



ZONE 7 WATER AGENCY - ADMINISTRATIVE SERVICES DIVISION

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ORIGINATING SECTION: Administration
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AGENDA DATE: August 26, 2015

ITEM NO. 4

SUBJECT: Cost of Service Study

SUMMARY:

- On July 15, 2015, the Board authorized the General Manager to negotiate and execute a professional Services Agreement with Raftelis Financial Consultants, Inc. (“RFC”) for a Cost of Service Study.
- The drought has had significant impact on Zone 7 Water Agency revenues and reserves over the last few years. The objective of this study is to review Zone 7’s finances, including budgets, funding needed for implementing both the Asset Management Plan and the Capital Improvement Plans, Water Supply Evaluation findings and recent audits, to analyze the cost of service and to propose a three-year wholesale water rate to be considered by Zone 7’s board of directors in September and October 2015 and to propose a drought wholesale rate that can be incorporated into the 2015 Urban Water Management Plan (“UWMP”) to be adopted by the Zone 7 Board in late 2015 or early 2016.
- A staff kick-off meeting was held on August 12, 2015 with RFC, Zone 7 staff and Retailer staff to discuss the Cost of Service study approach. This was an opportunity for the Retailers to give input early in the process.
- On August 19, 2015, RFC and staff met with Retailer staff to review the preliminary Financial Model and the key assumptions.
- RFC will give a presentation on the Cost of Service Study approach and key assumptions.

RECOMMENDED ACTION:

Discuss and provide direction to staff.