



AGENDA REPORT

CITY OF SAN CLEMENTE

City Council Meeting

910 Calle Negocio
2nd Floor
San Clemente, California
www.san-clemente.org

Meeting Date: 5/2/2023

Agenda Item: 10B

Department: Utilities
Prepared By Dave Rebensdorf, Utilities Director
Jacob Rahn, Financial Services Officer

Subject:
CONSIDERATION OF WASTEWATER (SEWER) UTILITY COST OF SERVICE STUDY AND SCHEDULING OF A PUBLIC HEARING ON SEWER RATES

Summary:

The Wastewater Cost of Service Study for proposed sewer rates preliminary draft has been prepared by Raftelis Financial Consultants. The results of the study are summarized in a presentation for the City Council.

Background:

The City provides sewer service to approximately 16,700 customers. The sewer utility is a financially self-sufficient enterprise fund that relies primarily on revenues from service charges to fund the costs of providing services. As such, sewer rates must be set at levels adequate to recover operating costs and to fund capital investments to keep the system in good operating condition. Since 2014, there has only been a single two percent rate increase, which occurred in 2016, due to cost savings through process changes, chemical reduction, solids disposal, revenue from treatment of Santa Margarita Water District's (SMWD) Talega area since December of 2017, and other cost savings put into place.

In February 2019, the City engaged Raftelis Financial Consultants to conduct a Comprehensive Cost-of-Service Study for the City's Wastewater Utility to determine the amounts required to provide funding of ongoing sewer and wastewater operations. The rate study restructures and modernizes the rate structure and required considerable work. However, the study also experienced delays resulting from COVID-19 related considerations and SMWD agreement review and implementation that delayed rate changes. Meanwhile, costs continued to increase over time and required utilizing capital reserves to maintain the sewer funds operating position until the Cost of Service Study was finished.

Raftelis Financial Consultants completed the Wastewater Cost of Service study based on sewer operations information, reviewed with staff, and is providing preliminary findings and recommendations. The cost of service study objective is to achieve cost recovery, revenue stabilization, review capacity and wastewater flows, and comply with the most recent industry guidance. Some key items addressed are the following:

- Updating the Meter rates based on AWWA capacity ratios to estimate sewer flows.
- Assessment and review of the Wet Winter Month Average timeframe was modified (October-

March changed to lowest two billed months, which is typically February and March).

- Wastewater Flows including flow decreases, capacity, and higher flow content impacts were factored into the study.
- Composition of customer base and related impacts.
- Address the funding of anticipated capital projects and needs in the near future.
- Presents proposed sewer rates for a five-year period to improve the long term health of the sewer fund and related operations.

The Cost of Service Study presentation (Attachment 1) summarizes the results. This study identifies various components and criteria in developing rates for a 5-year timeframe.

The Cost of Service study recommends changes to sewer meter rates based on current AWWA guidelines in line with current standards. Commodity rates change, however these changes are partially offset by volumetric flow changes. Proposed changes include modifying the single family wet winter month period and percentage lowering the number of billed units that decreases the impact of the commodity rate change. Additionally, updates to other customer classes better address the current strength and flow with current operations.

For example, single family residential commodity rates increase but the community units billed are based on a lower unit number due to lower flow months and the percentage billed being reduced from a 90% of wet winter month period (October-March) to 75% of the wet winter month average (February-March) which historically is a lower usage timeframe. Overall, this will reduce the commodity units billed and limit fluctuations in the commodity units from year to year for residential customers.

Two rate change options are presented to fund operations, keep pace with inflation, and to address current and future capital needs. The Study identifies, in attachment 1, that without additional funding capital reserves will not be properly funded in FY 2024 and the operating reserves will be in a deficit position in FY 2026. Both proposed sewer rate options end the five year period at similar ending reserve levels for operation and capital reserves, with the first being a flat rate implementation and the second option having a larger increase initially, but lower rates in later years.

