



# AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING  
Meeting Date: June 2, 2015

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

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

**Fiscal Impact:** No. Sewer Operating Fund revenues will not increase.

**Summary:** Based on the annual review of the Sewer Operating Fund, no rate increase to the sewer base and sewer commodity charges are 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, no increase is required to maintain a neutral operating position as defined under the Ordinance. This year’s model projects 2.0% increases for the next four years based on staff estimates of future expenses and inflation assumptions provided by the Fullerton Economic Forecast, as follows:

| Fiscal Year | Projected % increase |
|-------------|----------------------|
| 2016        | 0.0%                 |
| 2017        | 2.0%                 |
| 2018        | 2.0%                 |
| 2019        | 2.0%                 |
| 2020        | 2.0%                 |

Council will only consider this year’s recommendation for no increase on August 1, 2015. No action will be taken on the projected increases beyond fiscal year 2016.

Modifications to the Ordinance will take effect on August 1, 2015 and appear on the September 10<sup>th</sup> utility bills, which charge for the previous month’s activity.

**Low Income Subsidy.** In August, 2012 the Low Income Ratepayer Assistance Program was closed to new participants. The existing subsidy at the time was replaced with a flat monthly subsidy of \$15.00 and has been reduced by \$5.00 each year until expiring this year on July 31, 2015. With the final subsidy amount expiring on July 31<sup>st</sup>, the subsidy language will be removed from Municipal Code 13.24.190 Subsection D.

### **Survey**

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 no rate adjustments, the average monthly residential bill will remain at \$38.70 and the average monthly commercial bill will remain at \$214.85.

### **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, SUBSECTION (D) OF THE SAN CLEMENTE MUNICIPAL CODE RELATING TO SANITARY SEWER RATES.**

**Attachments:** Attachment 1, Comparative Utility Rates  
Attachment 2, Ordinance No \_\_\_\_\_

**Notification:** Written notification of the proposed rate increases was mailed to property owners and utility customers prior to April 8<sup>th</sup>, 2015 and published in the Sun Post News on May 22<sup>nd</sup>, 2015 and May 29<sup>th</sup>, 2015.

**Single Family Residential  
2015 Comparative Utility Rates  
(Based on 12 Billing Units per Month)**

| <b>Rank</b>    | <b>Agency</b>       | <b>Monthly<br/>User Fee</b> | <b>Property<br/>Tax</b> | <b>Total</b> |
|----------------|---------------------|-----------------------------|-------------------------|--------------|
| 1              | Santa Margarita     | \$58.45                     | \$4.73                  | \$63.18      |
| 2              | Moulton Niguel      | \$50.99                     | \$13.41                 | \$64.40      |
| 3              | Newport Beach       | \$74.45                     | -0-                     | \$74.45      |
| 4              | El Toro             | \$82.60                     | \$2.49                  | \$85.09      |
| 5              | San Clemente        | \$91.71                     | -0-                     | \$91.71      |
| 5 <sup>1</sup> | San Clemente        | \$93.76                     | -0-                     | \$93.76      |
| 6              | San Juan Capistrano | \$100.02                    | \$4.50                  | \$104.52     |
| 7              | South Coast WD      | \$135.05                    | \$14.32                 | \$149.37     |
| 8              | Ocnaside            | \$167.53                    | -0-                     | \$167.53     |
| 9              | Laguna Beach        | \$144.75                    | \$28.81                 | \$173.56     |
|                |                     |                             |                         |              |
| Average        |                     | \$100.62                    | \$7.58                  | \$108.20     |

The average utility bill for the nine Agencies surveyed equals \$108.20 per month. San Clemente's combined average residential bill increase equals 2.2%, (assuming the 0.0% Sewer Rate and the 4.0% Water Rate increases). The \$93.76 total is approximately 13.4% lower than the current survey average of \$108.20.

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

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<sup>1</sup> San Clemente ranking remains at #5 assuming the approval of the 0.0% Sewer and 4.0% Water rate increase proposal.

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

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AMENDING CHAPTER 13.24.190, SUBSECTION (D) 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 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 8<sup>th</sup>, 2015 and published in the Sun Post News on May 22<sup>nd</sup>, 2015 and May 29<sup>th</sup>, 2015; 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 2 of subsection D of Section 13.24.190 of the City of San Clemente Municipal Code entitled "Establishment of Fixed Rate," is hereby deleted in its entirety. Existing Paragraph 3 of subsection D of Section 13.24.190 shall be renumbered to Paragraph 2:

**Deleted Paragraph 2:**

2. The fixed rate shall be reduced by five dollars (\$5) 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.

**Paragraph 3 to be renumbered to Paragraph 2:**

2. **Annual Rate Review.** In order to adjust for increased or decreased costs associated with the operation of the City's sanitary sewer system, the City establishes an annual rate review in the manner described below. For purposes of this section, the phrase "operating position" shall mean Sewer Operating Fund operating revenues minus Sewer Operating Fund operating expenses. Each year, in conjunction with the City's Long Term Financial Planning process, the City shall forecast the operating position for the Sewer Operating Fund for a five-year period, based on known cost increases and estimates for unknown cost increases, using inflation factors derived from a credible third party economic