

WALNUT VALLEY WATER DISTRICT
271 South Brea Canyon Road
Walnut, California 91789

SPECIAL BOARD MEETING
THURSDAY, OCTOBER 25, 2012 – 4:00 P.M.
AGENDA

NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Board meeting, please contact the General Manager's office at least 48 hours prior to a Board meeting to inform the District of your needs and to determine if accommodation is feasible.

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance, to take action on any item.

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review during regular business hours at the District office, located at 271 S. Brea Canyon Road, Walnut, California.

1. Flag Salute
2. Roll Call: Ms. Carrera_____ Mr. Ebenkamp_____ Mr. Hilden_____ Ms. Kwong_____ Dr. Wu_____
3. Public Comment_____ Mr. Hilden
The Presiding Officer may impose reasonable limitations on public comments to assure an orderly and timely meeting.
 - A. **Agenda Items** - Any person desiring to address the Board of Directors on any Agenda item may do so at the time the item is considered on the Agenda by requesting the privilege of doing so at this time and stating the Agenda item to be addressed. At the time the item is discussed, those requesting to speak will be called to do so.
 - B. **Non-Agenda Items** - At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the District. Reasonable time limits on each topic and on each speaker are imposed in accordance with Board policy.
4. Consider Approval of Minutes of Special Board Meeting Held September 18, 2012
 - A. Discussion
 - B. Action Taken
5. Discussion and Consideration of Possible Water Rate Adjustment Effective January 1, 2013, with all Proposed Adjustments within the Parameters of the Previously Approved Rate Structure
 - A. Discussion
 - B. Action Taken
6. Discussion of Process to Develop New Rate Structure
 - A. Discussion
 - B. Action Taken

Adjournment

**MINUTES OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF
WALNUT VALLEY WATER DISTRICT**

**September 18, 2012
At the Offices of the District**

DIRECTORS PRESENT:

Barbara A. Carrera
Theodore L. Ebenkamp
Edwin M. Hilden
Scarlett P. Kwong

STAFF PRESENT:

Mike Holmes, General Manager
Erik Hitchman, Assistant General Manager/Chief Engineer
Sandra Olson, Director of Administrative Services
Brian Teuber, Director of Finance
Gabriela Sanchez, Executive Secretary
Timothy J. Gosney, Legal Counsel

DIRECTORS ABSENT:

Allen L. Wu, President

The meeting was called to order at 4:00 p.m. with Vice President Hilden presiding.

Guests and others in attendance: Mr. James Linthicum of Three Valleys Municipal Water District

Item 3: Public Comment – Vice President Hilden

- ◆ There were no requests to make public comment.

Item 4: Consider approval of Minutes of Special Board Meeting Held August 30, 2012 – Vice President Hilden

- ◆ The Board was asked to consider approval of the minutes of the Special Board meeting held August 30, 2012. (Item 4)

Motion No. 12-09-376: *Upon consideration thereof, it was moved by Director Kwong, seconded by Director Carrera and unanimously carried (4-0), to receive, approve, and file the minutes of the Special Board meeting held August 30, 2012. (Item 4)*

Item 5: Discussion and Consideration of Possible Water Rate Adjustment Effective January 1, 2013

- ◆ The General Manager indicated that effective January 1, 2013, the District's cost for buying water from Three Valleys Municipal Water District will increase to \$849 per acre foot – \$1.95 per ccf. In addition, annual reserve funding at the end of the fiscal year (June 30, 2013) will be approximately \$2.34 million below the District's annual reserve funding goal.
- ◆ With this, the Board was presented with three possible rate scenarios that would address the MWD/TVMWD rate increases and long-term capital project funding. Each proposed rate scenario is below the projected amounts in the District's Proposition 218 Notice.
- ◆ Rate Scenario No. 1 includes a revenue requirement of \$26,957,527, essentially funding only the MWD January 1, 2013 increase.
- ◆ Rate Scenario No. 2 includes a revenue requirement of \$27,857,527, which would cover the MWD increase and an additional \$900,000 to cover debt service and/or reserve funding.
- ◆ Rate Scenario No. 3 includes a revenue requirement of \$28,157,527, which would cover the MWD increase and an additional \$1,200,000 to cover debt services and/or reserve funding.
- ◆ Mr. Teuber then reviewed the details for each rate structure scenario.
- ◆ The Board was informed of the necessity to approve a new rate by October 25, 2012, for timely customer notice.
- ◆ Due to President Wu's absence, staff was given direction, by consensus of the Board, to meet with him to discuss the rate scenarios and gather his input.

Adjournment at 4:43 p.m.

WVWD – Staff Report



TO: Board of Directors
FROM: General Manager
DATE: October 25, 2012
SUBJECT: Consideration of Water Rate Adjustment

Action/Discussion

Fiscal Impact

Resolution

Information Only

Recommendation

That the Board of Directors approve water rates as shown in Scenario 3 with an effective date of January 1, 2013.

Background Information

At the August 30, 2012 Board Workshop, the Board directed staff to present rate scenarios that would address the January 2013 MWD rate increase and the long-term capital project funding.

- Effective January 1, 2013, the District will be buying water from TVMWD/MWD at a cost of \$849 per acre foot—\$1.95 per ccf. However, the current Tier 1 residential rate for the first 12 units is \$1.92 per ccf.
- The District's need to finance water resource projects to develop 20% to 25% alternative potable water supplies.
- At the end of the fiscal year (June 30, 2013) the budget projects reserve funding of approximately \$1.21 million. This figure is approximately \$2.34 million below the District's annual reserve funding goal of \$3.525 million.

