



CITY OF SANTA BARBARA

FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: March 17, 2015

TO: Finance Committee

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

SUBJECT: Approval Of Rate Notices For Wastewater And Solid Waste

RECOMMENDATION:

That the Finance Committee provide direction to staff regarding any changes to the proposed Fiscal Year 2016 utility rates.

DISCUSSION:

Staff is recommending increases in wastewater and solid waste collection fees for Fiscal Year 2016. 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 2015.

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 \$2.37 per month, from \$43.00 to \$45.37. No incremental commercial monthly rate increases are proposed beyond the across-the-board 5.5% increase in Fiscal Year 2016.

The proposed rate increases for wastewater service are consistent with the City's wastewater fund 10-year financial plan which will be presented to City Council in June for acceptance as part of the 2016 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.

Solid Waste Collection Fees

Staff proposes the following changes to the Fiscal Year 2016 rate schedule:

1. Consumer Price Index Adjustment: An increase of 0.25% to all customer classes, tied to the Consumer Price Index (CPI) is proposed to fund Environmental Services Division operations and to compensate MarBorg Industries, the City's contracted hauler, pursuant to its contract with the City.
2. Tipping Fee Increases: An increase of 0.5% 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. Re-Balance Cost of Multi-Unit Residential Trash Containers: Similar to Fiscal Year 2015, staff recommends adjusting the cost of carts, cans, and dumpsters in the Multi-Unit Residential sector on a revenue-neutral basis. Currently, the rate for cart and can service is 6% less per gallon than for equivalent dumpster service. 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 and was directed to gradually correct it. While dumpster customers will experience a small rate decrease, staff is proposing to re-balance the cart and can rate such that no Multi-Unit Residential customer receives more than a total 2% increase to their monthly bill due to this factor.

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SUBMITTED BY: Rebecca J. Bjork, Public Works Director
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APPROVED BY: City Administrator's Office