# City of Brisbane
# Agenda Report

To: City Council via City Manager

From: Administrative Services Director

Subject: Prop 218 mailing for water and sewer rate increase

Date: April 21, 2014

**Purpose:**

To provide a safe and secure water and wastewater system to the community which is financially viable.

**Recommendation:**

To direct staff to begin the Proposition 218 process for setting a rate for capital improvements for the water and sewer system.

**Background:**

On August 13, 2001 the City Council discussed Ordinance No. 458 which set the process for determining future water and sewer rate increases.

Subsequent to passing Ordinance No. 458, the California Supreme Court ruled that water and sewer charges are property related and subject to Proposition 218, the Right to Vote on Taxes Act. As such, we are required to notifiy property owners regarding any increase and hold a public hearing at least 45 days later to allow time for community input. As a courtesy to our customers, we also notify renters of the forthcoming change in rates.

The Utility Subcommittee over the last year has been studying both the capital improvement plan (CIP) and a method to pay for the plan. The first portion of the CIP was brought forward and approved by the City Council during the 2013/14 budget process. The approved CIP was for $5,000,000. The discussion on how to pay for this amount centered around how best to allocate the payment of the projects to both their useful life and the impact users have on the system.

**Discussion:**

In order to match the useful life of the improvments to the users who will be using them it was determined a bond issue makes the most sense. The projects have a minimum 20 to 30 year life span. A bond would be paid off over thirty years matching the life of the project to the life of the bond. The benefit of the bond is it a relatively flat dollar amount paid each year. As general inflation increases the relative cost of the bond decreases. In year's when inflation is higher than the bond interest rate (which happens in periods of rising inflation) the actual value of the money paid for the project could be less than the original cost.

A second issue the Subcommitee discussed was how to ensure there is a steady flow of income regardless of the water used. The current rate structure with tiered rates based on water usage is heavily dependant on higher water users. If they cut back due to a recession, as we saw over the past few years, or due to a drought, as we may see in the future, our ability to make bond payments may be jeopardized. The Subcommittee decided that a flat monthly fee would resolve this issue. However, this leads to the third aspect of the rates which is how to make heavier users of the system pay more.

This issue was the one which the Subcommittee spent the most time on. They reviewed a number of different funding models including a flat fee based on meter size, a flat fee based on user class, and a fee linked to the amount of water used during the year. There were a number of permetaions which staff provided City Council for each category.

The Subcommittee wanted to ensure lower water would pay the least for the improvements for two reasons; first, it would mean people who currently are very aggressive at reduding their water usage would not feel penalized by the new rates, and second the more water used in the system the greater demand this puts on the system and causes the need for the repairs the system needs.

Attachment 1 shows the Subcommittee's recommended rate structure.

**Fiscal Impact:**

The cost of doing a Prop 218 mailing is approximately $2,000.

**Measure of Success**

The measure of success is balancing the government driven costs for safe water and properly handled wastewater with rates that are allocated fairly.

**Attachments:**

Attachment 1 Proposed Rate Structure
Approved FY 2013/14 CIP for Utility Fund

Stuart Schillinger
Administrative Services Director

Clay Holstine
City Manager

Recommended rate structure to pay for approved Capital Improvement Program

| Units of Water used (bi monthly billing cycle) | Number of users in 2013 | Proposed Rate (in Dollars) | Total Revenue Generated (in Dollars) |
|---|---|---|---|
| 0 | 223 | 10 | 2,230 |
| 1 | 89 | 12.5 | 1,112.50 |
| 2 | 87 | 15 | 1,305 |
| 3 | 69 | 17.5 | 1,207.50 |
| 4 | 99 | 20 | 1,980 |
| 5 | 115 | 22.5 | 2,587.50 |
| 6 | 90 | 25 | 2,250 |
| 7 | 117 | 27.5 | 3,217.50 |
| 8 | 102 | 30 | 3,060 |
| 9 | 117 | 32.5 | 3,802.50 |
| 10 | 118 | 35 | 4,130 |
| 11-19 units | 528 | 38 | 20,064 |
| 20-40 units | 177 | 50 | 8,850 |
| >40 units | 167 | 65 | 10,855 |
| **Grand Total** | | | **66,651.50** |

## Project Description for Apporved FY 2013/14 Utility Fund Capital Projects

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|---|---|---|
| **Project Title:** | **Glen Park Pump Station Upgrade** | **Comments:** |
| **Description:** | Upgrade the booster pump station replacing the existing pumps and electrical system in order to modernize the facility and increase the firm capacity of the station to 1,450 gpm as recommended in the 2003 Water Master Plan. | |
| **Completion Fiscal Year:** | 2010 | **Cost Est.** $1,748,400 |
| **Project Number:** | W-2 | **FY Cost Est.** 2003 |
| **Funding Source (s):** | Utility Fund | |
| **Cost @ Completion Year:** | **$2,151,000** | |
| **Additional staff needed:** | None | |
| **Community need to be met:** | Upgrade of firm capacity to Glen Park Booster Pump Station will assure that there is pumping capacity to refill the fire-flow storage component of Margaret Tank within 6 hours after draw down and coinciding with maximum-day demand. Upgrade of the station will increase the reliable and uninterrupted water and fire flow service to the residents and businesses in the upper pressure zone of Central Brisbane. | |
| **Benefit of Project:** | Will assist in meeting City General Plan Policy 206, Program 206a. Also meets City Council Goal 3 (maintain infrastructure). | |
| **Measure of Success:** | Ultimate firm capacity of 1,450 gpm at Glen Park Booster Pump Station | |

## Project Description for Apporved FY 2013/14 Utility Fund Capital Projects

**Project Title:** **PRV Construction and Fire Main on Annis/Line F,G,H,I,J and Annis PRV**

**Comments:**

**Description:** This project will increase fire flow capacity to the Thomas and Joy Avenue Apartments by adding a pressure reducing valve and pipelines as identified in the 2003 Water Master Plan. In addition the project will increase fire flow capacity to Kings Road, Paul Avenue and Harold Road. The alphabetical listing of lines refers to the project identification shown in the June 2003 Water Master Plan.

**Completion Fiscal Year:** 2009

**Project Number:** 05-10

**Funding Source (s):** Utility Fund

**Cost @ Completion Year:** **$2,043,000**

**Cost Est.** $1,710,240

**FY Cost Est.** 2003

**Additional staff needed:** None

**Community need to be met:** Increase fire flow capacity to acceptable levels by installing larger water mains and installing new pipe and a pressure reducing valve in order to utilize water from multiple pressure zones during periods of high water demand.

**Benefit of Project:** Will assist in meeting City General Plan Policy 206, Program 206a. Also meets City Council Goal 3 (maintain infrastructure).

**Measure of Success:** Increased fire flow capacity to acceptable levels to the Thomas and Joy Avenue Apartments and customers along Kings Road, Paul Avenue and Harold Road.

## Project Description for Apporved FY 2013/14 Utility Fund Capital Projects

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|---|---|---|
| **Project Title:** | **SCADA System Replacement** | **Comments:** |
| **Description:** | This project will completely replace the antiquated citywide utility telemetry system with a modern and reliable SCADA system using industry standard equipment. The existing telemetry system is an outdated system with old, proprietary equipment that is hard to service and maintain. The 2003 Water Master Plan did include upgrades to the SCADA system that would enhance the capability of the existing telemetry system; however, in the intervening years since the recommendations were made in the 2003 Water Master Plan, the small telemetry control company that built and has serviced the unique telemetry system for years chose to focus on military contracts and cut all ties with the City, leaving us without the ability to confidently maintain and service the aging proprietary technology that is unique in its design and functionality. | |
| **Completion Fiscal Year:** | 2011 | **Cost Est.** $336,800 |
| **Project Number:** | | **FY Cost Est.** 2006 |
| **Funding Source (s):** | Utility Fund | |
| **Cost @ Completion Year:** | **$391,000** | |
| **Additional staff needed:** | None | |
| **Community need to be met:** | Assure the reliable and uninterrupted utility service to the residents and businesses in Brisbane | |
| **Benefit of Project:** | Will assist in meeting City General Plan Policy 206, Program 206a. Also meets City Council Goal 3 (maintain infrastructure). | |
| **Measure of Success:** | Installation of a modern City-wide SCADA system that is operated with non-proprietary and universally accepted equipment that can be easily maintained, serviced and upgraded in the future. | |

## Project Description for Apporved FY 2013/14 Utility Fund Capital Projects

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| **Project Title:** | **Bayshore Blvd South - 8" Force Main Underground Relocation (construction)** | **Comments:** |
| **Description:** | The Council previously approved the design contract for the relocation of an 8" high-density polyethylene force main temporarily installed aboveground between Bayshore Boulevard and Guadalupe Canyon Parkway (see Project No. 9602). The 8" line is one of two parallel force mains serving Valley Drive Lift Station (VDLS) and was installed in 2003 to provide additional capacity for wet weather flows as the new VDLS was constructed (the other force main served the previous and current lift station, and remains underground in Bayshore Boulevard). | |
| **Completion Fiscal Year:** | 2009 | **Cost Est.** |
| **Project Number:** | 08-04 | $375,100 |
| **Funding Source (s):** | Utility Fund | **FY Cost Est.** |
| **Cost @ Completion Year:** | **$387,000** | 2008 |
| **Additional staff needed:** | No | |
| **Community need to be met:** | The proposed project will put the eight-inch line underground, thereby limiting potential damage to the line. Furthermore, the northern portion of the line is on private property; the Owner recently granted the City a 2-year term license, requiring the line be removed from that property prior to expiration of the license. | |
| **Benefit of Project:** | Will assist in meeting City General Plan Policy 212, Program 212a. Also meets City Council Goal 3 (maintain infrastructure). | |
| **Measure of Success:** | A properly functioning underground sewer force main located completely within the public right-of-way. | |