



Dedicated to Providing High-Quality Water Service in a Cost-Effective and Environmentally Sensitive Manner

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MEMBER AGENCY OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Glen D. Peterson

MWD Representative

THIS MEETING WILL BE CONDUCTED PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDER, N-29-20, WHICH SUSPENDS CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT TO SUPPORT SOCIAL DISTANCING GUIDELINES ASSOCIATED WITH RESPONSE TO THE CORONAVIRUS (COVID-19) PANDEMIC. BOARD MEMBERS AND STAFF MAY PARTICIPATE IN THE MEETING BY TELECONFERENCE. THE PUBLIC IS STRONGLY ENCOURAGED TO PARTICIPATE ELECTRONICALLY AT www.lvmwd.com/LiveStream.

Call and Notice of Special Meeting of the Board of Directors of Las Virgenes Municipal Water District

A Special Meeting of the Board of Directors of Las Virgenes Municipal Water District is hereby called and notice of said Special Meeting is hereby given for **9:00 a.m. on Tuesday, November 10, 2020**, at 4232 Las Virgenes Road, Calabasas, CA 91302, to consider the following:

1. Call to Order and Roll Call
2. Special Meeting of November 10, 2020 (Agenda attached)
3. Adjournment

By Order of the Board of Directors
JAY LEWITT, President

DocuSigned by:

Josie Guzman

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Josie Guzman, MMC
Deputy Secretary of the Board

c: Each Director

Dated: November 5, 2020



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

AGENDA
SPECIAL MEETING
November 10, 2020, 9:00 AM

Public Participation for Meetings of Las Virgenes Municipal Water District Board of Directors in Response to COVID-19

On March 4, 2020, Governor Newsom proclaimed a State of Emergency in California as a result of the threat of COVID-19. On March 17, 2020, Governor Newsom issued Executive Order N-29-20 (superseding the Brown Act-related provisions of Executive Order N-25-20 issued on March 12, 2020), which allows a local legislative body to hold public meetings via teleconferencing and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and to address the local legislative body. Pursuant to Executive Order N-29-20, please be advised that members of the Las Virgenes Municipal Water District will participate in meetings telephonically.

PUBLIC PARTICIPATION: Pursuant to Executive N-29-20 and given the current health concerns, members of the public can access meetings live on-line, with audio and limited video, at www.LVMWD.com/LiveStream. In addition, members of the public can submit comments electronically for consideration by sending them to www.LVMWD.com/LiveStream. To ensure distribution to the members of the Las Virgenes Municipal Water District Board of Directors prior to consideration of the agenda, please submit comments 24 hours prior to the day of the meeting. Those comments, as well as any comments received during the meeting, will be distributed to the members of the Board of Directors and will be made part of the official public record of the meeting. Contact Josie Guzman, Executive Assistant/Clerk of the Board, at (818) 251-2123 or jguzman@lvmwd.com with any questions.

ACCESSIBILITY: If requested, the agenda and backup materials will be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Any person who requires a disability-related modification or accommodation, in order to observe and/or offer public comment may request such reasonable modification, accommodation, aid, or service by contacting the Executive Assistant/Clerk of the Board by telephone at (818) 251-2123 or via email to jguzman@lvmwd.com no later than 9:00 AM on the day before the scheduled meeting.

Members of the public wishing to address the Board of Directors are advised that a statement of Public Comment Protocols is available from the Clerk of the Board. Prior to speaking, each speaker is asked to review these protocols, complete a speakers' card, and hand it to the Clerk of the Board. Speakers will be recognized in the order the cards are received. A live webcast of the meeting will be available at LVMWD.com. Also, a web-based version of the speaker card is available for those who would like to submit written comments electronically or request to make public comment by telephone during the meeting.

The Public Comments agenda item is presented to allow the public to address the Board on matters not on the agenda. The public may also present comments on matters on the agenda; speakers for agendized items will be recognized at the time the item is called up for discussion.

Materials prepared by the District in connection with the subject matter on the agenda are available for public inspection at 4232 Las Virgenes Road, Calabasas, CA 91302. Materials prepared by the District and distributed to the Board during this meeting are available for public inspection at the meeting or as soon thereafter as possible. Materials presented to the Board by the public will be maintained as part of the records of these proceedings and are available upon request to the Clerk of the Board.

PLEDGE OF ALLEGIANCE

1 CALL TO ORDER AND ROLL CALL

2 APPROVAL OF AGENDA

3 PUBLIC COMMENTS

Members of the public may now address the Board of Directors **ON MATTERS NOT APPEARING ON THE AGENDA**, but within the jurisdiction of the Board. No action shall be taken on any matter not appearing on the agenda unless authorized by Subdivision (b) of Government Code Section 54954.2

4 FINANCE AND ADMINISTRATION

A 2020 Rate Study: Cost of Service Analysis and Proposed Rates (Pg. 5)

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

5 ADJOURNMENT

Pursuant to Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and applicable federal rules and regulations, requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting, should be made to the Executive Assistant/Clerk of the Board in

advance of the meeting to ensure availability of the requested service or accommodation. Notices, agendas, and public documents related to the Board meetings can be made available in appropriate alternative format upon request.



November 10, 2020 LVMWD Regular Board Meeting

TO: Board of Directors

FROM: Finance & Administration

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

SUMMARY:

The District contracted with Raftelis Financial Consultants, Inc. (Raftelis) to complete a financial review, cost of services analysis and rate study for its three enterprises. On August 18, 2020, staff and Raftelis representatives provided the Board with a presentation on the results of the financial analysis. Based on input received from the Board, Raftelis completed a draft cost of service study for the District's potable water, recycled water and sanitation systems. In addition, Raftelis developed proposed rates that are designed to support the District's operational needs for calendar years 2021 through 2025. At the meeting, staff and Raftelis representatives will review the draft cost of service study and proposed rates. Attached for reference are copies of the presentation materials for the meeting and draft frequently asked questions that are proposed for use in the public outreach process.

RECOMMENDATION(S):

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

FISCAL IMPACT:

Yes

ITEM BUDGETED:

Yes

FINANCIAL IMPACT:

Completion of the rate setting process is a key element to ensuring that the District's financial needs are met for the next five-year period of 2021 through 2025.

DISCUSSION:

On August 6, 2019, the Board awarded a professional services agreement to Raftelis Financial Consultants, Inc. (Raftelis) to complete a financial analysis and rate study for the five-year period beginning on January 1, 2021. The contract was awarded well in advance of 2021 to allow for coordination of the rate process and preparation of the District's 10-year Infrastructure Investment Plan.

On July 21, 2020, the Board approved the following guiding principles for the current rate study to ensure that the District is able to provide reliable water and sanitation services to customers, while supporting water-use efficiency as a California way of life.

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

On August 18, 2020, Raftelis presented to the Board on the results of the financial review and revenue requirements necessary to accomplish the guiding principles, planned operations and maintenance activities and the next five-years of the Infrastructure Investment Plan. Raftelis presented the following three scenarios for each enterprise, which were designed to meet the revenue requirements over the next five-years:

- Scenario No. 1 – level revenue adjustments over the five-year period.
- Scenarios No. 2 – deferral of revenue adjustments until 2022, except for the pass through of additional wholesale water costs.
- Scenario No. 3 – a hybrid approach with lower revenue adjustments in 2021, followed by level revenue adjustments for 2022 through 2025.

The Board directed staff to focus the rate development on Scenarios Nos. 1 and 3 for the Potable Water and Sanitation Enterprises and on Scenario No. 1 for the Recycled Water Enterprise. The Board also expressed support for a recommendation to modify commercial water budgets to be 100% of the three-year average and reduce the number of tiers for commercial accounts to three: efficient, inefficient and excessive.

At the meeting, Raftelis will present the Board with the results of the draft cost of service analysis and proposed rates based on the selected scenarios. Raftelis will also present a recommendation to modify the Readiness to Serve Charge for the Recycled Water Enterprise to match the Potable Water Enterprise with respect to cost recovery percentage as a result of the new cost of service analysis.

Following is a summary of the next steps for rate study process:

- December 15, 2021 – Submit Cost of Service Analysis report to Board and set a public hearing.
- Late December through January 31, 2021 – Conduct public outreach on the proposed rates.
- February 2, 2021 – Hold public hearing.

