



# CITY COUNCIL AGENDA REPORT



**DEPARTMENT:** Administrative Services

**MEETING DATE:** March 19, 2024

**STAFF REFERENCE:** Buffy Bullis, Administrative Services Director

**AGENDA LOCATION:** PH-2

**GOVERNMENT CODE SECTION 84308 APPLIES:** No

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**TITLE:** Proposed Adjustments for Sewer and Water Fees; Introduction and First Reading of Ordinance No. 2024-04, and Adoption of Resolution No. 2024-16

**OBJECTIVE:** To conduct a noticed public hearing, pursuant to Prop. 218, regarding the proposed sewer and water fee adjustments, and to consider proceeding with the adoption of the proposed sewer and water fees and fee discounts in the absence of a protest by a majority of parcels of properties subject to the fee adjustments

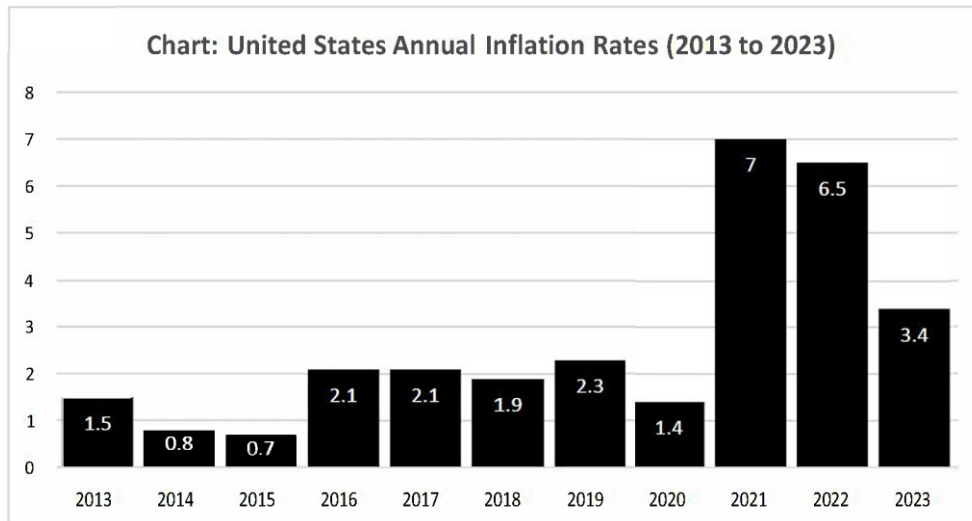
**BACKGROUND:** On June 20, 2023, the City Council adopted the Fiscal Years 2023-25 Two-Year Budget, appropriating funds needed to manage operating and capital improvement costs. The development of the budget is based on the Citywide Strategic Goals of Customer Service, Financial Management, Infrastructure, and Relationships, and seeks to fund as many priorities in furtherance of these goals as fiscally possible. Additionally, the budget incorporates the City's five Financial Resiliency Plan (FRP) Principles, including FRP Principle No. 1, which seeks to minimize subsidies to funds that should be self-sustaining and seeks to ensure that user fees are appropriate to cover the cost of providing City services. Given these objectives, as part of the annual budgetary review, staff analyzed each respective fund for sustainability, reviewing both costs and revenues. A priority focus was placed on reviewing revenues to ensure each fund's long-term fiscal sustainability and the ability to keep pace with growing costs. Two funds that were included in this review were the Sewer and Water Enterprise Funds.

By way of background, the City owns and operates its own sewer and water enterprises, and costs and revenues for each operation are housed in a separate, stand-alone fund. The City's sewer and water rate structure is designed to generate sufficient utility rate revenue to cover all anticipated personnel, operating and maintenance, repair, debt service, capital improvements, and reserves. In short, operation, maintenance, and renewal of each system is entirely funded by the user fees charged for the services provided. Furthermore, the City must set utility rates in compliance with California law, which requires that fees for sewer and water service do not exceed the proportional cost of service, and the City must demonstrate the cost basis for any utility rate increase and/or adjustment. To establish utility rates for sewer and water, the City must conduct a fee study that evaluates the costs-of-service and follows industry standards. Rates must be designed to demonstrate the rationale for how costs have been equitably allocated to various customer classes, and rates should be adequate to provide sufficient revenues to cover all costs for the period under review. Rates cannot exceed those anticipated costs.

In 2017, the City completed a comprehensive water rate study and adopted five-year water rates for calendar years 2018 to 2022. Further, sewer rates were last studied in 2015, and the City adopted five-year sewer rates for calendar years 2016 to 2020. The City has not adjusted water rates since January 2022 and has not adjusted sewer rates since 2020. This does not include the City's Excess Usage Penalty Program, which was implemented in March 2022 as a response to the drought.

Costs for operating all public utilities have increased in all categories, including personnel, operating and maintenance, and capital. Significant inflationary cost increases have impacted both utilities, even though rates have not been increased accordingly. The chart below illustrates inflationary growth from 2013 to 2023. As can be seen in the chart, significant inflation occurred in 2021 and 2022.

**Table A**  
**US Annual Inflation Rates**  
**2013-2023**



Given the increasing costs experienced in both utilities, in November 2022, the City Council approved a contract with NBS Government Finance Group (NBS), a public finance consulting firm with expertise in the areas of utility rates and finance, to assist in reviewing and updating rates. NBS conducted a comprehensive sewer rate study that identified appropriate rates based on a full cost-of-service analysis. Since a comprehensive fee study was completed in 2017 for water, the City requested NBS to prepare water rate adjustments based on an applicable inflation factor to help keep up with escalating costs in the water utility. Both studies have been completed by NBS, and the results of proposed adjustments are presented in the Analysis Section of this report.

In order to implement rate adjustments that have been identified as necessary for ongoing sewer and water operations, the City is required to follow Proposition 218 majority protest proceedings. Proposition 218 added provisions to the California Constitution that require local governments give mailed notice of any property-related proposed fee changes at least 45 days before holding a public hearing, after which the City Council will adopt or reject the changes if there is not a majority protest. Further, the California Supreme Court's *Bighorn-Desert View Water Agency v. Verjil* decision determined that water, wastewater (sewer), and solid waste rate increases fall under property-related fees and are subject to the requirements of Article XIID, Section 6 of the California Constitution. Additionally, pursuant to California Senate Bill 323, there is a 120-day statute of limitations for challenging sewer and water rate increases, if approved.

On January 16, 2024, the City Council authorized staff to initiate the Proposition 218 process by issuing a public notice for a Public Hearing to be held on March 19, 2024, to consider sewer and water rate adjustments.

**ANALYSIS:** Following City Council's authorization to proceed with the Proposition 218 process, notices were mailed to all parcel owners and account holders in the City of Monrovia. The notices contained information explaining why residents and owners were receiving the notice, the amount of the proposed rate adjustments, the reason for the proposed rate adjustments, as well as other pertinent information. Each notice contained a Protest Mailer, with instructions on how customers could sign, return, and file their protest to the proposed rate adjustments. The notices also included instructions on how customers could obtain additional information. In accordance with Proposition 218 proceeding requirements, the notices were delivered to the Post Office on January 31, 2024, and reached customers throughout the

following week. Additionally, an informational insert (in Spanish and English) that included information about the sewer and water rate adjustments and the public hearing date was included in the February 2024 utility bills, which were sent to customers in February and March.

Below is a timeline of the steps included as part of the Proposition 218 process:

<b>Proposition 218 Step</b>	<b>Scheduled Date</b>
Adoption of Resolution to Schedule the Public Hearing with the Presented Fees	January 16, 2024
Notice of Public Hearing Issued a Minimum of 45 days in Advance of the Hearing Date	Deadline: No later than Saturday, February 3, 2024 (Notices were mailed on January 31, 2024)
Rate Increase Flyers Included in February 2024 Utility Bills	February-March 2024
Public Hearing to Adopt/Reject Proposed Rate Adjustment	March 19, 2024
Possible Adoption/Confirmation by the City Council	April 2, 2024

**Rate Adjustments**

The proposed rate adjustments, as calculated by NBS, have been developed taking into consideration four key objectives.

1. Rate revenues should be designed to cover all operating and maintenance costs
2. Rate revenues should provide sufficient funding for essential capital improvement projects
3. Rate revenues should provide funding to maintain appropriate reserve levels
4. Rates adjustments should comply with the requirements of Proposition 218

Additionally, rates must be designed to be proportional to the cost of service, equitable and non-discriminating, easy to administer and understand, and able to provide revenue stability. Below is a discussion of the sewer and water rate adjustments proposed by the City’s consultant, NBS, and recommended by staff.

**Sewer Rate Adjustments**

The City owns, operates, and maintains approximately 92 miles of sewer collection system. Based on a thorough rate study, the proposed sewer rate adjustments take into consideration the City’s ongoing operating costs and necessary capital improvements that will allow the City to provide the community with safe and reliable sewer service. The proposed rate adjustment covers five fiscal years to include funding for capital improvement projects identified as part of the Five-Year CIP Program. This includes the following project:

**Table B  
Sewer System Capital Projects**

<b>Sewer System Capital Projects</b>	<b>Costs</b>
Comprehensive Street Improvement Project (Sewer Portion)	\$568,500
<b>Total Sewer System Capital Costs</b>	<b>\$568,500</b>

A copy of the Sewer Rate Study prepared by NBS is attached as Attachment A to this report and includes detailed information regarding costs, revenue, and other pertinent information. A copy of the study is also available on the City’s website at [www.cityofmonrovia.org/rateadjustments](http://www.cityofmonrovia.org/rateadjustments).

Rate Increase Results

A listing of new recommended sewer rates is included in Ordinance 2024-04. By adjusting rates to the amounts recommended in the Ordinance, the City will be able to incorporate the costs necessary to operate the system, in addition to ensuring that the overall Sewer Fund remains in a healthy fiscal position. Provided in the table below is a summary of current and recommended sewer rates:

**Table C  
Sewer Rates  
Current vs. Recommended**

Sewer Fee Description	Current Rate	Recommended Rates				
		FY 2023-24*	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
<i>Effective Date</i>		<i>5/2/2024</i>	<i>7/1/2024</i>	<i>7/1/2025</i>	<i>7/1/2026</i>	<i>7/1/2027</i>
<b>Projected Annual Revenue Increase</b>		<b>20.00%</b>	<b>13.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>
Residential	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
Multiple Dwelling						
For first unit	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
Plus, for each additional unit	\$5.42	\$4.51	\$5.09	\$5.35	\$5.61	\$5.89
Duplex	\$15.08	\$17.12	\$19.34	\$20.31	\$21.32	\$22.39
Triplex	\$20.50	\$21.62	\$24.43	\$25.65	\$26.93	\$28.28
Quadplex	\$25.92	\$26.13	\$29.52	\$31.00	\$32.55	\$34.17
Trailer Park						
For first space	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
Plus, for each additional space	\$5.42	\$4.51	\$5.09	\$5.35	\$5.61	\$5.89
Lifeline	\$3.62	\$4.74	\$5.36	\$5.63	\$5.91	\$6.20
Cemetery/Horticultural Facilities	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
Government/Public Facilities	\$156.10	\$210.65	\$238.04	\$249.94	\$262.44	\$275.56
Commercial/Industrial- (Corp, Motels, Hotels, Churches)						
For first 1,000 cubic feet of water used	\$21.03	\$23.89	\$26.99	\$28.34	\$29.76	\$31.25
Plus, for each additional 100 cubic feet of water used	\$0.23	\$0.24	\$0.27	\$0.28	\$0.30	\$0.31

\*Rate increase to begin 5/2/2024 and will **not be** retroactive to the beginning of the Fiscal Year.

