PUBLIC HEARING

TRABUCO CANYON WATER DISTRICT

Proposed New Water, Wastewater, and Recycled Water Rates

Rate Study Process

Opportunities for Public Engagement on Rate Study

- April 21, 2022 Regular Board Meeting
- June 30, 2022 Special Board Meeting
- November 21, 2022 Special Board Meeting
- December 7, 2022 Special Board Meeting
- February 28, 2023 Special Board Meeting
- March 16, 2023 Regular Board Meeting
- March 28, 2023 Special Board Meeting
- April 11, 2023 Special Board Meeting
- April 20, 2023 Regular Board Meeting
- May 6, 2023 Water Awareness Community Festival
- June 6, 2023 HOA Briefing
- June 15, 2023 Regular Board Meeting
- June 22, 2023 Public Forum
- **June 29, 2023 Special Board Meeting/Public Hearing**

Facts and Clarifications

- **TCWD is not-for-profit public utility**
  - Prohibited by law to charge more than cost to provide service
- **Sewer charge is not a "disposal fee" and would not be a new tax levy**
  - Sewer charge currently on monthly bill proposed for collection on tax bill (not a tax)
- **Rates should go down now that drought is over**
  - TCWD did not charge higher rates during drought; in fact, TCWD absorbed revenue losses from lost water sales
- **Customers should only be billed for water used**
  - Paying only for the water delivered would "de-fund" the pipes, pump stations, and related costs "behind the fire hydrants" that have water ready for peak use and fighting fires
- **Avg. homeowner will pay $287.80/mo PLUS new $930.36 assessment each year…that averages $360/month for WATER**
  - Avg. homeowner <u>total</u> cost will be $170.51/mo (first year) and $287.80/mo (fifth year)
  - With sewer charge collected on tax bill:
    - water-only monthly bill will be $124.59/mo (first year) and $210.27/mo (fifth year)
    - Sewer charge will be $551.04 (first year) and $930.36 (fifth year)

“Prop. 218” Notice of Public Hearing

How Will the Total Water and Wastewater Costs for a Typical Single-Family Home Change?
The District plans to collect the wastewater charges on the property tax bill instead of the monthly utility bill. The table below shows the projected water and wastewater charges for a typical single family home, with a ¾ inch meter using 17 hundred cubic feet (12,716 gallons) of water per month. The table also shows how the charges will be collected between monthly utility bills and the property tax bill if approved.

Average Single-Family Monthly Cost	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Drinking (Potable) Water Cost	$93.92	$124.59	$147.08	$173.62	$191.09	$210.27
Wastewater Cost	39.56	45.92	53.27	61.80	69.22	77.53
Total Average Monthly Cost	**$133.48**	**$170.51**	**$200.35**	**$235.42**	**$260.31**	**$287.80**
Recovery Between Utility Bill and Property Tax Bill						
Average Single-Family Utility Bill						
Drinking (Potable) Water	$93.92	$124.59	$147.08	$173.62	$191.09	$210.27
Wastewater	39.56	-	-	-	-	-
Average Single-Family Utility Bill	**$133.48**	**$124.59**	**$147.08**	**$173.62**	**$191.09**	**$210.27**
$ Change		*($8.89)*	*$22.49*	*$26.54*	*$17.47*	*$19.18*
% Change		*-6.7%*	*18.1%*	*18.0%*	*10.1%*	*10.0%*
Property Tax Bill						
Single-Family Wastewater Charges	*Monthly*	$45.92	$53.27	$61.80	$69.22	$77.53
Amount on Tax Bill	*Annual*	$551.04	$639.24	$741.60	$830.64	$930.36

Water and Sewer Monthly Bill

Water Only Monthly Bill

Sewer on Tax Bill

SEWER ON MONTHLY BILL = $45.92 x 12 = $551.04

SEWER ON TAX BILL = $551.04

Facts and Clarifications

- **TCWD has "NET $50,000,000" and thus "sitting on a cushion of millions"**
  - "50,000,000" reflects value of District's assets (i.e. treatment plants, wells, reservoirs, pump stations, pipelines) and is not cash on hand
  - All unrestricted reserve balances will be negative by FY 25 at current rates
- **Board is motivated by greed and "stealing from customers"**
  - Again, TCWD is a not-for-profit public utility
  - TCWD cannot charge more than cost of service; all additional revenue going towards operating expenses, infrastructure improvements, and prudent operating reserves
- **Retain expert, outside, independent consultants to address deficiencies**
  - Infrastructure plan developed by outside engineering experts
  - Financial plan and rate structure developed by outside rate experts
  - District Treasurer and Legal Counsel are outside experts
- **Sign petitions and email protests**
  - Petitions and emails do not comply with state requirements for protests
  - Protest forms available tonight

