



City Council Report

City Council Meeting: August 13, 2019
Agenda Item: 4.A

To: Mayor and City Council
From: Susan Cline, Director, Public Works, Water Resources
Subject: Water/Wastewater Rate Study Discussion

Recommended Action

Staff recommends that the City Council review and comment on the ongoing five-year water and wastewater rate study and provide direction and recommendations to staff regarding potential rate adjustments and rate structures.

Executive Summary

Water is a vital resource that no one can live without, which is why the City of Santa Monica has long provided safe and reliable water services to over 18,000 residential, commercial and institutional account holders. Santa Monica has been a recognized leader for its progressive environmental and water conservation policies aimed to provide a resilient, self-sufficient, and sustainable water supply (i.e. potable water, recycled water, fire line and sewer services). The City has focused on three key strategies to ensure safe, reliable water and wastewater service while aiming to keep rates below the regional average:

- Investing in our future and achieve water self-sufficiency through use of local water resources
- Maintain a modern, reliable water/wastewater network and infrastructure
- Advance water conservation through rebates, public outreach, and development of water recycling infrastructure (such as the Santa Monica Urban Runoff Recycling Facility or SMURRF)

As the City undertakes rate studies for the Water and Wastewater Enterprise Funds, these three strategies remain our focus. The City Council has consistently taken a strategic approach to setting future water and wastewater rates that balances a concern

for keeping costs affordable to our community while adequately investing in long-term water quality, reliability and sustainability.

To conduct rate studies to establish water and wastewater rate structures for calendar years 2020-24, the Water Resources Division of the Public Works Department is working with a consultant, NBS. Water and wastewater enterprise funds are evaluated every five years to ensure proper funds are in place to carry out routine operation and maintenance activities, implement capital improvement programs for system resiliency, and achieve strategic sustainability goals such as water self-sufficiency.

Key objectives and considerations for the Water and Wastewater Rate Studies include the following:

- Maintain high-quality and reliable water deliveries as well as wastewater collection services for the City's customers at a reasonable cost while meeting all federal and state regulations as well as City water usage restrictions.
- Achieve water self-sufficiency by 2023 that will provide long-term cost benefits to ratepayers by implementing water self-sufficiency projects (e.g., Sustainable Water Infrastructure Project (SWIP) and Arcadia Water Treatment Plant Expansion) as outlined in the Sustainable Water Master Plan (SWMP) adopted by Council on November 27, 2018.
- Develop and increase the use of local water resources and reduce imported water to ensure local control of water costs, improve drought resiliency, and reduce operational energy costs, in alignment with the City's Climate Action and Adaptation Plan.
- Continue funding and increasing conservation efforts to permanently reduce water demand.
- Maintain adequate reserve funds to ensure continuity of water and wastewater system operations.
- Comply with Proposition 218 requirements to ensure costs of service are properly allocated amongst user classifications and rate tiers.

Rate adjustments for the water and wastewater enterprise funds are being recommended by the City's rate consultant to meet these objectives. Two rate adjustment scenarios, with key differences between each, are being evaluated for the Water and Wastewater Funds. The two rate scenarios would allow the City to maintain operations and achieve water self-sufficiency, but they differ in the funding of capital improvement programs. For capital improvement programs, the rate scenarios consider either a fully funded program or capital improvement programs with efficiencies (e.g., deferring the water main replacement program). The estimated bimonthly increase for customers (including both water and wastewater increases), per year over the five year period are listed below.

- Single Family Homes - an estimated \$23 to \$36 increase for an average single-family home bimonthly bill. This potential increase would continue to offer close to the lowest water costs in the region for the average single-family homes with an average cost of \$0.0062 to \$0.0067 per gallon for the first year.
- Multi-Family Units - an estimated \$18 to \$48 increase for an average 8-unit multifamily residential building; which represent an approximate monthly increase of \$1 to \$3 per unit.
- Commercial - an estimated \$50 to \$87 increase on their average commercial bimonthly bill.

The range above is associated with the two-rate adjustment scenarios presented in the staff report and estimated using the current rate structure. The estimated increases noted above assume that rate structure remains unchanged as a usage based only rate structure (without any fixed fees). A low-income subsidy would remain in effect and would be designed based on Council input to provide relief to low-income residents in the City. Without rate adjustments, a reduction in operations and/or capital improvement programs would be required to balance each fund and could compromise the City's water and wastewater system reliability and the level of service provided to the

community. Additionally, without rate adjustments, the goal of water self-sufficiency would not be met by 2023.

Water Fund

The City's Water Fund supports production, treatment, and distribution of local groundwater and the purchase of imported potable water from the Metropolitan Water District of Southern California (MWD) to meet the City's water demands. During the five years from FY 2013-14 through FY 2017-18, expenditures for the Water Fund averaged \$25.7 million per year, while revenues averaged \$24.5 million per year. Revenues have been lower than originally projected and declining, attributable primarily to lower water demand from customers but also subject to climate change impacts, such as increased wet or cooler weather periods as experienced in the first half of 2019. Water Fund expenditures over the five year period from FY 2018-19 through FY 2022-23 are projected to average \$35.3 million. This excludes one-time capital improvement projects (e.g., water self-sufficiency projects) that are financed over a 30-year period and the Olympic Well Field Restoration, which is paid for through non-rate payer settlement funds. A water rate adjustment is subsequently necessary to:

- Invest in water self-sufficiency projects as outlined in the Sustainable Water Master Plan that include capital investments and water conservation programs.
- Maintain routine operation & maintenance (O&M) expenditures of the water system, including salaries and benefits of Water Resources staff, contracted services, and water sustainability programs.
- Fund routine capital projects (e.g., equipment replacement and 100-year water main replacement program). Please refer to full list of capital projects in Attachment E.
- Fund onetime capital projects (e.g., replace or maintain aging assets such as drilling new groundwater wells or improvements to storage reservoirs). Please refer to full list of capital projects in Attachment E.
- Adjust Water Fund reserve levels to ensure operational continuity

Table ES-1 outlines two rate proposals for the Water Fund.

Table ES-1 - Summary of Water Fund Rate Adjustment Scenarios

Water Fund Scenario	Draft Rate Adjustment (2020 - 2024)	Fund Routine Ops	Achieve Water Self-Sufficiency	Capital Improvement Program	
				Full Funding	With Efficiencies ¹
1	20% per year for one year 18% per year for second year and 14% per year for the third, fourth, and fifth years	✓	✓	✓	
2	10% per year for five years	✓	✓		✓

¹Capital Improvement Program efficiencies include deferring water main replacement for three years until water self-sufficiency is achieved in 2023

Wastewater Fund

The City’s Wastewater Fund supports sewer collection system operations and treatment and disposal of the City’s wastewater through the City of Los Angeles, Bureau of Sanitation’s Amalgamated System. During the five years from FY 2013-14 through FY 2017-18, expenditures for the Wastewater Fund have averaged \$25.4 million per year, while revenues have averaged \$20.8 million per year. Wastewater rates have remained relatively flat for the past five years, with the last rate increase of 0.4% approved for the calendar year 2014. This was achieved due to healthy fund balance.

Wastewater Fund expenditures over the five-year period from FY 2018-19 through FY 2022-23 are projected to average \$27.8 million per year. The projected expenditures over the next five years include the annual debt payment for the Sustainable Water Infrastructure Project (SWIP), which is financed over a 30-year period through low-interest State Revolving Funds. A wastewater rate adjustment is subsequently necessary to:

- Maintain routine operation & maintenance (O&M) expenditures of the wastewater system, including salaries and benefits of Water Resources staff.
- Fund routine capital projects (e.g., sewer collection replacement program).

- Fund onetime capital projects (e.g., a portion of the loan payment for Sustainable Water Infrastructure Project relating to wastewater treatment).
- Cover increased disposal/treatment cost of wastewater collected and sent to the City of Los Angeles
- Adjust Wastewater Fund reserve levels to ensure operational continuity

Additionally, an adjustment to the wastewater discharge factor is necessary to be in line with current practice. The City has historically included a discharge factor in the wastewater rate structure that is applied to all metered water consumption to represent the portion of water usage that is sent to the wastewater collection system (e.g., water used in the sink or for toilet flushing).

