



NOTICE OF FINANCE COMMITTEE MEETING

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a regular meeting of the Finance Committee to be held Wednesday, **July 15, 2015 at 9:00 a.m.** at the Operations Building, 13057 Highway 9, Boulder Creek, California.

AGENDA

1. Convene Meeting/Roll Call
2. Oral Communications
This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the Committee. Normally, presentations must not exceed three (3) minutes in length, and individuals may only speak once during Oral Communications. No actions may be taken by the Committee on any Oral Communications presented; however, the Committee may request that the matter be placed on a future agenda. Please state your name and town/city of residence at the beginning of the statement for the record.
3. Old Business:
 - a. RESERVE POLICY
Discussion and possible action by the Committee regarding the Reserve Policy
4. New Business:
 - b. DROUGHT RATE RECOVERY
Discussion and possible action by the Committee regarding the Drought Rate Recovery
5. Informational Material: None.
6. Adjournment

In compliance with the requirements of Title II of the American Disabilities Act of 1990, the San Lorenzo Valley Water District requires that any person in need of any type of special equipment, assistance or accommodation(s) in order to

communicate at the District's Public Meeting can contact the District Office at (831) 338-2153 a minimum of 72 hours prior to the scheduled meeting.

Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on July 10, 2015, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the regular meeting of the Finance Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on July 10, 2015.

Holly B. Morrison, District Secretary
San Lorenzo Valley Water District

THE DISTRICT (PROPOSED) RESERVE FUND POLICY

Purpose of Reserve Policy

Adequate designations of reserve funds set aside for various legitimate purposes are critical to the successful and stable, short and long-term operation of the San Lorenzo Valley Water District (the “District”).

Adequate reserves for the District operations ensure that customers experience both stable rates for service and the security that the District can respond to emergencies, especially regarding water and wastewater quality issues. Adequate reserves ensure that the District will at all times have sufficient funding available to meet its operating, capital and debt service cost obligations, together with future debt or capital obligations, as well as any unfunded mandates, including costly regulatory requirements.

The District manages its working capital in a manner that allows the District to fund costs consistent with its annually updated capital improvement program and budgeted financial plan, and that avoids significant rate fluctuations due to changes in cash flow requirements. The ability of the District to maintain reserve funds is a critical factor in providing reliable service, mitigating rate increases, and ensuring overall financial strength.

Annually, during the budget adoption process, the District Board should review and approve the appropriate levels and uses for reserve funds based upon the needs of the District.

This Reserve Fund Policy (the “Policy”) was developed to clearly identify specific designated reserves and reserve funds. It is the intent of this Policy to clearly identify both reserve fund categories and purposes, and set target levels for reserves that are consistent with the District’s mission statement, the uniqueness of the District, and the philosophy of the District’s Board.

Fund Balance Classifications

The Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54 (Statement 54), Fund Balance Reporting and Governmental Fund Type Definitions in February 2009. Statement 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Designated Reserve Funds

Restricted - Debt Service Reserve Fund

The District requires that this fund be maintained at a level sufficient to fund any debt covenant requirements. Whether funds are held by the debt trustee during the term of the debts or if it is held internally. These are to be used in the event that the District is unable to meet its required semi-annual debt service obligation. Debt services should be part of the annual fiscal budget and will determine the minimum fund requirements.

In accordance with the District’s loan contract No. E51065, a reserve of two semi-annual payments are required to be accumulated and replenished to a fund held by a Fiscal Agent. The semi-annual payments are \$93,398.60, therefore a minimum of \$186,797.20 are required to be held in a restricted fund.

Committed - Emergency Reserve Fund

The purpose of the Emergency Reserve Funds is to accumulate sufficient financial reserves necessary to insure a timely response by the District to natural disasters and/or other emergencies. This reserve fund will provide for rapid response and continued operation of the District’s essential services during periods of natural disasters and/or other emergencies.

Expenditures from this designated reserve fund which are subsequently recovered, either partially or fully, from FEMA, OES, insurance and/or any other sources, said revenue shall be utilized solely for the purpose of refunding the Emergency Reserve Fund.

The target fund level for the Emergency Reserve Fund is to maintain a balance, as of

July 1st of each fiscal year, equal to a target level of \$1,000,000, unless otherwise directed by the Board at a public meeting.

Committed - Capital Replacement Reserve Fund

This fund pays for the replacement of existing facilities and equipment as it reaches the end of its useful life or for major repairs that extend the useful life of facilities. This insures timely acquisition, replacement and upgrade of the District's water system infrastructure and capital assets.

The fund level(s) for the Capital Replacement Reserve Fund is to maintain a minimum balance of \$500,000, with a target level equal to \$2,000,000, unless otherwise directed by the Board at a public meeting. If funds are set below the target level of \$2,000,000, the Board can designate a plan to replenish the fund.

Committed - Equipment Replacement Reserve Fund

The purpose of the Equipment Replacement Reserve Funds is to accumulate sufficient reserves necessary to insure timely replacement and upgrade of the District's vehicles, mobile equipment, and appurtenances thereto. Safe, reliable and up-to-date vehicles and equipment, in good working order, are essential for the provision of public services in a timely and professional manner. Due to the need for depreciation and replacement of vehicles and other mobile equipment it is desirable for the District to set aside funds on an on-going basis for this purpose.

