



# Program

<b>Type:</b>	Board of Directors		
<b>Title:</b>	Rate Implementation		
<b>Description:</b>	Sets guidelines for implementing rate increases		
<b>Review Date:</b>	10/14/21	<b>Initial Date:</b>	12/13/16
<b>Review Cycle:</b>	5 Years		

The District's Strategic Goal No. 3 comprises a management objective of designing and managing balanced and fair revenue sources that are sufficient for meeting operating and capital needs while providing for adequate reserves. The District recognizes the challenges as it strives to provide essential services to the community, fully fund the costs of providing and sustaining good service and keep rates and fees fair and affordable.

Potable and recycled water rates are based on the proportional cost of providing service and established by the Board of Directors. The legal framework for setting water rates in California is prescribed by Proposition 218. Passed by ballot initiative in 1996, Proposition 218 was established to protect taxpayers by limiting the methods by which local governments can exact revenue from them without their consent.

In developing the water rates, the District uses estimated revenue requirements and expense projections, which are in put into financial plan and financial model. Revenues need to cover operating expenses, capital expenditures, debt service payments while maintaining adequate reserves.

Development of the financial plan and model requires the use of various assumptions and projections (water demand, connection fee revenue, timing and cost of projects). To ensure transparency and accountability, the Board will consider the need prior to implementing a rate increase in any year. The determination will be made based on consideration of the following factors

- 1) Total revenue (including water rates, charges, connection fees and non-operating revenue)
- 2) Operating expenses
- 3) Debt service payments
- 4) Project expenditures (based on the Project Plan updated annually)
- 5) Reserve balances (as set by Reserve Policy)

After a rate schedule is approved following a Proposition 218 process, the Board of Directors has the authority to adopt rates that are lower than the originally approved schedule without an additional public hearing and Proposition 218.