**RESOLUTION NO. 1855-15 WWD**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE WINDSOR WATER DISTRICT APPROVING ADJUSTMENTS TO WATER RATES APPLICABLE TO THE WINDSOR WATER DISTRICT WATER SERVICE CUSTOMERS RELATED TO CHANGES TO WHOLESALE RATES AND CHARGES OF THE SONOMA COUNTY WATER AGENCY**

**RECITALS**

**WHEREAS**, the Windsor Water District ("District"), provides water services throughout the District, including to certain customers outside the boundaries of the District; and

**WHEREAS**, the District water system is operated as a self-supporting utility enterprise; and

**WHEREAS,** the water service rates currently applied to District customers were last updated in January 2015 in accordance with Resolution No. 2939-12 WWD adopted by the Board of Directors of the Windsor Water District on July 18, 2012; and

**WHEREAS,** the District entered into a Restructured Agreement for Water Supply with the Sonoma County Water Agency ("Agency") to provide a water supply, to provide improvements and enhancements for the sustainable use of the Russian River Project water, and to encourage the development of local supply projects, as well as other purposes; and

**WHEREAS,** the District obtains water from the Agency via the Santa Rosa Aqueduct and from the District's Russian River Well Field both for which the District is liable to the Agency for certain payments as specified in the Restructured Agreement for Water Supply; and

**WHEREAS,** the Town of Windsor and the District engaged The Reed Group, Inc. ("Reed Group") to evaluate the financial impacts of the Agency's increased rates and charges and to determine how the District's water rates should be adjusted to incorporate the increased costs to the District; and

**WHEREAS,** on September 30, 2008 the Governor signed Assembly Bill 3030 ("AB 3030") adding Section 53756 to the Government Code and authorizing local agencies to adopt a schedule and formula for automatic adjustments to water rates that pass through the increases in wholesale costs for water; and

**WHEREAS,** the rates and charges applicable to the District from the Agency are wholesale costs of water supply; and

**WHEREAS,** the Reed Group prepared a report dated June 1, 2015 entitled "Town of Windsor and Windsor Water District Water and Water Reclamation Financial Plans and Rate Update Study" ("Report") containing analyses and recommendations for adjusting the District's water rates to pass through cost increases resulting from the Agency's recently adopted rates and charges, as well as developed a formula for automatically

adjusting the District's water rates in the future based on future increases in the Agency's rates and charges applicable to the District; and

**WHEREAS,** on April 21, 2015 the Agency adopted increases to its rates and charges applicable to the District and effective in July 2015; and

**WHEREAS,** with regard to a schedule and formula for automatic pass through adjustments to water rates, the Study considered only the costs and impacts associated with increased rates and charges adopted by the Agency, and no other costs or financial needs of the District's water system; and

**WHEREAS,** in accordance with Government Code Section 50076, fees that do not exceed the reasonable cost of providing service or regulatory activity for which the fees are charged and which are not levied for general revenue purposes are not special taxes as defined in Article 3.5 of the Government Code; and

**WHEREAS,** in accordance with Government Code Section 54350, local agencies and districts have the police power over any enterprise acquired, constructed, or improved pursuant to the Revenue Bond Law of 1941 (Government Code)

**WHEREAS,** the authorization for adopting a formula for automatic rate adjustments for pass through wholesale water costs may be adopted for up to five years; and

**WHEREAS,** at least forty-five days in advance of the public hearing at which this Resolution was adopted, notice of the public hearing, and notice of oral and written protest procedures against the proposed rate increases, were mailed to all property owners and customers in compliance with California Constitution Article XIII D, Section 6; and

**WHEREAS,** notice of public hearing was also published in the newspaper at least once each week for two weeks prior to the date of the public hearing with the date of the first publication at least 15 days before the public hearing; and

**WHEREAS,** a public hearing was duly held, and at its conclusion the Secretary tabulated the number of written and oral protests received, if any, and reported that there was not a majority protest of the proposed rates by owners or authorized representatives of identified parcels receiving such services.

