

AGENDA
REGULAR MEETING OF THE BOARD OF DIRECTORS
Thursday, May 2, 2024
7:30 p.m.
Westborough Water District Office
[2263 Westborough Boulevard, South San Francisco](#)

1. ROLL CALL:

2. PLEDGE OF ALLEGIANCE:

3. CONSENT CALENDAR:

All items listed under the Consent Calendar are approved by a single motion of the Board. A Board member may request removal of any item for discussion and separate action:

A. Approval of Minutes:

1. Regular Meeting of April 11, 2024.

B. Accountant's Report for Period Ending March 31, 2024.

C. Investment Report for Period Ending April 30, 2024.

D. Claims Register for April 30, 2024.

4. PUBLIC COMMENT:

Members of the public are invited to participate during the public comment period or when an item on the agenda is introduced. Anyone wishing to speak should, after the recognition, give their name and address, speak clearly, and direct their remarks only to the Board. Please limit your remarks to no more than five (5) minutes. Items not on the agenda may be referred to Staff for consideration at a later date.

5. BUSINESS (OLD): None

REGULAR MEETING OF THE BOARD OF DIRECTORS

May 2, 2024

Page 2 of 3

6. BUSINESS (NEW):

- A. Resolution No. 675, Approval of Allocations in Accounting Treatment Between the Water and Sewer Enterprise Funds.
- B. Resolution No. 676, Rescinding Resolution 355 and Adopting a New Reserve Fund Policy.
- C. Consideration of Final Recommendations from Rate Study, Selection of Rate Options, and Authorization to Proceed with Proposition 218 Approval Process for rate setting.
- D. Consideration to Move the July 11, 2024, Regular Board Meeting to July 12, 2024 and Set a Date, Time, and Place for the Public Hearing for Water and Sewer Rates and the Collection of Sewer Charges on the Property Tax Roll.
- E. Review/Approve 5-Year Capital Improvement Plan.

7. WRITTEN COMMUNICATIONS: None

8. ATTORNEY'S REPORT:

9. GENERAL MANAGER'S REPORT:

- A. Engineer's Report. (Pakpour).
- B. Status of Roofing Project for the Rowntree Pump Station.

10. ITEMS FROM BOARD OF DIRECTORS:

- A. Report on CSDA San Mateo Chapter Meeting of April 16, 2024 (Chambers).

11. CLOSED SESSION:

- A. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION
Initiation of litigation pursuant to subdivision (d)(4) of Section 54956.9: One case

REGULAR MEETING OF THE BOARD OF DIRECTORS

May 2, 2024

Page 3 of 3

12. ADJOURNMENT:

Upon request, the Westborough Water District will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the auxiliary aid or service at least 3 days before the meeting. Request should be sent to Westborough Water District at 2263 Westborough Boulevard, South San Francisco, CA 94080, or email wwd@westboroughwater.org. Availability of Public Records: all public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Acts, that are distributed to a majority of the legislative body will be available for public inspection at 2263 Westborough Boulevard, South San Francisco, CA 94080, at the same time that the public records are distributed or made available to the legislative body.

**MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS**

Thursday, April 11, 2024

The meeting was called to order at 7:30 p.m.

1. ROLL CALL:

Directors Present: Don Amuzie
Perry Bautista
Janet Medina
Julie Richards
Tom Chambers

Staff Present: Michael Conneran, Attorney
Wendy Bellinger, Office Supervisor
Patricia Mairena, General Manager
Joubin Pakpour, Pakpour Engineer

Visitors Present: Catherine Tseng - L&T Consultants
Patrick Sumner – NSMCSD - City of Daly City

2. PLEDGE OF ALLEGIANCE: Led by Director Medina.

3. CONSENT CALENDAR:

President Chambers asked the Board if there were any questions or comments with the Consent Calendar; otherwise, he asked if there was a motion to approve.

Director Medina moved to approve the Consent Calendar as written, seconded by Director Richards.

The motion was carried unanimously.

4. PUBLIC COMMENT: None

5. BUSINESS (OLD): None

6. BUSINESS (NEW):

Without objection, President Chambers moved item 6.B to be discussed first.

B. Review/Approve Proposal for the Installation of Replacement Controllers for the Rowntree Pump Station.

General Manger Mairena gave a recap to the Board of the incident that occurred on February 5, 2024, in which the pump station lost PG&E power, and since the generator did not kick in, the wastewater from the wet well had overflowed onto the roof, seeping through the conduits, causing damage to the electrical controllers for the pump station. General Manager Mairena pointed out that the two quotes on the board packet were for the replacement of the controllers. General Manager Mairena pointed out that Pat Sumner from the Sanitation District was present to review the two quotes from Telstar and Calcon.

Pat Sumner indicated that he was present to answer any questions the Board had and that both quotes would get the job done. Mr. Sumner stated that Daly City has been upgrading their stations using Calcon, so that all the computer screens from that vendor would look the same, making it easier to train staff and avoiding issues. Mr. Sumner also stated that his job had been to get quotes that were as comparable as possible. Mr. Sumner pointed out that Daly City was also upgrading their SCADA system and that the District had already invested in upgrading the Avalon Lift Station's cabinet. Mr. Sumner mentioned that Calcon was a very responsive company with robust resources and that if the District selected Calcon, the cabinet would look like Avalon's, and if Telstar did the job, the cabinet would look somewhat different.

General Manager Mairena asked Mr. Sumner what would eventually happen with the SCADA system if Telstar was to do the job. Mr. Sumner replied that it would still work, but it may look different than what their other lift stations display on their smartphones.

There was a discussion comparing the two quotes. Attorney Conneran pointed out that the proposal from Telstar did not include prevailing wages. General Manager Mairena replied that she had requested that Telstar revise their quote to include it, but at the end, the document that they resubmitted still showed that it was not a prevailing wage project.

President Chambers asked General Manager Mairena what her preference was. General Manger Mairena replied that she would prefer for all the lift stations to be compatible with the new system that Daly City would be rolling out, as that would avoid response time issues which had been one of the contributing factors that caused the overflow. There was a dialog about the auto dialers, landlines, and cellular services.

Three of Twelve
Minutes of the Regular Meeting of the Board of Directors
Thursday, April 11, 2024

Attorney Conneran stated that Telstar was not being responsive if they had been asked to include prevailing wages in their quote and they had not.

Director Medina commented that since Telstar had been an unresponsive bidder and the District will not have the same type of system Sanitation was looking for, it would make sense to go with the bid from Calcon.

Director Medina moved to approve the proposal from Calcon System for the Installation of Replacement Controllers for the Rowntree Pump Station in the amount of \$68,365 plus a roughly 10% contingency, seconded by Director Bautista.

The motion was carried unanimously.

The Board thanked Patrick Sumner.

A. Consider Updated Recommendations from Rate Study, Select Rate Options and Vote to Proceed with Proposition 218 Process.

General Manager Mairena shared the consultant's presentation.

President Chambers asked that for the next meeting, a motion be introduced to approve the General & Administrative expenses split ratio between the water and the sewer enterprises in order to make it official for the accountant. Attorney Conneran replied that the table could be attached to a resolution to make it easier for adoption. Catherine Tseng, the District's consultant from L&T for the Rate Study commented that the split ratio was stated on Table 4, pages 7 to 9. President Chambers asked that we also add Miscellaneous Operations to it.

President Chambers stated that the other resolution he would like to see at the next meeting is on reserves. Ms. Tseng stated that their recommendation for the Operations Reserve target was 25% of the Operating Revenues, which was the industry standard, and it equated to four months of operations, the time it would take to raise rates if needed. Ms. Tseng also stated that they were also recommending a Capital Reserve, since the District did not have one, and that was based on the annual depreciation rounded to \$400,000, and split evenly between the two enterprises. President Chambers also stated that it should be based on last year's audited depreciation.

Ms. Tseng proceeded with her presentation to the Board and gave an overview of the District never completing a comprehensive Rate Study and the need for the District to fund capital projects. Ms. Tseng noted that the proposed annual CIP for water was \$2.5M and \$1M

Four of Twelve
Minutes of the Regular Meeting of the Board of Directors
Thursday, April 11, 2024

for sewer, beginning in year two. Ms. Tseng pointed out that the Rate Study covers a 5-year period, and the District could adopt rates for up to five years, with the first rate increase being effective July 1, 2024. Ms. Tseng reviewed the reasons for raising rates: to meet operating and maintenance costs, to fund capital improvements, for debt service coverage, to maintain reserve funds for emergencies, to eliminate operating deficit, and to retain a positive credit rating to obtain debt financing. Engineer Pakpour commented that in addition to reinvesting in the system, we are also investing in the infrastructure for future generations.

Ms. Tseng reviewed the following proposed water and sewer fund objectives:

- Meet operating fund reserves target of 25% of O&M expenses and capital fund reserves target of \$200,000 or 50% of depreciation. Ms. Tseng stated that per President Chambers' recommendation, the depreciation from the audited financial statements will be used.
- Meet debt service coverage of 1.25x (net operating revenue/total annual debt service).
- Maintain positive net operating revenues.

Ms. Tseng also reviewed the direction that was provided by the Board at the March 14th meeting:

- Allocate 1/3 of the General Manager's salary and benefits to sewer.
- Allocate all other remaining G&A expenses 70% to water and 30% to sewer.
- Water scenario 1: \$2.5M in CIP projects with debt in year 2.
- Sewer scenario 2: \$1m in CIP projects with debt in year 2.

Ms. Tseng pointed out that the goal was to get the District on a pay-as-you-go CIP program, but for now, the District needed additional funding.

Ms. Tseng reviewed the current combined reserves and explained that in order to avoid a higher rate increase, they proposed that the sewer fund lend the water fund \$800,000 to be repaid over a period of 8 years; hence, the starting balances would be: \$1,000,000 water and \$2,347,102 sewer.

Ms. Tseng reviewed a list of the G&A expenses that will be split between the water and sewer funds and that beginning in 2024/25:

- In total, approximately 83% of total G&A expenses are assigned to the Water Fund and 17% are allocated to the Sewer Fund.

Five of Twelve
Minutes of the Regular Meeting of the Board of Directors
Thursday, April 11, 2024

- The General Manager's salary and benefits are allocated 66.7% to the Water Fund and 33.3% to the Sewer Fund.
- Unless the expense is 100% allocated to the Water Fund, the split for all other G&A expenses is 70% to the Water Fund and 30% to the Sewer Fund.
- For G&A revenues, 30% of Misc. Operations (42345) and Taxes & Assessments (49300) are allocated to the Sewer Fund. All other G&A revenues are assigned 100% to the Water Fund.

Ms. Tseng proceeded to review the District's current water rates and the current revenue recovery, which is 31% fixed and 69% variable.

Ms. Tseng reviewed the District's water consumption for the past five years and how it had dropped to 320,000 CCF due to the last drought, and that they were projecting that low consumption would remain for several years, as customers were in the habit of conserving water, so going forward, they would use that figure as the District's consumption.

Ms. Tseng also reviewed a chart of the number of District class accounts by meter size. She mentioned that since 2013/14, the SFPUC wholesale rates have increased from \$2.45 per CCF to \$5.21 per CCF, equating to a 113% increase with an estimated 6.5% increase for 2024/25, which the District had no control over. Ms. Tseng stated that water purchases are estimated to increase by 24.0% over the next five years based on the projections provided by the SFPUC on their February 5, 2024, draft report.

Ms. Tseng displayed the water fund income for the past years showing a couple of years the District went in the red. She reviewed a list of the District's expenses and their five-year projections including their escalation factors and a chart of the projected total water expenses.

Ms. Tseng reviewed slides of the proposed water fund reserves of \$1M, including the \$800,000 sewer fund loan to be repaid over a period of 8 years thru 2031/32.

Ms. Tseng also reviewed the proposed water debt assumptions of \$1.25M per year. She stated that the total debt = \$6.25M over 5 years (2025/26 through 2029/30) and the first loan would be in year 2 (2025/26) with a \$137,000 annual payment at 7% for 15 years, based on preliminary information General Manager Mairena received from the District's bank.

Ms. Tseng stated that they are proposing two water rate structure changes:

1. Fixed Vs. Variable Revenue Recovery
Current Allocation: 31% Fixed and 69% Variable

Six of Twelve
Minutes of the Regular Meeting of the Board of Directors
Thursday, April 11, 2024

Proposed Allocation: 35% Fixed and 65% Variable

2. Update Meter Capacity Ratios
Use American Water Works Association (AWWA) recommended meter capacity ratios. Each meter size will be charged based on their proportional impact on the system.

Ms. Tseng reviewed current and proposed meter ratios and rates with the larger meters having a larger impact on the system; hence, higher increases. Engineer Pakpour explained that this was industry standard and defensible, and that once the Board approved this, the District may want to reach out to the few customers affected the most to review their meter size and their needs. General Manager Mairena mentioned that the 8" meter serviced 150 units, so the per unit cost would only be \$23.47, which was lower than the \$44.00 being charged to the 5/8" meter accounts. Engineer Pakpour commented that the justification was that the 8" meter could get 80 times more water flow than the 5/8" meter. Attorney Conneran commented that the narrative would be that this is a more fair allocation.

Ms. Tseng reviewed the Water Scenario 1 with proposed increases of: 19% for 2024/25, and subsequent 8% increases for the following four years. Ms. Tseng reviewed the average bi-monthly bill amounts (based on 10 CCF) for the next five years.

Ms. Tseng displayed the proposed water rates based by meter size. Attorney Conneran asked if these rates had the SFPUC increases built in. Ms. Tseng replied they had made a 6% increase assumption and if the increase was to be higher, Prop. 218 would allow for a pass through. Attorney Conneran also asked if the District could adjust the rates lower if the SFPUC's increase was to be lower; Ms. Tseng confirmed that would be the case. Engineer Pakpour commented that every year, the Board would have an opportunity to decide if they wanted to approve the 8% increase or if they wanted to do something lower. Ms. Tseng affirmed that if the SFPUC increase was higher, then the District would need to issue a Prop. 218 notice showing the new calculations.

Ms. Tseng showed samples of water bill impacts. She indicated that during the first year, customers with lower usage tended to see the highest increase due to the increase in the fixed portion. Engineer Pakpour stated that what needs to be explained to these customers is that the District needs to improve the system so that when they open the faucet, or when the fire hydrant in front of their house is needed, or after an earthquake, there is water flowing, and no matter if the usage is 1 unit or 10 units, the pipe still needs to function.

Ms. Tseng displayed a survey of neighboring agencies showing single family residential

Seven of Twelve
Minutes of the Regular Meeting of the Board of Directors
Thursday, April 11, 2024

bimonthly water bills based on 10 CCF. She pointed out where the District currently stood vs. where the District will be standing after the increases and that most of the other agencies were currently working on also increasing their rates. Ms. Tseng also discussed another survey showing the average bimonthly water bills based on each agency's average water consumption.

Ms. Tseng concluded that this was a good time to ask any questions. President Chambers asked if the \$137,000 debt service was fully amortized; Ms. Tseng confirmed debt service is to be amortized.

Ms. Tseng then proceeded with presenting the current sewer rates and how the charges were based. She stated that for their projections, they had used a 10% increase by the North San Mateo County Sanitation District - Daly City, which is what they had increased for the last couple of years. Engineer Pakpour asked Attorney Conneran if the sewer increase could be treated the same way as the SFPUC's for the purposes of pass through. Ms. Tseng was under the assumption that only water increase could be passed through, but a resolution could have been passed changing that.

Ms. Tseng reviewed the District's flow, which was based on the January – February consumption. She stated the District had 3,813 sewer accounts billed thru the tax rolls and 18 multi-family accounts billed bi-monthly.

Ms. Tseng showed a chart with the District's revenue and expenses for the past five years. She stated that going forward, they are proposing that 30% of the property tax revenue be allocated to the sewer fund, and there might be other revenues, like interest, that will be allocated to the sewer fund.

Ms. Tseng reviewed the sewer reserves with a starting fund of \$2,347,102, and the proposal to lend \$800,000 to the water fund to be repaid in 8 years through 2031/32.

Ms. Tseng proceeded to talk about the sewer operating expenses and their escalation factor.

Ms. Tseng also reviewed the proposed sewer debt assumptions of \$0.5M per year. She stated that the total debt = \$2.5M over 5 years (2025/26 through 2029/30) and the first loan would be in year 2 (2025/26) with a \$55,000 annual payment at 7% for 15 years.

Ms. Tseng displayed the projected total sewer expenses and commented on them.

Ms. Tseng reviewed the Sewer Scenario 2 with proposed increases of: 10% for 2024/25,

Eight of Twelve
Minutes of the Regular Meeting of the Board of Directors
Thursday, April 11, 2024

as well as for the subsequent four years. President Chambers questioned the 8% that showed on the board packet for 2024/25. Ms. Tseng confirmed that 10% was the correct percentage.

Ms. Tseng displayed a chart with the proposed sewer rates for the next five years, showing a 10% increase for each year, except for the first year, which she stated should be 10% and not 8%. Ms. Tseng showed samples of water bill impacts.

Ms. Tseng displayed a survey of neighboring agencies showing single family residential bimonthly sewer bills based on 10 CCF. She pointed out where the District currently stood vs. where the District will be standing after the increases. Ms. Tseng also displayed a chart showing combined water and sewer bills for these agencies. President Chambers asked if the District should be consistent and also show a chart with average usage for all agencies for the Prop. 218 notice. Ms. Tseng replied that she did not think it was necessary, since the District did not bill the same way.

Ms. Tseng presented the next steps in the process:

<u>Date</u>	<u>Action</u>
May 2, 2024	Present final recommendations to Board; Board selects rate option and votes to proceed with Prop. 218 process.
May 23, 2024	Mail out Prop. 218 Notices (50 days prior to hearing).
July 12, 2024	Prop. 218 Hearing.
July 1, 2024	First rate increase goes into effect (Customers will see increase in September bills).

Ms. Tseng stated that the Board did not need to make any decisions tonight, but they would have to decide a rate option and vote to proceed with the Prop. 218 process by the next board meeting, so that the notices could be mailed out by May 23rd in time for the July 12th public hearing. Engineer Pakpour commented that today's agenda allowed the Board to make a decision tonight as the sooner it was done, would be better for staff.

President Chambers commented he was not ready to vote yet, as he would like to see the proposed increase from Daly City and also, that the numbers from San Francisco were approved. There was a brief discussion about Prop. 218. Attorney Conneran concluded that it would be best to wait until next month for approval and that the Board could provide general directions so that staff could start lining up everything.

Ms. Tseng mentioned that she wanted to clarify that in the sewer revenue pages, the increase was in fact 10%, but the increase the customers would see would only be 8%, so she

Nine of Twelve
Minutes of the Regular Meeting of the Board of Directors
Thursday, April 11, 2024

wanted to show how that was calculated.

President Chambers suggested a motion be made to approve the scenarios presented by L&T so that Ms. Tseng can start working on the Prop. 218 notice, subject to additional information from the SFPUC or the Sanitation District, and if additional information was received, she could incorporate it.

Director Bautista made the above stated motion, seconded by Director Medina.

The motion was carried unanimously.

Ms. Tseng confirmed that the mailing of the Prop. 218 notice would still need approval by the May 2nd board meeting.

C. LAFCo Special District Regular Member Election 2024: Submit Written Nominations for the Regular LAFCo Member and Authorization to Transmit the LAFCo Special District Member Ballot by Electronic Mail.

General Manager Mairena reviewed the email she had received on the LAFCo Special Districts Election. General Manager Mairena stated that just as in years past, there were two things being asked of the District: nominations and a signed Authorization to Transmit the LAFCo Special District Member Ballot by Electronic Mail. General Manager Mairena confirmed that this needed to be done no later than 5:00 pm on May 6, 2024, via mail, fax, or email.

Director Amuzie moved to Authorize President Chambers to Transmit the LAFCo Special District Member Ballot by Electronic Mail, seconded by Director Medina.

The motion was carried unanimously.

7. WRITTEN COMMUNICATIONS:

A. Letter to SFPUC Regarding the Westborough Water District's Concerns with the SFPUC FY 2024-25 Wholesale Water Fixed Charge Study.

General Manager Mairena explained to the Board that BAWSCA had requested this letter be sent by the water management representatives to the SFPUC, as they did not agree with the way San Francisco was allocating this type of increase among the agencies and also, it was not in alignment with the Water Supply Agreement.

President Chambers commented on the study done by San Francisco and the fact that they were already recovering their costs through the balancing account. President Chambers pointed out that the smaller meters were the most affected. General Manager Mairena stated that at the last Water Management Representatives meeting, BAWSCA had reported that San Francisco had been pretty receptive to the comments received, so hopefully, they would not move forward with the increases until they had a chance to re-assess everything.

8. ATTORNEY'S REPORT:

Attorney Conneran reported that he had found the statute that allows for a sewer pass through, and it would be a matter of how the Prop. 218 notice was written.

9. GENERAL MANAGER'S REPORT:

A. Engineer's Report (Pakpour).

Engineer Pakpour commented on the two projects that are currently on design. Engineer Pakpour mentioned that the Skyline Tank No. 3 project is 90% designed and the plan was to go out to bid on May 3rd and come back to the Board with a recommendation to award the project at the June 13th meeting.

Engineer Pakpour also commented on the small stretch of sewer pipe on Greendale Drive, which is 75% designed, but after talks with the City of Daly City, the urgency seems to have subsided due to mitigation steps they have taken on that sewer line. Engineer Pakpour mentioned that after talks with General Manager Mairena and Daly City, it was decided to put the project on hold until next year's approval of capital expenditures, and also package it with another larger project making it more cost effective when the project goes out to bid.

Engineer Pakpour described the work being done for the Skyline Tank No. 3 project, which included putting foundation around the tank, re-doing the roof making it seismically efficient, and re-painting the interior of the tank. He noted that the reason for the delay in going out to bid was that additional analysis needed to be done by the structural engineer, and fine tune the piling being used around the tank. Engineer Pakpour mentioned that there should be some savings with less piling being used, but the project was delayed.

President Chambers asked about a 5-year CIP plan and Skyline Tank No. 2. Engineer Pakpour replied that now that the Board had approved a \$2.5M plan, he would draft the 5-year CIP plan and present it to the Board at the next meeting. Engineer Pakpour mentioned that Skyline Tank No. 2 will be on design next year and will be built the following year. Engineer

Pakpour stated that he will work with General Manager Mairena and Staff to put together the 5-year CIP which will be presented to the Board in May.

B. Report on District's Water Conservation for March 2024.

General Manager Mairena displayed the comparison chart, and she reported that water consumption for March 2024 had gone down in comparison to last month's consumption, even after the January-February measurement period.

C. Update on Consideration of Request for Billing Adjustment from Customer G. Young – 169 Valleyview Way.

General Manager Mairena recalled to the Board that Customer Young had requested additional adjustment due to high usage, and the Board had denied it, but had approved for the balance to be amortized but due to non-payment, his service was shut off for at least a month. General Manager Mairena stated that the District had received a request to start new service from someone that appeared to be his spouse, so she had instructed staff to enforce the policy that only the homeowner could sign up for service after a delinquent tenant had left with an overdue balance. General Manager Mairena reported that Customer Young went ahead and signed the amortization for the approved amount, paid the remaining overdue balance, and his first monthly payment will be due on May 15, 2024.

D. Additional Item: Update on JPIA's Settlement for the Callan Boulevard Incident.

General Manager Mairena reported that she had received a phone call from JPIA earlier today, informing her that they will be settling the claim from OnSite the restoration of the street and for their losses. Attorney Conneran commented that it was a liability that we had and JPIA was paying for losses by a third party, which was a good chunk, and we will come back in May to the Board to talk about what to do with the remaining expenses, as the District is not covered for our losses, which included work done by SF Underground for repairs, materials, and staff time.

10. ITEMS FROM BOARD OF DIRECTORS:

A. Report on BAWSCA Meeting of March 21, 2024 (Chambers).

President Chambers reviewed his report on the BAWSCA meeting. President Chambers commented on the 2021-23 Drought Report and the proposed assessment increase of 3% or 5%.

Twelve of Twelve
Minutes of the Regular Meeting of the Board of Directors
Thursday, April 11, 2024

11. CLOSED SESSION: None

12. ADJOURNMENT:

Without objection, President Chambers adjourned the meeting.
Time 9:23 p.m.

Secretary

President

Date

Westborough Water District

Financial Statements
With Accountant's Compilation Report
March 31, 2024



Chavan & Associates, LLP
Certified Public Accountants
15105 Concord Circle, Suite 130
Morgan Hill, CA 95037

Westborough Water District

Table of Contents

Accountant’s Compilation Report.....	1 - 2
Financial Statements:	
Statement of Net Position	3 - 4
Statement of Activities.....	5
Selected Information - Substantially All Disclosures Required by Generally Accepted Accounting Principles are Not Included	6
Supplementary Information	
Schedule of Income and Expense - Budget to Actual	7 - 9



Accountant's Compilation Report

To the Board of Directors
Westborough Water District
City of South San Francisco, CA

Management is responsible for the accompanying financial statements of the business-type activities of the Westborough Water District, CA (the "District"), as of and for the nine months ended March 31, 2024, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information on pages 7 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. However, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

A statement of cash flows for the nine months ended March 31, 2024, has not been presented. Accounting principles generally accepted in the United States of America require that a statement of cash flows be presented when financial statements purport to present financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has omitted the management's discussion and analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.



Chavan and Associates, LLP
Certified Public Accountants

We are not independent with respect to the District as of and for the nine months ended March 31, 2024, because we performed certain accounting services that impaired our independence. We were engaged to compile monthly summary reports of the District's transactions instead of a full set of financial statements. As such, we are required by the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants to disclose that the accompanying financial statements exclude the minimum required disclosures and statement of cash flows. This does not impact the credibility and accuracy of the information included in the accompanying financial statements.

C & A LLP

April 28, 2024
Morgan Hill, California

Westborough Water District
Statement of Net Position
March 31, 2024

ASSETS

Current Assets:

Cash (Including \$3,628,337 in Time Deposits)	\$	4,241,689
Receivables		
Lease		28,116
Water		1,450,361
Other		127,876
Prepaid Expenses and Other		32,165
Inventory		233,238
Total Current Assets		6,113,445

Non-Current Assets:

Lease Receivable		239,900
Utility Plant in Service (Note 5):		
Land		182,633
Work in Progress		161,435
Water Facility		8,206,496
Building		1,503,835
Joint-Use Facilities		94,907
Meters		1,007,776
Office Furniture and Equipment		157,741
Maintenance Facility		478,623
Sewer Facility		3,408,400
Total Utility Plant in Service (Capital Assets)		15,201,846
Less Accumulated Depreciation		(7,145,967)
Utility Plant in Service-Net Depreciation Expense		8,055,879
Total Non-Current Assets		8,295,779
Total Assets	\$	14,409,224

DEFERRED OUTFLOWS

Deferred Pension Outflows	\$	539,882
Deferred OPEB Outflows		151,580
Total Deferred Outflows	\$	691,462

(continued)

See accompanying notes and accountant's compilation report

Westborough Water District
Statement of Net Position
March 31, 2024

LIABILITIES

Current Liabilities:

Accounts Payable (Note 2)	\$	700,920
Customers' Deposits		407,340
Unearned Revenue		15,662
Total Current Liabilities		1,123,922

Long-term Liabilities:

Accrued Vacation		134,049
Net Pension Liability		1,031,388
Net OPEB Obligation		207,611
Total Long-term Liabilities		1,373,048

Total Liabilities	\$	2,496,970
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DEFERRED INFLOWS

Deferred Lease Inflows	\$	233,853
Deferred Pension Inflows		105,232
Deferred OPEB Inflows		208,079

Total Deferred Inflows	\$	547,164
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NET POSITION

Net Investment in Capital Assets	\$	8,055,879
Restricted for Capital Facilities		347,103
Unrestricted:		
Reserved for Contingencies		278,273
Reserved for Capital Expenditures		1,916,100
Non-spendable Inventory and Prepaids		265,403
Unappropriated		1,193,794

Total Net Position	\$	12,056,552
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(concluded)

See accompanying notes and accountant's compilation report

Westborough Water District
Statement of Activities
For the Nine Months Ended March 31, 2024

Operating Revenue:	
Water Sales (Note 3)	\$ 3,110,332
Sewer Svc. and Transfer Charges	2,546,204
Misc. Operations	17,932
Capital Facility Income	36,437
Total Operating Revenue	5,710,905
Operating Expense:	
Water Expenditures	2,111,307
Sanitary Sewer Expenditures	2,401,456
Admin. and General Expenditures	902,077
Depreciation	256,037
Total Operating Expenses	5,670,877
Operating Income (Loss)	40,028
Non-operating Income (Expense):	
Property Taxes	565,321
Investment Interest	111,252
Other	6,475
Total Non-operating Income (Expense)	683,048
Change in Net Position	723,076
Net Position - Beginning	11,333,476
Net Position - Ending	\$ 12,056,552

See accompanying notes and accountant's compilation report

Westborough Water District
Selected Information - Substantially All Disclosures Required by
Generally Accepted Accounting Principles are Not Included
March 31, 2024

NOTE 1 - There was no Bad Debt expense during the month.

