



# Council Agenda Report

To: Mayor Uhring and the Honorable Members of the City Council

Prepared by: Brandie Ayala, Administrative Analyst

Reviewed by: Travis Hart, Deputy Public Works Director

Approved by: Steve McClary, City Manager

Date prepared: April 1, 2024 Meeting date: April 22, 2024

Subject: 2024 Wastewater and Recycled Water Rate Study and Proposed Rates

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**RECOMMENDED ACTION:** 1) Conduct a public hearing to receive public testimony and consider all protests concerning the adoption of the wastewater and recycled water rates; 2) Unless written protests from a majority of affected parcels are received, adopt Resolution No. 24-15 establishing the wastewater and recycled water service charges for Fiscal Years 2024-2025, 2025-2026, 2026-2027, and 2027-2028.

**FISCAL IMPACT:** No additional appropriation is required. All operation and maintenance expenses associated with the Civic Center Water Treatment Facility (CCWTF) will be paid by the revenue generated by the wastewater and recycled water service charges. Funding for costs associated with City-owned properties will be included in future year budgets.

**STRATEGIC PRIORITY:** This item is part of the day-to-day operations identified in the Adopted FY 2023-2024 Strategic Priority Project List.

**DISCUSSION:** In October 2018, Phase 1 of the Civic Center Wastewater Treatment Plant (CCWTF) was completed. The properties within Phase 1 connected their private wastewater lines to the City's wastewater collection system and the City began collecting wastewater and recycled water service fees. The wastewater and recycled water service rates were established in July 2017 to provide sufficient revenue to offset the associated operation, maintenance, and management costs.

On June 28, 2021, the Council approved the 2021 Wastewater and Recycled Water Rate Study Update and the wastewater and recycled water services rates were revised for

Fiscal Years 2021-2022, 2022-2023 and 2023-2024. These revised rates are set to expire June 30, 2024.

The revised wastewater and recycled water service rates need to be adjusted to collect the necessary revenue to offset the actual operation, maintenance and management costs for future fiscal years. These proposed wastewater and recycled water service rates will be in place for four years or until CCWTF Phase 2 is completed. At that time, these wastewater and recycled water service rates will need to be adjusted to account for the additional properties connected to the CCWTF.

Budget

An analysis of the actual operation, maintenance, and management costs are required to provide adequate wastewater and recycled water service rates. In November 2023, Water Resources Economics (WRE) was retained to review the data and prepare an update to the wastewater and recycled water service rates. WRE considered previous rate studies, actual expenses from the last few fiscal years and projected operating, maintenance, and management expenses for the next four fiscal years.

Staff provided WRE proposed budget information including the following:

1. **Contract Costs:** Actual costs for the operation and maintenance identified in the City’s contract with Integrated Performance Consultants, Inc., who perform the operation and maintenance of CCWTF. Generally, these costs include the actual labor to operate the system. Staff also considered that the maintenance and operation contract must be updated in 2026.
2. **Pass-through Costs:** Reimbursable expenses by the CCWTF operator and not included in the Contract Costs. These items include chemicals, replacement of equipment, fuel for the backup generators, and the removal and disposal of biosolids.
3. **Direct Costs:** Additional expenses the City will incur operating, maintaining, and managing the CCWTF including utilities, insurance, operating supplies, and water quality monitoring.

The CCWTF projected total budget for Fiscal Year 2024-2025 is approximately \$2.2 million and will be included in the proposed budget that will be presented to City Council on April 24, 2024.

FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Adopted Budget	Proposed Budget	Projected Budget	Projected Budget	Projected Budget
\$2,073,067	\$2,205,350	\$2,459,454	\$2,493,457	\$2,531,517

Wastewater Rates

The objectives used in developing the recommended rates were based on an equitable sharing of the wastewater costs and actual services provided.

In January 2016, the City Council established Assessment District 2015-1 (Assessment District). This Assessment District provided a method of equitable distribution of the design and construction costs based on the estimated flow and strength of the wastewater contributed by each parcel within the district. To be consistent, the current wastewater and recycled water service rates were developed using the same methodology used in the Assessment District. This ensures a fair and equitable distribution of the operation, maintenance and management of the wastewater, recycled water, and injection wells systems.

Equivalent Dwelling Units (EDUs) allow the development of a base unit to which all parcels are compared and service rates are established. For example, a standard home is represented by the number of fixtures, wastewater flow and strength. A restaurant is then defined by how many standard homes, or EDUs, its flow is equivalent to. An analysis was created to arrive at a standard EDU for wastewater service rate using a similar methodology used in the Assessment District. Each parcel would pay a monthly service rate based on how many EDUs the parcels flow and strength would be equal to. For example, Malibu City Hall has 6.36 EDUs. The following table shows the calculated EDUs for Phase 1:

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Wastewater EDUs	Actual	Projected	Projected	Projected	Projected
Number of Developed EDUs	378	378	387	387	387

Since vacant parcels will not be using wastewater and recycled water services until they are developed, the vacant parcels will not be factored into the development of the wastewater rates under Proposition 218. The total annual budget was divided by developed EDUs to calculate the monthly cost per EDU (Annual Budget / 378 EDU / 12 months)

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Budget Category	Adopted	Projected	Projected	Projected	Projected
Contract	1,155,000	1,155,000	1,443,750	1,443,750	1,443,750
Pass Through Costs	325,000	402,915	342,719	370,852	402,826
Direct Costs	593,067	647,435	672,985	678,856	684,943
<b>Total</b>	<b>2,073,067</b>	<b>2,205,350</b>	<b>2,459,454</b>	<b>2,493,458</b>	<b>2,531,519</b>
<b>Wastewater Rate (\$/EDU)</b>	<b>\$506.44</b>	<b>\$516.57</b>	<b>\$526.91</b>	<b>\$537.45</b>	<b>\$548.20</b>

The total monthly charge for each parcel is determined by multiplying the EDU rate by the total EDUs for each parcel. The proposed wastewater service rate will remain in place until June 30, 2028. At that time, Phase 2 of the project will be almost complete, and the City will refine the budget as well as adjust the rates based upon the number of developed parcels in Phase 1 and Phase 2.

Recycled Water Rates

The CCWTF treats wastewater to a level at which it can be used for recycled water. The treated wastewater is disinfected and sent to the recycled water system. If there is a surplus, the recycled water will be injected into the ground through the injection wells. There is a minimal difference in operation and maintenance costs between groundwater injection and recycled water distribution costs. Based upon this analysis and input from stakeholders, property owners within Phase 1 would receive their wastewater flow back as recycled water (minus a 5% loss in the treatment process) at no additional cost. However, recycled water rates need to be established based on those property owners who exceed their allocations and for those property owners outside the Phase 1 boundary who wish to purchase recycled water.

The recycled water rates will be split up into the following categories and tiers:

- **Inside Assessment District** – This rate includes those properties located within the boundary of Phase 1.
  - **Tier 1** - Recycled water equal to the Phase 1 property owner’s wastewater flow minus 5-percent due to water loss
  - **Tier 2** - Excess usage by Phase 1 property owners beyond their wastewater flow.
- **Outside Assessment District** – Those property owners who seek to purchase recycled water outside the boundary of Phase 1.

These proposed recycled water rates will be in effect through June 30, 2028.

Recycled Water	FY 2023-24 Current	FY 2024-25 Proposed	FY 2025-26 Proposed	FY 2026-27 Proposed	FY 2027-28 Proposed
Inside Assessment District: Tier 1 (per HCF)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Inside Assessment District: Tier 2 (per HCF)	\$2.36	\$2.47	\$2.83	\$2.88	\$2.93
Outside Assessment District (per HCF)	\$5.93	\$6.13	\$6.49	\$6.54	\$6.59

The recycled water rates are calculated to recover the capital, operations and maintenance costs associated with the wastewater to meet the requirements for recycled water. Under the Inside Assessment District category, rates were calculated to be \$2.47 per hundred cubic feet beginning fiscal year 2024-2025.

Properties located outside the Assessment District did not contribute to the capital costs, those costs as well as the operation and maintenance costs will need to be recovered under the Outside Assessment District category. Those rates were calculated to be \$6.13 per hundred cubic feet beginning fiscal year 2024-2025. This rate is lower than Los Angeles County Waterworks District No. 29 usage rate of \$9.19.

Any additional revenue generated by the recycled water rates will offset future operation and maintenance budgets and could reduce the need for future rate increases.

### Proposition 218

In July 2006, the California Supreme Court determined that water and wastewater service charges are property related charges and therefore are subject to Proposition 218 procedural requirements. Proposition 218 procedures require notices to be mailed to each property owner 45 days prior to public hearing on any proposed fee increase. Proposition 218 prohibits the adoption of a fee increase if a majority of property owners protest in writing. Under Proposition 218, the fee must not exceed the proportional cost of the service attributable to the property.

On March 14, 2024, a detailed notice to proposed water and wastewater rates was mailed to all property owners in Civic Center Water Treatment Facility – Phase One. The notice provided details on how to submit a protest to the City. Written protests may be received prior to the City Council meeting. Oral comments made at the public hearing will qualify as formal protests of the proposed rate increases if accompanied by written protest setting forth the required information as set forth above. If written protests are submitted by a majority of the affected property owners, the proposed rates will not be imposed.

A detailed notice of the proposed wastewater and recycled water rate was mailed to all the property owners within the service area 45 days before the April 22, 2024, Public Hearing date. In addition to the mailed notice, staff also distributed information across all the City's social media platforms including the City's website.

### ATTACHMENTS:

1. Resolution No. 24-15 – Wastewater and Recycled Water Rates for Fiscal Years 2024-2025, 2025-2026, 2026-2027
2. 2024 Wastewater and Recycled Water Rate Study Update
3. Notice of Public Hearing for 2024 Wastewater and Recycled Water Rate Study Update

RESOLUTION NO. 24-15

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MALIBU  
ESTABLISH THE WASTEWATER AND RECYCLED WATER SERVICE  
CHARGES FOR FISCAL YEARS 2024-2025, 2025-2026, 2026-2027, AND  
2027-2028

The City Council of the City of Malibu does hereby find, order and resolve as follows:

SECTION 1. Recitals.

- A. The City Council of the City of Malibu, State of California, did on March 4, 2024, received a presentation of the 2024 Wastewater and Recycled Water Rate Study Update, authorize the mailing of Proposition 218 notices to the affected property owners, and set April 22, 2024, as a public hearing date to establish wastewater and recycled water service charges for Fiscal Year (FY) 2024-2025, 2025-2026, 2026-2027 and 2027-2028.
- B. On March 14, 2024, a detailed notice of the proposed wastewater and recycled water service charges was mailed to all property owners in the Civic Center Water Treatment Facility – Phase One. The notice provided details on how to submit a protest of these proposed rates.
- C. The City Clerk fixed a time and place for a public hearing relating to the proposed wastewater and recycled water service charges.
- D. At the time set for the public hearing, all comments, objections, and protests were duly heard and considered.
- E. All evidence, both oral and written, relative to the necessity for the proposed assessment was heard and considered.
- F. At the public hearing, the City Council did not receive protests from a majority of the affected property owners. The City Council is now satisfied as to the proposed wastewater and recycled water service charges for FY 2024-2025, 2025-2026, 2026-2027, and 2027-2028.

SECTION 2. The City Council adopts the attached Exhibit A and the wastewater and recycled water service charges set forth there in.

SECTION 3. The rates as described in Exhibit A shall become effective July 1, 2024.

SECTION 4. The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED, APPROVED, and ADOPTED this 22nd day of April 2024.

