

**TEJON-CASTAC WATER DISTRICT (TCWD)
TEJON-CASTAC GROUNDWATER SUSTAINABILITY AGENCY (GSA)
5665 Santa Elena Drive, Arvin, CA 93203**

Mailing Address
P.O. Box 478,
Lebec, CA 93243

Telephone: (661) 248-3000
Facsimile: (661) 248-3100

**Special Meeting of the Board of Directors of Tejon-Castac Water District
July 20, 2022 – 9:00 a.m.; On-Line Only**

Subject to the Board's approval of Resolution 2022-04, the Tejon-Castac Water District Board of Directors will conduct this meeting by teleconference. District members and the public are encouraged to attend.

Join Zoom Meeting

<https://us06web.zoom.us/j/87860044407?pwd=c3h1K0NDUGNDU0RyRGxyRTlXbWZrQT09>

Meeting ID: 878 6004 4407

Passcode: 303701

One tap mobile

+1 408 638 0968

+1 669 444 9171

Meeting material can be found at <https://tejoncastacwd.com>

AGENDA

- 1) Roll Call**
- 2) Consider Adoption of Resolution 2022-04 to Allow Remote Teleconference Meetings Pursuant to AB361**
- 3) Public Hearing on Adoption of the South of Kern River Groundwater Sustainability Plan**
- 4) Consider Adoption of Resolution 2022-05 Approving the South of Kern River Groundwater Sustainability Plan and Kern County Subbasin Coordination Agreement**
- 5) Consider Adoption of Resolution 2022-06 Approving Establishing Procedures for a Majority Protest Hearing on Proposed Increase in Certain District Rates for Improvement District No. 1**

6) Public Input

Members of the public may address the Board on matters within the TCWD's jurisdiction, which is not on this agenda, at this time (As required by Gov. Code § 54954.3(a)). However, any such non-agenda matter that requires action will be referred to District staff or a report and action at a subsequent Board meeting.

7) Adjourn

AMERICANS WITH DISABILITIES ACT
(Government Code Section 54953.2)

A person with a qualifying disability under the Americans with Disabilities Act of 1990 may request the District to provide disability-related modification or accommodation in order to participate in any public meeting of the Tejon-Castac Water District. Such assistance includes appropriate alternative formats for the agendas and agenda packets. Requests should be made in person, by telephone, facsimile and/or written correspondence to the Districts office, at least 72 hours before a regular public District Meeting.

TEJON-CASTAC WATER DISTRICT

RESOLUTION 2022-04

**RESOLUTION INITIALLY AUTHORIZING REMOTE
TELECONFERENCE MEETINGS UNDER AB361**

WHEREAS, meetings of the Board of Directors (“Board”) of Tejon-Castac Water District (“District”) and its committees are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend, participate, and watch the District’s legislative bodies conduct their business;

WHEREAS, Government Code section 54953(e), as amended by Assembly Bill 361 (2021) (“AB361”), signed by the Governor on September 16, 2021, provides for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, the District wishes to invoke the provisions of AB361 to authorize teleconference meetings subject to the modified standard of Government Code section 54953(e);

NOW, THEREFORE, BE IT RESOLVED that:

Section 1. Findings. The Board hereby finds as follows:

- (a) As required by Government Code section 54953(e)(1), a proclaimed state of emergency exists under the California Emergency Services Act, as declared by the Governor on March 4, 2020.
- (b) As a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

Section 2. Procedures for Teleconference Meetings. The District and its committees shall hold teleconference meetings pursuant to the requirements of Government Code section 54953(e).

Section 3. Effective Date. This resolution shall take effect immediately upon its adoption.

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Section 4. Renewal. Pursuant to Government Code section 54953(e)(3), the District will reconsider the state of emergency every 30 days.

PASSED AND ADOPTED by the Board of Directors of Tejon-Castac Water District on July 20, 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

ATTEST:

Angelica Martin, Secretary of the Board

BEFORE THE BOARD OF DIRECTORS OF
TEJON-CASTAC WATER DISTRICT

IN THE MATTER OF:

RESOLUTION NO. 2022-05

RESOLUTION APPROVING THE SOUTH OF KERN RIVER
GROUNDWATER SUSTAINABILITY PLAN AND KERN COUNTY
SUBBASIN COORDINATION AGREEMENT

WHEREAS, in March 2022, the Tejon-Castac Water Storage District (District) was officially recognized as a Groundwater Sustainability Agency (GSA) for the purposes of sustainably managing groundwater in the Kern County Subbasin (Subbasin) for lands substantially coincident with its district boundaries, pursuant to the requirements of the Sustainable Groundwater Management Act (Water Code § 10720 *et seq.*) (SGMA);

WHEREAS, prior to forming a GSA, the District participated in sustainable management of groundwater for lands substantially coincident with its district boundaries as a member agency of the Kern Groundwater Authority (KGA), and prepared and adopted a Management Area Plan (MAP) for inclusion in the KGA Groundwater Sustainability Plan (GSP) that was submitted to the Department of Water Resources (DWR) in January 2020 as one of the multiple coordinated GSPs that collectively cover the Subbasin;

WHEREAS, on April 21, 2022, the District, Wheeler Ridge-Maricopa Water Storage District, Arvin-Edison Water Storage District, and Arvin Community Services District (collectively, South of Kern River districts) provided notice of their intent to withdraw from the KGA Joint Powers Agreement upon their adoption of an amended GSP for lands within their GSA boundaries overlying the Subbasin;

WHEREAS, on April 21, 2022, the South of Kern River districts also notified DWR, County of Kern, City of Arvin, and other interested parties of their intent to jointly develop an amended GSP for lands within their GSA boundaries overlying the Subbasin as required by SGMA (Water Code § 10728.4);

WHEREAS, on or about June 14, 2022, the South of Kern River districts entered into a Memorandum of Agreement (MOA) to coordinate and cooperate in the development and implementation of an amended GSP for the South of Kern River management areas to satisfy the requirements of SGMA;

WHEREAS, the South of Kern River GSP has been developed based on the MAPs previously adopted by the South of Kern River districts and included in the KGA GSP and covers all the lands within their management areas;

WHEREAS, the South of Kern River districts have conducted significant technical analysis using the best available information and science to develop the South of Kern River GSP to meet the requirements of SGMA (Water Code § 10727.2);

WHEREAS, the South of Kern River districts have developed the GSP in accordance with the Kern County Subbasin Coordination Agreement (Coordination Agreement) and in consultation with the Basin Coordination Committee created by that agreement;

WHEREAS, the Basin Coordination Committee has proposed the Coordination Agreement be amended, in part, to include the South of Kern River GSP and add a representative appointed from the South of Kern River GSP to the Basin Coordination Committee;

WHEREAS, the South of Kern River districts have worked to facilitate stakeholder engagement and to consider all beneficial users of groundwater in the development of the South of Kern River GSP, as described in their Stakeholder Communication and Engagement Plans as required by SGMA (Water Code § 10727.8);

WHEREAS, following such stakeholder engagement and association outreach, the District's Board of Directors reviewed and evaluated the South of Kern River GSP and the Coordination Agreement; and

WHEREAS, the District provided notice of and conducted a public hearing and considered any public comments made regarding the South of the Kern River GSP prior to considering adoption of the GSP as required by SGMA (Water Code § 10728.4).

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TEJON-CASTAC WATER DISTRICT, acting as the exclusive GSA for its management area pursuant to SGMA, does hereby resolve, declare, and order as follows:

- 1) Each of the matters set forth above is true and correct and the Board so finds and determines.
- 2) The Board adopts and approves the South of Kern River GSP. District's MAP included therein.
- 3) The Board approves the Kern County Basin Coordination Agreement, as amended, subject review of the final version by District staff and counsel as to content and form and the appointment of a representative for the South of Kern River GSP to the Basin Coordination Committee.
- 4) The Board hereby authorizes District staff to undertake such actions as are necessary and appropriate to transmit the South of Kern River GSP and the Kern County Basin Coordination Agreement executed by the representative appointed for the South of Kern River GSP to DWR in coordination with the Subbasin Plan Manager.
- 5) The Board approves withdrawal of the District's management area from the amended KGA GSP.

All the foregoing being on motion of Director _____, seconded by Director _____, and authorized by the following vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

I HEREBY CERTIFY that the foregoing resolution is the resolution of said District as duly passed and adopted by said Board of Directors on the 20th day of July 2022.

WITNESS my hand and seal of said Board of Directors this 20th day of July 2022.

(District Seal)

Angelica Martin, Secretary
of the Board of Directors

**BEFORE THE BOARD OF DIRECTORS OF
TEJON-CASTAC WATER DISTRICT**

IN THE MATTER OF:

RESOLUTION NO. 2022-06

**RESOLUTION ESTABLISHING PROCEDURES FOR A
MAJORITY PROTEST HEARING ON PROPOSED
INCREASES IN CERTAIN DISTRICT RATES
FOR IMPROVEMENT DISTRICT NO. 1**

WHEREAS, through the adoption of Proposition 218, Article XIID, Section 6, of the State of California’s Constitution requires that public agencies subject certain property related fees and charges up to a “majority protest” hearing, wherein the owners of property affected by the charges may protest the same;

WHEREAS, as authorized by the California Water District Law (Water Code sections 34000 *et seq.*) this Board has previously established District Rates for its services;

WHEREAS, this Board has utilized the services of Provost & Pritchard Consulting Group to perform a Utility Rate Study, which is attached as Exhibit A to this Resolution;

WHEREAS, the Board has reviewed the Utility Rate Study; and

WHEREAS, this Board has determined that it is both necessary and in the best interests of the District and its customers to increase the rates, herein provided for, in order to recover the actual costs for providing those services.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TEJON-CASTAC WATER DISTRICT does hereby resolve, declare and order as follows:

- 1) **Statement of Legislative Intent.** It is the District's intent in adopting this Resolution, to adopt and call for “majority protest” proceedings which are consistent, and in compliance, with Article XIID, Section 6 of the California Constitution and the Proposition 218 Omnibus Implementation Act codified in Government Code sections 53750 through 53758.
- 2) **Rate Increase Proceedings.** The following procedures shall be used for increasing the District’s Rates included herein.
 - A. **Amount of the Increase.** The amount of the rate increases herein provided for shall reflect the District’s actual costs in providing the services charged to each customer. The District proposes to increase its services charge rates to the approved rate over a period of five years as a courtesy to its customers. The Monthly Service Charge Rates of \$154.37 for meter ≤ 2”, \$337.99 for

