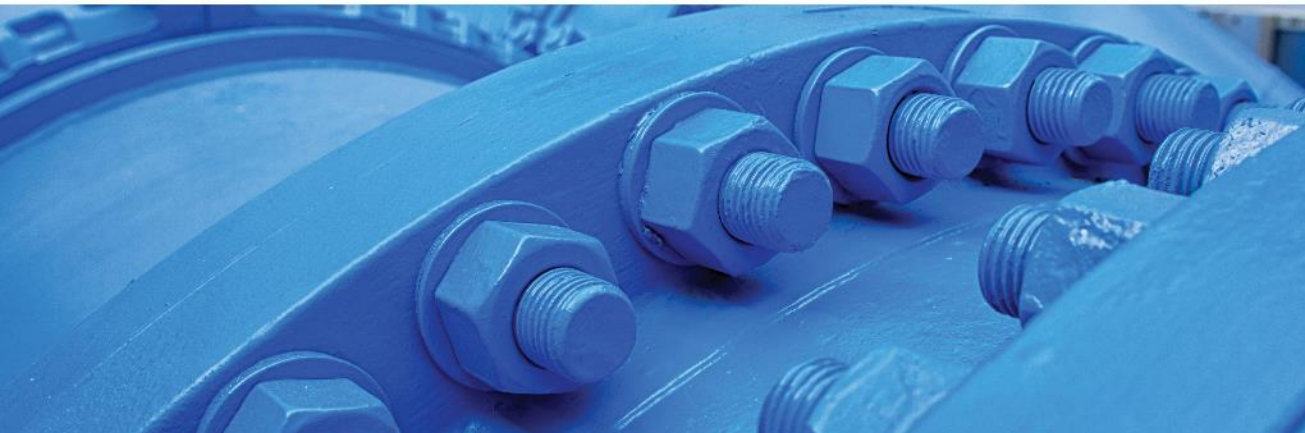




Public Rate Hearing Notice and Proposed Rates

Vallecitos Water District Board of Directors Workshop
May 24, 2017



Objectives of Today's Presentation



- Present Draft Public Rate Hearing Notice
- Present Rate and Reserve Projections and Impacts
- Review Financial Performance Indicators
- Receive Input for June 7 Public Hearing Notice Approval



NOTICE OF PUBLIC HEARING ON PROPOSED CHANGE IN WATER AND SEWER SERVICE RATES AND WATER RATE STRUCTURE

Date: Wednesday, August 16, 2017

Time: 5:00 p.m.

Location: 201 Vallecitos de Oro, San Marcos, CA 92069

You are receiving this notice because you are a Vallecitos Water District customer. This notice is being furnished to you pursuant to the California Constitution Article XIID, also known as Proposition 218. The August 16, 2017, public hearing will cover the proposed adjustments for water and sewer rates, and water rate structure to become effective from January 1, 2017, through December 31, 2019. This notice addresses why rate changes are necessary, what the water and sewer rates fund, and the basis for the proposed rates.

What is the impact to the average single family residence?

EXAMPLE

The proposed rates will result in the following increases to the average single family residential bill. Your resulting increase will vary depending on your water usage and meter size. Visit www.vwd.org/rates to learn how rates will impact you.

Average Single Family Residential Customer Bill*			
	Current	Jan 2018	Jan 2019
Total Water and Sewer Bill	\$ 118.77	\$ 123.53	\$ 128.47
\$ Increase over Prior Year		\$ 4.76	\$ 4.94
% Increase over Prior Year		4.0%	4.0%

*The average Single Family Residential Bill assumes a 5/8" meter using 13 units (9,724 gallons) of water per month.



Water Monthly Ready-to-Serve Charges

Effective January:

Meter Size	Current	2018	2019
5/8"	\$ 31.42	\$ 33.25	\$ 35.32
3/4"	36.52	36.52	36.52
1"	55.29	55.29	55.29
1.5"	110.59	120.63	130.67
2"	178.11	194.35	214.68
3"	356.22	356.22	356.22
4"	552.94	552.94	552.94
6"	1,105.88	1,105.88	1,105.88
10"	2,549.36	2,549.36	2,549.36
Multiple Dwelling Unit	18.26	11.18	11.18
Temporary Meters	204.48	230.91	257.33
Fire Line per diameter inch	5.87	5.87	5.87

Water Commodity Tier Structure in Units (748 gallons)

Meter Size	Current				Effective January 2018		
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 1	Tier 2	Tier 3
<1"	1 - 5	6 - 17	18 - 36	37 +	1 - 6	7 - 21	22 +
1"	1 - 5	6 - 60	61 - 214	215 +	1 - 16	17 - 78	79 +
1.5"	1 - 5	6 - 157	158 - 627	628 +	1 - 43	44 - 196	197 +
2"	1 - 5	6 - 242	243 - 806	807 +	1 - 85	86 - 335	336 +
>2"	1 - 5	6 - 1133	1134-3970	3,971 +	1 - 430	431-1,190	1,191 +
Agricultural	1 - 5	6 +				1 +	
Temporary Construction				1 +			1 +

Current

\$3.08

\$4.12

\$5.33

\$7.41

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42

Proposed

\$3.38

\$4.43

\$8.47

Water Commodity Rates per Unit

	Current	Effective January:	
		2018	2019
Tier 1	\$ 3.08	\$ 3.38	\$ 3.66
Tier 2	4.12	4.43	4.59
Tier 3	5.33	8.47	8.87
Tier 4	7.41		



Five-Year Rate Projection

Monthly Bill for Single Family Resident
with Average Use (13 HCFs, or 9,724 gallon)



