

AGENDA FOR A SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
WEDNESDAY, SEPTEMBER 28, 2022, AT 5:00 P.M.
AT THE DISTRICT OFFICE
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

CALL TO ORDER – PRESIDENT ELITHARP

NOTICE TO THE PUBLIC

Meetings of the Board of Directors of the Vallecitos Water District will be held in the Board Room at the District Office located at 201 Vallecitos de Oro, San Marcos, California, on the date and time identified above.

Vallecitos Water District is following the guidance issued by the County of San Diego, effective March 1, 2022, which follows the California Department of Public Health guidance which recommends that persons attending public meetings are strongly recommended to wear a face covering in indoor public settings, whether vaccinated or not. The Department of Industrial Relations also strongly recommends, but does not require, the use of face coverings by all visitors.

BROADCAST OF THE MEETING. Members of the public may watch the meeting live via computer or smart device by going to the District’s website: www.vwd.org/meetings and clicking on the “Watch Live” icon; however, they will not be able to participate in the meeting remotely.

LISTEN TO THE MEETING. Members of the public may listen to the meeting live on their phone by dialing (888) 788-0099 (Toll Free) or (877) 853-5247 (Toll Free). When prompted, enter the meeting ID and Passcode displayed on the District’s website.

PLEDGE OF ALLEGIANCE

ROLL CALL

ADDITIONS TO THE AGENDA

Items may be added to the Agenda in accordance with Section 54954.2(b)(2) of the Government Code upon a determination by a majority vote of the Vallecitos Board that an emergency situation exists, as defined in Section 54956.5, or upon a determination by a two-thirds vote of the Board present at the meeting, or, if less than two-thirds of the Board are present, a unanimous vote of Board members present, that there is a need to take immediate action and that the need for action came to the attention of the Vallecitos Water District subsequent to the agenda being posted.

ADOPT AGENDA FOR THE SPECIAL MEETING OF SEPTEMBER 28, 2022

PUBLIC COMMENT

Persons wishing to address a matter not on the Agenda may be heard at this time; however, no action will be taken until the matter is placed on a future agenda in accordance with Board policy. Public comments are limited to three minutes. A Request to Speak form is required to be submitted to the Senior Executive Assistant prior to the start of the meeting, if possible. Public comment should start by stating name, address, and topic. The Board is not permitted during this time to enter into a dialogue with the speaker.

PRESENTATION

The Vallecitos Water District's Board of Directors will accept a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA) to the Vallecitos Water District for its annual comprehensive financial report for the fiscal year ended June 30, 2021.

PUBLIC HEARING

1.1 PUBLIC HEARING TO CONSIDER WATER SERVICE RATE CHANGES

Recommendation: Hold Public Hearing

*******END OF PUBLIC HEARING*******

ACTION ITEM(S)

2.1 ORDINANCE ESTABLISHING RATES, RULES, AND REGULATIONS FOR WATER SERVICE RATE INCREASE (pp. 4-11)

A Public Hearing was noticed and held at the Vallecitos Water District in accordance with Proposition 218 on Wednesday, September 28, 2022.

Recommendation: Adopt Ordinance

*******END OF ACTION ITEMS*******

OTHER BUSINESS

3.1 MEETINGS

*******END OF OTHER BUSINESS*******

4.1 DIRECTORS COMMENTS/FUTURE AGENDA ITEMS

*******END OF DIRECTORS COMMENTS/FUTURE AGENDA ITEMS*******

5.1 ADJOURNMENT

*******END OF AGENDA*******

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the Senior Executive Assistant at 760.744.0460 ext. 264 at least 48 hours prior to the meeting.

Audio and video recordings of all Board meetings are available to the public at the District website www.vwd.org

AFFIDAVIT OF POSTING

I, Anthony Flores, Senior Executive Assistant of the Vallecitos Water District, hereby certify that I caused the posting of this Agenda in the outside display case at the District office, 201 Vallecitos de Oro, San Marcos, California by 5:00 p.m., Thursday, September 22, 2022.

