

Water Rate Study

February 2010

Revised March 2010

Purissima Hills Water District



Prepared By



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MEMO

To: Patrick Walter **Date** March 11, 2010
Project Name: Purissima Hills Water District – 2010 Rate Study **Project No.** 10002.04
Reference: Corrections to the Rate Study
From: Joubin Pakpour, P.E. *JP*

The following non-substantive corrections have been made to the February 2010 Water Rate Study:

1. On Page 10, First paragraph, the following statement was inserted prior to 920,000 CCF. "projected annual water purchase"
2. On Page 13, last paragraph, the following statement was inserted prior to 920,000 CCF. "projected annual water purchase"
3. Table 10, page 14. An incorrect formula was used to show the values of the "Proposed PHWD Rate, Alt 3". The formula error started at 25 CCF and carried forward. The error ranged from \$6 at 25 CCF to \$14 at 300 CCF. The error was corrected prior to the public hearing.
4. Table 10, page 14. A new column was added for the rates of the "Mid-Peninsula Water District"

These corrections have been included in all printed copies of the Water Rate Study and posted on the District's website as the first page to the link to the Water Rate Study.



Acronyms and Abbreviations

CCF	Also referred to as a unit of water, equates to 100 cubic feet of water or 748 gallons.
District	Purissima Hills Water District
PHWD	Purissima Hills Water District
SFPUC	San Francisco Public Utility Commission
RTS	Readiness to Serve charge
UNIT	A unit of water equates to 100 cubic feet of water or 748 gallons.

Introduction

Purissima Hills Water District (District) owns and operates a water system consisting of storage reservoirs, booster pump stations, fire hydrants, and distribution piping.

Pakpour Consulting Group (PCG) serves as District Engineers to the Purissima Hills Water District and was requested to review and analyze the District's current rate structure in order to recommend possible rate and fee increases in response to increases in costs and projected capital improvement projects. This report presents the results of that review and analysis.

The preliminary draft of this water rate study evaluated several different alternative rate structures, including the one described in the January 21, 2010 notice that was sent to all District customers. This final water rate study incorporates a new recommended alternative developed at the February 10, 2010 Board of Directors meeting after the Board and staff considered public comment and protests received before and during that meeting.

The scope of this study includes a review and analysis of the expenditures and revenues for the past five years, the approved Capital Improvement Plan, and projected future revenue requirements.

The District is currently 24% over its San Francisco Public Utility Commission (SFPUC) individual water supply guarantee assurance and District last increased its residential water usage rates in December 2007.

Why Does the District Need to Raise Rates?

The District must cover its costs to continue providing high quality water to our customers. As a public agency, the District may not collect more revenue than is necessary to cover its costs to provide water services. Our costs have increased. Specifically:

- San Francisco Public Utility Commission (SFPUC), who provides the District with 100% of its water, has increased the wholesale water rates by 27% from \$1.30 to \$1.65 over the past three years. It is anticipated that SFPUC will increase rates from \$1.65 to \$2.14 (30% increase) during the next three years. The increases are due to the SFPUC' significant capital improvement program intended to make its water system more reliable in the event of an earthquake or other disaster. SFPUC projects rate increases of 15% annually for the next 10 years.
- During the past three years the District's active conservation program has resulted in a reduction in high usage customers' water demands and its related revenues. In previous years the high usage revenues allowed the District to keep the water rates low for the first two tiers. However, with the lower high tier demand, the revenue required will have to be generated from the all tiers.

- The majority of the District's water mains are over 40 years old. The District has identified one million dollars per year in capital improvement projects over the next five years which focuses on repair and replacement of aging infrastructure to maintain and improve system reliability.

Basic Principles

The following basic principles were applied to analyze and project future costs, revenues, and water rates for this study:

- Proposed water rates must generate sufficient revenues to cover all the costs of system operations and maintenance.
- The District operates with a balanced budget, while maintaining adequate reserves for maintenance, capital improvements and emergencies.
- Since land within the District is largely developed, the funding for the District's Capital Improvement Program must come from the District's rate base rather than the collection of developer fees from new customers.
- The District's Capital Improvement Program focuses on repair and replacement of aging infrastructure to maintain and improve system reliability.

Water System Overview

The District's water system was established in 1955. The system is operated by a governmental entity where the cost of providing water service is funded through user fees. These fees consist primarily of a fixed meter readiness to serve charge, based upon meter size, and a tiered rate structure based on water usage. The system provides water service to an area of approximately 9 square miles. As of December 2009 the service area consists of approximately 6,000 residents in the Town of Los Altos Hills and unincorporated Santa Clara County, with 2,060 residential services and 53 institutional services including Foothill College, Pinewood High School and the Town's Little League Baseball field.

Water rates for the District are established by the District's Board of Directors. The current residential rates were adopted by Resolution No. 2007-9 in December 2007.

Compliance Statement

This water rate study was prepared to satisfy the substantive requirements for proposition 218 set forth in California Constitution, Article 13D, Section 6(b) pertaining to new or increased fees for property related services.

This water rate study was prepared in accordance with industry standards and generally accepted principles for establishing water rates, fees and charges for water purveyors.

District Water Supply Assurance

The District is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA – formerly BAWUA), which represents the interests of 24 public agencies and two private utilities in Alameda, Santa Clara and San Mateo Counties. These agencies purchase water on a wholesale basis from the San Francisco Public Utility Commission (SFPUC). BAWSCA provides the ability for the customers of the regional system to work with San Francisco on an equal basis to ensure that the regional water system gets fixed and to collectively and efficiently meet local responsibilities.

