

# **Purissima Hills Water District 2012 Water Rate Study**

Joubin Pakpour, P.E.  
District Engineer

Process started approximately four months ago

All discussions are held during regularly scheduled District Board Meetings in open session.

Staff reviews the income and expenses for the District and recommends several options based on the latest information from the SFPUC (our sole source of water)

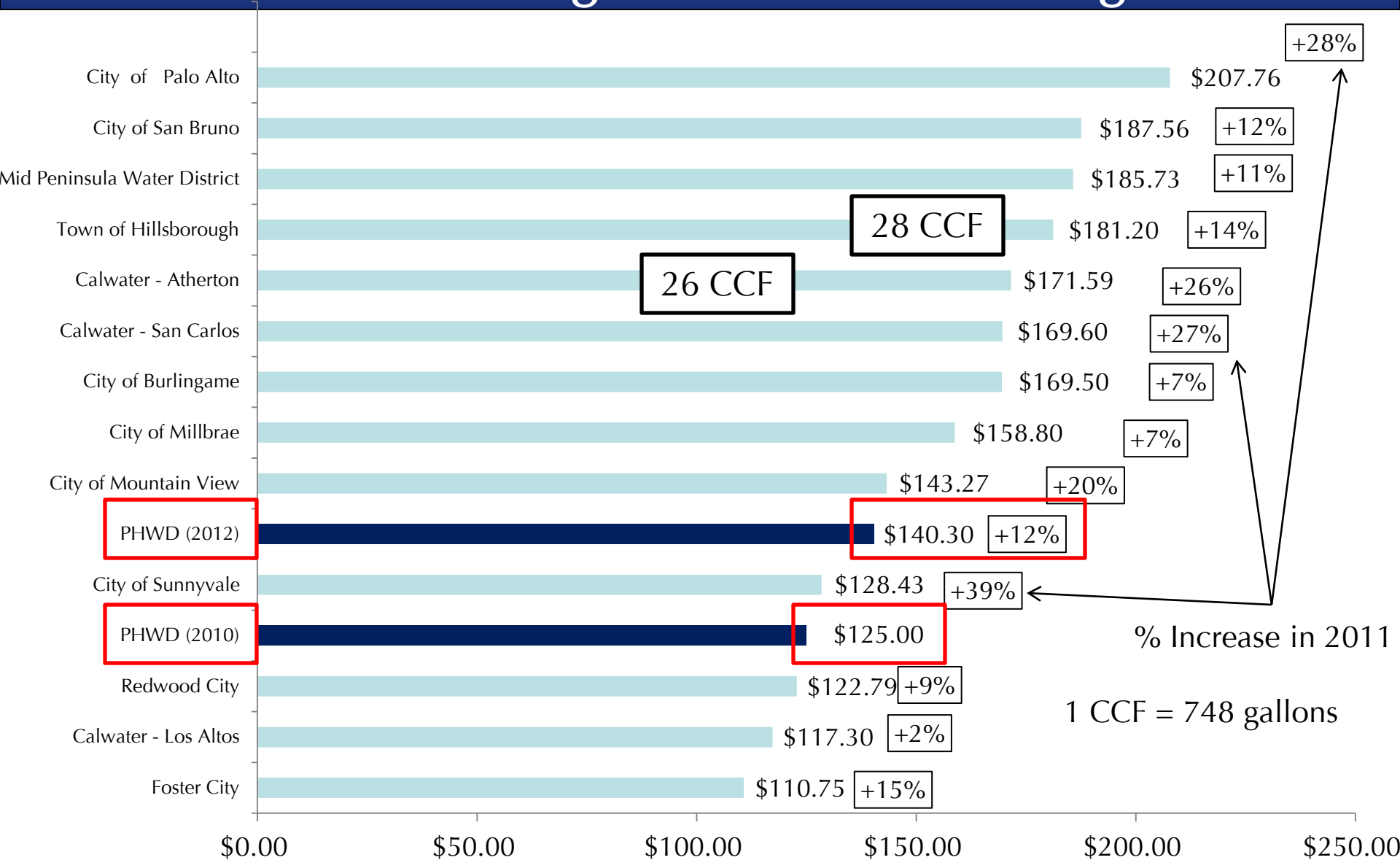
The Board reviews options and asks for more information.

Once the Board determines a rate increase is necessary, a public notice is prepared and mailed out a minimum of 45 days before the public hearing for a proposed rate increase.

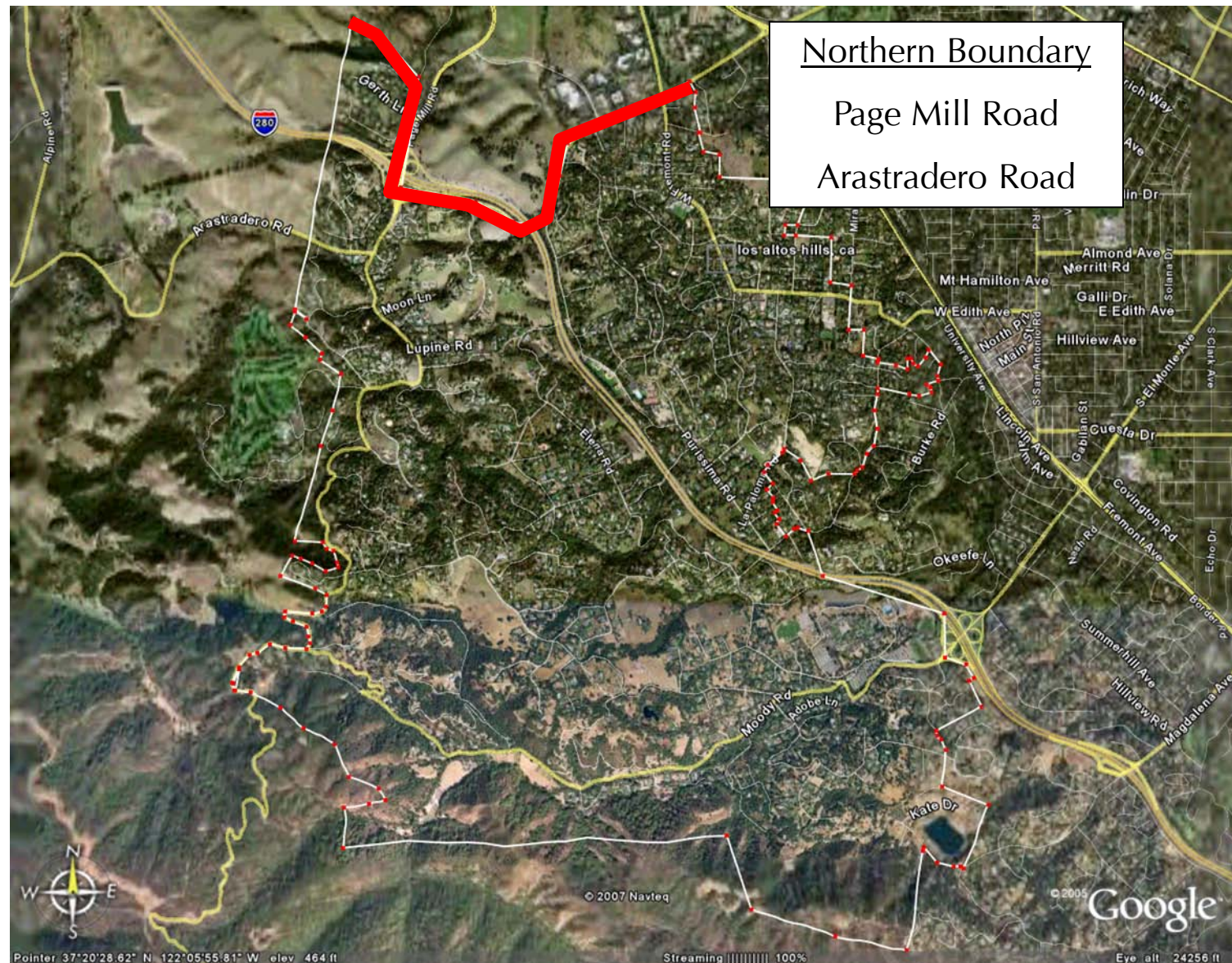
Customers may submit written protests prior to the close of the public hearing. If a majority of the owners of identified parcels protest, the rate increase does not go through.

Customers may also comment on the proposed rate increase at the public hearing.

