

# City of Hesperia STAFF REPORT



**DATE:** September 19, 2017  
**TO:** Chair and Board Members, Hesperia Water District  
**FROM:** Nils Bentsen, City Manager  
**BY:** Brian D. Johnson, Assistant City Manager/Management Services  
**SUBJECT:** Water and Wastewater Rate Study

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## **RECOMMENDED ACTION**

It is recommended that the Board of Directors for the Hesperia Water District provide direction to staff regarding the information that should be included in a Proposition 218 hearing notice that must be sent to rate payers 45 days in advance of a hearing to set rates.

## **BACKGROUND**

In August 2015, updates were made to the Water, Wastewater, and Recycled Water Master Plans, which were prepared by Infrastructure Engineering Corporation. These master plans were last adopted February 2007, and serve as the basis for identifying system improvements needed to serve the existing Water District customers.

In December 2016, the Board authorized the commencement of a Water, Sewer, and Recycled Water Rate Study and Connection Fee Study, as the previous rate study was performed in approximately 10 years ago, and it was determined that a current study was needed to ensure that water and sewer rates adequately cover the costs of providing the service, in order to safeguard the sustainability and longevity of the District for its customers. The last of the approved water/sewer rate increases resulting from the 2007 study went into effect in November 2011, and the District has gone nearly six years with no increases in water or sewer rates.

The independent consulting firm, NBS, has worked with more than 300 public agencies and is very knowledgeable about the requirements and framework of California-specific statutes and guidelines involving water/sewer rate setting, including Proposition 218 and case law. NBS has performed a comprehensive evaluation of the District's revenues, expenses, capital plans, reserves, and rate structure and has developed three 5-year water rate plan alternatives to meet the Board's funding objectives.

On August 30, 2017, a Water and Sewer Rate Workshop was conducted and information was presented to the Board regarding the study. Feedback was provided by the Board and on September 19, 2017, a second workshop was held wherein the Board received refined information regarding the results of the study.

## **ISSUES/ANALYSIS**

The financial analysis provided by NBS at the September 19, 2017 Water and Sewer Rate Study Workshop outlined proposed plans for District capital improvement projects, as well as recommended changes that will provide financial stability for the District. A summary of the information is provided below:

## **Water System**

**Fixed/Variable Rate Design** – Currently, there is an imbalance in the makeup of the fixed/variable revenue received by the District compared to the fixed/variable expenses paid by the District. The District collects 45% of its revenue from fixed service charges and 55% from volumetric rates which are variable depending on water use. However, 65% or more of District expenditures are a result of fixed costs, with approximately 35% from variable expenditures.

As was experienced during the recent drought, when a District operates on revenue composed heavily of variable revenue, conservation directives like those imposed by the State will result in a disproportionate decline in overall District revenue. Designing a structure where fixed revenue more closely aligns with fixed expenditures provides for revenue stability and results in a more financially stable water district.

Because altering the fixed/variable composition of District revenue will have an impact on rates, it is recommended that the District begin incrementally transitioning its fixed revenue to match its fixed expenditures over time. Included in the next section of this report are funding alternatives for the Board's consideration. To allow for simplified comparison of the alternatives, each alternative reflects moving from the current revenue composition of 45%/55% fixed/variable to a 50%/50% fixed/variable composition beginning the first year, with a transition to a 55%/45% fixed/variable revenue composition taking effect in the fifth year.

**Recommended Improvements from Study** – As part of the study, NBS evaluated the operations of the District, including operations and maintenance expenses, debt service requirements, capital project needs, and the funding of reserves for unanticipated needs. During this evaluation, the following recommendations were identified:

**Purchase of Water Rights** – The District does not have sufficient water rights for the amount of water it produces and must lease water in order to make up for the deficit. In order to reduce this deficit, a loan for the purchase of 1,815 acre feet of water rights is recommended.

**Full Cost Allocation** – The Water District does not currently pay its full indirect cost allocation for services provided by the City's General Fund. The District should be a self-supporting entity, where the rates charged are sufficient to pay for the costs to provide the services. As such, it is recommended that the District pay its fully allocated costs.

**Operating Reserve** – The Governmental Finance Officers Association (GFOA) recommends a reserve target equal to 90 days of operations and maintenance expenses. The District's current 10% reserve equates to approximately 36 days and does not currently meet that target.

**Capital Reserve** – The industry standard for capital reserves is 3% of net assets and would be utilized in the event of unanticipated equipment failures or a natural disaster, such as an earthquake. The District does not currently have water capital reserves.

