

# **SAN JUAN WATER DISTRICT**

Board of Director's Meeting Minutes

March 29, 2017 – 6:00 p.m.

## **BOARD OF DIRECTORS**

Ken Miller	President
Bob Walters	Vice President
Ted Costa	Director
Dan Rich	Director
Pam Tobin	Director

## **SAN JUAN WATER DISTRICT MANAGEMENT AND STAFF**

Paul Helliker	General Manager
Keith Durkin	Assistant General Manager
Donna Silva	Director of Finance
Teri Grant	Board Secretary/Administrative Assistant
Joshua Horowitz	Legal Counsel
Tony Barela	Operations Manager
Lisa Brown	Customer Service Manager
George Machado	Field Services Manager
Jason Mayorga	Utilities Coordinator
Mike Stemple	Purchasing Agent
Greg Turner	Water Treatment Plant Superintendent
Rob Watson	Engineering Services Manager
Greg Zlotnick	Water Resources Specialist

## **OTHER ATTENDEES**

Bob Reed	The Reed Group
Lucy Eidam-Crocker	Crocker & Crocker
61 members of the public	

## **AGENDA ITEMS**

- I.       Public Forum**
- II.      Proposition 218 Hearing**
- III.     Consent Calendar**
- IV.      Old Business**
- V.       New Business**
- VI.      Information Items**
- VII.     Directors' Reports**
- VIII.    Committee Meetings**
- IX.      Upcoming Events**
- X.       Adjourn**

President Miller called the meeting to order at 6:00 p.m.

## I. PUBLIC FORUM

Mr. John Metaxas addressed the Board and voiced concern regarding tiered rates and requested adjustment to the lower end of the tiers. President Miller informed him that information on that topic would be addressed under the next agenda item.

A member of the public provided the General Manager with some protest letters from his neighbors and was informed that he could speak under the next agenda item.

A member of the public addressed the Board and voiced concern regarding tiered rates and being unable to pay her water bill and was informed that she could speak under the next agenda item.

## II. PROPOSITION 218 HEARING

### 1. Proposed FY2016-17 Retail Budget and Potential Water Rate Increase

**President Miller opened the Proposition 218 Hearing at 6:10 p.m.**

Mr. Helliker, SJWD General Manager, confirmed that the Proposition 218 Hearing was properly noticed to all retail property owners as required by law in early February. Mr. Helliker reported that there were 190 written protest letters received, with 187 verified and an additional 3 letters were received at the beginning of the meeting and will be verified on March 30th. He informed the public that protest letters will be accepted until the close of the Prop. 218 hearing. Copies of the letters and any received during the meeting will be attached to the original meeting minutes.

President Miller informed the public that a presentation would be conducted. A copy of the presentation will be attached to the meeting minutes. Mr. Helliker explained that the presentation would cover three elements: financial information which covers revenues, expenses and personnel; the retail rate study; and common themes from the protest letters. Mr. Helliker informed the public that after the presentations the floor would be open to public comments and requested that anyone wanting to speak would need to fill out a comment card at the back of the room.

Mr. Helliker informed the public that an Ad Hoc Committee was formed which consisted of various customers and they met two times over the past couple of months to review the retail rate study. The committee was presented with the retail rate study and provided excellent suggestions. He thanked those who served on the committee.

Ms. Donna Silva conducted a presentation and reviewed the retail revenue sources, the allocation of retail revenue, the retail operating revenue and expenses since FY2013-14, retail reserves, the rate and revenue percentage change over time, and the portion of fixed expenses covered by fixed revenue for FY 2016-2017.

Mr. Bob Reed conducted a presentation and explained that the District is comprised of both a wholesale and retail entity and supplies water to the San Juan retail service area as well as the wholesale service area. He reviewed the FY 15-16 Retail Revenues & Expenses, Retail Costs and Obligations, Retail Capital Improvement Program, Financing of the Capital Improvement Program, Retail Financial Plan Summary, and Water Deliveries to Retail System.

Mr. Reed reviewed the Annual Overall Retail Water Rate Adjustments and the Proposed Retail Water Rates. His analysis recommends that the District consider the following rate increases:

Year	PROPOSED
2017	8%
2018	9%
2019	9%
2020	9%
2021	6%

Mr. Reed explained that residential customers with a 1" meter would see their water bills increase by \$0.18 per day in 2017, regardless of water usage and the total increase is \$1.05 per day in five years. In addition, the portion of the water bill from fixed charges gradually increases so that less fixed charges are in the water usage charge.

Mr. Reed reported that there were a number of comments that were received regarding excluding the new administrative building currently planned for FY 2020-21. Therefore, Mr. Reed provided a Plan B – alternative 5-year rate plan as shown below:

Year	PROPOSED
2017	8%
2018	9%
2019	8% (1% lower)
2020	8% (1% lower)
2021	6%

Mr. Keith Durkin conducted a presentation and explained that there were eight common themes contained within the protest letters. He reviewed the following three themes which were not previously covered:

- Consider layoffs and cutting salaries
- Reduce expenses – we haven't seen any cost cutting measures
- Construction (development?) should pay for itself; Reduce capital improvement program (CIP) costs

Mr. Durkin reviewed staffing levels, some salary comparisons, cost cutting & control measures which the District has taken over the past several years, water system construction and improvements, capital facilities and assets, and the Retail Capital Improvement Program for 2016-2026. In addition, he explained that with \$503 million in retail assets, the District has budgeted \$5 million per year in improvement projects in order to keep the water system and infrastructure in good working order.

President Miller opened the floor for public comment at 7:05 pm and instituted a five-minute time limit per person.

There were a total of 13 customers who provided oral comment. In addition to statements in opposition to the rate increase, additional comments were made relating to:

- Tiered rate structure
- Water usage permanently decreased
- District expenses too high, reduce costs, extend life of fleet
- Rate study should be completed in-house
- Consultant needed for rate study which is cost-effective
- Overall rate analysis is conservative
- Eliminate extra mailings to customers, such as the WaterSmart mailings, and put everything in the billing inserts
- Eliminate Administration building from plan
- Board should follow recommended plan in rate studies
- Eliminating staffing positions will not cover cost of capital improvements required
- District information is very transparent and available to the public
- Reduce employee benefits and change pension plan to 2.5%
- Salaries are too high, salary and COLA increases not practical and should have a pay freeze and hiring freeze
- Clear separation between wholesale and retail so as no subsidizing between entities
- Increase water usage charge instead of daily base charge
- Use non-potable water for irrigation and construction
- Pursue conservation rates and water budget rates
- Prop. 218 process is too complex for customers to protest and public hearings should have been held prior to sending out the Prop. 218 notice
- District needs to be fiscally responsible and have budget in-line
- Defer capital improvements
- Expand reservoirs

District counsel Joshua Horowitz reported that the Prop. 218 law requires that the rates and fees be stated, which the notice contained. In addition, the notice explained how the rates were calculated and the basis for calculation, which also is required by law. He explained that the law requires that the protests be written and that emails or oral comments or voicemails are not allowed. Further, a minimum of 45 days are allowed for ratepayers to review the information and submit protest letters. Mr. Horowitz explained that properties must be identified, so the District requested the APN (parcel number) because Proposition 218 requires identifying properties according to the most recent tax roll, and APNs are therefore the most reliable identifier. He pointed out that this requirement applied only to property owners and that APNs are readily available on property tax bills and deeds. In response to a statement by a member of the public that the District's Proposition 218 process was illegal because ratepayers were not provided a ballot to vote on the proposed increase, Mr. Horowitz advised that the voting requirement does not apply to charges for water service and is only required for assessments and certain other fees and charges.

**President Miller closed the Proposition 218 Hearing at 8:09 p.m.**

**President Miller called for a 5-minute recess. The Board meeting resumed at 8:14 pm.**

### **III. CONSENT CALENDAR**

All items under the consent calendar are considered to be routine and are approved by one motion. There will be no separate discussion of these items unless a member of the Board, audience, or staff request a specific item removed after the motion to approve the Consent Calendar.

#### **1. Minutes of the Board of Directors Meeting, March 8, 2017**

*Recommendation: Approve draft minutes*

***Director Costa moved to approve Consent Calendar. Vice President Walters seconded the motion and it carried unanimously.***

### **IV. OLD BUSINESS**

#### **1. Los Lagos Tank Site Transfer Agreement**

Mr. Durkin reported that the District has been leasing the Los Lagos tank site from Placer County Water Agency (PCWA) since 1997. He explained that the facility is in need of improvements and, at the request of the Board prior to the District investing in the improvements, he contacted PCWA and has negotiated the transfer of the property to the District. PCWA agreed to give the District the tank site provided the District grant an access easement and allow an antenna on the site for their SCADA and meter system.

***Director Tobin moved to adopt Resolution 17-07 (1) approving an agreement with Placer County Water Agency to Transfer the Los Lagos Tank Site Including the Tank and all Appurtenant Facilities to San Juan Water District; (2) Accepting PCWA's Transfer of the Property, Tank and Appurtenant Facilities; and (3) Granting an Antenna and Access Easement to PCWA. Vice President Walters seconded the motion and it carried unanimously.***

## V. NEW BUSINESS

### 1. Five-Year Retail Water Rate Plan

President Miller opened the floor to the public. Mr. Rick Williams addressed the Board and requested that they consider a one-year rate increase instead of the 5-year plan. In addition, Mr. Williams commented that the District's salary survey did not compare to the private sector and was flawed – he suggested that the District consider using Gartner, Bain, or Forrester to obtain private sector salary information.

***Director Walters moved to table any action on the Five-Year Retail Water Rate Plan until the next regular Board meeting on April 12, 2017. Director Costa seconded the motion.***

Director Costa commented that a lot of information was provided at the meeting and there is some merit to information received; however, he would prefer to wait until the next meeting to have more discussion on the topic. Directors Rich and Tobin commented that there was adequate information supplied in the presentations in order for the Board to take action tonight.

***The motion carried with 3 Aye votes and 2 No votes (Directors Rich and Tobin).***

## VI. INFORMATION ITEMS

### 1. GENERAL MANAGER'S REPORT

#### 1.1 Miscellaneous District Issues and Correspondence

Mr. Helliker reported that an email was received from RWA requesting support on two legislative bills related to the water conservation program. He will place this request on the April 12<sup>th</sup> Board meeting agenda.

### 2. ASSISTANT GENERAL MANAGER'S REPORT

#### 2.1 FO-40 Phase II Rehabilitation Project

Mr. Durkin reported that it has been four years since the completion of the Fair Oaks-40 Phase I Rehabilitation Project. He informed the Board that a

Request for Proposals has been issued for phase 2 of the Fair Oaks-40 Rehabilitation Project. He explained that agreements are in place with Fair Oaks Water District and Orange Vale Water Company regarding this next phase of the project and staff has been communicating the status of the project with the other agencies.

*For information only; no action requested.*

**2.2 Miscellaneous District Issues and Correspondence**  
No report.

**3. DIRECTOR OF FINANCE'S REPORT**

**3.1. Miscellaneous District Issues and Correspondence**  
No report.

**4. LEGAL COUNSEL'S REPORT**

**4.1 Legal Matters**  
No report.

**VII. DIRECTORS' REPORTS**

**1.1 SGA**  
No report.

**1.2 RWA**  
No report.

**1.3 ACWA**  
**1.3.1 Local/Federal Government/Region 4 - Pam Tobin**  
No report.

**1.3.2 JPIA - Bob Walters**  
No report.

**1.3.3 Energy Committee - Ted Costa**  
No report.

**1.4 CVP Water Users Association**  
No report.

**1.5 Other Reports, Correspondence and Comments**  
There were no other items discussed.

## **VIII. COMMITTEE MEETINGS**

### **1. No Committee Meetings**

## **IX. UPCOMING EVENTS**

1. California Water Policy Conference 26  
April 6-7, 2017  
San Diego, CA
2. 2017 Cap To Cap – Metro Chamber  
April 29 – May 3, 2017  
Washington DC
3. 2017 ACWA Spring Conference  
May 9-12, 2017  
Monterey, CA

## **X. ADJOURN**

The meeting was adjourned at 8:33 p.m.

ATTEST:

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KENNETH MILLER, President  
Board of Directors  
San Juan Water District

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TERI GRANT, Board Secretary

# NOTICE TO PROPERTY OWNERS PUBLIC HEARING ON PROPOSED INCREASES TO RETAIL WATER RATES

On March 29, 2017 at 6:00 p.m., the San Juan Water District Board of Directors will hold a public hearing at 5455 Eureka Road, Granite Bay, CA 95746 to consider proposed increases in rates for retail water service as further described in this notice.

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 to safeguard public health and safety. San Juan works every day to ensure residents and businesses receive clean, safe and reliable water supplies in as efficient and cost-effective a manner as possible. San Juan maintains its water treatment and distribution system to meet all regulatory standards to protect our community's health and safety and the environment.

San Juan continually strives to keep costs low, improve efficiencies and optimize the use of San Juan's assets. However, the costs of purchasing water, complying with laws and regulations governing drinking water safety and reliability, and responsibly maintaining and replacing aging system infrastructure are increasing. As a result, we are proposing retail water rate increases to ensure the financial health and sustainability of the District.

San Juan's Five-year Retail Financial Plan details the District's current and estimated future revenue needs to provide ongoing, safe and reliable retail water service and provides the justification for the proposed rate increases. You can find this plan at [sjwd.org/RetailRateReportDraft2017](http://sjwd.org/RetailRateReportDraft2017) or receive/review a copy of the plan at our office.

## 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's retail service area. This notice gives you information about proposed retail water rate increases the Board of Directors will consider adopting at the March 29, 2017 public hearing. It also outlines how you can participate in the rate-setting process.

