

CITY OF BRE A

WATER RATE STUDY

November 17, 2015

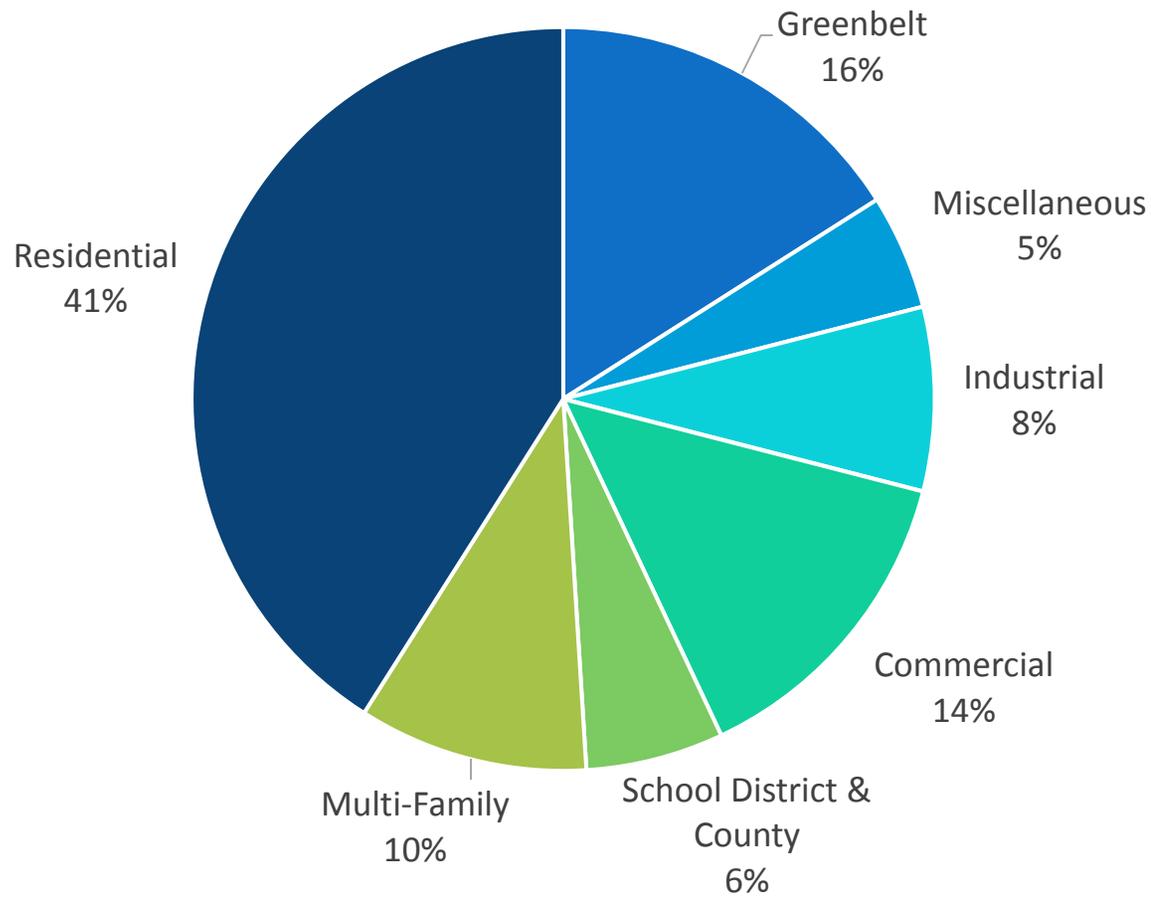


BACKGROUND

- City maintained water distribution system
- 162 miles of potable water pipeline
- 7 Reservoirs
- Services 13,000 customers
- Delivers 10,700 acre-feet of water per year
- Brea imports 100% of its wholesale treated water
 - California Domestic Water Company (70%)
 - Municipal Water District of Orange County (30%)



WATER USAGE BY CATEGORY



MEETINGS TO DATE

- **May 5, 2015 – City Council Meeting**
 - *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 – City Council Special Meeting**
 - *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 6, 2015 – City Council Meeting**
 - *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.*



TONIGHT'S MEETING

- Review Lifeline Program
- Identify potential Capital Improvement Projects & Reserve policy
- Review Proposed Rates



LIFELINE PROGRAM

- Provides low income customers the opportunity to receive a 20% discount based upon qualifications
- Applied to first (1-10 units) and second tiers (11-20 units) for consumption & fixed charges
- 500 customers with a total subsidy of \$45,650
 - Lake Park Brea & Crestmont Mobile Estates (100 customers)
- Recommended funding source
 - Affordable Housing Fund (270)
- City Council discretion to modify subsidy level



CAPITAL PROJECTS

Project

- Berry Street Booster Pump Station Upgrades
- Glenbrook Tract Waterline Improvements
- Gemini Avenue/Steele Drive Waterline
- Improvements Walnut/Orange/Juniper Street Waterline Improvements
- Pleasant Hill Tract Water Improvements
- Napoli Tract Water Improvements
- North Hills West Tract Water Improvements
- North Hills East Tract Water Improvements
- Cliffwood Tract Water Improvements
- Enterprise Tract Water Improvements
- Puente Street Water Main Replacements
- Candlewood Tract Water Main Replacement
- South Brea Neighborhood Water Main Replacement
- Eagle Hills Tract Water Main Replacement
- Buttonwood Drive Tract Water Main Replacement
- Peppertree Tract Water Main Replacement
- Pump Replacement at Booster Station No. 3
- Oleander Street-catalpa Avenue Water Line Replacement
- Valencia Reservoir Repainting
- Pave Access Road to 830 Zone and Valencia Reservoirs

TOTAL \$24,956,937

Reserves

“The City will maintain adequate reserves in each of the enterprise funds to protect these essential City programs. Water reserves should equal a minimum of three months of fund expenditures.”