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STEVE UHRING, Mayor

ATTEST:

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KELSEY PETTIJOHN, City Clerk  
(seal)

APPROVED AS TO FORM:  
THIS DOCUMENT HAS BEEN REVIEWED  
BY THE CITY ATTORNEY'S OFFICE  

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TREVOR RUSIN, Interim City Attorney

**EXHIBIT A**

1. WASTEWATER MONTHLY SERVICE RATES:

The wastewater monthly service charges will be fixed monthly fee based upon an Equivalent Dwelling Units (EDUs) methodology. EDUs create a base unit to which all parcels are compared in magnitude. Each parcel would pay a monthly wastewater service rate based on how many Standard Homes or (EDUs) the parcel’s flow and total organic load would equal. The following is the EDU monthly wastewater service rate:

	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY2028</b>
<b>Per EDU</b>	\$506.44	\$516.57	\$526.91	\$537.45	\$548.20

2. RECYCLED WATER SERVICE RATES:

The developed parcels will receive their wastewater flow back as recycled water at no additional cost. However, recycled water service rates will be charged to customers that exceed their allocations and for any customers outside the Assessment District that will connect to the recycled water system or receive recycled water. Each parcel’s allocation is contained within the *Modified Engineer’s Report – City of Malibu Assessment District No. 2015-1*. The following is the recycled water service rate:

	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY2028</b>
<b>Inside District</b>					
<b>Tier 1</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Tier 2*</b>	\$2.36/HCF	\$2.47/HCF	\$2.83/HCF	\$2.88/HCF	\$2.93/HCF
<b>Outside District</b>	\$5.93	\$6.13	\$6.49	\$6.54	\$6.59

\*Tier 2 rates will be charged for customers that exceed their allocations

3. EDU TABLE:

<b>ASSESSMENT NUMBER</b>	<b>ASSESSOR'S PARCEL NUMBER</b>	<b>DEVELOPED EDUs</b>
1	4452-011-029	6.3611
2	4452-011-033	0.9331
3	4452-011-035	7.4647
4	4452-011-036	0.0000
5	4452-011-037	2.4224
6	4452-011-039	13.7104
7	4452-011-042	7.5219
8	4452-011-043	13.1498
9	4452-011-803	1.5497
10	4452-012-024	18.3497
11	4458-001-003	0.0000
12	4458-002-018	0.5486
13	4458-002-019	2.0505
14	4458-002-900	0.9965
18	4458-018-027	1.9059
19	4458-018-028	1.9059
20	4458-018-029	0.0000
21	4458-018-030	1.9059
22	4458-018-031	0.0000
23	4458-018-032	0.0000
24	4458-018-033	0.0000
25	4458-018-902	0.0000
26	4458-018-904	0.5990
27	4458-019-003	0.0000
28	4458-019-008	0.0000
29	4458-019-009	4.5462

<b>ASSESSMENT NUMBER</b>	<b>ASSESSOR'S PARCEL NUMBER</b>	<b>DEVELOPED EDUS</b>
30	4458-019-010	124.3166
31	4458-020-002	0.3744
32	4458-020-004	2.1516
33	4458-020-010	15.1846
34	4458-020-014	21.1238
35	4458-020-904	0.0000
36	4458-020-900	0.0000
37	4458-020-901	0.0000
38	4458-020-902	0.0000
39	4458-020-903	18.2205
40	4458-021-173	6.8966
41	4458-021-175	0.0000
42	4458-021-901	6.3573
44	4458-022-907	0.0000
45	4458-022-012	0.0000
46	4458-022-019	0.0000
50	4458-022-025	0.0000
51	4458-022-029	2.7695
52	4458-022-906	16.7568
53	4458-027-023	4.2828
54	4458-027-024	2.0420
55	4458-027-025	0.9965
56	4458-028-900	0.0735
57	4458-028-901	0.1988
58	4458-018-035	0.0000
59	4458-018-036	0.0000
60	4458-018-037	0.0000

<b>ASSESSMENT NUMBER</b>	<b>ASSESSOR'S PARCEL NUMBER</b>	<b>DEVELOPED EDUS</b>
61	4458-018-038	0.0000
62	4458-018-039	0.0000
63	4458-018-040	0.0000
64	4458-018-041	0.0000
65	4458-018-042	0.0000
66	4458-018-906	0.0000
67	4458-018-907	0.0000
68	4458-022-030	33.3835
70	4458-022-032	29.7480
71	4458-022-033	5.5921
72	4458-022-908	3.4034

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# City of Malibu

## 2024 Wastewater and Recycled Water Rates Update Report – April 22, 2024

Prepared by: Water Resources Economics, LLC



**Water Resources  
Economics**

PROMOTING THE VALUE AND PRICE OF  
WATER SERVICE

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April 1, 2024

Rob DuBoux  
Public Works Director  
City of Malibu  
23825 Stuart Ranch Road  
Malibu, CA 90265

**Subject: City of Malibu 2024 Wastewater and Recycled Water Rates Update**

Dear Mr. DuBoux,

Water Resources Economics, LLC is pleased to submit this 2024 Wastewater and Recycled Water Rates Update Report to the City of Malibu Public Works Department. This report documents the results and recommendations of the 2024 Wastewater and Recycled Water Rates Update. The overall goal of the update was to develop a proposed four-year schedule of wastewater and recycled water rates through FY 2027-28 that will sufficiently fund the Civic Center Water Treatment Facility's operations and maintenance expenses and provide financial stability for the City's Fund 515.

This update utilized industry-standard rate-setting methodology in accordance with guidelines developed by the American Water Works Association and the Water Environment Federation. Our project team has a proven record of developing fair and equitable water and wastewater rates for numerous public water agencies in California over the past 25 years. We're confident in our ability to develop sound rates that satisfy Proposition 218 requirements.

It has been a pleasure assisting the City and we appreciate the support provided by yourself, Ms. Brandie Ayala, and other City staff over the course of the update.

Sincerely,

Sanjay Gaur  
Principal Consultant

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# City of Malibu 2024 Wastewater and Recycled Water Rates Update

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## ABBREVIATIONS

- CCWTF: Civic Center Water Treatment Facility
- City: City of Malibu
- EDU: Equivalent Dwelling Unit
- FY: Fiscal year (July 1 – June 30)
- GPD: Gallons per day
- HCF: One hundred cubic feet
- O&M: Operations and maintenance
- WRE: Water Resources Economics, LLC

# 1. EXECUTIVE SUMMARY

## OVERVIEW

The City of Malibu (City) developed the Civic Center Water Treatment Facility (CCWTF) in response to regulatory actions taken by the Los Angeles Regional Water Quality Board and the State Water Resources Control Board to prohibit discharges from septic systems in the City's Civic Center area. Phase One of the CCWTF project was completed in 2018 and included the construction of wastewater and recycled water collection systems. Phase Two and Phase Three of the CCWTF, which have yet to commence, will extend wastewater and recycled water services to additional parcels in the City's Civic Center area.

The City established wastewater charges and recycled water rates to recover ongoing CCWTF Phase One operations and maintenance (O&M) expenses from customers connected to the system. These rates were developed during two prior rate studies conducted in 2017 and 2021. The City engaged Water Resources Economics (WRE) to conduct this rate update to establish a four-year schedule of proposed wastewater and recycled water rates through FY 2027-28. Note that the City formed Assessment District No. 2015-1 in 2016 to recover the capital costs of CCWTF Phase One construction from parcels, but that these charges are not within the scope of this rate update.

## LEGAL REQUIREMENTS

Legal considerations relating to retail water and wastewater rates in California focus heavily on Proposition 218, which was enacted in 1996 and is now reflected in Article XIII C and Article XIII D of the California Constitution. Proposition 218 states that "property related fees and charges" (which include retail water and wastewater rates) may not exceed the proportional cost of providing the service to the customer and may not be used for any purpose other than providing said service. The practical implication is that public retail water and wastewater agencies in California must demonstrate a sufficient nexus between the costs incurred by the agency to provide service and the rates charged to customers.

## RATE-SETTING METHODOLOGY

This rate update study was conducted based on industry-standard methodologies outlined by the American Water Works Association in its *Manual of Water Supply Practices M1: Principles of Water Rates, Fees and Charges, Seventh Edition* and the Water Environment Federation in its *Manual of Practice No. 27: Financing And Charges for Wastewater Systems, Fourth Edition*. The overall rate study process is summarized in the steps outlined below:

1. **Financial Plan:** Annual revenues from current rates and expenses are projected over a multi-year period to establish baseline financial projections. If current rates generate insufficient revenues to recover expenses and meet financial targets, then the need for rate increases is evaluated.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

2. **Rate Design:** The existing rate structure is evaluated, and potential changes are identified. A multi-year proposed rate schedule is then calculated directly from the results of the financial plan and any additional cost allocation analyses for the selected rate structure.
3. **Rate Study Documentation:** A rate study report is developed to document the proposed rate development process. The report serves to provide transparency to customers and elected officials, and to enhance legal defensibility in light of Proposition 218 requirements. This document serves as the report for this rate update.

### CURRENT WASTEWATER AND RECYCLED WATER RATES

The City’s currently adopted wastewater and recycled water rate schedule extends through FY 2023-24. Wastewater and recycled water rates and charges are recovered by the City from customers twice per year via the County of Los Angeles property tax roll. The City’s current wastewater and recycled water rate structure consists of the following types of rates and charges:

1. **Wastewater Charges:** The current wastewater rate structure consists of a single uniform fixed charge per equivalent dwelling unit (EDU). One EDU represents the wastewater flow generation and strength loadings of a typical single family residential household. Wastewater customers currently connected to the CCWTF Phase One system are subject to wastewater charges based on the number of EDUs attributed to each parcel.
2. **Recycled Water Volumetric Rates:** The current recycled water rate structure consists of volumetric rates per hundred cubic feet (HCF) of water delivered. Recycled water customers within Assessment District No. 2015-1 are subject to a two-tier volumetric rate structure. Tier 1 includes an uncharged allotment of up to 14 HCF per EDU per month. Tier 2 includes all use in excess of 14 HCF per EDU per month. Recycled water customers outside of Assessment District No. 2015-1 are subject to a higher uniform volumetric rate because they do not contribute to CCWTF Phase One construction costs via separate Assessment District charges.

**Table 1-1: Current Wastewater and Recycled Water Rate Schedule**

Current Rates	FY 2021-22 (7/1/2021)	FY 2022-23 (7/1/2022)	FY 2023-24 (7/1/2023)
<b>Wastewater Fixed Charges</b>			
Monthly Wastewater Charge (per EDU)	\$546.26	\$558.56	\$506.44 <sup>1</sup>
<b>Recycled Water Volumetric Rates</b>			
Inside Assessment District: Tier 1 (per HCF)	\$0.00	\$0.00	\$0.00
Inside Assessment District: Tier 2 (per HCF)	\$2.24	\$2.30	\$2.36
Outside Assessment District (per HCF)	\$5.81	\$5.87	\$5.93

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<sup>1</sup> Note that the adopted FY 2023-24 monthly wastewater charge per EDU of \$571.17 was reduced to \$506.44 by City staff to account for higher than anticipated EDU growth and to prevent the overcollection of revenues.

