Crescenta Valley Water District

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June 6, 2025

Jonas and Linda Williams
[redacted]
La Crescenta, CA 91214

Mr. and Mrs. Williams:

Thank you for your correspondence dated May 27, 2025. This letter confirms that your objection was timely received and sets forth the Crescenta Valley Water District's ("CVWD") response. A copy of your objection and this response will be provided to the CVWD Board of Directors prior to the public hearing on June 10, 2025.

The letter states that CVWD is violating Article X, Section 2 of the California Constitution. Article X, Section 2 requires that California's water resources be put to beneficial use to the fullest extent capable, and that unreasonable use or waste be prevented in the interest of conservation. CVWD is constrained in its rate-setting authority by Article XIII D, section 6 of the California Constitution, known as Proposition 218. While conservation is a primary focus of CVWD's activities, Proposition 218 prevents CVWD from considering conservation when setting rates for water service, and cases interpreting Proposition 218 explicitly prohibit CVWD from incentivizing conservation through rate-setting.

For example, in *Capistrano Taxpayers Association v. the City of San Juan Capistrano*, the California Court of Appeal specifically said that Proposition 218's limitations on rate setting must be considered first and foremost before conservation, providing further that Article X, Section 2 was enacted to prevent the "wasteful draining into the ocean" of water. ((2015) 235 Cal.App.4th 1493, 1511.) Further cases have found that conservation is a "non-cost objective" that cannot be considered as a factor in rate-setting.

In accordance with these requirements, CVWD conducted a cost of service analysis and rate study which identifies the specific costs associated with providing service to each of CVWD's customer classes. The rate study begins by identifying total costs of providing water service and allocating those costs to each customer class. Regardless of the structure within each customer class (which is driven by the unique demands such customers place on the system), the rate study ensures that no customer class pays more than its proportional share of the cost of service. In other words, the rate study goes to great lengths to demonstrate and ensure that single-family residential customers do not subsidize multi-family residential customers, or vice versa. More information about the cost of service analysis and rate study can be found here: https://www.cvwd.com/rates

For single-family residential customers, for example, the rate structure takes into account the specific usage patterns associated with single-family residential parcels, including the fact that such customers have costs related to seasonal fluctuations or extra capacity needs often driven by outdoor and indoor usage, driving CVWD to incur different types of costs including capacity costs, water supply costs, and costs to fund water conservation programs. These sorts of capacity-related costs do not apply equally to multi-family residential customers, or other non-residential customers, as these customers do not place extra capacity demands on the system in the same way that single-family residential customers.

Additionally, the letter references a quote from an April 18, 2023, letter regarding a mechanism to promote equity based on affordability. This letter is unrelated to the rates for water service. This letter relates to collection of a portion of the rates known as the "capital charge" on the property tax bill. It does not reflect an intent or action to re-allocate costs, but rather, to change how certain portions of rates are collected.

Finally, the letter asks that CVWD take cost-reduction actions, including issuing debt to spread certain costs. CVWD staff is constantly working to find all ways to achieve cost savings. Examples include the development of an in-house pipeline replacement program, securing grants to offset revenue needs, and investing in groundwater replenishment and well rehabilitation projects to increase local water supply and reduce the cost of purchased water, among other strategies. Additionally, CVWD works in close consultation with its financial advisors to take advantage of market positions to fund capital projects that provide multi-generational benefits. For example, as recently as 2024, CVWD issued $12,090,000 in debt to fund water improvement projects, including the Montrose Ave Pipeline Replacement Project, El Sereno Pipeline Replacement Project, Upper Terrace Pipeline Replacement Project, Teasley Pipeline Replacement Project, and more. In doing so, CVWD spread the cost of such projects over a 30-year period, ensuring that all those who benefit will pay for the cost of such projects.

Please do not hesitate to reach out with any further questions or comments.

Regards,

Arturo Montes
Interim Director of Finance and Administration