



Special Districts Department
Water and Sanitation Division

Rate Study

CSA 70 W-3 (Hacienda) – Water

Allison M. Edmisten
Division Manager, Fiscal & Admin Svcs
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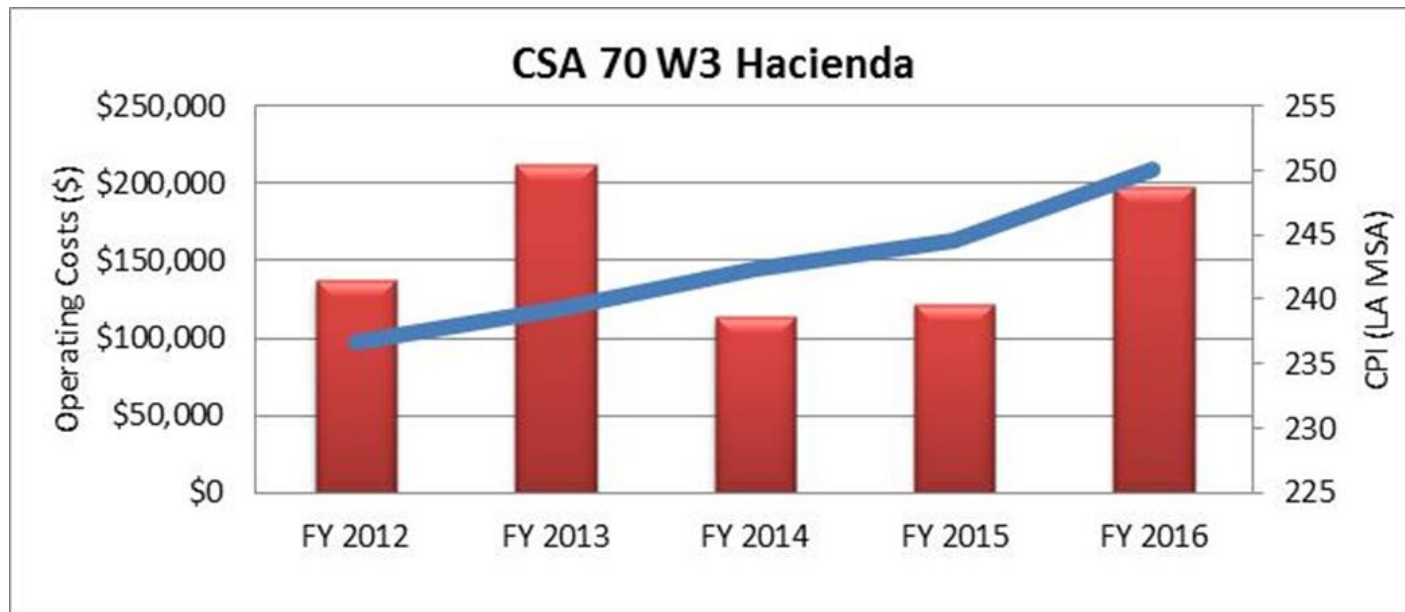
- Background
- Finances
- Rates & Rate Impacts
- Proposition 218
- Next Steps