Table ES-2 outlines two rate proposals for the Wastewater Fund.

Table ES-2 - Summary of Wastewater Fund Adjustment Scenarios

Wastewater Fund Scenario	Draft Rate Adjustment (2020 - 2024)	Fund Routine Ops	Capital Improvement Program	
			Full Funding	With Efficiencies ¹
1	10% for four years and 3% for one year	✓	✓	
2	9% per year for three years and 3% per year for two year	✓		✓

¹Capital Improvement Program efficiencies include deferring wastewater main/collection system replacement for three years until water self-sufficiency is achieved in 2023

Staff seeks comments from Council regarding certain aspects of the rate study that are presented in this staff report. Following this meeting, the rate study will be completed and public notifications will be sent out in accordance with Proposition 218 requirements. After the 45-day public notice period, a noticed public hearing will be scheduled in accordance with Proposition 218 for Council to consider the completed rate study and proposed rate structures for water and wastewater rates in calendar years 2020-24.

Background

The above referenced rate studies will establish the basis to set the water/wastewater rates for calendar years 2020-2024 in compliance with Proposition 218 requirements. Proposition 218 stipulates, among other things, that charges for water and wastewater services must not exceed the proportional cost of the service attributable to each parcel. Water Resources Division staff are currently working with the consultant, NBS, to establish the cost of service and formulate thoughtful and legally defensible rate structures to support the City's water/wastewater program goals listed above, with due consideration given to ratepayers and the financial viability of the water and wastewater enterprise funds. The rate study will include a review of the following to set the water and wastewater rate structure for calendar years 2020-2024:

- Operating and capital revenue requirements for the City's Water and Wastewater enterprise funds over a five-year period (calendar years 2020 to 2024), incorporating the City's goal of attaining water self-sufficiency;
- Fund reserves and the ability to bond and cover current and future debt obligations;
- Water and sewer rates / structure - with or without a fixed-service charge component, tiered rates, number of tiers, usage allocations by tier, and customer class designations (e.g., residential, commercial);
- Affordability of rates including low-income discounts / rates for purposes of determining the level of subsidy from non-rate payer funds;
- Cost of service for each rate/fee/charge by customer class, meter size and tier;
- Impact of proposed changes versus existing rates;
- Comparison of the City's water/wastewater rates versus other local water/sewer agencies;
- Funding for capital improvement program projects (e.g., water self-sufficiency projects);
- Demonstration that no ratepayer funds would be used for groundwater remediation funded by water remediation settlement funds obtained by the City

from responsible parties for cleanup of the Olympic and Charnock groundwater sub-basins; and

- Other related factors as identified by the public, City Council, advisory groups and staff as part of the rate study outreach process.

A summary of prior water and wastewater fund rate adjustments over the past 10 years is provided in Table 1 for reference.

Table 1 - History of Prior Rate Adjustments for Water and Wastewater Funds

Water		Wastewater	
Year	Increase	Year	Increase
2009	10.5%	2009	18%
2010	10.5%	2010	15%
2011	10%	2011	9%
2012	10%	2012	4%
2013	2.5%	2013	2.4%
2014	4%	2014	0.4%
2015	9%	2015	0%
2016	5%	2016	0%
2017	5%	2017	0%
2018	5%	2018	0%
2019	9%	2019	0%
10-Year Average	7.3%	10-Year Average	4.8%

Past Council Actions

07/08/08 Attachment A	Adopted 2008-2013 Water and Wastewater Rates
02/24/2015 Attachment B	Adopted 2015-2019 Water Rates
11/27/18 Attachment C	Sustainable Water Master Plan Update
01/08/19 Attachment D	Authorized 2019 Water Rate Adjustment

Discussion

This staff report is organized in two sections to provide study session information regarding the Water and Wastewater enterprise funds. The Water Fund is discussed in Section 1, followed by the Wastewater Fund in Section 2. Details about community outreach and Proposition 218 compliance are included and would apply to both funds.

SECTION 1: WATER FUND

The City's water comes from local groundwater and imported water purchased from the Metropolitan Water District of Southern California (MWD). Given the growing statewide challenges associated with maintaining a safe and reliable water supply, the City is implementing its Sustainable Water Master Plan (SWMP) with the goal of meeting all of the City's water demand through local water resources by 2023. The updated SWMP was adopted by the City Council at its November 27, 2018 meeting. The proposed strategy outlined in the SWMP for the City to become water self-sufficient provides the following benefits:

- Long-term cost savings to ratepayers by maximizing local water resources;
- Provide a more sustainable and drought-resilient water supply by leveraging various local water resources (e.g., brackish groundwater, storm water, dry weather urban runoff, and recycled water) for potable and non-potables uses; and
- Reduce the City's water supply energy footprint to bring the City closer to being climate-ready and achieving the goals outlined in the Climate Action and Adaptation Plan.

The updated SWMP proposes a comprehensive plan to replace the purchase of imported water with the following key components:

- Component 1 - continuing and increasing water conservation efforts to permanently reduce water demand,

- Component 2 - developing sustainable and drought-resilient alternative water supplies, and
- Component 3 - expanding local groundwater production within sustainable yield limits.

The anticipated cost to implement the SWMP components required to meet water self-sufficiency by 2023 is approximately \$38 million (\$35.3 million from the Water Fund and \$2.7 million from the Wastewater Fund) in one-time capital investments to increase local water supplies. These one-time capital investments include expanding the treatment capacity of the City's existing Arcadia Water Treatment Plant (WTP), implementation of production efficiency enhancements, and acquiring an additional groundwater well to enhance resiliency. The required capital investments for the City to achieve water self-sufficiency by 2023 are the key considerations in the rate study to ensure adequate funds are available to support these projects and allow staff to maintain high quality water service for the community.

Section 1.1 Water Rate Analysis

A water rate analysis was conducted by the consultant to evaluate the Water Fund's current and projected revenues and its ability to meet projected expenditures (e.g., water production, distribution system operation, and maintaining adequate reserve levels) over the next five years. Key water rate analysis considerations include:

- Projected expenditures alongside reserves and determination of the necessary revenues to cover the cost of service provided to the City's customers.
- Funding the City's water self-sufficiency projects in the short term by financing using a portion of Gillette Boeing Settlement Funds that would be paid back over 30 years, when they will be needed to continue routine remediation operations.

The consultant's financial analysis indicates that the cost to operate the system, produce local water, replace and upgrade existing facilities, implement routine capital improvement projects, and fund one-time water self-sufficiency projects from the SWMP

will exceed current and projected revenues. The analysis considers expenditures, revenues and reserves. The sections below discuss Water Fund expenditures, revenues, and reserves in detail, followed by two rate adjustment options. Rate structure alternatives will be presented for Council’s feedback at the study session.

Section 1.2 Water Fund Expenditures

Expenditures for the Water Fund are divided into the following three categories that impact rate adjustment considerations:

- Operating & Maintenance (O&M) - Salaries and benefits of Water Resources staff as well as all the supplies, contracted services, and water sustainability programs to produce local water and maintain a reliable and resilient water supply for customers. This also funds the 30-year repayment of funds borrowed from water remediation reserves to cover water self-sufficiency projects in the near term
- Routine Capital Projects - Replace aging water mains on a 100-year cycle, upgrade software infrastructure and facilities to function efficiently and meet industry standards (a detailed list of projects is summarized and included in Attachment E)
- One-time Capital Projects - Non-routine capital improvement projects to replace or maintain aging assets, including re-drilling and refurbishing aging, underperforming wells and making improvements to storage reservoirs.

A breakdown of the water fund expenditures is provided in Table 2 below.

Table 2 - Summary of Projected Water Fund Expenditures by Categories

Water Fund Rate Payer Expenditures - Five-Year Projected Average (FY 2018-19 - FY 2022-23)		
Operations & Maintenance	\$ 28,342,000	80%
Routine Capital	\$ 3,910,000	11%
One Time Capital	\$ 3,072,000	9%
Total:	\$ 35,324,000	

Expenditures for the Water Fund have averaged \$25.7 million per year over the last five years for which we have audited actual spending (FY 2013-14 through FY 2017-18). Expenditures are projected to average \$35.3 million in the following five years (FY 2018-19 through FY 2022-23). A comparison of the previous and current five-year rate study period is provided in Table 3 below.

Table 3 -Comparison of Previous Five-Year Rate Study Period (FY 2013-14 through FY 2017-18) with Current Five-Year Rate Study Period (FY 2018-19 through FY 2022-23)

Rate Study Period	Five-Year Average O&M	Five-Year Average Capital	Total
FY 2013-14 - FY 2017-18	\$20.7 Million	\$5 Million	\$25.7 Million
FY 2018-19 - FY 2022-23	\$28.3 Million	\$7 Million	\$35.3 Million

The increase in annual O&M expenditures for FY 2018-19 through FY 2022-23 is a direct result of increased operation costs from administering water conservation programs, salaries/wages, water treatment costs and debt service for a 30-year financing period for \$41.8 million in water self-sufficiency projects (see CIP table, Attachment E). The projected Water Fund expenditures do not include restoration of the Olympic Well Field (approximately \$64 million for capital improvements and 30 years of operations), which is funded with Gillette Boeing settlement funds. The average five-year (FY 2018-19 through FY 2022-23) capital cost increase from \$5 million to \$7 million is primarily due to 1) increased construction costs to maintain a 100-year replacement cycle for the City’s water mains (the cost has increased from \$400 per linear foot to \$600-700 per linear foot of pipe replaced and the target replacement is 10,000 linear feet or approximately 2 miles per year), 2) development of the Groundwater Sustainability Plan for the Santa Monica Groundwater Basin to comply with the Sustainable Groundwater Management Act, and 3) replacement of aging assets.

Section 1.3 Water Fund Revenue

Revenues for the Water Fund have averaged \$24.5 million per year over the last five years (FY 2013-14 to FY 2017-18). Successful conservation programs had a very positive impact that reduced annual water demand as summarized in Table 4. However,

reduced water usage has a direct impact on water sales and results in declining revenue for the Water Fund. Without a rate adjustment, revenues for the Water Fund will remain at \$26.5 million per year, on average, over the next five years (FY 2018-19 to FY 2022-23) and are insufficient to meet the projected annual expenditures (\$35.3 million) to maintain reliable operations and fund water self-sufficiency projects.

Table 4 - Summary of Water Demand from FY 2015-16 through FY 2018-19

Fiscal Year	Water Demand (Acre Feet per Year)
2015-16	11,320
2016-17	11,246
2017-18	11,530
2018-19	10,908

Section 1.4 Capital Facility Fees Collected for New Services

The Water Fund has historically collected connection fees (capital facility fees) from developers, which are intended to fund capital projects aimed at increasing water treatment capacity. It is estimated that approximately \$400,000 per year on average is collected. The Water Fund rate analysis assumes the use of \$2.1 million of the capital facility fees in FY 2021-22 that will contribute to water self-sufficiency projects (e.g., expanding treatment capacity at the City’s Arcadia Water Treatment Plant). After the one-time \$2.1 million contribution, the estimated annual income of \$400,000 from capital facility fees would continue to be collected and used to offset debt repayment for water self-sufficiency projects that will result in increased water treatment capacity and production at the Arcadia Water Treatment Plant. These fees will be updated in the final rate study document and presented to council for approval in the next meeting, based on input and direction received at the study session.

Section 1.5 Water Reserve Fund Level

As part of the water rate analysis, the City’s rate study consultant NBS also reviewed the City’s current policy and the recommended industry best practice for reserve levels to be maintained in the Water Fund. Operation and capital reserve funds are used to cover unforeseen operating and capital expenses respectively while rate stabilization reserve funds are used for all other unforeseen events. Any change to the reserve fund policy

has a direct impact on water rates as it changes the cash on hand that must be maintained by the utility. Current Water Fund reserve policies were adopted in 2008 and revised and approved in the FY 2014-15 operating budget. A comparison of the adopted reserve policy in 2008, current reserve policy, and recommended reserve policy by the consultant are summarized in Table 5 below.

Table 5 - Comparison of Target Water Fund Reserve

	2008	Current	Consultant Recommendation
Capital	\$1.3M	\$3.5-\$3.8M	\$3.5M (3% of capital assets)
Operating	\$1.3M (10% O&M)	\$3M (~45days of O&M)	\$6.4-6.9M (90 days O&M by 2024)
Rate Stabilization	\$1M	\$1M	\$1M
Total	\$3.6M	\$7.5-\$7.8M	\$10.9-\$11.4M

The City's consultant, NBS, recommends a total Water Fund reserve increase between \$3.4M and \$3.6M:

- **Capital Rehabilitation and Replacement Reserve** would be equal to three percent of Water Fund capital assets. This reserve would be set at approximately \$3.5 million.
- **Operating Reserve** would be equivalent to 90 days of operating budget by fiscal year 2023-24. This would range between \$6.4 and \$6.9 million compared to the approximately \$3 million reserve policy set in 2014. Considering a reserve policy equal to 120-days to meet typical industry standard (typical standard is to maintain two billing cycles and the City currently bills bimonthly) would require reserve levels to be increased by over \$2 million, which would have implications on the rates. Since the City issues bills throughout the billing cycle, which is over 60-days, the 120-day industry standard could be relaxed to 90-days. Under the rate structure supporting a capital program with efficiencies, a 90-day reserve target would be met by FY 2023-24 while a minimum 60-day target reserve would be maintained at all times.

- **A Rate Stabilization Reserve** of \$1 million would remain unchanged. This reserve is intended for unexpected decrease in income or increases in expenditure, potentially coming from MWD rate increases.

Section 1.6 Water Fund Efficiencies

Public Works staff also identified key efficiency considerations for the consultant to evaluate in the water rate analysis to minimize overall water rate adjustment impacts. Water Fund efficiencies were identified for both operating and capital improvement components of the Water Fund, which are described briefly below.

Efficiencies in Water Fund Operations

The Water Fund has already enacted internal operating efficiencies and productivity improvements to both control costs and increase the ease and flexibility with which the City's water customers can receive service. Efficiencies outlined in the City's approved FY 2019-21 operating budget include:

- Eliminate the 2.4% consumer price index (CPI) annual increase from the Water Fund operating budget; resulting in a savings of \$400,000 in FY 2019-20.

Efficiencies in Water Fund Capital Improvement

Staff previously estimated a need of \$6 million per year to implement the recommended 100-year water main replacement cycle (approximately 2 miles replaced per year for the City's 205-mile water main system). A deferral of work to future years is being considered to scale down the fiscal demand on the Water Fund and may result in the added benefit of favorable construction market conditions (e.g., recession) versus today's high cost construction market. Deferring water main replacement projects would reduce pressure on water rates in FY 2020-21, 2021-22 and 2022-23 and allow staff to focus on water self-sufficiency projects. Deferring the water main replacement program by three years may result in water mains exceeding the 100-year life cycle by 3-6 years until the water main replacement program catches up in subsequent three years after 2023 once water self-sufficiency is achieved. The deferred work would resume in FY

2023-24 after the one-time capital projects are implemented. The rate adjustment options presented below show alternatives, funding the capital improvement program with or without efficiencies, for consideration and the correlating rate options.

Public Works staff and NBS reviewed all proposed capital improvement projects to determine what can be deferred to future years. Potential projects deferred from the five-year forecast are valued at approximately \$18 million in total. The list of proposed capital improvement projects included in the five-year rate study is included in Attachment E.

Section 1.7 Rate Adjustment Options for Water Fund

As an enterprise fund, the City’s water utility is expected to be financially self-sufficient and in good standing; revenues must match annual expenditures and proper reserves must be maintained. Table 6 presents actual expenditures and revenues over the past five years as well as future expenditures and revenues that indicate an \$8.8 million shortfall if the water rate is not adjusted. Two water rate adjustment scenarios, which are summarized in table 7 and discussed further below, were evaluated to make up the shortfall.

