



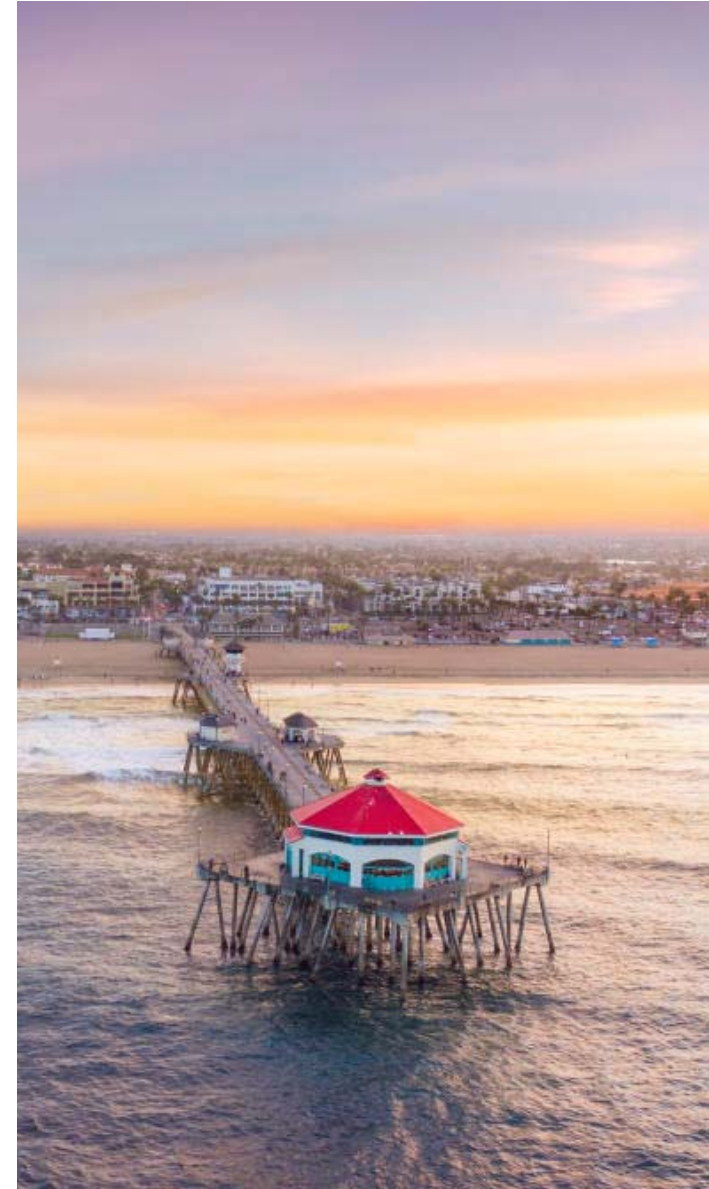
Water & Sewer Rate Adjustment

Finance Commission

April 24, 2024

Purpose and Need

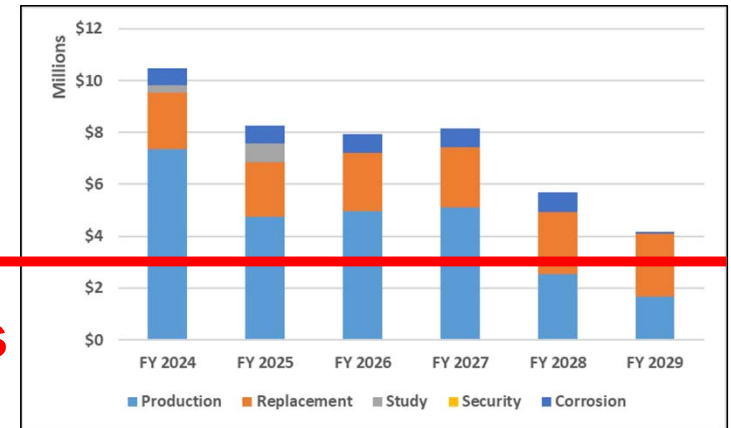
- **60+ year-old utility infrastructure**
 - Aging well field is losing capacity
 - Sewer lift station replacement/rehab
 - Insufficient water pipeline replacement
- **Maintain safe and reliable water and wastewater service**
 - Ensure revenue sufficiency
 - Capital replacement funding
 - Maintain adequate reserves



Water Master Plan and CIP

- Evaluates water system from 2020 through 2040
- Identifies key projects over next 20 years
- \$167 million in projects

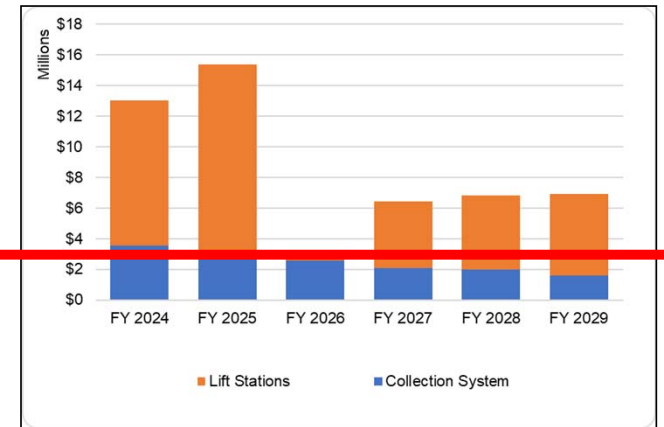
**Avg. CIP
\$3.2 million
past 5 years**



Sewer Master Plan and CIP

- Evaluates sewer system from 2020 through 2040
- Identifies key projects over next 10 years
- \$74 million in projects

