

# WESTERN HILLS WATER DISTRICT

## PROPOSED WATER AND WASTEWATER RATE INCREASES

GOOD NEWS, BAD NEWS

HISTORY

THE WHWD BOARD

WHWD BUDGET DEFICITS

WHAT WHWD HAS DONE RECENTLY

THE RATE STUDY

RAW WATER COSTS

SEWER RATES

TREATED WATER

RATE INCREASES

IMPACT ON WHWD WITH NO RATE INCREASE

CHOICES & CONSEQUENCES

NEXT STEPS: COMMUNITY INPUT

**GOOD NEWS**  
**BAD NEWS**

# HISTORY

Western Hills Water District Rates  
Established: March 25, 1999.  
(RESOLUTION 99-04)

Water and wastewater rates  
constant for the last 11 years!

**WESTERN HILLS WATER DISTRICT  
RATE & CHARGE SCHEDULE  
as of 3/25/99**

**WATER CHARGES**

Connection Fee	None
Residential Water Use Charge (per residential unit)	\$35.00 per month plus \$1.25 for every 750 gallons used
Commercial Water Use Charge (per commercial connection)	\$1.25 for every 750 gallons used
Golf Course and Open Space Irrigation Charge	\$55.00 per acre foot per year

**WASTEWATER (SEWER & STORM DRAIN) CHARGES**

Connection Fee	None
Residential Wastewater Use Charge (per residential unit)	\$30.00 per month
Hotel/Winery _____	

# CPI 1999-2009

## INCREASE OF 32%

### STATE OF CALIFORNIA DIVISION OF LABOR STATISTICS & RESEARCH CONSUMER PRICE INDEX CALCULATOR

1 Select an Index

California CPI

2 Select index type

All Urban Consumers

3 Select beginning month

December

4 Select beginning year

1999

5 Select ending month

December

6 Select ending year

2009

Beginning  
Index value

170

Ending  
Index Value

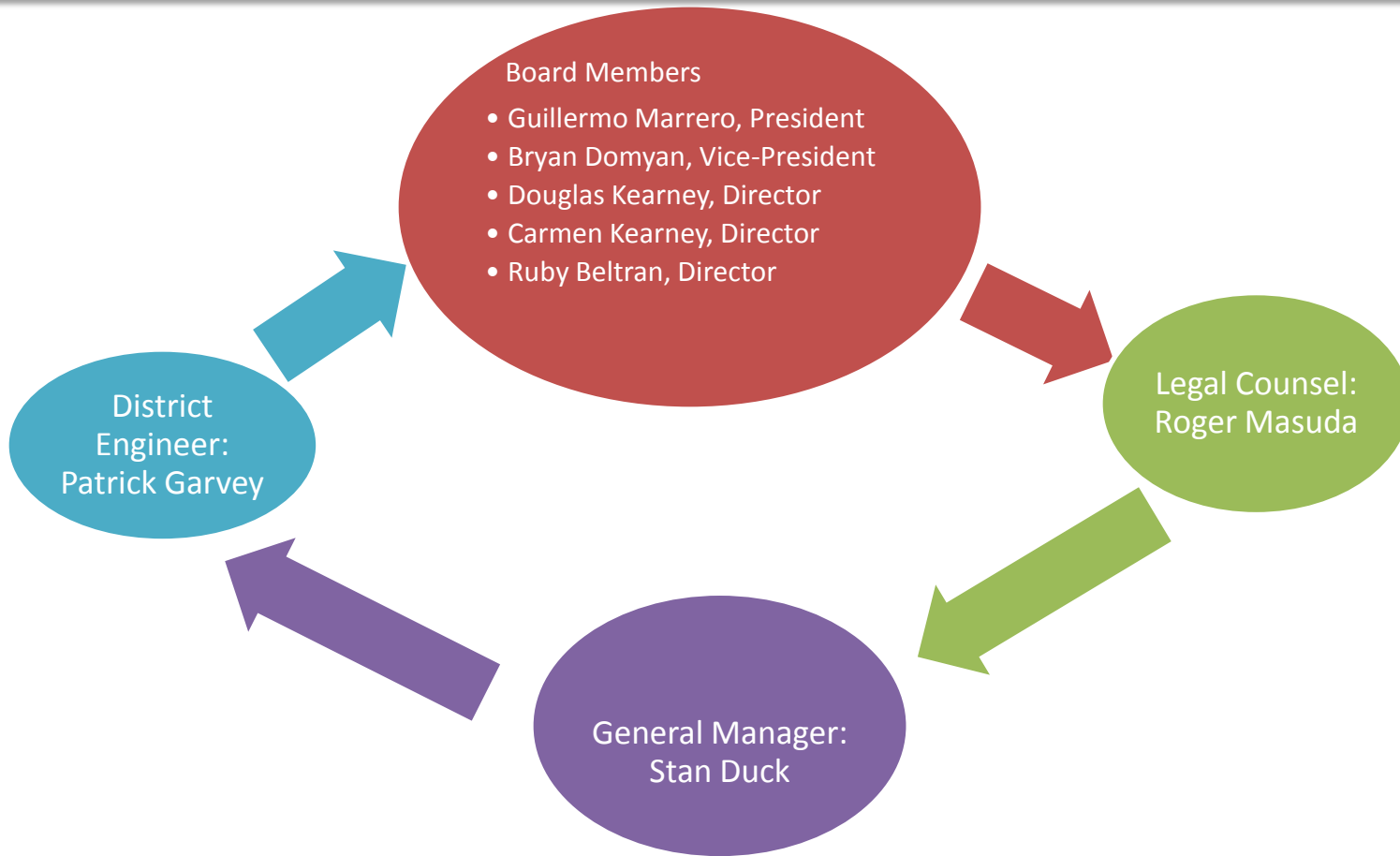
224.349

Based upon the Index, index type, and the time period you have specified, the percent change in the Consumer Price Index is equal to:

32.0%

# **WESTERN HILLS WATER DISTRICT**

# WHO IS WHWD?





# WESTERN HILLS WATER DISTRICT AND WORLD INTERNATIONAL

WORLD INTERNATIONAL,  
LLC IS THE OWNER OF AT  
LEAST TWO-THIRDS (2/3)  
OF THE ASSESSED PLOTS

- 9 metered parcels

WORLD  
INTERNATIONAL LOANS  
WHWD @ 8 PERCENT  
INTEREST.

