



City of Brea

Water and Sewer User Rate and Impact Fee Study

Community Outreach Meeting | November 10, 2021

City of Brea

Water and Sewer User Rate and Impact Fee Study

Details about participating via Zoom webinar:

- As a spectator, you are free to watch, come and go as you please.
- To participate by asking questions or sharing comments, please use the “**Raise Hand**” feature and you will be called upon when it is your time to speak.
- You can also ask questions using the Q&A feature and we will do our best to answer your questions throughout the meeting.

We Want to Hear from You!

- Provide an opportunity to share information on the City's efforts to update water and sewer rates
- Receive input and answer any questions
- Discuss timeline and next steps of the process

Water and Sewer Rate Fee Study Feedback Form

As the City of Brea embarks on a comprehensive Water and Sewer User Rate and Impact Fee Study, we would like to know your priorities.

Tell us, how would you prioritize the following water and sewer rate pricing objectives? Please rank the following objectives in order, 1 being your highest priority and 3 being your lowest. This is not an exhaustive list of pricing objectives for the study, but they are the ones that the City needs your assistance prioritizing.

- Equity** – Rates and charges are equitably dispersed among customers.
- Efficiency/Conservation** – Rate schedule should encourage wise use of water resources.
- Revenue and Rate Stability** – Water revenues do not fluctuate significantly based upon customer usage.
- Other** – Provide your own pricing objective: _____

Have additional feedback? Tell us... _____

YOUR FEEDBACK IS IMPORTANT TO US!

Scan the QR code using your smartphone camera to fill out an online form.

Send us an email at ratestudy@cityofbrea.net

Fill out this postcard - mail it back or drop it off



Any questions please contact ratestudy@cityofbrea.net

Meet the Team

City Staff

- Michael Ho, Acting Public Works Director/City Engineer
- Rudy Correa, Water Superintendent
- Cindy Russell, Administrative Services Director
- Faith Madrazo, Financial Services Manager
- Alicia Brenner, Senior Fiscal Analyst