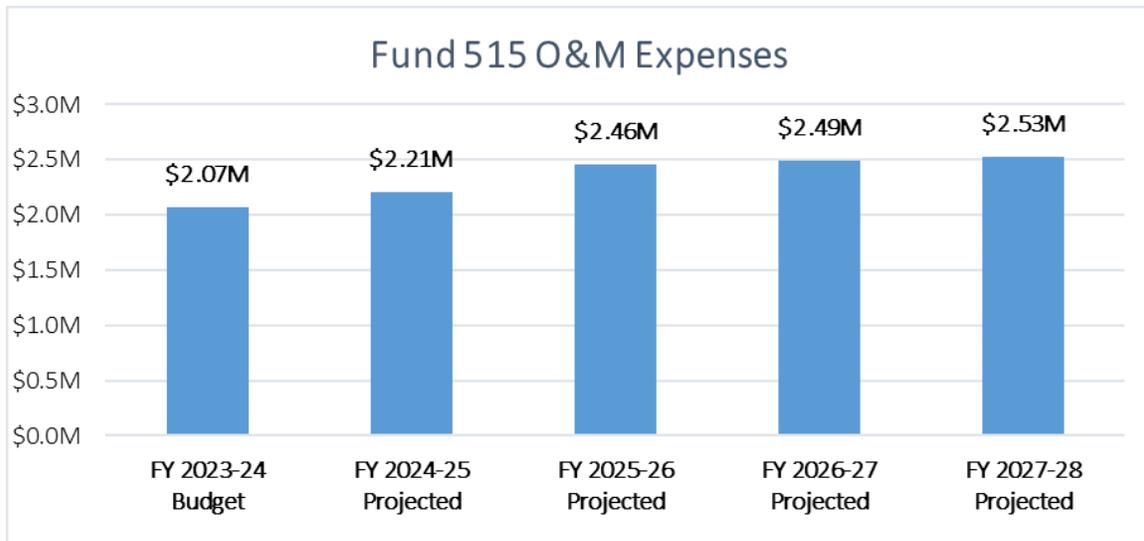
## City of Malibu 2024 Wastewater and Recycled Water Rates Update

### KEY ASSUMPTIONS

#### Projected Fund 515 O&M Expenses

O&M expenses funded by wastewater and recycled water rates include CCWTF Fund (Fund 515) salaries, benefits, operations, and maintenance expenses. Annual O&M expenses were projected over the study period based on the City’s adopted FY 2023-24 budget (see Figure 1-1). Annual cost escalation assumptions were developed to reflect anticipated cost changes due to inflationary pressures, changes in operations, and detailed cost projections from City staff and the contracted CCWTF operator. Total Fund 515 O&M expenses are projected to increase by 5.2% per year on average. In particular, contractual costs that the City must pay to the CCWTF operator, as well as equipment maintenance, biosolids disposal, and motor fuel expenses are expected to increase substantially throughout the rate-setting period.

**Figure 1-1: Projected CCWTF Fund (Fund 515) O&M Expenses**



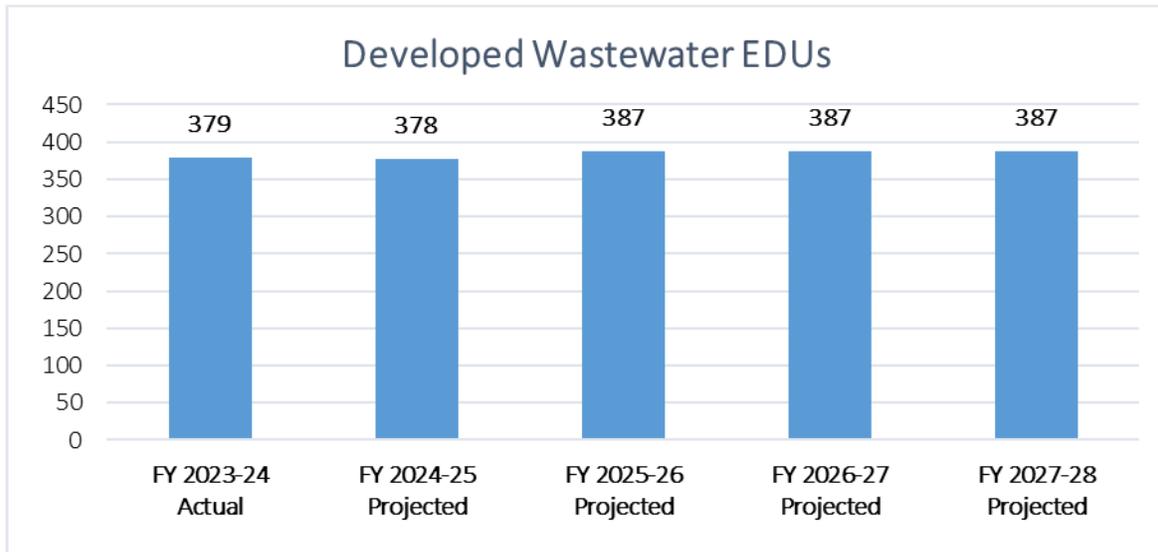
#### Projected Units of Service

Units of service represent the quantity of billing units subject to rates and charges. The number of developed EDUs connected to the CCWTF system represent the units of service for the City’s wastewater charges. The number of developed EDUs were projected by City staff and reflect a relatively small amount of anticipated parcel development in the Phase One service area over the rate-setting period (see Figure 1-2).

Annual recycled water deliveries in HCF are the units of service for the City’s recycled water rates. Although recycled water generated at the CCWTF is currently being used at Malibu Bluffs Park or sent to injection wells, no Phase One customers have received recycled water deliveries to date. In order to ensure sufficiently conservative revenue projections, no recycled water sales were assumed over the rate-setting period.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

**Figure 1-2: Projected Wastewater Equivalent Dwelling Units (EDUs)**



### RESULTS AND RECOMMENDATIONS

#### Proposed Revenue Adjustments

Annual revenues and expenses were forecasted over a five-year period to establish financial projections for the City’s CCWTF Fund. This provided a basis from which to evaluate the need for wastewater and recycled rate increases (referred to as “revenue adjustments”). Various proposed revenue adjustment scenarios over the four-year rate-setting period were considered and refined based on input from City staff and the City’s Public Works Commission, resulting in the proposed revenue adjustments shown below (see Table 1-2). The proposed revenue adjustments include 2% increases each July over the next four fiscal years.

**Table 1-2: Proposed Revenue Adjustments**

Fiscal Year	Effective Date	Revenue Adjustment %
FY 2024-25	July 1, 2024	2.0%
FY 2025-26	July 1, 2025	2.0%
FY 2026-27	July 1, 2026	2.0%
FY 2027-28	July 1, 2027	2.0%

#### Financial Plan Projections

Five-year financial plan projections for the City’s CCWTF Fund are shown on the following page for two scenarios: 1) excluding the proposed revenue adjustments (referred to as the “status quo financial plan”) and 2) including the proposed revenue adjustments (referred to as the “proposed financial plan”). A comparison of the two scenarios clearly shows that revenue adjustments are necessary in order for the CCWTF Fund to avoid an operating deficit over the rate-setting period.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

### Status Quo vs. Proposed Financial Plans: Projected Cash Balance

Under the status quo financial plan, an operating deficit emerges in the last three years, which means that revenues are insufficient to meet expenses and that reserves must be drawn from to cover a portion of expenses (see Figure 1-3).<sup>2</sup> If unforeseen CCWTF maintenance or replacement needs emerge that are not reflected in the status quo financial plan’s projected O&M expenses, cash reserves may be depleted much more significantly. Under the proposed financial plan, revenues are projected to meet expenses in all years while maintaining healthy reserve levels (see Figure 1-4).

Figure 1-3: Status Quo Financial Plan Cash Flow

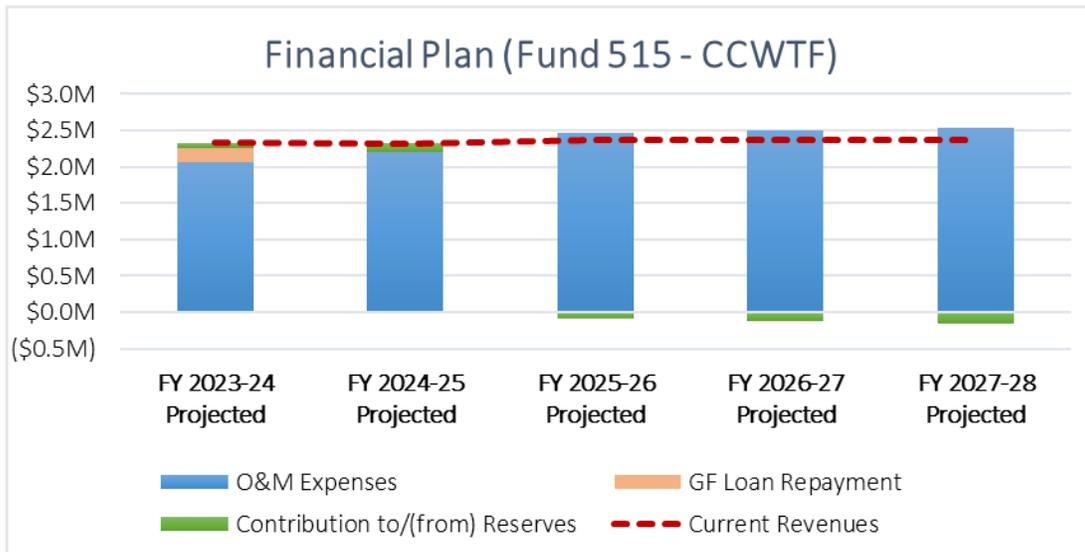
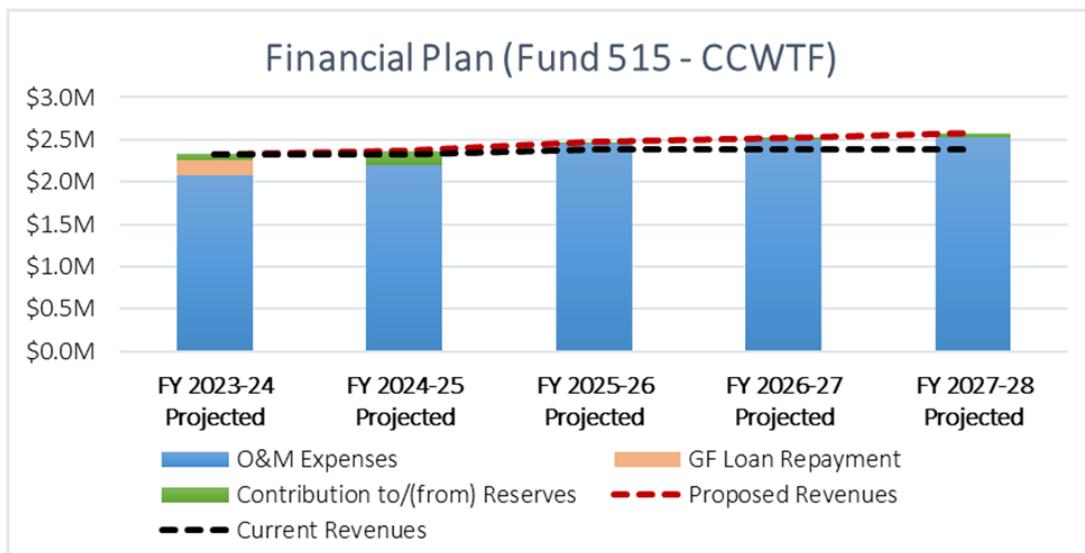


Figure 1-4: Proposed Financial Plan Cash Flow



<sup>2</sup> Note that the negative green bars in Figure 1-3 represent draw from reserves to cover expenses.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

### Proposed Wastewater and Recycled Water Rate Schedule

The City’s existing wastewater and recycled water rate structure was evaluated, and potential changes were considered. However, no rate structure changes are recommended at this time. A combined schedule of current and proposed wastewater and recycled water rates was developed based on the existing rate structure (see Table 1-3). Note that charges separately collected by Assessment No. 2015-1 to recover CCWTF Phase One capital costs are not included, as they are not within the scope of this rate study. Please also note that the proposed rates are designed to recover CCWTF Phase One costs only, and do not account for any future additional costs resulting from Phase Two or Phase Three expansion.

Proposed wastewater rates were calculated by increasing current FY 2023-24 monthly wastewater charges by the proposed 2% annual revenue adjustments (per Table 1-2). This is slightly different than the wastewater rate calculation methodology utilized in the City’s two prior rate studies. This change was employed in order to reduce the level of rate volatility from year to year by smoothing out annual wastewater rate increases. Proposed recycled water rates were calculated based on the same methodology utilized in the City’s two prior rate studies. This methodology allocates costs to recycled water customers based on use of and contribution to the CCWTF system.

