



CITY OF MONTEREY PARK UTILITY RATE STUDY

September 26, 2023

City Council Presentation



Presentation Outline

- Proposition 218 Process
- City Infrastructure
- Rate-making Objectives and Considerations
- Rate Study Process
- Sewer Rates
- Water Rates
- Timeline



Proposition 218 Process

- Must allow property owners and utility customers method to “protest” vote
- Applies to water, wastewater and solid waste fee increases (considered property related)
- Must mail notice 45 days before a public hearing
- Rate increase may not exceed cost of service and system maintenance



City Infrastructure



Sewer Infrastructure





Water Infrastructure





Water Infrastructure





Rate-making Objectives & Considerations

- Provide revenue sufficiency and financial stability to fund the projected operating and capital costs of the City's utility enterprises
 - Proposed rate adjustments
- Meet the City's reserve fund targets
 - Operating reserves
 - Capital reserves
- Rate payer equity
 - Each Customer class pays their proportionate share of expenses
 - Each Customer, within each class, pays their proportionate share of expenses via consumption and service capacity



Rate Study Process

- **STEP 1: Revenue requirement projections**
 - Determines how much revenue is needed annually from rates for next five years
- **STEP 2: Cost of service allocations**
 - Determines how much of the revenue should come from fixed and variable charges and from each customer class
 - Allocations are proportionate to the cost of providing service
- **STEP 3: Rate design and bill impacts**
 - Determine charges
 - Balance rate-making objectives
 - Maintain rate payer equity
 - Evaluate impacts of proposed rates on average customer bills



Sewer Rate Study

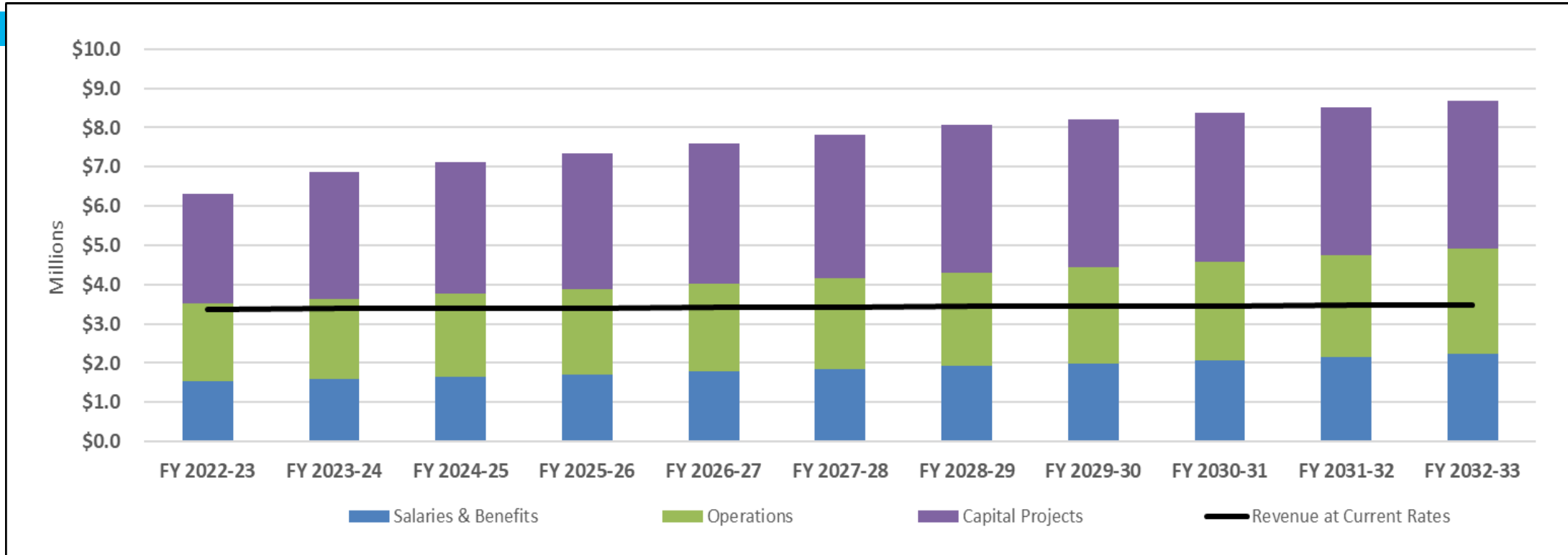


Sewer Rates Summary

- **Current Rates:** Fixed service charge per account
 - Billed according to customer class and size of water meter
 - Single-Family, Multi-Family, Commercial, Institutional
 - Current rates in effect since August 2019 (which reflect rollback to August 2017 rates)
- **Recommendation:** Revise rate structure to charge:
 - per dwelling unit for residential customers (SF and MF) instead of by meter size
 - Maintain Commercial/Industrial rate structure, by meter size

Customer Class	Monthly Rate
Single Family	
5/8", 3/4"	\$10.17
1"	\$12.42
1 1/2"	\$12.86
Multi Family	
3/4"	\$29.01
1"	\$34.76
1 1/4"	\$57.25
1 1/2"	\$84.15
2"	\$161.22
3"	\$413.02
4"	\$534.30
Commercial	
3/4"	\$27.09
1"	\$40.68
1 1/4"	\$40.68
1 1/2"	\$78.41
2"	\$198.97
3"	\$270.68
4"	\$386.69
6"	\$1,052.20
Institutional	
3/4"	\$46.29
2"	\$68.48
3"	\$73.29
4"	\$168.28