Overall, single-family residential customers constitute the majority of the sewer system’s customer base, comprising approximately 73 percent of customers. The sewer rate proposal would result in the following increases for a single-family residential customer each month:

**Table D  
Sewer Rate Recommended Monthly Rate Increase For  
A Single-Family Residential Customer**

Fiscal Year	Increase Over Prior Year
FY 2023-24 (Effective 5/2/24)	\$2.95
FY 2024-25 (Effective 7/1/24)	\$1.64
FY 2025-26 (Effective 7/1/25)	\$0.71
FY 2026-27 (Effective 7/1/26)	\$0.75
FY 2027-28 (Effective 7/1/27)	\$0.79

Over the five-year period, the monthly cost for sewer for a single-family residential customer will increase by a cumulative total of \$6.84 over the five-year period.

## Municipal Sewer Rate Comparison for Neighboring Communities

As part of the overall fee analysis, staff also evaluated survey data from neighboring communities and compared the City's overall monthly sewer costs for a single-family residential customer with other municipalities. Twelve other agencies were surveyed, with key findings noted below:

1. Currently, Monrovia has the third lowest fee for sewer in the region.
2. If the proposed sewer rate adjustment were to be approved, Monrovia would still have the third lowest fee for sewer in the region.

**Table E**  
**Municipal Sewer Rate Comparison for Neighboring Communities**  
**(Single Family Residential Monthly Cost)**

Municipality	Monthly Fee *
Burbank	\$27.22
Glendale	\$24.00
Sierra Madre	\$20.67
La Verne	\$15.42
South Pasadena	\$15.23
West Covina	\$15.00
Covina	\$15.00
Glendora	\$15.00
Duarte	\$14.25
Alhambra	\$13.33
Monrovia (Proposed)	\$12.61
Monrovia (Current)	\$9.66
Arcadia	\$9.64
Pasadena **	\$2.80

\* For municipalities with a volumetric component, 10 units of usage was applied.

\*\*Pasadena has not adjusted rates for many years and is currently undergoing a rate study.

### Water Rate Adjustments

The City owns, operates, and maintains approximately 111 miles of water pipelines, twelve reservoirs, two water treatment facilities, and five active wells. As mentioned earlier, a comprehensive fee study was last completed in 2017. For this proposed adjustment, the City retained NBS to calculate and propose water rate adjustments that account for current costs based on an applicable inflation factor to help keep up with escalating costs in the water utility. The NBS calculation memo is attached as Attachment B to this report and is also available on the City's website at [www.cityofmonrovia.org/rateadjustments](http://www.cityofmonrovia.org/rateadjustments). Staff verified that the cost categories evaluated in 2017 are still accurate for current operations and maintenance.

When preparing the proposed adjustment, NBS utilized the Construction Cost Index (CCI) as the basis for the proposed water rate adjustments. For calendar year 2021, the average CCI value was 12,133, whereas for calendar year 2022, the average CCI value was 13,007. This equates to a percentage increase of 7.20%, as calculated on an annual basis. In order to adjust the existing water rates for inflation, the annual 7.20% increase was applied uniformly to both the fixed charges and the consumption charges listed in the City's current rate table to calculate the proposed water rates for Fiscal Year 2023-24. It should be noted that total US inflationary growth for 2021 and 2022 was 13.5%, as shown in Table A; however, a rate adjustment of only 7.2%, based on CCI, is being proposed.

If adjusted as recommended, water rates will help the water utility keep pace with annual operating cost increases and will also assist with funding the following capital improvement projects that have been identified as part of the City’s Five-Year CIP Program. These rates do not exceed the costs of providing services.

**Table F  
Water System Capital Projects**

Water System Capital Projects	5-Year CIP FY 2023-28	FY 2023-24 Budget*
Citywide Pump & Motor Replacement Program	\$393,007	\$168,007
Citywide Water Main Replacement Program FY24-FY26	\$1,373,921	-
Emerson Reservoir Improvements	\$425,795	-
Meter Replacement Program	\$1,449,078	\$799,078
PFAS Treatment	\$488,441	\$488,441
SCADA System Reconstruction	\$642,500	\$402,500
Station Square Booster Pump Construction	\$1,756,555	\$1,256,555
Treatment Towers 1 & 2 Redesign	\$50,000	-
Treatment Towers 3 & 4 Rehabilitation	\$400,000	-
Valve Replacement Program FY23-FY26	\$500,000	\$100,000
Compressor Replacement and CMS Board	\$110,000	\$25,000
Well No. 3 Rehabilitation	\$357,627	\$357,627
Well No. 6 Rehabilitation	\$350,000	\$50,000
Wellfield Electrical Project **	\$3,798,658	\$3,798,658
CIP-Lower Cloverleaf Reservoir	\$34,275	\$34,275
CIP-Pipeline Survey	\$136,685	\$136,685
CIP-Reservoir Maint/Replace Program	\$252,202	\$75,000
Upper Cloverleaf Reservoir Improvements	\$95,800	-
Comprehensive Streets Improvement **	\$6,042,206	\$800,000
Vehicle Replacement - Utilities Fleet	\$1,375,000	\$335,000
<b>TOTAL</b>	<b>\$20,031,750</b>	<b>\$8,826,826</b>

\* Includes FY 2023-24 budget adjustments approved by City Council on February 20, 2024.

\*\* Projects have additional funding sources outside of the Water Fund.

**Rate Increase Results**

A listing of new recommended water rates is included in Ordinance 2024-04. By adjusting rates to the amounts proposed in the Ordinance, the City will be able to incorporate the costs necessary to operate the system, in addition to ensuring that the overall Water Fund remains in a healthy fiscal position. Provided in the table below is a summary of current and recommended rates for the most common water services. A full list can be found in Ordinance 2024-04.

**Table G  
Water Rates  
Current vs. Recommended**

*(Most Common Rates Included Below - Please see Ordinance 2024-04 for Full List)*

<b>Water Fee Description</b>	<b>Current Rate</b>	<b>Recommended Rate Effective 5/2/24</b>
<b>Projected Annual Revenue Increase</b>		<b>7.20%</b>
<b>Fixed Rates (Standby Charge)</b>		
Single-Family Residential/Multi-Family Residential (MFR)		
Meter Size		
5/8 inch	\$41.10	\$44.06
3/4 inch	\$41.10	\$44.06
1 inch	\$52.08	\$55.83
Commercial/Industrial/Landscape		
Meter Size		
5/8 inch	\$41.10	\$44.06
3/4 inch	\$41.10	\$44.06
1 inch	\$52.08	\$55.83
1.5 inch	\$82.13	\$88.04
2 inch	\$103.94	\$111.43
<b>Consumption Rates (Per Unit Charge)</b>		
Consumption charges for all classes and meter size, except new construction	\$2.44	\$2.62
Consumption charges for New Construction Developments of 5+ units	\$3.27	\$3.50
Each Multi-Family Residential & Hotel Is Currently Charged a Fixed + an Additional Unit Charge for Each Additional MFR or Hotel Dwelling Unit	\$23.05	\$24.71

Overall, single-family residential customers constitute the majority of the water system’s customer base, comprising approximately 70 percent of customers. As such, the rate proposal would result in the following increase for a single-family residential customer each month:

**Table H  
Current vs. Recommended Water Rates  
Single-Family Residential Example (5/8 and 3/4 Inch Meter)**

**Current Monthly Water Cost**

	<b>10 Units (7,480 Gallons)</b>	<b>15 Units (11,220 Gallons)</b>	<b>20 Units (14,960 Gallons)</b>
Meter Charge	\$41.10	\$41.10	\$41.10
Cost Per Unit (\$2.44/Unit)	\$24.40	\$36.60	\$48.80
<b>Total Estimated Cost</b>	<b>\$65.50</b>	<b>\$77.70</b>	<b>\$89.90</b>

**Recommended Monthly Water Cost**

	<b>10 Units (7,480 Gallons)</b>	<b>15 Units (11,220 Gallons)</b>	<b>20 Units (14,960 Gallons)</b>
Meter Charge	\$44.06	\$44.06	\$44.06
Cost Per Unit (\$2.62/Unit)	\$26.20	\$39.30	\$52.40
<b>Total Estimated Cost</b>	<b>\$70.26</b>	<b>\$83.36</b>	<b>\$96.46</b>
<b>Recommended Increase</b>	<b>\$ 4.76</b>	<b>\$ 5.66</b>	<b>\$ 6.56</b>

## Municipal Water Rate Comparison for Neighboring Communities

As part of the overall analysis, staff also evaluated survey data from neighboring communities and compared the City's estimated overall monthly water costs for a single-family residential customer with other municipalities. Sixteen other agencies were surveyed, with key findings noted below:

1. Currently, Monrovia has the ninth lowest fee for water in the region.
2. If the proposed water rate adjustment were to be approved, Monrovia would still have the ninth lowest fee for water in the region.

**Table I**  
**Estimated Monthly Water Fee for Neighboring Communities**  
**(Includes Fixed and Variable Cost, Based on 10 Units of Water Consumption)**

<b>Municipality</b>	<b>Estimated Monthly Fee (Meter and 10 Unit Consumption)</b>
Sierra Madre	\$103.20
Los Angeles DWP	\$97.82
Golden State Water Company	\$91.93
South Pasadena	\$84.64
San Gabriel Valley Water Company	\$83.76
Duarte	\$80.81
Glendora	\$79.69
Walnut Valley Water Company	\$73.04
Monrovia (Proposed)	\$70.26
Monrovia (Current)	\$65.50
Glendale	\$62.93
West Covina	\$60.81
Covina	\$60.81
Burbank	\$59.00
Pasadena	\$55.35
La Verne	\$51.49
Alhambra	\$44.75
Arcadia	\$42.65

### **CCI Annual Adjustment Consideration**

If adopted, the proposed water rate structure will include an annual cost inflation adjustment using the Construction Cost Index (CCI), calculated by the Engineering News-Record. As the City continues to see increases in basic water operational costs, such as increases in electricity and other costs, incorporating an annual inflation adjustment to the proposed rates, based on CCI, is recommended. The CCI tracks the change in prices for a specific combination of goods and services related to construction, including labor, steel, concrete, and lumber. The CCI rate adjustment will be calculated each year in March and implemented the following July 1, commencing July 1, 2025 through July 1, 2028.

