

UPPER SAN GABRIEL VALLEY
MUNICIPAL WATER DISTRICT

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AGENDA

ADMINISTRATIVE COMMITTEE

Thursday, March 24, 2011 – 5:00 p.m.

COMMITTEE MEMBERS: Bryan Urias (Chairman)
Charles M. Treviño

ITEMS FOR DISCUSSION:

1. Public Comment.
2. Discussion Regarding Lease Proposals for Office Building. *(A representative from Colliers International will be at the meeting to discuss location options.)*
3. Discussion Regarding Recommended Rates and Charges to be Effective January 1, 2011 and July 1, 2011. *(Staff recommendation attached.)*
4. Other Matters.
5. Adjournment.

NEXT MEETING: To be determined.

cc: Board of Directors
E-Mail Distribution List



MEMORANDUM

UPPER SAN GABRIEL VALLEY
MUNICIPAL WATER DISTRICT 

ITEM 3.

DATE: March 21, 2011
TO: Administrative Committee
FROM: General Manager
SUBJECT: Approve recommended rates and charges to be effective January 1, 2011 and July 1, 2011.

Recommendation

It is recommended that the Administrative Committee approve the proposed rates and charges summarized in Table 1.

The proposed rates effective January 1, 2011 will increase to reflect the increase in the rates charged by Metropolitan Water District (Metropolitan). Upper District's surcharge will not change until July 1, 2011. The proposed rates effective July 1, 2011, will change Upper District's varying surcharges, that range from \$20 per acre-foot to \$115 per acre-foot for the different classes of service, to a single uniform surcharge of \$70 per acre-foot for all classes of service. The proposed increase in Upper District's single uniform surcharge is 11.1 percent from an equivalent rate of \$63 per acre-foot in FY 2010/11 to \$70 per acre-foot in FY 2011/12. The proposed rates recover Upper District's revenue requirement of \$27.4 million.

Background

Uses of funds

Upper District's total uses of funds are estimated to be \$48.2 million in FY 2011/12. Figure 1 summarizes the relative distribution of the FY 2011/12 uses of funds. Over 53 percent, or \$25.8 million is for purchased water cost including imported water from Metropolitan, transfer water and recycled water. Just over 30 percent or \$14.8 million of the total funds will go towards the capital improvement program: all but \$0.5 million, which will be used to start a storm water management program, will go toward the continued expansion of the direct reuse recycling program. Administrative costs account for 6 percent, or \$2.92 million of the total uses of funds. Program costs for water use efficiency, water quality and supply, storm water and water recycling account for the remaining 11 percent of costs. Total operating costs are estimated to be \$33.4 million.

Sources of funds

Upper District's sources of funds are summarized in Figure 2 and total \$47.7 million. Over 59 percent of all sources of funds or \$28.6 million will be from water sales. This includes approximately 36,400 acre-feet of imported water from Metropolitan, about 4,000 acre-feet of

water transfer and 2,600 acre-feet of recycled water. The capital program will be funded by about \$15 million in State Revolving Loan Funds (SRLF) and federal and state grants.

Revenue requirements

Upper District's FY 2011/12 water rate revenue requirement is \$27.4 million and is summarized in Table 2. While total operating costs increased about 6 percent, or about \$ 2.0 million from \$31.4 million in FY 2010/11 to \$33.4 million in FY 2011/12, this cost increase was partially offset by an increase in operating revenues not derived from imported water sales from \$4.8 million to \$6.0 million. The increase in operating revenues not derived from imported water sales was derived primarily from recycled water sales. The proposed rates will generate \$26.9 million in revenue or a net change in funds from operations of (\$0.5 million).

Debt service coverage

The proposed rates recover Upper District's cost of service and provide a debt service coverage ratio of 1.1. In FY 2011/12, Upper District will make its first debt service payment on the SRLF. The payment is approximately \$0.74 million. Table 3 summarizes Upper District's debt service coverage calculation.

