



Special Districts Department
Water and Sanitation Division

Rate Study

CSA 64 Spring Valley Lake – Water and Sewer

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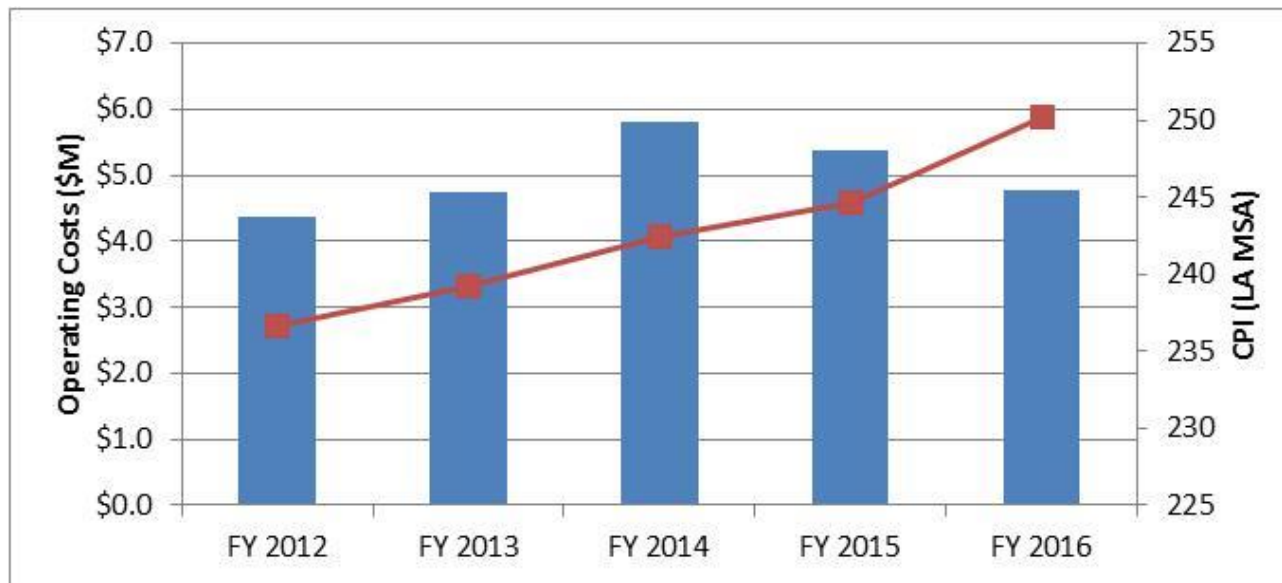
- Background
- Finances
- Rates & Rate Impacts
- Proposition 218
- Next Steps

Why Are We Reviewing Rates?

- State Water Conservation Mandate
- San Juan Capistrano Rate Tier Ruling
- Regulatory Changes
- Capital Improvements/Aging Infrastructure
- Financial Stability of the District