Anthony Flores

DATE: SEPTEMBER 28, 2022
TO: BOARD OF DIRECTORS
SUBJECT: ORDINANCE ESTABLISHING RATES, RULES, AND REGULATIONS FOR WATER SERVICE RATE INCREASE

BACKGROUND:

A Notice of Public Hearing was mailed at least 45 days prior to the September 28, 2022, Public Hearing to all water account holders of the District in accordance with Proposition 218 (Prop 218) notice requirements. The notice advised District customers of the Public Hearing date, time, and place, and of proposed changes to water commodity rates, and Ready-to-Serve (RTS) charges.

Proposed rate changes in the Prop 218 Notice were based on recommendations from the Cost-of-Service Study (COSS) presented to the Board on August 3, 2022. The District retained Raftelis to prepare the COSS and update water rates by incorporating the fiscal year (FY) 2022 revenue requirement from the adopted FY 2021-2022 budget. Raftelis completed their analysis and prepared a Water Cost of Service Rate Study. The analysis was conducted in accordance with state law, industry standards, and the State Water Resource Control Board (SWRCB) Revenue Program Guidelines. A copy of the COSS can be found at www.vwd.org/departments/budget-finance. The public hearing is being held to consider public comment and rates proposed in the Prop 218 Notice.

DISCUSSION:

In June 2020, Raftelis was selected to provide a full COSS for the water fund to review rate structure alternatives in addition to looking at methods to pass through costs from the San Diego County Water Authority to the customer.

On November 22, 2021, the Finance and Investment Committee was provided with an update on the progress of the COSS, which included a timeline and some potential rate scenarios. The progress was then shared with the full Board on December 15, 2021.

On April 11, 2022, staff provided an update to the Finance and Investment Committee and presented the proposed calendar, pass-through charges, drought rates, the Prop 218 process, and the proposed change in the Prop 218 notice to include 5 years of rates.

The impact to the average Single Family Residential customer for the first year of rates results in an overall \$1.64 monthly increase of the water only portion of their utility bill. The proposed increases are for water rates only. Currently, Vallecitos is not considering adjustments to its wastewater rates.

An ordinance reflecting the above rates is presented for adoption.

Under the rules of Proposition 218, if written protests to the rate increases are received from a majority of the District's customers by the conclusion of the Public Hearing, the Board of Directors will not adopt the new rates. The Board of Directors has been provided a copy of the written protests in response to the Prop 218 Notice.

FISCAL IMPACT:

The COSS adjustments were already included in the FY 2022-2023 budget adopted by the Board on June 2, 2022.

RECOMMENDATION:

Staff recommends that the Board consider and adopt an Ordinance establishing rates, rules, and regulations for water service.

ATTACHMENT(S):

Draft Ordinance

ORDINANCE NO.

**AN ORDINANCE OF THE VALLECITOS WATER DISTRICT
REPEALING ORDINANCE NO. 215 AND ESTABLISHING RATES, RULES, AND
REGULATIONS FOR WATER SERVICE**

BE IT ORDAINED by the Board of Directors of the Vallecitos Water District as follows:

SECTION 1: The Board of Directors finds and determines that the following facts are true and correct:

Section 1.1: The Vallecitos Water District ("District") has the authority to establish water rates and charges for services provided within the District boundaries in accordance with Water Code Section 31024, et seq.

Section 1.2: At least 45 days prior to September 28, 2022, public notice was provided detailing the need for rate adjustments and specifying uses of revenues generated from the rate adjustments.

Section 1.3: Having heard, reviewed and considered the Cost and Rate Structure Study, approved on September 28, 2022, the staff report and information from interested persons who have had an opportunity to express their views, and being advised of the proposed changes in rates, the Board of Directors voted in favor of the proposed rate changes presented at the September 28, 2022, meeting and finds that it is in the best interests of the District and the customers served to approve the changes in rates contained in this Ordinance.

