



Proposed **Rate increase**

To go into effect Jan 1, 2024



Who we are

- **Public** water agency
(local government)
- **Tap water** in Palm Springs,
parts of Cathedral City
- **Wastewater** services for
parts of Cathedral City
- **Recycled water** for irrigation
- **Manage water** in western
Coachella Valley



Our costs

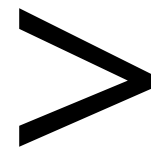
- Water system maintenance and repairs
 - Pipelines
 - Reservoirs
 - Booster stations
 - Electrical systems
 - And more
- New infrastructure and equipment
- Water treatment, sampling, testing and reporting
- Long-term planning and sustainability
- Water conservation programs
- Staff
- And others

Fixed versus variable costs

FIXED

DWA cost does not change based on how much water you use.

- Meter reading
- Billing
- Capital improvement
- System maintenance
- Water quality sampling
- DWA building expenses
- Staffing costs



VARIABLE

DWA cost changes based on how much water you use.

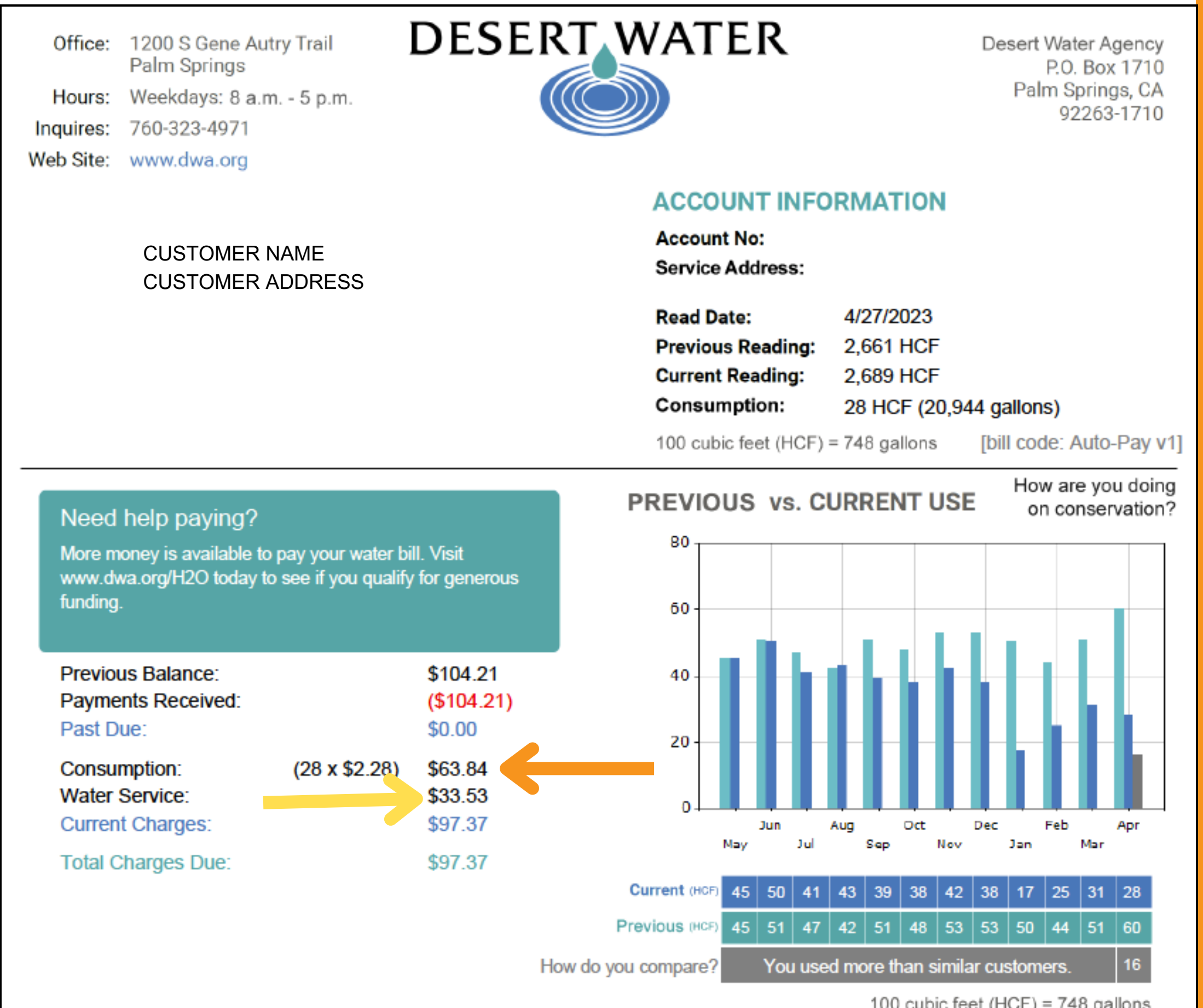
- Energy
- Water supply costs
- Water treatment cost

How DWA pays for its costs

- Monthly bills for water, wastewater and recycled water
- Property taxes collected
 - Small amount can be used for almost anything
 - Most can only be used for one specific set of costs
- Grants
- Investment returns

Your water bill

- Sent monthly
- Bill includes portions for **fixed** and **variable** costs
- Wastewater charges (for customers outside of Palm Springs)



Your tax bill

- DWA tax rate of \$0.10 (10 cents) for every 100 in assessed value may decrease this year
- By law, this tax can only be used for State Water Project-related costs
- Property values have increased enough that DWA may be able to adjust the rate downward to collect what it needs

What's changed

WATER RATE DRIVERS

- **Inflation:** The cost of everything has risen for operations like DWA - just like you've noticed at home.
- **Pipeline replacement:** DWA has aging pipelines that it needs to replace to avoid catastrophic failure.
- **New regulations:** There have been new laws and regulations that make it more expensive for DWA to deliver water.
- **New reserve funding targets:** DWA needs to more aggressively fund reserves to reduce risk.

