

City of Hesperia

STAFF REPORT



DATE: July 15, 2025

TO: Chair and Board Members, Hesperia Water District

FROM: Rachel Molina, City Manager

BY: Casey Brooksher, Assistant City Manager
Keith Cheong, Senior Accountant

SUBJECT: Award of Agreement for Water, Sewer, and Recycled Water Rate Study

RECOMMENDED ACTION

It is recommended that the Chair and Board of Directors of the Hesperia Water District authorize the City Manager to approve an agreement with Black & Veatch to perform a Water, Wastewater, and Recycled Water Rate Study for the not-to-exceed amount of \$113,040.

BACKGROUND

In December 2016, the Board of Directors authorized a Water, Sewer, and Recycled Water Rate Study and Connection Fee Study to ensure that water and sewer rates adequately cover the costs of providing the service to maintain the financial health and longevity of the Water District for its customers.

On November 21, 2017, upon the completion of the rate study and the Proposition 218 process, the Board of Directors approved a 5-year water and sewer rate increase schedule. The first step of the approved water/sewer rates took effect January 1, 2018, with the remaining rate increases effective each December 1st, through December 1, 2021.

On May 21, 2019, to provide a rate structure for the reclaimed water distribution system, the Board of Directors approved the establishment of recycled water rates over a multi-year period. The initial rates became effective June 1, 2019, with the subsequent rate increases effective each December 1st, through December 1, 2022.

ISSUES/ANALYSIS

With the previous independent study of the District's water and sewer rates occurring approximately eight (8) years ago, and the last rate adjustment being implemented in December 2021, a current study is needed to ensure the water, sewer and recycled water consumption rates continue to adequately cover the costs of providing the service. Regular rate studies help to ensure the financial health, stability, and longevity of the District for its customers. The District also has legal debt covenants that must be maintained in order to remain in compliance, including the State Water Resources Control Board loan for the construction of the reclaimed water pipeline distribution system.

The RFP for a Water, Wastewater, & Recycled Water Rate Study was released in April 2025. In response to the RFP, the District received a total of nine (9) proposals from qualified firms. All of

the submitted proposals were evaluated by a panel to determine the top firm. After the completion of evaluation process, Black & Veatch was deemed to be the highest ranked firm.

Black & Veatch has worked with more than 100 different California agencies over the past 20 years and is very knowledgeable about the requirements and framework of the California-specific statutes and guidelines involving water/sewer rate setting and working with utilities through the Proposition 218 process to ensure compliance. While a different firm prepared the 2017 rate study, the Black & Veatch project team has experience and familiarity with the District, having served in a key management role during the previous water and sewer rate study. This experience and existing knowledge of the goals and challenges specific to the Hesperia Water District will provide for an expedited engagement process and a thorough technical analysis. Further, an agreement with Black & Veatch for the performance of a Water, Wastewater, and Recycled Water Rate Study, in the amount of \$113,040, is consistent with the market rates charged by other rate study providers.

As part of the City's 2024 Strategic Plan, the City Council identified eleven (11) top strategies aligned with five overarching Council goals. For the Financial Health goal, the Council's highest-priority strategy is to: "Conduct a regular assessment of the approved City fee schedule to ensure City-related costs are recovered." This Water Rate Study directly supports that strategy by evaluating the full cost of providing water service to each ratepayer. The study will ensure that the Water District's rates are aligned with the actual cost of providing the service, supporting the goal of maintaining long-term financial sustainability and transparency.

In addition to the eleven (11) top strategies identified by the City Council, City departments developed a number of supplemental strategies to support the Council's objectives, each with an anticipated delivery timeline. Among these was the Water Rate Study, which was originally projected for completion within three to five years of the Strategic Plan's adoption. If approved, the study is now expected to be completed by early 2026—one year ahead of schedule—demonstrating the City's proactive commitment to achieving its strategic financial goals.

CITY GOAL SUPPORTED BY THIS ITEM

Financial Health – Maintain a balanced budget and adequate reserves.

FISCAL IMPACT

Funding for the Water, Wastewater, and Recycled Water Rate Study, in the amount of \$113,040, will be included as a Fiscal Year 2025-26 First Quarter Budget Amendment.

ALTERNATIVE(S)

1. Provide alternative direction to staff

ATTACHMENT(S)

None