



FACILITIES SERVICES

C H A N N E L
I S L A N D S

May 16, 2023

University Glen Community Question for the CSUCI Water Rate Study

To: University Glen Residents

From: CSUCI Facilities Services

In January 2023, California State University Channel Islands (CSUCI) commissioned Black & Veatch Management Consulting (BV) to complete a utility surcharge rate study for potable water, recycled water, and sewer services provided to all non-state entities, including University Glen.

CSUCI values our relationship with University Glen and wanted to ensure the community had an opportunity to engage during the rate study process. On April 12, 2023, CSUCI arranged for a public forum with University Glen residents to view a presentation from BV on the preliminary findings of the study and to provide time for residents to ask questions. To ensure all residents had a chance to pose questions, CSUCI allowed University Glen residents to submit questions in writing until April 17, 2023, to be answered in writing by BV and CSUCI. CSUCI coordinated collection of the questions, consolidated similar questions, and worked with BV to gather the responses provided herein. These questions and answers are current as of May 16, 2023, and do not represent the final rate study report.

Any follow-up questions should be directed to the UGCAM Manager.

Sincerely,
CSUCI Facilities Services

Questions Submitted by University Glen Residents

- 1) The Rate Study lays out a 5-year plan which quantifies annual indirect cost recovery amounts and allocation methodologies to charge community residents. Under what circumstances would a new plan be devised with changes to these factors?

A utility agency must operate the utility to ensure that it meets its operating and capital needs, yet there are circumstances in which projected revenues and/or expenses differ from planned. In those situations, the utility agency must account for the changes by adjusting the factors. As a result, the rates may change in either direction accordingly. In California, utility agencies are allowed to set rates for a maximum of five consecutive years. Revenue adjustments approved through the Proposition 218 process set the maximum that a utility may charge its customers, excluding pass-through charges. Changes to customer rates above what has been already approved are required to undergo a new Proposition 218 process. Typically, utilities, including CSUCI, undertake an annual budgeting process, where they will also review any changes in operating and capital needs against the 5-year rate study.

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2) Per pages 15 and 16 it appears that the per meter surcharge rates were reverse engineered so they would generate revenue matching up to the operating and capital needs for each of the next 5 years. Is that how those surcharge rates were developed or was some other method used?

The proposed rates were designed to ensure that the utility would meet its operating and capital needs. Under cost-of-service principles, the proposed surcharge rates are set to generate sufficient revenues to meet its operational, capital, and reserve needs. CSUCI does not generate a profit for operating and maintaining the utility.

3) Per page 9 and 10, the charts and \$ figures on these pages are for all 11 customers. The rest of the document is for UGlen only. Correct?

The analysis was performed for the entire utility’s customers and therefore pages 9 and 10 represent the entire utility. Only slides 17 and 18 are specific to UGlen as the meeting was specific for those customers.

4) pp. 11, pp. 12 and pp. 13. Are these “additional revenue” amounts what are required to meet “operating and capital needs” for all 11 “major customers”?

Correct, the analysis was holistic in that it incorporated all customers served by CSUCI.

5) Was a similar study done for Anacapa Canyon? (This explanation was very muddy, I suspect due to the time constraints.)

The study was done for all existing customers with assumptions for Anacapa Canyon. The intent is that when Anacapa Canyon comes online, the customers will pay the same rates as all other customers listed in the rate schedule.

6) The consultants referred to a 2021 study which identified refurbishment and replacement costs for water infrastructure. Did these consultants use the numbers from that in their computations? Or was there any additional data given to them which in any way modified those numbers? If so, what?

The initial phase of the analysis incorporated the results from the ISES Corp study. CSUCI provided tables of future replacement and deferred maintenance projects for each utility. The amounts were \$6.5M for water, \$7.8M for recycled water, and \$5.2M for wastewater. Understanding the burden this would place on the customers, the amount of capital needs incorporated in the five-year timeframe is \$250k for water, \$45k for recycled water, and \$125k for wastewater.

7) Similar to Questions #3 and #6, I’m unsure how the build up to our annual Infrastructure Fees work for the next five years. If I was trying to project our indirect infrastructure fee for the next 5 years, how would I do that using what is in the rate study? As an example, if I use the operating and capital needs on pages 11,12 and 13, our infrastructure fee would increase from \$98,300 in 2024 to \$214,900 in 2028.