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

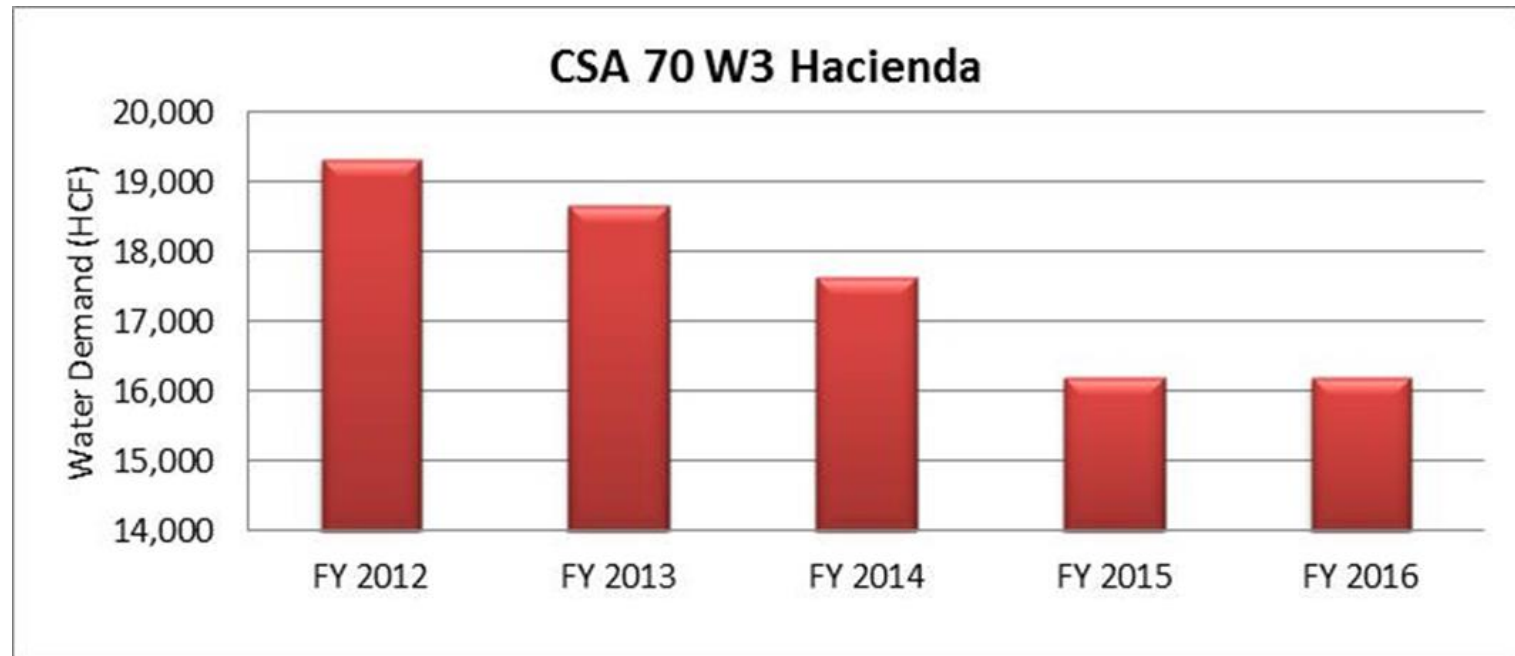
- CSA 70 W-3 serves the area of Hacienda by providing water services
 - 70 W-3 has approximately 167 water connections, which equates to a population of roughly 618
- In December 2015, the Department received approval from the County Administrative Office to conduct a rate study for all of the water 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 2013-14.
- Operating costs have risen over the past 5 years.



