

Scotts Valley Water District Proposed Rate Increases

Scotts Valley City Council Meeting
December 7, 2016

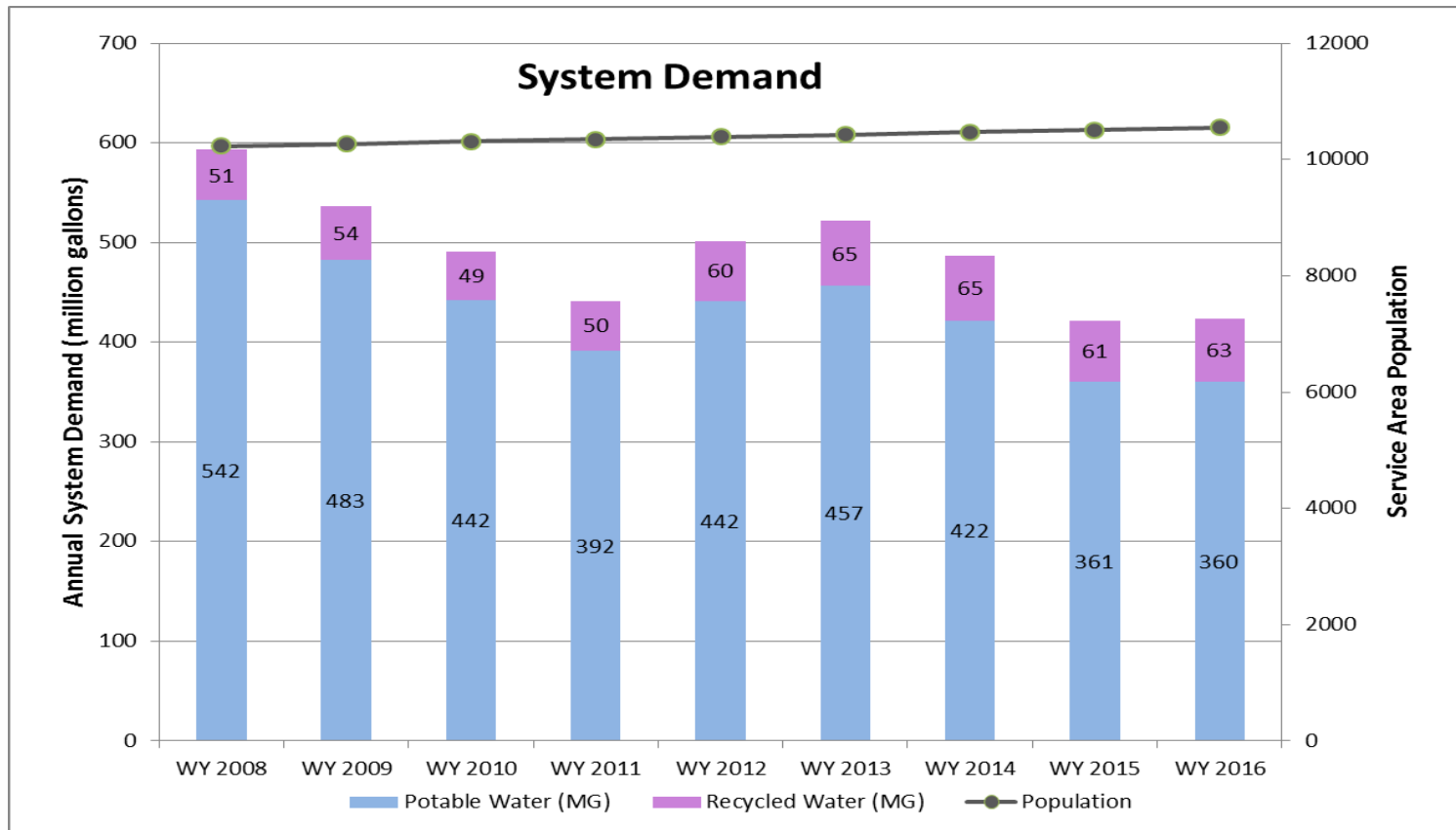


SVWD 2016 Water Rate Study

- Develop a financial plan to determine potable and recycled water revenue requirements
- Conduct cost of service and tiered rate analysis
- Conduct connection fee analysis
- Develop a rate structure that complies with Proposition 218

Potable Water Demand Reduction

17% in 2014, 24% in 2015, 24% in 2016 (from 2013)

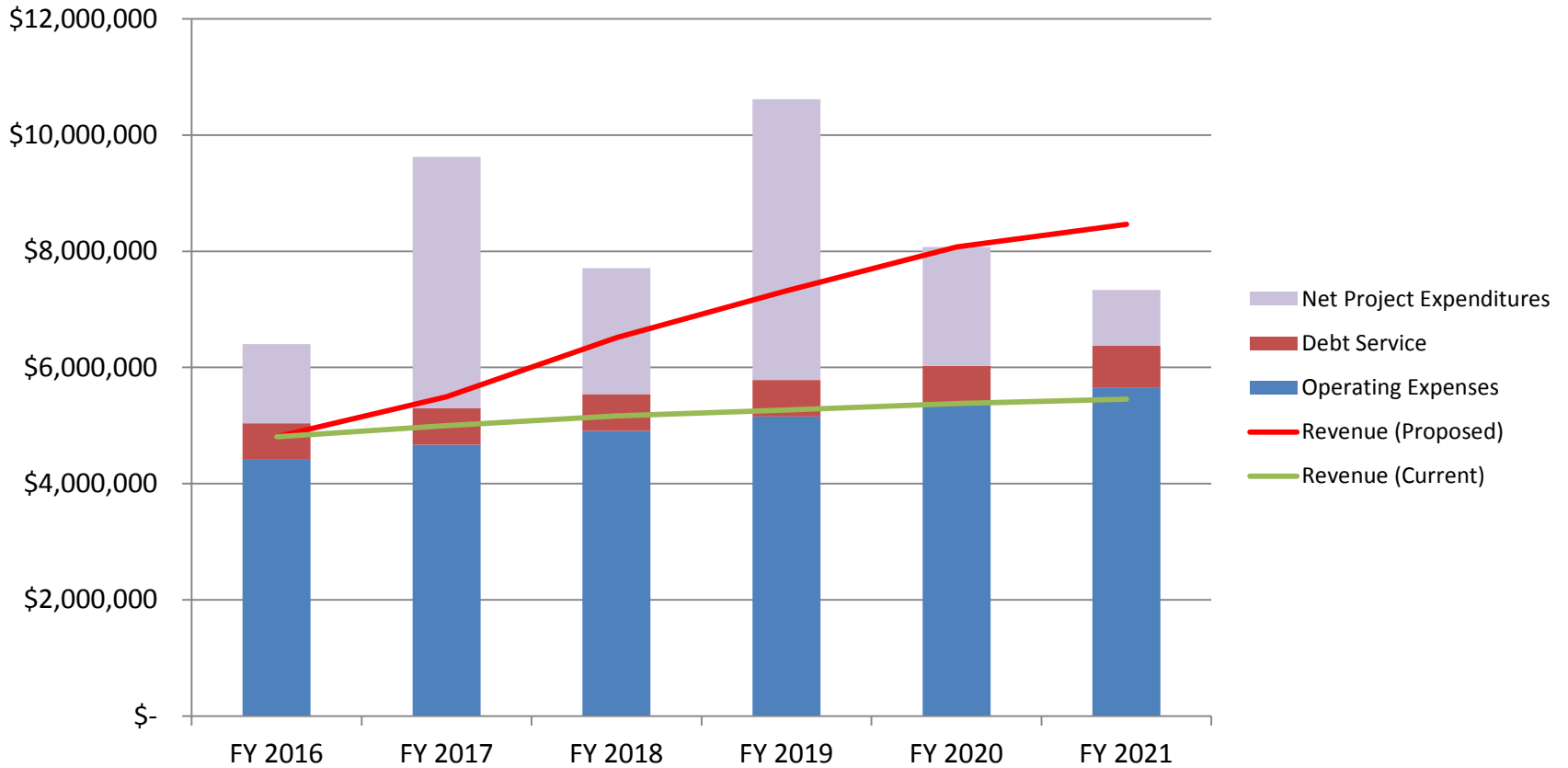


Financial Impacts from Demand Reduction

- Revenue Loss
 - \$480,000 in FY 2015
 - \$830,000 in FY 2016
- Additional Expenses
 - State mandates (reporting, restrictions, patrols)
 - Enhanced water use efficiency measures (rebates, campaigns)
- Decrease in Reserves
 - From \$6.8M in 2014 to \$3.8M in 2016
- Debt Coverage Ratio below Required
 - 1.08 vs 1.20 in 2016

