



## CITY COUNCIL STAFF REPORT

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**TO:** Honorable Mayor and City Council                      **DATE:** March 6, 2017

**FROM:** Matthew Bronson, City Manager

**PREPARED BY:** Gayla R. Chapman, Administrative Services Director

**SUBJECT:** Adoption of Proposed Water and Wastewater Rate Increases

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### **RECOMMENDATION**

1) Conduct the Proposition 218 public hearing and determine the official number of written protests received on proposed water and wastewater rate increases; and 2) if the number of valid protest votes is below 50% of the number of property owners or customers authorized to vote, adopt the Resolution amending the Master Fee Schedule for water and wastewater rates.

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### **BACKGROUND**

On January 9, 2017, the City Council was presented with the results of the Utility Rate Study conducted by Willdan Financial Services. Robert Ryall from Willdan provided a comprehensive review of the rate study, which included: 1) Revenue Requirements Analysis; 2) Cost of Service; and 3) Rate Design to fund operating and capital costs needed for the Water and Wastewater Enterprise Funds. The desired outcome of the study was to ensure that the rates are sufficient to pay for ongoing maintenance and operations, fund needed capital improvement projects, and create reserves equal to at least six months of annual maintenance and operations expenditures, which is an industry standard.

Monthly rates charged to customers on a bi-monthly basis are the primary source of revenue to operate the City's water and wastewater systems. The Utility Rate Study indicated that current rates do not fully cover operating costs of the system and do not provide adequate funding for over \$7 million in capital projects needed to improve the City's water (\$5.4 million) and wastewater (\$1.8 million) systems. In addition, these rates do not provide adequate reserves in the Water Fund to respond to unforeseen expenses. The City's current utility rates have not increased beyond an annual inflationary factor (2-3%) since 2010 and are the lowest rates in the county.

In addition, current rates do not allow for purchase of an emergency water supply should it become necessary at some point in the future. Though recent rains have restored some of the water supply reduced by five years of drought conditions, the effects of these drought conditions will continue to be a concern for the City's water supply. Therefore, it is prudent for the Council to still have the flexibility to enact additional water rates if needed to procure an emergency water supply in the future, such as State water. While Council is requested to formally adopt the additional rates for emergency water supply as part of the new rate structure, the Council is not asked to enact these rates with this action as purchase of emergency water supply is not proposed at this time given the improvement in local water supply. The City continues to work with the County and other agencies in negotiating with the State on purchase of State water and will have additional information to the Council at a later date.

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At the January 9<sup>th</sup> meeting, Council directed staff to implement the Proposition 218 noticing process on the proposed rate increases for a public hearing on March 6, 2017. The public hearing notice was mailed on January 17, 2017 to all water utility customers and owners of record of a property that receive water and/or wastewater services in compliance with the 45-day notification requirement. The City also put information about the proposed rate increases on the City's website at <http://grover.org/index.aspx?NID=331>. Attachment 2 includes a copy of the notice which informed customers about the proposed rate increases and conveyed that the utility rates would remain below the countywide average and increase approximately \$10 per month for the average residential customer. The notice also informed customers about the March 6<sup>th</sup> public hearing and how to submit a protest.

Any owner or customer of record that is required to pay the subject fees of a parcel subject to the proposed rates may submit a written protest against the proposed rate revisions. A written protest must contain the street address or Assessor's Parcel Number (APN) for the parcel(s) with respect to which the protest is made. The protest must also be signed by the owner or customer who pays the fees. Protests may be mailed or hand delivered to the City's offices. At the time of agenda posting, four written protests have been received out of 7,145 notices mailed to property owners and account holders for a total number of 4,814 water utility accounts. Protests may also be delivered to the City Clerk at the public hearing. To be valid, a signed written protest must be received by the City Clerk at or before the time of the protest hearing. At the end of the public hearing, the City Clerk will tally and report the qualifying written protests and the Council will then certify whether the written protests opposing the increases meet the 50% threshold required to constitute a majority protest. If a majority protest does not exist, the Council may approve the Resolution to adopt the proposed rates. If adopted, the initial rate increase would be effective on April 1, 2017 with a similar increase occurring on October 1, 2017 and subsequent annual increases over the next three years.