3” meters, \$608.21 for 4” meters for Potable Water, and \$130.06 for meters ≤ 2”, \$284.76 for 3” meters, and \$512.43 for 4” meters for Reclaimed Water, the commodity rates of \$4.39 per ccf of Potable Water, \$2.74 per ccf of Reclaimed Water and \$6.45 per ccf of Wastewater, the Private Fire Water Service Hydrant rate of \$19.20 and the Fire Line Service rate of \$10.94, the Storm Water Rate of \$3.14, and the Lift Station Fee Rate of \$486.20 per user are currently up for consideration in the Majority Protest Hearing. As authorized under Government Code section 53756, the schedule of rate increases in FY 2022-23 to the amounts shown in the table below. The rates are then increased by a 7.5% escalator for FY 2023-24, and then by a 5% escalator for each year thereafter until FY 2026-27. At the conclusion of FY 2026-27, the adjustments will cease and any further rate increases will require additional Proposition 218 majority protest proceedings. The following tables illustrates the current rates and the proposed rate increases:

Current Rates:

Utility Service	Existing Rate	
	Meter Size / Unit	FY 21-22
Potable Water		
Service Charge	≤ 2"	\$ 154.37
	3"	\$ 337.99
	≥ 4"	\$ 608.21
Commodity Rate	ccf	\$ 4.39
Reclaimed Water		
Service Charge	≤ 2"	\$ 130.06
	3"	\$ 284.76
	≥ 4"	\$ 512.43
Commodity Rate	ccf	\$ 2.74
Wastewater		
Commodity Rate	water ccf	\$ 6.45
Private Fire Water Service		
Hydrant	hydrant	\$ 19.20
Fire Service Line	inch dia.	\$ 10.94
Storm Water		
Rate	acre	\$ 3.14
Lift Station Fee		
Rate	per user	\$ 486.20

Proposed Rate Increase Schedule and Inflation Adjuster:

Utility Service	Proposed Rates					
	Meter Size / Unit	FY 2022-23	FY 2023-24*	FY 2024-25**	FY 2025-26**	FY 2026-27**
Potable Water						
Service Charge	≤ 2"	\$ 170.00	\$ 182.75	\$ 191.89	\$ 201.48	\$ 211.56
	3"	\$ 340.32	\$ 365.84	\$ 384.14	\$ 403.34	\$ 423.51
	4"	\$ 531.69	\$ 571.57	\$ 600.14	\$ 630.15	\$ 661.66
	6"	\$ 1,063.06	\$ 1,142.79	\$ 1,199.93	\$ 1,259.92	\$ 1,322.92
	8"	\$ 1,700.96	\$ 1,828.53	\$ 1,919.96	\$ 2,015.95	\$ 2,116.75
Commodity Rate	ccf	\$ 4.80	\$ 5.16	\$ 5.42	\$ 5.69	\$ 5.97
Reclaimed Water						
Service Charge	≤ 2"	\$ 140.00	\$ 150.50	\$ 158.03	\$ 165.93	\$ 174.22
	3"	\$ 280.26	\$ 301.28	\$ 316.35	\$ 332.16	\$ 348.77
	4"	\$ 437.86	\$ 470.70	\$ 494.24	\$ 518.95	\$ 544.89
	12"	\$ 3,764.77	\$ 4,047.12	\$ 4,249.48	\$ 4,461.95	\$ 4,685.05
Commodity Rate	ccf	\$ 2.95	\$ 3.17	\$ 3.33	\$ 3.50	\$ 3.67
Wastewater						
Commodity Rate	water ccf	\$ 7.10	\$ 7.63	\$ 8.01	\$ 8.41	\$ 8.84
Private Fire Water Service						
Hydrant	hydrant	\$ 21.50	\$ 23.11	\$ 24.27	\$ 25.48	\$ 26.76
Fire Service Line	inch dia.	\$ 12.20	\$ 13.12	\$ 13.77	\$ 14.46	\$ 15.18
Storm Water						
Rate	acre	\$ 12.00	\$ 12.90	\$ 13.55	\$ 14.22	\$ 14.93
Lift Station Fee						
Rate	per user	\$ 500.00	\$ 537.50	\$ 564.38	\$ 592.59	\$ 622.22

* Assumed 7.5% escalator in Service Charges and Commodity Rates over prior year.

** Assumed 5% escalator in Service Charges and Commodity Rates over prior year.

B. Notice. The following guidelines shall apply to giving notice of the proposed increases.

1. The recorded owner(s) of each parcel upon which the rates will be imposed shall be determined from the last equalization property tax roll. If the roll shows more than one owner at a single address, only one notice will be mailed to those owners at that address. If the property tax roll indicates more than one owner at separate addresses, notices will be mailed to the owners at those separate addresses as reflected in the roll. If the property is held in

trust the notice shall be sent to the trustee as reflected in the last equalization property tax roll. Only property owners' protests shall be counted towards the majority protest in light of the fact that ultimately the landowner is responsible for payment of any delinquent charges and the landowner's lands may become subject to a lien for same.

2. The general form of notice is attached to this resolution as Exhibit B and it shall be provided in accordance with this section and Article XIID, Section 6 of the California Constitution. The notice shall include: the fee or charge to the record owner of each identified parcel upon which the fee or charge is proposed for imposition, the amount of the fee or charge proposed to be imposed upon each, the basis upon which the amount of the proposed fee or charge was calculated, the reason for the fee or charge, together with the date, time, and location of a public hearing on the proposed fee or charge.
3. The final as adopted notice shall be sent at least forty-five (45) days prior to the date set for the public hearing on the increases.
4. The District will post notice of the public hearing in the District office for at least forty-five (45) days prior to the date set for the hearing. The notice shall inform the public of the hearing, the proposed rate increases, the basis and reason upon which those increases were calculated and the right of landowners to file a written protest.
5. Failure of any person to receive notice shall not invalidate the proceedings.

C. Public Majority Protest Hearing. In accordance with the Article XIID, Section 6 of the California Constitution, a public majority protest hearing shall be commenced to receive public comments and written protests on the proposed rate increases. The hearing is set to be held at 9:00 am on September 6, 2022 at the TEJON-CASTAC WATER DISTRICT office, 5665 Santa Elena Drive, Arvin, CA 93203. The hearing will follow the procedures set forth herein:

1. At the public hearing, the District's Board of Directors shall hear public testimony and consider all written protest on the proposed rate increases until the close of the public hearing.
2. The Board President may impose reasonable time limits on both the length of the hearing and the length of each speaker's testimony.
3. The Board of Directors may continue the hearing as it deems appropriate.
4. For a protest to be counted it must be provided in writing to the District before the close of the public hearing. A written protest must contain all of the following:

- a. The identity of each parcel represented by the protest.
 - b. The name and address of the protestant.
 - c. A signed statement, containing an original signature, which indicates that the writing is to be considered a written protest on behalf of the parcel and that the person signing the protest is either the sole owner of the parcel or the person authorized by all the owners to file the protest.
5. At the conclusion of the hearing, or shortly thereafter, a disinterested party designated by the District's Board of Directors shall begin the tabulation of the written protests, including those received during the public hearing. Presently the disinterested party designated by the District's Board is Jeff Eklund. However, the Board reserves the right to change that designation in the future if the Board so desires.
 6. The Board of Directors will not impose the increase if the final tabulation shows that a majority of those entitled to protest do so. However, if a majority of parcel owners fail to protest, the Board will adopt the increases and implement them accordingly.
 7. The results of the tabulation shall be posted at the District's office and read into the minutes of the first regularly scheduled Board meeting following the hearing.

All the foregoing being on motion of Director, seconded by Director, and authorized by the following vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

I HEREBY CERTIFY that the foregoing resolution is the resolution of said District as duly passed and adopted by said Board of Directors on the 20th day of July, 2022.

WITNESS my hand and seal of said Board of Directors this 20th day of July, 2022.

Angelica Martin, Secretary, Tejon-Castac Water District

Attachments:

Exhibit A: Utility Rate Study

Exhibit B: Form of Notice - Majority Protest Proceeding

Exhibit C: Protest Form

EXHIBIT A
UTILITY RATE STUDY

UTILITY RATES STUDY
TEJON-CASTAC WATER DISTRICT

July 2022

Prepared for:

Tejon-Castac Water District, California

Prepared by:

Provost & Pritchard Consulting Group
Bakersfield, California

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TABLE OF CONTENTS

1 Report Summary 1

2 Legislative Setting and Rate Establishment Principles 2

 2.1 Rate Establishment Procedures 2

 2.2 Principles for Establishing Rates Under Proposition 218 3

3 Background Information 4

 3.1 General..... 4

 3.2 Potable Water.....11

 3.3 Wastewater Collection and Treatment11

 3.4 Reclaimed Water12

 3.5 Storm Drainage System.....12

4 Existing Rates and Revenue13

 4.1 Rate Categories.....13

 4.2 Current Revenue from Existing Rates.....14

5 Revenue Requirements.....16

 5.1 General Assumptions16

 5.2 Financial Support from Tejon Ranch.....16

 5.3 Utility Service Revenue Requirements.....17

 5.3.1 Potable Water Expenses17

 5.3.2 Reclaimed Water Expenses.....18

 5.3.3 Wastewater Expenses18

 5.3.4 Private Fire Water Service Expenses.....19

 5.3.5 Storm Drain Expenses19

 5.3.6 Sewer Lift Station Expenses19

 5.4 5-year Utility Service Revenue Requirements.....19

 5.5 Revenue Deficit19

6 Proposed Rate Schedule and Revenues.....20

 6.1 Adjustments to Primary Rate Categories20

 6.2 Estimated Revenue from Primary Rate Categories.....22

 6.3 Target Fund Balance23

7 Conclusion & Implementation.....24

 7.1 Conclusion.....24

 7.2 Implementation24

ATTACHMENTS

Attachment A: TCWD 2021-22 Adjusted Budget

Attachment B: Utility Rate Calculation Sheet

ABBREVIATIONS

AWWA	American Water Works Association
AF	acre-feet
AFY	acre-feet/year
ccf	100 cubic feet
CDPH	California Department of Public Health
GAC	Granular Activated Carbon
gpd	gallons per day
EPA	Environmental Protection Agency
FY	Fiscal Year
KCWA	Kern County Water Agency
M&I	Municipal & Industrial
MBR	Membrane Bioreactor
MG	million gallons
O&M	Operations and Maintenance
SWP	State Water Project
TCWD	Tejon-Castac Water District
TRCC	Tejon Ranch Commerce Center
TRC	Tejon Ranch Corporation
TMV	Tejon Mountain Village
UWMP	Urban Water Management Plan
WCP	Water Conservation Plan
WWTP	Wastewater Treatment Plant

1 REPORT SUMMARY

Tejon-Castac Water District (TCWD or District) authorized Provost & Pritchard Consulting Group (P&P) to conduct a review of the utility service rates for Improvement District No. 1 for the purposes of adjusting said rates to provide sufficient revenue to fund the cost of service. The District provides potable water, reclaimed water, fire water, sewer, and storm drainage services for the Tejon Ranch Commerce Center (TRCC), near Laval Road and Interstate 5 in unincorporated Kern County. TRCC is an industrial park that consists of a mixed-use industrial center focusing on the needs of trucking, warehousing and distribution industries as well as highway commercial services for the general public.

