

EXHIBIT B

STAFF REPORT

PROPOSED OAWD WATER CHARGES FOR THE YEARS 2020 THROUGH 2025

I. Introduction and Background

The Orland-Artois Water District (“OAWD”) is organized under the California Water District Law, Water Code sections 34000 through 38501. OAWD includes an area of 28,918.01 acres. OAWD makes irrigation water service available to customers occupying 28,888.59 acres within the district. OAWD’s current water delivery system is unable to deliver water to 29.42 acres within the District. The District is in the process of annexing about 730 acres into the District. If the annexation is successful, these acres will share in the cost of the Operations and Loan Conversion Charges discussed in this report. Water Service to Annexed Acres will be provided by a separate year to year Water Service Contract between the landowners of the annexed acreage and the District according to the District’s Annexation Policy and Agreements.

In full-allocation years, OAWD may purchase up to 53,000 acre-feet of Central Valley Project (“CVP”) water under a water service contract with United States Department of the Interior, Bureau of Reclamation (“USBR”). USBR delivers water to OAWD through the Tehama-Colusa Canal. OAWD pumps the water from the canal and gravity flows the water to landowners within OAWD’s service area through OAWD’s water transmission and delivery facilities.

To provide a more-stable revenue source for OAWD and to encourage OAWD customers to use surface water and not groundwater for irrigation, OAWD revised its water rate structure in 2011. The new water rate structure that OAWD adopted in 2011 includes two charges: (1) an “Operations Charge” in the form of a per-acre charge on each acre of land to which OAWD makes water service immediately available, which is calculated to recover OAWD’s fixed operational expenses; and (2) a “Volumetric Charge” for each acre-foot of water that OAWD delivers to its customers, which is calculated to recover OAWD’s variable expenses such as USBR’s water service charges and OAWD’s pumping costs.

This staff report has been prepared to support staff’s recommendation that the Board continue the existing OAWD rate structure of an Operations Charge and a Volumetric Charge for the years 2021 through 2025. The report also documents a new land-based charge that will be used to pay off debt for the District’s accrued obligation for the District’s share of the costs of constructing Central Valley Project (“CVP”) facilities used to provide surface water to the District, which is called the “Loan Conversion Charge”.

This staff report specifically describes: (1) the legal requirements that apply to OAWD’s water charges; (2) the purposes of the proposed adjusted Operations and Volumetric Charges for the period of 2021 through 2025, and the new Loan Conversion Charge; (3) how each charge would be calculated in order to ensure that the charges would produce sufficient revenue to cover,

but not exceed, OAWD's fixed and variable expenses and loan obligation, including prudent reserves; and (4) how OAWD's calculations of the proposed charges comply with Proposition 218.

II. Substantive Legal Requirements for Any Local Fee or Charge for Water

OAWD must comply with the applicable provisions of the California Constitution and Government and Water Codes before it may impose any new, or increase any existing, fee or charge for water service. As a California water district, OAWD may fix and collect water rates and charges to pay for operating expenses, capital projects that develop new water supplies and increase water supply reliability, repairs and depreciation of works owned or operated by the District, and principal and interest payments on District bonded indebtedness. This also includes the designation and funding of one or more restricted and unrestricted reserve accounts that are funded to a prudent level in accordance with legal requirements and good industry practices. (See Water Code, §§ 35470-35482.) Further, in 1996 the state voters adopted Proposition 218, which enacted Articles XIII C and XIII D of the California Constitution. Articles XIII C and XIII D include substantive and procedural requirements that apply to property-related assessments, and fees and charges, including water service fees and charges. Proposition 218's requirements are implemented under the Proposition 218 Omnibus Implementation Act, Government Code sections 53750 through 53758. OAWD may impose charges only for those expenses permitted under applicable law, and OAWD's charges must satisfy the procedural and substantive requirements of Proposition 218.