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

San Juan's 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. After five years of decreasing water sales revenue and dwindling reserve fund balances, San Juan's current retail rates will not provide enough revenue to continue to satisfactorily meet debt service obligations and adequately fund operational requirements.

San Juan is proposing an increase in retail water rates to:

- Fund necessary capital replacement projects
- Maintain and improve financial stability
- Meet required debt service obligations
- Maintain Board-adopted reserve levels
- Meet increased regulatory requirements

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

**Drought and reduced water sales revenues:** Since 2015, customers reduced their water use significantly in response to the drought and in conformance with conservation mandates imposed by the State of California. Although the water use reductions helped stretch California water supplies during the drought, our water sales revenues decreased well below the amount estimated to be received in our annual financial plans and budgets. As a result, retail revenues were not sufficient to cover the costs of the District's retail operations. To minimize the need for even higher retail rate increases, the San Juan Board of Directors used dedicated rate stabilization reserve funds to offset what would have been even more severe budget impacts.

**Water system maintenance and Retail Capital Improvement Plan:** As a water service provider, San Juan must maintain the distribution system that provides water to our customers in compliance with numerous

## Eureka School District Office Gymnasium

(located in back on right side)

5455 Eureka Road, Granite Bay, CA 95746

March 29, 2017

6:00 p.m.

AGENDA ITEM II-1

federal and state laws and regulations. This includes 200 miles of pipeline, multiple pump stations, meters, storage tanks and other equipment. The operation and maintenance of this system is not inexpensive. In addition, San Juan-Retail's 10-year Capital Improvement Plan includes over \$30 million of improvements to ensure the current and future reliability of water deliveries 24/7/365. All costs of operating the water system must be paid for from rate revenues.

**Rising water costs:** San Juan is both a retail water agency and a wholesale water supplier. The District's wholesale water supply comes from the American River and flows into Folsom Lake. San Juan holds some of the oldest water rights in the State, and has contracts for water from the U.S. Bureau of Reclamation and Placer County Water Agency to access additional water when needed. The water San Juan delivers to our retail customers comes from those supplies, which are treated and delivered by San Juan acting as a wholesale agency.

Legally the San Juan Water District is one utility enterprise that functions as both a retailer and wholesaler of water, meaning we both treat and deliver the water supply to other water suppliers and to residential and business customers in the retail service area. However, for cost analysis purposes, San Juan separately tracks its wholesale and retail costs and revenue and also sets independent rates for both.

**Just as you pay San Juan's retail agency for your water to cover the costs of serving you, San Juan-Retail pays San Juan-Wholesale to access, treat, store and deliver those water supplies to San Juan's retail distribution system.** In addition, there are costs to ensure the future reliability, quality and long-term affordability of those wholesale water supplies that include capital investments as well as advocacy in legislative, regulatory, operational and other venues.

Much of the need for San Juan-Retail's proposed rate increases is the rising cost of purchasing the water that is ultimately delivered to our customers. San Juan-Wholesale's rates, though still low, are increasing as a result of pressure that is impacting water agencies throughout California. These pressures include:

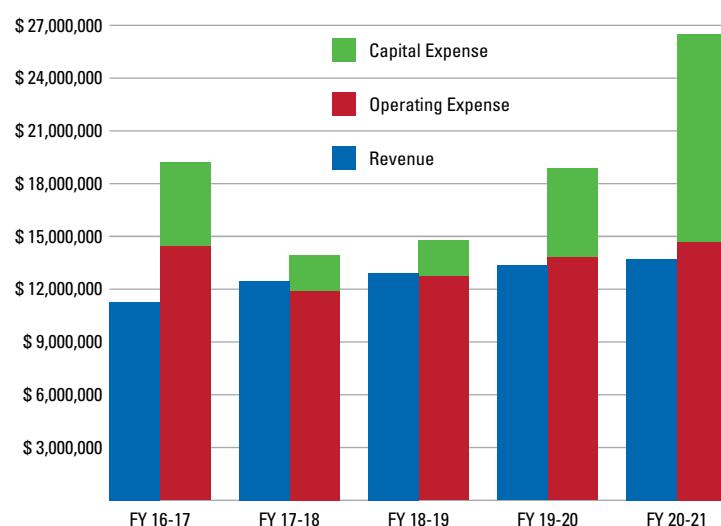
- **Increasing water costs:** The cost of purchasing and treating water supplies is rising. Within the last year, the cost of water purchased from the U.S. Bureau of Reclamation jumped by more than 50 percent. Costs to purchase water are expected to increase by similar increments in the coming years.
- **Decreased wholesale water sales and revenue:** Just as San Juan-Retail's reduced water sales during the drought diminished revenues well below budgeted levels, this effect similarly impacted San Juan-Wholesale's budget. San Juan's overall wholesale water sales in 2016 were approximately 40 percent less than five years ago, resulting in \$1.5 million less in revenue than in 2011.
- **Wholesale Capital Improvement Plan:** Just as San Juan-Retail has to pay for its \$30 million 10-year Capital Improvement Plan, San Juan-Wholesale must pay for its \$50 million, 10-year Capital Improvement Plan. That plan includes maintaining and improving the Sidney N. Peterson Water Treatment Plant, which was constructed in three phases between the years of 1975 to 1983 at an initial cost of approximately \$11.4 million. Since that time the District has invested over \$27 million to maintain, replace, and improve the plant to ensure it continues to provide clean, safe drinking water in compliance with increasingly stricter laws and regulations. The Wholesale 10-year Capital Improvement Plan also includes the cost to replace the Hinkle Reservoir, a 62 million gallon reservoir used to store and distribute the water provided by the treatment plant. The Hinkle Reservoir was constructed in 1981 and had an expected life of 20 years. Due to excellent maintenance and a dash of good luck, the reservoir cover and liner have outlived their expected life by 16 years. But replacement is a costly necessity. The Wholesale Financial Plan includes \$23.8 million for the replacement of this critical asset, anticipated to be completed in the year 2021, or sooner.



9935 Auburn-Folsom Road  
Granite Bay, CA 95746



## PROJECTED FISCAL YEAR RETAIL WATER REVENUES AND EXPENSES (NO RATE INCREASE)



The figure above depicts retail revenues (in blue) assuming no rate increase, and expenses, which are broken out between operating and capital (red and green respectively). As shown on the chart, retail revenues at current rates cover neither the operating expenses nor the capital needs of San Juan-Retail over the time period shown.

The Board of Directors is considering adopting a new five-year retail water rate plan to spread increases over multiple years. Increased revenue is necessary to fund retail water system capital improvement projects, increased wholesale water purchase costs, ongoing facilities maintenance, and general operations.

## CURRENT AND PROPOSED RETAIL WATER RATES

	Current	May 2017	Jan. 2018	Jan. 2019	Jan. 2020	Jan. 2021
<b>Overall Water Rate Increase</b>		<b>8%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>6%</b>
<b>Daily Base Rate Changes</b>						
Up to 1" meter	\$ 1.24	\$ 1.42	\$ 1.63	\$ 1.86	\$ 2.11	\$ 2.29
1-1/2" meter	3.31	3.68	4.22	4.81	5.46	5.93
2" meter	5.28	5.85	6.72	7.66	8.69	9.44
3" meter	10.50	10.90	12.51	14.27	16.19	17.58
4" meter	16.36	18.12	20.80	23.72	26.91	29.23
5" meter	32.73	36.18	41.54	47.38	53.74	58.36
8" meter	58.83	57.85	66.42	75.76	85.94	93.34
Fire District	6.36	7.28	8.36	9.54	10.82	11.75
<b>Water Usage Charge (\$/CCF)</b>						
All water usage	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92
<b>Daily Private Fire Line Charges</b>						
4" meter	\$ 0.54	\$ 0.58	\$ 0.63	\$ 0.69	\$ 0.75	\$ 0.80
6" meter	0.81	0.87	0.95	1.04	1.13	1.20
8" meter	1.09	1.23	1.34	1.46	1.59	1.69
10" meter	1.29	1.47	1.60	1.74	1.90	2.01
<b>Hinkle PS Pumping Surcharge (\$/AF)</b>						
Wholesale deliveries to City of Folsom	\$ 68.87	\$ 74.38	\$ 81.07	\$ 88.37	\$ 96.32	\$ 102.10
Typical Bi-monthly Residential Bill (@ 30 CCF/month)	\$ 129.60	\$ 140.40	\$ 158.00	\$ 166.80	\$ 181.80	\$ 192.60
		\$ 10.80	\$ 12.60	\$ 13.80	\$ 15.00	\$ 10.80
		8.3%	9.0%	9.0%	9.0%	5.9%

The proposed retail water rates shown above are expected to generate the necessary revenues to cover San Juan retail's costs over each of the next five years. To minimize potential future budgetary effects of reduced water sales during drought periods, San Juan is proposing a change to the composition of the rates and to impose a series of increases through January 2021. The proposed rates have been recalibrated to increase the portion of revenue derived from the **fixed or base charge** component while the per unit water usage charge will not increase. This is intended to decrease the severity of fluctuations in revenue when conservation efforts lead to reduced water sales and is necessary because the majority of the District's costs of providing service are fixed. Improving the District's financial stability by having more fixed costs paid for by fixed charges, as is the recognized industry standard, will solidify fund balances, enhance financial planning capabilities and increase budgetary certainty. All of these outcomes should contribute to a higher credit rating for the district, which in turn will reduce the cost of current and future debt obligations. **This plan will save ratepayers money and help to reduce future upward rate pressure.**

**Fixed costs** typically include facilities, infrastructure maintenance, debt service, customer service, and other similar needs that have to be paid for regardless of how much water is delivered to customers.

**Variable costs** typically reflect a portion of the amount of water sold and the associated costs of purchasing and delivering that water, including energy for pumping and treatment operations.

## HOW THIS INCREASE MAY IMPACT YOU

Under the proposed 2017 retail rate increase, a typical homeowner's fixed or base charge for a 1" meter will increase by \$10.80 per 60-day billing cycle, or 18¢ per day. The water usage charge will not change and will remain at 92¢ per 100 cubic feet of water. This is equivalent to approximately 1/10 of 1¢ per gallon.

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 2017. A customer's actual increase will vary depending upon the size of their meter. Because only the daily base charge is changing, all customers with a 1" meter will have a bi-monthly bill increase of \$10.80 (or 18¢ per day), regardless of water usage. A larger meter results in a higher base charge. A sampling of charges reflecting various amounts of bi-monthly water usage for a typical homeowner on a 1" meter connection with a 60 day billing cycle are illustrated below. 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.

Water Usage in Units (ccf)	2016 Bi-monthly Usage Charge	2017 Bi-monthly Usage Charge	2016 Bi-monthly Base Charge 1" meter	2017 Bi-monthly Base Charge 1" meter	2016 Bi-monthly Bill	2017 Bi-monthly Bill	Bi-monthly Increase: 60 day
60	\$55.20	\$55.20	\$74.40	\$85.20	\$129.60	\$140.40	\$10.80
54 (10% less)	\$49.68	\$49.68	\$74.40	\$85.20	\$124.08	\$134.88	\$10.80
90 (50% more)	\$82.80	\$82.80	\$74.40	\$85.20	\$157.20	\$168.00	\$10.80
120 (100% more)	\$110.40	\$110.40	\$74.40	\$85.20	\$184.80	\$195.60	\$10.80
0 (100% less)	\$0	\$0	\$74.40	\$85.20	\$74.40	\$85.20	\$10.80
200 (333% more)	\$184.00	\$184.00	\$74.40	\$85.20	\$258.40	\$269.20	\$10.80

## HOW YOU CAN PARTICIPATE

All members of the public are invited to submit comments about this proposal and/or attend the public hearing on March 29, 2017. An owner or tenant of property receiving District retail water service may protest the proposed retail water rates and charges by submitting a written protest by mail or in person to the General Manager, San Juan Water District, P.O. Box 2157, 9935 Auburn-Folsom Road, Granite Bay, CA 95746. Written protests must be received (*not postmarked*) by the General Manager before the close of the public hearing to be held on March 29, 2017 at 6 p.m. Any protest submitted by e-mail or other electronic means will not be accepted.

To be valid, a protest must be signed by the property owner or tenant and must include the assessor's parcel number, the address of the parcel served, the customer's account number for the parcel served, and a statement that the protestant is protesting the Agency's proposed water rates and charges to be considered by the District Board of Directors at the public hearing set for March 29, 2017. If a tenant protests, the tenant need not state the assessor's parcel number on the protest form. Only one written protest per identified parcel will be counted for purposes of determining if there is a majority protest. The Board Secretary, or her designee, will tabulate the protests, and any member of the public may observe the tabulation. All protest forms will be considered public records and retained for two years from the date of the hearing. Protests sent through the mail are subject to the potential failure of the U. S. Postal Service to deliver them to San Juan by the noticed deadline. Any protest that is received after the deadline will be invalid and not be counted.

If a majority of affected parcel owners file written protests to the proposed rates, the Board of Directors may not approve them. If there is not a majority protest, the Board of Directors will deliberate and may approve a rate increase up to a maximum equal to the amounts described in this notice.

In addition, over the course of the next five 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, although the District will, consistent with Proposition 218, provide at least a 30-day notice of any approved rate increase that the Board decides to impose in a following year. 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.