# 2012 Cost Comparison Based on Average PHWD Annual Usage – 30 CCF

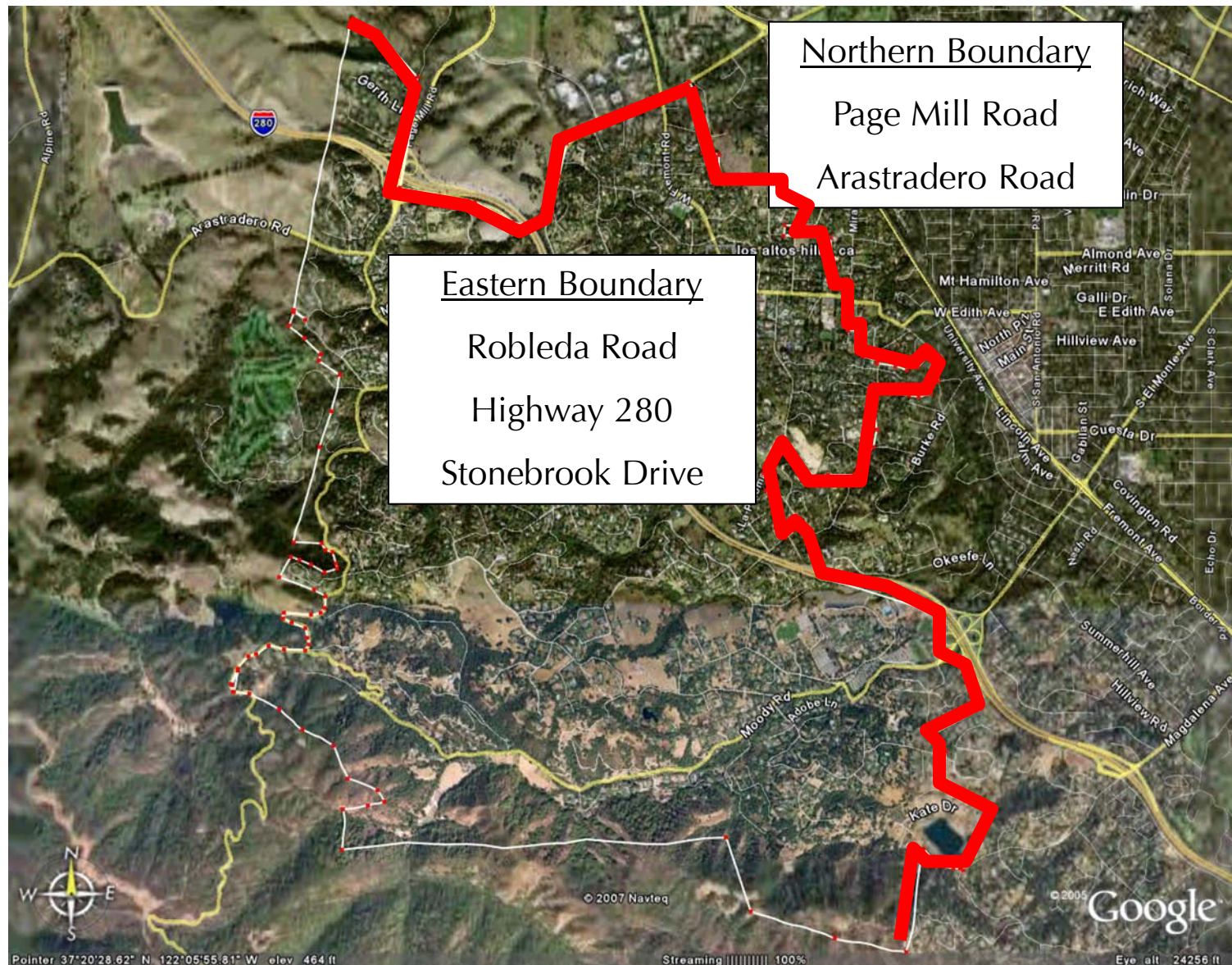


# District Boundaries





# District Boundaries

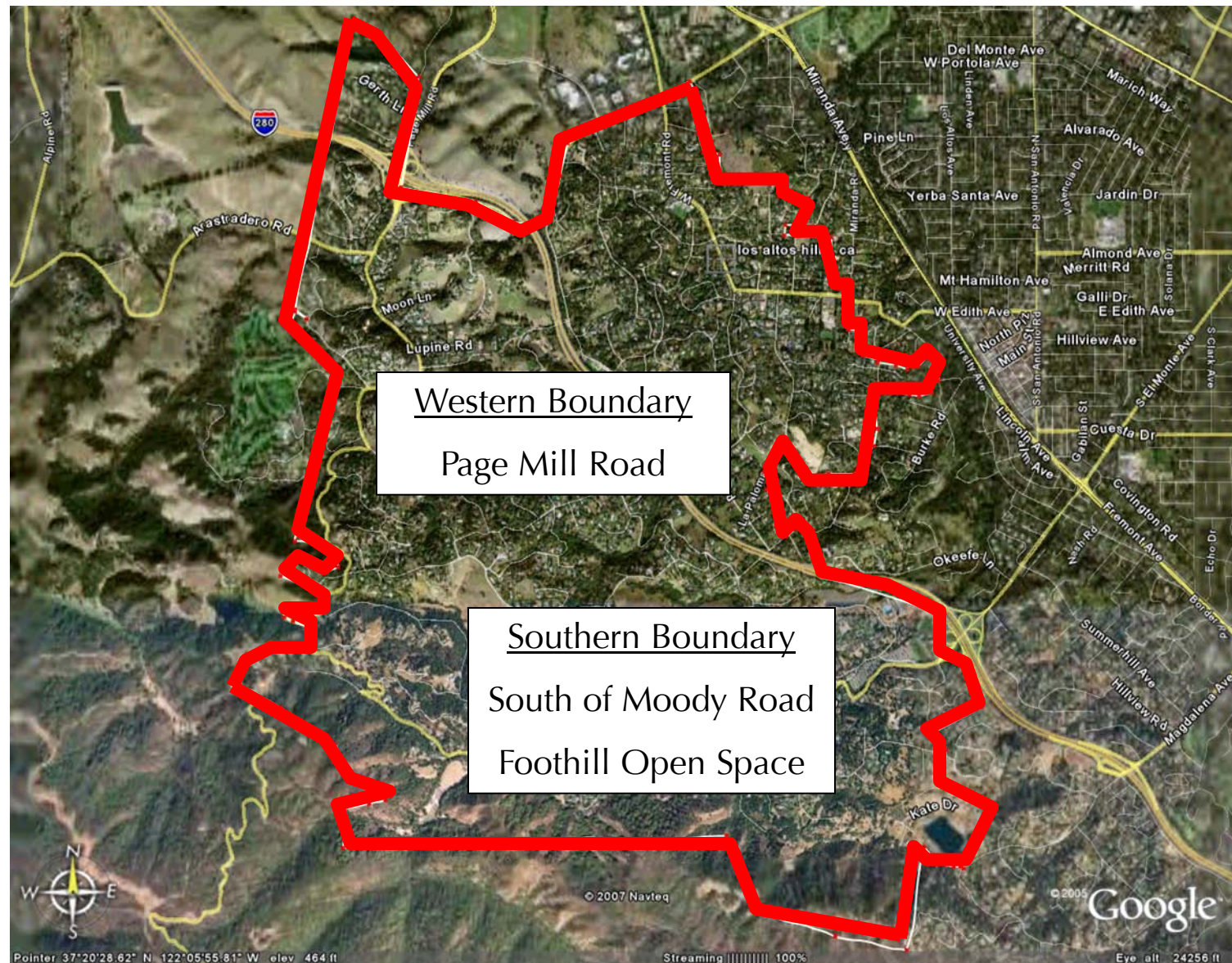








# District Boundaries



If you lived

Water Bill:

## Los Altos: Hard water notice

March 7, 2012

A Santa Clara Valley Water District project will be affecting the water supply of Cal Water's Los Altos customers from March 12th through March 21, 2012. As a result of the project, you will be receiving groundwater from our wells, which is harder than the water you usually receive.

Hard water is caused by naturally occurring minerals and does not pose a health risk; however, it can cause spots on glasses and fixtures. You can minimize spotting by hand washing dishes or towel drying them immediately after the dishwasher rinse cycle. If you already have spots on your glasses, soak them in white vinegar for 5 to 10 minutes.

For more information, please visit the [Hard Water page](#) on this web site or call us at (650) 917-0152. Thank you.

