



**C. Review of Raftelis business plan & rate model:** Habib Isaac and Victor Smith from Raftelis joined the meeting via teleconference to present their utility rate review. They presented slides depicting the current financials, beginning with water; where we are today and where we need to be. The current revenue covers operations but not capital projects. If reserves are used for capital projects, they will be depleted by fiscal year 2017-18. The proposed financial plan is designed to reach stability and meet the minimum reserve requirements by FY 2018, as well as incurring some debt for construction of a new reservoir. The proposed revenue adjustment would be nine percent in 2016-17 and six percent in each of the subsequent four years.

Mr. Isaac went on to summarize the existing rate structure, with 43 percent of the District's revenue prior to conservation coming from fixed (meter) charges and 57 percent from variable. Now, with water demand reduction, it is closer to a 50/50 split. Raftelis recommends a 33 percent fixed/67 percent variable allocation. Mr. Isaac explained calculations based on the cost of a 3/4 inch meter. Variable charges, or metered consumption, would be 92 cents per unit for a base cost of \$1.70. Sixty percent of this would come from residential, and forty percent from non-residential.

The Raftelis study also looked at the cost of additional treatment as the aquifer is depleted. This expense would be passed on to high water users as a basis for tiered rates.

The financials and proposed financial plan for sewer rates were similar to those for water. The proposed revenue adjustment would be nine percent in 2016-07 and four percent in each of the subsequent four years. The costs were adjusted for those benefiting from the lift station versus those who don't, and the charges were divided between residential and commercial. Rate structures for each affected improvement district were presented.

Mr. Isaac pointed out that although sewer charges would increase, they would be offset by the reduced fixed water meter charges.

President Hart inquired about pass-through charges for electrical costs. Mr. Rolwing suggested leaving Raftelis' proposed escalator as is for the present, but adding a provision for a pass-through in the future if necessary. President Hart asked Mr. Isaac to develop some scenarios of how a typical ratepayer would be affected by the proposed financial plan. The Raftelis presentation will be included again in the March 15 Agenda.

### **III. CLOSING PROCEDURE**

There being no further business, the Board adjourned at 10:40 a.m. The next Special Meeting of the Board of Directors is scheduled for March 15, 2016 at the Borrego Water District. The next Regular Meeting of the Board of Directors is scheduled for March 23, 2016 at the Borrego Water District.