

City of Garden Grove PUBLIC WORKS Water Rate Study

Council Study Session – August 2023



The City of Garden Grove

Agenda

1. Updated Water Demand Data
2. Revised Projected Revenue Increases
3. Proposed Water Rate Schedule
4. Public Outreach Plan
5. Request for Council Feedback
6. Next Steps



The City of Garden Grove

Why do a Water Rate Study?

- **“The mission of the City of Garden Grove is to provide responsible leadership and quality services as we promote safety, cultural harmony, and life enrichment.”**
 - “The goal of the Water Services Division is to provide sufficient and safe water at the lowest possible cost to the City’s residents.”



The City of Garden Grove

Current Issues

- PFAS
- Drought/Water Conservation Objectives
- Ongoing Capital Improvement Needs



The City of Garden Grove

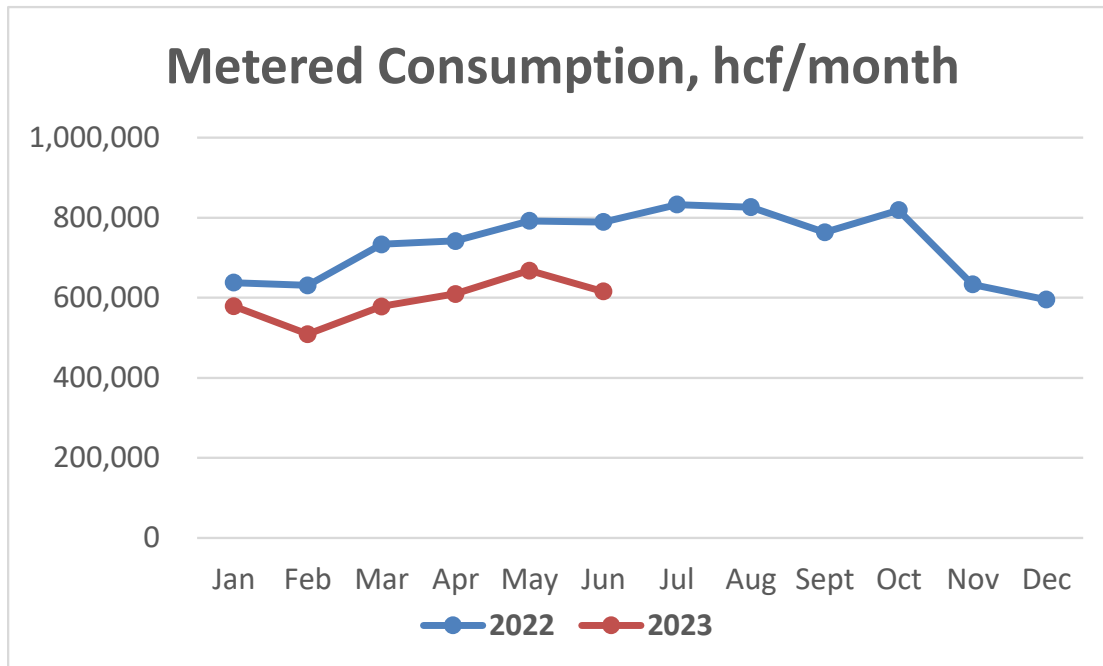
Updated Water Demand Data

- **Wet weather since July 2022**
- **July study session: proposed water rates were based on Calendar Year 2022 water demands.**
- **2023 water demands are less than 2022 water demands**
- **Tonight's proposed water rates are based on FY 22/23 water demands**



