



May 3, 2022

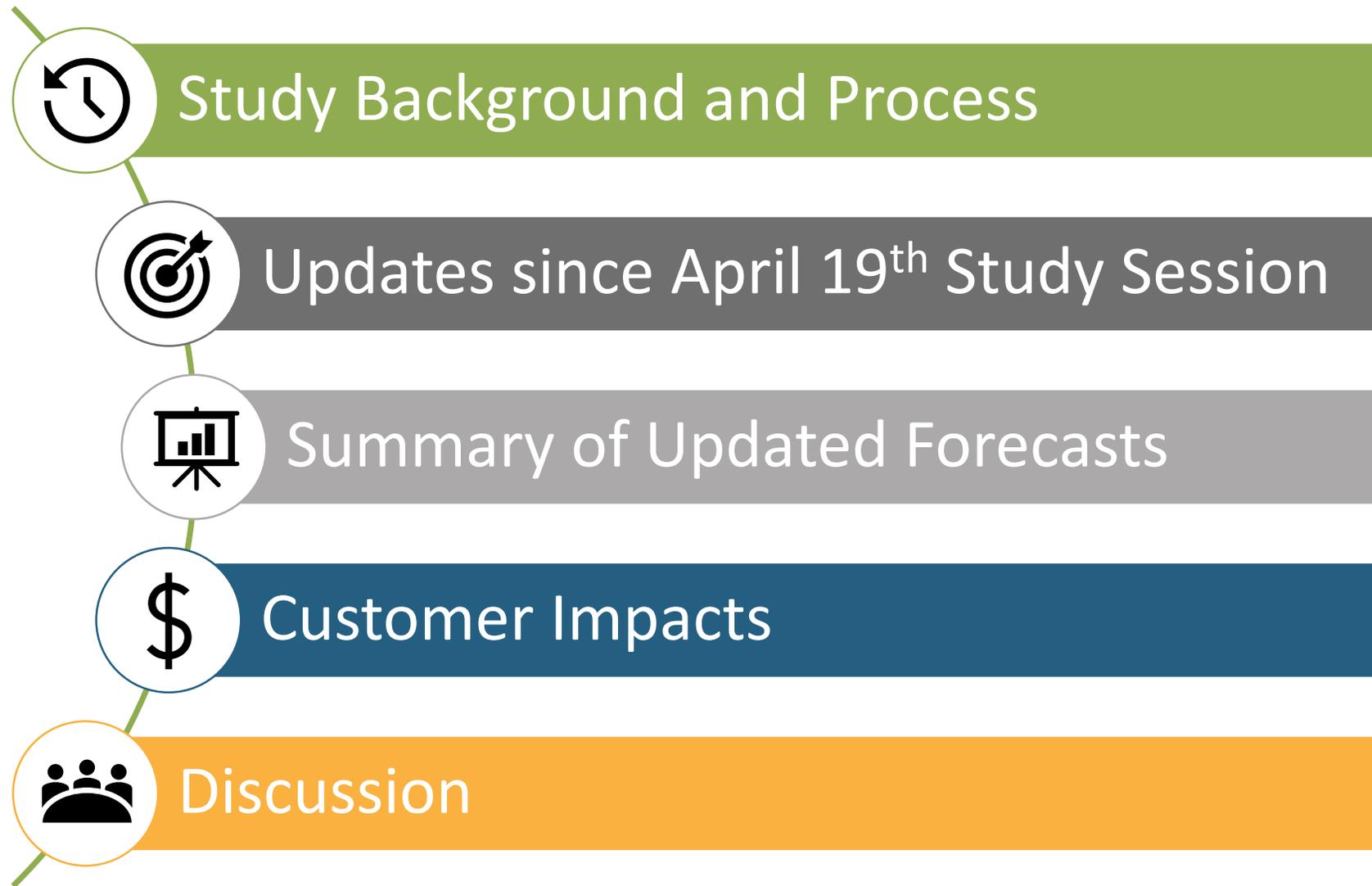
CITY OF BREA

WATER AND SEWER RATE STUDY

