

City of Rialto/Rialto Utility Authority

Proposed Water and Wastewater Rate Adjustments

April 23, 2024 City Council Meeting





Agenda

- **Goals of This Presentation**
- **Revenue Analysis Summary: Status Quo**
 - No Rate Increase, No CIP
- **Proposed Rate Scenario**
- **High Priority CIP Projects**
 - Water then Sewer



Agenda (cont.)

- **Results (Water First, Then Wastewater)**
 - **Review Existing Rate Schedule**
 - **Cost-of-Service Analysis Methodology Overview**
 - **Proposed Changes to Rate Structure**
 - **Proposed Rate Structure**
 - **Monthly Bill Comparison**
- **Comparator Rates**
- **Requested action: Consider setting a Public Hearing for June 25, 2024, regarding Water and Wastewater Utility Services Rate Adjustments.**



Goals of This Presentation

- **Present rate study results**
- **Show proposed rate structure changes**
- **Show proposed rate schedule**
- **Show effect on monthly bills**



Revenue Analysis Summary

Status Quo: No Rate Increases; No CIP

- **\$26M in revenues needed through FY 28/29.**
 - Required to meet cash needs of utility
 - Required to meet debt coverage requirements of the Concession Agreement
 - No capital improvements



Proposed Rate Scenario

- **High-priority CIP**
 - ~\$60M City funded capital in addition to grant funding
 - 30-year debt at 6% interest rate
- **Phasing-in collecting depreciation expense through rates**
- **No external Revenue Stabilization after 2026**
 - 2024 and projected 2026 Interfund Loans to Water



High-Priority Water Capital Improvement

	Total Project Cost	Grant/ARPA Funded	Development Impact Fee (DIF) ¹	Remaining Cost Funded by Water Rates
Watermain Replacement Project: Etiwanda from Riverside to Eucalyptus	\$6.7 million		\$2.9 million	\$3.8 million
Water System Security Upgrades	\$2 million	\$2 million		
Automatic Meter Infrastructure Upgrades	\$8 million	\$8 million		
City 3A Groundwater Treatment Project	\$4.2 million	\$2 million		\$2.2 million
TOTAL	\$20.9 million	\$12 million	\$2.9 million	\$6 million
		57%	14%	29%



High-Priority Wastewater Capital Improvement

	Total Project Cost	ARPA¹ Funded	RUA Reserves	Development Impact Fee (DIF)²	Remaining Cost Funded by Sewer Rates
Sewer System Security Upgrades	\$2 million	\$2 million			
Upsizing Sewer Mains in Sycamore Ave. and moving flows to Acacia Ave. via Baseline Road (Master Plan)	\$5 million			\$5 million	
Upsizing Sewer Mains in Acacia Ave. - Victoria to McKinley (Master Plan)	\$2 million			\$2 million	
Digester 1 and 2 Transition, Cleaning, and Rehabilitation	\$1.8 million				\$1.8 million
Solids Handling Upgrades at the WWTP	\$26.4 million		\$10 million	\$400,000	\$16 million
Agua Mansa Sewer Lift Station	\$2 million				\$2 million
Plant 5 Secondary Effluent Clarifiers A&B Overhaul	\$500,000				\$500,000
Ayala Lift Station Upgrade and Repair	\$2 million				\$2 million
Electrical Upgrade	\$8.8 million				\$8.8 million
TOTAL	\$50.5 million	\$2 million	\$10 million	\$7.4 million	\$31.1 million
		4%	20%	15%	62%



Existing Water Rate Schedule

Monthly Minimum Charge

Single Family Residences, Multiple Family Connections, Commercial, Landscape, and Industrial Service Customers

1/2 " & 5/8" meter	\$30.42
3/4" meter	\$30.42
1" meter	\$44.01
1 1/2" meter	\$53.04
2" meter	\$152.54
3" meter	\$324.45
4" meter	\$550.59
6" meter	\$1,138.62
8" meter	\$1,636.17
Fire Hydrant Water	\$324.45



Existing Water Rate Schedule

Volume Charges, \$/ccf

All Customers Except those Noted Below

1 - 5 Units	\$1.07
6 - 30 Units	\$1.69
31 - 60 Units	\$2.70
61 - Over units	\$3.32

Multiple Apartments

Over 49 Units and Mobile Homes	\$2.40
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Landscape