**Table 1-3: Proposed Wastewater and Recycled Water Rate Schedule**

Proposed Rate Schedule	FY 2023-24 Current (7/1/2023)	FY 2024-25 Proposed (7/1/2024)	FY 2025-26 Proposed (7/1/2025)	FY 2026-27 Proposed (7/1/2026)	FY 2027-28 Proposed (7/1/2027)
<b>Wastewater</b>					
Monthly Wastewater Charge (per EDU)	\$506.44	\$516.57	\$526.91	\$537.45	\$548.20
<b>Recycled Water</b>					
Inside Assessment District: Tier 1 <sup>3</sup> (per HCF)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Inside Assessment District: Tier 2 <sup>4</sup> (per HCF)	\$2.36	\$2.47	\$2.83	\$2.88	\$2.93
Outside Assessment District (per HCF)	\$5.93	\$6.13	\$6.49	\$6.54	\$6.59

<sup>3</sup> Tier 1 includes all recycled water use up to 14 HCF per EDU per month.

<sup>4</sup> Tier 2 includes all recycled water use in excess of 14 HCF per EDU per month.

## 2. INTRODUCTION

### 2.1 WASTEWATER AND RECYCLED WATER SYSTEM OVERVIEW

The City of Malibu (City) developed the Civic Center Water Treatment Facility (CCWTF) in response to regulatory actions taken by the Los Angeles Regional Water Quality Board and the State Water Resources Control Board to prohibit discharges from septic systems in the City's Civic Center area. Phase One of the CCWTF project was completed in 2018 and included the construction of a wastewater collection system, wastewater treatment facility, recycled water distribution lines, and a recycled water treatment facility. The CCWTF currently provides wastewater collection and centralized treatment services to parcels in the central core of the City's Civic Center area. Phase Two and Phase Three of the CCWTF project, which have yet to commence, will extend wastewater and recycled water services to additional parcels in the City's Civic Center area.

### 2.2 RATE STUDY OVERVIEW

The City established and implemented wastewater charges and recycled water rates to recover ongoing CCWTF Phase One operations and maintenance (O&M) expenses from customers connected to the Phase One system. The *2017 Wastewater and Recycled Water Rates Study* established wastewater charges and recycled water rates for a three-year period spanning from Fiscal Year (FY) 2017-18 through FY 2019-20. The rates and charges developed were designed to recover ongoing Phase One O&M expenses only. Rate increases were delayed, and existing FY 2019-20 rates remained in effect through FY 2020-21 due to the COVID-19 pandemic. *The 2021 Wastewater and Recycled Water Rate Update Study* then established a new schedule of three-year wastewater and recycled water rates through FY 2023-24.

Public retail water and wastewater agencies in California typically conduct a rate study at least once every five years to ensure that customers are appropriately charged for service in compliance with applicable laws. The City therefore engaged Water Resources Economics (WRE) in November 2023 to conduct this rate update study to establish a four-year schedule of proposed wastewater and recycled water rates spanning from FY 2024-25 through FY 2027-28. The primary purpose of this update was to reevaluate the City's revenue needs to recover CCWTF Phase One O&M expenses and to establish proposed wastewater and recycled water rates that will comply with all applicable laws. Please note that the City formed Assessment District No. 2015-1 in 2016 to recover the capital costs of CCWTF Phase One construction, but these charges are not within the scope of this rate update.

### 2.3 LEGAL REQUIREMENTS

Legal considerations relating to retail water and wastewater rates in California focus heavily on Proposition 218, which was enacted in 1996 and is now reflected in Article XIII C and Article XIII D of the California Constitution. Proposition 218 states that "property related fees and charges" (which include retail water and wastewater rates) may not exceed the proportional cost of providing the service to the customer and may not be used for any purpose other than providing said service. The practical implication is that public retail water agencies in California must demonstrate a sufficient

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

nexus between the costs incurred by the agency to provide service and the rates charged to customers.

Proposition 218 also affects the rate adoption process by requiring agencies to hold a public hearing to adopt rates. The agency must mail public hearing notices to all customers no fewer than 45 days prior to the public hearing. The public hearing notices must clearly show all proposed rate changes, provide information on the public hearing date/time/location, and provide instructions on how customers may formally protest the proposed rate changes. If a majority of customers submit a formal protest, the proposed rate changes cannot be adopted.

### 2.4 RATE-SETTING METHODOLOGY

This rate update study was conducted based on industry-standard methodologies outlined by the American Water Works Association in its *Manual of Water Supply Practices M1: Principles of Water Rates, Fees and Charges, Seventh Edition* and the Water Environment Federation in its *Manual of Practice No. 27: Financing And Charges for Wastewater Systems, Fourth Edition*. The overall rate study process is summarized in the steps outlined below:

1. **Financial Plan:** Annual revenues from current rates and expenses are projected over a multi-year period to establish baseline financial projections. If current rates generate insufficient revenues to recover expenses and meet financial targets, then the need for rate increases is evaluated. The overall goal of the financial plan is to establish the total annual rate revenue requirement over the multi-year rate-setting period.
2. **Rate Design:** The existing rate structure is evaluated, and potential changes are identified. System costs may be allocated to customers in proportion to use of the system, if necessary. A multi-year proposed rate schedule is then calculated directly from the results of the financial plan and any additional cost allocation analyses for the selected rate structure.
3. **Rate Study Documentation:** A rate study report is developed to document the proposed rate development process. The report serves to provide transparency to customers and elected officials, and to enhance legal defensibility in light of Proposition 218 requirements. This document serves as the report for this rate update.

### 2.5 DISCLAIMERS

- All calculations and projections are based on the best available data as of January 2024.
- All table values are displayed rounded to the nearest digit shown unless stated otherwise. However, all results were calculated based on precise values. Attempting to manually recreate calculations from table values may therefore produce slightly different results.
- No operating or capital costs associated with CCWTF Phase Two or Phase Three expansion were considered or accounted for in this rate update.
- Charges collected by Assessment District No. 2015-1 to recover the capital costs of CCWTF Phase One construction are outside of the scope of this rate update.

### 3. FINANCIAL PLAN

#### 3.1 FINANCIAL PLAN METHODOLOGY

A financial plan was developed to project revenues, expenses, cash flows, and reserve balances over a five-year period spanning from FY 2023-24 through FY 2027-28. The primary goal of the financial plan is to quantify the total amount of revenue required from wastewater charges and recycled water rates on an annual basis to support the financial needs of the City's CCWTF Fund (Fund 515). The key steps in developing the financial plan are outlined below:

- **Revenue projections:** Annual revenues from rates and other miscellaneous sources are projected over the study period. Rate revenues are projected based on current rates to establish baseline revenues from which the need for additional rate increases can be evaluated.
- **Expense projections:** Annual expenses are projected over the study period. This includes O&M expenses and repayment of internal loans from the City's General Fund to Fund 515. Capital expenses associated with CCWTF Phase One construction are funded separately by Assessment District No. 2015-1 and are therefore not included in the financial plan projections.
- **Evaluation of financial policies:** Relevant financial policies include cash reserve targets. Reserve targets are typically set by an agency's elected officials and may need to be periodically evaluated and updated. There is currently no formal reserve target for Fund 515, but City staff and WRE evaluated potential reserve targets.
- **Status quo financial plan projections:** Cash flow and reserve balances are projected over the study period in the absence of any additional rate increases (i.e., the status quo). Projected reserve balances are then compared to the agency's financial policy requirements and targets, if applicable. The status quo financial plan provides a baseline from which to evaluate the need for rate increases.
- **Proposed financial plan projections:** The magnitude and timing of annual proposed rate increases over the study period are evaluated and determined. Proposed rate increases (referred to as "revenue adjustments") should generate sufficient revenue to recover Fund 515 expenses and maintain adequate reserves. The proposed financial plan determines the total annual rate revenue requirement over the rate-setting period.

#### 3.2 REVENUES

##### CURRENT RATES

The City's currently adopted three-year wastewater and recycled water rate schedule extends through FY 2023-24 (see Table 3-1). Note that charges collected by Assessment District No. 2015-1 to recover the capital costs of CCWTF Phase One construction are outside of the scope of this study and are therefore not shown. Wastewater and recycled water rates and charges are recovered by the City from customers twice per year via the County of Los Angeles property tax roll. However, all rates and

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

charges shown are on a monthly basis. The City’s current wastewater and recycled water rate structure consists of the following types of rates/charges:

1. **Wastewater Charges:** The current wastewater rate structure consists of a single uniform fixed charge per equivalent dwelling unit (EDU). One EDU represents the wastewater flow generation and strength loadings of a typical single family residential household. Wastewater customers currently connected to the CCWTF Phase One system are subject to wastewater charges based on the number of EDUs attributed to each parcel.
2. **Recycled Water Volumetric Rates:** The current recycled water rate structure consists of volumetric rates per hundred cubic feet (HCF) of water delivered. Recycled water customers within Assessment District No. 2015-1 are subject to a two-tier volumetric rate structure. Tier 1 includes an uncharged allotment of up to 14 HCF per month, based on the rationale that costs incurred to produce this amount of recycled water are already recovered by customers’ wastewater charges per EDU. Tier 2 includes all water in excess of 14 HCF per month. Recycled water customers outside of Assessment District No. 2015-1 are subject to a higher uniform volumetric rate to account for fact that these customers do not contribute to CCWTF Phase One construction costs via separate Assessment District charges.

**Table 3-1: Current Wastewater and Recycled Water Rates**

Current Rates	FY 2021-22 (7/1/2021)	FY 2022-23 (7/1/2022)	FY 2023-24 (7/1/2023)
<b>Wastewater Fixed Charges</b>			
Monthly Wastewater Charge (per EDU)	\$546.26	\$558.56	\$506.44 <sup>5</sup>
<b>Recycled Water Volumetric Rates</b>			
Inside Assessment District: Tier 1 (per HCF)	\$0.00	\$0.00	\$0.00
Inside Assessment District: Tier 2 (per HCF)	\$2.24	\$2.30	\$2.36
Outside Assessment District (per HCF)	\$5.81	\$5.87	\$5.93

### UNITS OF SERVICE

Units of service represent the quantity of billing units subject to rates and charges. The number of EDUs are the units of service for the City’s wastewater charges. The number of developed EDUs were projected by City staff over the study period based on current actuals (see Table 3-2). Note that only “developed” EDUs, which are connected to the CCWTF Phase One wastewater system, are subject to wastewater charges. Annual recycled water use in HCF are the units of service for the City’s recycled water rates. Although recycled water generated at the CCWTF is currently being used at Malibu Bluffs Park or sent to injection wells, no Phase One customers have received recycled water deliveries and

<sup>5</sup> Note that the adopted FY 2023-24 monthly wastewater charge per EDU of \$571.17 was reduced to \$506.44 by City staff to account for higher than anticipated EDU growth and to prevent the overcollection of revenues.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

no recycled water rate revenues have been collected to date. Therefore, no recycled water sales were assumed over the study period.

**Table 3-2: Units of Service**

Units of Service	FY 2023-24 Actual <sup>6</sup>	FY 2024-25 Projected	FY 2025-26 Projected	FY 2026-27 Projected	FY 2027-28 Projected
<b>Wastewater EDUs</b>					
Number of Developed EDUs	379	378	387	387	387
<b>Recycled Water Sales (HCF)</b>					
Inside Assessment District: Tier 1	0	0	0	0	0
Inside Assessment District: Tier 2	0	0	0	0	0
Outside Assessment District	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### REVENUE FROM CURRENT RATES

Annual revenues from current rates were projected over the study period (see Table 3-3).

Wastewater charge revenues were calculated by multiplying the current FY 2023-24 monthly charges (from Table 3-1) by the respective number of EDUs each year (from Table 3-2), and then multiplying by 12 months (to annualize the revenue). Recycled water volumetric rate revenues were calculated by multiplying current FY 2023-24 recycled water rates (from Table 3-1) by the respective water sales in HCF (from Table 3-2).

