

OTAY WATER DISTRICT
FINANCE, ADMINISTRATION AND COMMUNICATIONS
COMMITTEE MEETING
and
SPECIAL MEETING OF THE BOARD OF DIRECTORS

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
BOARDROOM

TUESDAY
December 4, 2012
11:30 A.M.

This is a District Committee meeting. This meeting is being posted as a special meeting in order to comply with the Brown Act (Government Code Section §54954.2) in the event that a quorum of the Board is present. Items will be deliberated, however, no formal board actions will be taken at this meeting. The committee makes recommendations to the full board for its consideration and formal action.

AGENDA

1. ROLL CALL
2. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

DISCUSSION ITEMS

3. REPORT ON DIRECTOR'S EXPENSES FOR THE 1ST QUARTER OF FISCAL YEAR 2013 (BENHAM) [5 minutes]
4. APPROVE THE ISSUANCE OF A PURCHASE ORDER TO HAAKER EQUIPMENT COMPANY IN THE AMOUNT OF \$366,118.33 FOR THE PURCHASE OF ONE (1) NEW VACTOR MODEL 2110 PLUS JET RODDER (MARTINEZ) [5 minutes]
5. INFORMATIONAL REPORT ON THE DISTRICT'S WATER AND SEWER RATE STUDY (BEACHEM/BELL) [10 minutes]
6. ADJOURNMENT

BOARD MEMBERS ATTENDING:

Jose Lopez, Chair
Mitch Thompson

All items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

The Agenda, and any attachments containing written information, are available at the District's website at www.otaywater.gov. Written changes to any items to be considered at the open meeting, or to any attachments, will be posted on the District's website. Copies of the Agenda and all attachments are also available through the District Secretary by contacting her at (619) 670-2280.

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the District Secretary at 670-2280 at least 24 hours prior to the meeting.

Certification of Posting

I certify that on November 30, 2012 I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on November 30, 2012.

_____/s/ Susan Cruz, District Secretary_____

AGENDA ITEM 3



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	January 2, 2013
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Wales Benham Senior Accountant		
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Director's Expenses for the 1st Quarter of Fiscal Year 2013		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To inform the Board of the Director's expenses for the 1st quarter of Fiscal Year 2013.

ANALYSIS:

The Director's expense information is being presented in order to comply with State law. (See Attachment B for Summary and C-H for Details.)

FISCAL IMPACT:

None.

STRATEGIC GOAL:

Prudently manage District funds.

LEGAL IMPACT:

Compliance with State law.

Attachments: Attachment A Committee Action
 Attachment B Director's Expenses and per Diems
 Attachment C-H Director's Expenses Detail



ATTACHMENT A

SUBJECT/PROJECT:	Director's Expenses for the 1st Quarter of Fiscal Year 2013
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COMMITTEE ACTION:

This is an informational item only.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.

**BOARD OF DIRECTORS'
EXPENSES AND PER-DIEMS**

**FINANCE, ADMINISTRATION AND
COMMUNICATIONS COMMITTEE MEETING
December 4, 2012**

Policy 8 requires that staff present the Expenses and Per-Diems for the Board of Directors on a Quarterly basis:

- Fiscal Year 2013, 1st Quarter.
- The expenses are shown in detail by Board member, month and expense type.
- This presentation is in alphabetical order.
- This information was presented to the Finance, Administration, and Communications Committee on December 4, 2012.

Board of Directors' Expenses and Per-Diems
Fiscal Year 2013 Quarter 1 (Jul 2012- Sep 2012)

Director Croucher

\$660.00

Director Gonzalez

\$610.00

Director Lopez

\$1,396.02

Director Robak

\$442.20

Director Thompson

\$1,100.91

Total

\$4,209.13

Director Croucher

Fiscal Year 2013 Quarter 1

	Jul 2012	Aug 2012	Sep 2012
Business Meetings	0.00	25.00	35.00
Director's Fees	100.00	300.00	200.00
Mileage Business	0.00	0.00	0.00
Seminars	0.00	0.00	0.00
Travel	0.00	0.00	0.00
Monthly Totals	<u>100.00</u>	<u>325.00</u>	<u>235.00</u>
Quarterly Total			<u><u>\$660.00</u></u>

Fiscal Year-to-Date 2012 (Jul 2012-Sep 2012)	\$660.00
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**Director Croucher serves on all
District Committees (6)**

