

Municipal Water District of Orange County

Rate Study

**Administration & Finance
Committee Meeting Briefing**

February 10, 2016

Goal of Today's Meeting

- Confirm survey results from Member Agencies
 - Which rate structure ranks highest
- Report comments from Member Agency Managers
- Determine which three rate structures are most appropriate to model
- Get your input on and discuss the next steps

Current Rate Structure

1. MET Pass-throughs
 - i. Volumetric pass-throughs
 - ii. Fixed Charges – Ready to Serve charge and Capacity Charge
2. MWDOC Services
 - i. Fixed charge based on the number of retail meters

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Process - Guiding Principles

- **Legal Compliance** – Proposition 26: “fee does not exceed the reasonable cost to the local government of providing the service”
- **Fairness/Equity** – a rate structure that aligns costs with the benefit to each agency
- **Revenue stability** – does not vary with water sales (fixed charge)
- **Administrative Complexity** - Minimize administrative complexity
- **Communication** – Customer Understanding

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Guiding Principles Survey

MWDOC - Rate Structure Guiding Principles

The responses from this short survey will be used to help determine which rate structure alternative best satisfies the priorities of MWDOC's member agencies. The results of the survey will be compiled and presented at the Managers Meeting in early February.

1. Please select your agency from the dropdown list below.

2. Rate the rate structures below on a scale of 1 (does not satisfy guiding principle) to 4 (fully satisfies guiding principle). Explanations of each guiding principle and rate structure are provided below the matrix for reference.

	Fairness and Equity	Legal Compliance	Revenue Stability	Administrative Ease	Communication
Number of member agency meters	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Number of member agency meters by size	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Historical average (trailing # of years) of imported water use	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Turnout meters required to serve member agency	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Population in member agency service area	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Number of member agencies	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

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Guiding Principles

Fairness and Equity - Best aligns costs with the benefit to each agency



Survey Results – Respondents


1. Fountain Valley, City of
2. La Palma, City of
3. Orange, City of
4. Seal Beach, City of
5. Tustin, City of
6. Westminster, City of
7. East Orange County Water District
8. El Toro Water District
9. Irvine Ranch Water District
10. Moulton Niguel Water District
11. Orange County Water District
12. Santa Margarita Water District
13. South Coast Water District
14. Trabuco Canyon Water District

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Survey Results – Scoring of Structures


Rate Structure	Legal Compliance 35%	Fairness and Equity 35%	Revenue Stability 15%	Administrative Ease 5%	Communication 10%	Total Score
Number of member agency meters (current rate structure)	3.2	3.2	3.6	3.8	3.6	3.3
Number of member agency meters by size	3.2	3.4	3.7	2.9	3.0	3.3
Historical average (trailing # of years) of imported water use	3.0	2.6	2.6	2.8	2.6	2.8
Turnout meters required to serve member agency	2.2	1.6	3.2	3.2	2.0	2.2
Population in member agency service area	2.6	2.3	3.2	3.0	2.8	2.6
Number of member agencies	1.5	1.2	3.4	3.5	2.3	1.8



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Survey Comparison

Rate Structure	Survey Respondents	MWDOC Staff	RFC
Number of member agency meters (current rate structure)	3.3	3.3	3.0
Number of member agency meters by size	3.3	3.4	3.9
Historical average (trailing # of years) of imported water use	2.8	3.2	3.9
Turnout meters required to serve member agency	2.2	2.1	2.0
Population in member agency service area	2.6	3.8	2.5
Number of member agencies	1.8	2.1	2.2



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Survey Results - Alternatives

1. Please add total potable and /or groundwater replenishment water demand.
 - Takeaway: Everyone should pay including groundwater replenishment agencies for MWDOC services
2. Currently we are charged by usage (Acre foot). My vote is to keep it the same.
 - You are charged a pass-through rate per AF for volumetric use
 - MWDOC's Core services are charged in proportion to the number of agency meters
3. Combination of fixed and variable (meter and historical flow); examine SDCWA's methodology that was adopted in 2015.
 - SDCWA has significant capital projects and is not good comparison to MWDOC services
 - Are services/benefits proportional to water purchases?

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Does OCWD benefit from MWDOC Services?

MWDOC works with the Metropolitan Water District to coordinate and administer replenishment water, groundwater programs and advocacy¹

- These costs/services are reflected in Planning & Resource Development (Cost Center 21) and Met Issues and Special Projects (Cost Center 23)
- Shouldn't OCWD pay for direct services they receive?
- Only a subset of MWDOC agencies directly benefit from the basin and currently those that don't benefit are paying for OCWD
- Payments from other agencies will decrease if OCWD pays for their direct services
- Propose that MWDOC has two customer classes (Retail and Groundwater Replenishment)

¹ Based on RFC review of MWDOC services. OCWD uses an average of 16% of MWDOC water sold (10 year average)

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Member Agency Manager Comments

- OCWD Manager stated they believe the current rate structure is appropriate for Orange County Water District
 - Orange County Water District provides regional benefits to all of MWDOC agencies
 - Three south Orange County water agency managers agreed
 - No one disagreed with this statement (Staff from about half of Member Agencies were present)

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Core / Choice Evaluation

Cost Center	PROGRAM
11	Administrative - Board
12	Administrative - General
13	Personnel / Staff Development
19	Overhead
21	Planning & Resource Development
22	Research Participation
23	Met Issues and Special Projects
31	Governmental Affairs
35	Policy Development
32	Public Affairs
41	Finance
45	Information Technology
25	MWDOC's Contribution to WEROC ⁽¹⁾
CORE TOTAL	
62	Water Use Efficiency Program
63	School Programs
67	Value of Water
64	Foundational Action - Doheny Desal
65	Poseidon Desal
27	2008 Fund - Doheny Desal
68	2014 Fund - Doheny Desal
CHOICE TOTAL	

- RFC evaluated the Core and Choice program
- Current approach meets cost of service principles
- Choice programs have specific benefits to the Member Agencies that participate

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Next Steps

- Allocate MWDOC costs based on cost of service principles
- Allocate costs by the following methods:
 - Number of meters
 - Number of meters by size
 - Historical water use
- A&F Committee input?

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Proposed Schedule

TOPIC	DATES
GUIDING PRINCIPLE DISCUSSIONS WITH A&F COMMITTEE	A&F Committee Meeting – 1/13/2016 Managers Meeting – 1/21/2016 Managers Meeting – 2/4/2016 A&F Committee Meeting – 2/10/2016
WHOLESALE RATE MODEL DEVELOPMENT	February
RATE STRUCTURE WORKSHOP WITH A&F COMMITTEE AND MEMBER AGENCIES	A&F Committee Meeting – 3/9/2016 Managers Meeting – 3/17/2016 A&F Committee Meeting – 4/13/16 A&F Committee Meeting – 5/11/16
REPORT DEVELOPMENT & FINAL PRESENTATION	Board Meeting – 5/18/2016

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