Five-Year Water/Wastewater Rate Study

2020-2024
Study Session Agenda

- Santa Monica Water & Wastewater Services
- Investing in a Sustainable Community
- Water and Wastewater Rate Study
- Council Input
Providing Safe, Sustainable Water Supply to the Community

- 93,000+ residents
- 2,700+ commercial customers
- Drinking water and fire protection
- 2,700+ commercial customers
- 9 million gallons of high-quality drinking water daily
- 14 million of wastewater captured and delivered for treatment
- 77,000 gallons per day of recycled water
- 4 water storage reservoirs totaling 40 million gallons
- Sewer collection and recycled water
To Help Achieve a Sustainable Community

2011
- Alternative Water Supply: 1%
- Conservation: 48%
- Imported Water: 51%

2017
- Alternative Water Supply: 1%
- Conservation: 29%
- Imported Water: 52%

2023
- Alternative Water Supply: 19%
- Conservation: 20%
- Imported Water: 1%
- Local Groundwater: 60%
Rate Study 2020 – 2024

This Rate Study aims to support the City’s overarching sustainability goals:

• Achieve water self-sufficiency
• Maintain high-quality and reliable water and wastewater services
• Improve environmental sustainability
• Maintain healthy account balance
Projected Shortfall Without Rate Changes - Water

Projected $9M per year shortfall without any changes to the water rates
Projected Shortfall Without Rate Changes - Wastewater

Projected $9M per year shortfall without any changes to the water rates
Why the Shortfall?

- Investing in water self-sufficiency
- Increasing operational costs
- Increasing construction costs for CIP projects
- Decreasing water usage = Declining revenue
## Rate Adjustment Scenarios

<table>
<thead>
<tr>
<th>Water/Wastewater Fund Scenario</th>
<th>Fund Routine Operations</th>
<th>Achieve Water Self-Sufficiency</th>
<th>Capital Improvement Program All Projects Funded</th>
<th>With Efficiencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>2</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
Water Fund - New Tier Rates and Breakpoints

- **Tier 1** - modeled after State of California target indoor water use
- **Tier 2** - remaining volume of Santa Monica groundwater supply
- **Tier 3** - water is set to include all imported purchased water
Single Family Residential Tier Breakpoints:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Current Bi-Monthly (HCF)</th>
<th>Proposed Bi-Monthly (HCF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>0-14</td>
<td>0-11</td>
</tr>
<tr>
<td>Tier 2</td>
<td>15-40</td>
<td>12-18</td>
</tr>
<tr>
<td>Tier 3</td>
<td>41-148</td>
<td>19+</td>
</tr>
<tr>
<td>Tier 4</td>
<td>149+</td>
<td>-</td>
</tr>
</tbody>
</table>
## Multi Family Residential Tier Breakpoints:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Current Bi-Monthly Per Unit (HCF)</th>
<th>Proposed Bi-Monthly Per Unit (HCF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>0-4</td>
<td>0-8</td>
</tr>
<tr>
<td>Tier 2</td>
<td>5-9</td>
<td>9-13</td>
</tr>
<tr>
<td>Tier 3</td>
<td>10-20</td>
<td>14+</td>
</tr>
<tr>
<td>Tier 4</td>
<td>21+</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Non-Residential Tier Breakpoints

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Current Tier 1</th>
<th>Current Tier 2</th>
<th>Proposed Tier 1</th>
<th>Proposed Tier 2</th>
<th>Proposed Tier 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/4”-1”</td>
<td>0-210</td>
<td>211+</td>
<td>0-11</td>
<td>12-18</td>
<td>19+</td>
</tr>
<tr>
<td>1 1/2”</td>
<td>0-465</td>
<td>466+</td>
<td>0-22</td>
<td>23-36</td>
<td>37+</td>
</tr>
<tr>
<td>2”</td>
<td>0-870</td>
<td>871+</td>
<td>0-35</td>
<td>36-58</td>
<td>59+</td>
</tr>
<tr>
<td>3”</td>
<td>0-1,700</td>
<td>1,701+</td>
<td>0-70</td>
<td>71-115</td>
<td>116+</td>
</tr>
<tr>
<td>4”</td>
<td>0-2,550</td>
<td>2,550+</td>
<td>0-110</td>
<td>111-180</td>
<td>181+</td>
</tr>
<tr>
<td>6”</td>
<td>0-5,280</td>
<td>5,280+</td>
<td>0-220</td>
<td>221-360</td>
<td>360+</td>
</tr>
<tr>
<td>8”</td>
<td></td>
<td></td>
<td>0-924</td>
<td>925-1,512</td>
<td>1,513+</td>
</tr>
</tbody>
</table>
Adjustment to Sewer Discharge Factor

• **What is it?** An estimate of wastewater flow produced by each customer class.

• **Why is it being adjusted?**
  • Analysis of recent water use indicates changes in usage patterns since they were last established.
  • Update to reflect current cost of service.

