



WATER RATE STUDY

Public Hearing
February 2, 2016

AGENDA

Part 1: Prior Discussions

Part 2: Water System Overview

Part 3: Lifeline Program

Part 4: Water Rate Adjustments (Fixed and Commodity)

CITY COUNCIL DISCUSSIONS

May 5, 2015 - Staff and RFC began discussion with City Council of Brea's water rates and pricing objectives. Topics discussed include financial plan, methodology used, cost of service, and Brea's current rate structure and design.

August 25, 2015 - RFC presented various rate structures as well as water rates that were inclusive of 10% and 24% conservation given current drought conditions. City Council expressed interest in a viewing differentiated rate structure for both 3-tiered and 4-tiered water rate structure.

October 3, 2015 - Presentation on proposed water rates including "Conservation Rates." Staff proposed continuing with the its four-tiered blended supply rate structure and City Council requested staff to explore the option of recovering additional fixed revenue. City Council also requested that the Multi-family residential as well as the Greenbelt rates be further reviewed.

November 17, 2015 - City Council instructed staff to move forward with the Proposition 218 public hearing notification. Staff was also instructed to provide notifications of minimum and maximum charges for both fixed meter charges tiered water. The fixed meter charges were modeled to include 14%/ 17% or 20% fixed meter charges and corresponding tiered rates.

WATER SYSTEM OVERVIEW

We operate and maintain our own water distribution system servicing more than 13,000 accounts for a population of more than 43,300 covering an area of 12.43 square miles. This includes 197 miles of potable water pipeline with imported wholesale treated water from Municipal Water District of Orange County (30%) and California Domestic Water Company (70%)



Tonner Reservoir



Berry St. Pump House



*Concrete Repair after
Meter & Vault Rehab*



*Installation of new fire hydrant
at Sandra Court*

BREA'S WATER PROVIDERS

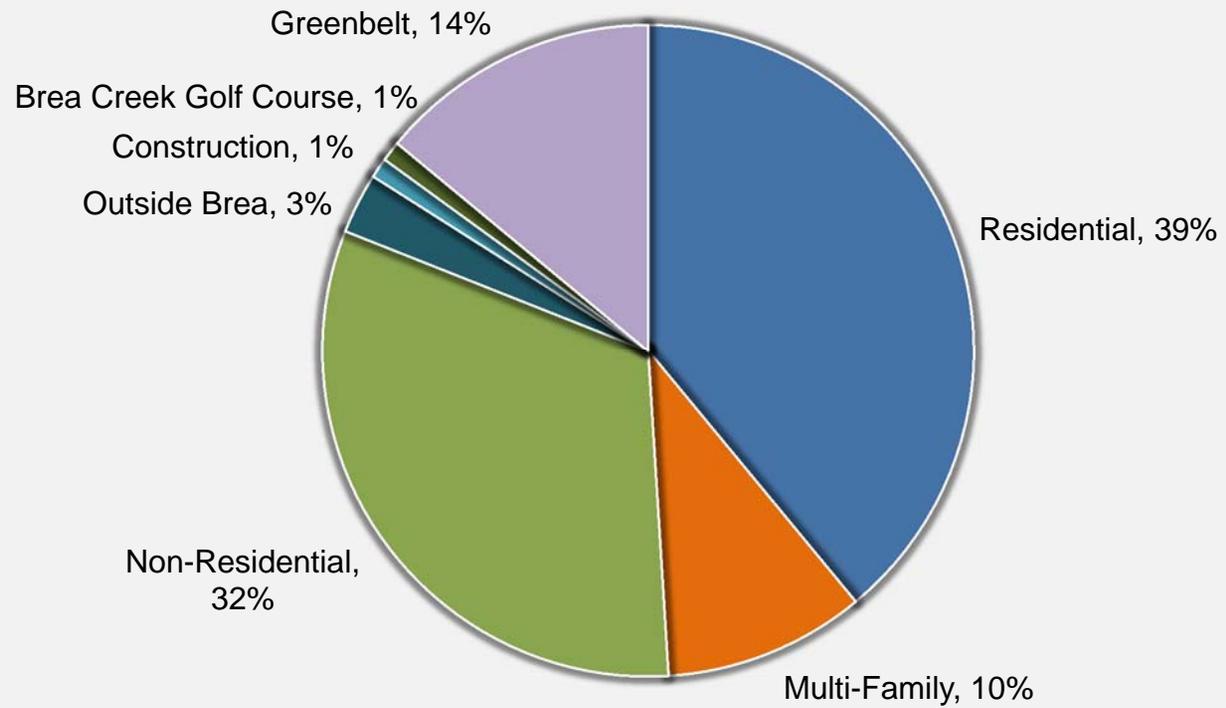
Cal Domestic Water Company

- Private mutual water company
- Services east Whittier, La Habra, and Brea
- Water source is from the adjudicated Main San Gabriel Basin
- 96% of revenues is from three wholesale water customers
- FY 2015-16: 5,219 acre feet of water will be delivered to Brea from either owned shares or water rights

Municipal Water District of Orange County (MWDOC)

