

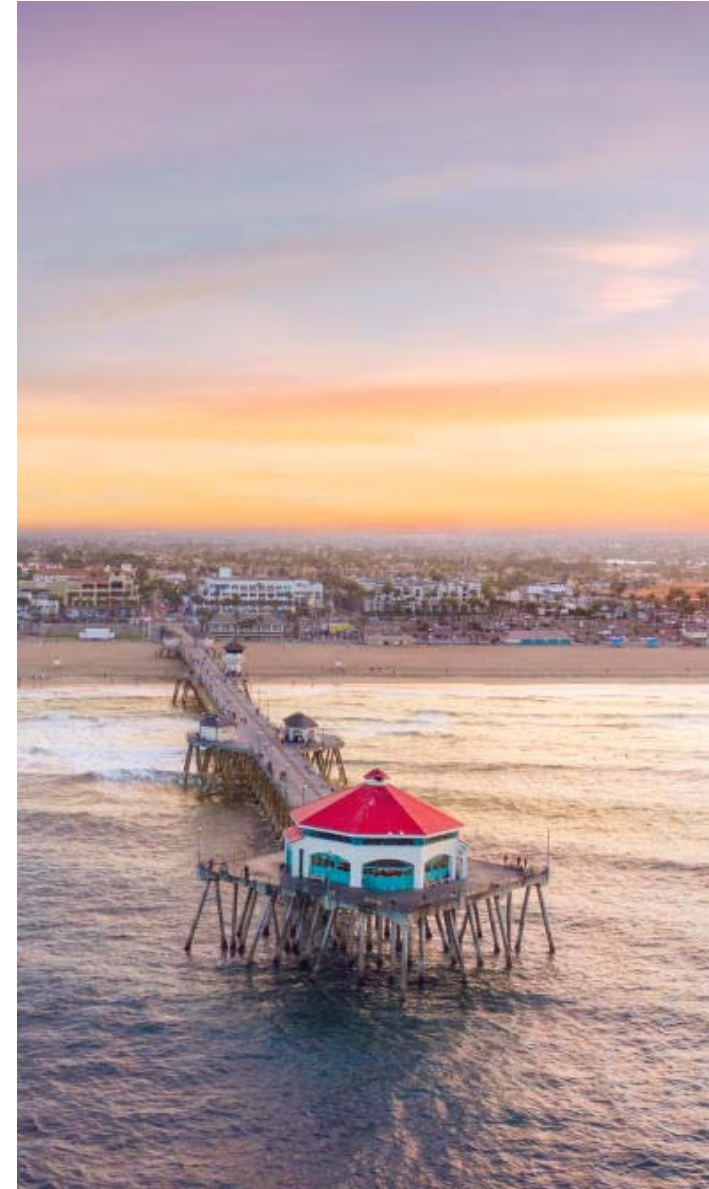


Water & Sewer Rate Adjustment

Proposition 218 Public Hearing
April 16, 2024

Purpose and Need

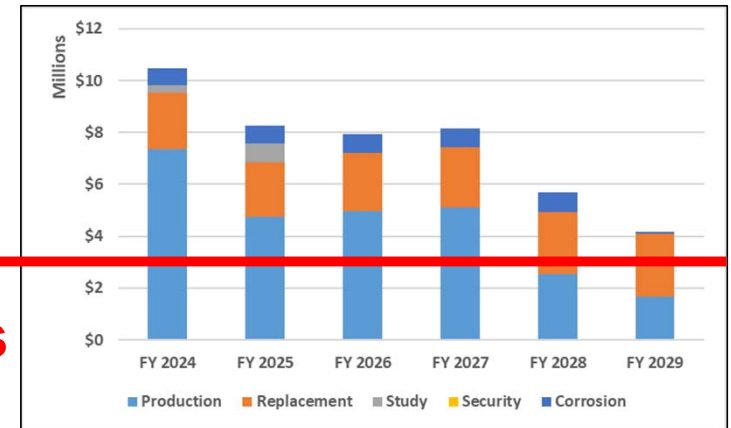
- **60+ year-old utility infrastructure**
 - Aging well field is losing capacity
 - Sewer lift station replacement/rehab
 - Insufficient water pipeline replacement
- **Maintain safe and reliable water and wastewater service**
 - Ensure revenue sufficiency
 - Capital replacement funding
 - Maintain adequate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



Water Master Plan and CIP

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

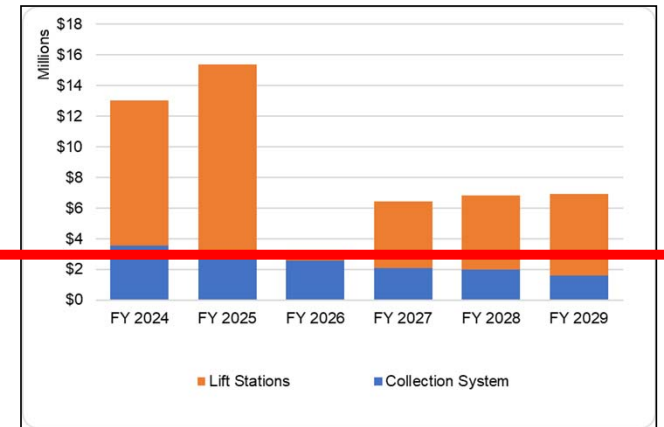
**Avg. CIP
\$3.2 million
past 5 years**



Sewer Master Plan and CIP

- Evaluates sewer system from 2020 through 2040
- Identifies key projects over next 10 years
- \$73.6 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



Reserve Targets for FY 2024

Reserve Type	Water	Wastewater
Operating Reserves: Deals with cash flow	3 months of Operations & Maintenance ~\$12.5 million	4 months of Operations & Maintenance ~\$3.5 million
Capital Reserves: Assists with timing and awarding contracts	150% of Average 5-year Capital Improvement Program ~\$12.2 million	Average of 5-year Capital Improvement Program ~\$2.7 million
Emergency Reserve: Asset Failure	Cost to replace one groundwater well + incremental cost of buying imported water ~\$10.7 million	Cost to replace one lift station ~\$4.5 million
TOTAL	~\$35 million	~\$11 million

Sample Well Failure Impacts

Well w/design capacity of 3,000 gallons per minute

Item	Build a Well Now	Well Failure Impact
Design and construct a new well	\$6 million	\$6 million
3-year State Water Project additional water costs	n/a	\$7 million
Total Cost	\$6 million	\$13 million (117% additional cost)

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%

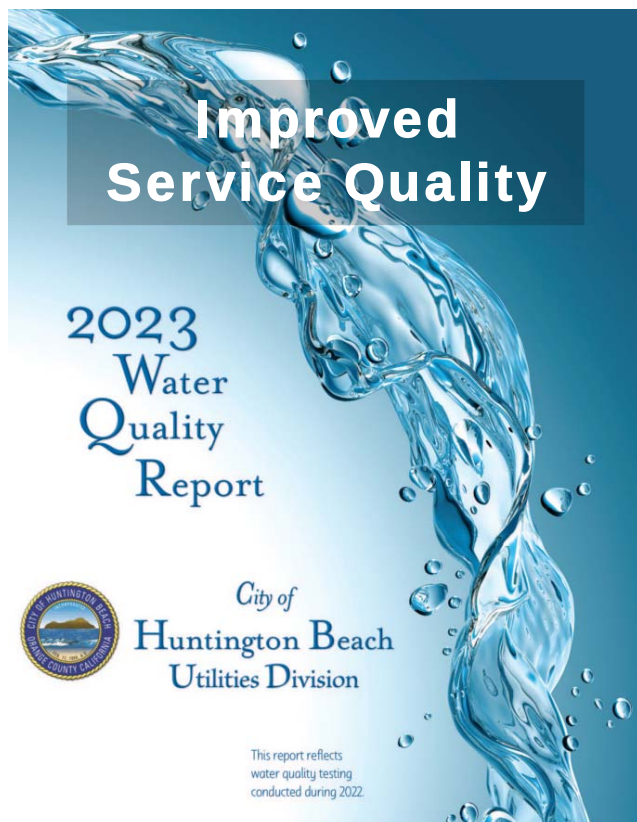


Factors Driving Adjustments

- Aging Infrastructure/Deferred Maintenance
 - Well Failure = \$3.1 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



Community Benefits



Legal Framework for Setting Rates



- California - 1996
- Voters approved Right to Vote on Taxes Act, known as **Proposition 218**
- Established requirements for setting local government fees and charges, which includes utility rates



Public Outreach and Process



PLEASE TAKE NOTICE that the City of Huntington Beach City Council will conduct a Public Hearing to consider approval of proposed increases and adjustments to the City's water and wastewater (sewer) rates for the next five years, effective on July 1, 2024, through 2028. The proposed rates will be mailed to you on or about February 29, 2024, at the following time and place:

Tuesday, April 16, 2024, at 6 p.m.
Huntington Beach City Council Chambers
2000 Main Street, Huntington Beach, CA 92648

Why Am I Receiving This Notice?
You are receiving this notice in accordance with Article XIII-D, Section 6 of the California Constitution ("Proposition 218") because you are a customer or property owner of record of one or more of the City's water and wastewater services located within the City of Huntington Beach. California's Proposition 218 law requires water and wastewater service providers to notify customers so that they can participate in a public hearing when proposing adjustments to water and wastewater rates and charges. If more than 50% of the City's customers oppose the proposed rate adjustment(s), the City may not increase rates.

This serves as notice that the Huntington Beach City Council will conduct a Public Hearing at the time, date, and location identified in this Notice to consider recommended adjustments to the City's water and wastewater rates. All those interested are invited to appear at the time and place of the Public Hearing to give oral or written testimony. The City Council will hear and consider public input regarding the proposed adjustments to the Public Hearing on Tuesday, April 16, 2024, at 6 p.m. to determine whether to adopt the proposed rates. The City Council cannot increase rates beyond the amounts listed in this Notice. If adopted, proposed water and wastewater rates will become effective on July 1, 2024, with annual rate adjustments effective on July 1 of each year through 2028. **Please refer to the enclosed information on how to protest the proposed rates and charges.**

TENGA EN CUENTA que el Consejo de la Ciudad de Huntington Beach celebrará una Audiencia Pública para considerar la aprobación de los aumentos y ajustes a las tarifas de agua y aguas residuales (sewer) para los próximos cinco años, a partir del 1 de julio de 2024, hasta el siguiente lugar y hora.

