

CENTRAL BASIN MUNICIPAL WATER DISTRICT

JUNE 14, 2006 - Finance

Hawkins, Apodaca

JUNE 26, 2006 - Board Meeting

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ACTION CALENDAR

USES OF TIER 2 REVENUES

SUMMARY:

In January 2003, Central Basin (District) implemented a new pricing structure for non-interruptible water sales. This pricing structure resulted from a change in MWD's rate structure and incorporates the items listed below:

- Two price tiers;
- Purchase agreements with purveyors;
- Baseline usage for determining when the higher priced second tier applies;
- Flow-based fixed charge to limit summertime peaking; and
- Uniform surcharge.

The intent of this tiered rate structure is to encourage agencies to stay within a water budget by promoting water conservation and planning.

The majority of the District's customer agencies voluntarily entered into Imported Water Purchase Agreements (Agreement) with the District effective January 2003. The Agreement entitles them to purchase a certain amount of imported water at a lower tiered rate (Tier 1). However, an agency pays the Tier 2 rate (currently an additional \$96 per acre-foot) for any purchases in excess of the Tier 1 annual maximum limit (calendar year basis). The District's customer agencies that did not sign Agreements with the District were charged the Tier 2 rate for any non-interruptible water sales. In January of each year, the District sends out letters to customer agencies to remind them of the advantages of signing the Agreement and/or their option to readjust their Tier 1 and purchase commitments for the remaining term of the Agreement.

The table below shows the Tier 2 revenues collected to date:

Fiscal Year 2003-04 Total	\$137,068
Fiscal Year 2004-05 Total	326,633
Fiscal Year 2005-06 (July-March) Total	258,578
Fiscal Year 2005-06 (April-June) Est	25,000
	\$747,279

According to the District's rate structure policy, any net funds attributed to Tier 2 water sales will be placed in a designated fund for the development of recycled water and other District conservation programs as determined by the Board. Staff feels that projects and programs within the areas of recycled water, conservation and education that yield the broadest District-wide benefit would be most appropriate for the disposition of Tier 2 revenues.

Staff recommends the use of accumulated Tier 2 revenues for the following current year projects:

	Projected Amount for Fiscal Year 2005-06
Conservation Master Plan	207,415
District portion of the ULFT distribution costs	124,378
District portion of the cost of High-Efficiency Clothes Washer (HECW)	9,045
Marketing cost for the HECW program	12,763
Water Wandering Program	15,000
SEWER SCIENCE Program	15,000
Discovery Center	200,000
Total	<u>583,601</u>

FISCAL IMPACTS:

Staff has placed these Tier 2 revenues into a liability account to keep track of these funds in order to access at the appropriate time. No effect on the District's current year budget.

ENVIRONMENTAL COMPLIANCE:

Not required.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on June 14, 2006 and was recommended for approval at the June 26, 2006 Board meeting.

RECOMMENDED MOTION:

That the Board authorizes the use of Tier 2 revenues to cover for the current year projects, as listed above.

EXHIBITS:

None.