

MINUTES OF THE
FISCAL POLICY COMMITTEE OF
VISTA IRRIGATION DISTRICT

September 14, 2021

A meeting of the Fiscal Policy Committee was held on Tuesday, September 14, 2021 at the offices of the District, 1391 Engineer Street, Vista, California.

1. CALL TO ORDER

Chair Sanchez called the meeting to order at 1:00 p.m.

2. ROLL CALL

Directors present: Chair Sanchez and Director Miller.

Staff present: Brett Hodgkiss, General Manager; Frank Wolinski, Director of Operations and Field Services; Randy Whitmann, Director of Engineering; Marlene Kelleher, Director of Administration; Don Smith, Director of Water Resources; Shallako Goodrick, Finance Supervisor; and Ranae Ogilvie, Assistant Secretary/Administrative Assistant.

3. CONSIDER APPROVAL OF AGENDA

The agenda was approved as presented.

4. ORAL COMMUNICATIONS

There were no members of the public present.

5. TIERED WATER RATE STRUCTURE REVISIONS AND RATE ADJUSTMENT POLICY

See staff report attached hereto.

Director of Administration Marlene Kelleher stated that in 2009 the Board approved water rate adjustments and the implementation of a tiered water rate structure that included the pass-through of San Diego County Water Authority (Water Authority) fees and charges. In 2013 and 2017, the Board renewed the pass-through of Water Authority fees and charges. She said that staff recently conducted an in depth analysis (taking into consideration requirements of Proposition 218) of the operating and capital improvement costs through Fiscal Year (FY) 2027 to determine if the District's current rate structure and water rates could equitably recover the costs of providing water service to customers. Ms. Kelleher stated that based on the results of this analysis staff is proposing adjustments to the service charge and tiered water rates as well as the elimination of Tier 3 from the water rate structure.

Ms. Kelleher stated that the proposed rates are comprised of three components:

- 1) A pass-through of 100% of any adjustments to the Water Authority's fees and charges imposed on the District for water purchases through December 31, 2026. The first year pass-through would be 16 cents per unit (one unit = 748 gallons) and would be applied to Tier 1 and Tier 2 water rates. She stated that the 16-cent increase is net the four-cent per unit rebate from the Water Authority.

2) A proposed increase of \$1.42 per month (\$2.84 bi-monthly for a ¾" meter) to the service charge to adjust for annual inflation. She noted that the Board decided to forgo implementing the increase in 2020 due to the COVID-19 pandemic, and if adopted, the annual inflationary adjustment would not be necessary in 2022.

3) A proposed water rate increase over the five-year period of 16 cents per unit for Tier 1 water rates and nine cents per unit for Tier 2 water rates to ensure the District recovers, but does not exceed, the cost of providing water service to its customers.

Ms. Kelleher said that staff is proposing to change its three-tiered water rate structure to a two-tiered water rate structure with updated tier allotments. She explained that the Tier 1 threshold was set by applying the same methodology used in 2009 (50% of the average monthly water use for a ¾" meter) to FY 2019 actual water use. Ms. Kelleher added that the average monthly water use has declined significantly since 2009; therefore, staff is proposing to decrease the Tier 1 allotment to match the decline in water use. Using the example of the most common meter size (¾" meter), she stated that the current Tier 1 allotment of 10 units for a ¾" meter would decrease to 6 units; anything over 6 units would be billed at Tier 2 water rates.

Ms. Kelleher stated that the proposed Tier 1 water rate is set at \$4.76 per unit, an increase of 32 cents per unit. The Tier 1 rate is set to ensure recovery of the District's operating costs less the costs related to expanding the District's local water supply, conservation and increasing storage capacity. The proposed Tier 2 water rate is set at \$5.23 per unit, an increase of 25 cents. The Tier 2 water rate is set using the Tier 1 rate as its base and adds costs related to improving and expanding the District's local water supply system, including the cost to establish and begin funding a debt reserve coverage fund necessary to obtain future financing to replace or reengineer the Vista Flume, increase reservoir storage capacity and wellfield production, and the cost of conservation.

Ms. Kelleher provided an overview of the proposed adjustments via PowerPoint presentation titled "VID Water Rate Study" (attached hereto as Exhibit A). She stated that the detailed cost of service analysis determined that a minimum balance of approximately \$13.2 million is needed in the Capital Improvement Reserve (CIR) fund to cover the replacement of District capital assets. Using projections based on the FY 2022 Budget, Ms. Kelleher said that the CIR fund balance as of June 30, 2021 was \$20.3 million. She stated that if the current rate structure were to remain in place with only the Water Authority pass-through added, the capital improvement costs would deplete the District's CIR fund by \$16 million, leaving approximately \$4 million in the fund by FY 2027. Ms. Kelleher stated that the proposed adjustments to the service charge and tiered water rate structure and water rates would generate sufficient revenue to keep the CIR fund at the required threshold of approximately \$13.5 million by FY 2027.

General Manager Brett Hodgkiss pointed out that the District has not increased its portion of the commodity rate for water since 2009, stating that the decline in water sales and the significant increase in capital costs has created the need for the proposed increases.

The Committee reviewed the proposed revisions to the tiered water rate structure and water rate increases at length, and discussed other potential scenarios, such as a flat rate or placing a greater increase on the service charge as opposed to commodity rate. Mr. Hodgkiss stated the general industry standard is a 30/70 split, placing the majority of the cost on the commodity unit price. He added that staff would include a flat rate option for the Board's review. The Committee members expressed concern about the increased financial burden on District ratepayers but agreed that providing funding for the District's capital improvement plan through FY 2027 is the fiscally responsible thing to do. The Committee suggested bringing the tiered water rate structure revisions and rate adjustment policy to the full Board for further discussion at the September 22, 2021 Board meeting.

The Committee took a brief break from 2:19 p.m. to 2:23 p.m.

6. DISTRICT FEES AND CHARGES OTHER THAN WATER RATES

See staff report attached hereto.