## FINDINGS

**WHEREAS,** the Board of Directors of the Windsor Water District finds as follows:

A. The purpose of the updated water service rates and automatic water rate adjustment formula established pursuant to this Resolution is to pass through the increased costs to the District associated with recent and future increases in the rates and charges imposed by the Sonoma County Water Agency; to provide that such costs are allocated among District customers so as to bear a fair and reasonable relationship to customer's burdens on and benefits from District water services; to help secure the financial stability of the water system in light of changes in the Agency's rates and

charges applicable to the District. The water service rates established pursuant to this Resolution are not levied for general revenue purposes.

B. After consideration of analyses and recommendations of the Reed Group, the testimony received at this noticed public hearing, the agenda report, the background documents to the agenda report, and all correspondence received (together "Record"), the Board of Directors of the Windsor Water District accepts and approves the Report by this Resolution.

C. Adoption of the rates and automatic water rate adjustment formula for pass through wholesale water costs set forth in this Resolution is intended to recover wholesale water cost increases imposed on the District by the Agency for costs related to water supplies. As such, the water rates relate to the provision of water service to District customers and are not a "project" within the meaning of the California Environmental Quality Act ("CEQA") and Public Resources Code Section 21080(b)(8)(D).

D. In adopting the rates set forth in this Resolution, the Board of the Windsor Water District is exercising its powers under Article XI, Section 7 of the California Constitution.

E. The Record establishes that the costs described in the Report are those increases in costs imposed by the Agency related to wholesale water service and supplies. Furthermore, the formula for automatic water rate adjustments for future wholesale water cost increases provides a reasonable mechanism for adjusting the District's water rates in the future to pass through future wholesale water cost increases. The water rates and automatic water rate adjustment formula adopted by this Resolution are necessary to recover the estimated cost increases imposed by the Agency, reasonably allocate such cost increases among District customers so that they bear a fair and reasonable relationship to customers' burden on and benefits from District water services, and help secure the financial stability of the District's water system through appropriate cost recovery.

F. In accordance with Government Code Section 54354.5(d) the rates, as presented in this Resolution:

1. are not discriminatory or excessive;

2. will help meet the requirements of Government Code Sections 54515 and 54354.5(d) that charges imposed under the Revenue Bond Law of 1941 will be sufficient to meet outstanding bond obligations, current maintenance and operation expenses and other obligations; and

3. will be in compliance with law.

G. The procedures followed and the rates and automatic rate adjustment formula adopted are in compliance with California Constitution Article XIII D.

## ADOPTION OF RATES

NOW, THEREFORE, the Board of Directors of the Windsor Water District does resolve as follows:

1. Definitions

a. "District Customer" shall mean any person, corporation, or other entity that receives District water service, regardless of whether District water service is provided to property within the Town of Windsor, property within the Windsor Water District, or property outside the boundaries of the Town or Windsor and/or the Windsor Water District.

b. "Rate" shall mean the charge or charges imposed on District Customers to recover the costs incurred by the District in providing water service.

c. "Rate Formula" shall mean the computation of adjustments to the District's water rates to incorporate changes to the rates and charges adopted by the Sonoma County Water Agency applicable to the District. The Rate Formula is contained in an Excel spreadsheet file and includes all data, formulas, algorithms, calculations, formatting, data inputs, and other information necessary to perform the rate adjustment calculation related to pass through wholesale water costs of the Agency.

2. Water Service Rates Imposed

Rates shall apply to and be paid by District Customers at the times and in the amounts, and otherwise apply and be administered as prescribed in this Resolution.

3. Time of Payment of Rates

District Customers shall pay Rates as prescribed in bills issued to District Customers in accordance with Sections 12-3-605 and 12-4-220 of the Town of Windsor Code, subject to all applicable regulations, requirements and penalties for non-compliance pursuant to the Windsor Town Code and other applicable law.

