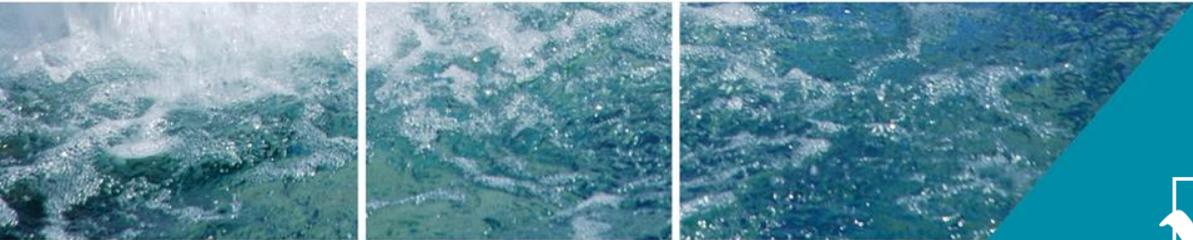


# *City of* La Palma, California

Presentation to City Council

## Water and Sewer Rate Study



**Robert Ryall**

# Project Scope

- **Key Elements of the project include review of:**
  - **Revenue Requirements Analysis**
  - **Cost of Service**
  - **Rate Design**

# The System

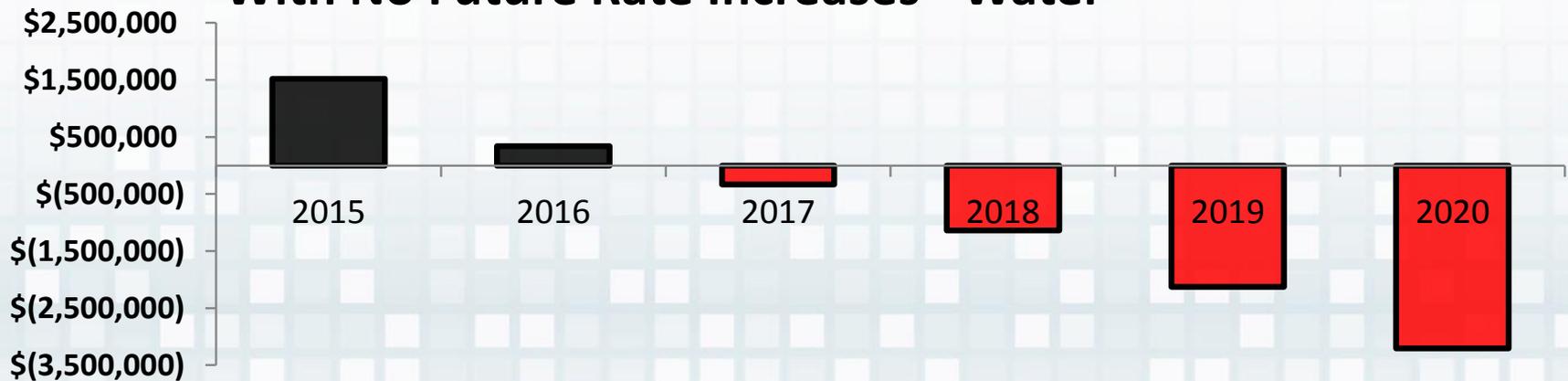
- **Last rate study and rate adjustment - 2010**
- **Drought – mandated to reduce water usage by 20% => Reduced revenue**
  - **2016 Budget incorporates 16% reduction in water revenue**
- **San Juan Capistrano – cost basis for tiered rates**
- **Water and Sewer Infrastructure Needs**
  - **Water - \$1,173,000 (Excludes Climatec Energy Project - \$625,000)**
  - **Sewer - \$2,043,000**

# Emergency Reserve

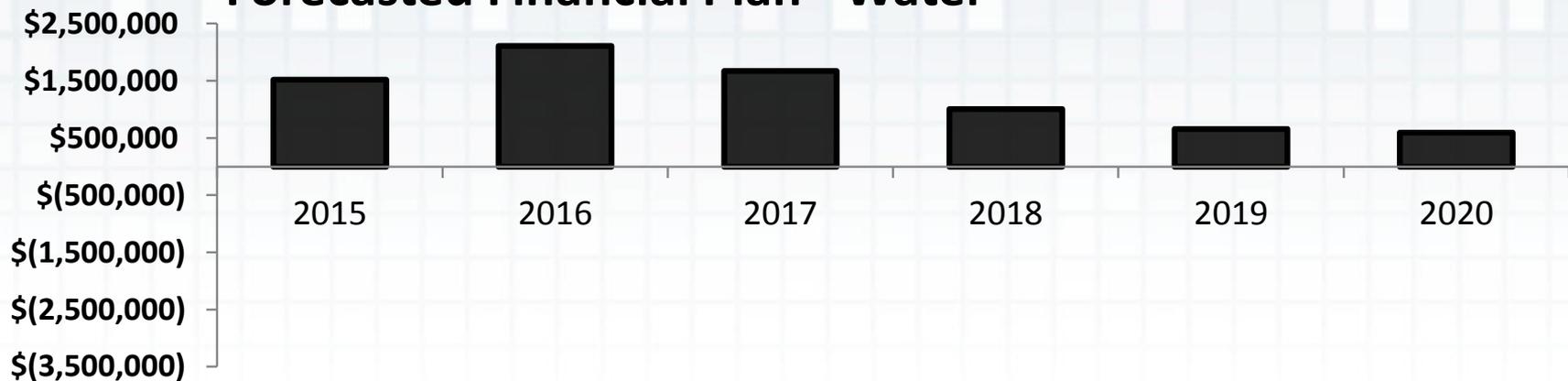
- **Emergency Reserve**
  - **Established per Municipal Code**
  - **10% of water/sewer system replacement values**
  - **2013 system valuation - \$35.2 million water system**
    - **\$23.3 million sewer system**
  - **Emergency Reserve Fund Balances**
    - **Water - \$3,331,809**
    - **Sewer - \$2,238,687**

