



November 15, 2022

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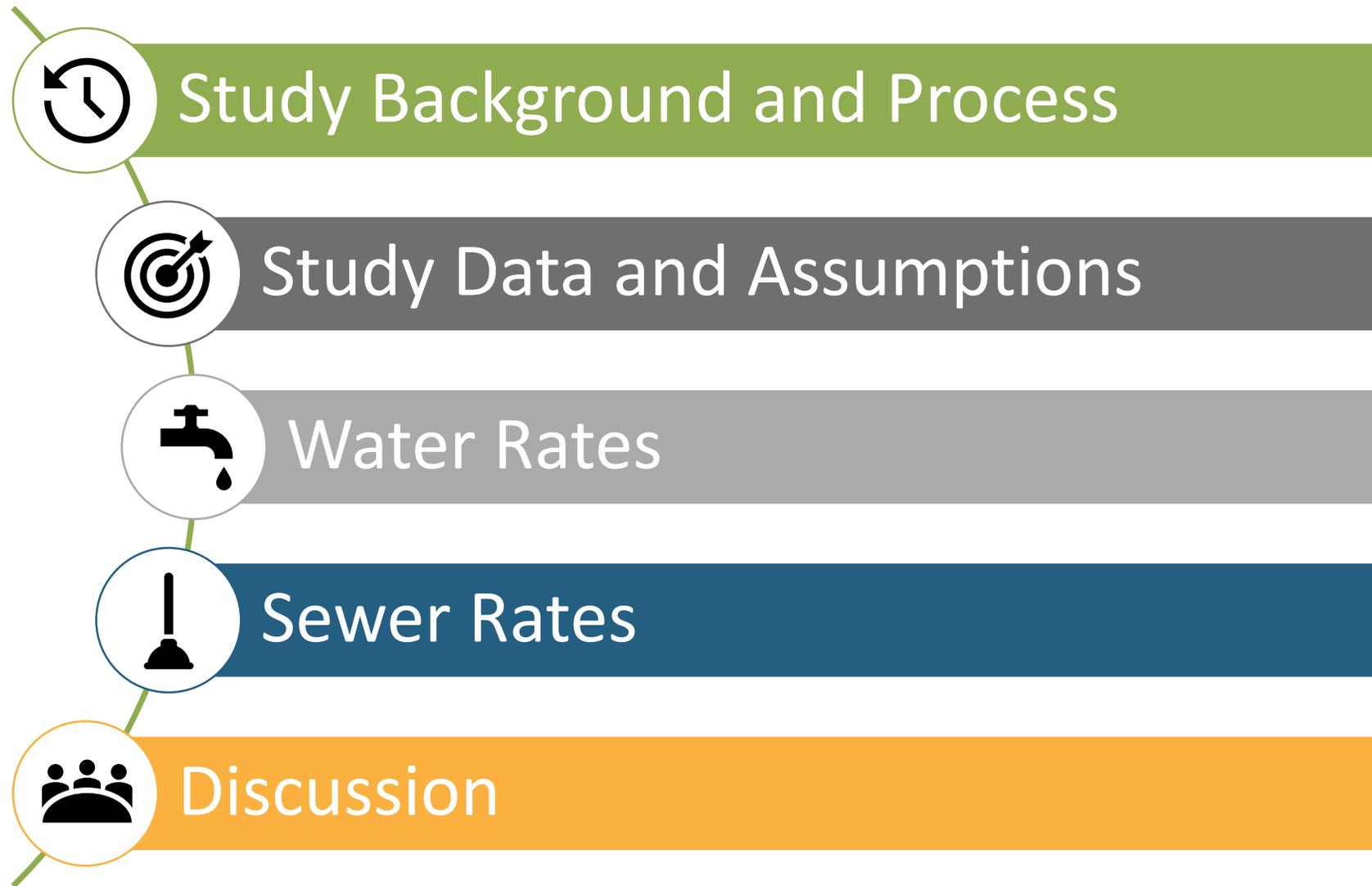
# CITY OF BREA