Meetings Attended	1	3	2
Meetings Paid	1	3	2

Director Gonzalez

Fiscal Year 2013 Quarter 1

	Jul 2012	Aug 2012	Sep 2012
Business Meetings	0.00	0.00	10.00
Director's Fees	100.00	200.00	300.00
Mileage Business	0.00	0.00	0.00
Seminars	0.00	0.00	0.00
Travel	0.00	0.00	0.00
Monthly Totals	<u>100.00</u>	<u>200.00</u>	<u>310.00</u>
Quarterly Total			<u><u>\$610.00</u></u>

Fiscal Year-to-Date 2012 (Jul 2012-Sep 2012)	\$610.00
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Meetings Attended	1	2	5
Meetings Paid	1	2	3

Director Lopez

Fiscal Year 2013 Quarter 1

	Jul 2012	Aug 2012	Sep 2012
Business Meetings	0.00	0.00	0.00
Director's Fees	300.00	400.00	600.00
Mileage Business	0.00	5.55	12.77
Mileage Commuting	22.20	22.20	33.30
Seminars and Travel	0.00	0.00	0.00
Monthly Totals	<u>322.20</u>	<u>427.75</u>	<u>646.07</u>
Quarterly Total			<u>\$1,396.02</u>

Fiscal Year-to-Date 2012 (Jul 2012-Sep 2012)	\$1,396.02
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Meetings Attended	5	4	7
Meetings Paid	3	4	6

Director Robak

Fiscal Year 2013 Quarter 1

	Jul 2012	Aug 2012	Sep 2012
Business Meetings	0.00	0.00	20.00
Director's Fees	100.00	100.00	200.00
Mileage Business	3.33	3.33	6.66
Mileage Commuting	2.22	2.22	4.44
Seminars and Travel	0.00	0.00	0.00
Monthly Totals	<u>105.55</u>	<u>105.55</u>	<u>231.10</u>
Quarterly Total			<u><u>\$442.20</u></u>

Fiscal Year-to-Date 2012 (Jul 2012-Sep 2012)	\$442.20
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Meetings Attended	5	2	5
Meetings Paid	1	1	2

Director Thompson

Fiscal Year 2013 Quarter 1

	Jul 2012	Aug 2012	Sep 2012
Business Meetings	0.00	0.00	0.00
Director's Fees	400.00	300.00	200.00
Mileage Business	108.78	0.00	0.00
Mileage Commuting	28.86	34.41	28.86
Seminars and Travel	0.00	0.00	0.00
Monthly Totals	<u>537.64</u>	<u>334.41</u>	<u>228.86</u>
Quarterly Total			<u><u>\$1,100.91</u></u>

Fiscal Year-to-Date 2012 (Jul 2012-Sep 2012)	\$1,100.91
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Meetings Attended	4	3	2
Meetings Paid	4	3	2

Board of Directors' Expenses and Per Diems
Fiscal Year 2013 to Date (Jul 2012- Sep 2012)

Director Croucher	\$660.00
Director Gonzalez	\$610.00
Director Lopez	\$1,396.02
Director Robak	\$442.20
Director Thompson	\$1,100.91
Total	\$4,209.13

Board of Directors' Expenses and Per Diems
Fiscal Year 2013 **Projected** (July 2012- June 2013)

Director Croucher	\$2,640.00
Director Gonzalez	\$2,440.00
Director Lopez	\$5,580.00
Director Robak	\$1,770.00
Director Thompson	\$4,400.00
Total	\$16,830.00

Based on three months of actuals

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2012 THROUGH SEPTEMBER 30, 2012**

DIRECTOR'S NAME CROUCHER, GARY

ATTACHMENT D

Account Name	Date	Descriptions	SECTION D Amount
Director's Fee	7/17/2012	ENGINEERING & OPERATIONS COMMITTEE	\$ 100.00
	8/1/2012	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/20/2012	ENGINEERING & OPERATIONS COMMITTEE	100.00
	8/21/2012	COUNCIL OF WATER UTILITIES MEETING	100.00
	9/11/2012	SPECIAL BOARD DIRECTORS MEETING	100.00
	9/19/2012	ENGINEERING & OPERATIONS COMMITTEE	100.00
Director's Fee Total			<u>600.00</u>
Business meetings	8/29/2012	COUNCIL OF WATER UTILITIES MEETING	25.00
	9/30/2012	SAN DIEGO EAST COUNTY	35.00
Business meetings Total			<u>60.00</u>
Grand Total			<u><u>\$ 660.00</u></u>

