

City of Brisbane

Agenda Report

To: City Council via City Manager
From: Administrative Services Director
Subject: Water and Sewer Rate Increase
Date: September 17, 2012

Purpose:

To ensure the continued fiscal viability of the utility system by keeping rates equal to the increases in the cost of providing available and safe water to the community and a wastewater system which is at the current environmental standards.

Recommendation:

Receive the update.

Background:

In 2001 the FCS Group determined that water and sewer rates needed to be increased over 200% in order to pay for on-going costs as well as needed capital projects. As part of the review process Council directed staff to develop a method to ensure annual rate increases would be as level as possible. Staff recommended and City Council approved Ordinance No. 458 which would allow for an inflationary factor in automatic rate increases to further ensure the financial integrity of the Utility Fund.

On August 13, 2001 the City Council discussed Ordinance No. 458 which set the process for determining future water and sewer rate increases. Additionally, the proposed Ordinance recommended that all cost increases from San Francisco be passed on to customers to ensure that the City would not again fall as far behind in water and sewer rates as it had by 2001.

Subsequent to passing Ordinance No. 458, the California Supreme Court ruled water and sewer charges are property related and subject to Proposition 218, the Right to Vote on Taxes Act. Last year this ruling was modified by State Law to once again allow for automatic increases as long as the automatic increases were not for more than 5 years and they were for no more than the cost of providing the service. This was codified in the Municipal Code under section 13.12.020 Section C (attached).

The inflation rate through June 2012 was 2.7%. The increase from SFPUC for water purchase is 11.4%. The increase for waste water processing is 15%.

Discussion:

The cost of providing water service is split between three main components; water purchase, depreciation, and maintenance. Water purchase is approximately 25% of the overall cost. Therefore, an 11.4% would translate into 3.0% increase in rates. Depreciation is approximately 14% of the rates. Depreciation does not increase with inflation but instead with the overall value of the system. Therefore, this does not have an impact on the rates. However, if additional capital projects were to be approved these would have an impact on the rates. The final component, the maintenance of the lines and administrative costs of the service make up the remaining 61% of the cost. These costs are subject to inflation which adds another 2.0% to the rates. The overall rate increase needed for the water system is 5.0%.

The cost of providing sewer service is similar in nature to water service. Sewer processing is approximately 40% of the cost of the service. Depreciation is 9% of the overall cost. Maintenance and administration is 51%. With the anticipated increase in sewer processing and inflation from last year this generates a need to increase by 7.0%.

There would again be no increase in rates for our customers who are on the Low Income Rate Assistance Plan. The difference between our regular rates and our LIRA rate is a little over 40%. The City budgets about \$35,000 a year to pay for this difference.

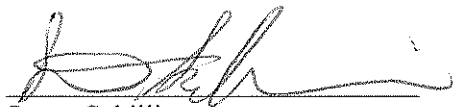
The rate increase will go into effect in October and will be reflected on the bill received in January 2013.

Fiscal Impact:

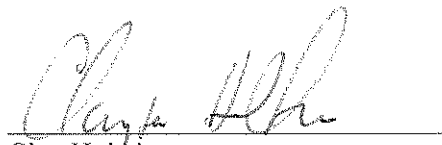
The increase in rate should generate about \$100,000 in revenues for Water and \$100,00 for sewer.

Attachments:

Municipal Code Section 13.12.020 Section C



Stuart Schillinger
Administrative Services Director



Clay Holstine
City Manager

Water Rates Section 13.12.020

C. It is hereby declared to be the policy of the city council to adjust the water service charges established by this section to reflect future increases in the cost of living and the cost of water supplied to the city by San Francisco Pursuant to the water service agreement between the city and San Francisco, as authorized and to the extent permitted by Section 53756 of the California Government Code. Consequently, such charges shall be subject to adjustment as follows:

1. The schedule of water service charges established by this section shall be subject to automatic adjustment pursuant to this subsection C for a period of five (5) years from the date of adoption. Thereafter, no increase in the water service charges shall be made unless such increase is adopted in accordance with the procedure set forth in Section 53755 of the Government Code pertaining to increases in charges for property-related service. Upon the adoption of each new schedule of water service charges pursuant to Section 53755, such schedule shall be effective for another five-year period and subject to automatic adjustments hereunder.
2. During the five (5) year adjustment period described in Paragraph (a), the water service charges shall automatically be increased each year by the sum of the following:
 - a. The amount of any increase charged to the city by San Francisco for the cost of water supplied to the city pursuant to the water service agreement between the city and San Francisco (the "SF Cost Increase"); plus
 - b. The percentage increase, if any, in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, All Items, for the San Francisco-Oakland Statistical Area ("CPI") published for the month nearest January first of each year as compared with the CPI published for the month nearest to January first of the immediately preceding year (the "CPI Increase"). Such increase shall be applied only to the operating expenses of the water system exclusive of the cost of water charged to the city by San Francisco pursuant to the water service agreement between the city and San Francisco.
3. An automatic increase in water service charges resulting from a SF Cost Increase shall be effective as of the next billing period following the date on which the higher water cost was imposed. An automatic increase in water

service charges resulting from a CPI Increase shall be effective as of the next billing date following the date of adjustment. At least thirty (30) days prior to the effective date of the adjustment, a notice of the increase shall be mailed to the same address to which the billing statement for water service charges is normally sent and may be included in the regular billing.

4. The city council may, by resolution, cancel the automatic increase or approve an increase below the combined total of the SF Cost Increase and the CPI Increase for any individual year during the five-year adjustment period. In no event, however, may an automatic increase result in the establishment of water service charges that exceed the cost of providing the water service.

Sewer Rates Section 13.08.020

D. Cost Increases. It is hereby declared to be the policy of the city council to adjust the sewer service charges established by this section to reflect future increases in the cost of living, as authorized and to the extent permitted by Section 53756 of the California Government Code. Consequently, such charges shall be subject to adjustment as follows:

1. The schedule of sewer service charges established by this section shall be subject to automatic adjustment pursuant to this subsection D for a period of five (5) years from the date of adoption. Thereafter, no increase in the sewer service charges shall be made unless such increase is adopted in accordance with the procedure set forth in Section 53755 of the Government Code pertaining to increases in charges for property-related service. Upon the adoption of each new schedule of sewer service charges pursuant to Section 53755, such schedule shall be effective for another five-year period and subject to automatic cost of living adjustments hereunder.
2. During the five (5) year adjustment period described in subsection (D)(1), the sewer service charges shall automatically be increased each year by the percentage increase, if any, in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, All Items, for the San Francisco-Oakland Statistical Area ("CPI") published for the month nearest January first of each year as compared with the CPI published for the month nearest to January first of the immediately preceding year (the "CPI Increase").
3. An automatic increase in sewer service charges resulting from a CPI Increase shall be effective as of the next billing date following the date of adjustment. At least thirty (30) days prior to the effective date of the adjustment, a notice of the increase shall be mailed to the same address to which the billing statement for sewer service charges is normally sent and may be included in the regular billing.
4. The city council may, by resolution, cancel the automatic increase or approve an increase below the CPI Increase for any individual year during the five-year adjustment period. In no event, however, may the CPI Increase result in the establishment of sewer service charges that exceed the cost of providing the sewer service.