## WATER AND SEWER RATE STUDY

### PUBLIC HEARING PRESENTATION



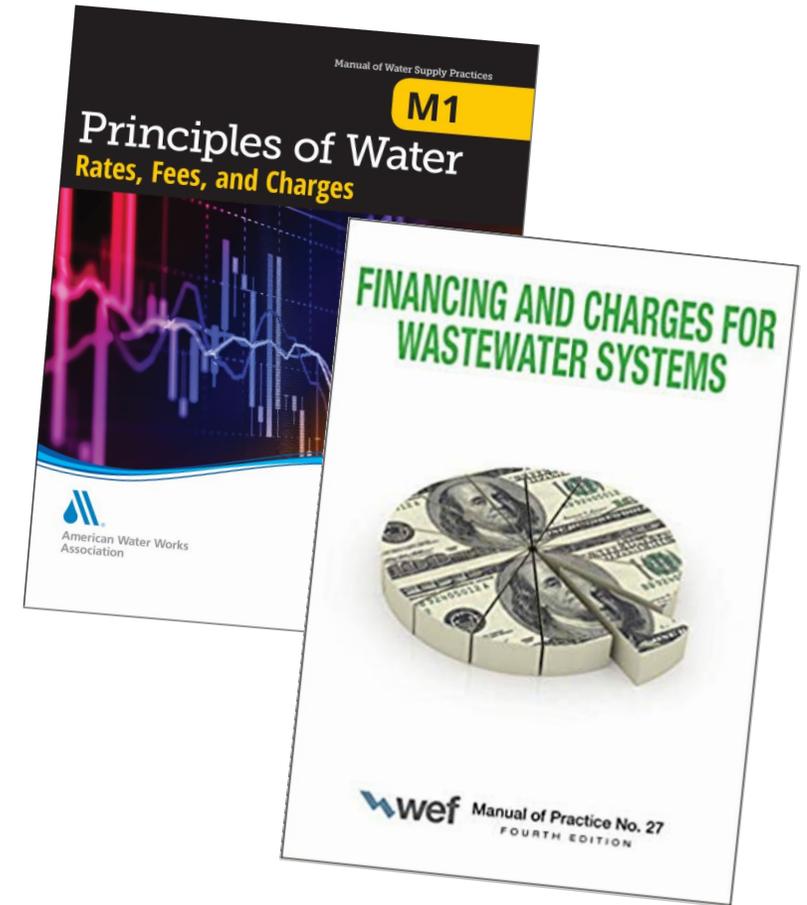
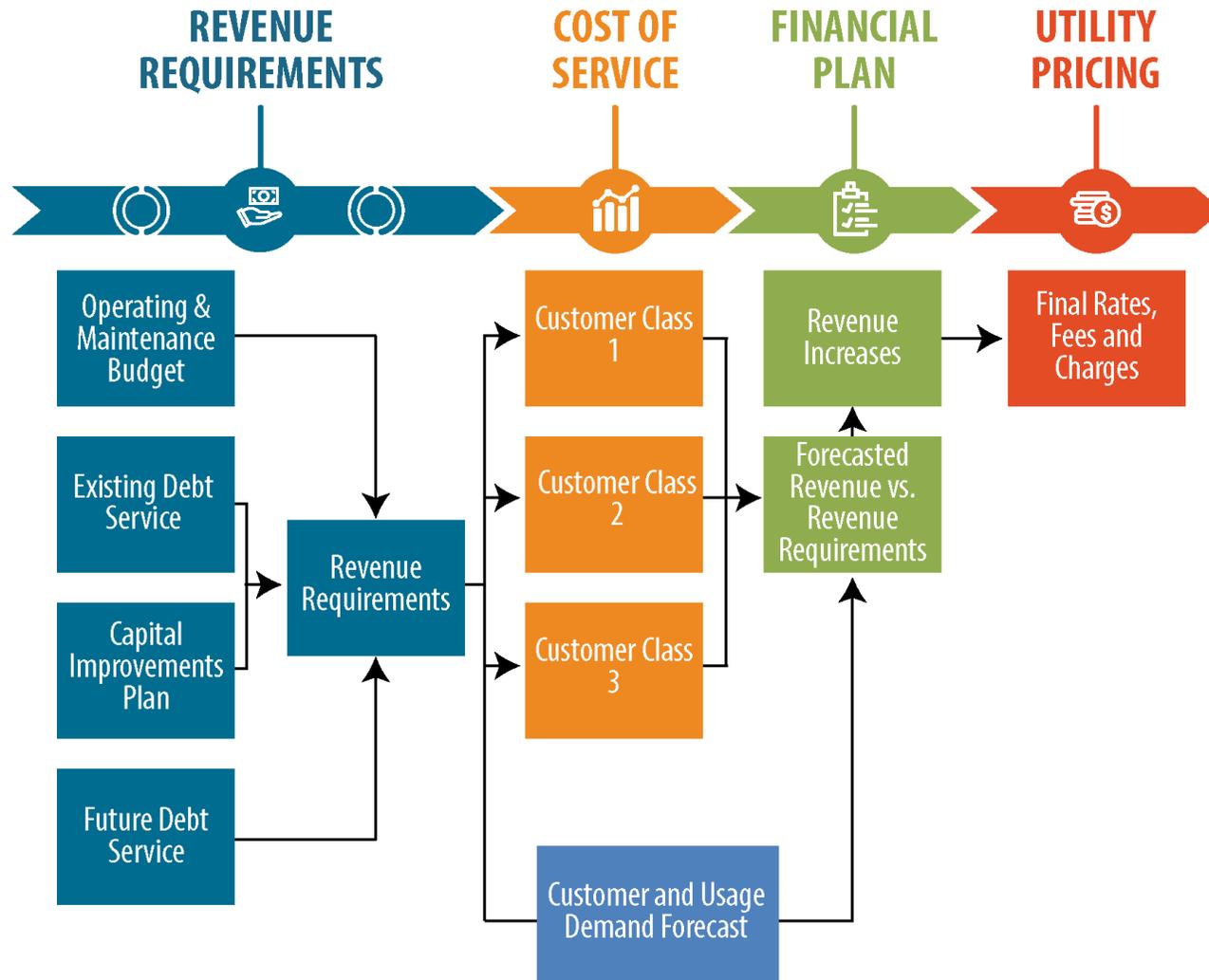
# AGENDA



# STUDY BACKGROUND AND PROCESS

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# COST OF SERVICE / RATE STUDY PROCESS



# STUDY DATA AND ASSUMPTIONS

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# DATA AND ASSUMPTIONS

## Data Relied Upon for Study Forecasts:

- FY 2021-22 water and sewer operating and maintenance budgets
- Water and Sewer system capital plans consistent with recently completed Master Plans
- Debt amortization schedule for outstanding Water Fund debt
- FY 2020-21 customer account and water demand data
- City's minimum reserve policy is 90 days of O&M plus 365 days of PAGYGO CIP

## Key Study Assumptions

- Water purchases from California Domestic Water and Metropolitan Water District of Orange County escalated at 3.0% per year
- No new debt service
- Account growth consistent with planned development projects