The initial procurement for new vehicles and/or equipment (not replacement of existing) shall be funded by the general Water Fund, not by the Equipment Replacement Reserve Fund.

Each adopted budget of the District shall contain an allocation in the sum of \$50,000 for the replacement and/or upgrade of existing vehicles and mobile equipment.

In any one (1) fiscal year, whenever the total actual expenditures for replacement and/or upgrade of existing vehicles and mobile equipment is less than said allocation, the remaining balance shall be transferred to the fund.

In any one (1) fiscal year, whenever the total actual expenditures for replacement and/or upgrade of existing vehicles and mobile equipment exceed said allocation, the necessary balance to accomplish the procurement(s) shall be transferred from the Equipment Replacement Reserve Fund.

With the expectation that these funds will be required on an on-going basis, there is a maximum fund level of \$250,000, unless otherwise directed by the Board at a public meeting.

Committed – Regional Water System Emergency Intertie, Proposition 50 Reserve Fund

This capital improvement project will allow the separate water systems within the District to share water supply resources during emergencies such as fire or natural disaster. These projects are currently underway. Once the projects are complete, it is suggested a revised Policy and Attachment A be reviewed to re-balance the funds.

Assigned – Working Capital Reserve Fund

The Working Capital Reserve Fund will vary over time with a goal of maintaining three months average operating expenses, excluding depreciation. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time revenues from the same service are collected from customers. The estimated \$400,000 per month, equating to target level \$1,200,000 three month reserve fund, should be reviewed by the Board during the annual fiscal budget to insure the estimate is still accurate.

Nonspendable – none at this time

Unassigned – none at this time

Annual Review

The District Manager shall perform a review and analysis of each designated reserve funds for presentation to the Board at a public meeting upon the occurrence of the following:

Upon consideration by the Board of the annual budget.

Upon any significant change to and/or expenditure(s) from a designated reserve fund.

Upon determination that a fund balance is less than the established target, minimum or maximum fund level for a designated reserve fund.

As part of the annual review, a summary of the funds and fund level(s) shall be listed out, as well as the anticipated levels for that fiscal year. See Attachment A.

ATTACHMENT A

Summary of Funds

<i>Reserve Fund</i>	<i>Target Level</i>	<i>Min. Level</i>	<i>Max. Level</i>	<i>FY1415 Estimates</i>
Restricted – Debt Service	\$190,000			\$190,000
Committed - Emergency	\$1,000,000			\$1,000,000
Committed – Capital Replacement	\$2,000,000	\$500,000		\$860,000
Committed – Equipment Replacement	\$250,000		\$250,000	\$250,000
Committed – Prop 50	\$3,100,000			\$3,100,000
Assigned – Working Capital	\$1,200,000			\$0
TOTAL	\$7,740,000			\$5,400,000

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Technical Memorandum

Prepared for: San Lorenzo Valley Water District

Project No.: Agreement dated June 17, 2015

Technical Memorandum No. 1

Subject: Development of Water Rates in Response to Reduced Water Use

Date: July 8, 2015

To: Brian Lee

From: Tommy Pavletic

Prepared by: _____
Tommy Pavletic

Limitations:

This is a draft memorandum and is not intended to be a final representation of the work done or recommendations made by Municipal Financial Services. It should not be relied upon; consult the final report.

This document was prepared solely for San Lorenzo Valley Water District in accordance with professional standards at the time the services were performed and in accordance with the contract between San Lorenzo Valley Water District and Municipal Financial Services dated June 17, 2015. This document is governed by the specific scope of work authorized by San Lorenzo Valley Water District; it is not intended to be relied upon by any other party except for regulatory authorities contemplated by the scope of work. We have relied on information or instructions provided by San Lorenzo Valley Water District and other parties and, unless otherwise expressly indicated, have made no independent investigation as to the validity, completeness, or accuracy of such information.

The purpose of this Technical Memorandum is to provide the San Lorenzo Valley Water District (District) an independent evaluation of water use projections for July 2015 through June 2016 and, based on those projections, develop water rates and a water rate structure that will increase revenues and satisfy other objectives. Following Board review of the Technical Memorandum, a draft report will be prepared and made available during the process of public notification, review and approval of updated rates.

Background

2013 Rate Study

During March 2013, the District completed a *Final Water and Wastewater Charges Study* (March 2013 Study). The March 2013 Study documented the basis for recommended increases in basic (meter) charges and quantity rates for Fiscal Year 2013-2014 (FY14) through FY18 (five fiscal years).

In October 2013, the 2013 Study was updated to incorporate the following factors – 1) changes to capital project expenditures, changes in the implementation dates from July 1 (the beginning of each fiscal year) to January 1 (the middle of each fiscal year), and contractual obligations to achieve certain debt coverage ratios.

The District adopted basic charges and quantity rates on January 1, 2014 and again on January 1, 2015 based on the October 2013 update.