# Financial Plan – Projected Water Fund Balances

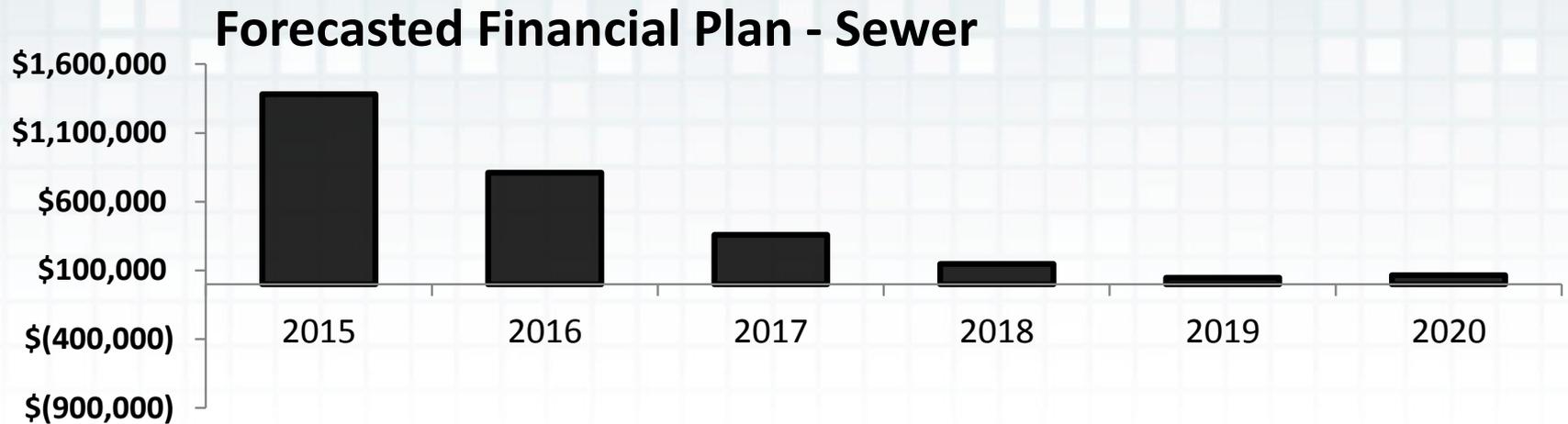
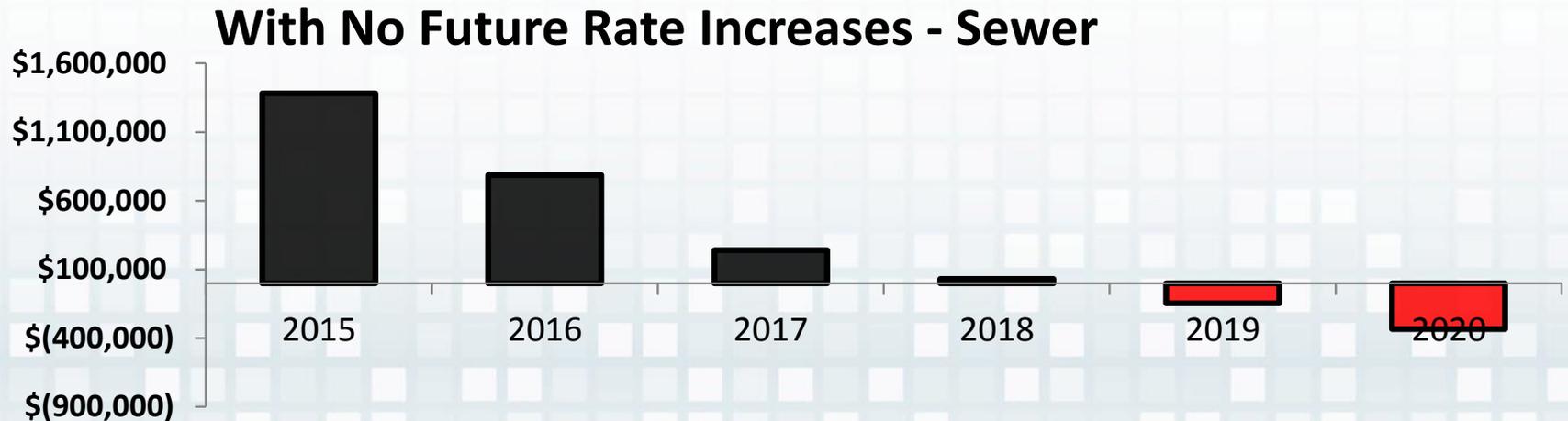
## With No Future Rate Increases - Water



## Forecasted Financial Plan - Water



# Financial Plan – Projected Sewer Fund Balances



# Cost of Service

- **Proposition 218 – rates must be based on cost**
- **San Juan Capistrano – tiered rates challenged; court rules tiers must be cost based**
- **Cost of Service based on AWWA Principles**
- **Allocate Revenue Requirements between:**
  - **Meter and Usage Charges**
  - **Customer Classes – Residential/Non-Residential**