The bottom line

- Independent study using American Water Works Association standard methods determined that DWA is not charging enough to cover its costs.
- By law, DWA can only charge the cost of service.

To remain financially sound and continue to provide the same services, DWA will need to increase rates.

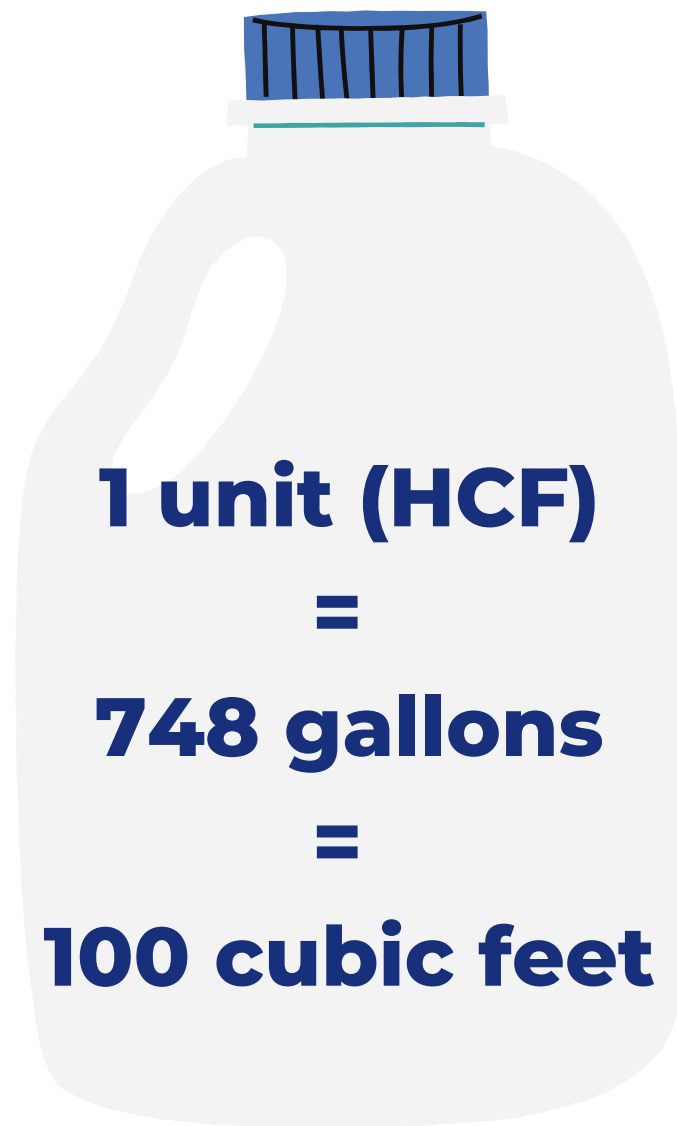
How much are rates going up?

DWA needs to increase its revenue for each service by the average annual rate of:

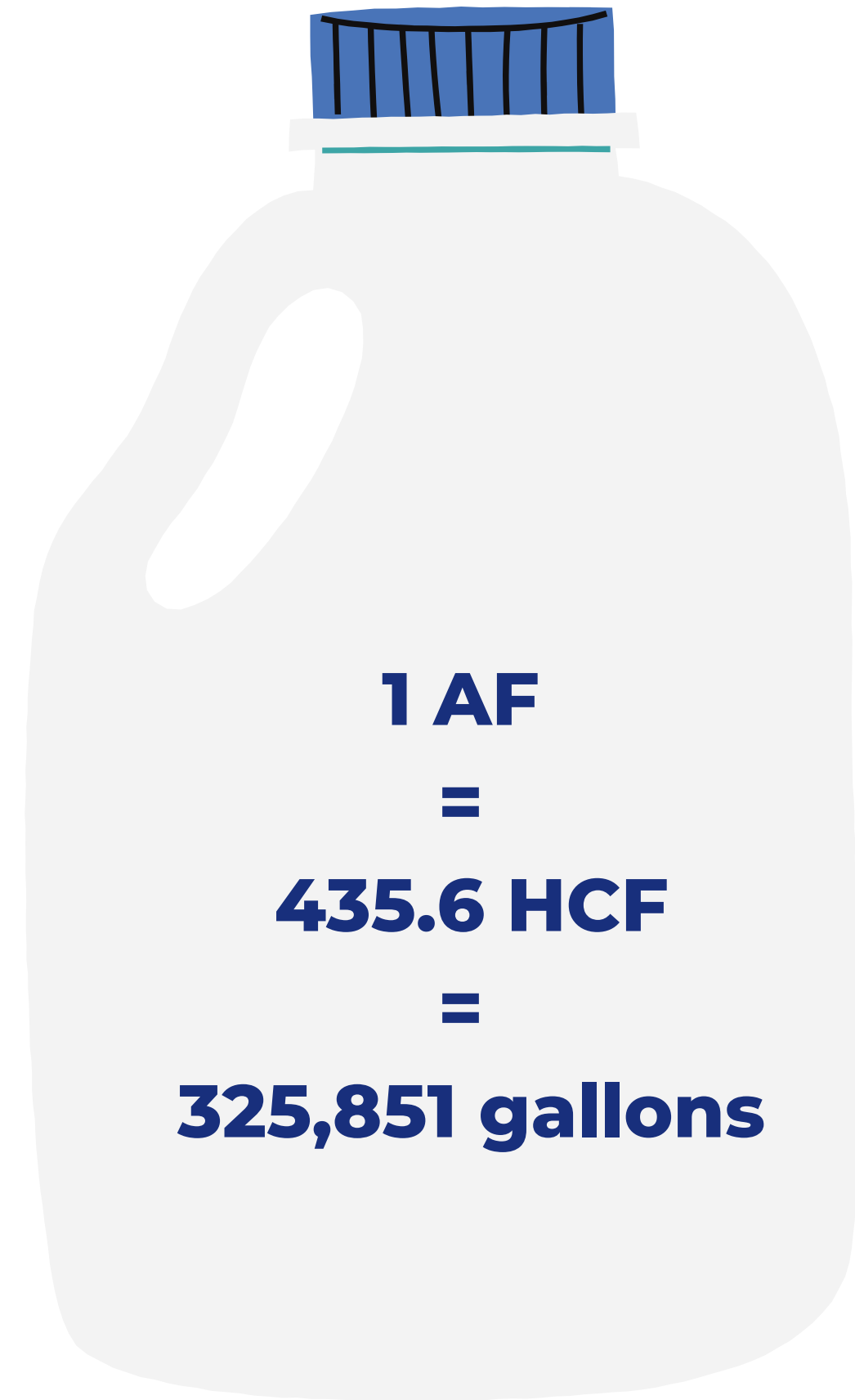
- 6.25% for water service
- 5.9% for recycled water
- 4.8% for wastewater services
- 16.5% for replenishment assessment charges (RAC) to groundwater pumpers

Rates are calculated based on monthly fixed service charges and volumetric charges per unit of water (based on how much water you use).

Water units



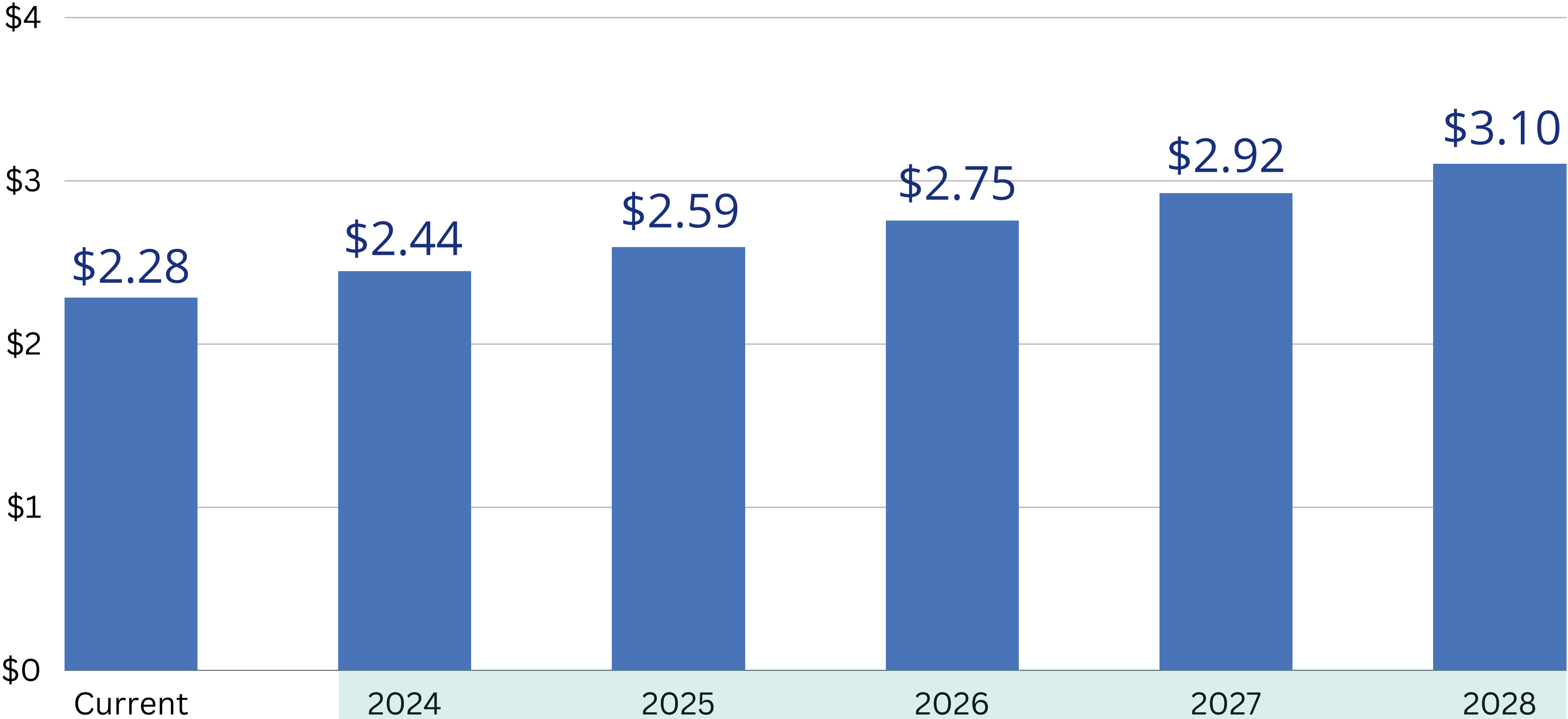
HCF = 100 cubic feet



AF = acre foot

Proposed water rates (per unit)