At the September 18, 2012 Board Workshop, staff presented three rate scenarios. During those discussions, the Board directed staff to present the scenarios to the Board President and solicit his input. Pursuant to those discussions, staff developed three additional scenarios, described below as Scenarios 4, 5, and 6.

Rate Scenarios

The underlying methodology for the District's rate structure is based on the cost-to-serve each of the District's user classes. This approach recognizes that the cost-to-serve each user class (single family, multi-user, commercial, industrial, government, and recycled) not only depends on the amount of water used but also the manner in which it is used, also known as 'peaking' or 'capacity' needs.

Based on the current budget (FY 2012-13) the District's revenue requirement is \$28,207,527. This assumes all budgeted revenues will be recognized and all budgeted expenses will be incurred. In addition, this assumes reserves of \$3,050,000 will be fully funded.

FY 2011-12 rates were calculated recognizing that actual revenues and expenses typically vary from budget amounts along with the potential to use reserve funds to offset any deficit; as a result, the revenue requirement was *decreased* by \$1,250,000.

Scenario No. 1—Revenue Requirement \$26,957,527

(Raises revenue to cover MWD's January 2013 increase only)

This scenario includes the increased purchased water costs based on MWD's approved January 1, 2013 rates. The revenue requirement was reduced by \$1,250,000, the same as was done in calculating the approved January 2012 rate increase.

Scenario No. 2—Revenue Requirement \$27,857,527

(Covers MWD's January 2013 increase + \$900,000 of additional required revenue)

This scenario includes the increased purchased water costs based on MWD's January 1, 2013 rates, plus an additional \$900,000 in required revenue to cover debt service and/or reserve funding. The revenue requirement was reduced by \$1,250,000 as was done in calculating the January 2012 rate increase.

Scenario No. 3—Revenue Requirement \$28,157,527

(Cover's MWD's January 2013 increase + \$1,200,000 of additional required revenue)

This scenario includes the increased purchased water costs based on MWD's January 1, 2013 rates, plus an additional \$1,200,000 in required revenue to cover debt service and/or reserve funding. The revenue requirement was reduced by \$1,250,000 as was done in calculating the January 2012 rate increase.

Scenario No. 4—Revenue Requirement \$29,107,528

(Covers MWD's January 2013 increase + \$900,000 of additional required revenue)

This scenario includes the increased purchased water costs based on MWD's January 1, 2013 rates, plus an additional \$900,000 in required revenue to cover debt service and/or reserve funding. *The revenue requirement was not reduced by \$1,250,000 as was done in calculating the January 2012 rate increase.*

Scenario No. 5—Revenue Requirement \$29,407,527

(Covers MWD's January 2013 increase + \$1,200,000 of additional required revenue)

This scenario includes the increased purchased water costs based on MWD's January 1, 2013 rates, plus an additional \$1,200,000 in required revenue to cover debt service and/or reserve funding. *The revenue requirement was not reduced by \$1,250,000 as was done in calculating the January 2012 rate increase.*

Scenario No. 6

This scenario is based on the projected rates shown in the Proposition 218 Notice for Fiscal Year 2012-13 and not the revenue requirement established in the District's approved Fiscal Year 2012-13 budget

Analysis:

When evaluating the various scenarios, staff considered the additional revenues needed to cover the MWD rate increase, reserve funding, and potential long-term debt. In addition to the revenue requirements, staff also considered the financial impacts of each scenario on the District's customers.

Accordingly and based on the above analysis, staff is recommending approval of the rates as shown in Scenario 3. This scenario provides sufficient revenues to cover the MWD rate increase and additional revenues for reserve funding and/or long-term debt financing, while minimizing financial impacts to District customers and maintaining affordability of rates.

Attachments

✓ Rate Scenario Summary

WVWD – Staff Report



TO: Board of Directors
FROM: General Manager
DATE: October 25, 2012
SUBJECT: Process to Develop New Rate Structure

Action/Discussion

Fiscal Impact

Resolution

Information Only

Recommendation

That the Board discuss and provide direction to staff.

Background Information

At the September 18th Water Rate Workshop, staff indicated that an RFP was going to be developed to hire a consultant to develop the District's new rate model. Over the past several weeks, while developing the scope of work for the RFP, staff had discussions with several consultants.

Based on those discussions, staff is recommending that the rate structure/model development process be split into two phases to allow for a methodical process. As proposed, and shown on the attached schematic, Phase 1 would consist of the development and adoption of rate policy principle's and evaluation of how various rate structures would achieve the goals of the District's rate policy. This phase would conclude with the selection of a rate structure/methodology.

Based on the results of Phase 1, Phase 2 would consist of the development of the actual rate model to be used to calculate rates for the subsequent five-year period. As part of the rate model refinement process, staff would also recommend that public workshops be held.

Following Phase 2, it is anticipated that we would then begin the Proposition 218 process.

Phase 1 is estimated to cost \$20,000 to \$25,000 and is within the General Manager's authority for contract award.

Attachment:

Rate Structure/Model Development Schematic

WALNUT VALLEY WATER DISTRICT

Water Rate Timeline

