

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).

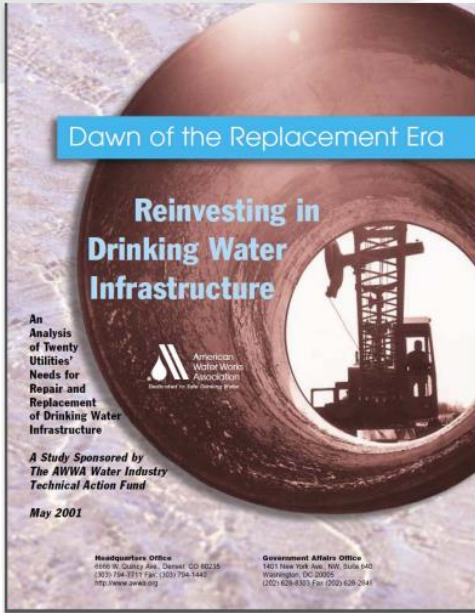
What will rates look like for the next 5 years?

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**

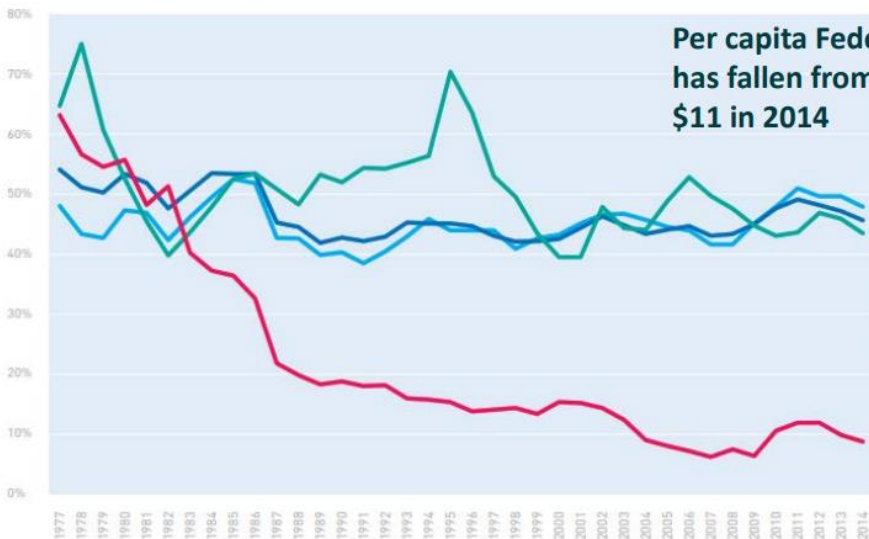
National investment gap: \$82 billion per year

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



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:

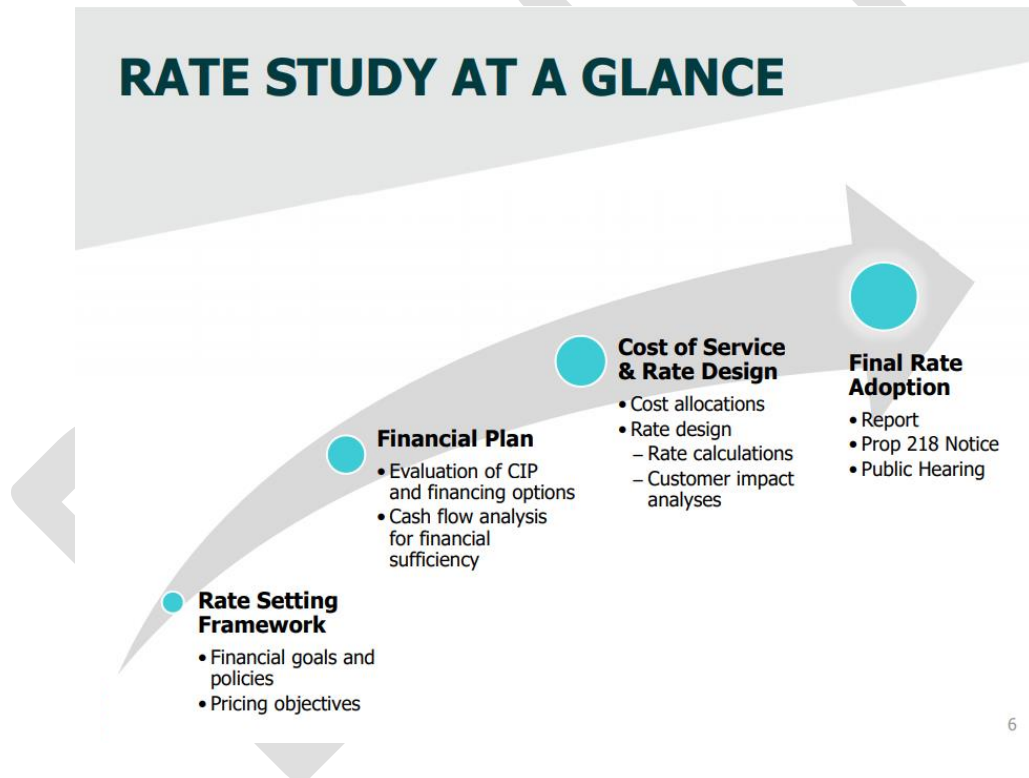
- Seek out grants and/or low-interest loans to help pay for projects and programs.
- Recently completed expansion of the solar array on Las Virgenes Road from 1 megawatt to 5 megawatts, which will save the District over \$10 million in the next 25 years.
- Completed improvements in 2019 to the Tapia 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?

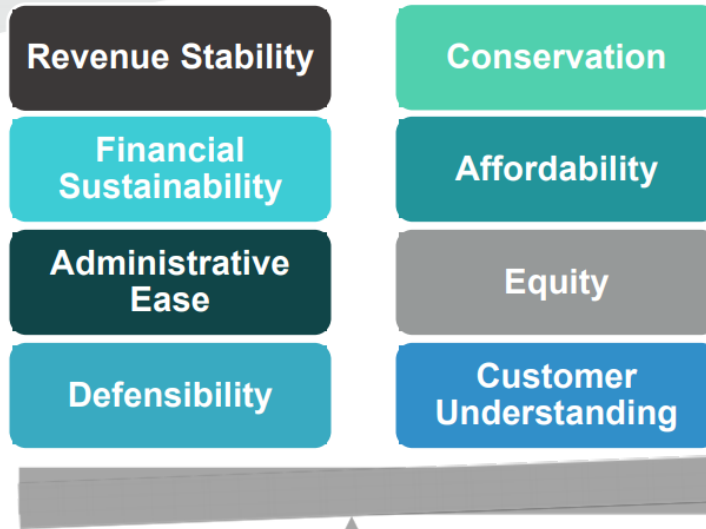
Employee pay and benefits make up about 38% of the total costs to run the water and sanitation systems. While this is a significant amount, operating and maintaining a water and sanitation system that covers 120 square miles is labor intensive. Highly trained and skilled labor is essential to provide 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).

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