### **FISCAL IMPACT**

The recommended rate increases would result in additional Water Fund revenue of approximately \$146,000 in FY 2016-17 and \$1,136,000 in FY 2017-18 and additional Wastewater Fund revenue of approximately \$9,000 in FY 2016-17 and \$68,000 in FY 2017-18.

### **ALTERNATIVES**

The City Council has the following alternatives to consider:

1. Conduct the Proposition 218 public hearing and determine the official number of written protests received and, if the number of valid protest votes is below 50%, adopt the Resolution amending the Master fee Schedule for Utility Rates.
2. Provide alternate direction to staff.

### **PUBLIC NOTIFICATION**

1. The agenda was posted in accordance with the Brown Act.
2. A Proposition 218 Hearing Notice was mailed on January 17, 2017 to all utility customers and property owners that receive water and/or wastewater services.

3. Information regarding the proposed rates and a link to the online copy of the Utility Rate Study, as well as other related information, was posted on the City website on January 20, 2017.
4. A Public Hearing Notice was published in The Tribune on February 24, 2017.

**ATTACHMENTS**

1. Resolution amending the Master Fee Schedule
2. Proposition 218 public notice

**RESOLUTION NO. 17-**

**A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF GROVER BEACH AMENDING THE MASTER FEE  
SCHEDULE FOR WATER AND WASTEWATER RATES**

**WHEREAS**, the City Council of the City of Grover Beach has created a Master Fee Schedule by adopting Resolution No. 03-61; and

**WHEREAS**, notice of the Public Hearing to consider proposed adjustments to the Master Fee Schedule for Water and Wastewater Rates was mailed at least 45 days prior to the scheduled Public Hearing as required by state law (Cal. Const. art. XIII D, §6); and

**WHEREAS**, on March 6, 2017, the City Council conducted a Public Hearing, considered testimony, and at the conclusion of the protest hearing determined that the number of valid written protests received was less than 50% of the total number of water and wastewater customers or property owners subject to the fee in the City and approved the recommendations in the Utility Rate Study regarding adjustments to the Water and Wastewater Rates.

**NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF GROVER BEACH:**

**THAT** the Master Fee Schedule be amended as set forth in Exhibit "A" attached to this Resolution; and

**THAT** the fees listed in Exhibit "A" of this Resolution shall become effective as on the various dates as listed.

On motion by Council Member\_\_\_\_, seconded by Council Member\_\_\_\_, and on the following roll-call vote, to wit:

AYES: Council Members -  
NOES: Council Members -  
ABSENT: Council Members -  
ABSTAIN: Council Members -

the foregoing Resolution was **PASSED, APPROVED** and **ADOPTED** at a Regular Meeting of the City Council of the City of Grover Beach, California, this 6<sup>th</sup> day of March, 2017.

**\*\* D R A F T \*\***

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JOHN P. SHOALS, MAYOR

ATTEST:

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DONNA L. McMAHON, CITY CLERK

