



**Indian Wells Valley Water District  
2024 Rate Study**

# Public Hearing

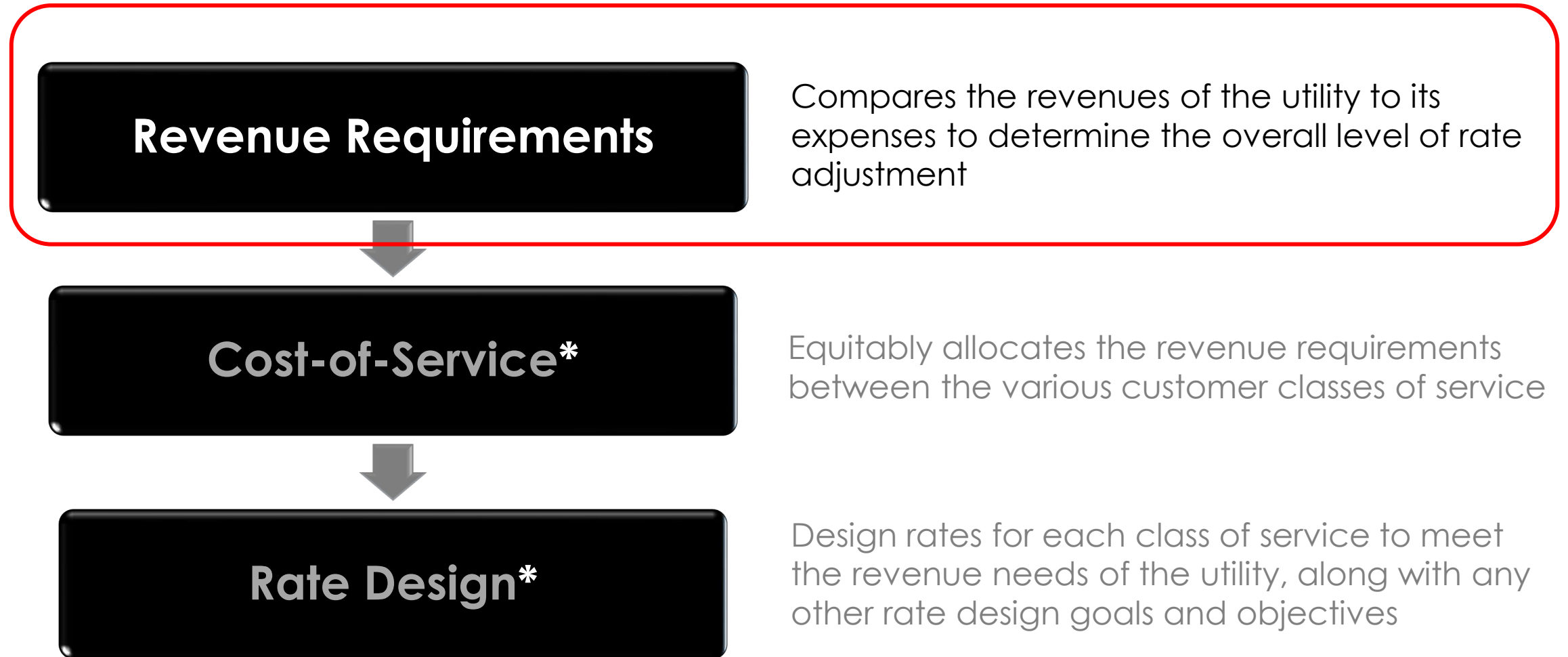
Board Meeting  
January 13, 2025



# Agenda

1. Scope of Work and Objectives
2. Financial Plan Findings
3. Project Schedule

# The Rate Setting Process



\* Not included in scope of work because findings from last study are still applicable.