Consultant

- Eric Callocchia, Project Manager, NewGen Strategies & Solutions

Any questions please contact ratestudy@cityofbrea.net



Water and Sewer System Overview

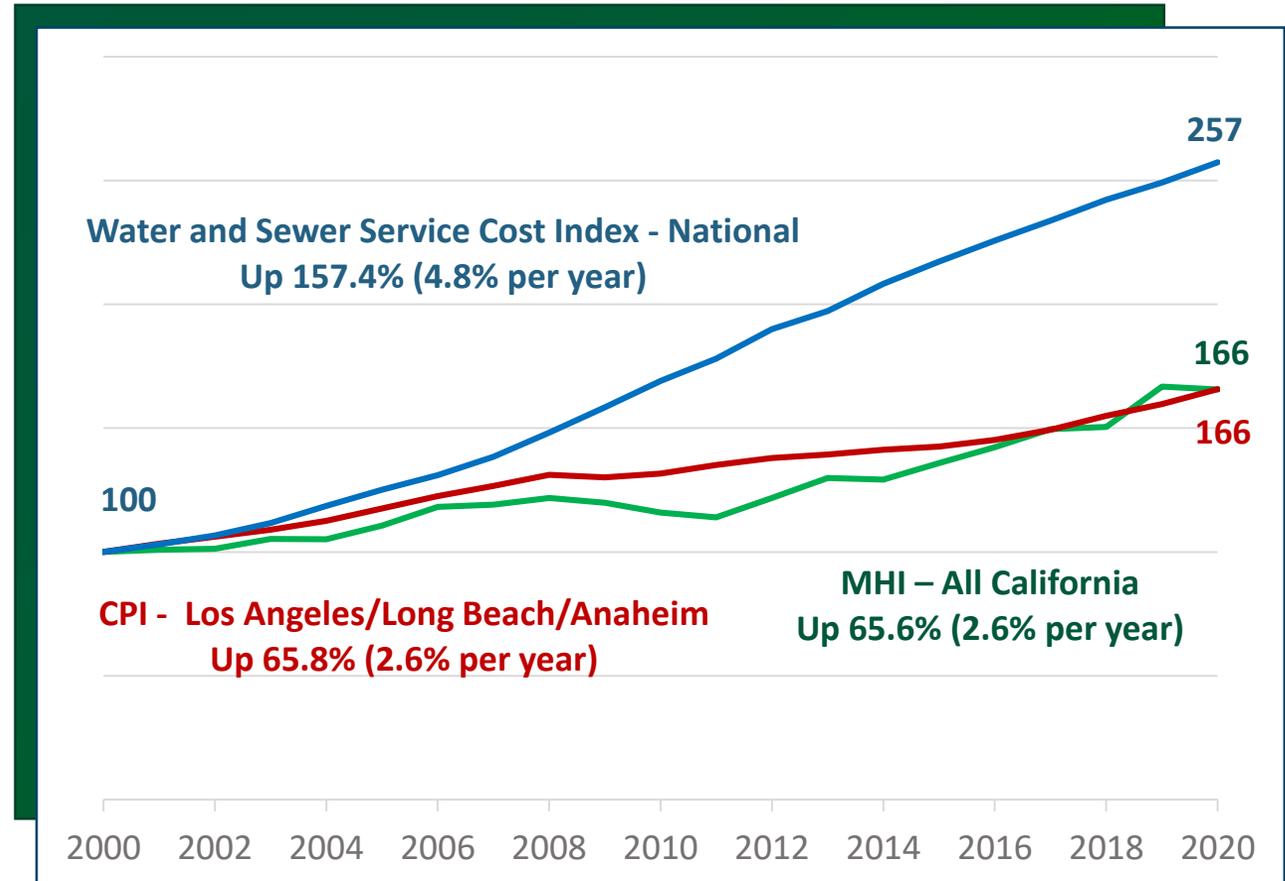
- City provides potable water service to approximately 13,437 residential, commercial, industrial and other customers
- Service area covers 10.7 sq. miles of City limits and portions of unincorporated county
- The City imports 100% of its retail water from two major suppliers:
Metropolitan Water District and Cal Domestic
- The City's Public Works Department is responsible for the system's day-to-day operation and maintenance including seven (7) storage reservoirs, five (5) booster stations, 212 miles of waterline and 114 miles of sanitary sewer lines