This report discusses the revenue required for the current year and projects revenue requirements for the next five years. With these revenue projections, a cost-of-service analysis was performed. From these analyses, the report recommends adjustments to the District's fee schedule for its services.

2 LEGISLATIVE SETTING AND RATE ESTABLISHMENT PRINCIPLES

This rate-setting proposal arose out of concern that current utility rates are not and never will be sufficient to raise revenues needed to cover the cost of providing utility service. The District plans to implement the new rates in fiscal year (FY) 2022-2023 (begins on July 1st and ends June 30th of the following year).

In the State of California, utility rates charged by municipal agencies and public districts are governed by rules and procedures adopted and made part of the California State Constitution by the passage of Proposition 218 in November 1996. After over 20 years of practical experience and judicial decisions clarifying the meaning of its words, the steps that each agency must follow have become legally clear. In 2006, the California Supreme Court clarified that Proposition 218 applies to all revenue-producing utilities, including water and sewer utilities. This report has been prepared in accordance with the rules and principles set forth in Proposition 218.

2.1 Rate Establishment Procedures

The Tejon-Castac Water District (TCWD, or the District) has authority to establish water, sewer, reclaimed water and storm drain rates sufficient to recover the costs of operating the utility enterprises, subject to a majority protest from the ratepayers. The procedure to set new or adjusted rates is as follows:

- **Adoption of this Engineer's Report**, which sets forth the reasons for proposed rate increases, anticipated costs, expected revenues and a schedule of proposed rates.
- **Mailed Notices** must be sent out to the recorded owner(s) of each parcel upon which the rates will be imposed and shall be determined from the last equalization property tax roll. There are particular requirements for the notices, which must include the reasons for the proposed increased rates, and the expected rates for the subject property. The notice must also state the date of the public hearing at which time the proposed rates will be considered and potentially adopted.
- The **Public Hearing** will include a public presentation of the material in the Engineer's Report and will again cover the reasons rate adjustments are needed. The public hearing must be at least 45 calendar days after the mailing of the public notices; in practice this usually means two months after the Board meeting when mailing of the notices is approved.
- **Consideration of Protest.** Protest of the new rates by a majority of the property owners, in any combination of written responses and verbal disapproval at the public hearing, is sufficient to stop the proposed rate increases. A "majority" means 50% plus one of the affected property owners. So long as there is not a majority protest, the Board has legal authority to proceed with the proposed rate increases at its discretion. The District staff will compile the written and verbal protest and present a percentage of protesting owners to the Board at the conclusion of the Public Hearing.
- **Approval of the Proposed Rates** is by simple majority vote of the District Board, following the close of the public hearing. The vote may be at the same meeting as the hearing.
- **Election Requirements Do Not Apply.** Proposition 218 requires an actual vote of the property owners to approve certain rates and assessments. However, the courts have clarified that rate-setting for water, sewer and refuse collection is exempt from the election requirements so long as the rate-setting principles described in Section 2.2 are followed.

2.2 Principles for Establishing Rates Under Proposition 218

In addition to governing the procedures to actually adopt rates, Proposition 218 includes a number of sharply defined principles that constrain what can and cannot be included in the rates. These rules are intended to assure that “utility revenue” is actually needed and used for provision of utility services. These rules grew out of abuses of so-called “enterprise funds” by a number of larger cities, where funds from the revenue-producing departments were transferred to the general fund and used for non-utility-related purposes. Proposition 218 made it clear that utility revenues from user rates are strictly limited to paying the costs of providing utility services, and that those rates must be charged in a way that is proportional to providing the services. The rules can be summarized as follows:

- **Rate Revenue Must Not Exceed Cost of Service.** Utilities are required to calculate all the costs involved in providing service, including labor, benefits, materials, equipment, power, testing, outside services, debt repayment, and so forth. This can be a budget projection, but costs must be based on the record. For example, expected electric power cost must be the same as was spent last year, adjusted by expected changes like increased or decreased number of users and changes in electric rates. Cost of services can include reasonable budgets for unexpected repairs and replacement of capital equipment. Such items are prudent management intended to assure there is money available for items which can be expected to be needed but for which the timing is unknown or difficult to specify, like replacement of broken or worn-out equipment.
- **Revenues Must Be Expended for the Specified Purpose.** Simply, money collected from water rates must be expended to provide water service. It cannot be transferred to the sewer department, or to any other department, except as those departments may assist in work needed to provide water service. An example would be paying the street department to excavate for repair of a broken water valve or installation of a new fire hydrant, using equipment that doesn't belong to the water department. Reimbursement of such costs between departments is a permitted use of utility rate dollars.
- **Revenue Collected Must Be Proportional to Cost of Service.** This principle was originally intended to prohibit shifting utility costs from one class of user to another. For example, commercial water rates cannot be excessively increased in order to decrease residential rates, or vice-versa. A 2015 court decision added to this principle by effectively barring rising-tier rate structures, where a base amount of water is available at a lower cost with higher water use being charged at increasingly high rates. These have commonly been used to discourage excessive water use. However, the court said such rate structures are permissible only if the utility can demonstrate that there are disproportionately higher costs associated with the higher usage rates per user.

The rates proposed in this Study are intended to conform with these mandatory principles, leading to full cost recovery for utility services while charging for these services in a fair and proportional manner.

3 Background Information

3.1 General

The District was organized under the provisions of California Water Code Section 34000 *et seq.* The District is situated in the southern Kern County. The District boundary is shown in **Figure 3-1**. The District's current service area includes the Tejon Ranch Commerce Center (TRCC) and the Tejon Mountain Village (TMV), the Grapevine Development, and the Centennial Project (see **Figure 3-2**).

TRCC is a commercial and industrial park located near the junction of Highway 99 and Interstate 5 and consists of a mixed-use industrial center focusing on the needs of trucking, warehousing and distribution industries as well as highway commercial services for the general public. TCWD will also provide service for 495 apartment units that are to be built over the next few years at TRCC. The total area of TRCC is approximately 1,500 acres. The complex is separated by Interstate 5, creating two areas labeled TRCC-East and TRCC-West (see **Figure 3-3**). Currently, the District only provides services to TRCC as the other Tejon Ranch projects have not been developed.

The District provides multiple services to its customers including:

- potable water (see **Figure 3-4** for facilities map);
- fire water service to private on-site fire systems;
- wastewater collection, treatment, and disposal (see **Figure 3-5**);
- reclaimed (recycled) water (see **Figure 3-6**); and
- storm drainage.