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2012 THROUGH SEPTEMBER 30, 2012**

DIRECTOR'S NAME: GONZALEZ, DAVID

ATTACHMENT E

Account Name	Date	Descriptions	SECTION E Amount
Director's Fee	7/11/2012	REGULAR BOARD OF DIRECTORS MEETING	\$ 100.00
	8/1/2012	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/20/2012	ENGINEERING & OPERATIONS COMMITTEE	100.00
	9/5/2012	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/11/2012	SPECIAL BOARD DIRECTORS MEETING	100.00
	9/19/2012	ENGINEERING & OPERATIONS COMMITTEE	100.00
Director's Fee Total			600.00
Business meetings	9/12/2012	OTAY MESA CHAMBER OF COMMERCE	10.00
Grand Total			\$ 610.00

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2012 THROUGH SEPTEMBER 30, 2012**

DIRECTOR'S NAME: LOPEZ, JOSE

ATTACHMENT F

Account Name	Date	Descriptions	SECTION F Amount
Mileage - Business	8/31/2012	MEETING - AUGUST 10 & 31, 2012	\$ 5.55
	9/30/2012	MEETING - SEPTEMBER 12, 2012	12.77
Mileage - Business Total			18.32
Mileage - Commuting	7/31/2012	MEETING - JULY 11 & 19, 2012	22.20
	8/31/2012	MEETING - AUGUST 1 & 7, 2012	22.20
	9/30/2012	MEETING - SEPTEMBER 5 , 11, & 17, 2012	33.30
Mileage - Commuting Total			77.70
Director's Fee	7/11/2012	REGULAR BOARD OF DIRECTORS MEETING	100.00
	7/19/2012	FINANCE & ADMINISTRATIVE COMMITTEE MEETING	100.00
	7/25/2012	AGENDA BRIEFING - GENERAL MANAGER & COUNSEL	100.00
	8/1/2012	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/7/2012	REGIONAL GMs & BOARD PRESIDENTS MEETING	100.00
	8/10/2012	GENERAL MANAGER - COMMITTEE AGENDAS MEETING	100.00
	8/31/2012	AGENDA BRIEFING - GENERAL MANAGER & COUNSEL	100.00
	9/5/2012	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/11/2012	BOARD WORKSHOP/SPECIAL MEETING	100.00
	9/12/2012	WATER CONSERVATION GARDEN	100.00
	9/14/2012	COMMITTEE AGENDA BRIEFING	100.00
	9/17/2012	FINANCE & ADMINISTRATIVE COMMITTEE MEETING	100.00
	9/20/2012	MEETING WITH SUPERVISOR COX - INTERCONNECT PIPELINE	100.00
Director's Fee Total			1,300.00
Grand Total			\$ 1,396.02

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2012 THROUGH SEPTEMBER 30, 2012**

DIRECTOR'S NAME: ROBAK, MARK

ATTACHMENT G

Account Name	Date	Descriptions	SECTION G Amount
Mileage - Business	7/11/2012	MEETING - JULY 11, 2012	\$ 3.33
	8/1/2012	MEETING - AUG. 1, 2012	3.33
	9/30/2012	MEETING - SEPTEMBER 5 & 11, 2012	6.66
Mileage - Business Total			13.32
Mileage - Commuting	7/11/2012	MEETING - JULY 11, 2012	2.22
	8/1/2012	MEETING - AUG. 1, 2012	2.22
	9/30/2012	MEETING - SEPTEMBER 5 & 11, 2012	4.44
Mileage - Commuting Total			8.88
Director's Fee	7/11/2012	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/1/2012	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/5/2012	REGULAR BOARD OF DIRECTORS MEETING	100.00
	9/11/2012	SPECIAL BOARD DIRECTORS MEETING	100.00
Director's Fee Total			400.00
Business meetings	9/7/2012	SAN DIEGO EAST COUNTY CHAMBER OF COMMERCE	20.00
Grand Total			\$ 442.20

**OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2012 THROUGH SEPTEMBER 30, 2012**

DIRECTOR'S NAME: THOMPSON, MITCHELL

ATTACHMENT H

Account Name	Date	Descriptions	SECTION H Amount
Mileage - Business	7/31/2012	MEETING - JULY 26 & 27, 2012	\$ 108.78
Mileage - Business Total			<u>108.78</u>
Mileage - Commuting	7/31/2012	MEETING - JULY 17 & 19, 2012	28.86
	8/31/2012	MEETING - AUG. 1, 2, & 13, 2012	34.41
	9/30/2012	MEETING - SEPTEMBER 11 & 17, 2012	28.86
Mileage - Commuting Total			<u>92.13</u>
Director's Fee	7/17/2012	ENGINEERING & OPERATIONS COMMITTEE	100.00
	7/19/2012	FINANCE & ADMINISTRATIVE COMMITTEE MEETING	100.00
	7/26/2012	TRAINING FOR NEW BOARD MEMBERS -CSDA LEADERSHIP ACADEMY	100.00
	7/27/2012	TRAINING FOR NEW BOARD MEMBERS -CSDA LEADERSHIP ACADEMY	100.00
	8/1/2012	REGULAR BOARD OF DIRECTORS MEETING	100.00
	8/2/2012	STAFF BRIEFING - DESALINATION PROJECT	100.00
	8/13/2012	REDEVELOPMENT OVERSIGHT BUILDING MEETING	100.00
	9/11/2012	REGULAR SPECIAL BOARD OF DIRECTORS MEETING	100.00
	9/17/2012	FINANCE & ADMINISTRATIVE COMMITTEE MEETING	100.00
Director's Fee Total			<u>900.00</u>
Grand Total			<u><u>\$1,100.91</u></u>



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	January 2, 2013
SUBMITTED BY:	Jose Martinez, Utility Services Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Pedro Porras, Chief, Water Operations		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager		
SUBJECT:	Approval to Purchase Sewer Vector Truck		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to issue a purchase order to Haaker Equipment Company in the amount of \$366,118.33 for the purchase of one (1) New Vector Model 2110 Plus Jet Rodder.

COMMITTEE ACTION: _____

See Attachment "A".

PURPOSE:

To obtain Board authorization to purchase a sewer Vector truck.

ANALYSIS:

Included in the approved FY 2013 budget is one (1) new sewer Vector truck. The sewer Vector truck is a replacement vehicle for existing unit 110.

Currently, the District's essential equipment includes one (1) sewer Vector truck. Unit 110 is a 1999 Vector Jet Rodder mounted on a Sterling chassis. This unit has 52,424 chassis miles and 10,032 operational in service hours on it. Due to the nature of the vehicles work, the useful in service life of this machine is normally 7-10 years which has been exceeded. Funding

for this sewer cleaner has been included in FY13 Capital Purchases Budget, Project S2042.

During the last four fiscal years the District has incurred \$20,571.58 in corrective maintenance costs including structural body repairs, corrosion repairs and failed engine components. These repairs resulted in having this unit approximately 30 days out of service.

An estimate to refurbish the jet rodder and debris body on Unit 110 was provided by Haaker Equipment Company at a cost of \$223,632.51 and would require to be out of service for 12 weeks during which time a replacement unit would need to be rented. Please note, this estimate did not include work associated with the engine and/or the transmission which is near the end of service life and likely to require rebuild or replacement.

The District has reviewed manufactures that provide vacuum truck units. Based on the nature of the District's sewer cleaning operations, the District has specified equipment that is best suited for use on narrow roads in high traffic and high speed areas. Specifically, the District is requiring a unit with a centrally located rodder spool as it provides for greater safety and less impact to traffic when working in confined traffic control areas. The central location of the unit's spool reduces operational costs associated with closing of additional lanes of traffic, as flagging personnel will not be required in most situations. Currently Vactor equipped units are the only ones meeting this requirement.

The replacement of our existing sewer cleaning vacuum truck with the specified Vactor unit model will provide consistency of operation, mitigate additional training, and will be consistent with other local municipalities that also own and operate Vactor units, including Padre Dam, Sweetwater Authority, County of San Diego, and the City of San Diego to assist in utilizing equipment during a critical need as part of our shared services agreement.

Based on system operation evaluations of work flow by the Construction/Maintenance supervision and management, it is recommended that one (1) new sewer Vactor Model 2110 Plus Jet Rodder be purchased and the older sewer Vactor Unit 110 be declared surplus with an estimated salvage value of \$35,000.

In accordance with District policy, bids were solicited for the sewer cleaner. Three (3) bids were received. Prices received include all applicable fees and taxes and delivery.

