

# CITY OF El Segundo

---

Water and Wastewater Rate Discussion  
December 15, 2020



# Presentation Topics

- Study overview
- Proposed Rates
  - › Recycled Rates
  - › Water
  - › Wastewater
- Schedule & Next Steps



# Rate Study at a Glance



## Rate Setting Framework

- Financial goals and policies
- Pricing objectives

## Financial Plan

- Evaluation of CIP and financing options
- Cash flow analysis for financial sufficiency

## Cost of Service & Rate Design

- Cost allocations
- Rate design
  - Rate calculations
  - Customer impact analyses

## Final Rate Adoption

- Report
- Prop 218 Notice
- Public Hearing

# Cost of Service Overview

- Cost of Service Legal Requirements
  - › Proposition 218 (Article XIII C and XIII D of California Constitution)
    - Rates need to be proportional to the service provided
      - Reflects the cost of providing services
      - No cross subsidy is allowed
    - Procedural Requirement:
      - Administrative Record needs to be available
      - 45 day noticing requirement to all property owners regarding the Public Hearing
        - City Council can consider the increase if protest vote is below the majority



# Observation

- Water
  - › Water Fund is healthy
  - › Rates need to be adjusted to reflect current operational costs
- Wastewater
  - › Wastewater Fund is not healthy
  - › Significant increase occurring for the City of LA associated with treatment
    - 91% from FY 2017 to FY 2021
    - This is ~\$24 dollars a month for Single Family
  - › Rates needs to be adjusted to reflect current operational costs



# Recycled Rate Discussion



# Recycled Water Operating Parameters

- Recycled water purchased from West Basin Municipal Water District
- West Basin MWD operates non-potable system
- Separate system from potable water system
- Serves parks, golf course, Chevron, other small sites
- City owns meters and does billing and collection
- Cost of Recycled water is the West Basin MWD recycled rate + City surcharge + meter charge



# Proposed Recycled Surcharge

- All recycled customers that have a meter will pay the same meter charge as potable customers
- Continue to charge \$1.01 surcharge to Chevron
  - › Surcharge should have the same percentage increase as the potable water rate in the future
  - › Surcharge revenue can be utilized to keep potable water rates affordable
- No surcharge for City and Non-City Customers (except Chevron)





# Water Rate Discussion



# Water Operating Parameters

- El Segundo is 100% dependent on West Basin MWD for imported water
- City does not produce or treat water
- City operates a potable system
- Chevron uses 50% of water purchased from West Basin MWD



# Budget Summary

<b><u>Budget Components</u></b>	<b><u>FY 2021</u></b>	
Personnel	\$ 1,900,000	5.9%
Operations	2,700,000	8.4%
Capital	2,700,000	8.4%
Purchased Potable Water	11,100,000	34.6%
Purchased Reclaimed Water	13,700,000	42.7%
<b>Total:</b>	<b>\$ 32,100,000</b>	<b>100.0%</b>



# Factors Impacting Water Rates

- Water Enterprise Fund is in good financial shape
- Recommendation:
  - › Realignment / Cost of Service rates in March 2021
    - Requirement given Prop 218
  - › 3.0% increase each following January (2022 to 2025)
    - Majority of increase is due to imported wholesale water supply cost



# Water Rates

- There are three components of a water rate
  - › Fixed charge
    - Recovers fixed water supply cost, cost of maintaining meters, and customer service
  - › Tiered width for Residential Customer
    - Aligns with water consumption pattern
  - › Commodity Rate
    - Recovers the following costs: water supply, delivery, and peaking



# Proposed Rate Structure

- Single Family – Tiered based on historical water use pattern
  - › Tier 1 – Indoor usage (0 to 9 ccf\* per month)
    - Based on average winter consumption of 9 ccf per month
  - › Tier 2 – Outdoor usage (10 to 13 ccf per month)
    - Based on average summer use of 13 ccf per month
  - › Tier 3 – Above Tier 2
- Non-residential and Chevron is a Single Tiered / Uniform rate

\* ccf – hundred cubic feet, which is 748 gallons



# Justification of Tiered Rates

- Water Supply from West Basin MWD
  - › El Segundo is 100% dependent on West Basin MWD
- Delivery cost
  - › Cost to meet average demand
- Peaking cost
  - › Cost associated with Peak Hour / Peak Day demand
- Revenue offsets
  - › Two major sources of revenue offsets: Interest income and Chevron recycled Surcharge



