

1. 2023 0829 Finance Committee Agenda

Documents:

[2023 0829 FINANCE COMMITTEE AGENDA.PDF](#)

2. 2023 0829 Finance Committee Agenda Packet

Documents:

[2023 0829 FINANCE COMMITTEE AGENDA PACKET.PDF](#)



VALLEY COUNTY WATER DISTRICT
5121 LANTE STREET
BALDWIN PARK, CA 91706
OFFICE: (626) 338-7301
<http://www.vcwd.org>

FINANCE & CAPITAL IMPROVEMENTS COMMITTEE MEETING

The Finance & Capital Improvements Committee is responsible for discussing and reviewing items related to the District's budget, water rates, capital improvement plan, and general financial position; prepares recommendations to the Board of Directors.

DATE & LOCATION:

Tuesday, August 29, 2023, at 10:30 AM
5121 Lante Street
Baldwin Park, CA 91706

COMMITTEE MEMBERS:

Lenet Pacheco, Chairperson
Jazmin Lopez, Co-Chairperson
David L. Muse, Alternate Member

A. CALL TO ORDER

- ❖ Pledge of Allegiance

B. PUBLIC COMMENT**C. PRESENTATION / DISCUSSION ITEMS**

- 1) Discuss the Proposed Drought Rates Study prepared by Raftelis
- 2) Discuss the Water Cost of Service & Rate Study
- 3) Discuss the District's Service Deposits & Customer Service Fees

D. ADJOURNMENT

Next Meeting Scheduled: To Be Determined.



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VALLEY COUNTY WATER DISTRICT
Finance & Capital Improvements Committee
Tuesday, August 29, 2023

AGENDA ITEM: A **CALL TO ORDER**

Meeting Called to Order At: _____

Meeting Chaired By: _____

Others Present:

- _____
- _____
- _____
- _____
- _____



VALLEY COUNTY WATER DISTRICT
Finance & Capital Improvements Committee
Tuesday, August 29, 2023

AGENDA ITEM:

B

PUBLIC COMMENT

❖ Anyone wishing to discuss items on and not on the agenda may do so at this time. A three-minute time limit on remarks is requested.

MEMBERS OF THE PUBLIC:

COMMENTS:

❖ _____

❖ _____

❖ _____



VALLEY COUNTY WATER DISTRICT
Finance & Capital Improvements Committee
Tuesday, August 29, 2023

AGENDA ITEM:

C1

DISCUSSION/ INFORMATION ITEMS

Discuss the Proposed Drought Rates Study prepared by Raftelis



Valley County Water District

Drought Rate Study

REPORT / August 21, 2023



August 21, 2023

Mr. Jose Martinez
General Manager
Valley County Water District
5121 Lante St.
Baldwin Park, CA 91706

Subject: Drought Rate Study

Dear Mr. Martinez:

Raftelis is pleased to provide this Drought Rate Study Report (Report) for Valley County Water District (District). This Report explains the methodologies and rationale used to develop the drought surcharges in case the District Board declares different stages of drought.

The study includes four stages of drought that align with the District's Water Shortage Contingency Plan (10%, 20%, 30%, and 40%). Surcharges for any intermediate stages of drought may be established by linearly prorating the surcharges for the next lower and higher stages.

It has been a pleasure working with you and we appreciate the assistance that Ms. Jandy Macias and you provided during this project.

Sincerely,



Sudhir D. Pardiwala, PE
Executive Vice President



Katelyn Milius
Senior Consultant

Drought Surcharge

Southern California goes through periods of dry weather with very minimal rainfall which necessitates water conservation because of reduced water supplies. As experienced during previous drought conditions, State water regulators and wholesale water agencies may cut back the amount of water available from both surface water and local groundwater and declare mandatory conservation measures. In response, retail agencies declare drought stages to enforce water conservation. The Valley County Water District (District) wants to be prepared to address these conditions when it becomes necessary to mandate conservation so that it can readily provide customers with an incentive to save water and implement Drought Surcharges (conservation rates) to mitigate the impact of reduced revenues from lower water sales.

A Drought Surcharge may be imposed during a declared drought when a certain level of reduction from the base usage has been mandated. The District's Water Shortage Contingency Plan has four shortage levels as shown in Table 1. Water use efficiency practices and water conservation measures are outlined in Ordinance 09-19-128 to alter behavior and achieve reductions at each stage. A Drought Surcharge is charged on each unit of water used and is calculated to recover costs resulting from loss of revenue due to reduced water use. The amount of the Drought Surcharge at different levels of usage reduction is based upon the District's Water Shortage Contingency Plan stages and projected revenue shortfall adjusted for changes in costs.

