

CCWD Proposed Rate Changes

Frequently Asked Questions

- 1. There was just an increase in 2013 and 2014. Why are you proposing another increase?**
 - a. The revenue generated from the rate increases in 2013 and 2014 is reserved exclusively for the Capital Renovation and Replacement Program (Capital R&R). Those funds can only be used for projects like replacing pipelines, repair pumps and making upgrades to water and sewer treatment plants. The rates generated from the 2013 and 2014 increases bring in about \$3 million a year, after debt service. In March 2018, the District identified about \$80 million in needed Capital R&R projects over the next 10 years. The funding gap between rate revenue and project cost will need to be filled using grant funding, or other revenue sources.
 - b. The rate changes that are currently being proposed are not for capital projects – they are for Operations, which includes the day-to-day expenses the District incurs to operate the system. Operations includes things like electricity, fuel, vehicles, treatment chemicals, maintenance, salaries and benefits.
 - c. The District’s outside, independent auditor has identified budget deficits in the sewer operating fund for the past couple of years. These deficits were filled using reserves, which is an unsustainable solution. The District hired a financial firm (HDR) to perform a financial analysis, which identified budget deficits on both the sewer and water sides of the Operations Budget. After reducing those deficits by 30% through internal cuts, the District is proposing rate changes that will generate enough revenue to fill the budget gaps over the next five years and put the District back on solid financial footing.

- 2. Why do CCWD employees get paid so much?**
 - a. CCWD is committed to offering competitive wages within the water industry to ensure highly qualified and professional staff do not leave the District. CCWD is a very complex system that is spread out across nearly the entire county of Calaveras, and the institutional knowledge our staff members have of these systems is invaluable.
 - b. The last thing CCWD wants to become is a revolving door with employees coming and going frequently. CCWD wants to avoid investing time and money training new employees only to have them leave the District to take a higher paying job elsewhere. The consequences of salaries that are too low can be

clearly seen with the high employee turnover rate at the Calaveras County Sheriff's Office and Jail.

- c. The majority of the District's employees are members of the Service Employees International Union (SEIU). Over the years, SEIU has negotiated with CCWD's Board of Directors and general managers to agree on wages and cost of living increases.

3. Has CCWD done anything to decrease wages?

- a. Within the next five years, 50% of CCWD's work force will be eligible for retirement. As these employees retire, the District plans to promote from within when appropriate and fill open positions with employees who start at the lower end of the salary schedule. This will create short and long-term savings for the District.
- b. However, salary schedules and wages are unlikely to decrease, due to advocacy from SEIU.

4. Why are CCWD benefits so generous?

- a. The District is committed to providing employees with health care and retirement packages that allows them to live in the foothills, raise families and retire. As employees retire, the District actively looks to hire new employees from within Calaveras County to ensure locals have the best chance of joining the CCWD family.
- b. The majority of the District's employees are members of the Service Employees International Union (SEIU). Over the years, SEIU has negotiated with CCWD's Board of Directors and general managers to agree on benefits packages.

5. Has CCWD done anything to reduce the employee benefit costs?

- a. CCWD has required employees to pay a portion of dependent health care cost.
- b. CCWD has required employees to pay 8% of their salaries to cover the employee contribution to the Public Employee Retirement System.
- c. In 2012, CCWD greatly reduced the benefits that any new employees would receive, which has allowed the district to control benefit costs moving forward.
- d. The District has reduced employees' medical co-pay allowance from \$800/year to \$400/year.

6. Why is CCWD removing the 1,000 cubic feet (7,480 gallons) of water from the base rate under the proposed rates?

- a. Including 1,000 cubic feet in the base rate was not fair to customers who used fewer than 1,000 cubic feet of water, or to second homeowners who did not live in their homes for much of the year.
- b. Including 1,000 cubic feet in the base rate, did not provide a financial incentive for customers to conserve water.
- c. Recent court cases related to Proposition 218 set new precedents for the nexus between the actual cost of providing a service and the rates that are charged. Due to these court cases, CCWD was faced with the choice of keeping the 1,000 cf included with the base rate and charging for it, which would have significantly increased the base rate) or removing it from the base rate and having customers pay one for the water that they use. The only equitable solution was to remove the water from the base rate.

7. Why are residential customers paying higher base rates and tiered water use charges than non-residential customers?

- a. The difference in the pricing is based on how each customer class of service uses the system and how the District has to size the system to meet those needs. Residential customers (96% of customers) are the primary driver of the water demand peaks and sizing of the system. As a result, the pricing for the residential customer higher tiers is higher, given the additional system needs to provide service at that level of consumption. Think of it this way. If all customers only used 1,200 cubic feet, the system would look much different (e.g., smaller pipes). However, there are customers that use significantly more than that and that is how the pricing is developed. Commercial customers have a lower peaking impact on the system and therefore are paying less than high use residential customers.

8. Why did you spend \$3.5 million on a new office building in 2013?

- a. The old CCWD headquarters building on Main Street in San Andreas had numerous problems that would have cost millions of dollars to repair. Namely, the building was not ADA accessible, contained asbestos and other harmful building materials, was not in a good location and was too small to meet the District's staffing needs.
- b. Rather than spending millions to upgrade an aging building that no longer met the District's needs, the District invested in a new building that is expected serve the District for the next 100+ years.