

MINUTES OF THE REGULAR MEETING OF THE
FISCAL POLICY COMMITTEE OF
VISTA IRRIGATION DISTRICT

March 11, 2009

A Regular Meeting of the Fiscal Policy Committee was held on Wednesday, March 11, 2009, at the offices of the District, 1391 Engineer Street, Vista, California.

1. CALL TO ORDER

Chair Dorey called the meeting to order at 10:00 a.m.

2. ROLL CALL

Directors present: Chair Dorey and Director Williams.

Staff present: Roy Coox, General Manager; Eldon Boone, Assistant General Manager/Treasurer; Farrokh Shahamiri, Finance Associate; Bill Moses, Finance Analyst; Brett Hodgkiss, Administrative Services Manager; Marlene Kelleher, Finance Manager; and Marian Schmidt, Administrative Assistant.

3. APPROVAL OF AGENDA

The agenda was approved as presented.

4. PUBLIC COMMENT TIME

There were no members of the public present.

5. LOCAL WATER PRODUCTION FORECAST

In the past, staff has used the methodology based on a 48-year average to forecast local water production. At the January 28, 2009 Fiscal Policy Committee meeting, the Committee requested that staff come back with a graph reflecting numbers using a 10-year rolling average. Staff presented to the Committee a graph reflecting a 10-year rolling average to forecast local water production for budget and rate setting purposes.

The Committee discussed this topic thoroughly and agreed with staff's recommendation to switch from the 48-year average to a 10-year rolling average methodology beginning with the 2010 Budget. The Committee will provide to the Board a report reflecting the 10-year rolling average at the next Board meeting.

6. WATER RATE STRUCTURE

Staff discussed with the Committee the methodology used to design a tiered water rate structure. It was further discussed that the tiered water rate structure is based on average water use and hydraulic capacity that can be applied to all customer classes regardless of how the water is being used rather than individual allocations. This rate structure will help the District achieve conservation goals and comply with any mandatory water use restrictions.

The Committee agreed with the rate structure's methodology and design. This water rate structure is proposed to be implemented at the time mandatory reductions are called for by CWA.

Staff will provide to the Committee a mock water bill implementing the tiered rate structure. As more information is made available from the CWA regarding potential penalty rates, allocations and baseline measurements, staff will bring updates of the rate model back to the Committee for consideration and input.

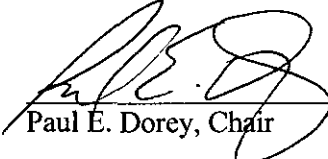
The Committee will provide an informational report to the Board at the next Board meeting.

7. FISCAL YEAR 2010 BUDGET PLANNING

Staff discussed with the Committee the upcoming Fiscal Year 2010 Budget preparations. Staff plans to present a draft of the 2010 Budget to the Committee in the beginning of May and will present the budget to the Board in the latter part of May.


8. ADJOURNMENT

There being no further business to come before the committee, Chair Dorey adjourned the meeting at 12:00 p.m.



Paul E. Dorey, Chair

ATTEST:



Marian Schmidt, Assistant Secretary
Board of Directors
VISTA IRRIGATION DISTRICT



**FISCAL POLICY COMMITTEE
STAFF REPORT**

Agenda Item: 5

Board Meeting Date: March 11, 2009
Prepared By: Marlene Kelleher
Reviewed By: Eldon Boone
Approved: Roy Coox

SUBJECT: LOCAL WATER PRODUCTION FORECAST

RECOMMENDATION: For discussion only.

PRIOR FISCAL POLICY COMMITTEE ACTION:

1/28/09 The Committee requested staff to prepare and consider using a 10-year rolling average to forecast local water production for budget and rate setting purposes.

FISCAL IMPACT: If the methodology used to forecast local water production is changed from the 48-year average to a 10-year rolling average, it is estimated that an additional 1,800 acre feet of purchased water will need to be budgeted in fiscal year 2010. This additional purchased water would increase operating expenses by an estimated \$960,000, which would translate into a \$0.11 increase on the water rate and represent a 3% increase on the total water bill for a typical customer.

