



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 9, 2009

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Public Hearing Regarding Proposed Utility Rate Increases

RECOMMENDATION:

That Council hold a public hearing, as required by State law, regarding proposed utility rate increases for water, wastewater, and solid waste collection services for Fiscal Year 2010.

DISCUSSION:

As discussed with Council during the development of the Fiscal Year 2010 budget, staff is recommending increases in water, wastewater, and solid waste collection fees for Fiscal Year 2010. 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. Rate increases can be adopted unless a majority of property owners submit a written protest. Accordingly, the attached Notice of Public Hearing was included with utility bills sent to City utility customers during March and April 2009. In addition, a notice about the proposed rate increases has been posted on the City's web site and included in the May 2009 utility bill newsletter. As of May 19, 2009, thirteen written protests had been received. The Water Commission discussed preliminary rate recommendations in February 2009 and was scheduled to consider a recommendation on May 11, 2009. However, that meeting was cancelled due to Jesusita Fire activities and the matter was continued to the Commission's June 8, 2009 agenda.

Water and Wastewater Rates

For water service, an across-the-board increase of 3.5% is proposed for all monthly service charges and metered water usage. The increase will help support major capital projects, including reconstruction of the Ortega Groundwater Treatment Plant, design of advanced treatment facilities at Cater Water Treatment Plant, ongoing water main replacements, rehabilitation of the recycled water filtration system, and capital maintenance work on treatment and distribution facilities. Operating costs include significant increases in costs for water treatment due to lingering water quality effects of the Zaca Fire. With the recommended rates, the average single-family residential water

customer, using 12 hundred cubic feet (HCF) per month, would see an increase of approximately \$2 per month, from \$59.31 to \$61.39 per month. The recommended fee resolution will also include the following provisions:

- The Water Commission's recommendation for a change in the Block 1 agricultural rate from \$1.51 per HCF to \$1.45 per HCF, based on an average of Block 1 rates charged by South Coast water purveyors;
- Authorization for the Public Works Director to approve a reduced allotment billing category for low-occupancy, special needs public housing projects in lieu of requiring individual meters to all dwelling units, subject to inclusion of comprehensive water conservation features and individual metering by building or other elements; and
- Authorization to charge at twice the regular commercial rate for unauthorized use through fire line connections.

For wastewater service, an across-the-board increase of 4% is proposed for monthly base charges and unit rates. Major capital projects in the Wastewater Fund include ongoing reconstruction of treatment facilities, pursuant to the El Estero Wastewater Treatment Plant Strategic Plan, and ongoing rehabilitation and replacement of collection system pipes. The increase for the average single-family residential customer would be a little over \$1 per month, from \$31.67 to \$32.93.

Combined water and wastewater service rates for the average single-family residential customer have increased at an average annual rate of about 2.7% since 1993, which is approximately equal to the inflation rate for that period. The proposed rate increases are consistent with a 10-year financial plan, developed to support the ongoing operation, maintenance, rehabilitation, and improvement of the water and wastewater systems.

Water and Wastewater Buy-in Fees

Buy-in fees are paid by new customers connecting to the water and wastewater systems. The fee represents a "buy-in" to the equity (infrastructure, reserves, and other assets) that has been funded by existing customers. Once new customers have paid the buy-in fee, they are considered to be on equal standing with existing customers, and can equitably be served at the same rates.

The recommended buy-in fees are determined by tabulating the net assets of the respective funds and dividing by the number of 5/8" meters that would be equivalent in flow capacity to all of the meters on the system. This establishes a buy-in amount that is the proportional share of assets to be reimbursed for each new 5/8" meter. New meters larger than 5/8" pay higher fees in portion to the increased flow capacity. In the past, this calculation has been based on the depreciated value of the infrastructure portion of the assets. This year, staff recommends a modified approach using the undepreciated value of infrastructure to more accurately reflect the current value of investments made for infrastructure and extra capacity over the years by existing

customers to the benefit of new customers. Per State law, a public notice was published and information on proposed buy-in fees has been made available to the public.