NOTE 2 - Accounts payable at March 31, 2024, includes \$570,077 of accrued treatment and disposal expense.

NOTE 3 - Estimated operating revenues are used in preparing the financial statements for the months of January, March, May, July, September and November because actual figures are not available until one and one-half months after the close of these months.

NOTE 4 - Accounts receivable are reported net an allowance for uncollectible accounts of \$(5,872) to account for uncollectible water receivables for the period.

NOTE 5 - Changes in utility plant in-service for the nine months ended March 31, 2024, were as follows:

Beginning Balance	\$	15,187,608
Engineering		-
Surveying		-
Contractors		-
Other Fixed Assets		14,238
Ending Balance	\$	<u>15,201,846</u>

Westborough Water District
Schedule of Income and Expense - Budget to Actual
For the Nine Months Ended March 31, 2024

	March	Year to Date	2023-24 Budget	Percentage to Date	Percentage Variance	\$ Variance YTD Plan
Operating Revenue:						
Water Sales (Note 3)	\$ 293,609	\$ 3,110,332	\$ 4,196,733	74.11%	-0.89%	\$ (37,218)
Sewer Svc. and Transfer Charges	254,159	2,546,204	3,284,888	77.51%	2.51%	82,538
Misc. Operations	1,798	17,932	19,200	93.40%	18.40%	3,532
Capital Facility Income	3,142	36,437	-	100.00%	100.00%	36,437
Total Operating Revenue	552,708	5,710,905	7,500,821	76.14%	1.14%	85,289
Operating Expense:						
Water Expenditures	198,830	2,111,307	2,892,667	72.99%	2.01%	58,193
Sanitary Sewer Expenditures	377,805	2,401,456	2,925,026	82.10%	-7.10%	(207,687)
Admin. and General Expenditures	90,909	902,077	1,302,458	69.26%	5.74%	74,767
Depreciation	28,413	256,037	365,000	70.15%	4.85%	17,713
Total Operating Expenses	695,957	5,670,877	7,485,151	75.76%	-0.76%	(57,014)
Operating Income (Loss)	(143,249)	40,028	15,670	255.44%	180.44%	28,275
Non-operating Income (Expense):						
Property Taxes	34,552	565,321	676,549	83.56%	8.56%	57,909
Investment Interest	13,818	111,252	90,107	123.47%	48.47%	43,672
Other	8	6,475	36,192	17.89%	-57.11%	(20,669)
Total Non-operating Income (Expense)	48,378	683,048	802,848	85.08%	10.08%	80,912
Net Income (Loss)	\$ (94,871)	\$ 723,076	\$ 818,518	88.34%	13.34%	\$ 109,187

Westborough Water District
Schedule of Income and Expense - Budget to Actual
For the Nine Months Ended March 31, 2024

	March	Year to Date	2023-24 Budget	Percentage to Date	Percentage Variance	\$ Variance YTD Plan
Water Expenditures:						
Salaries	\$ 35,155	\$ 332,061	\$ 440,370	75.41%	-0.41%	\$ (1,784)
Salaries Overtime	1,929	7,098	9,000	78.87%	-3.87%	(348)
Benefits	8,404	101,405	123,323	82.23%	-7.23%	(8,913)
OPEB	-	3,587	2,808	127.74%	-52.74%	(1,481)
Payroll Taxes	2,849	25,552	34,825	73.37%	1.63%	567
Technical Communications	833	7,120	11,260	63.23%	11.77%	1,325
Utilities	13,780	129,698	162,716	79.71%	-4.71%	(7,661)
Supplies and Small Tools	593	11,224	15,000	74.83%	0.17%	26
Maintenance of System	(3,913)	64,345	59,905	107.41%	-32.41%	(19,416)
Special Services	21,921	72,795	91,717	79.37%	-4.37%	(4,007)
Vehicle Expense	(9,886)	24,582	35,000	70.23%	4.77%	1,668
Water Purchases	127,165	1,331,840	1,906,743	69.85%	5.15%	98,217
Total Water Expenditures	198,830	2,111,307	2,892,667	72.99%	2.01%	58,193
Sanitary Sewer Expenditures:						
Treatment & Disposal	348,344	2,186,052	2,715,565	80.50%	-5.50%	(149,378)
Utilities	11,666	106,131	137,600	77.13%	-2.13%	(2,931)
Repair of Pipelines	-	-	5,000	0.00%	75.00%	3,750
Repair of Pumps	15,935	58,266	20,000	291.33%	-216.33%	(43,266)
Connection Fees	-	4,270	-	100.00%	-100.00%	(4,270)
Miscellaneous Sewer Expenses	1,860	46,737	46,861	99.74%	-24.73%	(11,591)
Total Sanitary Sewer Expenditures	377,805	2,401,456	2,925,026	82.10%	-7.10%	(207,686)

Westborough Water District
Schedule of Income and Expense - Budget to Actual
For the Nine Months Ended March 31, 2024

	March	Year to Date	2023-24 Budget	Percentage to Date	Percentage Variance	\$ Variance YTD Plan
Administrative and General Expenditures:						
Salaries	41,715	401,301	532,572	75.35%	-0.35%	(1,872)
Salaries-Temporary	-	749	2,000	37.45%	37.55%	751
Salaries-Overtime	-	-	1,500	0.00%	75.00%	1,125
Employee Benefits	13,072	153,462	207,101	74.10%	0.90%	1,864
OPEB	-	5,381	4,689	114.76%	-39.75%	(1,864)
Office Supplies and Postage	1,101	8,328	14,151	58.85%	16.15%	2,285
Memberships	280	39,630	48,129	82.34%	-7.34%	(3,533)
Utilities	117	725	1,559	46.50%	28.48%	444
Telephone	383	3,297	4,534	72.72%	2.29%	104
Payroll Taxes	3,256	24,341	42,770	56.91%	18.09%	7,737
Water Conservation	-	1,284	10,000	12.84%	62.16%	6,216
Building & Grounds Maintenance	887	6,975	14,180	49.19%	25.81%	3,660
Parking Rentals	450	4,050	5,760	70.31%	4.69%	270
Directors Fees	700	5,900	11,300	52.21%	22.79%	2,575
Engineering Services	1,181	12,290	55,000	22.35%	52.65%	28,959
Accounting	1,250	22,353	37,960	58.89%	16.11%	6,117
Legal	1,590	14,033	25,400	55.25%	19.75%	5,017
Billing	4,288	43,954	55,347	79.42%	-4.42%	(2,444)
Communications	465	7,960	28,633	27.80%	47.20%	13,515
Insurance	7,699	60,546	78,777	76.86%	-1.86%	(1,463)
Bad Debts (Note 1)	-	-	2,000	0.00%	75.00%	1,500
Travel	840	4,588	13,626	33.67%	41.33%	5,632
Miscellaneous	11,635	80,930	105,470	76.73%	-1.73%	(1,828)
Total Admin. and General Expenditures	90,909	902,077	1,302,458	69.26%	5.74%	74,767
Depreciation Expense	28,413	256,037	365,000	70.15%	4.85%	17,713
Total Expenses	\$ 695,957	\$ 5,670,877	\$ 7,485,151	75.76%	-0.76%	\$ (57,013)

RESOLUTION NO. 675

ADOPTING FINANCIAL ALLOCATION POLICIES

WESTBOROUGH WATER DISTRICT

WHEREAS, the Westborough Water District provides both water distribution and sewer collection service and incurs costs and obtains revenues from both enterprises; and

WHEREAS, the District has engaged an accounting firm to conduct a comprehensive water and sewer rate study to determine its costs of service and recommend future utility rates to ensure the financial health and stability of the District's operations; and

WHEREAS, the water and sewer rate consultant conducted an in-depth look at the District's costs and revenues to determine the proper allocation of those amounts prior recommending changes to the District's rates; and

WHEREAS, the District wishes to adopt policies to implement the financial allocations recommended by the consultant.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Westborough Water District that the following cost and revenue allocation policies are hereby adopted:

- 1/3 of the General Manager's salary and benefits will be allocated to the sewer fund, the remainder to water.
- Unless designated 100% to water, G&A expenses will be split 70% to water and 30% to sewer.
- Revenues from the Misc. Operations (42345) and Taxes & Assessments (49300) funds will be split 70% to water and 30% to sewer. All other revenues will be allocated 100% to water.

Passed and adopted this 2nd day of May, 2024, by the following vote of the Board.

AYES:

NOES:

ABSENT:

President, Board of Directors
Westborough Water District

ATTEST:

Secretary of the Board

**Table 4: Allocation of General & Administrative (G&A) Expenses
Westborough Water District
Water and Sewer Rate Study 2024**

	PROJECTED				
	2024/25	2025/26	2026/27	2027/28	2028/29
TOTAL G&A EXPENSES					
Salaries & Benefits	\$841,100	\$891,100	\$944,100	\$999,100	\$1,058,100
Engineering Svcs. (56830)	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
Billing (56850)	\$56,000	\$57,000	\$58,000	\$59,000	\$60,000
Insurance (56870)	\$81,000	\$83,000	\$85,000	\$88,000	\$91,000
Miscellaneous (56890)	\$52,000	\$53,000	\$54,000	\$55,000	\$57,000
Banking and Cr.Card Fees (56875)	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
<u>Other Expenses</u>	<u>\$229,200</u>	<u>\$235,200</u>	<u>\$241,200</u>	<u>\$247,200</u>	<u>\$254,200</u>
Total G&A Operating Expenses	\$1,373,300	\$1,437,300	\$1,504,300	\$1,574,300	\$1,650,300
<i>Annual % Change</i>	5.4%	4.7%	4.7%	4.7%	4.8%
WATER G&A EXPENSES					
Salaries & Benefits	\$715,100	\$757,100	\$802,100	\$849,100	\$900,100
Engineering Svcs. (56830)	\$40,000	\$41,000	\$42,000	\$43,000	\$44,000
Billing (56850)	\$47,000	\$48,000	\$49,000	\$50,000	\$51,000
Insurance (56870)	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
Miscellaneous (56890)	\$38,000	\$39,000	\$40,000	\$41,000	\$42,000
Banking and Cr.Card Fees (56875)	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
<u>Other Expenses</u>	<u>\$187,200</u>	<u>\$190,200</u>	<u>\$194,200</u>	<u>\$198,200</u>	<u>\$202,200</u>
Total Water G&A Expenses	\$1,141,300	\$1,193,300	\$1,249,300	\$1,307,300	\$1,369,300
<i>Annual % Change</i>	4.8%	4.6%	4.7%	4.6%	4.7%
SEWER G&A EXPENSES					
Salaries & Benefits	\$130,000	\$138,000	\$146,000	\$155,000	\$165,000
Engineering Svcs. (56830)	\$17,000	\$18,000	\$19,000	\$20,000	\$21,000
Billing (56850)	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Insurance (56870)	\$24,000	\$25,000	\$26,000	\$27,000	\$28,000
Miscellaneous (56890)	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Banking and Cr.Card Fees (56875)	\$0	\$0	\$0	\$0	\$0
<u>Other Expenses</u>	<u>\$36,000</u>	<u>\$36,000</u>	<u>\$36,000</u>	<u>\$36,000</u>	<u>\$36,000</u>
Total Sewer G&A Expenses	\$230,000	\$240,000	\$250,000	\$261,000	\$273,000
<i>Annual % Change</i>	7.9%	4.3%	4.2%	4.4%	4.6%

RESOLUTION NO. 676

RESCINDING RESOLUTION 355 AND ADOPTING A NEW RESERVE FUND POLICY

WESTBOROUGH WATER DISTRICT

WHEREAS, the Westborough Water District maintains several reserve funds to ensure that sufficient financial resources are available to satisfy the District's operating, maintenance, and capital obligations; and

WHEREAS, a Reserve Fund Policy has been developed to demonstrate the District's commitment to fiscal responsibility and prudent financial planning; and

WHEREAS, the District's prior Reserve Fund Policy, contained in Resolution 355, adopted in 1979 is outdated and needs to be replaced; and

WHEREAS, the Reserve Fund Policy incorporates the best practices for public agency reserve fund policies.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Westborough Water District that Resolution 355 is hereby rescinded and the Reserve Fund Policy attached to this resolution is hereby adopted.

Passed and adopted this 2nd day of May, 2024, by the following vote of the Board.

AYES:

NOES:

ABSENT:

President, Board of Directors
Westborough Water District

ATTEST:

Secretary of the Board

WESTBOROUGH WATER DISTRICT

RESERVE FUNDS POLICY

A. PURPOSE

Prudent financial planning and fiscal responsibility includes anticipating and preparing for future funding requirements as well as unforeseen and unexpected emergencies, disasters, and other events. The Westborough Water District (District) has established reserve funds for its long term organizational and operational stability, and the reserve funds enable the District to minimize significant rate fluctuations due to unforeseen and unexpected cash flow requirements. This Reserve Fund Policy is to ensure that the District accumulates, manages, maintains, and uses certain financial resources only for specified purposes.

B. SPECIFIC RESERVE FUNDS

The District maintains the following reserve funds for each enterprise operating budget:

1. Emergency Reserve. The Emergency Reserve is to be used only to cover cash flow shortages caused by an unexpected event, such as a natural disaster, water shortage situation, or other unforeseen expense. It is the goal of the District to maintain the Emergency Reserve in excess of 15% of the annual operating budget.
2. Capital Reserve. The Capital Reserve is a designated reserve to be used only for unforeseen capital projects that are necessary to meet regulatory requirements, system reliability, and future needs. It is the goal of the District to maintain the Capital Reserve in excess of 50% of the annual depreciation.
3. Operating Reserve. The Operating Reserve is a designated reserve to be used only to cover cash flow shortages caused by a short-term, unexpected disruption of anticipated revenue or when expenses become due before the anticipated revenue to pay those expenses is received. It is the goal of the District to maintain the Operating Reserve in excess of 25% of the annual operating budget.

C. MANAGEMENT OF RESERVE FUNDS

Emergency Reserve

The purpose of the Emergency Reserve is to provide funding for unplanned capital replacement. In the event funds are required to be withdrawn from the Emergency Reserve, the General Manager will notify the President, or, if the President is not available, the Vice President. In the event both the President and Vice President cannot

be contacted by the General Manager, the General Manager will seek to notify another Board member before withdrawing and using the necessary funds. The General Manager will then seek ratification of the expenditure at the next regularly scheduled Board Meeting or Special Board Meeting. Expenditures to be funded by the Emergency Reserve include, but are not limited to, unexpected and unplanned replacement of a broken tank or repairs to water lines.

Capital Reserve

The purpose of the Capital Reserve is to provide funding for the District's capital needs and is an integral part of the District's multi-year Capital Improvement Program. Funds from Capital Reserves can only be spent on Board-approved projects.

Operating Reserve

The purpose of the Operating Reserve is to provide funding for the cash flow requirements of District operations. In the event funds are required to be withdrawn from the Operating Reserve, the General Manager will notify the President, or, if the President is not available, the Vice President. In the event both the President and the Vice President cannot be contacted by the General Manager, the General Manager will seek to notify another Board member prior to withdrawing and using the necessary funds. The General Manager will then seek ratification of the expenditure at the next regularly scheduled Board Meeting or Special Board Meeting. The Operating Reserve is intended to cover expenditures to address unanticipated and generally temporary gaps in the operating budget created by such circumstances as, but not limited to, cash flow requirements or short-term income loss or revenue shortage.



WESTBOROUGH WATER DISTRICT

Water and Sewer Rate Study

DRAFT REPORT
April 30, 2024



LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

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TABLE OF CONTENTS

Section 1: INTRODUCTION	1
1.1 Background	1
1.2 Requirements of Proposition 218	1
1.3 Rate Study Process	3
Section 2: COMBINED FUND RESERVES AND BUDGET	5
2.1 Combined Budget	5
2.2 Total Reserves	6
2.3 General & Administrative (G&A) Budget	8
2.4 Allocation of G&A Revenues & Expenses	10
Section 3: WATER RATE STUDY	12
3.1 Current Water Rates	12
3.2 Water System Overview	13
3.3 Water Financial Plan	15
3.4 Water Cost Allocation	29
3.5 Water Rate Design Considerations	31
3.6 Water Rate Design	33
3.7 Drought Rates	40
Section 4: SEWER RATE STUDY	44
4.1 Current Sewer Rates	44
4.2 Wastewater System Overview	45
4.3 Wastewater Financial Plan	47
4.4 Sewer Rate Calculation	60

LIST OF TABLES

Table 1: Total Budget - Net Income (Includes Capital)	6
Table 2: Total Fund Reserves	7
Table 3: Projected General & Administrative (G&A) Expenses	9
Table 4: Allocation of General & Administrative (G&A) Expenses	11
Table 5: Historic and Current Bimonthly Water Rates.....	13
Table 6: Number of Water Accounts by Meter Size and Customer Class for May/June 2023	14
Table 7: History of Water Consumption	14
Table 8: History of Water Revenues & Expenses.....	16
Table 9: Water Fund Reserves	17
Table 10: Total Estimated Water Sales Revenues.....	18
Table 11: SFPUC Water Purchases	19
Table 12: Projected Water Operating Expenses	21
Table 13: SFPUC Water Purchases	22
Table 14: Water Debt Scenarios	23
Table 15: Water Cash Flow Projection.....	27
Table 16: Water Cost Allocation	30
Table 17: Current & Proposed Meter Equivalents.....	32
Table 18: Annual Revenue Requirement Allocation	33
Table 19: Water Fixed Charge Derivation	34
Table 20: Water Charge Derivation	35
Table 21: Proposed Bimonthly Water Rates.....	36
Table 22: Sample Bimonthly Water Bill Impacts.....	37
Table 23: Drought Cost Allocation - Base & Extra Expenses Only	41
Table 24: Water Charge Derivation -- Drought Rates	42
Table 25: Proposed Drought Surcharges	43
Table 26: History of Sewer Rates	45
Table 27: Annual Sewer Flow.....	46
Table 28: History of Sewer Revenues & Expenses.....	48
Table 29: Sewer Fund Reserves	49
Table 30: Total Estimated Sewer Charge Revenues.....	50
Table 31: Sewer Treatment Costs	51
Table 32: Projected Sewer Operating Expenses	53
Table 33: G&A Expenses Allocated to Sewer.....	54
Table 34: Sewer Debt Estimates	55
Table 35: Sewer Cash Flow Projection.....	58
Table 36: Sewer Rate Calculation	60
Table 37: Proposed Bimonthly Sewer Rates.....	61
Table 38: Sample Bimonthly Sewer Bills.....	61

LIST OF FIGURES

Figure 1: Comprehensive Cost of Service Study Process	3
Figure 2: Annual Water Consumption	15
Figure 3: Historical SFPUC Wholesale Water Rates	20
Figure 4: Projected Total Water Expenses.....	24
Figure 5: Single Family Residential Bimonthly Water Bill Survey (10 ccf water use).....	38
Figure 6: Single Family Residential Bimonthly Water Bill Survey	39
Figure 7: History of NSMCSD Treatment Processing Rates.....	52
Figure 8: Projected Total Sewer Expenses	56
Figure 9: Regional Sewer Bill Survey	62

SECTION 1: INTRODUCTION

1.1 Background

Westborough Water District (WWD or District) is located approximately 15 miles south of San Francisco in San Mateo County. WWD serves a population of about 15,000 in the Westborough neighborhood of the City of South San Francisco. The District's service area covers about 1 square mile.

WWD purchases all of its water from the San Francisco Public Utilities Commission (SFPUC) and has an agreement with the North San Mateo County Sanitation District (NSMCSD) for wastewater treatment and sewer system maintenance. WWD is also a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), which represents the collective interests of 26 regional water purveyors receiving water supply from the SFPUC.

The District bills for water service bimonthly such that each bill is for two months of water service. The District bills for sewer service annually on the property tax roll for most customers, with the exception of a small number of multi-family residential customers who are billed for sewer service bimonthly concurrently with their bills for water service.

The District has never conducted a comprehensive cost of service study. Previous rate increases have primarily been designed to cover increases from the SFPUC and NSMCSD. The last water rate increase was a 5.3% increase to the Water Charge only and the last sewer rate increase was a 7.3% increase. Both increases went into effect July 1, 2023.

In 2023, the District engaged Lechowicz & Tseng Municipal Consultants to complete a comprehensive water and wastewater (sewer) rate study to recommend utility rates to ensure the financial health and stability of the District's water and sewer funds. This study recommends water and sewer rates for the five-year period beginning in 2024/25 through 2028/29.

1.2 Requirements of Proposition 218

The implementation of utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the "Right to Vote on Taxes Act" which is codified as Articles XIII C and XIII D of the California Constitution. The District must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – The District must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fee, the basis upon which it was calculated, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing** – The District must hold a public hearing prior to adopting the proposed rate

increases. The public hearing must be held not less than 45 days after the required notices are mailed.

3. **Rate Increases Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to water and sewer rates and charges, including:

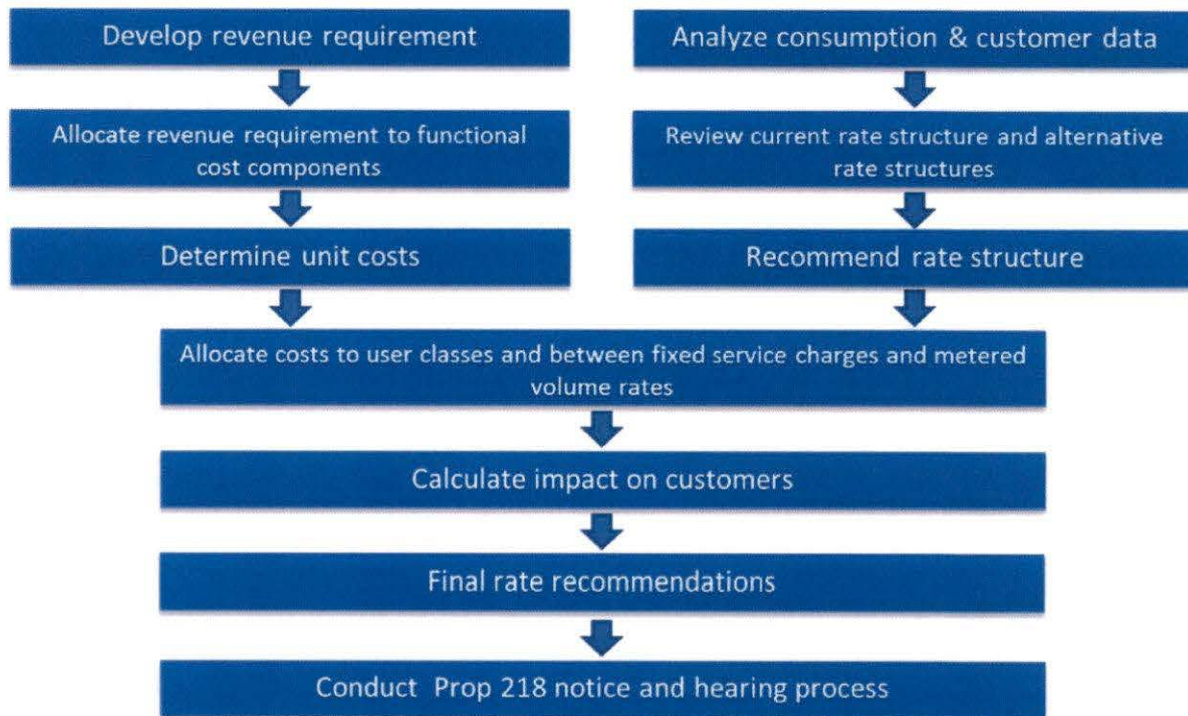
1. **Cost of Service** – Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
2. **Intended Purpose** – Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** – The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** – No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for water and sewer collection are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218.

1.3 Rate Study Process

This section details the development of the District's water and sewer rates via the Proposition 218 process as shown in the following figure.

Figure 1: Comprehensive Cost of Service Study Process



The following is a brief description of the rate study process:

- **Revenue Requirements** - Revenue requirements are analyzed via financial plans developed from the Water and Sewer Fund budgets. Based on the best information currently available, the financial plans incorporate projected operation and maintenance costs, debt service, and growth to estimate annual revenue requirements. The plans serve as a roadmap for funding the District's future operating expenses while maintaining long-term fiscal stability.
- **Cost of Service Allocation** - The cost of service process builds on the financial plan analysis and assigns water and sewer system costs to functional cost components: *metering and customer service, base, and extra* for water, and *customer service, capital, and treatment/disposal* for sewer.

- **Rate Design** - Rate design involves developing a rate structure that proportionately recovers costs from customers. Final rate recommendations are designed to (a) fund the utilities' short- and long-term costs of providing service; (b) proportionately allocate costs to all customers and customer classes; and (c) comply with the substantive requirements of Proposition 218.

The rates developed in this report were based on the best information available at the time of the study. This information was taken from District budgets, audits, billing information, water consumption data, and input from staff. The cost allocations proposed herein are based on American Water Works Association methodologies and industry standard practice. The proposed rates are based on the reasonable cost of providing service and are proportional to the benefits received by each customer.

SECTION 2: COMBINED FUND RESERVES AND BUDGET

The District's budget is divided into three functions: 1) the Water Fund, 2) Sewer Fund, and 3) General & Administrative (G&A). Water expenses include water purchases, field workers' salaries, utilities, and other maintenance costs for the water system. Sewer expenses primarily include treatment costs, utilities, and any other miscellaneous costs related to the sewer system. G&A expenses include costs for office administration, billing, salaries for the General Manager and office staff, and other miscellaneous administrative costs.

The majority of the G&A revenues and expenses have historically been allocated to the Water Fund. To comply with Proposition 218, a key objective of this rate study is to determine each fund's cost of service by allocating the combined reserves and the G&A expenses to each fund.

2.1 Combined Budget

As a whole, the District has remained in good financial standing with positive net income. The District has adopted annual rate increases when needed to cover operating cost inflation and to pay for increases in wholesale water and sewer treatment costs. As shown on Table 1, with the exception of 2020/21, the District's revenues have been fully covering its cost for the past few years.

Table 1: Total Budget - Net Income (Includes Capital)
Westborough Water District
Water and Sewer Rate Study 2024

	2019-2020 Actual	2020-2021 Actual	2021-2022 Actual	2022-2023 TY Projected	2023-2024 Budget
REVENUES					
Operating Revenues					
Water Sales (41100)	\$3,062,111	\$2,967,506	\$3,620,708	\$4,035,672	\$4,196,733
Sewer Service Fees (42351)	\$2,977,362	\$2,971,700	\$3,099,878	\$3,278,833	\$3,284,888
Misc. Operations (42345)	\$18,050	\$4,227	\$12,960	\$23,977	\$19,200
Total Operating Revenues	\$6,057,523	\$5,943,433	\$6,733,546	\$7,338,483	\$7,500,821
Non Operating Revenues	\$893,164	\$621,464	\$733,387	\$922,173	\$802,848
TOTAL REVENUES	\$6,950,687	\$6,564,897	\$7,466,933	\$8,260,656	\$8,303,669
EXPENSES					
Operating Expenses					
Water Operating Expenses	\$2,690,649	\$2,548,555	\$2,556,354	\$2,712,875	\$2,892,667
Sewer Operating Expenses	\$2,418,991	\$2,474,171	\$2,622,245	\$2,661,597	\$2,925,026
G & A Expenses	\$1,208,044	\$1,448,546	\$1,037,058	\$1,192,560	\$1,302,458
Total Operating Expenses	\$6,317,684	\$6,471,272	\$6,215,657	\$6,567,032	\$7,120,151
Capital Projects [1]	\$328,899	\$728,883	\$508,066	\$200,000	\$488,000
TOTAL EXPENSES	\$6,646,583	\$7,200,155	\$6,723,723	\$6,767,032	\$7,608,151
NET INCOME	\$304,104	(\$635,258)	\$743,210	\$1,493,624	\$695,518

1 - 2023/24 budget includes \$1.3M in capital projects. Based on actuals as of April 2024, total CIP expenses for 2023/24 are estimated at \$488,000.