Ms. Kelleher provided a brief summary of the proposed revisions to the District’s fees and charges other than water rates, stating that the purpose of these fees and charges is to cover the costs associated with the services provided by the District. She further stated that the fee study is prepared annually, and revisions to fees and charges are necessary to accurately account for inflationary changes as well as increases to the costs of parts and materials, labor and contracted services. If adopted, the new fees and charges will increase revenue by about \$213,000.

Ms. Kelleher reviewed the fees with the Committee, highlighting noteworthy changes. She noted the Customer Service Late Penalty fee, the most common charged fee, will not be increasing in 2022. She reviewed changes to specific Engineering fees, stating that the increase to Capacity Fees is primarily due to the updated cost of replacing the 100-year-old Vista Flume. She said Encroachment Permit and Joint Use Agreement fees, both new fees in 2021, increased due to first-year estimated costs being updated based on actual costs. Ms. Kelleher stated that there are no new fees proposed for 2022.

After a brief discussion, the Committee recommended that revised fees and charges other than water rates be presented for consideration by the Board at a public hearing on October 6, 2021.

7. COMMENTS BY COMMITTEE MEMBERS

None were presented

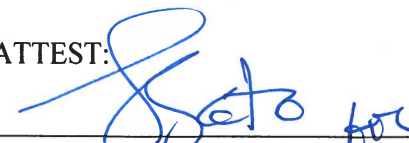
8. COMMENTS BY GENERAL MANAGER

Mr. Hodgkiss thanked the Committee for taking time to thoroughly review and provide feedback on the tiered water rate revision and fees and charges other than water rates agenda items. He thanked Ms. Kelleher, Finance Supervisor Shallako Goodrick and other staff involved in reviewing and updating the fees for a job well done.

9. ADJOURNMENT

There being no further business to come before the Committee, at 2:38 p.m. Chair Sanchez adjourned the meeting.


Patrick Sanchez, President

ATTEST: 
Ranae Ogilvie, Assistant Secretary
Board of Directors
VISTA IRRIGATION DISTRICT



**FISCAL POLICY COMMITTEE
STAFF REPORT**

Meeting Date: September 14, 2021
Prepared By: Shallako Goodrick
Reviewed By: Marlene Kelleher
Approved: Brett Hodgkiss

SUBJECT: TIERED WATER RATE STRUCTURE REVISIONS AND RATE ADJUSTMENT POLICY

RECOMMENDATION: Review and provide input on proposed tiered water rate structure and water rates.

PRIOR COMMITTEE ACTION: On January 28, 2009, the Fiscal Policy Committee discussed the concept of developing and a tiered water rate structure. On March 11, 2009 and May 4, 2009, the Committee reviewed and discussed a draft tiered water rate structure and rates, which were approved by the Board on July 15, 2009.

FISCAL IMPACT: The tiered rate structure includes pass-through of San Diego County Water Authority (Water Authority) fees and charges imposed on the District for water purchases and rate increases to cover the District's capital needs and other obligations. Additionally, an increase to the service charge is being proposed to implement the annual water rate adjustment that the Board decided to forgo in 2020. Adoption of the proposed water rate changes should ensure that the District's revenues and reserves sufficiently fund current and future operations and capital costs.

SUMMARY: In 2009, the Board approved water rate adjustments and rate structure modifications, including the implementation of a tiered water rate structure. In 2013 and 2017, the Board approved the renewal of the pass through of Water Authority costs and annual inflationary adjustments to the service charge (Rate Adjustment Policy).

Staff has conducted a detailed cost of service analysis, in compliance with Proposition 218, to ensure that the District's rates equitably recover the costs associated with providing water service to each customer. The analysis examined operating and capital improvement costs and projected these costs over a five-year period ending in Fiscal Year 2027. The projections are based on estimated costs necessary to continue to operate and maintain the water system for District ratepayers and utilizes industry standard cost indexes and historical averages.

DETAILED REPORT: The District proposes to adopt rates related to the following three components:

The first component is the pass-through of Water Authority fees and charges imposed on the District for water purchases. The Water Authority is the District's wholesale water supplier. The District proposes to pass through 100% of any increase or decrease in the Water Authority's fees and charges imposed on the District for water purchases through December 31, 2026. The pass-through of Water Authority fees and charges for the first year of the five-year period is 16 cents per unit (one unit = 748 gallons) which will be applied to Tier 1 and Tier 2 water rates. This amount is comprised of a 20-cent per unit increase, less a four cent per unit related to a rate case rebate received from the Water Authority.

The next component is comprised of an increase to the service charge that the Board decided to forgo implementing in 2020 due to the impacts of the COVID-19 pandemic. If the proposed rates were to be adopted, the pass-through of an annual inflationary adjustment (based on the Consumer Price Index) to the service charge would not be necessary in 2022. The amount of the annual inflationary adjustment included in this rate adjustment, based on a 3/4 inch meter is \$1.42 per month (\$2.84 bi-monthly).

The final component is to ensure that the District has sufficient revenues to cover the costs of providing water

service. It is anticipated that the water rate and service charge revenues over the upcoming five years will recover, but not exceed, the cost of providing water service, which includes water purchases from the District's wholesale supplier, the Water Authority, system operation and maintenance, facility and equipment maintenance, system rehabilitation, regulatory compliance, metering, billing, conservation and account management. This one-time increase during the five-year period represents a 16-cent increase to Tier 1 rates and a nine-cent increase to Tier 2 rates.

As a governmental district, and unlike a public utility, the District does not make a profit or have shareholders, and all revenues go back into the water system. Revenues derived from the proposed rate adjustments will not exceed the cost to provide water service to customers, and the revenues will not be utilized for any purpose other than financing the District's operating and capital needs.

The District also proposes making changes to its tiered water rate structure (also known as "monthly water allotments [units]"). The District originally adopted a tiered water rate structure comprised of three water usage tiers. Staff proposes eliminating tier 3, and adopting a two tiered water rate structure as outlined below.

