



**STOCKTON  
EAST WATER  
DISTRICT**

PROVIDING SERVICE SINCE 1948  
www.sewd.net

DIRECTORS

Richard Atkins  
Division 1

Andrew Watkins  
Vice President  
Division 2

Alvin Cortopassi  
Division 3

Melvin Panizza  
President  
Division 4

Paul Sanguinetti  
Division 5

Loralee McGaughey  
Division 6

Thomas McGurk  
Division 7

STAFF

Scot A. Moody  
General Manager

Cathy Lee  
Assistant General Manager

LEGAL COUNSEL

Jeanne M. Zolezzi  
General Counsel

**MEETING NOTICE**

The Agriculture Operations Committee  
Of the Stockton East Water District  
Board of Directors will meet at  
**12:00 Noon on Wednesday, March 18, 2020**  
At the District Office, 6767 East Main Street, Stockton, CA

**Assistance for the Disabled:** If you are disabled in any way and need accommodation to participate in the meeting, please contact Kristin Carido, Administrative Services Manager at (209) 948-0333 for assistance so the necessary arrangements can be made.

**AGENDA**

1. Roll Call - Chairperson Cortopassi, Director Atkins, Director Watkins, Director Sanguinetti (alternate)
2. Public Comment
3. 2020 Water Rates 01
4. Rate Equalization – Calendar Year 2020 07
5. Adjournment

**Certification of Posting**

I hereby certify that on March 12, 2020 I posted a copy of the foregoing agenda in the outside display case at the District Office, 6767 East Main Street, Stockton, California, and said time being at least 72 hours in advance of the Agriculture Operations Committee Meeting (Government Code Section 54954.2). Executed at Stockton, California on March 12, 2020.

Kristin Carido  
Administrative Services Manager  
Stockton East Water District

Any materials related to items on this agenda distributed to the Agriculture Operations Committee of the Stockton East Water District less than 72 hours before the public meeting are available for public inspection at the District's office located at the following address: 6767 East Main Street, Stockton, CA 95215. Upon request, these materials may be available in an alternative format to persons with disabilities.

Phone 209-948-0333  
Fax 209-948-0423

E-mail sewd@sewd.net

6767 East Main Street  
Stockton, CA 95215

Post Office Box 5157  
Stockton, CA 95205

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Bureau of Labor Statistics

**CPI for All Urban Consumers (CPI-U)  
Original Data Value**

Series Id: CUUR0000SAO  
 Not Seasonally Adjusted  
 Series Title: All items in U.S. city average, all urban consumers, not  
 Area: U.S. city average  
 Item: All items  
 Base Period: 1982-84=100  
 Years: 2010 to 2020

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	224.939
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.736
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	237.017
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	240.007
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	245.120
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	251.107
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	255.657
2020	257.971												