	<u>Current</u>	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY 2022</u>
RTS	\$ 31.42	\$ 33.25	\$ 35.32	\$ 37.36	\$ 38.92	\$ 40.26
Commodity	48.36	51.29	54.16	57.32	60.00	62.64
Sewer	38.99	38.99	38.99	38.99	40.16	41.77
Total	\$ 118.77	\$ 123.53	\$ 128.47	\$ 133.67	\$ 139.08	\$ 144.67
Increase		\$ 4.76	\$ 4.94	\$ 5.20	\$ 5.41	\$ 5.59
		4.0%	4.0%	4.0%	4.0%	4.0%
Water Only Increase		6.0%	5.8%	5.8%	4.5%	4.0%



Total Rate Impact (Water and Sewer) at Varying Levels of Use (5/8" meter)



Use Level	Current	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Low	\$ 89.93	\$ 92.52	\$ 96.27	\$ 99.93	\$ 104.22	\$ 108.55
6 HCFs 4,448 gallons	Increase	\$ 2.59 2.9%	\$ 3.75 4.1%	\$ 3.66 3.8%	\$ 4.29 4.3%	\$ 4.33 4.2%
Average	\$ 118.77	\$ 123.53	\$ 128.47	\$ 133.67	\$ 139.08	\$ 144.67
13 HCFs 9,724 gallons	Increase	\$ 4.76 4.0%	\$ 4.94 4.0%	\$ 5.20 4.0%	\$ 5.41 4.0%	\$ 5.59 4.0%
High	\$ 156.57	\$ 158.97	\$ 165.27	\$ 172.23	\$ 178.92	\$ 185.95
21 HCFs 15,708 gallons	Increase	\$ 2.40 1.5%	\$ 6.30 4.0%	\$ 6.96 4.2%	\$ 6.69 3.9%	\$ 7.03 3.9%
Very High	\$ 280.98	\$ 336.84	\$ 351.54	\$ 372.57	\$ 389.76	\$ 409.18
42 HCFs 31,416 gallons	Increase	\$ 55.86 19.9%	\$ 14.70 4.4%	\$ 21.03 6.0%	\$ 17.19 4.6%	\$ 19.42 5.0%

Rate Impact - RTS plus Commodity

Ag = Agricultural; Mf = Multi-Family

Low User	Effective						Increase				
	Current	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2018		CY 2019		CY2020
	5/8"	\$ 50.94	\$ 53.53	\$ 57.28	\$ 60.94	\$ 64.06	\$ 66.78	\$ 2.59	5.1%	\$ 3.75	7.0%
3/4"	56.04	56.80	58.48	60.94	64.06	66.78	0.76	1.4%	1.68	3.0%	4.2%
1"	116.01	109.37	113.85	118.17	123.91	129.61	(6.64)	-5.7%	4.48	4.1%	3.8%
1.5"	282.55	265.97	288.05	203.59	326.79	342.07	(16.58)	-5.9%	22.08	8.3%	-29.3%
2"	523.11	481.65	525.78	560.89	592.52	620.84	(41.46)	-7.9%	44.12	9.2%	6.7%
3"	2,122.62	1,809.62	1,930.02	2,046.12	2,163.72	2,276.11	(313.00)	-14.7%	120.40	6.7%	6.0%
Ag 1"	148.97	154.91	165.69	170.97	176.39	182.73	5.94	4.0%	10.78	7.0%	3.2%
Ag 1.5"	406.15	444.02	466.47	492.57	510.16	528.69	37.87	9.3%	22.45	5.1%	5.6%
Mf 1"	246.17	180.04	195.55	204.28	213.43	222.46	(66.13)	-26.9%	15.50	8.6%	4.5%
Mf 1.5"	610.01	461.62	494.60	527.39	553.08	576.78	(148.39)	-24.3%	32.98	7.1%	6.6%

Average User	Effective						Increase				
	Current	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2018		CY 2019		CY2020
	5/8"	\$ 79.78	\$ 84.54	\$ 89.48	\$ 94.68	\$ 98.92	\$ 102.90	\$ 4.76	6.0%	\$ 4.94	5.8%
3/4"	84.88	87.81	90.68	94.68	98.92	102.90	2.93	3.5%	2.87	3.3%	4.4%
1"	235.49	237.84	247.25	257.95	268.33	279.25	2.35	1.0%	9.41	4.0%	4.3%
1.5"	587.43	593.79	628.45	666.38	695.31	723.91	6.36	1.1%	34.66	5.8%	6.0%
2"	1,001.03	995.53	1,059.38	1,120.01	1,170.20	1,219.40	(5.50)	-0.5%	63.84	6.4%	5.7%
3"	3,556.38	3,351.26	3,530.82	3,723.48	3,896.76	4,071.79	(205.12)	-5.8%	179.56	5.4%	5.5%
Ag 1"	470.33	507.15	524.49	546.93	564.83	585.21	36.82	7.8%	17.34	3.4%	4.3%
Ag 1.5"	1,633.91	1,764.16	1,837.27	1,928.93	1,994.20	2,066.37	130.25	8.0%	73.11	4.1%	5.0%
Mf 1"	414.57	341.79	356.55	372.98	387.73	403.06	(72.78)	-17.6%	14.75	4.3%	4.6%
Mf 1.5"	1,080.55	886.90	936.20	990.11	1,031.16	1,072.14	(193.65)	-17.9%	49.30	5.6%	5.8%

