



CITY OF MANHATTAN BEACH CITY HALL

1400 Highland Avenue, Manhattan Beach, CA 90266

WEBSITE: www.manhattanbeach.gov • **PHONE:** (310) 802-5000

TO: Honorable Mayor and Members of the City Council

FROM: Erick Lee, Public Works Director

MEETING: City Council Regular Meeting, March 21, 2023

SUBJECT: Agenda Item No. 9 – Initiate the Proposition 218 Process to Consider Increasing Wastewater Rate Fees and Adopt Procedures in Connection with Proposed Wastewater Fee Increases

DATE: March 21, 2023

SUPPLEMENTAL ATTACHMENT

- Updated PowerPoint Presentation

CITY OF MANHATTAN BEACH PROPOSAL TO INCREASE WASTEWATER RATES

March 21, 2023



Note: This PowerPoint presentation is intended solely as a visual aid to an oral staff presentation of an agenda report topic. In the event of any differences between the presentation and the agenda report, the information in the agenda report prevails.

WASTEWATER RATES INTRODUCTION

- Wastewater Rates have not increased in 9 years.
- Current wastewater Rates are insufficient.
- City hired Black & Veatch to conduct rate analysis.
- To meet the City's needs, a 45% increase over the next five years is needed.



WHAT IS FUNDED BY CUSTOMER UTILITY BILLS?

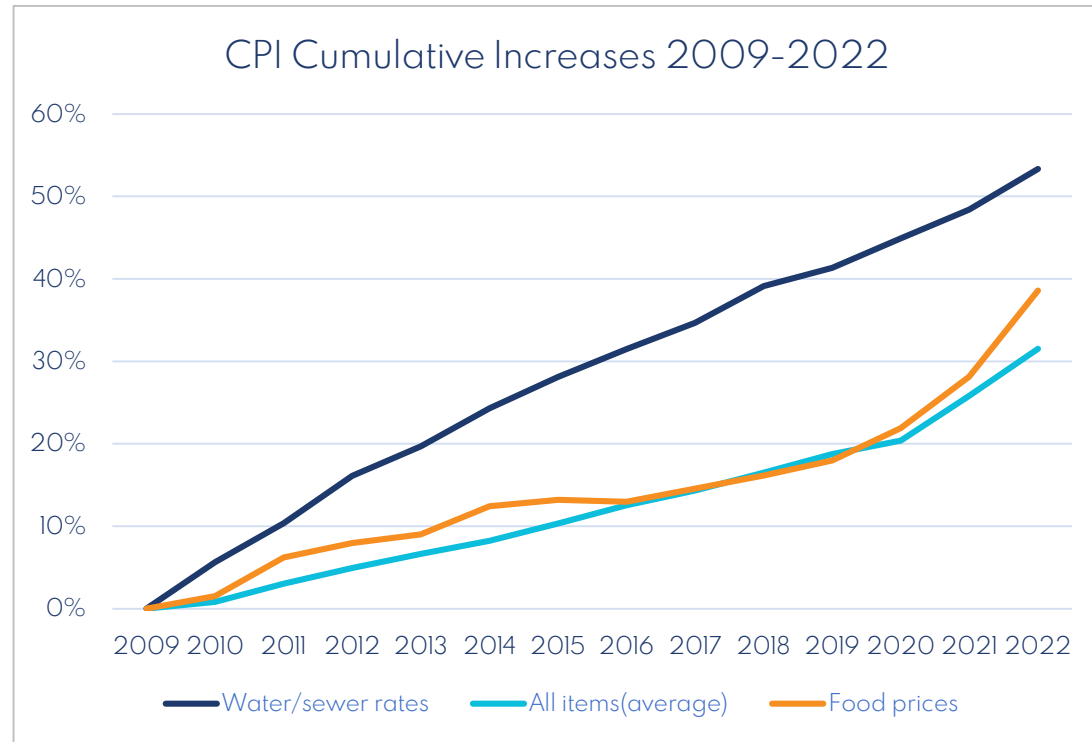


- Operating costs (salaries, benefits, supplies).
- Capital costs (lift stations, force and sewer mains).
- Debt service on bonds issued for capital costs and pension obligations.
- Wastewater enterprise fund is not subsidized by general fund taxes.



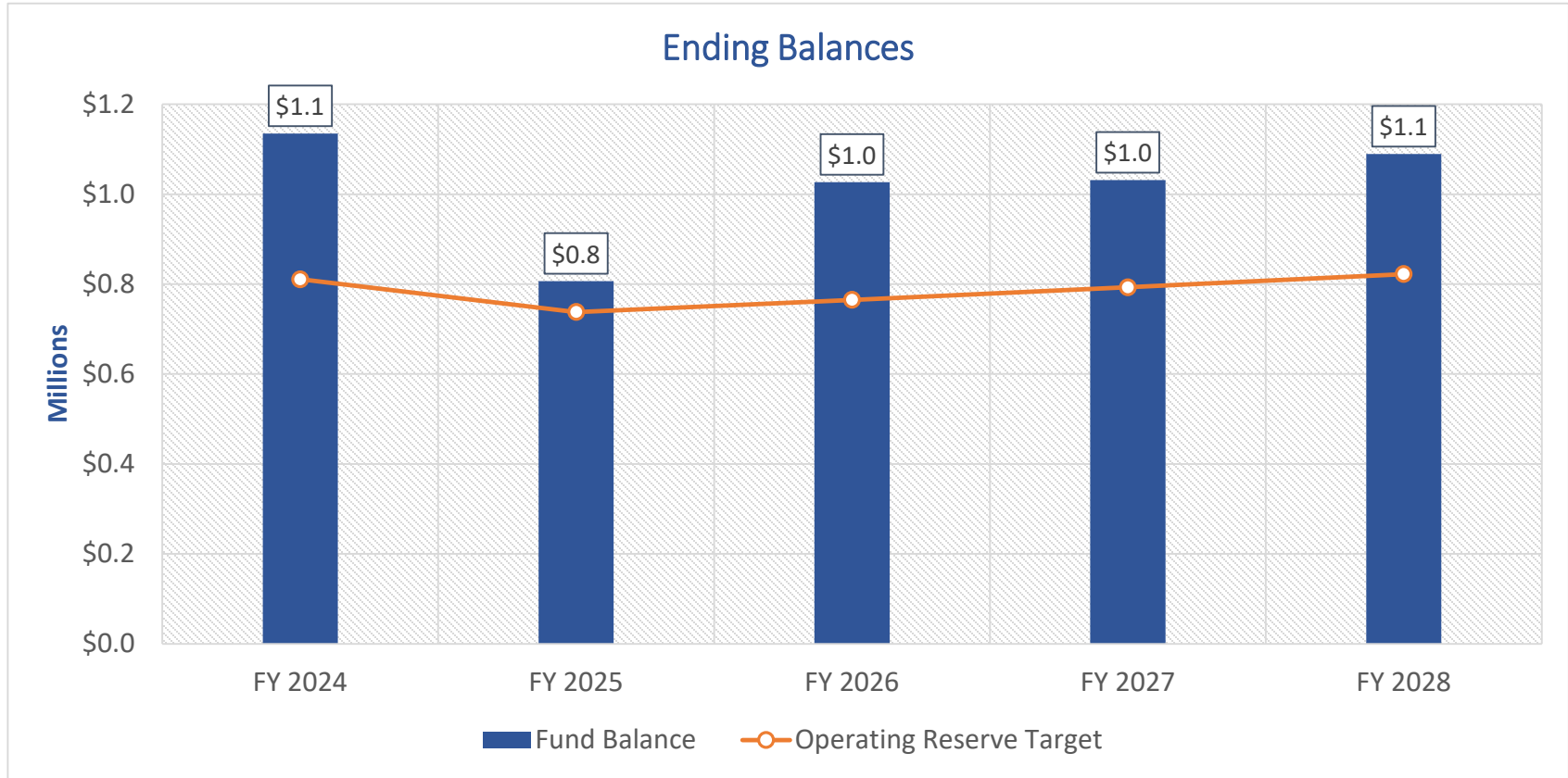
WHY DO RATES NEED TO BE ADJUSTED?

- Costs to serve wastewater have gone up since 2014.
- Costs of parts and materials have increased
- Compounded inflation since 2014 is 25.4%.
- Capital project and maintenance costs are increasing.

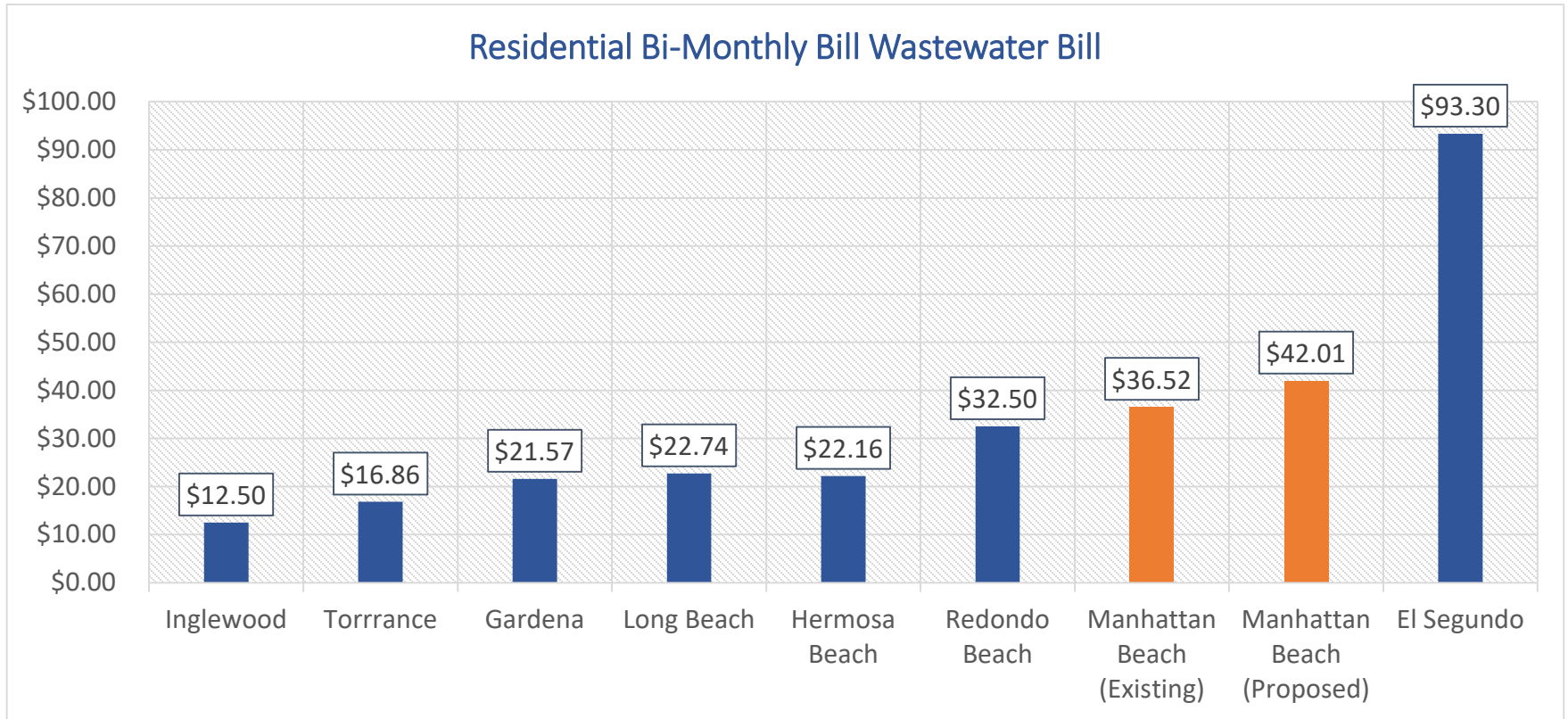


PROPOSED RATE ADJUSTMENTS – 45% OVER 5 YEARS

Nov. 2023	Nov. 2024	Nov. 2025	Nov. 2026	Nov. 2027
17.00%	17.00%	4.00%	4.00%	3.00%



LOCAL WASTEWATER RATE COMPARISON



BILL IMPACTS

Single Family Residential					
Meter Size	Usage (HCF)	Currently Bi-Monthly Bill	Proposed Bi-Monthly Bill	Difference (\$)	Difference (%)
5/8" or 3/4"	0	\$11.12	\$12.80	\$1.68	15.1%
	5	\$17.47	\$20.11	\$2.64	15.1%
	10	\$23.82	\$27.41	\$3.59	15.1%
	15	\$30.17	\$34.71	\$4.54	15.0%
	20	\$36.52	\$42.01	\$5.49	15.0%
	40	\$61.92	\$71.22	\$9.30	15.0%
	80	\$112.72	\$129.63	\$16.91	15.0%

- For the most common meter size and usage, a typical single-family residential customer will see an increase of \$5.49 or 15.0% on their bi-monthly bill.
- November 1, 2023: Effective Date of new rates.
- January 1, 2024: New rates reflected on bills.



FINANCIAL PROJECTIONS – INFLATIONARY ASSUMPTIONS

Cost Escalation Factors	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Salary & Wages	3.0%	3.0%	3.0%	3.0%	3.0%
Fringe Benefits	3.0%	3.0%	3.0%	3.0%	3.0%
Contractual Services	3.8%	3.8%	3.8%	3.8%	3.8%
Utilities	7.5%	7.5%	5.0%	5.0%	5.0%
Departmental Supplies	4.0%	4.0%	4.0%	4.0%	4.0%
Interfund Service Payments	4.0%	4.0%	4.0%	4.0%	4.0%
Capital Projects	2.7%	2.7%	2.7%	2.7%	2.7%



OPERATIONS & MAINTENANCE EXPENSES

Operation & Maintenance Summary	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Salaries & Benefits	\$624,200	\$639,600	\$658,800	\$678,600	\$699,000
Materials & Services	\$677,100	\$394,300	\$410,300	\$427,100	\$444,500
Internal Services	\$1,138,700	\$1,184,200	\$1,231,500	\$1,280,800	\$1,332,000
Debt Service	\$25,613	\$25,628	\$25,613	\$25,618	\$25,589
Total	\$2,465,613	\$2,243,728	\$2,326,213	\$2,412,118	\$2,501,089



CAPITAL EXPENSES

Capital Expenditures Summary	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Collection System	\$1,129,700	\$738,300	\$758,200	\$778,700	\$799,800
Lift Station	\$3,081,000	\$1,423,900	\$1,462,300	\$1,668,700	\$1,713,800
General WW System Assets	\$0	\$348,100	\$0	\$111,200	\$0
Total	\$4,210,700	\$2,510,300	\$2,220,500	\$2,558,600	\$2,513,600



PROP 218 PROCESS

- To implement new customer fees, Council must initiate the Prop. 218 process.
- Process requires:
 - City mail a notice to property owners/ratepayers.
 - 45 day protest period.
 - Hold Public Hearing after protest period.

Sample Prop. 218 Notice



CITY OF MANHATTAN BEACH

1400 Highland Avenue, Manhattan Beach, CA 90266

Visit www.manhattanbeach.gov/wastewaterrates • (310) 802-5312

Submit questions to publicworks@manhattanbeach.gov

March 28, 2023

CITY OF MANHATTAN BEACH NOTICE OF PUBLIC HEARING Proposed Changes to Wastewater Service Rates and Charges

NOTICE IS HEREBY GIVEN that the Manhattan Beach City Council ("City Council") will hold a public hearing to consider proposed changes to the wastewater service rates and charges (hereinafter "rates" or "charges") during its regularly scheduled meeting on Tuesday, May 16, 2023 at 6:00 PM, or as soon thereafter as the matter may be heard, at 1400 Highland Avenue, Manhattan Beach, California, in the City Council Chamber.

Manhattan Beach is proposing changes to its current wastewater service rates, and is sending this notice to all property owners/rate payers of record that receive wastewater service from the City and may be impacted by these changes. The new wastewater rates are proposed to be effective November 1, 2023 and will be adjusted each November 1 thereafter through November 1, 2027. The attached schedule shows the proposed rates, subject to potential pass-through adjustments. The rates effective November 1, 2027 cannot be increased unless the City undertakes this process again to change the rates at some time in the future.

Any property owner or tenant who is directly responsible for payment of wastewater service rates (i.e., a "wastewater customer") may submit a protest against the proposed changes to the wastewater service rates. If you are a tenant that is *not directly responsible* for payment of wastewater service rates, you are receiving this notice as a courtesy and the City Council will not consider your protest in determining whether a majority protest exists against the proposed changes to the wastewater service rates.

Property Owner/Rate Payer. If you *own* property in the City or you *are a tenant who is directly responsible for payment* of City wastewater utility bills, you have the legal right to submit a protest to the proposed changes to the wastewater service rates.

Tenant/Non-Rate Payer. If you *rent or lease* property in the City and you are *not directly responsible* for payment of wastewater utility bills, you are receiving this notice as a courtesy.

The proposed changes to the wastewater service rates are the result of a detailed rate analysis, which was reviewed by the City Council at its meeting on March 21, 2023. The analysis proposes a rate structure that recovers sufficient revenue to cover the City's increased costs of providing wastewater service and a fair and equitable cost allocation among wastewater customer categories. The proposed changes to the wastewater service rates, which include proposed rate increases, are necessary to cover the following costs: operations,



CITY OF
MANHATTAN BEACH

PROPOSAL TO INCREASE WATER RATES
MARCH 21, 2023

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218 PROCESS TIMELINE

The below proposed timeline represents City Council adopting the resolution to initiate the Proposition 218 process.

Dates	Item
March 21, 2023	City Council initiates the Proposition 218 process; sets May 16, 2023 for Public Hearing.
March 28, 2023	Postmark Proposition 218 notice, mailing to property owners/rate payers (required) and tenants/occupants (courtesy).
April 19, 2023	Community Meeting (in-person & Zoom).
May 16, 2023	Public Hearing to announce protest count and determine if Council can approve rate increase.
November 1, 2023	New rates go into effect (if protest count is less than 50% + 1 and Council approves rate increase).
January 1, 2024	New wastewater rates reflected on customer bills.



RECOMMENDATION

Nov. 2023	Nov. 2024	Nov. 2025	Nov. 2026	Nov. 2027
17.00%	17.00%	4.00%	4.00%	3.00%

Staff requests direction on the following:

1. Adopting Resolution 23-0029 Initiating the Proposition 218 Process and Setting a Date and Time for a Public Hearing.
 - Recommending May 16, 2023, for the Public Hearing.
2. Adopting Resolution 23-0030 Regarding Procedures in Connection with Proposed Wastewater Fee Increases.