### **Senior / Economic Hardship / Veteran Discount**

If adopted, the proposed sewer and water rate structure will include a discount for senior, economically disadvantaged, and veteran account holders who meet the eligibility criteria and for whom the proposed fee adjustments would present an undue burden.

Pursuant to Resolution No. 2024-16 that has been developed regarding the proposed discount, customers who fall into the category of being seniors who are economically disadvantaged, other economically disadvantaged, or veterans would be eligible for a 25% discount for their water and sewer related costs. In addition, seniors who are not economically disadvantaged would be eligible for a flat 5% discount off their sewer and water related fees.

### **Summary**

Overall, staff and the City’s consultant are proposing modest sewer and water rate adjustments. Sewer rates have not been adjusted since 2020, and water rates have not increased since 2022. However, to keep up with the cost of providing service, and to ensure a well-managed and sustainable utility, these rate adjustments are necessary to ensure the long-term sustainability of the sewer and water operations. For single family residential customers, the combined estimated monthly increase for sewer and water (based on 10 units of water usage) is \$7.71 per month in the current fiscal year, as follows:

**Table J**  
**Single-Family Residential**  
**Estimated Monthly Increase**  
**(Based on 10 Units of Water Consumption)**

Description	Estimated Monthly Increase \$
Sewer Increase	\$2.95
Water Increase	\$4.76
Total Estimated Monthly Increase – Sewer and Water	\$7.71

**ENVIRONMENTAL IMPACT:** There is no environmental impact associated with adopting the proposed sewer and water rate adjustments.

**FISCAL IMPACT:** If the Proposition 218 majority protest process is concluded without a majority protest and the sewer fee adjustments are adopted as presented, the new sewer rate structure could generate between approximately \$134,000 in Fiscal Year 2023-24 to \$864,000 in Fiscal Year 2027-28 in new revenues, which would only be used to fund operating and capital expenses in the sewer enterprise.

Additionally, if the water fee adjustments are adopted, the new water fee structure could generate approximately \$962,000 in new revenues per year, which would only be used to fund operating and capital expenses in the water fund.

**OPTIONS:** The following options are presented for consideration:

1. If a protest is not made by the majority of parcels of property subject to the fee adjustments, proceed with the introduction of Ordinance No. 2024-04, waive further reading, adopt the Ordinance on April 2, 2024 (with the new sewer and water fees taking effect on May 2, 2024), and approve Resolution No. 2024-16, adopting a discounted rate schedule for the newly adjusted rates.
2. If a protest is not made by the majority of parcels of property subject to the fee adjustments, reject the proposed sewer and water fee adjustments, and provide staff with additional direction.
3. If a protest is made by the majority of parcels of property subject to the fee adjustments, the City should stop further proceedings of the proposed sewer and water fee adjustments, in compliance with Proposition 218, and direct staff to seek alternative means of funding the additional costs associated with operating and sustaining the sewer and water operations.

**RECOMMENDATION:** In the absence of a majority protest, staff recommends that the City Council select Option 1 to proceed with the introduction of Ordinance No. 2024-04 and adopt Resolution No. 2024-16.

**COUNCIL ACTION REQUIRED:** If the City Council concurs, the appropriate action would be a motion to introduce, waive further reading, and read by title only Ordinance No. 2024-04, and adopt Resolution No. 2024-16.



# CITY OF MONROVIA

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*Final Report for:*

**Sewer Rate Study**

**January 2024**

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Temecula, CA 92592

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Huntington Beach,  
Joshua Tree, Riverside  
Sacramento, San Jose

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# SECTION 1. PURPOSE AND OVERVIEW OF THE STUDY

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The City of Monrovia (City) is responsible for the ownership, operation and maintenance of 92 miles of pipelines for the City’s sanitary sewer collection system. The City operates the sanitary sewer collection system under the jurisdiction of the Los Angeles Regional Water Quality Control Board, the State Water Resources Control Board, and the U.S. Environmental Protection Agency. In November 2022, the City retained NBS to conduct a comprehensive sewer rate study that considers and addresses several key issues including meeting revenue requirements, maintaining adequate reserve funds, and maintaining the continuity in the rate making philosophy over time.

The rates resulting from this Study were developed in a manner that is consistent with industry standards and cost-of-service principles. In addition to documenting the rate study methodology, as required under Proposition 218 (Prop 218), this report helps the City maintain transparent communications with the residents and community it serves.

In developing new sewer rates, NBS worked cooperatively under the direction of City staff to select the recommended rate alternative. This report summarizes the input and direction received from City staff along with an overview of the methodology, assumptions, and data used to develop the proposed rates.

## A. Overview of the Study

The key findings of the rate study are listed below; they are based on the development of the City’s sewer revenue requirements and the cost-of-service and rate design analyses. More details are provided in the following sections.

- **Financial Plans** – The long-term financial plan developed for the City incorporates all revenue sources, expenditures, reserves, and capital improvement costs in determining the net revenue requirements that must be funded from rates.
- **Meeting Net Revenue Requirements:** For Fiscal Year 2022/23, the projected net revenue requirements (i.e., total annual expenses plus debt service and rate-funded capital costs less non-rate revenues) for the City’s sewer utility is approximately \$1.73 million. Without rate increases, the City’s current budget shows a deficit for the projected five-year rate study period. This projected annual deficit has resulted in new sewer projects that are currently unfunded in the City’s FY 2023-2027 Capital Improvement Plan. The implementation of rate increases is required to avoid the delay of critical capital improvements and more significant rate increases in the future.
- **Capital Improvement Funding** – The City’s Capital Improvement Program primarily funds significant collection system maintenance and replacement costs, including addressing ongoing maintenance and capacity upgrades for the existing sanitary collection system, the majority of which was constructed prior to 1960. These new capital projects found in the City’s Capital Improvement Program are planned through FY 2027/28 and are a high priority for City staff. Without rate increases, the City would have insufficient sewer funds for the planned capital improvements.

- **Building and Maintaining Reserve Funds** – Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.
- **Maintain Current Rate Design Structure** – The City of Monrovia staff expressed the desire to maintain continuity of the rate-making philosophy with this Study, with a goal to maintain the existing structure of the City’s current rate design for customer classes and for the allocation of fixed versus variable costs. The current rate structure is easy to understand from the customer perspective and is easy to administer from the utility’s perspective. The overarching goal of this Study was to maintain continuity of the rate-making philosophy through the lens of the fairness and equity of the rate design, with an emphasis on ensuring that costs are appropriately collected from each customer class.

## B. Rate Study Methodology

Comprehensive rate studies, such as this one, typically include the three components outlined in **Figure 1**:

**Figure 1. Primary Components of a Rate Study**



These steps are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in American Water Works Association’s *Principles of Water Rates, Fees, and Charges*,<sup>1</sup> also referred to as the M1 Manual. The rate study also addresses requirements under Prop 218 that rates must not exceed the cost of providing the service and that rates be proportionate to the cost of providing service for all customers. In terms of the chronology of the Study, these three steps represent the order in which they were performed.

<sup>1</sup> *Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices*, M1 Manual, American Water Works Association (AWWA), Seventh Edition, 2017.

The City provided NBS with the data necessary to conduct the Study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data, along with other operational and capital cost information. Detailed tables and figures documenting the development of the proposed rates are provided in the *Appendix*. The next sections provide more details on each of these three rate study components shown in **Figure 1**.

## Financial Plan

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next twenty years, although the proposed rates are for a 5-year period (FY 2023/24 through FY 2027/28). The amount of rate revenue that will maintain adequate reserves is known as the *net revenue requirement*. When current rate revenue falls short of the net revenue requirement, rate adjustments—or more accurately, adjustments in the total revenue collected from rates—should be implemented. Recommended reserve levels are based on a combination of industry standards and the Utility’s unique financial needs. More detail on recommended reserve levels is included in Section 2.

## Cost-of-Service Analysis

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. A key task in this effort is the “classification” of costs into the following basic categories:

- Flow-related (volume) costs, which are typically allocated on the basis of average winter water use, which serves as a proxy for the estimated effluent generated by each customer class.
- Fixed capacity (system infrastructure) costs, which are typically allocated to customer classes based on the number of equivalent dwelling units (or EDUs) within each class.
- Customer service-related costs, which are typically allocated based on the number of accounts.

These cost allocation factors represent a typical cost of service approach to developing sewer rates, although the City’s sewer system is collection only, with treatment provided under the jurisdiction of the Los Angeles Regional Water Quality Control Board, the State Water Resources Control Board, and the U.S. Environmental Protection Agency. Customer classes that generate significantly more flow to the sewer system (as well as EDUs) should be charged higher rates. In the City’s case, the current rate design for most customers is a 100-percent fixed charge, meaning all costs are allocated to the fixed monthly charge. Further details are discussed below and documented in the *Appendix*.

## Rate Design Analysis

While it is important for the rate design to send proper price signals that are transparent to customers and reflect the actual cost of providing service in a fair and equitable manner, other objectives are also important. For example, continuity in rate design, ease of understanding and acceptance by customers, and ease of administration are often given high priorities in sewer rate design.

The fundamentals of this process have been well documented in various rate-setting manuals, such as AWWA’s M1 Manual. The foundation for evaluating rate structures is generally credited to James C.

Bonbright in *Principles of Public Utility Rates*<sup>2</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer’s perspective.
- Rates should be easy to administer from the utility’s perspective.
- Rates should promote the efficient allocation of the resource.
- Rates should be equitable and non-discriminating (that is, cost based).
- There should be continuity in the rate making philosophy over time.
- Rates should provide month-to-month and year-to-year revenue stability.

Based on the City’s overall rate design objectives, the proposed rates continue the current rate structure, which is a fixed monthly charge for most customers, with a combination of fixed and volumetric rates for the commercial and industrial customer class.

## Key Financial Assumptions

Following are the key assumptions used in the rate analysis:

- **Funding of Capital Projects** – Without rate increases, the City would have insufficient sewer funds for the planned capital improvements. In fact, the lack of adequate funding has resulted in delaying many planned capital projects. Therefore, rate increases are needed to bolster the dwindling capital reserves in order to fund the planned capital improvements.
- **Reserve Fund Targets** – Reserves for operations and capital needs are set based on NBS input and recommendations from City staff, which are generally consistent with industry standards:
  - Operating Reserve – Equal to 25%, or 3 months, of operating expenses.
  - Capital Replacement Reserve – Equal to 3% of net assets.
- **Growth Projection** – The following growth factor is incorporated into the sewer rate model:
  - Customer growth is estimated at 0.42% annually, based on the projected population growth documented in the City's 4<sup>th</sup> Draft Housing Element. The population of the City of Monrovia is anticipated to grow by 11% between 2020-2045.
- **Inflation Factors** – Assumptions were made in the analysis regarding cost inflation in order to project future revenues and expenses for the study period. The following inflation factors were used in the analysis for the 5-year projected rate period:
  - General cost inflation is 3.92% annually. (Bureau of Labor Statistics, 5-Year Arithmetic Average for Los Angeles-Long Beach-Anaheim, CA.)
  - Salaries and benefits cost inflation is 5.00% annually. (Per City of Monrovia staff.)