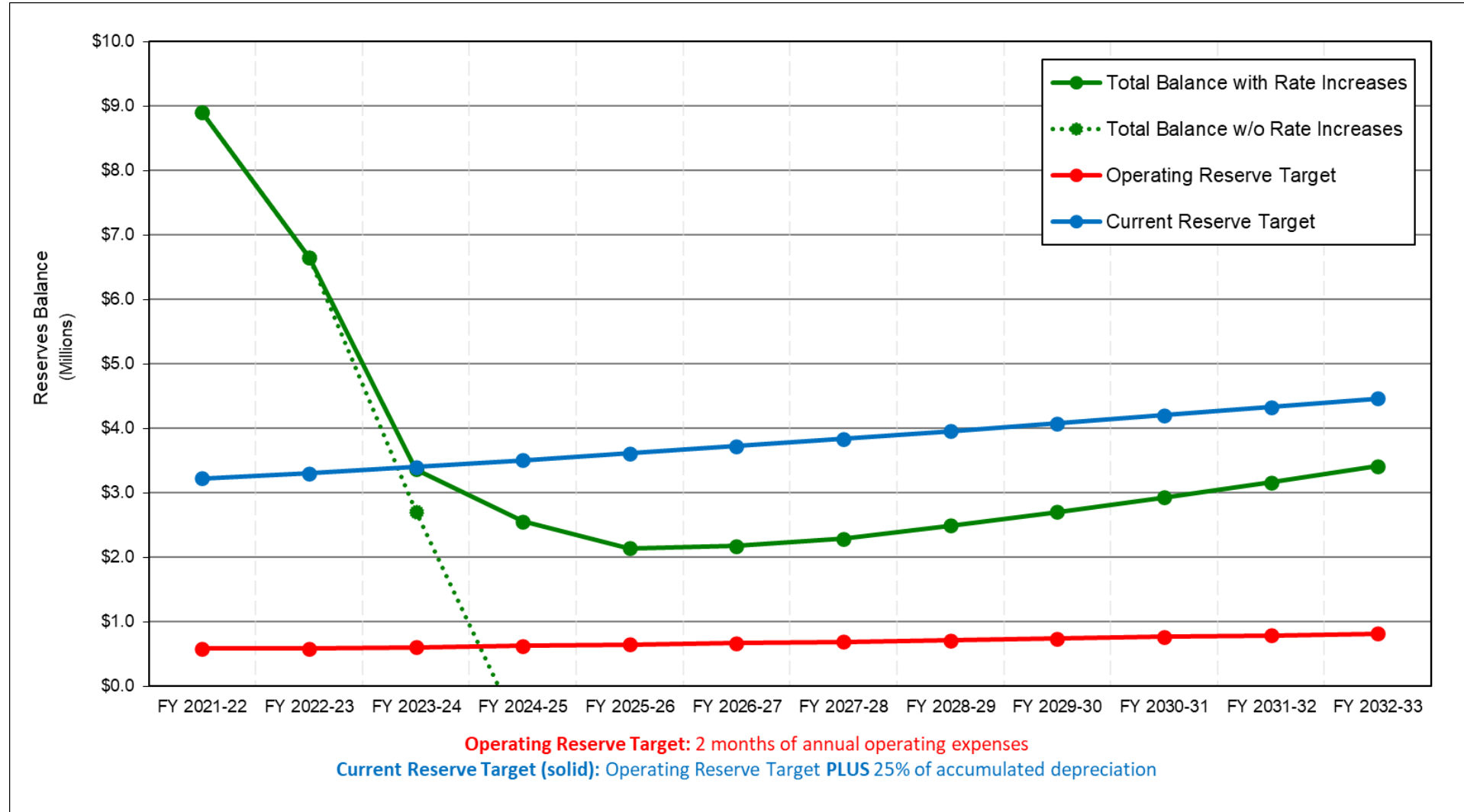
Sewer Revenue Requirement Projections



- Revenues at current rates do not cover projected operating and capital costs
- Annual revenue shortfalls can be covered by a combination of annual rate increases and reserves.
- Contribution to Capital includes major projects: pipe relining, regular repairs and maintenance. - Easement from Cipriano to Alley West of El Mercado, Alley from Easement to El Portal

Sewer 10-Year Cash Projections

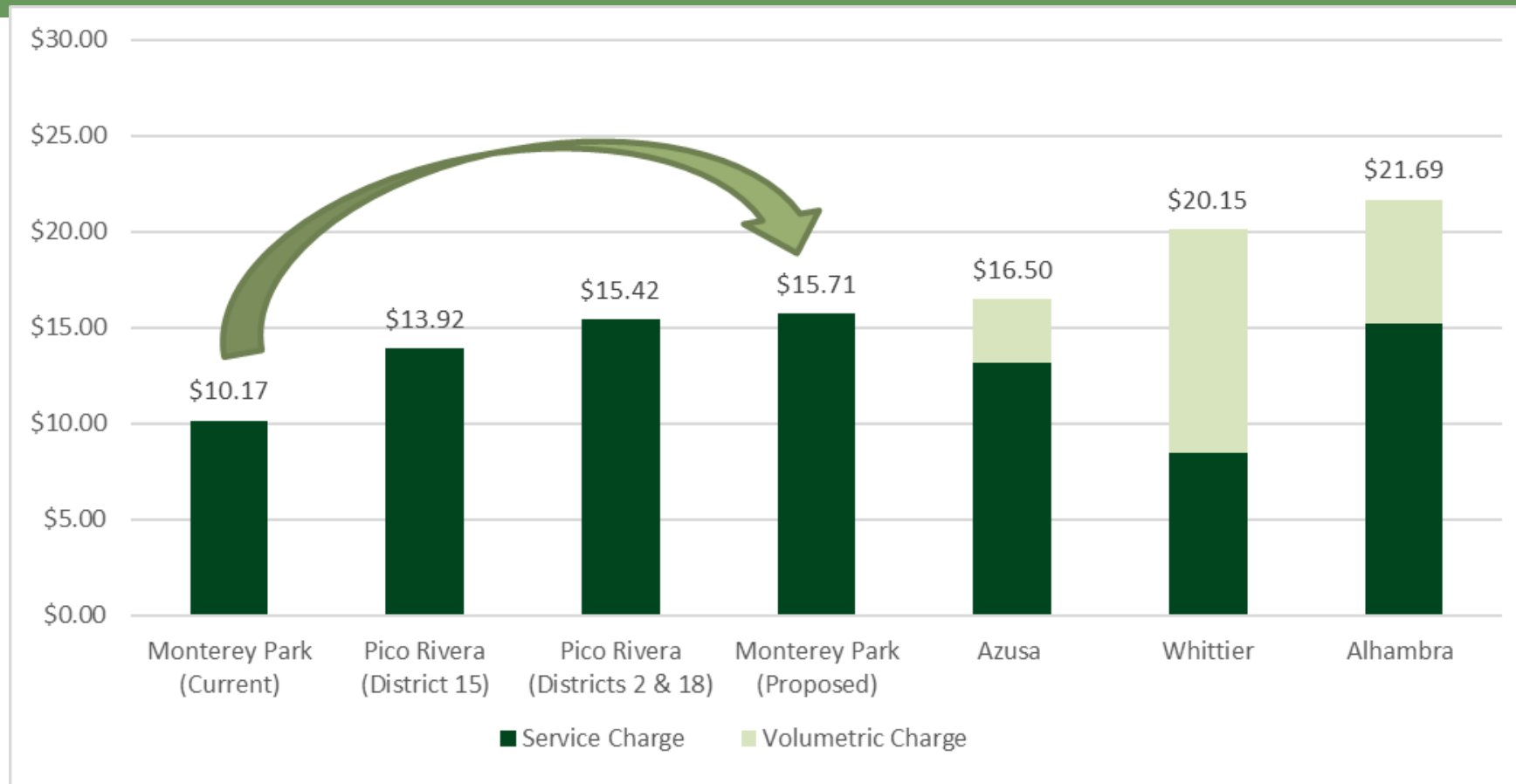
Fiscal Year	Effective Date	Overall Rate Revenue Increase
FY 2023-24	1/1/2024	40.0%
FY 2024-25	7/1/2024	30.0%
FY 2025-26	7/1/2025	10.0%
FY 2026-27	7/1/2026	10.0%
FY 2027-28	7/1/2027	4.0%
FY 2028-29	7/1/2028	4.0%
FY 2029-30	7/1/2029	3.0%
FY 2030-31	7/1/2030	3.0%
FY 2031-32	7/1/2031	3.0%
FY 2032-33	7/1/2032	3.0%