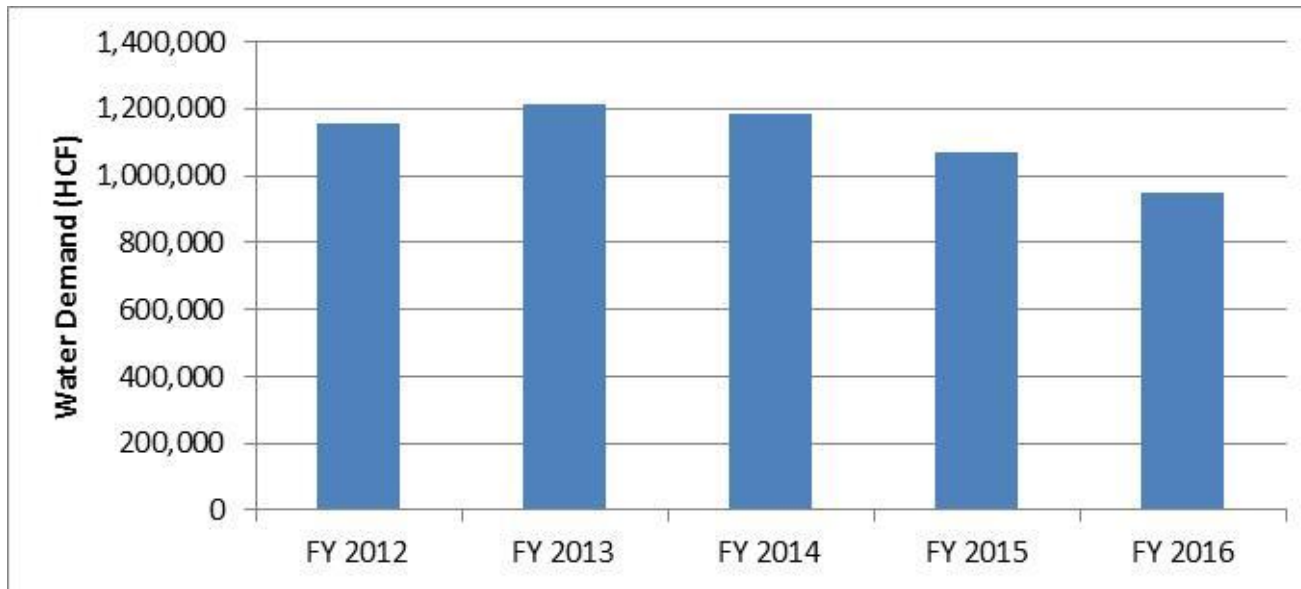
- CSA 64 serves the area of Spring Valley Lake and is a combined water and sewer utility.
 - Spring Valley Lake has approximately 3,865 water connections and 3,771 sewer accounts, which total a population of approximately 14,300
- In December 2015, the Department received approval from the County Administrative Office to conduct a rate study for all of the water and sanitation districts.
 - Black and Veatch was the consultant awarded the contract and has been working with staff over the last year to determine the revenue requirements in order to keep each water and sanitation district fiscally solvent.

- The last implemented rate adjustments occurred in 2014-15.
- Combined water and sewer operating costs started to rise. To control costs capital expenditures reduced over the past 2 years.



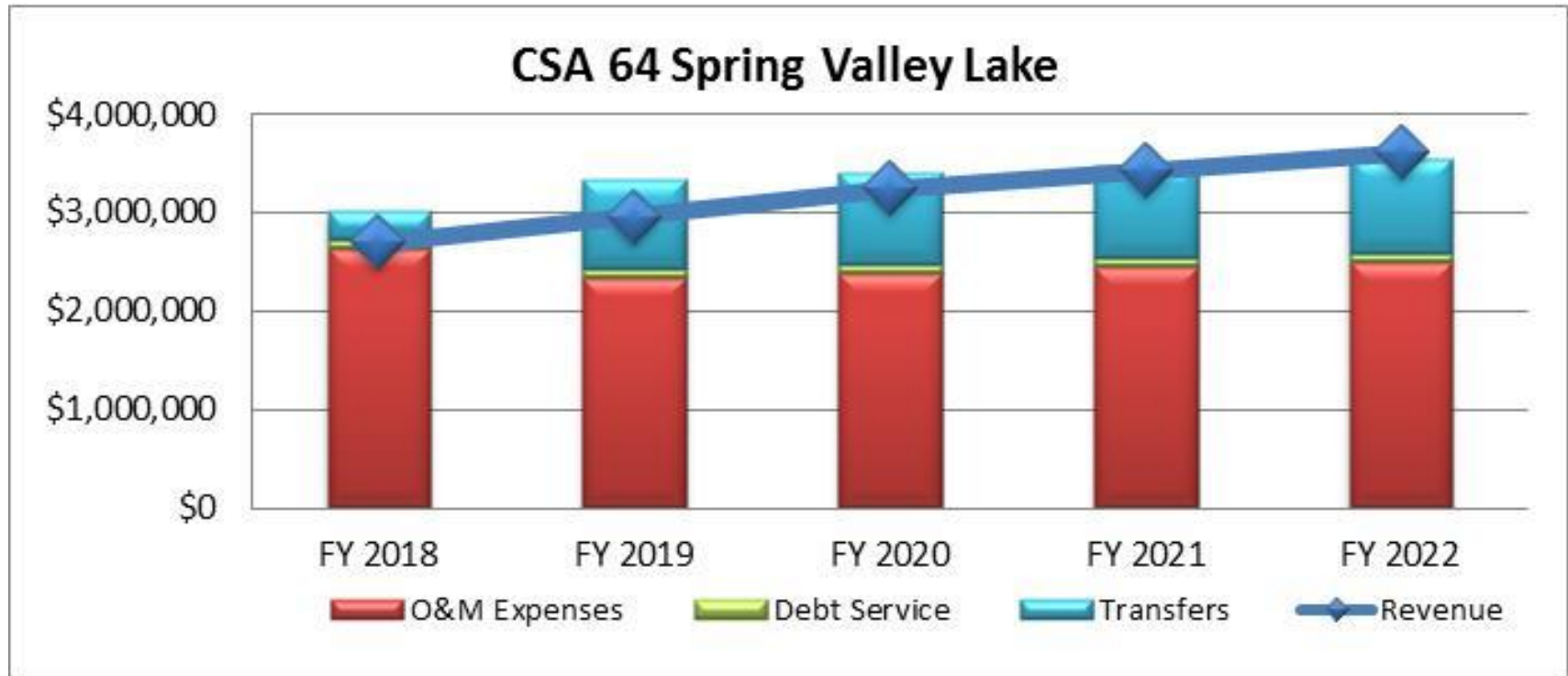
- Minor capital improvements have occurred, but there are anticipated high-cost, high-priority projects that need to be addressed.