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ice Area

\$117.30

\$25.00

\$142.30



# Low Usage - 10 CCF

If you lived in Palo Alto

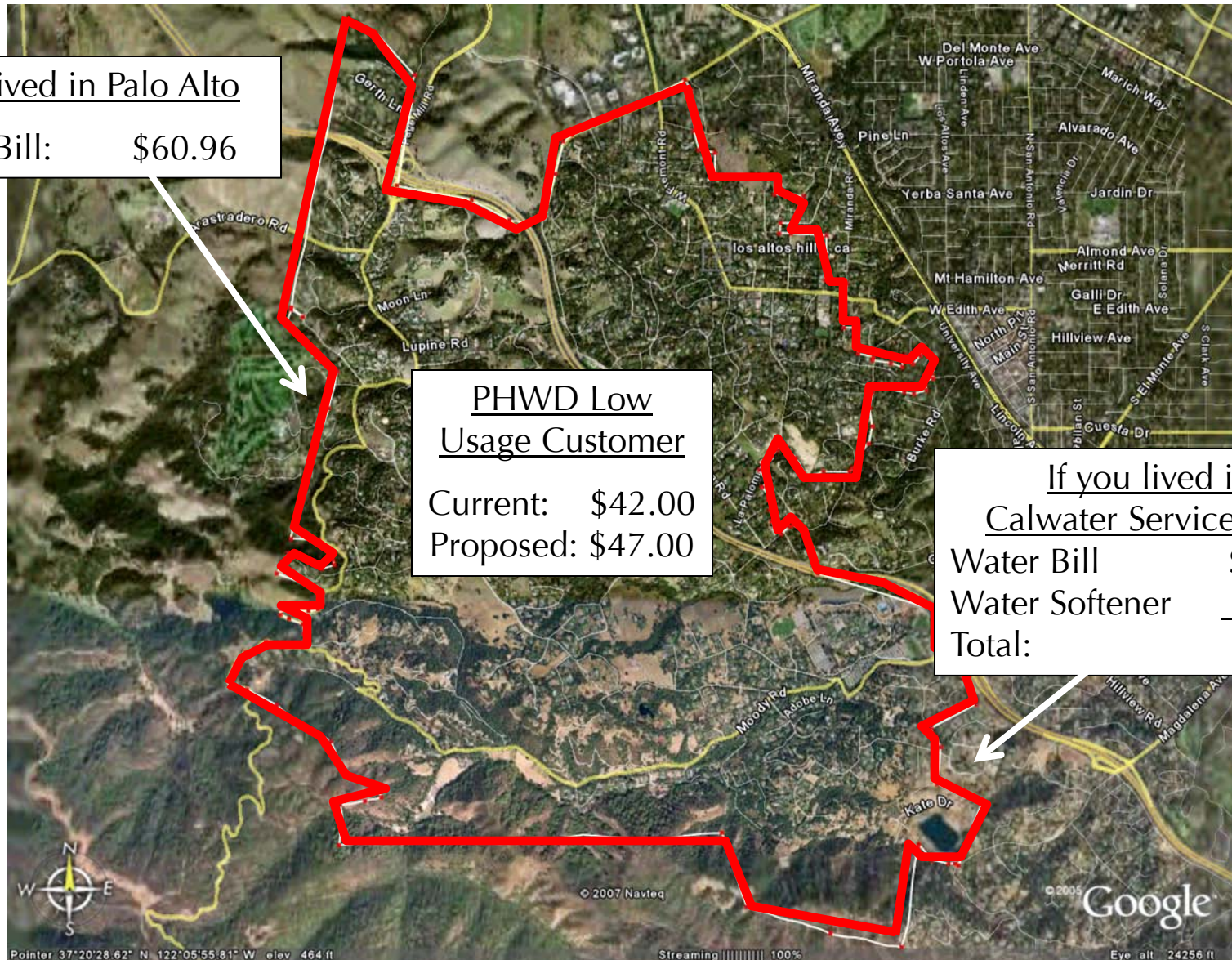
Water Bill: \$60.96

PHWD Low  
Usage Customer

Current: \$42.00  
Proposed: \$47.00

If you lived in  
Calwater Service Area

Water Bill	\$50.64
Water Softener	<u>\$25.00</u>
Total:	\$75.64



## Our Expenses

	<u>09/10</u>	<u>11/12</u>	<u>Change</u>	<u>%</u>
Operations	\$1,763.9	\$2,407.4	\$643.5	27%
Administration	\$940.3	\$850.2	-\$90.1	-11%
Maintenance	\$1,074.6	\$970.5	-\$104.1	-10%
CIP + Loan (for CIP)	\$1,451.4	\$1042.2	-\$409.2	-39%
Total:	\$5,230.2	\$5,270.3	\$40.1	

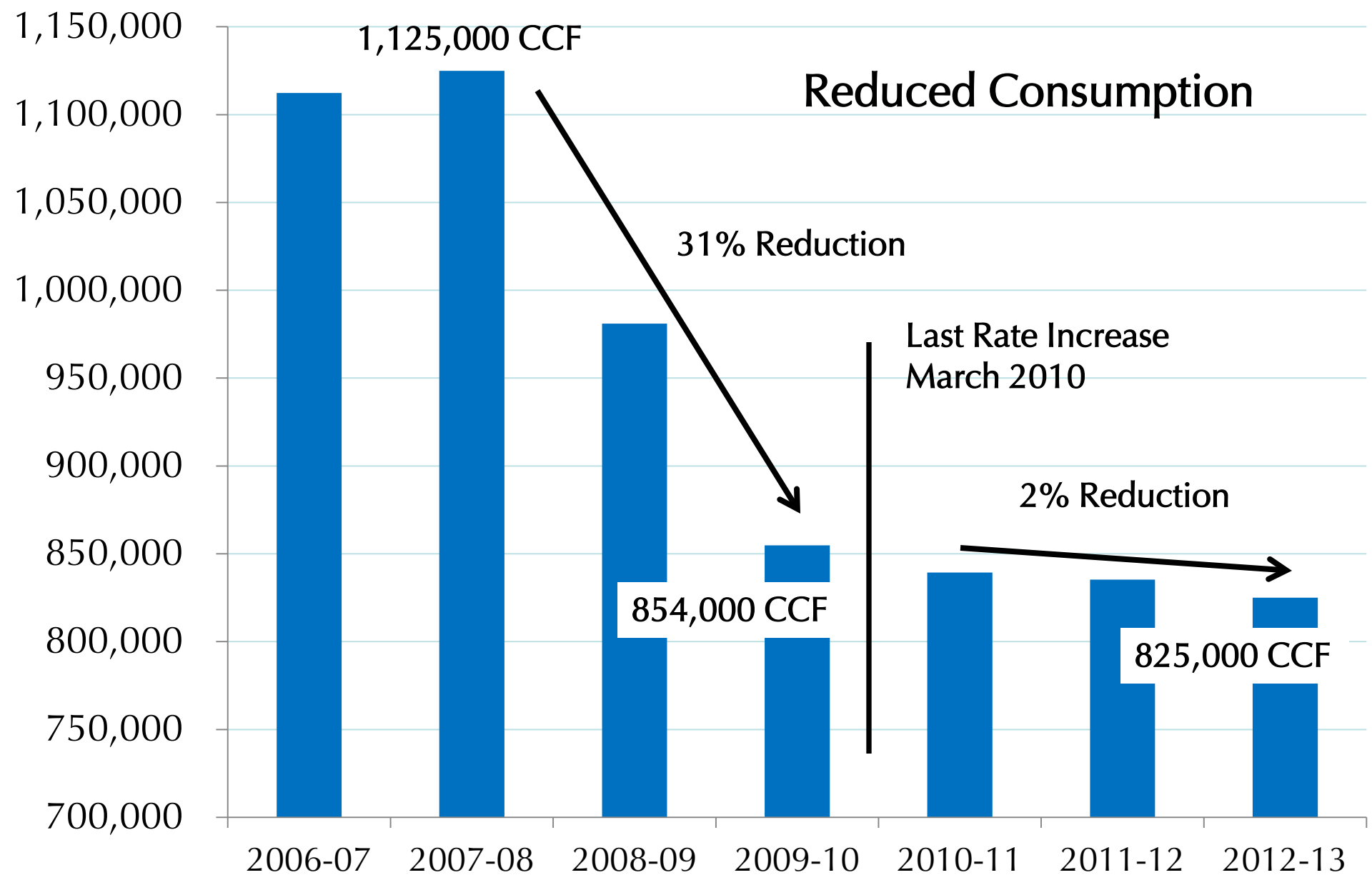


## Why Must the District Raise Rates?

The District purchases 100% of its water from the SFPUC which is raising rates to pay for a \$4.8 *billion* dollar capital improvement program to make the water supply system earthquake resistant for over 2.4 million customers in 26 different agencies.

The District last increased its water unit rates in March 2010, when the SFPUC was charging \$1.65 per unit with projections of \$2.14 per unit for July 2011. However, the SFPUC actually increased its wholesale rates to \$2.63 in July 2011.