**Contamination Mitigation Reserve** – The District does not currently have a contamination mitigation reserve. As the State has demonstrated its desire to increasingly lower

tolerable levels of contaminants, the District may be faced with the need for funds to perform mitigation measures such as constructing a treatment facility or drilling new wells. Establishing a Contamination Mitigation Reserve will place the District in a better position to deal with contaminate mitigation issues that arise.

Capital Project Needs – The Water Master Plan report prepared by Infrastructure Engineering Corporation in 2015 identified \$162,446,700 in existing deficiencies of the water system. The highest priority projects include the construction of pipelines and a pump station at the I-15 at Rancho Interchange, recoating a reservoir, and continuation of the pipeline replacement program wherein the most difficult and costly work is needed.

Funding/Rate Alternatives – To address the recommendations resulting from the study, funding alternatives were presented to the Board at a Water and Sewer Rate Study Workshop held on August 30, 2017. The numbers have since been refined, as the proposed effective dates have been changed from a July 1<sup>st</sup> effective date for years two through five to a December 1<sup>st</sup> effective date, because water consumption is typically lower during the winter months and rate increases implemented at that time will have less of an impact upon our customers. These changes were incorporated into the three funding/rate alternatives presented to the Board at a second Water and Sewer Rate Study Workshop held on September 19, 2017. The three funding/rate alternatives are described below:

Alternative #1 - Alternative #1 (Attachment 1) improves the financial stability of the District by providing for the following:

- The purchase of 1,815 acre feet of water rights estimated at \$5,000 per acre foot at a 4.5% interest rate for 10 years.
- Funding that will enable the District to pay for its full indirect cost allocation beginning FY 2018-19 (\$2.4 million).
- Funding for an operating reserve that will meet the GFOA recommended target of 90 days operation and maintenance expenses.
- Funding for the establishment of a capital reserve fund, at the industry standard of 3% of net assets by FY 2022-23, for use in the event of unanticipated equipment failures.
- Funding in the amount of \$500,000 annually to a target of \$2.5 million for the establishment of a Contamination Mitigation Reserve which will enable the District to respond to contamination mitigation issues that arise.
- Only grant-funded and developer-funded capital projects are included for the first five years. At year six, \$1,346,649 will be available for capital projects.

The rate increases that would be needed to fund Alternative #1 are 6.5% each year for five years, as shown on Attachment 1.

Alternative #2 – Alternative #2 (Attachment 2) includes non-CIP funding noted in Alternative #1 and includes \$6,957,995 for high priority capital projects through year five, and \$768,504 in funding for year six, resulting in total (non-developer/non-grant) funding of \$7,726,499. The high priority projects include:

- I-15 at Rancho Interchange – construct new pipeline and pump station
- Pipeline Replacement Program
- Citywide Service Line Reconstruction

- Recoat 5.0 MG Reservoir at Plant 22
- G Avenue Waterline Repair at Railroad Crossing

The rate increases that would be needed to fund Alternative #2 are 9%, 9%, 8.5%, 8%, and 5%, as shown on Attachment 2.

Alternative #3 – Alternative #3 (Attachment 3) includes the funding provided in Alternatives #1 and #2, plus an additional \$2,463,369 for needed capital projects in year six, resulting in \$3,231,873 for year six and total (non-developer/non-grant) capital project funding of \$10,189,868.

The rate increases that would be needed to fund Alternative #3 are 9% each year for five years, as shown on Attachment 3.

### Other Recommendations

Three Tiers – It is recommended that the District shift from a four-tiered rate structure to a three-tiered structure. An outcome of the San Juan Capistrano decision is that water providers must scrutinize rate structures and demonstrate that the fees correspond to the cost of providing the service. A three-tiered rate structure is more defensible, as industry standards suggest that tier 1 is intended to include indoor water use for an average customer, tier 2 is intended to represent some irrigation, with tier 3 representing any additional consumption beyond tier 2, thus placing a greater burden on the system and resulting in additional costs.

Shifting to a three-tiered structure will provide a more defensible structure and will expand the tier 1 upper range from 10 hundred cubic feet (hcf) to 14 hcf. Therefore, more single family residential consumption will fall in the tier 1 range than in the current four-tier structure.

