

Dear CVWD Customer –

We have gathered discussion points and questions that came up during and after several town halls last week. We are responsible for safely delivering life-giving resources for you and future generations. To honor this commitment, we continue to make financial asks of our customers while implementing innovative ways to control costs. We'd like to take this opportunity to provide additional information for our proposed changes.

Thank you to the Crescenta Valley Town Council and the La Crescenta Library for providing a forum and space for this dialogue.

This is a lengthier communication with the interest of providing comprehensive information. The responses are listed upfront so you have the option of navigating to a particular response.

1. A review of the 4 key proposed changes to your bill
2. Why are you proposing budget-based rates?
3. How are budget-based rates equitable?
4. How would these proposed changes impact me?
5. Why is it important to bring fixed charges closer to fixed costs?
6. How robust is your Bill Assistance Program?
7. Why are they called rate adjustments instead of increases?
8. Why do you raise rates every year?
9. What is the status of pipeline replacements?
10. Consolidation has been proposed. Would this reduce fixed costs?
11. For the outdoor water budget, have you considered the impact of evaporation for customers who have pools?

**1. A review of the 4 key proposed changes to your bill**

- a. Budget-Based Rates – This proposal is to move to a “budget-based” billing system, where budgets for water and wastewater usage are personalized to fit the particular home’s or business’ needs. This is based on indoor use (people per household and how much each person needs for drinking, household needs, etc.) and outdoor use (square footage of property with plants needing water + a weather factor).
- b. Billing Frequency (Monthly) – This proposal is to move from customers receiving one bill every two months to receiving a bill each month. Over the years, customers have expressed that bi-monthly billing is uncommon and confusing, and this change is based on that input. We’re able to make the

change at this time based on the completion of the Advanced Metering Infrastructure (AMI – aka “Smart Meters”) program.

- c. Rate Increases – This proposal is to increase water rates by an average of 8 percent and wastewater rates by 15 percent effective July 1<sup>st</sup> of 2025, 2026, and 2027. Many costs like purchased water, energy, and treating wastewater are going up by significantly more than the proposed rate increases. CVWD’s innovative efforts to keep costs down mitigate rate increases. However, costs for the District increase every year, and there need to be rate increases to ensure safe and reliable water and wastewater services.
- d. Higher Fixed Charges – This proposal is to make revenue more stable. Your water bill has a fixed monthly charge and charges for actual water used. The District collects 40 percent of its revenue from fixed charges and 60 percent from variable charges. We are proposing to increase how much we collect on the fixed charge from about 40 percent to 45 percent. The long-term vision is to increase this balance by about 5 percent incrementally, every three years. Currently, about 80 percent of the District’s costs are fixed. Matching costs with revenues makes sense and supports long-term financial and operational planning. We believe this is important when it comes to critical needs like emergency response and providing life-giving resources.

**2. Why are you proposing budget-based rates?** – We are proposing budget-based rates for a number of reasons. Customer input over the years has requested a more equitable rate structure than the “inclining tiers” rates most agencies currently use, including CVWD. We believe budget-based rates are more equitable (*see the next response for more details*). Also, since water budgets for each home or business can be adapted based on drought conditions, budget-based rates also help preserve water supply when needed during extreme and extended droughts, which are becoming increasingly commonplace. Adaptive water management is also important for meeting State regulatory requirements. For example, in 2024, the State adopted Making Conservation a California Way of Life, a regulation to address increasing water scarcity in CA and neighboring states. This regulation reduces the number of gallons of daily water usage CVWD can allot to each customer over a number of years.

