

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

REGULAR BOARD MEETING  
TUESDAY, SEPTEMBER 18, 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\_\_\_\_\_President Wu  
The President of the Board of Directors 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 August 30, 2012
  - A. Discussion
  - B. Action Taken
5. Discussion and Consideration of Possible Water Rate Adjustment Effective January 1, 2013
  - A. Discussion
  - B. Action Taken

Adjournment

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

**August 30, 2012  
At the Offices of the District**

**DIRECTORS PRESENT:**

Allen L. Wu, President  
Barbara A. Carrera  
Theodore L. Ebenkamp  
Edwin M. Hilden  
Scarlett P. Kwong

**STAFF PRESENT:**

Tim Gosney, Legal Counsel  
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

**DIRECTORS ABSENT:**

None

The meeting was called to order at 4:05 p.m. with President Wu presiding.

There were no guests in attendance.

**Item 3: Public Comment – President Wu**

- ◆ There were no requests to make public comment.

**Item 4: Additions to the Agenda – President Wu**

- ◆ There were no requests for additions to the agenda.

**Item 5: Reorder of Agenda –President Wu**

- ◆ There were no requests for reorder of agenda.

**Item 6: Discussion on the District’s Water Rates and Charges**

- ◆ The Board viewed a PowerPoint presentation which briefly recapped the activities of the previous Special Board meetings held February 8, 2012 and March 29, 2012 concerning the District’s water rate methodology structure. By way of background, the General Manager indicated the District’s Proposition 218 Notice was approved through June 2014 and, in light of anticipated Metropolitan Water District (MWD) rate increases, staff is requesting the Board’s collaborative input in the development of a new rate model to address future MWD/TVMWD rate increases.
- ◆ As previously conducted at the March 29 Special Board meeting, Mr. Hitchman presented and reviewed the results of the Board’s rate structure Objective Rankings survey, as listed below from most to least importance:
  1. Rates should generate sufficient revenues to cover the cost-of-service
  2. Equity
  3. Affordability
  4. Customer Understanding
  5. Administrative & Implementation Costs
  6. Promoting Efficiency
- ◆ Discussion was held regarding the importance of a defensible cost-of-service analysis. With this, staff indicated the Board’s objective rankings will be used as base principals in the development of a scope-of-work for a new rate study and methodology.
- ◆ Director Ebenkamp requested a review of the approved criteria under the District’s current Proposition 218 Notice.
- ◆ Director Wu suggested that staff review Rowland Water District’s (RWD) Proposition 218 notice and public outreach efforts, which is available on their website.

- ◆ Staff was directed, by consensus of the Board, to take into account the finalized Board rankings of objectives and subcategories to assist in the development of a scope-of-work for a rate study to develop a revised rate structure. Furthermore, staff was directed to develop several proposed solutions to address MWD's January 2013 rate increase, and to present the proposed solutions to the Board at the September 18, 2012 Special Board meeting.

**Adjournment at 4:43 p.m.**

**Motion No. 12-08-3363: *Upon consideration thereof, it was moved by Director Ebenkamp, seconded by Director Carrera and unanimously carried (5-0), to adjourn the meeting.***

# WVWD – Staff Report



**TO:** Board of Directors  
**FROM:** General Manager  
**DATE:** September 18, 2012  
**SUBJECT:** Discussion and Consideration of Possible Water Rate Adjustment Effective January 1, 2013

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Action/Discussion       Fiscal Impact       Resolution       Information Only

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## Recommendation

That the Board of Directors,

- Review and comment on Staff's Rate Scenarios;
- Consider setting new rates effective January 1, 2013; or
- Direct staff to conduct a further assessment and bring them back to the October 25, 2012 meeting.

## 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 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.

## *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 not only depends on the amount of water demanded but also the manner in which it is demanded, 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 such the revenue requirement was *decreased* by \$1,250,000.

The rate scenarios described below (and attached) were calculated based on this revised revenue requirement and by utilizing the District's current rate model and methodology.

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

(MWD Increase Only)

This scenario includes the increased purchased water costs based on MWD's January 1, 2013 rates.

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

(MWD 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.

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

(MWD 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.

