



## REVISED

### DUBLIN SAN RAMON SERVICES DISTRICT Board of Directors

#### NOTICE OF REGULAR MEETING

**TIME:** 6 p.m.

**DATE:** Tuesday, November 1, 2016

**PLACE:** Regular Meeting Place  
7051 Dublin Boulevard, Dublin, CA

#### AGENDA

Our mission is to provide reliable and sustainable water and wastewater services to the communities we serve in a safe, efficient and environmentally responsible manner.

1. CALL TO ORDER
2. PLEDGE TO THE FLAG
3. ROLL CALL – Members: Duarte, Halket, Howard, Misheloff, Vonheeder-Leopold
4. SPECIAL ANNOUNCEMENTS/ACTIVITIES
5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC)

At this time those in the audience are encouraged to address the Board on any item of interest that is within the subject matter jurisdiction of the Board and not already included on tonight's agenda. Comments should not exceed five minutes. Speakers' cards are available from the District Secretary and should be completed and returned to the Secretary prior to addressing the Board. The President of the Board will recognize each speaker, at which time the speaker should proceed to the lectern, introduce him/herself, and then proceed with his/her comment.

6. REPORTS
  - A. Reports by General Manager and Staff
    - Event Calendar
      - DSRSD Financing Corporation - November 15, 2016
    - Correspondence to and from the Board
  - B. Agenda Management (consider order of items)
  - C. Joint Powers Authority and Committee Reports
    - DERWA - October 24, 2016
7. APPROVAL OF MINUTES - Regular Meeting of *October 18, 2016*  
**Recommended Action:** Approve by Motion
8. CONSENT CALENDAR – None

9. BOARD BUSINESS

- A. Second Reading: Adopt Ordinance of Dublin San Ramon Services District Modifying Sections 3.60.010, 3.60.020, 3.70.010, and 3.70.080 of Its District Ordinance Code to Revise the Time of Vesting of Water and Wastewater Capacity Rights and for Payment Of Associated Capacity Reserve Fees  
**Recommended Action:** Waive Reading by Motion /Adopt by Ordinance
- B. Receive Report on Zone 7 Water Rates and Schedule a Public Hearing for January 3, 2017  
**Recommended Action:** Receive Presentation/Schedule a Public Hearing

10. BOARDMEMBER ITEMS AND MATTERS INITIATED BY BOARD

- Submittal of Written Reports from Travel and Training Attended by Directors

11. CLOSED SESSION

- A. Public Employee Performance Evaluation Pursuant to Government Code Section 54957  
Title: District Treasurer
- B. Public Employee Performance Evaluation Pursuant to Government Code Section 54957  
Title: District Secretary

12. REPORT FROM CLOSED SESSION

13. ADJOURNMENT

All materials made available or distributed in open session at Board or Board Committee meetings are public information and are available for inspection at the front desk of the District Office at 7051 Dublin Blvd., Dublin, during business hours, or by calling the District Secretary at (925) 828-0515. A fee may be charged for copies. District facilities and meetings comply with the Americans with Disabilities Act. If special accommodations are needed, please contact the District Secretary as soon as possible, but at least two days prior to the meeting.

**DUBLIN SAN RAMON SERVICES DISTRICT  
MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS**

**October 18, 2016**

1. CALL TO ORDER

A regular meeting of the Board of Directors was called to order at 6 p.m. by President D.L. (Pat) Howard.

2. PLEDGE TO THE FLAG

3. ROLL CALL

Boardmembers present at start of meeting:

President D.L. (Pat) Howard, Vice President Richard M. Halket, Director Edward R. Duarte, Director Madelyne (Maddi) A. Misheloff, and Director Georgean M. Vonheeder-Leopold.

District staff present: Dan McIntyre, General Manager; John Archer, Assistant General Manager/Treasurer; Judy Zavadil, Engineering Services Manager; Carol Atwood, Administrative Services Manager; Dan Lopez, Interim Operations Manager; Carl P.A. Nelson, General Counsel; and Nicole Genzale, Executive Services Supervisor/District Secretary.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES - None

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:01 p.m. No public comment was received.

6. REPORTS

A. Reports by General Manager and Staff

- Event Calendar – General Manager McIntyre reported on the following:
  - o The next DERWA meeting will be held Monday, October 24, 2016 at 6pm.
  - o The Wastewater Treatment Plant Neighborhood Annual Meeting will be held Tuesday, October 25, 2016 at 5pm. This meeting will not require public noticing since no Boardmembers are planning to attend.
- Correspondence to and from the Board on an Item not on the Agenda – None

B. Agenda Management (consider order of items) – No changes were made.

C. Joint Powers Authority and Committee Reports

DSRSD/Pleasanton Liaison

October 13, 2016

President Howard invited comments on recent committee activities. Vice President Halket, Committee representative, reported it was a good meeting, with the majority of discussion regarding DSRSD's continued investigation of a cutting edge biosolids-to-energy facility that, if built, would be located at the wastewater treatment plant in Pleasanton. They agreed to resume discussion of the potential project in a year, once

more information has been gathered. Other topics included Zone 7's fixed charge concept with new fees and a sunset of the drought surcharge, and the progress of the joint feasibility study on potable reuse.

7. APPROVAL OF MINUTES – Regular Meeting of October 4, 2016

Director Vonheeder-Leopold MOVED for the approval of the October 4, 2016 minutes. Director Misheloff SECONDED the MOTION, which CARRIED with FIVE AYES.

8. CONSENT CALENDAR

The Board took Consent Calendar Items 8.A, 8.B, 8.C, and 8.E ahead of Item 8.D and passed these Items first.

Vice President Halket MOVED for approval of Items 8.A., 8.B, 8.C and 8.E on the Consent Calendar. Director Duarte SECONDED the MOTION, which CARRIED with FIVE AYES.

- A. Approve a Memorandum of Understanding Recognizing Zone 7 Water Agency as the Local Groundwater Sustainability Agency under the Sustainable Groundwater Management Act– Approved – Resolution No. 64-16
- B. Approve Amendment No. 9 to Agreement of February 8, 2002 with Bold, Polisner, Maddow, Nelson & Judson – District General Counsel – Approved – Resolution No. 65-16
- C. Approve an \$11,000 Increase to FYE2017 Capital Outlay Budget for Purchase of Truck with Service Body – Approved - Resolution No. 66-16
- D. REMOVED - Approve Time Extension for City of Dublin Unused Sewer Capacity Program and Rescind Resolution No. 57-13

The Board asked for further clarification as to the request to extend a partial unallocated dwelling unit equivalency (DUE). General Manager McIntyre confirmed that the partial DUE has value for attracting new business in Dublin, thus the City's request for the extension to the Program.

Vice President Halket MOVED for Approval of Resolution No. 67-16 to Approve Time Extension for City of Dublin Unused Sewer Capacity Program and Rescind Resolution No. 57-13. Director Vonheeder-Leopold SECONDED the MOTION, which CARRIED with FIVE AYES.

- E. Accept the Following Regular and Recurring Reports: Water Supply and Conservation, District Financial Statements, Warrant List, Upcoming Board Business, and "No Net Change" Operating Budget Adjustments – Approved.

9. BOARD BUSINESS

- A. First Reading: Introduction of Ordinance Revising District Code Sections 3.60.010, 3.60.020, 3.70.010 and 3.70.080

President Howard read title of Ordinance: Ordinance of Dublin San Ramon Services District Modifying Sections 3.60.010, 3.60.020, 3.70.010, and 3.70.080 of its District Ordinance Code to Revise the Time of Vesting of Water and Wastewater Capacity Rights and for Payment of Associated Capacity Reserve Fees

President Howard solicited Motion to Waive Reading of Ordinance.

Vice President Halket MOVED to Waive Reading of Ordinance. Director Misheloff SECONDED the MOTION, which CARRIED with FIVE AYES.

The Board and staff discussed, and agreed, the description of the item as it appears on the agenda could be more informative. General Manager McIntyre confirmed future proposed ordinance agenda item descriptions will provide information beyond code section identifiers.

There was no public comment received. There was no further discussion of the item. The proposed ordinance will return to the Board for second reading and adoption on November 1.

B. Adopt Statement of Opposition to Proposition 53 on the November 8, 2016 Ballot

General Manager McIntyre reviewed the item for the Board. He reported DSRSD will issue a news release tomorrow should the Board approve the proposed resolution to oppose Proposition 53.

The Board and staff discussed the proposed legislation and agreed it would greatly hamper the District's ability to complete necessary projects if project approval is dependent on a statewide vote as written in Proposition 53.

Director Duarte MOVED to adopt Resolution No. 68-16, Oppose Proposition 53 on the November 8, 2016 Ballot. Director Misheloff SECONDED the MOTION, which CARRIED with FIVE AYES.

C. Receive Presentation on Zone 7 Water Quality Management Program Report

Engineering Services Manager Zavadil reviewed the item for the Board and gave a presentation that reviewed Zone 7 water quality policy goals, DSRSD's Water Quality Report, water aesthetics, hardness and chemicals, Zone 7 water quality projects, and supply sources and locations.

