



City of Santa Barbara
Public Works Department
Memorandum

DATE: October 17, 2019
TO: Water Commission
FROM: Malcolm Hamilton, Administrative Analyst
SUBJECT: Ad Hoc Subcommittee for Water Rate Study

Recommendation:

That Water Commission appoint a two-person ad hoc subcommittee to provide input to staff on the upcoming Water Rate Study.

Background:

Water Commission and staff have sought to establish ad hoc subcommittees to allow Commission members to take a deeper look into certain special projects and policy issues, ensuring that the Commission is fully informed when making recommendations to Council. Staff recommends that the Commission create a subcommittee to participate in policy discussions for the upcoming Water Rate Study, and anticipates meeting with the subcommittee three times between November 2019 and May 2020, with each meeting lasting approximately one and a half hours. Staff is available to meet more often if requested by the subcommittee members.

The current rate structure was adopted in 2018 and will be in effect through June 30, 2020. Staff intends to adopt rates for a three- to five-year period. However, the planning horizon will be largely dependent on modeling several dynamic factors, including the potential for a Water Sales Agreement with Montecito Water District (MWD), a soon-to-be completed water system infrastructure study, and customer water demand. All of these factors will need to be weighed against rate affordability. The consultant's scope of work includes an optional task to provide a preliminary report on implementing a rate assistance program for the City's water customers, including potential funding sources. In addition, the rate consultant will be examining the commercial class tier structure and making recommendations based on current industry trends and the results of a cost-of-service analysis. These issues will be brought to the ad hoc subcommittee for thorough discussion and input.

The rate study will assess existing user rates; develop fair and equitable rates that are based on cost-of-service analysis; ensure there are sufficient revenues to meet the water operation and maintenance (O&M) and capital needs; and perform a cost-of-service analysis in accordance with Article XIII D, Section 6 of the California Constitution, provisions commonly referred to as Proposition 218. The rate study will propose needed revenue adjustments to fully fund planned capital projects for the next 10 years and maintain water operating reserve funds at a healthy level.