- March 1, 2021 – Implement new rates (future adjustments would be proposed to occur on January 1st of each subsequent year).

Prepared by: Donald Patterson, Director of Finance and Administration

ATTACHMENTS:

Staff Presentation
Raftelis Presentation
Draft FAQs

Cost of Service & Proposed Rates 2021-2025

November 10, 2020



Las Virgenes Municipal Water District
www.LVMWD.com

Elements of Rate study

- **Financial Plan – Completed**
- **Cost of Service Analysis - Completed**
- **Develop Rates – Board Review November 10**
- Set Public Hearing/Receive Cost of Service Report – December 15, 2020
- Public Workshops – January 2021
- Public Hearing – February 2, 2021
- Rates Effective – March 1, 2021, then each January
- Annual Confirmation of Rates – 2022 through 2025



Previous Board Actions

- Approval of Guiding Principals – July 21, 2020
 1. Maintain a rate structure that is fair and equitable across customer classes.
 - a) 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.



Previous Board Actions

- Change in Commercial Budgets – July 21, 2020
 - Change from 90% of 3-year rolling average to 100% of 2-year rolling average.
 - Reduce from 4 to 3 tiers:
 - Efficient
 - Inefficient
 - Excessive
 - Conduct additional outreach and develop commercial specific programs to promote efficiency.

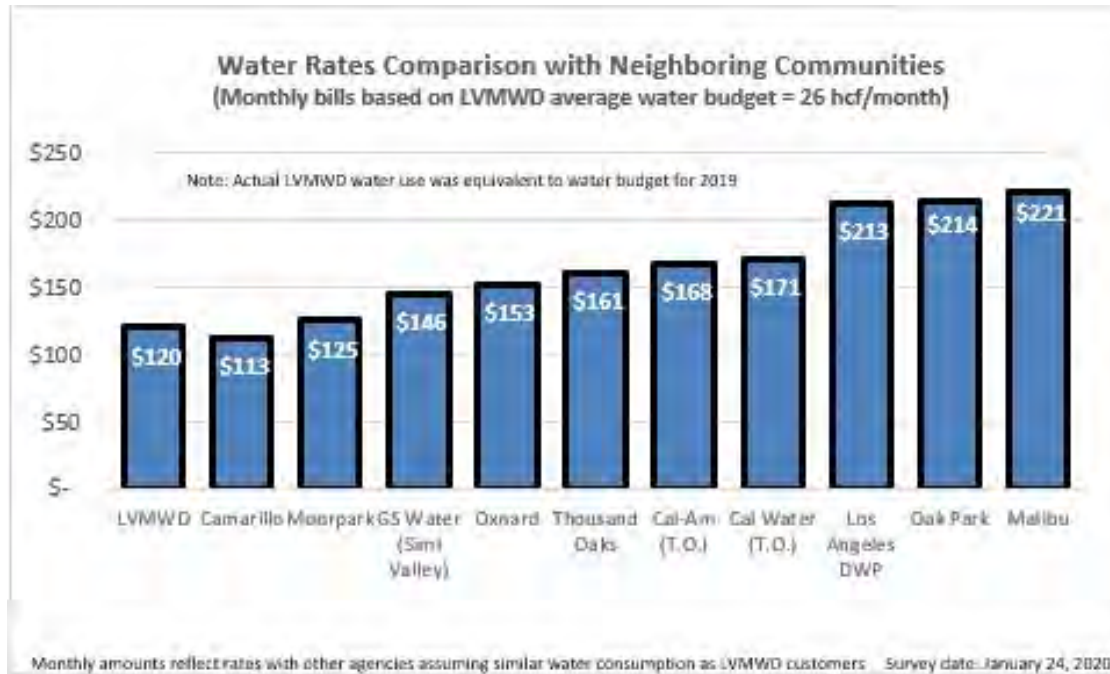


Previous Board Actions

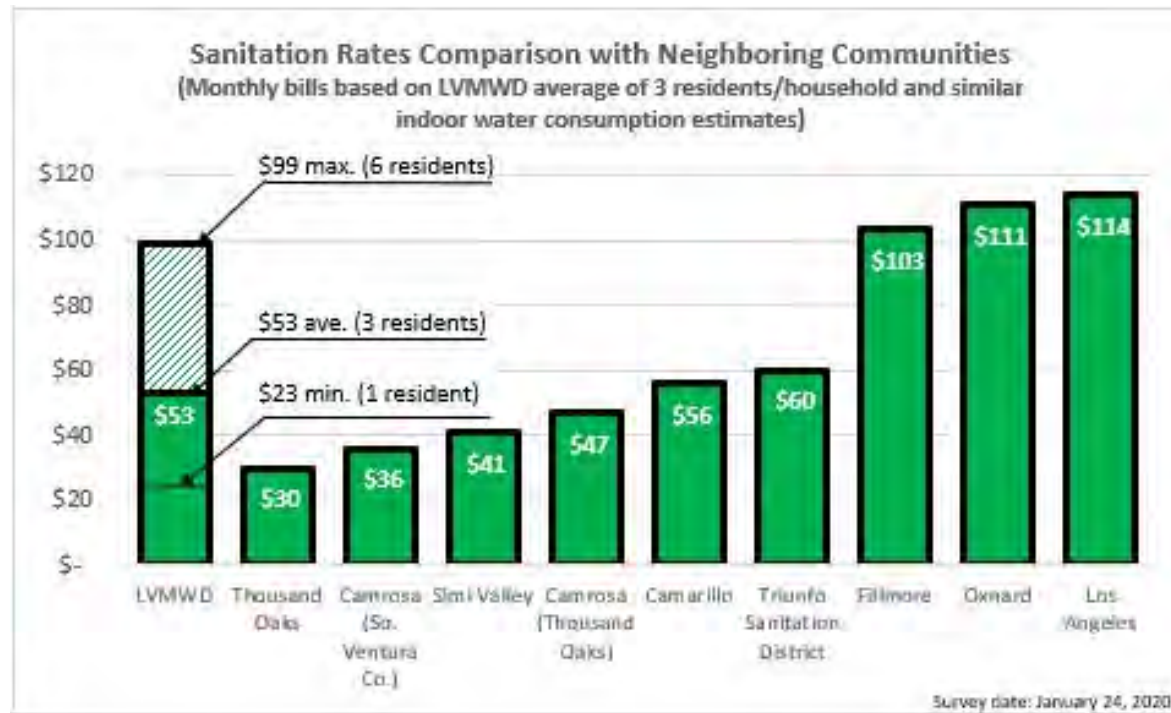
- Review of Financial Plan – August 18, 2020
 - Reviewed Results of the Financial Plan and 3 Rate Scenarios:
 1. Even adjustments over 5 years.
 2. Defer 2021 adjustments, then even over 4 years.
 3. Lower adjustments in 2021, followed by 4 years of even adjustments
 - Directed staff to bring back:
 - Scenarios 1&3 for Potable Water and Sanitation
 - Scenario 1 for Recycled Water



2020 Base Line Comparison



2020 Base Line Comparison



Approved 2021 Adjustments

<u>Agency</u>	<u>Water</u>	<u>Sewer</u>
TWSD*	6.00%	15.00%
Simi Valley*	3.50%	7.85%
Camarillo	0.00%	2.00%
Santa Barbara	0.00%	5.00%
Thousand Oaks*	1.00%	1.00%
Ventura	8.00%	8.00%
Santa Monica	18.00%	10.00%
Glendale	1.50%	3.50%
Camrosa	4.00%	7.00%
Average	4.67%	6.59%
<i>LVMWD Proposed 2021*</i>	<i>2.5% or 5.0%</i>	<i>2.5% or 3.75%</i>

* = plus pass through



Today's Meeting

- Review Cost of Service Results
- Provide direction on rate scenario for Potable Water and Sanitation
 1. Even adjustments over 5 years.
 2. Lower 1st year adjustment, then even over 4 years.