The Board and staff discussed various aspects of the presentation including projects Zone 7 has planned through 2028 to address taste and odor, chromium 6, and water hardness issues, as well as pertinent chemical testing requirements, and observations and complaints commonly received from DSRSD customers about the water supplied by Zone 7. The Board thanked staff for presenting an excellent report.

D. Award Construction Agreement for the DSRSD Field Operations Building Project (CIP 16-A005) to Metcon-TI, Inc. and Approve a Budget Increase for the Project

Engineering Services Manager Zavadil reviewed the item for the Board.

The Board inquired about the scope of the project, the administrative management cost showing in the project budget, and if anything was salvageable in the demolition of the former Field Operations Division (FOD) facility that was located at Camp Parks. Ms. Zavadil explained the internal building renovations and the trash enclosures are within this project scope, the administrative cost represents the estimated purchase price of the new FOD building, and that anything salvageable was retained by the demolition company per agreement.

Director Duarte MOVED to adopt (1) Resolution No. 69-16, Approving and Authorizing Execution of Agreement with Metcon-TI, Inc. for Construction of the DSRSD Field Operations Building Project (CIP 16-A005), and (2) Resolution No. 70-16, Approving an Adjustment to the Capital Improvement Program Two-Year Budget for Fiscal Years Ending 2016 and 2017 to Increase the Project Budget for the Corporation Yard & Administrative Facilities (CIP 16-A005). Director Misheloff SECONDED the MOTION, which CARRIED with FIVE AYES.

10. BOARDMEMBER ITEMS

Director Duarte submitted a written report to Executive Services Supervisor Genzale. He reported he attended the California Special Districts Association (CSDA) annual conference in San Diego October 10-13, and the Contra Costa Special Districts Association chapter meeting held at Central Contra Costa Sanitation District in Martinez October 17. He summarized the activities and discussions at the meetings.

Director Misheloff commented that she is very interested in CSDA activities and wanted to attend the annual conference but was unable to do so as it conflicted with the Hebrew calendar. She will submit feedback to CSDA about future scheduling considerations.

Director Vonheeder-Leopold submitted written reports to Executive Services Supervisor Genzale. She reported she also attended the CSDA annual conference in San Diego on October 10-13, the DSRSD/Pleasanton Liaison meeting held at DSRSD on October 13, the California Association of Sanitation Agencies Board of Directors teleconference meeting on October 14, and the Alameda California Special Districts Association Executive Committee meeting held at the Castro Valley Sanitary District on October 17. She summarized the activities and discussions at the meetings.

11. CLOSED SESSION

At 6:53 p.m. the Board went into Closed Session.

- A. Public Employee Performance Evaluation Pursuant to Government Code Section 54957  
Title: General Manager
- B. Public Employee Performance Evaluation Pursuant to Government Code Section 54957  
Title: District General Counsel

12. REPORT FROM CLOSED SESSION

At 7:30 p.m. the Board came out of Closed Session. President Howard announced that there was no reportable action.

13. ADJOURNMENT

President Howard adjourned the meeting at 7:31 p.m.

Submitted by,

Nicole Genzale, CMC  
Executive Services Supervisor



Reference Engineering Services Manager	Type of Action Second Reading/Adopt Ordinance	Board Meeting of November 1, 2016
Subject Second Reading: Adopt Ordinance of Dublin San Ramon Services District Modifying Sections 3.60.010, 3.60.020, 3.70.010, and 3.70.080 of Its District Ordinance Code to Revise the Time of Vesting of Water and Wastewater Capacity Rights and for Payment Of Associated Capacity Reserve Fees		
<input type="checkbox"/> Motion	<input type="checkbox"/> Minute Order	<input type="checkbox"/> Resolution
<input checked="" type="checkbox"/> Ordinance	<input type="checkbox"/> Informational	<input type="checkbox"/> Other
REPORT:	<input type="checkbox"/> Verbal	<input type="checkbox"/> Presentation
<input checked="" type="checkbox"/> Staff	J. Zavadil	<input type="checkbox"/> Board Member

**Recommendation:**

Staff recommends the Board of Directors waive, by Motion, the second reading of an Ordinance governing payment of capacity reserve fees and vesting of capacity rights, and adopt the Ordinance.

**Summary:**

This is the second of two readings of the proposed revisions to Sections 3.60.010, 3.60.020, 3.70.010 and 3.70.080 of the District Code, which governs time of payment of capacity reserve fees and vesting of capacity rights. The first reading of this Ordinance was conducted at the October 18, 2016 Board meeting.

Capacity rights provide properties the conditional right to obtain service from and use of the District’s water and wastewater systems. The District Code includes provisions on time of payment of capacity reserve fees and allocation and vesting of capacity rights. In general, water and wastewater capacity reserve fees are collected and capacity rights are allocated when a building permit is issued. The capacity rights vest after a building has been connected to the District facilities. Building permits can remain in effect for three years. Therefore, a developer can purchase capacity up to three years before connecting to the system.

Staff proposes to collect water and wastewater capacity reserve fees at meter set where applicable and to provide that capacity rights vest at time of authorized connection. With this proposed change developers will not be able acquire capacity rights early and preclude other developers from acquiring capacity when capacities are limited, which occurred in the 1980s and early 1990s. In addition, developers will not be able to lock in a lower current fee for their future projects prior to a fee increase, which occurred in the late 1990s and 2000s. This change will also reduce administrative costs associated with processing the fees and provide better customer service. Under a current agreement with Zone 7 Water Agency (Zone 7), the District collects the Zone 7 capacity fee when the meter is set. By aligning the collection of the District fee with the Zone 7 fee the developer would be able to pay all the required fees at one time, saving both the developer and staff time.

Revisions to relevant sections of the District Code are required to make this change. Active development project applicants have been notified of these proposed revisions to the District Code.

Committee Review			Legal Review	Staff Review		
COMMITTEE ---	DATE ---	RECOMMENDATION ---	Yes	ORIGINATOR R. Biagtan	DEPARTMENT Eng Services	REVIEWED BY JZ
<b>ATTACHMENTS</b> <input type="checkbox"/> None						
<input type="checkbox"/> Resolution	<input type="checkbox"/> Minute Order	<input type="checkbox"/> Task Order	<input type="checkbox"/> Staff Report	<input checked="" type="checkbox"/> Ordinance		
<input checked="" type="checkbox"/> Cost \$0	<input type="checkbox"/> Funding Source A. B.		Attachments to S&R 1. 2. 3.			



**ORDINANCE NO. 339**

**ORDINANCE OF DUBLIN SAN RAMON SERVICES DISTRICT MODIFYING SECTIONS 3.60.010, 3.60.020, 3.70.010, AND 3.70.080 OF ITS DISTRICT ORDINANCE CODE TO REVISE THE TIME OF VESTING OF WATER AND WASTEWATER CAPACITY RIGHTS AND FOR PAYMENT OF ASSOCIATED CAPACITY RESERVE FEES**

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WHEREAS, the District Ordinance Code was recodified on November 2, 2010 in its entirety; and

WHEREAS, on November 19, 2013, the District Board adopted Ordinance No. 331 modifying time of payment of water and wastewater capacity reserve fees by making them generally due and payable at time of building permit issuance where applicable; and

WHEREAS, Sections 3.60.010 and 3.60.020 include provisions for establishing and vesting water and wastewater capacity rights allocation; and

WHEREAS, Section 3.70.080 includes provisions for time of payment of fees associated with construction permits and water and wastewater capacity reserve fees to protect the District from the speculative purchase and/or hoarding of unused water and wastewater capacities by purchasers, and Section 3.70.010 addresses the failure to timely connect to the District's water and wastewater systems; and

WHEREAS, the Board wishes to ensure that the appropriate capacity reserve fees are collected at the time that the service is initiated and the capacity is put to use; and

WHEREAS, the Board wishes to establish vesting of capacity rights after payment of capacity reserve fees and at authorized time of connection; and

WHEREAS, pursuant to Sections 25128 and 61060 of the Government Code, three (3) copies of the proposed revised Sections of the District Ordinance Code have been on file in the office of the District Secretary since July 5, 2016 and available for use and examination by the public during regular business hours.

NOW, THEREFORE, BE IT ORDAINED by the Board of Directors of Dublin San Ramon Services District as follows:

1. Section 3.60.010 of the District Ordinance Code, entitled "Capacity rights allocation – Issuance of certificate of capacity rights," and Section 3.60.020 of the District Ordinance Code, entitled "Vesting of certificate of capacity rights," are hereby repealed and replaced by the new Section 3.60.010 entitled "Capacity rights allocation – Issuance of certificate of capacity rights," and Section 3.60.020 entitled "Vesting of certificate of capacity rights," in the respective form in which each appears in Exhibit 1. Notwithstanding the preceding sentence, wherever a provision of the new Sections 3.60.010 and 3.60.020 are substantially the same as the previous version of Sections 3.60.010 and 3.60.020, the provision shall be deemed to be a continuation of the previous version of the provision and not a new enactment.

