

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

SPECIAL BOARD MEETING
Thursday, September 19, 2013 – 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 4 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. Discussion and Consideration of Possible Water Rate Adjustment Effective January 1, 2014
 - A. Discussion
 - B. Action Taken

Adjournment

WVWD – Staff Report



TO: Board of Directors
FROM: General Manager
DATE: September 19, 2013
SUBJECT: Discussion and Consideration of Possible Water Rate Adjustment Effective January 1, 2014

Action/Discussion

Fiscal Impact

Resolution

Information Only

Recommendation

That the Board of Directors consider preliminary approval of Rate Scenario No. 3 (effective January 1, 2014).

Background Information

In response to the increase in the cost of water, internal costs, debt financing and to ensure sufficient reserves, staff has compiled various rate scenarios for discussion, review, and possible adoption by the Board.

- Effective January 1, 2014, the District will be buying water from TVMWD/MWD at a cost of \$875 per acre foot—or *\$2.01 per ccf*.
- The District issued approximately \$20 million in debt to finance various alternative water resource projects. The annual debt payment for the current year is \$1,225,191.
- At the end of the fiscal year (June 30, 2014) the budget projects reserve funding of approximately \$766,000. This figure is approximately \$2.75 million below the District's current 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 2013-14) the District's revenue requirement is \$30,752,554. This assumes all budgeted revenues will be recognized and all budgeted expenses will be incurred. Recognizing that actual revenues and expenses typically vary from budget amounts along with the potential to reduce annual reserves, the scenarios presented offer alternatives that balance the financial needs of the District with the desire to minimize rate increases to our customers. Each rate scenario provides sufficient revenues to meet the operating needs of the District, ensures compliance with all bond covenants, but varies with respect to the estimated reserves that would be funded.

Scenario No. 1—Revenue Requirement \$29,752,554

The revenue requirement has been reduced by \$1 million for purposes of calculating the rates. The impact of the increase for the average residential customer ranges from 6.41% to 6.79%. Based on this scenario reserve funding is estimated to be approximately \$2.3 million, assuming unspent expenditures of \$750,000.

Scenario No. 2—Revenue Requirement \$30,002,554

The revenue requirement has been reduced by \$750,000 for purposes of calculating the rates. The impact of the increase for the average residential customer ranges from 7.43% to 7.92%. Based on this scenario reserve funding is estimated to be approximately \$2.4 million, assuming unspent expenditures of \$750,000.

Scenario No. 3—Revenue Requirement \$30,252,554

The revenue requirement has been reduced by \$500,000 for purposes of calculating the rates. The impact of the increase for the average residential customer ranges from 8.73% to 9.36%. Based on this scenario reserve funding is estimated to be approximately \$2.5 million, assuming unspent expenditures of \$750,000.

Scenario No. 4—Revenue Requirement \$30,752,554

The revenue requirement has not been reduced. The impact of the increase for the average residential customer ranges from 11.05% to 11.94%. Based on this scenario reserve funding is estimated to be approximately \$2.7 million, assuming unspent expenditures of \$750,000.

Reserve Funding Impacts

In addition to the rate scenarios analyzed, staff also evaluated the impact of the rates relative to Reserve for Replacement funding. As you know, the District's Asset Replacement Funding Model identified a need for approximately \$2.3 million dollars annually to fund future system replacements and maintain the minimum reserve balance per the District's approved Reserve Policy. The Asset Replacement Funding Model assumes all assets will be replaced at the anticipated end of their useful life. Staff has recently prepared a twenty-year asset replacement plan that has identified system replacement projects reasonably anticipated to be required over that period.

The plan also allows staff to analyze the impact on reserve balance for various funding levels over the planning horizon. Based on the plan and the reserve funding analysis, funding for the Reserve for Replacement would be adequate if reserve funding levels are maintained between \$1.5 and \$1.75 million annually.

At these levels total reserve funding, including OPEB and Capital, would need to be between \$2.75 and \$3.0 million annually.

Based on an evaluation of the various rate scenarios and the impact on reserve funding, staff recommends that the Board adopt rate increase Scenario 3.

Attachments:

- ✓ Rate Scenarios detail
- ✓ District's recent rate history

Walnut Valley Water District – Rate History

Monthly Meter Charges

Meter Size	1/1/2004	7/1/2001	4/1/2010	4/1/2011	1/1/2012	1/1/2013
	Residential	Commercial / Industrial	All Customers	All Customers	All Customers	All Customers
5/8" or 3/4"	11.01	13.43	16.03	16.03	16.03	16.33
1"	17.82	21.63	20.21	20.21	20.21	20.75
1-1/2"	33.64	40.25	42.74	42.74	42.74	44.64
2"	53.59	64.05	65.25	65.25	65.25	68.51
3"	100.94	118.71	118.67	118.67	118.67	125.12
4"	164.19	194.97	194.78	194.78	194.78	205.80
6"	318.25	384.76	380.43	380.43	380.43	402.72
8"	503.10	613.20	603.79	603.79	603.79	639.61

Monthly Fire Service Charges

Line Size	1/1/2004	1/1/2002	4/1/2010	4/1/2011	1/1/2012	1/1/2013
	Residential	Commercial / Industrial	All Customers	All Customers	All Customers	All Customers
1"	11.01	13.43	16.04	16.04	16.04	16.48
1-1/2"	11.01	13.43	16.43	16.43	16.43	16.89
2"	11.01	13.43	16.81	16.81	16.81	17.30
4"	11.01	13.43	19.43	19.43	19.43	20.09
6"	11.01	13.43	22.13	22.13	22.13	22.99
8"	17.82	21.63	25.51	25.51	25.51	26.60
10"	33.64	40.25	28.89	28.89	28.89	30.21
Private Hydrant	22.00	22.00	22.13	22.13	22.13	22.99

Commodity Rates

Customer Rate Class	7/1/2005	4/1/2010	4/1/2011	1/1/2012	1/13/2013
Single Family Residential Tier Blocks					
Tier 1 (0-12 Units)	n/a	1.75	1.75	1.92	2.16
Tier 2 (13-39 Units)	n/a	2.19	2.19	2.40	2.70
Tier 3 (40 + Units)	n/a	2.19	2.19	2.40	2.70
Single Family Residential	1.75	n/a	n/a	n/a	n/a
Multi-Family Residential	1.75	2.06	2.23	2.32	2.56
Commercial / Industrial	1.75	2.10	2.34	2.39	2.61
Recycled	1.49	1.49	1.49	1.49	1.49

Pump Zone Surcharges

Zone	7/1/2005	4/1/2010	4/1/2011	1/1/2012	1/1/2013
Zone 1	n/a	0.00	0.00	0.00	0.00
Zone 2	n/a	0.18	0.18	0.18	0.18
Zone 3	n/a	0.33	0.33	0.33	0.34