

## OTEMWC – Background and Considerations for 2018 Water Rate Increase

### Background:

- As required by Civil Code 5500, 5570, OTEMWC is required to obtain a reserve study every 3 years and to adopt the recommendations per Civil Code 5560 at a meeting open to members.
- Reserve Study dated December 2017 recommends a ramping up of reserve funding over the next 3 years to \$55,335 in 2018, to \$60,038 in 2019 and \$65,142 in 2020 followed by similar increases thereafter to adequately build reserves for future expenses. Without the ramping up, the reserve study suggests an increase to \$81,434 in the first year.
- The reserve study assumes a 3% increase in costs per year.
- OTEMWC has not had an increase in the water usage rate in well over 10 years.

### Assumptions

- Water usage will remain consistent with 2017 usage
- Lots 80 & 81 owners have attempted to drill a well on their property. At this point, the new well is not known to be functioning. These numbers assume there to be no change in usage for these lots.
- Budgeted operating expenses will increase 3% per year

### Proposal

- Increase base rate to \$150, followed by a % increase each year after
- Add a 3<sup>rd</sup> tier rate for water usage that is ¼ of a cent over tier 2.
  - Current water usage rates
    - Base rate \$143 per 2 month billing period
    - Tier 1 .01 per 10,000 cu. ft.
    - Tier 2 .015 per 10,000 cu. ft.
  - Proposed water usage rate – before % rate increases
    - Base rate \$150 per 2 month billing period
    - Tier 1 .01 per 10,000 cu. ft.
    - Tier 2 .015 per 10,000 cu. ft.
    - Tier 3 .0175 per 10,000 cu. ft.
- Plan A
  - Increase base rate to \$150 with a 3% increase each year
  - Increase water usage rates for Tier 2 and Tier 3 by 10%.
  - Not anticipated to need another increase until 3 years, 2021
- Plan B
  - Increase base rate to \$150 with a 4% increase each year
  - Increase water usage rates for Tier 2 and Tier 3 by 4% for 2018, 4% for 2019, 4% for 2020

- Due to assumptions made, rate increases must be reviewed each year based on actual water usage, unforeseen expenditures or other unknowns. There is no guarantee that increases projected for 2019 and 2020 will not change.

## Potential Future Issues

- Usage continues to decline with irrigation technology and conversion to drought plantings
- Electricity and other costs go up
- Aging infrastructure
- Sustainable Groundwater Management Act – unknown fees or restrictions on water usage
- Chromium 6 is discovered and requires remediation
- High usage shareholders find ways to significantly reduce usage – i.e. Lots 80 & 81