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PUBLIC HEARING PROPOSITION 218: WATER RATES

JUNE 7, 2022



TONIGHT'S ACTION

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CONDUCT PUBLIC HEARING TO CONSIDER ADOPTING NEW WATER RATE FEES FOR MANHATTAN BEACH WATER SERVICES

**EFFECTIVE FOR 5 YEARS
NOVEMBER 1, 2022
THROUGH
NOVEMBER 1, 2027**



MUNICIPAL WATER BASICS

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OPERATIONS & CAPITAL INFRASTRUCTURE

UTILITIES - WATER SECTION MAINTAINS

13,700
WATER METERS

103
MILES OF
WATER MAINS

2
WELLS

1
BOOSTER
STATION

1
WATER
PLANT

1,800
WATER
VALVES

5
EMERGENCY
GENERATORS

112
MILES OF WATER
DISTRIBUTION
PIPELINES

900+
FIRE
HYDRANTS

775
BACKFLOW
DEVICES

1,700
GATE VALVES

Fiscal Year 2021-2022 Staffing

- 11.5 Full-Time Employees (FTE) Assigned to Water
- 1 Engineer Assigned to Water Projects



MUNICIPAL WATER BASICS

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Municipalities typically determine long-term revenue needs to support their Water Programs by performing Rate Studies

Timeline

2014 → Last water rate increase

2020-2022 → \$50M Invested in water infrastructure

2021 → \$57M in needed improvements identified

2022 → Consultant completed Water Rate Study

April 5, 2022 → City Council initiated Proposition 218 process

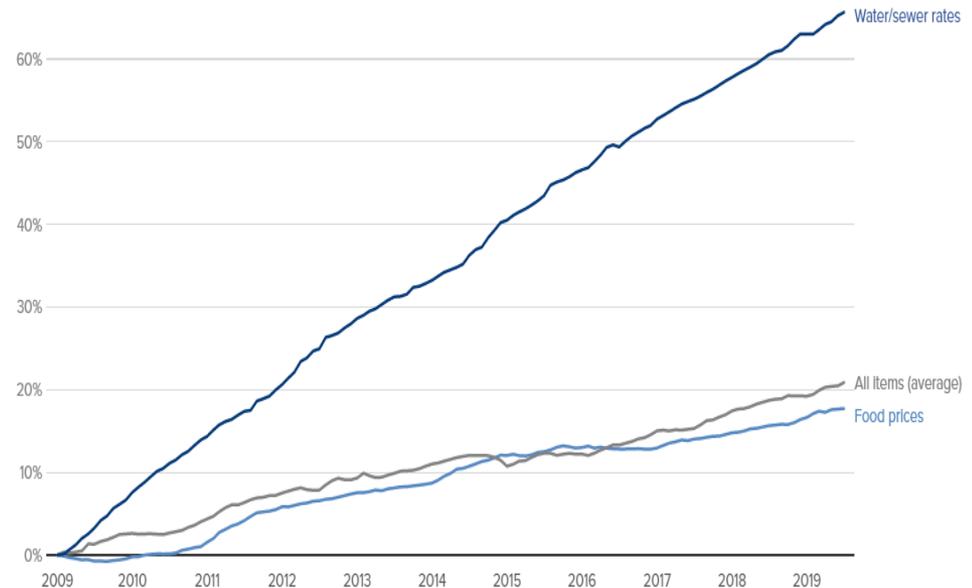


WHY DO RATES NEED TO BE ADJUSTED?

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- Current “tiered” rate structure is not ideal
- Last increase in 2014
- Compounded inflation since 2014 is 21.9%
- Costs continue to increase
- Infrastructure needs identified

What Americans pay for water and sewer service has increased much faster than inflation or the price of food.



Source: Bureau of Labor Statistics—Consumer Price Index



PROPOSED RATE TABLE

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Excerpt from Proposition 218 Notice

→ Eliminating “Tiered Rate” structure

→ Adopting “Uniform Rate” structure

BiMonthly Fixed Service Charge

Meter Size	Nov. 2022	Nov. 2023	Nov. 2024	Nov. 2025	Nov. 2026
5/8" or 3/4"	\$28.93	\$31.54	\$34.23	\$35.60	\$37.03
1"	\$40.62	\$44.28	\$48.05	\$49.98	\$51.98
1.5"	\$69.86	\$76.15	\$82.63	\$85.94	\$89.38
2"	\$104.95	\$114.40	\$124.13	\$129.10	\$134.27
3"	\$216.05	\$235.50	\$255.52	\$265.75	\$276.38
4"	\$379.79	\$413.98	\$449.17	\$467.14	\$485.83
6"	\$771.58	\$841.03	\$912.52	\$949.03	\$987.00
8"	\$1,414.82	\$1,542.16	\$1,673.25	\$1,740.18	\$1,809.79
10"	\$2,233.50	\$2,434.52	\$2,641.46	\$2,747.12	\$2,857.01

