



Municipal Water District of Orange County Rate Study

Administration & Finance Committee Meeting Draft Rates

March 9, 2016

Goal of Today's Meeting

- Revisit survey results from Member Agencies
- OCWD Discussion
- Review *preliminary* rates using FY 2016 Core budget

Survey Results – Respondents

All member agencies responded, except the following:

1. City of Buena Park
2. City of La Habra
3. City of San Juan Capistrano
4. Emerald Bay Services District

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)	3.17	3.00	3.54	3.63	3.42	3.2
Number of member agency meters by size	3.25	3.29	3.58	2.92	3.04	3.3
Historical average (trailing # of years) of imported water use	3.04	2.75	2.63	2.88	2.65	2.8
Turnout meters required to serve member agency	2.17	1.75	3.13	3.00	2.08	2.2
Population in member agency service area	2.50	2.13	2.88	2.67	2.63	2.6
Number of member agencies	1.54	1.29	3.04	3.29	2.25	1.8

Survey Comparison

Rate Structure	Survey Respondents	MWDOC Staff	RFC
Number of member agency meters (current rate structure)	3.2	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

Does OCWD benefit from MWDOC Services?

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

- 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
- Payments from other agencies will decrease if OCWD pays for their direct services
- Propose that MWDOC has two customer classes (Retail and Groundwater Replenishment)

Recommendation on OCWD

- Over a 10 year average OCWD is MWDDOC's largest water user
- There is a cost associated with providing core services to OCWD, just like there is a cost for other retail agencies
- OCWD should be charged the appropriate amount

DRAFT RATES

(Using FY 2016 Core Budget)

Three Scenarios Were Created by:

- A. Allocating cost to OCWD
- B. Allocating remaining cost to retail agencies by:
 1. Number of Meters
 2. Number of Equivalent Meters
 3. Population service area
- Note: Some agencies did not respond to our request for meter size
 - Using 2007 data for those agencies

FY 2016 Core Services Budget

Cost Center	Budget Item	FY 2016 Budget
21	Planning & Resource Development	\$743,370
23	Met Issues and Special Projects	\$751,674
31	Governmental Affairs	\$418,009
32	Public Affairs	\$629,110
11	Administrative - Board	\$1,131,747
12	Administrative - General	\$471,461
13	Personnel / Staff Development	\$304,655
19	Overhead	\$779,267
22	Research Participation	\$39,740
35	Policy Development	\$145,864
41	Finance	\$563,041
45	Information Technology	\$223,827
	MWDOC Bldg Imp less Misc Inc	\$343,087
25	MWDOC's Contribution to WEROC	\$141,807
	Total	\$6,686,660

Scenario 1 – Retail – No. of Meters

Step 1: Determine OCWD's responsible cost

- OCWD is charged for cost centers 21 and 23 (Planning and Resource Development, Met Issues and Special Projects) by 10-year historical water use (16.3%)
 - There is a higher cost to provide service to OCWD
- Remaining cost centers are equally divided (1/26) amongst OCWD and the remaining agencies (excluding WEROC)