Costs

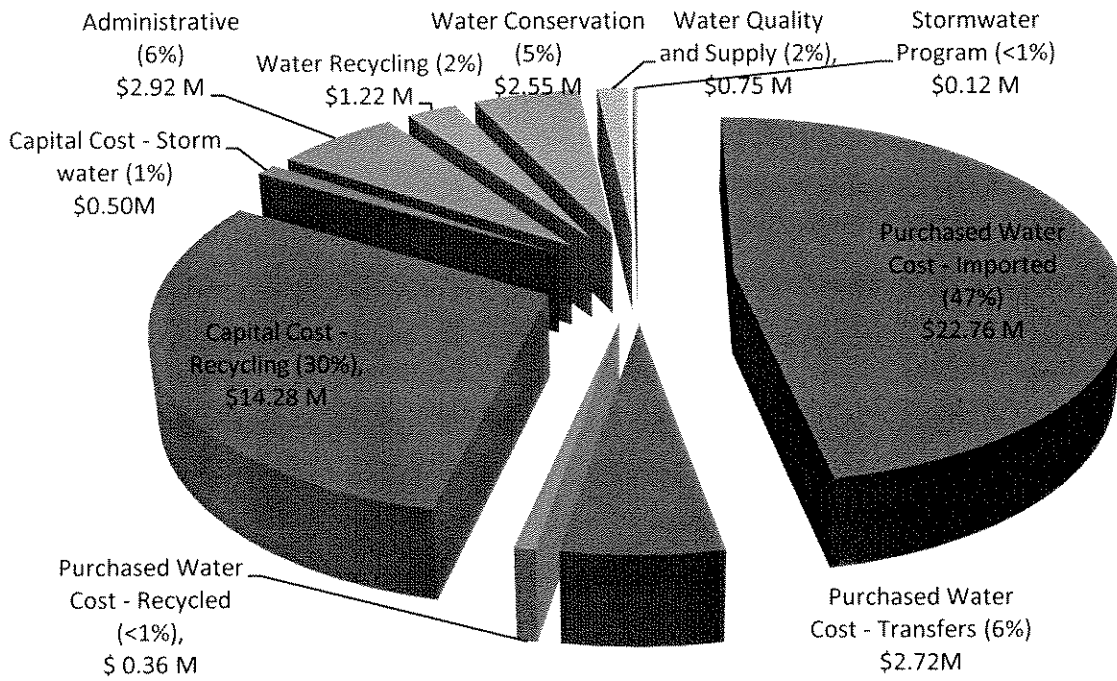
Total operating costs between FY 2010/11 and FY 2011/12 have increased by about \$2 million, or 6 percent. This increase is driven by a \$0.9 million increase in the cost of purchased water, a \$0.9 million increase in the recycled water program for the purchase of additional recycled water from Los Angeles County Sanitation Districts and a \$0.74 million SRLF payment, and a \$0.3 million increase in the cost of administration. The water conservation program costs will be reduced by about \$0.4 million to help manage the rate increase. In FY 2011/12, a water use efficiency master plan will be prepared to optimize the conservation program to achieve the greatest amount of conservation at the lowest possible program cost. Table 4 summarizes the changes in Upper District's costs between FY 2010/11 and FY 2011/12.

Attachment 1 provides draft Board Resolution 04-11-494 adopting rates for Calendar Year 2011.

**Table 1.
Proposed Water Rates**

	Calendar Year 2010	Effective January 1, 2011 through June 30, 2011	Effective July 1, 2011 through December 31, 2011	Projected Effective January 1, 2012 through December 31, 2012
Full Service Treated Tier 2				
MWD	\$811	\$869	\$869	\$920
Upper District Surcharge	\$115	\$115	\$70	\$80
Upper District Rate	\$926	\$984	\$939	\$1,000
Full Service Treated Tier 1				
MWD	\$701	\$744	\$744	\$794
Upper District Surcharge	\$96	\$96	\$70	\$80
Upper District Rate	\$797	\$840	\$814	\$874
Full Service Untreated Tier 2				
MWD	\$594	\$652	\$652	\$686
Upper District Surcharge	\$61	\$61	\$70	\$80
Upper District Rate	\$655	\$713	\$722	\$766
Full Service Untreated Tier 1				
MWD	\$484	\$527	\$527	\$560
Upper District Surcharge	\$42	\$42	\$70	\$80
Upper District Rate	\$526	\$569	\$597	\$640
Replenishment Untreated				
MWD	\$366	\$409	\$409	\$442
Upper District Surcharge	\$20	\$20	\$70	\$80
Upper District Rate	\$386	\$429	\$479	\$522

**Figure 1.
2011/12 Uses of Funds**



**Figure 2.
2011/12 Sources of Funds**

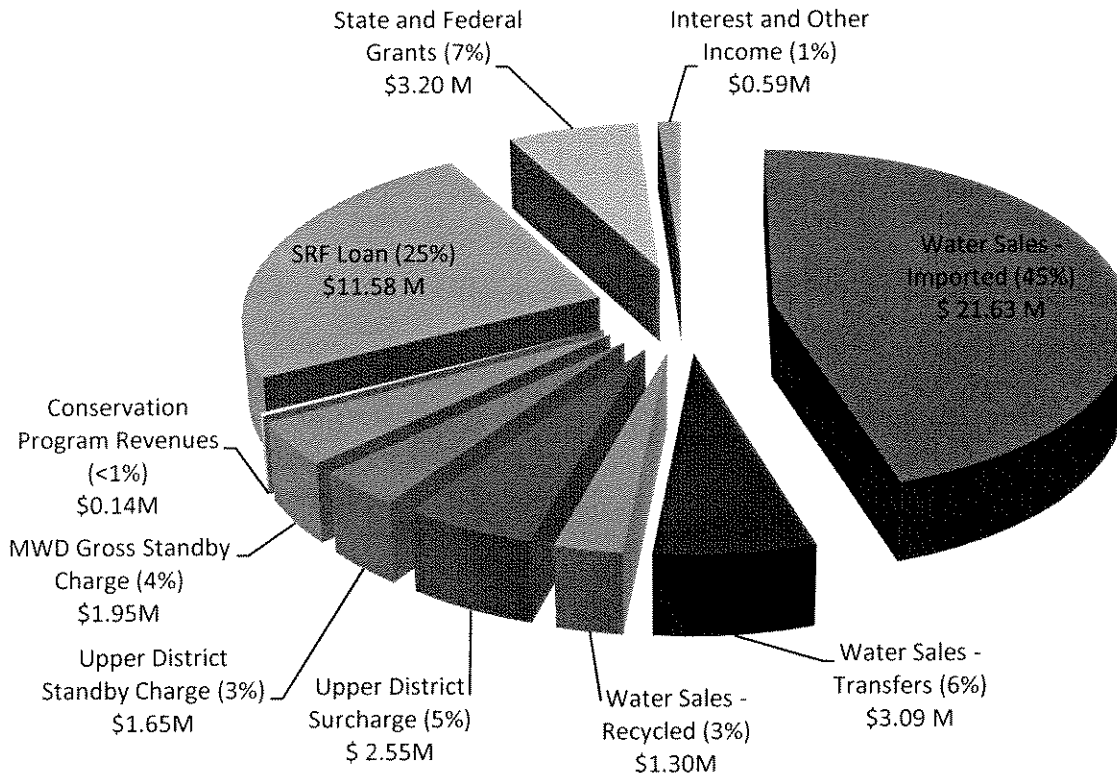


Table 2.
2011/12 Revenue Requirement Summary

	\$Millions		
	Actual 2009-10	Budget 2010-11	Projected 2011-12
Total Operating Expenses	\$ 18.9	\$ 31.5	\$ 33.4
Operating Revenues (excluding imported water sales)	5.4	4.8	6.0
Revenue Requirement	\$ 13.5	\$ 26.7	\$ 27.4
Total Imported Water Sales Receipts	13.3	25.5	26.9
Net Change in Funds from Operations	\$ (0.2)	\$ (1.2)	\$ (0.5)
Total Capital Expenditures	4.7	29.8	15.0
Total Capital Program Revenues	1.4	25.5	15.0
Net change in Fund Balances Due to Capital Outlays	\$ (3.3)	\$ (4.3)	\$ -
Total Change in Fund Balances	\$ (3.5)	\$ (5.5)	\$ (0.5)