The District now has a revenue shortfall of \$241,000 with current rates.





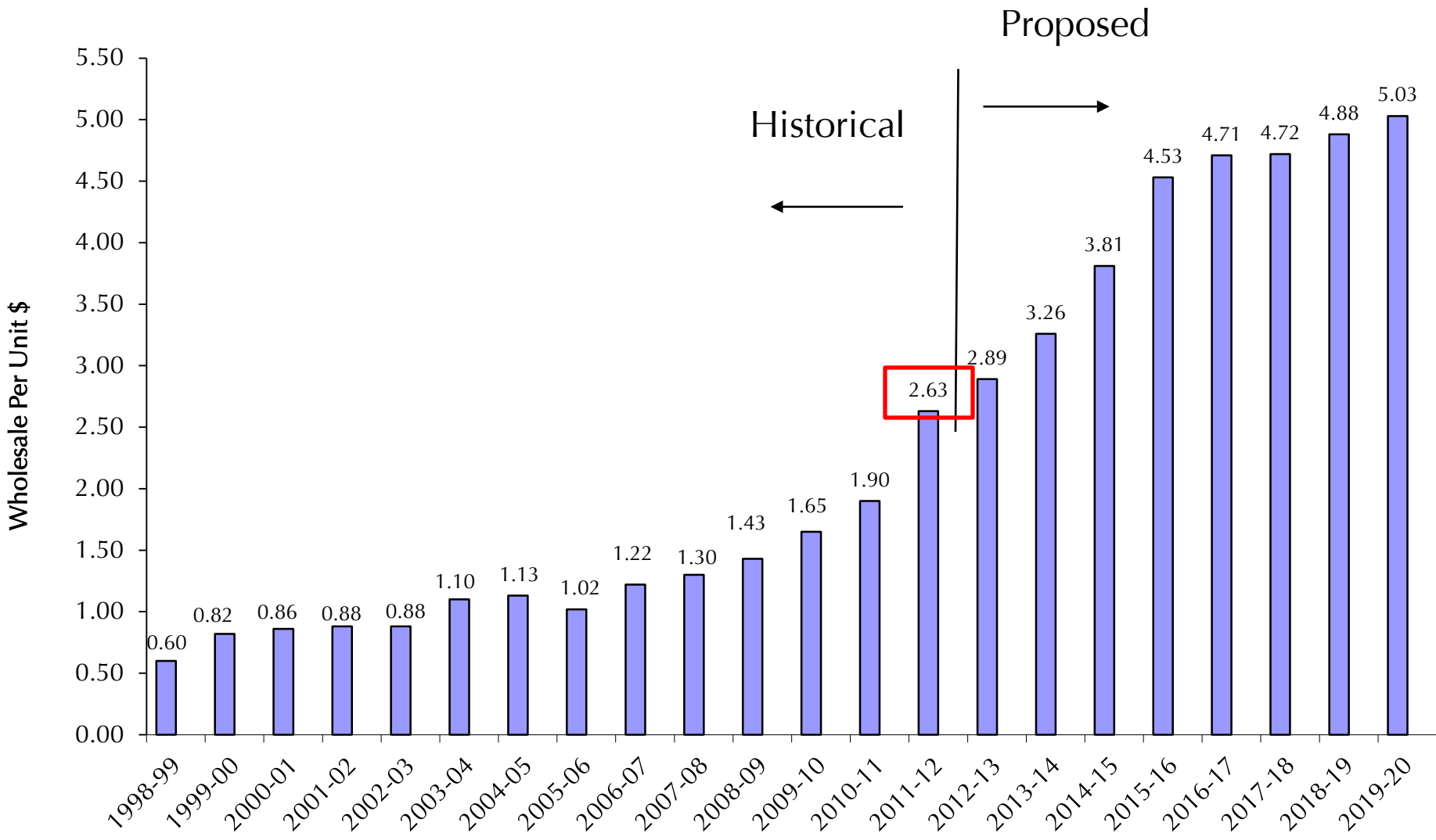
Built in the 1920's and 30's, much of the system is near the end of its working life. Crucial portions cross or adjoin three major earthquake faults. No major improvements have been made since that time.

In 2002, the SFPUC launched its \$4.8 billion Water System Improvement Plan (WSIP) to make the water supply system earthquake resistant. The WSIP is comprised of 80+ projects throughout the system – from San Francisco to the Central Valley and will be completed by 2016.

A bond measure approved by San Francisco voters in 2002 pays for the WSIP.

Retail agencies (non-SF residents) purchase 2/3 of the system water and therefore are responsible for 2/3 of the upgrade cost

The District purchases 1% of the water and will pay 1% of the cost





## How is the District keeping its eye on the SFPUC?

We are a member of the Bay Area Water Supply and Conservation Agency (BAWSCA)

BAWSCA represents the interests of 24 cities and water districts, and two private utilities, that purchase water wholesale from the SFPUC. These entities provide water to 1.7 million people, businesses and community organizations in Alameda, Santa Clara and San Mateo counties.

Contract negotiations with SFPUC.

Staff reviews the SFPUC seismic improvement project, costs, schedule, etc.

Regional alternative water supply such as desalination, wells, recycled water.



Formed in 1955

Local Government Entity – Special District (Not for Profit)

2,060 Residential and 43 Institutional Services

By Usage: 94% residential and 6% institutional

District maintains over 80 miles of pipe, 10 tanks, and 5 pump stations

Purchases 100% of water from SFPUC Hetch Hetchy System



	<u>09/10</u>	<u>11/12</u>	<u>Change</u>	<u>%</u>
Operations	\$1,763.9	\$2,407.4	\$643.5	27%
Administration	\$940.3	\$850.2	-\$90.1	-11%
Maintenance	\$1,074.6	\$970.5	-\$104.1	-10%
CIP + Loan (for CIP)	\$1,451.4	\$1042.2	-\$409.2	-39%
Total:	\$5,230.2	\$5,270.3	\$40.1	

SFPUC Rate Last Year	\$1.90 per CCF
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SFPUC Rate This Year	<u>\$2.63 per CCF</u>
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Difference	\$0.73 per CCF
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Amount of Water Purchased	825,000 CCF
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Extra Dollars spent in buying just water	<b>\$600,000</b>
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Majority of other agencies raised rates in July 1, 2011, the District waited until now to minimize the impact on its customer.

Agency	Miles of Pipe	Maintenance & Administration Cost per Year	Maintenance & Administration Cost per feet of pipe
Palo Alto			
Mountain View			
Redwood City			
San Bruno			
Hillsborough			
MPWD			
Foster City			
PHWD			
Burlingame			
Calwater			



# How Do Our Expenses Compare?

Agency	Miles of Pipe	Maintenance FTE	Miles of pipe per FTE
Redwood City	265		
PHWD	80		
Calwater LA	297		
Foster City	110		
Palo Alto	214		
Hillsborough	97		
MPWD (Belmont)	105		
Mountain View	175		
San Bruno	100		
Burlingame	Information was requested but not received		

## Steps the District is taking to reduce its Operations Expense:

Sell every drop of water you buy from SFPUC. Industry average for “unaccounted for water” is 8% to 10%.

The District’s “unaccounted for water” is currently 2% which saves the District \$175,000 every year.

Reduce power costs by switching to high efficient pumps and motors and utilizing off peak pumping, using advanced telemetry.

The District achieves these goals through well thought out capital improvement projects.

## **Discussion of Administration Budget:** (reduced by \$90.1 10%)

With the exception of a part-time conservation specialist, our staffing levels have been flat for the past 15 years.

Salaries have been essentially flat, no raises the past 2 years.

We decreased our health care costs by \$40,000.

We are working on electronic billing and payment to further reduce staff time.



## **Discussion of Maintenance Budget:** (reduced by \$104.1 10%)

Maintenance costs are reactionary. We repair leaks, repair broken valves, install new services, while also helping our customers find their leaks.

Use technology to become more efficient - radio read meters, GIS, GPS, hydraulic model, SCADA.

Salaries have been essentially flat, no raises the past 2 years.

Smart investment in the capital improvement program reduces system emergencies, however the system always requires maintenance.

We are proactively investing in engineering studies to find additional and emergency water sources.

## Discussion of Capital Improvement Program Budget:

Replace aging and seismically vulnerable facilities (50% of the District watermains are over 40 years old)

Develop supplemental water supplies - drilled two test wells, developing Quarry Lake as an emergency source.

Pay as you go, no long term debt.

Rolling 5 year, \$3.8 million program, approved by the District Board every year.

