

Lower Valley Water District

Provisional Rate Explanation

- ▶ The Lower Valley Water District adopted the Provisional Rate effective October 1, 2018 at the August 23, 2018 Public Hearing.
- ▶ The Old Rates and the Provisional Rates breakdown is as follows with no increase in CCF usage:

	Old Rates	Provisional Rates	Total
▶ Water	\$ 8.00	\$ 7.00	\$15.00
▶ Wastewater	\$ 22.75	\$ 6.00	\$28.75
▶ Solid Waste	<u>\$ 17.35</u>	<u>\$ 1.00</u>	<u>\$18.35</u>
▶ Total	\$ 48.10	\$14.00	\$62.10

- ▶ A rate increase was approved by the Board of Directors in 2006 for 2014 / 2015 but was never implemented.
 - ▶ The minimum water rate was to increase to \$10 and an 11% increase per CCF. Sewer rates should have increased to \$25.25 and 10% per CCF, plus \$17.35 for Solid Waste, which would total \$52.60 minimum in 2015.
- ▶ The reason for the Provisional Rate was to balance the budget History of operating losses:
 - ▶ Fiscal Year 2016 (\$33,166)
 - ▶ Fiscal Year 2017 (\$1.9 million) - unaudited
 - ▶ Fiscal Year 2018 (\$1.2 million) - unaudited
- ▶ Operating Losses affect the ability to borrow, cash flow, and the District's ability to meet bond covenants. This means the Lower Valley Water District may be denied loans for much needed projects because of our operating losses.
- ▶ This is the Lower Valley Water District's second rate increase in 30 years and will produce a net income gain of approximately \$176,000 which is less than one-percent of our operating budget.
- ▶ The reason this rate is a provisional rate is because we have to replace our meters as many have resulted in inaccurate readings and are beyond their life cycle. We are asking the Texas Water Development Board for \$5 million to accomplish this task. Once the meters are replaced, the provisional rate will be reduced accordingly.
- ▶ We expect the provisional rate to be in effect for approximately two-years.

- ▶ To keep rate increases at a minimum, the Lower Valley Water District:
 - ▶ Is performing systematic preventative maintenance to the distribution system
 - ▶ Is managing delinquencies to include civil action when necessary
 - ▶ Is testing and replacing meters
 - ▶ Will finance capital improvement projects instead of funding out of its cash reserves.
- ▶ The District is working toward offering assistance to customers whose income falls 150% below the poverty level, Senior Citizens, and disabled customers in need. We expect to have this service available by February 2019.