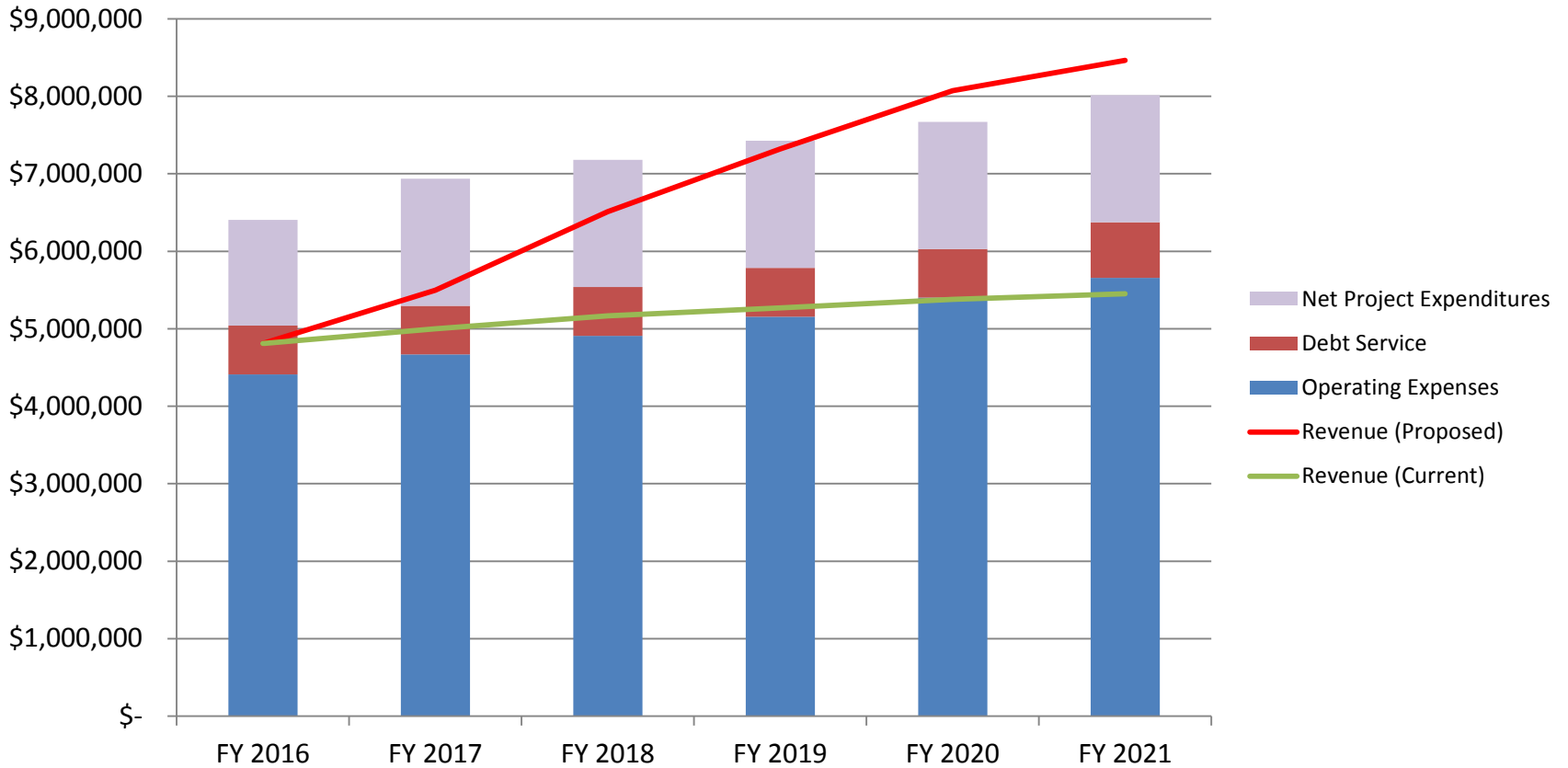
Revenue-Expense Projections

Net Projects \$15.7M (including Groundwater Recharge)



Revenue-Expense Projections

Net Projects \$9.6M excluding Groundwater Recharge



Legal Context for Rate Study

- Tiered rates have to be cost-justified and reflect the costs of providing water
- Must demonstrate a direct relationship between the cost of providing service and benefits received
- Lower than actual costs of service rates may be adopted only if no other group of ratepayers is subsidizing the lower rates

Residential Water Bill Comparison

Average Monthly Household Water Bill

6000 gal (8ccf)/month

December 2016

