



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **February 16, 2023**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager *CH*

**SUBJECT: Review and Possible Action Concerning Water  
and Sewer Rate Studies.**

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This item was brought to the board for discussion at the January 19 meeting. Staff and District Treasurer continued the discussion and are sharing suggestions at this meeting. General consensus was to move forward with both water and sewer rate increases to offset inflation and very high increases in construction cost of the last 2 years.

A time critical water capital improvement project will be brought to the board in a subsequent meeting and draw down current reserves. Sewer reserves are anticipated to be used for upcoming Sewer Authority Mid-Coastside expenses due to storm repairs and planned improvements.

In November 2022 the MWSD board authorized the initiation of a water rate study and anticipated the initiation of a following sewer rate study to adjust sewer rates for FY 2023/2024.

The District's current water rates are not providing sufficient income to cover next year's financial needs. A \$500,000 loan from sewer to water was implemented to temporarily cover a portion of the costs in this year's budget.

## RECOMMENDATION:

Review the suggestions in the presentation and direct staff.

Attachment



**Montara Water  
and Sanitary District**



# **Water & Sewer Rates**

**February 16, 2023**



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS



# Purpose

- **Brief update on draft recommendations**
- **Obtain Board input**
- **Plan to come back to Board with recommendations & supporting documentation at March 2 Board Meeting**





# Background

- Operating & capital costs have increased significantly in recent years
- CPI up almost 14% over 2 years from Dec-2020 to Dec-2022
- California Construction Cost Index up 32% over past 2-1/2 years from July 2020, when Water System Reliability Charges started, to Jan 2023
- Engineering News-Record Construction Cost Index up 15% since July 2020
- Current rates do not support capital improvement funding needs of MWSD infrastructure and Sewer Authority Mid-Coastside (SAM) facilities
- Goal is to move forward with annual rate increases and avoid need for periodic rate spikes



# Water Rates



- Historically adopted small annual inflationary rate increases
- Last Water Rate increase effective July 1, 2018 (5 years ago)
- Adopted new Water System Reliability Charges starting July 1, 2020
- Based on updated financial projections, BWA recommends MWSD resume its historical practice of gradual annual rate increases

Draft Water Rate Increases		
July 1 2023	July 1 2024	July 1 2025
<b>6%</b>	<b>9%</b>	<b>9%</b>



# Water System Reliability Charges

- Adopted new Water System Reliability Charges starting July 1, 2020
- Generate roughly \$1 million per year for replacement of aging infrastructure
- Engineering analysis by SRT Consultants estimated long-term need for roughly \$2 million per year (plus cost escalation)
- Adopted charges were a substantial step in the right direction
- MWSD planning to bid out Pillar Ridge well improvements with a preliminary cost estimate of \$1.5 million (grant funding was not available)
- Additional rate increases will be needed over time

Draft Water System Reliability Charge Increases		
July 1 2023	July 1 2024	July 1 2025
<b>6%</b>	<b>9%</b>	<b>9%</b>



# Sewer Rates



- Historically adopted annual inflationary rate increases through 2017
- Substantial rate increases phased in starting July 1, 2018
- Most recently phased in three 9% rate increases from July 1, 2020 – 2022
  - Meant to be step in right direction with understanding more 9% increases needed
- SAM facilities are over 40 years old and need substantial overhaul
  - Independent analysis recommended \$40+ million of funding over 5 – 10 years
  - Cost of replacing intertie pipeline est. at \$14 million
- Analysis by Nute Engineering estimated long-term need for roughly \$2 million per year for MWSD infrastructure replacement (+ cost escalation)

Draft Sewer Rate Increases		
July 1 2023	July 1 2024	July 1 2025
<b>9%</b>	<b>9%</b>	<b>9%</b>



# Rate Structures



## ■ Water Rate Structure

- Generally sound but has not been updated in many years during which the legal landscape regarding Prop 218 has changed
- Minor adjustments recommended to help ensure equity
  - Potential uniform Water Quantity Rate for commercial accounts with larger meters
  - Potential increase to fixed charges for accounts with larger meters based on standard American Water Works Association meter capacity ratios
  - Note: 98% of customers have meters  $\leq$  3/4-inch; only 9 have meters  $>$  1-inch

## ■ Sewer Rate Structure

- Updated 5 years ago resulting in some small adjustments designed to keep rates aligned with cost of service for each customer class
- No changes recommended at this time



# Next Steps



## DRAFT SCHEDULE

**FEB** Receive preliminary input

**MAR** Present water & sewer rate recommendations & seek direction to move forward with Prop 218 process

**MAR** Mail Prop 218 Notices 45+ days before Public Hearing

**MAY** Hold Public Hearing & consider rate increases

*Schedule allows for additional Board Meetings as needed*

# Questions & Discussion