Elements of Rate study

- **Financial Plan – Completed**
- **Cost of Service Analysis - Completed**
- **Develop Rates – Completed**
- **Set Public Hearing/Receive Cost of Service Report – December 15, 2020 – NEXT STEP**
- Public Workshops – January 2021
- Public Hearing – February 2, 2021
- Rates Effective – March 1, 2021, then each January
- Annual Confirmation of Rates – 2022 through 2025



Las Virgenes Municipal Water District

Board Workshop

November 10, 2020



Key Legislation in California Affecting Water Rates

- **Cost of Service Requirements**

- › Proposition 218 (Article XIIC and XIID of California Constitution)
- › Proposition 26
- › California Government Code 54999

- **Water Conservation**

- › Article X of California Constitution
- › SB 606 + AB 1668: calculated efficiency and reporting
- › SWRCB Self Certification: three years of adequate supplies

CASE STUDY

City of San Juan Capistrano

CTA vs. City of SJC

- Rate payers (Capistrano Taxpayer Association, CTA) sued the City of San Juan Capistrano over its water budget rate structure
- The Orange County Appellate Court ruled that the rates did not meet the proportionality requirement in August 2013

Key Factors

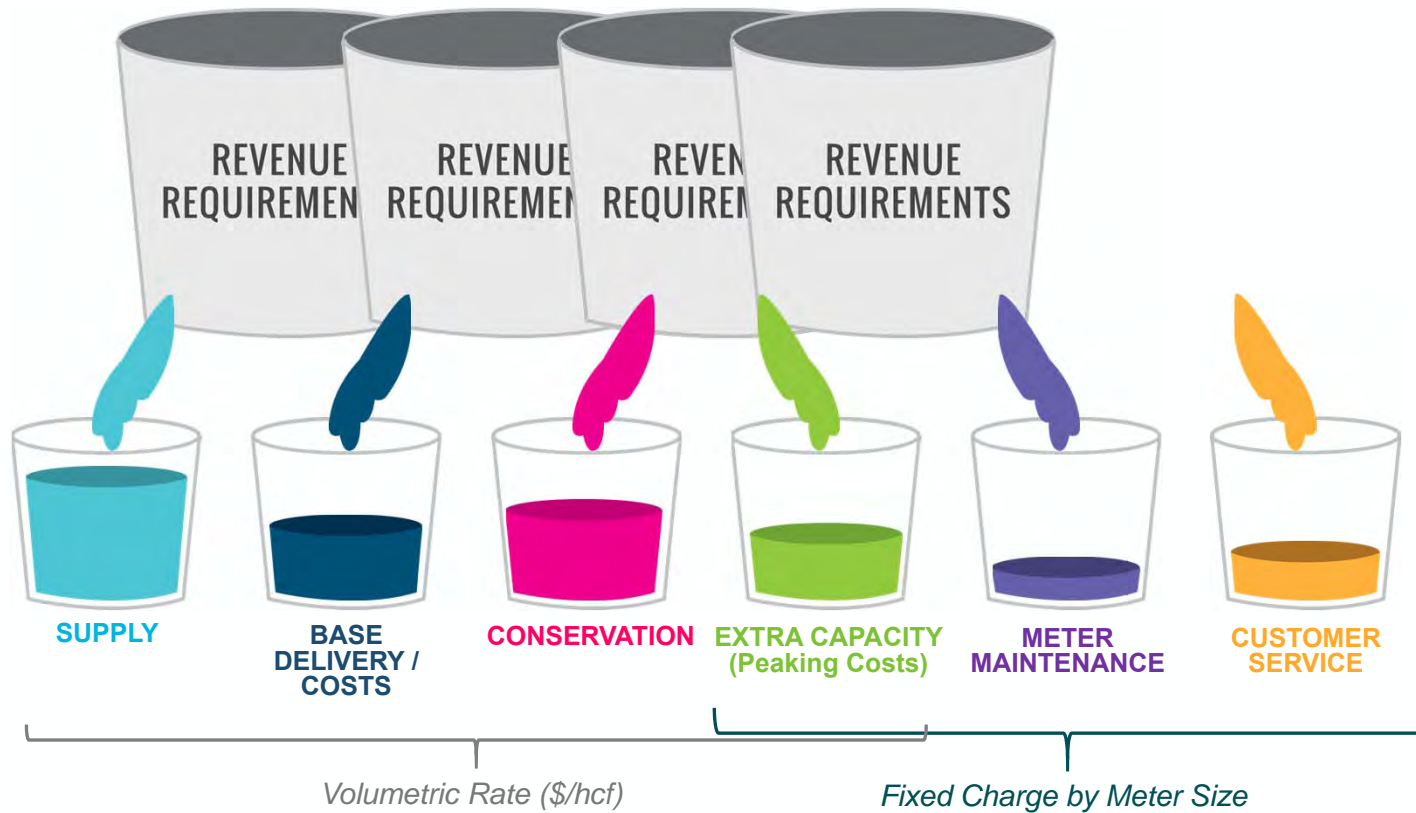
- Lack of administrative record (report)
- City used multipliers to justify the tiered rates without any record of an underlying cost rationale

San Juan Capistrano Ruling

- There must be a nexus between the cost of providing service and the rates charged to customers
- This nexus needs to be clearly shown in the administrative record (report)
- Show your work!

Cost of Service

Allocation to Cost Components



Distribute Costs to Customer Classes



SUPPLY
Use



DELIVERY COSTS
Use: Same for All
Classes



CONSERVATION
Distributed to
High Vol Users



**EXTRA CAPACITY
(PEAKING)**
Peaking Factors or
Meter Cap Ratios



**METER
MAINTENANCE**
Meter Size



**CUSTOMER
SERVICE**
of Cust Bills



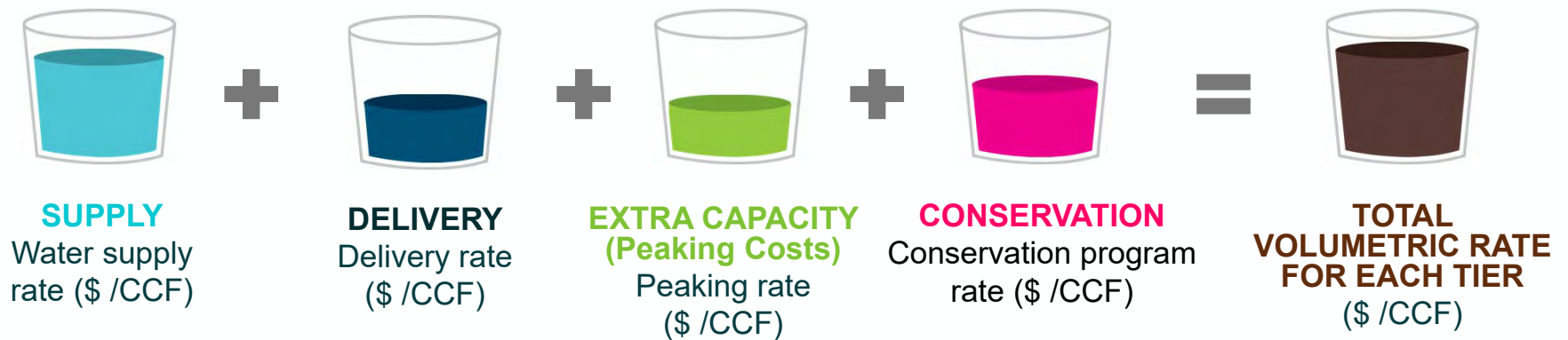
Distribute Costs to Each Class

CUSTOMER CLASSES
Cost to Serve Each Class
(Single Family, Multi-family, Commercial etc.)

