



Yucaipa Valley Water District

Notice and Agenda of a Board Workshop

Monday, June 1, 2015 at 4:00 p.m.

MEETING LOCATION: District Administration Building
12770 Second Street, Yucaipa

MEMBERS OF THE BOARD: Director Ken Munoz, Division 1
Director Bruce Granlund, Division 2
Director Jay Bogh, Division 3
Director Lonni Granlund, Division 4
Director Tom Shalhoub, Division 5

- I. **Call to Order**
- II. **Public Comments** At this time, members of the public may address the Board of Directors on matters within its jurisdiction; however, no action or significant discussion may take place on any item not on the meeting agenda.
- III. **Staff Report**
- IV. **Discussion Items**
 - A. Overview of the Operating Budget and Capital Improvement Plan for Fiscal Year 2016 [[Workshop Memorandum No. 15-107 - Page 2 of 8](#)]
 - B. Overview of the Distribution of a Revenue Neutral Rate Adjustment Notification Pursuant to the Requirements of Proposition 218 Due to State Water Resources Control Board Mandatory Water Restrictions [[Workshop Memorandum No. 15-108 - Page 7 of 8](#)]
- V. **Director Comments**
- VI. **Adjournment**

Any person with a disability who requires accommodation in order to participate in this meeting should telephone Erin Anton at (909) 797-5117, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Materials related to an item on this agenda submitted to the Board of Directors after distribution of the workshop packet are available for public inspection during normal business hours at the District office located at 12770 Second Street, Yucaipa. Meeting material is also be available on the District's website at www.yvwd.dst.ca.us



Date: June 1, 2015

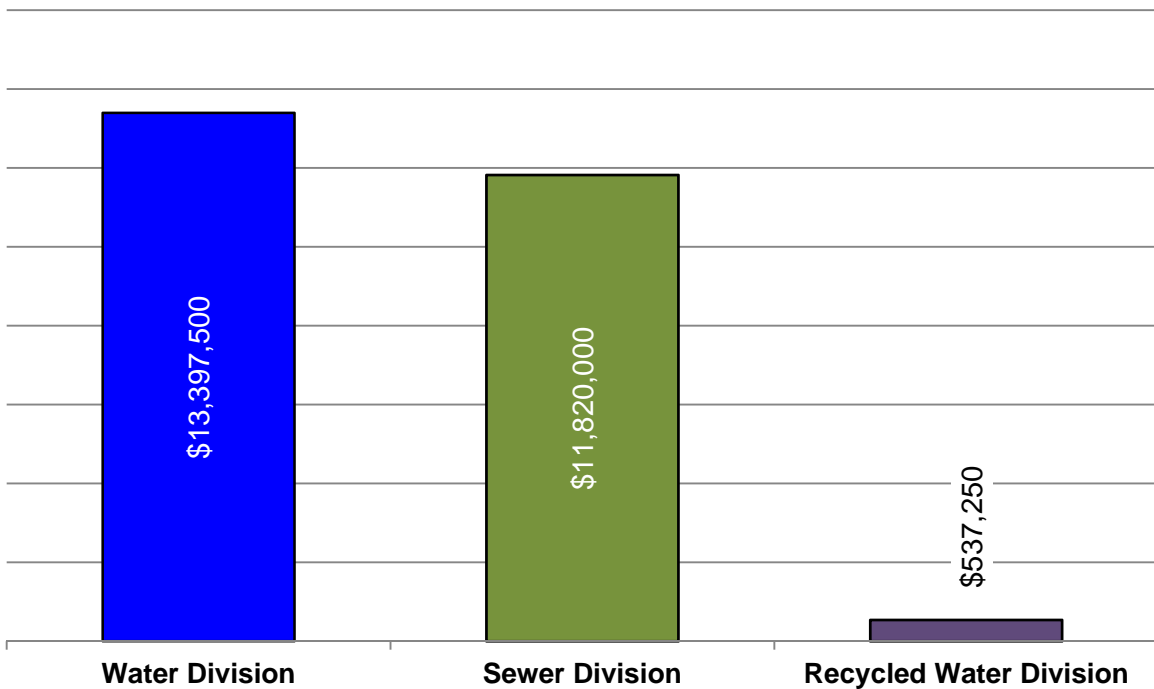
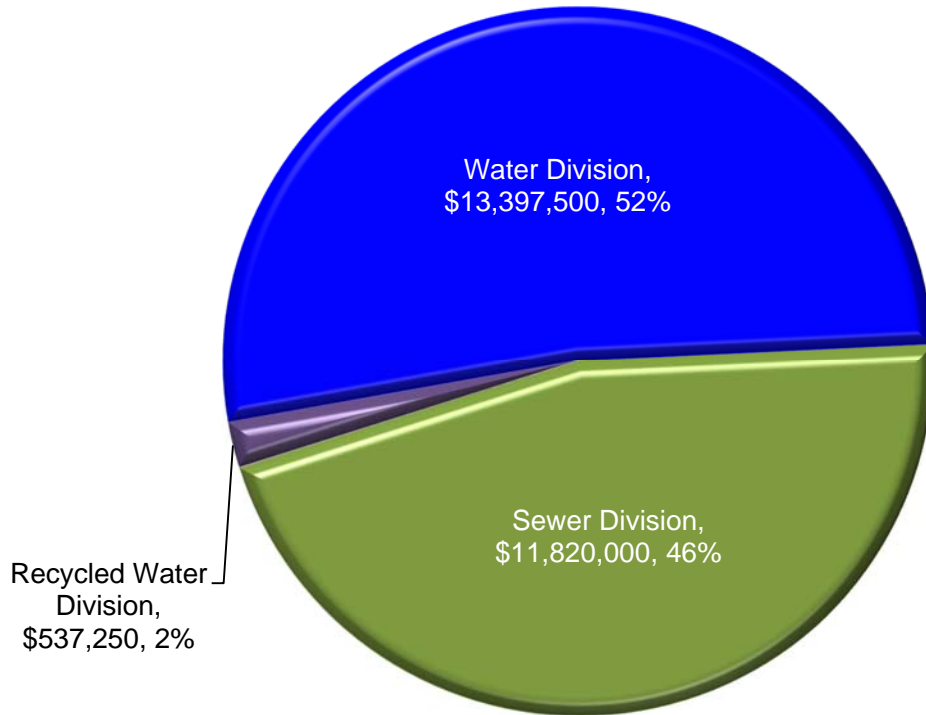
Subject: Overview of the Operating Budget and Capital Improvement Plan for Fiscal Year 2016