The City of Garden Grove

Water Demand Trends: 2022 and 2023

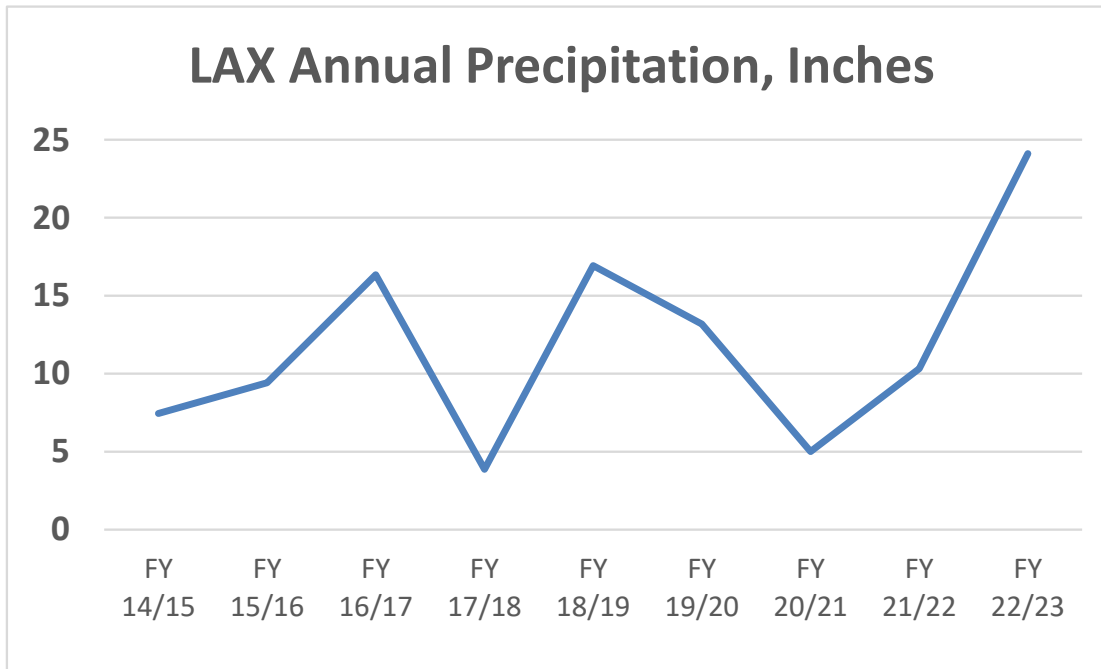


- Metered consumption = amount of water sold to customers in units of hundred cubic feet (hcf)
- Wet weather since July 2022
- FY 22/23 metered consumption ~ 10% less than previous years



The City of Garden Grove

LAX Precipitation



- **FY 22/23 precipitation almost twice the average amount**

Source: <https://www.laalmanac.com/weather/we09aa.php>

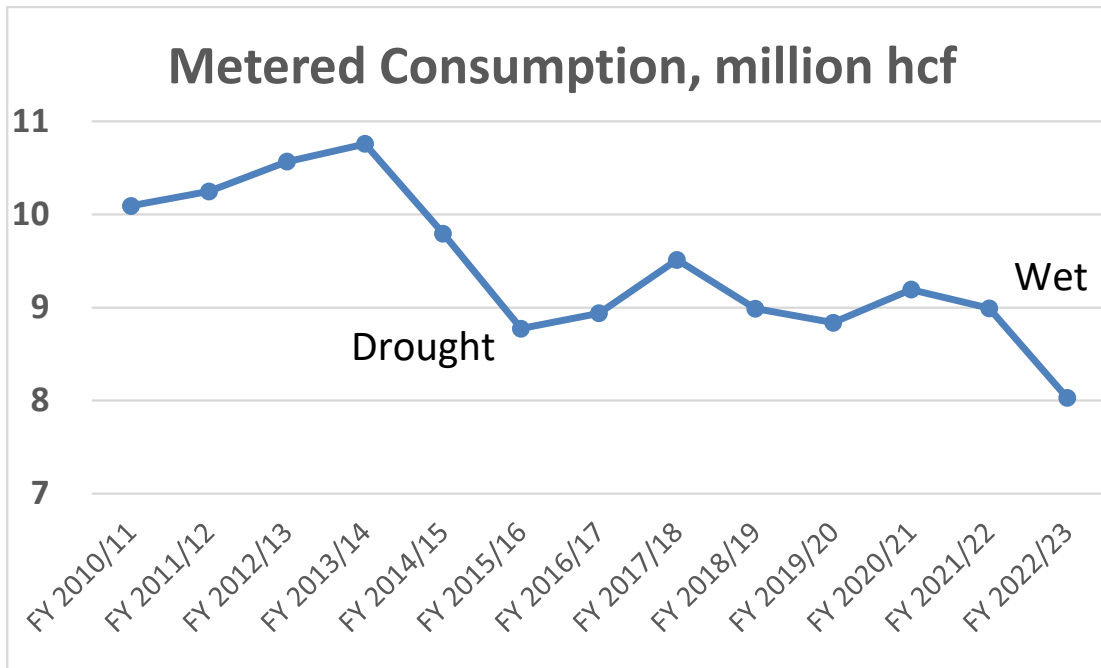
- **NOAA.gov, August 2023:**

“The chance that El Niño—the warm phase of the El Niño Southern Oscillation (aka “ENSO”) climate pattern—will continue through the winter is greater than 95%”



