Water Resources
Utility Rates Review
Water System Overview
Water System Statistics

* 421 Miles of water pipe
* 38 Potable wells
* 3 Nonpotable wells
* 22 Water storage reservoirs
* 11 Pressure zones
* 6.26 Billion gallons of drinking water produced (2017)
* ~31,500 meters/customers
* 8,600 gallons per month for each household (average)
* Sales have declined in recent years
What are your Water dollars used for?

- Salaries 18%
- O&M 40%
- Improvements 30%
- Debt Service 12%
1. Drought, conservation, and reduced revenues
2. Water quality standards and emerging contaminants
3. Needed system improvements
**Question:** You asked me to conserve and now you are raising rates, why are you punishing me for doing what you asked?

**Answer:** Conservation measures mandated by the State have negatively impacted revenues. As conservation reduces water use so too are the revenues needed to maintain and operate the utility. This rate increase is related to recovering the lost revenue and the need for system improvements without additional debt.
Water bills are structured to recover both fixed (salaries and debt service) and variable costs (power and chemicals) in the commodity charge (water charge), so... when sales decline so too does the revenue needed to pay for things like reservoir and pipeline maintenance and staff to perform these tasks.
Water Production

- $5.7 Million gross reduction in revenues from 2008 to 2017
- ~71% Fixed cost (operations and debt service)
- ~$4 Million loss net revenue
Conservation Impacts

~71% Fixed Costs

~29% Variable Costs

$4M Lost Revenues

$1.7M Lost Revenues

25,792 AFY

19,222 AFY
Water quality standards necessitated the construction of:

1- Perchlorate Treatment Plant
4- Volatile Organic Compound Treatment Plants

Bond proceeds were largely used to cover construction costs, however operations expenses are rate funded.
Recent Improvements

- 1- Perchlorate Treatment Plant
- 4- Volatile Organic Compound Treatment Plants
- ~21 miles of water pipeline

Well 16- 1.3 MGD (VOC)

AEP 3- 16.6 MGD (ClO₄⁻)
Capital Improvement Benefits

* Pipeline replacements started in 2007 and have resulted in a reduction in leaks
* 2.1 miles of pipe installed each year 2008-2017
* Average leaks went from 623/year to 422/year

Leak History

Leaks have decreased 33% on average due to pipe replacements
### 3. Planned Projects (FY19-FY21)

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replace reservoir 4B</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Replace the roofs on reservoirs 5A and 6</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Rehabilitate reservoir 7A</td>
<td>$500,000</td>
</tr>
<tr>
<td>Well/booster/facility rehabilitation (3 Years)</td>
<td>$2,400,000</td>
</tr>
<tr>
<td>Corporate Yard Building replacement</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>Water pipe replacement</td>
<td>$5,062,000</td>
</tr>
<tr>
<td>Rehabilitate treatment plants AEP 1,2&amp;3 (23MGD)</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>Work Order Management Program</td>
<td>$600,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$23,062,000</strong></td>
</tr>
</tbody>
</table>
Reservoirs
Deferred Projects

Water Pipe

* 421 miles of pipe
* 70 years of life expectancy
* 6 miles per year replacement cycle

Replacement Schedule

* 2 miles of pipe replacement included in budget
* 4 miles per year deferred
* Additional 19.75% rate increase deferred

(No new debt)
4. Water Expenses/Revenues

- Revenues are not sufficient to cover O&M and debt service
- With current revenues no improvement projects can be completed without using cash balance
- Assumes 2% annual rate increases
Water Rate Increases

Cash Balance and Adjustments

Proposed Yr End Cash Balance

Reserve Balance (25% O&M)+Plant Replacement Reserve

Revenue Adjustments (Right Axis)
Bond requirements necessitate a specific debt service coverage of 1.2 expense to revenues (Total Revenue – O&M ≥ 120% of debt service).

