

RESOLUTION NO. 09-20

**A RESOLUTION OF THE PICO RIVERA WATER
AUTHORITY ESTABLISHING A REVISED
SCHEDULE OF WATER SERVICE RATES AND
CHARGES**

WHEREAS, Title 13, Chapter 13.24, Section 13.24.020 of the Pico Rivera Municipal Code provides that water rates are established by resolution;

WHEREAS, the Pico Rivera Water Authority Board of Directors (hereby called, "Authority") desires and finds it necessary to adjust the water rates in order to recover the actual costs of operating and maintaining its water system;

WHEREAS, in accordance with Proposition 218 and Government Code Section 53755, public notice regarding the public hearing on the revised schedule for water service rates and charges was distributed by U.S. Mail, forty-five (45) days prior to the public hearing, to all customers of record;

WHEREAS, public notice of the public hearing on the revised schedule for water service rates and charges was published in the Whittier Daily News on December 11, 2008 and December 18, 2008;

WHEREAS, a properly noticed public hearing concerning this Resolution was held on January 27, 2009, as required by law;

WHEREAS, written protests regarding the revised schedule for water service rates and charges were accepted from the public and considered before the close of the public hearing;

WHEREAS, a tally of the written protests against the revised schedule of water rates and charges shows that less than a majority of the customers-of-record have submitted written protests against the revised schedule of water rates and charges;

**NOW, THEREFORE BE IT RESOLVED, BY THE PICO RIVERA WATER
AUTHORITY:**

SECTION 1. Regarding the revised rates and charges for water service adopted by this Resolution, the Pico Rivera Water Authority Board of Directors finds that:

- a. Revenue from the increase in water rate will not exceed the cost of providing water.
- b. The increased water rate imposed will not exceed the proportional cost of water service attributable to the parcel.

- c. Revenue derived from the increased water rate will be used only for the purpose for which the water rate is imposed.
- d. The Authority will impose the increased water rate only if water service is actually used by, or immediately available to, the customer-of-record.
- e. The Authority will not raise water rates for the purpose of general governmental services.


SECTION 2. Effective April 1, 2009, rates to be paid for the furnishing of water service are increased by 15 percent and hereby set forth in Exhibit A, attached hereto and incorporated by reference.

SECTION 3. The revised water rate schedule consists of four (4) automatic 15% increases from 2009 through 2012 (including the increase discussed in Section 2 of this Resolution) and annual adjustments for inflation as measured by the Greater Los Angeles Metropolitan CPI (consumer price index) cost increases from 2013 through 2018 as follows:

April 1, 2009	15% increase
January 1, 2010	15% increase
January 1, 2011	15% increase
January 1, 2012	15% increase
January 1, 2013	CPI % used for greater Los Angeles area
January 1, 2014	CPI % used for greater Los Angeles area
January 1, 2015	CPI % used for greater Los Angeles area
January 1, 2016	CPI % used for greater Los Angeles area
January 1, 2017	CPI % used for greater Los Angeles area
January 1, 2018	CPI % used for greater Los Angeles area

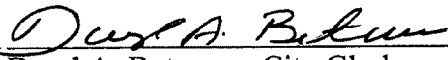
SECTION 4. The City Clerk shall attest and certify to the passage and adoption of this Resolution, enter it in the book of original Resolutions and it shall become effective immediately upon its approval.

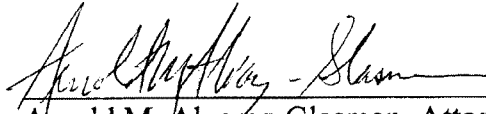
APPROVED AND ADOPTED this 27th day of January, 2009.


Gracie Gallegos, Chairperson

ATTEST:

APPROVED AS TO FORM:


Daryl A. Betancur, City Clerk


Arnold M. Alvarez-Glasman, Attorney

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF PICO RIVERA

I, DARYL A. BETANCUR, CITY CLERK of the City of Pico Rivera, do hereby certify that the foregoing Resolution regarding the establishment of a revised schedule of water service rates and charges was adopted at a regular meeting of the City Council of the City of Pico Rivera held on the 27th day of January 2009, by the following vote:

AYES: Archuleta, Beilke, Salcido, Gallegos
NOES: Armenta
ABSENT: None
ABSTAIN: None