Section 1.4: The rates for water service fees set forth in this Ordinance are comprised of two components – the Water Commodity Charge, and the Ready-To-Serve Charge. The Water Commodity Charge recovers the variable costs of providing water service, as well as a portion of the fixed costs of providing such service. The Water Commodity Charge includes three tiers, pursuant to which increased rates are charged for increased water usage to account for increased District costs, such as costs for water supply, peaking, and conservation. For customers other than agricultural customers, or temporary construction customers, tier widths are determined based on the size of the meter serving the property to account for greater reservations of capacity purchased in the system, as well as higher rates for the Ready-To-Serve Charge. The Ready-To-Serve Charge recovers a portion of the fixed costs of providing water service and is determined based on the size of the meter serving the property, or as otherwise provided herein. The Ready-To-Serve Charge is calculated to include both the District's fixed meter costs, and the fixed charges imposed on the District and passed through to customers by the San Diego County Water Authority (Water Authority).

Section 1.5: The District's rates for water service charges are calculated to recover the costs of the District in providing water services and to proportionately allocate those costs among the water customers. The revenues derived from the water service charges will not exceed the funds required to provide water services and shall be used exclusively for providing water service. The water service charges will not exceed the proportional cost of the services attributable to each parcel upon which they are imposed. The water service charges will not be imposed on a parcel unless the water services are actually used by, or immediately available to, the owner of the parcel.

SECTION 2: In accordance with the California Environmental Quality Act (CEQA) Guidelines Section 15061, the Board of Directors ordains that the water rate fees established by this ordinance are exempt from CEQA for the following reasons:

1. The water rates are not a "project" as defined by Guidelines Section 15378;
2. The project is exempt in accordance with Guidelines Section 15273(1), 15273(3), and 15274(4); and
3. The activity will not have any significant effect upon the environment pursuant to Guidelines Sections 15061(b) (3).

SECTION 3: The Board of Directors of the District orders and directs that the foregoing exemptions and reasons be made a part of the Notice of Exemption and that the Notice of Exemption be filed with the County Clerk of the County of San Diego.

SECTION 4. Ready-To-Serve Charge:

Section 4.1: Wholesale Fixed Charges: The Water Authority is the wholesale water purveyor. The Water Authority establishes fixed monthly charges. The total Ready-To-Serve Charge includes both the District’s internal fixed cost, as well as charges imposed on the District and passed through to customers by the Water Authority.

Section 4.2: Ready-To-Serve Charge Rate Schedule: Monthly Ready-to-Serve (RTS) charges are as follows and shall take effect on October 1, 2022.

VWD and SDCWA Fixed Ready-to-Serve (RTS) Rates

RTS RATES EFFECTIVE OCTOBER 1, 2022

Meter Size	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	10"
SDCWA (Pass-through)	\$10.24	\$10.24	\$15.36	\$40.96	\$66.56	\$102.40	\$153.60	\$307.20	\$716.80
SDCWA (IAC Pass-through)	4.24	4.24	6.36	16.96	27.56	42.40	63.60	127.20	296.80
VWD Meter and Billing	22.59	22.59	32.38	81.30	130.23	198.72	296.57	590.12	1,372.92
PROPOSED TOTAL	\$37.07	\$37.07	\$54.10	\$139.22	\$224.35	\$343.52	\$513.77	\$1,024.52	\$2,386.52

The table below sets forth the maximum rates for the District’s share of the Ready-To-Serve Charge. The total Ready-To-Serve Charge imposed on customers in any year will be calculated annually by adding the Water Authority’s fixed charges imposed on the District to the rates set forth in the table below. The District is further authorized to pass-through any increases to the Water Authority’s share of the Ready-To-Serve Charge above the amounts set forth in the preceding table, provided the District may not increase the Ready-To-Serve Charge as a result of such pass-through by more than 6.5% in any calendar year. Rates shall become effective no sooner than January 1 of each calendar year.

