

RESOLUTION NO. 2019 - XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, ADOPTING REVISED WATER RATES TO BE CHARGED TO USERS OF THE FULLERTON WATER SYSTEM BASED ON COST OF SERVICES

THE CITY COUNCIL OF THE CITY OF FULLERTON HEREBY RESOLVES AS FOLLOWS:

WHEREAS: The Fullerton Municipal Water Utility of the City of Fullerton maintains a water system with the function of providing water to customers and users of the City of Fullerton water system, and has adopted Water Rates, Rules, and Regulations for the sale of water; and

WHEREAS: It is the policy of the City Council of the City of Fullerton that the Fullerton Municipal Water Utility is self-supporting and set water rates accordingly to be able to:

Pay for operation and maintenance of the water system, including salaries, wages and benefits, and the cost of all materials and supplies necessary for repairs, replacements and upgrades to the system; and

Pay for increases in water supply costs attributed to Orange County Water District and Metropolitan Water District of Southern California; and

Pay interest charges and principal payments on all outstanding water loans and bonds as they are due; and

Provide reasonable cash reserve levels to cover emergency and unforeseen expenses.

WHEREAS: The City's Water Rate Ad Hoc Committee made up of Fullerton community members, in conjunction with Stantec Consulting, Inc., Mark Hildebrand Consulting and City Staff, developed rate recommendations based on Cost-of-Service water rate study; and

WHEREAS: The final Committee rate recommendations were considered by City Council at its April 2, 2019 City Council meeting with a Proposition 218 Notice approved; and

WHEREAS: In compliance with Proposition 218, a notice of the ability to protest in advance via mail and email, and in person at the June 4, 2019 Public Hearing regarding said proposed water rates; and

WHEREAS: The City held the Public Hearing on June 4, 2019, regarding the proposed water rates and a majority of customers did not protest the proposed rate increases.

NOW THEREFORE BE IT RESOLVED that the Fullerton City Council adopt the following:

1) Increase water rates through July 1, 2023, including pass-through adjustments, to begin addressing the aging/failing water system infrastructure and increased costs in operations and maintenance as set forth in Exhibits A and B.

2) As identified in the Study, formally develop an Operating and Maintenance (O&M) Reserve within the Water Fund. The target minimum balance for the reserve shall be set at 120-days of annual operating expenses excluding water supply costs. The O&M Reserve will serve as a working capital reserve set at \$3.9 million for the 2019-20 fiscal year.

3) As identified in the Study, formally develop a Repair, Renewal and Replacement (3R) Reserve within the Water Fund. The target minimum balance for the reserve shall be set at 1% of the replacement cost of the water distribution system. The 3R Reserve will serve as an emergency capital reserve in case of emergency line repair or replacement needs set at \$5.7 million for the 2019-20 fiscal year.

4) Direct Staff to provide an annual report of water rate revenues and water system Capital Improvement Project progress to be considered by the Infrastructure and Natural Resources Advisory Committee and then provided to City Council.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Fullerton that these amended water rates shall be effective for service rendered on and after July 1, 2019.

ADOPTED BY THE FULLERTON CITY COUNCIL
ON _____.

Jesus J. Silva, Mayor

ATTEST:

Lucinda Williams, City Clerk

Date: _____

EXHIBIT A

The proposed rates for the City's water service Water Usage Rates, effective July 1, 2019 are set forth in the table below.

* Proposed increases do not include future increases in water supply costs.
(Commonly referred to as "pass-through" water rate increases)

| <u>Meter Size</u> | <u>Effective July 1, 2019</u> | <u>Effective July 1, 2020</u> | <u>Effective July 1, 2021</u> | <u>Effective July 1, 2022</u> | <u>Effective July 1, 2023</u> |
|-------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| 5/8" | \$26.07 | \$29.72 | \$32.99 | \$34.64 | \$36.02 |
| 1" | \$41.30 | \$47.08 | \$52.26 | \$54.87 | \$57.07 |
| 1 1/2" | \$79.39 | \$90.50 | \$100.46 | \$105.48 | \$109.70 |
| 2" | \$125.08 | \$142.59 | \$158.28 | \$166.19 | \$172.84 |
| 3" | \$246.95 | \$281.52 | \$312.49 | \$328.12 | \$341.24 |
| 4" | \$384.04 | \$437.81 | \$485.96 | \$510.26 | \$530.67 |
| 6" | \$764.86 | \$871.94 | \$967.85 | \$1,016.25 | \$1,056.90 |
| 8" | \$1,221.84 | \$1,392.90 | \$1,546.12 | \$1,623.42 | \$1,688.36 |
| 10" | \$1,831.15 | \$2,087.51 | \$2,317.14 | \$2,432.99 | \$2,530.31 |
| 12" | \$2,573.75 | \$2,934.08 | \$3,256.82 | \$3,419.66 | \$3,556.45 |

| | <u>Monthly Water Allocation* (Single Family)</u> | <u>Monthly Water Allocation* (Multi-Family) (per dwelling unit)</u> | <u>Effective July 1, 2019 (\$/TGAL)</u> | <u>* Effective July 1, 2020 (\$/TGAL)</u> | <u>* Effective July 1, 2021 (\$/TGAL)</u> | <u>* Effective July 1, 2022 (\$/TGAL)</u> | <u>* Effective July 1, 2023 (\$/TGAL)</u> |
|--------|--|---|---|---|---|---|---|
| Tier 1 | 12,800 gal. | 5,100 gal. | \$2.28 | \$2.60 | \$2.89 | \$3.03 | \$3.15 |
| Tier 2 | 20,200 gal. | 6,700 gal. | \$4.58 | \$5.22 | \$5.80 | \$6.09 | \$6.33 |
| Tier 3 | (no limit) | (no limit) | \$4.96 | \$5.65 | \$6.28 | \$6.59 | \$6.85 |

| | <u>Effective July 1, 2019 (\$/TGAL)</u> | <u>* Effective July 1, 2020 (\$/TGAL)</u> | <u>* Effective July 1, 2021 (\$/TGAL)</u> | <u>* Effective July 1, 2022 (\$/TGAL)</u> | <u>* Effective July 1, 2023 (\$/TGAL)</u> |
|--------------|---|---|---|---|---|
| Uniform Rate | \$2.88 | \$3.28 | \$3.64 | \$3.83 | \$3.98 |

EXHIBIT B

Tier 1 Rate Adjustment $\left(\frac{\$}{\text{TGAL}}\right)$ = Change in Orange County Water District Unit cost of water $\left(\frac{\$}{\text{TGAL}}\right)$

Tier 2 Rate Adjustment $\left(\frac{\$}{\text{TGAL}}\right)$ = Change in Metropolitan Water District of Southern California unit cost $\left(\frac{\$}{\text{TGAL}}\right)$

Tier 3 Rate Adjustment $\left(\frac{\$}{\text{TGAL}}\right)$ = Change in Metropolitan Water District of Southern California unit cost $\left(\frac{\$}{\text{TGAL}}\right)$

Uniform Rate Adjustment $\left(\frac{\$}{\text{TGAL}}\right)$ = Tier 1 rate adjustment $\left(\frac{\$}{\text{TGAL}}\right)$ x 75% + Tier 2 rate adjustment $\left(\frac{\$}{\text{TGAL}}\right)$ x 25%