

ORDINANCE NO. 3309

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CORONA, CALIFORNIA, MODIFYING THE BUDGET BASED WATER STRUCTURE AND ESTABLISHING RATES FOR POTABLE AND RECLAIMED WATER SERVICE FEES AND CHARGES AND TEMPORARY REVENUE STABILITY CHARGES

WHEREAS, the City of Corona (the “City”), through its Department of Water and Power (“DWP”), is charged with providing a continuous and adequate supply of safe and potable water and with developing and encouraging the use of reclaimed or recycled water to supplement existing potable water supplies, which services are funded primarily by the revenue derived from potable and reclaimed water service fees; and

WHEREAS, Chapters 13.14 and 13.28 of the Corona Municipal Code (“CMC”) require that the City Council establish the rates for providing potable and reclaimed water services; and

WHEREAS, DWP engaged the services of Raftelis Financial Consultants, Inc. (“Raftelis”) to perform an independent rate study to evaluate the infrastructure needs, programs and operations and maintenance costs of the City’s potable and reclaimed water systems and the rates necessary to recover the costs of providing for those services for the next five years; and

WHEREAS, based upon the analysis in the rate study, it has been determined that increases in the rates for the City’s potable and reclaimed water service charges are necessary to enable the City to recover current and projected costs of operations and maintenance and capital infrastructure improvements needed to repair and update the City’s aging water and reclaimed water systems, maintain the operational and financial stability of the utility, comply with State mandated regulatory requirements, meet and comply with annual debt service requirements, avoid operational deficits and further depletion of reserves, and provide an equitable allocation of the costs of providing service among the various customer classes; and

WHEREAS, Raftelis studied the impact that the multi-year statewide drought has had on water revenues and the consequential reduction in water use and developed rates for Temporary Revenue Stability Charges to ensure that there are stable revenues to fund utility

obligations going forward in the event that water use decreases during the current or future water shortages that may occur; and

WHEREAS, the proposed increases to the rates for the potable and reclaimed water service charges and the new Temporary Revenue Stability Charges (“TRSC”) will allow the DWP to continue to provide safe, reliable drinking water to its customers; and

WHEREAS, DWP has experienced and anticipates additional inflationary increases to the costs to operate and maintain the City’s potable water and reclaimed water systems (the “Systems”) and to provide ongoing repairs, replacements, and upgrades to the Systems; and

WHEREAS, without the proposed rate increases and TRSC DWP would experience budget shortfalls for each year of the five-year forecast performed by Raftelis in the rate study; and

WHEREAS, California Constitution Article X, Section 2 and California Water Code Section 100 provide that because of conditions prevailing in the State of California, it is the declared policy of the State that the general welfare requires that the water resources of the State shall be put to beneficial use to the fullest extent of which they are capable, the waste or unreasonable use of water shall be prevented, and the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and the public welfare; and

WHEREAS, pursuant to California Water Code Section 106, it is the declared policy of the State that the use of water for domestic use is the highest use of water and that the next highest use is for irrigation; and

WHEREAS, pursuant to Ordinance No. 3025, the City Council previously adopted a Budget Based Water Rate Structure to implement a system of tiered water rates and charges based upon customer water budgets intended to (i) promote efficient water use and resource conservation; and (ii) proportionately allocate the cost of providing water service; and

WHEREAS, water budgets for residential customers, which have five tiers and includes a budget for indoor and outdoor use, are determined on the basis of individual household factors, such as the number of people per household, the size of the irrigated

landscaped area, the amount of water a typical household requires each month for indoor and outdoor use, actual daily water lost to the atmosphere by plants (evapotranspiration) and an evapotranspiration area factor (“ETAF”); and

WHEREAS, water budgets for commercial, industrial, institutional and governmental customers with non-dedicated irrigation meters are determined on the basis of each customer’s average water use during the last three years and water budgets for commercial, industrial, institutional and governmental customers with dedicated irrigation meters are determined in the same manner as residential customers; and