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**WATER CHARGES**

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Rate</th>
<th>Usage</th>
<th>Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 2</td>
<td>$3.44</td>
<td>14</td>
<td>$48.16</td>
</tr>
<tr>
<td></td>
<td>$5.16</td>
<td>12</td>
<td>$61.92</td>
</tr>
<tr>
<td>Utility Users Tax</td>
<td></td>
<td></td>
<td>$11.01</td>
</tr>
<tr>
<td>Baysaver Fee</td>
<td></td>
<td></td>
<td>$4.00</td>
</tr>
<tr>
<td><strong>TOTAL WATER CHARGES</strong></td>
<td></td>
<td></td>
<td><strong>$125.09</strong></td>
</tr>
</tbody>
</table>

**SEWER CHARGES**

| Flow Charge | | **$4.65x.51x26** |
| Utility Users Tax | | $61.66 |
| Baysaver Fee | | $6.17  |
| **TOTAL SEWER CHARGES** | | **$67.83** |
Proposed Rate Structure Alternatives:

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Rate Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative A</td>
<td>100% Usage Based</td>
</tr>
<tr>
<td>Alternative B</td>
<td>15% Fixed / 85% Usage Based</td>
</tr>
<tr>
<td>Alternative C</td>
<td>25% Fixed / 75% Usage Based</td>
</tr>
</tbody>
</table>
### Proposed Rate Structure Alternatives, cont. (year 1)

<table>
<thead>
<tr>
<th>Average Bill Single Family Residential</th>
<th>Current</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>$110</td>
<td>$130-$136</td>
<td>$121-$126</td>
</tr>
<tr>
<td>Wastewater</td>
<td>$62</td>
<td>$88-$90</td>
<td>$87-$89</td>
</tr>
<tr>
<td>Combined</td>
<td>$172</td>
<td>$218 - $226</td>
<td>$208 - $215</td>
</tr>
</tbody>
</table>

Average single family bill is ~26 HCF of water used (bi-monthly basis).
Proposed Rate Structure Alternatives, cont.

Single-Family Residential Combined Water and Sewer Bill Comparison

- **Scenario 1**: 100% Volumetric - $171.74, 15% Fixed/85% Volumetric - $219.37, 25% Fixed/75% Volumetric - $224.95
- **Scenario 2**: 100% Volumetric - $171.74, 15% Fixed/85% Volumetric - $209.07, 25% Fixed/75% Volumetric - $214.65
Drought Rates

Volumetric Surcharges that can be added at various mandated drought stages to help increase revenue stability.

Example of how Drought Rates Work:
How Does This Impact Your Bill?

City of Santa Monica
Your Utility Bill

- Single Family = average increase of $23-36 per bi-monthly bill per year

- Average Santa Monica single family home uses 314 gallons per day

- 1 HCF = 748 gallons
Your Utility Bill

- Multi-family buildings = average increase of $18-48 per bill per year
- Key Facts
  - Increase of $1-3 per unit per month
  - A multi-family unit uses 8 HCF per bill or 100 gallons per day
Your Utility Bill

- Commercial customers = average increase of $50-87 per bill per year

- Key Facts
  - Average commercial (1.5-2” meter) uses 73 HCF or 910 gallons per day
  - Large commercial uses 135 HCF per bill or 1,700 gallons per day
Average Increase per Bi-Monthly Bill

- Single family homes = $23-36 each year over five years (~$0.006/gallon)

- Multi-family buildings = $18-48 each year over five years $1-3/unit per month

- Commercial = $50-87 each year over five years
Low Income Assistance Program

• Qualified under Southern California Gas or Southern California Edison low-income assistance program
  https://www.sce.com/residential/assistance/care-fera

• Maintain existing program funding
Cost of Delivering Safe Water

2019

- **24%** Capital Improvement Projects
- **23%** Labor
- **22%** Import Water Purchase
- **13%** Environmental Programs
- **10%** Local Water Production
- **8%** Local Water Production

Over 65% of Operation Costs are Fixed

City of Santa Monica
Water Bill Comparisons for Single Family Residential

Water Bill Comparison With Neighboring Agencies
Single Family Residential Accounts

Typical Bimonthly (26 HCF) Excluding Taxes

- Anaheim: $93.42
- Orange: $103.57
- Santa Monica: $110.08
- Santa Monica Alt 2: $121.08
- Santa Monica Alt 1: $130.97
- Huntington Beach: $110.98
- Torrance: $119.63
- Long Beach: $130.36
- Pasadena: $135.44
- Beverly Hills: $158.95
- Culver City: $180.52
- Los Angeles: $186.96

One Hundred Cubic Feet (HCF) of Water = 748 Gallons

FY 19/20
FY 20/21
Where Santa Monica will be in 2024

• Water self-sufficient
• On track to meet our carbon reduction goal
• Reducing stormwater run-off to Santa Monica Bay
• Refilling local groundwater effectively
• Protected from increasing costs of imported water
Rate Study Next Steps

- **November 2018**: Study Kick-Off
- **Aug 13, 2019**: Council Study Session
- **Oct 22, 2019**: Rate Study Report/Info Item
- **Oct 29, 2019**: Prop 218 Public Notice/45 Day Period
- **January 2020**: Council Rate Adoption Hearing
- **2020**: Appears on Bill
Council Input on Key Rate Study Components

- Capital Improvement Program
- Water rate structure
- Drought rate structure
- Low Income Assistance Program