Public Hearing Request

Proposed Water Rate Adjustment

City Council Meeting

November 7, 2017
Main San Gabriel Basin

Water Supply Issues
So... Why Are We Still Talking About Water?

California governor declares end to drought emergency

Gov. Brown declares California's drought emergency is over

In this May 18, 2015, file photo, Gino Cali draws a water sample to check the salinity in an irrigation canal that runs through his fields near Stockton, Calif. The U.S. Bureau of Reclamation on Wednesday, March 22, 2017, announced that farmers in California's San Joaquin Valley will receive 85 percent of their contracted supplies. This comes in one of California's wettest winters in years, ending five years of punishing drought.
Because The Drought Is Not Over In The SGV!

• On April 4, 2017 – Governor Brown declared that California’s drought was over, and for much of California, it is!

• But, in Monrovia, we’re located in the Main San Gabriel Basin, and we are still in a serious drought condition
Why Is Our Region Still In A Drought?
It Starts With Groundwater Basins

• In Los Angeles County, there are 5 adjudicated groundwater basins, including:
  • Central Basin
  • West Coast Basin
  • Main San Gabriel Basin
  • Raymond Basin
  • Upper Los Angeles River Area Basin

• Each adjudicated basin was established by court order, and each basin has different hydrogeological characteristics
Recent Rainy Season For MSGB

• For nearly six years, the Main San Gabriel Basin sustained the worst ever recorded drought conditions

• And even though California received record rainfall in 2016/17, our region only had what is considered to be a slightly above-average year of rain
  • San Gabriel Dam – 108% of normal
  • Pasadena City Hall – 100% of normal
  • Puddingstone Dam – 113% of normal
Drought Conditions Seem Here To Stay

- During the past 10 years (2007 – 2017), we’ve had...
  - 8 years of drought conditions
  - 2 years of above average rain
    - 2010/11 and 2016/17
- And the drought trend conditions persist when we look back during the past 20 years (1997 – 2017)
  - 4 years of significant rainfall (1997/98, 2004/05, 2010/11, 2016/17)
  - 16 years of drought conditions
Rain Patterns Have Changed

• In the MSGB, our historical groundwater management plan has always been to rely on rain to recharge our basin
  • Based on data from the past 40 years, there is evidence of weather patterns shifting
  • If the past 20 years is the new normal, we need a new groundwater management plan
Drought Impact On Our Aquifer

• Due to the drought, the groundwater level at the Key Well dropped to its **lowest point ever** prior to this past rainy season... 172.2 feet
  • The Safe Operating Range is a minimum of 200 feet, with a recommended depth of 250 feet at the Key Well
    • **72.5 billion gallons** below 200 feet, and **202.8 billion gallons** below 250 feet

• Water experts had been worried that the MSGB will fall to a critically dangerous 160 – 170 feet in depth at the end of this summer period
  • **If the MSGB falls below 165 feet...** advanced hydrogeological modeling indicates that 10% of all production wells in the MSGB will fail, and water production output will decrease by 30%
Current Key Well Depth

- The Key Well depth is now 183.2 feet; however, that depth is artificially inflated
  - Cyclic storage has artificially increased the Key Well elevation, and the Watermaster expects that producers will draw down on cyclic storage to the tune of 5-7 feet during the next year
  - Most significantly, the Watermaster has started taking deliveries of imported water into the MSGB
Watermaster Responding To Drought

• In response to continuing drought conditions in the Main San Gabriel Basin (MSGB), the Watermaster on May 3, 2017, took formal action to implement new directives that have created significant new costs for water production
  • Implementing a Water Resources Development Assessment (RDA)
    • This assessment is intended to raise funds to purchase and import water from Metropolitan into the MSGB
  • Establishing a reduction in the Main San Gabriel Basin Operating Safe Yield (OSY)
    • The OSY dictates how much water each agency can produce annually without having to pay an additional replacement water cost
Water RDA Overview

• Water RDA Overview
  • The Water RDA is a direct assessment on every acre-foot of water production
  • The money raised by the Water RDA will be used by the Watermaster to purchase imported water
    • FY 2017/18: $115 / acre-foot of production
    • FY 2018/19: $150 / acre-foot of production
    • FY 2019/20: $185 / acre-foot of production
    • FY 2020/21: $220 / acre-foot of production
    • FY 2021/22: $220 / acre-foot of production
Operating Safe Yield Change

**OSY Change Overview**

- The City is allowed the right to produce an amount of water equal to 3.095% of the annual OSY without having to pay any overproduction charges.
- If we pump more than what we are allowed by right, we have to pay an overproduction replacement cost for every acre-foot that we exceed our base allocation (overproduction replacement cost is established by the Upper San Gabriel Valley Municipal Water District, i.e., Upper District).

