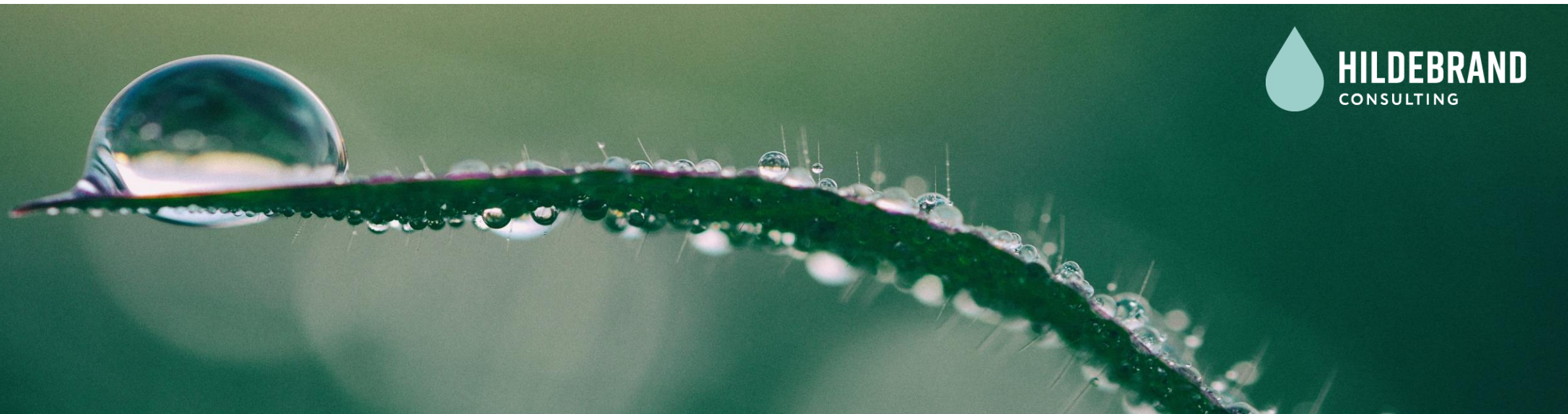




2024 Water, Wastewater & RW Rate Study

Preliminary Board Presentation

December 18, 2023



Agenda

1. Rate Setting in California
2. Project Background
3. Scope of Work
 - Rate Study
 - Cost Allocation Plan

Major Legal Milestones for Rate Setting in California

- 1978 Proposition 13 (background)
- 1996 Proposition 218 (primary legislation)
- 2013 San Juan Capistrano (example of case law)

Requirements of Prop 218

Substantive Requirements:

- **Revenues shall not exceed funds** required to provide service; nor used for another purpose
- Amount **shall not exceed the proportional cost** of the service attributable to the parcel

Procedural Requirements

- Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).

The Rate Setting Process

Revenue Requirements

Compares the revenues of the utility to its expenses to determine the overall level of rate adjustment. Largely driven by capital program.