BiMonthly Private Fire Charge

Meter Size	Nov. 2022	Nov. 2023	Nov. 2024	Nov. 2025	Nov. 2026
5/8" or 3/4"	\$13.19	\$14.38	\$15.61	\$16.24	\$16.89
1"	\$17.46	\$19.04	\$20.66	\$21.49	\$22.35
1.5"	\$26.97	\$29.40	\$31.90	\$33.18	\$34.51
2"	\$37.76	\$41.16	\$44.66	\$46.45	\$48.31
3"	\$71.34	\$77.77	\$84.39	\$87.77	\$91.29
4"	\$121.92	\$132.90	\$144.20	\$149.97	\$155.97
6"	\$249.22	\$271.65	\$294.75	\$306.54	\$318.81
8"	\$443.52	\$483.44	\$524.54	\$545.53	\$567.36
10"	\$702.25	\$765.46	\$830.53	\$863.76	\$898.32

Volumetric Rate

Customer Class	Nov. 2022	Nov. 2023	Nov. 2024	Nov. 2025	Nov. 2026
SFR	\$6.56	\$7.16	\$7.77	\$8.09	\$8.42
MFR	\$6.53	\$7.12	\$7.73	\$8.04	\$8.37
Commercial	\$6.54	\$7.13	\$7.74	\$8.05	\$8.38
City / LA County	\$6.55	\$7.14	\$7.75	\$8.06	\$8.39
Schools	\$6.66	\$7.26	\$7.88	\$8.20	\$8.53
Private Fire	\$5.41	\$5.90	\$6.41	\$6.67	\$6.94



BILL IMPACTS

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		SFR				
SFR	Meter Size	Use (hcf)	Current Bi-monthly Bill	Proposed Bi-monthly Bill	Difference (\$)	Difference (%)
	5/8" or 3/4"	10	\$83.26	\$94.53	\$11.27	13.5%
		15	\$106.24	\$127.33	\$21.09	19.9%
		20	\$135.54	\$160.13	\$24.59	18.1%
		40	\$252.74	\$291.33	\$38.59	15.3%
		75	\$552.88	\$520.93	-\$31.95	-5.8%

- ➔ Average customer will see an increase of \$24.59 on *bi-monthly* bill.
- ➔ November 1, 2022: Effective date of new rates.
- ➔ January 1, 2023: New rates reflected on bills.



POTENTIAL WATER BILL

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www.manhattanbeach.gov/waterrates

Water Bill Calculator to assist with possible rate scenarios

Meter Size
+
Private Fire Charge
(if applicable)
+
Dwelling Unit Type
+
Water Usage
=
CUSTOMER WATER BILL

My Potential Water Bill (Water Bill Calculator) ▼

Water Bill Calculator for Proposed Rates

If by the Public Hearing on June 7, 2022 the City does not receive enough protests and City Council adopts the proposed rate change, rates will become effective November 1, 2022, and will be reflected in customer bills for the first time in January 2023.

If you are curious about your potential water rate, the City created a **Water Bill Calculator** to estimate scenarios based on meter size, dwelling type and water usage (and for select customers - a private fire charge). You will need information from an existing water bill to input below.

WATER BILL CALCULATOR

Meter Size (Inch)	Private Fire Charge Meter Size (Inch)	Dwelling Unit Type	Water Usage (HCF)
0.75	0.00	SFR	20
Service Charge	Service Charge	Usage Rate	Total Water Charges
\$28.93	\$0.00	\$6.56	\$160.13

Instructions:

1. SELECT VALUES FROM DROP DOWN MENU IN YELLOW CELLS
2. SELECT UNIT TYPE: SFR, MFR, COMM, CITY, SCHOOL, PRIV (FOR PRIVATE FIRE SVC)
SFR (SINGLE FAMILY RESIDENTIAL), MFR (MULTI-FAMILY RESIDENTIAL), COMM (COMMERCIAL)
SCHOOL (EDUCATION), PRIV (PRIVATE FIRE SVC)
3. INPUT USAGE IN HCF UNITS (HUNDRED CUBIC FEET)



PROP 218 PROCESS

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What is Proposition 218?