Step 2: Allocate remaining cost to Retail Agencies

- Remaining cost is allocated based on number of meters

Scenario 1 – Retail – No. of Meters

Agency	FY 2016	FY 2016 Current	Change (\$)	Change (%)
	Proposed Costs	Costs		
Brea, City of	\$125,021	\$133,791	-\$8,771	-6.6%
Buena Park, City of	\$189,716	\$203,025	-\$13,309	-6.6%
East Orange County Water District	\$211,220	\$226,038	-\$14,818	-6.6%
El Toro Water District	\$99,704	\$106,699	-\$6,995	-6.6%
Fountain Valley, City of	\$170,148	\$182,085	-\$11,936	-6.6%
Garden Grove, City of	\$342,253	\$366,263	-\$24,010	-6.6%
Golden State Water Company	\$415,323	\$444,459	-\$29,136	-6.6%
Huntington Beach, City of	\$537,313	\$575,007	-\$37,694	-6.6%
Irvine Ranch Water District	\$1,009,849	\$1,080,693	-\$70,844	-6.6%
La Habra, City of	\$138,252	\$147,951	-\$9,699	-6.6%
La Palma, City of	\$43,941	\$47,024	-\$3,083	-6.6%
Laguna Beach County Water District	\$87,639	\$93,787	-\$6,148	-6.6%
Mesa Water District	\$237,247	\$253,890	-\$16,643	-6.6%
Moulton Niguel Water District	\$533,490	\$570,916	-\$37,426	-6.6%
Newport Beach, City of	\$264,084	\$282,610	-\$18,526	-6.6%
Orange, City of	\$335,025	\$358,527	-\$23,503	-6.6%
Orange County Water District	\$437,718	\$0	\$437,718	∞
San Clemente, City of	\$174,995	\$187,271	-\$12,276	-6.6%
San Juan Capistrano, City of	\$114,821	\$122,876	-\$8,055	-6.6%
Santa Margarita Water District	\$525,623	\$562,497	-\$36,874	-6.6%
Seal Beach, City of	\$54,577	\$58,406	-\$3,829	-6.6%
Serrano Water District	\$22,903	\$24,510	-\$1,607	-6.6%
South Coast Water District	\$122,111	\$130,677	-\$8,566	-6.6%
Trabuco Canyon Water District	\$40,058	\$42,868	-\$2,810	-6.6%
Westminster, City of	\$203,931	\$218,237	-\$14,306	-6.6%
Yorba Linda Water District	\$249,697	\$266,552	-\$16,855	-6.3%
Total	\$6,686,660	\$6,686,660	\$0	

Scenario 2 – Retail – Equivalent Meters

Step 1: Determine OCWD responsible cost

- Same as Scenario 1:
 - Planning and Resource Development, Met Issues and Special Projects are allocated based on OCWD 10-year average
 - Remaining cost centers are equally divided (1/26) amongst OCWD

Step 2: Allocate remaining cost to Retail Agencies

- Allocation is based on Equivalent Meters
 - EOCWD, Irvine Ranch, La Habra and San Clemente is based on 2007 data

Scenario 2 – Retail – Equivalent Meters

Agency	FY 2016	FY 2016	Change (\$)	Change (%)
	Proposed Costs	Current Costs		
Brea, City of	\$363,114	\$133,791	\$229,323	171.4%
Buena Park, City of	\$204,101	\$203,025	\$1,075	0.5%
East Orange County Water District	\$239,299	\$226,038	\$13,261	5.9%
El Toro Water District	\$116,942	\$106,699	\$10,243	9.6%
Fountain Valley, City of	\$149,394	\$182,085	-\$32,690	-18.0%
Garden Grove, City of	\$205,391	\$366,263	-\$160,873	-43.9%
Golden State Water Company	\$353,228	\$444,459	-\$91,231	-20.5%
Huntington Beach, City of	\$493,882	\$575,007	-\$81,124	-14.1%
Irvine Ranch Water District	\$862,947	\$1,080,693	-\$217,745	-20.1%
La Habra, City of	\$114,967	\$147,951	-\$32,984	-22.3%
La Palma, City of	\$25,634	\$47,024	-\$21,390	-45.5%
Laguna Beach County Water District	\$99,236	\$93,787	\$5,448	5.8%
Mesa Water District	\$210,638	\$253,890	-\$43,252	-17.0%
Moulton Niguel Water District	\$495,634	\$570,916	-\$75,283	-13.2%
Newport Beach, City of	\$272,988	\$282,610	-\$9,621	-3.4%
Orange, City of	\$359,551	\$358,527	\$1,024	0.3%
Orange County Water District	\$437,718	\$0	\$437,718	∞
San Clemente, City of	\$241,745	\$187,271	\$54,474	29.1%
San Juan Capistrano, City of	\$120,918	\$122,876	-\$1,958	-1.6%
Santa Margarita Water District	\$503,309	\$562,497	-\$59,187	-10.5%
Seal Beach, City of	\$92,886	\$58,406	\$34,481	59.0%
Serrano Water District	\$14,871	\$24,510	-\$9,639	-39.3%
South Coast Water District	\$142,410	\$130,677	\$11,733	9.0%
Trabuco Canyon Water District	\$29,754	\$42,868	-\$13,114	-30.6%
Westminster, City of	\$229,898	\$218,237	\$11,661	5.3%
Yorba Linda Water District	\$306,205	\$266,552	\$39,653	14.9%
Total	\$6,686,660	\$6,686,660	\$0	