Dealer	Vehicle Bid	Bid Price
Haaker Equipment Company	Vactor Model 2110 Plus Jet Rodder.	\$366,118.33
Owen Equipment	Vactor Model 2110 Plus Jet Rodder.	\$384,424.00
Legacy Equipment	Vactor Model 2110 Plus Jet Rodder.	\$388,085.33

FISCAL IMPACT: _____

The FY13 budget for this vehicle was originally \$325,000.00 in the Vehicle Replacement CIP S2042. The total purchase price is now anticipated to be \$366,200.00. However, since the anticipated lead time is 9 to 12 months for delivery the actual purchase will take place well into late 2013. Therefore, this purchase will be re-budgeted for FY14 accordingly.

The Finance Department has determined that 100% of the funds are available in the replacement fund.

STRATEGIC GOAL:

Operate the system to meet demand twenty-four hours a day, seven days a week.

LEGAL IMPACT: _____

None.

General Manager

Attachment "A", Committee Action



ATTACHMENT A

SUBJECT/PROJECT:	Approval to Purchase a Purchase Sewer Vector Truck
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COMMITTEE ACTION:

The Finance Committee met on December 4, 2012 and supported staffs' recommendation.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	January 2, 2013
SUBMITTED BY:	Rita Bell, Finance Manager	PROJECT:	DIV. NO. All
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> German Alvarez, Assistant General Manager <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Water and Sewer Rate Study Informational Report		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To inform the Board of the objectives and status of the current water and sewer rate study that is being performed by Karyn Keese of Atkins Global.

BACKGROUND:

Typically, rate studies are performed every three to five years depending on changes in economic factors, price increases, water use patterns, regulations, infrastructure, and other cost driver changes. It has been four years since the District's last water and sewer rate study. This cost of service study is an important tool when setting retail rates because as water use and cost drivers change over time, imbalances may occur in the equity of how various customer classes pay for water.

There are several purposes of performing a rate study. The first is to maintain equity among the customer classes based on the cost of service study. The second is to bring financial stability to the agency by balancing fixed and variable charges so it can survive swings in water sales volume. Finally, encouraging conservation can be achieved by adjusting the tiered water rate structure and adjusting the strength and flow rate structure for sewer customers.

When performing a rate study it is important to note that revenue neutrality is maintained. This means that an agency collects the

same amount of total revenue through fees and charges, but the individual customer bill may vary based on the rate structure changes. Customers that drive costs higher pay more and customers that keep cost low pay less. It also means that specific cost drivers such as energy for pumping should match the revenue collected through energy fees charged to customers. Once the rate structure is set by the findings of the rate study, higher budgeted costs such as water and power along with sales volume changes determine the necessary rate increases.

To understand what changes might result from the upcoming rate study, below are changes that resulted from the 2009 water rate study. The following adjustments were made to the rate structure to improve the equity between the various customer classes, promote revenue stability, and achieve greater conservation:

- Established new tiers by meter size and customer class.
- Eliminated the unit charge per dwelling for multi-residential customers.
- Increased the government rate to offset the taxes that non-government customers pay.
- Raised the fixed charges closer to the 30% allowable by Best Management Practice (BMP 4).
- Established commercial tiers and adjusted residential tiers to further encourage conservation.
- Set the recycled water rate to 85% of the potable irrigation rate.
- Increased the energy charge to match the pumping costs.

The 2008 sewer rate study changed the methodology for residential customers from a flat sewer rate to a charge based on their winter-average water consumption. This was a revenue neutral change that brought equity to the sewer charges and encouraged water conservation.

The current rate study will examine equity and assign costs to the various customer types. Financial stability will be a factor in setting fixed and variable charges as well as best management practices. Additionally, a rate structure that continues to encourage conservation is a goal of the study. Some of the factors to be examined include:

- Simplifying the District's rate structure, where possible.
- Evaluate the water tiered rate structure(s).
- Evaluate cost allocation to various customer classes.
- Evaluate the fixed vs. variable approach (both water and sewer).
- Evaluate the equity of fire service billing.

- Evaluate the option of a commercial recycled rate that will address anticipated future customers.
- Evaluate the assignment of pressure zones to fairly charge energy costs related to pumping.
- Allocate cost based on sewage strengths for non-residential customers vs. residential customers.
- Evaluate water meter equivalencies using AWWA hydraulic capacity factors for water customers.