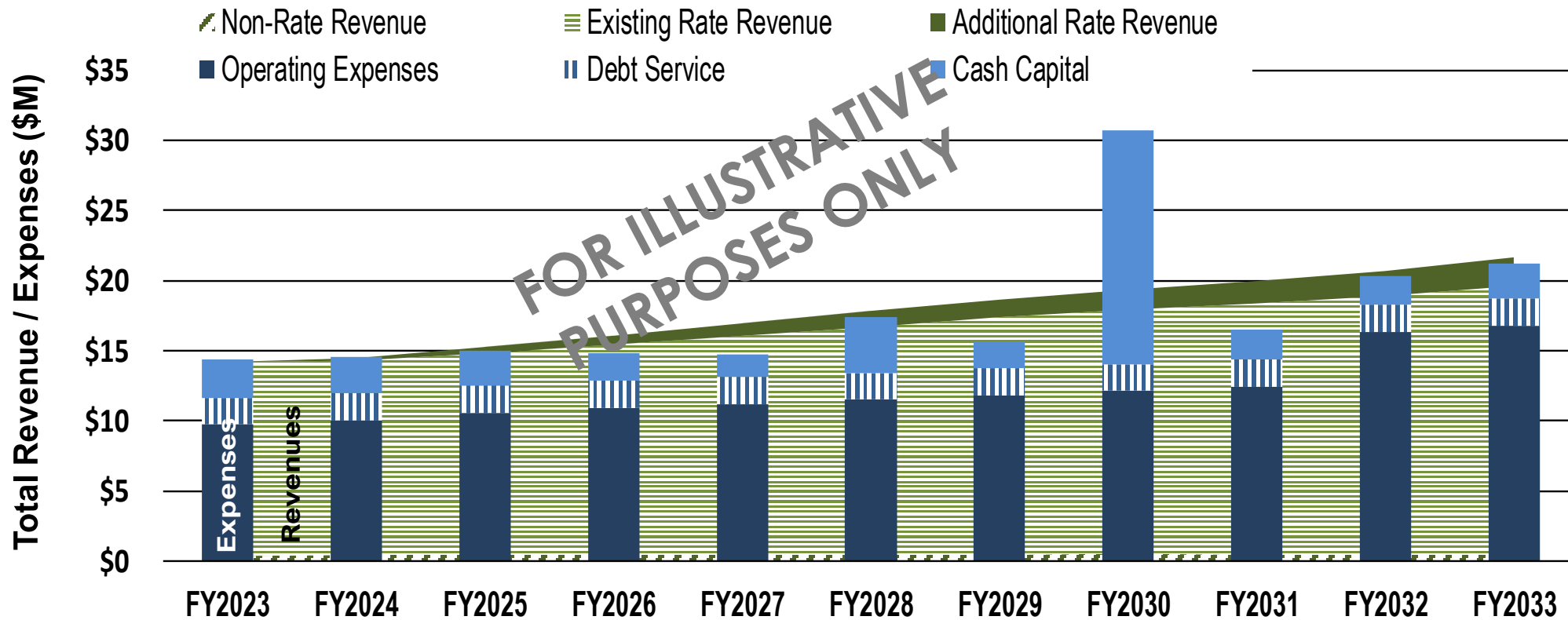
Cost-of-Service

Equitably allocates the revenue requirements between the various customer classes of service. A customer class is a group such as residential or business.

Rate Design

Design rates for each class of service to meet the revenue needs of the utility, along with any other rate design goals and objectives.

Capital Costs Drive the Rate Plan



Cost-of-Service Analysis

The allocation of costs to customer classes according to cost causation.

Allocation is based on correlations between:

- Customer location (Marina vs. Ord, **see cost allocation plan**)
- Customer usage characteristics (large volume vs. low volume)
- Service needs (e.g., meter size, sewage strength)

Marina vs. Ord Cost Allocation Plan

- 1998 Water/Wastewater Facilities Agreement – Article 7 with Fort Ord Reuse Authority (FORA) ***requires*** the District to track the revenue and expenses for the two service areas
- Ordinance 064050 – Cost Center separation requirement
- The purpose of the Cost Allocation Plan is to ensure that the District is recovering the appropriate costs from Marina customers and from Ord customers.

Marina/Ord Water System Key Differences

Ord System Costs More To Serve

Ord WATER Service Area 6,380 Customer Accounts	Marina WATER Service Area 4,018 Customer Accounts
131 feet of pipeline per customer account	63 feet of pipeline per customer account
5 booster pumps	1 booster pump
5 storage tanks	2 storage tanks
5 wells	2 wells
Constructed by US Army; no code or standard compliance comparable to MCWD	Constructed and maintained to MCWD quality codes and standards over 40 years
89,109 gallons per customer account	109,843 gallons per customer account
Ord SEWER Service Area	Marina SEWER Service Area
16 pumping lift stations	4 pumping lift stations

Total costs in each Cost Center = Direct + Indirect

- **Direct Costs**

Costs that are tracked separately and allocated directly to each cost center (i.e., a site-specific purchase, service, or activity)

Examples:

- Capital projects
- Pump operations
- Debt

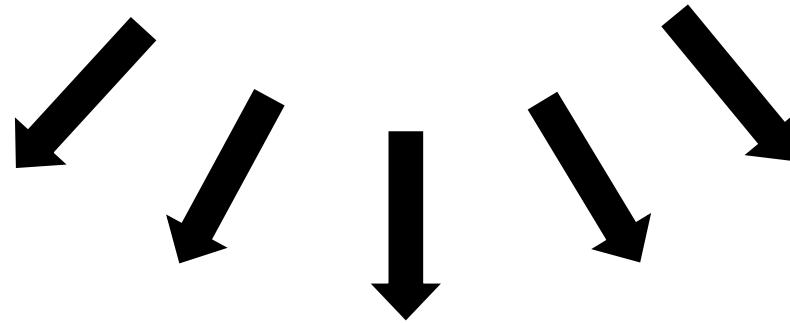
- **Indirect Costs**

Costs that are incurred by the District for common or joint objectives and cannot be readily identified with a specific cost center (e.g., administrative support, billing, master planning). Allocation methodology guidance is provided by OMB's Circular A-87.

Rate Design Considerations

Legal Compliance

Meets all known legal standards and requirements



Administrative Ease

Affordability

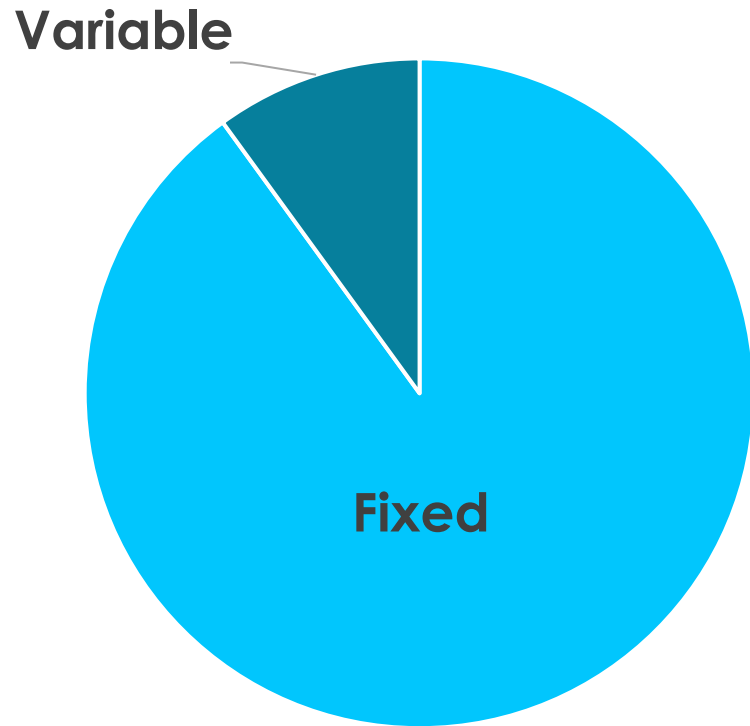
Customer Impact & Acceptance

Water Conservation

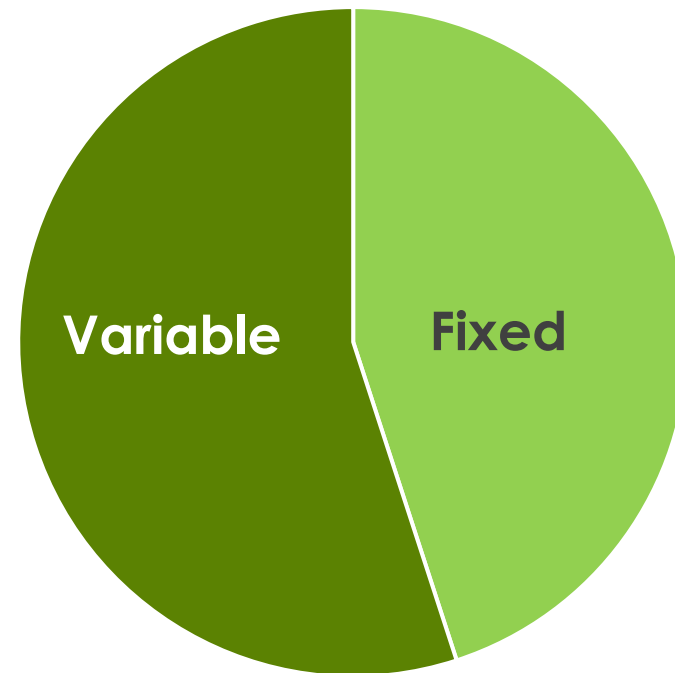
Revenue Stability

Fixed vs. Variable for MCWD