Proposed Sewer Rates

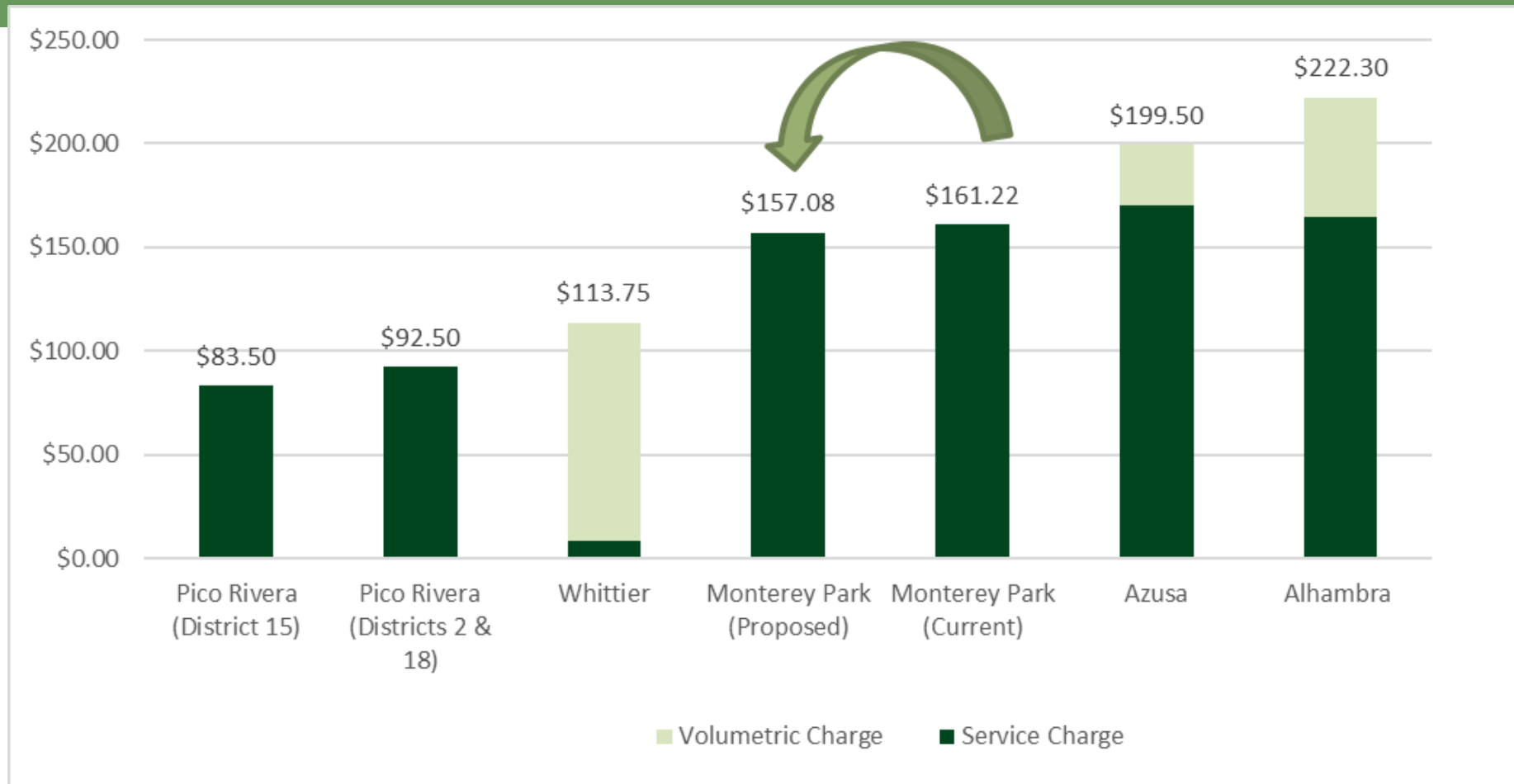
Monthly Sewer Rates								
Customer Class	Current	Current	Proposed	Proposed				
	Units	FY 2022-23	Units	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Single Family			<i>Rate Adjustment</i>	<i>various (COS)</i>	<i>+30%</i>	<i>+10%</i>	<i>+10%</i>	<i>+4%</i>
5/8", 3/4"	<i>account</i>	\$10.17	<i>account/DU</i>	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
1"	<i>account</i>	\$12.42	<i>account/DU</i>	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
1 1/2"	<i>account</i>	\$12.86	<i>account/DU</i>	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
Multi Family								
3/4"	<i>account</i>	\$29.01	<i>dwelling unit</i>	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
1"	<i>account</i>	\$34.76	<i>dwelling unit</i>	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
1 1/4"	<i>account</i>	\$57.25	<i>dwelling unit</i>	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
1 1/2"	<i>account</i>	\$84.15	<i>dwelling unit</i>	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
2"	<i>account</i>	\$161.22	<i>dwelling unit</i>	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
3"	<i>account</i>	\$413.02	<i>dwelling unit</i>	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
4"	<i>account</i>	\$534.30	<i>dwelling unit</i>	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
Commercial								
3/4"	<i>account</i>	\$27.09	<i>account</i>	\$27.37	\$35.58	\$39.14	\$43.05	\$44.78
1"	<i>account</i>	\$40.68	<i>account</i>	\$45.61	\$59.30	\$65.23	\$71.75	\$74.62
1 1/4"	<i>account</i>	\$40.68	<i>account</i>	\$91.22	\$118.59	\$130.45	\$143.50	\$149.24
1 1/2"	<i>account</i>	\$78.41	<i>account</i>	\$145.95	\$189.74	\$208.71	\$229.58	\$238.76
2"	<i>account</i>	\$198.97	<i>account</i>	\$291.91	\$379.49	\$417.44	\$459.18	\$477.55
3"	<i>account</i>	\$270.68	<i>account</i>	\$456.11	\$592.94	\$652.23	\$717.45	\$746.15
4"	<i>account</i>	\$386.69	<i>account</i>	\$912.21	\$1,185.88	\$1,304.46	\$1,434.91	\$1,492.31
6"	<i>account</i>	\$1,052.20	<i>account</i>	\$1,459.54	\$1,897.40	\$2,087.15	\$2,295.86	\$2,387.69
Institutional								
3/4"	<i>account</i>	\$46.29	<i>account</i>	\$27.37	\$35.58	\$39.14	\$43.05	\$44.78
2"	<i>account</i>	\$68.48	<i>account</i>	\$291.91	\$379.49	\$417.44	\$459.18	\$477.55
3"	<i>account</i>	\$73.29	<i>account</i>	\$456.11	\$592.94	\$652.23	\$717.45	\$746.15
4"	<i>account</i>	\$168.28	<i>account</i>	\$912.21	\$1,185.88	\$1,304.46	\$1,434.91	\$1,492.31

Monthly Bill Comparison – Single Family



- Assumes 10 hundred cubic feet (hcf) of monthly water use per account, for those jurisdictions which have a flow-based volumetric charge component.

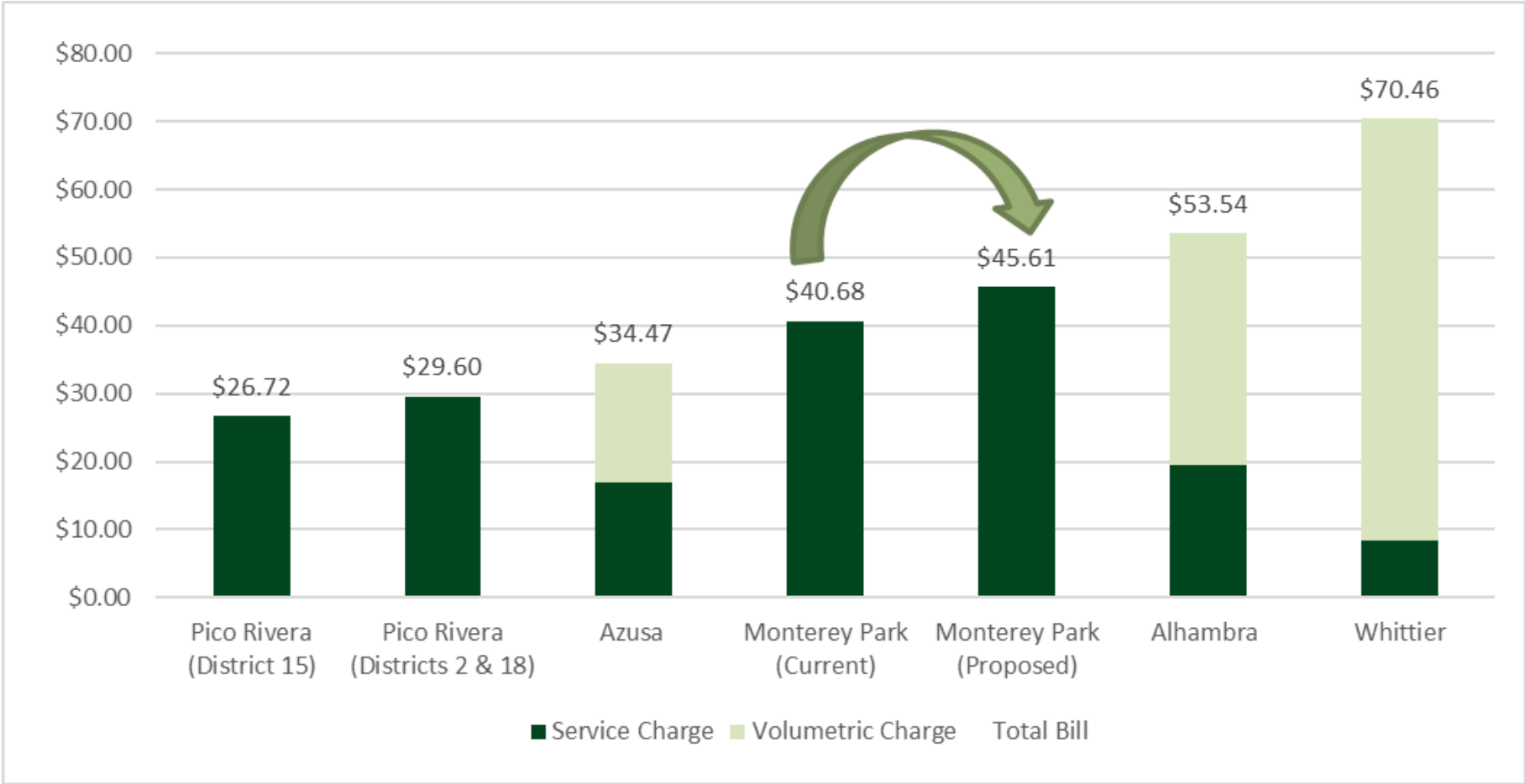
Monthly Bill Comparison – Multi Family



- Assumes 10-unit complex, 9 hcf of monthly water use per dwelling unit.



