

Agenda
Rio Linda / Elverta Community Water District
Executive Committee

Sacramento Metro Fire Station 111
6609 Rio Linda, Blvd
Rio Linda, CA 95673

September 3, 2019
6:00 P.M.

Public documents relating to any open session items listed on this agenda that are distributed to the Committee members less than 72 hours before the meeting are available for public inspection on the counter of the District Office at the address listed above.

The public may address the Committee concerning any item of interest. Persons who wish to comment on either agenda or non-agenda items should fill out the Comment Card and give it to the General Manager. The Committee Chair will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability related modification or accommodation to participate in this meeting, then please contact the District office at (916) 991-1000. Requests must be made as early as possible and at least one full business day before the start of the meeting.

Call to Order

Public Comment

This is an opportunity for the public to comment on non-agenda items within the subject matter jurisdiction of the Committee. Comments are limited to 3 minutes.

Items for Discussion:

1. Review and discuss the expenditures of the District for the Month of July 2019.
2. Review and discuss the financial reports for the Month of July 2019.
3. Discuss interest, priorities and process for exploring flexible schedules for employees.
4. Discuss timing, assignments and Board actions necessary to solicit bids for the construction of the Well #16 groundwater pumping station.
5. Discuss setting up banking accounts for payments to contractors/vendors through the construction of the Well #16 project.
6. Discuss the draft RFP for professional services needed to conduct a rate adjustment and rate restructuring process.
7. Continue discussions on the outsourcing of printing, folding, stuffing and mailing RLECWD water service bills.
8. Continue discussion on updates to the Capital Improvement Projects list.
9. Engineer's update on projects underway and planned.
10. General planning discussion, a dialog on long-term planning items and strategy.

Directors' and General Manager Comments

Reminder: The Exec. Committee has already forwarded an item onto the Sept. 16th agenda for R. Hyce.

Items Requested for Next Month's Committee Agenda

- Need for updating fees (other than the Service Application fee recently updated).

Adjournment

Next Executive Committee meeting: Monday, October 7, 2019 at 6:00 p.m.

ADA COMPLIANCE STATEMENT

In compliance with the Americans with Disabilities Act, if you need special assistance or materials to participate in this meeting, please contact the District Office at 916-991-1000. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting and agenda materials.



Executive Committee Agenda Item: 1

Date: September 3, 2019

Subject: Expenditure Summary

Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

It is recommended that the Executive Committee review the expenditures for July 2019, then forward the item to the September 16th Board agenda, consent section, with a recommendation for approval.

Current Background and Justification:

These expenditures were necessary and prudent for operation of the District and consistent with the policies and budget adopted by the Board of Directors. The Expenditure Summary provides the listing of expenditures which have occurred since the last regular meeting of the Board.

Conclusion:

Consistent with the District policies, the Expenditure Summary is to be reviewed by the Executive Committee and approved by the Board of Directors.

**Rio Linda Elverta Community Water District
Expenditure Report
July 2019**

| Type | Date | Num | Name | Memo | Amount |
|-----------------|------------|------|--------------------------------------|---|-----------|
| Liability Check | 07/03/2019 | EFT | QuickBooks Payroll Service | For PP Ending 06/30/2019 Paydate 07/05/2019 | 18,561.56 |
| Liability Check | 07/05/2019 | EFT | CalPERS | For PP Ending 06/30/2019 Paydate 07/05/2019 | 1,875.98 |
| Liability Check | 07/05/2019 | EFT | CalPERS | For PP Ending 06/30/2019 Paydate 07/05/2019 | 1,873.99 |
| Liability Check | 07/05/2019 | EFT | California State Disbursement Unit | Employee Garnishment | 216.29 |
| Liability Check | 07/05/2019 | EFT | Nationwide | Deferred Compensation Plan | 1,241.00 |
| Liability Check | 07/05/2019 | EFT | Nationwide | Deferred Compensation Plan | 25.00 |
| Bill Pmt -Check | 07/05/2019 | EFT | Adept Solutions | Computer Maintenance | 1,109.00 |
| Bill Pmt -Check | 07/05/2019 | EFT | Comcast | Phone/Internet | 82.23 |
| Bill Pmt -Check | 07/05/2019 | EFT | Republic Services | Utilities | 86.81 |
| Liability Check | 07/05/2019 | EFT | Internal Revenue Service | Employment Taxes | 6,486.04 |
| Liability Check | 07/05/2019 | EFT | Internal Revenue Service | Employment Taxes | 5.84 |
| Liability Check | 07/05/2019 | EFT | Employment Development | Employment Taxes | 1,285.35 |
| Liability Check | 07/05/2019 | EFT | Voyager Fleet Commander | Transportation Fuel | 108.24 |
| Check | 07/05/2019 | 5963 | Community Business Bank | AMI Meter Loan Payment | 29,256.96 |
| Check | 07/05/2019 | 5967 | Void | Void | 0.00 |
| Liability Check | 07/05/2019 | 5968 | Employment Development | Employee Garnishment | 602.31 |
| Check | 07/05/2019 | 5969 | RLECWD | Umpqua Bank Monthly Debt Service Transfer | 16,500.00 |
| Check | 07/05/2019 | 5970 | Customer | Final Bill Refund | 121.76 |
| Check | 07/05/2019 | 5971 | Customer | Final Bill Refund | 117.30 |
| Bill Pmt -Check | 07/05/2019 | 5972 | ACWA/JPIA | Property Deposit Insurance Premiums 19-20 | 5,611.11 |
| Bill Pmt -Check | 07/05/2019 | 5973 | ACWA/JPIA | EAP | 23.50 |
| Bill Pmt -Check | 07/05/2019 | 5974 | Buckmaster Office Solutions | Office Equipment Expense | 195.32 |
| Bill Pmt -Check | 07/05/2019 | 5975 | Elk Grove Security Systems | Security | 84.00 |
| Bill Pmt -Check | 07/05/2019 | 5976 | Employee Relations, Inc. | New Employee Background Check | 33.35 |
| Bill Pmt -Check | 07/05/2019 | 5977 | GM Construction & Developers, Inc. | Contract Services | 1,200.00 |
| Bill Pmt -Check | 07/05/2019 | 5978 | Johnson Controls Fire Protection | Safety | 158.39 |
| Bill Pmt -Check | 07/05/2019 | 5979 | O'Reilly Automotive | Transportation Maintenance | 16.13 |
| Bill Pmt -Check | 07/05/2019 | 5980 | Phelan, Michael | Retiree Insurance | 3,150.00 |
| Bill Pmt -Check | 07/05/2019 | 5981 | Quill | Office Expense | 175.35 |
| Bill Pmt -Check | 07/05/2019 | 5982 | Regional Water Authority | Membership Dues | 9,355.00 |
| Bill Pmt -Check | 07/05/2019 | 5983 | Rio Linda Hardware & Building Supply | Shop Supplies | 144.28 |
| Bill Pmt -Check | 07/05/2019 | 5984 | RW Trucking | Distribution Supplies | 615.65 |
| Bill Pmt -Check | 07/05/2019 | 5985 | Sacramento County Utilities | Utilities | 113.70 |
| Bill Pmt -Check | 07/05/2019 | 5986 | SMUD | Utilities | 14,971.65 |
| Bill Pmt -Check | 07/05/2019 | 5987 | Staples | Office Expense | 63.10 |
| Bill Pmt -Check | 07/05/2019 | 5988 | State Water Resource Control Board | Licensing | 70.00 |
| Bill Pmt -Check | 07/05/2019 | 5989 | The News | Printing | 170.68 |
| Bill Pmt -Check | 07/05/2019 | 5990 | Postmaster | Postage | 235.00 |
| Bill Pmt -Check | 07/05/2019 | 5991 | Vanguard Cleaning Systems | Janitorial | 195.00 |
| Bill Pmt -Check | 07/05/2019 | 5992 | Water Rite Products | Shop Supplies | 117.09 |
| Bill Pmt -Check | 07/05/2019 | 5993 | Wickham, Gerald | Retiree Insurance | 350.70 |
| Bill Pmt -Check | 07/05/2019 | 5994 | Wired & Wireless Low Voltage | Capital Improvement: Office Equipment | 4,446.07 |
| Liability Check | 07/15/2019 | EFT | AFLAC | Employee Paid Insurance | 651.04 |
| Liability Check | 07/17/2019 | EFT | WageWorks | FSA | 71.00 |

**Rio Linda Elverta Community Water District
Expenditure Report
July 2019**

| Type | Date | Num | Name | Memo | Amount |
|-----------------|------------|------|--|--|-----------|
| Check | 07/17/2019 | EFT | WageWorks | FSA | 42.58 |
| Check | 07/17/2019 | EFT | ARCO | Transportation: Fuel | 1,100.50 |
| Liability Check | 07/18/2019 | EFT | QuickBooks Payroll Service | For PP Ending 07/15/19 Pay date 07/19/19 | 19,615.29 |
| Liability Check | 07/19/2019 | EFT | CalPERS | For PP Ending 07/15/19 Pay date 07/19/19 | 2,144.71 |
| Liability Check | 07/19/2019 | EFT | CalPERS | For PP Ending 07/15/19 Pay date 07/19/19 | 2,097.20 |
| Liability Check | 07/19/2019 | EFT | CalPERS | 2019-20 Unfunded Accrued Liability | 57,511.00 |
| Liability Check | 07/19/2019 | EFT | Internal Revenue Service | Employment Taxes | 6,988.24 |
| Liability Check | 07/19/2019 | EFT | Employment Development | Employment Taxes | 1,395.80 |
| Liability Check | 07/19/2019 | EFT | Nationwide | Deferred Compensation Plan | 1,269.00 |
| Liability Check | 07/19/2019 | EFT | Nationwide | Deferred Compensation Plan | 25.00 |
| Liability Check | 07/19/2019 | EFT | Kaiser Permanente | Health Insurance | 342.43 |
| Liability Check | 07/19/2019 | EFT | Principal | Dental & Vision Insurance | 1,590.78 |
| Liability Check | 07/19/2019 | EFT | Western Health Advantage | Health Insurance | 12,350.17 |
| Bill Pmt -Check | 07/19/2019 | EFT | Verizon | Field Communication | 372.08 |
| Check | 07/19/2019 | EFT | RLECWD - Capital Improvement | Current Monthly Transfer | 40,000.00 |
| Check | 07/19/2019 | EFT | RLECWD - SURCHARGE ACCOUNT 1 | Current Monthly Transfer | 42,500.00 |
| Check | 07/19/2019 | EFT | RLECWD - Capital Improvement | Community Business Bank Loan Refund 18-19 Budget | 34,987.86 |
| Bill Pmt -Check | 07/19/2019 | EFT | Bankcard Center 2911 | Computer, Meetings, Office, Postage, Maintenance | 1,332.82 |
| Bill Pmt -Check | 07/19/2019 | EFT | Bankcard Center 6574 | Uniforms | 250.00 |
| Bill Pmt -Check | 07/19/2019 | EFT | Bankcard Center 6798 | Fuel, Uniforms | 221.92 |
| Bill Pmt -Check | 07/19/2019 | EFT | Bankcard Center 7806 | Safety Expense, Transportation | 599.73 |
| Check | 07/19/2019 | 5995 | Employment Development | Employee Garnishment | 585.22 |
| Liability Check | 07/19/2019 | 5996 | Teamsters Local #150 | Union Dues | 621.00 |
| Check | 07/19/2019 | 5997 | USPS | Postage | 2,479.03 |
| Check | 07/19/2019 | 5998 | Customer | Final Bill Refund | 36.77 |
| Check | 07/19/2019 | 5999 | Customer | Final Bill Refund | 84.40 |
| Check | 07/19/2019 | 6000 | Customer | Hydrant Meter Deposit Refund | 997.70 |
| Check | 07/19/2019 | 6001 | Customer | Final Bill Refund | 120.06 |
| Check | 07/19/2019 | 6002 | Customer | Final Bill Refund | 11.73 |
| Bill Pmt -Check | 07/19/2019 | 6003 | BSK Associates | Lab Fees | 765.00 |
| Bill Pmt -Check | 07/19/2019 | 6004 | Churchwell White | Legal | 3,034.40 |
| Bill Pmt -Check | 07/19/2019 | 6005 | Cintas | Safety | 28.55 |
| Bill Pmt -Check | 07/19/2019 | 6006 | CoreLogic Solutions | Metro Scan | 134.75 |
| Bill Pmt -Check | 07/19/2019 | 6007 | EKI Environment & Water | Engineering | 5,000.00 |
| Bill Pmt -Check | 07/19/2019 | 6008 | Intermedia.net, Inc. | Telephone | 89.84 |
| Bill Pmt -Check | 07/19/2019 | 6009 | Med 7 Urgent Care Centers | New Employee Preemployment | 144.00 |
| Bill Pmt -Check | 07/19/2019 | 6010 | Neopost USA | Annual Maintenance Agreement | 1,789.88 |
| Bill Pmt -Check | 07/19/2019 | 6011 | Oreilly Automotive | Transportation: Maintenance | 163.13 |
| Bill Pmt -Check | 07/19/2019 | 6012 | PG&E | Utilities | 45.33 |
| Bill Pmt -Check | 07/19/2019 | 6013 | Quill Corporation | Office Expense | 113.74 |
| Bill Pmt -Check | 07/19/2019 | 6014 | Rio Linda Elverta Recreation & Park Dist | Meeting Expense | 50.00 |
| Bill Pmt -Check | 07/19/2019 | 6015 | Sacramento Groundwater Authority | Annual Membership Dues | 24,210.00 |
| Bill Pmt -Check | 07/19/2019 | 6016 | Sierra Chemical Company | Chemical Supplies | 2,120.60 |
| Bill Pmt -Check | 07/19/2019 | 6017 | Spok, Inc. | Field Communication | 15.27 |

**Rio Linda Elverta Community Water District
Expenditure Report
July 2019**

| Type | Date | Num | Name | Memo | Amount |
|---|------------|------|---------------------------|------------------------------------|--------------------------|
| Bill Pmt -Check | 07/19/2019 | 6018 | Tesco Controls, Inc. | EMASS Annual Maintenance Agreement | 5,000.00 |
| Bill Pmt -Check | 07/19/2019 | 6019 | Unifirst Corporation | Uniforms | 257.10 |
| Bill Pmt -Check | 07/19/2019 | 6020 | USA BlueBook | Safety Expense | 754.90 |
| Bill Pmt -Check | 07/19/2019 | 6021 | Vulcan Materials Company | Distribution Supplies | 504.40 |
| Bill Pmt -Check | 07/19/2019 | 6022 | Domenichelli & Associates | Capital Improvement: Well 16 | 47,299.34 |
| Bill Pmt -Check | 07/22/2019 | EFT | WageWorks | FSA | 220.97 |
| Total 10000 - Bank - Operating Account | | | | | <u>445,186.99</u> |

Accrual Basis

**Rio Linda Elverta Community Water District
Expenditure Report
July 2019**

| Type | Date | Num | Payee | Memo | Amount |
|----------------------------------|------------|-----|----------------------------|--------------------------------|------------------|
| Transfer | 07/19/2019 | EFT | RLECWD - Operating Account | Close Security Deposit Account | 43,602.00 |
| 10100 - Security Deposits | | | | | 43,602.00 |

| Type | Date | Num | Payee | Memo | Amount |
|--|------------|-----|--------------------|--|------------------|
| Transfer | 07/19/2019 | EFT | RLECWD - Operating | CIP Expense Transfer: Refer to operating check numbers: 6022 | 47,299.34 |
| 10455 - Capital Improvement Reserve | | | | | 47,299.34 |



Executive Committee Agenda Item: 2

Date: September 3, 2019

Subject: Financial Reports

Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

The Executive Committee should review the Finance Reports of the District for the month of July 2019, then forward the report onto the September 16th Board agenda with the Committee's recommendation for Board approval.

Current Background and Justification:

The financial reports are the District's balance sheet, profit and loss, and capital improvements year to date. This report provides the snapshot of the District's fiscal health for the period covered.

Conclusion:

Consistent with District policies, these financials are to be reviewed by this committee and presented to the Board of Directors to inform them of the District's current financial situation.

Rio Linda Elverta Community Water District
Balance Sheet
 As of July 31, 2019

| | |
|--|-----------------------------|
| ASSETS | |
| Current Assets | |
| Checking/Savings | |
| 100 · Cash & Cash Equivalents | |
| 10000 · Operating Account | |
| 10005 · Operating Fund | 341,300.39 |
| 10010 · Operating Reserve Fund | 250,000.00 |
| Total 10000 · Operating Account | <u>591,300.39</u> |
| 10450 · Capital Improvement | |
| 10455 · Capital Improvement Fee Reserve | 1,507,099.14 |
| 10460 · Vehicle Replacement Reserve | 10,000.00 |
| Total 10450 · Capital Improvement | <u>1,517,099.14</u> |
| Total 100 · Cash & Cash Equivalents | 2,108,399.53 |
| 102 · Restricted Assets | |
| 102.1 · Restricted Capital Improvements | |
| 10700 · ZIONS Inv/Surcharge Reserve | 505,236.18 |
| Total 102.1 · Restricted Capital Improvements | <u>505,236.18</u> |
| 102.2 · Restricted for Debt Service | |
| 10300 · Surcharge 1 Account | 599,167.18 |
| 10325 · Community Business Bank | 5,818.96 |
| 10350 · Umpqua Bank | 56,617.05 |
| 10350 · Surcharge 2 Account | 166,940.11 |
| Total 102.2 · Restricted for Debt Service | <u>828,543.30</u> |
| 102.4 · Restricted Other Purposes | |
| 10600 · LAIF Account | 205,000.00 |
| 10625 · CalPERS-CERTBT | 16,461.38 |
| Total 102.4 · Restricted Other Purposes | <u>221,461.38</u> |
| Total 102 · Restricted Assets | <u>1,555,240.86</u> |
| Total Checking/Savings | 3,663,640.39 |
| Accounts Receivable | 40.00 |
| Other Current Assets | |
| 12000 · Water Utility Receivable | 642,735.73 |
| 12200 · Accrued Revenue | 0.00 |
| 12250 · Accrued Interest Receivable | 0.00 |
| 15000 · Inventory Asset | 57,232.76 |
| 16000 · Prepaid Expense | 83,372.24 |
| Total Other Current Assets | <u>783,340.73</u> |
| Total Current Assets | <u>4,447,021.12</u> |
| Fixed Assets | |
| 17000 · General Plant Assets | 733,398.00 |
| 17100 · Water System Facilities | 20,760,310.67 |
| 17300 · Intangible Assets | 373,043.42 |
| 17500 · Accum Depreciation & Amort | -9,282,773.19 |
| 18000 · Construction in Progress | 1,313,099.20 |
| 18100 · Land | 576,673.45 |
| Total Fixed Assets | <u>14,473,751.55</u> |
| Other Assets | |
| 19000 · Deferred Outflows | 347,606.00 |
| 19900 · Suspense Account | 0.00 |
| Total Other Assets | <u>347,606.00</u> |
| TOTAL ASSETS | <u><u>19,268,378.67</u></u> |

Rio Linda Elverta Community Water District
Balance Sheet
 As of July 31, 2019

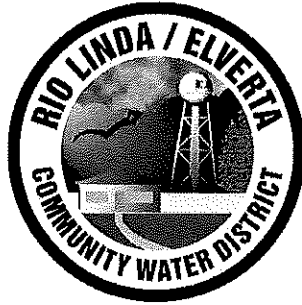
| | |
|---|----------------------|
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | 42,826.06 |
| Credit Cards | 1,934.80 |
| Other Current Liabilities | 772,856.56 |
| Total Current Liabilities | 817,617.42 |
| Long Term Liabilities | |
| 23000 · OPEB Liability | 262,349.00 |
| 23500 · Lease Buy-Back | 705,797.27 |
| 25000 · Surcharge 1 Loan | 4,189,831.90 |
| 25050 · Surcharge 2 Loan | -199,959.84 |
| 26000 · Water Rev Refunding | 1,952,591.00 |
| 27000 · Community Business Bank | 294,204.88 |
| 29000 · Net Pension Liability | 1,033,555.00 |
| 29500 · Deferred Inflows-Pension | 33,279.00 |
| 29600 · Deferred Inflows-OPEB | 8,293.00 |
| Total Long Term Liabilities | 8,279,941.21 |
| Total Liabilities | 9,097,558.63 |
| Equity | |
| 31500 · Invested in Capital Assets, Net | 7,681,067.46 |
| 32000 · Restricted for Debt Service | 699,786.24 |
| 38000 · Unrestricted Equity | 1,672,104.52 |
| Net Income | 117,861.82 |
| Total Equity | 10,170,820.04 |
| TOTAL LIABILITIES & EQUITY | 19,268,378.67 |

**Rio Linda Elverta Community Water District
Operating Profit & Loss Budget Performance
July 2019**

| | <u>Annual Budget</u> | <u>Jul 19</u> | <u>Jul 19-Jun 20</u> | <u>% of Annual Budget</u> | <u>YTD Annual Budget Balance</u> |
|--|--------------------------|------------------------|------------------------|---------------------------|----------------------------------|
| Ordinary Income/Expense | | | | | |
| Income | | | | | |
| Total 40000 · Operating Revenue | 2,714,575.00 | 164,903.43 | 164,903.43 | 6.08% | 2,549,671.57 |
| 41000 · Nonoperating Revenue | | | | | |
| 41110 · Investment Revenue | | | | | |
| 41112 · Interest Revenue | 400.00 | 15.40 | 15.40 | 3.85% | 384.60 |
| Surcharg Total 41110 · Investment Revenue | 400.00 | 15.40 | 15.40 | 3.85% | 384.60 |
| 41120 · Property Tax | 81,856.00 | 0.00 | 0.00 | 0.00% | 81,856.00 |
| Total 41000 · Nonoperating Revenue | 82,256.00 | 15.40 | 15.40 | 0.02% | 82,240.60 |
| Total Income | <u>2,796,831.00</u> | <u>164,918.83</u> | <u>164,918.83</u> | <u>5.90%</u> | <u>2,631,912.17</u> |
| Gross Income | 2,796,831.00 | 164,918.83 | 164,918.83 | 5.90% | 2,631,912.17 |
| Expense | | | | | |
| 60000 · Operating Expenses | | | | | |
| 60010 · Professional Fees | 170,731.00 | 0.00 | 0.00 | 0.00% | 170,731.00 |
| 60100 · Personnel Services | | | | | |
| 60110 · Salaries & Wages | 711,238.00 | 29,076.31 | 29,076.31 | 4.09% | 682,161.69 |
| 60150 · Employee Benefits & Expense | 456,863.00 | 31,742.32 | 31,742.32 | 6.95% | 425,120.68 |
| Total 60100 · Personnel Services | <u>1,168,101.00</u> | <u>60,818.63</u> | <u>60,818.63</u> | <u>5.21%</u> | <u>1,107,282.37</u> |
| 60200 · Administration | 224,313.00 | 45,397.42 | 45,397.42 | 20.24% | 178,915.58 |
| 64000 · Conservation | 300.00 | 0.00 | 0.00 | 0.00% | 300.00 |
| 65000 · Field Operations | 492,200.00 | 22,502.60 | 22,502.60 | 4.57% | 469,697.40 |
| Total 60000 · Operating Expenses | <u>2,055,645.00</u> | <u>128,718.65</u> | <u>128,718.65</u> | <u>6.26%</u> | <u>1,926,926.35</u> |
| 69000 · Non-Operating Expenses | | | | | |
| 69010 · Debt Service | | | | | |
| 69100 · Revenue Bond | | | | | |
| 69105 · Principle | 139,015.00 | 0.00 | 0.00 | 0.00% | 139,015.00 |
| 69110 · Interest | 61,717.00 | 0.00 | 0.00 | 0.00% | 61,717.00 |
| Total 69100 · Revenue Bond | <u>200,732.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00%</u> | <u>200,732.00</u> |
| 69125 · AMI Meter Loan | | | | | |
| 69130 · Principle | 48,281.00 | 23,954.67 | 23,954.67 | 49.62% | 24,326.33 |
| 69135 · Interest | 10,233.00 | 5,302.29 | 5,302.29 | 51.82% | 4,930.71 |
| Total 69125 · AMI Meter Loan | <u>58,514.00</u> | <u>29,256.96</u> | <u>29,256.96</u> | <u>50.00%</u> | <u>29,257.04</u> |
| Total 69010 · Debt Service | <u>259,246.00</u> | <u>29,256.96</u> | <u>29,256.96</u> | <u>11.29%</u> | <u>229,989.04</u> |
| 69400 · Other Non-Operating Expense | 2,000.00 | 0.00 | 0.00 | 0.00% | 2,000.00 |
| Total 69000 · Non-Operating Expenses | <u>261,246.00</u> | <u>29,256.96</u> | <u>29,256.96</u> | <u>11.20%</u> | <u>231,989.04</u> |
| Total Expense | <u>2,316,891.00</u> | <u>157,975.61</u> | <u>157,975.61</u> | <u>6.82%</u> | <u>2,158,915.39</u> |
| Net Ordinary Income | <u>479,940.00</u> | <u>6,943.22</u> | <u>6,943.22</u> | | |
| Net Income | <u><u>479,940.00</u></u> | <u><u>6,943.22</u></u> | <u><u>6,943.22</u></u> | | |

CAPITAL BUDGET VS ACTUAL FISCAL YEAR 2019-2020
July 2019

| | GENERAL | | CHROMIUM MITIGATION & NEW WELLS | | VEHICLE REPLACEMENT | |
|---|---------------------------------|------------------------|------------------------------------|-----------------------|---------------------------|---------------------|
| | \$ 1,903,391.00 \$ 1,903,391.00 | | \$ (29,592.00) \$ (29,592.00) | | \$ 10,000.00 \$ 10,000.00 | |
| | Annual Budget | YTD Actual | Annual Budget | YTD Actual | Annual Budget | YTD Actual |
| BEGINNING FUND BALANCE | | | | | | |
| FUNDING SOURCES | | | | | | |
| Fund Transfers | | | | | | |
| Operating Fund Transfers In | 409,940.00 | - | - | - | - | - |
| CIP Fund Intrafund Transfers | (5,000.00) | - | - | - | 5,000.00 | - |
| Surcharge 2 Surplus Repayment | - | - | 110,201.00 | - | - | - |
| Contributed Funding | | | | | | |
| Contributed Facilities (Developers) | - | - | - | - | - | - |
| Grant Revenue | - | - | 516,500.00 | - | - | - |
| Loan Proceeds | - | - | 2,033,500.00 | - | - | - |
| Investment Revenue | 350.00 | 119.89 | - | - | - | - |
| Sale of Fixed Assets | - | - | - | - | - | - |
| TOTAL FUNDS AVAILABLE FOR CIP PROJECTS | 2,308,681.00 | 1,903,510.89 | 2,630,609.00 | (29,592.00) | 15,000.00 | 10,000.00 |
| PROJECTS | | | | | | |
| A - WATER SUPPLY | | | | | | |
| A-1 - Well XX - Cr6 Treatment/Design | - | - | 50,000.00 | - | - | - |
| A-2 - Well 16 | - | - | 2,500,000.00 | - | - | - |
| A-3 - Miscellaneous Pump Replacements | 40,000.00 | - | - | - | - | - |
| Total A - WATER SUPPLY | 40,000.00 | - | 2,550,000.00 | - | - | - |
| B - WATER DISTRIBUTION | | | | | | |
| B-1 - Service Replacements | 30,000.00 | 29,609.50 | - | - | - | - |
| B-2 - Large Meter Replacements | 5,000.00 | 3,561.34 | - | - | - | - |
| Total B - WATER DISTRIBUTION | 35,000.00 | 33,170.84 | - | - | - | - |
| C - CONTINGENCY | | | | | | |
| C-1 - Contingency (10% of Est A,B,M, & FO) | 7,500.00 | - | 255,000.00 | - | - | - |
| TOTAL BUDGETED PROJECT EXPENDITURES | 82,500.00 | 33,170.84 | 2,805,000.00 | - | - | - |
| ENDING FUND BALANCE | \$ 2,226,181.00 | \$ 1,870,340.05 | \$ (174,391.00) | \$ (29,592.00) | \$ 15,000.00 | \$ 10,000.00 |



Executive Committee Agenda Item: 3

Date: September 3, 2019

Subject: Resume Dialog on Flexible Schedules

Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

Discuss the pros and cons for supporting flexible schedules and direct staff on the next steps if deemed appropriate.

Current Background and Justification:

In 2018, prior to engaging in MOU renewal negotiations, all employees (excluding the GM) signed a letter and submitted the letter to the GM. The letter expressed the employees desire to transition to a 4-10 schedule (four days per week with ten hours per workday). The old and new MOU contain the same subject matter language, which empowers the GM to adjust the operating hours of the District to meet the operational needs of the District.

The employee-signed letter was presented to the Finance/Admin Committee. The Finance/Admin Committee directed the GM to reply in writing to the employees, the response conveyed conditional support for transitioning to 4-10s and stipulated that the hours of operation must continue to support the operational needs of the District. One specific element in the response letter to the employees was that the operating hours of the office would begin no sooner than 7:00 A.M. (for a typical 10-hour day of 7 to 5:30. However, the field employees start times should be allowed to flex seasonally, e.g. start earlier in the warm weather months and later in the cool weather months when the daylight starts later.

The employees (at least some of them) rejected the stipulation and reached out to their Union Rep. The Union Rep effectively re-evoked the General Unit's right to meet and confer on

working hours despite the language in the MOU, which stipulates the GM's authority to change working hours. Appropriate to the circumstances, the issue was incorporated into the MOU renewal negotiations and both sides agreed to leave the language regarding GM authority to change working hours unchanged (i.e. GM retains the authority).

The new MOU established an Employee Retention Management Advisory Committee. One of the subjects that has been explored at the Advisory Committee has been flexible work schedules. The Advisory Committee has discussed both 9/80 and 4-10 schedules and has chosen to focus on 4-10s. The GM has advised that when the Board discussed the change in 2018, the Board's direction was to provide plenty of lead time and to distribute a notice to the ratepayers regarding the change in operating hours for the office, i.e. closed Fridays and open from 7:00 A.M. to 5:30 P.M. Mon -Thur. The GM has noted in the Advisory Committee meetings that the Board experienced substantive turnover since the Board provided direction in 2018. Accordingly, dialog with the Executive Committee and the Board is an essential next step.

Conclusion:

I recommend the Executive Committee discuss this matter in the spirit of operational needs of the District and employee retention. Then provide direction as appropriate.

Proposal : Change to Hours of Operation

The RLECWD staff would like to change the district's hours of operations. The new hours of operation would change to Monday thru Thursday (6:30am-5:00pm). Currently we operate Monday thru Friday (7:00am – 4:00pm). We desire this change to enhance our quality of life while providing exceptional customer service and meeting all of the district's needs. This change would require most employees to change from an eight hour work day to a ten hour work day. We have all agreed to this change.

The change to hours of operation would benefit the district in many ways.

1. While we would be closed 52 days more a year, this would help drive down operational cost. Which in turn would save the district money.
2. We have been told by many of our customers "Why do you close at 4:00pm; when a lot of people get off work at 4:00pm?" "I cannot make it in by 4:00pm." "I had to take time off work to come in." Changing the hours would give our customers six more hours a week to conduct business, outside of our current hours of operation. With this larger window customers would be able to come in and speak with personnel to pay a bill, talk about water conservation, or fix customer's problems as they arise.
3. With longer hours, the field staff would accrue less overtime. Much of the overtime is accrued by not having enough time to complete scheduled repairs or other time

consuming tasks. Most overtime is accrued between 4:00pm and 5:00pm.

In closing we would like to express our appreciation for taking the time to review this matter.

The RLECWD Team:

Pat Goyet



Deborah Denning



Renita Lehman



Kimberly Bassett



Chris Bell



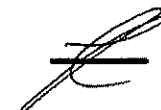
Vincent Vigallon



Justin Davis



Frank Chacon



RLECWD INTEROFFICE MEMORANDUM

TO: RLECWD EMPLOYEES

FROM: TIMOTHY R. SHAW, GENERAL MANAGER

SUBJECT: CONSIDERATION OF ALTERNATIVE WORK SCHEDULES

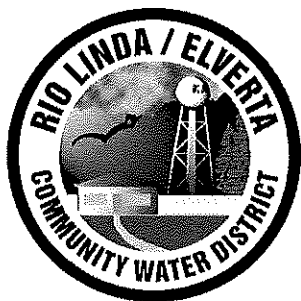
DATE: 8-16-2018

CC:

Management has reviewed your request to consider alternative work schedules and has the following comments in response to your written request:

- Management shares your embrace for practices and policies that can lead to greater productivity, lower operating costs, and better job satisfaction.
- The current District policy clearly establishes, and must continue to uphold, the principal that the District must be able to establish and, as necessary, modify the work schedule to meet the operational needs of the District.
- Any change in schedule, which is properly noticed and implemented by the General Manager is, as it should be, subject to revisions as may be deemed necessary for the operational needs of the District, now and in the future. In other words, if we change schedule, and District needs are not being sufficiently addressed, the work schedule may need to change for some employees.
- Even if the District goes to a 4-10 schedule, it is not necessary or justified to have the same start times for operations employees as customer service employees. For example; some field employees may start work earlier in warm weather months and later in cool weather, shorter daylight months.
- The District will need to provide sufficient lead time to make the change associated with being closed on Fridays. We will need time for notices, postings flyers etc. to minimize the impact on customers who would otherwise plan to pay bills on Fridays.
- Although changing work schedules is within the authority of the GM, and such changes when properly noticed are not subject to Union meet and confer requirements, there will need to be some reasonable clarifications on pay days, observed holidays that fall on a regular day off (potentially now including Fridays) and vacation/sick leave accrual equivalents. For example, the existing MOU stipulates vacation accrual is two weeks per year (up to five years of service). The intent of two weeks in a 5-days per week schedule is 80-hours of vacation. If you take 80-hours of vacation, you will be absent for two weeks in a 4-10 schedule. However, if you take one day off, that's 10-hours of vacation.

