



Utilities Department
 100 Civic Center Drive
 Newport Beach, CA 92660
 949-644-3141
 www.newportbeachca.gov

NOTICE OF PUBLIC HEARING



November 19, 2019
 7 PM



City Hall
 100 Civic Center Drive
 Newport Beach, CA 92660

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DEAR NEWPORT BEACH WATER CUSTOMER,

I'm writing to inform you of proposed changes to the rates we charge for your water service that, if approved by City Council, will become effective on bills beginning January 1, 2020.

Like any asset, regular maintenance is critical to maintain and operate your water treatment and distribution systems. Over the next five years, we are investing more than \$45 million in maintenance and upgrades. Among other projects, we'll be rehabilitating water storage reservoirs, upgrading groundwater wells, and replacing miles of pipeline. This will include complex underwater work to upgrade the water mains that run beneath Newport Harbor.

Earlier this year, with help from an independent consultant, we performed a study of our water rate structure and accompanying financial plan. The goal was to ensure our plans for critical infrastructure maintenance and upgrades, along with cash-funded capital improvement projects, aligned with future revenues while also keeping pace with population growth, inflation and other cost increases.

Our financial analysis revealed that we require additional revenue for investments in infrastructure, and to keep up with increasing costs – such as those associated with buying imported water and pumping groundwater, which have increased by 75% in recent years. The rate study recommends a 7.4% revenue increase each year for the next five years. To our typical residential customer with a 5/8" meter using 10 hundred cubic feet per month, this will mean the average monthly bill will increase by \$3.38 in 2020.

It's important to note that the City's water enterprise fund does not make a profit, receives no revenue from tax dollars and water rates have not increased since 2014. We take seriously the trust you've placed in us to deliver high quality drinking water and water for fire protection and adjust rates only when necessary.

Should you have questions about the proposed changes, please visit our website at newportbeachca.gov/trending or contact Customer Service at 949-644-3141. As always, thank you for your support and understanding.

Sincerely,

Mark Vukojevic, Utilities Director

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 Newport Beach, CA 92660
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CITY OF NEWPORT BEACH

WATER RATES FUND MORE THAN JUST YOUR WATER



NOTICE OF PUBLIC HEARING ON PROPOSED WATER RATE INCREASE

Notice is hereby given that the City Council of the City of Newport Beach ("City") will conduct a public hearing on Tuesday, November 19, 2019 at 7 p.m. in the City Hall Council Chambers at 100 Civic Center Drive, Newport Beach, CA 92660, where it will consider adopting increases to the City's water rates and charges. The proposed increases are the result of detailed budget analysis and the findings of the City of Newport Beach Water Rate Study Report ("Rate Study") prepared by Raftelis, an independent financial consulting firm specializing in cost of services analyses and rate setting, to determine appropriateness of the amounts and a fair and equitable cost allocation among water customer categories. The net impact of the proposed changes in the rates for water customers will vary based upon actual water consumption and meter size.

BACKGROUND

The City's potable water demand is supplied by two sources: Orange County Water District (approximately 75% of demand) and the Municipal Water District of Orange County (25% of demand). The City also provides non-potable (recycled) water to seven customers for the purposes of irrigating parks, schools, center medians and golf courses. Recycled water is purchased from Orange County Water District through the Green Acres Project. The City maintains and operates a system that includes four groundwater wells, three water storage reservoirs, several pump and pressure reduction stations, and more than 300 miles of water distribution lines to distribute water to the homes and businesses of Newport Beach.

To ensure the City can continue to invest in a secure water future for Newport Beach, the City reviewed its financial health in 2019 and developed a financial plan and Rate Study to evaluate how customers are charged for water (the rate structure) and the amount customers are charged (the rate). Rate studies are a best practice for determining utility rates to ensure that rates are fair, equitable, and tied to the demand customers place on the water system. Water service is funded through the revenue collected from your water bill. No tax revenue is used to provide water utility service so the City must align water rates with the cost to deliver services. Costs include (1) the cost to supply and treat water, (2) compliance with regulations governing the distribution of drinking water and recycled water, (3) the repair, replacement and update of aging water systems, and (4) ongoing maintenance of critical infrastructure.

The current water rates were developed as part of the Water Utility Financial Plan completed in August 2009. Water rates consist of a monthly fixed service charge that varies according to meter size and a monthly volumetric rate charged per hundred cubic feet units (748 gallons) of water used. The City last updated its water rates in 2014. Since then, costs to purchase water have increased by more than 75%. The City also recently developed the 2019 Water Master Plan to determine the revenue needs to repair, maintain and upgrade the water system over the next 30 years. The City retained Raftelis to develop a financial plan that guides investment in the water system over the next five years and ensures the City can continue to provide high quality water services at the best value for its customers.

PROPOSED RATES FOR WATER & RECYCLED WATER SERVICES

With assistance from the consultant, the City reviewed the current water rates and rate structure and developed a detailed financial plan based on the cost to provide water service. The City recommends the following changes to the rates and rate structure to comply with changing federal and state regulations and to meet operating and capital costs over the next five years. As part of the Rate Study, the City is also proposing to eliminate the per dwelling unit charge for multi-family customers.

Customers can review the proposed Fiscal Year 2019-20 budget and the Rate Study at the City's website or the City's administrative office at 100 Civic Center Drive, Newport Beach, CA 92660. For assistance in determining the impact of the proposed rate increase on your bill, please call Customer Service at 949-644-3141.

