

Humboldt Bay Municipal Water District
828 7th Street, Eureka



NOTICE OF PUBLIC HEARING of Board of Directors
Special Meeting Start Time: 5:30 p.m.
DUE TO COVID-19 THE DISTRICT WILL BE
HOLDING THE MEETING VIA ZOOM
March 11, 2021

District Mission

Reliably deliver high quality drinking water to the communities and customers we serve in the greater Humboldt Bay Area at a reasonable cost. Reliably deliver untreated water to our wholesale industrial customer(s) at a reasonable cost. Protect the long-term water supply and water quality interests of the District in the Mad River watershed.

COVID-19 Notice

Consistent with Executive Orders N-25-20 and N-29-20 from the Executive Department of the State of California and the Humboldt County Public Health Officer's November 3, 2020 Shelter-in-Place Order, the Board members will be participating via Zoom. The Board room at 828 7th street will be open to the public and social distancing and wearing of face coverings will be enforced.

Members of the public may also join the meeting online at:

Join Zoom Meeting

<https://us02web.zoom.us/j/81019807832?pwd=NHVYMUpnRUxweWZOaENpMnRWWnhudz09>

Meeting ID: 810 1980 7832

Passcode: 462383

Join by phone: (669) 900-9128

If you are participating via phone and would like to comment, please press *9 to raise your hand.

How to Submit Public Comment: Members of the public may provide public comment via email until 5 pm. the day before the Special Meeting by sending comments to the Board Secretary at hbitner@hbmwd.com. Email comments must identify the agenda item in the subject line of the email. Written comments may also be mailed to 828 7th Street, Eureka, CA 95501. Written comments should identify the agenda item number. Comments received prior to the meeting will be read during the meeting. Comments received after the deadline will be included in the record but not read during the meeting. If participating in the meeting, public comment will also be received during the meeting.

1. ROLL CALL

2. FLAG SALUTE

3. ACCEPT AGENDA

4. PUBLIC COMMENT

Members of the public are invited to address the Board on items not listed on the agenda that are within the scope and jurisdiction of the District. At the discretion of the President, comments may be limited to three minutes per person. The public will be given the opportunity to address items that are on the agenda at the time the Board takes up that item. Pursuant to the Brown Act, the Board may not take action on any item that does not appear on the agenda.

5. RETAIL WATER RATE STUDY

- a. Retail Water Rate Study Staff Report – discuss***
- b. Resolution 2021-06: Resolution Increasing the District Rates for Retail Water Service – discuss and possibly approve***

6. ADJOURNMENT

ADA compliance statement: In compliance with the Americans with Disability Act, if you need special assistance to participate in this meeting, please contact the District office at (707) 443-5018. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

(Reposted and mailed March 9, 2021)

Humboldt Bay Municipal Water District

To: Board of Directors

From: Chris Harris/Sherrie Sobol

Date: March 11, 2021

Re: Public Hearing Regarding Retail Rate Study

Timeline

- December 2019 Board Meeting – Staff introduced the Retail Rate Study Project to the Board.
- November and December 2020 Board Meetings – Staff reviewed the different components of the Retail Rate Study, staff summarized the findings from the retail rate analysis, and reviewed several rate model options for the Board to review and approve. The Board approved a retail rate model and assumptions.
- January 14, 2021 Board Meeting – Staff reviewed the finalized five-year rate plan with the Board. The Board set a date for the Public Hearing.
- January 21, 2021 – Public Hearing Notice printed in Times Standard.
- January 22, 2021 – Public Hearing Notification mailed to all impacted property owners and water customers.
- January 22, 2021 – Retail Rate Study Report posted on HBMWD.com.
- March 11, 2021 Board Meeting – Required Public Hearing (Proposition 218) for proposed resolution on rates for retail water service.
- July 1, 2021 – If approved, new rates go into effect for Humboldt Bay Municipal Water District retail customers.