If these stipulations are acceptable to the employees, please respond accordingly and the F/A Committee will forward an item on to an upcoming Board agenda to consider the length of lead time needed to notify the customers about the planned changes in office hours.



RIO LINDA/ELVERTA COMMUNITY WATER DISTRICT

P. O. BOX 400 730 L STREET
RIO LINDA, CALIFORNIA 95673
Phone: 916-991-1000

August 22, 2018

Proposed Change in Business Hours of Operation

Dear RLECWD Customers:

The Rio Linda Elverta Community Water District (RLECWD) is considering changing its hours of operation to a schedule of longer days, which involves the office being closed on Fridays. The currently proposed target for the change in operating hours is mid to late of October 2018. The proposed schedule would have office hours from 7:00 A.M. to 5:30 P.M from Monday through Thursday.

There are several important reasons the District is considering the change. The longer office hours provide more opportunities for those customers needing/wanting to conduct business at the RLECWD office after they get off work during the week. A review of RLECWD employee overtime occurrences shows more than half of our overtime occurrences happen between 4:00 P.M. and 5:30 P.M., so the District expects a decrease in cost of operation from fewer occurrences of overtime. Likewise, using electricity at the office one less day per week is expected to lower our operating expenses. Lastly, providing flexible work schedules for RLECWD employees has proven to increase employee productivity and job satisfaction at many similar community owned utility districts. The District needs to attract and retain qualified employees to continue providing high quality services the community expects.

RLECWD is a community owned utility, and the customers are the owners. As such, the customers' needs and expectations are the most important factors in RLECWD decision making. If you have any questions or concerns about this or any other matter, please reach out to us in any of the below indicated methods. **We want to hear from you!**

- General Manager Tim Shaw (916) 991-8891 or email GM@RLECWD
- Rio Linda Elverta CWD Facebook Page: <https://www.facebook.com/riolinda.waterdist>
- Questions@RLECWD.com
- Main office phone (916) 991-1000

Board of Directors

Brent Dills

Paul Green

Mary Harris

Mary Henrici

John Ridilla



Executive Committee Agenda Item: 4

Date: September 3, 2019

Subject: Soliciting Bids for Construction of Well #16 Facilities

Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

The Executive Committee should review the District Engineer's reports, schedule and receive an update on the timing for soliciting bids. If it is likely that all appurtenant documents will be ready for the September 16th Board meeting, consider forwarding an item to the September 16th Board agenda.

Current Background and Justification:

Extrapolating from the last subject matter report, the design from the District Engineer should be 95 to 100% complete by the September 3rd Executive Committee meeting. As such, it is reasonable to consider forwarding an action item onto the September 16th Board agenda.

Conclusion:

Subject to status reports to be delivered by the District Engineer, forward an item onto the September 16th Board agenda to take the next steps toward construction of the Well #16 Groundwater Pumping Station.



Executive Committee Agenda Item: 5

Date: September 3, 2019

Subject: Banking for Well #16 Facilities Project

Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

The Executive Committee should forward and item onto the September 16th Board agenda to consider authorizing an account be established with Opus Bank to enable payments to contractors/vendors on the Well #16 facilities construction.

Current Background and Justification:

At the August 19th Board meeting, the Board Members were apprised that Opus had not submitted their terms and conditions documents in time for RLECWD Board consideration. The Board Members were further advised that staff believed the Opus Bank loan final draw could be deposited into an Umpqua Bank account because the Board has already agreed to the terms and conditions for Umpqua.

Subsequent to the August 19th Board meeting, Opus Bank provided their interpretation of the existing loan agreement. Opus asserts that the District must use an Opus account for this purpose. This does not seem reasonable because the terms of such an account (e.g. interest rates, monthly service charges, fees for anticipated banking transactions, etc.) are not stipulated in the February 2018 Opus Bank Loan Agreement. Nevertheless, the District's Bond Counsel for this loan, Brian Quint has reviewed the material and agrees with the interpretation from Opus. District General Counsel, Barbara Brenner was copied on all correspondence with Opus and Bond Counsel.

Evidently, the District has no choice except to open an Opus Bank account. In light of the confusion and interpretable loan agreement language, Opus is waiving the fees for all

transactions and the monthly service fee. Unfortunately, Opus will pay only 0.15% (extremely low) on the account balance from beginning to final payout to contractors/vendors on Well #16.

Conclusion:

I recommend the Executive Committee forward an item onto the September 16th Board agenda to consider accepting the Opus Bank account terms and conditions, and further authorize the General Manager and Board Chair to execute all required documents to establish the Opus Bank account for disbursing qualified payments for design, permitting and construction of the Well #16 Groundwater Pumping Station.

MUNICIPAL/GOVERNMENT BANKING AUTHORIZATION RESOLUTIONS Item 5

OPUS BANK
19900 MacArthur Blvd, 12th Floor
Irvine, CA 92612

19900 MACARTHUR BLVD, 12TH FL

By: (Business/Entity Name)
a: _____

19900 MACARTHUR BLVD, 12TH FL

IRVINE, CA 92612-2443
Referred to in this document as "Financial Institution"

Referred to in this document as "Entity"

I, _____, certify that I am the _____ of the above named Entity organized under the laws of California, Tax I.D. Number _____ engaged under the name of (Business/Entity Name) _____, and that the banking resolutions on this document are a correct copy of the resolutions adopted at a meeting/public records of the _____ of the Entity duly and properly called on _____ (date).

AUTHORIZED AGENTS: Any Agent listed below, subject to any written limitations, is authorized to exercise the powers granted as indicated below:

| Name and Title or Position | Signature | Facsimile Signature (if used) |
|--|-----------|-------------------------------|
| A. <u>(Signer 1 Name)</u> | X _____ | X _____ |
| B. <u>(Signer 2 Name)</u> | X _____ | X _____ |
| C. <u>(Signer 3 Name)</u> | X _____ | X _____ |
| D. <u>XX</u> | X _____ | X _____ |
| E. <u>XX</u> | X _____ | X _____ |

POWERS GRANTED: Attach one or more Agents to each power by placing the letter corresponding to their name in the area before each power. ONE (1) SIGNATURE REQUIRED on all transactions requiring a signature

| Indicate A, B, C, D and/or E | Description of Power: |
|------------------------------|--|
| _____ | (1) Exercise all of the powers listed in these resolutions. |
| _____ | (2) Open any deposit account(s) in the name of the Entity. |
| _____ | (3) Endorse checks and orders for the payment of money or otherwise withdraw or transfer funds on deposit with this Financial Institution. |
| <u>N/A</u> | (4) Borrow money on behalf and in the name of the Entity, sign, execute and deliver promissory notes or other evidences of indebtedness. |
| <u>N/A</u> | (5) Endorse, assign, transfer, mortgage or pledge bills receivable, warehouse receipts, bills of lading, stocks, bonds, real estate or other property now owned or hereafter owned or acquired by the Entity as security for sums borrowed and to discount the same, unconditionally guarantee payment of all bills received, negotiated or discounted and to waive demand, presentment, protest, notice of protest and notice of non-payment. |
| <u>N/A</u> | (6) Enter into a written lease for the purpose of renting, maintaining, accessing and terminating a Safe Deposit Box at this Financial Institution. |
| <u>N/A</u> | (7) Other <u>N/A</u> |

LIMITATIONS ON POWERS The following are the Entity's express limitations on the powers granted under these resolutions, if any:

The Entity named on these Resolutions resolves that,

BANKING RESOLUTIONS

Item 5

- (1) The Financial Institution is designated as a depository for the funds of the Entity and to provide other financial accommodations indicated in this resolution.
- (2) These resolutions shall continue to have effect until express written notice of its rescission or modification has been received and recorded by the Financial Institution. Any and all prior resolutions adopted by the _____ of the Entity and certified to the Financial Institution as governing the operation of this Entity's account(s), are in full force and effect, until the Financial Institution receives and acknowledges an express written notice of its revocation, modification or replacement. Any revocation, modification or replacement of a resolution must be accompanied by documentation, satisfactory to the Financial Institution, establishing the authority for the changes.
- (3) The signature of an Agent on this resolution is conclusive evidence of their authority to act on behalf of the Entity. Any Agent, so long as they act in a representative capacity as an Agent of the Entity, is authorized to make any and all other contracts, agreements, stipulations and orders which they may deem advisable for the effective exercise of the powers indicated herein, from time to time with the Financial Institution, subject to any restrictions on this resolution or otherwise agreed to in writing.
- (4) All transactions, if any, with respect to any deposits, withdrawals, rediscounts and borrowings by or on behalf of the Entity with the Financial Institution prior to the adoption of this resolution are hereby ratified, approved and confirmed.
- (5) The Entity agrees to the terms and conditions of any account agreement, properly opened by any Agent of the Entity. The Entity authorizes the Financial Institution, at any time, to charge the Entity for all checks, drafts, or other orders, for the payment of money, that are drawn on the Financial Institution, so long as they contain the required number of signatures for this purpose.
- (6) The Entity acknowledges and agrees that the Financial Institution may furnish at its discretion automated access devices to Agents of the Entity to facilitate those powers authorized by this resolution or other resolutions in effect at the time of issuance. The term "automated access device" includes, but is not limited to, credit cards, automated teller machines (ATM), and debit cards.
- (7) The Entity acknowledges and agrees that the Financial Institution may rely on alternative signature and verification codes issued to or obtained from the Agent named on this resolution. The term "alternative signature and verification codes" includes, but is not limited to, facsimile signatures on file with the Financial Institution, personal identification numbers (PIN), and digital signatures. If a facsimile signature specimen has been provided on this resolution, (or that are filed separately by the Entity with the Financial Institution from time to time) the Financial Institution is authorized to treat the facsimile signature as the signature of the Agent(s) regardless of by whom or by what means the facsimile signature may have been affixed so long as it resembles the facsimile signature specimen on file. The Entity authorizes each Agent to have custody of the Entity's private key used to create a digital signature and to request issuance of a certificate listing the corresponding public key. The Financial Institution shall have no responsibility or liability for unauthorized use of alternative signature and verification codes unless otherwise agreed in writing.

EFFECT ON PREVIOUS RESOLUTIONS

CERTIFICATION OF AUTHORITY These resolutions supersedes resolutions dated N/A . If not completed, all resolutions remain in effect. I further certify that the _____ of the Entity has, and at the time of adoption of this resolution had, full power and lawful authority to adopt the resolutions on this page 2 and to confer the powers granted above to the persons named who have full power and lawful authority to exercise the same.

(Apply stamp/seal below where appropriate.)

In Witness Whereof, I have subscribed my name to this document and affixed the stamp/seal of the Entity on _____ (date).

 Attest by One Other Authorized Agent Agent Authorized Representative/Agent

FOR FINANCIAL INSTITUTION USE ONLY

Acknowledged and received on _____ (date) by _____ (initials) These resolutions are superseded by resolutions dated _____ .

Comments:

Initials: _____

Initials: _____

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Welcome to Opus Bank!

**TERMS AND CONDITIONS
 OF YOUR ACCOUNT**

OUR AGREEMENT - This Terms and Conditions Agreement ("Agreement") is a legally binding document. Your signature card, the Deposit Product brochure, time deposit disclosures that you receive when you open your account, and any other disclosures you may receive from us, all represent our agreement with you. Together, these agreements explain our deposit accounts, other related services we make available to you, and the terms and conditions and fees that govern these accounts and services. Please read this carefully. If you sign the signature card, open, or continue to have your account with us, you agree to these rules. Your continued use of an account, after we have told you about a change to our Agreement with you, will show your consent to that change. If you have any questions, please call us at 1-855-OPUSBANK.

As used in this document the words "we," "our," and "us" mean the financial institution and the words "you" and "your" mean the account holder(s) and anyone else with the authority to deposit, withdraw, or exercise control over the funds in the account. However, this Agreement does not intend, and the terms "you" and "your" should not be interpreted, to expand an individual's responsibility for an organization's liability. If this account is owned by a corporation, partnership or other organization, individual liability is determined by the laws generally applicable to that type of organization.

We may change the above agreements at any time subject to applicable law. Except as indicated herein, we will inform you of changes that affect your rights and obligations. If any provision of this document is found to be unenforceable according to the terms, all remaining provisions will continue in full force and effect. We may permit some variations from our standard agreement, but we must agree to any variation in writing either on the signature card for your account or some other document.

The relationship between you and Opus Bank is governed primarily by this Agreement, but is also governed by the laws of the state of the banking office in which your account is located and by federal law.

The headings in this document are for convenience or reference only and will not govern the interpretation of the provisions. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

Throughout this document, when a provision is identified as being applicable to a certain state (for example, "in California"), it means that the provision is only applicable if your account is held at a banking office located in that particular state. Any provision which is not described as applying to a particular state, applies to your account.

FDIC INSURANCE - Funds in your account(s) with us are insured to \$250,000 per depositor by the Federal Deposit Insurance Corporation ("FDIC") and backed by the full faith and credit of the United States government. The amount of insurance coverage you have depends on the number of accounts you have with us and the ownership of those accounts.

If you would like additional information, you may ask us or contact the local office of the FDIC, or visit www.fdic.gov.

Pass-through deposit insurance disclosure - When an account containing employee benefit plan funds is opened at Opus Bank, we are required to give you a written disclosure of (1) the requirements for per-participant "pass-through" deposit insurance coverage; (2) our prompt corrective action ("PCA") capital category; and (3) whether or not, in our judgement the funds being deposited are eligible for "pass-through" insurance coverage. The following is that notice:

Under federal law, whether an employee benefit plan deposit is entitled to per-participant (or "pass through") deposit insurance coverage is based, in part, upon the capital status of the insured institution at the time each deposit is made. Specifically, "pass-through" coverage is not provided if, at the time an employee benefit plan deposit is accepted by an FDIC-insured bank or savings bank, the institution may not accept brokered deposits under the applicable provisions of the Federal Deposit Insurance Act. Whether an institution may accept brokered deposits depends, in turn, upon the institution's capital level. If an institution's capital level is either "well capitalized", or is "adequately capitalized" and the institution has received the necessary broker deposit waiver from the FDIC, then the institution may accept brokered deposits. If an institution is either "adequately capitalized" without a waiver from the FDIC or is in a capital category below "adequately capitalized", then the institution may not accept brokered deposits. The FDI Act and FDIC regulations provide an exception from this general rule on the availability of "pass-through" insurance coverage for employee benefit plan deposits when, although an institution is not permitted to accept brokered deposits, the institution is "adequately capitalized" and the depositor receives a written statement from the institution indicating that such deposits are eligible for insurance coverage on a "pass-through" basis. The availability of "pass-through" insurance coverage for employee benefit plan deposits also is dependent upon the institution's compliance with FDIC record-keeping requirements.

Our capital category is "well capitalized". Thus, in our best judgement, employee benefit plan deposits are currently eligible for "pass-through" insurance coverage under the applicable federal law and FDIC insurance regulations.

Under the FDIC's insurance regulations on employee benefit plan deposits, an insured bank or savings bank must notify employee benefit plan depositors, if new, rolled-over or renewed employee benefit plan deposits would be ineligible for "pass-through" insurance and must provide certain ratios on the institution's capital condition to employee benefit plan depositors who request such information.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT - To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, business address or physical location, date of birth, identification number, and other information that will allow us to identify you. We may also ask to see your driver's license or

other identifying documents. Failure by you to provide the foregoing required information will be a basis for us to decline opening an account.

IDENTITY THEFT: WHAT YOU CAN DO TO AVOID THIS GROWING FRAUD - Identity theft is a growing problem. Identity theft occurs when someone steals your personal information and uses it to establish credit, borrow money, charge items or even commit a crime in your name.

Below are some tips on how to avoid becoming an identity theft victim and what to do should you become a victim of this crime.

Protect Your Identity

- Never respond to unsolicited requests for your social security number (SSN) or financial data or personal information.
- Before discarding, shred credit cards, ATM receipts, and any pre-approved credit offers you have received, but don't plan on using.
- Review immediately upon receipt all credit card and bank statements for accuracy.
- Avoid selecting easy to figure out access and personal ID codes (PIN).
- Use only secure sites when making online purchases. Secure pages begin with "https".
- Safeguard your Social Security number, date of birth, or other personal information, which can be used to take over an account.

WHERE TO GET HELP

If you suspect that you are a victim of identify theft, contact the Federal Trade Commission at (877) 438-4338 or at <http://www.consumer.gov/idtheft>.

GENERAL PROVISIONS GOVERNING ACCOUNTS

ACCOUNT OWNERSHIP - You may open your account in your name or jointly with another person or persons. Only one (1) signature will be required on any account opened, regardless of the number of authorized signers. For accounts with more than one signer:

- We may request the signatures of all signers if there are conflicts among you.
- We may cash or deposit all checks payable to any signer when endorsed by any other signer.
- Each signer is individually responsible for debts owed to us on an account, regardless of which signer incurred the debt.

We reserve the right to refuse some forms of ownership on any or all of our accounts. We make no representations as to the appropriateness or effect of the ownership and beneficiary designations, except as they may determine to whom we pay the account funds. You may wish to consult with an attorney and/or tax advisor before deciding which form of ownership is best for you. The following types of ownership are available:

Fiduciary - An account may be opened by a person acting in a fiduciary capacity, such as a trustee(s), under a written trust agreement or court order. Executors, administrators, conservators, and guardians may also establish fiduciary accounts. We may require and you shall provide evidence of the authority of such person or persons to act, such as a

copy of the court order appointing the fiduciary, or portions of the trust instrument or appropriate trustee certification. This documentation will verify that the person or persons opening the account is or are the designated fiduciary(ies), his or her power, the provisions for succession and any unusual provisions.

Business Account Ownership - Although most of our accounts are available to businesses (e.g., sole proprietors, corporations, partnerships, unincorporated associations of persons, and limited liability companies), some accounts and services are available only to consumers, certain not-for-profit entities, or Attorney-Client Trust ownerships. Other accounts may be inappropriate for persons or companies with high transaction volume and related cash management services.

In general, limited or limited liability partnership accounts, have partners that have agreed among themselves and us that any person whose name appears on the signature card has complete authority to bind the partnership and all of the other partners in all transactions involving the account.

In a corporate or limited liability company or association account, each person who signs the signature card represents to us that the entity is duly authorized to transact business and that each person whose name appears on the signature card has complete authority to bind the entity in all transactions involving the account. You agree to provide us with documentation of your legal status as well as evidence that your business remains in good standing. You also agree to provide us with financial statements upon request.

You also agree that we can follow the directions of any person designated as having authority to act on the entity's behalf until we receive written notice that the authority has been terminated and we have had a reasonable time to act on that notice.

If you use a personal deposit account for business purposes, we may convert the account to a business checking account. If we decide to convert your account, we will attempt to notify you prior to making the product change.

ACH AND WIRE TRANSFERS - This Agreement is subject to Article 4A of the Uniform Commercial Code - Funds Transfer as adopted in the state in which you have your account with us. If you originate a fund transfer and you identify by name and number a beneficiary financial institution, an intermediary financial institution or a beneficiary, we and every receiving or beneficiary financial institution may rely on the identifying number to make payment. We may rely on the number even if it identifies a financial institution, person or account other than the one named. You agree to be bound by automated clearing house association rules. These rules provide, among other things, that payments made to you, or originated by you, are provisional until final settlement is made through a Federal Reserve Bank or payment is otherwise made as provided in Article 4A-403(a) of the Uniform Commercial Code. If we do not receive such payment, we are entitled to a refund from you in the amount credited to your account and the party originating such payment will not be considered to have paid the amount so credited. Credit entries may be made by ACH. If we receive a payment order to credit an account you have with us by wire or ACH, we are not required to give you any notice of the payment order or credit.

ADDRESS OR NAME CHANGES - You are responsible for notifying us of any change in your address or your name. Unless we agree otherwise, requests for change of address or name must be made in writing by one of the account owners. However, informing us of your address or name change on a check reorder form is not sufficient. We will attempt to communicate with you only by use of the contact information you have provided to us.

ADJUSTMENTS - We may make adjustments to your account from time to time, which reflect corrections or changes to your account balance. Adjustments might occur, for example, if deposits are posted for the wrong amount or to the wrong account, posting is delayed, or if items are returned unpaid. In the event of an error that has caused an overstated balance, you agree to immediately reimburse us for the overstated amount.

ADVISORY NOTICE AGAINST INTERNET GAMBLING - Federal law prohibits you from using your account or relationship with us to perform any transactions involved with unlawful Internet gambling. Such restricted transactions include transactions in which a person or entity accepts credit, funds, instruments or other proceeds from another person or entity in connection with unlawful Internet gambling. Display of a network logo (for example, an online merchant) does not necessarily mean that the transactions are lawful. Additionally, we reserve the right to refuse any transactions that would potentially violate any state or federal law. If we discover any of these transactions have occurred we will be required to take remedial action up to and including closing the account.

AMENDMENTS AND TERMINATION - We may change this Agreement at any time. Rules governing changes in interest rates are provided separately in the Truth-in-Savings disclosure or in another document. Ordinarily we send you advance notice of an adverse change to this Agreement. However, we may make changes without prior notice unless otherwise required by law. We may also close this account at any time upon reasonable notice to you and tender of the account balance personally or by mail. Items presented for payment after the account is closed may be dishonored. When you close your account, you are responsible for leaving enough money in the account to cover any outstanding items to be paid from the account. Reasonable notice depends on the circumstances, and in some cases such as when we cannot verify your identity or we suspect fraud, it might be reasonable for us to give you notice after the change or account closure becomes effective. For instance, if we suspect fraudulent activity with respect to your account, we might immediately freeze or close your account and then give you notice. If we have notified you of a change in any term of your account and you continue to have your account after the effective date of the change, you have agreed to the new term(s). If we acquired your account from another institution, your continued use of your account constitutes your acceptance of Opus Bank's terms and conditions.

ASSIGNMENT/TRANSFER - All accounts are non-transferable except on our books and records. We may require surrender of the evidence of account. You may not grant, transfer, or assign any of your rights to any account without our prior written consent. We are not required to accept or recognize an attempted assignment of your account or any interest in it.

BLANK CHECKS AND PERIODIC STATEMENTS - You agree you have an obligation to us to safeguard your blank checks and periodic account statements and to take reasonable steps to

prevent their unauthorized use. You agree to accept responsibility for any failure to safeguard these items. This means storing these items in a secure location accessible only to those authorized to sign them. Blank checks should not be stored with bank statements since this provides a wrongdoer with specimens of authorized signature and balance information. You also agree to notify us at once if you think your blank checks or statements have been lost or stolen. If you are negligent in safeguarding your checks, you must bear the loss entirely yourself, or share the loss with us if we failed to use ordinary care which substantially contributed to the loss.

BUSINESS ACCOUNTS - Earnings in the form of interest, dividends, or credit will be paid only on collected funds, unless otherwise provided by law or our policy. We may require the governing body of the legal entity opening that account to give us separate authorization telling us who is authorized to act on its behalf. We will honor the authorization until we actually receive written notice of change from the governing body of the legal entity.

CASHIER'S CHECKS - Any check we issue, such as a cashier's check or interest check, we guarantee that we will pay and is our obligation. You do not have the right to order us to refuse to pay the item. If the item is lost, stolen, or destroyed and you have the right to claim the amount of the item, you may make a claim for the amount by giving us a Declaration of Loss form. If we accept a Declaration of Loss form, we may delay paying you the amount of the item for the period permitted by law following the date of issue of the original item. If we pay you the amount of the item and a later claim is made by a person, having the rights of a holder in due course, under the law, you are obligated to make payment to that person or reimburse us if we pay that person.

CHANGING ACCOUNT PRODUCTS - We may change your account to another product offered by us at any time by giving you notice that your account will be changed to another product on a specified date. If your account is a certificate of deposit, the change will not occur before the next maturity date of your account. If you do not close your account before the date specified in the notice, we may change your account to the other product on the date specified in the notice.

CHECK CASHING - We may charge a fee for anyone that does not have an account with us who is cashing a check, draft or other instrument written on your account. We may also require reasonable identification to cash such a check, draft or other instrument. We can decide what identification is reasonable under the circumstances and such identification may be documentary or physical.

CASHING ON-US AND/OR TRANSIT CHECKS - All withdrawals and check cashing transactions require ownership and identification verification, depending on the type of transaction and amount. We may refuse to perform any transaction with appropriate management approval if we have reason to doubt the validity of your identification or the item presented.

Items presented for cash require validation by us, and certain items may require signature verification. As part of our validation, we will need to insure the negotiable item is properly completed, bears an authorized client signature and the payee is the party presenting the item. If any discrepancies exist or we have reason to doubt the validity of the item, we will contact the client for verification. We will identify the payee to properly endorse the item. We do not require a thumbprint when cashing checks for non-clients.

CHECK PROCESSING - We may process items with an automated collection process by relying solely on the information encoded in magnetic ink along the bottom of the items. This means that we do not individually examine all of your items to determine if the item is properly completed, signed and endorsed or to determine if it contains any information other than what is encoded in magnetic ink. You agree that we have exercised ordinary care if our automated processing is consistent with general banking practice, even though we do not inspect each item. Because we do not inspect each item, if you write a check to multiple payees, we can properly pay the check regardless of the number of endorsements unless you notify us in writing that the check requires multiple endorsements. We must receive the notice in time for us to have a reasonable opportunity to act on it, and you must tell us the precise date of the check, amount, check number and payee. We are not responsible for any unauthorized signature or alteration that would not be identified by a reasonable inspection of the item.

CHECK STOCK AND DEPOSIT TICKETS - You may order your checks and deposit slips through us or you may use an outside vendor. If you use an outside vendor, your checks and deposit slips must conform to our specifications. You are responsible for printing or other errors on checks and deposit slips provided to you by your outside vendor. You agree not to use erroneous items. If any such error results in costs or loss to us, you are liable to us for the cost or loss. We may return checks unpaid when drawn on your account using check stock provided to you by your outside vendor which cannot be processed in a normal manner by our equipment at the time of presentment and we may charge a fee (See "Schedule of Fees").

CLAIM OF LOSS - If you claim credit or refund because of a forgery, alteration, or any other unauthorized withdrawal, you agree to cooperate with us in the investigation of the loss, including giving us an affidavit containing whatever reasonable information we require concerning your account, the transaction, and the circumstances surrounding the loss. You will notify law enforcement authorities of any criminal act related to the claim of lost, missing or stolen checks or unauthorized withdrawals. We will have a reasonable period of time to investigate the facts and circumstances surrounding any claim of loss. Unless we have acted in bad faith, we will not be liable for special or consequential damages, including loss of profits or opportunity, or for reasonable attorney's fees incurred by you. You agree that you will not waive any rights you have to recover your loss against anyone who is obligated to repay, insure, or otherwise reimburse you for your loss. You will pursue your rights or, at our option, assign them to us so that we may pursue them. Our liability will be reduced by the amount you recover or are entitled to recover from these other sources.

CLOSING AN ACCOUNT - You may close your deposit account at anytime. If you request us to close your account and issue the balance using a cashier's check to you or a designated payee, or to transfer funds to another financial institution by check or wire, we may charge a fee. (See "Schedule of Fees"). We reserve the right to terminate our relationship with you and close your account for cause, such as improper or unsatisfactory activity, anytime without previous notice. We may also report to third parties that we have closed your account. An account closed for cause cancels all services with the account.

We may require not less than 7 calendar days notice in writing before each withdrawal from an interest-bearing account other than a time deposit, or from any other savings account as defined by Regulation D. Withdrawals from a time account prior to maturity or prior to any notice period may be restricted and may be subject to penalty.

CONDUCT OF BUSINESS ACTIVITY - We conduct our business in a professional manner and expect our staff to be courteous and respectful to all our clients. We expect our clients to conduct their business affairs with us in a professional manner and to be courteous to and respectful of our staff. We reserve the right to close your accounts if we determine that your conduct toward any of our staff is discourteous, disrespectful, harassing or discriminatory.

CREDIT/NEW ACCOUNT VERIFICATION - By requesting to open an account with us, or by agreeing to be a signer on an account or obtaining any other service from us, you (and, if acting in a representative capacity, individually and for each entity or principal) agree that we may obtain credit information from check or credit reporting agencies, and/or by any other means. We may do so at the time you open the account, at any time while your account is open, or after your account is closed if you owe us any amounts related to your account and we may use such information for any purpose permitted by law.

We will contact a third party vendor, such as ChexSystems, for all signers on an account and, based on the information provided, may or may not proceed to open an account and/or issue an Opus Bank Debit Card, we may make any inquiries that we consider appropriate to determine if we should open and maintain your account. If we receive notice of derogatory information within 30 days after opening your account, we reserve the right to close your account without notice. If you do not handle your account in a satisfactory manner and/or it is necessary for us to charge off your account as a loss, we will report such negative information to check, collection or credit reporting agencies.

In California:

In addition to the policies described above, we are authorized to obtain address information anytime from the California Department of Motor Vehicles or any other agency or person, and each signer on your account waives the requirement of Section 1808.21 of the California Vehicle Code.

CURRENCY TRANSACTION REPORTING - To help law enforcement agencies detect illegal activities, the law requires all financial institutions to gather and report information on currency transactions in excess of \$10,000 and certain other types of cash transactions to the Internal Revenue Service (IRS). We have the obligation even if the amount is spread out over several transactions in one day. If the information we need to complete the report is not provided, we are required to refuse to handle the transaction. If you have any questions regarding these rules, please contact your local IRS office.

DEATH OR INCOMPETENCE - You agree to notify us immediately if any person with a right to withdraw funds from your account(s) dies or becomes legally incompetent. We may freeze, refuse, or reverse deposits and transactions and/or return government benefit payments made to the account owner if an owner dies or if an owner is declared incompetent. We may continue to honor your checks, items and instructions until (1) we

know of your death or incompetence, and (2) we have had a reasonable opportunity to act on that knowledge.

DEMAND DRAFTS - If you provide your account number to a third party so they can charge your account by means of one or more demand drafts (e.g., checks which do not bear your actual signature but which purport to be drawn with your authorization), you authorize us to pay such drafts, even though they do not contain your signature. Any demand draft or other debit to your account initiated by the party to whom you gave the information is deemed authorized even if it differs in amount, frequency, or timing from your intentions or agreement with that party. You agree that you will not hold us responsible for any loss, damage, or other problems resulting from your having used or authorized another to create a demand draft.

DEPENDENT ADULT AND ELDER FINANCIAL ABUSE PROTECTION LAW - Adult Protection Services may require us to report cases of suspected financial abuse. We intend to fully comply with this law and reserve the right to refuse any transaction that we deem fraudulent in nature or as a direct result of financial abuse.

DEPOSITS TO ACCOUNT - All non-cash item(s) deposited to any account (including items drawn "on-us") will be given provisional credit until collection of the item(s) is final. We are not responsible for transactions initiated by mail or outside depository until such item(s) can be recorded. All transactions received after closing on a business day we are open, or received on a day in which we are not open for business, will be handled and recorded as if received on the next business day that we are open. We may accept deposits to your account from any source and we need not question the authority of the person making the deposit. We may refuse all or part of a deposit. We may accept items in a deposit for collection only. We are not responsible for a deposit until our authorized employees have received it and we have verified it. You must maintain record of each item deposited.

In the event that any direct deposit made to an account should have been returned to the federal government or other entity for any reason, you authorize us to deduct the amount of our liability from the account or from any other account you may have with us, without prior notice and at any time, except as prohibited by law. In order to recover the amount of our liability, we may also use any other legal remedy available.

You may not deposit remotely created checks to an account with us without our express written consent. If you do so, you agree that we may withhold a portion of the proceeds in a non-interest bearing reserve account, in an amount that we believe may be needed to cover future charge backs, returns and/or claims that such drafts were unauthorized. You grant us security interest in the reserve account. Our right to charge your account for returned remotely created checks is not limited by the balance or existence of reserve.

DISPUTES - We may refuse to honor any withdrawal or order if there is a dispute or question as to the ownership of the account.

