

RESOLUTION NO. 2019-02

A RESOLUTION OF THE SAN GORGONIO PASS WATER AGENCY ADOPTING AN INCREASED RATE FOR WHOLESALE WATER DELIVERY

WHEREAS, the San Gorgonio Pass Water Agency (“Agency”) is a wholesale water agency formed under the San Gorgonio Pass Water Agency Law set forth in Water Code Appendix 101 (“Act”);

WHEREAS, the Agency entered into a contract with the California Department of Water Resources (“DWR”) in 1962 for a Table A amount of water capacity in the California State Water Project (“SWP”) which is currently 17,300 acre feet per year (“AFY”) to bring supplemental water to the Agency’s service area; and

WHEREAS, Section 16(7) of the Act provides that the Agency Board of Directors (“Board”) has the power to fix the rates at which water will be sold; and

WHEREAS, Section 25 of the Act provides that the Board, so far as practicable, shall fix a rate or rates for water in the Agency as will result in revenues which will pay the operating expenses of the Agency, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due; and

WHEREAS, the Agency has adopted Rules And Regulations For SGPWA Water Service (“Rules and Regulations”) which set forth the terms and conditions by which retail water purveyors (“Purchasers”) may apply for service, connect to the Agency system, and receive delivery of water. Section 4.01 of the Rules and Regulations provides that the Agency shall establish and charge rates for delivery of water sufficient to cover the Agency’s variable costs for delivery of water, internal Agency costs, and other amounts as determined by the Board which are reasonably related to the cost of delivery; and

WHEREAS, the current rate charged to Purchasers for wholesale water deliveries (“Water Rate”) is \$317 per acre foot (“AF”) which was set in February of 2009. Over the past 10 years, the costs of water delivery have increased including, but not limited to, costs related to the following:

- (a) Salary overhead for operations (50%) and non-operations staff (5%);
- (b) Pass through costs for operation and maintenance of the East Branch Extension;
- (c) DWR Variable Charge - power costs to convey water through the SWP;
- (d) Yuba Water - obtained through the SWP under the “Yuba Accord;”
- (e) Chemical costs for water quality purposes as imposed by DWR; and
- (f) Nikel Water obtained from Antelope Valley-East Kern Water Agency (“AVEK”);

WHEREAS, since the Water Rate has not been increased since 2009, there is a need to adopt a multi-year rate structure in order to begin to cover water delivery costs which have out-paced the current Water Rate of \$317 per AF. However, in a series of public rate workshops/meetings involving the public, residents and Purchasers, the Board has received a

number of comments, suggestions, and objections to proposals for a multi-year, or one-time, increase in the Water Rate; and

WHEREAS, due to the need to begin to cover the escalating costs of water delivery, the Board desires to adopt this Resolution in order to adopt an increase in the Water Rate. The proposed Water Rate increase will only cover a portion of the increased costs described in this Resolution. It is the goal of the Board to then continue to consider additional or multi-year rate increases in the future in order to have a Water Rate for the delivery of water which is sufficient to cover the Agency's variable costs for delivery of water, internal Agency costs and other amounts as determined by the Board which are reasonably related to the cost of delivery; and

WHEREAS, in accordance with the California Environmental Quality Act ("CEQA") and the CEQA Guidelines, Agency staff has determined that the increases in water service fees are exempt from CEQA pursuant to Section 15378 and Section 15273 of the CEQA Guidelines and Public Resources Code section 21080(b)(8) because: (i) the increased fees are for the purpose of meeting operational and maintenance expenses of the aforementioned services; and (ii) the fees constitute the creation of a funding mechanism/other governmental fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN GORGONIO PASS WATER AGENCY AS FOLLOWS:

1. Incorporation Of Recitals All of the foregoing Recitals are true and correct based on current information and the Board so finds and determines. The Recitals set forth above are incorporated herein and made an operative part of this Resolution.

2. Increased Water Rate The Water Rate is hereby increased from \$317 per AF to \$399 per AF. This increased Water Rate shall be effective as of April 1, 2019.

3. Application Of Increased Water Rate To Deliveries The increased Water Rate shall be applied to water deliveries made on or after April 1, 2019 for which Purchasers have not already made payment. The increased Water Rate, and its effective date, shall be applied pursuant to the procedures and timing in the Rules and Regulations for orders, billing, payment and delivery. Nothing in this Resolution shall be deemed to provide a Purchaser with the right to change or otherwise alter its orders, billing, payment or deliveries with the goal of obtaining water deliveries at the previous Water Rate amount.

4. Authority Of The General Manager The General Manager is hereby authorized and directed to take all actions necessary to effectuate and implement the increased Water Rate.

5. Increased Water Rate Does Not Exceed Agency's Costs For Water Delivery The Board hereby determines that the increased Water Rate does not exceed the Agency's costs which are reasonably related to the delivery of water. The Board hereby makes that determination based on evidence presented to the Board in the form of: (a) the Staff Report and analysis provided during the meeting where this Resolution was considered; and (b) Staff Reports, presentations, and other documents and analysis provided at a number of previous meetings and workshops.

6. Costs To Be Funded By The Increased Water Rate The amount of the increased Water Rate does not exceed the cost of water delivery and in fact, will not fund all of the costs of water delivery. Specifically, only the following costs, and only to a certain extent, will be funded by the increased Water Rate of \$399 per AF:

- (a) Salary overhead for operations (50%) and non-operations staff (5%);
- (b) Pass through costs for operation and maintenance of the East Branch Extension;
- (c) DWR Variable Charge - power costs to convey water through the SWP;
- (d) Yuba Water - obtained through the SWP under the "Yuba Accord;"
- (e) Chemical costs for water quality purposes as imposed by DWR; and
- (f) 50% of cost for Nikel Water obtained from AVEK in 2018.

7. Authority To Adopt New Water Rate In The Future The Board intends to continue to review the Water Rate and may adopt a new, adjusted or increased Water Rate at any time within its discretion.


8. CEQA The Board is adopting the wholesale water rate herein to meet the Agency's operating expenses. Therefore, the Board finds and determines, based upon substantial evidence, that the establishment of the wholesale water rate is exempt from CEQA, pursuant to Section 21080(b)(8) of the Public Resources Code and Section 15273(a) of the State CEQA Guidelines because the establishment of water rates is for the purpose of meeting operating expenses and purchasing materials (e.g., water).

9. Controlling Effect - All ordinances, resolutions, minute orders, or administrative actions by the Board, or parts thereof, that are inconsistent with any provision of this Resolution are hereby superseded only to the extent of such inconsistency.

10. Effective Date - The President of the Board shall sign this Resolution and the Secretary of the Board shall attest thereto, and this Resolution shall be in full force and effect immediately upon adoption.

11. Severability - If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

ADOPTED AND APPROVED this 15th day of April, 2019.



President, Board of Directors
San Geronio Pass Water Agency

ATTEST:



Secretary, Board of Directors
San Geronio Pass Water Agency