

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

SPECIAL BOARD MEETING  
THURSDAY, MAY 14, 2015 – 4:30 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. Ebenkamp  
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. Water Supply Update: Emergency Drought Regulations
  - (1) Discussion
  - (2) Action Taken
5. Fiscal Year 2015-16 Draft Budget Overview
  - (1) Discussion
  - (2) Action Taken
6. Consideration and Possible Action to Implement Drought Rate Surcharge for FY 2015-16 in accordance with Previously Approved Resolution 11-14-612 and to Provide Customer Notice of Implementation of Drought Rate Surcharge
  - (1) Discussion
  - (2) Action Taken

Adjournment

# WVWD – Staff Report



**TO:** Board of Directors  
**FROM:** General Manager  
**DATE:** May 14, 2015  
**SUBJECT:** Fiscal Year 2015-16 Draft Budget Overview

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Action/Discussion     Fiscal Impact     Resolution     Information Only

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## Recommendation

That the Board of Directors review the budget summary and provide direction to staff.

## Background Information

The annual budget provides a means that allows the Board to review the ongoing and future objectives of the District and allocate funding based on available resources. The District's priorities and objectives through the proposed expenditures and anticipated revenues are developed prior to the fiscal year. The format will be similar to past budgets in the scope of detail and transparency.

A. Staff's preparation of the budget is guided by:

The following objectives:

- *Are the expenses reasonable and consistent with District policies, initiatives, industry standards, customer expectations, and Board of Director's priorities?*
- *Will the existing and proposed infrastructure investments provide current and future benefit to our customers and utilize our existing funds wisely?*
- *Does the proposed budget remain committed to seeking efficiencies wherever feasible? Faced with a historical drought and mandatory reductions in supply, does the budget reflect the conservation/water use reductions goals necessitated by the MWD Supply Allocation Plan and the recent actions by the SWRCB?*

B. Alignment with the priorities of the General Manager's Work Plan.

C. Additionally:

- In response to the drought and required reductions, the budget assumes a 25% reduction in water sales/purchases (as compared to the 2013 baseline year).
- The District's budgeted revenues include the proposed increases approved in the District's proposition 218 notice (effective January 2016).
- To offset the loss in revenues as a result in a reduction of sales and to provide the necessary incentive for customers to reduce water usage, the budget assumes a Stage 1 Drought Rate Surcharge will be implemented effective July 1, 2015.
- Through the combination of the District's public outreach efforts and implementation of the Drought Rate Surcharge, it was assumed that the District would achieve the necessary conservation levels to avoid penalties from MWD or the SWRCB. As such no penalties have been included in the operating budget.

- As we move into FY 2015-16, the District is moving forward on several key water supply projects that will decrease our reliance on imported water.
- The District's proposed FY 2015-16 budget will continue funding our core mission of providing a high quality and reliable water supply with a continued emphasis on a high level of customer service.
- The District's internal cost-controls are evident in this budget as we continue our long-term efforts to maintain efficiencies in all areas.

At the workshop, staff will present an overview of the FY 2015-16 Budget consisting of:

**1. Major Expense Categories**

- Purchased Water TVMWD's rates and charges
- TVMWD's assessments
- Walnut Valley Water District's Personnel Costs
- Walnut Valley Water District's Operations and Maintenance Costs
- Debt Service

