



PUBLIC NOTICE OF PROPOSED INCREASE IN WATER RATES AND CHARGES

**Public Hearing to be held on Tuesday, June 21, 2016, 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 period, will increase by \$7.27 or 5.8%, (a monthly increase of \$3.64). This will result in a two-month bill increase from \$126.06 to \$133.33.**

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, 2016.

Why is there a need for a rate increase? Clean, reliable water is a fundamental and essential public service provided by CVWD. Most people do a good job conserving this precious resource, but still see their water bills going up. Why?

Drought and Water Conservation: The effects of the extended state-wide drought and less than average rainfall in the Crescenta Valley has reduced the availability of our lowest cost water supply, local groundwater, by 40%. The effect of less local groundwater results in an increase in the purchase of expensive imported water which is necessary to meet demands. Water conservation will not reduce the cost of infrastructure repair and replacement because these costs are not affected by the variations in the amount of water delivered year to year. However, water utility revenue is based on the amount of water consumed which does vary from year to year. Under the current extreme drought conditions water use has declined and is expected to continue to decline which results in a revenue shortfall.

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 50 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, age, 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.

Each year 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 \$2.8 million for FY 2016/17.

CVWD actively seeks grant funding and has received grants totaling over \$2.25 million. Grant monies are being used to study a stormwater capture system, establish another emergency water connection, construct a new water supply well and construct a new water treatment system to re-activate an existing well. In addition to these grant-funded water supply and reliability projects, there are critical infrastructure replacement needs which cost between \$2 to \$3 million per year and are funded from water sales revenues.

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 has reduced its total annual water operation and maintenance expenses by \$240,000 from FY 2013/14 to 2015/16.

This year's FY 2016/17 budget for total water operation and maintenance expense is \$160,000 less than budgeted for last fiscal year. CVWD's reserve funds are established to be used to mitigate future rate increases. CVWD has used these funds from its "Rate Stabilization Reserves" in recent years and projects using additional reserve funds over the next few years. Additionally, CVWD will be utilizing a portion of its MTBE reserve fund this year to reduce the impact of water rate increases.

Cost of Service Study: In 2016, CVWD completed an updated Water and Wastewater Cost of Service Study (Rate Study) prepared by an outside consultant, which included a comprehensive cost of service analysis to equitably allocate cost based on customer classes and water use characteristics. The proposed changes in the water rates and charges are based on this Rate Study.

Notable changes are:

1. Water use ranges for Tiers 2 and 3 have been adjusted; Tier 1 range remains unchanged
2. Tier 4 has been eliminated
3. The water meter service charge has increased
4. Tier 1 rate per unit has decreased
5. Tier 2 and 3 rate per unit have increased

CVWD developed the proposed water rate structure based on the following factors and objectives:

1. Revenue sufficiency and financial stability - Proposed water rates and charges were developed to support projected operating costs of CVWD, increased capital (infrastructure) replacement costs, and to ensure sufficient funding of reserves through FY 2020/21.
2. Customer rate equity - Proposed water rates and charges were based on the Rate Study, and reflects equity of cost among the rate classes.
3. Rate impact mitigation - Proposed water rates and charges were developed to minimize the impact of the rate adjustments to CVWD's customers.
4. Legal compliance - Proposed water rates and charges comply with Proposition 218 and associated laws, and support CVWD's goal of achieving State of California's required interim and final water conservation targets.
5. Customer support - Proposed water rates and charges are clear and understandable to customers.
6. Special considerations - Proposed water rates and charges reflect the influence on costs and revenue of drought conditions, water conservation, and changes in operational costs.

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

The documents supporting the water rates and charges, including the Water and Wastewater Cost of Service Study, and the FY 2016/17 Water budget, are available for review after May 6, 2016 at the CVWD's main office.

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

Your Water Bill: There are two components which 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 current and proposed water rates and charges table on the following 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) Water purchased from Foothill Municipal Water District (FMWD). FMWD is a water wholesaler whose primary job is to purchase water from Metropolitan Water District of Southern California (MWD) and sell it 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 the 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 change on **June 21, 2016, 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 20, 2016 at 4:30 p.m.** Letters received prior to June 17, 2016 at noon will be included in the agenda package distributed to the Board of Directors and posted online at www.cvwd.com.

Board Meeting: The Board of Directors will meet on **June 28, 2016 at 7:00 p.m.** to consider the proposed change. The Board may adopt, reject, or modify the proposed rate structure, but the Board will not 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</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	\$ 4.61	Tier 1	1 - 10 Units	\$ 4.39
Tier 2	11 - 25 Units	\$ 5.96	Tier 2	11 - 26 Units	\$ 6.91
Tier 3	26 - 37 Units	\$ 8.50	Tier 3	27 Units and above	\$ 10.43
Tier 4	38 Units and above	\$ 11.39			
<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		\$ 5.96	Base Rate		\$ 6.22
<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 - 70 Units	\$ 5.96	Tier 1	1 - 80 Units	\$ 4.80
Tier 2	71 Units and above	\$ 11.39	Tier 2	81 Units and above	\$ 9.20
<u>Meter Service Charge (per bimonthly period)</u>			<u>Meter Service Charge (per bimonthly period)</u>		
	<u>7/1/2015</u>	<u>7/1/2015</u>		<u>7/1/2016</u>	<u>7/1/2016</u>
<u>Meter Size</u>	<u>Within District</u>	<u>Outside District</u>	<u>Meter Size</u>	<u>Within District</u>	<u>Outside District</u>
3/4"	\$ 38.24	\$ 38.64	3/4"	\$ 41.06	\$ 41.46
1"	\$ 46.96	\$ 47.36	1"	\$ 61.25	\$ 61.65
1½"	\$ 68.56	\$ 68.96	1½"	\$ 111.73	\$ 112.13
2"	\$ 86.72	\$ 87.12	2"	\$ 172.32	\$ 172.72
3"	\$ 94.56	\$ 94.96	3"	\$ 364.16	\$ 364.56
4"	\$ 242.94	\$ 243.34	4"	\$ 646.87	\$ 647.27
<u>Private Fire Protection Service Charge (per bimonthly period)</u>			<u>Private Fire Protection Service Charge (per bimonthly period)</u>		
	<u>7/1/2015</u>	<u>7/1/2015</u>		<u>7/1/2016</u>	<u>7/1/2016</u>
<u>Meter Size</u>	<u>Within District</u>	<u>Outside District</u>	<u>Meter Size</u>	<u>Within District</u>	<u>Outside District</u>
1"	\$ 8.00	\$ 8.20	1"	\$ 12.03	\$ 12.43
2"	\$ 11.78	\$ 11.98	2"	\$ 18.57	\$ 18.97
3"	\$ 17.58	\$ 17.78	3"	\$ 33.44	\$ 33.84
4"	\$ 23.84	\$ 24.04	4"	\$ 59.08	\$ 59.48
6"	\$ 40.99	\$ 41.19	6"	\$ 151.10	\$ 151.50
8"	\$ 62.36	\$ 62.56	8"	\$ 309.82	\$ 310.22
10"	\$ 87.08	\$ 87.28	10"	\$ 548.57	\$ 548.97

Note:

(1) A unit is 1,000 gallons