# Legal Requirements for Setting Water Rates In California

## Proposition 218 (Article XIID, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).

# Financial Plan

# Revenue

## FY2024/25 Budget

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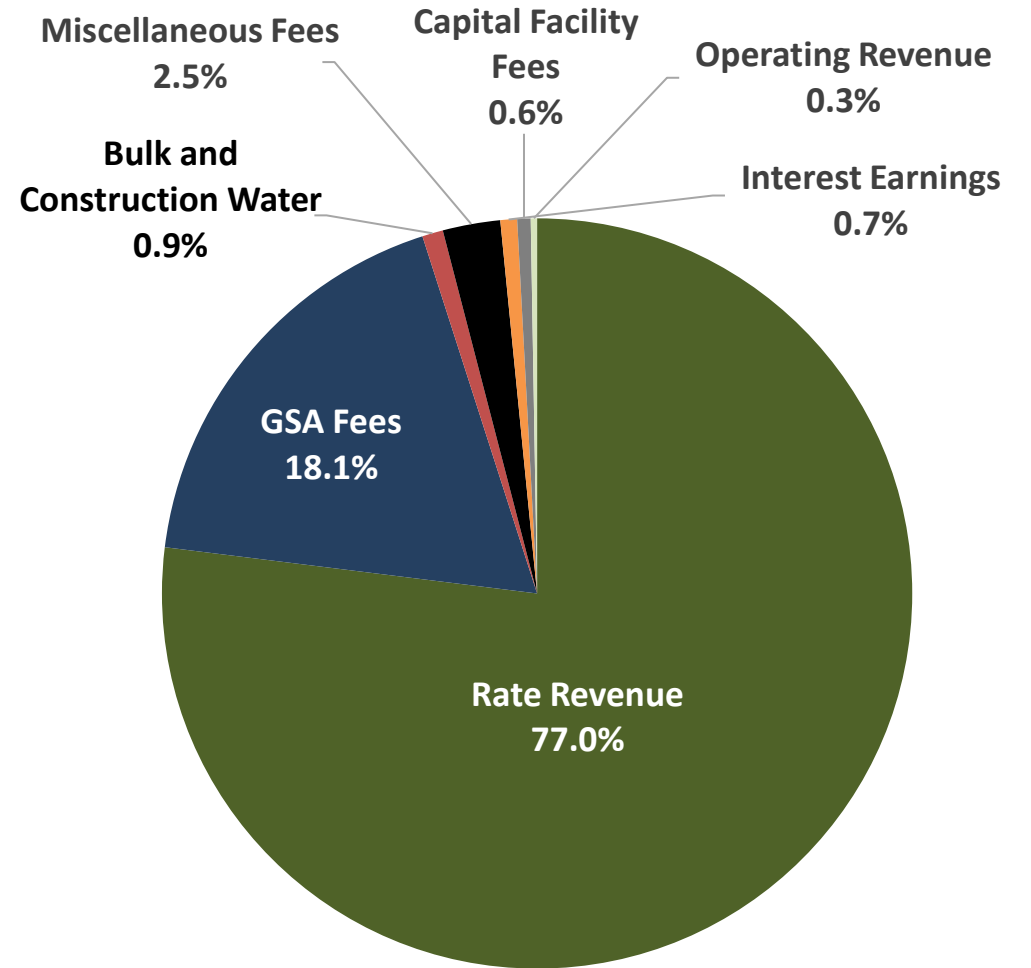
Rate Revenue	\$13,357,000
GSA Fees	\$3,139,000
Bulk and Construction Water	\$156,000

### Non-Rate Revenue

Miscellaneous Fees	\$430,000
Interest Earnings	\$125,000
Capital Facility Fees	\$100,000
Operating Revenue	\$47,000

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**Total: \$17,354,000**

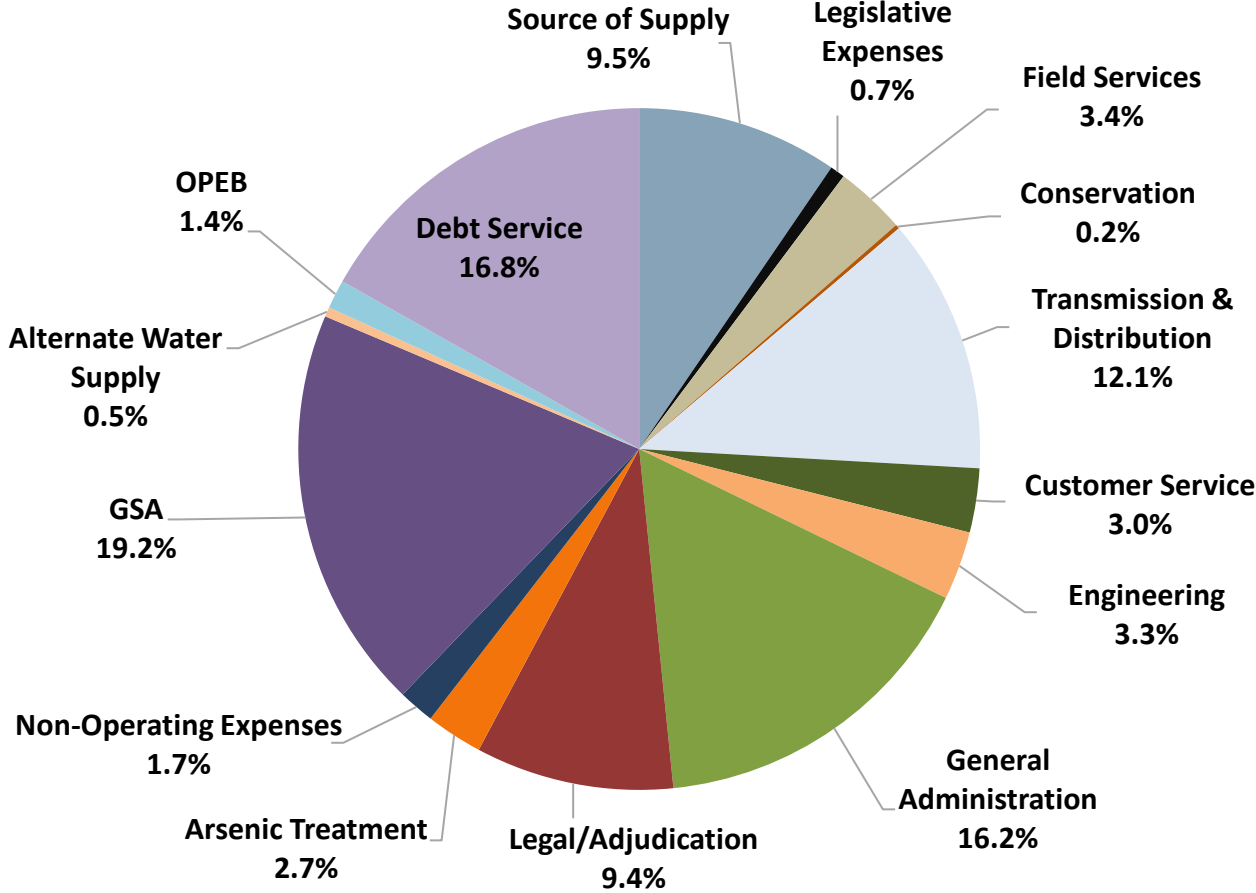


# Operating and Debt Expenses

## FY2024/25 Budget

Source of Supply	\$1,623,000
Legislative Expenses	\$119,000
Field Services	\$571,000
Conservation	\$34,000
Transmission & Distribution	\$2,062,000
Customer Service	\$517,000
Engineering	\$554,000
General Administration	\$2,758,000
Legal/Adjudication	\$1,600,000
Arsenic Treatment	\$457,000
Non-Operating Expenses	\$293,000
GSA	\$3,261,000
Alternate Water Supply	\$77,000
OPEB	\$233,000
Debt Service	\$2,862,000

**Total Budget: \$17,021,000 \***



\* Does not include capital spending. All operating costs are assumed to inflate by 3% per year for the next 10 years.

# Reserve Policies

Reserve policies are important for protecting the District against unforeseen circumstances, stabilizing revenue requirements, and contributing towards the District's credit rating. The following reserve targets are proposed by this Study and are consistent with recent District practices.

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## 1. **Operating Reserve**

< 6 month of operating budget (current target: \$5.5 million)

## 2. **Capital Improvement Reserve**

Target: \$10.8 million (cost of one well, one booster station and one storage tank)