**2. FY 2015-16 Revenue Summary**

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*Board Budget Schedule:*

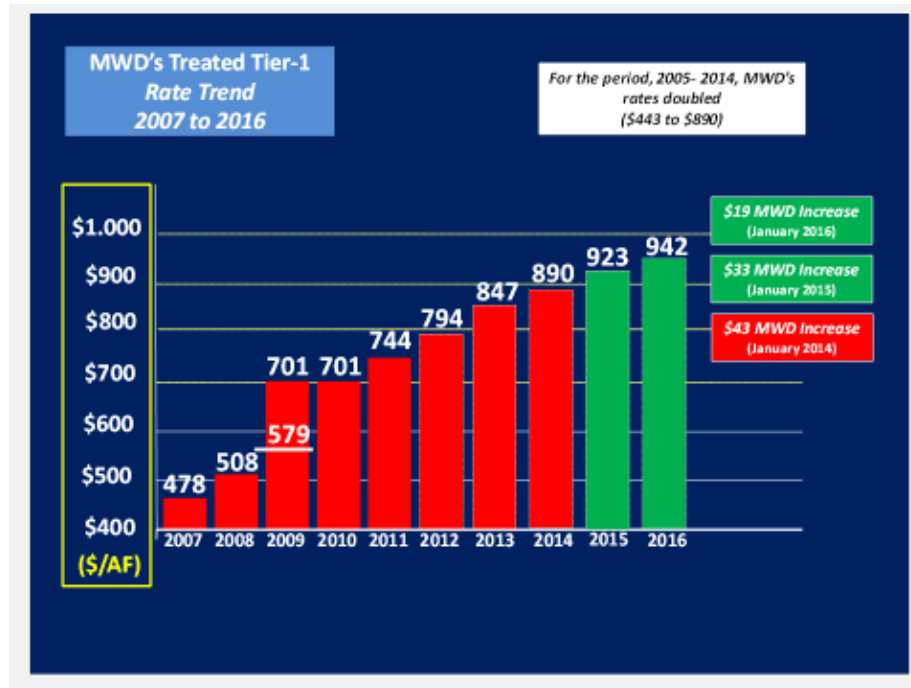
<b>Date</b>	<b>Item</b>
<b>January to April 2015</b>	<ul style="list-style-type: none"> <li>• Staff preparation of DRAFT Budget</li> </ul>
<b>May 14, 2015</b> Special Board Workshop	<ul style="list-style-type: none"> <li>• <u>Overview of the District's DRAFT FY 2015-16 Budget</u> <i>Major Expenses</i> <i>Revenues</i></li> <li>• Review and discussion of MWD/TVMWD's rates and charges</li> </ul>
<b>May 21, 2015</b> Board Workshop	<ul style="list-style-type: none"> <li>• Review CIP's</li> <li>• Further review of proposed FY 2015-16 budget</li> </ul>
(Additional Budget Workshops)	<b>At the Board's determination</b>
<b>Adoption of Final Budget (by June 30, 2015)</b>	

## FY 2015-16 Overview

- **MWD's Rate Increase: 2.1% (effective January 2016)**

Given the necessity that the District is almost 100% dependent on an imported supply for our potable water, rate increases have a significant impact on costs.

For FY 2015-16, we project that 52% of the District's budgeted operating expenses (excluding long-term debt) are related to water purchased from the Metropolitan Water District (MWD) and Three Valleys Municipal Water District (TVMWD).



- **Cost-control Efforts: FY 2014-15**

- ✓ Staff continues to advocate for long-term cost-efficiencies and a more predictable financial (i.e., rates) planning horizon from MWD and TVMWD. For the next fiscal year, TVMWD will maintain their "credit" on the surcharge of \$24. Also, MWD approved rates for the next two years (2015 and 2016).
- ✓ Attempt to hold District-controlled costs as "flat as possible." Our internal costs are projected to increase 4.1%, or \$516,413 over FY 14-15 (excludes long-term debt). This increase is due to payroll cost increases pursuant to the Terms and Conditions, increased outreach, and election expenses.

- **Revenue**

- ✓ Water sales revenues are estimated at \$29,716,140
- ✓ Other operating revenues are estimated at \$855,000
- ✓ Non-operating and other revenues are estimated at \$1,611,300
- ✓ Total revenues: \$32,182,440

Budgeted amounts include the projected rate increase, as approved in the District's proposition 218 notice, effective January 2016 and assumes the implementation of a Stage 1 Drought Rate Surcharge effective July 2015.

