

# **Scotts Valley Water District**

**DRAFT ORDINANCE 151-10  
PUBLIC HEARING**

**February 11, 2010**

# Presentation Topics

- Revenue objectives
- Proposed rate changes
- Customer impacts
- District fiscal considerations
- Comparison with other district water rates
- Customer response

# Revenue Objectives

- 2% per year rate revenue increase (= inflation)
- No impact on low-use customers
- No increase in meter service charges
- Relief for commercial customers who have implemented conservation measures

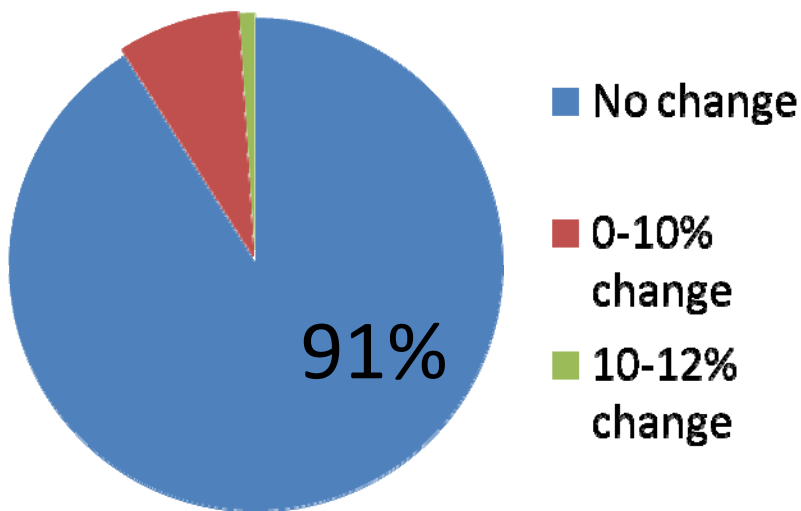
# PROPOSED 2010 CHANGES

Current Bimonthly Consumption (gallons)	Current Rate Per 1,000 Gallons	Proposed Bimonthly Consumption (gallons)	Proposed Rate Per 1,000 Gallons
0-6,000	\$3.19	0-6,000	\$3.19
6,001-14,000	\$5.35	6,001-14,000	\$5.35
14,001-30,000	\$6.50	14,001-24,000	\$6.50
30,001-50,000	\$7.69	24,001-36,000	\$7.69
50,001-100,000	\$9.66	36,001-50,000	\$9.66
Over 100,000	\$10.31	Over 50,000	\$10.31

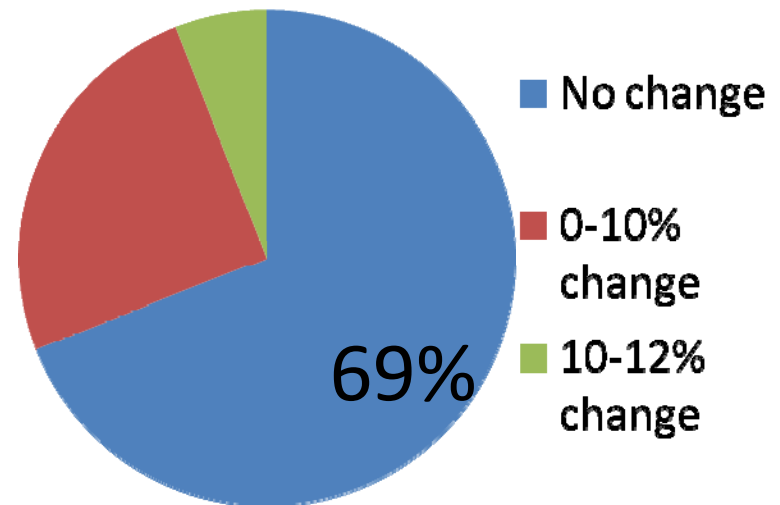
No changes in meter service charge rates.