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<sup>2</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

- Energy cost inflation is 3.66% annually. (Bureau of Labor Statistics, 5-Year Arithmetic Average for Electricity.)
- Fuel cost inflation is 18.64% annually. (Bureau of Labor Statistics, 5-Year Arithmetic Average for Fuel Oil.)

The next section presents the sewer rate study.

## SECTION 2. SEWER RATE STUDY

This section presents further details on the primary rate study components previously outlined in **Figure 1**.

### A. Financial Plan

It is important for municipal utilities to maintain reasonable reserves in order to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate increases are governed by the need to meet operating and capital costs, maintain adequate debt coverage, and build reasonable reserve funds. The current state of the City’s sewer utility regarding these objectives is as follows:

- Funding Capital Improvement Projects:** The City must be able to fund necessary capital improvements in order to maintain current service levels for its customers. As **Figure 2** below shows, City staff has budgeted \$568,000 in new capital expenditures in the City’s Capital Improvement Plan over the course of the next five years (FY 2023/2024 through FY 2027/2028). It is estimated that new capital expenditures will total a minimum of \$2.61 million over the next 20 years.

**Figure 2. Capital Improvement Costs for FY 2022/23 through FY 2041/42**

Capital Improvement Program <sup>1</sup>	FY'24-FY'28	FY'29-FY'42	Total
Total Project Costs	\$568,500	\$2,041,000	\$2,609,500
Average Annual Expenditure	22%	78%	100%

1. Capital project costs include estimated cost inflation.

The recommended rate increases will allow the City to complete all planned capital projects while maintaining reasonable reserve levels and meet the recommended minimum reserve balances.

- Meeting Net Revenue Requirements:** For Fiscal Year 2022/23, the projected net revenue requirements (i.e., total annual expenses plus debt service and rate-funded capital costs less non-rate revenues) for the City is approximately \$1.73 million. Without rate increases, the City’s current budget shows a deficit for the projected five-year rate study period. This projected annual deficit has resulted in sewer projects that are currently unfunded in the City’s FY 2023-2027 Capital Improvement Plan. The implementation of rate increases is required to avoid further delay of critical capital improvements and more significant rate increases in the future.

**Figure 3 and Figure 4** summarize the sources and uses of funds, net revenue requirements, and the recommended annual percent increases in total rate revenue recommended for the next five (5) years. These rates take into consideration the input and direction provided by City staff, and fully fund all O&M expenses and planned capital projects and maintain reserves at the recommended target levels.

**Figure 3. Summary of Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	Projected				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Prevailing Rates	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,606,720	\$ 1,613,468	\$ 1,620,245
Non-Rate Revenues	-	-	-	-	-	-
Interest Earnings	13,000	27,307	15,161	15,528	17,212	19,973
<b>Total Sources of Funds</b>	<b>\$ 1,613,000</b>	<b>\$ 1,627,307</b>	<b>\$ 1,615,161</b>	<b>\$ 1,622,248</b>	<b>\$ 1,630,681</b>	<b>\$ 1,640,217</b>
<b>Uses of Sewer Funds</b>						
Operating Expenses	\$ 1,125,210	\$ 1,527,359	\$ 1,418,807	\$ 1,502,585	\$ 1,540,298	\$ 1,580,953
Debt Service	618,269	613,669	613,869	616,119	617,619	613,369
Rate-Funded Capital Expenses	-	568,500	-	-	-	-
<b>Total Use of Funds</b>	<b>\$ 1,743,479</b>	<b>\$ 2,709,528</b>	<b>\$ 2,032,676</b>	<b>\$ 2,118,704</b>	<b>\$ 2,157,917</b>	<b>\$ 2,194,322</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (130,479)</b>	<b>\$ (1,082,221)</b>	<b>\$ (417,515)</b>	<b>\$ (496,455)</b>	<b>\$ (527,236)</b>	<b>\$ (554,105)</b>
Additional Revenue from Rate Increases	-	133,333	446,231	628,023	742,868	864,299
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (130,479)</b>	<b>\$ (948,888)</b>	<b>\$ 28,716</b>	<b>\$ 131,568</b>	<b>\$ 215,631</b>	<b>\$ 310,195</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>20.00%</b>	<b>13.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>
<i>Cumulative Rate Increases</i>	<i>0.00%</i>	<i>20.00%</i>	<i>35.60%</i>	<i>42.38%</i>	<i>49.50%</i>	<i>56.97%</i>
<b>Net Revenue Requirement<sup>3</sup></b>	<b>\$ 1,730,479</b>	<b>\$ 2,682,221</b>	<b>\$ 2,017,515</b>	<b>\$ 2,103,175</b>	<b>\$ 2,140,704</b>	<b>\$ 2,174,349</b>

**Figure 4. Proposed Rate Increases for FY 2022/23 through 2026/27**

Recommended Financial Plan	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Proposed Annual Rate Increases	20.0%	13.0%	5.0%	5.0%	5.0%

- Building and Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies. NBS along with City staff have chosen to set the following reserve targets:
  - Operating Reserves** equal to 3 months of operating and maintenance expenses, which will average approximately \$380,000 annually from FY 2023/24 through FY 2027/28. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather, the natural inflow and outflow of cash, demand-based revenue streams (volumetric charges), and changes or trends in the age of receivables, such as impacts from Covid-19.
  - Capital Replacement Reserves** equal to 3% of net capital assets, which will average approximately \$381,000 annually from FY 2023/24 through FY 2027/28. This reserve is set aside to address long-term and routine capital system replacement and rehabilitation needs. **Figure 5** summarizes the projected reserve fund balances and reserve targets for the Utility’s unrestricted funds. A more detailed version of the City’s proposed 5-year financial plan is included in the *Appendix*.

**Figure 5. Summary of Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	Projected				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Operating Reserve</b>						
Ending Balance	\$ 2,133,329	\$ 380,000	\$ 350,000	\$ 380,000	\$ 390,000	\$ 400,000
<i>Recommended Minimum Target</i>	<i>280,000</i>	<i>380,000</i>	<i>350,000</i>	<i>380,000</i>	<i>390,000</i>	<i>400,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ -	\$ 804,441	\$ 863,157	\$ 964,726	\$ 1,170,357	\$ 1,470,552
<i>Recommended Minimum Target</i>	<i>400,300</i>	<i>404,800</i>	<i>392,700</i>	<i>380,900</i>	<i>369,500</i>	<i>358,400</i>
<b>Total Ending Balance</b>	<b>\$ 2,133,329</b>	<b>\$ 1,184,441</b>	<b>\$ 1,213,157</b>	<b>\$ 1,344,726</b>	<b>\$ 1,560,357</b>	<b>\$ 1,870,552</b>
<i>Total Recommended Minimum Target</i>	<i>\$ 680,300</i>	<i>\$ 784,800</i>	<i>\$ 742,700</i>	<i>\$ 760,900</i>	<i>\$ 759,500</i>	<i>\$ 758,400</i>

- Maintaining Adequate Bond Coverage:** The City is required by the rate covenants of the 2016 Water and Sewer Revenue Bonds to maintain a debt service coverage ratio of at least 1.20. The benefit of maintaining a higher coverage ratio is that it strengthens the City’s credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments. Currently, the City is not able to meet the debt coverage requirement. However, with the adoption of the recommended rate adjustments, the City will be able to meet the debt service coverage ratio in FY 2025/26 and continue to meet the ratio in subsequent years.
- Growth Projections:** According to City staff, customer growth is expected to be about 0.42% annually and was used to project future revenue generated from sewer service fees.
- Inflation Adjustments:** Assumptions were made in the analysis regarding cost inflation in order to future revenues and expenses for the study period based on direction from City staff and data from the U.S. Bureau of Labor Statistics, as well as on regional indices (e.g., California or Los Angeles-Long Beach-Anaheim area).

## B. Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors, such as water consumption, the number of EDUs, and number of billing units or accounts. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

### Classification of Costs

As previously noted, costs are classified into the following categories: (1) flow-related (volume) costs; (2) fixed capacity costs (i.e., system infrastructure) costs; and (3) customer-related costs. Most costs are typically allocated to more than one of these categories. The City’s budgeted costs were reviewed and allocated to these basic categories which serve as the basis for calculating the fixed and variable charges. Tables in the *Appendix* show how the City’s expenses were classified and allocated to these cost-causation components. Based on the City’s projected costs, the COSA resulted in a distribution that is approximately 47.5% flow-related costs, 48.3% fixed capacity costs and 4.2% customer-related costs.

**Figure 6** summarizes how the \$1.92 million in revenue requirements (costs) are allocated to the various types of cost classifications. The development of the allocation factors is discussed below.

**Figure 6. Summary of Classification by Budget Category**

Customer Class	Cost Classification Components			Cost-of-Service Net Revenue Requirements	% of COS Net Revenue Requirements
	Volume (Vol)	Capacity (Fixed)	Customer Related		
<b>Net Revenue Requirements<sup>1</sup></b>	<b>\$901,095</b>	<b>\$948,654</b>	<b>\$70,251</b>	<b>\$1,920,000</b>	
	46.9%	49.4%	3.7%	100.0%	
Single Family Residential	\$443,184	\$467,639	\$51,198	<b>\$962,021</b>	50.1%
Multiple Family (First Billing Unit) <sup>2</sup>	\$109,297	\$115,328	\$12,626	<b>\$237,252</b>	12.4%
Multiple Family (Add'l. Billing Unit) <sup>2</sup>	\$170,093	\$179,479	\$-	<b>\$349,572</b>	18.2%
Lifeline	\$2,050	\$-	\$282	<b>\$2,332</b>	0.1%
Cemetery/Horticultural	\$488	\$515	\$56	<b>\$1,059</b>	0.1%
Government/Public Facilities	\$42,913	\$45,281	\$282	<b>\$88,475</b>	4.6%
Commercial/Industrial	\$133,070	\$140,413	\$5,806	<b>\$279,288</b>	14.5%
<b>Total</b>	<b>\$901,095</b>	<b>\$948,654</b>	<b>\$70,251</b>	<b>\$1,920,000</b>	<b>100.0%</b>

1. The revenue requirement from each cost classification times the allocation factors for each customer class.

## Characteristics of Customers by Class

Customer classes are determined by combining customers with similar flow characteristics into customer classes. The most recent winter water consumption data was used to estimate the amount of flow that each customer class sends to the treatment plant. Volumetric charges for commercial and industrial customers were based on the average winter water consumption for the three lowest months of use.<sup>3</sup>

- **Figure 7** summarizes the water consumption by customer class. Winter water consumption is the basis for calculating the volume allocation factor based on percentage of winter consumption for each customer class.
- **Figure 8** summarizes development of customer and capacity related allocation factors. Capacity allocation factors were calculated based on the percentage of total EDUs for each customer class. Customer allocation factors were calculated based on the percentage of total accounts for each customer class.

<sup>3</sup> Lowest consecutive winter months – February through April 2022.