## Major Expense Categories

### A. Estimated Purchased Water from MWD/TVMWD

- ✓ Potable water purchases are estimated at 15,608 acre-feet for FY 2015-16 (a reduction of 25% based on the 2013 baseline year).
- ✓ The estimated cost for 15,608 acre-feet is \$14.25 million.

#### Purchased Water

FY 11-12 Actual	FY 12-13 Actual	FY 13-14 Actual	FY 14-15 Budget	FY 15-16 Budget
20,361 AF	20,739 AF	21,137 AF	20,044 AF	15,608 AF

### B. MWD/TVMWD Rates:

MWD/TVMWD Rates All charges per acre-foot						
Item	Effective Jan 1, 2011	Effective Jan 1, 2012	Effective Jan 1, 2013 (7.1%)	Effective Jan 1, 2014 (3.1%)	Effective Jan 1, 2015 (2.7%)	Effective Jan 1, 2016 (2.1%)
Tier 1 Supply Rate	\$104	\$106	\$140	\$148	\$158	\$156
Delta Supply Surcharge	\$51	\$58	-	-	-	-
Water Supply Surcharge	0	0	-	-	-	-
System Access Rate	\$204	\$217	\$223	\$243	\$257	\$259
Water Stewardship Rate	\$41	\$43	\$41	\$41	\$41	\$41
System Power Rate	\$127	\$136	\$189	\$161	\$126	\$138
<i>Tier 1 untreated subtotal:</i>	\$527	\$560	\$593	\$593	\$582	\$594
Treatment Surcharge	\$217	\$234	\$254	\$297	\$341	\$348
TVMWD Surcharge	\$10	<\$1>	\$2	<\$15>	<\$24>	<\$24>
Cost Per AF of Water	\$754	\$793	\$849	\$875	\$899	\$918

### C. MWD/TVMWD Assessments

- ✓ MWD's "pass-through" Capacity Charge: This assessment is levied by MWD based on TVMWD's combined highest peak water use during the previous three completed fiscal years (termed a 'trailing three-year peak').<sup>1</sup>
  - The total charge for FY 2015-16 is \$687,102, an increase of \$128,056, or 22.9%, over FY 14-15.
- ✓ TVMWD's Fixed Charges: TVMWD's long standing practice is to collect revenues consisting of a three-part billing structure which includes charges for (1) *historical water use*, (2) *connected capacity*, and (3) *equivalent small meters*. The fixed charges are levied regardless of the amount of water sales.<sup>2</sup>

TVMWD 'Fixed' Charges	2011-12	2012-13	2013-14	2014-15	2015-16
Total TVMWD Fixed Charges	\$689,588	\$1,379,176	\$989,162	\$624,423	\$645,631
WVWD's Obligation	192,366	381,201	285,430	180,060	187,892
District's percentage of total assessment	27.9%	27.6%	28.9%	28.8%	29.1%

### D. Personnel Costs

Proposed salaries, benefits, and employer costs for FY 2015-16 will increase \$422,536, or 5.16%, when compared to FY 2014-15.

- ✓ For 2016, a COLA of 2.0% (less the buy-back of 1%) was included in the projected FY 2015-16 Budget.
- ✓ As part of the Terms and Conditions of Employment, a schedule was established so that by FY 16-17, employees will fully fund the employee rate for each of the established retirement formulas. To help employees offset a portion of these increasing costs, it was agreed that employees would receive an annual 2% salary adjustment on July 1 of each year. This adjustment was included in the FY 2015-16 personnel budget.
- ✓ Medical premiums are estimated to increase 10% effective January 2016. Dental premiums are estimated to increase 5%, effective January 2016. The actual cost increases will be less due to the established medical cap on the cost of health benefits provided to employees.

### E. Debt Service

<sup>1</sup> The MWD Capacity Charge ("Charge") will increase to \$11,100 per cubic foot second (cfs) effective January 1, 2015. The TVMWD's capacity charge basis will increase to 178.6 based on TVMWD's peak connected capacity during the last three completed fiscal years. The Charge will either increase or decrease only if a new 24-hour peak demand is established during the period of May-September of any year. Subsequently, a revised Charge would become effective on January 1 of the following year. A monthly allocation Charge will apply to each member agency based on their specific non-coincidental peak during the period of 2011 to 2013.