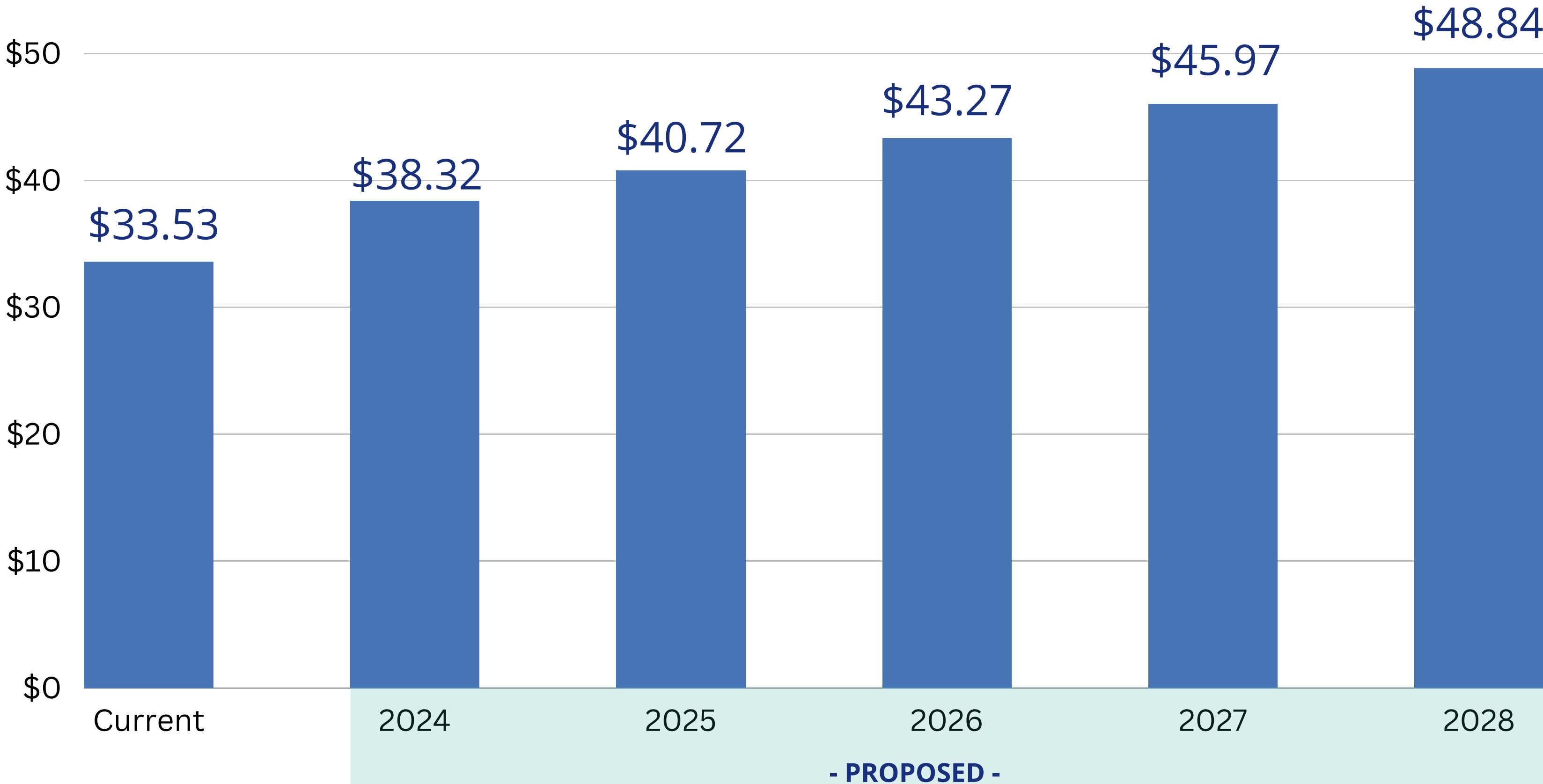
Variable charges



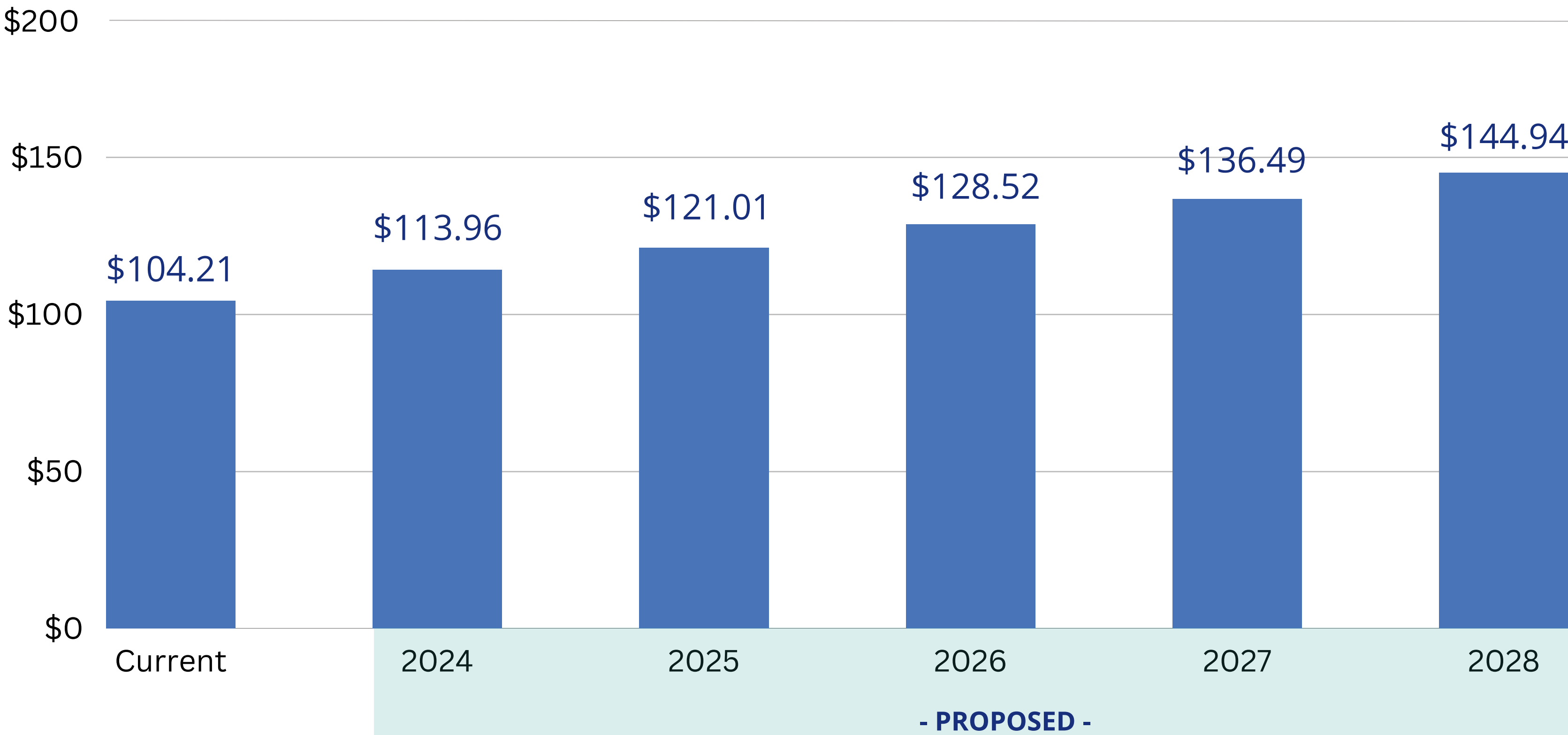
- PROPOSED -

Proposed monthly charges per 5/8"-3/4" or 1" water meter

Fixed charge



TOTAL water bill for an average residential