CITY OF GROVER BEACH  
 MASTER FEE SCHEDULE

ADMINISTRATIVE SERVICES DEPARTMENT

Description	Rates Effective				
	April 1, 2017*	October 1, 2017**	July 1, 2018	July 1, 2019	July 1, 2020
<b>Wastewater Rates (Monthly)</b>					
Appeal/Relief application fee (GBMC 7156)	\$ 26.25	\$ 27.57	\$ 28.95	\$ 30.40	\$ 31.92
Boarding house (per unit)	\$ 12.63	\$ 13.27	\$ 13.94	\$ 14.64	\$ 15.38
Plus per bedroom charge	\$ 8.13	\$ 8.54	\$ 8.97	\$ 9.42	\$ 9.90
Car washes & Laundromats minimum charge	\$ 5.02	\$ 5.28	\$ 5.55	\$ 5.83	\$ 6.13
Per 100 cubic feet above minimum	\$ 1.63	\$ 1.72	\$ 1.81	\$ 1.91	\$ 2.01
Church	\$ 12.24	\$ 12.86	\$ 13.51	\$ 14.19	\$ 14.90
Plus per parsonage or dwelling unit	\$ 10.42	\$ 10.95	\$ 11.50	\$ 12.08	\$ 12.69
Commercial establishment (Public Place) (Up to 5 Fixtures)	\$ 12.22	\$ 12.84	\$ 13.49	\$ 14.17	\$ 14.88
Each additional fixture	\$ 3.34	\$ 3.51	\$ 3.69	\$ 3.88	\$ 4.08
Factories, industrial plants, with 20 or less employees	\$ 8.22	\$ 8.64	\$ 9.08	\$ 9.54	\$ 10.02
Each additional employee over 20	\$ 0.93	\$ 0.98	\$ 1.03	\$ 1.09	\$ 1.15
Higher rate where heavy discharge or character of wastewater discharge warrants					
Hotel, motel, auto court or lodge (per unit)	\$ 12.57	\$ 13.20	\$ 13.86	\$ 14.56	\$ 15.29
Mobile home (per space)	\$ 10.42	\$ 10.95	\$ 11.50	\$ 12.08	\$ 12.69
Restaurants minimum charge	\$ 1.73	\$ 1.82	\$ 1.92	\$ 2.02	\$ 2.13
Per 100 cubic feet against minimum	\$ 3.34	\$ 3.51	\$ 3.69	\$ 3.88	\$ 4.08
Schools minimum annual charge per ADA and employees	\$ 2.68	\$ 2.82	\$ 2.97	\$ 3.12	\$ 3.28
Schools with Cafeterias additional					
Per ADA and employees	\$ 1.11	\$ 1.17	\$ 1.23	\$ 1.30	\$ 1.37
Single-Family dwelling unit	\$ 10.42	\$ 10.95	\$ 11.50	\$ 12.08	\$ 12.69
Theater, clubhouse or place of amusement	\$ 12.22	\$ 12.84	\$ 13.49	\$ 14.17	\$ 14.88
Travel trailer and recreation vehicle space	\$ 5.36	\$ 5.63	\$ 5.92	\$ 6.22	\$ 6.54
Multi-Family, Two or more dwellings (per unit)	\$ 10.42	\$ 10.95	\$ 11.50	\$ 12.08	\$ 12.69
Plus Per Each coin-operated washer	\$ 2.27	\$ 2.39	\$ 2.51	\$ 2.64	\$ 2.78
Excess Discharge per 100 cubic feet (3,000 Cubic Feet per GBMC 7182)	\$ 0.32	\$ 0.34	\$ 0.36	\$ 0.38	\$ 0.40

\* Partial year increase April 1, 2017

\*\* Partial year increase October 1, 2017



## NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING REGARDING PROPOSED WATER AND WASTEWATER RATES

Hearing Date & Time: March 6, 2017 6:30 PM

Hearing Location: City Hall

154 South 8<sup>th</sup> Street, Grover Beach, CA 93433

### ***Why are you receiving this notice?***

The City of Grover Beach (City) is mailing this notice to you because you are a water and/or wastewater customer or are the owner of record of a property that receives water or wastewater service. This notice describes proposed changes to the water and wastewater rates and gives information about a public hearing to be held on March 6, 2017 at the City Hall, 154 South 8<sup>th</sup> Street, Grover Beach, CA, 93433 regarding these proposed changes.

### ***What do water and wastewater rates fund?***

The City provides water and wastewater service to approximately 6,300 residential, landscape, and commercial customers. Monthly rates charged to system users (customers) on a bi-monthly basis are the primary source of revenue to operate the water and wastewater systems, and are used solely for this purpose. Rate revenue provides funding for annual operating and maintenance costs, capital projects to improve water and wastewater infrastructure, administration, and maintaining adequate fund reserves and planning for contingencies.

The proposed rates are based on a comprehensive utility rate study and financial plan to ensure reliable and functional water and wastewater systems. The City will annually review revenues and expenditures for the water and wastewater funds to ensure that sufficient and appropriate revenues are collected to effectively provide for the short and long-term service needs of the community.

### ***Why are rate increases needed?***

A utility rate study conducted by an independent consultant has demonstrated that revenue from the City's current water and wastewater rates do not fully recover costs associated with operation and maintenance of the existing system and the City has to use reserves to cover these expenses. Current rates also do not provide adequate funding for long-term capital projects such as replacement of water and wastewater lines and upgrades to the water delivery system. These capital projects will require additional funding from rate revenues. The rate study report providing the rate development methodology is available at City Hall and on the City's website at [www.groverbeach.org](http://www.groverbeach.org).