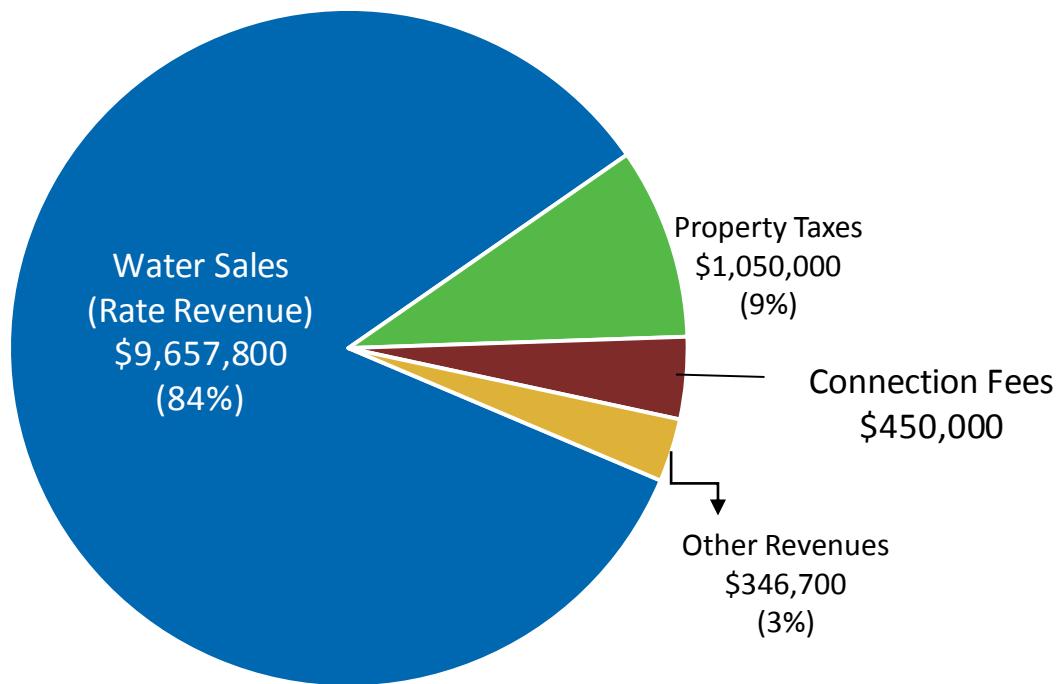
# San Juan Water District

Public Hearing to Consider Five Year Retail Water  
Rates

March 29, 2017

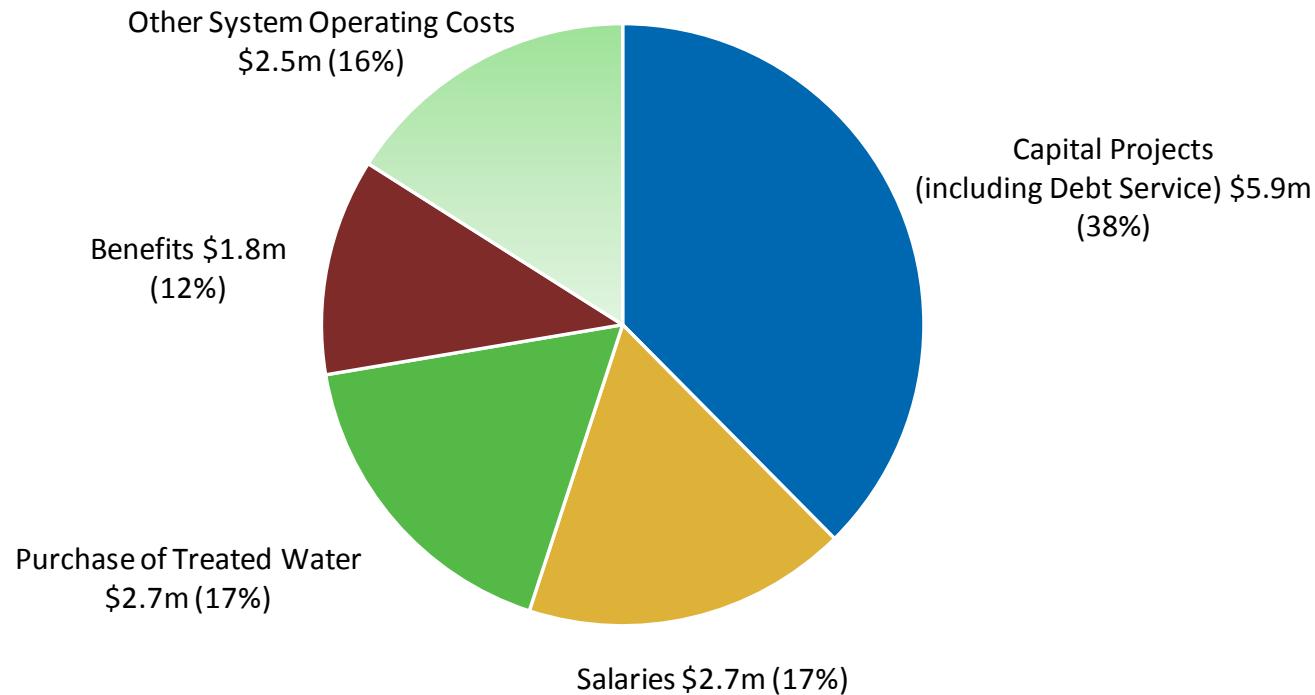


## Retail Revenue Sources

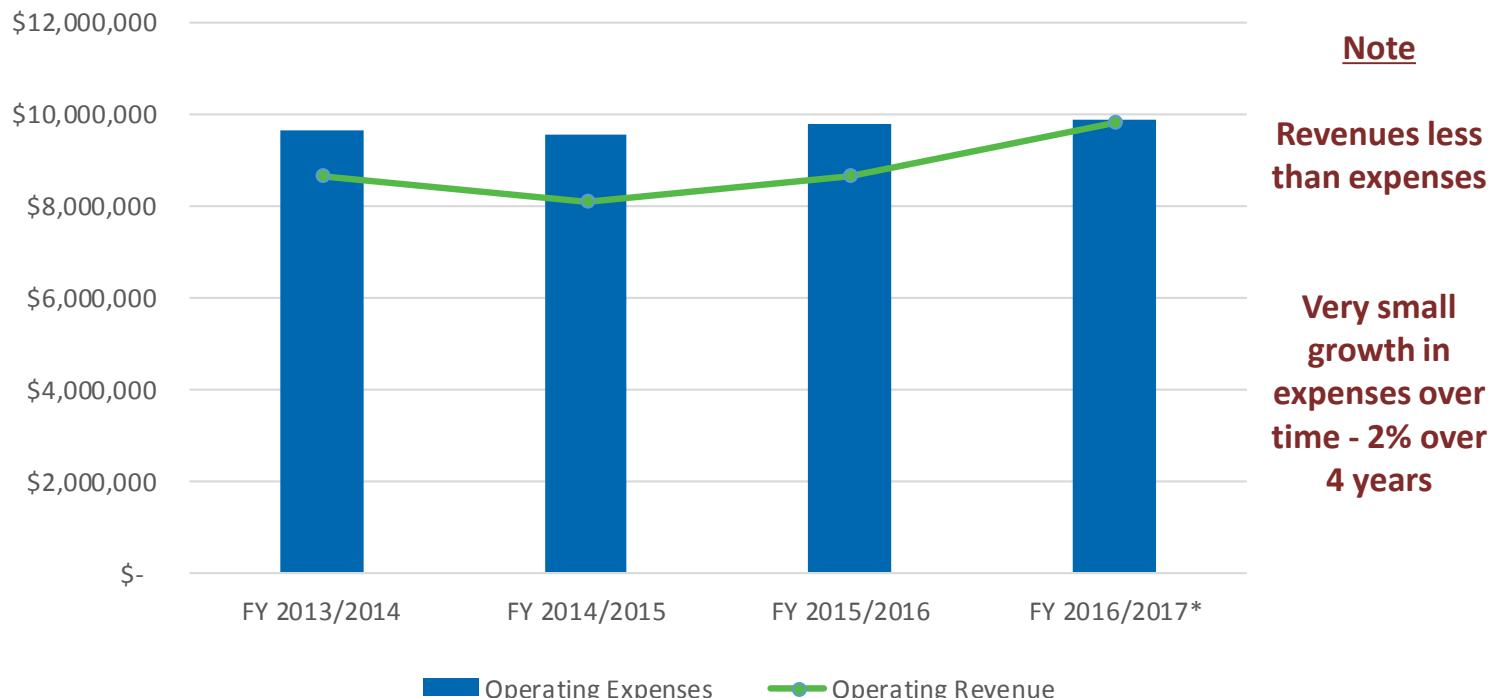


source: 2016/2017 Adopted Budget

## Where Does Your Rate Money Go?



## Retail Operating Revenues & Expenses FY 2013/2014 to FY 2016/2017



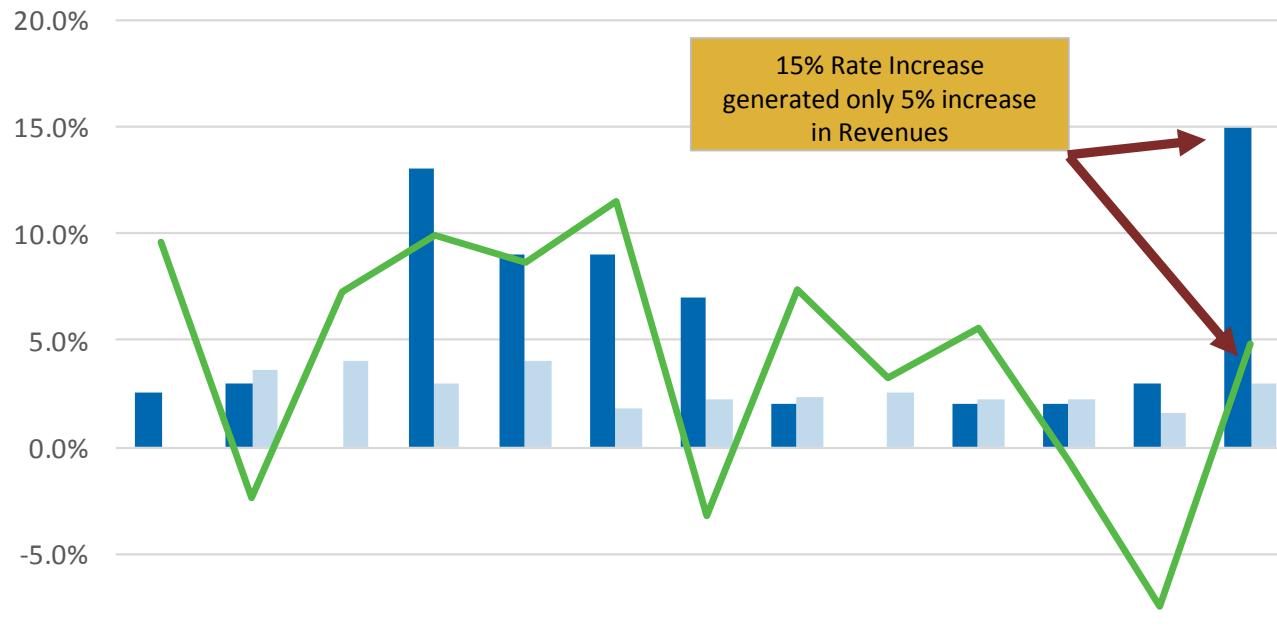
\* all numbers are actual except FY 2016/2017 which is Budgeted

## Retail Reserves



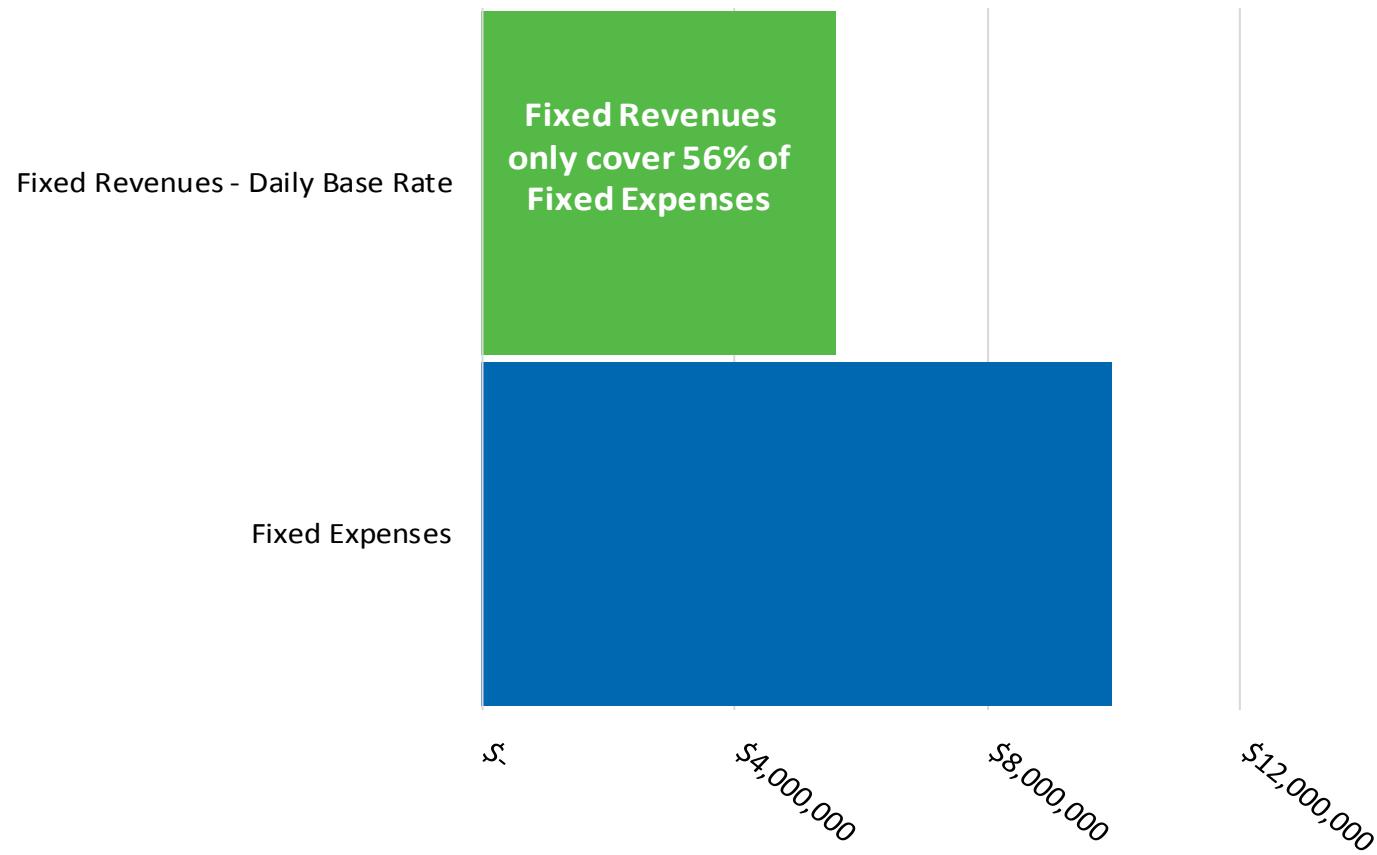
\* Estimate per adopted budget

## Rate and Revenue % Change Over Time



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Rate Increase	2.5%	3%	0%	13%	9%	9%	7%	2%	0%	2%	2%	3%	15%
Inflation	0	3.6%	4.1%	2.9%	4.1%	1.8%	2.2%	2.3%	2.6%	2.2%	2.2%	1.6%	3.0%
% Change Revenue	10%	-2%	7%	10%	9%	11%	-3%	7%	3%	6%	-1%	-7%	5%

