

STAFF REPORT

DATE: March 1, 2011
TO: City Council
FROM: Robert A. Clarke, Interim Public Works Director
SUBJECT: Proposition 218 Approval

Recommendation

Approve the mailing of the Proposition 218 notice with proposed rates that will result in the following adjustments for each utility:

1. Water - 28% water rate increase which for average single family residential customers would equate to an approximate \$9.82 monthly increase. The new rates would be effective for water used beginning August 1, 2011.
2. Sewer - 3.5% rate increase equating to a \$1.49 monthly increase for single family residential customers with average winter water consumption.
3. Sanitation - 3% rate increase which would result in a \$0.87 monthly increase for the typical single family residential customer.

Water and Sewer rates will vary customer to customer based on actual water usage. Actual rate approval will come back to Council at its May 3, 2011 meeting.

Fiscal Impact

These rates would generate revenue for anticipated operations and maintenance and needed capital projects. Water rates would generate \$14.0 million in revenue with the proposed 28% rate increase largely driven by the need to provide a revenue stream to support the planned debt service to deliver the Surface Water Project. The rate increase assumes \$6.0 million for FY 11/12 expenditures related to the surface water project and is the first in what is anticipated to be a series of significant increases over the next five years necessary to fund the construction of the surface water project.

The sewer rates will generate \$13.1 million in revenue for operations and maintenance and needed capital projects. The proposed 3.5% rate increase is largely driven by the need to support the Waste Water Treatment Plant upgrade project. The rate assumes \$5.1 million for FY 11/12 expenditures for the treatment plant upgrade project.

The sanitation rate will generate approximately \$9.3 million in revenue to support existing services. The rate increase provides additional revenue for a contractual CPI adjustment in the contract services and anticipated increased tipping fees at the Yolo County Landfill.

Council Goals

This action supports the following City Council goals;

- Maintain and improve the infrastructure
- Support the Woodland-Davis Clean Water Agency to further the surface water project and secure water right permit.
- Further the Wastewater Treatment Plant project.

Background and Analysis

Proposition 218 (Prop 218) was approved by State voters in 1996 and requires that the City give notification to all property owners of rate increases on most utilities. This notification takes the form of a mailing that includes the proposed rate, reasons for the rate increase, information on the public hearing and instructions for those who wish to protest the rate increase. If the majority of property owners protest the rate increase, then the rate increase could not be implemented.

The public hearing is scheduled for May 3, 2011. At that time, the Council would open the public hearing and consider any public testimony protesting the proposed rate increases. The Council would consider taking an action to adopt the actual rates two weeks later on May 17, 2011.

Rate Setting Schedule

The schedule for rate review and implementation is below.

| | | |
|---|-----------|--|
| City Council Prop 218 Approval | 1-Mar-11 | |
| | | |
| Proposition 218 notice mailed no later than | 18-Mar-11 | Per Prop 218 process - notices must be mailed at least 45 days before the hearing. |
| | | |
| Protest hearing | 3-May-11 | Protest Hearing - Ordinance introduced |
| | | |
| Council action on rates | 17-May-11 | Ordinance Adopted |
| | | |
| Rates become effective | 1-Aug-11 | Rates must be approved by City Council 60 days prior to their effective date. |

Water

Staff is recommending a 28% rate increase. For residential customers with average water usage, this equates to an increase from \$35.50 to \$45.32 per month or \$9.82 per month. Actual monthly expenses will vary based on customer usage.

Operations and maintenance expenses for the existing system of wells, pumps, tanks, distribution pipes and appurtenant facilities are planned to be flat. Expenses for repair and replacement capital projects are planned to be reduced by \$500,000. The rate increase is driven by the need

to support the Surface Water Project expenditures which are anticipated to be \$6M next year, and to ramp up the revenue stream necessary to support the issuance of an estimated \$142 million in debt beginning FY 12/13 to support all phases of the project.

