



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 12, 2012

TO: Mayor and Councilmembers

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

SUBJECT: Public Hearing Regarding Proposed City 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 2013; and
- B. Provide direction to staff regarding any changes to the proposed Fiscal Year 2013 utility rates.

DISCUSSION:

As presented to Council during the development of the Fiscal Year 2013 recommended budget, staff is recommending increases in water, wastewater and solid waste collection fees for Fiscal Year 2013. 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, the attached Notice of a Public Hearing was included with utility bills sent to City utility customers during March and April 2012. In addition, the notice about the proposed rate increases has been posted on the City's website. As of May 16, 2012, sixteen written protests had been received.

Water and Wastewater Rates

For water service, staff recommends an across-the-board increase of 3.5 percent for all monthly service charges and metered water usage. The increase will help support major Water Fund capital projects, including the rehabilitation of ongoing water main replacement, rehabilitation of the recycled water filtration system, and capital maintenance work on the treatment and distribution facilities. With the recommended rates, the average single-family residential water customer, using 12 hundred cubic feet (HCF) of water per month, would see an increase of \$2.29 per month, from \$65.42 to \$67.71 per month.

For wastewater service, an across-the-board increase of 10 percent is proposed for monthly base charges and unit rates. Due to the April 2011 Santa Barbara Channelkeeper lawsuit, the City is proposing a 6 percent rate increase to pay for an accelerated schedule of sewer line rehabilitations and replacements as part of the negotiated settlement. This is in addition to the previously planned rate increase of 4 percent that is needed to continue the ongoing capital program to improve the wastewater system. The increase for the maximum bill to a single-family residential customer would be up to \$3.60 per month, from \$35.61 to \$39.21.

The proposed rate increases for water and wastewater service 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. A principal goal of the plan is 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 damage to other infrastructure from pipe ruptures and extended customer outages.

Water and Wastewater fees for services such as the installation of new connections have been carefully reviewed and are proposed to be adjusted to capture the cost of the service for which the charge is being issued.

Solid Waste Collection Fees

Staff has proposed a rate increase of 2.69 percent for all customer classes, including single-family residential, multi-unit residential units, and businesses. Of the total adjustment, 1.31 percent accounts for an increase in the solid waste "tipping fee" charged at the Tajiguas Landfill. The additional 1.38 percent represents an increase in the amounts paid to the City's contracted hauler, tied to the increase in the Consumer Price Index (CPI). The City is contractually obligated to compensate its franchised waste hauler for these increases. The City is currently engaged in negotiations with its franchised waste hauler on a new contract for the collection of trash and recyclables. If an agreement on a new contract can be reached, the hauler has agreed to forego the 1.38 percent CPI increase for Fiscal Year 2013.

Water Commission Review

The Water Commission discussed proposed changes to the Water and Sewer Fee Resolutions at its meeting of February 13, 2012. On April 9, 2012, the Commission discussed the proposed water and wastewater budgets for Fiscal Year 2013 as presented by staff, including proposed rate increases of the 3.5 percent for water and 10 percent for wastewater.

Finance Committee Review

On May 8, 2012, the Finance Committee received presentations from staff on proposed utility rate increases in water, wastewater and solid waste. The Committee made no recommendations. Rate and fee changes will be adopted by Resolution with the City's 2013 Budget.

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

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

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 12, 2012
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, 2012 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 change is a 3.5% increase to usage charges and monthly service charges for all customer classes. The monthly bill for the average in-City single family residential customer (12 hundred cubic feet of water) would increase by \$2.29. The proposed increase will fund operating costs and projects to replace and repair water mains, pumping stations, storage reservoirs, and the water treatment plant. These projects are needed to meet regulatory requirements and to keep the City's infrastructure in good shape to provide reliable water service for household use and fire protection.

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

In the past two years, the City has been successful in reducing the number of sewage spills and in 2011 there were no spills to local creeks or beaches. In April 2011 Santa Barbara ChannelKeeper sued the City over sewer spills. The City and ChannelKeeper have negotiated a settlement which requires the City to accelerate its program of rehabilitation and replacement of sewer pipelines. To fund this extra work, the City is proposing a 6% rate increase. This is in addition to the previously planned rate increase of 4% needed to continue the on-going capital program to improve the wastewater system. The combined 10% increase to wastewater rates will add up to \$3.60 per month for single family residential customers. For more information please go to www.SantaBarbaraCA.gov.

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

The proposed rate increase is 2.69% of the City's current charges for all customer classes, including single family residential, multi-unit residential, and business. Of the total adjustment, 1.31% accounts for an increase in the solid waste "tipping fee" charged at the Tajiguas Landfill. The additional 1.38% represents an increase in the amounts paid to the City's contracted hauler tied to the increase in the Consumer Price Index (CPI). The City is contractually obligated to compensate its franchised waste hauler for these increases. The City is currently engaged in negotiations with its franchised waste hauler on a new contract for the collection of trash and recyclables. If agreement on a new contract can be reached, the hauler has agreed to forego the 1.38% CPI increase for Fiscal Year 2013.

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**, 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, 2011. (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	Combined Increase for Water & Sewer
Single Family Residential	Low User 5/8" meter	6	\$61.57	\$65.45	\$3.88
	Average User 5/8" meter	12	\$101.03	\$106.88	\$5.85
	Above Average User 1" meter	40	\$267.53	\$279.21	\$11.68
Multi-Family Residential Building	12 dwelling units 2" meter	60	\$600.01	\$639.97	\$39.96
Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter	60	\$563.86	\$593.58	\$29.72
Industrial/ High Strength Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter	100	\$925.76	\$978.31	\$52.55
Irrigation-Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter – no sewer	60	\$410.26	\$424.62	\$14.36
Recycled Water	2" meter – no sewer	250	\$579.51	\$599.79	\$20.28
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	\$237.38	\$245.69	\$8.31
Irrigation-Recreation		120	\$399.08	\$413.05	\$13.97
Irrigation-Agriculture		72	\$201.44	\$208.49	\$7.05
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
(All collection frequencies 1 time per week)**