**3. How are budget-based rates equitable?** – We believe budget-based rates are equitable for a number of reasons.

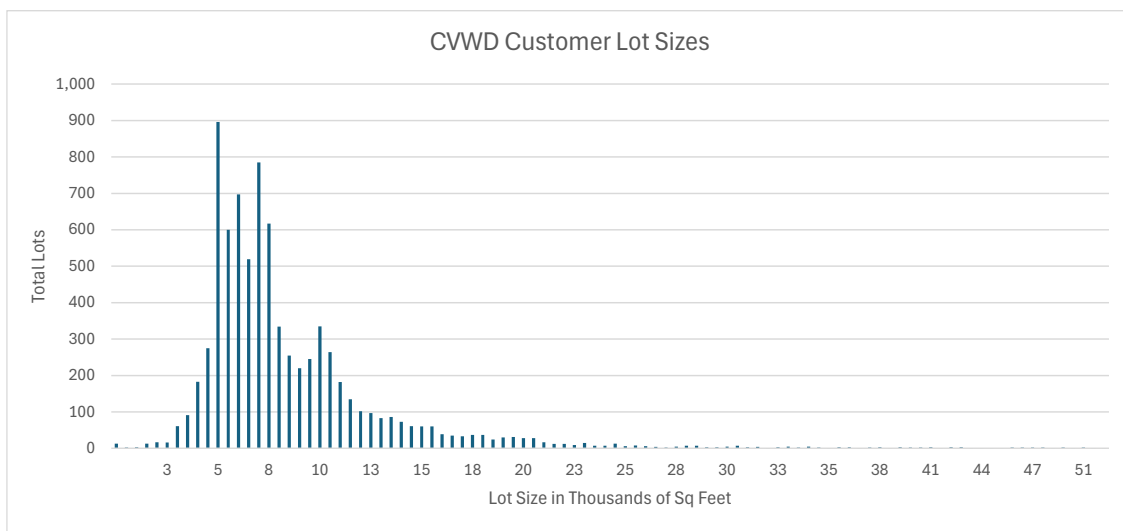
- a. Personalized Budgets – Unlike traditional tier-rate structures (which we currently have), budget-based rates consider individual customer

characteristics such as household size and property size to determine water needs. For example, a property with a larger lot would no longer always hit the highest tier (Tier 3) to keep the plants on its property healthy. A single-person household may have a smaller water budget, but they can also save on their wastewater bill because they create less wastewater.

- b. Fair Sharing of a Limited Resource – Water is becoming increasingly scarce. With budget-based rates, those who exceed their budget pay more, and those funds can be used to acquire more water supplies or develop conservation programs.

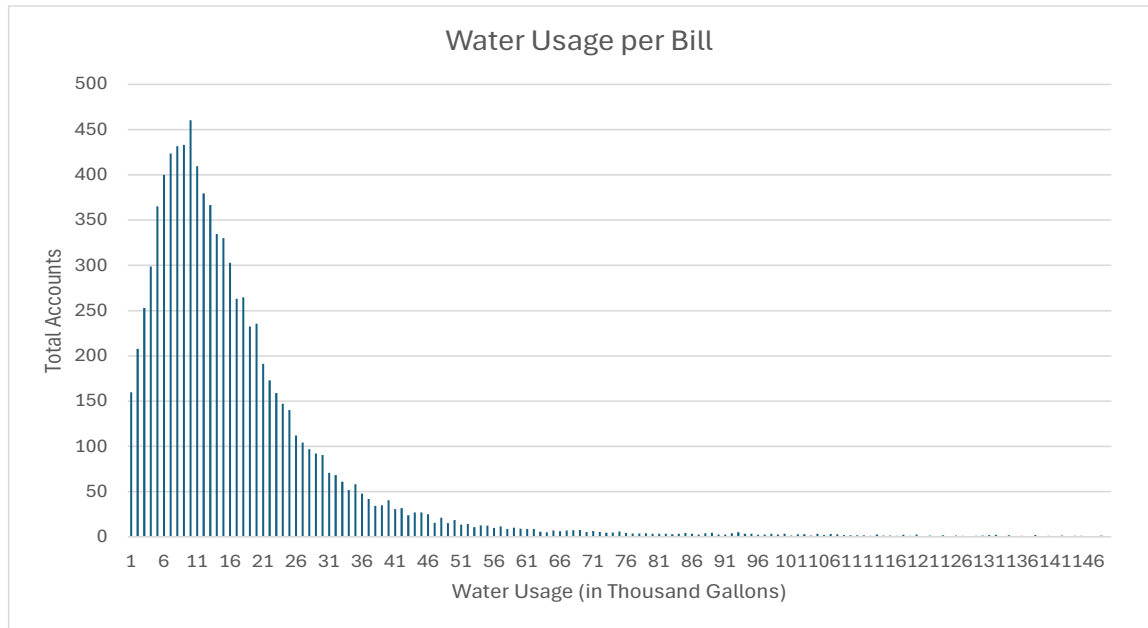
#### 4. How would these proposed changes impact me? –

Since the proposed changes include personalized budgets, they will impact each customer differently. Impacts will differ mostly based on: 1) household size; 2) property size; and 3) how much water is used. Let's first show data regarding the community.



