



# AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING  
Meeting Date: June 4, 2013

Agenda Item 7-B  
Approvals:  
City Manager PJ  
Dept. Head \_\_\_\_\_  
Attorney AT  
Finance JV

**Department:** Finance & Administrative Services  
**Prepared By:** Thomas Rendina, Business Services Officer

**Subject:** **CITY CODE MODIFICATION – AMENDING SECTION 13.04.220, SUBSECTIONS (A), (B), AND (C) OF THE SAN CLEMENTE MUNICIPAL CODE RELATING TO WATER RATES.**

**Fiscal Impact:** Yes. Water Operating Fund revenues will increase by an estimated \$706,560.

**Summary:** Based on the annual review of the Water Operating Fund, a 6.0% rate increase to the fixed meter charges and the water commodity charges is recommended.

**Background:** An annual review of the cost to operate the City’s Water Utility Fund is conducted as part of the City’s budget process. This includes updating a five-year financial forecast for the Water Fund, a line-item review of water operating expenses, and updating the City’s Water Rate model. As required under Ordinance 13.04, the water rates must recover the cost to operate the water utility.

**Discussion:** Each year, during the budget process, staff generates a five-year forecast of Water operating revenues and expenses and updates a financial model to determine what rate modifications are necessary to maintain a neutral operating position in the water fund, as required by City Ordinance.

Based on the annual review performed by staff, a 6.0% increase is required to achieve a neutral operating position as defined in the Ordinance. This is less than the 7.0% increase projected during last year’s rate review process. This year’s model projects increases for the next five years, based on estimated future purchased water increases provided by Metropolitan Water District (MET) and inflation assumptions provided by the Fullerton Economic Forecast, as follows:

Fiscal Year	Projected % Increase
2014	6.0%
2015	6.0%
2016	6.0%
2017	5.0%
2018	5.0%

Council will only consider this year’s 6.0% rate increase for adoption. No action will be taken on the projected increases for fiscal years 2015-2018.

New rates will take effect on August 1, 2013 and appear on the September 10<sup>th</sup> utility bills, which charge for the previous month’s consumption.

The City continues to face increases in the cost of water from the MET. MET increased water rates by 6.6% on January 1, 2013 and will increase the cost of purchased water to the City by 5.0% on January 1, 2014. The City purchases 90% of its water supply from MET and purchased water represents 45% of the total expenses to operate the water fund. Depreciation expenses also continue to increase as older infrastructure has been refurbished or replaced.

To mitigate the rate increase, staff conducts a thorough review of all operating line items, looking for cost savings and expense reductions wherever possible. During this year's review, the following reductions were identified and incorporated into the FY2014 budget:

- Electricity \$16,400
- Maintenance of operating equipment \$10,000
- Rental equipment \$16,000
- Other expenses \$ 9,480

Staff conducted a Utility Rate survey with eight neighboring South County Agencies to compare the cost of water and sewer charges to other local agencies. The result of the survey is attached to this Agenda report as a reference document.

Attached for the City Council's consideration is an Ordinance which incorporates the above-referenced recommendations.

Based on the 6.0% rate adjustment, the average monthly residential bill will increase from \$47.22 to \$50.03, a \$2.81 or 6.0% increase. The average monthly commercial bill will increase from \$180.74 to \$191.24, a \$10.50, or 5.8% increase.

**Recommended**

**Action:** STAFF RECOMMENDS THAT:

1. the City Council introduce Ordinance No \_\_\_\_\_ entitled  
**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AMENDING SECTION 13.04.220, SUBSECTIONS (A), (B), AND (C) OF THE SAN CLEMENTE MUNICIPAL CODE RELATING TO WATER RATES.**

**Attachments:** Ordinance No \_\_\_\_\_  
Attachment I, Comparative Utility Rates

**Notification:** Written notification of the proposed rate increases was mailed to all property owners and utility customers prior to April 19<sup>th</sup>, 2013 and published in the Sun Post News on May 23<sup>rd</sup>, 2013 and May 30<sup>th</sup>, 2013.

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ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AMENDING SECTION 13.04.220, SUBSECTIONS (A), (B), AND (C) OF THE SAN CLEMENTE MUNICIPAL CODE RELATING TO WATER RATES.

