



MONTEBELLO, CA: CUSTOMERS AVOID RATE HIKES, GAIN EFFICIENCIES BY CONSOLIDATING WITH NEIGHBORING PRIVATE SYSTEM

For years, the City of Montebello, California, owned and operated a water system that served just 1,600 connections – a mere 8% of its residents. Given its small size, the City struggled to fund system maintenance and necessary infrastructure upgrades without major rate increases. Even after a 75% rate increase under City ownership in 2013, the system still required hundreds of thousands of dollars in subsidies from the general fund to balance its books.

As Councilman Jack Hadjinian put it in January 2017: “There’s not enough users to sustain the water operations.”

By the time the City Council voted unanimously in May 2020 for a sale to San Gabriel Valley Water Company – which owns and operates a larger, neighboring system – Councilman Hadjinian said the Montebello water infrastructure had accumulated “excessive amounts of deferred maintenance.” This was supported by an engineering report commissioned by the City that found the system needed \$25.6 million in capital improvements. Given the system’s small size, the report found customer rates would need to increase by a minimum of \$142 per month for 10 years to fund the improvements.

By consolidating with San Gabriel Valley Water Company, which serves more than 500,000 customers statewide, the City was relieved of financing out of its General Fund the much needed and long-overdue improvements to its small water system. As the California Public Utilities Commission wrote in its decision approving the acquisition in December 2022: “Due to its size, fiscal backing, familiarity, and sophistication, San Gabriel is in a superior position to use economies of scale, resources, and knowledge to better service the water needs of Montebello customers.”

In addition to economies of scale and expertise, the City also received \$15.8 million from the sale, which it planned to use for a variety of improvements to local infrastructure and public services.

SOURCES:

1. California Public Utilities Commission, “Decision Authorizing San Gabriel Valley Water Company’s Purchase of the City of Montebello’s Water System Assets” 1 December 2022
2. Whittier Daily News, “Montebello to sell water system for \$15.8 million” 30 May 2020
3. Whittier Daily News, “Montebello deciding whether to sell water system, could make up to \$22.6 million” 17 June 2019
4. Whittier Daily News, “Montebello raising water rates to try and keep utility from losing money” 13 January 2017