# Rate Design

- **Develop cost based meter charges based on AWWA guidelines**
- **Develop usage rates based on cost; comply with San Juan Capistrano**
- **Consider customer bill impacts**
- **Compare residential bills to other communities**

# Proposed Rates

Description	Existing Rates	Description	Proposed Rates				
	FY2015		FY2016	FY2017	FY2018	FY2019	FY2020
<b>Water Rates</b>							
<u>Residential:</u>							
Service Charges:							
5/8"	\$ 39.00		\$ 31.46	\$ 33.82	\$ 36.36	\$ 39.09	\$ 42.03
3/4"	39.00		31.46	33.82	36.36	39.09	42.03
1.0"	39.00		31.46	33.82	36.36	39.09	42.03
Volume Charges:							
Tier 0 (0 - 5 CCF)	\$ 0.00						
Tier 1 (5.01 - 26 CCF)	1.87	Tier 1 (All Usage)	\$ 1.88	\$ 2.03	\$ 2.19	\$ 2.36	\$ 2.54
Tier 2 (26.01 - 50 CCF)	2.26						
Tier 3 (>50 CCF)	5.09						
<u>Non-Residential:</u>							
Service Charges:							
5/8"	\$ 57.00		\$ 31.46	\$ 33.82	\$ 36.36	\$ 39.09	\$ 42.03
3/4"	57.00		31.46	33.82	36.36	39.09	42.03
1.0"	57.00		31.46	33.82	36.36	39.09	42.03
1.5"	57.00		126.64	136.15	146.37	157.35	169.16
2.0"	80.00		198.04	212.89	228.86	246.03	264.49
3.0"	135.00		364.62	391.97	421.37	452.98	486.96
6.0"	135.00		1,197.52	1,287.34	1,383.90	1,487.70	1,599.28
Volume Charges:							
Tier 1 (95% of Base)	\$ 2.00	All Usage	\$ 2.81	\$ 3.03	\$ 3.26	\$ 3.51	\$ 3.78
Tier 2 (5% of Base)	5.09						

# Proposed Rates (continued)

Description	Existing Rates	Description	Proposed Rates				
	FY2015		FY2016	FY2017	FY2018	FY2019	FY2020
<b>Water Rates</b>							
<u>Fire Flow:</u>							
Service Charges:							
5/8"	\$ 36.00		\$ 8.56	\$ 9.21	\$ 9.91	\$ 10.66	\$ 11.46
3/4"	36.00		8.56	9.21	9.91	10.66	11.46
1.0"	36.00		8.56	9.21	9.91	10.66	11.46
1.5"	36.00		12.18	13.09	14.08	15.14	16.28
2.0"	36.00		14.89	16.01	17.22	18.52	19.91
3.0"	36.00		21.21	22.81	24.53	26.37	28.35
6.0"	36.00		52.84	56.80	61.06	65.64	70.57
8.0"	36.00		79.94	85.94	92.39	99.32	106.77
10.0"	36.00		111.57	119.94	128.94	138.62	149.02
12.0"	36.00		201.92	217.07	233.36	250.87	269.69
<b>Sewer Rates</b>							
All Usage	\$ 0.27		\$ 0.34	\$ 0.43	\$ 0.54	\$ 0.68	\$ 0.85

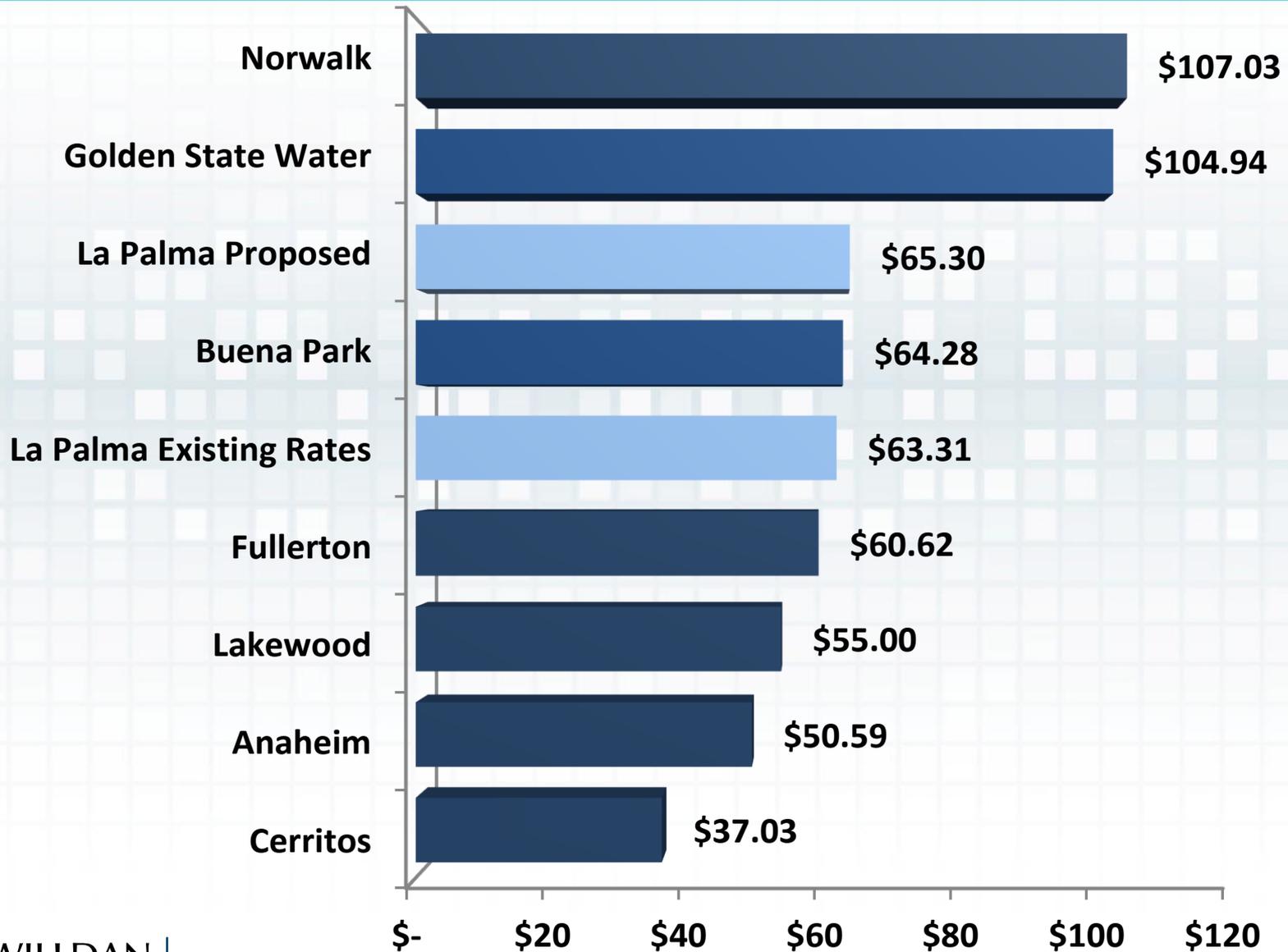
# Average Residential Bi-Monthly Water Bill (18 CCF)