## 3. **Vehicle Reserve**

Policy: \$350,000

## 4. **Computer Replacement Reserve**

Policy: \$100,000



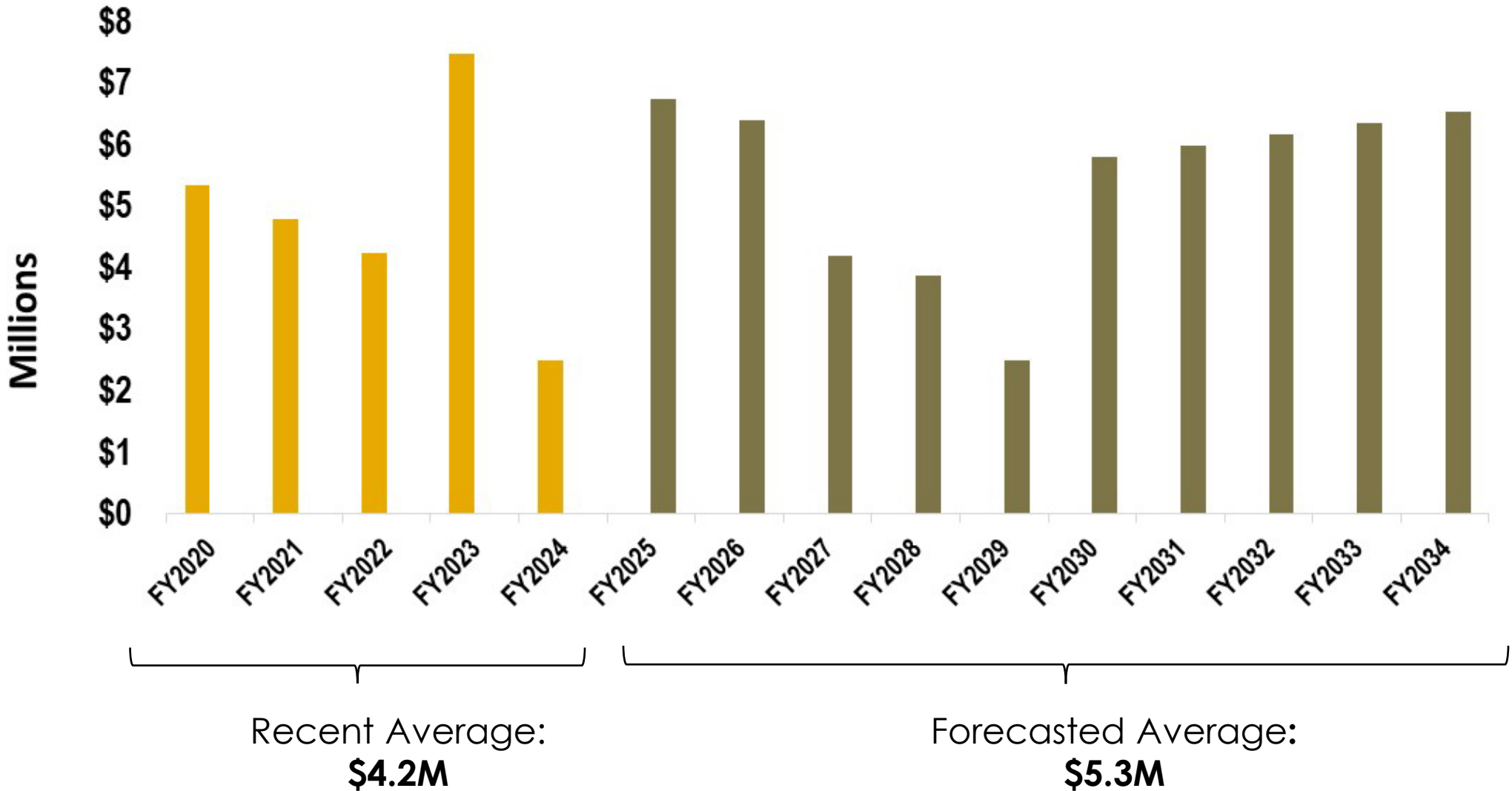
# Capital Projects

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
					*
<b>Water Supply</b>					
Well Rehabilitation		\$300,000	\$300,000	\$300,000	\$300,000
New Well Development					
Miscellaneous Water Supply	\$145,000	\$1,167,500	\$1,097,500	\$1,035,000	\$110,000
<b>TOTAL WATER SUPPLY</b>	<b>\$145,000</b>	<b>\$1,467,500</b>	<b>\$1,397,500</b>	<b>\$1,335,000</b>	<b>\$410,000</b>
<b>Transmission and Distribution</b>					
Springer 24" Line		\$3,400,000			
La Mirage Mainline Replacements			\$1,375,000	\$1,375,000	\$1,375,000
Inyokern 30"	\$6,000,000				
Miscellaneous T&D	\$216,500	\$691,500	\$516,500	\$266,500	\$266,500
<b>TOTAL TRANSMISSION &amp; DISTRIBUTION</b>	<b>\$6,216,500</b>	<b>\$4,091,500</b>	<b>\$1,891,500</b>	<b>\$1,641,500</b>	<b>\$1,641,500</b>
<b>TOTAL TECH</b>	<b>\$22,000</b>	<b>\$115,000</b>	<b>\$30,000</b>	<b>\$15,000</b>	<b>\$15,000</b>
<b>TOTAL GENERAL PLANT</b>	<b>\$35,000</b>	<b>\$535,000</b>	<b>\$625,000</b>	<b>\$545,000</b>	<b>\$145,000</b>
<b>TOTAL FUTURE SOURCE OF SUPPLY</b>	<b>\$314,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL CAPITAL PROGRAM:</b>	<b>\$6.7M</b>	<b>\$6.2M</b>	<b>\$3.9M</b>	<b>\$3.5M</b>	<b>\$2.2M</b>

