



**Board of Directors  
November 20, 2019**

**SUBJECT:**

Adopt the Proposed Resolution Amending the EMWD Administrative Code for Incorporating Certain Fees-for-Service in the District's Schedule of Rates, Fees, and Charges

**BACKGROUND:**

The District's Administrative Code was first adopted in May 2013 and has been subsequently amended on a number of occasions. The purpose of the revisions before the Board at this time is to adopt a proposed Resolution, attached as Exhibit A, to make changes to the Consolidated Schedule of Rates, Fees and Charges, which is appended to the District's Administrative Code.

**Background:**

The District adopted a Triennial Strategic Plan for 2019 – 2021 with seven strategic priorities, including fiscal responsibility and appropriate investments. The District's goal is to ensure financial stability and demonstrate responsible stewardship of public funds. One of the District's initiatives to meet this goal is to evaluate fees, rates, and charges to ensure that each customer class pays its proportionate fair share, while generating adequate revenues to meet the District's financial obligations. The District evaluates each revenue sources as follows:

**Rates:** The District completed the evaluation and modification to water, sewer, and recycled water rates as part of its Biennial Budget, which was adopted in June 2019.

**Charges:** Financial Participation Charges (connection fees) are collected to pay for planned and existing water and wastewater facilities. These fees were last studied and adopted in 2011. The District is planning to start an updated study this month, a separate report to the Board follows on today's agenda.

**Fees for Service:** The District provides a variety of discrete services to customers and assesses a service charge identified as "Fees", as reflected in the Consolidated Schedule of Rates, Fees and Charges. The District last studied and approved the fees for service in March 2010. The exception are late fees to customers that were initiated and approved by the Board in 2017 (these amount to approximately \$5 million per year) and were excluded from the current fee study.

Staff initiated the fee for service study update, which reviewed the District's cost to perform the work for each department service, including an analysis of labor costs, overhead, and materials. After discussions with staff in each department, finance staff segmented the fees into two categories: fees currently involving business process changes underway and those that

are more routine in nature and require no business process changes. Based on these categories, staff recommends implementing fee adjustments in two phases:

Phase 1 – Focus on existing fees that require no business process change. Update fees or eliminate if no longer necessary. Phase 1 included reviewing 124 existing fees.

Phase 2 – Fees would include those which are assessed as a deposit or associated with business processes that are under review and subject to change in the near future. These include certain field engineering and development services. Phase II implementation will include outreach to impacted customers including the Building Industry Association (BIA) in late 2020.

**Study Results:**

The District received \$3.6 million for FY 2018-19 from fees included in phase 1 of the study, which equates to approximately 1.2 percent of the District’s total annual revenue from rates, fees, and charges.

Of the 124 fees reviewed, staff recommends adjusting 106, adding 2 new fees and eliminating 20 fees that are no longer needed. Based on the study, the revised fees will increase revenues to recover costs by \$121,000 or 3.3 percent in 2020. Staff will continue to evaluate phase 2 fees and make recommendations to the Board in spring 2020.

A revised version of the Consolidated Schedule of Rates, Fees and Charges is attached as Exhibit B.

**FINANCIAL IMPACT:**

Adoption of this item will increase annual Fees-For-Service revenue by \$121,000 or 3.3 percent.

**STRATEGIC PLANNING GOAL/OBJECTIVE:**

Proportionate Cost of Service: Continue to evaluate EMWD’s fees, rates and charges to ensure that each customer class pays its proportionate fair share, while generating adequate revenues to meet EMWD’s financial obligations.

**ENVIRONMENTAL IMPACT:**

None

**RECOMMENDATION:**

Adopt the proposed Resolution amending the EMWD Administrative Code for incorporating Certain Fees-for-Service in the District’s Schedule of Rates, Fees, and Charges.

**SUBMITTED BY:**



Paul D. Jones II, P.E., General Manager

11/1/2019



Laura Nomura, Deputy General Manager

11/1/2019

**Attachment(s):**

*Exhibit A - Resolution to Adopt Schedule of Rates, Fees and Charges*

*Exhibit B - Proposed Consolidated Schedule of Rates, Fees and Charges  
Presentation*

**History:**

11/07/19 Board Administrative Committee RECOMMENDED FOR APPROVAL

11/20/19 Board Meeting

Staff Contact: Charles Turner, Gary Molin, Judy Comer