- Public agency comprised of member water agencies including the City of Brea
- Primary water source is from the Colorado River and the State Water Project (San Joaquin Delta) via the California Aqueduct

BREA'S WATER USAGE BY CUSTOMER TYPE





Rehab of a pressure reducing vault located on Lambert Rd and Country Ln

WATER UTILITY FUND

- An enterprise fund
- Managed like a private-sector “Business Enterprise”
 - *Operating statements*
 - *Costs recovered through fees and charges*
 - *Capital Assets depreciated*



Installation of new fire hydrant at Sandra Court

WATER UTILITY FUND

- \$17.36 million operational budget
- Second Largest Operating Budget
- 20% of the total City Operating Budget
- Brea's Water Revenue Bonds
 - *Currently rated "AA-" based upon our ability to adopt rate increase(s) and pass-through increase(s) in wholesale water costs*

PURPOSE

Address Future Financial Impacts,
Maintain Revenues over Expenditures and
Maintain Capital Infrastructure.



Meter Reading Devices



Tonner Reservoir Painting



Valve Replacement – Lambert & Puente



Pump House – Berry Street





Installation of new gate valves for a pressure reducing vault located at North Associated Rd and Birch St



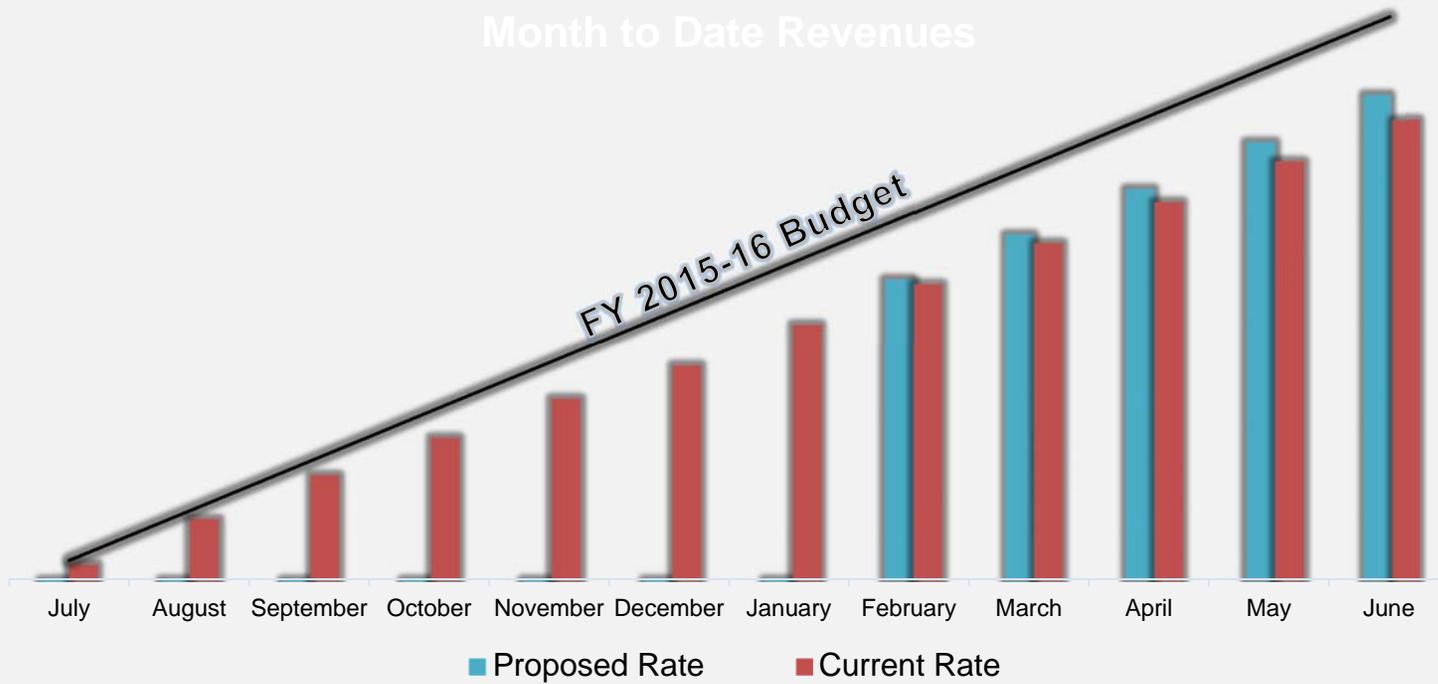
Water main break on Laurel and Buttonwood

