



City of Beaumont

Sewer Rate Study

Public Hearing for Sewer Increases
August 15, 2023

Agenda

Purpose of the Hearing

Rate Study Process

Financial Planning

Cost-of-Service Analysis

Proposed Rates

Projected Bills

Purpose of Today's Hearing



Proposition 218 Hearing to Consider Sewer Rate Changes

• Proposition 218 Procedures

- Requires public hearing to consider all protests to proposed rate changes
- Public hearing can be held no less than 45 days from mailing notice
- If a majority protest, the proposed rate changes cannot be adopted

• Proposition 218 Requirements

- Rate revenues cannot exceed costs
- Rate revenues must be used for utility service
- Rates must be proportional to the cost of providing service
- Service must be available

Your Sewer Utility

- **Operating Facts**

- › Customers served:
 - 17,084 single-family residential
 - 72 multi-family residential
 - 426 commercial
 - 6 industrial
- › Wastewater treated:
 - 1.34 billion gallons (FY 2023)

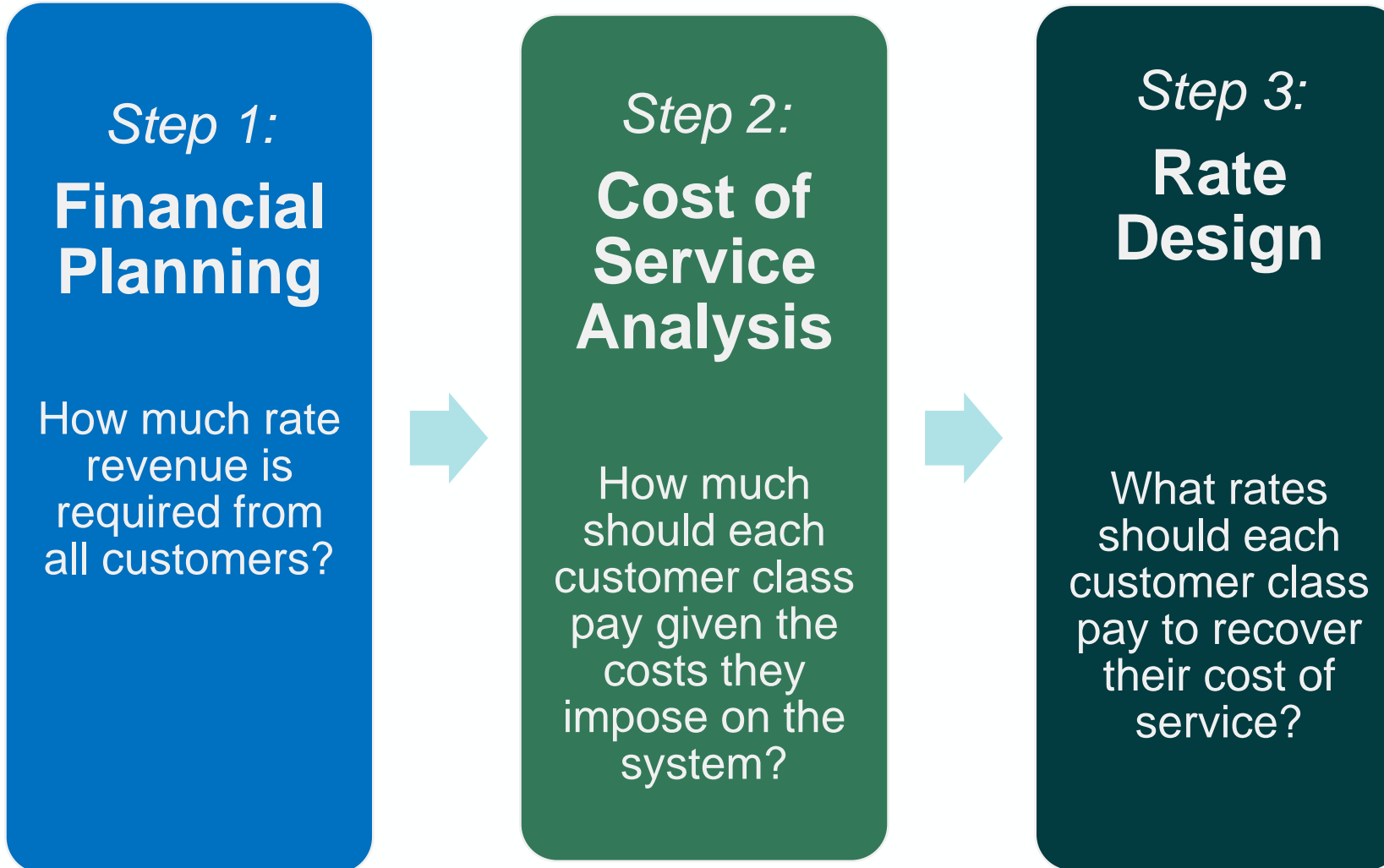
- **Funding Sources**

- › Funded entirely by the rates paid by customers
 - Rates pay for all operating costs
 - Rates pay for all non-growth infrastructure investments
- › Enterprise fund
 - Does not receive money from taxes

Rate Study Process



Rate Study Process



Financial Planning



Proposed Rate Revenue Increases

Fiscal Year	Proposed Rate Revenue Increases	Effective Date
2024	6.0%	September 2023
2025	5.0%	July 2024
2026	3.0%	July 2025
2027	2.0%	July 2026
2028	2.0%	July 2027

Why Are Rate Increases Necessary?

- **Inflation:**

- › Last rate study was completed in 2018. During the period FY 2018 - FY 2023:
 - Los Angeles Consumer Price Index for All Urban Consumers increased by 21.07%
 - Engineering News Record Construction Cost Index for Los Angeles increased by 24.76%

- **Regulatory Requirements:**

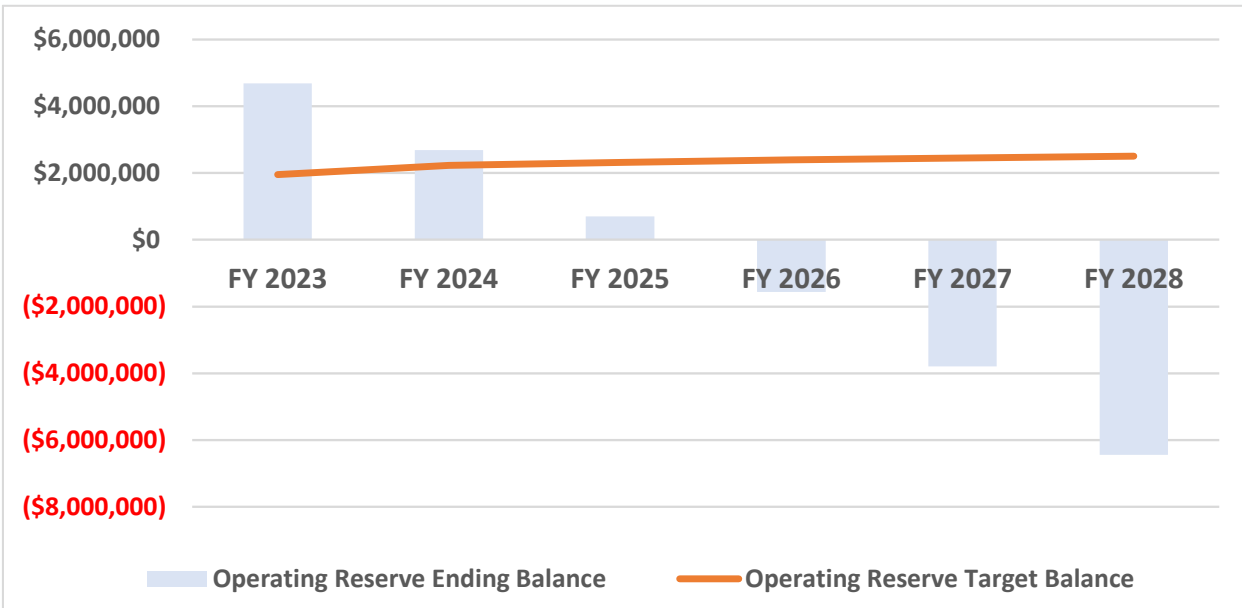
- › Completed a \$110 million wastewater treatment plant upgrade to comply with regulatory requirements