Sanitary Sewer

Staff is recommending a 3.5% rate increase. For residential customers with average winter water consumption, the rate increases from \$42.33 to \$43.82 per month or \$1.49 per month. Actual monthly expenses will vary among customers based upon their winter water usage.

The recommended rate assumes no increase in operations and maintenance expenses, no increase in routine capital repair and replacement expenses, and \$5.1 million for the wastewater treatment plant project. The rate increase is driven by the need to increase the revenue stream slightly to support the currently estimated \$67 million debt issuance beginning in FY 13/14 when construction is expected to start.

Sanitation

Sanitation services include the pickup and disposal of garbage, recyclable materials and green waste. It also includes street sweeping services. The City contracts with Davis Waste Removal to provide these services and per the contract, rates can increase by the CPI. The CPI increase is estimated to be 3 percent and equates to a \$0.87 increase per month per single family resident.

Below is a comparison of the current and proposed monthly city utility bills for an average single family residential customer.

Rate Comparison

| | Current | Proposed | Difference |
|-------------------------------|-----------------|-----------------|----------------|
| Sanitary Sewer ⁽¹⁾ | \$42.33 | \$43.82 | \$1.49 |
| Water ⁽²⁾ | \$35.50 | \$45.32 | \$9.82 |
| Sanitation | \$28.87 | \$29.74 | \$0.87 |
| Totals | \$106.70 | \$118.88 | \$12.18 |

⁽¹⁾ Based on city average winter water consumption of 8.34 ccf.

⁽²⁾ Rates based on city average water consumption of 16 ccf.

Attachments

1. Proposed Water Rates
2. Proposed Sewer Rates
3. Proposed Sanitation Rates

**City of Davis
Proposed Water Rates
Beginning August 1, 2011**

SCHEDULE OF BASE RATE CHARGES. Effective August 1, 2011, the monthly base rate for all accounts, with the exception of Condominium Common area customer accounts, independent of water consumption shall be as follows:

| Base Rate by Meter Size | Current | Proposed 11/12 |
|--------------------------------|----------------|-----------------------|
| 5/8" or 3/4" | \$11.50 | \$14.60 |
| 1" | \$16.20 | \$20.60 |
| 1 1/2" | \$27.90 | \$35.50 |
| 2" | \$42.00 | \$53.30 |
| 3" | \$80.00 | \$100.90 |
| 4" | \$122.00 | \$154.40 |
| 6" | \$238.00 | \$303.10 |
| 8" | \$379.00 | \$481.50 |

SCHEDULE OF METERED RATE CHARGES. For water usage beginning September 1, 2010, the bi-monthly water consumption charge for all metered rate customers shall be as follows:

| Consumption Rates | | Current | 11/12 Proposed |
|--|-------------------|--------------------|-----------------------|
| User Classification | Use Tiers | Unit Charge | Unit Charge |
| Single Family Residential (use per dwelling unit) | Tier 1: 0-36 hcf | \$ 1.50 | \$ 1.92 |
| | Tier 2: >36 hcf | \$ 1.90 | \$ 2.43 |
| Multifamily Residential (use per dwelling unit) | Tier 1: 0-14 hcf | \$ 1.42 | \$ 1.82 |
| | Tier 2: >14 hcf | \$ 1.90 | \$ 2.43 |
| Small Commercial/Industrial (use per account) | Tier 1: 0-115 hcf | \$ 1.41 | \$ 1.80 |
| | Tier 2: >115 hcf | \$ 1.90 | \$ 2.43 |
| Large Commercial/Industrial (use per account) | Tier 1: 0-619 hcf | \$ 1.51 | \$ 1.93 |
| | Tier 2: >619 hcf | \$ 1.90 | \$ 2.43 |
| Irrigation (use per acre) | Tier 1: 0-363 hcf | \$ 1.41 | \$ 1.80 |
| | Tier 2: >363 hcf | \$ 1.90 | \$ 2.43 |
| Municipal Water Usage | All consumption | \$1.41 | \$1.80 |

City of Davis
FY 2011/12 Proposed Sewer Rate Schedules

Users are charged a basic flat rate plus a variable charge. The variable charge is based on the average of the previous year's water use for the months of November through February (winter water usage) measured in hundreds of cubic feet (ccf) and multiplied by the variable rate below.

