



CITY OF SANTA BARBARA

FINANCE COMMITTEE AGENDA REPORT

AGENDA DATE: March 15, 2016

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 2017 utility rates and approve public rate noticing for wastewater and solid waste.

DISCUSSION:

Staff is recommending increases in wastewater and solid waste collection fees for Fiscal Year 2017. 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. Accordingly, a Notice of Public Hearing will be sent to City utility customers in April 2016, and the Public Hearing is scheduled for June 14, 2016. Water rates will be noticed at the same time as Wastewater and Solid Waste; however, given the severity of the current drought the schedule for discussion and approval of the notice by Council is on a different schedule.

Wastewater Rates

Effective summer 2016, an across-the-board increase of 5.5 percent is proposed for wastewater service monthly base charges and unit rates. The increase for the maximum bill to a single-family residential customer would be \$2.51 per month, from \$45.36 to \$47.87. Commercial monthly rate increases are also proposed at 5.5 percent in Fiscal Year 2017.

Council previously approved a 10-year Financial Plan (Plan) in 2013, that anticipated a 5 percent revenue increase to the Wastewater Fund in Fiscal Year 2017. Historically, revenue increases have correlated to rate increases; however, with the extraordinary conservation efforts during the drought, the implemented rate increases have not resulted in the necessary revenues to fund the planned program of work. Therefore,

staff is proposing an increase of 5.5 percent in wastewater rates for Fiscal Year 2017. This is a 0.5 percent increase over the Plan, developed to support ongoing operations, maintenance, rehabilitation, and improvement of the wastewater system.

The principal goals of the Plan are to ensure that required maintenance is performed to maximize equipment lifecycles, replace capital facilities as needed for the protection of the environment and permit compliance, and to avoid higher costs and other impacts associated with deferred maintenance. Staff anticipates future rate increases will exceed our 2013 Plan over the next few years to fund the increasing costs of capital improvements to the Wastewater System.

Wastewater Rate Study

Over the past few years, wastewater revenues have been significantly impacted by reductions in water usage, largely due to the current rate structure. This reduction in revenue has delayed critical capital improvement projects. In an effort to help stabilize wastewater revenues, Council authorized the Public Works Director to execute a professional services contract with Raftelis Financial Consultants, Inc. (Raftelis), on July 14, 2015. Raftelis was contracted to evaluate the current wastewater rate structure, based upon recent drought-related revenue losses, develop an updated rate structure, and assist staff in reviewing and updating its current cost allocation between user categories.

On February 18, 2016, staff presented options to the Water Commission that looked at transitioning to a rate structure in which the fixed and variable charges more closely matched the fixed and variable costs of operating the wastewater system. The Water Commission was supportive of a transition to this type of rate structure, however based on the compounding impacts this change to the rate structure would have on a large segment of our lower volume users, it was recommended that any changes be postponed until impacts to Water and Wastewater rates from the drought had stabilized. The benefits to having our rate structure more aligned with our operating costs is a more stable revenue source for the Wastewater Fund. This would ensure that adequate financial resources are available to perform required operation, maintenance, and replacement of capital facilities. In this study, commercial rate structures were not considered for rate structure changes, as commercial rate structures have a variable usage rate that does not have a cap. Staff plans to study commercial rates in the near future.

Solid Waste Collection Fees

Staff proposes the following changes to the Fiscal Year 2017 rate schedule:

1. Consumer Price Index Adjustment: An increase of 1.3 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. Re-Balance Cost of Multi-Unit Residential (MUR) Trash Containers: Similar to Fiscal Year 2016, staff recommends adjusting the cost of carts, cans, and dumpsters in the MUR Sector on a revenue-neutral basis. Currently, the rate for cart and can service is 3 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.

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 re-balance the cart and can rate such that no MUR customer receives more than a total 1.5 percent increase to their monthly bill due to this factor. With this change, all MUR trash containers have the same cost per gallon, and the re-balancing is completed.

4. Re-Balance Cost of Business Sector Trash Containers: Similar to the MUR Sector, staff recommends a Business Sector re-balancing, on a revenue-neutral basis, so that all trash containers have the same cost per gallon. Currently, carts/cans cost more than an equivalent amount of waste in dumpsters. This difference discourages business customers from moving from a single trash dumpster to a split stream of trash, recycling, and foodscrap, some of which are in carts. Dumpster customers will experience a small rate increase, and cart and can customers will receive a rate decrease. Staff is proposing to re-balance the Business Sector rates, such that no Business Sector customer receives more than a total 1.6 percent increase to their monthly bill due to this factor. With this change, all Business Sector trash containers have the same cost per gallon.

ATTACHMENTS: Rate Notices for Wastewater and Solid Waste

PREPARED BY: Lisa Arroyo, Wastewater System Manager/mh
Matt Fore, Environmental Services Manager

SUBMITTED BY: Rebecca J. Bjork, Public Works Director
Robert Samario, Finance Director

APPROVED BY: City Administrator’s Office



NOTICE OF PUBLIC HEARING
**PROPOSED CHANGES IN CITY OF SANTA BARBARA WASTEWATER, TRASH
 & RECYCLING RATES FOR FISCAL YEAR 2017**

Date: Tuesday, June 14, 2016, 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 \$2.51 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	\$33.84	\$35.71	\$1.87
	Moderate User 5/8" meter	12	\$45.36	\$47.87	\$2.51
Multi-Family Residential Building	12 dwelling units 2" meter	60	\$371.52	\$392.04	\$20.52
Commercial Classes 1, 2, & 3	2" meter	60	\$195.60	\$206.36	\$10.76
Commercial Class 4	2" meter	100	\$396.00	\$418.00	\$22.00

*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 1.3% 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 of up to 1.9%.

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 on a revenue-neutral basis, rates for Multi-Unit Residential carts and cans will increase by up to 3.4%, and Multi Unit dumpsters will increase by up to 0.5%. 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 for impact to typical customers.

Business rates for carts/cans and dumpsters are similarly rebalanced on a revenue-neutral basis to provide for an equivalent price per gallon. Business carts and cans will *decrease* by up to 10.7%, and Business dumpsters will increase by up to 3.6%. The impact of this change on actual bills will vary depending upon each Business customer's specific mix of cans/carts and dumpster service. Please see billing comparisons 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	\$35.54	\$36. 2118	1. 98 %
Multi-Unit Residential (Cart/Can Service) (5-95 gal trash, 95-gal greenwaste, 5-95 gal recycle) 1x/week	\$234.78	\$242. 6134	3. 32 %
Multi-Unit Residential (Small/Medium Dumpster Service) (4 yard trash, 2 yard recycle) 1x/week	\$363.76	\$365. 5616	0. 54 %
Business (Cart/Can Service) (3-95 gal trash, 3-95 gal recycle) 2x/week	\$386. 223	\$353. 3407	-8. 56 %
Business Dumpster Service (4yd trash, 4yd recycle) 2x/week	\$1014.00	\$1,0498. 5257	3. 54 %

* 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 14, 2016. (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 21, 2016 (one week after the public hearing). The new rates will be effective starting July 1, 2016.

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.