



NOTICE OF PUBLIC HEARING

Proposed Adjustments in Water Rate Structure and Rates

Date: Thursday, March 17, 2016
Time: 7:00 p.m.

Location: Quartz Hill Water District Board Room
5034 West Ave. L, Lancaster, CA 93536

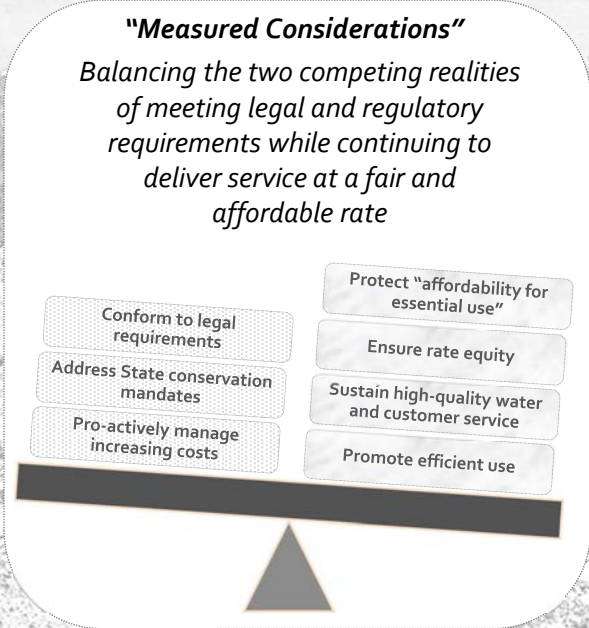
Please take notice: The Board of Directors of Quartz Hill Water District (QHWD) will conduct a public hearing to consider implementing an adjusted water rate structure and a schedule of increases to the agency's water rates over the next five years.

The public hearing will be conducted pursuant to Article XIID of the California Constitution. This notice is being sent to all property owners, who may submit a written protest to the proposed rate changes.

All members of the public are invited to attend the public hearing.

SUMMARY OF THIS CIRCULAR:

- Why is QHWD considering rate changes?
- How will my monthly water allocations be affected?
- What are the significant cost drivers for the new rates?
- How do my rates compare to neighboring agencies?



WHY IS THE DISTRICT CONSIDERING RATE CHANGES?

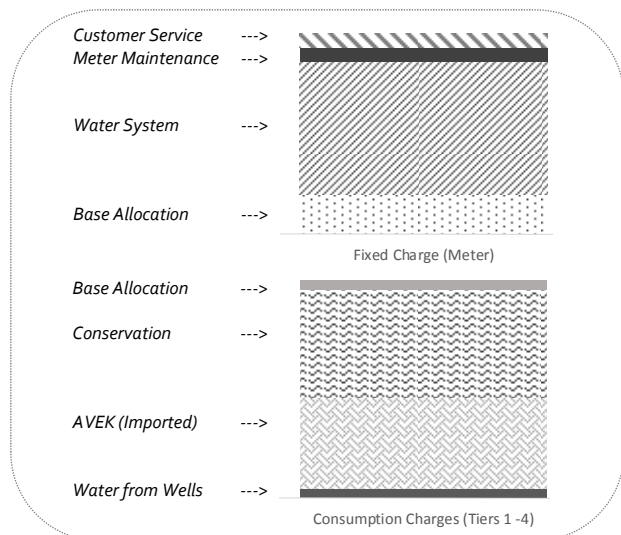
As a government agency, QHWD is required by law to charge its customers the specific costs associated with providing water services to that specific customer or customer class (e.g., single-family residential).