4. Rate Amounts

The Rate amounts shall be as specified in the rate schedule attached as Exhibit "A" to this Resolution, or as may be determined in the future using the Rate Formula as illustrated in Exhibit "B" attached to this Resolution.

5. Use of Rate Revenue

The revenues raised by payment of Rates shall be used to fund the estimated reasonable cost of providing services for which the Rates are charged, and the Rate revenues shall not be used for general revenue purposes.

6. Subsequent Analysis and Revision of the Rates

The Rates set herein, or as may be determined through the automatic rate adjustment formula contained in the worksheet shown in Exhibit "B" are adopted and implemented by the Windsor Water District Board of Directors in reliance on the Record identified above. The District may continue to conduct further study and analysis to determine whether the Rates should be revised. When additional information is available, the Board of Directors of the Windsor Water District may review the rates to determine that the Rate amounts do not exceed the estimated reasonable cost of providing the services for which they Rates are charged.

7. Effective Date

This Resolution shall be effective immediately, and the automatic rate adjustment formula contained in the worksheet shown in Exhibit "B" shall be applied to any future changes to the rates and charges adopted by the Agency as they apply to the District for a period not to exceed 5 years from the date of this Resolution.

8. Severability

The Rates and all portions of this Resolution are severable. Should any of the Rates or any portion of this Resolution be adjusted to be invalid and unenforceable by a body of competent jurisdiction, then the remaining Rates and/or Resolution portions shall be and continue in full force and effect, except as to those Rates and/or Resolution portions that have been adjudged invalid. The Board of Directors of the Windsor Water District hereby declares that it would have adopted each of the Rates and this Resolution and each section, subsection, clause, sentence, phrase and other portion thereof, irrespective of the fact that one or more of the Rates or sections, subsections, clauses, sentences, phrases or other portions of the Resolution may be invalid or unconstitutional.

**PASSED, APPROVED AND ADOPTED this 15th day of July 2015, by the following vote:**

| | |
|---|---|
| **AYES:** | **BOARD MEMBERS FOPPOLI, FUDGE, SALMON, VICE PRESIDENT MILLAN AND PRESIDENT OKREPKIE** |
| **NOES:** | **NONE** |
| **ABSTAIN:** | **NONE** |
| **ABSENT:** | **NONE** |

**BRUCE OKREPKIE, PRESIDENT**

**ATTEST:**

**MARIA DE LA O, SECRETARY**

Attachments: Exhibits "A" and "B"

**Exhibit "A"**
**Windsor Water District**
**Pass-Through Water Rate Adjustments Due to Changes in SCWA's Rates and Charges (1)**