The costs associated with the services provided by CSUCI would be as follows for the next 5 years.

The analysis has been updated to represent the fee based on submeters. This entails:

30 – 2” meters, 3 – 1.5” meters, and 2 -1” meters for KW Apartments, 4 – 2” meter for Town Center and 272 – ¾” meters for SFR/TH. These replace the 2 - 10” potable meters. The 2 – 8” recycled water meters remain.

Connection	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Water	41,530.45	41,530.45	41,530.45	41,530.45	41,530.45
Recycled Water	7,748.43	8,135.85	8,542.64	8,969.77	9,418.26
Wastewater	44,311.30	47,302.31	50,495.22	53,903.65	57,542.14
Total	93,590.17	96,968.61	100,568.31	104,403.86	108,490.85
% Change	106.4%	3.6%	3.7%	3.8%	3.9%

8) What happens after Year 5 once the operating reserve hits its 90 day target. All things being equal, the increase in the infrastructure fee should begin to flatten out. Correct?

The intent is that over the five years, CSUCI will be able to cover its operating and capital costs and have a reserve to allow it to cover any fluctuations in cashflow streams and capital needs. Ideally, any increases after year five would match consumer price index increases.

9) Per pages 11 and 13, the Wastewater operating and capital needs are much higher than those depicted for the Water financial plan. Our historical break/fix issues seem to be related to water, not sewer. Can you provide a high level explanation why sewer costs are so much higher?

Typically, agencies see greater issues with water infrastructure as these assets are under pressurized conditions and any break is readily noticeable. Yet, the wastewater system still needs to be maintained as water infrastructure to avoid failures in the system. Failures for wastewater results in odors and backups into homes or overflows into the street through manholes. CSUCI will take a proactive approach at maintaining the wastewater system.

10) Slide 15 & 16

a) There was a five-year recommendation/ plan to recapture and rebalance CI incurred expenses for providing water services to the Glen. *For illustration purposes only*, let's use the "Water-Monthly Fixed Charge" table on slide 15. Note the largest increase happens on year one (being 2024). I know CI wants to get their money back, but why not recommend amortizing this with a bit more equity over the full 5 year period, rather than recommending a 63% rate increase for the first year? See screenshot below of what the rate increase look like:

7.74	0.00%	2023
12.67	63.70%	2024
17.1	34.96%	2025
18.81	10.00%	2026
20.69	9.99%	2027
20.69	0.00%	2028

The increase for 2024 to 2028 is identified in Q7. Unfortunately, the first increase in 2024 is larger as there have been costs identified that previously were not charged to customers. Thereafter, the increases were meant to allow for the build-up of reserve by year five.

11) Regarding Slides 9 & 10: Operating Revenue/ Operating and Capital Needs

a) "Pass-throughs are estimated at \$268,700 for water, \$201,800 for recycled water, and \$266,600 for wastewater." Are these amounts only for University Glen customers, or are other customers included in the figure?

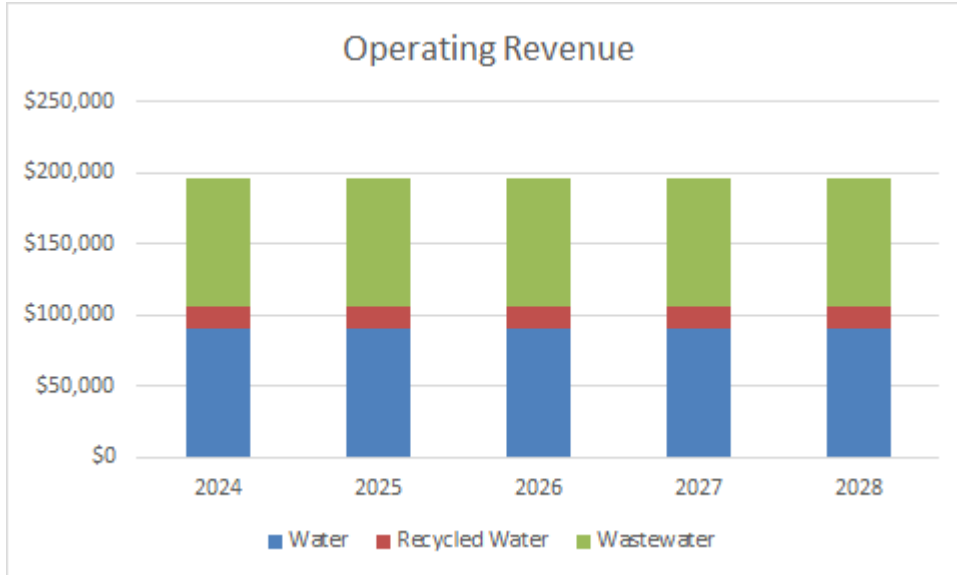
These costs are for all customers. Each customer gets their share of the costs based on the amount of water they consume.