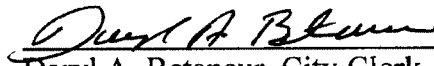

Daryl A. Betancur, City Clerk

EXHIBIT A

CURRENT AND PROPOSED CHARGES. The charge for water service has two components: a flat service charge and a commodity charge. The service charge applies to each service connection to cover costs connected with the ability to make water immediately available to your service address. The service charge covers utility costs, labor and the cost for equipment and materials, reading meters, preparing and mailing bills and notices, repair and maintenance to the water system, and other fixed costs of providing service. The commodity charge is the rate charged per 100 cubic feet (HCF) and is directly related to the amount of water actually used. These are the current and proposed charges:

1. Commencing April 1, 2009, the commodity charge will be \$1.6445/HCF and the flat service charge will be as follows:

Per Meter per Month	Service
5/8 inch meter (84% of meters)	\$9.55
3/4 inch meter (7% of meters)	9.55
1 inch meter (3% of meters)	12.74
1-1/2 inch meter (1% of meters)	23.54
2 inch meter (2% of meters)	35.65
3 inch meter (0.1% of meters)	92.00
4 inch meter (0.1% of meters)	232.30
6 inch meter (0.1% of meters)	463.45
8 inch meter (0.1% of meters)	694.60
10 inch meter (0.1% of meters)	926.90
4 inch meter fire protection (0.1% of meters)	34.50
6 inch meter fire protection (1% of meters)	51.75
8 inch meter fire protection (1% of meters)	69.00
10 inch meter fire protection (0.1% of meters)	80.50

2. Commencing January 1, 2010, the commodity charge will be \$1.8912/HCF and the flat service charge will be as follows:

Per Meter per Month	Service
5/8 inch meter (84% of meters)	\$10.98
3/4 inch meter (7% of meters)	10.98
1 inch meter (3% of meters)	14.65
1-1/2 inch meter (1% of meters)	27.07
2 inch meter (2% of meters)	41.00
3 inch meter (0.1% of meters)	105.80
4 inch meter (0.1% of meters)	267.15
6 inch meter (0.1% of meters)	532.97
8 inch meter (0.1% of meters)	798.79
10 inch meter (0.1% of meters)	1,065.94
4 inch meter fire protection (0.1% of meters)	39.68
6 inch meter fire protection (1% of meters)	59.51
8 inch meter fire protection (1% of meters)	79.35

10 inch meter fire protection (0.1% of meters)	92.58
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3. Commencing January 1, 2011, the commodity charge will be \$2.1749/HCF and the flat service charge will be as follows:

Per Meter per Month (for average water bill)	Service
5/8 inch meter (84% of meters)	\$12.62
3/4 inch meter (7% of meters)	12.62
1 inch meter (3% of meters)	16.85
1-1/2 inch meter (1% of meters)	31.13
2 inch meter (2% of meters)	47.15
3 inch meter (0.1% of meters)	121.67
4 inch meter (0.1% of meters)	307.22
6 inch meter (0.1% of meters)	612.91
8 inch meter (0.1% of meters)	918.61
10 inch meter (0.1% of meters)	1,225.83
4 inch meter fire protection (0.1% of meters)	45.63
6 inch meter fire protection (1% of meters)	68.44
8 inch meter fire protection (1% of meters)	91.25
10 inch meter fire protection (0.1% of meters)	106.46

4. Commencing January 1, 2012, the commodity charge will be \$2.5011/HCF and the flat service charge will be as follows:

Per Meter per Month (for average water bill)	Service
5/8 inch meter (84% of meters)	\$14.52
3/4 inch meter (7% of meters)	14.52
1 inch meter (3% of meters)	19.38
1-1/2 inch meter (1% of meters)	35.80
2 inch meter (2% of meters)	47.15
3 inch meter (0.1% of meters)	139.92
4 inch meter (0.1% of meters)	353.30
6 inch meter (0.1% of meters)	704.85
8 inch meter (0.1% of meters)	1,056.40
10 inch meter (0.1% of meters)	1,409.70
4 inch meter fire protection (0.1% of meters)	52.47
6 inch meter fire protection (1% of meters)	78.71
8 inch meter fire protection (1% of meters)	104.94
10 inch meter fire protection (0.1% of meters)	122.43

144.33



WATER AUTHORITY

AGENDA REPORT

To: Chairperson and Commissioners
From: Executive Director
Meeting Date: January 27, 2009
Subject: WATER RATE INCREASE

Recommendation:

1. Open the public hearing.
2. Conduct the special Prop 218 procedures to raise water rates.
3. Close the public hearing and adopt water rate Resolution.

Fiscal Impact:

On December 4, 2008, the City Council approved the water rate study presented by RCS Consultants and opted to "phase-in" the adjustments over four (4) annual rate increases of 15% and inflation adjustments after 2012. This is expected to generate \$328,000 during FY 2008/2009 and \$1 million in new water revenues in FY 2009/2010. Revenues beyond 2010 will depend on inflation and water consumption activity.