The Fiscal Year 2016 Operating and Capital Improvement Budget has been developed based on projections of a recovering economy coupled with a long-term drought which is expected to significantly reduce anticipated revenues. Due to the drought impacts, the District should consider the implementation of a revenue neutral position to maintain our current bond rating which will be necessary for funding future projects.

During the budget workshop, the District staff will be providing a detailed overview of each individual line item for the water, sewer and recycled water enterprise funds for the District.

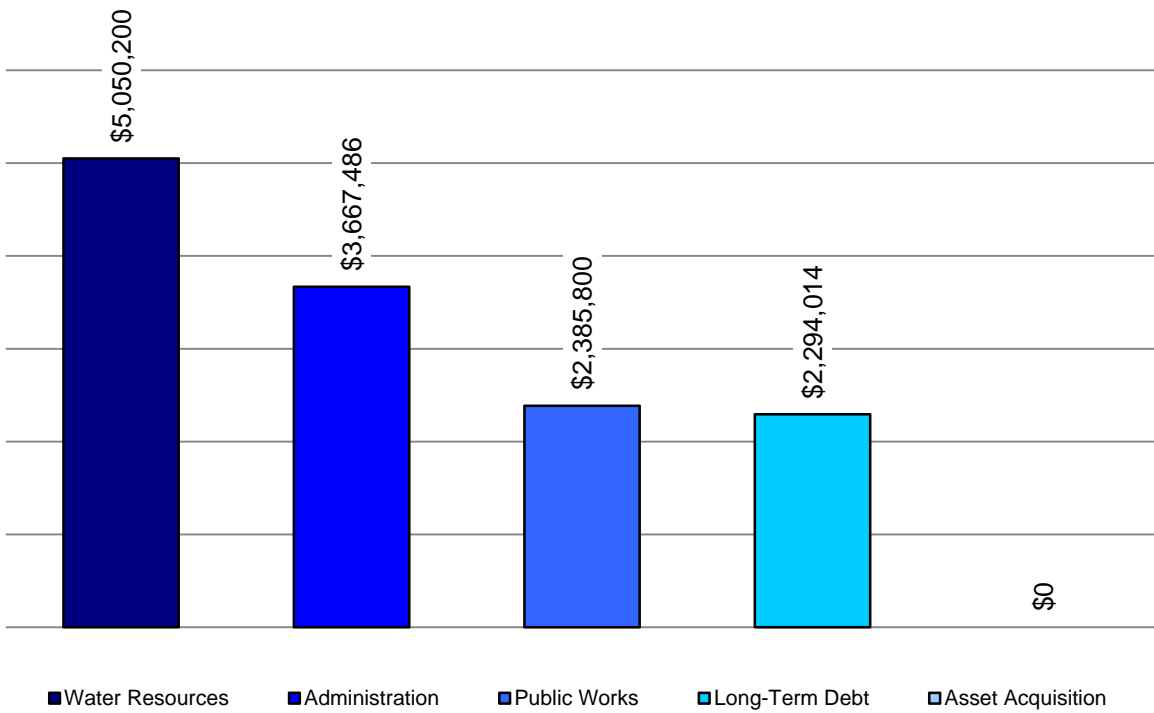
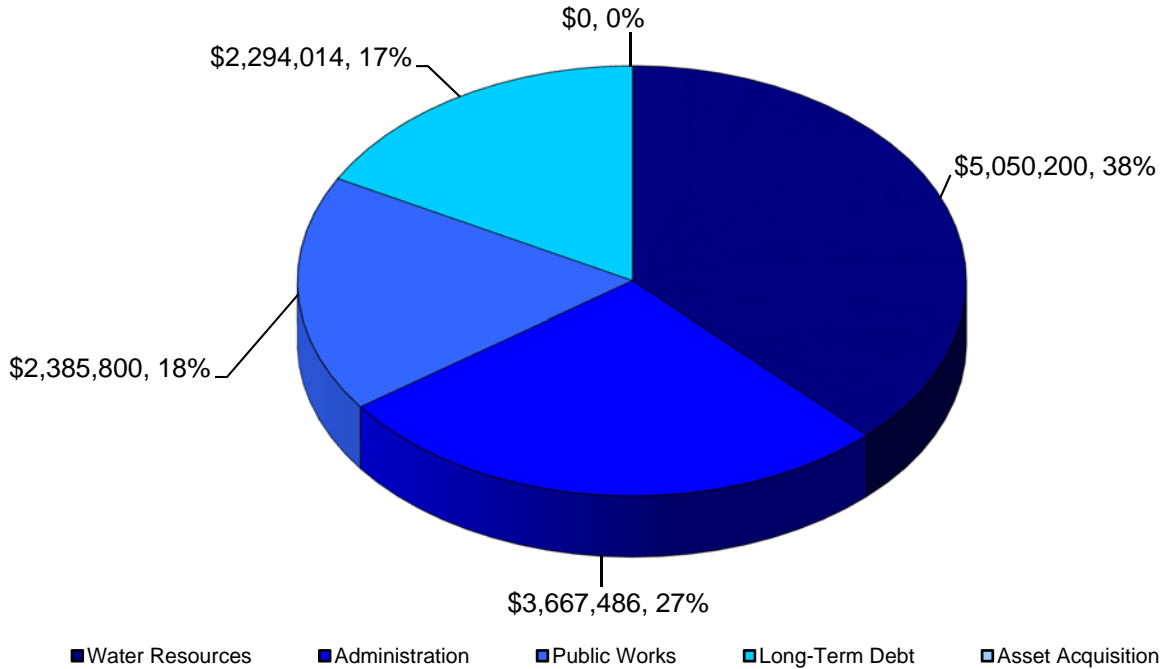
Budget Overview

The Fiscal Year 2016 operating budget totals \$25,754,750 (excluding capital improvement projects) distinguished by the following three enterprise funds.

