

Proposed Water Rate/Charge Adjustments Frequently Asked Questions

1. Why is Mesa Water District considering water rate adjustments?

The main reason why Mesa Water District (Mesa Water®) is evaluating potential rate adjustments is because water costs continue to increase. The groundwater pumping fee that Mesa Water® pays to the [Orange County Water District](#) (OCWD) is expected to rise significantly, from \$294 per acre-foot in 2015 to \$625 in 2023. This fee, or Replenishment Assessment, has increased 51.4% over the past three years and is projected to increase 40.4% over the next five years. Also, the price of recycled water is expected to increase from \$478 per acre-foot currently to \$738 next year. Water supply costs account for about 30% of Mesa Water's [annual expenses](#).

Another reason is because significantly reduced water use during the prolonged [drought](#) resulted in lower revenues, not only for Mesa Water but also for water districts and agencies throughout California. Mesa Water is committed to maintaining the [safety and reliability](#) of the water we provide to our community. This commitment includes ensuring that we have the necessary funds to make important infrastructure improvements.

2. Has Mesa Water considered alternatives to rate adjustments?

Yes. Mesa Water takes its stewardship role in providing safe and reliable water to our community very seriously. After assessing the financial impacts of rising costs to provide water, as well as the need to invest nearly \$36 million in [capital improvements](#) over the next five years, Mesa Water has determined that the most prudent course of action is to consider rate adjustments.

3. How does Mesa Water control costs?

Controlling costs is one of Mesa Water's highest priorities. Mesa Water is recognized as being one of Orange County's most [efficient](#) water agencies based on expenditures per resident in our service area. We operate the [Mesa Water Reliability Facility](#), which allows us to provide 100% locally-sourced groundwater supplies that cost less than imported surface water supplies. Managing and forecasting costs is very important since we rely 100% on revenues from customers' water use. Unlike some other local water agencies, Mesa Water doesn't receive any revenue from property taxes.

For water system renewal, Mesa Water uses a [Pipeline Integrity Testing](#) program to account for infrastructure age and conditions to help ensure economical and timely replacement. As a result, Mesa Water's water system experiences less than 4.5% water loss from breaks or leaks, placing Mesa Water among the most [efficient and reliable](#) water systems in North America. This also saves costs for Mesa Water and our customers.

With respect to administrative costs, Mesa Water's labor costs have remained the same over the past several years. Mesa Water's [Business Improvements Program](#)

Implementation includes ongoing assessments and improvements to administrative and operational processes for optimal effectiveness and efficiency.

Another Mesa Water priority is preserving financial stability and strength to weather future droughts. Mesa Water has received an [AAA rating](#) from both Fitch and Standard & Poor's, which enables Mesa Water to borrow at the lowest interest rates to fund capital improvements. Mesa Water has maintained healthy reserves and anticipates that current debt will be entirely paid off in 10 years, all with no unfunded pension liability. Mesa Water was recently [recognized](#) for its cost-saving achievements by Orange County Board of Supervisors Chairwoman Michelle Steel.

4. Were Mesa Water's conservation outreach efforts successful in reducing water use during the drought?

Yes. We [thank our customers](#) for their conscientious efforts to successfully reduce water use during the drought. As a result, we met the State of California's stringent mandate that Mesa Water reduce water consumption in our service area by a total of 20%. However, this big drop in water use has come at a cost. With lower water use, Mesa Water has received less revenue to cover operating costs and fund critical infrastructure improvements. We are evaluating proposed water rate adjustments to help ensure that we continue to meet our operating costs and make important infrastructure improvements. The adjustments are planned to help Mesa Water accomplish these goals without drawing from financial reserves set aside for future needs.

5. When would the rate adjustments take effect?

The first potential rate adjustment would take effect January 1, 2018, with subsequent potential rate adjustments on January 1st of each year, for five years, through 2022. Before any adjustment becomes final, however, Mesa Water will carefully review the proposal and seek public input. This includes: 1) reviewing the [rate study report](#) as prepared by the outside financial consulting firm, Raftelis Financial Consultants, Inc. (Raftelis); 2) conducting a public outreach and social media campaign to keep customers informed; and, 3) inviting public input at our [Board of Directors meetings](#).

6. How much could rates increase?

The rate study report considers a rate increase of up to 5% a year for five years, starting in 2018. The proposed adjustments are listed in the rate study report prepared for Mesa Water by Raftelis. This report is published at [MesaWater.org/2017-Rates-Study](#) and is available for the public to receive from the District upon request. Additionally, all Mesa Water customers will receive a [mailed notice](#) (also posted at [MesaWater.org/2017-Rates-Study](#)) with information about the rate adjustments, and inviting the public to attend the Board of Directors' public hearing on November 9. Preliminary estimates indicate the first potential rate adjustment could average an increase of 3.76% or \$2.55 per month per household, equaling an average increase of \$5.09 on the bimonthly water bill.

7. How will rate adjustments help Mesa Water improve its pipelines and infrastructure?

The majority (approximately 68%) of Mesa Water's [budget](#) is spent on water operations that include ongoing infrastructure maintenance, repairs, and replacement. Additionally, Mesa Water plans to use a substantial percentage of the proposed rate adjustments to make much-needed improvements to its water delivery system. We have identified nearly [\\$36 million in capital projects](#) to implement over the next five years. They include replacing sections of aging pipelines, bringing two new wells online, and rehabilitating existing wells to assure the reliable service of safe, [high-quality water](#).

8. Is Mesa Water the only water agency in California that is planning to adjust rates?

No. Mesa Water is one of many water agencies throughout the state that is in the process of adjusting water rates due to rising costs and/or lower revenue. For example, the San Diego County Water Authority, Metropolitan Water District of Southern California, and East Bay Municipal Utility District are just some of the agencies that recently announced water rate increases. Here in Orange County, Mesa Water and other local water districts are impacted by OCWD's decision to raise the assessment for pumping groundwater and for buying recycled water. Costs have steadily increased in recent years due to drought conservation. In 2016 and 2017, customers served by seven Orange County water districts have experienced average water bill increases from 3% to as much as 9.4%. Mesa Water was at the low end of this increase at 3%.

9. Will the proposed rate adjustments affect business and commercial customers as well as residential customers?

Yes.

10. Does Mesa Water offer assistance to seniors or customers on a fixed income?

Mesa Water can help customers use water more efficiently. We provide free Water-Wise House Calls, [rebate](#) programs for water-wise devices, [wise water use tips](#) and water-efficient [landscape/gardening](#) information and on our website, as well as water-efficient landscaping workshops. Please call 949.631.100 for a free [Water-Wise House Call](#). For financial assistance with water bills on a short-term basis, Mesa Water partners with the nonprofit organization [Share Our Selves](#) (SOS) and refers customers upon request. Customers may also contact SOS directly by calling 949.270.2100 and learn more by visiting [ShareOurSelves.org](#).

11. How can I receive more information about the proposed water rate adjustments?

Mesa Water will continue to provide information via its website, [MesaWater.org](#), and @MesaWater on [Facebook](#), [Instagram](#), and [Twitter](#). You may also email info@MesaWater.org or call 949.631.1201. We invite you to attend upcoming public meetings in our Boardroom. Mesa Water's [Board of Directors](#) will hold a public hearing on proposed rate adjustments on November 9 at 6 p.m.