



LAS VIRGENES MUNICIPAL WATER DISTRICT
4232 Las Virgenes Road, Calabasas CA 91302

MINUTES
SPECIAL MEETING

9:00 AM

November 10, 2020

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance to the Flag was led by Sanjay Gaur.

1. CALL TO ORDER AND ROLL CALL

The meeting was called to order at **9:00 a.m.** by Board President Lewitt via teleconference in the Board Room at Las Virgenes Municipal Water District headquarters at 4232 Las Virgenes Road, Calabasas, CA 91302. The meeting was conducted via teleconference pursuant to the provisions of the Governor's Executive Order, N-29-20, which suspended certain requirements of the Ralph M. Brown Act to support social distancing guidelines associated with response to the coronavirus (COVID-19) outbreak. Josie Guzman, Clerk of the Board, conducted the roll call.

Present: Directors Charles Caspary, Jay Lewitt, Lynda Lo-Hill, Len Polan, and Lee Renger

Absent: None

Staff Present: David Pedersen, General Manager
Joe McDermott, Director of Engineering and External Affairs
Don Patterson, Director of Finance and Administration
John Zhao, Director of Facilities and Operations
Josie Guzman, Clerk of the Board
Keith Lemieux, District Counsel

2. APPROVAL OF AGENDA

Director Polan moved to approve the agenda. Motion seconded by Director Caspary.

Motion carried unanimously by roll call vote.

3. PUBLIC COMMENTS

None.

4. FINANCE AND ADMINISTRATION

A 2020 Rate Study: Cost of Service Analysis and Proposed Rates

Review and provide feedback on the draft cost of services analysis and proposed rates to support the District's operational needs for calendar years 2021 through 2025.

General Manager David Pedersen provided introductory remarks. He stated that after receiving feedback from the Board, staff would begin public outreach efforts and the Proposition 218 process. He noted that all of the materials related to the 2020 Rate Study were available on the District's website.

Don Patterson, Director of Finance and Administration, presented the Cost of Services and Proposed Rates for 2021 through 2025, including the Board's guiding principles, previous actions for rate setting, and baseline comparison of the District's rates with neighboring communities.

Sanjay Gaur, representing Raftelis Financial Consultants, Inc. (Raftelis), provided a PowerPoint presentation on the draft cost of service analysis and proposed rates based on selected scenarios for potable water, recycled water, and sanitation. He reviewed the three major components of a water bill, including the monthly readiness to serve charge, elevation charge, and commodity charge. He also reviewed the residential tier definition; proposed commercial tier definition; Metropolitan Water District of Southern California (MWD) pass-through cost derivation; cost of service variable charge component; Scenarios 1 and 2 revenue adjustment options; customer impact scenarios; and residential monthly water bill scenarios with MWD pass-through for 2021 for efficient, average, and excessive water use customers.

General Manager David Pedersen responded to a question regarding bill impacts to excessive water users by stating that the Board established a policy related to wasteful water use that exceeds double a customer's water budget, and penalties would be applied on a volumetric basis.

A discussion ensued regarding informing the ratepayers of the proposed rate increases in dollar terms versus percentages.

Board President Lewitt inquired regarding the percentage of customers who use less than eight hundred cubic feet (HCF) and less than 10 HCF of potable water per month. Michael Hicks, representing Raftelis, indicated that he would tabulate the figures and provide a response later during the meeting.

Mr. Gaur reviewed the commercial monthly water bill scenarios with MWD pass-through for 2021.

A discussion ensued regarding providing outreach to commercial customers regarding water conservation measures.

Mr. Hicks responded to Board President Lewitt's question regarding the percentage of efficient customers by stating that 24 percent of residential customers fall within the 8 to 10 HCF range. Board President Lewitt asked that Raftelis add another column to specify the customer category.

Mr. Patterson responded to a question regarding the projection for energy pricing to set the elevation charge by stating that Southern California Edison was proposing an increase of approximately nine percent for 2021, which would lower the elevation charge by six percent.

General Manager David Pedersen responded to a question regarding the District's expenses for water conservation by stating that the District would be investing \$250,000 per year over the coming two years for the Weather-based Irrigation Controller Program. He stated that this program could transition to little or no District investment by providing the available MWD rebate for those devices.

Mr. Gaur presented Option 2 for potable water rates with a 2.5 percent increase in Year 1, followed by a six percent annual increase through 2025.

