



City of Huntington Beach

File #: 19-492

MEETING DATE: 5/20/2019

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Lori Ann Farrell Harrison, Interim City Manager

PREPARED BY: Travis K. Hopkins, PE, Director of Public Works

Subject:

Adopt Resolution No 2019-31 to set municipal utility rates for water meters; Adopt Resolution No 2019-32 to set municipal utility rates for water commodity charges; and Adopt Resolution 2019-30 to set municipal utility rates for sewer service charges

Statement of Issue:

Huntington Beach Municipal Code (HBMC) 14.22.040 states that municipal utility rates for water are set by City Council resolution. The HBMC also states that a capital charge may be determined by City Council in order to pay for projects in the City Council adopted Water Master Plan. The HBMC also states that sewer service charges are set by City Council resolution. Submitted for City Council approval is a reaffirmation of the water commodity pass through charge, a proposed adjustment to the City's water meter charge and proposed modification of the implementation of the City's water capital charge. In addition, a 9% reduction to the City's sewer rates is proposed.

Financial Impact:

Based on the revised water rates for FY 19-20, total Water Fund revenue is estimated at \$39,870,600. Total Sewer Fund revenue is estimated at \$10,579,000.

Recommended Action:

- A) Adopt Resolution 2019-31, "A Resolution of the City Council of the City of Huntington Beach Adjusting Water Meter Rates, including a Capital Surcharge Pursuant to Section 14.12.040 of the Huntington Beach Municipal Code" and,
- B) Adopt Resolution 2019-32, "A Resolution of the City Council of the City of Huntington Beach Readopting the City's Water Commodity Rates;" and,
- C) Adopt Resolution 2019-30, "A Resolution of the City Council of the City of Huntington Beach Adjusting Sewer Service User Charges Pursuant to Section 14.54.020 of the Huntington Beach Municipal Code."

FIVE AFFIRMATIVE VOTES ARE REQUIRED TO ADOPT THE RESOLUTIONS

Alternative Action(s):

Do not adopt Resolution 2019-31 and direct staff accordingly

Do not adopt Resolution 2019-32 and direct staff accordingly

Do not adopt Resolution 2019-30 and direct staff accordingly

Analysis:

The City of Huntington Beach's water rates are currently made up of three components: a commodity rate, a meter rate, and a capital charge. The commodity rate is the price per hundred cubic feet of water (ccf) - 748 gallons - one billing unit used by a customer. This rate is currently \$2.1063 per ccf. The average household uses 12 billing units per month. The meter rate is a fixed monthly rate based on the size of the meter. The rate for a single family residence with a standard three-quarter inch meter is \$12.70. The price increases based on the flow capacity of the meter size relative to the three-quarter inch meter, up to the largest size meter in the City's water distribution system, a 10-inch meter, which has a monthly rate of \$1,862.56. A capital charge of \$3.00 is assessed each month on all three-quarter inch meters to pay for projects in the City Council approved Water Master Plan. Like the water meter rate, this rate is also based on the size of the water meter.

Commodity Rate

The commodity rate is the price per hundred cubic feet of water (ccf) -- 748 gallons. Resolution 99-050 sets the policy for adjusting water rates. Per the resolution, the commodity rate is increased (or decreased) based on the costs to the City to purchase groundwater from the Orange County Water District (OCWD) and treated imported water from the Municipal Water District of Orange County (MWDOC). Each year OCWD sets the Basin Pumping Percentage (BPP), which is the percentage of the retailer's total yearly water supply that the retailer can pump from the Orange County Groundwater Basin. In order to pay for OCWD's costs to manage and replenish the groundwater basin, retailers pay OCWD a Replenishment Assessment (RA) for each acre-foot of groundwater that they extract. Recently the BPP has varied from 77 percent to 65 percent and the Replenishment Assessment increases each year based on OCWD Board action.

The remaining portion of the City's water supply, which is imported water from the State Water Project and the Colorado River by the Metropolitan Water District of Southern California (MWD), is purchased from MWDOC who is a member agency of MWD. Imported water is considerably more expensive than groundwater.

No change is being recommended to the commodity rate adjustment formula. Under the formula, the commodity rate for Fiscal Year 2019/20 will be \$2.1653 per ccf. City Council is being requested to reaffirm the formula, so that it will remain on the same protest hearing schedule as the other components of the water rates.

Meter Rate

The meter rate is a fixed monthly rate based on the size of the meter, except for Multifamily Residential Customers (MFR), which are charged based on the number of residential units served. For example, the monthly meter rate for a single family residence with a 3/4 inch meter is \$12.70. The price increases to \$21.21 for the next meter size, a one-inch meter, and so forth up to the largest meter, which is a 10-inch fire meter at \$1,862.56 per month.

