

City of Garden Grove Public Works Department

Water Rate Study Presentation

Council Study Session September 26, 2017



Why are we here?

- “The **mission of the City of Garden Grove** is to provide responsible leadership and quality services as we promote safety, cultural harmony, and life enrichment.”
- The **vision of Garden Grove** is to be a safe, attractive, and economically vibrant city with an informed and involved public. We are a diverse community that promotes our unique attributes and preserves our residential character.
- “The **goal of the Water Services Section** is to provide sufficient and safe water at the lowest possible cost to the City’s residents.”

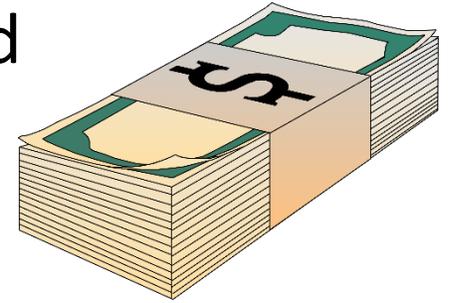
Tonight's Presentation

1. **Inter-City Loan**
2. Rate Structure Alternatives
3. Example Water Bills
4. Low-Income Senior Discount
5. Public Engagement
6. Next Steps
7. Request for Council Feedback



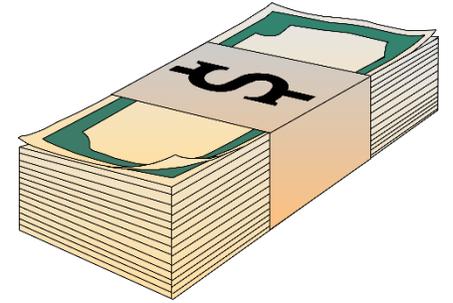
Inter-City Loan: Review

- Prior to annual payments beginning, a one-time retroactive charge for past street damages was assessed
- This retroactive charge is called the “Inter-City Loan”
 - Outstanding balance is \$~13.4 million
 - Interest rate of 6.5%
- Currently: Interest-only payments
- 8/22/17 Study Session question: what happens if the interest rate is changed to a “competitive” interest rate?



Inter-City Loan: Effect of Competitive Interest Rate

- Current:
 - 6.5% Interest Rate,
- Competitive Interest Rate:
 - Water utility cost of debt for 20-year loan ~ 5%
 - Competitive interest rate = 5%
 - Interest payment ~ \$650,000 per year
- Draft Rate Proposal: 5% Interest rate, 20-year repayment



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Rate Structure Alternatives: Key Issues to Discuss

- Fixed Charges, Minimum Charge and Capital Improvement Charge
- Commodity charges: Two Alternatives
 - Two-Tier
 - Three-Tier



Proposed Fixed Charges

- Includes Minimum Charge and Capital Improvement Charge
- Transition over five years
 - 25% of total revenues by FY 21/22
 - Less financial risk for utility
 - Proposed low-income/senior discount

Proposed Minimum Charges

Bi-Monthly

Meter Size	Current Charge	Proposed Minimum Charges				
		FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
5/8 x 3/4"	\$12.74	\$17.84	\$27.64	\$29.07	\$31.31	\$33.15
1"	\$33.99	\$38.24	\$46.39	\$47.57	\$49.44	\$50.97
1 1/2"	\$65.82	\$69.53	\$76.66	\$77.70	\$79.34	\$80.67
2"	\$99.79	\$103.92	\$111.85	\$113.01	\$114.83	\$116.31
3"	\$165.62	\$177.05	\$199.01	\$202.21	\$207.24	\$211.36
4"	\$229.32	\$251.56	\$294.26	\$300.49	\$310.27	\$318.28
6"	\$524.45	\$547.16	\$590.76	\$597.12	\$607.11	\$615.29

Proposed Capital Improvement Charge

Bi-Monthly

Meter Size	Current Charge	Proposed Bi-Monthly Capital Improvement Charge				
		FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
5/8 x 3/4"	\$1.47	\$3.00	\$4.00	\$5.00	\$6.00	\$7.00
1"	\$2.07	\$7.50	\$10.00	\$12.50	\$15.00	\$17.50
1 1/2"	\$2.64	\$15.00	\$20.00	\$25.00	\$30.00	\$35.00
2"	\$4.27	\$24.00	\$32.00	\$40.00	\$48.00	\$56.00
3"	\$16.29	\$48.00	\$64.00	\$80.00	\$96.00	\$112.00
4"	\$20.60	\$75.00	\$100.00	\$125.00	\$150.00	\$175.00
6"	\$30.90	\$150.00	\$200.00	\$250.00	\$300.00	\$350.00

Commodity Charges: Two-Tier Alternative

How the costs (\$/ccf) were calculated

Tier 1	Cost of Locally Produced Groundwater; 75% of Water Use
Tier2	Cost of Imported Water; 25% of Water Use

Commodity Charges: Three-Tier Alternative

How the costs (\$/ccf) were calculated

Tier 1	Cost of Locally Produced Groundwater; 65% of Water Use
Tier 2	Average the Cost of Locally Produced Groundwater and Imported Water; 20% of Water Use
Tier 3	Cost of Imported Water; 15% of Water Use