| | | Current Aug. 2015 (2) | Rate Adjustment | Adjusted July 2016 (3) |
|---|---|---|---|---|
| ***Water Usage Rates ($/gallon)*** | | | | |
| Single Family Residential | | | | |
| 1st Tier | 0-4,000 gal/mo | $ 0.00316 | $ 0.00002 | **$ 0.00318** |
| 2nd Tier | 4,001-7,000 gal/mo | $ 0.00344 | $ 0.00002 | **$ 0.00346** |
| 3rd Tier | 7,001-17,000 gal/mo | $ 0.00485 | $ 0.00002 | **$ 0.00487** |
| 4th Tier | Over 17,000 gal/mo | $ 0.00587 | $ 0.00014 | **$ 0.00601** |
| Multi-Family Residential (per dwelling unit) | | | | |
| 1st Tier | 0-2,000 gal/mo/DU | $ 0.00316 | $ 0.00002 | **$ 0.00318** |
| 2nd Tier | 2,001-3,000 gal/mo/DU | $ 0.00344 | $ 0.00002 | **$ 0.00346** |
| 3rd Tier | 3,001-5,500 gal/mo/DU | $ 0.00485 | $ 0.00002 | **$ 0.00487** |
| 4th Tier | Over 5,500 gal/mo/DU | $ 0.00587 | $ 0.00014 | **$ 0.00601** |
| Town Commercial | All usage | $ 0.00371 | $ 0.00003 | **$ 0.00374** |
| Town Irrigation - Winter | Nov-May | $ 0.00316 | $ 0.00003 | **$ 0.00319** |
| Town Irrigation - Summer | Jun-Oct | $ 0.00389 | $ 0.00003 | **$ 0.00392** |
| Airport Commercial | All usage | $ 0.00587 | $ 0.00015 | **$ 0.00601** |
| Airport Irrigation - Winter | Nov-May | $ 0.00500 | $ 0.00012 | **$ 0.00512** |
| Airport Irrigation - Summer | Jun-Oct | $ 0.00620 | $ 0.00015 | **$ 0.00635** |
| Recycled Water - Urban | All usage | $ 0.00297 | $ 0.00002 | **$ 0.00299** |
| Recycled Water - Vineyard | All usage | $ 0.00093 | $ 0.00001 | **$ 0.00094** |
| Rec. Wtr. - Pasture/Non-Vineyard | All usage | $ 0.00046 | $ 0.00001 | **$ 0.00047** |
| Rec. Wtr. - Wholesale ($/AF) | All usage | $ 456.63 | $ 22.83 | **$ 479.46** |
| Add'l Usage Charge for Pumping | All usage | Varies | No change | No change |
| ***Monthly Service Charges ($/month)*** | | | | |
| All Water Services including Airport Area | | Varies | No change | No change |
| Additional Service Charges for Pumping | | Varies | No change | No change |
| Private Fire Service Charges | | Varies | No change | No change |

**Notes:**

(1) Sonoma County Water Agency (SCWA) water rates for FY 16-17 were formally adopted on _____, 2016.
(2) Water usage rates were last adjusted in August 2015, along with pumping charges and service charges.
(3) Adjusted water usage rates will go into effect in July 2016 to reflect increased costs due to SCWA's FY 16-17. rate changes. No changes to the monthly service charges or pumping charges will occur at that time.

***Typical single family water customer using 7,500 gallons per month.***

| | Current | Adjusted |
|---|---|---|
| Service Charge | $ 10.80 | $ 10.80 |
| Usage Charge | $ 25.39 | $ 25.54 |
| **Total Monthly Bill** | **$ 36.19** | **$ 36.34** |
| Change | | **$ 0.15** |
| Change % | | **0.4%** |

**Exhibit "B"**
**Windsor Water District**
**Worksheet for Automatic Water Rate Adjustments Related to Changes in SCWA's Water Rates and Charges (1)**

| | Current | | Adjusted | | Change | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year --> | FY 15-16 | | FY 16-17 | | | | |
| ***SCWA Water Charges*** | $/AF | $/Gal. | $/AF | $/Gal. | $/AF | $/Gal. | |
| RRD Sub-Charges (2) | $ 155.70 | $ 0.00048 | $ 163.49 | $ 0.00050 | $ 7.79 | $ 0.00002 | 5.00% |
| Santa Rosa Aqueduct (3) | $ 913.26 | $ 0.00280 | $ 958.92 | $ 0.00294 | $ 45.66 | $ 0.00014 | 5.00% |
| ***Water Supplies (AF)*** | | | | | | | |
| Local Groundwater (off river) | | | - | | | | |
| Russian River Well Field | | | 3,071 | Estimate for FY 15-16 | | | |
| Santa Rosa Aqueduct | | | 501 | Estimate for FY 15-16 | | | |
| Total Water Supplies | | | 3,572 | | | | |
| Unaccounted For Losses (4) | | | 6.0% | | | | |
| ***Estimated Water Sales (AF)*** | | | | | | | |
| Town Service Area | | | 2,989 | Estimate for FY 15-16 | | | |
| Airport Service Area | | | 369 | Estimate for FY 15-16 | | | |
| Total Estimated Sales | | | 3,358 | | | | |
| ***Water Supply Places of Use (AF) (5)*** | | | | | | | |
| Town Service Area | | | | | | | |
| Local Groundwater | | | - | 0% | | | |
| Russian River Well Field | | | 3,071 | 97% | | | |
| Santa Rosa Aqueduct | | | 108 | 3% | | | |
| Total Town | | | 3,180 | | | | |
| Airport Service Area | | | | | | | |
| Local Groundwater | | | - | 0% | | | |
| Russian River Well Field | | | - | 0% | | | |
| Santa Rosa Aqueduct | | | 393 | 100% | | | |
| Total Airport | | | 393 | | | | |
| Total Water Supplies | | | 3,572 | | | | |