WHEREAS, the rate structure for the City’s monthly water service fees include the following components: (1) a Ready-to-Serve Charge imposed on residential, non-residential and reclaimed water customers that is based on the size of the water meter serving the property; (2) a variable potable water Commodity Charge that is determined on the basis of the number of units of water delivered to the property; and (3) a reclaimed water Commodity Charge that is determined on the basis of the number of units of reclaimed water delivered to the property. The rate increases adopted by this Ordinance would impact both the Ready-to-Serve Charge and the Commodity Charge components of the water service fees and the reclaimed water fees; and

WHEREAS, the rate structure for the fire protection customers, which includes customers who are required as a condition of extending or initiating water service to install a private fire suppression system on their property and customers who have requested the delivery of water to the property for the purpose of fire service protection, is comprised of two components: (1) a variable fire protection Commodity Charge that is determined on the basis of the number of units of water delivered to a fire protection customer through the City’s potable water system; and (2) a fixed Fireline Charge that is determined on the basis of the size of the fireline (in inches) through which water is delivered; and

WHEREAS, based upon the rate study prepared by Raftelis, it has been determined that the water budget tiers should be modified: (1) to reduce the efficient indoor water use standard from 60 gallons per person per day to 55 gallons per person per day to reflect the State’s water use efficiency goals; (2) to reduce the ETAF from 114% to 80% to reflect the water needs of the specific type of plant mixes and irrigation efficiency as established in recently

revised State water efficient landscape and irrigation guidelines; and (3) to revise the tier definitions as follows: inefficient use revised to 1%-50% over water budget (increased from 1%-20%), excessive use revised to 51%-100% over water budget (increased from 21%-40%), and wasteful use revised to greater than 100% over water budget (increased from 40%); and

WHEREAS, the rates adopted by this Ordinance have been calculated to meet the cost to the City of providing the services for which the rates and fees are imposed, without generating revenue that exceeds the funds required to provide the services, and without exceeding the proportional cost of service attributable to each customer; and

WHEREAS, the revenues derived from the rates adopted by this Ordinance will not exceed the funds required to provide the services for which the rates and charges are imposed and shall be used exclusively for maintenance and operation of the Systems and the provision of potable water and reclaimed water services; and

WHEREAS, the rates adopted by this Ordinance will not exceed the proportional cost of the services attributable to each parcel upon which they are imposed; and

WHEREAS, the rates adopted by this Ordinance will not be imposed on a parcel unless the services for which the rates and fees are imposed are actually used by, or immediately available to, the owner of the parcel; and

WHEREAS, the City, as the lead agency under the California Environmental Quality Act ("CEQA"), in consultation with the City's Legal Counsel, prepared a Preliminary Exemption Assessment for the adoption of this Ordinance in order to evaluate its potential impacts. The City determined that this Ordinance is exempt from CEQA review under Public Resources Code section 21080(b)(8) and State CEQA Guidelines section 15273 because the rates adopted by this Ordinance are necessary and reasonable to fund the administration, operation, maintenance, and improvements of the Systems and will not result in the expansion of the Systems; and

WHEREAS, pursuant to California Constitution article XIII D, section 6 ("Article XII D") at least 45 days prior to the public hearing on the proposed increase in the potable water service fees or the reclaimed water service fees, the City provided written notice (the "Notice") by mail to the record owner of each parcel upon which the rates and charges are

proposed for imposition and any tenant directly liable for payment of the rates and charges, which Notice included the following information: (1) the amount of the rates and charges proposed to be imposed on each parcel; (2) the basis upon which the rates and charges were calculated; (3) the reason for the rates and charges; and (4) the date, time and location of a public hearing on the proposed rates and charges; and

WHEREAS, on December 4, 2019, the City Council held a duly noticed public hearing at which all persons wishing to testify in connection with the proposed increase in the potable water service fees and the reclaimed water service fees were heard and all protests against the proposed rates and fees were considered; and

WHEREAS, at the close of the hearing, the City Council determined that the City did not receive written protests against the establishment and imposition of the proposed rate increases for the potable water service fees or the reclaimed water service fees from a majority of the affected property owners or tenants directly liable for the payment of such fees.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CORONA, CALIFORNIA, DOES ORDAIN AS FOLLOWS:

SECTION 1. The City Council finds and determines that the foregoing Recitals are true and correct and incorporates the Recitals herein.