Table 6 - Summary of Projected Water Fund Shortfall without Rate Adjustment

Average Annual Costs over five-year period	O&M Costs	Capital	Total Expenditures	Revenues	Rate Adjustment Justification
FY 2013-14 through FY 2017-18	\$20.7M	\$5M	\$25.7M	\$24.5M	(\$1.2M deficit)
Calendar year 2020-2024 Projections	\$28.3M	\$7M	\$35.3M	\$26.5M (based on current rates)	(\$8.8M deficit)

Table 7 - Draft Water Fund Rate Adjustment Scenarios

Scenario	Description	Draft Rate Adjustment Scenarios 2020-2024
1	Fund Everything. Fund routine operation and maintenance costs, water self-sufficiency projects, ongoing annual investment in water main Capital Improvements, and establish 90-day target operating reserve. (Capital Improvement efficiencies are not necessary). Consultant Recommended	20% for first year, 18% for second year and 14% per year for the third, fourth, and fifth years
2	Reduce CIP and Fund Minimum Reserves. Fund routine operation and maintenance costs, water self-sufficiency projects and establish a target 90-day operating reserve by year 2024. Implement Capital Improvements efficiencies. (Defer water main replacements)	10% per year for five years

Water Rate Adjustment Scenario 1: This scenario would fund all ongoing operating costs, a consultant recommended 90-day target reserve level by 2024, water self-sufficiency projects, and the annual water main replacement projects. Scenario 1 is recommended by the consultant and the Water Fund cash balance is provided in Figure 1. The blue bar in Figure 1 represents the ending cash balance for each year while the green line and red lines represent the minimum and target reserve levels, respectively.

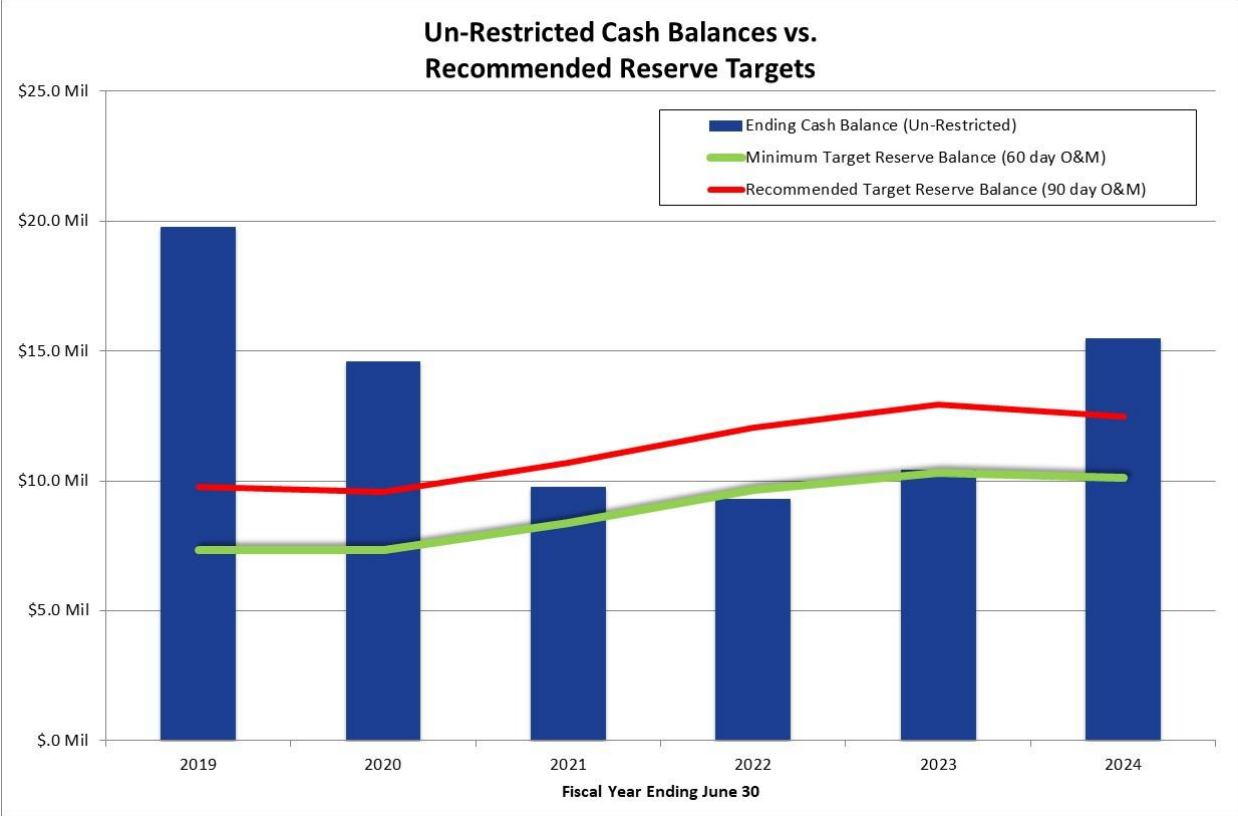


Figure 1 - Fund Balance versus Reserve Levels for Water Rate Adjustment Scenario 1 (Consultant Recommended).

Water Rate Adjustment Scenario 2: This would support all ongoing operating costs, water self-sufficiency projects, a 90-day target operating reserve level by 2024, and deferred annual water main replacement work to later years after water self-sufficiency is achieved. The Water Fund balance for Scenario 2 is given in Figure 2 and the target reserve levels would be reached at the end of the five-year rate study period (where the blue bar is above the red line), but the minimum, 60-day operating, reserve level is maintained at all times (where the blue bar is above the green line). While this rate scenario achieves a positive net operating performance in the later years of the five-year forecast, it reduces and defers selected capital programs (primarily water main replacement program) in favor of maintaining proper reserves.

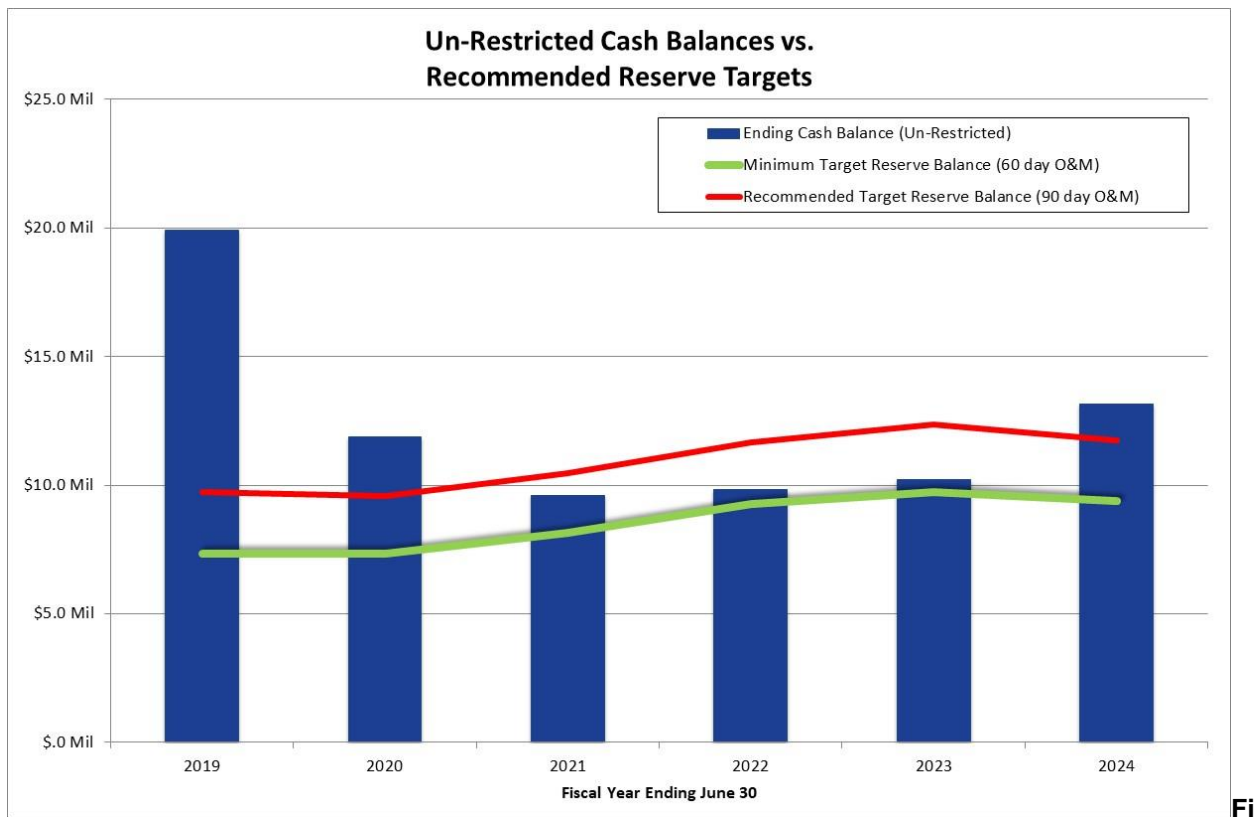


Figure 2: Fund Balance versus Reserve Levels for Water Rate Adjustment Scenario 2.