Proposition 218

- Passed in November 1996. Known as the “Right to Vote on Taxes Act.”
- States that residents of California shall have the power to repeal or reduce *any* local tax, assessment or fee.
- Article XIII D, Section 6 introduced a new category of fees labelled “Property Related Fees and Charges”. This section specifically includes services for water, sewer, and refuse collection services.
- Water is defined as “any system of public improvements intended to provide for the production, storage, supply, treatment, or distribution of water from any source.”

Procedural Requirements of Proposition 218, Article XIII D, Section 6 to increase fees:

- Identify parcels which fee or charge is proposed.
- Calculate amount of fee proposed to be imposed on each parcel.

- Provide written notice by mail to the “record owner of each identified parcel.” (Prop 218 defines *property ownership* “to include tenancies of real property where tenants are directly liable to pay the assessment, fee, or charge in question.”)
- Conduct a Public Hearing on the proposed fees not less than 45 days after the mailing.
- Consider “all protests against the proposed fee or charge.”
 - Protest must be written, signed, and include the address of the impacted parcel.
 - Protest must be received prior to the close of the Public Hearing.
 - Written protest may be submitted by either a record owner or a tenant but only one protest per parcel is counted.
 - If written protests against the fees are presented by a “majority of owners of the identified parcels,” the fee cannot be imposed. (50%+1, or 106 protests for Humboldt Bay Municipal Water District Retail Water rates)

Retail Rate Study

Monthly rates paid by users of the water system are the primary source of revenue for HBMWD. Revenues must cover the costs related to water system operations, capital needs, debt service, administration, as well as costs related to long-term operational or financial management of the utility, such as maintaining adequate fund reserves and planning for contingencies.

HBMWD recently conducted a retail rate study. Results of the study show that HBMWD’s existing retail water rates do not fully recover costs associated with operation, maintenance, and capital projects for its retail sector, according to the retail rate study conducted by HBMWD and reviewed by an independent consultant (GHD). If retail revenue were to remain constant, the annual shortfall would potentially increase to approximately <\$172,000>.

In the future, District staff will annually review revenues and expenditures to ensure that sufficient and appropriate revenues are collected to effectively provide for the short and long-term water service needs of the community.

Consistent with Proposition 218, the proposed retail water rates are calculated based on the cost of providing service to retail water customers. Factors in these calculations include:

- Required revenue is based on projected expenses for operations, maintenance, and required repairs and/or replacement for capital facilities and equipment.
- Projected income is based on past volumetric usage.
- Fixed monthly base charges are designed to recover fixed costs of providing retail water service, with costs allocated based on the size of a customer’s water meter.
- Consumption charges are designed to recover variable costs of providing water service, including the wholesale water production and transmission costs of HBMWD.

Staff has calculated the new retail rates using industry standard methodology set forth in *AWWA M1 Principles of Water Rates, Fees, and Charges*.

The proposed retail rates address the shortfall mentioned above. In order to smoothly transition to the proposed new rates, the increase has been spread over five years. This will prevent large increases in the first year, and will ensure the retail water fund balances over the next five years. Capital replacement costs

are being transitioned from a flat rate by service area to an equivalence cost ratio. Additionally, due to current California case law (Capistrano Taxpayers Association vs. San Juan Capistrano), tiered rates are being eliminated. Proposed consumption rates are \$1.30 per 100cf. (100cf= 748 gallons).

Staff Recommendation

Assuming the District does not receive 106 or more valid protests, staff recommends approval of the proposed retail rates for FY21/22 through FY25/26, by adopting Resolution 2021-06

Attachments

- Proposed HBMWD Retail Water Rates for FY21/22
- Comparison of current and proposed HBMWD Retail Water Rates
- Comparison of proposed HBMWD Retail Water Rates to other local Agencies
- Sample Monthly billings from actual customer accounts