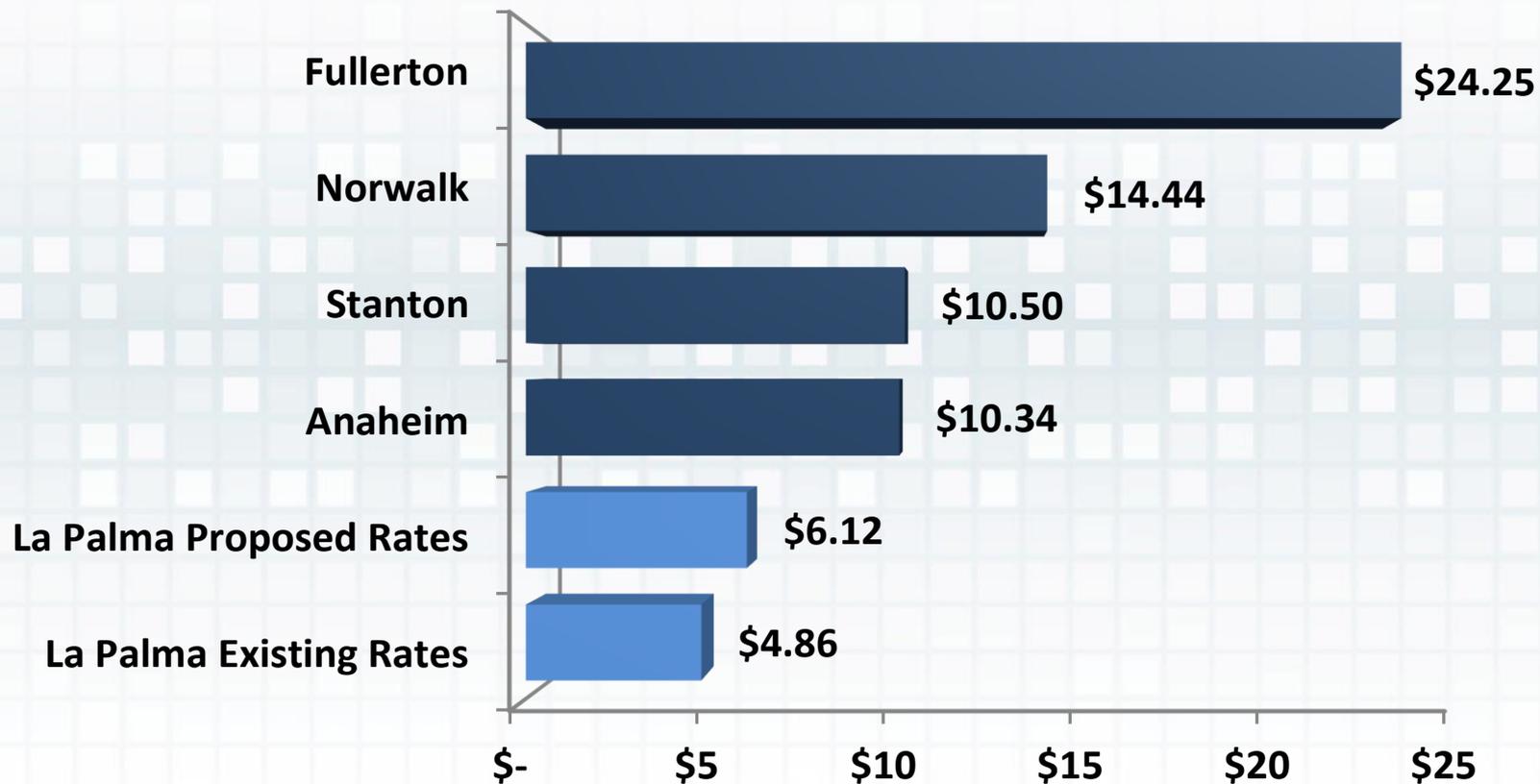
# Average Residential Bi-Monthly Sewer Bill (18 CCF)