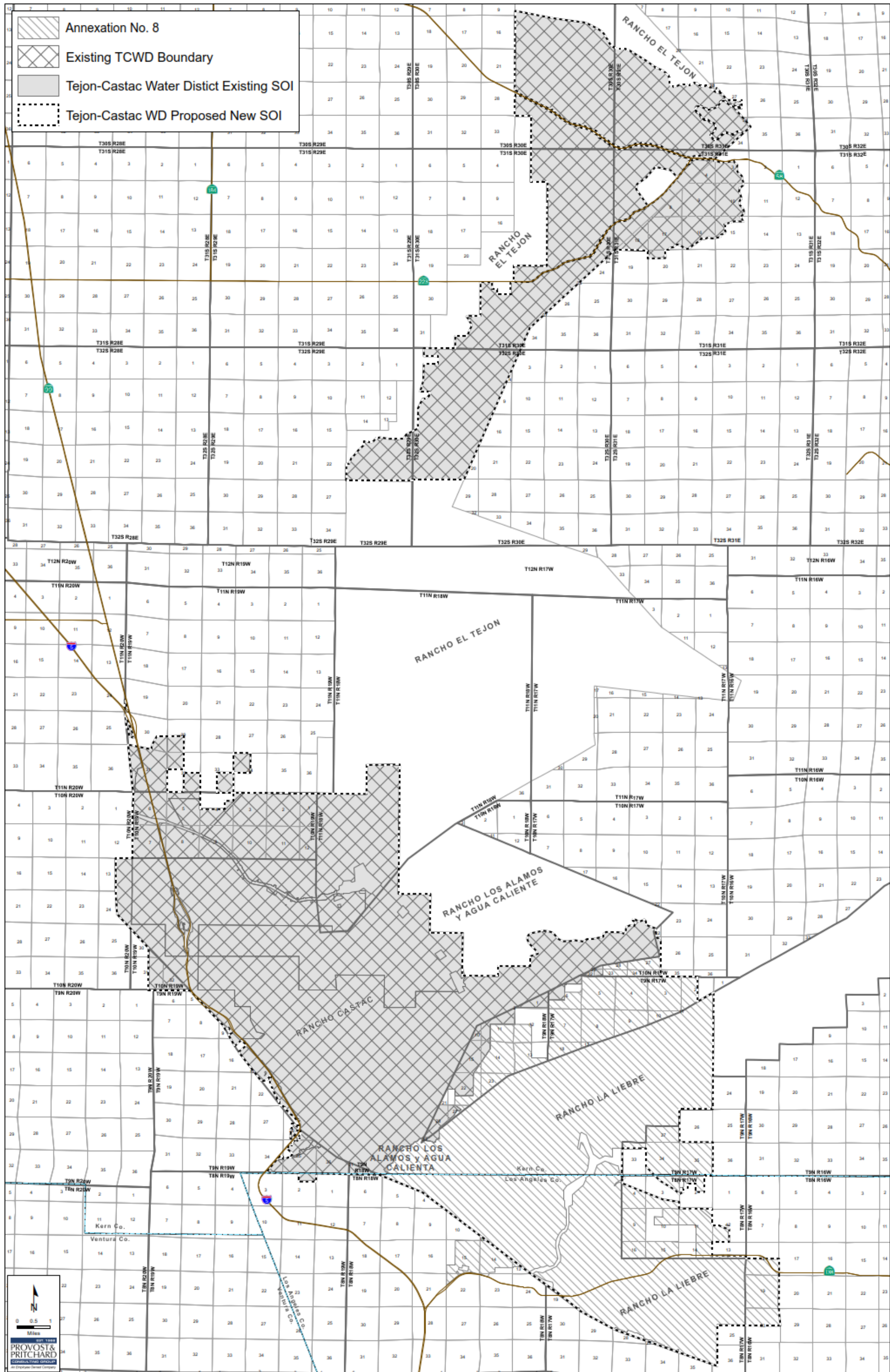


Figure 3-1: TCWD Boundary Map

MASTER LAND USE PLAN

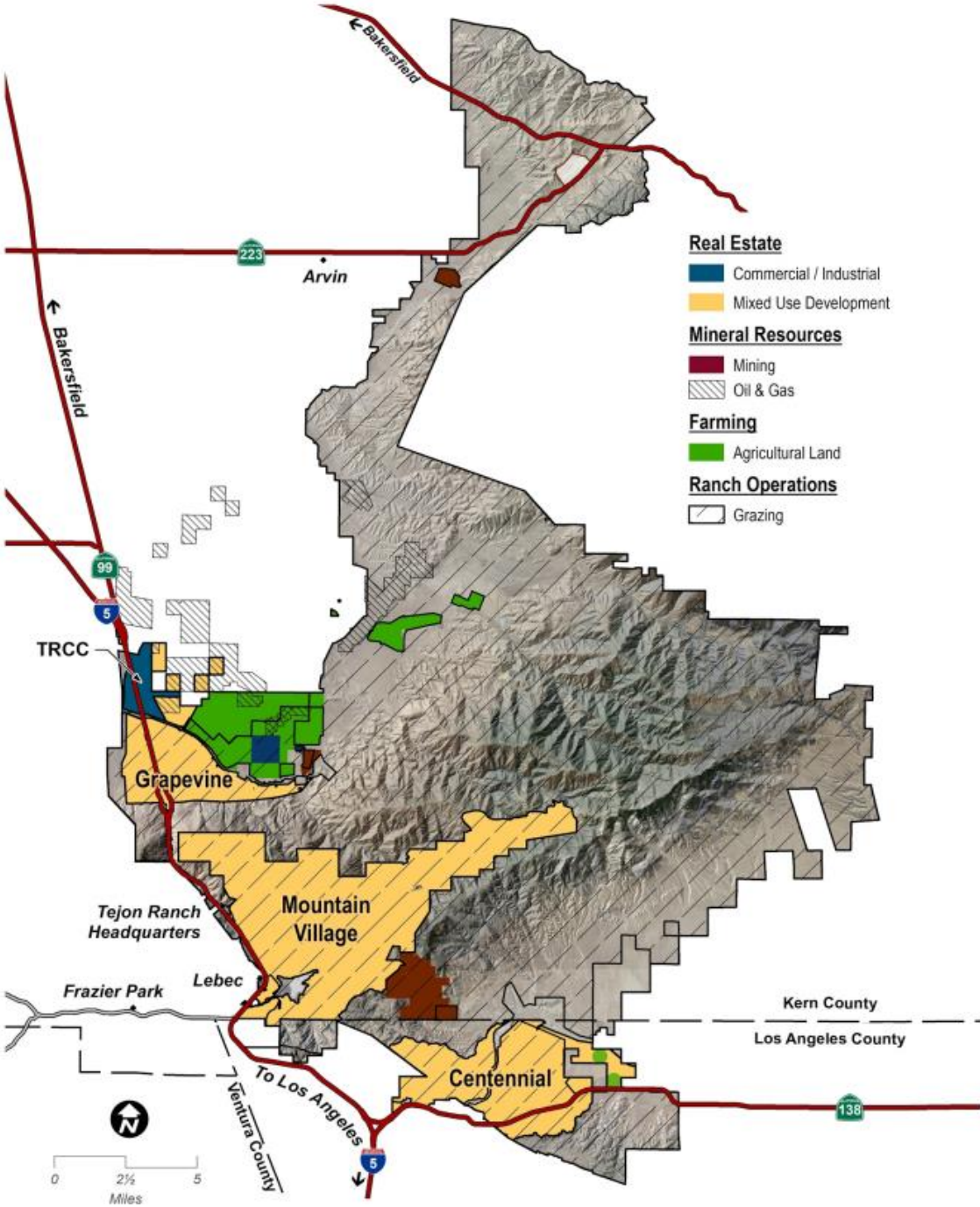
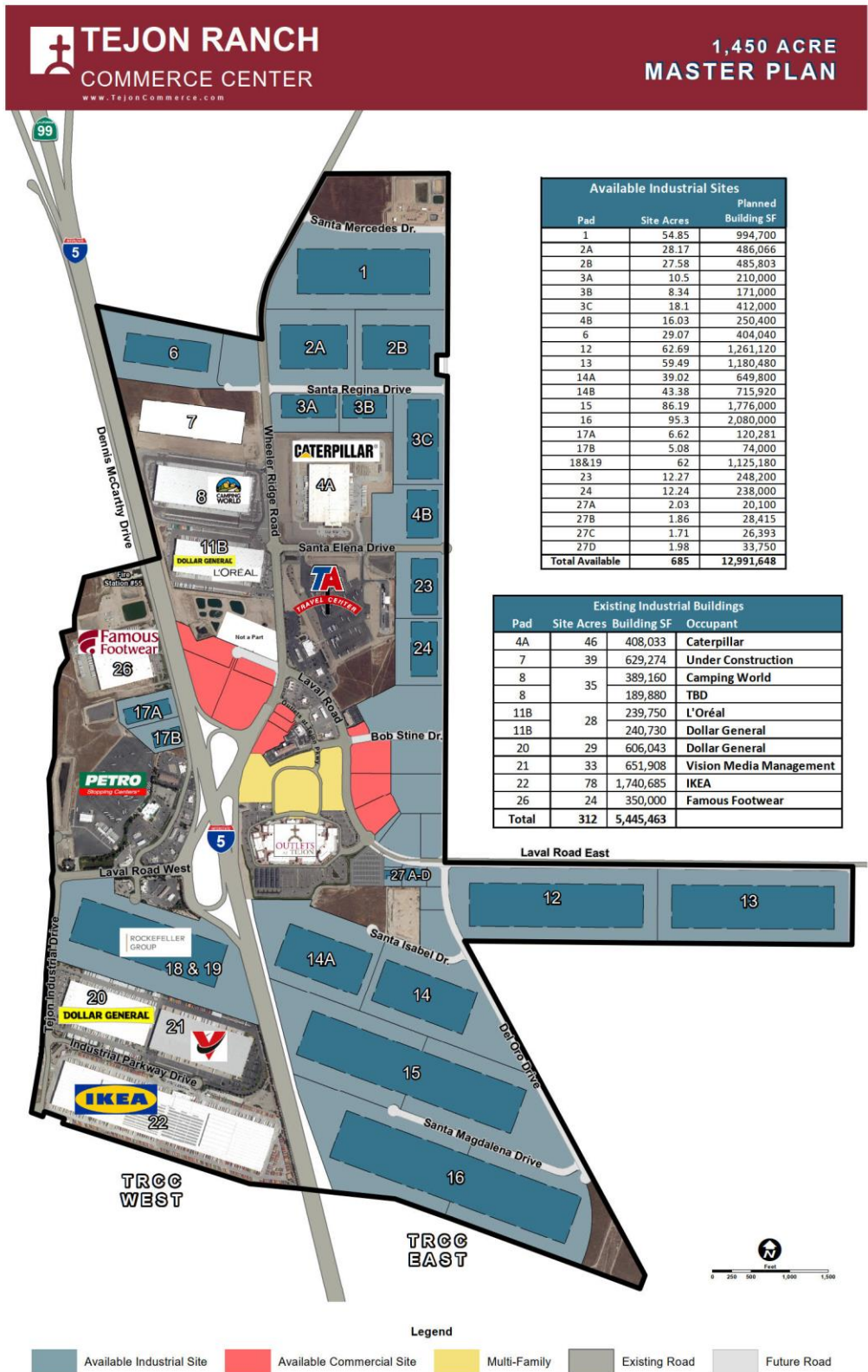
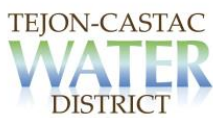
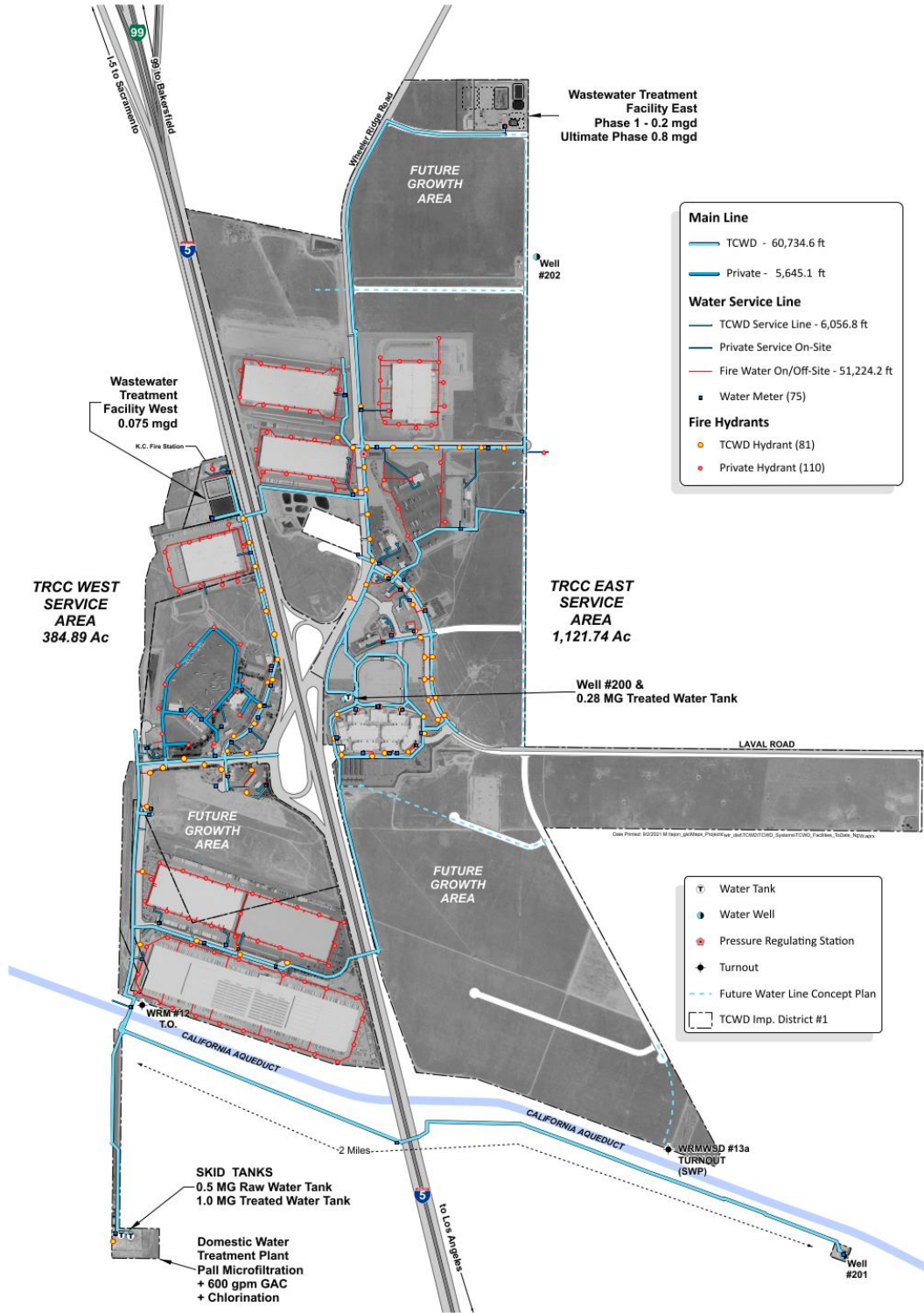


