



Agenda Item

City Council

Item #: 3.22.

11/10/2020

File #: 20-234

TO: Honorable Mayor and Members of the City Council

THRU: Rick Otto, City Manager

FROM: Christopher Cash, Public Works Director

1. SUBJECT

Water rate pass-through notice for Calendar Year 2021.

2. SUMMARY

City staff calculated the pass-through charge for Calendar Year 2021 using the formula approved by the City Council in December 2017. The calculation resulted in an additional \$0.09 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 \$1,037,000 will offset corresponding expenditures for import water and ground water costs.

5. STRATEGIC PLAN GOALS

Goal 2: Be a fiscally healthy community

a: Expend fiscal resources responsibly.

Goal 2: Be a fiscally healthy community

d: Effectively manage and develop City assets.

Goal 4: Provide outstanding public service

b: Provide facilities and services to meet customer expectations.

6. DISCUSSION AND BACKGROUND

On December 12, 2017, City Council approved Resolution No. 11046 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 takes into account only increases in purchases of water required to meet annual water demand for the City.

Based on the results generated by the approved pass-through formula, staff is recommending a pass-through charge of \$0.09 per unit over last year's rate for Calendar Year 2021. The pass-through calculation takes into account 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 ground water costs (Orange County Water District). The 5% rate adjustment approved by Council on December 12, 2017, as well as the pass-through charge of \$0.09 per unit (one unit = 748 gallons), will take effect on January 1, 2021.

The average water customer uses 39 units of water every two months (29,172 gallons). Based on the current water rates, the average customer has a bill of \$129.48 bi-monthly. With the 5% rate increase that was approved for January 1, 2021 and the addition of the \$0.09 per unit pass through charge, the average bill will increase to \$138.89 bi-monthly. For the average Orange household, this is a total bi-monthly increase of \$9.41.

The \$0.09 per unit adjustment represents approximately \$1,037,000 in revenue to the Water Fund. Ratepayers will receive postcards with the pass-through information at least 30 days prior to implementation.

7. ATTACHMENTS

- Postcard containing pass-through information