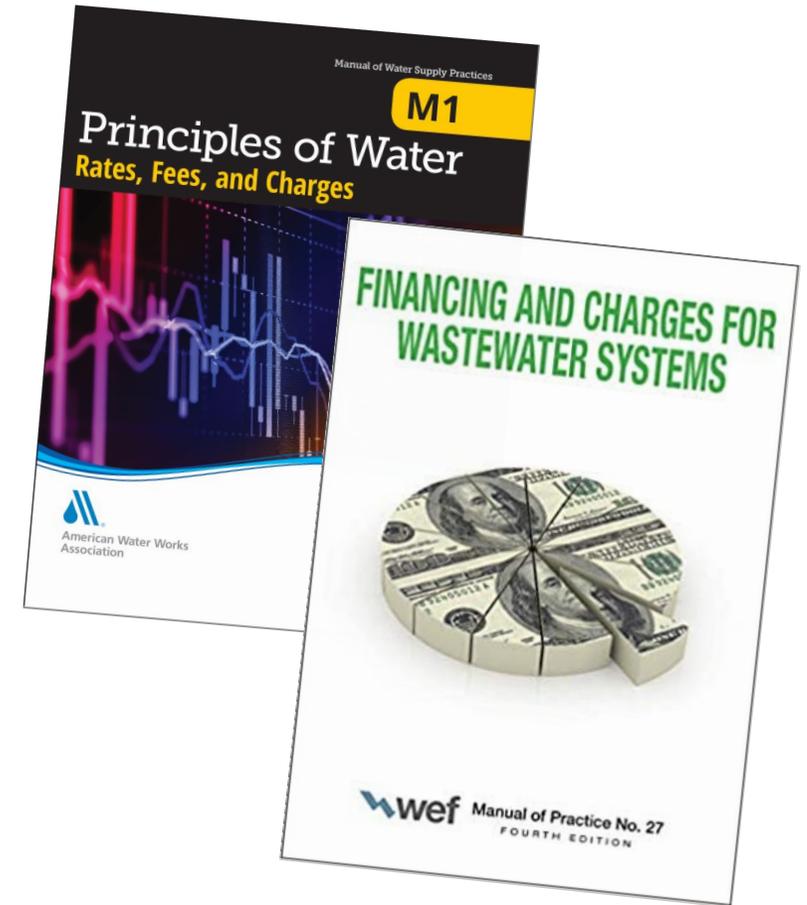
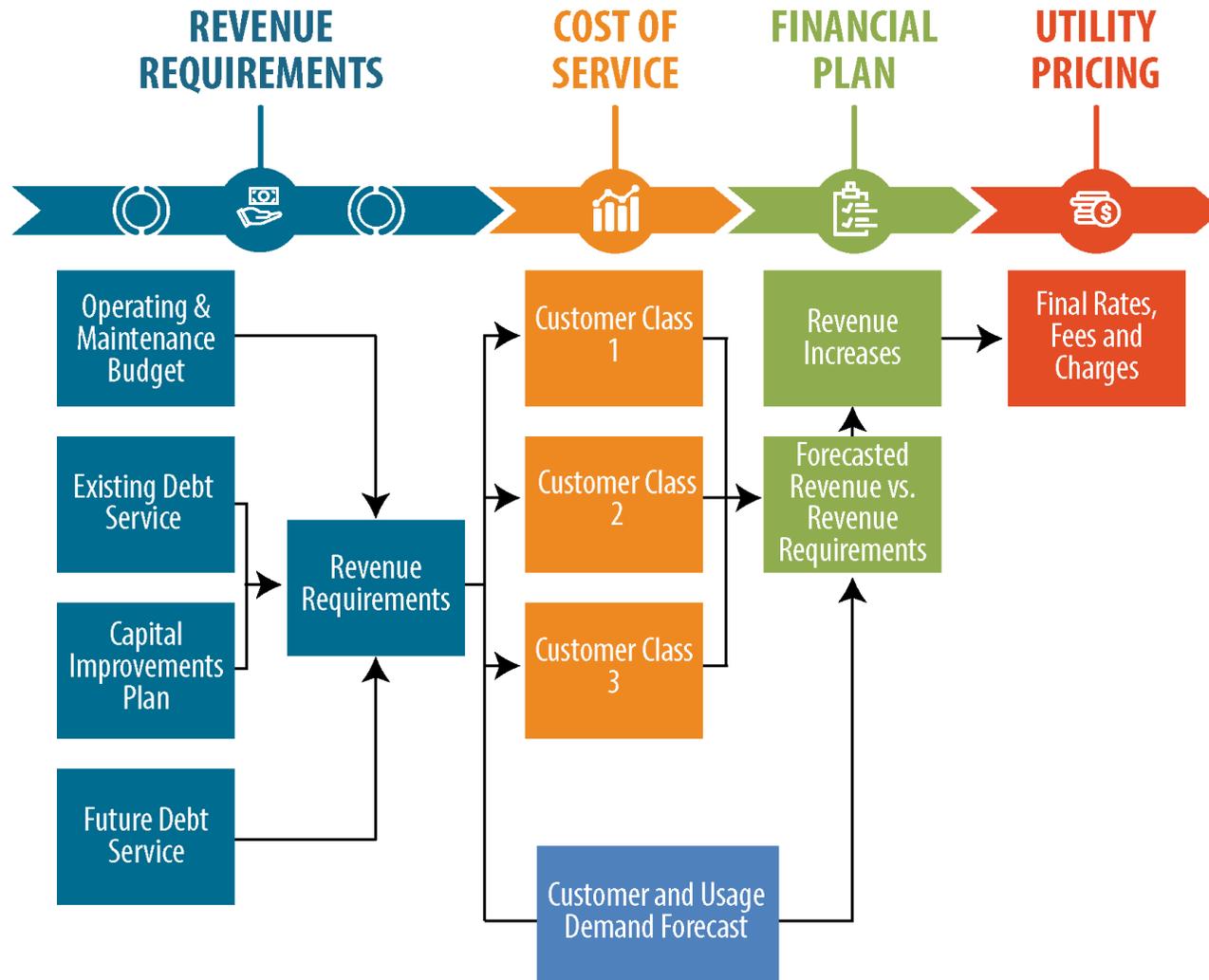
REVISED RESULTS PRESENTATION



