

**AGENDA FOR A REGULAR**  
**FINANCE**  
**STANDING COMMITTEE**  
**VALLEY COUNTY WATER DISTRICT**  
**14521 RAMONA BOULEVARD,**  
**BALDWIN PARK, CALIFORNIA**  
**FRIDAY, JUNE 24, 2011 AT 3:00 P.M.**

**COMMITTEE MEMBERS:** Director Mariana Lake, Chairperson  
President Jonathan Contreras, Co-Chair

**ITEMS FOR DISCUSSION**

1. Presentation regarding the Rate Setting Process

**NEXT MEETING:** To be determined.

cc: Board of Directors  
E-Mail Distribution List

*In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, please contact the District at 626-338-7301. Requests must be made as early as possible and at least one full business day before the start of the meeting.*



## VALLEY COUNTY WATER DISTRICT

# Setting the Rates for...

## WATER

Presented By:  
Lynda Noriega  
Interim General Manager

## Presentation Overview

- Knowing VCWD revenue sources
- Understanding VCWD operational expenses
- Financial planning, reserves, and capital improvements
- Rate setting process
- VCWD current rate structure
- Rates and their impact on the average VCWD family



# Knowing VCWD Revenue Sources

## ❖ Water Sales

- ❖ Ready to serve charges
- ❖ Consumption charges
- ❖ Capital improvement charges

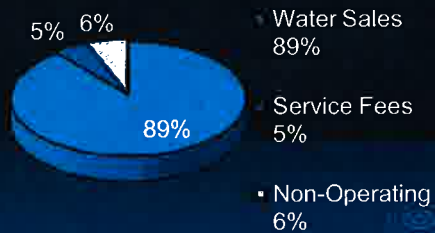
## ❖ Service Fees

- ❖ New account set-up fee
- ❖ Delinquent account late fees
- ❖ Unauthorized usage fees

## ❖ Non-Operating Revenue

- ❖ Interest from investments
- ❖ Property tax share
- ❖ Miscellaneous

## Revenues



# Understanding VCWD Operational Expenses

## ❖ Energy

- ❖ Water production and pumping
- ❖ Utilities

## ❖ System Maintenance

- ❖ Watermaster- Administrative, In-Lieu, and Water Replacement
- ❖ Pipeline, well, booster pump, reservoir maintenance

## ❖ Salaries

- ❖ 5 publically elected Board of Directors
- ❖ 25 full-time employees

## ❖ Benefits

- ❖ Group insurance for health, dental, and vision premiums
- ❖ Retirement plans

## ❖ General & Supplies

- ❖ Legal
- ❖ Office supplies



# Financial Planning

## Determine the Cost of Operations

- ❖ Energy
- ❖ System Maintenance and Water Supply
- ❖ Salaries
- ❖ Benefits
- ❖ Service, Supply, and Administration

## Schedule Major System Maintenance

- ❖ Reservoir rehabilitation
- ❖ Well and pump rehabilitation
- ❖ Water main replacements

## Plan for Capital Improvements

- ❖ Land acquisitions
- ❖ New facility construction
- ❖ Utility vehicle fleet and equipment replacement
- ❖ Computer system upgrades and replacement



# Setting Aside a Reserve Fund

## Resolution 08-07-647

### ❖ Capital Improvement

Fund capital improvements based on District financial and master plans

### ❖ Operating

Fund emergency situations and unforeseen changes in operating expenses

### ❖ Rate stabilization

Fund capital and or operational expenses instead of increasing water rates

### ❖ Capacity

Fund the expansion of the District's infrastructure



# Capital Improvements

## Capital Reserve Fund

- a) The capital reserve fund shall be used to finance infrastructure consistent with the District's capital expenditure plans as documented in its five-year financial planning forecast. Through the use of this fund, the District hopes to **minimize borrowing** and **reduce expensive interest** to the greatest extent possible.
- All capital improvements are **self-funded** by the District's Capital Reserve Fund
  - To continue to **self-fund** capital improvements, the rate structure must provide sufficient revenue to allow for **transfers** into the District's capital reserves
  - Inability to transfer funds to the capital reserves will require the District to **borrow money** from outside sources to fund the capital improvements

# Rate Setting Process

- ❖ **Analyze all financial information available**
  - Revenues vs. expenses
  - Financial forecasts and plans
  - Reserve funds
  - Required capital improvements and master plan
- ❖ **Design a rate to cover all costs of operations**
  - General operating expenses
  - Capital improvements
- ❖ **Review the rate structure on a regular basis**
  - Are the current rates covering all costs of operations?
  - What has changed since the rate was set?
  - Has the cost to supply water changed?

# Designing a Rate to Cover all Costs of Operations

## 1. Ready to Serve Charge – Fixed Income

- ✓ The amount of revenue earned from the ready to serve charge **should approximate the fixed costs of operations**. These fixed costs are District expenses to provide service prior to any water being sold.

## 2. Consumption Charge – Variable Income

- ✓ The consumption tiered charges **should recover the variable costs of operations**. These variable costs are District expenses to produce, sale, and provide water.



# Fixed Costs vs. Variable Costs

## FIXED COSTS

Recovered – Ready to Serve Charge

- Salaries
  - ✓ Director Stipend
  - ✓ Employee Wages
- Benefits
  - ✓ Group insurance premium
  - ✓ Retirement plan
  - ✓ Other
- Energy
  - ✓ Utilities
- Supplies & Supply
  - ✓ Director expense
  - ✓ Administration & general
  - ✓ Operations office & equipment

## VARIABLE COSTS

Recovered – Consumption Charge

- Energy
  - ✓ Pumping electric
  - ✓ Pumping gas
- System Maintenance
  - ✓ Facility maintenance
  - ✓ Water quality & sampling
  - ✓ Watermaster assessments
  - ✓ Leased water rights
  - ✓ Consumer Confidence Report
  - ✓ WQA assessments
  - ✓ CIC purchased water
  - ✓ MWD purchased water



# Current VCWD Rate Structure

## Increasing Tiered Rate Structure

- As a base, VCWD charges a fixed ready to serve charge based on meter size
- Under this rate structure, VCWD charges customers progressively increased water consumption rates per unit of water metered within specified quantities

### PROS for Tiered Rates

- Allows for a "life-line" rate which is provided to everyone equally, but specifically benefits senior citizens, low income families, and fixed income customers
- Promotes and encourages water conservation (i.e. the less you use, the less you are charged)

### CONS for Tiered Rates

- Requires water meters, which require regular maintenance and replacement
- Requires an accounting system that can process usage based on tiered rates



# Current VCWD Rate Structure - Fixed

## Ready-to-Serve Charge

This charge is a **fixed** charge which is designed to cover the **fixed costs of operations**.

### Commercial - Monthly

Meter Size	Charge
5/8"	\$9.55
3/4"	\$9.55
1"	\$15.94
1 1/2"	\$31.79
2"	\$50.88
3"	\$95.45
4"	\$159.11
6"	\$318.14
8"	\$509.04

### Residential - Bimonthly

Meter Size	Charge
5/8"	\$15.20
3/4"	\$15.20
1"	\$25.38
1 1/2"	\$50.60
2"	\$81.00

### Fire Protection - Monthly

Meter Size	Charge
4"	\$138.36
6"	\$276.64
8"	\$442.64
10"	\$636.36

Budgeted Revenues from Ready to Serve = \$2,421,260





# Current Budgeted Totals - Fixed

BUDGETED EXPENSE <i>Fixed Costs</i>		BUDGETED REVENUE <i>Ready to Serve Charge</i>	
Energy – Utilities	\$ 14,717	Ready to Serve Charge	\$2,421,260
Salaries	\$1,508,035		
Benefits	\$1,027,519		
Service & Supply	\$ 766,554		
<b>Total Fixed Cost Budget</b>	<b>\$3,316,855</b>	<b>Total Ready to Serve Budget</b>	<b>\$2,421,260</b>

Unrecovered Fixed Costs = \$3,316,855 - \$2,421,260 = **\$895,595**

↑ *Ready to Serve charges should be reviewed and adjusted up to recover all VCWD fixed costs.*



# Current VCWD Rate Structure - Variable

## *Water Consumption Charge*

This charge is a variable charge designed to cover the variable costs of operations.

		19+ units	\$ 1.15
	5-18 units	\$ .69	\$ .69
0-4 units	\$ .29	\$ .29	\$ .29

*Residential = Bi-Monthly Billing*

0 – 8 units at \$0.29 per unit  
 9 – 36 units at \$0.69 per unit  
 36 + units at \$1.15 per unit

*Commercial = Monthly Billing*

0 – 4 units at \$0.29 per unit  
 5 – 18 units at \$0.69 per unit  
 18 + units at \$1.15 per unit

**Budgeted Revenues from Water Consumption = \$2,181,098**





# Current Budgeted Totals - Variable

BUDGETED EXPENSE <i>Variable Costs</i>		BUDGETED REVENUE <i>Consumption Charge</i>	
Energy - Pumping	\$ 530,308	Consumption Charge	\$2,149,925
Facility Maintenance	\$ 291,099	Construction Consumption	\$ 31,173
Watermaster Assessments	\$1,649,770		
Water Maintenance	\$ 534,619		
<b>Total Variable Cost Budget</b>	<b>\$3,005,796</b>	<b>Total Consumption Budget</b>	<b>\$2,181,098</b>

Unrecovered Variable Costs = \$3,005,796 - \$2,181,098 = **\$824,698**

↑ *Water Consumption Rates should be reviewed and adjusted up to recover all VCWD variable costs.*



# Local Rate Comparison

Water Utility	Water Consumption Charge		Ready-to-Serve Charges			
	CCF	Rate	5/8"	3/4"	1"	1 1/2"
Valley County Water District	1 - 4 5 - 18 19 +	0.29 0.69 1.15	7.60	7.60	12.69	25.30
Azusa Light & Water	1 - 12 13 +	1.007 1.953	17.03	17.03	24.26	42.18
City of Gyrore	1 - 16 17 +	2.25 2.51	28.48	28.48	41.94	64.36
La Puente, Valley County Water District	All Water Served	1.41	13.98	13.98	22.02	48.42
San Gabriel Valley Water Company	All Water Served	1.8135	20.04	30.06	50.10	100.20
Southwest Water District	All Water Served	1.563	9.41	14.12	23.53	47.05
Valley County Water District	1 - 40 41 - 70 71 +	1.00 1.63 2.27	8.50	8.50	12.50	23.50



# HOW DO THESE RATES APPLY TO OUR CUSTOMER'S WATER BILLS?



## Residential Water Bi-Monthly Usage Average

5/8" or 3/4" meter = 36 CCF

**Aspen Light & Water**

Ready to Serve	34.06
Water Consumption	23.44
<b>Total Bill</b>	<b>57.50</b>



**Suburban Water Systems**

Ready to Serve	28.24
Water Consumption	56.27
<b>Total Bill</b>	<b>84.51</b>

**City of Covina**

Ready to Serve	56.96
Water Consumption	82.04
<b>Total Bill</b>	<b>139.00</b>

**San Gabriel Valley Water Co**

Ready to Serve	60.12
Water Consumption	65.29
<b>Total Bill</b>	<b>125.41</b>

**Valley County Water District**

Ready to Serve	15.20
Water Consumption	21.64
<b>Total Bill</b>	<b>36.84</b>

**Los Puente Valley County Dist**

Ready to Serve	31.96
Water Consumption	50.76
<b>Total Bill</b>	<b>82.72</b>

**Valley View Municipal Water Co**

Ready to Serve	17.00
Water Consumption	36.00
<b>Total Bill</b>	<b>53.00</b>



## Residential Water Bi-Monthly Usage Average

1" meter = 49 CCF

**Azusa Light & Water**  
Ready to Serve 48.52  
Water Consumption 73.00  
Total Bill 121.52

**City of Covina**  
Ready to Serve 83.88  
Water Consumption 114.67  
Total Bill 198.55

**La Puente Valley County Water**  
Ready to Serve 48.04  
Water Consumption 69.09  
Total Bill 117.13



**Valley County Water District**  
Ready to Serve 25.35  
Water Consumption 36.59  
Total Bill 61.94

**Suburban Water Systems**  
Ready to Serve 47.06  
Water Consumption 76.59  
Total Bill 123.65

**San Gabriel Valley Water Co**  
Ready to Serve 100.20  
Water Consumption 88.87  
Total Bill 189.07

**Valley View Mutual Water Co**  
Ready to Serve 25.00  
Water Consumption 49.00  
Total Bill 74.00

## Where does VCWD go from here?

- **Management needs to prepare:**
  - 2011-2012 General Operating Budget
  - 2011-2012 Capital Improvement Budget
- **Management needs to work with the Board of Directors:**
  - Review proposed budgets
  - Prepare rate structure recommendations
  - Begin proceedings for potential rate adjustments



**Questions and Comments**

**Thank You!**