## Portion of Fixed Expenses covered by Fixed Revenue FY 2016-2017



# San Juan Water District

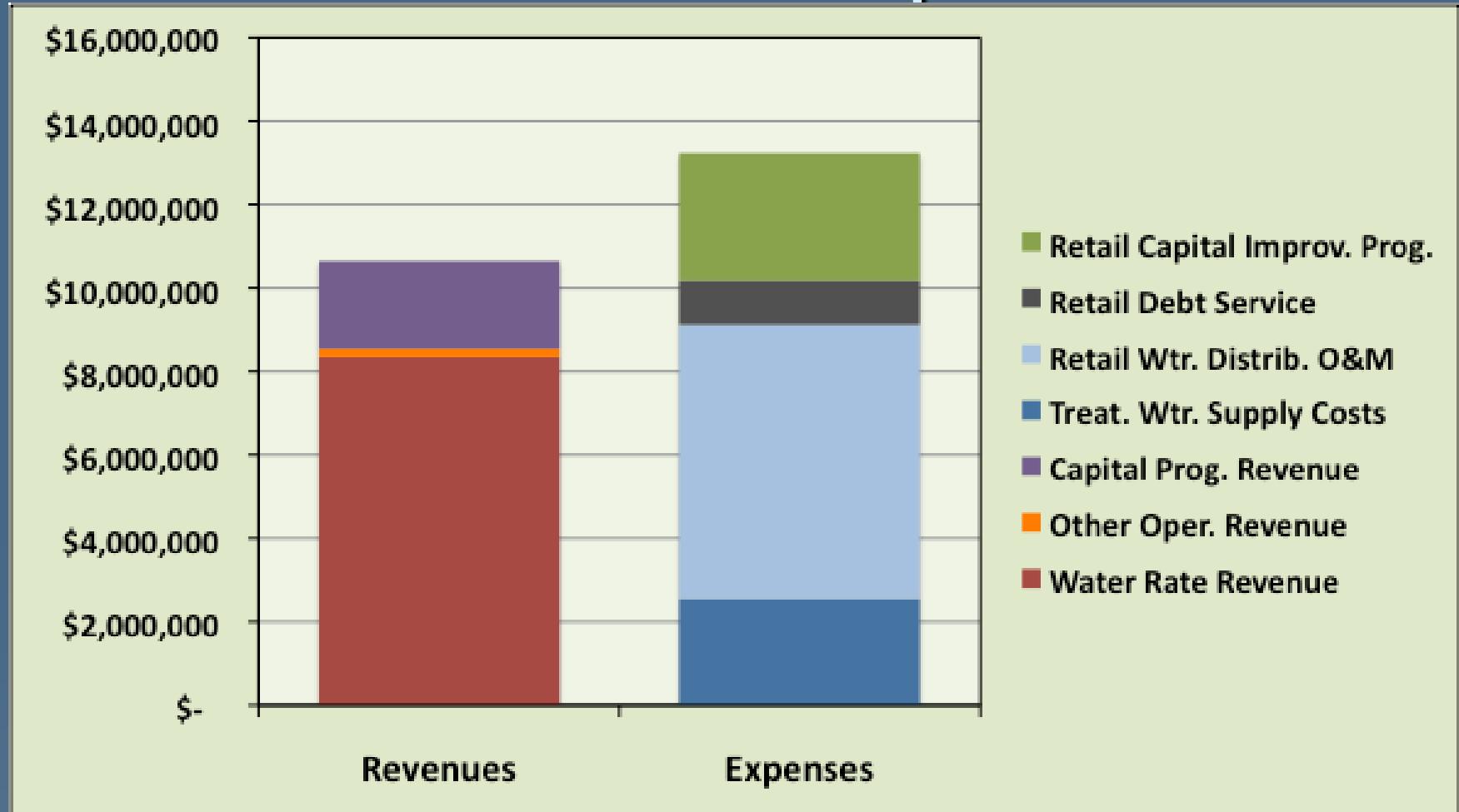
*Public Hearing on Proposed  
Increases to Retail Water Rates*

March 29, 2017

*The Reed Group, Inc.*



# FY 15-16 Retail Revenues & Expenses

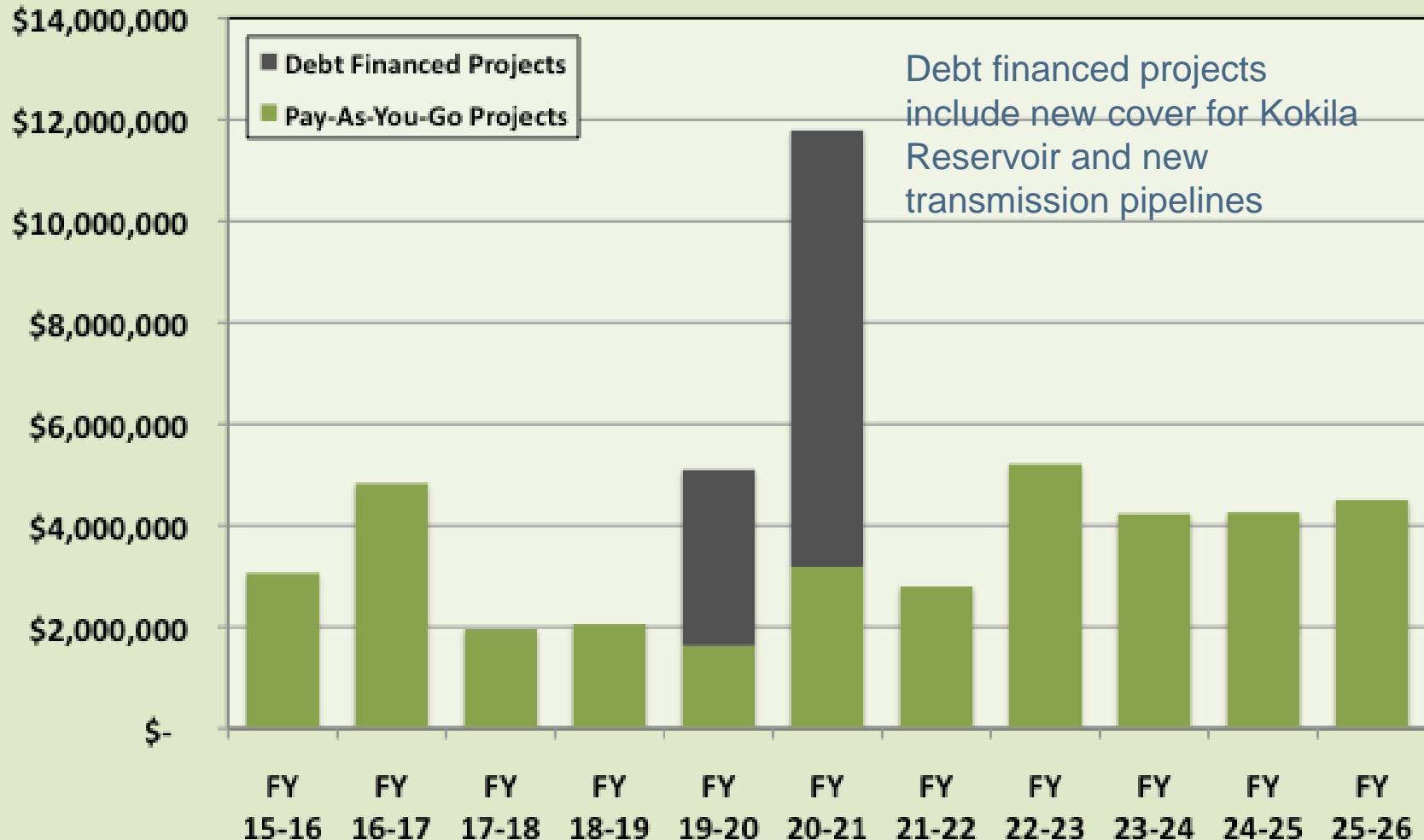


# Retail Costs and Obligations

- Treated water supply costs increase an average of 7.0% per year
- Water distribution and customer care O&M costs increase an average of 4.4% per year
- Existing debt service stable at about \$1.0 million per year
  - New debt could add \$737,000 per year
- Capital program totals \$46.7 million over 10 years
  - Pay-as-you-go program totals \$34.6 million
  - Debt financed program totals \$12.1 million



# Retail Capital Improvement Program



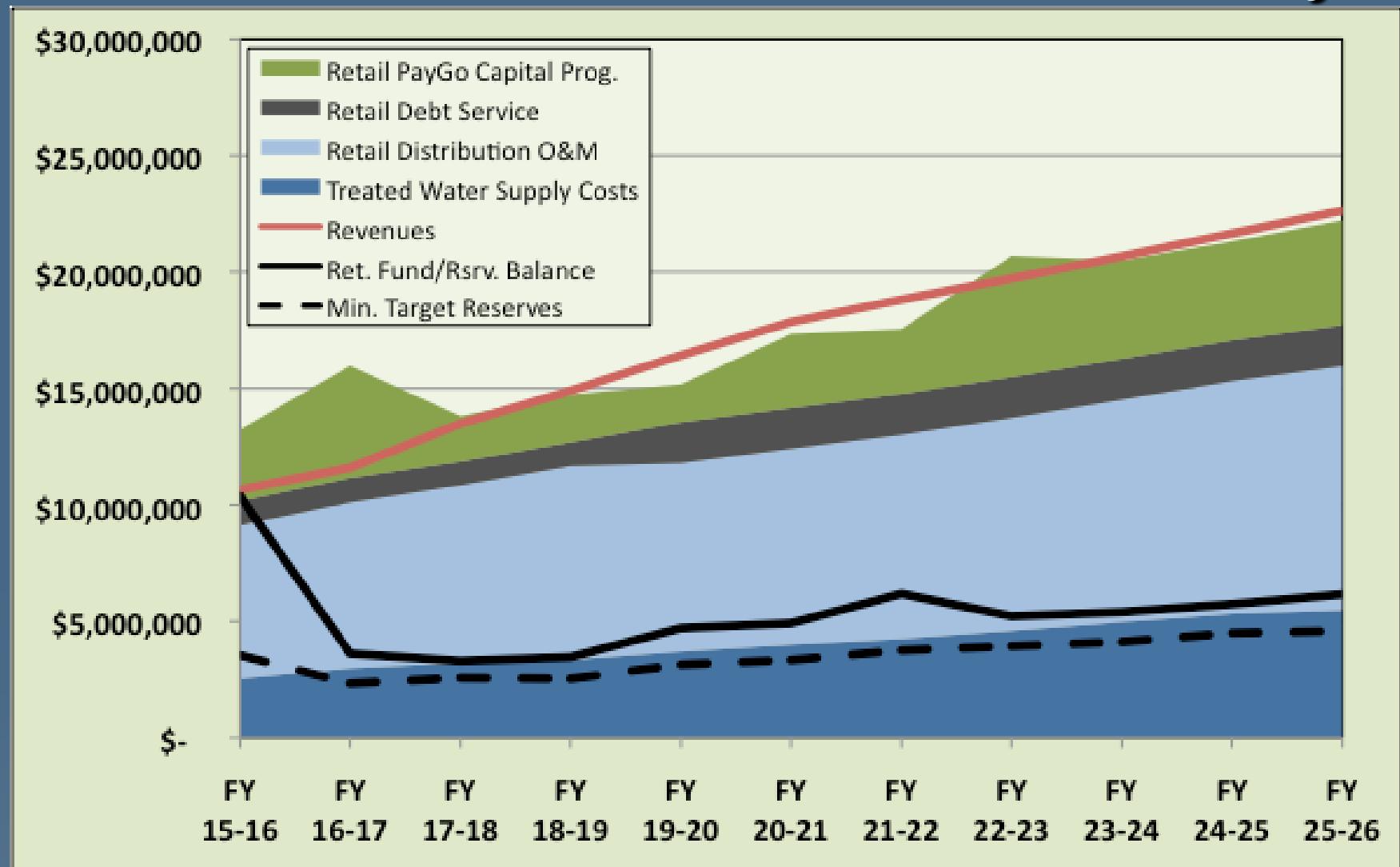
Debt financed projects include new cover for Kokila Reservoir and new transmission pipelines