**Avg. CIP
\$2.4 million
past 5 years**



Water & Sewer Rate Studies

- Conducted per Prop 218 and industry standards
- Factors Considered in Determining Rates
 - Operating costs impacted by recent inflation
 - Fund key capital improvement program (CIP) projects
- Findings and Recommendations
 - Adjust revenues to eliminate deficit and meet target reserves by end of study period, FY 2028-29
 - No change to rate components/categories
 - No change to reserve methodology



How did we get here?

- **2011-2014** – No increases to water rates, capital charge non-existent
- **2015-2018** – Rates were adjusted, capital charge introduced in 2018
- **2019-2023** – Rates frozen in 2020 due impacts from the COVID-19 Pandemic
 - Costs to run the system increase significantly, electrical/utility increased by 45.1%, construction increased by 38.5%



Factors Driving Adjustments

- Aging Infrastructure/Deferred Maintenance
 - Well Failure = \$2.3 million added import water cost per year
 - Estimated Cost of New Well = \$5.8 million
 - Time to Design and Build a New Well = 3 years (approximate)
- Wholesale Water Costs (2024)
 - OCWD (85% groundwater) = \$688 per acre-foot (+10.3% increase)
 - MWDOC (15% import) = \$1,465 per acre-foot (+16.6% increase)
- Inflation = higher labor and material costs
- New laws and regulations



Water Rate Components

- **Fixed Meter Charge** - funds the operations and maintenance of the water system
- **Capital Charge** - funds the capital improvements needed to the system per the Water Master Plan
- **Commodity Rate** - pass-through cost of purchasing water from Metropolitan Water District and Orange County Water District
- **Private Fire Line Fee** – for costs directly related to fire protection (*only applies to properties with a dedicated, private fire line service*)



5-Year Water Meter Fee

Table 1-3: Current and Proposed 5-Year Fixed Meter Charges, Monthly Basis

Meter Size	Current FY2023/24	Proposed FY2024/25	Proposed FY2025/26	Proposed FY2026/27	Proposed FY2027/28	Proposed FY2028/29
3/4"	\$18.23	\$19.31	\$21.14	\$22.94	\$24.43	\$25.53
1"	\$30.45	\$32.17	\$35.23	\$38.22	\$40.70	\$42.53
1 1/2"	\$60.71	\$64.34	\$70.45	\$76.44	\$81.41	\$85.07
2"	\$97.18	\$102.94	\$112.72	\$122.30	\$130.25	\$136.11
3"	\$212.77	\$225.19	\$246.58	\$267.54	\$284.93	\$297.75
4" Compound	\$303.93	\$321.69	\$352.25	\$382.19	\$407.03	\$425.35
4" FM	\$425.35	\$450.37	\$493.16	\$535.08	\$569.86	\$595.50
6" Compound	\$607.67	\$643.38	\$704.50	\$764.38	\$814.06	\$850.69
6" FM	\$972.31	\$1,029.40	\$1,127.19	\$1,223.00	\$1,302.50	\$1,361.11
8" Compound	\$1,604.98	\$1,029.40	\$1,127.19	\$1,223.00	\$1,302.50	\$1,361.11
8" FM	\$1,701.59	\$1,801.45	\$1,972.59	\$2,140.26	\$2,279.38	\$2,381.95
10" FM	\$2,674.09	\$2,830.85	\$3,099.78	\$3,363.26	\$3,581.87	\$3,743.05



5-Year Water Capital Charge

Reduced CIP (revised)

	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
3/4"	\$4.00	\$4.08	\$4.16	\$4.24	\$4.32	\$4.41
1"	\$6.67	\$6.80	\$6.94	\$7.08	\$7.22	\$7.36
1 1/2"	\$13.33	\$13.61	\$13.88	\$14.16	\$14.44	\$14.73
2"	\$21.33	\$21.77	\$22.21	\$22.65	\$23.10	\$23.56
3"	\$46.67	\$47.63	\$48.58	\$49.55	\$50.54	\$51.55
4"	\$66.67	\$68.04	\$69.40	\$70.79	\$72.21	\$73.65
4" Fire Meter	\$93.33	\$95.26	\$97.17	\$99.11	\$101.09	\$103.11
6"	\$133.33	\$136.08	\$138.80	\$141.58	\$144.41	\$147.30
6" Fire Meter	\$213.33	\$217.73	\$222.08	\$226.52	\$231.05	\$235.67
8"	\$373.33	\$217.73	\$222.08	\$226.52	\$231.05	\$235.67
8" Fire Meter	\$373.33	\$381.02	\$388.64	\$396.41	\$404.34	\$412.43
10" Fire Meter	\$586.67	\$598.75	\$610.73	\$622.94	\$635.40	\$648.11