# Proposed Monthly Meter Charge

	April 1, 2021	January 1, 2022	January 1, 2023	January 1, 2024	January 1, 2025
5/8" and 3/4"	\$18.18	\$18.73	\$19.30	\$19.88	\$20.48
1"	\$24.71	\$25.46	\$26.23	\$27.02	\$27.84
1 1/2"	\$41.05	\$42.29	\$43.56	\$44.87	\$46.22
2"	\$60.65	\$62.47	\$64.35	\$66.29	\$68.28
3"	\$122.74	\$126.43	\$130.23	\$134.14	\$138.17
4"	\$214.23	\$220.66	\$227.28	\$234.10	\$241.13
6"	\$433.16	\$446.16	\$459.55	\$473.34	\$487.55
8"	\$923.29	\$950.99	\$979.52	\$1,008.91	\$1,039.18
10"	\$1,380.75	\$1,422.18	\$1,464.85	\$1,508.80	\$1,554.07



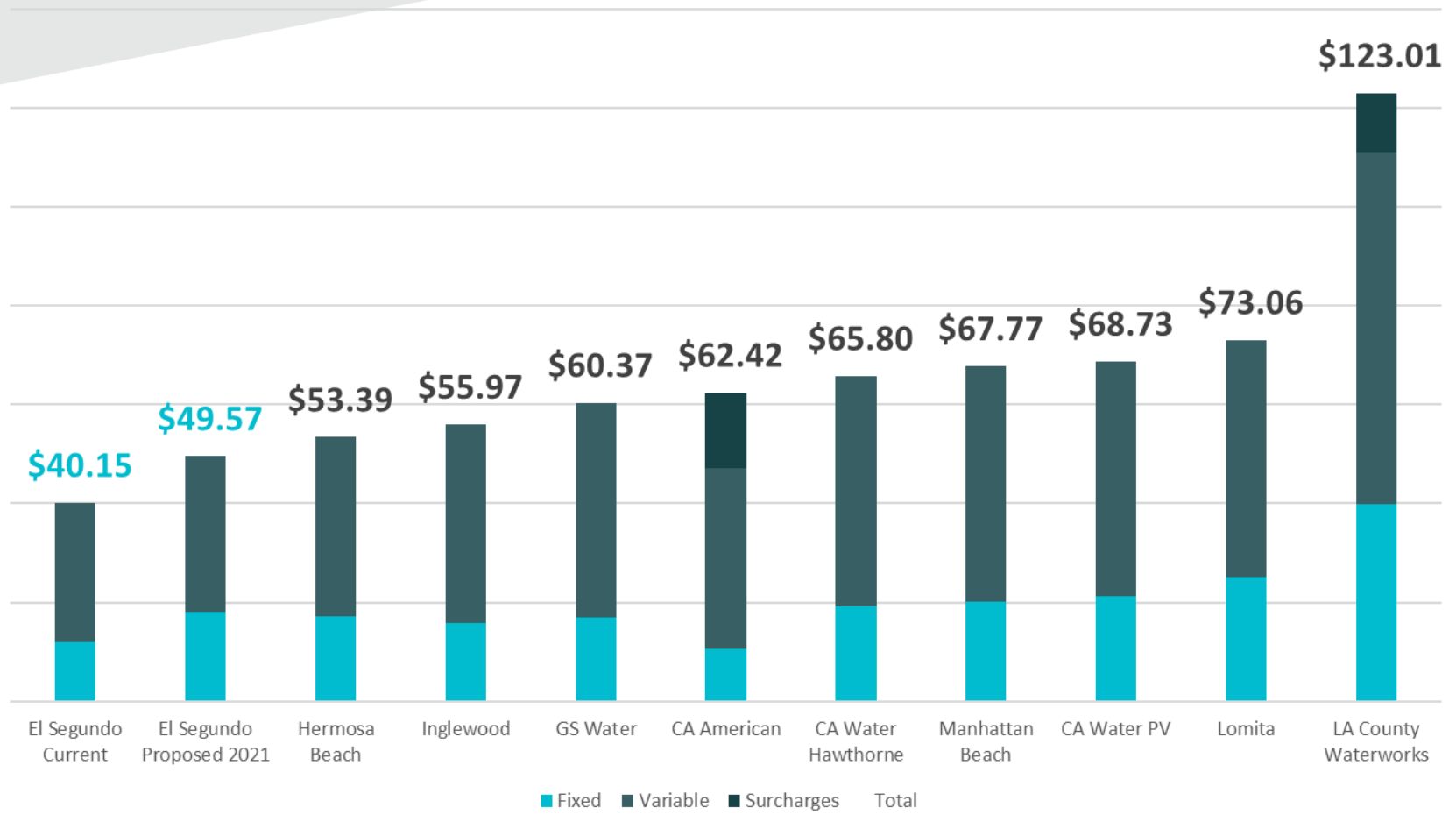


# Proposed Commodity Water Rates

	April 1, 2021	January 1, 2022	January 1, 2023	January 1, 2024	January 1, 2025
<b>Residential</b>					
<b>Tier 1</b>	\$2.88	\$2.97	\$3.06	\$3.16	\$3.26
<b>Tier 2</b>	\$5.47	\$5.64	\$5.81	\$5.99	\$6.17
<b>Tier 3</b>	\$6.86	\$7.07	\$7.29	\$7.51	\$7.74
<b>Non-Residential</b>	\$4.17	\$4.30	\$4.43	\$4.57	\$4.71
<b>Chevron</b>	\$4.90	\$5.05	\$5.21	\$5.37	\$5.54