SECTION 2. As the decision-making body for the City, the City Council has reviewed and considered the information contained in the Preliminary Exemption Assessment and administrative record. The City Council finds that the Preliminary Exemption Assessment contains a complete and accurate reporting of the environmental impacts associated with the adoption of this Ordinance and reflects the independent judgment of the City Council.

SECTION 3. The City Council hereby finds that the administration, operation, maintenance, and improvements of the Systems, which are to be funded by the potable water service fees and the reclaimed water service fees set forth herein, are necessary to maintain service within the City's existing service area. The City Council further finds that the administration, operation, maintenance, and improvements of the Systems, to be funded by the potable water service fees and the reclaimed water service fees set forth herein, will not expand the Systems. The City Council further finds that such potable water service fees and reclaimed

water service fees are necessary and reasonable to fund the administration, operation, maintenance, and improvements of the Systems. Based on these findings, the City Council hereby determines that this Ordinance is exempt from the requirements of CEQA pursuant to California Public Resources Code section 21080(b)(8) and State CEQA Guidelines section 15273(a).

SECTION 4. The documents and materials that constitute the record of proceedings on which these findings have been based are located at City of Corona, 400 S. Vicentia Avenue, Corona, California 92882. The custodian for these records is the City Clerk of the City.

SECTION 5. The City Council hereby authorizes and establishes, by not less than a two-thirds (2/3) vote, the rates and charges for the City's potable water service fees, including, without limitation, the fees imposed upon fire protection customers, the City's reclaimed water service fees, and the rates and charges for the TRSC, as set forth in Exhibit "A," attached hereto and incorporated herein by reference, which rates and charges will be effective on February 16, 2020, with scheduled annual rate increases effective on January 1, 2021, January 1, 2022, January 1, 2023 and January 1, 2024. The City Council further authorizes and approves the modifications to the Budget Based Water Rate Structure adopted pursuant to Ordinance No. 3025 as set forth in Exhibit "A". Such rates and charges and modifications to the Budget Based Water Rate Structure shall be in effect beginning February 16, 2020.

SECTION 6. The City Council hereby authorizes and directs the DWP General Manager to implement and take all actions necessary to effectuate the rates adopted by this Ordinance and to file a Notice of Exemption with the County Clerk for Riverside County within five (5) working days of the date of the adoption of this Ordinance.

SECTION 7. If any section, subsection, subdivision, sentence, clause, or phrase in this Ordinance or any part thereof is for any reason held to be unconstitutional or invalid, ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Ordinance or any part thereof. The City Council hereby declares that it would have adopted each section irrespective of the fact that any one or

more subsections, subdivisions, sentences, clauses, or phrases be declared unconstitutional, invalid, or ineffective.

SECTION 8. This Ordinance shall supersede all other previous City Council resolutions and ordinances that may conflict with, or be contrary to, this Ordinance.

SECTION 9. In accordance with California Government Code section 36933(a), within fifteen days after its passage the City Clerk shall cause this Ordinance to be published at least once, with the names of those City Council members voting for or against it, in a newspaper of general circulation published and circulated within the City. If there is no such newspaper, the City Clerk shall cause the Ordinance to be posted in at least three public places in the City or published in a newspaper of general circulation printed and published in the county and circulated in the City.

SECTION 10. This Ordinance shall become effective thirty (30) days from and after its final passage.

PASSED, APPROVED AND ADOPTED this 15th day of January, 2020.