5-Year Commodity Rate

Component	Current	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Wholesale Cost (OCWD + MWDOC)			\$2.9423	\$3.1924	\$3.3999	\$3.5529
Estimated Pass-through Increase			\$0.1128	\$0.3570	\$0.4853	\$0.6495
TOTAL	\$2.4034	\$2.6870	\$3.0551	\$3.5494	\$3.8852	\$4.2024

- Wholesale unit rates are ESTIMATED based on the projected OCWD and MWDOC rates and charges
- If wholesale rates are higher than predicted, the City will pass through the increase in the wholesale water purchase costs
- City has NO CONTROL over this rate increase component



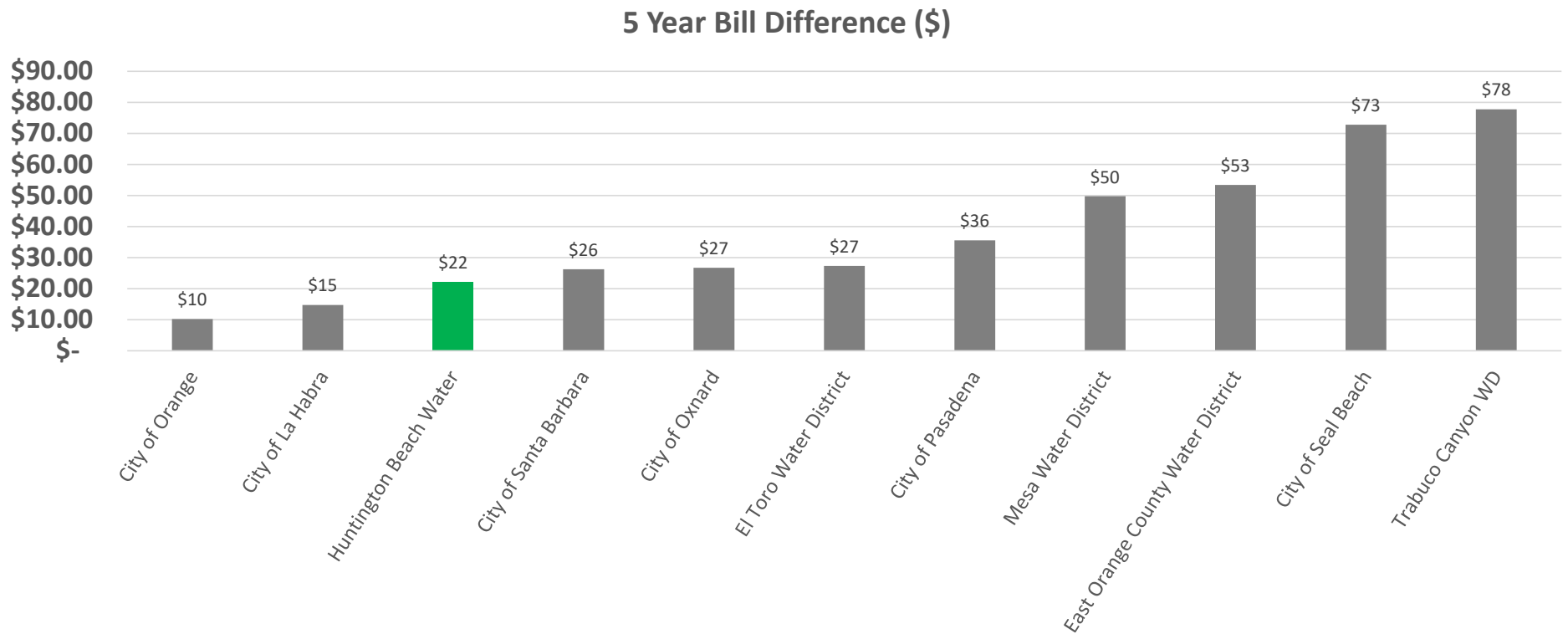
5-Year Private Fire Service Charge

Table 1-7: Current and Proposed 5-Year Private Fire Service Sprinkler Charge, Monthly Basis