2.2 Total Reserves

For accounting purposes, the District combines water and sewer finances into one fund. As of July 1, 2023, total reserves are approximately \$3.3 million. The Water Fund's cash position has declined in recent years as a result of multiple years of drought and reduced water sales. The Water Fund's current cash balance is approximately \$206,000 (per the 2022/23 Annual Financial Report). To help mitigate water rate increases, it is proposed that the Sewer Fund loan the Water Fund \$800,000. This interfund loan will be repaid over 8 years at \$100,000 per year beginning in 2024/25 through 2031/32. Table 2 shows the beginning reserve balances as of July 1, 2023 for both the Water and Sewer Funds.

**Table 2: Total Fund Reserves
Westborough Water District
Water and Sewer Rate Study 2024**

	Total Reserves	Water Fund [1]	Sewer Fund
2023/24 Budget		<i>Proposed</i>	<i>Proposed</i>
Current Reserves	\$3,347,102	\$1,000,000	\$2,347,102
<i>Percent of Total</i>	100.0%	29.9%	70.1%

1 - Estimated beginning cash balance is \$206,000 per the 2022/23 Annual Financial Report. Includes \$800,000 loan from the Sewer Fund to be repaid over 8 years.

2.3 General & Administrative (G&A) Budget

Table 3 includes a projection of G&A expenses over the next five years through 2028/29. Salaries and benefits are estimated to increase by 6.0% each year. Utilities are escalated by 10.0% per year. Most other expenses are escalated by 3.0% each year. Overall, based on the escalation factors shown, total G&A expenses are projected to increase by approximately 5.0% each year.

**Table 3: Projected General & Administrative (G&A) Expenses
Westborough Water District
Water and Sewer Rate Study 2024**

	Budget 2023/24	Escalation Factor	PROJECTED				
			2024/25	2025/26	2026/27	2027/28	2028/29
Salaries (56110) [1]	\$266,684	6.0%	\$283,000	\$300,000	\$318,000	\$337,000	\$357,000
General Manager's Salary	\$265,888	6.0%	\$282,000	\$299,000	\$317,000	\$336,000	\$356,000
Salaries Temp (56112)	\$2,000	6.0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Salaries OT (56113)	\$1,500	6.0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Employee Benefits (56400) [1]	\$58,452	6.0%	\$62,000	\$66,000	\$70,000	\$74,000	\$78,000
Medical - General Manager	\$30,733	6.0%	\$33,000	\$35,000	\$37,000	\$39,000	\$41,000
Delta Dental - General Manager	\$24,088	6.0%	\$26,000	\$28,000	\$30,000	\$32,000	\$34,000
Vision - General Manager	\$2,736	6.0%	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Employee Life Insurance - General Manager	\$696	6.0%	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
OPEB - Prefunding (56450) [1]	\$3,126	6.0%	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
General Manager's Share	\$1,563	6.0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
CalPERS (56115) [1]	\$59,625	6.0%	\$63,000	\$67,000	\$71,000	\$75,000	\$80,000
General Manager's Retirement	\$30,771	6.0%	\$33,000	\$35,000	\$37,000	\$39,000	\$41,000
Payroll Taxes (56410) [1]	\$22,318	6.0%	\$24,000	\$25,000	\$27,000	\$29,000	\$31,000
FICA @ 7.65%	\$20,340	6.0%	\$22,000	\$23,000	\$24,000	\$25,000	\$27,000
SUI / \$7,000 cap @ 1.6% x 3 employees	\$112	6.0%	\$100	\$100	\$100	\$100	\$100
Office Supplies & Postage (56210)	\$14,151	3.0%	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Memberships (56230)	\$1,620	3.0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
BAWSCA Assessment	\$27,985	9.0%	\$31,000	\$34,000	\$37,000	\$40,000	\$44,000
A.C.W.A.	\$18,524	5.0%	\$19,000	\$20,000	\$21,000	\$22,000	\$23,000
Travel & Education (56250)	\$3,000	3.0%	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
ACWA Spring and Fall Conferences - Registration	\$3,586	3.0%	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
ACWA Spring and Fall Conferences - Housing	\$7,040	3.0%	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Utilities (56280)	\$1,559	10.0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Telephone (56290)	\$4,534	3.0%	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
GASB75 Contra Exp.(Income)(56470)	\$0	3.0%	\$0	\$0	\$0	\$0	\$0
Water Conservation (56500)	\$10,000	3.0%	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Bldg. & Grounds Maint (56700)	\$11,687	3.0%	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Porta-Potty - Skyline Tank Site	\$1,993	3.0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Skyline Tank Site Gate Maint.	\$500	3.0%	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Parking Rental Fees (56750)	\$5,760	3.0%	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Directors Fees (56810)	\$9,600	3.0%	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
ACWA Spring	\$500	3.0%	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
ACWA Fall	\$500	3.0%	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Region 5 mtg	\$500	3.0%	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Suburban Tour	\$200	3.0%	\$200	\$200	\$200	\$200	\$200
Engineering Svs. (56830)	\$55,000	3.0%	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
Accounting Svs (56840)	\$7,500	3.0%	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Accountant	\$15,000	3.0%	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Auditor	\$15,460	3.0%	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000
Legal Svs. (56841)	\$20,000	3.0%	\$21,000	\$22,000	\$23,000	\$24,000	\$25,000
Retainer	\$5,400	3.0%	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Billing (56850)	\$24,604	3.0%	\$25,000	\$26,000	\$27,000	\$28,000	\$29,000
Billing Forms and Envelopes	\$9,000	3.0%	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Postage for Bills	\$14,339	3.0%	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Stuffing and Mailing Bills (6 x \$630)	\$3,780	3.0%	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Reminder Notices and Envelopes	\$2,200	3.0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Postage for Reminders	\$1,424	3.0%	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Communications (56860)	\$25,592	3.0%	\$26,000	\$27,000	\$28,000	\$29,000	\$30,000
Water Quality Report	\$1,296	3.0%	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Water Quality Report Postage	\$1,745	3.0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
General Election (56865)	\$0	3.0%	\$0	\$0	\$0	\$0	\$0
Insurance (56870)	\$78,777	3.0%	\$81,000	\$83,000	\$85,000	\$88,000	\$91,000
Bad Debts (56880)	\$2,000	3.0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Miscellaneous (56890)	\$45,200	3.0%	\$47,000	\$48,000	\$49,000	\$50,000	\$52,000
Property Tax	\$2,370	3.0%	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
LAFCO Assessment - Water	\$2,900	3.0%	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Banking and Cr.Card Fees (56875)	\$55,000	3.0%	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
GASB 87 Adjustments (Net)	\$0	3.0%	\$0	\$0	\$0	\$0	\$0
Total G&A Operating Expenses	\$1,302,458		\$1,373,300	\$1,437,300	\$1,504,300	\$1,574,300	\$1,650,300
<i>Annual % Change</i>			5.4%	4.7%	4.7%	4.7%	4.8%

2.4 Allocation of G&A Revenues & Expenses

The G&A budget has traditionally been allocated solely to the Water Fund. However, a portion of these expenses are for sewer and therefore should be assigned to the Sewer Fund. After a thorough review of the G&A budget with District staff, this study proposes the following allocations beginning in 2024/25:

- In total, approximately 83.0% of total G&A expenses are assigned to the Water Fund and 17.0% are allocated to the Sewer Fund.
- The General Manager's salary and benefits are allocated 66.7% to the Water Fund and 33.3% to the Sewer Fund.
- Unless the expense is 100% allocated to the Water Fund, the split for all other G&A expenses is 70.0% to the Water Fund and 30.0% to the Sewer Fund.
- For G&A revenues, 30% of *Misc. Operations (42345)* and *Taxes & Assessments (49300)* are allocated to the Sewer Fund. All other G&A revenues are assigned 100.0% to the Water Fund.

Table 4 shows a breakdown of the G&A expenses between the Water Fund and Sewer Fund. A detailed list of each G&A expense is included in the Appendix.

**Table 4: Allocation of General & Administrative (G&A) Expenses
Westborough Water District
Water and Sewer Rate Study 2024**

	PROJECTED				
	2024/25	2025/26	2026/27	2027/28	2028/29
TOTAL G&A EXPENSES					
Salaries & Benefits	\$841,100	\$891,100	\$944,100	\$999,100	\$1,058,100
Engineering Svcs. (56830)	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
Billing (56850)	\$56,000	\$57,000	\$58,000	\$59,000	\$60,000
Insurance (56870)	\$81,000	\$83,000	\$85,000	\$88,000	\$91,000
Miscellaneous (56890)	\$52,000	\$53,000	\$54,000	\$55,000	\$57,000
Banking and Cr.Card Fees (56875)	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
<u>Other Expenses</u>	<u>\$229,200</u>	<u>\$235,200</u>	<u>\$241,200</u>	<u>\$247,200</u>	<u>\$254,200</u>
Total G&A Operating Expenses	\$1,373,300	\$1,437,300	\$1,504,300	\$1,574,300	\$1,650,300
<i>Annual % Change</i>	5.4%	4.7%	4.7%	4.7%	4.8%
WATER G&A EXPENSES					
Salaries & Benefits	\$715,100	\$757,100	\$802,100	\$849,100	\$900,100
Engineering Svcs. (56830)	\$40,000	\$41,000	\$42,000	\$43,000	\$44,000
Billing (56850)	\$47,000	\$48,000	\$49,000	\$50,000	\$51,000
Insurance (56870)	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
Miscellaneous (56890)	\$38,000	\$39,000	\$40,000	\$41,000	\$42,000
Banking and Cr.Card Fees (56875)	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
<u>Other Expenses</u>	<u>\$187,200</u>	<u>\$190,200</u>	<u>\$194,200</u>	<u>\$198,200</u>	<u>\$202,200</u>
Total Water G&A Expenses	\$1,141,300	\$1,193,300	\$1,249,300	\$1,307,300	\$1,369,300
<i>Annual % Change</i>	4.8%	4.6%	4.7%	4.6%	4.7%
SEWER G&A EXPENSES					
Salaries & Benefits	\$130,000	\$138,000	\$146,000	\$155,000	\$165,000
Engineering Svcs. (56830)	\$17,000	\$18,000	\$19,000	\$20,000	\$21,000
Billing (56850)	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Insurance (56870)	\$24,000	\$25,000	\$26,000	\$27,000	\$28,000
Miscellaneous (56890)	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Banking and Cr.Card Fees (56875)	\$0	\$0	\$0	\$0	\$0
<u>Other Expenses</u>	<u>\$36,000</u>	<u>\$36,000</u>	<u>\$36,000</u>	<u>\$36,000</u>	<u>\$36,000</u>
Total Sewer G&A Expenses	\$230,000	\$240,000	\$250,000	\$261,000	\$273,000
<i>Annual % Change</i>	7.9%	4.3%	4.2%	4.4%	4.6%

SECTION 3: WATER RATE STUDY

Westborough Water District provides water service to approximately 4,000 accounts. On average, the District consumes over 320,000 ccf (hundred cubic feet) of water each year. Based on District billing records, the current average monthly residential water use is 5 ccf per month, or a total of 10 ccf per bimonthly billing period. The average water bill is currently \$134.40 per bimonthly billing period.

3.1 Current Water Rates

Schedules of bimonthly water rates over the past three years are provided in Table 5. The District's current water rate structure includes two components: (a) a Meter Service Charge and (b) a Water Charge. Over the past three years, the Meter Service Charge has remained the same while the Water Charge has been increased annually as shown in Table 5.

3.1.1 Meter Service Charge

All customers are charged a base service charge based on the size of their water meter. The Meter Service Charge is levied regardless of water consumption and recognizes that even when a customer does not use any water, the District incurs fixed costs associated with maintaining the ability or readiness to serve each connection.

The Meter Service Charges are designed to recover the District's fixed expenses and currently generate about 30% of total water rate revenues. Fixed costs include staffing, customer service, system maintenance, and repairs.

3.1.2 Water Charge

In addition to the Meter Service Charges, all customers pay a Water Charge per ccf of water consumption per billing period. One ccf is equal to 748 gallons of water. The charges for water usage are based on a uniform rate where the price per unit of water is the same regardless of total water consumption.

The Water Charge is intended to recover costs that vary based on the amount of water consumed and currently generates roughly 70% of total water rate revenues. Variable expenses include water purchases, utilities, and chemicals.

**Table 5: Historic and Current Bimonthly Water Rates
Westborough Water District
Water and Sewer Rate Study 2024**

	2021/22 [1]	2022/23 [2]	2023/24 [3]
METER SERVICE CHARGE			
<u>Meter Size</u>			
5/8"	\$44.00	\$44.00	\$44.00
3/4"	\$58.41	\$58.41	\$58.41
1"	\$76.01	\$76.01	\$76.01
1-1/2"	\$137.61	\$137.61	\$137.61
2"	\$183.81	\$183.81	\$183.81
3"	\$322.41	\$322.41	\$322.41
4"	\$692.01	\$692.01	\$692.01
6"	\$1,033.89	\$1,033.89	\$1,033.89
8"	\$1,526.14	\$1,526.14	\$1,526.14
WATER CHARGE			
All usage per ccf	\$7.28	\$8.58	\$9.04
<i>% Change</i>		17.9%	5.4%

1 - Effective July 1, 2021

2 - Effective July 1, 2022

3 - Effective July 1, 2023

3.2 Water System Overview

3.2.1 Water System

The District obtains all of its water from the San Francisco Public Utilities Commission (SFPUC) through one service connection to the SFPUC system. Approximately 80% of the SFPUC's water supply is from the Hetch Hetchy Reservoir in Yosemite National Park, with the Alameda and Peninsula Watersheds supplying the remainder. The District owns and operates a water distribution system which includes 3 pressure zones, 2 water pump stations, 3 steel water storage tanks, 5 pressure regulating valves, and 24 miles of water mains.

3.2.2 Water Customers

The District provides water service to approximately 4,000 water accounts as shown in Table 6. The majority of customers are single family residential customers, representing about 95% of the customer base. The most common meter size is 5/8".

Table 6: Number of Water Accounts by Meter Size and Customer Class for May/June 2023
Westborough Water District
Water and Sewer Rate Study

CUSTOMER CLASS	5/8"	3/4"	1"	1-1/2"	2"	3"	4"	6"	8"	TOTAL	% of Total
Single Family Residential	3,476	278	1	0	0	0	0	0	0	3,755	94.9%
Multi-Family Residential	0	0	0	6	6	0	1	0	1	14	0.4%
Commercial	9	2	5	6	11	5	0	1	0	39	1.0%
Irrigation	3	0	14	41	34	0	0	0	0	92	2.3%
Fire Protection	<u>29</u>	<u>0</u>	<u>26</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>57</u>	<u>1.4%</u>
TOTAL WATER ACCOUNTS	3,517	280	46	55	51	5	1	1	1	3,957	100.0%

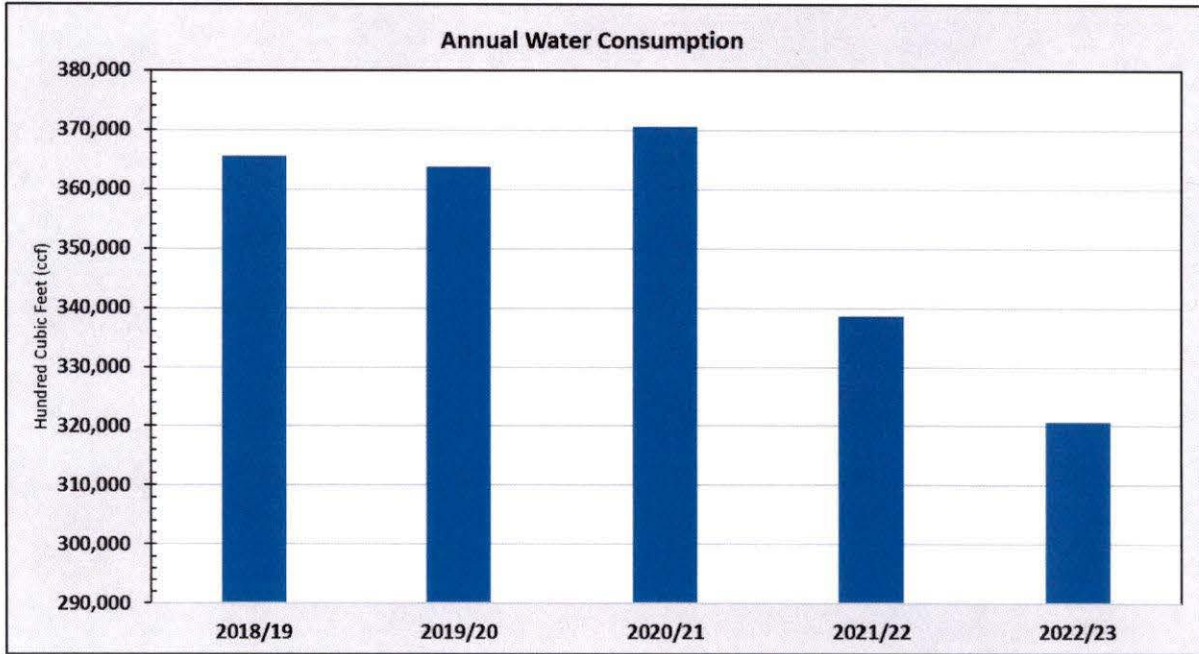
3.2.3 Water Consumption

Table 7 summarizes annual water consumption and estimated sewer flow for the past 5 fiscal years. In 2022/23, total consumption decreased by approximately 5.3%. Annual water consumption is summarized graphically in Figure 2.

Table 7: History of Water Consumption
Westborough Water District
Water and Sewer Rate Study 2024

WATER CONSUMPTION			ESTIMATED SEWER FLOW		
Fiscal Year	Consumption (ccf)	% Change	Month	Consumption (ccf)	% Change
2018/19	365,505		Jan/Feb 2019	50,112	
2019/20	363,719	-0.49%	Jan/Feb 2020	50,811	1.39%
2020/21	370,550	1.88%	Jan/Feb 2021	50,226	-1.15%
2021/22	338,638	-8.61%	Jan/Feb 2022	48,278	-3.88%
2022/23	320,721	-5.29%	Jan/Feb 2023	47,001	-2.65%

**Figure 2: Annual Water Consumption
Westborough Water District
Water and Sewer Rate Study 2024**



3.3 Water Financial Plan

3.3.1 History of Water Revenues & Expenses

Table 8 shows a history of water revenues and expenses for the past four fiscal years as well as the projected revenues and expenses for 2023/24. Historically, the District has allocated 100% of non-operating income and the majority of all G&A expenses to the Water Fund. On average over the past two years, operating expenses have increased by over 6% each year. G&A expenses have increased at a higher rate, with a 9.3% increase estimated for 2023/24. Due to reduced water sales, capital project spending has been minimal, resulting in deferred investments in necessary infrastructure improvements.

**Table 8: History of Water Revenues & Expenses
Westborough Water District
Water and Sewer Rate Study 2024**

	2019-2020 Actual	2020-2021 Actual	2021-2022 Actual	2022-2023 TY Projected	2023-2024 Budget
WATER REVENUES					
Water Sales (41100)	\$3,062,111	\$2,967,506	\$3,620,708	\$4,035,672	\$4,196,733
<i>Annual % Change</i>		-3.1%	22.0%	11.5%	4.0%
Non-Operating Revenues [1]					
Misc. Operations (42345)	\$18,050	\$4,227	\$12,960	\$23,977	\$19,200
Interest (49210)	\$97,688	(\$873)	(\$24,011)	\$32,219	\$90,107
Taxes & Assessments (49300)	\$531,179	\$556,454	\$624,157	\$681,621	\$676,549
Other Income (49700)	\$345,345	\$70,032	\$113,944	\$184,873	\$0
Rental Income (49910) [2]	\$0	\$0	\$0	\$24,127	\$36,192
Cap Facilities Income (49800)	\$0	\$0	\$5,915	\$0	\$0
<u>Capital Facility Expense (56885)</u>	<u>(\$81,048)</u>	<u>(\$4,149)</u>	<u>(\$7,715)</u>	<u>(\$667)</u>	<u>\$0</u>
Subtotal Non-Operating Revenues	\$911,214	\$625,691	\$725,250	\$946,151	\$822,048
<i>Annual % Change</i>		-31.3%	15.9%	30.5%	-13.1%
Total Water Revenues	\$3,973,325	\$3,593,197	\$4,345,958	\$4,981,823	\$5,018,781
<i>Annual % Change</i>		-9.6%	20.9%	14.6%	0.7%
WATER EXPENSES					
Operating Expenses					
Salaries (51110)	\$331,517	\$375,566	\$371,286	\$409,485	\$440,371
Sal. Temp (51112)	\$0	\$0	\$0	\$0	\$0
Sal. OT (51113)	\$7,214	\$8,737	\$9,534	\$8,092	\$9,000
CalPERS (51115)	\$67,315	\$71,828	\$55,419	\$71,060	\$64,865
Benefits (51400)	\$46,993	\$51,477	\$55,637	\$51,856	\$58,458
Payroll Tax (51410)	\$26,336	\$27,663	\$28,653	\$31,440	\$34,825
OPEB - Prefunding (51450)	\$21,335	\$16,435	\$7,748	\$18,697	\$2,808
GASB75 Contra Exp.(Income)(51470)	(\$27,522)	(\$3,768)	\$0	\$0	\$0
Utilities (51130)	\$130,777	\$126,362	\$143,292	\$156,559	\$162,716
Supplies (51140)	\$11,376	\$14,504	\$11,862	\$13,281	\$15,000
Special Services (51150)	\$59,597	\$55,257	\$49,868	\$86,557	\$91,717
Vehicle Expense (51170)	\$23,451	\$15,503	\$45,387	\$24,773	\$35,000
Maint. Of System (51200)	\$67,962	\$63,357	\$232,843	\$42,784	\$59,905
Water Purchases (51300)	\$1,917,544	\$1,719,047	\$1,536,804	\$1,788,760	\$1,906,743
<u>Tech. Communications (51860)</u>	<u>\$6,754</u>	<u>\$6,589</u>	<u>\$8,020</u>	<u>\$9,529</u>	<u>\$11,260</u>
Total Water Operating Expenses	\$2,690,649	\$2,548,555	\$2,556,354	\$2,712,875	\$2,892,667
<i>Annual % Change</i>		-5.3%	0.3%	6.1%	6.6%
Total G & A Operating Expense [2]	\$1,208,044	\$1,444,397	\$1,029,343	\$1,192,060	\$1,302,458
<i>Annual % Change</i>		19.6%	-28.7%	15.8%	9.3%
Capital Projects [3]	\$227,494	\$726,605	\$491,886	\$0	\$175,000
<i>Annual % Change</i>		219.4%	-32.3%	-100.0%	-
Total Water Expenses	\$4,126,187	\$4,719,557	\$4,077,583	\$3,904,935	\$4,370,125
<i>Annual % Change</i>		14.4%	-13.6%	-4.2%	11.9%
Net Operating Income (Loss)	(\$152,862)	(\$1,126,360)	\$268,375	\$1,076,888	\$648,656

1 - Includes 100% of Non-Operating Income

2 - Includes 100% of G&A Expenses except for expenses allocated to sewer per Annual Financial Reports

3 - 2023/24 budget includes \$1.3M in capital projects. Based on actuals as of April 2024, total CIP expenses for 2023/24 are estimated at \$175,000.

3.3.2 Water Reserves

The District has historically combined the water and sewer finances into one fund. As of July 1, 2023, the total reserve fund balance for the District was approximately \$3.3 million. Based on recommendation from the District's accountant, the District will begin separating the Water and Sewer Funds beginning in 2024/25. Because the Water Fund has minimal reserves, it is proposed that the Sewer Fund loan the Water Fund \$800,000 to be repaid over 8 years to mitigate rate impacts. The resulting beginning fund balance for the Water Fund is \$1.0 million for the purposes of this study.

**Table 9: Water Fund Reserves
Westborough Water District
Water and Sewer Rate Study 2024**

	Water Fund
Beginning Reserves as of July 1, 2023	\$1,000,000

The accumulation and maintenance of reasonable reserves is one factor to consider when determining the cost of service. Adequate fund reserves protect the District when faced with unforeseen financial challenges such as emergency expenses or revenue deficits. Fund reserves allow the District to maintain its financial health and positive credit ratings, especially during emergencies. Moreover, funding can be drawn from reserves to supplement rate revenues lost during drought conditions or other unexpected situations. It is acceptable if reserves dip below the target on a temporary basis, provided the District takes action to attain the target over the longer run.

The recommended reserve fund targets are as follows:

- o **Operating Reserve:** The proposed minimum fund balance target is equal to 25% of annual operating expenses. This is in line with industry standards that recommend an operating reserve target of at least 25% of annual expenses to account for the time (at least 4 months) that it would take an agency to approve new rate increases to comply with Proposition 218.
- o **Capital Reserve:** In addition to the operating reserve target, it is proposed that the District maintain additional reserves equal to 50% of annual depreciation at minimum. For 2022/23, total depreciation for both the Water and Sewer Funds was \$365,000. Split evenly, the 2024/25 capital reserve target for each fund is \$182,500. This target can be adjusted once additional information on each system's actual depreciation is provided by the auditor.

- Debt Service Reserve: Beginning in 2025/26, it is proposed that the District maintain the amount of the total debt service payment for one year in reserves in addition to its operating and capital reserves.

3.3.3 Water Revenues

The primary source of revenues for the Water Fund is revenues from water rates. Table 10 includes a summary of estimated annual water rate revenues for 2022/23 based on the District's billing data records. The majority of revenues, or about 75%, were collected from single family residential customers.

The District collected approximately \$3.9 million in total water rate revenues in 2022/23. About 30% of revenues were collected from Meter Service Charges. The remaining 70% of revenues were collected from Water Charges billed based on metered water consumption.

**Table 10: Total Estimated Water Sales Revenues
Westborough Water District
Water and Sewer Rate Study**

FY 2022/23 ESTIMATED WATER SALES REVENUES				
Customer Class	Meter Service Charges	Water Charges	Total Water Sales Revenues	% of Total
Single Family Residential	\$1,015,548	\$1,935,871	\$2,951,419	75.1%
Multi-Family Residential	\$24,880	\$304,041	\$328,921	8.4%
Commercial	\$38,318	\$288,391	\$326,709	8.3%
Irrigation	\$78,526	\$223,483	\$302,009	7.7%
<u>Fire Protection</u>	<u>\$21,165</u>	<u>\$0</u>	<u>\$21,165</u>	<u>0.5%</u>
Total	\$1,178,437	\$2,751,786	\$3,930,223	100.0%
<i>% of Total</i>	<i>30.0%</i>	<i>70.0%</i>	<i>100.0%</i>	

3.3.4 Water G&A Revenues

In the past, all G&A revenues have been assigned to the Water Fund. Beginning in 2024/25, 70.0% of *Misc. Operations (42345)* and *Taxes & Assessments (49300)* and 100% of *Rental Income (49910)* will be allocated to the Water Fund for a total of \$538,900. Revenues are projected to increase by 3.0% each year.

3.3.5 Wholesale Water Purchases

Table 11 summarizes wholesale water purchases from the SFPUC since 2019/20. Water purchases are the largest expense for the Water Fund, accounting for approximately 66.0% of total operating expenses.

**Table 11: SFPUC Water Purchases
Westborough Water District
Water and Sewer Rate Study**

	Actual				Projected	
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
SFPUC Rate (\$ per ccf) [1]	\$4.49	\$4.50	\$4.50	\$5.15	\$5.61	\$6.07
<i>% Increase</i>		0.2%	0.0%	14.5%	8.9%	8.2%
Total Water Purchased (ccf) [2]	426,355	382,590	332,197	340,055	350,700	350,700
<i>% Increase</i>		-10.3%	-13.2%	2.4%	3.1%	0.0%
Total Cost for Water Purchases [2]	\$1,877,800	\$1,740,639	\$1,448,500	\$1,730,108	\$1,906,743	\$2,021,000
<i>% Increase</i>		-7.3%	-16.8%	19.4%	10.2%	6.0%
Total Water Operating Expenses	\$2,690,649	\$2,548,555	\$2,556,354	\$2,712,875	\$2,892,667	\$3,067,000
<i>% Increase</i>		-5.3%	0.3%	6.1%	6.6%	6.0%
% of Water Purchases / Total Operating Expenses	69.8%	68.3%	56.7%	63.8%	65.9%	65.9%

1 - Rate includes BAWSCA Bond Surcharge.

