

CRESCENTA VALLEY WATER DISTRICT

2700 Foothill Boulevard
La Crescenta, California

Agenda for the
Water and Wastewater Budget Workshop
To be held on April 11, 2017 at 6:00 p.m.

Posted: April 7, 2017 at 3:00 pm.

Any written materials distributed to the Board in connection with this agenda will be made available at the same time for public inspection at the District office located at the above address.

Call to Order

Adoption of Agenda

Action Calendar

The public shall have an opportunity to comment on any action item as each item is considered by the Board prior to action being taken. This opportunity is non-transferable and speakers are limited to one two (2) minute comment.

FY 2017/18 Water and Wastewater Budget – Presentation and discussion of upcoming FY 2017/18 Water and Wastewater Budgets.

Adjournment



DRAFT

**Fiscal Year 2017/18
Preliminary Water and Wastewater
Budgets**

Public Workshop April 11, 2017

Overview

- Budget/Rate Principals
- Wastewater Budget and Rates
- Water Budget
 - Water demands and supply
 - Operating expenses
 - Infrastructure investments – capital improvements
- Financial Reserves
- Proposed Water Rates
- Q&A

Budget and Rate Setting Principals

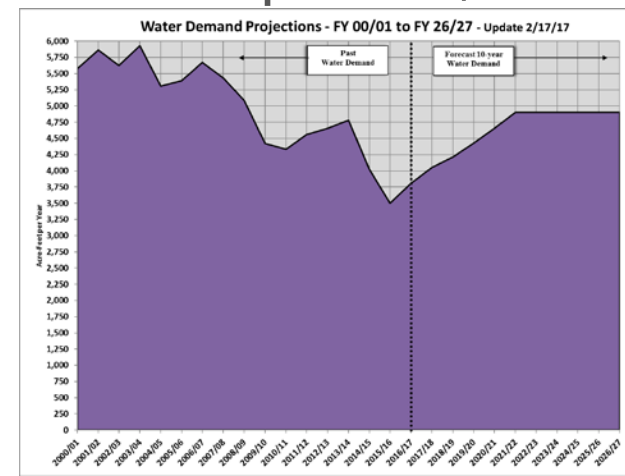
- Proactive CIP and preventative maintenance to enhance water service reliability
- Revenue stability (balance of fixed vs variable revenue)
- Financial sufficiency (meet operating costs, uphold bond covenants, maintain target reserves)
- Equitable rates (adhere to cost-of-service principles)
- Affordability for essential use
- Promote efficient water use

2017/18 Wastewater Discussion

- **Stable sewer revenue and expense**
 - Variable sewer rate component implemented in 2016
 - City of LA sewer charge is the largest variable expense
- **Wastewater reserve fund is healthy**
 - Wastewater reserves \$1.9 million over target
 - Planned drawdown of wastewater reserves
- **Sewer rates will remain at current amounts**
 - Sewer rates have been maintained at 2014 amounts

2017/18 Budget Assumptions – Water Demands and Supply

- Impact of drought and water conservation
 - Water use has steadily declined since 2007
 - Down 30% over ten years
 - Local water supply is 40% less than 5 years ago
- Financial impacts
 - Water sales revenue is \$950,000 less than in FY 2014
 - Projected imported water expense is up \$630,000 over FY 2016



2017/18 Budget Assumptions – Operating Expense

- **Cost containment**
 - Deferral of maintenance projects
 - Improvements in pipeline repair methods
 - Reduction of staff
- **Operating expense needs**
 - Increased water quality monitoring
 - Enhanced reservoir corrosion protection
 - Fire hazard removal

(include photo or graphic)

2017/18 Budget Assumptions – Infrastructure Investments

- Aging facilities

- 88 miles of pipeline, 19 reservoirs, 12 wells, 3 pump stations
- Some facilities over 70 years old

