	\$9,141	(2.13%)	10
Customer Service Representative I	\$5,632	\$4,958	11.97%	\$8,097	\$7,307	9.76%	11
Base Salary Average			(0.47%)	Overall Average			(1.95%)

One of the concerns on social media was employee compensation. This summer, we conducted a compensation study to see how our salaries compare to other agencies in the area and, overall, we provide competitive compensation.

Salary comparison is important for employee retention. We must compete with those other agencies for employees and, as one of the few water agencies who provide on-the-job training, we do not want to spend the money and time to get an employee state certified just to have them move to another agency because they can get higher pay.

Proposed Rates

Effective Date	Previous	Current		Proposed						
	July 2015	January 2018		January 2024		January 2025		January 2026		
Water Usage Rate (per 748 gallons)										
1st tier (1-10 units)	\$1.37	\$1.83	\$0.46	\$2.14	\$0.31	\$2.23	\$0.09	\$2.32	\$0.09	
2nd tier (11+ units) *	1.58	2.75	1.17	3.85	1.10	4.01	0.16	4.18	0.17	
	1.78		0.97							
	2.74		0.01							
Residential Water Service Charge										
5/8" x 3/4"	\$24.92	\$17.04	(\$7.88)	\$24.47	\$7.43	\$25.49	\$1.02	\$26.56	\$1.07	
3/4"	26.34	18.69	(7.65)	26.41	7.72	27.51	1.10	28.66	1.15	
1"	31.81	25.03	(6.78)	33.86	8.83	35.26	1.40	36.72	1.46	
1 1/2"	38.76	33.09	(5.67)	43.33	10.24	45.11	1.78	46.97	1.86	

* 1-10 units	\$1.37
11-17 units	\$1.58
17-49 units	\$1.78
over 50 units	\$2.74

This slide summarizes the proposed rates for the next three years. As you can see, the proposed rates for the residential water service charge essentially returns us to our 2015 rates.

Projected Revenues

Category	FY 2023-2024	FY 2024-2025	FY 2025-2026
Operating Revenue	2,027,862	2,343,197	2,447,736
Operating Expenses	2,119,767	2,205,702	2,293,930
less Depreciation Expense	(250,000)	(260,000)	(270,400)
Deposit to Water Reserves	\$158,095	\$397,495	\$424,206

Water Reserve activity since 2018:

- \$3.6 million

+ \$350,000

Governmental Accounting Standards require us to report depreciation expense separately on our financial statements. Although depreciation expense is not a cash expense, it is accounted for on our budget and those funds are set aside for capital projects. Since 2018, we have withdrawn \$3.6 million from reserves for capital projects and only deposited \$350,000. In order to keep up with scheduled infrastructure maintenance, we should set aside \$400K per year in reserves.

Sample Bill - Residential

5/8" x 3/4" meter - 10 ccf water

		Current	Proposed	\$ Change	% Change
Usage - 1st tier	10 ccf	18.30	21.40	3.10	16.9%
Water Service Charge	5/8" x 3/4" meter	17.04	24.47	7.43	43.6%
Sewer Service Charge		45.55	45.55	0.00	0.0%
	Total Bill	\$80.89	\$91.42	\$10.53	13.0%

1" meter - 17 ccf water

		Current	Proposed	\$ Change	% Change
Usage - 1st tier	10 ccf	18.30	21.40	3.10	16.9%
Usage - 2nd tier	7 ccf	19.25	26.95	7.70	40.0%
Water Service Charge	1"	25.03	33.86	8.83	35.3%
Sewer Service Charge		45.55	45.55	0.00	0.0%
	Total Bill	\$108.13	\$127.76	\$19.63	18.2%

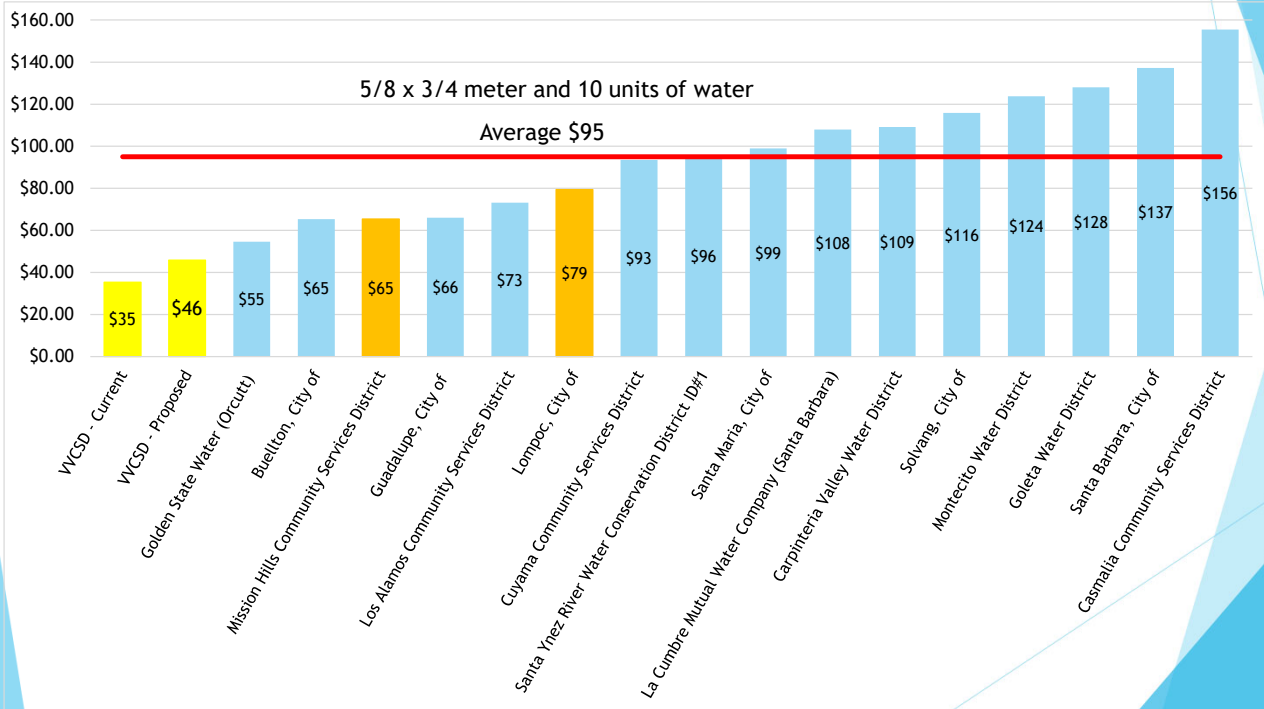
When you have low numbers, any change results in a large percentage. Because our rates are so low, it is more realistic to look at the change in dollar amount.

The average summer usage for our customers with 5/8 x 3/4 meters is 10 ccf per month. This accounts for 50 percent of our customer base.

59 percent of that subset of customers uses less than 10 units and will see an increase of around \$10 per month in the summer. 10 percent of our 5/8 x 3/4 customers use 2 units of water or less.

The average usage for our customers with 1" meters is 17 ccf per month. This accounts for 44 percent of our customer base. Most of these customers will see an increase of approximately \$20 per month during the summer. Only about 10 percent of our residential customers will see an increase of more than \$20 per month during the summer months.

Santa Barbara County Water Rate Comparison



Each year, the Santa Barbara County Water Agency publishes a water rate comparison. We updated the current report to reflect the proposed rates for Fiscal Year 2024. As you can see, we will still have the lowest water rates in the county. Water bills for Mission Hills and Lompoc are also highlighted on this chart.