b) What is the detail / breakdown of those indirect costs identified on slide 10 as pertinent to UGlen Customers? Meter readings, collection system, water leak detection, etc?

The analysis focused on identifying the costs to provide the services to all customers and developing rates that would be uniform for all customers.

c) What's up with the bar graphs on Slides 9 & 10? It's the same graph, right? Slide 9 is Operating Revenue; Slide 10 is Operating & Capital Needs. Please provide more clarity on this. There are probably tables driving these charts, and they may have the correct data.

Unfortunately, the graphs are the same and that was not the intent. The correct graph for page 9 is here:



12) Per page 17, the new Indirect Cost fee structure is based on a rate that was established for four different meters as described on the lower table. This means the number of submeters, present or future, in the community will no longer be a factor in determining total Indirect Cost recovery needs. Correct?

The initial intent was to charge UGlen on the 4 master meters identified. After internal discussions, CSUCI already reads and maintains the existing submeters and therefore changed the analysis to be based on the submeters for UGlen. Although the costs assigned to UGlen will be on this basis, CSUCI does not control how Site Authority's recovers costs from UGlen customers.

13) Per page 18, top table, the Indirect Cost fee recovery (for the next 5 years) will be assessed equally based on a per door basis only. This is also what is in the 2023/2024 budget. If SF and TH owners install water meters, this allocation method will still be used. Correct?

The fees shown on page 18 are for reference only. CSUCI will bill UGlen by meter size. It is the Site Authority's purview to determine how to bill its customers.

14) Who are the 11 customers?

The 11 customers are:

Anacapa Village
CI Power
Freudian Sip
Islands Café
Lighthouse Café
Santa Rosa Village
Santa Cruz Village
Student Union
Carden School
University Glen
Anacapa Canyon

15) Per page 15 and 16 the same meter-based surcharges are applied to all 11 customers? Correct?

Yes, the analysis was done for all customers.

16) Per page 17, the R_Rincon Main meter seems to be totally attributed to UGlen. This meter is for a pass-through between east and west campus. Water has flowed in both directions. Why is UGlen bearing the entire burden of this shared meter?

This meter is present to serve the UGlen community. It is not a main irrigation feed for the campus. The university is first in line for recycled water directly from the Camrosa Water District's water treatment plant. The R_Rincon meter can flow backward, into the campus, but that is not the dominant water supply for the university.

17) Regarding Slide 17:

a) Please provide more detail on the metering, it was a bit confusing at the meeting, and there wasn't enough time to ask follow-up questions. Please provide more explanation or overview on how the metering works.

The rates for indirect costs are recovered solely by a fixed meter charge that changes by meter size. Metering costs include not just the meter reading activities, but also maintenance. Larger meters are more complicated and complex to maintain and so the standard is to use the AWWA M1 meter ratios to allocate meter-related costs to appropriately reflect these differences.

b) From what I could follow, UGlenn TH & SFH are serviced by an 8" & 10" pipe, right? The "Existing UG Charges" table shows the one 8" & one 10" pipe. So, why does the "Proposed UG Charges" table show two 8" pipes & two 10" pipes that will drive our metering costs? I think I missed this somewhere.

