

CRESCENTA VALLEY WATER DISTRICT

2700 FOOTHILL BOULEVARD
LA CRESCENTA, CALIFORNIA

Agenda for the
Meeting of the Policy Committee
of the Crescenta Valley Water District
To be held on Thursday, October 27th, 2016 at 8:30 AM

Call to Order

Adoption of Agenda

Public Comments

At this time members of the public shall have an opportunity to address the committee on items of interest that are within the subject matter jurisdiction of the Committee. This opportunity is non-transferable and speakers are limited to three (3) minutes each.

Action Calendar

1. Large Lots

Committee Member's Request for Future Agenda Items

Adjournment

CRESCENTA VALLEY WATER DISTRICT

BOARD OF DIRECTORS - STAFF REPORT

Item No.5
January 19, 2016

To: Board of Directors
From: Thomas A. Love, General Manager
Subject: **Consideration of rate structure adjustments for large lots**

ACTION ITEM:

1. **Consideration of rate structure adjustments for large lots-** Discussion and consideration of a policy to provide for water rate adjustments for large lots.

Background:

In June 2016, with the adoption of the fiscal year 2017 budget and rates, the Board requested staff evaluate procedures and requirements to provide adjustments to the tiered rate structures for large, single family residential (SFR) lots to account for the water demands required for landscape maintenance. This topic was previously evaluated by staff and presented to the Policy Committee and Board in late 2014 and in January 2016. The Policy Committee and Board evaluated the following alternatives:

1. No Change
2. Bill large lots as multifamily at a flat Tier 2 rate
3. Modify the allocation of units in the tiered rate structure
4. Develop water budgets for large lots
5. A combination of options 3 and 4
6. Bill large lots at irrigation rates (new option)

In early 2016, as part of the cost of service study and rate adoption process, the Board also considered implementation of budget based rates which allocate indoor and outdoor water budgets on an individual parcel basis. At the April 5, 2016 Board meeting the Board elected to eliminate further evaluation of budget based rates from consideration and complete the cost of service study for an inclining tiered rate structure.

Discussion:

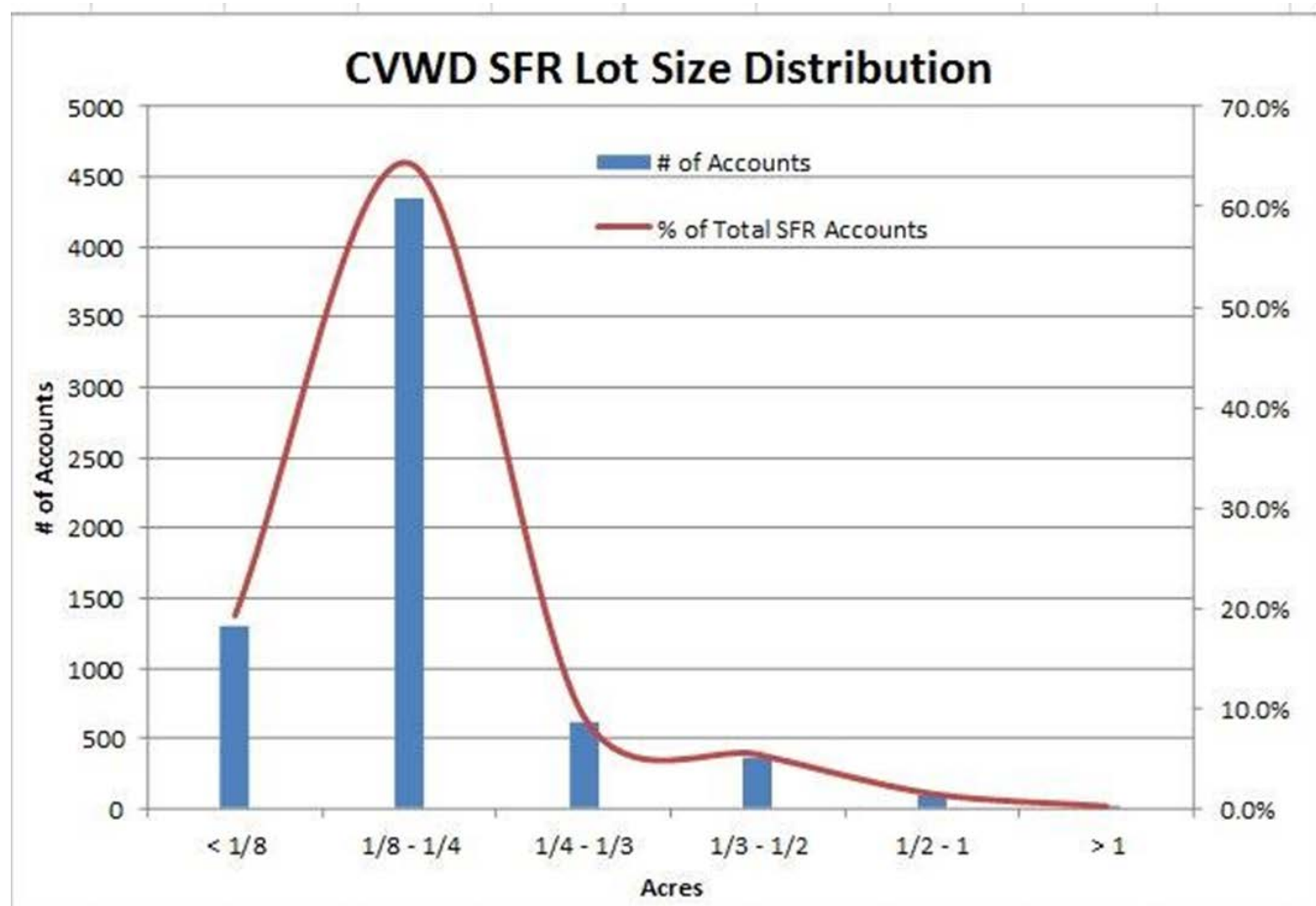
The District serves water to approximately 6,748 SFR lots, over 80% of which are smaller than ¼ acre in size. Less than 2% (118) of the SFR lots are over ½ acre in size. Over the past several years only four customers who own larger lots have addressed the Board with concerns regarding high water bills, two of which have frequently and consistently expressed concerns. The Board, in responding to these concerns, directed staff to again evaluate alternatives and provide information for consideration and definitive decision by the Board.

