



AGENDA REPORT

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

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

Subject: *CITY CODE MODIFICATION – AMENDING SECTION 13.24.190, SUBSECTIONS (D) AND (E) OF THE SAN CLEMENTE MUNICIPAL CODE RELATING TO SANITARY SEWER RATES*

Fiscal Impact: Yes. Sewer Operating Fund revenues will increase by an estimated \$340,400.

Summary: Based on the annual review of the Sewer Operating Fund, a 4% rate increase to the sewer base and sewer commodity charges is recommended.

Background: An annual review of the cost to operate the City’s Sewer Utility Fund is conducted as part of the City’s budget process. This includes updating a five-year financial forecast for the Sewer Fund, a line-item review of sewer operating expenses, and updating the City’s Sewer Rate model. As required under Ordinance 13.24, the sewer rates must recover the cost to operate the sewer utility.

Discussion: During the annual budget process, staff generates a five-year forecast of Sewer operating revenues and expenses. The Sewer rate model is updated with this information to determine what rate modifications are necessary to maintain a neutral operating position in the sewer fund, as required by the Sanitary Sewer Ordinance.

Based on this year’s review, a 4% increase is required to achieve a neutral operating position as defined under the Ordinance. This is significantly lower than last year’s projected increase of 8% and is a result of a staffing reorganization and other cost-cutting measures which will be further discussed below. This year’s model projects increases for the next five years based on staff estimates of future expenses and inflation assumptions provided by the Fullerton Economic Forecast, as follows:

Fiscal Year	Projected % increase
2014	4.0%
2015	3.0%
2016	3.0%
2017	3.0%
2018	3.0%

Council will only consider this year’s 4.0% 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 10th utility bills, which charge for the previous month’s consumption.

A Utilities Staffing Analysis was performed by Carollo Engineers, a firm with extensive experience in the area of water and wastewater operations and staffing analysis. The study evaluated vacant positions and identified areas for organizational improvements and efficiencies. Staff also performed a line-item review of all operating expenses, as well as examining the impact from capital improvement projects which will upgrade the Solids Handling Equipment and the Aeration Blowers at the Wastewater Plant. This newer technology will reduce landfill disposal fees, chemical costs, and electricity costs in the 2014 budget year as follows:

- Electricity \$50,000
- Chemical supplies \$31,900
- Landfill fees \$30,000

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 4.0% rate adjustment, the average monthly residential bill will increase from \$37.26 to \$38.70, a \$1.44, or 4.0%, increase. The average monthly commercial bill will increase from \$206.85 to \$214.85, an \$8.00, or 4.0%, 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 13.24.190, SUBSECTIONS (D) AND (E) OF THE SAN CLEMENTE MUNICIPAL CODE RELATING TO SANITARY SEWER 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 19th, 2013 and published in the Sun Post News on May 23rd, 2013 and May 30th, 2013.

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ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AMENDING CHAPTER 13.24.190, SUBSECTIONS (D) AND (E) OF THE SAN CLEMENTE MUNICIPAL CODE RELATING TO SANITARY SEWER RATES.

WHEREAS, the City of San Clemente provides sewage services to its citizens; and

WHEREAS, the costs of operating the City's sewage collection and treatment systems have increased in recent years; and

WHEREAS, the City desires to ensure that the costs associated with the operation of the City's sewage collection and treatment systems are recovered through the fees charged for the provision of that service; and

WHEREAS, written notification was mailed to property owners and utility customers prior to April 19, 2013 and published in the Sun Post News on May 23, 2013 and May 30th, 2013; and

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

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

SECTION 1: Paragraph 1 of subsection D of Section 13.24.190 of the City of San Clemente Municipal Code entitled "Establishment of Fixed Rate," is hereby amended to read in its entirety as follows:

1. Except as provided below, for each premises connected to the City's sanitary sewer system, the monthly fixed rate is established as follows:

<u>METER SIZE</u>	<u>MONTHLY FIXED FEE</u>
5/8 in.	\$ 23.36
3/4 in.	\$ 23.36
1 in.	\$ 23.36
1-1/2 in.	\$ 77.06
2 in.	\$123.77
3 in.	\$256.89
4 in.	\$396.99
6 in.	\$777.63

SECTION 2: Paragraph 2 of subsection D of Section 13.24.190 of the City of San Clemente Municipal Code entitled “Establishment of Fixed Rate,” is hereby amended to read in its entirety as follows:

2. The fixed rate shall be reduced by ten dollars (\$10) 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.

SECTION 3: Section 13.24.190 subsection E of the City of San Clemente Municipal Code, entitled “Sewage Commodity Rate,” is hereby amended to read in its entirety as follows:

<u>Use</u>	<u>Cost Per Unit</u>	<u>X Portion Total Water Used</u>
Single-family residential	\$1.42	90% in WMA*
Multi-family residential/Mobile Home	\$1.42	90% during billing period
Low strength commercial/ Schools/Religious Institutions (130 -282 BOD mg/L)	\$1.94	90% during billing period
Medium strength commercial (150 – 282 BOD mg/L)	\$2.53	90% during billing period
Commercial/residential (283 – 290 BOD mg/L)	\$2.56	90% during billing period
Medium high strength commercial (291 – 500 BOD mg/L)	\$4.49	90% during billing period
High strength commercial (501 – 900 BOD mg/L)	\$6.26	

* The sewer commodity rate for single-family dwellings shall be annually calculated by multiplying the per unit rate times ninety (90) percent of Winter Month Average (WMA). For the purposes of this section, winter months shall be defined as October, November, December, January, February, and March. The WMA shall be calculated using the total consumption for a service location during the prior fiscal year’s winter months divided by the number of winter months in which there was water consumption. If the winter average results in a fraction, the result shall be rounded to the nearest whole number. If there was no winter month in the previous fiscal year in which water was actually consumed, the sewer commodity rate shall be based on a City average during the winter months and shall be annually calculated during the winter averaging process.

SECTION 4. Severability. If any section, subsection, sentence, clause, phrase, or portion of this Ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council of the City of San Clemente hereby declares that it would have

adopted this Ordinance and each section, subsection, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions thereof may be declared invalid or unconstitutional.

SECTION 5. 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

STATE OF CALIFORNIA }
COUNTY OF ORANGE) ss
CITY OF SAN CLEMENTE)

I, JOANNE BAADE, City Clerk of the City of San Clemente, California, hereby certify that Ordinance No. _____, having been regularly introduced at the meeting of _____, 2013, the reading in full thereof unanimously waived, and duly passed and adopted at a regular meeting of the City Council held on the _____ day of _____, 2013, by the following vote:

AYES:

NOES:

ABSENT:

CITY CLERK of the City of
San Clemente, California

APPROVED AS TO FORM:

City Attorney

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

Rank	Agency	Monthly User Fee	Property Tax	Total
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 ¹	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.

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