

**SAN JUAN WATER DISTRICT
SPECIAL BOARD MEETING AGENDA
9935 Auburn Folsom Road
Granite Bay, CA 95746**

**January 12, 2022
6:00 p.m.**

This Board meeting will be conducted both in-person at the District's Boardroom at the address above, and via videoconference. Due to State guidelines on physical distancing in public gatherings, the Boardroom can accommodate a maximum of 10 members of the public at one time. The District recommends that members of the public participate in Board meetings via videoconference per the instructions below. Persons who do plan to attend the meeting in person are urged to contact the Board Secretary prior to the meeting. The contact information for the Board Secretary is:

**Teri Grant
(916) 791-6905
tgrant@sjwd.org**

To attend via videoconference, please use the following link:

Please join the meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/173400029>

You can also dial in using your phone.

United States: [+1 \(224\) 501-3412](tel:+12245013412)

Access Code: 173-400-029

Please mute your line.

Whether attending via videoconference or in person, the public is invited to listen, observe, and provide comments during the meeting. The Board President will call for public comment on each agenda item at the appropriate time and all votes will be taken by roll call.

*****Important Notice: For any meetings that include a closed session, the videoconference will be terminated when the Board adjourns into closed session. Members of the public who would like to receive the report out from closed session and time of adjournment from closed session into open session and adjournment of the meeting should provide a valid email address to the District's Board Secretary, Teri Grant, at: tgrant@sjwd.org, before or during the meeting. No other business will be conducted after the Board adjourns from closed session into open session. Promptly after the meeting, the Secretary will email the written report to all persons timely requesting this information.**

The Board may take action on any item on the agenda, including items listed on the agenda as information items. The Board may add an item to the agenda (1) upon a determination by at least three Board members that an emergency situation exists, or (2) upon a determination by at least four Board members (or by three Board members if there are only three Board members present) that the need to take action became apparent after the agenda was posted.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. Public comment on items within the jurisdiction of the Board is welcome, subject to reasonable time limitations for each speaker. Upon request, agenda items may be moved up to accommodate those in attendance wishing to address that item. Please inform the General Manager if you have such a request to expedite an agenda item.

Documents and materials that are related to an open session agenda item that are provided to the District Board less than 72 hours prior to a regular meeting will be made available for public inspection and copying at the District office during normal District business hours.

If you are an individual with a disability and need assistance or accommodation to participate in this Board meeting, please call Teri Grant, Board Secretary, at 916-791-0115, or email Ms. Grant at tgrant@sjwd.org.

Please silence cell phones and refrain from side conversations during the meeting.

I. ROLL CALL

II. PROPOSITION 218 HEARING

1. Proposed Retail Water Rate Increase
 - Open the Prop. 218 Hearing
 - Confirmation of Required Notice
 - Staff Presentation
 - Public Comment
 - Close the Proposition 218 Hearing

III. ADJOURN

UPCOMING MEETING DATES

January 26, 2022

February 23, 2021

I declare under penalty of perjury that the foregoing agenda for the January 12, 2022 special meeting of the Board of Directors of San Juan Water District was posted by January 10, 2022, on the outdoor bulletin boards at the District Office Building, 9935 Auburn Folsom Road, Granite Bay, California, and on the District's website at sjwd.org, and was freely accessible to the public.

Teri Grant, Board Secretary

STAFF REPORT

To: Board of Directors

From: Paul Helliker, General Manager
Donna Silva, Director of Finance

Date: January 12, 2022

Subject: Retail Rate Plan

RECOMMENDED ACTION

Conduct public hearing

BACKGROUND

The District completed the Retail Master Plan in FY 2020-21, which identified the capital improvements needed to the retail distribution system over the next 10 years. With the last of the rate increases from the previous financial plan in effect as of January 2021, and the completion of the Retail Master Plan, it was time to commence the next Retail Financial Plan and Rate Study.

Hildebrand Consulting worked with staff to update the Retail Financial Plan based on the retail master plan, and propose a rate schedule that would fund both ongoing operations, existing debt service and the capital improvements identified by the master plan. The information about the infrastructure program projects and funding needs (the Capital Improvement Program) was presented to the Board at the September 22, 2021 meeting.