# Percent Customers Affected in 2010

**Low Season 2010**



**Peak Season 2010**



# Example Customer Impacts 2010

Bimonthly Water Usage (gallons)	Current Consumption Charge	Increase in Charge	Percent Increase
8,000	\$29.84	\$0.00	0%
14,000	\$51.24	\$0.00	0%
24,000	\$126.94	\$0.00	0%
50,000	\$319.74	\$34.71	10.9%
75,000	\$561.74	\$50.97	9.1%
100,000	\$803.74	\$67.22	8.4%

Maximum customer impact (100,000+ gallons) = \$67.22

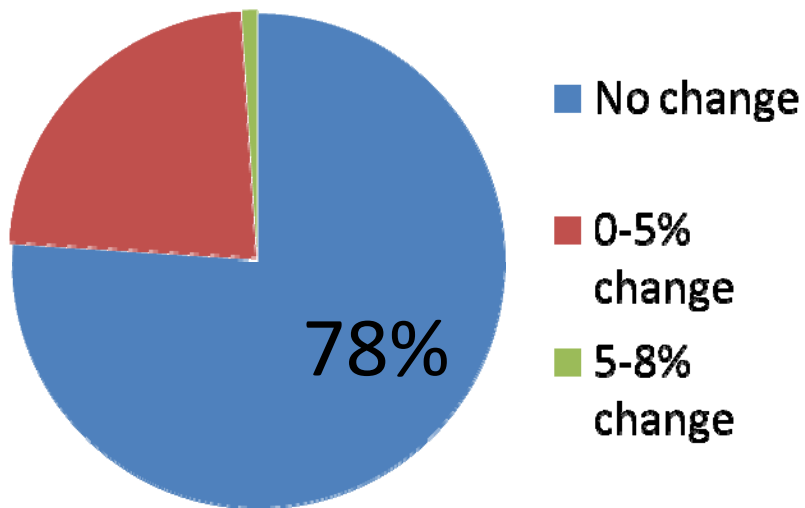
# PROPOSED 2011-2012 CHANGES

Bimonthly Consumption (gallons)	2010 Rate Per 1,000 Gallons	Annual Percent Increase	2011 Rate Per 1,000 Gallons	2012 Rate Per 1,000 Gallons
0-6,000	\$3.19	0%	\$3.19	\$3.19
6,001-14,000	\$5.35	0%	\$5.35	\$5.35
14,001-24,000	\$6.50	3%	\$6.70	\$6.90
24,001-36,000	\$7.69	4%	\$8.00	\$8.32
36,001-50,000	\$9.66	5%	\$10.14	\$10.65
Over 50,000	\$10.31	8%	\$11.13	\$12.03

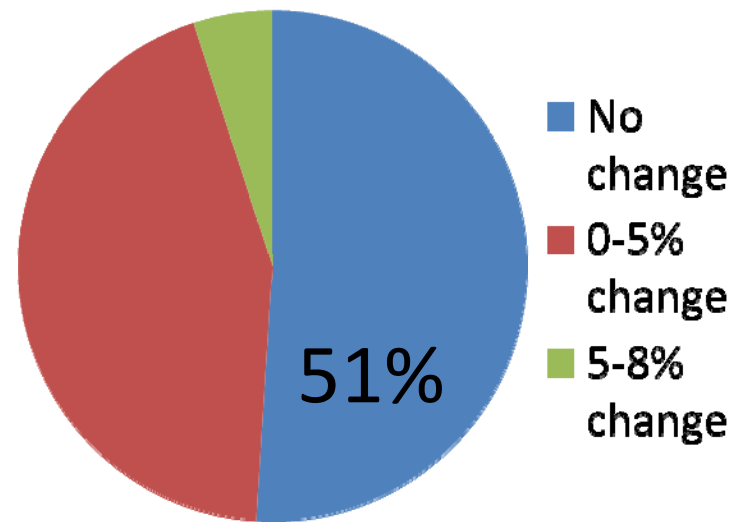
No changes in meter service charge rates.

