



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 15, 2010

TO: Mayor and Councilmembers

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

SUBJECT: Public Hearing Regarding Proposed Utility Rate Increases

RECOMMENDATION: That Council:

- A. 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 2011; and
- B. Provide direction to staff regarding any changes to proposed Fiscal Year 2011 utility rates.

DISCUSSION:

As reviewed with Council during the development of the Fiscal Year 2011 recommended budget, staff is proposing increases in water, wastewater, and solid waste collection fees for Fiscal Year 2011. 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 adoption of rate increases. 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 2010. In addition, a notice about the proposed rate increases has been posted on the City's web site. As of May 24, 2010, six written protests have been received.

Water and Wastewater Rates

For water service, staff has recommended an across-the-board increase of 3.5% for all monthly service charges and metered water usage. The increase will help support major Water Fund capital projects, including rehabilitation of the Ortega Groundwater Treatment Plant, construction of advanced treatment facilities at the Cater Water Treatment Plant, ongoing water main replacement, rehabilitation of the recycled water filtration system, and capital maintenance work on treatment and distribution facilities. Operating costs include significant increases in water treatment costs 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 \$61.39 to \$63.57 per month.

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 rehabilitation 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 \$32.93 to \$34.21.

The proposed rate increases are consistent with the Water Resources Division's 10-year financial plan, developed to support the ongoing operation, maintenance, rehabilitation, and improvement of the water and wastewater systems. Buy-in fees for water and sewer are recommended to remain at current levels for Fiscal Year 2011.

Solid Waste Collection Fees

Solid Waste fees apply to collection of trash, greenwaste, commingled recyclables, and other miscellaneous solid waste collections. Increases of up to 2.9% for most rates 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 \$26.08 to \$26.83 per month, and would continue to include free collection of greenwaste and commingled recyclables.

Water Commission Review

The Water Commission discussed proposed water and wastewater rates at their March 2010 meeting, and proposed agricultural rates at their April 2010 meeting. On May 10, 2010, the Commission recommended adoption of the 3.5% water and 4.0% wastewater increases, as included in the recommended budget. The Commission did not make a separate recommendation about agricultural rates. The Commission reviewed a number of special accommodations made in previous years for the agricultural customer class, including providing the lowest Block 1 rate of any customer class, a recently increased annual allotment, and the ability to carry over unused allotment to future years. The Commission's discussion reflected a position that any benefits associated with agricultural land use were outside the purview of the Commission, and therefore not appropriate for a policy recommendation by the Commission.

Finance Committee Review

On May 11, 2010, the Finance Committee received presentations from staff on proposed utility rate increases. The Committee recommended a water rate increase of 2.5%, instead of the 3.5% included in the recommended budget. On wastewater rates, the Committee supported staff's proposed 4% rate increase. The Committee discussed the various elements of the solid waste collection rates, but did not adopt a motion on solid waste collection rates.

Council Direction on Utility Rates

The Fiscal Year 2011 Fee Resolution is scheduled to be approved by Council on June 29, 2010 as a part of the adoption of the Fiscal Year 2011 budget. The new rates would become effective July 1, 2010. Staff requests direction from Council regarding the rate increases to be included in the Fiscal Year 2011 budget.

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

PREPARED BY: Bill Ferguson, Water Resources Supervisor

SUBMITTED BY: Christine F. Andersen, Public Works Director
Robert Samario, Finance Director

APPROVED BY: City Administrator's Office

NOTICE OF PUBLIC HEARING Proposed Increase to Utility Rates



Date: June 15, 2010
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, 2010 or later. Sample billing comparisons for current and proposed rates are shown on the reverse. Small variations in the stated percentages may occur due to rounding.

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. The monthly bill for the average in-City single family residential customer (twelve hundred cubic feet of water) would increase from \$61.39 to \$63.57 under the proposed rates. The proposed increase will fund increasing water system costs resulting from infrastructure cost escalation, increased treatment costs due to water quality effects of the Zaca Fire, stricter drinking water regulations, and the ongoing need to repair and upgrade the water system. This includes rehabilitation of the City's Ortega Groundwater Treatment Plant, advanced treatment improvements at Cater Water Treatment Plant, and the annual water main replacement program.

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. The maximum monthly charge for a single family residential customer would increase from \$32.93 to \$34.21 under the proposed rates. The proposed increase will fund rising wastewater system costs resulting from capital improvement requirements and the ongoing need for rehabilitation of the City's wastewater treatment plant and collection system.

Trash & Recycling (Applicable only to customers billed by the City for trash/recycling collection)

Increases are needed to meet the City's contractual obligation to compensate haulers for changes in the cost of doing business. Lower cost recycling, greenwaste, and foodscrap services are available to help customers reduce their overall costs and help the City meet its trash diversion goals.

Residential: A 2.9% increase is proposed for single-family and multi-unit residential trash/recycling collection rates. Exception: The multi-unit minimum charge is proposed to change to include 3 cans, rather than the current minimum of 4, for an increase of \$2.96 per month for customers with 4 cans.

Business: The required 2.9% increase in revenue was targeted, with modest differences in specific rate changes designed to encourage efficient levels of service. Specific rate changes include: 1) Extra and on-call pick-ups for businesses would be increased to 10% above regular business charges for extra pick-ups; 2) The credit for customer-owned recycling, foodscraps, or greenwaste dumpsters would be reduced to 15% of the credit for trash dumpsters to reflect the reduced rates for recycling, foodscraps, and greenwaste service. 3) The rate for trash service for business carts/cans would not be increased.

This notice is intended only for customers billed by the City of Santa Barbara for water, wastewater, and/or solid waste collection services. For a complete list of all current and proposed rates, go to: www.SantaBarbaraCA.gov/UtilityBilling 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 15, 2010. (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	\$57.40	\$59.52	\$2.12
	Average User 5/8" meter	12	\$94.32	\$97.78	\$3.46
	Above Average User 1" meter	40	\$250.55	\$259.60	\$9.05
Multi-Family Residential Building	12 dwelling units 2" meter	60	\$558.89	\$579.64	\$20.75
Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter	60	\$527.24	\$546.34	\$19.10
Industrial/ High Strength Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter	100	\$864.94	\$896.54	\$31.60
Irrigation-Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter – no sewer	60	\$385.04	\$398.74	\$13.70
Recycled Water	2" meter – no sewer	250	\$545.69	\$564.04	\$18.35
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	\$222.80	\$230.75	\$7.95
Irrigation-Recreation		120	\$374.30	\$387.65	\$13.35
Irrigation-Agriculture		72	\$193.88	\$200.69	\$6.81
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

Typical Trash, Recycling, & Greenwaste Billing Comparisons Current vs. Proposed Rates

Service Level	Current Rates*	Proposed Rates*	\$ Change
Basic Residential Service (32-gal trash, 32-gal greenwaste, up to 96-gal recycle)	\$26.08	\$26.83	+\$0.75
Minimum Multi-Unit Residential (3 cans or less) (3-32 gal trash/week, + up to 96-gal greenwaste, up to 96-gal recycling)	\$34.40	\$34.30	-\$0.10
Multi-Unit Residential (4 cans) (4-32 gal trash/week, + up to 96-gal greenwaste, up to 96-gal recycling)	\$34.40	\$37.36	+\$2.96
Sample Small Business Cart/Can Service Assuming (96-gal trash/week, up to 96-gal greenwaste, up to 96-gal recycle)	\$60.83	\$58.80	-\$2.03
Sample Business Dumpster Service Assuming (4yd trash/week, 4yd recycle/week)	\$320.28	\$329.61	+\$9.33

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

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