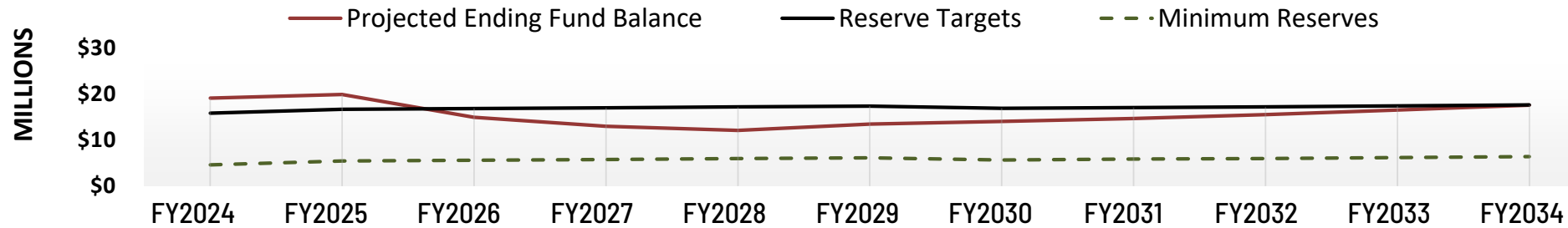
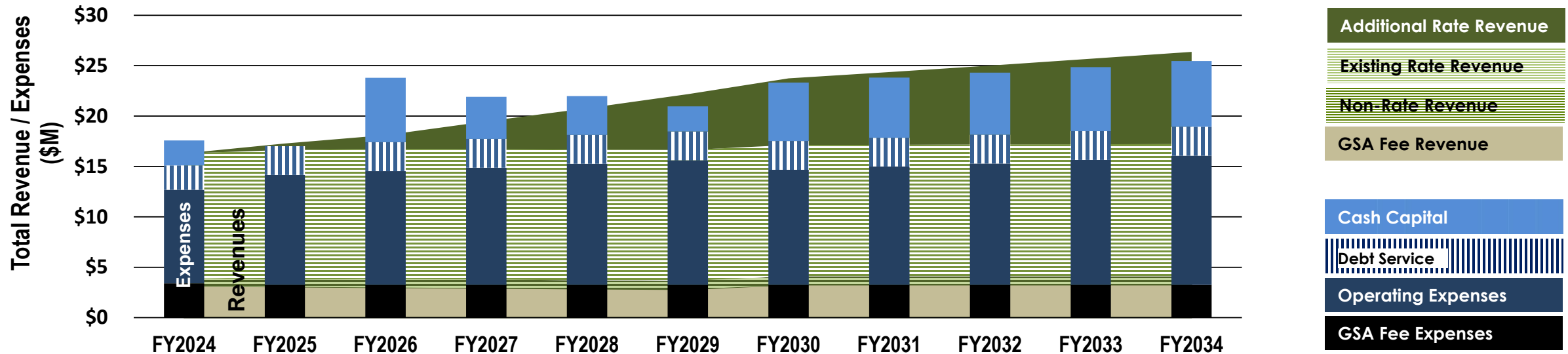
\* All costs expressed in 2024 dollars

\* Annual capital spending starting in FY2030 are assumed to be \$5.0 million (in 2024 dollars)

# Projected Capital Spending



# Cash Flow Forecast based on Proposed Rate Increases



	Proposed					Projected				
Rate Revenue Increase: *	12.0% **	10.0%	8.0%	8.0%	8.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Debt Coverage Ratio:	1.06	1.49	1.79	2.05	2.35	3.21	3.32	3.44	3.55	3.65
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Net Debt Proceeds:

\* First proposed rate increases to be effective February 1 of 2025; subsequent rate increase will be on January 1.

\*\* Replaces previously approved rate increase of 8% on January 1, 2025.