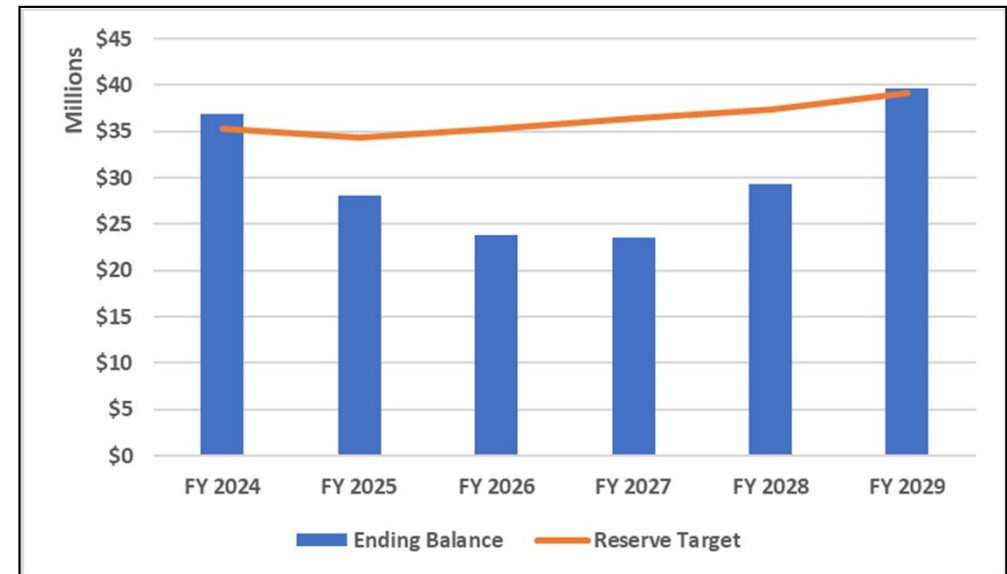
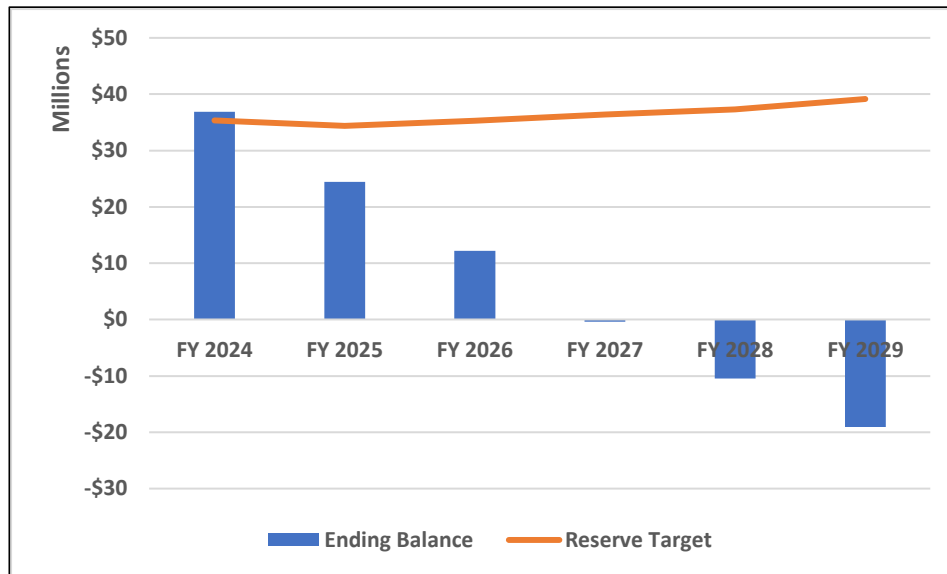
Meter Size	Current FY2023/24	Proposed FY2024/25	Proposed FY2025/26	Proposed FY2026/27	Proposed FY2027/28	Proposed FY2028/29
3/4"	\$3.65	\$0.29	\$0.32	\$0.35	\$0.37	\$0.39
1"	NA	\$0.29	\$0.32	\$0.35	\$0.37	\$0.39
1.5"	NA	\$0.82	\$0.90	\$0.98	\$1.04	\$1.09
2"	\$10.04	\$1.74	\$1.91	\$2.07	\$2.20	\$2.30
3"	\$14.90	\$5.05	\$5.53	\$6.00	\$6.39	\$6.68
4"	\$20.08	\$10.75	\$11.77	\$12.77	\$13.60	\$14.21
6"	\$30.11	\$31.21	\$34.17	\$37.07	\$39.48	\$41.26
8"	\$40.15	\$66.51	\$72.83	\$79.02	\$84.16	\$87.95
10"	\$49.88	\$119.60	\$130.96	\$142.09	\$151.33	\$158.14
12"	\$59.92	\$193.19	\$211.54	\$229.52	\$244.44	\$255.44



5-Year Water Rate Impact (\$)