El martes 16 de abril de 2024, a las 6 p.m.
Camaras del Consejo de la Ciudad (Ayuntamiento) de Huntington Beach
2000 Main Street, Huntington Beach, CA 92648

¿Por qué Recibo Este Aviso?
Usted está recibiendo este aviso de conformidad con el Artículo XIII-D, Sección 6 de la Constitución de California ("Propuesta 218") porque usted es cliente o propietario de una o más de las servicios de agua y aguas residuales (sewer) de la Ciudad de Huntington Beach. La ley de la Propuesta 218 de California exige que los proveedores de servicios de agua y aguas residuales notifiquen a los clientes para que puedan participar en una audiencia pública cuando propongan ajustes a las tarifas y tasas de agua y aguas residuales. Si más del 50% de los clientes de la ciudad se oponen a los ajustes propuestos, la ciudad no podrá aumentar las tarifas.

Este le sirve como notificación de que el Consejo de la Ciudad de Huntington Beach celebrará una Audiencia Pública a la hora, fecha y lugar indicados en este aviso para considerar los ajustes recomendados a las tarifas de agua y aguas residuales de la Ciudad. Se invita a todos los interesados a comparecer a la hora y en el lugar de la Audiencia Pública para dar testimonio oral o escrito. El Consejo de la Ciudad escuchará y considerará la entrada de los comentarios de los clientes en la Audiencia Pública el martes 16 de abril de 2024, a las 6 p.m. para determinar si acepta las tarifas propuestas. El Consejo de la Ciudad no puede aumentar las tarifas más allá de los montos listados en este aviso. Si se aprueban, los ajustes de las tarifas de agua y aguas residuales entrarán en vigor el 1 de julio de 2024, con ajustes anuales de las tarifas que entrarán en vigor el 1 de julio de cada año hasta 2028. **Consulte la información adjunta sobre cómo objetar contra las tarifas y tasas propuestas.**



The Latest City Hall Community Improvements Public Safety

Search

PROP 218 - POTENTIAL WATER & WASTEWATER (SEWER) RATE INCREASE NOTIFICATION

SurfCityBreak City Hall, Featured February 29, 2024



Water & Wastewater Proposed Rates

Watch Your Mailbox for Notice of Proposed Rates Public Hearing

www.huntingtonbeachca.gov

Within the next few weeks, public notices called Prop 218 will be mailed to all Surf City residents and businesses, informing them of proposed water and wastewater (sewer) rate increases. The Huntington Beach City Council will conduct a Public Hearing on Tuesday, April 16, 2024, at 6 p.m. to consider these proposed rate increases and adjustments to services. In compliance with California Proposition 218, the City is mailing an official Notice to inform Huntington Beach property owners and water and wastewater customers that proposed rate increases are being considered. The Public Hearing on Tuesday, April 16, and of their right to participate and to protest rate increases. The public is encouraged to read the Notice that begins arriving in the mail as early as February 29 or access the digital copy and related information at <https://huntingtonbeachca.gov/ratestudy>. The public can also request information via email at Janice.Goebel@surfcity-hb.org or call (714) 536-5431.

Latest Stories

California History Month - 1879 Constitution and Our City Charter

CITY OF HUNTINGTON BEACH

Water & Wastewater Rate Study

Proposition 218 is released and mailed

Public Hearing

Tuesday, April 16 | 6pm

City Hall, Council Chambers

<https://huntingtonbeachca.gov/ratestudy>

Questions? Contact Janice Goebel at (714) 536-5431 or janice.goebel@surfcity-hb.org





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

Table 1-5: Current and Proposed 5-Year Fixed Capital 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"	\$4.00	\$4.76	\$5.66	\$6.74	\$8.02	\$9.54
1"	\$6.67	\$7.94	\$9.45	\$11.25	\$13.39	\$15.93
1 1/2"	\$13.33	\$15.88	\$18.90	\$22.49	\$26.76	\$31.84
2"	\$21.33	\$25.40	\$30.23	\$35.97	\$42.80	\$50.93
3"	\$46.67	\$55.57	\$66.13	\$78.69	\$93.64	\$111.43
4" Compound	\$66.67	\$79.38	\$94.46	\$112.41	\$133.77	\$159.19
4" FM	\$93.33	\$111.13	\$132.24	\$157.37	\$187.27	\$222.85
6" Compound	\$133.33	\$158.76	\$188.92	\$224.81	\$267.52	\$318.35
6" FM	\$213.33	\$254.01	\$302.27	\$359.70	\$428.04	\$509.37
8" Compound	\$373.33	\$254.01	\$302.27	\$359.70	\$428.04	\$509.37
8" FM	\$373.33	\$444.52	\$528.98	\$629.49	\$749.09	\$891.42
10" FM	\$586.67	\$698.54	\$831.26	\$989.20	\$1,177.15	\$1,400.81