Discussion:

As shown in consultant's study, without the proposed rate increase, there is not enough cash flow to fund capital improvements, working capital, and debt service coverage ratios required by bond covenants. Because of the 15-year lapse in properly managing water rates to keep pace with escalating operating costs, a minimum 60% water rate increase is needed. As stated above, to lessen the impact on customers, the City Council approved a multi-year plan to "phase in" the 60% increase with a 15% rate increase in FY 2008/2009, and an additional three (3) 15% annual rate increase over the next three years ending 2012.

The City understands that spreading out the 60% rate increase over several years may require the Water Authority to issue debt to finance capital improvements because there is simply not enough cash to pay for improvements on a pay-as-you-go basis.

WATER AUTHORITY AGENDA REPORT– MTG. OF JANUARY 27, 2009

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The proposed rate increases are based only on current capital improvement needs. There are unknown future costs expected from water supply, storage, and federal water quality regulations that could have an impact on the Pico Rivera Water Authority. These costs cannot be reasonably estimated without the completion of the Water Master Plan project currently under study by PBS&J Consultants.

Historically, the last time the City Council voted to increase water rates was on September 7, 1993. For most of the past 15 years, the Council could have raised water rates as needed to meet the rising cost of delivering potable water to customers without going through the cumbersome notice process that is now required under Prop 218 for all rate increases. Accordingly, the City's Water System is facing the following fiscal challenges:

- Limited cash flows to meet bonded debt service coverage ratios.
- Inadequate working capital to meet emergencies related to water improvements.
- Inability to provide cost-reimbursement payments to the City's General Fund.
- Weak capacity to absorb inflationary price shocks from purchased water (WQPP).

If adopted, the proposed water rate increases will allow the Water Authority to meet minimum requirements for the fiscal challenges listed above.

Rate Increases and CPI Adjustments to Water Rates:

The proposed water rates include four (4) automatic 15% increases for operating deficits and annual adjustments for inflation as measured by the Greater Los Angeles Metropolitan CPI (consumer price index) cost increases from 2013 through 2018 as follows:

April 1, 2009	15% increase
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The above increases are required to achieve minimum cash flow needs to pay bondholders, capital improvements, inflation, and operational costs.

WATER AUTHORITY AGENDA REPORT– MTG. OF JANUARY 27, 2009

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Compliance with Proposition 218:

Proposition 218 requires special notification when an increase is proposed for property-related fees. The special notice (Attachment 2) was mailed to customers of record in the City's water system. Each customer of record had the right to submit a written protest against the proposed water rate. The customer of record was informed to mail their protest or submit the written protest in person to the City Clerk no later than the conclusion of the Public Hearing that was scheduled for January 27, 2009. At the Public Hearing, pursuant to Proposition 218, the City Council will consider all protests against the proposed water rates. If a majority of customers of record present written protests against the proposed rate, the City cannot raise water rates as proposed. Staff has worked with the City Attorney and City Clerk to facilitate the appropriate Prop 218 noticing procedures.

The proposed water rates are in compliance with the substantive requirements of Prop 218:

- ✓ Revenues from the increased water rate will not exceed the cost of providing water.
- ✓ The increased water rate imposed will not exceed the proportional cost of water service attributable to the parcel.
- ✓ Revenues derived from the increased water rate will be used only for the purpose for which the water rate is imposed.
- ✓ The City will impose the increased water rate only if water service is actually used by, or immediately available to, the property owner.
- ✓ The City will not raise water rates for the purpose of general governmental services.

At the conclusion of the prop 218 public hearing, the City Council will be in a position to adopt the increased water rates as presented on December 4, 2008.

How Pico Rivera Water Rates Compare:

Although there are serious limitations when comparing what Pico Rivera residents pay for water compared to other communities (not an apple-to-apple comparison), we here include a comparison of what a "typical" customer will pay on a monthly water bill:

EXHIBIT A

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1-1/2 inch meter (1% of meters)	27.07
2 inch meter (2% of meters)	41.00
3 inch meter (0.1% of meters)	105.80
4 inch meter (0.1% of meters)	267.15
6 inch meter (0.1% of meters)	532.97
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10 inch meter (0.1% of meters)	1,409.70
4 inch meter fire protection (0.1% of meters)	52.47
6 inch meter fire protection (1% of meters)	78.71
8 inch meter fire protection (1% of meters)	104.94
10 inch meter fire protection (0.1% of meters)	122.43