**Table 3-3: Fund 515 Revenues from Current Rates**

Revenues from Current Rates	FY 2023-24 Projected	FY 2024-25 Projected	FY 2025-26 Projected	FY 2026-27 Projected	FY 2027-28 Projected
<b>Wastewater</b>					
Wastewater Charges	\$2,303,289	\$2,297,212	\$2,351,907	\$2,351,907	\$2,351,907
<b>Subtotal</b>	<b>\$2,303,289</b>	<b>\$2,297,212</b>	<b>\$2,351,907</b>	<b>\$2,351,907</b>	<b>\$2,351,907</b>
<b>Recycled Water</b>					
Inside Assessment District: Tier 1	\$0	\$0	\$0	\$0	\$0
Inside Assessment District: Tier 2	\$0	\$0	\$0	\$0	\$0
Outside Assessment District	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total</b>	<b>\$2,303,289</b>	<b>\$2,297,212</b>	<b>\$2,351,907</b>	<b>\$2,351,907</b>	<b>\$2,351,907</b>

<sup>6</sup> Recycled water sales in FY 2023-24 are partial year actuals as of October 2023. However, no additional recycled water sales are anticipated through the end of FY 2023-24.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

### OTHER NON-RATE REVENUES

The City’s Fund 515 also collects revenues from miscellaneous non-rate sources, which were projected over the study period (see Table 3-4). These other revenues include interest earnings on cash reserves, which were projected based on projected cash reserve levels and an assumed 1% annual interest rate. Note that no other sources of revenue were incorporated into the financial plan.

**Table 3-4: Fund 515 Other Non-Rate Revenues**

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Other Non-Rate Revenues	Projected	Projected	Projected	Projected	Projected
Interest Earnings	\$25,051	\$25,723	\$27,358	\$27,506	\$27,806
Other Revenues	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$25,051</b>	<b>\$25,723</b>	<b>\$27,358</b>	<b>\$27,506</b>	<b>\$27,806</b>

### 3.3 OPERATIONS & MAINTENANCE EXPENSES

#### COST ESCALATION ASSUMPTIONS

O&M expenses include Fund 515 salaries, benefits, operations, and maintenance expenses.<sup>7</sup> Annual cost escalation assumptions were developed to project O&M expenses over the study period (see Table 3-5). The cost escalation assumptions reflect anticipated cost changes due to inflationary pressures, changes in operations, and detailed cost projections from City staff and the contracted CCWTF operator. Inflationary impacts were based both on City-specific historical cost increases as well as inflationary trends across the broader economy. No cost escalation assumptions are shown for FY 2023-24, which is the base year from which all cost escalation adjustments were applied.

**Table 3-5: Cost Escalation Assumptions**

Cost Escalation Category	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Insurance Premiums	0.00%	15.45%	0.00%	0.00%
Water Treatment Facility (WTF) Maintenance	0.00%	25.00%	0.00%	0.00%
Equipment Maintenance	15.58%	15.58%	15.58%	15.58%
Water Quality	0.00%	9.43%	0.00%	0.00%
Biosolids Disposal	16.12%	16.12%	16.12%	16.12%
Operating Supplies	5.74%	5.74%	5.74%	5.74%
Motor Fuel	18.92%	18.92%	18.92%	18.92%
General Expenses	3.00%	3.00%	3.00%	3.00%
City Salaries/Benefits	4.00%	4.00%	4.00%	4.00%
Static (i.e., no increase)	0.00%	0.00%	0.00%	0.00%

<sup>7</sup> Note that Fund 515’s General Fund loan interest expense (5810) is excluded from O&M expenses and accounted for separately within the financial plan analysis as part of Fund 515’s General Fund loan repayment.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

### **O&M EXPENSES**

O&M expenses were projected annually over the study period by applying the cost escalation assumptions from Table 3-5 to budgeted FY 2023-24 Fund 515 O&M expenses (see Table 3-6). Total Fund 515 O&M expenses are projected to increase by 5.2% per year on average over the study period. WTF Maintenance (5611) expenses, which include contractual costs that the City must pay to the CCWTF operator, are expected to increase by 25% in FY 2025-26. Other significant cost increases include increases of over 15% each year in equipment maintenance, biosolids disposal, and motor fuel expenses. Because the CCWTF has been operational for less than ten years, City staff is continuing to refine and improve its ability to forecast the CCWTF's operating and maintenance needs. It is therefore possible that additional maintenance and replacement expenses that are not reflected in Table 3-6 may be incurred over the rate-setting period.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

**Table 3-6: Fund 515 O&M Expenses**

O&M Expenses	Cost Escalation Category	FY 2023-24 Budget	FY 2024-25 Projected	FY 2025-26 Projected	FY 2026-27 Projected	FY 2027-28 Projected
<b>Salaries &amp; Benefits</b>						
Full-Time Salaries (4101)	<i>City Salaries/Benefits</i>	\$67,262	\$69,952	\$72,751	\$75,661	\$78,687
Retirement (4201)	<i>City Salaries/Benefits</i>	\$13,627	\$14,172	\$14,739	\$15,329	\$15,942
Health Insurance (4202)	<i>City Salaries/Benefits</i>	\$9,907	\$10,303	\$10,715	\$11,144	\$11,590
Vision Insurance (4203)	<i>City Salaries/Benefits</i>	\$104	\$108	\$112	\$117	\$122
Dental Insurance (4204)	<i>City Salaries/Benefits</i>	\$580	\$603	\$627	\$652	\$679
Life Insurance (4205)	<i>City Salaries/Benefits</i>	\$55	\$57	\$59	\$62	\$64
Disability Insurance (4209)	<i>City Salaries/Benefits</i>	\$659	\$685	\$713	\$741	\$771
Other (4210-4216)	<i>City Salaries/Benefits</i>	\$2,282	\$2,373	\$2,468	\$2,567	\$2,670
<b>Subtotal</b>		<b>\$94,476</b>	<b>\$98,255</b>	<b>\$102,185</b>	<b>\$106,273</b>	<b>\$110,524</b>
<b>Operations &amp; Maintenance</b>						
Professional Services (5100)	<i>Static</i>	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Service Fees and Charges (5210)	<i>General</i>	\$37,000	\$38,110	\$39,253	\$40,431	\$41,644
Advertising & Noticing (5401)	<i>Static</i>	\$500	\$500	\$500	\$500	\$500
Insurance Premiums (5510)	<i>Insurance Premiums</i>	\$210,091	\$230,000	\$230,000	\$230,000	\$230,000
WTF Maintenance (5611)	<i>WTF Maintenance</i>	\$1,155,000	\$1,155,000	\$1,443,750	\$1,443,750	\$1,443,750
Sewer Service Fees (5612)	<i>General</i>	\$1,500	\$1,545	\$1,591	\$1,639	\$1,688
Assessment District - CCWTF (5613)	<i>General</i>	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377
Equipment Maintenance [from Budget] (5640)	<i>Equipment Maintenance</i>	\$51,000	\$58,944	\$68,125	\$78,736	\$91,000
Equipment Maintenance [Additional] (5640) <sup>8</sup>	<i>Non-Recurring</i>	\$0	\$85,000	\$0	\$0	\$0
Water Quality Testing & Monitoring (5656)	<i>Water Quality</i>	\$211,000	\$211,000	\$230,890	\$230,890	\$230,890
Telephone (5721)	<i>General</i>	\$11,000	\$11,330	\$11,670	\$12,020	\$12,381

<sup>8</sup> Additional costs associated with pump/manhole repairs per City staff.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

O&M Expenses	Cost Escalation Category	FY 2023-24 Budget	FY 2024-25 Projected	FY 2025-26 Projected	FY 2026-27 Projected	FY 2027-28 Projected
Electricity & Gas (5722)	<i>General</i>	\$140,000	\$144,200	\$148,526	\$152,982	\$157,571
Water (5723)	<i>General</i>	\$3,000	\$3,090	\$3,183	\$3,278	\$3,377
Natural Gas (5724)	<i>General</i>	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
Trash Pickup/Recycling (5725)	<i>General</i>	\$3,500	\$3,605	\$3,713	\$3,825	\$3,939
Biosolids Disposal (5725-01)	<i>Biosolids Disposal</i>	\$55,000	\$63,866	\$74,162	\$86,117	\$100,000
Operating Supplies (6160)	<i>Operating Supplies</i>	\$5,000	\$5,287	\$5,590	\$5,911	\$6,250
Chemical Supplies (6161)	<i>Static</i>	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Motor Fuel (6500)	<i>Motor Fuel</i>	\$2,000	\$2,378	\$2,828	\$3,364	\$4,000
<b>Subtotal</b>		<b>\$1,978,591</b>	<b>\$2,107,095</b>	<b>\$2,357,269</b>	<b>\$2,387,184</b>	<b>\$2,420,994</b>
<b>Total O&amp;M Expenses</b>		<b>\$2,073,067</b>	<b>\$2,205,350</b>	<b>\$2,459,454</b>	<b>\$2,493,457</b>	<b>\$2,531,517</b>
<i>% Change</i>			6.4%	11.5%	1.4%	1.5%

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

### 3.4 INTERNAL LOANS

Fund 515 has received an internal loan from the City’s General Fund in the past to ensure sufficient cash on hand to cover Fund 515 expenses. All existing General Fund loans to Fund 515 are expected to be fully repaid in FY 2023-24 (see Table 3-7). No additional internal loans from the General Fund to Fund 515 are anticipated over the rate-setting period.

**Table 3-7: Fund 515 Existing General Fund Loan Repayment**

General Fund Loan Repayment	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Principal	\$186,113	\$0	\$0	\$0	\$0
Interest	\$2,000	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$188,113</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### 3.5 FINANCIAL POLICIES

#### RESERVE TARGETS

Water and wastewater utilities must maintain sufficient cash reserves to cover expenses during short-term cash flow imbalances and to mitigate financial risks. Fund 515 has historically addressed the challenge of short-term cash flow imbalances through the use of internal loans from the General Fund. Because no additional General Fund loans are anticipated over the rate-setting period, WRE and City staff evaluated the need to establish a formal reserve policy for Fund 515. However, it was determined that no formal reserve target was needed at this time. Rather, City staff deemed that an informal Fund 515 reserve target of \$1.5 million is appropriate to cover short-term cash flow imbalances and mitigate financial risks. Therefore, all financial plan projections shown subsequently reference a reserve target of \$1.5 million. Note that this reserve target represents an estimate by City staff of minimum acceptable cash reserve levels but does not reflect any official City policy.

### 3.6 STATUS QUO FINANCIAL PLAN

Status quo financial plan projections were developed to evaluate whether the currently adopted wastewater and recycled water rates will generate sufficient revenue over the study period to meet Fund 515’s financial needs (see Table 3-8). The proforma shown on the following page combines revenues and expenses from preceding subsections to project Fund 515 cash flow and reserve balances on an annual basis. The status quo financial plan is also summarized in graphical format (see Figure 3-1 and Figure 3-2).

The status quo financial plan provides a baseline scenario from which the need for “revenue adjustments” (i.e., rate revenue increases) can be assessed. Under the status quo financial plan, cash reserves are projected to remain above the informal reserve target of \$1.5 million in all years. However, net cash flow is negative in the last three years, which means that revenues are insufficient to meet expenses and that reserves must be drawn from to cover a portion of expenses. If unforeseen CCWTF maintenance or replacement needs emerge that are not reflected in the status quo financial plan’s projected expenses, cash reserves may be depleted much more significantly.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

**Table 3-8: Fund 515 Status Quo Financial Plan Proforma**

Line	Description	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
1	<b>FUND 515 CASH FLOW</b>					
2	<b>Source of Funds</b>					
3	Revenue from Current Rates	\$2,303,289	\$2,297,212	\$2,351,907	\$2,351,907	\$2,351,907
4	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0
5	Interest Earnings <sup>9</sup>	\$25,051	\$25,723	\$26,899	\$26,092	\$24,938
6	Other Revenues	\$0	\$0	\$0	\$0	\$0
7	General Fund Loan Proceeds	\$0	\$0	\$0	\$0	\$0
8	<b>Total Source of Funds</b>	<b>\$2,328,340</b>	<b>\$2,322,935</b>	<b>\$2,378,806</b>	<b>\$2,378,000</b>	<b>\$2,376,845</b>
9						
10	<b>Use of Funds</b>					
11	O&M: Salaries & Benefits	\$94,476	\$98,255	\$102,185	\$106,273	\$110,524
12	O&M: Operations & Maintenance	\$1,978,591	\$2,107,095	\$2,357,269	\$2,387,184	\$2,420,994
13	General Fund Loan Repayment	\$188,113	\$0	\$0	\$0	\$0
14	<b>Total Use of Funds</b>	<b>\$2,261,180</b>	<b>\$2,205,350</b>	<b>\$2,459,454</b>	<b>\$2,493,457</b>	<b>\$2,531,517</b>
15						
16	<b>Net Cash Flow<sup>10</sup></b>	<b>\$67,160</b>	<b>\$117,584</b>	<b>(\$80,648)</b>	<b>(\$115,457)</b>	<b>(\$154,672)</b>
17						
18	<b>FUND 515 CASH RESERVES</b>					
19	<b>Projected Cash Balance</b>					
20	Beginning Cash Balance	\$2,505,121	\$2,572,281	\$2,689,865	\$2,609,217	\$2,493,760
21	Net Cash Flow	\$67,160	\$117,584	(\$80,648)	(\$115,457)	(\$154,672)
22	<b>Ending Cash Balance</b>	<b>\$2,572,281</b>	<b>\$2,689,865</b>	<b>\$2,609,217</b>	<b>\$2,493,760</b>	<b>\$2,339,087</b>
23						
24	<i>Reserve Target</i>	<i>\$1,500,000</i>	<i>\$1,500,000</i>	<i>\$1,500,000</i>	<i>\$1,500,000</i>	<i>\$1,500,000</i>
25	<i>Reserve Target Met?</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>

<sup>9</sup> Interest earnings under the status quo financial plan are lower than what is shown in Table 3-4 due to the negative impact of lower cash reserve levels on interest earnings. Table 3-4 reflects projected values under the proposed financial plan.