- Passed by CA voters in 1996
- Limits methods local government can create or increase taxes/fees/charges
- Allows property owners/rate payers to protest rate increases

Process requires:

- City mail a notice to property owners/ratepayers
- 45 day protest period
- Hold Public Hearing after protest period

Prop. 218 Notice



CITY OF MANHATTAN BEACH
1400 Highland Avenue, Manhattan Beach, CA 90266
Visit www.manhattanbeach.gov/waterrates • (310) 802-5333
Submit questions to publicworks@manhattanbeach.gov

April 12, 2022

CITY OF MANHATTAN BEACH NOTICE OF PUBLIC HEARING Proposed Changes to Water Service Rates and Charges

NOTICE IS HEREBY GIVEN that the Manhattan Beach City Council ("City Council") will hold a public hearing to consider proposed changes to the water service rates and charges (hereinafter "rates" or "charges") during its regularly scheduled meeting on **Tuesday, June 7, at 6:00 PM**, or as soon thereafter as the matter may be heard, at 1400 Highland Avenue, Manhattan Beach, California, in the City Council Chamber.

Manhattan Beach is proposing changes to its current water service rates, and is sending this notice to all property owner/rate payers of record that receive water service from the City and may be impacted by these changes. The new water rates are proposed to be effective November 1, 2022 and will be adjusted each November 1 thereafter through November 1, 2026. The attached schedule shows the proposed rates, subject to potential pass-through adjustments. The rates effective November 1, 2026 cannot be increased unless the City undertakes this process again to change the rates at some time in the future.

Any property owner or tenant who is directly responsible for payment of water service rates (i.e., a "water customer") may submit a protest against the proposed changes to the water service rates. If you are a tenant that is *not* directly responsible for payment of water service rates, you are receiving this notice as a courtesy and the City Council will not consider your protest in determining whether a majority protest exists against the proposed changes to the water service rates.

Property Owner/Rate Payer. If you own property in the City or you are a tenant who is directly responsible for payment of City water utility bills, you have the legal right to submit a protest to the proposed changes to the water service rates.

Tenant/Non-Rate Payer. If you rent or lease property in the City and you are *not* directly responsible for payment of water utility bills, you are receiving this notice as a courtesy.

The proposed changes to the water service rates are the result of a detailed rate analysis, which was reviewed by the City Council at its meeting on April 1, 2022. The analysis proposes a rate structure that recovers sufficient revenues to cover the City's increased costs of providing water service and a fair and equitable cost allocation among water customer categories. The proposed changes to the water service rates, which include proposed rate increases, are necessary to cover the following costs: water purchased from the Metropolitan Water District via West Basin Municipal Water District; costs relating to Water Replenishment District fees, operations, maintenance, maintaining reserve funds, and more than \$35 million in critical infrastructure investment planned over the next five years. The revenues derived from the proposed water service rates will not exceed the funds required to provide water service.

A written Water Rate Study Report, prepared by Rafalls, an independent financial consulting firm specializing in cost-of-service analyses and rate setting, will be on file in the office of the City Clerk and available for public inspection and posted on the City's website (www.manhattanbeach.gov/waterrates), no later than May 7, 2022. The net impact of the proposed changes in the water service rates for water customers will vary based upon actual water consumption and meter size.

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218 PROCESS TIMELINE

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Dates	Item
April 5, 2022	Proposition 218 Process Initiated Public Hearing Date Set
April 15, 2022	Mailed Prop 218 notice to property owners & tenants
April 15 – May 29, 2022	45-day protest period (Protests may be submitted until the Public Hearing)
April 21, 2022	Community Meeting (in-person & Zoom)
June 7, 2022	Public Hearing to announce protest count and determine if Council can approve rate increase
November 1, 2022	New rates go into effect
January 1, 2023	New rates reflected on bills



PROP 218 PROTEST COUNT

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If more than 6,500 protests are received	If less than 6,500 protests are received
<ol style="list-style-type: none">1. A majority protest exists2. City Council may not approve the rate increase3. City Council can initiate the Proposition 218 process again at any time	<ol style="list-style-type: none">1. City Council may approve the new rate increase2. New rates take effect on November 1, 20223. New rates reflected in customer bills for first time beginning January 2023



NEXT STEPS

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- **CITY CLERK ANNOUNCES THE FINAL PROTEST COUNT RECEIVED BY THE END OF THE PUBLIC HEARING.**
- **IF A MAJORITY PROTEST IS NOT REACHED, COUNCIL MAY ADOPT RESOLUTION 22-0079 APPROVING THE NEW RATES.**



RECOMMENDATION

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Adoption of Resolution No. 22-0079 adopting the annual proposed rate increases effective November 1, 2022 through November 1, 2027.