Residential

| | Current Rate | | | Proposed 11/12 | | |
|---------------------|--------------------------------|----------|----------|--------------------------------|----------|----------|
| | Fixed Charges & Variable Rates | | | Fixed Charges & Variable Rates | | |
| | Per account | Per unit | Variable | Per account | Per unit | Variable |
| Single Family | \$2.68 | \$18.46 | \$2.54 | \$2.77 | \$19.11 | \$2.63 |
| Single Family Condo | \$2.68 | \$14.05 | \$2.54 | \$2.77 | \$14.55 | \$2.63 |
| M2 Duplex | \$2.68 | \$14.05 | \$2.54 | \$2.77 | \$14.55 | \$2.63 |
| M3 Triplex | \$2.68 | \$15.45 | \$2.54 | \$2.77 | \$16.16 | \$2.63 |
| M4 Quadplex | \$2.68 | \$15.62 | \$2.54 | \$2.77 | \$16.25 | \$2.63 |
| M5 5+units | \$2.68 | \$10.55 | \$2.54 | \$2.77 | \$10.97 | \$2.63 |
| MH Mobile Homes | \$2.68 | \$10.92 | \$2.54 | \$2.77 | \$11.31 | \$2.63 |

Commercial and Industrial

| Commercial Classes | Current Rates | | Proposed 11/12 | |
|------------------------------|---------------|----------|----------------|----------|
| | Basic | Variable | Basic | Variable |
| | \$/mo acct | \$/ccf | \$/mo acct | \$/ccf |
| C1 Office/Retail | \$2.68 | \$4.48 | \$2.77 | \$4.64 |
| C2 Laundry | \$2.68 | \$4.55 | \$2.77 | \$4.71 |
| C3 All Other | \$2.68 | \$4.48 | \$2.77 | \$4.64 |
| C4 Conv. Hosp. | \$2.68 | \$4.69 | \$2.77 | \$4.86 |
| C5 Auto/Srv Station | \$2.68 | \$4.78 | \$2.77 | \$4.95 |
| C6 Restaurants | \$2.68 | \$6.40 | \$2.77 | \$6.62 |
| C7 Industrial ⁽¹⁾ | \$2.68 | \$4.81 | \$2.77 | \$4.97 |

⁽¹⁾ For Industrial uses, the rate will be calculated on an individual basis using the same BOD, TSS, and flow rates as the other commercial classes.

Premises Outside the City

(a) The rates to be charged for city sewer furnished to individual premises outside the city shall be the same as those established for premises within the city, plus a surcharge of twenty percent.

(b) In those cases where, by special agreement with the county, service is provided to areas outside the city through systems within a county service area, the rates to be charged shall be the same as city customers.

CITY OF DAVIS CUSTOMER RATES FOR WASTE MANAGEMENT SERVICES EFFECTIVE AUG. 1, 2011

A. Individually serviced residents shall pay the following fees:

per month
 (1) Curbside collection: \$29.74
 (2) Handicapped service: \$29.74

(3) No garbage collection (all other sanitation services except actual garbage collection): \$17.73

(4) An individually serviced residence that is to be vacant for sixty days or more shall be entitled to the "no garbage" rate of subparagraph (4), providing notification is given to the City prior to occurrence of the vacancy.

