



City of Santa Barbara
Public Works Department
Memorandum

DATE: October 21, 2021
TO: Water Commission
VIA: Joshua Haggmark, Water Resources Manager
FROM: Malcolm Hamilton, Water Resources Financial Officer
SUBJECT: Introduction to Wastewater Rate Development

RECOMMENDATION:

That Water Commission receive a presentation on the development of wastewater rates, capacity charges, and the initial focus areas for the rate study.

DISCUSSION:

On September 28, 2021, City Council approved a contract with HDR Engineering Inc. (HDR) to update the City's wastewater rate model and perform a comprehensive study of the City's water and wastewater capacity charges. The City provides wastewater service to a population of approximately 95,000, with a service area of 20 square miles. Wastewater service includes sewage collection, treatment, and disposal services to the City's residents. Wastewater is treated at the El Estero Water Resource Center and discharged to the ocean, with a portion treated to Title 22 Standards (Recycled Water) and reused within the community for landscaping. As with most governmental utilities, the City's wastewater utility is dependent on customer rate revenue to fund most of the operations, maintenance, and capital improvements needed to keep the utility functioning reliably, and in compliance with federal and state regulations.

To understand the revenue needs of the wastewater utility and ensure equity in the rate structure, HDR will review and update the City's rate model, specifically the cost-of-service analysis. This analysis will examine all current assumptions, supporting data, and policy points of the existing rate structure, and ensure that proposed rates are compliant with Article XIII D, Section 6 of the California Constitution. This section of California law is commonly referred to as Proposition 218, which was approved by voters in 1996, and includes the requirement that rates may not exceed the estimated cost of providing the service. Additionally, HDR will be evaluating the City's capacity charges, which are fees for new or expanded connections to the wastewater system. Staff and HDR will be presenting preliminary information on the following focus areas for the study:

- Protecting public health and the environment through adequate wastewater system funding
- Planning for and projecting future system demands/impacts and attendant infrastructure needs
- Pacing inflationary cost increases for operating and capital costs
- Supporting improvements to the Sewer Lateral Inspection Program
- Analyzing waste strength, customer class characteristics, and maximum bill amounts
- Addressing affordability and customer rate/bill assistance
- Assessing organizational structure and future staffing levels

For more information on wastewater rates and fees, visit www.SantaBarbaraCA.gov/water.