Rate Impact - RTS plus Commodity

Ag = Agricultural; Mf = Multi-Family

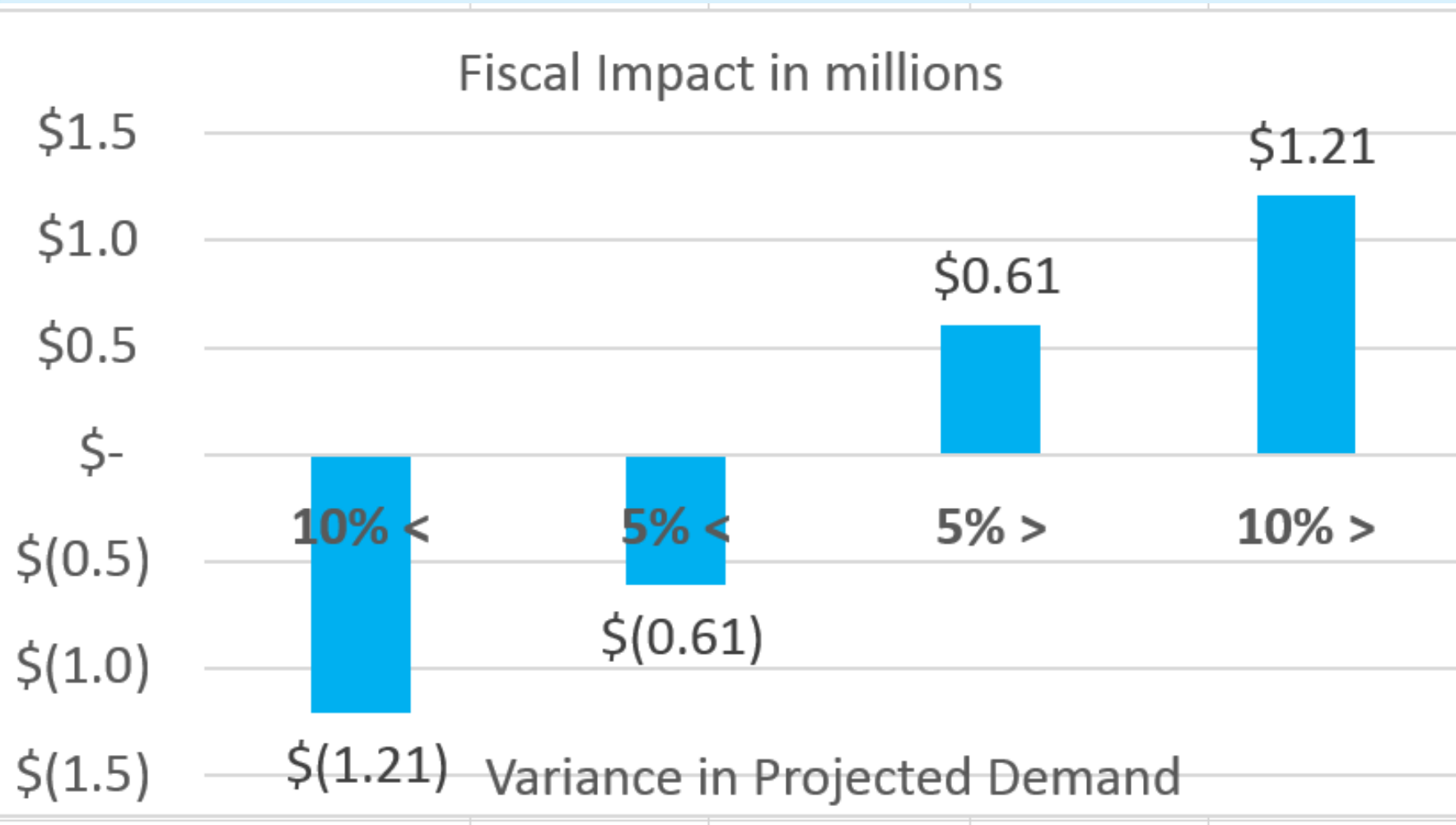
High User

	Effective						Increase				
	Current	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2018		CY 2019		CY2020
5/8"	\$ 117.58	\$ 119.98	\$ 126.28	\$ 133.24	\$ 138.76	\$ 144.18	\$ 2.40	2.0%	\$ 6.30	5.3%	5.5%
3/4"	122.68	123.25	127.48	133.24	138.76	144.18	0.57	0.5%	4.23	3.4%	4.5%
1"	393.23	384.03	399.05	417.01	432.67	449.53	(9.20)	-2.3%	15.02	3.9%	4.5%
1.5"	960.10	943.76	991.85	1,047.16	1,088.73	1,131.55	(16.34)	-1.7%	48.09	5.1%	5.6%
2"	1,665.64	1,589.15	1,675.78	1,765.89	1,837.52	1,910.84	(76.49)	-4.6%	86.62	5.5%	5.4%
3"	5,318.67	5,176.42	5,426.02	5,709.32	5,948.52	6,197.71	(142.25)	-2.7%	249.60	4.8%	5.2%
Ag 1"	816.41	879.27	910.89	951.81	983.15	1,018.65	62.86	7.7%	31.62	3.6%	4.5%
Ag 1.5"	2,754.55	2,969.12	3,088.47	3,239.97	3,348.76	3,469.89	214.57	7.8%	119.4	4.0%	4.9%
Mf 1"	727.22	634.06	661.76	698.44	728.21	761.07	(93.16)	-12.8%	27.7	4.4%	5.5%
Mf 1.5"	1,816.74	1,581.55	1,661.93	1,765.05	1,842.64	1,926.35	(235.19)	-12.9%	80.4	5.1%	6.2%