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



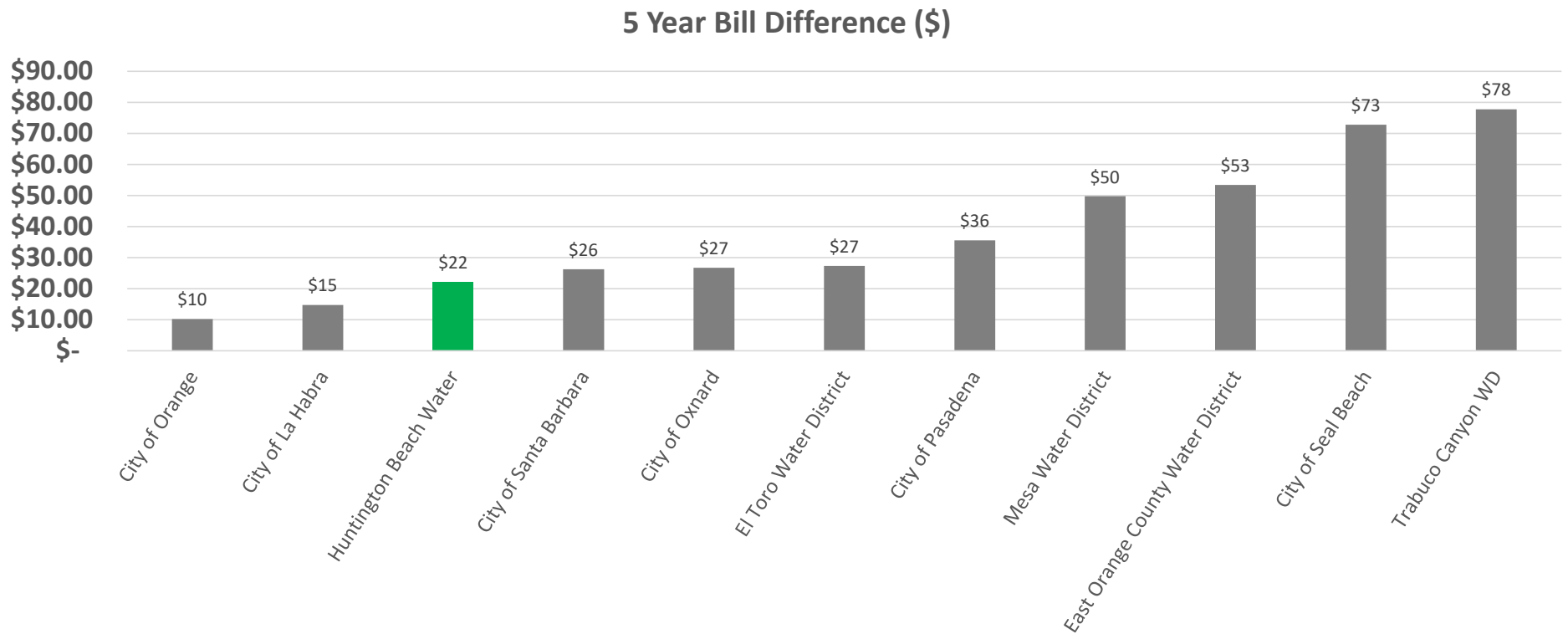
5-Year Private Fire Service Charge

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

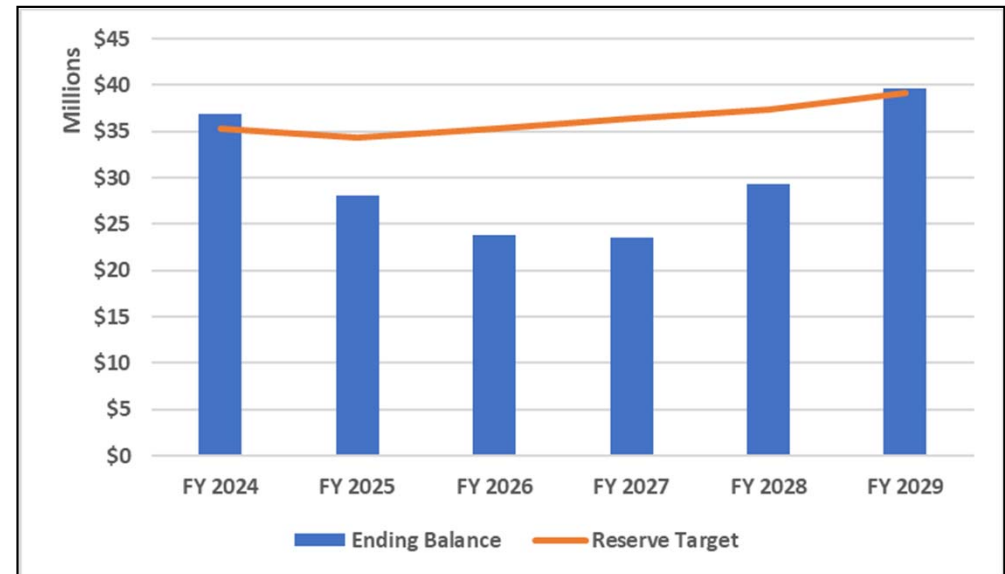
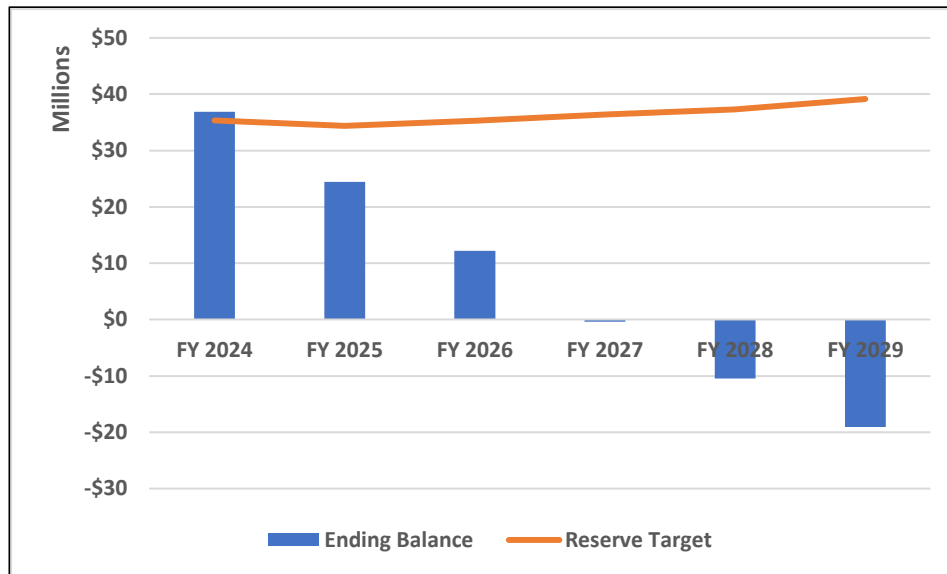
Meter Size	Current FY2023/24	Proposed FY2024/25	Proposed FY2025/26	Proposed FY2026/27	Proposed FY2027/28	Proposed FY2028/29
3/4"	\$3.65	\$0.29	\$0.32	\$0.35	\$0.37	\$0.39
1"	NA	\$0.29	\$0.32	\$0.35	\$0.37	\$0.39
1.5"	NA	\$0.82	\$0.90	\$0.98	\$1.04	\$1.09
2"	\$10.04	\$1.74	\$1.91	\$2.07	\$2.20	\$2.30
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