The District developed its current tiered rate structure based on meter size and hydraulic capacity that can be applied to all customer classes; the tier thresholds for each meter size are different but the cost per unit in each tier remains the same. Average monthly water use for the most common meter size (3/4") was utilized to set the baseline tier threshold for 3/4" meters; this baseline was then applied to other meter sizes taking into account each meter's hydraulic capacity to develop baseline tier thresholds for all other meter sizes. As the meter size increases so does the capacity factor and the amount of water that can be used before moving to the next tier. Staff recommends continuing to utilize this same method in its proposed Tiered Rate Structure.

A Tier 1 threshold was set at 50% of the average monthly water use, as to not penalize low water users that had implemented conservation measures and is considered the average customers usage; any water use above the Tier 1 threshold shall be considered Tier 2 water usage.

The Tier 1 rate is set at a rate to recover the District's operating costs minus costs related to expanding the District's local water supply, the cost of conservation and increasing storage capacity. The Tier 2 rate uses the Tier 1 rate as its base, and adds on the recovery of the following costs. The cost of improving and expanding the District's local water supply system, including the replacement of or reengineering of the District's aging Vista Flume; the cost of increasing reservoir storage capacity; the cost of increasing wellfield production; and the cost of conservation.

The proposed Tier 1 rate is set at the commodity price of \$4.76 per unit, which is 32 cents higher than the current rate of \$4.44 and includes the Water Authority pass-through increase. The proposed Tier 2 rate is comprised of the proposed Tier 1 commodity price plus the incremental amount to recover costs related to replacing/reengineering the Vista Flume, increased reservoir storage capacity, increased wellfield production and conservation to arrive at \$5.23 per unit for Tier 2. The proposed Tier 2 rate is 25 cents higher than the current rate of \$4.98 per unit and includes the Water Authority pass-through increase.

The current Tier 1 allotments are based on average monthly water use (for a 3/4" meter) in 2009; said average monthly water use has decreased by approximately 40%. Applying the same methodology used in 2009, staff has analyzed average monthly water use and calculated proposed new Tier 1 allotments (see table below); any usage above said allotments would be billed at Tier 2 rates.

Size	Current Tier 1 Limits	New Tier 1 Limits	Difference
5/8	7	4	3
3/4	10	6	4
1	25	15	10
1 1/2	50	30	20
2	80	48	32
3	160	96	64
4	250	150	100
6	500	300	200
8	800	480	320
10	1150	690	460

In addition to the changes to current rates outlined above, staff recommends the pass-through of any Water Authority cost increases and the annual water rate adjustment be reaffirmed for five years.

Pass-Through of San Diego County Water Authority Fees and Charges

The Water Authority is the District’s wholesale water supplier. The District proposes to pass through 100% of any increase or decrease in the Water Authority’s fees and charges imposed on the District for imported water through December 31, 2026

Inflationary Adjustments to Rates and Charges

Inflationary adjustments shall be calculated as an increase or decrease equal to the amount of the increase or decrease in the U.S. Department of Labor’s Consumer Price Index – All Urban Consumers – San Diego, California for the previous calendar year ended. These adjustments shall be effective July 1 each year, commencing July 1, 2023 through July 1, 2026. This adjustment is only applied to District costs other than those charged the District by the County Water Authority.

In order to allow for adequate time for communicating the proposed water rate increases to customers (in accordance with Proposition 218), the following timeline is presented for consideration:

September 22, 2021 Board of Directors.

November 17, 2021 Board of Directors conducts the Public Hearing. Upon adoption of the new rates, messages alerting customers to upcoming increases would be included on water bills.

March 1, 2022 Effective Date on water bills.

ATTACHMENTS:

- Summary of Rate Model Assumptions
- Cash Flow Projections under Current and Proposed Rates
- Projected Capital Improvement Plan Expenditures for Fiscal Years 2022 through 2027
- Reserve Policies Descriptions

SUMMARY OF RATE MODEL ASSUMPTIONS

The proposed rates and charges were developed with the long term financial health of the District in mind. As such, the District prepared a comprehensive rate analysis that forecasts the financial results of the District over the next five fiscal years. Assumptions are an important component of long term financial forecasting and to develop reasonable assumptions the District utilized historical results and costs indexes, where applicable.

The District will closely monitor the actual financial results and compare them to the rate analysis projections to ensure that the assumptions are reasonable. The major assumptions utilized in the rate analysis are:

Revenues and operating expenses are derived from the District's Fiscal Year 2022 Budget. Beyond fiscal year 2022, revenues and operating expenses are assumed to increase approximately 3% annually.