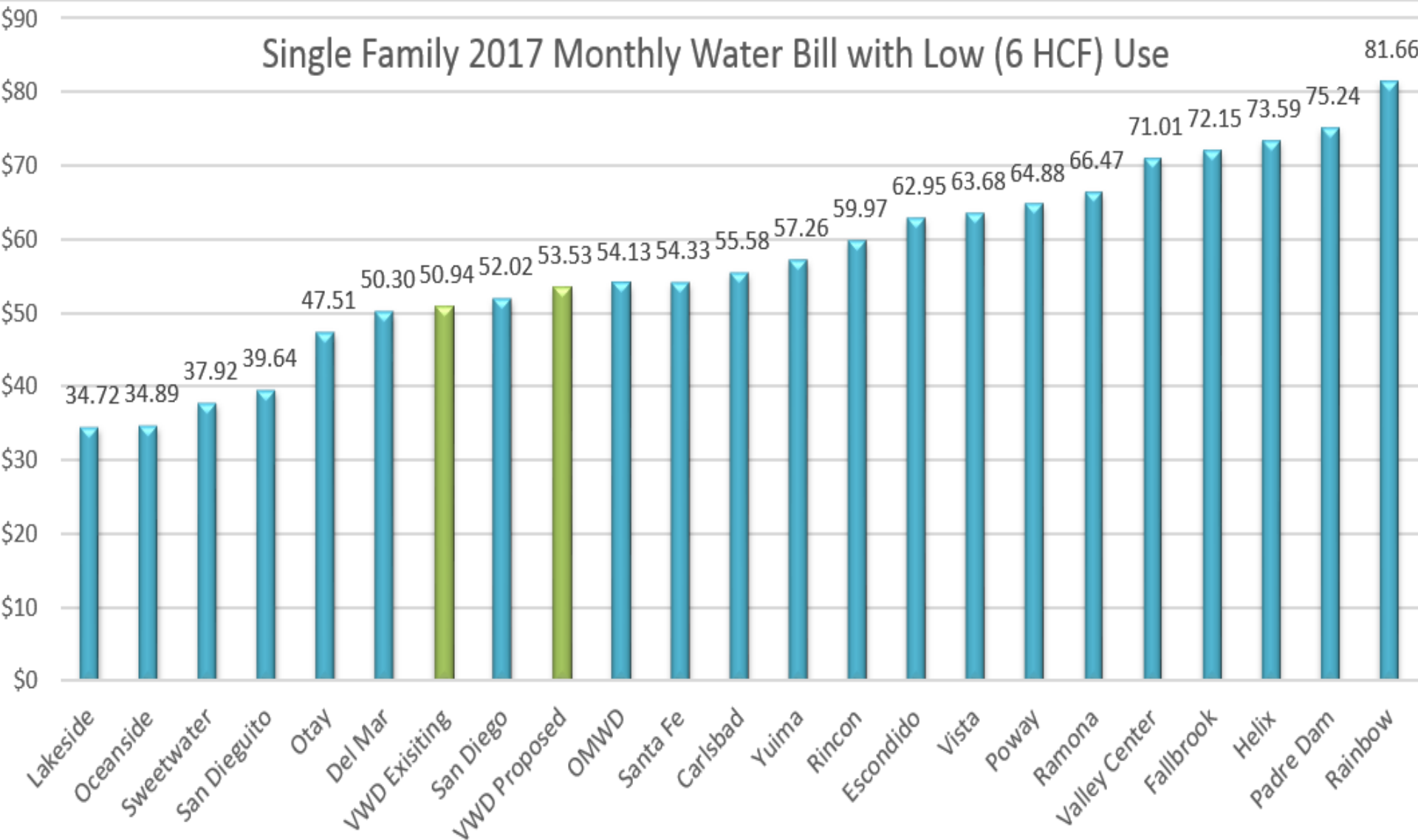
Very High User

	Effective						Increase				
	Current	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2018		CY 2019		CY2020
5/8"	\$ 241.99	\$ 297.85	\$ 312.55	\$ 333.58	\$ 349.60	\$ 367.41	\$ 55.86	23.1%	\$ 14.70	4.9%	6.7%
3/4"	247.09	301.12	313.75	333.58	349.60	367.41	54.03	21.9%	12.63	4.2%	6.3%
1"	808.97	1,044.69	1,090.91	1,161.13	1,215.79	1,278.67	235.72	29.1%	46.22	4.4%	6.4%
1.5"	2,004.78	2,603.88	2,730.37	2,917.00	3,056.57	3,215.03	599.10	29.9%	126.49	4.9%	6.8%
2"	3,451.19	4,426.60	4,647.23	4,961.79	5,200.92	5,471.89	975.41	28.3%	220.62	5.0%	6.8%
3"	11,661.4	15,255.7	15,981.3	17,061.9	17,896.1	18,847.4	3,594.4	30.8%	725.6	4.8%	6.8%
Ag 1"	1,578.61	1,698.82	1,761.89	1,843.51	1,904.45	1,973.25	120.21	7.6%	63.07	3.7%	4.6%
Ag 1.5"	5,407.83	5,822.04	6,050.87	6,344.05	6,555.88	6,792.93	414.21	7.7%	228.8	3.9%	4.8%
Mf 1"	1,475.63	1,489.53	1,557.63	1,661.98	1,742.25	1,834.70	13.90	0.9%	68.1	4.6%	6.7%
Mf 1.5"	3,706.29	3,741.40	3,923.78	4,197.75	4,402.84	4,637.00	35.11	0.9%	182.4	4.9%	7.0%