- 9/09 to 12/09  
**\$2,711,578.52**
- 2010 **\$1,552,115.71**
- Total loans **\$4,263,694.23**

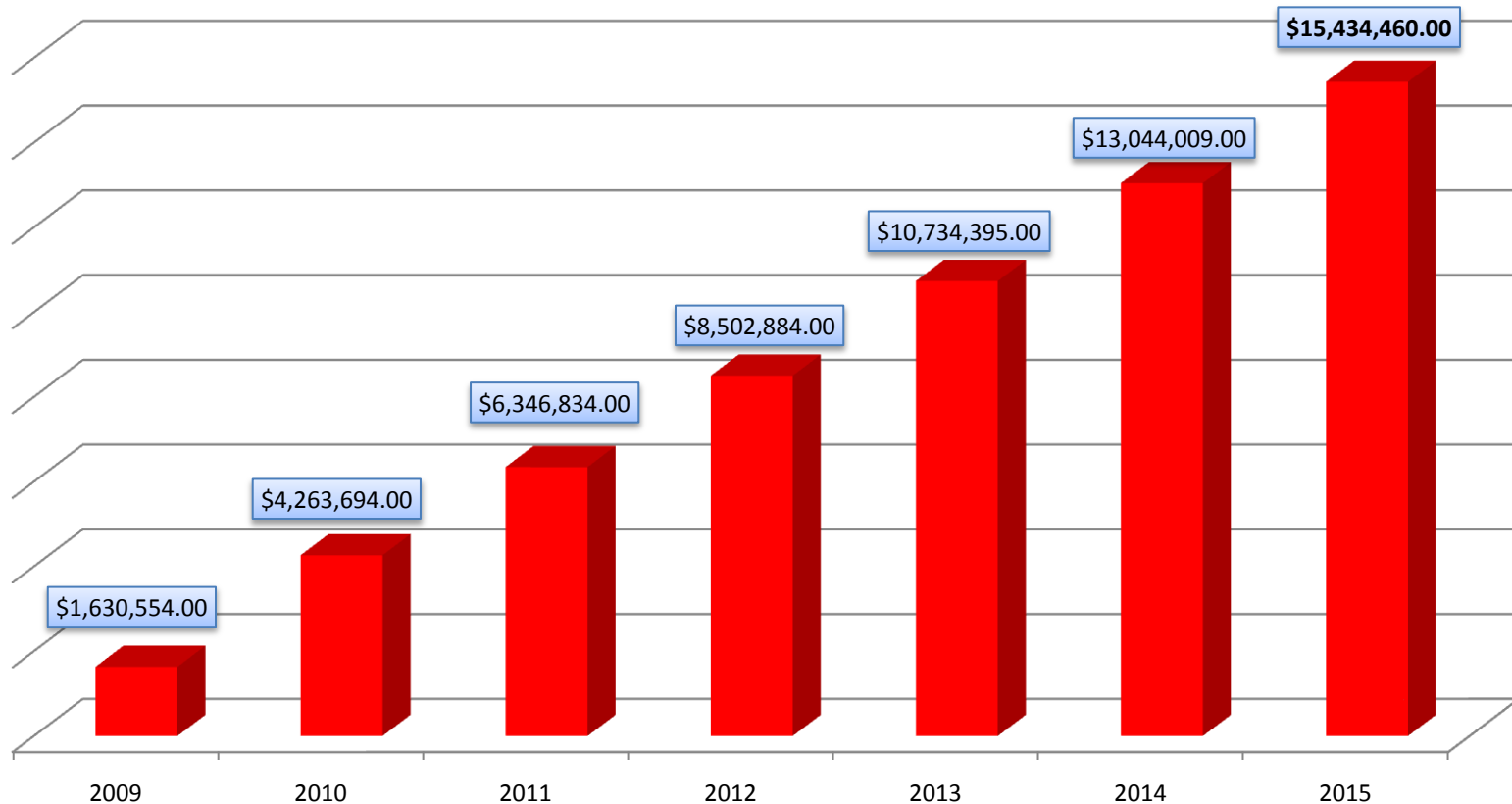
# Long Term Debt of WHWD

Veolia - \$4,000,625.58

World Debt--\$4,263,694.23

Debt will continue to grow at present rates so as to become unmanageable

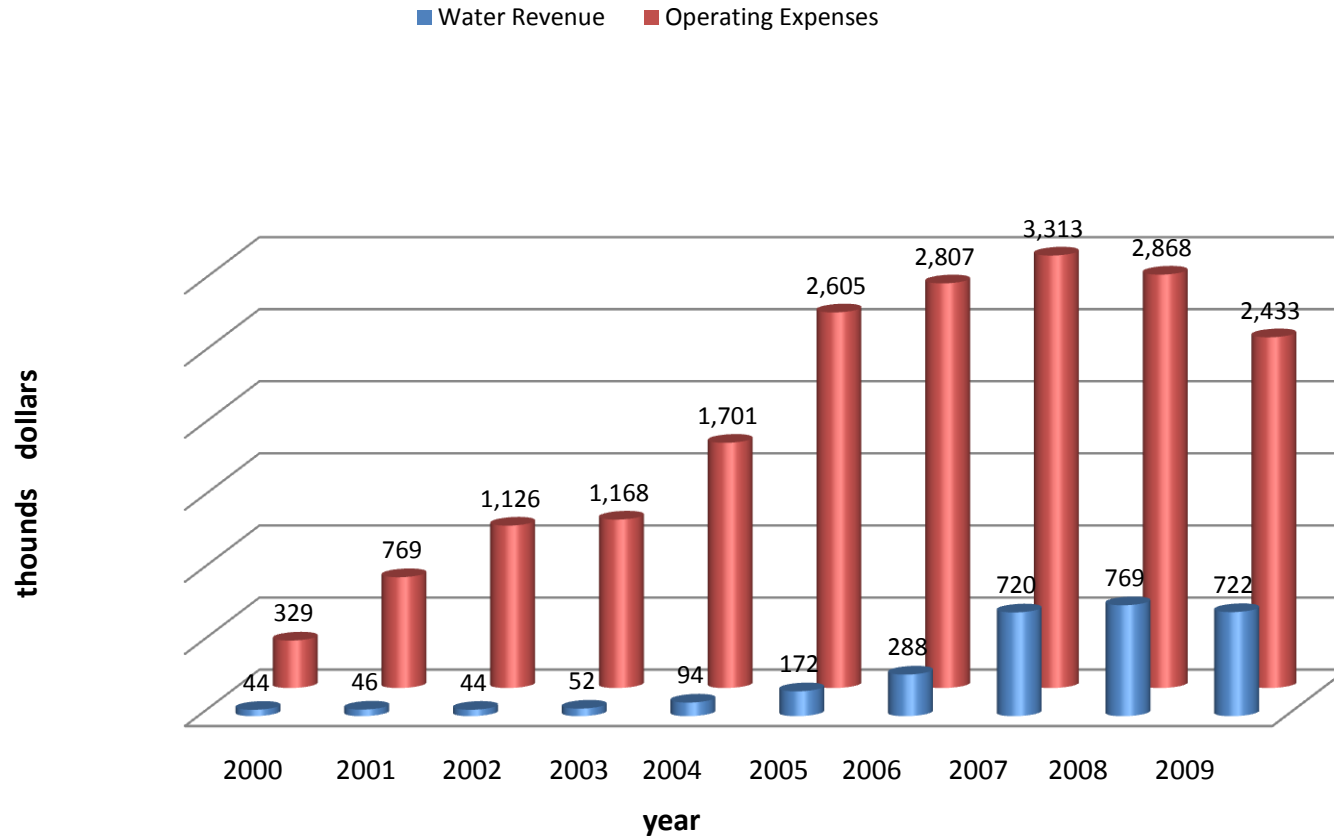
# Estimated Debt Growing 2009- 2015 (with no rate increases)