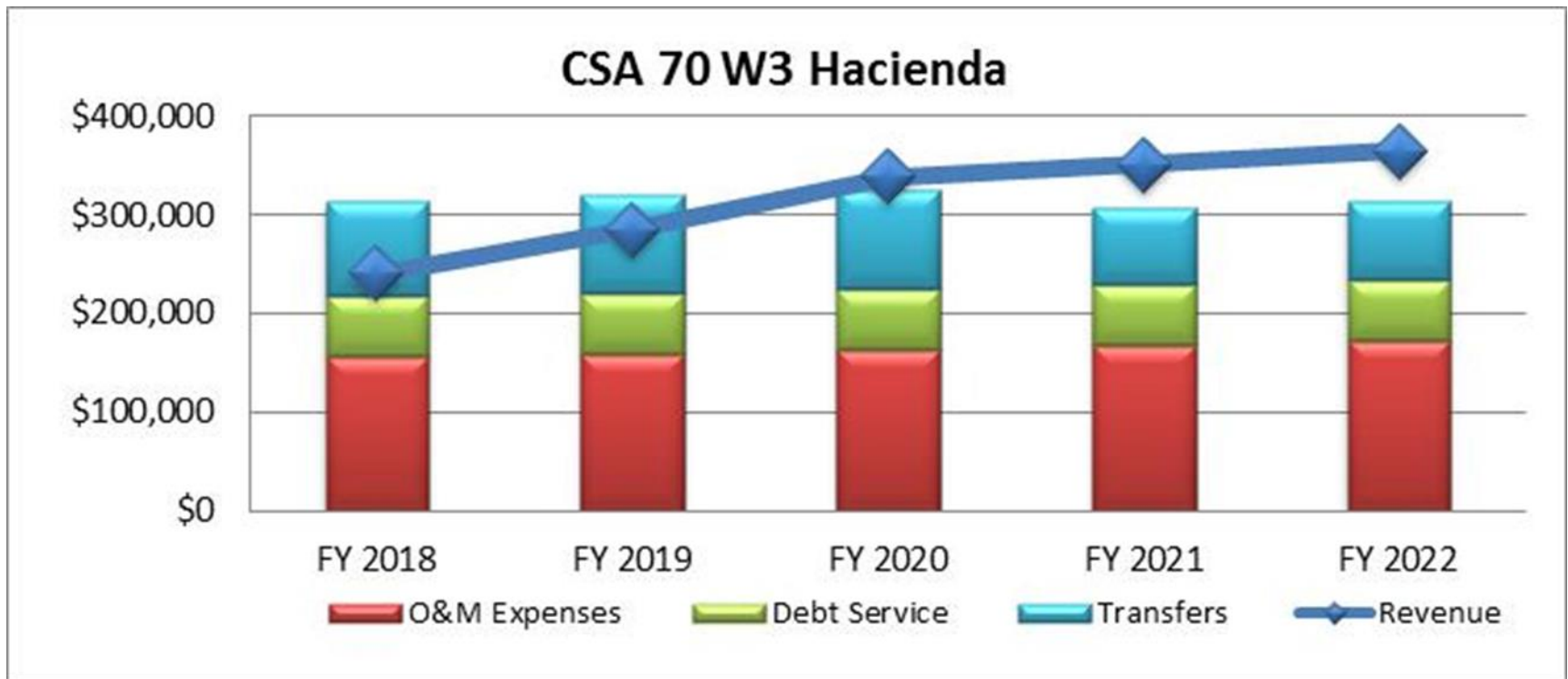
- Minor capital improvements have occurred, but there are anticipated high-cost, high-priority projects that need to be addressed.

- Reduced water sales have reduced revenues.
 - A overall reduction of 13 percent in water demand since FY 2013
 - State mandate in FY 2016 to reduce demand by 25 percent statewide

