City of Bellflower
Municipal Water System

Public Hearing Water Rate Increase
Fiscal Impact

- **Municipal Water System** – Rate increase will generate an additional $610,419 for the Municipal Water System.

- **Customer** – for average residential customer water bill is $80 bimonthly, proposed increase is $56 bimonthly or $0.88 per day.
Background
Service Area Map
DOHS Engineering Report

- Significant deficiencies
City’s Actions Since Acquisition
BELLFLOWER MUNICIPAL WATER SYSTEM
14 531-1500 - 925-3452
562
Required Improvements

- We estimate that a minimum of $10 million will be required over the next 20 years to rebuild and improve the system to current engineering and health standards.

(Note: Current Dollars)
Most Urgent Work Includes:

- **Closure** of 12 previously abandoned wells.
- **Inspection and possible replacement of** expansion tanks at 3 operating wells.
- **Installation** of interconnections to 3 adjacent water systems.
- **Replacement** of deteriorated/broken mains, fire hydrants, and water meter deemed high priority.
Determination of Water Rates

- Bond Component
- Operations Component
- City Administrative Cost Component
- Capital Improvements Component
- Rate Stabilization Fund

(Specific procedures outlined in the Operating Agreement)
Determination of Water Rates

• Collaborative Effort
  – Bellflower-Somerset Mutual Water Co
  – City Staff
  – Water Consultants/ Engineers

• Bellflower-Somerset approved the annual budget/ new rates for Council adoption
Bond Component

- City to issue $8 million in bonds to repay the General Fund and to fund certain water system improvements

- Tax-exempt bonds for the lowest cost

- General Fund loaned to date $6.4 million
  - Lost interest over $200,000
  - This cost not passed onto the ratepayers
Operations Component

- Costs related to water distribution, operation and maintenance of the system
  - Water purchased from Central Basin
  - Cost to pump groundwater
  - Maintenance and repairs
  - Field and office personnel
  - Other costs
City Administrative Cost Component

• Only direct and out-of-pocket costs
  – Consulting and engineering
  – Legal
  – Postage, supplies, insurance

• **No** City staff costs passed onto the ratepayers
  – Substantial amount of time already spent and will continue to be spent on the water system
Capital Improvements Component

• Over $10 million in improvements identified
  (Note: Current dollars)

• City has obtained $1.2 million in EPA grants
  – Lower cost passed onto the ratepayers
Rate Stabilization Fund

• Keeps the water rates from rising due to:
  – Unforeseen increase in the cost
  – Unexpected decrease in the revenue
Annual Audit by Independent Auditors

- To ensure that all water revenues are fully accounted for
- To ensure that all recorded expenditures are both proper and reasonable
Proposed Water Rates
Service Charge VS Commodity Charge

- **Service Charge:** A “fixed Component” of the water rate, represents overhead costs to water supply.

- **Commodity Charge:** A “variable component” of the water rate, the rate charged per 100 cubic feet of water actually used.
Apportionment of Service & Commodity Charges

- Current water rates apportioned 36% to the fixed Service Charge & 64% to the variable Commodity Charge.

- Proposed water rates apportion 55% to the fixed Service Charge & 45% to the variable Commodity Charge.
Proposed Water Rates

- **Commodity Charge**: Portable and Reclaimed Water

<table>
<thead>
<tr>
<th>Service</th>
<th>Per 100 Cubic Feet of Water Used</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
</tr>
<tr>
<td>Potable Water Metered Service</td>
<td>$ 1.720</td>
</tr>
<tr>
<td>Reclaimed Water Metered Service</td>
<td>$ 1.144</td>
</tr>
</tbody>
</table>
## Proposed Water Rates

- **Commodity Charge**: Portable and Reclaimed Water

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Number of Potable Water Meters</th>
<th>Per Meter Per Month</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>For 5/8 x 3/4 inch meter</td>
<td>1,765</td>
<td>$13.22</td>
<td>$34.49</td>
<td></td>
</tr>
<tr>
<td>For 3/4 inch meter</td>
<td>22</td>
<td>$19.84</td>
<td>$52.76</td>
<td></td>
</tr>
<tr>
<td>For 1 inch meter</td>
<td>8</td>
<td>$33.07</td>
<td>$86.28</td>
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</tr>
<tr>
<td>For 1 ½ inch meter</td>
<td>3</td>
<td>$66.12</td>
<td>$172.50</td>
<td></td>
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<tr>
<td>For 2 inch meter</td>
<td>14</td>
<td>$105.80</td>
<td>$276.02</td>
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</tr>
<tr>
<td>For 3 inch meter</td>
<td>1</td>
<td>$198.37</td>
<td>$517.52</td>
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<tr>
<td>Total</td>
<td>1,813</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
Proposed Water Rates (Continued)

Fire Protection Systems:

**Commodity Charge** - Per inch diameter of service connection, per meter, per month:
- Current: $5.58
- Proposed: $14.56

**Service Charge** - Monthly minimum charge if domestic water service is not provided to the subject property by the City.
- Current: $45.00
- Proposed: $45.00 (No Change)
## Example: Average Residential Customer

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Charge</td>
<td>$26.44</td>
<td>$68.98</td>
</tr>
<tr>
<td>Commodity Charge</td>
<td>$53.56</td>
<td>$63.87</td>
</tr>
<tr>
<td>Total – Bimonthly</td>
<td>$80.00</td>
<td>$132.85</td>
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<tr>
<td>Total – Monthly</td>
<td>$40.00</td>
<td>$66.43</td>
</tr>
<tr>
<td><strong>Net Increase</strong></td>
<td></td>
<td>$26.43</td>
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<tr>
<td>Increase Per Day (@30 days)</td>
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<td>$0.88</td>
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Fees and Penalties

• Minor increases for turn on/turn off after normal hours.
Other Rules

• Some minor changes are proposed to clarify the language used, and eliminate duplication.
Residential Ratepayer Assistance Program

- Low Income Assistance Program for Water Rate Increases
  - $100,000 annually for the next two years from the General Fund
  - Follows the PUC CARE program guidelines
Notice to Record Owners and Customers

• In accordance with Proposition 218, notice was sent to the record owners of the properties served by the Municipal Water System:
  
  • Notice of this Public Hearing
  • Corrected notice
Notice to Record Owners and Customers

• A courtesy notice was sent to customers via water bill
Majority Protest

- Proposed increases are subject to "majority protest."

- If a property owner objects to the proposed fees he/she may file a written protest.
Summary
The City went into this with eyes open

Choices:
1. City Buy & Run System
2. Allow Sale of System to 3rd Party - No Local control
3. Do Nothing and Risk Catastrophic Failure

Who Pays?
1. Tax Payers
2. Customers Served by System (w/Federal Grants)