HBMWD Water Rate Detail FY 21/22

	Meter Size	Base Rate (A)	Capital Replacement Rate (B)	Monthly Base Charge (A+B)
Category 1 - Fairhaven Distribution Grid	5/8 x 3/4"	\$ 35.91	\$ 27.63	\$ 63.54
	1"	\$ 48.11	\$ 55.91	\$ 104.02
	1.5"	\$ 70.66	\$ 58.70	\$ 129.36
	2"	\$ 97.82	\$ 61.22	\$ 159.04
	3"	\$ 222.37	\$ 67.12	\$ 289.49
	4"	\$ 369.63	\$ 111.37	\$ 481.00
	6"	\$ 754.40	\$ 124.24	\$ 878.64
	8"	\$ 1,297.67	\$ 128.28	\$ 1,425.95
	6" FS Only	\$ 754.40	\$ 93.25	\$ 847.65
	8" FS Only	\$ 1,297.67	\$ 93.25	\$ 1,390.92
Category 2 - Outside the Fairhaven Distribution Grid	5/8 x 3/4"	\$ 32.81	\$ 2.90	\$ 35.71
	1"	\$ 41.91	\$ 7.72	\$ 49.63
	1.5"	\$ 64.46	\$ 15.95	\$ 80.41
	2"	\$ 91.62	\$ 23.36	\$ 114.98
	3"	\$ 216.17	\$ 46.73	\$ 262.90
	4"	\$ 358.78	\$ 63.49	\$ 422.27
	6"	\$ 743.55	\$ 91.28	\$ 834.83
	8"	\$ 1,286.82	\$ 103.19	\$ 1,390.01
	6" FS Only	\$ 743.55	\$ 9.79	\$ 753.34
	8" FS Only	\$ 1,286.82	\$ 9.79	\$ 1,296.61
Other Charges	Backflow Charge			\$ 8.00
	4" Private Fire Charge			\$ 5.75
	6" Private Fire Charge			\$ 16.69
	8" Private Fire Charge			\$ 35.57
Consumption Charge	\$ Per 100 Cubic Feet			\$ 1.30

HBMWD Water Rate Summary FY 21/22 through FY 25/26

	Meter Size	Current FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
Category 1 – Fairhaven Distribution Grid	5/8 x 3/4"	\$ 61.76	\$ 63.54	\$ 64.28	\$ 69.85	\$ 71.64	\$72.78
	1"	\$ 70.24	\$ 104.02	\$ 118.76	\$ 124.40	\$ 125.60	\$127.42
	1.5"	\$ 78.72	\$ 129.36	\$ 178.65	\$ 204.04	\$ 221.83	\$ 224.96
	2"	\$ 95.66	\$ 159.04	\$ 211.42	\$ 241.35	\$ 261.06	\$ 264.92
	3"	\$ 163.47	\$ 289.49	\$ 354.63	\$ 405.21	\$ 433.41	\$ 440.41
	4"	\$ 290.6	\$ 481.00	\$ 591.44	\$ 662.86	\$ 698.41	\$ 720.74
	6"	\$ 403.62	\$ 878.64	\$ 1,027.23	\$ 1,162.19	\$ 1,223.75	\$ 1,255.51
	8"	\$ 657.91	\$ 1,425.95	\$ 1,624.96	\$ 1,849.05	\$ 1,946.72	\$ 1,991.15
	6" FS Only	\$ 851.89*	\$ 847.65	\$ 988.70	\$ 1,122.36	\$ 1,182.56	\$ 1,212.92
8" FS Only	\$ 1,418.81*	\$ 1,390.92	\$ 1,581.41	\$ 1,804.02	\$ 1,900.16	\$ 1,943.00	
Category 2 – Outside the Fairhaven Distribution Grid	5/8 x 3/4"	\$ 29.46	\$ 35.71	\$ 39.66	\$ 46.21	\$ 48.83	\$ 49.81
	1"	\$ 37.94	\$ 49.63	\$ 55.32	\$ 63.55	\$ 66.97	\$ 68.38
	1.5"	\$ 46.42	\$ 80.41	\$ 89.70	\$ 101.97	\$ 107.22	\$ 109.50
	2"	\$ 63.36	\$ 114.98	\$ 128.16	\$ 145.17	\$ 152.53	\$ 155.75
	3"	\$ 131.17	\$ 262.90	\$ 291.84	\$ 330.18	\$ 346.77	\$ 353.87
	4"	\$ 258.30	\$ 422.27	\$ 467.36	\$ 529.74	\$ 556.45	\$ 567.55
	6"	\$ 371.32	\$ 834.83	\$ 920.22	\$ 1,046.72	\$ 1,100.05	\$ 1,121.19
	8"	\$ 625.61	\$ 1,390.01	\$ 1,527.09	\$ 1,743.02	\$ 1,832.78	\$ 1,866.93
	6" FS Only	\$ 851.89*	\$ 753.34	\$ 834.59	\$ 960.63	\$ 1,013.54	\$ 1,033.50
8" FS Only	\$ 1,418.81*	\$ 1,296.61	\$ 1,427.30	\$ 1,642.29	\$ 1,731.14	\$ 1,763.58	
Other Charges	Backflow Charge	n/a	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00
	4" Private Fire Charge	n/a	\$ 5.75	\$ 5.75	\$ 5.75	\$ 5.75	\$ 5.75
	6" Private Fire Charge	n/a	\$ 16.69	\$ 16.69	\$ 16.69	\$ 16.69	\$ 16.69
	8" Private Fire Charge	n/a	\$ 35.57	\$ 35.57	\$ 35.57	\$ 35.57	\$ 35.57
Consumption Charge	\$/hcf	\$0.00-2.29	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30