Stress Test – What if we're off by 5 or 10% in our demand projection



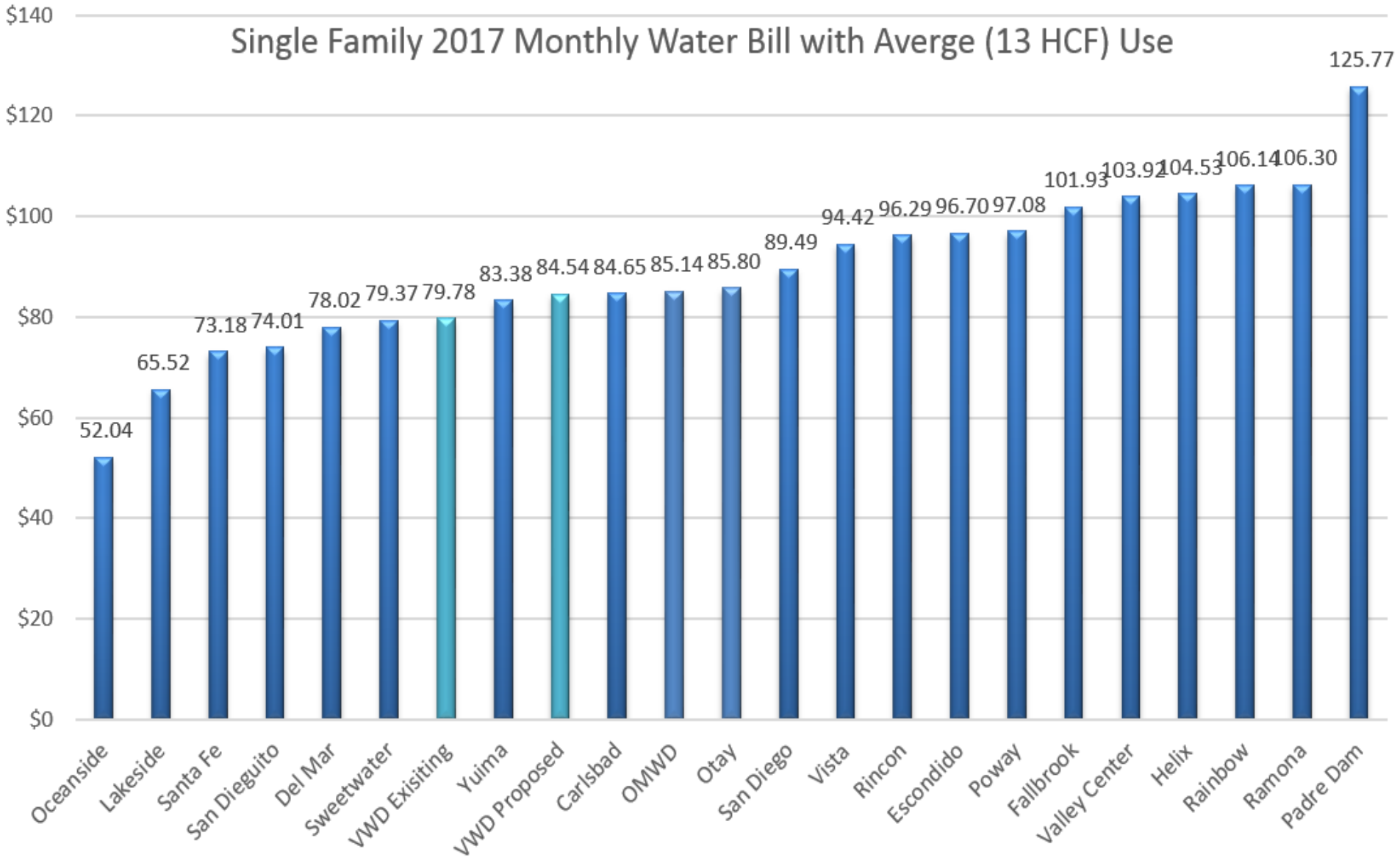
Single Family 2017 Monthly Water Bill with Low (6 HCF) Use



Average =57.31; Median =55.58



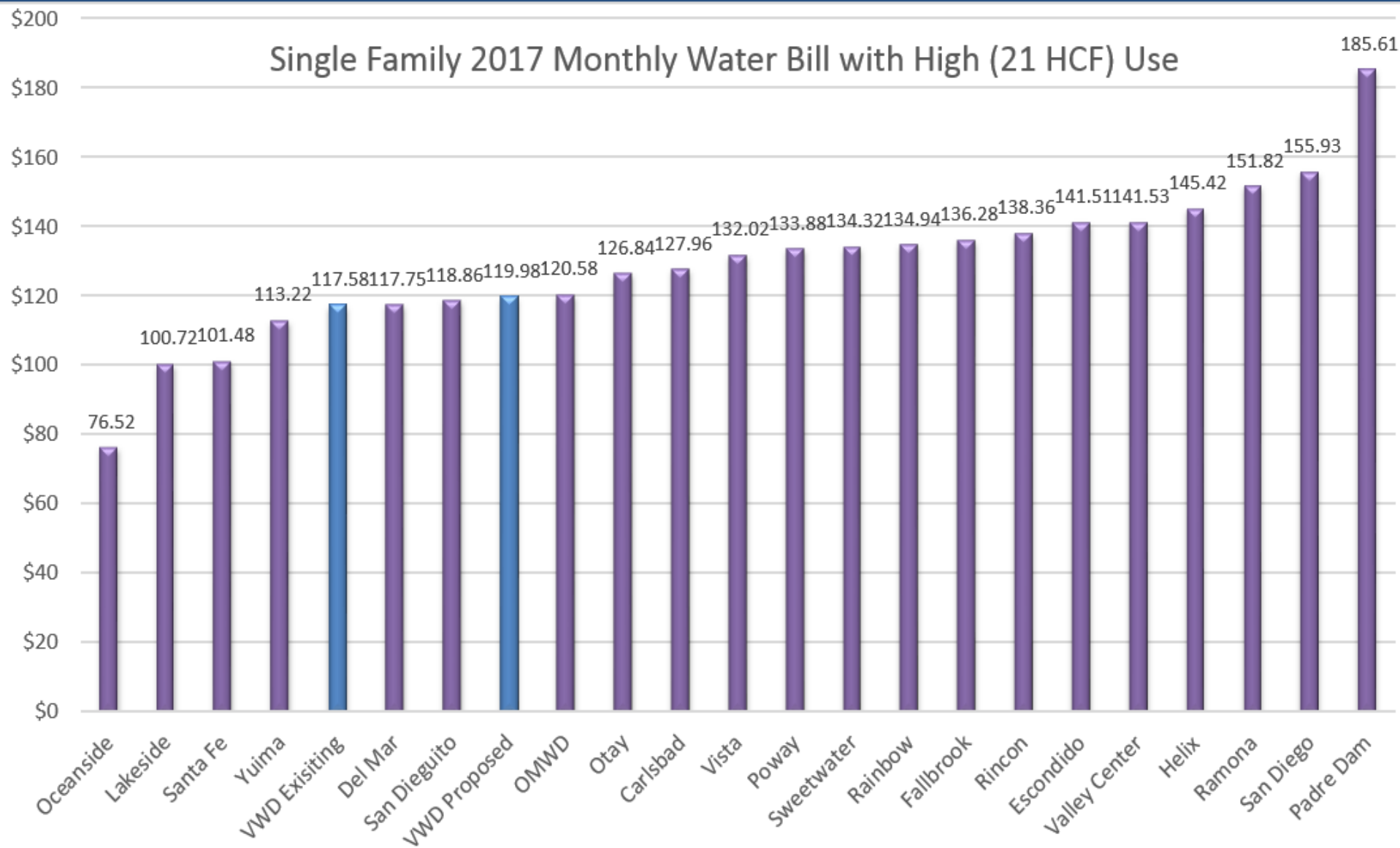
Single Family 2017 Monthly Water Bill with Average (13 HCF) Use



