

M E M O

TO: Board of Directors
FROM: District Manager
SUBJECT: WATER RATES
DATE: December 15, 2008

RECOMMENDATION

It is recommended that the Board of Directors review this memo and provide Staff direction to initiate all necessary actions required to institute a multiple year increase in the water service rate schedule.

BACKGROUND:

During the past few months, the Finance Committee has met on several occasions to discuss and consider a proposed increase to the District's water service rate schedule. At their December 12, 2008 meeting, the Finance Committee received a presentation from the District's consultant, Municipal Financial Services, relative to water service fees. A copy of the report is transmitted under separate cover. The Finance Committee discussed this matter and concluded that the Committee would recommend a multiple year increase to the current water service rate schedule. The Committee directed Staff to consider and develop a proposed plan for a three (3) year sequence of increases to the water service rate schedule. Staff worked with Municipal Financial Services relative to development of a multi-year plan. The Finance Committee is recommending that your Board consider a proposed multiple year water rate increase as follows:

Year One	15%
Year Two	10%
Year Three	5%

The current water service rate schedule was established by Resolution No. 29 (06-07) adopted by your Board on June 21, 2007. Based upon current customer usage characteristics the current water service rate schedule brings forth approximately \$3,700,000.00 in annual revenue. The following minimum bi-monthly basic water service charge and consumption (quantity) charges constitutes the current water service charges:

Basic Water Service Charge

The minimum bi-monthly water service charge per meter is:

<u>Meter Size</u>	<u>Basic Water Service Rate</u>
5/8 – inch	\$35.75
3/4 – inch	\$35.75
1 – inch	\$59.60
1 ½ - inch	\$120.00
2 – inch	\$191.00
3 – inch	\$358.45
4 – inch	\$596.50

Consumptive Charges

The schedule of consumptive charges is based upon a measured unit quantity of 100 cubic feet (748 gallons) per unit. The unit Charge for delivered water is:

<u>Tier</u>	<u>Quantity</u>	<u>Consumptive Charge</u>
Tier 1	0-10 Units	\$1.95/Unit
Tier 2	11-40 Units	\$2.55/Unit
Tier 3	41-100 Units	\$3.05/Unit
Tier 4	101-200 Units	\$3.30/Unit
Tier 5	201 + Units	\$3.60/Unit

Based upon Proposition 218 requirements, the effective implementation date for the proposed increase in the water service would tentatively be scheduled for approximately March 5, 2009. Should the recommended multiple year increase be implemented, the bi-monthly Basic Water Service Charge and Consumptive Charges would be as follows:

Basic Water Service Charge

The minimum bi-monthly water service charge per meter is:

<u>Meter Size</u>	<u>2009</u> <u>Basic Water</u> <u>Service Rate</u>	<u>2010</u> <u>Basic Water</u> <u>Service Rate</u>	<u>2011</u> <u>Basic Water</u> <u>Service Rate</u>
5/8 – inch	\$41.10	\$46.20	\$47.50
3/4 – inch	\$41.10	\$46.20	\$47.50
1 – inch	\$68.55	\$75.40	\$79.15
1 ½ - inch	\$138.00	\$151.80	\$159.40
2 – inch	\$219.65	\$241.60	\$253.70
3 – inch	\$412.20	\$453.45	\$796.10
4 – inch	\$686.00	\$754.60	\$792.30

Consumptive Charges

The schedule of consumptive charges is based upon a measured unit quantity of 100 cubic feet (748 gallons) per unit. The unit Charge for delivered water is:

<u>Tier</u>	<u>Quantity</u>	<u>Consumptive Charge</u>	<u>Consumptive Charge</u>	<u>Consumptive Charge</u>
Tier 1	0-10 Units	\$2.25/Unit	\$2.46/Unit	\$2.58/Unit
Tier 2	11-40 Units	\$2.93/Unit	\$3.22/Unit	\$3.38/Unit
Tier 3	41-100 Units	\$3.51/Unit	\$3.86/Unit	\$4.05/Unit
Tier 4	101-200 Units	\$3.80/Unit	\$4.18/Unit	\$4.39/Unit
Tier 5	201 + Units	\$4.14/Unit	\$4.55/Unit	\$4.78/Unit

The recommended multi year increase to the water service rate schedule would result in the total annual revenue received from water service charges as follows:

Year One	\$4,300,000.00
Year Two	\$5,075,000.00
Year Three	\$5,375,000.00

The District's average single family residential customer uses approximately eighteen (18) billing units per bi-monthly period. One (1) billing unit equals 100 cubic feet or 748 gallons. Approximately seventy percent (70%) of all District water bills are for eighteen (18) consumptive units or less. The current average bill is approximately \$80.75. Should the recommended multiple year rate increase be implemented the average customer (18 units bi-monthly) will experience an increase in their bi-monthly water bill form as follows:

Average Bi-Monthly


Current	\$75.65
Year One	\$86.95
Year Two	\$95.58
Year Three	\$100.32

In order to amend the existing water service rate schedule the District must comply with the requirements of Proposition 218. As a result of the recent California Supreme Court decision in the case of Bighorn – Desert View Water Agency v. Verjil, domestic water delivery through a pipeline is a “property – related” service within the meaning of Proposition 218. Therefore, the District must undertake the following actions prior to increasing water service rates:

- Mail information regarding the proposed increase to water service rates to every property owner.

- Hold a public hearing at least 45 days after the mailing.
- Reject the proposed increase to the water service rates if written protests are presented by a majority of the affected property owners.

It is recommended that the Board of Directors review this memo and provide Staff direction to initiate all necessary actions required to institute a multiple year increase in the water service rate schedule.



James A. Mueller
District Manager

JAM/bsb