

1) Why would rates increase if residents are conserving?

The fact is that the drought in California is costly for the entire State. Historically low rainfall means available water becomes more costly to deliver. In Brea, like other cities, the City water utility is a not-for-profit Enterprise Fund that must follow certain Fiscal Policies.* The rates set must fully cover costs of delivering water including, the actual cost of water from our suppliers, as well as the fixed costs; equipment, reservoirs, personnel costs, annual debt service, construction of capital improvements to the system and maintaining adequate reserves.

While conservation reduces the amount of water being used, it can actually increase the cost of water from our suppliers. Brea imports all of its water from either Cal-Domestic or the Metropolitan Water District. Over the years, Brea has continued to purchase more shares of Cal-Domestic water, which gives us access to water at a significantly lower cost.

Additionally, it is important to understand that the fixed assets and related costs do not decrease because consumers are using less water. There still are seven reservoirs and nearly 200 miles of water line to maintain; the debt service and reserves still have to be funded; and the same number of employees are needed to run the system.

While conserving water is currently mandated by the State of California, such good practices will likely become the new normal for Californians. At this point, Brea has opted not to use penalties as a negative incentive for conservation and most property owners are making good efforts to reduce their use.

2) When will the rates go down?

In a climate such as Southern California, the availability, and consequently the cost of the water commodity will continue to be an issue throughout the State. However, in February 2017, the city will again review the rate structure to determine if the additional proposed rate increase is needed.

3) Why wasn't this matter brought up earlier?

City staff has been working for over a year with its water rate technical consultant, Raftelis Financial Consultants, Inc. (RFC) gathering extensive data to determine an appropriate rate structure. Subsequently, in-depth reports were prepared and this topic was placed before the City Council on multiple occasions beginning in May of 2015. A first class public hearing notice was sent to property owners 45 days in advance of the public hearing as required by law, which was then followed by another first class notice to the bill payers.

Reviewing the Council agendas is the best way to stay informed on official city business. To keep interested parties informed of city business, all City Council agendas are posted in accordance with the law. In addition to legally required notifications, Brea also posts agendas online the Thursday prior to each City Council meeting and provides live and replayed broadcasts, which are available on Time Warner and AT&T U-verse. Meetings are also available on demand at cityofbrea.net. If you would like to be notified via e-mail or text messages when the City Council agendas are posted, you may subscribe under the website *Notify Me* module.

4) Why are greenbelts (including City) being watered more than once a week?

During winter months, Brea water customers only irrigate on Mondays under the Phase 2 conservation mandate. Greenbelts in private Homeowner Association tracts fall under the Monday-only schedule unless they have made an alternate arrangement directly with the Public Works Department. To help offset demand on Brea's overall water system, and because the scope of parks and greenbelts is extensive, much more time is actually required to cycle through the many irrigation stations associated with public properties. The City of Brea elected to irrigate during alternate times and this was noticed in the Phase 2 water management plan as it went into effect.

Systems are carefully monitored so that total consumption of water for Brea's public areas meet State mandated conservation goals. Reductions are happening even though it may appear water cycles more frequently in some locations. This is because of retrofits in controllers, sprinkler heads and use of drip irrigation lines where possible. The City also employs "cycle and soak" techniques and has shifted priority water use onto active sports fields at the expense of passive edge areas.

5) What efficiencies are being adopted to reduce costs?

As a fiscally-conservative city, identifying efficiencies is always a top priority. The commodity cost of water, especially when it's scarce, is a major cost affecting the fees. Brea imports all of its water from two sources: Metropolitan Water and Cal-Domestic. Met water currently costs approximately \$950 per acre foot. The price and amount of water purchased from Cal-Domestic depends on the number of shares owned by the City. Per acre foot, Cal-Domestic costs range approximately from \$142 to \$323. The full price cost is currently \$769. Over many years, former and current Brea City Councils have made prudent decisions to purchase additional shares whenever there is an opportunity. The City now gets 70% of its water from Cal-Domestic and 30% from Met. As recently as 7 to 8 years ago, those percentages were flopped (i.e. 70% Met water and 30% Cal-Domestic.) Access to these more favorable rates is a significant cost control measure benefiting Brea water customers.