customer (31 HCF, 5/8-3/4" meter)



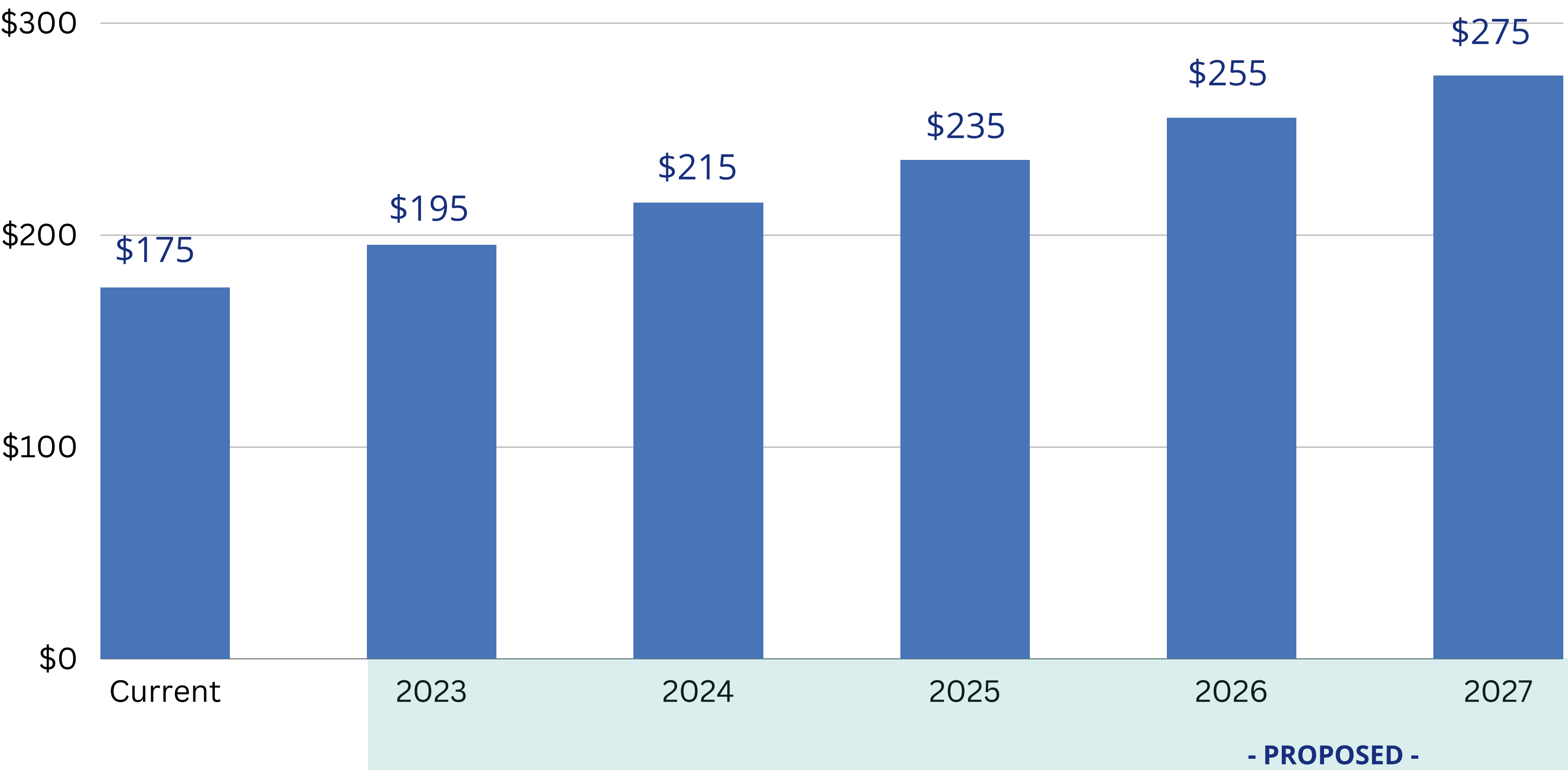
Replenishment Assessment Charge (RAC)

Groundwater pumpers pay for each acre foot (325,851 gallons) that they pump (if they pump more than 10 AF per year).