Current Bill Comparables

Current or proposed rates for FY 2023-24

	TCWD	CSJC (SMWD)	SCWD
Water	$124.59	$137.13	$134.58
Sewer	$45.92	$37.84	$98.13
Total	$170.51	$174.97	$232.71

Notes:

1. Based on 17 Billing Units (TCWD Avg)
2. CSJC water and sewer capital charges proposed for tax rolls
3. SCWD water, sewer, and peaking charges currently on tax rolls
4. TCWD service elevations are over 1,000 ft higher than neighboring agencies

System Sizing – Operation vs. Emergency

Average Customer uses:

17 HCF in a month =

12,716 gallons in a month =

152,592 gallons in a year

Water System sized for:

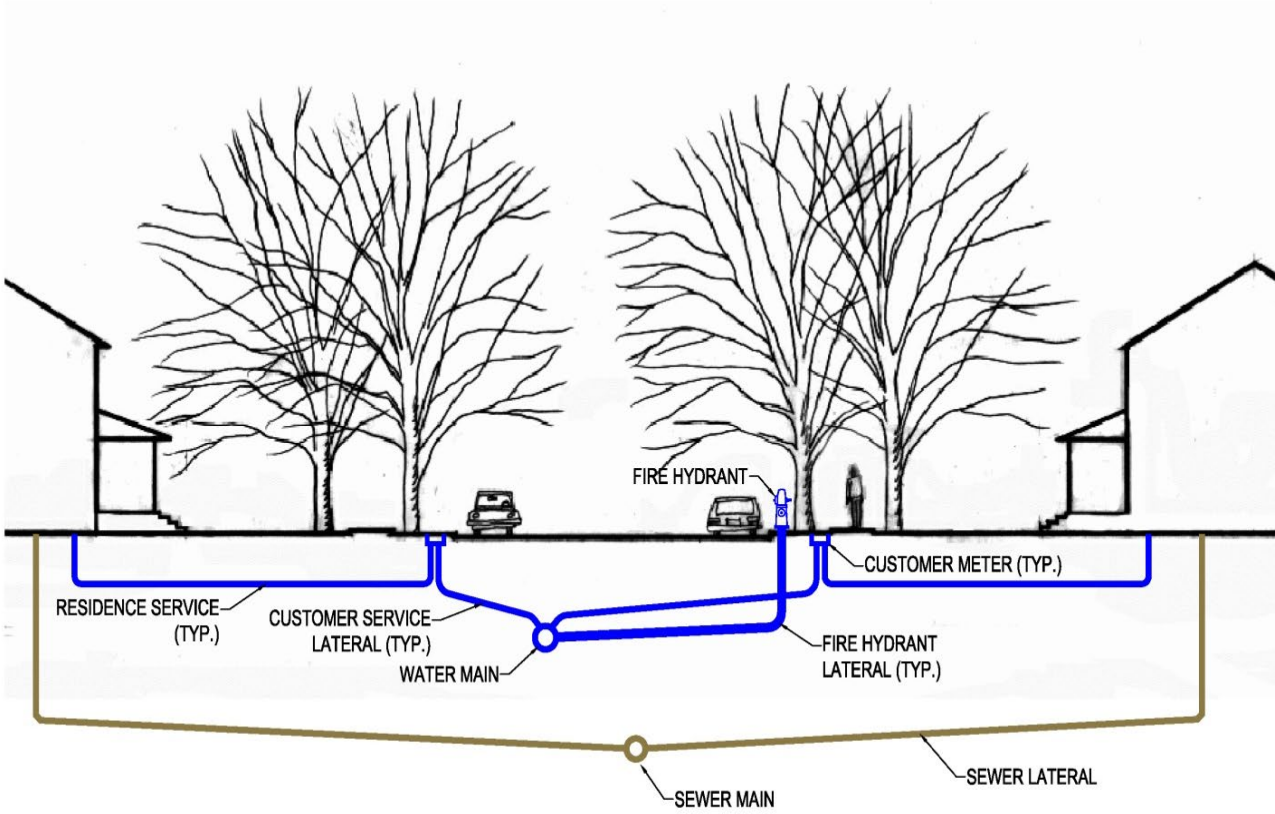
(Max. Day + Fire Flow)

