



Town of Discovery Bay

“A Community Services District”

STAFF REPORT

Agenda Title: Discussion and Possible Action Regarding Water and Wastewater Rate Study and Proposition 218 Process Schedule.

Meeting Date: April 16, 2025

Prepared By: Margaret Moggia, Finance Manager

Submitted By: Dina Breitstein, General Manager

RECOMMENDED ACTION:

That the Board of Directors approve the following:

1. Accept the final cost of service report as prepared by Lechowicz & Tseng.
2. Set the public hearing for the proposed rates for June 18, 2025
3. Direct staff to proceed with the Proposition 218 notification

EXECUTIVE SUMMARY:

The Town of Discovery Bay Community Services District (Town) provides water and wastewater service to about 6,200 customers. With the passage of Proposition 218, the California Constitution was amended to establish the requirements for imposing any new or increasing any existing property-related fees and charges.

The procedural requirements of Proposition 218 for all utility rate increases include noticing requirements, public hearing, and rate increases are subject to failure to meet majority protest. In addition, Proposition 218 also established substantive requirements that apply to water and wastewater rates and charges include cost of service, intended purpose, proportional cost recovery, availability of service and general government services.

The Town last conducted a water and wastewater rate study in 2020 which provided a schedule of rate adjustments through FY2024/2025. In July 2023, Lechowicz & Tseng was approved to provide consulting services to support the next five-year Water and Wastewater Rate Study. Work was initiated in the fall of 2023 and has continued through present to provide the final draft report (attached).

Staff met with the rate consultant to review current assumptions including anticipated sales, operating costs, and infrastructure project costs supported by the water and wastewater revenues. Due to the evolution and significance of the capital projects requested, staff have been in constant conversation with engineering consultants and staff to understand the timing, scope, costs, and priority of these projects to better understand the fiscal impact and provide a rate recommendation that meets the service delivery and reliability for our ratepayers and users. In addition, staff are anticipated in higher costs for operations and maintenance of the water and sewer system due to aging infrastructure, regulatory requirements, and general increase in the cost to provide service (i.e., cost of chemicals and electricity.)

Staff met with the Town's municipal advisor to better understand and incorporate the necessary borrowing assumptions and the use of Town reserves to fund the more significant capital projects on the water and wastewater programs.

Lechowicz & Tseng Municipal Consultants will present the final rate study report at the Board meeting. Since the meeting on April 2, the rate report has been adjusted to reflect the replacement of Well 2 at a cost of approximately \$2.5 Million. The Board will be asked to accept the final report, set the public hearing date for June 18, 2025 and direct staff to proceed with Proposition 218 notification.

On May 1, 2025, the Town will host an Open House to share more about capital projects, cost of service/rate study, and other Town activities providing an opportunity for residents and businesses to hear and learn more about the important and necessary projects that are planned over the next few years. By May 2, 2025, staff will work with the consultants to mail Proposition 218 Notice to all ratepayers / property owners.

At the public hearing on June 18, 2025, the Board will receive comments and Lechowicz & Tseng will be present to determine if there is a majority protest, and based on this information, the Board will consider the proposed rates stated within the cost-of-service study.

Effective July 1, 2025, new rates/charges (if approved) go into effect in effect in FY 25/26 for water and wastewater on usage Fixed capital charges to be billed through the County (submit by August 2025 deadline)

FISCAL IMPACT:

The proposed rate and charges for the water and sewer/wastewater funds are to collect sufficient funds to cover the operations and maintenance, debt obligations for infrastructure additions and renewals, and maintain prudent reserves.

PREVIOUS RELEVANT BOARD ACTIONS FOR THIS ITEM:

July 5, 2023 - Discussion and Possible Action Regarding Approving the Scope of Work with Lechowicz & Tseng Municipal Consultants for the Water and Wastewater Rate Study.

ATTACHMENTS:

1. Final Water and Sewer Rate Study Report
2. Prop 218 Notice
3. Presentation