Table 1: Valley County Water Shortage Levels

VCWD SHORTAGE LEVELS	SUPPLY REDUCTION	WATER SUPPLY CONDITION
1	5-10%	Voluntary
2	10-20%	Mandatory Conservation Stage
3	20-35%	Rationing Stage Allotments
4	35-50%	Critical Rationing Stage Allotments

Raftelis calculated the demand reduction surcharge to recover the revenue shortfall that occurs as a result of demand reduction during the four water supply emergency stages.

To determine the demand reduction surcharge, the first step is to project the water demand reduction for each customer class under different stages of drought. Table 2 shows the projected water demand for each customer class and tier at different levels of usage reduction. Raftelis analyzed individual customer usage data, projecting that single family customers and irrigation customers using more discretionary water are expected to reduce more under the different drought stages. Typically multi-family customers do not have much irrigation use and will not be able to conserve much. Commercial customers that need water for their businesses will also conserve lower amounts. This is based on our experience during previous droughts. The analysis shows the increase in commodity rates that need to be applied to all usage including the tiers for each percentage reduction in usage. Note that the actual reduction achieved under each drought stage varies slightly from the target, with the % total reduction actually achieved being lower than the target.

Table 2: Projected Water Demand by Percent Usage Reduction

Customer Class	Tier	FY 2024 Scheduled Rates	FY 2024 Usage	10 % Reduction	10% Usage	20 % Reduction	20% Usage	30 % Reduction	30% Usage	40 % Reduction	40 % Usage
Residential	1-16 ccf	\$1.93	773,588	-5%	734,909	-10%	696,230	-15%	657,550	-20%	618,871
	17-28 ccf	\$2.99	381,758	-15%	324,494	-30%	267,231	-45%	209,967	-60%	152,703
	> 28+ ccf	\$4.02	262,441	-30%	183,709	-50%	131,221	-75%	65,610	-95%	13,122
Subtotal Residential			1,417,788	-12.3%	1,243,112	-22.8%	1,094,681	-34.2%	933,127	-44.7%	784,696
Multifamily	Uniform	\$2.77	219,894	-5%	208,899	-7%	204,502	-10%	197,905	-25%	164,921
Commercial	1- 16 ccf	\$2.18	136,247	-4%	130,797	-6%	128,073	-10%	122,623	-15%	115,810
	>16 ccf	\$2.87	800,191	-6%	754,397	-11%	712,941	-16%	670,040	-30%	560,134
Subtotal Commercial			936,438	-5.5%	885,194	-10.2%	841,014	-15.4%	792,662	-27.8%	675,944
Firelines	Uniform	\$4.02	1,003	0%	1,003	0%	1,003	0%	1,003	0%	1,003
Construction	Uniform	\$4.02	29,046	0%	29,046	-3%	28,174	-5%	27,593	-50%	14,523
Total Potable Water (ccf)			2,604,168		2,367,254		2,169,373		1,952,290		1,641,086
Total Potable Water (AF)			5,978		5,434		4,980		4,482		3,767
% Total Reduction Achieved					-9.1%		-16.7%		-25.0%		-37.0%

The next step is to estimate the water supply cost savings that result when there is a reduction in demand. The variable costs associated with each supply are used to determine the cost savings. Almost all other costs are fixed and will not vary based on water demand. Table 3 shows the estimated cost savings in the water supply costs for each stage due to the reduction in usage. The total supply assumes a 5% water loss from the water usage shown in Table 2.

Table 3: Estimated Cost Savings by Percent Usage Reduction

	FY 2024	10% Reduction	20% Reduction	30% Reduction	40% Reduction
Calculated Water Supply Costs					
Admin & In-Lieu Assessment Costs	\$157,325	\$153,299	\$149,936	\$146,247	\$140,958
Replacement Water Assessment Costs	\$0	\$0	\$0	\$0	\$0
Resource Development Assessment Costs	\$1,101,275	\$1,073,091	\$1,049,551	\$1,023,727	\$986,706
Leased Water Costs	\$1,623,132	\$1,475,468	\$1,352,132	\$1,216,828	\$1,022,860
Local Water Supply Costs	\$2,881,731	\$2,701,858	\$2,551,619	\$2,386,802	\$2,150,524
Purchased Water Cost	\$0	\$0	\$0	\$0	\$0
Total Water Supply Costs	\$2,881,731	\$2,701,858	\$2,551,619	\$2,386,802	\$2,150,524
Cost Savings		\$179,874	\$330,112	\$494,929	\$731,207