Revenue and Cost Specialists

9/17/2008
6:03 AM

9/17/2008 6:03

TABLE B

City of Pico Rivera
Water System Financial Analysis

Summary of Sample Results

Increase in Rates and Charges FY08 to FY09			
Current FY2008 Water Rates			
WRDSC Surcharge (per HCF)	\$	0.027600	
Equipment & Improvements Charge	\$	0.020580	
Average Power Charge Rate	\$	0.167200	
Water Consumption Rate per HCF	\$	1.430000	
Total Charge per HCF	\$	1.645380	
Proposed FY2009 Water Rates (Effective 1 Jan 2009)			
WRDSC Surcharge (per HCF)	\$	0.036800	Percent Increase 33%
Equipment & Improvements Charge	\$	0.021080	2.43%
Average Power Charge Rate	\$	0.167200	0.00%
Water Consumption Rate (per HCF)	\$	1.854329	29.67%
Total Charge (per HCF)	\$	2.079409	26.38%

Average Residential Bill Impact (5/8" Meter)			
Current Residential (FY2008) Statistics			
Number of meters	7,890		
Average Meter Charge/Month	\$8.30		
Annual Water Consumption (HCF)	1,447,978		
Ave Mo Consumption per meter (HCF)	15.3		
Average Mo Consumption Charge	\$	25.16	
Average Water Bill/Month	\$	33.46	
Projected Residential (FY2009) Statistics			
Number of meters	7,890		
Average Meter Charge/Month	\$10.76		0.00%
Annual Water Consumption (HCF)	1,488,926		29.67%
Ave Mo Consumption per meter (HCF)	15.7		2.83%
Average Mo Consumption Charge	\$	32.70	29.85%
Average Water Bill/Month	\$	43.46	29.88%
Average Monthly Dollar Increase	\$	10.00	43.46%

Average Residential Bill Impact (5/8" Meter)			
Current Residential (FY2008) Statistics			
Number of meters	7,890		
Average Meter Charge/Month	\$8.30		
Annual Water Consumption (HCF)	1,447,978		
Ave Mo Consumption per meter (HCF)	15.3		
Average Mo Consumption Charge	\$	25.16	
Average Water Bill/Month	\$	33.46	
Projected Residential (FY2009) Statistics			
Number of meters	7,890		
Average Meter Charge/Month	\$10.76		0.00%
Annual Water Consumption (HCF)	1,488,926		29.67%
Ave Mo Consumption per meter (HCF)	15.7		2.83%
Average Mo Consumption Charge	\$	32.70	29.85%
Average Water Bill/Month	\$	43.46	29.88%
Average Monthly Dollar Increase	\$	10.00	43.46%

Average Commercial Bill Impact (2" Meter)			
Current Commercial (FY2008) Statistics			
Number of meters	218		
Average Meter Charge/Month	\$	31.00	
Annual Water Consumption (HCF)	409,941		
Ave Mo Consumption per meter (HCF)	156.7		
Average Mo Consumption Charge	\$	257.84	
Average Water Bill/Month	\$	288.84	
Projected Commercial (FY2009) Statistics			
Number of meters	218		
Average Meter Charge/Month	\$	40.20	29.67%
Annual Water Consumption (HCF)	421,534		2.83%
Ave Mo Consumption per meter (HCF)	161.1		2.83%
Average Mo Consumption Charge	\$	335.07	29.95%
Average Water Bill/Month	\$	375.27	29.92%
Average Monthly Dollar Increase	\$	86.43	

Average Industrial Bill Impact (6" Meter)			
Current Industrial (FY2008) Statistics			
Number of meters	2		
Average Meter Charge/Month	\$	403.00	
Annual Water Consumption (HCF)	22,416		
Ave Mo Consumption per meter (HCF)	934.0		
Average Mo Consumption Charge	\$	1,536.78	
Average Water Bill/Month	\$	1,936.78	
Projected Commercial (FY2009) Statistics			
Number of meters	2		
Average Meter Charge/Month	\$	522.58	0.00%
Annual Water Consumption (HCF)	23,050		29.67%
Ave Mo Consumption per meter (HCF)	960.4		2.83%
Average Mo Consumption Charge	\$	1,997.09	29.95%
Average Water Bill/Month	\$	2,519.68	29.89%
Average Monthly Dollar Increase	\$	579.89	