Based on the discussion about funding and rate alternatives at that meeting, the consultant prepared four capital financing scenarios for the Board's consideration at the October 27, 2021 meeting:

1. **Issue debt for near term projects only, WITH the groundwater production facility included;** (*Staff's recommendation*)
2. Issue debt for near term projects only, WITHOUT groundwater production facility included;
3. Expanded use of debt to finance both near and medium term projects, WITH the groundwater production included;
4. Expanded use of debt to finance both near and medium term projects, WITHOUT the groundwater production facility included.

At that meeting, the Board selected the first of these options, as recommended by staff. The Board directed staff to prepare a rate increase notice based on this option, to distribute to property owners and account holders in the retail service area. That notice, which is Attachment 1, includes the proposed rate increases in the following table.

	Current	Proposed Implementation Dates		
		Feb 1, 2022	Jan 1, 2023	Jan 1, 2024
Overall Rate Revenue Increase -->		8%	8%	8%
Daily Base Charges				
Up to 1" meter	\$2.23	\$2.50	\$2.70	\$2.92
1 1/2" meter	\$5.78	\$6.30	\$6.80	\$7.34
2" meter	\$9.20	\$9.95	\$10.75	\$11.61
3" meter	\$17.13	\$18.46	\$19.94	\$21.54
4" meter	\$28.48	\$30.62	\$33.07	\$35.72
6" meter	\$56.88	\$61.03	\$65.91	\$71.18
8" meter	\$90.94	\$97.51	\$105.31	\$113.73
Water Usage Charge (\$/CCF)				
All water usage	\$0.92	\$0.92	\$0.99	\$1.07
Daily Private Fire Line Rates				
4" line	\$0.78	\$1.03	\$1.06	\$1.09
6" line	\$1.16	\$1.20	\$1.24	\$1.28
8" line	\$1.56	\$1.34	\$1.38	\$1.42
10" line	\$1.86	\$1.46	\$1.50	\$1.55
12" line	(na)	\$1.60	\$1.65	\$1.70

Also included in the notice was information about three workshops that staff would organize, to allow customers the opportunity to hear more details about the financial plan and the rationale for the proposed rates. Those workshops were held on December 6 and 15, and were noticed as Board meetings, to allow any of the Board members to attend. Approximately 20 customers attended the workshops, which included good dialogue on the District's infrastructure investment plans, revenues and expenses and long-term financial picture.

The next step for the Board is to conduct the hearing on the rate plan, as required by Proposition 218, and receive any written protests. As of Monday, January 10, 16 protest letters had been received.

Following the hearing, the Board will have the opportunity to discuss the rate plan, and an item will be included on the January 26, 2022, regular Board meeting to allow the Board to discuss the plan further and make a decision on what rate changes to adopt, if any, up to the level included in the Proposition 218 notice.

PUBLIC HEARING AND WORKSHOPS ON PROPOSED INCREASES TO RETAIL WATER RATES

WHY AM I RECEIVING THIS NOTICE?

Our records indicate you are an account holder and/or the owner of a parcel receiving water service in San Juan Water District's retail service area. This notice gives you information about proposed retail water rate increases that the District's Board of Directors will consider adopting at its January board meeting. It also outlines how you can participate in the rate-setting process.

NOTICE OF PUBLIC HEARING AND COMMUNITY WORKSHOPS

On January 12, 2022, at 6 p.m., the San Juan Water District Board of Directors will hold a public hearing to consider proposed increases in rates for retail water service as further described in this notice. The hearing will be conducted both in person at the District's Boardroom at 9935 Auburn Folsom Road, Granite Bay, CA, 95746 and via video conference. Due to State guidelines on physical distancing in public gatherings, the Boardroom can only accommodate a maximum of 10 members of the public at one time. All in-person attendees must wear masks. The District recommends that members of the public participate in the hearing via videoconference per the instructions below:



Please join the meeting from your computer, tablet or smartphone.
global.gotomeeting.com/join/173400029

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Access Code: 173-400-029

Prior to the required public hearing, the District will hold two workshops. The first workshop will be held December 6, 2021 in the Eureka School Gymnasium located at 5455 Eureka Road, Granite Bay, CA 95746. Presentations will begin at both 4 p.m. and 6 p.m. Because of the small size of the District's staff and the essential nature of our services, wearing of face masks by all attendees, regardless of vaccination status, will be required. A second workshop will be held, via videoconference only, at 6 p.m. on Wednesday December 15, 2021. See the District's website at www.sjwd.org for log-in instructions.

PUBLIC HEARING
January 12, 2022
6:00 p.m.

WHAT ARE THE PRIMARY REASONS FOR THE NEW PROPOSED WATER RATES?

Water rate revenues are the primary revenue source for the District's retail division, making up 70 percent of its total revenues.

These revenues fund both operations and capital improvements. In the current year budget, capital improvements make up approximately 39 percent of total expenses.

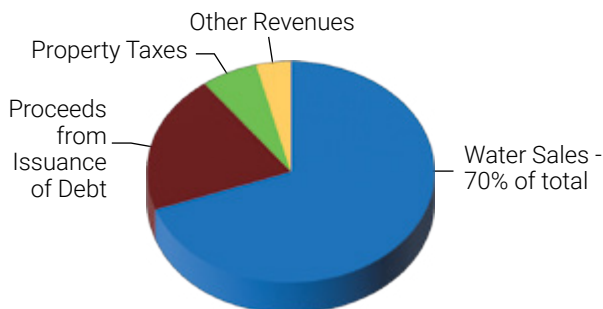
Our recently completed update to the Retail Master Plan identified the need for significant and specific improvements to the District's water distribution system, as well as the maintenance thereof, necessary for ongoing system reliability. An increase in capital spending is necessary in order to replace equipment that is failing or past its lifespan.

The improvements identified in the Retail Master Plan will significantly increase annual expenses to repair and replace aging infrastructure. The Master Plan is available on our publications page at: sjwd.org/publications

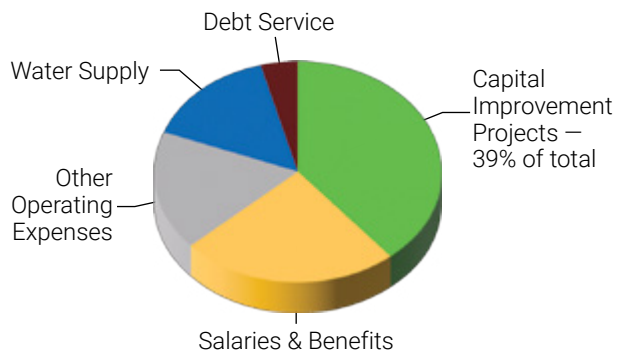
The proposed retail water rate increase is necessary to generate sufficient revenue to ensure San Juan can continue to meet all of its retail operation's service and financial obligations and make the infrastructure investments identified in the Master Plan. The increase in retail water rates will:

- Fund necessary infrastructure repairs and replacements
- Maintain and improve financial stability
- Meet required debt service obligations
- Generate funds to support preferable pay-as-you-go future capital funding (avoiding debt financing reduces costs to ratepayers in the long run)

All Retail Revenues – \$19,817,900
(source: FY 2021-22 Adopted Budget)

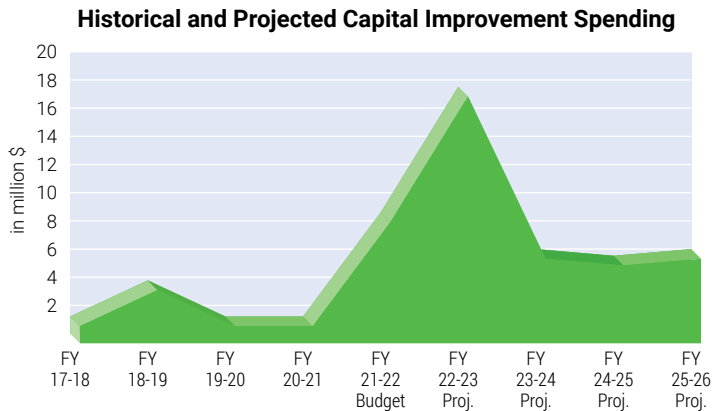


All Retail Expenses – \$22,039,800
(source: FY 2021-22 Adopted Budget)