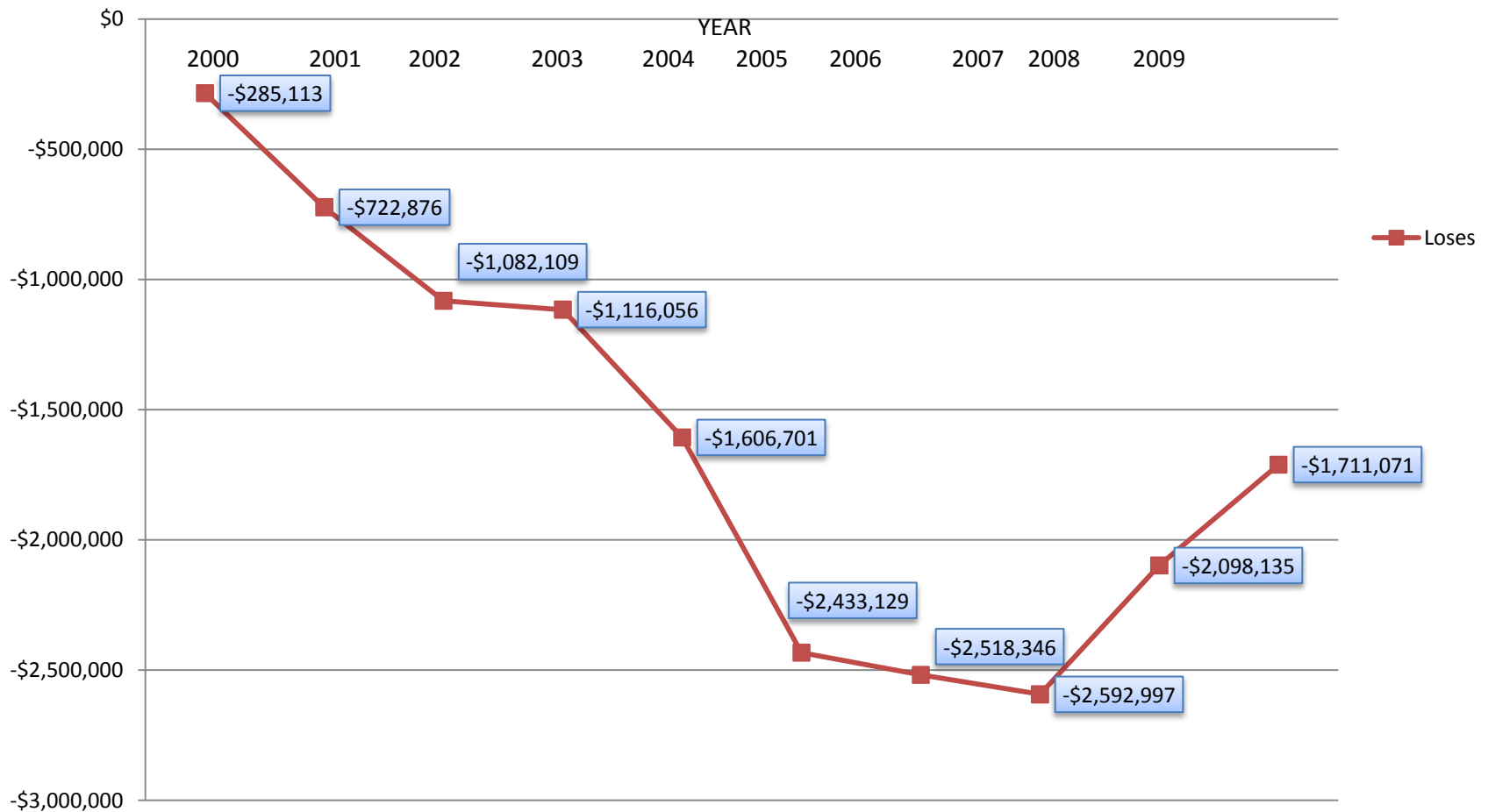
Based on 3.5% increase and no interest

# WHWD BUDGET DEFICITS

# Operating Expenses vs Revenues



# WHAT WE ARE LOSING

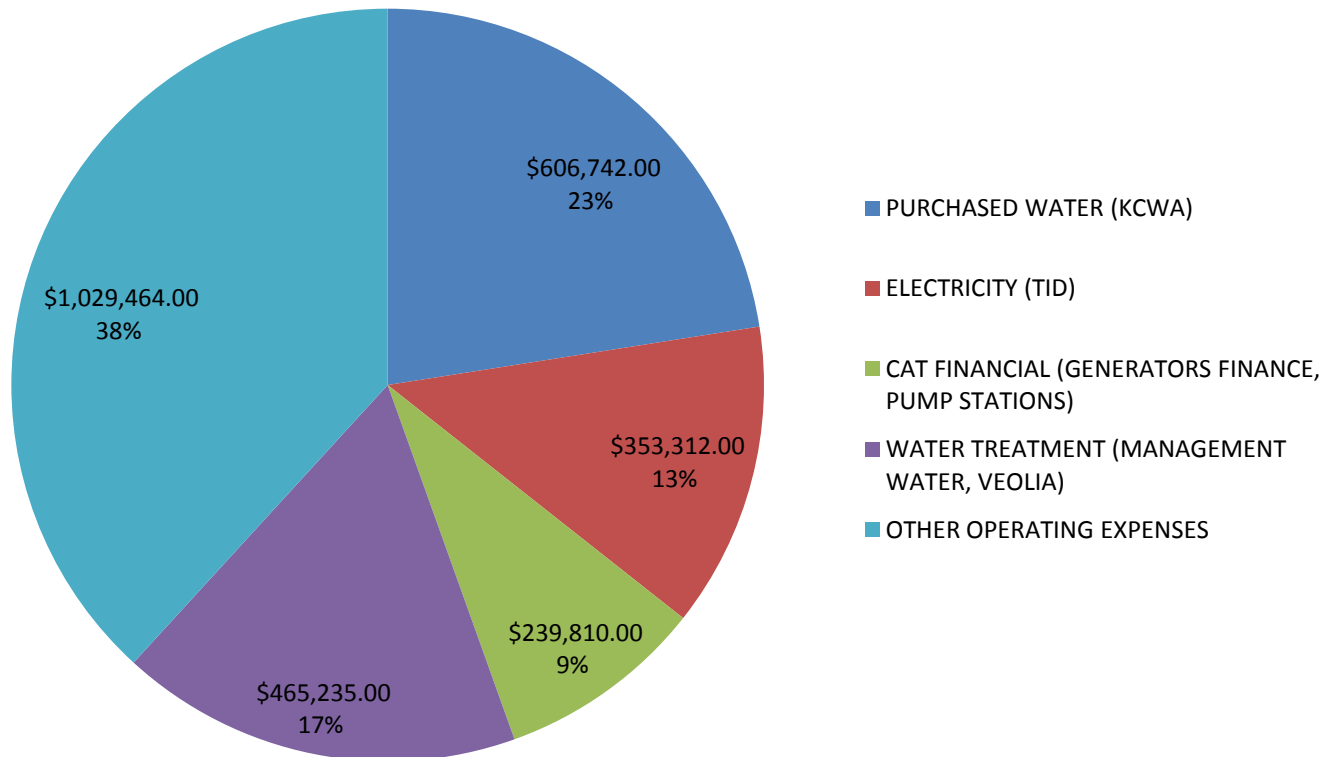


# Representative Expenses

(FY JUL 1 -09 THROUGH JUN 30-2010)

PURCHASED WATER (KCWA)	\$ 606,742
ELECTRICITY (TID)	\$ 353,312
CAT FINANCIAL (GENERATORS FINANCE, PUMP STATIONS)	\$ 239,810
WATER TREATMENT (MANAGEMENT WATER, VEOLIA)	\$ 465,235
OTHER OPERATING EXPENSES	\$ 1,029,464
<b>TOTAL ANNUAL EXTERNAL EXPENSES</b>	<b>\$ 2,694,563</b>