AGENDA



COST OF SERVICE / RATE STUDY PROCESS



STUDY DATA AND ASSUMPTIONS

During a Study Session on April 19th, initial water and sewer rate forecasts were discussed by Council.

Water Rates:

- No revenue increase, but a one-time rate adjustment to increase Fixed Revenue from 17% to 20%

Sewer Rates:

- One-time rate increase of 55% to meet capital spending needs consistent with the recently completed Sewer Master Plan

Council direction was to investigate alternative forecasts:

Water: Increase fixed revenues to 25%, in alignment with a typical industry standard recommendation

Sewer: Re-evaluate capital needs to reduce capital spending and lower necessary rate increase

DATA AND ASSUMPTIONS

Text in bold has been updated since the April 19th Study Session

Basis for Study Forecasts:

- FY 2021-22 water and sewer operating and maintenance budgets
- Water and Sewer Capital Plans consistent with recently completed Master Plans (no new debt service)
- Customer growth consistent with development projects under construction, in plan, and upcoming through FY 2025, **but also an assumption that customers will use 1.0% less water per capita over the study forecast**
 - **Average of 1.0% growth in water demand per year (FY 2023 – FY 2027) (was 2.8%)**
- Water purchases from California Domestic Water and Metropolitan Water District of Orange County escalated at 3.0% per year

City Cost / Demand assumptions:

- The City pays appropriate rates for water and sewer service
- The Water and Sewer Funds each make a transfer to the General Fund for City services

(rounded to nearest 1,000)	Water Fund	Sewer Fund
Annual Revenue	\$900,000	\$11,000
Annual Transfer to General Fund	\$900,000	\$473,000
Net Impact on Fund	\$ -	(\$462,000)
Previous Impact on Fund (April 19th)	\$200,000	(\$129,000)

