

## **Root Creek Water District Rate Setting Policy**

Adopted: October 11, 2017

### **Purpose and Scope**

The purpose of this policy is to set the Root Creek Water District's (the "District") rate setting rules and to ensure all rate payers within the District only pay rates that are proportional to the benefits they receive. The scope of this policy includes all rate setting matters of the District in effect at the time of drafting.

### **Policy Statement**

The objectives of this policy are threefold: (1) to establish water, wastewater, and storm water rates that recover costs included in the District's operating and capital budgets; (2) to provide the District with financial stability; and (3) to comply with applicable law, including Proposition 218 (California Constitution article XIII D, section 6).

### **Rate Setting – General Principals**

The District will set user rates at levels needed to fully cover the District's ability to provide a safe, reliable, and sufficient water supply, wastewater services, and storm water conveyance and retention. The District will review rates each year during the annual budget process to ensure that the District's adopted rates provide sufficient revenues and are proportional to the benefits the District confers on landowners; however, rates need not be adjusted annually.

The District shall conduct a comprehensive cost-of-service study for its water, wastewater, and storm water rates and fees at least every seven (7) years. The studies will be utilized to allocate costs equitably to customer classifications of service and to ensure that there are no class subsidies.

The District shall track all costs associated with operations, capital improvements, repairs and replacements, and debt service for the water, wastewater, and storm water enterprise fund(s).

### **Rate Setting: Water Delivery Services – Benefits Conferred**

The District's water rates are designed to encourage conservation, water use efficiency and resource management, and enhance reliability and supply. Water rates recover the operating and capital costs of the District's water facilities to ensure reliable delivery of water. The District's agricultural water rates promote the sustainable use of groundwater and may include capital fees to recover past costs incurred to establish the District.

In order to provide water delivery, wastewater, and storm drainage benefits to District landowners, the District must maintain a stable financial position. The District cannot rely on its reserves to meet its annual operational financial obligations. The District must set the rates it charges landowners at an adequate level to ensure it can meet the financial obligations required to continue providing the benefits it supplies. All District rates and fees must be proportional to the benefits received by individual landowners.

### **Special Assessments/Charges/Fees**

The lands within the District receive benefits from the District's (i) direct delivery of surface water so that landowners in the District are not required to rely solely on groundwater, which benefits all parcels within the District indirectly by providing in-lieu recharge and water balancing to insure a sustainable groundwater supply; (ii) wastewater collection, conveyance, and disposal/recycling, and (iii) flood control, storm water diversion, collection, and related environmental benefits. Landowners also benefit from connecting to the District's water delivery, wastewater, and storm water systems/infrastructure.

The District collects revenue from landowners within the District through the following methods:

1. Special Assessments;
2. Agricultural Water Recharge Fees;
3. Agricultural Surface Water Charges;
4. Municipal Fixed Meter Charges;
5. Municipal Volumetric Water Charges;
6. Municipal Wastewater Charges; and,
7. Municipal Storm Drain Fees.

Each component of revenue is determined based on the benefits received by landowners within the District.

#### Special Assessments

The District's special assessments are levied based on the special benefit conferred to parcels within the District. The assessments are collected from all types of parcels in the District, including both agricultural and developed (municipal) parcels. The funds collected by these assessments are used to fund the District administrative costs, including District management, clerical, legal, and groundwater monitoring and reporting expenses.

#### Agricultural Water Recharge Fees & Surface Water Charges

The District supplies agricultural water users with imported surface water to reduce groundwater pumping to a sustainable level. The agricultural water charges are applied to costs related to the District's importation of surface water. Furthermore, to manage the groundwater basin within the District's jurisdiction, the District must encourage the use of imported surface water to reduce total groundwater demand. Therefore, all customers, even those that continue to use only groundwater, benefit from surface water supply that is managed to alleviate groundwater overdraft within the District.

#### Municipal Fixed Meter Charges and Municipal Volumetric Water Charges

The District's municipal water rates are charged only to landowners connected to the municipal system and include two components: (i) a fixed monthly charge based on the size of the water meter, and (ii) volume rates charged based on metered water use. The volume rates apply to each

cubic foot of water used; one hundred cubic feet equals 748 gallons. The water rates increase annually over the course of years pursuant to an adopted schedule.

#### Municipal Wastewater Charges

The District's wastewater rates will be charged only to landowners connected to the District's wastewater collection system to recover the operating and capital costs of the District's wastewater facilities. These fees will ensure the District can maintain reliable treatment services and to protect public health and the environment. The District's wastewater fees will also encourage conservation and resource management within the District.

The District bills for wastewater service on an equivalent dwelling unit basis. The District's engineer has established an equivalent dwelling unit ("EDU") as a single family residential customer generating 240 gallons per day of wastewater flow. Other classifications are identified in the Gateway Village Infrastructure Master Plan adopted by Madera County. The District has adopted a fixed monthly charge per EDU. Nonresidential customers will be evaluated by the District and will be charged based on their wastewater flow in proportion to an equivalent dwelling unit.

#### Municipal Storm Drain Fees

The function of the storm drain system in the District is to collect runoff from paved areas during wet weather events to prevent flooding and to convey historic flows through the District. The District bills for storm drain service on a dwelling unit basis to recover the costs of operating and maintaining the storm drain system.

The District's storm water fees are levied against all property within the District receiving a special benefit from the District's storm water infrastructure. The District's storm water fees defray the District's costs of building, operating, and maintaining a reliable storm water management and conveyance system that protects public health, the environment, and which minimizes runoff and maximizes resource management.

#### **Compliance with State and Federal Laws**

The District shall comply with all aspects of state law, including but not limited to the procedural and voting requirements of Proposition 218, as well as applicable federal law when carrying out its functions and collecting fees, charges, and assessments from landowners for doing so.

#### **Amendment**

This policy is subject to changes in the regular operation of the District, as it may be revised from time to time by the Board of Directors.

#### **Policy Review**

This policy shall be reviewed by the District annually as part of the budget process.