Two vs. Three-Tier Commodity Charges

Pros and Cons

- Two Tier
 - Easy to administer
 - Simple to explain to customers
 - Tier 1 = Locally Produced Water
 - Tier 2 = Imported Water
 - Tiers are cost substantiated

Two vs. Three Tier Commodity Charges

Pros and Cons

- Three-Tier
 - More gradual price transition
 - Potentially confusing to customers
 - Tier 1 = Locally Produced Water
 - Tier 2 = Average of locally produced water cost and imported water cost
 - Tier 3 = Imported Water
 - **Harder to explain what the second tier means**
 - Tiers are cost substantiated

Proposed Commodity Charges

Two-Tier Alternative

Two-Tier Alternative Commodity Delivery Charge, \$/ccf

	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Tier 1 Commodity Charge, Excluding Pass Through	\$2.95	\$2.95	\$2.92	\$2.88	\$2.83
Tier 1 Estimated Pass Through		\$0.07	\$0.15	\$0.20	\$0.29
Tier 2 Commodity Charge, Excluding Pass Through	\$3.64	\$4.04	\$4.13	\$4.27	\$4.38
Tier 2 Estimated Pass Through		\$0.08	\$0.17	\$0.25	\$0.28

Proposed ccf Included in Each Tier

Two-Tier Alternative

Meter Size	Maximum ccf, Tier 1
5/8 x 3/4"	33
1"	83
1 1/2"	165
2"	264
3"	528
4"	825
6"	1650

- Proposed ccf maximum in Tier 1 per bi-monthly billing period
- ccf above the Tier 1 maximum will be billed at Tier 2 level

Proposed Commodity Charges

Three-Tier Alternative

	Three-Tier Alternative Commodity Delivery Charge, \$/ccf				
	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Tier 1 Commodity Charge, Excluding Pass Through	\$2.95	\$2.94	\$2.91	\$2.87	\$2.84
Tier 1 Estimated Pass Through		\$0.07	\$0.15	\$0.20	\$0.29
Tier 2 Commodity Charge, Excluding Pass Through	\$3.38	\$3.63	\$3.62	\$3.61	\$3.61
Tier 2 Estimated Pass Through		\$0.08	\$0.16	\$0.23	\$0.29
Tier 3 Commodity Charge, Excluding Pass Through	\$3.55	\$4.00	\$4.07	\$4.26	\$4.39
Tier 3 Estimated Pass Through		\$0.08	\$0.17	\$0.25	\$0.28

Proposed ccf Included in Each Tier

Three-Tier Alternative

Meter Size	Maximum ccf, Tier 1	Maximum ccf, Tier 2
5/8 x 3/4"	25	51
1"	63	128
1 1/2"	125	255
2"	200	408
3"	400	816
4"	625	1275
6"	1250	2550

- Proposed ccf maximum in Tier 1 and Tier 2, per bi-monthly billing period
- ccf above the Tier 2 maximum will be billed at Tier 3 level

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Water Bill Comparisons: Average Single-Family Residence

Single Family, 30 ccf Bi-Monthly Water Use

	Two-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	% Increase
<i>\$106.31</i>	\$109.34	\$120.14	\$121.67	\$123.71	\$125.05	\$18.74
<i>% Change</i>	2.9%	9.9%	1.3%	1.7%	1.1%	17.6%

	Three-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	% Increase
<i>\$106.31</i>	\$111.49	\$123.29	\$124.92	\$127.11	\$129.20	\$22.89
<i>% Change</i>	4.9%	10.6%	1.3%	1.8%	1.6%	21.5%

- Amounts do not include future Commodity Pass-Thru Charges

Water Bill Comparisons: High Use Single-Family Residence

Single Family, 60 ccf Bi-Monthly Water Use

	Two-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	% Increase
\$200.33	\$216.47	\$238.07	\$241.94	\$247.64	\$251.80	\$51.47
% Change	8.1%	10.0%	1.6%	2.4%	1.7%	25.7%

	Three-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	% Increase
\$200.33	\$214.42	\$235.52	\$237.57	\$241.26	\$244.52	\$44.19
% Change	7.0%	9.8%	0.9%	1.6%	1.4%	22.1%

- Amounts do not include future Commodity Pass-Thru Charges

Water Bill Comparisons: Single-Family Residence 7 ccf Bi-Monthly

Single Family, 7 ccf Bi-Monthly Water Use

	Two-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	Increase
\$35.70	\$41.49	\$52.29	\$54.51	\$57.47	\$59.96	\$24.26
<i>% Change</i>	16.2%	26.0%	4.2%	5.4%	4.3%	68.0%

	Three-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	Increase
\$35.70	\$41.49	\$52.22	\$54.44	\$57.40	\$60.03	\$24.33
<i>% Change</i>	16.2%	25.9%	4.3%	5.4%	4.6%	68.2%

