



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 16, 2015

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department
Environmental Services Division, Finance Department

SUBJECT: Public Hearing Regarding Proposed Utility Rate Increases For Fiscal Year 2016

RECOMMENDATION: That Council:

- A. Hold a public hearing, as required by State law, regarding proposed utility rate increases for wastewater and solid waste collection services for Fiscal Year 2016; and
- B. Provide direction to staff regarding any changes to the proposed Fiscal Year 2016 utility rates for wastewater and solid waste collection services.

DISCUSSION:

As presented to Council during the development of the Fiscal Year (FY) 2016 recommended budget, staff is recommending increases in wastewater and solid waste collection fees for FY 2016. Proposition 218 requires that customers of a utility must be notified of the proposed rate increase through the agency's regular billing statement, or by direct mail sent to the customer billing address, and that a public hearing be held prior to the adoption of the rate increase. A rate increase can be adopted unless a majority of the customers submit written protests. Accordingly, the attached Notice of a Public Hearing Regarding Wastewater and Trash and Recycling Rates was sent via customer utility bills in March and April 2015. The notices were also posted on the City's website. As of publication of this CAR, two written protests on one or more of the proposed rate increases have been received.

Wastewater Rates

For wastewater service, an across-the-board increase of 5.5 percent is proposed for monthly base charges and unit rates for both residential and commercial customers. This is consistent with the Council approved ten-year financial plan for the Wastewater Fund developed to support the ongoing operation, maintenance, rehabilitation, and improvement of the wastewater system. The principle goals of the financial plan are to ensure required maintenance is performed to maximize equipment lifecycles, replace capital facilities as needed for the protection of the environment and for permit

compliance, and to avoid higher costs and other impacts associated with deferred maintenance.

The FY 2016 increase for the maximum bill to a single-family residential customer would be \$2.36 per month, from \$43.00 to \$45.36. All commercial classifications will receive the same 5.5 percent rate increase in FY 2016. Staff will continue outreach to commercial users in FY 2016 through its Fats Oils and Grease Inspection Program to reduce the strength of food service establishment discharge to the wastewater collection system. The success of this outreach effort will determine if future differential commercial rate changes will be necessary, based upon cost of service criteria.

As a result of the drought, wastewater revenues decreased by approximately 5.5 percent in FY 2015, related to reduced water usage. Wastewater rates are variable up to 10 Hundred Cubic Feet (HCF) per month of water use. If water conservation increases in FY 2016, there could be additional impacts to wastewater revenues. Staff will be monitoring revenues in FY 2016 closely and report significant changes. Staff will be looking at options for FY 2017 to help stabilize wastewater rates, going forward from drought impacts.

The Water Commission discussed and supported a recommendation of the proposed changes to the wastewater rates at its meeting of March 9, 2015.

Solid Waste Rates

The following adjustments are proposed for the FY 2016 rate schedule:

1. Consumer Price Index Adjustment: An increase of 0.2 percent 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 0.6 percent 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. Rebalancing Cost of Multi-Unit Residential Trash Containers: Similar to FY 2015, staff recommends adjusting the cost of carts, cans, and dumpsters in the multi-unit residential sector on a revenue-neutral basis. Specifically, rates for multi-unit residential carts and cans will increase up to 2.8 percent, and multi-unit dumpsters will decrease up to 0.8 percent. Currently, the rate for cart and can service is 6 percent 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.

The impact of this change on actual bills will vary depending upon each multi-unit residential customer's specific mix of cans/carts and dumpster service. When presenting the new rate structure to the Solid Waste Ad Hoc Committee and to 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 rebalance the cart and can rate structure such that no multi-unit residential customer receives more than a total 2 percent increase to their monthly bill due to this factor.

Effective Date

The proposed rate increases, if approved, would be effective for services provided starting July 1, 2015.

Council and Finance Committee Review

On March 17, 2015, the Finance Committee received a presentation from staff on the proposed utility rate increases for trash and recycling, and wastewater services and approved the release of the public noticing. On May 12, 2015, the Finance Committee recommended the proposed changes to the trash and recycling, and wastewater rates to Council. Unless Council is requesting any changes, the rates and fee changes will be adopted by resolution with the City's Fiscal Year 2016 Budget.

