



CITY COUNCIL AGENDA REPORT

Meeting Date: 10/6/2022

From: Stuart Schillinger, Assistant City Manager

Subject: Adoption of Resolution 2022-XX implementing Prop 218 mailing for water and sewer rate increase

Community Goal/Result

Fiscally Prudent - Brisbane's fiscal vitality will reflect sound financial decisions, which also speak to the values of the community

Purpose

Provide for clean drinking water and wastewater collection that ensures wastewater is properly treated before being released.

Recommendation

Adopt Resolution 2022-XX setting the rate for the second Capital Charge for water and wastewater services.

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 notify 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.

In April of 2014 the City Council approved a policy to create a Capital Charge to pay for Capital Improvements need for the water and sewer systems. The Capital Charge would pay for the needed projects on the City's Capital Improvement Plan. The plan delineates the need for approximately \$5,000,000 worth of projects every five years. The Council in 2014 approved a policy of placing a new Capital Charge on the water and sewer bill four times over a twenty year period. It is time to place the second charge on the bills. The charge should have been placed on the bills in 2020 but due to the impacts of COVID staff determined that it was better to delay some of the projects instead of increasing rates during the beginning of a pandemic.

The City Council's Infrastructure Committee has been reviewing the work of our water and sewer rate consultant Lechowicz and Tseng Municipal Consultants. They are reviewing the

need for an operational rate increase. The City has not done an operational rate increase since 2012. The Committee is reviewing their study and a recommendation regarding a need for an operational rate increase will be presented in the fall. However, the Committee recommends the City Council continue with policy of implementing Capital Charges to pay for Capital projects in an earlier time frame to ensure our capital projects are not delayed.

On July 7, 2022 City Council directed staff to mail out the Proposition 218 notice to property owners and users of the system. Staff mailed these letters out to the public on August 5th. This meets the requirement of sending the letters out a minimum of 45 days prior to today's public hearing (76 prior). The letter was sent out with paragraphs in Spanish and Chinese included which explained what was included in the letter and where a translated version could be found.

Discussion

The Committee in 2014 discussed a couple of issues related to the Capital Charge. First it wanted to match the useful life of the improvements to the users who will be paying for them. The projects proposed on our Capital Plan have a minimum of a 20 -30 year life span. The Charge is a flat charge over the life of the improvements. So as inflation increases the relative cost to the use of the Capital Charge decreases. The Capital Charge proposed is at the same rate as the existing charge.

The Committee in 2014 reviewed the issue of ensuring that the proper amount of revenue was collected to pay for the projects. The Committee determined a tiered rate system based on water used made the most sense however it did not want to have large fluctuations caused by increasing and decreasing water usage. The committee determined it was appropriate to have a narrow range for the charge \$10 -\$65. Higher water users would pay more since higher usage cause the need for a larger system and more wear and tear on the system. However, since these are long lasting capital projects that benefit all users there should not be a large disparity between large water users and small water users.

The proposed rate structure is shown in Attachment 1.

As stated in the background we will need to mail a letter letting our property owners and our utility users know about the proposed rate increase. If more than 50% of the property owners and utility users protest the rate increase it cannot be imposed and the City will not be able to complete the necessary projects to ensure the continued ability to provide clean drinking water and safe conveyance of wastewater to the treatment plan.

The projects that will be completed with this round of funding are:

- Lift Station Condition Assessment and Hydraulic Evaluation
- Sewer Pipeline Replacements
- Glen Park Pump Station Upgrade

- SCADA System Replacement
- Water Meter AMI (Advanced Metering Infrastructure) System
- Water Pipeline Replacements

The City received 5 contacts related to the letter.

- 1) Related to how the letter was addressed. This was easily resolved. The address was taken from the County's Assessor Parcel role.
- 2) Resident wanted more information on the projects being funded. Staff returned the call and spoken with the resident. The resident was satisfied and very interested in the Water Meter replacement project. He stated he thought replacing the meters with meters that were continuously reading water usage would assist the residents and the City better determine when a leak is happening. He had this happen on another home he lived in and it detected the leak months before he would have found it.
- 3) Resident wanted to know if the projects were system wide or focused in one area. Staff explained the projects are city-wide (ie. Water Meter Replacement, SCADA System Replacement, and water and sewer line replacements).
- 4) Resident wanted to know what the impact on their bill would be. Staff spoke with the resident and discussed their particular bill and how the rate would be charged.
- 5) We received 1 e-mail with a number of questions which the City responded to in writing. The response is included as an attachment.

Fiscal Impact

The second phase of the Capital Charge raise approximately \$350,000 a year. The cost for a customer who uses 10 units of water (approximately 7,480 gallons) every two months, would be \$35 per bill or \$210 a year.

Measure of Success

The City is able to maintain its infrastructure to provide clean drinking water and transmit its wastewater as required by law.

Stuart Schillinger

Stuart Schillinger, Assistant City Manager

Clayton L. Holstine

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	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

Questions from the Public

- 1) Priority of Capital Projects
- 2) Estimated start month or year of projects
- 3) Estimated cost of projects
- 4) Estimated phase of Capital Project Plan
- 5) What is the breakdown of users in each category?
- 6) What was the basis of for the rate structure?
- 7) How does the City determine everyone is paying their fair share for the cost of the service?

Answer to questions 1, 2, 4

The City adopted a 20 year Water and Sewer Master Plan in 2015. The master plan is phased in over the full 20 years with projects being done in 5-year increments. The projects listed this time are from that original master plan and was reviewed by the City Council at their most recent Capital Project Review last year. This is the second phase of the four phase plan. All of these have similar priorities for this five year time period. The estimated cost of these projects were included in the capital project program.

Answer to question 3

Lift Station Condition Assessment and Hydraulic Evaluation – Will evaluate current capacity, update hydraulic model, evaluate capacity of lift station compared to flow projections, and perform flow monitoring to evaluate infiltration -\$100,000

Sewer Pipeline Replacements – Conduct regular replacement of Sewer Pipelines before the end of their expected life to avoid the cost and inconvenience of emergency shutoffs and repairs. \$330,000

Glen Park Pump Station Upgrade – Upgrade the booster pump station in order to modernize the facility and increase the capacity of the station to match current recommended water tank refill rates. \$2,600,000

SCADA System Replacement – Replace outdated Supervisory Control and Data Acquisition (SCADA) system with a new system. Allows the management of all water pumps from a centralized location rather than dispatching employees to each pump station. \$682,000

Water Meter AMI (Advanced Metering Infrastructure) System – Replace an aging meter infrastructure with meters that can be read remotely reducing meter reading time, decrease water loss, and provide real-time water use information to customers \$1,500,000

Water Pipeline Replacements - Conduct regular replacement of Water Pipelines before the end of their expected life to avoid the cost and inconvenience of emergency shutoffs and repairs.
\$500,000

Answer to question 5

It is difficult to say how many accounts fall into each category since it changes from year to year based on use.

The rates impact both residential and commercial customers.

Answer to question 6

The rates were set based on the amount of revenue that was needed to be received in order to pay for the projects over a twenty year period (the expected life of the projects). Accounts that use more water and produce more wastewater require the City to size the system for the greater use and therefore should take on a greater portion of the burden of maintaining the system. This is the reason the City Council determined to have higher users pay a greater amount.

Answer to question 7 (sent subsequent to first 6

To answer you subsequent question about how are we sure that people are paying their fair share of the costs. The City is currently conducting a water and wastewater fee study. The results of this will be presented at a future Council Meeting. The company studying this will present the issue of why the rates are set the way they are and that no user of the system is responsible for another users costs.

RESOLUTION NO. 2022-xx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE SETTING THE RATE FOR A CAPITAL FOR WATER AND SEWER SERVICES

WHEREAS, the City Council finds and determines that a separate rate is necessary for ensuring water and sanitary sewer capital projects are completed; and

WHEREAS, as required by State law, notice of the proposed increased charges was given to the person who are responsible for payment of such charges, as shown on the records of the City, which included notice of 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 October 6, 2022 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 capital fee 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 March 2023

Attachment A

Number of Units	Proposed Rate (in Dollars)
0	10
1	12.5
2	15
3	17.5
4	20
5	22.5
6	25
7	27.5
8	30
9	32.5
10	35
11-19 units	38
20-40 units	50
>40 units	65