Service Level	Current Rates*	Proposed Rates*	\$ Change
Basic Residential Service (32-gal trash, 32-gal greenwaste, up to 96-gal recycle)	\$27.79	\$28.54	\$0.75
Minimum Multi-Unit Residential (3 cans or less) (3-32 gal trash/ + up to 96-gal greenwaste, up to 96-gal recycle)	\$35.52	\$36.48	\$0.96
Multi-Unit Residential (4 cans) (4-32 gal trash/week+ up to 96-gal greenwaste, up to 96-gal recycle)	\$38.68	\$39.72	\$1.04
Sample Small Business Cart/Can Service (96-gal trash/week, up to 96-gal greenwaste, up to 96- gal recycle)	\$60.89	\$62.53	\$1.64
Sample Business Dumpster Service (4yd trash/week, 4yd recycle/week)	\$387.79	\$398.22	\$10.43

* 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



Water & Wastewater FY 13 Rates



City Council Meeting
June 12, 2012



Presentation Overview

- ◆ Proposed Water Rate Increase
- ◆ Proposed Wastewater Rate Increase

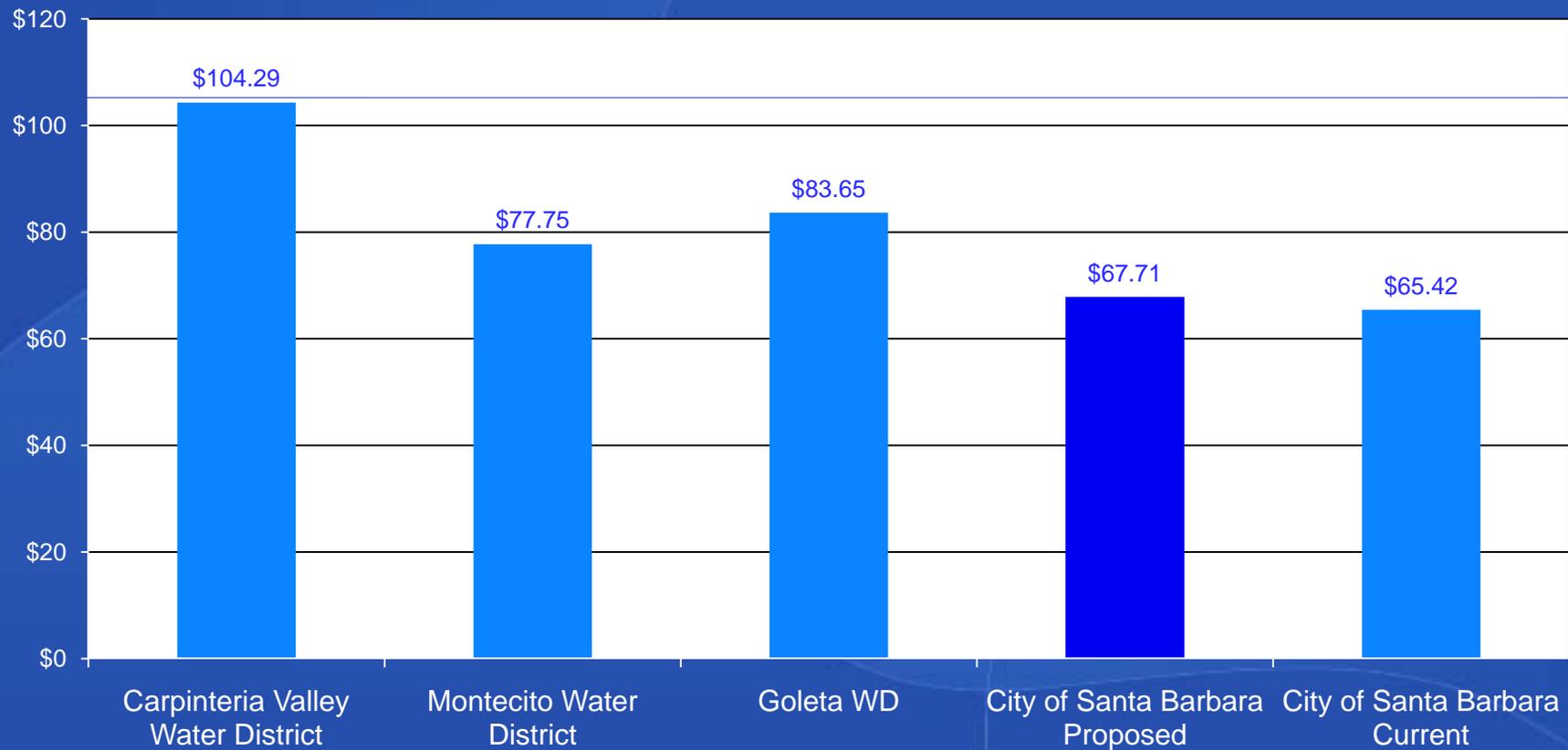


