CLAREMONT'S WATER FUTURE
by Freeman Allen

The League of Women Voters has advocated city ownership of the local water system since 1938. Control of our water future is the most compelling reason, but recent rapidly rising water rates under Golden State Water Company (GSW) has outraged the community. As a result the Claremont City Council funded a study of options to take control of the system. On October 23 they will consider an appraisers report, and possible acquisition. GSW says they will not be a willing seller, and that implies possible acquisition by eminent domain. There will be questions of price, how to raise the money, how to manage the system, and what it would be like to have a municipal water utility in Claremont. GSW warns that privately and publicly owned systems, like apples and oranges, are not comparable. However, we are fortunate in Claremont. Our neighboring city of LaVerne has had a municipally owned system for the past century, and their situation is very similar to that in Claremont in many critical ways. It's quite easy to compare their history with ours under GSW. We do some of that here.

There will also be a Sustainability Dialog on October 15 when Brian Thomas, highly qualified and highly recommended financial manager for the Metropolitan Water District of Los Angeles from 2000 to 2011, will present an objective comparison of options for water systems such as municipal and private ownership. The presentation will be in the Hahn Building, 420 N. Harvard Ave. at 7:00 p.m., with the dialogue to follow likely to be lively and informative. You are welcome to join in the discussion.

The following compares the municipal system in LaVerne to GSW ownership in Claremont, using the water consumption of a typical single-family residence as an example. Water bills are largely based on two items, the amount of water used (here 24 hundred cubic feet per month; 18,000 gallons), and a "meter charge" which is a monthly service charge that varies with the diameter of the pipe in the meter that limits the flow of water that can be used at any time. A 1- inch meter is common.

CLAREMONT VS. LAVERNE WATER COST COMPARISON FACTS

- LaVerne's water is provided by a city-owned water enterprise, while Claremont's water is provided by investor-owned Golden State Water Company (GSW).
- The two cities are comparable: similar in age, population, location, size, and water sources (although GSW has greater groundwater resources than La Verne).
- LaVerne has five tiers of gradually increasing water rates. Which tier applies depends on the user's location (elevation) to account for the cost of pumping water uphill. In Claremont, in November 2008, GSW went from a one-tier system to a two-tier system based on the amount of water used (not elevation). Meter charges were <u>reduced</u> and that moderated the rate increase impact. In December 2010 a third tier was added and meter charges were <u>increased</u>, Water costs soared, as shown in the graph below. Many users thought these increases outrageous.
- Cost comparisons here are for 24 hundred cubic feet (Ccf) of water per month with a 1-inch meter service charge ($38.60 in Claremont in January 2012). This usage was chosen because it is commonly used for comparisons by LaVerne. According to GSW, Claremont's average usage is 21 Ccf per month: 13 Ccf in Tier 1 ($3.31 per Ccf with surcharges) and 8 Ccf in Tier 2 ($3.72). Water used beyond 21 Ccf is in Tier 3 ($4.21).
- The LaVerne water system is said to be in better condition than the Claremont system (e.g., better emergency reservoir storage). Future costs to improve Claremont's system will be paid by ratepayers under either GSW or municipal ownership.

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ADDITIONAL CONSIDERATIONS

City income from water users is nearly the same in LaVerne as it is in Claremont.

- Claremont water levies a 5.5% Utility User Tax totaling $941,000 in 2011-2012. There is no such tax in LaVerne.
- The LaVerne municipal water enterprise contributes $1 million per year to the city's General Fund for shared facilities, staff, etc.
- The net benefit to LaVerne compared to Claremont is the difference, $59,000

Other city financial benefits are also nearly the same.

- LaVerne receives $259,000 per year for connections to new residences (61 at $4,250). This pays for the water system connections, and some maintenance of the water system. The City of LaVerne does not charge itself for water used by the city, a saving to their general fund of $84,500 at wholesale rates. The combined financial benefit of these two items is $343,500.
- In 2011 Claremont City collected $237,000 in water rights revenue from GSW, and paid $552,000 for water used in medians, parks, and buildings. Thus the net cost to the City was $315,000. With a city-owned enterprise, operated as in LaVerne, Claremont would neither pay for water nor receive the water rights revenue.
- The net benefit to LaVerne compared to Claremont would be $343,500 - $315,000 or $28,500.
- If Claremont did charge a connection fee at LaVerne rates Claremont's income would be an additional $242,000 (57 projected new connections).

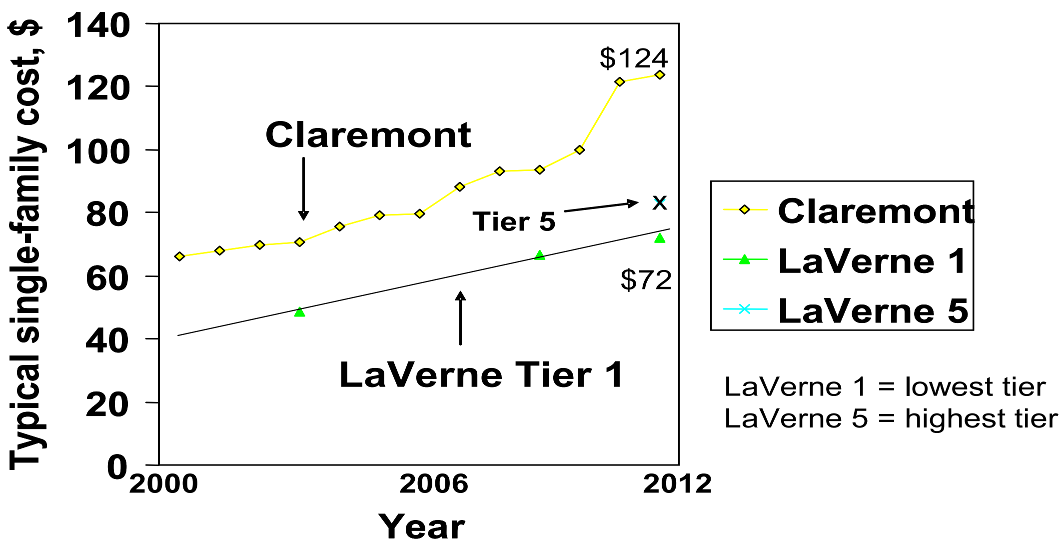
LaVerne must import a much larger fraction of its water.

- Water from the State Water Project costs nearly four times as much as local well water. Since Claremont has access to more well water the unit cost is as much as a third less than in LaVerne. Claremont rates under municipal ownership should be <u>lower</u> than in LaVerne.

Could Claremont afford the water system?

- Aside from the differences in the cost for imported water, Claremonters now pay over $7 million more each year than they would at LaVerne rates. This money saved by lower rates could be used to pay off a 30-year bond to buy the water system, lower rates somewhat, and create a fairer rate structure – even if it costs over $100 million. **Claremont, not GSW, would set future rates and policies and manage the system to meet the needs of the community.**

Monthly cost for 24 Ccf of water and a 1-inch meter
(typical single-family use)



Data from GSW, the cities and 2010 Urban Water Management Plans