

# City of Corona

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## Water and Recycled Water Rate Study

January 15, 2020



# Today's Discussion

Who We Are

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Experience

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Rate Study Considerations

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Questions

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# Who We Are



**FOCUS:** Focused on financial, rate, and management consulting for the water and wastewater industry



**DEPTH:** With 100+ utility financial and management consultants, largest practice in the U.S. focused on these services



**NATIONAL & REGIONAL EXPERIENCE:**  
Unmatched in the industry with proven success for comparable utilities



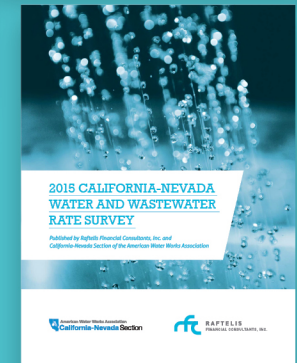
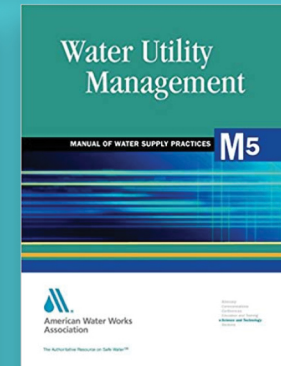
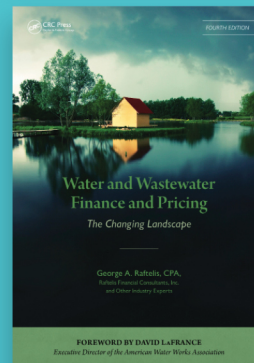
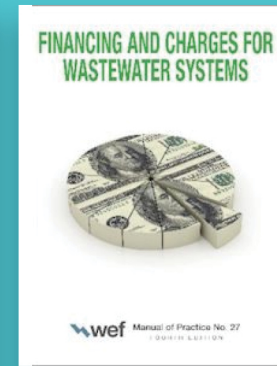
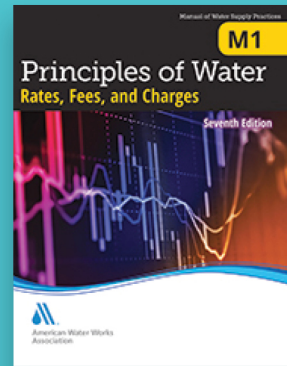
**COMMUNICATION:**  
Uniting public engagement with our technical efforts garners buy-in and acceptance



**QUALIFICATION:**  
Registered Municipal Advisor with the MSRB and SEC

# we wrote the BOOK

*By selecting Raftelis, the City received a team with intimate knowledge of industry standards that develop a cost of service and rate structure that is accurate, reliable and representative of the best practices.*



# Leading The Industry



AWWA

- President Elect
- Asset Management Committee
- Benchmarking Committee
- Finance, Accounting, and Management Controls Committee
- Management and Leadership Division
- Public Affairs Council
- Rates and Charges Committee
- Strategic Management Practices Committee
- Technical and Education Council
- CA-NV AWWA Finance Committee



WEF

- Utility Management
- Finance and Administration
- Technical Practices
- WEFTEC Conference Planning
- Utility Management Conference Planning



EPA

- Environmental Financial Advisory Board

# Our Team

## CITY OF CORONA



### PROJECT DIRECTOR

#### Sanjay Gaur

- MPA - Harvard University
- MS & BA - University of California, Santa Cruz
- 20 years of experience



### PROJECT MANAGER

#### Steve Gagnon, PE (AZ)

- MBA - University of Southern California
- MS & BS - University of Massachusetts
- Series 50 Municipal Advisor
- 20 years of experience