# 2022 Financial Plan vs. Current Financial Plan

## **Volumetric Revenue:**

- Total annual water usage during the 2022 Study was 2.43M HCF, which we assumed would remain the same.
- Total annual water usage in FY2024 was 2.17M HCF, a 10.5% decrease.
- This decrease has yielded a 19.4% shortfall in revenue.
- This financial plan assumes that water usage will continue to decrease at 2.5% per year for 5 years

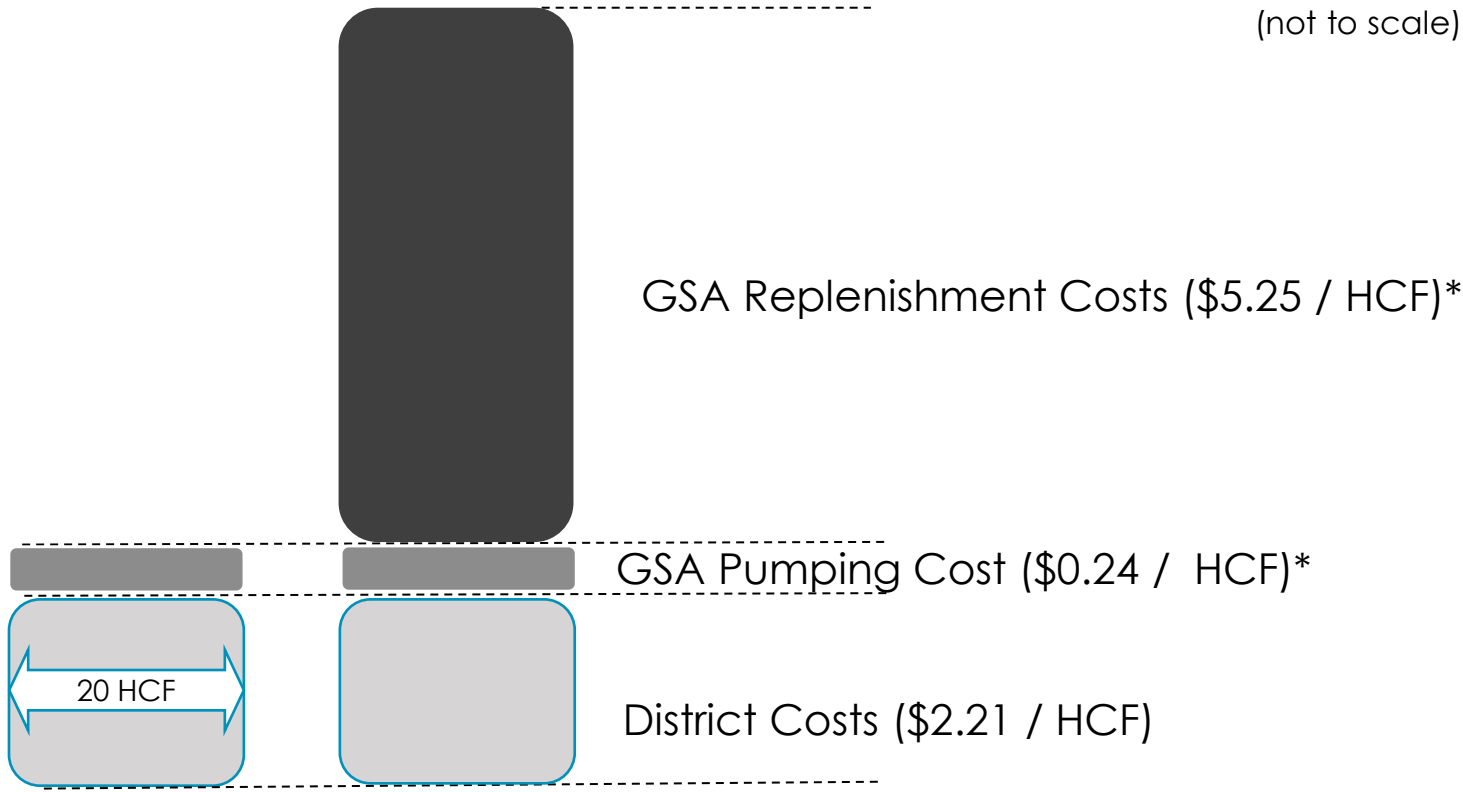
## **CIP spending from FY2025 through FY2029:**

- 2022 Financial Plan assumed \$16.0M
- Current Financial Plan assumes \$23.7M (\$7.7M increase, or 48%)

## **Operating Costs:**

- Operating costs through FY2024 have been similar to those projected by the 2022 Financial Plan
- The budgeted operating costs in FY2025 have jumped by 13% (compared to a 3% increase forecasted by the 2022 Study)

# Year 1 Commodity Rates



	Tier 1	Tier 2
<b>Proposed:</b>	<b>\$2.45</b>	<b>\$7.70</b>
Current:	\$2.21	\$7.46
Change:	10.9%	3.2%