SUMMARY: In predicting the available amount of local water, staff has traditionally used a historical average that dates back to 1960. The Board requested staff to research whether using a shorter number of years would result in a more accurate projection of future local water production. Staff met with the Fiscal Policy Committee on January 28, 2009 and discussed various historical periods and methods of projecting future local water production. The Committee recommended that staff analyze the effects of using a 10-year rolling average and report its findings back to the Committee.

DETAILED REPORT: Using a 10-year rolling average, as compared to the current method used to forecast the amount of local water production for the upcoming Fiscal Year 2010 Budget, would result in budgeting an additional 1,800 acre feet of purchased water which increases operating expenses by approximately \$960,000. To offset this increase of purchased water, staff estimates a \$0.11 increase to the water rate.

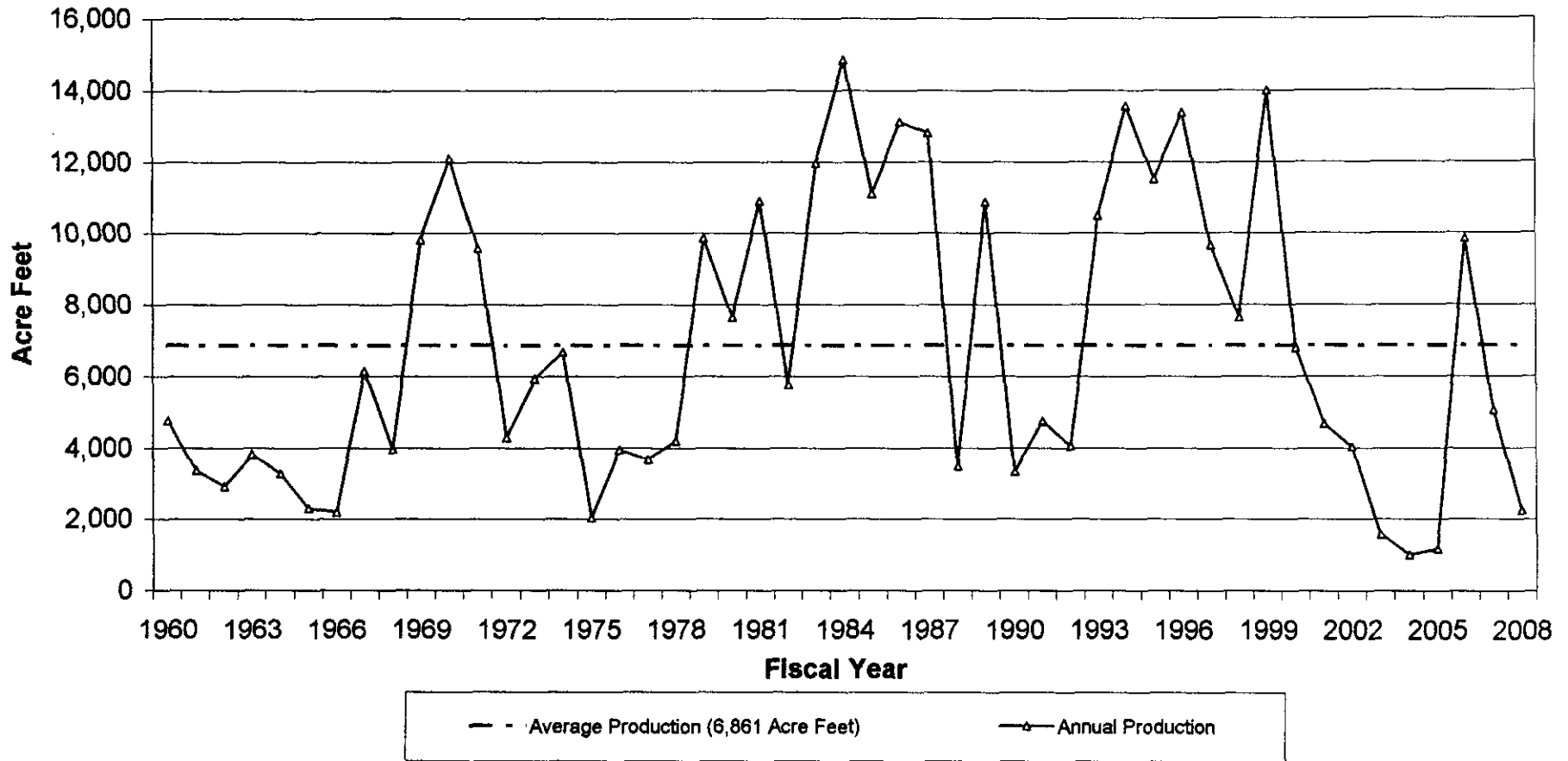
ATTACHMENTS:

- Historical Local Water Production Table 1960 – 2008
- Historical Local Water Production Graph 1960 – 2008
- 10-Year Rolling Average Local Water Production Table 1969 – 2008
- 10-Year Rolling Average Local Water Production Graph 1969 – 2008

Vista Irrigation District
HISTORICAL LOCAL WATER PRODUCTION
Fiscal Years 1960 - 2008

<u>Fiscal Year</u>	<u>Annual Production</u>
1960	4,758
1961	3,365
1962	2,916
1963	3,826
1964	3,272
1965	2,303
1966	2,185
1967	6,149
1968	3,969
1969	9,817
1970	12,106
1971	9,578
1972	4,289
1973	5,935
1974	6,673
1975	2,030
1976	3,942
1977	3,670
1978	4,199
1979	9,868
1980	7,642
1981	10,918
1982	5,760
1983	11,966
1984	14,845
1985	11,108
1986	13,110
1987	12,809
1988	3,489
1989	10,878
1990	3,336
1991	4,755
1992	4,057
1993	10,491
1994	13,559
1995	11,513
1996	13,377
1997	9,659
1998	7,649
1999	14,001
2000	6,804
2001	4,664
2002	4,026
2003	1,578
2004	1,003
2005	1,170
2006	9,856
2007	5,062
2008	2,245
Average Production	<u><u>6,861</u></u>