Drought Emergency Water Conservation

During January 2014, the Governor of the State of California issued a proclamation of a state of emergency under the California Emergency Services Act based on drought conditions. On April 25, 2014, the Governor issued a proclamation of a continued state of emergency under the California Emergency Services Act based on continued drought conditions. On April 1, 2015, the Governor issued an Executive Order that, in part, directed the State Water Resources Control Board (State Board) to impose restrictions on water suppliers to achieve a statewide 25 percent reduction in potable urban usage through February 28, 2016.

To prevent waste and unreasonable use of water and to meet the requirements of the Governor’s April 1, 2015 Executive Order, State Board regulations require each urban water supplier to reduce its potable water production by the percentage identified as its conservation standard. State Board conservation standard tiers and the range of water use in each tier (in units of residential gallons per capita per day, R-GPCD) are shown in the table below.

Table 1. State Board Conservation Standard Tiers and Range of Water Production in each Tier

Tier	R-GPCD Range		# of Suppliers in Range	Conservation Standard
	From	To		
1				4%
2	0	64.99	23	8%
3	65	79.99	21	12%
4	80	94.99	42	16%
5	95	109.99	41	20%
6	110	129.99	51	24%
7	130	169.99	73	28%
8	170	214.99	66	32%
9	215	612.00	94	36%

R-GPCD = residential gallons per capita per day

Conservation standard tier assignments made by the State Board were based, in part, on average July – September 2014 R-GPCD for each urban water supplier. Conservation standard tier assignments for the District and other urban water suppliers near the District are shown in the table below.

Table 2. State Board Conservation Standard Tier Assignments and Water Production for Selected Suppliers						
Supplier Name	Total Water Production		Percent Saved (Jun-14 - Feb-15, compared to 2013, gallons)	Jul-Sep 2014 R-GPCD	Tier	Conservation Standard
	2013 (Jun - Feb)	2014/15 (Jun-14 - Feb-15)				
Santa Cruz City of	2,527,700,000	1,933,400,000	24%	47	2	8%
Soquel Creek Water District	1,046,626,000	826,889,000	21%	64	2	8%
San Lorenzo Valley Water District	416,952,583	335,050,267	20%	78	3	12%
Scotts Valley Water District	311,979,632	253,857,835	19%	92	4	16%

R-GPCD = residential gallons per capita per day

The decrease in Total Water Production, approximately 88,000,000 gallons, from June 2013 – February 2014 (416,952,583 gallons) to June 2014– February 2015 (335,050,267 gallons) shows that the District exceeded the conservation standard set by the State Board.

District Water Use Patterns, FY11 – FY16

Since February 2015, District customers have achieved greater levels of conservation than reported to the State Board. The pair of figures below show customer water use from FY11 through FY16 (all values are in units of HCF, hundred cubic feet, approximately equal to 748 gallons). The values for FY16 are projected. The figures show water use in each tier for Residential customers and the amount for Nonresidential customers which is billed at a uniform rate.

The two figures show that conservation by District customers has been abrupt and has significantly altered the amount of water use in each tier by residential customers. Figure 1 shows water use in units of HCF. Figure 2 shows water use for each year as a percent of the total for that year.

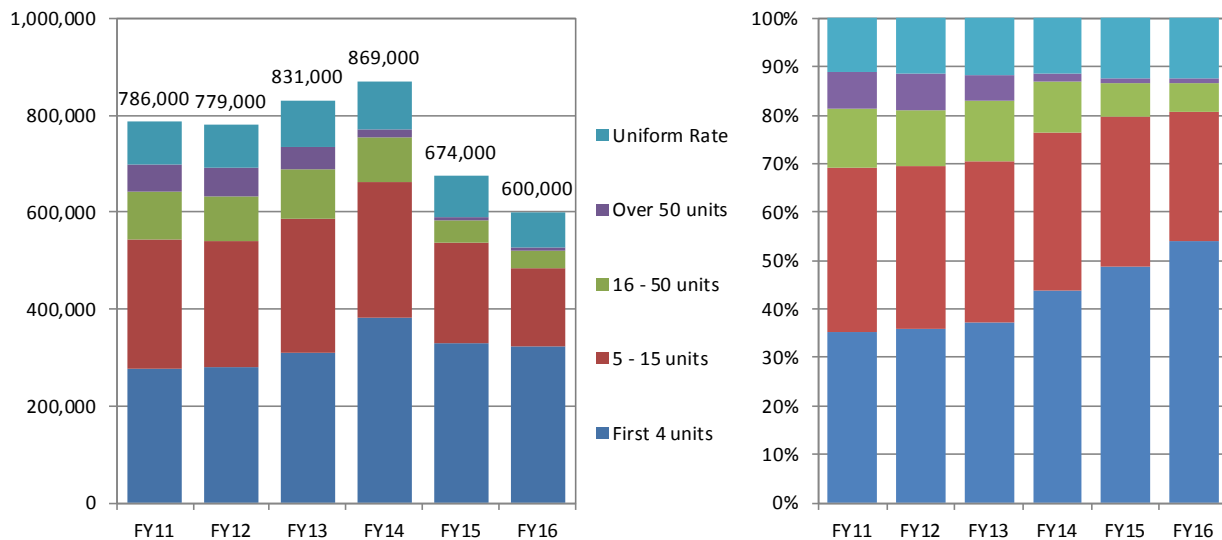


Figure 1 and Figure 2. Water Use, July 1, 2010 – June 30, 2016

Data used to produce the preceding figures are shown in the table below.