<sup>10</sup> [Line 16] = [Line 8] – [Line 14]

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

Figure 3-1: Status Quo Financial Plan Cash Flow Summary

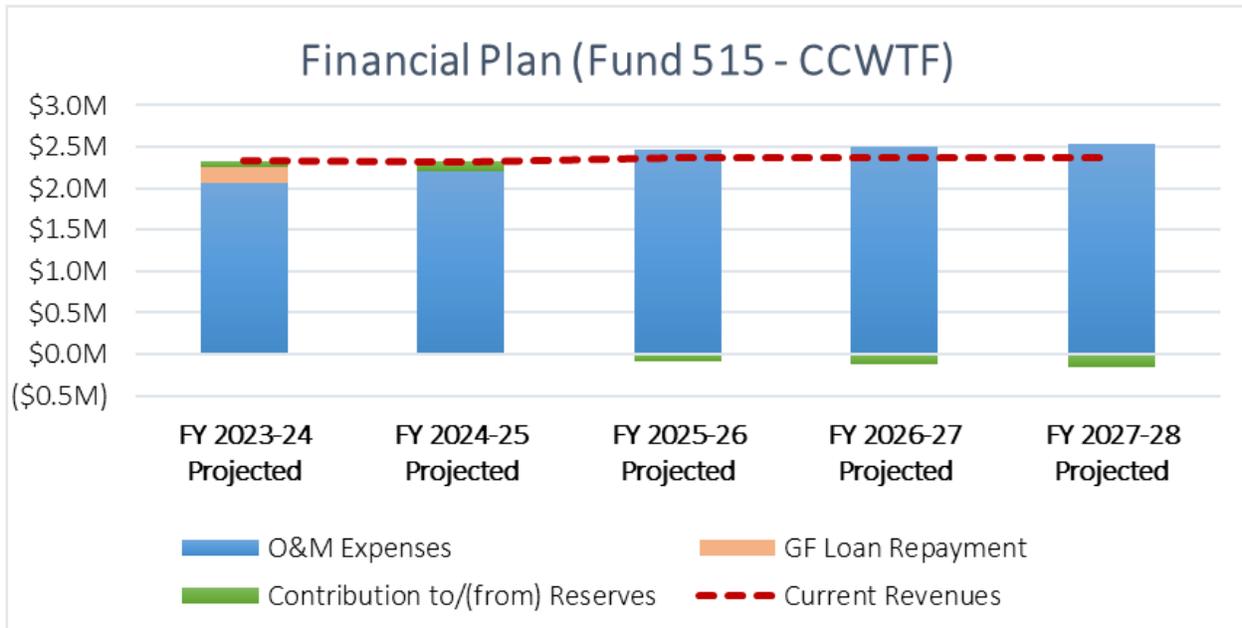
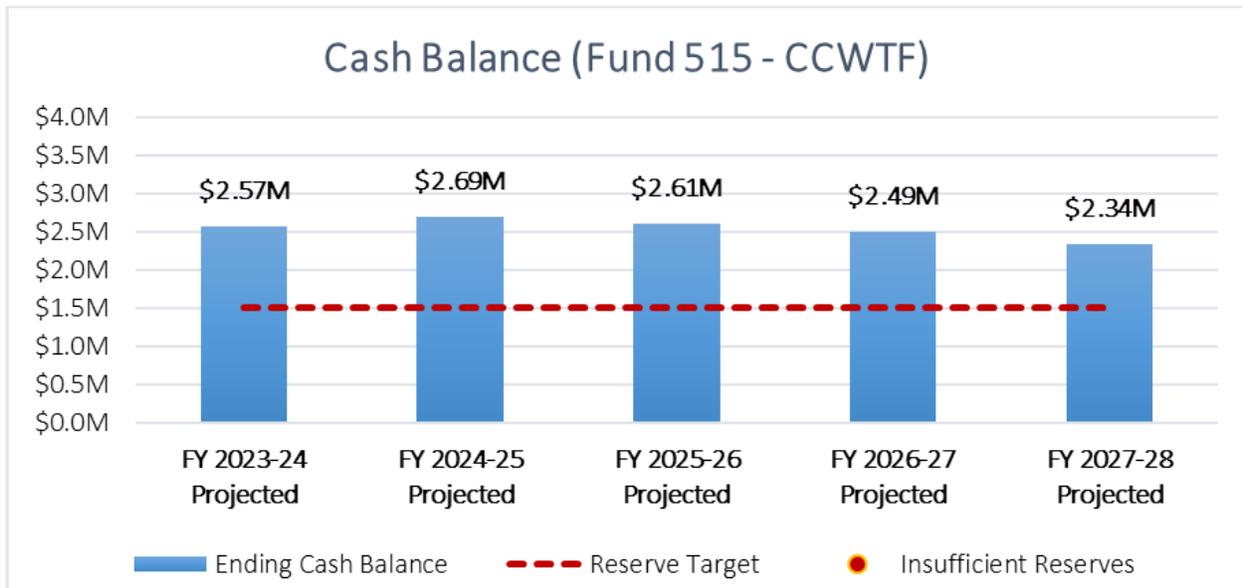


Figure 3-2: Status Quo Financial Plan Cash Balance Summary



## City of Malibu 2024 Wastewater and Recycled Water Rates Update

### 3.7 PROPOSED FINANCIAL PLAN

#### PROPOSED REVENUE ADJUSTMENTS

The status quo financial plan demonstrates that currently adopted wastewater and recycled water rates are insufficient to fully recover Fund 515’s projected expenses over the study period. In order to ensure that Fund 515 generates sufficient revenues to fully recover its expenses and avoid an operating deficit, WRE recommended that the City consider revenue adjustments (i.e., proposed rate revenue increases) over the four-year rate-setting period.

Various proposed revenue adjustment scenarios over the study period were considered and refined based on input from City staff and the City’s Public Works Commission. During a Public Works Commission meeting on January 24, 2024, WRE and City staff presented multiple revenue adjustment scenarios, and were directed to proceed with the proposed revenue adjustments shown below (see Table 3-9). The proposed revenue adjustments include 2% increases each July over the next four fiscal years. Note the cumulative impact of annual revenue adjustments over the four-year rate-setting period.

**Table 3-9: Proposed Quo Revenue Adjustments**

Description	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
<b>Proposed Revenue Adjustments</b>					
Revenue Adjustment %	N/A	2%	2%	2%	2%
Effective Date	N/A	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
Months Effective in Fiscal Year	N/A	12	12	12	12
<b>Additional Rate Revenue</b>					
FY 2023-24 Revenue Adjustment	\$0	\$0	\$0	\$0	\$0
FY 2024-25 Revenue Adjustment		\$45,944	\$47,038	\$47,038	\$47,038
FY 2025-26 Revenue Adjustment			\$47,979	\$47,979	\$47,979
FY 2026-27 Revenue Adjustment				\$48,938	\$48,938
FY 2027-28 Revenue Adjustment					\$49,917
<b>Total</b>	<b>\$0</b>	<b>\$45,944</b>	<b>\$95,017</b>	<b>\$143,956</b>	<b>\$193,873</b>

#### PROPOSED FINANCIAL PLAN

Proposed financial plan projections were developed to evaluate the sufficiency of the proposed revenue adjustments over the study period (see Table 3-10). The proposed financial plan is also summarized in graphical format (see Figure 3-3 and Figure 3-4) The proposed financial plan proforma shown on the following page is similar to the status quo financial plan proforma from Table 3-8. The primary difference is the inclusion of additional revenue from the proposed revenue adjustments. Under the proposed financial plan, revenues are projected to meet expenses in all years while maintaining healthy reserve levels.

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

**Table 3-10: Fund 515 Proposed Financial Plan Proforma**

Line	Description	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
1	<b><u>FUND 515 CASH FLOW</u></b>					
2	<b>Source of Funds</b>					
3	Revenue from Current Rates	\$2,303,289	\$2,297,212	\$2,351,907	\$2,351,907	\$2,351,907
4	Revenue Adjustments	\$0	\$45,944	\$95,017	\$143,956	\$193,873
5	Interest Earnings	\$25,051	\$25,723	\$27,358	\$27,506	\$27,806
6	Other Revenues	\$0	\$0	\$0	\$0	\$0
7	General Fund Loan Proceeds	\$0	\$0	\$0	\$0	\$0
8	<b>Total Source of Funds</b>	<b>\$2,328,340</b>	<b>\$2,368,879</b>	<b>\$2,474,283</b>	<b>\$2,523,369</b>	<b>\$2,573,586</b>
9						
10	<b>Use of Funds</b>					
11	O&M: Salaries & Benefits	\$94,476	\$98,255	\$102,185	\$106,273	\$110,524
12	O&M: Operations & Maintenance	\$1,978,591	\$2,107,095	\$2,357,269	\$2,387,184	\$2,420,994
13	General Fund Loan Repayment	\$188,113	\$0	\$0	\$0	\$0
14	<b>Total Use of Funds</b>	<b>\$2,261,180</b>	<b>\$2,205,350</b>	<b>\$2,459,454</b>	<b>\$2,493,457</b>	<b>\$2,531,517</b>
15						
16	<b>Net Cash Flow<sup>11</sup></b>	<b>\$67,160</b>	<b>\$163,528</b>	<b>\$14,828</b>	<b>\$29,912</b>	<b>\$42,068</b>
17						
18	<b><u>FUND 515 CASH RESERVES</u></b>					
19	<b>Projected Cash Balance</b>					
20	Beginning Cash Balance	\$2,505,121	\$2,572,281	\$2,735,810	\$2,750,638	\$2,780,550
21	Net Cash Flow	\$67,160	\$163,528	\$14,828	\$29,912	\$42,068
22	<b>Ending Cash Balance</b>	<b>\$2,572,281</b>	<b>\$2,735,810</b>	<b>\$2,750,638</b>	<b>\$2,780,550</b>	<b>\$2,822,619</b>
23						
24	<i>Reserve Target</i>	<i>\$1,500,000</i>	<i>\$1,500,000</i>	<i>\$1,500,000</i>	<i>\$1,500,000</i>	<i>\$1,500,000</i>
25	<i>Reserve Target Met?</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>

<sup>11</sup> [Line 16] = [Line 8] – [Line 14]

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

Figure 3-3: Proposed Financial Plan Cash Flow Summary

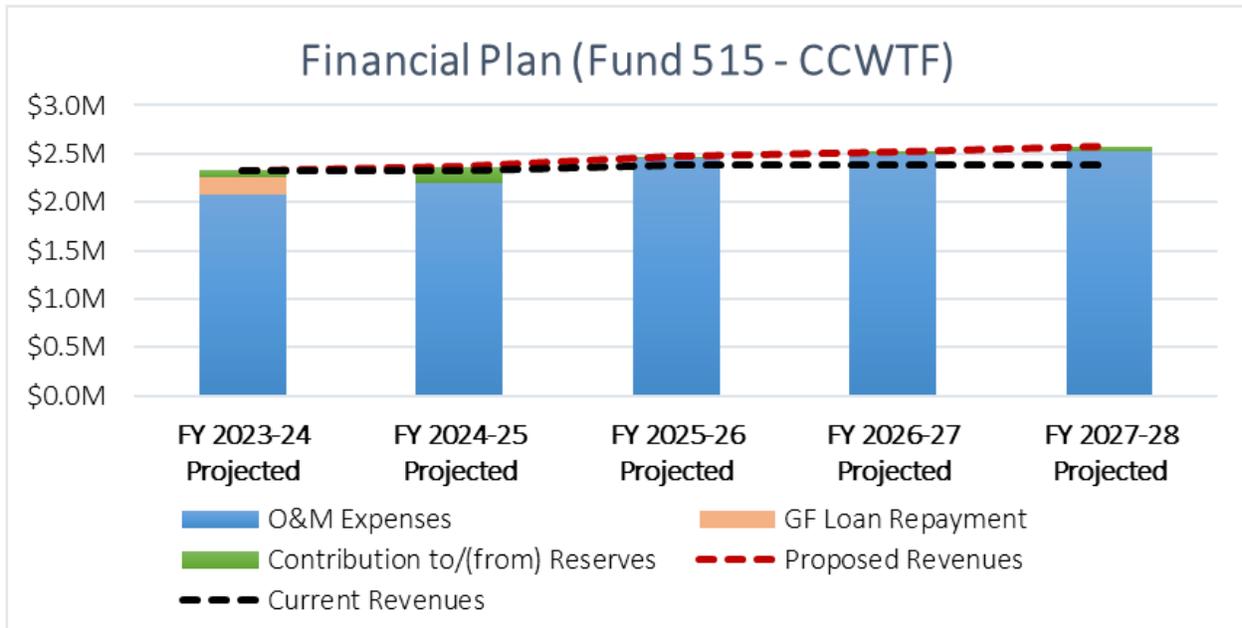
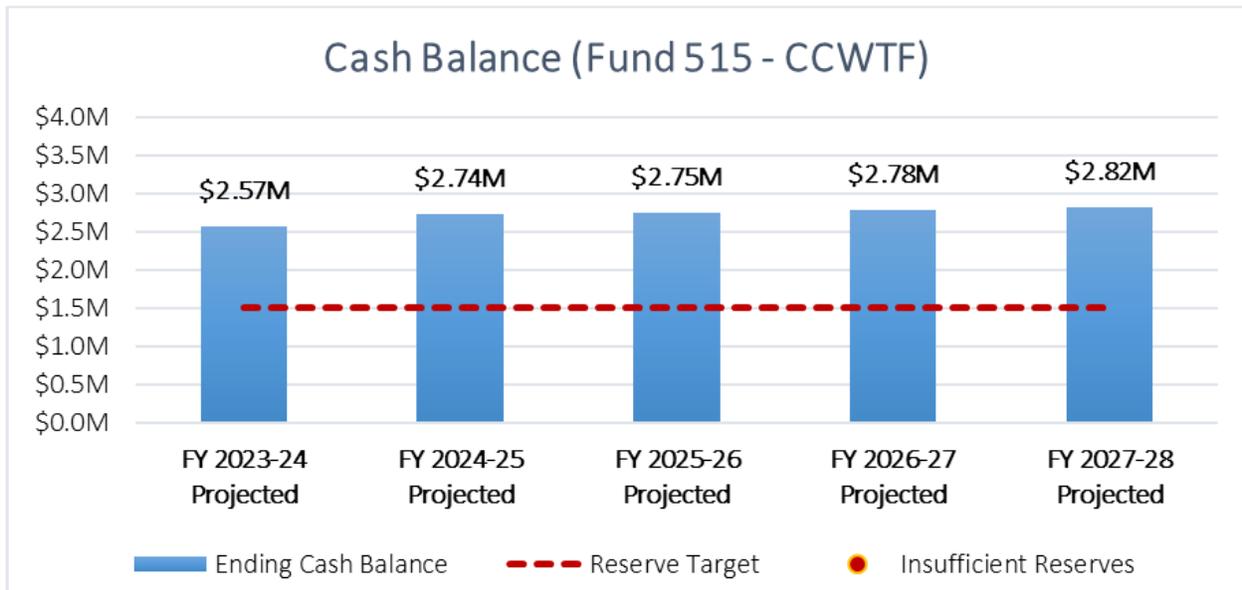


Figure 3-4: Proposed Financial Plan Cash Balance Summary



### 4. RATE DESIGN

#### 4.1 RATE DESIGN METHODOLOGY

A proposed four-year wastewater and recycled water rate schedule was developed based on the results of the proposed financial plan in Section 3 as well as additional calculations presented in this section. The key steps in the rate development process were as follows:

- **Rate structure evaluation:** The existing wastewater and recycled water rate structure was evaluated, and potential changes were identified and considered. Proposed rate structure changes are typically intended to address specific policy objectives or to improve legal defensibility. No rate structure changes were proposed as a result of this study.
- **Wastewater rate development:** Proposed wastewater charges were calculated directly from the results of the proposed financial plan by escalating existing charges by the proposed revenue adjustment percentages. This is slightly different from the wastewater rate calculation methodology utilized in the City’s two prior wastewater and recycled water rate studies, during which wastewater rates were calculated directly from annual expense projections. The updated methodology was employed in order to reduce the level rate volatility from year to year by smoothing out annual rate increases.
- **Recycled water rate development:** Proposed recycled water rates were calculated based on the existing methodology utilized in the City’s two prior wastewater and recycled water rate studies. This methodology provides for the development of recycled water rates based on the allocation of appropriate costs related to providing recycled water service to customers. WRE reviewed the existing methodology and did not identify any necessary updates or modifications.

#### 4.2 RATE STRUCTURE EVALUATION

The City’s existing wastewater and recycled water rate structure was evaluated, and potential changes were considered. However, no rate structure changes were recommended as a result of this evaluation. City staff indicated satisfaction with the existing rate structure, as it provides clear customer understanding due to its simple structure as well as revenue stability due to its reliance on fixed charges. WRE also evaluated the existing tier allotments for recycled water customers within Assessment District No. 2015-1. It is recommended that the Tier 1 monthly allotment of 14 HCF per EDU remain unchanged, as the underlying flow and water loss assumptions used to establish the existing tier allotment during the prior two rate studies were reviewed and confirmed.

#### 4.3 WASTEWATER RATE DEVELOPMENT

A proposed four-year wastewater rate schedule was calculated by increasing current FY 2023-24 monthly wastewater charges from Table 3-1 by the proposed revenue adjustment percentages from Table 3-9 (see Table 4-1). All proposed rates are rounded up to the nearest cent. Under this methodology, the total proposed annual rate revenue requirement (which is equal to revenue from

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

current rates plus revenue adjustments per Table 3-10) is assumed to be recovered by wastewater charges alone, as no recycled water sales are assumed over the four-year rate-setting period.

**Table 4-1: Proposed Wastewater Rate Calculations**

Wastewater Rate Calculations	FY 2023-24 Current (7/1/2023)	FY 2024-25 Proposed (7/1/2024)	FY 2025-26 Proposed (7/1/2025)	FY 2026-27 Proposed (7/1/2026)	FY 2027-28 Proposed (7/1/2027)
Proposed Revenue Adjustment	N/A	2.0%	2.0%	2.0%	2.0%
<b>Monthly Wastewater Charge (per EDU)</b>	<b>\$506.44</b>	<b>\$516.57</b>	<b>\$526.91</b>	<b>\$537.45</b>	<b>\$548.20</b>
<i>Change (\$)</i>	<i>N/A</i>	<i>\$10.13</i>	<i>\$10.34</i>	<i>\$10.54</i>	<i>\$10.75</i>

### 4.4 RECYCLED WATER RATE DEVELOPMENT

#### RECYCLED WATER RATE COST ALLOCATION BASIS

Proposed recycled water rates were calculated based on the existing calculation methodology employed in the prior two rate studies in 2017 and 2021. This methodology allocates costs differentially to each of the three volumetric recycled water rates, as follows:

- **Inside Assessment District Tier 1:** No costs are allocated to recycled water use by Inside Assessment District customers that stay within their Tier 1 monthly allotment of 14 HCF per EDU. This assumes that Tier 1 recycled water use does not exceed the customer’s wastewater flow generation (after accounting for water loss), and therefore allocable costs are already adequately recovered by the associated wastewater charges per EDU.
- **Inside Assessment District Tier 2:** Additional O&M costs related to tertiary treatment are allocated to recycled water use by Inside Assessment District customers that exceed their Tier 1 monthly allotment of 14 HCF per EDU. Tertiary treatment is required to treat wastewater to recycled water standards. Therefore, it is appropriate for Tier 2 recycled water users to contribute towards additional tertiary treatment-related O&M expenses attributable to recycled water use in excess of customers’ own wastewater generation.
- **Outside Assessment District:** Outside Assessment District recycled water customers are not subject to wastewater charges (to recover CCWTF O&M expenses) or Assessment District charges (to recover CCWTF Phase One capital expenses). Therefore, it is appropriate for outside recycled water users to contribute towards both tertiary treatment-related O&M expenses and Phase One capital expenses in order to ensure equitable contributions towards CCWTF cost recovery.

#### RECYCLED WATER O&M COST COMPONENT CALCULATION

The O&M cost component calculated below (see Table 4-2) represents the O&M unit rate per HCF to be applied to proposed Inside Assessment District Tier 2 and Outside Assessment District recycled water rates. The first step was to identify tertiary-related O&M expenses (see Lines 1-4). O&M expenses were first limited to contractual and pass-through costs, which represent the direct costs of

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

operating the CCWTF and exclude City staff salaries/benefits and other general/administrative expenses (see Line 1). To estimate tertiary-specific O&M expenses, two factors were applied. Firstly, a factor equal to the ratio of treatment-related Phase One construction costs to total Phase One construction costs was applied to isolate treatment-related costs from wastewater collection-related costs (see Line 2). Secondly, a factor equal to the estimated ratio of tertiary-related treatment costs to all treatment-related costs was applied to isolate tertiary treatment costs from primary and secondary treatment costs (see Line 3). Total tertiary treatment-related O&M expenses (Line 4) were divided by estimated annual recycled water production in HCF (Line 5) to determine the O&M cost component per HCF in each year over the rate-setting period (Line 6).

**Table 4-2: Recycled Water O&M Cost Component Calculation**

Line	O&M Cost Component Calculation	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
1	Annual Contractual & Pass-Through O&M Expenses <sup>12</sup>	\$1,549,539	\$1,777,696	\$1,805,412	\$1,836,949
2	Treatment Plant Share of Phase One Construction Costs (%) <sup>13</sup>	56.5%	56.5%	56.5%	56.5%
3	Tertiary Share of Treatment Plant Costs (%) <sup>14</sup>	20.0%	20.0%	20.0%	20.0%
4	Allocable O&M Expenses <sup>15</sup>	\$175,089	\$200,869	\$204,001	\$207,564
5	Total Annual Recycled Water Production (HCF) <sup>16</sup>	70,956	70,956	70,956	70,956
6	<b>O&amp;M Cost Component (per HCF)<sup>17</sup></b>	<b>\$2.47</b>	<b>\$2.83</b>	<b>\$2.88</b>	<b>\$2.93</b>

### RECYCLED WATER CAPITAL COMPONENT CALCULATION

The capital cost component calculated below (see Table 4-3) represents the capital unit rate per HCF to be applied to proposed Outside Assessment District recycled water rates. This is necessary because outside recycled water users do not contribute towards CCWTF Phase One construction costs via Assessment District No. 2015-1 charges. Tertiary treatment-related Phase One construction costs (Line 3) were first quantified by multiplying total Phase One treatment plant construction costs (Line 1) by the estimated ratio of tertiary-related treatment costs to all treatment-related costs (see Line 2). This resulting value (Line 3) was then annualized by dividing by the useful life of the relevant facilities (Line 4) to estimate annualized tertiary-related treatment plant construction costs (Line 5). Total annualized tertiary-related treatment plant construction costs (Line 5) were divided by

<sup>12</sup> Contractual and pass-through O&M expenses include WTF Maintenance (5611), Equipment Maintenance (5640), Electricity & Gas (5722), Natural Gas (5724), Biosolids Disposal (5725-01), Chemical Supplies (6161), and Motor Fuel (6500) from Table 3-6.