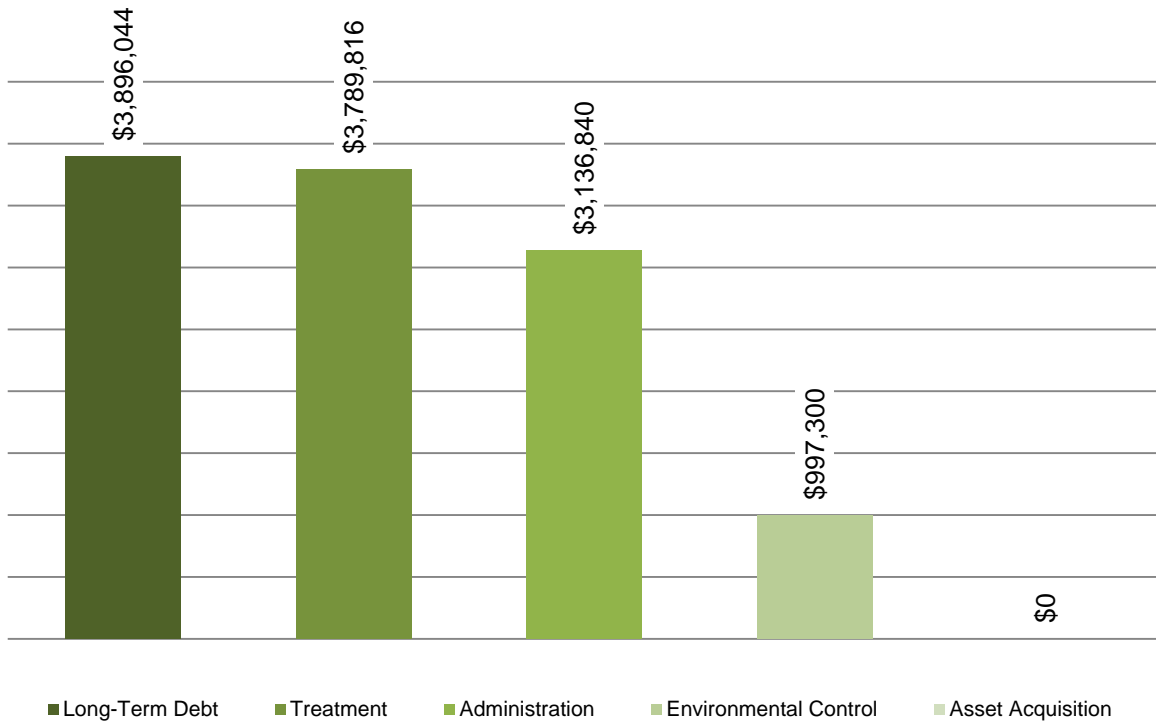
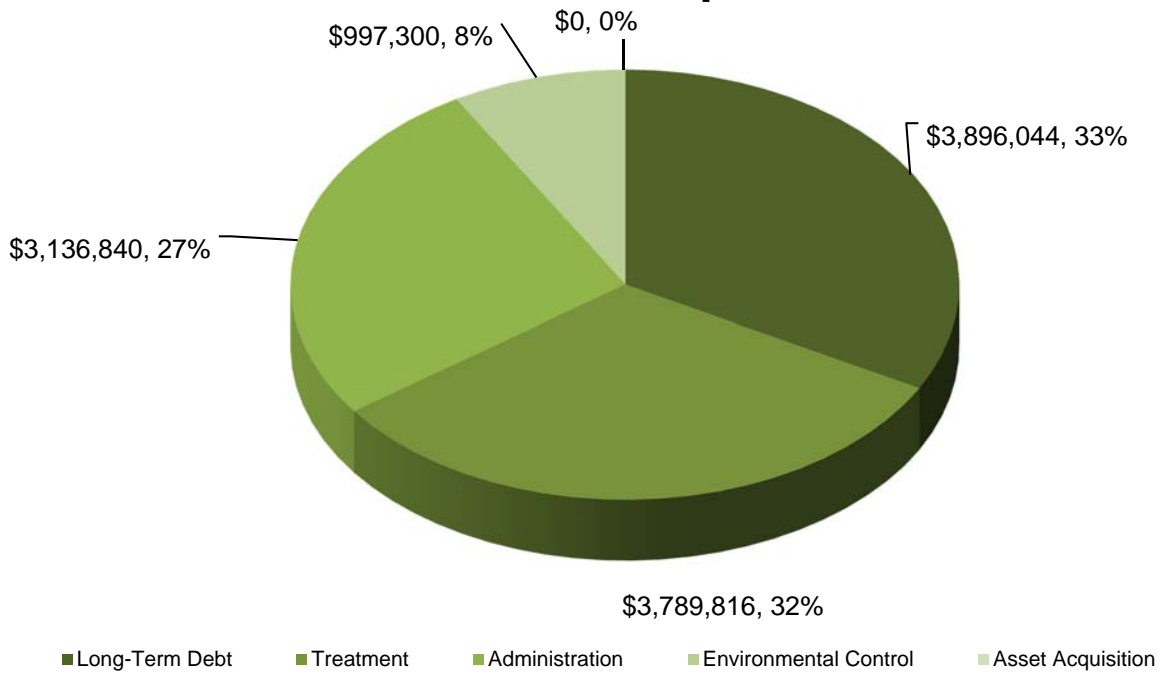