The annual debt payment, after refinancing last year, is $5.1M
Pomona’s rates were developed based on:

* State laws (Prop. 218)
* Industry standards
Fixed costs were lowered as a percentage to better align with industry standards, and resulted in:

- Lowering the overall bill to low water users
- Sending a price signal to high volume users
- Promoting conservation

<table>
<thead>
<tr>
<th>Meter</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot;</td>
<td>$50.68</td>
<td>$40.91</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>$68.45</td>
<td>$59.55</td>
</tr>
<tr>
<td>1&quot;</td>
<td>$104.02</td>
<td>$96.84</td>
</tr>
<tr>
<td>1-1/2&quot;</td>
<td>$192.95</td>
<td>$190.04</td>
</tr>
<tr>
<td>2&quot;</td>
<td>$299.66</td>
<td>$301.88</td>
</tr>
<tr>
<td>3&quot;</td>
<td>$548.64</td>
<td>$562.84</td>
</tr>
<tr>
<td>4&quot;</td>
<td>$904.34</td>
<td>$935.65</td>
</tr>
<tr>
<td>6&quot;</td>
<td>$1,793.59</td>
<td>$1,867.66</td>
</tr>
<tr>
<td>8&quot;</td>
<td>$2,860.67</td>
<td>$2,986.07</td>
</tr>
<tr>
<td>10&quot;</td>
<td>$4,105.64</td>
<td>$4,290.89</td>
</tr>
</tbody>
</table>
Tiers are based on historical average volumes of available water

- This philosophy is 218 compliant
- Tiered costs are based on availability of water, and the cost to produce that source of water
- Customers are each given an allocation of each source of water
- Fixed costs need to reflect an industry standard

<table>
<thead>
<tr>
<th></th>
<th>10 Yr. AF Av.</th>
<th>Cost of Water/CCF</th>
<th>CCF per Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six Basin Wells - Treated</td>
<td>3,609</td>
<td>$1.24</td>
<td>7.5</td>
</tr>
<tr>
<td>Spadra Wells - Untreated</td>
<td>215</td>
<td>$1.38</td>
<td>0.4</td>
</tr>
<tr>
<td>Chino Wells - Untreated</td>
<td>579</td>
<td>$1.57</td>
<td>1.2</td>
</tr>
<tr>
<td>Chino Wells - Treated</td>
<td>10,615</td>
<td>$1.80</td>
<td>22.1</td>
</tr>
<tr>
<td>Pedley Surface Wtr Trtmnt Plnt - Trtd</td>
<td>1,997</td>
<td>$2.28</td>
<td>4.2</td>
</tr>
<tr>
<td>MWD (TVMWD) - Tier 1</td>
<td>4,495</td>
<td>$2.28</td>
<td>9.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CCF per Tier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Tier 1</td>
</tr>
<tr>
<td>Tier 2</td>
</tr>
<tr>
<td>Tier 3</td>
</tr>
</tbody>
</table>
# Water Rate Structure

## Current Rate Structure

<table>
<thead>
<tr>
<th>SFR Inside City</th>
<th>1-15 Units</th>
<th>$0.98  per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16-75 Units</td>
<td>$1.79  per unit</td>
</tr>
<tr>
<td></td>
<td>76 Units and Over</td>
<td>$3.20  per unit</td>
</tr>
<tr>
<td>SFR Outside City</td>
<td>1-15 Units</td>
<td>$1.24  per unit</td>
</tr>
<tr>
<td></td>
<td>16-75 Units</td>
<td>$2.23  per unit</td>
</tr>
<tr>
<td></td>
<td>76 Units and Over</td>
<td>$4.04  per unit</td>
</tr>
<tr>
<td>NON SFR Inside City</td>
<td>1-15 Units</td>
<td>$0.98  per unit</td>
</tr>
<tr>
<td></td>
<td>16 Units and Over</td>
<td>$1.94  per unit</td>
</tr>
<tr>
<td>NON SFR Outside City</td>
<td>1-15 Units</td>
<td>$1.24  per unit</td>
</tr>
<tr>
<td></td>
<td>16 Units and Over</td>
<td>$2.48  per unit</td>
</tr>
</tbody>
</table>

## Proposed Rate Structure

<table>
<thead>
<tr>
<th>SFR</th>
<th>1-9 Units</th>
<th>$1.76  per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10-31 Units</td>
<td>$2.22  per unit</td>
</tr>
<tr>
<td></td>
<td>32 Units and Over</td>
<td>$2.40  per unit</td>
</tr>
<tr>
<td>Irrigation</td>
<td>1-9 Units</td>
<td>$1.78  per unit</td>
</tr>
<tr>
<td></td>
<td>10-31 Units</td>
<td>$2.58  per unit</td>
</tr>
<tr>
<td></td>
<td>32 Units and Over</td>
<td>$2.68  per unit</td>
</tr>
</tbody>
</table>
Adjacent Utilities
(Residential)

Average Residential Customer (5/8" Meter-23 CCF/2Mo.)