The major financial difference between scenario 1 and 2 is \$18 million in deferred annual water main replacement projects.

The rate adjustments for scenarios 1 and 2 would be implemented in each calendar year from 2020 through calendar year 2024, over the next five years. The 2020 increase would go into effect on either January 1, 2020 or March 1, 2020, pending staff’s return to Council for the public hearing and rate adoption. Each successive year’s increase after 2020 would take effect January 1.

Suggested Water Rate Structure Adjustment

The City’s consultant also evaluated the current rate structure, adopted five years ago. Proposition 218 stipulates that the service charges must not exceed the proportional cost of the service provided to each customer type and tier (e.g., residential and commercial). Proposed water rates must be justified based on the incremental costs of providing service to each tier. To reflect current cost of service, the consultant created a

financial model to clearly demonstrate, through detailed data and computations, allocation of costs among the City's various customer classes and within each customer class to ensure compliance with Proposition 218. A narrative on the methodology used and the justification for the cost of service and water rate model is included in Attachment F. Three water rate structure alternatives (mix of volumetric-based rate structure and blend of fixed/volumetric-rate structure) are being evaluated as part of the rate study and will be presented at the August 13, 2019 Council Study Session. The mix of volumetric-based system is the method where customers are charged strictly on the volume they consume or actual usage. This methodology is variable and does not provide the Water Fund a reliable source of revenue. As sixty to seventy-five percent of the Water operation's expenses are fixed, a blend of a fixed charge coupled with a variable charge ensures the Water Fund with a steady, predictable source of revenue. Customers would pay a fixed charged calculated based on their meter size along with a volumetric charge based on the amount they consume.

Low-Income Provision

The current rate structure includes a low-income provision where the first tier water rate for qualified single-family, low-income customers is discounted. Under a tiered water rate system, each tier is allocated a certain total volume of water at a set rate for the tier and increases when usage exceeds the tier allocation (e.g. exceeds first tier) and moves to the next tier (second tier). Tiered water rates reward customers who use water efficiently and discourage water waste. Prior to 2008, the low-income discount waived the fixed-fee component of the water charge. On February 24, 2015, Council approved a discount rate of \$1 per hundred cubic feet (HCF) for the first tier when it switched to a 100% volumetric-based rate structure.

For single-family, low-income customers, the maximum bimonthly discount through the low-income provision is currently around \$14. Second, third, and fourth tier rates are not discounted since these apply to more discretionary uses of water and are meant to discourage water waste. Low-income customers qualify for the water discount by providing evidence of enrollment in the low-income program offered by Southern

California Edison or the Southern California Gas Company. There were 213 customers qualified as low-income and receiving the discounted first tier water rate in 2014.

Cost of service requirements under Proposition 218 require that the discount provided to qualified low-income customers be covered by the City's General Fund in order to avoid it being subsidized by other ratepayers. The average annual General Fund transfer to the Water Fund is currently around \$90,000, which benefits approximately 1,000 low-income residential units.

Staff recommends funding low-income customers at the same levels. Pending Council's feedback on rate structure alternatives, staff and the consultant would recommend maintaining the low-income subsidy structure but adjusting it to be in line with the rate structure ultimately selected.

Section 1.8 Summary and Recommended Water Rate Adjustment Option

The consultant recommends consideration for rate adjustment scenario 1 with a 20% increase for the first year followed by 18% increase the second year and 14% increase per year the following three years. The consultant is calculating and reanalyzing tiers based on input received from the Task Force on the Environment at the June meeting and Proposition 218 cost of service requirements. Staff will present additional details at the Council Study Session on August 13, 2019.

SECTION 2: WASTEWATER FUND

The City provides wastewater service through operation and maintenance of an extensive wastewater collection system. The City is one of 28 agencies that contracts with the City of Los Angeles for wastewater treatment services provided at the City of Los Angeles' Hyperion Treatment plant. Under the terms of the agreement with the City of Los Angeles, the City pays a proportionate share of the operations and maintenance expenses as well as capital charges for the Hyperion treatment and collection system. Payment to the City of Los Angeles for treatment typically accounts for 30% to 50% of the Wastewater Fund's annual budget. Payment to the City of Los Angeles would be reduced once the Sustainable Water Infrastructure Project (SWIP) is completed and

municipal wastewater would be treated and leveraged as a drought-resilient water supply to support the City's goal of achieving water self-sufficiency by 2023.

Section 2.1 Wastewater Fund Rate Analysis

A wastewater rate analysis was conducted by the same consultant to evaluate current and projected Wastewater Fund revenues and its ability to meet projected expenditures over the next five years. Key wastewater rate analysis considerations include:

- Projected expenditures alongside reserves and the necessary revenues to cover the cost of service provided to the City's customers.
- Financial impacts placed on the Wastewater Fund to implement capital programs, mostly with the construction of SWIP (locally treat a portion of wastewater) which will help the City accomplish its water self-sufficiency goals. The majority of the SWIP costs would be spread over a 30 year loan.

An assumption about the SWIP budget was made at the time this report was written. The Council-approved budget is \$69 million; however, the project cost would exceed this amount subject to future Council authorization. The study assumes that \$13 million in additional low interest loans from the state would be secured to be paid back by the Wastewater Fund. Section 2.2 below provides details regarding prior SWIP project loans. Additional details on the SWIP cost will be presented to Council later in August.

The consultant's financial analysis indicates that the cost to operate the collection system, reimburse Los Angeles for disposal, implement routine capital improvement projects, and fund one-time projects will exceed current and projected revenues. The sections below discuss Wastewater Fund expenditures, revenues, and reserves in detail, followed by two rate adjustment options. Specific rate structure alternatives will be presented for Council's feedback at the study session.

Section 2.2 Wastewater Fund Expenditures

Similar to the Water Fund, expenditures for the Wastewater Fund are divided into three categories that impact rate adjustment considerations: 1) Operating & Maintenance (O&M), 2) Routine Capital Projects and 3) One-Time Capital Projects. These are summarized in Table 8 below:

Table 8 - Summary of Projected Wastewater Fund Expenditures by Categories

Wastewater Fund Rate Payer Expenditures - 5 Year Projected Average (FY 18/19 - FY 22/23)		
Operations & Maintenance	\$ 18,500,000	67%
Routine Capital	\$ 6,700,000	24%
One-Time Capital	\$ 2,620,000	9%
Total:	\$ 27,820,000	

Future expenditures are projected to average \$27.8 million over the next five years (FY 18/19 through FY 22/23). Pending future Council approval, a total loan amount of \$75.9 million for SWIP would be secured by the Wastewater Fund and would be considered in the rate study. This consists of \$56.9 million already secured in the current loan agreement and a \$19 million additional loan (\$13 million would be paid back by the Wastewater fund and \$6 million by Measure V Fund). The original \$56.9 million loan would be divided as follows: \$36.9 million would be paid back by the Wastewater fund and approximately \$20 million would be paid back by the Measure V Fund. If the new total loan amount of \$75.9 million for SWIP is approved by Council, the Wastewater Fund would be responsible for paying back approximately \$49.9 million of the total loan. A comparison of the previous and current five-year rate study period is provided in Table 9 below.