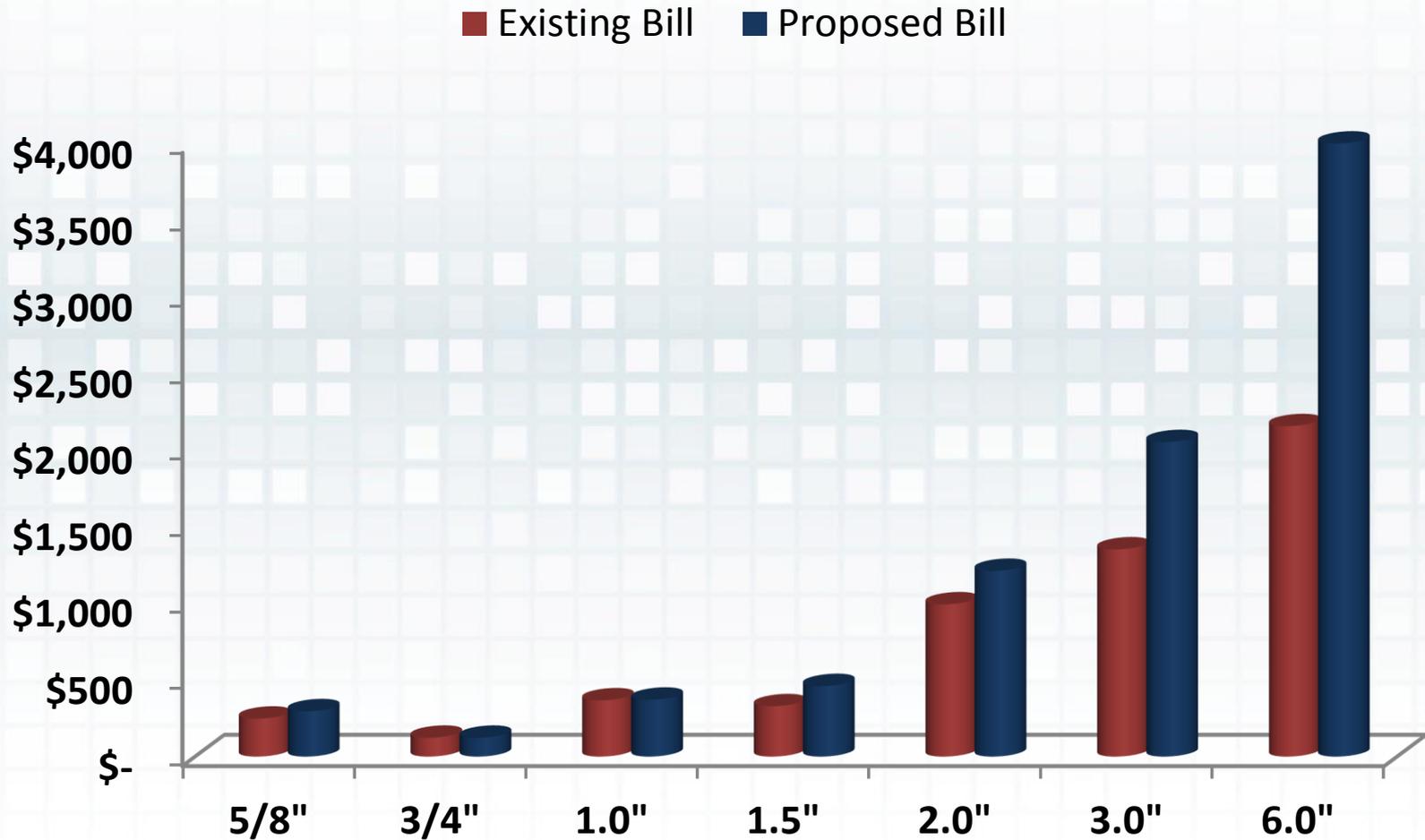
# Water Bi-Monthly Bill Comparison (18 CCF)