- Pomona (Current): $79.70
- Pomona (Proposed): $87.83
- Upland: $89.06
- Chino Hills: $95.96
- Ontario: $103.80
- Walnut WD: $112.68
- Chino: $113.16
- Fontana: $114.56
- Rowland WD: $139.77
Adjacent Utilities
(Non-residential)

Non-residential Customer (2" Meter-100 CCF/2Mo.)

- Upland: $466.05
- Pomona (Current): $479.26
- Walnut WD: $499.46
- Pomona (Proposed): $532.16
- Ontario: $542.00
- Fontana: $621.17
- Chino Hills: $640.32
- Chino: $760.40
- Rowland WD: $853.00
Sewer System Overview
What are your Sewer dollars used for?

- Salaries 19%
- O&M 36%
- Improvements 15%
- Debt Service 30%
Sewer System Statistics

* ~305 Miles of sewer pipe
* 96% of known pipe type is VCP (clay pipe)
* 4 Lift stations (500-3000 GPM) now operated by LACSD
* 4”-42” Pipe (most 8”)
* Sewage treated by LACSD

*Source Sewer Master Plan (Dates Updated to Current)*
What’s changed in the sewer world

- City has ~$1.95 million in annual debt (FY19)
- ~$4.5 million in annual sewer revenues
- Debt service coverage required in 1.1 times O&M expenses
- Increases are needed to meet this coverage
Sewer CIP

- Two basic projects: pipe replacements and the sewer portion of the corporate yard building
  - Corp Building - $3.67M
  - Pipe replacements - $2.76M (3 yrs)
- Average of 0.4% of the system replaced each year

* Numbers are not inflation adjusted
Sewer Expenses/Revenues

- Revenues are not sufficient to cover O&M and debt service
- With current revenues no improvement projects can be completed
- Assumes 2% annual rate increases
Sewer Rate Increases

Average annual revenue increase - $2.56M
Current Average Bill - $17.70  Proposed Average Bill - $24.52

Cash Balance and Adjustments

- **Ending Balances**
- **Reserve Target**
- **Revenue Adjustments**

- FY 2017: $16.00M (0%)
- FY 2018: $14.00M (0%)
- FY 2019: $12.00M (4.00%)
- FY 2020: $10.00M (4.00%)
- FY 2021: $8.00M (4.00%)
- FY 2022: $6.00M (4.00%)
- FY 2023: $4.00M (4.00%)
- FY 2024: $2.00M (4.00%)
- FY 2025: $2.00M (4.00%)
- FY 2026: $2.00M (4.00%)
Q: Doesn’t the City have other funds that can be used instead of raising rates?

A: The Water fund is separate from the City’s General Fund. Water Fund revenues come entirely from customers’ rates, service charges, connection fees and other water related fees and charges. The proposed rates have been set to ensure revenues collected cover operational and capital costs.
Q: Will my water/sewer rates pay for other things besides water related expenses?
A: No. The California Constitution prohibits water/sewer rates from including non-utility related expenses.
Q: What can I do to reduce my bill?
A: Customers can find tips and strategies to reduce their water consumption at
www.socalwatersmart.com/
Q: Is financial assistance available for low income customers?

A: Yes. The City offers low income customers an exemption from the 9 percent utility tax, which applies to water billings, telephone, gas and electric.

http://www.ci.pomona.ca.us/mm/UUT_Exemption_Application__Counter_2018.pdf
Q: I receive a reduced rate for other utilities for being low income, how is it they can do this and the City cannot?

A: Utilities such as SCE and The Gas Company are regulated by the PUC and are not subject to Prop 218.
Schedule

4.5 Month Process + Public outreach

* Public outreach (2 Months)
* Seek approval to issue 218 notices (CC Meeting)
* Deadline to send 218 notices (45 days)
* First read (CC meeting)
* Second read (CC Meeting)
* New rates become effective (30 after second read)