



CITY OF SANTA BARBARA COUNCIL AGENDA REPORT

DRAFT

AGENDA DATE: June 14, 2011

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 2012; and
- B. Provide direction to staff regarding any changes to the proposed Fiscal Year 2012 utility rates.

DISCUSSION:

As reviewed with Council during the development of the Fiscal Year 2012 recommended budget, staff is recommending increases in water, wastewater, and solid waste collection fees for Fiscal Year 2012. 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 Public Hearing was included with utility bills sent to City utility customers during March and April 2011. In addition, the notice about the proposed rate increases has been posted on the City's website. As of June 1, 2011, ten written protests had been received.

Water and Wastewater Rates

For water service, staff recommends 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/ozon 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 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) of water per month, would see an increase of approximately \$2 per month, from \$63.23 to \$65.42 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. A major component of this work is the project to upgrade the secondary treatment process to ensure compliance with regulatory standards. The increase for the maximum bill to a single-family residential customer would be a little over \$1 per month, from \$34.21 to \$35.61.

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 cost escalation, damage to other infrastructure from pipe ruptures, and extended customer outages.

As in prior years, fees for installation of new connections and other similar services are proposed to increase by 3%, so that revenue will keep pace with costs over the long term. A change in the procedure for limited relief from extraordinary water charges is proposed, such that relief would be allowable once in any five-year period for any customer at a given location. The current procedure allows only a one-time allowance per customer, per location, which creates an inequity for long time residents at the same address. Buy-in fees for water and sewer are recommended to remain at current levels for Fiscal Year 2012.

Solid Waste Collection Fees

Staff has proposed a rate increase of 6.09% for all commercial and residential customers. Of this total rate increase, 2.72% stems from contractually obligated increases to the amounts paid to the contracted haulers to cover increased collection and disposal costs. An additional 0.84% is needed to provide the funding for the estimated costs to maintain the state mandated gas extraction and collection system being installed at Elings Park. These mandated increases total 3.56%. The balance of 2.53% is to cover a structural deficit caused by several factors, including the shift of franchise fees from the Solid Waste Fund (effective the beginning of the current fiscal year), a reduction in revenues from the sale of commingled recyclables, and revenue declines in the business sector.

On June 6, 2011 staff presented alternative rate proposals as directed by Council to shift more of the rate impact attributable to revenue declines in the business sector from the residential sectors.

Based on direction received from Council, the actual rates that will take effect on July 1, 2011 for refuse services are as follows:

1. Single Family and Multi-Unit Residential Sectors - Overall rates will increase by 3.56% for the mandate portions, effective July 1, 2011.
2. Business Sector – Most businesses will be subject to a 3.56% increase effective July 1, 2011. Other businesses, particularly those with very high levels of diversion, will be subject to a 6.09% increases. No adjustments will be made to trash containers; any and all adjustments to rates will be applied only to recycling containers.

The rationale behind applying rate increases in the business sector to only recycling containers (greenwaste, comingled recyclables and food waste) stems from the desire and general concerns expressed by Council that the existing differential in rates between trash containers and diversion containers may be too great. Since the rate increases will only apply to diversion containers, this will help reduce the existing differential, although to a small degree.

Since the rate increases, as adjusted, that will go into effect July 1, 2011, are not adequate to address the structural deficit faced by the Solid Waste Fund, additional rate adjustments will be necessary and will be applied to the business sector for reasons discussed above. Since these rate increases will likely be in excess of the 6.09% rate increase noticed to ratepayers pursuant to Proposition 218, staff will re-notice the new additional rate increases needed, which are planned to go into effect October 1, 2011.

Water Commission Review

The Water Commission discussed Fiscal Year 2012 and Fiscal Year 2013 budget priorities at its meeting of February 14, 2011. On March 14, 2011, the Commission unanimously voted to recommend adoption of the proposed water and wastewater budgets for Fiscal Year 2012 as presented by staff, including proposed rate increases of the 3.5% for water and 4.0% for wastewater.

Finance Committee Review

On May 10, 2011, the Finance Committee received presentations from staff on proposed utility rate increases. The Committee voted (2-1-0) to recommend the proposed water and wastewater rate increases as included in the proposed Fiscal Year 2012 budget and the Notice of Public Hearing. With respect to Solid Waste proposed rate increases, the Finance Committee made no recommendation and referred the item back to Council for further discussion.

Council Direction on Utility Rates

Council Agenda Report
Public Hearing Regarding Proposed Utility Rate Increases
June 14, 2011
Page 4

The Fiscal Year 2012 Fee Resolution is scheduled to be approved by Council on June 21, 2011, as a part of the adoption of the Fiscal Year 2012 budget. The new rates would become effective July 1, 2011. Staff requests direction from Council regarding the rate increases to be included in the Fiscal Year 2012 budget.

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

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

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 14, 2011
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, 2011 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 three and one-half percent (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 \$2.19. 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)

The proposed wastewater rate change is a four percent (4%) increase to City's current charges for all customer classes. The maximum monthly charge for a single family residential customer would increase by \$1.40 under the proposed rates. The proposed increase will fund operating costs, as well as replacement and repair of the City's aging sewer system. This includes replacement of critical facilities at the wastewater treatment plant, including the 30-year old pumps that pump sewage through the treatment plant.

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

The proposed rate increase is 6.09% of the City's current charges for all customer classes, including residential, multi-unit residential and commercial. Of the total adjustment, 2.72% accounts for an increase in the solid waste "tipping fee" charged by the Tajiguas Landfill and an increase in the amounts paid to the City's contracted haulers tied to the increase in the Consumer Price Index. The City is contractually obligated to compensate its franchised waste haulers for these increases. The remaining 3.37% rate increase will cover losses in revenue stemming from the downturn in the recyclable commodities market and the cost to operate and maintain a landfill gas collection and control system at the Los Positas Landfill, which the City is legally obligated to operate pursuant to State Law.

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	\$59.36	\$61.57	\$2.21
	Average User 5/8" meter	12	\$97.44	\$101.03	\$3.59
	Above Average User 1" meter	40	\$258.33	\$267.53	\$9.20
Multi-Family Residential Building	12 dwelling units 2" meter	60	\$578.32	\$600.01	\$21.69
Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter	60	\$544.06	\$563.86	\$19.80
Industrial/ High Strength Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter	100	\$893.06	\$925.76	\$32.70
Irrigation-Commercial	75% at Block 1 rate 25% at Block 2 rate 2" meter – no sewer	60	\$396.46	\$410.26	\$13.80
Recycled Water	2" meter – no sewer	250	\$561.06	\$579.51	\$18.45
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	\$229.40	\$237.38	\$7.98
Irrigation-Recreation		120	\$385.70	\$399.08	\$13.38
Irrigation-Agriculture		72	\$197.30	\$204.14	\$6.84
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)	\$26.83	\$28.46	+\$1.63
Minimum Multi-Unit Residential (3 cans or less) (3-32 gal trash/ + up to 96-gal greenwaste, up to 96-gal recycle)	\$34.30	\$36.39	+\$2.09
Multi-Unit Residential (4 cans) (4-32 gal trash/week+ up to 96-gal greenwaste, up to 96-gal recycle)	\$37.36	\$39.64	+\$2.28
Sample Small Business Cart/Can Service (96-gal trash/week, up to 96-gal greenwaste, up to 96- gal recycle)	\$58.80	\$62.38	+\$3.58
Sample Business Dumpster Service (4yd trash/week, 4yd recycle/week)	\$329.61	\$349.67	+\$20.06

* 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