Article XIII D of the California Constitution sets forth the procedural and substantive requirements that OAWD must satisfy before it may impose or increase any fee or charge for water service. These requirements are:

- Revenue derived from the fee or charge shall not exceed the funds required to provide the property-related service;
- Revenue derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge is imposed;
- The amount of the fee or charge imposed on any parcel or any person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel;
- The fee or charge may not be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question; and
- The fee or charge may not be imposed for a general governmental service where the service is available to the general public in substantially the same manner as it is to the property owners.

(Cal. Const., art XIII D, § 6(b)(1)-(5).)

Further, OAWD must identify each parcel on which the proposed fee or charge will be imposed, and the amount of the fee or charge that will be imposed on each parcel. (Cal. Const., art. XIII D, § 6(a)(1).)

III. OAWD's Proposed Water Charges

A. The Operations Charge

1. Purpose of the Operations Charge

The purpose of the Operations Charge is to recover OAWD's fixed expenses that are not dependent on the amounts of water that OAWD delivers to its customers (the "Fixed Expenses"). These Fixed Expenses include: (1) OAWD's budgeted overhead expenses, which includes funding for prudent reserves; (2) the Tehama-Colusa Canal Authority ("TCCA") assessment; and (3) the State Water Resources Control Board's ("SWRCB") water right fees. The Water Code authorizes OAWD to collect charges to pay for these expenses. (Water Code, §§ 35401, 35470-35482.)

2. Lands on Which the Operations Charge Would Be Imposed

The amount of the budgeted Fixed Expenses would be divided among the parcels to which OAWD makes water service available. As explained above, OAWD's water system is capable of delivering water to 28,888.59 acres of land within the district, plus any acres annexed into the District.

Staff estimates that 740.97 of these acres are designated as "excess" lands under the Reclamation Reform Act (the "RRA") and therefore the landowners of those parcels are prohibited from using CVP water on these "excess" lands under federal law. But under the RRA, an owner of "excess" land, at any time, may request that USBR re-designate the acreage, which would allow the landowner to use OAWD-supplied CVP water on that acreage. Further, a landowner may sell the "excess" land and, at the time of purchase, the new landowner could request sale-price approval from USBR, which, if granted, would allow CVP water to be used on the purchased land. In other words, at any time a current or future landowner could potentially take actions that would allow the owner of that land to begin requesting delivery of OAWD-supplied CVP water at the existing turnouts and water service connections on those parcels. More important, as discussed below in Part B, the RRA restriction will be eliminated when the District executes the WIIN Act repayment contract in late 2020 and pays off its CVP and water system construction debt. At that time, even existing landowners with lands currently designated as "excess" will be permanently relieved from the RRA restrictions.

OAWD would impose the Operations Charge on each of the 28,888.59 acres, plus any acres annexed into the District, to which it makes water service available, unless the landowner obtains an exemption from OAWD pursuant to section 2.4 of the District's *Policy Regarding Calculation of Operations and Volumetric Water Charges*. In order to obtain an exemption from the Operations Charge, a landowner would need to provide the OAWD General Manager sufficient documentation to show that: (1) USBR denied the landowner's request to re-designate the parcel; or (2) USBR denied the landowner's request for sale-price approval of the parcel. OAWD staff is not currently aware of any "excess" land within the District that would qualify for an exemption.

Again, the need for this exemption is expected to be eliminated in late 2020 when RRA limitations are terminated for District landowners.

3. OAWD Expenses that Will Be Recovered by the Operations Charge

a. *OAWD Overhead Expenses*

OAWD's overhead expenses include staff salaries and benefits, operations expenses, supply and equipment costs, maintenance costs, funding for prudent reserves, and other fixed costs. OAWD's budgeted Fixed Expenses for 2021 are more specifically described in OAWD's 2021 budget, which is attached as Exhibit A to this staff report. The estimated OAWD overhead expenses for 2021 are \$700,912.