For reference, the following are representations of the community in terms of water use, household size, and property size:

- Total Accounts – Approximately 8,500 accounts
- Average Monthly Water Use – 9,000 gallons per month
- Median Monthly Water Use – 6,500 gallons per month
- Average Household Size – 3 to 4 (per US Census data)
- Average Property Lot Size – 9,700 square feet
- Median Property Lot Size – 7,300 square feet

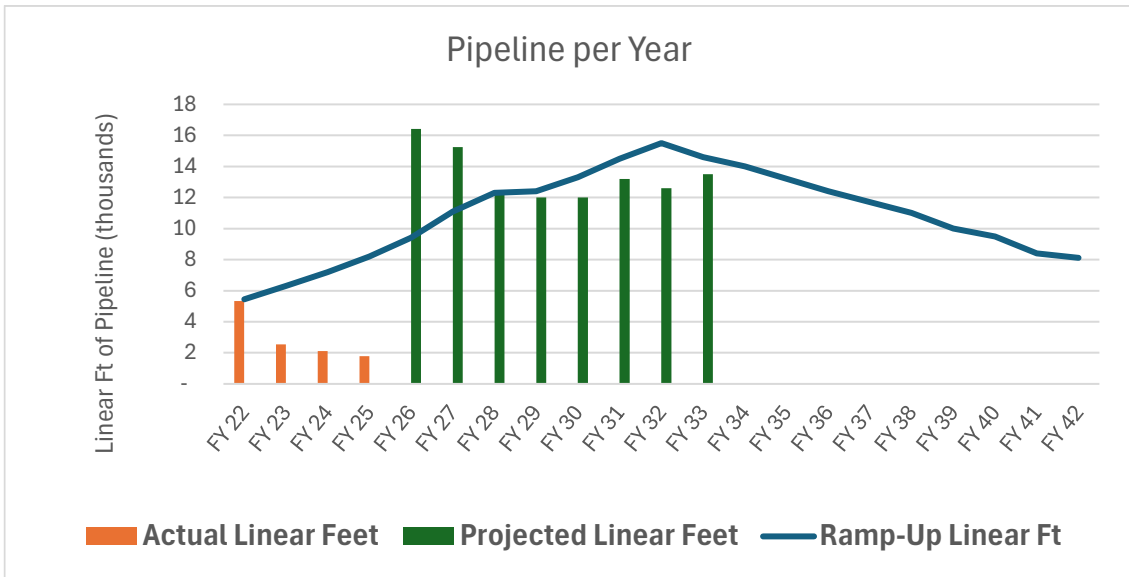


<<Please see the Appendix for a range of scenarios. >>

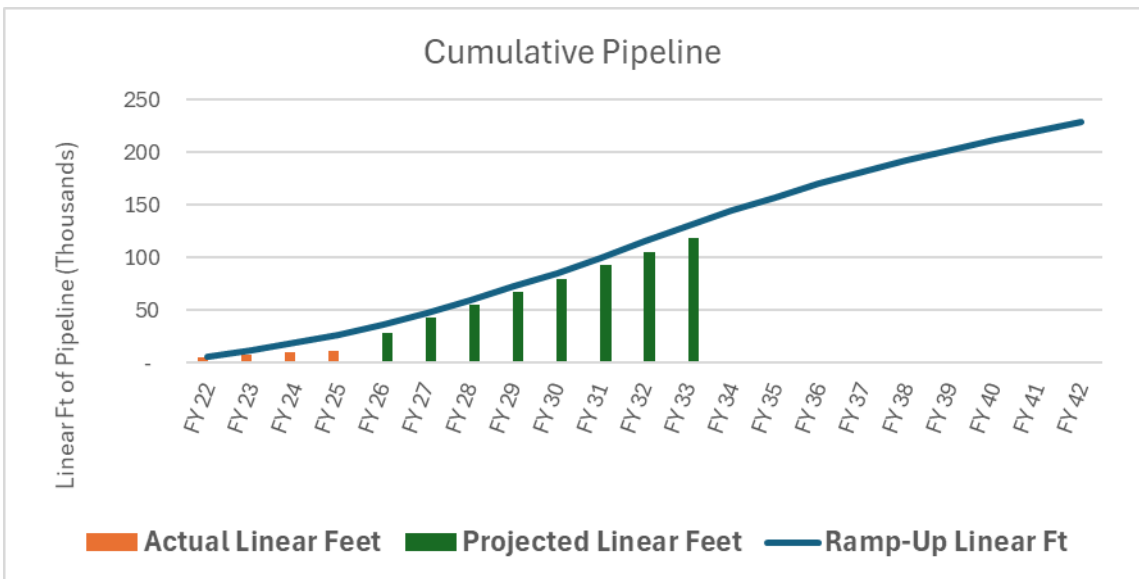
5. **Why is it important to bring fixed charges closer to fixed costs?** – As mentioned above, about 80 percent of the District’s costs are fixed. We are proposing to increase how much we collect on the fixed charge from about 40 percent to 45 percent. Bringing fixed charges closer to fixed costs supports financial resilience. For example, the District needs to maintain infrastructure, service leaks, provide customer service, etc., before a drop of water is sold. We also provide all-hands-on-deck emergency services during fires and earthquakes like the wildfire emergency earlier this year. Many services, from cell phones and cable television to gym memberships and electricity, represent a fixed charge before the first hour or visit or kilowatt used. The long-term vision is to increase this balance by about 5 percent incrementally, every three years.
  
6. **How robust is your Bill Assistance Program?** – We believe that affordability of water for essential use is very important. Thus, CVWD has an industry-leading bill assistance program. Our program leads in the following ways:
  - a. Easy to Qualify – The Bill Assistance Program accepts applicants whose household income is up to 250 percent of the Federal Poverty Level. Currently, that equates to a household of 4 earning up to \$78,000 annually.
  - b. Higher Discount – A 25 percent discount for qualifying customers.
  - c. Easy to Apply – Our program automatically grants access for those who already qualify for other assistance programs such as CARE / CalFresh / Medi-Cal.