Average =89.25; Median =85.8



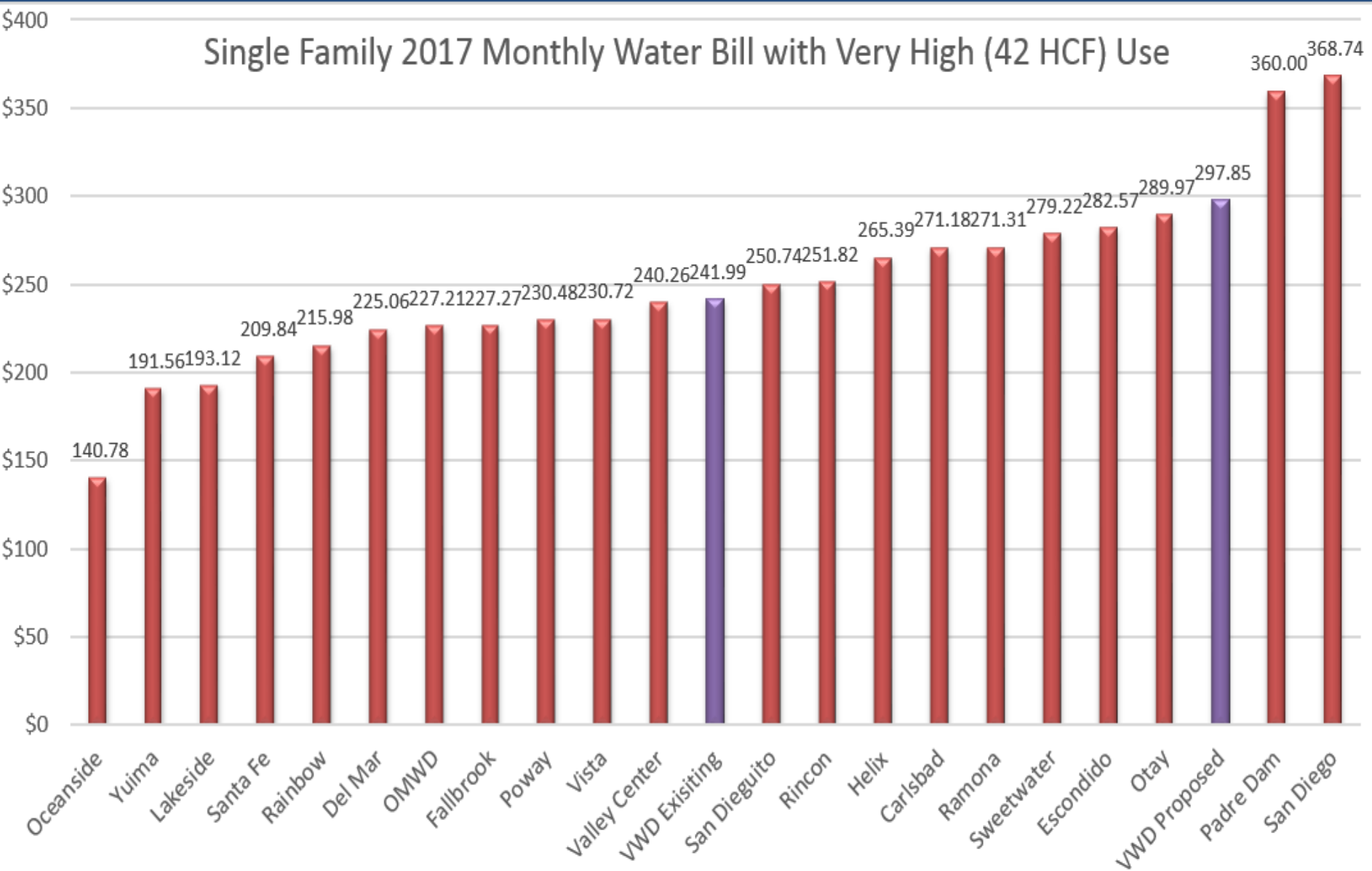
Single Family 2017 Monthly Water Bill with High (21 HCF) Use