Status Quo vs. Proposed: Water

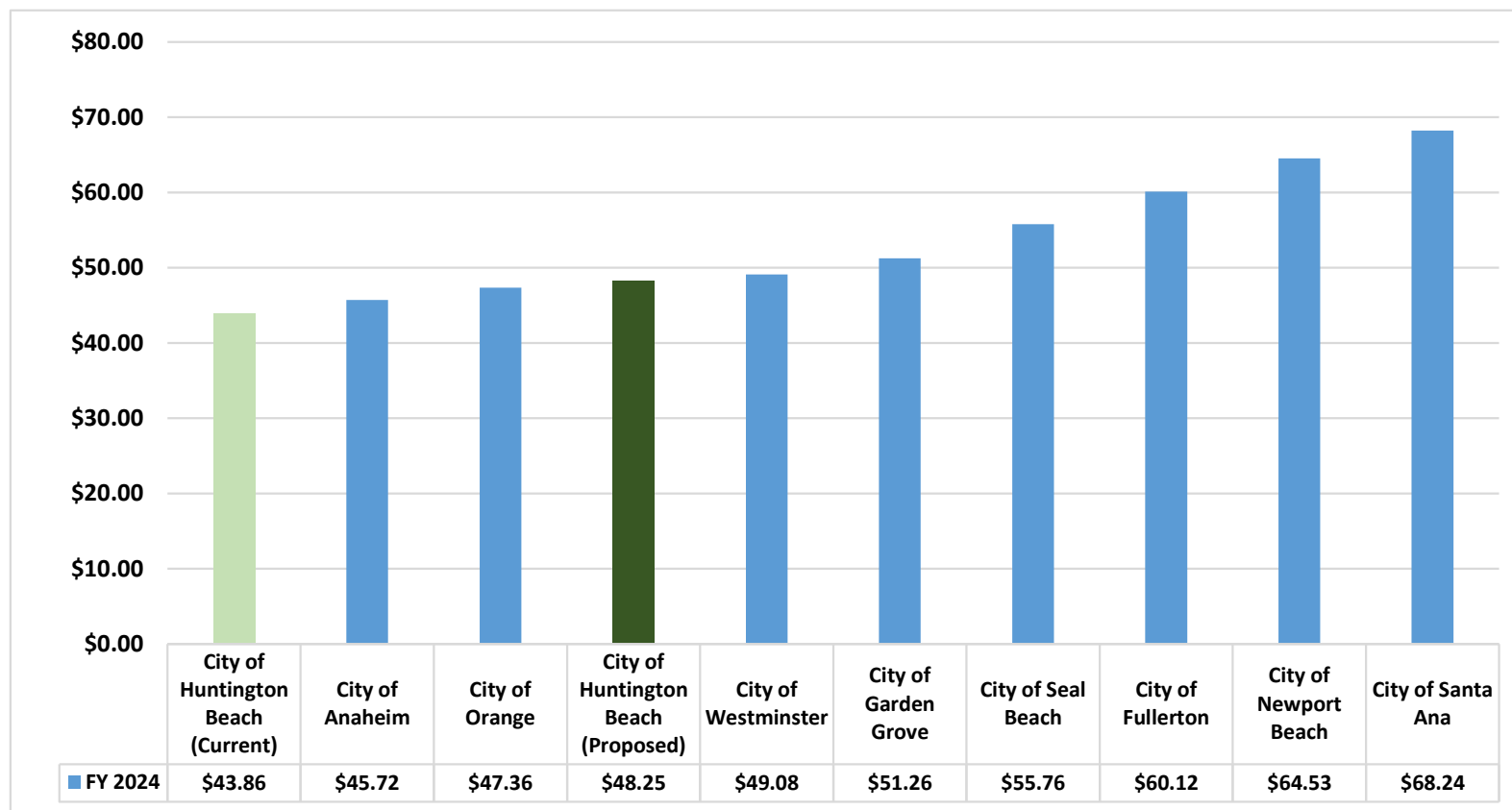


- The water system is a public health and safety issue. Ensuring that we have appropriate reserves protects the health and safety of our residents.
- NOTE: Water funds can ONLY be used for the for the acquisition, construction, reconstruction, maintenance, and operation of water facilities.



SFR Water Rate Comparison

(Single Family Residential, 3/4" meter, 9 CCF = 6,732 gallons)



5-Year Sewer Rate

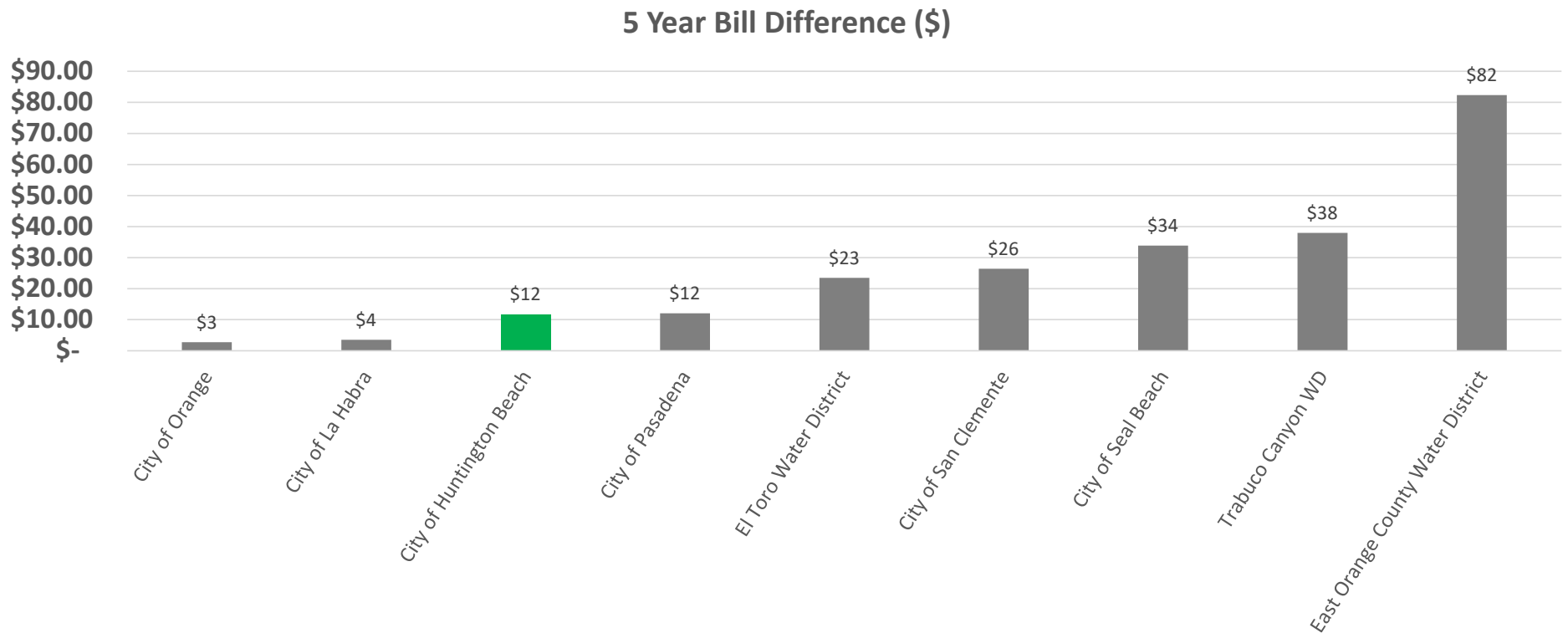
Table 4-2. Current Rates and Proposed Wastewater Rates, Current and FY 2024 – FY 2029