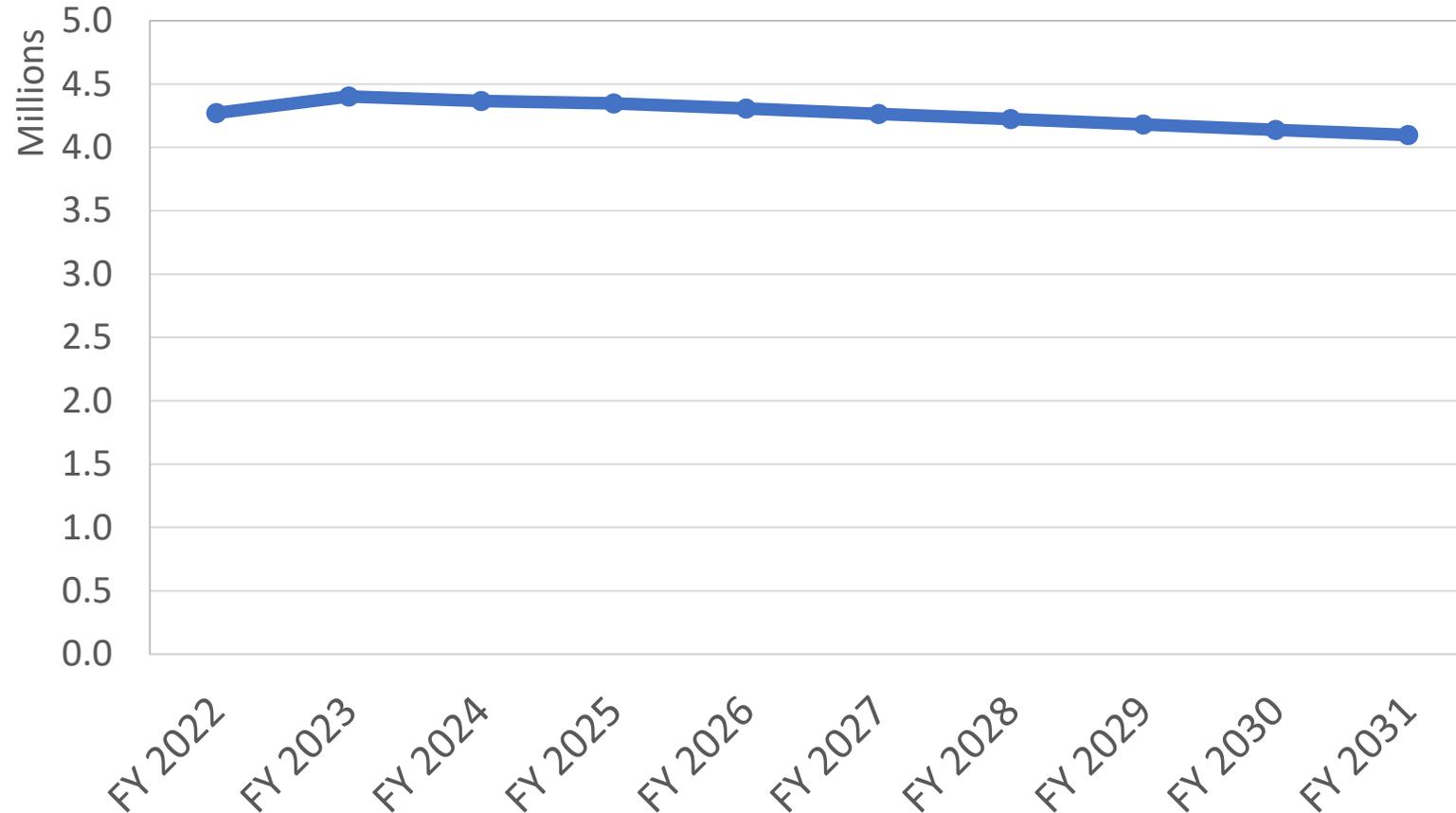
## City Cost / Demand Analysis:

- The City pays appropriate rates for water and sewer service
- The Water and Sewer Funds each make a transfer to the General Fund for use of City property and rights-of-way

(rounded to nearest 1,000)	Water Fund	Sewer Fund
Annual Revenue	\$833,000	\$11,000
Annual Transfer to General Fund	\$922,000	\$473,000
<b>Net Impact on Fund</b>	<b>(89,000)</b>	<b>(\$462,000)</b>

# CUSTOMER DEMAND FORECAST

Total Billed Water Volume (HCF)



- Additional consumption due to planned developments, with key impacts coming from Avalon Brea Place Apartments
- Assumption that all customers will use 1.0% less water per account per year over the study forecast
- Wholesale water purchases adjust with customer demand

