

# City Council Public Hearing

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## **Water and Wastewater Rate Adjustments Public Hearing**

**January 20, 2016**

# Purpose

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- ❑ Receive and Adopt Final Comprehensive Water and Wastewater Rate Study
- ❑ Conduct Public Hearing
- ❑ Receive and Tabulate Proposition 218 Protest Letters
- ❑ Consider Adopting Resolutions Approving Water and Wastewater Rate Adjustments

# Priorities and Goals: Why?

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- ❑ Maintaining Public Health and Safety
  - ❖ Fight Fires and Protect Property
  - ❖ Provide Safe, Clean Drinking Water
  - ❖ Prevent Sewage Overflows and Spills by Addressing Aging Infrastructure
  - ❖ Maintain Reliable and Dependable Water and Wastewater Systems



# Current Status

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- ❑ Permanent State Conservation Mandate (20% reduction by 2020)
- ❑ Cost to purchase water has increased
- ❑ Water enterprise fund projected to run a deficit in FY 2016/17 and beyond
- ❑ Revenue heavily dependent on consumption while majority of costs are fixed

# Our Guiding Principles

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- ❑ Provide safe and reliable water and wastewater systems
- ❑ City can only charge for costs to deliver service
- ❑ Meet State conservation mandate
- ❑ Meet bond covenants and reserves policy
- ❑ Balance environmental and financial sustainability
  - ❖ 50% Fixed / 50% Variable Revenues
- ❑ Remove tiered rates to comply with recent court ruling

# Proposed Rate Structure

- Average Single Family Monthly Utility Bill
  - ❖ No Zone Surcharges

	Current Rates <sup>(1)</sup>	April 1, 2016	Jan 1, 2017	Jan 1, 2018	Jan 1, 2019	Jan 1, 2020
<b>Water</b>	<b>\$40.15</b>	<b>\$46.84</b>	<b>\$50.24</b>	<b>\$58.37</b>	<b>\$62.60</b>	<b>\$67.14</b>
<b>Wastewater</b>	<b>\$49.98</b>	<b>\$49.98</b>	<b>\$50.98</b>	<b>\$52.00</b>	<b>\$53.04</b>	<b>\$54.10</b>
<b>Total</b>	<b>\$90.13</b>	<b>\$96.82</b>	<b>\$101.22</b>	<b>\$110.37</b>	<b>\$115.64</b>	<b>\$121.24</b>
<b>Total Percent Increase</b>		<b>7.4%</b>	<b>4.5%</b>	<b>9.0% <sup>(2)</sup></b>	<b>4.8%</b>	<b>4.8%</b>

(1) Per Council direction, 3.5% increase for wastewater not implemented in January 2016.

(2) Higher percent increase in January 1, 2018 due to an assumed 10% increase in water consumption (conservation level drops from 30% to 20%).

# Booster Station Charges

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- Per December 2<sup>nd</sup> Council Direction
  - ❖ Electricity Costs Only
  - ❖ 50% Fixed / 50% Volumetric
    - Average User Booster Station Charge = \$3.59

## **Water: Fixed and Volumetric Surcharges**

Elevation Zone	Current Rates	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
		% Increase	4.0%	4.0%	4.0%	4.0%
<b>Fixed Monthly Surcharges (\$/customer)</b>	<b>N.A.</b>	<b>\$2.19</b>	<b>\$2.27</b>	<b>\$2.36</b>	<b>\$2.46</b>	<b>\$2.56</b>
<b>Volumetric Surcharges (\$/hcf)</b>	<b>N.A.</b>	<b>\$0.10</b>	<b>\$0.10</b>	<b>\$0.11</b>	<b>\$0.11</b>	<b>\$0.11</b>

# Lift Station Charges

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- Per December 2<sup>nd</sup> Council Direction
  - ❖ System Replacement and Electricity Costs

<b>Wastewater: <i>Fixed Surcharges</i></b>						
<b>Elevation Zone</b>	<b>Current Rate</b>	<b>FY 2015/16</b>	<b>FY 2016/17</b>	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>
	<i>% Increase</i>	--	3.6%	3.6%	3.6%	3.6%
<b>Fixed Monthly Surcharges (\$/customer)</b>	<b>\$6.16</b>	<b>\$8.46</b>	<b>\$8.77</b>	<b>\$9.08</b>	<b>\$9.41</b>	<b>\$9.75</b>



# Proposed Rate Structure

## ❑ Wholesale Cost Pass-through Provision

- ❖ Pass-through any additional increase in Santa Clara Valley Water District (SCVWD) wholesale groundwater production charges when actual SCVWD rates exceed estimated rates.

## ❑ Out-of-City Customers

- ❖ Staff recommends this surcharge be reduced from 50% to 25% to align with costs.

## ❑ Low-income Subsidy

- ❖ Per Council direction, the subsidy amount has been increased by 10% per year over next 5 years.

	<b>Current Subsidy</b>	<b>April 1, 2016</b>	<b>Jan 1, 2017</b>	<b>Jan 1, 2018</b>	<b>Jan 1, 2019</b>	<b>Jan 1, 2020</b>
	<i>% Increase</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>
<b>Water</b>	<b>\$3.63</b>	<b>\$3.99</b>	<b>\$4.39</b>	<b>\$4.83</b>	<b>\$5.31</b>	<b>\$5.85</b>
<b>Wastewater</b>	<b>\$7.60</b>	<b>\$8.36</b>	<b>\$9.20</b>	<b>\$10.12</b>	<b>\$11.13</b>	<b>\$12.24</b>

# Public Information and Outreach

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- ❑ **April 1, 2015** – Council Meeting, Council received Comprehensive Water Report
- ❑ **May 20, 2015** – Council Workshop, Water's New Normal
- ❑ **October 21, 2015** – Council Workshop, Rate Setting
- ❑ **November 4, 2015** – Council Workshop, Rate Setting
- ❑ **November 18, 2015** – Council Meeting, Rate Setting
- ❑ **December 2, 2015** – Council Meeting, Council set January 20, 2016 as Public Hearing date
- ❑ **December 5, 2015** – Notices mailed to affected property owners and rate payers
- ❑ **January 20, 2016** – Tonight's Public Hearing

*All information broadly distributed to residents through City communication channels*

# Proposition 218 Requirements

- ❑ Proposition 218 Approved by California Voters in November 1996
  - ❖ Fees may not exceed cost of service.
  - ❖ Fees may not be used for any purpose other than for which fee was imposed without a nexus to providing services related to fee.
- ❑ City is required to provide mailed notice of any property-related fee adjustment at least 45-days before holding a public hearing to consider proposed adjustment
  - ❖ Those that are opposed to the proposed rate adjustments can return the “protest” ballot that they receive in the mail.
  - ❖ If 50% +1 of customers “protest” the proposed rate adjustments, City Council cannot implement the proposed rate adjustments.

# Recommendations

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1. Receive and Adopt Final Rate Study prepared by NBS
2. Open Public Hearing and receive public comments
3. Request submission of Proposition 218 protest letters from the public/audience
4. Suspend Public Hearing and allow City Clerk, or designee, to tabulate final Proposition 218 protest letter count
5. Reconvene meeting and reopen Public Hearing
6. Receive final protest letter tally from City Clerk or designee
7. Close Public Hearing
8. Consider Adopting Resolutions Approving Water and Wastewater Rate Adjustments