- 7. Why are they called rate adjustments instead of increases?** – The proposed 8 percent rate increase on average for water and 15 percent on average for wastewater, will result in an overall 9 percent increase for the combined water and wastewater bill for the average customer. We called them adjustments to emphasize the proposed change of personalized water budgets for each home and business. Some will see larger increases than others. For example, some customers will see a double-digit percentage increase (more than the average combined 9 percent). This can happen if it's a larger household but doesn't use much water. On the other hand, some may even see a bill reduction between their combined water and wastewater bills. This can happen for a smaller household on a smaller property with low water usage. Please see the end of these responses for several scenarios illustrating how this works. This is also available on our website at [www.cvwd.com/rates](http://www.cvwd.com/rates).
- 8. Why do you raise rates every year?** – Rates were not increased in 2020 as a response to the global pandemic. Rates were also not raised last year, during a time of rampant cost increases. This was made possible, in part, by CVWD finding innovative ways to control costs. The District is responsible for raising rates to keep up with associated increases in the costs of doing business. For example, the larger 15 percent rate increases for wastewater are higher based due to multiple years of no rate increases or rates not keeping up with actual cost increases.
- 9. What is the status of pipeline replacements?** – In 2020, CVWD committed to an ambitious plan called the Long-Term Infrastructure Reliability and Funding Roadmap (the “Roadmap”, for short). Like most public infrastructure in the United States, replacement of critical infrastructure continued to be deferred year after year. For water and wastewater utilities, the pipelines connecting large water mains in the street to homes and the wastewater lines taking sewage away are the backbone to the overall infrastructure. The community has 96 miles of water pipeline under the streets. This was being replaced at a rate of once every 200 years when the useful life is rated at 75 years. The primary goal of the Roadmap plan was to develop a plan to get back on track with a 75-year replacement cycle.

To jumpstart this initiative and the funding needed to tackle the additional infrastructure, the District secured a \$5 million bond (30-year loan) and implemented 3-years of rates increases at 8 percent. At almost the same time, the global pandemic shut the world down, and along with that came significant price increases from pipeline contractors and crippling supply chain shortages.