Water and Sewer System Overview

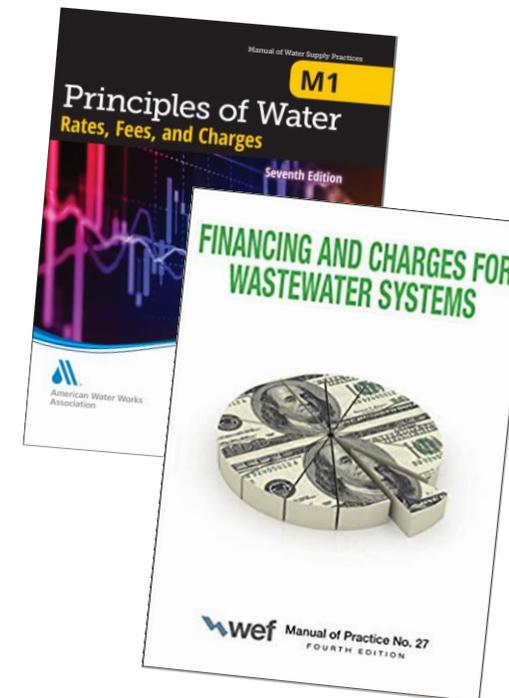
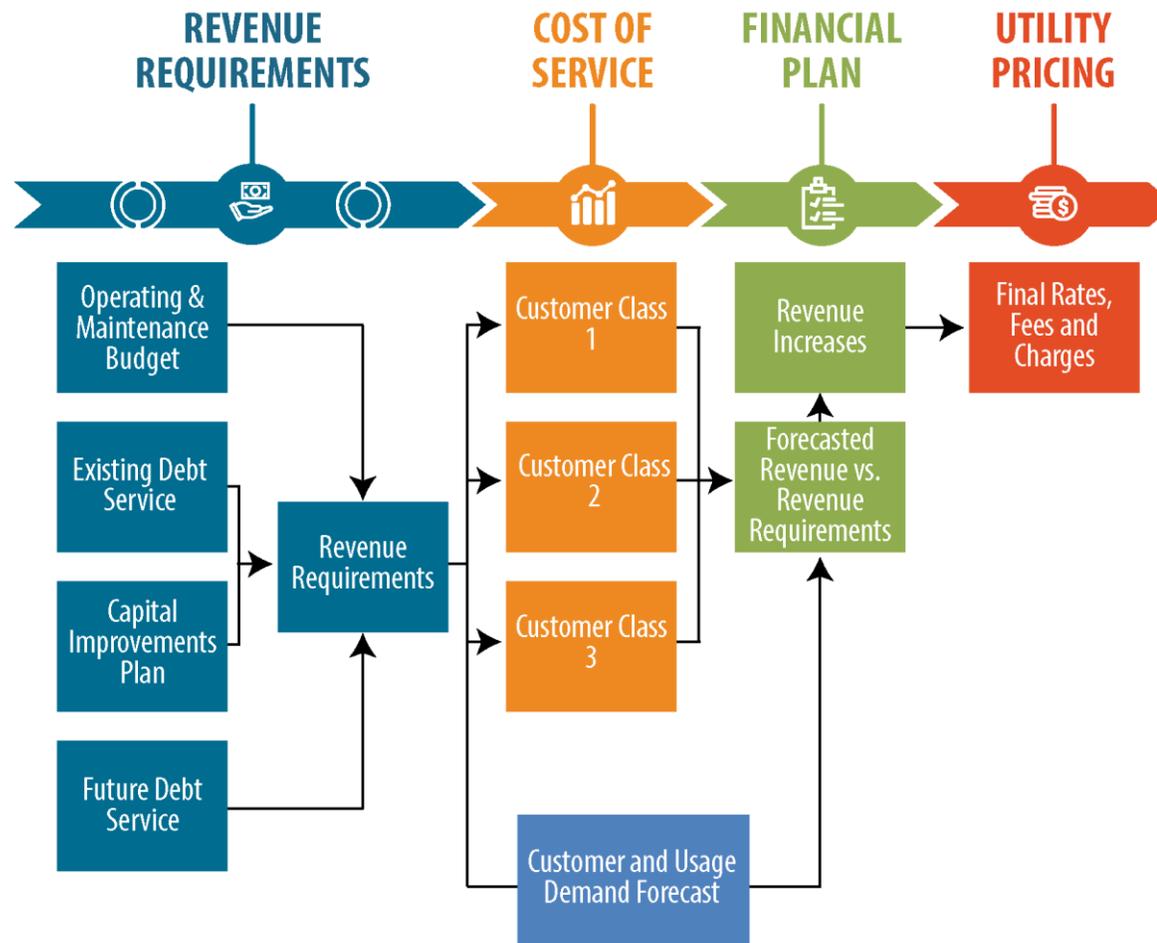
- City last performed a water rate study in 2015 and best practices recommends updating every 5 years. The Water Master Plan was completed in May 2021.
- Due to Council foresight and staff support, water rates have not increased since July 1, 2017 due to strategic bond refinancing and purchasing additional water rights
- Last completed Sewer Rate Study was conducted in 2006. The adopted resolution has allowed for CPI increases. Sewer Master Plan has been recently completed and will be brought to City Council at their next meeting.
- Last Water Impact Fee Study was performed in December 2002. Rates have been adjusted by CPI since then.

American Water Works Association Top 5 Issues Facing the Water Industry:

1. Renewal and replacement of aging water and sewer infrastructure
2. Financing for capital improvements
3. Long-term water supply availability
4. Emergency preparedness
5. Public understanding of value of water systems and services