This charge allows DWA to keep the basin sustainable by offsetting pumping with imported water supplies.

DWA also pays this fee for the water it pumps to serve customers.

Replenishment Assessment Charge (per AF) effective July 1



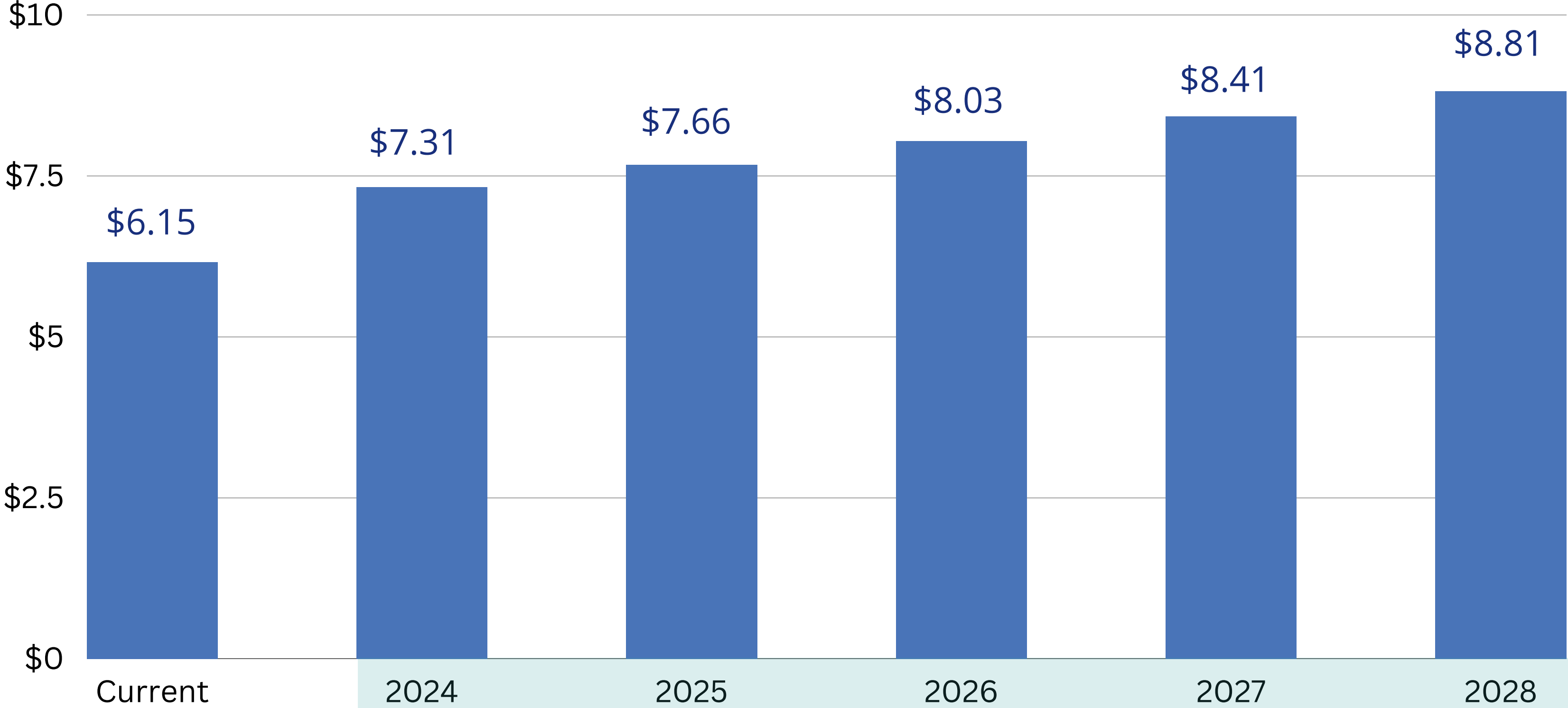
Wastewater charge

This DWA charge covers the collection and delivery of wastewater to treatment entities only for its wastewater customers in Cathedral City. DWA also passes along the treatment charges.

- Dream Homes neighborhood wastewater goes to City of Palm Springs treatment plant
- Cathedral City Cove and business corridor goes to Coachella Valley Water District