# WATER RATES

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# WATER RATES— INSIDE CITY SINGLE FAMILY RESIDENTIAL

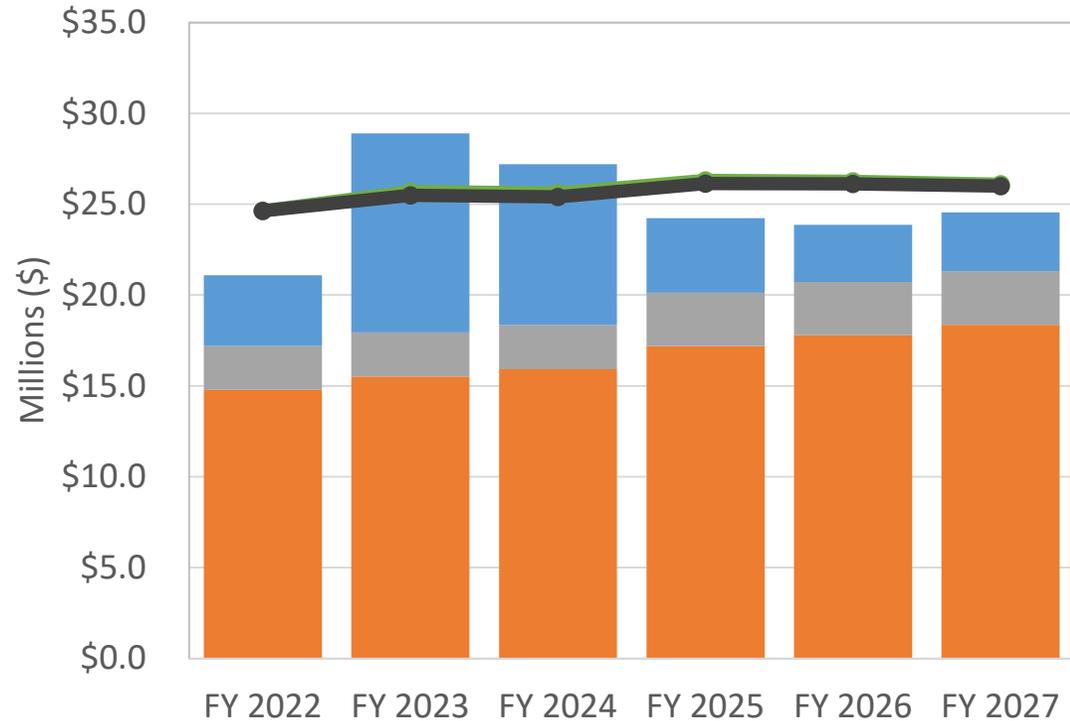
Monthly Rate	17% Fixed Revenue Current Rates	19% Fixed Revenue FY 2024	\$ Difference from Current	22% Fixed Revenue FY 2025	\$ Difference from Current	25% Fixed Revenue FY 2026	\$ Difference from Current
<b>Fixed Charge</b>							
5/8" – 1"	\$15.93	\$20.00	\$4.07	\$20.59	\$4.66	\$23.58	\$7.65
1 1/2"	\$59.28	\$74.43	\$15.15	\$76.61	\$17.33	\$87.73	\$28.45
2"	\$91.78	\$115.23	\$23.45	\$118.61	\$26.83	\$135.83	\$44.05
3"	\$194.72	\$244.47	\$49.75	\$251.64	\$56.92	\$288.19	\$93.47
<b>Rate per HCF [1]</b>							
0 – 10 HCF	\$3.59	\$3.34	(\$0.25)	\$3.30	(\$0.29)	\$3.20	(\$0.39)
11 – 20 HCF	\$4.69	\$4.36	(\$0.33)	\$4.31	(\$0.38)	\$4.17	(\$0.52)
21 – 30 HCF	\$6.18	\$5.75	(\$0.43)	\$5.69	(\$0.49)	\$5.50	(\$0.68)
31+ HCF	\$7.24	\$6.73	(\$0.51)	\$6.67	(\$0.57)	\$6.44	(\$0.80)

- Alternative #1 – Immediately implement rates with 25% fixed revenue
- Alternative #2 – Phase-in rates to generate 19%, 22%, and then 25% over three years
- In each scenario, rates of other customer types adjust accordingly