Table 3. Water Use, July 1, 2010 – June 30, 2016						
Tier (HCF/month)	FY11	FY12	FY13	FY14	FY15	FY16
First 4 units	278,000	279,000	310,000	381,000	329,000	324,000
5 - 15 units	266,000	261,000	276,000	282,000	208,000	160,000
16 - 50 units	97,000	91,000	103,000	92,000	47,000	36,000
Over 50 units	58,000	59,000	45,000	15,000	7,000	6,000
Uniform Rate	87,000	89,000	97,000	99,000	83,000	74,000
Total	786,000	779,000	831,000	869,000	674,000	600,000
					<i>change in total use from FY13, HCF ></i>	<i>(157,000)</i>
					<i>change in total use from FY13, % ></i>	<i>-19%</i>
					<i>change in total use from FY15, HCF ></i>	<i>(74,000)</i>
					<i>change in tiered rate use from FY15, % ></i>	<i>-11%</i>

Tier (% of Total)	FY11	FY12	FY13	FY14	FY15	FY16
First 4 units	35%	36%	37%	44%	49%	54%
5 - 15 units	34%	34%	33%	32%	31%	27%
16 - 50 units	12%	12%	12%	11%	7%	6%
Over 50 units	7%	8%	5%	2%	1%	1%
Uniform Rate	11%	11%	12%	11%	12%	12%
TOTAL	100%	100%	100%	100%	100%	100%

HCF = hundred cubic feet, approximately 748 gallons or 25 gallons per day

Findings based on evaluation of the tables and figures are listed below.

Development of Current Quantity Rates and Tier Breaks. The current quantity rates and tier breaks were developed using data from FY11 and FY12. Because drought conditions had not been fully manifested at the time of the March 2013 Rate Study or October 2013 Update, only a modest (one percent) per year level of conservation was incorporated into the development of rates.

Development of the FY15 and FY16 Water Budgets. The Water Budget for FY15 was developed during April – June 2014. Because drought conditions had not been fully manifested at the time, projected water use and the amount of revenue from quantity rates was overestimated. The Water Budget for FY16 was developed during April – June 2015. The amount of revenue from quantity rates was based on 650,000 HCF of water use. Projected water use for FY16 as of this time is approximately 600,000 HCF.

Residential Water Use Patterns. During 2013 when the current water rate structure was modified, projected Residential water use was approximately 42 percent in Tier 1, 35 percent in Tier 2, 11 percent in Tier 3 and 1 percent in Tier 4. Based on FY15 data, water use in Tier 3 (16 – 50 units) and Tier 4 (Over 50 units) combined is now approximately eight percent; down from a combined 12 percent. Water use in Tier 1 (0 – 4 units per month) is now approximately 49 percent of Residential water use with water use in Tier 2 (5 – 15 units) declining to approximately 31 percent. Water use by Residential customers decreased by approximately 19.5 percent from FY13 to FY16.

Nonresidential Water Use Patterns. Nonresidential customers are charged a uniform rate for all levels of water use. Nonetheless, water use by Nonresidential customers decreased by slightly more than 15 percent from FY13 to FY16 compared to a 19.5 decrease by Residential customers during the same time period.

Current Water Quantity Rates and Rate Structure

Water quantity rates and the rate structure were updated in the March 2013 Study. The rate structure was changed from five-tier inclining block rates applicable to all customers to a separate tier structure for Residential customers and a uniform rate for all levels of use for Nonresidential customers.¹

The updated tier structure for Residential customers has four-tier inclining block rates with tier breaks that adjust based on the number of dwelling units. For example, an apartment complex with six dwelling units served by one meter will have tier breaks that are six times those for a single family dwelling.

The Nonresidential uniform quantity rate was based on the average price of water for the water system.

Residential tiered quantity rates were developed so that the average price of water for all Residential customers was approximately equal to the average price of water for the water system.

Projected FY15 Revenue from Water Quantity Rates

Revenue from water quantity rates is dependent on the total amount of water use and the amount of water used in each tier. As a result of conservation, total water use in FY15 declined approximately 19 percent from total water use in FY13. Water use also shifted into Tier 1 from the other tiers with water use in Tier 4 just slightly above one percent of total water use. The table below shows the amount of revenue from quantity rates projected for FY15.²