1 to 30 Units	\$2.70
31 and over units	\$3.32

Fireline (\$/month/inch diameter)

Rate	\$27.91
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Hydrant

Water Use, \$/ccf	\$3.33
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Water Cost-of-Service Analysis Methodology Overview

- **Three steps in a Cost-of-Service Analysis**
 - **Functionalization: divide costs into system functions (source, distribution, customer, meters, administration, public fire protection, public and private fire protection)**
 - **Allocation: divide functionalized costs according to service characteristics (average day use, peak use, customer accounts, meter equivalents, public fire protection, public and private fire protection; isolate costs to be included in tiered rate calculations)**
 - **Distribution: define revenue requirement for each customer class**



Proposed Changes to Rate Structure

- **Redefine water tiers**
 - Tier 1 aligns with ~indoor water use for single-family residential customers
 - Simplify rate structure
- **Maintain existing customer classes**
- **Maintain a policy of not offering Tier 1 to landscape customers**
- **Use non-rate revenues to lower the Tier 1 and Tier 2 rates**

Residential, Multi-family < or = 49 units, Commercial, Industrial		
	Current	Proposed
Tier 1	0 - 5 ccf/month	0 - 9 ccf/month
Tier 2	6 - 30 ccf/month	10 - 30 ccf/month
Tier 3	31 - 60 ccf/month	>30 ccf/month
Tier 4	> 60 ccf/month	Discontinued
Multi-Family > 49 units		
	Current	Proposed
	Uniform Block: no tiers	Uniform Block: no tiers
Landscape		
	Current	Proposed
Tier 2	0 - 30 ccf/month	0 - 30 ccf/month
Tier 3	> 30 ccf/month	> 30 ccf/month



Proposed Rate Schedule: Monthly Minimum Charge

Meter Size	Existing	Proposed Monthly Minimum Charges				
		1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029
5/8 x 3/4"	\$30.42	\$34.53	\$39.51	\$42.46	\$45.63	\$49.03
1"	\$44.01	\$53.03	\$60.68	\$65.21	\$70.07	\$75.30
1-1/2"	\$53.04	\$99.28	\$113.61	\$122.08	\$131.19	\$140.98
2"	\$152.54	\$154.79	\$177.12	\$190.33	\$204.53	\$219.79
3"	\$324.45	\$302.80	\$346.48	\$372.33	\$400.10	\$429.95
4"	\$550.59	\$469.31	\$537.01	\$577.07	\$620.12	\$666.38
6"	\$1,138.62	\$931.84	\$1,066.26	\$1,145.81	\$1,231.28	\$1,323.14
8"	\$1,636.17	\$1,486.88	\$1,701.37	\$1,828.29	\$1,964.68	\$2,111.24



Proposed Rate Schedule: Monthly Minimum Charge

Monthly Minimum Charge	1/1/2025			1/1/2026		1/1/2027		1/1/2028		1/1/2029	
	Current	Rate	\$ Change	Rate	\$ Change	Rate	\$ Change	Rate	\$ Change	Rate	\$ Change
Single Family Residences, Multiple Family Connections, Commercial, Landscape, and Industrial Service Customers											
1/2" & 5/8" meter	\$30.42	\$34.53	\$4.11	\$39.51	\$4.98	\$42.46	\$2.95	\$45.63	\$3.17	\$49.03	\$3.40
3/4" meter	\$30.42	\$34.53	\$4.11	\$39.51	\$4.98	\$42.46	\$2.95	\$45.63	\$3.17	\$49.03	\$3.40
1" meter	\$44.01	\$53.03	\$9.02	\$60.68	\$7.65	\$65.21	\$4.53	\$70.07	\$4.86	\$75.30	\$5.23
1 1/2" meter	\$53.04	\$99.28	\$46.24	\$113.61	\$14.32	\$122.08	\$8.48	\$131.19	\$9.11	\$140.98	\$9.79
2" meter	\$152.54	\$154.79	\$2.25	\$177.12	\$22.33	\$190.33	\$13.21	\$204.53	\$14.20	\$219.79	\$15.26
3" meter	\$324.45	\$302.80	(\$21.65)	\$346.48	\$43.68	\$372.33	\$25.85	\$400.10	\$27.78	\$429.95	\$29.85
4" meter	\$550.59	\$469.31	(\$81.28)	\$537.01	\$67.70	\$577.07	\$40.06	\$620.12	\$43.05	\$666.38	\$46.26
6" meter	\$1,138.62	\$931.84	(\$206.78)	\$1,066.26	\$134.42	\$1,145.81	\$79.54	\$1,231.28	\$85.48	\$1,323.14	\$91.85
8" meter	\$1,636.17	\$1,486.88	(\$149.29)	\$1,701.37	\$214.48	\$1,828.29	\$126.92	\$1,964.68	\$136.39	\$2,111.24	\$146.57



