

**PWS-520**

**PICO WATER DISTRICT**  
**NOTICE OF PUBLIC HEARING TO CONSIDER PROPOSED WATER RATE INCREASE**

**Public Hearing**

In accordance with the California Constitution, the Pico Water District's Board of Directors will hold a public hearing on Wednesday, November 12, 2014 at 6:00 p.m., in the Pico Park Multi-Purpose Auditorium, located at 9544 Beverly Boulevard, Pico Rivera, California 90660, to consider proposed increases in the District's water rates and meter charges and to establish an infrastructure replacement surcharge that would be applicable to all properties situated within the District's established service area that receive potable water service (that is, not recycled water service) from the District. Additional details concerning these water rate adjustments are set forth below. In addition, the District will hold two workshops at the Pico Park Multi-Purpose Auditorium to review the proposed adjustments. The first workshop will be held at 2:00 p.m. on Tuesday, October 7, 2014 and the second will be held at 7:00 p.m. on Wednesday, October 22, 2014.

**Why a Water Rate Increase is Needed**

**Background** – The District provides water service to approximately 5,400 service connections through a water supply and distribution system that has over 58 miles of water mains. Many of the District's distribution facilities, as well as several of its groundwater wells, were constructed many years ago, and are now well beyond their useful lives. In 2008, the District engaged a professional engineering firm to develop a Water System Master Plan (Plan), with the goal in mind to have the Plan point out those areas most in need of improvement or replacement and provide the District with a detailed list of projects needed to assure the District's ability to continue to provide reliable and safe water to its customers at a reasonable cost.

The Plan called for improvements that would cost the District more than 19 million dollars over a period of eighteen years, from 2008 to 2026. The Plan included various projects that would address: replacement of aging infrastructure (two wells that have been in use for over 80 years and over 31,000 lineal feet of small diameter mains that can restrict water pressure), rehabilitation of all active wells, increasing water storage, provide more emergency backup generators, increase fire flow capabilities and increase the number of fire hydrants in the distribution system. Since the Plan was adopted, the District has pursued a "pay as you go" strategy in accomplishing various projects identified in the Plan. However, with rising operational costs and the continual aging of its infrastructure, the District has determined it would be prudent to advance the pace of the capital improvement projects (CIPs) to avoid possible catastrophic pipeline or well failures, such as the recent water main break that occurred near UCLA. The proposed water rate and meter charge increases are intended to meet the District's increased operational costs (as discussed in more detail in the following paragraph), while the proposed infrastructure replacement surcharge will provide monies to be held in a separate fund to be used only to pay for needed CIPs, and for potential debt service related to financing that may be obtained for those projects.

**Current Rates and Operations** – The District's operations and maintenance expenses continue to rise, such as water replenishment costs (over 60% increase since 2009); power costs (electricity has gone up over 10% in the last two years and is scheduled to increase more significantly in 2015); labor costs have increased; and costs for monitoring and testing have increased due to increased regulations imposed by the Regional Water Quality Control Board, the State Water Resources Control Board's Division of Drinking Water, and the South Coast Air Quality Management District. In addition, the current serious drought has resulted in decreased water sales, which has hindered the District's ability to meet its increasing costs with the resulting reduced revenues. These factors have resulted in the District ending three of the past five years with a deficit, before CIPs are taken into account. In the short term, the District can withdraw monies from its operating reserve fund to meet any revenue shortfall, but the District cannot continue to operate at a deficit, when at the same time it especially needs to aggressively address its aging infrastructure needs. In that regard, the District's Board of Directors is considering borrowing seven million dollars to be used to replace approximately 31,000 lineal feet of small diameter pipe (four inches and smaller) and drill at least one new well in the next two years. When these improvements are completed, the District's customers will enjoy increased water pressure and fire flow capacity, an increased number of fire hydrants used for fighting fires, greater source reliability, increased water quality and reliability, and overall improvement of the District's water supply and distribution system.

## **Basis of Proposed Water Rate Increase**

State law requires collection of revenues to cover the cost of providing water service. Such costs include cost of power (electricity & gas), groundwater replenishment assessments, equipment, personnel, supplies, capital improvements (infrastructure replacement) and regulatory requirements. As discussed above, the District has not been generating sufficient revenue to cover those costs, which has led to deferral of necessary capital improvements and using reserve monies the District has maintained in the event of a catastrophic event. The District has engaged an independent financial analyst to review the District's costs of service and prepare recommendations for rate adjustments to allow the District to meet its expenses while also generating monies to cover necessary capital improvement projects, as discussed above. The financial analyst's report is available at the District office and on the District's website at [www.picowaterdistrict.net](http://www.picowaterdistrict.net), and is incorporated into this notice by this reference. That analysis reviewed various rate adjustment scenarios that would provide revenues to meet the District's increasing operational costs, while also providing funds to proceed with necessary CIPs. The analysis concluded that without this proposed rate increase, the District would need to rely more and more on its reserve funds and would have to cut back on its capital improvement projects. Failing to undertake those projects would place a greater burden on the District's aging infrastructure and make more likely a possible serious water main or production well failure that would in turn make the District's water system less reliable, while also resulting in unanticipated emergency repair costs that are typically far more expensive than costs that are incurred where projects are properly planned. Moreover, delaying necessary CIPs to future years will likely result in increased costs when those projects are eventually undertaken in the future.

