Wet Weather Facilities Charge on 2020-2021 Property Tax Rolls

June 9, 2020

Board of Directors
What Happens When It Rains?
Wastewater Collection System

1,600 Miles - Regional Collection System
1,600 Miles - Private Sewer Laterals
Dry Weather Wastewater Treatment
Wet Weather Wastewater Treatment

- Inflow & Infiltration (I&I)
- Wastewater
- Groundwater
- Wastewater Treatment Plant
- 14 Times More Flow During Storms
- Stormwater
Inflow & Infiltration Facilities

BY THE NUMBERS

- 3 Wet Weather Facilities
- 37 Miles of Pipeline
- 15 Pump Stations
- 11 Million Gallon Storage Basin
- 9 Diversion & Overflow Structures
- 9 Level Monitoring Stations
Wet Weather Facilities Charge

- Wet Weather Facilities Charge (WWFC) funds capital expenses for I&I facilities
- Authorized under State Health & Safety Code (H&SC) to collect charges on property tax roll
- H&SC augments District’s powers under the Municipal Utility District Act

BY THE NUMBERS

<table>
<thead>
<tr>
<th>Collected Since</th>
<th>1987</th>
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<tbody>
<tr>
<td>$</td>
<td>27.9 Million for 2020-2021</td>
</tr>
<tr>
<td>20%</td>
<td>Of Total Revenue For Wastewater</td>
</tr>
<tr>
<td>174</td>
<td>Thousand Properties</td>
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</table>
Properties with larger lots receive more rain, leading to more I&I into the collection system.

Accordingly, WWFC uses bin system.

<table>
<thead>
<tr>
<th>Lot Size (Square Feet)</th>
<th>WWFC FY20</th>
<th>WWFC FY21</th>
</tr>
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<tbody>
<tr>
<td>&lt; 5,000</td>
<td>$111.24</td>
<td>$115.70</td>
</tr>
<tr>
<td>5,000-10,000</td>
<td>$173.78</td>
<td>$180.74</td>
</tr>
<tr>
<td>&gt;10,000</td>
<td>$397.20</td>
<td>$413.10</td>
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</table>
Procedural Requirements

1. Prepare and file written report (Report) each year with the Secretary of the District.

2. Publish a notice of the filing of the Report and of the public hearing in a newspaper of general circulation (once a week for two weeks).

3. Hold public hearing to consider protests to the Report and to determine if there is a majority protest.

4. If there is no majority protest, the Board must approve the Report and approve collecting the WWFC on the property tax rolls, both with a two-thirds vote (five Directors).

5. File the approved Report with county auditors on or before August 10.
Timeline

June 11, 2019

Board Adopted FY20/21 WWFCs

June 11, 2019

Written Report Filed with Secretary of District

May 21, 2020

Public Notices in Oakland Tribune & Contra Costa Times

May 21, 2020

Public Hearing & Board Accept Staff Recommendation to Adopt the Report

June 9, 2020

File Report with County Auditors

August 10, 2020
Staff Recommendation

• Adopt the Report by at least two-thirds of the members of the Board (i.e., by five Board members).

• Authorize the District to collect the Fiscal Year 2021 WWFC on the property tax rolls of Alameda and Contra Costa Counties.

• Authorize District staff to adjust the Fiscal Year 2021 WWFC for any affected parcels as new information is provided by the Counties.

• Direct the Secretary of the District to file a copy of the Report with the Alameda County Auditor and the Contra Costa County Auditor.
Thank you!

Any questions?
Public Hearing
FY21 Proposed Non-Prop 218 Rates, Charges & Regulations

Board of Directors
June 9, 2020
Mid-Cycle Rates and Charges (Non-Prop 218)

• Filed the Report and Recommendation of the General Manager for Revisions to the Water and Wastewater System Schedule of Rates and Charges, and Other Fees Not Subject to Proposition 218, and Regulations for Fiscal Year 2021  May 12, 2020

• Set and noticed the Public Hearing for June 9, 2020 May 22, 2020

• Board Workshop - May 26, 2020
  Strategic Plan, FY21 Mid-Cycle Budget, Non Prop 218 FY21 Rates

• Public Hearing and Adoption June 9, 2020

• FY21 Non-Prop 218 take effect July 1, 2020
Proposed Updates to Rates & Charges

- Account Establishment Charge (Schedule B)
- Charges for Special Services (Schedule C)
- Water Service Installation Charges (Schedule D)
- Private Fire Service Installation Charges (Schedule E)
- Public Fire Hydrant Installation Charges (Schedule F)
- Water Main Extension Charges (Schedule G)
- Public Records Act Fee Schedule
- Real Property Use Application Fees
- Recreation Use Fees
- Wastewater Department Other Fees (Schedule D)
- Wastewater Department Capacity Fees (Schedule G)
Proposed Updates to Water Service Regulations

- Section 6 – Public Fire Hydrants
- Section 7 – Service Through Public Fire Hydrants
- Section 17 – Change In Use and/or Size of Service
- Section 30 – Nonpotable Water Service
- Section 31 – Water Efficiency Requirements
Item 15 - Consideration and Selection of an Option to Implement FY21 Proposition 218 Water and Wastewater Rates and Charges

Board of Directors
June 9, 2020
FY21 Rates Were Approved and Adopted by Board on June 11, 2019

- FY21 approval compliant with Prop 218 and MUD Act notice and hearing requirements:
  - GM Rate report filed 5/14/19
  - Public Hearing on 6/11/19

- FY21 Rate increases:
  - 6.25% Water
  - 4.0% Wastewater
  - Effective 7/1/20 unless Board takes action to delay or change
COVID-19 Pandemic Creates Financial Uncertainties