Water Rates



Water Rates Proposed 3.5% Increase

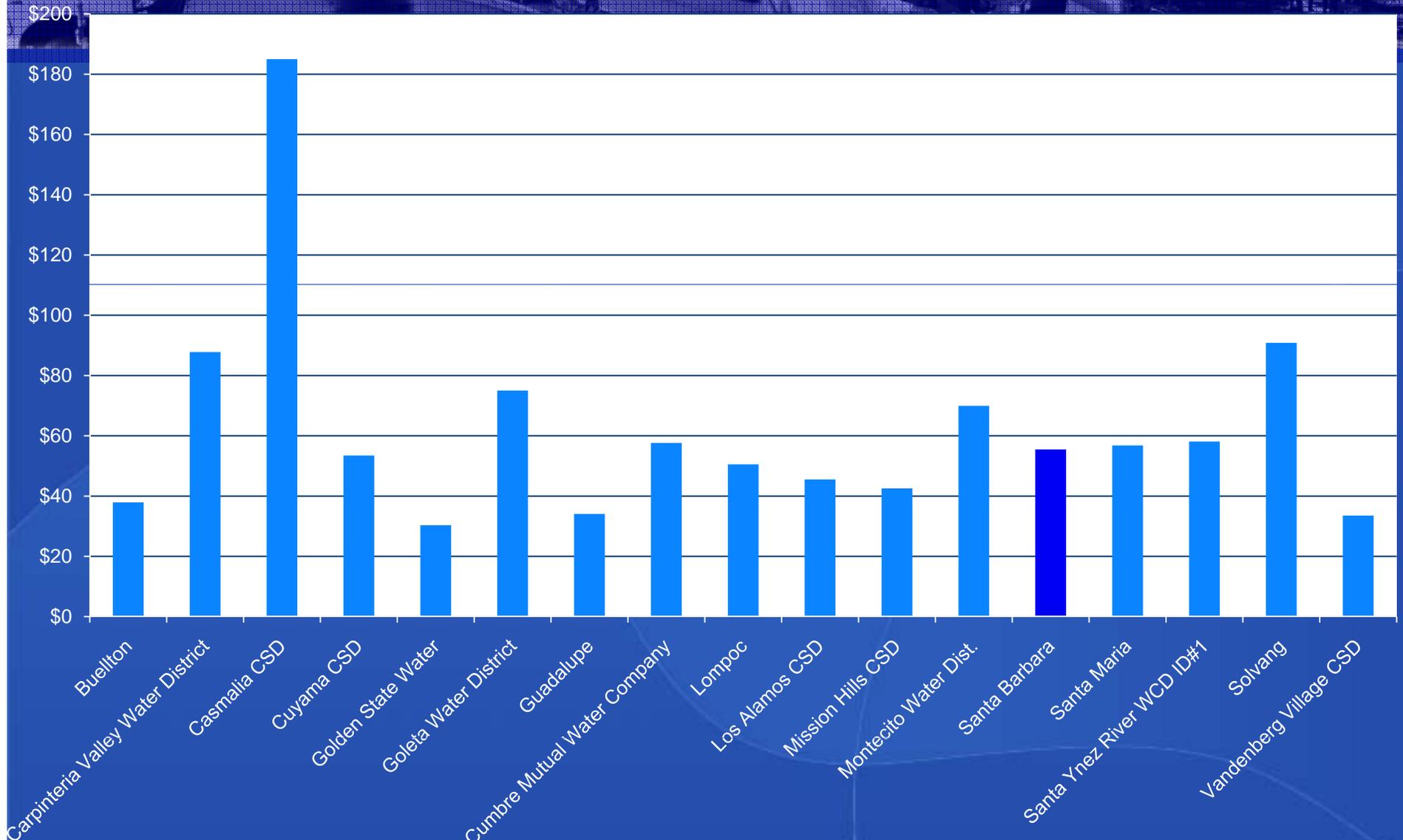
Single Family Residential Water Service Charges



South Coast Water Purveyors - 5/8" meter & 12 HCF Consumption, tax not included

City of Santa Barbara • Public Works Department

Monthly Water Charges for 10 HCF/Month Usage Single Family Residential Customers - Including 5/8" Meter Charge S.B. County Water Agency Annual Rate Survey - Spring 2012



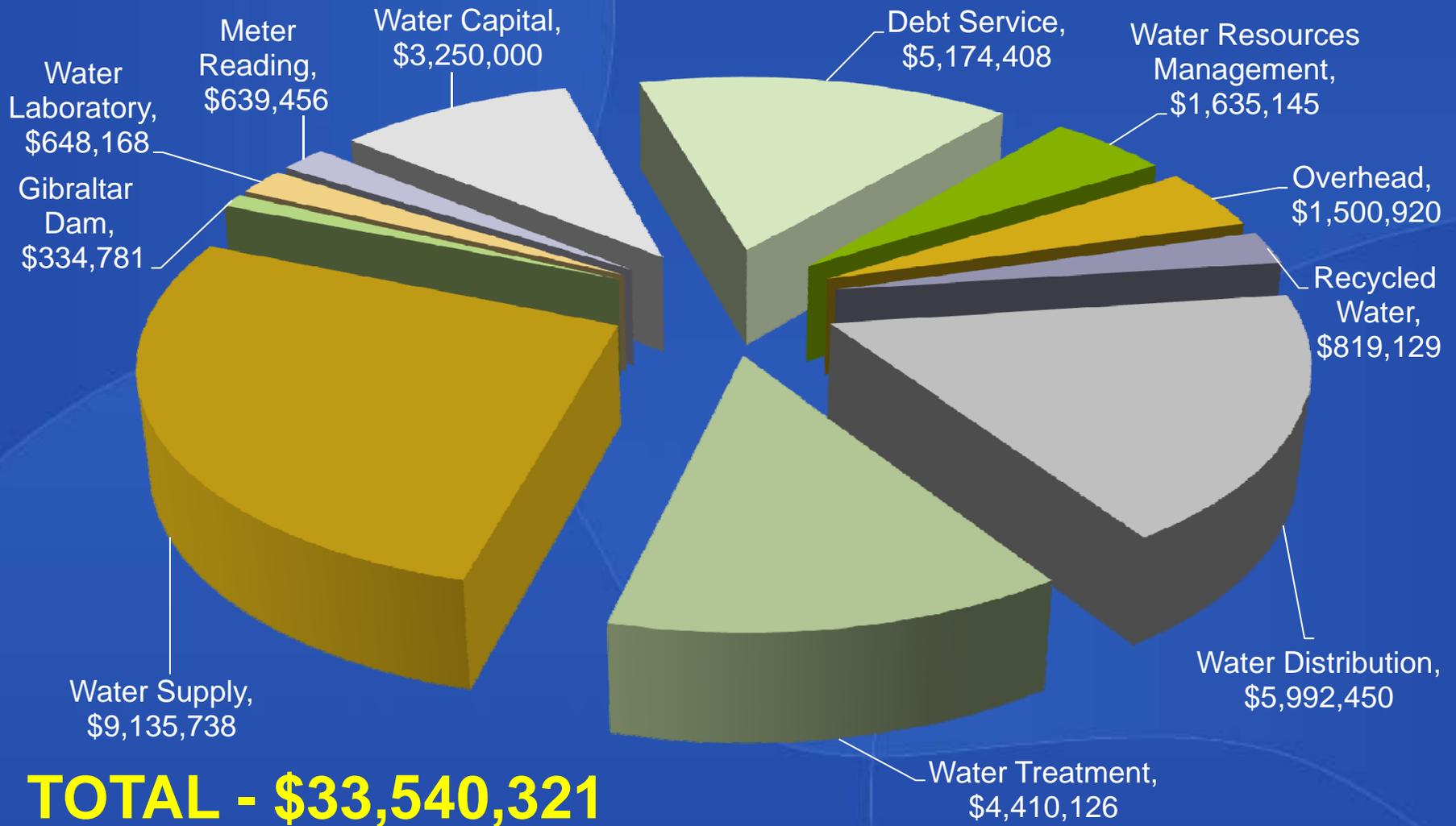
WATER FUND

Revenue Sources

	FY 12 Projected	FY 13 Recommended	\$ Change	Change
Metered Sales	\$ 28,700,000	\$ 29,800,000	\$ 1,100,000	3.8%
Interest	\$ 702,387	\$ 500,000	\$ (202,387)	(28.8%)
Connection Fees	\$ 468,733	\$ 408,000	\$ (60,733)	(13%)
JPA	\$ 2,958,266	\$ 2,952,362	\$ (5,904)	(2%)
Misc. Revenue	\$ 674,827	\$ 132,000	\$ (542,827)	(80.4%)
Total	\$ 33,504,213	\$ 33,792,362	\$ 288,149	0.86%