<sup>13</sup> Per the 2017 Wastewater and Recycled Water Rates Study Report.

<sup>14</sup> Per the 2017 Wastewater and Recycled Water Rates Study Report.

<sup>15</sup> [Line 4] = [Line 1] × [Line 2] × [Line 3]

<sup>16</sup> Assumes 55.87 million gallons per year in total wastewater flows and a 5% recycled water loss factor per the 2017 Wastewater and Recycled Water Rates Study Report.

<sup>17</sup> [Line 6] = [Line 4] ÷ [Line 5]

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

estimated annual recycled water production in HCF (Line 6) to determine the capital cost component per HCF, which does not vary by year over the rate-setting period (Line 7).

**Table 4-3: Recycled Water Capital Cost Component Calculation**

Line	Capital Cost Component Calculation	All Years
1	Phase One Treatment Plant Construction Costs <sup>18</sup>	\$25,989,666
2	Tertiary Share of Treatment Plant Costs (%) <sup>19</sup>	20.0%
3	Tertiary-Related Treatment Plant Construction Costs <sup>20</sup>	\$5,197,933
4	Life of Tertiary-Related Treatment Plant Capital Assets <sup>21</sup>	20 years
5	Tertiary-Related Treatment Plant Construction Costs (Annualized) <sup>22</sup>	\$259,897
6	Total Annual Recycled Water Production (HCF) <sup>23</sup>	70,956
7	<b>Capital Cost Component (per HCF)<sup>24</sup></b>	<b>\$3.66</b>

### PROPOSED RECYCLED WATER RATE CALCULATIONS

Proposed recycled water rates over the four-year rate-setting period were calculated based on the O&M cost components from Table 4-2 and the capital cost component from Table 4-3 (see Table 4-4). All proposed rates are rounded up to the nearest cent. The O&M cost component was applied to Inside Assessment District Tier 1 and Outside Assessment District recycled water rates only. The capital cost component was applied to the Outside Assessment District recycled water rate only.

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<sup>18</sup> Per the *Modified Engineer's Report: City of Malibu Assessment District 2015-1 (Civic Center Wastewater Treatment Facility – Phase 1)*.

<sup>19</sup> Per the *2017 Wastewater and Recycled Water Rates Study Report*.

<sup>20</sup> [Line 3] = [Line 1] × [Line 2]

<sup>21</sup> Per the *2017 Wastewater and Recycled Water Rates Study Report*.

<sup>22</sup> [Line 5] = [Line 3] ÷ [Line 4]

<sup>23</sup> Assumes 55.87 million gallons per year in total wastewater flows and a 5% recycled water loss factor per the *2017 Wastewater and Recycled Water Rates Study Report*.

<sup>24</sup> [Line 7] = [Line 5] ÷ [Line 6]

## City of Malibu 2024 Wastewater and Recycled Water Rates Update

**Table 4-4: Proposed Recycled Water Rate Calculations**

Recycled Water Rate Calculations	FY 2023-24 Current (7/1/2023)	FY 2024-25 Proposed (7/1/2024)	FY 2025-26 Proposed (7/1/2025)	FY 2026-27 Proposed (7/1/2026)	FY 2027-28 Proposed (7/1/2027)
<b>Inside Assessment District: Tier 1</b>					
O&M Cost Component	N/A	N/A	N/A	N/A	N/A
Capital Component	N/A	N/A	N/A	N/A	N/A
<b>Proposed Rate</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<i>Change (\$)</i>	<i>N/A</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
<b>Inside Assessment District: Tier 2</b>					
O&M Cost Component	2.36	2.47	2.83	2.88	2.93
Capital Component	N/A	N/A	N/A	N/A	N/A
<b>Proposed Rate</b>	<b>\$2.36</b>	<b>\$2.47</b>	<b>\$2.83</b>	<b>\$2.88</b>	<b>\$2.93</b>
<i>Change (\$)</i>	<i>N/A</i>	<i>\$0.11</i>	<i>\$0.36</i>	<i>\$0.05</i>	<i>\$0.05</i>
<b>Outside Assessment District</b>					
O&M Cost Component	\$2.36	\$2.47	\$2.83	\$2.88	\$2.93
Capital Component	\$3.57	\$3.66	\$3.66	\$3.66	\$3.66
<b>Proposed Rate</b>	<b>\$5.93</b>	<b>\$6.13</b>	<b>\$6.49</b>	<b>\$6.54</b>	<b>\$6.59</b>
<i>Change (\$)</i>	<i>N/A</i>	<i>\$0.20</i>	<i>\$0.36</i>	<i>\$0.05</i>	<i>\$0.05</i>

### 4.5 PROPOSED WASTEWATER AND RECYCLED WATER RATE SCHEDULE

A combined schedule of current and proposed wastewater and recycled water rates is shown in Table 4-5 below. Note that charges separately collected by Assessment No. 2015-1 to recover CCWTF Phase One capital costs are not included.

**Table 4-5: Proposed Wastewater and Recycled Water Rate Schedule**

Proposed Rate Schedule	FY 2023-24 Current (7/1/2023)	FY 2024-25 Proposed (7/1/2024)	FY 2025-26 Proposed (7/1/2025)	FY 2026-27 Proposed (7/1/2026)	FY 2027-28 Proposed (7/1/2027)
<b>Wastewater</b>					
Monthly Wastewater Charge (per EDU)	\$506.44	\$516.57	\$526.91	\$537.45	\$548.20
<b>Recycled Water</b>					
Inside Assessment District: Tier 1 <sup>25</sup> (per HCF)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Inside Assessment District: Tier 2 <sup>26</sup> (per HCF)	\$2.36	\$2.47	\$2.83	\$2.88	\$2.93
Outside Assessment District (per HCF)	\$5.93	\$6.13	\$6.49	\$6.54	\$6.59

<sup>25</sup> Tier 1 includes all recycled water use up to 14 HCF per EDU per month.

<sup>26</sup> Tier 2 includes all recycled water use in excess of 14 HCF per EDU per month.



## Public Hearing and Protests Proceedings

Pursuant to State law, protests may be provided by any City customer or property owner subject to the proposed rate changes, against any or all of the proposed rate changes described in this Notice. Written protests may be submitted by mail addressed to:

**City of Malibu  
City Clerk’s Office  
23825 Stuart Ranch Road  
Malibu, CA 90265**

Protests may also be submitted in person to the City Clerk’s office at **23825 Stuart Ranch Road, Malibu, CA 90265**. Mailed protests must be received by the City Clerk’s office no later than 5:00 p.m. on April 22, 2024. Protests submitted in person must be received prior to the close of the public hearing. Each written protest must clearly identify the property or account (by address, account number, or APN), reference which of the proposed rates is being protested, and must include the name and signature of the property owner or tenant, as applicable. Protests submitted by email can be sent to **cityclerk@malibucity.org**, provided the email includes a scanned copy or image of the property owner’s signature as well as the same information that is otherwise required for the protest. Protests received by telephone or via social media sites, including, but not limited to, Facebook or X shall NOT be accepted. All interested parties are invited to attend the public hearing and present written protests and/or oral comments on the proposed rate increases referenced herein. Only one protest notice is allowed per parcel. Oral comments made at the public hearing will not qualify as formal protests of the proposed rate increases unless accompanied by a written protest setting forth the required information (as set forth above). If written protests are submitted by a majority of the affected property owners or customers, the proposed rates will not be imposed. Pursuant to Government Code Section 53759, there is a 120-day statute of limitations for any judicial action or proceeding challenging any new, increased, or extended recycled water or wastewater fee or charge



## Additional Information

The utility rate study, which details the Wastewater and Recycled Water Systems’ budget and rate derivations, is available on the City’s website at **www.malibucity.org**.

# PUBLIC HEARING



**MONDAY, APRIL 22— 6:30 P.M**

Notice is hereby given a public hearing will be held. You may access the virtual meeting by visiting **www.malibucity.org**. Should the City determine to also hold an in-person meeting, information about the in-person meeting will be posted on the City’s website and included in the agenda for the public hearing.

If approved by City Council, the proposed rate increases will be effective for services provided on or after July 1, 2024.





## About the Proposed Rates

In 2011, the City of Malibu (City) reached an agreement with the Regional Water Quality Control Board, Los Angeles Region and the State Water Resources Control Board to phase out the use of onsite wastewater disposal systems in the Civic Center Area of the City. In their place, the City is building a wastewater collection and treatment system as well as a recycled water production, distribution, and aquifer injection system.

The City is developing this project in three phases and Phase 1 was completed in October 2018. This phase encompasses the construction of the treatment plant, the collection system, and distribution systems to serve nearby parcels. Approximately 60% of the Phase 1 parcels in the central core of the Civic Center are developed. These parcels consist primarily of commercial properties with a few residential parcels. The City will begin charging the proposed rates once service is provided to the customer.

The City of Malibu's wastewater and recycled water rates are subject to Proposition 218 and Malibu is therefore required by law to charge its customers only what is necessary to provide recycled water and wastewater services.



## How Rates are Calculated

### Wastewater Rates

Wastewater service costs fall into four groups:

- **Contract Costs:** Actual costs for the operation and maintenance identified in the City's contract with Integrated Performance Consultants, Inc., the City's contracted operator for the CCWTF.
- **Pass-through Costs:** Reimbursable expenses by the CCWTF operator and not included in the Contract Costs. These items include chemicals, electricity, and replacement of equipment, fuel for the backup generators, and the biosolids removal and disposal.
- **Direct Costs:** Additional expenses the City will incur operating and maintaining the CCWTF including utilities, insurance, operating supplies, and water quality monitoring.

The total annual cost to operate the wastewater system in fiscal year 2024 is anticipated to be \$2,064,976. The City developed a per Equivalent Dwelling Unit (EDU) rate to create parity across different customers. For the development of the City's rates, an EDU is defined as the equivalent of a single-family home in terms of wastewater flow and strength. Monthly wastewater rates per EDU commencing July 1, 2024, through and including June 30, 2028, are shown in the next panel.

### Proposed Monthly Wastewater Rates

The proposed wastewater rates will take effect each July 1, commencing July 1, 2024, through and including June 30, 2028

	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
Wastewater Rate (\$/EDU)	\$516.57	\$526.91	\$537.45	\$548.20

Each developed parcel's monthly charge will be calculated by multiplying the per EDU rate above by the total EDUs assigned to that parcel based on its relative flow and strength compared to a single-family home.

### Recycled Water Rates

All Assessment District customers will receive a monthly recycled water allocation based on their estimated wastewater flow, minus 5% to account for water lost during wastewater collection and treatment to produce recycled water.

The recycled water rates intend to recover any additional burden on the system due to customers' usage over their allocations and customers outside of the Assessment District that connect to the recycled water system.

The proposed recycled water rates will take effect on July 1, 2024, and will increase each July 1 thereafter through and including 2028.

### Proposed Recycled Water Rates

	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027
<b>Inside District</b>				
Tier 1	\$0.00	\$0.00	\$0.00	\$0.00
Tier 2	\$2.47	\$2.83	\$2.88	\$2.93
<b>Outside District</b>	\$6.13	\$6.49	\$6.54	\$6.59