# Representative Expenses

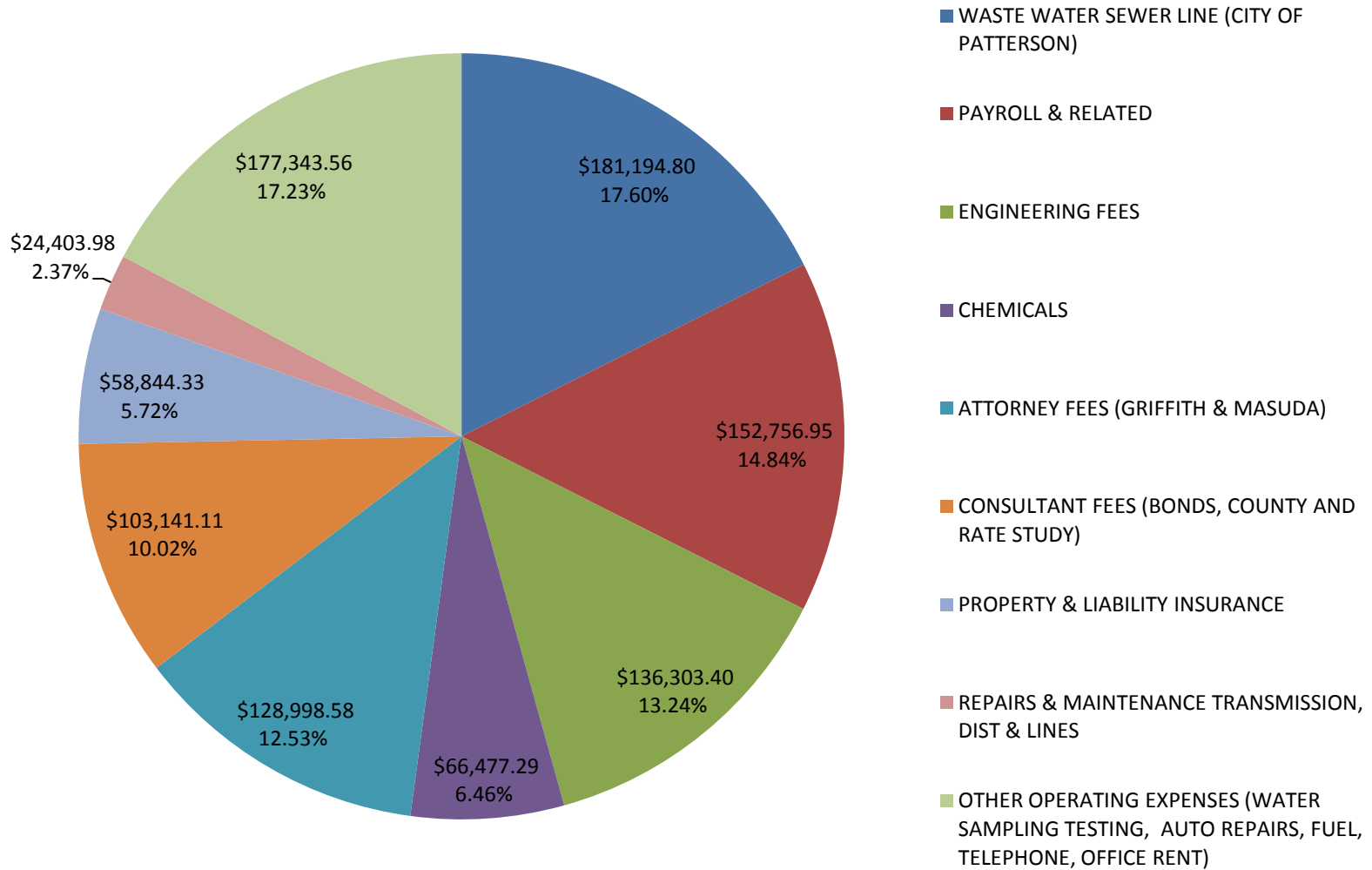




## OTHER OPERATING EXPENSES

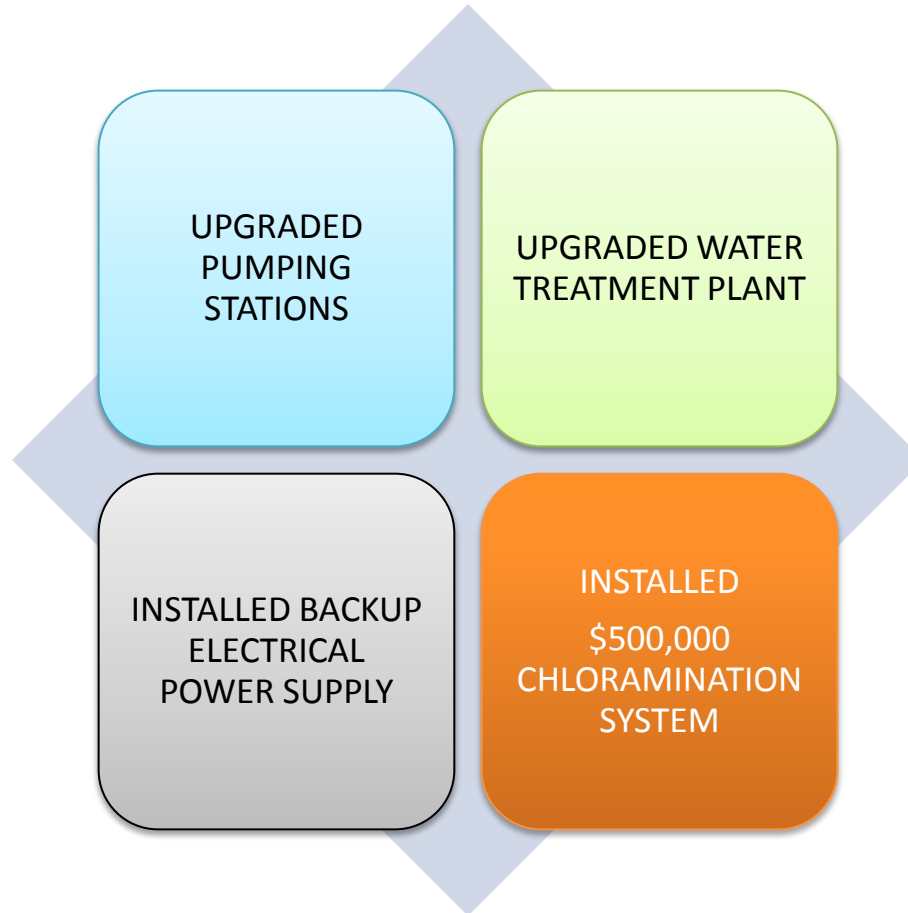
WASTE WATER SEWER LINE (CITY OF PATTERSON)	\$	181,194.80
PAYROLL & RELATED	\$	152,756.95
ENGINEERING FEES	\$	136,303.40
CHEMICALS	\$	66,477.29
ATTORNEY FEES (GRIFFITH & MASUDA)	\$	128,998.58
CONSULTANT FEES (BONDS, COUNTY AND RATE STUDY)	\$	103,141.11
PROPERTY & LIABILITY INSURANCE	\$	58,844.33
REPAIRS & MAINTENANCE TRANSMISSION, DIST & LINES	\$	24,403.98
OTHER OPERATING EXPENSES (WATER SAMPLING TESTING, AUTO REPAIRS, FUEL, TELEPHONE, OFFICE RENT, ETC)	\$	177,343.56
<b>TOTAL</b>	<b>\$</b>	<b>1,029,464.00</b>

# Other Operating Expenses



# What WHWD Has Done Recently

# RECENT UPGRADES



# THE RATE STUDY

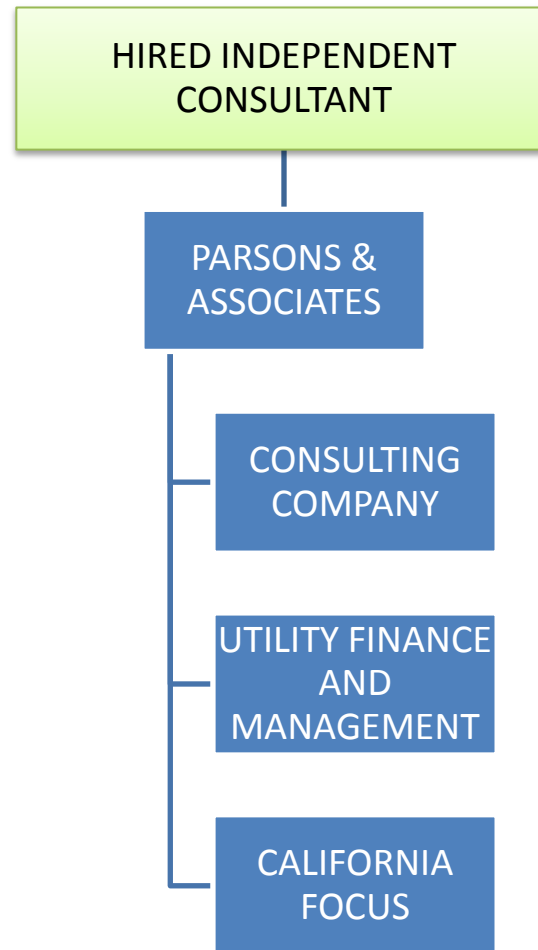
# WHAT PROMPTED RATE STUDY?

FISCAL RESPONSIBILITY

CREATE STANDARDIZED  
RATE SCHEDULE

IMPLEMENT RATES IN  
AN EQUITABLE MANNER

# STEPS FOLLOWED



# Joy Parsons

St. Mary's College, BA, Management, 1977

## Technical Specialties

- Rate Studies
- Connection Fee Studies & Proposition 218 & Government Code Compliance
- Wastewater & Water Rate Structure
- Reserve Fund Analysis
- Assessment District Financing
- Revenue Bond Issues
- Master and Capital Improvement Plan Financing Options
- Operation, Maintenance, and Replacement Forecasting



# Joy Parsons

## Publications and Presentations

- “How To Avoid Rate Shock: Getting it Right the First Time” – Seminar, April 1995
- Utility Financing “Getting It Right”- 3 hour presentation, January 1994
- Water and Wastewater Rates – Presentation, January 1993
- Cost of Wastewater Treatment – Presentation, Nov 1991
- Wastewater Service Survey 1991 – Publication, Spring 1991
- Water Rates in CA Are Changing As We Speak – Publication, December 1991
- Water Charge Survey, California, October 1991 – Compiled Survey
- Wastewater Service Survey, California, January 1991 – Compiled Survey

# Parsons and Associates

Founded in 1993 by Joy D. Parsons

Specialize in  
Water and Wastewater Rates & Impact Fees

Completed more than 140 assignments over  
past 30 years

Clients include county governments,  
municipalities, public districts, and private  
industry