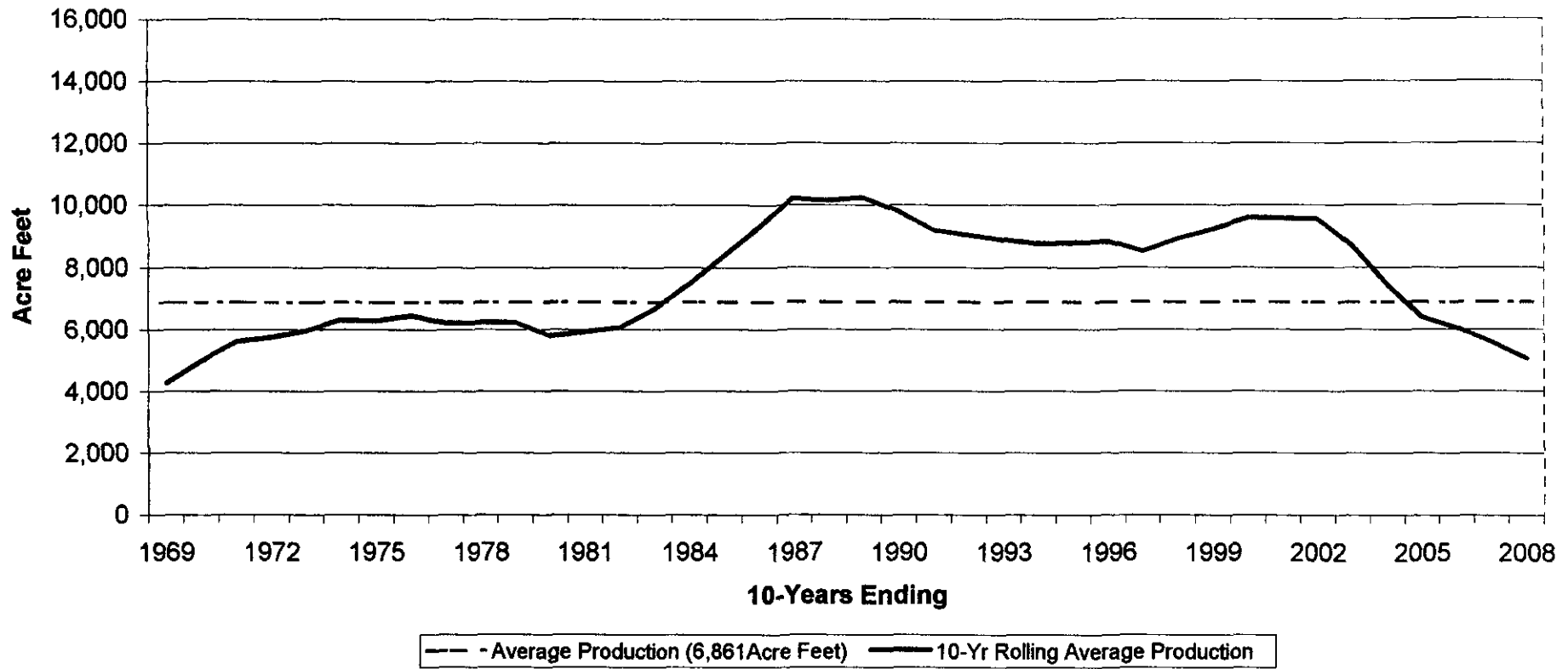
Vista Irrigation District
HISTORICAL LOCAL WATER PRODUCTION
1960 - 2008



Vista Irrigation District
10-YEAR ROLLING AVERAGE LOCAL WATER PRODUCTION
Fiscal Years Ending 1969-2008

<u>10-Years Ending</u>	<u>10-Yr Average Production</u>
1969	4,256
1970	4,991
1971	5,612
1972	5,749
1973	5,960
1974	6,300
1975	6,273
1976	6,449
1977	6,201
1978	6,224
1979	6,229
1980	5,783
1981	5,917
1982	6,064
1983	6,667
1984	7,484
1985	8,392
1986	9,309
1987	10,223
1988	10,152
1989	10,253
1990	9,822
1991	9,206
1992	9,035
1993	8,888
1994	8,759
1995	8,800
1996	8,826
1997	8,511
1998	8,928
1999	9,240
2000	9,587
2001	9,577
2002	9,574
2003	8,683
2004	7,427
2005	6,393
2006	6,041
2007	5,581
2008	5,041

Vista Irrigation District
10-YEAR ROLLING AVERAGE LOCAL WATER PRODUCTION
Fiscal Years Ending 1969-2008





**FISCAL POLICY COMMITTEE
STAFF REPORT**

Agenda Item: 6

Board Meeting Date: March 11, 2009
Prepared By: Brett Hodgkiss
Reviewed By: Eldon Boone
Approved: Roy Coox

SUBJECT: WATER RATE STRUCTURE

RECOMMENDATION: Review and provide input on proposed methodology used to design tiered water rate structure.

PRIOR COMMITTEE ACTION:

1/28/09 Committee discussed the concept of developing a tiered water rate structure.

FISCAL IMPACT: None. Any alternative to the District's uniform water rate structure would be designed to be revenue neutral.

SUMMARY: On January 28, 2009, the Committee and staff discussed the concept of developing a tiered water rate structure to help the District achieve its conservation goals and comply with mandatory water use restrictions. Direction was given to develop a tiered water rate structure based on average water use and hydraulic capacity rather than individual allocations, which was the basis of tiered rates in the early 1990's. Staff was tasked with putting together a tiered structure and bringing it back for further consideration and input.

