

KINNELOA IRRIGATION DISTRICT

Special Meeting – Board of Directors
1999 Kinclair Drive, Pasadena, CA 91107
Tuesday, May 28, 2024
2:00 P.M.

AGENDA

This meeting will be conducted at the District office in accordance with the Brown Act and AB 2449. Public comment may be made in person or submitted via email to kinneloa@outlook.com prior to the meeting, any information submitted will become part of the official record. The public may participate at the office or via computer or telephone using the following information: <https://us02web.zoom.us/j/85061795151?pwd=QURaWGV5Lzg3dmEvcGx1Ujl6akRHdz09>

Meeting ID: 850 6179 5151

Passcode: 156331

Telephone: 669 900 9128

1. CALL TO ORDER – 2:00 P.M.

- a. Declaration of a quorum
- b. Review of agenda

2. PUBLIC COMMENT – Comments from the Public regarding items on the Agenda or other items within the jurisdiction of the District

In compliance with the Brown Act, the Board cannot discuss or act on items not on the Agenda. However, Board Members or District Staff may acknowledge Public comments, briefly respond to statements or questions posed by the Public, ask a question for clarification, or request Staff to place item on a future Agenda (Government Code section §54954.2)

3. KINNELOA IRRIGATION DISTRICT WATER RATE STUDY WORKSHOP – Meet with consultants from Water Resources Economics to provide background information on the rate study and discuss various policy options.

4. DIRECTOR REPORTS AND/OR COMMENTS –

In accordance with Government Code §54954.2 Directors may make brief announcements or brief reports on their own activities. Directors may ask a question for clarification, provide a reference to staff or other resources for information, request staff to report back to the Directors at a subsequent meeting, or act to direct staff to place a matter of business on a future agenda.

5. CALENDAR – Upcoming regular meetings: May 28, 2024; June 25, 2024; July 23, 2024

6. ADJOURNMENT

In compliance with the Americans with Disabilities Act, if you are a disabled person and need a disability-related modification or accommodation to participate in this meeting, please contact the District office 48 hours prior to the meeting at 626-797-6295. Each item on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Material related to an item on this agenda submitted after distribution of the agenda packet is available for public review at the District office or online at the District's website <https://kinneloa Irrigation District.info>.

Kinneloa Irrigation District

Water Rate Study Workshop

Board Meeting – May 28, 2024



**Water Resources
Economics**

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE

Introductions



**Water Resources
Economics**

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE

- Water Resources Economics Project Team
 - Sanjay Gaur, Project Manager
 - Email: sgaur@water-economics.com
 - Hannah Phan, Project Analyst
 - Email: hphan@water-economics.com
 - Charles Diamond, Reviewer
 - Email: cdiamond@water-economics.com

Agenda



**Water Resources
Economics**

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE

- Goals of Today's Workshop
- Rate Study Overview
- Policy Options
- Questions & Discussion
- Next Steps

Goals of Today's Workshop



**Water Resources
Economics**

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE

- Provide background information on the rate study
- Discuss policy options
 - Reserves policy
 - Capital funding options
 - Rate structure alternatives



Rate Study Overview



Rate Study Process

- 1. Policy framework:** Identify key policy objectives (revenue stability, customer affordability, conservation, etc.)
- 2. Financial plan:** Develop multi-year cash flow projections to determine annual rate revenue requirement
- 3. Cost-of-service analysis:** Allocate the rate revenue requirement to customers based on proportional use of the water system
- 4. Rate design:** Identify appropriate rate structure changes and calculate proposed rates
- 5. Documentation:** Develop a study report to provide transparency and defensibility



Proposition 218

(Article XIIC and XIID of California Constitution)

- Applies to property-related fees for service including retail water rates
- Water rate implications:
 - Rates must be proportional to and may not exceed the cost of providing water service
 - One customer class (residential, commercial, etc.) may not subsidize another customer class
 - Retail water agencies typically conduct a “cost-of-service analysis” at least once every 5 years to ensure a sufficient nexus between rates and costs
- Procedural requirements:
 - Rates must be adopted at a public hearing
 - All customers must be mailed a public hearing notice no fewer than 45 days before the hearing
 - Rates may not be adopted if a majority of customers submit a formal protest



Key Rate Study Drivers

- The currently adopted rates are insufficient due to:
 - Substantial 5-year planned capital expenditures
 - Approximately \$7 million over the next 5 years
 - Significant reduction in prior year water demand
 - 2023 water demand is 30% lower than 2022 demand