Rate Design

Commodity Rate Derivation

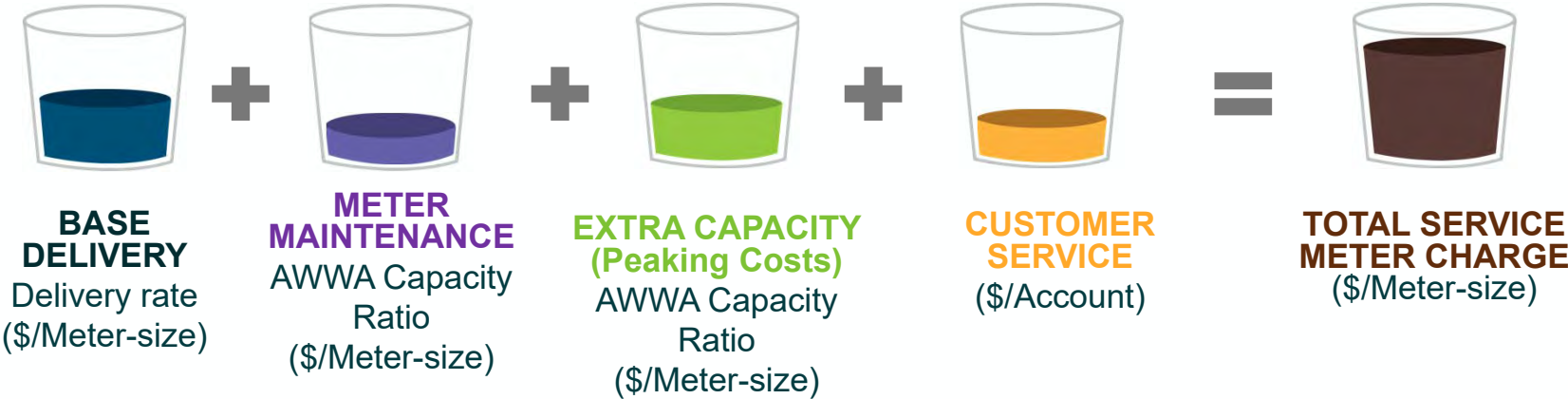
To calculate commodity rates, we combine the unit (\$/CCF) costs of water supply, water delivery, peaking/capacity costs and conservation costs



Rate Design

Service Meter Charge Derivation

To calculate service meter charges, we combine the costs of base delivery, meter maintenance, extra capacity and customer service



Potable Water



Three Major Components of the Water Bill

- Monthly Readiness to Serve Charge based on Meter Size
- Elevation Charge based on power to pump water to higher locations
- Commodity Charge

Cost of Service Rates Fixed Charge Components

- No Revenue Adjustment
- Increase Fixed Charge Recovery from 50% to 52% of total fixed cost

Monthly RTS	B&CS	Meters & Capacity	Revised COS	Current	% Change	\$ Change
3/4"	\$2.33	\$31.82	\$34.15	\$33.72	1.3%	\$0.43
3/4" x 1"	\$2.33	\$31.82	\$34.15	\$33.72	1.3%	\$0.43
1"	\$2.33	\$53.04	\$55.37	\$54.97	0.7%	\$0.40
1 1/2"	\$2.33	\$106.07	\$108.40	\$108.07	0.3%	\$0.33
2"	\$2.33	\$169.72	\$172.05	\$171.80	0.1%	\$0.25
2 1/2"	\$2.33	\$371.25	\$373.59	\$373.61	0.0%	-\$0.02
3"	\$2.33	\$371.25	\$373.59	\$373.61	0.0%	-\$0.02
4"	\$2.33	\$668.26	\$670.59	\$671.00	-0.1%	-\$0.41
6"	\$2.33	\$1,697.16	\$1,699.49	\$1,701.28	-0.1%	-\$1.79
8"	\$2.33	\$2,970.03	\$2,972.36	\$2,975.84	-0.1%	-\$3.48
10"	\$2.33	\$4,455.04	\$4,457.38	\$4,462.83	-0.1%	-\$5.45

Cost of Service Elevation Charges

- No Revenue Adjustment
- Based on average energy costs to pump water to higher elevation zones and the # of pump stations and tanks serving each zone
- Current rates are based on projected costs that were estimated 2015
 - › Actual costs that occurred are lower than projections

Elevation Charge (\$/hcf)	Projected Sales	Revised COS	Current	% Change	\$ Change
Regular Services					
Zone 1	4,698,384	\$0.00	\$0.00	N/A	\$0.00
Zone 2	2,695,797	\$0.44	\$0.52	-15.4%	(\$0.08)
Zone 3	458,770	\$1.04	\$1.19	-12.6%	(\$0.15)
Zone 4	88,584	\$1.71	\$1.82	-6.0%	(\$0.11)

Residential Tier Definition

- Residential Tiers remain the same as the previous study
 - › 4 Tier System
 - Tier 1: Indoor Budget
 - Tier 2: Outdoor Budget
 - Tier 3: Inefficient (100% -150% of budget)
 - Tier 4: Excessive (Over 150% of budget)

Proposed Commercial Tier Definition

- Commercial Water Budget based on a 2-year rolling average for the same billing period
- Commercial Tiers revised to the following:
 - › 3 Tier System
 - Tier 1: Efficient
 - Tier 2: Inefficient (100% -150% of budget)
 - Tier 3: Excessive (Over 150% of budget)

Tiered Rate Rationality

Rate Components	Description
Base Power	To recover power costs to produce and deliver potable water to base zone
Water Supply	To recover potable water supply costs using the following supply allocation: 1. Blended MWD Tier 1 water and other local purchases to meet Tiers 1, 2 and 3 demand for regular services 2. MWD Tier 2 to meet Tier 4 demand and temporary services
Delivery	To recover remaining base water system costs (costs to meet average daily flow)
Peaking Costs	To recover remaining peak water system costs (costs to meet peak hour, peak day and peak season)
Conservation	To recover the District's conservation program costs from inefficient and excessive usage (Tiers 3 and 4)
Revenue Offsets	To provide affordability for essential usage, ad valorem property tax revenues are dedicated to offset essential and efficient use (Tiers 1 & 2) revenue requirements.

MWD Pass Thru Costs Derivation

- Based on the Incremental Increase in Water Supply Costs for LVMWD
 - › Consistent with prior study methodology

	2020	2021
Source of Supply	\$24,007,931	\$25,225,948
Total Water Usage (HCF)	7,941,536	7,954,409
Cost per HCF	\$3.02	\$3.17
Incremental Pass Thru Rates		\$0.15

Cost of Service Variable Charge Components

- No Revenue Adjustment
- Conservation Audit is \$55,000 spread through the three Commercial Tiers

Commodity Charge (\$ / hcf)	Base Power	Water Supply	Delivery	Peaking	Conservation	Rev Offset	Revised COS	Current	\$ Change
Zones 1 - 4									
Tier 1	\$0.05	\$2.44	\$0.47	\$0.09	\$0.00	(\$0.21)	\$2.84 /hcf	\$2.85	(\$0.01)
Tier 2	\$0.05	\$2.44	\$0.47	\$0.83	\$0.00	(\$0.21)	\$3.58 /hcf	\$3.50	\$0.08
Tier 3	\$0.05	\$2.44	\$0.47	\$1.18	\$0.07	\$0.00	\$4.21 /hcf	\$4.20	\$0.01
Tier 4	\$0.05	\$2.76	\$0.47	\$1.38	\$0.65	\$0.00	\$5.32 /hcf	\$5.22	\$0.10
Temporary Services	\$0.05	\$2.76	\$0.47	\$1.38	\$0.65	\$0.00	\$7.98 /hcf	\$7.83	\$0.15
Commercial Tier 1	\$0.05	\$2.44	\$0.47	\$0.59	\$0.07	(\$0.28)	\$3.34 /hcf	N/A	N/A
Commercial Tier 2	\$0.05	\$2.44	\$0.47	\$0.49	\$0.39	\$0.00	\$3.85 /hcf	N/A	N/A
Commercial Tier 3	\$0.05	\$2.76	\$0.47	\$1.97	\$0.72	\$0.00	\$5.98 /hcf	N/A	N/A

Board Revenue Adjustment Options

- Considering 2 Revenue adjustment scenarios:

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Scenario 1	5.0%	5.0%	5.0%	5.0%	5.0%
Scenario 2	2.5%	6.0%	6.0%	6.0%	6.0%

Customer Impact Scenarios



Customer Type

- **Residential:**

- › Zone 1
- › ¾" x 1" Meter
- › Landscape: 4000 sqft

- **Commercial:**

- › Zone 1
- › ¾" x 1" Meter
- › CWB: 100 hcf (Based on average usage)

- **Residential Tiers:**

- › Tier 1: 6.62 hcf
- › Tier 2: 12.17 hcf
- › Tier 3: 28.18 hcf
- › Tier 4: Excessive

- **Commercial Tiers:**

- › Tier 1: 100 hcf
- › Tier 2: 150 hcf
- › Tier 3: Excessive

Residential Monthly Water Bill Scenarios with MWD Pass-through (2021)