Customer Class	Current Rates	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SFR	\$10.98	\$12.43	\$14.48	\$16.87	\$19.57	\$22.70
MFR	\$9.10	\$9.15	\$10.66	\$12.41	\$14.40	\$16.70
CII	\$12.74	\$23.05	\$26.85	\$31.29	\$36.29	\$42.10
K-8	\$2.26	\$2.48	\$2.89	\$3.36	\$3.90	\$4.52
High School	\$3.51	\$3.72	\$4.33	\$5.04	\$5.85	\$6.78

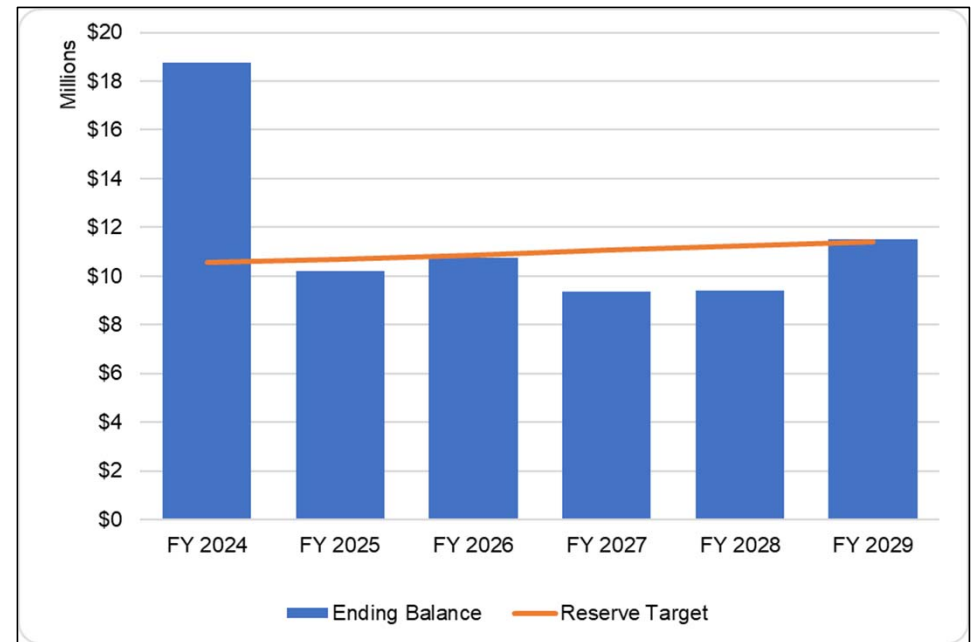
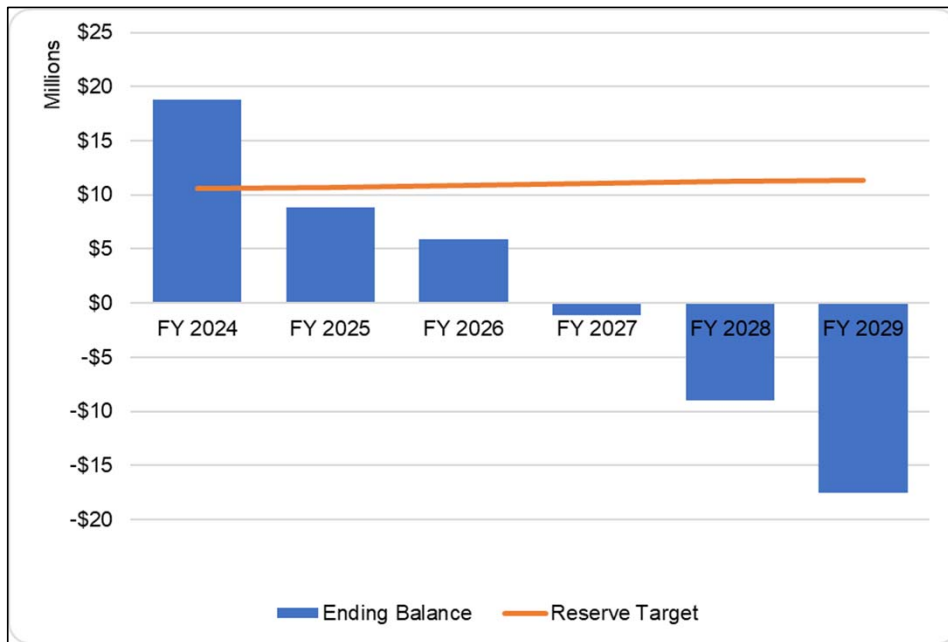
- Single-family and multi-family residential billing units based on dwelling units
- Commercial, industrial, and institutional billing units based on number of units or size/type of meter
- Education customers based on average daily attendance