# Joy Parsons

## Clients with Similar Rate Studies

City of Lakeport

Delta Diablo Sanitation District

City of Lodi

City of Belmont

City of East Palo Alto

City of Clovis

City of San Jose

City of Concord

City of Bakersfield

City of Santa Ana

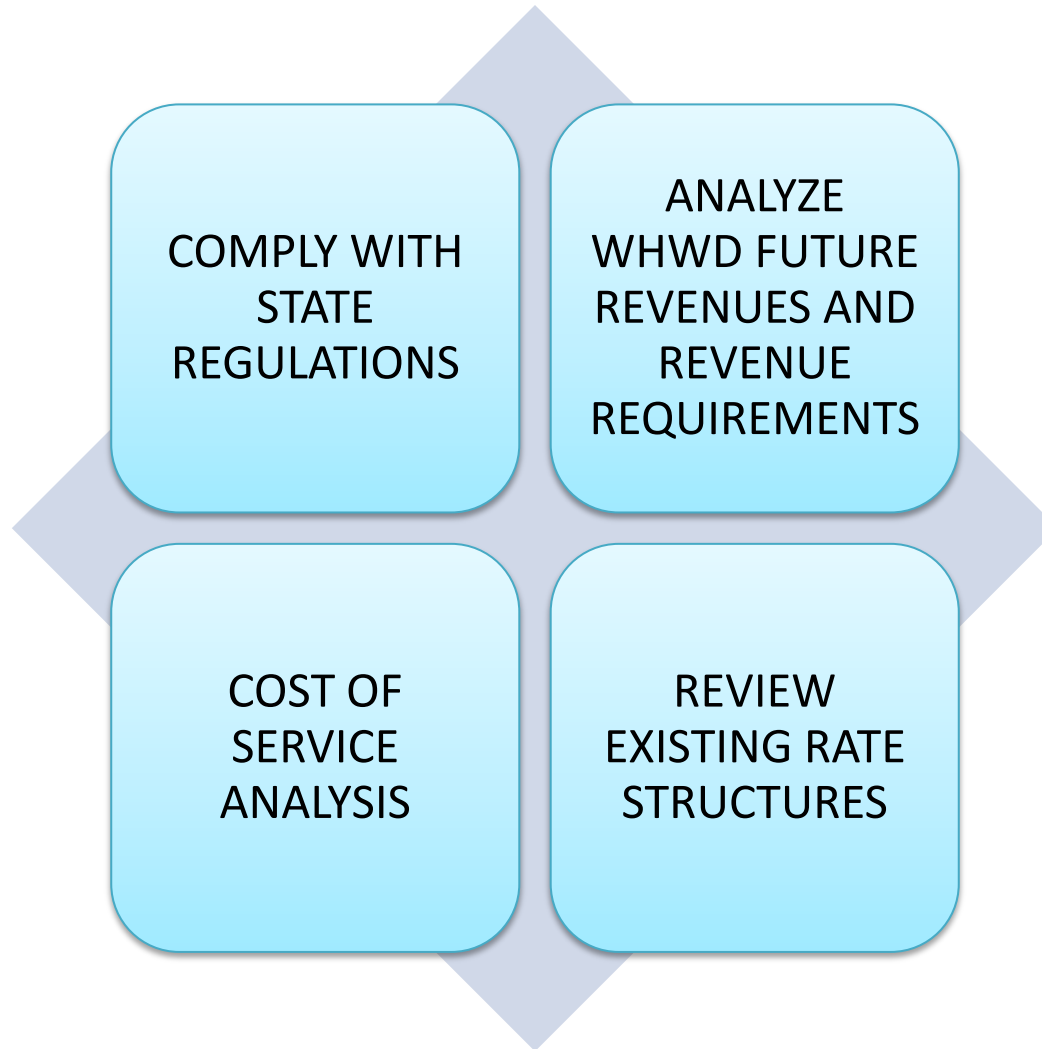
City of Sunnyvale

East Bay Municipal Utility District

City and County of San Francisco

City of Visalia

# OBJECTIVES OF RATE STUDY



# BASIC ASSUMPTIONS

3.5 % INFLATION

NO  
INFRASTRUCTURE  
INVESTMENT

NO DEBT SERVICE

OBJECTIVE:  
STATUS QUO

# Findings & Conclusions

	EXISTING	PROJECTED (FY 18-19)
CUSTOMER DEMANDS FOR TREATED WATER	104,565,298 GALLONS	161,812,477 GALLONS
RAW WATER SUPPLY COSTS 1,120 AF/YEAR	\$558.59/AF <sup>(1)</sup>	\$789/AF
OPERATING COSTS <sup>(2)</sup>	\$2,055,810 <sup>(3)</sup>	\$3,271,120
ANNUAL REVENUE SHORTFALL IN RAW WATER OPERATIONS	\$627,202	1,083,926
CUMULATIVE SHORTFALL FOR TREATED WATER <sup>(4)</sup>	\$16,558,269	(4)

1) Cost as of 2008

2) For treated water including purchased water

3) For FYE 06-30-09

4) Over the 10 year period. Shortfalls are based on no increases to existing rates

# RAW WATER COSTS

# Raw Water

Costs the District approximately  
\$1,003 per acre foot

- PRICE OF WATER, OVERHEAD AND ADMINISTRATIVE COSTS
- ONLY 44 %

World International loans the  
District O&M funds at 8%

- NO LOAN PAYBACK



# Parson's Recommendations

**Increase the raw water rates from \$875/AF to \$1043/AF in FY 10-11**

Table 5  
Western Hills Water District  
Raw Water Rates  
Cost of Service Rates

Year	Cost (\$/AF)
FY 09-10	1,003
FY 10-11	1,043
FY 11-12	1,084
FY 12-13	1,126
FY 13-14	1,169
FY 14-15	1,214
FY 15-16	1,260
FY 16-17	1,308
FY 17-18	1,357
FY 18-19	1,408

# Reserve Funds

Reserve accounts set up an annual amount of funds for:

- Replacement of aging equipment
- Pay for unforeseen expenses, etc.
- Helps stabilize rates because smaller amounts are required

Presently there are no Reserve funds

# Sewer Rates

# Wastewater Funds

Existing wastewater charges total \$30.00/month-  
(\$25.00 for sewer  
\$5.00 for storm drain)

\$39.54/month paid to the City of Patterson for wastewater treatment and disposal costs

## NET RESULT:

- WHWD LOSES \$10.00 per month per user before administrative costs

# WHWD'S WASTEWATER RATES HAVE NOT INCREASED 2005 - 2009

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
City of Patterson (Billed to WHWD)	\$ 27.08	\$30.87	\$35.19	\$37.31	\$39.54
WHWD (Billed to Homeowners)	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00

**WASTEWATER LOSSES  
(DOESN'T INCLUDE ADMINISTRATIVE COSTS OR COLLECTION SYSTEM COSTS)**

	<u>Billed</u>		<u>Hookups</u>	
Patterson to WHWD *	\$39.54	x	392	= \$15,499.68/mo

WHWD to homeowners	<u>\$30.00</u>	x	392	= <u>\$11,760.00/mo</u>
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**MONTHLY LOSS = \$ 3,739.68**

**YEARLY LOSS = \$ 44,876.16**

(Before City of Patterson's Proposal Waste Increase for 2010)

## Summary of Rate Increases for Wastewater

	<b>Current Rate per month</b>	<b>Proposed Immediate Rate Increase</b>	<b>2010-11 Rate per month</b>	<b>2011-12 Rate per month</b>	<b>2012-13 Rate per month</b>	<b>2013-14 Rate per month</b>	<b>2014-15 Rate per month</b>
City of Patterson Wastewater Charges	\$25.00 (1)	\$39.54	\$42.71 (2)	\$46.13 (2)	\$49.82 (2)	\$52.80 (2)	\$55.97 (2)
District Administration and Collection Cost	---		\$10.87 (3)	\$12.16 (3)	\$14.50 (3)	\$13.61 (3)	\$12.88 (3)
<b>Total</b>	<b>\$25.00</b>		<b>\$53.58</b>	<b>\$58.29</b>	<b>\$64.32</b>	<b>\$66.41</b>	<b>\$68.85</b>

1. Cost to WHWD is \$39.54—We charge \$25.00 per month

3. District proposed Administration and Collection charges. The term “Collection” here refers to the maintenance of the collector pipelines from each hookup to the pipeline taking sewage from Diablo Grande to the City of Patterson.