The departmental expenses for each of the enterprise funds are also provided below:

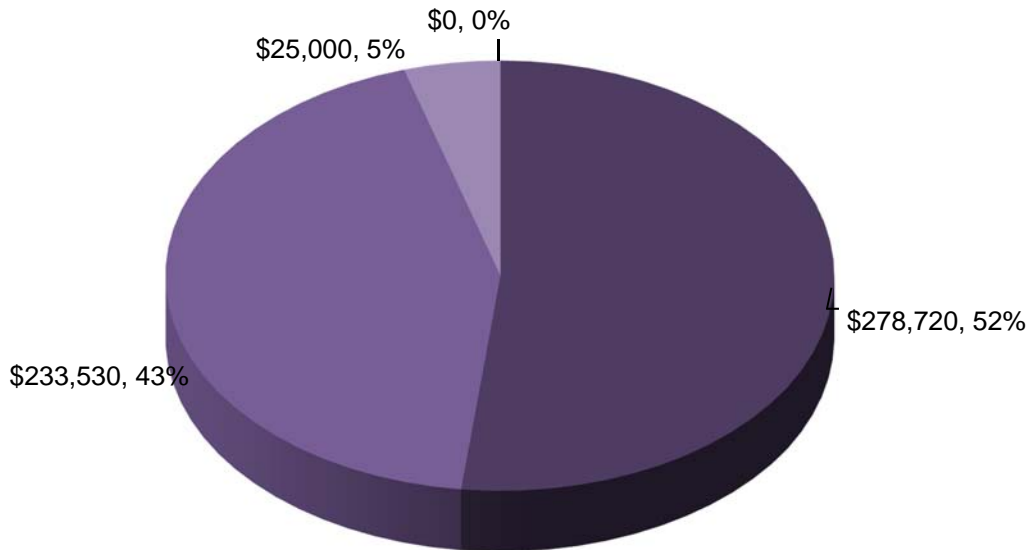
Water Division Expenditures



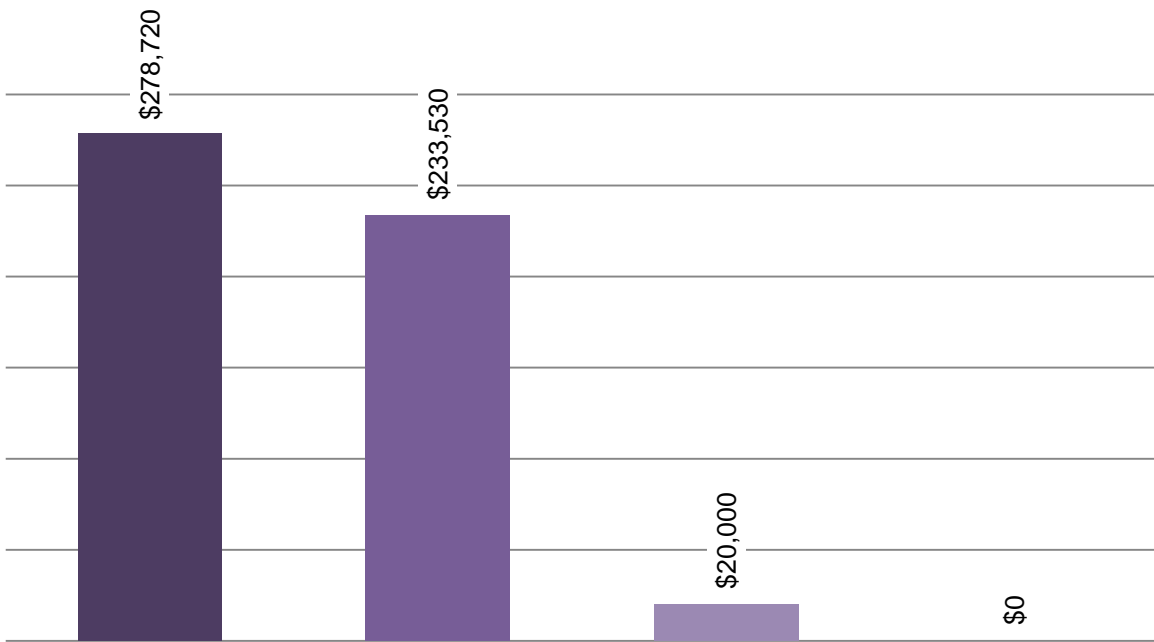
Sewer Division Expenditures



Recycled Water Division Expenditures



■ Labor and Benefits ■ Operational Expenses ■ Reserves & Infrastructure Replacement ■ Asset Acquisition



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Date: June 1, 2015

Subject: Overview of the Distribution of a Revenue Neutral Rate Adjustment Notification Pursuant to the Requirements of Proposition 218 Due to State Water Resources Control Board Mandatory Water Restrictions

On April 1, 2015, Governor Brown issued the fourth in a series of Executive Orders on actions necessary to address California's severe drought conditions, which directed the State Water Resources Control Board to implement mandatory water reductions in urban areas to reduce potable urban water usage.

Prohibited for Everyone

- Using potable water to wash sidewalks & driveways
- Runoff when irrigating with potable water
- Using hoses with no shutoff nozzles to wash cars
- Using potable water in decorative water features that do not recirculate the water
- Using outdoor irrigation during & 48 hours following measurable precipitation
- Using potable water to irrigate ornamental turf on public street medians
- Using portable water to irrigate landscapes of new homes & buildings inconsistent with CBSC & DHCD requirements

Required for Water Suppliers

- Achieve designated conservation standard (4%-36%)
- Notify customers about leaks that are within the customer's control
- Report on water use, compliance & enforcement