### **How will the proposed increase affect my water bill?**

Currently, your water bill, for a typical residential customer with only one meter, consists of a commodity rate (which essentially covers the cost of water used) and a monthly meter charge. There are no other charges unless you also have a private fire service, a backflow device or have multiple units sharing one meter, in which case additional charges apply. The proposed increases will, commencing in the first billing after January 1, 2015, increase the commodity rate for water 5% each year for five years, increase the monthly meter charge 5% each year for five years, and if you are billed a multi-unit charge or a fire service charge, then those charges will also increase 5% each year for five years. Also, a new infrastructure replacement surcharge in the range of \$5.00 to \$7.00 per meter per month will be imposed to provide monies to pay for the cost to replace aging infrastructure, as discussed above (the District's Board of Directors will determine the specific amount of the infrastructure replacement surcharge at the November 12 public hearing based on input received from the public at the prior workshops and at that hearing).

The following is an example of how your water bill will be calculated under the adjusted rates and charges for a typical 5/8" meter for a two month billing period with a usage of 30 HCF billing units (1 HCF billing unit = 100 cubic meters, 100 cubic meters = 748 gallons). You would take the usage of 30 HCF and divide by two to equal 15 HCF used per month. Then, based on the District's tiered rate structure, you would take the first 7 HCF billing units and multiply by \$1.07 (Tier 1 rate); then take the next 4 HCF billing units and multiply by \$1.31 (Tier 2 rate); and finally take the remaining 4 units and multiply by \$1.77 (Tier 3 rate; those commodity rates are set forth in the chart below). You would then add the resulting figures together and multiply by two, because the District bills every two months, and would get a total of \$39.62 for the cost of water used. You would then take the monthly service charge of \$12.58 (see the below chart) and multiple it by two, to get a total bi-monthly meter charge of \$25.16. Lastly, you would take the infrastructure replacement surcharge of \$5.00 to \$7.00 per month (see the above explanation) and multiply it by two, for a total of \$10.00 to \$14.00 depending on the amount of infrastructure replacement surcharge adopted by the District's Board of Directors. Adding the commodity rate (\$39.62), the monthly meter charge (\$25.16) and infrastructure replacement surcharge (\$10.00 to \$14.00), you get a total bi-monthly bill that will range from \$74.78 to \$78.78.

### **Proposed Water Rate Charges**

The proposed increases are detailed in the Water Rates Table below. The proposed rates for the years 2015 to 2019 include estimates of: (i) increases in the replenishment assessment imposed on the District's groundwater production by the Water Replenishment District of Southern California, (ii) increased power costs (Southern California Edison rate increases); and (iii) increases in the Consumer Price Index CPI-U for Los Angeles-Riverside-Orange County (calculated on a September 1-August 31 annual basis). In the event those estimates of future costs are determined by the District to not cover the actual costs the District incurs for those expenses, then pursuant to Government Code Section 53756 with at

least 30 days' notice to its customers, the District may subsequently increase its rates to pass-through any increases in those expenses that are not otherwise covered in the previously approved rate schedule.

**Public Comments and Protests**

If you oppose the proposed rate and charge increases, your protest **must** be submitted to the District's Board Secretary **in writing** prior to the closing of the public hearing on the proposed rate adjustments. Any protest must contain a description of the property owned sufficient to identify the property (for example, the property's street address or Assessor's Parcel Number) and must include the signature of the owner of the property or District customer at that property. If you own more than one parcel, you may file a single protest, but it must identify each parcel you own. Only one protest will be counted for any one parcel. Written protests may be mailed to:

Pico Water District  
Attn: Board Secretary  
PO Box 758  
Pico Rivera, CA 90660

Written protests may also be delivered in person to the Pico Water District, Board Secretary, 4843 Church Street, Pico Rivera, CA 90660, at any time prior to the public hearing. E-mailed protests or protests made orally or by telephone will not be accepted. California law prohibits the District from implementing the proposed rate adjustments if a majority of the affected property owners file written protests opposing those adjustments before the end of the public hearing.