The Master Agreement between the District and the SFPUC was negotiated by BAWUA and authorized by the District's in Resolution No. 1984-2 dated August 8, 1984; it provides the District with its share of the available water (based on system capacity). This individual supply guarantee was originally based on historical usage by the District and was last adjusted in 1993 to 792,831 CCF. For FY 2008-2009, the total water purchased by the District was 980,987 CCF (24% over its individual supply guarantee). For the last few years, there have been no water shortages, and the District has been able to purchase the additional water from the SFPUC at current rates without any additional charges for exceeding its individual supply guarantee. Last year the District, through BAWSCA, negotiated a new contract for delivery of water with SFPUC. The new contract was adopted by the District in Resolutions No. 2009-2, 2009-3 and 2009-4 on June 10, 2009. During contract negotiations the District attempted to increase its allocation; however the final contract did not change the individual supply guarantee of any BAWSCA member, and therefore the District continues to expect its requirements to exceed its water supply. In light of the terms of the new contract with SFPUC, the District believes that an additional water supply may need to be developed or purchased to ensure water delivery for both the near and long term future, and especially in time of drought. The District is now reviewing all possibilities for additional supply.

Section 2 – Historical and Projected Water Demands

Population – History and Forecast

The majority of the District is built out and only a few parcels remain that are not served by the District’s water distribution system. Future development will primarily be a result of subdividing parcels, replacing existing homes with larger homes and construction of second units. Active conservation efforts by the District has reduced its water demand by 13% over the last two years.

Active Water Accounts – Demand Forecast

As of December 2009, the District has a total of 2,113 active water accounts. The accounts consist of 2,060 single-family residential connections and 53 institutional connections. A Water Supply Master Plan¹ completed for the District by the consulting firm, Erler and Kalinowski indicates a 2% growth per year in water usage for the next 20 years. For the purposes of this study, the proposed revenues for FY 2010-11 through 2011-12 were calculated based on the District’s FY 2009-10 projected annual water purchases of 920,000 CCF.

Table 1 - Historical Water Usage

	2004-05	2005-06	2006-07	2007-08	2008-09
Meter Connection					
Residential *	2036	2036	2040	2054	2060
Institutional *	50	51	51	53	53
Total *	2086	2087	2091	2107	2113
Annual Consumption (ccf)					
Residential	858,634	896,148	955,474	985,962	893,723
Institutional	69,359	61,362	65,816	76,645	62,242
Other **	52,479	7,237	91,001	62,315	25,022
Total Purchased Water	980,472	964,747	1,112,291	1,124,922	980,987
% over SFPUC Allotment (792,831 ccf)	24%	22%	40%	42%	24%
Average Annual Consumption per Account (ccf)					
Residential	422	440	468	480	434
Institutional	1,387	1,203	1,291	1,446	1,174
Total	470	462	532	534	464
Annual Change in Water Use					
Residential		4.4%	6.4%	2.5%	-9.6%
Institutional		-13.3%	7.3%	12.1%	-18.8%
Total		-1.7%	15.1%	0.4%	-13.0%

* Does not include suspended meters

** “Other” consumption includes water main breaks, leaks and the District flushing program to keep the water mains clean.

Section 3 – Historical Annual Expenditures and Revenues

Expenditures

Figure 1 shows the historical breakdown of expenditures for the District, by type, for the past five years, excluding Capital Improvement Projects (CIP), FY 2004-05 to 2008-09.

Figure 1 - Historical Expenditures – Excluding CIP

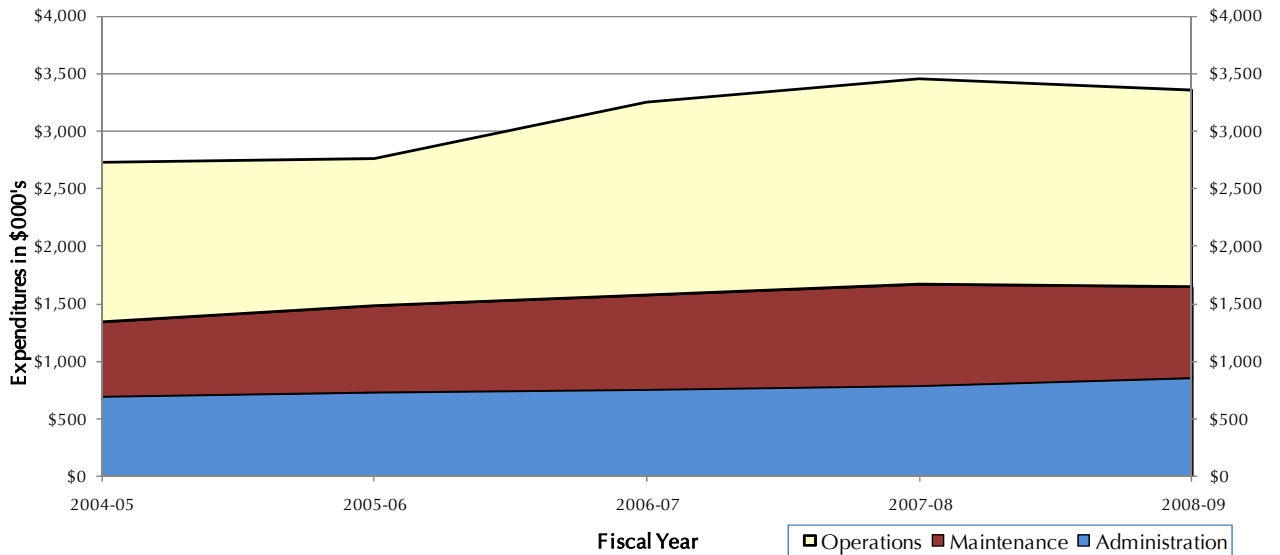


Table 2 is a summary of the District’s operating expenditures from FY 2004-05 to 2008-09. The percent change in expenditures from year to year is also shown to assist in projecting future expenditures.

Operation Expenses include the cost of water purchased from the SFPUC, power or energy costs for pumping, and water quality testing treatment for the District’s wholesale water purchases.

Maintenance Expenses include the cost associated with maintenance of the District’s water distribution and storage facilities, personnel and equipment cost directly related to system maintenance and engineering and legal cost associated with various studies and reports.

Administration includes the cost related to customer account expenses and the District’s general and administrative expenses.