*Attachments*

✓ Rate Scenarios detail (three pages)

**RATE SCENARIO 1 - MWD INCREASE ONLY**

	FY 12-13
<b>Revenue Requirement</b>	<b>26,957,527</b>
<u>Cost of Service</u>	
Commodity Rate	19,881,684
Base Charge	5,960,166
Private Fire	162,328
Pump Zone Charges	953,349
	<u>26,957,527</u>

<u>Commodity Rate</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>	<u>NOTES</u>
Residential					
Tier I	\$ 1.92	\$ 2.04	\$ 0.12	6.25%	
Tier II	\$ 2.40	\$ 2.55	\$ 0.15	6.25%	
Tier III	\$ 2.40	\$ 2.55	\$ 0.15	6.25%	
Total /Uniform Rate	\$ 2.17	\$ 2.29	\$ 0.12	5.53%	
Multi - Family	\$ 2.32	\$ 2.45	\$ 0.13	5.60%	
Commercial/Industrial	\$ 2.39	\$ 2.50	\$ 0.11	4.60%	

<u>Meter Charge</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
5/8 or 3/4	\$ 16.03	\$ 16.03	\$ -	0.00%
1"	\$ 20.21	\$ 20.21	\$ -	0.00%
1 1/2"	\$ 42.74	\$ 42.74	\$ -	0.00%
2"	\$ 65.25	\$ 65.25	\$ -	0.00%
3"	\$ 118.67	\$ 118.67	\$ -	0.00%
4"	\$ 194.78	\$ 194.78	\$ -	0.00%
6"	\$ 380.43	\$ 380.43	\$ -	0.00%
8"	\$ 603.79	\$ 603.79	\$ -	0.00%

<u>Pump Zone Charge</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
Zone 1	No Charge	No Charge		
Zone 2	\$ 0.18	\$ 0.18	\$ -	0.00%
Zone 3	\$ 0.33	\$ 0.34	\$ 0.01	3.03%

<u>Private Fire Protection</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
1"	\$ 16.04	\$ 16.48	\$ 0.44	2.74%
1 1/2"	\$ 16.43	\$ 16.89	\$ 0.46	2.80%
2"	\$ 16.81	\$ 17.30	\$ 0.49	2.91%
4"	\$ 19.43	\$ 20.09	\$ 0.66	3.40%
6"	\$ 22.13	\$ 22.99	\$ 0.86	3.89%
8"	\$ 25.51	\$ 26.60	\$ 1.09	4.27%
10"	\$ 28.89	\$ 30.21	\$ 1.32	4.57%

<u>Private Fire Hydrant</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
	\$ 22.13	\$ 22.99	\$ 0.86	3.89%

Impact of Rates

The following table illustrates the rate impact for a residential customer with an average consumption of 24 units, with a meter size of 5/8" or 3/4".

	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>% Increase</u>
Pump Zone 1	\$ 67.87	\$ 71.11	\$ 3.24	4.77%
Pump Zone 2	\$ 72.19	\$ 75.43	\$ 3.24	4.49%
Pump Zone 3	\$ 75.79	\$ 79.27	\$ 3.48	4.59%

Impact of Rates (Proposed versus Originally Projected in Prop 218 Notice)

The following table illustrates the rate impact for a residential customer with an average consumption of 24 units, with a meter size of 5/8" or 3/4".

	<u>Proposed</u>	<u>Prop 218</u>	<u>Difference</u>	<u>% Difference</u>
Pump Zone 1	\$ 71.11	\$ 81.62	\$ (10.51)	-12.88%
Pump Zone 2	\$ 75.43	\$ 83.53	\$ (8.10)	-9.70%
Pump Zone 3	\$ 79.27	\$ 87.61	\$ (8.34)	-9.52%

Impact on Budget

	<u>Budget FY 12-13</u>	<u>Projected</u>	<u>Increase</u>	<u>% Increase</u>
Commodity Charge	18,865,524	19,327,805	462,281	2.45%
Base Charges	6,011,882	6,011,882	-	0.00%
Commodity Charge - Recycled	1,177,226	1,177,226	-	0.00%
Base Charges - Recycled	175,701	175,701	-	0.00%
Pump Zone	962,200	965,930	3,730	0.39%
Fire Service	152,000	156,315	4,315	2.84%
Other	2,852,822	2,852,822	-	0.00%
Total Revenues	30,197,355	30,667,681	470,326	
Expenses	(28,987,552)	(28,987,552)	-	
Reserve Funding	1,209,803	1,680,129	470,326	
Unspent Expenditures	1,000,000	1,000,000	-	
Debt Service	-	-	-	
Reserve Funding	2,209,803	2,680,129	470,326	
Reserve Goal	(3,525,000)	(3,525,000)	-	
Funding Surplus (Deficit)	(1,315,197)	(844,871)	470,326	

**RATE SCENARIO 2 - MWD INCREASE + \$900K OF ADDITIONAL REQUIRED REVENUE**

	FY 12-13
<b>Revenue Requirement</b>	<b>27,857,527</b>
<u>Cost of Service</u>	
Commodity Rate	20,634,993
Base Charge	6,106,857
Private Fire	162,328
Pump Zone Charges	953,349
	<u>27,857,527</u>