2. Section 3.70.010 of the District Ordinance Code, entitled “Capacity reserve fee,” and Section 3.70.080 of the District Ordinance Code, entitled “Time of payment,” are hereby repealed and replaced by the new Section 3.70.010 of the District Ordinance Code, entitled “Capacity reserve fee,” and Section 3.70.080 of the District Ordinance Code, entitled “Time of payment,” in the respective form in which each appears in Exhibit 2. Notwithstanding the preceding sentence, wherever a provision of the new Sections 3.70.010 and 3.70.080 are substantially the same as the previous version of Sections 3.70.010 and 3.70.080, the provision shall be deemed to be a continuation of the previous version of the provision and not a new enactment.
3. The General Manager, or the person or persons to whom such task may from time to time be delegated, is further authorized and directed to make further non-substantive administrative changes, as approved by District General Counsel, to Sections 3.60.010 and 3.60.020 as set forth in Exhibit 1 and to Sections 3.70.010 and 3.70.080 as set forth in Exhibit 2 (including revisions in formatting as may be suggested by the publisher) for consistency and ease of reference within sixty (60) days from the date of adoption.
4. This Ordinance will be effective thirty (30) days after its adoption.

ADOPTED by the Board of Directors of Dublin San Ramon Services District at its regular meeting held on the 1st day of November, 2016, by the following vote:

AYES:

NOES:

ABSENT:

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D.L. (Pat) Howard, President

ATTEST:

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Nicole Genzale, District Secretary

**Proposed Revision to DSRSD Code Sections 3.60.010 and 3.60.020****3.60.010 Capacity rights allocation – Issuance of certificate of capacity rights.**

Prior to connection to District facilities, applicants shall obtain from the District sufficient water and/or wastewater capacity rights, as determined by the District Engineer, for the property upon which they have proposed a development. Capacity rights provide the property the conditional right to obtain service from and use of the District's water and wastewater systems. Allocation of capacity for water and/or wastewater service to a property shall be issued through a certificate of capacity rights, which shall remain conditional until such time, if ever, it vests in accordance with DSRSDC 3.60.020, Vesting of certificate of capacity rights. No certificate of capacity rights shall be issued until the applicant has paid capacity reserve fees (formerly known as connection fees) and the District Engineer has approved the application therefor in accordance with Chapter 3.40 DSRSDC, Application for Services. Unless the Board has determined that sufficient capacity is not available to allow additional connections to its water system, its wastewater system, or both, a certificate of capacity rights shall issue as of the date of payment of the capacity reserve fees.

A certificate of capacity rights, if required for a development, shall be obtained by the applicant (a) within 30 calendar days prior to installation of a new or larger water meter; or, if installation of a new or larger water meter is not required, within 30 days prior to issuance of a building permit, if a building permit is required by the city or county having jurisdiction; (b) within 30 calendar days prior to installation of a water meter, if a building permit is not required by the city or county having jurisdiction; or, (c) if neither a building permit nor a new or larger water meter is required, within 30 calendar days prior to an application for service submitted pursuant to DSRSDC 3.40.030. For an application for service submitted pursuant to DSRSDC 3.40.040, the certificate of capacity rights shall be obtained within 30 calendar days prior to the first use of the additional capacity required as a result of the expansion of any building or structure, or of the intensification of use, or of the initiating of service to a new building or structure not subject to the provisions of DSRSDC 3.40.030.

The quantity of capacity right allocation required for a development or property shall be determined by the District Engineer. If the Board has determined that sufficient capacity is not available to allow additional connections to its water system, its wastewater system or both, the District may deny such connections notwithstanding the issuance of certificates of capacity rights.

A sewer permit issued to an applicant prior to December 2, 2010, shall be deemed to be a certificate of capacity rights for sewer capacity, and shall be subject to all of the provisions of this chapter. However, issuance of a construction permit after December 2, 2010, shall not be deemed to be a certificate of capacity

rights of any kind, nor shall it be deemed to imply or otherwise give rise to an entitlement of any kind to a capacity rights allocation, or any reasonable expectation thereof, for the recipient of such construction permit.

The District reserves the right to make additional changes to capacity rights allocation and charge associated fees for existing water and wastewater service connections to the District's systems, for which certificates of capacity rights have been previously issued, if significant changes in service demands, within the area served by the District or within a specified portion thereof in which the connection is located, make the additional changes necessary.

A. Water. Unless otherwise determined by the District Engineer, capacity rights to service from and use of the District's potable water and recycled water distribution systems shall be a multiple representing the approximate ratio between the maximum rate of continuous flow through the water meter(s) required on a property and the maximum rate of continuous flow through a 5/8-inch water meter, which shall be the unit of measurement.

B. Wastewater. Capacity rights to service from and use of the District's regional wastewater treatment plant shall be determined by the District Engineer based on the average daily flow, BOD, and SS of the proposed or actual discharge into the wastewater system within the area served by the District, or a specified portion thereof, as estimated by the District Engineer. Capacity rights to service from and use of the District's local wastewater collection system shall be determined by the District Engineer based on the average daily flow of the property's discharge into the wastewater system within the area served by the District, or a specified portion thereof, as estimated by the District Engineer.

1. Nonresidential Users. For nonresidential users, if, in the discretion of the District Engineer, no wastewater flow information can be provided by the applicant, the initial determination of the capacity rights shall be based on the average daily flow, BOD, and SS discharged into the wastewater system by all uses of the same category or use classification as the proposed use, as estimated by the District Engineer in accordance with DSRSDC 3.30.010(C), Wastewater Capacity Demand Estimates. The appropriate category or use classification for this determination shall be selected by the District Engineer in his or her sole discretion.

The District Engineer may, using appropriate means within the sole and absolute discretion of the District, review capacity rights for nonresidential users upon request submitted either pursuant to DSRSDC 3.60.060, Adjustment to allocated capacity – Modification of certificate of capacity rights, or at any time after an appropriate period as determined by the District Engineer to represent normalized wastewater usage based upon any additional information that becomes available about average daily flow, BOD, and SS actually being discharged into the wastewater system.

2. Residential Users. For residential users, a standard regional wastewater capacity allocation shall be used for each single-family dwelling unit equivalent based upon the average daily flow, BOD and SS discharged by all single-family dwelling units within the area served by the District or a specified portion thereof, as determined from time to time by the District Engineer. A standard local wastewater capacity allocation shall be used for each single-family dwelling unit based upon the average daily flow discharged by all single-family dwelling units within the area served by the District or a specified portion thereof, as determined from time to time by the District Engineer.

Unless otherwise determined by the District Engineer, capacity rights for second dwelling units and each class of multiple-family dwelling units to service from and use of the District's regional wastewater treatment plant shall be a multiple representing the approximate ratio between the average daily flow, BOD and SS from said class of dwelling units within the area served by the District or a specified portion thereof, as estimated by the District Engineer, and a single-family dwelling unit equivalent. Unless otherwise determined by the District Engineer, capacity rights for second dwelling units and each class of multiple-family dwelling units to service from and use of the District's local wastewater collection system shall be a multiple representing the approximate ratio between the average daily flow from said class of dwelling units within the area served by the District or a specified portion thereof as estimated by the District Engineer, and a single-family dwelling unit equivalent. [Ord. 331, 2013. Prior legislation: Ord. 69, 1969; Ord. 90, 1971; Ord. 118, 1975; Ord. 147, 1979; Ord. 157, 1980; Ord. 159, 1980; Ord. 190, 1984; Ord. 216, 1988; Ord. 273, 1997; Ord. 327, 2010; Ord. \_\_\_\_, 2016.]

**3.60.020 Vesting of certificate of capacity rights.**

A. The certificate of capacity rights and rights associated therewith are conditional and shall vest only after the applicant has paid all capacity reserve fees (formerly known as connection fees) in effect at the date of vesting and either (1) a new or larger meter water meter has been set; or (2) building structures, for which all or a substantial portion (as determined by the District Engineer) of the certificate of capacity rights is issued, are constructed and connected to District facilities.

The certificate of capacity rights and rights associated therewith shall lapse and not be vested, if (1) a new or larger water meter has not been set; or (2) the building structures for which all or a substantial portion (as determined by the District Engineer) of the certificate of capacity rights is issued are not constructed and connected to District facilities within 30 days after payment of the capacity reserve fees pursuant to DSRSDC 3.70.080. However, after a new or larger water meter has been set, or the building structures for which all or a substantial portion (as determined by the District Engineer) of the certificate of capacity rights is issued are constructed and connected to District facilities, and additional capacity reserve fees are paid in accordance with DSRSDC 3.70.010(D), the certificate of capacity rights and rights associated therewith shall vest.

Notwithstanding the preceding two paragraphs, if changes have been made to the development upon which the District based its determination of capacity rights under DSRSDC 3.60.010, Capacity rights allocation – Issuance of certificate of capacity rights, or if changes have been made to affect the amount of capacity needed for the property upon which the development was proposed, as determined by the District Engineer, certificate of capacity rights shall be modified in accordance with DSRSDC 3.60.050, Additional capacity – Intensification or modification of use, or DSRSDC 3.60.060, Adjustment to allocated capacity – Modification of certificate of capacity rights, and appropriate fees shall be paid (or refunded, but only to the extent a refund is required under DSRSDC 3.70.050, Partial refund of capacity reserve fees).