- **FY 2017/18:** $798 / acre-foot of overproduction
- **FY 2018/19:** $841 / acre-foot of overproduction
- **FY 2019/20:** $886 / acre-foot of overproduction
- **FY 2020/21:** $938 / acre-foot of overproduction
- **FY 2021/22:** $979 / acre-foot of overproduction
## Projected Cost of Annual Watermaster / Upper District Increase

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Watermaster / Upper District Costs</th>
<th>Year-Over-Year Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017/18</td>
<td>$1.73 M</td>
<td>-</td>
</tr>
<tr>
<td>FY 2018/19</td>
<td>$2.39 M</td>
<td>38.2%</td>
</tr>
<tr>
<td>FY 2019/20</td>
<td>$2.85 M</td>
<td>19.2%</td>
</tr>
<tr>
<td>FY 2020/21</td>
<td>$3.34 M</td>
<td>17.2%</td>
</tr>
<tr>
<td>FY 2021/22</td>
<td>$3.59 M</td>
<td>7.5%</td>
</tr>
</tbody>
</table>
Funds Raised Will Be Used To Purchase Water For Importation Into The MSGB

• 100% of the funds raised from the new Watermaster fee will go towards purchasing water to import into the MSGB
  • Watermaster has finalized details for the purchase of up to 125,000 acre feet of water (around 40.7 billion gallons) to import into the MSGB
  • This purchase will cost around $100 million, and the Watermaster has been taking delivery of the water for the past few months

• This means, though, that water is about to get more expensive in our region
Proposed Rate Increase Overview

- In order to fund the new Watermaster and Upper District costs, staff has developed a new water rate schedule for consideration.
- Under the plan, the typical single-family resident can expect to see water costs increase an average of $16.87 / month beginning in March 2018, as outlined below:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Current Monthly Water Rate</th>
<th>Proposed Monthly Water Rate</th>
<th>Monthly Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stand-By Charge</td>
<td>$15.34</td>
<td>$30.56</td>
<td>$15.22</td>
</tr>
<tr>
<td>Per-Unit Consumption Rate</td>
<td>$1.70</td>
<td>$1.81</td>
<td>$0.11</td>
</tr>
<tr>
<td>Consumption Charge*</td>
<td>$25.50</td>
<td>$27.15</td>
<td>$1.65</td>
</tr>
<tr>
<td>TOTAL INCREASE</td>
<td>$40.84</td>
<td>$57.71</td>
<td>$16.87</td>
</tr>
</tbody>
</table>

*Based on an average of 15 units of water consumption / month
Proposed Rates Increase Annually Through January 1, 2022

• Based on the costs instituted by the Watermaster and Upper District, beginning in 2019, the City’s proposed water rate increase would adjust every January 1 through 2022

• The average annual increase from January 2019 through January 2022 will be $4.99 / month
  • At build out in January 2022, the total monthly bill for the typical residential customer will be $77.70
Proposed Water Rate Comparison

• As staff evaluated our proposed water rate increase, we surveyed neighboring communities to compare our costs with other agencies.

• A total of 20 agencies were surveyed, and our key findings include:
  • Monrovia currently has the 3rd lowest cost for water in the region, with an average residential cost of $40.84/month.
  • If the proposed water rate adjustment were to be approved, Monrovia would have the fifth lowest fee for water in the region, with an average residential cost of $57.71/month.
## Proposed Water Rate Comparison

<table>
<thead>
<tr>
<th>Agency</th>
<th>Monthly Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Los Angeles DWP</td>
<td>$101.70</td>
</tr>
<tr>
<td>2 Pasadena</td>
<td>$98.99</td>
</tr>
<tr>
<td>3 South Pasadena</td>
<td>$86.86</td>
</tr>
<tr>
<td>4 Duarte (Cal American)</td>
<td>$83.74</td>
</tr>
<tr>
<td>5 Sierra Madre</td>
<td>$80.13</td>
</tr>
<tr>
<td>6 Glendora</td>
<td>$74.14</td>
</tr>
<tr>
<td>7 Covina</td>
<td>$73.89</td>
</tr>
<tr>
<td>8 Golden State (Rosemead, Temple City &amp; El Monte)</td>
<td>$73.17</td>
</tr>
<tr>
<td>9 La Verne</td>
<td>$71.45</td>
</tr>
<tr>
<td>10 San Gabriel Valley Water Co.</td>
<td>$71.02</td>
</tr>
<tr>
<td>11 Glendale</td>
<td>$68.43</td>
</tr>
<tr>
<td>12 Walnut Valley Water Company</td>
<td>$65.24</td>
</tr>
<tr>
<td>13 Monterey Park</td>
<td>$58.54</td>
</tr>
<tr>
<td>14 Burbank</td>
<td>$58.50</td>
</tr>
<tr>
<td>15 Monrovia (Proposed)</td>
<td>$57.71</td>
</tr>
<tr>
<td>16 Azusa</td>
<td>$47.74</td>
</tr>
<tr>
<td>17 Downey</td>
<td>$43.56</td>
</tr>
<tr>
<td>18 Monrovia (Current)</td>
<td>$40.63</td>
</tr>
<tr>
<td>19 Pomona</td>
<td>$39.13</td>
</tr>
<tr>
<td>20 Arcadia</td>
<td>$33.27</td>
</tr>
</tbody>
</table>
Usage Component Associated With Proposed Rate Adjustment