5-Year Sewer Rate Impact (\$)



Status Quo vs. Proposed: Sewer

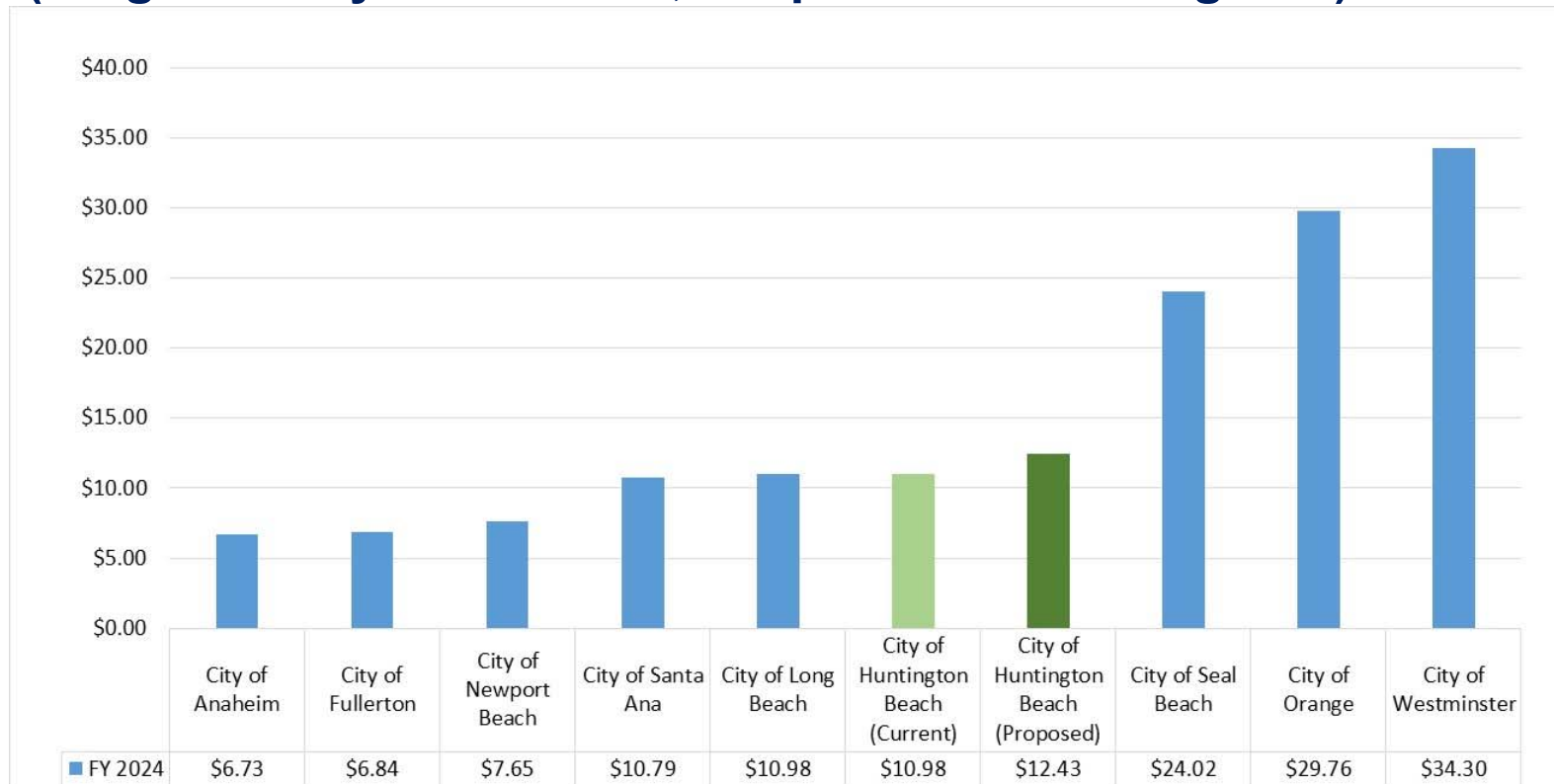


- The sewer system is a public health and safety issue. Ensuring that we have appropriate reserves protects the health and safety of our residents.
- NOTE: Sewer funds can ONLY be used for the for the acquisition, construction, reconstruction, maintenance, and operation of water facilities.