b. *TCCA Assessment*

The TCCA charges OAWD an assessment to pay for certain canal-related expenses. The TCCA imposes an annual assessment on OAWD for this purpose, based on a five-year running average of OAWD water use. This expense is a modified fixed expense because it does not directly vary based on the amount of water that USBR delivers to OAWD during any single year, but it does vary based on the TCCA assessment each year. For 2021, TCCA's assessment is estimated to be \$551,906. Although the TCCA Assessment is considered a fixed expense, it can vary significantly year to year. As a result, OAWD will treat this component of the Operations Charge as a pass-through expense since the amount is determined and billed to the District each year by the TCCA. In addition, because the TCCA Assessment is a fixed amount calculated and billed to OAWD by the TCCA each year, this component of the Operations Charge will vary depending on the amount billed by TCCA, but will not be adjusted for inflation each year like the Overhead Expenses component of the Operations Charge.

c. *SWRCB Water Rights Fees*

The SWRCB imposes an annual water rights fee on OAWD in the estimated amount of \$79,475 based on OAWD's USBR water service contract amount of 53,000 acre-feet-per-year of CVP water. The amount of the SWRCB water rights fee does not depend on how much of that CVP water that USBR actually delivers to OAWD and therefore is a fixed expense. Like the TCCA Assessment, the SWRCB Water Rights Fees component of the Operations Charge is a fixed amount that varies each year according to a determination made by the SWRCB. Therefore, this component will not be adjusted for inflation but is a pass-through expense that will vary according to the amount billed by the SWRCB each year to OAWD.

4. Calculating the Operations Charge

To calculate the Operations Charge, the amount of OAWD's budgeted Fixed Expenses for 2021, \$1,332,215 would be divided among the 28,888.59 acres of land that have OAWD water service immediately available to them. The following illustrates how OAWD calculated its proposed Operations Charge of \$46.12 per-acre for 2021:

District Budgeted Overhead Total	\$700,912
SWRCB Water Rights Fee	\$79,475
TCCA Assessment	\$551,906
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Total O&M Expenses for Operations Charge	\$1,332,293
Per-Acre Operations Charge (Total ÷ 28,888.59)	\$46.12

5. The Operations Charge Complies with Proposition 218's Substantive Requirements

A fixed monthly service charge, such as the Operations Charge, is a valid charge and not an assessment under Proposition 218 if it is imposed on a parcel to which a local agency makes water service immediately available, whether or not the parcel uses that service. (*Paland v. Brooktrails Township Community Services District* (2009) 179 Cal.App.4th 1358.) By calculating OAWD's Fixed Expenses for 2021 and then determining the Operations Charge that would be necessary to meet those Fixed Expenses, OAWD ensures that Operations Charge revenue will not exceed the amount of OAWD's Fixed Expenses. (Cal. Const., art. XIII D, § 6(b)(1).) As explained above, the Operations Charge would be imposed equally on each of the 28,888.59 acres of land to which OAWD makes water available.

The Operations Charge, therefore: (1) will not exceed the proportional cost of OAWD's Fixed Expenses attributable to each of those 28,888.59 acres of land (Cal. Const., art. XIII D, § 6(b)(3)); and (2) will only be imposed on parcels to which OAWD actually makes irrigation water service immediately available (Cal. Const., art. XIII D, § 6(b)(4)). OAWD does not intend to use the revenue from its Operations Charge to pay any expenses other than the previously identified Fixed Expenses related to making District water service available to each parcel. (Cal. Const., art. XIII D, § 6(b)(2).) Finally, OAWD's Operations Charge will not be imposed for a general governmental service. (Cal. Const., art. XIII D, § 6(b)(5).) The Operations Charge therefore meets Proposition 218's substantive requirements.

6. Automatic Adjustments to Operations Charge in 2021 Through 2025

In accordance with subdivisions (a) and (b) of Government Code section 53756, OAWD may increase the OAWD Fixed Expenses component of the Operations Charge due to inflation on April 1st of each year for the years 2021 through 2025 based on the previous year's change in the U.S. Consumer Price Index for All Urban Consumers, San Francisco Region, as calculated by the U.S. Department of Labor, Bureau of Labor Statistics. Any automatic adjustment made by the District to this component of the Operations Charge will be limited so that, in any year, Operations Charge revenue, as escalated, will not exceed the amount of OAWD's Fixed Expenses. OAWD will treat the TCCA Assessment and SWRCB Water Rights Fee components of the Operations Charge as pass-through charges, and will adjust these components up or down each year depending on the amount billed by the TCCA and SWRCB, respectively. OAWD will provide written notice to all landowners at least 30 days before the date on which an inflationary and/or pass-through adjustment to the Operations Charge would take effect.