Mayor of the City of Corona, California

ATTEST:

City Clerk of the City of Corona, California

CERTIFICATION

I, Sylvia Edwards, City Clerk of the City of Corona, California, do hereby certify that the foregoing Ordinance was regularly introduced at a regular meeting of the City Council of the City of Corona, California, duly held the 4th day of December, 2019 and thereafter adopted at a regular meeting thereof held on the 15th day of January, 2020, by the following vote:

AYES:

NOES:

ABSTAINED:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Corona, California, this 15th day of January, 2020.

City Clerk of the City of Corona, California

(SEAL)

EXHIBIT “A”

RATES AND CHARGES FOR POTABLE WATER SERVICE FEES AND RECLAIMED WATER SERVICE FEES

Potable Water Budget Tier Modifications Residential Customers

| Water Budget Factors | Current | Proposed |
|---------------------------------------|------------------------------------|-------------------------------------|
| Gallons per capita per day (GPCD) | 60 | 55 |
| Evapotranspiration Area Factor (ETAF) | 114% | 80% |
| Inefficient Use Definition | 1%-20% over water budget | 1%-50% over water budget |
| Excessive Use | 21-40% over water budget | 51-100% over water budget |
| Wasteful Use | Greater than 40% over water budget | Greater than 100% over water budget |

Potable and Reclaimed Water Budget Tier Modifications Non-Residential and Reclaimed Water Customers

| Water Budget Factors | Current | Proposed |
|---------------------------------------|------------------------------------|-------------------------------------|
| Evapotranspiration Area Factor (ETAF) | 114% | 80% |
| Inefficient Use Definition | 1%-20% over water budget | 1%-50% over water budget |
| Excessive Use | 21-40% over water budget | 51-100% over water budget |
| Wasteful Use | Greater than 40% over water budget | Greater than 100% over water budget |

Current and Proposed Rates for Potable Water Commodity Charges (\$/CCF) Residential Customers

| Tier | Tier Width Definition | Current | Feb. 16, 2020 | Jan. 1, 2021 | Jan. 1, 2022 | Jan. 1, 2023 | Jan. 1, 2024 |
|------|--|---------|------------------|-----------------|-----------------|-----------------|-----------------|
| 1 | Water use up to efficient indoor water budget | \$2.10 | \$1.57 | \$1.65 | \$1.74 | \$1.83 | \$1.93 |
| 2 | Water use up to efficient outdoor water budget | \$2.33 | \$2.26 | \$2.38 | \$2.50 | \$2.63 | \$2.77 |
| 3 | Water use 1%-50% over water budget (Indoor+Outdoor) | \$3.17 | \$4.49 | \$4.72 | \$4.96 | \$5.21 | \$5.48 |
| 4 | Water use 51%-100% over water budget (Indoor+Outdoor) | \$6.35 | \$7.48 | \$7.86 | \$8.26 | \$8.68 | \$9.12 |
| 5 | Water use greater than 100% over water budget (Indoor+Outdoor) | \$11.64 | \$11.17 | \$11.73 | \$12.32 | \$12.94 | \$13.59 |

**Current and Proposed Rates for Potable Water Commodity Charges (\$/CCF)
Non-Residential Customers**

| Tier | Definition | Current | Feb. 16 2020 | Jan. 1, 2021 | Jan. 1, 2022 | Jan. 1, 2023 | Jan. 1, 2024 |
|-------------|---|----------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 | Water use up to efficient water budget | \$2.33 | \$2.26 | \$2.38 | \$2.50 | \$2.63 | \$2.77 |
| 2 | Water use 1%-50% over water budget | \$3.17 | \$4.49 | \$4.72 | \$4.96 | \$5.21 | \$5.48 |
| 3 | Water use 51%-100% over water budget | \$6.35 | \$7.48 | \$7.86 | \$8.26 | \$8.68 | \$9.12 |
| 4 | Water use greater than 100% over water budget | \$11.64 | \$11.17 | \$11.73 | \$12.32 | \$12.94 | \$13.59 |