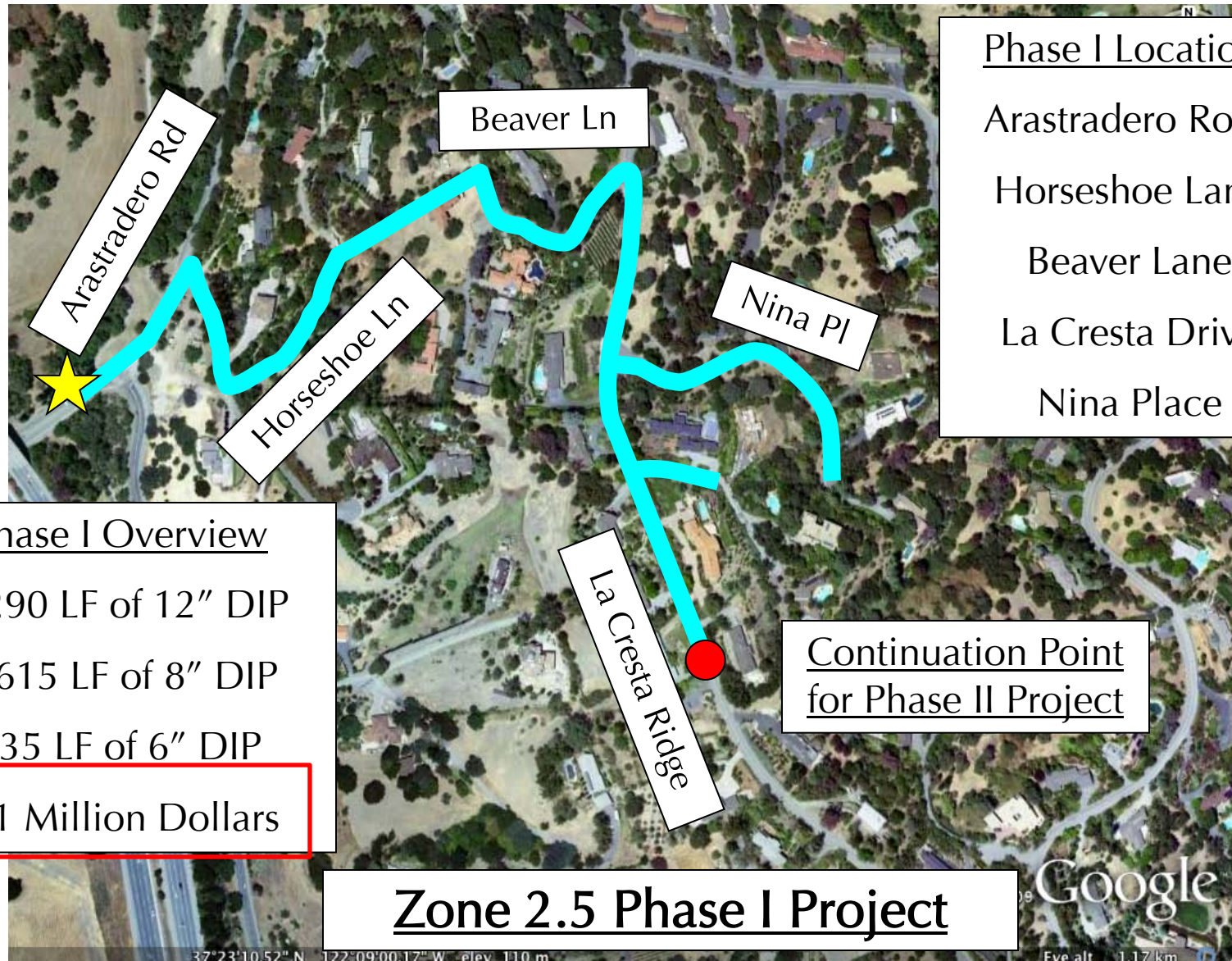
Partnering with local agencies such as the Los Altos Hills County Fire District.

It's working - lower leak rates, pumping at night, higher fire protection, no deferred maintenance.





# Capital Improvement Program



## Phase I Locations

Arastradero Road  
Horseshoe Lane  
Beaver Lane  
La Cresta Drive  
Nina Place

## Phase I Overview

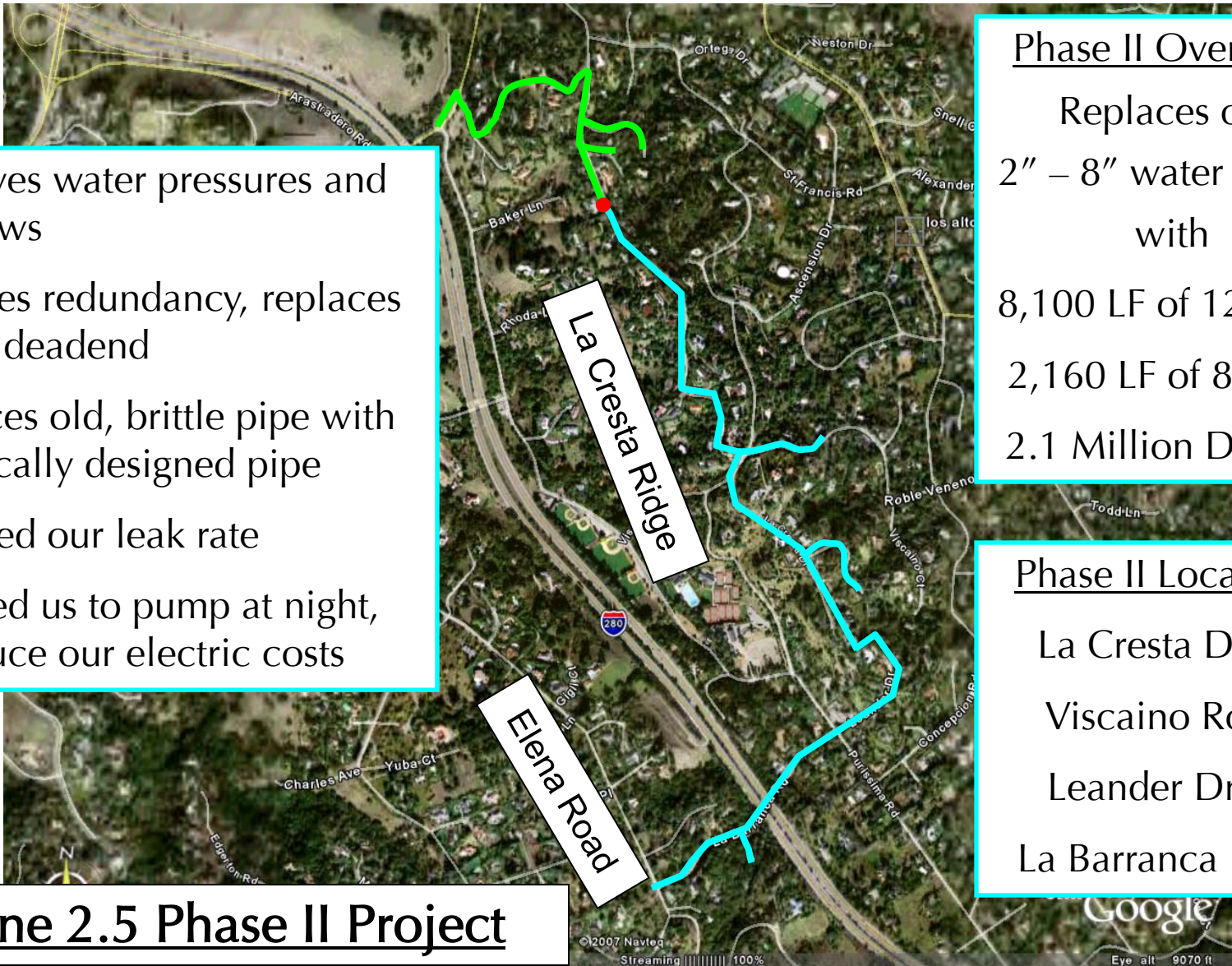
3,290 LF of 12" DIP  
1,615 LF of 8" DIP  
235 LF of 6" DIP  
1.1 Million Dollars