ADDRESS FUTURE FINANCIAL IMPACTS

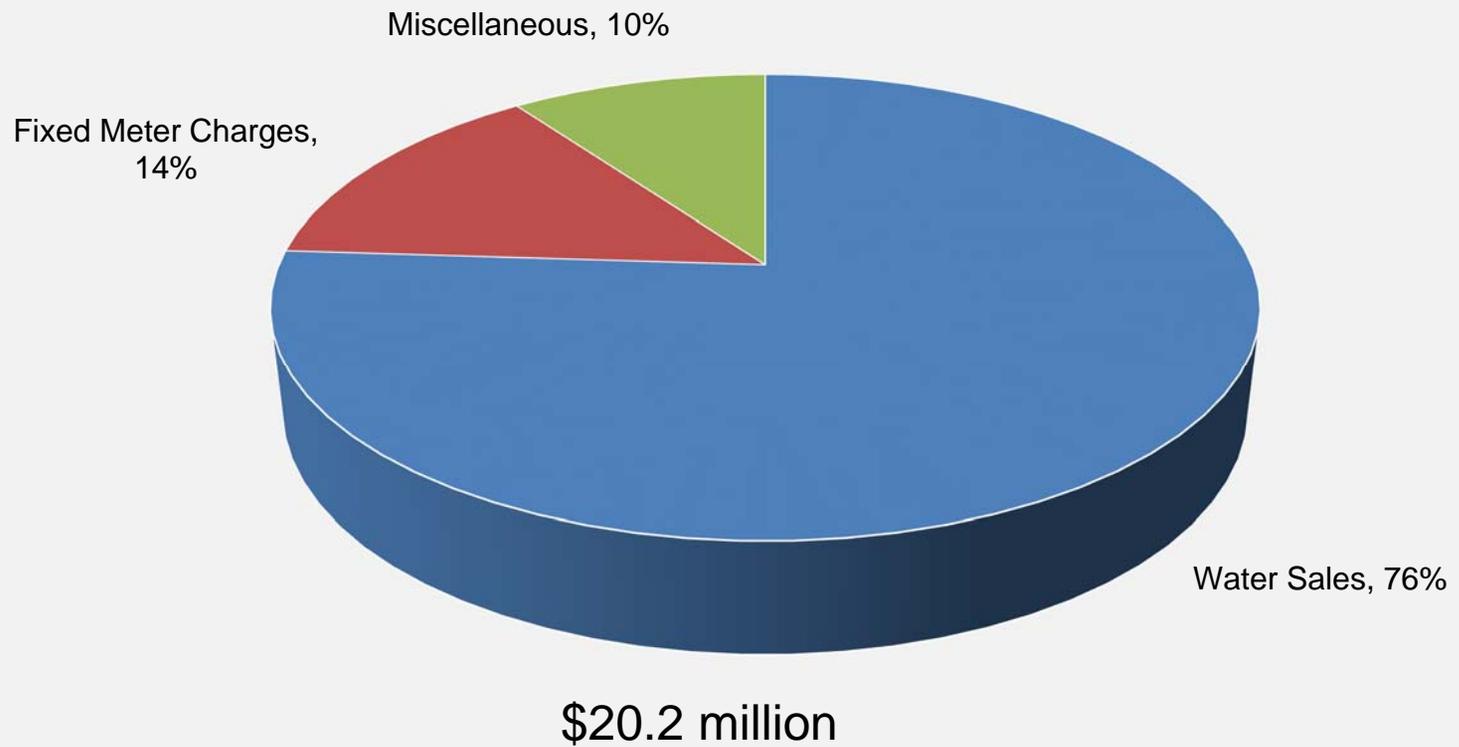
- Water delivery costs are steadily increasing from Cal Domestic and MWDOC since 2006 due to:
 - *Scarce water resources created by drought*
 - *Continued maintenance of their own water systems*