**Figure 7. Water Consumption by Customer Class**

Customer Class	21/22 Water Use <sup>1</sup> (hcf/yr.)	Winter Water Consumption <sup>1</sup> (Jan.-Mar.)	Annualized Winter Consumption	VOL. Alloc. Factor (% of Winter Consump.)
<b>Residential Customers</b>				
Single Family Residential	1,178,671	253,558	1,014,232	49.2%
Multiple Family (First Billing Unit) <sup>2</sup>	290,682	62,532	250,128	12.1%
Multiple Family (Add'l. Billing Unit) <sup>2</sup>	379,287	97,315	389,260	18.9%
Lifeline	5,294	1,173	4,692	0.2%
Subtotal - Residential	1,853,934	414,578	1,658,312	80.4%
<b>Non-Residential Customers</b>				
Cemetery/Horticultural <sup>3</sup>	1,298	279	1,117	0.1%
Government/Public Facilities	98,206	24,552	98,206	4.8%
Commercial/Industrial	304,532	76,133	304,532	14.8%
Subtotal - Non-Residential	404,036	100,964	403,855	19.6%
<b>Total<sup>4</sup></b>	<b>2,257,970</b>	<b>515,542</b>	<b>2,062,167</b>	<b>100.0%</b>

1. Source of Water Consumption Data for Customers is the following files: 2022\_All\_Necessary\_Charge\_Codes\_V3\_JT2
2. The first Multi-Family unit is considered one EDU (i.e., same consumption per account as a Single-Family customer). Additional Multi-Family billing units are the total consumption less consumption of the first MF billing units.
3. Consumption for Cemetery/Horticultural was adjusted to that of a single-family home based on best estimates (i.e., they have minimal water entering the sewer system; most water use is landscape/watering vs. residential indoor type uses).
4. Total is different than indicated by customer data because of adjustments to Cemetery/Horticultural consumption.

**Figure 8. Development of Customer and Capacity Allocation Factors**

Customer Class	Number of Accounts	CUSTOMER Allocation Factors % of Total Accounts	Number of Billing Units	Equiv. Dwelling Units (EDUs) <sup>4</sup>	CAPACITY Allocation Factors (% of Total EDUs)
Single Family Residential	6,358	72.9%	6,358	6,358	49.3%
Multiple Family (First Billing Unit) <sup>1</sup>	1,568	18.0%	1,568	1,568	12.2%
Multiple Family (Add'l. Billing Unit) <sup>1</sup>	0	0.0%	6,466	2,440	18.9%
Lifeline <sup>2</sup>	35	0.4%	35	-	0.0%
Cemetery/Horticultural <sup>3</sup>	7	0.1%	7	7	0.1%
Government/Public Facilities	35	0.4%	35	616	4.8%
Commercial/Industrial	721	8.3%	721	1,909	14.8%
<b>Total</b>	<b>8,724</b>	<b>100%</b>	<b>15,190</b>	<b>12,898</b>	<b>100%</b>

1. The first Multi-Family unit is considered one EDU (i.e., equivalent to a Single-Family customer). The Additional Multi-Family billing unit EDUs are proportional to Single-Family average winter consumption.
2. Lifeline EDUs were adjusted to reflect the lower rates charged these customers per City Policy.
3. Billing units and EDUs for Cemetery/Horticultural was adjusted to that of a typical single-family home; most of their water use is landscape/watering vs. residential indoor type uses.
4. EDUs are proportional to the average winter water use for single-family residential.

## C. Rate Design Analysis

The City of Monrovia staff expressed the desire to maintain continuity of both the rate-making philosophy and rate design in this Study, including maintaining the existing rate structure. The current rate structure is easy to understand from the customer’s perspective and easy to administer from the City’s perspective. In light of this objective, the emphasis of the rate design is on ensuring that costs are fairly and appropriately collected from each customer class.

The sanitary sewer collection system is owned, operated and maintained by the City, and is a gravity-based system; there are no pumping stations associated with the system. As such, the costs the City collection system incurs are primarily fixed costs, although the amount of flow each customer generates was used in determining the size, or system capacity, of the collection pipes.

As such, primarily recovering costs from fixed charges is a reasonable approach to the rate design. However, the City expressed the desire to maintain a variable volumetric charge (i.e., based on water consumption) for the commercial/industrial customer class to ensure equity in rates between these accounts, which have significantly different levels of water usage during the course of the billing cycles.

### Description of the Recommended Rate Alternative

The proposed rate alternative is one that fully funds capital improvement costs and, because of the updated cost of service analysis, improves the equity of the rates. The rationale behind the recommended rate structure is described below.

**Basis for the Recommended Rate Alternative:** The main criteria used to select the rate alternative included:

- **Levels of Rate Increases** – The City has not implemented a comprehensive cost-of-service rate study in many years and therefore needs significant rate increases to fund critical capital improvements and the necessary operation and maintenance of the sanitary sewer collection system. While the burden that higher rates place on customers is significant, it is necessary to maintain a functioning sewer system.
- **Reserve Fund Levels** – The City needs to maintain reasonable reserve levels to manage the sewer utility’s finances in a responsible manner.
- **Coverage Ratios** – Debt Service Coverage Ratios are an obligation that comes with issuing debt that the City needs to make every attempt to meet, especially if it plans to issue future debt. Currently, the City cannot meet the minimum coverage ratio of 1.20 without significant rate increases.

**Recommended Rate Alternative** –The recommended rate alternative includes the following annual adjustments:

Recommended Financial Plan	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Proposed Annual Rate Increases	20.0%	13.0%	5.0%	5.0%	5.0%

## D. Current and Proposed Rates

The proposed sewer rates in this Study were developed with the goal maintaining the continuity of the rate-making philosophy, ensuring fairness and equity of the rate design, and ensuring costs were being appropriately collected from each customer class. **Figure 9** compares the current and proposed rates for FY 2023/24 through FY 2027/28 by customer class. Projected rates for future years, with implementation dates of July 1 each year, reflect adjustments based on the cost-of-service analysis and the recommended annual percent increases in rate revenue. More detailed tables on the development of the proposed rates are documented in the *Appendix*.

**Figure 9. Current vs. Proposed Rates**

CURRENT VS. PROJECTED SEWER RATES	Current	Recommended Rates				
	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
<b>Projected Annual Revenue Increase</b>		<b>20.00%</b>	<b>13.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>
Residential	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
Multiple Dwelling						
for first unit	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
plus, for each additional unit	\$5.42	\$4.51	\$5.09	\$5.35	\$5.61	\$5.89
<i>Duplex</i>	<i>\$15.08</i>	<i>\$17.12</i>	<i>\$19.34</i>	<i>\$20.31</i>	<i>\$21.32</i>	<i>\$22.39</i>
<i>Triplex</i>	<i>\$20.50</i>	<i>\$21.62</i>	<i>\$24.43</i>	<i>\$25.65</i>	<i>\$26.93</i>	<i>\$28.28</i>
<i>Quadplex</i>	<i>\$25.92</i>	<i>\$26.13</i>	<i>\$29.52</i>	<i>\$31.00</i>	<i>\$32.55</i>	<i>\$34.17</i>
Trailer Park						
for first space	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
plus, for each additional space	\$5.42	\$4.51	\$5.09	\$5.35	\$5.61	\$5.89
Lifeline	\$3.62	\$4.74	\$5.36	\$5.63	\$5.91	\$6.20
Cemetery/Horticultural Facilities	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
Government/Public Facilities	\$156.10	\$210.65	\$238.04	\$249.94	\$262.44	\$275.56
Commercial/Industrial (inc. motels, hotels, churches)						
for first 1,000 cubic feet of water used	\$21.03	\$23.89	\$26.99	\$28.34	\$29.76	\$31.25
plus, for additional 100 cubic feet of water used	\$0.23	\$0.24	\$0.27	\$0.28	\$0.30	\$0.31

## E. Comparison of Current and Proposed Customer Bills

The following figures compare monthly sewer bills under current and proposed rates for various customers over the 5-year rate period. These bill comparisons are calculated at typical levels of average winter water consumption. Here are the results:

- **Single-family:** Single-family residential customers will see their first-year monthly bill increase from \$9.66 to \$12.61 (an increase of \$2.95). **Figure 10** shows the typical customer bills for the 5-year rate period based on the proposed rates. Monthly bills for a single-family residential customer will increase by \$6.84 by year five of the rate adjustment adoption period.
- **Multi-family:** A four-unit multi-family residential customer will see their first-year monthly bill increase from \$25.92 to \$26.13 (an increase of \$0.21). **Figure 11** shows the typical customer bills for the 5-year rate period based on the proposed rates. Monthly bills for a four-unit multi-family residential customer will increase by \$8.25 by year five of the rate adjustment adoption period.
- **Commercial:** The average commercial customer (based on average winter consumption of 35 HCF/month) will see their first-year monthly bill increase from \$29.08 to \$32.29 (an increase of \$3.21).

- **Figure 12** shows the typical customer bills for the 5-year rate period based on the proposed rates. Monthly bills for the average commercial customer will increase by \$13.16 by year five of the rate adjustment adoption period.