# Sewer Bi-Monthly Bill Comparison (18 CCF)

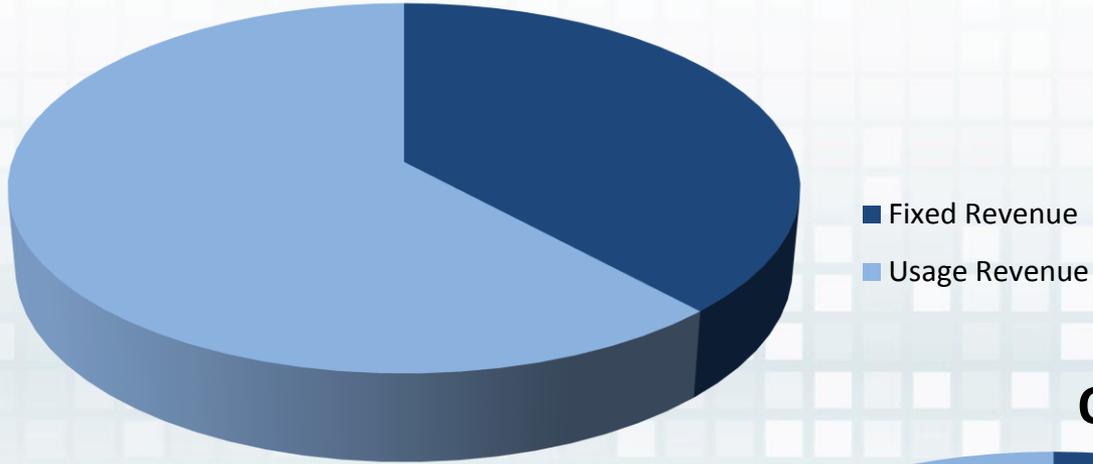


# Non-Residential Water & Sewer Bill Impact

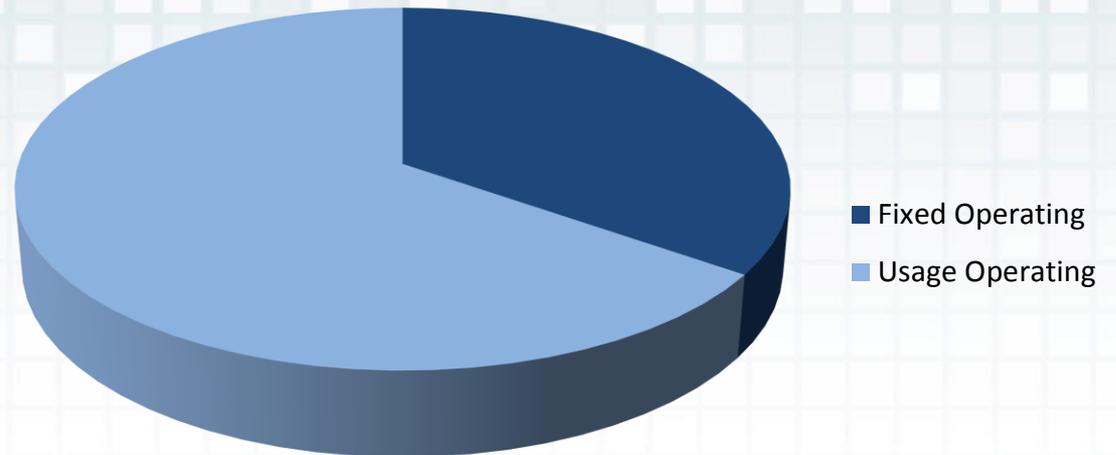


# Revenue and Cost Summary

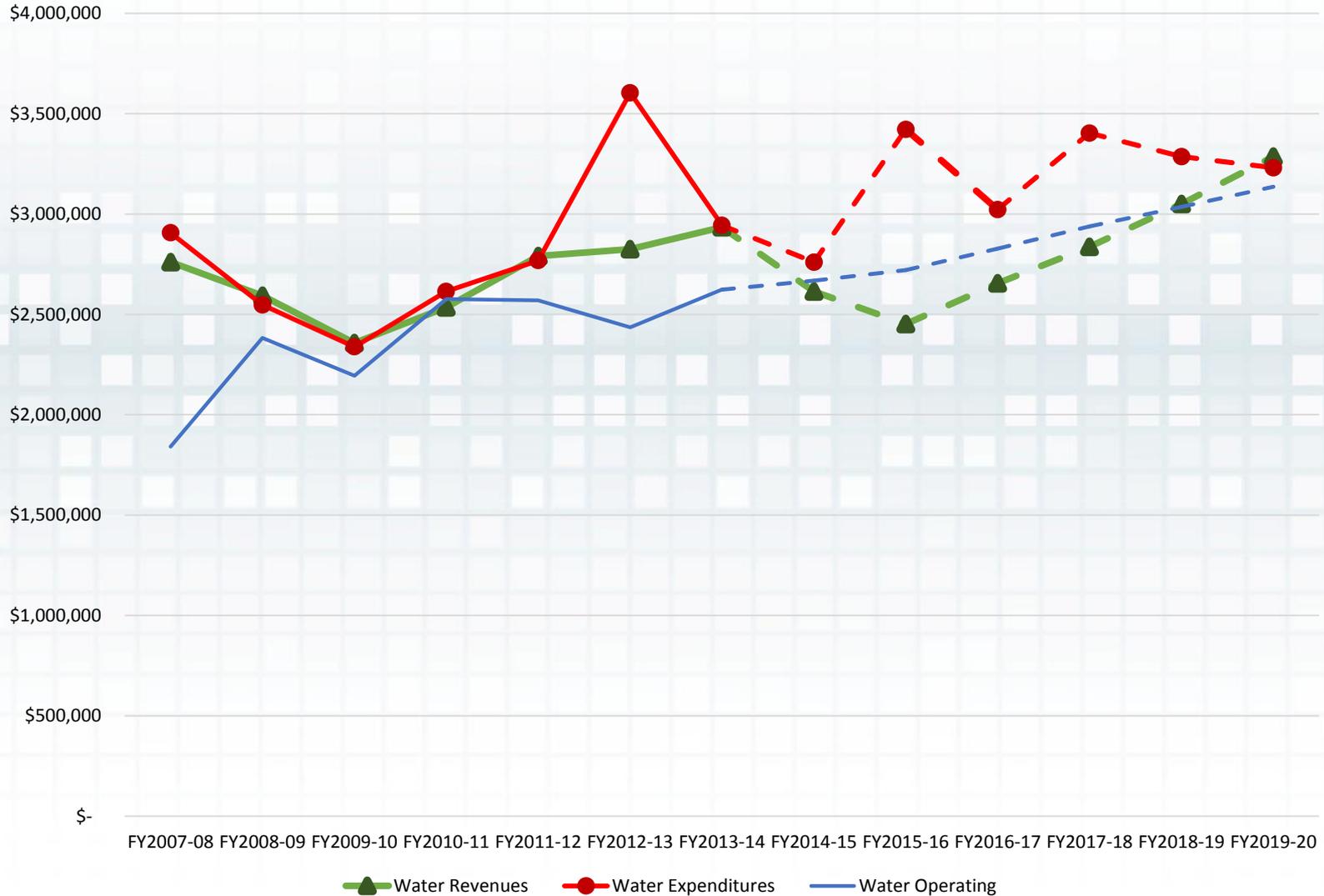
## Revenue Summary



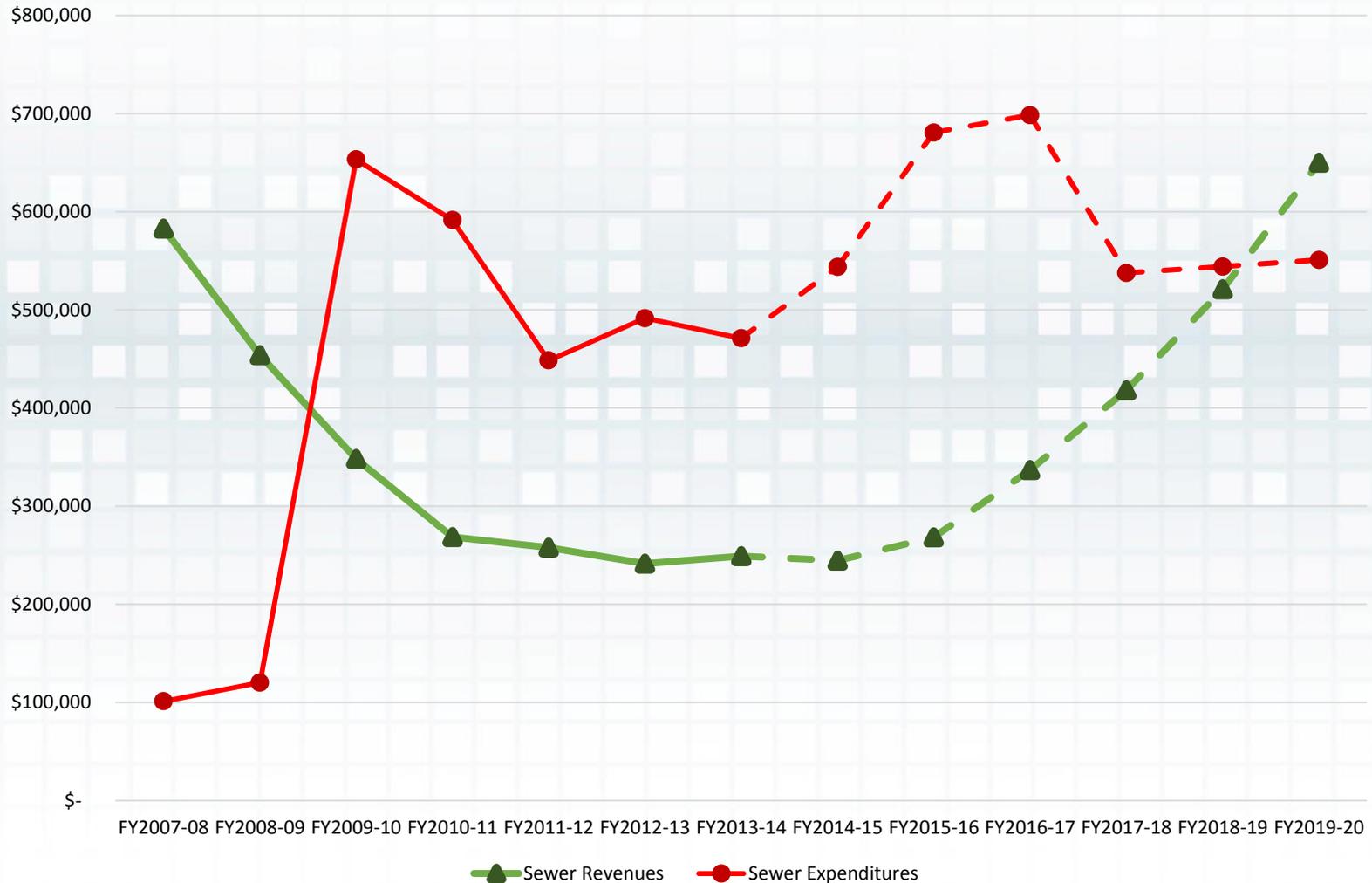
## Operating Cost Summary



# Water Revenue and Expenditure Summary