<u>Commodity Rate</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>	<u>NOTES</u>
<u>Residential</u>					
Tier I	\$ 1.92	\$ 2.12	\$ 0.20	10.42%	
Tier II	\$ 2.40	\$ 2.65	\$ 0.25	10.42%	
Tier III	\$ 2.40	\$ 2.65	\$ 0.25	10.42%	
Total /Uniform Rate	\$ 2.17	\$ 2.39	\$ 0.22	10.14%	
Multi - Family	\$ 2.32	\$ 2.53	\$ 0.21	9.05%	
Commercial/Industrial	\$ 2.39	\$ 2.58	\$ 0.19	7.95%	

<u>Meter Charge</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
5/8 or 3/4	\$ 16.03	\$ 16.33	\$ 0.30	1.87%
1"	\$ 20.21	\$ 20.75	\$ 0.54	2.67%
1 1/2"	\$ 42.74	\$ 44.64	\$ 1.90	4.45%
2"	\$ 65.25	\$ 68.51	\$ 3.26	5.00%
3"	\$ 118.67	\$ 125.12	\$ 6.45	5.44%
4"	\$ 194.78	\$ 205.80	\$ 11.02	5.66%
6"	\$ 380.43	\$ 402.72	\$ 22.29	5.86%
8"	\$ 603.79	\$ 639.61	\$ 35.82	5.93%

<u>Pump Zone Charge</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
Zone 1	No Charge	No Charge		
Zone 2	\$ 0.18	\$ 0.18	\$ -	0.00%
Zone 3	\$ 0.33	\$ 0.34	\$ 0.01	3.03%

<u>Private Fire Protection</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
1"	\$ 16.04	\$ 16.48	\$ 0.44	2.74%
1 1/2"	\$ 16.43	\$ 16.89	\$ 0.46	2.80%
2"	\$ 16.81	\$ 17.30	\$ 0.49	2.91%
4"	\$ 19.43	\$ 20.09	\$ 0.66	3.40%
6"	\$ 22.13	\$ 22.99	\$ 0.86	3.89%
8"	\$ 25.51	\$ 26.60	\$ 1.09	4.27%
10"	\$ 28.89	\$ 30.21	\$ 1.32	4.57%

<u>Private Fire Hydrant</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
	\$ 22.13	\$ 22.99	\$ 0.86	3.89%

Impact of Rates

The following table illustrates the rate impact for a residential customer with an average consumption of 24 units, with a meter size of 5/8" or 3/4".

	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>% Increase</u>
Pump Zone 1	\$ 67.87	\$ 73.57	\$ 5.70	8.40%
Pump Zone 2	\$ 72.19	\$ 77.89	\$ 5.70	7.90%
Pump Zone 3	\$ 75.79	\$ 81.73	\$ 5.94	7.84%

Impact of Rates (Proposed versus Originally Projected in Prop 218 Notice)

The following table illustrates the rate impact for a residential customer with an average consumption of 24 units, with a meter size of 5/8" or 3/4".

	<u>Proposed</u>	<u>Prop 218</u>	<u>Difference</u>	<u>% Difference</u>
Pump Zone 1	\$ 73.57	\$ 81.62	\$ (8.05)	-9.86%
Pump Zone 2	\$ 77.89	\$ 83.53	\$ (5.64)	-6.75%
Pump Zone 3	\$ 81.73	\$ 87.61	\$ (5.88)	-6.71%

Impact on Budget

	<u>Budget FY 12-13</u>	<u>Projected</u>	<u>Increase</u>	<u>% Increase</u>
Commodity Revenues	18,865,524	19,636,374	770,850	4.09%
Base Rate Revenues	6,011,882	6,070,028	58,146	0.97%
Commodity Charge - Recycled	1,177,226	1,177,226	-	0.00%
Base Charges - Recycled	175,701	179,870	4,169	2.37%
Pump Zone	962,200	965,930	3,730	0.39%
Fire Service	152,000	156,315	4,315	2.84%
Other	2,852,822	2,852,822	-	0.00%
<b>Total Revenues</b>	<b>30,197,355</b>	<b>31,038,565</b>	<b>841,210</b>	
Expenses	(28,987,552)	(28,987,552)	-	
Reserve Funding	1,209,803	2,051,013	841,210	
Unspent Expenditures	1,000,000	1,000,000	-	
Debt Service	-	(900,000)	(900,000)	
Reserve Funding	2,209,803	2,151,013	(58,790)	
Reserve Goal	(3,525,000)	(3,525,000)	-	
<b>Funding (Deficit)</b>	<b>(1,315,197)</b>	<b>(1,373,987)</b>	<b>(58,790)</b>	

**RATE SCENARIO 3 - MWD INCREASE + \$1.2M OF ADDITIONAL REQUIRED REVENUE**

	FY 12-13
<b>Revenue Requirement</b>	<b>28,157,527</b>
<u>Cost of Service</u>	
Commodity Rate	20,934,993
Base Charge	6,106,857
Private Fire	162,328
Pump Zone Charges	953,349
	<u>28,157,527</u>
	-