WATER RATES

WATER RATES— INSIDE CITY SINGLE FAMILY RESIDENTIAL

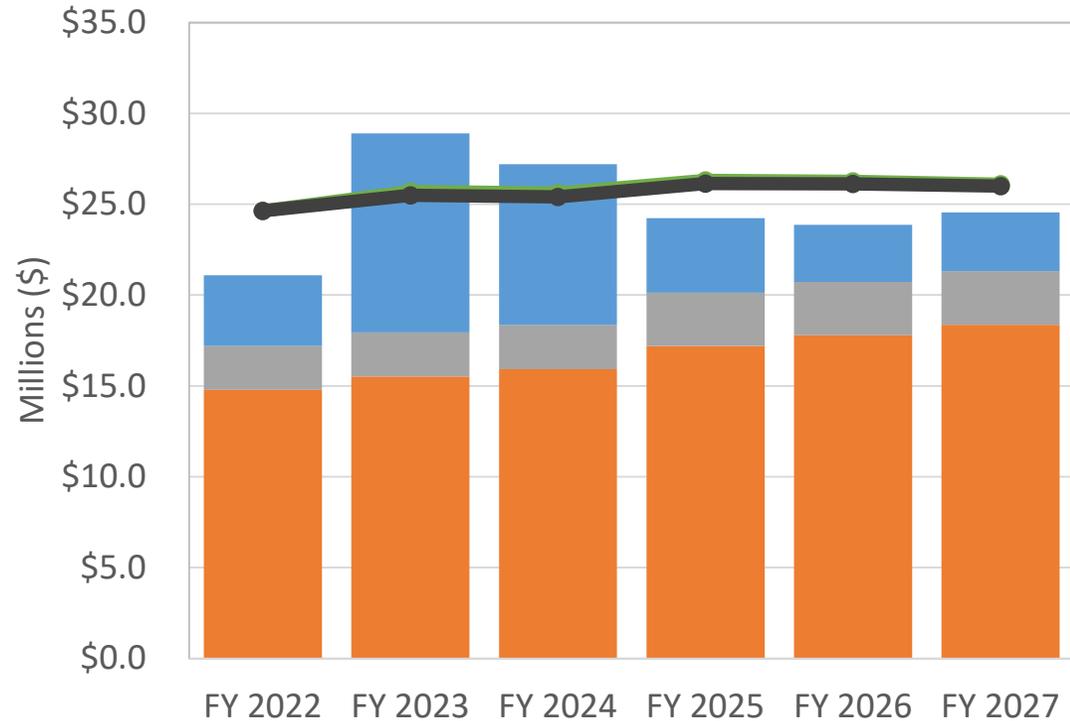
Monthly Rate	Current Rates FY 2022	20% Fixed Revenue FY 2023 – FY 2027	25% Fixed Revenue FY 2023 – FY 2027
Fixed Charge			
5/8"	\$15.93	\$20.00	\$23.58
3/4"	\$15.93	\$20.00	\$23.58
1"	\$15.93	\$20.00	\$23.58
1 1/2"	\$59.28	\$74.43	\$87.73
2"	\$91.78	\$115.23	\$135.83
3"	\$194.72	\$244.47	\$288.19
Rate per CCF [1]			
0 – 10 CCF	\$3.59	\$3.34	\$3.20
11 – 20 CCF	\$4.69	\$4.36	\$4.17
21 – 30 CCF	\$6.18	\$5.75	\$5.50
31+ CCF	\$7.24	\$6.73	\$6.44

[1] Hundred Cubic Feet (CCF) = 748 gallons

- The total amount of revenue currently generated by water rates is sufficient to meet revenue requirements and maintain fund balance policy.
- All three rate forecasts shown in the table generate approximately the same total revenue.
- Water system costs are about 63% fixed.
- Increasing the proportion of revenue generated by fixed fees decreased dependence on water sales to support the Water Fund.
- Increases protection against drought impacts on Water Fund revenue.

