Water Department Proposed Budget and Rates for Fiscal Year 2021-2022

May 20, 2021
Presentation Summary

• Sewer Fund Projected Ending Reserves and 5-Yr Projection
• Water Fund Projected Ending Reserves and 5-yr Projection
• FY 22 Rate Comparisons
• Next Steps
Sewer Fund
FY 22 Sewer Fund Projected Ending Reserves

- **Budgeted Deficit**
  - $5,600,000
- **Projected Savings**
  - Not budgeted
  - Non-Personal (-$100k)
  - CIP (-$750k)
- **Projected Deficit**
  - $4,800,000
5-Yr Sewer Fund Projected Ending Reserves (With no FY 22 Sewer rate increase)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>End FB</th>
<th>Minimum Reserves</th>
<th>Maximum Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 21</td>
<td>$9.2</td>
<td>0%</td>
<td>25%</td>
</tr>
<tr>
<td>FY 22</td>
<td>$4.4</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>FY 23</td>
<td>$3.4</td>
<td>25%</td>
<td>4%</td>
</tr>
<tr>
<td>FY 24</td>
<td>$3.7</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>FY 25</td>
<td>$5.6</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

Note: The figures represent projected ending reserves in millions of dollars.
Structural Deficit Rate Options

• Projected Structural Deficit - $4,800,000
• 1% Sewer Rate Increase = $170,000 in revenue
• Scenario 1 – Increase Sewer Rates by 6%
• Scenario 2 – Increase Sewer Rates by 8%
• Scenario 3 – Increase Sewer Rates by 10%
Sewer Rate Scenario #1 – 6% Increase

<table>
<thead>
<tr>
<th>Year</th>
<th>End FB</th>
<th>Minimum Reserves</th>
<th>Maximum Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 21</td>
<td>$9.2</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>FY 22</td>
<td>$5.4</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>FY 23</td>
<td>$3.3</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>FY 24</td>
<td>$3.4</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>FY 25</td>
<td>$4.9</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>
Sewer Rate Scenario #2 – 8% Increase

- **FY 21**: $9.2 million
- **FY 22**: $5.7 million
- **FY 23**: $3.7 million
- **FY 24**: $3.3 million
- **FY 25**: $4.4 million

End FB, Minimum Reserves, Maximum Reserves
Sewer Rate Scenario #3 – 10% Increase

FY 21:
- End FB: $9.2
- Minimum Reserves: 0%
- Maximum Reserves: $9.2

FY 22:
- End FB: $6.1
- Minimum Reserves: 10%
- Maximum Reserves: $6.1

FY 23:
- End FB: $4.0
- Minimum Reserves: 8%
- Maximum Reserves: $4.0

FY 24:
- End FB: $3.3
- Minimum Reserves: 8%
- Maximum Reserves: $3.3

FY 25:
- End FB: $4.0
- Minimum Reserves: 4%
- Maximum Reserves: $4.0
## Sewer Rate Scenarios

### Effects on Typical Monthly Sewer Bill*

<table>
<thead>
<tr>
<th>Rate Scenarios</th>
<th>FY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer Rate Scenario 1 - 6%</td>
<td>$0.63</td>
</tr>
<tr>
<td>Sewer Rate Scenario 2 - 8%</td>
<td>$0.83</td>
</tr>
<tr>
<td>Sewer Rate Scenario 3 - 10%</td>
<td>$1.05</td>
</tr>
</tbody>
</table>

* Typical Bill - 10 billing units Sewer
Water Fund
FY 22 Water Fund Projected Ending Reserves

- Budgeted Deficit
  - $8,300,000
- Projected Savings
  - Not budgeted
  - Non-Personal (-$500k)
  - CIP (-$1.0 M)
- Projected Deficit
  - $6,800,000
5-Yr Water Fund Projected Ending Reserves (With no FY 22 Water rate increase)

- **End FB**
- **Minimum Reserves**
- **Maximum Reserves**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>End FB</th>
<th>Minimum Reserves</th>
<th>Maximum Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 21</td>
<td>$10.4</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>FY 22</td>
<td>$3.6</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>FY 23</td>
<td>$5.1</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>FY 24</td>
<td>$11.6</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>FY 25</td>
<td></td>
<td></td>
<td>$21.1</td>
</tr>
</tbody>
</table>

*Yr Water Fund Projected Ending Reserves (With no FY 22 Water rate increase)*
Structural Deficit Rate Options

• Projected Structural Deficit - $6,800,000
• 1% Water Rate Increase = $1,100,000 in revenue
• Scenario 1 – Increase Water Rates by 4%
• Scenario 2 – Increase Water Rates by 6%
• Scenario 3 – Increase Water Rates by 8%
Water Rate Scenario #1 – 4% Increase