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

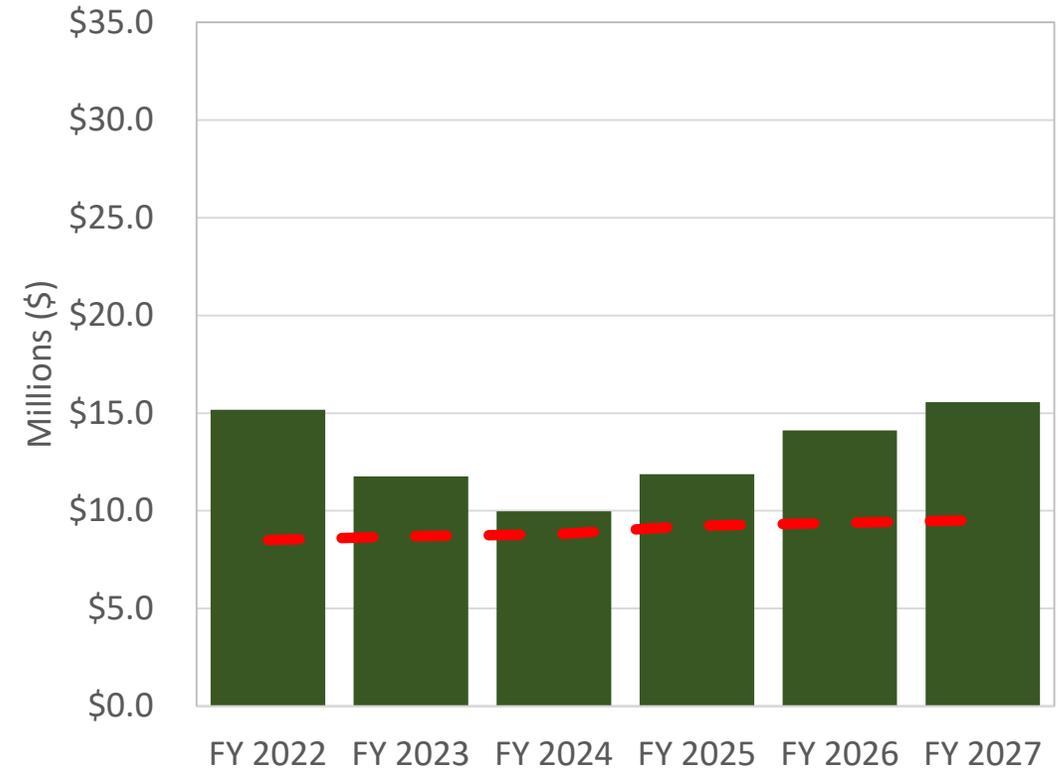
# WATER FUND BALANCE FORECAST – BOTH ALTERNATIVES

## 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)

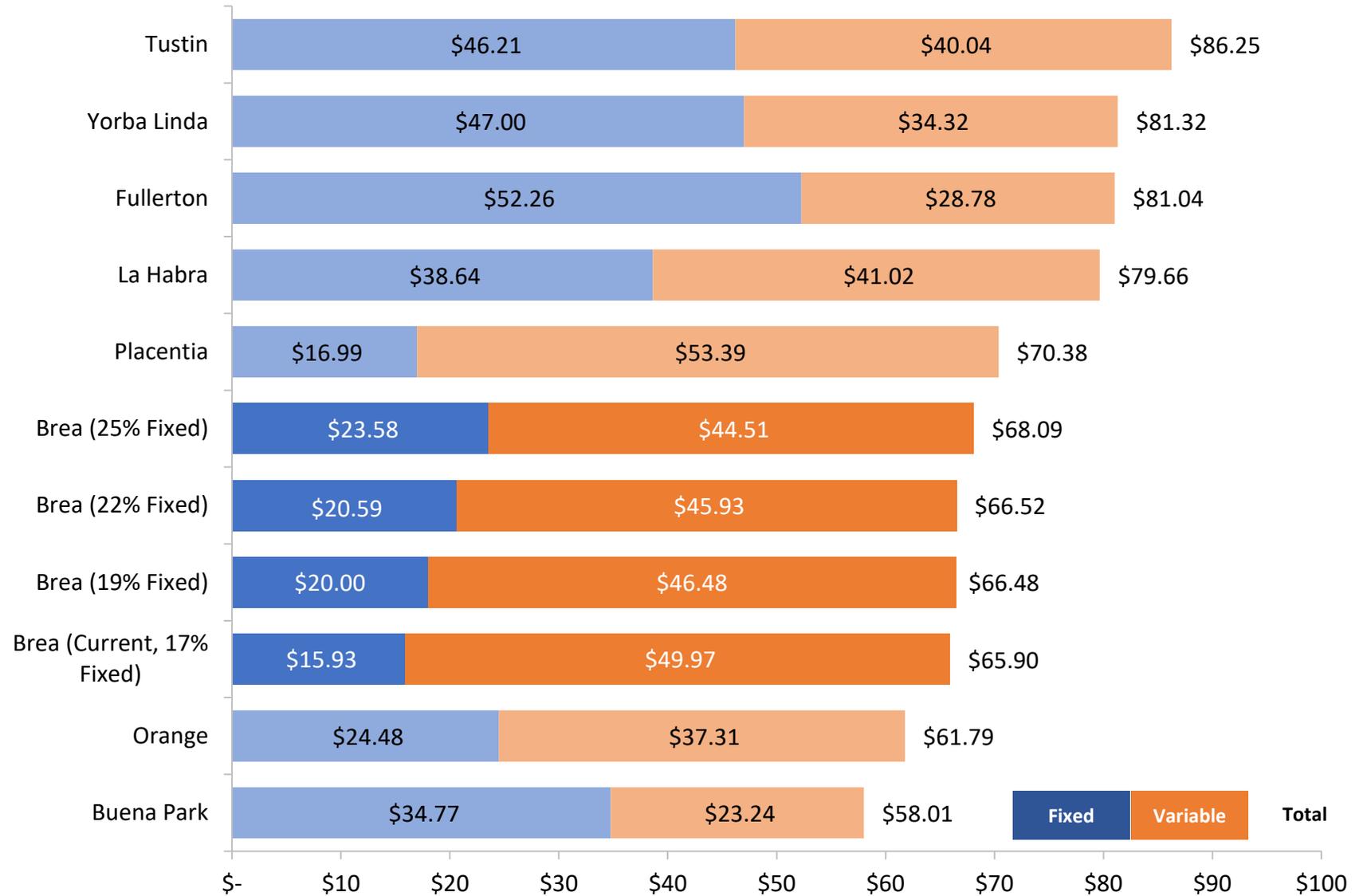
## Water Operating Fund Balance



- Ending Fund Balance
- - - Minimum Reserve Policy

# SAMPLE WATER BILLS

Single-Family Residential Customer  
1" meter  
13 HCF per month



**Average Monthly Water Bill (not including Brea): \$74.06**

# SEWER RATES

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# SEWER RATE FORECASTS

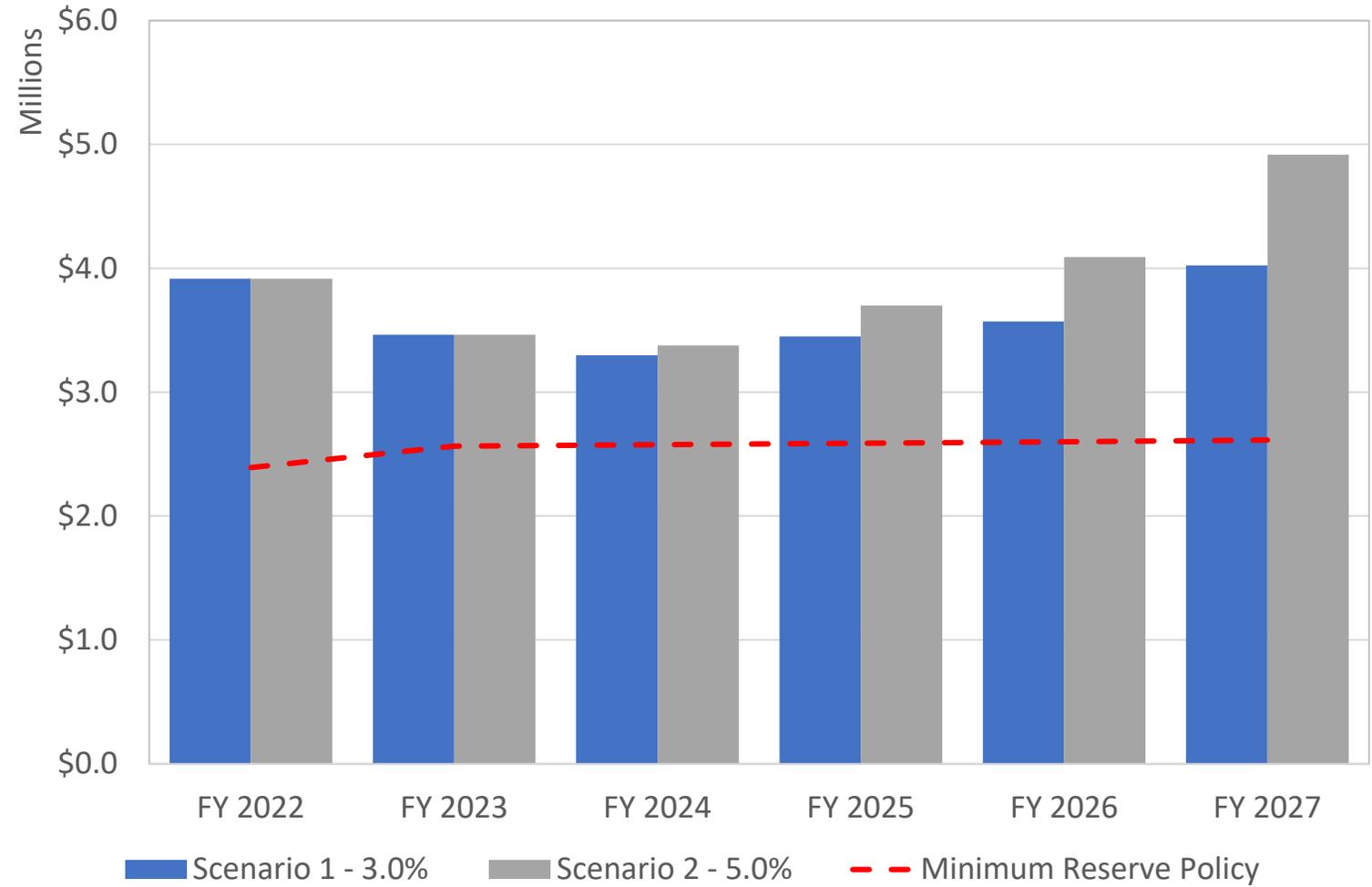