| ***Windsor Water Usage Rates ($/gallon)*** | Effective Aug. 2015 | Rate Adjustment | Adjusted July 2016 | Tier Steps (6) | Tier Usage (7) | Goal Seek (8) |
|---|---|---|---|---|---|---|
| Town Residential Tier Rates | | | | | | |
| 1st Tier | $ 0.00316 | $ 0.00002 | $ 0.00318 | | 53% | $ 0.00374 |
| 2nd Tier | $ 0.00344 | $ 0.00002 | $ 0.00346 | 9% | 21% | |
| 3rd Tier | $ 0.00485 | $ 0.00002 | $ 0.00487 | 41% | 21% | |
| 4th Tier | $ 0.00587 | $ 0.00014 | $ 0.00601 | (9) | 5% | |
| Town Commercial Rate | $ 0.00371 | $ 0.00003 | $ 0.00374 | | | |
| Town Irrigation Rate - Winter | $ 0.00316 | $ 0.00003 | $ 0.00319 | | | |
| Town Irrigation Rate - Summer | $ 0.00389 | $ 0.00003 | $ 0.00392 | | | |
| Airport Commercial Rate | $ 0.00587 | $ 0.00015 | $ 0.00601 | | | |
| Airport Irrigation Rate - Winter | $ 0.00500 | $ 0.00012 | $ 0.00512 | | | |
| Airport Irrigation Rate - Summer | $ 0.00620 | $ 0.00015 | $ 0.00635 | | | |
| Recycled Water - Urban | $ 0.00297 | $ 0.00002 | $ 0.00299 | | | |
| Recycled Water - Vineyard | $ 0.00093 | $ 0.00001 | $ 0.00094 | | | |
| Recycled Water - Pasture/Non-Vineyard | $ 0.00046 | $ 0.00001 | $ 0.00047 | | | |
| Recycled Water - Wholesale | $ 456.63 | $ 22.83 | $ 479.46 | /AF | | |

**Notes:**

(1) Input fields include values shown in italics in shaded areas. Other values are automatically calculated. Worksheet illustrates a hypothetical 5 percent increase in SCWA rates and charges.
(2) Includes sub-charges for water management planning, watershed planning/restoration, recycled water/local supply, and water conservation.
(3) Equal to 120% of highest rate of other contractors using Santa Rosa Aqueduct.
(4) Calculated based on supply and demand data inputs. Recent values have been about 6% to 8%.
(5) Town priority is groundwater, RRWF, and SR Aqueduct. Airport priority is SR Aqueduct, RRWF, groundwater.
(6) Rate increase relative to prior tier rate. Tier 4 is set to be equal to Airport rate as marginal cost of water supply.
(7) From water use frequency distribution updated with CY 2014 usage. Should be periodically reviewed and updated.
(8) Goal seek to set cell J38 to value of Town commercial rate (cell F42) by adjusting value for Tier 1 rate (cell F38).
(9) Highest residential tier rate tied to rate for water from Santa Rosa Aqueduct (i.e., Airport commercial rate).