Single Family Residential (SFR) Bi-Monthly Fixed Service Charge – Currently, SFR customers with a 1" meter pay a higher bi-monthly service charge than customers with a 3/4" or 5/8" meter. Due to the similarity in consumption peaking factors, a standard SFR bi-monthly fixed service charge is recommended for residential 1" meters and below. Doing so will result in a lower bi-monthly fixed charge for customers with a 1" meter and a higher bi-monthly fixed charge for customers with 3/4" or 5/8" meters. The SFR meters will be broken out into their own class because meters for commercial customers, on average, place a larger impact on the water system.

Non-Single Family Residential (Non-SFR) Bi-Monthly Fixed Service Charges – Currently, Non-SFR customers pay a bi-monthly service charge that is scaled based on meter size. The new rate structure maintains this component; however, the new charges have been developed with two components: a *customer component* that is intended to cover customer related costs such as: billing meter reading, customer service, etc.; and a *capacity component* that is intended to cover the costs associated with system capacity. The customer component is the same for each size meter, and the capacity component is scaled based on hydraulic capacity (gallons of flow per minute) of each size meter connected to the system.

Uniform Consumption Charges – Due to the stress that certain high-peaking non-SFR customers place on the water system, it is proposed that the uniform rate for non-SFR customers be broken into two categories. It is proposed that the high-peaking non-SFR customer class (including public buildings, industrial, and irrigation) customers who place

greater stress on the water system are charged at a higher rate than the low peak non-SFR customer class (including multi-family residential, business, and fire services).

Drought Rates – As part of the study, proposed drought rates were prepared for each alternative. However, due to the funding recommendations included in Alternative 1 for the establishment of reserves, along with the proposed incremental transition in fixed revenue from the District's current composition of 45%/55% fixed/variable revenue to 50%/50% beginning year one through year four, and 55%/45% in year five, staff are not recommending the adoption of drought rates at this time. If, in the future, the need for drought rates arises, the drought rates included in the study can be utilized upon the Board's direction to proceed with a Proposition 218 hearing.

### **Sewer System**

Recommended Improvements from Study – As part of the study, NBS evaluated the Sewer operations, including operations and maintenance expenses, capital project needs, and the funding of reserves for unanticipated needs. During this evaluation, the following recommendations were identified:

Allocation of Costs – The sewer system should operate as its own entity and costs should be allocated to sewer for services that are shared with the water system; currently those costs are being paid by water.

Operating Reserve – Given that 60% of the sewer costs are for sewage treatment, an operating reserve fund target equal to 180 days of operations and maintenance expenses is recommended.

Capital Reserve – Because the sewer infrastructure is, by its location, difficult and costly to repair, a capital fund reserve target of 6% of net assets is recommended, which would be utilized for unanticipated system failures or in the event of a natural disaster, such as an earthquake.

Anticipated Future Increases Passed Through from Victor Valley Wastewater Reclamation Authority (VWVRA) – Based upon the previous five year history, 8% increases are anticipated. Further, it is recommended that language be included with the proposed rate changes to reflect that VWVRA increases above the projected 8% will be automatically passed on as an additional increase to the rates in future years.

Capital Project Needs – \$10,132,499 needed sewer capital projects have been identified. These projects include I-15 at Rancho improvements, sewer replacements at four locations, and a lift station and force main upgrade.

Funding/Rate Recommendation – To address the recommendations resulting from the study, a funding recommendation was presented to the Board at a Water and Sewer Rate Study Workshop held on August 30, 2017. The numbers have since been refined, as the proposed effective dates have been changed from a July 1<sup>st</sup> effective date for years two through five to a December 1<sup>st</sup> effective date. These changes were incorporated into the funding/rate recommendation presented to the Board at a second Water and Sewer Rate Study Workshop held on September 19, 2017. The funding/rate recommendation is described below:

Sewer Funding/Rate Recommendation – The Sewer funding/rate recommendation (Attachment 4) improves the financial stability of the Sewer funds by providing for the following:

- Funding that will enable sewer to pay for allocated costs for services that are shared with the water system.
- Funding for an operating reserve that will target 180 days operation and maintenance expenses.
- Funding for a capital reserve that will target 6% of net assets, for use in the event of unanticipated system failure or natural disaster such as an earthquake.
- Funding for anticipated future 8% increases passed through from VVWRA, along with language stating that VVWRA increases above 8% will be automatically passed on as an additional increase to the rates in future years.
- Excluding projects funded from development impact fees, funding in the amount of \$3,502,371 has been included for the highest priority sewer capital projects. These include I-15 at Ranchero improvements, sewer replacements at four locations, and a lift station and force main upgrade.