**Alternative 1:** Master Plan CIP with a one-time rate increase and 3% annual adjustment

**Alternative 2:** Master Plan CIP with a one-time rate increase and 5% annual adjustment

Each alternative aligns rates with revenue requirements while also maintaining the recommended fund balance policy.

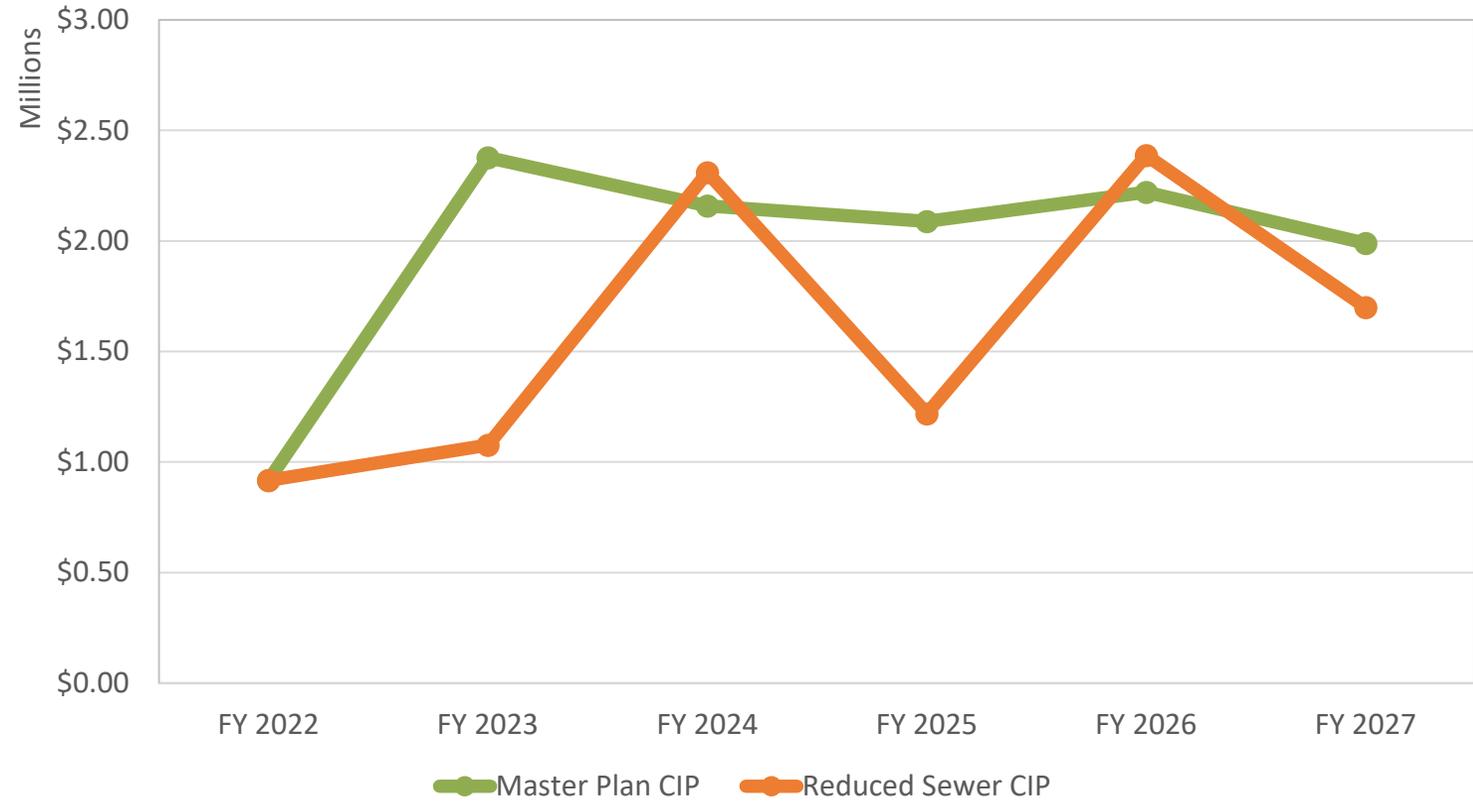
Monthly Bill	Current	FY 2023	FY 2024	FY 2025
<b>Alternative 1</b>				
5/8" – 1 1/2" Meter	\$9.43	\$14.62	\$15.05	\$15.51
<i>\$ Change</i>		\$5.19	\$0.44	\$0.45
<i>% Change</i>		55.0%	3.0%	3.0%
<b>Alternative 2</b>				
5/8" – 1 1/2" Meter	\$9.43	\$14.62	\$15.35	\$16.11
<i>\$ Change</i>		\$5.19	\$0.73	\$0.77
<i>% Change</i>		55.0%	5.0%	5.0%