The two options for proposed sewer rate increases over the next five years are:

	2023	2024	2025	2026	2027
Option 1	7.0%	7.0%	7.0%	7.0%	6.0%
Option 2	9.5%	6.0%	5.0%	5.0%	4.5%

Based on a rate comparison to other agencies for a typical customer, the City of San Clemente average monthly bill would still in the lower half of the comparative rates. Of the 10 agencies reviewed, San Clemente’s proposed rates are ranked at 4th place, with 1 being the least expensive and 10 being the most expensive.

Pursuant to California Constitution article XIID, section 6 (approved by the voters with Proposition 218), prior to imposing a new or increasing an existing property-related fees such as sewer rates, the City is required to hold a public hearing and mail notices of the public hearing which includes the following:

- (a) The amount of the proposed fee or charge to be imposed;
- (b) The basis upon which it was calculated;
- (c) The reason for the fee or charge; and
- (d) The date, time, and location of the public hearing.

Upon approval of the rate structure (selection of Option 1 or 2), the Cost of Service Study will be finalized and posted to the City website. The City will then mail notice to property owners and customers of record of the Public Hearing, to be held on July 18th, to all property owners of parcels receiving wastewater services and all customers of record based on the Council action taken. At the Public Hearing, the City Council will receive and consider all written protests against the rate increases. Both property owners and customers of record may submit written protests, but only one protest per parcel will be counted. If protests are received from a majority of parcels receiving wastewater service, the City Council may not adopt the increased rates. After the initial increase, customers will receive notice of annual increases each January and the increases will be implemented in February of each subsequent year.

Staff has prepared a sample Proposition 218 notice to be mailed after the sewer rate option is selected by City Council. The Proposition 218 final notice will be reviewed and finalized with the City Attorney.

Council Options:

- Direct staff to revise and finalize the Cost of Service Study utilizing Option 2, approve the final Study as so revised for public review, proceed with the Public Hearing Notice (Proposition 218 Notice) and scheduling of such hearing.
- Direct staff to make changes to the Cost of Service Study and return for approval.
- Approve the rate structure, utilizing Option 1, and authorize the completion of the Cost of Service Study, approve the final Study for public review, proceed with the Public Hearing Notice (Proposition 218 Notice) and scheduling of such hearing.
- Continue the item with direction to staff to provide additional information.
- Deny approval of the Cost of Service Study and Proposition 218 notice and maintain current rates.

Fiscal Impact:

Yes, additional revenues, not exceeding the cost of services, are anticipated based on the proposed rate structure. If the proposed rate structure is not implemented, operational deficits will continue to

be experienced resulting in impacts to current and future operations if other financing sources are not received.

Environmental Review/Analysis:

Not a “project” under the California Environmental Quality Act.

Recommended Actions:

Staff Recommendation

1. Direct staff to revise and finalize the Cost of Service Study utilizing Option 2, and approve the final Study as so revised for public review.
2. Direct staff to proceed with the Public Hearing Notice (Proposition 218 Notice) and scheduling of such hearing.
3. Staff recommends that the City Council adopt Resolution No. 23-28 “A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, DIRECTING CITY STAFF TO SEND A NOTICE OF PUBLIC HEARING PURSUANT TO PROPOSITION 218 AND SCHEDULING A PUBLIC HEARING ON SEWER RATES”

Attachment:

Attachment 1 - Wastewater Rate Study - Results

Attachment 2 - Sample Notice of Public Hearing (Prop 218)

Attachment 3 - Resolution No. 23-28 “A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, DIRECTING CITY STAFF TO SEND A NOTICE OF PUBLIC HEARING PURSUANT TO PROPOSITION 218 AND SCHEDULING A PUBLIC HEARING ON SEWER RATES”

Notification:

None.



City of San Clemente

Wastewater Rate Study – Results

Feb 28, 2023





Agenda

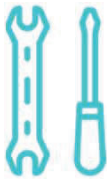
- Introduction and background
- Financial plan
- Wastewater Rates
- Customer Bill impacts
- Next steps

Background



What is a Rate Study?