- Amounts do not include future Commodity Pass-Thru Charges

Water Bill Comparisons: 50-Unit Apartment Building, 3” Meter

Multi-Family 50-Units, 12 ccf/month per unit

Two-Tier Increasing Block Rate Alternative						Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	% Increase
\$4,107.43	\$4,228.73	\$4,535.49	\$4,599.33	\$4,693.32	\$4,760.96	\$653.53
<i>% Change</i>	3.0%	7.3%	1.4%	2.0%	1.4%	15.9%

Three-Tier Increasing Block Rate Alternative						Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	% Increase
\$4,107.43	\$4,174.33	\$4,485.09	\$4,515.01	\$4,588.84	\$4,646.88	\$539.45
<i>% Change</i>	1.6%	7.4%	0.7%	1.6%	1.3%	13.1%

- Amounts do not include future Commodity Pass-Thru Charges

Water Bill Comparisons: Example Commercial, 2” Meter

Example Commercial, 500 ccf Bi-Monthly Water Use

	Two-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	Increase
<i>\$1,698.68</i>	\$1,765.76	\$1,876.09	\$1,898.57	\$1,930.87	\$1,953.11	\$254.43
<i>% Change</i>	3.9%	6.2%	1.2%	1.7%	1.2%	15.0%

	Three-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	Increase
<i>\$1,698.68</i>	\$1,747.56	\$1,854.89	\$1,862.41	\$1,879.63	\$1,895.07	\$196.39
<i>% Change</i>	2.9%	6.1%	0.4%	0.9%	0.8%	11.6%

- Amounts do not include future Commodity Pass-Thru Charges

Water Bill Comparisons: High School, 6” Meter

High School, 4,500 ccf Bi-Monthly Water Use

	Two-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	Increase
<i>\$15,469.97</i>	\$15,938.66	\$17,172.26	\$17,435.62	\$17,828.61	\$18,117.79	\$2,647.82
<i>% Change</i>	3.0%	7.7%	1.5%	2.3%	1.6%	17.1%

	Three-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	Increase
<i>\$15,469.97</i>	\$15,701.16	\$16,984.76	\$17,127.12	\$17,494.61	\$17,768.79	\$2,298.82
<i>% Change</i>	1.5%	8.2%	0.8%	2.1%	1.6%	14.9%

- Amounts do not include future Commodity Pass-Thru Charges



Water Bill Comparisons: Large Industry, 6” Meter

Large Industry, 17,700 ccf Bi-Monthly Water Use

Two-Tier Increasing Block Rate Alternative							Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022		Increase
\$59,425.97	\$63,986.66	\$70,500.26	\$71,951.62	\$74,192.61	\$75,933.79		\$16,507.82
<i>% Change</i>	7.7%	10.2%	2.1%	3.1%	2.3%		27.8%

Three-Tier Increasing Block Rate Alternative							Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022		Increase
\$59,425.97	\$62,561.16	\$69,784.76	\$70,851.12	\$73,726.61	\$75,716.79		\$16,290.82
<i>% Change</i>	5.3%	11.5%	1.5%	4.1%	2.7%		27.4%

- Amounts do not include future Commodity Pass-Thru Charges

Water Bill Comparisons: Large Hotel, 6” Meter

Large Hotel 6,200 ccf Bi-Monthly Water Use

	Two-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	Increase
\$21,130.97	\$22,126.66	\$24,040.26	\$24,456.62	\$25,087.61	\$25,563.79	\$4,432.82
<i>% Change</i>	4.7%	8.6%	1.7%	2.6%	1.9%	21.0%

	Three-Tier Increasing Block Rate Alternative					Cumulative
<i>Current</i>	1/1/2018	1/1/2019	1/1/2020	1/1/2021	1/1/2022	Increase
\$21,130.97	\$21,736.16	\$23,784.76	\$24,046.12	\$24,736.61	\$25,231.79	\$4,100.82
<i>% Change</i>	2.9%	9.4%	1.1%	2.9%	2.0%	19.4%

- Amounts do not include future Commodity Pass-Thru Charges

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Proposed Low-Income Senior Discount

- Proposed Eligibility Criteria:
 - Resident that lives at the billing address
 - 65 years or older
 - Qualifies for SCE's CARE Program
- Why Low-Income and Senior?
 - 33,000 out of 44,000 Garden Grove SCE Customers qualify for CARE

Low-Income Senior Discount Proposed Implementation

- Use Water Utility Non-Rate Revenues
 - Estimated at \$350,000 per year from late fees
- Initially offer \$2/month, (\$4/billing period) discount
- Evaluate during first year:
 - How many customers sign up
 - Whether discount can be increased in subsequent years

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Public Engagement

- Public Workshop
- Rate Study Hotline
- Contact Most Affected Customers
- Contact Top Water Users
- Website / Water Bill Inserts
- Presentation to Community Groups
- Proposition 218 Process

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Next Steps:

- Based on tonight's feedback
 - Make appropriate changes
- Public Engagement
- Billing System Software Modifications
- Begin Proposition 218 Process, if appropriate
- Schedule to be developed based on tonight's Council feedback

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Request for Council Feedback:

- Two-Tier or Three-Tier Commodity Charge
- Inter-City Loan Interest Rate

Feedback, Questions, Comments?

Thank you for your time.

