

# ACTION BRIEF

## BOARD OF DIRECTORS



### Agenda Number 12

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**MEETING DATE:** Thursday, May 4, 2023

**AGENDA ITEM:** Discussion and Consideration of Action to Approve a Preliminary CAGR Rate Schedule for 2023/2024 through 2027/2028, Including Collection of Annual Membership Dues (*Finance^*) - Dunlap

**RECOMMENDATION:** The CAGR and Underground Storage Committee recommend that the Board Authorize the Collection of CAGR Annual Membership Dues During Tax Year 2023/2024 and approve the attached Preliminary CAGR Rate Schedule for 2023/2024 through 2027/28.

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#### FISCAL IMPLICATIONS: No

#### Impact on Budget:

N/A

Additional spending authority requested: N/A

#### Impact on Reserves:

N/A

#### Impact on Rates:

N/A

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#### LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board Strategic Plan

Finance: *Maintaining long-term financial strength to achieve CAP's goals and being prepared to address opportunities or challenges*

Groundwater Replenishment: *Fulfilling CAP's groundwater replenishment responsibilities in accordance with statutory requirements*

#### PREVIOUS BOARD ACTION/ACTIVITY:

April 20, 2023 The CAGR and Underground Storage Committee had a discussion about the preliminary CAGR rates, fees, and dues and made a recommendation to the Board.

#### ISSUE SUMMARY/DESCRIPTION:

As provided in the CAGR Assessment Rate Setting Policy (Policy), staff has prepared a preliminary rate schedule that identifies firm rates for 2023/24 and advisory rates for 2024/25 through 2027/28. The Policy calls for Board adoption of a preliminary CAGR rate schedule in May and approval of a final CAGR rate schedule in June. The attached rate schedule was prepared based on existing policies, recent obligation and building projections and various assumptions listed below.

The attached rate schedule assumes all Water & Replenishment (W&R) and Replenishment Reserve (RR) purchases are at a standard price. This standard price is based on CAWCD water delivery costs and capital charges. Costs excluded from this standard price, e.g. annual lease costs, flow through Infrastructure & Water Rights (I&WR). It was also assumed that W&R revenues fulfill the prior year's obligation in the current year,

e.g. 2024 replenishment is obligation incurred from 2023.

For CAWCD rates, 2023 is a Tier 2a and 2024 forward are assumed to be at a Tier 3. These changes from the current Tier 1 assumptions in the current rates impacts the standard rate and is increasing the CAGRD water and replenishment and Replenishment Reserve rates accordingly. The preliminary CAGRD 2023/24 -2027/28 rates are in line with the corresponding rates for the informational Tiers presented previously.

The I&WR rate component is held level through the period and meets current projected infrastructure and water right costs. The Administrative rate component is based on the cost of administrative support to operate the CAGRD exclusive of any direct I&WR administrative costs and spread across the forecasted obligation less the contribution from enrollment fee.

Enrollment and Activation fees are in alignment with the 2019 agreement in which Activation Fees increase at 9%/yr & Enrollment Fees and minimum Activation Fees increase at 7%/yr through 2023/2024 pursuant to prior discussions with stakeholders and the Committee. Additional discussions were held with the homebuilders and development community and a 5% year-over-year increase has been proposed through the remaining advisory rate period.

Annual Membership Dues (AMDs) are set at the maximum allowed by state statute for all years. AMDs are lower than previous rates based on decreased building projections, which decreases the I&WR collection from rates and fees. AMDs can be up to but no more than 25% of total I&WR projected collection.

**STAKEHOLDER PERSPECTIVES:**

A Stakeholder Briefing was held on Thursday, April 13, 2023. No feed back was provided on the CAGRD rates, fees and dues.

**SUGGESTED MOTION:**

I move that the Board of Directors Authorize the Collection of CAGRD Annual Membership Dues During Tax Year 2023/2024 and approve the CAGRD Preliminary Rate Schedule for 2023/24 through 2027/28.

**ATTACHMENTS:**

1. Presentation
2. CAGRD Preliminary 2024-2028 Water Rate Schedule (Committee Recommendation)