The proposed rates have been calculated based on the City's cost to provide water and wastewater service to users. Required revenue is based on projected expenses for operations, maintenance, and required repairs and/or replacement for capital facilities and equipment. The City's water rates vary by customer class. The three customer classes include Residential, Landscape, and All Other. The Residential customer class includes single-family and multi-dwelling customers. Landscape is for customers who have a specific irrigation meter which could be a second meter, resulting in the customer receiving multiple bills. The All Other customer class includes primarily commercial customers. All water customers pay both a Base Charge and Volume Charge.

Projected expenses are allocated between monthly Base Charges (fixed) and Volume Charges for water service. The monthly Base Charge varies for water customers based on a customer's meter size, with fixed costs allocated based on number of accounts. The Volume Charge for water differs by customer type and recovers the variable costs of providing water service. Emergency Water Supply rates are also being proposed but would only be charged should additional emergency water supply be necessary given the impacts of the drought on local water supply. Two Emergency Water Supply rates have been developed based on different amounts of additional supply which may be needed; 600 or 900 acre-feet (Ac-Ft). If enacted by the City Council, the Emergency Water Supply rate would be charged based on usage in addition to the Base Charge and Volume Charge. Wastewater rates vary by customer type and consist primarily of fixed costs for each customer type.

**New rates**

In order to provide necessary funding to operate and carry out long-term improvements the water and wastewater systems, the City is proposing to implement new rates as a series of annual revenue adjustments over the next five years. The following tables summarize the proposed water and wastewater rates.

Rate Schedules

Recommended Water Rates						
Description	Existing Rates	Description	Proposed Rates			
	FY2017		FY2017 <sup>1</sup>	FY2018 <sup>2</sup>	FY2019	FY2020

**Water Rates (Monthly)**

Residential Base Charges<sup>3</sup>:

5/8" - Meter	\$ 10.06	\$ 11.09	\$ 12.08	\$ 12.83	\$ 13.62	\$ 14.44
3/4" - Meter	10.06	11.09	12.08	12.83	13.62	14.44
1.0" - Meter	16.78	11.09	12.08	12.83	13.62	14.44
1.5" - Meter	33.52	55.45	60.39	64.13	68.06	72.18
2.0" - Meter	53.64	88.72	96.62	102.61	108.89	115.49
3.0" - Meter	100.54	166.34	181.15	192.38	204.16	216.54
4.0" - Meter	167.57	277.23	301.91	320.63	340.26	360.89

Landscape & All Other Base Charges:

5/8" - Meter	\$ 10.06	\$ 11.09	\$ 12.08	\$ 12.83	\$ 13.62	\$ 14.44
3/4" - Meter	10.06	16.64	18.12	19.24	20.42	21.66
1.0" - Meter	16.78	27.73	30.20	32.07	34.03	36.09
1.5" - Meter	33.52	55.45	60.39	64.13	68.06	72.18
2.0" - Meter	53.64	88.72	96.62	102.61	108.89	115.49
3.0" - Meter	100.54	166.34	181.15	192.38	204.16	216.54
4.0" - Meter	167.57	277.23	301.91	320.63	340.26	360.89

Residential Volume, in addition to Base Charge (per 100 Cubic Feet):

First 12 Units	\$ 3.34					
Next 8 Units	3.53					
Next 22 Units	4.04					
Over 42 Units	4.57					
All Usage		\$ 4.64	\$ 6.17	\$ 6.58	\$ 7.01	\$ 7.47

Landscape Volume, in addition to Base Charge (per 100 Cubic Feet):

All Usage	\$ 4.04	\$ 5.79	\$ 7.56	\$ 8.06	\$ 8.59	\$ 9.16
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All Other Volume, in addition to Base Charge (per 100 Cubic Feet):

All Usage	\$ 3.53	\$ 3.61	\$ 5.02	\$ 5.35	\$ 5.70	\$ 6.07
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Emergency Water Supply, in addition to Base Charge and Volume Charge (per 100 Cubic Feet):

All Usage - 600 Ac-Ft	NA	NA	\$ 2.81	\$ 3.00	\$ 3.20	\$ 3.41
All Usage - 900 Ac-Ft	NA	NA	\$ 4.28	\$ 4.57	\$ 4.87	\$ 5.20

1 - Partial year increase April 1, 2017

2 - Partial year increase October 1, 2017

3 - For multi-dwelling customers, each additional dwelling unit is charged at the ¾" Base Charge.