Monthly Bill Comparison – Commercial



- Assumes 53 hcf of monthly water use per account.



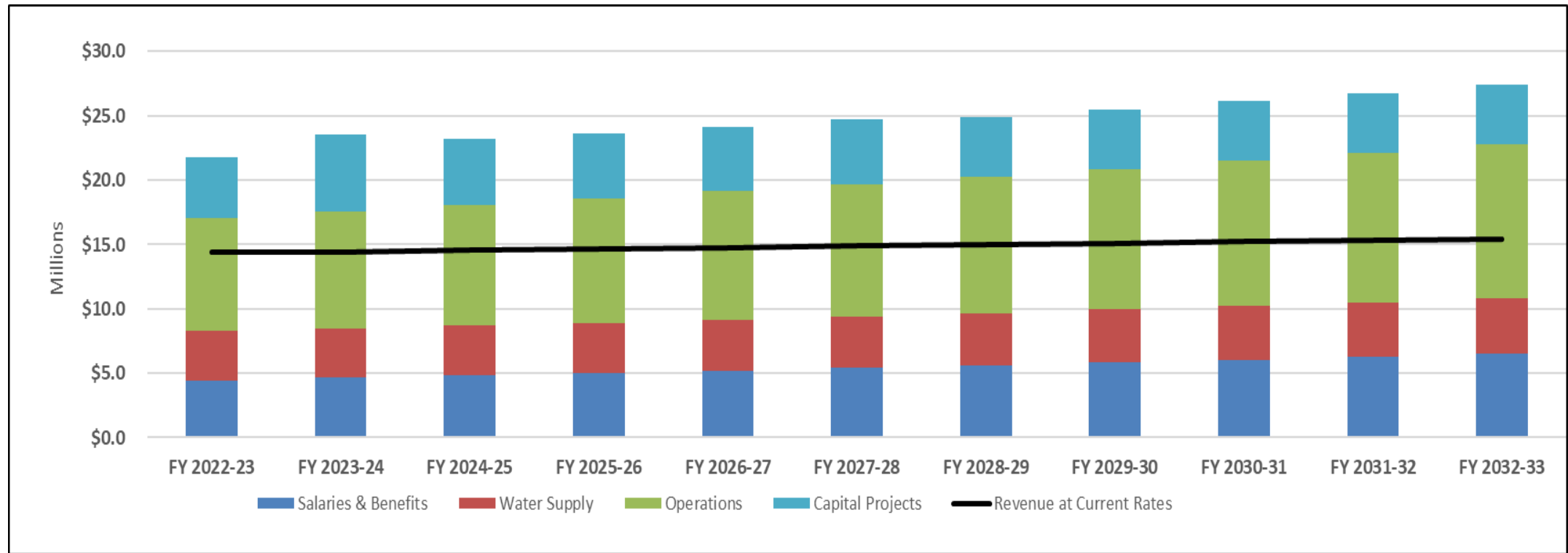
Water Rate Study

Water Rates Summary

- **Current Rates:** Two Components (billed bi-monthly)
 - Fixed service charge based on meter size
 - Consumption charge based on actual water use
 - Three-tiered rate structure for Single Family Residential
 - All Other customers pay uniform rate
 - Current rates in effect since July 2019 (which reflect rollback to July 2016 rates)
- **Recommendations:** Revise rate structure as follows:
 - Realign SFR tier breakpoints to actual demand patterns

Meter Size	Monthly Service Charge
5/8" meters	\$19.20
3/4" meters	\$19.20
1" meters	\$20.75
1 1/2" meters	\$32.70
2" meters	\$42.15
3" meters	\$84.35
4" meters	\$139.55
6" meters	\$425.95
8" meters	\$1,065.30
Monthly Use	Rate per HCF
Single Family Residential	
Tier 1 (0-6 hcf)	\$2.10
Tier 2 (7-12 hcf)	\$2.29
Tier 3 (13+ hcf)	\$2.45
All Other	
All Consumption	\$2.39

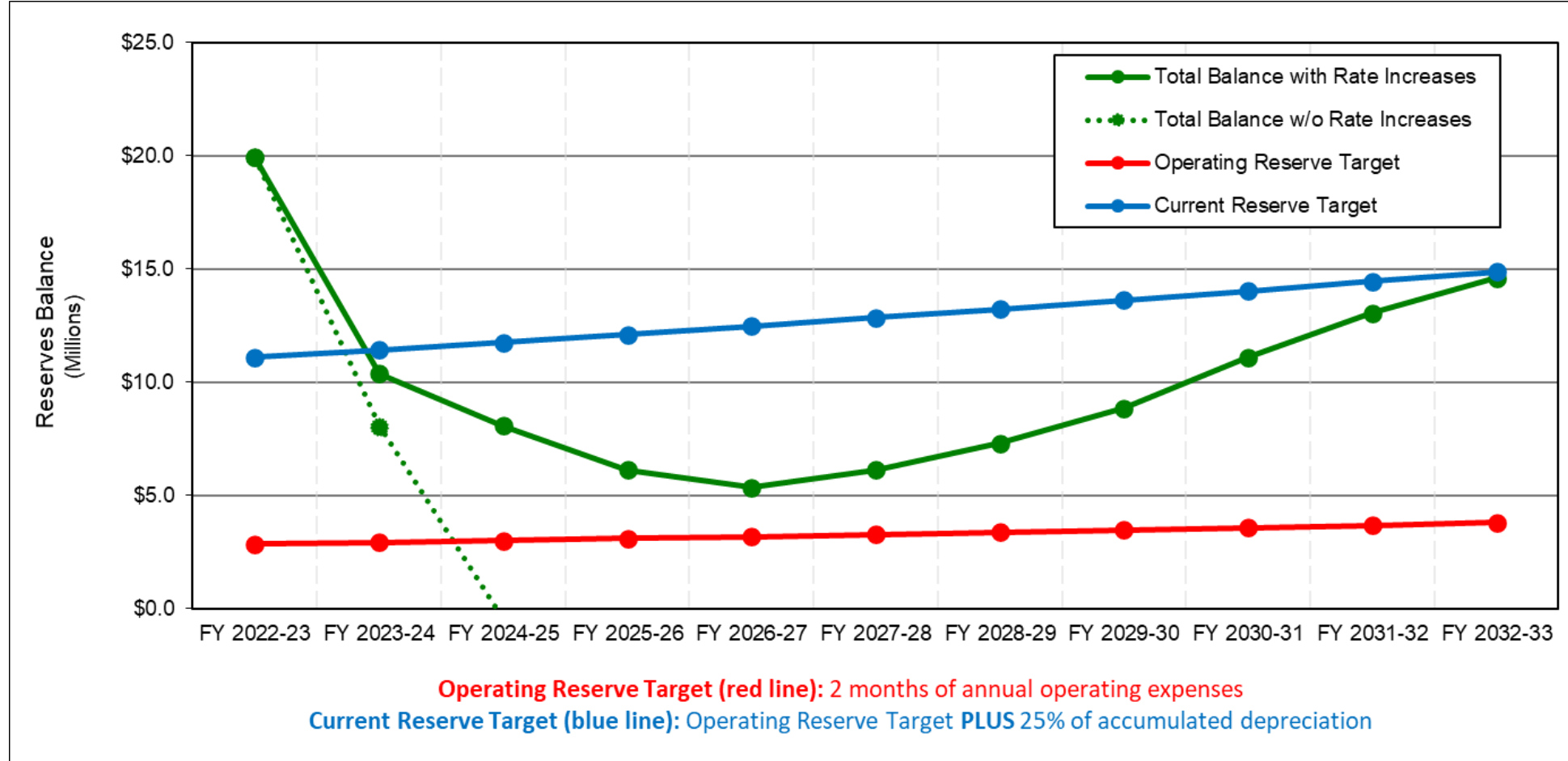
Water Revenue Requirement Projections



- Annual revenue shortfalls can be covered by a combination of annual rate increases and reserves
- Contribution to Capital includes major projects: meter replacement, settling tank replacement, booster pump station replacement

