



Agenda Item

City Council

Item #: 3.24.

11/9/2021

File #: 21-0578

TO: Honorable Mayor and Members of the City Council

THRU: Thomas R. Hatch, Interim City Manager

FROM: Christopher Cash, Public Works Director

1. SUBJECT

Water rate pass-through notice for Calendar Year 2022.

2. SUMMARY

City staff calculated the pass-through charge for Calendar Year 2022 using the formula approved by the City Council in December 2017. The calculation resulted in an additional \$0.06 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 \$712,800 will offset corresponding expenditures for import water and ground water costs.

5. STRATEGIC PLAN GOALS

Goal 2: Be a fiscally healthy community

b: Analyze future fiscal needs and potential revenue opportunities.

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 supply water to the City. 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 such adjustments will take effect. The pass-through rate is calculated by assessing the difference in wholesale water purchase costs using the previous year's wholesale rates and the current year's wholesale rates. The additional expense is then divided over the next 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, staff is recommending a pass-through charge of \$0.06 per unit over last year's rate for Calendar Year 2022. The pass-through calculation takes into account two major elements contributing to the Water Supply cost: imported 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 \$0.06 per unit (one unit = 748 gallons), as well as the 5% rate adjustment approved by Council on December 12, 2017, will take effect on January 1, 2022.

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 \$136.16 bi-monthly. With the 5% rate increase that was approved for January 2022 and the addition of the \$0.06 per unit pass through charge, the average bill will increase to \$145.26 bi-monthly. For the average Orange household, this is a total bi-monthly increase of \$9.10.

The \$0.06 per unit adjustment represents approximately \$712,800 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