- Reduced water sales have reduced revenues.
 - An overall reduction of 22 percent in water demand since FY 2013
 - State mandate in FY 2016 to reduce demand by 25 percent statewide

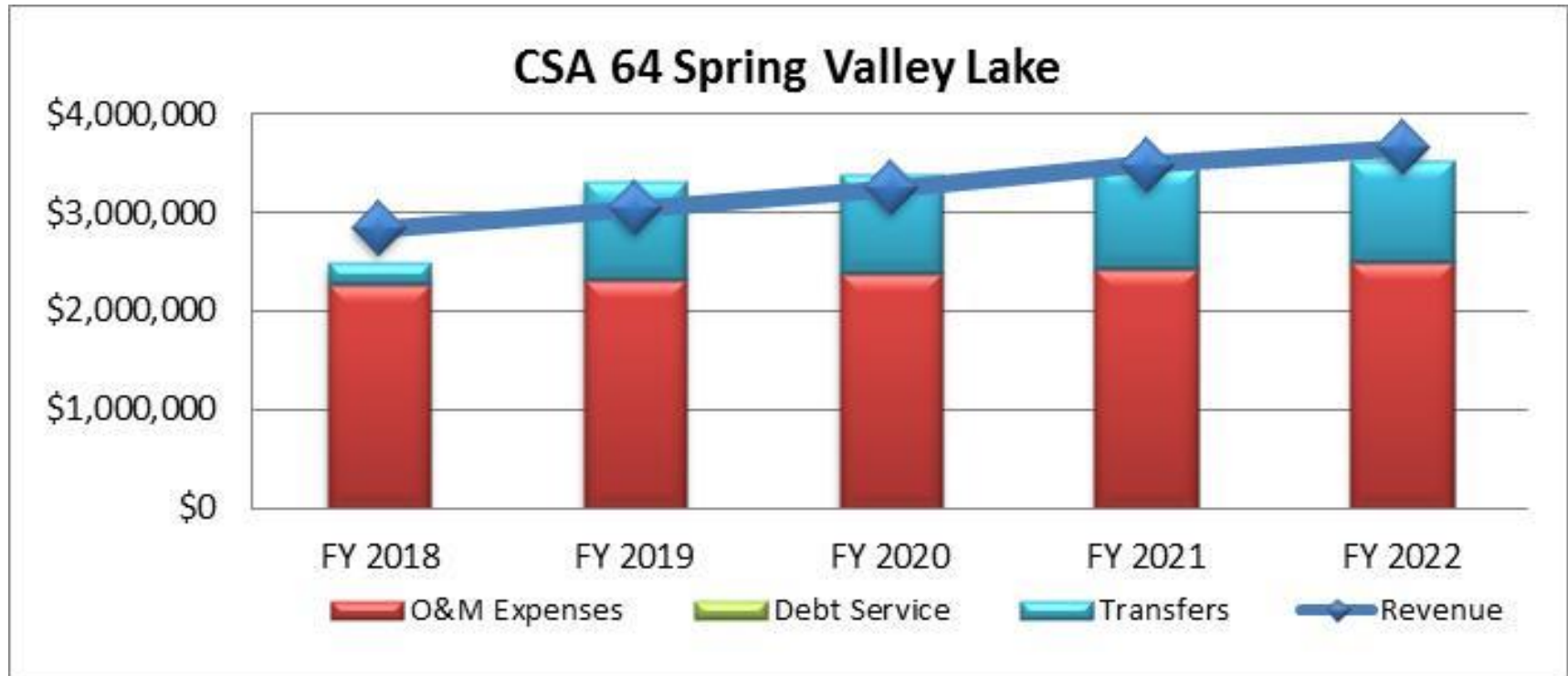


- Developed financial projections to determine annual revenue requirements and any necessary rate adjustments.
 - Based on customer billing information