Efficient  Average  Excessive

	8 hcf	10 hcf	15 hcf	25 hcf	35 hcf	50 hcf
Current Bill	\$57.42	\$64.42	\$81.92	\$121.27	\$163.27	\$229.37
MWD Pass Thru	\$1.19	\$1.48	\$2.22	\$3.71	\$5.19	\$7.41
Financial Scenario 2.5	\$60.59	\$68.23	\$87.32	\$129.54	\$174.22	\$244.71
Bill Impacts	+\$3.17	+\$3.81	+\$5.40	+\$8.27	+\$10.96	+\$15.34
Financial Scenario 5.0	\$62.03	\$69.85	\$89.39	\$132.63	\$178.42	\$250.62
Bill Impacts	+\$4.61	+\$5.43	+\$7.47	+\$11.37	+\$15.15	+\$21.25

2

Commercial Monthly Water Bill Scenarios with MWD Pass-through (2021)

Efficient  Average  Excessive

	25 hcf	50 hcf	75 hcf	100 hcf	150 hcf	200 hcf
Current Bill	\$104.97	\$187.27	\$274.77	\$362.27	\$572.27	\$782.27
MWD Pass Thru	\$3.71	\$7.41	\$11.12	\$14.82	\$22.23	\$29.65
Financial Scenario 2.5	\$124.47	\$213.92	\$303.38	\$392.83	\$597.74	\$802.66
Bill Impacts	+\$19.50	+\$26.65	+\$28.61	+\$30.56	+\$25.47	+\$20.39
Financial Scenario 5.0	\$127.32	\$218.77	\$310.23	\$401.68	\$611.59	\$821.51
Bill Impacts	+\$22.35	+\$31.50	+\$35.46	+\$39.41	+\$39.32	+\$39.24

2

Rates Option 2 (2.5% Year 1, Then 6.0%)

Five-Year Rate Schedule	FY 2020 Current	FY 2021 2.5%	FY 2022 6.0%	FY 2023 6.0%	FY 2024 6.0%	FY 2025 6.0%
Monthly RTS						
3/4"	\$33.72	\$35.01	\$37.12	\$39.35	\$41.72	\$44.23
3/4" x 1"	\$33.72	\$35.01	\$37.12	\$39.35	\$41.72	\$44.23
1"	\$54.97	\$56.76	\$60.17	\$63.79	\$67.62	\$71.68
1 1/2"	\$108.07	\$111.11	\$117.78	\$124.85	\$132.35	\$140.30
2"	\$171.80	\$176.36	\$186.95	\$198.17	\$210.07	\$222.68
2 1/2"	\$373.61	\$382.93	\$405.91	\$430.27	\$456.09	\$483.46
3"	\$373.61	\$382.93	\$405.91	\$430.27	\$456.09	\$483.46
4"	\$671.00	\$687.36	\$728.61	\$772.33	\$818.67	\$867.80
6"	\$1,701.28	\$1,741.98	\$1,846.50	\$1,957.29	\$2,074.73	\$2,199.22
8"	\$2,975.84	\$3,046.67	\$3,229.48	\$3,423.25	\$3,628.65	\$3,846.37
10"	\$4,462.83	\$4,568.82	\$4,842.95	\$5,133.53	\$5,441.55	\$5,768.05
Commodity Charge (\$/HCF)						
Tier 1	\$2.85	\$3.07	\$3.26	\$3.46	\$3.67	\$3.90
Tier 2	\$3.50	\$3.82	\$4.05	\$4.30	\$4.56	\$4.84
Tier 3	\$4.20	\$4.47	\$4.74	\$5.03	\$5.34	\$5.67
Tier 4	\$5.22	\$5.61	\$5.95	\$6.31	\$6.69	\$7.10
Temporary Services	\$7.83	\$8.33	\$8.83	\$9.36	\$9.93	\$10.53
Commercial Tier 1	N/A	\$3.58	\$3.80	\$4.03	\$4.28	\$4.54
Commercial Tier 2	N/A	\$4.10	\$4.35	\$4.62	\$4.90	\$5.20
Commercial Tier 3	N/A	\$6.28	\$6.66	\$7.06	\$7.49	\$7.94
Elevation Charge (\$/HCF)						
Zone 1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Zone 2	\$0.52	\$0.46	\$0.49	\$0.52	\$0.56	\$0.60
Zone 3	\$1.19	\$1.07	\$1.14	\$1.21	\$1.29	\$1.37
Zone 4	\$1.82	\$1.76	\$1.87	\$1.99	\$2.11	\$2.24

Rates Option 1 (5.0% Each Year)

Five-Year Rate Schedule	FY 2020 Current	FY 2021 5.0%	FY 2022 5.0%	FY 2023 5.0%	FY 2024 5.0%	FY 2025 5.0%
Monthly RTS						
3/4"	\$33.72	\$35.86	\$37.66	\$39.55	\$41.53	\$43.61
3/4" x 1"	\$33.72	\$35.86	\$37.66	\$39.55	\$41.53	\$43.61
1"	\$54.97	\$58.14	\$61.05	\$64.11	\$67.32	\$70.69
1 1/2"	\$108.07	\$113.82	\$119.52	\$125.50	\$131.78	\$138.37
2"	\$171.80	\$180.66	\$189.70	\$199.19	\$209.15	\$219.61
2 1/2"	\$373.61	\$392.27	\$411.89	\$432.49	\$454.12	\$476.83
3"	\$373.61	\$392.27	\$411.89	\$432.49	\$454.12	\$476.83
4"	\$671.00	\$704.12	\$739.33	\$776.30	\$815.12	\$855.88
6"	\$1,701.28	\$1,784.47	\$1,873.70	\$1,967.39	\$2,065.76	\$2,169.05
8"	\$2,975.84	\$3,120.98	\$3,277.03	\$3,440.89	\$3,612.94	\$3,793.59
10"	\$4,462.83	\$4,680.25	\$4,914.27	\$5,159.99	\$5,417.99	\$5,688.89
Commodity Charge (\$/HCF)						
Tier 1	\$2.85	\$3.14	\$3.30	\$3.47	\$3.65	\$3.84
Tier 2	\$3.50	\$3.91	\$4.11	\$4.32	\$4.54	\$4.77
Tier 3	\$4.20	\$4.58	\$4.81	\$5.06	\$5.32	\$5.59
Tier 4	\$5.22	\$5.74	\$6.03	\$6.34	\$6.66	\$7.00
Temporary Services	\$7.83	\$8.53	\$8.96	\$9.41	\$9.89	\$10.39
Commercial Tier 1	N/A	\$3.66	\$3.85	\$4.05	\$4.26	\$4.48
Commercial Tier 2	N/A	\$4.20	\$4.41	\$4.64	\$4.88	\$5.13
Commercial Tier 3	N/A	\$6.43	\$6.75	\$7.09	\$7.45	\$7.83
Elevation Charge (\$/HCF)						
Zone 1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Zone 2	\$0.52	\$0.47	\$0.50	\$0.53	\$0.56	\$0.59
Zone 3	\$1.19	\$1.10	\$1.16	\$1.22	\$1.29	\$1.36
Zone 4	\$1.82	\$1.80	\$1.89	\$1.99	\$2.09	\$2.20

Recycled Water



Proposed Change in Methodology

- Conduct COS for both potable and recycled rates that are independent
 - › Board direction was 8% adjustment each year
 - › Allows us to follow Board direction on revenue adjustments but there is a difference in the fixed charge between potable and recycled

Cost of Service Fixed Charge Components

- Set Fixed Charge Recovery to match Potable at 52%
- No Revenue Adjustments

Meter Size	B&CS	Meters	Revised COS	Current	\$ Change
3/4"	\$2.33	\$26.07	\$28.39	\$33.72	(\$5.33)
3/4" x 1"	\$2.33	\$26.07	\$28.39	\$33.72	(\$5.33)
1"	\$2.33	\$43.45	\$45.77	\$54.97	(\$9.20)
1 1/2"	\$2.33	\$86.89	\$89.22	\$108.07	(\$18.85)
2"	\$2.33	\$139.03	\$141.35	\$171.80	(\$30.45)
3"	\$2.33	\$304.12	\$306.45	\$373.61	(\$67.16)
4"	\$2.33	\$547.41	\$549.74	\$671.00	(\$121.26)
6"	\$2.33	\$1,390.26	\$1,392.59	\$1,701.28	(\$308.69)
8"	\$2.33	\$2,432.95	\$2,435.28	\$2,975.84	(\$540.56)
10"	\$2.33	\$3,649.43	\$3,651.76	\$4,462.83	(\$811.07)