Capital Improvement Projects (CIP) include cost related to the improvement or replacement of the District’s assets with related engineering expenditures. The District updated its comprehensive capital improvement program in 2010⁽²⁾, which outlined the capital needs of the District over the next five years.

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Contributed Capital Improvement Projects includes funds spent by other agencies or developers to replace or improve District facilities. Over the past few years the District has developed a good relationship with other agencies in the area. Most notably, the Los Altos Hills County Fire District has significantly contributed to improvements of District facilities to enhance water supply and fire suppression. The District will continue to grow these partnerships to assist with the District’s Capital needs.

Table 2 - Historical Expenditures and Percent Change (in \$000s)

	2004-05	2005-06	2006-07	2007-08	2008-09
Total Purchased Water	980,472	964,747	1,112,291	1,124,922	980,987
SFPUC Rate per ccf	\$1.13	\$1.02	\$1.22	\$1.30	\$1.43
Operations	\$1,388.2	\$1,279.6	\$1,677.8	\$1,786.1	\$1,709.7
Maintenance	\$646.7	\$750.3	\$820.1	\$881.4	\$789.6
Administration	\$693.5	\$731.0	\$754.4	\$787.5	\$857.4
Total Operating Expenditures	\$2,728.4	\$2,760.9	\$3,252.3	\$3,455.0	\$3,356.7
% Change (year to year)	-	1.2%	17.8%	6.2%	-2.8%
CIP	\$671.9	\$919.1	\$1,093.3	\$722.3	\$1,274.4
Total Including CIP	\$3,400.3	\$3,680.0	\$4,345.6	\$4,177.3	\$4,631.1
% Change (year to year)		8.2%	18.1%	-3.9%	10.9%
Contributed CIP	\$384.6	\$170.0	\$899.0	\$968.6	\$0.0

Discussion of Historical Expenditures

The total operating expenses have increased at an average overall rate of 6% per year over the last five years. This increase in expenditures is largely a result of the increased cost the District must pay for water purchased from the SFPUC and the cost for pumping, which has increased by almost 46% per CCF over the past five years. Operation expenses account for approximately 50% of the District’s budget (excluding CIP). This increase over the previous five years has had a significant impact on the District’s total Operating Budget. As the District’s facilities age, the maintenance expense also increases.

Over the past five years the cost of maintenance for the District has increased by 22%. This increase is due to the meter replacement program initiated by the District, which is nearly complete along with numerous engineering studies commissioned by the District. The studies include a water supply master plan, ground water studies for both inside and outside District boundaries, a water conservation master plan, and various studies related to augmenting the District’s water supply.

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Over the past five years the cost of Administration for the District has increased by 24%. This increase is primarily due to an increase in insurance cost and the legal cost of evaluation of issues raised by the above studies. In addition, in the 2006, the District hired a part-time water conservation specialist.

The information in Table 2 was used to project future expenditures as shown in Table 3. The projected annual increase in expenditures is due in part to the 30% proposed increase in rates from the SFPUC for the purchase of water from FY 2009-10 rates to FY 2011-12.

Table 3 – Projected Expenditures for Operations (in \$000s)

	2008-09*	2009-10	2010-11	2011-12
Projected SFPUC Rate (ccf)	\$1.43	\$1.65	1.95**	2.14**
Operations	\$1,709.7	\$1,812.8	\$2,143.0	\$2,317.8
Maintenance	\$789.6	\$1,103.5	\$971.0	\$996.6
Administration	\$857.4	\$978.5	\$1,102.0	\$1,158.9
Total Operating Expenditures	\$3,356.7	\$3,894.8	\$4,216.0	\$4,473.3
% Change (year to year)		16.03%	8.25%	6.10%
Proposed CIP	\$1,288.1	\$1,007.0	\$1,000.0	\$1,000.0
Total Including CIP	\$4,644.8	\$4,901.8	\$5,216.0	\$5,473.3
% Change (year to year)		5.53%	6.41%	4.93%

* Actual

** Projected as of February 1, 2010

Expenses for FY 2009-10 through 2011-12 are estimated budget dollars by the District. The costs shown for Capital Improvements are from the District’s approved CIP.

Reducing Expenses

During the past two years the District has taken an active role in attempting to reduce its expenses. With the exception of adding a part-time water conservation specialist in 2006, the District has maintained the same staffing levels for the past 15 years even when faced with additional regulatory compliance requirements for water districts. As an example, to reduce staff time dedicated to reading meters, the District has invested in radio technology which allows drive-by meter reading. Virtually all the meters in the District are now capable of being read by radio. Once this project is complete, District meters can be read in one and one-half days vs. five days allowing the District to shift its staff to meet the regulatory compliance requirements.

The District aggressively pursues grant opportunities. In the past five years the District has been able to secure over two million dollars from the Los Altos Hills County Fire District for capital improvement projects.