B. The Loan Conversion Charge

The District has two loans with USBR. Both are non-interest bearing and both are currently paid either by revenues from water sales or the annual assessment levied by OAWD. The first loan is for the costs of building of the CVP water infrastructure required to divert water into and store surface water in Shasta Reservoir, and to convey a portion of that water to the District's diversions on the Tehama-Colusa Canal ("CVP Construction Loan"). Presently, this loan is paid as a portion of the water rate for surface water purchased from USBR and delivered by the District to water users. The CVP Construction Loan has a balance of about \$8,100,000 and is due to be paid off in 2030. For 2020, that portion of the CVP water service rate is \$34.37 per acre-foot.

The second loan is the "9(d) Loan", which OAWD obtained to build the in-District water distribution system. On the current repayment schedule, OAWD would pay off the 9(d) Loan in mid-2032. The 9(d) Loan is being paid for by all landowners from an assessment on assessed acres within the District. The current 9(d) assessment is \$19.94 per acre per year, but is authorized to be and was levied in the past at the maximum rate of \$24.94 per acre. The balance on the 9(d) Loan after October 2020 will be \$6,938,261.24.

Section 4011 of the Water Infrastructure Improvements for the Nation (WIIN) Act of 2016 allows for the immediate prepayment of CVP construction debt under certain water service contracts between the United States and contractors. OAWD is one of the eligible contractors. There are a number of benefits to OAWD and its landowners if the District takes advantage of the WIIN Act repayment contract option. To obtain these benefits, OAWD will refinance its obligations to USBR by securing two 20-year loans from a bank, one for the 9(d) Loan and one for the CVP Construction Loan. The bank loan to pay off the outstanding balance of the 9(d) Loan will be paid from the District assessment and therefore is not part of the Proposition 218 proceedings or a component of the water rate. But the outstanding principal amount of the CVP Construction Loan will be paid off with a separate bank loan that the District is proposing to be paid off with a new "Loan Conversion Charge" that would be imposed on all acres of OAWD lands capable of receiving District water service, including the existing 28,888.59 acres and any new acres annexed into OAWD.

There are a number of important long-term benefits that OAWD and its landowners will receive if the District pays the outstanding balances on the CVP Construction Loan and 9(d) Loan now. One benefit is being relieved of the rules of the Reclamation Reform Act (RRA) of 1982. The RRA restricts the number of acres served by the District to 960 acres per person or entity, and the number of persons benefiting from the land to 25 or less. There also are restrictions for foreign ownership. The removal of these restrictions would allow the District to deliver project water equally to all of its lands at a lower water rate without the necessity of a landowner seeking an exemption from USBR. Once the new repayment water service contract is signed between OAWD and USBR, the portion of the water rate currently imposed annually to pay off a portion of this debt will no longer be charged. In 2020, that portion of the rate is \$34.37 per acre-foot. Another benefit of the WIIN Act is the converting of the District's 25-year Water Service Contract to a permanent contract, which will save significant transaction costs and NEPA review each time a new contract would have been negotiated in the future. The District's current 25-year Water

Service Contract is due to be renegotiated in 2030. Renegotiating is a lengthy and expensive process and there is no guarantee the 53,000 acre-feet of water in the current contract will be preserved if the contract must be negotiated in the future.

The relief from RRA rules will allow the District to expand in size. New land that otherwise might have been subject to the RRA acreage limitation will be allowed to come into the District. These new lands will have a separate Class II water contract with the District and they will be required to construct and operate their own water delivery systems. But the annexed acres will pay their share of the CVP Construction Costs through the new Loan Conversion Charge. Annexing additional acres into OAWD will mean that the cost per acre would be less for all.