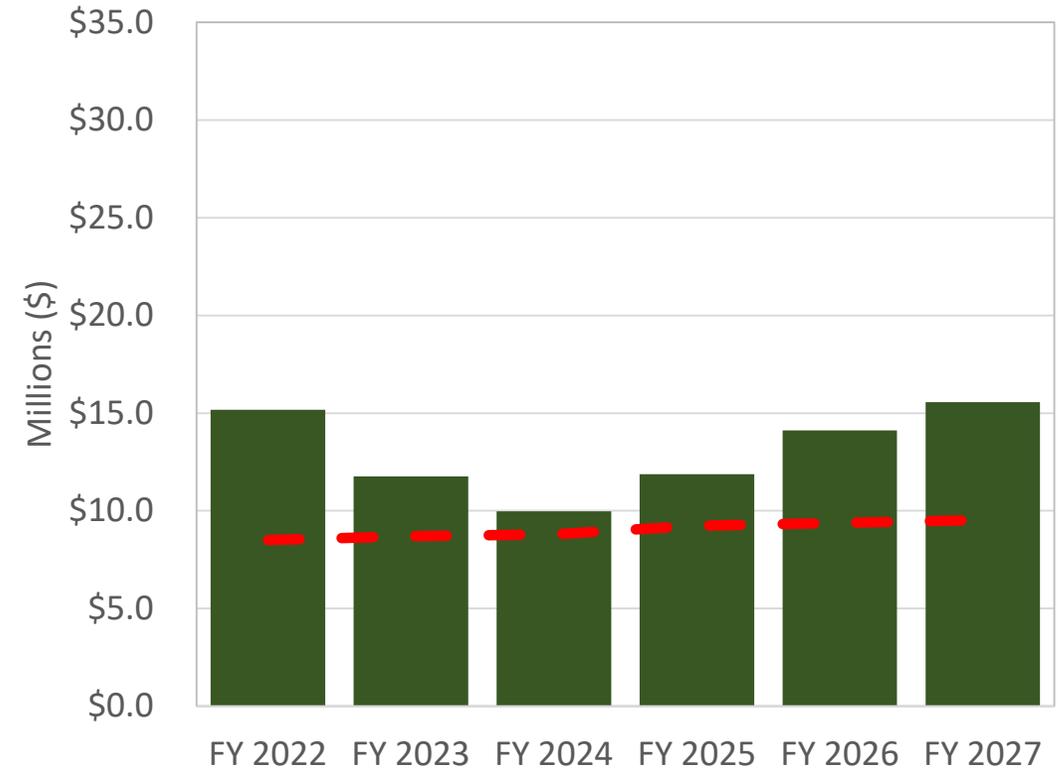
WATER FUND BALANCE FORECAST – BOTH SCENARIOS

Water System Expenses vs. Revenues



- Cash Funded Capital Projects
- Existing Debt Service
- Total Revenues (FY 2022 Rates)
- New Debt Service
- Operating Expenses
- Total Revenues (Projected Rates)