System Fire Flow Ranges:

180,000 gallons in 2 hours to 630,000 gallons in 3 hours

Sewer System sized for:

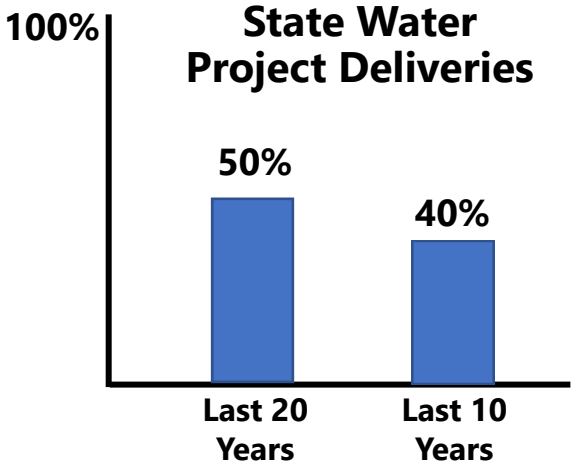
Peak Demand (incl. Storms)



California Water Challenges

For decades, California has over-relied on water conservation and cutbacks to reduce water use; under-invested in water delivery systems

FACT:
So. Cal.'s water wholesaler MWD pays about $500M annually for the State Water Project whether water is delivered or not (like 2022)



California Water Challenges

Colorado River system also impacted by changing climate and historical over-allocation.

- So. Cal. shares river supply with six other California users, six other States, 30 Tribal Nations, and the Country of Mexico; a total of 5.5 million acres of farmland and 40 million people.
- California will be forced to live with less from the Colorado river

Lake Mead and Lake Powell reservoirs are 30% and 26% of capacity

External Cost Drivers Impacting TCWD

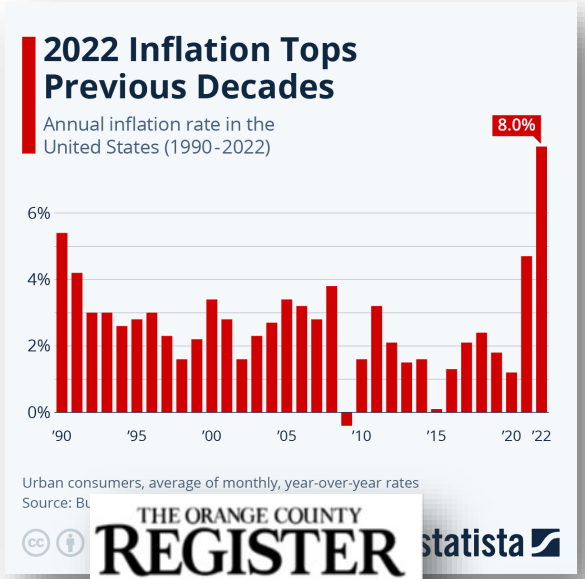
- **Cost of purchased water always increasing:**
  - Replacement supplies 2-3x more expensive than State Project, Colorado River
    - Stormwater collection, groundwater treatment, recycled water, ocean desalination
    - As imported sources decrease, local supplies must make up the difference
  - Purchased water from MWD includes same cost drivers as TCWD (i.e. energy, chemicals, labor, construction, regulatory compliance)

- **State and Federal regulations impacting operations (partial list):**
  - State and Federal drinking water quality regulations
  - State Water Board recycled water quality regulations
  - State Water board stormwater/NPDES regulations
  - Dept. of Industrial Relations labor regulations
  - Air Resources Board Zero-emission fleet transition mandate
  - State Water Board conservation regulations
  - New US EPA lead service line inventory mandate

Why is TCWD Increasing Rates?