Figure 3-2: Tejon Ranch Master Land Use Plan Map



Conceptual plan for preliminary planning purposes only. This plan is subject to change and the owner reserves the right to make design or layout changes at any time.
7/21/2021 TejonGIS M:\tejon_gis\Maps_GIS\Dev\Projects\TRCC_MLUP\TRCC_MLUP_IndustrialViewV2.mxd

Figure 3-3: TRCC Master Plan Map



Tejon Ranch Commerce Center Domestic Water System

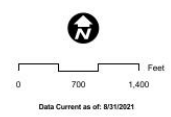
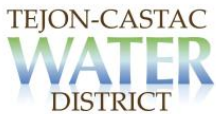
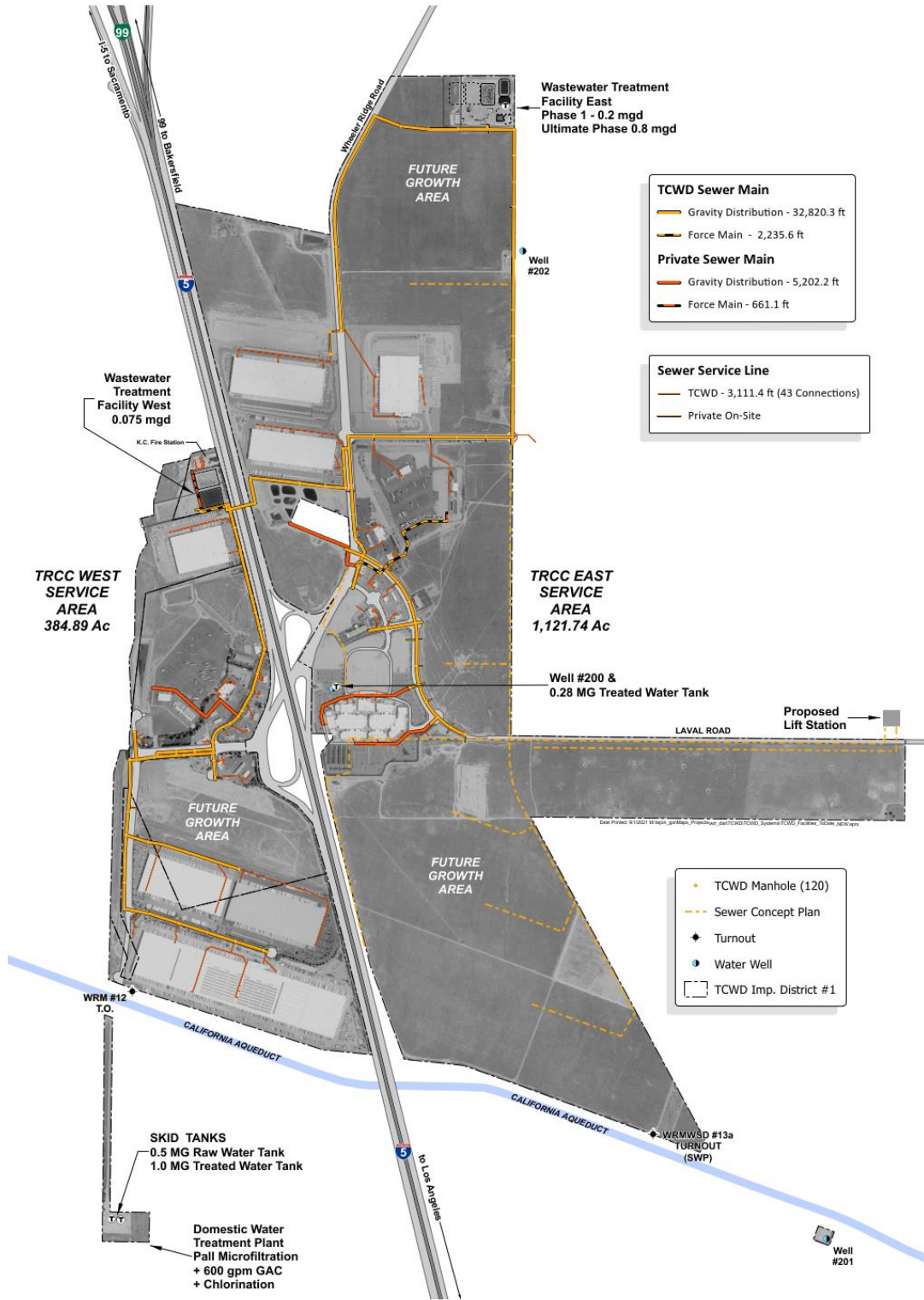
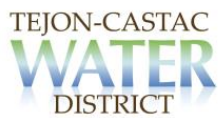
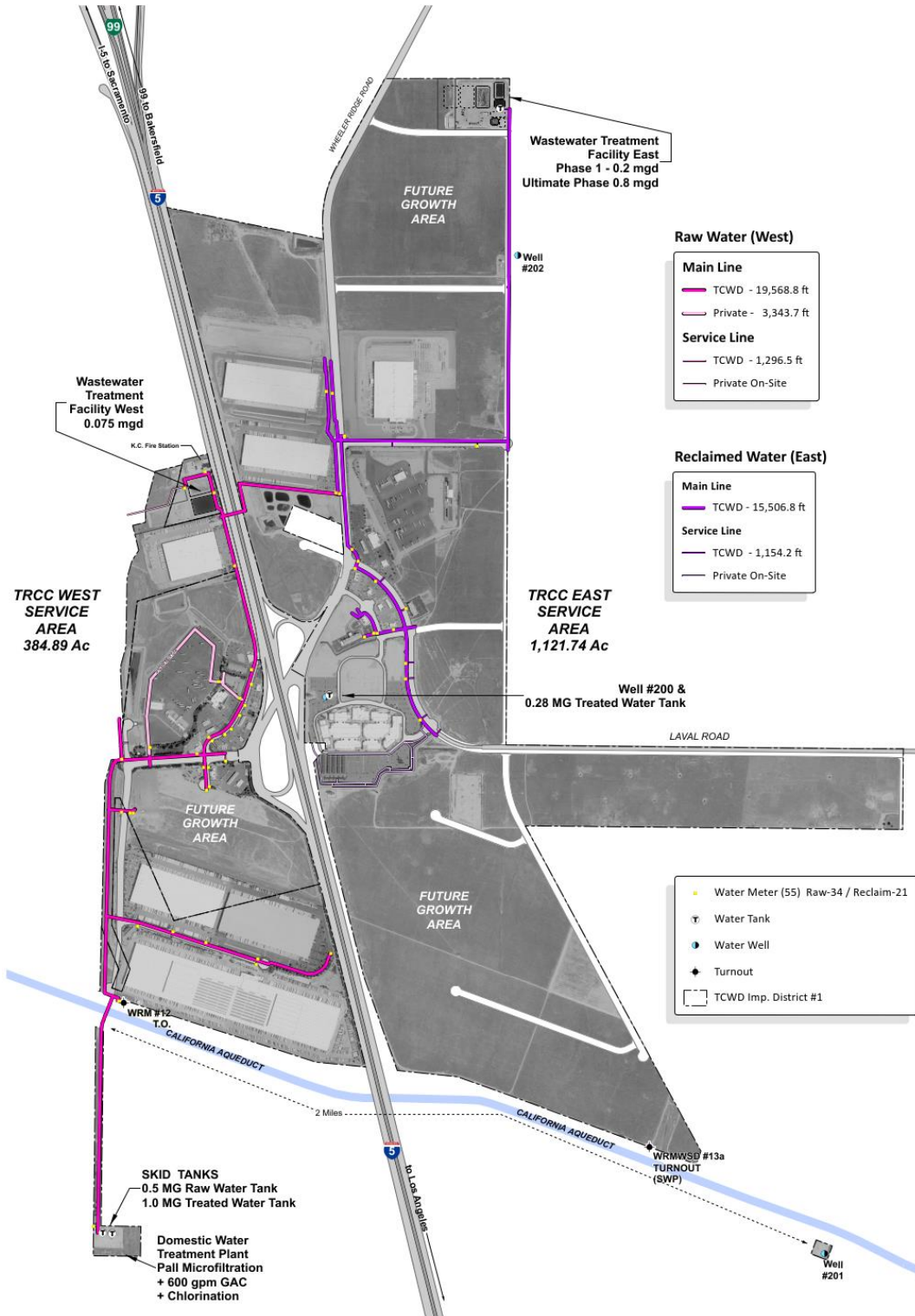


Figure 3-4: TRCC Potable (Domestic) Water System



Tejon Ranch Commerce Center Sewer System

Figure 3-5: TRCC Wastewater System



Tejon Ranch Commerce Center Reclaimed and Raw Water Systems

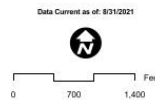


Figure 3-6: TRCC Reclaimed Water System

3.2 Potable Water

TCWD's water infrastructure and distribution system provides domestic potable and firefighting water supply to the District's customers. The District's water sources consist of water from the State Water Project (SWP) and groundwater. TCWD is a member unit of the Kern County Water Agency (KCWA) and has a contract through KCWA to obtain surface water from the State Water Project (SWP). The turnout from the California Aqueduct, WRM-12, is located a short distance from TRCC, west of I-5. The District has a maximum annual SWP entitlement of 5,278 acre-feet (AF). Potable water use by TRCC during the FY2020-21 was about 87 AF, which is about 43 AF less than in FY2018-19. The primary factor leading to the reduction in potable usage was less travel during COVID. It is expected that the District will return to the FY2018-19 potable water usage of approximately 130 AF. At ultimate build-out, the District estimates the potable water demand of TRCC to be 520 AFY.