COSTS

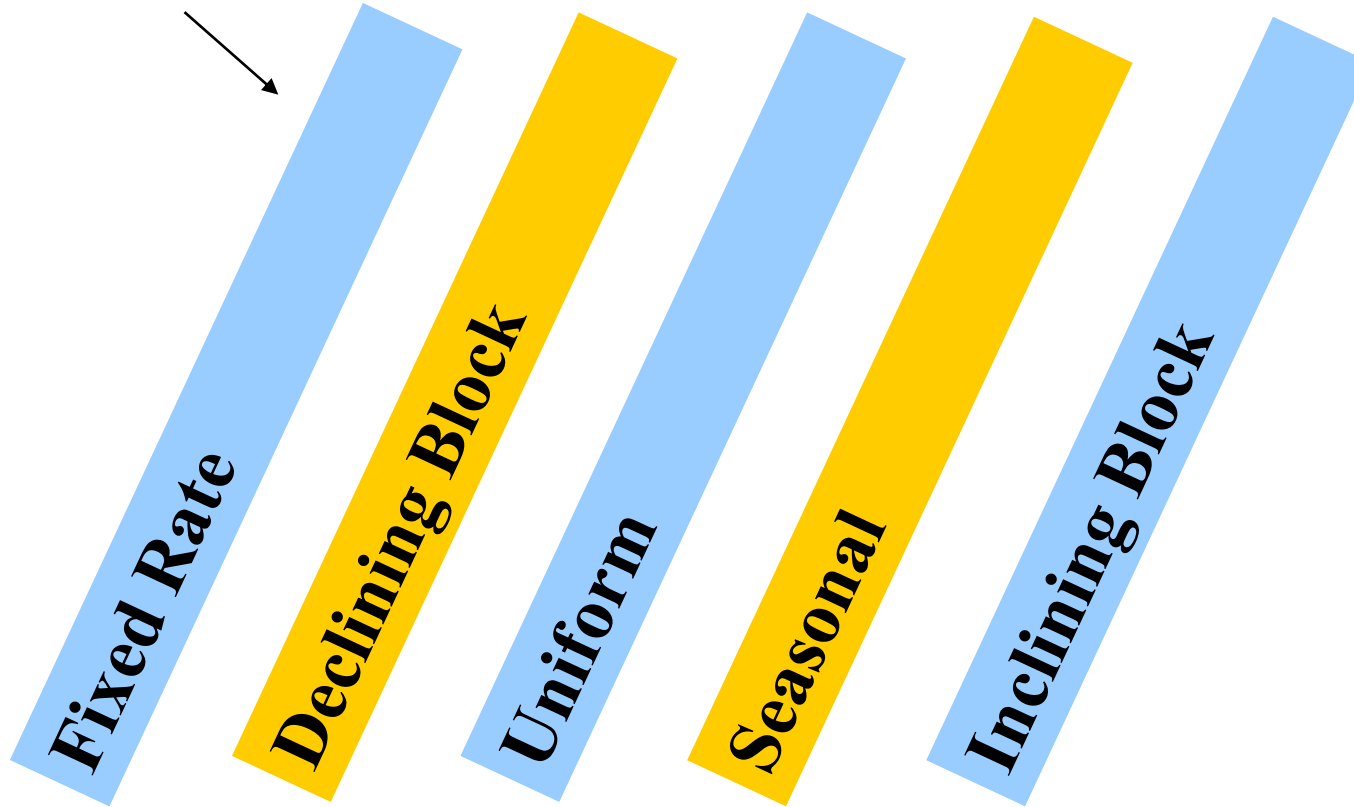


REVENUES



Current sewer rates

Current water rates



Revenue
Stability

Conservation
Affordability

Scope of Work & Schedule

Month	1	2	3	4	5	6	7
Task 1 - Project Kickoff & Data Collection	■	■					
Task 2 - Rate Evaluation		■					
New Task - Update Cost Allocation Plan		■	■				
Task 3 - 10-Year Financial Plans		■	■				
Task 4 - Cost of Service & Rate Design			■	■			
LEGAL REVIEW			■	■			
Task 5 - Deliverables				■	■		
Task 6 - Board Presentations				■	■	218 Notification Period	

Next Steps

- Complete Cost Allocation Plan
- Complete Financial Plans (5)
- Review with Staff to determine next steps