Tier Rate Rationality

Rate Components	Description
Base Power	To recover power costs to produce and deliver water to base zone to meet average demand
Water Supply	<p>To recover water supply costs using the following supply allocation:</p> <ol style="list-style-type: none"> 1. Recycled water purchased from JPA used to meet all usage, with highest priority for Tier 1 (Efficient) usage Water Supply 2. Potable Water Supplement is used to meet Tier 2 (Inefficient) demand along with JPA supply (estimated by District Staff) 3. Remaining Potable Supplement and JPA supply are used to meet Tier 3
Peaking Costs	To recover the remaining peaking water system costs

Cost of Service Variable Charge Components

- No Revenue Adjustments

Commodity Rates	Base Power	Water Supply	Delivery	Peaking	Conservation	Rev Offset	Revised COS	Current
Tier 1	\$0.25	\$0.72	\$0.16	\$0.21	\$0.00	(\$0.16)	\$1.19	\$1.16
Tier 2	\$0.25	\$1.39	\$0.16	\$0.61	\$0.00	\$0.00	\$2.42	\$2.27
Tier 3	\$0.25	\$3.74	\$0.16	\$0.45	\$0.00	\$0.00	\$4.61	\$3.13
Temporary	\$0.25	\$3.74	\$0.16	\$0.45	\$0.00	\$0.00	\$6.92	\$4.70

Proposed Recycled Rates

	Current	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Proposed Adjustments		8%	8%	8%	8%	8%
Meter Size						
3/4"	\$33.72	\$30.67	\$33.13	\$35.79	\$38.66	\$41.76
3/4" x 1"	\$33.72	\$30.67	\$33.13	\$35.79	\$38.66	\$41.76
1"	\$54.97	\$49.44	\$53.40	\$57.68	\$62.30	\$67.29
1 1/2"	\$108.07	\$96.36	\$104.07	\$112.40	\$121.40	\$131.12
2"	\$171.80	\$152.67	\$164.89	\$178.09	\$192.34	\$207.73
3"	\$373.61	\$330.97	\$357.45	\$386.05	\$416.94	\$450.30
4"	\$671.00	\$593.73	\$641.23	\$692.53	\$747.94	\$807.78
6"	\$1,701.28	\$1,504.00	\$1,624.32	\$1,754.27	\$1,894.62	\$2,046.11
8"	\$2,975.84	\$2,630.11	\$2,840.52	\$3,067.77	\$3,313.20	\$3,578.22
10"	\$4,462.83	\$3,943.90	\$4,259.42	\$4,600.18	\$4,968.20	\$5,365.61
Commodity Rates						
Tier 1	\$1.16	\$1.29	\$1.40	\$1.52	\$1.65	\$1.79
Tier 2	\$2.27	\$2.62	\$2.83	\$3.06	\$3.31	\$3.58
Tier 3	\$3.13	\$4.98	\$5.38	\$5.82	\$6.29	\$6.80
Temporary	\$4.70	\$7.47	\$8.07	\$8.72	\$9.42	\$10.18
Elevation Charge (\$/hcf)						
Las Virgenes Valley Zone	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Calabasas Zone	\$0.37	\$0.30	\$0.33	\$0.36	\$0.39	\$0.43
Calabasas/MWD Zone	\$0.37	\$0.30	\$0.33	\$0.36	\$0.39	\$0.43
³⁰ Western Zone	\$0.37	\$0.30	\$0.33	\$0.36	\$0.39	\$0.43

Recycled Impacts to Customers (2021)

- Left: Western Zone Efficient User with a 4” Meter
- Right: Western Zone Inefficient User with a 6” Meter

	3,500 hcf	10,800 hcf
Current Bill	\$6,026.00	\$29,459.58
Proposed Rate	\$6,158.73	\$38,151.72
Bill Impacts	+\$132.73	+\$8,692.14
Potable Water Equivalent Charge	\$14,051.17	\$47,666.75
% Difference	56%	20%

Sanitation



Sanitation

- Raftelis reviewed the prior COS methodology and recommends maintaining it for the study period
 - › Simple revenue adjustments on the current rates are only required

FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
2.5%	4.5%	4.5%	4.5%	4.5%
3.75%	3.75%	3.75%	3.75%	3.75%

Rates



	Current	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Proposed Increase		2.50%	4.50%	4.50%	4.50%	4.50%
Single and Multi Family Residential Monthly Service Charge						
Household Size						
1	\$22.73	\$23.30	\$24.35	\$25.45	\$26.60	\$27.80
2	\$38.04	\$39.00	\$40.76	\$42.60	\$44.52	\$46.53
3	\$53.35	\$54.69	\$57.16	\$59.74	\$62.43	\$65.24
4	\$68.66	\$70.38	\$73.55	\$76.86	\$80.32	\$83.94
5	\$83.97	\$86.07	\$89.95	\$94.00	\$98.23	\$102.66
6+	\$99.28	\$101.77	\$106.35	\$111.14	\$116.15	\$121.38
Commercial Monthly Account Service Charge						
Class 1	\$7.42	\$7.61	\$7.96	\$8.32	\$8.70	\$9.10
Class 2	\$7.42	\$7.61	\$7.96	\$8.32	\$8.70	\$9.10
Class 3	\$7.42	\$7.61	\$7.96	\$8.32	\$8.70	\$9.10
Class 4	\$7.42	\$7.61	\$7.96	\$8.32	\$8.70	\$9.10
Commercial Monthly ERU Charges						
ERU Charges						
Class 1	\$44.52	\$45.64	\$47.70	\$49.85	\$52.10	\$54.45
Class 2	\$61.37	\$62.91	\$65.75	\$68.71	\$71.81	\$75.05
Class 3	\$81.27	\$83.31	\$87.06	\$90.98	\$95.08	\$99.36
Class 4	\$102.27	\$104.83	\$109.55	\$114.48	\$119.64	\$125.03
Class 1	\$6.75	\$6.92	\$7.24	\$7.57	\$7.92	\$8.28
Class 2	\$9.30	\$9.54	\$9.97	\$10.42	\$10.89	\$11.39
Class 3	\$12.31	\$12.62	\$13.19	\$13.79	\$14.42	\$15.07
Class 4	\$15.49	\$15.88	\$16.60	\$17.35	\$18.14	\$18.96

	Current	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Proposed Increase		3.75%	3.75%	3.75%	3.75%	3.75%
Single and Multi Family Residential Monthly Service Charge						
Household Size						
1	\$22.73	\$23.59	\$24.48	\$25.40	\$26.36	\$27.35
2	\$38.04	\$39.47	\$40.96	\$42.50	\$44.10	\$45.76
3	\$53.35	\$55.36	\$57.44	\$59.60	\$61.84	\$64.16
4	\$68.66	\$71.24	\$73.92	\$76.70	\$79.58	\$82.57
5	\$83.97	\$87.12	\$90.39	\$93.78	\$97.30	\$100.95
6+	\$99.28	\$103.01	\$106.88	\$110.89	\$115.05	\$119.37
Commercial Monthly Account Service Charge						
Class 1	\$7.42	\$7.70	\$7.99	\$8.29	\$8.61	\$8.94
Class 2	\$7.42	\$7.70	\$7.99	\$8.29	\$8.61	\$8.94
Class 3	\$7.42	\$7.70	\$7.99	\$8.29	\$8.61	\$8.94
Class 4	\$7.42	\$7.70	\$7.99	\$8.29	\$8.61	\$8.94
Commercial Monthly ERU Charges						
ERU Charges						
Class 1	\$44.52	\$46.19	\$47.93	\$49.73	\$51.60	\$53.54
Class 2	\$61.37	\$63.68	\$66.07	\$68.55	\$71.13	\$73.80
Class 3	\$81.27	\$84.32	\$87.49	\$90.78	\$94.19	\$97.73
Class 4	\$102.27	\$106.11	\$110.09	\$114.22	\$118.51	\$122.96
Class 1	\$6.75	\$7.01	\$7.28	\$7.56	\$7.85	\$8.15
Class 2	\$9.30	\$9.65	\$10.02	\$10.40	\$10.79	\$11.20
Class 3	\$12.31	\$12.78	\$13.26	\$13.76	\$14.28	\$14.82
Class 4	\$15.49	\$16.08	\$16.69	\$17.32	\$17.97	\$18.65

Q&A



Thank you!