Analysis:

Proposition 218: The provisions of Proposition 218 and related case law require that specific cost of service requirements are met in establishing utility rates. The cost of service provisions require that

the rates for utility service to each customer class are based on the actual cost to serve each parcel. In 2016 the District completed an extensive cost of service study to evaluate the cost of service and rate structure for each customer class. The cost of service study was fully considered by the Board in adopting water and sewer rates. A critical issue in considering adjustments for large lots is whether the cost to serve a larger volume of water to a large lot is less per unit served than an equal volume of water to a small lot.

CVWD SFR Lot Size: As summarized above the majority of SFR lots served by the district are less than $\frac{1}{4}$ acre in size. The following chart shows the SFR lot size distribution:



Determination of what size lot constitutes a large lot is also a consideration. Based on the SFR lot size distribution for the District's service area it is reasonable to consider lots larger than $\frac{1}{2}$ acre as large lots, however a determination of lots over $\frac{1}{4}$ to $\frac{1}{3}$ rd acre as large lots might be considered.

Budget Based Rates: Some water districts in California have adopted budget based rates which allocate water based on estimated needs for each parcel. The following is a summary of the advantages and disadvantages of budget based rates:

Advantages	Disadvantages
Encourage conservation	Expensive to Implement and Administer
Provide stable revenue	May increase cost to low water use customers
Equitably distribute cost	Compliance with Prop 218 uncertain
	May intrude on public privacy
	Conservation incentive not demonstrated

As of February 2016 only 20 water districts in California have adopted “Budget Based Rates” which allocate water based on estimated need per parcel, based on information from Mesa Water District. A presentation from Mesa Water District regarding budget based rates is attached for reference.

Other alternatives: Staff previously presented several alternatives for adjustments for large lots which included adjustments on an individual exemption basis. These alternatives may not comply with the provisions of proposition 218 and therefore should not be considered further.

The District’s rules and regulations do have provisions for separate irrigation meters for SFR customers. Water delivered through the separate irrigation meter is billed at the irrigation rate. Currently only 3 of the Districts SFR customers have separate irrigation meters. For most SFR customers the installation cost of a separate irrigation meter is prohibitive. Staff is evaluating a modification to the design standards for service installation which may reduce this cost in some cases.

RECOMMENDATION:

Staff recommends that the Board make no policy changes to provide water rate adjustments for large lots and provide staff direction.

Submitted by:

A handwritten signature in blue ink, appearing to read "Thomas A. Love", with a long horizontal flourish extending to the right.