There have always been two potable meters and two recycled meters providing water to UGlen. When the rates were initially established in July 2022, one of the potable meters and one of the recycled meters was out of service, so we did not include them in the rates. However, we have found that those meters do need to be used and/or available for us and should be included in the assessment of maintenance/renewal costs for the system. Despite this, the analysis has been updated and based on submeters, so the two large potable meters are not incorporated to determine the potable water costs to UGlen.

18) Is there a clear description (Statement of Work) which can be provided that describes what services will be provided for these new fees? For example, if someone knocks over a fire hydrant at midnight, who would a resident call and how soon would the appropriate water be shut off? Keep in mind, for this year, only SF and TH residents would be paying for the water flowing down the streets.

These fees include water and sewer service and maintenance of the main infrastructure from the curb stop out to the street. Services include routine maintenance, repairs, billing, and related services. If someone knocks over a fire hydrant, residents can call the non-emergency police line (805-437-8444) and university personnel will be notified and report to turn off the water.

19) The water utility you depict has a very small customer base. Possibly the smallest water utility in the county. Using rough numbers, if you assume direct costs increase by 6% per year and indirect fees increase as you depict in the rate study, the portion of indirect costs to total costs increases from 19% to 35% by 2028. Plus, the debt service, as shown in the rate study, is already burdened to homeowners (Special Tax) and is not reflected in these numbers. What will be the strategy to optimize the efficiency of the water utility?

CSUCI strives to operate as efficiently as possible and look for opportunities to improve efficiency and be a responsible steward of resources.

- 20) Per page 18, when applying the \$10.54 fee for 672 homes the amount is \$84,994. The final 2023/2024 budget of \$92,531 is 9% higher. Why the difference?
The number previously provided were from preliminary draft rates that CSUCI had at the time. At that point, the rate study was being finalized and numbers are being fine-tuned.
- 21) Will we see a budget breakout for potable and non-potable water and for sewer, both fixed and variable? Will that be on a per-door basis as we have seen in the past, or will there be a difference in the rates for the KW portions and the homeowners' portions? If there will be a difference, what will that difference be, and why?
- a) CSUCI will charge UGlen a monthly fee based on the meter sizes and associated fees identified in the rate study. The fixed fee will then be charged on a per door basis across the entire community by the Site Authority.
 - b) Variable is based on monthly metered water usage
 - c) CSUCI will charge UGlen the monthly sewer fee based on meter size and associated fee. The sewer cost will then be allocated by Site Authority based on average contribution to the wastewater system- KW apartments use 35%, Town Center uses 9%, and the common areas, SFH, and TH use 56%.
- 22) If implemented, would the installation cost of water meters for all 672 homes in the community be pooled into the common 10" meter cost pool? This means a new 10" rate would be determined. Correct?
No, the installation of submeters for each home and townhome was not included in this rate study. A separate fee study would need to be completed that would only apply to UGlen if submeters are to be installed. The analysis has been updated to treat the submeters as independent meters and therefore the fee is based on the individual meters rather than master meters.
- 23) There were three entities mentioned as potentially providing operating and capital cost information in the study: ISES, Facilities Services and Black & Veach. For example, per page 11, the Operating and Capital Cost needs for Water for 2024 is \$22,600. Can we see worksheets that show how these costs came together to compute that amount vs. what is charged to the other 10 customers?
The report for the rate study will be provided when it is complete. If additional supporting documentation is desired, please submit a PRA detailing the documentation being sought.
- 24) Per page 11, 12 and 13, the 90 day reserves are to be used to backstop expenditures for all indirect costs, both operating and capital. Further, based on the graphs, it looks like the total 2028 target reserve balance is approximately \$180k and you are not maintaining any other reserves. Correct?
The rate study only incorporated the 90-day operating reserve shown on pages 11, 12, and 13. There is no other reserves being maintained.
- 25) Aside from Facilities Services personnel, no other west campus employees will be charging their time as an O&M expense nor into a capital project. Correct?
The only operational charges to the utility will be from personnel in facilities services (i.e., plumbers, irrigation specialist, managers and supervisors) and finance (i.e., budget analyst) that were identified in the

study. If CSUCI request services from a third-party contractor, then these will be balanced against the capital costs identified and reserves as needed. Therefore, outside services may be charged as appropriate.

