



CITY COUNCIL AGENDA REPORT

Meeting Date: 7/14/2022

From: Stuart Schillinger, Assistant City Manager

Subject: 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

To direct staff to begin the Proposition 218 process for setting a rate for capital improvements for the water and sewer system.

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.

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

Fiscal Impact

The cost for a customer who uses 10 units of water per billing cycle (every two months) would be \$35 per bill or \$210 per 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