SFR Wastewater Rate Comparison

(Single Family Residential, 1 equivalent dwelling unit)



Reduced CIP Scenario

(Single Family Residential, 3/4" meter, 9 CCF = 6,732 gallons)

	Current	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
Consumption Rate	\$21.63	\$24.18	\$27.50	\$31.94	\$34.97	\$37.82
Fixed Meter Charge	\$18.23	\$19.31	\$21.14	\$22.94	\$24.43	\$25.53
Capital Charge (REDUCED)	\$4.00	\$4.08 \$4.76	\$4.16 \$5.66	\$4.24 \$6.74	\$4.32 \$8.02	\$4.41 \$9.54
Sewer Charge (REDUCED, CIP Only)	\$10.98	\$11.90 \$12.43	\$13.32 \$14.48	\$14.66 \$16.87	\$16.12 \$19.57	\$17.73 \$22.70
Total	\$54.84	\$59.47 \$60.68	\$66.12 \$68.78	\$73.78 \$78.49	\$79.84 \$86.99	\$85.49 \$95.59

SFR Sample Bill Impacts

(Single Family Residential, 3/4" meter, 9 CCF = 6,732 gallons)

Capital Charge Scenario	Avg. Annual Impact (\$)	Avg. Annual Impact (%)	5-Year Impact (\$)	5-Year Impact (%)
100% CIP	\$8.15	12%	\$40.75	74%
Reduced CIP (25% less impact)	\$6.13	9%	\$30.65	56%

Water CIP Projects (Reduced)

Project Name	Cost (\$)
Well 14 (NEW) – City of Westminster	7,221,000
Well 15 (NEW) – Location TBD	7,221,000
OC-35 and OC-9 Corrosion Control - WOCWB	5,670,000
Well 8 Replacement/Rehabilitation	3,230,000
Manganese Treatment System at Well 3A	2,200,000
Well 4 Rehabilitation	1,500,000
Citywide Well Assessment	300,000
Water Well 16 (NEW) - Location TBD	7,221,000
Groundwater Master Plan	217,000
Lead and Copper Rule Inventory Study	50,000
Water Master Plan	289,000
Urban Water Management Plan	289,000

Water CIP Projects (Reduced)

Project Name	Cost (\$)
Annual Pipe Replacement	9,928,500
OC-44 Corrosion Control	2,475,000
OC-44 Scour Protection	396,000
8" Pipe Replacement – Humboldt Bridge Rehab	144,000
Well 3A Chlorine	831,000
Well 4, 7, 13 Chlorine	5,109,000

Deferred Water CIP Projects

Project Name	Cost (\$)
Well 1A, 5, 6, 9, 10 Chlorine	6,291,000
Edwards Hill Chlorine	1,234,000
Overmyer Chlorine	1,383,000
Well 13 Permanent Wellhead	2,888,000
Security at Wells 3A, 6	434,000
Annual Corrosion Control	376,000
SCADA Cybersecurity Upgrades	300,000
Electric Vehicle Charging Stations	1,500,000
Well Quality Emergency Mitigation Treatment	200,000

Sewer CIP Projects (Reduced)

Project Name	Cost (\$)
McFadden	1,532,000
Edinger Sewer Murdy Channel to Beach Blvd	2,000,000
Odor Control for Edgewater LS	70,000
CCTV Video Inspection Program	500,000
Residential Overlay Program	1,650,000
PCH Restroom Sewer Lift Station	10,565,000
Sewer Lift McFadden	1,350,000
Humboldt	4,933,000
Davenport	4,500,000
Sewer Lift E Station (Gilbert)	4,350,000
Sewer Lift Lark & Warner	4,850,000
Sewer Lift New Britain & Adams	5,350,000
Sewer Lift Bushard & Pettswood	4,350,000

Deferred Sewer CIP Projects

Project Name	Cost (\$)
Annual Sewer Lining Program	6,875,000
Graham Parkside	275,000
Station D	176,000
Station A	185,000
Ellis	357,500
Algonquin	203,500
Adams	313,500
Boeing	280,500
Edinger	93,500
Coral Cay	15,000
Station C	137,500
Edwards	143,000
Brookhurst	324,500
Brighton	247,500
Trinidad	13,000

Recommended Action

- Adopt Resolution 2024-18 readopting and revising the City's Water Commodity Rates, per Section 14.12.040 of the HBMC
- Adopt Resolution 2024-20 adjusting water meter rates, including a capital surcharge and private fire line service fee, per Section 14.12.040 of the HBMC
- Adopt Resolution 2024-19 adjusting sewer service user charges per Section 14.54.020 of the HBMC



Questions?