26) It sounded like what we heard was that this study was not limited to University Glen, but covered all of the water on campus property, is that correct? If so, will any part of the costs associated with the study be charged back to the community?

The study, paid for by the Site Authority, covered all customers receiving water, recycled water and wastewater related utilities through CSUCI. The cost of the study will not be charged back to any customers.

27) Per pages 11, 12 and 13 can someone add the debt service figures so we get a complete picture of indirect costs in the graphs? The annual Special Tax debt service payment is \$1.7 million per year. This is a sizeable figure. The Tetra Tech ASL Inc Engineers Estimate from 2001 provides the detail to estimate the portion to the \$1.7 million debt service payment related to water/sewer. Without this figure, the indirect cost total is incomplete, making it inappropriate to make any comparisons to other utility rates that have debt service included.

a. Supporting documentation provided by University Glen Resident

i. Attached is the Tetra Tech Engineer's Estimate from 2001 **2001 Engineering Cost Estimate.pdf**

1. This estimate was used as the basis for the financing bonds which were issued in 2001 for the buildout of UGlen. These bonds are being serviced with our Special Tax. The Tetra Estimate for the community is broken down into 5 phases, plus the "backbone" infrastructure. Each Phase represented a section of the community, including the 32 acres.

ii. Attached is cost summaries of these 5 phases **2001 Engineer Estimate of water buildout costs.xlsx**

1. I have attached cost summaries of these 5 phases, plus the backbone portion from the 2001 document. Doing the math, which is on the attached spreadsheet, the \$1.7 million annual Debt Service payment made for the infrastructure breaks down as \$88,285 for sewer, \$102,313 for domestic water, and \$190,599 for recycled water. These are the Debt Service amounts which can be added to the graphs on pages 11, 12 and 13.

The debt that was incurred to install the infrastructure that allows water and sewer services to be delivered is partially services by the Special Tax. Those expenses and revenues are completely separate from CSUCI and the Water Rate Study.

28) How were sewer lateral lines considered in the study? Where would line of responsibility typically be drawn for a sewer lateral line to single-family home? What about a townhome?

This is the same as for water utility where the meter box would be the point of separation. Many customers always call the utility agency for breaks to laterals into the home due to tree roots breaking a pipe, but ultimately that is the customers' responsibilities. As for townhomes, it is the same, the meter box. One concern that was brought up at the meeting was a slab leak, that is the homeowner's responsibility.

Lateral Definitions

The water service lateral is the pipe that provides water from the water main in the street to a home or business. For residences this pipe runs from the water main into the home where the water meter is installed at the property line. A typical water service lateral includes a tap at the main, a length of pipe to a location at or near the street right-of-way line, a meter and box (or curb stop and box), and another length of pipe into the building being served.

The cost of the initial installation of a water service lateral is the responsibility of the customer. After the initial installation, the standard water industry practice is that the part of the water service lateral between the main and the meter (or curb stop) is owned and maintained by the utility. The part of the service lateral from the meter (or curb stop) to the building is owned and maintained by the customer. The meter (or curb stop) is the boundary between the two parts of the service lateral.

The wastewater service lateral is the pipe that transports sewer from the home or business to the wastewater main in the street. For residences this pipe runs from the home to the wastewater main. There is no meter installed at the property line. A typical wastewater service lateral includes a tap at the main and a length of pipe into the building being served.

The cost of the initial installation of a wastewater service lateral is the responsibility of the customer. After the initial installation, the standard wastewater industry practice is that the part of the wastewater service lateral between the main and end of the right-of-way is owned and maintained by the utility. The part of the service lateral from the end of the right-of-way to the building is owned and maintained by the customer. The right-of-way is the boundary between the two parts of the service lateral.

29) Black & Veatch indicated that they believe that their proposal to CSUCI for the Water Rate Study is compliant with Prop 218 (CA Constitution XIII D, Section 8). Can Black & Veatch please provide the data on which this judgement was based?

Proposition 218 added Articles XIII C and XIII D to the California Constitution which defines the assessments and property related fees that subject to procedural and substantive requirements in XIII D. In Section 6, there are requirements that need to be followed. The report that will be prepared will serve as the basis for the increase in fees.