



PALMDALE WATER DISTRICT

A CENTURY OF SERVICE

Proposition 218 Notice of Proposed Water Rate Increases and Changes to the District's Water Rate Calculation Methodology

Si usted necesita este aviso en español, por favor llame al 661-441-5944.

NOTICE OF PUBLIC HEARING

A public hearing regarding Palmdale Water District's proposed water rate increases and changes in the rate calculation methodology will be held on:

DATE: Monday, October 28, 2019

TIME: 6 p.m.

WHERE: Palmdale Water District Board Room, 2029 E. Avenue Q, Palmdale, CA 93550

Written protests to the proposed rate increases will be accepted if received at PWD by the end of the public hearing on October 28, 2019, as long as the protests conform to the Proposition 218 procedures provided in this notice.

INTRODUCTION

The last rate study conducted by the Palmdale Water District (PWD or District) occurred five years ago, in 2014. Since that time, regulations, costs and availability of water for PWD have changed considerably. PWD, as required by Article XIII D of the California Constitution (Proposition 218), has conducted a new Water Rate Study to review the existing rates, and to determine the estimated future costs of purchasing water, meeting State regulations, and completing system-wide maintenance projects to cover the next five years (January 1, 2020 through December 31, 2024).

The new Water Rate Study and proposed changes are described in this notice. Although the proposed rate plan is for five years, it is important to know that PWD reviews the need to implement any rate changes on an annual basis through its budget process. This ensures that actual PWD costs align with increases suggested in the Water Rate Study.

This 45-day notice is hereby given in accordance with Section 6(a) of Article XIII D of the California Constitution. The purpose of this notice is to provide you with information about the proposed rate increase and changes in methodology, and to inform you about your opportunity to protest the rate increase by submitting written protests prior to or during the public hearing. On August 15, 2019, the District considered the Water Rate Study and directed PWD staff to send out this notice.

REASONS FOR THE CHANGES

As a public agency, the revenues collected from rates must adequately fund PWD operations, maintenance, capital improvement projects, and compliance with existing or new State of California regulations; mitigate droughts; and meet environmental standards. The immediate needs over the next five years include:

Ensure Safe Drinking Water

PWD needs to continue investing in water treatment and testing techniques to ensure drinking water remains safe for current and future customers.

Rebuild an Aging Water System

Upgrade operational efficiencies with approximately 100 specific projects, such as modernize heavy machinery, vehicles, and booster pumps.

Plan and Prepare for Droughts and Drought Regulations

New State regulations require agencies to upgrade drought plans, water-use efficiency programs, and customer and school education programs; develop regional partnerships in case of emergencies; handle extended water shortages and implement a customer mass communications network for drought and water shortage contingencies.

Palmdale Water District must meet new State regulations, recognize the rapid changes in State and local water supply availability, and yet ensure that a reliable and safe supply of water is always accessible to PWD homes, businesses and institutions. The costs of water, energy, labor, safety and other aspects of providing a reliable water supply have all increased since the last rate study in 2014.

HOW THE RATES WERE CALCULATED

Water rates have two components. The Fixed Charge pays for the District's fixed costs of operating and maintaining the water system. These costs do not change based on the amount of water used by customers. The Commodity Charge pays for the amount of water actually used by a customer. The Commodity Charge is split into five tiers and increases as customer water use exceeds the designated tier thresholds. The proposed water rate changes reflect an adjustment in the allocation of the District's fixed costs and commodity costs, which will provide more revenue stability for the District.

Palmdale Water District staff provided a five-year history of financial information to demonstrate the need to increase rates to support the continued delivery of safe, clean and reliable water to customers. The Water Rate Study was conducted by Robert D. Niehaus, Inc. (RDN), an independent economic consulting firm. Using economic trends in California and PWD's detailed financial history, RDN recommended the revenue increases to ensure PWD meets its reserve goals while having the funds to upgrade its aging systems and equipment, extend the life of existing equipment, minimize water system leakage, increase water-use efficiency and better communicate with customers.

As a public agency, all rates, fees and charges are calculated to cover only the actual cost of providing safe and reliable water service that meet State and Federal requirements. PWD does not make a profit.