# Monthly Water Rate Survey - 5/8” Meter, 10 ccf



# Wastewater Rate Discussion



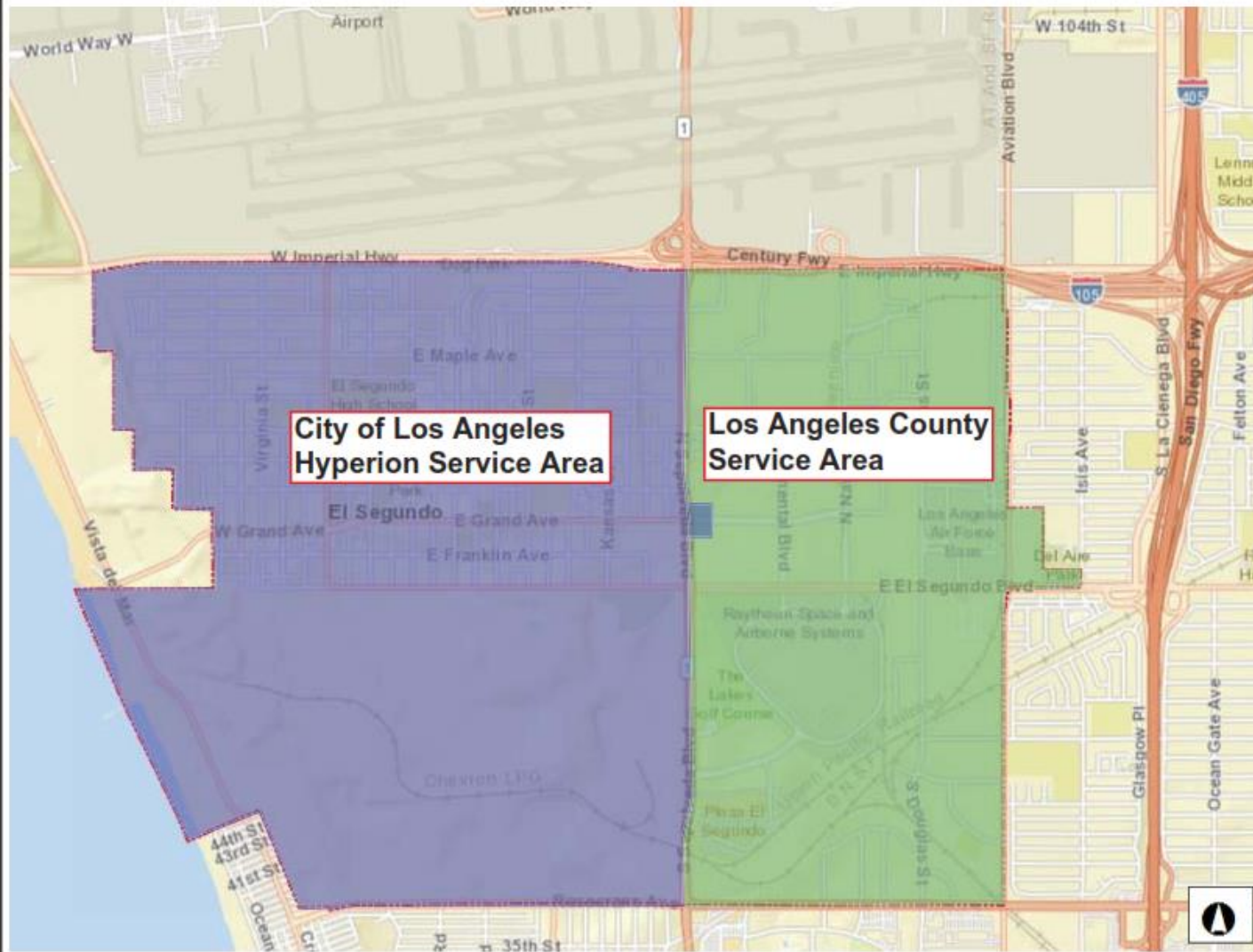
# Wastewater Operational Parameters

- City operates and maintains the wastewater collection system citywide
- Wastewater treatment is divided by geographic region between East and West
  - › East side of PCH is serviced by LA County through the Joint Water Pollution Control Plant in Carson
    - The County directly charges property owners for treatment services
  - › West side of PCH is serviced by the City of Los Angeles Hyperion Water Reclamation Plant
    - The City of LA charges the City of El Segundo directly for treatment services





# City of El Segundo Wastewater Service Map



### Legend

-  City Boundary
-  Wastewater Treatment served by Los Angeles County
-  Wastewater Treatment served by City of Los Angeles Hyperion

**City of Los Angeles  
Hyperion Service Area**

**Los Angeles County  
Service Area**



### Notes

6,018.7 0 3,009.33 6,018.7 Feet

*DISCLAIMER: The information shown on this map was compiled from different GIS sources. The land base and facility information on this map is for display purposes only and should not be relied upon without independent verification as to its accuracy. The City of El Segundo will not be held responsible for any claims, losses or damages resulting from the use of this map.*

WGS\_1984\_Web\_Mercator\_Auxiliary\_Sphere

# Budget Summary

<u>Budget Components</u>	<u>FY 2021</u>	
Personnel	\$ 1,000,000	19.4%
Operations	1,300,000	25.2%
Capital	150,000	2.9%
Treatment	2,700,000	52.4%
<b>Total:</b>	<u>\$ 5,150,000</u>	100.0%