If conflicting demands over the ownership or control of an account arise or we are unable to determine any person's continuing authority to give instructions, we may, at our sole discretion: (1) freeze the account and withhold payment from you until we receive proof (in form and substance satisfactory to us) of your

right and authority over the account and its funds; (2) require the signatures of all of you for the withdrawal of funds, or closing of the account, or any change in the authorized signers or owners of the account; and/or (3) request instructions from a court regarding the ownership or control of the account. In no event will we be liable for any delay or refusal to follow instructions that occur as a result of a dispute over the ownership or control of your account. We may return checks and other items, marked "Refer To Maker", in the event there is a dispute or uncertainty over an account's ownership or control.

DOLLARS - All checks written on your account must be drawn in U.S. dollars.

EARLY WITHDRAWAL PENALTIES (and involuntary withdrawals) - We may impose early withdrawal penalties on a withdrawal from a time account even if you don't initiate the withdrawal. For instance, the early withdrawal penalty may be imposed if the withdrawal is caused by our set-off against funds in the account or as a result of an attachment or other legal process. We may close your account and impose the early withdrawal penalty on the entire account balance in the event of a partial early withdrawal. See the separate account disclosure for additional information about early withdrawal penalties that may apply.

ELECTRONIC BANKING (In California) - All electronic transactions not covered by Regulation E of the Federal Reserve Board are subject to applicable rules of the Automated Clearing House and/or Article 4A of the Uniform Commercial Code as enacted in California or applicable jurisdiction where the account is located.

OTHER ELECTRONIC FUND TRANSACTIONS - You may authorize a merchant or other payee to make a one-time electronic payment from your checking account using information from your check to pay for purchases or pay bills. Participating merchants or companies will scan information from your check and process the transaction electronically, not through the check collection process. Accounts Receivable transactions occur when you mail or use a drop box to make a payment or a purchase. Point-of-Purchase transactions are made in person by you using a blank check. Re-presented check transactions are made by the merchant using a check that was returned for insufficient funds or uncollected funds. Any one account holder may also authorize automated clearing house entries or stop them. (Also, see "Stop Payments").

ELECTRONIC COMMUNICATIONS - If you register for our Online Banking, you agree that you may receive electronic communications, including important information required by various laws and regulations to the fullest extent permitted by applicable law. You understand that electronic communications may be posted on the web pages within the website for which the disclosures are relevant, or may be delivered to the e-mail address you provided. Alternatively, paper communications may be mailed to the post office mailing address that you provided. You understand that any communication, whether electronic or paper, will be considered to be in writing and you agree that you will be considered to have received such communication in that manner after five (5) business days of posting or dissemination, whether or not you have actually received or retrieved the communication. You also agree to promptly notify us of any changes in your e-mail or mailing address.

ENDORSEMENTS - You agree to endorse each check on the top 1-1/2 inches on the back of the check. If you endorse a check outside of that area, mark or otherwise obscure the other area of a prior endorsement or make an endorsement that is illegible or incomplete, we may, at our option, accept such non-conforming endorsement and you agree to hold us harmless for any loss, delay, liability claim or damage which may arise as a result.

We may endorse and/or collect items deposited to your account without your endorsement and may, at our option, require your personal endorsement prior to accepting an item for deposit. If you deposit items which bear the endorsement of more than one person or persons who are not signers on the account, we may refuse the item or may require all endorsers to be present and to provide identification acceptable to us, at our discretion or to have their endorsement guaranteed before we accept the item.

ESTABLISHMENT OF FEES - We may establish fees applicable to deposit accounts. These fees shall be published in the "Schedule of Fees", Account Analysis Schedule or other documentation provided to you. We reserve the right to change our fees from time to time without notice, except as may be required by law. By using our services after changes become effective, you are agreeing to the changes. You are responsible for notifying other authorized signers of changes.

FACSIMILE INSTRUCTIONS - Unless we have agreed otherwise in writing, we are not required to act upon instructions you give us via facsimile transmission or leave by voice mail or on a telephone answering machine.

FACSIMILE SIGNATURES - You agree that we may rely and act on a facsimile signature affixed by anyone on an item drawn against your account if that facsimile signature resembles or seems to resemble the signature of an authorized signer on your account who signs using a facsimile signature. You give us this authority regardless of by whom or by what means the facsimile signature(s) may have been affixed so long as they resemble the facsimile signature specimen filed with us, and contain the required number of signatures for the purpose. You must notify us at once if you suspect that your facsimile signature is being or has been misused. Usage of a signature stamp for endorsement purposes must be approved by us and is available only on a case by case basis.

FICTITIOUS BUSINESS NAME ACCOUNTS - If you hold an account under a fictitious business name, each of you represents that one or more of you have the right to use that name and have fulfilled all the legal requirements for using the name and doing business under that name. "Fictitious business name" means, in the case of an individual, a name that does not include the surname (last) of the individual or that suggests the existence of additional owners (e.g., "& Company"). In the case of a partnership, other than a limited partnership, a name that does not include the surname of each general partner or a name that suggests the existence of additional owners is a fictitious business name. In the case of a corporation, any name other than the corporate name stated in its articles of incorporation, is a fictitious business name. In the case of a limited partnership or limited liability company, any name other than the name of the limited partnership or limited liability company on file with the Secretary of State is a fictitious business name.

INCOME TAX REPORTING/INCOME TAX WITHHOLDING - Federal tax law requires us to report interest payments we make

to you of \$10 or more in a year and to include your taxpayer identification number (TIN) on the report. Interest includes dividends, interest, promotional gifts, and bonus payments for purposes of this rule. Therefore, we require you to provide us with your TIN and certify that it is correct. The TIN is either a social security number (SSN) or employer identification number (EIN). For most organization or business accounts other than sole proprietorships, the appropriate TIN is the EIN of the organization or business entity. For sole proprietorships, either the SSN or EIN is appropriate. However, we must supply the IRS with both the individual owner's name and the business name of the sole proprietorship.

In compliance with federal law or applicable bank requirements, when you establish your account relationship with us or in connection with any transaction, you are required to provide us with information and documentation satisfactory to us at our discretion to identify yourself, other signers on the account and the organization status of your business or organization. U.S. citizens and resident aliens are required to provide us with, and certify, a taxpayer identification number (TIN) and backup withholding status with the Internal Revenue Service. Individuals who are not U.S. citizens or residents and foreign entities must certify their foreign exempt status from time to time. We are required to file an information return with the IRS to report, for example, interest income paid to you. In some circumstances, federal law requires us to withhold and pay to the IRS a percentage of the interest that is earned on the funds in your accounts. This is known as backup withholding. We will not have to withhold interest payments when you open your account if you certify your TIN and certify that you are not subject to backup withholding due to underreporting of interest. We may subsequently be required to begin backup withholding if the IRS informs us that you supplied an incorrect TIN or that you underreported your interest income. If you do not have a TIN, we may defer backup withholding if you certify that you do not have a TIN but have applied for one. However, we must begin backup withholding if you do not supply us with a certified TIN within 60 days. If you do not have a TIN because you are a foreign person (either an individual who is a nonresident alien or a foreign organization) you must certify your foreign status. If you are an exempt payee (receiver of interest payments), you do not need to certify your TIN, but you will have to certify your exempt status and supply us with your TIN. The most common exempt payees are corporations, organizations exempt from tax under Section 501(a) of the Internal Revenue Code, and an individual retirement plan or custodial account under Section 403(b)(7) of the Internal Revenue Code. If you do not supply us with an appropriate TIN, we may refuse to open your account. When your account is opened, you must certify that you are not subject to backup withholding.

INSUFFICIENT FUNDS/OVERDRAFT FUNDS - An insufficient balance in your account, which has not been protected with overdraft protection may result in a returned item and be subject to service fees charged against your account according to Opus Bank's "Schedule of Fees".

LEGAL ACTIONS AFFECTING YOUR ACCOUNT - If we are served with a subpoena, restraining order, writ of attachment or execution, levy, garnishment, search warrant, or similar order relating to your account (termed "legal action" in this section), we will comply with that legal action. We will not notify you of a grand jury subpoena affecting your account. In these cases, we will not have any liability to you if there are insufficient funds to pay your

items because we have withdrawn funds from your account or in any way restricted access to your funds in accordance with the legal action. The list of fees applicable to legal actions affecting your account are provided in the "Schedule of Fees".

You agree to be liable to us, to the extent permitted by law, for any loss, costs, or expenses that we may incur as a result of any dispute or legal proceeding involving your account. You authorize us to deduct any such loss, cost, or expenses from your account without prior notice to you or to bill you separately. This obligation includes disputes between you and us involving your account in situations where we become involved in disputes between you and an authorized signer, a joint owner, or a third party claiming an interest in your account. It also includes situations where any action taken on your account by you, an authorized signer, a joint owner, or third party causes us to seek the advice of an attorney, whether or not we actually become involved in a dispute.

LEGAL PROCESS - We may accept and act on any legal order that we believe is valid, served in person, by mail, or by facsimile transmission at any location where we do business. Legal orders include a levy, garnishment or attachment, tax levy or withholding order, injunction, restraining order, subpoena, search warrant, government agency request for information, or other legal process relating to your account. If we receive a legal process order that affects your account(s), we will charge a processing fee to your account. (See "Schedule of Fees") You agree to indemnify us against any actions, claims, costs, losses or damages associated with our compliance with a legal process order that we believe to be valid.

LIABILITY - You agree, for yourself (and the person or entity you represent if you sign as a representative of another) to the terms of this account and the "Schedule of Fees". You authorize us to deduct these charges, without notice to you, directly from the account balance as accrued. You will pay any additional reasonable charges for services you request which are not covered by this Agreement.

Each of you also agrees to be jointly and severally (individually) liable for any account shortage resulting from charges or overdrafts, whether caused by you or another with access to this account. This liability is due immediately, and can be deducted directly from the account balance whenever sufficient funds are available. You have no right to defer payment of this liability, and you are liable regardless of whether you signed the item or benefited from the charge or overdraft.

You will be liable for our costs as well as for our reasonable attorneys' fees, to the extent permitted by law, whether incurred as a result of collection or in any other dispute involving your account. This includes, but is not limited to, disputes between you and another joint owner; you and an authorized signer or similar party; or a third party claiming an interest in your account. This also includes any action that you or a third party takes regarding the account that causes us, in good faith, to seek the advice of an attorney, whether or not we become involved in the dispute. All costs and reasonable attorneys' fees can be deducted from your account when they are incurred, without notice to you.

LIMITATION ON CASH WITHDRAWALS - At our discretion, we may limit the amount of any large cash withdrawal from your account at any time unless you have notified us in advance of your intention to make such a large cash withdrawal. We may require that you arrange to receive the cash by armored transport

acceptable to us at your risk and expense. You are solely responsible for the security of the cash withdrawn and in your possession.

LOST ITEMS - We act only as your collection agent when receiving items for deposit or encashment. You should be aware that we reserve the right to reverse the credit for any deposited item or charge your account for cashed items should they become lost, mutilated, or destroyed while in the process of collection. If we do not reverse a credit, you agree to assist us in collecting the amount of any lost items by providing us with such information and other assistance as we request. We may charge your account when a photocopy of a check you have written is presented to us for payment in place of a lost original, unless a stop payment order is in effect for the check.

MOBILE BANKING - You may also access your account by web-enabled cell phone to get account information, transfer funds, pay bills and receive alerts. Check with your cell phone provider for details on specific fees and charges.

MONITORING AND RECORDING TELEPHONE CALLS AND CONSENT TO RECEIVE COMMUNICATIONS - We may monitor or record phone calls for security reasons, to maintain a record and to ensure that you receive courteous and efficient service. You consent in advance to any such recording. We need not remind you of our recording before each phone conversation.

MULTIPLE SIGNATURES - We do not honor requests requiring 2 or more signatures on any account, any indication is for your own internal controls and is not binding on us.

NOTICE TO SAFE DEPOSIT BOX HOLDERS - The contents of your safe deposit box are not insured against loss by us or the FDIC. You may wish to obtain your own insurance on the contents of your box.

NOTICES - Any written notice you give us is effective when we actually receive it, and it must be given to us according to the specific delivery instructions provided elsewhere, if any. We must receive it in time to have a reasonable opportunity to act on it. If the notice is regarding a check or other item, you must give us sufficient information to be able to identify the check or item, including the precise check or item number, amount, date and payee. Written notice we give you is effective when it is deposited in the United States Mail with proper postage and addressed to your mailing address we have on file. Notice to any of you is notice to all of you.

ONLINE BANKING - By separate agreement, you may access and use our services through our internet web site www.opusbank.com. Our online banking services include data access, funds transfers, bill payment, stop payments, and statement review.

PAYMENT ORDER OF ITEMS - For purposes of this section "items" means checks, ATM withdrawal, Point-of-Sales (POS) debit card purchase, ACH or transactions you may have initiated on online or mobile banking. To assist you in handling your account with us, we are providing you with this information regarding how we process those items.

At the end of each business day, we post deposits and credits before paying items. We pay certain types of transactions, such as debit card transactions, before other types, such as checks.

Posting order of items within each item type will vary depending on the type of transaction. We pay the most common types of transactions in the following order.

| | |
|---|--|
| 1 | Withdrawals made over-the-counter at banking offices are paid first. They are paid in ascending dollar amount. |
| 2 | ATM withdrawals and Point-of-Sales (POS) debit card purchases are paid in respective order within each group, in ascending dollar amount. |
| 3 | ACH items are paid in ascending dollar amount. ACH item may be pre-arranged payments or a bill payment scheduled online. |
| 4 | Checks cashed by payees over-the-counter at our banking offices are paid next. They will post in the order of check number from lowest to highest. |
| 5 | Checks delivered to us for payment from other financial institutions are then paid in the order of the check number from lowest to highest when a check number is present. When a check number is not present, it will be paid in ascending dollar amount before items with check numbers. |

The order in which items are paid is important if there is not enough money in your account to pay all of the items that are presented. Our payment policy will generally direct your smallest items to be paid first, and may decrease the overdraft or NSF fees you have to pay if funds are not available to pay all of the items. This may also cause your largest payments, such as a mortgage payment, to be returned.

We encourage you to make careful records and practice good account management. This will help you to avoid creating items without sufficient funds and incurring the resulting fees.

POWER OF ATTORNEY - You may wish to appoint an agent to conduct transactions on your behalf. (We, however, have no duty or agreement whatsoever to monitor or ensure that the acts of the agent are for your benefit.) This may be done by allowing your agent to sign in that capacity on the bank's form or by separate form, such as a Uniform Statutory Power of Attorney Form. If we accept a Uniform Statutory Power of Attorney Form, we require a recent affidavit that the power of attorney is still in effect. A power of attorney continues until your death or the death of the person given the power. If the power of attorney is not "durable," it is revoked when you become incompetent. We may continue to honor the transactions of the agent until: (1) we have received written notice or have actual knowledge of the termination of the authority or of the death of an owner, and (2) we have had a reasonable opportunity to act on that notice or knowledge. You agree not to hold us responsible for any loss or damage you may incur as a result of our following instructions given by an agent acting under a valid power of attorney.

RECLAMATION AND ENDORSEMENT CLAIMS - If we receive an affidavit or declaration under penalty of perjury stating that you were not entitled to the proceeds of a check or other item deposited to your account, we may debit that amount against any accounts you have with us, whether such accounts are held jointly or in your sole name. If you are receiving government payments, whether by check or by electronic transfers to your account through the government's direct deposit program, and we receive notice from the government reclaiming amounts previously credited, we may debit any of your accounts, whether such accounts are held jointly or in your sole name, for the amount reclaimed. You agree to pay us immediately for any amount we are obligated to pay if you do not have sufficient funds in your accounts.

RELEASE OF ACCOUNT INFORMATION - We may release information about you to others in accordance with federal and state law and our Privacy Policy. You are hereby notified that a negative credit report, reflecting on your credit record, may be submitted to a credit reporting agency if you fail to fulfill the terms of your credit obligations.

RESTRICTIVE LEGENDS OR ENDORSEMENTS - The automated processing of the large volume of checks we receive prevents us from inspecting or looking for restrictive legends, restrictive endorsements or other special instructions on every check. Examples of restrictive legends placed on checks are "must be presented within 90 days" or "not valid for more than \$1,000.00." The payee's signature accompanied by the words "for deposit only" is an example of a restrictive endorsement. For this reason, we are not required to honor any restrictive legend or endorsement or other special instruction placed on checks you write unless we have agreed in writing to the restriction or instruction. Unless we have agreed in writing, we are not responsible for any losses, claims, damages, or expenses that result from your placement of these restrictions or instructions on your checks.

RETURNED ITEMS - If you cash or deposit an item which is later returned unpaid, we will chargeback or debit your account for the full amount of the item, which may also include any interest accrued on the amount of the item from the date of deposit or endorsement, and a returned deposited item charge as reflected on the "Schedule of Fees" applicable to your account.

This right of chargeback or debit will prevail whether the deposited item is returned timely or untimely in accordance with the laws governing your account or rule (including a clearing house rule).

We are under no duty to question the truth of the facts that are being asserted, to assess the timeliness of the claim, or to assert any defense where there is a breach of warranty in connection with the deposited item (for example that it bears a forged endorsement or is altered in any way).

We may also send the unpaid item back for collection a second time before notifying you, but we are not obliged to do so. Should a problem occur in collecting an unpaid item, you are responsible for any fees or charges incurred by the bank when trying to obtain payment for you.

In the event you have insufficient funds remaining in the account, each account owner agrees that we may exercise our right to set-off against any account in which any of you have an interest and may set-off against the account for any amounts due related to any other account owned by any of you. This may result in assessment of an early withdrawal penalty.

RIGHT OF REFUSAL - We reserve the right at our sole discretion to refuse opening an account or to accept a deposit in any existing account. We also reserve the right at our sole discretion and upon reasonable prior notice to the account owner(s) to disallow withdrawals by check and to terminate the account relationship at any time. Following notice to you, we reserve the right not to make payment on any check drawn on the account. After the termination date specified in the notice, we shall not be obligated to allow withdrawals by check except for the purpose of closing the account.

SECURITY - It is your responsibility to protect the account numbers and electronic access devices (e.g., a debit card) we provide you for your account(s). Do not discuss, compare, or

share information about your account number(s) with anyone unless you are willing to give them full use of your money. An account number can be used by thieves to issue an electronic debit or to encode your number on a false demand draft which looks like and functions like an authorized check. If you furnish your access device and grant actual authority to make transfers to another person (a family member or coworker, for example) who then exceeds that authority, you are liable for the transfers unless we have been notified that transfers by that person are no longer authorized.

Your account number can also be used to electronically remove money from your account, and payment can be made from your account even though you did not contact us directly and order the payment.

You must also take precaution in safeguarding your blank checks. Notify us at once if you believe your checks have been lost or stolen. As between you and us, if you are negligent in safeguarding your checks, you must bear the loss entirely or share the loss with us (we may have to share some of the loss if we failed to use ordinary care and if we substantially contributed to the loss).

Except for consumer electronic funds transfers subject to Regulation E, you agree that if we offer you services appropriate for your account to help identify and limit fraud or other unauthorized transactions against your account, such as positive pay or commercially reasonable security procedures, and you reject those services, you will be responsible for any fraudulent or unauthorized transactions which could have been prevented by the services we offered, unless we acted in bad faith or to the extent our negligence contributed to the loss. If we offered you a commercially reasonable security procedure which you reject, you agree that you are responsible for any payment order, whether authorized or not, that we accept in compliance with an alternative security procedure that you have selected.

SET-OFF - We may (without prior notice and when permitted by law) set-off the funds in your account against any due and payable debt any of you owe us now or in the future. The amount of the set-off may be further limited by applicable law. If this account is owned by one or more of you as individuals, we may set-off any funds in the account against a due and payable debt a partnership owes us now or in the future, to the extent of your liability as a partner for the partnership debt. If your debt arises from a promissory note, then the amount of the due and payable debt will be the full amount we have demanded, as entitled under the terms of the note, and this amount may include any portion of the balance for which we have properly accelerated the due date.

This right of set-off does not apply to this account if prohibited by law. For example, the right of set-off does not apply to this account if: (a) it is an Individual Retirement Account or similar tax-deferred account, or (b) the debt is created by a consumer credit transaction under a credit card plan (but this does not affect our rights under any consensual security interest), or (c) the debtor's right of withdrawal only arises in a representative capacity or (d) you have filed a petition in bankruptcy court for protection, or (e) set-off is prohibited by the Military Lending Act or its implementing regulations. We will not be liable for the dishonor of any check when the dishonor occurs because we set-off a debt against this account. You agree to hold us harmless from any claim arising as a result of our legal exercise of our right of set-off.

STALE-DATED CHECKS - We are not obligated to, but may at our option, pay a check, other than a certified check, presented for payment more than six months after its date. If you do not want us to pay a stale-dated check, you must place a stop-payment order on the check in the manner we have described elsewhere.

STATEMENTS - Your duty to report unauthorized signatures, alterations and forgeries - You must examine your statement of account with "reasonable promptness". If you discover (or reasonably should have discovered) any unauthorized signatures or alterations, you must promptly notify us of the relevant facts. As between you and us, if you fail to do either of these duties, you will have to either share the loss with us, or bear the loss entirely yourself (depending on whether we used ordinary care and, if not, whether we contributed to the loss). The loss could be not only with respect to items on the statement but other items with unauthorized signatures or alterations by the same wrongdoer.

You agree that the time you have to examine your statement and report to us will depend on the circumstances, but will not, in any circumstance, exceed a total of 30 days from when the statement is first sent or made available to you.

You further agree that if you fail to report any unauthorized signatures, alterations or forgeries in your account within 60 days of when we first send or make the statement available, you cannot assert a claim against us on any items in that statement, and as between you and us the loss will be entirely yours. This 60-day limitation is without regard to whether we used ordinary care. The limitation in this paragraph is in addition to that contained in the first paragraph of this section.

Your duty to report other errors - In addition to your duty to review your statements for unauthorized signatures, alterations and forgeries, you agree to examine your statement with reasonable promptness for any other error - such as an encoding error. You agree that the time you have to examine your statement and report to us will depend on the circumstances. However, such time period shall not exceed 60 days. Failure to examine your statement and report any such errors to us within 60 days of when we first send or make the statement available precludes you from asserting a claim against us for any such errors on items identified in that statement and as between you and us the loss will be entirely yours.

STOP PAYMENTS - Unless otherwise provided, the rules in this section cover stopping payment of items such as checks and drafts. Rules for stopping payment of other types of transfers of funds, such as consumer electronic fund transfers, may be established by law or our policy. If we have not disclosed these rules to you elsewhere, you may ask us about those rules.

We may accept an order to stop payment on any item from any one of you. You must make any stop payment order in the manner required by law; in Texas it must be made in a dated, authenticated record that describes the item with certainty. (Generally, a "record" is information that is stored in such a way that it can be retrieved and can be heard or read and understood - you can ask us what type of stop payment records you can give us). We must receive it in time to give us a reasonable opportunity to act on it before our stop payment cutoff time. Because stop payment orders are handled by computers, to be effective, your stop payment order must precisely identify the number, date, and amount of the item, and the payee. You may stop payment on any item drawn on your account whether you sign the item or not.

Generally, when your stop payment order is given to us it is effective for six months. Your order will lapse after that time if you do not renew the order before the end of the six-month period. We are not obligated to notify you when a stop payment order expires.

If you stop payment on an item and we incur any damages or expenses because of the stop payment, you agree to indemnify us for those damages or expenses, including reasonable attorneys' fees. You assign to us all rights against the payee or any other holder of the item. You agree to cooperate with us in any legal actions that we may take against such persons. You should be aware that anyone holding the item may be entitled to enforce payment against you despite the stop payment order.

Our stop payment cutoff time is one hour after the opening of the next banking day after the banking day on which we receive the item. Additional limitations on our obligation to stop payment are provided by law (e.g., we paid the item in cash or we certified the item).

SUB-ACCOUNTS - For regulatory and accounting purposes, your checking account may consist of two sub-accounts: a checking sub-account and a savings sub-account. If your checking account earns interest, the interest rate will apply to both sub-accounts. If your checking account does not earn interest, no interest will be paid on either sub-account. This procedure has no effect on the way you use your account and has no effect on your account balance, fees, features, or FDIC insurance coverage. You will see no change on your bank statement. If your checking account earns interest, your interest calculation will remain the same. We may transfer funds in the checking sub-account to the savings sub-account when such funds are not needed to pay checks, debits, or other items drawn on your checking account. When funds are required to pay items, we will transfer funds from the savings sub-account to the checking sub-account. On the sixth transfer, all funds in the savings sub-account will be transferred back to the checking sub-account for the remainder of the monthly statement cycle.

SUBSTITUTE CHECKS AND YOUR RIGHTS -

What is a substitute check? To make check processing faster, federal law permits banks to replace original checks with "substitute checks". These checks are similar in size to original checks with a slightly reduced image of the front and back of the original check. The front of a substitute check states: "This is a legal copy of your check. You can use it the same way you would use the original check". You may use a substitute check as proof of payment just like the original check.

Some or all of the checks that you receive back from us may be substitute checks. This notice describes rights you have when you receive substitute checks from us. The rights in this notice do not apply to original checks or to electronic debits to your account. However, you have rights under other law with respect to those transactions.

What are my rights regarding substitute checks? In certain cases, federal law provides a special procedure that allows you to request a refund for losses you suffer if a substitute check is posted to your account (for example, if you think that we withdrew the wrong amount from your account or that we withdrew money from your account more than once for the same check). The losses you may attempt to recover under this procedure may include the amount that

was withdrawn from your account and fees that were charged as a result of the withdrawal (for example, returned check fees).

The amount of your refund under this procedure is limited to the amount of your loss or the amount of the substitute check, whichever is less. You also are entitled to interest on the amount of your refund if your account is an interest-bearing account. If your loss exceeds the amount of the substitute check, you may be able to recover additional amounts under other law. If you use this procedure, you may receive up to \$2,500 of your refund (plus interest if your account earns interest) within 10 business days after we received your claim and the remainder of your refund (plus interest if your account earns interest) not later than 45 calendar days after we received your claim. We may reverse the refund (including any interest on the refund) if we later are able to demonstrate that the substitute check was correctly posted to your account.

How do I make a claim for a refund? If you believe that you have suffered a loss relating to a substitute check that you received and that was posted to your account, please contact us at 855-678-7226 and we can make arrangements with you to submit a claim. We require that all claims be made in writing. You must contact us within 40 calendar days of the date that we mailed (or otherwise delivered by a means to which you agreed) the substitute check in question or the account statement showing that the substitute check was posted to your account, whichever is later. We will extend this time period if you were not able to make a timely claim because of extraordinary circumstances.

Your claim must include:

- A description of why you have suffered a loss (for example, you think the amount withdrawn was incorrect);
- An estimate of the amount of your loss;
- An explanation of why the substitute check you received is insufficient to confirm that you suffered a loss; and
- A copy of the substitute check (and/or) the following information to help us identify the substitute check, check number, the name of the person to whom you wrote the check, the amount, and any other information that would aid us in the processing of your claim.

TELEPHONE TRANSFERS - A telephone transfer of funds from this account to another account with us, if otherwise arranged for or permitted, may be made by the same person and under the same conditions generally applicable to withdrawals made in writing. Unless a different limitation is disclosed in writing, we restrict the number of transfers from a savings account and money market account to another account or to third parties, to a maximum of six per month (less the number of "preauthorized transfers" during the month). Other account transfer restrictions may be described elsewhere.

TRANSACTION LIMITATIONS FOR SAVINGS AND MONEY MARKET ACCOUNTS. During any month, you may make no more than six withdrawals or transfers. Examples include check, debit card, preauthorized or automatic, online or mobile banking transfers, telephone and automatic overdraft transfers. If you exceed this limitation, we may impose an excessive activity fee (See "Schedule of Fees".) We may also close the account without prior notice or convert your account to another type of account.

TRANSACTIONS BY MAIL - You may deposit checks by mail. You should endorse the check being sent through the mail with the words "For Deposit Only" and should include your account number underneath to ensure the check is credited to the correct account. You should never send cash through the mail.

UNCLAIMED PROPERTY NOTICE - Your property may be transferred to the appropriate state official and/or department if no activity occurs in the account within the time period specified by state law.

WAIVER OF NOTICES - To the extent permitted by law, you waive any notice of non-payment, dishonor or protest regarding any items credited to or charged against your account. For example, if you deposit a check and it is returned unpaid or we receive a notice of nonpayment, we do not have to notify you unless required by federal Regulation CC or other law.

WITHDRAWALS -

Generally - Unless clearly indicated otherwise on the account records, any of you, acting alone, who signs to open the account or has authority to make withdrawals may withdraw or transfer all or any part of the account balance at any time. Each of you (until we receive written notice to the contrary) authorizes each other person who signs or has authority to make withdrawals to endorse any item payable to you or your order for deposit to this account or any other transaction with us.

Postdated checks - A postdated check is one which bears a date later than the date on which the check is written. We may properly pay and charge your account for a postdated check even though payment was made before the date of the check, unless we have received written notice of the postdating in time to have a reasonable opportunity to act. Because we process checks mechanically, your notice will not be effective and we will not be liable for failing to honor your notice unless it precisely identifies the number, date, amount and payee of the item.

Checks and withdrawal rules - If you do not purchase your check blanks from us, you must be certain that we approve the check blanks you purchase. We may refuse any withdrawal or transfer request which you attempt on forms not approved by us or by any method we do not specifically permit. We may refuse any withdrawal or transfer request which is greater in number than the frequency permitted, or which is for an amount greater or less than any withdrawal limitations. We will use the date the transaction is completed by us (as opposed to the date you initiate it) to apply the frequency limitations. In addition, we may place limitations on the account until your identity is verified.

Even if we honor a nonconforming request, we are not required to do so later. If you violate the stated transaction limitations (if any), in our discretion we may close your account or reclassify it as a transaction account. If we reclassify your account, your account will be subject to the fees and earnings rules of the new account classification.

If we are presented with an item drawn against your account that would be a "substitute check," as defined by law, but for an error or defect in the item introduced in the substitute check creation process, you agree that we may pay such item.

See the Funds Availability Disclosure for information about when you can withdraw funds you deposit. For those accounts to which our Funds Availability Disclosure does not apply, you can ask us when you make a deposit when those funds will be available for withdrawal. An item may be returned after the funds from the

deposit of that item are made available for withdrawal. In that case, we will reverse the credit of the item. We may determine the amount of available funds in your account for the purpose of deciding whether to return an item for insufficient funds at any time between the time we receive the item and when we return the item or send a notice in lieu of return. We need only make one determination, but if we choose to make a subsequent determination, the account balance at the subsequent time will determine whether there are insufficient available funds.

Overdrafts - You understand that we may, at our discretion, honor withdrawal requests that overdraw your account. However, the fact that we may honor withdrawal requests that overdraw the account balance does not obligate us to do so later. So you can NOT rely on us to pay overdrafts on your account regardless of how frequently or under what circumstances we have paid overdrafts on your account in the past. We can change our practice of paying overdrafts on your account without notice to you. You can ask us if we have other account services that might be available to you where we commit to paying overdrafts under certain circumstances, such as an overdraft protection line-of-credit or a plan to sweep funds from another account you have with us. You agree that we may charge fees for overdrafts except for overdrafts caused by ATM withdrawals or one-time debit card transactions if you have not opted-in to that service, if available. We may use subsequent deposits, including direct deposits of social security or other government benefits, to cover such overdrafts and overdraft fees.

Multiple signatures, electronic check conversion, and similar transactions - An electronic check conversion transaction is a transaction where a check or similar item is converted into an electronic fund transfer as defined in the Electronic Fund Transfers regulation. In these types of transactions the check or similar item is either removed from circulation (truncated) or given back to you. As a result, we have no opportunity to review the check to examine the signatures on the item. You agree that, as to these or any items as to which we have no opportunity to examine the signatures, you waive any requirement of multiple signatures.

Notice of withdrawal - We reserve the right to require not less than 7 days' notice in writing before each withdrawal from an interest-bearing account other than a time deposit or demand deposit, or from any other savings account as defined by Regulation D. The law requires us to reserve this right, but it is not our general policy to use it. Withdrawals from a time account prior to maturity or prior to any notice period may be restricted and may be subject to penalty. See the separate account disclosure for additional information about early withdrawal penalties that may apply.

RESOLUTION OF DISPUTES: ARBITRATION AGREEMENT - Maintaining good relationships with our clients is very important to us. We ask you to contact us immediately if you have a problem with one of your accounts or services we provide. Often a telephone call to us or a visit to one of our banking offices resolves the matter quickly and amicably. However, if you and we are unable to resolve our differences informally, you agree by opening or maintaining a deposit account with us that if any dispute between you and us arises regardless of when it occurs, will be settled, at the option of you or us.

Disputes - A dispute is any unresolved disagreement between you and us that relates in any way to accounts or services

described in this Agreement, or to your use of any of our banking offices, our online banking, ATMs or any other method you may use to access your account. It includes any claim that arises out of or is related to these accounts, services, or agreements.