2 - Source: *SFWD Purchases* spreadsheet. Usage for 2023/24 from Budget.

The SFPUC sets its rates annually, and the District has no control over these costs. For 2024/25, the SFPUC's wholesale water rate is increasing to \$5.67 per ccf, representing an 8.8% increase from the previous year. Figure 3 shows SFPUC's historical wholesale water rates since 2013/14. Since 2013/14, SFPUC wholesale rates have increased from \$2.45 per ccf to \$5.67 per ccf, representing a 131.0% increase. The chart shows the actual wholesale water rate as well as the separate BAWSCA bond surcharge.

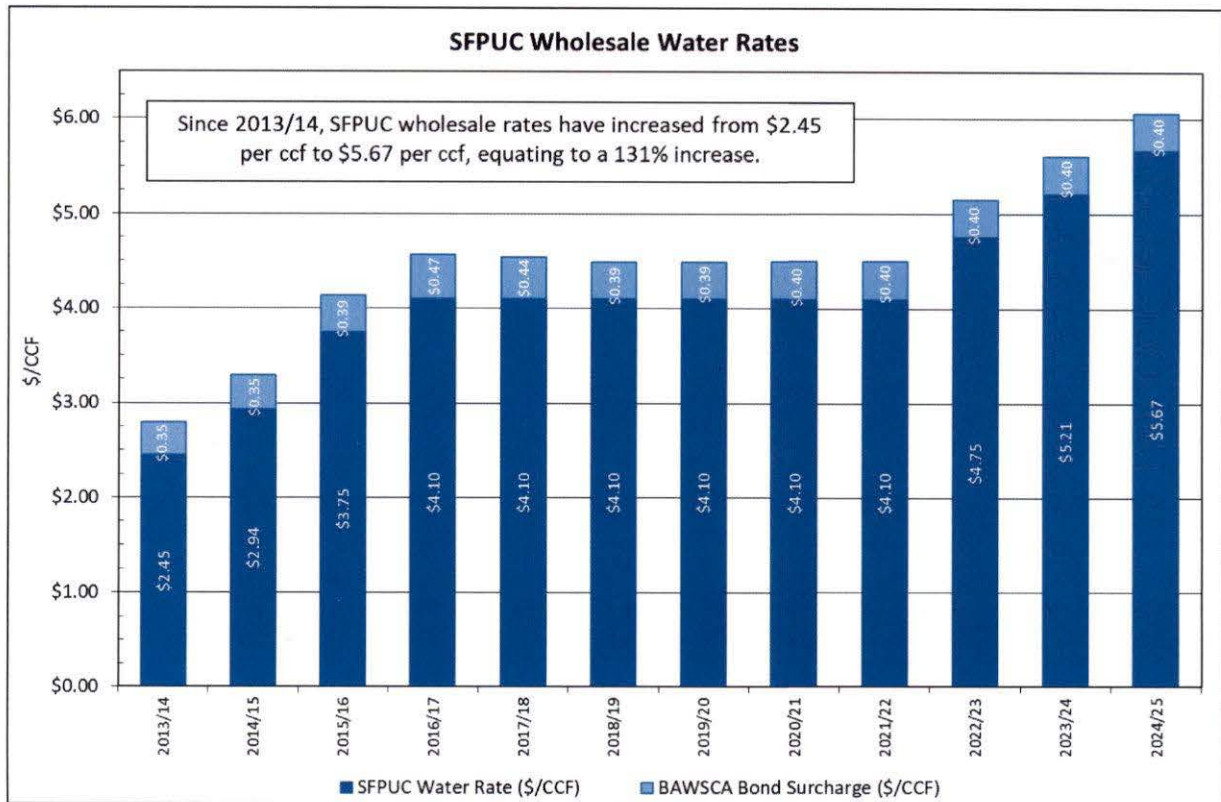
In 2013, BAWSCA issued Revenue Bonds (Series 2013A and 2013B) to prepay the remaining capital cost recovery payments that the BAWSCA member agencies owed the SFPUC as of June 30, 2013. Beginning

in 2013/14, BAWSCA began collecting a fixed bond surcharge from each member agency as a separate item on their monthly water bills from the SFPUC. The payments are used to make debt service payments on the revenue bonds, reimburse bond administration expenses, and, as necessary, replenish a stabilization fund set up to limit the volatility in annual changes in the payments.

The allocation of the bond surcharge among the BAWSCA member agencies in a given year is based on the prior year’s actual water sales to each agency. The following year, a financial reconciliation is performed where each agency’s final payments are adjusted based on actual water sales during the prior year. The projected BAWSCA bond surcharge is \$0.40 per ccf.

The SFPUC is nearing its completion of the \$4.8 billion Water System Improvement Project (WSIP) to upgrade the Hetch Hetchy Water System, and the SFPUC is forecasting significant increases to its operating costs. The SFPUC has projected that its wholesale rate will increase 27.0% over the next five years.

**Figure 3: Historical SFPUC Wholesale Water Rates
Westborough Water District
Water and Sewer Rate Study 2024**



3.3.6 Water Operating Expenses

Table 12 includes a projection of future water operating expenses over the next five years through 2028/29. Escalation factors were determined using input from District staff. The largest expense for the Water Fund is Water Purchases, which are projected to increase by 6.0% each year. Utilities are projected to increase by 10.0% each year. Expenses related to salaries and benefits for the District's employees are projected to increase by 6.0% each year. Remaining expenses for supplies and services are projected to increase by 3.0% each year. Overall, water operating expenses are projected to increase by approximately 6.0% each year.

**Table 12: Projected Water Operating Expenses
Westborough Water District
Water and Sewer Rate Study**

	Budget 2023/24	Escalation Factor	PROJECTED				
			2024/25	2025/26	2026/27	2027/28	2028/29
Water Operating Expenses							
Salaries (51110)	\$440,371	6.0%	\$467,000	\$495,000	\$525,000	\$557,000	\$590,000
Sal. Temp (51112)	\$0	6.0%	\$0	\$0	\$0	\$0	\$0
Sal. OT (51113)	\$9,000	6.0%	\$10,000	\$11,000	\$12,000	\$13,000	\$14,000
CalPERS (51115)	\$64,865	6.0%	\$69,000	\$73,000	\$77,000	\$82,000	\$87,000
Benefits (51400)	\$58,458	6.0%	\$62,000	\$66,000	\$70,000	\$74,000	\$78,000
Payroll Tax (51410)	\$34,825	6.0%	\$37,000	\$39,000	\$41,000	\$43,000	\$46,000
OPEB - Prefunding (51450)	\$2,808	6.0%	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
GASB75 Contra Exp.(Income)(51470)	\$0	6.0%	\$0	\$0	\$0	\$0	\$0
Utilities (51130)	\$162,716	10.0%	\$179,000	\$197,000	\$217,000	\$239,000	\$263,000
Supplies (51140)	\$15,000	3.0%	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Special Services (51150)	\$91,717	3.0%	\$94,000	\$97,000	\$100,000	\$103,000	\$106,000
Vehicle Expense (51170)	\$35,000	3.0%	\$36,000	\$37,000	\$38,000	\$39,000	\$40,000
Maint. Of System (51200)	\$59,905	3.0%	\$62,000	\$64,000	\$66,000	\$68,000	\$70,000
Water Purchases (51300)	\$1,906,743	6.0%	\$2,021,000	\$2,142,000	\$2,271,000	\$2,407,000	\$2,551,000
Tech. Communications (51860)	\$11,260	3.0%	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Total Water Operating Expenses	\$2,892,667		\$3,067,000	\$3,251,000	\$3,447,000	\$3,655,000	\$3,875,000
<i>Annual % Change</i>			6.0%	6.0%	6.0%	6.0%	6.0%
Percent of Total							
Salaries & Benefits	21.1%		21.1%	21.1%	21.1%	21.1%	21.1%
Utilities (51130)	5.6%		5.8%	6.1%	6.3%	6.5%	6.8%
Water Purchases (51300)	65.9%		65.9%	65.9%	65.9%	65.9%	65.8%
Special Services (51150)	3.2%		3.1%	3.0%	2.9%	2.8%	2.7%
Other Expenses	4.2%		4.1%	3.9%	3.8%	3.7%	3.5%
Total Water Operating Expenses	100.0%		100.0%	100.0%	100.0%	100.0%	100.0%

As shown on the bottom half of Table 12, water purchases account for 66.0% of total water operating expenditures. Wholesale water expenses are determined by the SFPUC. Therefore, the District has no control over these costs.

3.3.7 Water G&A Expenses

Table 33 includes a projection of future G&A expenses assigned to the Water Fund. Beginning in 2024/25, approximately 83.0% of total G&A expenses are allocated to water. On average, G&A expenses are projected to increase nearly 5.0% each year.

**Table 13: SFPUC Water Purchases
Westborough Water District
Water and Sewer Rate Study**

	Budget 2023/24	PROJECTED				
		2024/25	2025/26	2026/27	2027/28	2028/29
Salaries & Benefits	\$674,956	\$715,100	\$757,100	\$802,100	\$849,100	\$900,100
Engineering Svs. (56830)	\$38,500	\$40,000	\$41,000	\$42,000	\$43,000	\$44,000
Billing (56850)	\$46,124	\$47,000	\$48,000	\$49,000	\$50,000	\$51,000
Insurance (56870)	\$55,144	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
Miscellaneous (56890)	\$36,910	\$38,000	\$39,000	\$40,000	\$41,000	\$42,000
Banking and Cr.Card Fees (56875)	\$55,000	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
<u>Other Expenses</u>	<u>\$182,731</u>	<u>\$187,200</u>	<u>\$190,200</u>	<u>\$194,200</u>	<u>\$198,200</u>	<u>\$202,200</u>
Total Water G&A Expenses	\$1,089,366	\$1,141,300	\$1,193,300	\$1,249,300	\$1,307,300	\$1,369,300
<i>Annual % Change</i>		<i>4.8%</i>	<i>4.6%</i>	<i>4.7%</i>	<i>4.6%</i>	<i>4.7%</i>

3.3.8 Water Capital Improvement Plan and Debt Service Assumptions

Over the next five years, the District proposes to spend approximately \$11.0 million on water capital projects to repair failing pipelines and to rehabilitate equipment and other water infrastructure. The water system is over 50 years old and is in need of significant upgrades to avoid leaks, equipment failures, and costly emergency repairs.

Beginning in 2025/26, the District will borrow \$1.25 million—about 50% of the annual CIP—each year for 5 years with a bank loan or line of credit (LOC). The plan is to debt-fund half of the annual water CIP beginning in 2025/26 through 2029/30 with the long-term objective of paying for capital projects on a cash basis after these initial borrowings. Table 14 summarizes the debt assumptions used in this study. It is assumed each borrowing would have a 15-year term with an interest rate of 7.0%, resulting in an annual debt service payment of \$137,000.

**Table 14: Water Debt Scenarios
Westborough Water District
Water and Sewer Rate Study 2024**

	\$2.5M Annual Water CIP
Total Annual CIP Total Water Annual CIP	\$2,500,000
Debt Funded Portion Water Annual CIP - Debt Funded	50% \$1,250,000
Loan Terms (Estimated) Loan Amount Term (years) Interest Rate	\$1,250,000 15 7.0%
Annual Loan Payment	\$137,000
Reserve Fund Requirement Equal to Annual Debt Service	\$137,000

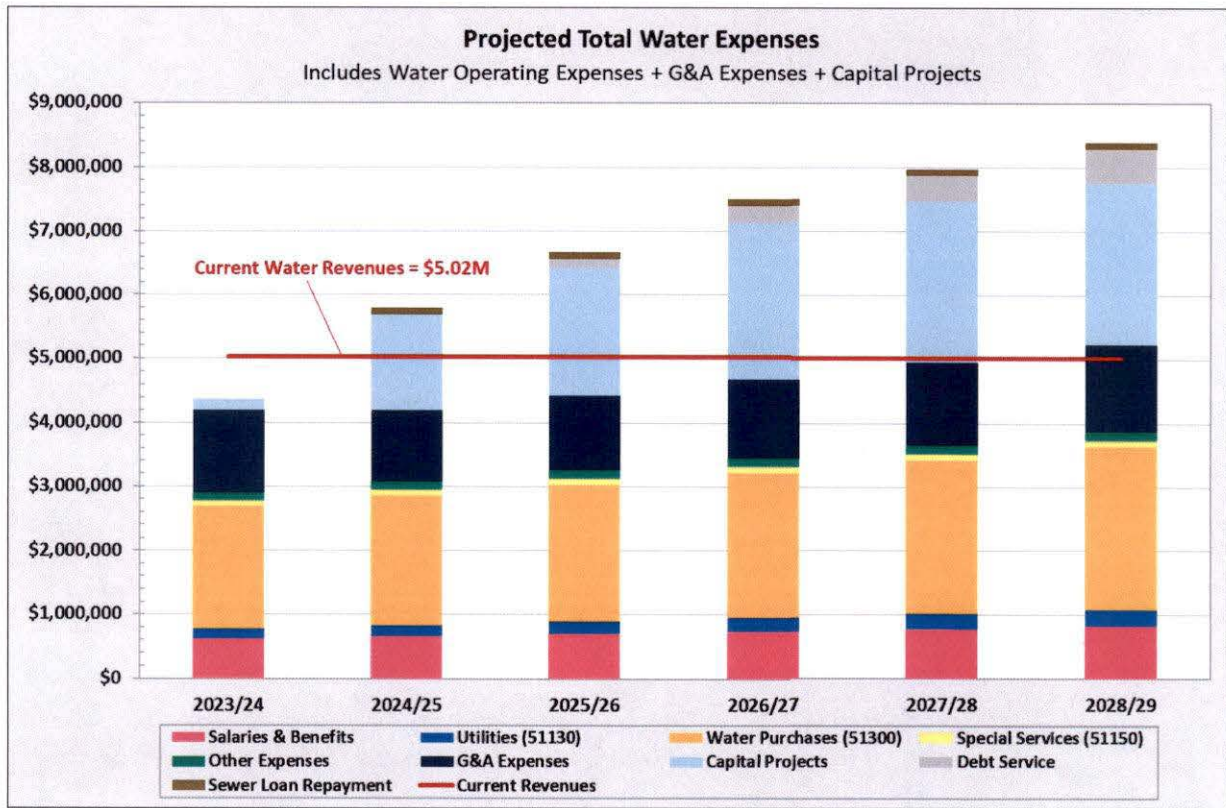
Debt Service Coverage

A chief covenant for the District to secure State loans/grants or revenue bonds/Certificates of Participation (COPs) is to maintain a specific debt service coverage ratio. A debt service coverage ratio is a financial measure of an agency's ability to repay outstanding debt. The ratio requires that annual water net revenues (gross revenues less operating and maintenance expenses) must be at least 1.25 times the combined annual debt service payments on all parity obligations. Failure to meet the debt service coverage ratio on an annual basis is considered to be technical default. Thus, rates and fees must be set to meet this legal requirement. Moreover, failing to meet debt service coverage may hinder the District's ability to qualify for future debt funding.

3.3.9 Total Water Expenses

Figure 4 graphically shows the Water Fund’s projected total expenses including operating expenses, G&A expenses, the interfund loan repayment to the Sewer Fund, estimated debt service, and capital projects. As shown in the chart, expenses would exceed revenues beginning in 2024/25 absent a rate increase.

Figure 4: Projected Total Water Expenses
Westborough Water District
Water and Sewer Rate Study 2024



3.3.10 Water Cash Flow Objectives

The Water Fund cash flow projection for the five-year period beginning in 2024/25 through 2028/29 is provided in Table 15. Over the five years, water rate revenue increases are proposed as needed to meet the following three goals which are indicators of the overall fiscal health of the Water Fund:

1. Meet debt service coverage ratio (1.25x)
 - a. A standard financial measure of an agency’s ability to repay outstanding debt

- b. Annual net revenues (gross revenues less operating and maintenance expenses) must be at least 1.25 times the combined annual debt service payments on all parity obligations
2. Total revenues cover expenses (Positive net revenues)
 - a. To ensure that the Water Fund is covering its cost of service (operating and capital expenses)
 - b. To avoid an operating deficit and dipping into reserves
3. Meet proposed Water Fund reserve targets by 2028/29
 - a. Operating: 25% of annual O&M costs
 - b. Capital: Annual depreciation (\$365,000 for 2023/24)
 - c. Debt Service: Total debt service for one year

3.3.11 Water Cash Flow Projection

As shown in Table 15, the recommended rate revenue increases for the Water Fund are 18.0% in 2024/25 followed by 8.0% annual rate increases through 2028/29. The first rate increase will go into effect on July 1, 2024 with subsequent increases July 1 of each year through 2028. These increases are necessary to pay for water operating expenses and to fund water infrastructure improvements. It should be noted that the proposed rate increase percentages shown apply to the District's total water rate revenues and do not necessarily reflect the level of increase for individual customers' bimonthly water bills. Each customer's bill will vary depending on their meter size and water usage.

As of July 1, 2023, beginning Water Fund reserves total \$1,000,000 based on an \$800,000 interfund loan from the Sewer Fund. To repay the interfund loan, the Water Fund will pay the Sewer Fund \$100,000 per year for 8 years through 2031/32. The projections are based on the 2023/24 budget and include the following assumptions:

Revenues

- Beginning in 2024/25, Misc. Operations (42345) revenues are split 70.0% for water and 30.0% for sewer.
- Misc. Operations (42345), Taxes & Assessments (49300), and Other Income (49700) are increased by 3.0% each year.
- Rental Income (49910) is escalated at 3.0% annually and is allocated 100% to the Water Fund.
- Interest (49210) is projected at 2.0% per year.
- Cap Facilities Income (49800) are not anticipated over the next 5 years.
- Assumes no growth or any major changes in the customer base
- Water consumption is based on 2022/23 usage and is not anticipated to increase over the next 5 years due to conservation.

Expenses

- Salaries & Benefits are increased by 6.0% each year.
- Utilities are increased by 10% each year.
- Water Purchases are increased by 6.0% each year based on the projected SFPUC wholesale water rates as of April 2024.
- All other expenses increased by 3.0% each year.
- Beginning in 2024/25, 1/3 (33.3%) of the General Manager's salary and benefits is allocated to the Sewer Fund.
- Beginning in 2024/25, unless the expense is 100% allocated to water, all other G&A Operating Expenses are split 70% to water and 30% to sewer.
- Beginning in 2024/25, the Water Fund will pay the Sewer Fund \$100,000 per year for 8 years through 2031/32 to repay the interfund loan.

**Table 15: Water Cash Flow Projection
Westborough Water District
Water and Sewer Rate Study 2024**

	Budget 2023/24	Projected					
		2024/25	2025/26	2026/27	2027/28	2028/29	
1							
2	Revenue Adjustment		18.0%	8.0%	8.0%	8.0%	
3	Rate Increase Effective		July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	
4						July 1, 2028	
5	BEGINNING FUND BALANCE	\$1,000,000	\$1,648,656	\$1,364,256	\$1,867,956	\$1,960,156	\$2,066,356
6							
7	REVENUES						
8	Operating Revenues [1]						
9	Water Sales (41100)	4,196,733	4,952,000	5,348,000	5,776,000	6,238,000	6,737,000
10	Misc. Operations (42345)	19,200	14,000	14,000	14,000	14,000	14,000
11	Interest (49210)	90,107	33,000	27,000	37,000	39,000	41,000
12	Taxes & Assessments (49300)	676,549	487,900	503,000	518,000	534,000	550,000
13	Other Income (49700)	0	0	0	0	0	0
14	Rental Income (49910)	36,192	37,000	38,000	39,000	40,000	41,000
15	Cap Facilities Income (49800)	0	0	0	0	0	0
16	<u>Capital Facility Expense (56885)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
17	Subtotal Operating Revenues	5,018,781	5,523,900	5,930,000	6,384,000	6,865,000	7,383,000
18							
19	Debt Proceeds	0	0	1,250,000	1,221,500	1,221,500	1,221,500
20							
21	Total Revenues	5,018,781	5,523,900	7,180,000	7,605,500	8,086,500	8,604,500
22							
23	EXPENSES						
24	Water Operating Expenses						
25	Salaries & Benefits	610,327	648,000	687,000	728,000	772,000	818,000
26	Utilities (51130)	162,716	179,000	197,000	217,000	239,000	263,000
27	Water Purchases (51300)	1,906,743	2,021,000	2,142,000	2,271,000	2,407,000	2,551,000
28	Special Services (51150)	91,717	94,000	97,000	100,000	103,000	106,000
29	<u>Other Expenses</u>	<u>121,165</u>	<u>125,000</u>	<u>128,000</u>	<u>131,000</u>	<u>134,000</u>	<u>137,000</u>
30	Subtotal Water Operating Expenses	2,892,667	3,067,000	3,251,000	3,447,000	3,655,000	3,875,000
31							
32	General & Administrative (G&A) Expenses [2]						
33	Salaries & Benefits	790,632	715,100	757,100	802,100	849,100	900,100
34	Engineering Svs. (56830)	55,000	40,000	41,000	42,000	43,000	44,000
35	Billing (56850)	55,347	47,000	48,000	49,000	50,000	51,000
36	Insurance (56870)	78,777	57,000	59,000	61,000	63,000	65,000
37	Miscellaneous (56890)	50,470	38,000	39,000	40,000	41,000	42,000
38	Banking and Cr. Card Fees (56875)	55,000	57,000	59,000	61,000	63,000	65,000
39	<u>Other Expenses</u>	<u>217,232</u>	<u>187,200</u>	<u>190,200</u>	<u>194,200</u>	<u>198,200</u>	<u>202,200</u>
40	Subtotal G&A Operating Expenses	1,302,458	1,141,300	1,193,300	1,249,300	1,307,300	1,369,300
41							
42	Total Operating Expenses	4,195,125	4,208,300	4,444,300	4,696,300	4,962,300	5,244,300
43							
44	Net Operating Revenues	823,656	1,315,600	1,485,700	1,687,700	1,902,700	2,138,700
45							
46	Non-Operating Expenses						
47	Water Capital Projects [3]	175,000	1,500,000	1,995,000	2,443,000	2,507,000	2,509,000
48	<u>Debt Service</u>	<u>0</u>	<u>0</u>	<u>137,000</u>	<u>274,000</u>	<u>411,000</u>	<u>548,000</u>
49	Subtotal Non-Operating Expenses	175,000	1,500,000	2,132,000	2,717,000	2,918,000	3,057,000
50							
51	Sewer Fund Loan Repayment	0	100,000	100,000	100,000	100,000	100,000
52							
53	Total Expenses	4,370,125	5,808,300	6,676,300	7,513,300	7,980,300	8,401,300
54							
55	NET REVENUES	648,656	(284,400)	503,700	92,200	106,200	203,200
56							
57	ENDING FUND BALANCE	1,648,656	1,364,256	1,867,956	1,960,156	2,066,356	2,269,556
58							

	Budget	Projected					
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	
59							
60	RESERVE FUNDS						
61	Proposed Operating Reserve Target (25% of O&M)	1,048,781	1,052,075	1,111,075	1,174,075	1,240,575	1,311,075
62	<u>Proposed Capital Reserve Target (50% of Depreciation)</u>	<u>182,500</u>	<u>182,500</u>	<u>182,500</u>	<u>182,500</u>	<u>182,500</u>	<u>182,500</u>
63	Total Water Reserve Funds	1,231,281	1,234,575	1,293,575	1,356,575	1,423,075	1,493,575
64	Target Met	yes	yes	yes	yes	yes	yes
65							
66	DEBT SERVICE COVERAGE						
67	Debt Service Coverage Target - 1.25x (4)	-	-	10.84	6.16	4.63	3.90
68	Target Met?	-	-	yes	yes	yes	yes
69							

1 - Interest is estimated at 2% of fund balance. All Other Revenues escalated by 3%. Beginning in 2024/25, Misc Operations and Taxes & Assessments are allocated 70% to water and 30% to sewer.

2 - Beginning in 2024/25, 30% of the General Manager's salary & expenses is allocated to the Sewer Fund. Unless designated 100% to water, most G&A expenses are split 70% to water and 30% to sewer.

3 - 2023/24 budget includes \$1.3M in capital projects. Based on actuals as of April 2024, total CIP expenses for 2023/24 are estimated at \$175,000.

4 - Net Operating Revenues / Debt Service

3.4 Water Cost Allocation

The water revenue requirement detailed in the previous section determines the total cost of providing service to be recovered from water rates. The cost of service allocation determines how that revenue requirement will be assigned to fixed and consumption charges to fairly recover costs from customers based on how they use the water system. Proposition 218 requires that agencies providing “property-related services” (including water utility service) set rates and charges that are based on the cost of providing those services and are proportional to how customers use the system.

3.4.1 Overview of Water Cost of Service Methodology

The purpose of the cost allocation is to classify costs and to determine the amount of revenue that will be recovered from fixed rates and from consumption charges. The American Water Works Association (AWWA) recommends methods to classify costs among various customers. Using the Base-Extra Capacity Method as recommended by the AWWA, water operating expenses are allocated to the following categories: (a) *Base*, (b) *Extra*, (c) *Meters and Services*, and (d) *Customer Service*. The *Base* and *Extra* categories are intended to recover variable (consumption) costs, while the *Customer Service* and *Meters and Services* categories are intended to recover fixed expenses that are incurred regardless of water used.

- *Base*: Base costs include the expenses related to providing water under average, “base” demand conditions.
- *Extra*: The extra category includes costs related to providing water above the system average demand (ie. related to peak, “extra” usage).
- *Meters and Services*: These include costs related to maintaining and replacing water meters.
- *Customer Service*: This category contains costs associated with serving customers, such as billing and answering customer inquiries.

3.4.2 Cost Allocation

Table 16 provides the proposed cost allocation for the Water Fund based on input from District staff. The 2024/25 Budget is used as the test year for the cost allocation. Costs are allocated according to how they are incurred by the District. Based on Table 16, 35.0% of costs are proposed to be recovered from the Fixed Charges while the remaining 65.0% will be recovered from the Consumption Charges.

**Table 16: Water Cost Allocation
Westborough Water District
Water and Sewer Rate Study 2024**

	Budget 2024/25	FIXED CHARGES		CONSUMPTION CHARGES	Total
		Meters & Services	Customer Service	Base + Extra	
Operating Expenses					
<i>Water Operating Expenses</i>					
Salaries & Benefits	\$648,000	33.3%	33.3%	33.3%	100%
Utilities (51130)	\$179,000	33.3%	33.3%	33.3%	100%
Water Purchases (51300)	\$2,021,000	0.0%	0.0%	100.0%	100%
Special Services (51150)	\$94,000	33.3%	33.3%	33.3%	100%
<u>Other Expenses</u>	<u>\$125,000</u>	<u>33.3%</u>	<u>33.3%</u>	<u>33.3%</u>	<u>100%</u>
Subtotal Water Operating Expenses	\$3,067,000	\$348,667	\$348,667	\$2,369,667	\$3,067,000
Allocation %		11.4%	11.4%	77.3%	100.0%
<i>General & Administrative (G&A) Operating Exp</i>					
Salaries & Benefits	\$715,100	33.3%	33.3%	33.3%	100%
Engineering Svs. (56830)	\$40,000	33.3%	33.3%	33.3%	100%
Billing (56850)	\$47,000	0.0%	100.0%	0.0%	100%
Insurance (56870)	\$57,000	33.3%	33.3%	33.3%	100%
<u>Other Expenses</u>	<u>\$282,200</u>	<u>33.3%</u>	<u>33.3%</u>	<u>33.3%</u>	<u>100%</u>
Subtotal G&A Operating Expenses	\$1,141,300	\$364,767	\$411,767	\$364,767	\$1,141,300
Allocation %		32.0%	36.1%	32.0%	100.0%
Total Operating Expenses	\$4,208,300	\$713,433	\$760,433	\$2,734,433	\$4,208,300
Allocation %		17.0%	18.1%	65.0%	100.0%
Non-Operating Expenses					
Capital Projects [1]	\$2,190,800	17.0%	18.1%	65.0%	100%
Debt Service	\$274,000	17.0%	18.1%	65.0%	100%
Subtotal Non-Operating Expenses	\$2,464,800	\$417,900	\$445,400	\$1,601,600	\$2,464,900
Allocation %		17.0%	18.1%	65.0%	100.0%
TOTAL WATER EXPENSES	\$6,673,100	\$1,131,333	\$1,205,833	\$4,336,033	\$6,673,200
Total Allocation %		17.0%	18.1%	65.0%	100.0%

1 - Average 5-year CIP costs

3.5 Water Rate Design Considerations

Following the allocation of costs, the next step is to derive the total cost responsibility for each customer class by developing unit costs of service for each cost function and then assigning those costs to the customer classes based on the respective service requirements of each.