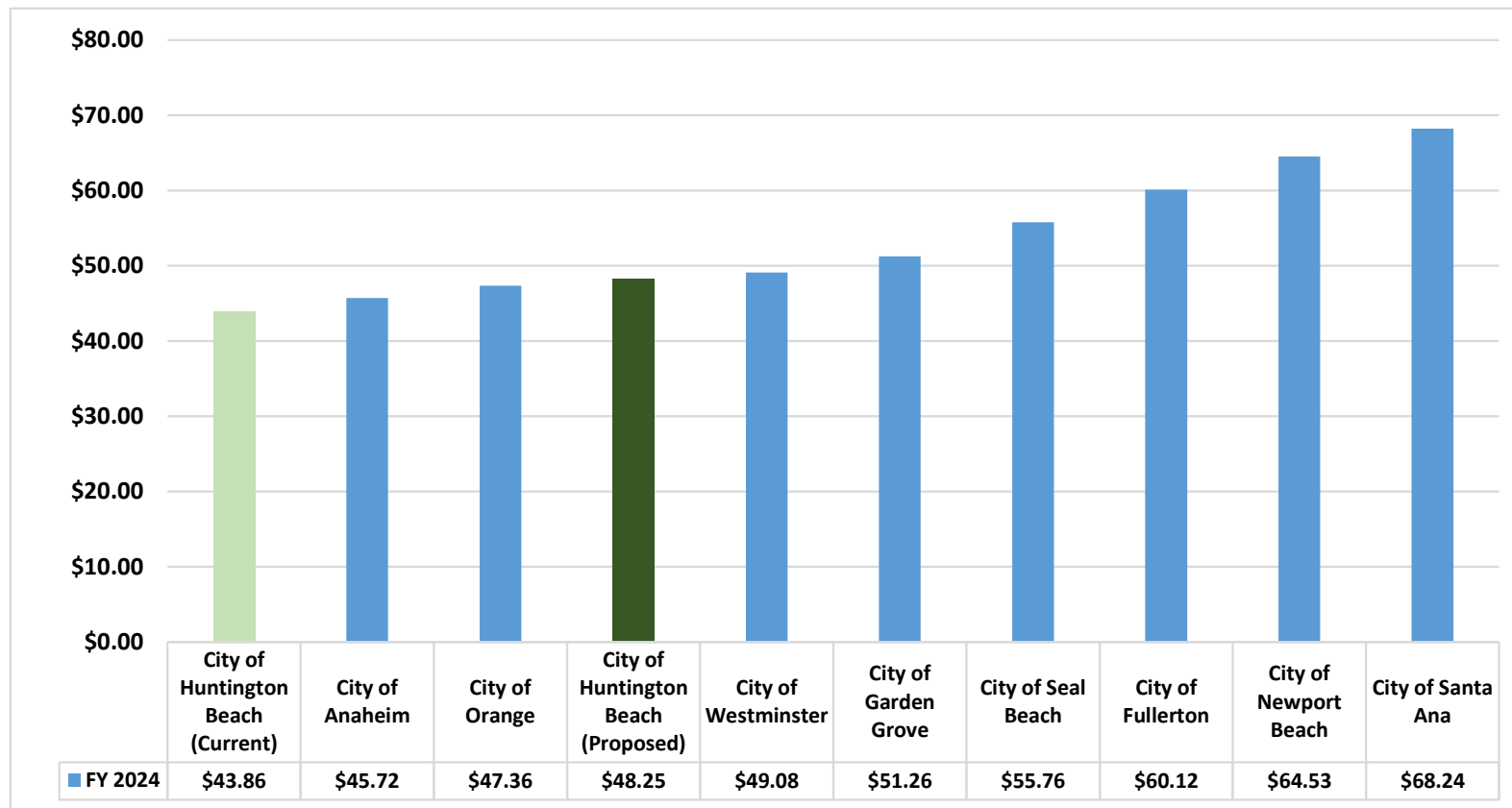


- The water system is a public health and safety issue. Ensuring that we have appropriate reserves protects the health and safety of our residents.
- NOTE: Water funds can ONLY be used for the for the acquisition, construction, reconstruction, maintenance, and