Percent of water sales:      76%                      24%

# PROPOSED RATE SCHEDULE (1 of 3)

## CURRENT

### Commodity Charges (per HCF)

	District Rates	GSA Extraction Fee	GSA Replenishment	Total
Tier 1	\$1.97	\$0.24	\$0.00	\$2.21
Tier 2	\$1.97	\$0.24	\$5.25	\$7.46

### Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$38.56	\$11.10	\$49.66
1"	\$59.27	\$18.50	\$77.77
1 1/2"	\$111.03	\$37.01	\$148.04
2"	\$173.14	\$59.22	\$232.36
3"	\$338.82	\$118.42	\$457.24
4"	\$525.18	\$185.04	\$710.22
6"	\$1,042.86	\$370.08	\$1,412.94
8"	\$1,664.07	\$592.13	\$2,256.20
10"	\$2,388.83	\$851.18	\$3,240.01

### Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.29
Zone C	\$0.54
Zone D	\$0.83
Zone E	\$1.12

### Private Fire Service

Meter Size	Monthly Charge
1"	\$2.04
2"	\$12.65
3"	\$36.71
4"	\$78.20
6"	\$227.18
8"	\$484.14
10"	\$870.65

### Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$62.66
Volumetric Unit Rate (per HCF):	\$7.46

\* May be pro-rated for partial months.

### Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$37.66
Volumetric Charge (per HCF):	\$7.48

## Effective February 1, 2025

### Commodity Charges (per HCF)

	District Commodity Rate	GSA Extraction Fee	GSA Replenishment Fee	Total
Tier 1	\$2.21	\$0.24	\$0.00	\$2.45
Tier 2	\$2.21	\$0.24	\$5.25	\$7.70

### Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$43.19	\$12.43	\$55.62
1"	\$66.38	\$20.72	\$87.10
1 1/2"	\$124.35	\$41.45	\$165.80
2"	\$193.92	\$66.33	\$260.25
3"	\$379.48	\$132.63	\$512.11
4"	\$588.20	\$207.24	\$795.44
6"	\$1,168.00	\$414.49	\$1,582.49
8"	\$1,863.76	\$663.19	\$2,526.95
10"	\$2,675.49	\$953.32	\$3,628.81

### Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.32
Zone C	\$0.60
Zone D	\$0.93
Zone E	\$1.25

### Private Fire Service

Meter Size	Monthly Charge
1"	\$2.28
2"	\$14.17
3"	\$41.12
4"	\$87.58
6"	\$254.44
8"	\$542.24
10"	\$975.13

### Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$70.18
Volumetric Unit Rate (per HCF):	\$8.36

\* May be pro-rated for partial months.

### Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$42.18
Volumetric Charge (per HCF):	\$8.38

# PROPOSED RATE SCHEDULE (2 of 3)

## Effective January 1, 2026

### Commodity Charges (per HCF)

	District Commodity Rate	GSA Extraction Fee	GSA Replenishment Fee	Total
Tier 1	\$2.43	\$0.24	\$0.00	\$2.67
Tier 2	\$2.43	\$0.24	\$5.25	\$7.92

### Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$47.51	\$13.67	\$61.18
1"	\$73.02	\$22.79	\$95.81
1 1/2"	\$136.79	\$45.60	\$182.39
2"	\$213.31	\$72.96	\$286.27
3"	\$417.43	\$145.89	\$563.32
4"	\$647.02	\$227.96	\$874.98
6"	\$1,284.80	\$455.94	\$1,740.74
8"	\$2,050.14	\$729.51	\$2,779.65
10"	\$2,943.04	\$1,048.65	\$3,991.69

### Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.35
Zone C	\$0.66
Zone D	\$1.02
Zone E	\$1.38

### Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$77.20
Volumetric Unit Rate (per HCF):	\$9.20

\* May be pro-rated for partial months.