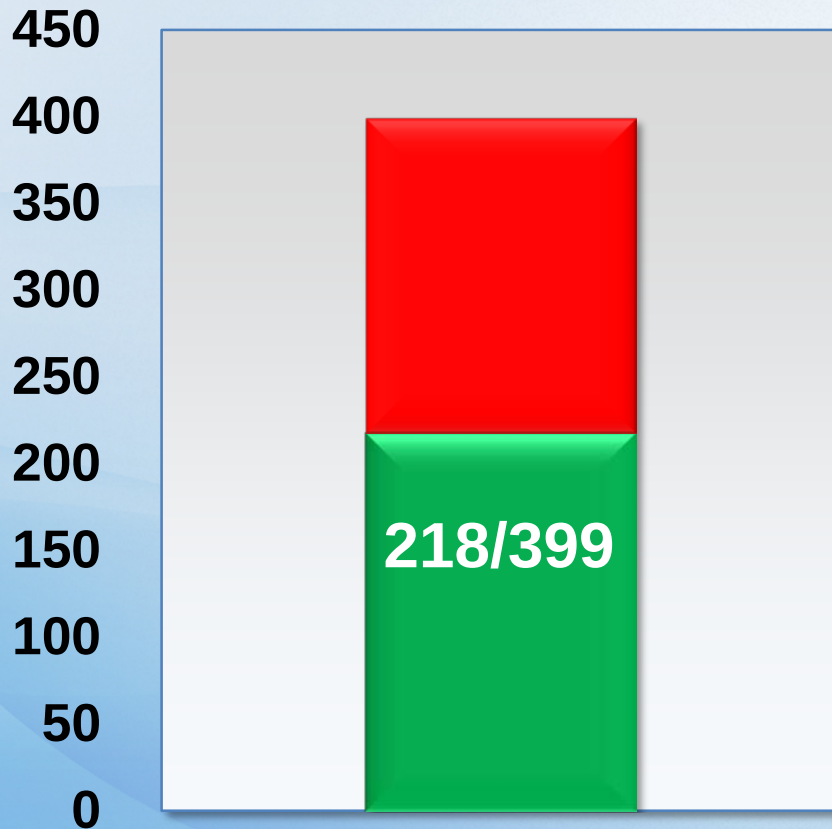
Thomas A. Love, P.E.
General Manager

Water Conservation Performance by Rate Structure

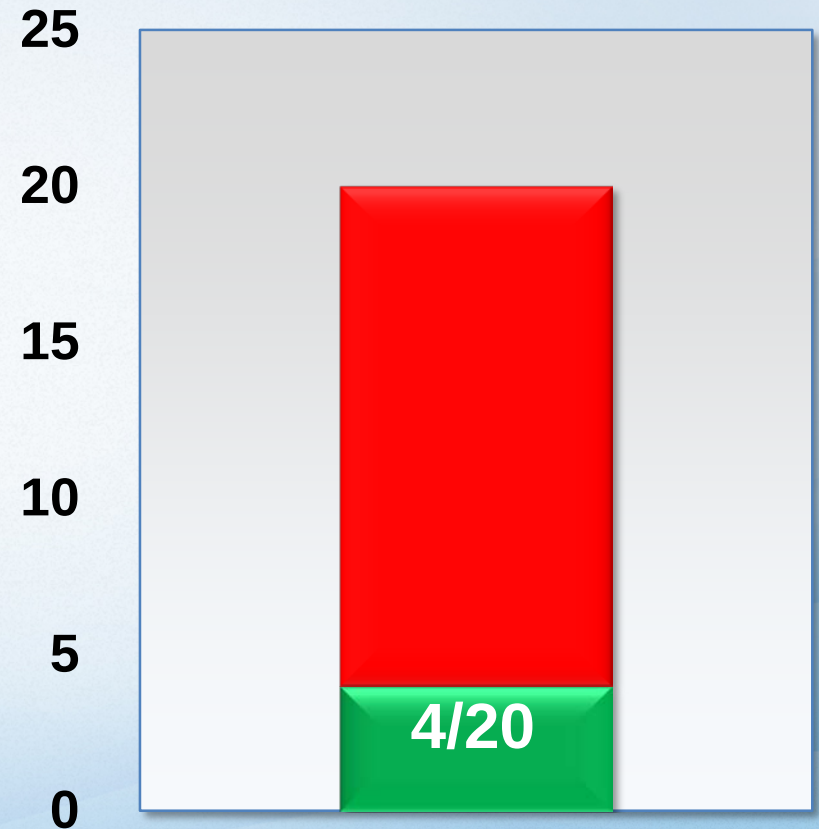


June 2015 – February 2016

Water Conservation Performance Statewide



All Agencies
55% Success

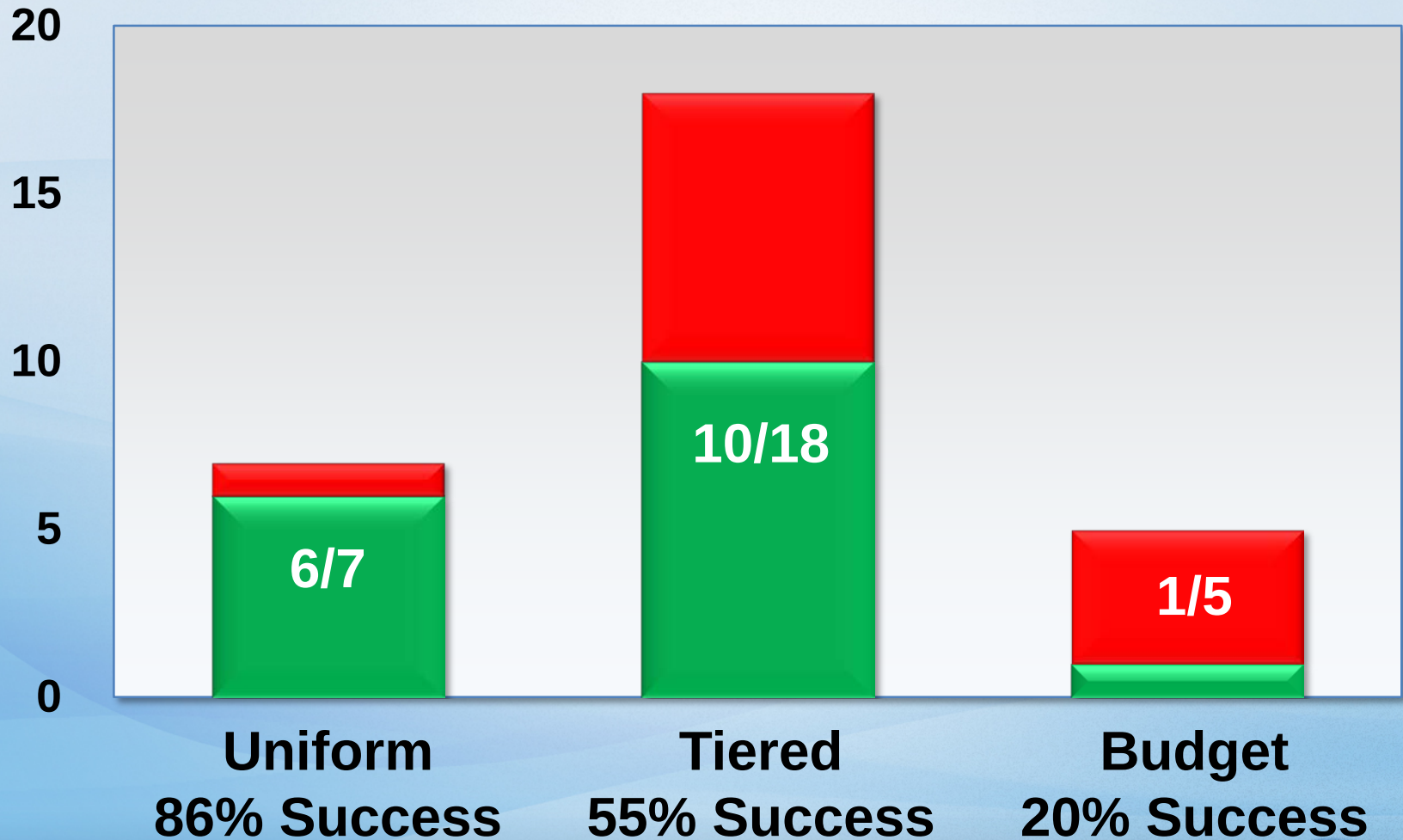


Budget-Based Rates
20% Success

June 2015 – February 2016

Key:  = Success;  = Failure

Water Conservation Performance Orange County



June 2015 – February 2016

Key:  = Success;  = Failure

10/26/2016

Water Conservation Performance

- Budget-Based Rates Agencies:
 - 80% Failure Rate

June 2015 – February 2016

Budget-Based Rates – 20 Statewide

Water Supplier	Rate Structure (SF-Resi) *	Hydrologic Region	Conservation Standard	Cumulative Percent Saved (June15-Feb16)	Missed Conservation Standard by % **
Coachella Valley Water District	Budget	Colorado River	36%	24.8%	-11.2%
Indio Water Authority	Budget	Colorado River	32%	21.3%	-10.7%
Eastern Municipal Water District - Retail	Budget	South Coast	28%	18.0%	-10.0%
Western Municipal Water District	Budget	South Coast	32%	22.7%	-9.3%
City of Corona	Budget	South Coast	28%	19.0%	-9.0%
Rancho California Water District	Budget	South Coast	36%	28.4%	-7.6%
City of San Juan Capistrano	Budget	South Coast	28%	20.6%	-7.4%
Las Virgenes Municipal Water District	Budget	South Coast	36%	28.6%	-7.4%
Palmdale Water District	Budget	South Lahontan	32%	24.9%	-7.1%
Ventura County Waterworks Dist. #1	Budget	South Coast	32%	25.4%	-6.6%
Elsinore Valley Municipal Water District	Budget	South Coast	28%	22.5%	-5.5%