Base Water Rate Survey Comparison

as of June 30 2008

Single Family Rates
CF=7.48 Gallons
HCF= 100 Cubic Foot

			5/8" Meter 1600 16 CF/Mo	2" Meter 16700 167 CF/Mo	8" Meter 74690 746.9 CF/Mo	Notes
7	Park Water Company, Downey Effective October 23, 2008 Rate Per HCF Monthly	Base Fee Meter Service City tax PUC tax Consumption Total Fee	3,015 13.35 0.0204 0.0140 15.3 61.53	2.47 134.10 167	2.47 1,340.80 746.9	
8	Rowland Water District Rate Per HCF Monthly	Zone 1 Elevation Base Fee Meter Service Consumption Total Fee	1.50 14.77 16 38.77	1.50 54.16 167	1.50 296.12 746.9	Cities of Rowland Heights, LaPuente, Hacienda Heights, City of Industry
9	Walnut Valley Water District Rate Per HCF Monthly	Note 3/4" vs 5/8" Base Fee Meter Service Consumption Total Fee	1.49 13.43 16 37.23	1.49 64.05 167	1.49 613.20 747	
10	Santa Fe Springs Golden State Water Co. Rate Per HCF Monthly	Rate Schedule ME-1 Metropolitan District Base Fee Meter Service Consumption Total Fee	2,298 18.65 16 55.42	2,298 149.00 167	2,298 1,490.00 746.9	Cities of: Bell, Bell Gardens, Cerritos, Huntington Park, Norwalk, Paramount, Santa Fe Springs, South Gate, portions of city of Los Alamitos, These rate are w/o Sur Credits that
11	San Gabriel Golden State Water Co. Rate Per HCF Monthly HCF	Rate Schedule No. R3-1 Region #3 Base Fee Meter Service Consumption Total Fee	1,8640 16.10 16 45.92	1,8640 129.00 167	1,8640 1,286.00 746.9	El Monte, Irwindale, Monterey Park, Rosemead, Monterey Park, Temple City, Los Angeles County, Portions of Arcadia
12	Duarte Golden State Water Co. Rate Per HCF	Base Fee Meter Service Consumption Total Fee	1,0157 10.19 16 26.44	1,0157 81.44 167	1,0157 814.40 746.9	Duarte
13	Valley County Water District Baldwin Park Rate Per HCF	Note 3/4" service Base Fee 1st 400 CCF Base Fee Next 1400 CCF Base Fee Over 1800 CCF Meter Service	0.29 0.60 1.01 6.60	0.29 0.60 1.01 26.40	0.29 0.60 1.01 214.94	City of Baldwin Park

Base Water Rate Survey Comparison

as of June 30, 2008

Single Family Rates
CF=7.48 Gallons
HCF= 100 Cubic Foot

5/8" Meter	2" Meter	8" Meter
1600	16700	74690
16	167	746.9
CF/Mo	CF/Mo	CF/Mo
16	167	746.9
	14.96	186.45
		960.69

Notes

14 Orchard Dale Water District

Whittier

Rate Per HCF
Monthly

Note: Used 3% Increase proposed 08/01/08

Base Fee	1.70	27.200	1.70	283.900	1.70	1,269.730
Meter Service	10	10.00	39	39.00	43 1/3	43.33
Consumption	16		167		746.9	
Total Fee		37.20		322.90		1,313.06

Whittier

Note: billing Unit is Multiplied by the Average number of Billing Units used by sized meter over 12 period.

15 Metropolitan Water District (SGV) San Gabriel Valley

Wholesale rates not included in Summary Table

Wholesale Rates

Note: Effective Rate 01/01/08

Base Fee	1.2948	20.716	1.2948	216.226	1.2948	967.059
Meter Service	NA	NA	NA	NA	NA	NA
Consumption	16		167		746.9	
Total Fee		20.72		216.23		967.06

Bell, Belflower, Bell Gardens, Cerritos, Commerce, Cudahy, Downey, Unincorporated areas of East Los Angeles, Florence Graham, Huntington Park, Maywood, Montebello, Monterey

15 Metropolitan Water District (SGV) San Gabriel Valley

Wholesale rates not included in Summary Table

Note: Effective Rate 01/01/09

Base Fee	1.4578	23.324	1.4578	243.446	1.4578	1,088.799
Meter Service	NA	NA	NA	NA	NA	NA
Consumption	16		167		746.9	
Total Fee		23.32		243.45		1,088.80

Bell, Belflower, Bell Gardens, Cerritos, Commerce, Cudahy, Downey, Unincorporated areas of East Los Angeles, Florence Graham, Huntington Park, Maywood, Montebello, Monterey

City of Pico Rivera Municipal Water System NOTICE OF WATER RATE INCREASE

December 4, 2008

Notice is hereby given that at a public meeting the Pico Rivera City Council will hold a public hearing on **Tuesday, January 27, 2009 at 6:00 p.m.** at City Hall, 6615 Passons Blvd, Pico Rivera, California, to consider **proposed increases to the water rates and charges** applicable to the City's Municipal Water System.