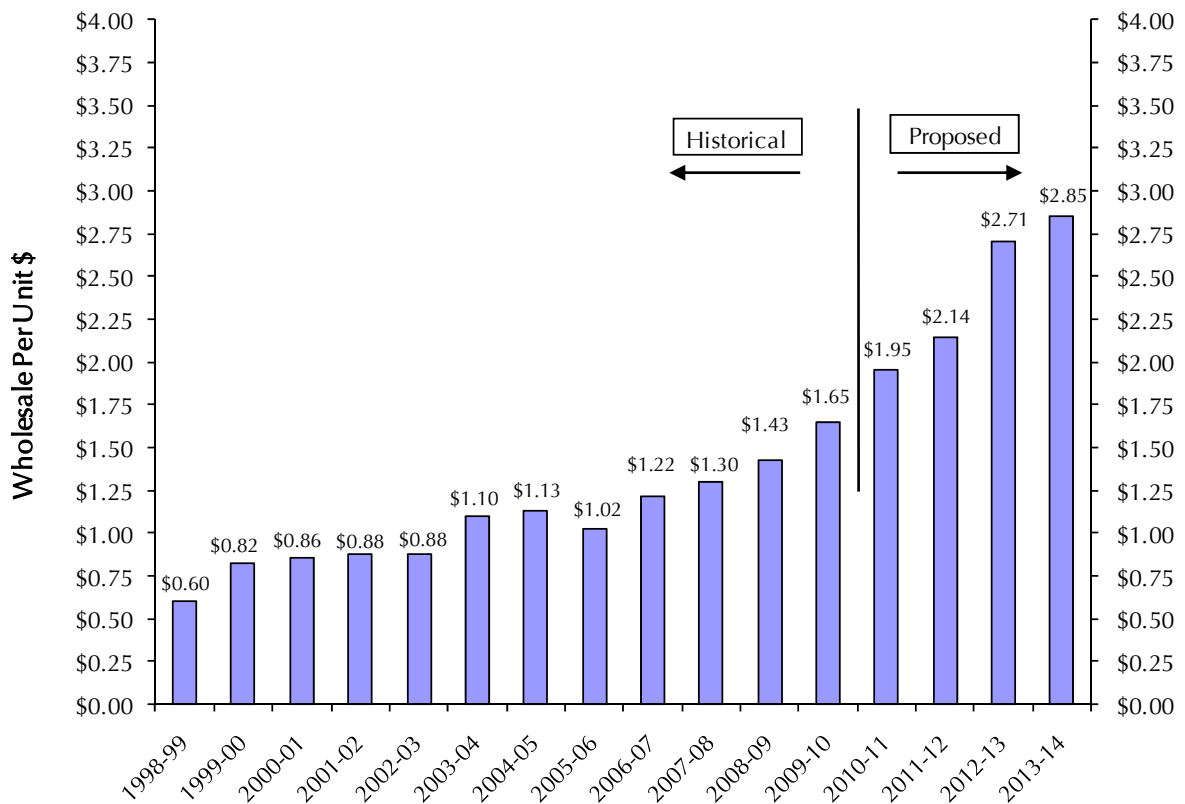
The District has reduced its projected CIP from \$1.3 million to \$1.0 million per year.

Expenditures – San Francisco Public Utility Commission Water Rates

Started in 2007, the SFPUC’s \$4.6 billion Water System Improvement Program (WSIP) will repair, replace and seismically upgrade portions of the Hetch Hetchy water system. The program includes improvements to the system’s aging pipelines, tunnels, dams, reservoirs, pump stations, and storage tanks. The WSIP is anticipated to be completed by the end of 2015.

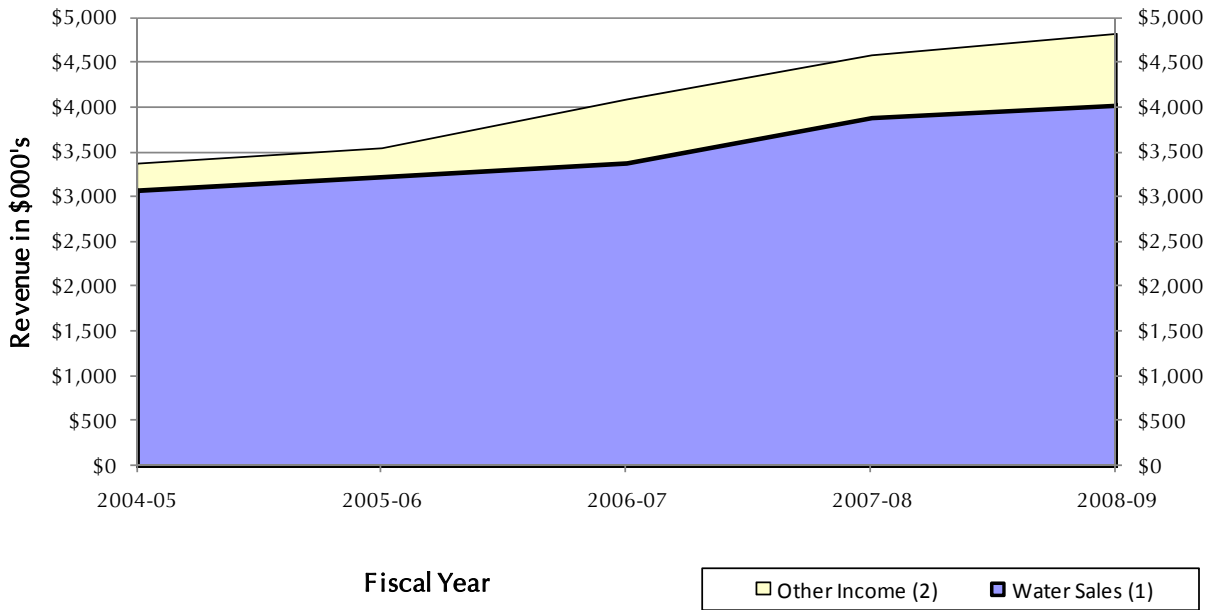
The costs of these improvements is passed along to customers of SFPUC through water rate increases. These rates are typically set in April or May of each year. During the last three years, SFPUC has increased its wholesale water rates from \$1.30 to \$1.65 per ccf, or 27%. It is anticipated that SFPUC will increase rates from \$1.65 to \$2.14 per ccf (a 30% increase) over the next three years.

Figure 2 – Historical and Projected SFPUC Rates



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Figure 3 – Historical Revenues



The majority of the District’s revenue comes from the sale of water. The largest source of Other Income revenue comes from property taxes, whereby the District receives a small percentage of the 1% percent property tax collected, and rental income from cellular antenna sites located on District property.

Table 4 is a summary of the District’s operating revenues from FY 2004-05 to 2008-09.