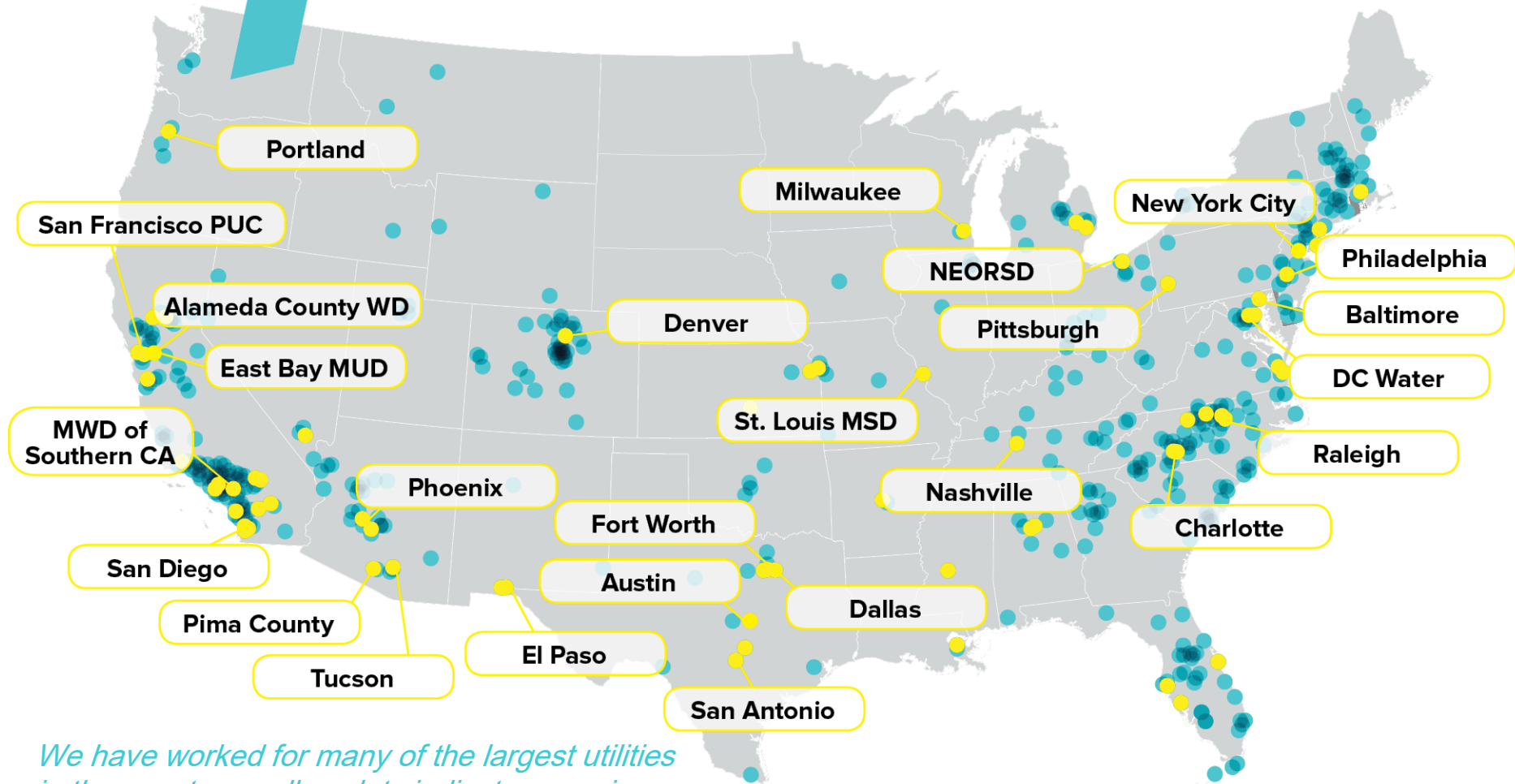
### LEAD ANALYST

#### Nancy Phan

- BA - University of California, Irvine
- 4 years of experience

# experience

NATIONAL



*We have worked for many of the largest utilities in the country – yellow dots indicate agencies that serve 100,000+ accounts*