**Current and Proposed Rates for Potable Water Commodity Charges (\$/CCF)
Non-Residential Customers with Dedicated Irrigation Meters**

| Tier | Definition | Current | Feb. 16, 2020 | Jan. 1, 2021 | Jan. 1, 2022 | Jan. 1, 2023 | Jan. 1, 2024 |
|-------------|--|----------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 1 | Water use up to efficient outdoor water budget | \$2.33 | \$2.26 | \$2.38 | \$2.50 | \$2.63 | \$2.77 |
| 2 | Water use 1%-50% over water budget (Indoor+Outdoor) | \$3.17 | \$4.49 | \$4.72 | \$4.96 | \$5.21 | \$5.48 |
| 3 | Water use 51%-100% over water budget (Indoor+Outdoor) | \$6.35 | \$7.48 | \$7.86 | \$8.26 | \$8.68 | \$9.12 |
| 4 | Water use greater than 100% over water budget (Indoor+Outdoor) | \$11.64 | \$11.17 | \$11.73 | \$12.32 | \$12.94 | \$13.59 |

**Current and Proposed Rates for Potable Water Monthly Ready-to-Serve Charges (\$/Meter
Size in Inches)
Residential and Non-Residential**

| Meter Size | Current | Feb. 16, 2020 | Jan. 1, 2021 | Jan. 1, 2022 | Jan. 1, 2023 | Jan. 1, 2024 |
|-------------------|----------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| 5/8" | \$19.23 | \$22.28 | \$23.40 | \$24.57 | \$25.80 | \$27.09 |
| 3/4" | \$25.23 | \$29.98 | \$31.48 | \$33.06 | \$34.72 | \$36.46 |
| 1" | \$36.09 | \$45.38 | \$47.65 | \$50.04 | \$52.55 | \$55.18 |
| 1 1/2" | \$62.90 | \$83.88 | \$88.08 | \$92.49 | \$97.12 | \$101.98 |
| 2" | \$91.80 | \$130.08 | \$136.59 | \$143.42 | \$150.60 | \$158.13 |
| 3" | \$156.91 | \$276.38 | \$290.20 | \$304.71 | \$319.95 | \$335.95 |
| 4" | \$241.02 | \$491.98 | \$516.58 | \$542.41 | \$569.54 | \$598.02 |
| 6" | \$442.64 | \$1,238.88 | \$1,300.83 | \$1,365.88 | \$1,434.18 | \$1,505.89 |
| 8" | \$651.04 | \$2,162.88 | \$2,271.03 | \$2,384.59 | \$2,503.82 | \$2,629.02 |
| 10" | \$651.04 | \$3,240.88 | \$3,402.93 | \$3,573.08 | \$3,751.74 | \$3,939.33 |

**Current and Proposed Rates for Fire Protection Commodity Charges (\$/CCF)
Fire Protection Customers**

| Current | Feb. 16, 2020 | Jan. 1, 2021 | Jan. 1, 2022 | Jan. 1, 2023 | Jan. 1, 2024 |
|----------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| \$3.17 | \$5.40 | \$5.67 | \$5.96 | \$6.26 | \$6.58 |

**Current and Proposed Rates for Reclaimed Water Commodity Charges (\$/CCF)
Reclaimed Water Customers**

| Tier | Definition | Current | Feb. 16, 2020 | Jan. 1, 2021 | Jan. 1, 2022 | Jan. 1, 2023 | Jan. 1, 2024 |
|-------------|---|----------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| 1 | Water use up to efficient water budget | \$1.51 | \$1.65 | \$1.79 | \$1.94 | \$2.03 | \$2.14 |
| 2 | Water use up to 1%-50% over water budget | \$2.27 | \$2.47 | \$2.70 | \$2.91 | \$3.06 | \$3.21 |
| 3 | Water use up to 51%-100% over water budget | \$3.02 | \$3.29 | \$3.59 | \$3.88 | \$4.07 | \$4.27 |
| 4 | Water use greater than 100% over water budget | \$4.53 | \$4.94 | \$5.38 | \$5.81 | \$6.10 | \$6.41 |