You are Waiving the Right to Have Your Dispute Heard Before a Judge or Jury - Opus Bank and you elect to be bound by the Federal Arbitration Act. Except as set forth below, the parties must arbitrate any dispute or controversy concerning your deposit account, including, without limit, ATM/debit cards, and wire transfers. Either party may request that the matter be submitted to arbitration. Under the procedure, the dispute is submitted to a neutral party for determination.

Binding Arbitration - Binding arbitration is a means of having an independent third party resolve a dispute without having the court system, judges or juries. Either you or we can request to submit a dispute to binding arbitration. If either you or we fail to submit to binding arbitration following a lawful demand, the party who fails to submit bears all costs and expenses incurred by the party compelling arbitration.

Each arbitration, including the selection of the arbitrator, is administered by the American Arbitration Association (AAA), according to the Commercial Arbitration Rules of the AAA. Each arbitration is governed by the provision of the Federal Arbitration Act (Title 9 of the United States Code), and, to the extent any provision of the Act is inapplicable, unenforceable or invalid, the laws of the state that govern the relationship between you and us about which the dispute arose.

Except as set forth below, a dispute involving one deposit account or service relationship, or two or more deposit accounts or service relationships with at least one common owner, is decided by arbitration under the Commercial Arbitration Rules of the AAA. Small claims court actions, class actions, or actions filed on behalf of the general public under applicable state statutes are not eligible for arbitration.

Right of Set-Off Preserved - This agreement on arbitration, and the exercise of any of the rights you and we have under this Agreement, does not stop you or us from exercising any lawful rights either of us has to use other remedies available to preserve, foreclose or obtain possession of real or personal property, exercise self-help remedies, including set-off and repossession rights. You also retain certain legal rights, such as the right to file bankruptcy. If our dispute involves third parties who are not subject to this dispute resolution program, then dispute resolution shall not be stayed pending resolution of the dispute with the third party or parties absent a modification of this Agreement between us.

In California:

If an action or proceeding is initiated by a complaint before any court in California and neither you nor we request that the dispute be submitted to arbitration, then, upon motion by either you or us, the dispute shall be heard by an active attorney or a retired judge selected by the American Arbitration Association (AAA) who is then appointed by the court in which the action commenced, according to the Reference provision of the California Code of Civil Procedure, Section 628 et seq. and following. The Reference Process is not subject to a trial by jury; the trial is conducted before the active attorney or retired judge under California law.

FUNDS AVAILABILITY DISCLOSURE

Our policy statement and disclosure applies to "transaction" accounts and savings accounts. Transaction accounts, in general, are accounts which permit an unlimited number of payments to third persons and an unlimited number of telephone and preauthorized transfers to other accounts of yours with us. Checking accounts are the most common transaction accounts. Feel free to ask us whether any of your other accounts might also be under this policy.

Our policy is generally to make funds from your check deposits available to you on the first business day after the day we receive your deposit. Cash deposits and electronic direct deposits will be available on the day we receive the deposit. Once the funds are available, you can withdraw them in cash or we will use the funds to pay checks that you have written.

Please remember that even after we have made funds available to you, and you have withdrawn the funds, you are still responsible for checks you deposit that are returned to us unpaid and for any other problems involving your deposit.

For determining the availability of your deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. If you make a deposit before the close of business on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

To obtain banking office hours and locations, visit www.opusbank.com or contact our Service Center at 855.678.7226.

If you make a deposit at an ATM before 3:00 P.M. on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit at an ATM after 3:00 P.M. or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

If we cash a check for you that is drawn on another bank, we may withhold the availability of a corresponding amount of funds that are already in your account. Those funds will be available at the time funds from the check we cashed would have been available if you had deposited it.

If we accept for deposit a check that is drawn on another bank, we may make funds from the deposit available for withdrawal immediately but delay your availability to withdraw a corresponding amount of funds that you have on deposit in another account with us. The funds in the other account would then not be available for withdrawal until the time periods that are described elsewhere in this disclosure for the type of check that you deposited.

LONGER DELAYS MAY APPLY

Case-by-case delays. In some cases, we will not make all of the funds that you deposit by check available to you on the first business day after the day of your deposit. Depending on the type of check that you deposit, funds may not be available until the second business day after the day of your deposit. The first \$200 of your deposit, however, will be available on the first business day after the day we accept your deposit.

If we are not going to make all of the funds from your deposit available on the first business day, we will notify you at the time you make your deposit. We will also tell you when the funds will be available. If your deposit is not made directly to one of our

employees, or if we decide to take this action after you have left the premises, we will mail you the notice by the day after we receive your deposit.

If you will need the funds from a deposit right away, you should ask us when the funds will be available.

Safeguard exceptions. In addition, funds you deposit by check may be delayed for a longer period under the following circumstances:

We believe a check you deposit will not be paid.

You deposit checks totaling more than \$5,000 on any one day.

You redeposit a check that has been returned unpaid.

You have overdrawn your account repeatedly in the last six months.

There is an emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the seventh business day after the day of your deposit.

SPECIAL RULES FOR NEW ACCOUNTS

If you are a new customer, the following special rules will apply during the first 30 days your account is open.

Funds from electronic direct deposits to your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first \$5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you (and you may have to use a special deposit slip). The excess over \$5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first \$5,000 will not be available until the second business day after the day of your deposit.

Funds from all other check deposits will be available on the ninth business day after the day of your deposit.

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Executive Committee Agenda Item: 6

Date: September 3, 2019

Subject: Water Rate Adjustment Process; Consultant RFP

Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

The Executive Committee should review and discuss draft Request for Proposals (RFP) needed for selection of a rates study consultant and forward the item onto the September 16th Board agenda if deemed appropriate.

Current Background and Justification:

As discussed in previous Committee and Board meetings, the District's current rate structure is an impediment for compliance with SB 606, AB 1668, AB 685 and SB 555. These new laws implement newly established standards and requirements for water use minimum efficiency and affordability. SB 555 also establishes a maximum allowable water loss, making the District's 600 cubic feet (6-units) of metered/not billed practice inappropriate. An informal review of rates by agencies who are members of RWA reveals RLECWD is the only RWA member agency with such a practice.

Other aspects of the informal rates comparison reveal that RLECWD current rate structure has the highest percentage of fixed cost among 33 agencies in the Sacramento and Bay Area regions. High fixed charges mean the ratepayers have very limited financial incentive to use water efficiently.

AB 685 and subsequently adopted laws have begun the evaluation of water affordability. The State recently launched a website where the public may review the relative affordability of their water agency in comparison to neighboring water agencies (<http://oehha.maps.arcgis.com/apps/MapSeries/index.html?appid=a09e31351744457d9b13072af8b68fa5>). The Score for RLECWD water affordability for County Poverty Threshold is "1" on a

scale of 0 to 4 with 4 being the most affordable and zero being least affordable. The matrices used include comparing agency rates for 6-units of water per month. Because the 6-units of metered/not billed structure at RLECW will eventually contribute to fines for exceeding SB 555 water loss limits, the metered/not billed structure will need to be eliminated. If we only eliminated the metered/not billed 6-units the RLECW affordability score becomes worse, i.e. less affordable.

Although the District engaged a professional rates study consultant in 2016, when the District established the current rate structure, the rate structure lacked a forward-thinking perspective and overly focused on establishing a funding mechanism for Hexavalent Chromium mitigation facilities construction. Note: Surcharge #2 provide treatment construction funding only. It does not provide operation of Hexavalent Chromium treatment facilities. The 2016 adopted RLECW water rates do not address the “conservation is a permanent way of life in California” and “Human rights to water” principles and new laws

Conclusion:

I recommend the Executive Committee review all the documentation associated with this item, including the draft RFP for engaging a professional rates consultant. I further recommend the Executive Committee request any clarifications and additional materials deemed necessary and appropriate, then forward an item onto the September 16th Board agenda to allow the full Board to discuss and consider engaging a professional rate study consultant.

Rio Linda Elverta Community Water District

REQUEST FOR PROPOSAL

COST OF SERVICE AND RATE DESIGN STUDY

INTRODUCTION

Rio Linda Elverta Community Water District (District or RLECWD) is soliciting proposals from qualified firms to conduct a water and sewer cost of service and rate design study for the District.

GENERAL INFORMATION

General Description; Service Area

Rio Linda Elverta Community Water District was established in 1948 as a County Water District under the provisions of the California Water Code. The District provides high quality drinking water.

RLECWD's service area encompasses approximately 18 square miles in and around Rio Linda and Elverta. Not all residences or water users within the District boundary are District customers. The service area consists mostly of small-lot residential development. RLECWD has approximately 4,700 connections.

RLECWD is an independent public agency governed by a five-member, publicly elected Board of Directors. The District employs 10 professional staff members who are responsible for daily operations and implementing short and long-term strategic objectives set forth by the Board.

You can learn more about RLECWD by visiting www.RLECWD.com.

BACKGROUND

RLECWD understands the importance of preserving California's water supplies, especially in times of drought, and has taken steps during declared drought periods to encourage water use efficiency and the wise use of water including the implementation of innovative conservation rates.

However, the current non-drought rate structure continues to bear the influence of unique regulatorily imposed compliance orders and mandated capital improvement funding. The results of the regulatory mandates and the prior Board of Directors discretion for implementing a rate structure in response to those mandates has produced a rate structure heavily weighted in fixed charges. RLECWD has the highest percentage of fixed charges in its rates structure among all of the water agencies in the Sacramento region. RLECWD is the only agency provide a volume of water (6 cubic feet) to each customer included with it's fixed charges, i.e. per unit charges do not apply until 7 cubic feet of water are consumed.

Separate from its monthly fixed charge, RLECWD also has imposed two surcharges to provide debt service to capital improvements. The surcharges cannot be reduced or eliminated until the loans for capital improvements have been paid off. The other fixed charge, however, can be adjusted. Any reduction in the non-surcharge fixed rates should be recovered in the commodity rates.

RLECWD's commodity rate, in the form of a single tier, is the third lowest among 33 water agencies informally reviewed in Northern California (Sacramento Region and Bay Area region). High fixed-charge percentage, metered but not billed units of water, and relatively low commodity rates all combine to impede RLECWD's ability to encourage efficient use of water as required by SB 606 and AB 1668. The metered but not billed structure also will negatively affect RLECWD's compliance with SB-555 water loss standards.

PURPOSE OF THIS REQUEST FOR PROPOSAL

The purpose of the requested services is to provide the District with recommended rate framework for its system services that are consistent with industry accepted cost-of-service principles, satisfy future revenue requirements, and meet all State law requirements including:

- Propositions 218 and 26.
- SB 606 and AB 1668
- SB 555
- AB 685

Overall, the rate structure developed by the consultant shall:

- Be cost-based to ensure rates can be set at a level that provides funding to meet the District's revenue requirements;
- Be equitable, reasonable and not discriminatory or preferential, and must proportionately allocate the costs of providing service among the customer classes;
- Promote water use efficiency through an allocation block rates or a tiered rate structure that comports with the objectives of the mandates for affordability and indoor/outdoor/CII allocations.
- Be easy to understand and administer;
- Be consistent with applicable law; and
- Appropriately utilize fixed charges (e.g., meter charges) to recover fixed costs.

SCOPE OF WORK

The following scope of work is an outline of the minimum services to be provided. Your proposal should include all services that can be reasonably expected for developing a rate

structure for providing potable water, preparing and participating in Proposition 218 protest hearings and presenting the findings to the District's Board of Directors.

Rate Objectives

The objectives of the study are:

- Provide input to the model which determines the revenue increases needed to provide funds necessary to meet the District's current/future requirements;
- Provide input to the model which forecasts the effects of the District's estimates of growth and conservation on its revenues, as well as any impact that the proposed rates may have on sales;
- Calculate and document the functionalization, classification, and allocation of costs, including capital reserves among appropriate customer classes consistent with industry standards and State law requirements;
- Provide a rate design framework that aligns revenues and costs associated with the operations of the District;

TASK 1: Project Management and Meetings

This task includes all project management activities required to ensure adherence to the schedule and budget. It will include a kick-off meeting to review project objectives and introduce key members of the project team to be conducted at RLECWD's office (or equivalent)

TASK 2: Propose Modifications to the Revenue Requirements

The consultant shall review the methodology and development of the revenue requirements to be used in the Study and make recommendations for improvement as needed. Review of the structure for development of the revenue requirements:

1. Revenue sources including, but not limited to, service charges and commodity rates;
2. Appropriate allocation of operating and overhead costs among the services for expense components such as supply, pumping, treatment, transmission and distribution, Operation and Maintenance (O&M), General and Administrative (G&A), renewal and replacements.

This task will include a review of existing reports and financial models. A data request will be prepared and readily available information will be collected in order to prepare the Cost of Service and Rate Design Study.

TASK 3: Conduct Cost of Service Analyses

The consultant shall perform an overall analysis of the functionalization, classification and allocation of costs. The consultant shall make recommendations as appropriate for improvements consistent with industry standards, best practices, and State law. The consultant shall prepare a cost of service study that provides a clear, written analysis of the methodology used and the basis for allocating the costs of providing potable water and treatment programs among the various customer classes. The analyses shall:

1. Identify various direct costs included in the District's budget and make recommendations for any changes necessary to ensure direct operational costs are properly aligned with the appropriate service.
2. Prepare a standardized cost of service study that demonstrates the costs of providing the services utilizing industry accepted practices for the functionalization, classification and allocation of costs to customer classes, along with any recommended changes.
3. Ensure that all costs have been allocated among property owners and customers served in a fair and equitable manner, and that the methodology used is documented and justified consistent with State law.
4. Ensure that a methodology is incorporated in the cost of service study for the determination of cost responsibility (which may be identified by reference to appropriate industry ratemaking principles, including guidance associated with designing and developing water rates and charges issued by the American Water Works Association or guidance associated with other comparable industry principles recognized by public agencies providing public utility service) in order to establish that each fee, including a rate, charge, or surcharge, for any product, commodity, or service to recover the cost of providing public utility service is determined on the basis of the same objective criteria based on customer classes established in consideration of service characteristics, demand patterns and other relevant factors.

The results of this task will provide a cost of service report providing a clear, written analysis of the methodology and basis used for allocating the costs of service, and any associated spreadsheet models used in Microsoft Excel, with instructions and training on their use.

TASK 4: Propose Changes to Current Rates

The consultant shall prepare a rate design study that provides a clear, written analysis of the basis upon which the rates were calculated, including an analysis of rate classes to eliminate and/or add classes as appropriate. The consultant shall:

1. Review composition and construction of all customer classes and recommend any changes.

2. Ensure that the recommended rate structures comply with all laws, regulations and policies, are documented, and are developed in compliance with Propositions 218 and 26 as well as recently adopted laws pertaining to water use efficiency, water affordability, and water loss standards.
3. Evaluate the District's water rate structure, including such factors that are inconsistent with the above stated objectives.
4. Review the current inactive service fee structure for compatibility with the recommended changes to the rate structure.
5. Demonstrate any alternative rate structure is easy to understand and administer, promotes conservation and revenue stability and can be accommodated with the existing District billing system.
6. Prepare and provide the District rate models in Microsoft Excel for the associated rates and fees necessary to provide potable water, and treatment programs that may be used by District staff on a going forward basis and train District staff in the use of these models.

TASK 5: Drought Pricing

Evaluate and recommend alternatives for RLECWD to consider on how to adjust its water pricing structure in the event of a drought, water shortage or governmental action to encourage demand reductions. These potential modifications may include adjustments to the allocation formulas and/or to the tiers or blocks. The consultant will prepare a report and written analysis, as well as provide excel based spreadsheet models that can be used to evaluate and estimate the impacts of such changes on water demands and revenues by customer class.

TASK 6: Sensitivity Analysis / Rate Workshop(s)

Once the rate models have been developed, the consultant shall conduct a sensitivity analysis within the models. This step will examine different scenarios that may occur within the next five years. The Consultant shall conduct a workshop with senior staff to identify relative pros/cons within various rate scenarios correlated to current and anticipated state mandates (e.g. Prop 218, AB 685, outdoor allocations for SB-606 etc.)

TASK 7: Reports

The Study will include preparation of draft report to the Executive Committee, and presentations of the final report to the Board of Director Meeting(s).

PROJECT SCHEDULE

Below is a timetable of the proposed schedule. The Consultant will prepare a detailed schedule for each task and update the schedule as necessary during the project to keep RLECWD adequately informed of the progress. The District reserves the right to adjust the schedule at any point in the process.

Event Date

District Issues RFP October 21, 2019

Optional Pre-bid Meeting November 5, 2019

Additional Questions Due November 8, 2019

RFP Submission Deadline December 2, 2019

Award of Contract December 16, 2019

Kick-Off Meeting January 2020

Staff Workshops April May 2020

Draft Report June 2020

Committee/Board Consideration of Recommendations July 2020

In addition to the Committee and Board of Director’s meetings, Consultant shall plan on regular meetings with District staff to discuss project progress and schedule. Depending on the award of the contract following the December 16, 2019 Board meeting, Consultant should plan on leading three (negotiable) workshops as well as attending appropriate Committee and Board meetings to present the analysis and results.

PROPOSAL FORMAT AND CONTENT

Proposals shall be limited to no more than 15 pages (11 point font), plus appendices. In order to be considered responsive to this RFP, five printed copies, and one electronic copy of your proposal must be submitted in accordance with the following format:

1. **Cover Letter** – A signature by a Principal or officer having the authority to negotiate and contractually bind and extend the terms of the written proposal.
2. **Executive Summary** – A description of the understanding, approach, and methodology proposed to meet the District’s objectives.
3. **Experience** – Provide a brief description of the firm’s history, size, and organization. Describe the experience of the firm with projects of a similar nature to the District’s and any specific experience developing and modifying a budget based tiered water rate structure or similar rate structure. Consultant must demonstrate that they have a clear understanding of the Proposition 218 process and capability to prepare all required documentation.
4. **Team** – Provide the specific experience and capabilities, qualifications and resumes of the designated project manager and support staff assigned to perform the work. If using sub-consultants, provide the company profile and define the responsibilities and services to be

performed by the sub-consultants. Include the primary point of contact, person responsible for overall corporate commitment (Principal) and project manager. Describe the responsibilities of the individuals who will be working on the project and extent of involvement with the project. Include a schedule showing the percentage of time each member will contribute to the project. Key personnel assigned to the project shall not be reassigned without prior written approval from RLECWD.

5. Project Approach and Timeline – Provide a work plan, including major activities and schedule for the project, deliverables and milestone dates. Provide a detailed scope of work and the methodology. Describe how you will approach each of the tasks outlined in the scope of work, including data requirements, modeling efforts, and interaction with District staff. The description shall comprehensively define and describe the individual tasks for the work effort.

6. Schedule – Assurance of the firm's ability to complete all work considering the firm's current and planned workload based on the proposed schedule.

7. References – A description of the project team's past record of performance on similar projects for which your firm has provided services. Include a discussion of such factors as control of costs, quality of work and ability to meet schedules. Include three references from agencies with similar projects that may be contacted by RLECWD. Each reference must include:

- Client name and contact information
- Project description
- Role of key project team members

8. Cost Proposal – Provide a detailed breakdown of labor hours by task and position, including sub-consultants. A listing of billing rates by employee, and a maximum not-to exceed project fee, inclusive of all direct and indirect costs associated with the project. Complete the attached Cost Matrix (Appendix C).

9. Joint Venture – A descriptive disclosure of any joint venture and/or proposed subcontract arrangements that would be utilized during the course of the project.

10. Conflict of Interest – Documentation that personal or organizational conflicts of interest prohibited by law do not exist.

11. Insurance – Confirm your firm can comply with RLECWD insurance requirements, which are as follows: RLECWD requires professional liability coverage to be a minimum of \$1,000,000, general liability and property damage to be a minimum of \$1,000,000. Any additional premium that is required by the insurance carrier for such coverage shall be included in your proposed fee. RLECWD will not pay a separate insurance surcharge for the required coverage.

PROPOSAL SUBMISSION

Five printed copies, and one electronic version of the proposal shall be submitted to the following address no later than 3:00 p.m. on Monday, December 2, 2019.

Rio Linda Elverta Community Water District
Attn: Timothy R. Shaw
730 L Street
Rio Linda, CA 95673
GM@RLECWD.com

ADDITIONAL INFORMATION

Interested parties may submit written questions regarding this RFP to Timothy R. Shaw at GM@RLECWD.com. The District plans to hold an optional pre-bid meeting on Tuesday, November 5th at 3:00 pm in the District Office, 730 L Street, Rio Linda, CA.. Additional questions must be received no later than 3:00 p.m. PST on Thursday September 4, 2014. The District's responses to any questions will be shared with all other proposers via e-mail.

EVALUATION OF PROPOSALS

A contract will be awarded at the District's sole discretion to the most qualified and responsive firm whose proposal best conforms to the District's needs. The District reserves the right to reject any and all proposals and to negotiate terms, conditions, and rates with any responsible, responsive proposer.

Proposals will be evaluated based upon the following factors:

20% Experience, expertise, qualifications, and references with similar projects.

40% Qualifications of the firm and individuals assigned to perform the work; familiarity and experience with cost of service and rate design in California, particularly all elements of Propositions 218 and 26, SB 606/AB 1668, AB 685 and SB 555; understanding and expertise with budget based and other allocation rate structures; availability and level of commitment of the proposed project team and key personnel.

40% Understanding of project scope, approach to accomplish the work, and project timeline; consultant's ability to present a detailed, comprehensive scope of work; technical approach and methodology to provide the requested services; ability to provide the requested services within the proposed schedule.

The District may request additional information or clarification from any or all proposers after initial evaluation. The District may conduct personal or phone interviews with each candidate firm's proposed team and may contact recent clients. The firm, and the project manager must be fully capable in all areas outlined under the scope of work above. The selected firm must be able

to begin work immediately upon award of contract and must be able to maintain the required level of effort to meet the proposed schedule.

PAYMENT SCHEDULE TO THE CONSULTANT

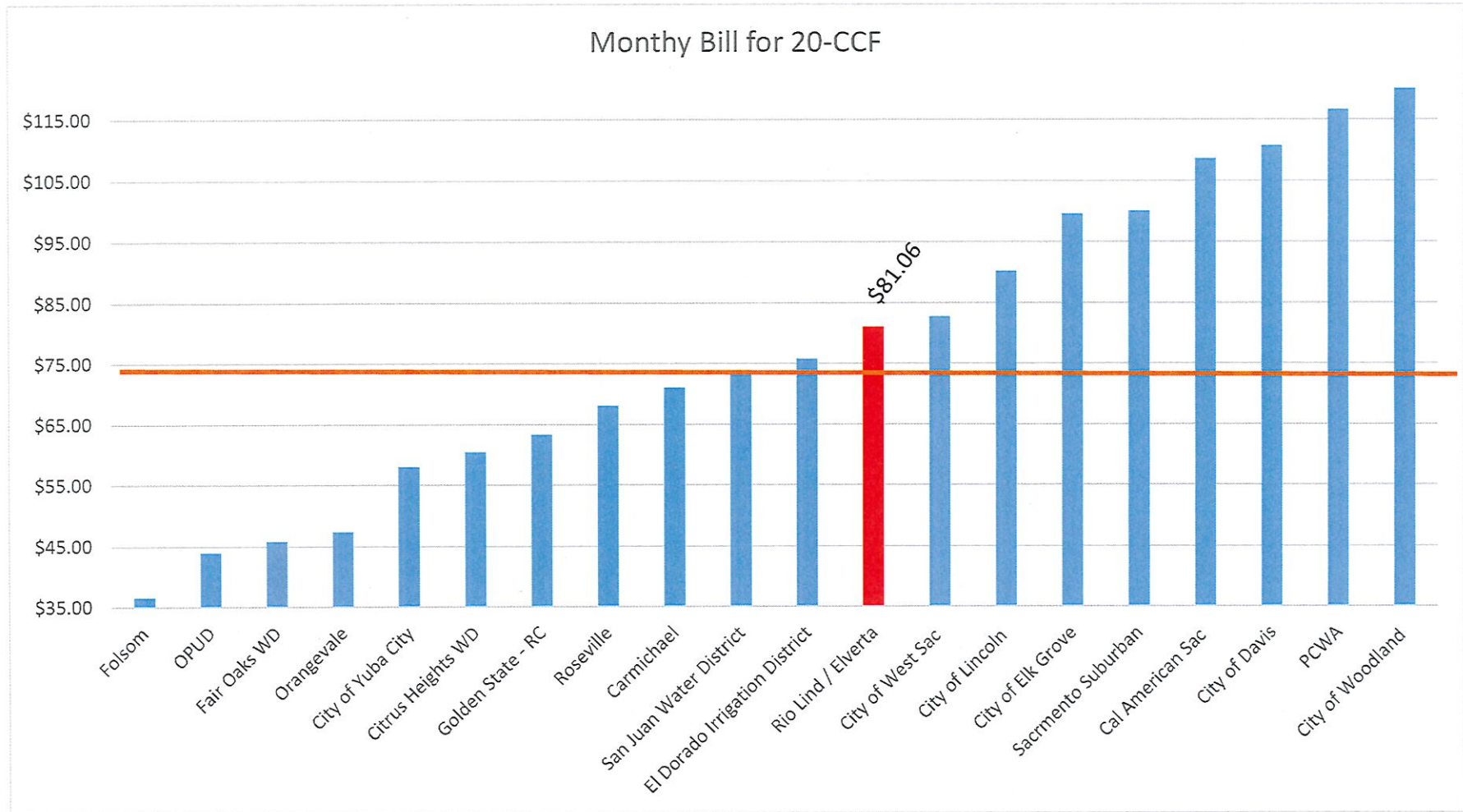
The Consulting firm shall be paid a specific fixed fee for services completed over the term of the Project. Monthly invoices are due to RLECWD no later than the 15th of every month. The Consultant is required to submit a summary progress report with the monthly invoice. The one page report shall have a table identifying each task, subtask, budget, billed to date, amount remaining and percent complete.

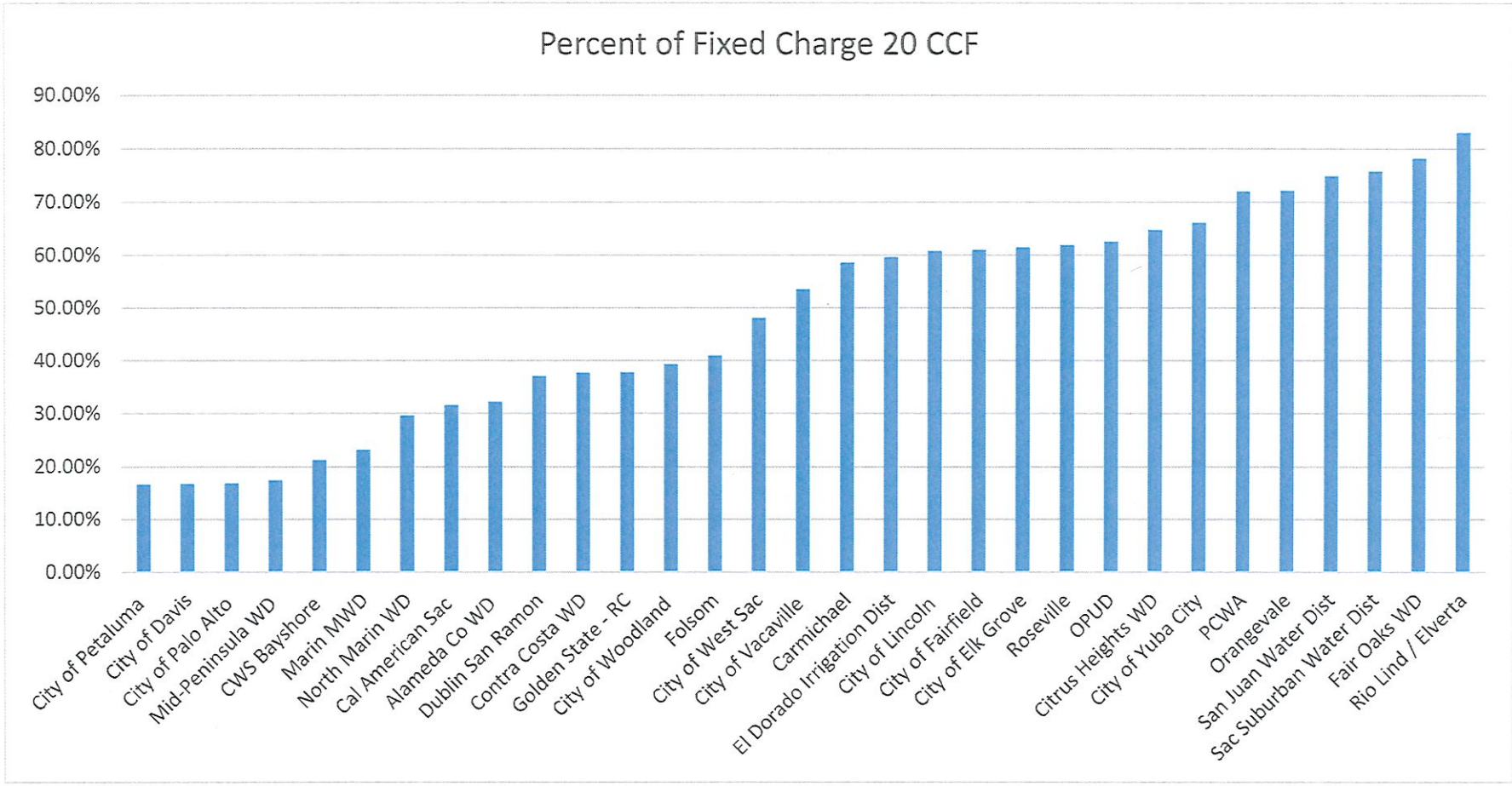
AGREEMENT FOR CONSULTING SERVICES

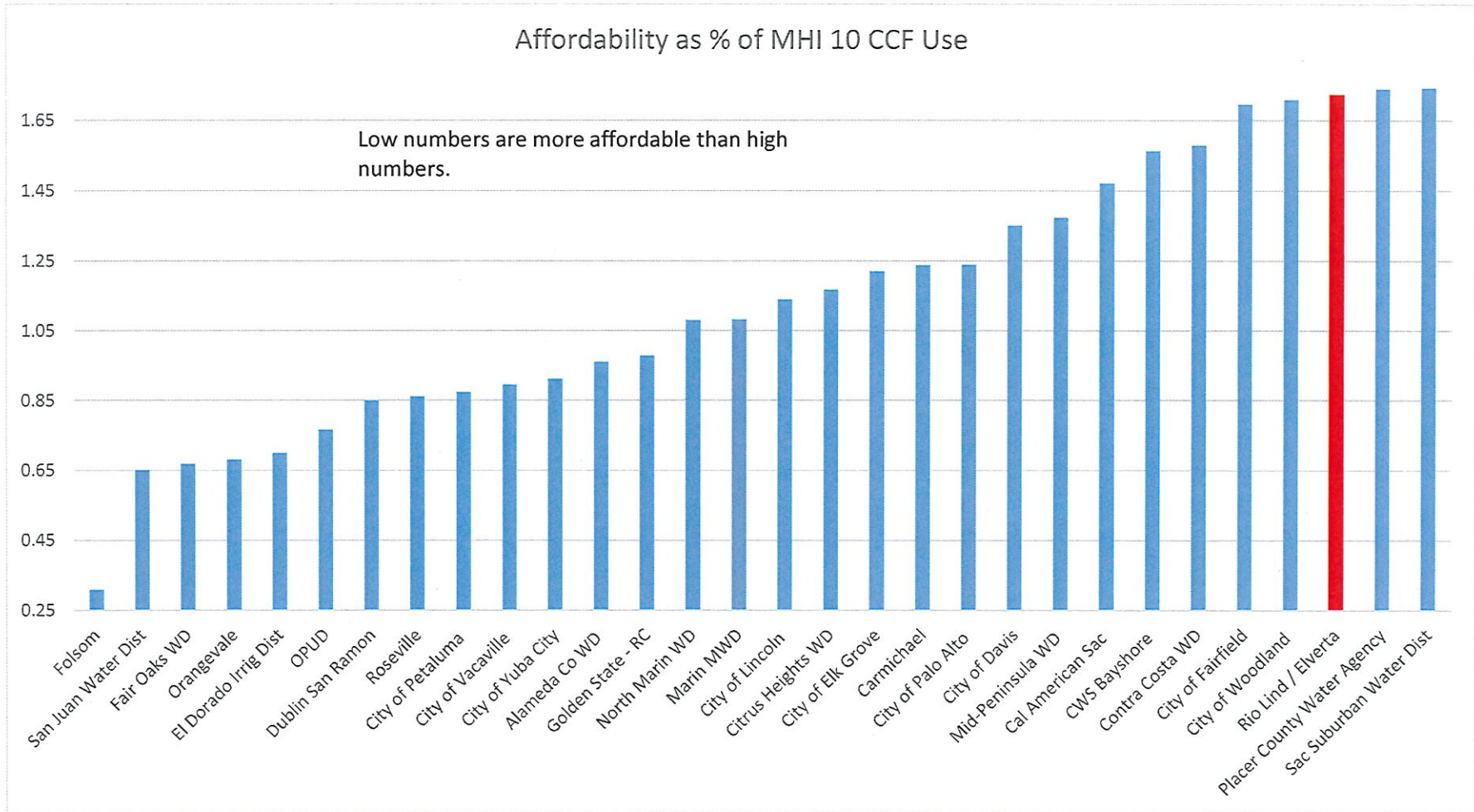
The District's standard Professional Services Agreement (PSA) is attached as Appendix D to the RFP for your review. When submitted, the proposal must contain any and all requests for revisions to the PSA. District staff will review all requests for revision; however, the District retains the authority to make the final determination as to acceptability of the requested revisions.

