



STAFF REPORT

TO: MAYOR AND COUNCIL MEMBERS **DATE: NOVEMBER 28, 2023**
FROM: CITY MANAGER **DISTRICT(S): CITYWIDE**
SUBJECT: PUBLIC HEARING TO CONSIDER ORDINANCE AMENDING SECTIONS 14.20.010 THROUGH 14.20.180 TO CHAPTER 14.20 "RATES AND CHARGES" OF TITLE 14 "WATER" OF THE GLENDORA MUNICIPAL CODE AND A RESOLUTION ESTABLISHING WATER RATES AND CHARGES

RECOMMENDATION

That the City Council:

Conduct a Public Hearing, in compliance with Proposition 218, to accept comments on the proposed water rates and charges.

1. Direct the City Clerk to tabulate the results of the protests received from property owners and announce the findings.
2. Adopt a City Council Resolution establishing water rates and charges effective January 2024 and four years of phased Consumer Price Index (CPI) increases thereto and amending the Master Schedule of Fees to include the approved water rates and charges.
3. Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines.
4. First reading and Introduction of an Ordinance of the City Council amending sections 14.20.010 through 14.20.180 to Chapter 14.20 "Rates and Charges," of Title 14 "Water," of the Glendora Municipal Code.

STRATEGIC FOCUS AREAS

- Goal 2: Maintain Financial Stability and Sustainability (MFSS)
- Goal 5: Improve and Maintain the City's Infrastructure and Facilities (IMCIF)

EXECUTIVE SUMMARY

Over the past year, the City has been conducting a water utility infrastructure assessment to identify and prioritize the maintenance and repairs of water utility pipelines and facilities. Based on the information gathered, it has been determined that the City's water system needs nearly \$350 million in repairs and replacements. In order to fund these projects and ongoing operations, a rate study was completed to establish a fair and equitable distribution of costs to the consumers. The findings of these studies have been presented to both the Water Commission and the City Council for consideration. The proposed water rates will provide the funding necessary for day-to-day operations and capital improvements for the long term sustainability of the City's water system.

LEGISLATIVE HISTORY / PREVIOUS ACTIONS

- On September 12, 2023 the City Council and Water Commission held a joint meeting where the 2023 Water Master Plan was adopted and direction was provided to proceed with the Proposition 218 process to adopt and implement new water rates.
- On October 10, 2023 - Conducted Glendora Unified School District Educational Outreach Meeting

- On October 12, 2023 - Mailed out Proposition 218 Notices
 - City Website available: www.cityofglendora.org/waterrates
 - Water Rates Calculator available: estimates change in bill to customers.
- On October 16, 2023 - Conducted Coordinating Council Educational Outreach Meeting
- On October 17, 2023 - Conducted Community Workshop 1
 - 1 Community Attendee
- On October 18, 2023 - Conducted Chamber of Commerce Educational Outreach Meeting
 - Approximately 25 Business Attendees
- On October 19, 2023 - Conducted Glendora Country Club Educational Outreach Meeting
- On October 26, 2023 - Water Commission Board Meeting, Public Hearing
- On November 1, 2023 - Conduct Community Workshop 2
 - 0 Community Attendees

DISCUSSION

The City of Glendora (City) owns and operates a potable water system serving an area of approximately 11 square miles and provides water service to a population of about 45,550. The primary source of supply is local groundwater from the Upper San Gabriel Canyon Sub-basin and the Glendora Sub-basin of the Main San Gabriel Basin (Main Basin). The supply is supplemented with imported water from Three Valleys Municipal Water District.

The City's existing potable water system consists of the following:

- Seventeen (17) hydraulic pressure zones (12 open, 3 on hydropneumatic systems, and two closed)
- Approximately 210 miles of pipeline, 1-inch to 30-inch
- Eight (8) Active Groundwater Wells
- 29 Storage Reservoirs
- 20 Pump Stations (45 pumps)
- Three (3) Hydropneumatic Systems
- Three (3) Pressure Regulating Stations
- 1,760 Fire Hydrants
- 13,500 customer meters