Continuation Point  
for Phase II Project

Zone 2.5 Phase I Project



# Capital Improvement Program



Improves water pressures and fire flows

Provides redundancy, replaces a long deadend

Replaces old, brittle pipe with seismically designed pipe

Reduced our leak rate

Allowed us to pump at night, to reduce our electric costs

## Phase II Overview

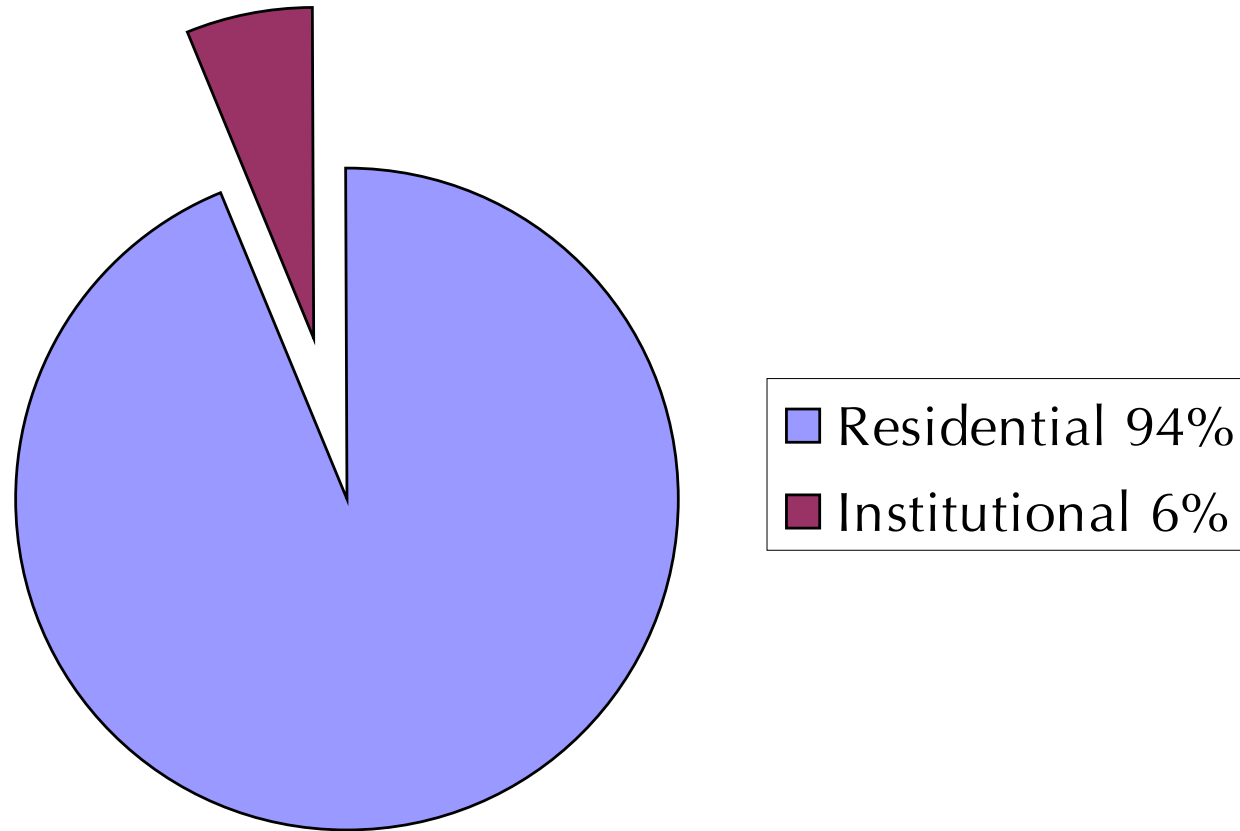
Replaces old  
2" – 8" water mains  
with  
8,100 LF of 12" DIP  
2,160 LF of 8" DIP  
2.1 Million Dollars

## Phase II Locations

La Cresta Drive  
Viscaino Road  
Leander Drive  
La Barranca Road

## Zone 2.5 Phase II Project

# Where Does Our Water Sales Go?



# Proposed Water Rates Residential

Existing Rate Schedule		Proposed Rate Alternative		Increase over Existing
Billed Units (CCF)	Unit Rate	Billed Units (CCF)	Unit Rate	
1-10	\$2.70	1-10	\$3.21	\$0.51
11-30	\$4.15	11-30	\$4.66	\$0.51
31-60	\$5.60	31-60	\$6.11	\$0.51
61-100	\$7.05	61-100	\$7.56	\$0.51
101-200	\$8.50	101-200	\$9.01	\$0.51
200+	\$9.95	200+	\$9.95	\$0.00



## Why eliminate Tier Six?

Our annual revenue is approximately \$5,300,000

Tier six brings in approximately \$20,000

Or less than 0.4% of our revenue

The tier did its job to discourage high usage. Our usage is down 35% since our peak in FY 2007 – 2008. No longer needed.

Brings us in line with other water agencies on the Peninsula, such as Hillsborough (5 tiers)