The proposed increases are necessary to pay for 1) increased operating costs principally due to a 525% increase in the cost of water purchased from WQPP, 2) increased capital expenditures for replacement of service connections and water meters, 3) some increase to the City's administrative costs, and 4) increased deferred maintenance costs related to a 15-year delay in raising water rates to keep up with cost of providing water to residents.

CHANGE IN NOTICE REQUIREMENTS. Recent changes to State law allow the City to provide notice only to the customer-of-record as shown on the application for water service on file at the Municipal Water System office (i.e., the person(s) to whom the water bill is addressed), and not to property owners who are not also customers-of-record. You, as a customer-of-record of the City's Municipal Water System, are entitled to notice of proposed increases in the rates charged such customers.

PROPOSED CHARGES

The City of Pico Rivera is your water service provider. The present charges have been in effect since November 1, 1993, i.e. more than 15 years ago. The City proposes to increase the charges beginning April 1, 2009.

ACTUAL CHARGE FOR YOUR SERVICE ADDRESS. Using a 5/8 inch water meter as an example (which represents 84% of all meters), the service charge imposed will increase from \$16.60 bi-monthly to \$19.10 bi-monthly, and the commodity charge imposed will increase from \$1.43 per 100 cubic feet of water used to \$1.644 per 100 cubic feet of water used, for the first 15% increase starting April 1, 2009. The actual total charge which will be imposed through the bill for water service is calculated by adding the service charge to the amount of the commodity charge multiplied by the amount of water used at your property. **The net increase to your water bill is estimated to be \$5.49 monthly, \$10.98 bi-monthly, or \$65.88 per year.**

CURRENT AND PROPOSED CHARGES. The charge for water service has two components: a flat service charge and a commodity charge. The service charge applies to each service connection to cover costs connected with the ability to make water immediately available to your service address. The service charge covers utility costs, labor and the cost for equipment and materials, reading meters, preparing and mailing bills and notices, repair and maintenance to the water system, and other fixed costs of providing service. The commodity charge is the rate charged per 100 cubic feet and is directly related to the amount of water actually used. These are the current and proposed charges:

Per Meter per Month (for average water bill)		Service		Commodity		Combined	
		Current	Proposed	Current	Proposed	Current	Proposed
5/8 inch meter	(84% of meters)*	\$8.30	\$9.55	\$25.16	\$29.40	\$33.46	\$38.95
3/4 inch meter	(7% of meters)	8.30	9.55	28.13	32.87	36.43	42.42
1 inch meter	(3% of meters)	11.08	12.74	41.78	48.81	52.86	61.55
1-1/2 inch meter	(1% of meters)	20.47	23.54	115.72	135.20	136.19	158.74
2 inch meter	(2% of meters)	31.00	35.65	257.84	301.26	288.84	336.91
3 inch meter	(0.1% of meters)	80.00	92.00	1,274.64	1,489.28	1,354.64	1,581.28
4 inch meter	(0.1% of meters)	202.00	232.30	1,771.41	2,069.71	1,973.41	2,302.01
6 inch meter	(0.1% of meters)	403.00	463.45	1,536.78	1,795.57	1,939.78	2,259.02
8 inch meter	(0.1% of meters)	604.00	694.60	1,479.06	1,728.12	2,083.06	2,422.72
10 inch meter	(0.1% of meters)	806.00	926.90	1,406.80	1,643.70	2,212.80	2,570.60
4 inch meter fire protection	(0.1% of meters)	30.00	34.50	.02	.03	30.02	34.53
6 inch meter fire protection	(1% of meters)	45.00	51.75	.69	.80	45.69	52.55
8 inch meter fire protection	(1% of meters)	60.00	69.00	.34	.40	60.34	69.40
10 inch meter fire protection	(0.1% of meters)	70.00	80.50	.78	.91	70.78	81.41

* 7,890 of 9,400 meters are 5/8 inch size meters. The larger meters typically serve commercial properties and large multi-family residential buildings.

City of Pico Rivera Municipal Water System NOTICE OF WATER RATE INCREASE (continued)

December 4, 2008

EFFECTIVE DATES OF WATER RATE INCREASES. The proposed water rate increases will be effective as follows:

April 1, 2009	15% increase
January 1, 2010	15% increase
January 1, 2011	15% increase
January 1, 2012	15% increase

ADDITIONAL ANNUAL CPI WATER RATE INCREASES.