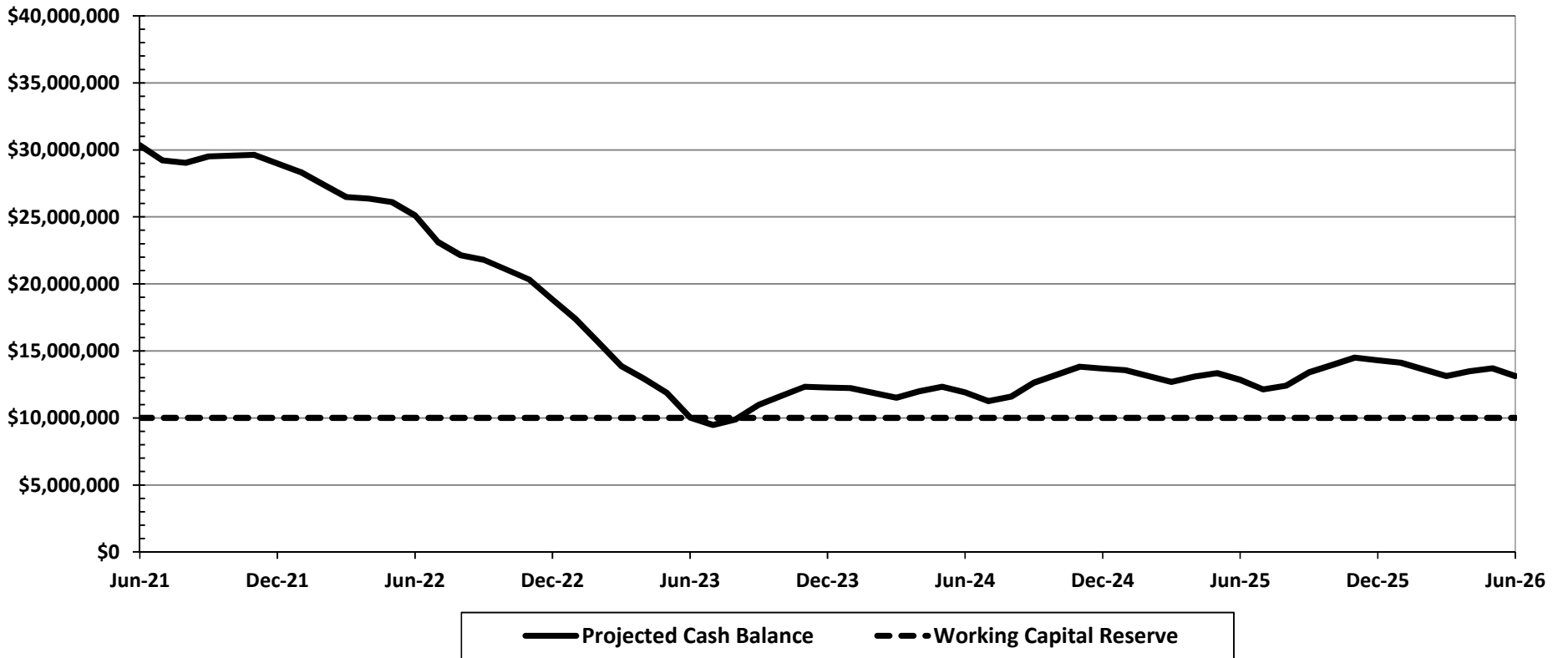
Capital Improvement Plan expenditures are based on the District's Capital Improvement Plan, which includes major capital projects such as Mainline Replacement Program, Vista Flume Replacement, San Pasqual Undergrounding Project, Wellfield Replacement and various reservoir projects.

Future infrastructure capital improvement expenditures are escalated from current costs by the average of the Engineering News Record's Construction Cost Index of 3.338%. Non infrastructure capital improvement expenditures are escalated by 3%.

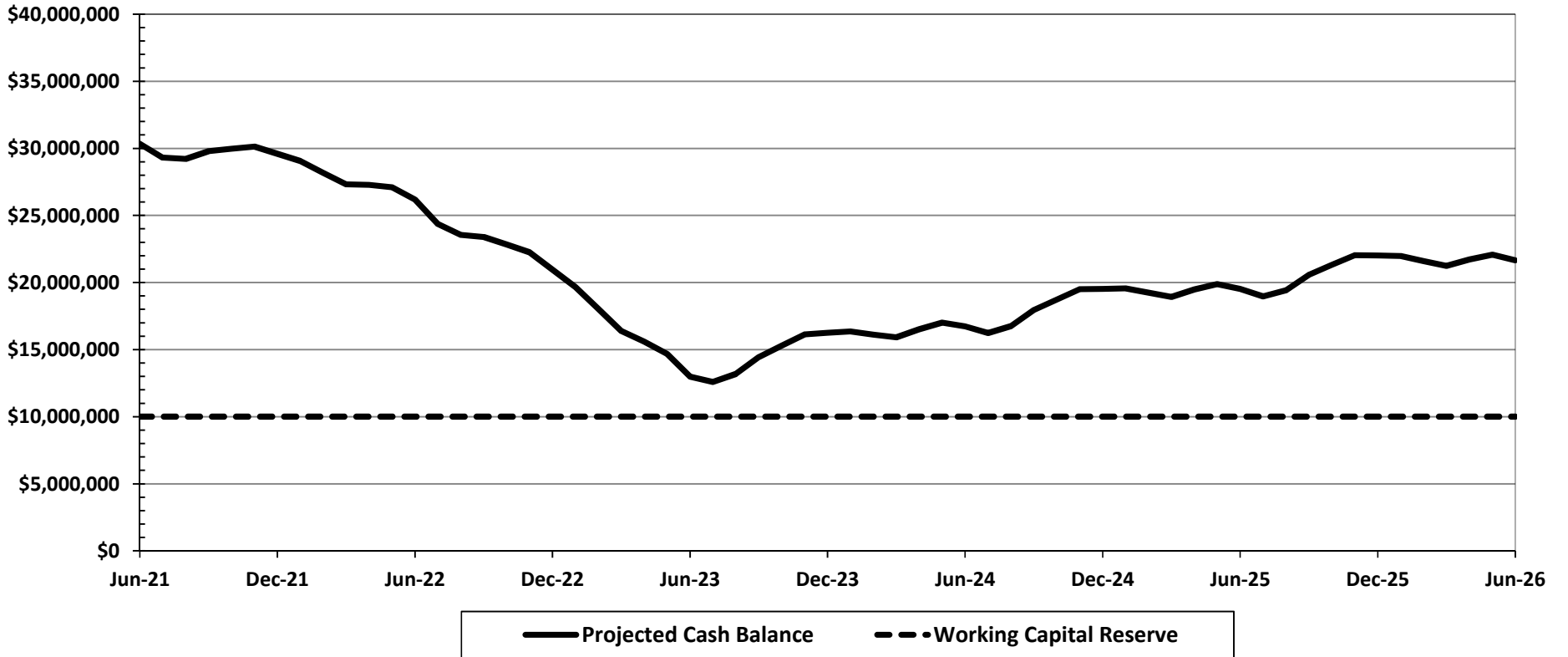
Water sales are assumed to be 15,800 acre feet annually which represents a 26% decrease from the District's last rate study in 2009.

The Reserve Policy goal for the Emergency and Contingency Reserve is met each year. Approximately \$7,000,000 of the Reserve for the Capital Improvement Reserve will be utilized to fund shortfalls in order to minimize rate increases.

