



City of Norco Summer 2018 Update WATER AND SEWER RATES Frequently Asked Questions

Q. Where will I see the increase in my bill?

A. Your utility bill will see changes in the Water Consumption, Irrigation Consumption, Fixed Monthly Water Charge and Sewer sections of the bill. If you have a business, you will see a new section called “Fireline Services”. Due to the restructuring of rates, Fixed Monthly Water Charges will increase while other sections will be reduced. Please contact Utility Billing at 951-270-5654 for specific information related to your account.

Q. Is there assistance for low income customers?

A. Yes, there is a subsidy rate for low income residents and seniors that will correlate to the proposed increasing water and sewer rates. A qualified participant will receive a 50% discount on their water usage up to 20 units, sewer rate (including non-connect) and fixed monthly water meter charge up to a one inch meter. Please contact our housing specialist at (951) 270-5625 to fill out an application or to ask any questions.

Q. How can customers manage their utility bills?

A. The City will soon be offering its customers a new customer portal that will allow customers to have access to their water consumption, make a payment and review their bills using their smart phones or home computers. The anticipated launch is early Fall 2018.

Q. Where can I find more information on the water and sewer rates and why they were increased?

A. For more detail on the specific rates, please visit the City of Norco website, go to the City Hall tab, scroll to Public Works, Water and Sewer Rates.

The screenshot shows the City of Norco website interface. At the top, there is a navigation bar with the text 'CITY OF NORCO, CA' and 'HORSETOWN USA'. Below this, there are tabs for 'Government', 'City Hall', and 'Services'. The 'City Hall' tab is selected, and a dropdown menu is visible with the following items: City Manager, City Clerk, Economic Development, Fire, Fiscal & Support Services, Human Resources, Parks, Recreation & Community Services, Planning, Public Works, and Sheriff. The 'Public Works' item is highlighted, and a sub-menu is shown with the following items: Engineering, Urban Water Management Plan, Water Quality Reports, Water & Sewer Rates (highlighted), Water Resources, and Capital Improvement Projects. Below the navigation menu, there is a section titled 'Plan. Prepare. Prevent.' with a sub-heading 'The City of Norco urges you to plan for rain by picking up sandbags at Norco Fire Stations. Read More >'. To the right of this section, there is a large graphic with the text 'AN. PREPARE. PREVENT.' and 'ARE YOU READY?'. The graphic also includes information about sandbags being available for distribution at various fire stations.

For more information on water and sewer rates, please visit www.norco.ca.us or contact Utility Billing at 951-270-5654



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Q. Why are my rates increasing?

A. Your water and sewer rates are increasing due to the following reasons:

- 1. Fix the structural gap between revenues and expenses** - The cost of operating and maintaining the water and sewer systems is paid from revenues generated only from water and sewer rates. The Water and Sewer Funds do not receive tax revenues. Currently, the rates are not generating sufficient revenues to pay for the cost to maintain and operate the water and sewer systems. The water rate consists of a Monthly Fixed Charge (based on meter size) and a variable component based on usage. Under the current rate structure, 30% of total Water Fund revenues are generated from the Monthly Fixed Charge rate component while 70% of total revenues are generated from the variable usage rate component (commodity charge). Conversely, over 70% of Water Fund operating costs is fixed. Due to this heavy reliance on the commodity charge rate component, a significant gap between revenues and expenses is created when water usage (consumption) rate is reduced as has been the case recently, due to state mandated water conservation requirements. These conservation requirements have resulted in significant reduction in water usage in the City of Norco. In order to fix this gap, the approved rates made changes to the rate structure so that 46% of total Water Fund revenues will come from the Monthly Fixed Charge while 54% will come from the commodity charge. This change has resulted in higher than usual increases.
- 2. Provide funding for rate stabilization and operating reserves** – As result of the structural gap between revenues and expenses; and the lack of real rate adjustments since FY 2012, the Water Fund has experienced significant financial deficit. Unfortunately, eliminating this deficit and making sure that future revenues are sufficient to cover costs requires a higher than usual rate increase. In addition, the approved rate increase is designed to generate monies to fund rate stabilization and operating reserves. The purpose of these reserves is to ensure that the Water and Sewer Funds have sufficient cash on hand to meet three (3) months of operating costs and to ensure that the City would implement future rate increases at a more gradual rate.
- 3. Provide funding for future capital improvements of water and sewer systems**
In recent years, the City's water system has experienced significant failures due to inadequate capital maintenance and replacement. In order to ensure future reliability of water and sewer services, the rate increase is designed to generate the revenues necessary to meet minimum funding requirements for capital maintenance and replacement over the next ten years.

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Q. How much are water and sewer rates increasing?

A. The chart below indicates the approved increases over the next five years.

	<u>FY 16-17</u>	<u>FY 17-18</u>	<u>FY 18-19</u>	<u>FY19-20</u>	<u>FY 20-21</u>
Effective Date:	1/1/2017	7/1/2017	7/1/2018	7/1/2019	7/1/2020
Water Rate Revenue Increases	15.00%	12.00%	11.00%	10.00%	2.00%
Sewer Rate Revenue Increases	0.00%	0.00%	5.50%	5.50%	5.50%

UPDATE

Effective July 1, 2018, City Council has delayed the implementation of the FY 18-19 Sewer Rate increases due to the improving financial condition of the Sewer Fund. Staff will continue to monitor the financial condition of the Sewer Fund and will implement the approved rate adjustments as necessary to ensure that the cash flow needs of the Sewer Fund are met.

Revised for 7/1/2018	<u>FY 16-17</u>	<u>FY 17-18</u>	<u>FY 18-19</u>	<u>FY19-20</u>	<u>FY 20-21</u>
Effective Date:	1/1/2017	7/1/2017	7/1/2018	7/1/2019	7/1/2020
Water Rate Revenue Increases	15.00%	12.00%	11.00%	10.00%	2.00%
Sewer Rate Revenue Increases	0.00%	0.00%	Delayed	min 5.5%*	min 5.5%*

Q. Can't the City of Norco reduce costs instead of raising rates?

A. The city works hard to provide the highest quality water service at the lowest possible cost. Water utility costs are escalating rapidly due to increased investments needed to replace and repair infrastructure such as mains, wells and reservoirs and to pay for higher water purchase costs. The operating water fund had a \$1.2 million deficit in fiscal year 2015-2016 and it is not projected to improve without a rate increase. A stable population, increasing costs for water supply and an aging water system are challenges facing all water utilities.

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Q. Are there any consequences to deferring maintenance or projects?

A. Yes, deferral in repairs in certain instances may mean replacement later at greater costs. Deferring maintenance may lead to more frequent main breaks and leaks which impact service delivery to our customers.

Q. What is the Fireline Services charge on the utility bill for my business?

A. The Fireline Services charge only applies to customers that have private fire protection systems which rely upon the public water system for their water supply via a fire water service line.

Q. How was the Fireline Services charge determined?

A. The most common method of charging for a private fire service is to base the charge on the size of the customer’s fire service connection. The service size is the best measure of the demand that can be put on the City’s water supply system in the case of fire. An American Water Works Association (AWWA) equivalent factor table was applied to develop the rates for Firelines based on service line diameter.

Q. Why is my water consumption increasing on my business account?

A. If your water consumption is increasing, you may have water usage on your Fireline due to testing fire equipment, extinguishing fires, or a possible leak. A commodity charge will be applied on any consumption recorded on the Fireline meter. No charge will be applied if the water usage is testing fire equipment or extinguishing fires. If Fireline water usage has occurred for testing or emergency purposes, please contact Utility Billing for further information and adjustments.

Monthly Commodity Charge (Per Unit = 100 cubic feet or HCF)

Firelines

Any consumption recorded on the meter will be charged at double the regular commodity rate (No charge shall be assessed when extinguishing fires or testing fire equipment).

Rate Per HCF	\$	4.44	\$	4.24	\$	4.44	\$	4.88	\$	5.32	\$	5.40
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Q. What are the new rates for the Fireline Services Charge?

A. The new rate schedule for the Fireline Services charge is based on the diameter size of the fire service line serving the property. A Fireline service ranges between 2 inches and 12 inches. Your current bill identifies the size of your service line.

Monthly Fireline Fixed Charge (Service Size)

Service Size	January 1st, 2017	July 1st, 2017	July 1st, 2018	July 1st, 2019	July 1st, 2020
2"	\$ 36.48	\$ 40.85	\$ 45.35	\$ 49.88	\$ 50.88
3"	37.88	42.42	47.09	51.80	52.83
4"	40.29	45.13	50.09	55.10	56.20
6"	48.96	54.84	60.87	66.96	68.30
8"	63.92	71.59	79.46	87.41	89.16
10"	86.42	96.79	107.43	118.17	120.54
12"	117.59	131.71	146.19	160.81	164.03

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