To comply with Proposition 218, the District is updating rates to reflect the current cost of service for each customer. Changes to the cost of service have resulted in the following proposed modifications to the existing rate structure:

- Fixed vs. Variable Revenue Recovery: Currently, approximately 30% of water rate revenues are collected from the fixed Meter Service Charge and the remaining 70% are collected from the variable Water Charge. Based on the proposed cost allocation (Table 16), the percentage of rate revenues collected from the fixed Meter Service Charge is proposed to increase to 35% beginning in 2024/25. Revenues collected from the Water Charge are thus proposed to decrease to about 65%.
- Meter Equivalent Ratios: Beginning in 2024/25, it is proposed that the District update the underlying meter capacity ratios used to calculate the Meter Service Charge for each meter size. AWWA meter capacity ratios will be used to realign the fixed charges so that each meter size will be charged based on their proportional impact on the system.

3.5.1 Meter Equivalents

As noted above, the Meter Service Charges are proposed to be updated to reflect the maximum capacity of each meter size. The most common method to levy fixed charges is by meter size. AWWA guidelines recommend using meter equivalents to assign demand-related costs to larger meter sizes. The ratio at which the meter charge increases is typically a function of either meter investment (estimated cost) or the meter's safe operating capacity. Larger meters have the ability to place a greater demand on the water system and are therefore charged based on that potential demand. For example, based on the AWWA meter capacity ratios, a customer that has a 6" meter has 50 times the capacity equivalency of a customer with a 5/8" meter. (A 6" meter has a safe operating capacity of 1,000 gallons per minute (gpm) compared to a 5/8" meter which has a safe operating capacity of 20 gpm).

Table 17 shows the proposed meter equivalents (Column G) based on the District's existing number of meters (see Table 6) and the safe operating capacity of each. The current Meter Service Charges and corresponding equivalent meter ratios are shown in columns C through E for comparison.

Table 17: Current & Proposed Meter Equivalents
Westborough Water District
Water and Sewer Rate Study 2024

Meter Size	Total Number of Meters	CURRENT			PROPOSED				Difference (Proposed Rates - Current Fixed Rates)
		Current Meter Ratios	Current Fixed Rates	Total Current Equivalent Meters [1]	Operating Capacity (gpm) [2]	Proposed Meter Ratios [2]	Current Fixed Rates Based on Proposed Meter Ratios [3]	Total Proposed Equivalent Meters [4]	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
5/8"	3,517	1.00	\$44.00	3,517	20	1.00	\$44.00	3,517	\$0.00
3/4"	280	1.33	\$58.41	372	30	1.50	\$66.00	420	\$7.59
1"	46	1.73	\$76.01	79	50	2.50	\$110.00	115	\$33.99
1.5"	55	3.13	\$137.61	172	100	5.00	\$220.00	275	\$82.39
2"	51	4.18	\$183.81	213	160	8.00	\$352.00	408	\$168.19
3"	5	7.33	\$322.41	37	300	15.00	\$660.00	75	\$337.59
4"	1	15.73	\$692.01	16	500	25.00	\$1,100.00	25	\$407.99
6"	1	23.50	\$1,033.89	23	1,000	50.00	\$2,200.00	50	\$1,166.11
8"	1	34.69	\$1,526.14	35	1,600	80.00	\$3,520.00	80	\$1,993.86
Total	3,957			4,464				4,965	

1 - Total Number of Meters (Column B) x Current Meter Ratios (Column C)

2 - Safe Max Operating Capacity for C712-10 Singlejet Type (gpm) based on American Water Works Association (AWWA) M1 Manual

3 - Current Fixed Rates (Column E) x Proposed Meter Ratios (Column G)

4 - Total Number of Meters (Column B) Proposed Meter Ratios (Column G)

3.6 Water Rate Design

3.6.1 Annual Revenue Requirement Allocation

Table 18 shows the annual revenue requirement for the rate study period based on the cost allocation percentages from Table 16 and the total water rate revenue requirements for each year from the cash flow projection (Table 15). The fixed charge revenue requirement is based on the *Meters and Services* and *Customer Service* categories from the cost allocation. The consumption charge revenue requirement is based on the *Base + Extra* categories.

**Table 18: Annual Revenue Requirement Allocation
Westborough Water District
Water and Sewer Rate Study 2024**

	Cost Allocation %	PROJECTED				
		2024/25	2025/26	2026/27	2027/28	2028/29
Total Revenue Requirement [1]		\$4,952,000	\$5,348,000	\$5,776,000	\$6,238,000	\$6,737,000
FIXED CHARGES						
Meters & Services	17.0%	\$839,364	\$906,486	\$979,032	\$1,057,341	\$1,141,922
Customer Service Charge	18.1%	\$894,826	\$966,384	\$1,043,723	\$1,127,207	\$1,217,376
Total Fixed Charges	35.0%	\$1,734,190	\$1,872,870	\$2,022,755	\$2,184,548	\$2,359,297
CONSUMPTION CHARGES						
Base + Extra	65.0%	\$3,217,810	\$3,475,130	\$3,753,245	\$4,053,452	\$4,377,703
Total Consumption Charges	65.0%	\$3,217,810	\$3,475,130	\$3,753,245	\$4,053,452	\$4,377,703
TOTAL	100.0%	\$4,952,000	\$5,348,000	\$5,776,000	\$6,238,000	\$6,737,000

1 - From Cash Flow (Table 15, line 9)

3.6.2 Water Fixed Charge Derivation

The rate derivation for the Fixed Charges is shown on Table 19. The total revenue requirement for *Meters & Services* is divided by the *Total Number of Meter Equivalents* from Table 17. *Customer Service* costs are divided amongst the *Total Number of Meters* because they do not vary based on meter size. These two categories are then combined into a single bimonthly Meter Service Charge that increases based on meter size.

For 2024/25, the proposed meter equivalent charge of \$28.18 is multiplied by the corresponding meter equivalent ratio to calculate a charge for each meter size. The customer service charge of \$37.69 is added to the meter equivalent charge to derive a total charge. The proposed total bimonthly Meter Service Charge for a 5/8" meter is \$65.87 for 2024/25.

**Table 19: Water Fixed Charge Derivation
Westborough Water District
Water and Sewer Rate Study 2024**

		PROJECTED				
		2024/25	2025/26	2026/27	2027/28	2028/29
REVENUE REQUIREMENT						
Meters & Services		\$839,364	\$906,486	\$979,032	\$1,057,341	\$1,141,922
<u>Customer Service Charge</u>		<u>\$894,826</u>	<u>\$966,384</u>	<u>\$1,043,723</u>	<u>\$1,127,207</u>	<u>\$1,217,376</u>
Total Fixed Charge Revenue Requirement		\$1,734,190	\$1,872,870	\$2,022,755	\$2,184,548	\$2,359,297
METER EQUIVALENT CHARGE						
Total Meters & Service Revenue Requirement		\$839,364	\$906,486	\$979,032	\$1,057,341	\$1,141,922
<u>Total Number of Meter Equivalents</u>		<u>4,965</u>	<u>4,965</u>	<u>4,965</u>	<u>4,965</u>	<u>4,965</u>
Total Meter Equivalent Charge		\$28.18	\$30.43	\$32.86	\$35.49	\$38.33
Meter Equivalent Charge by Meter Size						
<u>Meter Size</u>	<u>Meter Ratio</u>					
5/8"	1.00	\$28.18	\$30.43	\$32.86	\$35.49	\$38.33
3/4"	1.50	\$42.27	\$45.65	\$49.29	\$53.24	\$57.50
1"	2.50	\$70.45	\$76.08	\$82.15	\$88.73	\$95.83
1-1/2"	5.00	\$140.90	\$152.15	\$164.30	\$177.45	\$191.65
2"	8.00	\$225.44	\$243.44	\$262.88	\$283.92	\$306.64
3"	15.00	\$422.70	\$456.45	\$492.90	\$532.35	\$574.95
4"	25.00	\$704.50	\$760.75	\$821.50	\$887.25	\$958.25
6"	50.00	\$1,409.00	\$1,521.50	\$1,643.00	\$1,774.50	\$1,916.50
8"	80.00	\$2,254.40	\$2,434.40	\$2,628.80	\$2,839.20	\$3,066.40
CUSTOMER SERVICE CHARGE						
Total Customer Service Charge Rev Requirement		\$894,826	\$966,384	\$1,043,723	\$1,127,207	\$1,217,376
<u>Total Number of Meters</u>		<u>3,957</u>	<u>3,957</u>	<u>3,957</u>	<u>3,957</u>	<u>3,957</u>
Total Customer Service Charge per Account		\$37.69	\$40.70	\$43.96	\$47.48	\$51.28
TOTAL BIMONTHLY METER SERVICE CHARGE [1]						
<u>Meter Size</u>	<u>Current Rates</u>					
5/8"	\$44.00	\$65.87	\$71.13	\$76.82	\$82.97	\$89.61
3/4"	\$58.41	\$79.96	\$86.35	\$93.25	\$100.72	\$108.78
1"	\$76.01	\$108.14	\$116.78	\$126.11	\$136.21	\$147.11
1-1/2"	\$137.61	\$178.59	\$192.85	\$208.26	\$224.93	\$242.93
2"	\$183.81	\$263.13	\$284.14	\$306.84	\$331.40	\$357.92
3"	\$322.41	\$460.39	\$497.15	\$536.86	\$579.83	\$626.23
4"	\$692.01	\$742.19	\$801.45	\$865.46	\$934.73	\$1,009.53
6"	\$1,033.89	\$1,446.69	\$1,562.20	\$1,686.96	\$1,821.98	\$1,967.78
8"	\$1,526.14	\$2,292.09	\$2,475.10	\$2,672.76	\$2,886.68	\$3,117.68

1 - Total Bimonthly Meter Service Charge is the sum of the "Meter Equivalent Charge" by meter size plus the "Total Customer Service Charge per Account"

3.6.3 Consumption Charge Derivation

Consumption charges are calculated based on the *Base + Extra* revenue requirements for each year derived in Table 18 divided by projected total water consumption. The projected total water consumption is based on 2022/23 usage (see Table 7) and is projected to remain the same over the next five years to be conservative. Similar to the current rate structure, the proposed Water Charge is based on a single uniform rate for all customers where all usage is billed the same rate for each unit of water consumed. One unit is equal to 1 ccf which equates to about 748 gallons. For 2024/25, the proposed Water Charge is \$10.02 per ccf.

**Table 20: Water Charge Derivation
Westborough Water District
Water and Sewer Rate Study 2024**

	PROJECTED				
	2024/25	2025/26	2026/27	2027/28	2028/29
REVENUE REQUIREMENT					
Base + Extra Revenue Requirement	\$3,217,810	\$3,475,130	\$3,753,245	\$4,053,452	\$4,377,703
WATER CHARGE DERIVATION					
Total Revenue Requirement	\$3,217,810	\$3,475,130	\$3,753,245	\$4,053,452	\$4,377,703
<u>Projected Consumption (ccf) [1]</u>	<u>321,000</u>	<u>321,000</u>	<u>321,000</u>	<u>321,000</u>	<u>321,000</u>
Water Charge per ccf	\$10.02	\$10.83	\$11.69	\$12.63	\$13.64

1 - Based on 2022/23 total consumption

3.6.4 Proposed 5-Year Schedule of Rates

Table 21 summarizes the proposed bimonthly water rates. All customers including residential, commercial, and irrigation customers are proposed to be charged according to the proposed rate schedule shown. The first rate change is proposed to take effect on July 1, 2024, with subsequent rate increases each July 1 through 2028.

**Table 21: Proposed Bimonthly Water Rates
Westborough Water District
Water and Sewer Rate Study 2024**

	Current	PROPOSED				
		2024/25	2025/26	2026/27	2027/28	2028/29
Effective Date		July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
METER SERVICE CHARGE						
<u>Meter Size</u>						
5/8"	\$44.00	\$65.87	\$71.13	\$76.82	\$82.97	\$89.61
3/4"	\$58.41	\$79.96	\$86.35	\$93.25	\$100.72	\$108.78
1"	\$76.01	\$108.14	\$116.78	\$126.11	\$136.21	\$147.11
1-1/2"	\$137.61	\$178.59	\$192.85	\$208.26	\$224.93	\$242.93
2"	\$183.81	\$263.13	\$284.14	\$306.84	\$331.40	\$357.92
3"	\$322.41	\$460.39	\$497.15	\$536.86	\$579.83	\$626.23
4"	\$692.01	\$742.19	\$801.45	\$865.46	\$934.73	\$1,009.53
6"	\$1,033.89	\$1,446.69	\$1,562.20	\$1,686.96	\$1,821.98	\$1,967.78
8"	\$1,526.14	\$2,292.09	\$2,475.10	\$2,672.76	\$2,886.68	\$3,117.68
WATER CHARGE (\$/CCF)						
All consumption per ccf	\$9.04	\$10.02	\$10.83	\$11.69	\$12.63	\$13.64

*1 ccf = one hundred cubic feet or approximately 748 gallons.

3.6.5 Water Bill Impacts

For 2024/25, the proposed 18.0% revenue adjustment in the cash flow does not directly correlate to an 18.0% increase in rates due to the cost of service reallocation. As required by Proposition 218, the study assigns costs to customers in proportion to the benefit they receive from the water system which has resulted in modifications to the Meter Service Charge. As a result, the bill impacts to customers for the first year will vary based on meter size and actual consumption. Moreover, water consumption, particularly for single family customers, typically varies due to seasonal variations in weather and/or other factors. Hence, a single customer could face a range of impacts throughout the year. Table 22 includes a sample of bill impacts for customers with 5/8" or 3/4" meters at different levels of water use.

The majority of the District's customers are single family residential customers with a 5/8" meter and averaging 10 ccf of water use per bimonthly billing cycle. Based on the proposed water rates, the average customer will see a \$31.67 bimonthly increase in 2024/25, see Table 22.

**Table 22: Sample Bimonthly Water Bill Impacts
Westborough Water District
Water and Sewer Rate Study 2024**

5/8" METER SAMPLE BILLS

	Bimonthly Use (ccf)	Current	PROPOSED				
			2024/25	2025/26	2026/27	2027/28	2028/29
5/8" Meter, 6 ccf							
Meter Service Charge		\$44.00	\$65.87	\$71.13	\$76.82	\$82.97	\$89.61
<u>Water Charge</u>	6	<u>\$54.24</u>	<u>\$60.12</u>	<u>\$64.98</u>	<u>\$70.14</u>	<u>\$75.78</u>	<u>\$81.84</u>
Total Bimonthly Water Bill		\$98.24	\$125.99	\$136.11	\$146.96	\$158.75	\$171.45
\$ Change			\$27.75	\$10.12	\$10.85	\$11.79	\$12.70
% Change			28.2%	8.0%	8.0%	8.0%	8.0%
5/8" Meter, 10 ccf							
Meter Service Charge		\$44.00	\$65.87	\$71.13	\$76.82	\$82.97	\$89.61
<u>Water Charge</u>	10	<u>\$90.40</u>	<u>\$100.20</u>	<u>\$108.30</u>	<u>\$116.90</u>	<u>\$126.30</u>	<u>\$136.40</u>
Total Bimonthly Water Bill		\$134.40	\$166.07	\$179.43	\$193.72	\$209.27	\$226.01
\$ Change			\$31.67	\$13.36	\$14.29	\$15.55	\$16.74
% Change			23.6%	8.0%	8.0%	8.0%	8.0%
5/8" Meter, 20 ccf							
Meter Service Charge		\$44.00	\$65.87	\$71.13	\$76.82	\$82.97	\$89.61
<u>Water Charge</u>	20	<u>\$180.80</u>	<u>\$200.40</u>	<u>\$216.60</u>	<u>\$233.80</u>	<u>\$252.60</u>	<u>\$272.80</u>
Total Bimonthly Water Bill		\$224.80	\$266.27	\$287.73	\$310.62	\$335.57	\$362.41
\$ Change			\$41.47	\$21.46	\$22.89	\$24.95	\$26.84
% Change			18.4%	8.1%	8.0%	8.0%	8.0%

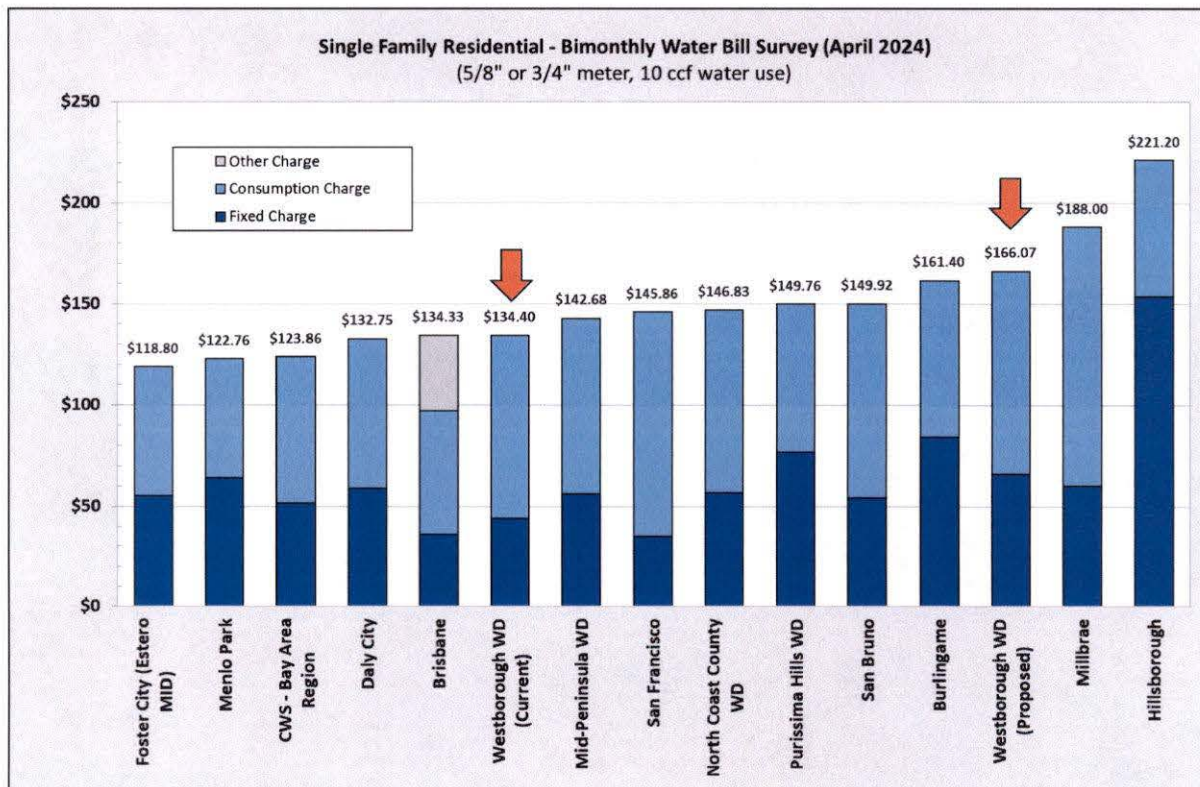
3/4" METER SAMPLE BILLS

	Bimonthly Use (ccf)	Current	PROPOSED				
			2024/25	2025/26	2026/27	2027/28	2028/29
3/4" Meter, 8 ccf							
Meter Service Charge		\$58.41	\$79.96	\$86.35	\$93.25	\$100.72	\$108.78
<u>Water Charge</u>	8	<u>\$72.32</u>	<u>\$80.16</u>	<u>\$86.64</u>	<u>\$93.52</u>	<u>\$101.04</u>	<u>\$109.12</u>
Total Bimonthly Water Bill		\$130.73	\$160.12	\$172.99	\$186.77	\$201.76	\$217.90
\$ Change			\$29.39	\$12.87	\$13.78	\$14.99	\$16.14
% Change			22.5%	8.0%	8.0%	8.0%	8.0%
3/4" Meter, 14 ccf							
Meter Service Charge		\$58.41	\$79.96	\$86.35	\$93.25	\$100.72	\$108.78
<u>Water Charge</u>	14	<u>\$126.56</u>	<u>\$140.28</u>	<u>\$151.62</u>	<u>\$163.66</u>	<u>\$176.82</u>	<u>\$190.96</u>
Total Bimonthly Water Bill		\$184.97	\$220.24	\$237.97	\$256.91	\$277.54	\$299.74
\$ Change			\$35.27	\$17.73	\$18.94	\$20.63	\$22.20
% Change			19.1%	8.1%	8.0%	8.0%	8.0%
3/4" Meter, 26 ccf							
Meter Service Charge		\$58.41	\$79.96	\$86.35	\$93.25	\$100.72	\$108.78
<u>Water Charge</u>	26	<u>\$235.04</u>	<u>\$260.52</u>	<u>\$281.58</u>	<u>\$303.94</u>	<u>\$328.38</u>	<u>\$354.64</u>
Total Bimonthly Water Bill		\$293.45	\$340.48	\$367.93	\$397.19	\$429.10	\$463.42
\$ Change			\$47.03	\$27.45	\$29.26	\$31.91	\$34.32
% Change			16.0%	8.1%	8.0%	8.0%	8.0%

3.6.6 Regional Water Bill Survey

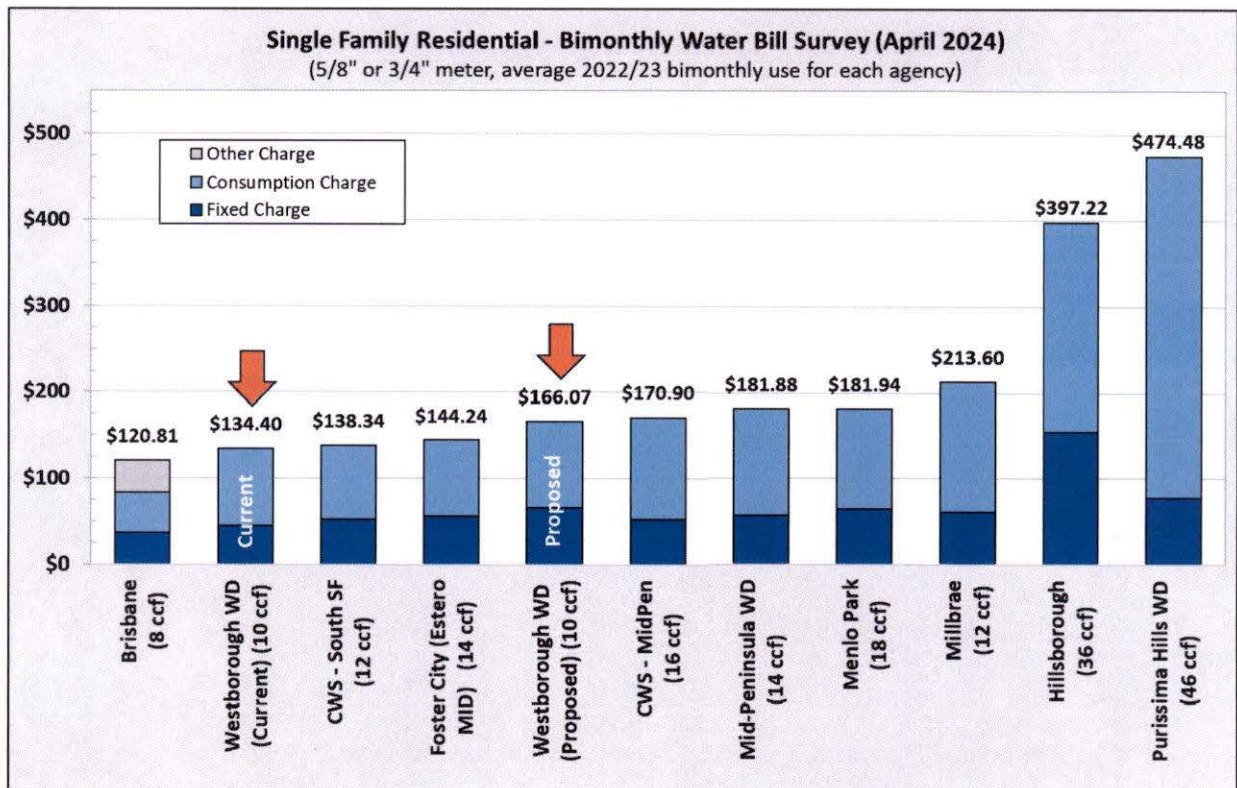
The bar graph in Figure 5 below compares the District’s current typical bimonthly residential water bill based on a 5/8” meter using 10 ccf over a 2-month period with the proposed 2024/25 bill. The District’s bill is compared with those of other local agencies. For some other agencies, the smallest meter size is 3/4”. The figure shows the smallest meter size available for each agency.

Figure 5: Single Family Residential Bimonthly Water Bill Survey (10 ccf water use)
Westborough Water District
Water and Sewer Rate Study 2024



The average bimonthly water usage for WWD customers is low compared to the average usage for other agencies within the San Francisco Regional Water System (RWS). Figure 6 compares the District’s current and proposed bimonthly water bills for the average customer with a 5/8” meter using 10 ccf of water per billing period to the bills for the average customer of other local agencies who obtain all of their water from the San Francisco RWS. The average use for each agency is based on 2022/23 water usage data from BAWSCA.

Figure 6: Single Family Residential Bimonthly Water Bill Survey
Westborough Water District
Water and Sewer Rate Study 2024



3.7 Drought Rates

WWD is proposing to adopt drought rates that would only be implemented on a temporary basis during a drought or water shortage emergency. The purpose of drought surcharges is to remain financially sustainable in the event of a future drought or water shortage emergency that results in reductions in customer water usage and associated revenue losses. During times of water shortages, a water utility has two core objectives: 1) to reduce the amount of water customers consume, and 2) to maintain an adequate amount of revenue to continue operations. The two competing objectives work against each other because as less water is sold, it becomes more difficult to maintain adequate revenue to cover an agency's costs.

Drought rates are designed to cover costs at decreased levels of consumption. Under drought conditions, the Meter Service Charge is proposed to remain the same, but the Water Charge would increase according to the cutback levels outlined in the District's existing *Water Shortage Contingency Plan*. The District recognizes that ratepayers are already doing their part to conserve. Therefore, applying the drought surcharge to only the Water Charge component gives customers the increased ability to control a portion of their water bills.

It should be noted that under drought conditions, certain expenses will decrease relative to the decrease in water use such as electricity and water purchases. However, other costs to operate the water system such as staffing remain the same. The reduction in cost during drought conditions is reflected in the drought cost allocation provided below in Table 23. Because the drought surcharges are proposed to be applied to the Water Charge only, the cost allocation below only includes *Base + Extra* expenses which are estimated at various levels of water cutback. The District's remaining expenses are recovered from the Meter Service Charge.