The rate increases that would be needed to fund the sewer funding recommendations are 6% each year for five years, as shown on Attachment 4.

### **Direction for Proposition 218 Hearing Notice**

Based upon the information presented at the Rate Study Workshops held on August 30, 2017 and September 19, 2017, direction is requested from the Board regarding the information that should be included in the Proposition 218 notice that must be sent to rate payers 45 days in advance of a hearing to increase rates. The information is contained in the attached Alternatives.

It should be noted that, as presented in the September 19, 2017 Water and Sewer Rate Study Workshop, water rate comparisons with other providers in the area show that, even if the Board were to select Alternative 3, Hesperia's rates would still be some of the lowest in the area at year five.

### **FISCAL IMPACT**

There is no fiscal impact at this time. Upon receiving guidance from the Board, staff will work with the City Attorney's Office to prepare the Proposition 218 hearing notice. After the required 45 day noticing period, the hearing will be agendized for the November 21, 2017 Council Meeting.

### **ALTERNATIVE(S)**

1. Provide alternative direction to staff.

### **ATTACHMENT(S)**

1. Water Funding/Rate Alternative 1
2. Water Funding/Rate Alternative 2
3. Water Funding/Rate Alternative 3
4. Sewer Funding/Rate Recommendation

**CURRENT VS. PROPOSED WATER RATES:**

TABLE 64

<b>Net Revenue Requirements (50% Fixed / 50% Variable)</b>								
Water Rate Schedule	Number of Customers	Current Rates	Proposed Rates					
			1/1/2018	12/1/2018	12/1/2019	12/1/2020	12/1/2021	
(% Fixed / % Variable):			(50% F/ 50% V)	(50% F/ 50% V)	(50% F/ 50% V)	(50% F/ 50% V)	(55% F/ 45% V)	
Projected Increase in Rate Revenue per Financial Plan:			6.50%	6.50%	6.50%	6.50%	6.50%	
<b>Bi-Monthly Fixed Service Charges:</b>								
<i>Single Family Residential</i>								
5/8 inch	339	\$39.27	\$45.47	\$48.42	\$51.57	\$54.92	\$64.02	
3/4 inch	23,632	\$39.27	\$45.47	\$48.42	\$51.57	\$54.92	\$64.02	
1 inch	362	\$58.91	\$45.47	\$48.42	\$51.57	\$54.92	\$64.02	
<i>All Other Customers:</i>								
3/4 inch	656	\$39.27	\$82.35	\$87.70	\$93.40	\$99.47	\$118.05	
1 inch	477	\$58.91	\$127.57	\$135.86	\$144.69	\$154.10	\$184.29	
1.5 inch	153	\$157.09	\$240.61	\$256.25	\$272.91	\$290.65	\$349.89	
2 inch	141	\$251.35	\$376.27	\$400.73	\$426.77	\$454.51	\$548.62	
3 inch	39	\$502.70	\$738.01	\$785.98	\$837.07	\$891.48	\$1,078.56	
4 inch	20	\$785.47	\$1,144.98	\$1,219.40	\$1,298.66	\$1,383.07	\$1,674.73	
6 inch	2	\$1,570.94	\$2,275.43	\$2,423.33	\$2,580.85	\$2,748.61	\$3,330.78	
8 inch	1	—	\$6,345.07	\$6,757.50	\$7,196.73	\$7,664.52	\$9,292.57	
<i>Fire Service Charges:</i>								
2.5 inch	1	\$10.00	\$19.81	\$21.10	\$22.47	\$23.93	\$25.50	
4 inch	95	\$10.00	\$25.10	\$26.73	\$28.47	\$30.32	\$32.31	
6 inch	102	\$12.00	\$38.69	\$41.21	\$43.89	\$46.74	\$49.84	
8 inch	88	\$14.00	\$56.82	\$60.51	\$64.45	\$68.64	\$73.21	
10 inch	8	\$18.00	\$77.97	\$83.04	\$88.43	\$94.18	\$100.47	
<b>Commodity Charges</b>								
<b>Rate per hcf of water consumed:</b>								
<i>Construction Rate</i>		\$3.37	\$3.30	\$3.51	\$3.74	\$3.98	\$4.24	
<i>Uniform Potable Rate ( MFR, Business, FS)</i>		\$1.68	\$1.43	\$1.52	\$1.62	\$1.72	\$1.67	
<i>Uniform Potable Rate (Public Building, Inds. Irr.)</i>		\$1.68	\$1.58	\$1.68	\$1.79	\$1.90	\$1.79	
Current Break		Proposed Break						
<i>Tiered Rate (SFR Customers)</i>								
Tier 1	10 hcf	14 hcf	\$0.90	\$1.06	\$1.13	\$1.21	\$1.29	\$1.37
Tier 2	40 hcf	35 hcf	\$1.55	\$1.57	\$1.68	\$1.79	\$1.90	\$1.79
Tier 3	80 hcf	35+ hcf	\$1.88	\$1.99	\$2.12	\$2.26	\$2.40	\$2.14
Tier 4	80+ hcf	—	\$2.24	N/A	N/A	N/A	N/A	N/A