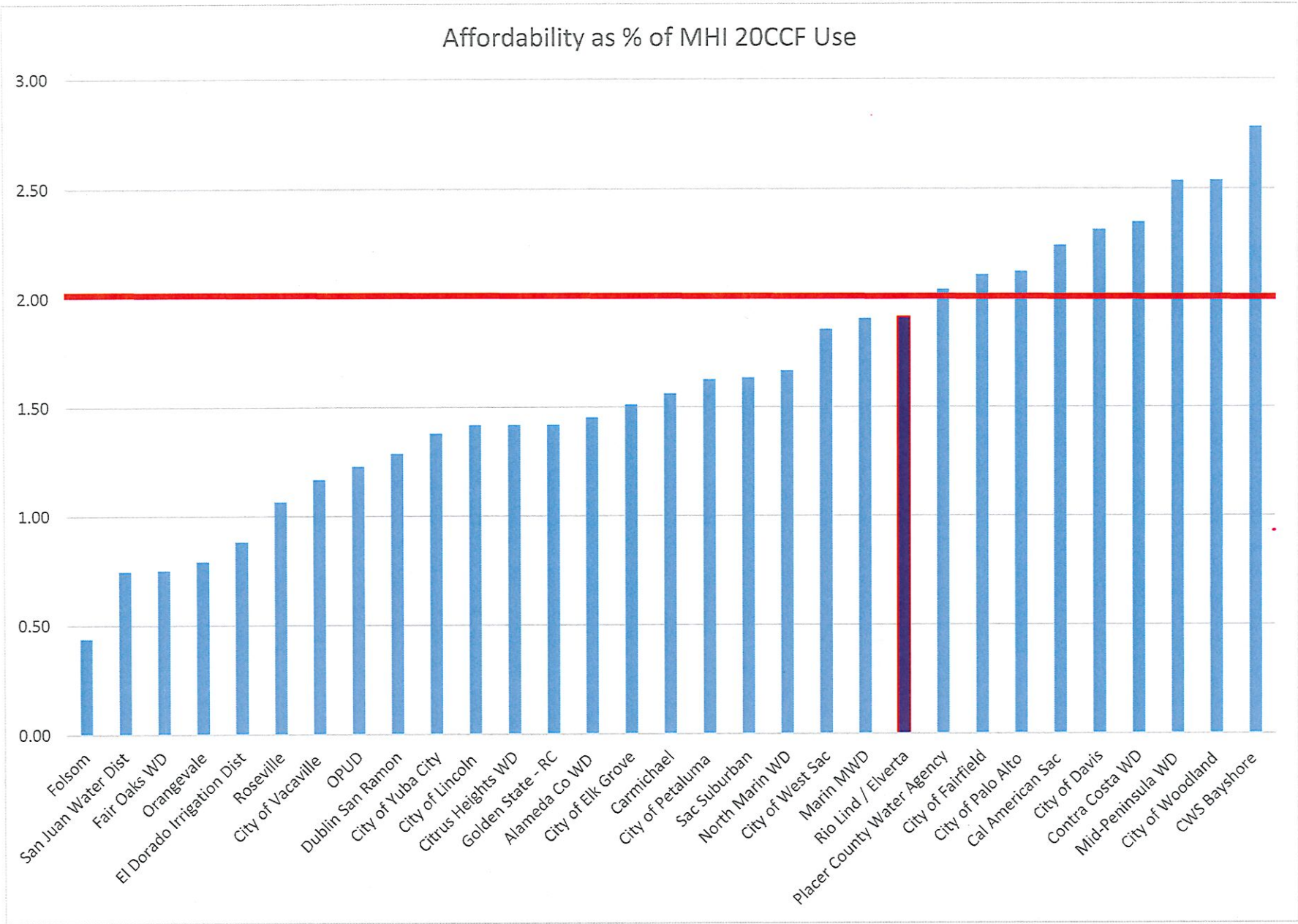
ADDITIONAL INFORMATION

This request does not commit RLECWD to retain any Consultant, to pay costs incurred in the preparation of proposals, or to proceed with the project. RLECWD reserves the right to reject any or all proposals, to negotiate with any qualified applicant, and to appoint more than one firm to provide services on given portions of the project. Proposals (including accompanying materials) will become the property of RLECWD. Proposals will be held in confidence to the extent permitted by law. After award of a contract or after rejection of all proposals, the proposals will be public records subject to disclosure under the California Public Records Act (Government Code Section 6250 et seq.). RLECWD reserves the right to request additional information from prospective Consultants prior to final selection and to consider information about a firm other than that submitted in the proposal or interview. RLECWD will select for contract negotiations the firm that, in RLECWD's judgment, best meets RLECWD's needs, irrespective of the comparison of fees and costs estimated by the Consultants.



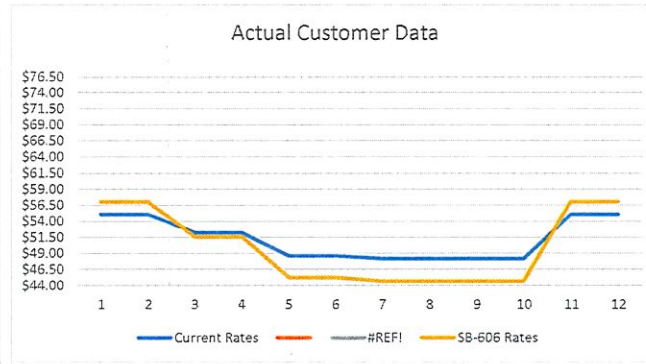






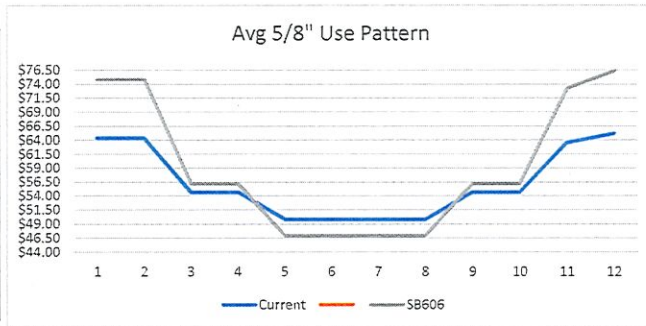
al Customer 5/8 inch Service consumption 2 Occupants Minimal Irrigation

| Service from July 2018 to June19 | CCF | Gal. per day per person | SB-606 Indoor Allocation | SB-606 Outdoor Allocation | Gallons per Person Over/Under | Current Rates | SB-606 Rates |
|----------------------------------|------|-------------------------|--------------------------|---------------------------|-------------------------------|---------------|--------------|
| July | 12.5 | 156 | 55 | To Be Determined | 101 | \$55.03 | \$56.98 |
| August | 12.5 | 156 | 55 | To Be Determined | 101 | \$55.03 | \$56.98 |
| September | 9 | 112 | 55 | To Be Determined | 57 | \$52.19 | \$51.55 |
| October | 9 | 112 | 55 | To Be Determined | 57 | \$52.19 | \$51.55 |
| November | 4.5 | 56 | 55 | 0 | 1 | \$48.55 | \$45.18 |
| December | 4.5 | 56 | 55 | 0 | 1 | \$48.55 | \$45.18 |
| January | 4 | 50 | 55 | 0 | -5 | \$48.14 | \$44.60 |
| February | 4 | 50 | 55 | 0 | -5 | \$48.14 | \$44.60 |
| March | 4 | 50 | 55 | 0 | -5 | \$48.14 | \$44.60 |
| April | 4 | 50 | 55 | 0 | -5 | \$48.14 | \$44.60 |
| May | 12.5 | 156 | 55 | To Be Determined | 101 | \$55.03 | \$56.98 |
| June | 12.5 | 156 | 55 | To Be Determined | 101 | \$55.03 | \$56.98 |
| Annual Total | | | | | | \$614.13 | \$599.75 |



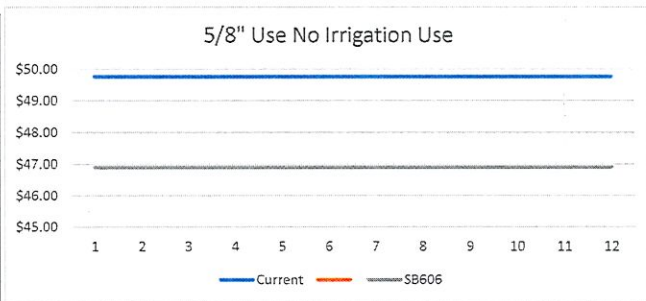
Average 5/8 Service House with 3.0 Occupants and Seasonal Lawn Irrigation

| | Current | SB606 |
|--------------|---------|----------|
| July | \$64.34 | \$74.80 |
| August | \$64.34 | \$74.80 |
| September | \$54.62 | \$56.20 |
| October | \$54.62 | \$56.20 |
| November | \$49.76 | \$46.90 |
| December | \$49.76 | \$46.90 |
| January | \$49.76 | \$46.90 |
| February | \$49.76 | \$46.90 |
| March | \$54.62 | \$56.20 |
| April | \$54.62 | \$56.20 |
| May | \$63.53 | \$73.25 |
| June | \$65.15 | \$76.35 |
| Annual Total | | \$711.60 |



5/8" Service with 3 occupants and no irrigated landscape

| | Current | SB606 |
|--------------|---------|----------|
| July | \$49.76 | \$46.90 |
| August | \$49.76 | \$46.90 |
| September | \$49.76 | \$46.90 |
| October | \$49.76 | \$46.90 |
| November | \$49.76 | \$46.90 |
| December | \$49.76 | \$46.90 |
| January | \$49.76 | \$46.90 |
| February | \$49.76 | \$46.90 |
| March | \$49.76 | \$46.90 |
| April | \$49.76 | \$46.90 |
| May | \$49.76 | \$46.90 |
| June | \$49.76 | \$46.90 |
| Annual Total | | \$562.80 |





Water Rates in the Age of Efficiency

CalWEP Peer to Peer, May 2019

Martha Davis
Mlcmartha@gmail.com

Tom Ash
tom.ash27@outlook.com

What Keeps Agencies Up at Night?

Why do we lose necessary revenue when less water is sold?

Do customers understand what we do?

How do we pay for system upgrades to supply water?

Are we going to meet the new efficiency regulations?

What Keeps Customers Up-in-Arms?

"You asked us to save water, then you raise rates?"

"My property values will go down without water"!

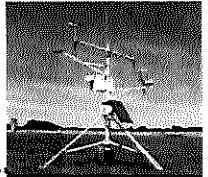
"I don't understand anything on the water bill and we could not possibly use this much water!"

"I save but I see water running down the street every day!?"

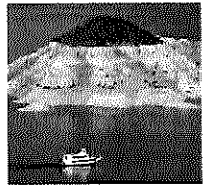
Water Budgets:

Concept: Univ. of California

ET Weather Station Network for Ag (1982) and Urban Landscapes (1991).....



Colorado River Basin



State of California.....Water Efficiency Targets (SB 606, AB 1668)

(Agency Population) (55 GPCD) + (ET) (Irrig. Area) (Effici. Factor) = Agency WB

Watershed Level (Localizing California Water)



Agency WB Rates

(Parcel Level)... (# Res) (55 GPCD) + (ET) (Irrigated Area) (Eff. Factor) (Drought Factor) = Individual WB

Efficiency or Conservation?

Item 6

2015: 28% Conservation Mandate Reduction (Target = 115 GPCD)

•12
CCF/Month
75 gpcd

•25 CCF's
155 gpcd

•39 CCF's
243 gpcd

•25 CCF's
155 gpcd



Fairness = impartiality, objective, open-minded

Equal = the same as, uniform

Equity = fairness, impartiality, justice, parity, comparative

Proportional = relative, rational, comparative (Prop 218)

Scientific = objective, comparative, logical

Budget = reasonable, plan

Manage = achieve, oversee, govern...

Water Budgets in the Age of Efficiency

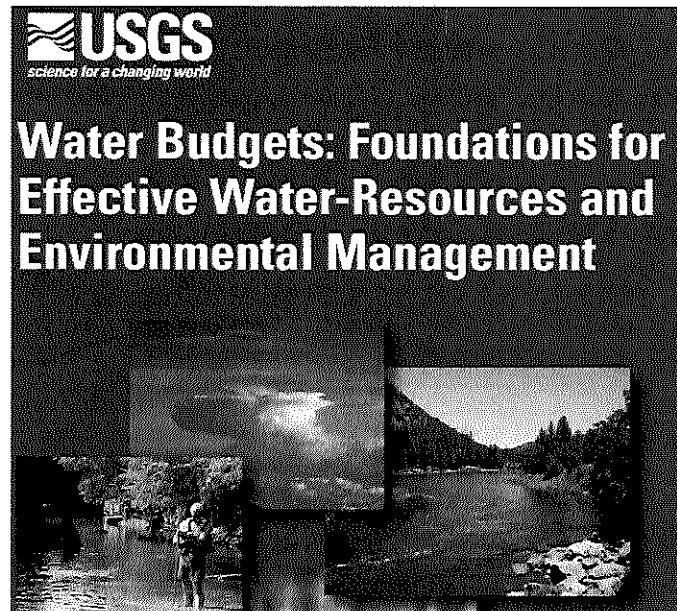
Item 6

State Efficiency Standard: SB 606, AB 1668

(# Res) (Indoor GPCD Standard) + (ET) (Irrig. Area) (Outdoor Standard)

“Doing the same thing over and over again and expecting a different outcome, is the definition of insanity.”

“We can’t solve the problem with the same thinking that got us into the problem.”



“Think Differently!”

Sacramento: April 29, 2019

Governor Gavin Newsom today signed an executive order directing his administration to **“think differently”** and **“act boldly, think bigger and more strategically on water.”**



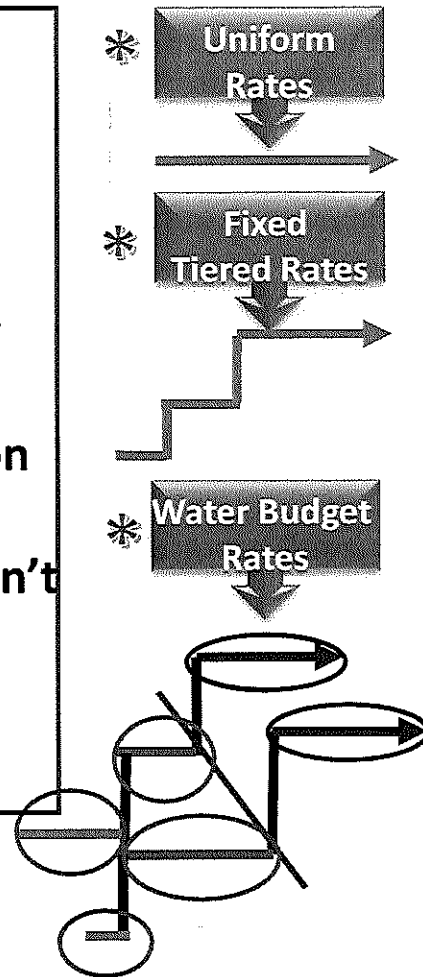
“Think Differently!”

Water Rates in the Age of Efficiency

Item 6

Rates MUST Solve for:

1. Revenue Stability
2. Water Use Efficiency
3. Customer Satisfaction
4. Board Approval (“don’t get us un-elected!”)
5. Legality (Prop 218)



Water Budget Rate Features:

- Individualized customer allocations / based on the same efficiency standard
(# Res) (Indoor Standard) + (ET) (Irrig. Area) (Outdoor Standard)
- Customer level data (# of residents, landscape area, special water needs)
- Daily or Real-time ET (evapotranspiration) for each billing cycle
- Tier names that educate the end user (social norming)
- Variance or allocation adjustment program
- Capable billing system
- Agency Philosophy of Business Transparency (fixed & variable cost recovery)
- Trained Staff

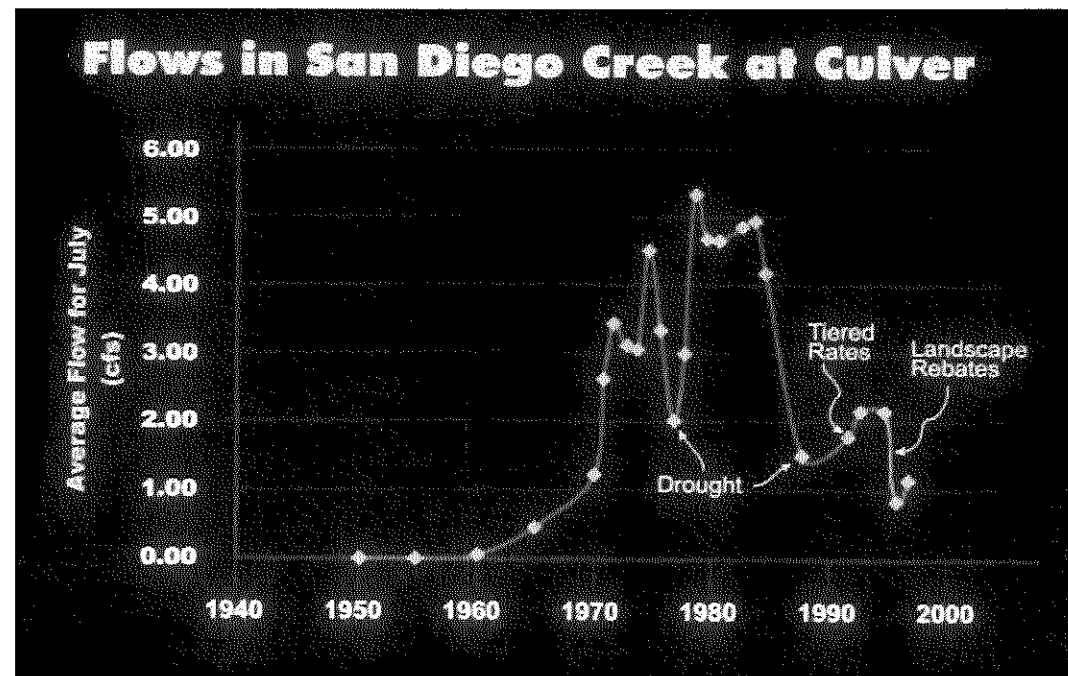
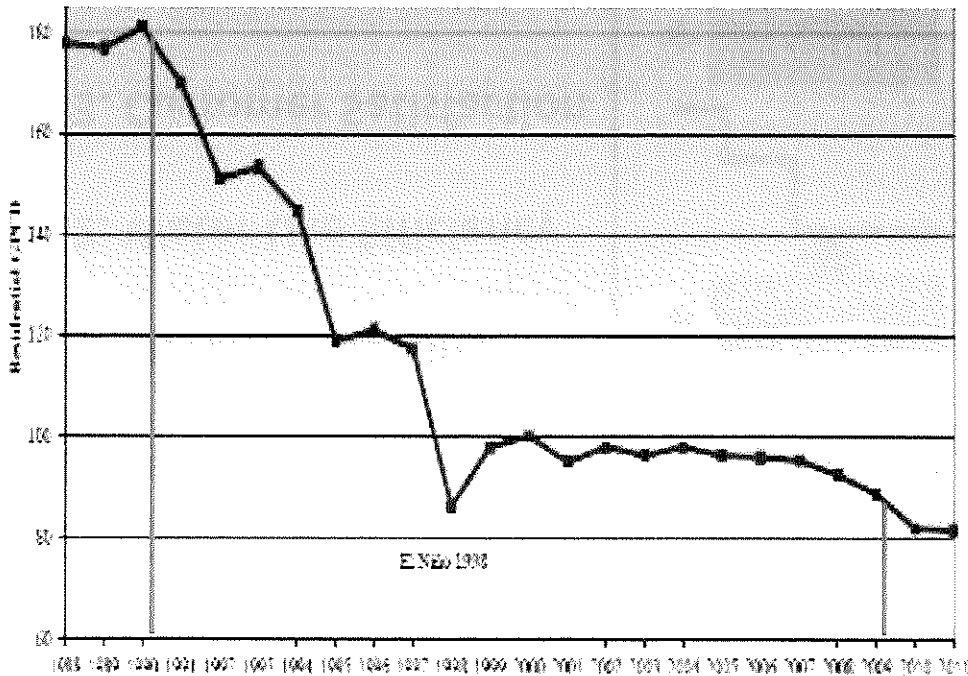
Bottom Line: WBR are Individualized, Flexible to Changes, Education w/Every Bill, Transparent to Agency Business, have multiple benefits, and provide a separate funding source for efficiency programs.

Water Budget Rates Work on Multiple Levels

Item 6

- Significant demand reduction
- Stable revenue
- New funding source for programs paid only by those who over-use

- 80% non-point source water run-off reduction (5CFS to 1CFS)
- Held in place since 1997
- Fish/wildlife and Bay health improved



Who Has Water Budget Rates & What Do They Say?

WBR Implementations:

IRWD (1991)

Highlands Ranch, Co. (2004)

Castle Rock, Co. (2005)

Boulder, Co. (2007)

Palmdale WD, (2008)

Coachella Valley WD (2008)

Eastern Municipal WD, (2009)

City of Corona (2009)

Rancho California WD (2010)

Elsinore Valley MWD (2010)

El Toro WD (2010)

Moulton Niguel WD (2011)

Western Municipal WD

(2011)

Las Virgenes WD (2015)

Santa Margarita WD (2017)

5 agencies in SAWPA region

- *“People now pay attention to leaks and water waste.” PWD*

- *Agency cost recovery is right where we estimated even with significant water savings.” RCWD*

- *“85% of our users meet the water efficiency standards.” MNWD*

- *“We have 90%+ Customer Satisfaction.” IRWD*

- *“We had a payback for the new rate structure implementation within 6 months.” WMWD*

Las Virgenes MWD 2013:

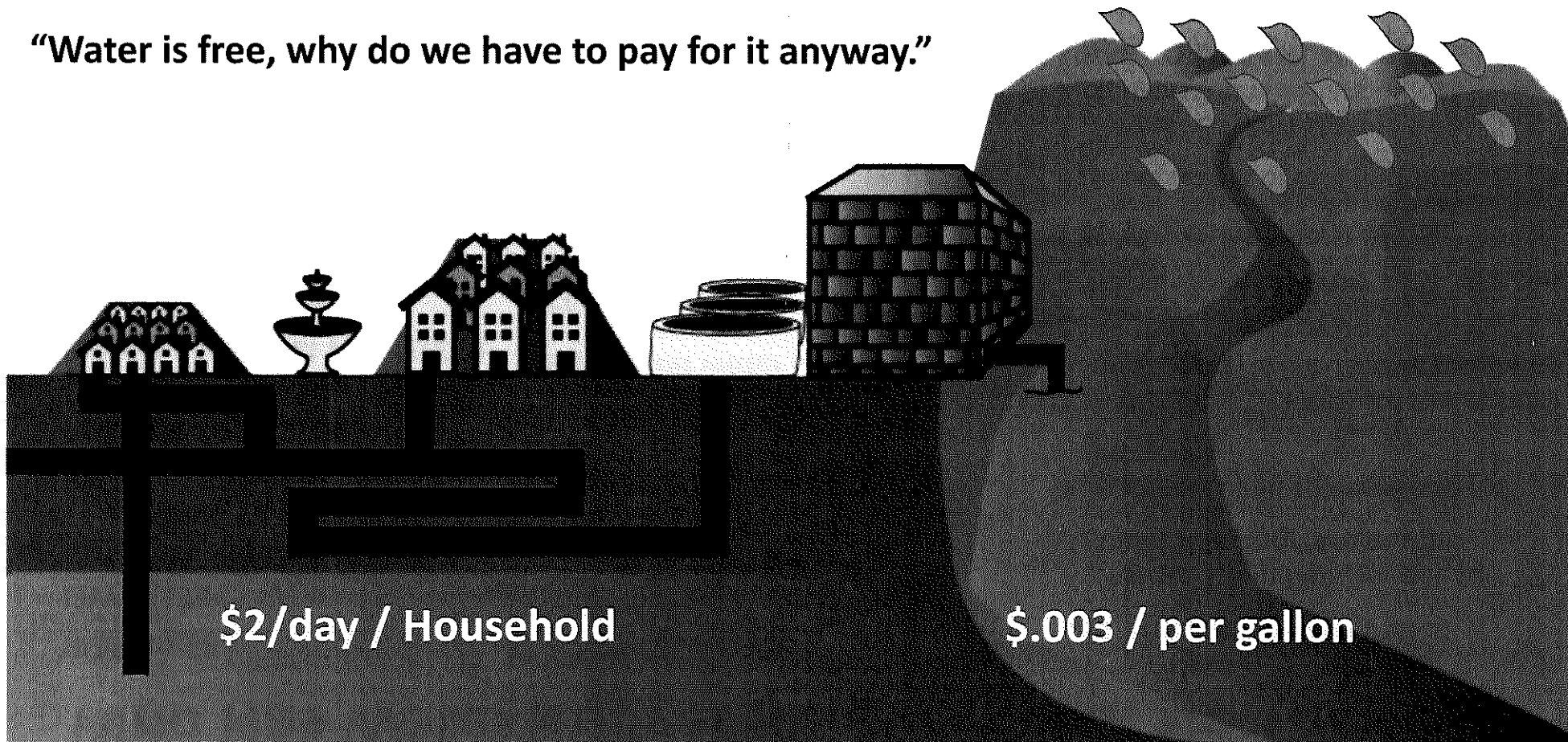
- Losing \$1.5 million/yr. due to lower demand/rate design
- Reserves used to avoid rate increases
- High water use despite the onset of drought/few effective programs
- Discord on Board

Las Virgenes MWD 2019:

- Meets costs of service/budgets
- Rebuilt Reserves/more conservation dollars
- 60% of customers meet budgets
- Board is very happy
- 4 Prop 218 protests (out of 23,000)

Tell The Real Water Agency Story with Rates:

“Water is free, why do we have to pay for it anyway.”



Rate

| | Scenario 1 | Scenario 2 |
|------------|------------|------------|
| Fixed = | 75% | 25% |
| Variable = | 25% | 75% |

Modeling

Allocations Inputs - SFR customers

| | |
|------------------------|--|
| Total Parcel Area (TA) | 8,000 sq ft |
| Area Factor (AF) | 45% of total area |
| Landscape factor (LF) | 70% of ETo by State of California Code of Regulation Title 23, Section 490-495 |
| Household size (Size) | 4 residents per acct |
| GPCD | 60 gallons per capita day |
| Drought factor | 100% to control demand at different water supply conditions |

Tier Definitions

| | % of water budgets |
|--------|--------------------|
| Tier 1 | 100% |
| Tier 2 | 125% |
| Tier 3 | 150% |
| Tier 4 | 175% |
| Tier 5 | above 175 % |

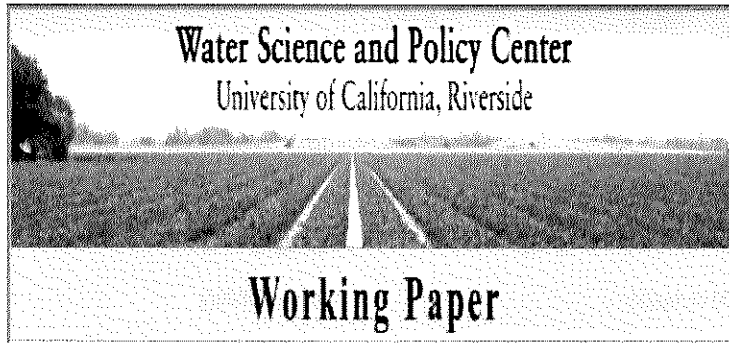
$$Indoor(ccf) = \frac{GPCD * Size * Days}{\left(\frac{748 \text{ gallons}}{1ccf}\right)}$$

$$Outdoor(ccf) = \frac{ET_0 * TA * AF * LF * DF}{\left(\frac{12 \text{ inch}}{ft}\right) \left(\frac{100 \text{ ft}^3}{1ccf}\right)}$$

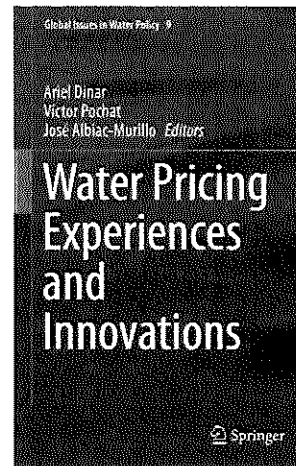
Conservation factor

| | CY 2009 | CY 2010 | CY 2011 | CY 2012 | CY 2013 | CY 2014 |
|---------------------|---------|---------|---------|---------|---------|---------|
| Conservation factor | 100% | 98% | 97% | 97% | 98% | 99% |

UC Riverside Economists Study and Validate Impacts of Water Budget Rates?



- ***“Reduced use 18% without negative economic impact to the public agency.”***
- ***“To achieve a similar water use reduction would have required a 30% increase in water rates.”***



Allocation-Based Water Pricing
Promotes Conservation While Keeping User Costs Low
Ken Baerenklau, Kurt Schwabe, and Ariel Dinar

Can Allocation-Based Water Rates Promote Conservation and Increase Welfare? A California Case Study

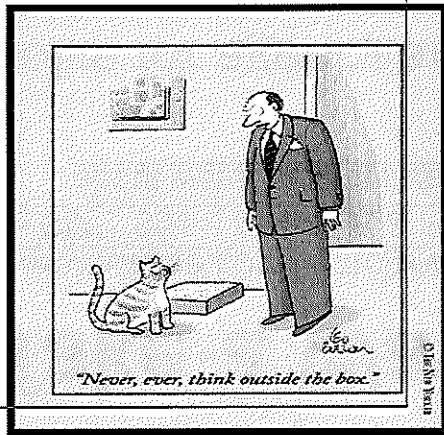
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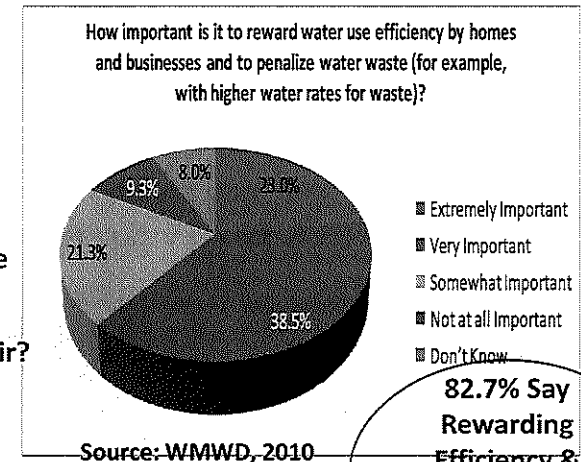
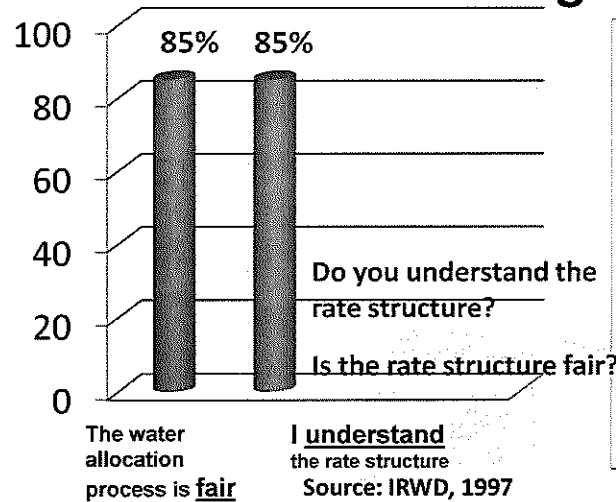
Myths

- “Takes too much data”
- “It costs too much”
- “Customers won’t understand”
- “Tiered rates are illegal”
- “It’s too hard”



Reality

- “You ask us to save and then you raise rates. We will vote you out.”
- There is a financial risk to not changing
- Customers “get” Water Budgets



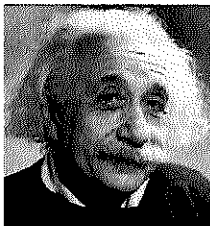
82.7% Say Rewarding Efficiency & Penalizing Water Waste is Important!