# Recent Rate Experience

Partial list of rate studies in Southern California in last 6 years

- City of Pomona
- City of Long Beach
- Jurupa Community Services District
- City of Redlands
- City of Huntington Beach
- City of Lakewood
- Rancho California WD
- East Valley WD
- Western Municipal WD
- City of Orange
- City of Chino
- City of Chino Hills
- City of Malibu
- City of Ontario
- City of Thousand Oaks
- East Orange County WD
- Municipal Water District of Orange County
- Sweetwater Authority
- Las Virgenes MWD
- City of Shafter
- Yorba Linda WD
- Elsinore Valley MWD
- Los Angeles - DWP
- City of San Clemente
- City of Santa Cruz
- City of Beverly Hills
- City of Simi Valley
- Rincon del Diablo WD
- San Juan Capistrano
- Santa Margarita WD
- Helix WD
- Santa Fe ID
- Olivenhain MWD
- San Dieguito WD
- Channel Islands Beach Community Services District





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# Legal Environment of Rate Making

- Cost of Service Requirements
  - › Proposition 218 and Proposition 26 (Article XIIC and XIID of California Constitution)
- Pass-through Provision
  - › AB 3030 – Section 53756 of the Government Code
- Water Conservation
  - › Article X of California Constitution– prohibits water waste
  - › CA Water Code Chapter 3.4– Allocation-based Conservation Water Pricing (AB 2882)
  - › SB X7-7 – 20% reduction by 2020
  - › SB 606 and AB 1668– Water Purveyors will set water use targets based on equations provided by the state– which will be based on the areas population X 55gpcd and irrigable area for each lot
    - The 55 gpcd will ramp down to 50 gpcd in 2030