TCWD also participates in water banking at the Kern Water Bank and the Pioneer Project to help secure its water supply. The District has rights to store approximately 20,000 AF in the Kern Water Bank and has an annual extraction capacity of approximately 4,000 AF. As for the Pioneer Project, the District has rights to store about 4,000 AF, and extract 1,000 AF per year. As of December 2021, TCWD had about 56,189 AF of water stored in the groundwater aquifer for later retrieval by wells during dry years.

The water obtained from the SWP is treated through a water treatment facility, utilizing membrane treatment process. The plant is located about one mile southwest of TRCC, on the west side of I-5. After treatment, the water is stored in the adjacent 1.0 MG tank that is set at an elevation sufficient to create a pressurized gravity feed. From the tanks, the treated water serves the customers through the distribution piping network. The volume of water used by each customer is measured monthly at the individual customer water meters.

In addition, the District installed a granular activated carbon (GAC) adsorption process that helps the District meet the Disinfectants/Disinfection Byproducts Rule as mandated by EPA and CDPH.

3.3 Wastewater Collection and Treatment

Wastewater is collected and conveyed to one of the two separate wastewater treatment plants (WWTPs) on the east and west sides of TRCC. The WWTPs are designed to produce reclaimed (recycled) water for landscape irrigation. Wastewater for the entire District is conveyed by gravity except for wastewater generated by the Kern County Fire Station #55, which has to be pumped by a lift station to overcome a grade difference.

The older west side WWTP, located on the west side of Dennis McCarthy Drive, has a treatment capacity of 70,000 gpd and a permitted capacity of 100,000 gpd. The plant consists of an STM-Aerotator followed by a conventional filtration treatment system that should be capable of providing tertiary treated effluent water compliant with the requirements of Title 22 of the California Code of Regulations for landscape irrigation. However, the WWTP has not met these requirements due to high organic loading. The WWTP also includes an 11 AF lined storage pond and a 14 AF unlined storage pond that are used to store treated effluent.

The east side WWTP is located at the north end of TRCC and consists of an expandable package treatment facility with storage ponds. The WWTP has a permitted capacity of up to 800,000 gpd and WWTP facilities will be expanded as development occurs in TRCC. The treatment system is

a membrane bioreactor (MBR) treatment system that is currently providing tertiary treated effluent water compliant with the requirements of Title 22 for landscape irrigation.

3.4 Reclaimed Water

TCWD's goal has been to utilize reclaimed (recycled¹) water that is produced at the WWTPs and utilize it for landscape irrigation. This allows the District to use less potable water and thus conserve water supply and reduce water treatment costs. Because the water irrigation demand of the landscaped areas is significantly higher than can currently be provided by reclaimed water, raw water from the California Aqueduct is used to make up the balance of the required water.

Current reclaimed water use is about 177 AFY. Reclaimed water use has decreased by almost half of historical use with the recent drought and conservation measures. The District's estimated the ultimate build-out of reclaimed water demand is 480 AFY. The non-potable water is delivered to the customers via a pressurized "purple pipe" distribution system network. The volume of non-potable water used by each customer is measured monthly at the individual customer water meters.

3.5 Storm Drainage System

The storm water drainage system consists of structures that collect storm water and a pipeline network that conveys the storm water to the retention basins located throughout TRCC. The District provides maintenance of these structures as well as weed removal at the retention basins.

¹ The word reclaimed is used in this report as it has been historically used by TCWD. Its meaning is synonymous with the word recycled which is used by the State Water Resources Control Board and more predominately in the water industry.

4 EXISTING RATES AND REVENUE

Customers are charged for service based on rates established in the *Schedule of Rates and Charges for Improvement District No. 1 of the Tejon-Castac Water District*.

4.1 Rate Categories

The existing rates under the different utility categories are summarized in **Table 4-1**. The basis for these rates are summarized as follows:

- Potable Water - charges include a service charge based on meter size in addition to a commodity rate based on consumption per one hundred cubic feet (ccf) (1 ccf = 748 gallons).

Table 4-1: Existing Rate Schedule

Utility Service	Existing Rate	
	Meter Size / Unit	FY 21-22
Potable Water		
Service Charge	≤ 2"	\$ 154.37
	3"	\$ 337.99
	≥ 4"	\$ 608.21
Commodity Rate	ccf	\$ 4.39
Reclaimed Water		
Service Charge	≤ 2"	\$ 130.06
	3"	\$ 284.76
	≥ 4"	\$ 512.43
Commodity Rate	ccf	\$ 2.74
Wastewater		
Commodity Rate	water ccf	\$ 6.45
Private Fire Water Service		
Hydrant	hydrant	\$ 19.20
Fire Service Line	inch dia.	\$ 10.94
Storm Water		
Rate	acre	\$ 3.14
Lift Station Fee		
Rate	per user	\$ 486.20

- Reclaimed Water - charges include a service charge based on meter size in addition to a commodity rate based on consumption per one hundred cubic feet (ccf).
- Wastewater - charge is based on the quantity of potable water used by the customer per one hundred cubic feet (ccf).
- Private Fire Protection - customers that have private fire water service are charged based on the number of private fire hydrants located on their property as well as the size of the fire water service line that serves the hydrants and/or fire sprinkler system.
- Storm Drain Service – the charge is based on the developed acreage of the customer’s property.
- Lift Station Fee – flat rate that is charged to a single customer that requires the use of the lift station.

4.2 Current Revenue from Existing Rates

Table 4-2 lists the estimated customer data for FY 2021-22 including number of meters by size, monthly water volumes sold, private fire water service data (i.e. the total number of hydrants and the cumulative diameter of the fire service lines), and the developed land area for storm water drainage.

Based on this data, the total annual revenue for each of the utility services is calculated in **Table 4-3**. The District’s estimated total revenue to be generated for FY 2021-22 is approximately \$1.2 million.

Utility Rates Study

Table 4-2: FY 2021-22 Customer Data

Utility Service	Unit / Meter Size	FY21-22 Quantity
Potable Water		
Meters	2" or Less	49
	3"	19
	4"	3
	6"	1
	8"	-
Commodity Usage*	ccf/month	4,734.2
Reclaimed Water		
Meters	2" or Less	44
	3"	9
	4"	1
	12"	-
Commodity Usage*	ccf/month	6,410.3
Wastewater		
Commodity Usage	water ccf/month	4,734.2
Private Fire Water Service		
Hydrant	hydrant	127
Fire Service Line	inch dia.	202
Storm Water		
Rate	acre	496
Lift Station Fee		
Customers Served	each	1

Table 4-3: Estimated Annual Revenue from Existing Rates for FY 2021-22

Utility Service	FY 2021-22
Potable Water	\$ 453,711
Reclaimed Water	322,485
Wastewater	366,412
Private Fire Water Service	55,779
Storm Water	18,689
Lift Station	5,834
Total	\$ 1,222,911

5 REVENUE REQUIREMENTS

In general, the total revenue generated each year from the customer rates should be equal to the total expenditures planned for that year. The revenue requirements should include long term financial objectives such as capital improvement and facility replacement projects in addition to regular operations and maintenance. With these basic principles, the required revenue can be projected and then rates can be determined. The following sections describe the assumptions that have been made for determining the required revenue for each service that TCWD provides.

5.1 General Assumptions

- The baseline operating expenses were obtained from the FY 2021-22 budget. The District's budget was adjusted as shown in **Attachment A** to reflect the actual fiscal year expenses for Improvement District No. 1. It is assumed that the FY 2022-23 is approximately the same as the FY 2021-22 budget with an escalator for inflation.
- Fixed and variable costs were identified in the operating budget (see **Attachment A**) so that fixed expenses can be allocated mostly to the service charge while the variable costs can be applied to the individual commodity rates. The goal is for the District to achieve revenue stability and not be adversely affected by variations in customer water usage.
- Annual depreciation budget line items are a non-cash expense intended to recognize the consumption of utility assets over their useful lives. Collecting these amounts through rates provides a reserve that can serve as a funding source for capital expenditures related to the repair and replacement of the existing infrastructure.
- An annual inflationary factor was applied to all expenses for subsequent years. This factor is applied beginning in FY 2022-23, starting at 7% and decreasing incrementally in subsequent years to 3% in FY 2026-27.
- Capital improvement projects are funded through the wholesale water revenue, connection fees, and the Tejon Ranch Public Facilities Financing Authority (Authority). The Authority is a joint powers authority formed by the County of Kern and TCWD. The Authority was formed to establish a Community Facility District that issues special tax bonds on behalf of the District and collects special taxes related to the bonds sold. Therefore, for purposes of this study, no capital improvement projects for future facilities have been allocated to the customer rates.

5.2 Financial Support from Tejon Ranch

The Tejon-Castac Water District was formed to provide utility service to the developing Tejon-Castac area. The owners of Tejon Ranch Corporation (TRC) were key to the formation of the District and are critically interested in the success and ongoing financial vitality of the District, to ensure water, sewer and storm drain service is available to the growing community of Tejon.

In order to make this ongoing growth possible, TRC has invested in the District every year since its inception. There are currently about 70 customers and the expectation is for continued growth of the customer base in the coming years.

The cash requirements for capital investment and ongoing operations and maintenance of the District cannot be met by only the current customer base without setting rates that are very high

Utility Rates Study

and well outside anything that could be considered “normal” even for commercial customers. While there is a good likelihood that existing established business would pay such rates at least for a time, rates at such levels would be a disincentive to additional development and would tend to lock the existing users into a disadvantageous situation for the long term, as there would be no relief in sight for the high rates.

After much consideration, TRC has committed ongoing financial support to the District. The company will pay a minimum of \$2.7 million per year for the next five years to subsidize utility rates. The amount will cover some administrative and wastewater costs of the District as shown in **Table 5-1**. TRC is the primary landowner in the District will pay the District for any operating shortage.

Table 5-1: Annual Revenue Requirement Based on the FY 2021-22 Budget

Expense	Total FY 2021-22 Budget			Remaining		Total From Rate Payers
	Budget	Fixed	TRC Subsidy	Fixed	Variable	
Administrative	\$ 2,157,740	\$ 2,157,740	\$ 2,000,000	\$ 157,740	\$ -	\$ 157,740
Potable Water	\$ 798,160	\$ 621,060	\$ -	\$ 621,060	\$ 177,100	\$ 798,160
Reclaimed Water	\$ 95,282	\$ 95,282	\$ -	\$ 95,282	\$ -	\$ 95,282
Wastewater	\$ 1,563,572	\$ 1,319,972	\$ 700,000	\$ 619,972	\$ 243,600	\$ 863,572
Storm Water	\$ 80,566	\$ 70,566	\$ -	\$ 70,566	\$ 10,000	\$ 80,566
Total	\$ 4,695,320	\$ 4,264,620	\$ 2,700,000	\$ 1,564,620	\$ 430,700	\$ 1,995,320

5.3 Utility Service Revenue Requirements

The revenue requirements for each service provided by TCWD are summarized in **Table 5-2**. The expenses have been separated between fixed and variable costs. Fixed costs consist of administrative functions, facilities O&M, permitting fees, insurance, etc. that must be paid regardless of the quantity of water sales. Variable costs consist of utility fees (e.g. electricity for pumping), water purchase costs, chemicals, GAC, and other supplies that depend upon the quantity of water sold or wastewater treated. The purpose of the segregation is to determine the required fixed fee revenue to be generated from the service charges for each of the services and the variable fee revenue to be generated by the commodity rates.