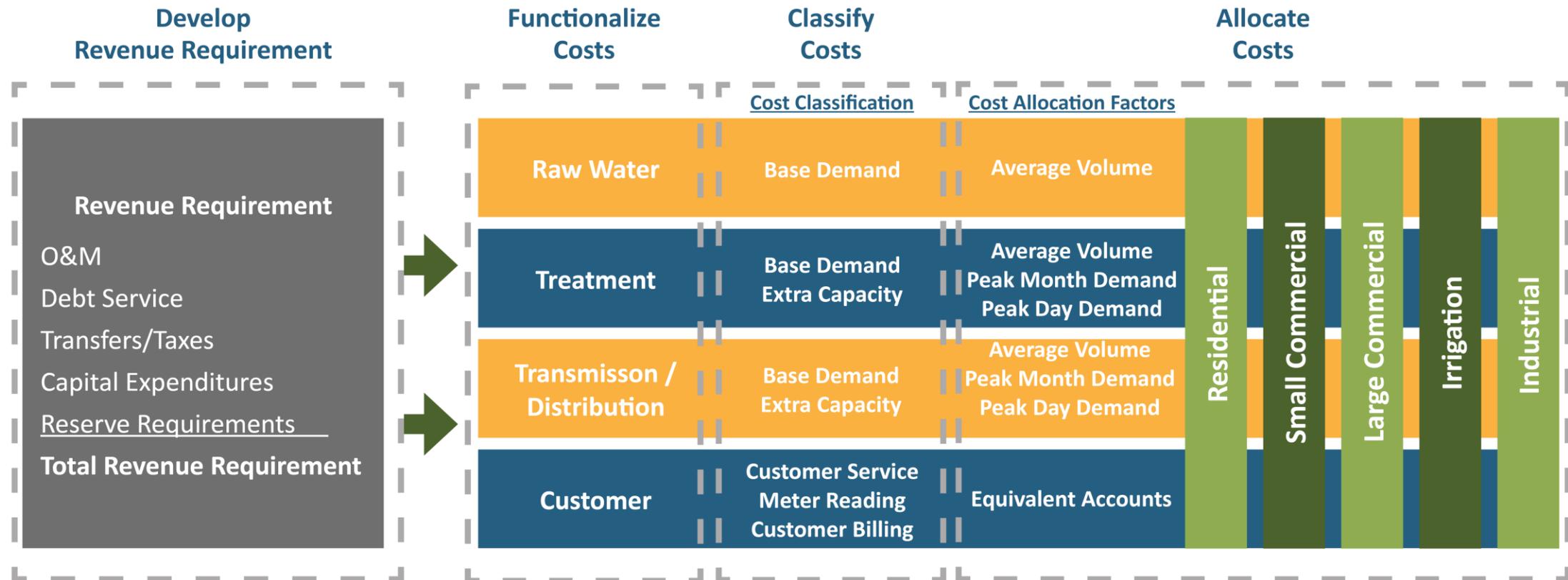


Cost of Service / Rate Study Process



Cost of Service – What Does That Mean?

Alignment of system costs with customers who incur them.