Water 10-Year Cash Projections

Fiscal Year	Effective Date	Revenue Increase
FY 2023-24	1/1/2024	32.0%
FY 2024-25	7/1/2024	8.0%
FY 2025-26	7/1/2025	8.0%
FY 2026-27	7/1/2026	7.0%
FY 2027-28	7/1/2027	8.0%
FY 2028-29	7/1/2028	3.0%
FY 2029-30	7/1/2029	3.0%
FY 2030-31	7/1/2030	0.0%
FY 2031-32	7/1/2031	0.0%
FY 2032-33	7/1/2032	0.0%





Cost-of-Service Analysis

- Rate adjustments for January 1, 2024 will not affect all customers equally
- Cost-of-service analysis converts revenue requirements into rates
- American Water Works Association base/extra capacity method is preferred approach
- Method allocates costs between fixed charges and consumption charges
 - Minimizes the use of discretion, which follows from *San Juan Capistrano* decision
- Method also used for deriving rates for tiered water charges
 - Size of tiers based on actual demand, not on budgets
 - Rate per tier based on cost of providing for corresponding level of service

Monthly Service Charges

Monthly Service Charges						
Meter Size	FY 2022-23 Current Rates	FY 2023-24 1/1/2024	FY 2024-25 7/1/2024	FY 2025-26 7/1/2025	FY 2026-27 7/1/2026	FY 2027-28 7/1/2027
	<i>Rate Adjustments</i>	various (COS)	+8%	+8%	+7%	8%
5/8" meters	\$19.20	\$20.16	\$21.77	\$23.51	\$25.16	\$27.17
3/4" meters	\$19.20	\$27.18	\$29.36	\$31.71	\$33.93	\$36.64
1" meters	\$20.75	\$41.23	\$44.53	\$48.10	\$51.46	\$55.58
1 1/2" meters	\$32.70	\$76.36	\$82.47	\$89.07	\$95.30	\$102.93
2" meters	\$42.15	\$118.52	\$128.00	\$138.24	\$147.91	\$159.75
3" meters	\$84.35	\$230.92	\$249.40	\$269.35	\$288.20	\$311.26
4" meters	\$139.55	\$357.38	\$385.98	\$416.85	\$446.03	\$481.72
6" meters	\$425.95	\$708.66	\$765.35	\$826.58	\$884.44	\$955.20
8" meters	\$1,065.30	\$1,130.20	\$1,220.61	\$1,318.26	\$1,410.54	\$1,523.38

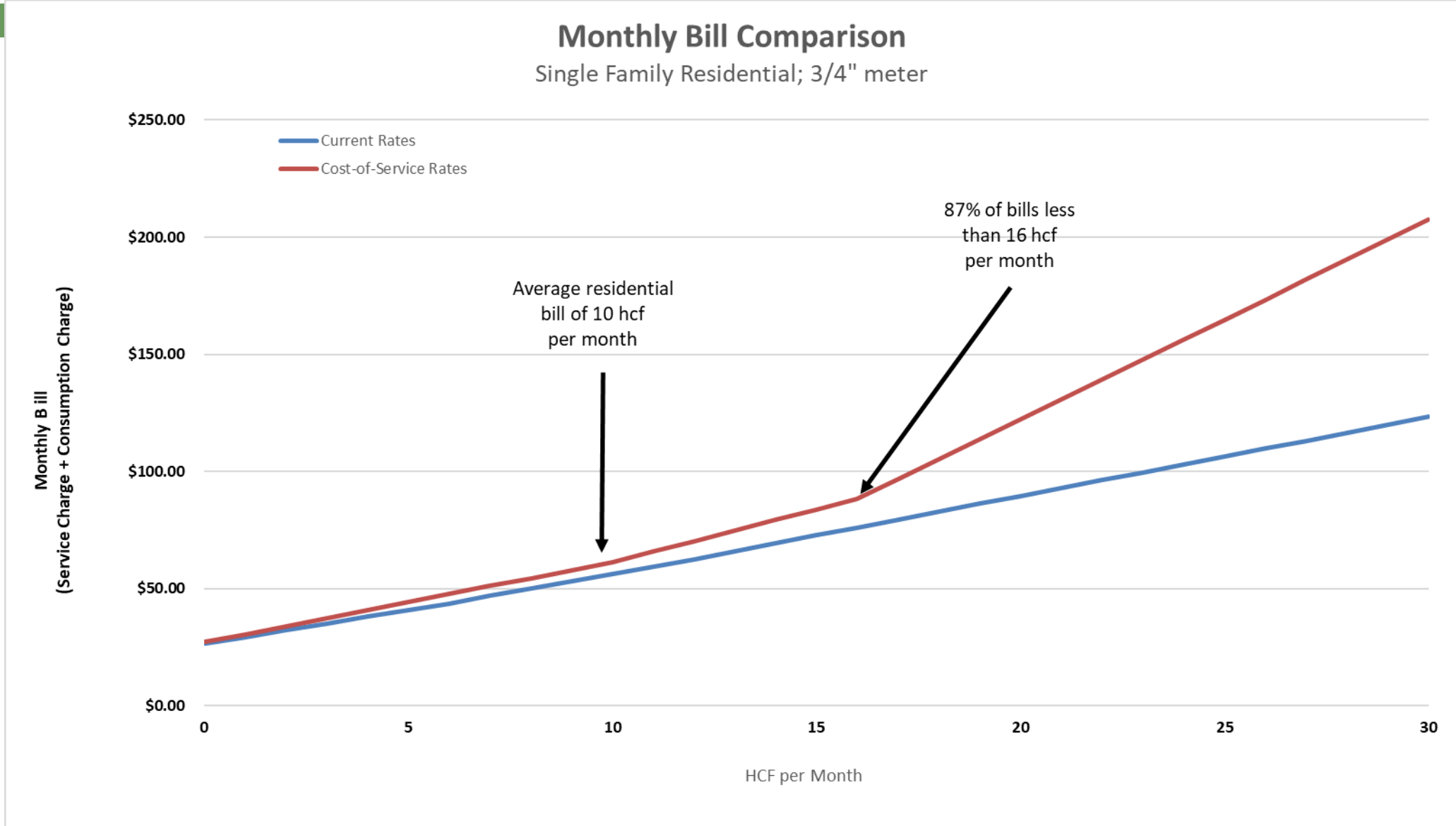
- Maintain monthly service charge based on size of meter
- Adjust capacity multipliers to AWWA recommendations