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Frequently Asked Questions – Water and Sanitation Rates

What do water and sanitation (wastewater) rates pay for?

Revenue collected from customers when they pay their water and sanitation bills is used to pay for a variety of expenses. By law, the amount collected cannot exceed the cost of providing the service because the District does not “profit”. Revenues pay for the purchase of water, imported and treated by Metropolitan Water District of Southern California (MWD), for electricity to run pumps and other equipment, chemicals such as sodium hydroxide (chlorine), for skilled labor (licensed treatment and distribution operators, engineers, and administrators), infrastructure maintenance and improvements to the water and wastewater systems. Revenues are also used to pay for conservation programs and initiatives like the Pure Water Project Las Virgenes – Triunfo, which will provide a new, reliable and sustainable source of water to our service area (visit www.ourpureh2o.com).

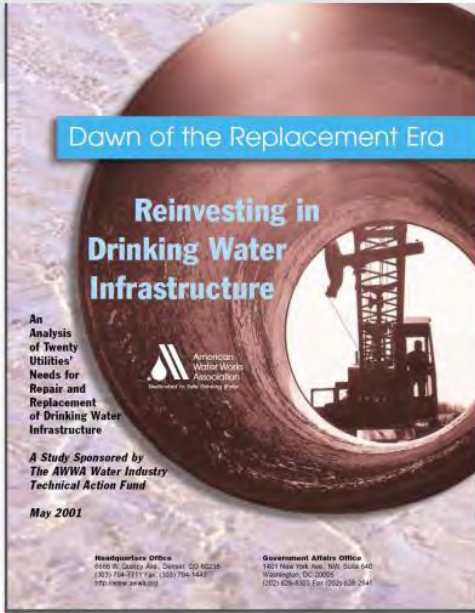
What will rates look like for the next 5 years?

Rates are scheduled to increase over the course of the next five years. Due to the COVID-19 pandemic, the District has recognized that many customers may be experiencing a financial hardship due to a loss or reduction in income. Therefore, the District is striving to keep rates as low as possible. On average, residential customers will see their water and sanitation bills increase by \$xx dollars per month in the first year (2021). Commercial customers on average will see their bills increase by \$xx dollars per month in the first year (2021). Customers that use recycled water for irrigation purposes, will see their bills increase as well. Postponing rate increases is not considered good practice as it eventually leads to more substantial increases in the future.

Why is the District adjusting rates?

The District needs to collect enough revenues from water and sanitation services in order to cover anticipated costs. Costs for operating and maintaining the water and sanitation systems is increasing. This is due to normal inflation, such as the increasing costs for electricity and chemicals, material costs, and labor costs. On average, inflation in the Los Angeles region has been about 2 to 3-1/2 percent per year. Revenues need to keep up with inflation, otherwise we will not be able to properly maintain and operate these vital systems. Rates are also increasing to pay for deferred maintenance and capital improvements, to ensure that we comply with new regulatory mandates imposed by the State or Federal government, and other challenges such as hardening facilities in response to increasing probabilities of wildfires. For instance, there are an increasing number of old pipelines that have been failing throughout the District and need to be replaced due to their age and deteriorating condition. The District also needs to increase revenues in order to build the Pure Water Project Las Virgenes-Triunfo, which is anticipated to cost \$160 million (visit www.ourpureh2o.com). This is a major project being undertaken by the District in partnership with the Triunfo Water and Sanitation District. This project was initially triggered for regulatory/environmental purposes but will also provide a new, reliable and sustainable source of water to our service area. Also, in order to be eligible for low-interest loans or bonds to pay for infrastructure improvements, the District needs to have a favorable bond rating. This can only be achieved if our projected revenues match projected costs and adequate reserves or “rainy-day” funds are available.

HISTORIC UNDERINVESTMENT SPAWNS GROWING CAPITAL REQUIREMENT



The US is funding just **one-third** of its water infrastructure needs

US needs to invest a minimum of **\$123 billion per year** in water infrastructure over the next 10 years

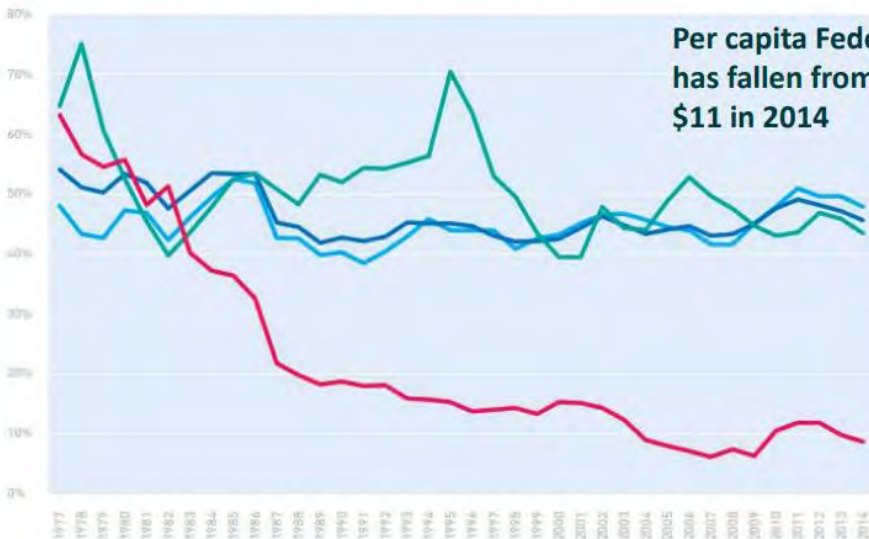
National investment gap: \$82 billion per year

ASCE (American Society of Civil Engineers). 2016. Failure to Act: Closing the Infrastructure Investment Gap for America's Economic Future.

UNCLE SAM IS NOT GOING TO HELP US

Federal Contribution to Total Infrastructure Spending

Water Utilities Highways Aviation All Transportation Infrastructure



Per capita Federal spending has fallen from \$76 in 1977 to \$11 in 2014

From: Economic Impact of Investing in Water Infrastructure, Value of Water Campaign

How do LVMWD rates compare to other agencies that provide similar services?

The average residential customer currently pays about \$120 per month for their drinking water and \$53 per month for sanitation service. These rates are very competitive compared to other communities in the region (visit www.lvmwd.com/for-customers/rates-and-fees/rate-comparison). Most other communities are also planning to increase rates for similar reasons and the District anticipates that we will continue to be competitive despite the proposed rate increases.

What is the District doing to control costs?