# Sewer Revenue and Expenditure Summary



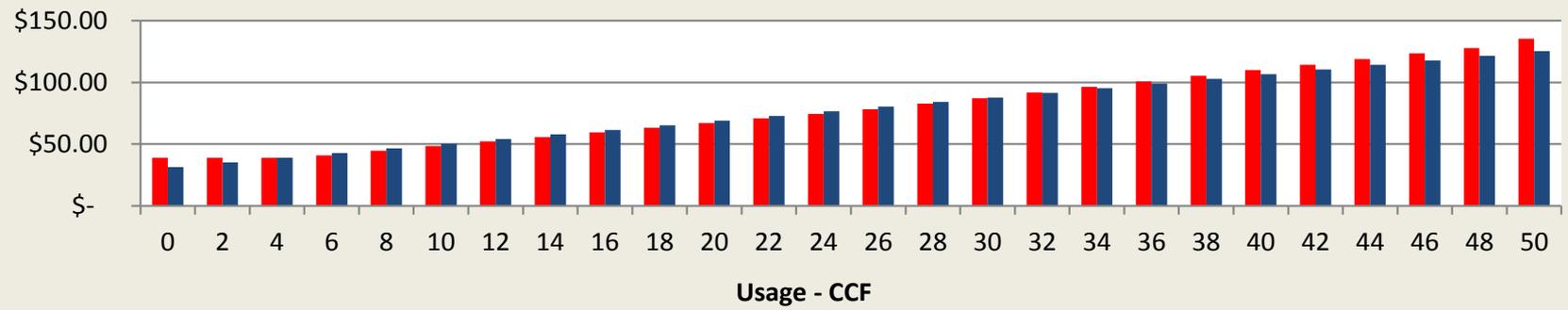
# Recommendations

- **Adopt a Resolution approving the Proposed 5-year Water, Fire Flow, and Sewer Rates**
- **Introduce for first reading and read by title only an Ordinance of the City of La Palma amending Chapter 14, Article I of the Municipal Code reducing the Water Funds Emergency Reserve requirement