Monthly Consumption Rates

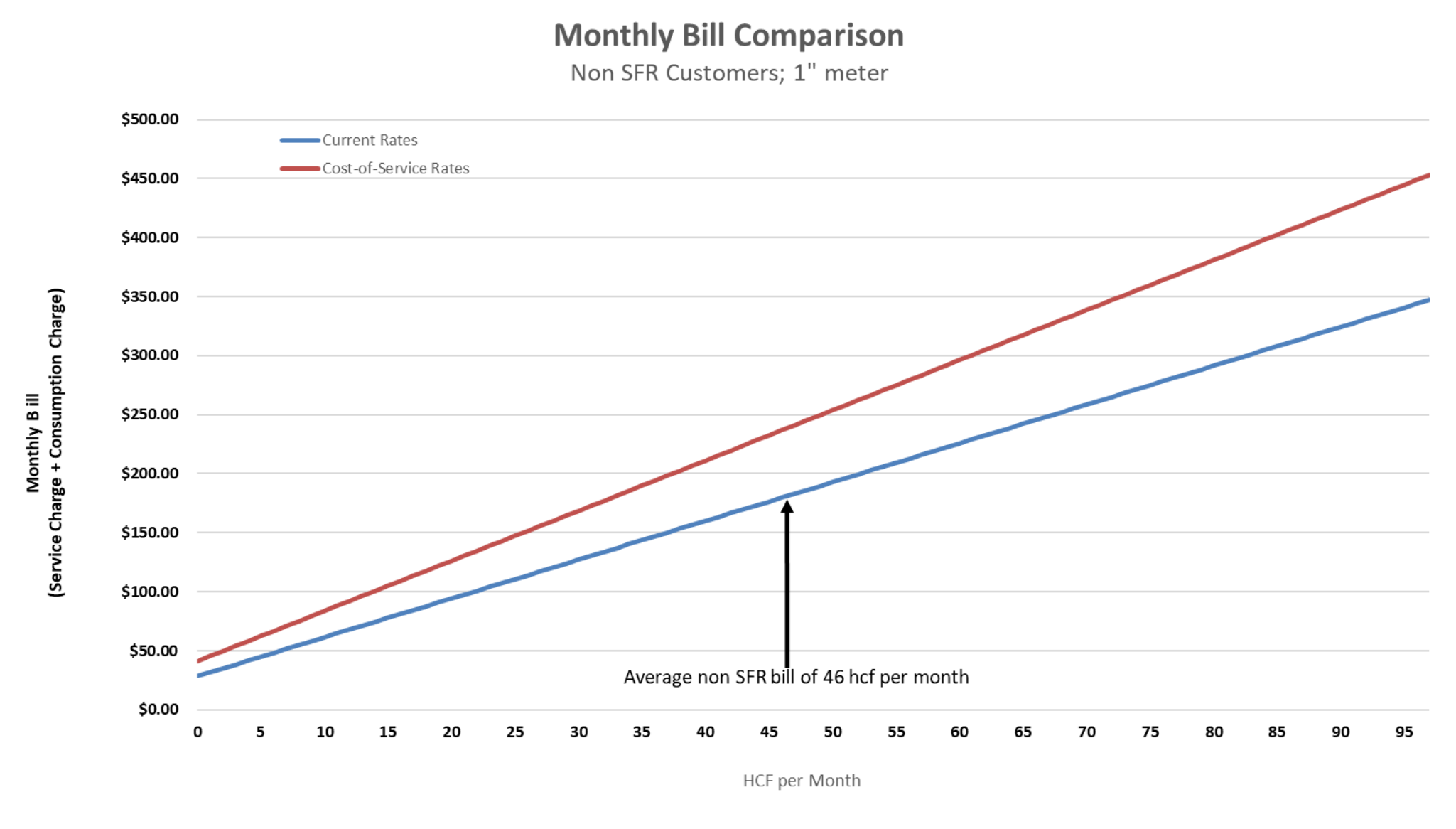
Water Consumption Charge (per hcf = 748 gallons)							
FY 2022-23		FY 2023-24		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Monthly Use	Current Rates	Monthly Use	1/1/2024	7/1/2024	7/1/2025	7/1/2026	7/1/2027
		<i>Rate Adjustments</i>	<i>various (COS)</i>	+8%	+8%	+7%	8%
Single Family Residential		Single Family Residential					
Tier 1 (0-6 hcf)	\$2.10	Tier 1 (0 - 10 hcf)	\$3.41	\$3.69	\$3.98	\$4.26	\$4.60
Tier 2 (7-12 hcf)	\$2.29	Tier 2 (11 - 16 hcf)	\$4.50	\$4.86	\$5.24	\$5.61	\$6.06
Tier 3 (13+ hcf)	\$2.45	Tier 3 (17+ hcf)	\$8.51	\$9.19	\$9.92	\$10.62	\$11.47
All Other		All Other					
All Consumption	\$2.39	All Consumption	\$4.25	\$4.59	\$4.95	\$5.30	\$5.73

- Maintain three tier rate structure for Single-Family Residential (SFR)
- SFR breakpoints adjusted to actual demand patterns
- All Other customers maintain uniform rate structure

