



# Water and Sewer CPI Rate Increase

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**Public Works Department**

City Council Meeting

October 14, 2024

Chris Alanis, Interim Public Works Director

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# BACKGROUND (CPI)

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UPLAND CITY HALL

- Last rate study was completed January 2018
  - Implementation dates for increases were approved from 2018 to 2023. Inflation was recovered at 2.5% each year for only 5 years of the 7. Inflation has not recovered since 2021.
- On July 22, 2024, City Council authorized the City Manager to mail Proposition 218 notices for a public hearing set for October 14, 2024 for consideration of an inflationary water and sewer service rate CPI increase of 4% above current rates
- Notices were mailed to all property owners of record
  - Included information on the rate adjustment
  - Included information for the public hearing and instructions for submitting a formal protest
    - 4 Written protest letters were received
    - 1 Written support letter was received

# Consumer Price Index

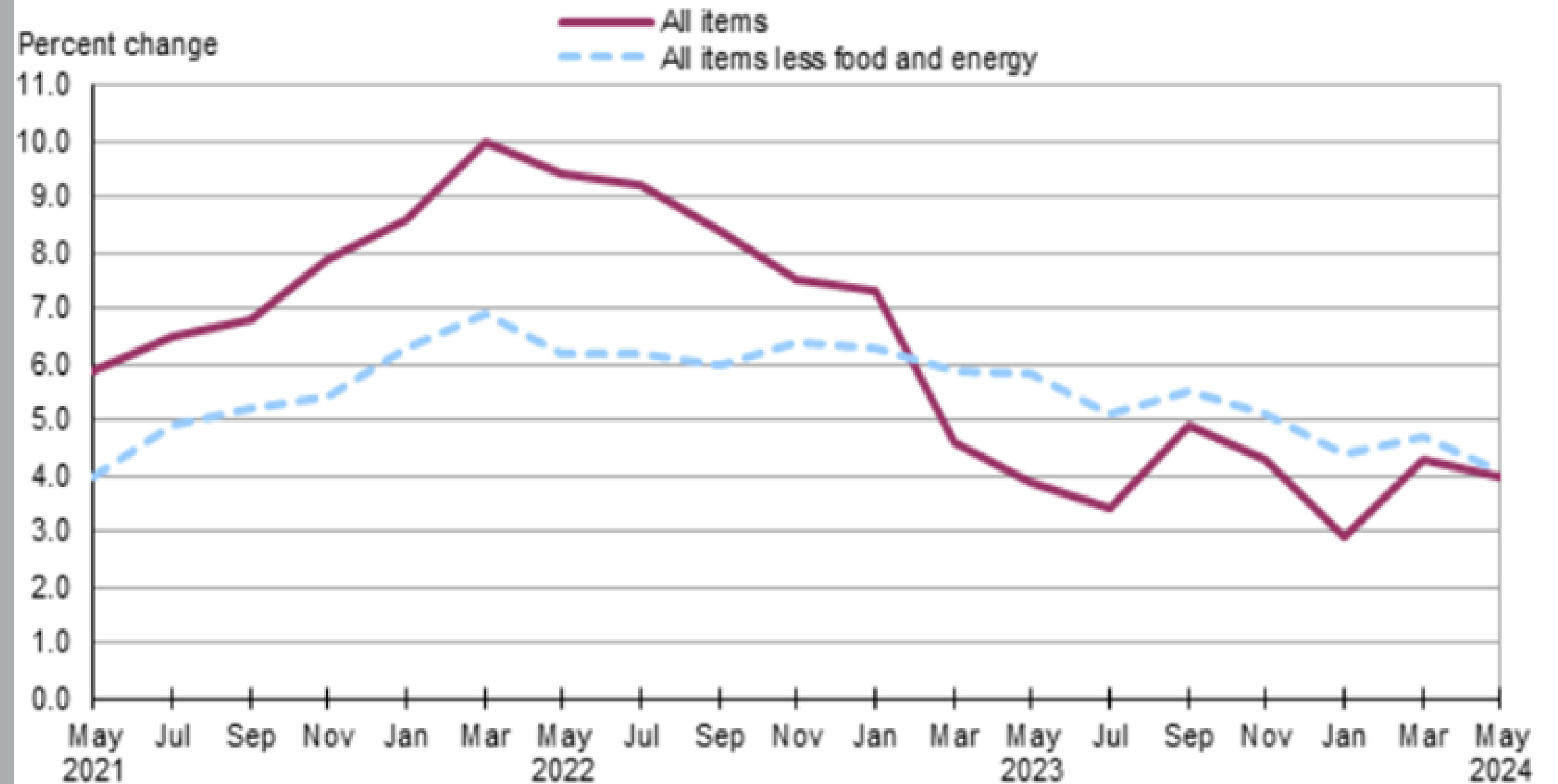
## Consumer Price Index-CPI

Measures the average change over time in the prices paid by consumers for goods and services

U. S. Department of Labor,  
Bureau of Labor Statistics  
Fiscal Year 2023/2024  
Riverside-San Bernardino-Ontario

Inflationary Increase -4%

Chart 1. Over-the-year percent change in CPI-U, Riverside-San Bernardino-Ontario, CA, May 2021–May 2024



Source: U.S. Bureau of Labor Statistics.



# Utility Rate Structure

- Administration
  - Debt Service
  - Water Administration
  - Customer Service
  - NPDES, Water Conservation, Public Education and Outreach, WECWC, and PVPA
- Operations
  - Production/Storage
  - Transmission/Distribution
  - Meter Services
  - Repairs
- Capital Expenditures (39 Projects programmed)
  - Infrastructure Replacement





# Utility Rate Fund Balances

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- **Expense & Revenue Budget**

- Water \$57,368,920
- Sewer \$16,626,990

- **CIP Unallocated Cash**

- Water \$16,570,690
- Sewer \$ 6,478,264

- **Reserves (90 Day)**

- Water \$7,705,172
- Sewer \$2,159,421

## Notes:

- Reserve + Unallocated = Cash on Hand
- AWWA Recommends policy review every 5 years
- 6 mos. reserve recommended given age of assets
- Reservoir 15 was approx. \$16.5 million to construct (2021 cost)
- Unallocated CIP cash will be used to construct our next reservoir project. Reservoir 16 is larger than 15.

### 1.7.2 Insufficient Reserve Funds

Perhaps the City's greatest challenge was its struggle to keep adequate operating and capital reserves. At the time of the FYE 2018 Study, the City was projected to completely deplete its reserves due to cash flow shortages and capital funding needs. This severely threatened the City's ability to meet its operating needs for the future and resulted in significant capital deferral. Carollo recommended establishing and maintaining at least 90 days' worth of operating expenses. The City was falling short of this benchmark.



# BACKGROUND (CPI)

per HCF = 748 gallons	Upland	Rancho (CVWD)	Claremont (Golden State)	Ontario	Fontana	Average	Upland (Proposed)
<b>Residential</b>							
<b>Tier - 1*</b>	\$2.24	\$1.77	\$5.238	\$2.40	\$4.33	\$3.20	\$2.33
<b>Tier - 2**</b>	\$2.96	\$2.19	\$6.024	\$3.82	\$4.88	\$3.98	\$3.08
<b>Tier - 3***</b>	\$3.54	\$3.76	\$6.928	\$4.59	N/A	\$4.70	\$3.68

\*After applying the compounded inflation rates from 2021 (9.4%), 2022 (9.2%), 2023 (3.9%), and 2024 (4.0%), the water rate in May 2024 should have been approximately **\$2.89**, starting from the approved rate of \$2.24 in May 2023.

\*\*After applying the compounded inflation rates from 2021 (9.4%), 2022 (9.2%), 2023 (3.9%), and 2024 (4.0%), the water rate in May 2024 should have been approximately **\$3.82**, starting from a rate of \$2.96 in May 2023

\*\*\*After applying the compounded inflation rates from 2021 (9.4%), 2022 (9.2%), 2023 (3.9%), and 2024 (4.0%), the water rate in May 2024 should have been approximately **\$4.57**, starting from a rate of \$3.54 in May 2023

## CPI is a Pass-Through Service fee adjustment!

- **Impacts time required to perform capital projects**
- **Impacts service**
- **Reserves are impacted**

# RECOMMENDATIONS

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## That the City Council:

1. Approve a Resolution adopting revisions adjusting the schedule of Water and Recycled Water service rates to include CPI for the 2023/2024 fiscal year, effective November 1, 2024.
2. Approve a Resolution adopting revisions adjusting the schedule of Sewer service rates to include CPI for the 2023/2024 fiscal year, effective November 1, 2024.



# Q & A

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