Table 9 - Comparison of Previous Five Year Rate Study Period (FY 13/14 through FY 17/18) to Current Five Year Rate Study Period (FY18/19 through FY 22/23)

Rate Study Period	5 Year Average O&M	5 Year Average Capital	Total
FY 13/14 - FY17/18	\$17.6 Million	\$7.8 Million	\$25.4 Million
FY 18/19 - FY 22/23	\$18.5 Million	\$9.3 Million	\$27.8 Million

Expenditures (Capital and O&M) paid to City of Los Angeles for waste water disposal are projected to average \$9.6 million over the next five years and constitute over a third of the Fund's annual budget.

The increase in 5-year average O&M expenditures for FY18/19 through FY22/23 is a direct result of increased operation cost from wastewater disposal costs, salaries/wages, administering environmental programs, and net debt service for the SWIP loan, over a 30-year financing period. As stated above, Wastewater Fund will be responsible for paying back approximately \$49.9 million of the total loan. The average five-year capital cost, which does not include SWIP, (FY 18/19 through FY 22/23) increase from \$7.8 million to \$9.3 million is primarily due to increased construction costs and replacement of aging assets.

Section 2.3 Wastewater Fund Revenue

Wastewater Fund revenues are dependent on water consumption and have averaged \$20.8 million over the last five years (FY 13/14 to FY17/18). Successful conservation programs had very positive impacts and reduced the annual water demand but have also resulted in lower wastewater volumes discharged into the collection system. Thus, revenues have been declining in the Wastewater Fund similar to the Water Fund.

Without a rate increase, revenues for the Wastewater Fund are projected to average \$18.6 million over the next five years (FY 18/19 to FY22/23). Wastewater rates have not been adjusted since a 0.4% increase in 2014.

Section 2.4 Capital Facility Fees Collected from New Services

Similar to the Water Fund, the Wastewater Fund has collected connection fees (capital facility fees) from developers that are intended to fund capital projects that create treatment capacity or improve the collection systems. The wastewater rate analysis assumes the use of \$11.8 Million in FY19/20 to offset onetime capital projects that create wastewater treatment capacity with the construction of the SWIP. In addition, it is estimated that an annual income between \$400,000 and \$656,000 would be collected and used to offset debt repayment for the SWIP. These fees will be updated in the final

rate study document and presented to council for approval in the next meeting, based on input and direction received at the Study Session.

Section 2.5 Wastewater Fund Reserve Level

Maintaining proper reserve levels would be one of the primary impacts on rate adjustments for the Wastewater Fund. The consultant reviewed the City’s current policy and industry recommended best practice reserve levels. Reserve funds are established to meet both unforeseen operating and capital expenses in addition to potential rate stabilization due to unforeseen events or increases in other entities’ rates that the Fund must pay. Current Wastewater Fund reserve policies were adopted in 2008 and were revised and approved in the FY 2014-15 operating budget. Table 10 summarizes the current and recommended target reserves.

Table 10 - Comparison of Target Wastewater Fund Reserve

	2008	Current	Consultant Recommendation
Capital	\$2.1M	\$3.7M (in 2024)	\$7.5M (3% of capital assets)
Operating	\$1.4M	\$3M	\$3.7M (90 days O&M by 2024)
Rate Stabilization	\$2M	\$1M	\$1M
Total	\$5.4M	\$7.7M (in 2024)	\$12.2M

The consultant recommends the following criteria for the Wastewater Fund Reserve:

- **Capital Rehabilitation and Replacement Reserve** would be equal to three percent of Fund capital assets. The target reserve would be set at approximately \$7.5 million, compared to \$3.7M today and \$2.1M in 2008. This would be a \$5.4M increase since the 2008 rate study.
- **Operating Reserve** would be equivalent to 90-days of operating budget by Fiscal Year 2023/24. This would be set at approximately \$3.7 million compared to the \$3 million reserve policy set in 2014. The analysis assumes that the 90-

day operating budget reserve target would be met at the end of the five year period and that a minimum target of 60-days would be met each year.

- **A Rate Stabilization reserve** of \$1 million would remain unchanged.

In summary the consultant recommendation would increase reserve levels by approximately \$4.5 million, over five-years and the target reserve met by 2024. A minimum 60-day operating reserve will be maintained at all times.

Section 2.6 Wastewater Fund Efficiencies

Wastewater Fund Efficiencies in Operations

Similar to the Water Fund, the Wastewater Fund eliminated the 2.4% CPI annual increase from its operating budget in FY19/20.

Wastewater Fund Efficiencies in Capital Improvement

Staff previously estimated a need of \$3 million per year to implement annual wastewater main replacements. A temporary reduction is being considered for the Annual Water Main Replacement CIP to reduce fiscal demand on the Fund. Deferring wastewater main projects for three years would reduce pressure on wastewater rates in years 2020-2022 and enable staff to focus on water self-sufficiency projects. However, this would result in wastewater mains staying in service for 3-6 years longer than planned before replacement. This efficiency is equivalent to \$9 million in savings and eases the burden on the ratepayers at a time when SWIP is being constructed. The rate adjustment options presented below show both alternatives considered and the correlating rate options.

Section 2.7 Rate Adjustment Options for Wastewater Fund

Analogous to the Water Fund, Wastewater is an enterprise fund, and is expected to be financially self-sufficient; revenues must match annual expenditures. Table 11 below presents actual expenses and revenues over the past 5 years and projects future expenses and revenue.

Table 11 - Summary of Projected Wastewater Fund Shortfall without Rate Adjustment

Average Annual Costs over 5 year period	O&M Costs	Capital*	Total Expenditures	Revenues	Rate Adjustment Justification
FY 13/14 through FY 17/18	\$17.6 million	\$7.8 million	\$25.4 million	\$20.8 million	(\$4.6 million deficit)
2020-2024 Projections	\$18.5 million	\$9.3 million	\$27.8 million	\$18.6 million	(\$9.2 million deficit)

Table 11 presents actual expenditures and revenues over the past 5 years as well as future expenditures and revenue that indicate a \$9.2 million shortfall if the wastewater rate is not adjusted. Two adjustment scenarios were evaluated to make-up the projected shortfall and are summarized in Table 12 and further discussed below. The wastewater rate adjustment seeks to: 1) maintain wastewater service through operation and maintenance of an extensive wastewater collection system, 2) achieve water self-sufficiency by 2023, 3) improve environmental sustainability by reusing local water resources and indirectly reducing imported water purchases, 4) increase local control on wastewater treatment through SWIP, and 5) maintain adequate reserve levels to ensure continuity in operations.

Potential rate increases are presented similarly to the Water Fund above. Two scenarios are given in Table 12 and further discussed below. A subsequent section discusses three possible rate structures with three possible options including a blended commodity and fixed rate structure.

Table 12 - Draft Wastewater Fund Rate Adjustment Scenarios

Scenario	Description	Draft Rate Adjustment Scenarios 2020-2024
1	Fund Everything. Fund routine operation and maintenance costs, fund all CIP projects, increases SWIP project budget with an additional \$13M loan repayment, and establishes a 90-day operating target reserve. <i>This is the consultant recommended scenario.</i>	10% for four years and 3% for year 5
2	Reduced CIP and Fund Minimum Reserves. Fund routine operation and maintenance costs, fund reduced CIP with annual wastewater main deferred for three years, increases SWIP project budget with an additional \$13M loan, and establishes a 90-day operating target reserve.	9% for three years and 3% for years 4 and 5

Wastewater Rate Adjustment Scenario 1: A fund everything scenario where the consultant recommended reserve levels will be implemented and met in every year except in 2023, fund water self-sufficiency projects, and annual wastewater main replacement project will be maintained without any deferral. The Wastewater Fund balance for Scenario 1 is provided in Figure 3.