Proposed Rate Schedule: Monthly Minimum Charge

Monthly Minimum Charge	1/1/2025			1/1/2026		1/1/2027		1/1/2028		1/1/2029	
	Current	Rate	% Change								
Single Family Residences, Multiple Family Connections, Commercial, Landscape, and Industrial Service Customers											
1/2 " & 5/8" meter	\$30.42	\$34.53	13.5%	\$39.51	14.4%	\$42.46	7.5%	\$45.63	7.5%	\$49.03	7.5%
3/4" meter	\$30.42	\$34.53	13.5%	\$39.51	14.4%	\$42.46	7.5%	\$45.63	7.5%	\$49.03	7.5%
1" meter	\$44.01	\$53.03	20.5%	\$60.68	14.4%	\$65.21	7.5%	\$70.07	7.5%	\$75.30	7.5%
1 1/2" meter	\$53.04	\$99.28	87.2%	\$113.61	14.4%	\$122.08	7.5%	\$131.19	7.5%	\$140.98	7.5%
2" meter	\$152.54	\$154.79	1.5%	\$177.12	14.4%	\$190.33	7.5%	\$204.53	7.5%	\$219.79	7.5%
3" meter	\$324.45	\$302.80	-6.7%	\$346.48	14.4%	\$372.33	7.5%	\$400.10	7.5%	\$429.95	7.5%
4" meter	\$550.59	\$469.31	-14.8%	\$537.01	14.4%	\$577.07	7.5%	\$620.12	7.5%	\$666.38	7.5%
6" meter	\$1,138.62	\$931.84	-18.2%	\$1,066.26	14.4%	\$1,145.81	7.5%	\$1,231.28	7.5%	\$1,323.14	7.5%
8" meter	\$1,636.17	\$1,486.88	-9.1%	\$1,701.37	14.4%	\$1,828.29	7.5%	\$1,964.68	7.5%	\$2,111.24	7.5%



Proposed Rate Schedule: Volume Charge

	Existing	Proposed Volume Charges				
		1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029
<u>Residential and Commercial</u>						
0 - 9 ccf per month	See Note 1	\$1.95	\$2.20	\$2.36	\$2.54	\$2.73
10 - 30 ccf per month	See Note 1	\$2.19	\$2.47	\$2.66	\$2.85	\$3.07
>31 ccf per month	See Note 1	\$3.19	\$3.62	\$3.89	\$4.18	\$4.49
<u>Multiple Apartments Over 49 Units and Mobile Homes</u>						
All water use	\$2.40	\$2.35	\$2.66	\$2.86	\$3.07	\$3.30
<u>Landscape</u>						
0 - 30 ccf per month	\$2.70	\$2.19	\$2.47	\$2.66	\$2.85	\$3.07
>31 ccf per month	\$3.32	\$3.19	\$3.62	\$3.89	\$4.18	\$4.49

Note 1. Current tiers are:

- 0 – 5: \$1.07/ccf
- 6 – 30: \$1.69/ccf
- 31 – 60: \$2.70/ccf
- > 61: \$3.32/ccf



Proposed Rate Schedule: Volume Charge

Volume Charge, \$/ccf	Current	1/1/2025		1/1/2026		1/1/2027		1/1/2028		1/1/2029	
		Rate	\$ Change								
<u>All Customers Except those Noted Below</u>											
0 - 9 ccf		\$1.95		\$2.20	\$0.25	\$2.36	\$0.16	\$2.54	\$0.18	\$2.73	\$0.19
10 - 30 ccf		\$2.19		\$2.47	\$0.28	\$2.66	\$0.18	\$2.85	\$0.20	\$3.07	\$0.21
>31 ccf		\$3.19		\$3.62	\$0.42	\$3.89	\$0.27	\$4.18	\$0.29	\$4.49	\$0.31
<u>Multiple Apartments</u>											
Over 49 Units and More	\$2.40	\$2.35	(\$0.05)	\$2.66	\$0.30	\$2.86	\$0.20	\$3.07	\$0.21	\$3.30	\$0.23
<u>Landscape</u>											
0 - 30 ccf	\$2.70	\$2.19	(\$0.51)	\$2.47	\$0.28	\$2.66	\$0.18	\$2.85	\$0.20	\$3.07	\$0.21
>31 ccf	\$3.32	\$3.19	(\$0.13)	\$3.62	\$0.42	\$3.89	\$0.27	\$4.18	\$0.29	\$4.49	\$0.31