Notwithstanding the foregoing, the District may, from time to time, adopt a policy by resolution establishing criteria for expiration of capacity rights based on its determination that sufficient capacity is not available in its water system, its wastewater system, or both, to meet anticipated demands, or that such capacity will not be available at the time of vesting of capacity rights in accordance with this section, and/or an unprecedented severe reduction in economic development.

B. Nothing in the provisions of subsection (A) of this section shall be deemed to prevent the District from exercising its discretion, or to permit the vesting of any certificate of capacity rights in a manner contrary to, or in a manner that would in any way constrain the District's discretion under, DSRSDC 3.20.030, Requirement of capacity – Priorities for capacity allocation, DSRSDC 3.20.120, Priority for affordable or low income housing developments, or DSRSDC 3.60.090, Priority for certain governmental connections. [Ord. 331, 2013. Prior legislation: Ord. 69, 1969; Ord. 118, 1975; Ord. 157, 1980; Ord. 159, 1980; Ord. 190, 1984; Ord. 216, 1988; Ord. 273, 1997; Ord. 327, 2010; Ord. \_\_\_\_, 2016.]

H:\Board\2016\11-01-16\Second Reading-Revision of Time of Payment\Exhibit 1 to Ordinance -Time of Payment Revision 3.60.010 and 3.60.020.docx

### **Proposed Revision to DSRSD Code Sections 3.70.010 and 3.70.080**

#### **3.70.010 Capacity reserve fee.**

A capacity reserve fee shall be assessed for each new system user, or for an existing system user who is expanding use of services, for the right to connect to and receive new or expanded service from the District's water and wastewater facilities. Said fee shall consist of the amounts determined by the District to be necessary to recover the estimated reasonable cost of providing the services taking into account an equitable portion of the costs of improvements, replacements, and expansions of the District facilities used to provide the service(s). Upon payment of capacity reserve fees, the applicant/user may obtain a certificate of capacity rights in accordance with Chapter 3.60 DSRSDC, Service Capacity Allocation. Modifications to capacity rights obtained herein shall be in accordance with DSRSDC 3.60.050, Additional capacity – Intensification or modification of use, and DSRSDC 3.60.060, Adjustment to allocated capacity – Modification of certificate of capacity rights.

A. Potable Water. The capacity reserve fee for connection of property to the District's potable water supply facilities shall be as established by separate ordinance or resolution duly adopted from time to time by the Board, based on the size and capacity of the water meter and the pressure zone and the county in which the water meter is to be installed; provided, that said fee for a residential unit, including but not limited to a single-family dwelling, requiring a one-inch water meter or smaller water meter, at the discretion of the District Engineer, for fire sprinkler systems shall be that established for a 5/8-inch water meter, as determined by the Board from time to time.

1. The District's capacity reserve fee shall be a multiple representing the approximate ratio between the maximum rate of continuous flow operation of the water meter being installed and the maximum rate of continuous flow through a 5/8-inch water meter.
2. In addition to the fee described in subsection (A)(1) of this section, for the District's water service area, the capacity reserve fee for potable water shall also include an amount established by Zone 7 for water supply connections pursuant to Zone 7 Resolution No. 00-2206, or any future amendment or restatement thereof, as may from time to time be adopted by Zone 7.
3. In addition to the fees described in subsections (A)(1) and (A)(2) of this section, an additional one percent of the Zone 7 fees shall be assessed on new connections within Contra Costa County to collect the costs incurred by the District to administer the collection of fees for Zone 7.

4. The District, at the discretion of the District Engineer, may add an additional amount or amounts when the incremental costs of providing water service to the property for which application for connection is made exceed the revenues that would be derived from the minimum capacity reserve fee. Such additional amount or amounts shall be determined by the District Engineer, using standard marginal cost-pricing techniques.

B. Recycled Water. The capacity reserve fee for connection of property to the District's recycled water supply facilities shall be as established by separate ordinance or resolution duly adopted from time to time by the Board, based on the size and capacity of the water meter. This capacity reserve fee shall be a multiple representing the approximate ratio between the maximum rate of continuous flow operation of the water meter being installed and the maximum rate of continuous flow through a 5/8-inch water meter. The capacity reserve fee for a recycled water connection shall not include the Zone 7 fees or the one percent surcharge thereon, as described in subsections (A)(2) and (A)(3) of this section.

C. Wastewater. The capacity reserve fees for connection of property to the District's wastewater facilities shall be as established by separate ordinance or resolution duly adopted from time to time by the Board. The applicant/user shall pay both the regional and local wastewater reserve fees as follows:

1. Regional wastewater capacity reserve fees for service from and use of the District's regional wastewater treatment plant, as determined by the District Engineer, based on the average daily flow, BOD and SS proposed to be discharged to the wastewater system within the area served by the District or a specified portion thereof as estimated by the District Engineer.

a. Residential Users. A standard regional wastewater capacity reserve fee shall be charged for each single-family dwelling unit equivalent based upon the average daily flow, BOD and SS discharged to the wastewater system by all single-family dwelling units within the area served by the District or a specified portion thereof, as determined from time to time by the District Engineer.

Regional wastewater capacity reserve fees for second dwelling units and each class of residences (other than single-family dwellings) shall be a fraction representing the approximate ratio between the average daily flow, BOD and SS from said class of residences within the area served by the District or a specified portion thereof, as estimated by the District Engineer, and a single-family dwelling unit equivalent within the area served by the District or a specified portion thereof.

b. Nonresidential Users. Except as the District Engineer may otherwise determine, the regional wastewater capacity reserve fee for nonresidential users shall be calculated based on the average daily flow, BOD and SS discharged into the wastewater system by all uses of the same category or use classification as the proposed use, each of which shall be estimated by the District Engineer.



2. Local wastewater capacity reserve fees for service from and use of the District's wastewater collection system, based on average daily flow proposed to be discharged to the wastewater system, within the area served by the District or a specified portion thereof, as estimated by the District Engineer.

a. Residential. A local wastewater capacity reserve fee shall be charged for each single-family dwelling unit equivalent based upon the average daily flow discharged by all single-family residential units within the area served by the District or a specified portion thereof, as determined from time to time by the District Engineer.

Local wastewater capacity reserve fees for second dwelling units and each class of residences (other than single-family dwellings) shall be based on a fraction representing the approximate ratio between the average daily flow from said class of residences within the area served by the District or a specified portion thereof to the flow from one standard single-family dwelling unit within the area served by the District or a specified portion thereof, as estimated by the District Engineer.

b. Nonresidential Users. A local wastewater capacity reserve fee shall be charged to all nonresidential users based on average daily flow proposed to be discharged to the wastewater system, which shall be estimated by the District Engineer.

D. Failure to Connect After Payment of Fees. If an authorized connection associated with a certificate of capacity rights have not been made within 30 calendar days after payment of the capacity reserve fees pursuant to DSRSDC 3.70.080, , additional capacity reserve fees comprised of the difference between the capacity reserve fees paid at issuance of the lapsed certificate of capacity rights and the capacity reserve fees in effect within 30 calendar days prior to the actual time of authorized connection, shall be paid in full to perfect the certificate of capacity rights and as a condition precedent to connecting to District facilities. For the purposes of this section, an authorized connection is made when a new or larger water meter is installed, or when the building structures for which all or a substantial portion (as determined by the District Engineer) of the certificate of capacity rights is issued are constructed and connected to District facilities.

E. Special Arrangements. In addition to the applicable fee specified in this section:

1. A special capacity reserve fee shall be paid for improvements, as defined in DSRSDC 2.50.040, Definitions, subject to a reimbursement agreement entered into under Chapter 2.50 DSRSDC, Reimbursement Agreements. The amount of the special capacity reserve fee shall be determined in accordance with the terms and conditions of the reimbursement agreement.

2. Notwithstanding any provision of this code to the contrary, the District may, by special contract, ordinance, or resolution, require an additional payment to reimburse the District for an equitable portion

of the costs of existing capital facilities and equipment that will be used to provide water and/or wastewater services to the new system user, or existing system user who is expanding its use of services, which costs will not, due to unusual or extraordinary circumstances as determined by the District Engineer, be fully reimbursed through the applicable capacity reserve fees. [Ord. 331, 2013. Prior legislation: Ord. 69, 1969; Ord. 118, 1975; Ord. 133, 1978; Ord. 136, 1978; Ord. 137, 1978; Ord. 142, 1978; Ord. 146, 1979; Ord. 147, 1979; Ord. 153, 1980; Ord. 159, 1980; Ord. 165, 1981; Ord. 171, 1982; Ord. 172, 1982; Ord. 174, 1982; Ord. 175, 1982; Ord. 182, 1983; Ord. 184, 1983; Ord. 185, 1983; Ord. 188, 1984; Ord. 190, 1984; Ord. 191, 1984; Ord. 192, 1984; Ord. 197, 1985; Ord. 200, 1985; Ord. 203, 1986; Ord. 216, 1988; Ord. 218, 1988; Ord. 223, 1989; Ord. 226, 1989; Ord. 232, 1990; Ord. 233, 1990; Ord. 234, 1990; Ord. 240, 1991; Ord. 241, 1991; Ord. 250, 1992; Ord. 270, 1996; Ord. 273, 1997; Ord. 274, 1997; Ord. 278, 1997; Ord. 291, 2003; Ord. 301, 2004; Ord. 327, 2010; Ord. \_\_\_\_, 2016.]