Other efficiencies include: maintaining staffing levels even as new housing developments and 3,000 new residents were added over the last three years; advancing technology; using ground water to irrigate Brea Creek golf course and Arovista Park; installing "purple pipes," which in the future can provide for gray water irrigation at Birch Hills Golf Course; and exploring groundwater treatment facilities to possibly expand use of non-potable ground water.

Also to control costs, the City of Brea has employed best practices in the retrofit of irrigation system components, including introduction of "Smart-Timers" sometimes purchased using qualified rebate programs. Other fixed operational costs are controlled by close management of equipment purchases and proactive maintenance routines. The City also has been able to moderate ever-increasing energy costs (*electricity is essential to operate the system's pumping stations*) because of Brea's Energy Efficiency and Solar Power Project that keeps this key expense below what it would have been without the solar source.

6) Why are personnel charges considered a fixed cost?

Regardless of the amount of water conserved, the system still requires a certain amount of employees to operate and maintain it. Consequently, personnel is a fixed cost.

Per the State Health & Safety Code Brea is required to utilize State Certified Water Distribution Operators to maintain and operate its system. Per Brea's quality standards, customer service is not outsourced to third parties. Therefore, customers get their questions answered directly and can receive troubleshooting advice when there is a problem. On the personnel side, Brea has not added additional staff to run the water utility or expanded its billing and customer service side for a number of years. Even though the city has grown with hundreds of additional customers added to the system, the employee count has held steady.

7) Are City personnel held accountable for water main breaks?

When a water break occurs, city personnel respond to call-outs as rapidly as possible. If an emergency situation occurs during nights or weekends, a delayed response is reasonable. Personnel are called in from their homes to meet at the maintenance yard to get equipment out to the site. Upon arrival on scene, water operators must assess the cause of the break and determine how to equalize pressure affecting the entire system. Personnel secure the area and often call in additional help. All of this takes time, but meanwhile they do as much as possible, which includes notifications to underground services or ordering specialized equipment that might be needed. This is preliminary to the direct repair on a main break.

When water vaults are compromised, an immediate shut-off in one location could trigger other breaks down the line. Only when it is safe, is water pressure cut off so repairs can commence. Although it is very unfortunate to lose a volume of potable water in these situations, Brea's storm water system does have various catch basin points to help capture and slow downstream flow where some of it might percolate into the ground again.

All City of Brea employees get an annual performance review. Those who participate with a response team of any type, would be evaluated on their effectiveness in this role. Therefore, yes, personnel are indeed accountable for high standards of maintenance and emergency response.

8) Who decides the water rates?

The Brea City Council makes the decision on adoption of an appropriate water rate structure that is compliant with State of California requirements.

9) What is the timeline for protest letters?

Protest letters were due to be submitted to the City Clerk by Tuesday, February 2, 2016 in conjunction with the noticed public hearing for the 7:00 p.m. meeting.

10) Why don't we collect rain water?

An extensive, expensive infrastructure system is required in order to collect rainfall in California. The costs to do this are well in excess of most individual water utilities' ability to construct and maintain. However, in some areas within Orange County successful collaborative efforts have been made to create catch basins that allow percolation of storm water back into the local aquifer. Unfortunately, investments have not been allocated for such capital improvements in most regions of the State. It remains to be seen how future political decisions and financial allocations might play out to change this dynamic.

11) What about HOAs?

Homeowner associations are included with all other regular customers. They and/or their associated management companies do receive the same business notifications as any individual property owners. They also are expected to comply with conservation restrictions.

***Fiscal Policies—Utility Rates and Fees**

- ◆ The City will annually set fees and user charges for each enterprise fund on a “pay as you go basis” at a level that fully supports the total direct and indirect cost of the activity. Indirect costs include the cost of annual depreciation of capital assets and overhead charges.
- ◆ The City will maintain adequate reserves in each of the enterprise funds to protect these essential City programs. Water Fund reserves should equal a minimum of three months of fund expenditures. Sewer Fund reserves should equal one year’s operating expenditures.
- ◆ As required by the Water Revenue Bond Indenture, water rates must be set in an amount sufficient to meet the bond coverage tests and certified on an annual basis by an independent financial advisor.
- ◆ The use of long-term debt is an acceptable financing mechanism for the construction of capital improvements to the existing system; the annual debt service must be included in the current rate structure.