WATER FUND

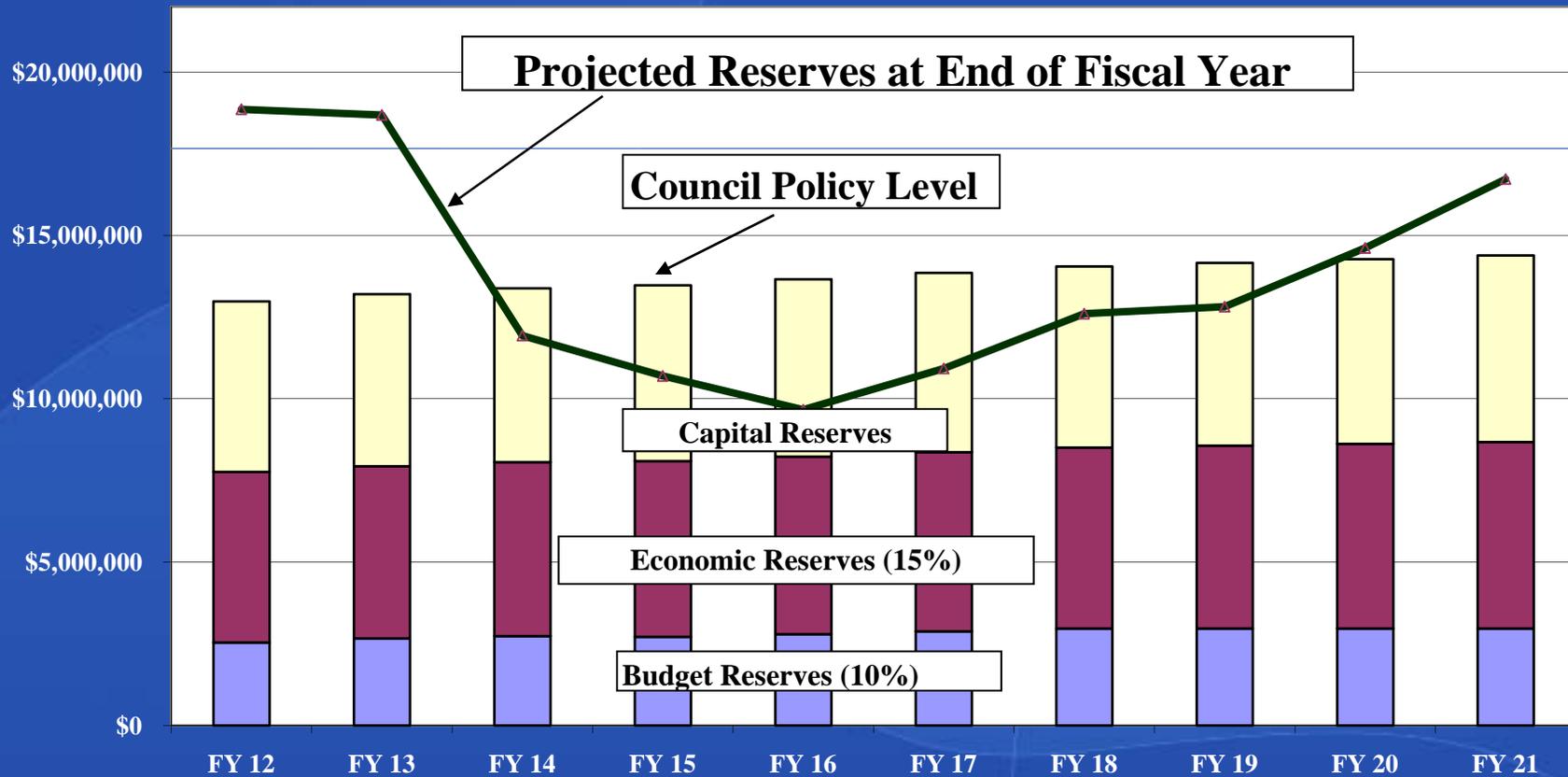
Appropriations by Program



WATER RESOURCES

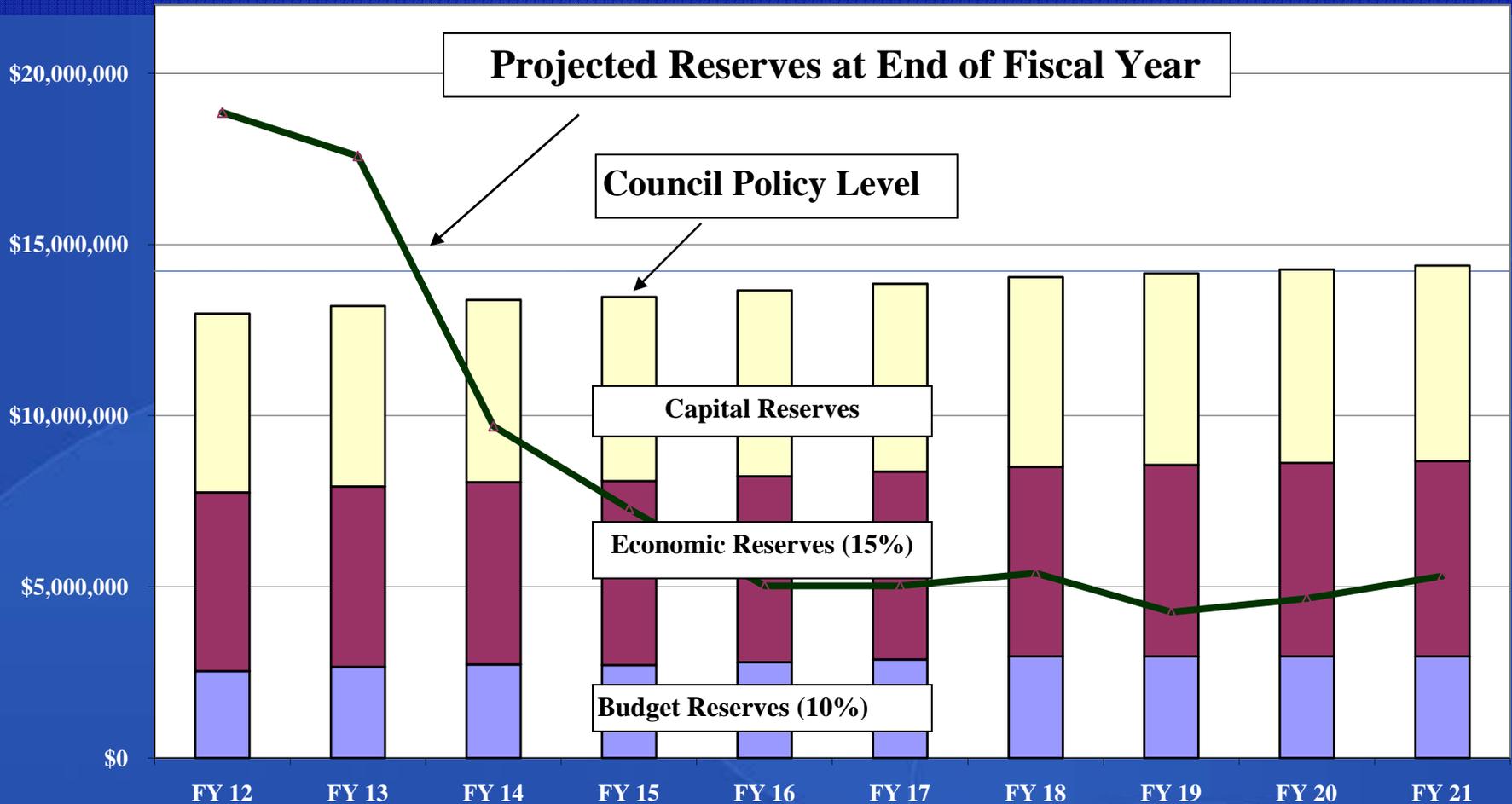
Reserve Fund Balance Projections

Water Fund Financial Plan 3.5% Annual Rate Increase



Water Fund Financial Plan

No Increase 2013 3.5% thereafter





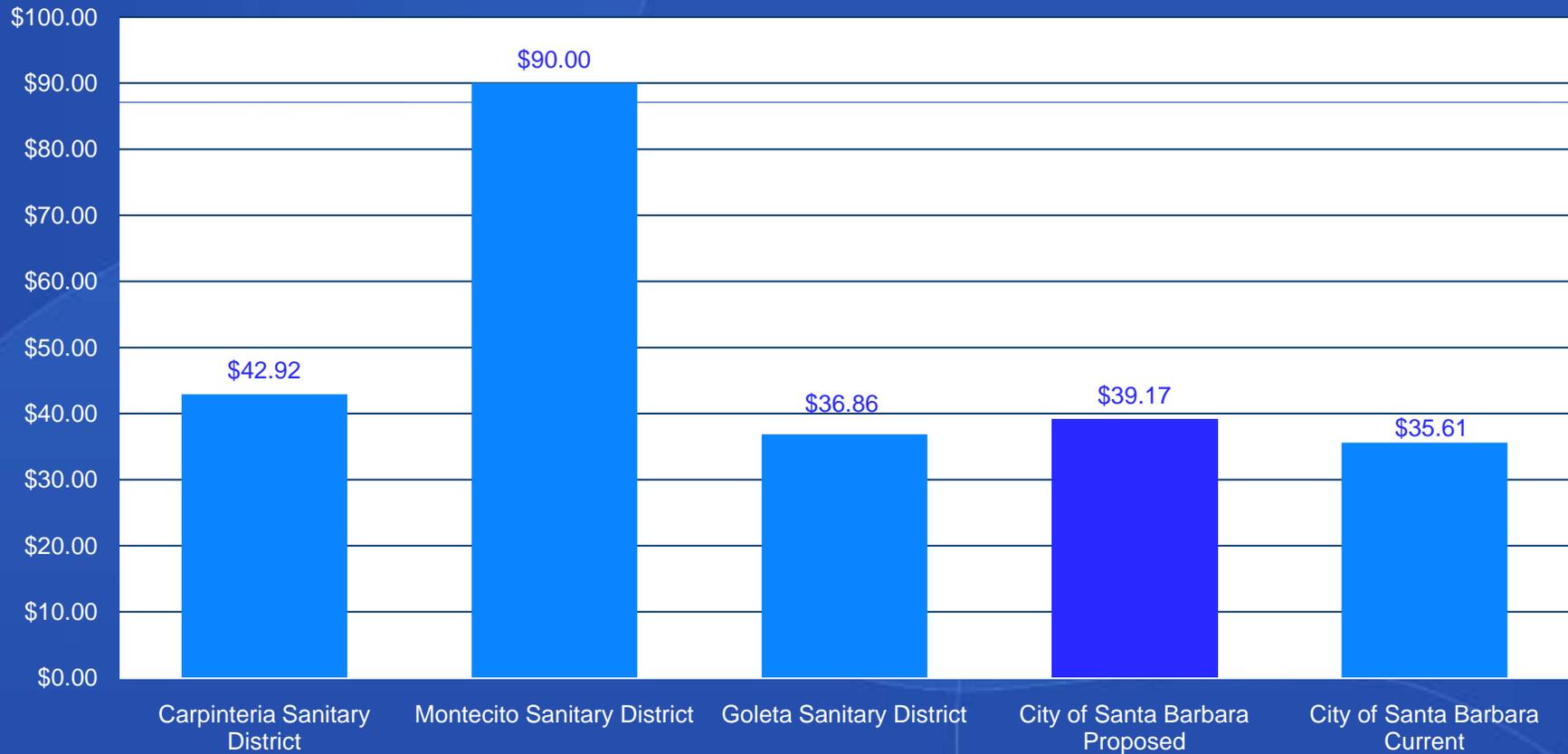
Wastewater Rates



WASTEWATER

Proposed 10% Rate Increase

Single Family Residential Sewer Rates



WASTEWATER FUND

Revenue Sources

	FY 12 Projected	FY 13 Recommended	\$ Change	Change
Metered Sales	\$ 14,800,000	\$ 16,280,000	\$ 1,480,000	10.00 %
Interest	\$ 226,738	\$ 206,200	\$ (20,538)	(9.06 %)
)Connection Fees	\$ 197,567	\$ 205,000	\$ 7,433	3.76 %
Mission Canyon/JPA	\$ 388,000	\$ 434,000	\$ 46,000	11.86 %
Misc. Revenue	\$ 757,531	\$ 82,000	\$ (675,531)	(89.18%)
Total	\$ 16,369,836	\$ 17,207,200	\$ 837,364	5.12 %