# Financing of the Capital Improvement Program

- Estimated \$40.75 new debt issue in 2019
  - \$29.0 million for wholesale projects
  - \$12.75 million for retail projects
  - Annual debt service (at 4.0% interest)
    - \$1.7 million wholesale; \$737,000 retail
- Pay-as-you-go funding for majority of capital program
  - Wholesale about \$36.2 million over 10 years
  - Retail about \$34.6 million over 10 years



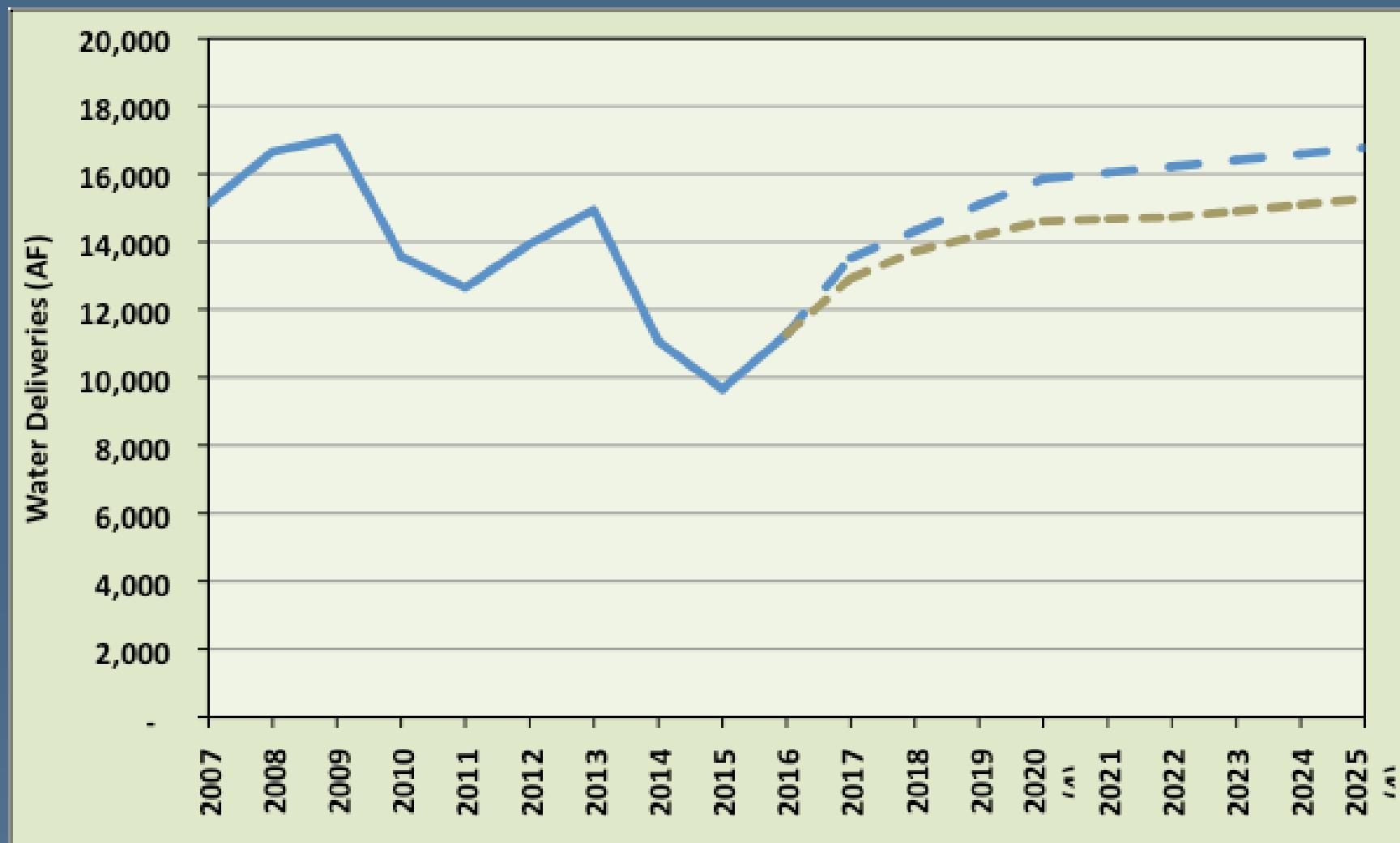
# Retail Financial Plan Summary



Debt proceeds and debt-funded projects not shown.



# Water Deliveries to Retail System



# Annual Overall Retail Water Rate Adjustments

Year	PROPOSED	Year	Estimated
2017	8%	2022	4%
2018	9%	2023	4%
2019	9%	2024	4%
2020	9%	2025	4%
2021	6%	2026	4%

Wholesale rate adjustments have already been approved.



# Proposed Retail Water Rates

	<b>Current</b>	<b>Jan. 2017</b>	<b>Jan. 2018</b>	<b>Jan. 2019</b>	<b>Jan. 2020</b>	<b>Jan. 2021</b>
<b>Overall Water Rate Increase --&gt;</b>	<b>8%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>6%</b>
<b>Daily Base Charges</b>						
Up to 1" meter	\$ 1.24	\$ 1.42	\$ 1.63	\$ 1.86	\$ 2.11	\$ 2.29
1 1/2" meter	\$ 3.31	\$ 3.68	\$ 4.22	\$ 4.81	\$ 5.46	\$ 5.93
2" meter	\$ 5.28	\$ 5.85	\$ 6.72	\$ 7.66	\$ 8.69	\$ 9.44
3" meter	\$ 10.50	\$ 10.90	\$ 12.51	\$ 14.27	\$ 16.19	\$ 17.58
4" meter	\$ 16.36	\$ 18.12	\$ 20.80	\$ 23.72	\$ 26.91	\$ 29.23
6" meter	\$ 32.73	\$ 36.18	\$ 41.54	\$ 47.38	\$ 53.74	\$ 58.36
8" meter	\$ 58.83	\$ 57.85	\$ 66.42	\$ 75.76	\$ 85.94	\$ 93.34
Fire District	\$ 6.36	\$ 7.28	\$ 8.36	\$ 9.54	\$ 10.82	\$ 11.75
<b>Water Usage Charge (\$/CCF)</b>						
All water usage	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92
Typical Monthly Residential Bill (@ 30 CCF/mo.)	\$ 64.80	\$ 70.20	\$ 76.50	\$ 83.40	\$ 90.90	\$ 96.30
		\$ 5.40	\$ 6.30	\$ 6.90	\$ 7.50	\$ 5.40
		8.3%	9.0%	9.0%	9.0%	5.9%



# Effects of New Water Rates

- Residential customers (with 1" meter)
  - Water bills increase by \$0.18 per day in 2017, regardless of water usage
  - Total increase is \$1.05 per day in five years
- Multi-family and non-residential
  - Increase in water bills depends on water meter size, and is independent of water usage
- Portion of water bill from fixed charges gradually increases



# Plan B: Alternative Rate Plan

- Exclude the new administrative building currently planned for FY 20-21
- Alternative 5-year rate plan
  - May 2017                    8%
  - January 2018                9%
  - January 2019                8% (1% lower)
  - January 2020                8% (1% lower)
  - January 2021                6%



# San Juan Water District Proposed Retail Rate Plan

## Common Comment Themes

Keith Durkin

Assistant General Manager

March 29, 2017



# Common Themes

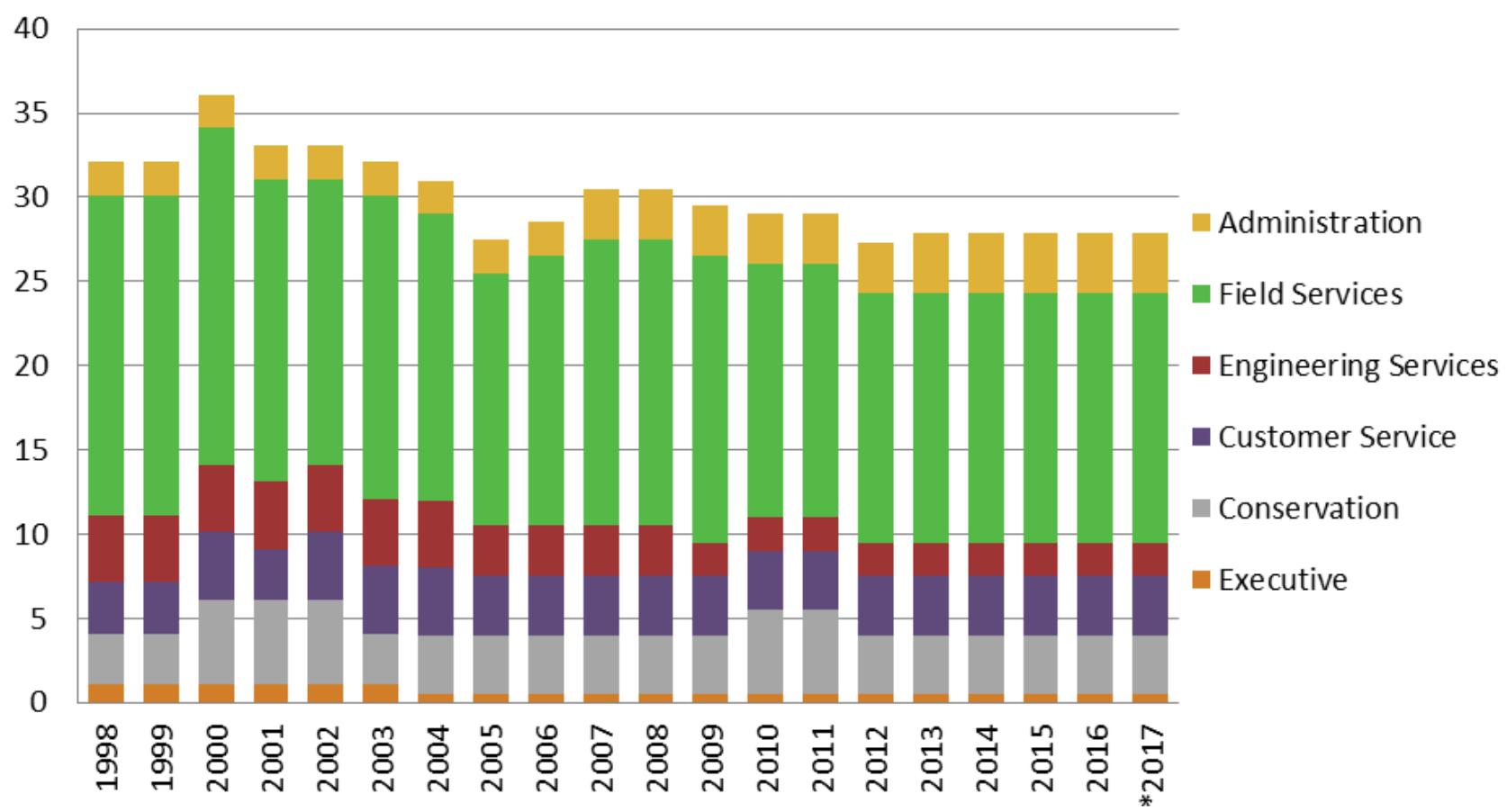
- General protests – don't like increase, poor fiscal planning
- Punishment for conserving water – making up for lost revenue
- 5-year rate plan incorrect – water sales/revenue will increase or assumptions may be incorrect
- Increase is too high – exceeds inflation
- Should not increase base rate – doesn't promote conservation

# Common Themes (continued)

- Consider layoffs and cutting salaries
- Reduce expenses – we haven't seen any cost cutting measures
- Construction (development?) should pay for itself; Reduce capital improvement program (CIP) costs

# Staffing Levels

## Number of Retail Water System Positions as of June 30, 2016



# Salary Comparisons

## Salary Comparison - Water Agencies in Sacramento and Surrounding Counties

2015 State Controller's Database - 2015

Agency	Operations	County	Average Salary 2015	# of Positions*	# of Connections**
Yuba County Water Agency	Water supply, power	Yuba	83,685	68	n/a
South San Joaquin Irrigation District	Water supply	San Joaquin	80,483	97	n/a
Solano Irrigation District	Water supply	Solano	80,143	87	n/a
South Tahoe Public Utility District	Water supply, wastewater	El Dorado	78,148	124	11,475
El Dorado ID	Water supply, wastewater	El Dorado	77,446	234	37,677
San Juan Water (total)	Water supply, retail water	Placer, Sacramento	76,111	63	10,609
Citrus Heights Water	Retail water	Sacramento	75,707	34	19,591
San Juan Retail	Retail water	Placer, Sacramento	68,023	41	10,609
Stockton-East Water	Water supply	San Joaquin	64,144	52	n/a
Placer County Water Agency	Water supply, retail water, power	Placer	63,958	253	35,394
Sacramento Suburban Water	Retail water	Sacramento	59,669	80	46,661
Carmichael Water	Retail water	Sacramento	59,128	32	11,782
Fair Oaks Water	Retail water	Sacramento	53,846	38	13,894

\* source: includes Board Members, interns, seasonal temporary positions, and positions vacated and filled during the year.