### **3.70.080 Time of payment.**

Construction permits shall not be issued until all District fees have been paid, except for capacity reserve fees pursuant to DSRSDC 3.70.010 through DSRSDC 3.70.030, to be paid later in accordance with this section. Certificates of capacity rights shall not be issued until all District fees associated therewith have been paid in full except for payment of the portion of the regional wastewater capacity reserve fee eligible for installment payments pursuant to an agreement duly executed by the applicant and the District as provided in DSRSDC 3.70.040, Installment payment of regional wastewater capacity reserve fees. Zone 7 wholesale fees shall be collected at the time the water meter is installed pursuant to the agreement between Zone 7 and the District. Prepayment of capacity reserve fees is not permitted.

A. Capacity Reserve Fee. No connection to the facilities of the District shall be made, certificate of capacity rights issued, nor water meter installed until the capacity reserve fees are paid except as otherwise provided in DSRSDC 3.70.040, Installment payment of regional wastewater capacity reserve fees.

1. Water capacity reserve fees shall be paid within 30 calendar days prior to installation of a new or larger water meter.
2. Wastewater capacity reserve fees for connections within the District's wastewater service area shall be paid within 30 calendar days prior to installation of a new or larger water meter.
  - a. If installation of a new or larger water meter is not required but a building permit is required by the city or county of jurisdiction, wastewater capacity reserve fees shall be paid within 30 calendar days prior to issuance of the building permit. No building permit may be issued until capacity reserve fees are paid.

b. if neither a building permit nor a new or larger water meter is required, wastewater capacity reserve fees shall be paid within 30 calendar days prior to an application for wastewater service submitted pursuant to DSRSDC 3.40.030.

c. if the initiation of service is not subject to the provisions of DSRSDC 3.40.030, and neither a building permit nor a new or larger water meter is required, wastewater capacity reserve fees shall be paid within 30 calendar days prior to the first use of the additional capacity required as a result of the expansion of any building or structure, or of the intensification of use, or of the initiating of service to a new building or structure subject to the provisions of DSRSDC 3.40.040.

B. Project Planning and Review Fees. Project planning and review fees pursuant to DSRSDC 3.70.070, Inspection and project review fees – Miscellaneous fees, shall be due and payable upon the initial submittal of plans for review. Project planning and review fees assume review of two iterations of improvement plans for which the fees are charged; review of additional iterations is beyond typical services and will require additional payments. Payment for additional plan review services shall be made prior to approval of plans if no construction permit is required, and prior to issuance of a construction permit if a construction permit is required.

C. Inspection Fees. Inspection fees pursuant to DSRSDC 3.70.070, Inspection and project review fees – Miscellaneous fees, shall be due and payable prior to issuance of a construction permit. In the event that the construction permit expires per DSRSDC 3.50.040, Expiration of construction permit, and an extension is not granted per DSRSDC 3.50.050, Extension of construction permit, inspection fees paid in advance under this section may be refunded, pro rata, based upon services rendered by the District.

D. Miscellaneous Fees and Charges. Other fees and charges established by the Board from time to time shall be due and payable as specified in the ordinance or resolution establishing such fees or charges.

E. Failure to Timely Pay Fees and Charges. Failure to pay for fees or charges incurred during construction and prior to project acceptance may result in halt in construction inspection, or provision of services that the District provides, until such fees or charges are paid in full. [Ord. 331, 2013. Prior legislation: Ord. 69, 1969; Ord. 107, 1974; Ord. 118, 1975; Ord. 133, 1978; Ord. 142, 1978; Ord. 146, 1979; Ord. 170, 1981; Ord. 190, 1984; Ord. 216, 1988; Ord. 247, 1992; Ord. 249, 1992; Ord. 270, 1996; Ord. 273, 1997; Ord. 327, 2010; Ord. 331, 2013; Ord. \_\_\_\_, 2016.]



Reference Assistant General Manager	Type of Action Receive Presentation/Schedule a Public Hearing	Board Meeting of November 1, 2016
Subject Receive Report on Zone 7 Water Agency Water Rates and Schedule a Public Hearing for January 3, 2017		
<input type="checkbox"/> Motion	<input type="checkbox"/> Minute Order	<input type="checkbox"/> Resolution
<input type="checkbox"/> Ordinance	<input type="checkbox"/> Informational	<input type="checkbox"/> Other
REPORT:	<input type="checkbox"/> Verbal	<input checked="" type="checkbox"/> Presentation
	<input checked="" type="checkbox"/> Staff	J. Archer
		<input type="checkbox"/> Board Member

**Recommendation:**

Staff recommends that the Board: (1) receive a presentation from staff on the recently adopted Zone 7 Water Agency (Zone 7) Water Rates and its impact on the currently adopted pass through rate, (2) direct staff to mail the necessary Proposition 218 noticing, and (3) schedule a public hearing date.

**Summary:**

- The Zone 7 component of the rates has been a pass through to customers since 2002.
- The current rate formula is *“for all water consumed, the amount of the operative Treated Water quantity charge as adopted by the Zone 7 Water.”*
- On October 19, 2016, the Zone 7 Board of Directors adopted a new rate structure that includes a fixed monthly charge for all water retailers in addition to the quantity charge.
- To recover the costs charged for the Zone 7 fixed monthly charge, the authorizing rate resolution must be revised to include the fixed cost from Zone 7.
- The new Treated Water quantity charge would be calculated as the sum of the consumption charge, plus the ratio of the annual fixed charge, divided by the annual water requirement provided to Zone 7.
- A 4.6% allowance for unbilled water will be added to the Treated Water quantity charge (sum of the quantity rate and the monthly component). This rate, if adopted, will capture the full cost of water purchased from Zone 7. (The 4.6% represents water purchased for fire protection, system maintenance and other similar uses of water that are not billed directly to customers, but equally benefit all customers).
- Terms of Proposition 218 require notification to all water customers of the proposed change in rate structure.
- Notice will be sent to all water customers on November 2, 2016.
- A public hearing on the rate change must be held no less than 45 days after the notice.
- A public hearing will be scheduled for January 3, 2017.
- Rates would become effective on all consumption on or after February 1, 2017.

A copy of the proposed Proposition 218 notice is also attached. This legal notice outlines the maximum rates to be adopted, the scheduled date of the public hearing and the method to be used by customers to formally protest the proposed maximum rates.

Committee Review			Legal Review	Staff Review		
COMMITTEE ---	DATE ---	RECOMMENDATION ---	Yes	ORIGINATOR J. Archer	DEPARTMENT Exec	REVIEWED BY
<b>ATTACHMENTS</b> <input type="checkbox"/> None						
<input type="checkbox"/> Resolution	<input type="checkbox"/> Minute Order	<input type="checkbox"/> Task Order	<input checked="" type="checkbox"/> Staff Report	<input type="checkbox"/> Ordinance		
<input checked="" type="checkbox"/> Cost \$0	<input type="checkbox"/> Funding Source A. B.		Attachments to S&R 1. Proposed Proposition 218 Notice 2. 3.			

# STAFF REPORT



District Board of Directors  
November 1, 2016

## Report on Zone 7 Water Rates and Schedule a Public Hearing

### BACKGROUND

HDR developed the existing rate structure which was adopted in 2009, including the water conservation rates. The Zone 7 Water Agency (Zone 7) component of the rates has been a pass through to customers since 2002. The District component of water rates including the water shortage emergency rates are updated annually for the impact of changes in CPI as outlined in the adopting resolutions. Those rates are already calculated and will increase January 1, 2017 by 2.67% as reported to the Board on October 4, 2016. The Zone 7 Board of Directors independently sets rates annually to be effective January 1 of each year. Last year, the Zone 7 Board adopted a two-year schedule that increased consumption based rate by 13% per year in 2016, 2017 and 2018. In addition, the Zone adopted a temporary conservation surcharge of \$0.57 per CCF (hundred cubic foot) that requires Board approval to be extended beyond one year. Due to the impacts of the current drought on Zone 7 financial reserves, Zone 7 hired a consulting firm to further evaluate the long-term sustainability of the proposed rate structure. As a result of the consultant’s review, the District has adopted revised working capital targets and proposed charging all retail customers a monthly charge. The monthly fixed charge would help stabilize the Zone 7 cash flow and help in times of drought when consumption unexpectedly decreases. On October 19, 2016, the Zone 7 Board adopted a rate structure that included a monthly fixed amount determined by the retailer and decreased the consumption charge accordingly.

### DISCUSSION

- The current Zone 7 consumption rate formula is “for all water consumed, the amount of the operative Treated Water quantity charge as adopted by the Zone 7 Water.”
- On October 19, 2016, the Zone 7 Board of Directors adopted a new rate structure that includes a fixed monthly charge for all water retailers in addition to the quantity charge.
- To recover the costs charged for the Zone 7 fixed monthly charge, the District’s authorizing rate resolution must be revised to include the fixed cost from Zone 7.
- The new Zone 7 quantity charge would be calculated as the sum of the consumption charge per below:

#### Volume-based Rate CY 2017<sup>1</sup> CY 2018

Volume-based Rate	CY 2017 <sup>1</sup>	CY 2018
Rate per CCF	\$1.98	\$2.04
Temporary Surcharge per CCF	\$0.57	-
<b>Total per CCF</b>	<b>\$2.55</b>	<b>\$2.04</b>

<sup>1</sup>Includes a temporary one-year surcharge of \$0.57 per 100 cubic feet (CCF) which will sunset on December 31, 2017; any extension of the temporary surcharge will require a separate Board approval.