* approximate base charge, each customer has unique capital replacement charge

Local Agency	5/8" Meter Monthly Bill (500 cubic feet)
HBMWD, Non-Fairhaven (<i>existing, 2020</i>)	\$ 29
HBMWD, Non-Fairhaven (<i>proposed, 2021</i>)	\$ 42
HBMWD, Fairhaven (<i>existing, 2020</i>)	\$ 62
HBMWD, Fairhaven (<i>proposed, 2021</i>)	\$ 70
City of Arcata (inside City limits)	\$ 47
City of Eureka (inside City limits)	\$ 43
Humboldt Community Services District	\$ 45
Manila Community Services District	\$ 40

Sample Water Bills			
Customer and Average Usage	Current Bill FY20/21	Proposed Bill FY21/22	% Difference
5/8" Meter Fairhaven w/500CF	\$61.76	\$70.04	13.41%
5/8" Meter Fairhaven w/1,000CF	\$71.71	\$76.54	6.74%
5/8" Meter Non-Fairhaven w/500CF	\$29.46	\$42.21	43.28%
5/8" Meter Non-Fairhaven w/1,000CF	\$39.41	\$48.71	23.60%
2" Meter Fairhaven w/6,300CF	\$219.53	\$240.94	9.75%
1.5" Meter Non-Fairhaven w/550CF	\$47.96	\$87.56	82.59%
DG Fairhaven Power (1,367,933 CF)	\$15,783.48	\$18,272.13	15.77%
Humboldt Bay Harbor Dist. (20,267CF)	\$893.33	\$1,150.11	28.74%
Town of Samoa (393,256CF)	\$5,628.77	\$6,015.66	6.87%
US Coast Guard (14,875CF)	\$774.34	\$1,096.71	41.63%
CA Redwood Comp. Fire Loop (6,200CF)	\$2,933.22	\$3,067.77	4.59%

Resolution No. 2021-06**Resolution of the Humboldt Bay Municipal Water District Board of Directors Increasing the District's Rates for Retail Water Service**

WHEREAS, Section 71614 of the California Water Code states that water districts may fix the rates at which water shall be sold and different rates may be established for different classes or conditions of service; and

WHEREAS, the Humboldt Bay Municipal Water District (District) is a water district formed under the California Water Code; and

WHEREAS, Article 6 of the District's Ordinance No. 13 (establishing rates, rules and regulations for retail water service) states that rates for retail water service are subject to change by resolutions of the Board; and

WHEREAS, the District has not changed rates for retail water service since 2016 and this Resolution supersedes Resolution 2016-02; and

WHEREAS, the District has performed a rate study to determine the revenue requirements of the retail system and developed a rate schedule to meet these revenue requirements; and

WHEREAS, the District has notified its customers of the proposed rate changes, and

WHEREAS, the District held a full and fair public hearing to allow public input on the water rates, and

WHEREAS, Notice of the public hearing was given pursuant to Government Code Section 61123(b) and Article XIII D, Section 6(a) (1) of the California Constitution; and