ADDRESS FUTURE FISCAL IMPACTS

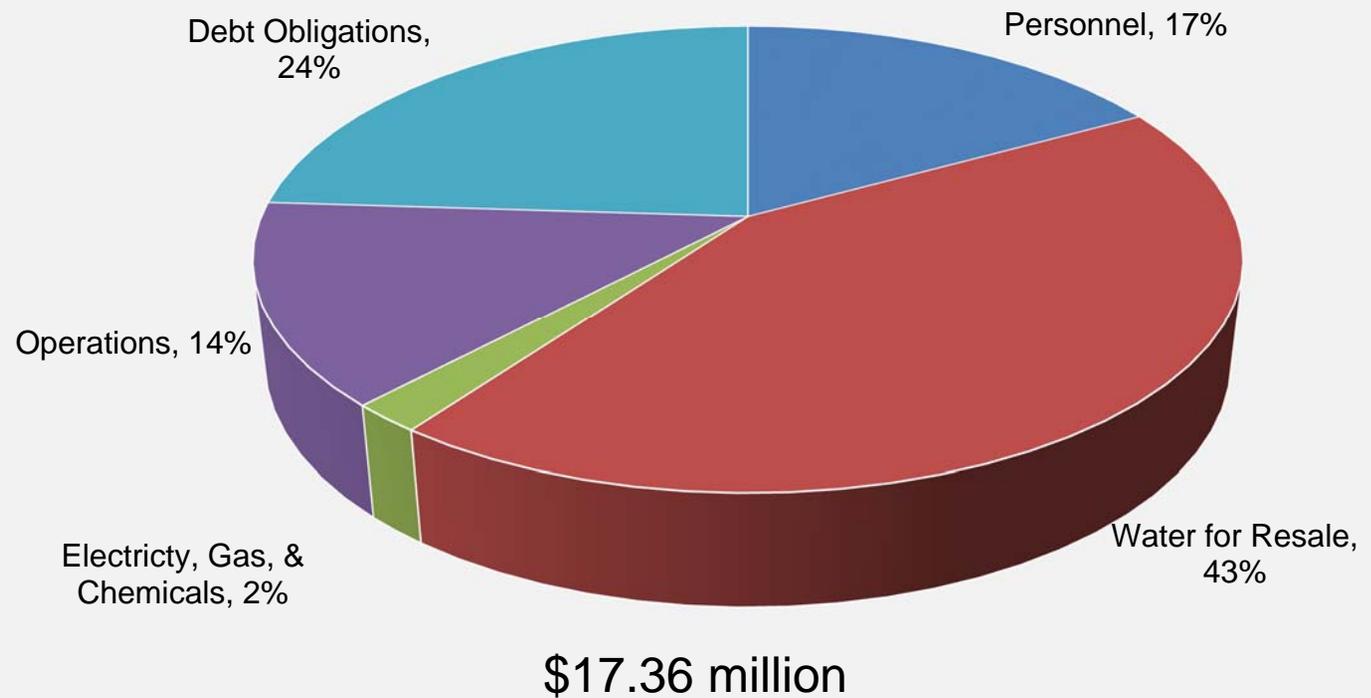
Month to Date Revenues



FY 2015-16 BUDGETED REVENUES



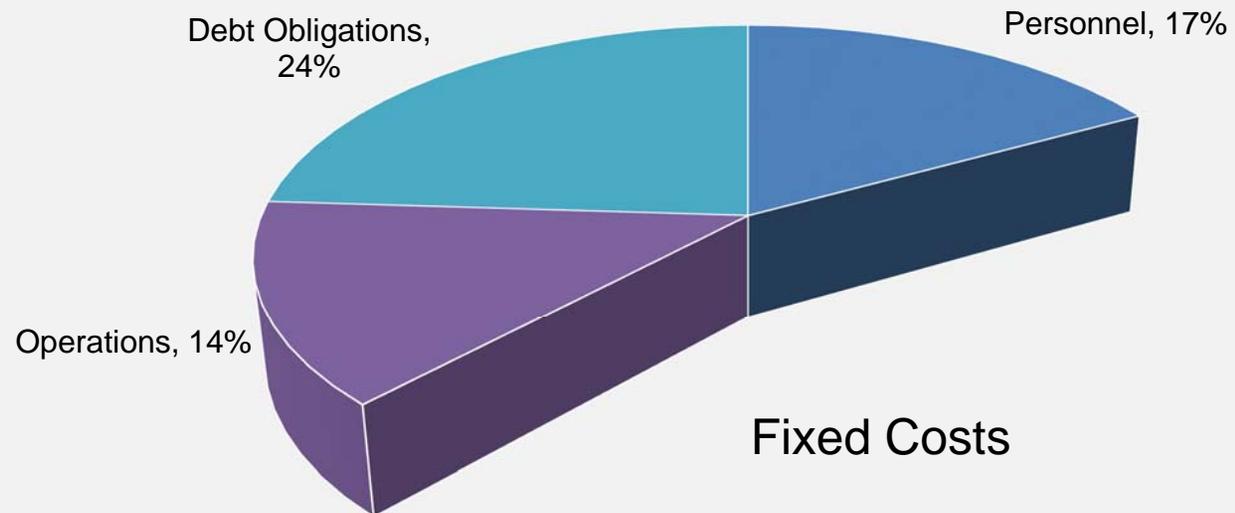
FY 2015-16 BUDGETED EXPENDITURES*



\$17.36 million

**Excludes Transfers Out (Inter-fund Loans & Capital Improvement Projects)*

FY 2015-16 BUDGETED EXPENDITURES*



**Excludes Transfers Out (Inter-fund Loans & Capital Improvement Projects)*

FIXED COSTS - *PERSONNEL*

- Utility Billing Supervisor (1)
- Customer Services Representatives (4)
- Water Distribution Superintendent (1)
- Water Distribution Supervisor (1)
- Water Distribution Operators (9)