**Vista Irrigation District
CASH FLOW PROJECTION
through June 2026**



**Vista Irrigation District
CASH FLOW PROJECTION
through June 2026
Based on Proposed Rate Increases**



Vista Irrigation District

CAPITAL PROJECTS

Fiscal Years 2022 to 2027

Escalator ENR 3.38% starting FY 2023

Infrastructure	Allocated by	Current Cost	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
E. Reservoir Replacement/Upsize/Pump Station	Tier 1 Rate	11,500,000	3,000,000	2,842,878	4,007,582	2,209,565	-	-
Main Replacement Program	Tier 1 Rate	50,000,000	2,500,000	2,584,435	2,671,721	2,761,956	2,855,238	2,951,670
Vista Flume Rehabilitation	Tier 1 Rate	120,000,000	750,000	723,642	-	-	-	-
Paseo Santa Fe Project	Tier 1 Rate	428,611	225,000	-	-	-	-	-
Well Field Repair/Replacement (65%), Siphon rehal	Tier 2 Rate	6,956,076	200,000	516,887	-	-	-	-
Deodar Reservoir	Tier 1 Rate	1,350,000	135,000	51,689	336,637	939,065	-	-
Calle Maria Pipeline Extension	Tier 1 Rate	200,000	100,000	103,377	-	-	-	-
Pechstein II Reservoir	Tier 2 Rate	9,000,000	-	465,198	480,910	1,789,747	3,700,388	3,825,365
A Reservoir	Tier 1 Rate	5,000,000	-	258,443	267,172	994,304	2,055,771	2,125,203
Pechstein Rehabilitation Roof	Tier 1 Rate	14,100,000	-	-	-	-	799,467	826,468
Pechstein Reservoir Secondary Feed	Tier 1 Rate	5,100,000	-	-	-	-	-	-
CO SD, S. Santa Fe Ave - Widening Project	Tier 1 Rate	4,110,549	-	-	-	-	-	-
San Marcos, S. Santa Fe Wide - Smilax to Bostick	Tier 1 Rate	256,909	-	-	-	-	-	-
Robelini/Buena Creek Pipeline	Tier 1 Rate	3,773,638	-	-	-	-	-	-
Valve Rehab on Dam Outlet	Tier 1 Rate	220,942	-	-	-	-	-	-
Santa Fe - Civic to Postal	Tier 1 Rate	940,000	-	-	-	-	-	-
HB Pipeline	Tier 1 Rate	872,314	-	-	-	-	-	-
H Line Aband. - Pechstein to E Reservoir	Tier 1 Rate	719,346	-	-	-	-	-	-
900 Zone Feed Regulator and Pipe	Tier 1 Rate	600,000	-	-	-	-	-	-
Habitat Conservation Plan	Tier 1 Rate	544,648	-	-	-	-	-	-
637 Zone Feed Vault and Regulator	Tier 1 Rate	300,000	-	-	-	-	-	-
C Reservoir Demo and PRV Feed Upgrade	Tier 1 Rate	800,000	-	-	-	-	-	-
E-1 Reservoir Demo-565 Zone PRV	Tier 1 Rate	1,800,000	-	-	-	-	-	-
Total Infrastructure		238,573,033	6,910,000	7,546,550	7,764,022	8,694,637	9,410,864	9,728,705
Non Infrastructure	Tier 1 Rate	16,076,085	519,000	549,306	567,858	587,037	606,864	627,360
San Pasqual Undergrounding (50%)	Tier 2 Rate	25,051,715	8,000,000	17,162,420	-	-	-	-
Total		279,700,833	15,429,000	25,258,275	8,331,880	9,281,674	10,017,727	10,356,065

Vista Irrigation District RESERVE POLICY

The District has established certain reserves to meet its internal requirements, its external legal requirements, and to provide savings to pay for replacement and/or repair of District facilities and properties due to natural disasters and emergencies. The dollar amount of each reserve account is based upon a particular formula which is reviewed and adjusted annually. The efficient and discrete use and management of these reserves, when combined with appropriate security measures, assure the District and its customers that the current levels of service, reliability and quality will continue into the future.

Working Capital Reserve

The purpose of the Working Capital Reserve is to protect the District's ability to have enough funds to meet its most basic and common financial obligation against operating revenue and expense variances, such as reduced water sales, tax and investment revenues, and/or increased operating expenses, such as extraordinary measures necessary as the result of unforeseen climatic, operational and economic conditions. This reserve represents 20% of the District's annual water sales.

Emergency and Contingency Reserve

The purpose of the Emergency and Contingency Reserve is to have savings to pay for unanticipated expenses resulting from emergencies including, but not limited to, earthquakes, floods, winds, fires, and damages to or destruction of District facilities and properties. This reserve represents 10% of the District's capital assets, net of accumulated depreciation.

Water Purchase Stabilization Reserve

The purpose of the Water Purchase Stabilization Reserve is to accumulate the necessary funds during wet years to help offset the financial burden sustained during dry years. In years that local water production is in excess of the historical average production, the Water Purchase Stabilization Reserve is funded by transferring the value of the excessive local water. In years that local water production is less than the historical average, a transfer of funds equal to the current cost of imported raw water multiplied by the shortfall of local water production is made to avoid an increase in water rates.



**FISCAL POLICY COMMITTEE
STAFF REPORT**

Meeting Date: September 14, 2021
Prepared By: Shallako Goodrick
Reviewed By: Marlene Kelleher
Approved: Brett Hodgkiss

SUBJECT: DISTRICT FEES AND CHARGES OTHER THAN WATER RATES

RECOMMENDATION: Review the proposed revisions to the District's fees and charges and recommend that the Board of Directors conduct a public hearing for the purpose of receiving comments on revisions to the District's Rules and Regulations relative to fees and charges other than water rates.

PRIOR BOARD ACTION:

10/7/20 Conducted a public hearing. There were no public comments, written or oral, presented. Adopted Resolution No. 20-28 revising Rules and Regulations of the District relative to fees and charges other than water rates.

FISCAL IMPACT: The revenue produced by these fees and charges is designed to recover the costs associated with the services provided by the District. Adoption of the new miscellaneous fees and charges will increase revenue to the District of approximately \$213,000 if the number and type of transactions remained similar to those in the past.