Additional details for each of the utility services are provided in the following sections.

5.3.1 Potable Water Expenses

Expenses related to the potable water system include costs for the acquisition of the raw water, water treatment, storage, water distribution, meter reading and billing. The acquisition of the raw water includes expenses for water purchase costs for SWP water and water banking costs. TCWD contracts with PERC Water Corporation for the potable water system operations and maintenance. Other costs include electricity and other utility costs.

Utility Rates Study

TEJON-CASTAC WATER DISTRICT

Table 5-2: Annual Revenue Requirement Based on the FY 2021-22 Budget

Utility Service	Fixed	Admin.	Revenue Required		Total Revenue Required
			Total Fixed	Total Variable	
Potable Water*	\$ 546,533	\$ 61,278	\$ 607,810	\$ 177,100	\$ 784,910
Reclaimed Water	281,274	\$ 31,537	312,810	73,080	385,890
Wastewater**	430,261	\$ 48,241	478,502	169,058	647,560
Private Fire Water Service	74,527	\$ 8,356	82,883	-	82,883
Storm Water	70,566	\$ 7,912	78,477	10,000	88,477
Lift Station	3,720	\$ 417	4,137	1,462	5,599
Total	\$ 1,406,880	\$ 157,740	\$ 1,564,620	\$ 430,700	\$ 1,995,320

* Assumed 12% of potable water fixed expenses are used for the private fire water services.

** Assumed 30% of wastewater fixed expenses are used for the purposes of water reclamation and has been shifted to that category and 0.6% is used for expenses related to the lift station.

The treatment portion of the potable water costs consists of depreciation of the treatment system equipment and building as well as electricity expenses.

The storage and distribution system costs consist of maintenance, repair, and depreciation of the pipelines and tanks.

The total cost of the potable water expenses is about \$785,000.

5.3.2 Reclaimed Water Expenses

The reclaimed water system expenses consist of the costs for the operation and maintenance of the reclaimed water system, depreciation of the system components, electricity and other supplies.

In addition, an estimated 30% of the costs of treating the wastewater are assumed to be required to produce reclaimed water for landscape irrigation over and above the cost of producing secondary effluent only.

The total reclaimed water expenses to be \$386,000.

5.3.3 Wastewater Expenses

The expenses related to wastewater collection and treatment include the depreciation of the treatment system components and the sewer collection system; license, permit, and testing fees; supplies and electricity. In addition, a major component of the wastewater treatment expenses is the O&M that is performed under TCWD's contract with PERC Water Corporation.

The total of the wastewater collection and treatment expenses is approximately \$648,000.

Utility Rates Study

5.3.4 Private Fire Water Service Expenses

The District has not estimated the costs associated with the operations and maintenance of the private fire water services; any costs related to this system have been included in the potable water expenses. Without this information, an estimate of 12% of the potable water fixed costs has been assumed for the private fire water services. The total annual cost for these services is estimated to be \$83,000 including its share of the administrative costs.

5.3.5 Storm Drain Expenses

The District has performed minor maintenance of the storm drain system in the past. The typical maintenance that has been performed includes storm drain and basin clearing. The total annual costs associated with the storm drain system are estimated to be \$88,000.

5.3.6 Sewer Lift Station Expenses

The expenses related to the sewer lift station have not been tracked separately from the wastewater collection system. An estimate of approximately 0.6% (\$5,600) of the wastewater system costs has been assumed for costs related to the sewer lift station.

5.4 5-year Utility Service Revenue Requirements

To account for inflation, a 7% escalation factor has been included to estimate expenses in FY 2022-23. The factor will then decrease by 1% each year until reaching 3% in FY 2026-27. **Table 5-3** provides projections of the annual revenue requirements over the next five fiscal years beginning in FY 2022-23.

Table 5-3: Annual Revenue Requirement Projections

Utility Service	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Potable Water	\$ 839,854	\$ 890,245	\$ 934,758	\$ 972,148	\$ 1,001,312
Reclaimed Water	\$ 412,902	\$ 437,677	\$ 459,560	\$ 477,943	\$ 492,281
Wastewater	\$ 692,889	\$ 734,463	\$ 771,186	\$ 802,033	\$ 826,094
Private Fire Water Service	\$ 88,685	\$ 94,006	\$ 98,706	\$ 102,655	\$ 105,734
Storm Water	\$ 94,671	\$ 100,351	\$ 105,369	\$ 109,583	\$ 112,871
Lift Station	\$ 5,990	\$ 6,350	\$ 6,667	\$ 6,934	\$ 7,142
Total	\$ 2,134,992	\$ 2,263,091	\$ 2,376,246	\$ 2,471,296	\$ 2,545,435
Annual Escalator:	7%	6%	5%	4%	3%

5.5 Revenue Deficit

Comparing the revenue requirement for FY 2022-23 in **Table 5-2** (\$2.0 million) to the revenue potentially generated based on the existing rates in **Table 4-3** (\$1.2 million), there is a deficit of approximately \$800,000.

6 PROPOSED RATE SCHEDULE AND REVENUES

6.1 Adjustments to Primary Rate Categories

With the calculated revenue requirements, utility rates can be determined based on the anticipated customer data over the next five years. The District anticipates some specific growth over this period, which is provided in **Table 6-1**. The District anticipates that current water use patterns will remain the same over the study period but will increase based on assumed additional customers.

Table 6-1: Anticipated Customer Data

Utility Service	Unit / Meter Size	Estimated Quantities					
		FY21-22 Quantity	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
Potable Water							
Meters	2" or Less	49	49	49	49	49	49
	3"	19	22	25	25	25	25
	4"	3	3	3	3	3	3
	6"	1	1	5	9	9	9
Commodity Usage*	ccf/month	4,734.2	4,801.6	5,908.8	7,425.0	7,425.0	7,425.0
Reclaimed Water							
Meters	2" or Less	44	46	48	49	49	49
	3"	9	9	9	9	9	9
	4"	1	1	1	1	1	1
Commodity Usage*	ccf/month	6,410.3	6,477.8	7,104.4	7,307.9	7,307.9	7,307.9
Wastewater							
Commodity Usage	water ccf/month	4,734.2	4,801.6	5,908.8	7,425.0	7,425.0	7,425.0
Private Fire Water Service							
Hydrant	hydrant	127	142	153	156	156	156
Fire Service Line	inch dia.	202	222	244	256	256	256
Storm Water							
Rate	acre	496	551	587	598	598	598
Lift Station Fee							
Customers Served	each	1	1	1	1	1	1

*Commodity Usage for FY21-22 is modeled using water demands from FY18-19 (COVID-19 significantly affected water use in FY20-21)

Utility Rates Study

The District currently collects service charges based on the size of meter. The allocation of fixed fees to these service charges has been determined using an equivalent meter factor for each size. **Table 6-2** provides the American Water Works Association meter equivalencies (per AWWA Standard C700).

Table 6-2: Equivalent Meter Factors

Meter Size	AWWA Meter Factors
3/4"	1.00
1"	1.67
2"	5.33
3"	10.67
4"	16.67
6"	33.33
8"	53.33
10"	76.67
12"	143.33

With the annual revenue requirements (fixed and variable cost basis) determined in **Section 5**, the customer data, and the meter equivalency factors, monthly customer rates can be determined using iterative calculations in a spreadsheet.

- The first year increase in FY 2022-23 has been set based on revenue requirements determined in Section 5. Generally the increase is approximately 8-12% for most service charges and commodity rates. Even with the increases in this FY, the TRC subsidy will be approximately \$3.4 million, which is greater than the minimum subsidy discussed in Section 5.
- The District recommended that the service charge and commodity rates increase in the second year by 7.5%. The final three fiscal years will have a 5% increase each year. With these increases, the District is still requiring greater than the \$2.7 million TRC subsidy.
- The rate analysis is performed based on a complete fiscal year. The proposed date for the rate structure implementation is to occur at the end of the first quarter in FY 2022-23. It is assumed that the budget needs will be met by a continued TRC subsidy and/or wholesale water sales.

Table 6-3 lists the proposed rates over the next five fiscal years as determined through the iterative calculations (see **Attachment B** for the utility rate calculation sheet).

Utility Rates Study

TEJON-CASTAC WATER DISTRICT

Table 6-3: Proposed Rate Schedule

Utility Service	Proposed Rates					
	Meter Size / Unit	FY 2022-23	FY 2023-24*	FY 2024-25**	FY 2025-26**	FY 2026-27**
Potable Water						
Service Charge	≤ 2"	\$ 170.00	\$ 182.75	\$ 191.89	\$ 201.48	\$ 211.56
	3"	\$ 340.32	\$ 365.84	\$ 384.14	\$ 403.34	\$ 423.51
	4"	\$ 531.69	\$ 571.57	\$ 600.14	\$ 630.15	\$ 661.66
	6"	\$ 1,063.06	\$ 1,142.79	\$ 1,199.93	\$ 1,259.92	\$ 1,322.92
	8"	\$ 1,700.96	\$ 1,828.53	\$ 1,919.96	\$ 2,015.95	\$ 2,116.75
Commodity Rate	ccf	\$ 4.80	\$ 5.16	\$ 5.42	\$ 5.69	\$ 5.97
Reclaimed Water						
Service Charge	≤ 2"	\$ 140.00	\$ 150.50	\$ 158.03	\$ 165.93	\$ 174.22
	3"	\$ 280.26	\$ 301.28	\$ 316.35	\$ 332.16	\$ 348.77
	4"	\$ 437.86	\$ 470.70	\$ 494.24	\$ 518.95	\$ 544.89
	12"	\$ 3,764.77	\$ 4,047.12	\$ 4,249.48	\$ 4,461.95	\$ 4,685.05
Commodity Rate	ccf	\$ 2.95	\$ 3.17	\$ 3.33	\$ 3.50	\$ 3.67
Wastewater						
Commodity Rate	water ccf	\$ 7.10	\$ 7.63	\$ 8.01	\$ 8.41	\$ 8.84
Private Fire Water Service						
Hydrant	hydrant	\$ 21.50	\$ 23.11	\$ 24.27	\$ 25.48	\$ 26.76
Fire Service Line	inch dia.	\$ 12.20	\$ 13.12	\$ 13.77	\$ 14.46	\$ 15.18
Storm Water						
Rate	acre	\$ 12.00	\$ 12.90	\$ 13.55	\$ 14.22	\$ 14.93
Lift Station Fee						
Rate	per user	\$ 500.00	\$ 537.50	\$ 564.38	\$ 592.59	\$ 622.22

* Assumed 7.5% escalator in Service Charges and Commodity Rates over prior year.