\*\* source: Agency Financial Reports, as shown on agency website

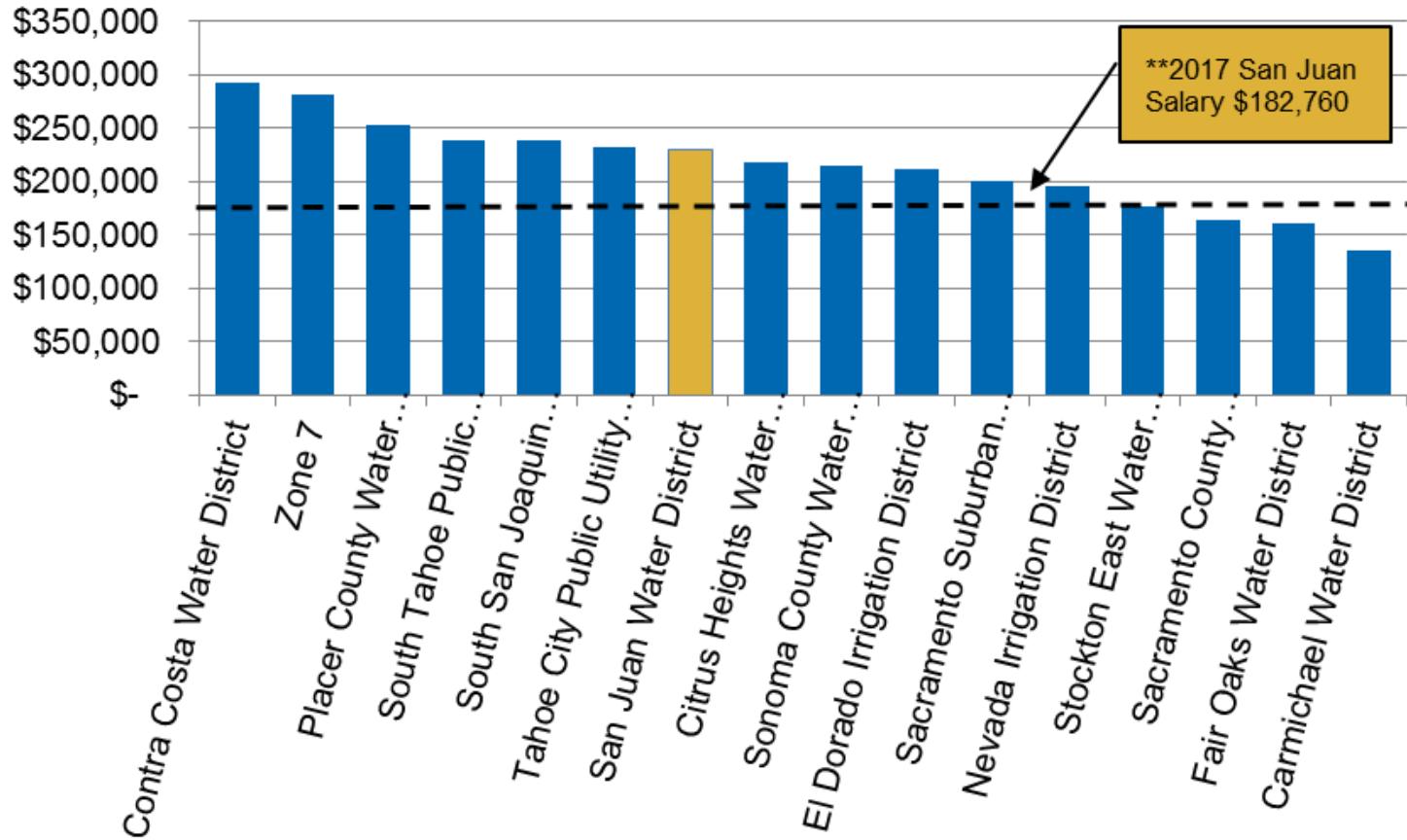
# Salary Comparisons

Position	Private Sector <sup>1</sup>	San Juan Water District
Accountant	\$71,450 - \$95,304	\$75,035 - \$90,060
Associate Engineer	\$104,225 - \$129,400	\$105,597 - \$126,721
Board Secretary (Executive Assistant)	\$65,084 - \$81,152	\$64,827 - \$77,796
Custodian (Superintendent/Janitor)	\$33,530 - \$45,348	\$39,808 - \$47,769
Facilities Maintenance (Mechanic Technician)	\$58,505 - \$74,134	\$61,745 - \$74,094
Information Technology Specialist	\$71,011 - \$91,188	\$69,728 - \$83,682
Treatment Plant Operator		\$69,728 – \$83,682
Distribution System Operator		\$58,791 - \$70,562

<sup>1</sup> Sources: salary.com and glassdoor.com for Sacramento area

# General Manager Salary Comparison

## 2015 Total General Manager Wages by Agencies



Source: California State Controller's website (<http://publicpay.ca.gov>)

# Cost Cutting & Control Measures

- Transferred a portion of retirement benefit and insurance costs to existing employees
- Created a second tier of employees (new hires) with reduced retirement benefits
- Held staffing levels constant while faced with more stringent work requirements
- Obtained over \$10M in grant funds for construction projects

# Cost Cutting & Control Measures (cont.)

- Deferred capital projects, fleet, and equipment purchases
- Partnered with Placer County on pipeline replacement projects to save on trenching and paving costs (> \$2 million)
- Negotiated revised contract terms with PCWA for water supply during drought to save \$400,000
- Refinancing existing debt to save up to \$500,000 per year in interest costs

# Cost Cutting & Control Measures (cont.)

- Considering paying down unfunded pension liability to save millions in interest
- Increased capability of Engineering Department to save money by completing more in-house design and construction management
- Modified service area pressure zones to save \$tens of thousands annually in pumping costs and avoid a \$4-million pump station upgrade
- Identified/implemented IT improvements to save on hardware and software costs and eliminate need to refill an IT position

# Water System Construction and Improvements

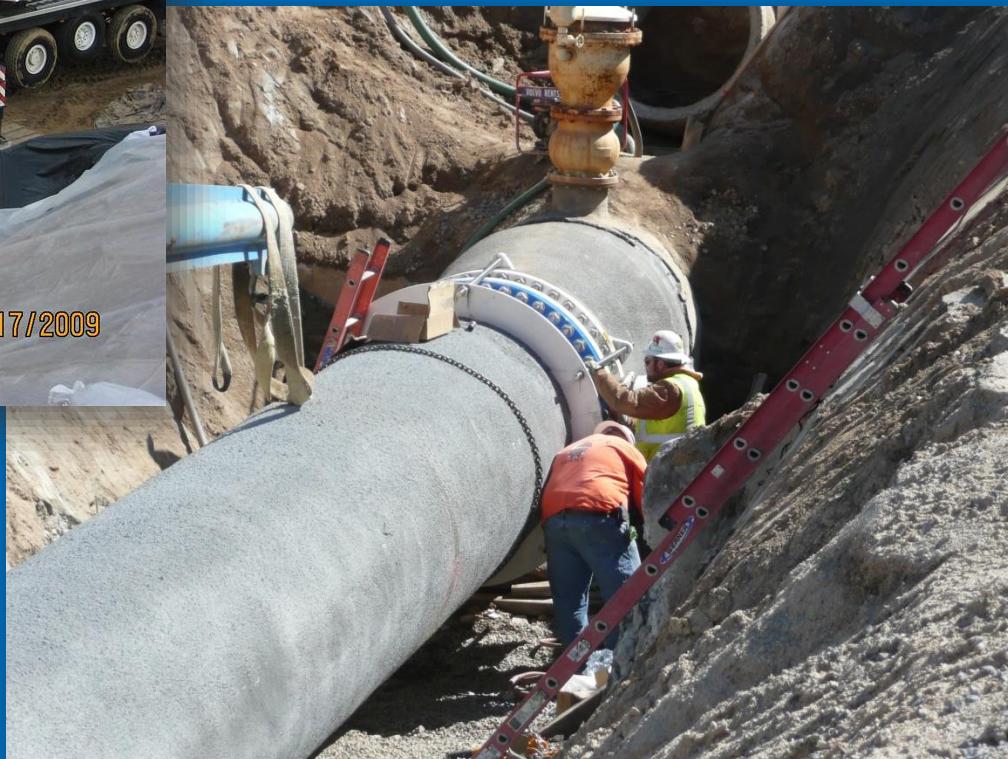
- Development pays its own way
  - New piping, connections, appurtenances
  - System “buy-in”
- Capital Improvement Program (CIP) benefits all customers
  - Repairs, refurbishments, and replacements
  - Upgrades to meet service requirements or regulatory requirements

# Capital Facilities and Assets



May 2011

# Capital Facilities and Assets



# Capital Facilities and Assets



# Capital Facilities and Assets



# Capital Facilities and Assets

Over 200 miles of Pipelines	\$350 million
9 Pump Stations	\$50 million
Storage Tanks & Reservoirs (6MG)	\$25 million
Valves, Hydrants, Meters, PSV/PRVs, Appurtenances	\$75 million
Fleet, Buildings & Grounds	<u>\$3 million</u>
<b>TOTAL</b>	<b>\$503 million</b>

# Retail Capital Improvement Program

## 2016-2026

- 75 identified capital projects/ expenses
- Many of these are deferred projects from 2006 - 2016
- \$26 million over next 5 years
- 10-year total cost of about \$50 million

59	Field & Engr Building Roof Replacement (RSA Share)	\$ 50,000	\$ 55,000
60	Field & Engr Building HVAC Replacement	\$ 19,000	\$ 33,500
61	Portable Generator (Trailer Mounted )	\$ 5,000	\$ 5,000
62	SCADA Radio Replacements (RSA Share)	\$ 25,000	\$ 29,000
63	SCADA System Improvements (RSA Share)	\$ 300,000	\$ 369,000
64	Corp. Site Paving Improvements (RSA Share)	\$ 150,000	\$ 169,000
65	Electrical Equipment R&R	\$ 30,000	\$ 33,000
66	Administration Building Imprmt'Repm't	\$ 1,875,000	\$ 2,232,000
67	Unidentified or Emergency Projects	\$ 50,000	\$ 607,000
<i>Information Technology<sup>3</sup></i>			
68	Retail Share of Engineering Copier	\$ 16,500	\$ 17,500
69	Replace Engineering Plotter/Scanner	\$ 10,000	\$ 11,000
70	New Servers	\$ 12,500	\$ 30,000
71	New Switches	\$ 8,000	\$ 9,000
72	Baracuda Backup Appliance	\$ 7,250	\$ 8,000
73	New Appliances	\$ 5,000	\$ 13,000
74	WaterSmart Program	\$ 55,000	\$ 131,000
75	Tyler Billing Module	\$ 126,900	\$ 126,900
Capital Improvement Program Totals <sup>1</sup>		\$31,467,350	\$49,726,200
		\$ 3,061,3	

### Notes:

1. All estimated costs are shown in Feb 2014 dollars, ENR Index 9681.
- 1a. Total costs include construction inflation factors applied in year of project implementation.
2. The timing and approach to replacing the Kokila Reservoir will be determined as part of the FY 15-16 capital improvement program.
3. Where appropriate, IT costs split between wholesale and retail.

SUNDAY JULY 10 2016

\$2

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VOL. 304, NO. 192

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## America needs an upgrade

### HIGHLIGHTS

Aging roads, water supply, electrical grids, telecommunications are crumbling

There seems to be a lack of will to pay to improve nation's infrastructure

U.S. would gain competitive edge in global economy, millions would be employed



A ruptured 93-year-old water main near UCLA in 2014 left the campus awash in 8 million gallons of water. People were

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Public hearing on  
proposed increases  
to retail water rates:  
March 29

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### Fix a Leak Week

Did you know household leaks waste more than 1 trillion gallons of water annually nationwide? You can help prevent water waste! Become a leak detective during EPA's Fix a Leak Week, March 20 – 26. Use these great resources to track down and stop your household leaks.

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### Transparency Hub

Our [Transparency Hub](#) is the central point for accounting, operations and governance information plus staff salary data and more. It provides information where you want, when you need it.

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### Questions & Answers

Are you looking for more information on San Juan Water District? Our [Questions & Answers page](#) is the place to go for answers to all of your questions about the District's operations, budgets, staffing, billing and more.

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Comparison of Single Family Water Bills with Neighboring Communities					
Bi-Monthly Water Usage (CCF) -->	Bi-Monthly Water Bills (1" meter)			Comments	2017 Rate Increase (%)
	Low Use 30	Medium Use 60	High Use 120		
Orange Vale WC	\$ 65.18	\$ 87.98	\$ 133.58	Eff. 1/1/16	
Fair Oaks WD	\$ 78.60	\$ 92.10	\$ 119.10	Eff. 1/1/15	
City of Folsom	\$ 62.40	\$ 99.20	\$ 189.20	Eff. 1/1/13	
<b>SJWD -- Current</b>	<b>\$ 102.00</b>	<b>\$ 129.60</b>	<b>\$ 184.80</b>		
City of Sacramento	\$ 95.21	\$ 131.37	\$ 203.70	Eff. 7/1/17, rates adopted thru 2019	10
Citrus Heights WD	\$ 101.91	\$ 131.53	\$ 190.75	Eff. 1/1/17, end of current rate plan	13
City of Roseville	\$ 106.54	\$ 139.24	\$ 204.64	Eff. 7/1/16, 2-yr rate plan in process	7
<b>SJWD -- Proposed 2017</b>	<b>\$ 112.80</b>	<b>\$ 140.40</b>	<b>\$ 195.60</b>		8
Carmichael WD	\$ 115.38	\$ 155.28	\$ 235.08	Eff. 1/1/17, rates adopted thru 2020	5
Sacramento Suburban WD	\$ 156.30	\$ 189.90	\$ 257.10	Eff. 1/1/17, rates adopted thru 2018	4
El Dorado Irrigation District	\$ 134.92	\$ 192.13	\$ 315.67	Eff. 1/1/17	3
Placer County WA -- Zone 3 (Applegate)	\$ 160.58	\$ 205.98	\$ 304.06	Eff. 1/1/17	CPI
Placer County WA -- Zone 1 (Rocklin)	\$ 195.22	\$ 247.32	\$ 359.80	Eff. 1/1/17	CPI
Santa Rosa	\$ 132.27			Eff. 2017	5+SCWA
Contra Costa WD	\$ 147.60			Eff. 2/1/17	6
EBMUD	\$ 162.68			Eff. 2017	7
Alameda County WD	\$ 171.25			Eff. 3/1/17	20
Dublin San Ramon SD	\$ 175.97			Eff. 1/1/17	9
Marin Municipal WD	\$ 209.96			Eff. 7/1/17	7
City of Palo Alto	\$ 266.25			Eff. 2017	

# AGENDA ITEM IV-1

## STAFF REPORT

---

To: Board of Directors  
From: Keith Durkin  
Assistant General Manager  
Date: March 23, 2017  
Subject: Los Lagos Tank Site Transfer Agreement

---

### **RECOMMENDED ACTION**

Consider adopting Resolution 17-07 (1) approving an agreement with Placer County Water Agency to Transfer the Los Lagos Tank Site Including the Tank and all Appurtenant Facilities to San Juan Water District; (2) Accepting PCWA's Transfer of the Property, Tank and Appurtenant Facilities; and (3) Granting an Antenna and Access Easement to PCWA

### **BACKGROUND**

The Los Lagos Tank was constructed in 1985 by Placer County Water Agency to serve the Los Lagos community. San Juan Water District has been leasing the Los Lagos Tank from PCWA since 1997 after PCWA made improvements to their water system and no longer needed the tank. In 2016 the District began planning improvements to the tank to make structural repairs and repaint the interior and exterior of the tank. Estimated costs for the improvements were approximately \$700,000. Before investing in improvements to the tank, the Board directed staff to negotiate with PCWA to purchase the tank site.