**Current and Proposed Rates for Reclaimed Water Monthly Ready-to-Serve Charges
(\$/Meter Size in Inches)
Reclaimed Water Customers**

| Meter Size | Current | Feb. 16 2020 | Jan. 1, 2021 | Jan. 1, 2022 | Jan. 1, 2023 | Jan. 1, 2024 |
|-------------------|----------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 5/8" | \$18.90 | \$18.12 | \$19.75 | \$21.33 | \$22.40 | \$23.52 |
| 3/4" | \$24.79 | \$23.74 | \$25.88 | \$27.95 | \$29.34 | \$30.81 |
| 1" | \$35.46 | \$34.97 | \$38.12 | \$41.17 | \$43.23 | \$45.39 |
| 1 1/2" | \$61.79 | \$63.06 | \$68.74 | \$74.23 | \$77.95 | \$81.84 |
| 2" | \$90.18 | \$96.77 | \$105.48 | \$113.92 | \$119.61 | \$125.59 |
| 3" | \$154.12 | \$203.51 | \$221.83 | \$239.57 | \$251.55 | \$264.13 |
| 4" | \$236.76 | \$360.81 | \$393.28 | \$424.75 | \$445.98 | \$468.28 |
| 6" | \$434.82 | \$905.74 | \$987.26 | \$1,066.24 | \$1,119.55 | \$1,175.53 |
| 8" | \$639.52 | \$1,579.89 | \$1,722.08 | \$1,859.85 | \$1,952.84 | \$2,050.48 |
| 10" | \$639.52 | \$2,366.39 | \$2,579.37 | \$2,785.71 | \$2,925.00 | \$3,071.25 |

**Current and Proposed Rates for Monthly Fireline Charges (\$/Fireline Size in Inches)
Fire Protection Customers**

| Fireline Size | Current | Feb. 16, 2020 | Jan. 1, 2021 | Jan. 1, 2022 | Jan. 1, 2023 | Jan. 1, 2024 |
|--------------------------|----------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 5/8" | \$16.25 | \$7.06 | \$7.42 | \$7.80 | \$8.19 | \$8.60 |
| 3/4" | \$16.25 | \$7.06 | \$7.42 | \$7.80 | \$8.19 | \$8.60 |
| 1" | \$16.25 | \$7.06 | \$7.42 | \$7.80 | \$8.19 | \$8.60 |
| 1 1/2" | \$16.25 | \$7.06 | \$7.42 | \$7.80 | \$8.19 | \$8.60 |
| 2" | \$16.25 | \$7.99 | \$8.40 | \$8.82 | \$9.27 | \$9.74 |
| 2 1/2" | \$21.50 | \$8.88 | \$9.33 | \$9.80 | \$10.29 | \$10.81 |
| 4" | \$42.75 | \$13.78 | \$14.47 | \$15.20 | \$15.96 | \$16.76 |
| 6" | \$78.25 | \$26.92 | \$28.27 | \$29.69 | \$31.18 | \$32.74 |
| 8" | \$115.25 | \$49.58 | \$52.06 | \$54.67 | \$57.41 | \$60.29 |
| 10" | \$152.00 | \$83.66 | \$87.85 | \$92.25 | \$96.87 | \$101.72 |

Proposed Rates for Temporary Revenue Stability Charges (TRSC) (\$/CCF)

| Water Conservation Stages | Water Reduction Target | TRSC (\$/CCF) |
|----------------------------------|-------------------------------|----------------------|
| Stage 1 | 0% | N/A |
| Stage 2 | 10-15% | N/A |
| Stage 3 | 16-20% | \$0.15 |
| Stage 4 | 21-40% | \$0.45 |
| Stage 5 | >40% | \$0.84 |