Attachment 1

**CURRENT VS. PROPOSED WATER RATES:**

TABLE 64

Net Revenue Requirements (50% Fixed / 50% Variable)							
Water Rate Schedule	Number of Customers	Current Rates	Proposed Rates				
			1/1/2018	12/1/2018	12/1/2019	12/1/2020	12/1/2021
(% Fixed / % Variable):			(50% F/ 50% V)	(50% F/ 50% V)	(50% F/ 50% V)	(50% F/ 50% V)	(55% F/ 45% V)
Projected Increase in Rate Revenue per Financial Plan:			9.00%	9.00%	8.50%	8.00%	5.00%
<b>Bi-Monthly Fixed Service Charges:</b>							
<i>Single Family Residential</i>							
5/8 inch	339	\$39.27	\$48.09	\$50.24	\$54.51	\$58.87	\$67.71
3/4 inch	23,632	\$39.27	\$46.09	\$50.24	\$54.51	\$58.87	\$67.71
1 inch	362	\$58.91	\$46.09	\$50.24	\$54.51	\$58.87	\$67.71
<i>All Other Customers:</i>							
3/4 inch	656	\$39.27	\$86.05	\$93.79	\$101.76	\$109.90	\$128.31
1 inch	477	\$58.91	\$135.03	\$147.18	\$159.69	\$172.46	\$202.61
1.5 inch	153	\$157.09	\$257.48	\$280.65	\$304.51	\$328.87	\$388.36
2 inch	141	\$251.35	\$404.42	\$440.82	\$478.29	\$516.55	\$611.26
3 inch	39	\$502.70	\$796.26	\$867.93	\$941.70	\$1,017.04	\$1,205.66
4 inch	20	\$785.47	\$1,237.09	\$1,348.43	\$1,463.04	\$1,580.09	\$1,874.36
6 inch	2	\$1,570.94	\$2,461.60	\$2,683.15	\$2,911.22	\$3,144.11	\$3,731.86
8 inch	1	—	\$6,869.86	\$7,488.14	\$8,124.64	\$8,774.61	\$10,418.84
<i>Fire Service Charges:</i>							
2.5 inch	1	\$10.00	\$18.06	\$19.69	\$21.36	\$23.07	\$24.24
4 inch	95	\$10.00	\$23.55	\$25.67	\$27.85	\$30.08	\$31.62
6 inch	102	\$12.00	\$37.67	\$41.05	\$44.54	\$48.11	\$50.58
8 inch	88	\$14.00	\$56.48	\$61.57	\$66.80	\$72.14	\$75.87
10 inch	8	\$18.00	\$78.44	\$85.50	\$92.76	\$100.18	\$105.37
<b>Commodity Charges</b>							
<b>Rate per hcf of water consumed:</b>							
Construction Rate		\$3.37	\$3.37	\$3.67	\$3.98	\$4.30	\$4.52
Uniform Potable Rate ( MFR, Business, FS)		\$1.68	\$1.44	\$1.57	\$1.70	\$1.84	\$1.75
Uniform Potable Rate (Public Building, Inds. Irr.)		\$1.68	\$1.65	\$1.80	\$1.95	\$2.11	\$1.96
Current Break							
Proposed Break							
<i>Tiered Rate (SFR Customers)</i>							
Tier 1	10 hcf	\$0.90	\$0.92	\$1.00	\$1.09	\$1.17	\$1.23
Tier 2	40 hcf	\$1.55	\$1.65	\$1.80	\$1.95	\$2.11	\$1.96
Tier 3	80 hcf	\$1.88	\$2.24	\$2.44	\$2.65	\$2.86	\$2.56
Tier 4	80+ hcf	\$2.24	N/A	N/A	N/A	N/A	N/A