Note 1. Current tiers are:

- 0 – 5: \$1.07/ccf
- 6 – 30: \$1.69/ccf
- 31 – 60: \$2.70/ccf
- > 61: \$3.32/ccf



Proposed Rate Schedule: Volume Charge

Volume Charge, \$/ccf	Current	1/1/2025		1/1/2026		1/1/2027		1/1/2028		1/1/2028	
		Rate	% Change								
<u>All Customers Except those Noted Below</u>											
0 - 9 ccf		\$1.95		\$2.20	12.6%	\$2.36	7.5%	\$2.54	7.5%	\$2.73	7.5%
10 - 30 ccf		\$2.19		\$2.47	12.8%	\$2.66	7.5%	\$2.85	7.5%	\$3.07	7.5%
>31 ccf		\$3.19		\$3.62	13.3%	\$3.89	7.5%	\$4.18	7.5%	\$4.49	7.5%
<u>Multiple Apartments</u>											
Over 49 Units and More	\$2.40	\$2.35	-1.9%	\$2.66	12.9%	\$2.86	7.5%	\$3.07	7.5%	\$3.30	7.5%
<u>Landscape</u>											
0 - 30 ccf	\$2.70	\$2.19	-18.8%	\$2.47	12.8%	\$2.66	7.5%	\$2.85	7.5%	\$3.07	7.5%
>31 ccf	\$3.32	\$3.19	-3.8%	\$3.62	13.3%	\$3.89	7.5%	\$4.18	7.5%	\$4.49	7.5%

Note 1. Current tiers are:

- 0 – 5: \$1.07/ccf
- 6 – 30: \$1.69/ccf
- 31 – 60: \$2.70/ccf
- > 61: \$3.32/ccf



Existing Wastewater Rate Schedule

Customer Type	Current CY 2023
Group I (\$/month/residential unit)	
Residential	\$62.19
Residential X 1.3	\$80.84
Residential Multi.	\$62.19
Group II, \$/ccf metered water use	
Commercial	\$6.77
(includes - Softwater Service, Car Wash, Office Buildings, Cleaners, Department/Retail Stores, Warehouse, Car lots, Equipment Rental, Storage Units, Hospitals, Manufacturing, Indoor Theater, Day Care, Pre School, Disabled Care, Nail/Hair Salon, Church)	
Group III, \$/ccf metered water use	
Commercial	\$7.96
(includes - Hotels /Motels (no restaurant), repair and Service Station, Shopping Center, Recreation Park, Nursery/Florist, Manufacturing - Non-Domestic, Lumber Yard, Nightclub, Bar, Hall)	



Existing Wastewater Rate Schedule

Customer Type	Current CY 2023
Group IV, \$/ccf metered water use	
Commercial	\$10.17
(includes - Hotels /Motels (w/restaurants), Bakeries, Dairy, Supermarkets, Dairy, Meat Market, Mom & Pop, Mortuary, Restaurants, Fast Food, Catering)	
Group V, \$/student/month	
Schools -	
Elementary	\$0.85
Junior High	\$2.03
High	\$2.03
Continuation	\$0.85
Adult Education	\$0.85
Group VI, \$/ccf water use	
Large Volume	\$6.77
Hospital	\$6.77
Commercial Building	\$6.77



Wastewater Cost-of-Service Analysis Methodology Overview

- **Three steps in a Cost-of-Service Analysis**
 - **Functionalization: divide costs into system functions (treatment, collection, customer, and administration)**
 - **Allocation: divide functionalized costs according to service characteristics (flow, biochemical oxygen demand, total suspended solids, customer)**
 - **Distribution: define revenue requirement for each customer class**