The rate structure changes are as follows:

- Reduced water allocation per capita per day (GPCD) from 66 to 55 GPCD
- Efficient allocation calculated on actual square footage of irrigated and potentially irrigated area
- Establish essential water budgets for multi-family customer class using default household size of 2 per dwelling unit
- Reduced the number of tiers from 6 to 5
- Establish "Exempt Irrigation Accounts" to receive 100% landscape factor (LF) for their water budget

PROPOSED WATER RATE CHANGES

Fixed Charge Monthly

Meter Size	Current	CY 2020	CY 2021	CY 2022	CY 2023	CY2024
5/8-in	\$37.77	\$38.22	\$41.60	\$45.52	\$49.79	\$54.43
3/4- in	\$37.77	\$38.22	\$41.60	\$45.52	\$49.79	\$54.43
1-in	\$37.77	\$38.22	\$41.60	\$45.52	\$49.79	\$54.43
1 1/2- in	\$113.30	\$92.99	\$101.49	\$111.51	\$122.47	\$134.37
2-in	\$173.74	\$140.84	\$153.81	\$169.16	\$185.96	\$204.21
3-in	\$314.78	\$252.48	\$275.89	\$303.69	\$334.10	\$367.16
4-in	\$516.26	\$412.05	\$450.38	\$495.96	\$545.84	\$600.07
6-in	\$1,019.96	\$810.62	\$886.21	\$976.21	\$1,074.72	\$1,181.81
8-in	\$1,624.40	\$1,289.09	\$1,409.41	\$1,552.74	\$1,709.62	\$1,880.17
10-in	\$2,329.60	\$1,847.47	\$2,019.99	\$2,225.56	\$2,450.56	\$2,695.17

Commodity Charges per HCF

Proposed Rates	Current	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Tier 1	\$0.88	\$0.88	\$0.93	\$0.98	\$1.03	\$1.08
Tier 2	\$1.01	\$1.52	\$1.63	\$1.74	\$1.86	\$1.98
Tier 3	\$2.86	\$2.03	\$2.15	\$2.27	\$2.40	\$2.54
Tier 4	\$4.31	\$3.29	\$3.51	\$3.74	\$3.98	\$4.23
Tier 5	\$5.57	\$4.64	\$5.01	\$5.39	\$5.79	\$6.23
Tier 6	\$7.16					

*HCF, hundred cubic feet, is equal to 748 gallons.

Drought Surcharge per HCF

Stage No.	Current	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
1	\$0.53	\$0.35	\$0.38	\$0.40	\$0.42	\$0.45
2	\$0.91	\$0.54	\$0.58	\$0.61	\$0.65	\$0.69
3	\$1.40	\$0.79	\$0.84	\$0.89	\$0.94	\$1.00



Mission Statement

Since 1918, the Palmdale Water District has provided high-quality water at a reasonable cost. We pride ourselves on great customer care; advocating for local water issues that help our residents; educating the community on water-use efficiency; and leading our region in researching and implementing emerging technologies that increase operational efficiency.

HOW TO PROTEST PROPOSED WATER RATE CHANGES AND INCREASES

This notice has been mailed to the property listed on the service bill. Persons responsible for the payment of the water charges (which includes owners of real property subject to the charges or renters of such property who actually pay the charges) who wish to protest the increases can send in a written protest to the address below or attend the public hearing on the increases to register their written protest at the hearing. Only one written protest per identified parcel (i.e. address/assessor parcel number) relating to the rate increase will be heard. **Written protests must be received prior to or during the public hearing on October 28, 2019.** Any written protests received following the close of the public hearing will not be counted. All written protests must (at a minimum) include the following information to be counted: (a) Address or assessor parcel numbers of property subject to the rate increase, (b) whether the protester is an owner or renter and (c) a clear statement protesting a particular rate or rates pursuant to this notice. The District will not adopt the rate increase if written protests are presented by a majority (50% +1) of owners or tenants of the parcels upon which the increase will be imposed. Oral protests presented at the hearing will be heard but will not be counted. Only written protests will be counted.

Protests may be mailed or personally delivered to: Palmdale Water District, 2029 East Avenue Q, Palmdale, CA 93550. Any protests must be received at PWD's main office no later than the end of the public hearing on October 28, 2019. Any protests received after the end of the public hearing shall not be counted. E-mail protests will not be counted.