# Factors Impacting Wastewater Rates

## Past

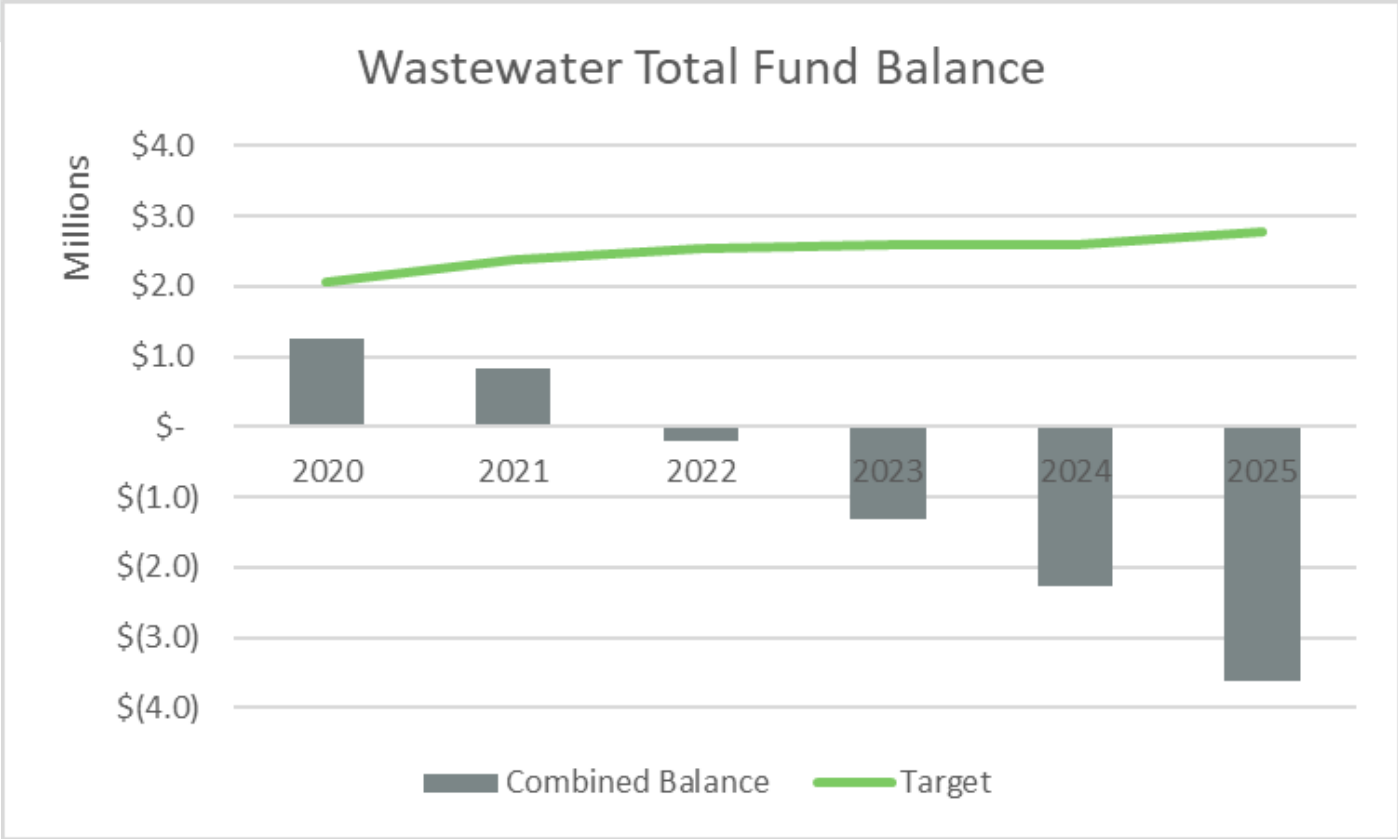
- City has not increased rates since 2016
  - › Two prior rate increases have been 2%

## Future

- Hyperion treatment costs
  - › El Segundo costs increased by 91% from FY 2017 to FY 2021
- Average increase in O&M over the next five years is an annual 6%



# Status Quo Proforma





# Proposed Wastewater Rate

- Revenue increase by 9% (2021 and 2022) and 9.5% (2023 to 2025)
  - › Smooth out the impacts from the City of LA
  - › Achieves reserve target by 2025
- Single Family flat rate based on 9 ccf\*
  - › This the average winter water use
- Everyone else including multi-family, are charged a flat rate which includes a minimum usage of 9 ccf
  - › Usage above 9 ccf is charged on a \$/ccf basis
- Proposed fee takes into account the charge by the City of LA for treatment and is broken out between Residential, Commercial and Industrial