Wastewater Rate Structure Notes

- **Extraterritorial customers continue to pay 1.3X rate charged to in-City customers**
- **More gradual Commercial IV rate increases**
 - Revenue neutral, by adjusting Commercial II rates



Proposed Wastewater Rates

Customer Type	Existing	Proposed Rates				
		1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029
Group V, \$/student/month						
Schools -						
Elementary	\$0.85	\$1.00	\$1.15	\$1.25	\$1.35	\$1.48
Junior High	\$2.03	\$2.30	\$2.60	\$2.80	\$2.99	\$3.16
High	\$2.03	\$2.30	\$2.60	\$2.80	\$2.99	\$3.16
Continuation	\$0.85	\$1.00	\$1.15	\$1.25	\$1.35	\$1.48
Adult Education	\$0.85	\$1.00	\$1.15	\$1.25	\$1.35	\$1.48
Group VI, \$/ccf water use						
Large Volume	\$6.77	\$5.80	\$6.10	\$6.40	\$6.70	\$6.85
Hospital	\$6.77	\$5.80	\$6.10	\$6.40	\$6.70	\$6.85
Commercial Building	\$6.77	\$5.80	\$6.10	\$6.40	\$6.70	\$6.85



Proposed Wastewater Rates

Customer Type	Existing	Proposed Rates				
		1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029
Group I (\$/month/residential unit)						
Residential	\$62.19	\$67.14	\$71.07	\$75.23	\$79.64	\$84.31
Residential X 1.3	\$80.84	\$87.28	\$92.39	\$97.80	\$103.53	\$109.60
Residential Multi.	\$62.19	\$67.14	\$71.07	\$75.23	\$79.64	\$84.31
Group II, \$/ccf metered water use						
Commercial	\$6.77	\$5.80	\$6.10	\$6.40	\$6.70	\$6.85
(includes - Softwater Service, Car Wash, Office Buildings, Cleaners, Department/Retail Stores, Warehouse, Car lots, Equipment Rental, Storage Units, Hospitals, Manufacturing, Indoor Theater, Day Care, Pre School, Disabled Care, Nail/Hair Salon, Church)						
Group III, \$/ccf metered water use						
Commercial	\$7.96	\$8.32	\$8.80	\$9.32	\$9.87	\$10.44
(includes - Hotels /Motels (no restaurant), repair and Service Station, Shopping Center, Recreation Park, Nursery/Florist, Manufacturing - Non-Domestic, Lumber Yard, Nightclub, Bar, Hall)						
Group IV, \$/ccf metered water use						
Commercial	\$10.17	\$12.06	\$13.00	\$14.08	\$15.33	\$17.59
(includes - Hotels /Motels (w/restaurants), Bakeries, Dairy, Supermarkets, Dairy, Meat Market, Mom & Pop, Mortuary, Restaurants, Fast Food, Catering)						



Comparator Rates

Monthly Rate Comparison: **WATER**

	2025 Monthly Rate Water (based on 5/8" or 1/2" meter size using 16 hcf monthly)
Fontana Water Company (Water)	105.79
City of Banning	82.98
Marygold Water	82.53
Jurupa Community Services District	69.77
City of Rialto	67.41
Cucamonga Valley Water District (CVWD)	65.47
City of Corona DWP	64.69
East Valley Water District	63.38
West Valley Water District (WVWD)	57.31
Loma Linda, City of	55.95
City of Colton	53.10
City of Riverside Public Utilities	52.19
San Bernardino Municipal Water District	49.69
City of Redlands Municipal Utilities	49.36

Monthly Rate Comparison: **WASTEWATER**

	2025 Monthly Rate Wastewater (based on single-family residential)
City of Rialto	67.14
City of Banning	49.01
San Bernardino Municipal Water District	48.98
Loma Linda, City of	46.46
Jurupa Community Services District	46.37
City of Corona DWP	45.60
East Valley Water District	43.09
City of Redlands Municipal Utilities	40.15
City of Riverside Public Utilities	39.59
Fontana Water Company: City of Fontana (Sewer)	35.14
City of Colton	34.33
Cucamonga Valley Water District (CVWD)	32.02



Recommendation

Staff recommends that the City Council and Rialto Utility Authority Board Adopt Resolutions to set a Public Hearing for June 25, 2024, as Required Under Proposition 218 to Consider the Proposed Water and Wastewater Utility Services Rate Adjustments as supported by the FG Solutions, LLC Financial Rate Analysis.