TOTAL Direct Personnel: 16



Installation, Maintenance, & Repair

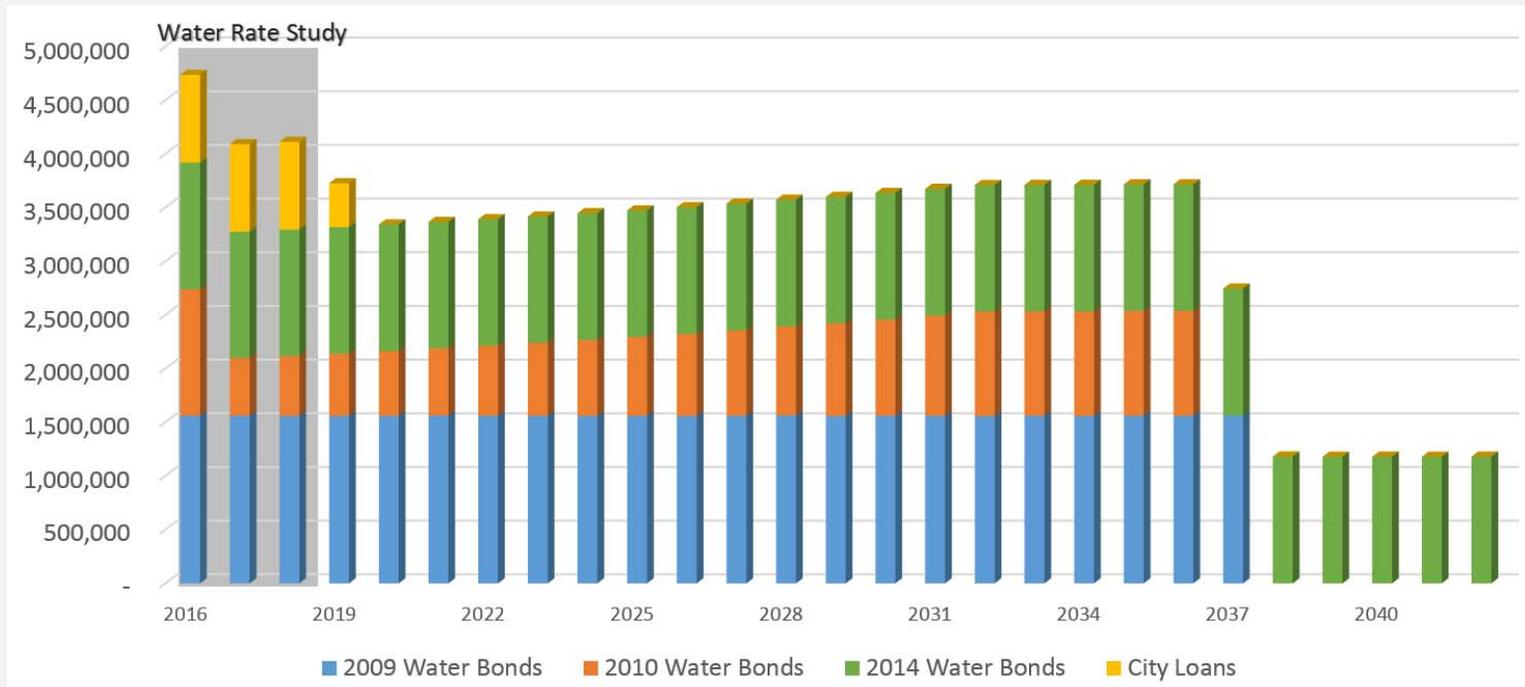


Water Distribution



Customer Service

FIXED COSTS - DEBT OBLIGATIONS



FIXED COSTS - MAINTAIN CAPITAL INFRASTRUCTURE AND RESERVES

CIP Project Title – By Priority	Four Fiscal Year Estimated Cost
Booster 2 & 3 Pump Replacement, Enclosure, and Generator	\$1,000,000
Glenbrook Waterline Improvement	2,200,000
Valencia Reservoir Painting	1,200,00
Misc. Tracts (Spruce St., Laurel Ave., Pine Ave, Magnolia Ave, etc.	1,260,000
Steele Drive Tract	1,200,000
Pleasant Hills Tract	1,000,000
Napoli Tract Water Improvements	1,000,000
Walnut/Orange & Juniper Waterline Improvements	2,100,000
North Hills West Tract Water Improvements	800,000
North Hills East Tract Water Improvements	1,300,000
Cliffwood Park Tract Water Improvements	870,000
Candlewood Tract Water Main Replacement	1,300,000
Eagle Hills Tract Water Main Replacement	1,525,000
	\$ 17,955,000



Tonner Pump Station

FIXED COSTS - MAINTAIN CAPITAL INFRASTRUCTURE AND RESERVES

- The City maintains an operating reserve funded from rate revenues of approximately one-third of operating expenses (approximately \$4 million in FY2015-16)
- Reserves may be used to meet on-going cash flow requirements as well as emergency requirements
- The City's Capital Improvement Program will be funded mostly from revenues generated from these rates & reserves

FIXED METER CHARGES (“READ-TO-SERVE”)

- A fixed cost associated to meter reading, meter maintenance, billing, collections, and customer services
- The fixed meter charge accounts for only 14% of the annual revenues with water sales making up 76% of revenues
- Fixed charges are typically 25% of water revenues
- The California Urban Water Conservation Council (CUWCC) recommends 30% to further increase stability

DISCUSSION

- Lifeline Program Modifications
- Proposed Water Rate Adjustments
- Impact to Customers

LIFELINE PROGRAM – PROPOSED MODIFICATION

500 Participants

Current Subsidy is approximately \$45K

Funding provided by the Affordable Housing Fund (270)

Proposed Change to Subsidy Levels

- 20% Discount on fixed meter charges and 1st Water Consumption Tier
- 10% Discount on the 2nd Water Consumption Tier
- 5% Discount on the 3rd Water Consumption Tier
- Subsidy will be reduced by approximately 16%

WATER RATE ADJUSTMENTS

Fixed Meter Charges (“read-to-serve”)

- With such emphasis on water sales to meet expenditures it is proposed to slightly increase the fixed meter charges

