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QUAIL VALLEY WATER DISTRICT NEWS

BOARD OF DIRECTORS

Mike Biglay
Jean Grodewald
Rita Leonard
Enrique Lopez
Dick Sims

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The Cost of Water

Quail Valley Water District faces many serious challenges in our efforts to provide you with safe, clean, drinking water and these challenges have a direct impact on the cost to provide this service. Even though our water rates may seem to be expensive, they do *NOT* cover the costs to operate the District and we continue to operate at a deficit. Fortunately, some of our customers have been voluntarily paying an additional amount with their water bills which has greatly helped the District stay afloat but that extra amount will need to be credited back as soon as we can complete a new rate study and implement a rate increase.

One of our biggest challenges and the primary reason that water is expensive is that the District covers approximately 21 square miles but only serves in an average month 63 customers. Those 63 customers in turn must cover the operating costs of the entire District.

The biggest expense for the District is labor and in an average month payroll totals \$ 8780.00 . Luckily, some of that labor is paid for by other revenues. Project management costs associated with the Prop 84 project are reimbursed from the Prop 84 grant and some labor for installing new services and other capital improvements is paid for by the fee assessed for new service connections. These reimbursements average about \$ 2960.00 per month reducing the labor that must be paid from monthly water bills to \$ 5820.00 which still equates to \$ 92.38 per customer! With an average water bill of \$124.35 that only leaves about \$ 31.97 per customer each month to pay all of the remaining bills!

Labor costs are so high per customer because we have so few connections (economy of scale) yet we must comply with all of the regulatory requirements of larger systems and we must repair and maintain a very large system relative to the number of connections (part of the price we pay to live on large parcels instead of city lots). In a city with average size lots, 63 houses would fit on about 13 acres making for a much smaller and more manageable system. In addition, because the safety of drinking water is so important, the regulatory requirements placed upon us involve a tremendous number of man-hours to insure compliance. Hardly a day goes by without a report of some kind being required and regular testing of our water must be done, all of which is very labor intensive (read: expensive).

While these challenges will remain, and in all likelihood be exacerbated, for the foreseeable future, interest in new connections has increased steadily in the past year. While our monthly customer base has been relatively stable, we have added several new connections but the property owners have yet to build. If the trend continues, we may see our customer base increase slightly but unless we see a large increase in development, it will be years before we see enough economy of scale to make any significant difference.

In the interim, the District continues to contain costs wherever possible and we will continue to investigate grant opportunities to help improve and increase the efficiency of our water system.

With summer nearly here, use water wisely. It is an expensive and finite commodity!