The proposed water rates above will include additional automatic increases for consumer price index (CPI) to be effective as follows:

January 1, 2013	increase in accordance with CPI for Los Angeles, CA area
January 1, 2014	increase in accordance with CPI for Los Angeles, CA area
January 1, 2015	increase in accordance with CPI for Los Angeles, CA area
January 1, 2016	increase in accordance with CPI for Los Angeles, CA area
January 1, 2017	increase in accordance with CPI for Los Angeles, CA area
January 1, 2018	increase in accordance with CPI for Los Angeles, CA area

The above increases are required to achieve minimum cash flow needs to pay bondholders, capital improvements, inflation, and operational costs.

BASIS FOR THE CHARGES. The charges are based on the need to generate sufficient revenue to cover all of the actual costs of providing water service, including required repairs which the previous owner failed to make and upgrading of the water system needed to improve service. The charges are calculated on the basis that 23% of the revenue will be generated by the service charge and 77% by the commodity charge. The costs are made up of five components: (1) the operational costs incurred by the City to operate the water system such as the cost of purchasing water and operating pumps and wells, (2) the costs incurred directly by the City in operating the water system such as engineering costs to design improvements, (3) costs relating to bonds which were issued to pay for the required repairs and improvements, (4) costs to maintain a rate stabilization fund, and (5) costs for capital improvements which will not be paid for with bond proceeds.

REASON FOR THE CHARGES. The charges will permit the City to provide your property with water and to continue repairing and upgrading the water system. The revenue generated by the charges will be used only for the operation of the water system. The City is prohibited by law from using such revenue for any other purpose.

PROPOSITION 218 – WRITTEN PROTEST. Customers-of-Record, as defined under Proposition 218 (as implemented by Assembly Bill 1260) may comment on the proposed fees in writing prior to or orally during the public hearing. Consistent with the provisions of Proposition 218, this notice has been mailed to all customers-of-record of the City's Municipal Water System to the current billing address as they appear on the application for water service. If you are a customer-of-record and wish to protest the proposed fees as described in this Notice, then you must file a written protest with the City at or before the time set for the public hearing. Protests can be mailed or personally delivered to the City Clerk as follows:

City Clerk, City of Pico Rivera, 6615 Passons Blvd, Pico Rivera, CA 90660

A valid protest must include:

- 1 The name of the customer-of-record; and
- 2 Identification of the property by either assessor's parcel number or street address; and
- 3 A statement of protest ("I/we protest" will suffice); and
- 4 The original signature of the protesting customer (photocopies will not be accepted).

Please note each customer-of-record for the same account will be counted as a single vote, regardless of the number of persons listed on the application for water service. Multiple protests by a single customer-of-record will not be allowed, and the City Clerk will only accept one protest per customer-of-record.

QUESTIONS & MORE INFORMATION. If you have questions or want more information, please call the City of Pico Rivera Finance Director or Deputy Finance Director at (562) 942-2000.



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September 15, 2008

Mr. John Herrera
Director of Finance
City of Pico Rivera
6615 Passons Blvd.
Pico Rivera, CA 90660

Subject: Water Rates Study Final Summary Report

Dear Mr. Herrera:

This Final Summary Report contains the preliminary findings of our Study of the Pico Rivera Water Authority water rates and charges. The Study consists of an analysis of the historical financial operating results for the five-year period including Fiscal Year 2003 through Fiscal Year 2007 (the "Historical Period") and a projection of financial operating results for the five-year period including Fiscal Year 2008 through Fiscal Year 2012 (the "Projected Period"). Fiscal Year 2008 ended on June 30, 2008 but final financial numbers were not available for this Study and it was included in the Projected Period. Attached is Table A titled "Water System Financial Analysis" with shows the results of our analysis of the Water Authority operating results for the Historical Period and the Projected Period.

The numbers for each fiscal year in the Historical Period in Table A were taken from the City's Comprehensive Annual Financial Report ("CAFR") for that fiscal year and reviewed by staff. Costs within the category of Operating Expenses Salaries and Benefits were taken directly from the item of the same title in the CAFR under the description of "Water Operations" within the financial statements for Proprietary Funds. Under Operations & Maintenance in Table A are line items from the respective CAFRs including Contractual Services, Utilities, and Maintenance and Supplies. "Administrative & Overhead" in Table A includes the line item Administrative in the CAFRs. The line items Amortization and Depreciation in the CAFRs are not considered operating expenses in our analysis. Amortization is contained in the line item Debt Service in Table A. Depreciation is not a cash expense and is represented both by amortization of existing debt and by new capital expenditures in Table A. All of the historical data and contractual formulas have been reviewed and approved by City Finance Department staff.