To stay committed to the Roadmap, in 2023, the District implemented a capital charge on the property tax roll. The funds from the capital charge would be dedicated to supplementing pipeline funding, and more specifically, to make loan payments on a \$12 million bond and future bonds. Costs continued to skyrocket, and CVWD decided to regroup, favoring effective use of ratepayer’s dollars over meeting a commitment to install x feet of pipeline each year. The District took advantage of significant management changeover during the same time to reimagine how it would be possible maintain the Roadmap commitment with today’s new costs, and the solution was two-pronged. The first solution is to pursue a “design-build” concept for contracted pipeline work, driving down the cost of contracted work.



The second, more significant solution, was to try an innovative in-house pipeline initiative. The in-house initiative began in early FY 2023-24, and after 6 projects, has shown serious savings.

The plan going forward is to catch up on pipeline missed over the last several years by accelerating over the next several years with a much nimbler design-build model combined with in-house capabilities. Please see the timeline below.

# ROADMAP TIMELINE

FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28
No Rate Increase Refinanced 2017 Bonds Issued \$5M Bonds	8% Rate Increase	8% Rate Increase	8% Rate Increase Issued \$12M Bonds	No Rate Increase	8% Rate Increase	8% Rate Increase	8% Rate Increase
Birth of Roadmap Pandemic Supply Chain Shocks	Supply Chain Shocks	Key Management Changes Capital Charge Introduced	In-House Pipeline (IHP) Introduced	IHP – Pilot	Regroup and Catchup Design/Build IHP – Continued	IHP – Continued	IHP – Continued
Significant Inflation	Significant Inflation	Significant Inflation	Significant Inflation				

**10. Consolidation has been proposed. Would this reduce fixed costs? –**

Consolidation refers to one or more agencies merging to help save overall costs and improve overall service. One of the primary anticipated benefits of consolidation would be a decrease in fixed costs. In other words, the fixed portion of overall costs would likely be lower than the 80 percent CVWD faces today, as discussed earlier. There would likely be fewer assets needed like reservoirs and wells. There would be fewer employees over time for a hypothetical consolidated agency, and large costs like pipeline replacement could be spread over more customers. This concept is being considered by a number of neighboring water and wastewater utilities, including CVWD. However, this is a significantly complex undertaking, and if it were to happen, it would take several years. In the meantime, it remains the District’s responsibility to continue preparing for the future with the best information we have available today.

**11. For the outdoor water budget, have you considered the impact of evaporation for customers who have pools?** – Yes, the outdoor water budget takes the evaporation from your pool into consideration. It takes about the same amount to water a grassy area as it takes to replace the evaporation from your pool.

## APPENDIX

**Scenario A:** A single person who currently uses 3 units per monthly billing cycle and has a property between median and average size of 9,000 square feet. They will have an indoor budget of 1 unit and an outdoor budget of 7 units for a total budget of 8 units, meaning they are using well below their budget. Assumes indoor budget as wastewater usage for the current year.

	Current	7/1/2025	\$ Difference	% Difference
<b>Water</b>	<b>\$ 51.94</b>	<b>\$ 73.13</b>	<b>\$ 21.19</b>	<b>40.8%</b>
Service Charge	\$ 34.06	\$ 44.53		
Water Usage				
Tier 1	\$ 17.88	\$ 5.56		
Tier 2	\$ -	\$ 23.04		
Tier 3	\$ -	\$ -		
<b>Wastewater</b>	<b>\$ 31.80</b>	<b>\$ 12.82</b>	<b>\$ (18.98)</b>	<b>-59.7%</b>
Service Charge	\$ 29.30	\$ 12.82		
Wastewater Usage	\$ 2.50			
<b>Total</b>	<b>\$ 83.74</b>	<b>\$ 85.95</b>	<b>\$ 2.21</b>	<b>2.6%</b>

**Scenario B:** A single person who currently uses 14 units per monthly billing cycle on their 9,000 square feet property. They will have an indoor budget of 1 units and an outdoor budget of 7 units for a total budget of 8 units, meaning they are using well above their budget and going into Tier 3.