<sup>2</sup> For FY 2014-15, the required revenue for TVMWD's FY 2014-15 Budget will be met in the following revenue priorities: (a) Miscellaneous revenues (interest, etc.); (b) State subventions; (c) TVMWD's Standby Charge; (d) Water Sales; and (e) Fixed Cost Allocations. The required calendar year Fixed Cost Allocation revenue of \$649,700 [for 2014 the amount was \$599,147] shall be obtained through three component allocations in equal amounts. Each allocated cost component will generate revenue of \$216,567 (for 2014 the amount was \$199,716).

- In March 2013, the District issued approximately \$20 million in revenue bonds to fund various capital projects. The annual debt service for FY 2015-16 is \$1,234,350. As part of the bond covenants the District must collect net revenues equal to at least 125% of the annual debt service. Based on the FY 2015-16 Budget Summary, the calculated coverage is 295% based on net revenues, excluding debt service, of \$3,645,551.

### Projected Expenses: FY 2015-16

Expense Category	FY 2012-13 Budget	FY 2013-14 Budget		FY 2014-15 Budget		FY 2015-16 Budget Proposed	
Purchased Water	\$17,489,277	\$18,135,342	57.72%	\$18,857,734	57.85%	\$15,514,316	52.11%
Personnel Costs	\$7,468,498	\$7,843,345	24.96%	\$8,193,866	25.14%	\$8,616,402	28.94%
Power Costs	\$758,029	\$820,950	2.61%	\$882,700	2.71%	\$844,000	2.83%
O&M Expenses	\$3,271,748	\$3,397,040	10.81%	\$3,429,594	10.52%	\$3,562,171	11.97%
Debt Payment	0	1,225,191	3.90%	\$1,232,450	3.78%	\$1,234,350	4.15%
<i>Subtotals (excluding purchased water)</i>	\$11,498,275	\$13,286,526	42.28%	\$13,738,610	42.15%	\$14,256,923	47.89%
<b>Grand Total</b>	<b>\$28,987,552</b>	<b>\$31,421,868</b>	<b>100.00%</b>	<b>\$32,596,344</b>	<b>100.00%</b>	<b>\$29,771,239</b>	<b>100.00%</b>

### Projected Revenues: FY 2015-16

Category	2012-13	2013-14	2014-15	2015-16
<b>Base Rate</b>	6,187,584	6,349,621	6,642,417	7,265,064
<b>Commodity Charge</b>	20,042,350	21,989,358	24,440,803	20,473,691
<b>Pump Zone</b>	962,600	960,025	1,005,220	804,762
<b>Drought Surcharge</b>				634,123
<b>Other Fees</b>	487,000	486,500	494,500	538,500
Subtotal: Water Sales	\$ 27,679,534	\$ 29,785,504	\$ 32,582,940	29,716,140
<b>Stand-by</b>	825,000	825,000	825,000	825,000
<b>Hydro-electric</b>	35,000	30,000	15,000	30,000
<b>Other Revenues</b>	312,400	300,400	303,800	303,800
<b>Non-Operating</b>	1,345,421	1,247,500	1,222,500	1,307,500
Subtotal: Other Revenue	\$ 2,517,821	\$ 2,402,900	\$ 2,366,300	2,466,300
<b>Grand Total</b>	<b>\$ 30,197,355</b>	<b>\$ 32,188,404</b>	<b>\$ 34,949,240</b>	<b>\$32,182,440</b>

### Budget Summary: FY 2015-16

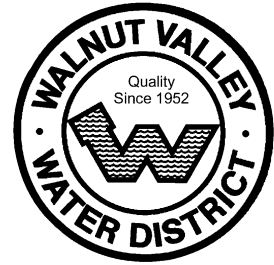
<b>Category</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Revenues	\$ 30,197,355	\$ 32,188,404	\$ 34,949,240	\$ 32,182,440
Expenses <i>(Excluding Debt)</i>	\$ 28,987,552	\$ 30,196,677	\$ 31,363,894	\$ 28,536,889
Net Revenues	\$ 1,209,803	\$ 1,991,727	\$ 3,585,346	\$ 3,645,551