Scenario 3 – Retail - Population

Step 1: Determine OCWD responsible cost

- Same as Scenario 1:
 - Planning and Resource Development, Met Issues and Special Projects are allocated based on OCWD 10-year average
 - Remaining cost centers are equally divided (1/26) amongst OCWD

Step 2: Allocate remaining cost to Retail Agencies

- Allocation is based on population

Scenario 3 – Retail - Population

Agency	FY 2016 Proposed Costs	FY 2016 Current Costs	Change (\$)	Change (%)
Brea, City of	\$116,950	\$133,791	-\$16,842	-12.6%
Buena Park, City of	\$224,686	\$203,025	\$21,660	10.7%
East Orange County Water District	\$193,622	\$226,038	-\$32,416	-14.3%
El Toro Water District	\$132,430	\$106,699	\$25,731	24.1%
Fountain Valley, City of	\$157,156	\$182,085	-\$24,929	-13.7%
Garden Grove, City of	\$479,406	\$366,263	\$113,142	30.9%
Golden State Water Company	\$460,202	\$444,459	\$15,743	3.5%
Huntington Beach, City of	\$538,514	\$575,007	-\$36,492	-6.3%
Irvine Ranch Water District	\$1,029,948	\$1,080,693	-\$50,744	-4.7%
La Habra, City of	\$167,835	\$147,951	\$19,884	13.4%
La Palma, City of	\$43,504	\$47,024	-\$3,520	-7.5%
Laguna Beach County Water District	\$55,122	\$93,787	-\$38,666	-41.2%
Mesa Water District	\$291,982	\$253,890	\$38,092	15.0%
Moulton Niguel Water District	\$462,246	\$570,916	-\$108,670	-19.0%
Newport Beach, City of	\$178,512	\$282,610	-\$104,098	-36.8%
Orange, City of	\$377,195	\$358,527	\$18,668	5.2%
Orange County Water District	\$437,718	\$0	\$437,718	∞
San Clemente, City of	\$139,453	\$187,271	-\$47,818	-25.5%
San Juan Capistrano, City of	\$105,378	\$122,876	-\$17,499	-14.2%
Santa Margarita Water District	\$425,942	\$562,497	-\$136,554	-24.3%
Seal Beach, City of	\$64,335	\$58,406	\$5,930	10.2%
Serrano Water District	\$17,543	\$24,510	-\$6,968	-28.4%
South Coast Water District	\$94,997	\$130,677	-\$35,680	-27.3%
Trabuco Canyon Water District	\$34,499	\$42,868	-\$8,369	-19.5%
Westminster, City of	\$254,522	\$218,237	\$36,285	16.6%
Yorba Linda Water District	\$202,964	\$266,552	-\$63,588	-23.9%
Total	\$6,686,660	\$6,686,660	\$0	