All Customer Types

Meter Size	Current Rate	Proposed Rate (2-8-16)	Proposed Rate (7-1-16)	Proposed Rate (7-1-17)
5/8", 3/4" & 1"	\$ 9.66	\$ 10.81	\$ 13.48	\$ 15.93
1 1/2"	42.99	34.66	46.54	59.28
2"	73.52	52.55	73.08	91.78
3"	160.77	109.20	153.96	194.72
4"	282.90	192.68	273.14	346.43
6"	631.81	392.45	558.35	709.45
8"	1,120.31	839.67	1,196.86	1,522.17
10"	1,748.38	1,257.09	1,792.82	2,280.70
12"	2,446.23	1,585.05	2,261.06	2,876.62

COMPARISON WITH SURROUNDING AGENCIES

Ranked from smallest to largest for METER CHARGES based on 1" Meter	
Brea Current	\$9.66
Brea (14% Revenue) - Effective 2/8/16	\$10.81
Moulton Niguel	\$11.39
Fullerton	\$12.94
Brea (17% Revenue) - Effective 7/1/16	\$13.48
San Clemente	\$16.81
La Habra	\$18.09
El Toro WD	\$19.95
Santa Margarita	\$20.59
Mesa Consolidated	\$27.75
Newport Beach	\$28.79
Laguna Beach	\$37.34
Placentia	\$40.40
Yorba Linda	\$41.57
El Dorado	\$42.57
South Coast WD	\$44.13
Whittier	\$50.22

WATER RATE ADJUSTMENTS

Commodity Charges (“Usage”)

Residential

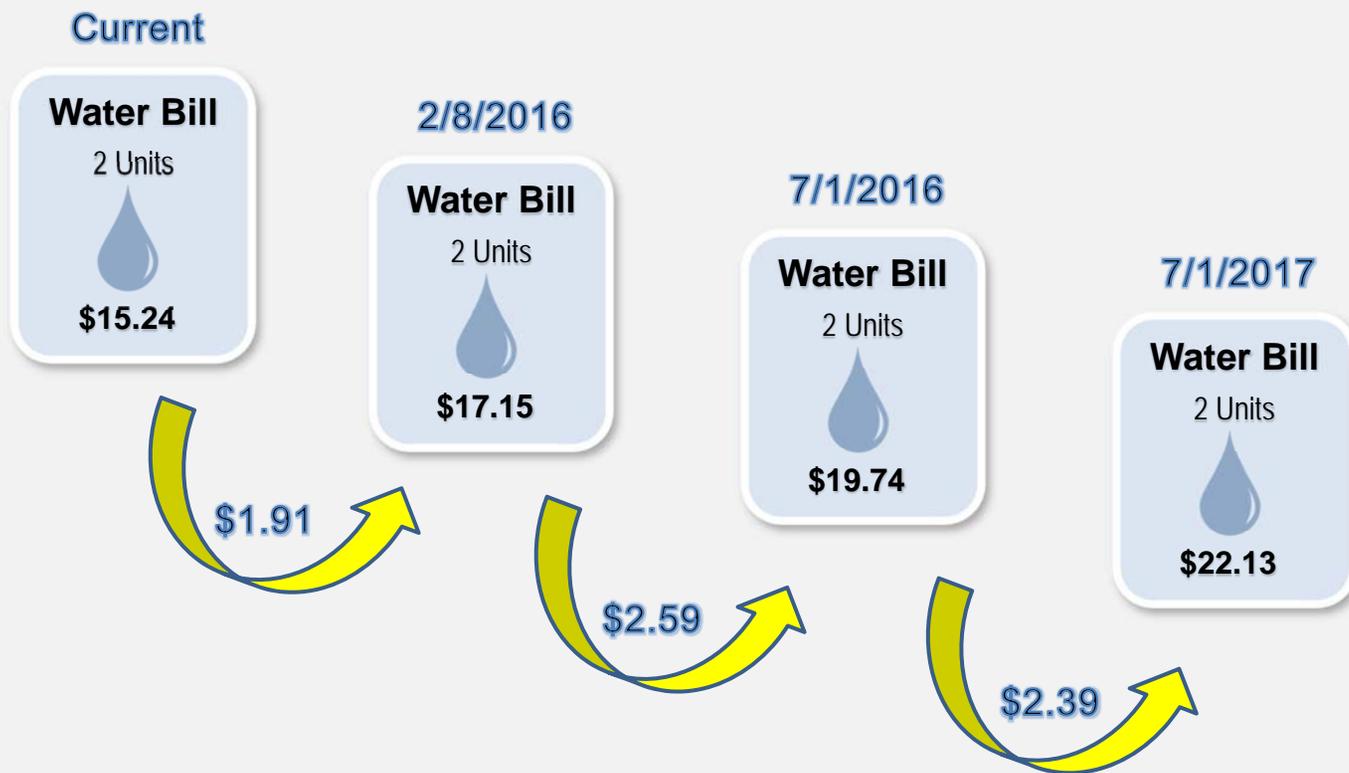
Tiers	Existing Rate (CCF)	Proposed 2/8/16 Rate (CCF)	Proposed 7/1/16 Rate (CCF)	Proposed 7/1/17 Rate (CCF)
Tier 1	\$2.79	\$3.17	\$3.13	\$3.10
Tier 2	\$3.92	\$4.21	\$4.12	\$4.04
Tier 3	\$4.99	\$5.63	\$5.46	\$5.34
Tier 4	\$6.36	\$6.63	\$6.42	\$6.25