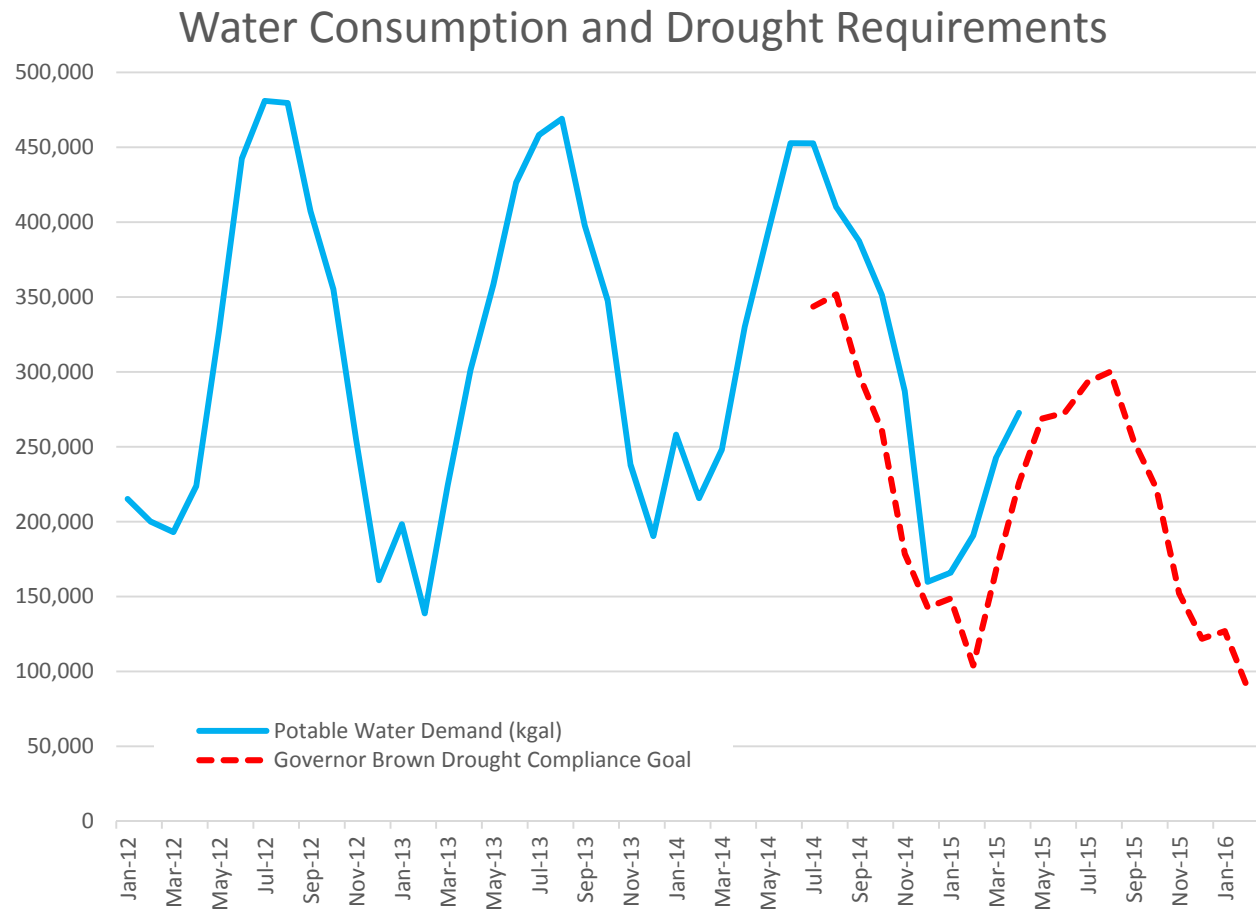
Required for Business

- Restaurants and other food service establishments can only serve water to customers on request
- Hotels and Motels must provide guests with the option of not having towels & linens laundered daily

On May 5, 2015, the State Water Board adopted emergency conservation regulations in accordance with the Governor's directive with the provisions of the emergency regulations effective as of May 15, 2015. The effect of the adopted regulations will require the Yucaipa Valley Water District to implement strategies to reduce water consumption by 36%.

The implementation of the Governor Brown's Executive Orders by the State Water Resources Control Board will require the customers of the Yucaipa Valley Water District to reduce water consumption by 36%. Based on the draft operational budget [Director Memorandum No. 15-053], a 36% reduction in water consumption will reduce the anticipated revenues of the water division by \$2,219,400 during Fiscal Year 2016. The calculation is based on the variable component of the water rate shown in line item 02-40010 budgeted for \$6,165,000 in Fiscal Year 2016. With a 36% reduction in the amount of water sold, this revenue source will be reduced by 36% or \$2,219,400 [$\$6,165,000 \times 0.36 = \$2,219,400$].

The chart below illustrates the anticipated monthly reduction in water consumption based on units of thousand gallons per month or kgal/month.



The District staff is in the process of reviewing different strategies to maintain our credit rating to ensure that the actions by the State of California do not adversely affect our ability to finance planned conjunctive use projects and recycled water infrastructure. Both of these projects are important near term infrastructure needs of the District. Overall, the District staff is concerned that a downgraded municipal bond rating due to the loss of water revenue in Fiscal Year 2016 will result in higher interest rates for planned water system improvements in the near future. While certainly not popular, a thoughtful and strategic response to this issue has the ability to save ratepayers in the future with lower interest rates and a maintained/improved credit rating for the Yucaipa Valley Water District.