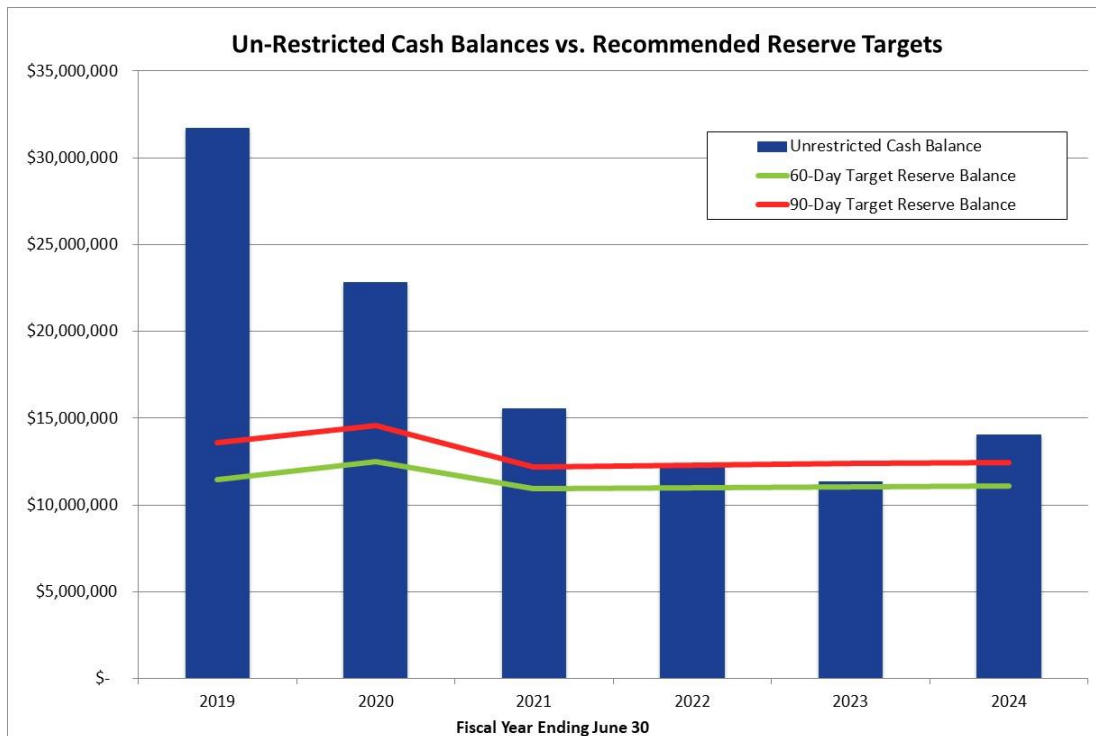


Figure 3: Fund Balance and Reserve Levels for Scenario 1 (Consultant Recommended)

Wastewater Rate Adjustment Scenario 2: - Reduced CIP and Fund Minimum Reserves. An adjustment in the current rates, applying 9% rate increases annually for the first three years and 3% annually over the last two years. The consultant recommended reserve levels would be met in every year. The fund balance for Scenario 2 is provided in Figure 4 below, where the blue reserve bar is above the recommended target reserve levels at all times. In this scenario, projected revenues would support ongoing costs of operations with the capital program reduced by about \$9.2 million. The primary difference between scenario 1 and 2 financially is the \$9.2 million in deferred annual wastewater main replacement projects.

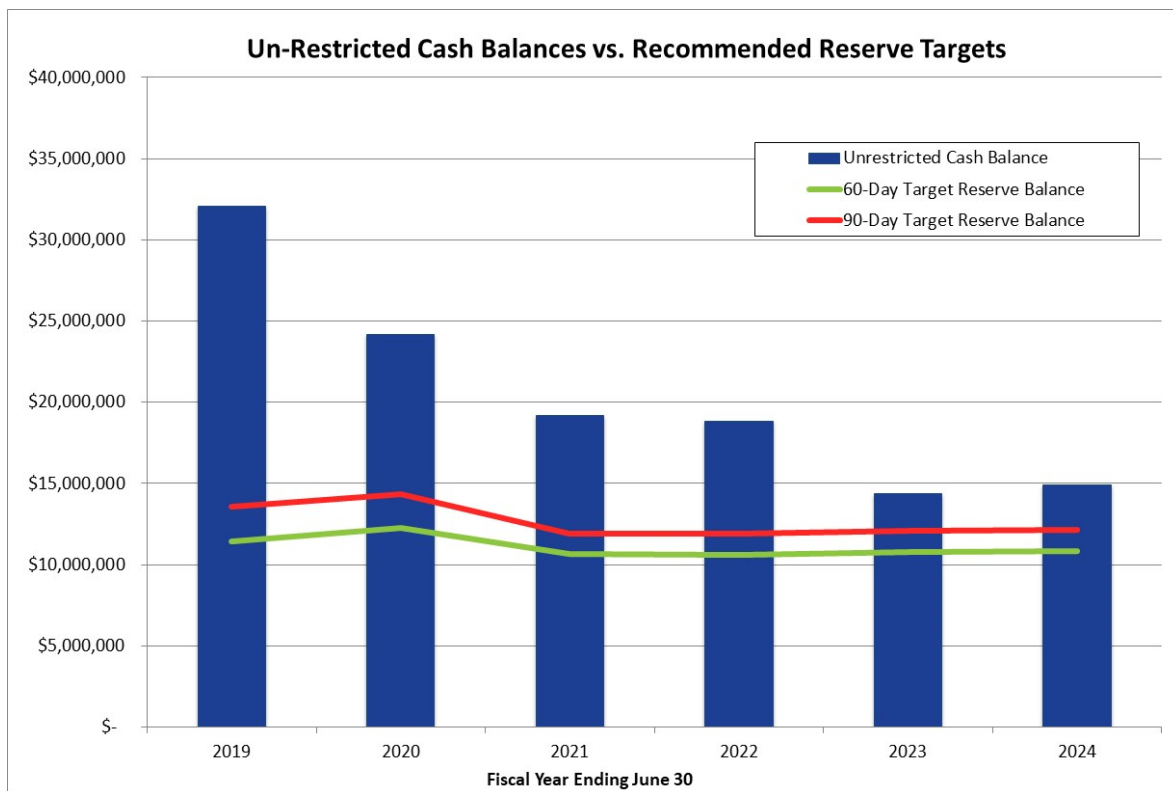


Figure 4 - Fund Balance and Reserve Levels for Scenario 2.

The rate adjustments in either scenario 1, and 2 would be implemented in each calendar year from 2020 through calendar year 2024, over the next five years. The

2020 increase would be in effect on either January 1, 2020 or March 1, 2020, pending staff's return to Council for the public hearing and rate adoption. Each successive year's increase after 2020 would take effect January 1st.

Section 2.8 Wastewater Fund Summary and Recommended Option

Wastewater Discharge Factor

Established pursuant to a 2008 rate study, the existing wastewater rate structure consists of commodity (or volumetric) only charges. A discharge factor is applied to the metered water consumption to represent the portion of water usage returned to the wastewater system. The discharge factors currently range from 51% for single-family residential accounts, to 95% for multi-family residential accounts with more than 4 units. In the past, single-family residential users would exhibit a far greater level of outdoor water usage which is not returned to the wastewater system. The residential factor was also calculated to be 51% during the 1991 rate study.

This rate study would calculate and update all discharge factors, based on actual usage accounting for cost of service and successful outdoor conservation efforts. The consultant calculates the discharge factor by taking the lowest consecutive 4 months of water use and dividing by the total annual water use, for each customer class.

The updated factors would be presented to Council during the study session. All customer classes would be impacted by this adjustment, including single-family customers whose factor would increase from 51% to 85% based on the rate study analysis and calculations performed. The 85% discharge factor for single family residential customers was calculated by taking the average winter water usage divided by the average annual volume. The same methodology was used to calculate and confirm the revised discharge factors for the other customer classes.

Wastewater Fund Suggested Rate Structure Modifications

The consultant recommends for consideration, rate adjustment scenario 1 with four years of 10% increases followed by one year of 3% increase. The consultant is also

recommending to simplify the customer classes, and condensing the commercial into fewer classes (for example, low, medium and high strength). Staff will present additional details on rate structure at the Council Study Session on August 13, 2019.