- The revised rate methodology would include the ratio of the annual fixed charge divided by the annual water requirement provided to Zone 7. The new fixed Zone 7 Charge would be allocated to all water rate customers in proportion to their water usage. The Water Enterprise would realize any excess or shortfall if annual water demand varied from estimated annual demand.

<b>Fixed Charge per Retailer</b>	<b>CY 2017</b>
City of Pleasanton	\$4,468,719
Dublin San Ramon Services District	\$4,363,160
California Water Service Company	\$2,751,052
City of Livermore	\$2,640,824
<b>Total Retailer Fixed Charge</b>	<b>\$14,223,755</b>

The DSRSD fixed cost \$4,363,160, divided by projected water purchases of 4,282,290 CCF (9716 AF), would result in a consumption based fee of \$1.03 CCF (\$1.07 for 2018).

- A 4.6% allowance for unbilled water will be added to the Treated Water quantity charge (sum of the quantity rate and the monthly component). This rate, if adopted, will capture the full cost of water purchased from Zone 7. (The 4.6% represents water purchased for fire protection, system maintenance and other similar uses of water that are not billed directly to customers, but equally benefit all customers). This is a \$0.14 per ccf charge)
- The total rate adding the three components would be \$3.72 CCF. ( \$2.55+\$1.03+\$0.14)
- The Zone 7 Temporary Surcharge per ccf is scheduled to sunset at the end of 2017, but could be extended by Zone 7 board action in the fall of 2017.
- Terms of Proposition 218 require notification to all water customers of the proposed change in rate structure.
- A Proposition 218 notice will be sent to all water customers on November 2, 2016.
- A public hearing on the rate change must be held no less than 45 days after the notice.
- A public hearing will be scheduled for January 3, 2017.
- Rates would become effective on all consumption on or after February 1, 2017.

The financial impact of adopting the rate effective February 1, 2017 compared to the Zone 7 effective date of January 1, 2017 is minimal. The cost to the District is approximately \$92,000 based on the rate in effect as of December 31, 2016 of \$3.29 CCF, the proposed rate of \$3.72 CCF, and January estimated consumption of 214,532CCF (2016 actual).

**RECOMMENDATION**

Staff recommends that the Board: (1) receive a presentation from staff on the recently adopted Zone 7 Water Rates and its impact on the currently adopted pass through rate, (2) direct staff to mail the necessary Proposition 218 noticing and (3) schedule a Public Hearing date of January 3, 2017.

**ATTACHMENTS**

1. Examples of Customer Impact
2. Zone 7 Agenda Item No. 11 – Rate Adoption Resolution

**Examples of Customer Impact**

- (1) This "Current Structure" is the quantity rates as adopted by Zone 7 on October 21, 2015 with rates to be effective January 1, 2016 and January 1, 2017.
- (2) The "Proposed Structure" is a quantity charge based on the combination of the new Zone 7 fixed monthly charge and quantity charge.

<b>Customer Impact</b>			
<b>Usage of 10ccf per billing period</b>			
Current Structure(1)	Current Structure(1)	Proposed Structure(2)	Proposed Structure(2)
Rate for 2016	Effective 1/1/17	Effective 1/1/17	Effective 1/1/18
\$ 32.90	\$ 36.30	\$ 37.19	\$ 32.51

<b>Customer Impact</b>			
<b>Usage of 20ccf per billing period</b>			
Current Structure(1)	Current Structure(1)	Proposed Structure(2)	Proposed Structure(2)
Rate for 2016	Effective 1/1/17	Effective 1/1/17	Effective 1/1/18
\$ 65.80	\$ 72.60	\$ 74.39	\$ 65.02

<b>Customer Impact</b>			
<b>Usage of 30ccf per billing period</b>			
Current Structure(1)	Current Structure(1)	Proposed Structure(2)	Proposed Structure(2)
Rate for 2016	Effective 1/1/17	Effective 1/1/17	Effective 1/1/18
\$ 98.70	\$ 108.90	\$ 111.58	\$ 97.53



**ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7**

100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

**ORIGINATING SECTION: ADMINISTRATION**

**CONTACT: Osborn Solitei**

**AGENDA DATE: October 19, 2016**

**ITEM NO. 11**

**SUBJECT: Proposed Treated Water Rate Schedules for Calendar Years 2017 and 2018**

**SUMMARY:**

- Staff are proposing to extend the current temporary surcharge of \$0.57 per 100 cubic feet (CCF) for another year.
- The table below shows the proposed volume-based rates for calendar year (CY) 2017 and CY 2018.

<b>Volume-based Rate</b>	<b>CY 2017<sup>1</sup></b>	<b>CY 2018</b>
Rate per CCF	\$1.98	\$2.04
Temporary Surcharge per CCF	\$0.57	-
<b>Total per CCF</b>	<b>\$2.55</b>	<b>\$2.04</b>

<sup>1</sup>Includes a temporary one-year surcharge of \$0.57 CCF which will sunset on December 31, 2017; any extension of the temporary surcharge will require a separate Board approval.

- If adopted, the proposed fixed charges and volume-based rates will become effective on January 1, 2017 and apply to calendar years (CY) 2017 and CY 2018.
- The tables below show the proposed fixed charges per Retailer and Direct Customer for CY 2017 and CY 2018. CY 2018 Total Fixed Charges by Retailer/Direct Customer may vary but the total amounts of \$15,686,384 and \$163,226 will not be changed without Board approval.

<b>Fixed Charge per Retailer</b>	<b>CY 2017</b>	<b>CY 2018<sup>1</sup></b>
City of Pleasanton	\$4,468,719	\$4,647,458
Dublin San Ramon Services District	\$4,363,160	\$5,014,000
California Water Service Company	\$2,751,052	\$3,148,143
City of Livermore	\$2,640,824	\$2,876,783
<b>Total Retailer Fixed Charge</b>	<b>\$14,223,755</b>	<b>\$15,686,384</b>

<b>Fixed Charge per Direct Customer</b>	<b>CY 2017</b>	<b>CY 2018<sup>1</sup></b>
Lawrence Livermore Laboratory	\$61,273	\$60,060
Veterans Hospital	\$55,489	\$68,911
Wente Vineyards	\$19,941	\$25,096
East Bay Regional Park District	\$5,949	\$7,656
Livermore Area Parks and Recreation District	\$863	\$1,489
State of California Department of Water Resources	\$15	\$15
<b>Total Direct Customer Fixed Charge</b>	<b>\$143,531</b>	<b>\$163,226</b>

CY 2018 Fixed Charges per Retailer/Direct Customer are shown as an example only. The General Manager is authorized to reallocate CY 2018 Fixed Charges per Retailer/Direct Customer based on updated two-year rolling averages to be determined at the end of FY 2016-17.

**RECOMMENDED ACTION:**

Staff recommends adopting the attached resolution approving the Treated Water Service Rates for CY 2017 and CY 2018.





## MEMORANDUM

**DATE:** October 19, 2016

**TO:** Jill Duerig, General Manager

**FROM:** Osborn Solitei, Assistant General Manager, Finance

**SUBJECT: Proposed Treated Water Rate Schedules for Calendar Years 2017 and 2018**

### BACKGROUND:

The Agency's water enterprise fund has relied on reserves to fund operations while experiencing significant losses in water rate revenue due to required conservation during the drought. In order to recover from these significant financial losses, in 2015 Raftelis Financial Consultants, Inc. ("RFC") was hired to analyze Zone 7's cost of service and propose a three-year wholesale water rate schedule for CY 2016, 2017 and 2018. Ultimately, the Board approved a three-year rate schedule for CY 2016, 2017 and 2018 with a temporary conservation surcharge for CY 2016 which sunsets on December 31, 2016. The 2015 cost of service study projected water sales of 28,380 acre-feet of water for FY 2015-16, but only 23,648 acre-feet of water were actually sold. Even with the temporary conservation surcharge in place, use of reserves during FY 2015-16 totaled \$8.6M.

### DISCUSSION:

Continued revenue losses due to drought conditions and State-mandated water use restrictions prompted staff to rehire RFC to revisit restructuring rates to include a fixed component and to determine whether the temporary conservation surcharge should be extended.

Staff met with the Retailers on the following dates to review and discuss RFC's preliminary financial model, key assumptions, rate structure examples and potential impacts to the Retailers using preliminary numbers:

- August 9, 2016
- August 23, 2016
- September 15, 2016

In addition to the above meetings with the Retailers, there have been several ongoing discussions about the rate study.

Direct outreach to the public included:

- Post card that were mailed to 94,000 businesses and residents on September 14, 2016
- eNewsletters distributed August 24, 2016 and September 16, 2016.
- Ads in local newspapers
  - The Independent – September 22, 2016
  - Pleasanton Weekly – September 23, 2016

RFC and staff gave a presentation on the proposed treated water rates and rate structure at the September 28, 2016 Special Board Meeting.