\* ccf – hundred cubic feet, which is 748 gallons



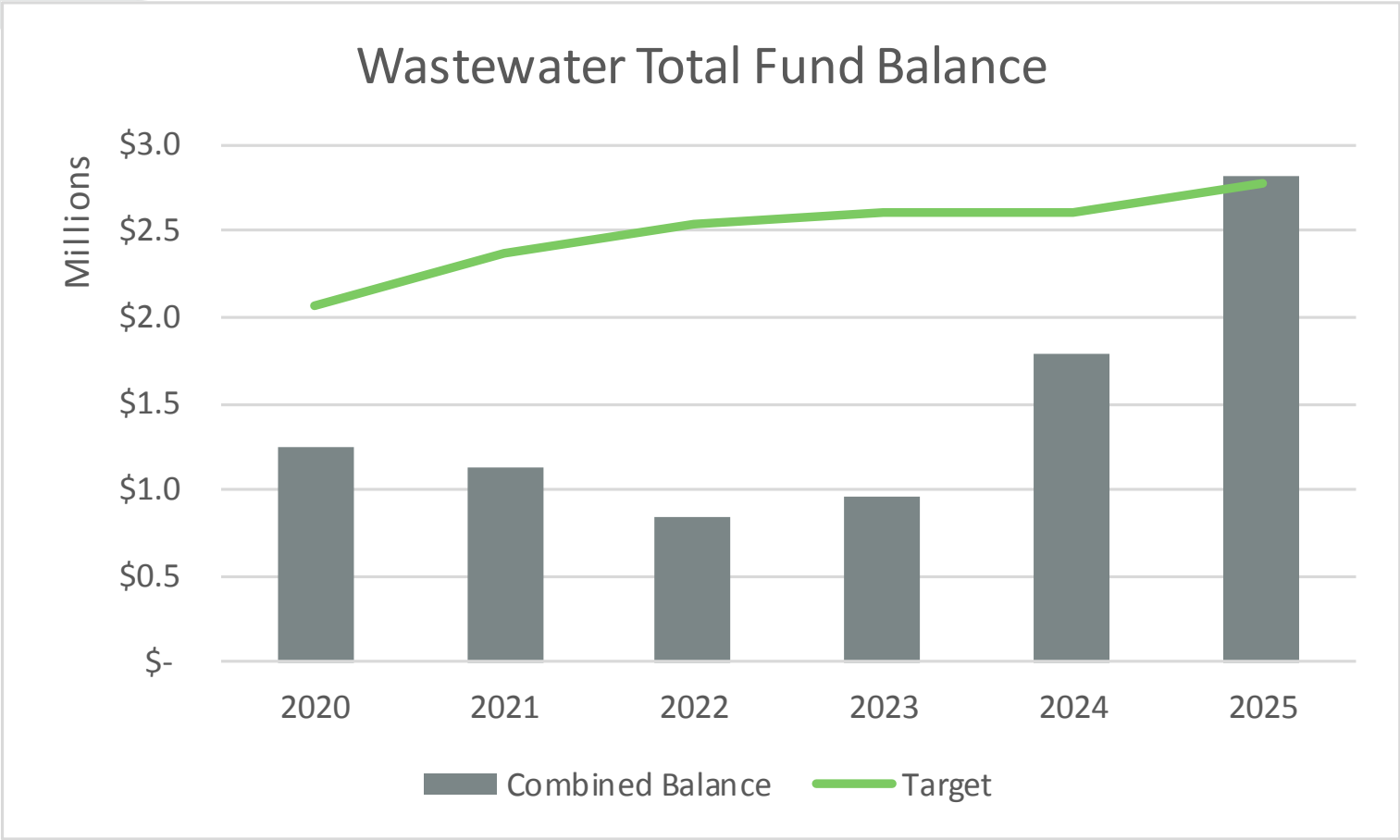
# Assessor Dwelling Unit (ADU) Rate

- ADU charge will be a new charge
- Each ADU will be based on a flow assumption of 4 hcf
  - › ADU charge is an addition to the Single-Family rate
  - › ADU charge will not include a customer service component, as this is already included in the Single-Family rate



# Scenario 3 Financial Plan

9% for 2021 and 2022, and 9.5% for 2023 to 2025



# Proposed Rates

~\$24 of the Proposed Bill is for City of LA Treatment Cost

	April 1, 2021	January 1, 2022	January 1, 2023	January 1, 2024	January 1, 2025
<b>SFR</b>	\$39.07	\$42.60	\$46.65	\$51.09	\$55.95
<b>MFR</b>	\$39.07	\$42.60	\$46.65	\$51.09	\$55.95
<b>Institutional West</b>	\$39.07	\$42.60	\$46.65	\$51.09	\$55.95
<b>Commercial West</b>	\$58.23	\$63.47	\$69.50	\$76.11	\$83.35
<b>Industrial West</b>	\$65.22	\$71.10	\$77.86	\$85.26	\$93.36
<b>Non-Res East</b>	\$14.86	\$16.21	\$17.75	\$19.44	\$21.29
<b>ADU</b>	\$16.02	\$17.47	\$19.13	\$20.95	\$22.95