Current rate schedule not keeping pace with inflation

- Post-pandemic inflation never anticipated in last rate study
- Electricity for pumping of water and wastewater up 41% since 2020
- Chemicals for water and wastewater treatment up 100% since 2020
- Fuel for fleet vehicles and heavy equipment up 72% since 2020
- Construction costs significantly higher than before pandemic



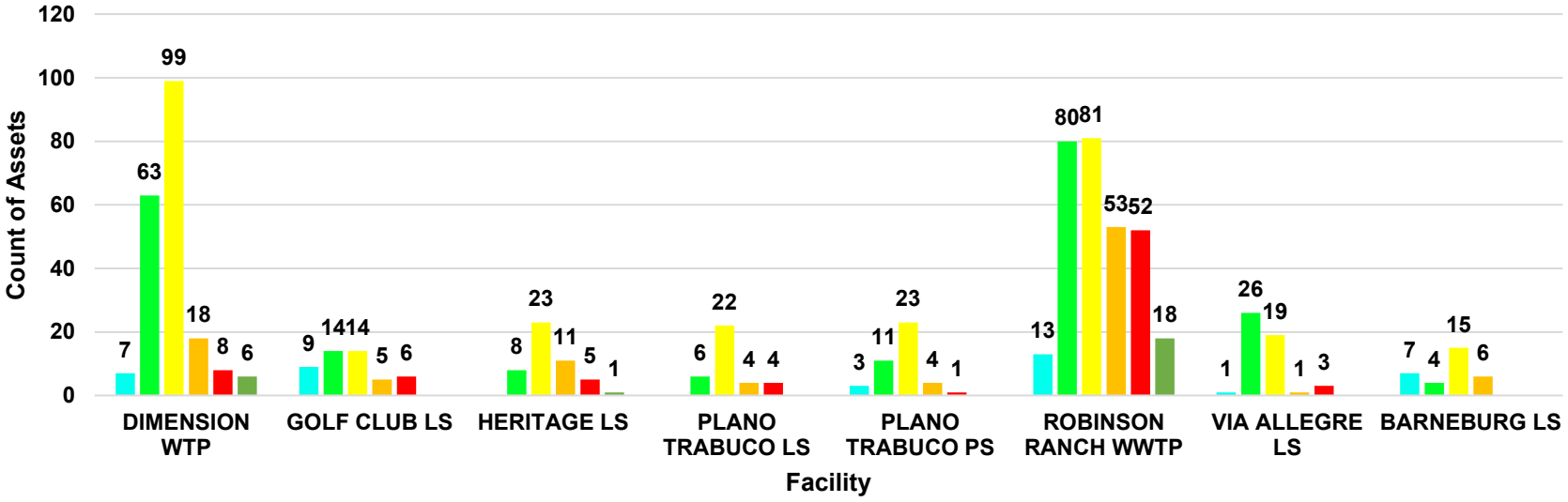
Why is TCWD Increasing Rates?

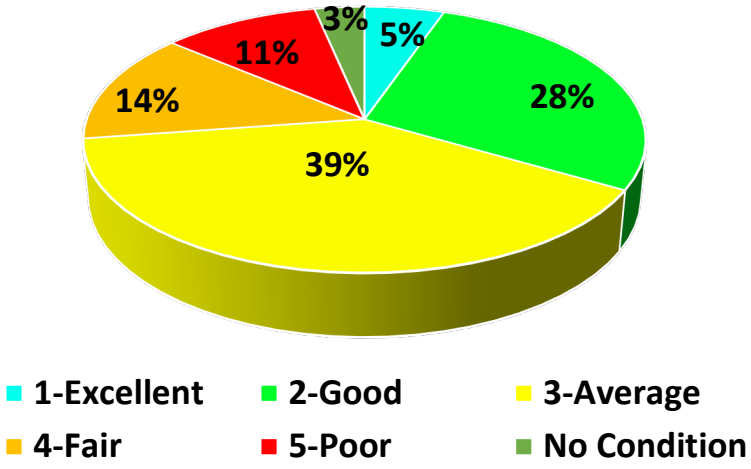
Infrastructure Improvements

- Most infrastructure has been in operation 24/7/365 for 30-60 years more
- Improvements based on a full condition evaluation of all facilities
- Proposed rates support $24 million over five years on most critical projects for safety and reliability
- In addition to construction price inflation, all water agencies experiencing huge delays in procuring equipment – delayed projects cost more