# Percent Customers Affected in 2011 - 2012

**Low Season 2011-12**



**Peak Season 2011-12**

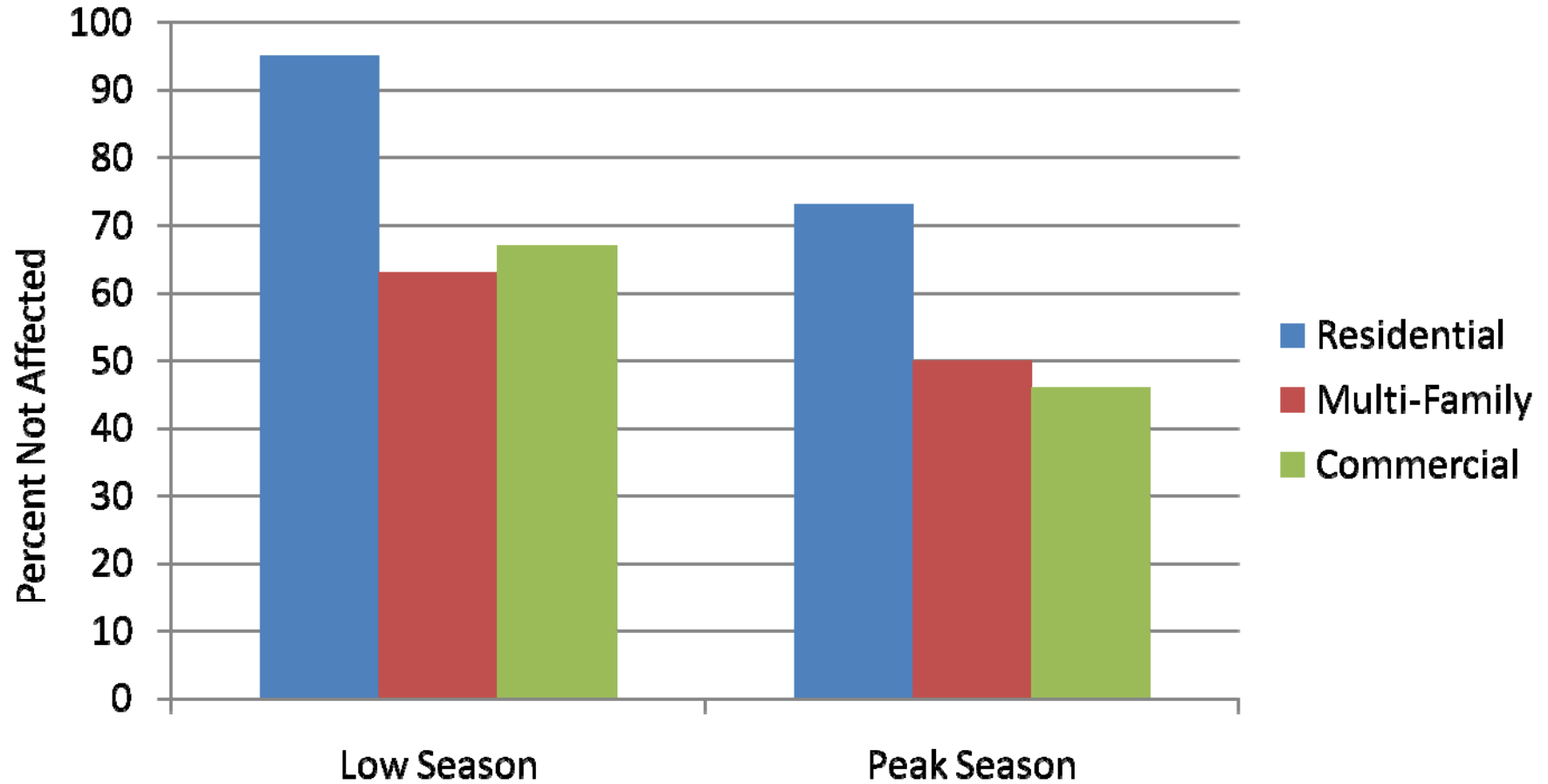


# Example Customer Impacts 2011

Bimonthly Water Usage (gallons)	2010 Consumption Charge	Increase in Charge	Percent Increase
8,000	\$29.84	\$0.00	0%
14,000	\$51.24	\$0.00	0%
24,000	\$126.94	\$2.00	1.6%
50,000	\$354.45	\$12.44	3.5%
75,000	\$612.71	\$32.94	5.4%
100,000	\$870.96	\$53.44	6.1%
500,000	\$4,993.96	\$384.44	7.7%

Maximum customer impact (1,420,200 gallons) = \$1,119.60 (8%)

# 2010 Effects by Customer Category



# PROPOSED COMMERCIAL FLAT RATE

(All water use billed at 4<sup>th</sup> price tier)

Current Bimonthly Consumption (gallons)	Proposed 2010 Rate Per 1,000 Gallons	Proposed 2011 Rate Per 1,000 Gallons	Proposed 2012 Rate Per 1,000 Gallons
0-6,000	\$3.19	\$3.19	\$3.19
6,001-14,000	\$5.35	\$5.35	\$5.35
14,001-24,000	\$6.50	\$6.70	\$6.90
<b>24,001-36,000</b>	<b>\$7.69</b>	<b>\$8.00</b>	<b>\$8.32</b>
36,001-50,000	\$9.66	\$10.14	\$10.65
Over 50,000	\$10.31	\$11.13	\$12.03