The District's decision to propose rate changes to its customers is based on the following measured considerations (see adjacent illustration of definition):

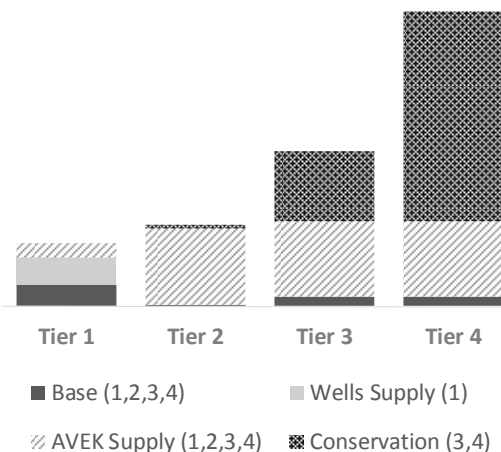
- Legal compliance** – The District is mandated to evaluate and document its adherence to "cost-of-service" principles as detailed by Proposition 218. All costs and their uses were evaluated, and the District determined that it should: a) adjust its number of tiers (from five tiers to four); b) eliminate its conservation tier, as no rate-based subsidies are allowed; and c) combine ¾" and 1" meters.
- Sustaining high-quality water delivery and customer service** – The District has worked hard to keep rates the lowest in the region by maintaining lean staffing levels, minimizing operational costs, offering a conservation tier (delivering water at less than the District's cost of purchasing it), and pro-actively managing capital improvements to increase the life of assets. However, the costs continue to increase, and the District's ability to continue delivering high-quality water and customer service will be impaired if it continues to draw on its reserve funds.

WHAT ARE THE COST DRIVERS?

The following cost categories represent: 1) the District's revenue requirements to sustain operation in a responsible manner; and 2) the costs allocated to fixed and consumption charges according to the varying cost demands of customer classes.



How cost drivers for consumption-related charges translate into proposed tiers



WHAT ELSE DO I NEED TO KNOW?

- Since the conservation tier is phased out, the number of tiers is reduced from 5 to 4. Tiers 1 & 2 represent indoor/outdoor and combine for 100% of monthly water allocation. The proposed tiers are defined as follow:
 - Tier 1: Indoor, or "essential use"
 - Tier 2: Outdoor, or "non-essential use"
 - Tier 3: 130% of allocation, or "inefficient"
 - Tier 4: Greater than 130% of allocation, or "unsustainable"
- Monthly indoor/outdoor allocations will stay the same:
 - Indoor: 4,200 gallons per month for 3 occupants; 1,000 gallons per additional
 - Outdoor: 1st 5,000 sq ft = 19 gallons per sq ft per year; next 9,000 sq ft = 17 gallons per sq ft per year; any remaining over 14,000 sq ft = 14 gallons per sq ft per year. Allocation will vary according to month
- ¾" and 1" meters will be combined in terms of the fixed charge
- AVEK pass-throughs will continue as in the past, with updates mailed each December
- Drought surcharges will remain until the Governor lifts the State's conservation mandates

Existing		Proposed Adjustments				
		8.25%	5.75%	5.75%	5.75%	5.75%
Meter	Current	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
¾"	\$23.13	\$26.78	\$28.32	\$29.95	\$31.67	\$33.49
1"	\$33.29	\$26.78	\$28.32	\$29.95	\$31.67	\$33.49

Existing		Proposed Adjustments				
		8.25%	5.75%	5.75%	5.75%	5.75%
Tier	Current	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
0	\$0.98					
1	\$1.04	\$1.02	\$1.08	\$1.14	\$1.21	\$1.28
2	\$1.56	\$1.35	\$1.42	\$1.51	\$1.59	\$1.68
3	\$2.60	\$2.56	\$2.71	\$2.86	\$3.03	\$3.20
4	\$3.64	\$4.86	\$5.14	\$5.43	\$5.75	\$6.08

Existing		Proposed Adjustments				
		8.25%	5.75%	5.75%	5.75%	5.75%
Meter	Current	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
¾"	\$23.13	\$23.63	\$24.99	\$26.42	\$27.94	\$29.55
1"	\$33.29	\$23.63	\$24.99	\$26.42	\$27.94	\$29.55
1.5"	\$45.41	\$78.76	\$83.28	\$88.07	\$93.14	\$98.49
2"	\$66.62	\$126.01	\$133.26	\$140.92	\$149.02	\$157.59
3"	\$98.46	\$275.68	\$291.53	\$308.29	\$326.02	\$344.77
4"	\$193.98	\$472.58	\$499.75	\$528.49	\$558.88	\$591.01
6"	\$363.78	\$984.55	\$1,041.16	\$1,101.03	\$1,164.34	\$1,231.29
8"	\$576.03	\$1,417.74	\$1,499.26	\$1,585.47	\$1,676.63	\$1,773.04