2019	255.657
2018	251.107
net change	4.551

Increase 0.0181 or 1.81%



SCHEDULE A

STOCKTON EAST WATER DISTRICT  
COMPARATIVE TABLE - WATER RATES

RATES FOR CALENDAR YR	CPI* INCREASE	MAX % INCREASE	CPI Year	SURFACE WATER (AF)		GROUND WATER (AF)		DOMESTIC UNITS		MUNICIPAL GROUND WATER (AF)	OUT-OF-DISTRICT WATER RATE	GW RATE EQUALIZATION WATER (AF)	ACTUAL RATE
				Maximum Allowable	ACTUAL RATE	Maximum Allowable	ACTUAL RATE	Maximum Allowable	ACTUAL RATE	ACTUAL RATE	ACTUAL RATE		
1979				\$7.60	\$1.16	\$1.16	\$1.16	\$10.00	\$10.00	\$3.00			
1980	11.30%	31.30%	1979	\$9.98	\$1.52	\$1.16	\$1.16	\$13.13	\$10.00	\$3.00			
1981	13.50%	13.50%	1980	\$11.32	\$1.73	\$1.39	\$1.39	\$14.90	\$12.00	\$3.60			
1982	10.30%	10.30%	1981	\$12.49	\$1.91	\$1.39	\$1.39	\$16.43	\$12.00	\$3.60			
1983	6.20%	6.20%	1982	\$13.27	\$2.02	\$1.39	\$1.39	\$17.46	\$12.00	\$3.60			
1984	3.20%	3.20%	1983	\$13.69	\$2.09	\$1.39	\$1.39	\$18.02	\$12.00	\$3.60			
1985	4.30%	4.30%	1984	\$14.28	\$2.18	\$1.39	\$1.39	\$18.79	\$12.00	\$3.60			
1986	3.60%	3.60%	1985	\$14.79	\$2.26	\$1.39	\$1.39	\$19.47	\$12.00	\$3.60			
1987	1.90%	1.90%	1986	\$15.08	\$2.30	\$1.39	\$1.39	\$19.84	\$12.00	\$3.60			
1988	3.60%	3.60%	1987	\$15.62	\$2.38	\$2.39	\$2.39	\$20.55	\$12.00	\$3.60			
1989	4.10%	4.10%	1988	\$16.26	\$2.48	\$2.39	\$2.39	\$21.40	\$12.00	\$3.60			
1990	4.78%	4.78%	1989	\$17.04	\$2.60	\$2.39	\$2.39	\$22.42	\$12.00	\$3.60			
1991	5.40%	5.40%	1990	\$17.96	\$2.74	\$2.39	\$2.39	\$23.63	\$12.00	\$3.60			\$37.50
1992	4.24%	4.24%	1991	\$18.72	\$2.86	\$2.39	\$2.39	\$24.64	\$12.00	\$3.60			\$75.87
1993	3.03%	3.03%	1992	\$19.28	\$3.01	\$2.39	\$2.39	\$25.38	\$12.00	\$3.60			\$76.15
1994	2.94%	2.94%	1993	\$19.85	\$3.09	\$3.00	\$3.00	\$26.13	\$12.00	\$3.60			\$54.54
1995	2.61%	2.61%	1994	\$20.37	\$3.17	\$3.00	\$3.00	\$26.81	\$12.00	\$3.60			\$47.24
1996	2.81%	2.81%	1995	\$20.94	\$3.20	\$3.00	\$3.00	\$27.56	\$12.00	\$3.60			\$45.10
1997	2.93%	2.93%	1996	\$21.56	\$3.29	\$3.00	\$3.00	\$28.37	\$12.00	\$3.60			\$41.22
1998	2.33%	2.33%	1997	\$22.06	\$3.37	\$3.37	\$3.37	\$29.03	\$12.00	\$3.60			\$57.98
1999	1.67%	1.67%	1998	\$22.43	\$3.48	\$3.48	\$3.48	\$29.51	\$12.00	\$3.60			\$64.54
2000	2.21%	2.21%	1999	\$22.93	\$3.58	\$3.58	\$3.58	\$30.16	\$12.00	\$3.60			\$52.80
2001	3.36%	3.36%	2000	\$23.70	\$3.67	\$3.67	\$3.67	\$31.17	\$12.00	\$3.60			\$58.35
2002	2.85%	2.85%	2001	\$24.38	\$3.78	\$3.78	\$3.78	\$32.06	\$12.00	\$3.60			\$74.60
2003	1.58%	1.58%	2002	\$24.77	\$3.84	\$3.84	\$3.84	\$32.57	\$12.00	\$3.60			\$75.35
2004	2.22%	2.22%	2003	\$25.32	\$3.92	\$3.92	\$3.92	\$33.29	\$12.00	\$3.60			\$84.31
2005	2.61%	2.61%	2004	\$25.98	\$4.02	\$4.02	\$4.02	\$34.16	\$12.00	\$3.60			\$112.76
2006	3.39%	3.39%	2005	\$26.86	\$4.16	\$4.16	\$4.16	\$35.32	\$12.00	\$3.60			\$127.04
2007	3.23%	3.23%	2006	\$27.72	\$4.29	\$4.29	\$4.29	\$36.46	\$12.00	\$3.60			\$133.08
2008	2.85%	2.85%	2007	\$28.51	\$4.41	\$4.41	\$4.41	\$37.50	\$12.00	\$3.60			\$145.71
2009	3.84%	3.84%	2008	\$29.60	\$4.58	\$4.58	\$4.58	\$38.94	\$12.00	\$3.60			\$160.71
2010	-0.36%	-0.36%	2009	\$29.60	\$4.58	\$4.58	\$4.58	\$39.58	\$12.00	\$3.60			\$189.09
2011	1.64%	1.64%	2010	\$30.09	\$4.66	\$4.66	\$4.66	\$40.83	\$12.00	\$3.60			\$195.43
2012	3.15%	3.15%	2011	\$31.03	\$4.80	\$4.80	\$4.80	\$41.67	\$12.00	\$3.60			\$196.43
2013	2.07%	2.07%	2012	\$31.68	\$4.90	\$4.90	\$4.90	\$42.28	\$12.00	\$3.60			\$207.54
2014	1.46%	1.46%	2013	\$32.14	\$4.97	\$4.97	\$4.97	\$42.97	\$12.00	\$3.60			\$222.98
2015	1.62%	1.62%	2014	\$32.66	\$5.05	\$5.05	\$5.05	\$43.02	\$12.00	\$3.60	\$34.23 + \$23.00		\$196.43
2016	0.12%	0.12%	2015	\$32.70	\$5.06	\$5.06	\$5.06	\$43.56	\$12.00	\$3.60	\$35.96 + \$23.00		\$207.54
2017	1.26%	1.26%	2016	\$33.11	\$5.12	\$5.12	\$5.12	\$44.49	\$12.00	\$3.60	\$35.04 + \$23.00		\$329.98
2018	2.13%	2.13%	2017	\$33.82	\$5.23	\$5.23	\$5.23	\$45.58	\$12.00	\$3.60	\$35.34 + \$23.00		\$333.83
2019	2.44%	2.44%	2018	\$34.65	\$5.36	\$5.36	\$5.36	\$45.58	\$12.00	\$3.60	\$100.00		\$322.32
2020	1.81%	1.81%	2019	\$35.28	\$5.46	\$5.46	\$5.46	\$46.40	\$12.00	\$3.60	\$100.00+wheeling		\$331.37
2020	1.81%	1.81%	2019	\$35.28	\$5.46	\$5.46	\$5.46	\$46.40	\$12.00	\$3.60	cost+wheeling		\$321.49