operation of water facilities.



SFR Water Rate Comparison

(Single Family Residential, 3/4" meter, 8 CCF = 5,984 gallons)



5-Year Sewer Rate

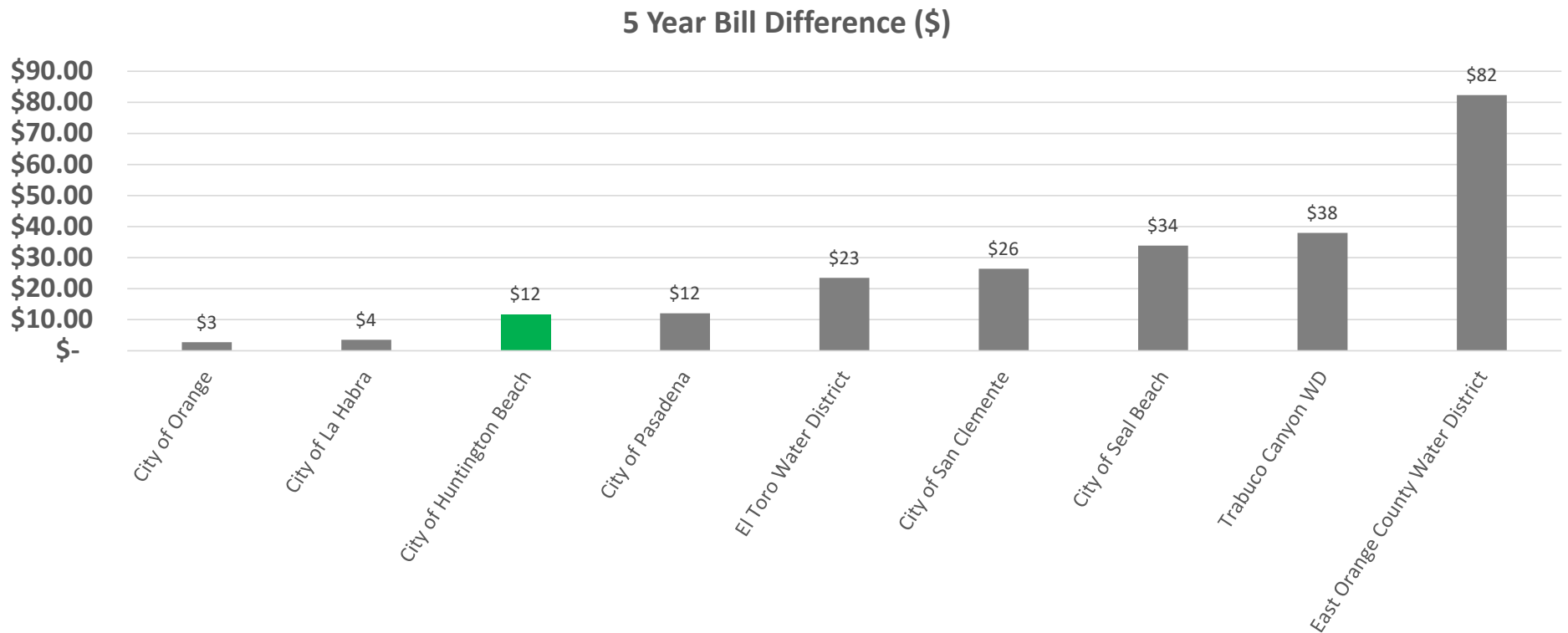
Table 4-2. Current Rates and Proposed Wastewater Rates, Current and FY 2024 – FY 2029