Existing		Proposed Adjustments				
		8.25%	5.75%	5.75%	5.75%	5.75%
Tier	Current	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
1	\$1.15	\$1.08	\$1.15	\$1.21	\$1.28	\$1.36
2	\$1.54	\$1.22	\$1.29	\$1.36	\$1.44	\$1.52
3	\$1.90	\$1.81	\$1.91	\$2.02	\$2.14	\$2.26

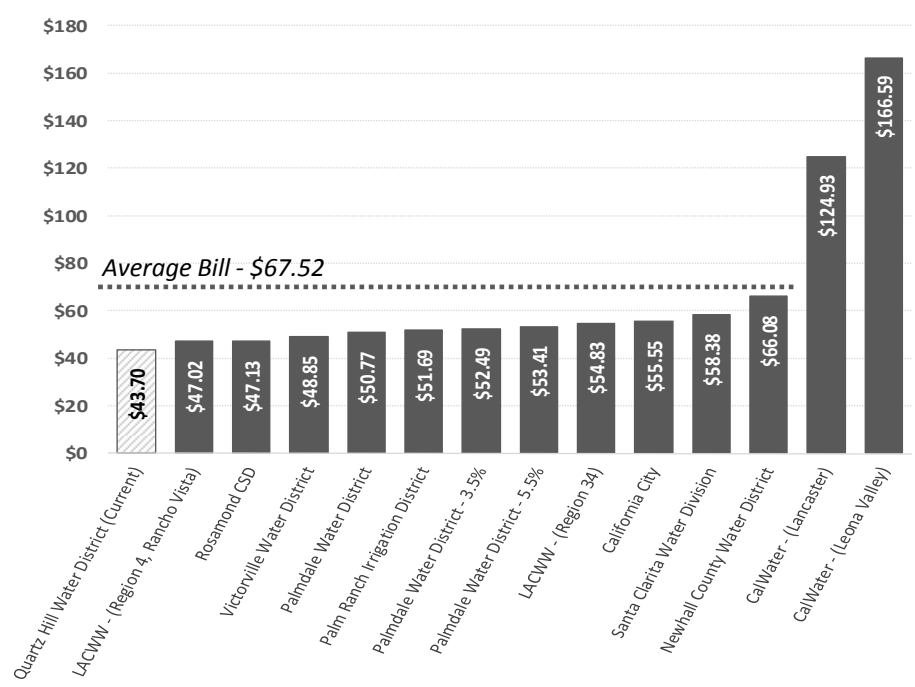
Quartz Hill Water District Rates Low Compared to Surrounding Communities

The adjacent graph prepared by sister agency Palmdale Water District shows a comparison of a typical Quartz Hill Water District single-family residential water bill with similar bills in neighboring communities.

QHWD's \$43.70 is the lowest among peers and markedly lower than the regional average of \$67.52.

For all surveyed agencies, the graph accounts for 14,960 gallons of usage – in other words, efficient indoor + outdoor usage in a Spring month (Tiers 1 & 2) – and a ¾" meter.

Some of the neighboring communities are in the process of preparing to increase rates. Even with the proposed new rates for the Quartz Hill Water District service area, the typical residential water bill will be lower than in most neighboring communities.



PROCEDURES FOR FILING A WRITTEN PROTEST

Protests to the proposed water rates described herein must be received by the District in writing by 12 p.m. on March 17, 2016. Written protest will also be accepted at the public hearing. All written protests must be signed by the owner and contain a description of the property (address and/or Assessor Parcel Number). You may mail your written protest to:

Quartz Hill Water District / Attn: Debi Pizzo, Board Secretary
5034 West Ave. L, Lancaster, CA 93536