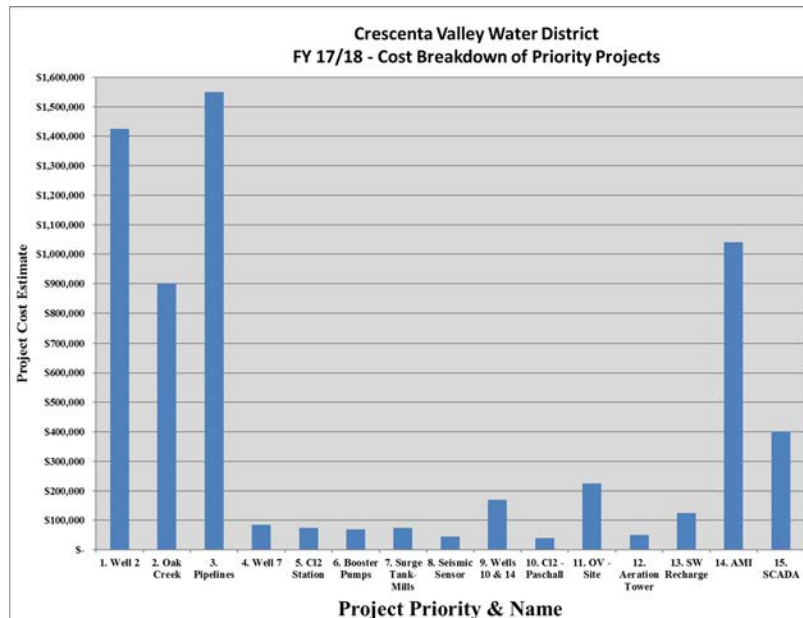
- Infrastructure rehabilitation/replacement priorities

- Evaluation based on age, condition, importance
- Potential for improved local water supply and \$ savings considered
- Capital improvement plan (CIP) based on prioritization evaluation

2017/18 Budget Assumptions – Infrastructure Investments

■ Ten year CIP

- Funding needs average \$3.2 million annually
- \$3.3 million included in proposed FY 2018 budget
- \$2.1 million in grant funds received or committed in FY 2016-2018



2017/18 CIP Priority A Projects

Crescenta Valley Water District

FY 17/18 Capital Improvement Project Program Cost Estimate and Funding Levels

[illegible]

2017/18 Budget Assumptions – Financial Reserves

- Purpose of reserve funds
 - Emergency fund
 - Working cash (cash flow)
 - Rate stabilization fund
- Use of reserves for rate stabilization
 - \$1.7 million used in FY's 2015, 2016 and 2017
 - Additional \$3 million borrowed from other reserves
 - \$1.5 million projected in FY 2018

2017/18 Budget Assumptions – Water Rate Impacts

- Proposed water rate increase
 - 7.2 % increase in water use charge (variable)
 - 7.2% increase in water service charge (fixed)
- Results in reserve funds dropping below target
- Impact on typical residence (8,500 gal/month)
 - \$4.83 monthly increase on water billing
 - \$0.0 increase on sewer billing
 - Net X% increase on combined water/sewer bill

CVWD Water and Sewer Budget and Rate Workshop

Questions?





PUBLIC NOTICE OF PROPOSED INCREASE IN WATER RATES AND CHARGES

**Public Hearing to be held on Tuesday, June 13, 2017, at 6:00 p.m.
2700 Foothill Blvd., La Crescenta, CA 91214**

The Crescenta Valley Water District (CVWD) is considering a water rate and charge increase for water services. **If approved, a water bill for a typical residence with a 3/4-inch meter using 17 units of water (17,000 gallons) during a two-month billing period, will increase by \$9.66 or 7.2%, (a monthly increase of \$4.83). This will result in a two-month bill increase from \$133.33 to \$142.99.**

Effective Date: If approved, the increased rates will become effective on all rates and charges on any bill where the billing period ends after July 1, 2017.

Why is there a need for a rate increase?

Clean, reliable water is a fundamental and essential public service provided by CVWD. Each year CVWD performs a comprehensive analysis of the costs to provide water services and the corresponding rates and charges for those services. Rates are designed to be adequate to cover expenses while ensuring that costs are equitably allocated so that rates are fair and in proportion to the services required by various customer classifications. With lower demands and recent rainfall, rates are still increasing, why?

