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

- 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

With No Future Rate Increases - Sewer

Forecasted Financial Plan - Sewer
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Existing Rates</th>
<th>Description</th>
<th>Proposed Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential:</td>
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<tr>
<td>Service Charges:</td>
<td></td>
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</tr>
<tr>
<td>5/8”</td>
<td>$ 39.00</td>
<td></td>
<td>$ 31.46</td>
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<tr>
<td>3/4”</td>
<td>39.00</td>
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<td>31.46</td>
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<td>Volume Charges:</td>
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<td>Tier 1 (All Usage)</td>
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<tr>
<td>Tier 3 (&gt;50 CCF)</td>
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<tr>
<td>Non-Residential:</td>
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<tr>
<td>Service Charges:</td>
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<td></td>
<td></td>
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<tr>
<td>5/8”</td>
<td>$ 57.00</td>
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<td>$ 31.46</td>
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<tr>
<td>3/4”</td>
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<tr>
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<td>Volume Charges:</td>
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</tr>
<tr>
<td>Tier 1 (95% of Base)</td>
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<td>All Usage</td>
<td>$ 2.81</td>
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<tr>
<td>Tier 2 (5% of Base)</td>
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## Proposed Rates (continued)

### Water Rates

#### Fire Flow:

#### Service Charges:

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<tr>
<th>Description</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
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<td>9.91</td>
<td>10.66</td>
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<td>8.56</td>
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<td>119.94</td>
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<td>233.36</td>
<td>250.87</td>
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### Sewer Rates

<table>
<thead>
<tr>
<th>Description</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
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<tbody>
<tr>
<td>All Usage</td>
<td>$0.27</td>
<td>$0.34</td>
<td>$0.43</td>
<td>$0.54</td>
<td>$0.68</td>
<td>$0.85</td>
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</table>

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This table outlines the proposed rates for water and sewer services, detailing the rates for different diameters and years.
Average Residential Bi-Monthly Water Bill (18 CCF)
Average Residential Bi-Monthly Sewer Bill (18 CCF)
Water Bi-Monthly Bill Comparison (18 CCF)

- Norwalk: $107.03
- Golden State Water: $104.94
- La Palma Proposed: $65.30
- Buena Park: $64.28
- La Palma Existing Rates: $63.31
- Fullerton: $60.62
- Lakewood: $55.00
- Anaheim: $50.59
- Cerritos: $37.03
Sewer Bi-Monthly Bill Comparison (18 CCF)

Fullerton: $24.25
Norwalk: $14.44
Stanton: $10.50
Anaheim: $10.34
La Palma Proposed Rates: $6.12
La Palma Existing Rates: $4.86
Non-Residential Water & Sewer Bill Impact

- $500
- $1,000
- $1,500
- $2,000
- $2,500
- $3,000
- $3,500
- $4,000

Existing Bill
Proposed Bill

- 5/8"
- 3/4"
- 1.0"
- 1.5"
- 2.0"
- 3.0"
- 6.0"
Revenue and Cost Summary

Revenue Summary
- Fixed Revenue
- Usage Revenue

Operating Cost Summary
- Fixed Operating
- Usage Operating
Water Revenue and Expenditure Summary

- Water Revenues
- Water Expenditures
- Water Operating

Sewer Revenue and Expenditure Summary

Sewer Revenues
Sewer Expenditures
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

Usage - CCF

$-
$50.00
$100.00
$150.00

$150.00

$100.00

$50.00

0 2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 32 34 36 38 40 42 44 46 48 50
Bill Impact - Non-Residential - 3.0" Meter

Bill Impact - Non-Residential - 6.0" Meter