Water Master Plan

In April 2023, the Water Master Plan was finalized by AKM Consulting Engineers and on September 12, 2023, the City Council and Water Commission held a joint meeting adopting the 2023 Water Master Plan. The document is a comprehensive planning guide for improving and upgrading the City's existing water system. In doing so, it identifies and prioritizes \$350 Million in Capital Improvement Projects. Vertical Facility Assessments were conducted as part of the master plan effort to evaluate the condition and to develop recommendations for each well, pump station, and storage reservoir. As-built plans, maintenance records, pump curves and efficiency tests, reservoir dive reports, and other available historical information were reviewed as part of the assessments. City staff members were interviewed by and accompanied AKM staff on tours of each facility. The Vertical Facility Assessments resulted in the recommendation of improvement projects with a total estimated cost of \$158M. The Water Master Plan effort also included the development of a Pipe Replacement Program. Pipe improvement projects were developed based on a comprehensive risk assessment, discussion with operation and maintenance staff, review of main break data, and review of pipes that provide service to facilities where water service is essential (hospitals, fire facilities, dialysis centers etc). The risk assessment included the use of artificial intelligence and machine learning (AI-ML) technology to develop the Likelihood of Failure (LoF) and the evaluation of the Consequence of Failure (CoF). The Pipe Replacement Program included

recommendations for pipe replacement projects with a total estimated cost of \$183M. Hydraulic Analyses were conducted to assess the water system's ability to meet average day, maximum day, peak hour, and maximum day plus fire flow demands. A hydraulic model was developed and calibrated to field conditions. The model was utilized to identify system hydraulic deficiencies. The adopted plan includes improvements based on the hydraulic analyses included projects with a total estimated cost of \$9M.

Water Rate Study

The proposed water rate was developed to ensure the City is able to deliver clean, safe, and reliable water on demand. The proposed rate structure is designed to be fair and equitable while also encouraging water conservation. The water rates are an investment back into the system to make critical upgrades and repairs to the water infrastructure as identified in the Water Master Plan. Fund Analysis, although the City has made many efforts to improve operations by leveraging technology to make certain operations more efficient, the cost of doing business has increased significantly. The Consumer Price Index (CPI) increased 5.9% in January 2021 and 7.2% for January 2022, for a combined inflation rate of approximately 13% just in the last two years. The last rate study was conducted in 2016 and was implemented between January 2017 through January 2022. However, rates have not increased since January 2021. Bids for capital improvement projects are coming in over budget by 5%-10%. The shortage of materials and the demand for labor has had a major impact on the cost of infrastructure improvements. On top of the cost of doing business, scarce supplies and the cost of water over the last two years from Metropolitan Water District has increased 11% for Tier 1 treated water and 24% for Tier 2 treated water. The following table is the adopted FY 2024 Operating Budget for the Water Fund:

	Adopted FY 2024 Budget
REVENUES	
Water Charges	\$ 19,115,500
Purchased Water	2,030,000
Energy	1,700,000
Misc Revenue Interest	589,375
Total Revenues	\$ 23,434,875
EXPENDITURES	
Production	\$ 4,102,519
Transmission & Distribution	2,911,479
Customer Service	1,307,261
Administration	2,327,399
Support	3,505,197
Conservation	1,120,432
Replenishment/Import Water	3,648,950
Energy	1,700,000
Debt Service	2,584,222
Capital Improvement Projects*	7,674,311
Total Expenditures	\$ 30,881,770
Gain/(Loss)*	\$ (7,446,895)*
<p>*The FY 2024 Budget was adopted with the planned one-time use of reserves for critical water infrastructure capital improvement projects (primarily for the North Glendora Reservoir Replacement, \$6.7 million). However, this level of ongoing investment in water infrastructure is necessary in the coming years and an integral part of the considerations included in the proposed water rates. Current significant ongoing projects from prior years include ongoing conservation projects and water main improvements along the following streets and roads Bender, Carter, Santa Fe, Newburgh, Bennett, Washington, Westridge, Bender, Cumberland, Palomar, Lone Hill, Country Club, Country Club Vista, and Mauna Loa.</p>	

Additionally, historical data from Fiscal Year 2020-2021 was reviewed when developing the expenditures for this study. Projections were made with the best available planning data. The future expenditures were developed from the utility agencies (Three Valleys Municipal Water District, Main San Gabriel Valley Watermaster, Southern California Edison, Azusa Light and Water) projections and the consumer price index (CPI). The expenditures include the following:

- **Groundwater:** The City's eight (8) wells extract groundwater from the Main Basin. The Main San Gabriel Valley Watermaster manages the Operating Safe Yield (OSY) that regulates the allowable groundwater extractions. The City's groundwater supply was based on 6,408 AFY (4.75% of OSY).
- **Imported Water:** The City can supplement the groundwater supply with imported water from Three Valleys Municipal Water District (TVMWD) and/or Covina Irrigating Company. The imported water supply was based on 1,916 AFY from TVMWD.
- **Energy Supply:** Southern California Edison (SCE) and Azusa Light and Water provide power to the booster pump stations and wells.
- **Debt Service:** The City's existing water fund debt service includes the 2012 Series A CSCDA Revenue Bonds, 2016 Series A Water Revenue Bond, and 2019 Pension Obligation Series A Bond. The proposed rate structure also includes the issuance of a new bond totaling \$15M, which will fund part of the future CIP.
- **Historical Water Fund Expenditures:** The remaining water expenditures were based on historical Water Fund expenditures and include: Water Administration, Water Customer Service, Support, Transmission and Distribution, Production, and Water Conservation.
- **Capital Improvement Program:** The rate structure is based on \$30M of improvement projects being implemented over the next five years. The improvement project cost estimates are based on 2023 projections and were increased by the CPI for the next five years. \$15M of the projects are planned to be funded through future bond issuance, and \$15M are planned to be funded through revenue generated from the consumption charges.

Proposed Rate Structure

The updated revenue model was used to project revenues using various rate structures. The scenarios evaluated included: various consumption tiers, various CIP project implementation schedules, elevation charges for operation and maintenance expenses for customers in hydraulic zones at higher elevations; and different rates for customers with very high-water consumption. The proposed bi-monthly rate structure was developed to be fair and equitable and to encourage water conservation. The proposed rate structure includes the following:

Meter Connection Charge is a fixed charge based on the equivalent residential units (ERUs). ERUs represent the average water usage by a single-family residential dwelling unit (customers with 5/8-inch and 3/4-inch meters). Customers with larger meter sizes were assigned ERUs reflecting the ratio of the average water usage by meter size to that of average usage for customers with 5/8-inch and 3/4-inch meters. The revenue generated for the meter connection charge was developed to fund the fixed expenditures, existing and future debt service (covering 50% of the capital improvement projects), and 50% of the operation and maintenance related expenditures (salaries, benefits, customer service, tools equipment, etc.).

The proposed bi-monthly Meter Connection Charges are summarized in Table 1.

Table 1: Bi-Monthly Meter Connection Charge		
Meter Size	Current Rate	Proposed 2024
5/8 & 3/4 inch	\$88.57	\$85.38
1 inch	\$115.14	\$134.23
1.5 inch	\$191.20	\$257.07
2 inch	\$274.57	\$413.67
3 inch	\$407.43	\$984.31
4 inch	\$620.04	\$984.31
6 inch	\$1,080.63	\$2,160.61
8 inch	\$1,523.49	\$2,160.61

Consumption Rates are based on the amount of water used and the cost of energy to pump water to higher elevations. The proposed rate structure includes four (4) consumption tiers to promote water conservation. The estimated revenue will fund the expenditures for groundwater, purchased water, production, water conservation, and 50% of the capital improvement projects. The consumption thresholds between each tier were based on the SB1668 indoor water use goal, minimum month consumption by meter size, and the existing rate structure's Baseline Allocation Threshold Units. The proposed consumption thresholds are summarized in Table 2.

Elevation Rates are broken up by four (4) zone classes, which were established as part of this study to assign the costs fairly and equitably. Each Zone consists of the following hydraulic zones:

- Zone A: 1, 1RB, 1RA
- Zone B: 2, 1A, 1B
- Zone C: 3, 1BH1, 2H1, 2H2
- Zone D: 3A, 3B, 3C, 3C1, 3D, 4, 4A

The energy expenditures that are required to pump water to the higher zone classes and 50% of the operation and maintenance expenditures are expected to be funded through the elevation rates. The development of the elevation rates included the evaluation of historical energy expenditures by zone class, operation and maintenance expenditures, and consumption data by zone class.