WHEREAS, a majority protest, as defined by Article XIII D, Section 6(a)(2) of the California Constitution, does not exist with respect to the proposed charges; and

WHEREAS, the Board desires to increase the water charges, and:

WHEREAS, the consumption charge per hundred cubic foot set forth shall include an annual "pass through" as allowed by California Government Code section 53756,

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Humboldt Bay Municipal Water District hereby establishes the rates for retail water service and other charges as follows:

		FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
Category 1 - Fairhaven Distribution Grid	Meter Size	Fairhaven Monthly Base Charge				
	5/8 x 3/4"	\$ 63.54	\$ 64.28	\$ 69.85	\$ 71.64	\$ 72.78
	1"	\$ 104.02	\$ 118.76	\$ 124.40	\$ 125.60	\$ 127.42
	1.5"	\$ 129.36	\$ 178.65	\$ 204.04	\$ 221.83	\$ 224.96
	2"	\$ 159.04	\$ 211.42	\$ 241.35	\$ 261.06	\$ 264.92
	3"	\$ 289.49	\$ 354.63	\$ 405.21	\$ 433.41	\$ 440.41
	4"	\$ 481.00	\$ 591.44	\$ 662.86	\$ 698.41	\$ 720.74
	6"	\$ 878.64	\$ 1,027.23	\$ 1,162.19	\$ 1,223.75	\$ 1,255.51
	8"	\$ 1,425.95	\$ 1,624.96	\$ 1,849.05	\$ 1,946.72	\$ 1,991.15
	6" FS Only	\$ 847.65	\$ 988.70	\$ 1,122.36	\$ 1,182.56	\$ 1,212.92
8" FS Only	\$ 1,390.92	\$ 1,581.41	\$ 1,804.02	\$ 1,900.16	\$ 1,943.00	
Category 2 - Outside the Fairhaven Distribution Grid	Meter Size	Non-Fairhaven Monthly Base Charge				
	5/8 x 3/4"	\$ 35.71	\$ 39.66	\$ 46.21	\$ 48.83	\$ 49.81
	1"	\$ 49.63	\$ 55.32	\$ 63.55	\$ 66.97	\$ 68.38
	1.5"	\$ 80.41	\$ 89.70	\$ 101.97	\$ 107.22	\$ 109.50
	2"	\$ 114.98	\$ 128.16	\$ 145.17	\$ 152.53	\$ 155.75
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	4"	\$ 422.27	\$ 467.36	\$ 529.74	\$ 556.45	\$ 567.55
	6"	\$ 834.83	\$ 920.22	\$ 1,046.72	\$ 1,100.05	\$ 1,121.19
	8"	\$ 1,390.01	\$ 1,527.09	\$ 1,743.02	\$ 1,832.78	\$ 1,866.93
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8" FS Only	\$ 1,296.61	\$ 1,427.30	\$ 1,642.29	\$ 1,731.14	\$ 1,763.58	
USAGE	Per HCF	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30

OTHER CHARGES

Application Processing Fee – for setting up new accounts	\$30	Padlock Charge	\$15
Reconnection Service Charge – Due to non-payment	\$50	Connection Charge – For connection to system	\$2,400
Meter Placement Charge –	\$175	Tampering Fee	\$150
After Hours Reconnection Charge-if available	\$150	Returned Check Fee	\$25

BE IT FURTHER RESOLVED, that these rates shall be effective as of July 1, 2021.

The Board finds and determines:

- a. Revenues derived from the water service charge will not exceed the funds required to provide water service.
- b. Revenues derived from the water service charge will not be used for any purpose other than providing water service.
- c. The amount of the charges imposed by this Resolution upon any parcel or person as an incident of property ownership will not exceed the proportional cost of the service attributable to the parcel.
- d. No charge will be imposed under this Resolution for a service unless that service is actually used by, or immediately available to, the owner of the property in question.

Adopted and approved this 11th day of March 2021 by the following roll call vote:

AYES:

NOES:

ABSENT:

Attest:

Sherri Woo, President

J. Bruce Rupp, Secretary/Treasurer