 - Analyzed FY 2012 to FY 2016 historical data and FY 2017 budget
 - Incorporated continued state water conservation mandates
 - Included future \$700k in debt-financing for critical capital needs
 - \$2M per year for annual maintenance, repairs, rehab
 - Operating cost inflation projected at 2-4%

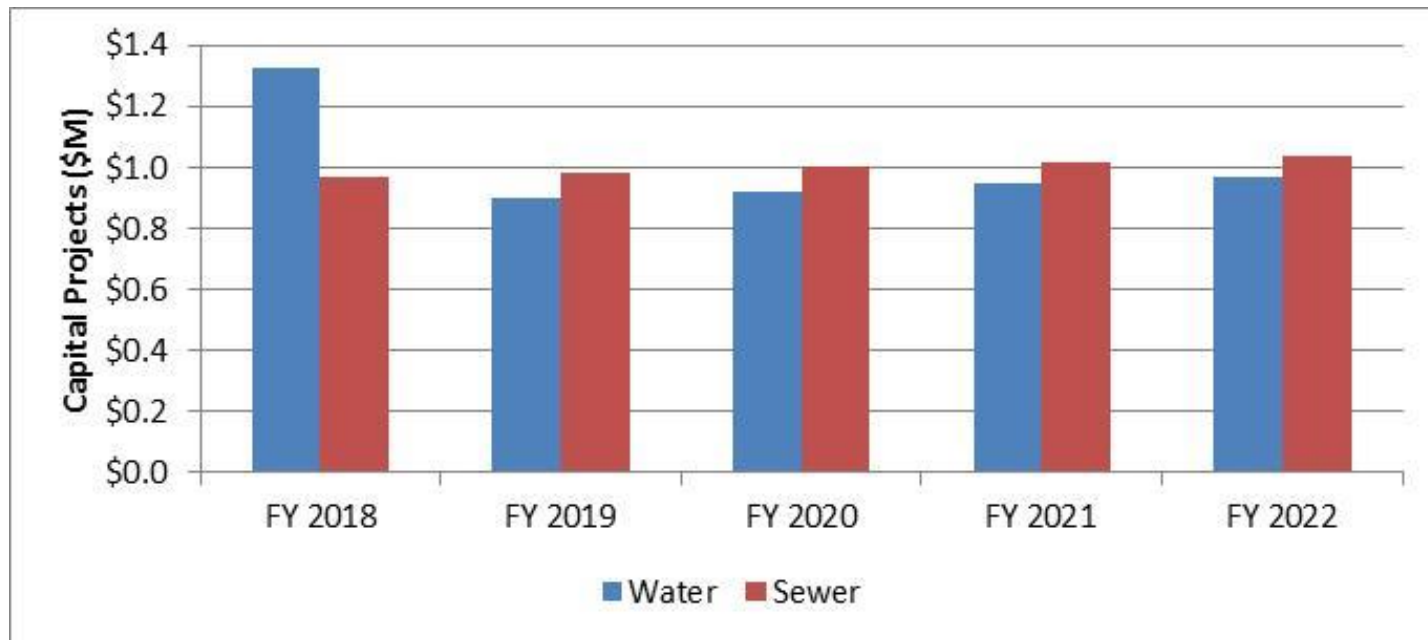
- Water operating fund projections with rate increases.