Table 4. Water Use and Revenue from Quantity Rates, June 1, 2014 – May 31, 2015

Month							<i>Tier 1</i>	<i>Tier 2</i>	<i>Tier 3</i>	<i>Tier 4</i>	<i>Uniform</i>			
							<i>Effective 1/1/2014 ></i>							
							<i>Effective 1/1/2015 ></i>							
	Tier 1	Tier 2	Tier 3	Tier 4	Flat	Total	Tier 1	Tier 2	Tier 3	Tier 4	Flat	Total		
	0 - 4	5 - 15	16 - 50	Over 50	Rate	HCF	0 - 4	5 - 15	16 - 50	Over 50	Rate	Dollars		
2014-7	28,621	24,034	6,673	749	8,258	68,335	\$88,439	\$97,097	\$32,297	\$4,015	\$31,133	\$252,981		
2014-8	28,916	25,451	7,657	624	10,152	72,800	\$89,350	\$102,822	\$37,060	\$3,345	\$38,273	\$270,850		
2014-9	28,691	24,155	6,968	1,626	10,928	72,368	\$88,655	\$97,586	\$33,725	\$8,715	\$41,199	\$269,880		
2014-10	28,988	24,387	6,565	634	9,483	70,057	\$89,573	\$98,523	\$31,775	\$3,398	\$35,751	\$259,020		
2014-11	27,455	19,380	4,836	1,112	7,777	60,560	\$84,836	\$78,295	\$23,406	\$5,960	\$29,319	\$221,817		
2014-12	27,074	15,830	2,860	323	5,567	51,654	\$83,659	\$63,953	\$13,842	\$1,731	\$20,988	\$184,173		
2015-1	25,061	9,510	1,085	956	4,119	40,731	\$85,959	\$42,605	\$5,826	\$5,688	\$17,217	\$157,296		
2015-2	28,276	15,588	1,939	597	4,600	51,000	\$96,987	\$69,834	\$10,412	\$3,552	\$19,228	\$200,014		
2015-3	25,418	10,050	1,105	142	4,070	40,785	\$87,184	\$45,024	\$5,934	\$845	\$17,013	\$155,999		
2015-4	25,719	9,588	1,344	23	4,641	41,315	\$88,216	\$42,954	\$7,217	\$137	\$19,399	\$157,924		
2015-5	27,611	15,982	3,100	189	6,332	53,214	\$94,706	\$71,599	\$16,647	\$1,125	\$26,468	\$210,544		
2015-6	27,090	14,333	2,689	152	6,786	51,050	\$92,919	\$64,212	\$14,440	\$904	\$28,365	\$200,840		
Total	328,920	208,288	46,821	7,127	82,713	673,869	\$1,070,482	\$874,506	\$232,583	\$39,416	\$324,353	\$2,541,339		
% of Total	49%	31%	7%	1%	12%	100%	42%	34%	9%	2%	13%	100%		
										<i>Average Rate (Residential / Nonresidential / All Users) ></i>		\$3.75	\$3.92	\$3.77

¹ Residential customers include those in the Multiple Residential and Private Mutual customer classes. Nonresidential customers included those in the Commercial, Institutional, Landscape, Other and Vacant customer classes.

² Note that at the time of preparing this Technical Memorandum, water use data for June 2015 was not available. Data for FY15 shown in this memorandum is based on the 12 months ending May 31, 2015 shifted one month to match the fiscal year.

Rate Development Objectives

The proposed water quantity rates and the rate structure were designed to meet the following objectives:

- Meet the legal requirements
- Reflect cost of service
- Incorporate projected customer water use patterns
- Increase revenues
- Encourage water conservation
- Administrative efficiency
- Customer acceptance
- Next water rate study

Each of these objectives is discussed in the following paragraphs.

Legal Requirements. Water rates must meet the substantive requirements found in Article XIID, Section 6(b) of the California Constitution (added by Proposition 218) that lists five substantive requirements for "property related fees and charges." The rates and rate structure must also take into account recent litigation of Proposition 218 issues, most notably, the San Juan Capistrano water lawsuit (Capistrano Taxpayers Association v San Juan Capistrano) and the City of Palmdale v Palmdale Water District lawsuit both of which involved litigation of water rate structures.

Cost of Service. One of the five substantive requirements of Proposition 218 is that rates provide for each customer class to pay its proportionate share of the required revenue.

Projected Customer Water Use Patterns. Customer water use patterns shifted rapidly and dramatically during the past 12 months. Tier breaks for Residential customers should account for changes in water use patterns.

Increase Revenues. Revenues from meter charges and quantity rates for FY15 were projected to be \$5,900,000 with approximately \$3,100,000 of that amount from quantity rates.³ Water use in FY15 decreased approximately 157,000 units from the previous fiscal year. Revenue from quantity rates decreased to approximately \$2,500,000 – a decrease of approximately \$600,000.

Encourage Water Conservation. Reward customer for efficient water use and discourage its waste.

Administrative Efficiency. Enable efficient implementation and ongoing administration, including monitoring and updating.

Customer Acceptance. Be as simple as possible to facilitate customer understanding and acceptance.

Next Water Rate Evaluation. The District plans to perform a detailed water rate study within the next 12 months. Recommended near-term changes to the quantity rates and water rate structure should enable the District to readily incorporate additional changes if necessary.

³ See the District's 2014/15 Annual Budget, Summary of Changes in Revenue, Expense and Net Position. The amount from meter charges is calculated to be approximately \$2,800,000. The amount from quantity rates, \$3,100,000, is the value for "Water Charges for Services" shown in the budget, \$5,900,000, minus \$2,800,000.

Projected Residential Customer Water Use Patterns

Residential water use patterns during four months of FY15 are shown in the figure below. The months include two summer months (July and August of 2014), one winter month (January 2015) and May 2015.