Take-a Ways

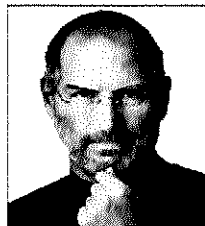
https://www.youtube.com/watch?v=mZdoL_5qdac
(click here to see GM's, Board Members & Finance Managers talk
about water budget rates)



- You Can solve for agency and customer needs at the same time
- Customers need a target for efficiency
- Closely manage rate consultants (they have a different business model than agencies...)
- Measure in order to manage...(establish water budgets as the impartial, equitable and scientific method to measure water use efficiency)



“Think Differently!”



“Think Differently!”



PUBLIC REVIEW DRAFT

ACHIEVING THE HUMAN RIGHT TO WATER IN CALIFORNIA

AN ASSESSMENT OF THE STATE'S COMMUNITY WATER SYSTEMS

AUGUST 2019

Office of Environmental Health Hazard Assessment
California Environmental Protection Agency



OEHHA
SCIENCE FOR A HEALTHY CALIFORNIA

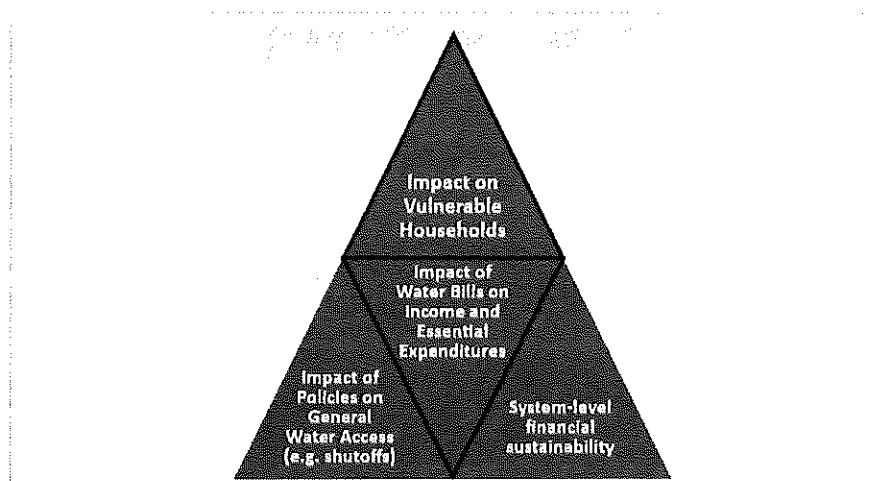
Component 3: Water Affordability

A central consideration in achieving the human right to water is whether customers can afford to pay for their water. Water affordability is typically assessed by measuring the direct and indirect costs of water charged to a household, relative to the household's income level. Measuring water affordability can help inform how water costs affect the attainment of households' other basic needs such as housing and food. To address issues of non-discrimination and equity, water should be affordable to the most vulnerable populations, and users should be free from unnecessary disconnections (UN CESCR 2002).

Figure 27 summarizes the concepts that commonly influence affordability considerations, and highlights the two areas of affordability that form the main focus here: the ratio of water bills to income and the impact of water bills on economically vulnerable households. The current assessment is focused on the cost of water for drinking, cooking, and hygiene, but could easily incorporate the cost of sewer and sanitation charges should such data become available.

Another core aspect highlighted in Figure 27 is the sustainable financial capability of water systems, or the adequacy of revenue streams and their management to cover ongoing and long-term infrastructure maintenance, capital costs and upgrades necessary to maintain adequate water quality (Davis JP and Teodoro MP 2014; OECD 2010; US EPA 1998a). These aspects are not directly captured in the current assessment.

Figure 27. Core Aspects of Affordability. Triangles highlighted in black indicate areas that the Affordability Component focuses on.



Historically, US EPA has used affordability ratios to measure the impact of a water system's average water bill on a household earning the median household income (US EPA 1998a). US EPA's affordability ratio (known as the Residential Indicator) is an indicator used primarily to screen water systems for affordability challenges when they are meeting compliance standards for water quality. Water is understood to be unaffordable if water bills exceed a pre-established percentage of median household income (See Box 2: What is an affordability ratio?). Concerns about the adequacy of this approach have resulted in extensive discussions about best practices and about the limitations of the conventional affordability ratio approach (See Works Cited for further discussion).

Box 2: What is an affordability ratio?

An affordability ratio captures the impact of a water bill on a household's income. In its most generic form, this ratio typically consists of a water bill at a specified volume of water divided by an income level. The resulting ratio is meant to capture the fraction of a household's income that is spent on water bills. Typically, the affordability ratio is evaluated against a threshold to determine whether water bills are or are not affordable.

Conventional affordability ratios often use average water bills divided by a region's median household income level. However, these ratios have limitations. Ideally, the value used for water bills includes all costs (including any fees, sewer, or other charges). Additionally, household income should represent total household income minus other essential expenditures (such as housing and food), so that water is not misrepresented as affordable at the expense of other basic needs (e.g. food).

Indeed, improved affordability ratios specify the water bill inclusive of all charges for a particular volume of water, and aim to measure disposable income minus other essential expenditures.

Building on this rich discussion, OEHHA developed three affordability indicators to measure affordability at three income levels at the water system scale (see Box 3: Summary of Affordability Measures and (Goddard J.J., Ray I. et al. 2019).²⁹

This chapter first discusses water bill data and methods used to create the affordability indicators and common thresholds for expressing whether water is affordable. It then presents each of the three affordability indicators, followed by the calculation of a composite affordability indicator and water system affordability score. The chapter concludes with a

²⁹ Data limitations make it hard to analyze affordability at the household level. Information about household water bills and income level would be needed. Therefore, indicators that screen for potential household concerns are often developed at larger geographic scales (for example, at the water system or census-tract scale).

discussion of data gaps, which are significant for this component, and observations on water affordability in California's community water systems.

Works Cited contains a literature review relevant to the creation of the affordability indicators and Appendix B includes technical and methodological details about the indicators we present.

Unlike the Water Quality and Water Accessibility components outlined above, the Affordability Component has no subcomponents.

Box 3: Summary of Affordability Measures Calculated for Each Water System

This chapter describes three affordability indicators, and one composite metric. The three affordability indicators are based on the generic formula of an affordability ratio (AR) for a specified volume of water:

$$AR = \frac{\text{System wide Average Bill for 600 cubic feet of water per month}}{\text{Specified Income Level}}$$

Affordability Ratio at the Median Household Income Level (AR_{MHI})

- Calculates water bills relative to the median household income within a water system's service area.
- Identifies affordability challenges, if any, that median-income households served by the system may face.

Affordability Ratio at the County Poverty Threshold (AR_{CPT})

- Calculates water bills relative to the county poverty income level.
- The number of households below the county poverty level is also calculated.

Affordability Ratio at the Deep Poverty Level (AR_{DP}).

- Calculates water bills relative to the deep poverty level (one-half the income of the poverty level).
- The number of households below the deep poverty level is also calculated.

These three indicators are used to create a **Composite Affordability Ratio** which uses the number of households at the three income levels described above to create a household-weighted affordability ratio for households below the median income level.

Method to Create Affordability Ratios

Four main steps were taken to create the three affordability ratios. The general formula used to calculate the affordability ratios (ARs) is:

$$AR = \frac{\text{Systemwide Average Annual Water Bill}}{\text{Annual Income}}$$

To apply this formula to create the affordability indicators, OEHHA followed these steps for each water system:

1. Selected water consumption level (same for all systems) based on available water bill data.
2. Selected water bills reported for the water consumption level.
3. Estimated three income levels for each water system: median household income, county poverty income and “deep poverty” (one-half of the county poverty income level).
4. Estimated the number of households within each system earning below the three income levels.

These data are then used to estimate three affordability ratios for each water system, at three income levels, and to weight them to create a household-weighted average composite affordability ratio for households earning below the median income in each water system.

STEP 1: SELECTING A WATER CONSUMPTION LEVEL

Water systems annually report average residential water bill data at three volumes of monthly consumption (600, 1200, and 2400 cubic feet) to the State Water Board through annual electronic reports. OEHHA selected water bills reported at 600 cubic feet (6 HCF) due to this volume’s alignment with basic water needs and conservation goals. This amount is approximately 150 gallons per household per day per household.³⁰ As such, this volume falls within the range of basic needs water consumption for people in California (though it is significantly above international standards for essential water) and falls near California water conservation goals (Gleick P 1996).³¹ For most households, 6 HCF per month would not be enough water to cover landscaping and other water uses that are generally not considered to

³⁰ This is equivalent to 50 gallons per person per day in a 3-person household or 37 gallons per person per day in 4-person household. The average household size in California in 2015 was 2.9 persons per household.

³¹ (Gleick P 1996) proposes a basic water requirement of 50 liters per capita per day (13 gallons). This is equivalent to 150 liters (39.6 gallons) for a three-person household and 200 liters (52.8 gallons) for a four-person household. Gleick’s study presents a range of 57-165 liters per capita per day (15-45.6 gallons), depending on the region, technological efficiencies, and cultural norms. (Feinstein L 2018) recommends evaluating water affordability in California using a measure of 43 gallons per capita per day, equivalent to 129 gallons per three-person household and 172 gallons per four-person household. A provisional standard of 55 gallons per capita per day is identified in (California Water Code 2009) section 10608.2 for indoor water use for urban water suppliers who are aiming to reduce water demand.

be basic needs. Even so, some households may require higher levels of essential water use, for example, larger households; households with people facing illness or with disabilities; or households in more water-stressed areas of the state.

OEHHA selected 6 HCF per month as representing essential water needs, given currently available statewide datasets, while acknowledging the diversity of water needs of households in the state. For additional discussion, see Appendix B1 Water Bill Dataset Selection & Use.

STEP 2: SELECTING AVERAGE WATER BILL AT 6 HCF

We estimated affordability using the annual average water bill for 6 HCF per month (See Box 4: Affordability Considerations: What is in a Water Bill?). We relied on water bill data reported by water systems³² in the State Water Board's Electronic Annual Reporting survey (eAR) (See Appendix B1 Water Bill Dataset Selection & Use for detailed methodology).³³

Prior to selecting this approach, we reviewed four available datasets on water bills for California community water systems (See Appendix Table B1). Ultimately, OEHHA selected the State Water Board's eAR survey because:

- The eAR data are publicly available.
- The eARs are updated every year, and thus this indicator can be re-calculated each year.
- Despite data gaps discussed below, the eAR data has a high level of coverage of California water systems (compared with other four datasets; See Appendix Table B1).
- The eAR data were reported as average monthly residential water costs for a specific volume of water.

For all three affordability ratios, we:

- Reviewed water bill data for community water systems.
- Applied exclusion criteria for potential outliers (i.e. very low and very high water bills). (See Appendix B3 Data Cleaning & Exclusions for detailed methodology.)

After collecting income data and addressing missing data and data reliability concerns (See Appendix B3.4.1 Data Reliability in Census Data), 1,158 systems were ultimately included in OEHHA's affordability assessment. The median water bill for 6 HCF across water systems with data was \$41.39/month (See Appendix B3 Data Cleaning & Exclusions) (State Water Resources Control Board 2019).

³² Systems are asked to report average residential water bills at specified water volumes, with no specification in the survey question to include additional fees or sewer charges in the estimate. Therefore, OEHHA interprets the available data provided in the eAR to represent a minimum cost for water at the specified volumes—or the water rate given 6 HCF, excluding sewer charges.

³³ Other approaches to estimating water bills are to calculate an estimated average water usage and use rate information to calculate an average annual water bill.

STEP 3: ESTIMATING INCOME LEVELS

We took the following steps to calculate income levels (See Appendix B2 Income Data Selection & Use for more details):

Median Household Income (MHI)³⁴:

- Applied the steps described in the Institutional Constraints section (page 51)
- Applied OEHHA's MHI exclusion criteria to remove unreliable estimates where relevant, as discussed in Appendix B3.4.1 Data Reliability in Census Data.

County Poverty Threshold (CPT):

- Collected data from Public Policy of Institute of California on County level poverty thresholds (see Appendix B2.2.1 Selecting Poverty Level Income).
- Assigned each system the County Poverty Threshold of its respective county. (Of California's 58 counties, 38 counties have unique poverty thresholds and the remaining 20 are in three groups with equal thresholds due to Census suppression criteria.) (US Census Bureau 2016)

Deep Poverty (DP), was calculated to be 50% of the CPT.

STEP 4: ESTIMATING NUMBER OF HOUSEHOLDS BELOW INCOME LEVELS

For each water system, to estimate the number of households below the MHI, County Poverty Threshold, and Deep Poverty Level, OEHHA:

- Estimated the number of households in each of the Census's 16 income brackets from ACS 2011-2015 Table B19001. This was done by apportioning block group level data to water systems through a set of steps. First, we calculated the percent of households in each income bracket for all block groups. Second, we estimated the number of households in each block group served by a given water system by intersecting water system boundaries with populated census blocks. Then, we multiplied the Census data (i.e. the percentage of households in each income bracket) by the estimated number of households in each block group served by a water system. These data were summed across all block groups intersecting a water system, resulting in a household weighted estimate for the number of households in each income bracket for each system (See B2.3.1 Areal-Household Weighting Methodology).
- Excluded systems that do not meet OEHHA's data-inclusion criteria based on Census data reliability (See Appendix B3.4.1 Data Reliability in Census Data).³⁵

³⁴ Median household income is gross income, i.e. it does not exclude taxes or other essential expenditures.

³⁵ OEHHA sought to improve reliability of census estimates used by aggregating data to water system boundaries and excluding systems with unreliable data. Even so, estimates should be considered in light of their potential unreliability per census measures of error. Appendix B3.4 provides further details and discussion on this topic.

- Approximated the number of households below the particular income level within each system³⁶ by using linear interpolation between points across the Census income brackets, summing the number of households below the income level, and dividing that sum by the total households within the water system. (See Appendix B4 Composite Affordability).

³⁶PPIC poverty thresholds, indexed against the percentage of households at that income level, may *under-estimate* the actual percentage of households in poverty because PPIC estimates are proxies for disposable income and Census estimates of households by income brackets are estimates of total income. At poverty and deep poverty income levels, it is likely that disposable and gross income levels are not substantially different, but given that we cannot measure this we recognize that our approach results in a more conservative measure of poverty levels and may under-estimate the number of households facing AR_{CPT} or AR_{DP} within a system. In the current study, the average percentages of households in poverty or in deep poverty within water systems corroborates PPIC's state-wide estimates at the county level, despite different overall analyses.

Box 4: Affordability Considerations: What is in a Water Bill?

Water bills typically reflect the price of water consumed by a household plus any fees and subsidies for drinking water and sewer services. The price of water may be fixed or vary with the volume consumed. Water bills may vary widely across water systems, even for the same volume of water. Variability in water bills is due to many factors, including water costs, operations and maintenance costs, administrative costs, debt service on capital investments, energy costs, and water quality variations. Water bills cannot fully capture the cost of water in cases where households pay for bottled water (costs referred to as replacement costs).

When measuring affordability, water bills are most frequently used to represent total water costs to households. However, depending on what data is reported and/or collected, water bills do not always include wastewater costs, or long-term infrastructure and maintenance costs.

California's eAR survey asks systems to report the average water bill at a specified volume of water consumed. Water bills reported at a fixed volume (e.g., 6 HCF in this report) are thus for an average water bill for an essential use volume and may not reflect what a household *actually* pays for water. A completely accurate water bill for 6 HCF would need to include wastewater charges, infrastructure charges, and other important fees that may not be captured in the average water bill estimates reported.

The contractual relationship between renters and homeowners represents another challenge. The Water Board estimates that between 25% and 46% of Californians rent their homes (State Water Resources Control Board 2019). Water bills are paid by owners, who pass costs on to tenants, in theory, proportional to a renter's water use. However, the relationship between what renters should pay for water and what they actually pay is not generally metered or documented. As a result, the use of water bills may underestimate or overestimate how much renters pay for water. The indicators in this report thus assume that renters pay proportionally to their use (i.e., 6 HCF), but they do not directly consider affordability for renters.

A total of 1,561³⁷ out of 2,903 community water systems had water bill data that could be included in the affordability calculations (See Appendix B1 Water Bill Dataset Selection & Use). After applying a set of exclusion criteria (see Appendix B3 Data Cleaning & Exclusions), this resulted in 1,158 systems, or 40% of community water systems, assigned affordability scores (This contrasts with the Water Quality Component for which OEHHA evaluated 100% of community water systems, and 91% in the Water Accessibility Component).

³⁷ Los Angeles Department of Water and Power (LADWP) was divided into five smaller sub-systems. The umbrella system was removed before further evaluation of data reliability.

The relatively low number of systems in the assessment is discussed later in this chapter, though it is worth noting that these 1,158 community water systems, while only about 40% of the total number of community water systems, represent approximately 90% of the population served by community water systems in California. However, very small systems and those serving severely disadvantaged communities are under-represented in this analysis. The impact of this smaller sample size relative to the total number of community water systems is likely significant, and is discussed in greater detail below in the “Affordability Data Gap” section. For this reason, the initial results presented below should not be used to represent complete statewide trends, as this would require the complete dataset.

Scoring

Most affordability studies use a specific threshold to determine if the percent of household income spent on water is affordable or not. The present assessment does not select a specific threshold against which affordability ratios are determined to be “unaffordable.” Instead, multiple thresholds represent the spectrum from more to less affordable.

There is no single agreed-upon affordability threshold. Instead, there are several thresholds cited internationally, nationally and in California that can be relevant for assessing affordability. Internationally, water is typically considered unaffordable when costs are greater than 3% of disposable incomes (United Nations Development Program 2006). Nationally, US EPA has applied a threshold of 2.5% to identify drinking water affordability challenges in water systems (US EPA 2002). There are several potential benchmarks for judging water affordability at the three income levels used in OEHHA’s report. In California, State Revolving Fund programs consider loans for water projects to be unaffordable when repayment costs result in water bills that exceed 1.5% of median household incomes in disadvantaged communities (those earning 80% or less than the state’s median household income) (State Water Resources Control Board 2018). See Appendix A2 Approaches to Measuring Affordability for further discussion of approaches to measuring water affordability, including the use of thresholds.

We assigned indicator scores to water systems based on a combination of assessing the distribution of the data and using existing affordability benchmarks as follows:

- 0, when the average water bill exceeds 2.5% of the relevant income level (e.g., MHI, CPT, DP).
- 1, when the average water bill ranges from 1.5% to less than 2.5% of the income level.
- 2, when the average water bill ranges from 1.0% to less than 1.5% of the income level.
- 3, when the average water bill ranges from 0.75% to less than 1.0% of the income level.
- 4, when the average water bill is less than 0.75% of the income level.

Indicators



Affordability Indicator 1: Affordability Ratio for the Median Household Income level (AR_{MHI})

This affordability ratio, AR_{MHI} , is based on the median household income level of the population served in each community water system (see Methods Section of Institutional Constraints indicator for information on how MHI is calculated, as well as Appendix B2.3). AR_{MHI} is evaluated using water bills reported for an essential minimum water volume of 600 cubic feet (6 HCF). Across the 1,158 systems, MHI ranged from \$17,400 to \$250,000 (median=\$60,500).

The affordability ratio at MHI (AR_{MHI}) is calculated as:

$$AR_{MHI} = \frac{\text{System wide Average Bill for 6 HCF/month} \times 12 \text{ months}}{\text{Annual Median Household Income of Water System}}$$

The affordability ratio is expressed as a percentage.

An affordability ratio using the median income level indicates the water bill burden for households at the 50th percentile of the income distribution in a water system. Thus, if water bills are high for households at the median income level, water is unaffordable for at least 50 percent of households in a water system. High water bills at the MHI may also indicate that the water system's financial capacity is at risk for being unsustainable, because household affordability and system financial capacity are interrelated.

Data Source

State Water Board's electronic annual reports (eAR), 2015.

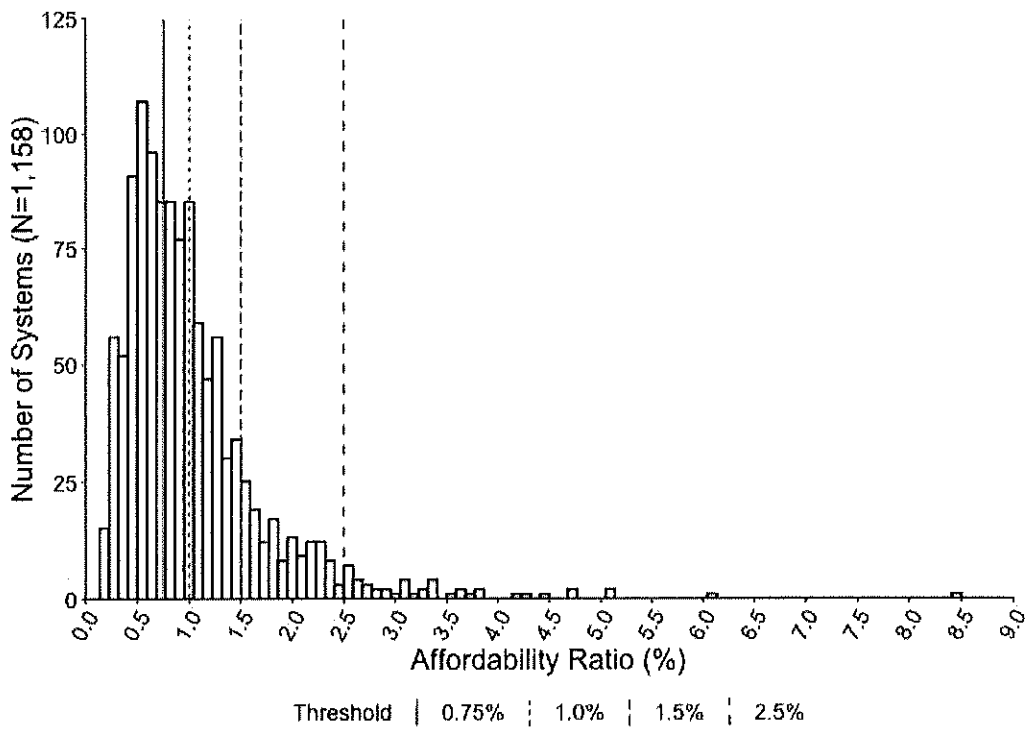
US Census American Community Survey (ACS) 5-Year Data: 2011 – 2015

Tracking California, Public Health Institute. Water Boundary Tool. Available at URL: <https://trackingcalifornia.org/water-systems/water-systems-landing>.

Results

Among the 1,158 systems with data, affordability ratios ranged from 0.16% to 8.49%, with a median of 0.85% (Figure 28). Figure 28 shows how the indicator scores are distributed across the 1,158 systems with data. Among these systems, 15.8% of systems had average water bills exceeding 1.5% of the median household income. Of these, 66.5% serve severely disadvantaged or disadvantaged communities, defined by their overall economic status (see Accessibility Chapter). Table 17 provides an indicator score to these affordability values and represents systems not included in analysis (due to missing data or exclusion criteria) as "No Data". Figure 29 highlights these indicator scores across the state.

Figure 28. Affordability Ratio and Scores at Median Household Income (as Percent) for Community Water Systems. Data for 1,158 community water systems in 2015[†].



[†] The four dashed lines delimit the five bins used to score the affordability ratio.

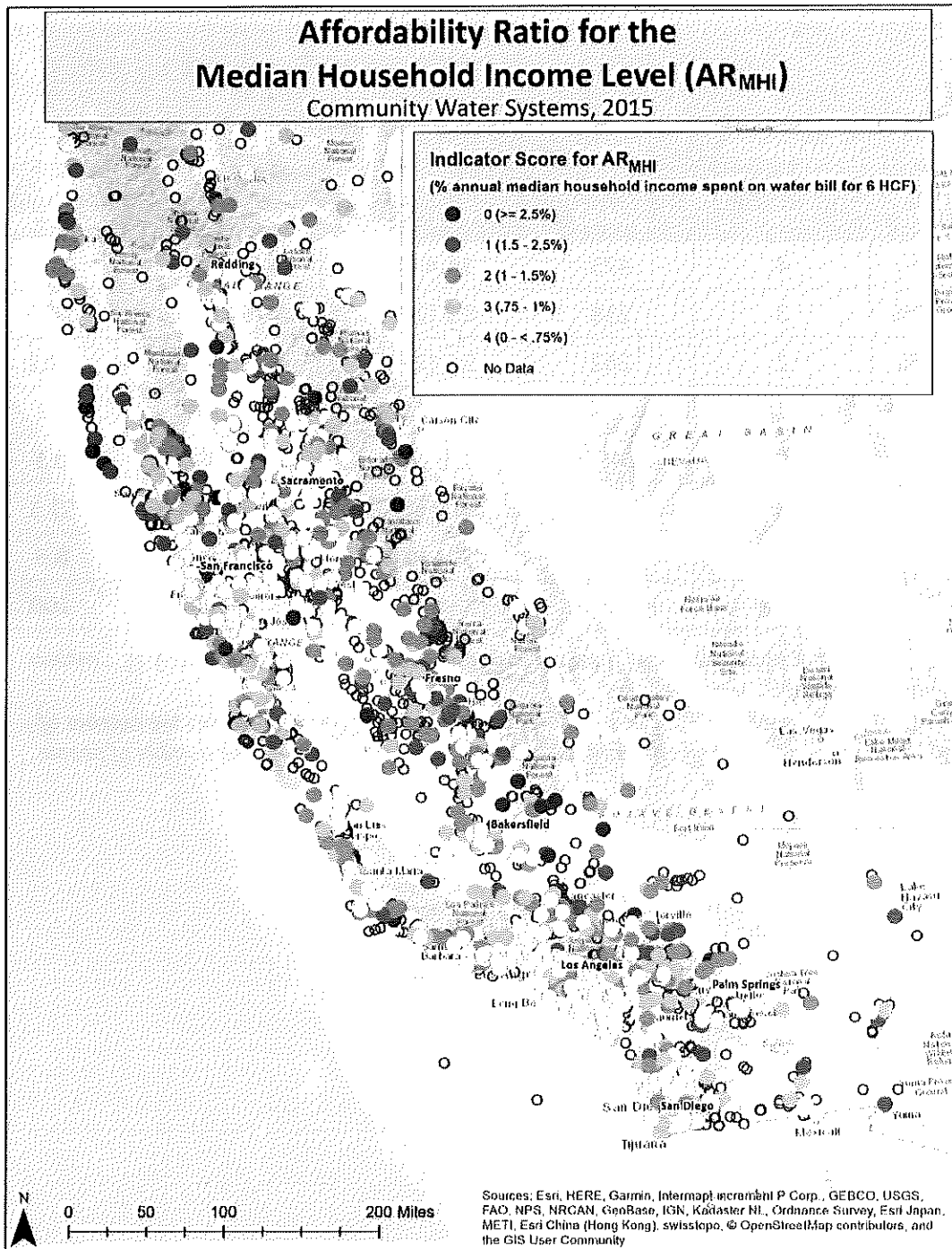
Table 17. Affordability Ratio at Median Household Income. Number of community water systems in various affordability ranges, with associated indicator score. Study period, 2015. Note: the percent of systems shown reflects the state's 2,903 community water systems, with the percent of systems in the analysis indicated in parentheses (n=1,158)[†].

| Composite Affordability Ratio Range | Composite Affordability Score | Number of Community Water Systems (CWS) | Percent of All CWS (N=2,903) (Percent of systems in Analysis, n=1,158) | Population* | Percent Population (among 2903 systems) |
|-------------------------------------|-------------------------------|---|--|-------------------|---|
| 0 to <.75% | 4 | 475 | 16.4 (41) | 21,500,000 | 61.1 |
| 0.75% to <1% | 3 | 238 | 8.2 (20.6) | 5,790,000 | 16.5 |
| 1% to <1.5% | 2 | 262 | 9.0 (22.6) | 4,280,000 | 12.2 |
| 1.5% to <2.5% | 1 | 138 | 4.7 (11.9) | 437,000 | 1.2 |
| >=2.5% | 0 | 45 | 1.6 (3.9) | 25,000 | 0.1 |
| | Sub-total | 1,158 | 39.9 (100) | 32,000,000 | 91.1 |
| No Data | N/A | 1,745 | 60.1 (N/A) | 3,110,000 | 8.9 |
| | Total | 2,903 | 100 | 35,100,000 | 100 |

[†] OEHHA used census block population data from 2010 to estimate a total of approximately 35.1 million people living in areas served by water systems.

* Population reported at three significant figures. The population figure shown indicates the number of people served by systems with that given affordability ratio; it does not represent the number of people facing that actual affordability ratio.

Figure 29. Affordability Ratios at Median Household Income Levels for 1,158 systems. Income data based on ACS 5-Year Summary 2011-2015. See Appendix B3.5 for a map of systems with "No Data".





Affordability Indicator 2: Affordability Ratio for the County Poverty Threshold (AR_{CPT})

This affordability indicator is based on the county poverty income level threshold, which OEHHA refers to as AR_{CPT} . Economically vulnerable households and individuals are expressly considered with regard to their ability to pay for water with this indicator (CESCR (United Nations Committee on Economic 2002)).³⁸

The AR_{CPT} is calculated as:

$$AR_{CPT} = \frac{\text{System wide Average Bill for 6 HCF per month} \times 12 \text{ months}}{\text{County Poverty Threshold for Water System's County}}$$

The affordability ratio is expressed as a percentage.

In developing this indicator, OEHHA evaluated several existing datasets and measures of poverty. Ultimately, the county poverty income thresholds calculated by the Public Policy Institute of California (PPIC) were selected (Bohn S, Danielson C et al. 2013).³⁹ The PPIC calculates county poverty income thresholds based on the approach of the US Census, using data on the expenditures needed for a family of four to stay out of poverty within a given county (for more information, see Appendix B2.2.2 Poverty Level Incomes by Water System).

The PPIC thresholds offer two important advantages over other approaches that were considered. First, the income levels identified by each PPIC county poverty income threshold are a proxy for disposable income (e.g., income after taxes)—rather than gross income (See Appendix B2 Income Data Selection & Use).⁴⁰ Second, the PPIC's thresholds explicitly account for differences in housing costs across counties in California, thus including a key driver of differential household expenditures across the state (See Box 5: High Cost of Living Considerations). For the 1,158 systems covered, County Poverty Thresholds range from \$23,710 to \$36,150 (see Appendix B2.2.2 Poverty Level Incomes by Water System for more information). Figure 30 shows the large percentage of households living at or below the county poverty level in many of the 1,158 community water systems covered in our analysis.⁴¹

³⁸ UN General Comment No. 15 on the Right to Water notes “that poorer households should not be disproportionately burdened with water expenses as compared to richer households.”

³⁹ The PPIC uses these county poverty thresholds to calculate its California Poverty Measure. OEHHA uses the county poverty thresholds in its affordability indicators and thus does not include additional income or benefits households in poverty may receive.

⁴⁰ Other studies have explored alternate metrics for poverty-level affordability ratios. Some evaluate affordability at the 20th percentile with discretionary income (Teodoro M.P. 2018) or at every income decile ((Sawkins and Dickie 2005)). Alternative sources for poverty-level data include area income estimates produced by the Housing and Urban Development, recommended in the Pacific Institute report (Feinstein L 2018). See Appendix B2 for discussion.

⁴¹ OEHHA sought to improve reliability of census estimates used by aggregating data to water system boundaries and excluding systems with unreliable data. Even so, estimates should be considered in light of their potential unreliability per census measures of error. Appendix B3.4.1 Data Reliability in Census Data provides further details

Box 5: High Cost of Living Considerations

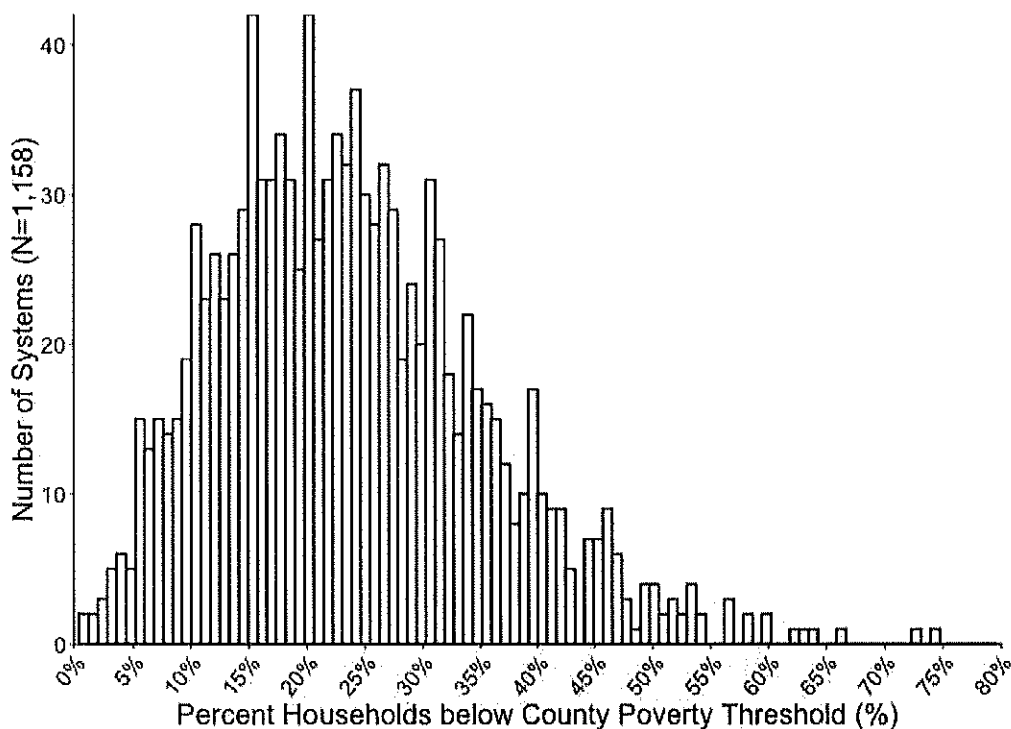
A household's ability to pay for water hinges on its disposable income, and the cost of other non-water essential expenditures. Ideally, an affordability ratio would reflect disposable income minus non-water essential expenditures. Thus the household's water bill would be compared to its remaining discretionary income and not infringe on other basic needs such as shelter.