Drought and Water Conservation: Despite the recent amounts of historic precipitation, the effects of the extended state-wide drought and less than average rainfall over the past five years in the Crescenta Valley has reduced the availability of CVWD's lowest cost water supply, local groundwater. Groundwater levels are at historic lows, which results in an increase in the amount of expensive imported water CVWD needs to purchase to meet demands. During the last fiscal year, even with the tremendous community water conservation efforts, the cost of purchased water increased by over \$1,000,000.

Aging Infrastructure: CVWD is committed to providing the highest quality of service at the lowest possible cost for our customers. Some portions of CVWD's water distribution system are over 70 years old and are approaching, or have already reached, the end of their useful lives.

Pipes, wells, pumping plants, reservoirs, and other infrastructure necessary to provide safe, clean water, wear out and must be replaced before they fail. This is especially true in a hillside community like La Crescenta where, in addition to the loss of water, the consequential damages to surrounding property owners resulting from a large water line failure could amount to millions of dollars. Proactive maintenance and strategic system replacement increases the lifespan of the District's most costly assets.

CVWD evaluates the infrastructure needs, programs, and operations and maintenance costs of the water services for the next five years. CVWD has evaluated and identified certain facilities requiring rehabilitation or replacement, which is estimated to be \$3.3 million for FY 2017/18.

CVWD is a Public Agency and does not operate on a for-profit basis.

What is CVWD doing to help reduce costs?

CVWD is committed to an efficient and economic operation and continuously evaluates every opportunity for expense reductions. CVWD reduced spending last year in operating expenses by over \$225,000.00 and was under budget in all other expense categories with the exception of purchased water.

CVWD has used and may continue to use funds from its Reserves.

By State law, CVWD may not collect more revenue than is necessary to recover the costs of providing services.

What happens if CVWD does not raise rates?

- 💧 More frequent service disruptions caused by failing facilities
- 💧 Increased costs from emergency repairs and revenues from loss of water
- 💧 Increased risk of impact on water quality
- 💧 Revenue will not cover expenses
- 💧 Decreased utility credit rating
- 💧 Lower reserve levels impeding recovery from natural disasters, fires, or operational emergencies

Your Water Bill: There are two components that make up the water portion of the CVWD bill which you receive every two months.

- 💧 **Water Service Charge:** A portion of CVWD's overall fixed costs, which is not affected by water use, such as: infrastructure, well rehabilitation, system maintenance, and administration.
- 💧 **Water Quantity Rate:** The cost per unit of water is based on a tiered rate structure. *A unit of water is 1,000 gallons.*

Please see the last page for all applicable rates and charges.

Where Your Water Comes From:

CVWD serves its customers water from two water supply sources: (1) Water supplied from a local resource which is pumped from the ground (produced) by CVWD through a series of groundwater wells located within the Verdugo Basin; (2) and water purchased from Foothill Municipal Water District (FMWD). FMWD is a water wholesaler whose primary responsibility is to purchase water from Metropolitan Water District of Southern California (MWD) and sell the water to retail agencies like CVWD. The purchased water consists of a combination of water from the California State Water Project in Northern California and from the Colorado River.

The distance water must travel greatly increases the cost of supplying the water. CVWD's water supply purchased from FMWD is nearly three times more expensive than local groundwater.

Public Hearing:

CVWD welcomes your comments. There will be a public hearing on the proposed changes in rates and charges on **June 13, 2017, at 6:00 p.m.** at CVWD's main office. You may attend in person, or submit comments in writing.

Protest Letters:

Any CVWD customer or property owner within the CVWD water service area may file a written protest of the proposed rate changes by sending a letter to: CVWD, 2700 Foothill Boulevard, La Crescenta, CA 91214. A valid protest letter must include your name, your CVWD service address, a statement of protest, and an original signature, and must be received at the address above no later than **June 13, 2017 at 4:30 p.m.** Letters received prior to June 9, 2017 at noon will be included in the agenda package distributed to the Board of Directors and posted online at www.cvwd.com.

When will the CVWD Board of Directors consider adoption of new rates and charges?

The Board of Directors will meet on **Tuesday, June 20, 2017 at 7:00 p.m.** to consider the proposed changes. The Board may adopt, reject, or modify the proposed rate structure. The Board can't legally increase water rates and charges more than indicated in this notice.