ATTACHMENT: Notice of a Public Hearing Regarding Wastewater and Trash and Recycling Rates

PREPARED BY: Joshua Haggmark, Water Resources Manager/mh
Matt Fore, Environmental Services Manager

SUBMITTED BY: Rebecca J. Bjork, Public Works Director
Bob Samario, Finance Director/Acting Assistant City Administrator

APPROVED BY: City Administrator's Office



NOTICE OF PUBLIC HEARING
**PROPOSED CHANGES IN CITY OF SANTA BARBARA WASTEWATER, TRASH
 & RECYCLING RATES FOR FISCAL YEAR 2016**

Date: Tuesday, June 16, 2015, 2:00 p.m.
Place: City of Santa Barbara Council Chambers, City Hall
 735 Anacapa Street, Santa Barbara

**PARA INFORMACIÓN EN
 ESPAÑOL, LLAME AL
 (805) 564-5343.**

PROPOSED RATE CHANGES

You are receiving this Notice because our records indicate that you are a City of Santa Barbara utility customer. This Notice describes the proposed wastewater (sewer), and trash & recycling rate changes and explains how you can participate in the process. Some customers are billed by the City for some, but not all services. This notice applies only to the services that appear on your bill from the City.

Wastewater Rate Changes

The proposed wastewater rate change is a 5.5% percent increase to the City's current charges for all customer classes. The maximum monthly charge for a single family residential customer would increase by \$2.36 under the proposed rates. The proposed increase will fund improvements, and replacement of, the critical facilities used to clean the wastewater and repair of the City's aging sewer system, and will fund system operations. This includes replacement of critical facilities at the wastewater treatment plant.

How will the proposed changes impact my wastewater bill?

Some common service levels are represented in the table below.

Customer Class	Example	Assumed Monthly Usage (hcf/mth)*	Total Monthly Wastewater Charges		
			Current Rates	Proposed Rates	Proposed Increase
Single Family Residential	Low User 5/8" meter	6	\$32.08	\$33.84	\$1.76
	Average User 5/8" meter	12	\$43.00	\$45.36	\$2.36
Multi-Family Residential Building	12 dwelling units 2" meter	60	\$352.20	\$371.52	\$19.32
Commercial Classes 1, 2, & 3	2" meter	60	\$185.40	\$195.60	\$10.20
Commercial Class 4	2" meter	100	\$375.00	\$396.00	\$21.00

*Regardless of the amount of water used, the volumetric sewer charge is capped at 10 HCF per month for single family residential customers, 8 HCF per month per unit for multi-family residential (MFR) customers with 1-4 dwelling units and 7 HCF per month per unit for MFR customers with 5 or more dwelling units.

Trash & Recycling Rate Changes

According to the contract terms with the City's waste hauler, the City must increase rates to pay MarBorg for increases in inflation of 0.2% as measured by the Consumer Price Index, plus 0.6% for an increase in trash disposal fees. The proposed rate schedule includes an increase for Single Family Residential and Business of up to 0.8%.

As part of the City's long term plan to bring Multi-Unit Residential dumpster and cart/can rates to an equivalent price per gallon, rates for Multi-Unit Residential carts and cans will increase by up to 2.8%, and Multi Unit dumpsters will *decrease* by up to .8%. The impact of this change on actual bills will vary depending upon each Multi-Unit Residential customer's specific mix of cans/carts and dumpster service. Please see billing comparisons on the reverse for impact to typical customers.

How will the proposed changes impact my trash & recycling bill?

Some common trash & recycling service levels are represented in the table below.

Service Level	Current Rates*	Proposed Rates*	% Change
Common Single Family Residential Service (65-gal trash, 65-gal greenwaste, 65-gal recycle) 1x/week	\$35.27	\$35.54	0.8%
Multi-Unit Residential (Cart/Can Service) (5-95 gal trash, 95-gal greenwaste, 5-95 gal recycle) 1x/week	\$229.22	\$234.78	2.4%
Multi-Unit Residential (Small/Medium Dumpster Service) (4 yard trash, 2 yard recycle) 1x/week	\$366.55	\$363.76	-0.8%
Business (Cart/Can Service) (3-95 gal trash, 3-95 gal recycle) 2x/week	\$383.34	\$386.23	0.8%
Business Dumpster Service (4yd trash, 4yd recycle) 2x/week	\$1006.34	\$1014.00	0.8%

* Not including 6% utility tax on trash/recycling collection, as applicable

How do I protest?

If you wish to protest any of the above increases, please deliver your protest **signed and in writing**, including your name and service address, to the City Clerk of the City of Santa Barbara at 735 Anacapa Street, Santa Barbara, CA, 93101, prior to or during the City Council's consideration of this item on June 16, 2015. (If you wish to submit your protest during the public hearing, please deliver it to City Staff in the Council Chambers). Protests are public records.

When do the new rates take effect?

City Council will consider adopting these rates on June 23, 2015 (one week after the public hearing). The new rates will be effective starting July 1, 2015.

How can I get more information and copies of the proposed rate schedules?

See www.SantaBarbaraCA.gov/UtilityBilling or call (805) 564-5460 for wastewater and (805) 564-5631 for trash/recycling.