**Pico Water District  
Current and Proposed Meter Charges and Commodity Rates  
Fiscal Years 2015-19**

**Table 1  
Current and Proposed Commodity Rates**  
Water Rates: 1 unit equals 100 cubic feet = 748 gallons

	FY 2014 Current Rates	FY 2015 Proposed Rates	FY 2016 Proposed Rates	FY 2017 Proposed Rates	FY 2018 Proposed Rates	FY 2019 Proposed Rates
Less than 8 units per month	1.02	1.07	1.12	1.18	1.24	1.30 per unit
At least 8 but less than 12 units per month	1.25	1.31	1.38	1.45	1.52	1.60 per unit
12 units or more per month	1.69	1.77	1.86	1.95	2.05	2.15 per unit

**Table 2  
Current and Proposed Monthly Meter Charges**

**Meter Charge**

<b>Meter Size</b>	FY 2014 Current Charges	FY 2015 Proposed Charges	FY 2016 Proposed Charges	FY 2017 Proposed Charges	FY 2018 Proposed Charges	FY 2019 Proposed Charges
5/8"	11.98	12.58	13.21	13.87	14.56	15.29
1"	16.49	17.31	18.18	19.09	20.04	21.05
1-1/2"	29.95	31.45	33.02	34.67	36.40	38.22
2"	47.92	50.32	52.83	55.47	58.25	61.16
3"	119.81	125.80	132.09	138.70	145.63	152.91
4"	299.51	314.49	330.21	346.72	364.06	382.26
6"	599.03	628.98	660.43	693.45	728.12	764.53
<b>Fire Service</b>						
1.5"	12.86	13.50	14.18	14.89	15.63	16.41
2"	12.86	13.50	14.18	14.89	15.63	16.41
4"	35.68	37.46	39.34	41.30	43.37	45.54
6"	53.95	56.65	59.48	62.45	65.58	68.86
8"	65.91	69.21	72.67	76.30	80.11	84.12
10"	83.60	87.78	92.17	96.78	101.62	106.70

**Table 3  
Proposed Infrastructure Replacement Monthly Surcharge per Meter Except Fire Service**

Existing Rate	0.00	per meter per month
Proposed Rate	\$5.00 - \$7.00	per meter per month

**Table 4**  
**Current and Proposed Monthly Additional Facilities Charges**  
**Facilities Charge Portion for Multiple Consumer Units Served Through a Single Meter**

<b>Category</b>	<b>Meter Size</b>	<b>FY 2014 Current Charges</b>	<b>FY 2015 Proposed Charges</b>	<b>FY 2016 Proposed Charges</b>	<b>FY 2017 Proposed Charges</b>	<b>FY 2018 Proposed Charges</b>	<b>FY 2019 Proposed Charges</b>	
Houses	5/8"	2.68	2.81	2.95	3.10	3.26	3.42	per house
	1"	5.34	5.61	5.89	6.18	6.49	6.82	per house
Duplexes	MUHA - 5/8"	2.68	2.81	2.95	3.10	3.26	3.42	per house
	5/8"	2.68	2.81	2.95	3.10	3.26	3.42	per unit, after first meter
	1"	5.34	5.61	5.89	6.18	6.49	6.82	per unit, after first meter
	1.5"	5.34	5.61	5.89	6.18	6.49	6.82	per unit, after first meter
Triplexes	MUDA - 5/8"	2.68	2.81	2.95	3.10	3.26	3.42	per unit, after first meter
	5/8"	2.68	2.81	2.95	3.10	3.26	3.42	per unit, after first meter
	1"	5.34	5.61	5.89	6.18	6.49	6.82	per unit, after first meter
Apartments	1.5"	5.34	5.61	5.89	6.18	6.49	6.82	per unit, after first meter
	5/8"	2.01	2.11	2.22	2.33	2.44	2.57	per unit
	1"	2.68	2.81	2.95	3.10	3.26	3.42	per unit
	1-1/2"	3.34	3.51	3.68	3.87	4.06	4.26	per unit
	2"	4.01	4.21	4.42	4.64	4.87	5.12	per unit
	3"	4.01	4.21	4.42	4.64	4.87	5.12	per unit
Trailer Parks	6"	4.01	4.21	4.42	4.64	4.87	5.12	per unit
	1"	2.68	2.81	2.95	3.10	3.26	3.42	per developed space
	1-1/2"	3.34	3.51	3.68	3.87	4.06	4.26	per developed space
Motels	2"	4.01	4.21	4.42	4.64	4.87	5.12	per developed space
	N.A.	1.33	1.40	1.47	1.54	1.62	1.70	per unit, after first meter
Commercial Shops	N.A.	1.33	1.40	1.47	1.54	1.62	1.70	per unit, after first meter
	5/8"	2.68	2.81	2.95	3.10	3.26	3.42	per unit
	1"	3.34	3.51	3.68	3.87	4.06	4.26	per unit
	1-1/2"	4.01	4.21	4.42	4.64	4.87	5.12	per unit
	2"	4.01	4.21	4.42	4.64	4.87	5.12	per unit