The major components of the Water Authority's O & M Expenditures in each year are payments to the Central Basin Municipal Water District ("CBMWD") for water pumping rights and payment to the Water Reclamation District of Southern California ("WRDSC") for replenishment of the water pumped from the aquifer. For Fiscal Year 2009 those two amounts combined are

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projected to exceed \$1.5 million, in large part because CBMWD increased its charge per acre-foot of water from \$40 to \$250 in FY 2008. WRDSC has also increase its charge per acre-foot from \$138 in FY 2007 to \$153 in FY 2009. While WRDSC costs are escalated in the Study by a small amount to about \$170 per acre-foot in FY 2013 which, while reasonable, may not reflect the levels to which this rate will go. The CBMWD cost of \$250 per acre-foot is a dramatic increase so the Study did not assume further increases in that amount during the next four years. If it does increase, another increase in revenues may be required.

Worth noting, however, is the calculation of Debt Service coverage both for the Historical Period and the Projected Period. We have been informed by the City Finance Department that the coverage requirement as specified in the Bond Indenture is 1.2 times. That requires that the City set water rates at a level sufficient so that the net of Total Operating Revenues, plus the balance in the Rate Stabilization Fund and plus Interest Income, less Total Operating Expenses to be equal to or greater than 1.2 times Total Debt Service in each Fiscal Year. As can be seen in Table A the Debt Service Coverage has been always below 1.2 times during the Historical Period and through Fiscal year 2008. Even Fiscal Year 2004 which shows a DSC of 1.20 times is a rounding artifact. The exact number is 1.969, below the requirement. While the City has described no plans for issuance of Water Authority revenue bonds, the lack of revenue funding for capital improvements to the water system throughout the Study Period may make it necessary in the near future. A history of being in technical default on the outstanding bonds will make such an issuance of bonds more difficult and certainly more expensive if they can be issued at all.

Summary of Results

Fiscal Years	Revenue Requirements	Average Water Commodity Rate	Percent Increase in Water Rate
FY08	\$5,293,153	\$1.43000	00.00%
FY09	\$5,791,752	\$1.85433*	29.67%
FY10	\$6,891,007	\$1.85433	00.00%
FY11	\$7,555,062	\$2.03976	10.00%
FY12	\$8,796,636	\$2.24374	10.00%
FY13	\$9,692,427	\$2.46811	10.00%

*Note: Rate increase effective April 1, 2009

The concurrent issue with not meeting the Debt Service Coverage requirement is the City's failure to fund any significant amount of Capital Improvements for a long period, perhaps extending back before the Historical Period shown here. The proposed new rates provides funding for any Capital expenditures over the next four years. It is my suggestion that the City carefully review the recommendations of the current engineering study being conducted by Water Authority staff and consultants to determine what expenditures will be necessary to continue to provide safe and adequate water to customers. From that review additional rate increases to fund cost of living increases and the anticipated capital improvement expenditures may be necessary in the near future.

The projections of Operating Results include a projected Commodity Charge rate increase assumed to become effective April 1, 2009 of approximately 29.67% which would generate additional revenues of approximately \$1,159,224 during that last quarter of Fiscal Year 2009. Those additional revenues would, when added to the expected revenues at current rates, produce sufficient

total operating revenues for the Water System to pay all expected operating expenses and with projected interest income and the balance in the Rate Stabilization Fund produce a Balance Available for Debt Service equal to 1.01 times anticipated debt service in FY 2009.

Those new Commodity Charge rates are projected to be sufficient, at the projected levels of water demand, to produce debt service coverage of more than 1.20 times in each of the remaining fiscal years of the Projected Period. The current rate schedule and the rates required to cover all costs in FY 2009 are shown on Table B attached. The projected rates are increases of 20.0 percent above the rates shown in the current rates column of the table.

Table B, attached, shows a Summary of the key elements of the results of the Water Rate Study for both the Historical Period and the Projected Period.

To evaluate the reasonableness of the proposed new water rates we have obtained the water rate schedules from three nearby cities: Whittier, Santa Fe Springs, and Downey. The demographics of those cities have not been taken into account, nor have the condition of and average age of their water systems' infrastructure, or the date of their most recent review of their water rate schedules. In that situation there is no mathematical rationale for the water rates to be a useful measure against which to compare those of the City. At best, they represent a political/customer comparison useful as a basis for discussion about the proposed rates. Table C, attached, shows a sample of the average customer monthly bills for three levels of usage of a City customer at the proposed Pico Rivera rates and at the rates charged by the sample cities as if that same customer were paying for the same amount of water under the four different rate schedules. The results are compatible recognizing that each utility has a different mix of residential, commercial and Industrial customers and achieves from each in relationship with the amount of water used by those groups.

Sincerely,



James F. Seagraves
Vice President
Revenue & Cost Specialists, LLC