On August 31, 2012, staff requested proposals from six consulting firms to perform a water and sewer rate study. Three proposals were received and Atkins Global was selected to perform the study. Karyn Keese is the primary consultant on this study. She performed the last water rate study and is very familiar with the District.

The team consisting of Karyn Keese of Atkins Global, Finance, IT and Engineering staff held a kick-off meeting to discuss the purpose of the study and the necessary information that is required for the analysis. Assignments were made to staff members and data was collected and submitted to Ms. Keese. At this point in time, staff is preparing to meet with Ms. Keese to discuss preliminary findings and recommendations.

The next step is to bring the recommended rate structure changes to the Board, asking to incorporate these changes into the FY 2014 rate model. With this direction staff will then prepare the FY 2014 rate model and budget. In May of 2013, staff will request the Board to approve the budget and to move forward with the Proposition 218 process. Only after the Proposition 218 hearing can the Board approve the rates and rate structure changes.

In 2009 the District did a five-year Proposition 218 notice. The District as well as many other agencies has used this five-year process with very positive results. Staff will again recommend a five-year Proposition 218 notice. A Proposition 218 hearing will be held in the summer of 2013 to adopt a five year pass-through of supplier cost and approval of increases for internal costs. After the Proposition 218 hearing the rates will be adopted for a January 2014 rate increase.

FISCAL IMPACT: _____

None.

STRATEGIC GOAL:

The District ensures its continued financial health through sound policies and procedures.

LEGAL IMPACT: _____

None.

Attachments:

- A) Committee Action Form
- B) Presentation



ATTACHMENT A

SUBJECT/PROJECT:	Water and Sewer Rate Study Informational Report
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COMMITTEE ACTION:

This item is an informational item only.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full board.

Water and Sewer Rate Study

Informational Report

December 4, 2012

Introduction

- Last water rate study conducted in 2008 implemented in 2009
- Perform every 3 to 5 years to respond to changes in the following:
 - Economic Factors
 - Price Increases (elasticity)
 - Water Use Patterns
 - Regulations
 - Infrastructure

Purpose of Current Study

- Bring equity between customer classes
 - Based on cost-of-service
- Financial stability
 - Fixed vs. variable charges
- Encourage Conservation
 - Tiered rate structure for water
 - Strength and flow rate structure for sewer

Revenue Neutrality

- Collect the same amount of revenue through fees and charges
 - Customers that drive costs higher pay more
 - Customers that keep cost low pay less
- Cost drivers
 - Energy cost for pumping = Energy fees collected

Once the rate structure is set by the findings of the rate study, higher budgeted costs such as water and power along with sales volume changes determine the necessary rate increases.

Prior Rate Study Adjustments

- 2009 Water Rate Study
 - New tiers based on meter size and customer class
 - Elimination of unit charge for multi-residential
 - Increase in government rate
 - Increase in fixed rate to get closer to Best Management Practice (BMP)
 - Commercial tiers and adjustment of residential tiers
 - Recycled water rate tied to potable irrigation (85%)
 - Increase energy charge
- 2008 Sewer Rate Study
 - Established a new methodology to charge residential customers based on their winter-average water consumption

2013 Rate Study Objectives

- Evaluate tiered water rate structure(s).
- Evaluate cost allocation to various water & sewer customer classes.
- Evaluate fixed vs. variable approach for both.
- Evaluate the equity of water fire service billing.
- Evaluate the option of a commercial recycled water rate.
- Evaluate the assignment of pressures zones used for water energy charges.
- Allocate cost based on sewage strength for non-residential sewer customers vs. residential customers.
- Evaluate water meter equivalencies.

Team

- Study performed by Karyn Keese, Atkins Global (formerly PBS&J)
- Staff involvement
 - Finance
 - IT
 - Engineering

Progress to Date

- Issued RFP and retained consultant
- Held kick-off meeting with team
- Gathered requested data and delivered to consultant
- Consultant analyzed data
- Consultant preparing preliminary findings to discuss with team

Next Steps

- Review preliminary findings with consultant
- Determine staff recommendations
- Bring recommendation rate structure changes to the Board
- Incorporate new rate structure into FY2014 Rate Model
- Adopt FY2014 Budget
- Bring new rates and charges to Proposition 218 hearing
- Adopt a five year Proposition 218 set of rates and charges
- Adopt the FY 2014 rate increases



Questions???