Laguna Beach County Water District	Budget	South Coast	24%	20.1%	-3.9%
East Valley Water District	Budget	South Coast	28%	24.2%	-3.8%
Monte Vista Water District	Budget	South Coast	24%	22.2%	-1.8%
Irvine Ranch Water District	Budget	South Coast	16%	15.0%	-1.0%
Moulton Niguel Water District	Budget	South Coast	20%	19.4%	-0.6%
El Toro Water District	Budget	South Coast	24%	24.8%	+0.8%
Arvin Community Services District	Budget	Tulare Lake	28%	31.7%	+3.7%
Valencia Water Company	Budget	South Coast	24%	29.8%	+5.8%
California American Water - Monterey Service Area	Budget	Central Coast	8%	18.0%	+10.0%
Grand Average			27%	23.1%	-4.1%

* Based on single-family residential accounts. Source: CUWCC BMP Reports, AWWA Water Rate Study 2013, Agency Websites

** Positive indicates agency exceeded target, Negative indicates agency fell short of target.

Source: SWRCB Supplier Conservation Compliance Summary Table:

http://www.waterboards.ca.gov/water_issues/programs/conservation_portal/docs/2016apr/suppliercompliance_040416.pdf

10/26/2016

Orange County – Various Rates

Water Supplier	Rate Structure (SF-Resi) *	Conservation Standard	Cumulative Percent Saved (June15-Feb16)	Missed Conservation Standard by % **
Serrano WD ****	Uniform	36%	39.4%	+3.4%
Anaheim, City of	Uniform	20%	22.0%	+2.0%
Mesa Water District	Uniform	20%	21.5%	+1.5%
Huntington Beach, City of	Uniform	20%	21.0%	+1.0%
East Orange CWD	Uniform	36%	36.4%	+0.4%
Yorba Linda WD	Uniform	36%	36.4%	+0.4%
Newport Beach, City of	Uniform	28%	20.2%	-7.8%