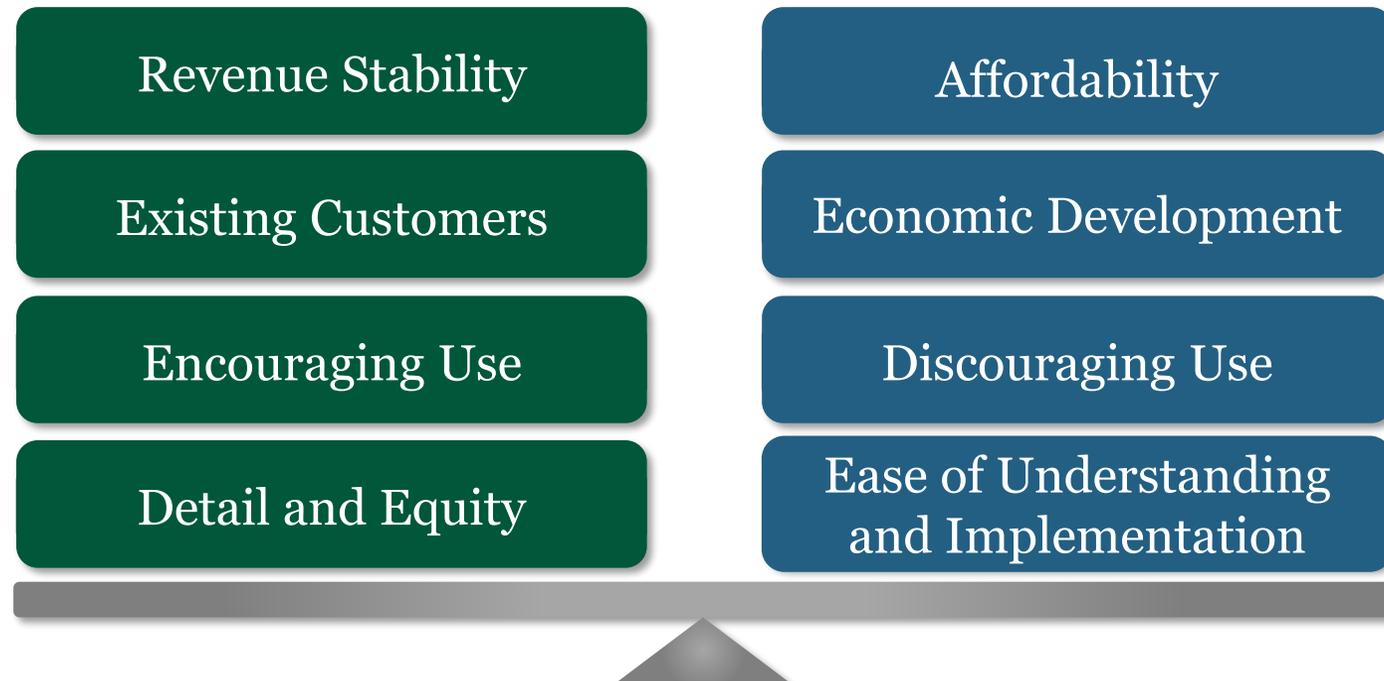
Note: For illustrative purposes only. Functions and allocators may change to align with utility operations/services.

Pricing Objectives – What Should a Rate Structure Consider?

- **Legal and Regulatory Compliance** is a prime consideration because rate structures must incorporate applicable local, state, and federal statutes, specifically Prop 218.
- **Equity** requires that rates and charges result in no undue discrimination among customers, i.e., conforms to Cost of Service.
- **Efficiency/Conservation** refers to the ability of the rate schedule to encourage wise use of the resources.
- **Revenue Adequacy** recognizes that rates and fees are cost driven and must cover expenses.
- **Revenue Stability** means that the City's revenue from water rates does not fluctuate significantly based on demand in order to maintain a predictable financial outlook
- **Affordability** means the rates must result in bills that are realistically within the ability of customers to pay.
- **Rate Stability** means the objective to keep rates low over time and ensuring that customers are not subject to large, one-time rate changes.
- **Administrative Simplicity** requires that customers must be able to understand the rate structure and how their use of water impacts their bill. Also, that City staff can maintain and update the rates in future years using the City's billing system.