Table 4 – Historical Revenues (in \$000’s)

	2004-05	2005-06	2006-07	2007-08	2008-09
Water Sales - Residential	\$2,439.6	\$2,540.1	\$2,744.8	\$3,159.6	\$3,245.5
Water Sales - Institutional	\$183.3	\$168.8	\$174.1	\$220.7	\$216.8
Water Sales - Other (RTS, Misc fees)	\$458.1	\$523.7	\$467.0	\$511.3	\$566.6
Water Sales (1)	\$3,081.1	\$3,232.5	\$3,385.8	\$3,891.6	\$4,028.9
Other Income (2)	\$286.7	\$306.1	\$698.2	\$685.5	\$788.6
Total Income (3) = (1)+(2)	\$3,367.7	\$3,538.6	\$4,084.0	\$4,577.1	\$4,817.5
% Change	-	5.1%	15.4%	12.1%	5.3%

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Table 5 shows the District’s projected revenues based upon the current rate structure. Revenue from water sales was calculated using projected annual water purchases of 920,000 CCF for FY 2009-10 through 2011-12. Revenue is forecasted to be flat with continued lower water usage than previous years due to increased conservation efforts. Should water demand fall under the projected usage, resulting in lower revenues, the District will scale back its CIP accordingly.

Table 5 – Projected Revenues (in \$000’s) – Current Rates

	2008-09*	2009-10	2010-11	2011-12
Water Sales - Residential	\$3,245.5	\$2,872.7	\$2,880.6	\$2,880.6
Water Sales - Institutional	\$216.8	\$192.7	\$206.9	\$206.9
Water Sales - Other (RTS, Misc fees)	\$566.6	\$530.8	\$506.9	\$506.9
Other Income	\$788.6	\$759.4	\$720.0	\$720.0
Projected Income	\$4,817.5	\$4,355.7	\$4,314.4	\$4,314.4
% Change		-9.6%	-0.9%	0.0%

* Actual

Table 6 shows the projected revenues and expenditures for the District based upon the current rate structure. As shown under the current rate structure, the District will collect sufficient revenues for Operations and Maintenance, but will fall short in revenue to fully fund the Capital Improvement Program.

Table 6 – Summary of Projected Revenues and Expenditures (in \$000s) – Current Rates

	2008-09*	2009-10	2010-11	2011-12
Revenues	\$4,817.5	\$4,355.7	\$4,314.4	\$4,314.4
Expenses	\$3,356.7	\$3,894.8	\$4,216.0	\$4,473.3
CIP	\$1,288.1	\$1,007.0	\$1,000.0	\$1,000.0
Surplus (Shortfall)	\$172.7	(\$546.1)	(\$901.7)	(\$1,158.9)

* Actual

Section 4 – Rate Discussion

Readiness-To-Serve Charge

The Readiness-To-Serve (RTS) charge is a fix fee charged to each active account based on the meter size. The majority of the District’s revenue is obtained from sales of water during the high usage summer months. The intent of the RTS is to equitably allocate a portion of the fixed costs incurred by the District while providing minimum operating funds during the low usage winter months. The District’s RTS charge was last increased in 2007. The District is not proposing to increase its RTS at this time. The District’s RTS charge is the same for residential and institutional customers.

Table 7 – Existing Readiness-to Serve Charges

	# of Meters	Current	
		RTS per Month	Amount Collected per Year
3/4" Meter	1469	\$15.00	\$264,420.00
1" Meter	534	\$24.50	\$156,996.00
1 1/2" Meter	49	\$34.00	\$19,992.00
2" Meter	54	\$49.00	\$31,752.00
3" Meter	1	\$60.50	\$726.00
4" & Above Meter	6	\$112.00	\$8,064.00
Total	2113		\$481,950.00

Usage Charge

Based upon the projection of future operation, maintenance, administration and CIP expenditures for the District, a proposed rate has been developed based on historical water usage and the projected fiscal needs of the District. The District’s Board and staff evaluated numerous rate alternatives through the District’s revenue model. The top three alternatives are listed in Tables 8a, 8b and 8c which show the current rate schedule and alternative recommended rate schedule and the percent change based upon tier. The District’s tiered structure provides additional incentive for all users to conserve water and to pay their proportional share of the operations and maintenance costs for the system.

During the past two years the District’s active conservation program and tiered rate structure have resulted in a reduction in high usage customers’ water demands and related revenues. In previous years these revenues allowed the District to keep the water rates low for the first two tiers. However, with the lower high tier demand, the revenue required will have to be generated from the all tiers.

Table 8a – Existing and Recommended Rates – Residential – Alternative 1

Existing Rate Schedule		Proposed Rate Alternative 1		% Increase
Billed Units (ccf)	Unit Rate	Billed Units (ccf)	Unit Rate	
1-10	\$2.15	1-10	\$3.25	51%
11-30	\$2.75	11-30	\$5.75	109%
31-60	\$3.75	31-60	\$5.75	53%
61-100	\$5.25	61-100	\$5.75	10%
101-200	\$7.25	101-200	\$7.00	-3%
200+	\$8.05	200+	\$8.00	-1%

Table 8b – Existing and Recommended Rates – Residential – Alternative 2

Existing Rate Schedule		Proposed Rate Alternative 2		% Increase
Billed Units (ccf)	Unit Rate	Billed Units (ccf)	Unit Rate	
1-10	\$2.15	1-5	\$2.70	26%
11-30	\$2.75	6-30	\$4.15	51%
31-60	\$3.75	31-60	\$5.60	49%
61-100	\$5.25	61-100	\$7.05	34%
101-200	\$7.25	101-200	\$8.50	17%
200+	\$8.05	200+	\$9.95	24%

Table 8c – Existing and Recommended Rates – Residential – Alternative 3

Existing Rate Schedule		Proposed Rate Schedule 3		% Increase
Billed Units (ccf)	Unit Rate	Billed Units (ccf)	Unit Rate	
1-10	\$2.15	1-10	\$2.70	26%
11-30	\$2.75	11-30	\$4.15	51%
31-60	\$3.75	31-60	\$5.60	49%
61-100	\$5.25	61-100	\$7.05	34%
101-200	\$7.25	101-200	\$8.50	17%
200+	\$8.05	200+	\$9.95	24%

Rate Alternative No. 1 (Not Recommended) – Alternative 1 was developed to reduce the rate schedule from six tiers to three. Although this alternative would produce enough revenue, it is not recommended because the large increase, 109% in the middle tiers, would affect most of the customers within the District. This tier system is similar to the City of Palo Alto’s tiered rate structure.

