

Board Meeting Agenda

Russ Baggerly, Director
Mary Bergen, Director
Bill Hicks, Director

Pete Kaiser, Director
James Word, Director

CASITAS MUNICIPAL WATER DISTRICT

August 19, 2015

3:00 P.M.

1055 Ventura Avenue
Oak View, CA 93022

Right to be heard: Members of the public have a right to address the Board directly on any item of interest to the public which is within the subject matter jurisdiction of the Board. The request to be heard should be made immediately before the Board's consideration of the item. No action shall be taken on any item not appearing on the agenda unless the action is otherwise authorized by subdivision (b) of ¶54954.2 of the Government Code and except that members of a legislative body or its staff may briefly respond to statements made or questions posed by persons exercising their public testimony rights under section 54954.3 of the Government Code.

1. Public Comments (items not on the agenda – three minute limit).
2. General Manager comments.
3. Board of Director comments.
4. Workshop and presentation by Sudhir Pardiwala of Raftelis Financial Consultants regarding the comprehensive water cost of service study.
5. Adjournment

If you require special accommodations for attendance at or participation in this meeting, please notify our office 24 hours in advance at (805) 649-2251, ext. 113. (Govt. Code Section 54954.1 and 54954.2(a).

CASITAS MUNICIPAL WATER DISTRICT
MEMORANDUM

TO: BOARD OF DIRECTORS
FROM: STEVE WICKSTRUM, GENERAL MANAGER
SUBJECT: WATER RATE WORKSHOP – PRESENTATION AND ANALYSIS BY RAFTELIS
FINACIAL CONSULTANTS, INC.
DATE: AUGUST 14, 2015

RECOMMENDATION:

It is recommended that the Board of Directors participate in the presentation by Raftelis Financial Consultants, Inc. and provide direction to staff.

BACKGROUND:

The District has retained Raftelis Financial Consultants, Inc. (RFC), represented by Mr. Sudhir Pardiwala, to perform a water rate analysis. The purpose of the analysis is to assure that the District is reasonably formulating its rate structure to comply with Prop 218 requirements and adequately fund the water operations.

The District's Finance Committee has meet with Mr. Pardiwala, either in person or by teleconference, to review the work performed by RFC. The Finance Committee has directed the review of the analysis and various water rate proposals to be considered by the Casitas Board of Directors during a workshop that is scheduled for August 19, 2015. Mr. Pardiwala will be presenting the analysis and proposals during the workshop.

If you have any questions in this regard, please do not hesitate to ask.

CASITAS MUNICIPAL WATER DISTRICT

Comprehensive Water Cost of Service Study

BOARD WORKSHOP / AUGUST 19, 2015



AGENDA

- Rate Study Process
- Key Assumptions
- Financial Plan
- Cost of Service
- Water Rates Options
- Customer Impacts
- Next Steps

RATE STUDY PROCESS

Phase 1

Data Collection

- Date Collection and Update
- Customer/Usage Analysis

Phase 2

Model Development

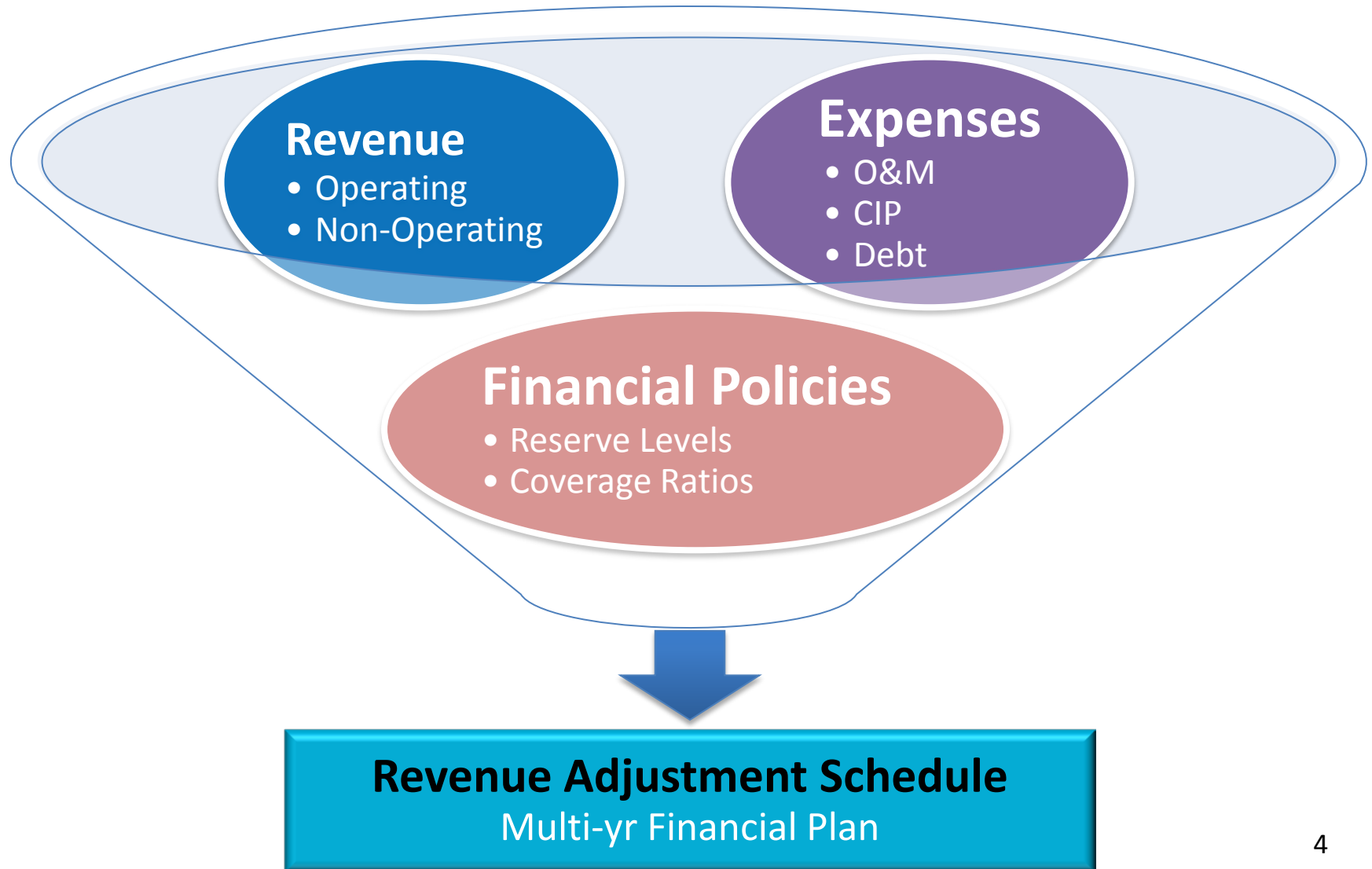
- Financial Plan Update
- Rates Calculations
- Customer Impact Analysis

Phase 3

Rate Adoption

- Report Development
- Presentation
- Prop 218 Public Hearing
- Public Outreach

PROCESS - FINANCIAL PLAN



KEY ASSUMPTIONS

- No growth in customer base
- FY 2016 budget as basis for projections

Inflation Factors	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
General	3.0%	3.0%	3.0%	3.0%	3.0%
Salaries	3.0%	3.0%	3.0%	3.0%	3.0%
Benefits	5.0%	5.0%	5.0%	5.0%	5.0%
Chemicals	4.0%	4.0%	4.0%	4.0%	4.0%
Power	10.0%	10.0%	5.0%	5.0%	5.0%
Capital	4.0%	4.0%	4.0%	4.0%	4.0%
Miscellaneous Revenue	1.0%	1.0%	1.0%	1.0%	1.0%
Recreation Revenue	1.0%	1.0%	1.0%	1.0%	1.0%
Reserve Interest Rate	3.0%	3.0%	3.0%	3.0%	3.0%

USAGE PROJECTIONS

- State requires 32% cutback on urban usage from Calendar Year 2013
 - CY 2013 urban usage is 2,778 AF – projected urban usage for FY 2016 would be 1,889 AF
 - FY 2015 urban usage is 2,413 AF
 - Thus, FY 2016 is reduced by 23% to achieve the required cutback
 - FY 2016 total usage decreases 3% from FY 2015 total usage
- Assumes urban usage starts to increase in FY 2018 gradually so that FY 2019 usage is at FY 2015 level

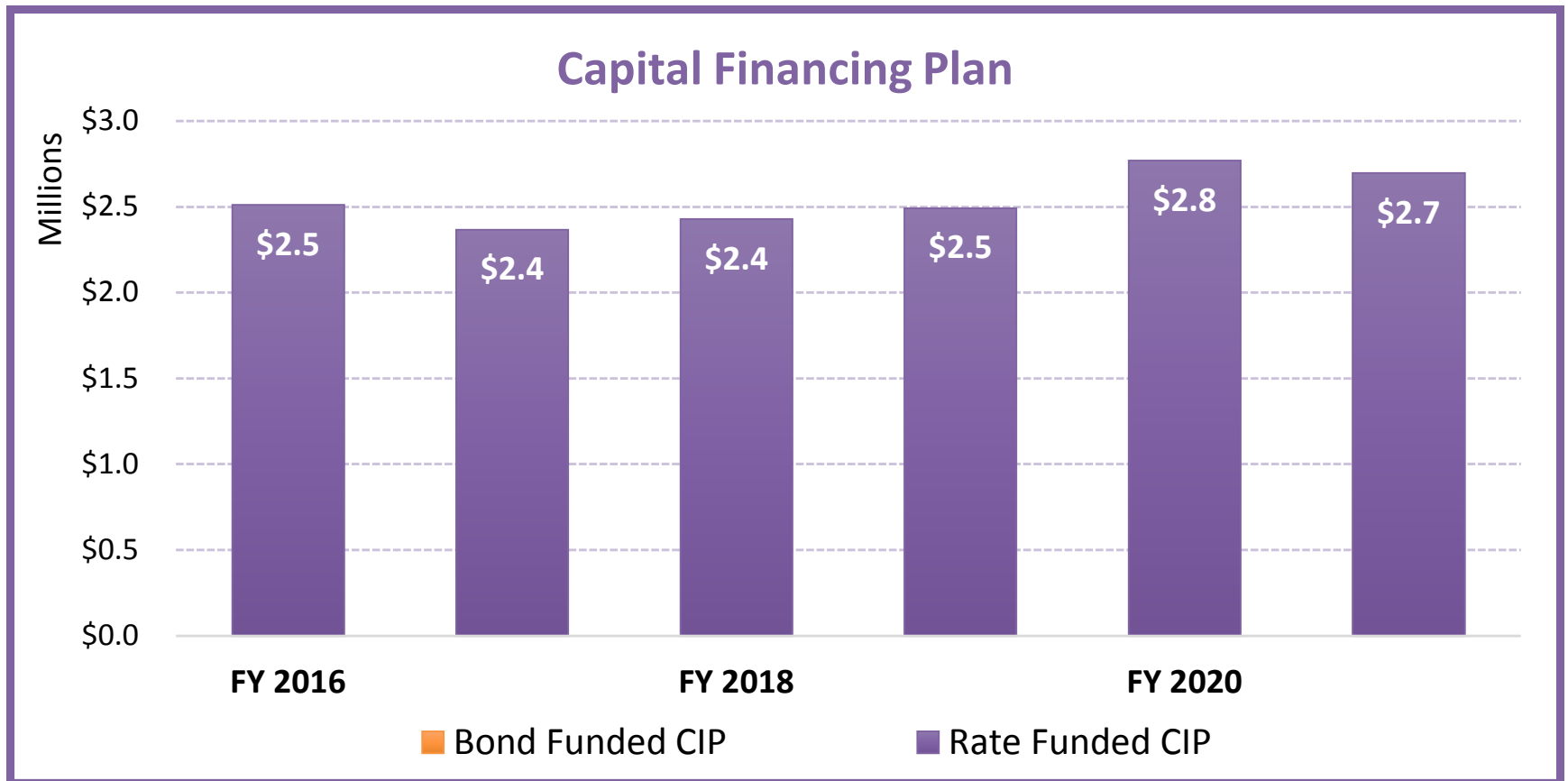
TARGET DESIGNATED FUND BALANCE

- Cash flow – 25% of O&M expenses
- Variation in water sales – 20% of rate revenue
- Capital improvement – 100% of average 10-year CIP
- Storm damage reserves – currently \$2M
- OPEB reserves – currently \$2.75M

PROJECTED O&M EXPENSES

	Budgeted FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021
Administration	\$342,120	\$357,682	\$376,763	\$394,204	\$411,304	\$429,180
Board of Directors	\$165,957	\$172,488	\$179,292	\$186,382	\$193,770	\$201,469
District Maintenance	\$303,850	\$314,051	\$324,640	\$335,579	\$346,895	\$358,612
Electrical Mechanical	\$2,557,800	\$2,694,630	\$2,927,768	\$3,091,348	\$3,226,149	\$3,367,070
Engineering	\$649,160	\$671,113	\$693,849	\$717,396	\$741,787	\$767,053
Fisheries	\$459,630	\$475,537	\$492,026	\$509,121	\$526,846	\$545,226
Garage	\$17,288	\$17,979	\$18,700	\$19,451	\$20,234	\$21,051
Information Technology	\$213,650	\$221,088	\$228,801	\$236,800	\$245,095	\$253,698
Management	\$1,142,373	\$1,181,235	\$1,221,492	\$1,263,199	\$1,306,409	\$1,351,182
Pipeline	\$1,011,100	\$1,044,828	\$1,079,738	\$1,115,873	\$1,153,280	\$1,192,005
Recreation - Operations / Maint. / PR / Water Pk	\$4,093,440	\$4,230,321	\$4,379,734	\$4,527,468	\$4,677,208	\$4,832,133
Retirees	\$511,709	\$537,294	\$564,159	\$592,367	\$621,985	\$653,085
Safety	\$117,861	\$122,045	\$126,387	\$130,893	\$135,570	\$140,425
Warehouse	\$25,409	\$26,298	\$27,359	\$28,335	\$29,289	\$30,277
Water Conservation - P/R	\$561,383	\$580,156	\$599,588	\$619,705	\$640,531	\$662,095
Water Quality, Lab	\$408,249	\$422,099	\$436,445	\$451,306	\$466,701	\$482,650
Water Treatment	\$2,081,154	\$2,150,339	\$2,247,327	\$2,339,452	\$2,424,949	\$2,513,745
TOTAL O&M EXPENSES	\$14,662,133	\$15,219,184	\$15,924,068	\$16,558,879	\$17,168,003	\$17,800,954

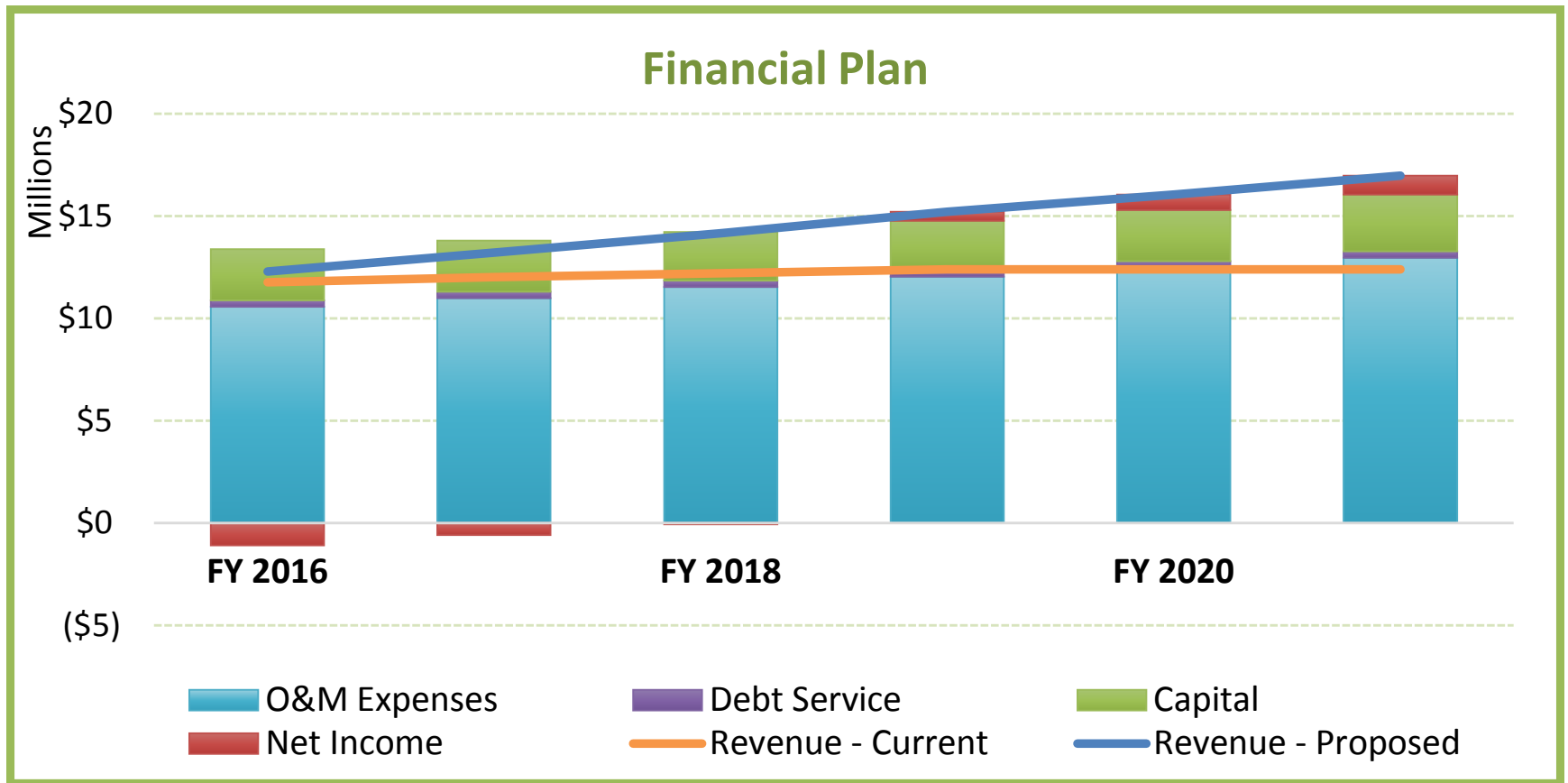
PROJECTED CIP



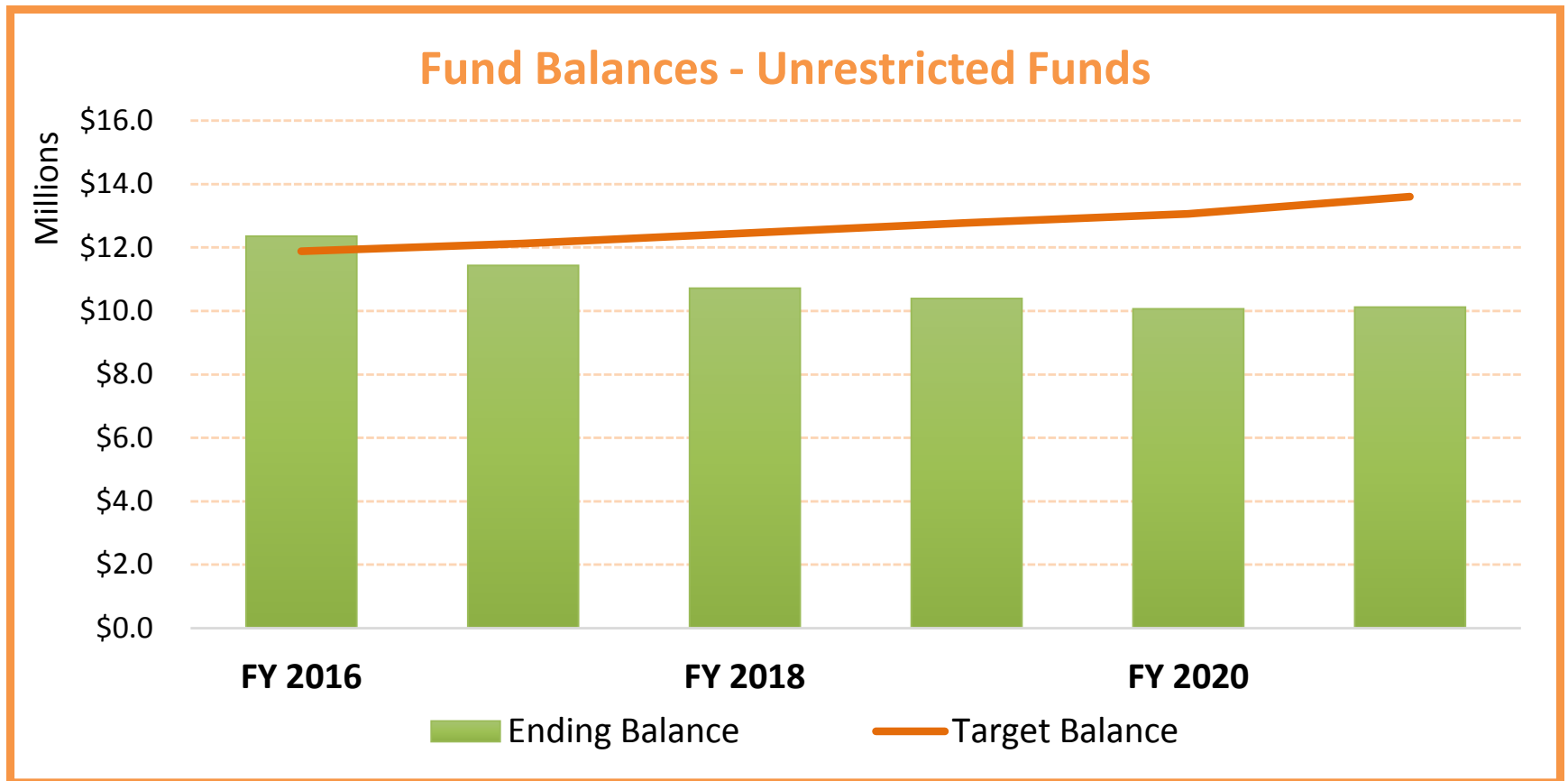
PROPOSED REVENUE ADJUSTMENTS

Effective	Adjustments
September 1, 2015	7%
September 1, 2016	7%
September 1, 2017	7%
September 1, 2018	7%
September 1, 2019	7%
September 1, 2020	7%

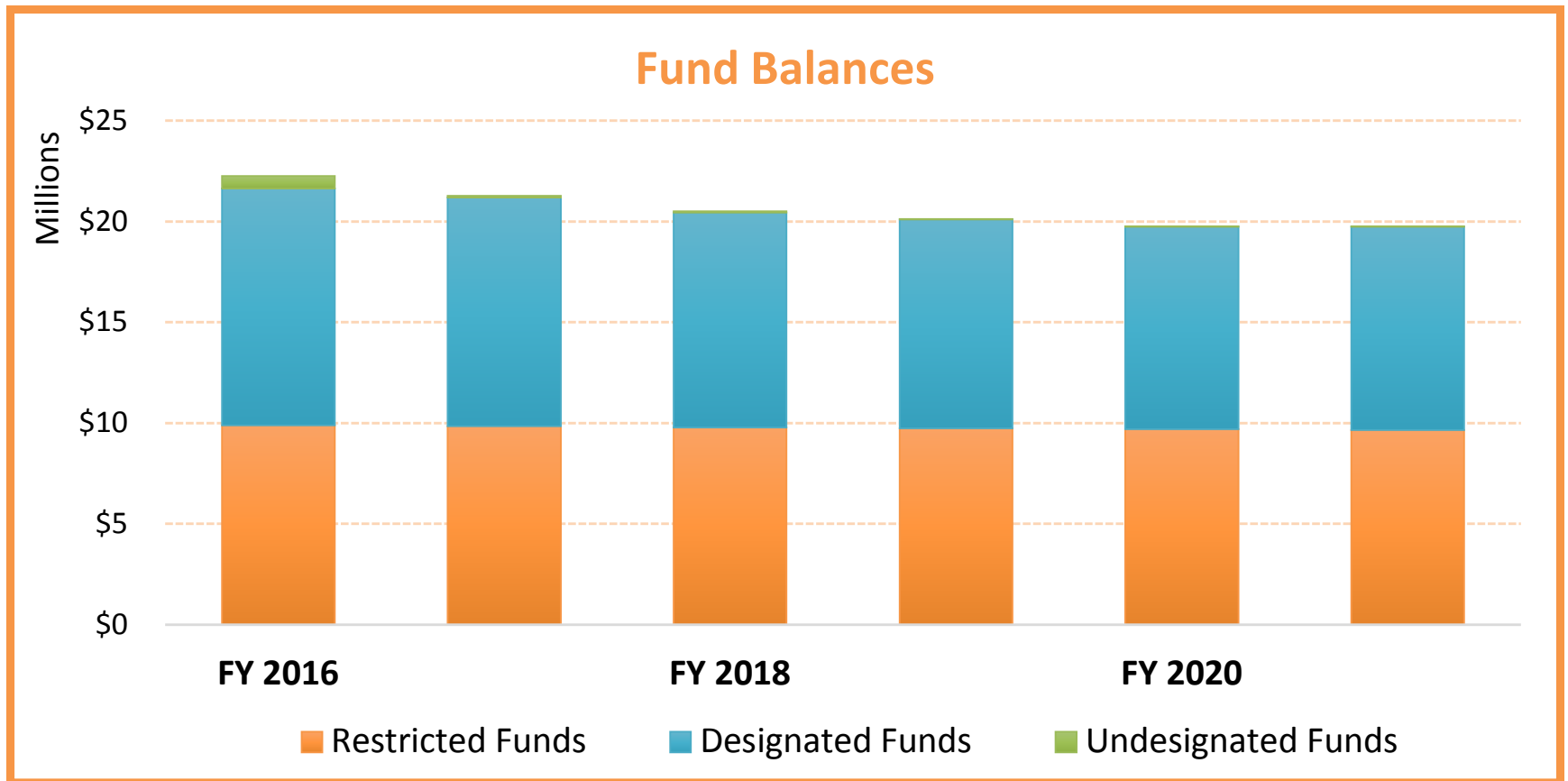
PROPOSED FINANCIAL PLAN



UNRESTRICTED FUNDS



TOTAL FUNDS

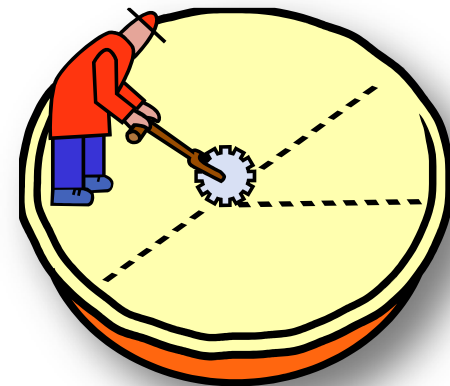


COST OF SERVICE & RATES



WHAT IS COST OF SERVICE?

- Rationale:
 - Different classes of customers incur different costs because their peaking characteristics vary
 - Water systems are designed to handle peaks
 - Cost of service allows the matching of rates charged to each class with the costs of serving them
 - Each class will “pay its own way”; meets Proposition 218 requirements



SAN JUAN CAPISTRANO CASE

- Requires rates to be proportional to cost of service
- Previously proportionality by classes was sufficient
- Now we need proportionality by tiers as well
- Board has discretion to use property taxes to meet its objectives – conservation incentives

RATE OPTIONS

- Option 1:
 - Use 46% of property tax revenue offset treatment costs for Agriculture customers
- Option 2:
 - Use 85% of property tax to offset treatment costs for AG and commodity rates for all customers
 - Residential offset is applied only to Tier 1 rate
- Option 3:
 - Across the Board (not cost of service)

PROPOSED METER SERVICE CHARGES

Proposed meter service charges collect 22% of total rate revenue, same as current charges.

	Current	Option 1: No Offset	Option 2: Prop. Tax Offset	Option 3: Across the Board	Option 1 Difference	Option 2 Difference	Option 3 Difference
Monthly Meters Charge							
5/8" - 3/4"	\$23.34	\$26.38	\$26.58	\$24.98	13%	14%	7%
1"	\$34.86	\$40.96	\$41.03	\$37.31	17%	18%	7%
1 1/2"	\$63.66	\$77.40	\$77.16	\$68.12	22%	21%	7%
2"	\$98.22	\$121.13	\$120.52	\$105.10	23%	23%	7%
2 1/2"	\$150.05	\$223.17	\$221.68	\$160.56	49%	48%	7%
3"	\$207.65	\$259.61	\$257.81	\$222.19	25%	24%	7%
4"	\$368.92	\$463.69	\$460.14	\$394.75	26%	25%	7%
6"	\$812.42	\$952.01	\$944.28	\$869.29	17%	16%	7%
10"	\$10,744.54	\$2,774.10	\$2,750.79	\$11,496.66	-74%	-74%	7%
12"	\$13,572.05	\$3,648.70	\$3,617.91	\$14,522.10	-73%	-73%	7%
18"	\$23,561.64	\$9,114.98	\$9,037.43	\$25,210.96	-61%	-62%	7%

PROPOSED FIRE METER CHARGES

	Current	Option 1: No Offset	Option 2: Prop. Tax Offset	Option 3: Across the Board	Option 1 Difference	Option 2 Difference	Option 3 Difference
Monthly Fire Service Meters							
4"	\$21.59	\$29.34	\$31.69	\$23.11	36%	47%	7%
6"	\$31.27	\$85.21	\$92.06	\$33.46	172%	194%	7%
8"	\$42.44	\$181.58	\$196.17	\$45.42	328%	362%	7%
10"	\$87.37	\$326.54	\$352.78	\$93.49	274%	304%	7%

PROPOSED WATER RATES – Options 1 and 2

- Water rates consist of 5 components:
 - Base
 - Peaking
 - Treatment
 - Conservation
 - Pumping – for pumped customers
 - Adjustments funded by property taxes
 - Applies to Agricultural Irrigation customers to offset treatment cost, per District policy
 - Offset (Option 2 only)
 - Applies to all commodity rates and for residential customers applies to Tier 1 rate only

PROPOSED WATER RATES – GRAVITY

		Current	Option 1: No Offset	Option 2: Prop. Tax Offset	Option 3: Across the Board	Option 1 Difference	Option 2 Difference	Option 3 Difference
Monthly Commodity Rates								
GRAVITY								
Class 1 Service								
Residential								
Tier 1	0-10 hcf	\$0.602	\$0.801	\$0.554	\$0.645	33%	-8%	7%
Tier 2	11-17 hcf	\$1.064	\$0.823	\$0.905	\$1.139	-23%	-15%	7%
Tier 3	18-50 hcf	\$1.489	\$0.996	\$1.094	\$1.594	-33%	-27%	7%
Tier 4	51+ hcf	\$2.334	\$1.189	\$1.308	\$2.498	-49%	-44%	7%
Business		\$1.336	\$1.070	\$1.083	\$1.430	-20%	-19%	7%
Industrial		\$1.336	\$1.070	\$1.083	\$1.430	-20%	-19%	7%
Resale		\$0.827	\$0.997	\$0.994	\$0.885	21%	20%	7%
Other		\$1.336	\$1.107	\$1.128	\$1.430	-17%	-16%	7%
Temporary		\$1.506	\$2.093	\$2.324	\$1.612	39%	54%	7%
Recreation		\$1.336	\$1.111	\$1.132	\$1.430	-17%	-15%	7%
Class 3 Service								
Ag-Residential								
Tier 1	0-10 hcf	\$0.602	\$0.801	\$0.554	\$0.645	33%	-8%	7%
Tier 2	11-17 hcf	\$1.064	\$0.823	\$0.905	\$1.139	-23%	-15%	7%
Tier 3	18-50 hcf	\$1.489	\$0.996	\$1.094	\$1.594	-33%	-27%	7%
Ag Irrigation	51+ hcf	\$0.624	\$0.682	\$0.646	\$0.668	9%	4%	7%
Irrigation		\$0.624	\$0.682	\$0.646	\$0.668	9%	4%	7%

PROPOSED WATER RATES – PUMPED

		Current	Option 1: No Offset	Option 2: Prop. Tax Offset	Option 3: Across the Board	Option 1 Difference	Option 2 Difference	Option 3 Difference
Monthly Commodity Rates								
PUMPED								
Class 1 Service								
Residential								
Tier 1	0-10 hcf	\$0.882	\$1.151	\$0.931	\$0.944	30%	6%	7%
Tier 2	11-17 hcf	\$1.344	\$1.173	\$1.282	\$1.439	-13%	-5%	7%
Tier 3	18-50 hcf	\$1.769	\$1.345	\$1.471	\$1.893	-24%	-17%	7%
Tier 4	51+ hcf	\$2.614	\$1.538	\$1.686	\$2.797	-41%	-36%	7%
Business		\$1.616	\$1.419	\$1.460	\$1.730	-12%	-10%	7%
Industrial		\$1.616	\$1.419	\$1.460	\$1.730	-12%	-10%	7%
Resale		\$1.488	\$1.346	\$1.372	\$1.593	-10%	-8%	7%
Other		\$1.616	\$1.456	\$1.505	\$1.730	-10%	-7%	7%
Temporary		\$1.786	\$2.442	\$2.702	\$1.912	37%	51%	7%
Recreation		\$1.616	\$1.460	\$1.510	\$1.730	-10%	-7%	7%
Class 3 Service								
Ag-Residential								
Tier 1	0-10 hcf	\$0.882	\$1.151	\$0.931	\$0.944	30%	6%	7%
Tier 2	11-17 hcf	\$1.344	\$1.173	\$1.282	\$1.439	-13%	-5%	7%
Tier 3	18-50 hcf	\$1.769	\$1.345	\$1.471	\$1.893	-24%	-17%	7%
Ag Irrigation	51+ hcf	\$0.904	\$1.032	\$1.023	\$0.968	14%	13%	7%
Irrigation		\$0.904	\$1.032	\$1.023	\$0.968	14%	13%	7%

CUSTOMER IMPACTS – RESIDENTIAL

Option 1: No Offset

Usage Level	Monthly Usage (hcf)	Current Bill - Gravity	Proposed Bill - Gravity	Difference - Gravity	Current Bill - Pumped	Proposed Bill - Pumped	Difference - Pumped
Very Low	4	\$25.75	\$29.58	15%	\$26.87	\$30.98	15%
Low	10	\$29.36	\$34.39	17%	\$32.16	\$37.89	18%
Average	23	\$45.74	\$46.13	1%	\$52.18	\$54.17	4%
High	40	\$71.06	\$63.06	-11%	\$82.26	\$77.04	-6%
Very High	80	\$155.97	\$108.69	-30%	\$178.37	\$136.63	-23%

Note: Assume 3/4" meter

Option 2: Property Tax Offset

Usage Level	Monthly Usage (hcf)	Current Bill - Gravity	Proposed Bill - Gravity	Difference - Gravity	Current Bill - Pumped	Proposed Bill - Pumped	Difference - Pumped
Very Low	4	\$25.75	\$28.80	12%	\$26.87	\$30.30	13%
Low	10	\$29.36	\$32.12	9%	\$32.16	\$35.89	12%
Average	23	\$45.74	\$45.02	-2%	\$52.18	\$53.69	3%
High	40	\$71.06	\$63.62	-10%	\$82.26	\$78.70	-4%
Very High	80	\$155.97	\$113.80	-27%	\$178.37	\$143.99	-19%

Note: Assume 3/4" meter

CUSTOMER IMPACTS – RESIDENTIAL

Option 1: No Offset

Usage Level	Monthly Usage (hcf)	Current Bill - Gravity	Proposed Bill - Gravity	Difference - Gravity	Current Bill - Pumped	Proposed Bill - Pumped	Difference - Pumped
Very Low	4	\$25.75	\$29.58	\$3.84	\$26.87	\$30.98	\$4.12
Low	10	\$29.36	\$34.39	\$5.03	\$32.16	\$37.89	\$5.73
Average	23	\$45.74	\$46.13	\$0.38	\$52.18	\$54.17	\$1.99
High	40	\$71.06	\$63.06	(\$8.00)	\$82.26	\$77.04	(\$5.22)
Very High	80	\$155.97	\$108.69	(\$47.28)	\$178.37	\$136.63	(\$41.74)

Note: Assume 3/4" meter

Option 2: Property Tax Offset

Usage Level	Monthly Usage (hcf)	Current Bill - Gravity	Proposed Bill - Gravity	Difference - Gravity	Current Bill - Pumped	Proposed Bill - Pumped	Difference - Pumped
Very Low	4	\$25.75	\$28.80	\$3.05	\$26.87	\$30.30	\$3.44
Low	10	\$29.36	\$32.12	\$2.76	\$32.16	\$35.89	\$3.73
Average	23	\$45.74	\$45.02	(\$0.72)	\$52.18	\$53.69	\$1.51
High	40	\$71.06	\$63.62	(\$7.44)	\$82.26	\$78.70	(\$3.56)
Very High	80	\$155.97	\$113.80	(\$42.17)	\$178.37	\$143.99	(\$34.38)

Note: Assume 3/4" meter

CUSTOMER IMPACTS – NON-RESIDENTIAL

Option 1: No Offset

Customer Class	Monthly Usage (hcf)	Current Bill - Gravity	Proposed Bill - Gravity	Difference - Gravity	Current Bill - Pumped	Proposed Bill - Pumped	Difference - Pumped
Ag Irrigation - 2"	1,200	\$847.02	\$939.53	11%	\$1,183.02	\$1,359.53	15%
Business - 2"	140	\$285.26	\$270.93	-5%	\$324.46	\$319.79	-1%
Recreation - 2"	170	\$325.34	\$310.00	-5%	\$372.94	\$369.33	-1%
Other - 2"	175	\$332.02	\$314.86	-5%	\$381.02	\$375.93	-1%
Resale - 12"	108,900	\$103,632	\$112,222	8%	\$175,615	\$150,228	-14%
Resale - 18"	174,240	\$167,658	\$182,832	9%	\$282,831	\$243,642	-14%

Option 2: Property Tax Offset

Customer Class	Monthly Usage (hcf)	Current Bill - Gravity	Proposed Bill - Gravity	Difference - Gravity	Current Bill - Pumped	Proposed Bill - Pumped	Difference - Pumped
Ag Irrigation - 2"	1,200	\$847.02	\$895.72	6%	\$1,183.02	\$1,348.12	14%
Business - 2"	140	\$285.26	\$272.14	-5%	\$324.46	\$324.92	0%
Recreation - 2"	170	\$325.34	\$312.96	-4%	\$372.94	\$377.22	1%
Other - 2"	175	\$332.02	\$317.92	-4%	\$381.02	\$383.90	1%
Resale - 12"	108,900	\$103,632	\$111,865	8%	\$175,615	\$153,029	-13%
Resale - 18"	174,240	\$167,658	\$182,232	9%	\$282,831	\$248,095	-12%

NEXT STEPS

- Provide direction on financial plan and water rates options

Q & A