The City of Garden Grove

Water Demand Trends: Longer-Term



- Water demands decreased during the 2015 drought
- Partial rebound in 2017/2018
- Stable water demands from 2017 through 2021
- Approximately 10% decrease in FY 22/23



The City of Garden Grove

Reduced Water Demand: Impact to Water System

- Lower revenues: less water sold
- Lower expenses: less water pumped and less water purchased
- Revenues decrease more than expenses decrease
 - Future PFAS expenses: unchanged
- Financial projections and projected rates modified
 - July study session: proposed rates based on CY 2022 demands
 - August study session: proposed rates based on lower FY 22/23 demands.



Revised Projected Revenue Increases

	Projected Revenue Increases				
	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28
Projected Revenue Increases Not Including Future Pass-Through Adjustments	6.40%	6.40%	6.40%	6.40%	2.50%
Projected Pass-Through Adjustments, \$/ccf	\$0.00	\$0.11	\$0.23	\$0.35	\$0.47

- **Revised revenue projection has higher revenue increases because of lower water demand projections.**
 - July study session: annual 4.7% revenue increases.
- **Pass-Through Adjustments are unchanged from July.**
 - Pass-Through Adjustments are calculated annually. Council considers these Adjustments every year.



Revised Water Rate Schedule

- A. Proposed Commodity Delivery Charges**
- B. Proposed Capital Improvement Charge**
- C. Proposed Bi-Monthly Minimum Charge**
- D. Proposed Fire Service Rates**
- E. Example Bi-Monthly Water Bill Under Proposed Rates**
- F. CARE Senior Discount**
- G. Low Water Use Discount**



The City of Garden Grove

Commodity Delivery Charges: How They Were Calculated

- **Tier 1**

- Water source: local groundwater
- Tier 1 rate based on the cost of local groundwater production
- ccf included in Tier 1 is based on average water use

- **Tier 2**

- Water source: local groundwater (43%) and imported water (57%)
- Tier 2 rate based on the cost of imported water and the cost of local groundwater
- Tier 2 rate also includes the cost of conservation programs, including the City's cost to comply with State Water Use Objectives legislation.



The City of Garden Grove

Proposed Commodity Delivery Charges, \$/hcf

	Current	Proposed				
		1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
Tier 1	\$3.26	\$3.40	\$3.53	\$3.83	\$4.14	\$4.27
Tier 2	\$4.80	\$5.29	\$5.67	\$5.84	\$6.02	\$6.10

- **Tier 1:**

- Increases as PFAS O&M cost increases the cost to produce local groundwater.

- **Tier 2:**

- Increases with the costs of Water Use Objectives and PFAS O&M.

- **Rate Transitioning**

- All rates except 1/1/24 rates are based on the cost-of-service analysis.
- Tier 1 1/1/24 rate is the average of current rates and 1/1/25 cost-of-service rates.



Proposed Bi-Monthly Minimum Charge

Meter Size	Current	Proposed				
		1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
5/8 x 3/4"	\$33.85	\$35.10	\$38.23	\$40.47	\$42.84	\$43.68
1"	\$50.48	\$54.54	\$61.54	\$65.77	\$70.29	\$72.39
1-1/2"	\$78.20	\$87.28	\$100.39	\$107.95	\$116.05	\$120.24
2"	\$111.45	\$126.55	\$147.01	\$158.57	\$170.96	\$177.65
3"	\$200.15	\$231.29	\$271.34	\$293.55	\$317.38	\$330.77
4"	\$299.92	\$349.13	\$411.20	\$445.40	\$482.10	\$503.03
6"	\$577.08	\$676.44	\$799.72	\$867.20	\$939.66	\$981.52
8"	\$909.67	\$1,069.22	\$1,265.94	\$1,373.37	\$1,488.73	\$1,555.71
10"	\$1,353.12	\$1,592.92	\$1,887.56	\$2,048.26	\$2,220.83	\$2,321.29