	Current	7/1/2025	\$ Difference	% Difference
<b>Water</b>	<b>\$168.21</b>	<b>\$240.29</b>	<b>\$ 72.08</b>	<b>42.9%</b>
Service Charge	\$ 34.06	\$ 44.53		
Water Usage				
Tier 1	\$ 29.80	\$ 5.56		
Tier 2	\$ 88.72	\$ 80.64		
Tier 3	\$ 15.63	\$ 109.56		
<b>Wastewater</b>	<b>\$ 31.80</b>	<b>\$ 12.82</b>	<b>\$ (18.98)</b>	<b>-59.7%</b>
Service Charge	\$ 29.30	\$ 12.82		
Wastewater Usage	\$ 2.50			
<b>Total</b>	<b>\$200.01</b>	<b>\$253.11</b>	<b>\$ 53.10</b>	<b>26.5%</b>

**Scenario C:** A couple who currently uses 4 units per monthly billing cycle and has a smaller property of 5,000 square feet. They will have an indoor budget of 3 units and an outdoor budget of 5 units for a total budget of 8 units, using under their budget.

	Current	7/1/2025	\$ Difference	% Difference
<b>Water</b>	<b>\$ 57.90</b>	<b>\$ 72.73</b>	<b>\$ 14.83</b>	<b>25.6%</b>
Service Charge	\$ 34.06	\$ 44.53		
Water Usage				
Tier 1	\$ 23.84	\$ 16.68		
Tier 2	\$ -	\$ 11.52		
Tier 3	\$ -	\$ -		
<b>Wastewater</b>	<b>\$ 36.80</b>	<b>\$ 25.64</b>	<b>\$ (11.16)</b>	<b>-30.3%</b>
Service Charge	\$ 29.30	\$ 25.64		
Wastewater Usage	\$ 7.50			
<b>Total</b>	<b>\$ 94.70</b>	<b>\$ 98.37</b>	<b>\$ 3.67</b>	<b>3.9%</b>

**Scenario D:** The same couple now uses 9 units per monthly billing cycle in their property of 5,000 square feet. They will have an indoor budget of 3 units and an outdoor budget of 4 units for a total budget of 7 units, using above their budget.

	Current	7/1/2025	\$ Difference	% Difference
<b>Water</b>	<b>\$ 108.22</b>	<b>\$ 143.81</b>	<b>\$ 35.59</b>	<b>32.9%</b>
Service Charge	\$ 34.06	\$ 44.53		
Water Usage				
Tier 1	\$ 29.80	\$ 16.68		
Tier 2	\$ 44.36	\$ 46.08		
Tier 3	\$ -	\$ 36.52		
<b>Wastewater</b>	<b>\$ 36.80</b>	<b>\$ 25.64</b>	<b>\$ (11.16)</b>	<b>-30.3%</b>
Service Charge	\$ 29.30	\$ 25.64		
Wastewater Usage	\$ 7.50			
<b>Total</b>	<b>\$ 145.02</b>	<b>\$ 169.45</b>	<b>\$ 24.43</b>	<b>16.8%</b>

**Scenario E:** A different couple uses 9 units per monthly billing cycle but has the larger property of 9,000 square feet. They will have an indoor budget of 3 units and an outdoor budget of 7 units for a total budget of 10 units, staying just within their budget.

	Current	7/1/2025	\$ Difference	% Difference
<b>Water</b>	<b>\$ 108.22</b>	<b>\$ 130.33</b>	<b>\$ 22.11</b>	<b>20.4%</b>
Service Charge	\$ 34.06	\$ 44.53		
Water Usage				
Tier 1	\$ 29.80	\$ 16.68		
Tier 2	\$ 44.36	\$ 69.12		
Tier 3	\$ -	\$ -		
<b>Wastewater</b>	<b>\$ 36.80</b>	<b>\$ 25.64</b>	<b>\$ (11.16)</b>	<b>-30.3%</b>
Service Charge	\$ 29.30	\$ 25.64		
Wastewater Usage	\$ 7.50			
<b>Total</b>	<b>\$ 145.02</b>	<b>\$ 155.97</b>	<b>\$ 10.95</b>	<b>7.6%</b>

**Scenario F:** Now, a family of 4 uses 9 units per monthly billing cycle with their property of 9,000 square feet. They will have an indoor budget of 6 units and an outdoor budget of 7 units for a total budget of 13 units.