SUMMARY: Every year, the District performs a nexus study to ensure that its fees and charges accurately reflect the actual costs of providing services and only those costs. As a result, the District's fees and charges need revision to properly account for changes in the cost of labor, materials, and outside services for the coming year. The fee summary schedule attached is a comprehensive list of fees and charges other than water rates. The proposed modifications to the fee summary result from changes in material costs, updated process analyses, changes in labor costs and costs of outside services.

The District's fees and charges are being presented to the Fiscal Policy Committee for review and comment prior to consideration by the full Board. After the Committee's review and recommendation, the Board will conduct a public hearing to receive comments prior to considering adoption of the revised fees and charges. The fees would become effective January 1, 2022.

DETAILED REPORT: Staff has performed detailed costs studies on all fees and charges. The proposed changes are necessary due to inflationary factors and the updated results of the very detailed analysis of the cost make-up of each fee. The proposed fees are calculated using current costs for labor, materials and outside services; a majority of the changes in this fee study are related to increases in labor costs and the cost of outside services (mainly asphalt repair) and/or parts. Capacity fees are also increasing primarily due to the updated cost of replacing the nearly 100 year of Vista Flume. Staff will present the changes of individual fees at the Committee meeting. The proposed fees reflect the estimated cost of providing services in calendar year 2022.

ATTACHMENT: Proposed Fee Summary

Vista Irrigation District

PROPOSED FEE SUMMARY

Effective: January 1, 2022

	Current Fee	Proposed Fee	\$ Change	% Change
Construction Fees:				
5/8" Meter Full Install	\$ 5,652	\$ 6,234	\$ 582	10.3%
5/8" Meter Hook On	677	655	(22)	(3.2%)
5/8" Service Outlet *	4,975	5,579	604	12.1%
3/4" Meter Full Install	5,655	6,243	588	10.4%
3/4" Meter Hook On	680	664	(16)	(2.4%)
3/4" Service Outlet *	4,975	5,579	604	12.1%
1" Meter Full Install	5,770	6,396	626	10.8%
1" Meter Hook On	795	817	22	2.8%
1" Service Outlet *	4,975	5,579	604	12.1%
1 1/2" Meter Full Install	7,702	8,409	707	9.2%
1 1/2" Meter Hook On	1,857	1,901	44	2.4%
1 1/2" Service Outlet *	5,845	6,508	663	11.3%
2" Meter Full Install	7,534	8,260	726	9.6%
2" Meter Hook On	1,689	1,752	63	3.7%
2" Service Outlet *	5,845	6,508	663	11.3%
Fire Hydrant Full Install *	17,041	18,800	1,759	10.3%
Fire Hydrant Upgrade *	6,519	7,015	496	7.6%
4" Fire Service Connection *	11,723	12,780	1,057	9.0%
6" Fire Service Connection *	12,303	13,280	977	7.9%
8" Fire Service Connection *	13,256	14,567	1,311	9.9%
10" Fire Service Connection *	14,824	16,103	1,279	8.6%
Air Vent, Blow Off, and Gate Valve for Fire Service	4,035	4,403	368	9.1%
Commercial Irrigation Service Conversion Fee	1,954	2,072	118	6.0%
Backflow Device Set-up	252	268	16	6.3%
Reset Pressure Valve	200	212	12	6.0%
1" Construction Meter Deposit With Backflow Device	1,068	1,104	36	3.4%
Refundable Amount	615	634	19	3.1%
1" Construction Meter Deposit With Spanner and Backflow Device	1,088	1,124	36	3.3%
Refundable Amount	631	650	19	3.0%
3" Construction Meter Deposit With Backflow Device	4,138	4,012	(126)	(3.0%)
Refundable Amount	2,867	2,729	(138)	(4.8%)
Unauthorized Taking of District Water	2,708	2,769	61	2.3%
Relocate Construction Meter	168	179	11	6.5%
Unauthorized Construction Meter and Backflow Device Move Penalty	335	355	20	6.0%
Subdivision Construction Meter Deposit	8,827	8,830	3	0.0%
Refundable Amount	6,790	6,773	(17)	(0.3%)
Meter Service Lateral Termination	1,914	2,080	166	8.7%
Temporary Offsite Service *	6,718	7,863	1,145	17.0%
Plus: Per Foot Frontage Charge	62	71	9	14.5%
Temporary Service Agreement Conversion *	7,418	8,773	1,355	18.3%
Plus: Per Foot Frontage Charge	62	71	9	14.5%
Temporary Service Agreement Conversion Excluding Tieback and Permit *	5,798	7,153	1,355	23.4%
Plus: Per Foot Frontage Charge	62	71	9	14.5%
Cancellation of Meter Application	263	272	9	3.4%
Meter Downsize from 3/4"	525	558	33	6.3%
Meter Downsize from 1"	525	558	33	6.3%
Meter Downsize from 1 1/2"	950	994	44	4.6%
Meter Downsize from 2"	1,202	1,262	60	5.0%

* The cost of permit associated with this fee will be determined at the time of application. The cost of permit is dependent upon its jurisdiction.