Table 3.
2011/12 Debt Service Coverage

	PROJECTED FY 2011-12 <u>\$Millions</u>
Operating costs not including debt service	\$ 32.09
Less revenue offsets (non water sales)	<u>(6.04)</u>
Net operating costs funded from water sales	26.05
Operating revenues (water sales)	<u>26.87</u>
Operating revenues in excess/(short) of operating costs funded from water sales	<u>\$ 0.82</u>
Debt Service	
SRLF	\$ 0.74
Other	<u>-</u>
Total Debt Service	<u>\$ 0.74</u>
Debt Service Coverage Ratio	111%

**Table 4. Change in Operating Expenses and Capital Costs
2010/11 to 2011/12**

	\$Millions				
	FY 2010/11	FY 2011/12	Change	%	
Purchased Water Cost					
MWD	\$ 24.56	\$ 22.76	\$ (1.80)	-7.33%	
Water transfer(s)	-	2.72	2.72	n/a	
Recycled water	0.38	0.36	(0.02)	-5.26%	
Total Purchased Water Cost	\$ 24.94	\$ 25.84	\$ 0.90	3.61%	
Administrative					
Personnel	\$ 1.90	\$ 2.28	\$ 0.38	20.00%	
Director expenses	0.36	0.37	0.01	2.78%	
Office	0.35	0.49	0.14	40.00%	
Facility	0.12	0.32	0.20	166.67%	
Professional services	0.40	0.28	(0.12)	-30.00%	
Other	0.37	0.06	(0.31)	-83.78%	
Capital project allocation	(0.85)	(0.88)	(0.03)	3.53%	
Total Administrative	\$ 2.65	\$ 2.92	\$ 0.27	10.19%	
Recycling Program	\$ 0.36	\$ 1.22	\$ 0.86	238.89%	
Storm Water Program	\$ -	\$ 0.12	\$ 0.12	n/a	
Water Quality and Supply Program					
GW Remediation Projects	\$ 0.26	\$ 0.26	\$ -	0.00%	
Other Expenses	0.36	0.49	0.13	36.11%	
Total Water Quality and Supply	\$ 0.62	\$ 0.75	\$ 0.13	20.97%	
Water Conservation Program	\$ 2.92	\$ 2.55	\$ (0.37)	-12.67%	
Total Operating Costs without Water Purchases	\$ 6.55	\$ 7.56	\$ 1.01	15.42%	
Total Operating Cost with Water Purchases	\$ 31.49	\$ 33.40	\$ 1.91	6.07%	
Capital Budget					
Recycling	\$ 26.89	\$ 14.28	\$ (12.61)	-46.89%	
Storm water	-	0.62	0.62	n/a	
Other	2.95	-	(2.95)	-100.00%	
Total Capital Budget	\$ 29.84	\$ 14.90	\$ (14.94)	-50.07%	

RESOLUTION NO. 04-11-494**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
UPPER SAN GABRIEL VALLEY MUNICIPAL WATER
DISTRICT REPEALING RESOLUTION NO. 10-09-471 AND
ADOPTING WATER RATES AND CHARGES FOR CALENDAR
YEAR 2011**

WHEREAS, the Metropolitan Water District of Southern California ("MWD" herein) has adopted water rates and charges for its classes and conditions of service effective January 1, 2011 and this Upper San Gabriel Valley Municipal Water District ("Upper District" herein) wishes to reflect MWD's new rates and charges in the water rates and charges of the Upper District; and