	Current	7/1/2025	\$ Difference	% Difference
<b>Water</b>	<b>\$ 108.22</b>	<b>\$ 112.45</b>	<b>\$ 4.23</b>	<b>3.9%</b>
Service Charge	\$ 34.06	\$ 44.53		
Water Usage				
Tier 1	\$ 29.80	\$ 33.36		
Tier 2	\$ 44.36	\$ 34.56		
Tier 3	\$ -	\$ -		
<b>Wastewater</b>	<b>\$ 44.30</b>	<b>\$ 51.28</b>	<b>\$ 6.98</b>	<b>15.8%</b>
Service Charge	\$ 29.30	\$ 51.28		
Wastewater Usage	\$ 15.00			
<b>Total</b>	<b>\$ 152.52</b>	<b>\$ 163.73</b>	<b>\$ 11.21</b>	<b>7.3%</b>

**Scenario G:** Now, a family of 4 uses 14 units per monthly billing cycle and with their property of 9,000 square feet. They will have an indoor budget of 6 units and an outdoor budget of 7 units for a total budget of 13 units.

	Current	7/1/2025	\$ Difference	% Difference
<b>Water</b>	<b>\$ 168.21</b>	<b>\$ 176.79</b>	<b>\$ 8.58</b>	<b>5.1%</b>
Service Charge	\$ 34.06	\$ 44.53		
Water Usage				
Tier 1	\$ 29.80	\$ 33.36		
Tier 2	\$ 88.72	\$ 80.64		
Tier 3	\$ 15.63	\$ 18.26		
<b>Wastewater</b>	<b>\$ 44.30</b>	<b>\$ 51.28</b>	<b>\$ 6.98</b>	<b>15.8%</b>
Service Charge	\$ 29.30	\$ 51.28		
Wastewater Usage	\$ 15.00			
<b>Total</b>	<b>\$ 212.51</b>	<b>\$ 228.07</b>	<b>\$ 15.56</b>	<b>7.3%</b>

**Scenario H:** Now, a family of 4 uses 20 units per monthly billing cycle and has a property of 9,000 square feet. They will have an indoor budget of 6 units and an outdoor budget of 7 units for a total budget of 13 units.

	Current	7/1/2025	\$ Difference	% Difference
<b>Water</b>	<b>\$ 261.99</b>	<b>\$ 286.35</b>	<b>\$ 24.36</b>	<b>9.3%</b>
Service Charge	\$ 34.06	\$ 44.53		
Water Usage				
Tier 1	\$ 29.80	\$ 33.36		
Tier 2	\$ 88.72	\$ 80.64		
Tier 3	\$ 109.41	\$ 127.82		
<b>Wastewater</b>	<b>\$ 44.30</b>	<b>\$ 51.28</b>	<b>\$ 6.98</b>	<b>15.8%</b>
Service Charge	\$ 29.30	\$ 51.28		
Wastewater Usage	\$ 15.00			
<b>Total</b>	<b>\$ 306.29</b>	<b>\$ 337.63</b>	<b>\$ 31.34</b>	<b>10.2%</b>

**Scenario I:** Finally, a family of 4 uses 20 units per monthly billing cycle and has a larger property of 13,000 square feet. They will have an indoor budget of 6 units and an outdoor budget of 11 units for a total budget of 17 units. Even though they are over budget, because of their larger lot, they receive a larger relative budget, and increases are minimal because there is more usage going into Tier 2 than Tier 3.

	Current	7/1/2025	\$ Difference	% Difference
<b>Water</b>	<b>\$ 261.99</b>	<b>\$ 259.39</b>	<b>\$ (2.60)</b>	<b>-1.0%</b>
Service Charge	\$ 34.06	\$ 44.53		
Water Usage				
Tier 1	\$ 29.80	\$ 33.36		
Tier 2	\$ 88.72	\$ 126.72		
Tier 3	\$ 109.41	\$ 54.78		
<b>Wastewater</b>	<b>\$ 44.30</b>	<b>\$ 51.28</b>	<b>\$ 6.98</b>	<b>15.8%</b>
Service Charge	\$ 29.30	\$ 51.28		
Wastewater Usage	\$ 15.00			
<b>Total</b>	<b>\$ 306.29</b>	<b>\$ 310.67</b>	<b>\$ 4.38</b>	<b>1.4%</b>