California's high cost of living, which varies regionally, affects the amount of income available to households to pay for water. Two households may pay the same water bill and have the same income level. However, the household in a region with the higher cost of living will have less discretionary income to allot to its water bill.

CPT and DP approximate poverty and deep poverty level disposable incomes with cost-of-living adjustments, but their affordability ratios do not remove housing costs. Therefore, households in expensive housing areas will have a higher CPT but a lower affordability ratio for a household paying the same water bill in a more affordable region. This represents a common limitation. Removing essential expenditures - like housing- from income levels may improve representation of affordability challenges but requires additional assumptions and data that are not readily available at the water system scale, especially in small and rural systems (See Appendix A3 for further discussion).

and discussion on this topic.

Figure 30. Percent of Households At or Below County Poverty Thresholds, Across 1,158 Community Water Systems. Data based on ACS 5-Year Summary 2011-2015.



The affordability ratio AR_{CPT} represents the income of individual households within that county that are at or near the county poverty threshold level. For example, a particular system may have 1% of its households living at the poverty level. In this case, this ratio would only apply to 1% of households. Accordingly, AR_{CPT} is considered in conjunction with information on the percentage of households within a water system that are at or below the California county poverty threshold.

Data Source

State Water Board's electronic annual reports (eAR), 2015.

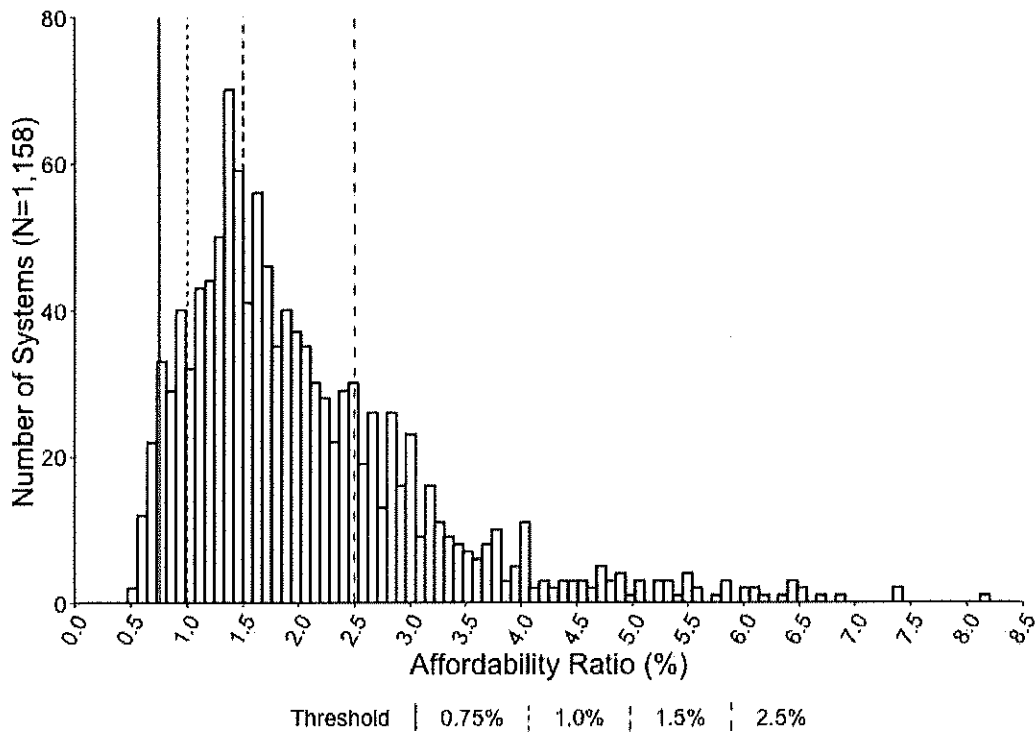
Public Policy Institute of California (PPIC) California County Poverty Thresholds, 2015.

Tracking California, Public Health Institute. Water Boundary Tool. Available at URL: <https://trackingcalifornia.org/water-systems/water-systems-landing>.

Results

Among the 1,158 systems with the required data, affordability ratios at the poverty threshold (AR_{CPT}) ranged from 0.55% to 8.14%, with a median of 1.76% (Figure 31). Table 18 scores these AR_{CPT} results accordingly.

Figure 31. Affordability Ratio at County Poverty Threshold (as Percent) for Community Water Systems. Data for 2015, n=1,158 community water systems.[†]



[†] The four dashed lines delimit the five bins used to score the affordability ratio.

Table 18. Affordability Ratio at County Poverty Threshold. Number of community water systems in various affordability ranges, with associated indicator score. Study period 2015. Note: the percent of systems shown is reflective of the 2,903 Community Water Systems, with the percent of systems in the analysis indicated in parentheses (n=1,158)[†].

| Composite Affordability Ratio Range | Composite Affordability Score | Number of Community Water Systems (CWS) | Percent of All CWS (N=2,903) (Percent of systems in Analysis, n=1,158) | Population* | Percent Population (among 2903 systems) |
|-------------------------------------|-------------------------------|---|--|-------------|---|
| 0 to <.75% | 4 | 44 | 1.5 (3.8) | 2,560,000 | 7.3 |
| 0.75% to <1% | 3 | 96 | 3.3 (8.3) | 3,480,000 | 9.9 |
| 1% to <1.5% | 2 | 294 | 10.2 (25.4) | 12,800,000 | 36.4 |
| 1.5% to <2.5% | 1 | 418 | 14.4 (36.1) | 11,500,000 | 32.7 |
| >=2.5% | 0 | 306 | 10.5 (26.4) | 1,680,000 | 4.8 |
| Sub-total | | 1,158 | 39.9 (100) | 32,000,000 | 91.1 |
| No Data | N/A | 1,745 | 60.1 (N/A) | 3,110,000 | 8.9 |
| | Total | 2,903 | 100 | 35,100,000 | 100 |

[†] OEHHA used Census block population data from 2010 to estimate a total of approximately 35.1 million people living in areas served by water systems.

* Population shown to three significant figures. The population figure shown indicates the number of people served by systems with that given affordability ratio; it does not represent the number of people facing that actual affordability ratio.



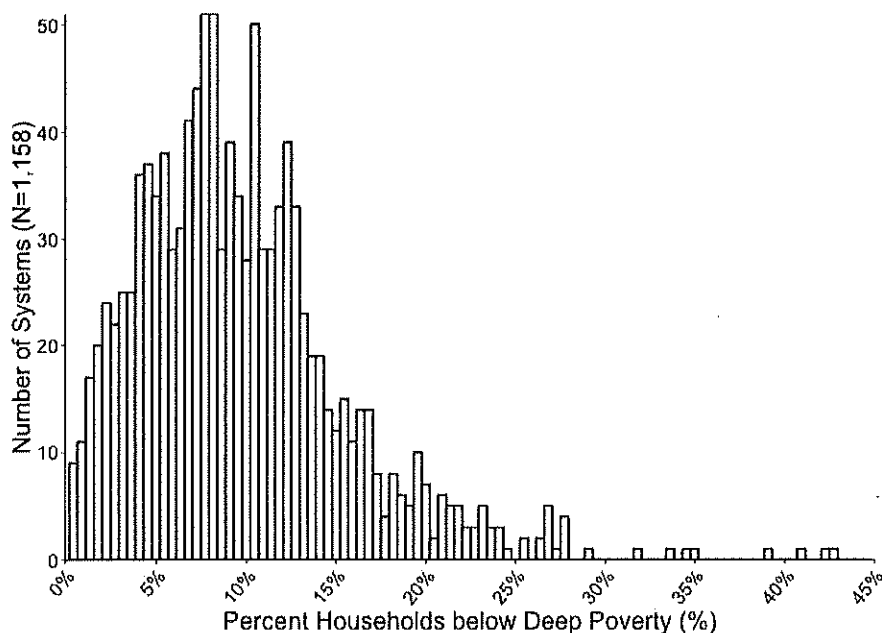
Affordability Indicator 3: Affordability ratio for the deep poverty threshold (AR_{DP})

This indicator addresses some of the most vulnerable households with an affordability ratio for households in deep poverty (AR_{DP}). Here, deep poverty is defined as being at half the county poverty-level income, based on the PPIC county poverty thresholds. (See discussion in Affordability Indicator 2.) AR_{DP} , the affordability ratio at the Deep Poverty threshold, is calculated as:

$$AR_{DP} = \frac{\text{System wide Average Bill for 6 HCF per month} \times 12 \text{ months}}{\frac{1}{2} \times \text{County Poverty Threshold for Water System's County}}$$

Figure 32 shows that for many community water systems included in the assessment, a substantial fraction of households are at or below the deep poverty level.⁴² Deep Poverty levels ranged from \$11,860 to \$18,080 (median = \$14,820) (See Appendix B2.2 Poverty Level Incomes by Water System). These households are likely facing affordability challenges across a range of essential needs.

Figure 32. Percent of Households At or Below County Deep Poverty Level Thresholds, Across 1,158 Community Water Systems. (Based on ACS 5-Year Summary 2011-2015).



⁴² OEHHA sought to improve reliability of census estimates used by aggregating data to water system boundaries and excluding systems with unreliable data. Even so, estimates should be considered in light of their potential unreliability per census measures of error. Appendix B3.4.1 Data Reliability in Census Data provides further details and discussion on this topic.

Research into trade-offs among water bills and other essential expenditures is scarce in the U.S., but two recent studies suggests that households facing unaffordable water will forgo housing and health related bills to pay for water (Cory D.C. and Taylor L.D. 2017; Rockowitz, Askew-Merwin et al. 2018). Estimating affordability for households with extremely vulnerable income levels allows for representation of economically marginalized groups. The AR_{DP} is considered in conjunction with a measure of the percentage of households that live at or below the deep poverty income level within a water system. Still, this may not capture families or individuals living without homes, or families facing seasonal, temporary or inconsistent work, or other conditions that may result in extreme poverty.

Data Source

State Water Board's electronic annual reports (eAR), 2015.

Public Policy Institute of California (PPIC) California County Poverty Thresholds, 2015.

Tracking California, Public Health Institute. Water Boundary Tool. Available at URL: <https://trackingcalifornia.org/water-systems/water-systems-landing>.

Results

Table 19 and Figure 33 show the affordability ratios for those in deep poverty. They show that, by almost any measure of affordability, water is unaffordable for the majority of people living in deep poverty.

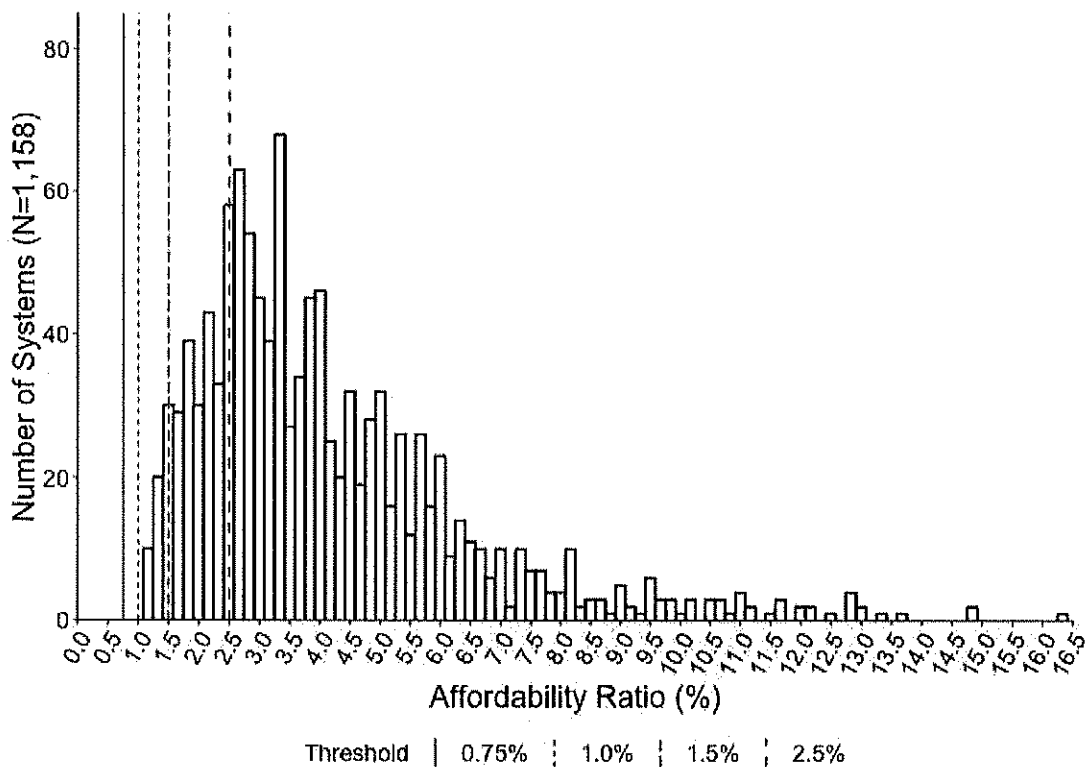
Table 19. Affordability Ratio and Indicator Scores at Deep Poverty Level. Number of community water systems (n=1,158 of 2,903 community water systems) falling in various affordability ranges, with associated indicator score. Note: the percent of systems shown is reflective of the 2,903 Community Water Systems, with the percent of systems in the analysis (n=1,158) indicated in parentheses †.

| Composite Affordability Ratio Range | Composite Affordability Score | Number of Community Water Systems (CWS) | Percent of All CWS (N=2,903) (Percent of systems in Analysis, n=1,158) | Population* | Percent Population (among 2903 systems) |
|-------------------------------------|-------------------------------|---|--|-------------|---|
| 0 to <.75% | 4 | 0 | 0 (0) | 0 | 0 |
| 0.75% to <1% | 3 | 0 | 0 (0) | 0 | 0 |
| 1% to <1.5% | 2 | 44 | 1.5 (3.8) | 2,560,000 | 7.3 |
| 1.5% to <2.5% | 1 | 214 | 7.4 (18.5) | 11,000,000 | 31.3 |
| >=2.5% | 0 | 900 | 31.0 (77.7) | 18,400,000 | 52.5 |
| | Sub-total | 1,158 | 39.9 (100) | 32,000,000 | 91.1 |
| No Data | N/A | 1,745 | 60.1 (N/A) | 3,110,000 | 8.9 |
| | Total | 2,903 | 100 | 35,110,000 | 100 |

† OEHHA used Census block population data from 2010 to estimate a total of approximately 35.1 million people living in areas served by water systems.

* Population rounded to nearest thousand. The population figure shown indicates the number of people served by systems with that given affordability ratio; it does not represent the number of people facing that actual affordability ratio.

Figure 33. Affordability Ratio at Deep Poverty Level (as Percent) for Community Water Systems. Data for 2015, n=1,158 community water systems.[†]



[†] The four dashed lines delimit the five bins used to score the affordability ratio.

A Composite View of Water Affordability

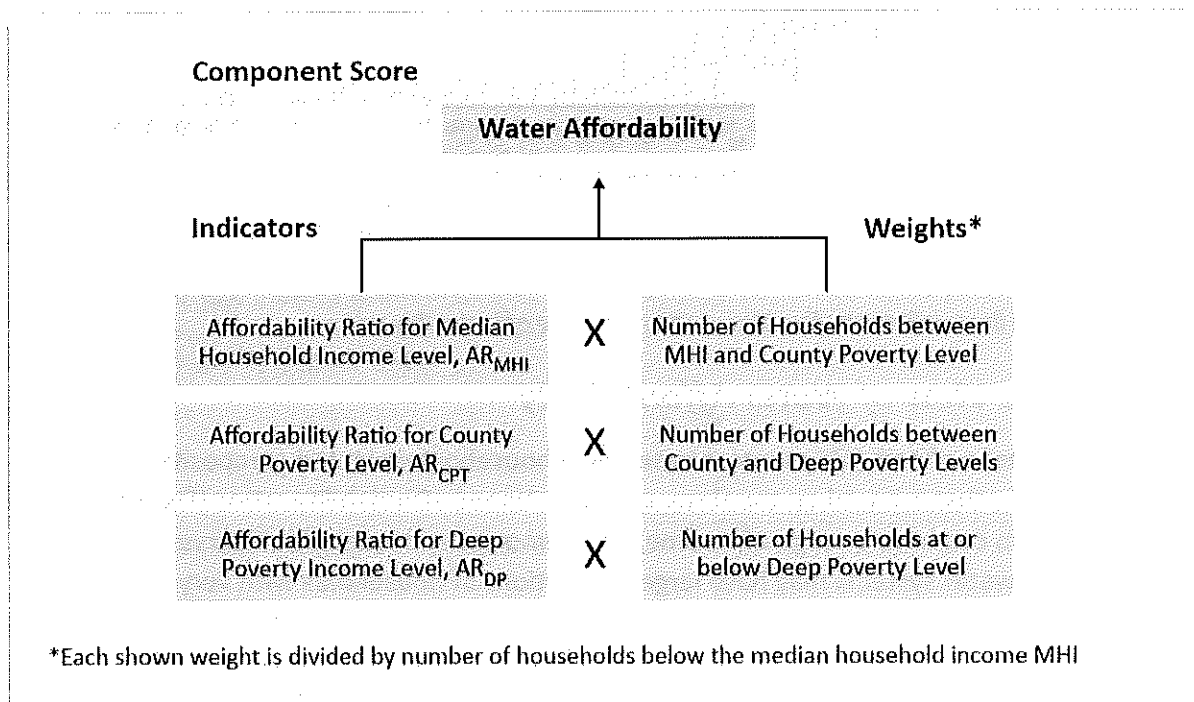
OEHHA's composite affordability score is based on a household-weighted composite affordability ratio that is based on the three aforementioned affordability ratios (Figure 34). Any given system can have a range of income levels among the households it serves. For example, some water systems may have large proportions of households with very high-income levels, very few households at the poverty level, and no households in deep poverty. Other systems may have most households earning around the median income level, with few households living in poverty. In other cases, the median income level and poverty income levels may be very similar. Large systems, in particular, may have large numbers of both high- and low-income households. Ultimately, the percent of households living at different income levels must be assessed in order to understand the representativeness of any one of the three affordability indicators.

Our approach addresses these variations by using the three individual affordability indicators, plus information on the percentage of households at the three income levels, to create a household-weighted affordability ratio. Each of the three affordability indicators is weighted by

the percentage of households at or below the corresponding income level within the water system. The composite ratio sums these household-weighted indicators to construct a system-wide, household-weighted affordability ratio focused on the bottom half of the income distribution. This provides a better understanding of how water rates affect a water system’s lower-income households while still providing important information on the overall affordability of the system’s water bills for an essential volume of water. See Appendix B4 Composite Affordability for more detail and a discussion of the limitations of this approach.

Ultimately, the composite affordability ratio is given a score from 0 (least affordable) to 4 (most affordable). This composite affordability score is best viewed in conjunction with the aforementioned individual indicators so that one can identify particular burdens faced by households at the median, poverty, or deep-poverty income levels. As such, the three affordability indicators and the composite affordability ratio should be considered jointly when screening a system for water affordability challenges.

Figure 34. Creation of a Composite Water Affordability Score for Each Water System.



Data Source

State Water Board’s electronic annual reports (eAR), 2015.

US Census American Community Survey (ACS) 5-Year Data: 2011 – 2015

Public Policy Institute of California (PPIC) California County Poverty Thresholds, 2015.

Tracking California, Public Health Institute. Water Boundary Tool. Available at URL:

<https://www.trackingcalifornia.org/water-systems/water-systems-landing>

Estimating the Composite Affordability Ratio for a Community Water System

The composite affordability ratio is calculated as described in Figure 34:

$$\text{Water System Composite Affordability Ratio} = \frac{AR_{MHI} \times (HH_{MHI} - HH_{CPT}) + AR_{CPT} \times (HH_{CPT} - HH_{DP}) + AR_{DP} \times HH_{DP}}{HH_{MHI}}$$

where HH_{MHI} , HH_{CPT} , and HH_{DP} are the numbers of households below the median household income (MHI), county poverty threshold (CPT) and deep poverty (DP).

To estimate the composite affordability ratio for each water system, OEHHA:

- Calculated the number of households within each affected income group associated with an affordability ratio. AR_{MHI} is associated with the number of households in the water system between the median household income (MHI) and the county poverty threshold: $HH_{MHI} - HH_{CPT}$. Similarly, AR_{CPT} is associated $HH_{CPT} - HH_{DP}$. AR_{DP} is associated with HH_{DP} .
- Multiplied each AR by the number of associated households. Summed together the three household-weighted affordability ratios and divided by the total number of households below the median income level within the water system. In this way, the bottom 50% of the income distribution, below the MHI, was represented. For the 26 systems that have the MHI below the CPT, their composite ratio was still measured as the household-weighted ratio below the MHI (See Appendix B4 Composite Affordability).

General Results

Table 20 and Figure 35 show the distribution of the composite affordability ratio for the 1,158 community water systems with sufficient data to estimate affordability ratios. A substantial fraction of water systems analyzed – 17% of 1,158 systems - had a composite affordability score showing that water bills were greater than 2.5% of income for the average household below the MHI across water systems.

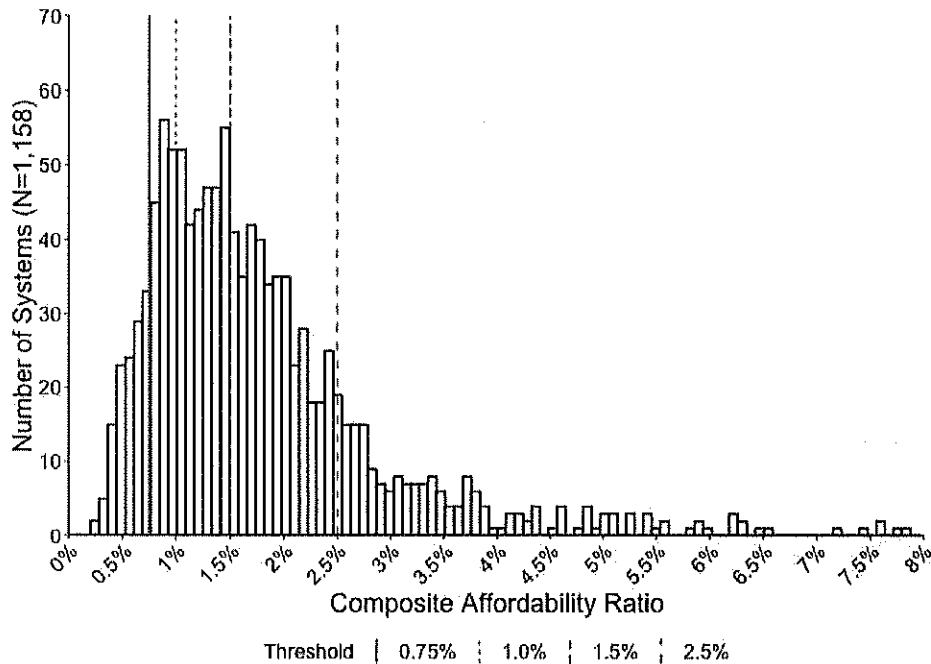
Table 20. Composite Affordability Ratios and Associated Scores for Community Water Systems (n=1,158 with scores), Study Period 2015. Note: the percent of systems shown is reflective of the 2,903 Community Water Systems, with the percent of systems in the analysis indicated in parentheses (n=1,158) †.

| Composite Affordability Ratio Range | Composite Affordability Score | Number of Community Water Systems (CWS) | Percent of All CWS (N=2,903) (Percent of systems in Analysis, n=1,158) | Population* | Percent Population (among 2903 systems) |
|-------------------------------------|-------------------------------|---|--|-------------|---|
| 0 to <.75% | 4 | 123 | 4.2 (10.6) | 4,230,000 | 12.0 |
| 0.75% to <1% | 3 | 151 | 5.2 (13.1) | 6,770,000 | 19.3 |
| 1% to <1.5% | 2 | 298 | 10.3 (25.7) | 13,100,000 | 37.3 |
| 1.5% to <2.5% | 1 | 383 | 13.2 (33.1) | 6,780,000 | 19.3 |
| >=2.5% | 0 | 203 | 7.0 (17.5) | 1,110,000 | 3.2 |
| | Sub-total | 1,158 | 39.9 (100) | 32,000,000 | 91.1 |
| No Data | N/A | 1,745 | 60.1 (N/A) | 3,110,000 | 8.9 |
| | Total | 2,903 | 100 | 35,100,000 | 100 |

† OEHHA used Census block population data from 2010 to estimate a total of approximately 35.1 million people living in areas served by water systems.

* Population rounded to nearest thousand. The population figure shown indicates the number of people served by systems with that given affordability ratio; it does not represent the number of people facing that actual affordability ratio.

Figure 35. Composite Affordability Ratio: Weighted by Prevalence of Households at Different Income Levels At or Below the MHI. Data for 2015, n=1,158 community water systems†.

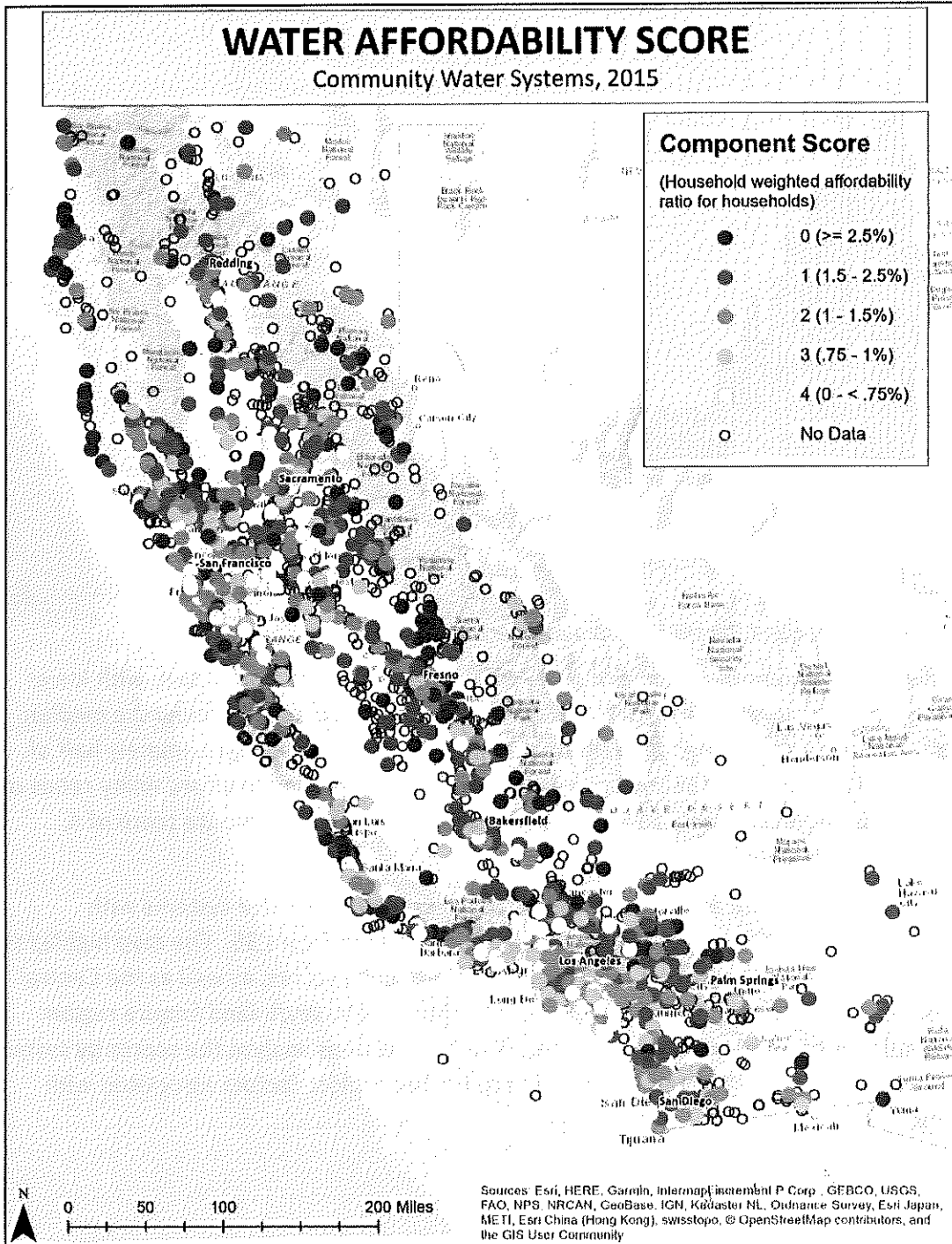


† The four dashed lines delimit the five bins used to score the affordability ratio.

Table 20 also shows the composite affordability scores, which ranged from 0 to 4, with lower scores representing systems with higher water bill burdens for households below the median income level. The mean score was 1.66 and the median was 1. Overall, approximately half of systems analyzed (n= 586 of 1,158) had scores of 0 to 1, corresponding to affordability ratios of greater than 1.5%. Approximately 10.6% of systems analyzed had a composite score of 4, indicating very affordable water.

The scores for the composite affordability ratios for the community water systems with adequate affordability data are marked on a map of California in Figure 36. The map highlights a cluster of systems along the North Coast with low affordability scores, as well as the Central Coast region, the southern San Joaquin Valley and the Imperial Valley/Inland Empire region. However, a number of exceptions are apparent. The next sections analyze the scores by system size, disadvantaged community status and region to further explore factors associated with affordability.

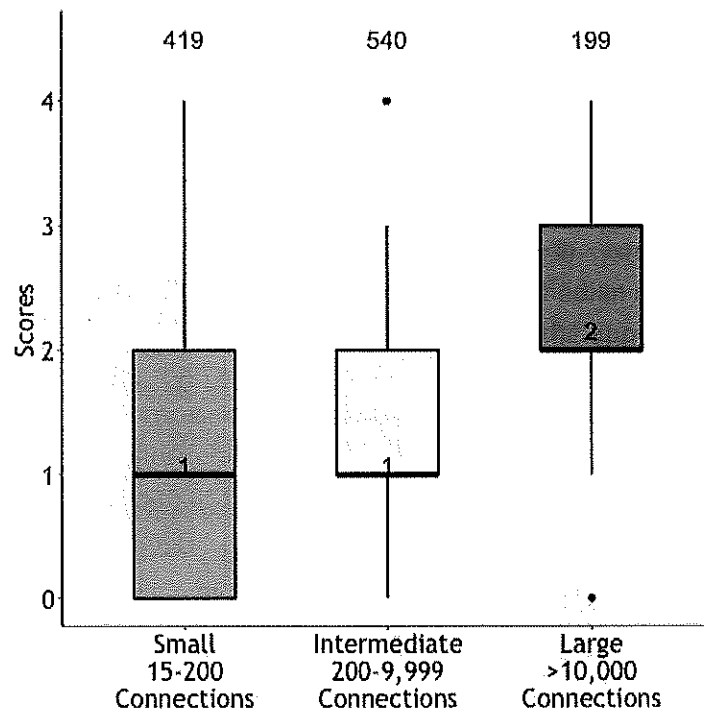
Figure 36. Composite Water Affordability Scores for Community Water Systems across the State. Lower scores mean less affordable water. Colored circles are for 1,158 systems with adequate data to score. Open circles outlined in black indicate systems without data.



Composite Affordability Scores by Water System Size and DAC Status

As shown in Figure 37, small and medium-sized systems face greater affordability challenges – as identified by their lower composite scores—compared to larger systems. In this figure, the horizontal bar on the box plots in the diagram represents the median composite affordability score, the lower end of the box represents the 25th percentile the upper end of the plot represents the 75th percentile, the “whiskers” show 1.5 times the interquartile range, and the top and bottom-most points represent the maximum and minimum scores, respectively. The figure shows the median composite affordability score is 1 for small systems (15-199 connections), 1 for medium systems (200-9,999 connections), and 2 for large systems (10,000+ connections).