C. Businesses and communally serviced residences shall pay the following fees:

(1) Commercial cart and bin service, dollar cost per month:

CART SERVICE

| LEVEL OF SERVICE CART | MID-WEEK | SAT | ALL MD-WK | 1X/WK +SAT | 2X/WK +SAT | 3X/WK +SAT | 4X/WK +SAT | 5X/WK +SAT | 6X/WK +SAT |
|-----------------------|----------|--------|-----------|------------|------------|------------|------------|------------|------------|
| 1 | 55.54 | 59.18 | 100.21 | 105.71 | 150.34 | 155.85 | 202.34 | 209.63 | 254.34 |
| 2 | 98.39 | 103.88 | 187.71 | 195.01 | 282.56 | 289.86 | 381.46 | 388.37 | 470.38 |
| 3 | 135.74 | 146.69 | 262.45 | 282.56 | 398.29 | 414.73 | 532.30 | 548.77 | 664.50 |
| PER EXTRA CART | 37.72 | 43.20 | 75.12 | 87.91 | 116.12 | 125.25 | 151.21 | 160.78 | 194.48 |

BIN SERVICE

| LEVEL OF SERVICE YARDS | MID-WEEK | SAT | ALL MD-WK | 1X/WK +SAT | 2X/WK +SAT | 3X/WK +SAT | 4X/WK +SAT | 5X/WK +SAT | 6X/WK +SAT |
|------------------------|----------|--------|-----------|------------|------------|------------|------------|------------|------------|
| 1 | 86.62 | 99.48 | 164.26 | 177.06 | 247.40 | 260.18 | 331.74 | 345.30 | 419.10 |
| 1.5 | 118.16 | 133.11 | 219.98 | 232.76 | 341.90 | 356.51 | 458.34 | 471.13 | 569.27 |
| 2 | 144.16 | 166.11 | 281.16 | 301.22 | 419.94 | 441.88 | 562.37 | 582.49 | 704.84 |
| 2.5 | 179.33 | 199.42 | 342.32 | 364.29 | 519.93 | 541.86 | 695.69 | 717.63 | 873.43 |
| 3 | 214.49 | 236.42 | 407.16 | 429.07 | 618.11 | 643.65 | 832.80 | 854.74 | 1,041.88 |
| 4 | 281.16 | 310.39 | 534.99 | 567.88 | 812.65 | 845.58 | 1,086.63 | 1,117.66 | 1,360.57 |
| 5 | 344.13 | 384.35 | 666.47 | 704.84 | 1,008.99 | 1,049.19 | 1,349.56 | 1,389.81 | 1,686.51 |
| 6 | 410.79 | 458.34 | 796.20 | 838.27 | 1,205.31 | 1,249.17 | 1,608.93 | 1,654.59 | 2,012.32 |
| PER EXTRA YARD | 62.38 | 67.85 | 122.99 | 132.17 | 187.35 | 192.81 | 247.98 | 257.13 | 306.82 |
| EA. COMPACTED YD | 66.74 | 72.23 | 131.82 | 139.12 | 200.49 | 204.17 | 265.53 | 272.88 | 330.60 |

(2) The following special provisions apply to the above cart and bin rates:

- (a) The above rates are for containers no fuller than level full.
 - (b) Containers located at multiple stations on one occupancy shall be considered separate services, unless locations and access to multiple stations expedite waste collection.
 - (c) Containers in difficult-to-service locations shall be serviced at a surcharge rate negotiated between subscriber and City or its fully authorized agent.
 - (d) Containers filled or holding compacted garbage cubes will be charged weight maintenance surcharge per above per month, in addition to respective service level rate.
- (3) Commercial no garbage billing (all services except actual garbage collection): \$17.73
- (4) A vacant business or communally serviced residence shall be entitled to "no garbage" rate, providing notice is given to City at the start of vacancy.

B. Dropbox service, cost per unit of service:

| LEVEL OF SERVICE YARDS | PER PICK UP |
|--------------------------------------|-------------|
| ** DOES NOT INCLUDE LANDFILL FEES ** | |
| 10 YARDS | \$145.22 |
| 20 YARDS | \$145.22 |
| 30 YARDS | \$176.91 |
| 40 YARDS | \$231.50 |
| 50 YARDS | \$306.38 |
| CUSTOMER OWED COMPACTOR | \$207.40 |

NO GARBAGE SERVICE

| LEVEL OF SERVICE | PER MONTH |
|------------------|-----------|
| NONE | \$17.73 |