- Sewer operating fund projections with rate increases.



- Capital Improvement Program expenditures over the five-years.
 - Capital expenditures include routine projects that keep the system in working conditions and one-time additions/betterments



- Other planned Capital Improvement Projects
 - Ongoing annual future pipeline replacement
 - Tamarisk Reservoir (2 MG) design and construction
 - Water Well #7 completion
 - Emergency interconnection to Hesperia
 - Archway renovations
 - Lakeview lift station renovation
 - Manhole raising
 - Collection system repairs

- The water rate structure includes:
 - Facility Charge (based on meter size)
 - Consumption Charge (based on hundred cubic feet)
 - Current - three tier system; Proposed – three tier system
 - Same charges for residential and commercial accounts
- Adjustments to current rates:
 - County's policy is to recover costs based on 60%/40% split between fixed and variable. The policy was enacted to increase revenue stability and is becoming an industry standard.
 - Facility Charge based on meter costs, billing costs, and public fire protection costs
 - Tiers based on supply costs, delivery costs, and peaking costs

- Existing Rate Structure

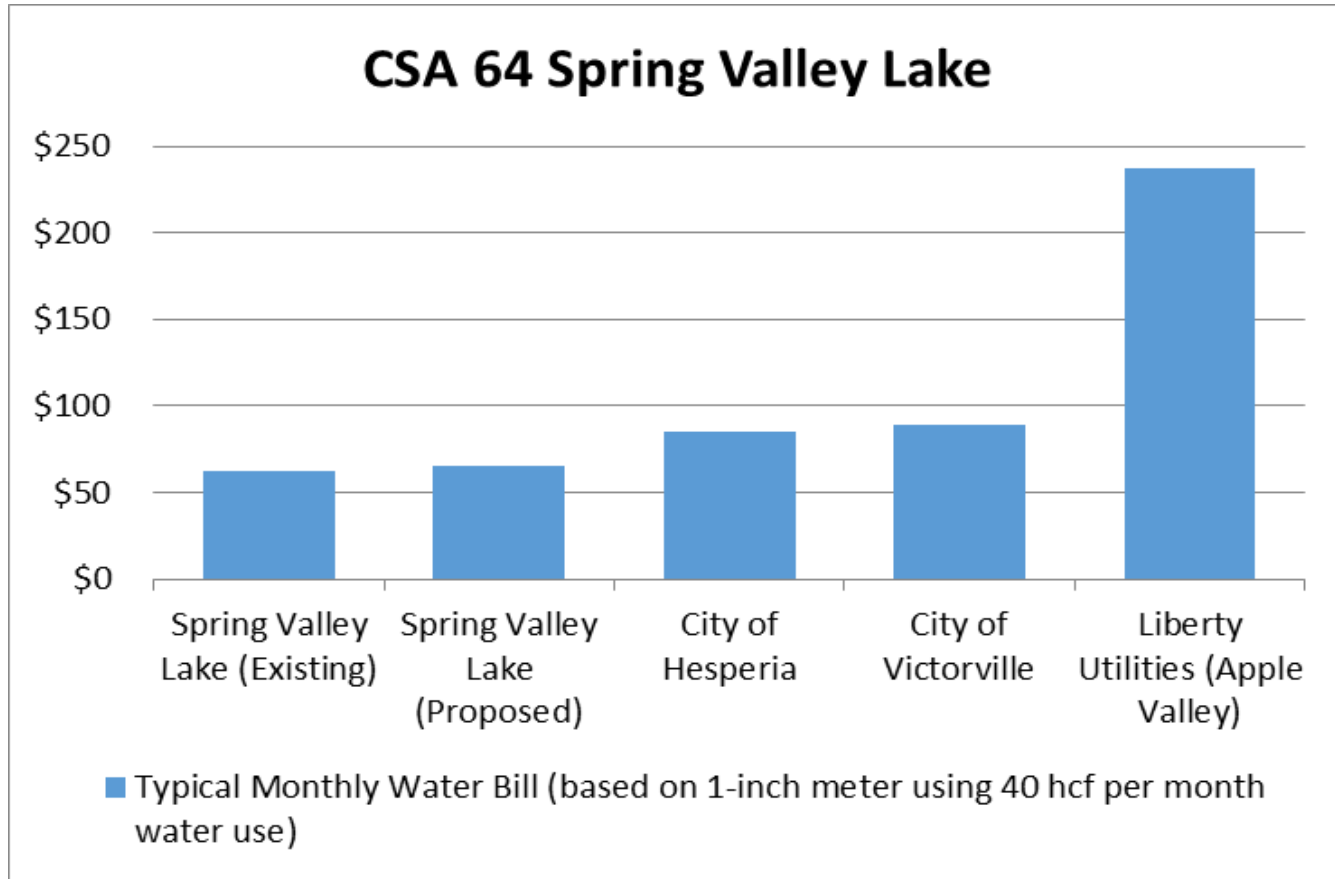
Water	
Meter Size	FY 2016
Ready To Serve Charge	(\$/monthly)
3/4"	\$14.10
1"	23.50
1.5"	47.00
2"	75.20
3"	150.40
4"	235.00
6"	470.00
8"	752.00
Commodity Charge	(\$/HCF)
0-14 hcf	\$0.85
>14-80 hcf	0.98
>80 hcf and above	1.12

Sewer	
Customer	FY 2016
Flat Charge	(\$/monthly)
Equivalent Dwelling Unit	\$45.90

- Proposed Rate Structure

Water					
Meter Size	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Ready To Serve Charge	(\$/monthly)	(\$/monthly)	(\$/monthly)	(\$/monthly)	(\$/monthly)
3/4"	\$17.24	\$18.97	\$20.87	\$21.91	\$23.00
1"	28.23	31.05	34.16	35.87	37.66
1.5"	55.45	60.99	67.09	70.45	73.97
2"	88.24	97.07	106.78	112.11	117.72
3"	175.80	193.38	212.72	223.36	234.53
4"	274.19	301.61	331.77	348.35	365.77
6"	547.36	602.10	662.31	695.42	730.20
8"	875.30	962.84	1,059.12	1,112.07	1,167.68
Commodity Charge	(\$/HCF)	(\$/HCF)	(\$/HCF)	(\$/HCF)	(\$/HCF)
0-30 hcf	\$0.80	\$0.88	\$0.97	\$1.02	\$1.07
>31-68 hcf	0.87	0.95	1.05	1.10	1.16
>68 hcf and above	1.34	1.47	1.62	1.70	1.78

