

City of Brisbane

Agenda Report

To: City Council via City Manager

From: Stuart Schillinger, Administrative Services Director

Subject: Adoption Resolution 2018-05 to implement the Drought Reserve Rate for the Utility Fund

Date: February 1, 2018

Purpose:

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

Recommendation:

Adopt Resolution 2018-08 to implement the Drought Rate for the Utility System.

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 onto 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.

Proposition 218 requires that prior to any water or sewer rate increase the City mail a letter to all users of the system and the property owners. The letter needs to be mailed 45 days prior to the City Council holding a Public Hearing on the rate increase. If more than 50% of the impacted parties protest the rate increase either in writing or in person the City Council cannot implement the increase. If there is less than a 50% protest then the City Council can decide if it would like to implement the rate increase.

The current proposed rate increase is designed to create a reserve within the Utility Fund to stabilize rates during a drought. The last drought required a reduction in watering from our customers. The customers who reduced their use of water the most were landscape users. They reduced their use by over 40,000 units (each unit is 760 gallons). Overall, we used about 59,000 less units of water during

the drought. This reduced the revenue of the Utility System by approximately \$426,000 because landscape meters are charged the most per unit of water used.

The City Council's Infrastructure, Utilities, and Franchise Subcommittee reviewed this issue and on November 2, 2017 recommended a drought reserve rate to the City Council. The rate would generate about \$106,000 a year. 50% of the revenues would come from landscape users and 50% from the residential and commercial users. The cost for a landscape meter would be \$612.81 a year (or \$102.14 a per billing period), Residential/Commercial users who use more than the median amount of water during a year (72 units) would be billed \$41.91 a year (or \$6.99 per billing period), and those who use less than the median would be billed \$13.91 a year (or \$2.32 per billing period).

The City Council agreed with the Subcommittee's recommendation and directed staff to send out the proposition 218 required letter to all users and property owners.

Discussion:

The City sent the letter on December 13, 2018. This gave users and property owners more than the legally required 45 day notice of the potential rate increase. Additionally, an article appeared in the January Star informing residents and businesses about the potential rate increase and the meeting in February.

The City received five phone calls, one e-mail, and no letters concerning the increase.

- Most of those who contacted the City were wondering what the impact would be to their utility bill.
 - Staff told them the impact would be either \$2.32 or \$6.99 per billing period depending if they used more than the median amount of water used in the City for residential/commercial customers. No landscape users contacted the City.
- The other question asked was why doesn't the City increase the water rate during the drought since this would encourage people to use less water.
 - Staff responded with two reasons. First, for most people it would be counterintuitive that the less water used the more it would cost for the water. Second, since the landscape meters are turned off during a drought there would be no usage on these meters and therefore the large majority of the cost of drought would be borne by the residential and commercial users and very little would be charged to landscape users. It is the decrease in landscape watering that causes the deficit to the City during a drought and therefore they should assist in creating the reserve account. This explanation seemed to satisfy the individual.

Fiscal Impact:

The drought rate is estimated to generate approximately \$106,000 per year.

Attachment:

Resolution 2018-05



Stuart Schillinger
Administrative Services Director



Clay Holstine
City Manager

RESOLUTION NO. 2018-05

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
BRISBANE SETTING THE RATE FOR A DROUGHT RESERVE FOR
THE UTILITY FUND**

WHEREAS, the City Council finds and determines that a separate rate is necessary for ensuring the continued fiscal health of the Utility Fund during drought conditions; and

WHEREAS, a proposed schedule a drought rate to create the reserve was presented to the City Council, a copy of which is attached hereto and incorporated herein by reference; and

WHEREAS, as required by State law, notice of the proposed increased charges was given to the persons who are responsible for payment of such charges, as shown on the records of the City, which included notice of a public hearing to be conducted by the City Council at which time any protests to the proposed increases would be considered, such notice having been given at least 45 days prior to the hearing; and

WHEREAS, on February 1, 2018, the City Council conducted a public hearing on the proposed increases in sewer and water charges, at which time any person was given an opportunity to protest the same; and

WHEREAS, protests were not made by a majority of the persons who would be responsible for payment of the sewer and water charges,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Brisbane as follows:

1. The schedule of drought reserve charges attached hereto is approved (attachment A).
2. The increased sewer and water service charges shall be implemented in the bimonthly bill which will be sent to customers in May, 2018 and due in June 2018.

Mayor

I hereby certify that the foregoing Resolution No. 2018-05 was duly and regularly adopted at the regular meeting of the Brisbane City Council on February 1, 2018, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Ingrid Padilla, City Clerk

Attachment A

Residential/Commercial Meters

Units of Water used (bi monthly billing cycle)	Proposed Rate (in Dollars)
Less than Median (currently 12 units per billing cycle)	\$ 2.32
More than Median (currently 12 units per billing cycle)	\$ 6.99

Landscape Meters - \$102.14 a billing period