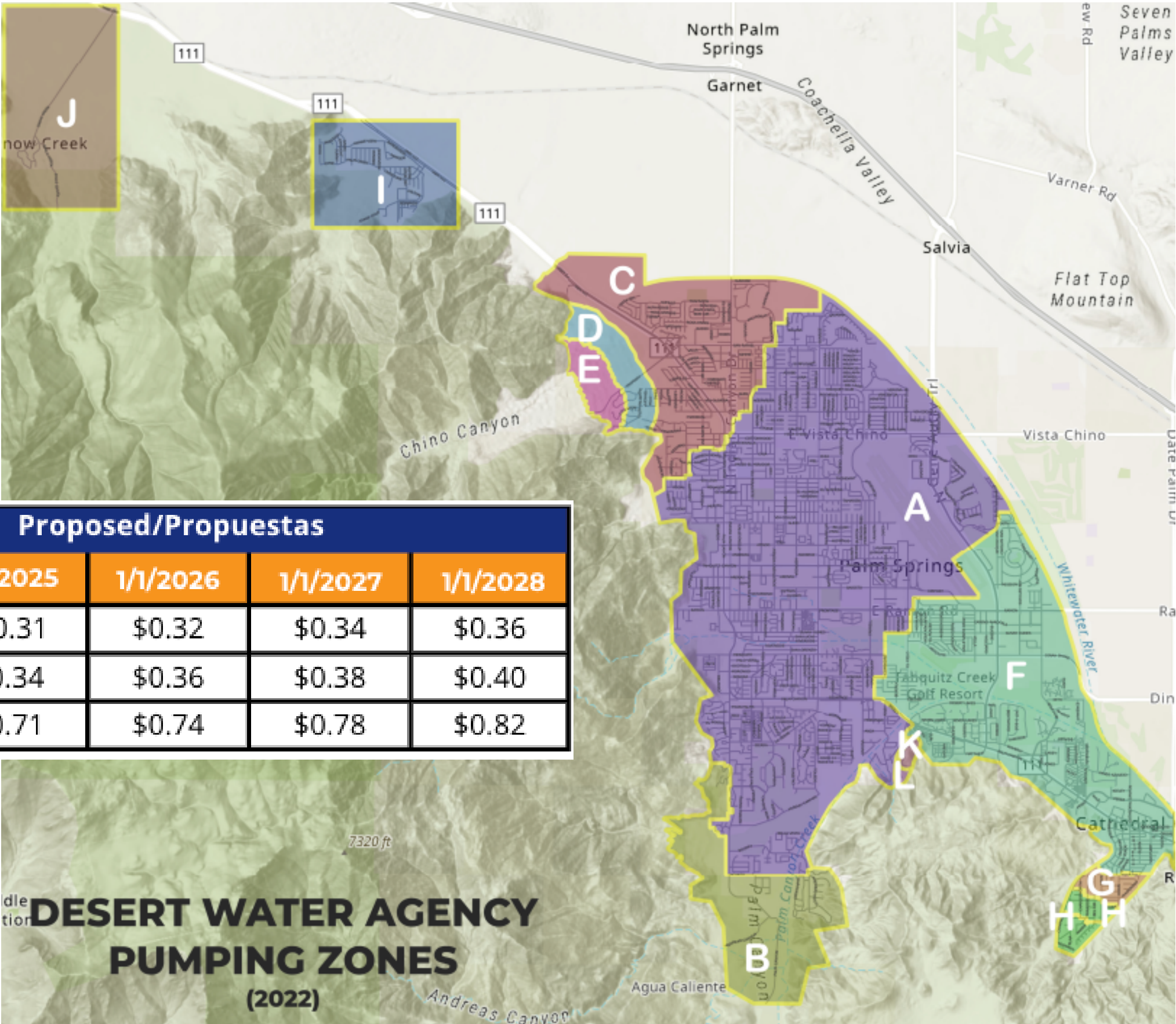
The City of Palm Springs charges, conveys and treats wastewater for Palm Springs residents.

Wastewater charges (added by DWA for conveyance)



