

TO: James L. App, City Manager
FROM: Doug Monn, Public Works Director
SUBJECT: Adoption of Proposed Water Rate Structure
DATE: September 2, 2008

NEEDS: For the City Council to conduct a public hearing, and if there is no majority protest, consider introduction of an ordinance establishing a revised water rate structure.

- FACTS:**
1. The City hired the firm of Kennedy/Jenks Consultants to thoroughly review the City's costs of providing water service to existing customers and to suggest alternative rate structures to provide sufficient revenues to cover such costs.
 2. On July 1, 2008, the City Council considered three alternative water rate structures and selected a combined fixed and variable rate structure as the one to be proposed for adoption. Council also instructed staff to provide the notices required by Proposition 218 regarding the proposed water rates.
 3. Notices were mailed to all property owners and water customers on July 2, 2008, explaining the reasons for the proposed water rates and describing the manner in which protests could be filed.
 4. On August 19, 2008, City Council continued the public hearing and extended the Proposition 218 protest period to September 2, 2008.
 5. Proposition 218 requires that a public hearing be held no less than 45 days after the notices are mailed. In order to be valid, a protest must be signed by the property owner or water customer and contain the service address or assessor's parcel number; only one protest may be counted per parcel.

**ANALYSIS &
CONCLUSION:**

A thorough analysis of the revenue needs associated with operations of the City's water system for its existing customers has been prepared and is documented in the report entitled "Water Rate and Revenue Analysis Revised Final Report" by Kennedy/Jenks Consultants dated August 27, 2008.

Details about the proposed water rate structure are included in the attached report. In summary, the recommended water rate structure would have both a fixed monthly rate and a variable component, and would provide a tiered structure. The fixed rate component would be based on meter size. Single-family residences use either a 5/8" or 3/4" meter; other uses require larger meters. As shown on the table below, the fixed-rate component for a single-family home would not increase from the current rate of \$18 until 2010, when it would rise to \$19.98, and gradually increase annually to 2013.

Under the proposed structure, the variable component would depend on the amount of water actually used. Water usage is measured in increments of "hundred cubic feet," or HCF, which equals 748 gallons. For a single-family residence, there would be one rate for up to 5 HCF and a higher rate over 5 HCF. Currently, a single-family residence pays \$1.28 per HCF.

By way of comparison, a single-family residence that uses 30 HCF per month currently pays \$56.40 per month (\$18.00 fixed rate plus \$38.40 for 30 HCF). Under the proposed rate structure, this same household would pay \$92.90 in 2009; \$143.43 in 2010; and \$164.63 in 2011.

The proposed rate structure for all types of usage is depicted in the table below:

Water Rate Structure

Meter Size (inches)	Proposed Monthly Fixed Rates				
	2009	2010	2011	2012 ¹	2013
5/8" & 3/4"	\$18.00	\$19.98	\$22.48	\$24.95	\$24.95
1"	\$25.20	\$27.97	\$31.47	\$34.93	\$34.93
1-1/2"	\$32.40	\$35.96	\$40.46	\$44.91	\$44.91
2"	\$52.20	\$57.94	\$65.18	\$72.36	\$72.36
3"	\$198.00	\$219.78	\$247.25	\$274.45	\$274.45
4"	\$252.00	\$279.72	\$314.69	\$349.30	\$349.30
6"	\$378.00	\$419.58	\$472.03	\$523.95	\$523.95
8"	\$522.00	\$579.42	\$651.85	\$723.55	\$723.55
Proposed Consumption Charge (\$/HCF)					
All Customers Except Single Family					
All usage	\$2.56	\$4.22	\$4.86	\$5.00	\$5.15
Single Family Customers					
0-5 HCF	\$2.18	\$3.59	\$4.13	\$4.25	\$4.39
> 5 HCF	\$2.56	\$4.22	\$4.86	\$5.00	\$5.15

Note: HCF = 100 cubic feet, or 748 gallons.

Many factors were taken into account in proposing Paso Robles' water rates and charges. Some noteworthy considerations are:

- Currently, the fixed rate component of the water rate structure is the same regardless of whether a customer has a 5/8-inch meter (as is typical for a single family residence) or a 2-inch meter needed for a business with greater water needs. Much of the water system component sizing and costs relate to delivery capacity, so it stands that customers with higher potential water demand (i.e. larger meters) pay a corresponding higher portion of the share in monthly costs. In keeping with the principle that consumers should pay their fair share of costs, the recommended fixed rate component is higher for larger meters.

¹ Both the fixed and variable rates would be subject to adjustment on January 1, 2012 and each January 1 thereafter, by the increase in the Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-San Jose region as reported by the Bureau of Labor Statistics for the 12 months ending October 31 of the prior year.

ORDINANCE NO. XXX N.S.