1 U.S. All Urban Consumers Index.

2 One time 20% increase

3 This was comprised of the Proposed CSJWCD Wheeling Rate plus the proposed surface water rate.

4 Proposed Rate (Ag Committee).



**FUND 67**  
Comparative Five Year Summary

	FY 2015-2016 Actual	FY 2016-2017 Actual	2017-2018 Actual	2018-2019 Actual	2019-2020 Projected	2020-2021 Budget
<b>BEGINNING FUND BALANCE</b>	<b>625,278</b>	<b>632,583</b>	<b>785,448</b>	<b>1,328,226</b>	<b>1,719,773</b>	<b>2,059,446</b>
<b>REVENUES</b>						
Penalty Charges	13,011	12,136	15,161	14,593	15,943	12,000
Groundwater Assessments	707,534	742,244	718,026	703,237	744,563	696,800
Surface Water Assessment	259,340	402,490	521,345	1,076,013	670,968	506,000
Domestic Unit Assessment	255,477	309,076	262,737	270,983	278,784	275,275
Meter Rentals	13,126	14,237	13,285	13,041	13,269	13,200
Interest Income	3,363	2,398	5,426	17,246	22,721	11,000
Transfer in from Reserves	-	-	-	-	-	513,831
Property Taxes	387,476	426,965	454,410	470,570	475,000	465,000
<b>Total Revenues</b>	<b>1,639,327</b>	<b>1,909,549</b>	<b>1,991,770</b>	<b>2,569,183</b>	<b>2,222,249</b>	<b>2,495,106</b>
<b>EXPENSES</b>						
Water Costs	280,410	398,520	146,861	248,274	198,000	202,500
OPEB Liability	95,040	85,541	74,396	127,045	130,000	-
New Melones Debt Service	362,359	363,316	364,131	363,194	363,825	356,080
Water Supply Cost Allocation	268,685	305,592	258,513	389,519	451,949	555,385
Admin Cost Allocation	590,463	579,835	580,658	959,382	692,052	939,191
Other Expenses	35,065 <sup>2</sup>	23,881 <sup>2</sup>	24,433 <sup>2</sup>	90,222	46,750 <sup>2</sup>	81,950 <sup>2</sup>
WINN Act Conversion	-	-	-	-	-	360,000
<b>Total Expenses</b>	<b>1,632,022</b>	<b>1,756,684</b>	<b>1,448,991</b>	<b>2,177,636</b>	<b>1,882,576</b>	<b>2,495,106</b>
<b>Total Revenues Over (Under) Expenses</b>	<b>7,304</b>	<b>152,865</b>	<b>542,779</b>	<b>391,547</b>	<b>339,672</b>	<b>-</b>

Note 1: Preliminary numbers based on projection as of 03/04/19

Note 2: Property Insurance, Share of Capitalized Assets, Dry Year Reserve Contributions, Depreciation and Goodwin Dam Self Insurance, UAL Contributions, SGMA Admin Expenses