For Fiscal Year 2016-17, Fund 100 – Water Enterprise unaudited beginning fund balance is approximately \$5.8M. Without additional revenue adjustments or temporary surcharges, the revenues will not be able to cover all of the operating expenses. In addition, the current rates are calculated almost entirely as a volume-based rate using the Retailers’ and Direct Customers’ water demand projections.

In the 2015 Rate Study, temporary surcharges of \$7M and \$5M were projected for CY 2017 and CY 2018, respectively. However, due to FY 2015-16 revenue shortfall from reduced water sales, Zone 7 also needs to recover an additional \$4.1M. The total required revenue to recover over the last two fiscal years remaining for the temporary surcharge is \$16.1M (\$7M + \$5M + \$4.1M). In order to smooth out the temporary surcharge, RFC recommends that Zone 7 recover the total required revenue evenly over the course of the two years. However, under staff’s recommendation to continue the current Temporary Surcharge of \$0.57/CCF, \$7.7M will be recovered in FY 2016-17 and \$8.2M in FY 2017-18, totaling \$15.9M. Similar to this year’s updated analysis, the temporary surcharge for CY 2018 would be revaluated next year.

Additionally, RFC recommends that Zone 7 implement a fixed rate component that would recover 35% of revenue requirements. Currently, nearly 100% of revenue is recovered through volume-based rates although most of the expenses are fixed. Furthermore, the volume-based rates are calculated based on the Retailers and Direct Customers’ water demand projections, which may increase risk of a revenue shortfall if the Retailers and/or Direct Customers use less water than was previously projected. Establishing a fixed charge component would not entirely eliminate the revenue volatility, but it would mitigate a good portion of the volatility that exists in revenue collection and secure a baseline level of stable revenue each month. As a result of incorporating a fixed charge component, the current volume-based rate would drop as it would only recover 65% of revenue versus 100% of revenue.

The proposed volume-based rates and temporary surcharges are calculated based on water demand projections, and the proposed fixed charge allocations are based on the proportional share of each Retailer and Direct Customer’s average usage over the past two years. The table below shows the proposed volume-based rates for CY 2017 and 2018.

<b>Volume-based Rate</b>	<b>CY 2017<sup>1</sup></b>	<b>CY 2018</b>
Rate per CCF	\$1.98	\$2.04
Temporary Surcharge per CCF	\$0.57	-
<b>Total per CCF</b>	<b>\$2.55</b>	<b>\$2.04</b>

<sup>1</sup>Includes a temporary one-year surcharge of \$0.57 per 100 cubic feet (CCF) which will sunset on December 31, 2017; any extension of the temporary surcharge will require a separate Board approval.

The tables below show the proposed fixed charges of \$14,223,775 for Retailers and \$143,531 for Direct Customers for CY 2017 and \$15,686,384 for Retailers and \$163,226 for Direct Customers for CY 2018. The General Manager is authorized to reallocate CY 2018 Fixed Charges per Retailer/Direct Customer based on updated rolling averages to be determined at the end of FY 2016-17. CY 2018 Total Fixed Charges by Retailer/Direct Customer may vary but

the total amount will not be changed without Board approval. Actual monthly billing will be 1/12 of the annual amount.

<b>Fixed Charge per Retailer</b>	<b>CY 2017</b>	<b>CY 2018<sup>1</sup></b>
City of Pleasanton	\$4,468,719	\$4,647,458
Dublin San Ramon Services District	\$4,363,160	\$5,014,000
California Water Service Company	\$2,751,052	\$3,148,143
City of Livermore	\$2,640,824	\$2,876,783
<b>Total Retailer Fixed Charge</b>	<b>\$14,223,755</b>	<b>\$15,686,384</b>

<b>Fixed Charge per Direct Customer</b>	<b>CY 2017</b>	<b>CY 2018<sup>1</sup></b>
Lawrence Livermore Laboratory	\$61,273	\$60,060
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Wente Vineyards	\$19,941	\$25,096
East Bay Regional Park District	\$5,949	\$7,656
Livermore Area Parks and Recreation District	\$863	\$1,489
State of California Department of Water Resources	\$15	\$15
<b>Total Direct Customer Fixed Charge</b>	<b>\$143,531</b>	<b>\$163,226</b>

CY 2018 Fixed Charges per Retailer/Direct Customer are shown as an example only. The General Manager is authorized to reallocate CY 2018 Fixed Charges per Retailer/Direct Customer based on updated two-year rolling averages to be determined at the end of FY 2016-17.

**FUNDING:**

Treated Water Sales revenue accrues to Fund 100 – Water Enterprise and, through transfers, to Fund 120 – Renewal, Replacement and System-Wide Improvements.

**RECOMMENDED ACTION:**

Staff recommends adopting the attached resolution approving the following Treated Water Service Rates for CY 2017 and CY 2018:

- a) Based on rates previously approved for CY 2017 and CY 2018, restructuring the current treated water rates to include a fixed charge to recover 35% of revenue requirements and volume-based rate to recover 65% of revenue requirements.
- b) Treated Water rate schedule for the volume-based rate of \$1.98 per CCF for CY 2017 and \$2.04 per CCF for CY 2018.
- c) Temporary surcharge of \$0.57 per CCF for CY 2017. This surcharge will **sunset December 31, 2017.**
- d) Establish a fixed charge component of \$14,223,775 for Retailers and \$143,531 for Direct Customers in CY 2017 based on a two-year rolling average of proportional use.
- e) Establish a fixed charge component of \$15,686,384 for Retailers and \$163,226 for Direct Customers in CY 2018 based on a two-year rolling average of proportional use.
- f) Authorize the General Manager to reallocate CY 2018 Fixed Charge per Retailer and Direct Customer based on updated two-year rolling average of proportional use, to be determined at the end of FY 2016-17.
- g) Eliminate the previously adopted monthly Treated Water Service Charge of \$153 and \$157 per metered service for CY 2017 and CY 2018, respectively.

**ATTACHMENTS:**

- Board Resolution
- Raftelis Financial Consultants, Inc. – Draft 2016 Wholesale Water Rate Study

ZONE 7  
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT  
BOARD OF DIRECTORS

RESOLUTION NO

INTRODUCED BY  
SECONDED BY

***TREATED WATER SERVICE RATES FOR  
CALENDAR YEARS 2017 AND 2018***

WHEREAS Zone 7 has experienced significant revenue losses due to drought conditions and State-mandated water use reductions; and

WHEREAS in 2015, the Zone 7 Board of Directors engaged an independent water rate consultant, Raftelis Financial Consultants, Inc. (“RFC”), to prepare a Cost of Service Study to identify the cost of providing wholesale treated water service. In October 2015, the Zone 7 Board adopted treated water rates for Calendar Years (CY) 2016, 2017 and 2018 and a Temporary Conservation Surcharge for CY 2016 which sunsets on December 31, 2016; and

WHEREAS continued revenue losses due to drought conditions and State-mandated water use reductions prompted staff to hire RFC to revisit restructuring rates to include a fixed component and to determine whether the temporary conservation surcharge should be extended; and

WHEREAS based on the rate study results, staff recommends restructuring the treated water rates to include a fixed charge to recover 35% of revenue requirements and volume-based rate to recover 65% of revenue requirements; and

WHEREAS calculations of fixed and volume-based rates are based on the rates previously adopted for Calendar Years 2017 and 2018; and

WHEREAS there is still a need for a Temporary Surcharge.

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District hereby adopts the following treated water fixed charges and volume-based rates for CY 2017 and CY 2018.

FIRST, a water delivery charge, per the table below for all metered water delivered to each customer per month per 100 cubic feet (CCF) for CY 2017 and CY 2018 that includes a temporary surcharge of \$0.57 per CCF for calendar year 2017. This surcharge will **sunset December 31, 2017.**

<b>Volume-based Rate</b>	<b>CY 2017<sup>1</sup></b>	<b>CY 2018</b>
Rate per CCF	\$1.98	\$2.04
Temporary Surcharge per CCF	\$0.57	-
<b>Total per CCF</b>	<b>\$2.55</b>	<b>\$2.04</b>

<sup>1</sup>Includes a temporary one-year surcharge of \$0.57 per 100 cubic feet (CCF) which will sunset on December 31, 2017; any extension of the temporary surcharge will require a separate Board approval.

SECOND, a fixed charge of \$14,223,775 for Retailers and \$143,531 for Direct Customers for CY 2017 per the tables below. Actual monthly billing will be 1/12 of the annual amount.

<b>Fixed Charge per Retailer</b>	<b>CY 2017</b>
City of Pleasanton	\$4,468,719
Dublin San Ramon Services District	\$4,363,160
California Water Service Company	\$2,751,052
City of Livermore	\$2,640,824
<b>Total Retailer Fixed Charge</b>	<b>\$14,223,755</b>

<b>Fixed Charge per Direct Customer</b>	<b>CY 2017</b>
Lawrence Livermore Laboratory	\$61,273
Veterans Hospital	\$55,489
Wente Vineyards	\$19,941
East Bay Regional Park District	\$5,949
Livermore Area Parks and Recreation District	\$863
State of California Department of Water Resources	\$15
<b>Total Direct Customer Fixed Charge</b>	<b>\$143,531</b>

THIRD, a fixed charge of \$15,686,384 for Retailers and \$163,226 for Direct Customers for CY 2018. Actual monthly billing will be 1/12 of the annual amount.