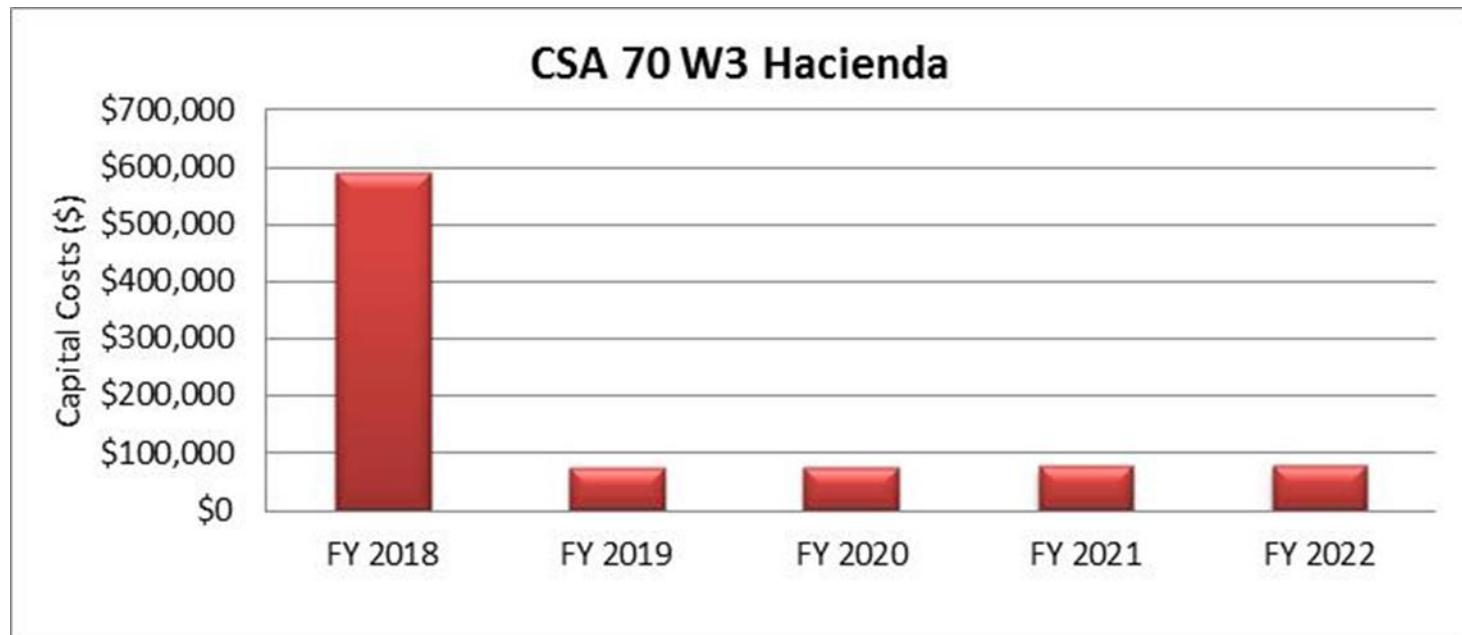


- Developed financial projections to determine annual revenue requirements and any necessary rate adjustments.
 - Based on customer billing information
 - Analyzed FY 2012 to FY 2016 historical data and FY 2017 budget
 - Incorporated continued state water conservation mandates
 - Included future \$525k in debt-financing for critical capital needs
 - \$80k per year for annual maintenance, repairs, rehab
 - Operating cost inflation projected at 2-4%

- 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 condition and one-time additions/betterments



- Other planned Capital Improvement Projects
 - Ongoing annual future pipeline replacement
 - District Office (shared cost with 2 other districts)
 - Uranium Treatment System
 - Demolition/Removal of old reservoir