- As staff developed the proposed water rate, we also took into account the fact that usage levels are different between different customers.
- To that end, our proposed adjustment will result in lower costs for those that use less water.

<table>
<thead>
<tr>
<th></th>
<th>10 Units</th>
<th>15 Units</th>
<th>20 Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(7,480 Gallons)</td>
<td>(11,220 Gallons)</td>
<td>(14,960 Gallons)</td>
</tr>
<tr>
<td>Meter Charge</td>
<td>$ 30.56</td>
<td>$ 30.56</td>
<td>$ 30.56</td>
</tr>
<tr>
<td>Cost Per Unit</td>
<td>$ 18.10</td>
<td>$ 27.15</td>
<td>$ 36.20</td>
</tr>
<tr>
<td>($1.81 / Unit)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL ESTIMATED COST</td>
<td>$ 48.66</td>
<td>$ 57.71</td>
<td>$ 66.76</td>
</tr>
</tbody>
</table>
New Development Rate For Water

• Our proposed rate adjustment takes into account that new development should pay the costs associated with importing water
  • Imported water is available; however, it costs more than locally produced water
  • Staff has established a new development rate that takes into account the fully-burdened cost for importing water into Monrovia

• The proposed new development rate is **34.4%** more expensive than the normal water rate
  • This proposed new development rate will ensure that existing residents / businesses are not forced to bear the added cost of importing more water into the City to serve a new population base
Proposed New Development Water Rate

- The proposed new development water rate (for any project adding 5 or more units to the City) is:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Proposed Normal Water Rate</th>
<th>Proposed New Development Water Rate</th>
<th>New Development Rate vs. Normal Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stand-By Charge</td>
<td>$</td>
<td>$ 30.56</td>
<td>$ 41.06</td>
</tr>
<tr>
<td>Per-Unit Consumption Rate*</td>
<td>$</td>
<td>$ 1.81</td>
<td>$ 2.43</td>
</tr>
</tbody>
</table>
Senior, Economically Disadvantaged, and Veteran Rate Discount

• The proposed water rate adjustment includes a 25% across the board reduction for seniors (65+) who are economically disadvantaged, along with veterans

• Seniors who are not economically disadvantaged are eligible for a 5% reduction in costs
Proposition 218

• Proposition 218 was approved by California voters in November 1996
  • The measure requires that specific procedures be followed regarding any property-related fee increases
  • Local agencies are required to provide mailed notices of any property-related fee changes at least 45 days before holding a public hearing to consider the proposed adjustments

• In July 2006, the California Supreme Court clarified that water and sewer related fee adjustments are property-related fees subject to Proposition 218
### Proposed Proposition 218 Schedule

<table>
<thead>
<tr>
<th>Step</th>
<th>Scheduled Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption/Rejection of Resolution to Schedule the Public Hearing with the Presented Fees</td>
<td>November 7, 2017</td>
</tr>
<tr>
<td>Staff Conducts Additional Research and Prepares the Public Notice</td>
<td>November 8, 2017 – December 1, 2017</td>
</tr>
<tr>
<td>Notice of Public Hearing issued a minimum of 45 days in advance of the hearing date</td>
<td>No later than Friday, December 1, 2017</td>
</tr>
<tr>
<td>Public Hearing</td>
<td>January 16, 2018</td>
</tr>
<tr>
<td>Adoption/Rejection by the City Council</td>
<td>January 16, 2018</td>
</tr>
<tr>
<td>New Water Rates – Effective Date (if approved)</td>
<td>Billing periods beginning on or after March 8, 2018</td>
</tr>
</tbody>
</table>
Proposed Water Rate Community Engagement Meeting Dates

• **Thursday, November 30, 2017 @ 7pm**
  • Library Community Room

• **Wednesday, December 13, 2017 @ 7pm**
  • Library Community Room

• **Saturday, December 16, 2017 @ 10am**
  • Library Community Room

• **Monday, December 18, 2017 @ 7pm**
  • Monroe Room

• **Wednesday, January 10, 2018 @ 7pm**
  • Library Community Room
Staff Recommendation

• Staff recommends that the City Council all for a Proposition 218 Public Hearing to take place on January 16, 2018, to consider proposed water fee adjustments
Questions?