Questions?

On the following page is a table showing the proposed water rates and charges. It is also available for inspection on the CVWD website, www.cvwd.com, or at the CVWD main office between 8:00 a.m. and 4:30 p.m., Monday through Friday. CVWD staff can assist in answering any questions about your bill. If you have questions or need additional information, please call CVWD at (818) 248-3925 or e-mail water@cvwd.com.

Current and Proposed Water Rates and Charges Table:

<u>Current</u>			<u>Proposed 7.2% Increase</u>		
<u>Usage Charge for Single Family Residence</u>			<u>Usage Charge for Single Family Residence</u>		
	<u>Water Use Range</u>	<u>Cost per Unit⁽¹⁾</u>		<u>Water Use Range</u>	<u>Cost per Unit⁽¹⁾</u>
Tier 1	1 - 10 Units	\$ 4.39	Tier 1	1 - 10 Units	\$ 4.71
Tier 2	11 - 26 Units	\$ 6.91	Tier 2	11 - 26 Units	\$ 7.41
Tier 3	27 Units and above	\$ 10.43	Tier 3	27 Units and above	\$ 11.18
<u>Usage Charge for Multi-Family, Commercial, Institutional, & School</u>			<u>Usage Charge for Multi-Family, Commercial, Institutional, & School</u>		
		<u>Cost per Unit⁽¹⁾</u>			<u>Cost per Unit⁽¹⁾</u>
Base Rate		\$ 6.22	Base Rate		\$ 6.67
<u>Usage Charge for Irrigation</u>			<u>Usage Charge for Irrigation</u>		
	<u>Water Use Range</u>	<u>Cost per Unit⁽¹⁾</u>		<u>Water Use Range</u>	<u>Cost per Unit⁽¹⁾</u>
Tier 1	1 - 80 Units	\$ 4.80	Tier 1	1 - 80 Units	\$ 5.15
Tier 2	81 Units and above	\$ 9.20	Tier 2	81 Units and above	\$ 9.86
<u>Meter Service Charge (per bimonthly period)</u>			<u>Meter Service Charge (per bimonthly period)</u>		
<u>Meter Size</u>	<u>Within District</u>	<u>Outside District⁽²⁾</u>	<u>Meter Size</u>	<u>Within District</u>	<u>Outside District⁽²⁾</u>
3/4"	\$ 41.06	\$ 41.46	3/4"	\$ 44.02	\$ 44.42
1"	\$ 61.25	\$ 61.65	1"	\$ 65.66	\$ 66.06
1½"	\$ 111.73	\$ 112.13	1½"	\$ 119.77	\$ 120.17
2"	\$ 172.32	\$ 172.72	2"	\$ 184.73	\$ 185.13
3"	\$ 364.16	\$ 364.56	3"	\$ 390.38	\$ 390.78
4"	\$ 646.87	\$ 647.27	4"	\$ 693.44	\$ 693.84
<u>Private Fire Protection Service Charge (per bimonthly period)</u>			<u>Private Fire Protection Service Charge (per bimonthly period)</u>		
<u>Meter Size</u>	<u>Within District</u>	<u>Outside District⁽²⁾</u>	<u>Meter Size</u>	<u>Within District</u>	<u>Outside District⁽²⁾</u>
1"	\$ 12.03	\$ 12.43	1"	\$ 12.90	\$ 13.30
2"	\$ 18.57	\$ 18.97	2"	\$ 19.91	\$ 20.31
3"	\$ 33.44	\$ 33.84	3"	\$ 35.85	\$ 36.25
4"	\$ 59.08	\$ 59.48	4"	\$ 63.33	\$ 63.73
6"	\$ 151.10	\$ 151.50	6"	\$ 161.98	\$ 162.38
8"	\$ 309.82	\$ 310.22	8"	\$ 332.13	\$ 332.53
10"	\$ 548.57	\$ 548.97	10"	\$ 588.07	\$ 588.47

Notes: ⁽¹⁾A unit is 1,000 gallons

⁽²⁾ Service addresses within the Glendale Annex area