Vista Irrigation District

PROPOSED FEE SUMMARY

Effective: January 1, 2022

	Current Fee	Proposed Fee	\$ Change	% Change	
Engineering Fees:					
Hydraulic Analysis with Schematic Layout	\$ 788	\$ 1,140	\$ 352	44.7%	
Statement of Cost	473	503	30	6.3%	
Update Statement of Cost	211	224	13	6.2%	
Specifications Book Cost	68	72	4	5.9%	
Plan Check (per Sheet)	487	517	30	6.2%	
As-Built Deposit (per Sheet)	469	497	28	6.0%	
Refundable Amount (per Sheet)	469	497	28	6.0%	
Construction Summary	1,771	1,873	102	5.8%	
Water Availability Letter	295	314	19	6.4%	
Water Availability Letter Update	137	146	9	6.6%	
Private Ownership Agreement	825	875	50	6.1%	
Grant of Right of Way (to Public)	577	779	202	35.0%	
Quitclaim/Cancellation of Recorded Documents	700	910	210	30.0%	
Encroachment Permit	573	808	235	41.0%	
Joint Use Agreement	412	868	456	110.7%	
Exchange Meter Agreement	410	436	26	6.3%	
Fire Flow Analysis (Only)	231	246	15	6.5%	
Annexation Fee (per Acre)	6,867	7,275	408	5.9%	
Annexation/Administration - VID Not Conducting Agency	2,280	2,425	145	6.4%	
Annexation/Administration - VID Conducting Agency	2,280	2,425	145	6.4%	
Annexation/Administration - VID Conducting Reorganization	2,280	2,425	145	6.4%	
Detachment Fee (per Acre)	-	-	-		
Detachment/Administration - VID Conducting Agency	2,280	2,425	145	6.4%	
Detachment/Administration - VID Not Conducting Agency	2,280	2,425	145	6.4%	
5/8" Capacity Fee	<i>Current # of meters:</i> 5,551	4,205	5,142	937	22.3%
3/4" Capacity Fee	<i>Current # of meters:</i> 17,000	6,308	7,713	1,405	22.3%
1" Capacity Fee	<i>Current # of meters:</i> 2,880	10,514	12,855	2,341	22.3%
1 1/2" Capacity Fee	<i>Current # of meters:</i> 1,318	21,027	25,709	4,682	22.3%
2" Capacity Fee	<i>Current # of meters:</i> 883	33,644	41,135	7,491	22.3%
3" Capacity Fee	<i>Current # of meters:</i> 55	67,288	82,270	14,982	22.3%
4" Capacity Fee	<i>Current # of meters:</i> 23	105,137	128,546	23,409	22.3%
6" Capacity Fee	<i>Current # of meters:</i> 13	210,275	257,093	46,818	22.3%
8" Capacity Fee	<i>Current # of meters:</i> 2	336,440	411,349	74,909	22.3%
10" Capacity Fee	<i>Current # of meters:</i> 1	483,632	591,314	107,682	22.3%
12" Capacity Fee	<i>Current # of meters:</i> 0	904,181	1,105,500	201,319	22.3%
Meter Service Lateral Inspection	641	748	107	16.7%	
RPDA Inspection	578	614	36	6.2%	
RPDA and Lateral Inspection Without Shutdown	1,334	1,418	84	6.3%	
RPDA and Lateral Inspection With Shutdown	2,216	2,356	140	6.3%	
Fire Hydrant Inspection	945	1,005	60	6.3%	
Fire Hydrant and Lateral Inspection without Shutdown	1,701	1,809	108	6.3%	
Fire Hydrant and Lateral Inspection with Shutdown	2,079	2,211	132	6.3%	

Vista Irrigation District
PROPOSED FEE SUMMARY
Effective: January 1, 2022

	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>\$ Change</u>	<u>% Change</u>
<u>Customer Service Fees:</u>				
Late Penalty	\$ 15	\$ 15	\$ -	0.0%
Delinquent Door Hanger	66	71	5	7.6%
Delinquent Lock	153	161	8	5.2%
Delinquent Lock Hardship *	50	50	-	0.0%
After Hours Lock or Unlock	167	176	9	5.4%
After Hours Unlock Hardship *	150	150	-	0.0%
Broken Lock	167	176	9	5.4%
Pulled Meter	167	176	9	5.4%
Tax Roll	88	94	6	6.8%
Returned Check	36	38	2	5.6%
Voluntary Lock or Unlock	63	67	4	6.3%
Meter Bench Test	420	447	27	6.4%
5/8" Damaged Curb Stop	816	862	46	5.6%
3/4" Damaged Curb Stop	816	862	46	5.6%
1" Damaged Curb Stop	853	912	59	6.9%
<u>Water Conservation Fees:</u>				
Second Water Citation within 12 Months	\$ 221	\$ 235	\$ 14	6.3%
Third Water Citation within 12 Months	442	471	29	6.6%
Four or More Water Citations within 12 Months	662	707	45	6.8%
1" and Smaller Flow Restrictor Installation & Removal	295	313	18	6.1%
1 1/2" and 2" Flow Restrictor Installation & Removal	552	591	39	7.1%

* Hardship: 200% below the Federal Poverty Line

EXHIBIT A

VID Water Rate Study

**Fiscal Policy Committee
September 14, 2021**

Presentation Outline

- Water Rate Study Methodology
- Capital Improvement Reserve Fund
- Proposed Tiered Water Rate Structure Revisions
- Allocation of Costs to Revenue
- Recommended Rate Increases

Water Rate Study Methodology

	Budget	Projected	Projected	Projected	Projected	Projected	Total
Financial	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	
Revenue Water Sales/Emergency Storage Fee	\$ 34,121,000	\$ 34,121,000	\$ 34,121,000	\$ 34,121,000	\$ 34,121,000	\$ 34,121,000	
Revenue Service Fee	17,500,000	17,957,533	18,491,583	19,107,992	19,744,948	20,403,137	
Revenue All Others	3,241,900	3,473,430	3,548,193	3,635,110	3,724,309	3,815,850	
Revenue Total	54,862,900	55,551,962	56,160,776	56,864,101	57,590,257	58,339,987	
Expenses less Depreciation	44,682,700	45,186,674	45,783,333	46,466,237	47,098,503	47,740,734	
Net	10,180,200	10,365,288	10,377,443	10,397,865	10,491,754	10,599,253	
Capitla Projects	15,429,000	25,258,275	8,331,880	9,281,674	10,017,727	10,356,065	
Amount Left over (Negative decr reserves)	(5,248,800)	(14,892,987)	2,045,563	1,116,191	474,027	243,188	(16,262,819)

Cash Balance Actual 06/30/2021	Amount
Emergency and Contingency Reserve	\$ 10,000,000
Working Capital Reserve	10,000,000
Surplus Water Pass-through	4,595,222
Water Rebate	1,571,006
Capital Improvement Reserve	20,346,496
Total Cash Balance	46,512,724
Capital Improvement Reserve 06/30/21	\$ 20,346,496
Budget Projection to Fiscal Year 2027	(16,262,819)
Remaining Capital Improvement Reserve	4,083,678

- Projection is based on FY 2022 Budget.
- Uses average CPI to project forward.
- SDCWA expense and Water Rates held constant since the District passes through any increases.
- Assumes inflationary adjustments based on CPI.