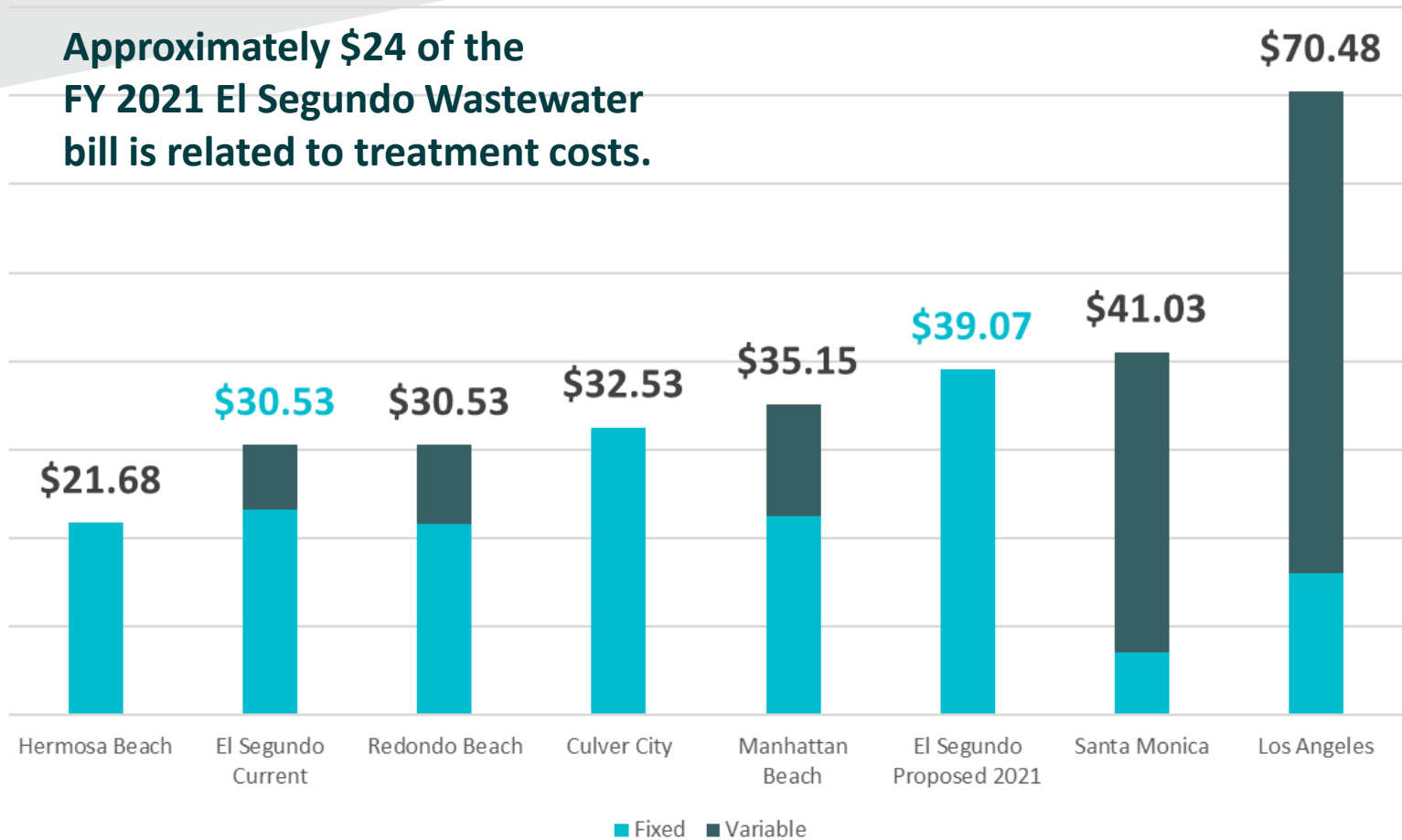
# Wastewater Charge above 9 ccf

	April 1, 2021	January 1, 2022	January 1, 2023	January 1, 2024	January 1, 2025
<b>SFR</b>	N/A	N/A	N/A	N/A	N/A
<b>MFR</b>	\$4.01	\$4.37	\$4.79	\$5.25	\$5.75
<b>Institutional West</b>	\$4.01	\$4.37	\$4.79	\$5.25	\$5.75
<b>Commercial West</b>	\$6.13	\$6.69	\$7.33	\$8.03	\$8.80
<b>Industrial West</b>	\$6.91	\$7.54	\$8.26	\$9.05	\$9.91
<b>Non-Res East</b>	\$1.32	\$1.44	\$1.58	\$1.74	\$1.91



