

RESOLUTION NO. 2019-32

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF HUNTINGTON BEACH READOPTING AND REVISING
THE CITY'S WATER COMMODITY RATES

WHEREAS, Section 14.12.040 of the Huntington Beach Municipal Code requires that the City shall charge a Water Commodity Rate to recover the cost to the City for delivering water to customers, per 100 cubic feet of water of water. The Water Commodity Rate shall be set by a Resolution adopted by a two-thirds vote of the members of the City Council; and

The City of Huntington Beach has an established methodology for annually adjusting its water commodity rates, based primarily on the cost to the City charged by the Orange County Water District ("OCWD") and the Municipal Water District of Orange County ("MWDOC") for water, most recently pursuant to Resolution No. 99-50; and,

As of July 1, 2018, the City Water Commodity Charge was \$2.1063 per billing unit of water for domestic, commercial and industrial services. A billing unit of water is 100 cubic feet; and,

Pursuant to Huntington Beach Municipal Code Section 14.12.045, the City Council shall adjust water commodity rates in order to maintain a balanced budget, provided that no rate shall exceed the reasonable cost of providing the services, facilities or regulatory activity for which the rates is charged; and,

Pursuant to Proposition 218 and Government Code Sections 53755 and 53756, an agency providing water service may adopt a schedule of adjustments for up to five (5) years to pass through increases in commodity cost of water; and,

The City Council desires to establish the Water Commodity Rates for the next five years,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Huntington Beach that the City's water commodity charges shall be annually adjusted, beginning July 1, 2019, and for the following five years through June 30, 2024, as follows:

1. Pass-Through Formula for Water Commodity Rate. Beginning July 1, 2019, the per cubic foot Water Commodity Charge shall be adjusted based on the following factors: (A) an adjustment in OCWD replenishment assessment ("RA"); (B) an adjustment in the cost of Metropolitan Water District of Southern California ("MWD") water purchased through the MWDOC; and/or (C) when OCWD changes the Basin Pumping Percentage ("BPP");

(A) Formula for Adjusting City Billing Unit Charge When OCWD Adjusts the RA:

Annual adjustments to the City’s water commodity rate =
 additional cost per acre foot x BPP / conversion factor =
 adjustment per billing unit

By way of example: Assume OCWD raises the RA by \$10.00/acre foot (“af”);
 and the current BPP = 75% (or 0.75); and using a constant conversion factor of
 435.6 billing units/af, then:

$$\begin{aligned} \text{Adjustment in Water Usage Rate} &= \$10.00 \text{ per af} \times 0.75 / 435.6 \text{ billing units per af} \\ &= \$0.0172/\text{billing unit} \end{aligned}$$

(B) Formula for Adjusting City Billing Unit Charge When MWDOC Adjusts the Charge to City For MWD Water:

Annual adjustments to the City’s water commodity rate =
 additional cost per acre foot x MWD percentage / conversion factor =
 adjustment per billing unit

By way of example: Assume:

- MWD increases the cost of an acre foot of water (“af”) by \$50.00; and,
- the current BPP = 75% (or 0.75); and,
- the MWD percentage = 1.00 - BPP = 1.00 – 0.75 = 0.25; and,
- using a constant conversion factor of 435.6 billing units/af, then:

Then, the Adjustment in Water Usage Rate = \$50.00 per af x 0.25 / 435.6 billing
 units per af = \$0.0287 per billing unit

(C) Formula For Adjusting City Billing Unit Charges When OCWD Changes the BPP

The City’s Water Usage Rate refers to the blended cost to the City of obtaining an
 acre foot of groundwater from OCWD and an acre foot of imported water from
 MWDOC, as adjusted by the percentage of water demand that may be met
 through groundwater according to the BPP that OCWD establishes annually.
 Consequently, the annual adjustment in the City's Water Usage Rate = (new cost
 per acre foot - existing cost per acre foot) / conversion factor = adjustment per
 billing unit, where the following apply:

Existing cost/af = (existing BPP x RA) + (MWD percentage x MWD rate).
 New cost/af = same formula as example (B) above with new BPP and MWD
 percentage.

By way of example: Assume:

- OCWD adjusts the BPP from the current 75% to 70%; and,

- the current RA = \$462.00/af; and,
- the current MWD rate = \$1,050.00/af; and,
- the MWD percentage = 1.00 -BPP; and,
- conversion factor = 435.6 billing units/af

Then, the Adjustment in City's Water Usage Rate = (new cost/af - existing cost/af) / conversion factor.

$$\begin{aligned} \text{Existing cost/af} &= (0.75 \times \$462.00 \text{ per af}) + (0.25 \times \$1,050.00 \text{ per af}) \\ &= \$346.50 \text{ per af} + \$262.50 \text{ per af} \\ &= \$609.00 \text{ per af} \end{aligned}$$

$$\begin{aligned} \text{New cost/af} &= (0.70 \times \$487.00 \text{ per af}) + (0.30 \times \$1,078.00 \text{ per af}) \\ &= \$340.90 \text{ per af} + \$323.40 \text{ per af} \\ &= \$664.30 \text{ per af} \end{aligned}$$

$$\text{New cost/af - existing cost/af} = \$664.30 \text{ per af} - \$609.00 \text{ per af} = \$55.30 \text{ per af}$$

$$\begin{aligned} \text{Increase in City's Water Usage Rate} &= \$55.30 \text{ per af} / 435.6 \text{ billing units per af} \\ &= \$0.1270 \text{ per billing unit} \end{aligned}$$

2. Implementation of Commodity Rate Adjustments. Adjustments based on these criteria will be determined beginning July 1, 2020, and continuing each July 1, including July 1, 2024. Notice of any adjustment to the Water Commodity Rate shall be provided by way of an insert in the monthly water and sewer bill at least thirty (30) days before the effective date of the rate adjustment.

PASSED AND ADOPTED by the City Council of the City of Huntington Beach at a regular meeting thereof held on the _____ day of _____, 2019.

ATTEST:

City Clerk

Mayor

REVIEWED AND APPROVED:

APPROVED AS TO FORM:

City Manager



For City Attorney *AV*

INITIATED AND APPROVED:



Director of Public Works