# TREATED WATER



# Comparative Water Rates

County	City/Agency	Water Provider	2006 Charges per month	2010 Charges per month
Contra Costa	Pittsburg	Golden State Water Company	\$68.87	\$79.03
Humboldt	Ferndale	Del Oro Water Co.	\$69.08	\$79.27
Imperial	Calexico	City of Calexico	\$68.38	\$78.47
San Mateo	Hillsborough	Town of Hillsborough	\$66.75	\$76.60
San Mateo	Woodside	Skyline County Water District	\$130.90	\$150.21
Santa Barbara	Goleta	Goleta Water District	\$70.96	\$81.43
Santa Barbara	Montecito	Montecito Water District	\$79.35	\$91.06
Santa Barbara	Santa Barbara	City of Santa Barbara	\$68.81	\$78.96
Santa Cruz	Felton	California American Water Company	\$99.24	\$113.88
Stanislaus	WHWD	Western Hills Water District	\$53.33	\$173.13
<i>Average</i>			<i>\$77.57</i>	<i>\$100.20</i>

Note: the rate comparison this is a small sampling – see Appendix A for the complete survey. The inflated monthly charges are based on 3.5 percent per year.

All charges are based on a usage of 11,000 gallons per month, including Western Hills Water District (Diablo Grande's residential customer average approximately 9,800 gallons per month)

# Comparative Water Rates

- Cities with Populations of 1,000 or Less and Charges Greater than \$60/month

Agency	Monthly User Charge 2005 (\$)	Monthly User Charge Estimate 2010 (\$)
Amador Water Agency-Eagles Nest, Fairway Pines, Gayla Manor, Jackson Pines, Surrey Junction, Tiger Creek Estates, Viewpoint Estates, Wildwood Estates,	73.50	82.29
Amador Water Agency-Pine Grove	89.00	105.70
Bridgeport P.U.D.	78.54	93.28
Burlingame Hills Wastewater Maintenance District	67.67	80.37
Byron Sanitary District	61.20	72.69
Castroville Water District – Zone 2	111.67	132.63

Agency	Monthly User Charge 2005 (\$)	Monthly User Charge Estimate 2010 (\$)
Contra Costa County Water District	92.08	109.36
Donner Summit P.U.D.	100.00	118.77
Forestville W. D. Central Forestville	83.17	98.78
County of Fresno-Monte Verdi	81.00	96.20
Golden Valley Municipal Water District	126.00	149.65
Lake Berryessa Resort Improvement District	90.00	106.89
Lake Canyon C.S.D.	75.00	89.08
County of Los Angeles-Malibu CSMD	149.00	176.97
County of Los Angeles-Trancas CSMD	231.92	275.45

<b>Agency</b>	<b>Monthly User Charge 2005 (\$)</b>	<b>Monthly User Charge Estimate 2010 (\$)</b>
County of Madera-Chukchansi	116.00	137.77
County of Madera-Goldside Estates	63.93	75.93
County of Madera-Summer Hill	60.33	71.65
Mendocino County Waterworks Dist. #2	134.00	159.15
Napa River Reclamation Dist No. 2109	95.75	113.72
Nevada County San Dist. #1- Cascade Shore	166.25	197.45
Nevada County San Dist. #1-Dark Horse	129.17	153.41
Nevada County San Dist. #1- Higgins Village	139.58	165.78
Nevada County San Dist. #1-Penn Valley	79.17	94.03
Nevada County San Dist. #1-Valley Oak Co	133.33	158.35
Occidental County S. D.	99.08	117.68
Palmer Creek C.S.D.	60.00	71.26

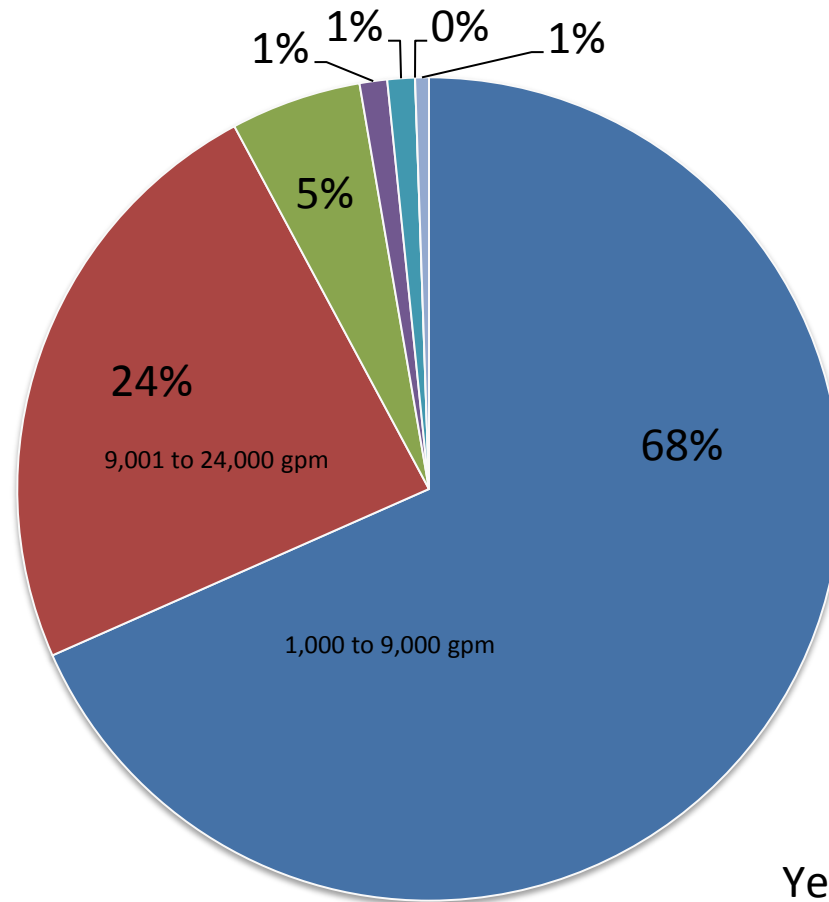
<b>Agency</b>	<b>Monthly User Charge 2005 (\$)</b>	<b>Monthly User Charge Estimate 2010 (\$)</b>
Pauma Valley C.S.D.	63.00	74.82
County of Placer-Applegate	77.06	91.52
River Highlands C.S.D.	120.00	142.52
County of Santa Cruz-Davenport	112.03	133.06
County of Santa Cruz-Graham Hill	79.12	93.97
County of Santa Cruz-Place de Mer	76.65	91.04
County of Santa Cruz-Rolling Woods	180.28	214.12
County of Santa Cruz-Sand Dollar	131.42	156.09
County of Santa Cruz-Trestle Beach	177.10	210.34
<b>Average of Those on List</b>	<b>100.72</b>	<b>129.05</b>