MAXIMUM VWD Meter & Billing Fixed Charges (VWD Portion of RTS) *					
	10/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026
Meter Size					
5/8"	\$ 22.59	\$ 23.49	\$ 24.43	\$ 25.41	\$ 26.43
3/4"	\$ 22.59	\$ 23.49	\$ 24.43	\$ 25.41	\$ 26.43
1"	\$ 32.38	\$ 33.68	\$ 35.02	\$ 36.42	\$ 37.88
1 1/2"	\$ 81.30	\$ 84.55	\$ 87.93	\$ 91.45	\$ 95.11
2"	\$ 130.23	\$ 135.44	\$ 140.86	\$ 146.49	\$ 152.35
3"	\$ 198.72	\$ 206.67	\$ 214.94	\$ 223.53	\$ 232.47
4"	\$ 296.57	\$ 308.43	\$ 320.77	\$ 333.60	\$ 346.94
6"	\$ 590.12	\$ 613.72	\$ 638.27	\$ 663.80	\$ 690.36
10"	\$1,372.92	\$1,427.84	\$1,484.95	\$1,544.35	\$1,606.12
Multi-Dwelling	\$9.99	\$ 10.39	\$ 10.81	\$ 11.24	\$ 11.69
Fireline	\$8.04	\$ 8.36	\$ 8.70	\$ 9.04	\$ 9.41

* This is VWD's portion of the monthly fixed Ready-to-Serve (RTS) Charge. The total RTS charge will include SDCWA pass-through charges

Section 4.4: Additional Living Unit: In addition to the monthly Ready-to-Serve Charge based on meter size, on meters that serve more than one dwelling unit, there will be a monthly Multiple Dwelling Unit Charge as noted in the preceding tables for each dwelling unit exceeding the first one.

SECTION 5: WATER COMMODITY CHARGE:

Section 5.1: Water Commodity Charges: The District obtains 100% of its potable water supply from the Water Authority. The Water Commodity Charges recover the rates imposed on the District by the Water Authority, as well as additional costs related to water flow, conservation, and capital replacement. The total Water Commodity Charge is calculated by adding the wholesale water commodity charges imposed on the District by the Water Authority and passed through to customers, with the District's internal costs for delivering water.

Section 5.2: Water Commodity Charge: In addition to the monthly retail Ready-to-Serve Charge, all water delivered through a water meter for all classes of service will be charged a Water Commodity Charge, which is calculated based on the amount of water delivered to each meter and includes both the District's internal costs and the wholesale water purchase costs from the Water Authority.

Section 5.3: Tier Schedule: Tier ranges by meter size in units of water are effective October 1, 2022: One unit of water equals 748 gallons or 100 cubic feet of water.

WATER COMMODITY TIER STRUCTURE

EFFECTIVE 10/1/2022

Meter Size (Inches)	Units of Water (HCF)*		
	TIER 1	TIER 2	TIER 3
3/4" & 5/8"	1 - 6	7 - 21	>21
1"	1 - 16	17 - 78	>78
1 1/2"	1 - 43	44 - 196	>196
2"	1 - 85	86 - 335	>335
3"	1 - 342	343 - 977	>977
4"	1 - 342	343 - 977	>977
6"	1 - 722	723 - 1955	>1955
10"	1 - 722	723 - 1955	>1955
Agriculture		All Usage	
Construction			All Usage

* HCF is one Hundred Cubic Feet or 748 gallons

Section 5.4: Rates for Water Commodity Charge: Rates for the Water Commodity Charge per unit of water (HCF) are as follows and shall take effect on October 1, 2022.