# SEWER OPERATING FUND FORECASTS



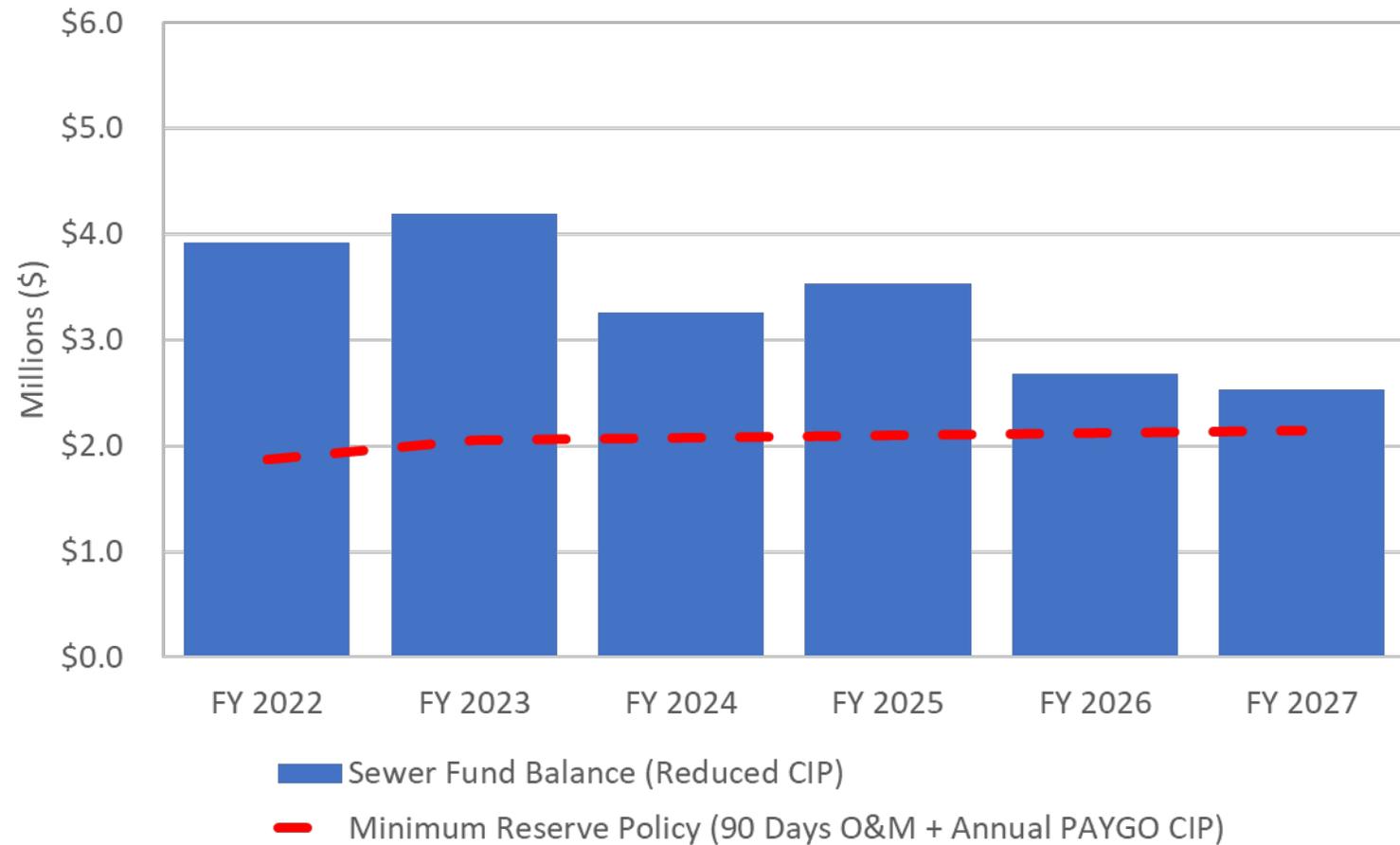
# REDUCTION IN SEWER CAPITAL SPENDING

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
<b>Cumulative Five-Year reduction:</b>	<b>\$2.0 million</b>