PUBLIC HEARING

Any current record owner of a parcel upon which the water rate changes are proposed, or any tenant directly responsible for payment of water rates (i.e., a customer of record who is not a property owner), may submit a written protest to the proposed rate increases to the City's water rates; provided, however, only one protest will be counted per identified parcel. Each protest must: (1) be in writing; (2) state if the protest is submitted in opposition to the water rate increase; (3) provide the location of the identified parcel (by service address or assessor's parcel number); and (4) include the name and signature of the person submitting the written protest. Written protests may be submitted by mail or in person to the City of Newport Beach office, 100 Civic Center Drive, Newport Beach, CA 92660, or in person at the public hearing (see date, time and location above). All written protests must be received prior to the conclusion of the public comment portion of the public hearing. Any protest submitted via email, facsimile, or other electronic means will not be accepted as a formal written protest. For any protest submittal, whether mailed or submitted in person, please identify on the front of the envelope, that the enclosed letter is for the Public Hearing on Proposed Rate Increases. The City Council will consider all written protests timely submitted and hear and consider all public comments made at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. At the conclusion of the public hearing, the City Council will determine whether to adopt the proposed rate increases described in this notice. If, after the close of the public hearing, written protests against the proposed rate increases and as outlined above are not presented by a majority of the record owners or responsible tenants of the identified parcels upon which they are proposed to be imposed, the City Council will be authorized to impose the rate increases. If you have any questions regarding the information provided in this notice, or the rates applicable to your property, please contact Customer Service at 949-644-3141.

Table 1: Proposed 5-Year Water Rates

	Current	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Proposed Revenue Adjustments		7.40%	7.40%	7.40%	7.40%	7.40%
Effective Date	Since 2014	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024
Monthly Fixed Service Charges						
Water Services						
Meter Size						
5/8"	\$17.27	\$20.35	\$21.86	\$23.48	\$25.22	\$27.09
3/4"	\$17.27	\$20.35	\$21.86	\$23.48	\$25.22	\$27.09
1"	\$28.79	\$31.54	\$33.88	\$36.39	\$39.09	\$41.99
1 1/2"	\$57.58	\$59.47	\$63.88	\$68.61	\$73.69	\$79.15
2"	\$92.12	\$93.00	\$99.89	\$107.29	\$115.23	\$123.76
3"	\$172.73	\$246.68	\$264.94	\$284.55	\$305.61	\$328.23
4"	\$287.88	\$422.71	\$454.00	\$487.60	\$523.69	\$562.45
6"	\$575.76	\$897.73	\$964.17	\$1,035.52	\$1,112.15	\$1,194.45
8"	\$921.22	\$1,568.33	\$1,684.39	\$1,809.04	\$1,942.91	\$2,086.69
10"	\$1,655.90	\$2,350.70	\$2,524.66	\$2,711.49	\$2,912.15	\$3,127.65
12"	\$2,663.48	\$2,965.44	\$3,184.89	\$3,420.58	\$3,673.71	\$3,945.57
Per Dwelling Unit Charge	\$1.00	N/A	N/A	N/A	N/A	N/A
Fire Protection Services						
Meter Size						
5/8"	\$3.13	\$10.41	\$11.19	\$12.02	\$12.91	\$13.87
1"	\$5.00	\$10.59	\$11.38	\$12.23	\$13.14	\$14.12
1 1/2"	\$7.50	\$11.07	\$11.89	\$12.77	\$13.72	\$14.74
2"	\$10.00	\$11.87	\$12.75	\$13.70	\$14.72	\$15.81
2 1/2"	\$12.50	\$13.09	\$14.06	\$15.11	\$16.23	\$17.44
3"	\$15.00	\$14.76	\$15.86	\$17.04	\$18.31	\$19.67
4"	\$20.00	\$19.78	\$21.25	\$22.83	\$24.52	\$26.34
6"	\$30.00	\$37.72	\$40.52	\$43.52	\$46.75	\$50.21
8"	\$40.00	\$68.70	\$73.79	\$79.26	\$85.13	\$91.43
10"	\$50.00	\$115.28	\$123.82	\$132.99	\$142.84	\$153.42
12"	\$60.00	\$179.85	\$193.16	\$207.46	\$222.82	\$239.31
Usage Charges (\$/hcf)						
Potable Water	\$3.08	\$3.11	\$3.35	\$3.60	\$3.87	\$4.16

Table 2: Proposed 5-Year Recycled Water (RW) Rates

	Current	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Proposed Revenue Adjustments		7.40%	7.40%	7.40%	7.40%	7.40%
Effective Date	Since 2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024
Monthly Fixed Service Charges						
Meter Size						
5/8"	\$20.47	\$10.34	\$11.11	\$11.94	\$12.83	\$13.78
3/4"	\$20.47	\$10.34	\$11.11	\$11.94	\$12.83	\$13.78
1"	\$34.13	\$14.85	\$15.95	\$17.14	\$18.41	\$19.78
1 1/2"	\$68.25	\$26.10	\$28.04	\$30.12	\$32.35	\$34.75
2"	\$109.19	\$39.61	\$42.55	\$45.70	\$49.09	\$52.73
3"	\$204.75	\$101.54	\$109.06	\$117.14	\$125.81	\$135.12
4"	\$341.24	\$172.47	\$185.24	\$198.95	\$213.68	\$229.50
6"	\$682.48	\$363.88	\$390.81	\$419.73	\$450.80	\$484.16
8"	\$1,091.97	\$634.09	\$681.02	\$731.42	\$785.55	\$843.69
Recycled Water (RW) Volumetric Charges (\$/hcf)						
RW Usage Charge	\$1.92	\$2.05	\$2.12	\$2.13	\$2.21	\$2.29
Pump Station Charge	\$0.39	\$0.53	\$0.57	\$0.62	\$0.67	\$0.72