

WEST BASIN MUNICIPAL WATER DISTRICT**APRIL 11, 2005 - Finance**

Fernandez, Dear

APRIL 25, 2005 - Board Meeting

Prepared by: Harvey De La Torre

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Approved by: Art Aguilar/Richard Nagel

ACTION CALENDAR

RESOLUTION NO. 04-05-819PROPOSED FISCAL YEAR 2005-06 WATER RATES AND CHARGESSUMMARY:

The relevant components of West Basin recommended water rates and charges for FY 2005-06 are summarized as follows:

- No increase in District's Water Service Charge;
- No change in District's Capacity Charge;
- A decrease in District's Readiness-to-Serve (RTS) Charge, from \$61/AF to \$60/AF effective January 1, 2006;
- A 3% increase in District's Administrative Surcharge, from \$31/AF to \$32/AF effective July 1, 2005;
- Direct pass through of \$10/AF increase in the Metropolitan Water District's (MWD) treated commodity rate;
- Direct pass through of \$15/AF increase in the Metropolitan Water District's (MWD) Tier 2 supply rate; and
- Approximately 3% increase in recycled water rates.

Potable Water Rates

In setting the recommended rates and charges, staff considers all of the District's departmental expenses and projected revenues, as well as its debt ratio coverage target. After two years of keeping the administrative surcharge flat, the District is proposing a 3% increase; or \$1/AF increase. This slight increase falls in line with the District's Long-Range Financial Plan and budget's revenue requirements. However, with the proposed reduction in the District's RTS rate, the net effect to our customer agencies is zero. The only effective rate increase to the District's imported water customers will be MWD's \$10/AF commodity rate.

The \$10/AF increase in MWD commodity rate is the third in what has been forecasted to be annual increases between 3-6% in all their commodity rates over the next ten years. The primary driver of MWD's rate increase has been the rise in treatment costs. The increase in MWD's Tier 2 supply rate is attributable to the additional cost of securing imported water supplies outside of Southern California.

All proposed potable rates and charges for FY 2005-06 are included in Exhibit "B".

Recycled Water Rates

In 2003, the Board adopted a long-term financial planning approach based on the need for reasonable and predictable rate increases in recycled water service in the range of 2-3% annually to keep pace with potable rates and provide an adequate level of designated funds over a forecasted 20-year period. Staff is recommending a rate increase of approximately 3% for FY 2005-06 for operating cost increases from the current fiscal year as well as these long-term financial goals.

All proposed Recycled rates and charges for FY 2005-06 are included in Exhibit "B".

FISCAL IMPACTS:

Approving the recommended rates and charges, including the increase in recycled rates, will result in sufficient revenues to cover proposed fiscal year 2005-06 budgeted expenses.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on April 11, 2005 and recommended for approval at the April 25, 2005 Board meeting.

RECOMMENDED MOTION:

That the Board approves, adopts, and authorizes the President to sign Resolution No. 04-05-819 "A RESOLUTION OF THE BOARD OF DIRECTORS OF WEST BASIN MUNICIPAL WATER DISTRICT RELATING TO WATER RATES AND REPEALING RESOLUTION NO. 03-04-801," included as Exhibit "A", which reflects the rates and charges for Fiscal Year 2005-06 on the attached Exhibit "B".

LIST OF EXHIBITS:

Exhibit "A" - Resolution No. 04-05-819

Exhibit "B" - Proposed Fiscal Year 2005-06 Water Rates and Charges