



# CITY OF SANTA BARBARA

## FINANCE COMMITTEE AGENDA REPORT

**AGENDA DATE:** March 4, 2014

**TO:** Finance Committee

**FROM:** Water Resources Division, Public Works Department  
Administration Division, Finance Department

**SUBJECT:** Proposed City Utility Rate Increases

### RECOMMENDATION:

That the Finance Committee provide direction to staff regarding any changes to the proposed Fiscal Year 2015 utility rates.

### DISCUSSION:

Staff is recommending increases in wastewater and solid waste collection fees for Fiscal Year 2015. Proposition 218, approved by California voters in 1996, requires that property owners be notified of planned rate increases and that a public hearing be held prior to the adoption of rate increases. Rate increases can be adopted unless a majority of property owners submit a written protest. Accordingly, a Notice of Public Hearing will be included with utility bills sent to City utility customers during March and April 2014.

### Wastewater Rates

For wastewater service, an across-the-board increase of 5.5% is proposed for monthly base charges and unit rates. The increase for the maximum bill to a single-family residential customer would be \$2.22 per month, from \$40.78 to \$43.00. A change is also proposed to reclassify commercial accounts from the current two-tier classification structure to a new four-tier classification structure. No incremental commercial monthly rate increases are proposed beyond the across-the-board 5.5% increase in Fiscal Year 2015.

The proposed rate increases for wastewater service are consistent with the new wastewater fund 10-year financial plan which will be presented to council in June for acceptance as part of the 2015 budget and rate setting process to support the ongoing operation, maintenance, rehabilitation, and improvement of the water and wastewater systems. A principal goal of the plan is to ensure adequate financial resources are available to perform required maintenance and replacement of capital facilities, as needed, to avoid the higher costs and other impacts associated with deferred

maintenance, such as cost escalation, damage to other infrastructure from pipe ruptures, and extended customer outages.

### Water Rates

While a 3.0% increase to water rates for all monthly service charges and metered water usage was planned by staff and supported by the Water Commission, staff is recommending that we wait until the end of the rainy season to evaluate water supplies. By late spring, staff will have more information to determine if a Stage 2 drought declaration is needed and whether water rates should be restructured in response to drought conditions. Staff will return to City Council to discuss rate adjustments and prepare a separate public notice on the proposed water rates.

### Solid Waste Collection Fees

Staff proposes the following changes to the Fiscal Year 2014 rate schedule:

1. Consumer Price Index Adjustment: An increase of 0.90% to all customer classes, tied to the Consumer Price Index (CPI) is proposed to fund Environmental Services Division operations and to compensate MarBorg pursuant to its contract with the City.
2. Tipping Fee Increases: An increase of 0.47% to all customer classes is needed to cover increases to the “tipping fees” charged at the processing and disposal sites that receive the City’s solid waste.
3. Public Container Maintenance: An increase of 0.69% on all customer classes is proposed to fund the long-term repair and replacement (approximately \$145,000 per year) of approximately 1,200 public trash and recycling containers located throughout the City. The typical single family residential customer would pay an additional \$0.24 per month to maintain this City asset.
4. Re-Balance Cost of Multi-Unit Residential Trash Containers: Staff recommends adjusting the cost of trash carts and cans in the Multi-Unit Residential sector on a revenue neutral basis. Currently, the rate for trash in carts and cans is 10% less expensive per gallon than trash in dumpsters. This pricing imbalance financially incentivizes customers to subscribe to carts and cans even if dumpster service would better meet the customer’s needs. Dumpsters accommodate bulky materials, can consolidate multiple carts and cans on space-constrained property, and are necessary to comply with state recycling mandates and the City’s own franchise agreement. When presenting the new rate structure to the Solid Waste Ad Hoc Committee and to the City Council in 2013, staff highlighted this discrepancy along with a plan to gradually correct it.

In Fiscal Year 2015, net of the across-the board fee increases discussed above, staff is proposing to re-balance the cart and can rate such that no single Multi-Unit Residential Customer receives more than a total 2% increase to their monthly bill.

Water Commission Review

The Water Commission discussed proposed changes to the Water and Sewer Fee Resolutions at its meeting of February 10, 2014.

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**APPROVED BY:** City Administrator's Office