# Rate Increase

# Summary of Rate Increases for Treated and Raw Water

	<b>Current Rate</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Residential Water Use Charge	\$35 per month plus \$1.25 for every 750 gallons	\$37.50 per month plus \$9.25 per 750 gallons	\$51.00 per month plus \$10.19 per 750 gallons	\$65.00 per month plus \$11.72 per 750 gallons	\$65.00 per month plus \$11.91 per 750 gallon	\$65.00 per month plus \$11.82 per 750 gallons
Commercial Water Use Charge	\$1.25 for every 750 gallons	\$37.50 per month plus \$10.81 per 750 gallons	\$51.00 per month plus \$12.36 per 750 gallons	\$65.00 per month plus \$14.84 per 750 gallons	\$65.00 per month plus \$14.72 per 750 gallons	\$65.00 per month plus \$14.64 per 750 gallons
Raw Water	\$ 875.00 per acre-foot	\$ 938.00 per acre-foot	\$ 1030.00 per acre-foot	\$ 1126.00 per acre-foot	\$ 1169.00 per acre-foot	\$ 1214.00 per acre-foot

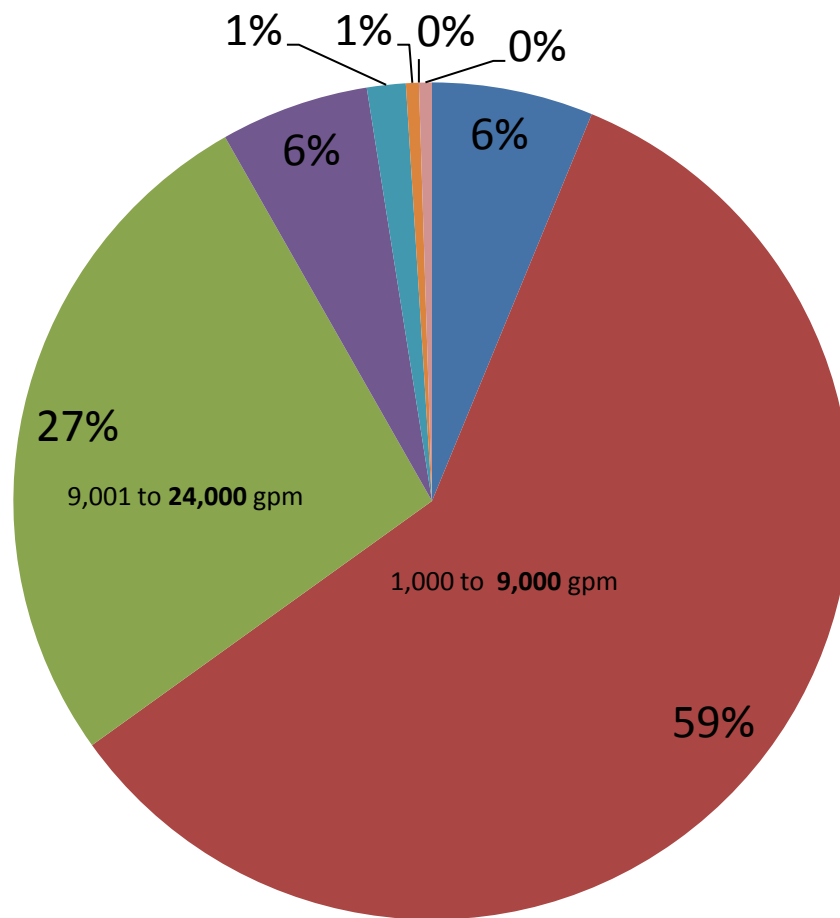
# WHWD WATER CONSUMERS



Year 2009



# WHWD WATER CONSUMERS



July 2009 - June 2010

# Average User of Water Per Month

Sample of water bill with average usage of 9,420 gpm

Including rates today and next 3 years

Water, Wastewater and Storm Drain:

WESTERN HILLS WATER DISTRICT Water, Sewer and Storm Drain Calculator					
Variables:	# of Gallons	Residential Customers			
Gallons of Water	9,420	Current Rate	2010-11	2011-12	2012-13
Basic Water Charge		35.00	37.50	51.00	65.00
Cost/750 gallons		15.70	116.18	127.99	147.20
Sewer		25.00	53.58	58.29	64.32
Storm Drain		5.00	5.00	5.00	5.00
<b>Total Cost</b>		<b>80.70</b>	<b>212.26</b>	<b>242.28</b>	<b>281.52</b>

# **Impact on WHWD without Rate Increase**

# Questions

- IS BUDGET INCREASE TO REPAY WORLD INT?
  - NO, THE BUDGET HAS NOT CONSIDERED REPAYMENT, PRINCIPAL NOR INTEREST
- IS INCREASE IN RATES TO SUBSIDIZE GOLF COURSES?
  - NO, THERE IS NO RELATION WITH WESTERN HILLS WATER DISTRICT AND THE GOLF COURSES.

# THE CHOICE & CONSEQUENCES

# Impact of Failure to Act

Increase  
in Misc  
fees

Less  
personnel  
staff

Inability  
to  
operate

Negative  
effect on  
the  
quality of  
water

No  
reserved  
funds for  
future  
repairs

Mounting  
of  
external  
debt

# **NEXT STEPS: COMMUNITY INPUT**

# HOMEOWNER'S WATER AND WASTEWATER RATE STUDY

## **Objective:**

To make recommendation to WHWD regarding future homeowner water rates.



# TIMETABLE OF EVENTS

## **Ad hoc committee of homeowners (Committee) will:**

- Review the 6/10/10 Patrick Garvey engineer's report of 6/10/10.
- Review the 5/7/10 Water and Wastewater Rate Study by Parson's & Associates.
- Review original and current projections of growth of homes in Diablo Grande.
- Review the current metering method and adequacy of same.
- Review current and last 3 yrs raw water purchase data.
- Review most recent and past 3 yrs revenue and expense reports.
- Review the state regulations regarding homeowner use charges.
- Review current and last 3 yrs usage of raw water and treated water.
- Meet with Patterson water/wastewater officials as required.
- Review other documents and personnel as required.

# MILESTONES

- Name core members of Committee by 7/16/10.
- Recruit and name additional (talented) members of Committee by 7/21/10.
- Committee to meet, set strategy, action plan, and assignments by 7/25/10.
- Status meeting and strategy review 1 by 8/8/10.
- Status meeting and strategy review 2 by 8/15/10.
- Status meeting and strategy review 3 by 8/22/10.
- Status meeting and strategy review 4 by 8/29/10
- Status meeting and strategy review 5 by 9/5/10
- Status meeting, strategy review 4 & commission final report by 9/12/10.
- Final report with recommendations completed by 9/15/10.