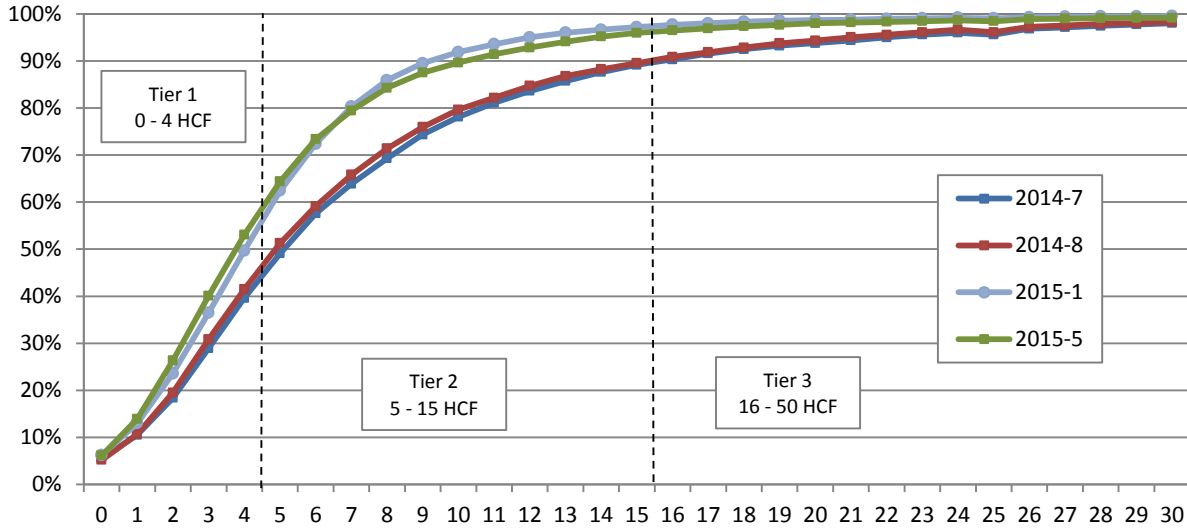


Figure 3. FY15 Residential Water Use and Tier Breaks

Revised tier breaks for Residential customers account for changes in water use patterns and anticipate additional conservation during FY16. Residential water conservation is estimated at 11 percent compared to FY15. Projected water use patterns during four months of FY16 are shown in the figure below.

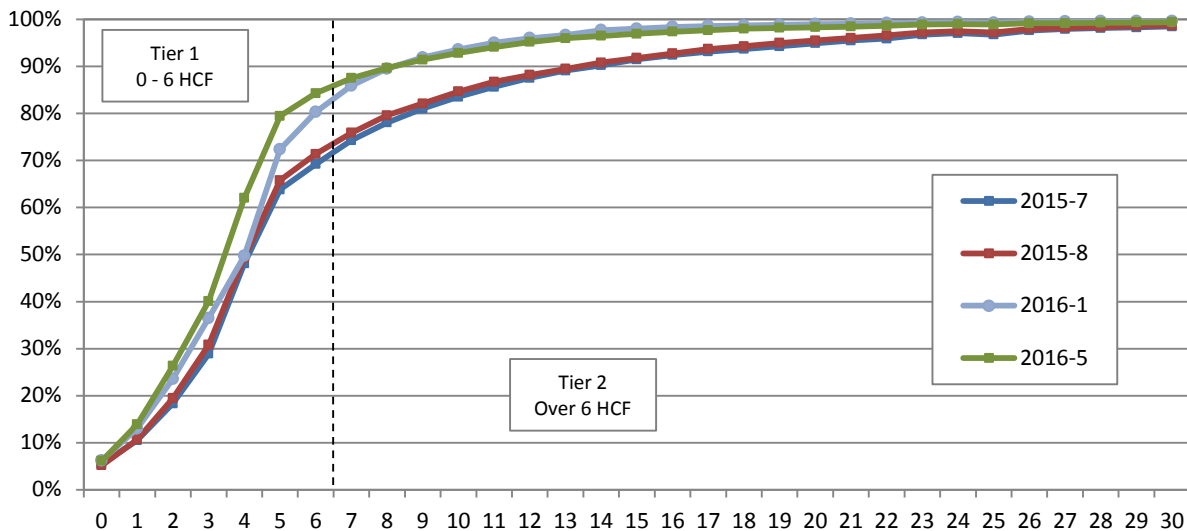


Figure 4. Projected FY16 Residential Water Use and Tier Breaks

Projected FY16 Revenue from Water Quantity Rates

The projected amount of water use and revenue from water quantity rates for FY16 are shown in the table below. The revenue projection is based on the rates currently adopted for implementation on January 1, 2016 and reduction in water use of approximately 74,000 HCF from FY15.