### **STATUS**

I was able to negotiate an agreement with PCWA to obtain the tank site and all facilities at no cost with a provision for an easement on the tank site for PCWA to install an antenna in the future if needed for their SCADA or AMR meter program. The agreement, transfer documents, and easement document are attached to this staff report.

### **FINANCIAL CONSIDERATIONS**

As part of the agreement, the District agrees to reimburse PCWA up to \$5,000 for their administrative costs to prepare and file all documents with Placer County. This cost is covered within the budget for the tank improvements.

## **RESOLUTION NO. 17-07**

### **A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN JUAN WATER DISTRICT APPROVING AGREEMENT TO ACQUIRE THE LOS LAGOS TANK SITE, TANK AND ALL APPURTENANT FACILITIES AND ACCEPTING QUITCLAIM DEED FOR THAT PROPERTY**

WHEREAS, the Placer County Water Agency (“PCWA”) is the record owner of the real property at 8901 Vista De Lago Court, Granite Bay, California, and designated Placer County Assessor’s Parcel Number 035-360-026 containing the Los Lagos water tank and appurtenant facilities, which for many years the District has operated under lease from PCWA;

WHEREAS, PCWA is willing to transfer the tank site, water tank and all appurtenant facilities to the District in exchange for the receiving an easement to install, operate, maintain, repair, and replace an antenna on the Los Lagos Water Tank and for access the tank site for such purposes;

WHEREAS, the District’s Board of Directors finds and determines that it is in the public interest for the District to acquire and accept the Los Lagos tank site, water tank and all appurtenant facilities because they are a necessary part of the District’s water system and therefore should be owned solely by the District for the benefit of its customers.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Juan Water District as follows:

1. The Agreement for the District’s acquisition of the Los Lagos tank site, water tank and all appurtenant facilities in the form shown in Exhibit A attached to this resolution and incorporated herein in full (the “Agreement”), is hereby approved.

2. The General Manager is hereby authorized to acquire and accept on behalf of the District the real property comprising the Los Lagos tank site and all personal property affixed thereto by the Quitclaim Deed in the form shown in Attachment B to the Agreement. The real property subject to this resolution is more fully described in the attached map and legal description attached to the Agreement.

3. The General Manager is further authorized to execute and deliver to PCWA the Antenna and Access Easement in the form shown in Attachment C to the Agreement.

PASSED AND ADOPTED by the Board of Directors of the San Juan Water District on this 29<sup>th</sup> day of March 2017 by the following vote:

AYES:

NOES:

ABSENT:

By:

ATTEST:

\_\_\_\_\_  
Kenneth H. Miller  
President, Board of Directors

---

Teri Grant  
Secretary, Board of Directors

**EXHIBIT A**

**AGREEMENT FOR THE TRANSFER OF THE LOS LAGOS TANK SITE  
WITH QUITCLAIM DEED TRANSFERRING LOS LAGOS TANK SITE  
AND GRANT OF ANTENNA AND ACCESS EASEMENT**

T. 11N., R. 07 E., SEC. 25 NE/4  
A.P. No: 035-360-026  
Los Lagos Tank

## AGREEMENT

### PLACER COUNTY WATER AGENCY – SAN JUAN WATER DISTRICT

This Agreement is by and between the Placer County Water Agency, a California Public Agency ("PCWA") and San Juan Water District, a community services district ("SJWD").

- A. PCWA is the owner of a parcel of land with the address of 8901 Vista De Lago Ct, Granite Bay and further identified as Placer County Assessor's Parcel Number 035-360-026, as shown on Attachment "A" ("PROPERTY").
- B. SJWD seeks to own the PROPERTY.
- C. PCWA seeks to retain certain rights within the PROPERTY for its current and future needs.
- D. PCWA and SJWD intend on creating a future Emergency Intertie Agreement ("SECOND AGREEMENT") to address the mutual supply of water to either party during emergencies and to address joint operational issues at all interties between PCWA and SJWD.

SJWD and PCWA agree as follows:

- 1. All existing leases and agreements between PCWA and SJWD regarding the PROPERTY are hereby terminated.
  - a. Until the completion of the SECOND AGREEMENT referenced above, PCWA and SJWD shall work in good faith to provide each other with emergency water through intertie facilities in the event emergency water is necessary.
- 2. PCWA shall convey to SJWD fee-title ownership of the PROPERTY, together with rights of access, through a deed substantially in the form shown in Attachment "B" ("DEED").
  - a. SJWD accepts title to the PROPERTY (and all improvements thereon) in its "as-is" condition. SJWD agrees to indemnify, defend, and hold PCWA harmless from any costs, damages, claims, liabilities and judgments arising from any past, present or future acts or omissions of SJWD, its employees, agents, contractors or lessees, arising out of or in connection with SJWD's possession of the PROPERTY which may hereafter result in a violation of federal, state and local laws and regulations which are applicable and are related to the release on or into PROPERTY of hazardous substance(s) as defined by federal or state environmental laws.

- b. SJWD, at its own expense, may obtain an Owner's Policy of Title Insurance for the PROPERTY subsequent to entering into this Agreement.
3. SJWD shall convey to PCWA an easement substantially in the form shown in Attachment "C" ("ANTENNA & ACCESS EASEMENT") which shall be delivered to PCWA for recordation.
4. PCWA shall promptly cause the DEED and the ANTENNA & ACCESS EASEMENT to be recorded concurrently at the Placer County Recorder's Office.
5. Subsequent to the approval of this Agreement SJWD shall reimburse PCWA of its administrative costs for the preparation of this Agreement, not to exceed \$5,000.00.
6. Time is of the essence.
7. This agreement constitutes the entire understanding and commitment by both parties.

IN WITNESS WHEREOF, the parties have executed this Agreement.

**PLACER COUNTY WATER AGENCY**

By: \_\_\_\_\_

Board Chair

Date: \_\_\_\_\_

**SAN JUAN WATER DISTRICT**

By: \_\_\_\_\_

Board President

Date: \_\_\_\_\_

**ATTEST:**

By: \_\_\_\_\_

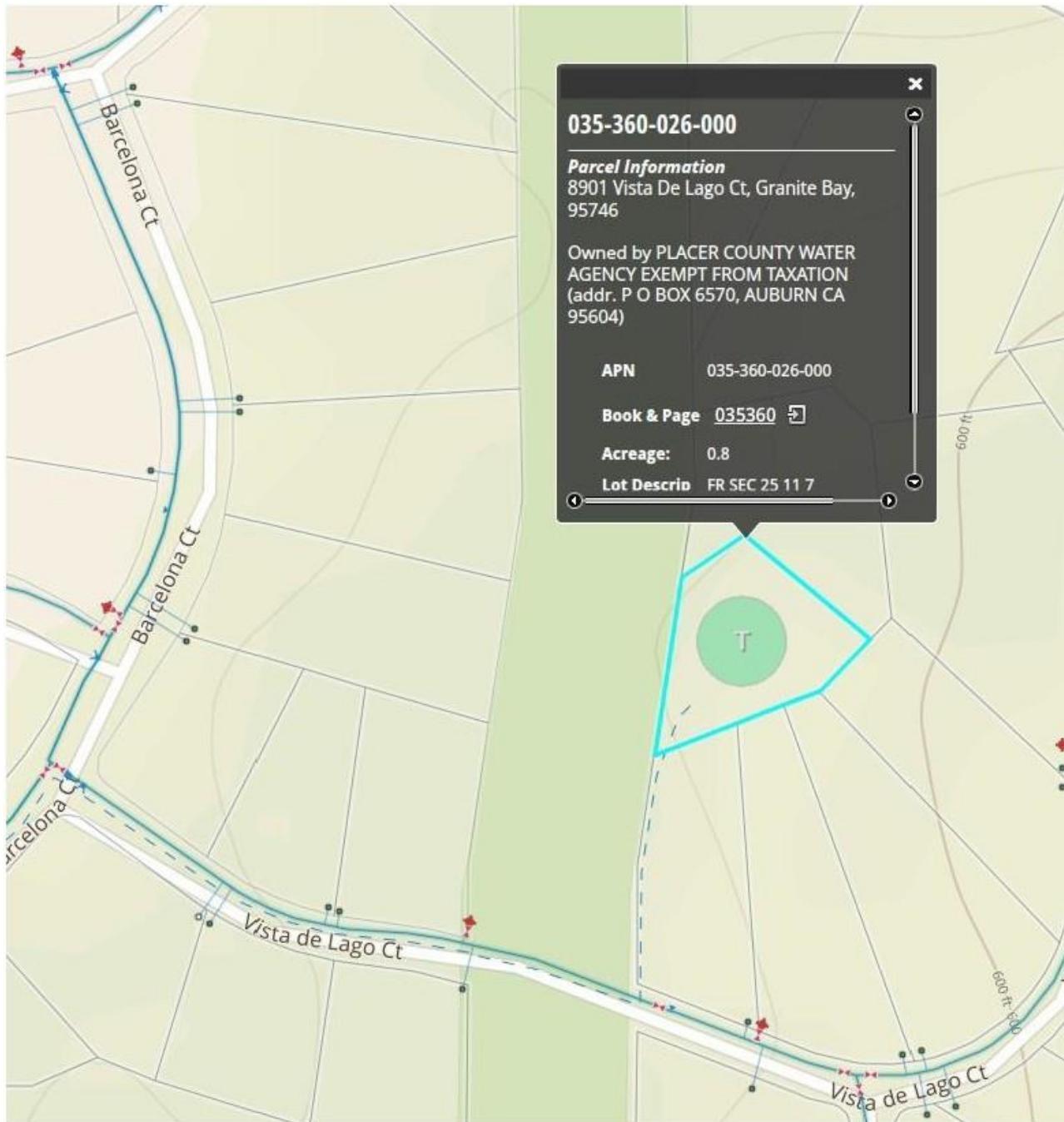
Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

# ATTACHMENT "A"

## Location



## **ATTACHMENT “B”**

RECORDING REQUESTED BY  
Placer County Water Agency  
P.O. Box 6570  
Auburn, CA 95604

AND WHEN RECORDED MAIL TO:  
San Juan Water District  
9935 Auburn Folsom Road  
Granite Bay, CA 95746

---

T. 11N., R. 07 E., SEC. 25 NE/4  
A.P. No: 035-360-026  
Los Lagos Tank

### **QUITCLAIM DEED**

The Placer County Water Agency, a California public agency formed by special act of the California Legislature, hereby quitclaims to San Juan Water District, a California public agency formed under the Community Services District Law (Gov’t Code sections 61000, et seq.), all of its right, title and interest in the real property situated in the County of Placer, California, described in Exhibit “A” attached.

By this transfer, the Placer County Water Agency also intends to transfer to the San Juan Water District all of the Agency’s right, title and interest in the water tank, pipelines, appurtenances, and other personal property affixed to or located on the subject property.

**Placer County Water Agency**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Robert Dugan  
Chair, Board of Directors

EXHIBIT "A"

PARCEL NO. 1 (Los Lagos Tank Site - In Fee)

All that portion of Section 25, Township 11, North, Range 7 East, Mount Diablo Meridian, in the County of Placer, State of California, more particularly described as follows:

BEGINNING at a point in said Section 25, from which the Section corner common to Sections 24 and 25, Township 11 North, Range 7 East, and Sections 19 and 30, Township 11 North, Range 8 East, bears the following nine (9) courses:

- 1) South 08°06'00" West, 122.59 feet;
- 2) South 133.71 feet;
- 3) North 70°40'00" West, 138.28 feet;
- 4) curving to the left on an arc of a 625.00-foot radius curve, said arc being subtended by a chord which bears North 73°05'02" West, 72.33 feet to the Easterly boundary line of the Plat of Tract No. 585, "Los Lagos Unit No. 1-A," said Plat being filed for record in the Office of the Recorder of Placer County in Book "O" of Maps at Page 19;
- 5) along the Easterly boundary of said Plat, North 82.14 feet;
- 6) North 08°06'00" East, 420.00 feet;
- 7) North 01°28'24" West, 947.90 feet;
- 8) North 13°14'13" West, 432.15 feet to the Section line common to Sections 24 and 25; and
- 9) along said Section line and leaving the Easterly line of said Plat of, "Los Lagos Unit No. 1-A," North 89°20'04" East, 505.42 feet;

thence, from said point of beginning, North 08°06'00" East, 200.00 feet; thence, North 54°24'00" East, 85.00 feet; thence, South 51°29'11" East, 180.00 feet; thence, South 43°00'00" West, 80.00 feet; thence, South 67°16'25" West, 199.03 feet to the point of beginning.