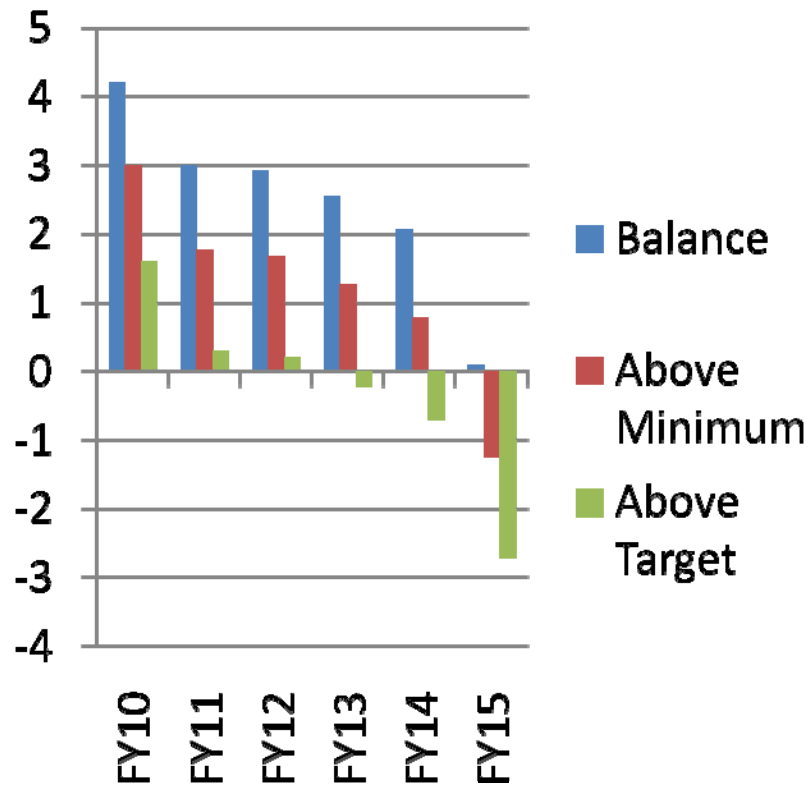
Commercial flat rate would be available only if customer has implemented all feasible conservation measures.

# District Fiscal Impacts

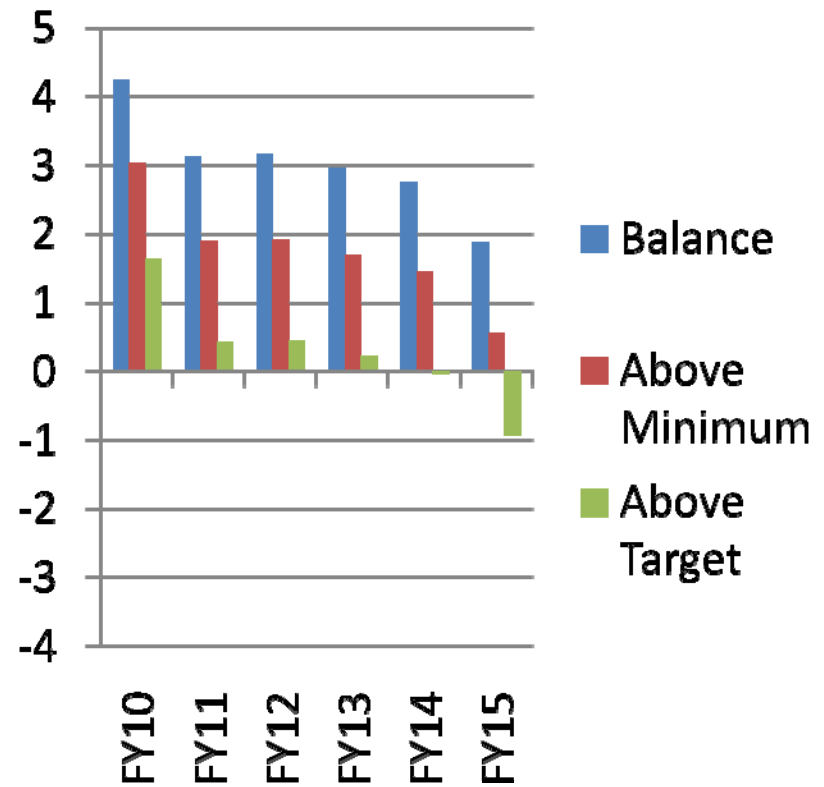
- Projected reserve balance on 6/30/2010 = \$4,210,000
- Minimum balance = 3-month O&M budget = \$1,220,000 in FY 2010
- Target balance = 3-month O&M budget plus 12-month CFP budget = \$2,620,000 in FY 2010
- Objective 1: Maintain reserve balance above target balance unless emergency necessitates
- Objective 2: Never let reserve balance approach or dip below minimum balance