Debt Service	n/a	\$ 1,225,191	\$ 1,232,450	\$ 1,234,350
Required Coverage	n/a	1.25	1.25	1.25
<b>Calculated Coverage</b>	<b>n/a</b>	<b>1.63</b>	<b>2.91</b>	<b>2.95</b>

<b>Net Revenues Available</b>	<b>\$ 1,209,803</b>	<b>\$ 766,536</b>	<b>\$ 2,352,896</b>	<b>\$ 2,411,201</b>
<b>Reserve Funding Goal</b>	<b>\$ 3,525,000</b>	<b>\$ 3,525,000</b>	<b>\$ 3,525,000</b>	<b>\$ 3,650,000</b>
<b>Reserve Funding Deficit</b>	<b>(\$ 2,315,197)</b>	<b>(\$ 2,758,464)</b>	<b>(\$ 1,172,104)</b>	<b>(\$ 1,238,799)</b>



# WVWD – Staff Report



**TO:** Board of Directors  
**FROM:** General Manager  
**DATE:** May 14, 2015  
**SUBJECT:** Consideration and Possible Action to Implement Drought Rate Surcharge for FY 2015-16 in accordance with Previously Approved Resolution 11-14-612 and to Provide Customer Notice of Implementation of Drought Rate Surcharge

Action/Discussion

Fiscal Impact

Resolution

Information Only

## Recommendation

Request that the Board approve the implementation of a Stage 1 Drought Rate Surcharge effective July 1, 2015, in accordance with the previously approved WVWD Resolution No. 11-14-612, and direct staff to provide customer notice of implementation of Drought Rate Surcharge.

## Background

As you are aware, California is in the fourth year of a severe drought which is threatening local and imported supplies statewide. On May 5, 2015, the State Water Resources Control Board adopted the final emergency regulation related to the 25% reductions in urban water use outlined in the April 1, 2015 executive order issued by Governor Jerry Brown. This emergency regulation imposes nine tiers of water conservation targets ranging from 4% to 36%. Based on residential gallons per capita per day (R-GPCD), the District will be required to conserve 28%, from the baseline year of 2013. In accordance with the regulation, water suppliers failing to meet the required conservation targets may face penalties of up to \$10,000 per day. In addition, the Metropolitan Water District, recently approved a Stage 3 Water Supply Allocation, which levies significant penalties on water suppliers which fail to reduce imported demands by at least 15%.

Recognizing the importance of conservation, from both a resource and financial perspective, the District, which is almost 100% dependent of imported water, is focused on meeting the state-mandated conservation target of 25%. By achieving the 25% conservation the District would avoid costly penalties (from both SWRCB and MWD), and would assist in ensuring some level of water supply would be available in the event the drought is prolonged. In response, on April 23, the District's Board declared a Stage 3 Water Supply Shortage which outlines various water restrictions. In addition, the District has ramped up its outreach campaign with a focus on educating the public about the severe drought, advising them of the current water restrictions, and calling for 25% conservation.

In response to the State's initial mandate calling for 20% conservation, the District declared a *Stage 1 Water Supply Shortage* (February 2014) and asked our customers for a voluntary cutback of 20%. However, to-date, the District has achieved a 5% conservation level, when compared to the baseline period of 2013. To achieve 25% conservation, the District would need to reduce water purchases to approximately 15,600 acre-feet, a level that the District has not been at in decades (for comparison, the District's 3-year average water purchases is 20,300 acre-feet, a difference of 4,700 acre-feet). While mandatory restrictions and public outreach are useful tools in achieving conservation, without the use of price signaling, staff believes it will not be possible to achieve 25% conservation.