Scope of Service



Task	Task Description
Task 1: Project Management and Initiation	Develop understanding of the challenges and objectives of the study
Task 2: Board Workshop - Introduction	Provide an overview of the rate study to the Board to solicit preliminary input
Task 3: Financial Plan Development	Develop 10-year cash flow projections to identify rate revenue needs and capital financing strategy
Task 4: Cost-of-Service Analysis	Allocate costs to customers in accordance with industry standards and Prop 218 requirements
Task 5: Rate Development	Develop a proposed 5-year rate schedule and evaluate customer bill impacts
Task 6: Board Workshop	Present preliminary results to the Board to solicit feedback
Task 7: Report Development	Document the study results in a report to serve as an administrative record
Task 8: Proposition 218 Public Hearing Support	Present the study results at the public hearing to adopt rates

Schedule



Task	Meetings	Date
Task 1: Project Management and Initiation	One virtual kickoff meeting	May 10, 2024
Task 2: Board Workshop - Introduction	One virtual Board Meeting	TODAY
Task 3: Financial Plan Development	Up to three virtual meetings w/ staff	
Task 4: Cost-of-Service Analysis	Up to two virtual meetings w/ staff	
Task 5: Rate Development	""	
Task 6: Board Workshop	One in-person Board Meeting	-July 23 rd Board Mtg (Aug. 27 th or special meeting)
Task 7: Report Development	Up to one virtual meeting w/ staff	
Task 8: Proposition 218 Public Hearing Support	One in-person Public Hearing	-Nov. 19 th public hearing (tentative)



Policy Options



Reserves Policy

- Reserve policies are in place to help mitigate various risks associated with operating and maintaining a water utility
 - Operating: to pay for ongoing and/or unexpected operating costs
 - Capital: to pay (upfront) for CIP projects
 - Emergency: to pay for unexpected repairs and/or pay (upfront) for emergency repairs while waiting for reimbursements from FEMA
 - Rate Stabilization: to offset cost and/or water demand variances



Current Reserves Policy

Fund	Purpose	Target Range	Criteria
Operating	Cash flow variations due to seasonality and other factors	\$100,000 to \$200,000	1-2 Months of Operating Expenses
Emergency	Unexpected repair or replacement of facilities or equipment	\$200,000 to \$400,000	5%-10% of Fixed Assets
Replacement	Planned maintenance, rehabilitate or replace existing facilities, equipment and vehicles	\$200,000 to \$400,000	Planned Maintenance Schedule with a Minimum of 5% of Fixed Assets
Improvement	Capital improvement projects and facilities	\$500,000 to \$4,500,000	Projects from the Master Plan or Other Planning Documents
Total Target Range		\$1,000,000 to \$5,500,000	



Recommended Reserves Policy

- Operating Reserve
 - Three (3) months of operating expenses
- Capital Reserve
 - Average 5-year capital expenditures
- Emergency Reserve
 - Amount equal to major capital failure expenses
- Rate Stabilization Reserve
 - 5% of rate revenue or 10% of volumetric revenue



Capital Funding Options

- Pay as you go (PAYGO) or rate funded
- Debt funded
- Capital improvement charge assessed on the property tax roll
 - The pipeline replacement projects can be funded through property tax revenues

Current Water Rates



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- Daily service charge
 - \$2.48 per account (\$75.43 per average month)
- Usage charge
 - \$6.20 per unit



Potential Rate Structure Changes

- Daily Service Charge
 - Recommend to charge by meter size
 - More equitable because it reflects the potential demand on the system
 - Consistent with industry standard (methodology outlined in AWWA M-1 Manual)
- Usage Charge
 - Inclining tier rates
 - Encourage conservation and allow District to stay on 100% groundwater



Meter Size Ratio

- The water distribution system is sized for maximum capacity
 - Different meters have different capacity limits
 - Larger meters can draw more water and increase the size of the system
 - Example: A 2" meter can draw 8 times the amount of water of a 5/8" meter
 - It is consistent with Prop 218 requirements to have higher service charges for larger meters to account for the capacity differences

Meter Size	Safe Operating Capacity (gpm)	Meter Ratio
5/8"	20	1.00
1"	50	2.50
1.5"	100	5.00
2"	160	8.00
3"	300	15.00
4"	500	25.00
6"	1,000	50.00
8"	1,600	80.00
10"	2,900	145.00



Questions & Discussion

Next Steps

- Develop financial plan
- Complete the cost-of-service analysis and rate design
- Present rate study results at another Board workshop (July)
- Develop a rate study report
- Provide support through the Prop 218 public hearing process



Water Resources Economics

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE

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