



Staff Report

TO: City Council

FROM: Jennifer Ustation, Finance Director
Thaxton Van Belle, Director of Water Reclamation

DATE August 15, 2023

SUBJECT: Hold a Public Hearing to Consider a Resolution Approving Rates for Wastewater Service Effective September 1, 2023, and Rescinding all Prior Established Wastewater Rates

Description Hold a public hearing to consider adopting a resolution approving rates for wastewater services.

Background and Analysis:

The City is obligated to establish wastewater rates sufficient to cover all costs of providing wastewater service, including, but not limited to, the costs of operating and maintaining the sewer system, debt service, and a provision for a prudent and reasonable reserve, as well as funding for capital projects and asset replacement.

Currently, the City's sewer rates are not sufficient to cover the costs of providing sewer service to its customers. The City of Beaumont owns and operates the Beaumont Wastewater Treatment Plant (WWTP). The WWTP receives and treats domestic and commercial/industrial wastewater generated within the City of Beaumont and Highland Springs (portions of an unincorporated area of Cherry Valley).

All wastewater discharged from the facility is currently regulated under Order No. R8-2022-0042, NPDES No. CA105376. The City recently completed a major expansion and upgrade project at the wastewater treatment plant to satisfy State regulatory requirements. Additionally, a 23-mile brine line was constructed across two counties and multiple municipalities to discharge the salts removed from the treatment process.

Proposition 218 Process:

In November 1996, the California electorate approved Proposition 218 which requires certain procedures be followed regarding "property-related" fee increases imposed by governmental agencies. It requires that the City provide written notice by mail of the proposed fee or charge to the record owner of each parcel affected, the amount of the

fee or charge, the basis for which the amount was calculated, the reason for the fee increase, and the date, time, and location of the public hearing on the fee increase. The written notice must be sent at least 45 days prior to the public hearing. At the public hearing, the City will consider all protests against the proposed fee or charge. If written protests against the increased fee or charge are presented by a majority (50% +1) of parcel owners, the City will not impose the fee or charge.

Community Involvement, Meetings, and Notice of Hearing:

On December 6, 2022, the City Council held a public meeting and approved a contract for Professional Engineering Services with Raftelis, an independent consulting firm, for the purpose of conducting a cost-of-service analysis and sewer rate study.

On April 10, 2023, the City Council held a public meeting at which staff updated the City Council on the financial needs of the wastewater system and a preliminary proposed amendment to the sewer rates pursuant to the sewer rate study prepared by Raftelis.

On May 30, 2023, the City Council held a public meeting at which staff updated the City Council on the proposed rates based on scenario planning discussions in relation to the financial position of the wastewater fund pursuant to the sewer rate study prepared by Raftelis.

On June 6, 2023, the City Council held another public meeting regarding sewer rate adjustments and approved sending out notices of rate increases to comply with Prop 218 requirements.

Between June 28 and June 30, 2023, the City with the assistance of a third-party vendor, mailed written notices to the record owner and tenant of each parcel affected. These notices included the amount of the proposed sewer rate increase, the basis on which the proposed rates were calculated, the reason for the rate increases, and the date, time, and location of the public hearing on the proposed rate increases.

On August 3, 2023, the City of Beaumont hosted a Wastewater Treatment Plant Open-House and Tour for the public and Beaumont residents to see firsthand where and how their wastewater is treated.

On August 12, 2023, The Press-Enterprise, a newspaper of general circulation within the City, published a copy of the notice.

Sewer Rate Study Summary

The July 2023 Sewer Rate Study includes a financial plan, cost of service analysis, and a rate design analysis. The financial plan identifies the net revenue requirements for the sewer utility. The cost-of-service analysis determines the cost of providing sewer service to each customer class. The rate study also proposed adjusted rates designed to cover the cost of providing service.

The City currently has 7 types of customer classes based on the type of use at each property and estimated strength characteristics of the effluent put into the sewer system by each customer class. The categories are as follows:

- 1) Single-Family Residential
- 2) Multi-Family Residential
- 3) Schools
- 4) Commercial-Low
- 5) Commercial-Medium
- 6) Commercial-High
- 7) Significant Industrial Users

Significant Industrial Users (SIUs) are users who use a federally regulated process or have the potential to affect the performance or operation of the wastewater treatment plant. Rates were developed for these five customers individually based on the specific characteristics of the effluent produced by each customer. A fixed charge will be applied to cover costs associated with managing, regulating, and permitting SIUs. The five current SIUs are as follows:

- 1) Dura Plastics Products
- 2) Perricone Juice
- 3) Rudolph Food Company
- 4) CJ Foods
- 5) Precision Stamping

The characteristics of the discharges for these industries were reviewed and a rate was calculated based on the strength and treatment demand of each SIUs' contributions to the wastewater plant. Monthly flow totals will be recorded, and each SIUs' bill will be calculated using a formula that incorporates the strength characteristics and the volume of flow discharged to the sewer system. If any SIU regularly exceeds its historical or projected strength characteristics a surcharge may be added to ensure equitable practices. Similarly, new industries connecting to the system will be required to pay their fair share of capital and treatment costs.

The July 2023 rate study assumes that the City will not need to issue any additional debt to fund major capital projects.

This rate study calculates costs of service and revenue requirements from FY2023/24 through FY2027/28. Commensurate with the findings, the FY2023/24 rates must be adjusted to accurately reflect the customer class, cost of service, and corresponding system impacts. Newly implemented rates for FY2023/24 will result in residential monthly rates increasing from \$47.21 to \$50.22 per month. Rates for multi-family and non-residential customers will result in a decrease for FY2023/24.

The FY2023/24 rates reflect the appropriate redistribution of costs among the classification of customers. The rate adjustment for FY2023-24 to FY2027-28 are calculated to increase overall revenues to meet operations and capital requirements. The rate model shows that the following rate increases will be required on September 1, 2023, and on July 1 each fiscal year after. The corresponding single-family residential rates are:

Fiscal Year	Projected Annual Rate Increase	Proposed Sewer Rate
FY 2023/24	6.0%	\$50.22
FY 2024/25	5.0%	\$52.73
FY 2025/26	3.0%	\$54.31
FY 2026/27	2.0%	\$55.40
FY 2027/28	2.0%	\$56.51

The attached Sewer Rate Study has a detailed discussion of the financial planning and revenue determination process as well as the breakdown of the rate adjustments for each year.

Fiscal Impact:

The approval of increased rates will allow the wastewater fund to meet the projected sewer utility’s financial needs to provide services without subsidy from the General Fund.

Recommended Action:

Hold a Proposition 218 Public Hearing; and

Waive the full reading and adopt by title only, "A Resolution of the City Council of the City of Beaumont, California, Approving Rates for Wastewater Service Effective September 1, 2023, and Rescinding all Prior Established Wastewater Rates"

Attachments:

- A. Resolution Approving Rates for Wastewater Service
- B. Mailed Notice of Public Hearing
- C. July 2023 Sewer Rate Study
- D. Raftelis Presentation