

TO: City Council
FROM: Doug Monn, Public Works Director
SUBJECT: Commercial Sewer Bills
DATE: April 3, 2012

NEEDS: For the City Council to consider options to account for irrigation water use by certain existing commercial sewer customers.

FACTS:

1. City Council adopted Ordinance No. 975 on December 6, 2011. The ordinance established a volume-based sewer rate structure. The new rates become effective July 1, 2012.
2. The ordinance established monthly sewer bills for residential sewer customers based on average winter water use; because residential wastewater generation volumes are consistent throughout the year and residential customers do not have separate irrigation water meters.
3. The ordinance established sewer bills for all non-residential (commercial) customers based on each month's water use (i.e., the sewer bill will fluctuate month-to-month); because wastewater generation by commercial customers fluctuates throughout the year, according to changes in business activity, and because many commercial customers have exercised the option of installing separate irrigation water meters.
4. In conjunction with adoption of Ordinance No. 975, City Council requested staff evaluate alternative methods of accounting for irrigation water use at existing businesses that do not have separate irrigation water meters, and bring back options for Council review and consideration.

ANALYSIS &
CONCLUSION:

The City does not require installation of separate irrigation water meters for commercial development. The developer generally weighs all costs and benefits in deciding whether to install a separate irrigation water meter. Most large commercial developments with large irrigation demands (e.g., hotels) have separate irrigation water meters. Approximately 20% of all existing commercial customers have separate landscape irrigation water meters. Sewer bills do not apply to landscape water meter accounts, so these customers' sewer bills are based purely on their indoor water use.

The remaining 80% of existing commercial customers are typically small to medium-sized businesses that may not have a high total water demand, and do not have separate irrigation water meters. Up to 650 customer accounts are in this category. Examples include the many downtown businesses that have little or no landscaping. Business activity at most of these establishments fluctuates

throughout the year and outdoor water use is negligible, so it is appropriate for sewer bills to be based on each month's water use.

However, there are some commercial customers in this category that use high volumes of water for irrigation during the dry season. An example is a dentist's office with an irrigated front yard that uses an average of 30 units of water per month during the cool and wet months of November through April, but uses an average of 68 units per month during the warm and dry months of May through October. These customers include professional offices located in former residential areas, such as the offices lining Vine Street, between 10th and 14th Streets. These areas are zoned Office Professional. For these customers, it would be appropriate to treat them like residential customers and base sewer bills on average winter water use.

City Council should establish policy for addressing commercial customers. Here are three options for your consideration:

Option 1: Waive Connection Fees for Installation of Irrigation Water Meters by Existing Commercial Customers

When the City of San Luis Obispo changed to a volume-based sewer rate structure, it decided not to charge existing commercial customers for the connection fees associated with installation of a landscape irrigation water meter, if the irrigation meter is solely necessary to exclude irrigation water for the purpose of sewer billing. The City of San Luis Obispo only charges for staff time and materials necessary to install the landscape irrigation water meter.

Doing this in Paso Robles would mean that existing commercial customers who choose to install a separate irrigation water meter would pay approximately \$7,000 to \$10,000 for the labor and materials necessary to install the separate water meter and necessary backflow prevention device, but would not pay the City's water connection fee. The City would forgo approximately \$7 million connection fee revenue.

Available water system capacity could be affected because installing an additional water meter increases a property's capacity to draw water from the City's water system. The City would have no control of any additional demand for irrigation water. In order to maintain adequate supply for fire protection and other uses, the City might have to increase the capacity of some portions of the water distribution system.

Option 2: Continue to Assess Connection Fees for Installation of Irrigation Water Meters by Existing Commercial Customers

This option would maintain the status quo of assessing connection fees for all water meters.

If a typical existing commercial customer were to install a separate landscape irrigation water meter, it would likely be $\frac{3}{4}$ inch or 1 inch in size. Per Resolution No. 09-032, the City's connection fees for a $\frac{3}{4}$ inch and 1 inch water meter are \$17,750 and \$29,640, respectively. In total, the commercial customer would pay

between \$25,000 to \$40,000 for the labor, materials, and connection fee for the separate irrigation meter.

Option 3: Base Sewer Bills for Commercial Customers in Areas Zoned Office Professional on Winter Water Use

Wastewater generation by businesses in areas zoned Office Professional does not fluctuate greatly throughout the year like other commercial establishments. Professional offices tend to generate consistent amounts of wastewater throughout the year, similar to households. Furthermore, these businesses are often located on converted residential properties that have landscaped yards and were originally set up with only one water meter for both indoor uses and landscape irrigation. For these reasons, it would be appropriate to base sewer bills for commercial customers in areas zoned Office Professional on average winter water use, as with residential customers.

There are approximately 100 properties in and around the downtown area that are zoned Office Professional. These areas include South Vine Street, Vine Street between 10th and 14th Streets, 12th Street, 13th Street, and Spring Street between 18th and 21st Streets.

POLICY

REFERENCE: "Pay for what you use"

FISCAL

IMPACT:

Option 1 would result in lost water connection fee revenue. Option 1 would require some up-front costs for customers for labor and materials necessary to install separate landscape irrigation water meters, but would result in lower monthly sewer bills.