CAN YOU EXPLAIN MORE ABOUT THE FACTORS AND/OR COSTS THAT ARE DRIVING THE PROPOSED RATE INCREASE?

2020 Retail Master Plan (Capital Improvement Plan): San Juan Retail's 10-year capital improvement plan (CIP), developed as part of the 2020 Retail Master Plan, includes over \$83 million of improvements to ensure the current and future reliability of water deliveries. The average of \$8.35 million per year in capital spending to meet the CIP need is a significant increase over the average of \$2.8 million that has been spent annually during the past six years. The graph below shows historical actual capital spending compared to the future annual capital spending projected by the master plan to be needed.



Increased System Maintenance Programs: San Juan must maintain the distribution system that provides high-quality water to our customers. This system includes over 200 miles of pipeline, multiple pump stations, meters, storage tanks and other equipment. The annual maintenance program was significantly expanded in 2020 to ensure compliance with regulatory and system reliability requirements. Also, most of the District's meters were installed in the early 2000s after the State of California made the use of water meters mandatory. Those initial meters are beginning to fail and need to be replaced. The District is initiating its meter replacement program in FY 2021-22, which will result in replacing approximately 5 percent of the meters annually.

Adopting a PayGo Financial Strategy: In addition to increasing its reinvestment in critical infrastructure, San Juan strives to achieve a level of financial stability that allows the District to fund all of its capital spending with cash and not debt (also known as pay as you go or PayGo). Minimizing new debt will help the District avoid millions of dollars in future interest expenses.

Rising Operating Costs: The cost of operations increases annually due to inflation. During the years covered by the proposed rate increases, expenses related to salaries and benefits are projected to increase at a rate of 5 percent per year while all other expenses (including wholesale rates) are projected to increase by 3 percent per year.

For further information about San Juan's projected finances, please refer to the 10-Year Retail Financial Plan which details the District's current and estimated future revenue needs to provide ongoing, safe and reliable retail water service, including the rationale for the proposed rate increases. The financial plan is a part of the 2021 Retail Water Rate Study, which you can find at sjwd.org/retail-financial-plans, or you can receive/review a copy of the report at the District's offices.

WHAT HAS THE DISTRICT DONE TO CONTROL COSTS TO AVOID/REDUCE RATE INCREASES?

By law, San Juan cannot charge its customers more than the cost of providing water service, which includes the associated costs of ensuring the reliability of the service and the safeguarding of public health and safety. San Juan continually strives to keep costs low, improve efficiencies and optimize the use of its assets.

The proposed rate increases are lower than they otherwise would have been due to the many actions the District has taken over the past five years to control costs. Those actions include reducing the District's salary schedule down to market median, refinancing existing debt to lower interest rates, significantly reducing the District's unfunded pension liability, renegotiating water contracts to dramatically reduce costs and revising fees for new development to achieve full cost recovery, ensuring that ratepayers are not subsidizing those activities. Those and other actions will save ratepayers in excess of \$1.2 million per year over the next 20 years and beyond.

