

TO: City Council
FROM: Doug Monn, Public Works Director
SUBJECT: Sewer Rates
DATE: November 20, 2012

NEEDS: For the City Council to receive and file information regarding sewer rates.

- FACTS:**
1. The City is upgrading its wastewater treatment plant.
 2. The annual costs of plant operations and wastewater discharge requirements are increasing
 3. Wastewater user rates were adjusted to cover the costs.
 4. The rate adjustments were initiated pursuant to a September 2011 rate study, protest ballot, and ordinance adoption.
 5. The new sewer rates are being phased in over time. The first adjustment became effective July 1, 2012.
 6. Some small multi-family dwelling (duplexes, triplexes, fourplexes) property owners expressed concern with the rate calculation method. City Council requested a follow-up discussion of small multi-family dwelling sewer rates.

ANALYSIS &

CONCLUSION: The City's sewer rate structure is volume-based, i.e., customers pay for what is discharged. Each customer pays the same amount per unit of wastewater collected and treated. A volume-based sewer rate structure benefits those who minimize water use.

Because sewer discharge is not metered, single-family residential sewer rates are based upon average winter (December – February) water use (when outdoor irrigation use is minimal). However multi-family dwelling and commercial establishment sewer rates are based upon monthly water use, based upon an assumption that most multi-family dwellings and commercial establishments either have minimal irrigated landscaping, or a dedicated water meter for landscape irrigation.

It has become apparent that many small multi-family dwellings (duplexes, triplexes, and fourplexes) have only one water meter for both indoor and outdoor uses, and have significant irrigated landscaping. Several of these customers had high water usage this summer (presumably due to outdoor irrigation), thus experienced unexpectedly high sewer bills. The billing history for these customers shows water usage that is relatively low and consistent in winter months and high in the summer months. This pattern indicates a residential use pattern with high water use due to seasonal landscape irrigation.

The pattern of water use at small multi-family dwellings (those with four or less dwelling units) is similar to single family residences. Therefore, it may be appropriate to amend the rate calculation method for small multi-family dwellings to be based on average winter water use, like single family residences. This change would affect approximately 325 customer accounts.

Analysis of billing data indicates the typical small multi family dwelling customer would realize an approximate 12% reduction in their annual sewer costs if sewer bills were based on average winter water use instead of monthly water usage. Were the City to amend the rates ordinance, revenue to the Sewer Enterprise Fund would decrease by approximately \$50,000 to \$75,000 per year. This would amount to a less than 1% decrease in total anticipated revenue for Fiscal Year 2012/13. This change would not have a significant adverse impact on the Sewer Enterprise Fund.

The Proposition 218 procedures for mailing public notices, holding a public hearing and determining if there has been a majority protest would not apply to this adjustment in the sewer rate for small multi-family dwelling sewer accounts. This is because Proposition 218 applies only when new or increased fees are being proposed. In this case, the adjusted rate for this small group of sewer customers would decrease, rather than increase, their sewer service bills and the rates for all other sewer customers would remain the same

**POLICY
REFERENCE:**

General Plan, Economic Strategy; Integrated Water Resource Plan; 2007 Sewer Collection System Master Plan, NPDES permit requirements, Water Board Time Schedule Order, California Constitution Articles XIIC and XIID (Proposition 218)

**FISCAL
IMPACT:**

This item is for information only. If Council directed staff to alter the rate calculation method for small multi-family dwellings (those with four dwelling units or less), the change would be immaterial to utility finances. It would not alter other user's rates.

OPTIONS:

- A. Receive and file.
- B. Direct staff to prepare an amendment to the sewer rates ordinance to change the basis of sewer bills for small multi-family dwellings.
- C. Amend, modify or reject the above option.

RESOLUTION NO. XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
ALLOCATING ADDITIONAL FUNDING TO ANALYZE SOLID WASTE
SERVICE OPERATIONS ASSOCIATED WITH SOLID WASTE CONTRACTS
AND UPDATING LANDFILL TIPPING FEES

WHEREAS, the City of Paso Robles owns and operates a Class III solid waste landfill near the intersection of Union Road and Highway 46 under Solid Waste Facility Permit No. 40-AA-0001 from the California Integrated Waste Management Board; and

WHEREAS, the Landfill Master Plan document recommended operational and fiscal audits of the solid waste handler, landfill operator and review of tipping fees; and

WHEREAS, on August 2, 2011 City Council received operational and financial audits for Paso Robles Waste Disposal, Paso Robles Roll-Off, and Pacific Waste Services, and on November 15, 2011, did award a contract to negotiate new agreements for solid waste collection and landfill operation; and

WHEREAS, during the contract restructuring process it was determined that the overall financial configuration of solid waste services would require review to ensure the continued solvency of solid waste operations; and

WHEREAS, in discussion with the Ad Hoc Committee, it was concluded the overall financial configuration of solid waste services/operations would require review to ensure its financial stability in the future; and

WHEREAS, approximately \$35,000 remains available in the funds generated through the sale of landfill right-of-way to Caltrans that could be used to cover completion of the contract work without impacting the General Fund.

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

SECTION 1. The City Council of the City of El Paso de Robles does hereby approve Resolution No. 12-xxx allocating a supplemental budget appropriation from the monies set aside in the General Fund from the sale of right of way at the landfill in the amount of \$35,000 to budget account 100-310-5224-432 and authorizes the City Manager to use the funds as necessary to assist the Council Ad Hoc Committee with the City's solid waste vendor agreements and recommend adjustments to tipping fees.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 20th day of November 2012 by the following votes:

AYES:
NOES:
ABSTAIN:
ABSENT:

Duane Picanco, Mayor

ATTEST:

Caryn Jackson, Deputy City Clerk