CRESCENTA VALLEY WATER DISTRICT
FINANCE COMMITTEE - STAFF REPORT

Information Item No. 1
February 6, 2024

To: Finance Committee

From: Arturo Montes – Finance and Administration Manager

Subject: **Discussion on Planning for Future Rate Increases and Rate Structures**

INFORMATION ITEM:

Discuss next steps for future rates increases and rate structures

BACKGROUND:

During the January 23, 2024 Board meeting, staff presented the Board with different options for moving forward with the rate study and future rate increases. Staff provided broad comments regarding whether a rate increase expected for July 2024 could be deferred to January 2025 or July 2025. This would provide more time to transition to and provide public messaging regarding the District's intended transition from its "inclining-tiers" rate structure to a "water-budget" rate structure. The options were narrowed to July 2024 and July 2025.

Following discussion, the Board directed staff to provide the Finance Committee with the actual revenue implications of deferring rates, whether the revenue shortfall during the interim period, the long-term health of reserves balances, or the compounded impact of lost revenue over time.

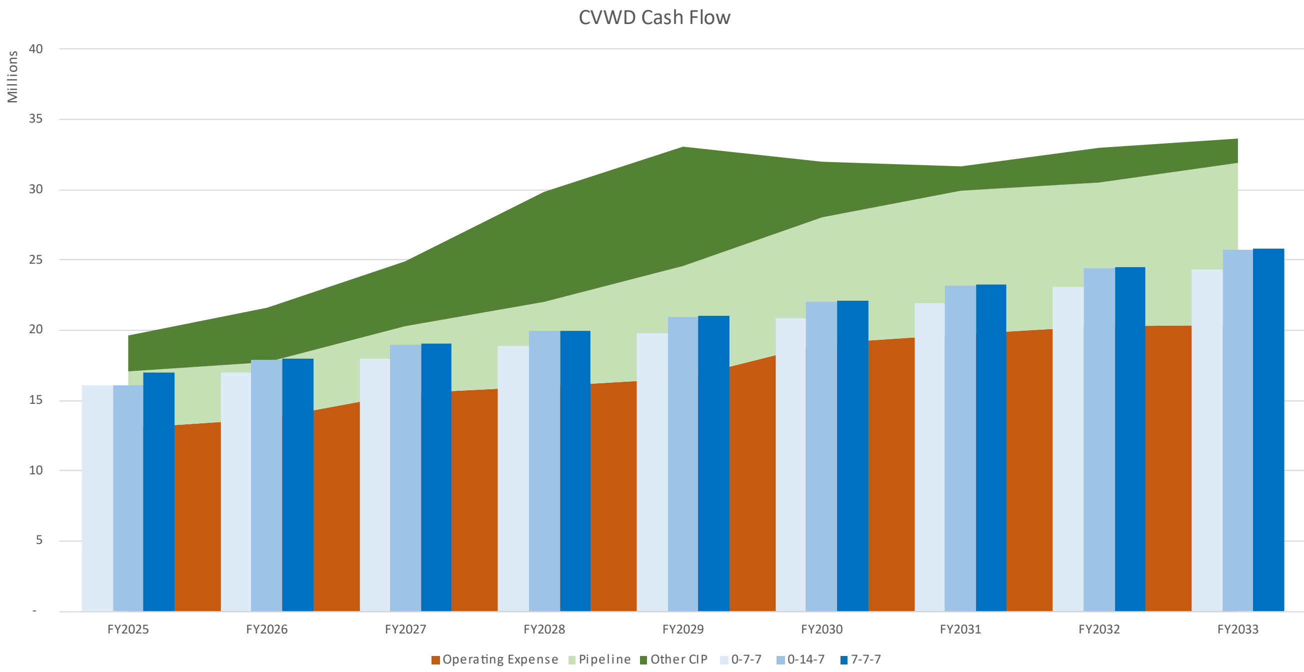
DISCUSSION:

The District can raise additional revenue to sufficiently meet revenue requirements through three primary levers: 1) increase to the meter/service/fixed rate; 2) increase to the usage/consumption/variable rate; and 3) increase to the capital charge. For the purpose of this discussion, one or all of the above can be increased. The following represents three timing scenarios. each scenario assumes 6% rate increases in perpetuity, consistent with the Roadmap plan implemented in 2019/2020 –

1. "Defer + status quo rates": 0-7-7 – Rate increases of 7% in July 2025 and July 2026;
2. "Defer + catchup rates": 0-14-7 – A rate increase of 14% in 7/2025, 7% increase in 7/2026;
3. "Do not defer + status quo rates": 7-7-7 – Rate increases of 7% in 7/2024,7/2025 and 7/2026.

Included are four charts for the committee's review and discussion. They are intended to help guide the discussion on rate increases.

1. CVWD Cash Flow (Graph) – A visual comparison of projected revenues and expenses.
2. CVWD Cash Flow (Table) – A summary of projected revenues and expenses and the net effect on reserves.
3. Estimate Bill – Effects of a 7% and 14% rate increase on the average customer.
4. Capital Charge – Capital charge increase equivalent to a 7% rate increase.



CVWD Cash Flow

Revenue	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
0-7-7	16,039,966	16,965,265	17,955,271	18,863,432	19,826,032	20,846,336	21,927,806	23,074,108	24,289,133
0-14-7	16,039,966	17,888,985	18,943,651	19,911,115	20,936,576	22,023,513	23,175,613	24,396,784	25,691,169
7-7-7	16,963,686	17,953,645	19,012,838	19,984,453	21,014,314	22,105,916	23,262,960	24,489,372	25,789,312
Expenses									
Operating Expense	13,045,564	13,702,889	15,512,640	15,971,678	16,551,140	19,077,048	19,702,288	20,251,955	20,346,137
Pipeline	4,004,020	4,033,254	4,782,263	6,056,260	8,020,000	8,955,189	10,215,549	10,240,000	11,518,612
Other CIP	2,595,208	3,824,538	4,583,137	7,808,100	8,506,294	3,947,258	1,727,523	2,463,341	1,774,640
Total Expense	**19,644,792**	**21,560,681**	**24,878,040**	**29,836,038**	**33,077,434**	**31,979,495**	**31,645,360**	**32,955,296**	**33,639,389**
Net (Rev-Exp)									
0-7-7	(3,604,826)	(4,595,417)	(6,922,769)	(10,972,607)	(13,251,403)	(11,133,158)	(9,717,554)	(9,881,187)	(9,350,256)
0-14-7	(3,604,826)	(3,671,697)	(5,934,389)	(9,924,923)	(12,140,858)	(9,955,981)	(8,469,747)	(8,558,511)	(7,948,220)
7-7-7	(2,681,106)	(3,607,036)	(5,865,202)	(9,851,586)	(12,063,120)	(9,873,579)	(8,382,400)	(8,465,924)	(7,850,077)

Estimate Bill

3/4' Meter Rates	Current	7% Rate Increase	14% Rate Increas
Meter Charge	$ 68.12	$ 72.89	$ 77.66
Tier 1	$ 5.96	$ 6.38	$ 6.79
Tier 2	$ 11.09	$ 11.87	$ 12.64
Tier 3	$ 15.63	$ 16.72	$ 17.82
Avg 17 Unit Bill	**$ 205.35**	**$ 219.72**	**$ 234.10**
Increase per bill	-	$ 14.37	$ 28.75

Capital Charge

Capital Charge	7% rate Increase eq	Total Capital Charge
Revenue	$ 923,720	$ 2,817,412
3/4" Rate	$ 95	$ 289
Monthly Equivalent	$ 8	$ 24

RECOMMENDATION

Discuss and direct staff as to any next steps and timeline for implementing rate increases and/or completing a water-budget rate structure rate study

Prepared and Submitted by:

Arturo Montes
Finance & Administration Manager

Attachment(s): None

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