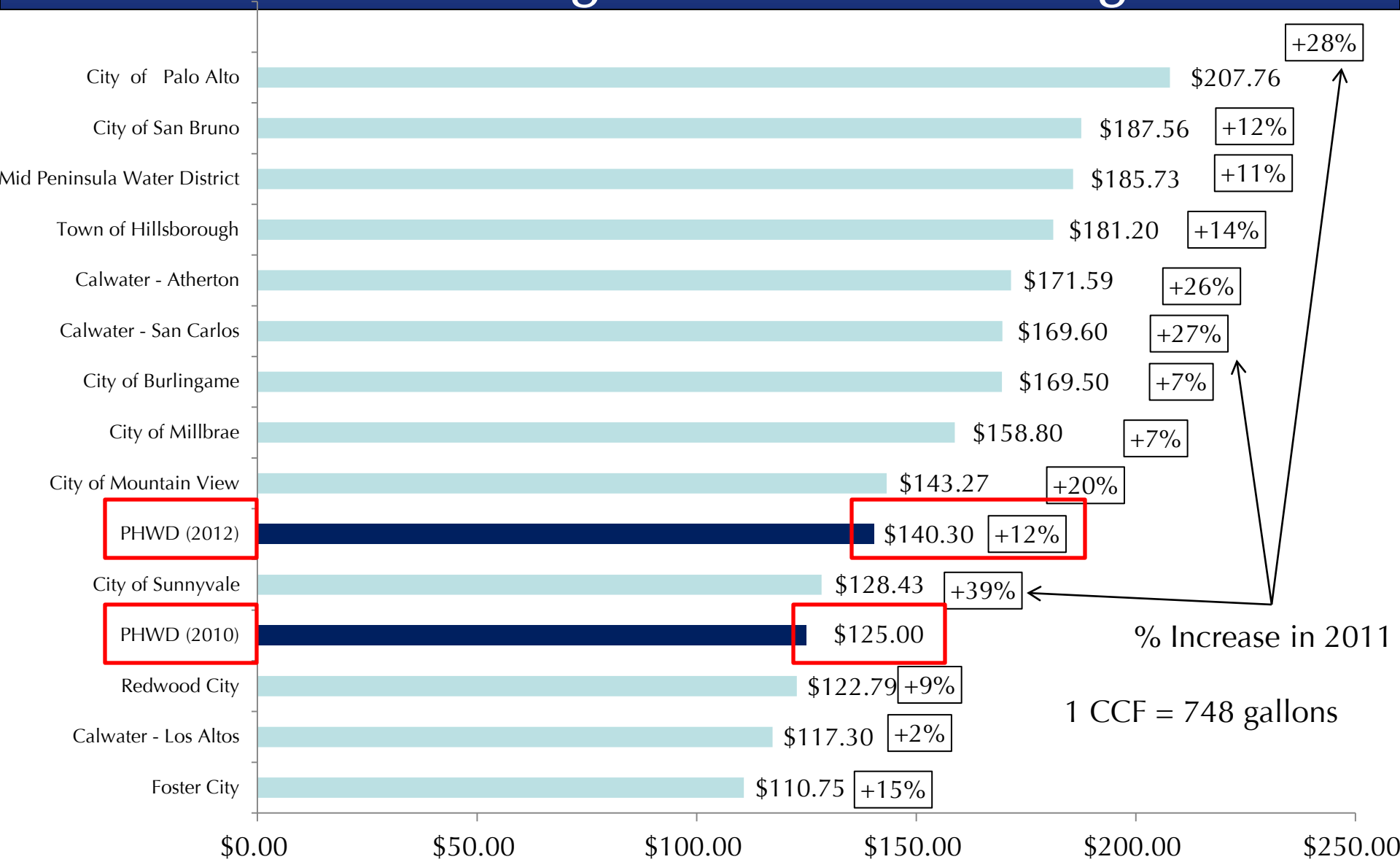
Purissima Hills Water District

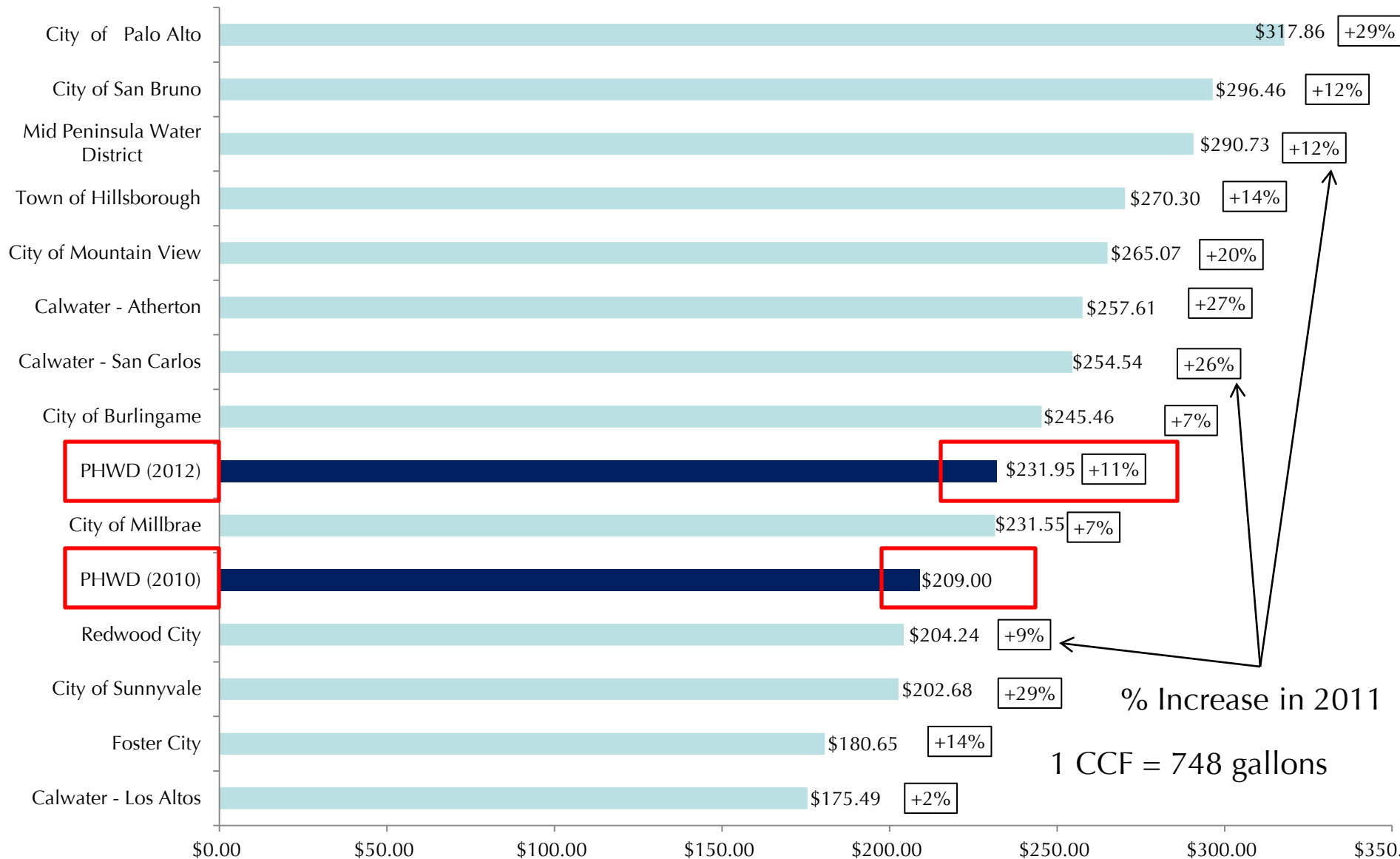
2012 Rate Study , Slide 32 of 42

April 11, 2012

2012 Cost Comparison Based on

Average PHWD Annual Usage – 30 CCF





Existing Rate Schedule		Proposed Rate Schedule		
Billed Units (CCF)	Unit Rate	Billed Units (CCF)	Unit Rate	% Increase
All	\$4.85	All	\$5.36	\$0.51



I am on a fixed income and cannot afford a rate increase. Can the District provide a lifeline rate like PG&E and AT&T?

Unfortunately, Proposition 218, which amended the State Constitution, does not allow a public agency to charge customers more than the proportional cost of water. As a result, the District can not subsidize a lifeline rate y increased rates for other customer.

However the constitution does allow for a tiered structure based on usage to promote conservation.

So what is the District doing for its customers on fixed income?

We are selling our first tier at close to District's cost of water & Power.

# What Are You Doing to Find An Alternative Water Supply?

In 2004 the District completed a comprehensive water supply master plan. Looking at everything from buying water rights from farmers in the central valley to local wells.

Local wells – We drilled two test wells, results were not good.

Negotiate with Santa Clara Valley Water District – they said they don't have the water and capacity to serve us.

Quarry Lake – Current planning stages for emergency supply, too expensive for potable supply.

Recycled water – We are meeting with City of Palo Alto on extending their recycled system to the Stanford Business Park.

Desalination – Expensive, being pursued by BASCWA.

# Is Consolidation the Answer?

Agency	Miles of Pipe	Maintenance & Administration Cost per Year	Maintenance & Administration Cost per feet of pipe
Palo Alto	214	\$15,368,000	\$13.60
Mountain View	175	\$11,155,718	\$12.07
Redwood City	265	\$13,905,682	\$9.94
San Bruno	100	\$4,883,700	\$9.25
Hillsborough	97	\$4,641,080	\$9.06
MPWD	105	\$4,752,000	\$8.57
Foster City	110	\$4,013,699	\$6.91
PHWD	80	\$1,820,700	\$4.31
Burlingame	Information was requested but not received		
Calwater	We requested a copy of their budget but were told it is not public information		

## Water supply takeover

German giant is buying up America's water supply and some towns are fighting back

**MICHAEL LIEDTKE**

Associated Press

MONTARA, Calif. – The influence of foreign business can be seen across America, with consumers cheerfully buying Japanese cars, Korean TVs and clothing made in China.

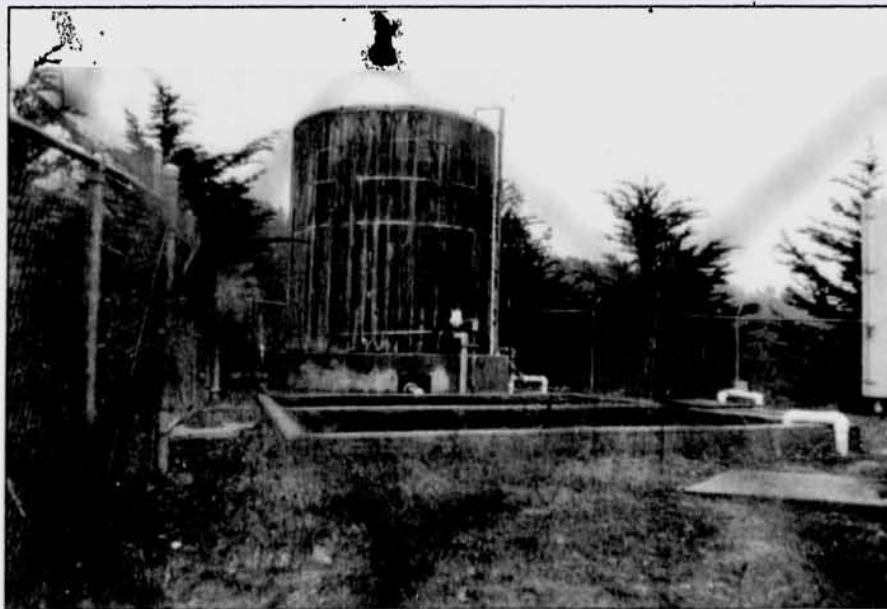
But many Americans aren't so happy about foreigners controlling their water supply.

A recently completed \$8.6 billion takeover of American Water Works by German-based industrial giant RWE has led to a backlash from a handful of cities across America. The deal covers more than 800 water systems serving 15 million people in 27 states and three Canadian provinces.

"As soon as people find out their water service is being bought by a German company, they are up in arms about it," said Juliette Beck, a senior organizer for Public Citizen, a Ralph Nader-backed group that has been rallying resistance to the RWE takeover.

The misgivings are driving community efforts to buy out RWE and regain control of local water systems in two Northern California communities, Montara and Felton; in Peoria and Pekin, Ill., and in Lexington, Ky.

Charleston, W.Va., is considering a bid for its water system, while the Southern California city of Thousand Oaks is trying a different tactic, urging state regulators to re-



Associated Press

A water storage tank in need of repair offers a fitting symbol for the problems facing communi-

ties that are watching their water supplies being

spokesman Tom Thoren said. Supporters of the takeover say RWE's financial clout and expertise will help pay for much-needed improvements in local water systems and provide better protections against possible terrorist attacks on water supplies.