Seal Beach, City of	Tiered	8%	16.0%	+8.0%
Golden State WC, West Orange	Tiered	16%	20.8%	+4.8%
Santa Ana, City of	Tiered	12%	16.5%	+4.5%
South Coast WD	Tiered	24%	26.8%	+2.8%
La Palma, City of	Tiered	20%	22.8%	+2.8%
Buena Park, City of	Tiered	20%	22.1%	+2.1%
Fountain Valley, City of	Tiered	20%	21.6%	+1.6%
San Clemente	Tiered	24%	25.1%	+1.1%
Garden Grove, City of	Tiered	20%	20.9%	+0.9%
Golden State WC, Placentia	Tiered	24%	24.6%	+0.6%
Santa Margarita WD ***	Tiered	24%	23.7%	-0.3%
Trabuco Canyon WD	Tiered	28%	27.7%	-0.3%
Orange, City of	Tiered	28%	26.2%	-1.8%
Westminster, City of	Tiered	20%	18.1%	-1.9%
Tustin, City of	Tiered	28%	25.5%	-2.5%
Brea, City of	Tiered	24%	20.2%	-3.8%
La Habra, City of	Tiered	28%	20.6%	-7.4%
Fullerton, City of	Tiered	28%	19.9%	-8.1%
El Toro WD	Budget	24%	24.8%	+0.8%
Moulton Niguel WD	Budget	20%	19.4%	-0.6%
Irvine Ranch WD	Budget	16%	15.0%	-1.0%
Laguna Beach CWD	Budget	24%	20.1%	-3.9%
San Juan Capistrano	Budget	28%	20.6%	-7.4%

* Based on single-family residential accounts. Some agencies have different structures for different account classes.

** Positive indicates agency surpassed target, Negative indicates agency fell short of target.

*** Agency's rate structure changed from Tiered to Budgets in Feb 2016.

**** Agency data is from June-Dec 2015, as production fell below 3,000 AF threshold.

Source: SWRCB February 2016 Supplier Conservation Compliance Summary Table:

http://www.waterboards.ca.gov/water_issues/programs/conservation_portal/docs/2016apr/suppliercompliance_040416.pdf