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

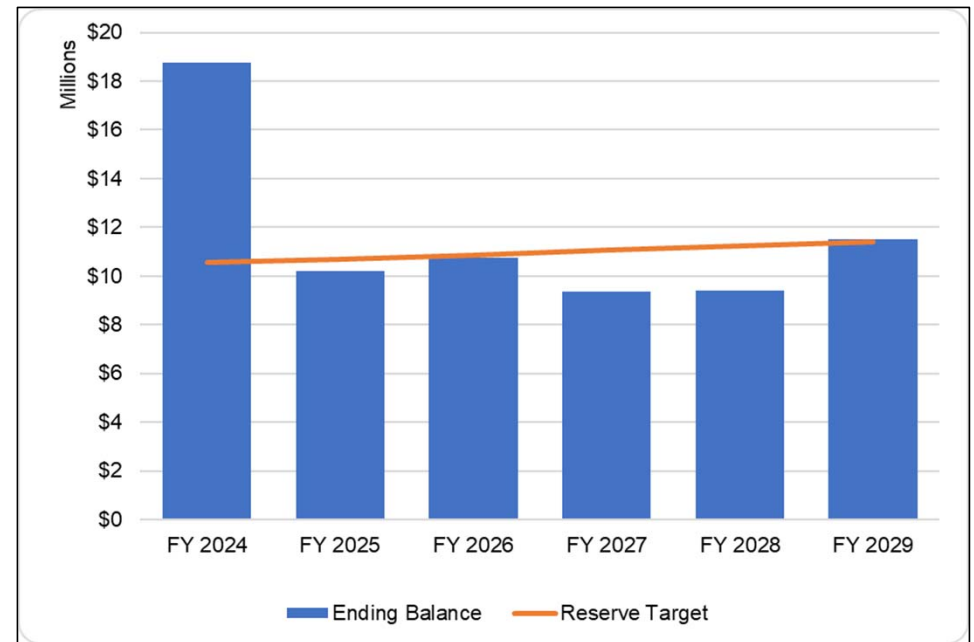
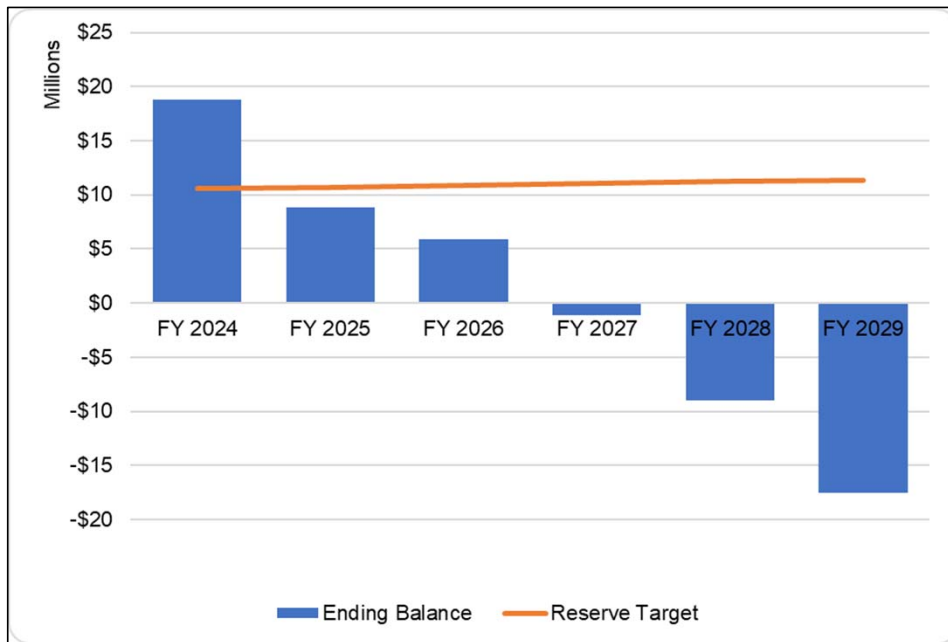
- Single-family and multi-family residential billing units based on dwelling units
- Commercial, industrial, and institutional billing units based on number of units or size/type of meter
- Education customers based on average daily attendance



5-Year Sewer Rate Impact (\$)