Stockton East Water District									
COMPARATIVE REVENUE/EXPENSE STATEMENT									
	BUDGET	ACTUAL	VARIANCE	BUDGET*	ACTUAL*	VARIANCE*	BUDGET	ACTUAL	BUDGET
	FY 18-19	FY 18-19	Budget Over	FY 19-20	FY 19-20	Budget Over	2020-2021		
			Actual			Actual			
<b>67 - Agricultural Division Fund</b>									
<b>Revenues</b>									
Revenue - Penalty Assessments	12,000	14,593	2,593	12,000	15,943	3,943	12,000		12,000
Revenue - Groundwater Assessments	640,000	703,237	63,237	679,900	744,563	64,663	696,800		696,800
Revenue - Surface Water Assessments	506,000	1,076,013	570,013	506,000	670,968	164,968	506,000		506,000
Revenue - Domestic Water Assessments	263,175	270,983	7,808	266,200	278,784	12,584	275,275		275,275
Revenue - Meter Rentals Assessments	13,200	13,041	(159)	13,200	13,269	69	13,200		13,200
Interest Income - SJC	2,500	17,246	14,746	5,000	22,721	17,721	11,000		11,000
Net Other Transfers/Income	6,191	3,500	(2,691)	2,000	1,000	(1,000)	2,000		2,000
Transfer in from Reserves	5,701	-	(5,701)	-	-	-	513,831		513,831
Property Taxes	425,000	470,570	45,570	450,000	475,000	25,000	465,000		465,000
<b>Total Revenues</b>	<b>1,873,767</b>	<b>2,569,183</b>	<b>695,416</b>	<b>1,934,300</b>	<b>2,222,249</b>	<b>287,949</b>	<b>2,495,106</b>		<b>2,495,106</b>
<b>Expenses</b>									
Water Costs	166,500	248,274	(81,774)	225,000	198,000	27,000	202,500		202,500
OPEB Liability	-	127,045	(127,045)	-	130,000	(130,000)	-		-
New Melones Debt Service	363,194	363,194	-	363,825	363,825	-	356,080		356,080
Water Supply Cost Allocation	516,412	389,519	126,893	475,736	451,949	23,787	555,385		555,385
Admin Cost Allocation	808,911	959,382	(150,471)	728,476	692,052	36,424	939,191		939,191
Other Expenses	18,750	90,222	(71,472)	34,750	46,750	(12,000)	81,950		81,950
WINN Act Conversion	-	-	-	-	-	-	360,000		360,000
Retained Reserves	-	-	-	106,513	-	106,513	-		-
<b>Total Expenses</b>	<b>1,873,767</b>	<b>2,177,636</b>	<b>(303,869)</b>	<b>1,934,300</b>	<b>1,882,576</b>	<b>51,724</b>	<b>2,495,106</b>		<b>2,495,106</b>
<b>Net Revenues over Expenses</b>	<b>-</b>	<b>391,547</b>	<b>391,547</b>	<b>-</b>	<b>339,672</b>	<b>339,672</b>	<b>-</b>		<b>-</b>
* Preliminary numbers subject to change with accruals and audit entries.									

**WATER RATE SCENARIOS  
AGRICULTURAL DIVISION - FISCAL YEAR 2020-2021**

**Assumptions:** Budgeted Water Amounts Assumed

Projected Revenues	FY 2020-2021 Adopted Budget		Scenario 1		Scenario 2		Scenario 3		Scenario 4	
	Assumed	Amount \$	Assumed Rate	Amount \$	Assumed Rate	Amount \$	Assumed Rate	Amount \$	Assumed Rate	Amount \$
Penalty		12,000		12,000		12,000		12,000		12,000
Groundwater	130,000 AF	696,800	5.36	709,800	5.46	709,800	5.46	709,800	5.46	709,800
Surface Water	22,000 AF	506,000	23.00	506,000	25.00	550,000	25.00	550,000	23.00	506,000
Domestic Unit Assessments	6,050 units	275,275	45.50	275,275	45.50	275,275	46.00	278,300	46.25	279,813
Meter Rentals		13,200		13,200		13,200		13,200		13,200
Interest Income		11,000		11,000		11,000		11,000		11,000
Other Income		2,000		2,000		2,000		2,000		2,000
Property Taxes		465,000		465,000		465,000		465,000		465,000
Transfers in from Reserves		513,831		513,831		513,831		513,831		513,831
<b>Total Projected Revenues for FY 2020-2021</b>		<b>2,495,106</b>		<b>2,508,106</b>		<b>2,552,106</b>		<b>2,555,131</b>		<b>2,512,644</b>
<b>EXPENSES</b>										
Water Costs		202,500								
OPEB		-								
New Melones Debt Service		356,080								
Water Supply Cost Allocation		555,385								
Admin Cost Allocation		939,191								
Other Expenses		81,950								
WINN Act Conversion		360,000								
<b>Budgeted Expenses for FY 2020-2021</b>		<b>2,495,106</b>		<b>2,495,106</b>		<b>2,495,106</b>		<b>2,495,106</b>		<b>2,495,106</b>
<b>Net Proj. Revenues vs. Budgeted Expenses</b>		<b>-</b>		<b>13,000</b>		<b>57,000</b>		<b>60,025</b>		<b>17,538</b>