For a single-family residential 5/8" meter connection, the buy-in fees are proposed to increase from \$2,805 to \$5,691 for water, and from \$2,240 to \$4,118 for wastewater. Buy-in fees for larger meters would be in proportion to the increased flow rate of the meter. While revenue from buy-in fees is a minor fraction of total revenue, the percentage change is significant. Accordingly, staff will include in the recommended fee resolution a provision for projects already in the development application process to pay the current buy-in fees. The resolution will also include a provision to eliminate buy-in fees on all recycled water connections as a way of further promoting the use of recycled water. The recommended potable water buy-in fees have been adjusted upward slightly to offset this reduction in revenue.

Solid Waste Collection Fees

Solid Waste fees apply to collection of trash, greenwaste, commingled recyclables, and other miscellaneous pick-ups of solid waste. Increases of up to 1.2% are recommended, based on contractual requirements to compensate the haulers for increases in the cost of doing business. Under the proposed rates, basic residential service (one trash can) would increase from \$25.76 to \$26.08 per month, and would continue to include free collection of greenwaste and commingled recyclables.

New Delinquent Account Fee

A new fee of \$5 per account, per month is proposed for delinquent accounts. The fee will be levied on the entire consolidated utility bill, rather than on each utility service. The fee will be charged thirty (30) days from the due date of the bill, and will be added to the following monthly billing statement.

Fiscal Year 2010 Fee Resolution

The proposed fees were presented to the Council Finance Committee on May 19, 2009. The final Fiscal Year 2010 fee resolution, including provisions as described above, will be adopted by Council on June 23, 2009 as a part of the adoption of the Fiscal Year 2010 operating and capital budget. The new rates will become effective July 1, 2009.

ATTACHMENT: Notice of Public Hearing – Proposed Increase to Utility Rates

PREPARED BY: Rebecca Bjork, Water Resources Manager/BF/mh

SUBMITTED BY: Christine F. Andersen, Public Works Director

APPROVED BY: City Administrator's Office

NOTICE OF PUBLIC HEARING Proposed Increase to Utility Rates



Date: June 9, 2009
Time: 2:00 p.m.
Place: City Council Chambers, City Hall
 735 Anacapa Street, Santa Barbara

NOTICE IS HEREBY GIVEN that the City Council of the City of Santa Barbara will consider a recommendation to adopt a resolution, at the above-indicated time and place, to increase water, wastewater (sewer), and solid waste collection rates charged by the City. Increases would be effective on utility bills dated July 1, 2009 or later. Sample billing comparisons for current and proposed rates are shown on the reverse.

Water Rates (Applicable only to customers billed by the City for water service)

The proposed water rate increase is three and one-half percent (3.5%) of quantity charges and monthly service charges for all customer classes. Small variations above or below the 3.5% amount may occur due to rounding. The monthly bill for the average in-City single family residential customer (twelve hundred cubic feet of water) would increase from \$59.31 to \$61.39 under the proposed rates. Buy-in fees for new construction are proposed to increase as shown on the reverse. The proposed increase will fund increasing water system costs resulting from inflation, increased treatment costs caused by changes to water quality from the Zaca fire, stricter water quality regulations, and the ongoing need to repair and upgrade the water system, including rehabilitation of the City's Ortega Groundwater Treatment Plant and improvements at Cater Water Treatment Plant.

Wastewater Rates (Applicable only to customers billed by the City for sewer service)

The proposed wastewater rate increase is four percent (4%) of the City's current charges for all customer classes. Small variations above or below the 4% amount may occur due to rounding. The maximum monthly charge for a single family residential customer would increase from \$31.67 to \$32.93 under the proposed rates. Buy-in fees for new construction are proposed to increase as shown on the reverse. The proposed increase will fund increasing wastewater system costs resulting from inflation and the ongoing need for rehabilitation of the City's wastewater treatment plant and collection system.

Solid Waste Rates (Applicable only to customers billed by the City for solid waste collection)

The City proposes to increase rates for solid waste collection by up to 1.2% for all customers receiving collection services from franchised haulers within the City limits. The increase is needed in order to meet the City's contractual obligation to compensate the haulers for changes in the cost of doing business. Basic residential service (one trash can) would increase from \$25.76 to \$26.08 under the proposed rates. Residential service would continue to include up to 32 gallons of free collection for greenwaste and up to 95 gallons of free collection for mixed recycling.