Summary

Agency	Current Cost	Scenario 1 # of Mtrs	Scenario 2 # of Eq. Mtrs	Scenario 3 Population
Brea, City of	\$133,791	\$125,021	\$363,114	\$116,950
Buena Park, City of	\$203,025	\$189,716	\$204,101	\$224,686
East Orange County Water District	\$226,038	\$211,220	\$239,299	\$193,622
El Toro Water District	\$106,699	\$99,704	\$116,942	\$132,430
Fountain Valley, City of	\$182,085	\$170,148	\$149,394	\$157,156
Garden Grove, City of	\$366,263	\$342,253	\$205,391	\$479,406
Golden State Water Company	\$444,459	\$415,323	\$353,228	\$460,202
Huntington Beach, City of	\$575,007	\$537,313	\$493,882	\$538,514
Irvine Ranch Water District	\$1,080,693	\$1,009,849	\$862,947	\$1,029,948
La Habra, City of	\$147,951	\$138,252	\$114,967	\$167,835
La Palma, City of	\$47,024	\$43,941	\$25,634	\$43,504
Laguna Beach County Water District	\$93,787	\$87,639	\$99,236	\$55,122
Mesa Water District	\$253,890	\$237,247	\$210,638	\$291,982
Moulton Niguel Water District	\$570,916	\$533,490	\$495,634	\$462,246
Newport Beach, City of	\$282,610	\$264,084	\$272,988	\$178,512
Orange, City of	\$358,527	\$335,025	\$359,551	\$377,195
Orange County Water District	\$0	\$437,718	\$437,718	\$437,718
San Clemente, City of	\$187,271	\$174,995	\$241,745	\$139,453
San Juan Capistrano, City of	\$122,876	\$114,821	\$120,918	\$105,378
Santa Margarita Water District	\$562,497	\$525,623	\$503,309	\$425,942
Seal Beach, City of	\$58,406	\$54,577	\$92,886	\$64,335
Serrano Water District	\$24,510	\$22,903	\$14,871	\$17,543
South Coast Water District	\$130,677	\$122,111	\$142,410	\$94,997
Trabuco Canyon Water District	\$42,868	\$40,058	\$29,754	\$34,499
Westminster, City of	\$218,237	\$203,931	\$229,898	\$254,522
Yorba Linda Water District	\$266,552	\$249,697	\$306,205	\$202,964
Total	\$6,686,660	\$6,686,660	\$6,686,660	\$6,686,660

Summary – Dollar Change

Agency	Scenario 1 # of Mtrs	Scenario 2 # of Eq. Mtrs	Scenario 3 Population
Brea, City of	-\$8,771	\$229,323	-\$16,842
Buena Park, City of	-\$13,309	\$1,075	\$21,660
East Orange County Water District	-\$14,818	\$13,261	-\$32,416
El Toro Water District	-\$6,995	\$10,243	\$25,731
Fountain Valley, City of	-\$11,936	-\$32,690	-\$24,929
Garden Grove, City of	-\$24,010	-\$160,873	\$113,142
Golden State Water Company	-\$29,136	-\$91,231	\$15,743
Huntington Beach, City of	-\$37,694	-\$81,124	-\$36,492
Irvine Ranch Water District	-\$70,844	-\$217,745	-\$50,744
La Habra, City of	-\$9,699	-\$32,984	\$19,884
La Palma, City of	-\$3,083	-\$21,390	-\$3,520
Laguna Beach County Water District	-\$6,148	\$5,448	-\$38,666
Mesa Water District	-\$16,643	-\$43,252	\$38,092
Moulton Niguel Water District	-\$37,426	-\$75,283	-\$108,670
Newport Beach, City of	-\$18,526	-\$9,621	-\$104,098
Orange, City of	-\$23,503	\$1,024	\$18,668
Orange County Water District	\$437,718	\$437,718	\$437,718
San Clemente, City of	-\$12,276	\$54,474	-\$47,818
San Juan Capistrano, City of	-\$8,055	-\$1,958	-\$17,499
Santa Margarita Water District	-\$36,874	-\$59,187	-\$136,554
Seal Beach, City of	-\$3,829	\$34,481	\$5,930
Serrano Water District	-\$1,607	-\$9,639	-\$6,968
South Coast Water District	-\$8,566	\$11,733	-\$35,680
Trabuco Canyon Water District	-\$2,810	-\$13,114	-\$8,369
Westminster, City of	-\$14,306	\$11,661	\$36,285
Yorba Linda Water District	-\$16,855	\$39,653	-\$63,588
Total	\$0	\$0	\$0