Option 2 maintains the City's current practice of collecting water connection fees. Option 2 would require greater up-front costs to customers, but also result in lower monthly sewer bills.

Option 3 has the least financial impact on customers and the City Water Fund. Option 3 would result in lower monthly sewer bills for commercial customers in areas zoned Office Professional.

All three options presented should have little or no fiscal impact on the Sewer Fund. The City's new sewer rates are based on the volume of wastewater received at the wastewater treatment plant, which does not include irrigation water used by commercial customers.

OPTIONS:

- a. Adopt Resolution No. 12-AAA, to waive connection fees for installation of irrigation water meters by existing commercial customers;
- b. Do nothing, thereby continue to assess connection fees for installation of irrigation water meters by existing commercial customers;

- c. Adopt Resolution No. 12-BBB, to direct staff to take steps necessary to amend Ordinance No. 975 to base sewer bills for commercial customers in areas zoned Office Professional on average winter water use;
- d. Amend, modify or reject the above options.

ATTACHMENTS:

- 1. Resolution No. 12-AAA
- 2. Resolution No. 12-BBB

Report prepared by Matt Thompson, Wastewater Division Manager

RESOLUTION NO. 12-AAA

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
TO WAIVE CONNECTION FEES FOR INSTALLATION OF IRRIGATION WATER METERS BY
EXISTING COMMERCIAL CUSTOMERS

WHEREAS, City Council adopted Ordinance No. 975 on December 6, 2011. The ordinance established a volume-based sewer rate structure.

WHEREAS, Ordinance No. 975 established monthly sewer bills for residential sewer customers based on average winter water use; because residential wastewater generation rates are consistent throughout the year and residential customers do not have separate irrigation water meters.

WHEREAS, Ordinance No. 975 established sewer bills for all non-residential (commercial) customers based on each month's water use (i.e., the sewer bill will change month-to-month); because wastewater generation by commercial customers fluctuates throughout the year, according to changes in business activity, and because many commercial customers have exercised the option of installing separate irrigation water meters.

WHEREAS, there are some existing commercial sewer customers that use high volumes of water for irrigation during the dry season, but do not have separate irrigation water meters.

WHEREAS, City Council considered various options for accounting for irrigation water use by existing commercial sewer customers at its regular meeting on April 3, 2012.

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

Section 1. An "existing commercial sewer customer" is a person or organization that holds an account for an improved property that has City of Paso Robles water and sewer service prior to the adoption date of this resolution. This may include a new owner of an existing improved property. Developers of new commercial projects are not eligible for this waiver because they may cost-effectively install separate irrigation water meters during project development.

Section 2. If an existing commercial sewer customer installs a separate landscape irrigation water meter, and the water meter is solely necessary to exclude irrigation water for the purpose of sewer billing, the water connection fees contained in City Council Resolution No. 09-032 shall be waived for that water meter. The customer shall remain responsible for the labor and materials necessary to install the separate water meter and necessary backflow prevention device.

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 3rd day of April 2012.

AYES:
NOES:
ABSTAIN:
ABSENT:

Duane Picanco, Mayor

ATTEST:

Caryn Jackson, Deputy City Clerk

RESOLUTION NO. 12-BBB

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
TO BASE SEWER BILLS FOR NON-RESIDENTIAL CUSTOMERS IN AREAS ZONED OFFICE
PROFESSIONAL ON WINTER WATER USE

WHEREAS, City Council adopted Ordinance No. 975 on December 6, 2011. The ordinance established a volume-based sewer rate structure.

WHEREAS, Ordinance No. 975 established monthly sewer bills for residential sewer customers based on average winter water use; because residential wastewater generation rates are consistent throughout the year and residential customers do not have separate irrigation water meters.

WHEREAS, Ordinance No. 975 established sewer bills for all non-residential (commercial) customers based on each month's water use (i.e., the sewer bill will change month-to-month); because wastewater generation by commercial customers fluctuates throughout the year, according to changes in business activity, and because many commercial customers have exercised the option of installing separate irrigation water meters.

WHEREAS, there are some existing commercial sewer customers that use high volumes of water for irrigation during the dry season, but do not have separate irrigation water meters.

WHEREAS, City Council considered various options for accounting for irrigation water use by commercial sewer customers at its regular meeting on April 3, 2012.

WHEREAS, wastewater generation by commercial customers in areas zoned Office Professional does not fluctuate greatly throughout the year like other commercial establishments. Professional offices generate consistent amounts of wastewater throughout the year, similar to households. Furthermore, these businesses are often located at converted residential properties that have landscaped yards and were originally set up with only one water meter for both indoor uses and landscape irrigation.

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

Section 1. Staff is directed to take steps necessary to amend Ordinance No. 975, so that sewer bills for non-residential customers at properties zoned Office Professional shall be determined like Single-Family Residences, as described in Paso Robles Municipal Code Section 14.04.020(a). Areas zoned Office Professional include portions of South Vine Street, Vine Street between 10th and 14th Streets, 12th Street, 13th Street, and Spring Street between 18th and 21st Streets.

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