DETAILED REPORT: Tiered water rate structures are commonly used by water agencies throughout California. Sixteen of the twenty-four San Diego County Water Authority (CWA) member agencies already have tiered water rate structures in place. Member agencies that do not have tiered structures currently in place, like VID, are looking at developing them as a means to achieve conservation targets.

As discussed with the Committee, staff proposes developing a tiered water rate structure that can be implemented at the time mandatory reductions are called for by CWA. Staff would like to create a three-tiered rate structure based on meter size and hydraulic capacity that can be applied to all customer classes regardless of how the water is being used. The tier thresholds for each meter size would be different but the cost per unit in each tier would remain the same.

The idea is to use the average monthly water use for the most common meter size in the District (3/4"), set tier thresholds for that meter size and use it as a baseline to calculate tiers for other meter sizes. Once the baseline tiers are set, a capacity factor (based on meter size) would be used to calculate tier limits for smaller and larger meters. As the meter size increases so does the capacity factor and the amount of water that can be used before moving into the next tier.

Staff proposes to set the Tier 1 threshold at a level that does not penalize low water users or those who have implemented conservation measures in advance of required cutbacks and set the Tier 2 threshold at a level that requires customers who exceed that threshold to pay the incremental cost of providing water to meet their demands. Based on this philosophy, staff envisions setting the Tier 1 threshold at 50% of average monthly water use and the Tier 2 threshold at 200% of average monthly water use. The table below illustrates the thresholds for each meter size.

**Monthly Water Use Tiers
(Billing Units)**

Meter Size	Tier 1	Tier 2	Tier 3
5/8"	0 - 7	8 - 28	29+
3/4"	0 - 10	11 - 40	41+
1"	0 - 25	26 - 100	101+
1 1/2"	0 - 50	51 - 200	201+
2"	0 - 80	81 - 320	321+
3"	0 - 160	161 - 640	641+
4"	0 - 250	251 - 1,000	1,001+
6"	0 - 500	501 - 2,000	2,001+
8"	0 - 1,150	1,151 - 4,600	4,601+
10"	0 - 2,150	2,151 - 8,600	8,601+

Since the tiered structure would be implemented during periods when mandatory restrictions are in place, it is anticipated customers will comply with reduction requirements resulting in lower water sales. Taking this into consideration, the tiered structure must be designed to cover fixed cost related to the production and distribution of water regardless of the amount of water sold. In other words, the structure must be revenue neutral.

Conceptually, the Tier 1 rate would be set at the current commodity price. The Tier 2 rate would be comprised of the current commodity price plus an incremental amount to recover revenue losses resulting from the implementation of mandatory water use restrictions. The Tier 3 rate would be set at a level equivalent to the Tier 2 rate plus an additional amount to cover the cost of paying for higher priced water from CWA when the District exceeds its allocation.

Once a base three tiered structure is developed (as described above), staff will work on variations that can be implemented to achieve increased mandatory reduction requirements. This may involve changing tier thresholds, adjusting pricing or both. In all cases, the structure will be designed to be revenue neutral.

If the Committee agrees, in concept, with the proposed methodology being used to create the tiered water rate structure, staff will develop proposed rates as well as tier thresholds and bring them back to the Committee for their consideration and input.



**FISCAL POLICY COMMITTEE
STAFF REPORT**

Agenda Item: 7

Board Meeting Date: March 11, 2009
Prepared By: Marlene Kelleher
Reviewed By: Eldon Boone
Approved: Roy Coox

SUBJECT: FISCAL YEAR 2010 BUDGET PLANNING

RECOMMENDATION: For information only.

PRIOR BOARD ACTION: None.

FISCAL IMPACT: None.

SUMMARY: Staff would like to meet with the Fiscal Policy Committee to plan the upcoming Fiscal Year 2010 Budget, discuss direction given to staff by the General Manager to date, and obtain the Committee's suggestions and input. As was done last year, staff plans to present a draft of the 2010 Budget to the Fiscal Policy Committee in the beginning of May. This would allow the Committee to present the budget to the Board in the latter part of May.