### Private Fire Service

Meter Size	Monthly Charge
1"	\$2.51
2"	\$15.59
3"	\$45.23
4"	\$96.34
6"	\$279.88
8"	\$596.46
10"	\$1,072.64

### Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$46.40
Volumetric Charge (per HCF):	\$9.22

## Effective January 1, 2027

### Commodity Charges (per HCF)

	District Commodity Rate	GSA Extraction Fee	GSA Replenishment Fee	Total
Tier 1	\$2.62	\$0.24	\$0.00	\$2.86
Tier 2	\$2.62	\$0.24	\$5.25	\$8.11

### Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$51.31	\$14.76	\$66.07
1"	\$78.86	\$24.61	\$103.47
1 1/2"	\$147.73	\$49.25	\$196.98
2"	\$230.37	\$78.80	\$309.17
3"	\$450.82	\$157.56	\$608.38
4"	\$698.78	\$246.20	\$944.98
6"	\$1,387.58	\$492.42	\$1,880.00
8"	\$2,214.15	\$787.87	\$3,002.02
10"	\$3,178.48	\$1,132.54	\$4,311.02

### Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.38
Zone C	\$0.71
Zone D	\$1.10
Zone E	\$1.49

### Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$83.38
Volumetric Unit Rate (per HCF):	\$9.94

\* May be pro-rated for partial months.

### Private Fire Service

Meter Size	Monthly Charge
1"	\$2.71
2"	\$16.84
3"	\$48.85
4"	\$104.05
6"	\$302.27
8"	\$644.18
10"	\$1,158.45

### Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$50.11
Volumetric Charge (per HCF):	\$9.96

# PROPOSED RATE SCHEDULE (3 of 3)

## Effective January 1, 2028

### Commodity Charges (per HCF)

	District Commodity Rate	GSA Extraction Fee	GSA Replenishment Fee	Total
Tier 1	\$2.83	\$0.24	\$0.00	\$3.07
Tier 2	\$2.83	\$0.24	\$5.25	\$8.32

### Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$55.41	\$15.94	\$71.35
1"	\$85.17	\$26.58	\$111.75
1 1/2"	\$159.55	\$53.19	\$212.74
2"	\$248.80	\$85.10	\$333.90
3"	\$486.89	\$170.16	\$657.05
4"	\$754.68	\$265.90	\$1,020.58
6"	\$1,498.59	\$531.81	\$2,030.40
8"	\$2,391.28	\$850.90	\$3,242.18
10"	\$3,432.76	\$1,223.14	\$4,655.90

### Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.41
Zone C	\$0.77
Zone D	\$1.19
Zone E	\$1.61

### Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$90.05
Volumetric Unit Rate (per HCF):	\$10.74

\* May be pro-rated for partial months.

### Private Fire Service

Meter Size	Monthly Charge
1"	\$2.93
2"	\$18.19
3"	\$52.76
4"	\$112.37
6"	\$326.45
8"	\$695.71
10"	\$1,251.13

### Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$54.12
Volumetric Charge (per HCF):	\$10.76

## Effective January 1, 2029

### Commodity Charges

	District Commodity Rate	GSA Extraction Fee	GSA Replenishment Fee	Total
Tier 1	\$3.06	\$0.24	\$0.00	\$3.30
Tier 2	\$3.06	\$0.24	\$5.25	\$8.55

### Fixed Monthly Charges

Meter Size	Ready-to-Serve	Arsenic Charge	Total
3/4"	\$59.84	\$17.22	\$77.06
1"	\$91.98	\$28.71	\$120.69
1 1/2"	\$172.31	\$57.45	\$229.76
2"	\$268.70	\$91.91	\$360.61
3"	\$525.84	\$183.77	\$709.61
4"	\$815.05	\$287.17	\$1,102.22
6"	\$1,618.48	\$574.35	\$2,192.83
8"	\$2,582.58	\$918.97	\$3,501.55
10"	\$3,707.38	\$1,320.99	\$5,028.37

### Zone Charges

Zone	Volumetric Charge (per HCF)
Zone B	\$0.44
Zone C	\$0.83
Zone D	\$1.29
Zone E	\$1.74

### Construction Meter Charges

	Rates
Monthly Meter Charge:*	\$97.25
Volumetric Unit Rate (per HCF):	\$11.60

\* May be pro-rated for partial months.

### Private Fire Service

Meter Size	Monthly Charge
1"	\$3.16
2"	\$19.65
3"	\$56.98
4"	\$121.36
6"	\$352.57
8"	\$751.37
10"	\$1,351.22

### Bulk Water Rates

	Rates
Monthly Fixed Charge:	\$58.45
Volumetric Charge (per HCF):	\$11.62



# Schedule

1. Present preliminary recommendations to Finance Committee – October 8 ✓
2. Present recommendations to Board – October 15 ✓
3. Prop 218 Notices sent ✓
4. Hold Public Hearing – January 13, 2025 ✓
5. Implement Rates – February 1, 2025

# Next Steps

- Receive public comments
- Close Public Hearing
- Tally protest votes
- Board deliberation
- Board vote (if applicable)