CURRENT AND PROPOSED RETAIL WATER RATES AND FIRE SERVICE LINE RATES

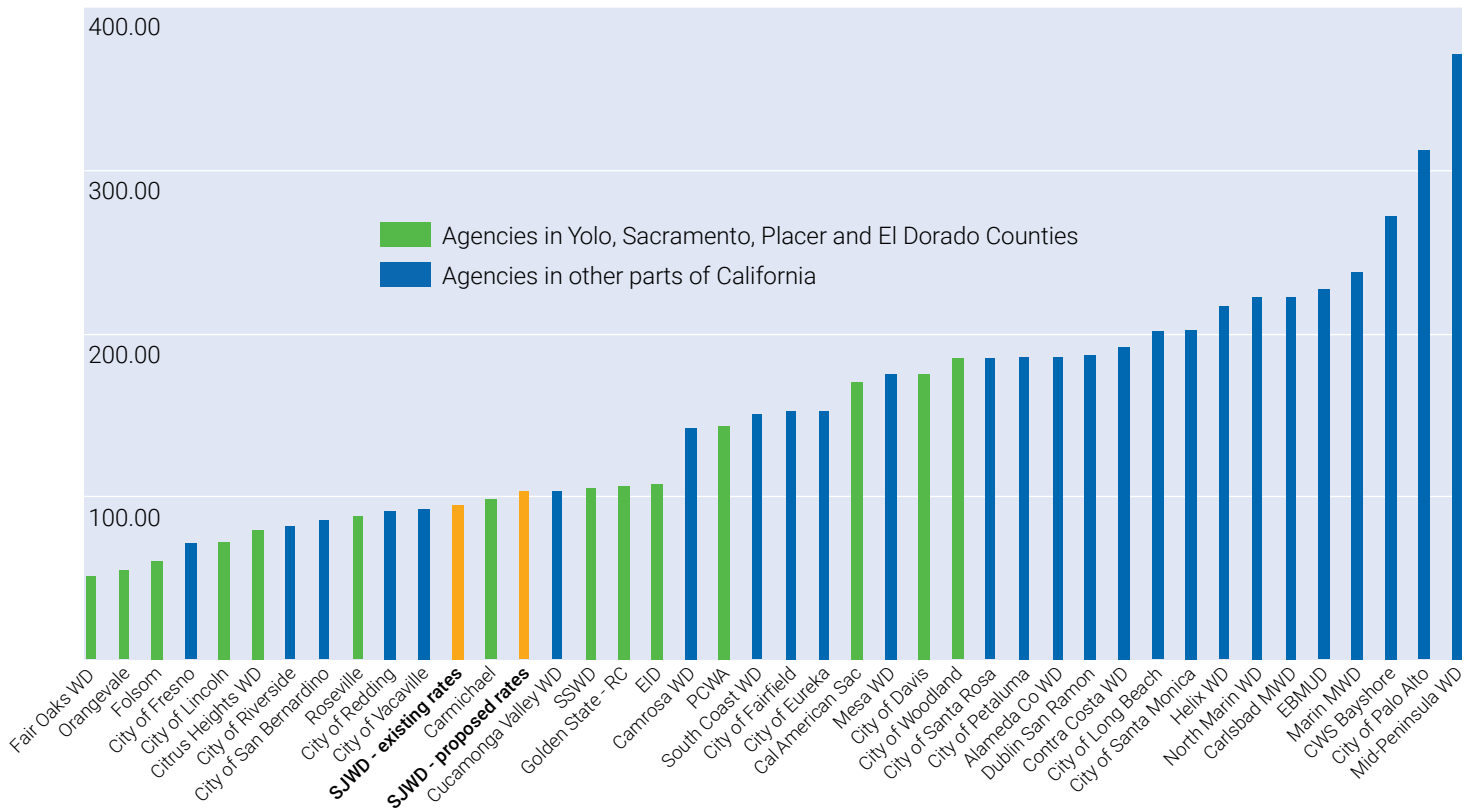
The Board of Directors is considering adopting the following three-year retail water rate schedule, which will generate necessary revenues by spreading increases over multiple years.

	Current	Proposed Implementation Dates		
		Feb 1, 2022	Jan 1, 2023	Jan 1, 2024
Overall Rate Revenue Increase		8%	8%	8%
Daily Base Charges				
Up to 1" meter	\$ 2.23	\$ 2.50	\$ 2.70	\$ 2.92
1-1/2" meter	\$ 5.78	\$ 6.30	\$ 6.80	\$ 7.34
2" meter	\$ 9.20	\$ 9.95	\$ 10.75	\$ 11.61
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Water Bill Comparisons Among Selected Urban California Water Agencies

Most recent data, as of October, 2021

Monthly bill in \$ @ 31 ccf of use per month – 1” meter
(the annual average monthly use per single family household in San Juan retail area)



HOW DO THESE PROPOSED RATES COMPARE TO OTHER WATER AGENCIES RATES?