## Drought Rate Surcharges

In November 2014, the Board approved the District's comprehensive rate study and adopted Resolution No. 11-14-162 which contained the District's projected rates for fiscal years 2015-16 through 2015-19. In response to the ongoing drought and to ensure sufficient revenues are collected during periods of lower than normal sales, staff developed drought rate surcharges that were incorporated into the approved rate schedule. The drought rate surcharges provide a means for the District to respond to various scenarios related to the ongoing drought, while still collecting sufficient revenues to operate.

During a water supply shortage, drought rates imposed by a water utility have two main objectives: (1) through price signaling, provide the necessary incentive for our customers to conserve, and (2) to maintain an adequate amount of revenue to continue operations. Unfortunately, the two objectives work against each other because as less water is sold, it becomes increasingly difficult for the District to cover its operating costs. Drought rates are designed to recover revenue shortfalls as well as to affect a targeted reduction in water consumption.

The District, like many other water agencies, has expenses (delivery costs) that it must continue to pay regardless of the amount of water it sells (i.e. revenues it collects). The drought rate surcharges are necessary to cover these expenses that the District, at least in the short term, cannot avoid. As the District sells less water as a drought progresses, its revenues decline and the drought rate surcharges help offset this lost revenue. Because the District is 100% dependent on imported water a large percentage of the District's expenses are related to the cost of purchased water. These costs are variable and are reduced proportionately as less water is sold.

The drought rate surcharges are calculated as a percentage of the potable water commodity rate currently in effect. The table below summarizes the percentages approved, and the calculated surcharge based on the current rates for a Stage 1 and Stage 2 Drought Rate Surcharge.

Customer Class	Stage 1 (15%)		Stage 2 (25%)	
	Surcharge	Rate	Surcharge	Rate
Residential				
Tier I	0%	\$ -	0%	\$ -
Tier II	5%	\$ 0.15	11%	\$ 0.34
Tier III	29%	\$ 0.89	57%	\$ 1.76
<b><i>Average Residential</i></b>		<b><i>\$ 0.09</i></b>		<b><i>\$ 0.18</i></b>
Multi-Family	3%	\$ 0.09	6%	\$ 0.17
Non-Residential	3%	\$ 0.09	6%	\$ 0.18

As you may recall, Tier I (12 CCF) was established based on average winter consumption. It is assumed that during the winter months, little outdoor usage occurs, therefore Tier I represents essential indoor water usage. Tier II (13-39 CCF) was based upon average summer usage, when irrigation consumption is at its highest level. Tier III (40+ CCF) represents all consumption above that level. Based on these consumption patterns, the drought rate surcharges developed were focused on the users that had the greatest potential to conserve. Following this logic it was assumed that highest percentage of conservation would occur at Tier III, as such the Tier III drought rate surcharge is the highest of those proposed. It should be noted, that the average residential surcharge is almost exactly the same as the surcharges for the multi-family and non-residential users. For both the multi-family and non-residential user class, a uniform reduction in consumption was assumed for each stage.

## Customer Impacts

One of the goals of the drought rates is to be “cost-neutral” to the customer. In other words, if a customer conserves the required amount of water they should not see an increase in their overall water bill.

The table below summarizes the number of customers by tiers, based on annual consumption for calendar year 2014.

Tier	Avg. Monthly Consumption	No. of Customers	% Customers
Tier I	0-12 Units	6,735	26.80%
Tier II	13-39 Units	16,333	65.00%
Tier III	40+ Units	2,059	8.19%

The Table below shows the impact of a Stage 1 Drought Surcharge for residential customers with varying consumption levels. For the average residential customer (24 units) they will begin seeing a decrease in their water bill after achieving a modest 10% conservation.