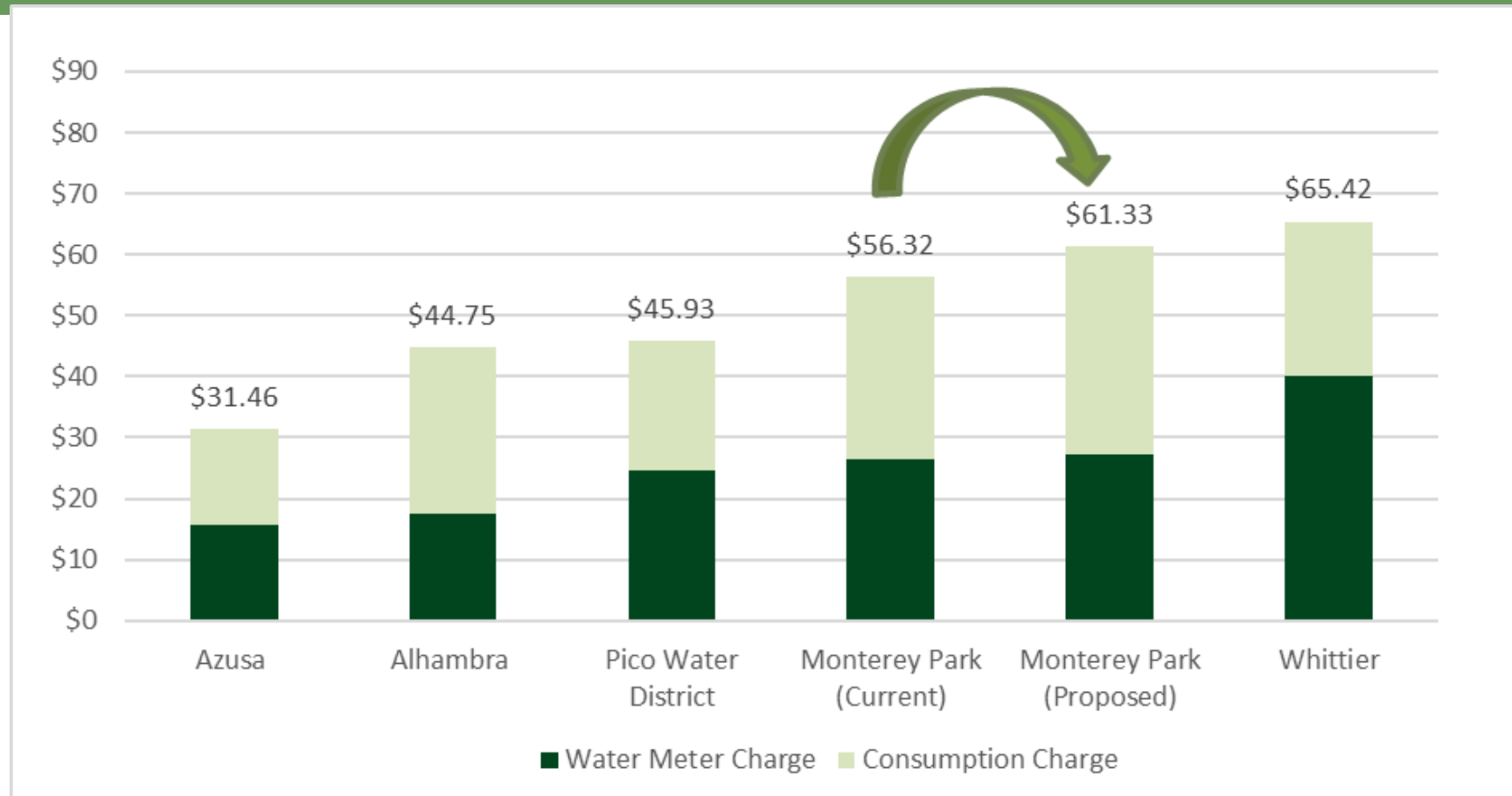
SFR Customer Bill Impacts – WATER



Non-SFR Customer Bill Impacts – Water

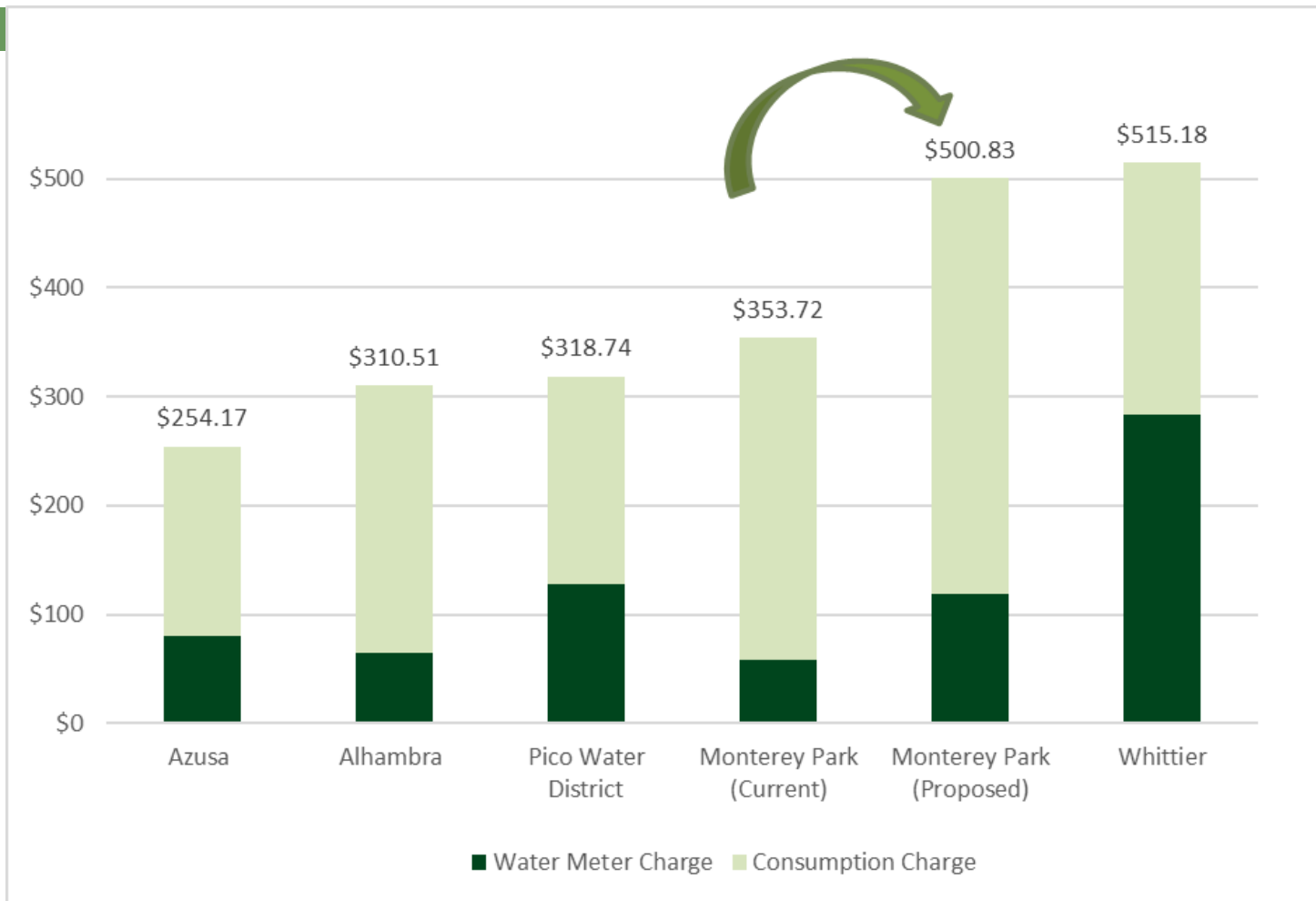


Monthly Bill Comparison – Single Family 3/4” Meter



- Assumes average water use (10 hcf)

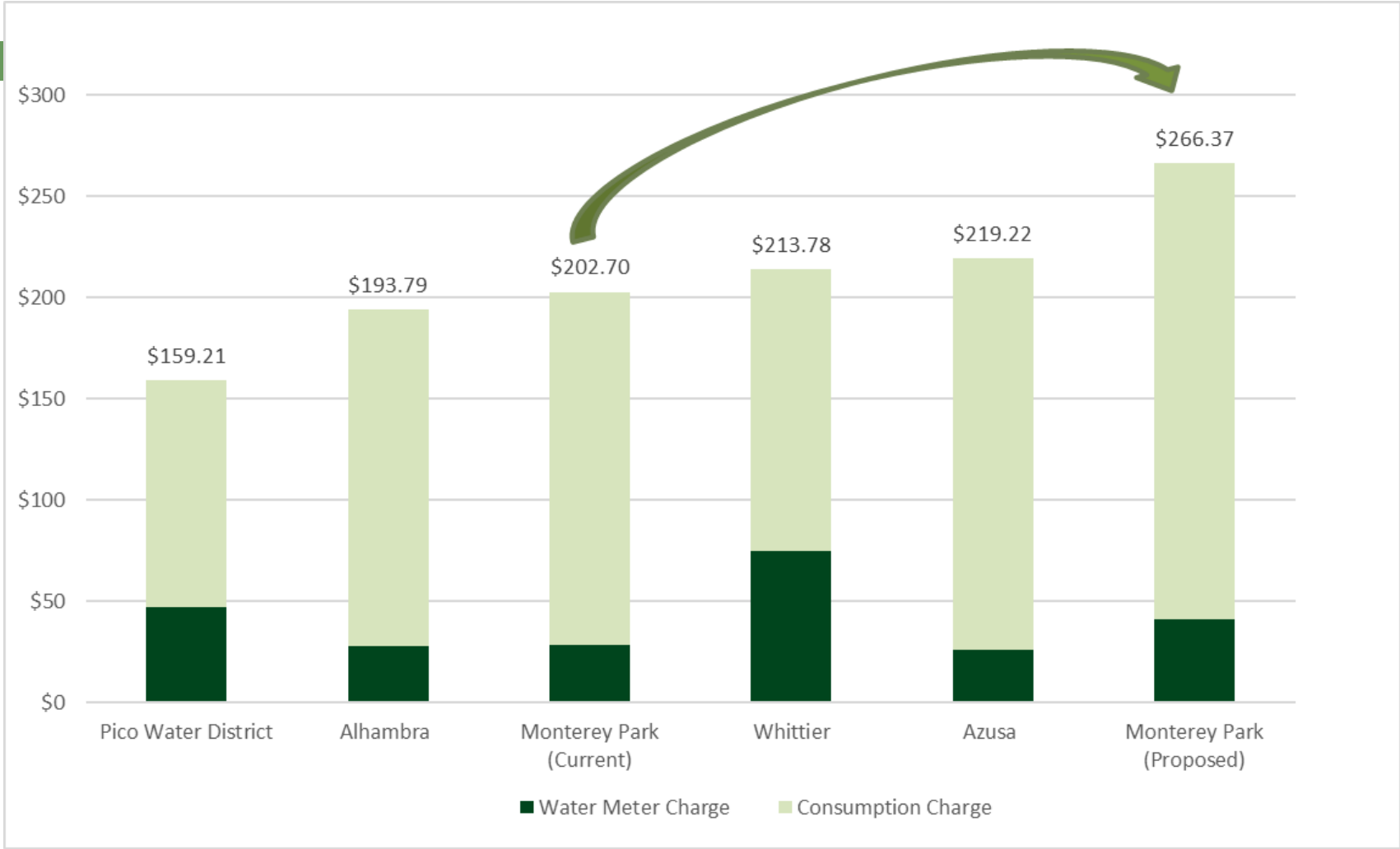
Monthly Bill Comparison – Multi Family 2” Meter



- Assumes 90 hcf of monthly water use per account (assumes 9 hcf per dwelling unit and 10 dwelling units per account)



Monthly Bill Comparison – Commercial 1” Meter



- Assumes 53 hcf of monthly water use per account.

Combined Monthly Bill Impacts – Single Family

Single Family						
	Current	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Assumptions						
Meter Size	3/4" meter	3/4" meter				
Water Consumption	10	10				
Water						
Fixed Service Charge	\$19.20	\$27.18	\$29.36	\$31.71	\$33.93	\$36.64
Consumption Charge	\$21.76	\$34.15	\$36.88	\$39.83	\$42.62	\$46.03
37.5% Surcharge	\$15.36	n/a	n/a	n/a	n/a	n/a
Total	\$56.32	\$61.33	\$66.24	\$71.54	\$76.55	\$82.67
Increase/(Decrease)		\$5.01	\$4.91	\$5.30	\$5.01	\$6.12
Sewer						
Charge per account	\$10.17	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
Total	\$10.17	\$15.71	\$20.42	\$22.46	\$24.71	\$25.70
Increase/(Decrease)		\$5.54	\$4.71	\$2.04	\$2.25	\$0.99
Total Monthly Bill	\$66.49	\$77.04	\$86.66	\$94.00	\$101.25	\$108.37
Increase/(Decrease)		\$10.55	\$9.62	\$7.34	\$7.25	\$7.11