CHANGES TO MODEL

- Calculated rates at different levels of fixed cost recovery.
- Allocated MWDOC water to Outside Brea customers.
- Unified residential customer class peaking characteristics. MFR customers now have the same weighted average rate as SFR customers.
- Greenbelt usage was found to be highly heterogeneous; no easily identifiable or logical tier breaks were determined.



PROPOSED FIXED CHARGES BY REVENUE ADJUSTMENT

Meter Size	Current	14% Fixed Revenue	17% Fixed Revenue	20% Fixed Revenue	25% Fixed Revenue
5/8"	\$9.66	\$10.81	\$13.15	\$15.16	\$18.84
3/4"	\$9.66	\$10.81	\$13.15	\$15.16	\$18.84
1"	\$9.66	\$10.81	\$13.15	\$15.16	\$18.84
1 1/2"	\$42.99	\$34.66	\$46.38	\$56.42	\$74.83
2"	\$73.52	\$52.55	\$71.30	\$87.36	\$116.81
3"	\$160.77	\$109.20	\$150.20	\$185.34	\$249.77
4"	\$282.90	\$192.68	\$266.48	\$329.74	\$445.71
6"	\$631.81	\$392.45	\$544.73	\$675.26	\$914.57
8"	\$1,120.31	\$839.67	\$1,167.67	\$1,448.82	\$1,964.24
10"	\$1,748.38	\$1,257.09	\$1,749.09	\$2,170.80	\$2,943.94
12"	\$2,446.23	\$1,585.05	\$2,205.91	\$2,738.07	\$3,713.70



PROPOSED WATER CONSUMPTION CHARGES

Single Family Residences

Tier	Units	Current	14% Fixed Revenue	17% Fixed Revenue	20% Fixed Revenue	25% Fixed Revenue
1	1-10	\$2.79	\$3.17	\$3.05	\$2.95	\$2.76
2	11-20	\$3.92	\$4.21	\$4.02	\$3.85	\$3.51
3	21-30	\$4.99	\$5.63	\$5.33	\$5.08	\$4.61
4	31+	\$6.36	\$6.63	\$6.26	\$5.95	\$5.37

Non-Residential

Class	Current	14% Fixed Revenue	17% Fixed Revenue	20% Fixed Revenue	25% Fixed Revenue
Multi-Family	\$3.51	\$3.93	\$3.77	\$3.61	\$3.34
Non-Residential	\$3.51	\$4.27	\$4.08	\$3.90	\$3.59
Greenbelt	\$3.51	\$4.70	\$4.47	\$4.27	\$3.91
Outside Brea	\$4.26	\$5.04	\$4.86	\$4.70	\$4.42
Brea Creek Golf	\$1.71	\$2.39	\$2.30	\$2.22	\$2.07
Construction	\$5.27	\$6.57	\$6.21	\$5.89	\$5.32



ANTICIPATED WATER BILL INCREASE

Units	Current	14% Fixed Revenue	17% Fixed Revenue	20% Fixed Revenue	25% Fixed Revenue
2	\$15.24	\$17.15	\$19.25	\$21.06	\$24.36
5	\$23.61	\$26.66	\$28.40	\$29.91	\$32.64
12	\$45.40	\$50.93	\$51.69	\$52.36	\$53.54
16*	\$61.08	\$67.77	\$67.77	\$67.76	\$67.74
25	\$101.71	\$112.76	\$110.50	\$108.56	\$104.99
45	\$222.06	\$240.36	\$231.05	\$223.21	\$208.59

Units	Difference
2	\$4.01
5	\$4.79
12	\$6.29
16*	\$6.69
25	\$8.79
45	\$8.99

**Difference
between
17% Fixed Revenue
and
Current**



* average



RECOMMEND FOR FY 2015-16

17% Fixed Revenue

Fixed Charges

Meter Size	17% Fixed Revenue
5/8"	\$13.15
3/4"	\$13.15
1"	\$13.15
1 1/2"	\$46.38
2"	\$71.30
3"	\$150.20
4"	\$266.48
6"	\$544.73
8"	\$1,167.67
10"	\$1,749.09
12"	\$2,205.91

Water Consumption - Single Family Residences

Tier	Units	17% Fixed Revenue
1	1-10	\$3.05
2	11-20	\$4.02
3	21-30	\$5.33
4	31+	\$6.26

Water Consumption - Non-Residential

Class	17% Fixed Revenue
Multi-Family	\$3.77
Non-Residential	\$4.08
Greenbelt	\$4.47
Outside Brea	\$4.86
Brea Creek Golf	\$2.30
Construction	\$6.21



RECOMMENDATION

- Recommend a staggered increase in the fixed meter charges for three years from 17% to 25% with applied conservation rates
- Reduce commodity charges accordingly with fixed meter increases
- 2.5% escalator July 1, 2016 & July 1, 2017
- Evaluate impact of rates to customers after 12 months
- Maintain current Lifeline Program Subsidy
- Set the Public Hearing



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COMMODITY RATE CHANGES

FROM LAST MEETING AT 14 %

Single Family Residences

Tier	Units	14% Fixed Revenue
1	1-10	+ 0.03
2	11-20	- 0.09
3	21-30	- 0.23
4	31+	- 0.34

Non-Residential

Class	14% Fixed Revenue
Multi-Family	+ 0.49
Non-Residential	+ 0.17
Greenbelt	+ 0.08
Outside Brea	+ 0.21
Brea Creek Golf	+ 0.07
Construction	+ 0.08