<b>RESIDENTIAL CUSTOMER IMPACT STAGE 1 DROUGHT SURCHARGE</b>							
Units (Before Conservation)	12	Average Residential Customer 24	39	65	85	110	125
<b>Pump Zone 1</b>							
<b>Regular Bill</b>	<b>\$ 51</b>	<b>\$ 88</b>	<b>\$ 134</b>	<b>\$ 214</b>	<b>\$ 275</b>	<b>\$ 352</b>	<b>\$ 399</b>
0% Conservation	\$ 51	\$ 89	\$ 138	\$ 241	\$ 320	\$ 420	\$ 479
10% Conservation	\$ 48	\$ 83	\$ 125	\$ 217	\$ 289	\$ 376	\$ 432
15% Conservation	\$ 45	\$ 76	\$ 118	\$ 201	\$ 269	\$ 356	\$ 404
20% Conservation	\$ 45	\$ 73	\$ 112	\$ 189	\$ 253	\$ 332	\$ 380
25% Conservation	\$ 43	\$ 70	\$ 105	\$ 177	\$ 237	\$ 312	\$ 356
<b>Pump Zone 2</b>							
<b>Regular Bill</b>	<b>\$ 53</b>	<b>\$ 92</b>	<b>\$ 141</b>	<b>\$ 226</b>	<b>\$ 292</b>	<b>\$ 373</b>	<b>\$ 422</b>
0% Conservation	\$ 53	\$ 94	\$ 145	\$ 253	\$ 337	\$ 441	\$ 503
10% Conservation	\$ 50	\$ 87	\$ 132	\$ 228	\$ 303	\$ 395	\$ 453
15% Conservation	\$ 47	\$ 80	\$ 125	\$ 212	\$ 282	\$ 374	\$ 424
20% Conservation	\$ 47	\$ 77	\$ 118	\$ 199	\$ 266	\$ 349	\$ 399
25% Conservation	\$ 44	\$ 73	\$ 111	\$ 187	\$ 249	\$ 328	\$ 374
<b>Pump Zone 3</b>							
<b>Regular Bill</b>	<b>\$ 55</b>	<b>\$ 96</b>	<b>\$ 148</b>	<b>\$ 237</b>	<b>\$ 306</b>	<b>\$ 392</b>	<b>\$ 444</b>
0% Conservation	\$ 55	\$ 98	\$ 152	\$ 264	\$ 351	\$ 459	\$ 524
10% Conservation	\$ 52	\$ 91	\$ 137	\$ 238	\$ 316	\$ 412	\$ 472
15% Conservation	\$ 49	\$ 84	\$ 130	\$ 221	\$ 295	\$ 390	\$ 442
20% Conservation	\$ 49	\$ 80	\$ 123	\$ 208	\$ 277	\$ 364	\$ 416
25% Conservation	\$ 46	\$ 76	\$ 116	\$ 195	\$ 260	\$ 342	\$ 390

The Table below shows the impact of a Stage 2 Drought Surcharge for residential customers with varying consumption levels. For the average residential customer (24 units) they will begin seeing a decrease in their water bill after achieving a modest 10% conservation.