Summary – Percent Change

Agency	Scenario 1 # of Mtrs	Scenario 2 # of Eq. Mtrs	Scenario 3 Population
Brea, City of	-6.6%	171.4%	-12.6%
Buena Park, City of	-6.6%	0.5%	10.7%
East Orange County Water District	-6.6%	5.9%	-14.3%
El Toro Water District	-6.6%	9.6%	24.1%
Fountain Valley, City of	-6.6%	-18.0%	-13.7%
Garden Grove, City of	-6.6%	-43.9%	30.9%
Golden State Water Company	-6.6%	-20.5%	3.5%
Huntington Beach, City of	-6.6%	-14.1%	-6.3%
Irvine Ranch Water District	-6.6%	-20.1%	-4.7%
La Habra, City of	-6.6%	-22.3%	13.4%
La Palma, City of	-6.6%	-45.5%	-7.5%
Laguna Beach County Water District	-6.6%	5.8%	-41.2%
Mesa Water District	-6.6%	-17.0%	15.0%
Moulton Niguel Water District	-6.6%	-13.2%	-19.0%
Newport Beach, City of	-6.6%	-3.4%	-36.8%
Orange, City of	-6.6%	0.3%	5.2%
Orange County Water District			
San Clemente, City of	-6.6%	29.1%	-25.5%
San Juan Capistrano, City of	-6.6%	-1.6%	-14.2%
Santa Margarita Water District	-6.6%	-10.5%	-24.3%
Seal Beach, City of	-6.6%	59.0%	10.2%
Serrano Water District	-6.6%	-39.3%	-28.4%
South Coast Water District	-6.6%	9.0%	-27.3%
Trabuco Canyon Water District	-6.6%	-30.6%	-19.5%
Westminster, City of	-6.6%	5.3%	16.6%
Yorba Linda Water District	-6.3%	14.9%	-23.9%

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

Discussion

Retail - Historical Water Use

Agency	FY 2016	FY 2016	Change (\$)	Change (%)
	Proposed Costs	Current Costs		
Brea, City of	\$126,814	\$133,791	-\$6,978	-5.2%
Buena Park, City of	\$151,273	\$203,025	-\$51,752	-25.5%
East Orange County Water District	\$175,081	\$226,038	-\$50,957	-22.5%
El Toro Water District	\$301,015	\$106,699	\$194,316	182.1%
Fountain Valley, City of	\$90,808	\$182,085	-\$91,277	-50.1%
Garden Grove, City of	\$249,808	\$366,263	-\$116,455	-31.8%
Golden State Water Company	\$239,463	\$444,459	-\$204,996	-46.1%
Huntington Beach, City of	\$180,679	\$575,007	-\$394,327	-68.6%
Irvine Ranch Water District	\$779,754	\$1,080,693	-\$300,938	-27.8%
La Habra, City of	\$65,597	\$147,951	-\$82,354	-55.7%
La Palma, City of	\$17,899	\$47,024	-\$29,125	-61.9%
Laguna Beach County Water District	\$123,171	\$93,787	\$29,384	31.3%
Mesa Water District	\$214,192	\$253,890	-\$39,698	-15.6%
Moulton Niguel Water District	\$935,210	\$570,916	\$364,294	63.8%
Newport Beach, City of	\$169,310	\$282,610	-\$113,300	-40.1%
Orange, City of	\$256,636	\$358,527	-\$101,891	-28.4%
Orange County Water District	\$437,718	\$0	\$437,718	∞
San Clemente, City of	\$286,991	\$187,271	\$99,720	53.2%
San Juan Capistrano, City of	\$167,830	\$122,876	\$44,953	36.6%
Santa Margarita Water District	\$897,321	\$562,497	\$334,824	59.5%
Seal Beach, City of	\$100,069	\$58,406	\$41,664	71.3%
Serrano Water District	\$38,273	\$24,510	\$13,763	56.2%
South Coast Water District	\$36,333	\$130,677	-\$94,344	-72.2%
Trabuco Canyon Water District	\$188,681	\$42,868	\$145,813	340.1%
Westminster, City of	\$125,509	\$218,237	-\$92,728	-42.5%
Yorba Linda Water District	\$331,224	\$266,552	\$64,672	24.3%
Total	\$6,686,660	\$6,686,660	\$0	

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

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

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

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)

Guiding Principles Survey



Prior 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