Table 5. Projected Water Use and Revenue from Adopted Quantity Rates, July 1, 2015 – June 30, 2016

Month							<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>	<u>Uniform</u>		
	<i>Effective 1/1/2015 ></i>						\$3.43	\$4.48	\$5.37	\$5.95	\$4.18		
	<i>Effective 1/1/2016 ></i>						\$3.81	\$4.97	\$5.96	\$6.61	\$4.64		
	Tier 1	Tier 2	Tier 3	Tier 4	Flat	Total	Tier 1	Tier 2	Tier 3	Tier 4	Flat	Total	
	0 - 4	5 - 15	16 - 50	Over 50	Rate	HCF	0 - 4	5 - 15	16 - 50	Over 50	Rate	Dollars	
2015-7	28,178	17,988	5,145	580	7,393	59,284	\$96,651	\$80,586	\$27,629	\$3,451	\$30,903	\$239,219	
2015-8	28,503	19,347	5,954	405	9,105	63,314	\$97,765	\$86,675	\$31,973	\$2,410	\$38,059	\$256,881	
2015-9	28,298	18,295	5,379	1,318	9,806	63,096	\$97,062	\$81,962	\$28,885	\$7,842	\$40,989	\$256,740	
2015-10	28,577	18,341	5,026	469	8,491	60,904	\$98,019	\$82,168	\$26,990	\$2,791	\$35,492	\$245,459	
2015-11	27,021	14,124	3,671	935	6,957	52,708	\$92,682	\$63,276	\$19,713	\$5,563	\$29,080	\$210,314	
2015-12	26,796	13,174	2,143	239	5,037	47,389	\$91,910	\$59,020	\$11,508	\$1,422	\$21,055	\$184,914	
2016-1	24,768	7,595	810	831	3,747	37,751	\$94,366	\$37,747	\$4,828	\$5,493	\$17,386	\$159,820	
2016-2	27,982	12,623	1,473	492	4,169	46,739	\$106,611	\$62,736	\$8,779	\$3,252	\$19,344	\$200,723	
2016-3	25,121	8,075	824	102	3,698	37,820	\$95,711	\$40,133	\$4,911	\$674	\$17,159	\$158,588	
2016-4	25,330	7,709	982	11	4,204	38,236	\$96,507	\$38,314	\$5,853	\$73	\$19,507	\$160,253	
2016-5	27,299	13,208	2,367	114	5,726	48,714	\$104,009	\$65,644	\$14,107	\$754	\$26,569	\$211,082	
2016-6	26,624	9,648	2,025	104	6,095	44,496	\$101,437	\$47,951	\$12,069	\$687	\$28,281	\$190,425	
Total	324,497	160,127	35,799	5,600	74,428	600,451	\$1,172,732	\$746,209	\$197,244	\$34,412	\$323,823	\$2,474,420	
	54%	27%	6%	1%	12%	100%	47%	30%	8%	1%	13%	100%	
<i>Average Rate (Residential / Nonresidential / All Users) ></i>										\$4.09	\$4.35	\$4.12	

Revenue from proposed water quantity rates and the revised rate structure for FY16 are shown in the table below. The revenue projection is based on rate implementation on January 1, 2016 and reduction in water use of approximately 74,000 HCF from FY15.

Table 6. Projected Water Use and Revenue from Proposed Quantity Rates, July 1, 2015 – June 30, 2016

Row Labels						<u>Tier 1</u>	<u>Tier 2</u>	<u>Uniform</u>			
	<i>Additional Revenue ></i>			\$568,000	<i>Effective 1/1/2015 ></i>		\$4.48	\$5.95	\$4.93		
	<i>Effective 1/1/2016 ></i>				<i>Effective 1/1/2016 ></i>		\$4.97	\$6.61	\$5.26		
	Tier 1	Tier 2	Flat	Sum of	Tier 1	Tier 2	Flat	Total			
	0 - 6	Over 6	Rate	HCF	0 - 6	Over 6	Rate	Dollars			
2015-7	35,349	16,542	7,393	59,284	\$158,364	\$98,425	\$36,438	\$293,227			
2015-8	35,917	18,292	9,105	63,314	\$160,908	\$108,837	\$44,876	\$314,622			
2015-9	35,469	17,821	9,806	63,096	\$158,901	\$106,035	\$48,331	\$313,267			
2015-10	35,719	16,694	8,491	60,904	\$160,021	\$99,329	\$41,850	\$301,200			
2015-11	32,953	12,798	6,957	52,708	\$147,629	\$76,148	\$34,289	\$258,067			
2015-12	32,947	9,405	5,037	47,389	\$147,603	\$55,960	\$24,826	\$228,388			
2016-1	29,008	4,996	3,747	37,751	\$144,170	\$33,024	\$19,719	\$196,912			
2016-2	34,439	8,131	4,169	46,739	\$171,162	\$53,746	\$21,940	\$246,847			
2016-3	29,451	4,671	3,698	37,820	\$146,371	\$30,875	\$19,461	\$196,708			
2016-4	29,350	4,682	4,204	38,236	\$145,870	\$30,948	\$22,124	\$198,941			
2016-5	33,527	9,461	5,726	48,714	\$166,629	\$62,537	\$30,133	\$259,300			
2016-6	31,074	7,327	6,095	44,496	\$154,438	\$48,431	\$32,075	\$234,945			
Total	395,203	130,820	74,428	600,451	\$1,862,065	\$804,296	\$376,063	\$3,042,425			
	66%	22%	12%	100%	61%	26%	12%	100%			
<i>Average Rate (Residential / Nonresidential / All Users) ></i>						\$5.07	\$5.05	\$5.07			

The proposed water quantity rates and revised rate structure are based on the following changes:

- The current (effective January 1, 2015) water quantity rates for Tier 1 (0 – 4 HCF) and Tier 2 (5 – 15 HCF) apply to approximately 81 percent of total water use. The proposed water quantity rates combine Tier 1 and Tier 2 water use into a new Tier 1 applicable to 0 – 6 HCF (approximately 66 percent of water use) priced at the current Tier 2 quantity rate (\$4.48 per HCF). Rate increases slated for January 1, 2016 would apply to the proposed rate structure.
- The current (effective January 1, 2015) water quantity rates for Tier 3 (16 – 50 HCF) and Tier 4 (Over 50 HCF) apply to approximately seven percent of total water use. The proposed water quantity rates combine Tier 3 and Tier 4 water use into a new Tier 2 applicable to water use over 6 HCF (approximately 22 percent of water use) priced at the current Tier 4 quantity rate (\$5.95 per HCF). Rate increases slated for January 1, 2016 would apply to the proposed rate structure.
- The current (effective January 1, 2015) water quantity rate for Nonresidential customers is \$4.18 per HCF for all levels of use. The quantity rate should increase 18 percent to \$4.93 per HCF to be approximately the same as the average rate for all water use for both Residential and Nonresidential customers. The Nonresidential quantity rate for FY16 should increase to \$5.26 per HCF to be approximately the same as the average rate for all water use for both Residential and Nonresidential customers.

Proposed changes to the water quantity rates and the rate structure are projected to increase revenues from quantity rates by approximately \$570,000 from approximately \$2,470,000 to approximately \$3,040,000.

Proposed Water Quantity Rates and Rate Structure

Proposed water quantity rates and rate structures are shown in the table below. The rates to be effective October 1, 2015 and January 1, 2016 would be implemented unless other changes are recommended. Note that the October 1 effective date is approximate and depends on timely completion of the public notification and hearing process.

Meter charges already adopted would not change. The increase in meter charges scheduled for January 1, 2016 would not change unless changes are recommended.

Table 7. Current and Recommended Quantity Rates

Current			Proposed Effective 10/1/2015			Proposed Effective 1/1/2016		
Residential			Residential			Residential		
Tier 1	0 - 4	\$3.43	Tier 1	0 - 6	\$4.48	Tier 1	0 - 6	\$4.97
Tier 2	5 - 15	\$4.48	Tier 2	Over 6	\$5.95	Tier 2	Over 6	\$6.61
Tier 3	16 - 50	\$5.37						
Tier 4	Over 50	\$5.95						
Nonresidential			Nonresidential			Nonresidential		
All Use		\$4.18	All Use		\$4.93	All Use		\$5.26

Impact on Single Family Monthly Bills

Single family monthly bills are shown in the figure below. Monthly bills are calculated at each HCF of water use from 0 to 30 units using current rates, proposed rates effective October 1, 2015, and proposed rates effective January 1, 2016. All bills are based on meter charges for a 3/4-inch meter.

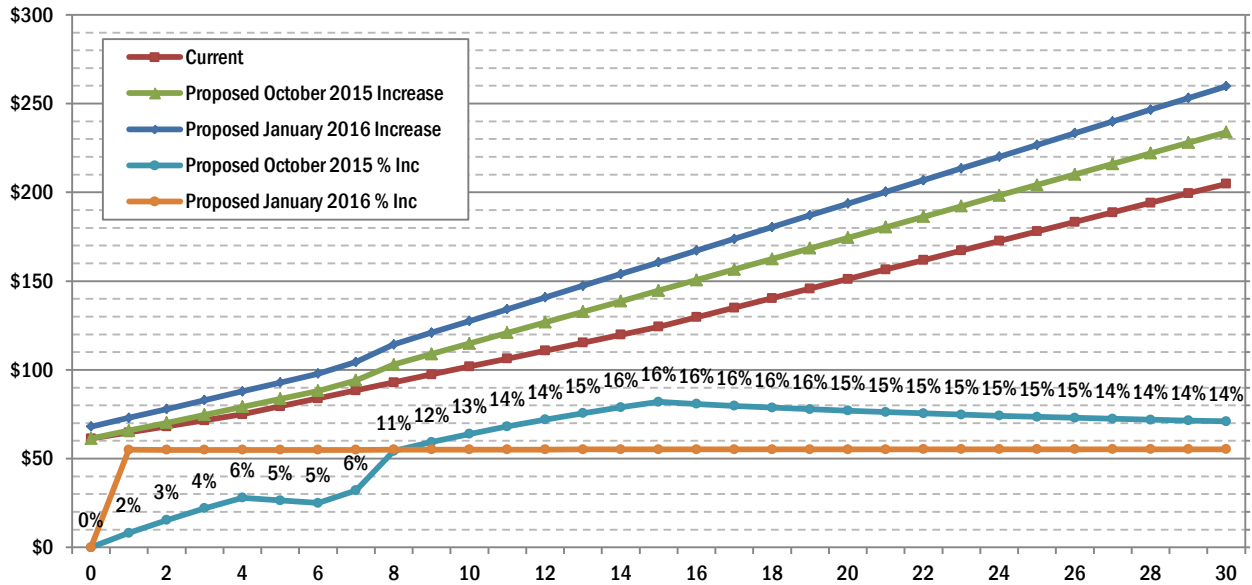


Figure 5. Single Family Monthly Bills