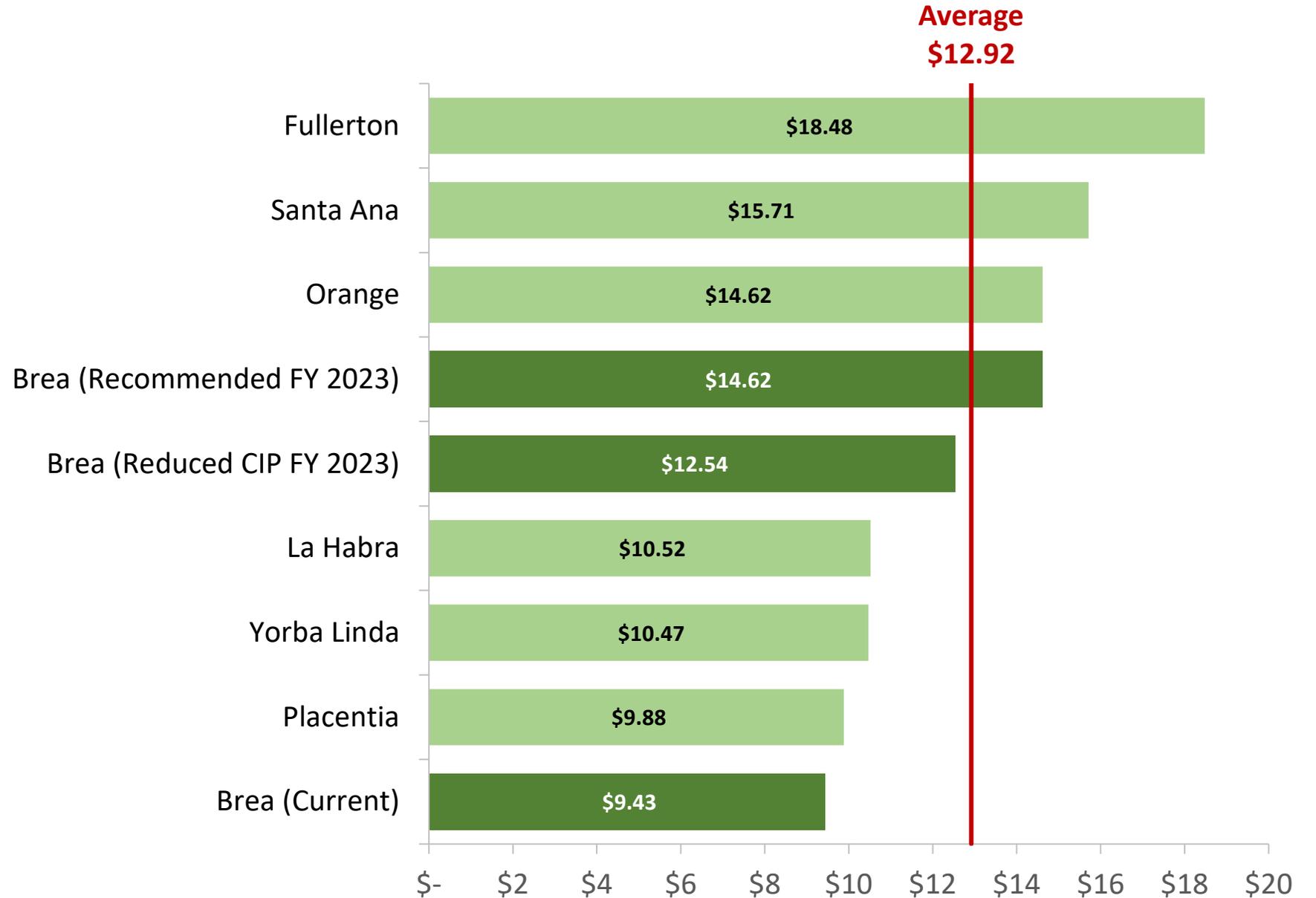
# SEWER OPERATING FUND FORECAST: REDUCED CIP



Monthly Bill	Current	FY 2023	FY 2024	FY 2025
<b>Reduced CIP Alternative 3</b>				
5/8" – 1 ½" Meter	\$9.43	\$12.54	\$12.92	\$13.31
<i>\$ Change</i>		\$3.11	\$0.38	\$0.39
<i>% Change</i>		33.0%	3.0%	3.0%

# SAMPLE SEWER BILLS

Single-Family  
Residential Customer  
1" meter  
13 HCF per month



## Water Rates<sup>1,2</sup> (Two Alternatives):

**Alternative 1:** Adjust water fixed charges to reflect 25% of annual water revenue (December 2022). Water consumption rates will adjust accordingly.

**Alternative 2:** Adjust water fixed charges incrementally over three years. (December 2022; June 2023; and June 2024). Water consumption rates will adjust accordingly.

## Sewer Rates<sup>1</sup> (Three Alternatives):

**Alternative 1:** Adjust monthly sewer rate charges (December 2022) – 55% or \$5.19<sup>3</sup>. 3% increase in June 2023 and 2024.

**Alternative 2:** Adjust monthly sewer rate charges (December 2022) – 55% or \$5.19<sup>3</sup>. 5% increase in June 2023 and 2024.

**Alternative 3 (Reduced CIP):** Adjust monthly sewer rate charges (December 2022) – 33% or \$3.11. 3% increase in June 2023 and 2024.

<sup>1</sup> Effective billing date as of December 22, 2022; June 29, 2023; June 27, 2024 or later.

<sup>2</sup> Excludes adjustments for pass-through costs and conservation rates.

<sup>3</sup> Reflective of a 1" meter for a single family residential unit; other meter sizes and customer types will adjust accordingly.



THANK YOU!

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