The Loan Conversion Charge will be used to repay the bank loan for the balance of the District's CVP construction debt. This, along with paying off the District's 9d loan, will allow the District to obtain the permanent CVP water service contract with lower water rates and the relief of RRA rules. The maximum annual loan payment that the District will incur is \$817,719. The final, actual annual payment amount could be lower when the loan is finally negotiated depending on the interest rate, debt service coverage requirement, and discount rate that USBR applies to the repayment amount. If the actual annual loan payment is lower than \$817,719, the per-acre Loan Conversion Charge will be reduced to reflect the actual costs of the loan to OAWD.

Paying off the CVP Construction Loan debt will provide benefits to all landowners and water users, including lower long-term water rates, obtaining a permanent CVP water service contract in the amount of 53,000 acre-feet, and termination of the RRA acreage limitation, the Loan Conversion Charge would be imposed equally on each of the 28,888.59 acres of land to which OAWD can currently make water available. If additional lands are annexed into the District, this charge would be imposed on those parcels, thus lowering the charge on a per-acre basis. Allocating the maximum annual loan payment of \$817,719 on each of the 28,888.59 acres to which OAWD makes irrigation water service immediately available will result in a Loan Conversion Charge of \$28.31 per-acre. This charge is intended to be fixed and will not be subject to annual inflationary or other adjustments. It therefore will remain in place until the pay-off of the bank loan in 20 years, any earlier repayment of the loan, or any need for adjustment, which will require new Proposition 218 proceedings.

C. The Volumetric Charge

1. Purpose of the Volumetric Charge

The purpose of the Volumetric Charge is to recover the District's payment of USBR's water service charges for water that it delivers to OAWD through the Tehama-Colusa Canal, and OAWD's costs to pump CVP water from the Tehama-Colusa Canal and to make that water available to OAWD customers (the "Variable Expenses"). OAWD's Variable Expenses vary based on the amount of water that USBR delivers to OAWD, and the amount of the delivered water that landowners within the District purchase from OAWD. To recover OAWD's Variable Expenses, OAWD's Volumetric Charge includes: (1) a USBR water service charge component; (2) an OAWD pumping cost component related to OAWD's pumping of water from the Tehama-Colusa Canal; (3) in some years, a groundwater pumping cost component to pay for OAWD's costs to pump groundwater that OAWD uses to supplement its surface water supply and meet

customer water demands; and (4) in some years, an imported water cost component in years when the District expects to purchase surface water from a non-USBR source to supplement its water supplies, or in a year to pay for imported water costs that were incurred but not included in the Variable Expenses for the previous year. These components of the Volumetric Charge are described in part 3.

2. OAWD Expenses that Will Be Recovered by the Volumetric Charge

a. *USBR Water Service Charge Component*

USBR and OAWD entered into a CVP water service contract, which provides that USBR may deliver to OAWD up to 53,000 acre-feet of water through the Tehama-Colusa Canal. USBR's water service charges are tiered based on the amount of water that USBR delivers to OAWD. For 2021 it is unlikely for OAWD's allocation from the USBR to be over 80% which will allow any water from the water service contract to be charged at the Tier 1 rate. For 2020 that rate is \$60.41 total, and \$26.04 without the CVP Construction Component that will not be charged if OAWD signs a repayment contract with USBR and secures a bank loan to pay off the CVP construction debt. Additionally, there are per acre-foot USBR charges of \$0.94 for Other Project Use Energy ("PUE") Remittance, \$4.65 for Direct Pumping, \$0.12 for Trinity Public Utility District ("PUD") and \$10.91 for Restoration. Because USBR has not yet provided the 2021 rates, but these amounts are passed through as further discussed in this part. The District will provide a minimum of 30 days' advance notice of the actual 2021 CVP charges that are used to calculate the 2021 Volumetric Charge when USBR makes them available.

USBR imposes its tiered water service charges as follows: (1) USBR imposes a Tier 1 charge on each acre-foot of delivered water up to 80% of OAWD's CVP contract amount; (2) USBR imposes a Tier 2 charge on each acre-foot of delivered water that exceeds 80%, but is less than 90%, of OAWD's CVP contract amount; and (3) USBR imposes a Tier 3 charge on each acre-foot of delivered water that exceeds 90% of OAWD's CVP contract amount. The amount of USBR water service charges that OAWD pays therefore depends on the amount of water that USBR allocates to OAWD. USBR's water allocation varies from year to year based on demands on the CVP, storage in CVP reservoirs and climatologic and meteorological conditions or expected conditions. Tiered pricing will only be charged by OAWD if OAWD is charged by USBR the Tiered Pricing rates.

b. *OAWD Pumping Cost Component*

OAWD operates pumps that pump water out of the Tehama-Colusa Canal and into OAWD's water delivery system. OAWD's pumping costs vary based on the amount of water that it pumps from the Tehama-Colusa Canal for delivery to OAWD customers. If OAWD takes delivery of the entire 53,000 acre-feet of its allocation, OAWD estimates that it would incur pumping costs in the amount of \$246,450, or \$4.65 per-acre-foot of OAWD's CVP water allocation. This pumping cost component of OAWD's Volumetric Charge would pay for these costs. There is a pumping charge for Warren Act Water which is pumped through the District system. Warren Act Water is "non-project" water and therefore the subsidized power rate charged for CVP contract water cannot be charged. The power rate for Warren Act Water which goes through the districts pumping plants is about \$8.00 per acre-foot. This cost applies to District well

water when it is put into the canal for use throughout the District and is included in the Warren Act cost component of costs of water from District Wells.

c. *Groundwater Pumping Cost Component*

In some years, OAWD supplements its surface water supply with groundwater in order to satisfy customers' water demands. During such years, the Volumetric Charge would include a cost component to pay for OAWD's estimated groundwater pumping costs, which fluctuate based on the amount of groundwater that OAWD pumps. For 2020, the District anticipates pumping groundwater from its wells at an estimated cost of \$70,000.00. Therefore, for 2020 a groundwater pumping cost component has been included in the Volumetric Charge. If the District incurs additional groundwater pumping costs in 2020 in excess of this amount, then the District will pay for those additional costs through its reserves and then replenish its reserves through the groundwater pumping cost component for the following year.

d. *Imported Water Cost Component*

OAWD has a multi-year contract for a transfer of 6,000 acre-feet of CVP water with Maxwell Irrigation District (MID). The contract expires in 2020, but is expected to be extended on similar terms. In Shasta Critical years, the amount of water available from MID is reduced to 1,000 acre-feet. The cost of the water is variable depending on the allocation the District receives for any given year during the life of the contract. This cost is therefore deemed a pass-through cost and calculated each year into the volumetric price of District water. OAWD also has other imported water contracts. It purchases 2,500 acre-feet, 1,900 in Shasta Critical years, annually from Jack Baber under a contract which automatically renews every two years. OAWD also has been purchasing 3,500 acre-feet annually, including Shasta Critical years, from the Princeton-Codora-Glenn Irrigation District under an agreement which ends in 2020, but which the parties plan to renew. Because these contracts also are variable cost depending on water-year type, the charges for these contracts are also considered pass-through costs and are calculated each year as part of the Volumetric Charge.

If needed, the District can purchase water from additional willing sellers in order to supplement its CVP water allocation and groundwater supplies to increase total supplies available to all water users. In years when the District can estimate the amount and price of water that it will purchase, it will include them in the imported water cost component in the Volumetric Charge to pay for those estimated costs. If the District's Volumetric Charge for a year does not include an imported water cost component, and the District purchases imported water to supplement its supplies during that year, then the Volumetric Charge for the following year will include an imported water cost component to pay for the previous year's imported water costs. If the District incurs any unanticipated imported water costs in 2021, then the District will pay for those additional costs from its reserves and then replenish the reserves through the water rate for the following year.

e. *Supplemental Water (Not a Component of Volumetric Charge)*

In some years, certain OAWD landowners request that OAWD purchase water from willing sellers and then sell that water to those landowners at OAWD's cost for the water, plus any wheeling and administrative charges incurred by OAWD. This supplemental water is not

generally made available to all District customers and therefore it is not subject to the Volumetric Charge. These are voluntary transactions facilitated by OAWD that are entered into by contract between interested District landowners, willing sellers and OAWD. As a result, the District's charges for this water are not subject to Proposition 218.

f. *The O&M Deficit Charge*

The O&M Deficit Charge is an estimate of the USBR's O&M costs, which are passed on to the District in the "cost of service" component of the water rate. This charge is based on an estimate by the USBR for the cost of O&M for the water year. If the estimate is high, the District will receive a credit, if the estimate is low, the District will receive a bill. Funds for O&M Deficit are collected in the Water Rate. The District Reserve Account Policy includes a target of \$1,000,000 for Water Reserves. The amount of the Targeted Reserves is approved by the OAWD Board of Directors.

3. Calculation of the Volumetric Charge

The Volumetric Charge is a calculation of several costs' components for types of water available to the District in a given year. These components include USBR Costs of Service, Direct Pumping, Public Use Energy, Trinity PUD, Restoration, Imported Water costs, Premiums on Transferred Water, and replenishment of reserves when they are used to pay unanticipated CVP water service and other charges that are components of the Volumetric Charge. An example of this calculation is illustrated below using the 2020 50% allocation:

TYPE	50%	USBR	Purchase	PUE	TPUD	Power	Resto	Per AF	Total
USBR	26,500.00	60.41	0.00	0.94	0.12	4.65	10.91	77.03	2,041,295.00
Wells Power	1,000.00	0.00	0.00	0.00	0.00	70.00	0.00	70.00	70,000.00
C/S Pump Power		0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00
Baber	2,500.00	73.66	30.00	0.00	0.00	0.00	0.00	103.66	259,150.00
MID	6,000.00	64.90	35.00	0.00	0.00	0.00	0.00	99.90	599,400.00
PCGID	3,500.00	64.92	50.00	0.00	0.00	0.00	0.00	114.92	402,220.00
215 Water	0.00	20.00	0.00	0.00	0.12	4.65	10.91	35.68	0.00
Total AF	39,500.00						Total Cost of water		3,377,065.00
							Cost per acre-foot.		85.50

Pursuant to the RRA, some OAWD landowners must pay additional USBR charges to use CVP water that OAWD sells to those landowners. Those charges are in addition to the Volumetric Charge and any such landowner also shall pay OAWD for the amount of those charges, which OAWD then will pay to USBR. With Loan Conversion, RRA rules will no longer be imposed on the District.

4. The Volumetric Charge Meets Proposition 218's Substantive Requirements

OAWD's proposed Volumetric Charge would recover its Variable Expenses on a per-acre-foot basis. This calculation of the Volumetric Charge will ensure that the revenue collected from the Volumetric Charges will not exceed the total amount of OAWD's Variable Expenses. (Cal. Const., art. XIII D, § 6(b)(1).)

The Volumetric Charge does not exceed the proportional per-acre-foot cost of OAWD's Variable Expenses. (Cal. Const., art. XIII D, § 6(b)(3).) In years when USBR allocates more than 80% of OAWD's CVP contract total to the District, the USBR water service charge component of the Volumetric Charge will be based on a "blended" charge. This "blended charge" is an average of the per-acre-foot charges that USBR imposes on the CVP water that it allocates to OAWD. In years when OAWD receives no more than 80% of its CVP contract allocation, the USBR water service charge component of the Volumetric Charge will be based on the Tier 1 rate. OAWD assumes that, based on OAWD customers' water demands in preceding years, OAWD would receive and be able to sell the entire amount of water that USBR allocates to OAWD. The USBR water cost of service charge component of the OAWD's Volumetric Charge therefore does not exceed the proportional per-acre-foot cost of OAWD's USBR water service charges. The OAWD pumping cost component of the Volumetric Charge does not exceed the proportional per-acre-foot pumping charge for OAWD's projected pumping costs. The Volumetric Charge therefore does not exceed the proportionate, per-acre-foot cost of OAWD's Variable Expenses.

OAWD will use the revenue from its Volumetric Charge to pay only OAWD's Variable Expenses. Volumetric Charge revenue will not be used to pay any other district expenses (Cal. Const., art. XIII D, § 6(b)(2).) OAWD will impose the Volumetric Charge on each acre-foot of water that OAWD delivers to a customer, and therefore the charge will only be imposed for a service that is actually used by that customer. (Cal. Const., art. XIII D, § 6(b)(4).) Finally, OAWD's Volumetric Charge is not being imposed for a general governmental service. (Cal. Const., art. XIII D, § 6(b)(5).) The Volumetric Charge therefore meets the substantive requirements under Proposition 218.

5. Automatic Adjustments to Volumetric Charge for 2021 Through 2025

OAWD's proposed rate structure would authorize OAWD to pass through to District customers any increases in existing USBR charges and any new USBR charges on water. OAWD would automatically adjust its Volumetric Charge consistent with, and not to exceed, USBR's adjustment to its water service charges and the amount of USBR's Cost of Service and Restoration Charges. (Gov. Code, § 53756, subd. (c).) OAWD would provide written notice to District landowners regarding any adjustment to the Volumetric Charge at least 30 days before the effective date of the adjusted Volumetric Charge. (Gov. Code, § 53756, subd. (d).) Such written notice would be sent to the address on file with OAWD to which OAWD customarily sends billing statements for its water charges. (Gov. Code, §§ 53755, subd. (a), 53756, subd. (d).)

OAWD's proposed Volumetric Charge shall be effective for five-years, unless it is sooner revised, repealed or readopted by the Board of Directors pursuant to Article XIII D, section 6, of the California Constitution and other applicable laws. (Gov. Code, § 53756, subs. (a) and (c).)

Staff Report
Exhibit A

**ORLAND-ARTOIS WATER DISTRICT 2021 PROP 218
OPERATIONS & MAINTENENCE BUDGET**

INCOME	
Assessment Income	700,800.00
Loan Conversion Charge Income	777,134.00
Total Assessment & Loan Conversion Charge Income	<u>1,477,934.00</u>
Transmission, Distribution & Administration Income	
District Operations Charge	1,332,293.17
Total Operations Income	<u>1,332,293.17</u>
Total Transmission and Distribution & Administration Income	<u>2,810,227.17</u>
Total Operations & Maintenance Income	<u>2,810,227.17</u>
EXPENSES	
Special Projects	
Total Special Projects Expense	<u>2,000.00</u>
TRANSMISSION & DISTRIBUTION EXPENSES	
Assessment Expense	
Distribution System Assessment	700,800.00
CVP Construction - Loan Conversion Charge	777,134.00
Operations Expenses	
SWRCB Water Rights Fee	79,474.53
TCCA Assessment	551,906.45
Shop & Field Expenses	
Total Shop & Field	<u>117,158.70</u>
Total Transmission & Distribution Expenses	<u>2,226,473.67</u>
ADMINISTRATION EXPENSES	
Office Expenses	
Total Office Expenses	<u>91,293.05</u>
Salaries & Benefits	
Total Salaries & Benefits	<u>457,060.44</u>
Total Administration Expenses	<u>548,353.49</u>
Total Operations & Administration Expenses	<u>2,774,827.17</u>
Reserve Accounts; transfer to	
Total to Reserves	<u>33,400.00</u>
Total Income	<u>2,810,227.17</u>
Total Expenses	<u>2,810,227.17</u>
TOTAL NET INCOME	<u>0.00</u>
Operations Charge Components	
Expenses	
District Budgeted Overhead	667,512.19
To Reserves	33,400.00
Total District Budgeted Overhead	<u>700,912.19</u>
SWRCB Water Rights Fee	79,474.53
TCCA Assessment	551,906.45
Total to be Collected Form Operations Charge	<u>1,332,293.17</u>
<i>Operations Charge-Rate Per Acre</i>	<i>28888.59 Acres</i> <i>46.12</i>