FOURTH, authorize the General Manager to reallocate CY 2018 Fixed Charge per Retailer and Direct Customer based on updated two-year rolling average of proportional use, to be determined at the end of FY 2016-17. CY 2018 Fixed Charges of \$15,868,364 and \$163,226 for Retailers and Direct Customers, respectively, will not be changed without Board approval.

FIFTH, rates and service charges for other treated water services, including recharge, temporary treated water, fire and standby and In-lieu treated water service shall remain as set in Zone 7 Board resolution 15-95.

SIXTH, eliminate the monthly Treated Water Service Charge of \$153 and \$157 per metered service for CY 2017 and CY 2018, respectively as set forth in Zone 7 Board resolution 15-95.

BE IT FURTHER RESOLVED that said fixed charges and volume-based rate schedules for treated water service as adopted herein shall be effective on January 1, 2017 and shall end on the next effective date for such water rates as adopted by the Board.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a resolution adopted by the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District on October 19, 2016.

By \_\_\_\_\_  
President, Board of Directors

# Dublin San Ramon Services District

## Notice of Public Hearing

### Potential Change to Water Rates and Charges

Public Hearing - January 3, 2017 at 6:00 p.m.  
DSRSD Board Room – 7051 Dublin Blvd., Dublin, CA

The DSRSD Board of Directors is holding a public hearing to discuss and potentially adopt a change in its rate structure to conform to changes recently adopted by Alameda County Flood Control and Conservation District, Zone 7 (Zone 7 Water Agency, Zone 7). These adjustments are proposed to take effect on February 1, 2017. Public comments and written protests will be accepted in advance of and at the public hearing.

Zone 7 Water Agency is the Tri-Valley's water wholesaler. DSRSD purchases substantially all of its potable water from Zone 7 and passes through to its customers the Zone 7 charge for the cost of this water.

A year ago, Zone 7 adopted a three-year rate plan that included a temporary surcharge and annual rate increases. This year, in addition to extending the surcharge for another year and implementing the planned rate increases, Zone 7 has changed its rate structure. Instead of charging for its water based only on the amount of water used (known as a volumetric rate), Zone 7 is now charging a volumetric rate plus a fixed charge. Because Zone 7 has changed its method and added a fixed charge, Dublin San Ramon Services District (DSRSD, District) must notify all its customers of this change and give them the opportunity to comment.

The impact on DSRSD customers of the changes to Zone 7's rates and charges should be minimal. Please refer to the table, "Impact on DSRSD Customers," for examples.

The rates and charges presented in this notice are the maximum rates and charges the DSRSD Board may adopt. The Board may choose to adopt lower rates or charges.

Please note the new Zone 7 rate will affect the "Zone 7 Cost of Water" on customer bills only, and will have no impact on any other components of DSRSD water rates (for our distribution-related costs).

### Why Zone 7 Changed Its Rate Structure

The recent drought has had an adverse financial impact on Zone 7. When water consumption dropped, so did revenue; yet a majority of Zone 7's costs are fixed (for example, personnel, infrastructure maintenance, energy). Zone 7 has indicated that, since the beginning of the drought, it has used reserves of \$25.7 million to cover the revenue shortage that resulted from needed reductions in water use.

Zone 7 staff and its rate consultant reviewed the adequacy of its rates, as well as its rate structure. As a result of the evaluation and action taken by the Zone 7 Board of Directors on October 19, 2016, the Zone 7 rate structure for charges to retailers, including DSRSD, will change effective January 1, 2017. Zone 7 provided notice of this rate adjustment in September 2016 through a postcard mailed to Tri-Valley residents and newspaper advertisements.



Dublin San Ramon  
Services District

Water, wastewater, recycled water

### How Can I Learn More?

**For additional information on Zone 7 Water Rates, visit:**

[www.zone7water.com/about-us/financial-planning/water-rates](http://www.zone7water.com/about-us/financial-planning/water-rates)

**The Zone 7 Board agenda item to adopt the revised rate structure can be found at:**

[www.zone7water.com/images/pdf\\_docs/agenda-october/10-19-16\\_11.pdf](http://www.zone7water.com/images/pdf_docs/agenda-october/10-19-16_11.pdf)

**If you have questions:** Contact DSRSD Administrative Services Manager Carol Atwood, (925) 875-2270, [atwood@dsrsd.com](mailto:atwood@dsrsd.com)

**Attend the public hearing:** January 3, 2017, in the District Office Boardroom, 7051 Dublin Blvd, Dublin, at 6:00 p.m. Video recordings of Board meetings are posted the next day on [www.dsrsd.com](http://www.dsrsd.com) (click OpenGov, then Board Meetings, Agendas, Minutes and Videos).

### How Do I Protest?

The District and its Board of Directors welcomes and will consider input from the community on the proposed changes to rates and service charges at any time, including during the public hearing. However, in accordance with Proposition 218, only valid written protests received by the pertinent deadline below will be counted as formal protests.

**Protests submitted by mail, fax, or email must be received by 5:00 p.m. on January 3, 2017.**

Hand-delivered protests must be received before the close of the public hearing on January 3, 2017.

Any record property owner or tenant-customer of a parcel receiving water service may submit a written protest. Only one protest will be counted per parcel served by the District.

The written protest must identify the affected property by assessor's parcel number, street address or DSRSD account number; identify the record property owner or tenant-customer; clearly state that the transmittal is a protest to the proposed rate and charge; identify what proposed rate and charge is being protested; and bear the original signature of the record property owner or tenant-customer. In the case of electronically delivered documents, a scanned signature will be accepted, subject to verification.

➤ **Mail or deliver protests to:**

Nicole Genzale, District Secretary  
Dublin San Ramon Services District  
7051 Dublin Blvd., Dublin, CA 94568

Please note on the envelope, "Protest of Proposed Rate and Charge"

➤ **Or, email protests as a pdf document attached to an email to [Board@dsrsd.com](mailto:Board@dsrsd.com).** Please note in the subject line: "Protest of Proposed Rate and Charge"

➤ **Or, fax protests** to (925) 829-1180. Please note in the subject line: "Protest of Proposed Rate and Charge"

For more information, read the complete *DSRSD Policy on Proposition 218 Receipt, Tabulation and Validation of Written Protests* on the District website.



## Zone 7 Volumetric Rate

Volumetric Rate	CY 2017 <sup>1</sup>	CY 2018
Rate per CCF	\$1.98	\$2.04
Temporary surcharge per CCF	\$0.57	-
<b>Total per CCF</b>	<b>\$2.55</b>	<b>\$2.04</b>

<sup>1</sup> Includes a temporary surcharge of \$0.57/hundred cubic feet (ccf) which will sunset on December 31, 2017; any extension of the temporary surcharge requires separate Zone 7 Board approval.

## Zone 7 Fixed Charge per Retailer

Fixed Charge per Retailer	CY 2017	CY 2018 <sup>1</sup>
City of Pleasanton	\$4,468,719	\$4,647,458
Dublin San Ramon Services District	\$4,363,160	\$5,014,000
California Water Service Company	\$2,751,052	\$3,148,143
City of Livermore	\$2,640,824	\$2,876,783
<b>Total retailer fixed charge</b>	<b>\$14,223,755</b>	<b>\$15,686,384</b>

<sup>1</sup> Fixed Charges per Retailer/Direct Customer based on updated two-year rolling averages to be determined at the end of FY 2016-17

## DSRSD Current and Proposed Rate Structure for Zone 7 Cost of Water Only

Cost per ccf (one unit of water, 748 gallons, as noted on your water bill).  
Excludes DSRSD fixed charge and consumption charges

Method to Calculate "Zone 7 Cost of Water"	Current Volumetric Rate 2017	Proposed Volumetric Rate Plus Fixed Charge	
		2017	2018
Volumetric rate	\$2.92	\$1.98	\$2.04
Fixed charge		\$1.03	\$1.07
4.6% for nonbilled water	\$0.14	\$0.14	\$0.14
Temporary surcharge <sup>1</sup>	\$0.57	\$0.57	-
<b>Total Charge per ccf</b>	<b>\$3.63</b>	<b>\$3.72</b>	<b>\$3.25</b>

<sup>1</sup> Will sunset on December 31, 2017; any extension of the temporary surcharge will require a separate Zone 7 Board approval

## Impact on DSRSD Customers

Excludes DSRSD fixed charge and consumption charges

	2016 Volumetric Rate	2017 Volumetric Rate	2017 Volumetric Rate Plus Fixed Charge	2018 Volumetric Rate Plus Fixed Charge
10 ccf per billing period	\$32.90	\$36.30	\$37.19	\$32.51
20 ccf per billing period	\$65.80	\$72.60	\$74.39	\$65.02
30 ccf per billing period	\$98.70	\$108.90	\$111.58	\$97.53



**Dublin San Ramon  
Services District**

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