Average =129.69; Median =132.02



Single Family 2017 Monthly Water Bill with Very High (42 HCF) Use

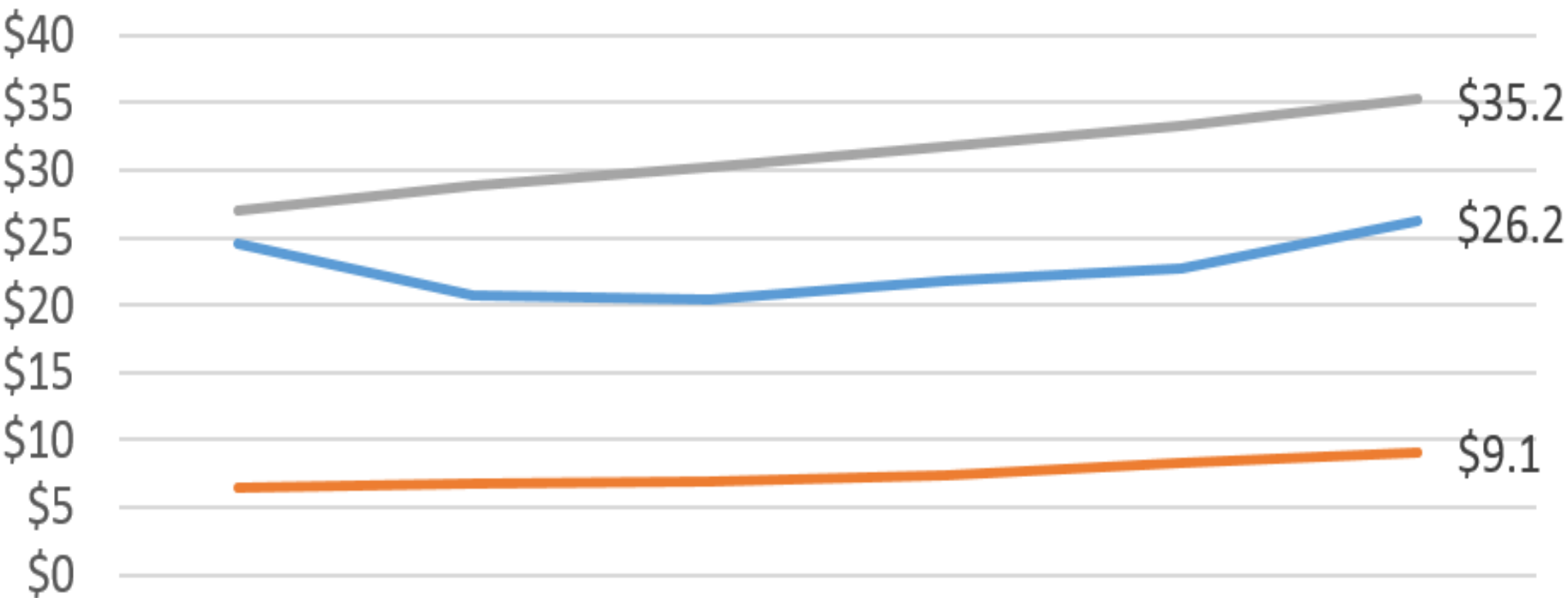


Average =248.42; Median =241.99



Water Projected Replacement Reserves and Proposed Rates

(in millions)



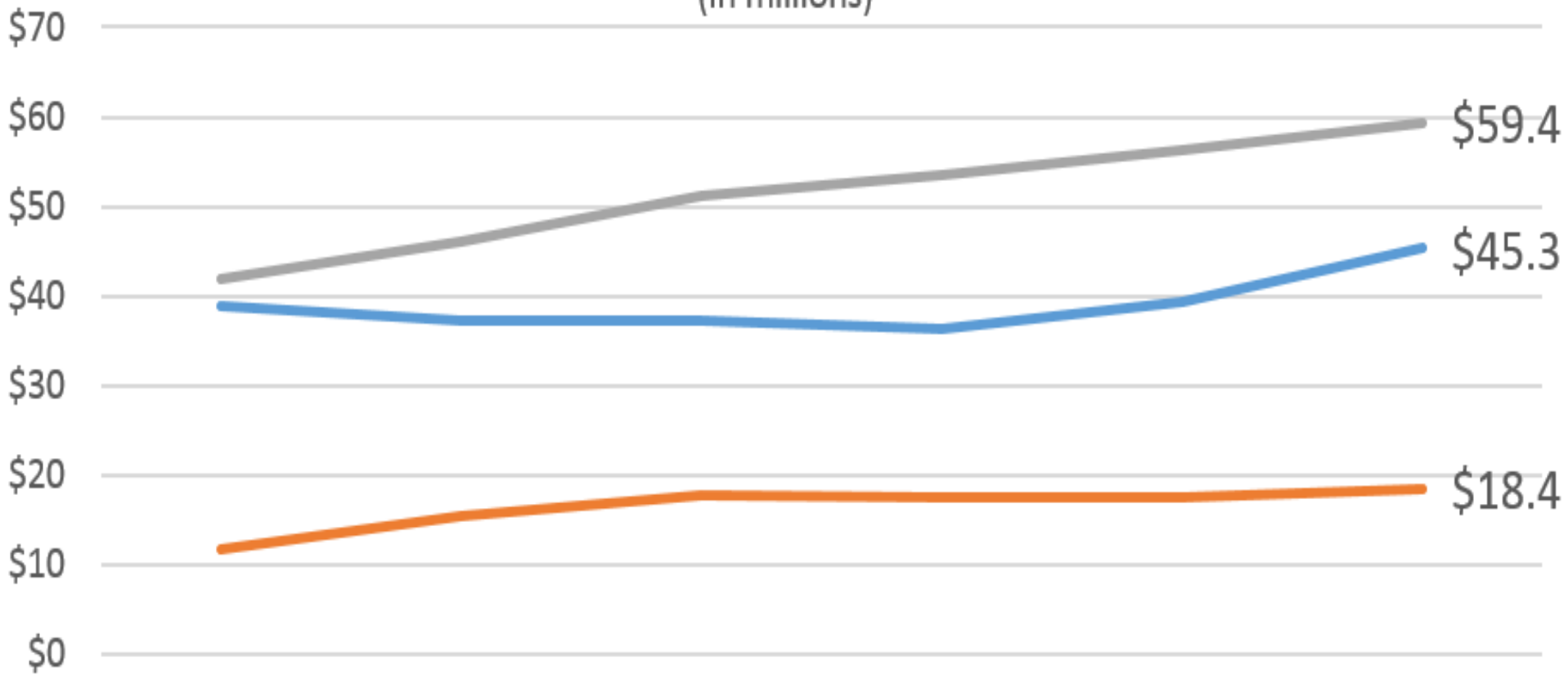
FY2017 FY2018 FY2019 FY2020 FY2021 FY2022