**Table 23: Drought Cost Allocation - Base & Extra Expenses Only
Westborough Water District
Water and Sewer Rate Study 2024**

	Normal Water Year	WATER CUT BACK SCENARIO				
		10%	20%	30%	40%	50%
Operating Expenses						
<u>Water Operating Expenses</u>						
Salaries & Benefits	\$216,000	\$216,000	\$216,000	\$216,000	\$216,000	\$216,000
Utilities (51130)	\$59,667	\$53,700	\$47,733	\$41,767	\$35,800	\$29,833
Water Purchases (51300)	\$2,021,000	\$1,818,900	\$1,616,800	\$1,414,700	\$1,212,600	\$1,010,500
Special Services (51150)	\$31,333	\$31,333	\$31,333	\$31,333	\$31,333	\$31,333
<u>Other Expenses</u>	<u>\$41,667</u>	<u>\$41,667</u>	<u>\$41,667</u>	<u>\$41,667</u>	<u>\$41,667</u>	<u>\$41,667</u>
Subtotal Water Operating Expenses	\$2,369,667	\$2,161,600	\$1,953,533	\$1,745,467	\$1,537,400	\$1,329,333
<u>General & Administrative (G&A) Operating Exp</u>						
Salaries & Benefits	\$238,367	\$238,367	\$238,367	\$238,367	\$238,367	\$238,367
Engineering Svcs. (56830)	\$13,333	\$13,333	\$13,333	\$13,333	\$13,333	\$13,333
Billing (56850)	\$0	\$0	\$0	\$0	\$0	\$0
Insurance (56870)	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000	\$19,000
<u>Other Expenses</u>	<u>\$94,067</u>	<u>\$94,067</u>	<u>\$94,067</u>	<u>\$94,067</u>	<u>\$94,067</u>	<u>\$94,067</u>
Subtotal G&A Operating Expenses	\$364,767	\$364,767	\$364,767	\$364,767	\$364,767	\$364,767
Total Operating Expenses	\$2,734,433	\$2,526,367	\$2,318,300	\$2,110,233	\$1,902,167	\$1,694,100
Non-Operating Expenses						
Capital Projects [1]	\$1,423,519	\$1,423,519	\$1,423,519	\$1,423,519	\$1,423,519	\$1,423,519
Debt Service [2]	\$178,037	\$178,037	\$178,037	\$178,037	\$178,037	\$178,037
Subtotal Non-Operating Expenses	\$1,601,557	\$1,601,557	\$1,601,557	\$1,601,557	\$1,601,557	\$1,601,557
TOTAL BASE + EXTRA WATER EXPENSES	\$4,335,990	\$4,127,923	\$3,919,857	\$3,711,790	\$3,503,723	\$3,295,657
Reduction in Cost Relative to Normal Year		-4.8%	-9.6%	-14.4%	-19.2%	-24.0%

1 - Average 5-year CIP costs
2 - Estimated

Table 24 shows the drought rate derivation for varying levels of reduction in overall consumption. To calculate the total drought rate under each cutback scenario, the *Base + Extra* revenue requirement is reduced by the estimated reduction in cost relative to a normal water year (Table 23) and divided by projected total water consumption which has been reduced by the cutback percentage.

**Table 24: Water Charge Derivation -- Drought Rates
Westborough Water District
Water and Sewer Rate Study 2024**

	PROJECTED				
	2024/25	2025/26	2026/27	2027/28	2028/29
WATER CHARGE DERIVATION - 10% Cutback					
Revenue Requirement	\$3,063,400	\$3,308,373	\$3,573,142	\$3,858,944	\$4,167,634
<u>Projected Consumption (ccf)</u>	<u>288,900</u>	<u>288,900</u>	<u>288,900</u>	<u>288,900</u>	<u>288,900</u>
Water Charge per ccf	\$10.60	\$11.45	\$12.37	\$13.36	\$14.43
WATER CHARGE DERIVATION - 20% Cutback					
Revenue Requirement	\$2,908,990	\$3,141,615	\$3,393,039	\$3,664,435	\$3,957,566
<u>Projected Consumption (ccf)</u>	<u>256,800</u>	<u>256,800</u>	<u>256,800</u>	<u>256,800</u>	<u>256,800</u>
Water Charge per ccf	\$11.33	\$12.23	\$13.21	\$14.27	\$15.41
WATER CHARGE DERIVATION - 30% Cutback					
Revenue Requirement	\$2,754,581	\$2,974,858	\$3,212,936	\$3,469,926	\$3,747,498
<u>Projected Consumption (ccf)</u>	<u>224,700</u>	<u>224,700</u>	<u>224,700</u>	<u>224,700</u>	<u>224,700</u>
Water Charge per ccf	\$12.26	\$13.24	\$14.30	\$15.44	\$16.68
WATER CHARGE DERIVATION - 40% Cutback					
Revenue Requirement	\$2,600,171	\$2,808,100	\$3,032,833	\$3,275,417	\$3,537,429
<u>Projected Consumption (ccf)</u>	<u>192,600</u>	<u>192,600</u>	<u>192,600</u>	<u>192,600</u>	<u>192,600</u>
Water Charge per ccf	\$13.50	\$14.58	\$15.75	\$17.01	\$18.37
WATER CHARGE DERIVATION - 50% Cutback					
Revenue Requirement	\$2,445,761	\$2,641,343	\$2,852,729	\$3,080,908	\$3,327,361
<u>Projected Consumption (ccf)</u>	<u>160,500</u>	<u>160,500</u>	<u>160,500</u>	<u>160,500</u>	<u>160,500</u>
Water Charge per ccf	\$15.24	\$16.46	\$17.77	\$19.20	\$20.73

Table 25 details the proposed drought surcharges for the various stages of the District’s *Water Shortage Contingency Plan*. The proposed drought surcharge is equal to the drought rate calculated in Table 24 less the proposed Water Charge for a normal water year shown in Table 21. Similar to the regular Water Charge, the drought surcharge is a uniform rate that would be charged for each ccf of water usage.

The drought surcharges shown represent the maximum rates for each stage. The actual drought surcharge will be calculated based on the actual water conservation target that must be met. The proposed drought surcharges would be charged on a temporary basis and would be phased out when the District determined that water supply conditions had returned to normal and drought-related costs and revenue reductions had been recovered.

Table 25: Proposed Drought Surcharges
Westborough Water District
Water and Sewer Rate Study 2024

		PROPOSED				
		2024/25	2025/26	2026/27	2027/28	2028/29
<i>Water Shortage Contingency Plan - Required Water Cutback Percentage</i>						
Stage 1: Up to 10%	All Usage	\$0.58	\$0.62	\$0.68	\$0.73	\$0.79
Stage 2: Up to 20%	All Usage	\$1.31	\$1.40	\$1.52	\$1.64	\$1.77
Stage 3: Up to 30%	All Usage	\$2.24	\$2.41	\$2.61	\$2.81	\$3.04
Stage 4: Up to 40%	All Usage	\$3.48	\$3.75	\$4.06	\$4.38	\$4.73
Stage 5: Up to 50%	All Usage	\$5.22	\$5.63	\$6.08	\$6.57	\$7.09

SECTION 4: SEWER RATE STUDY

The District provides sewer service to approximately 3,800 residents and commercial accounts. The District operates a sewer collection system consisting of 20 miles of sewer mains and 3 sewer pumping stations that delivers the sewage to the North San Mateo County Sanitation District (NSMCSD) for treatment. The last sewer rate increase was in 2023/24. Based on District billing records, the current average monthly residential sewer flow is 5 ccf per month, or a total of 10 ccf per bimonthly billing period. The average sewer bill is currently \$118.60 per bimonthly billing period.

4.1 Current Sewer Rates

A history of the District's bimonthly wastewater rates is provided in Table 26. All customers are charged the same rate per ccf based on their estimated sewer flow. Because sewage is not metered, sewer flow is approximated using winter consumption for the two-months of January and February when the least amount of landscape irrigation occurs. Water used for landscape irrigation does not enter the sewer system.

To calculate one's annual bill, total water consumption during January and February is multiplied by six months. The minimum charge is 12 ccf annually. The sewer service charges are billed annually through the County's property tax bill. There are 18 multi-family accounts that are billed bimonthly. The last rate adjustment in 2022/23 was 7.3% to cover increased costs from the NSMCSD.

**Table 26: History of Sewer Rates
Westborough Water District
Water and Sewer Rate Study 2024**

Fiscal Year	Total Sewer Rate per ccf*	% Annual Increase
2007/08	\$5.03	
2008/09	\$5.27	4.8%
2009/10	\$5.73	8.7%
2010/11	\$5.73	0.0%
2011/12	\$5.73	0.0%
2012/13	\$5.73	0.0%
2013/14	\$6.17	7.7%
2014/15	\$6.87	11.3%
2015/16	\$7.52	9.5%
2016/27	\$8.02	6.6%
2017/18	\$8.87	10.6%
2018/19	\$9.87	11.3%
2019/20	\$9.87	0.0%
2020/21	\$9.87	0.0%
2021/22	\$10.30	4.4%
2022/23	\$11.05	7.3%
2023/24	\$11.86	7.3%

*Based on January and February water consumption
Minimum Charge is for 12 units (ccf). 2023/24 minimum charge is \$142.32

4.2 Wastewater System Overview

4.2.1 Wastewater System

The District contracts with the City of Daly City (North San Mateo County Sanitation District) for general maintenance, emergency response, collection and treatment. The District does not physically perform any of the maintenance, repairs or treatment of the sanitary sewer system as those responsibilities are conducted by agreement through the NSMCSD.

The District has three sewer lift stations which pump sewage from the District to the NSMCSD's treatment plant. The Avalon Sewer Lift Station has two pumps and both the Westborough and Rowntree Lift Stations have three pumps at each station. The District has about 18.8 miles of gravity sanitary sewer mains and a three-quarter mile of sewer force main. The District's sanitary sewer flow averages approximately 884,722 gallons per day during wet weather compared to 782,716 gallons during dry weather.

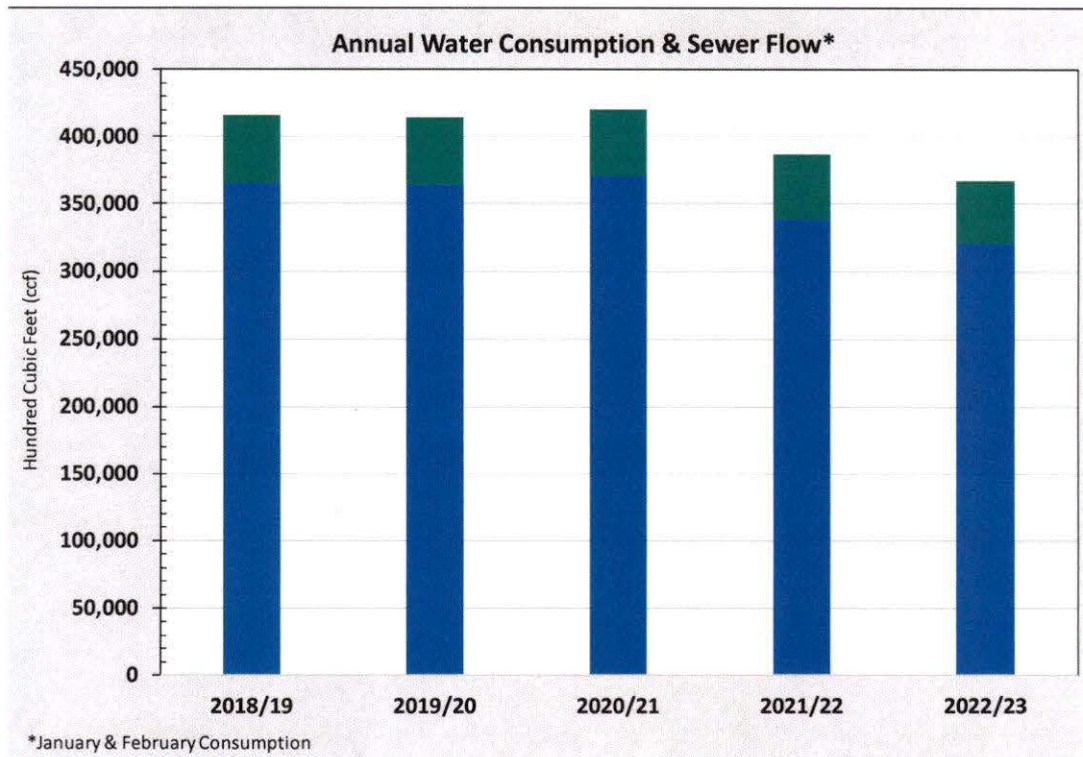
4.2.2 Sewer Customers and Flow

The District currently has 3,813 sewer customers including 18 multi-family accounts that are billed bimonthly. Table 27 includes a history of total consumption and sewer flow for the months of January and February. For 2022/23, total sewer flow was roughly 47,000 ccf, representing nearly 15.0% of total consumption. Due to conservation efforts over the past few years, flow is anticipated to remain level over the five-year rate study period.

**Table 27: Annual Sewer Flow
Westborough Water District
Water and Sewer Rate Study 2024**

Fiscal Year	Total Consumption	Sewer Flow [1] (Jan & Feb Usage)	% of Total Consumption
2018/19	365,505	50,112	13.7%
2019/20	363,719	50,811	14.0%
2020/21	370,550	50,226	13.6%
2021/22	338,638	48,278	14.3%
2022/23	320,721	47,001	14.7%

1 - January and February Consumption



4.3 Wastewater Financial Plan

4.3.1 History of Sewer Revenues & Expenses

Table 8 shows a history of sewer revenues and expenses for the past four fiscal years as well as the projected revenues and expenses for 2023/24. Historically, the District has not allocated any G&A revenues to the Sewer Fund while only a minimal amount of G&A expenses has been assigned to the Sewer Fund.

**Table 28: History of Sewer Revenues & Expenses
Westborough Water District
Water and Sewer Rate Study 2024**

	2019-2020 Actual	2020-2021 Actual	2021-2022 Actual	2022-2023 TY Projected	2023-2024 Budget
SEWER REVENUES					
Sewer Service Fees (42351)	\$2,977,362	\$2,971,700	\$3,099,878	\$3,278,833	\$3,284,888
<i>Annual % Change</i>		-0.2%	4.3%	5.8%	0.2%
Non-Operating Revenues [1]					
Misc. Operations (42345)	\$0	\$0	\$0	\$0	\$0
Interest (49210)	\$0	\$0	\$0	\$0	\$0
Taxes & Assessments (49300)	\$0	\$0	\$0	\$0	\$0
Other Income (49700)	\$0	\$0	\$0	\$0	\$0
Rental Income (49910)	\$0	\$0	\$0	\$0	\$0
Cap Facilities Income (49800)	\$0	\$0	\$0	\$0	\$0
<u>Capital Facility Expense (56885)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal Non-Operating Revenues	\$0	\$0	\$0	\$0	\$0
<i>Annual % Change</i>		-	-	-	-
Total Sewer Revenues	\$2,977,362	\$2,971,700	\$3,099,878	\$3,278,833	\$3,284,888
<i>Annual % Change</i>		-0.2%	4.3%	5.8%	0.2%
SEWER EXPENSES					
Operating Expenses					
Treatment & Disposal (57310)	\$2,306,435	\$2,372,264	\$2,442,977	\$2,466,087	\$2,715,565
Utilities (57320)	\$98,129	\$89,760	\$99,978	\$117,980	\$137,600
Repair of Pipelines (57340)	\$0	\$0	\$0	\$0	\$5,000
Repair of Pumps (57350)	\$14,427	\$12,147	\$52,740	\$21,751	\$20,000
<u>Misc. Sewer Expenses (57390)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$26,550</u>	<u>\$55,780</u>	<u>\$46,861</u>
Total Sewer Operating Expense	\$2,418,991	\$2,474,171	\$2,622,245	\$2,661,597	\$2,925,026
<i>Annual % Change</i>		2.3%	6.0%	1.5%	9.9%
Total G & A Operating Expenses [1]	\$0	\$4,149	\$7,715	\$500	\$0
<i>Annual % Change</i>		-	85.9%	-93.5%	-100.0%
Capital Projects [2]	\$101,405	\$2,278	\$16,180	\$200,000	\$313,000
<i>Annual % Change</i>		-97.8%	610.3%	1136.1%	56.5%
Total Sewer Operating Expenses	\$2,520,396	\$2,480,598	\$2,646,140	\$2,862,097	\$3,238,026
<i>Annual % Change</i>		-1.6%	6.7%	8.2%	13.1%
Net Operating Income (Loss)	\$456,966	\$491,102	\$453,738	\$416,736	\$46,862

1 - Annual Financial Report For the Fiscal Years Ended June 30, 2023 (draft), 2022 and 2021

2 - Per January 26, 2024 email

4.3.2 Sewer Reserves

The District has historically combined the water and sewer finances into one fund. As of July 1, 2023, the total reserve fund balance for the District was approximately \$3.3 million. Based on recommendation from the District’s accountant, the District will begin separating the Water and Sewer Funds beginning in 2024/25. Because the Water Fund has minimal reserves, it is proposed that the Sewer Fund loan the Water Fund \$800,000 to be repaid over 8 years to mitigate rate impacts. The resulting beginning fund balance for the Sewer Fund is about \$2.3 million for the purposes of this study.

**Table 29: Sewer Fund Reserves
Westborough Water District
Water and Sewer Rate Study 2024**

	Sewer Fund
Beginning Reserves as of July 1, 2023	\$2,347,102

Adequate fund reserves protect the District when faced with unforeseen financial challenges such as emergency expenses or revenue deficits. Fund reserves allow the District to maintain its financial health and positive credit ratings, especially during emergencies. Moreover, funding can be drawn from reserves to supplement rate revenues lost during drought conditions or other unexpected situations. It is acceptable if reserves dip below the target on a temporary basis, provided the District takes action to attain the target over the longer run.

The recommended reserve fund targets are as follows:

- o Operating Reserve: The proposed minimum fund balance target is equal to 25% of annual operating expenses. This is in line with industry standards that recommend an operating reserve target of at least 25% of annual expenses to account for the time (at least 4 months) that it would take an agency to approve new rate increases and to comply with Proposition 218.
- o Capital Reserve: The proposed minimum fund balance target is equal to 50% of annual depreciation. For 2023, total depreciation for both the Water and Sewer Funds was \$365,000. Split evenly, the 2024/25 capital reserve target for each fund is \$182,500. This target can be adjusted based on each system’s actual depreciation once provided by the auditor.

4.3.3 Sewer Revenues

The Sewer Fund's primary source of revenues are *Sewer Service Fees* and *Interest*. Table 30: Total Estimated Sewer Charge Revenues includes a summary of estimated sewer charge revenues for 2022/23 based on the District's billing data records. The District collected approximately \$3.1 million in total sewer rate revenues in 2022/23. The majority of revenues, or about 92%, are collected from the property tax roll. Total budgeted Sewer Service Charge revenues for 2023/24 are \$3.2 million.

**Table 30: Total Estimated Sewer Charge Revenues
Westborough Water District
Water and Sewer Rate Study 2024**

FY 2022/23 ESTIMATED SEWER CHARGE REVENUES				
Customer Class	Sewer Charge (\$/ccf)	Jan/Feb Consumption (ccf)	Sewer Charge Revenue (\$)	% of Total
Property Tax Roll	\$11.05	43,359	\$2,874,679	92.3%
<u>Multi-Family Billed Bimonthly</u>	\$11.05	<u>3,642</u>	<u>\$241,487</u>	<u>7.7%</u>
Total		47,001	\$3,116,166	100.0%

4.3.4 Sewer G&A Revenues

In the past, all G&A revenues have been assigned to the Water Fund. Beginning in 2024/25, 30.0% of *Misc. Operations (42345)* and *Taxes & Assessments (49300)* will be allocated to the Sewer Fund for a total of \$215,000. Revenues are projected to increase by 3.0% each year.

4.3.5 Sewer Treatment Costs

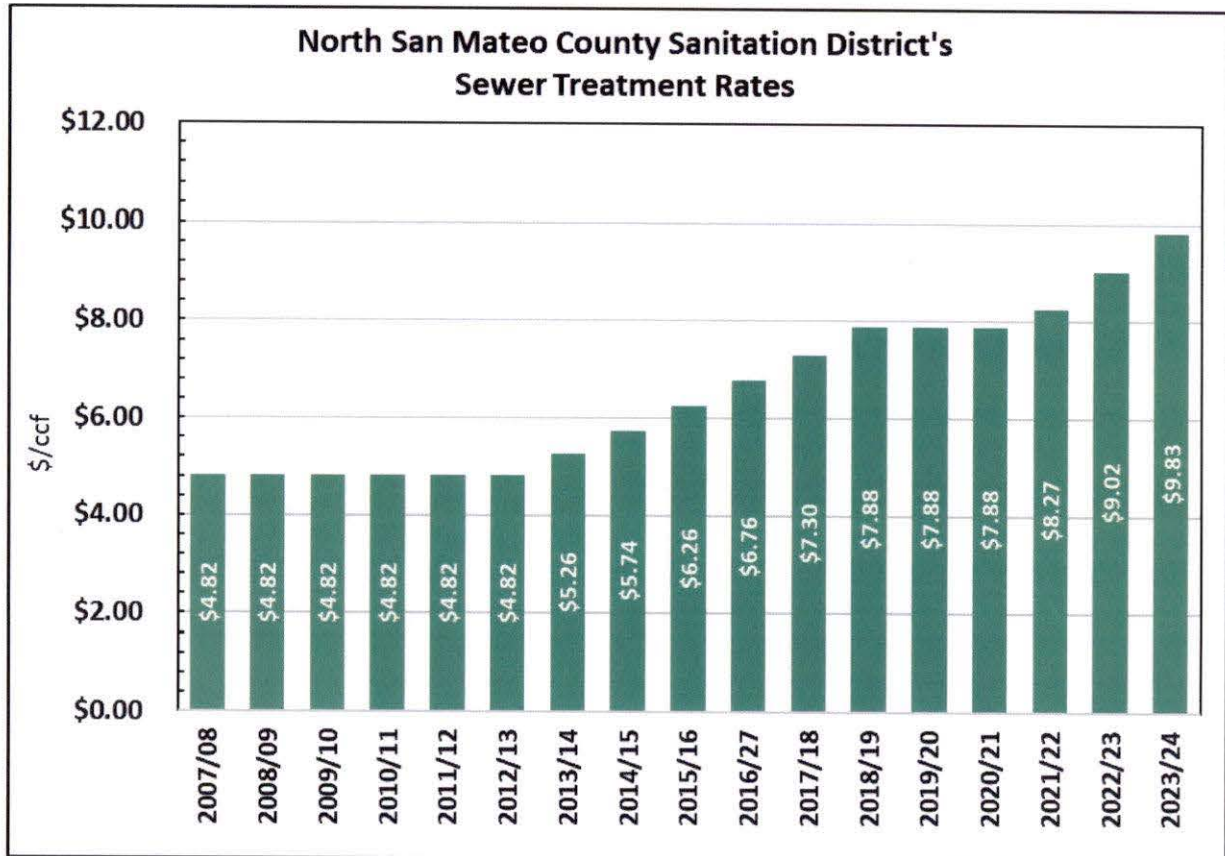
Table 31 shows a history of sewer treatment costs which are the largest expense for the Sewer Fund. For the past 2 years, NSMCSD has increased its rate by 9.0%. The City of Daly City is currently in the process of conducting a sewer rate study but has not provided projections for future rate increases. For this study, treatment costs are estimated to increase by 10.0% each year.

**Table 31: Sewer Treatment Costs
Westborough Water District
Water and Sewer Rate Study 2024**

	Actual				Projected
	2019/20	2020/21	2021/22	2022/23	2023/24
Est. Annual Sewer Flow (ccf)	292,695	301,049	295,402	273,402	276,253
<i>Annual % Increase</i>		2.9%	-1.9%	-7.4%	1.0%
NSMCSD Sewer Rate	\$7.88	\$7.88	\$8.27	\$9.02	\$9.83
<i>Annual % Increase</i>		0.0%	4.9%	9.1%	9.0%
Total Treatment Costs	\$2,306,435	\$2,372,264	\$2,442,977	\$2,466,087	\$2,715,565
<i>Annual % Increase</i>		2.9%	3.0%	0.9%	10.1%

Figure 7 shows a history of treatment processing rates set by the NSMCSD. Since 2007/08, the cost for treatment has more than doubled from \$4.82 per ccf to \$9.83 per ccf for 2023/24.

Figure 7: History of NSMCSD Treatment Processing Rates
 Westborough Water District
 Water and Sewer Rate Study 2024



4.3.6 Sewer Operating Expenses

Table 12 includes a projection of future sewer operating expenses over the next five years through 2028/29. Sewer treatment and utilities are estimated to increase by 10.0% each year. All other expenses are projected to increase by 3.0% annually. Overall, based on the escalation factors shown, total sewer operating expenses are projected to increase by approximately 10.0% each year.

As shown on the bottom half of Table 12, treatment expenses account for 93.0% of total sewer operating expenditures. Treatment expenses are determined by the NSMCSD. Therefore, the District has no control over these costs.

**Table 32: Projected Sewer Operating Expenses
Westborough Water District
Water and Sewer Rate Study 2024**

	Budget 2023/24	Escalation Factor	PROJECTED				
			2024/25	2025/26	2026/27	2027/28	2028/29
Sewer Operating Expenses							
Treatment & Disposal (57310)	\$2,715,565	10.0%	\$2,987,000	\$3,286,000	\$3,615,000	\$3,977,000	\$4,375,000
Utilities (57320)	\$137,600	10.0%	\$151,000	\$166,000	\$183,000	\$201,000	\$221,000
Repair of Pipelines (57340)	\$5,000	3.0%	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Repair of Pumps (57350)	\$20,000	3.0%	\$21,000	\$22,000	\$23,000	\$24,000	\$25,000
Misc. Sewer Expenses (57390)	<u>\$46,861</u>	3.0%	<u>\$48,000</u>	<u>\$49,000</u>	<u>\$50,000</u>	<u>\$52,000</u>	<u>\$54,000</u>
Total Sewer Operating Expenses	\$2,925,026		\$3,212,000	\$3,528,000	\$3,876,000	\$4,259,000	\$4,680,000
<i>Annual % Change</i>			<i>9.8%</i>	<i>9.8%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>
Percent of Total							
Treatment & Disposal (57310)	92.8%		93.0%	93.1%	93.3%	93.4%	93.5%
Utilities (57320)	4.7%		4.7%	4.7%	4.7%	4.7%	4.7%
Repair of Pipelines (57340)	0.2%		0.2%	0.1%	0.1%	0.1%	0.1%
Repair of Pumps (57350)	0.7%		0.7%	0.6%	0.6%	0.6%	0.5%
Misc. Sewer Expenses (57390)	<u>1.6%</u>		<u>1.5%</u>	<u>1.4%</u>	<u>1.3%</u>	<u>1.2%</u>	<u>1.2%</u>
Total Sewer Operating Expenses	100.0%		100.0%	100.0%	100.0%	100.0%	100.0%

4.3.7 Sewer G&A Expenses

Table 33 includes a projection of future G&A expenses assigned to the Sewer Fund. Beginning in 2024/25, approximately 17.0% of total G&A expenses are allocated to sewer. On average, G&A expenses are projected to increase nearly 5.0% each year.

**Table 33: G&A Expenses Allocated to Sewer
Westborough Water District
Water and Sewer Rate Study 2024**

	Budget 2023/24	PROJECTED				
		2024/25	2025/26	2026/27	2027/28	2028/29
Sewer G&A Expenses						
Salaries & Benefits	\$0	\$130,000	\$138,000	\$146,000	\$155,000	\$165,000
Engineering Svs. (56830)	\$0	\$17,000	\$18,000	\$19,000	\$20,000	\$21,000
Billing (56850)	\$0	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Insurance (56870)	\$0	\$24,000	\$25,000	\$26,000	\$27,000	\$28,000
Miscellaneous (56890)	\$0	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Banking and Cr.Card Fees (56875)	\$0	\$0	\$0	\$0	\$0	\$0
<u>Other Expenses</u>	<u>\$0</u>	<u>\$36,000</u>	<u>\$36,000</u>	<u>\$36,000</u>	<u>\$36,000</u>	<u>\$36,000</u>
Total Sewer G&A Expenses	\$0	\$230,000	\$240,000	\$250,000	\$261,000	\$273,000
<i>Annual % Change</i>		-	4.3%	4.2%	4.4%	4.6%

4.3.8 Sewer Capital Improvement Plan & Debt Assumptions

Beginning in 2024/25, the District will spend \$1 million each year on capital projects to repair and upgrade the aging sewer system. To fund these projects, the District will borrow 50% (\$500,000) of the annual CIP beginning in 2025/26 with a bank loan or line of credit (LOC). The plan is to debt-fund half or 50% of the annual sewer CIP for 5 years beginning in 2025/26 through 2029/30. Total anticipated debt funding is \$2.5 million through 2029/30. After 5 years, the goal is to cash fund capital projects each year. Table 34 summarizes the debt assumptions. Based on a loan amount of \$500,000 at an interest rate of 7.0% with a 15-year payback term, annual debt service is \$55,000.

