

M E M O

TO: District Manager

FROM: Director of Operations

SUBJECT: WATER RATES

DATE: March 12, 2007

RECOMMENDATION

It is recommended that the Board of Directors review this memo and provide direction to Staff regarding a proposed increase in water rates.

BACKGROUND:

The District is charged with the responsibility to assure delivery of a continuous and adequate supply of safe potable water. In order to achieve this objective, the District must maintain financial integrity to ensure proper operation and maintenance of the water supply, treatment and distribution systems.

At the February 1, 2007 Board of Directors meeting, your Board received and accepted a Long Term Financial Plan prepared by Municipal Financial Services. The primary objective of the Long Term Financial Plan was to project annual water rates that will allow the District to pay operations expenditures and capital replacement expenditures, while maintaining a prudent level of reserves. The financial evaluation of said report concluded that an annual 3.5% water rate increase was necessary to maintain the target water fund balance. At the February 1, 2007 Board of Directors meeting your Board directed Staff to begin the process of increasing water rates.

The current water service rate schedule was established by Resolution No. 18 (01-02) adopted by your Board on February 7, 2002. Resolution No. 18 (01-02) included a one percent (1%) increase to the Basic Water Service Charge on January 15th of subsequent calendar years following adoption of said resolution. The following minimum bi-monthly basic water service charge and consumption (quantity) charges constitutes the current water service charges:

1. Basic Water Service Charge

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

Meter Size

Basic Water Service Rate

5/8 – inch	\$32.20
3/4 - inch	\$32.20
1 – inch	\$53.60
1 ½ - inch	\$108.00
2 – inch	\$171.95
3 – inch	\$322.60
4 – inch	\$536.90

2. 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	\$1.75/Unit
Tier 2	11-40 Units	\$2.30/Unit
Tier 3	41-100 Units	\$2.75/Unit
Tier 4	101-200 Units	\$3.00/Unit
Tier 5	201 + Units	\$3.25/Unit

Based upon current customer consumption and usage characteristics the current water service rate schedule produces approximately \$2,860,000 in annual revenue. Staff is recommending that your Board consider a minimum seven percent (7%) increase to the current water service rate schedule. The proposed seven percent (7%) increase would increase annual revenue by approximately \$200,000/year.

It is recommended that the Board of Directors review this memo and provide direction to Staff regarding a proposed increase in water rates.

James A. Mueller
District Manager

JAM/bsb