Water Operating Fund Balance



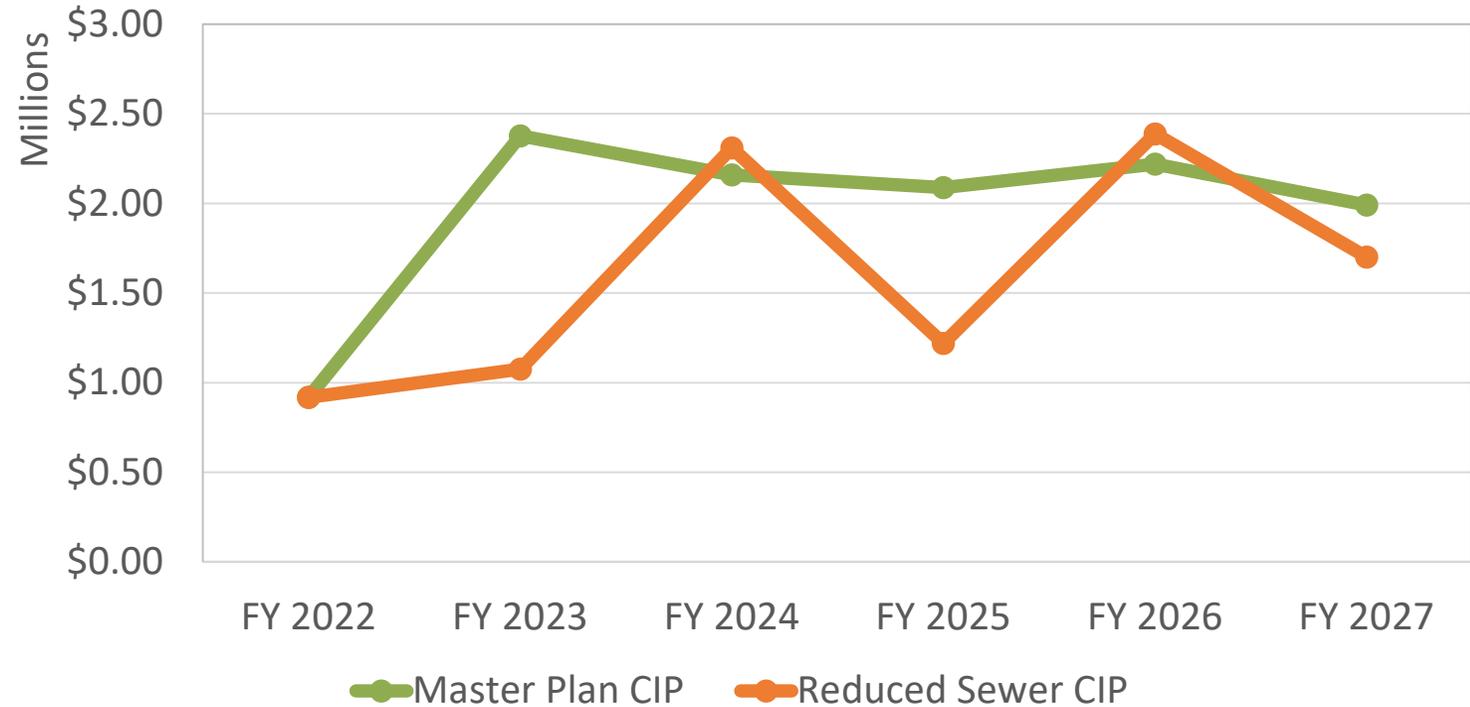
- Ending Fund Balance
- - - Minimum Reserve Policy

SEWER RATES

SEWER CAPITAL SPENDING

Revisions since April
19th Study Session

Total Sewer Capital Improvement Plan (CIP) Spending



	Annual Average FY 2022 – FY 2027
Master Plan CIP	\$2.0 million
Reduced Sewer CIP	\$1.6 million
Cumulative Five-Year reduction:	\$2.0 million

SEWER FORECASTS

Scenario 1:

- Master Plan CIP with a one-time rate increase

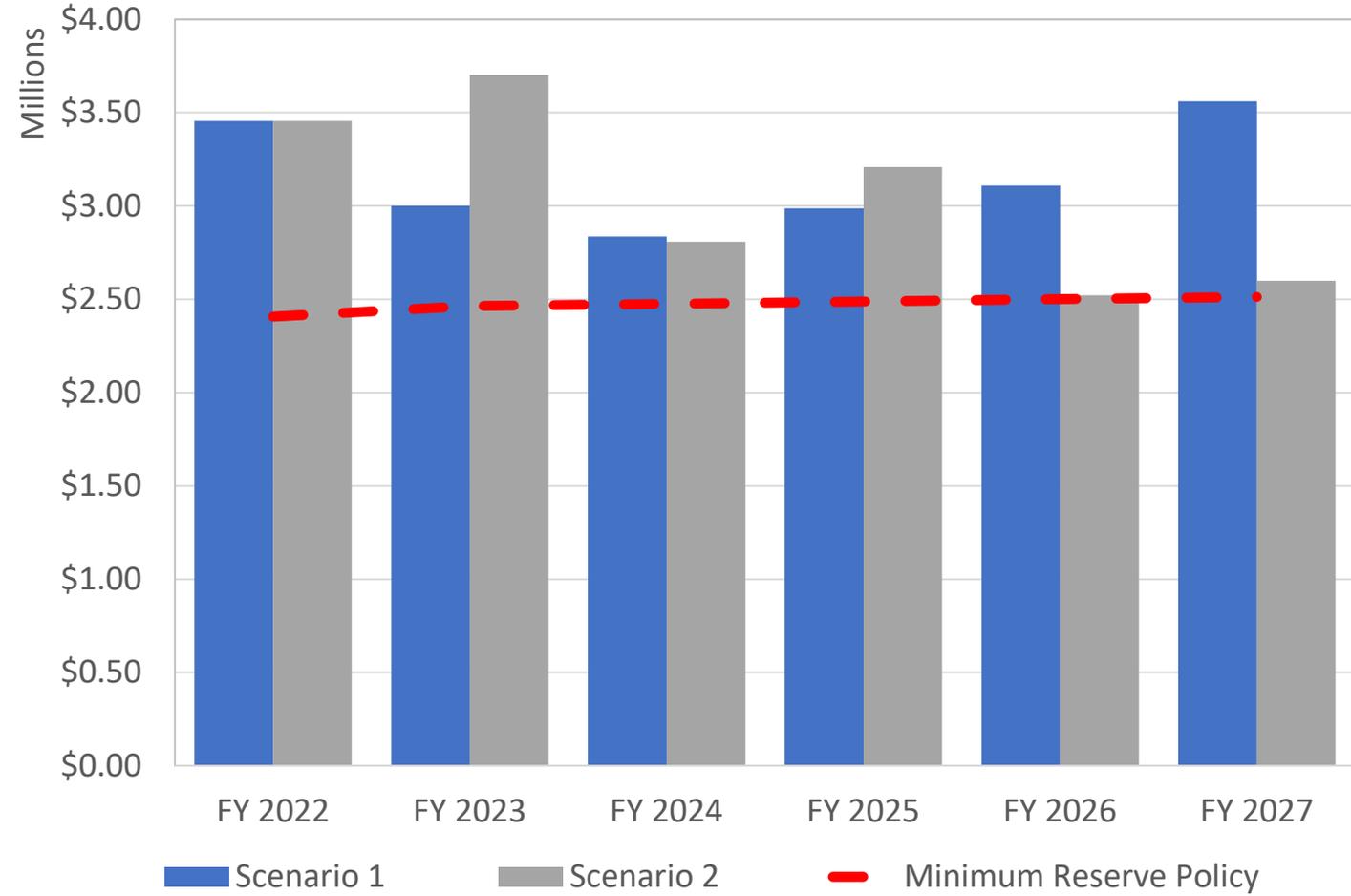
Scenario 2:

- Reduced CIP with a one-time rate increase

Each scenario is developed to align rates with revenue requirements while also maintaining the City's fund balance policy