Attachment 2



**CURRENT VS. PROPOSED WATER RATES:**

**TABLE 64**

<b>Net Revenue Requirements (50% Fixed / 50% Variable)</b>								
Water Rate Schedule	Number of Customers	Current Rates	Proposed Rates					
			1/1/2018	12/1/2018	12/1/2019	12/1/2020	12/1/2021	
(% Fixed / % Variable):			(50% F/ 50% V)	(50% F/ 50% V)	(50% F/ 50% V)	(50% F/ 50% V)	(55% F/ 45% V)	
Projected Increase in Rate Revenue per Financial Plan:			9.00%	9.00%	9.00%	9.00%	9.00%	
<b>Bi-Monthly Fixed Service Charges:</b>								
<i>Single Family Residential</i>								
5/8 inch	339	\$39.27	\$46.09	\$50.24	\$54.76	\$59.69	\$71.27	
3/4 inch	23,632	\$39.27	\$46.09	\$50.24	\$54.76	\$59.69	\$71.27	
1 inch	362	\$58.91	\$46.09	\$50.24	\$54.76	\$59.69	\$71.27	
<i>All Other Customers:</i>								
3/4 inch	656	\$39.27	\$86.05	\$93.79	\$102.23	\$111.43	\$135.06	
1 inch	477	\$58.91	\$135.03	\$147.18	\$160.43	\$174.86	\$213.26	
1.5 inch	153	\$157.09	\$257.48	\$280.65	\$305.91	\$333.44	\$408.77	
2 inch	141	\$251.35	\$404.42	\$440.82	\$480.49	\$523.74	\$643.38	
3 inch	39	\$502.70	\$796.26	\$867.93	\$946.04	\$1,031.19	\$1,269.00	
4 inch	20	\$785.47	\$1,237.09	\$1,348.43	\$1,469.79	\$1,602.07	\$1,972.83	
6 inch	2	\$1,570.94	\$2,461.60	\$2,683.15	\$2,924.63	\$3,187.85	\$3,927.91	
8 inch	1	—	\$6,869.86	\$7,488.14	\$8,162.08	\$8,896.66	\$10,966.20	
<i>Fire Service Charges:</i>								
2.5 inch	1	\$10.00	\$18.06	\$19.69	\$21.46	\$23.39	\$25.51	
4 inch	95	\$10.00	\$23.55	\$25.67	\$27.98	\$30.50	\$33.28	
6 inch	102	\$12.00	\$37.67	\$41.05	\$44.75	\$48.78	\$53.24	
8 inch	88	\$14.00	\$56.48	\$61.57	\$67.11	\$73.15	\$79.85	
10 inch	8	\$18.00	\$78.44	\$85.50	\$93.19	\$101.58	\$110.90	
<b>Commodity Charges</b>								
<b>Rate per hcf of water consumed:</b>								
<i>Construction Rate</i>		\$3.37	\$3.37	\$3.67	\$4.00	\$4.36	\$4.75	
<i>Uniform Potable Rate ( MFR, Business, FS)</i>		\$1.62	\$1.44	\$1.57	\$1.71	\$1.86	\$1.84	
<i>Uniform Potable Rate (Public Building, Inds. Irr.)</i>		\$1.62	\$1.65	\$1.80	\$1.96	\$2.14	\$2.07	
	Current Break	Proposed Break						
<i>Tiered Rate (SFR Customers)</i>								
Tier 1	10 hcf	14 hcf	\$0.90	\$0.92	\$1.00	\$1.09	\$1.19	\$1.30
Tier 2	40 hcf	35 hcf	\$1.55	\$1.65	\$1.80	\$1.96	\$2.14	\$2.07
Tier 3	80 hcf	35+ hcf	\$1.88	\$2.24	\$2.44	\$2.66	\$2.90	\$2.69
Tier 4	80+ hcf	—	\$2.24	N/A	N/A	N/A	N/A	N/A

Attachment 3

CITY OF HESPERIA  
 SEWER RATE STUDY  
 Sewer Rate Development

**TABLE 16 Current vs. Proposed Sewer Rates (Bi-Monthly)**

Sewer Rate Schedule	Current Rates (1)	Proposed Sewer Rates				
		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
% Increase in Annual Rate Revenue:		6.00%	6.00%	6.00%	6.00%	6.00%
Rate Per EDU	\$45.97	\$49.97	\$52.97	\$56.15	\$59.52	\$63.09

1. Sewer customers are charged on the basis of their number of assigned Equivalent Dwelling Units (EDUs).

Attachment 4