



Council Agenda Report

From: Matt Thompson, Wastewater Resources Manager
Subject: Setting Residential Sewer Charges Based on Winter Water Use
Date: May 7, 2018

Facts

1. Residential sewer bills in Paso Robles are based on average winter water use, because winter water use is the closest approximation to the amount of water a household uses indoors and thus discharges into the City sewer system. This is a very common system across the country.
2. Average winter water use for a household is determined by calculating the average of water use billing data in the months of December, January, and February. This calculation becomes the basis of sewer bills beginning July 1 of the following summer.
3. Based on the entirety of water billing data since 2011, the typical Paso Robles household had average winter water use that varied from 6 to 9 units per month. Those amounts have tended to reflect rainfall levels, but have also been significantly impacted by the State and City's mandatory drought restrictions, which were in effect from June 2015 until mid-2017.
4. Current residential sewer bills are based on usage during the relatively wet winter of 2016-17. As would be expected, water usage was on the lower end of the 6 to 9 units per month range during that period.
5. This past winter was relatively dry, especially in the months of January and February. Average winter water usage this year was 8.7 units per month. Based on reports from customers, this increase can likely be attributed to an increase in outdoor irrigation during the dry months of January and February. In addition to 2017-18 being a relatively dry winter, this is the first winter since the State and City's drought restrictions were repealed.
6. If no action is taken, the typical Paso Robles household would experience a significant increase to its monthly sewer bill, beginning July 2018, even though no change in rates has been scheduled.

Options

1. Take no action, allowing residential sewer charges based on average winter water use for Winter 2017/18 to come into effect in July 2018. This would lead to an average bill increase of 33%, a \$15.60 increase per month.
2. Disregard the average winter water usage survey data for Winter 2017/18. Continue to base residential sewer charges on average winter water use during Winter 2016/17. This would lead to no change in total bills, as they would continue to be based on water use patterns during the wet winter of 2016-17.
3. Base residential sewer charges for the coming year on the average winter water use for the recent Winter 2017/18 time period, but make an adjustment in the billing system so that bills are based on

75% of the water usage in the Winter 2017/18 survey period. This reflects a discount for the increase in irrigation usage; indoor usage likely didn't change.

Analysis and Conclusions

Option 1, to take no action at this time, would result in a significant increase in monthly sewer bills compared to the previous year. Based on the peculiarities of our utility billing system, increases for individual households would vary widely, but would face an average monthly increase of 33%. This would also result in a \$1.5 to \$2 million increase in revenue to the Sewer Fund. To the extent that the increased water use was likely for irrigation, actual sewer flows into the sewer system and at the treatment plant did not increase by this amount. Thus, staff does not recommend this option.

Option 2, to base the coming year's residential sewer bills on the average winter water use data from the Winter 2016/17 survey period, would mean that Paso Robles households would experience no change in their monthly sewer bill beginning July 2018, and would have a second year of abnormally low sewer bills, as they would be based on a much wetter than normal winter. This would distort long-term trends. As shown in the following table, the City reflected decreases in usage for the last several years when calculating the monthly bills.

Winter Survey Period	Avg. Winter Water Use (100 cubic feet)	Average Used for Billing Purposes
12/13	7.9	8
13/14	7.8 (adjusted)	8
14/15	7.3	7
15/16	6.5	7
16/17	6.3	6
17/18	8.7	TBD

To reduce the usage factor when usage goes up, but not increase the usage factor when usage goes down, will negatively impact the long-term health of the Sewer Fund.

Option 3 seeks to find the most reasonable path forward, by balancing the advantages and disadvantages of Options 1 and 2. Instead of a typical household experiencing a 33% year-over-year increase in the monthly sewer bill, it would experience a modest increase beginning July 2018 compared to the current fiscal year. This is appropriate, since the charges during recent years have been artificially low, due to the drought; as a result, total amounts billed to each residence have been below projections, and the Sewer Fund has been receiving less revenue than projected. Under this option, if a household's average winter water usage was 6 units per month in Winter 2016/17 but went up to 9 units in Winter 2017/18, the basis of their sewer bill would be 7 units (75% of 9 units, rounded to the nearest whole unit by the billing system). This would be a 16.7% (or \$7.80) increase in their year-over-year monthly sewer bill.

Sewer customers should expect some increased usage over 2016-17 winter consumption because that winter was far wetter than an average Paso Robles winter. Since 2011, the typical household average winter water use has ranged from 6 to 9 units per month. Implementation of this option would not differ greatly from what typical Paso Robles households have experienced. The modest increase in year-over-year revenue to the Sewer Fund under this option would enable the City to address system needs and help minimize future adjustments to sewer rates.

Fiscal Impact

Implementation of Option 3 would lead to a likely \$0.75 million increase in Sewer Fund revenues, and a slight increase in General Fund revenues. Given the large projects currently underway and on the horizon, this increase would reduce the need for sewer rate increases in future years.

Recommendation (Option 3)

Approve Resolution #18-XXX, authorizing the City Manager to base residential sewer charges for Fiscal Year 2018-19 on 75% of the average monthly winter water use during the three-month period of December 2017 through February 2018.

Attachments

Resolution No. 18-XXX, which reflects recommended Option 3

RESOLUTION NO. 18-XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
APPROVING AN ADJUSTMENT SO THAT RESIDENTIAL SEWER SERVICE CHARGES FOR
FISCAL YEAR 2018-19 ARE BASED ON 75% OF 2017-18 WINTER WATER USAGE

WHEREAS, Section 14.04.020 of the Paso Robles Municipal Code provides that wastewater bills for single-family residences shall be based for each fiscal year on the average monthly metered water use during the previous December through February, multiplied by the applicable wastewater usage charge then in effect; and

WHEREAS, prior to Winter 2016-17, average usage during the three-month period had been relatively high, reflecting the 5-year drought in California. Usage dropped significantly during Winter 2016-17, due to the wet winter; and

WHEREAS, the City received very little rainfall in the period from December 2017 through February 2018, causing many residential water customers to irrigate outdoor landscaping more than they otherwise would during a normal winter season, as reflected in water usage data; and

WHEREAS, despite the increased water usage, there was not a corresponding increase in wastewater flows to the wastewater treatment plant; and

WHEREAS, basing wastewater bills for Fiscal Year 2018-19 on all water usage during this past winter would likely not accurately reflect the actual sewer system usage of such residential customers.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES, as follows:

Section 1. Incorporation of Recitals. The City Council finds that the above recitals are true and correct, and hereby incorporates them by reference.

Section 2. Findings and Determinations. Based on the information presented in the staff report and information presented at the City Council meeting, the City Council finds that making an adjustment in the utility billing system so that residential sewer bills are based on 75% of the average Winter Water Usage for the 2017-18 survey period would be fair and equitable, and more accurately reflect actual residential usage of the City wastewater system by those customers. The City Council hereby approves the application of 75% of 2017-18 Winter Water Usage as the basis for single-family residential sewer bills for Fiscal Year 2018-19.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES on this 7th day of May, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Steven W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk