



Rule 19.8 Ordinance 180 Implementation

Listening Sessions

January 2019



Rule 19.8 Deconstructed

A. It shall be the policy of the District, if and when feasible, to secure and maintain public ownership of all water production, storage and delivery system assets and infrastructure providing services within its territory.

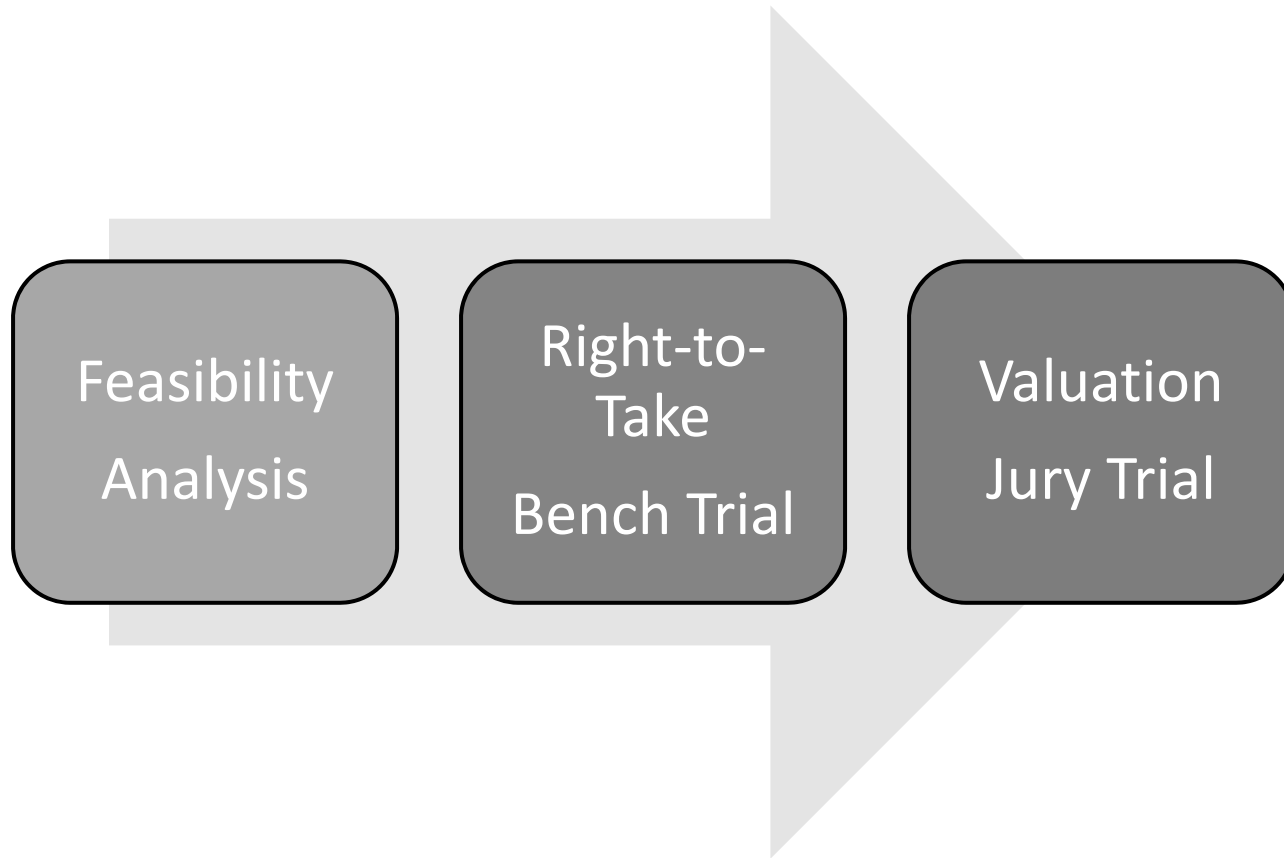
Rule 19.8 Deconstructed

B. The District shall acquire through negotiation, or through eminent domain if necessary, all assets of California American Water, or any successor in interest to California American Water, for the benefit of the District as a whole.

Rule 19.8 Deconstructed

C. The General Manager shall, **within nine (9) months** of the effective date of this Rule 19.8, complete and submit to the Board of Directors **a written plan** as to the means to adopt and implement the policy set forth in paragraph A, above. The plan shall address acquisition, ownership, and management of all water facilities and services **within and outside the District**, including water purchase agreements as appropriate. The plan may **differentiate treatment of non-potable** water services.

3-Phase Process



Feasibility vs. Other Concepts

Feasibility

Should this be a financial test?

- Objective
- Measurable
- Cost v Benefit
- Lifecycle

“Do-ability”

Barriers or impediments to success?

- Legal challenge
- Managerial expertise
- Financing

Desirability

Why do it?
Qualitative and intangibles

- Rate-setting
- Public process
- Service
- Local revenue

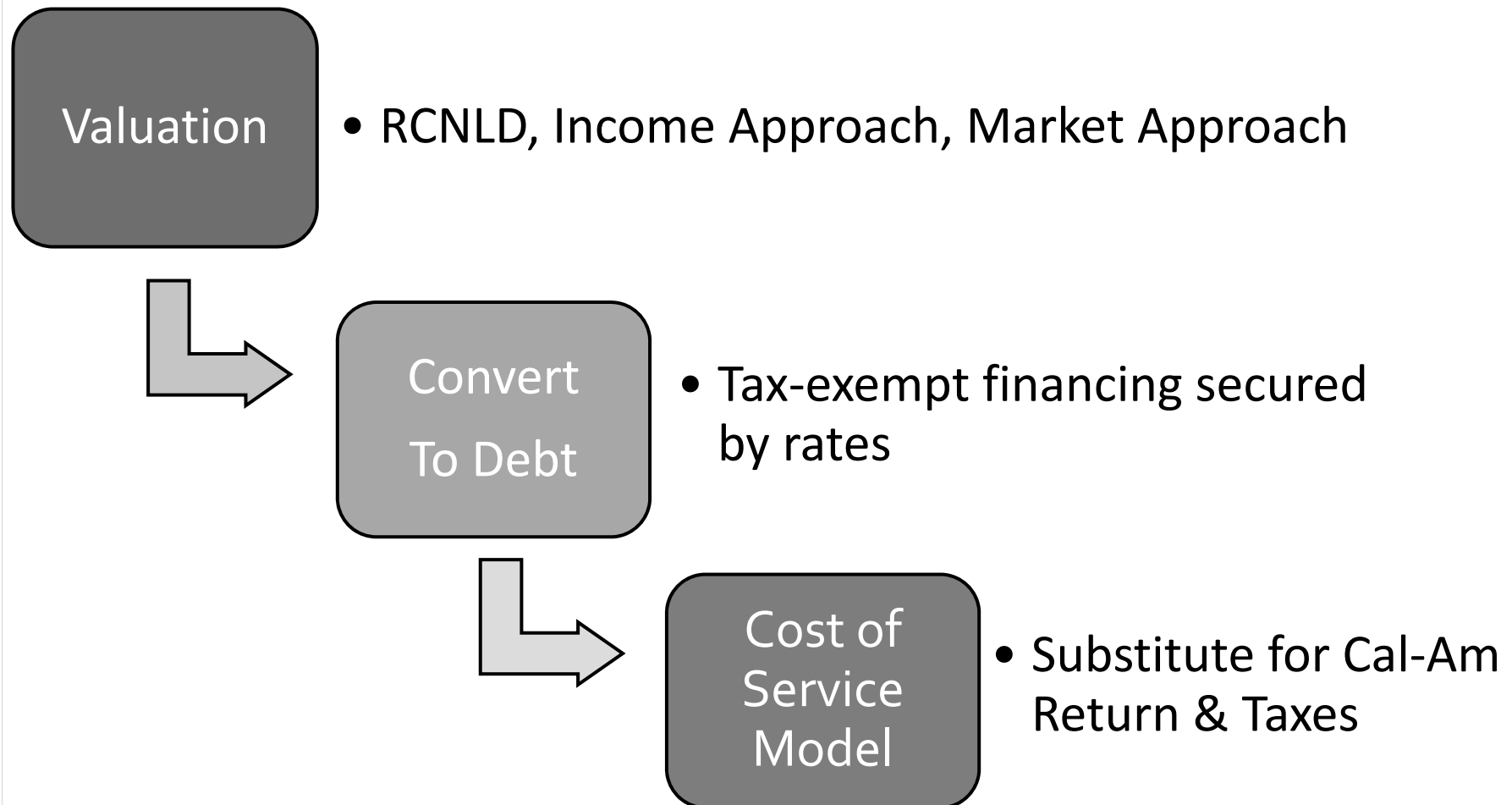
Standards of Financial Feasibility

- Savings immediately and every year thereafter
- Could freeze rates for 3 to 5 years before they start rising again
- I may not save in the first year, but the rate of future increases will be lower
- I can handle a slight increase in cost for a few years if it will be cheaper over the life
- I don't care if there are savings until after the debt is paid off
- Even if all operating costs are the same, I know future capital projects will be cheaper
- Others?

Standards of Desirability – In the Public Benefit

- Cost – It will lead to lower costs
- Rates – Simpler, local, public process; easier to understand
- Participation – public hearings, accessibility, transparency
- Leadership – locally elected, greater accountability
- Service – Staffing and location of services will be local
- Economy – All rates and revenues stay locally
- Community Values – Will be reflected in policy and practices
- Others?

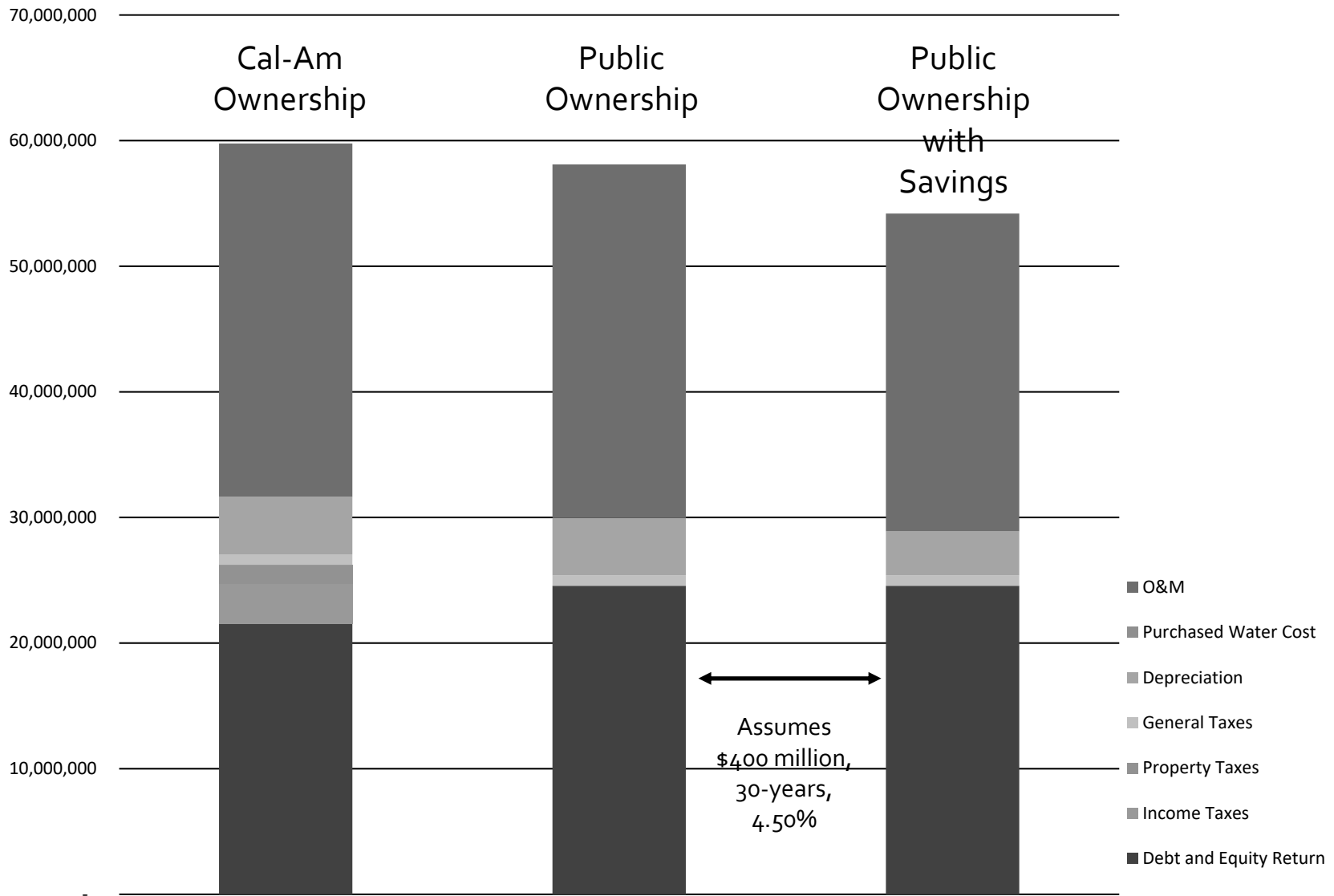
Determining Financial Feasibility



Financial Feasibility – Additional Costs?

- Transaction Costs add to Valuation
Examples: Legal, investment banking
- Severance Damages add to Valuation
Examples: Stays in Monterey to serve others, regulatory assets, sunk costs, “going concern” loss
- Transition Expenses affect both Valuation and Cost of Service
Examples: Billing system, call center, building space, salary and benefits
- Such costs are difficult to estimate

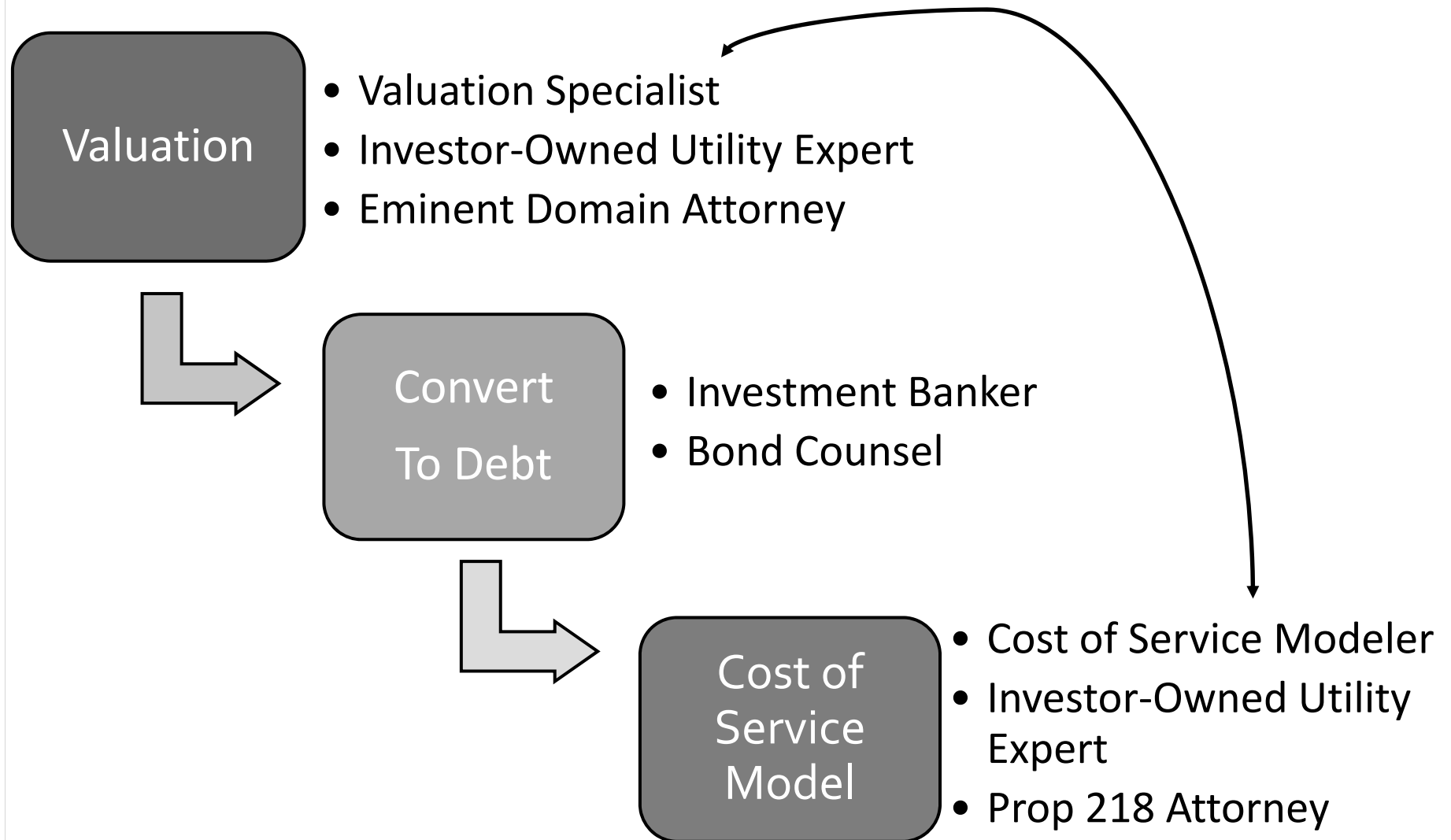
Cost of Service Comparison



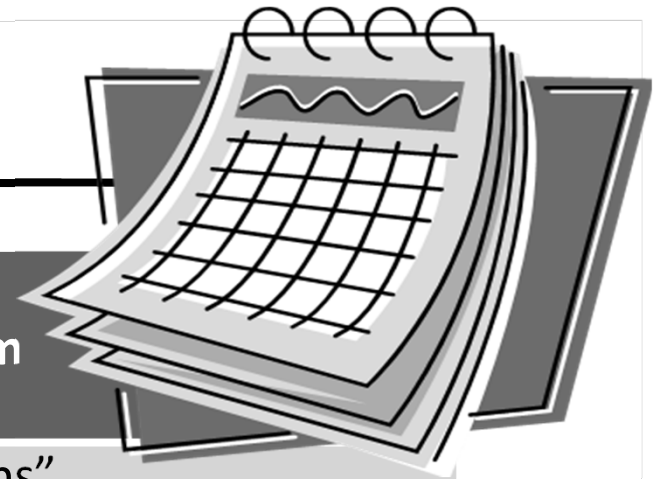
Financial Feasibility – Rates v. Revenue Requirement

- If total cost of service (Revenue Requirement) is reduced it is “feasible”
- Rate structure may change, hence Tier 1 rates could go up even if revenue requirement goes down
- May want to leave then-existing rate structure in place for ease of comparison
- Rates will be subject to Prop 218 (no low-income subsidies, tiers must be justified, commercial divisions questionable)

Determining Financial Feasibility – Experts Needed



Schedule



	Item
January 7-10, 15	Public “listening sessions”
Week of January 7	Distribute RFQs to Consultants
February 13	Consultant proposals due
February 21	Approve consultant contracts
July 26	Draft consultant work product due
August 27	District “Plan” target

“Listening Sessions”

- Dates
 - Division 1 – Monday, January 7 - Seaside City Council Chambers
 - Division 2 – Tuesday, January 8 – MPWMD conference room
 - Division 3 – Wednesday, January 9 – Monterey City Council Chambers
 - Division 4 – Thursday, January 10 – Pacific Grove Council Chambers
 - Division 5 – Tuesday, January 15 – Carpenter Hall, Sunset Center Carmel
- Ranking Sheets
- Public Comment
- Questions?