- 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

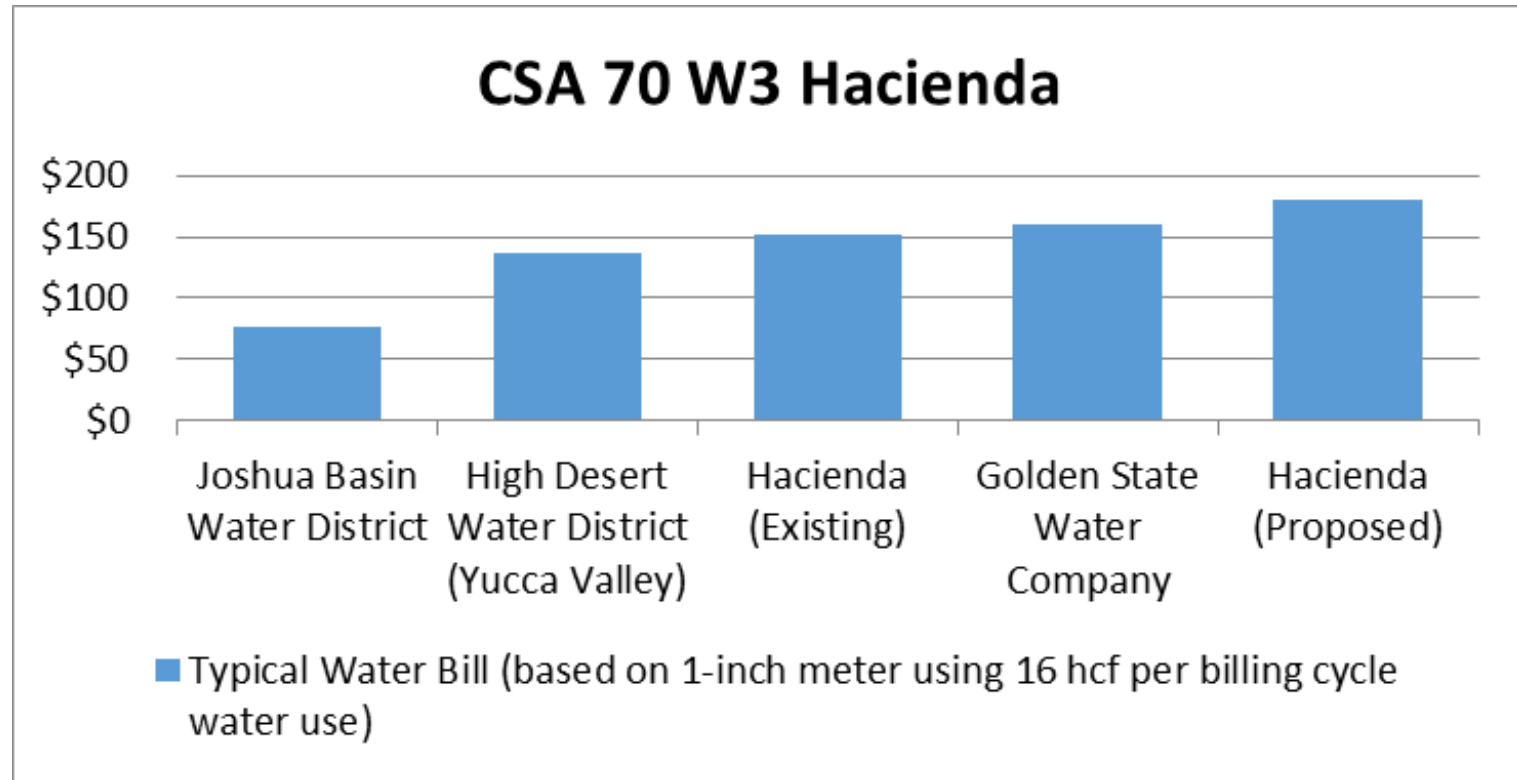
- Existing Rate Structure

Water	
Meter Size	FY 2016
Ready To Serve Charge	(\$/monthly)
3/4"	\$43.93
1"	73.22
1.5"	146.43
2"	234.29
3"	468.59
4"	732.17
6"	1,464.33
8"	2,342.93
Commodity Charge	(\$/HCF)
0-14 hcf	\$4.49
15-80 hcf	5.16
81 hcf and above	5.94

- 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"	\$56.51	\$72.11	\$86.53	\$89.13	\$91.80
1"	94.04	119.82	143.78	148.09	152.53
1.5"	187.01	238.04	285.65	294.22	303.05
2"	299.04	380.47	456.56	470.26	484.37
3"	598.13	760.75	912.90	940.29	968.50
4"	934.19	1,188.03	1,425.64	1,468.41	1,512.46
6"	1,867.33	2,374.44	2,849.33	2,934.81	3,022.85
8"	2,987.54	3,798.71	4,558.45	4,695.20	4,836.06
Commodity Charge	(\$/HCF)	(\$/HCF)	(\$/HCF)	(\$/HCF)	(\$/HCF)
0-13 hcf	\$4.88	\$5.45	\$6.54	\$6.74	\$6.94
14-23 hcf	5.32	5.91	7.09	7.30	7.52
24 hcf and above	6.18	6.63	7.96	8.20	8.45

- Rate Impact and comparison to neighboring utilities



- Rate Impact for an average water customer

Impact on Single Family Residential with a 1-inch meter using 16 HCF per billing cycle.					
Overall Revenue Adjustment	20%	20%	20%	3%	3%
	Year 1	Year 2	Year 3	Year 4	Year 5
Existing Rate Structure	\$ 219.62	\$ 267.48	\$ 328.22	\$ 393.85	\$ 405.70
Proposed Rate Structure	\$ 267.48	\$ 328.22	\$ 393.85	\$ 405.70	\$ 417.84
Increase (\$) per billing cycle (2 months)	\$ 47.86	\$ 60.74	\$ 65.63	\$ 11.85	\$ 12.14
Increase (%) per billing cycle (2 months)	21.8%	22.7%	20.0%	3.0%	3.0%
<i>NOTE: FY 2020 forward are across-the-board increases.</i>					

- Mail out a 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