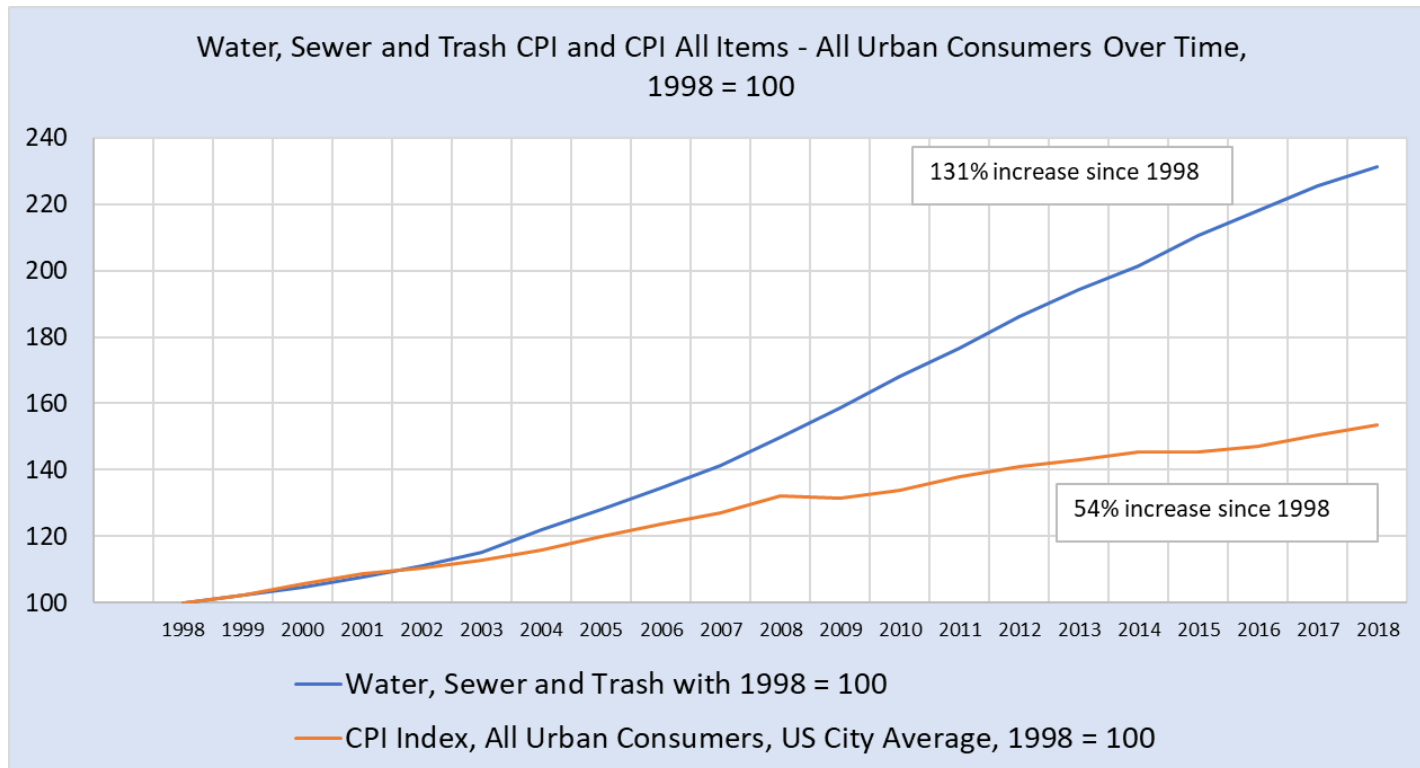


# Rate Study Facts and Considerations



# Water, Sewer, and Trash vs. CPI

- Across the country Water, Wastewater and Trash rates are rising faster than normal goods/services.
- The average revenue increase nationally is 6% (AWWA survey)
- Water is capital intensive and as a country our water infrastructure is old and due for replacement



# Rate Study Facts

1. National average is 6%
2. City's proposed revenue increase is 5%
3. Long term inflation is about 3%

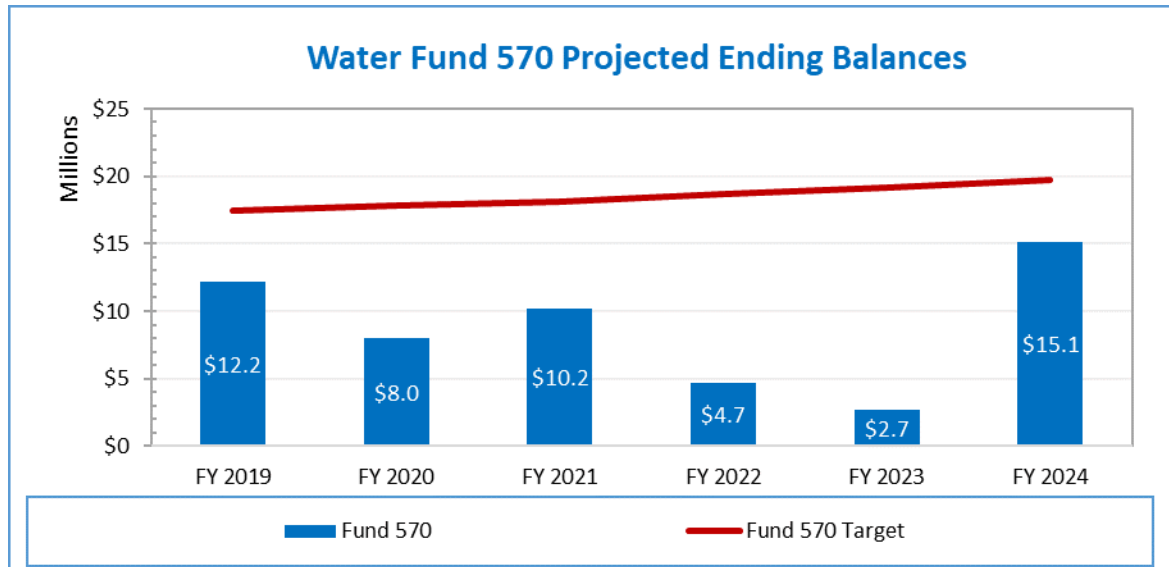
Many things affect revenue increases:

1. Age and condition of system – capital needs
2. Water purchase costs
3. Regulatory requirements for treatment



# Rate Study Considerations

1. City has consciously strived to minimize rate increases
2. Forecasted reserves are not reaching target– this would require higher rate increases
  - a. O&M reserve = 90 days operating expenses = \$11M
  - b. Capital reserve = 100% of annual depreciation = \$6.5M



# Conclusion

1. Utility rates are going up across the country
2. Utility rate increases outpace normal inflation of everyday goods
3. The national average is 6%
4. City is below that average and has strived to minimize rate increases
5. We stand behind the analysis and conclusions of this study and attest that they are accurate, reliable and represent industry best practices



# Thank you!

## Contacts:

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