**Table 34: Sewer Debt Estimates
Westborough Water District
Water and Sewer Rate Study 2024**

	\$1M Annual Sewer CIP
Total Annual CIP Total Sewer Annual CIP	\$1,000,000
Debt Funded Portion Sewer Annual CIP - Debt Funded	50% \$500,000
Loan Terms (Estimated) Loan Amount Term (years) Interest Rate	\$500,000 15 7.0%
Annual Loan Payment	\$55,000
Reserve Fund Requirement Equal to Annual Debt Service	\$55,000

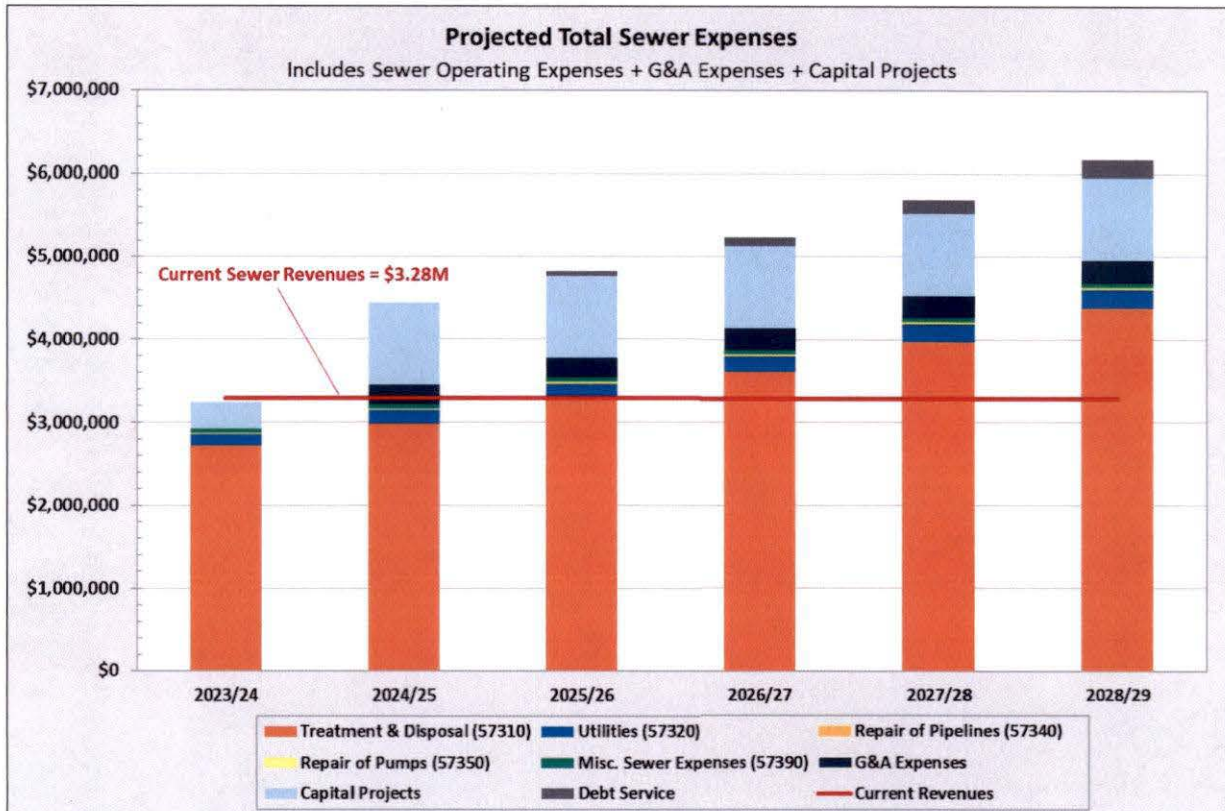
Debt Service Coverage

A chief covenant for the District to secure State loans/grants or revenue bonds/Certificates of Participation (COPs) is to maintain a specific debt service coverage ratio. A debt service coverage ratio is a financial measure of an agency’s ability to repay outstanding debt. The ratio requires that annual water net revenues (gross revenues less operating and maintenance expenses) must be at least 1.25 times the combined annual debt service payments on all parity obligations. Failure to meet the debt service coverage ratio on an annual basis is considered to be technical default. Thus, rates and fees must be set to meet this legal requirement. Moreover, failing to meet debt service coverage may hinder the District’s ability to qualify for future debt funding.

4.3.9 Total Sewer Expenses

Figure 4 graphically shows the Sewer Fund’s projected total expenses including operating expenses, G&A expenses, estimated debt service, and capital projects. As shown in the chart, expenses would exceed revenues beginning in 2024/25 absent a rate increase.

Figure 8: Projected Total Sewer Expenses
Westborough Water District
Water and Sewer Rate Study 2024



4.3.10 Sewer Cash Flow Objectives

Over the five-year rate study period, the proposed sewer rate increases are needed to meet the following objectives. These goals are indicators of the overall fiscal health of the Sewer Fund:

4. Meet debt service coverage ratio (1.25x)
 - a. A standard financial measure of an agency’s ability to repay outstanding debt
 - b. Annual net revenues (gross revenues less operating and maintenance expenses) must be at least 1.25 times the combined annual debt service payments on all parity obligations
5. Revenues cover expenses (Positive net revenues)
 - a. To ensure that the Sewer Fund is covering its cost of service (operating and capital expenses)
 - b. To avoid an operating deficit and dipping into reserves
6. Meet proposed Sewer Fund reserve targets by 2028/29

- a. Operating: 25% of annual O&M costs
- b. Capital: Annual depreciation (\$182,500 for 2023/24)
- c. Debt Service: Total debt service for one year

4.3.11 Sewer Cash Flow

As shown on the cash flow Table 35, the recommended revenue adjustments are 10.0% each year for the next five years. These increases are necessary to pay for sewer operating expenses and perform critical infrastructure repairs. The first rate increase will go into effect on July 1 of each year beginning in 2024 through 2028. As of July 1, 2023, beginning Sewer Fund reserves total \$2,347,102. The projections are based on the 2023/24 budget and include the following assumptions:

Revenues

- Beginning in 2024/25, Misc. Operations (42345) revenues are split 70.0% for water and 30.0% for sewer.
- Misc. Operations (42345), Taxes & Assessments (49300), and Other Income (49700) are increased by 3.0% each year.
- Interest (49210) is projected at 2.0% per year.
- Cap Facilities Income (49800) are not anticipated over the next 5 years.
- Assumes no growth or any major changes in the customer base.
- Winter flow (Jan/Feb consumption) is based on 2022/23 flow and is not anticipated to increase over the next 5 years.
- Beginning in 2024/25, the Water Fund will pay the Sewer Fund \$100,000 each year over 8 years through 2031/32 to repay the \$800,000 interfund loan.

Expenses

- Salaries & Benefits are increased by 6.0% each year.
- Utilities are increased by 10.0% each year.
- Treatment & Disposal (57310) is escalated by 10.0% each year. The projections will be updated once the District receives estimates from the (NSMSD).
- All other expenses increased by 3.0% each year.
- Beginning in 2024/25, 30% of the General Manager's salary and benefits is allocated to the Sewer Fund.
- Beginning in 2024/25, unless the expense is 100% allocated to water, all other G&A Operating Expenses are split 70% to water and 30% to sewer.

**Table 35: Sewer Cash Flow Projection
Westborough Water District
Water and Sewer Rate Study 2024**

	Budget 2023/24	Projected				
		2024/25	2025/26	2026/27	2027/28	2028/29
1						
2	Revenue Adjustment		10.0%	10.0%	10.0%	10.0%
3	Rate Increase Effective		July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
4						
5	BEGINNING FUND BALANCE	\$2,347,102	\$2,393,964	\$1,928,064	\$1,939,064	\$1,940,064
6						
7	REVENUES					
8	Operating Revenues [1]					
9	Sewer Service Fees (42351)	3,284,888	3,613,000	3,974,000	4,371,000	4,808,000
10	Misc. Operations (42345)	0	6,000	6,000	6,000	6,000
11	Interest (49210)	0	48,000	39,000	39,000	39,000
12	Taxes & Assessments (49300)	0	209,100	215,000	221,000	228,000
13	Other Income (49700)	0	0	0	0	0
14	Rental Income (49910)	0	0	0	0	0
15	Cap Facilities Income (49800)	0	0	0	0	0
16	Capital Facility Expense (56885)	0	0	0	0	0
17	<u>Interfund Loan Repayment</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
18	Subtotal Operating Revenues	3,284,888	3,976,100	4,334,000	4,737,000	5,181,000
19						
20	Debt Proceeds	0	0	500,000	500,000	500,000
21						
22	Total Revenues	3,284,888	3,976,100	4,834,000	5,237,000	5,681,000
23						
24	EXPENSES					
25	Sewer Operating Expenses					
26	Treatment & Disposal (57310)	2,715,565	2,987,000	3,286,000	3,615,000	3,977,000
27	Utilities (57320)	137,600	151,000	166,000	183,000	201,000
28	Repair of Pipelines (57340)	5,000	5,000	5,000	5,000	5,000
29	Repair of Pumps (57350)	20,000	21,000	22,000	23,000	24,000
30	<u>Misc. Sewer Expenses (57390)</u>	<u>46,861</u>	<u>48,000</u>	<u>49,000</u>	<u>50,000</u>	<u>54,000</u>
31	Subtotal Sewer Operating Expenses	2,925,026	3,212,000	3,528,000	3,876,000	4,259,000
32						
33	General & Administrative (G&A) Expenses [2]					
34	Salaries & Benefits	0	130,000	138,000	146,000	155,000
35	Engineering Svs. (56830)	0	17,000	18,000	19,000	20,000
36	Billing (56850)	0	9,000	9,000	9,000	9,000
37	Insurance (56870)	0	24,000	25,000	26,000	27,000
38	Miscellaneous (56890)	0	14,000	14,000	14,000	14,000
39	Banking and Cr.Card Fees (56875)	0	0	0	0	0
40	<u>Other Expenses</u>	<u>0</u>	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
41	Subtotal G&A Operating Expenses	0	230,000	240,000	250,000	273,000
42						
43	Total Operating Expenses	2,925,026	3,442,000	3,768,000	4,126,000	4,532,000
44						
45	Net Operating Revenues	359,862	534,100	566,000	611,000	716,000
46						
47	Non-Operating Expenses					
48	Sewer Capital Projects	313,000	1,000,000	1,000,000	1,000,000	1,000,000
49	<u>Debt Service</u>	<u>0</u>	<u>0</u>	<u>55,000</u>	<u>110,000</u>	<u>165,000</u>
50	Subtotal Non-Operating Expenses	313,000	1,000,000	1,055,000	1,110,000	1,165,000
51						
52	Total Expenses	3,238,026	4,442,000	4,823,000	5,236,000	5,697,000
53						
54	NET REVENUES	46,862	(465,900)	11,000	1,000	(4,000)
55						
56	ENDING FUND BALANCE	2,393,964	1,928,064	1,939,064	1,940,064	1,936,064
57						

	Budget	Projected				
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
58	RESERVE FUNDS					
59	Proposed Operating Reserve Target (25% of					
60	731,256	860,500	942,000	1,031,500	1,130,000	1,238,250
61	Proposed Capital Reserve Target (50% of					
	<u>182,500</u>	<u>182,500</u>	<u>182,500</u>	<u>182,500</u>	<u>182,500</u>	<u>182,500</u>
62	Total Sewer Reserve Fund Target					
63	913,756	1,043,000	1,124,500	1,214,000	1,312,500	1,420,750
64	Target Met					
	yes	yes	yes	yes	yes	yes
65	DEBT SERVICE COVERAGE					
66	Debt Service Coverage Target - 1.25x [3]					
67	-	-	10.29	5.55	4.01	3.25
	Target Met?					
	-	-	yes	yes	yes	yes

1 - Interest is estimated at 2% of fund balance. All Other Revenues escalated by 3%. Beginning in 2024/25, Misc Operations and Taxes & Assessments are allocated 70% to water and 30% to sewer.

2 - Beginning in 2024/25, 30% of the General Manager's salary & expenses is allocated to the Sewer Fund. Unless designated 100% to water, most G&A expenses are split 70% to water and 30% to sewer.

3 - Net Operating Revenues / Debt Service

4.4 Sewer Rate Calculation

The revenue requirement detailed on the cash flow projection determines the amount of revenue to be recovered from sewer rates. Table 36 calculates the proposed sewer rates for the next five years. The *Sewer Service Fees* (total annual revenue requirement) from the cash flow (line 2, Table 35) for each year is divided by the *Projected Flow* and then divided by 6 months to derive a bimonthly *Sewer Rate per ccf*. Projected flow is 47,000 ccf based on 2022/23 consumption and is not projected to increase over the next few years. The proposed 2024/25 sewer rate for all customers is \$12.81 per ccf, representing a \$0.95 (or 8.0%) increase from the current sewer rate of \$11.86.

The rates have been calculated to increase total *Sewer Service Fee* revenues by 10.0% each year. However, for 2024/25, the proposed revenue adjustments in the cash flow do not directly correlate to the same increase in rates because the rates have been updated with current flow data. As shown on Table 27, total consumption and sewer flow has decreased in recent years due to conservation. The proposed sewer rates reflect the current cost of service for each customer as required by Proposition 218.

**Table 36: Sewer Rate Calculation
Westborough Water District
Water and Sewer Rate Study 2024**

	PROJECTED				
	2024/25	2025/26	2026/27	2027/28	2028/29
Total Revenue Requirement [1]	\$3,613,000	\$3,974,000	\$4,371,000	\$4,808,000	\$5,289,000
Projected Jan/Feb Flow	47,000	47,000	47,000	47,000	47,000
Sewer Rate per ccf	\$12.81	\$14.09	\$15.50	\$17.05	\$18.76

4.4.1 Proposed Sewer Rates

Table 37 shows the proposed sewer rates for the next five years beginning July 1, 2024 through July 1, 2028. The sewer service charges are billed annually through the County's property tax bill.

**Table 37: Proposed Sewer Rates
Westborough Water District
Water and Sewer Rate Study 2024**

	Current	PROPOSED				
		2024/25	2025/26	2026/27	2027/28	2028/29
Effective Date		July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
Sewer Rate per ccf*	\$11.86	\$12.81	\$14.09	\$15.50	\$17.05	\$18.76
Percent Change		8.0%	10.0%	10.0%	10.0%	10.0%

* 1 ccf = one hundred cubic feet or 748 gallons. Based on January and February consumption.

4.4.2 Sewer Bill Impacts

Sample bill impacts are included on Table 38. The average single family customer uses 10 ccf every two months. Actual bill impacts will vary based on winter consumption.

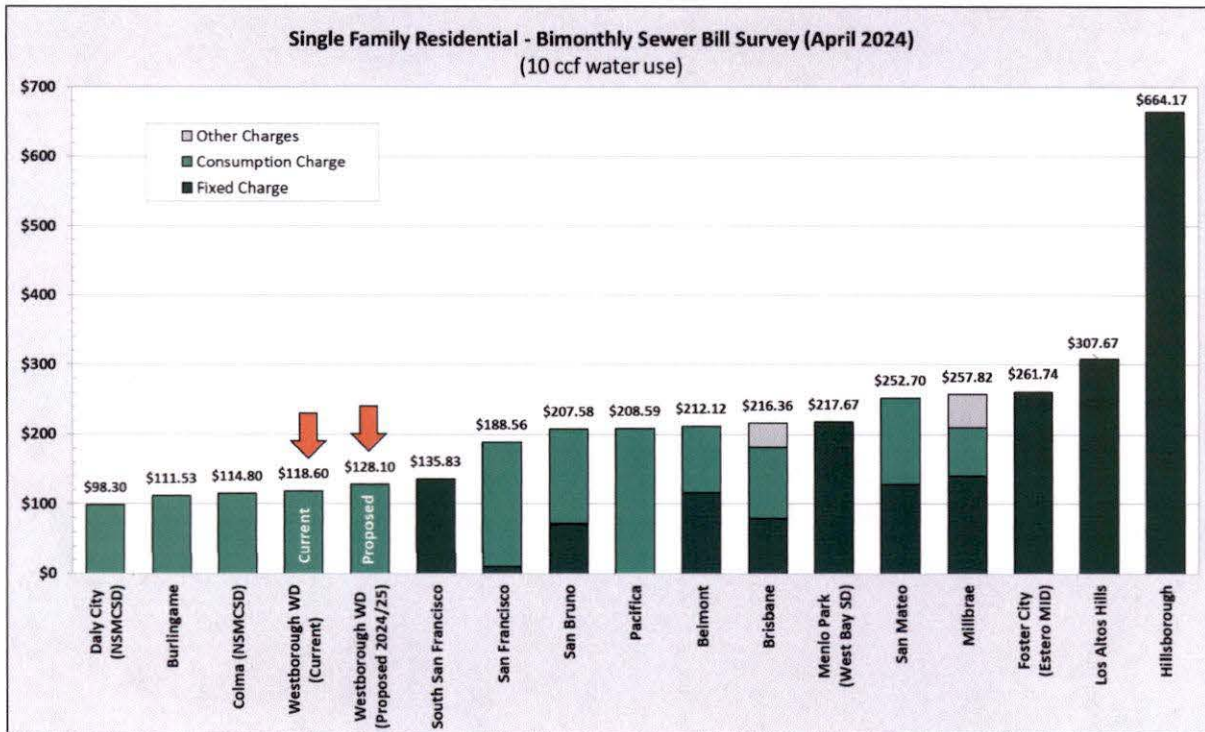
**Table 38: Sample Bimonthly Sewer Bills
Westborough Water District
Water and Sewer Rate Study 2024**

	Current	PROJECTED				
		2024/25	2025/26	2026/27	2027/28	2028/29
2 CCF BIMONTHLY (MINIMUM CHARGE)						
Sewer Rate per ccf	\$11.86	\$12.81	\$14.09	\$15.50	\$17.05	\$18.76
Bimonthly Flow (ccf)	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total Bimonthly Sewer Bill	\$23.72	\$25.62	\$28.18	\$31.00	\$34.10	\$37.52
Increase to Bimonthly Bill		\$1.90	\$2.56	\$2.82	\$3.10	\$3.42
10 CCF BIMONTHLY (AVERAGE CUSTOMER)						
Sewer Rate per ccf	\$11.86	\$12.81	\$14.09	\$15.50	\$17.05	\$18.76
Bimonthly Flow (ccf)	<u>10</u>	<u>10</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
Total Bimonthly Sewer Bill	\$118.60	\$128.10	\$169.08	\$186.00	\$204.60	\$225.12
Increase to Bimonthly Bill		\$9.50	\$40.98	\$16.92	\$18.60	\$20.52
20 CCF BIMONTHLY						
Sewer Rate per ccf	\$11.86	\$12.81	\$14.09	\$15.50	\$17.05	\$18.76
Bimonthly Flow (ccf)	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
Total Bimonthly Sewer Bill	\$237.20	\$256.20	\$281.80	\$310.00	\$341.00	\$375.20
Increase to Bimonthly Bill		\$19.00	\$25.60	\$28.20	\$31.00	\$34.20

4.4.3 Regional Sewer Bill Survey

Figure 9 compares the District’s current typical bimonthly residential sewer bill using 10 ccf over a 2-month period with those of surrounding agencies. It should be noted that many of the agencies shown on the chart will likely also be increasing their sewer rates over the next few years.

**Figure 9: Regional Sewer Bill Survey
Westborough Water District
Water and Sewer Rate Study 2024**



APPENDIX

**List of G&A Expenses Allocated to Water and Sewer
Westborough Water District
Water and Sewer Rate Study 2024**

	Expense Category	Allocation to Water	Allocation to Sewer	Notes
1	Salaries (56110) General Manager Plus Car Allowance Office Supervisor Operations Assistant Cost of living Incentive awards/Merit Increase Sick Leave - Buy Out	66.7% 66.7% 100.0% 100.0% 100.0% 100.0% 100.0%	33.3% 33.3% 0.0% 0.0% 0.0% 0.0%	1/3 of the General Manager's share is allocated to sewer 1/3 of the General Manager's share is allocated to sewer
2	Salaries Temp (56112) Temporary Office Employees	100.0%	0.0%	
3	Salaries Overtime (56113) Overtime	100.0%	0.0%	
4	Employee Benefits (56400) Medical Delta Dental Vision Employee Life Ins. Directors Life Ins. Retiree Medical	100.0% 100.0% 100.0% 100.0% 100.0% 100.0%	0.0% 0.0% 0.0% 0.0% 0.0%	1/3 of the General Manager's share is allocated to sewer 1/3 of the General Manager's share is allocated to sewer 1/3 of the General Manager's share is allocated to sewer 1/3 of the General Manager's share is allocated to sewer
5	Employee OPEB Benefits (56450) Pre-Funding Retiree Health Benefits Less Retiree Medical Payments Made	100.0% 100.0%	0.0% 0.0%	1/3 of the General Manager's share is allocated to sewer 1/3 of the General Manager's share is allocated to sewer
6	Employee CalPERS Benefits (56115) Retirement - Classic @ 11.34% Retirement - PEPRA @ 7.59% CalPERS - UAL	66.7% 100.0% 100.0%	33.3% 0.0% 0.0%	
7	Payroll Tax (56410) FICA @ 7.65% Directors @ 7.65% SUI / \$7,000 cap @ 1.6% x 3 employees SUI / \$7,000 cap @ 1.6% x 5 directors	100.0% 100.0% 100.0% 100.0%	0.0% 0.0% 0.0% 0.0%	1/3 of the General Manager's share is allocated to sewer 1/3 of the General Manager's share is allocated to sewer
8	Employee OPEB Benefits (56450) Pre-Funding Retiree Health Benefits Less Retiree Medical Payments Made	100.0% 100.0%	0.0% 0.0%	1/3 of the General Manager's share is allocated to sewer 1/3 of the General Manager's share is allocated to sewer
9	Office Supplies (56210) Copier Maintenance Agreement Printer Toners Postage Meter Rental Postage for Meter Office Supplies Year-end Forms P.O. Box Fee Payroll and Vendor Checks Miscellaneous Supplies	70.0% 70.0% 70.0% 70.0% 70.0% 70.0% 70.0% 70.0% 70.0%	30.0% 30.0% 30.0% 30.0% 30.0% 30.0% 30.0% 30.0%	
10	Memberships (56230) BAWSCA Assessment SSF Chamber of Commerce A.C.W.A. Costco SMC CSD Miscellaneous	100.0% 70.0% 100.0% 70.0% 70.0% 70.0%	0.0% 30.0% 0.0% 30.0% 30.0% 30.0%	

	Expense Category	Allocation to Water	Allocation to Sewer	Notes
11	Travel and Education (56250) ACWA Spring and Fall Conferences - Registration ACWA Spring and Fall Conferences - Housing Region 5 x 4 /accomodation, meals State Legislator Conf (Sacramento) Staff Attendance to Training Conferences Staff Continuing Ed & Seminars CSDA Meetings Miscellaneous	100.0% 100.0% 70.0% 70.0% 70.0% 70.0% 70.0%	0.0% 0.0% 30.0% 30.0% 30.0% 30.0% 30.0%	
12	Utilities (56280) PG&E - Main Office - Gas Meter	70.0%	30.0%	
13	Telephone/Internet (56290) Comcast - Phone and Internet	70.0%	30.0%	
14	Water Conservation (56500) Water Conservation Items Toilet/Washing Rebate Program	70.0% 70.0%	30.0% 30.0%	
15	Buildings and Grounds Maint (56700) Alarm Monitoring - Skyline (2) & Office: Burglar and Fire Alarm Maintenance SSF Scavenger Porta-Potty - Skyline Tank Site Fire Extinguishers Annual Maint. Skyline Tank Site Gate Maint. Supplies/Equipment Maintenance Miscellaneous	70.0% 70.0% 70.0% 100.0% 70.0% 100.0% 70.0%	30.0% 30.0% 30.0% 0.0% 30.0% 0.0% 30.0%	
16	Parking Rentals (56750) Colina Parking - 3 ea @ \$160 x 12 months	70.0%	30.0%	
17	Directors' Fees (56810) ACWA Spring ACWA Fall Regular Meetings Committee Mtgs. Special Meetings SMC CSD Region 5 mtg Suburban Tour	100.0% 100.0% 70.0% 70.0% 70.0% 70.0% 100.0% 100.0%	0.0% 0.0% 30.0% 30.0% 30.0% 30.0% 0.0% 0.0%	
18	Engineering Services (56830) Misc. Engineering Projects	70.0%	30.0%	
19	Accountant Services (56840) Accountant Auditor Misc. CWS (Programming) OPEB Actuarial (Only GASB75)	100.0% 100.0% 70.0% 70.0%	0.0% 0.0% 30.0% 30.0%	Sewer's share already included in the sewer budget Sewer's share already included in the sewer budget
20	Legal Services (56841) Retainer (1/2 Water) Misc.	100.0% 70.0%	0.0% 30.0%	Sewer's share already included in the sewer budget
21	Billing (56850) Billing Forms and Envelopes Postage for Bills Stuffing and Mailing Bills (6 x \$630) Reminder Notices and Envelopes Postage for Reminders Other Printed Materials Misc. Supplies Billing Software Maintenance (4 x \$2,676) Hardware Maintenance Envelope Stuffer Maintenance Check Endorser Maint. Agreement Hand Held Sensus Support Other Software IT Support	100.0% 100.0% 100.0% 100.0% 100.0% 70.0% 70.0% 70.0% 70.0% 70.0% 70.0% 70.0% 70.0% 70.0%	0.0% 0.0% 0.0% 0.0% 0.0% 30.0% 30.0% 30.0% 30.0% 30.0% 30.0% 30.0% 30.0%	

	Expense Category	Allocation to Water	Allocation to Sewer	Notes
22	Communications (56860)			
	Newsletters (3x\$2000)	70.0%	30.0%	
	Postage for Newsletters	70.0%	30.0%	
	Water Quality Report	100.0%	0.0%	
	Water Quality Report Postage	100.0%	0.0%	
	Prop. 218 Notice (1/2 of Cost)	70.0%	30.0%	
	Prop. 218 Notice Mailing (1/2 of Cost)	70.0%	30.0%	
	Public Hearing Ads & Ordinances (1/2 of Cost)	70.0%	30.0%	
	Internet Service (\$65x6x12)	70.0%	30.0%	
	Website Hosting	70.0%	30.0%	
	Water Conservation Banner - Permit	70.0%	30.0%	
	GoDaddy - Licenses	70.0%	30.0%	
	Miscellaneous	70.0%	30.0%	
	Zoom (\$15.99 per month)	70.0%	30.0%	
23	General Election (56865)			
	Annual District Election (1/2 Election)	100.0%	0.0%	Sewer's share already included in the sewer budget
24	Insurance (56870)			
	Workers Compensation	70.0%	30.0%	
	Property Insurance	70.0%	30.0%	
	Auto and General Liability	70.0%	30.0%	
25	Banking and Credit Card Fees (56875)			
	TCB Bank Fees	100.0%	0.0%	
	Evalon CC Fees	100.0%	0.0%	
	CWS Online Processing Fees	100.0%	0.0%	
26	Bad Debt (56880)			
	Bad Debts Written Off	100.0%	0.0%	
26	Miscellaneous (56890)			
	Property Tax	100.0%	0.0%	
	LAFCO Assessment - Water	100.0%	0.0%	
	Employee Appreciation/Recruitment	70.0%	30.0%	
	Misc. Petty Cash	70.0%	30.0%	
	Rate Study	50.0%	50.0%	One-time expense for FY 2023/24
	Other Misc.	70.0%	30.0%	



NOTICE OF PUBLIC HEARING ON PROPOSED WATER AND SEWER RATE INCREASES

May 26, 2024

Dear Customer,

The Board of Directors of the Westborough Water District (WWD) is set to consider proposed water and sewer rate increases for the next five years beginning July 1, 2024 through July 1, 2028. The WWD must cover its costs to continue providing high quality water and excellent sewer service to our customers and to improve system reliability.

In compliance with article XIII D of the California Constitution, which was added to the Constitution pursuant to Proposition 218, this notice provides you with information regarding the services provided by the WWD, the reasons for the changes in the water and sewer service rates, and the methods by which you can protest this rate increase if you so desire.