The graph above shows that San Juan Water District’s current and proposed rates remain highly competitive with those both in the region and across the state.

HOW THIS INCREASE MAY IMPACT YOU

Under the proposed 2022 retail rate increase, a typical homeowner’s fixed or base charge for a 1” meter will increase by \$16.20 per 60-day billing cycle, or 27¢ per day. The current water usage charge of 92¢ per 100 cubic feet of water will remain the same in Year One.

If the Board of Directors adopts this proposed rate structure and increases the base charge component, it is estimated that San Juan’s total retail revenue will increase by 8 percent in 2022. A customer’s actual increase will vary depending upon the size of their meter. If you would like additional information about how the proposed rate changes would affect your specific water bill, please

call the District’s Customer Service Department at (916) 791-0115 and a staff member will be happy to assist you.

The proposed retail water rates shown above are expected to generate the necessary revenues to cover projected cost increases of the District’s retail operations over each of the next three years. San Juan is proposing a change to the composition of the rates in 2022 and a series of increases through December 2024.

The proposed rates have been calibrated to increase the portion of revenue derived from the fixed (i.e., Base Charge) component while still holding the per unit water usage charge constant in 2022. This adjustment will improve alignment between the District’s cost structure and rate structure, reducing the need to raise rates during periods of drought, when the variable cost of producing and delivering water supplies will drop commensurate with the decline in usage revenues. This approach provides financial stability to the District and rate certainty to our ratepayers. A corollary benefit of this approach is that it helps maintain the District’s strong credit rating, thereby reducing the cost of current and future debt obligations. This plan will save ratepayers money by reducing future upward rate pressure.

WHERE CAN I GET MORE INFORMATION?

Annual Budget: sjwd.org/district-budget

Retail Master Plan: sjwd.org/publications

2021 Retail Water Rate Study Report – Draft: sjwd.org/retail-financial-plans
(Note: a complete list of capital projects can be found on page S2-1 of the report, which is page 43 of 48 of the PDF document).



9935 Auburn-Folsom Road
Granite Bay, CA 95746



HOW TO PROTEST THE PROPOSED WATER RATES

Any property owner of record of a parcel that would be subject to the proposed rates or any tenant directly liable for payment of water service fees (i.e., a customer of record), may protest the proposed water rate changes. To be counted, all protests must:

1. Be in writing with an original signature from the property owner of record or tenant directly liable for the payment of the water bill.
2. Identify the parcel for which the protest is filed by street address or Assessor's Parcel Number (APN).
3. State that the signer opposes the proposed water rates.
4. Be received by San Juan Water District at any time prior to the close of the public hearing that will begin at 6:00 p.m. on Wednesday, January 12, 2022. A protest may be mailed to the San Juan Water District, or deposited in our utility bill drop off box located at 9935 Auburn-Folsom Rd, Granite Bay, California 95746, or delivered to the same address during regular business hours. Please include the following notation on the front of the envelope for any written protest: "ATTN: General Manager, Protest of Proposed Water Rates."

If the District receives written protests in excess of 50 percent of the parcels receiving water service from the District the Board will not adopt the proposed rates. Only one protest will be counted for each parcel. By law, email, fax, telephone, or oral protests of any kind will not be counted. Mailed protests received after the close of the public hearing will not be counted, even if they were postmarked earlier.

Over the course of the next three years, the Board of Directors may increase retail water rates up to the maximum amount for each year identified in this notice without providing subsequent hearings or a formal opportunity for protests. Should the Board of Directors decide to increase rates in any given year in an amount greater than that described in this notice, a similar Proposition 218 notice will be provided to customers along with an opportunity for parcel owners and tenants to formally protest such an increase at that time.