SECTION 3: RECYCLED WATER AND DROUGHT RATE

At the time this staff report was prepared, the recycled water rates and drought rates were still under development. However, staff will present information to Council on August 13, 2019 as part of the study session for this staff report.

SECTION 4: WATER AND WASTEWATER RATE STUDY COMMUNITY OUTREACH

To support the rate study development, increase community awareness, provide transparent information to the community, and solicit community feedback, Water Resources staff are working with the Administrative Services Division of the Public Works Department, Office of Communications and consultant Katz & Associates, to develop an outreach strategy aimed at doing the following:

- Developing community understanding of the importance of the goals the City is trying to achieve with the rate study (e.g., maintaining high quality service provided to the community and implementing capital improvement projects to achieve water self-sufficiency).
- Providing transparent information about the current state of rates and findings of the rate study.
- Clearly communicating and developing an understanding of the reasonable need to make financial investments that help the City achieve water self-sufficiency, and the projects that will be completed because of this effort.
- Providing all community leaders and stakeholders easy-to-understand information in a variety of platforms and easy access to updated information,
- Providing the community with a transparent Proposition 218 process that informs ratepayers about the cost of service for identified operational and capital needs.

Staff provided an Information Item to Council discussing public outreach strategy on May 23, 2019, Attachment G. The target audiences for the rate study public outreach effort include ratepayers, civic/business groups, neighborhood associations, faith-based organizations, nongovernmental organizations, and multicultural organizations. The public outreach efforts are intended to increase public awareness and understanding of the City's water and wastewater infrastructure and the rate adoption process in advance of presenting rate recommendations to Council in October 2019 and the mailing of Proposition 218 notices to customers. Planned public outreach efforts include attending neighborhood and civic/business group meetings, developing fact sheets, and distributing notifications and soliciting public comments through the Proposition 218 process.

As the rate study progresses, staff intends to hold various public outreach meetings for local business and community groups to solicit feedback on the rate study findings before making a recommendation to the Council and starting the Proposition 218 public notification process. Key milestones of the rate study and public outreach effort are listed below.

- February and June 2019 - presented initial rate study findings to the Task Force on the Environment.
- June 2019 - kick-off public outreach efforts to engage the community and solicit feedback on the rate study findings. Staff intends to continue public outreach efforts until the final rate recommendations are adopted by the City Council.
- July 2019 - presented an updated rate study finding to the Task Force on the Environment Water Subcommittee.
- August 13, 2019 - present initial rate study findings to City Council through a Study Session. Staff will refine the rate study recommendations with input provided by the City Council.
- September to October 2019 - ongoing outreach presenting final rate study recommendations prior to Council Meeting.

- October 2019 - prepare information item to the City Council share consultant's final rate study/cost of service reports and distribute Proposition 218 notices.
- January 2020 - public hearing and final rate adoption by the City Council.

Proposition 218 Compliance

Article XIII D, section 6, subdivision (b)(3) of the California Constitution (which constitutes a part of Proposition 218) provides, among other things, that water rates must reflect the “cost of service attributable” to a given parcel. In the past few years, courts have interpreted this cost of service requirement to require a cost analysis across customer classes (such as single family residential, multi-family residential, commercial, irrigation) as well as across the price tiers within each class.

For example, in the *City of Palmdale v. Palmdale Water District* (2011) 198 Cal.App.4th 926, the court upheld a challenge to a water district's adopted water rates because the district charged its municipal irrigation customers a disproportionate share of costs for water services. Similarly, in *Capistrano Taxpayers Assn. v. City of San Juan Capistrano*, 235 Cal.App.4th 1493, the court upheld a challenge to the city's tiered water rates because the city allocated all costs amongst the price tier levels, based upon predetermined water usage budgets rather than costs of service for each tier. The court specifically rejected the idea that the city could use the upper tier rates as penalties to discourage excessive water use without justifying the proportional cost of service for those upper tiers. *Id.* at 1508-1515.

Both of these cases underscore the need for a detailed cost of service study and clear administrative record to justify water and wastewater rate increases for each customer classification as well as across the tiers for each classification to ensure that users pay only their proportionate share of costs for service.

Proposition 218 also requires special notice and an opportunity to protest proposed water or wastewater rates before adoption. Specifically, Proposition 218 requires written notice by mail to the record owner of each parcel that will be subject to the proposed

rate increase. The notice must include (i) the amount of the proposed fee increase, (ii) the basis upon which the amount the proposed fee was calculated, (iii) the reason for the proposed increase, and (iv) the date, time, and location of a public hearing on the proposed fee or charge.

The public hearing on the proposed fee must be conducted no less than 45 days after mailing the notice of the proposed fee. At the public hearing the City must consider all protests against the proposed fee. If written protests against the proposed fee are presented by a majority of owners or tenants of identified parcels (one protest per parcel), the City cannot impose the fee.

The 45-day notice will be mailed prior to the public hearing tentatively scheduled in January 2020, for Council's consideration of the rate study and proposed rate adjustments. Absent a majority protest, City Council may then approve the final adoption of the rates at the public hearing.

Next Steps and Schedule

Staff seeks comments from Council regarding rate adjustment scenarios and structure alternatives. Specifically, Council's feedback regarding possible capital improvement program efficiencies would be essential. Following this meeting, the rate study will be completed and public notifications will be send out in accordance with Proposition 218 requirements. After the 45-day public notice period, a noticed public hearing will be scheduled in accordance with Proposition 218 for Council to consider the completed rate study and proposed rate structures for water and wastewater rates in calendar years 2020-24.

Financial Impacts and Budget Actions

There is no immediate financial impact or budget action necessary as this is a study session for Council to provide input. Staff will return to Council at a later date to seek specific budget actions.

Financial impacts to rate payers for calendar years 2020 to 2024 are estimated as a five-year average of potential increases. This would mean that the combined bimonthly water and wastewater bills are estimated to increase each year for five years (essentially five times). The estimated increase for each major class is listed below.

- Single Family Homes - an estimated \$23 to \$36 increase for an average single-family home bimonthly bill. This potential increase would continue to offer close to the lowest water costs in the region for the average single-family homes with an average cost of \$0.0062 to \$0.0067 per gallon for the first year.
- Multi-Family Units - an estimated \$18 to \$48 increase for an average 8-unit multifamily residential building; which represent an approximate monthly increase of \$1 to \$3 per unit.
- Commercial - an estimated \$50 to \$87 increase on their average commercial bimonthly bill.

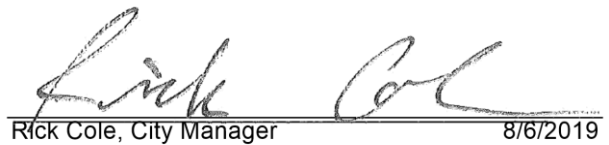
The range above is associated with the two rate adjustment scenarios presented in the staff report and estimated using the current rate structure. The estimated increases noted above assume that rate structure remains unchanged as a usage based only rate structure (without any fixed fees). It is important to note that due to possible rate structure modification the first year (year 2020) bills may increase for some and decrease for other. During year 2, or in 2021, the bills will increase based on the rate adjustment scenario approved by Council. Five-year average is a way to represent an average financial impact. Additional information would be provided during the August 13th study session.

Prepared By: Sunny Wang, Principal Civil Engineer

Approved

Forwarded to Council


Rick Valte, Assistant Director 8/2/2019


Rick Cole, City Manager 8/6/2019

Attachments:

- A. July 8, 2008 Staff Report - Adoption of 2008-2013 Water & Wastewater Rates (Web Link)
- B. February 24, 2015 Staff Report - Adoption of 2015-2019 Water Rates (Web Link)
- C. November 27, 2018 Staff Report - Sustainable Water Master Plan Update (Web Link)
- D. January 8, 2019 Staff Report - Authorization of 2019 Water Rate Adjustment (Web Link)
- E. Water and Wastewater Capital Improvement Program Projects
- F. Attachment G - Rate Study Information Item to City Council (Web Link)
- G. PowerPoint Presentation