Balancing Impacts

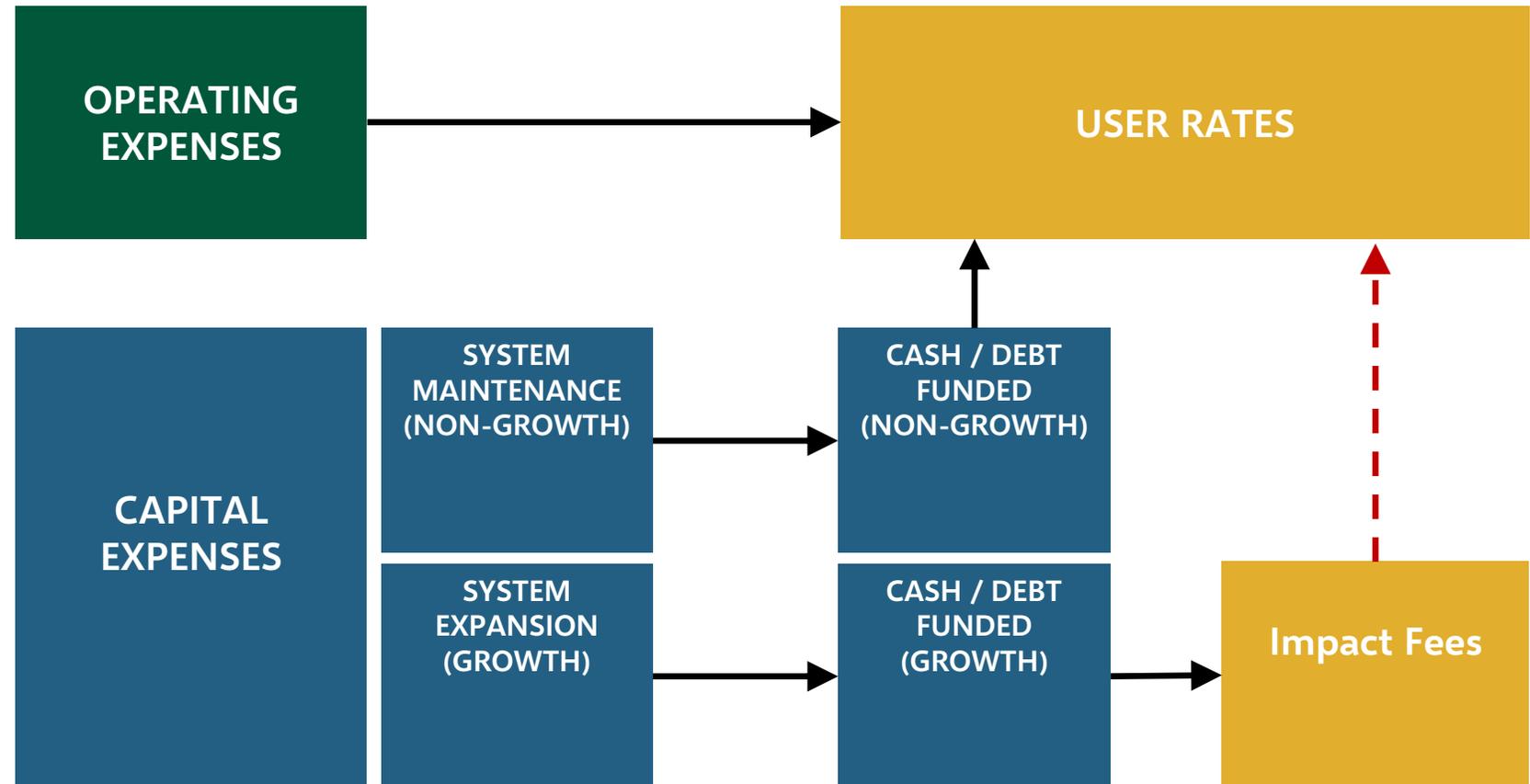
There are competing objectives and considerations



- The Systems Must Be Financially Self-Sufficient
 - Those who cause the expenses pay for the expenses
 - Customers (or customer classes) pay costs of systems on basis of capacity/usage
- Objective is to Keep Rates and Fees Low Over Time
 - Adequate funding to keep facilities in good condition to prolong useful life
 - Maintenance of reserves and debt coverage

Impact Fees

There is a link between anticipated system growth and rates for existing users



If Impact Fees are set at less than cost or anticipated growth does not occur, existing customers will have to make up the difference via higher user rates.

Brea Rate Study Key Issues

What needs to be considered during this rate study?

- How are Brea customers using water, and what is the best way to identify/classify them?
 - What data is available to segregate customers into customer types?
 - Land use (single-family residential, multi-family residential, commercial, etc.)
 - Demand (average vs. peak demand)
 - Customers (or customer types) pay costs of systems on basis of capacity/usage
- Fixed vs. Variable revenues
 - How aligned should fixed costs and fixed revenues be?
 - How does increasing fixed revenues impact the City's desire to incentivize water conservation?
- City's demand for water and sewer service
 - What services does the City itself use from the water and sewer utilities?
 - What water and sewer related costs are incurred by the City that are not currently accounted for in the Enterprise funds?
 - What is the appropriate way to capture costs and revenues consistent with the City's use of the water and sewer utilities?

Next Steps

- Continuation of data gathering
- Water/Sewer User Rate and Impact Fees Update to City Council – Feb/March 2022
- Community Information Update of Study Results – March/April 2022
- Public Hearing - May 2022
- Adjusted Rates effective July 1, 2022



Questions?

Please feel free to email us at ratestudy@cityofbrea.net