<b>RESIDENTIAL CUSTOMER IMPACT STAGE 2 DROUGHT SURCHARGE</b>							
Units (Before Conservation)	12	Average Residential Customer 24	39	65	85	110	125
<b>Pump Zone 1</b>							
<b>Regular Bill</b>	<b>\$ 51</b>	<b>\$ 88</b>	<b>\$ 134</b>	<b>\$ 214</b>	<b>\$ 275</b>	<b>\$ 352</b>	<b>\$ 399</b>
0% Conservation	\$ 51	\$ 92	\$ 143	\$ 269	\$ 366	\$ 487	\$ 559
10% Conservation	\$ 48	\$ 85	\$ 129	\$ 240	\$ 327	\$ 433	\$ 501
15% Conservation	\$ 45	\$ 78	\$ 122	\$ 220	\$ 303	\$ 409	\$ 467
20% Conservation	\$ 45	\$ 75	\$ 116	\$ 206	\$ 283	\$ 380	\$ 438
25% Conservation	\$ 43	\$ 71	\$ 109	\$ 191	\$ 264	\$ 356	\$ 409
<b>Pump Zone 2</b>							
<b>Regular Bill</b>	<b>\$ 53</b>	<b>\$ 92</b>	<b>\$ 141</b>	<b>\$ 226</b>	<b>\$ 292</b>	<b>\$ 373</b>	<b>\$ 422</b>
0% Conservation	\$ 53	\$ 96	\$ 150	\$ 281	\$ 382	\$ 507	\$ 583
10% Conservation	\$ 50	\$ 89	\$ 136	\$ 251	\$ 341	\$ 452	\$ 523
15% Conservation	\$ 47	\$ 82	\$ 129	\$ 231	\$ 316	\$ 427	\$ 487
20% Conservation	\$ 47	\$ 78	\$ 121	\$ 216	\$ 296	\$ 397	\$ 457
25% Conservation	\$ 44	\$ 75	\$ 114	\$ 201	\$ 276	\$ 372	\$ 427
<b>Pump Zone 3</b>							
<b>Regular Bill</b>	<b>\$ 55</b>	<b>\$ 96</b>	<b>\$ 148</b>	<b>\$ 237</b>	<b>\$ 306</b>	<b>\$ 392</b>	<b>\$ 444</b>
0% Conservation	\$ 55	\$ 100	\$ 157	\$ 292	\$ 396	\$ 526	\$ 604
10% Conservation	\$ 52	\$ 93	\$ 142	\$ 261	\$ 355	\$ 469	\$ 542
15% Conservation	\$ 49	\$ 85	\$ 134	\$ 240	\$ 329	\$ 443	\$ 505
20% Conservation	\$ 49	\$ 81	\$ 127	\$ 225	\$ 308	\$ 412	\$ 474
25% Conservation	\$ 46	\$ 78	\$ 119	\$ 209	\$ 287	\$ 386	\$ 443

## Financial Impacts

As mentioned earlier, during a water supply shortage, one of the main objectives of imposing drought rates is to ensure sufficient revenues are collected to continue operations. The table below shows the financial impact of implementing a Stage 1 or Stage 2 drought rate surcharge.

<b>DROUGHT RATE SURCHARGE - FINANCIAL IMPACTS</b>			
	<b>2015-16 25% Reduction No Surcharge</b>	<b>2015-16 25% Reduction Stage 1</b>	<b>2015-16 25% Reduction Stage 2</b>
Department			
<b><u>REVENUES</u></b>			
Base Rate	\$7,265,064	\$7,265,064	\$7,265,064
Commodity Charge	20,473,691	20,473,691	20,473,691
<b>Drought Rate Surcharge</b>	<b>-</b>	<b>634,123</b>	<b>1,314,096</b>
Pump Zone Charges	804,762	804,762	804,762
Other Fees	538,500	538,500	538,500
Other Revenues	2,466,300	2,466,300	2,466,300
<b>Total Revenues</b>	<b>31,548,318</b>	<b>32,182,440</b>	<b>32,862,414</b>
<b><u>EXPENSES</u></b>			
	15,514,316	15,514,316	15,514,316
Personnel Costs	8,616,402	8,616,402	8,616,402
Power Costs	844,000	844,000	844,000
O&M Expenses	3,562,171	3,562,171	3,562,171
Debt Payment	1,234,350	1,234,350	1,234,350
<b>SUBTOTAL OPERATING</b>	<b>29,771,239</b>	<b>29,771,239</b>	<b>29,771,239</b>
<b>NET REVENUES</b>	<b>1,777,078</b>	<b>2,411,201</b>	<b>3,091,175</b>
Reserve Programs Funding	3,650,000	3,650,000	3,650,000
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>(1,872,922)</b>	<b>(1,238,799)</b>	<b>(558,825)</b>

Staff recommends the Board approve the implementation of a Stage 1 Drought Rate Surcharge effective July 1, 2015, in accordance with the previously approved WVWD Resolution No. 11-14-612. Staff also recommends that the Board approve providing customer notice of implementation of the Drought Rate Surcharge, in accordance with Government Code Section 53759(d), no less than 30 days before the effective date of the adjustment.