WHEREAS, the City of San Clemente provides potable water to its citizens; and

WHEREAS, the costs of operating the City's potable water system have increased in recent years; and

WHEREAS, the City desires to ensure that the costs associated with the operation of the City's potable water system are recovered through the fees charged for the provision of that service; and

WHEREAS, the City Council hereby finds that the revised fee and rates set forth below do not exceed the estimated reasonable cost of providing services or facilities for which such fees and rates are imposed; and

WHEREAS, written notification was mailed to property owners and utility customers prior to April 19<sup>th</sup>, 2013 and published in the Sun Post News on May 23<sup>rd</sup>, 2013 and May 30<sup>th</sup>, 2013.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE HEREBY ORDAINS AS FOLLOWS:

SECTION 1. Section 13.04.220, subsections (A), (B), and (C) of the San Clemente Municipal Code are hereby amended to read in their entirety as follows:

A. **Fixed Rate.** Except as provided below, every customer to whom the City has issued a water meter shall pay a fixed rate based upon the size of the water meter. The fixed rate shall be as follows:

<u>METER SIZE</u>	<u>MONTHLY FIXED FEE</u>
5/8 in.	\$15.26
3/4 in.	\$15.26
1 in.	\$15.26
1-1/2 in.	\$34.30
2 in.	\$51.24
3 in.	\$99.58
4 in.	\$150.43
6 in.	\$288.65

The fixed rate payment shall be reduced by \$6 per month for individually metered residential units whose residents are approved participants in the San Diego Gas and Electric Low Income Ratepayer Assistance Program and are currently participating in the City's Low Income Ratepayer Assistance Program.

**B. Potable Water Consumption Rates.** In addition to the fixed rate established in subsection A of this section above, every customer for which the City has issued a potable water meter shall also pay a monthly potable water consumption rate. The phrase "potable water consumption" shall mean all water which has passed through a City potable water meter. The potable water consumption rate shall be based upon the per unit cost of potable water consumed as multiplied by the quantity of potable water consumed. The unit cost of potable water shall be established in tiers based upon the quantity of potable water consumed and whether such water is consumed during the winter or summer water season. The winter water season (winter) shall begin with the usage billed the months of October, November, December, January, February and March. The summer water season (summer) shall begin with the usage billed the months of April, May, June, July, August and September. By way of example, if the fixed rate is fifteen dollars and twenty-six cents (\$15.26) and the Tier One per unit winter cost two dollars and fifty cents (\$2.50) per unit while the Tier Two winter cost four dollars and nine cents (\$4.09) per unit and the Tier Three winter cost eight dollars and seventy-nine cents (\$8.79) per unit, a person in the single-family residential category 1 who uses twenty (20) units of water during the April billing cycle will have a water bill of eighty-seven dollars and forty-five cents (\$87.45) (\$15.26 [fixed rate] + \$22.50 [9 units x \$2.50 per unit] + \$40.90 [10 units x \$4.09 per unit] + \$8.79 [1 units x \$8.79 per unit]). The City potable water consumption rates are established as follows:

<b>SINGLE FAMILY (RESIDENTIAL 1) (0 - 7,000 Square Foot Lot)</b>	
Water Allocation	Cost Per Unit
Tier 1 - winter (0 - 9 units per month)	\$2.50 per unit
Tier 2 - winter (10 - 14 units per month)	\$4.09 per unit
Tier 3 - winter	\$8.79 per unit

(15+ units per month)	
Tier 1 - summer (0 - 9 units per month)	\$2.50 per unit
Tier 2 - summer (10 - 19 units per month)	\$4.09 per unit
Tier 3 - summer (20+ units per month)	\$8.79 per unit

<b>SINGLE FAMILY (Large Lot) (&gt;7,000 Square Foot Lot)</b>	
Water Allocation	Cost Per Unit
Tier 1 - winter (0 - 9 units per month)	\$2.50 per unit
Tier 2 - winter (10 - 19 units per month)	\$4.09 per unit
Tier 3 - winter (20+ units per month)	\$8.79 per unit
Tier 1 - summer (0 - 9 units per month)	\$2.50 per unit
Tier 2 - summer (10 - 28 units per month)	\$4.09 per unit
Tier 3 - summer (29+ units per month)	\$8.79 per unit

<b>MULTIFAMILY RESIDENTIAL MASTER-METERED (Per Dwelling Unit Basis)</b>	
Water Allocation	Cost Per Unit
Tier 1 - winter (0 - 6 units per month)	\$2.50 per unit
Tier 2 - winter (7 - 9 units per month)	\$4.09 per unit

Tier 3 - winter (10+ units per month)	\$8.79 per unit
Tier 1 - summer (0 - 6 units per month)	\$2.50 per unit
Tier 2 - summer (7 - 10 units per month)	\$4.09 per unit
Tier 3 - summer (11+ units per month)	\$8.79 per unit

<b>MULTIFAMILY RESIDENTIAL INDIVIDUALLY-METERED</b>	
Water Allocation	Cost Per Unit
Tier 1 - winter (0 - 6 units per month)	\$2.50 per unit
Tier 2 - winter (7 - 9 units per month)	\$4.09 per unit
Tier 3 - winter (10+ units per month)	\$8.79 per unit
Tier 1 - summer (0 - 6 units per month)	\$2.50 per unit
Tier 2 - summer (7 - 11 units per month)	\$4.09 per unit
Tier 3 - summer (12+ units per month)	\$8.79 per unit