The City of Garden Grove

Proposed Bi-Monthly Capital Improvement Charge

Meter Size	Current	Proposed				
		1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
5/8 x 3/4"	\$7.00	\$7.45	\$7.92	\$8.43	\$8.97	\$9.20
1"	\$17.50	\$18.62	\$19.81	\$21.08	\$22.43	\$22.99
1-1/2"	\$35.00	\$37.24	\$39.62	\$42.16	\$44.85	\$45.98
2"	\$56.00	\$59.58	\$63.39	\$67.45	\$71.77	\$73.56
3"	\$112.00	\$119.16	\$126.79	\$134.90	\$143.53	\$147.12
4"	\$175.00	\$186.19	\$198.10	\$210.78	\$224.27	\$229.88
6"	\$350.00	\$372.37	\$396.21	\$421.56	\$448.54	\$459.76
8"	\$560.00	\$595.80	\$633.93	\$674.50	\$717.67	\$735.61
10"	\$840.00	\$893.70	\$950.89	\$1,011.75	\$1,076.50	\$1,103.41

- Proposed increases are the same rate as overall water system revenue increases (6.4% per year through 2027, and 2.5% in 2028)



Proposed Fire Service Rates

Meter Size	Current	Proposed				
		1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
1-1/2"	\$2.99	\$3.42	\$3.84	\$4.09	\$4.35	\$4.46
2"	\$6.38	\$7.28	\$8.18	\$8.70	\$9.26	\$9.49
3"	\$18.55	\$21.16	\$23.77	\$25.29	\$26.91	\$27.58
4"	\$39.51	\$45.09	\$50.67	\$53.91	\$57.36	\$58.79
6"	\$114.76	\$130.97	\$147.17	\$156.59	\$166.61	\$170.78
8"	\$244.55	\$279.09	\$313.62	\$333.69	\$355.05	\$363.93
10"	\$439.79	\$501.90	\$564.01	\$600.11	\$638.52	\$654.48

- Fire Service Rates are applicable to private fire service connections
- Fire Service Rates recover the costs of providing and maintaining infrastructure that provides fire protection services (portions of reservoirs and water lines).



The City of Garden Grove

Example Bi-Monthly Residential Water Bill

- Proposed rates shown tonight: bi-monthly water bill for an example residential customer:
 - 22 ccf per billing period (calendar year 2022 average)
 - 5/8" x 3/4" water meter
 - Does not include increases from future Pass-Through Adjustments

	Current	Proposed				
		1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
Bi-Monthly Minimum Charge	\$33.85	\$35.10	\$38.23	\$40.47	\$42.84	\$43.68
Commodity Delivery Charge	\$71.72	\$74.80	\$77.66	\$84.26	\$91.08	\$93.94
Capital Improvement Charge	\$7.00	\$7.45	\$7.92	\$8.43	\$8.97	\$9.20
Total	\$112.57	\$117.34	\$123.81	\$133.16	\$142.89	\$146.81
% Increase		4.2%	5.5%	7.5%	7.3%	2.7%



CARE Senior Discount

- **Eligibility:**
 - Must be enrolled in Southern California Edison's CARE program
 - Must live at the billing address
 - Water bill must be in resident's name
 - Resident must be 65 years of age or older
- **Amount:** \$10 discount per billing period
- **Staff recommendation:**
 - Keep program with no changes



The City of Garden Grove

Low Water User Discount

- **Eligibility:**
 - Any customer using less than 6 ccf in a bi-monthly billing period
- **Amount:**
 - Customer does not pay the Commodity Delivery Charge for any water use in that billing period.
- **Staff recommendation:**
 - Discontinue program to ensure water rates are equitable among all ratepayers.



Public Outreach Plan

- **Community meeting scheduled for Wednesday Sept 27**
 - 6 – 8 PM, at CMC Room A
 - **Will contain booths for in-depth discussion of key-topics**
 - Water distribution
 - PFAS
 - Water conservation
 - Water bill calculator
 - Capital improvements/picture displays
 - **Advertising: news release, water bill notice, website notice**
 - **Educate Community Groups**



The City of Garden Grove

Proposed Schedule

- **Final Proposed Rate Schedule Study Session: August 2023**
- **Public Outreach: September 27, 2023**
- **Prop 218 Notification, if approved: October 10, 2023**
- **Draft Report Available: October 18, 2023**
- **Final Report Available for Public View: November 1, 2023**
- **1st Ordinance Adoption, if approved: November 28, 2023**
- **2nd Ordinance Adoption, if approved: December 12, 2023**
- **Rate changes go into effect, if any: Mid January 2024**



The City of Garden Grove

Feedback, Questions, Comments?

Garden Grove Bl

GARDEN GROVE
Est. 1874
HISTORIC
MAIN STREET
County of Orange

Thank you for your time.

SPEED
LIMIT
25