# District Reserve Balance (\$ Millions)

No rate increases



Proposed increases



# DISTRICT RESERVES:

## Impacts on the Reserve Balance

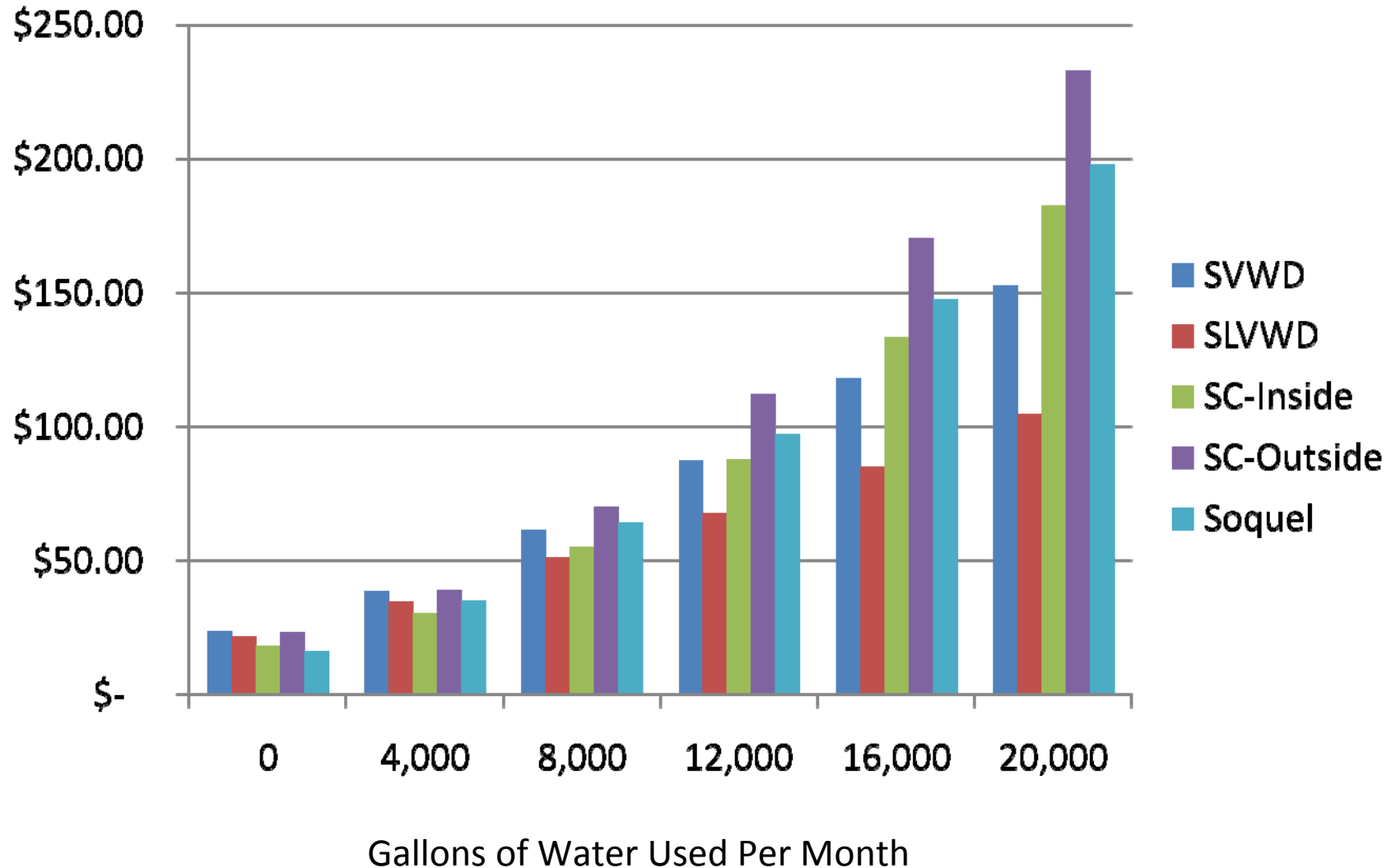
### NO RATE INCREASES

- Goes below target balance during FY 2013
- Goes below minimum balance during FY 2015
- Is nearly exhausted (\$87,500) by end of 2015