1 CCF = 748 Gallons

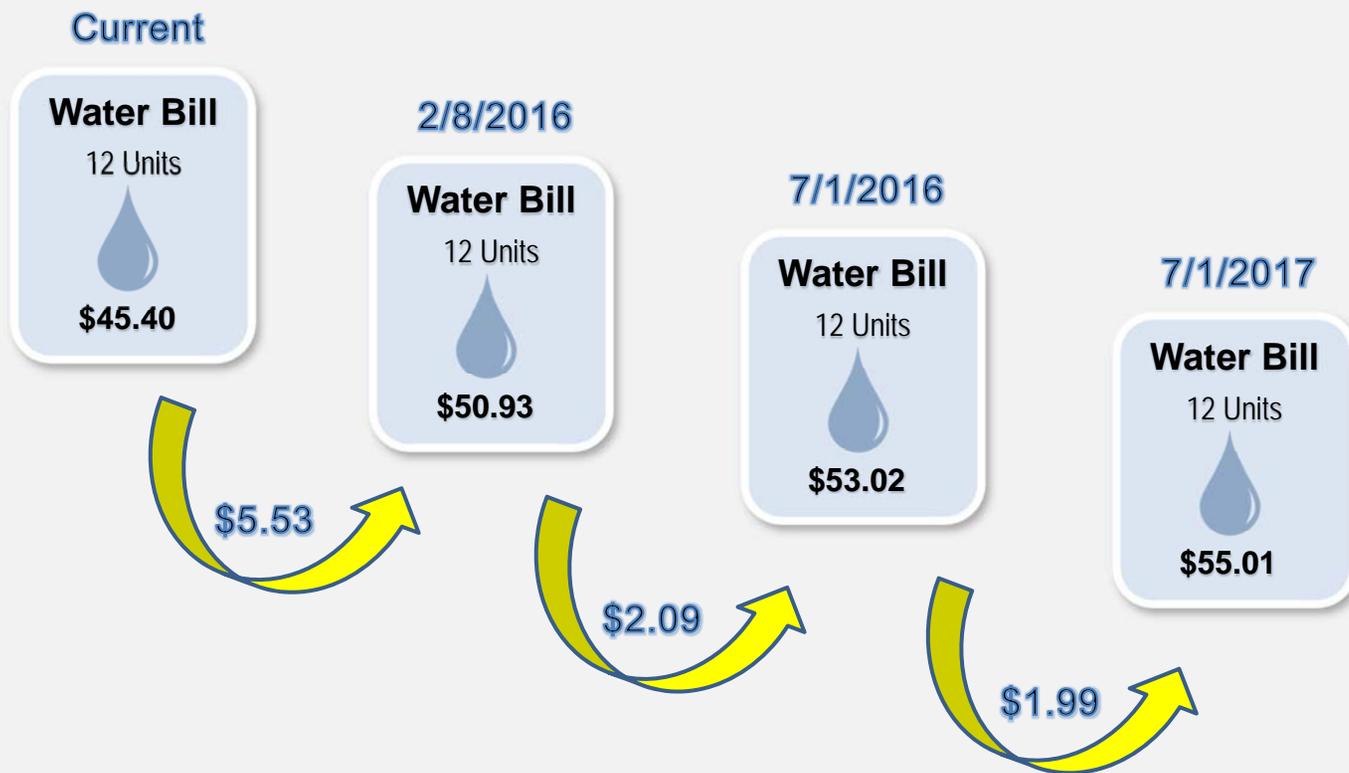
COMPARISON WITH SURROUNDING AGENCIES

Ranked from smallest to largest for COMMODITY CHARGES based on 12 UNITS OF WATER	
El Dorado	\$16.94
Moulton Niguel	\$18.30
Whittier	\$21.12
Santa Margarita	\$23.07
Fullerton	\$26.42
El Toro WD	\$29.52
Yorba Linda	\$32.40
La Habra	\$33.36
Brea Current	\$35.74
Newport Beach	\$36.96
San Clemente	\$38.25
Placentia	\$38.57
Brea (17% Revenue) – Effective 7/1/16	\$39.54
Brea (14% Revenue) – Effective 2/8/16	\$40.12
South Coast WD	\$40.51
Mesa Consolidated	\$42.12
Laguna Beach	\$55.32

