



AGENDA STAFF REPORT

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Agenda Number: A
File ID: 0032.2

Section Name: ORDINANCE(S) FOR ADOPTION
Project ID:

MEETING DATE: June 11, 2024

SUBJECT: Ordinance No. 1399.17, Adopting Fiscal Year 2024-25 Domestic Water Rates

TO: BOARD OF DIRECTORS

FROM: FINANCE, KARLA ROMERO

**GENERAL MANAGER
RECOMMENDATION:**

RECOMMENDATION:

Staff recommends that the Board of Directors rescind 1399.16 and any prior related Ordinances, and approve Ordinance No. 1399.17, "An Ordinance of the Coachella Valley Water District Approving and Adopting Regulations Governing Domestic Water Service," setting rates for Domestic Water Service for Fiscal Year 2024-25.

BUDGET IMPACT:

The proposed rates are included in the District's FY 2025 proposed Operating and Capital Improvement Budget and will be used to offset budgeted expenditures for the fiscal year. FY 2025 projected Domestic Water Sales revenue totals \$72.9 million, and projected Service Charges total \$22.9 million. The proposed 5.0% average rate increase is below the currently authorized Proposition 218 maximum rates.

PROCUREMENT METHOD:

N/A

If other, please explain: .

BACKGROUND

In February 2020, the District engaged Carollo Engineers, Inc. to prepare a Cost-of-Service Study for the Domestic Water Fund. Proposition 218 notices were sent to all affected customers on April 23, 2021. The Board held a public hearing and adopted FY 2022 rates on June 8, 2021, based on the Cost-of-Service study. No rate increases were adopted for FY 2023. However, a 5.5% rate increase was adopted for FY 2024.

As part of the FY 2025 Budget process, the Board participated in three Study Sessions on March 29, 2024, April

16, 2024, and May 21, 2024, where details regarding proposed rates, operating and capital expenditures, debt service, and forecasted revenues and expenditures were discussed in detail. Staff recommends an overall rate increase of 5.0% for FY 2025 to ensure the Domestic Water Fund keeps up with ongoing expenses and debt service for the five-year forecast period. The increase allows the Fund to achieve positive operating income of \$3.1 million in FY 2025, however the Fund is forecasted to end the year with a \$27.1 million decrease in cash flow, which will be covered by utilizing reserves.

The following tables compare the FY 2024 current rates to the FY 2025 proposed rates, as well as the Proposition 218 maximum rates that were approved with the Cost-of-Service Study:

Table 1

Domestic Tier Rates (Per CCF)	FY 2024 Current Rate	FY 2025 Proposed Rate	FY 2025 Prop 218 Maximum	\$ Change Proposed Rate	% Change Proposed Rate
Tier 1 (Up to 8 CCF)	\$ 0.99	\$ 1.04	\$ 1.23	\$ 0.05	5.0%
Tier 2 (Up to 100% of Budget)	1.23	1.30	1.53	0.06	5.0%
Tier 3 (Up to 175% of Budget)	3.79	3.98	4.71	0.19	5.0%
Tier 4 (Up to 300% of Budget)	4.44	4.66	5.52	0.22	5.0%
Tier 5 (300% or More of Budget)	6.79	7.13	8.44	0.34	5.0%

Table 2

Domestic Monthly Fixed Charge Residential (Meter Size)	FY 2024 Current Rate	FY 2025 Proposed Rate	FY 2025 Prop 218 Maximum	\$ Change Proposed Rate	% Change Proposed Rate
3/4 Inch	\$ 13.35	\$ 14.01	\$ 16.58	\$ 0.67	5.0%
1 Inch	15.98	16.78	19.86	0.80	5.0%
1 1/2 Inch	22.58	23.71	28.06	1.13	5.0%
2 Inch	30.49	32.01	37.90	1.52	5.0%
3 Inch	48.95	51.40	60.86	2.45	5.0%
4 Inch	75.33	79.09	93.66	3.77	5.0%
6 Inch	141.26	148.33	175.66	7.06	5.0%
8 Inch	220.39	231.41	274.06	11.02	5.0%