- Rate Impact and comparison to neighboring utilities

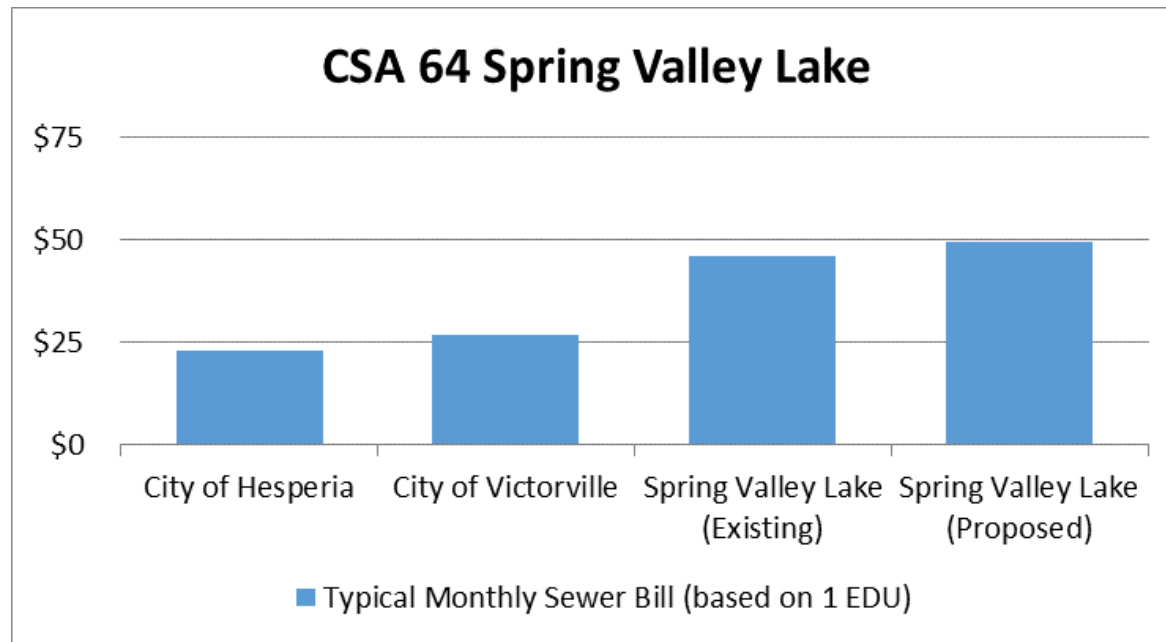


- Rate Impact for an average water customer

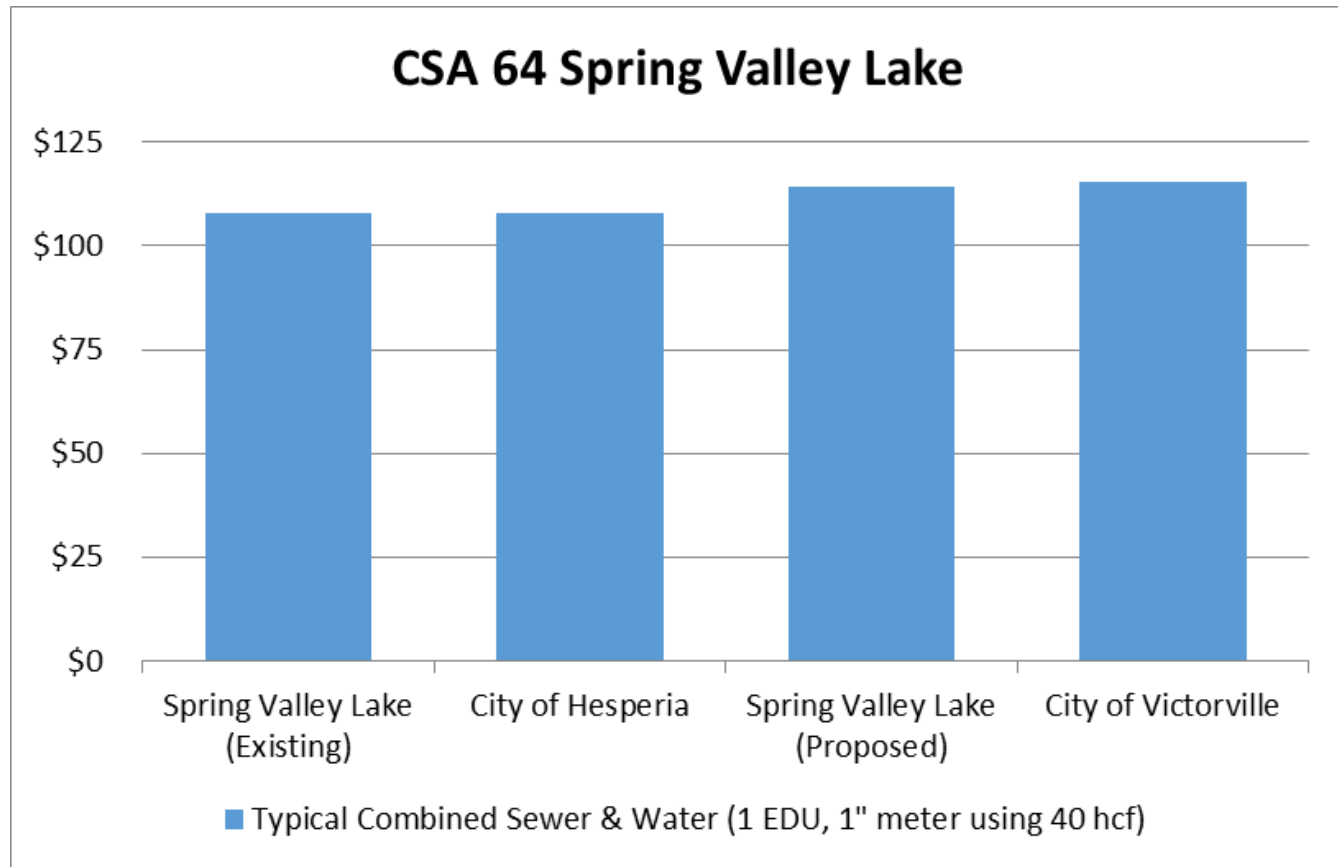
<i>Impact on Single Family Residential with a 1" meter using 30 HCF per billing cycle.</i>			
		Per Month	Per Billing Cycle
Existing Meter Charge	1"	\$ 23.50	\$ 47.00
Proposed Meter Charge	1"	\$ 28.23	\$ 56.46
Increase		\$ 4.73	\$ 9.46
		Per HCF	Per Billing Cycle
Existing Tier 0-14 hcf	14 hcf	\$ 0.85	\$ 11.90
Existing Tier 14-80 hcf	16 hcf	\$ 0.98	\$ 15.68
			\$ 27.58
Proposed Tier 0-30 hcf	30 hcf	\$ 0.80	\$ 24.00
			\$ 24.00
Decrease			\$ (3.58)
Net Increase per billing cycle (2 months)			\$ 5.88
% Increase per billing cycle			8%

- Proposed Rate Structure

Sewer					
Customer	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	(\$/monthly)	(\$/monthly)	(\$/monthly)	(\$/monthly)	(\$/monthly)
Equivalent Dwelling Unit	\$49.34	\$53.04	\$57.02	\$61.30	\$64.36



- Rate Impact for an average water & sewer customer



- Rate increases needed to sustain financial stability and keep up with inflationary cost increases
 - Rate increase recommendations for water are 10% per year for FY 2018 to FY 2020 and 5% per year for FY 2021 to FY 2022
 - Rate increase recommendations for sewer are 7.5% per year for FY 2018 to FY 2021 and 5% in FY 2022

- Mail out notice a minimum 45 days in advance of public hearing on the proposed rate increase.
- Property owners or tenants may submit written protests.
- Absent a majority protest, Board of Supervisors can adopt the 5-year rate plan.

- What if the proposed rates don't pass?
 - Regulatory issues which could result in fines to the district
 - Indefinite deferral of capital improvement projects
 - Decreased services
 - Financially insolvent

- Present this information at a community meetings in January or February 2017
- Prop 218 Notices will be sent out mid February
- Fee hearing at the Board on April 4, 2017
- Fee adoption at the Board on April 18, 2017
- New Fees (if approved) in place July 1, 2017