**Figure 10. Monthly Bill Comparison for Single Family Customers**

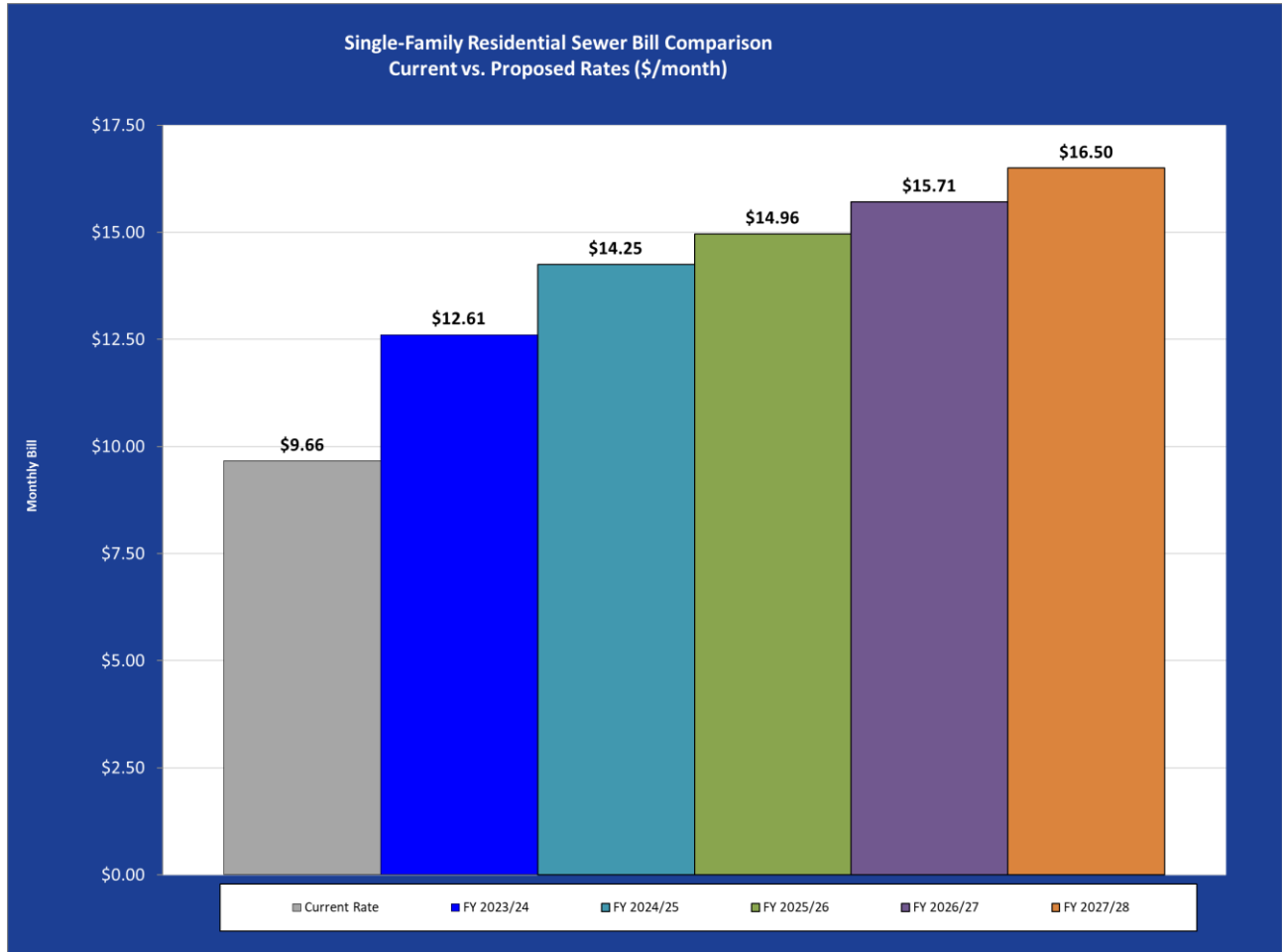
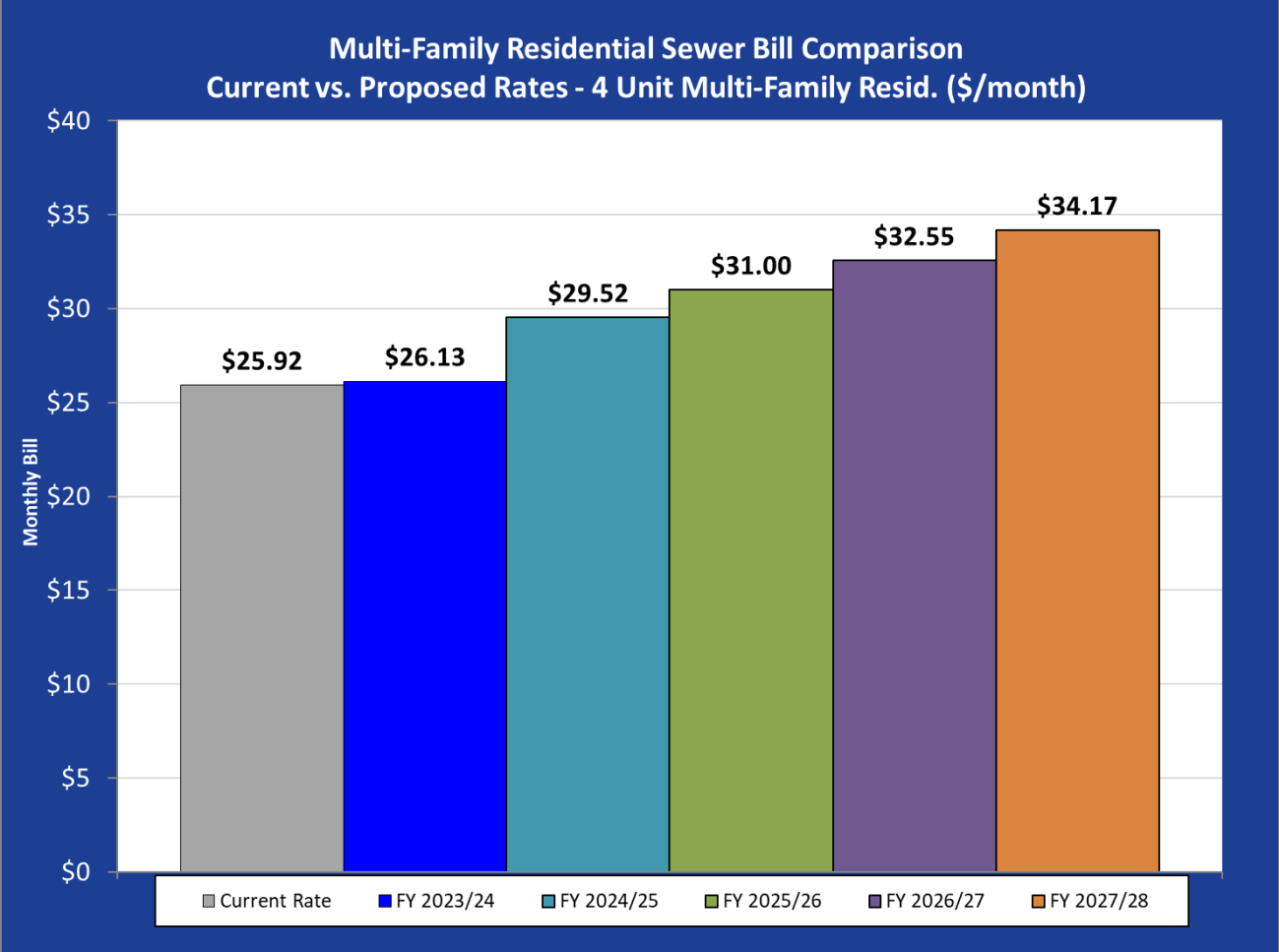
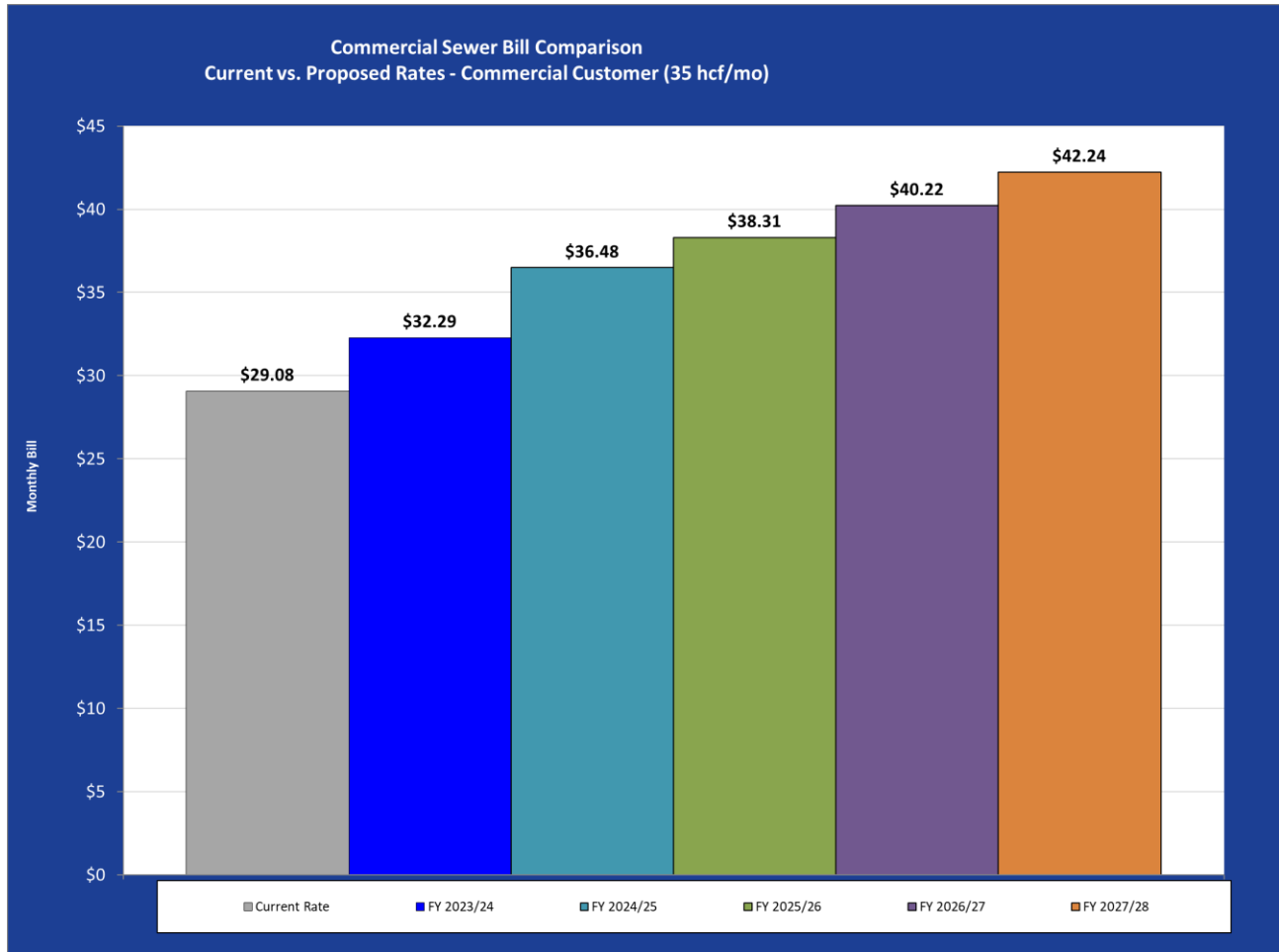


Figure 11. Monthly Bill Comparison for Multi-Family Customers



**Figure 12. Monthly Bill Comparison for Commercial Customers**



The two most notable changes in the proposed rates are (1) the larger increase<sup>4</sup> in residential fixed charges, as well as the charges for the first unit of multiple dwellings and trailer parks, and (2) the reduction in the current fixed charge for each additional unit for multiple dwellings and trailer parks. These changes are consistent with the average winter water use for single-family homes and first units of multiple dwellings and trailer parks compared to the average use for additional units. Single-family homes have an average winter water use of about 13.3 hcf/month compared to additional units, which average about 5.0 hcf/month (or 38% of the single-family home). These differences are the basis for the changes in these charges and are consistent with cost-of-service principles.

<sup>4</sup> The increase from \$9.66 to \$12.61 is a 31% increase in year 1 and, considering the 20% increase in overall revenue requirements, is significant. In contrast, the additional unit charges drop from \$5.42 to \$4.51, but this change is in line with the average estimated effluent generation (i.e., average winter water use) for additional units vs. single-family homes.

## SECTION 3. RECOMMENDATIONS AND NEXT STEPS

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### A. Consultant Recommendations

NBS recommends the City take the following actions:

**Approve and Accept this Study:** NBS recommends the City Council formally approve and adopt this Study report, including the *Appendix*, and its recommendations as a first step to implementing the proposed rates. This Study provides documentation of the rate study and the basis for analyzing changes to future rates.

**Implement Recommended Levels of Rate Adjustments and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the City Council should proceed with implementing the 5-year schedule of proposed rates previously shown in **Figure 9**. This will help ensure the continued financial health of City's sewer utility.

### B. Next Steps

**Annually Review Rates and Revenue:** Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Since proposed rates rely on the accuracy of customer data and consumption records that were not previously considered, tracking rate revenue is particularly important. Additionally, changing economic and water consumption patterns underscore the need for this ongoing review, as well as potential and unseen changing revenue requirements—particularly those related to the increasing costs of construction and environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provides more detailed information on the analysis of the sewer revenue requirements, cost-of-service analysis and cost allocations, and the rate design analyses that have been summarized in this report.*

### C. NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, conditions, data used in estimating accounts, and events that may occur in the future. This information and these assumptions, including the City's budgets, capital improvement costs, consumption data and information from City staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

## ABBREVIATIONS & ACRONYMS

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AAF	Average Annual Flow
Alt.	Alternative
Avg.	Average
AWWA	American Water Works Association
BOD	Biochemical Oxygen Demand
CA	Customer
CAP	Capacity
CCF	Hundred Cubic Feet (same as HCF); equal to 748 gallons
CCI	Construction Cost Index
CIP	Capital Improvement Program/Plan
COM	Commodity
Comm.	Commercial
COS	Cost-of-Service
COSA	Cost-of-Service Analysis
CPI	Consumer Price Index
DU	Dwelling Unit
Excl.	Exclude
ENR	Engineering News Record
EDU	Equivalent Dwelling Unit
Exp.	Expense
FY	Fiscal Year
FY 2019/20	July 1, 2019 through June 30, 2020
HCF	Hundred Cubic Feet; equal to 748 gallons or 1 CCF
Ind.	Industrial
Irr.	Irrigation
LAIF	Local Agency Investment Fund
Lbs.	Pounds
MFR	Multi-Family Residential
Mo.	Month

This appendix identifies abbreviations and acronyms that may be used in this report. This appendix has not been viewed, arranged, or edited by an attorney, nor should it be relied on as legal advice. The intent of this appendix is to support the recognition and analysis of this report. Any questions regarding clarification of this document should be directed to staff or an attorney specializing in this particular subject matter.

## ABBREVIATIONS & ACRONYMS

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Muni.	Municipal
N/A	Not Available or Not Applicable
O&M	Operating & Maintenance Expenses
Prop 218	Proposition 218 (1996) – State Constitutional amendment expanded restrictions of local government revenue collections.
Req't.	Requirement
Res.	Residential
Rev.	Revenue
R&R	Rehabilitation & Replacement
SFR	Single Family Residential
SWRCB	State Water Resources Control Board
TSS / SS	Total Suspended Solids
V. / Vs. /vs.	Versus
WWTP	Wastewater Treatment Plant

This appendix identifies abbreviations and acronyms that may be used in this report. This appendix has not been viewed, arranged, or edited by an attorney, nor should it be relied on as legal advice. The intent of this appendix is to support the recognition and analysis of this report. Any questions regarding clarification of this document should be directed to staff or an attorney specializing in this particular subject matter.

## APPENDIX: DETAILED SEWER STUDY TABLES AND FIGURES

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## TECHNICAL MEMORANDUM

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**TO:** Buffy Bullis, Administrative Services Director, City of Monrovia

**FROM:** Jeremy Tamargo, NBS

**CC:** Rae Bowman, Deputy Administrative Services Director, City of Monrovia

**DATE:** March 10, 2024

**SUBJECT:** Water Rate Adjustment

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### Background

The City of Monrovia has contracted with NBS to prepare water rate adjustments for Fiscal Year 2023/24 based on an applicable inflation factor to be included in the Prop 218 Notice.

This technical memo provides a general overview of three topics:

1. Methodology utilized to apply inflation factor to current water rates
2. Current versus Proposed Rate Tables
3. Recommendations and Next Steps

### Methodology

City Council approved Ordinance 2018-01 on February 6, 2018, which adopted new water rates for the calendar years 2018 - 2022. The rates became effective on March 8, 2018 and adjusted annually pursuant to the rate schedule adopted in Ordinance 2018-01. In lieu of conducting a full cost-of-service analysis and adopting a new rate schedule for the next five years, NBS was contracted in 2022 by the City of Monrovia to prepare water rate adjustments for Fiscal Year 2023/24 reflective of applicable inflation factors.

NBS utilized the Construction Cost Index (CCI) as the basis for the proposed water rate adjustments. Annual CCI percentage is obtained by subscription to the Engineer News Record (ENR), which records inflation of construction of maintenance costs on a monthly and yearly basis. For calendar year 2021, the average CCI value was 12,133, whereas for calendar year 2022, the average CCI value 13,007. This equates to a percentage increase of 7.20%, as calculated on an annual basis.

In order to adjust the existing water rates rates for inflation, the annual 7.20% increase was then applied uniformly to both the fixed charges and the consumption charges listed in the City's current rate table to calculate the proposed water rates for FY 2023/24.

## Current and Proposed Rates

The Table below provides a comparison of the current and proposed water rates for FY 2023/24. The table below contains the proposed adjustments for both the fixed rates (standby charges) as well as the consumption rates (by unit charge).

CURRENT VS. PROPOSED WATER RATES	Current	Proposed <sup>†</sup>
	FY 2022/23	FY 2023/24
<b>Projected Annual Revenue Increase</b>		<b>7.20%</b>
<b>Fixed Rates (Standby Charge)</b>		
<b>Single-Family Residential/Multi-Family Residential</b>		
<u>Meter Size</u>		
5/8 inch	\$41.10	\$44.06
3/4 inch	\$41.10	\$44.06
1 inch	\$52.08	\$55.83
1.5 inch	\$82.13	\$88.04
2 inch	\$103.94	\$111.43
3 inch	\$158.77	\$170.20
4 inch	\$207.86	\$222.83
6 inch	\$347.07	\$372.07
8 inch	\$590.95	\$633.51
<b>Fire Meter</b>		
<u>Meter Size</u>		
5/8 inch	\$30.56	\$32.76
3/4 inch	\$30.56	\$32.76
1 inch	\$38.72	\$41.51
1.5 inch	\$61.06	\$65.46
2 inch	\$77.28	\$82.85
3 inch	\$118.04	\$126.54
4 inch	\$154.54	\$165.67
6 inch	\$258.04	\$276.62
8 inch	\$439.36	\$471.00
12 inch	\$745.49	\$799.18
<b>New Construction Developments of Five (5) or More Units</b>		
<u>Meter Size</u>		
5/8 inch	\$55.23	\$59.20
3/4 inch	\$55.23	\$59.20
1 inch	\$69.98	\$75.02
1.5 inch	\$110.35	\$118.29
2 inch	\$139.67	\$149.73
3 inch	\$213.32	\$228.69
4 inch	\$279.30	\$299.41
6 inch	\$466.34	\$499.92
8 inch	\$794.03	\$851.21
<b>Commercial//Industrial/Landscape</b>		
<u>Meter Size</u>		
5/8 inch	\$41.10	\$44.06
3/4 inch	\$41.10	\$44.06
1 inch	\$52.08	\$55.83
1.5 inch	\$82.13	\$88.04
2 inch	\$103.94	\$111.43
3 inch	\$408.22	\$437.62
4 inch	\$617.73	\$662.22
6 inch	\$1,201.14	\$1,287.65
8 inch	\$3,172.77	\$3,401.28
<b>Hotel</b>		
<u>Meter Size</u>		
5/8 inch	\$41.10	\$44.06
3/4 inch	\$51.38	\$55.08
1 inch	\$77.42	\$83.00
1.5 inch	\$143.82	\$154.18
2 inch	\$216.39	\$231.97
3 inch	\$408.22	\$437.62
4 inch	\$617.73	\$662.22
6 inch	\$1,201.14	\$1,287.65
8 inch	\$3,172.77	\$3,401.28

CURRENT VS. PROPOSED WATER RATES	Current	Proposed <sup>1</sup>
	FY 2022/23	FY 2023/24
<b>Projected Annual Revenue Increase</b>		7.20%
<b>Consumption Rates (Per Unit Charge)</b>		
<b>Consumption charges for all classes</b>		
<u>Applicable to:</u>		
All classes and meter sizes	\$2.44	\$2.62
<b>Consumption charges for New Construction Developments of Five (5) or More Units</b>		
<u>Applicable to:</u>		
New Construction Developments of 5+ Units	\$3.27	\$3.50
<b>Additional Unit Charge (Hotel &amp; Multi-Family Only)</b>		
<b>Each Multi-Family Residential &amp; Hotel is Currently Charged a Fixed + an Additional Unit Charge for Each Additional MFR or Hotel Dwelling Unit</b>		
<u>Applicable to:</u>		
Hotel & all MFR	\$23.05	\$24.71

1. Proposed rates based on year-over-year % increase in Annual CCI Average Rating.

## Recommendations and Next Steps

### CONSULTANT RECOMMENDATIONS

NBS recommends the City take the following actions:

- **Approve and Accept this Technical Memorandum:** NBS recommends the City Council formally approve and adopt this Technical Memorandum and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the City should proceed with implementing the schedule of proposed rates and rate increases previously shown above. This will help ensure the continued financial health of City’s water utilities.

### NEXT STEPS

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

### NBS PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS

In preparing this technical memorandum and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the City’s budgets, capital improvement costs, customer accounts and consumption, and information from City staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

## **ORDINANCE NO. 2024-04**

### **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MONROVIA, CALIFORNIA, ADOPTING A SCHEDULE OF WASTEWATER (SEWER) AND WATER SERVICE CHARGES**

**WHEREAS**, the City Council is authorized pursuant to the California Health and Safety Code Section 5471 to prescribe, revise, and collect rates and charges for services and facilities furnished by the City in connection with the City's sewer service system and water service system.

**WHEREAS**, the City of Monrovia has conducted an analysis of its services, the costs reasonably borne by providing those services, the beneficiaries of those services, and the revenues produced by those paying fees and charges for special services; and

**WHEREAS**, the City has previously developed and instituted sewer and water service charges to finance the sewer and water utilities furnished by the City, including the costs of sewer and water system operations, capital projects, and maintenance; and

**WHEREAS**, the City has identified additional costs associated with operating the City's sewer and water system, as detailed in Resolution No. 2024-03 and Resolution No. 2024-04, adopted on January 16, 2024, incorporated herein by reference; and

**WHEREAS**, Chapter 3.46 (Fee and Service Charge Revenue/Cost Comparison System) of the Monrovia Municipal Code establishes a policy of recovering the full costs reasonably borne of providing special services of a voluntary and limited nature, such that general taxes are not diverted from general services of a broad nature and thereby utilized to subsidize unfairly and inequitably such special services; and

**WHEREAS**, the City Council adopted Ordinance No. 2000-09 on the 25th day of April, 2000, establishing its policy as to the recovery of costs and more particularly the percentage of costs reasonably borne to be recovered from users of City services and directing staff as to the methodology for implementing said Ordinance; and

**WHEREAS**, a properly noticed public hearing to receive public comments and protests and to consider the proposed Schedule of Sewer and Water Service Charges was held on March 19, 2024.

**THE CITY COUNCIL OF THE CITY OF MONROVIA, CALIFORNIA DOES ORDAIN AS FOLLOWS:**

**SECTION 1.** The City Council hereby adopts the sewer and water service charges set forth in the schedules below.

### Schedule of Sewer Service Charges

Sewer Fee Description	Current Rate	Recommended Rates				
		FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
<i>Effective Date</i>		<i>5/2/2024</i>	<i>7/1/2024</i>	<i>7/1/2025</i>	<i>7/1/2026</i>	<i>7/1/2027</i>
Residential	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
Multiple Dwelling						
For first unit	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
Plus, for each additional unit	\$5.42	\$4.51	\$5.09	\$5.35	\$5.61	\$5.89
Duplex	\$15.08	\$17.12	\$19.34	\$20.31	\$21.32	\$22.39
Triplex	\$20.50	\$21.62	\$24.43	\$25.65	\$26.93	\$28.28
Quadplex	\$25.92	\$26.13	\$29.52	\$31.00	\$32.55	\$34.17
Trailer Park						
For first space	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
Plus, for each additional space	\$5.42	\$4.51	\$5.09	\$5.35	\$5.61	\$5.89
Lifeline	\$3.62	\$4.74	\$5.36	\$5.63	\$5.91	\$6.20
Cemetery/Horticultural Facilities	\$9.66	\$12.61	\$14.25	\$14.96	\$15.71	\$16.50
Government/Public Facilities	\$156.10	\$210.65	\$238.04	\$249.94	\$262.44	\$275.56
Commercial/Industrial- (Corp, Motels, Hotels, Churches) For first 1,000 cubic feet of water used	\$21.03	\$23.89	\$26.99	\$28.34	\$29.76	\$31.25
Plus, for each additional 100 cubic feet of water used	\$0.23	\$0.24	\$0.27	\$0.28	\$0.30	\$0.31

As of the effective date of this Ordinance, the above Sewer Service Charges shall replace the existing charges and be charged and paid as set forth in the above schedule and shall remain in effect until amended or replaced by the City Council.

## Schedule of Water Service Charges

FIXED RATES [STANDBY CHARGE] – EFFECTIVE 5/2/2024								
Single-Family Residential/ Multi-Family Residential			New Construction Developments of Five (5) or More Units			Hotel		
Meter Size	Current Rate	Eff. 05/02/24	Meter Size	Current Rate	Eff. 05/02/24	Meter Size	Current Rate	Eff. 05/02/24
5/8 inch	\$41.10	\$44.06	5/8 inch	\$55.23	\$59.20	5/8 inch	\$41.10	\$44.06
3/4 inch	\$41.10	\$44.06	3/4 inch	\$55.23	\$59.20	3/4 inch	\$51.38	\$55.08
1 inch	\$52.08	\$55.83	1 inch	\$69.98	\$75.02	1 inch	\$77.42	\$83.00
1.5 inch	\$82.13	\$88.04	1.5 inch	\$110.35	\$118.29	1.5 inch	\$143.82	\$154.18
2 inch	\$103.94	\$111.43	2 inch	\$139.67	\$149.73	2 inch	\$216.39	\$231.97
3 inch	\$158.77	\$170.20	3 inch	\$213.32	\$228.69	3 inch	\$408.22	\$437.62
4 inch	\$207.86	\$222.83	4 inch	\$279.30	\$299.41	4 inch	\$617.73	\$662.22
6 inch	\$347.07	\$372.07	6 inch	\$466.34	\$499.92	6 inch	\$1,201.14	\$1,287.65
8 inch	\$590.95	\$633.51	8 inch	\$794.03	\$851.21	8 inch	\$3,172.77	\$3,401.28
Fire Meter			Commercial / Industrial / Landscape			ADDITIONAL UNIT CHARGE [HOTEL & MULTI-FAMILY ONLY]		
Meter Size	Current Rate	Eff. 05/02/24	Meter Size	Current Rate	Eff. 05/02/24	Each Multi-Family Residential (MFR) & Hotel is Currently Charged a Fixed + an Additional Unit Charge for Each Additional MFR or Hotel Dwelling Unit		
5/8 inch	\$30.56	\$32.76	5/8 inch	\$41.10	\$44.06			
3/4 inch	\$30.56	\$32.76	3/4 inch	\$41.10	\$44.06	Applicable to	Current Rate	Eff. 05/02/24
1 inch	\$38.72	\$41.51	1 inch	\$52.08	\$55.83	Hotel & All MFR	\$23.05	\$24.71
1.5 inch	\$61.06	\$65.46	1.5 inch	\$82.13	\$88.04			
2 inch	\$77.28	\$82.85	2 inch	\$103.94	\$111.43			
3 inch	\$118.04	\$126.54	3 inch	\$408.22	\$437.62			
4 inch	\$154.54	\$165.67	4 inch	\$617.73	\$662.22			
6 inch	\$258.04	\$276.62	6 inch	\$1,201.14	\$1,287.65			
8 inch	\$439.36	\$471.00	8 inch	\$3,172.77	\$3,401.28			
12 inch	\$745.49	\$799.18						

CONSUMPTION RATES [PER UNIT CHARGE] - EFFECTIVE 5/2/2024		
Consumption Charges for All Classes		
Applicable to	Current Rate	Eff. 05/02/24
All Classes & Meter Sizes	\$2.44	\$2.62
Consumption Charges for New Construction Developments of Five (5) or More Units		
Applicable to	Current Rate	Eff. 05/02/24
New Const. Developments of 5+ Units	\$3.27	\$3.50

The rates for Lifeline will increase from \$3.30 to \$3.54 for 5/8" and 3/4" metered accounts and from \$5.95 to \$6.38 for 1" metered accounts. The per unit consumption rate will also increase from \$0.85 to \$0.91

As of the effective date of this Ordinance, the above Water Service Charges shall replace the existing charges and be charged as set forth in the above schedule and

shall remain in effect until amended or replaced by the City Council; provided, however, that each July 1, commencing July 1, 2025, through July 1, 2028, each Water Service Charge shall increase by an amount that is equal to the annual percentage increase in the Construction Cost Index, as provided by the Engineering News-Record for the twelve-month period ending the immediately preceding March 1.

**SECTION 2.** Discounts for the sewer and water service charges may be provided for senior, low income, and veteran account holders that meet the eligibility requirements established by the City and administered by the Public Works Department or the Administrative Services Department. The discount rates shall be set by resolution.

**SECTION 3.** If any section, subsection, subdivision, sentence, clause, phrase, or portion of this ordinance or the application thereof to any person or place, is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remainder of this ordinance. The City Council hereby declares that it would have adopted this ordinance, and each and every section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, or portions thereof be declared invalid or unconstitutional.

**SECTION 4.** The City Clerk shall certify to the adoption of this ordinance and cause the same to be published in the manner required by law within fifteen (15) days after its passage, and this ordinance shall become effective thirty (30) days after its passage.

**INTRODUCED** this 19<sup>th</sup> day of March, 2024.

**PASSED, APPROVED, AND ADOPTED** this 2<sup>nd</sup> day of April, 2024.

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Becky A Shevlin  
City of Monrovia

ATTEST:

APPROVED AS TO FORM:

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Alice D. Atkins, MMC, City Clerk  
City of Monrovia

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Craig A. Steele, City Attorney  
City of Monrovia

**RESOLUTION NO. 2024-16**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MONROVIA, CALIFORNIA, ADOPTING A DISCOUNT SCHEDULE TO THE WASTEWATER (SEWER) AND WATER SERVICE CHARGES**

**WHEREAS**, the City Council has considered its Ordinance No. 2024-04 entitled, “An Ordinance of the City Council of the City of Monrovia, California, Adopting a Schedule of Wastewater (Sewer) and Water Service Charges” to increase sewer and water service charges to finance the sewer and water utilities furnished by the City, including the costs of systems operations, capital projects, and maintenance; and

**WHEREAS**, the City has established a policy of providing discounted rates for qualifying residents.

**THE CITY COUNCIL OF THE CITY OF MONROVIA, CALIFORNIA DOES ORDAIN AS FOLLOWS:**

**SECTION 1. BASIS OF DISCOUNTS.** Discounts for the sewer and water service charges may be provided for senior (age 65 and older), low income, and veteran account holders that meet the eligibility requirements established by the City and administered by the Department of Public Works or the Department of Administrative Services. These discounts may be applied to single-dwelling residential accounts only. All other types of accounts are ineligible.

**SECTION 2. FEE SCHEDULE ADOPTION.** The City Council hereby approves the percentage discount schedule applicable to the sewer and water service charges, as set forth in the schedule below.

<b>Percentage Discount</b>	<b>Customer</b>	<b>Discount Description/Reference</b>
25%	Low Income and Veteran	Account Holders may be eligible to receive a 25% discount on the sewer and water service charges adopted by Ordinance No. 2024-04 by the City Council.
5%	Senior	Senior Account Holders who do not qualify for the low income discount described above may be eligible to receive a 5% discount on the sewer and water service charges adopted by Ordinance No. 2024-04 by the City Council.

For any low income or veteran residential account holder that does not fall into one of the above categories, but is otherwise shown to be eligible, the 25% discount rate may be applied, pending review by the City Manager or his/her designee. Account holders shall be eligible for only one discount.

For any senior residential account holder that does not fall into one of the above categories, but is otherwise shown to be eligible, the 5% discount rate may be applied, pending review by the City Manager or his/her designee.

**SECTION 3. INTERPRETATIONS.** This Resolution may be interpreted by the applicable City department heads in consultation with the City Manager.

**SECTION 4. DELEGATION OF AUTHORITY TO ADJUST FEES AND CHARGES.** The discount rates shall be set and may be adjusted at the recommendation of the City Manager, pending City Council approval, and adopted by resolution.

**SECTION 5. REPEALER.** Resolutions and other prior actions of the City Council in conflict with the contents of this Resolution are hereby repealed.

**SECTION 6. SEVERABILITY.** If any portion of this Resolution is held to be invalid or unconstitutional by any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions and all other portions shall remain in full force and effect. The City Council declares that it would have adopted this Resolution and each section or portion thereof irrespective of the validity of any other section or portion.

**SECTION 7. EFFECTIVE DATE.** This resolution shall be effective on the effective date of Ordinance No. 2024-04 entitled, "An Ordinance of the City Council of the City of Monrovia, California, Adopting a Schedule of Wastewater (Sewer) and Water Service Charges."

**PASSED, APPROVED, AND ADOPTED** this 19<sup>th</sup> day of March, 2024.

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Becky A. Shevlin, Mayor  
City of Monrovia

ATTEST:

APPROVED AS TO FORM:

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Alice D. Atkins, MMC, City Clerk  
City of Monrovia

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Craig A. Steele, City Attorney  
City of Monrovia