<b>COMMERCIAL</b>	
Water Allocation	Cost Per Unit
	\$3.50 per unit

C. **Irrigation Water Rates.**

1. **Potable Irrigation Water.** In addition to the fixed rates established in subsection A of this section, every owner of property for which the City has issued a potable irrigation water meter connected to the potable water system shall also pay a monthly irrigation water consumption rate as hereby established. "Irrigation water consumption" shall mean all water which has flowed through a City irrigation water meter. The irrigation water consumption rate shall be based upon the per unit cost of water and the quantity of water consumed per one hundred (100) square feet of irrigated land. By way of example, a customer that is irrigating a one (1) acre site (forty-three thousand five hundred sixty (43,560) square feet with a one and one half (1½) inch irrigation meter and consumes one hundred fifty (150) units in a thirty (30) day summer period would be charged five hundred and eighty-four dollars and twenty cents (\$584.20) (40 units at \$2.50 per unit and 110 units at \$4.09 per unit plus a fixed rate of \$34.30). The City irrigation water consumption rates are established as follows:

<b>Water Allocation</b>	<b>Cost Per Unit</b>
Tier 1 - winter (0 - .0463 units per 100 square feet of irrigated land)	\$2.50 per unit
Tier 2 - winter (.0463 - .1853 units per 100 square feet of irrigated land)	\$4.09 per unit
Tier 3 - winter (over .1853 units per 100 square feet of irrigated land)	\$8.79 per unit
Tier 1 - summer (0 - .0918 units per 100 square feet of irrigated land)	\$2.50 per unit
Tier 2 - summer (.0918 - .3673 units per 100 square feet of irrigated land)	\$4.09 per unit
Tier 3 - summer (over .3673 units per 100 square feet of irrigated land)	\$8.79 per unit

2. **Non-Potable Irrigation Water.** In addition to the fixed rates established in subsection A of this section, every owner of property for which the City has issued an irrigation water meter connected to the non-potable water system shall also pay a monthly non-potable irrigation water consumption rate as hereby established. "Non-potable irrigation water consumption" shall mean all water which has flowed through a City non-potable irrigation water meter. The non-potable irrigation water consumption rate shall be based upon the per unit cost of non-potable water as multiplied by the quantity of non-potable water consumed.

Non-Potable Irrigation	
Water Allocation	Cost Per Unit
	\$2.55 per unit

If any provision of this chapter is determined to be void or invalid by any administrative or judicial tribunal, said provision shall be deemed severable and such invalidation shall not invalidate the entirety of this chapter or any other provision thereof.

SECTION 2. The City Clerk shall certify to the passage of this Ordinance and the same shall be noticed as required by law and shall take effect as provided by law.

APPROVED, ADOPTED and SIGNED this \_\_\_\_ day of \_\_\_\_\_, 2013.

ATTEST:

\_\_\_\_\_  
 CITY CLERK of the City of  
 San Clemente, California

\_\_\_\_\_  
 MAYOR of the City of  
 San Clemente, California

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**Single Family Residential  
2013 Comparative Utility Rates  
(Based on 12 Billing Units per Month)**

<b>Rank</b>	<b>Agency</b>	<b>Monthly User Fee</b>	<b>Property Tax</b>	<b>Total</b>
1	Newport Beach	\$60.85	-0-	\$60.85
2	Moulton Niguel	\$46.26	\$14.80	\$61.06
3	El Toro	\$60.76	\$1.82	\$62.58
4	Santa Margarita	\$61.50	\$5.54	\$67.04
5	San Clemente	\$84.49	-0-	\$84.49
5 <sup>1</sup>	San Clemente	\$88.73	-0-	\$88.73
6	San Juan Capistrano	\$89.99	\$3.60	\$93.59
7	Oceanside	\$112.88	-0-	\$112.88
8	Laguna Beach	\$101.67	\$20.33	\$122.00
9	South Coast WD	\$110.14	\$12.12	\$122.26
Average		\$81.42	\$6.47	\$87.89

The average utility bill for the nine Agencies surveyed equals \$87.89 per month. San Clemente's combined average residential bill increase equals 5.0%, (assuming the 4.0% Sewer Rate and the 6.0% Water Rate increases). The \$88.73 total is approximately 1.0% higher than the current survey average of \$87.89.

It should be noted that six Agencies collect both user fees and property tax assessments to operate their utilities.

<sup>1</sup> San Clemente ranking remains at #5 assuming the approval of the 4.0% Sewer and 6.0% Water rate increase proposal.