to five (5) percent from the current ten (10) percent.**

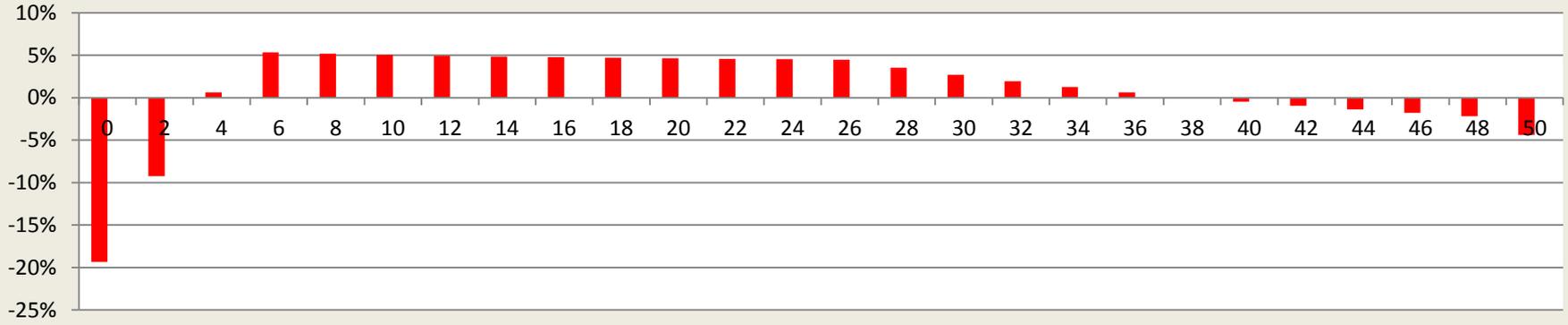
# Questions & Discussion

## Bill Impact - Residential

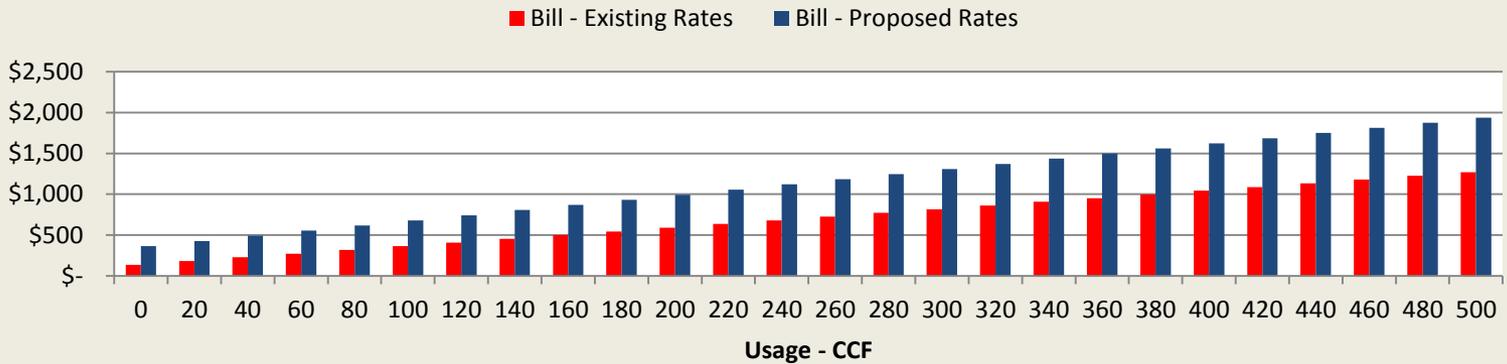
■ Bill - Existing Rates   ■ Bill - Proposed Rates



# Bill Impact - Residential



### Bill Impact - Non-Residential - 3.0" Meter



### Bill Impact - Non-Residential - 6.0" Meter