WHEREAS, MWD has established charges in their rate structure including a Readiness-to-Serve Charge, Capacity Charge, Tier 1 and 2 commodity charges; and

WHEREAS, Upper District requested that MWD continue its Standby Charge in Upper District's service area with the intention that the above referenced Readiness-to-Serve charge be paid from the funds generated from said Standby Charge for Calendar Year 2011; and

WHEREAS, during Fiscal Year 1991/92 Upper District entered into an agreement with MWD for the enlargement of the discharge valve on Service Connection USG-3. As part of this agreement, MWD will charge Upper District an additional \$2.00 per acre foot for all water delivered through this enlarged discharge valve. It is the intention of Upper District to incorporate this \$2.00 per acre foot charge into the rate established for delivery through Service Connection USG-3; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT as follows:

Section 1. Resolution No. 10-09-471 adopted October 20, 2009, is hereby repealed.

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1 Section 2. The following water rates are established and will remain effective for
 2 Calendar Year 2011:

3	4	Rate per Acre Foot	
		Effective 01/01/11	Effective 07/01/11
5	6	\$840.00	\$814.00
6	7	\$984.00	\$939.00
7	8	\$429.00	\$479.00
8	9	\$569.00	\$597.00
9	10	\$713.00	\$722.00
10	11	By Contract	
11	12	\$7,200 per CFS	
12	13	\$720.00	
13	14	\$42 per CFS/\$6,300 per month	

10 Section 3. Description of Service Classes:

11 Full Service Treated (Tier 1)

12 For Calendar Year 2011 the Upper District had an original allocation of Full Service Tier 1
 13 supply of 16,511.6 acre feet per year for water deliveries that would be sold at a rate of \$840.00
 14 and \$814.00 per acre foot effective January 1, 2011 and July 1, 2011, respectively. As of July 1,
 15 2009, Metropolitan Water District has implemented a Water Shortage Allocation Plan that may
 16 reduce the District's allocation amount. Subject to the impact of that allocation, the available
 17 supply will be equitably allocated to all treated water service connections at the end of the
 18 applicable operating year. Service connections utilizing supply exceeding the aforementioned
 19 allocation will be subject to Tier 2 charges or penalty charges associated with the Water Shortage
 20 Allocation Plan.

21 Full Service Treated (Tier 2)

22 For Calendar Year 2011, the Upper District will have an unlimited allocation (subject to drought
 23 restrictions) of Full Service Tier 2 supply. Once the total allocation of Tier 1 supply is utilized,
 24 all treated water sold will be subject to the Tier 2 rate of \$984.00 and \$939.00 per acre foot
 25 effective January 1, 2011 and July 1, 2011, respectively, or penalty charges associated with the
 26 Water Shortage Allocation Plan for the remainder of the applicable operating years.

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1 Excess Annual Capacity Charges

2 The Full Service Tier 1 rate per acre foot as well as the Full Service Tier 2 rate per acre foot
3 assumes a reasonable and normal annual maximum daily average capacity usage* per acre foot
4 of water deliveries. Sub-agencies that exceed a reasonable and normal capacity usage during the
5 May through September time period as determined by the District may be subject to annual
6 excess capacity charges. Excess capacity charges will be calculated as \$7,200 for each CFS of
7 excess capacity utilized during the period of May through September 2011 and will apply for
8 three years.

9 Groundwater Replenishment Service (Untreated)

10 The rate for untreated groundwater replenishment service will be \$429.00 and \$479.00 per acre
11 foot effective January 1, 2011 and July 1, 2011, respectively. This service will be provided at
12 service connection USG-3 and be subject to supply availability as determined by the
13 Metropolitan Water District. The timing and rate of delivery (CFS) for this service shall also be
14 subject to operating restrictions imposed by the Los Angeles County Department of Public
15 Works.

