



CITY OF

NEWPORT BEACH

City Council Staff Report

August 13, 2019
Study Session Item No. SS3

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: 2019 Water Rate Study

ABSTRACT:

The Utilities Department is leading the effort to review the rates associated with the Water Enterprise Fund. On March 12, 2019, City Council approved an agreement to retain the consulting services of Raftelis Financial Consultants Inc. to prepare the 2019 Water Rate Study. The previous water rate study was completed in 2009 and the last rate increase for water users was in 2014. The purpose of this presentation is to present a PowerPoint summary of the financial analysis, the draft water rates, receive input, and seek the City Council's direction to bring back the item as a formal City Council agenda item.

RECOMMENDATION:

Receive presentation, consider public comments, and provide direction to staff.

FUNDING REQUIREMENTS:

There is no fiscal impact related to this study session. However, the 2019 Water Rate Study is proposing changes to water rates and will be formally presented for future City Council consideration.

DISCUSSION:

Staff and the City's consultant will make a presentation that highlights the proposed water rates based on the draft results of the 2019 Water Rate Study. In general, the costs of the Water System Capital Improvement program, wholesale water purchases, and operations have all increased over the years. Coupled with no inflationary rate adjustments over the last five years, increases to the rate are recommended in order to maintain the system needs and for the Enterprise Fund to remain financially sound and debt-free. If acceptable to City Council, staff would bring the 2019 Water Rate Study for formal approval on September 10, 2019, prepare the public notice and public information outreach and conduct a series of steps and actions in order to implement rate changes by January of 2020.

During the May 16, 2019 and June 27, 2019 Finance Committee meetings, staff presented a financial analysis of the Water Enterprise Fund including the reserve policy and preparing for future drought concerns. Also discussed were typical steps and decision points for evaluating water rates, the different types of water rate structures, and rate options concerning fixed and variable revenues. The Committee provided staff direction and recommended that the item be forwarded to City Council along with a specific rate recommendation which increases the fixed revenues to better stabilize the Fund.

If acceptable to City Council, staff is proposing to make the Draft Water Rate Study available to the Public on the City's website at the end of August. On September 10, 2019, staff tentatively plans to bring for your approval the Final Water Rate Study Report, the initiation of the Proposition 218 notice and process and setting of a Public Hearing on November 5, 2019. Concurrently, staff will conduct public outreach to the community during this time period.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENT:

Attachment A – 2019 Water Rate Study PowerPoint Presentation Dated 8/13/2019