Status Quo vs. Proposed: Sewer

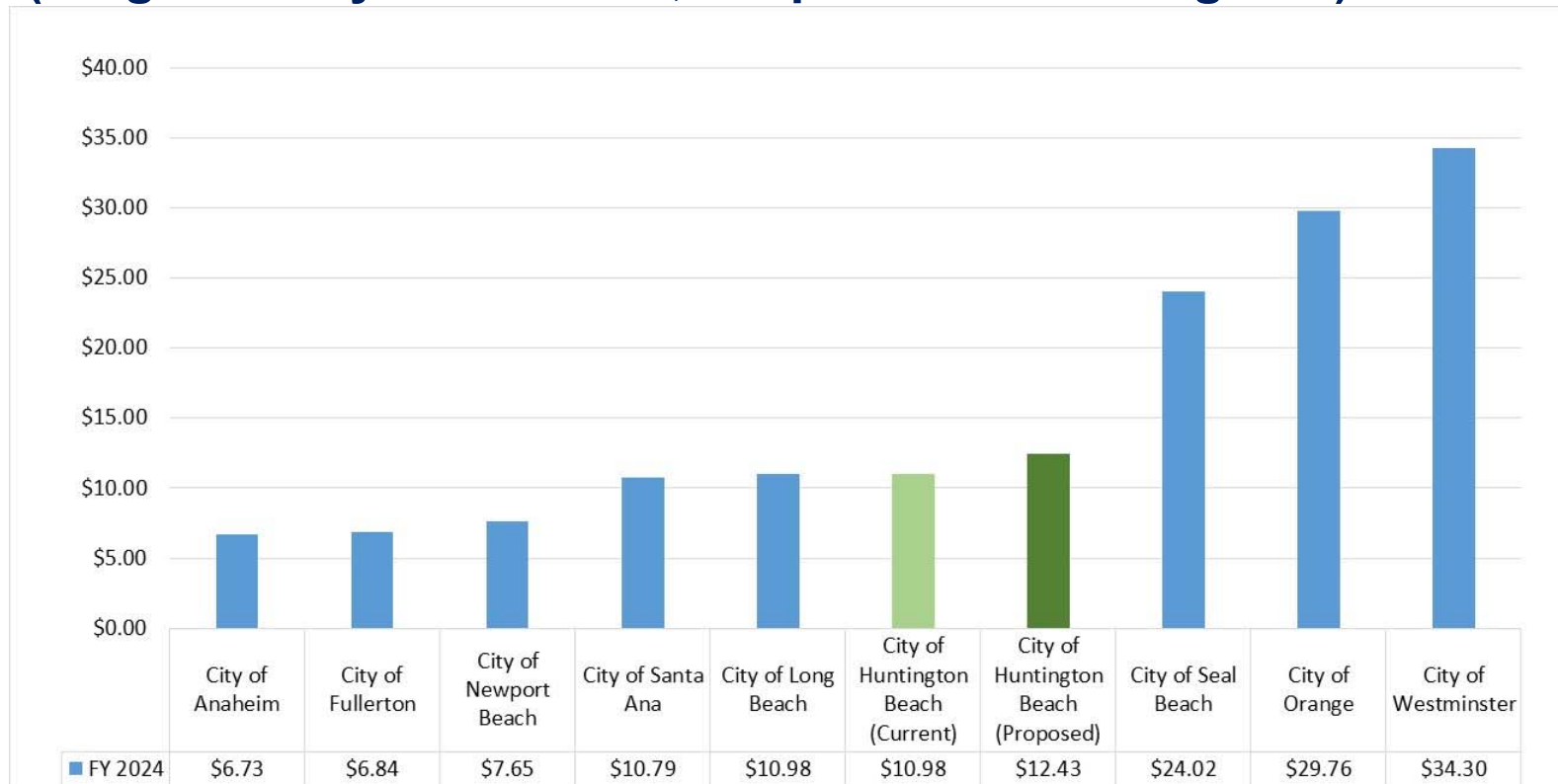


- The sewer system is a public health and safety issue. Ensuring that we have appropriate reserves protects the health and safety of our residents.
- NOTE: Sewer funds can ONLY be used for the for the acquisition, construction, reconstruction, maintenance, and operation of water facilities.



SFR Wastewater Rate Comparison

(Single Family Residential, 1 equivalent dwelling unit)



Sample Average SFR Bill

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

	Current Actual	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028
Consumption Rate <i>Tarifa de consumo</i>	\$21.63	\$24.18	\$27.50	\$31.94	\$34.97	\$37.82
Fixed Meter Charge <i>Tasa fija del medidor</i>	\$18.23	\$19.31	\$21.14	\$22.94	\$24.43	\$25.53
Capital Charge <i>Tasa de capital</i>	\$4.00	\$4.76	\$5.66	\$6.74	\$8.02	\$9.54
Sewer Charge <i>Tasa de alcantarilla</i>	\$10.98	\$12.43	\$14.48	\$16.87	\$19.57	\$22.70
Total <i>Total</i>	\$54.84	\$60.68	\$68.78	\$78.49	\$86.99	\$95.69

- Average = 11.8% per year



Sample Av

(Single Family Residential,

Curre

Consumption Rate | *Tarifa de consumo*

Fixed Meter Charge | *Tasa fija del medidor*

Capital Charge | *Tasa de capital*

Sewer Charge | *Tasa de alcantarilla*

Total | *Total*

Below is a summary of the draft proposed Rates and Charges for FY 2024-25:

Proposed Rates & Charges	Proposed Rates July 1, 2024	Proposed Rates January 1, 2025
MWDOC Retail Meter Charge	\$14.25/meter	\$14.75/meter
MWDOC Groundwater Customer Charge*	\$382,397	\$405,463
System Access Rate	\$389	\$463
System Power Rate	\$182	\$190
MWDOC Melded Supply Rate	\$332	\$353
Treatment Surcharge	\$353	\$459
Treated Full Service Rate	\$1,256	\$1,465
Untreated Full Service Rate	\$903	\$1,006

[*] This is a fixed annual charge to OCWD

Of note, the proposed rates and charges starting on January 1, 2025 are subject to change based on MET Board approval of the final FY24-25 & FY25-26 biennial budget on April 9, 2024. Pending MET Board approval their rates and charges, MWDOC's rates and charges will subsequently be updated to reflect the Metropolitan board action.

- **Average = 11.8% per year**
- **MWDOC = 16.6% increase FY 2024-25**
- **Accounts for 40% of cost increase outside of our control**



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?