Note: This notice is intended only for customers billed by the City of Santa Barbara for water, wastewater, and/or solid waste collection services. Please disregard this notice with regard to any services billed to you by other agencies. Sample charges are shown on the reverse. For a complete itemization of all current and proposed rates, go to www.SantaBarbaraCA.gov/water or call (805) 564-5460.

If you oppose any of the above increases, please deliver your protest **in writing** 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 9, 2009. (If you wish to submit your protest during the public hearing, please deliver it to City Staff in the Council Chamber.) Because multiple rates are being considered by City Council at the same hearing, please indicate the specific rate you are protesting.

Typical Water and Wastewater Billing Comparisons – Current vs. Proposed Rates

Customer Class	Example	Assumed Monthly Usage (hcf/mth)	Total Monthly Water & Wastewater Charges*		
			Current Rates	Proposed Rates	\$ Increase
Single Family Residential	Low User 5/8" meter	6	\$55.34	\$57.40	\$2.06
	Average User 5/8" meter	12	\$90.98	\$94.32	\$3.34
	Above Average User 1" meter	40	\$241.92	\$250.55	\$8.63
Multi-Family Residential Building	12 dwelling units 2" meter	60	\$538.61	\$558.89	\$20.28
Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter	60	\$508.85	\$527.24	\$18.39
Industrial/ High Strength Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter	100	\$834.45	\$864.94	\$30.49
Irrigation-Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter – no sewer	60	\$375.05	\$385.04	\$9.99
Recycled Water	2" meter – no sewer	250	\$527.45	\$545.69	\$18.24
Irrigation-Residential	1 acre of irrigated area 75% at Block 1 rate 25% at Block 2 rate 1" meter – no sewer Allotments are annualized – monthly average shown at right	40	\$215.29	\$222.80	\$7.51
Irrigation-Recreation		120	\$361.29	\$374.30	\$13.01
Irrigation-Agriculture		72	\$193.23	\$199.82	\$6.59
Out-of-City Customers	Currently charged at 130% of rates for corresponding in-City classes; no change is proposed in this percentage.				

* Not including 6% utility tax on water, as applicable

Water and Wastewater Buy-in Fees for New Construction – Current vs. Proposed

Customer Class:	Multi-Family Resid.		Single Family Resid.	All Other Classes								
	5/8"	1" & larger		5/8"	1"	1½"	2"	3"	4"	6"	8"	10"
Water Buy-in, Current:	\$1,431	\$3,579	By meter size at right	\$2,805	\$7,013	NA	\$22,440	\$44,881	\$70,126	\$140,252	\$224,403	\$322,579
Proposed:	\$2,904	\$7,261		\$5,691	\$14,227	\$28,455	\$45,528	\$91,056	\$142,275	\$284,549	\$455,279	\$654,463
Sewer Buy-in, Current:	\$1,143	\$2,240	\$2,240	\$2,240	\$5,601	NA	\$17,922	\$35,844	\$56,007	\$112,014	\$179,222	\$257,631
Proposed:	\$2,101	\$4,118	\$4,118	\$4,118	\$10,294	\$20,588	\$32,941	\$65,882	\$102,941	\$205,882	\$329,411	\$473,528

Typical Trash, Recycling, & Greenwaste Billing Comparisons Current vs. Proposed Rates @ 1.2% Increase

Service Level	Current Rates	Proposed Rates	\$ Increase
Basic Residential Service (32-gal trash, 32-gal greenwaste, up to 95-gal recycle)	\$25.76	\$26.08	\$0.32
Basic Multi-Unit Residential (4-32 gal trash/week, + up to 95-gal greenwaste, up to 95-gal recycling)	\$33.98	\$34.40	\$0.42
Basic Business Service (32-gal trash/week, up to 95-gal greenwaste, up to 95-gal recycle)	\$25.76	\$26.08	\$0.32

For more information, including a complete itemization of all current and proposed rates:
www.SantaBarbaraCA.gov/water or (805) 564-5460