- Unemployment is higher than during the 2008 recession
- District has not yet seen significant financial impacts in FY20
  - FY20 net revenues are positive
- As pandemic continues into FY21, the uncertainties of the financial impacts increases
  - What reductions in demand and development will we see? What will the revenue impact be?
  - What are other economic indicators showing that could foretell an increase in the level of delinquencies?
  - What if there is a resurgence of the virus?
Support for Those in Need

- Average rate increase for FY21 is $3.73/month for water and $0.87/month for wastewater treatment

- If most customers can pay the increases, allowing for the continued investment in the system and in the local and national economy, then what about those who have been impacted by COVID-19?
  - No shutoffs
  - Waiver of late fees upon request
  - Payment plans
  - CAP program
  - Water Lifeline
# Net Revenue Projections for FY20 and FY21

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<thead>
<tr>
<th></th>
<th>FY20 Projection</th>
<th>FY21 Projection</th>
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<tbody>
<tr>
<td>Water System</td>
<td>+40.0</td>
<td>(8.1) to (66.3)</td>
</tr>
<tr>
<td>Wastewater System</td>
<td>+6.2</td>
<td>(2.8) to (8.7)</td>
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- **Range of FY21 projections depend on severity of COVID-19 Impacts**
  - Water sales and revenue including delinquencies assumed to decline 2% to 5% for residential and 30% to 50% for impacted commercial/institutional
  - Connection fee revenue assumed to decline by 1/3 to 2/3
  - Labor costs could be impacted from additional field staff rotations for shelter-in-place
- **Projections assume adopted FY21 rates are effective 7/1/20**
- **FY20 positive net revenues and adaptive management will be used to make up shortfalls in FY21**
OPTION A: Affirm Adopted FY21 Rates Effective 7/1/20

• Adopted FY21 Rate Increases 6.25% Water and 4.0% Wastewater
  – Allows District to continue the current operating and capital budgets and progress on infrastructure maintenance and renewal
  – FY21 shortfall due to COVID-19 pandemic can be made up with the positive net revenues from FY20
  – Preserves the planned level of rate revenue for FY22 and beyond so higher rate increases are likely not necessary for FY22 and FY23

• No additional Board action is required

• Staff recommends OPTION A
OPTION B: Affirm Adopted FY21 Rates Delay to 10/1/20

- Delay effective date of adopted FY21 Rate Increases 6.25% Water and 4.0% Wastewater to 10/1/20 (with exception of WWFC effective 07/01/20)
  - Allows District to continue the current operating and capital budgets and progress on infrastructure maintenance and renewal
  - Increases FY21 shortfall by approximately $10 million for water and $0.8 million for wastewater
  - FY21 shortfall due to COVID-19 pandemic can be made up with positive net revenues from FY20 and use of $10 million (water) and $0.8 million (wastewater) in other reserves
  - Preserves the planned level of rate revenue for FY22 and beyond so higher rate increases are likely not necessary for FY22 and FY23

- Board action is required to delay FY21 rate increases
  - No additional GM Rate Report or Public Hearing required

- If OPTION A is not selected, staff recommends OPTION B
OPTION C: Split Adopted FY21 Rates Delay into 2 Increments

Implement rate increases incrementally in two phases:

<table>
<thead>
<tr>
<th></th>
<th>Phase 1 Increase Effective 8/1/20</th>
<th>Phase 2 Increase Effective 1/1/21</th>
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<tbody>
<tr>
<td>Water System</td>
<td>3%</td>
<td>3.15%</td>
</tr>
<tr>
<td>Wastewater System*</td>
<td>2%</td>
<td>1.96%</td>
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The combined Phase 1 and Phase 2 increases including compounding cannot exceed the FY21 adopted rate increases of 6.25% for Water and 4% for Wastewater under Prop 218.

*With exception of WWFC which will increase by 4% on 07/01/20
OPTION C: Split Adopted FY21 Rates Delay into 2 Increments (cont.)

- Implement rate increases incrementally in two phases:
  - Allows District to continue the current operating and capital budgets and progress on infrastructure maintenance and renewal
  - Increases FY21 shortfall by approximately $11 million for Water and $1 million for Wastewater
  - FY21 shortfall due to COVID-19 pandemic can be made up with positive net revenues from FY20 and use of $11 million (water) and $1 million (wastewater) in other reserves
  - Preserves the planned level of rate revenue for FY22 and beyond so higher rate increases are likely not necessary for FY22 and FY23

- Additional Board actions and public notifications are required:
  - File new GM Rate Report on 6/23 and hold Public Hearing on 7/28, as required by MUD Act
  - Will result in 3 rate increases over a 11 month span and multiple public notices and communications each time new rates go into effect

- Staff does not recommend OPTION C
OPTION D: Rescind Adopted FY21 Rates Increases

- Rescind adopted FY21 rate increases and continue existing FY20 rates:
  - Will require District to make significant reductions to FY21 operating and capital budgets
  - Increases FY21 shortfall by approximately $35 million for water and $6 million for wastewater when compared to OPTION A
  - Requires higher rate increases in FY22 and FY23 (currently projected at 10% each year for water) and reduction in long-term capital program

- Reduced FY21 operating and capital budgets would be presented at the 6/23 Board meeting, as well as a resolution rescinding the adopted FY21 rate increases

- Staff does not recommend OPTION D
**Summary of Proposed Board Actions**

**Item 12** - Public Hearing to Approve Collection of Wet Weather Facilities Charge on Property Tax bill

**Item 13** - Public Hearing to Adopt FY19 Non-Prop 218 Rates & Charges

**Item 15** - Consideration and Selection of Option to Implement Adopted FY21 Rates

**Item 16** - Affirm Water and Wastewater FY21 Budget (if OPTION A or B or C is selected, other options require 6/23)

**Item 17** - Adopt July 2020 Strategic Plan
Board Discussion