Reinvesting in Infrastructure

Assessing condition of major facilities helps prioritize:





40 facilities evaluated

1600 assets inventoried

(**300** assets at wastewater plant)

Reinvesting in Infrastructure

Proposed rate schedule will fund improvements in these critical areas through 2028:

Wastewater/Sewer System
- Sewage lift stations: $4,000,000
- Wastewater plant: $1,600,000

Drinking Water System
- Water storage for emergencies: $5,900,000
- Large transmission main: $2,500,000
- Water treatment plant: $800,000
- Water pump stations: $630,000

Recycled Water System
- Dove/Trabuco Dams: $2,000,000
- Recycled pump stations: $1,800,000

District-Wide
- Proactive maintenance: $2,000,000
- Fleet and heavy equipment: $1,700,000

How is TCWD controlling costs?

- Pumping groundwater when available
- Implementing smart meter technology
- Procurement savings from new procedures
- Bulk purchasing contracts for chemicals
- Board compensation among lowest in County
- Labor costs controlled through staff outsourcing
- Energy efficiency study planned for FY 2024
- Pursuing state & federal grants (~$1 million since 2020)
- Pursuing sale of surplus property to offset capital costs

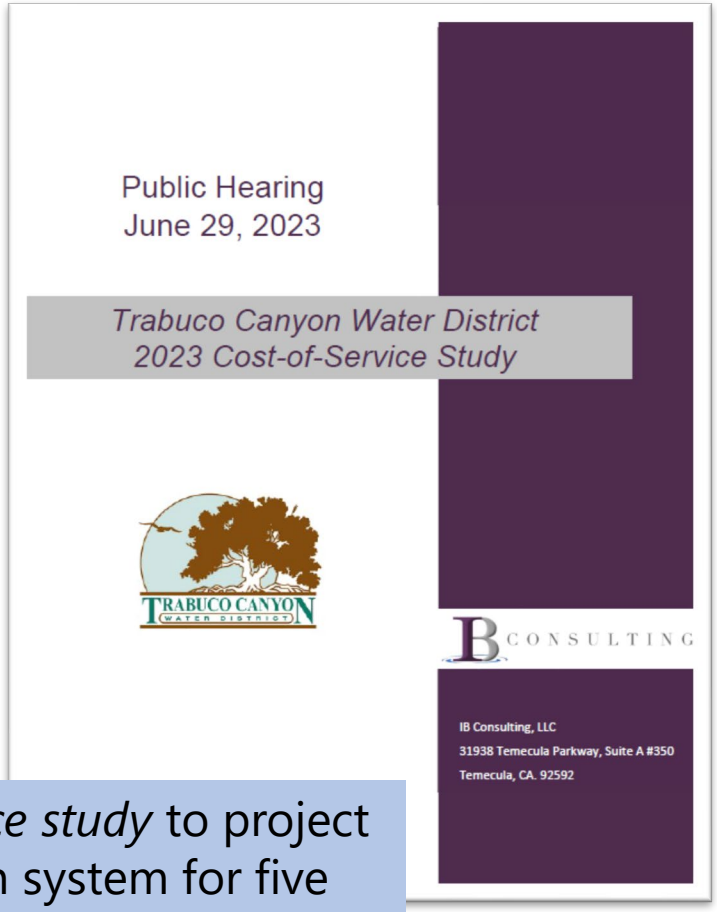
How Does TCWD Determine Rates?

TCWD is a not-for-profit public governmental agency formed and operating under California law

Strict legal requirements, including Proposition 218, guide the rate-setting process.

TCWD cannot:

- Collect revenue beyond what is necessary to provide service
- Collect revenue for any other purpose than for what a charge was imposed
- Charge fees that exceed the proportional cost-of-service



TCWD prepared a *cost-of-service study* to project the total cost to operate each system for five years and allocate those costs to ensure that each customer pays their fair share

Questions?