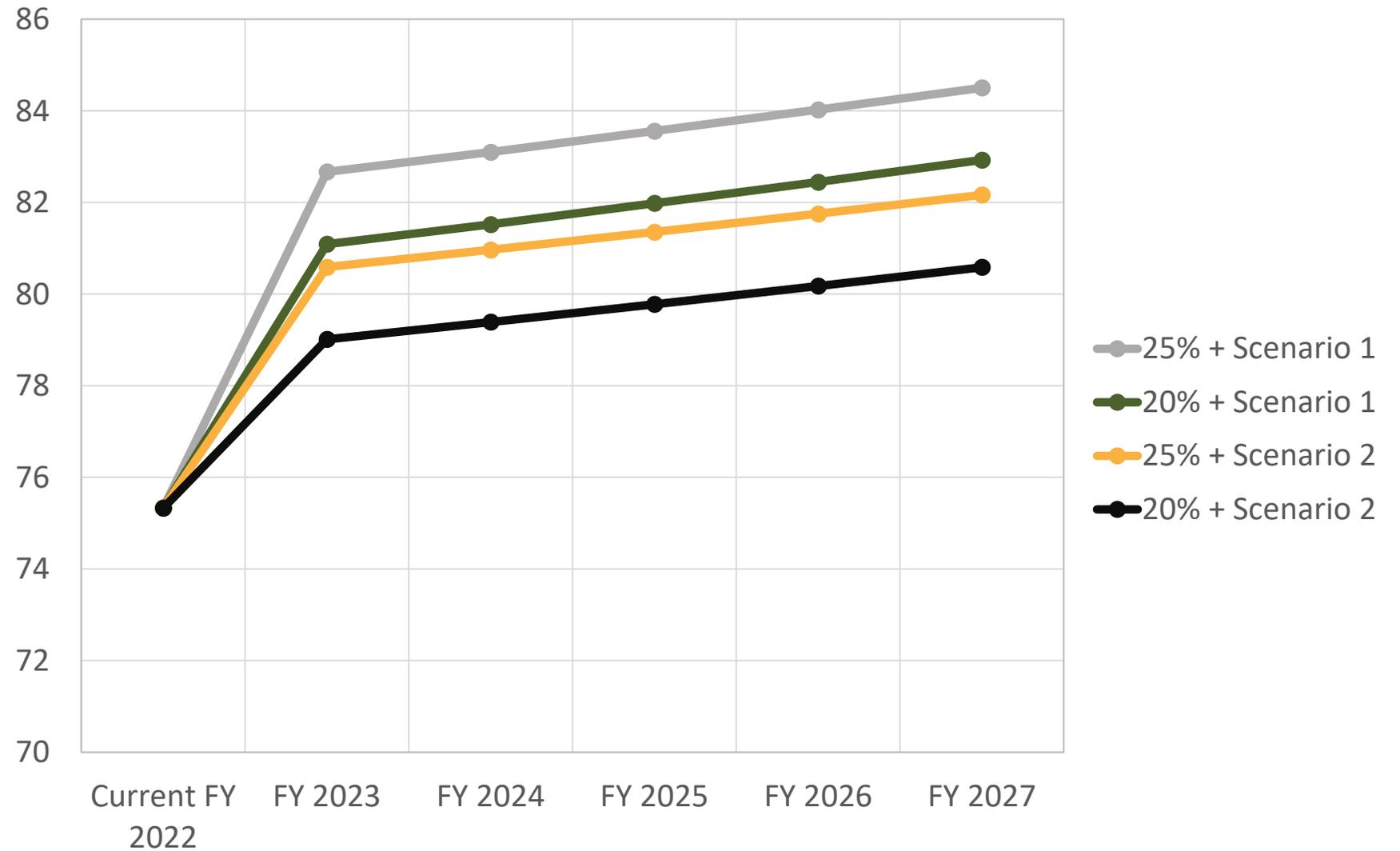
Monthly Bill	Current FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Scenario 1						
5/8" – 1 ½" Meter	\$9.43	\$14.62	\$15.05	\$15.51	\$15.97	\$16.45
<i>\$ Change</i>		\$5.19	\$0.44	\$0.45	\$0.47	\$0.48
<i>% Change</i>		55.0%	3.0%	3.0%	3.0%	3.0%
Scenario 2						
5/8" – 1 ½" Meter	\$9.43	\$12.54	\$12.92	\$13.31	\$13.70	\$14.12
<i>\$ Change</i>		\$3.11	\$0.38	\$0.39	\$0.40	\$0.41
<i>% Change</i>		33.0%	3.0%	3.0%	3.0%	3.0%

SEWER OPERATING FUND FORECASTS



CUSTOMER BILL IMPACT SUMMARY

Monthly Combined
Water and Sewer Bill





THANK YOU!

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