** Assumed 5% escalator in Service Charges and Commodity Rates over prior year.

6.2 Estimated Revenue from Primary Rate Categories

Estimated revenues have been calculated in **Table 6-4** based on the proposed rates listed in **Table 6-3** and the current customer data. As discussed, the estimated revenue to be generated will be less than the required revenue calculated in **Table 5-3**. By FY 2026-27, the proposed rates are expected to be mostly balanced with the District's budget (factoring in the minimum subsidy).

Utility Rates Study

TEJON-CASTAC WATER DISTRICT

Table 6-4: Estimated Revenue Based on Proposed Rate Adjustments

Utility Service	FY22-23	FY23-24*	FY24-25**	FY25-26**	FY26-27**
Potable Water	\$ 498,297	\$ 672,239	\$ 862,011	\$ 905,112	\$ 950,368
Reclaimed Water	342,124	395,218	425,026	446,277	468,591
Wastewater	409,130	541,205	714,059	749,761	787,250
Private Fire Water Service	69,137	80,835	87,734	92,120	96,726
Storm Water	79,344	90,868	97,199	102,059	107,162
Lift Station	6,000	6,450	6,773	7,111	7,467
Total Estimated Revenue	\$ 1,404,032	\$ 1,786,815	\$ 2,192,801	\$ 2,302,441	\$ 2,417,563
Total Annual Revenue Req.	\$ 2,134,992	\$ 2,263,091	\$ 2,376,246	\$ 2,471,296	\$ 2,545,435
Difference	\$ (730,960)	\$ (476,277)	\$ (183,445)	\$ (168,854)	\$ (127,871)
Total Est. TRC Subsidy	\$ (3,430,960)	\$ (3,176,277)	\$ (2,883,445)	\$ (2,868,854)	\$ (2,827,871)

* Assumed 7.5% escalator in Service Charges and Commodity Rates over prior year.

** Assumed 5% escalator in Service Charges and Commodity Rates over prior year.

6.3 Target Fund Balance

In addition to meeting the operations and maintenance budget for each of the utility services, it is prudent to begin building a reserve fund. Typically a minimum fund balance of 25% of the annual operating expenses, plus annual debt service, is considered to be a healthy reserve. For FY 2022-23, that would be approximately \$0.5 million. With the substantial increase in rates proposed in this rate analysis, it is recommended that the District begin budgeting for such reserves. Should portions of the operating budget not be spent, the remaining balance should be moved into reserves. Future budgets should include a line item to build or rebuild the reserve fund as a part of normal business.

7 CONCLUSION & IMPLEMENTATION

7.1 Conclusion

This study summarizes the cost-of-service analysis and recommendations for adjustments to the District's rate structure over a five-year period. The recommended rate adjustments proposed in this study allow the District to equalize its revenues and expenses, while maintaining equitable charges to the District's customer base.

7.2 Implementation

The proposed rate increase is a property-related fee and thus must be implemented in accordance with the requirements of Proposition 218. The District's attorney should be consulted on the proper procedures, notices, ordinances and resolutions necessary to adopt and implement the proposed rate increases. The general implementation plan is as follows:

1. District Board of Directors and District attorney reviews and accepts the report and recommendations.
2. The Board sets a date for a public protest hearing not less than 45 days after notices to customers have been mailed.
3. Mail customer notices with the proposed rate increase and time and date of the public protest hearing as well as any other required notice information as specified in Government Code Section 53753.
4. Hold public majority protest hearing.
5. Adopt revised rate structure should a majority not protest.
6. Review revenue versus expenditures annually to verify assumptions and projections in Water Rate Study. Consider increasing rates based on CPI as appropriate.
7. Consider conducting Water Rate Study update in FY 2026-27.

EXHIBIT B

TEJON-CASTAC WATER DISTRICT NOTICE OF PUBLIC MAJORITY PROTEST HEARING

For proposed increases in certain DISTRICT RATES for Improvement District No. 1

In accordance with Tejon-Castac Water District Resolution 2022-06 adopted on July 20, 2022, Article XIID, Section 6 of the California Constitution and the Proposition 218 Omnibus Implementation Act, please be advised of the following:

A public hearing on proposed increases in certain District rates will be held at **9:00 am on September 6, 2022 at the TEJON-CASTAC WATER DISTRICT office, 5665 Santa Elena Drive, Arvin, CA 93203.**

The District has determined that it is necessary to raise its utility rates. The proposed rate increases, which are listed on the back of this notice, have been calculated so that your property will be charged no more than the actual, proportional costs incurred by the District in providing services to your parcel and are based on the Utility Rates Study performed by Provost & Pritchard Consulting Group, a copy of which is available from the District upon request.

The proposed rate increases create a ceiling on the rates that may be imposed on your property. The District may charge less than the ceiling. The Monthly Service Charge Rates of \$154.37 for meter $\leq 2''$, \$337.99 for 3'' meters, \$608.21 for 4'' meters for Potable Water, and \$130.06 for meters $\leq 2''$, \$284.76 for 3'' meters, and \$512.43 for 4'' meters for Reclaimed Water, the commodity rates of \$4.39 per ccf of Potable Water, \$2.74 per ccf of Reclaimed Water and \$6.45 per ccf of Wastewater, the Private Fire Water Service Hydrant rate of \$19.20 and the Fire Line Service rate of \$10.94, the Storm Water Rate of \$3.14, and the Lift Station Fee Rate of \$486.20 per user are currently up for consideration in the Majority Protest Hearing. As authorized under Government Code section 53756, the schedule of rate increases in FY 2022-23 to the amounts shown in the table below. The rates are then increased by a 7.5% escalator for FY 2023-24, and then by a 5% escalator for each year thereafter until FY 2026-27. At the conclusion of FY 2026-27, the adjustments will cease, and any further rate increases will require additional Proposition 218 majority protest proceedings.

If you wish to protest the proposed rate increases or the policy, you must submit a written protest during, or before, the conclusion of the public hearing. The written protest must include: 1) the identity of the parcels represented by the protest; 2) the name and address of the protestant; and, 3) a signed statement, containing an original signature, indicating that the writing is to be considered a written protest on behalf of the parcel. The signatory must either be the sole owner of the parcel or the person authorized by all the owners to file the protest.

You may mail or deliver your written protest to the Board of Directors, Tejon-Castac Water District, 5665 Santa Elena Drive, Arvin, CA 93203 (if by personal delivery) or P.O. Box 478, Lebec, CA 93423 (if by mail). Office hours are 8 a.m. to 5 p.m., Monday through Friday, excluding holidays. All protests must be received by the District prior to the conclusion of the September 6, 2022 majority protest hearing. **Any protests received after the last call for protests, whether by mail or by hand delivery, shall not be counted.**

If you do not wish to protest the proposed increases or the policy, you need not take any action. Should you have any questions, please contact the District's office.

Dated: July 20, 2022

Dennis Atkinson, Board President

**TEJON-CASTAC WATER DISTRICT
NOTICE OF PUBLIC MAJORITY PROTEST HEARING
For proposed increase in certain DISTRICT RATES**

Proposed Rate Increase Schedule:

	Proposed Rates					
	Meter Size / Unit	FY 2022-23	FY 2023-24*	FY 2024-25**	FY 2025-26**	FY 2026-27**
Utility Service						
Potable Water						
Service Charge	≤ 2"	\$ 170.00	\$ 182.75	\$ 191.89	\$ 201.48	\$ 211.56
	3"	\$ 340.32	\$ 365.84	\$ 384.14	\$ 403.34	\$ 423.51
	4"	\$ 531.69	\$ 571.57	\$ 600.14	\$ 630.15	\$ 661.66
	6"	\$ 1,063.06	\$ 1,142.79	\$ 1,199.93	\$ 1,259.92	\$ 1,322.92
	8"	\$ 1,700.96	\$ 1,828.53	\$ 1,919.96	\$ 2,015.95	\$ 2,116.75
Commodity Rate	ccf	\$ 4.80	\$ 5.16	\$ 5.42	\$ 5.69	\$ 5.97
Reclaimed Water						
Service Charge	≤ 2"	\$ 140.00	\$ 150.50	\$ 158.03	\$ 165.93	\$ 174.22
	3"	\$ 280.26	\$ 301.28	\$ 316.35	\$ 332.16	\$ 348.77
	4"	\$ 437.86	\$ 470.70	\$ 494.24	\$ 518.95	\$ 544.89
	12"	\$ 3,764.77	\$ 4,047.12	\$ 4,249.48	\$ 4,461.95	\$ 4,685.05
Commodity Rate	ccf	\$ 2.95	\$ 3.17	\$ 3.33	\$ 3.50	\$ 3.67
Wastewater						
Commodity Rate	water ccf	\$ 7.10	\$ 7.63	\$ 8.01	\$ 8.41	\$ 8.84
Private Fire Water Service						
Hydrant	hydrant	\$ 21.50	\$ 23.11	\$ 24.27	\$ 25.48	\$ 26.76
Fire Service Line	inch dia.	\$ 12.20	\$ 13.12	\$ 13.77	\$ 14.46	\$ 15.18
Storm Water						
Rate	acre	\$ 12.00	\$ 12.90	\$ 13.55	\$ 14.22	\$ 14.93
Lift Station Fee						
Rate	per user	\$ 500.00	\$ 537.50	\$ 564.38	\$ 592.59	\$ 622.22

* Assumed 7.5% escalator in Service Charges and Commodity Rates over prior year.

** Assumed 5% escalator in Service Charges and Commodity Rates over prior year.

EXHIBIT C
TEJON-CASTAC WATER DISTRICT
PROPOSITION 218 WRITTEN PROTEST

I, _____ protest the District's proposed increase in (check all that apply):

- The Potable Water Monthly Service Charge
- The Potable Water Commodity Rate
- The Reclaimed Monthly Service Charge
- The Reclaimed Water Commodity Rate
- The Wastewater Commodity Rate
- The Private Fire Water Service, Hydrant Rate
- The Private Fire Water Service, Fire Service Line Rate
- The Storm Water Rate
- The Lift Station Fee Rate

I am the _____
(owner, trustee, etc.)

of the real property located at _____
_____ and
(full property address including apartment number, or APN number)

submit this written protest in that capacity and under penalty of perjury.

Date

Signature

COMMENTS IF ANY:
