



Item Number: 2

City Council / Board of Directors

Public Hearing(s)

Meeting of: July 20, 2021

Submitted By:

Doug Mathews, Director of Public Works and Water

Subject:

Consideration of Resolution No. VWD 21-011 – A Resolution of the Board of Directors of the Victorville Water District adopting new rates, fees, and charges for water service.

Recommendation:

That the Honorable Victorville Water District Board of Directors:

- (1) Conduct the public hearing, receive testimony, and close the public hearing;
- (2) Determine whether a majority protest exists; and
- (3) If no majority protest exists, approve Resolution VWD 21-011.

Fiscal Impact:

Proposed Resolution No. VWD 21-011(Attachment A) authorizes the District to implement a new water rate structure which is designed to promote water conservation and yield a 3.0% increase in annual revenues. This annual increase is essential to cover the growing cost of capital improvement projects that are necessary in order for the District to continue to provide reliable water services and exceptional quality drinking water.

Background:

On December 17, 2019, the Board of Directors of the Victorville Water District (the "District") approved a Consultant / Professional Services Agreement with NBS Government Finance Group, DBA NBS ("NBS") to prepare a comprehensive rate / cost of service study (the "Study") to be presented for its review and consideration. The Study also included an update of the Drought Rates.

The Study demonstrated that the proposed schedule of changes to the District's water service rates, fees, and charges (the "New Water Rates") is needed in order to ensure consistency with current industry and legal standards; and to recover the District's costs of providing water services. Over the past five years, many of these costs have increased, such as electricity for water pumping, wholesale water purchases, and State-mandated drinking water compliance regulations.

The New Water Rates will allow the District to:

- (1) Fund capital infrastructure improvements believed necessary to provide safe and reliable drinking water,
- (2) Improve fire service capacity,
- (3) Minimize mainline failures,
- (4) Maintain the operational and financial stability of the District,
- (5) Avoid operational deficits and depletion of reserves beyond the established baseline, and
- (6) Continue to provide exceptional water service to its customers.

At its regular meeting on June 1, 2021, the District Board of Directors adopted Resolution No. VWD 21-005. This resolution initiated the process of adopting the New Water Rates in accordance with Cal. Const. Art. XIID, §6, part of Proposition 218, accepted the Study prepared by NBS upon which the New Water Rates were based, set a Public Hearing for July 20, 2021 to receive testimony and consider any protests against the proposed New Water Rates, and authorized District staff to prepare and mail notices to the record owners of each identified parcel upon which the New Water Rates were to be imposed, advising them of the New Water Rates and the date and time of tonight's Public Hearing.

The mailed notices also contained information about how the proposed New Water Rates were calculated, the reason for the rate adjustments, instructions for filing written protests against the adoption of the proposed New Water Rates, and how customers could view and obtain a copy of the Study. A copy of the mailed notice is attached hereto as Attachment B.

Discussion:

District staff identified 36,069 affected Assessor Parcel Numbers (APNs) which are subject to the imposition of the New Water Rates. On June 3, 2021, District staff mailed notices to the record owner of those identified APNs who receive water services from the District. In order for a majority protest to exist under Proposition 218, 18,036 written protests against the proposed New Water Rates would need to be received by the close of tonight's Public Hearing. If no majority protest is received, Staff recommends that the Board of Directors approve the New Water Rates by adopting Resolution No. VWD 21-011. The New Water Rates to be adopted are set forth in Section 3 of the attached Resolution and summarized below:

SCHEDULE OF NEW RATES AND CHARGES FOR WATER SERVICE

Rate Structure. The rate structure for the District's water service charges is comprised of two components: a volumetric commodity charge (consumption rate) based on the amount of water consumed during a billing period; and a fixed monthly service (meter) charge. Furthermore, the proposed rate structure was designed to collect the projected water supply costs from volumetric charges and the remaining revenue requirements from fixed charges. In the first year, the District will collect 27% of revenue from fixed charges

and 73% from volumetric charges. However, this will begin to gradually shift to a 40% fixed / 60% volumetric charge by year five.

Consumption Rate. The proposed rate design would adopt a two-tier volumetric rate system for Single Family Residential (SFR) customers and would continue to use a uniform volumetric rate for all other customer classes. The volumetric charge would be per hundred cubic feet (hcf) of water registered by a water service meter established to serve a specific property by the District. In developing the two tiers, NBS established the breaking point to be at 6 hcf. As an example, if a SFR customer consumes between one and six hcf in a billing cycle, they would be charged at the Tier 1 rate; however, should the customer exceed 6 hcf, then they would be charged at the Tier 2 rate for all consumption above the initial 6 hcf.

The following table provides the proposed commodity charges for all customer classes for the next five years.

Volumetric Rates (Commodity Charges) For All Water Consumed (per hcf)	New Water Rates and Effective Dates				
	08/01/2021	07/01/2022	07/01/2023	07/01/2024	07/01/2025
	27% Fixed / 73% Variable	30% Fixed / 70% Variable	33% Fixed / 67% Variable	37% Fixed / 63% Variable	40% Fixed / 60% Variable
Single Family Residential:					
Tier 1 (1-6 hcf)	\$1.41	\$1.02	\$0.92	\$0.81	\$0.80
Tier 2 (7+ hcf)	\$3.58	\$2.51	\$2.47	\$2.44	\$2.44
All Other Customers:					
Standard Domestic Water	\$2.61	\$2.57	\$2.52	\$2.47	\$2.42
Construction Flow Meter / Intertie / Fire	\$3.56	\$3.67	\$3.78	\$3.89	\$4.01
Untreated (Well) Water *	\$0.89	\$0.87	\$0.86	\$0.84	\$0.82
Recycled / Reclaimed Water **	\$1.57	\$1.54	\$1.51	\$1.48	\$1.45

* Non-potable water produced from District wells for Municipal Irrigation. Pursuant to Resolution No. VWD 14-009, Section 3.a.iii., the consumption charge per hundred cubic feet will continue at a rate of thirty-four percent (34%) of the consumption charge of the Standard Domestic Water rate.

** Non-potable water purchased from the Industrial Wastewater Treatment Plant or other sources as available. Pursuant to Resolution No. VWD 12-002, Section 4.a.iv., the consumption charge per hundred cubic feet will continue at a rate of sixty percent (60%) of the consumption charge of the Standard Domestic Water rate.

Fixed Water Service (Meter) Charge. The periodic charge is based on the size of the water meter serving a property. This charge is assessed on an approximately monthly basis and prorated for billing periods less than twenty (20) days. Metered rates are based on the hydraulic capacity of each meter size. The meter charge is assessed to each property where water is made available, whether or not water is actually used.

The following table provides the proposed water service charges for the various meter sizes over the next five years.

Monthly Fixed Water Service Charge (Meter Charge)	New Water Rates and Effective Dates				
	08/01/2021	07/01/2022	07/01/2023	07/01/2024	07/01/2025
	27% Fixed / 73% Variable	30% Fixed / 70% Variable	33% Fixed / 67% Variable	37% Fixed / 63% Variable	40% Fixed / 60% Variable
Fixed Service Charges:					
¾ inch	\$15.24	\$17.68	\$20.25	\$22.96	\$25.81
1 inch	\$23.31	\$27.04	\$30.97	\$35.12	\$39.48
1 ½ inch	\$43.49	\$50.45	\$57.78	\$65.51	\$73.66
2 inch	\$67.71	\$78.54	\$89.96	\$101.99	\$114.67
3 inch	\$132.28	\$153.44	\$175.75	\$199.26	\$224.03
4 inch	\$204.93	\$237.71	\$272.27	\$308.69	\$347.06
6 inch	\$406.72	\$471.78	\$540.38	\$612.67	\$688.81
8 inch	\$1,133.18	\$1,314.45	\$1,505.58	\$1,706.99	\$1,919.12
10 inch	\$1,698.21	\$1,969.86	\$2,256.28	\$2,558.12	\$2,876.03
Fire Fixed Service Charges:					
¾ inch	\$3.13	\$3.63	\$4.16	\$4.72	\$5.30
1 inch	\$4.14	\$4.67	\$5.23	\$5.83	\$6.45
1 ½ inch	\$5.15	\$5.71	\$6.31	\$6.93	\$7.59
2 inch	\$6.36	\$6.96	\$7.60	\$8.26	\$8.96
3 inch	\$10.19	\$10.92	\$11.68	\$12.47	\$13.30
4 inch	\$17.26	\$18.20	\$19.19	\$20.22	\$21.30
6 inch	\$35.42	\$36.94	\$38.52	\$40.16	\$41.86
8 inch	\$59.63	\$61.91	\$64.28	\$66.74	\$69.28
10 inch	\$91.91	\$95.22	\$98.64	\$102.18	\$105.84

Drought Rate Schedule. Should extraordinary measures to combat drought within FY 2022 and /or FY 2023 result in water conservation reaching the percentages shown in the first column of the Drought Rate Schedule as shown in the following table, the Board of Directors may take action to impose the rates set forth in the table to ensure the District receives sufficient revenues to recover costs of providing water service when consumption decreases. Imposition, as well as subsequent adjustment or repeal, of any of the rates in the Drought Rate Schedule, will only occur following adoption of a resolution by the Board of Directors and the mailing of written notices to affected property owners at least thirty (30) days prior to the date any such new rate becomes effective.

The Drought Rate Schedule is shown on the following page.

