



AGENDA STAFF REPORT

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Agenda Number: B
File ID: 0032.3

Section Name: ORDINANCE(S) FOR ADOPTION
Project ID:

MEETING DATE: June 11, 2024

SUBJECT: Ordinance No. 1427.6, Adopting Fiscal Year 2024-25 Sanitation Service Rates

TO: BOARD OF DIRECTORS

FROM: FINANCE, KARLA ROMERO

**GENERAL MANAGER
RECOMMENDATION:**

RECOMMENDATION:

Staff recommends that the Board of Directors rescind Ordinance No. 1427.4, 1427.5 and any prior related ordinances, and approve Ordinance No. 1427.6, "An Ordinance of the Coachella Valley Water District Approving and Adopting Regulations Governing Sanitation Service," setting rates for Sanitation Service for Fiscal Year 2024-25.

BUDGET IMPACT:

The proposed rates are included in the District's FY 2025 proposed Operating and Capital Improvement Budget and will be used to offset budgeted expenditures for the fiscal year. FY 2025 projected Sanitation Service revenue totals \$51.1 million. The proposed 8.5% overall rate increase is at the currently authorized Proposition 218 maximum rate.

PROCUREMENT METHOD:

N/A

If other, please explain: .

BACKGROUND

In August 2021, the District engaged NewGen Strategies & Solutions, LLC to prepare a Cost-of-Service Study for the Sanitation Fund. Proposition 218 Notices were sent to all affected customers on March 24, 2022. The Board held a public hearing and adopted FY 2023 rates on May 10, 2022, based on the Cost-of-Service study. In FY 2024 the Board approved an overall 8.5% rate increase.

As part of the FY 2025 Budget process, the Board participated in three Study Sessions on March 29, 2024, April 16, 2024, and May 21, 2024, where details regarding proposed rates, operating and capital expenditures, debt

service, and forecasted revenues and expenditures were discussed in detail. Staff recommends an overall rate increase of 8.5% for FY 2025 to ensure the Sanitation Fund keeps up with ongoing expenses for the five-year forecast period. The increase allows the Fund to cover the majority of anticipated expenditures for FY 2025 but will still result in a projected decrease in cash flow of approximately \$4.4 million, which will be funded by utilizing reserves.

The following table compares the FY 2024 current rates to the FY 2025 proposed rates, as well as the Proposition 218 maximum rates that were approved with the Cost-of-Service Study:

Table 1

Sanitation Monthly Charge	FY 2024 Current Rate	FY 2025 Proposed Rate	FY 2025 Prop 218 Maximum	\$ Change Proposed Rate	% Change Proposed Rate
<u>Fixed Account Charge</u>					
Residential	\$ 1.69	\$ 1.73	\$ 1.73	\$ 0.04	2.4%
RV/Trailer Parks/Commercial	4.91	5.05	5.05	0.14	2.9%
<u>ESU Charge</u>					
Residential	27.10	29.48	29.48	2.38	8.8%
RV/Trailer Parks/Commercial	27.10	29.48	29.48	2.38	8.8%

If approved by the Board, the proposed rates will go into effect on July 1, 2024. For a typical Residential customer, the proposed rates will result in a \$2.42 per month increase as detailed in Table 2:

Table 2

Sanitation Residential Customer	FY 2024 Monthly Rate	FY 2025 Monthly Rate
Residential Fixed Account Charge	\$ 1.69	\$ 1.73
Equivalent Sewer Unit (ESU)	27.10	29.48
Total Monthly Water Charge	<u>\$ 28.79</u>	<u>\$ 31.21</u>
<i>Year-Over-Year \$ Change</i>		\$ 2.42
<i>Year-Over-Year % Change</i>		8.5%

PRIOR BOARD ACTION:

- Board Study Session on May 21, 2024
- Board Study Session on April 16, 2024
- Board Study Session on March 29, 2024
- Public Hearing and Adoption of Rates on June 13, 2023
- Public Hearing and Adoption of Proposition 218 rates on May 10, 2022
- Authorization to Mail Proposition 218 Notices on March 24, 2022

DISTRICT STRATEGIC PLAN GOAL(S)/OBJECTIVES(S):

N/A

ENVIRONMENTAL IMPACT:

This is not a project as defined by CEQA; therefore, approval does not require any CEQA action.

PUBLIC NOTICE REQUIRED

Proposed changes to District Ordinances require public notice. A Notice was published on June 2, 2024, in the

Desert Sun Newspaper and Imperial Valley Press.

LEGAL REVIEW

N/A

ATTACHMENTS

Att 1 - Ordinance No. 1427.6 Establishing Sanitation Service Rates Effective July 1, 2024 (Redline)

Att 2 - Ordinance No. 1427.6 Establishing Sanitation Service Rates Effective July 1, 2024 (Final)