Rate Alternative No. 2 (Recommended January 2010) – Alternative 2 was developed to reduce the burden on the very lowest users while still generating enough revenues for the District. The lowest tier was reduced from 10 units to 5 units. It was recommended because of its ability to generate enough revenue without being overly dependent on the high end users.

Rate Alternative No. 3 (Alternative Recommended February 2010) – Alternative 3 is similar to alternative 2, however the break points for the first tier would be 10 units, and thereby maintaining the District’s existing units per tier structure. This alternative will reduce the projected revenue compared to alternative 2. However, alternative 3 is recommended because it has less impact on low water use customers than alternatives 1 and 2.

Table 9 shows the anticipated revenues from the three alternatives based on the total projected annual water purchases of 920,000 CCF.

Table 9 – Anticipated Revenues for Each Alternative (in \$000s)

	Revenue
Alternative No. 1	\$4,264.2
Alternative No. 2	\$4,104.8
Alternative No. 3	\$3,963.8

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Table 10 shows the anticipated customer bills based on the recommended alternative no. 3. The average monthly usage for a residential customer in the District is 30 CCF. Under alternative no. 3 the average customer would be paying less than if they were a customer of the City of Palo Alto or the Town of Hillsborough and only slightly more than if they were a customer of the City of Mountain View or Los Altos.

Table 10 – Existing and Recommended Customer Bills – Residential

Billed Units	Existing PHWD Rate*	Proposed PHWD Rate Alt. 3*	% Change
5 CCF	\$25.75	\$28.50	11%
10 CCF	\$36.50	\$42.00	15%
25 CCF	\$77.75	\$104.25	34%
30 CCF	\$91.50	\$125.00	37%
50 CCF	\$166.50	\$237.00	42%
100 CCF	\$414.00	\$575.00	39%
200 CCF	\$1,139.00	\$1,425.00	25%
300 CCF	\$1,944.00	\$2,420.00	24%

Billed Units	Existing PHWD Rate*	Proposed PHWD Rate Alt. 3*	Mid Peninsula Water District**	City of Palo Alto	Town of Hillsborough	City of Mt. View	Calwater Los Altos**	Calwater Menlo Park	City of Sunnyvale
5 CCF	\$25.75	\$28.50	\$28.22	\$24.75	\$38.35	\$16.27	\$33.13	\$34.73	\$26.34
10 CCF	\$36.50	\$42.00	\$49.17	\$49.52	\$56.70	\$32.49	\$46.95	\$50.78	\$27.70
25 CCF	\$77.75	\$104.25	\$118.52	\$133.88	\$121.65	\$81.17	\$91.07	\$101.92	\$72.25
30 CCF	\$91.50	\$125.00	\$142.72	\$162.00	\$146.55	\$113.40	\$106.95	\$118.97	\$87.10
50 CCF	\$166.50	\$237.00	\$248.12	\$274.48	\$246.15	\$242.34	\$177.53	\$196.50	\$149.73
100 CCF	\$414.00	\$575.00	\$511.62	\$555.68	\$543.65	\$564.69	\$353.98	\$400.32	\$312.73
200 CCF	\$1,139.00	\$1,425.00	\$1,038.62	\$1,118.08	\$1,272.65	\$1,209.39	\$706.88	\$807.95	\$638.73
300 CCF	\$1,944.00	\$2,420.00	\$1,565.62	\$1,680.48	\$2,001.65	\$1,854.09	\$1,059.78	\$1,215.58	\$964.73

* Includes a 3/4 inch meter Readiness-To-Serve charge

** Mid-Peninsula Water District serves the City of Belmont

*** Calwater Los Altos does not purchase water from the SFPUC Hetch Hetchy System.

Figure 4 – Billing Comparison – Residential (Existing Rates vs. Proposed Rates)