\* Balance in AG Dry Year Reserve Fund is \$200,177 as of February 29, 2020.



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# Memorandum

**To:** Scot A. Moody, General Manager  
**From:** Juan Vega, Finance Director  
**Date:** February 24, 2020  
**Re:** Groundwater Equalization Rate

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## **Background:**

Municipal other than the Urban Contractors are subject to two different groundwater charges based on use. The first is a set 3.60 charge for groundwater use which is deposited for use within the Groundwater Production Section District Fund also known as Fund 68. The second charge, the Groundwater Equalization Rate, was established via the 2<sup>nd</sup> Amended contract and reads as follows:

***6D (3)** Stockton East shall annually levy a municipal groundwater assessment, pursuant to its enabling legislation such that the cost of groundwater use is equivalent to the cost of surface water use. That portion of such assessment which is deducted pursuant to paragraph 6D(2) (e) shall be paid to meet costs set forth in paragraph 6D(2) (a) and 6D (2) (b).*

Thus, revenues stemming from the Groundwater Equalization Rate are used to offset Base Monthly Payment obligations pertaining to the Urban Contractors.

In 2013 the Equalization Rate was \$196.43 while in 2018 it was \$325.92 which is the equivalent of a 65.92% increase in that time span. Since 2005 the rate has increased by 189%. The rate is calculated by taking the cost of 1 acre-foot of treated water per our yearly budget and subtracting the assumed cost of pumping water. The assumed cost of pumping water has been \$116.00 since the 2007-2008 budget year. In recent years several municipal customers have expressed that the paying such a rate is difficult for business and some customers have fallen behind in their payments.

## **Issues to Consider:**

A lower assumed groundwater pumping cost has a benefit to M&I customers. The yearly rule (currently 171) for the rate of equalization reads:

*Any municipal groundwater user has the right to appeal the amount of this additional \$331.37 per acre-foot rate equalization assessment if it can be demonstrated that actual groundwater production costs are higher than the assumed \$116 per acre-foot. The appeal process will begin with the Administration Committee of the District Board and if necessary can be appealed to the full Board.*

*Any appeal which is granted shall entitle the appellant to a refund of the amount demonstrated to have been over-collected, less the actual costs to the District of processing the appeal and refund, provided that no overpayment shall be refunded unless the request for appeal has been filed with the Secretary of the District within three years of such overpayment.*

Thus, a lower rate allows for a higher likelihood that a customer could appeal the amount of their charge and win such an appeal. It is, however, very rare that a customer appeals a charge in such a manner. It hasn't happened, to my knowledge, in the time from 2013 to present.

Since the rate charged to customers is inversely related to the assumed pumping cost, an increase in the assumed pumping cost is overall advantageous to all M&I customers and may ease concerns that such a high water rate could have a severe adverse effect on local businesses and entities. Formulating an in-depth study of groundwater pumping costs could be difficult and costly and as such a simple cost

of living index adjustment may be the simplest way to update this figure. Analysis of the CPI since 2007 shows an increase of about 27.01% and a possible equivalent increase of the assumed pumping cost of \$31.00 to \$147 .00.

**Recommendation:**

This issue is complex and requires help and advice from legal counsel. The Second Amended Contract is silent with regards to calculating the cost of pumping (equalization rate customers) as compared to the cost of surface water use. When we calculate the “cost of surface water use” we include Debt payments, capital expenditures, salaries and benefits and everything else. Yet when calculating “the cost of pumping” groundwater these costs do not exist. I recommend that we develop our own “cost of pumping” to offset the rising costs of producing surface water.