Figure 37. Composite Affordability Score by System Size. The number of systems by size category are indicated above boxplot. Data for water bills (2015) and income (ACS 5-Year 2011-2015), n = 1,158 community water systems.

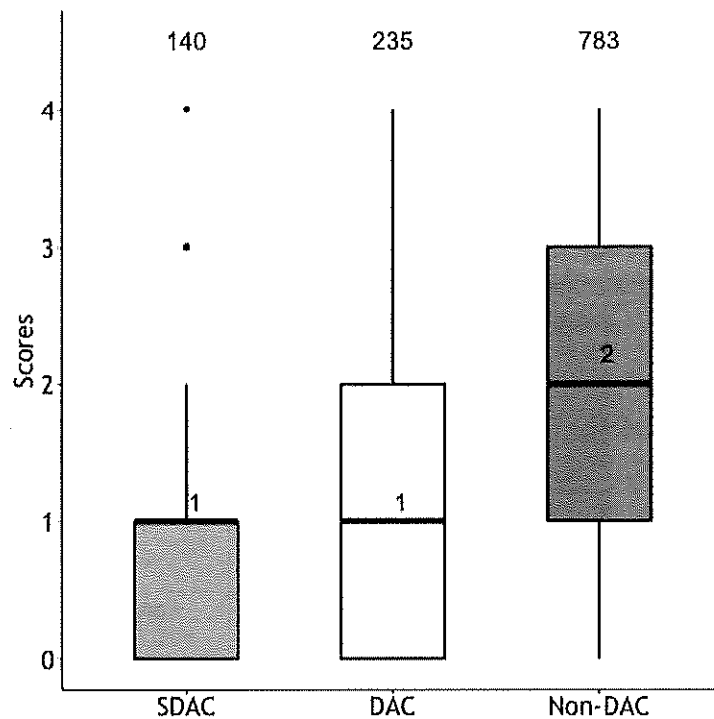


Thus 25% of small water systems included in the assessment have the lowest score (0), indicating substantial lack of affordability for the households served. The median score for large systems is 2, indicating that those households below the median household income that are served by large systems face some affordability challenges, but generally to a lesser extent than those served by the medium and small systems. There was a large and disproportionate lack of affordability data for small systems (see section on data gaps below). Consequently, the findings for small systems should be seen as provisional.

Affordability scores can also be compared across disadvantaged community status for the different water systems. A disadvantaged community (DAC) for the purpose of water system service is defined as a community with 80% of the statewide MHI and a severely disadvantaged community (SDAC) is defined as a community with less than 60% of the statewide MHI (Cal. Wat. Code §79505.5 and §13476). Statewide MHI in the American Community Survey (2011-2015) was \$61,818; hence the calculated threshold is \$49,454 for DACs and \$37,091 for SDACs.

Figure 38 shows affordability scores as a function of DAC and SDAC status of the water systems. The median score in both SDACs and DACs was 1, compared to a score of 2 in non-DAC/SDAC water systems. The upper end of the box indicates the 75th percentile, and the lower end of the box indicates the 25th percentile. Thus 25% of water systems for both SDAC and DAC have the lowest score, indicating a potential affordability challenge for the households served.

Figure 38. Affordability Component Score by DAC Status. System counts indicated above boxplots. Data for water bills (2015) and income (ACS 5-Year 2011-2015), n = 1,158 community water systems.

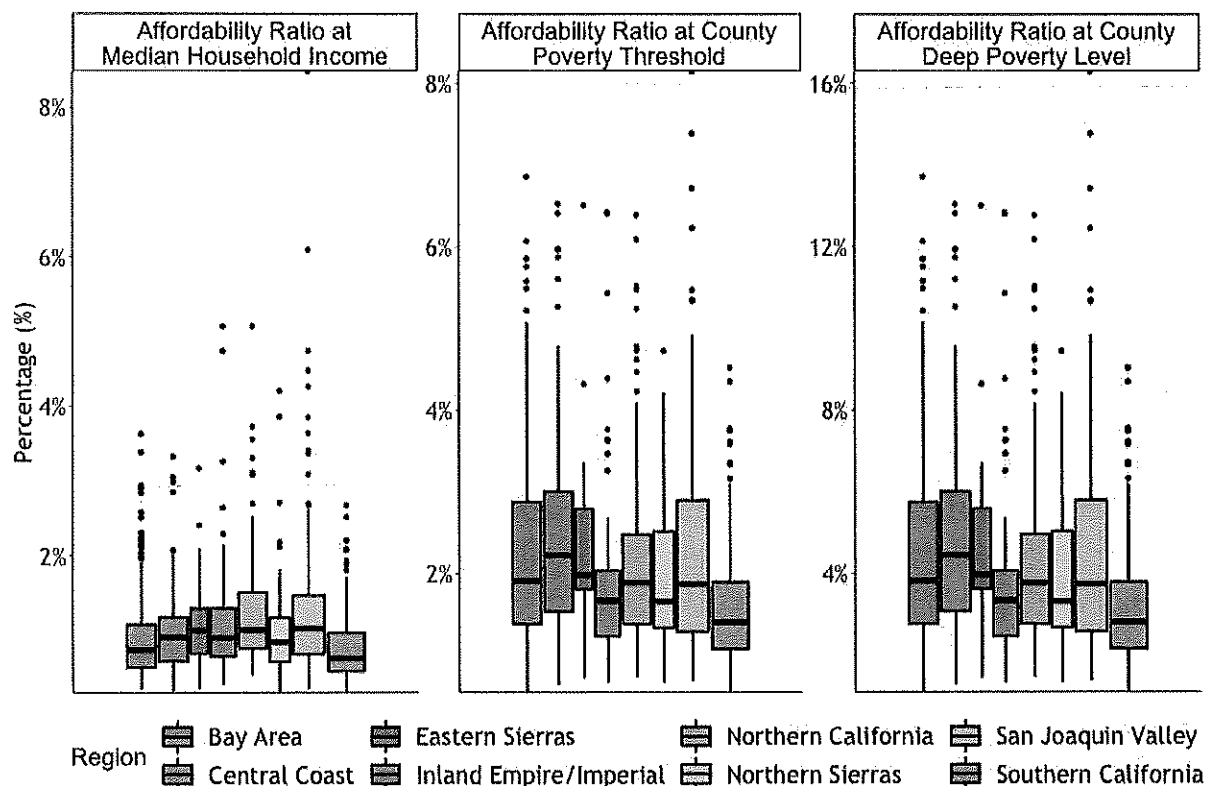


Affordability Ratios by Region

Where Figure 36 above maps the composite affordability scores on a statewide scale, Figure 39 shows the affordability ratios by region of the state for the three different income levels – MHI, county poverty threshold and deep poverty. In these box plots, the median affordability ratio is represented by the horizontal line in each of the box plots (See Figure 25 for a map of regions). The figure shows that, regardless of region, affordability challenges are faced by at least some

systems at each of the three income levels. It also shows that, overall, at the median income level, water is fairly affordable for half the systems in the assessment regardless of region. Households earning county poverty and deep poverty level incomes face substantially higher affordability challenges relative to those earning the median income in the same system in every region.

Figure 39. Affordability Ratios for Three Income Levels by Region. Note that y-axes differ in scale across boxplots. Data for water bills (eAR 2015) and income (ACS 5-Year 2011-2015 and PPIC 2015), n = 1,158 community water systems.



The number of systems represented: Bay Area (n=155); Central Coast (n=161); Eastern Sierra (n=58); Inland Empire/Imperial (n=117); Northern California (n=153); Northern Sierra (81); San Joaquin Valley (n=183); Southern California (n=250).

But again, there are challenges for all regions even at median income level. Not shown in the figure, the Northern California, San Joaquin Valley, Eastern Sierras, and Inland Empire/Imperial regions have the highest household-weighted affordability ratios for households earning below the median income level, at levels of 2.1%, 2.1%, 1.9% and 1.9%, respectively. Accordingly, these regions have the lowest composite water affordability scores, indicating that these regions have relatively less affordable water overall. Of course, data for all Community Water Systems would be required to gain a complete view of region wide trends.

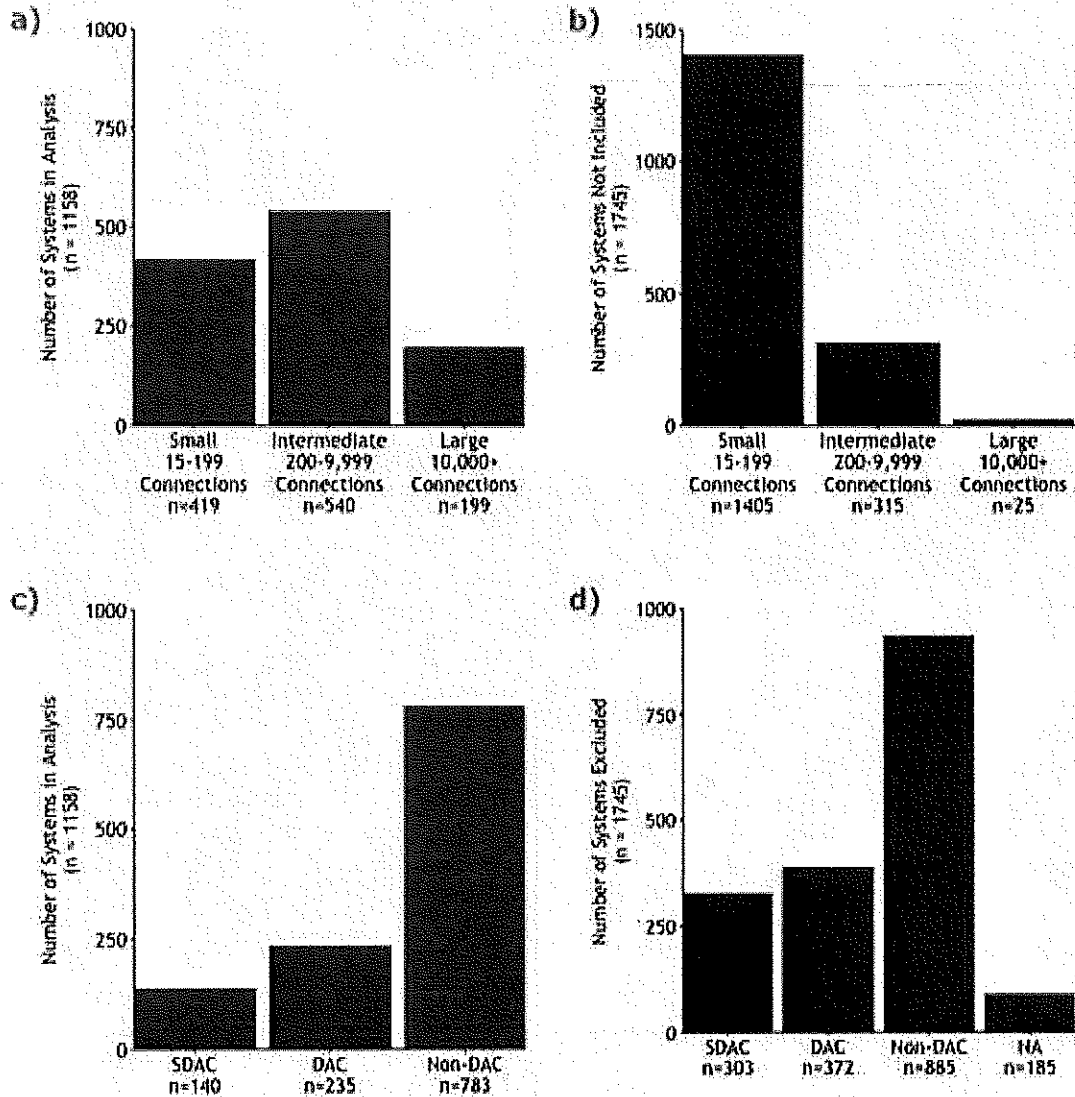
Affordability Data Gaps: A Key Consideration

Of the 2,903 community water systems in OEHHA's list, only 1,561 water systems reported water bill data in the electronic annual report. Therefore, as a starting point, only 53% of community water systems had water bill data with which OEHHA could estimate affordability ratios. Of the 1,561 water systems with water bill data, 1,530 systems also had US Census income data available. Of these 1,530 systems, OEHHA excluded 372 systems due to several exclusion criteria discussed in Appendix B3 Data Cleaning & Exclusions and B4 Composite Affordability and Box 6. Thus, the final list of systems in the affordability analysis included 1,158 systems or 40% of community water systems, compared to 100% and 91% for the Water Quality and Water Accessibility Components, respectively. These 40% of systems serve approximately 90% of the California population.

Missing data is a critical challenge that leaves us with gaps in our understanding, and can also bias our interpretation of results (See Box 6: What About Systems That Were Not Included?). Small systems make up about 63% of community water systems in California. However, just 36% of systems that were included in the affordability assessment are small (i.e., less than 200 connections). Intermediate and large systems make up approximately 34% of the community water systems in California. However, approximately 56% of systems included in the affordability assessment are intermediate or large. As such, these systems are overrepresented compared to small systems. In sum, this indicates a bias by system size in the missing data. The proportion of SDAC, DAC, and Non-DAC systems in OEHHA's analysis is relatively similar to the overall distribution among all California community water systems, however SDAC systems are somewhat underrepresented in the current analysis, relative to DAC and Non-DAC systems, and a large number of non-DAC systems have missing data (See Figure 40).

It is important to note that as more system-level affordability data becomes available and methods improve to increase data reliability, the aforementioned affordability findings across water systems would change. Some changes in overall results would be due to having new data availability—e.g. the inclusion of more small water systems. However, results may also change within systems, if water system practices change over time. All things constant, based on the initial findings shown in Figure 37 and Figure 38, OEHHA expects the affordability ratios to indicate more systems with affordability challenges if: 1) data from smaller, SDAC, DAC and non-DAC water systems become available, and 2) current trends of water rates increasing faster than inflation persist. The availability of rate assistance and new efforts to mitigate these challenges could improve affordability ratios, however. A variety of efforts may help address these data gaps, which will be explored in OEHHA's public workshops. Certainly, OEHHA will fold in additional data from the electronic Annual Report as it becomes available. Alternatively, survey or modeling efforts to fill in missing data could also be useful.

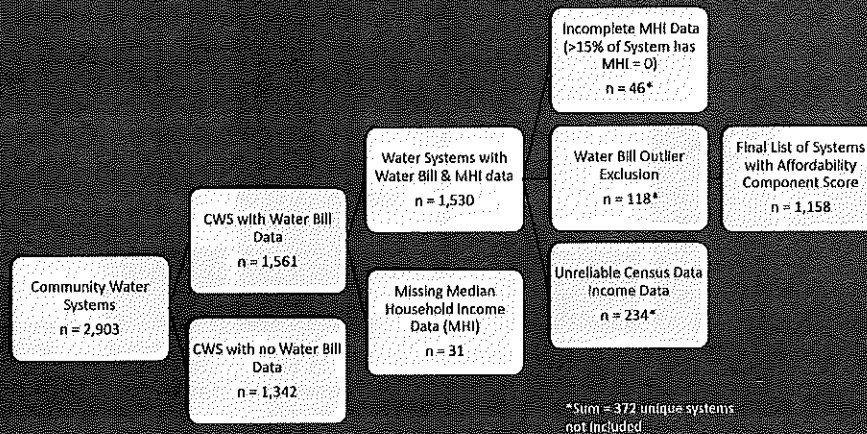
Figure 40. Comparison of System Size and DAC Status for Systems Included in Analysis Versus Systems Not Included in Analysis. Figures indicate systems included in the current analysis (dark green bars, Figures a and c) and systems not included in analysis (dark gray bars, b and d). Figures 39a and 39b indicate system size by connections. Figures 39c and 39d indicate disadvantaged community status for severely disadvantaged (SDAC), disadvantaged (DAC), and non-disadvantaged (Non-DAC) water systems. Data for water bills (2015) and income (ACS 5-Year 2011-2015).



Box 6: What about Systems that Were Not Included?

About 60% of water systems do not have adequate data to estimate affordability ratios. Some systems are not included in the analysis because they lack reported water cost data in the eAR, had potentially inaccurate water bills (outliers), or because they lack reliable census data for which to calculate income-level statistics. The flow chart below indicates why systems are not included in the affordability indicator analysis (See Appendix B3.2 for more details):

- 77% of the 1,745 systems not included in the affordability analysis had no water bill data reported in the eAR.
- 23% of the 1,745 systems not included in the affordability analysis had missing income data or were excluded due to unreliable income or water bill data for calculating affordability ratios.



Characteristics of systems with missing or excluded data:

- The systems with missing or excluded data serve approximately 8.9% of the state's population. This means that while a large fraction of systems are missing data, the 1,158 systems shown in OEHHA's results serve a large majority of Californians.
- Small systems account for 81% of the 1,745 systems not analyzed for affordability indicators.
- Severely disadvantaged community water systems are overrepresented relative to DAC and Non-DAC water systems in the list of systems not analyzed for affordability indicators. In particular, 26.5% of systems not included in the analysis are SDAC, whereas they make up 19% of systems in the full community water system list.

To truly know what we might expect if data for systems with missing data were filled in, data filling and/or modeling efforts are needed. However, from the above characteristics one might expect:

- OEHHA anticipates that data filling efforts will reveal *more systems with higher water bills* since current results indicate that smaller water systems have the highest water bills, on average, and a majority of systems with missing data are small.
- For systems with missing data that are both small and SDAC or DAC (an estimated 38% of missing systems for which we have adequate income data), we might expect the systems with missing data to have relatively *low* (i.e., more unaffordable) *composite affordability scores*.

Additional Research/Next Steps

OEHHA will explore several additional indicators for water affordability (See Table 22), and explore what counts for ‘basic’ water needs, depending on the number of people in the household. Additionally, integrating an analysis of socio-economic indicators, such as the percentage of households using low-income assistance programs to pay for utilities, has been suggested to support the identification of systems and households with a high-water affordability burden (Mack E.A. and Wrase S 2017; Teodoro M.P. 2018). Additional future areas to explore include: households relying on private wells or state small systems, and costs to households to maintain wells, test and treat their water, and manage well failures. Both data and new approaches are needed to incorporate the affordability challenges faced by people relying on these water sources.

Finally, the human right to water includes the right to affordable water for sanitation purposes. While this report assumes that the 6 HCF reported is used by households to cover basic hygiene, the water bills used do not explicitly consider wastewater and sanitation costs. As these data become available, OEHHA can incorporate these costs with water bills to comprehensively assess the affordability of water for domestic use and sanitation.

Summary and Key Findings for Affordability

In the present assessment, water affordability is assessed for households at the water system scale (US EPA 1998a). The resulting affordability ratios for each water system are a first-order approximation of the types of affordability challenges that individual households face at particular income levels at and below the MHI. To truly measure affordability at the household level, individual water bills and income levels would be required, but to understand trends and the scale of challenges, some level of aggregation to the water system level is needed. Measuring water affordability at the water system scale provides a useful basis for screening for challenges and tracking progress.

As a tracking tool, OEHHA’s set of affordability indicators can be used in a several ways. The three affordability indicators reflect the affordability ratios for households at the median, poverty, and deep poverty income-level within a particular water system, and thus provide measures of affordability both for the general populations served by a system and those facing economic challenges. The AR_{MHI} corresponds to the water bill burden for the 50th percentile household within each water system—if AR_{MHI} is high, water bills are likely a substantial burden for half of the water system’s households. This reflects a water-system level challenge wherein household water affordability may threaten the water system’s financial capability. AR_{CPT} and AR_{DP} reflect a screen for water bill burden on vulnerable households. Low water bill burdens at these levels reflect affordable rates for households at or near poverty levels. Finally, the household-weighted composite ratio reflects affordability concerns for a water system that may be driven by high water bills and/or high percentages of households at low income levels. The composite ratio should thus be considered in light of its component parts – the three

affordability indicators and two household poverty indexes representing the proportion of households at different income levels.

In sum, a number of observations can be observed:

Water Bills

- Water bills at the essential needs level of 600 cubic feet (6 HCF) - corresponding to 150 gallons per household per day range by a factor of ten (approximately \$15 per month to \$175 per month) across community water systems.
- Some of the highest bills reported are for small water systems, but there is variability in water bills across all system sizes.

Affordability Ratio for the Median Household Income Level

- Water is relatively affordable for a majority of households at the median household income level of community water systems.
- A majority of water systems with water bills greater than 1.5% of the system's median household income would be identified as economically disadvantaged according to the Water Board's criterion. *[Among the 1,158 water systems with affordability ratios, 15.8% (n=182) had water bills for 6 HCF exceeding 1.5% of the median household income. Of these, two-thirds (121 systems) are severely disadvantaged or disadvantaged systems.]*
- For approximately a fifth of water systems, affordability ratios for median household incomes are between 1-1.5%, indicating potential future challenges if water rates increase.
- Geographically, affordability ratios for households earning median household income levels in their water system are highest overall in Northern California and the San Joaquin Valley, although there is a substantial spread in affordability ratios within each region, with affordability challenges present for some systems in each region.

Affordability Ratio for County Poverty Threshold Income Level

- Water is relatively affordable for households earning disposable incomes at the county poverty level in a majority of water systems.
- Some households at the poverty level have substantial water bill burdens. For 16% of water systems, water bills at the essential use level amount to 3% or more of disposable income, a common threshold for low-income water affordability.
- Geographically, affordability ratios for households earning county poverty income levels are highest overall for water systems in the Central Coast (mean = 2.4%), San Francisco Bay Area (mean = 2.3%), San Joaquin Valley (mean = 2.25%), and Eastern Sierra (mean = 2.2%), although there is substantial spread with significant affordability challenges present for some systems in each region.

Affordability Ratio for Deep Poverty Threshold Income Level

- Water is relatively unaffordable for households earning disposable incomes at the deep poverty level in for the majority of water systems.
 - For 62% of water systems, water bills at the essential use level amount to greater than 3% of disposable income at the deep poverty level. Geographically, affordability ratios for households earning deep poverty income levels are highest overall in the Central Coast (mean = 4.8%), San Joaquin Valley (mean = 4.5%), San Francisco Bay Area (mean = 4.6%), and Eastern Sierra (mean = 4.5%).

Overall

- There is a large disparity in water affordability between households earning the county poverty income level and those earning median household income levels.
- The composite affordability score shows slightly different geographic patterns of unaffordability compared to individual indicators. There is a substantial overall spread in the composite affordability ratios within each region, with significant affordability challenges present for some systems in each region.
- Data gaps in affordability will need to be continually addressed. The systems with missing or excluded data serve approximately 8.9% of the state's population. A majority of systems missing data are small systems.



Executive Committee

Agenda Item: 7

Date: September 3, 2019

Subject: Continue discussions on the outsourcing of printing, folding, stuffing and mailing RLECWD water service bills

Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

The Executive Committee should discuss this item and provide direction to staff on preferences and timing for moving forward with outsourcing of the printing, folding, stuffing and mailing of the Districts bimonthly bills.

Current Background and Justification:

The subject of outsourcing the bill printing and mailing process has been discussed at committee level beginning 5-months ago. We have a quote from one service provider and have been pursuing another quote for the past couple of months. The second source being pursued in a creative, new approach, which effectively is as simple as installing a new printer driver that sends the documents offsite for printing, folding stuffing and mailing.

Dovetailing from previous discussions, originally the District's interest in outsourcing of the bill printing et al process was based on improving efficiency. Subsequent discussions have heightened the interest in outsourcing due to anticipated person-hour demands from SB-998. Simply, SB-998 will consume staff time, so we need to reduce staff time in other areas to preclude increasing labor costs.

Conclusion:

I believe more effort and additional time should be expended to procure at least a second quote on providing the services needed. I don't recommend forwarding to the Board until we've obtained options for consideration.



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Proposal

Tim Shaw
RIO LINDA/ELVERTA COMM. WATER DISTRICT

Proposal 95908.
Date March 29, 2019

Project
RIO LINDA/ELVERTA CWD BI-MONTHLY STATEMENTS

Quantity of 4,700

| Services | Quantity | Setup | Rate | per | Price |
|--|-----------------|--------------------|-------------|------------|--------------------------|
| LAYOUT/EDIT HOURLY | | 1 | | | \$40.00 |
| **Material - STATEMENT PAPER | 4,700 | | | | \$95.18 |
| **Material - #10 ENVELOPE | 4,700 | | | | \$121.97 |
| BLACK/WHITE DIGITAL PRINT | 4,700 | | | | \$197.40 |
| <i>Statement</i> | | | | | |
| <i>24# white paper</i> | | | | | |
| <i>Black ink; double-sided</i> | | | | | |
| <i>3.5" micro-perf</i> | | | | | |
| INSERTING | 4,700 | | | | \$217.38 |
| SORT, TRAY, TAG, POSTAL PREP | 4,700 | | | | \$145.70 |
| TRANSPORTATION | | 1 | | | \$15.00 |
| Total Cost for Services | | | | | <u>\$832.63</u> |
| | | | | | |
| Estimated Postage | Pieces | | Rate | | Postage |
| 1st Class – Postage may vary depending on address qualification. | 4,700 | | 0.428 | | \$2,011.60 |
| Total Estimated Postage | | | | | <u>\$2,011.60</u> |
| Total Estimated Project Cost | | | | | |
| | 4,700 | Unit Price: | \$0.6052 | | <u>\$2,844.23</u> |

Thank you for the opportunity to quote on this project. All pricing is based on a 3% cash discount. Your project WILL NOT MAIL until payment for estimated postage has been received.

Leslie Titsworth
Sr. Project Coordinator/Office Manager



Executive Committee Agenda Item: 8

Date: September 3, 2019

Subject: Continue discussion on updates to the Capital Improvement Projects list

Staff Contact: Mike Vasquez, PE, PLS, Contract District Engineer

Recommended Committee Action:

The Executive Committee should continue providing direction to staff.

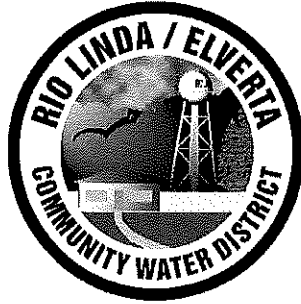
Current Background and Justification:

The June Executive Committee provided feedback on the Capital Improvement Projects list presented by the District Engineer. The District Engineer will provide a recap of the Capital Improvement Projects list and request discussion on the following items at the current Executive Committee Meeting:

- Hexavalent Chromium (Cr6) Well Treatment Project – It is requested that the Executive Committee provide feedback to staff on the timing of this item, and if deemed appropriate, what annual investment should be made to design and construct a hexavalent chromium (Cr6) well treatment project.
- Well 12A – It is requested that the Executive Committee provide feedback to staff on the timing of this item, and if deemed appropriate, what annual investment should be made to design and construct Well 12 A.
- Generalized Pipe Replacement Projects – This is a new addition to the Capital Improvement Projects list. It is requested that the Executive Committee provide feedback to staff on the necessity of this item, and if deemed appropriate, what annual investment should be made to replace pipelines.

Conclusion:

I recommend the Executive Committee receive the status report on the Capital Improvement Projects list from the District Engineer. Then, if necessary and appropriate, forward an item(s) onto the September 16, 2019 Board of Directors Meeting agenda with recommendations as necessary.



Executive Committee Agenda Item: 9

Date: September 3, 2019

Subject: General Status Update from the District Engineer

Contact: Mike Vasquez, PE, PLS, Contract District Engineer

Recommended Committee Action:

Receive a status report on specific focus items currently being addressed by the District Engineer.

Current Background and Justification:

Subjects anticipated for discussion include:

- Well 16 Groundwater Pumping Station
 - This item will be addressed in Agenda Item: 4 of the Executive Committee Meeting.
- Capital Improvement Project List
 - This item will be addressed in Agenda Item: 8 of the Executive Committee Meeting.
- Proposition 84 RWA/DWR \$505K Grant Agreement

Conclusion:

I recommend the Executive Committee receive the status report from the District Engineer. Then, if necessary and appropriate, forward an item(s) onto the September 16, 2019 Board of Directors Meeting agenda with recommendations as necessary.



Executive Committee Agenda Item: 10

Date: September 3, 2019

Subject: General Planning and Strategy (Requested by Director Harris)

Staff Contact: Timothy R. Shaw, General Manager

Recommended Committee Action:

There are no anticipated items needing to be forwarded to the Board for consideration from this item. This is a general discussion item requested by Director Harris to allow for committee discussion.

Current Background and Justification:

Among the subjects anticipated for discussion:

- Water Banking Phase 1 study.
- Conjunctive Use.
- Surface water; costs, infrastructure, timing, sources, processes.
- Service area boundary and planned large-scale development.

Conclusion:

Many of these items are addressed in long-term planning documents, e.g. District Mater Plan, ESP Water Supply Strategy and Strategic Plan. Changing specifics and authorizing actions down the road should be contemplated in the context for need to update these planning documents.

Item 10

Appendix

Appendix 5-1 Common Parameters in Set 1 and 2

| Sustainable Yield (ac-ft/yr) | | 35,000 | | | |
|------------------------------|---|----------|---------|--------|----------|
| Year Type | | Wet | Average | Dry | Critical |
| Probability Water Year | | 0.43 | 0.27 | 0.17 | 0.13 |
| Folsom | PCWA Reserve Cost (\$/ac-ft) | 35 | 0 | 0 | 0 |
| | Peterson Treatment Cost (\$/ac-ft) | 75 | 75 | 75 | 75 |
| | USBR Wheel Cost (\$/ac-ft) | 20 | 20 | 20 | 20 |
| | NSA Demand w/ Peterson Capacity limit (ac-ft/yr) | 19,000 | 19,000 | 19,000 | 19,000 |
| | NSA Demand w/ ASR Limit w/ Peterson Capacity (ac-ft/yr) | 50,000 | 50,000 | 50,000 | 50,000 |
| | PCWA Take or Pay Water Available (ac-ft/yr) | Variable | 0 | 0 | 0 |
| | APBE SW Available (ac-ft/yr) | 10,000 | 0 | 0 | 0 |
| | PCWA Contract Max (ac-ft/yr) | Variable | 0 | 0 | 0 |
| American River | Sacramento Wholesale Reserve Cost (\$/yr) | 39,000 | 39,000 | 39,000 | 39,000 |
| | Sacramento Wholesale Administrative Cost (\$/yr) | 2,400 | 2,400 | 2,400 | 2,400 |
| | Fairbairn Treatment Cost (\$/ac-ft) | 330 | 330 | 330 | 330 |
| | 1964 Supply Transfer SW Price (\$/ac-ft) | 0 | 0 | 500 | 1,000 |
| | 1964 Supply Transfer SW cost (\$/ac-ft) | 0 | 0 | 50 | 50 |
| | Portion of year above Hodge | 1 | 0 | 0 | 0 |
| | Portion above Hodge in Transfer Period | 1 | 0 | 0 | 0 |
| | SSA Demand w/ Fairbairn Capacity limit (ac-ft/yr) | 22,000 | 22,000 | 22,000 | 22,000 |
| | 1964 Supply Transfer SW Demand (ac-ft/yr) | 0 | 0 | 10,000 | 10,000 |
| SSA GW | SSA GW Unit cost (\$/ac-ft) | 75 | 75 | 75 | 75 |
| | SSA Maximum Annual Pumping (ac-ft/yr) | 35,000 | | | |
| NSA GW | NSA GW Unit cost (\$/ac-ft) | 75 | 75 | 75 | 75 |
| | NSA Maximum Annual Pumping (ac-ft/yr) | 35,000 | | | |

Appendix 5-1a: Groundwater Exports with ASR

| | | | | | |
|------------------------------------|--|--------|--------|--------|--------|
| Antelope Pump Back Exchange (ABPE) | ABPE Transfer unit Cost (\$/ac-ft) | 75 | 75 | 75 | 75 |
| | APBE Transfer unit Price (\$/ac-ft) | 0 | 0 | 400 | 800 |
| | APBE Demand/Capacity limit (ac-ft/yr) | 0 | 0 | 10,000 | 15,000 |
| | APBE Transfer Required Amount (\$/ac-ft) | 0 | 0 | 0 | 0 |
| Enterprise Connection (EC) | EC Transfer unit Cost (\$/ac-ft) | 75 | 75 | 75 | 75 |
| | EC Transfer unit Price (\$/ac-ft) | 0 | 0 | 400 | 800 |
| | EC Transfer Required Amount (\$/ac-ft) | 0 | 0 | 0 | 0 |
| | EC Demand/Capacity limit (ac-ft/yr) | 0 | 0 | 10,000 | 15,000 |
| ASR | ASR Capacity (ac-ft/yr) | 30,000 | 30,000 | 30,000 | 30,000 |
| | ASR Unit cost (ac-ft) | 0 | 0 | 0 | 0 |