**Recommended Wastewater Rates**

Description	Existing Rates		Proposed Rates			
	FY2017	FY2017 <sup>1</sup>	FY2018 <sup>2</sup>	FY2019	FY2020	FY2021
<b>Wastewater Rates (monthly)</b>						
Appeal/Relief application fee (GBMC 7156)	\$ 25.00	\$ 26.25	\$ 27.57	\$ 28.95	\$ 30.40	\$ 31.92
Boarding house (per unit)	12.02	12.63	13.27	13.94	14.64	15.38
Plus per bedroom charge	7.74	8.13	8.54	8.97	9.42	9.90
Car washes & Laundromats minimum charge	4.78	5.02	5.28	5.55	5.83	6.13
Per 100 cubic feet above minimum	1.55	1.63	1.72	1.81	1.91	2.01
Church	11.65	12.24	12.86	13.51	14.19	14.90
Plus per parsonage or dwelling unit	9.92	10.42	10.95	11.50	12.08	12.69
Commercial establishment (Public Place) (up to 5 fixtures)	11.63	12.22	12.84	13.49	14.17	14.88
Each additional fixture	3.18	3.34	3.51	3.69	3.88	4.08
Factories, industrial Plants with 20 or less employees	7.82	8.22	8.64	9.08	9.54	10.02
Each additional employee over 20	0.88	0.93	0.98	1.03	1.09	1.15
Higher rate where heavy discharge or character of wastewater discharge warrants						
Hotel, motel, auto court or lodge (per unit)	11.97	12.57	13.20	13.86	14.56	15.29
Mobile home (per space)	9.92	10.42	10.95	11.50	12.08	12.69
Restaurants minimum charge	1.64	1.73	1.82	1.92	2.02	2.13
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Schools minimum annual charge per ADA and employees	2.55	2.68	2.82	2.97	3.12	3.28
Schools with Cafeterias additional						
Per ADA and employees	1.05	1.11	1.17	1.23	1.30	1.37
Single-family dwelling unit	9.92	10.42	10.95	11.50	12.08	12.69
Theater, clubhouse or place of amusement	11.63	12.22	12.84	13.49	14.17	14.88
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Multi-Family, Two or more dwellings (per unit)	9.92	10.42	10.95	11.50	12.08	12.69
Plus Per Each coin-operated washer	2.16	2.27	2.39	2.51	2.64	2.78
Excess discharge per 100 cubic feet (3,000 Cubic Feet as per GBMC 7182)	0.30	0.32	0.34	0.36	0.38	0.40

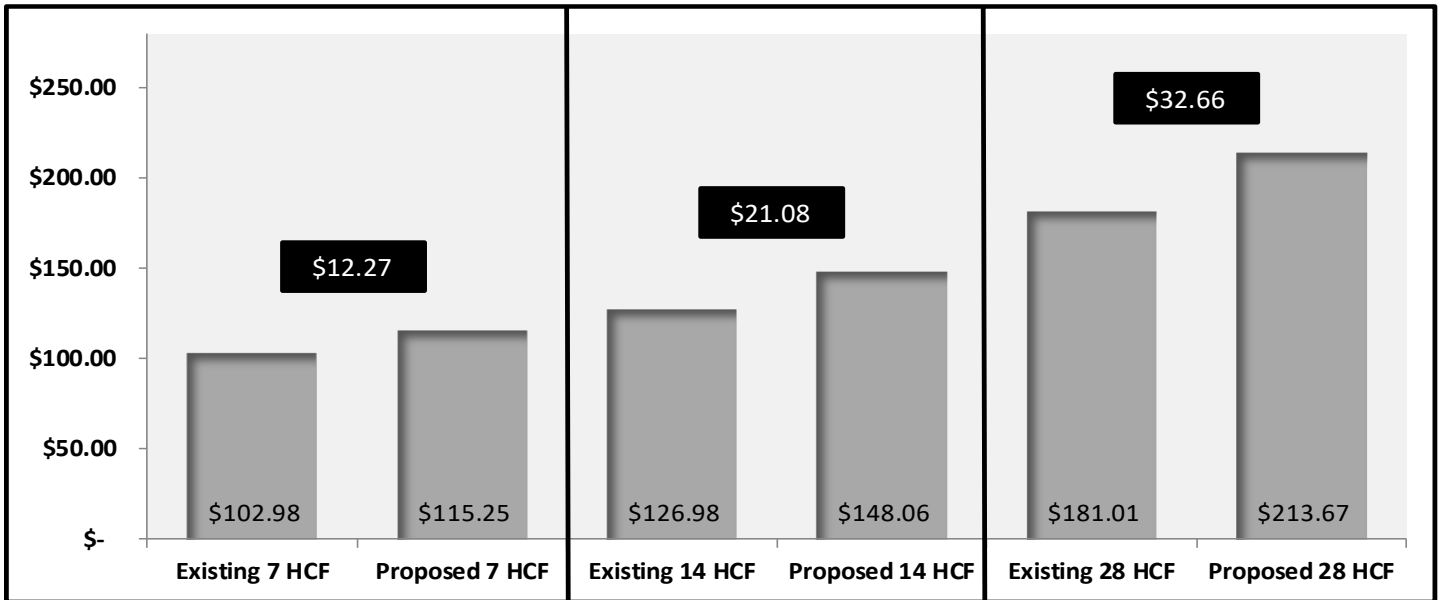
1 - Partial year increase April 1, 2017

2 - Partial year increase October 1, 2017



**Impact on your bill**

With the proposed rates effective April 1, 2017, for a typical single family home that uses 14 Units\* of water every two months, the water portion of your bill would increase from \$67.26 per billing cycle (every two months) currently to \$87.14 per billing cycle or approximately \$10 more per month. The wastewater portion of the bill would increase from \$19.84 to \$20.84 per billing cycle. The accompanying graph provides a summary of combined bills, existing and proposed, for water and wastewater under three usage scenarios. The comparison includes wastewater charges from South San Luis Obispo County Sanitation District as well as a 1.0% Utility Tax applied to the water bill. The black boxes represent the total increases by usage level. A similar increase in rates is proposed to be enacted effective October 1, 2017. The City's total utility rates are currently the lowest rates in the county compared with other cities and would remain below the countywide average after these rate increases.



**Summary bill calculations using proposed rates at 14 HCF (Units):**

Water:	$\$11.09 \text{ Monthly Base Charge} \times 2 \text{ Months} + \$4.64 / \text{HCF} \times 14 \text{ HCF} = \$87.14$
City Wastewater:	$\$10.42 \text{ per Month per Dwelling Unit} \times 2 \text{ Months} \times 1 \text{ Dwelling Unit} = \$20.84$
South San Luis Obispo County Sanitation District:	$\$19.60 \text{ per Month} \times 2 \text{ Months} = \$39.20$
1.0% Utility Tax:	<u>\$ 0.88</u>
Total:	\$148.06

**How do you file a protest or participate in the public hearing?**

The City Council will consider the new rate structure and proposed revenue increase at a public hearing on Monday, March 6, 2017 at 6:30 p.m. at City Hall, 154 South 8<sup>th</sup> Street, Grover Beach, CA, 93433. You are invited to present oral or written testimony at the public hearing.

Any owner or customer of record of a parcel subject to the proposed rates may submit a written protest against the proposed rate revisions. If written protests are filed with respect to a majority of the affected property parcels, the proposed rate revisions will not be adopted.

A written protest must contain the street address or Assessor's Parcel Number (APN) for the parcel(s) with respect to which the protest is made. The protest must also be signed by the owner or customer. Protests may be mailed or hand delivered to the City's offices at 154 South 8<sup>th</sup> Street, Grover Beach, CA, 93433. Protests may also be delivered to the City Clerk at the public hearing. To be valid, a signed written protest must be received by the City Clerk at or before the time of the protest hearing.

\*1 Unit = 100 HCF, 100 HCF = 748 Gallons