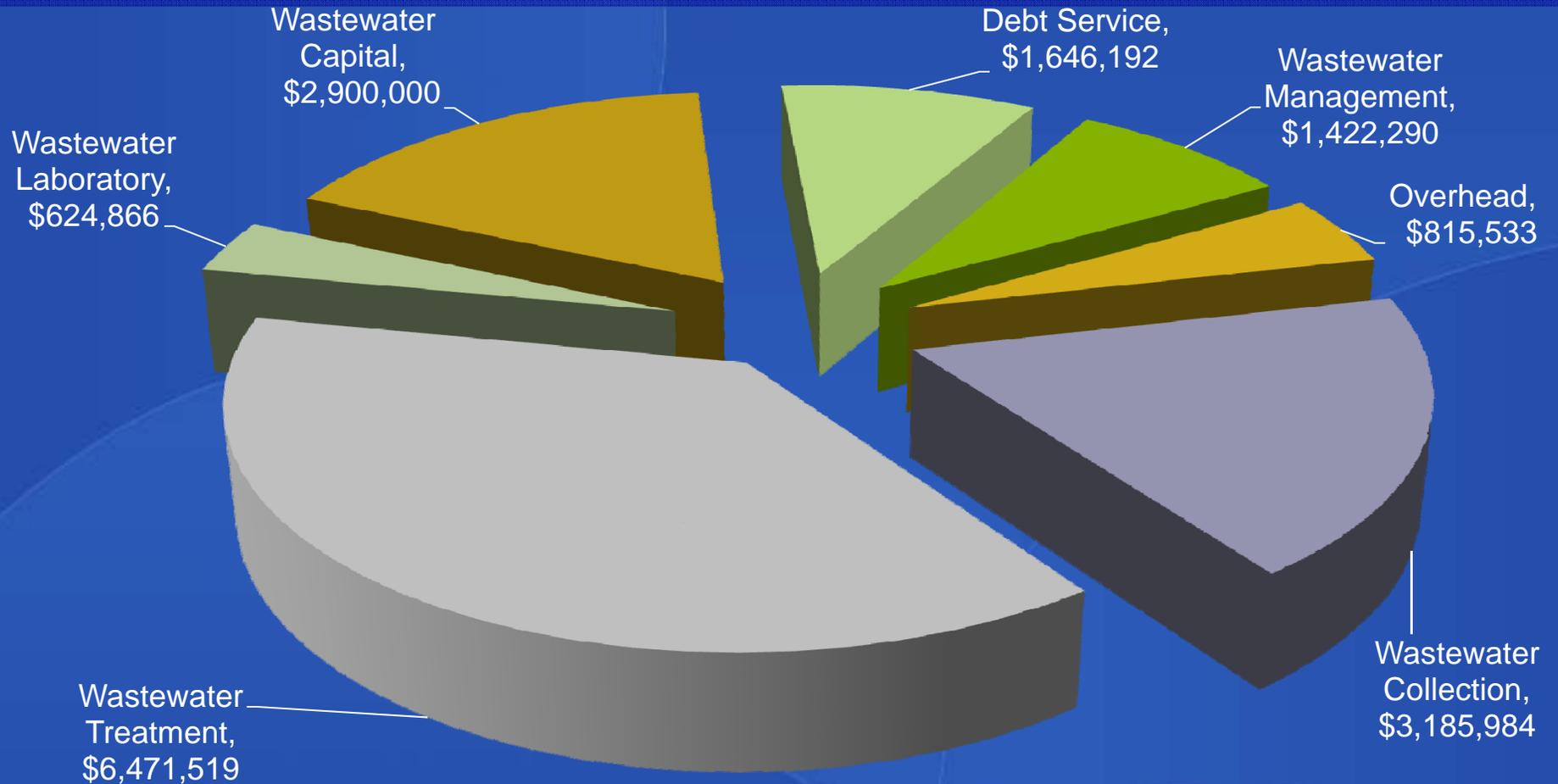
WASTEWATER

Balancing Strategy

- ◆ Wastewater Fund
 - Planned 4% rate increase
 - Additional 6% rate increase – total 10%
 - New Debt
 - Continued Furlough