Average Single Family Resident Water Bill / Increase	\$ 84.54	\$ 89.48	\$ 94.68	\$ 98.92	\$ 102.90
	6.0%	5.8%	5.8%	4.5%	4.0%

- Replacement Reserve
- Replacement Reserve Floor
- Replacement Reserve Ceiling

Sewer Projected Replacement Reserves and Proposed Rates

(in millions)



FY2017

FY2018

FY2019

FY2020

FY2021

FY2022

Single Family
Resident Sewer
Bill / Increase

\$ 38.99
0.0%

\$ 38.99
0.0%

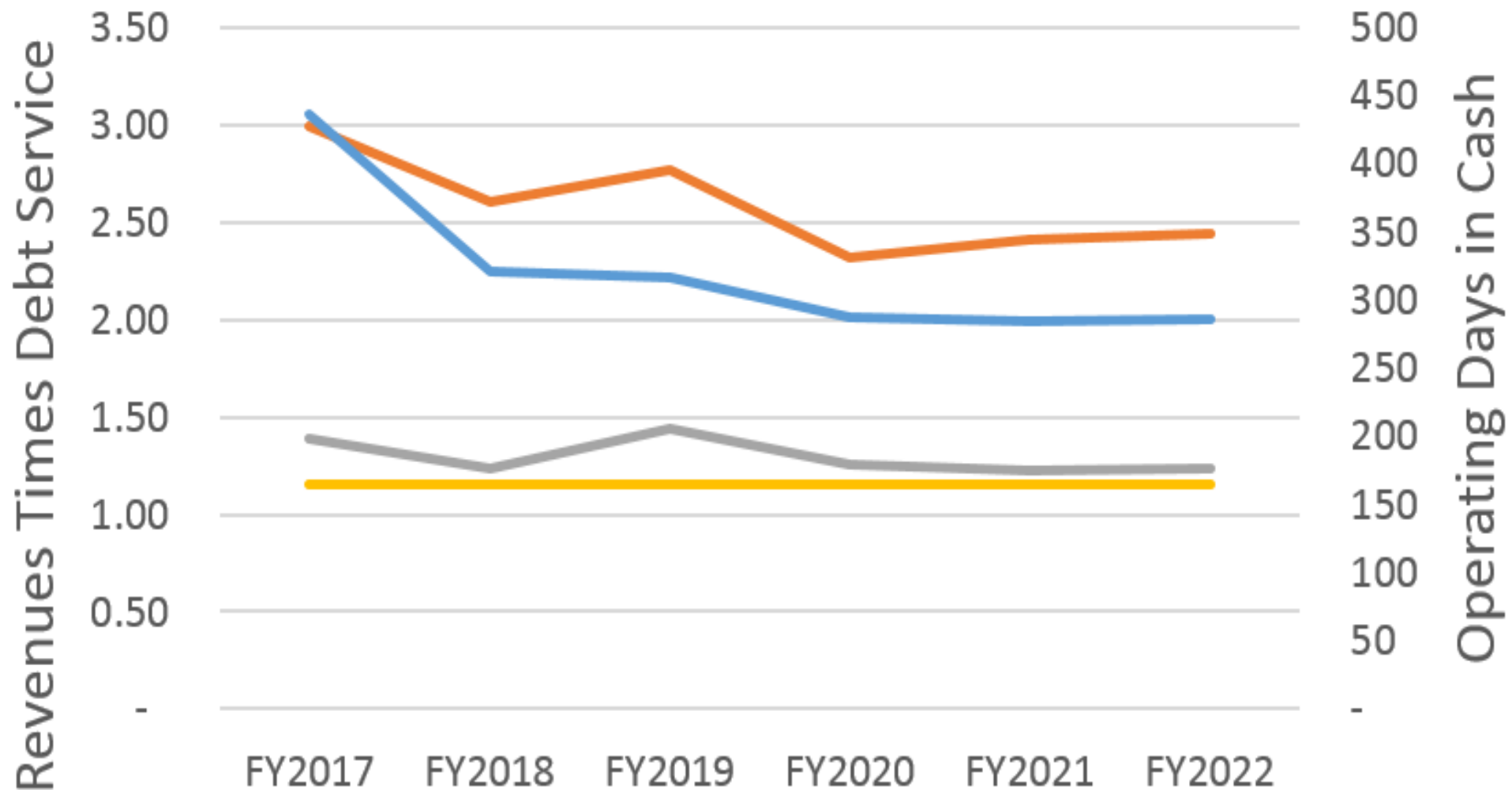
\$ 38.99
0.0%

\$ 40.16
3.0%

\$ 41.77
4.0%

— Replacement Reserve — Replacement Reserve Floor — Replacement Reserve Ceiling

Financial Performance Indicators



Debt Service Coverage (DSC)

DSC W/O cap fees and property tax

DSC Covenant

Days in cash