- PROPOSED -

Zone pumping charges

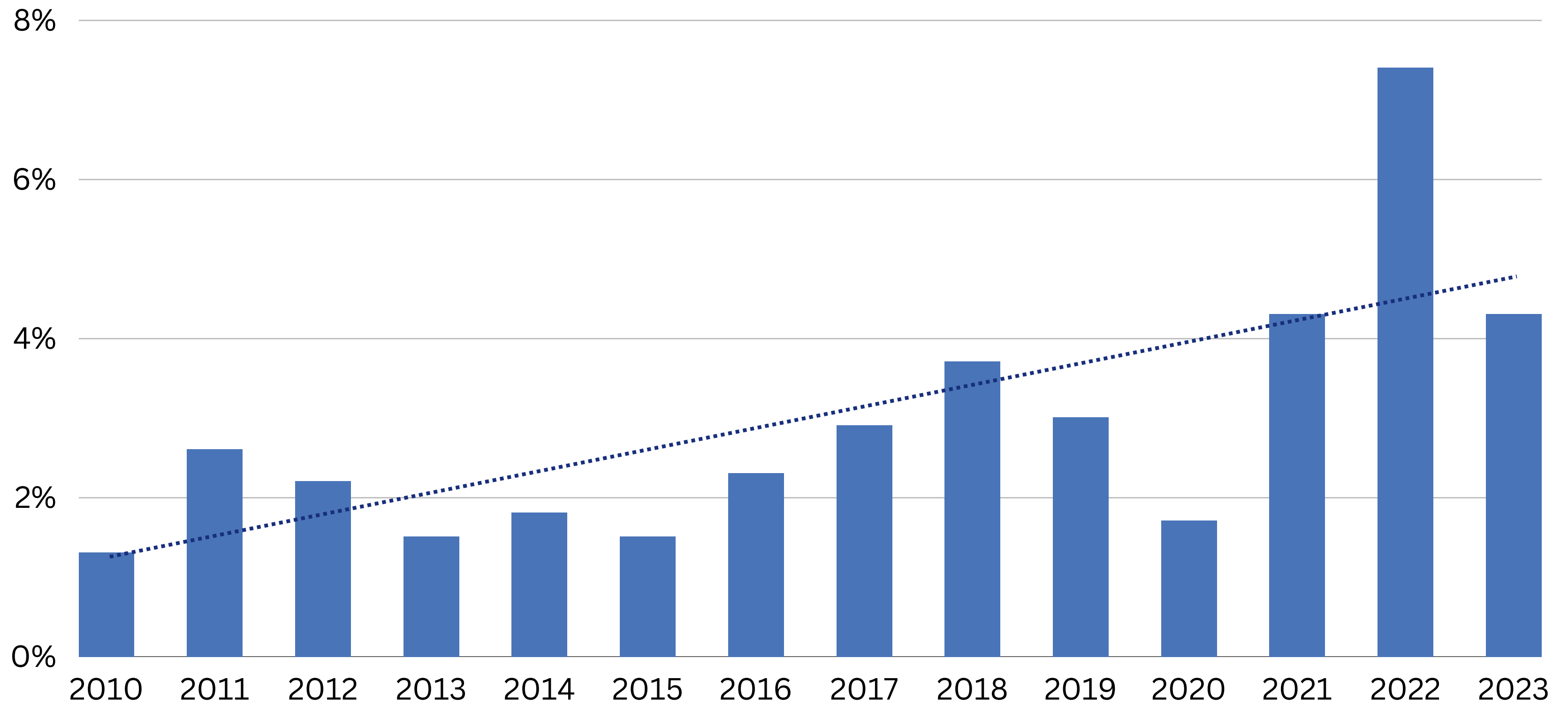


Why are rates going up?

Factors that are leading DWA to consider rate increase include:

- **Inflation** pushing up costs for materials and services
- The need to more aggressively **replace aging water pipelines** at risk of failure
- New state and federal **regulations**
- Funding reserve targets to ensure DWA is prepared for both **urgent and longterm costs**

Inflation



Pipeline replacement

WHY?

- Lots of old pipes in the system
- Cost of repairs much higher
- Don't want to tear up newly paved areas
- Water, energy, chlorine wasted
- New material will last longer, is less prone to leaks

STATS

- Assumed existing pipe life: 70 years
- Total pipe beyond life expectancy: 22 miles
- Cost to replace per mile: ~\$1.5M per mile
- Target length to replace each year: ~6 miles
- Cost per year: \$8.5M



New state and federal regulations

- More reporting requirements
 - staffing needs
 - software upgrades
- More stringent water quality standards and monitoring
 - built a new filtration plant
 - more staff time to collect samples
 - more testing equipment and fees
- New "clean fleet" requirements
 - Must buy costly new vehicles

New reserve funding targets

- Large reserves account for high costs
- Reserves allow for rate smoothing
- Some reserves are restricted and can only be used for certain things
- Six months of operating expenses
- Funding for long-term system replacement
- Miscellaneous - land acquisitions, disaster response, labor costs

What has DWA done to reduce costs?

- 17 state and federal grants totaling \$10.2M in recent years
- Renegotiated contracts to get more revenue from our hydropower plants
- Entered into new contracts to generate revenue from vacant land
- Have not filled some vacant positions

What if I can't afford a higher bill?

Help2Others Customer Assistance Program

- Low-income residents may qualify for \$200 in bill credits each year

Riverside County LIHWAP program

- Low income residents can qualify for bill assistance

www.dwa.org/h2o



Are rates going up because of water conservation?

Yes and no.

In the long run, conservation helps us reduce the need for major investments.

In the short run, it can impact our financial stability, which is why drought rates and revenue stabilization rates are included.

Remember: if you use less water, your bill will be lower

Drought rate

- In times of water shortage
- An amount added to every HCF of water sold for all customers
- Will NOT be added to water bills unless approved by a vote of the DWA Board
- Once activated, the Board will determine every 6 months whether the rate is still needed

Conservation required <i>Conservación necesaria</i>	Current <i>Actual</i>	Proposed/Propuestas				
		1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
Less than/ <i>menos de</i> 10%	\$0.16	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10-20%	\$0.37	\$0.24	\$0.13	\$0.18	\$0.22	\$0.28
20-30%	\$0.63	\$0.53	\$0.43	\$0.50	\$0.57	\$0.65
30-40%	\$0.98	\$0.91	\$0.82	\$0.92	\$1.02	\$1.13
40-50%	\$1.46	\$1.37	\$1.33	\$1.47	\$1.62	\$1.78
More than/ <i>mas de</i> 50%	\$2.20	\$2.07	\$2.05	\$2.24	\$2.45	\$2.68

Revenue stabilization rate

- Can be used when water sales drop suddenly for reasons other than drought
- The drop is compared to what DWA has projected in its budget
- An amount added to every HCF of water sold for all customers
- Will NOT be added to water bills unless approved by a vote of the DWA Board
- Automatically removed if revenue recovers (or by a vote of the DWA Board)

Percent reduction <i>Porcentaje de reducción</i>	Proposed/Propuestas				
	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
10%	\$0.28	\$0.30	\$0.32	\$0.34	\$0.36
15%	\$0.44	\$0.46	\$0.50	\$0.53	\$0.56
20%	\$0.61	\$0.66	\$0.70	\$0.74	\$0.79
25%	\$0.82	\$0.87	\$0.93	\$0.99	\$1.05
30%	\$1.05	\$1.12	\$1.19	\$1.27	\$1.35

The process

- ✓ Third party prepared rate study using standard best practice methods
- ✓
- ✓ DWA adopted rate study in April
- ✓
- ✓ Notice mailed out to all DWA customers on May 12
- ✓
- ✓ Public workshops and outreach April - June
- ✓
- ✓ Public hearing on June 28
- ✓
- ✓ Rates slated to go into effect January 1, 2024

Recycled water and groundwater pumping fee (RAC) go into effect sooner

If rates not adopted, budget would have to be cut and reserves would decline.

What can you do?

- Ask us questions!
- Request a rate analysis for your property after the meeting
- Review the rate study
- Submit a written protest (by mail or at **www.dwa.org/protest**)
- Share your perspective at the public hearing
 - June 28 at 8 a.m. at DWA (or attend via Zoom)
- Work to reduce your water use with DWA grant-funded conservation programs, learn more at **www.dwa.org/save**

Low-income customers

- Apply for Help2Others at **www.dwa.org/h2o**

DESERT WATER



Questions?