PARCEL NO. 2 (Los Lagos Pipeline Easement to Tank)

An easement for a pipeline and such other right as were provided in that certain Deed from GINA, Inc., to San Juan Suburban Water District, re-recorded February 7, 1986, in Book 2927, Page 386, Placer County Official Records, with respect to lands more particularly described therein as follows:

All that portion of Section 25, Township 11 North, Range 7 East, Mount Diablo Meridian, in the County of Placer, State of California, described as follows:

BEGINNING at a point in said Section 25, from which the Section corner common to Sections 24 and 25, Township 11 North, Range 7 East, and Section 19 and 30, Township 11 North, Range 8 East, bears the following seven (7) courses:

- 1) North  $70^{\circ}40'00''$  West, 138.28 feet;
- 2) curving to the left on an arc of a 625.00-foot radius curve, said arc being subtended by a chord which bears North  $73^{\circ}59'02''$  West, 72.33 feet to the Easterly boundary line of the Plat of Tract No. 585, "Los Lagos Unit No. 1-A," said Plat being filed for record in the Office of the Recorder of Placer County in Book "0" of Maps at Page 19;
- 3) along the Easterly boundary of said Plat, North 82.14 feet;
- 4) North  $08^{\circ}06'00''$  East, 420.00 feet;
- 5) North  $01^{\circ}28'24''$  West, 947.90 feet;
- 6) North  $13^{\circ}14'13''$  West, 432.15 feet to the Section line common to Section 24 and 25; and
- 7) along said Section line and leaving the Easterly line of said Plat of, "Los Lagos Unit No. 1-A," North  $89^{\circ}20'04''$  East, 505.42 feet;

thence, from said point of beginning, North 133.71 feet; thence, North  $08^{\circ}06'00''$  East, 190.00 feet; thence North  $81^{\circ}54'00''$  West, 30.00 feet; thence, South  $08^{\circ}06'00''$  West, 192.12 feet; thence, South 125.31 feet; thence, South  $70^{\circ}40'00''$  East, 31.79 feet to the point of beginning.

TOGETHER WITH a slope bank easement of such dimension as deemed necessary, said slope bank easement to be utilized for the purpose of constructing, reconstructing and forever maintaining a slope bank of such dimension as necessary for roadway purposes.

-END OF EXHIBIT "A"-

## **ATTACHMENT “C”**

RECORDING REQUESTED BY

Placer County Water Agency  
No fee pursuant to Gov’t Code § 27383  
AND WHEN RECORDED MAIL TO:

Placer County Water Agency  
P.O. Box 6570  
Auburn, CA 95604

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T. 11N., R. 07 E., SEC. 25 NE/4

A.P. No: 035-360-026

Los Lagos Tank

**ANTENNA & ACCESS EASEMENT**

### **San Juan Water District, a community services district**

(hereinafter called “SJWD”) hereby grants to the Placer County Water Agency, a public body, (hereinafter called “PCWA”) a non-exclusive easement for the installation, continual access to, operation and maintenance of antennas and improvements necessary for their use, over the real property in the County of Placer, State of California, depicted on Exhibit “A”.

#### **RIGHT TO INSTALL ANTENNA EQUIPMENT & CONTINUED OPERATION**

PCWA may attach antennas to the water tank located within this property. To support the use of such antennas PCWA shall also have the right for: antennas attached to the existing tank, stand-alone equipment shelter, utility lines, transmission lines, electronic equipment, radio transmitting and receiving antennas, supporting equipment and structures within the fee-title parcel; and, within the easement, underground utilities and the right to use such access road for the operation of maintenance of the antennas and support facilities. PCWA shall provide SJWD with construction plans, and obtain its approval before construction may begin. SJWD’s rejection of these plans shall be limited to impacts on SJWD’s current or likely planned use and operation of its improvements within this parcel. PCWA shall be responsible for all costs associated with this antenna installation, including but not limited to re-surfacing of the access road.

#### **INDEMNITY**

PCWA hereby covenants and agrees to indemnify and hold harmless the SJWD from and against any and all claims, demands, causes of action, damages, losses and liabilities of every kind and nature whatsoever arising from the issuance of this Easement or PCWA’s enjoyment thereof, or by any wrongful or negligent act or omission of the PCWA or of its agents or employees in the course of their employment or as a result of using the subject property for any authorized purpose under ostensible authority of PCWA.

**SUBORDINATION**

PCWA further covenants and agrees that the rights granted through this easement are subordinate to those of SJWD for the delivery of water; and that its exercise of these easement rights shall not in any way interfere with or degrade SJWD's existing or likely future facilities and operations.

**ASSIGNMENT**

The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto, and all covenants shall apply to and run with the land.

**SAN JUAN WATER DISTRICT**

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President of the Board

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Date

# AGENDA ITEM V-1

## STAFF REPORT

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To: Board of Directors  
From: Keith Durkin  
Assistant General Manager  
Date: March 23, 2017  
Subject: Five-Year Retail Water Rate Plan

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### RECOMMENDED ACTION

Consider a motion to approve the retail five-year rate plan as recommended in the Retail Financial Plan and Water Rate Update Study (Study) dated January 26, 2017. The Board may consider the Rate Plan with or without adjustments to eliminate the new Administration Building and proposed new HR Specialist and Customer Service positions. The 5-year retail rate plan is presented as Exhibit III-3 in the Study and has the following effect:

	Rate Plan as Proposed in <u>Financial Plan</u>	Adjusted Rate Plan w/o <u>Admin. Bldg. &amp; Staff Add.</u>
May 2017	8%	8%
January 2018	9%	9%
January 2019	9%	8%
January 2020	9%	8%
January 2021	6%	6%
5-yr. Compounding	48%	46%

### BACKGROUND

On February 1, 2016, the District retained The Reed Group to update the ten-year wholesale and retail financial plans and develop recommendations for water rates for the five-year period from 2017 through 2021. Over the past year, District staff and Bob Reed completed analyses and provided a number of updates and presentations on development of the plan and recommendations, including:

January 12, 2016	Finance Committee discusses need for updating financial plans to address impacts of drought and future CIP needs.
February – June 2016	Financial plan development, refinements, and status reports to Board
June 29, 2016	Board Workshop – Bob Reed presented financial plans, facilitated discussion on plan assumptions, methodology, preliminary results
August 10, 2016	Board Meeting – Public Hearing on FY 2016-17 budget – adopted Res. 16-12 FY 16/17 budget

**STAFF REPORT**  
*Five-Year Retail Water Rate Plan  
Keith Durkin*

October 11, 2016	Wholesale Financial Ad Hoc Committee meeting. Bob Reed presented wholesale plan and nexus to retail rates and charges
October 26, 2016	Board Meeting – Bob Reed presented Wholesale Financial Plan
November 9, 2016	Board Meeting – Bob Reed presented Retail Financial Plan
January 11, 2017	Board Meeting – Bob Reed presented Wholesale Financial Plan. Board accepted the plan and approved the 5-year wholesale rate schedule
February 7, 2017	Ad Hoc Retail Finance Plan & Rate Review Committee Meeting – Bob Reed presented Retail Finance Plan
March 13, 2017	Ad Hoc Retail Finance Plan & Rate Review Committee Meeting – Bob Reed presented refined Retail Finance Plan and additional information
March 2017	Individual meetings with Bob Reed and Board members to review Retail Financial Plan and Proposed Rate Plan.

**STATUS**

Several iterations and refinements were made to the Retail Financial Plan and Rate Plan from February through November 2016 to address comments and attempt to minimize rate increases. Additional analyses were conducted as part of the ad hoc retail rate review committee process, and further adjustments were evaluated based on comments from Directors that consideration be given to eliminating the new Administration Building and additional staff positions from the financial plan.

Exhibit III-3 from the January 26<sup>th</sup> study report depicting the five-year retail rate plan is presented below. The detailed five-year rate plan with the option of eliminating the new Administration Building and additional staff positions from the financial plan will be provided at the March 29<sup>th</sup> Board Meeting.

**STAFF REPORT**  
*Five-Year Retail Water Rate Plan*  
*Keith Durkin*

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**Exhibit III-3**  
**San Juan Water District**  
**Current and Proposed Retail Water Rates**

	Current	Jan. 2017	Jan. 2018	Jan. 2019	Jan. 2020	Jan. 2021
	Overall Water Rate Increase -->	8%	9%	9%	9%	6%
<b>Daily Base Charges</b>						
Up to 1" meter	\$ 1.24	\$ 1.42	\$ 1.63	\$ 1.86	\$ 2.11	\$ 2.29
1 1/2" meter	\$ 3.31	\$ 3.68	\$ 4.22	\$ 4.81	\$ 5.46	\$ 5.93
2" meter	\$ 5.28	\$ 5.85	\$ 6.72	\$ 7.66	\$ 8.69	\$ 9.44
3" meter	\$ 10.50	\$ 10.90	\$ 12.51	\$ 14.27	\$ 16.19	\$ 17.58
4" meter	\$ 16.36	\$ 18.12	\$ 20.80	\$ 23.72	\$ 26.91	\$ 29.23
6" meter	\$ 32.73	\$ 36.18	\$ 41.54	\$ 47.38	\$ 53.74	\$ 58.36
8" meter	\$ 58.83	\$ 57.85	\$ 66.42	\$ 75.76	\$ 85.94	\$ 93.34
Fire District	\$ 6.36	\$ 7.28	\$ 8.36	\$ 9.54	\$ 10.82	\$ 11.75
<b>Water Usage Charge (\$/CCF)</b>						
All water usage	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92
<b>Daily Private Fire Line Charges</b>						
4" meter	\$ 0.53	\$ 0.57	\$ 0.62	\$ 0.68	\$ 0.74	\$ 0.78
6" meter	\$ 0.78	\$ 0.84	\$ 0.92	\$ 1.00	\$ 1.09	\$ 1.16
8" meter	\$ 1.05	\$ 1.14	\$ 1.24	\$ 1.35	\$ 1.47	\$ 1.56
10" meter	\$ 1.26	\$ 1.36	\$ 1.48	\$ 1.61	\$ 1.75	\$ 1.86
<b>Hinkle PS Pumping Surcharge (\$/AF)</b>						
Wholesale deliveries to City of Folsom	\$ 68.87	\$ 74.38	\$ 81.07	\$ 88.37	\$ 96.32	\$ 102.10
Typical Monthly Residential Bill (@ 30 CCF/mo.)						
	\$ 64.80	\$ 70.20	\$ 76.50	\$ 83.40	\$ 90.90	\$ 96.30
		\$ 5.40	\$ 6.30	\$ 6.90	\$ 7.50	\$ 5.40
		8.3%	9.0%	9.0%	9.0%	5.9%

The information from Exhibit III-3 of the Study was included in the Proposition 218 Notice with a “Typical Bi-monthly Residential Bill” illustration provided instead of a monthly bill example in order to more accurately reflect our billing practice. The bi-monthly example was not correct as it only used 30 CCF for the calculation (one month usage) instead of 60 CCF. The table below provides the correct information and this corrected table was posted on the District’s website alerting customers to this change.

## CURRENT AND PROPOSED RETAIL WATER RATES

	Current	May 2017	Jan. 2018	Jan. 2019	Jan. 2020	Jan. 2021
<b>Overall Water Rate Increase</b>		8%	9%	9%	9%	6%
<b>Daily Base Rate Changes</b>						
Up to 1" meter	\$ 1.24	\$ 1.42	\$ 1.63	\$ 1.86	\$ 2.11	\$ 2.29
1-1/2" meter	3.31	3.68	4.22	4.81	5.46	5.93
2" meter	5.28	5.85	6.72	7.66	8.69	9.44
3" meter	10.50	10.90	12.51	14.27	16.19	17.58
4" meter	16.36	18.12	20.80	23.72	26.91	29.23
5" meter	32.73	36.18	41.54	47.38	53.74	58.36
8" meter	58.83	57.85	66.42	75.76	85.94	93.34
Fire District	6.36	7.28	8.36	9.54	10.82	11.75
<b>Water Usage Charge (\$/CCF)</b>						
All water usage	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92	\$ 0.92
<b>Daily Private Fire Line Charges</b>						
4" meter	\$ 0.54	\$ 0.58	\$ 0.63	\$ 0.69	\$ 0.75	\$ 0.80
6" meter	0.81	0.87	0.95	1.04	1.13	1.20
8" meter	1.09	1.23	1.34	1.46	1.59	1.69
10" meter	1.29	1.47	1.60	1.74	1.90	2.01
<b>Hinkle PS Pumping Surcharge (\$/AF)</b>						
Wholesale deliveries to City of Folsom	\$ 68.87	\$ 74.38	\$ 81.07	\$ 88.37	\$ 96.32	\$ 102.10
Typical Bi-monthly Residential Bill (@ 30 CCF/month)	\$ 129.60	\$ 140.40	\$ 158.00	\$ 166.80	\$ 181.80	\$ 192.60
		\$ 10.80	\$ 12.60	\$ 13.80	\$ 15.00	\$ 10.80
		8.3%	9.0%	9.0%	9.0%	5.9%

## FINANCIAL CONSIDERATIONS

Approving the Retail Financial Plan and Five-Year Retail Water Rate Plan will ensure that the District's retail system continues to meet financial obligations for ongoing operation and maintenance, debt service, and capital improvements while maintaining prudent reserves. If an alternative five-year rate plan is adopted, a new strategy and financial plan will be required in order to meet these obligations.