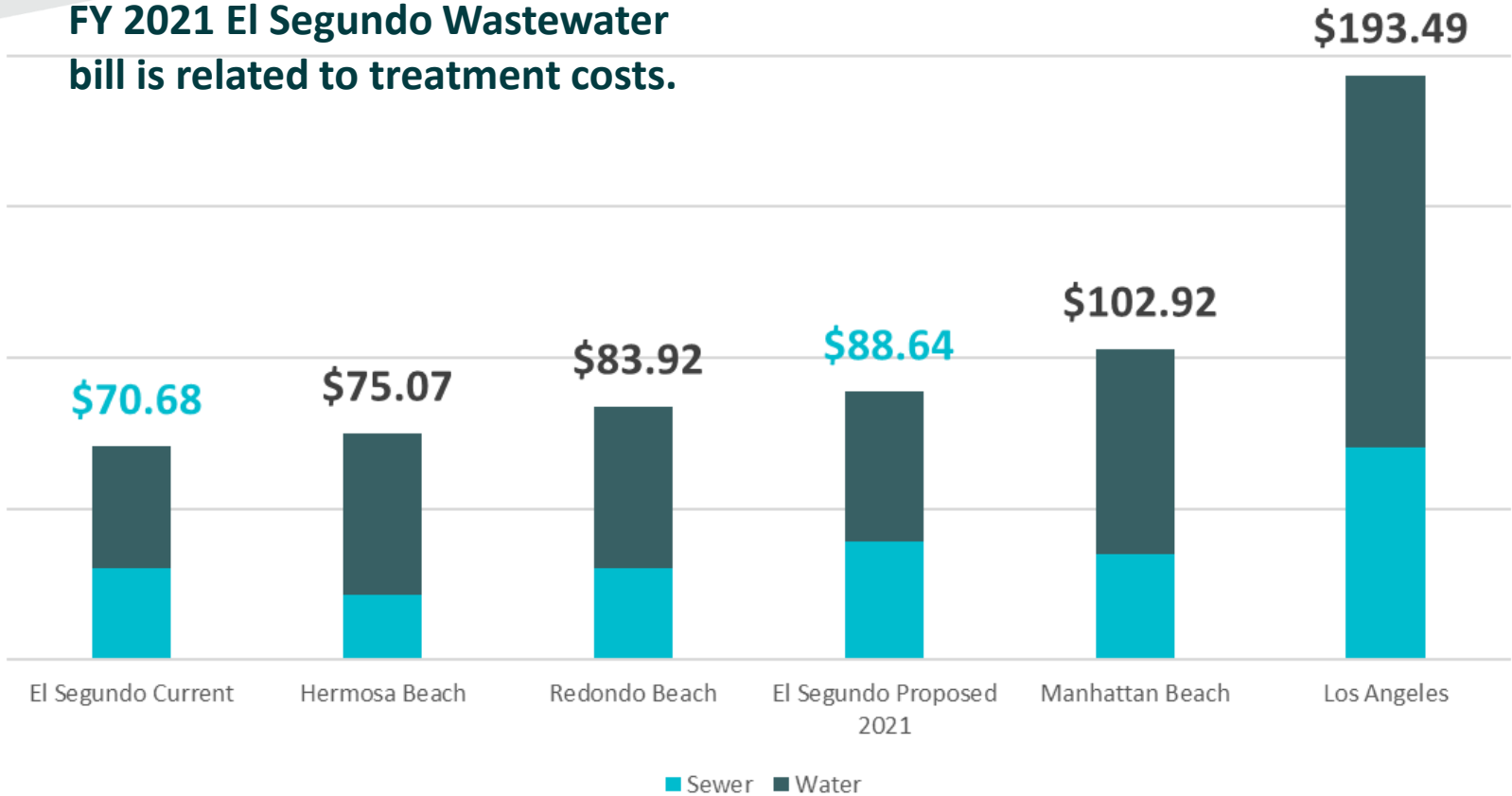
# Single Family Monthly Wastewater Rate Comparison – 10 Ccf

Approximately \$24 of the  
FY 2021 El Segundo Wastewater  
bill is related to treatment costs.



# Monthly Combined Rate Comparison - 5/8" Meter, 10 ccf

Approximately \$24 of the FY 2021 El Segundo Wastewater bill is related to treatment costs.



# Schedule

- January 1, 2020 – City Council Workshop
  - › Discussed goals and objective of the Rate Study
- August 18, 2020 – City Council Workshop
  - › Presented draft results and received input
- December 15, 2020 - City Council meeting
  - › Present the final report and receive authorization to proceed with Prop 218 Notice
- **February 16, 2021 - Public Hearing**
  - › **City Council consideration of rate adoption**
- **April 1, 2021**
  - › **New rates implemented**