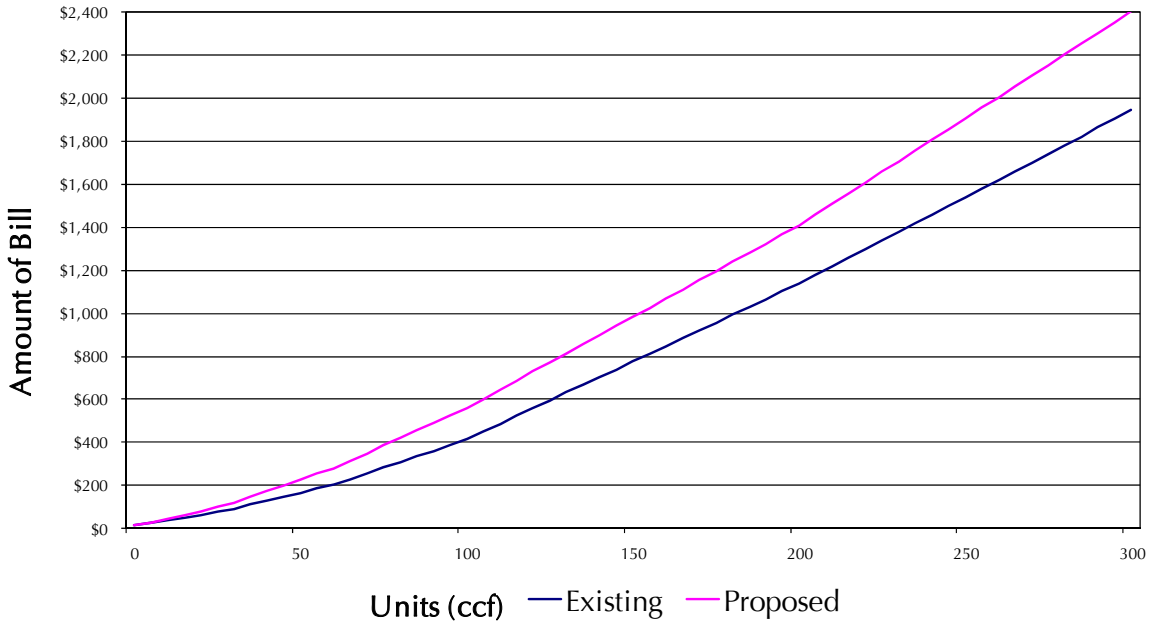
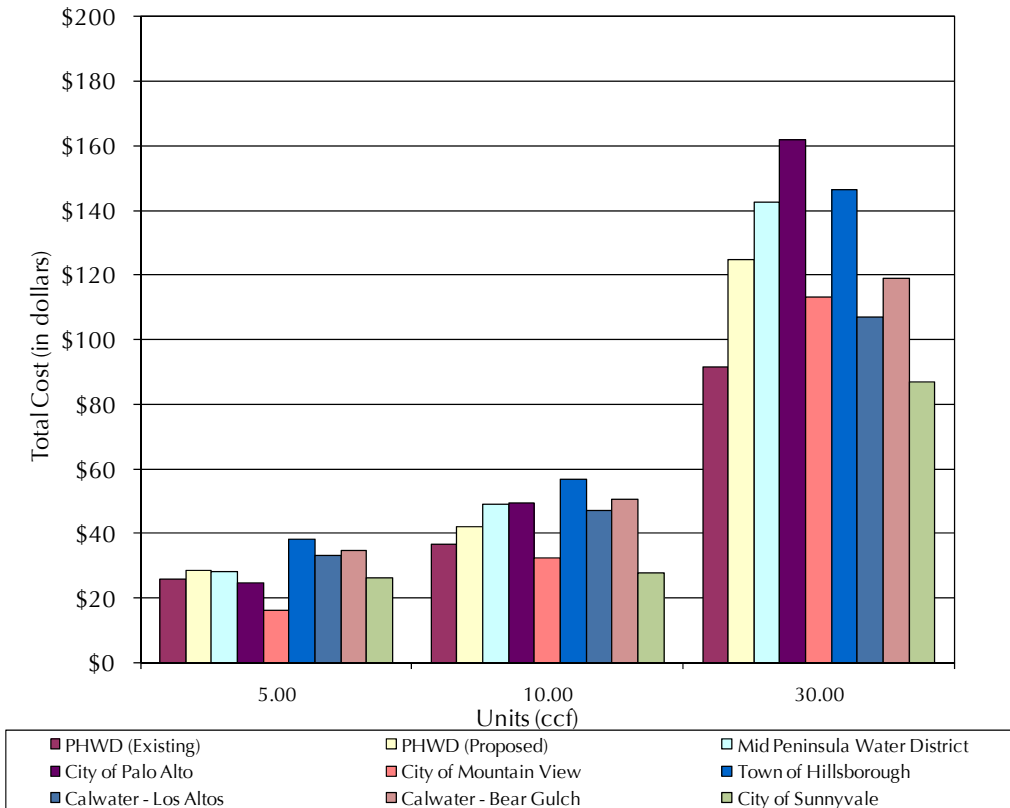
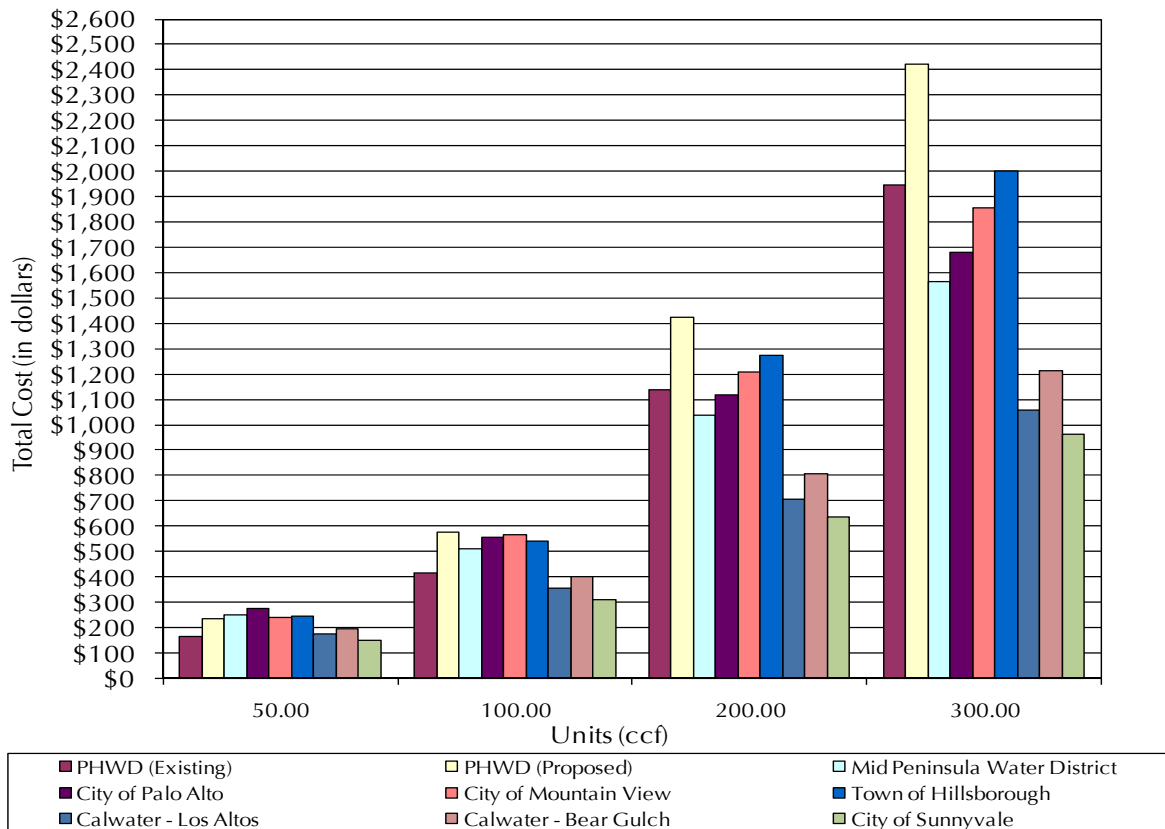


Figure 5 shows the proposed District rates are in par with other water agencies in the area for usages of 0 to 50 CCF. Above 50 CCF the District has higher rates to promote conservation.