The District takes pride in finding ways and is always up for the challenge to reduce costs and keep rates as low as possible. Here is a small handful of some of the actions we have taken and/or continue to take to achieve this objective:

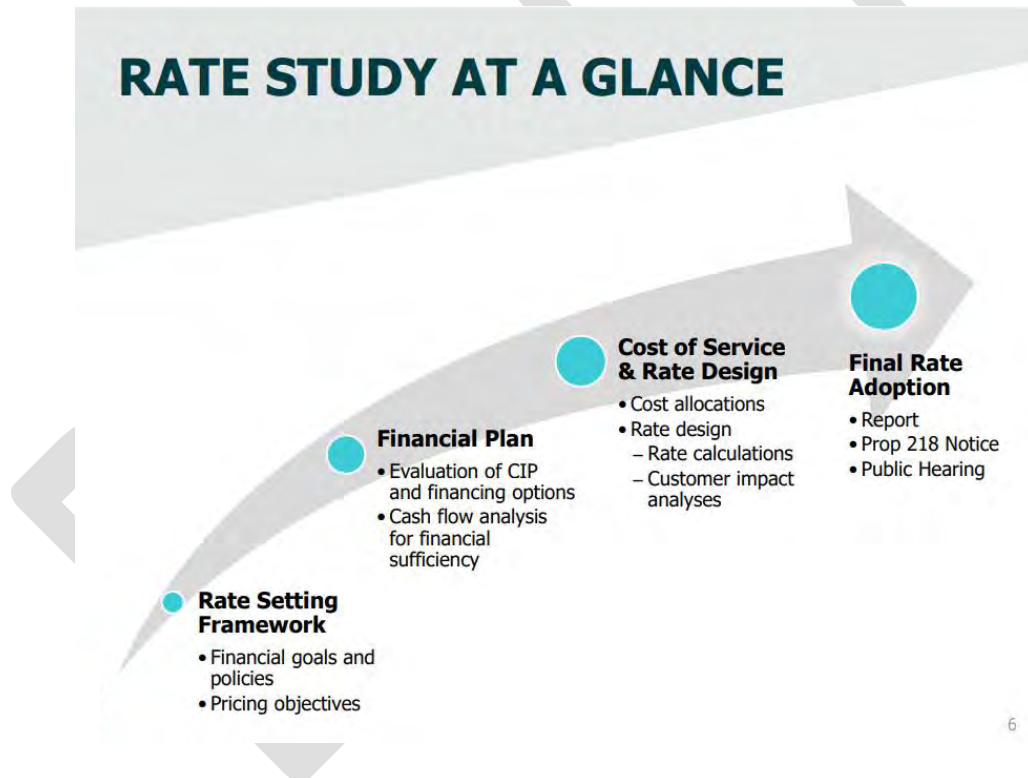
- Seek out grants and/or low-interest loans to help pay for projects and programs.
- Recently completed expansion of the solar array on Las Virgenes Road from 1 megawatt to 5 megawatts, which will save the District over \$10 million in the next 25 years.
- Completed improvements in 2019 to the Tapia Water Reclamation Facility that reduced annual electricity usage by 1.25 megawatt-hours and saving the District over \$250,000 a year.
- We solicit competitive bids for materials, equipment, services, and capital improvement projects and award to the lowest, qualified bidder.
- We lobby Sacramento and Washington DC to oppose proposed legislation that would increase costs to the District and support bills that would reduce costs.
- Our staff closely analyzes alternatives for projects and programs and selects the most long-term, cost-effective solutions.
- The District utilizes state-of-the-art software and has processes in place that improve efficiencies in the workplace to keep our labor force to a minimum.

Is the District controlling employee pay and benefits?

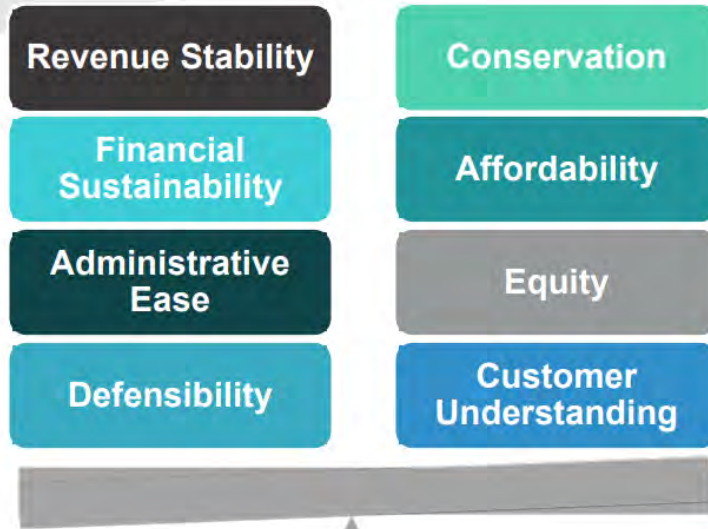
Employee pay and benefits make up about 38% of the total costs to run the water and sanitation systems. While this is a significant amount, operating and maintaining a water and sanitation system that covers 120 square miles is labor intensive. Highly trained and skilled labor is essential to provide water and sanitation services 24/7. The District strives to keep employee compensation competitive compared to other water purveyors in the region. In 2017, the District completed a total compensation study and adjusted salaries to be between the median and 75th percentile in order to be competitive in the marketplace. There is a balance though. Too low, we will not be able to recruit and retain qualified staff needed to operate and maintain these highly complex systems. Communities that have failed to provide competitive compensation often experience high turn-over and, as a result, efficiencies are lost and the water and sanitation systems become less reliable. This could lead to excessive main breaks, loss of water pressure, boil orders, sewage overflows and harm to the environment, fines, and could even compromise the safety of the public. Your safety and providing reliable services is our highest priority but we also recognize the cost for water and sanitation services should be competitive. The District negotiates competitive compensation for its employees through the collective bargaining process, which typically results in compensation that keeps up with the cost of living, is competitive compared to that of other agencies in the region, and helps to ensure a steady and reliable workforce.

What is the process for adjusting rates?

There are several key steps that must be taken in order to comply with the law and to ensure customers have an opportunity to weigh-in on proposed rate increases. The District must first determine what it needs to accomplish and the associated costs in the coming years (revenues needed). Once this objective is met, the District determines how the costs need to be divided between various customer classes. This is done for potable water, sanitation and recycled water enterprises and is based on the cost to deliver that service. The District is then required to provide an opportunity for customers to weigh-in and provide comments. At least 45 days' notice must be given to the public for providing input. The Board then takes public comments into consideration, may choose to make modifications to rates or rate structures, and then adopts the new rates. The process follows Proposition 218 requirements to ensure transparency and to make sure individual customers are only paying for the services they receive (not their neighbors). The illustrations below further describe the rate setting process and objectives.



BALANCING COMPETING OBJECTIVES



POLICY OBJECTIVES

Defensibility	Customer Understanding	Rate Stability	Conservation
<ul style="list-style-type: none"> • Reduce likelihood of challenge • Increase likelihood of withstanding challenge 	<ul style="list-style-type: none"> • Ease of understanding • Straight-forward bills • Ratepayers can discern changes to rates 	<ul style="list-style-type: none"> • Avoid rate and revenue volatility • Minimize customer impacts 	<ul style="list-style-type: none"> • Reduce total use • Reduce large volume use • Reduce peak use

POLICY OBJECTIVES (Continued)

Administration	Equity	Financial Sustainability	Affordability
<ul style="list-style-type: none"> • Easy of Implementation • Compatibility with existing systems • No new costs 	<ul style="list-style-type: none"> • Equity among customer classes • Equity between customer classes • Inter-generational equity 	<ul style="list-style-type: none"> • Generates adequate revenues over time • Generates stable cash flow month to month 	<ul style="list-style-type: none"> • Affordability for essential use • Affordability for average use

How can I keep my water and/or sanitation bill lower despite rate increases?

While rates are going up, there are many things that customers can do to keep their bills as low as possible. The biggest impact to a customer's water bill, is the amount of water that is used each month. Each customer receives a water "budget" for each month of the year. This water budget is based on the number of household occupants and the square-footage of land on the property that is irrigated. Residential customers can get an additional allowance if they have livestock on the property, for pool filling, and other special circumstances (medical needs). To reduce and keep their water bills as low as possible, customers can conserve and stay within their allotted budget. There is a surprising number of customers that routinely exceed their budgets, some by a significant amount. The primary culprit is overwatering outdoor landscapes. In order to minimize the use of water for outdoor irrigation, customers can take advantage of our Weather Based Irrigation Controller System program and have a controller installed at a substantially reduced price. Customers can also receive a free "water survey" by District staff to investigate the outdoor irrigation system, identify leaks and receive recommendations for actions that can be taken to reduce water consumption.

Why should I pay more so that my neighbor can have a lush green lawn all year round?

You won't pay more. Proposition 218 prohibits shifting costs for providing service from one customer to another. The cost-of-service study looks closely at this issue to ensure that each individual customer only pays their fair share.

Where can I go to express my opinion and provide comments on the District’s water and sanitation rates?

You can go to www.xxxx.com and submit a comment, contact xxx at xxx-xxx-xxxx or you can attend and provide comments at one of two virtual town hall meetings (visit xxx.xxxx). You can also attend the virtual hearing via Zoom, when the Board takes comments from the public prior to adoption of new rates (visit xxx.xxxx).

DRAFT