



December 15, 2020 LVMWD Regular Board Meeting

TO: Board of Directors

FROM: Finance & Administration

**Subject : Proposed Potable Water, Recycled Water and Sanitation Rates: Schedule Public Hearing**

**SUMMARY:**

The District has completed a five-year financial review, cost of services analysis and rate study for its potable water, recycled water and sanitation services to support the capital and operational needs through 2025. The study proposes to maintain the current budget-based rate structure with modifications to the tiers for commercial customers. The preliminary results of the study were presented to the Board on November 10, 2020. The next step in the process is to schedule a public hearing on the proposed potable water, recycled water and sanitation rates.

**RECOMMENDATION(S):**

Receive and file the 2020 Water, Recycled Water and Sanitation Rate Study and Proposition 218 Notice, and schedule a virtual public hearing on proposed potable water, recycled water and sanitation rates for February 2, 2021, at 9:00 a.m.

**FISCAL IMPACT:**

No

**ITEM BUDGETED:**

No

**FINANCIAL IMPACT:**

There is no financial impact associated with scheduling the public hearing.

**DISCUSSION:**

The Board discussed Guiding Principles for the current rate study on July 21, 2020. On August 18, 2020, Raftelis Financial Consultants, Inc., the District's rate consultant, presented the results of the financial review and revenue requirements for the period of 2021 through 2025. On November 10, 2020, the Board held a workshop to review the preliminary results of the cost of service analysis, along with proposed rates for the Potable Water, Recycled Water and Sanitation Enterprises over the next five years. The work was performed in accordance with the requirements of Proposition 218 and the following Guiding Principles:

1. Maintain a rate structure that is fair and equitable across customer classes and re-examine commercial water budgets to promote efficient use in a manner that supports business and economic development.
2. Maximize revenue stability to navigate variable economic and hydrologic conditions.
3. Provide a strong price signal to drive an efficiency ethic and minimize rate impacts to efficient customers.
4. Ensure that rates are compliant with California Law.

As part of the rate development process, the Board directed staff to reduce commercial accounts to three tiers: efficient, inefficient and wasteful. The Board also supported changing the calculation of commercial water budgets from 90% of a three-year rolling average to 100% of a two-year rolling average to support business growth. As part of the change, the District will implement additional educational programs targeting commercial customer conservation.

**Next Steps:**

Attached is a draft Proposition 218 notice that will be posted on [www.lvmwd.com](http://www.lvmwd.com) and mailed to all District customers. In addition, the District's webpage for the 2020 Rate Study will continue to be updated with all of the related materials. Following the noticing process, the Board will hold a public hearing on the proposed rates on February 2, 2021. Following consideration of public

comment at the hearing, the Board will consider a recommendation to adopt the proposed rates with the first adjustment scheduled to become effective on March 1, 2021, and subsequent adjustments on January 1st of each year thereafter through 2025. Consistent with past practice, staff proposes to bring each year's rates to the Board for review and confirmation in December of the prior year.

Public Outreach:

The Proposition 218 notice will be posted on [www.lvmwd.com](http://www.lvmwd.com) and mailed to all customers. In addition, staff created a webpage for the 2020 Rate Study to consolidate all related materials in one location. Following are the specific resources available:

- Board presentations;
- Frequently Asked Questions (FAQs);
- Rate comparison with to surrounding agencies; and
- Interactive rate calculator.

District staff plans to conduct a specialized workshop with commercial customers to review the new water budget calculations and rate structure. In addition, staff proposes to hold two virtual public workshops. The first public workshop will be on January 13, 2021, at 5:00 p.m., and the second workshop will be held on January 21, 2021, at 7:00 p.m.

**GOALS:**

Ensure Effective Utilization of the Public's Assets and Money

Prepared by: Donald Patterson, Director of Finance and Administration

**ATTACHMENTS:**

2020 Water, Recycled Water and Sanitation Rate Study  
Proposition 218 Notice