### WITH INCREASES

- Remains at or above target balance through FY 2014
- Remains above minimum balance through FY 2015
- Remains relatively healthy (\$1,870,000) through FY 2015

# Comparative Monthly Water Bills 2010 Rates



# Customer Feedback: Protest Letter Themes

- Rates shouldn't be increased while economy is bad
- Rates are high relative to other districts
- Conservation shouldn't cause the rates to go up
- Need to improve efficiency and decrease costs, including employee salaries and benefits
- Fire service fees should be eliminated
- Proposed commercial flat rate is too high

# Commercial Rate Comparisons

## 2010 Rates

District	\$ per 1000 gallons
Proposed SVWD	\$7.69
Santa Cruz - Inside	\$5.09
Santa Cruz - Outside	\$6.50
Soquel Creek WD	\$5.99
SLVWD	n/a

## 2011 rates

District	\$ per 1000 gallons
Proposed SVWD	\$8.00
Santa Cruz* - Inside	\$5.35
Santa Cruz* - Outside	\$6.82
Soquel Creek WD	\$6.78
SLVWD	n/a

\* Santa Cruz rate includes approved 5% increase; this increase may or may not take effect in 2011.

# Commercial Rate Options

Scenario	Average Annual Water Sales Revenue (2010-2012)	Additional Revenue from Rate Increase	% Revenue Increase
Base case: financial model	\$3,812,886	\$81,863	2.1%
No commercial flat rate	\$3,841,200	\$115,637	3.0%
Proposed – 4 <sup>th</sup> tier (starts at \$7.69)*	\$3,800,251	\$81,535	2.1%
Flat at 2010 4 <sup>th</sup> tier (\$7.69)*	\$3,796,891	\$76,637	2.0%
Tied to 3 <sup>rd</sup> tier (starts at \$6.50)**	\$3,771,075	\$64,822	1.7%
Flat at 2010 3 <sup>rd</sup> tier (\$6.50)**	\$3,768,700	\$59,916	1.6%

\*Approximately 20 customers might qualify and benefit at this rate.

\*\* Approximately 25 customers might qualify and benefit at this rate.

# Water Conservation Needed to Offset 2010 Rate Increase

Bimonthly Water Usage (gallons)	Rate Increase from Current	Conservation Savings Needed (gallons)	Conservation Savings Needed (%)
24,000	\$0.00	0	0%
50,000	\$34.71	3,593	7.2%
75,000	\$50.97	4,944	6.6%
100,000	\$67.22	6,520	6.5%
500,000	\$67.22	6,520	1.3%

# Water Conservation Needed to Offset 2011 Rate Increase

Bimonthly Water Usage (gallons)	Rate Increase from Current	Conservation Savings Needed (gallons)	Conservation Savings Needed (%)
24,000	\$2.00	299	1.2%
50,000	\$12.44	1,227	2.5%
75,000	\$32.94	2,960	3.9%
100,000	\$53.44	4,801	4.8%
500,000	\$384.44	34,541	6.9%

# Potential Water Conservation Savings

Conservation Measure	Savings Over 2 Months (gallons)	SVWD Rebate Available?
Replace 3.6 gpf with 1.28 gpf toilets*	2,700	Yes
Replace 2.5 gpm with 1.5 gpm showerheads*	2,400	Free**
Reduce shower times by 5 minutes*	3,000	
Reduce laundry loads by 2 per week*	510	
Convert to water-efficient washing machine	1,400	Yes
Fix a drip of 1 milliliter per second	1,400	
Fix a toilet leak	1,500-30,000	
Replace 500 sq. ft. of turf	12,000	Yes

\* Family of four.

\*\* Also free: shower timers, faucet aerators, shut-off hose nozzles, toilet leak detector tablets.

**THE END**