- **Continuing Capital Improvement Expenditures**

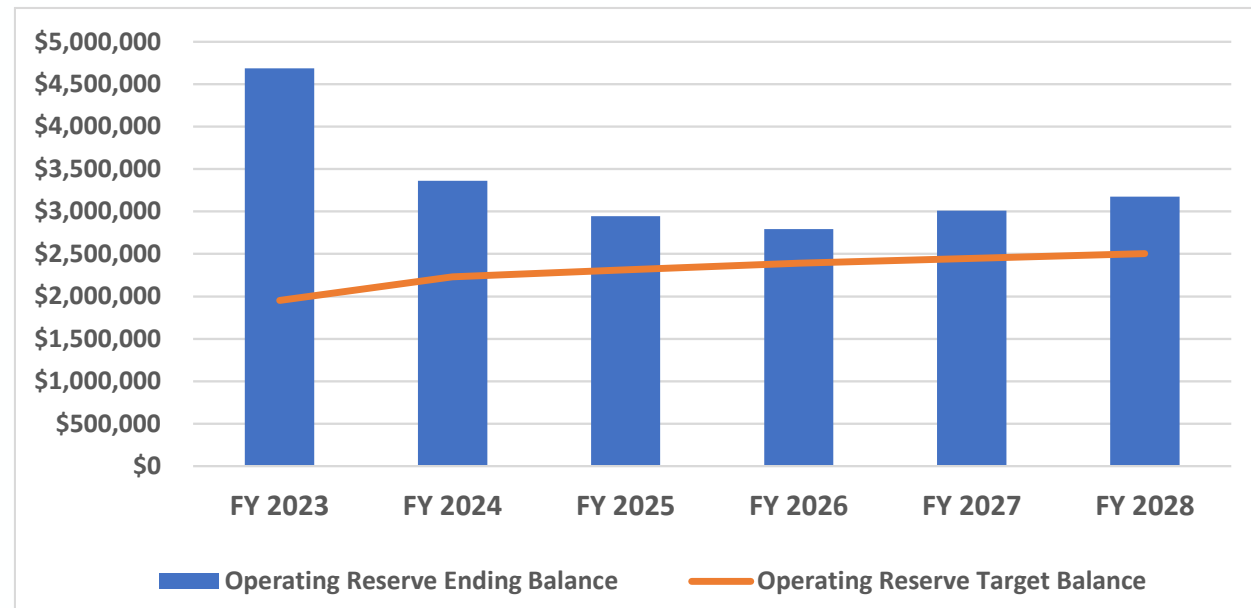
FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
\$7,749,462	\$2,386,913	\$1,949,220	\$2,007,697	\$1,581,356	\$15,674,647

Operating Reserve Projected Cash Balances

Without Proposed Rate Revenue Increases



With Proposed Rate Revenue Increases



Cost-of-Service Analysis



What is a Cost-of-Service Analysis?

- Process used to allocate costs to different customer classes
 - Different types of customers generate different costs because their usage characteristics vary
 - Volume of wastewater discharges
 - Strength of wastewater discharges
- Cost of service matches rate revenue recovery to the costs incurred by the utility to provide service
 - Each customer class “pays its own way”
 - Maximizes fairness and equity
 - Eliminates cross subsidies between customer classes

FY 2024 Cost-of-Service Results

Class	Total	% of Total
Residential		
Single Family	\$10,451,116	75.2%
MF & MH-Rural	\$830,664	6.0%
Total Residential	\$11,281,780	81.2%
Schools		
Schools	\$164,852	1.2%
Commercial		
Commercial - Low	\$477,828	3.4%
Commercial - Medium	\$260,108	1.9%
Commercial - High	\$365,735	2.6%
Commercial	\$1,103,672	7.9%
Industrial		
Dura Plastics Products	\$12,372	0.1%
Perricone Juice	\$563,776	4.1%
Rudolph Food Company	\$6,647	0.0%
CJ Foods #1	\$697,050	5.0%
CJ Foods #2	\$56,439	0.4%
Precision Stamping	\$6,647	0.0%
Industrial	\$1,342,932	9.7%
Total	\$13,893,236	100.0%

Rate Design



What is a Rate Design?

