



Agenda Item

Orange City Council

Item #: 3.15.

11/12/2025

File #: 25-0613

TO: Honorable Mayor and Members of the City Council

THRU: Jarad Hildenbrand, City Manager

FROM: Christopher Cash, Public Works Director

1. SUBJECT

Water rate pass-through notice for Calendar Year 2026.

2. SUMMARY

City staff calculated the pass-through charge for Calendar Year 2026 using the formula approved by the City Council in March 2023. The calculation resulted in an additional \$0.18 per billing unit adjustment from last year's rate to offset cost increases in water purchases necessary to supply water to the city.

3. RECOMMENDED ACTION

Receive and file.

4. FISCAL IMPACT

Additional pass-through revenues of \$1,828,074 will offset corresponding expenditures for import water and groundwater costs.

5. STRATEGIC PLAN GOALS

Goal 5: Improve Infrastructure, Mobility, and Technology

6. DISCUSSION AND BACKGROUND

On March 14, 2023, City Council approved Resolution No. 11437 amending and revising the Master Schedule of Fees and Charges for water rates. This Resolution approved a five-year rate structure and a pass-through formula. The pass-through charge is calculated every year and considers only increases in wholesale water costs that the City will incur. Any such adjustments will only be made to the extent such increases are not already reflected in the schedule of charges. A notice of at least 30 days will be mailed to customers before any adjustments take effect. The pass-through rate is calculated by assessing the difference in wholesale water purchase costs using the current year's wholesale rates and the baseline year's wholesale rates. The additional expense is then divided over the calendar year's projected usage. This passes through any increase in the City's water purchase costs.

Based on the results generated by the approved pass-through formula, a pass-through charge of \$0.18 per unit over last year's rate is required for Calendar Year 2026. The pass-through calculation considers two major elements contributing to the Water Supply cost: import water costs (Metropolitan

Water District of Southern California via the Municipal Water District of Orange County), and groundwater costs (Orange County Water District). The pass-through charge of \$0.18 per unit (one unit = 748 gallons), as well as the 4% rate adjustment approved by Council on March 14, 2023, will take effect on January 1, 2026.

The average water customer uses 35 units of water every two months (29,172 gallons). Based on the current water rates, the average customer has a bill of \$162.71 bi-monthly. With the 4% rate increase that was approved for January 2026 and the addition of the \$0.18 per unit pass-through charge, the average bill will increase to \$175.41 bi-monthly. For the average City of Orange household, this is a total bi-monthly increase of \$12.70.

The \$0.18 per unit adjustment represents approximately \$1,828,074 in revenue to the Water Fund. Ratepayers will receive notices with the pass-through information at least 30 days prior to implementation.

7. ATTACHMENTS

- Notice of Pass-through Increase