Mr. Patterson noted that staff would develop an online calculator on the District's website so that customers could enter their actual water usage and determine the impact to their bill.

Mr. Gaur presented Option 1 for potable water rates with a five percent annual increase for Fiscal Years 2021 through 2025.

General Manager David Pedersen recommended the Board consider Option 2 for the potable water rate adjustment, which could soften the impact to ratepayers in the first year. However, he stated that a case could be made for a more level rate plan given that Option 2 would require a larger increase for the following four years due to softening the rate increase in the first year.

The Board discussed a preference for Option 1 for potable water rates with a five percent annual rate increase for each fiscal year to keep the rate adjustment consistent.

Mr. Gaur presented the proposed change in methodology for an annual eight percent adjustment for recycled water rates and making the cost of service for potable water and recycled water independent from each other. He reviewed the cost of service fixed charge components and set fixed charge recovery to match potable water at 52 percent with no revenue adjustments. He noted that the recycled water fixed charge would decrease; however, it would translate to a higher commodity rate that would then encourage conservation. He reviewed the rate components, including base power, water supply, and

peaking costs. He also reviewed the cost of service variable charge components with no revenue adjustments, proposed recycled water rates, and recycled water rate impacts to customers in 2021.

Mr. Gaur reviewed the cost of service methodology for sanitation with simple revenue adjustments. He noted that Option 1 included a 2.5 percent increase in Fiscal Year 2021 and annual 4.5 percent increases in Fiscal Years 2022 through 2025. He also noted that Option 2 included a 3.75 percent annual increase in Fiscal Years 2021 through 2025. He recommended the Board revisit the cost of service once the Pure Water Project Las Virgenes-Triunfo was online.

Board President Lewitt asked Mr. Gaur to bring back the percentage of customers in each billing category based on the number of people in the household.

General Manager David Pedersen stated that the Pure Water Project Las Virgenes-Triunfo would be a major capital investment that would affect the Sanitation Enterprise in the next 10-year period. He also stated that expenses would begin to be required in the next five years for the project. He stated that staff proposed the 3.75 percent increase anticipating future investment needs, and staff believed the District could continue a stable course for the Sanitation Enterprise at or near this level long-term.

Director Polan expressed an interest in receiving data on how much a bill would increase for customers categorized as efficient.

Mr. Patterson summarized that Raftelis would move forward with the cost of service report for each of the enterprises with a five percent annual increase over the five-year period for potable water, a 3.75 percent annual increase over the five-year period for sanitation, and an eight percent annual increase over the five-year period for recycled water.

Joe McDermott, Director of Engineering and External Affairs, responded to a question regarding outreach efforts to customers on making changes to their water budgets due to the changes in the number of people living in a household during the COVID-19 pandemic with students and young adults moving back home. He stated that although the District's focus was on water conservation, there could be opportunities to outreach to customers on how to request an adjustment to their water budget.

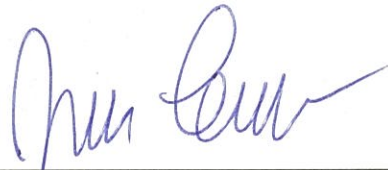
Board President Lewitt suggested that staff include a banner on the District's website or customers' bills to inform them of the opportunity to request adjustments to their water budgets for changes in the number of people in their household. Mr. McDermott responded that this information could be added to the Frequently Asked Questions.

Mr. Patterson reviewed the process steps for the various elements of the rate study. He stated that staff would bring back a recommendation to the Board on December 15, 2020, to consider approving the Cost of Service Study and set the public hearing. He also stated that staff would hold public workshops in January 2021 and schedule a public hearing for February 2, 2021, with the rates becoming effective on March 1, 2021.

Board President Lewitt suggested beginning the rate study process earlier next time. He also suggested messaging ratepayers via email beginning in December since more people were staying home.

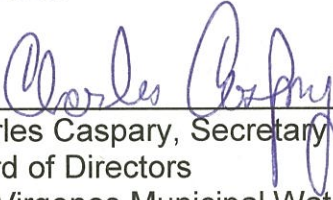
5. **ADJOURNMENT**

Seeing no further business to come before the Board, the meeting was duly adjourned at **10:50 a.m.**



Jay Lewitt, President
Board of Directors
Las Virgenes Municipal Water District

ATTEST:



Charles Caspary, Secretary
Board of Directors
Las Virgenes Municipal Water District

(SEAL)