VWD and SDCWA Commodity Rates

RATES EFFECTIVE OCTOBER 1, 2022

	Tier 1	Tier 2	Tier 3
SDCWA Pass-Through ⁽¹⁾	\$ 4.43	\$ 4.43	\$ 4.43
VWD Internal Costs	0.11	0.72	4.07
Discretionary Offsets ⁽²⁾	(0.77)	(0.24)	0.00
TOTAL COMMODITY RATES	\$ 3.77	\$ 4.91	\$ 8.50
\$ Change	\$0.00	\$0.16	(\$0.68)
% Change	0.0%	3.4%	-7.4%

⁽¹⁾ Wholesale Pass-through includes all increases of purchased water supplies billed from San Diego County Water Authority

⁽²⁾ Discretionary offsets include all discretionary revenue such as property tax and RDA revenues used to offset specific costs

The table below sets forth the maximum rates for the District’s share of the Water Commodity Charge in future years. The Water Commodity Charge imposed on customers in any year will be calculated annually by adding the Water Authority’s charges for water imposed on the District to the rates set forth in the table below. The District is further authorized to pass-through

any increases to the Water Authority’s share of the Water Commodity Charge above the amounts set forth in the preceding table, provided the District may not increase the Water Commodity Charge as a result of such pass-through by more than 6.5% in any calendar year. Rates shall become effective no sooner than January 1 of each calendar year.

MAXIMUM VWD Portion of Commodity Rate *					
	10/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026
Tier 1	\$ 0.11	\$ 0.11	\$ 0.12	\$ 0.12	\$ 0.13
Tier 2	\$ 0.72	\$ 0.75	\$ 0.78	\$ 0.81	\$ 0.84
Tier 3	\$ 4.07	\$ 4.23	\$ 4.40	\$ 4.58	\$ 4.76

* This is VWD's portion of the per unit commodity rate. The total commodity rate will include SDCWA pass-through charges.

Section 5.5: Drought Rates: In the event of drought conditions or mandated water cutbacks, the District continues to incur fixed costs while receiving reduced revenues. The District’s Board of Directors approved Ordinance 219 on November 17, 2021. Within Ordinance 219, Drought Rates for the commodity charge then in effect would be adjusted as necessary to achieve full cost recovery of the District’s revenue requirement. The table below shows the maximum additional charge that may be added to the per unit (HCF) Water Commodity Charge (referenced in Section 5.4) and implemented by the District during various levels of mandatory reductions in water usage.

DROUGHT RATES

Drought Level	Mandatory Cutback	Add'l Rate Per Unit (HCF)
1	10%	\$ 0.26
2	20%	0.49
3	30%	0.78
4	40%	1.12
5	50%	1.53
6	60%	2.07

Section 5.6: Special Agricultural Water Rate: Agricultural customers that are certified by the District as meeting the Water Authority’s requirements for their Permanent Special Agricultural Water Rate (PSAWR) program receive a discount, as defined by the Water Authority, on each unit (100 cubic feet) of agricultural water metered.

Agricultural customers not participating in PSAWR are eligible for the District’s Certified Non-Participating Agricultural Water Rate (CNPAWR) which is set at Tier 2.

For customers with domestic and agricultural water combined through the same meter, the first 26 units of usage are considered domestic, therefore the reduced rates do not apply to the first 26 units of use.

In order to be eligible for participation in either the PSAWR or CNPAWR program, the customer’s meter and account must be in compliance with all District ordinances, resolutions, rules, and regulations, as determined by the District.

SECTION 6: This Ordinance shall become effective upon adoption.

ORDINANCE NO. 215 IS HEREBY REPEALED IN ITS ENTIRETY. ALL OTHER ORDINANCES, ARTICLES OR SECTIONS OF ORDINANCES, OR AMENDMENTS IN CONFLICT HEREWITH ARE HEREBY REPEALED TO THE EXTENT OF SUCH CONFLICT.

PASSED, APPROVED, AND ADOPTED by the Board of Directors of the Vallecitos Water District at a regular meeting held this 28th day of September 2022, by the following roll call vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

 Craig Elitharp, President
 Board of Directors
 Vallecitos Water District

ATTEST:

 Glenn Pruum, Secretary
 Board of Directors
 Vallecitos Water District