- Process used to recover required revenues from each customer class
 - The customer class required rate revenue is determined in the cost-of-service analysis
- No fundamental change in the City's existing sewer rate design
 - Single family residential and multi-family residential continue to pay a fixed service charge (no commodity rates)
 - Schools continue to pay on a per student basis
 - Commercial and industrial customers continue to have a monthly service charge and commodity rates

Proposed Monthly Service Charges

Customer Class	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
		Effective 9/1/23	Effective 7/1/24	Effective 7/1/25	Effective 7/1/26	Effective 7/1/27
Residential						
Single Family	\$47.21	\$50.22	\$52.73	\$54.31	\$55.40	\$56.51
MF & MH–Rural (\$/unit)	\$29.24	\$28.55	\$29.98	\$30.88	\$31.50	\$32.13
Schools (\$/student)	\$1.07	\$1.10	\$1.15	\$1.19	\$1.21	\$1.23
Commercial Customers						
Commercial - Low Strength	\$25.77	\$6.14	\$6.45	\$6.64	\$6.77	\$6.91
Commercial - Medium Strength	\$47.21	\$6.14	\$6.45	\$6.64	\$6.77	\$6.91
Commercial - High Strength	\$151.07	\$6.14	\$6.45	\$6.64	\$6.77	\$6.91
Industrial Customers						
Dura Plastics Products	N/A	\$553.02	\$580.67	\$598.09	\$610.05	\$622.26
Perricone Juice	N/A	\$553.02	\$580.67	\$598.09	\$610.05	\$622.26
Rudolph Food Company	\$169.27	\$553.02	\$580.67	\$598.09	\$610.05	\$622.26
CJ Foods #1	N/A	\$553.02	\$580.67	\$598.09	\$610.05	\$622.26
CJ Foods #2	N/A	\$553.02	\$580.67	\$598.09	\$610.05	\$622.26
Precision Stamping	\$148.24	\$553.02	\$580.67	\$598.09	\$610.05	\$622.26

Projected Commodity Rates (\$/CCF)

Customer Class	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
		Effective 9/1/23	Effective 7/1/24	Effective 7/1/25	Effective 7/1/26	Effective 7/1/27
Residential						
Single Family	N/A	N/A	N/A	N/A	N/A	N/A
MF & MH–Rural (\$/unit)	N/A	N/A	N/A	N/A	N/A	N/A
Schools (\$/student)						
Schools (\$/student)	N/A	N/A	N/A	N/A	N/A	N/A
Commercial Customers (40 CCF)						
Commercial - Low Strength	\$2.77	\$4.91	\$5.16	\$5.31	\$5.42	\$5.53
Commercial - Medium Strength	\$3.75	\$5.91	\$6.20	\$6.39	\$6.52	\$6.65
Commercial - High Strength	\$7.31	\$9.88	\$10.38	\$10.69	\$10.90	\$11.12
Industrial Customers						
Dura Plastics Products	\$3.84	\$5.13	\$5.38	\$5.54	\$5.65	\$5.77
Perricone Juice	\$2.94	\$10.87	\$11.42	\$11.76	\$11.99	\$12.23
Rudolph Food Company	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CJ Foods #1	\$11.07	\$13.37	\$14.04	\$14.46	\$14.75	\$15.04
CJ Foods #2	\$5.71	\$8.20	\$8.61	\$8.87	\$9.04	\$9.22
Precision Stamping	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Projected Monthly Bills

Customer Class	Current	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Residential						
Single Family	\$47.21	\$50.22	\$52.74	\$54.32	\$55.40	\$56.51
MF & MH–Rural (\$/unit)	\$29.24	\$28.55	\$29.97	\$30.87	\$31.49	\$32.12
Schools (\$/student)	\$1.07	\$1.10	\$1.15	\$1.19	\$1.21	\$1.23
Commercial Customers						
Commercial - Low Strength	\$136.57	\$202.65	\$212.78	\$219.17	\$223.55	\$228.02
Commercial - Medium Strength	\$197.21	\$242.45	\$254.57	\$262.21	\$267.45	\$272.80
Commercial - High Strength	\$443.47	\$401.18	\$421.24	\$433.87	\$442.55	\$451.40
Industrial Customers						
Dura Plastics Products	\$358.33	\$1,031.00	\$1,082.55	\$1,115.02	\$1,137.32	\$1,160.07
Perricone Juice	\$13,852.50	\$46,981.34	\$49,330.41	\$50,810.32	\$51,826.53	\$52,863.06
Rudolph Food Company	\$169.27	\$553.02	\$580.67	\$598.09	\$610.05	\$622.26
CJ Foods #1	\$47,608.33	\$58,087.53	\$60,991.91	\$62,821.67	\$64,078.10	\$65,359.66
CJ Foods #2	\$2,891.67	\$4,703.25	\$4,938.41	\$5,086.56	\$5,188.29	\$5,292.06
Precision Stamping	\$148.24	\$553.02	\$580.67	\$598.09	\$610.05	\$622.26

Q&A