<u>Commodity Rate</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>	<u>NOTES</u>
<u>Residential</u>					
Tier I	\$ 1.92	\$ 2.16	\$ 0.24	12.50%	
Tier II	\$ 2.40	\$ 2.70	\$ 0.30	12.50%	
Tier III	\$ 2.40	\$ 2.70	\$ 0.30	12.50%	
Total /Uniform Rate	\$ 2.17	\$ 2.42	\$ 0.25	11.52%	
Multi - Family	\$ 2.32	\$ 2.56	\$ 0.24	10.34%	
Commercial/Industrial	\$ 2.39	\$ 2.61	\$ 0.22	9.21%	

<u>Meter Charge</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
5/8 or 3/4	\$ 16.03	\$ 16.33	\$ 0.30	1.87%
1"	\$ 20.21	\$ 20.75	\$ 0.54	2.67%
1 1/2"	\$ 42.74	\$ 44.64	\$ 1.90	4.45%
2"	\$ 65.25	\$ 68.51	\$ 3.26	5.00%
3"	\$ 118.67	\$ 125.12	\$ 6.45	5.44%
4"	\$ 194.78	\$ 205.80	\$ 11.02	5.66%
6"	\$ 380.43	\$ 402.72	\$ 22.29	5.86%
8"	\$ 603.79	\$ 639.61	\$ 35.82	5.93%

<u>Pump Zone Charge</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
Zone 1	No Charge	No Charge		
Zone 2	\$ 0.18	\$ 0.18	\$ -	0.00%
Zone 3	\$ 0.33	\$ 0.34	\$ 0.01	3.03%

<u>Private Fire Protection</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
1"	\$ 16.04	\$ 16.48	\$ 0.44	2.74%
1 1/2"	\$ 16.43	\$ 16.89	\$ 0.46	2.80%
2"	\$ 16.81	\$ 17.30	\$ 0.49	2.91%
4"	\$ 19.43	\$ 20.09	\$ 0.66	3.40%
6"	\$ 22.13	\$ 22.99	\$ 0.86	3.89%
8"	\$ 25.51	\$ 26.60	\$ 1.09	4.27%
10"	\$ 28.89	\$ 30.21	\$ 1.32	4.57%

<u>Private Fire Hydrant</u>	<u>Current rate</u>	<u>Proposed Rate</u>	<u>Change</u>	<u>% Increase</u>
	\$ 22.13	\$ 22.99	\$ 0.86	3.89%

Impact of Rates

The following table illustrates the rate impact for a residential customer with an average consumption of 24 units, with a meter size of 5/8" or 3/4".

	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>% Increase</u>
Pump Zone 1	\$ 67.87	\$ 74.65	\$ 6.78	9.99%
Pump Zone 2	\$ 72.19	\$ 78.97	\$ 6.78	9.39%
Pump Zone 3	\$ 75.79	\$ 82.81	\$ 7.02	9.26%

Impact of Rates (Proposed versus Originally Projected in Prop 218 Notice)

The following table illustrates the rate impact for a residential customer with an average consumption of 24 units, with a meter size of 5/8" or 3/4".

	<u>Proposed</u>	<u>Prop 218</u>	<u>Difference</u>	<u>% Difference</u>
Pump Zone 1	\$ 74.65	\$ 81.62	\$ (6.97)	-8.54%
Pump Zone 2	\$ 78.97	\$ 83.53	\$ (4.56)	-5.46%
Pump Zone 3	\$ 82.81	\$ 87.61	\$ (4.80)	-5.48%

Impact on Budget

	<u>Budget FY 12-13</u>	<u>Projected</u>	<u>Increase</u>	<u>% Increase</u>
Commodity Revenues	18,865,524	19,780,594	915,070	4.85%
Base Rate Revenues	6,011,882	6,070,028	58,146	0.97%
Commodity Charge - Recycled	1,177,226	1,177,226	-	0.00%
Base Charges - Recycled	175,701	179,870	4,169	2.37%
Pump Zone	962,200	965,930	3,730	0.39%
Fire Service	152,000	156,315	4,315	2.84%
Other	2,852,822	2,852,822	-	0.00%
Total Revenues	<u>30,197,355</u>	<u>31,182,785</u>	<u>985,430</u>	
Expenses	(28,987,552)	(28,987,552)	-	
Reserve Funding	1,209,803	2,195,233	985,430	
Unspent Expenditures	1,000,000	1,000,000	-	
Debt Service	-	(1,200,000)	(1,200,000)	
Reserve Funding	2,209,803	1,995,233	(214,570)	
Reserve Goal	(3,525,000)	(3,525,000)	-	
Funding (Deficit)	<u>(1,315,197)</u>	<u>(1,529,767)</u>	<u>(214,570)</u>	