16 Full Service Untreated (Tier 1)

17 The Upper District's Tier 1 allocation includes both treated and untreated Tier 1 deliveries. As a
18 matter of policy, the Upper District will give preference to Tier 1 treated deliveries over
19 untreated deliveries. Full service untreated deliveries will be billed at the Tier 1 rate of \$569.00
20 and \$597.00 per acre foot effective January 1, 2011 and July 1, 2011, respectively, only if there
21 is sufficient allocation remaining after all full service treated deliveries have been accounted for.
22 In the event that the Upper District base year allocation has been fully subscribed for the
23 calendar year, all full service untreated deliveries will be subject to Tier 2 charges or penalty
24 charges associated with the Water Shortage Allocation Plan.

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**May through September only.*

1 Full Service Untreated (Tier 2)

2 For Calendar Year 2011, the Upper District will have an unlimited allocation (subject to drought
3 restrictions) of Full Service Tier 2 supply. Once the total allocation of Tier 1 supply is utilized,
4 all untreated water sold will be subject to the Tier 2 rate of \$713.00 and \$722.00 per acre foot
5 effective January 1, 2011 and July 1, 2011, respectively, or penalty charges associated with the
6 Water Shortage Allocation Plan for the remainder of the applicable operating years.

7 Section 4. Cost of Service Model:

8 The District has prepared a cost of service model for the period 2010 through 2014. The model
9 includes forecasted treated and untreated water demands, anticipated costs, probable water rates,
10 expected cost recovery and a reasonable application of rate stabilization funds. The model does
11 not include the potential penalty charges that may accrue to Upper District as a result of the
12 Water Shortage Allocation Plan. In addition, future actual costs and rates may vary from those
13 presented in the model. However, the model offers a reasonable budgeting and planning tool for
14 the District and its sub-agencies. The Board will periodically review the model to validate or
15 modify assumptions to provide for the most rational projection of future costs and rates possible.
16 The model presented in Exhibit A is incorporated herein by reference.

17 Section 5. Each groundwater replenishment customer shall pay a monthly ready-to-serve
18 charge in addition to the water rate for groundwater replenishment service. This monthly ready-
19 to-serve charge will be \$42.00 for each cubic foot per second of groundwater replenishment
20 service connection capacity, at an amount not-to-exceed \$6,300.00 per month, payable in
21 advance.

22 Section 6. A minimum charge equivalent to ten percent (10%) or one-tenth (1/10) of the
23 value of one CFS of capacity (\$7,200), which equals \$720.00 per year effective January 1, 2011
24 through Calendar Year 2011, will be billed to the sub-agencies prorated on a monthly basis
25 irrespective of the amount of water used.

26 Section 7. All sales, deliveries and availability of water at the rates established herein
27 shall be subject to the ability of the Upper District to sell, deliver and make available such water
28 under operating conditions determined by the General Manager of Upper District and of MWD,

1 and subject to the water service regulations of Upper District and of MWD. All agencies that
2 purchase treated or untreated water must comply with all rules, requirements, and regulations of
3 Upper District Urban Water Management Plan adopted on or about December 2005 and any
4 amendments or supplements thereto.

5 Section 8. The Board of Directors finds that the water rates and charges established
6 herein will result in a fair and equitable revenue source to partially fund budgeted expenditures,
7 thereby reasonably allocating costs of service to those who benefit therefrom.

8 Section 9. The Board of Directors recognizes that Southern California is facing water
9 supply challenges arising from both ongoing drought and environmental factors. These factors
10 have created uncertainty regarding the reliability of all sources of water for the foreseeable
11 future. As such, the Board reserves the authority to modify, alter, or suspend any or all sections
12 of this resolution as determined prudent to properly respond to new developments in water
13 supply circumstances.

14 Section 10. The Secretary of Upper District shall cause a copy of this Resolution to be
15 mailed to all current purchasers of water from Upper District including the users of water
16 replenishment service connections.

17 PASSED, APPROVED AND ADOPTED this 5th day of April, 2011.

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PRESIDENT

22 **ATTEST**

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SECRETARY

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27 **SEAL**

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