AN ORDINANCE OF THE CITY OF EL PASO DE ROBLES
AMENDING SECTIONS 14.04.020 AND 14.16.020 OF THE CITY OF EL PASO DE
ROBLES MUNICIPAL CODE TO ADJUST WATER USER FEES

WHEREAS, the City Council has adopted the Integrated Water Resources Plan and approved participation in the Nacimiento Water Project to help assure a high quality and continuous supply of water to its citizens; and

WHEREAS, current water rates and water capacity charges generate revenues to provide drinking water to residents and businesses from ground water with an allowance for a portion of initial Nacimiento Water Project expenditures; and

WHEREAS, the existing water rates were set before the costs of the Nacimiento Water Project were fully known; and

WHEREAS, the water to be provided by the Nacimiento Water Project and the associated improvements to the City water system are necessary to improve quality and supplement the limited ground water supply especially during peak summertime demand periods, and also to provide adequate distribution, treatment, and water storage capacity; and

WHEREAS, the Nacimiento Water Project infrastructure is designed to have the capacity to serve both existing City water customers as well as those resulting from new development; and

WHEREAS, the City hired the firm of Kennedy/Jenks Consultants to undertake a comprehensive review of the City's water rate revenues and costs of water operations (the "Water Rate Study") ; and

WHEREAS, the Water Rate Study recommends that the costs of capital improvements and water utility operating expenses be paid for with a combination of (i) water rates that are charged to existing customers and (ii) water connection fees/capacity charges that are charged for new development; and

WHEREAS, the City Council believes a combination of a fixed and variable rate structure is the most equitable method of helping pay for a reliable, well-maintained, infrastructure system and reliable water source; and

WHEREAS, the City Council, on July 1, 2008, authorized staff to mail the notices required by Proposition 218 to all property owners and water customers and on August 19, 2008, continued the public hearing on the proposed adoption of the new water rates to September 2, 2008; and

WHEREAS, notices were mailed to all property owners and water customers on July 2, 2008; and

WHEREAS, at the public hearing on September 2, 2008, the Deputy City Clerk attested that written protests by the owners of a majority of the affected properties had not been presented; and

WHEREAS, the staff report and the Water Rate Study, and other public and written testimony presented at the public hearing are incorporated herein by reference;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES ORDAIN AS FOLLOWS:

SECTION 1. Subdivision C of Section 14.04.020 of the Paso Robles Municipal Code is hereby amended to read as follows:

“C. FEES—WATER USAGE RATES. The monthly rates to be charged and collected for all water consumption including bulk water delivery, or fire hydrant usage from every person, school, firm, or corporation shall be charged at rates established by ordinance of the City Council and adopted in accordance with the procedures required by law.

Effective January 1, 2009, the rate for water users shall be a combination of a fixed rate, based on meter size, and a variable rate, based on consumption. The fixed and variable rate components shall be further adjusted every January 1st thereafter as set forth in the following table:

Meter Size (inches)	Proposed Monthly <u>Fixed Rates</u>				
	2009	2010	2011	2012 ¹	2013
5/8" & 3/4"	\$18.00	\$19.98	\$22.48	\$24.95	\$24.95
1"	\$25.20	\$27.97	\$31.47	\$34.93	\$34.93
1-1/2"	\$32.40	\$35.96	\$40.46	\$44.91	\$44.91
2"	\$52.20	\$57.94	\$65.18	\$72.36	\$72.36
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> 5 HCF	\$2.56	\$4.22	\$4.86	\$5.00	\$5.15

Beginning January 1, 2012 and each January 1 thereafter, the fixed and variable rate components established in this section each shall be modified annually by the increase in the Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-

¹ Both the fixed and variable rates would be subject to adjustment on January 1, 2012 and each January 1 thereafter by the increase in the Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-San Jose region as reported by the Bureau of Labor Statistics for the 12 months ending October 31 of the prior year.

San Jose Region as reported by the Bureau of Labor Statistics for the 12-month period ending the prior October 31st.

The water usage fees shall further be reviewed no less than biennially in conjunction with the update of the City's budget to ensure that the water capacity charges then in existence do not exceed the costs of providing water service within the City.

SECTION 2. Severability

If any action, subsection, sentence, clause or phrase of this ordinance is, for any reason, held by a court of competent jurisdiction to be invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of this ordinance.

SECTION 3. Publication

The City Clerk will certify to the passage of this Ordinance by the City Council of the City of El Paso de Robles, California, and cause the same to be published once in a newspaper of general circulation, published and circulated in the City of El Paso de Robles.

SECTION 4. Effective Date.

This Ordinance will take effect thirty (30) days after its final passage.

Introduced at a regular meeting of the City Council held on September 2, 2008 for first reading by the City Council of the City of El Paso de Robles, and adopted on the 16th day of September, 2008 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Deborah Robinson, Deputy City Clerk