As a public agency, by law, the WWD may not collect more revenue than is necessary to cover its annual costs to provide its services including operations and maintenance, capital improvements, the cost of debt to finance projects, and maintaining emergency reserves. If the proposed maximum rates are adopted, the WWD may collect rates at or below the proposed maximum as needed to meet the WWD's financial needs over the next five years.

The WWD engaged an independent rate consultant who reviewed each utility's cost of providing service to determine appropriate adjustments to water and sewer rates. Based on this evaluation, rate increases are necessary to: (a) enable the WWD to recover the rising costs of operations and maintenance; (b) fund deferred capital improvements; (c) pay for debt service; and (d) maintain emergency reserves.

The Board will vote on these proposed changes at a public hearing scheduled for 6:00 p.m., Friday, July 12, 2024. The new water rates will be applied to bills for use during July and August, which will be issued in early September. The sewer rates will be reflected on property tax bills for fiscal year 2024-2025. **In addition, the WWD Board will also hold a public hearing at the same meeting to consider a report that would place the sewer charges on the annual property tax bill.**

WATER RATES

Why is a water rate increase needed?

The proposed water rate increases are needed to cover increased costs associated with operating and maintaining the water system. The WWD purchases all of its water supply from the San Francisco Public Utilities Commission (SFPUC) which owns and operates the Hetch Hetchy Regional Water System. Water purchases account for approximately 65% of total water operating costs, of which the WWD has no control over. The SFPUC has projected that its wholesale rate will increase 27% over the next five years.

In addition, water shortages have led to conservation, which has reduced revenue from water sales. Investment in critical infrastructure is currently being deferred which places the aging water system in a vulnerable status, resulting in possible leaks, equipment failures, and costly emergency repairs. The water system is over **50 years old** and is in need of significant upgrades. Over the next five years, the WWD proposes to spend \$11 million on water capital projects to repair failing pipelines and to rehabilitate equipment and other water infrastructure.

How are water rates calculated?

The current water rate structure is comprised of two components: 1) a Meter Service Charge, and 2) a Water Charge based on metered water consumption. All customers, residential and non-residential, are charged a fixed charge based on their meter size regardless of usage. The consumption charge is billed based on actual usage per unit of water (\$/ccf). One hundred cubic feet (ccf) is equal to approximately 748 gallons of water. Customers are billed bimonthly (every two months).

The Meter Service Charges are proposed to be updated to reflect the maximum capacity of each meter size. This is in line with industry standard practice and is the policy of most other local utility providers.

Proposed Bimonthly Water Rates

	Current	PROPOSED				
		2024/25	2025/26	2026/27	2027/28	2028/29
Effective Date		July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
METER SERVICE CHARGE						
<u>Meter Size</u>						
5/8"	\$44.00	\$65.87	\$71.13	\$76.82	\$82.97	\$89.61
3/4"	\$58.41	\$79.96	\$86.35	\$93.25	\$100.72	\$108.78
1"	\$76.01	\$108.14	\$116.78	\$126.11	\$136.21	\$147.11
1-1/2"	\$137.61	\$178.59	\$192.85	\$208.26	\$224.93	\$242.93
2"	\$183.81	\$263.13	\$284.14	\$306.84	\$331.40	\$357.92
3"	\$322.41	\$460.39	\$497.15	\$536.86	\$579.83	\$626.23
4"	\$692.01	\$742.19	\$801.45	\$865.46	\$934.73	\$1,009.53
6"	\$1,033.89	\$1,446.69	\$1,562.20	\$1,686.96	\$1,821.98	\$1,967.78
8"	\$1,526.14	\$2,292.09	\$2,475.10	\$2,672.76	\$2,886.68	\$3,117.68
WATER CHARGE (\$/CCF)*						
All consumption per ccf	\$9.04	\$10.02	\$10.83	\$11.69	\$12.63	\$13.64

*1 ccf = one hundred cubic feet or approximately 748 gallons.

Proposed Temporary Drought Surcharges

WWD is proposing drought rates that would only be implemented during a drought or water shortage emergency on a temporary basis. The purpose of the drought surcharges is to remain financially sustainable in the event of future droughts or other water shortage emergencies that result in reductions in customer water usage and associated revenue losses. Under drought conditions, the Meter Service Charge would remain the same, but the Water Charge would increase according to the cutback levels outlined in the *Water Shortage Contingency Plan*.

The drought rates shown represent the maximum rates for each stage. The actual drought surcharge will be calculated based on the actual water conservation target that must be met.

		PROPOSED				
		2024/25	2025/26	2026/27	2027/28	2028/29
Water Shortage Contingency Plan - Required Water Cutback Percentage						
Stage 1: Up to 10%	All Usage	\$0.58	\$0.62	\$0.68	\$0.73	\$0.79
Stage 2: Up to 20%	All Usage	\$1.31	\$1.40	\$1.52	\$1.64	\$1.77
Stage 3: Up to 30%	All Usage	\$2.24	\$2.41	\$2.61	\$2.81	\$3.04
Stage 4: Up to 40%	All Usage	\$3.48	\$3.75	\$4.06	\$4.38	\$4.73
Stage 5: Up to 50%	All Usage	\$5.22	\$5.63	\$6.08	\$6.57	\$7.09

Proposed Water Rate Impact on Average Single Family Residential Customer

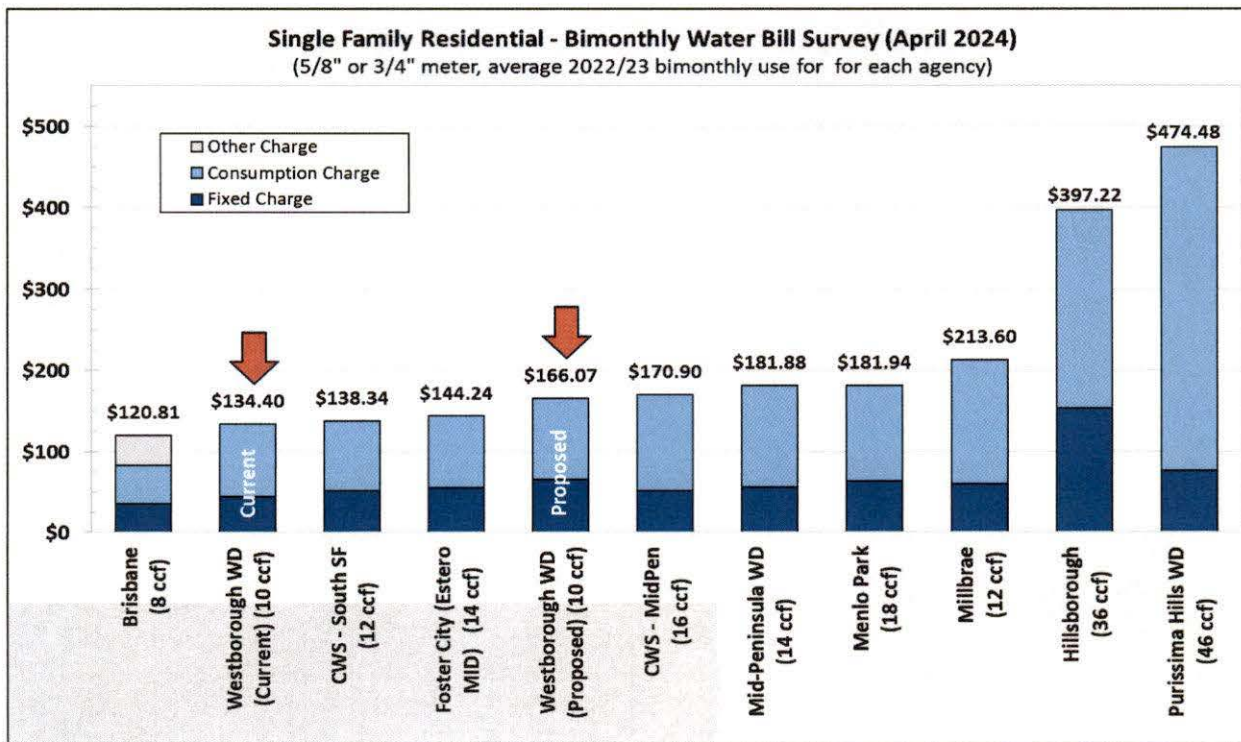
The majority of WWD’s customers are single family residential customers with a 5/8” meter and averaging 10 ccf of water use per bimonthly billing cycle. Based on the proposed water rates, the average customer will see a \$31.67 bimonthly increase for 2024/25.

Due to the updated cost of service allocation, the bill impacts for the first year will vary based on your water meter size and actual bimonthly usage. It is important to note that water consumption, particularly for single family customers, generally varies due to seasonal variations in weather and/or other factors. Therefore, a single customer could face a range of impacts throughout the year.

AVERAGE SINGLE FAMILY RESIDENTIAL CUSTOMER - 5/8" METER, 10 CCF BIMONTHLY						
	Current	PROPOSED				
		2024/25	2025/26	2026/27	2027/28	2028/29
Meter Service Charge	\$44.00	\$65.87	\$71.13	\$76.82	\$82.97	\$89.61
Water Charge (10 ccf)	<u>\$90.40</u>	<u>\$100.20</u>	<u>\$108.30</u>	<u>\$116.90</u>	<u>\$126.30</u>	<u>\$136.40</u>
Total Bimonthly Water Bill	\$134.40	\$166.07	\$179.43	\$193.72	\$209.27	\$226.01
<i>Increase to Bimonthly Bill</i>		\$31.67	\$13.36	\$14.29	\$15.55	\$16.74

Water Bill Comparison

The chart below compares the average bimonthly single family residential water bill to neighboring agencies. The average usage for other agencies varies.



SEWER RATES

Why is a sewer rate increase needed?

The proposed sewer rate increases are needed to cover sewage treatment and disposal costs passed through from the North San Mateo County Sanitation District (NSMCSD), to pay for the cost of ongoing maintenance for the collection system, and to replace deficient sewer mains. Treatment and disposal costs have increased 25% over the past five years and account for roughly 93% of total sewer operating expenses, of which the WWD has no control over.

Additionally, more than half of the WWD's sewer lines are in excess of 50 years old. The WWD proposes to spend \$5 million over the next five years on capital projects to upgrade the collection system. Critical infrastructure investment is necessary to prevent corrosion, local failures, and costly emergency repairs.

How are sanitary sewer rates calculated?

All customers are charged the same rate based on their estimated sewer flow measure. Because sewage is not metered, sewer flow is approximated using winter consumption for the two-months of January and February when the least amount of landscape irrigation occurs. Water used for landscape irrigation does not enter the sewer system. To calculate one's annual bill, total water consumption during January and February is multiplied by six months. The minimum charge is 12 ccf annually. The sewer service charges are billed annually through the County's property tax bill.

Proposed Bimonthly Sewer Rates

	Current	PROPOSED				
		2024/25	2025/26	2026/27	2027/28	2028/29
Effective Date		July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
Sewer Rate per ccf*	\$11.86	\$12.81	\$14.09	\$15.50	\$17.05	\$18.76

* 1 ccf = one hundred cubic feet or 748 gallons. Based on January and February consumption.

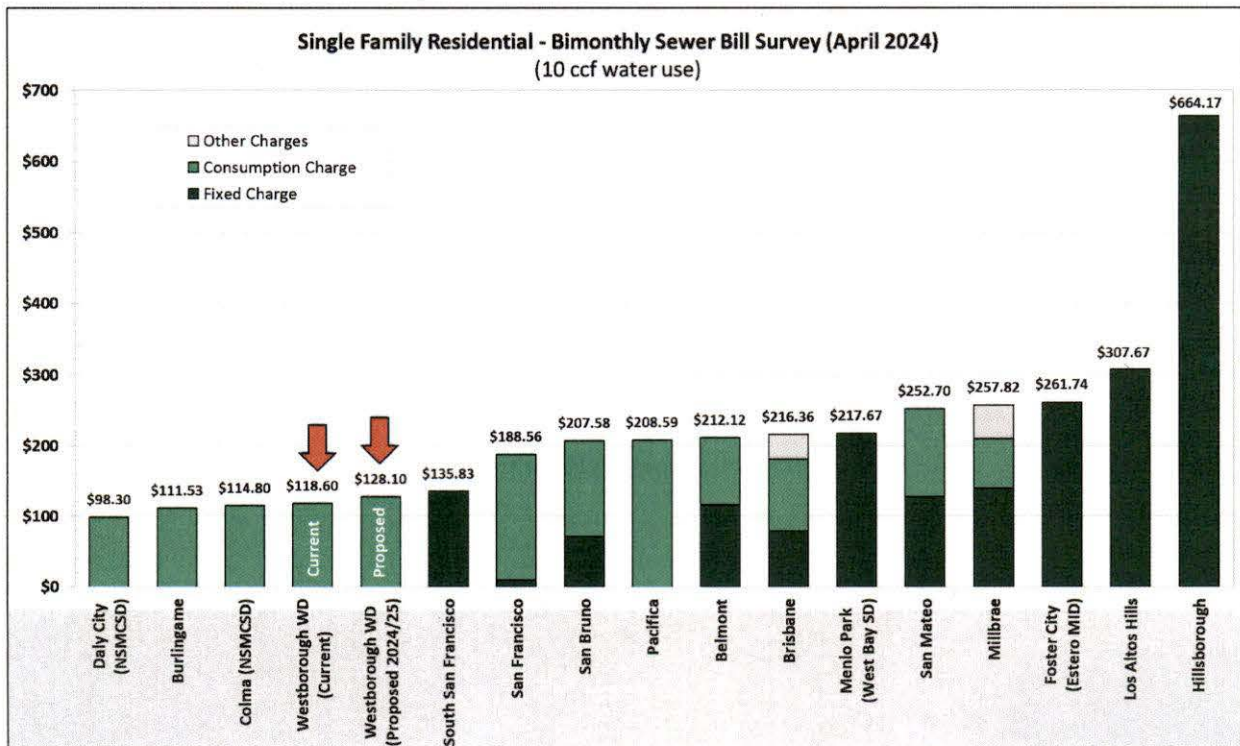
Proposed Sewer Rate Impact on Average Single Family Residential Customer

The typical bimonthly flow for an average single family residential customer is 10 ccf. Based on the proposed sewer rates, the average customer will see a \$9.52 bimonthly increase for 2024/25.

AVERAGE SINGLE FAMILY RESIDENTIAL CUSTOMER - 10 CCF BIMONTHLY						
	Current	PROJECTED				
		2024/25	2025/26	2026/27	2027/28	2028/29
Sewer Rate per ccf	\$11.86	\$12.81	\$14.09	\$15.50	\$17.05	\$18.76
Bimonthly Flow (ccf)	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total Bimonthly Sewer Bill	\$118.60	\$128.10	\$140.90	\$155.00	\$170.50	\$187.60
Increase to Bimonthly Bill		\$9.50	\$12.80	\$14.10	\$15.50	\$17.10

Sewer Bill Comparison

The following chart compares the current and proposed bimonthly sewer bill for an average single family residential customer to those of other regional agencies.



Wholesale Water and Sewer Pass-Through Adjustments

Pursuant to Cal. Govt. Code § 53756, the WWD proposes to pass-through any additional increases in SFPUC wholesale water costs and NSMCD sewer costs that are greater than those projected in the rate study. This pass-through provision applies to wholesale rates, water management charges, and other regulatory or environmental charges required by SFPUC or NSMCD. Prior to initiating a pass-through, the WWD will notify all customers in writing at least 30 days before implementation.

What Can You Do to Reduce the Impact of the Rate Increases?

If you want to minimize the impact of the new rates on your sewer bill, you should reduce your water use during the months of January and February.

If you want to minimize the impact of the new rates on your water bill, you should begin now to take steps to reduce your water use. Because landscape irrigation is the primary use of water in the summer, your landscape offers the greatest opportunity to save water. Watering efficiently, selecting low-water-use plants and reducing the amount of turf in your landscape are all steps you can take to reduce your water consumption this summer. For more conservation ideas, please visit our website at <https://www.westboroughwater.org/conservation> or call our District Office at (650) 589-1435.

For more information, please visit our web site at www.westboroughwater.org or call our Customer Service Department at (650) 589-1435.

Sincerely,

Patricia Mairena
General Manager

NOTICE OF PUBLIC HEARING ON PROPOSED WATER AND SEWER RATE INCREASES

A public hearing before the Board of Directors of the Westborough Water District to consider Water and Sewer Rate Increases and Adoption of Report Placing Sewer Charges on Property Tax Bill is scheduled for:

Friday, July 12, 2024 at 6:00 p.m.
Alice Bulos Community Center
(formerly Westborough Community Center)
2380 Galway Drive
South San Francisco, CA 94080

How to Oppose the Rate Increase

Under the guidelines established by the State Proposition 218, certain types of “Property Related Fees” such as water and sewer rates are subject to a “majority protest” process. Under the majority protest process, any property owner or customer of record may submit a written protest for the proposed increases; provided, however, that only one protest will be counted per identified parcel. If protests are filed on behalf of a majority of the parcels subject to the rates, the WWD cannot adopt the proposed rates.

Every written protest MUST include ALL of the following to be counted:

- 1. A statement against the proposed water rates, sewer rates, or both the water and sewer rates;**
- 2. Name of the recorded owner or customer of record who is submitting the protest;**
- 3. Identification of assessor’s parcel number, street address, or utility account number of the parcel with respect to which the protest is made; and an**
- 4. Original signature and legibly printed name of the record owner or customer of record who is submitting the protest.**

Written protests may be submitted by:

- 1. Mail to – Westborough Water District, P.O. Box 2747, South San Francisco, CA 94083-2747; or**
- 2. In-person delivery during normal business hours to 2263 Westborough Blvd, South San Francisco, CA 94080; or**
- 3. In-person at the Public Hearing, prior to the conclusion of the Public Hearing.**

Regardless of how the written protest is submitted, it must be received by the WWD prior to the conclusion of the Public Hearing on July 12, 2024. (Postmark dates will not be accepted.) Any protest submitted via e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any written protest, whether mailed or submitted in person to WWD, that the enclosed protest is for the Public Hearing on the Proposed Water and Sewer Rate Increases. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest.

Please be advised that pursuant to California Government Code 53759, there is a 120-day statute of limitations for any legal challenge to any new, increased, or extended fee or charge.



2263 Westborough Boulevard
P.O. Box 2747
South San Francisco, CA 94083-2747

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IMPORTANT INFORMATION ENCLOSED REGARDING PROPOSED WATER AND SEWER RATES

Notice of a Public Hearing on Proposed Water and Sewer Rate Adjustments

The Westborough Water District will hold a Public Hearing on the proposed water and sewer rates on:

Friday, July 12, 2024 at 6:00 p.m.
Alice Bulos Community Center,
2380 Galway Drive,
South San Francisco, CA 94080.

**Westborough Water District
2024 CIP Summary (Water Distribution)**

Project Number	Project Name Programed Projects	2024 Dollars	2024-2025	105.0% 2025-2026	110.3% 2026-2027	115.8% 2027-2028	121.6% 2028-2029	127.6% 2029-2030	Total
W20-13	Skyline Tank No. 3 Improvements	\$ 2,100,000	\$ 1,200,000	\$ 945,000	-				\$ 2,145,000
W20-12	Skyline Tank No. 2 Improvements	\$ 2,340,000	\$ 300,000	\$ 850,000	\$ 1,642,725				\$ 2,492,725
W20-03	King Drive Improvements	\$ 1,675,000			\$ 200,000	\$ 1,707,497			\$ 1,907,497
W20-02	Christen Hill Tank Water Main Improvements	\$ 1,400,000				\$ 200,000	\$ 1,458,608		\$ 1,658,608
W20-11	Skyline Tank No. 1 Improvements	\$ 1,515,000					\$ 250,000	\$ 1,614,496	\$ 1,864,496
W20-38	Inline Water Valves, Partial and Phased	\$ 1,500,000			\$ 400,000	\$ 400,000	\$ 600,000	\$ 600,000	\$ 2,000,000
	Water Main Design for FY 30-31	\$ 300,000						\$ 300,000	\$ 300,000
	Meter Replacement	\$ 800,000		\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000		\$ 800,000
Total Programed Projects		\$ 11,630,000	\$ 1,500,000	\$ 1,995,000	\$ 2,442,725	\$ 2,507,497	\$ 2,508,608	\$ 2,514,496	\$ 13,168,326
Average CIP per year		\$ 1,938,333							\$ 2,194,721

Unprogramed Projects

W20-04	Myrna Lane Improvements	\$ 390,000
W20-05	Callan Park Cross Country Abandonment	\$ 1,995,000
W20-07	Callan Blvd Pump Station	\$ 3,405,000
W20-08	Callan Blvd Improvements	\$ 2,600,000
W20-09	Daly City Emergency Intertie	\$ 445,000
W20-10	Skyline Tank Site Improvements	\$ 815,000
W20-14	Westborough Blvd Improvements	\$ 2,950,000
W20-15	Shannon Drive Development Improvements	\$ 195,000
W20-16	City of San Bruno Emergency Inter-Tie	\$ 770,000
W20-17	Wexford Avenue Abandonment	\$ 136,000
W20-18	Shannon Drive Abandonment	\$ 670,000
W20-19	Vista Court Fire Hydrants	\$ 56,000
W20-20	Callan Blvd Zone 2 Loop Closure	\$ 1,165,000
W20-21	Westborough Park Abandonments - Phase 1	\$ 2,040,000
W20-22	Greendale Drive Area Cross Country Abandonments	\$ 1,855,000
W20-23	Greendale Drive Improvements - Phase 1	\$ 390,000
W20-24	Greendale Drive Improvements - Phase 2	\$ 960,000
W20-25	Palos Verdes Way Improvements	\$ 310,000
W20-26	Greendale Dr Z3 to Z2 PRV Improvements	\$ 525,000

Programed Projects	\$11,630,000
Unprogramed Projects	\$33,077,000
2024 Total	\$44,707,000

ASSUMPTIONS

Assumed Inflation Rate:	5%
Linear foot Cost for 8" DIP	\$ 450
Linear foot Cost for 10" DIP	\$ 500
Linear foot Cost for 12" DIP	\$ 550
Cost per Service	\$ 5,000
Cost per Hydrant	\$ 15,000

**Westborough Water District
2024 CIP Summary (Water Distribution)**

W20-27	Greendale Dr Z2 to Z1 PRV Improvements	\$ 570,000
W20-28	Gellert Ct Z2 to Z1 PRV Improvements	\$ 570,000
W20-29	Wexford Avenue Loop Closures	\$ 730,000
W20-30	Westborough Blvd Zone 2 Blow-Offs	\$ 380,000
W20-31	Westborough Blvd Transmission Blowoffs	\$ 1,090,000
W20-32	Westborough Blvd Z2 to Z1 PRV Improvements	\$ 1,590,000
W20-33	Westborough Park Abandonments - Phase 2	\$ 285,000
W20-34	Avalon Drive / Seville Way Improvements	\$ 800,000
W20-35	Gellert Blvd Ridge Improvements	\$ 2,800,000
W20-36	Galway Drive Improvements	\$ 260,000
W20-37	Westborough Pump Station Improvements	\$ 310,000
W20-38	Inline Water Valves	\$ 1,965,000
W20-41	Office Remodel & Expansion - Phase 1	\$ 55,000
Total Unprogrammed Projects		\$ 33,077,000

6.E.2

Patricia Mairena

From: Patrick Sumner <psumner@dalycity.org>
Sent: Monday, April 29, 2024 12:55 PM
To: Patricia Mairena
Cc: Michael Patolo
Subject: RE: [EXTERNAL] Re: Rowntree Lift Station roof

Paty

It looks done to me this morning; I checked it out. But we still have a final punch list job walk to do. Hopefully, we will get that done in the next couple days.

Patrick Sumner

From: Patricia Mairena <pmairena@westboroughwater.org>
Sent: Monday, April 29, 2024 12:21 PM
To: Patrick Sumner <psumner@dalycity.org>
Subject: [EXTERNAL] Re: Rowntree Lift Station roof

CAUTION: EXTERNAL SENDER. Verify before you respond, click links or open attachments. Questions? Contact ISD.

Good afternoon Pat,

I'm just checking in to see if the roofing project for the Rowntree LS was completed on 04/26/24. If so, do you have any pictures? Otherwise, no worries, I can have the guys get them for me. I am planning on reporting at the next meeting.

Thanks,

Paty

From: Patrick Sumner <psumner@dalycity.org>
Sent: Thursday, April 18, 2024 2:58 PM
To: Kevin McCarthy <kmccarthy@dalycity.org>; Sione Kofeloa <skofeloa@dalycity.org>; Anthony Smith <asmith@dalycity.org>; Michael Patolo <mpatolo@dalycity.org>
Cc: Shane Cypert <scypert@dalycity.org>; Patricia Mairena <pmairena@westboroughwater.org>; Joshua Cosgrove <jcosgrove@dalycity.org>; Tom Wooten <twooten@garlandco.com>; Caden Young <cyoung@dalycity.org>; Joaquin Ordonez <jordonez@dalycity.org>; Austin Woo <awoo@dalycity.org>
Subject: Rowntree Lift Station roof

All

I met with the roofing contractor today at Rowntree, Ismael Avila (415) 823-6355 cell. The Rowntree roof job will start next Wednesday 4/24/24 at 8:00am. Possibly completed Friday the 26th. Please let your staff know of this work and they should have hard hats on if going in or around the station while work is being done.

Let me know if you have any questions.

CSDA San Mateo Chapter Meeting of 16 April 2024

A San Mateo County Special Districts meeting was held at 7PM on 16 April 2024, in hybrid format – some attending Zoom and some attending at the San Mateo County Harbor District office in El Granada. I attended in person, along with Jim Pruett (SM Harbor District GM), Kathryn Slater-Carter, and Rob Bartoli (LAFCO Executive Director). Virginia Chang-Kiraly (Harbor District) also came in person, but arrived late. There were also 5 attending by Zoom, including Colleen Haley (CSDA Field Coordinator). After roll call the minutes of our January 16 meeting were approved as corrected.

Next on the agenda was a LAFCO update by Rob. LAFCO has been reworking its schedule so that all activities are grouped by geographic area to facilitate Municipal Services Reviews. They hope to approve their 5-year plan at LAFCO's May 15 meeting. There were too many activities to fit in a 5-year plan so some agencies who have recent MSRs were left unscheduled. These agencies (South County 3, North County 2 (including WWD), Harbor District, and Resource Conservation District) can look forward to MSRs after 2029-30. Rob's 2nd topic was the upcoming election as Virginia Chang-Kiraly's term is expiring. Rob did tell me that WWD had already taken action on his letter, which we did at last week's WWD Board meeting. After this election there will be another for the LAFCO Alternate rep, now held by Chris Mickelsen (Coastside Water District). Finally Rob addressed two recent issues on LAFCO. There is some concern about the fiscal situation at Broadmoor Police Protection District (they said they might declare bankruptcy) so a MSR is being scheduled. Finally there is the East Palo Alto Sanitary District where the district is in the process of being integrated into the city. A dispute has been going on for some time over developer's fees.

After Rob, the next item on the agenda was the CSDA Legislative update by Colleen Haley. Most of her time was spent on a proposed initiative which may be on the November ballot, initiative 1935. Per the CSDA website (CSDA.net) this initiative would restrict how taxes, fees, and penalties could be assessed on citizens, often requiring a vote of the people. These procedures would be retroactive to 2022. Both cities and CSDA are strongly against this proposal and are checking its constitutionality. Anyhow, CSDA is seeking the support of its members to kill this initiative. Colleen also touched on CSDA's efforts to get Special Districts recognized at the federal level (also mentioned last meeting), hopefully on a bi-partisan basis. They are looking for bill co-sponsors from both side of the aisle. Finally she mentioned legislative days were going to be held at the Capitol in Sacramento on May 21 and 22.

There was no Treasurer's report as Iris Gallagher Treasurer was absent. Jim said she was making progress and should be able to make a report at our next meeting as tax season is over.

Kathryn said the bylaws committee hasn't met yet although Jim said he had tried to merge CSDA's recommended bylaws with our existing bylaws and forwarded his work to her. We should get a report at our July meeting.

Finally Jim led the discussion on future topics. There was some talk about a candidates' forum and he said he would see if he could get some responses from the candidates. We also may reinstitute district presentations to better inform our members of what is going on. Jim said he could do Harbor District in July. I may propose I give a WWD or BAWSCA talk later. We also may reinstitute a round table where we would go around the room giving brief updates. As there were no further suggestions, we agreed on a 16 July meeting and adjourned.