Table 3

Domestic Monthly Fixed Charge Commercial (Meter Size)	FY 2024 Current Rate	FY 2025 Proposed Rate	FY 2025 Prop 218 Maximum	\$ Change Proposed Rate	% Change Proposed Rate
3/4 Inch	\$ 13.41	\$ 14.08	\$ 16.66	\$ 0.67	5.0%
1 Inch	16.09	16.89	19.99	0.80	5.0%
1 1/2 Inch	22.79	23.93	28.33	1.14	5.0%
2 Inch	30.83	32.37	38.33	1.54	5.0%
3 Inch	49.59	52.06	61.66	2.48	5.0%
4 Inch	76.38	80.20	94.99	3.82	5.0%
6 Inch	143.37	150.54	178.33	7.17	5.0%
8 Inch	223.77	234.95	278.33	11.19	5.0%

Table 4

Domestic Monthly Fixed Charge Landscape (Meter Size)	FY 2024 Current Rate	FY 2025 Proposed Rate	FY 2025 Prop 218 Maximum	FY 2025 Proposed Rate	\$ Change	% Change Proposed Rate
3/4 Inch	\$ 17.04	\$ 17.89	\$ 21.17	\$ 21.17	\$ 0.85	5.0%
1 Inch	22.13	23.24	27.51	27.51	1.11	5.0%
1 1/2 Inch	34.89	36.63	43.36	43.36	1.74	5.0%
2 Inch	50.19	52.70	62.38	62.38	2.51	5.0%
3 Inch	85.88	90.17	106.76	106.76	4.29	5.0%
4 Inch	136.87	143.71	170.16	170.16	6.84	5.0%
6 Inch	264.35	277.57	328.66	328.66	13.22	5.0%
8 Inch	417.33	438.19	518.86	518.86	20.87	5.0%

Table 5

Domestic Monthly Fixed Charge Multi-Family (Meter Size)	FY 2024 Current Rate	FY 2025 Proposed Rate	FY 2025 Prop 218 Maximum	FY 2025 Proposed Rate	\$ Change	% Change Proposed Rate
3/4 Inch	\$ 13.48	\$ 14.16	\$ 16.75	\$ 16.75	\$ 0.67	5.0%
1 Inch	16.22	17.03	20.14	20.14	0.81	5.0%
1 1/2 Inch	23.03	24.18	28.63	28.63	1.15	5.0%
2 Inch	31.22	32.78	38.81	38.81	1.56	5.0%
3 Inch	50.32	52.84	62.56	62.56	2.52	5.0%
4 Inch	77.62	81.50	96.49	96.49	3.88	5.0%
6 Inch	145.83	153.12	181.33	181.33	7.29	5.0%
8 Inch	227.70	239.09	283.13	283.13	11.39	5.0%

If approved by the Board, the proposed rates will go into effect on July 1, 2024. For a typical Residential customer using 20 CCF of water per month, the proposed rates will result in a \$1.90 per month increase as detailed in Table 6:

Table 6

Domestic (20 CCF Residential Customer)	FY 2024 Rate	Monthly Charge	FY 2025 Rate	Monthly Charge
Monthly Fixed Charge - 3/4 Inch Meter	\$ 13.35	\$ 13.35	\$ 14.01	\$ 14.01
Tier 1 Consumption Rate (8 CCF)	0.99	7.92	1.04	8.32
Tier 2 Consumption Rate (12 CCF)	1.23	14.76	1.30	15.60
Total Monthly Water Charge		\$ 36.03		\$ 37.93
Year-Over-Year \$ Change			\$ 1.90	
Year-Over-Year % Change				5%

PRIOR BOARD ACTION:

- Board Study Session on May 21, 2024
- Board Study Session on April 16, 2024
- Board Study Session on March 29, 2024
- Public Hearing and Adoption of Rates on June 13, 2023
- Public Hearing and Adoption of Proposition 218 rates on June 8, 2021
- Authorization to Mail Proposition 218 Notices on April 20, 2021

DISTRICT STRATEGIC PLAN GOAL(S)/OBJECTIVES(S):

N/A

ENVIRONMENTAL IMPACT:

This is not a project as defined by CEQA; therefore, approval does not require any CEQA action.

PUBLIC NOTICE REQUIRED

Changes to District Ordinances require public notice. A notification was published on June 3, 2024, in the Desert Sun Newspaper and Imperial Valley Press.

LEGAL REVIEW

N/A

ATTACHMENTS

Att 1 - Ordinance No. 1399.xx Establishing Domestic Water Rates Effective July 1, 2024

Att 2 - Ordinance No. 1399.xx Establishing Domestic Water Rates Effective July 1, 2024