The final step is to calculate the drought surcharge, shown in Table 4. First, the projected potable water revenue is calculated by multiplying the demand projections from Table 2 for each level of reduction in use or scenario and the proposed water rates in FY 2024. The revenue shortfall is determined by comparing this revenue for each scenario with the FY 2024 revenues. Next, we add the estimated cost savings from Table 3 for each scenario. The total shortfall is divided by the projected demand in each scenario to arrive at a uniform percent increase per unit of water for each scenario. Table 4 shows the proposed percentage surcharge that will be effective July 1, 2024. Surcharges for subsequent years would increase by the same percentages of 9%, 18%, 30%, or 54%. Updated rates can be calculated on the drought tab of the financial model. Rates for intermediate conservation goals may be determined by linearly prorating the increases per unit.

Table 4: Drought Surcharge by Percent Usage Reduction

	FY 2024	10% Reduction	20% Reduction	30% Reduction	40% Reduction
Projected Potable Variable Revenue at Current Rates	\$7,012,964	\$6,276,825	\$5,679,350	\$5,014,110	\$4,083,046
Revenue Shortfall		(\$736,138)	(\$1,333,614)	(\$1,998,854)	(\$2,929,917)
Cost Savings		\$179,874	\$330,112	\$494,929	\$731,207
Net Drought-Related Expenses (Not Already in O&M)		\$0	\$0	\$0	\$0
Net Revenue Shortfall to be Recovered		(\$556,265)	(\$1,003,501)	(\$1,503,925)	(\$2,198,710)
% Revenue Shortfall for Surcharge		9%	18%	30%	54%

The proposed surcharge rates for FY 2024 are shown in Table 5 with the total projected revenue at each stage. The full list of drought rate increases through FY 2028 are shown in Table 6.

Table 5: Drought Rates by Percent Usage Reduction

Customer Class	Tier	FY 2024 Scheduled Rates	Drought Rate @ 10% Reduction	Drought Rate @ 20% Reduction	Drought Rate @ 30% Reduction	Drought Rate @ 40% Reduction
Residential	1-16 ccf	\$1.93	\$2.10	\$2.28	\$2.51	\$2.97
	17-28 ccf	\$2.99	\$3.26	\$3.52	\$3.89	\$4.61
	> 28+ ccf	\$4.02	\$4.38	\$4.74	\$5.23	\$6.19
Multifamily	Uniform	\$2.77	\$3.02	\$3.26	\$3.60	\$4.27
Commercial	1- 16 ccf	\$2.18	\$2.38	\$2.57	\$2.84	\$3.36
	>16 ccf	\$2.87	\$3.13	\$3.38	\$3.74	\$4.42
Firelines	Uniform	\$4.02	\$4.38	\$4.74	\$5.23	\$6.19
Construction	Uniform	\$4.02	\$4.38	\$4.74	\$5.23	\$6.19
Total Projected Revenue from Rates			\$6,840,674	\$6,693,788	\$6,526,739	\$6,288,460

Table 6: FY 2024-2028 Drought Rates by Shortage Level

Customer Class	Tier	Scheduled Rates	Stage 1	Stage 2	Stage 3	Stage 4
			10 % Reduction	20 % Reduction	30 % Reduction	40 % Reduction
FY 2024 Rates						
Residential	1-16 ccf	\$1.93	\$2.10	\$2.28	\$2.51	\$2.97
	17-28 ccf	\$2.99	\$3.26	\$3.52	\$3.89	\$4.61
	> 28+ ccf	\$4.02	\$4.38	\$4.74	\$5.23	\$6.19
Multifamily	Uniform	\$2.77	\$3.02	\$3.26	\$3.60	\$4.27
Commercial	1- 16 ccf	\$2.18	\$2.38	\$2.57	\$2.84	\$3.36
	>16 ccf	\$2.87	\$3.13	\$3.38	\$3.74	\$4.42
Firelines	Uniform	\$4.02	\$4.38	\$4.74	\$5.23	\$6.19
Construction	Uniform	\$4.02	\$4.38	\$4.74	\$5.23	\$6.19
FY 2025 Rates						
Residential	1-16 ccf	\$2.04	\$2.22	\$2.40	\$2.66	\$3.14
	17-28 ccf	\$3.16	\$3.44	\$3.72	\$4.11	\$4.86
	> 28+ ccf	\$4.25	\$4.63	\$5.00	\$5.53	\$6.54
Multifamily	Uniform	\$2.93	\$3.19	\$3.45	\$3.81	\$4.51
Commercial	1- 16 ccf	\$2.30	\$2.51	\$2.71	\$2.99	\$3.54
	>16 ccf	\$3.03	\$3.30	\$3.57	\$3.94	\$4.66
Firelines	Uniform	\$4.25	\$4.63	\$5.00	\$5.53	\$6.54
Construction	Uniform	\$4.25	\$4.63	\$5.00	\$5.53	\$6.54
FY 2026 Rates						
Residential	1-16 ccf	\$2.16	\$2.35	\$2.55	\$2.81	\$3.32
	17-28 ccf	\$3.34	\$3.64	\$3.93	\$4.34	\$5.14
	> 28+ ccf	\$4.49	\$4.89	\$5.29	\$5.84	\$6.91
Multifamily	Uniform	\$3.10	\$3.37	\$3.65	\$4.03	\$4.77
Commercial	1- 16 ccf	\$2.43	\$2.65	\$2.86	\$3.16	\$3.74
	>16 ccf	\$3.20	\$3.49	\$3.77	\$4.16	\$4.92
Firelines	Uniform	\$4.49	\$4.89	\$5.29	\$5.84	\$6.91
Construction	Uniform	\$4.49	\$4.89	\$5.29	\$5.84	\$6.91
FY 2027 Rates						
Residential	1-16 ccf	\$2.28	\$2.48	\$2.69	\$2.97	\$3.51
	17-28 ccf	\$3.53	\$3.85	\$4.16	\$4.59	\$5.43
	> 28+ ccf	\$4.74	\$5.16	\$5.58	\$6.16	\$7.29
Multifamily	Uniform	\$3.28	\$3.57	\$3.86	\$4.26	\$5.04
Commercial	1- 16 ccf	\$2.57	\$2.80	\$3.03	\$3.34	\$3.95
	>16 ccf	\$3.38	\$3.68	\$3.98	\$4.39	\$5.20
Firelines	Uniform	\$4.74	\$5.16	\$5.58	\$6.16	\$7.29
Construction	Uniform	\$4.74	\$5.16	\$5.58	\$6.16	\$7.29



VALLEY COUNTY WATER DISTRICT
Finance & Capital Improvements Committee
Tuesday, August 29, 2023

AGENDA ITEM:

C2

DISCUSSION/ INFORMATION ITEMS

Discuss the Water Cost of Service & Rate Study



VALLEY COUNTY WATER DISTRICT
Finance & Capital Improvements Committee
Tuesday, August 29, 2023

AGENDA ITEM:

C2

DISCUSSION/ INFORMATION ITEMS

Discuss the District's Service Deposits & Customer Service Fees



**VALLEY COUNTY WATER DISTRICT BOARD OF DIRECTOR APPROVED
FROM RESOLUTION 07-12-717 AND AMENDED RESOLUTION 06-13-733**

SERVICE DEPOSITS

Type of Deposit	Approved
Residential Water Service Accounts	
5/8" or 3/4"	92.00
1"	164.00
1 1/2"	315.00
2"	508.00
Commercial Water Service Accounts	
5/8" or 3/4"	204.00
1"	254.00
1 1/2"	366.00
2"	512.00
3"	672.00
4"	1,176.00
6"	1,756.00
8"	2,443.00
Fire Protection Water Service Accounts	
4"	285.00
6"	570.00
8"	912.00
10	1,311.00
Meter Tampering Deposit**	200.00
Applied to actual cost of repair	
Construction Meter Use Deposit	1,475.00
Meter Accuracy Test Deposit	185.00

CUSTOMER SERVICE FEES

Type of Service	Approved
New Accounts	
Utility Service Application Fee	65.00
Billing Adjustments	
Second Notice Fee	2.00
Final Notice Fee	15.00
Disconnection Notice Fee	25.00
Returned Check Fee	40.00
Backflow Compliance Monitoring	15.00
Meter Tampering Fees	
Cut Lock Fee	40.00
Unauthorized Usage Fee	
First Offense	100.00
Second Offense	200.00
Subsequent Offense	400.00
Other Services	
Construction Meter Usage Fees	
Water Consumption	1.69 / ccf
Water Meter Rental	13.00 / week
Fire Flow Test Fee	150.00
Account History Request Fee	10.00
Water System Access Fee	
3/4"	318.14
1"	530.24
1 1/2"	1,060.48
2"	1,696.77
3"	3,181.45
4"	5,302.41
6"	10,604.82
8"	16,967.71
10"	24,391.08



VALLEY COUNTY WATER DISTRICT
Finance & Capital Improvements Committee
Tuesday, August 29, 2023

AGENDA ITEM:

D

ADJOURNMENT