WASTEWATER FUND

Appropriations by Program

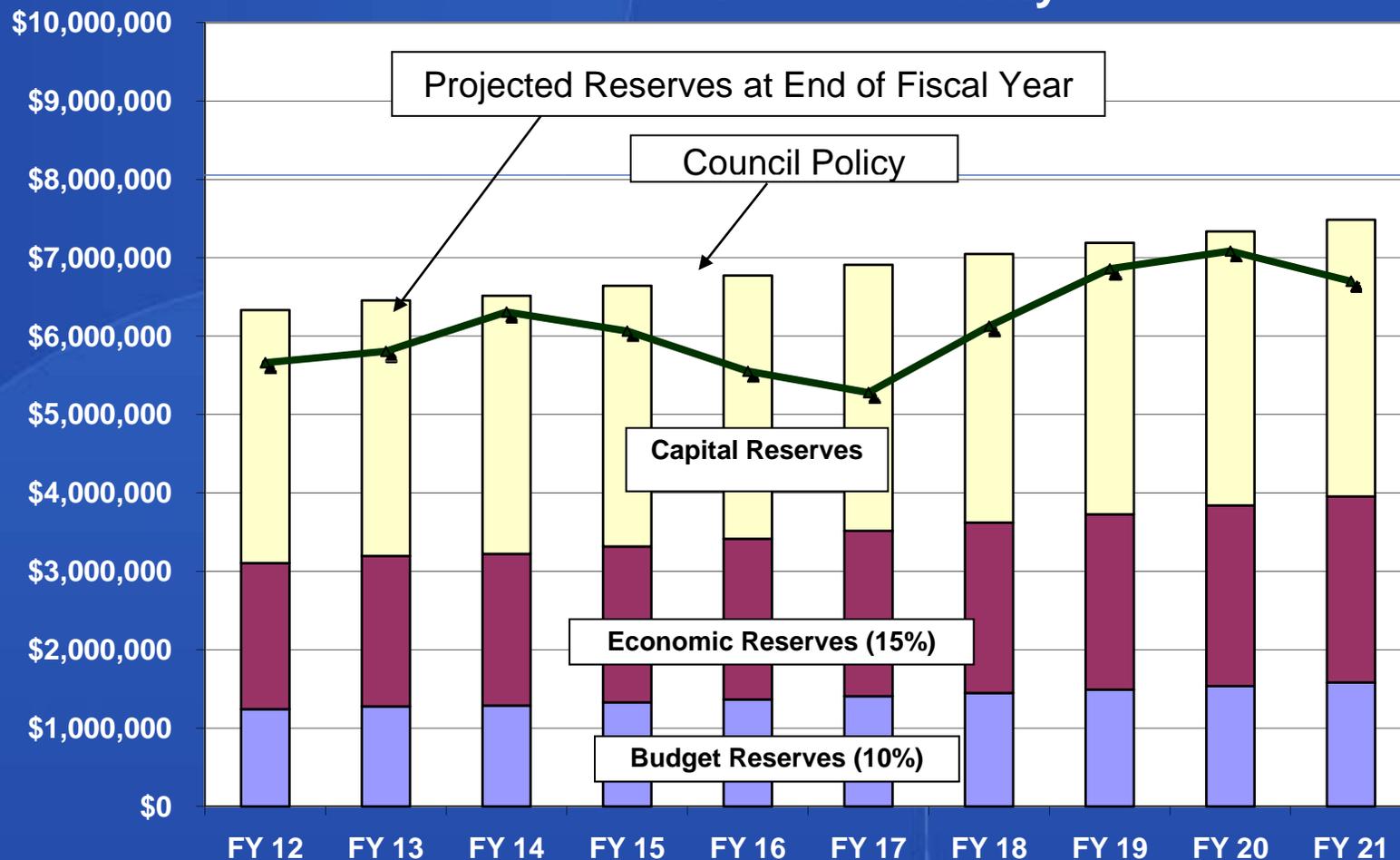


TOTAL - \$17,066,384

WASTEWATER

Fund Balance Projections

Wastewater Fund Financial Plan 10% FY 13 then 4% Annually



Wastewater Fund Financial Plan 6% FY 13 then 4% Annually

\$10,000,000

\$9,000,000

\$8,000,000

\$7,000,000

\$6,000,000

\$5,000,000

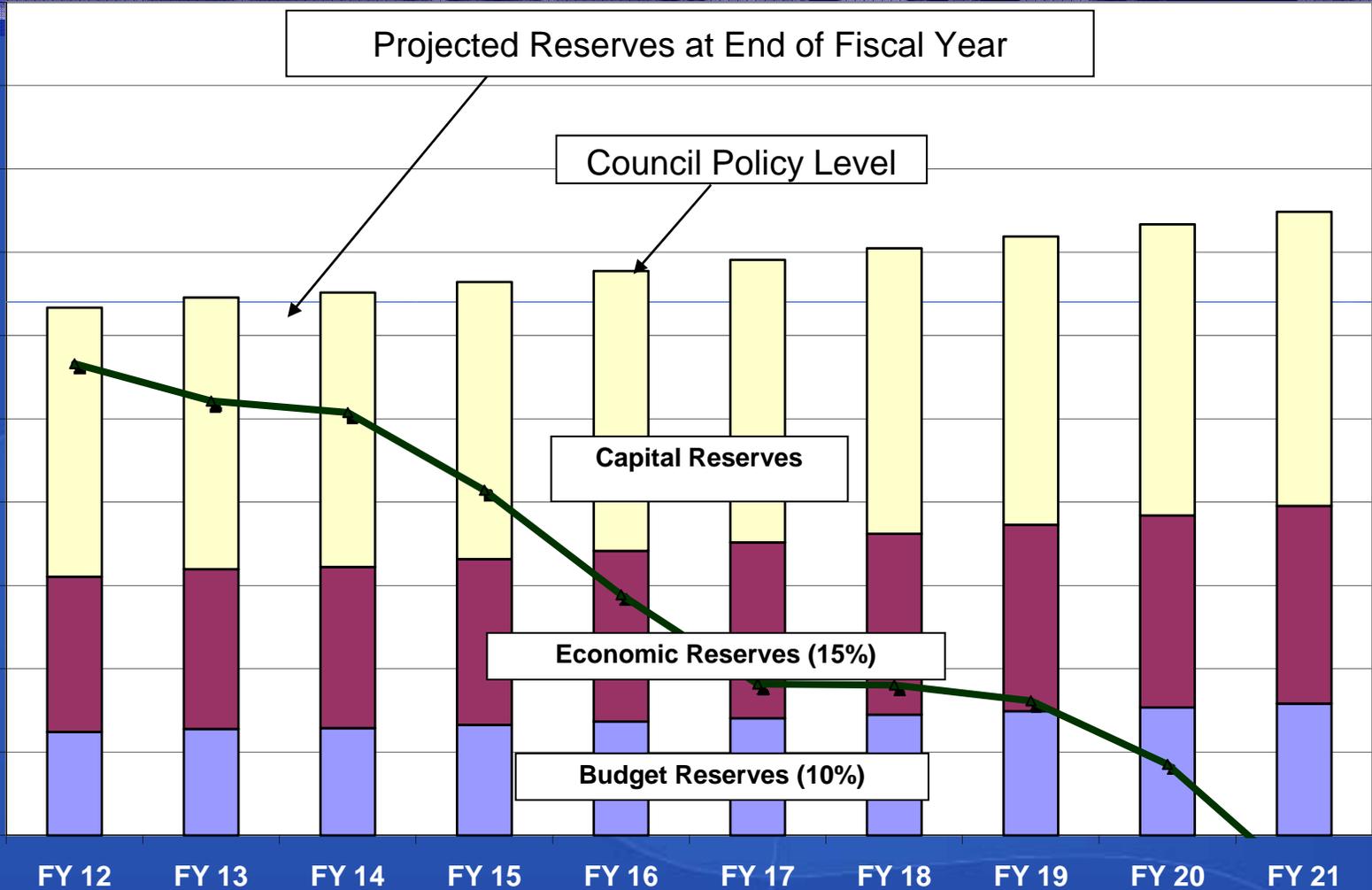
\$4,000,000

\$3,000,000

\$2,000,000