Combined Monthly Bill Impacts – Multi Family

	Multi Family					
	Current	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Assumptions						
Meter Size	2" meter	2" meter				
Water Consumption	90	90				
Dwelling Units	10	10				
Water						
Fixed Service Charge	\$42.15	\$118.52	\$128.00	\$138.24	\$147.91	\$159.75
Consumption Charge	\$215.10	\$382.31	\$412.90	\$445.93	\$477.14	\$515.31
37.5% Surcharge	\$96.47	n/a	n/a	n/a	n/a	n/a
Total	\$353.72	\$500.83	\$540.89	\$584.16	\$625.06	\$675.06
Increase/(Decrease)		\$147.11	\$40.07	\$43.27	\$40.89	\$50.00
Sewer						
Charge per account	\$161.22	\$157.08	\$204.20	\$224.62	\$247.09	\$256.97
Total	\$161.22	\$157.08	\$204.20	\$224.62	\$247.09	\$256.97
Increase/(Decrease)		(\$4.14)	\$47.12	\$20.42	\$22.46	\$9.88
Total Monthly Bill	\$514.94	\$657.91	\$745.10	\$808.79	\$872.14	\$932.03
Total Increase/(Decrease)		\$142.97	\$87.19	\$63.69	\$63.35	\$59.89
Increase/Decrease per DU		\$14.30	\$8.72	\$6.37	\$6.34	\$5.99

Combined Monthly Bill Impacts – Commercial

Commercial						
	Current	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Assumptions						
Meter Size	1" meter	1" meter				
Water Consumption	53	53				
Sewered Flow	53	53				
Water						
Fixed Service Charge	\$20.75	\$41.23	\$44.53	\$48.10	\$51.46	\$55.58
Consumption Charge	\$126.67	\$225.14	\$243.15	\$262.60	\$280.98	\$303.46
37.5% Surcharge	\$55.28	n/a	n/a	n/a	n/a	n/a
Total	\$202.70	\$266.37	\$287.68	\$310.70	\$332.45	\$359.04
Increase/(Decrease)		\$63.67	\$21.31	\$23.01	\$21.75	\$26.60
Sewer						
Charge per account	\$40.68	\$45.61	\$59.30	\$65.23	\$71.75	\$74.62
Total	\$40.68	\$45.61	\$59.30	\$65.23	\$71.75	\$74.62
Increase/(Decrease)		\$4.93	\$13.68	\$5.93	\$6.52	\$2.87
Total Monthly Bill	\$243.38	\$311.98	\$346.98	\$375.92	\$404.19	\$433.66
Increase/(Decrease)		\$68.60	\$34.99	\$28.94	\$28.27	\$29.47

Revenue Adjustment Alternative

- Initial revenue adjustments can be tempered by debt-financing \$15 million in capital projects
 - ▣ Cost of projects spread over 30-year term at 4.5% interest rate

- Revenue adjustments without debt-financing capital

Fiscal Year	Effective Date	Revenue Increase
FY 2023-24	1/1/2024	27.0%
FY 2024-25	7/1/2024	6.0%
FY 2025-26	7/1/2025	6.0%
FY 2026-27	7/1/2026	6.0%
FY 2027-28	7/1/2027	6.0%

Fiscal Year	Effective Date	Revenue Increase
FY 2023-24	1/1/2024	32.0%
FY 2024-25	7/1/2024	8.0%
FY 2025-26	7/1/2025	8.0%
FY 2026-27	7/1/2026	7.0%
FY 2027-28	7/1/2027	8.0%

Monthly Service Charges – With and Without Bond Funding

With Bond Funding

Monthly Service Charges						
Meter Size	FY 2022-23 Current Rates	FY 2023-24 1/1/2024	FY 2024-25 7/1/2024	FY 2025-26 7/1/2025	FY 2026-27 7/1/2026	FY 2027-28 7/1/2027
<i>Rate Adjustments</i>		various (COS)	+6%	+6%	+6%	+6%
5/8" meters	\$19.20	\$19.39	\$20.56	\$21.79	\$23.10	\$24.48
3/4" meters	\$19.20	\$26.15	\$27.72	\$29.39	\$31.15	\$33.02
1" meters	\$20.75	\$39.67	\$42.05	\$44.58	\$47.25	\$50.09
1 1/2" meters	\$32.70	\$73.47	\$77.88	\$82.55	\$87.50	\$92.75
2" meters	\$42.15	\$114.03	\$120.87	\$128.12	\$135.81	\$143.96
3" meters	\$84.35	\$222.18	\$235.51	\$249.64	\$264.62	\$280.49
4" meters	\$139.55	\$343.85	\$364.48	\$386.35	\$409.53	\$434.10
6" meters	\$425.95	\$681.82	\$722.73	\$766.09	\$812.06	\$860.78
8" meters	\$1,065.30	\$1,087.38	\$1,152.63	\$1,221.79	\$1,295.09	\$1,372.80

Without Bond Funding

Monthly Service Charges						
Meter Size	FY 2022-23 Current Rates	FY 2023-24 1/1/2024	FY 2024-25 7/1/2024	FY 2025-26 7/1/2025	FY 2026-27 7/1/2026	FY 2027-28 7/1/2027
<i>Rate Adjustments</i>		various (COS)	+8%	+8%	+7%	8%
5/8" meters	\$19.20	\$20.16	\$21.77	\$23.51	\$25.16	\$27.17
3/4" meters	\$19.20	\$27.18	\$29.36	\$31.71	\$33.93	\$36.64
1" meters	\$20.75	\$41.23	\$44.53	\$48.10	\$51.46	\$55.58
1 1/2" meters	\$32.70	\$76.36	\$82.47	\$89.07	\$95.30	\$102.93
2" meters	\$42.15	\$118.52	\$128.00	\$138.24	\$147.91	\$159.75
3" meters	\$84.35	\$230.92	\$249.40	\$269.35	\$288.20	\$311.26
4" meters	\$139.55	\$357.38	\$385.98	\$416.85	\$446.03	\$481.72
6" meters	\$425.95	\$708.66	\$765.35	\$826.58	\$884.44	\$955.20
8" meters	\$1,065.30	\$1,130.20	\$1,220.61	\$1,318.26	\$1,410.54	\$1,523.38

Monthly Consumption Rates – With Bond Funding

With Bond Funding

Water Consumption Charge (per hcf = 748 gallons)								
FY 2022-23		FY 2023-24		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	
Monthly Use	Current Rates	Monthly Use	1/1/2024	7/1/2024	7/1/2025	7/1/2026	7/1/2027	
		<i>Rate Adjustments</i>		<i>various (COS)</i>	+6%	+6%	+6%	
Single Family Residential		Single Family Residential						
Tier 1 (0-6 hcf)	\$2.10	Tier 1 (0 - 10 hcf)	\$3.29	\$3.48	\$3.69	\$3.91	\$4.15	
Tier 2 (7-12 hcf)	\$2.29	Tier 2 (11 - 16 hcf)	\$4.33	\$4.58	\$4.86	\$5.15	\$5.46	
Tier 3 (13+ hcf)	\$2.45	Tier 3 (17+ hcf)	\$8.19	\$8.68	\$9.20	\$9.75	\$10.33	
All Other		All Other						
All Consumption	\$2.39	All Consumption	\$4.09	\$4.33	\$4.59	\$4.87	\$5.16	

Without Bond Funding

Water Consumption Charge (per hcf = 748 gallons)								
FY 2022-23		FY 2023-24		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	
Monthly Use	Current Rates	Monthly Use	1/1/2024	7/1/2024	7/1/2025	7/1/2026	7/1/2027	
		<i>Rate Adjustments</i>		<i>various (COS)</i>	+8%	+8%	+7%	
Single Family Residential		Single Family Residential						
Tier 1 (0-6 hcf)	\$2.10	Tier 1 (0 - 10 hcf)	\$3.41	\$3.69	\$3.98	\$4.26	\$4.60	
Tier 2 (7-12 hcf)	\$2.29	Tier 2 (11 - 16 hcf)	\$4.50	\$4.86	\$5.24	\$5.61	\$6.06	
Tier 3 (13+ hcf)	\$2.45	Tier 3 (17+ hcf)	\$8.51	\$9.19	\$9.92	\$10.62	\$11.47	
All Other		All Other						
All Consumption	\$2.39	All Consumption	\$4.25	\$4.59	\$4.95	\$5.30	\$5.73	



Key Policy Discussion and Next Steps

- Revise model based on feedback, if applicable
- Issue Proposition 218 notice for COS-based rate adjustments for January 1, 2024 and each July 1, 2024 – 2027
- Notices mailed no later than October 20, 2023
- Public hearing December 6, 2023
- Open discussion/feedback