The cost per CCF for water and energy is summarized in Table 3.

Table 2: Bi-Monthly Consumption Tiers (CCF)						
Meter Size	CURRENT		PROPOSED			
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 3	Tier 4
5/8 inch	0-38	>38	0-12	13-38	39-76	>76
3/4 inch	0-38	>38	0-12	13-38	39-76	>76
1 inch	0-67	>67	0-18	19-67	68-134	>134
1.5 inch	0-134	>134	0-42	43-134	135-268	>268
2 inch	0-220	>220	0-64	65-220	221-440	>440
3 inch	0-838	>838	0-181	182-419	420-838	>838
4 inch	0-1,316	>1,316	0-181	182-658	659-1,316	>1,316
6 inch	0-4,682	>4,682	0-328	329-2,341	2,342-4,682	>4,682
8 inch	0-4,682	>4,682	0-328	329-2,341	2,342-4,682	>4,682

Table 3: Consumption Rates for Water & Elevation (CCF)								
Zone	CURRENT			PROPOSED				
	Tier 1	Tier 2	Elevation	Tier 1	Tier 2	Tier 3	Tier 4	Elevation
A	\$2.98	\$4.90	\$0.24	\$1.75	\$2.68	\$3.61	\$4.54	\$0.22
B	-	-	\$0.36	-	-	-	-	\$1.02
C	-	-	\$0.58	-	-	-	-	\$2.06
D	-	-	\$1.41	-	-	-	-	\$3.41

Table 4 below provides for the total cost per unit of water used in each zone. The amount per unit of water used is calculated by adding the water cost and the elevation cost as provided in the tables above.

Table 4: Total Consumption Rates for 5/8 & 3/4 inch meter (Tier + Elevation)						
Zone	CURRENT		PROPOSED			
	Tier 1 (0-38)	Tier 2 (39+)	Tier 1 (0-12)	Tier 2 (13-38)	Tier 3 (39-76)	Tier 4 (77+)
A	\$3.22	\$5.14	\$1.97	\$2.90	\$3.83	\$4.76
B	\$3.34	\$5.26	\$2.77	\$3.70	\$4.63	\$5.56
C	\$3.56	\$5.48	\$3.81	\$4.74	\$5.67	\$6.60
D	\$4.39	\$6.31	\$5.16	\$6.09	\$7.02	\$7.95

Water bills are calculated by adding the Meter Charge and calculating the amount of water used based on the cost per unit. For example, the bill for a single-family residence located in Zone A with a 3/4 inch meter who used 45 units of water over two months, would be calculated at the proposed rate as follows:

Meter Charge		Zone A		Zone A		Zone A		Total
\$85.38	+	Tier 1 (0-12)	+	Tier 2 (13-38)	+	Tier 3 (39-45)	=	Bi-Monthly Bill
		(12*\$1.97)		(26*\$2.90)		(7*\$3.83)		\$211.23

Amending the Ordinance will allow for adjustments to the rates and charges by resolution. All rates identified were included in the resolution with no changes at this time. However, the miscellaneous charges will be reviewed and adjusted as necessary as part of the budget review process and based on the actual cost to provide the service.

FISCAL IMPACT

Staff conducted a rate study to determine the appropriate rates to fund and sustain the operations, maintenance and capital improvements to the City's water system.

ENVIRONMENTAL DETERMINATION

This action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) – the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment, and 15060(c)(3) – the activity is not a project as defined in Section 15378 of the CEQA Guidelines, California Code of Regulations, Title 14, Division 6, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

Prepared By	Marie Ricci, Deputy City Manager
Concurs With	Richard Hansen, Water Commission
Reviewed By	Marie Ricci, Deputy City Manager
Certified to Availability of Funds	Kyle Johnson, Finance Director/City Treasurer
Approved By	Adam Raymond, City Manager
Legal Review	William W. Wynder, City Attorney
CEQA Review	Not Applicable

ATTACHMENTS:

- A. Chapter 14.20 Rates and Charges (Redline) (Attachment A of Ordinance)
- B. Ordinance
- C. Resolution Establishing Rates
- D. Presentation