Capital Improvement Reserve Fund

- Currently no required Capital Reserve Funding level.
- Used annual cost of ENR adjusted current book assets plus current cashflow estimate if historical book value was unavailable to estimate Fund minimum.
- Analysis shows a minimum of \$13.2 million should be maintained in the Fund.

Annual ENR cost Tier 1 Rate	
Type	Annual Cost
Bldg	970,972
Canals	380,262
Const	356,268
Copiers	7,026
Dam	1,067,362
Filt Plant	819,423
IT	118,860
Land	
Misc	116,708
Pipe	3,886,379
Pipe Contr	1,905,077
Pump Sta	109,779
Reg Sta	100,534
Res	671,692
SCADA	57,526
Trt Plant	60,974
Trucks	565,722
Valves	13,088
Vehicles	37,522
Total	11,245,174

Annual ENR cost Tier 2 Rate	
Type	Annual Cost
Wells	621,449
Flume	1,064,160
Pechstein II New	300,000
Tier 2 additional	1,985,609
Total All	13,230,783

Proposed Tiered Water Rate Structure Revisions

- Recommend eliminating Tier 3 which is currently being charged at Tier 2 rates.
- Tiers updated using 2009 methodology-
 - $\frac{3}{4}$ meter 50% average usage is Tier 1 limit. Used FY 2019 actual water usage.
 - Hydraulic capacity of other meters used to determine each meter's Tier 1 limit.

Size	Current Tier 1 Limits	Proposed Tier 1 Limits	Difference
5/8	7	4	3
3/4	10	6	4
1	25	15	10
1 1/2	50	30	20
2	80	48	32
3	160	96	64
4	250	150	100
6	500	300	200
8	800	480	320
10	1150	690	460

	Current State	Proposed New Tier 1 Limits
Water Sales Billed	Acre Feet	Acre Feet
Tier 1	8,354	5,012
Tier 2	7,446	10,788
Total	15,800	15,800

Allocation of Costs to Revenue

Service Charge- Recovers customer service(10%), maintenance and repairs (33%) and the majority of the infrastructure and asset replacement (57%).

Tier 1 Rate- Cost of water (local and purchased) plus costs of transmission and distribution, water treatment, tanks and reservoirs, engineering and other costs associated with flow not allocated to the Service Charge and overhead costs.

Tier 2 Rate (Tier 1 Rate plus Marginal Tier 2 Rate)- Marginal Tier 2 Rate is to cover costs associated with above average usage and conservation, such as expanding of reservoir storage, improving the wellfields and preparation associated with the rebuilding of the Flume.

Other Revenue (Such as penalties, capacity fees, leases, interest income, property taxes)- Used to cover overhead departments expenses and other directly related costs.

Recommended Rate Increases

- Allow the automatic pass-through of all San Diego County Water Authority fees and charges for wholesale water and water related services.
- Allow inflationary adjustment to District water rates annually on July 1; forgo increase on 07/01/22.
- Effective on bills mailed after 03/01/22, increase Tier 1 rate to \$4.76 and Tier 2 rate to \$5.23. Eliminate Tier 3.
- Increase Service Charge to recover revenue not collected as the result of forgoing the inflationary adjustment due to be implemented on July 1, 2020.

Service Charges	Currently Monthly Charge	Proposed Monthly Charge
Meter Size		
5/8	\$ 31.75	\$ 32.82
3/4 & 3/4 1	41.88	43.30
1	61.89	63.98
1.5	112.34	116.14
2	172.66	178.50
3	333.57	344.85
4	514.49	531.89
6	1,218.45	1,259.65
8	1,620.90	1,675.71
10	2,425.46	2,507.47

Recommended Rate Increases (continued)

Average 2 month Bill Example				2 Month Bill								
3/4" METER - CURRENT CHARGE				3/4" METER - CURRENT CHARGE								
Tier	Usage	Rate	Charge	Tier	Usage	Rate	VID Increase	Rate pass-through	Credit	Final Rate	Charge	
1	20	\$4.44	\$ 88.80	1	12	\$4.44	\$0.16	\$0.20	-\$0.04	\$4.76	\$ 57.12	
2	4	\$4.98	19.92	2	12	\$4.98	\$0.09	\$0.20	-\$0.04	\$5.23	62.79	
	24		\$ 108.72	Total	24						\$ 119.91	
Service Charge			83.76	Service Charge								86.59
IAC			8.48	IAC								8.48
Total <u>Bi-Monthly Cost</u>			<u>\$ 200.96</u>	Total <u>Bi-Monthly Cost</u>								<u>\$ 214.98</u>
							<u>Bi-Monthly Dollar Change</u>					\$ 14.02
							<u>Percentage Change</u>					6.98%

Breakdown of Average Bill by Source	Amount	Percent
Service Charge 07/1/2020*	\$ 2.83	1.4%
Water Authority Pass-through 01/1/2022	4.80	2.4%
Rebate 01/01/2022	(0.96)	-0.5%
VID Rate Increase Needed	7.35	3.7%
	\$ 14.02	

* Canceled due to COVID-19 pandemic

Breakdown of VID Rate Increase Needed	Amount
VID Rate Increase Needed	7.35
Service Charge Expected 07/1/2022	2.60
Additional increase not CPI related	4.75

New Rates	
Capital Improvement Reserve 06/30/21	\$ 20,346,496
Budget Projection to Fiscal Year 2027	(6,803,070)
Remaining Capital Improvement Reserve	13,543,427

Recommended Rate Increases (continued)

Average 2 month Bill Example				2 Month Bill								
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