Figure 5 – Comparison of Water Rates with Other Agencies in the Area – Residential



Purissima Hills Water District
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Institutional customer water sales account for approximately 5% of the District’s total revenue. The District’s experience to date suggests institutional users have an active conservation programs in place, which is supported by their declining usage per customer. The proposed rate for institutional customers is the average yearly residential cost per unit of water which is derived by dividing the total anticipated revenue from residential water sales per year (\$3,963,000) by the total anticipated water used by residential customers (818,000 ccf).

Table 11 – Existing and Recommended Rates – Institutional

Existing Rate Schedule		Proposed Rate Schedule		
Billed Units (ccf)	Unit Rate	Billed Units (ccf)	Unit Rate	% Increase
All	\$3.75	All	\$4.85	29%

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Table 12 summarizes the projected new income using the new rates listed in Tables 8c.

Table 12 – Summary of Revenue and Expenditures (in \$000s) – New Rates

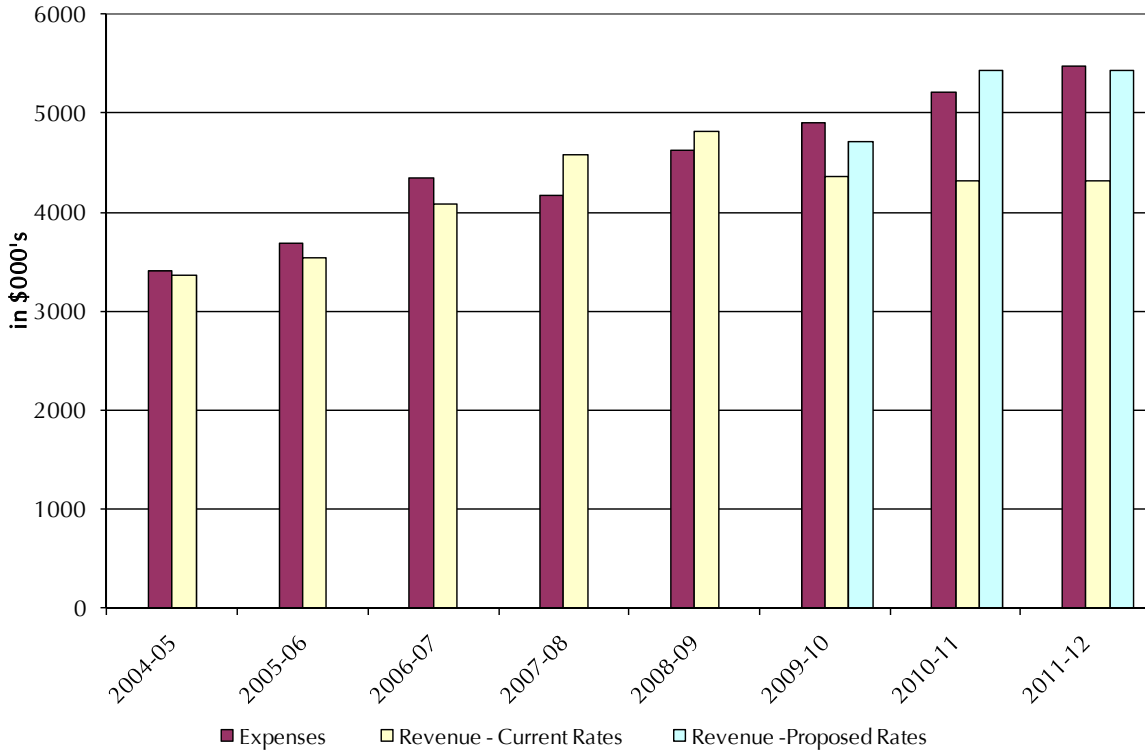
Revenue	2009-10	2010-11	2011-12
Water Sales – Residential	\$3,232.8	\$3,963.8	\$3,963.8
Water Sales – Institutional	\$192.7	\$250.0	\$250.0
Water Sales - Other (RTS, Misc fees)	\$530.8	\$500.0	\$500.0
Other Income	\$759.4	\$720.0	\$720.0
Projected Income Proposed Rates	\$4,715.7	\$5,433.8	\$5,433.8
Expenses			
Operations	\$1,812.8	\$2,143.0	\$2,317.8
Maintenance	\$1,103.5	\$971.0	\$996.6
Administration	\$978.5	\$1,102.0	\$1,158.9
Proposed CIP	\$1,007.0	\$1,000.0	\$1,000.0
Projected Total Expenses	\$4,901.8	\$5,216.0	\$5,473.3
Projected Annual Surplus (Shortfall)	(\$186.0)	\$217.8	(\$39.5)

Table 13 shows projected revenues and expenditures based on current and proposed rates. The expenditures shown include Capital Improvement Projects.

Table 13 – Summary of Projected Expenditures and Current and Projected Rates (in \$000s)

	2009-10	2010-11	2011-12
Projected Income Proposed Rates	\$4,715.7	\$5,433.8	\$5,433.8
Projected Income Existing Rates	\$4,355.7	\$4,314.4	\$4,314.4
Projected Total Expenses	\$4,901.8	\$5,216.0	\$5,473.3

Figure 6 – Revenue and Expenditures



Miscellaneous Fees and Charges

The District is not proposing to increase its miscellaneous fees and charges at this time.

References

- 1 – Report titled “Water Supply Master Plan” prepared for the Purissima Hills Water District by *Erler and Kalinowski*, September 2005
- 2 – Report titled “Five Year Capital Improvement Program” prepared for the Purissima Hills Water District by *Pakpour Consulting Group*, November 2009