RWE isn't the only foreigner buy-

ties that are watching their water supplies being taken over by foreign interests.

### On the Net

Montara Sanitary District:  
msd.montara.com  
American Water

Before coming to America, RWE expanded beyond its primary business as a power utility

service improvements, mostly in Britain, since 1998.

The opposition to RWE's U.S. expansion is "so much hokum and jingoism," Cook said. "Foreign ownership can bring many benefits to a community."

Critics fear RWE and Thames mostly will bring trouble. Thames,

deal. And in some states, such as California, RWE has even consented to rate freezes.

Still, some critics think RWE is on the same perilous path as Enron, the once-powerful energy merchant that collapsed in 2001 after bingeing on debt to finance years of rapid expansion.

"There are a lot of serious warning signs building up at RWE," said Richard Hierstein, city manager for Pekin, Ill.

RWE's rising debt prompted Moody's Investor Service to lower the company's credit rating last year.

The communities trying to buy their water systems are betting they will be better off on their own because of the savings available under local ownership. Publicly owned agencies don't have to pay income taxes or generate profits for shareholders, so in theory, they could invest in improvements without raising rates.

But money from water rates might also be diverted to pay for other government services facing a shortfall, which might not help water customers.

About 85 percent of U.S. water systems are still owned by the communities they serve.

"Providing water is at the core of what municipal governments do, right up with providing police and fire (protection)," said Scott Mitnick, assistant city manager for



Associated Press

Montara Sanitary District board members Bob Ptacek, left, and Kathryn Slater-Carter look over documents defining their district's sphere of influence during an informal meeting in Montara, Calif.

steadily rising rates – a trend that continued in 2002 with a 43 percent rate increase over seven years. RWE is continuing to push for an additional rate increase of nearly 20 percent filed last year by American Water.

In November 2001, more than 80 percent of the voters in Montara and neighboring Moss Beach approved a \$19 million bond to buy the water system. California regulators handed Montara another victory in December 2002 by ordering RWE to sell the water system back to the

not by a for profit corporation.



# Who cares, I don't Need a Water Softener, I Think Their Water is Cheaper!

Follow  
purchase

WD, SCVWD  
project (Delta)

2012/2013

Groundwater Production and Surface Water Charges

Santa Clara Valley Water District

NOTICE IS HEREBY GIVEN:

That on the 24th of February 2012, a report of the SANTA CLARA VALLEY WATER DISTRICT'S activities in the protection and augmentation of the water supplies of the District will be delivered to the undersigned in writing, including: a financial analysis of the District's water utility system; information as to the present and future water requirements of the District; the water supply available to the District, and future capital improvement and maintenance and operating requirements; a method of financing; a recommendation as to whether or not a groundwater charge should be levied in any zone or zones of the District and, if any groundwater charge is recommended, a proposal of a rate per acre-foot for agricultural water and a rate per acre-foot for all water other than agricultural water for such zone or zones;

That on the 10th day of April 2012, at 9:00 a.m., in the chambers of the Board of Directors of Santa Clara Valley Water District at 5700 Almaden Expressway, San Jose, California, a public hearing regarding said report will be held; that all operators of water producing facilities within the District and any persons interested in the District's activities in the protection and augmentation of the water supplies of the District are invited to call at the offices of the District at 5750 Almaden Expressway, San Jose, California, to examine said report;

That at the time and place above stated any operator of a water producing facility within the District, or any person interested in the District's activities in the protection and augmentation of the water supplies of the District, may, in person or by representative, appear and submit evidence concerning the subject of said written report; and

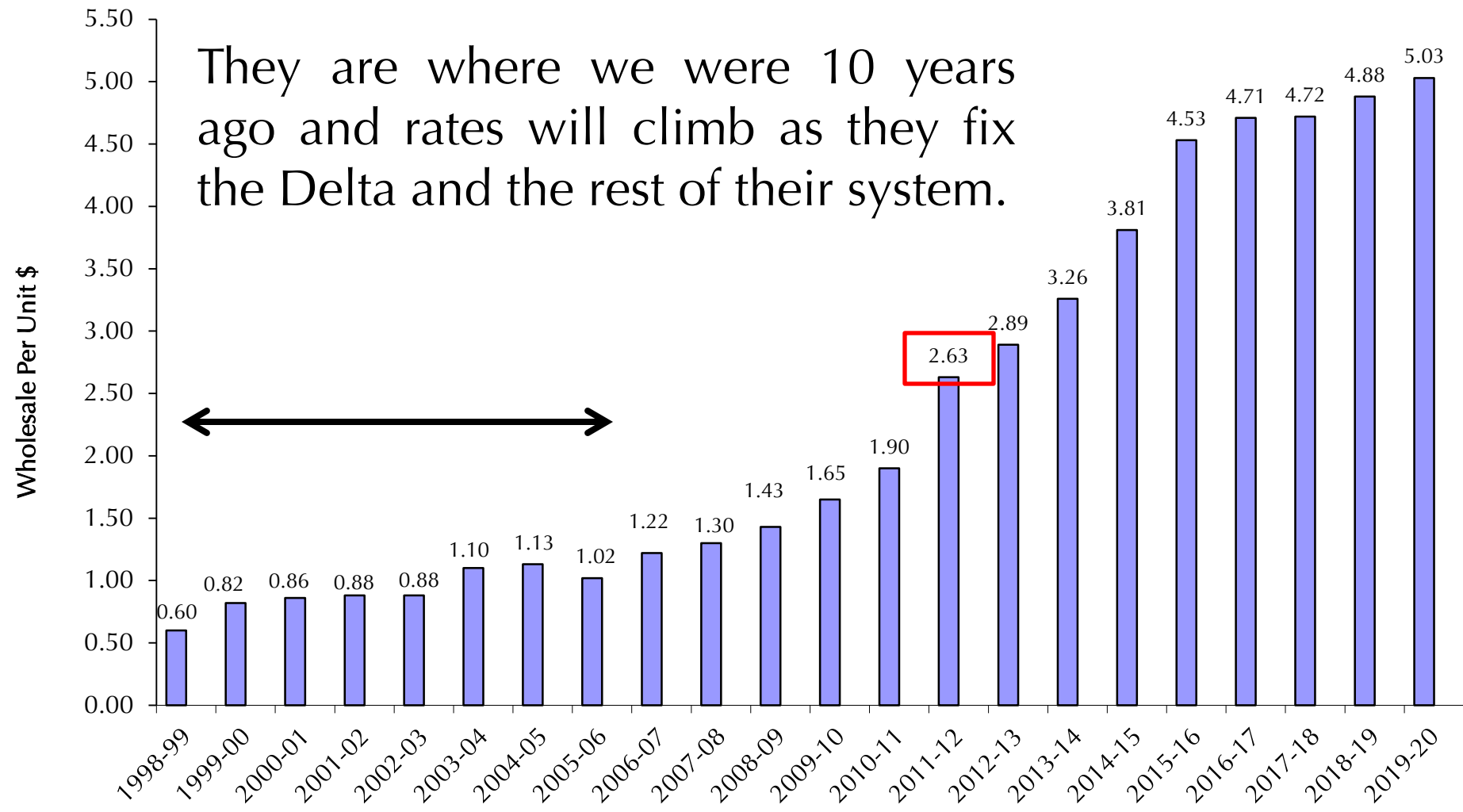
That based upon findings and determinations from said hearing, including the results of any protest procedure, the Board of Directors of the District will determine whether or not a groundwater production charge and surface water charge should be levied in any zone or zones; and that, if the Board of Directors determines that a groundwater production charge and surface water charge should be levied, the same shall be levied, subject and pursuant to applicable law, against all persons operating groundwater facilities and diverting District surface water within such zone or zones beginning July 1, 2012.

- Alviso
- Campbell
- Cupertino
- Gilroy
- Los Altos
- Los Altos Hills
- Los Gatos
- Milpitas
- Monte Sereno
- Morgan Hill
- Mountain View
- Palo Alto
- San Jose
- San Martin
- Santa Clara
- Saratoga
- Sunnyvale

	Other
From Hetchy	Recycled
X	X
	X
X	
X	
X	X
X	X
X	X
X	X
X	X

be  
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ing  
"

They are where we were 10 years ago and rates will climb as they fix the Delta and the rest of their system.



The District will attempt to keep all costs flat for the next 5 years and will only increase rates by passing through increases in the wholesale cost of water received in July from the SFPUC and increases in the Consumer Price Index.

# Final Thoughts