\$1,000,000

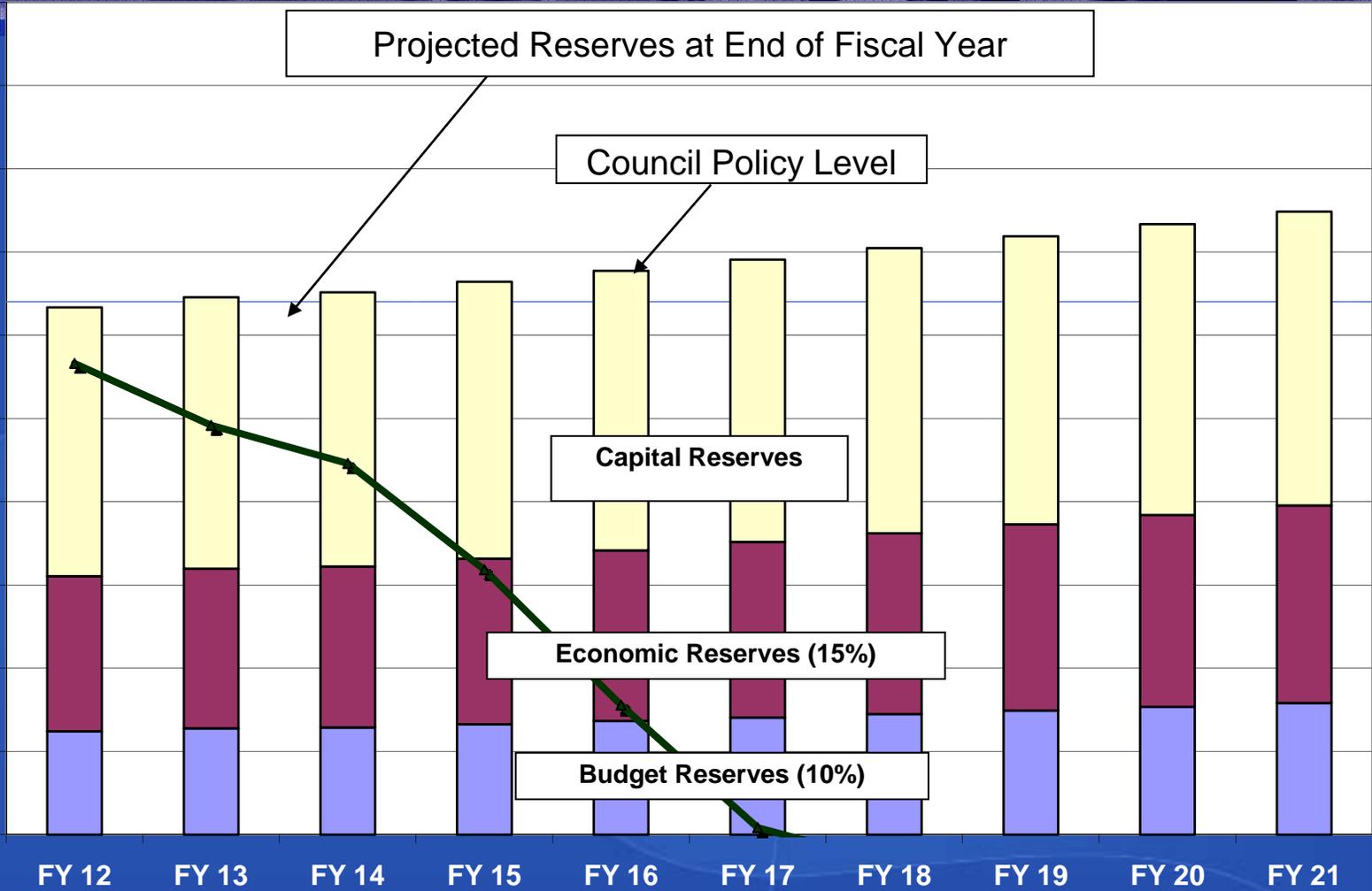
\$0

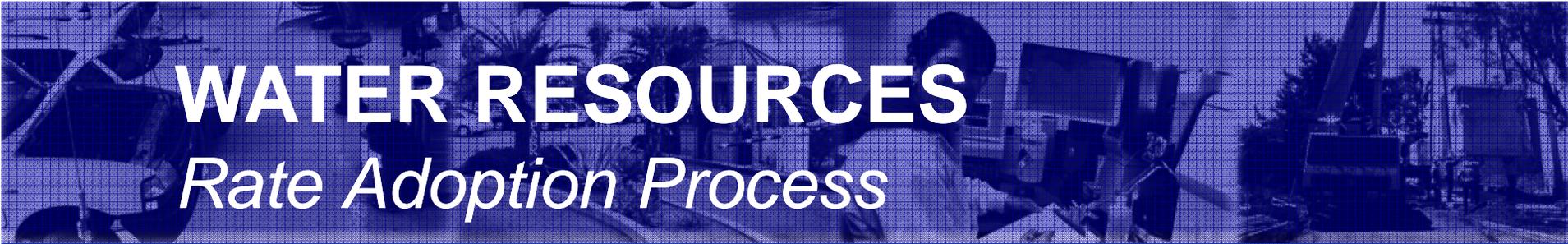


Wastewater Fund Financial Plan 4% Annually

\$10,000,000

\$9,000,000
\$8,000,000
\$7,000,000
\$6,000,000
\$5,000,000
\$4,000,000
\$3,000,000
\$2,000,000
\$1,000,000
\$0





WATER RESOURCES

Rate Adoption Process

- ◆ Water Commission - April 9, 2012
- ◆ Finance Committee - May 8, 2012
- ◆ Rates adopted with Budget