Meter rates would be adjusted by one dollar in Fiscal Year 2019/20 for the base three-quarter inch meter and proportionally for larger meters. All customers, including MFR customers, will now be charged based on the meter size. In FY 2020/21, meter rates would increase by one dollar plus the change in the Consumer Price Index (CPIU), again by one dollar plus the change in the CPIU in FY 2021/22, and then by the change in the CPIU for the next two fiscal years. These new rates are being recommended based upon a financial analysis performed by Raftelis Financial Consultants, in order to bring the City's rates in line with recent case law on Proposition 218.

The table below shows the proposed new meter rate structure to begin on July 1, 2019.

Meter Size/Type	Current Monthly Charge	Proposed Monthly Charge
3/4"	\$12.70	\$13.70
1"	\$21.21	\$22.84
1-1/2"	\$42.29	\$45.67
2"	\$67.69	\$73.07
3"	\$148.20	\$159.83
4" Compound	\$211.65	\$228.33
4" FM (Fire Meter)	\$296.27	\$319.66
6" Compound	\$423.26	\$456.66
6" FM	\$677.24	\$730.65

8" FM	\$1,185.19	\$1,278.63
10" FM	\$1,862.56	\$2,009.27

Capital Charge

The Capital Charge is currently \$3.00 for a single family residence using a three-quarter inch meter; increasing based on meter size, with MFR customers charged based on the number of residential units. Revenues from the Capital Charge can only be expended on Water Master Plan (Fund 507) approved projects.

No changes are being proposed for the Capital Charge amounts. However, like the water meter rate, the Capital Charge will also be assessed to all customers based on meter size. This would result in a revenue reduction of approximately \$900,000 annually. Engineering staff will revise the Capital Improvement Program (CIP) accordingly. The Capital Charge of \$3.00 for three-quarter inch meters - proportionally higher for larger meters -- became effective July 1, 2018, and will increase by \$0.50 on July 1, 2020 and again by \$0.50 on July 1, 2022.

The table below shows the Capital Charges as adopted by City Council.

Meter Size/Type	2018 Capital Charges	2020 Capital Charges	2022 Capital Charges
3/4"	\$3.00	\$3.50	\$4.00
1"	\$5.00	\$5.83	\$6.67
1-1/2"	\$10.00	\$11.67	\$13.33
2"	\$16.00	\$18.67	\$21.33
3"	\$35.00	\$40.83	\$46.67
4" Compound	\$50.00	\$58.33	\$66.67
4" FM	\$70.00	\$81.67	\$93.33
6" Compound	\$100.00	\$116.67	\$133.33
6" FM	\$160.00	\$186.67	\$213.33
8" FM	\$280.00	\$326.67	\$373.33
10" FM	\$440.00	\$513.33	\$586.67

Sewer Rates

Staff is recommending a reduction in sewer rates of \$1.00 per month for single family residential customers. This amounts to a nine percent reduction. All other customer classes will also receive a 9% reduction in sewer rates. This adjustment is being recommended as some major capital sewer projects received funding from the Sewer Development Fund (210) rather than the Sewer Service Fund (511), due to increased development revenues. The table below shows the proposed sewer rates.

Customer Category	Current Monthly Charge	Proposed Monthly Charge
Single-family residence with individual water meters	\$11.3541	\$10.3538
Multi-family residences served by a common water meter	\$9.4183	\$8.5885
Commercial/Industrial per equivalent dwelling unit	\$13.1770	\$12.0161
	Current Annual Charge	Proposed Annual Charge
Public K-8 per average daily attendance	\$2.3352	\$2.1295
Public High School per average daily attendance	\$3.6264	\$3.3069

The proposed change is not subject to the Proposition 218 protest hearing as it recommends a decrease in fees. The City Council would need to make a motion to reject the proposal should there be any objection.

Sewer rates are adjusted by the CPI-U, per the Huntington Beach Municipal Code. This practice will be reaffirmed so that the protest hearing schedule for sewer rates will remain on the same protest

hearing schedule for water rates.

Impact on Residential Rates

The table below shows the impact on a typical single family residence. The table assumes an average use of 12 units of water per month and a standard three quarter inch meter.

	Commodity Charge	Meter Charge	Capital Charge	Sewer Rate	Total
Current Rate	\$25.28	\$12.70	\$3.00	\$11.35	\$52.33
Proposed Rate	\$25.98*	\$13.70	\$3.00	\$10.35	\$53.03
Difference	\$0.70	\$1.00	\$0	(\$1.00)	\$0.70)

Environmental Status:

Not Applicable

Strategic Plan Goal:

Strengthen long-term financial and economic sustainability

Attachment(s):

1. Resolution 2019-31, "A Resolution of the City Council of the City of Huntington Beach Adjusting Water Meter Rates, including a Capital Surcharge Pursuant to Section 14.12.040 of the Huntington Beach Municipal Code."
2. Resolution 2019-32, "A Resolution of the City Council of the City of Huntington Beach Readopting the City's Water Commodity Rates."
3. Resolution 2019-30, "A Resolution of the City Council of the City of Huntington Beach Adjusting Sewer Service User Charges Pursuant to Section 14.54.020 of the Huntington Beach Municipal Code."
4. 2019 Water Rate Study Update