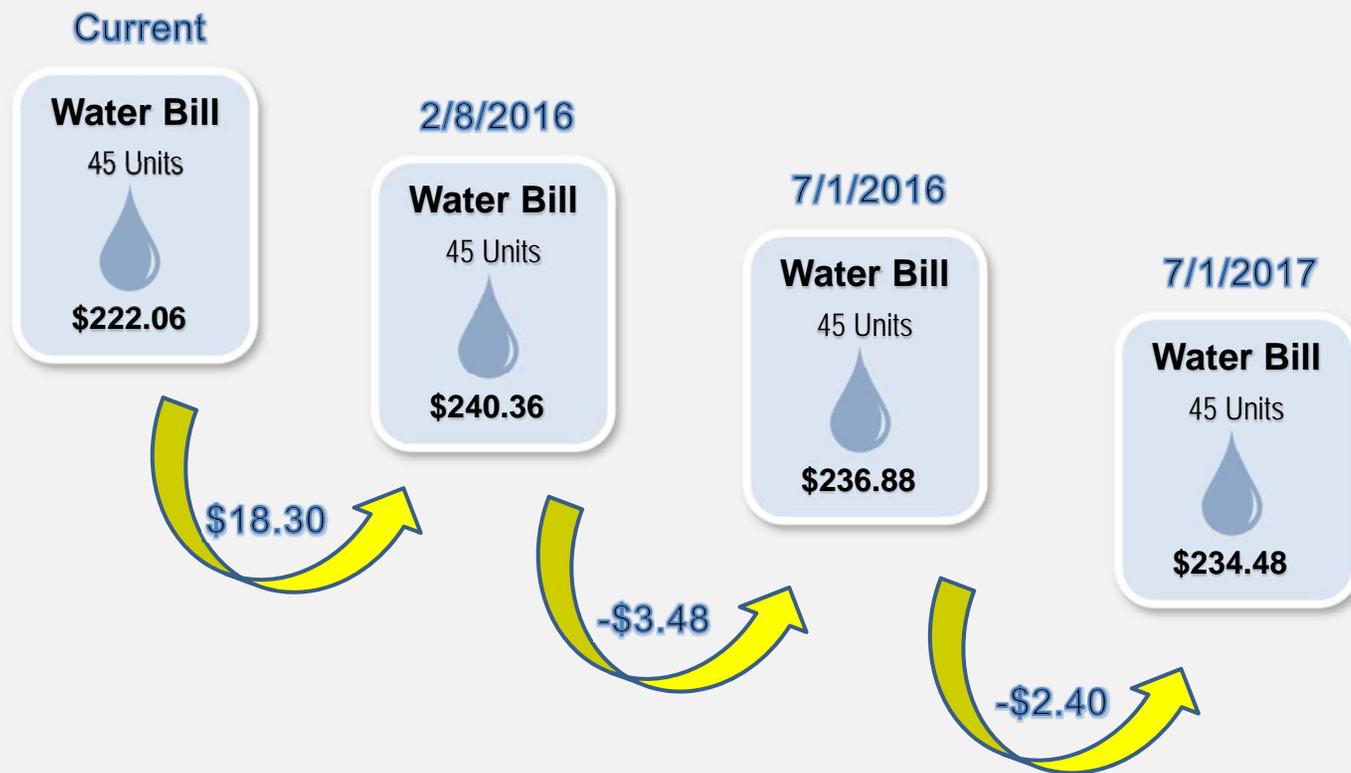
RESIDENTIAL IMPACT – *LOW WATER USER*



RESIDENTIAL IMPACT – AVERAGE WATER USER



RESIDENTIAL IMPACT – HIGH WATER USER



HOW WILL IT IMPACT CUSTOMERS?

Proposed Monthly Rates Residential Customers
1" meter

Total Bill Usage (CCF)	2/8/16 Change in Monthly Bill	7/1/16 Change in Monthly Bill	7/1/17 Change in Monthly Bill	Cumulative Change
2	\$ 1.91	\$2.59	\$ 2.39	6.89
5	3.05	2.47	2.30	7.82
12	5.53	2.09	1.99	9.61
16	6.69	1.73	1.67	10.09
25	11.05	0.52	0.75	12.32
45	18.30	(3.48)	(2.40)	12.42

COMPARISON WITH SURROUNDING AGENCIES

Ranked from smallest to largest for TOTAL BILL based on 12 units of water consumption (1" Meter)	
Moulton Niguel	\$29.69
Fullerton	\$39.36
Santa Margarita	\$43.66
Brea Current	\$45.40
El Toro WD	\$49.47
Brea (14% Revenue) - Effective 2/8/16	\$50.93
La Habra	\$51.45
Brea (17% Revenue) - Effective 7/1/16	\$53.02
San Clemente	\$55.06
El Dorado	\$59.51
Newport Beach	\$65.75
Mesa Consolidated	\$69.87
Whittier	\$71.34
Yorba Linda	\$73.97
Placentia	\$78.97
South Coast WD	\$84.64
Laguna Beach	\$92.66



Inside the Tonner Reservoir

FUTURE RATE INCREASES

- Recommend the revenue from fixed meter charge increase to 17% on July 1, 2016 and 20% on July 1, 2017
- Recommend that both the fixed meter charges and the commodity charge be adjusted as follows:
 - 2.5% Increase July 1, 2016
 - 2.5% Increase July 1, 2017
- Pass-Through costs will be included in future rates



Utility Billing Front Counter

SUMMARY

- Maintains operating revenue levels
- Maintains ongoing capital improvements to the water system
- Adherence to fiscal policy
- Creation of a capital reserve
- Maintains credit rating (“AA-”)
- Maintains bond coverage requirements

QUESTIONS?