

CUCAMONGA VALLEY WATER DISTRICT BOARD OF DIRECTORS SPECIAL MEETING AGENDA

January 22, 2020 – 5:00 p.m.

District Office, Board Room
10440 Ashford Street; Rancho Cucamonga, California

1. CALL TO ORDER / FLAG SALUTE

2. PUBLIC COMMENT

*Members of the public may comment on any item **listed or not listed** on the agenda. Comments related to noticed public hearing items will be heard at the time the public hearing is conducted. Speakers are requested to keep their comments to no more than five (5) minutes. The President may reduce the time to not less than three (3) minutes depending upon the number of speakers wishing to address the Board. Under the provisions of the Brown Act, the Board is prohibited from taking action on items not listed on the agenda.*

3. WATER RATES WORKSHOP
INFORMATION ONLY ITEM. NO BOARD ACTION REQUIRED.

Chad Brantley,
Director of Finance
and Technology
Services, and Sanjay
Gaur, Raftelis

4. ADJOURN

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 987-2591, 48 hours prior to the scheduled meeting so that the District can make reasonable arrangements.

Pursuant to Government Code Section 54957.5, any writing that: (1) is a public record; (2) relates to an agenda item for an open session of a regular meeting of the Board of Directors; and (3) is distributed less than 72 hours prior to that meeting, will be made available for public inspection at the time the writing is distributed to the Board of Directors. Any such writing will be available for public inspection at the District offices located at 10440 Ashford Street, Rancho Cucamonga, CA 91729. In addition, such writing may also be posted on the District's web site.

STAFF REPORT

Date: January 22, 2020

To: Board of Directors
From: John Bosler, General Manager/CEO
Agenda Title: **Water Rates Workshop**

Purpose

The Board of Directors is presented with detailed information about the ongoing cost of service analysis associated with the water rate study. This is the first Board meeting in a series of public information sessions about water rates. The presentation will be a joint effort by District staff and Sanjay Gaur from Raftelis, the District's independent rate consultant.

This presentation will explain the rationale and considerations that form the foundation for the cost of service analysis. From that starting point, a detailed Financial Model was created in order to project the cost of service forward for the next five years. The District creates multi-year rate models to provide rate predictability to our customers, smooth adjustments from year-to-year, and save costs. The five-year projections are then used to design a series of proposed rates that achieve a logical connection with the costs of providing the water utility service. The Financial Model will be open and available to demonstrate various scenarios. The Water Supply Shortage Contingency Plan will also be presented in order to demonstrate the District's commitment to controlling costs associated with a water supply shortage. The proposed rates and the supporting cost of service document are designed to be in compliance with California law under the rules of Proposition 218.

Background/Analysis

The Board of Directors approved a series of water rate adjustments on June 9, 2015. The rate changes became effective each July 1 from 2015 through 2018. In 2019, there were no increases to the District's meter or commodity charges. The Board of Directors also approved the MWD Surcharge Pass-Through Rate for a period of five years. One of the requirements of Proposition 218 is that multi-year rate changes and pass-through rates may not be set more than five years into the future.

Prudent financial policies and effective cost cutting actions have been put into place over the last several years with the goal of keep rates as low as possible. As we look to the future, many factors must be considered and projected if the Water Fund is to continue to provide high quality service to our customers. These factors include operating costs, annual debt service, the debt service coverage ratio, infrastructure investment, and financial reserves. Two specific rate scenarios have been prepared in order to illustrate the potential impact to customers and to the District. During the live demonstration of the Financial Model, additional scenarios may be analyzed.

Alignment with Strategic Goals

A key element to the District's vision is to deliver high quality water, provide excellent customer service, and to promote good stewardship of financial resources through accountability.

Fiscal Impact

This report provides information about the design of Water Rates. The Water Fund's current annual cost of service is approximately \$80 million.

Recommendation

This is an information only item, no Board action is required.

Attachment: None

Submitted by: Chad Brantley, Director of Finance and Technology Services