FY 21: $10.4, 6%
FY 22: $8.1, 4%
FY 23: $12.2, 8%
FY 24: $19.0, 6%
FY 25: $28.7, 6%

End FB  Minimum Reserves  Maximum Reserves
Water Rate Scenario #2 – 6% Increase

<table>
<thead>
<tr>
<th></th>
<th>FY 21</th>
<th>FY 22</th>
<th>FY 23</th>
<th>FY 24</th>
<th>FY 25</th>
</tr>
</thead>
<tbody>
<tr>
<td>End FB</td>
<td>$10.4</td>
<td>$10.3</td>
<td>$14.5</td>
<td>$21.3</td>
<td>$31.1</td>
</tr>
<tr>
<td>Minimum Reserves</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Maximum Reserves</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Water Rate Scenario #3 – 8% Increase

End FB  Minimum Reserves  Maximum Reserves

FY 21  6%  $10.4
FY 22  8%  $12.6
FY 23  6%  $19.1
FY 24  4%  $25.9
FY 25  4%  $33.0
## Water Rate Scenarios

### Effects on Typical Monthly Water Bill *

<table>
<thead>
<tr>
<th>Rate Scenarios</th>
<th>FY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Rate Scenario 1 - 4%</td>
<td>$2.17</td>
</tr>
<tr>
<td>Water Rate Scenario 2 - 6%</td>
<td>$3.25</td>
</tr>
<tr>
<td>Water Rate Scenario 3 - 8%</td>
<td>$4.34</td>
</tr>
</tbody>
</table>

* Typical Bill - 10 billing units Water
FY 22 Rate Comparisons
## City Benchmarking Analysis

### Cities

- Long Beach
- Anaheim
- Bakersfield
- Burbank
- Cerritos
- Downey
- Fresno
- Fullerton
- Glendale
- Golden State
- Lakewood
- Los Angeles
- Oakland
- Pasadena
- Pomona
- Sacramento
- San Diego
- San Francisco
- San Jose
- Santa Ana
- Santa Monica
City Benchmarking Analysis

• Typical Bills
  • Water Bill
  • Sewer Bill

• Demographics
  • Population
  • Water Demand
  • Service Connections

• Asset Values
  • Total Capital Assets
  • % Change in Capital Assets Over Time

• Water Supply Mix
  • Imported
  • Ground
  • Surface
  • Recycled
## FY 21 Water Bill* and Imported Water %

* 10 billing units

**Source: Consultant Rate Model**

<table>
<thead>
<tr>
<th>City</th>
<th>Water Bill</th>
<th>Imported Water %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downey</td>
<td>$26</td>
<td>0%</td>
</tr>
<tr>
<td>Fresno</td>
<td>$33</td>
<td>32%</td>
</tr>
<tr>
<td>Cerritos</td>
<td>$33</td>
<td>6%</td>
</tr>
<tr>
<td>Bakersfield</td>
<td>$40</td>
<td>23%</td>
</tr>
<tr>
<td>Lakewood</td>
<td>$41</td>
<td>0%</td>
</tr>
<tr>
<td>Anaheim</td>
<td>$43</td>
<td>30%</td>
</tr>
<tr>
<td>Santa Ana</td>
<td>$44</td>
<td>29%</td>
</tr>
<tr>
<td>Glendale</td>
<td>$48</td>
<td>63%</td>
</tr>
<tr>
<td>Pomona</td>
<td>$49</td>
<td>18%</td>
</tr>
<tr>
<td>Fullerton</td>
<td>$49</td>
<td>30%</td>
</tr>
<tr>
<td>Sacramento</td>
<td>$50</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City</th>
<th>Water Bill</th>
<th>Imported Water %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burbank</td>
<td>$50</td>
<td>32%</td>
</tr>
<tr>
<td>Pasadena</td>
<td>$53</td>
<td>40%</td>
</tr>
<tr>
<td>Long Beach</td>
<td>$54</td>
<td>40%</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>$66</td>
<td>45%</td>
</tr>
<tr>
<td>Golden State</td>
<td>$71</td>
<td>0%</td>
</tr>
<tr>
<td>San Jose</td>
<td>$72</td>
<td>75%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>$76</td>
<td>86%</td>
</tr>
<tr>
<td>San Diego</td>
<td>$83</td>
<td>92%</td>
</tr>
<tr>
<td>Oakland</td>
<td>$84</td>
<td>90%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>$109</td>
<td>85%</td>
</tr>
</tbody>
</table>

[Image of bar charts showing water bills and imported water percentages for various cities]
FY 22 Combined Bill Comparison (Water & Sewer)

* Includes LACSD sanitation charges

** Combined Golden State Water and LB Sewer Rates

Source: Consultant Rate Model
Next Steps

• Budget Workshop #3 June (If Requested)
• Budget and Rates Adoption
  • Target Date June 24
  • Mail out Prop 218 Notice (If Needed)
• Prop 218 Hearing (If Needed)