A financial planning process to set rates that considers:



**Cover Ops
and
Maintenance**



**Cover
Infrastructure
Investment**



**Legally
Defensible**



**Promotes
Utility Financial
Viability**



**Community
Values**



**Fairness
& Equity**

Why would the City do a wastewater rate study?

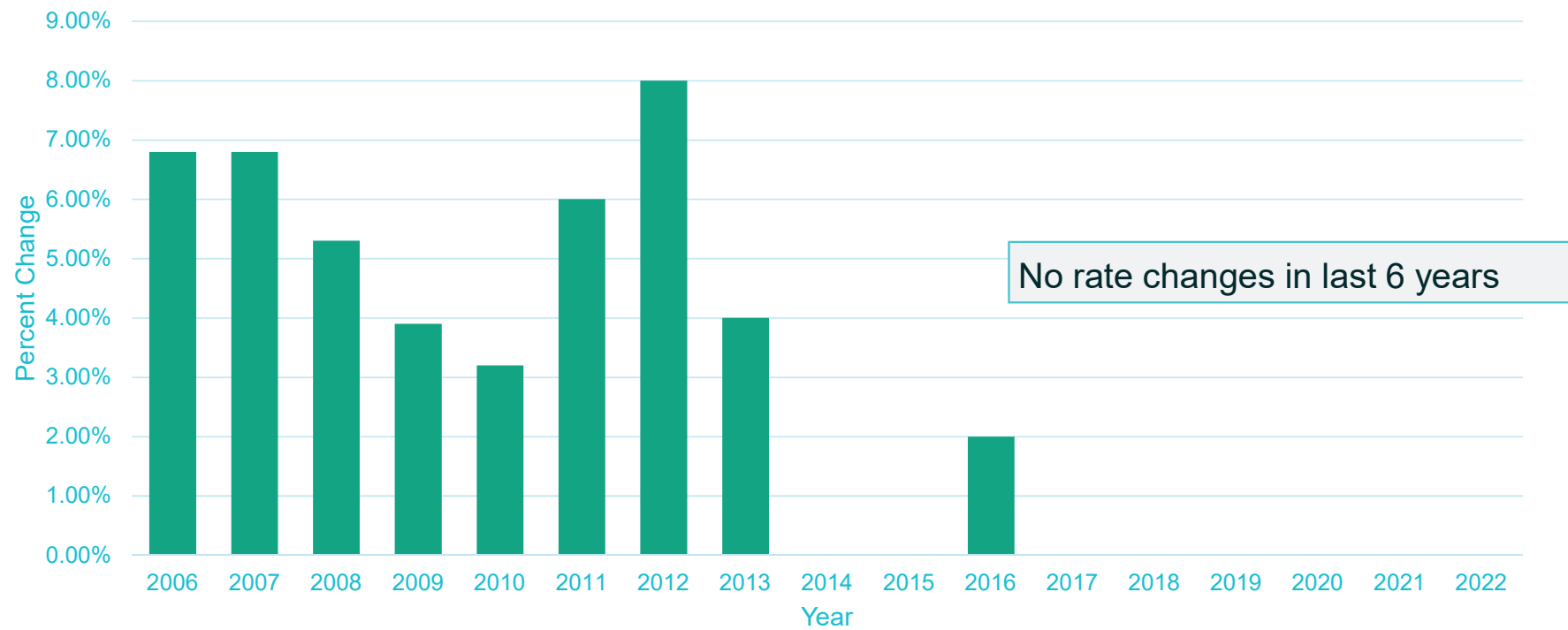
- **Rates must keep up with costs to operate the City's wastewater system**
- The City's wastewater utility (Enterprise Fund) is not like other government services (Police, Fire, Parks) that are funded by tax dollars from the General Fund
- The wastewater enterprise is funded by customer rate revenue
 - › It's a non-profit business
- By law (Proposition 218), rates must be based on the cost to serve water

Why are we proposing wastewater rate increases?

- Last Wastewater study completed in 2013, last rate increase implemented in 2016
- Inflation since 2016 = **24.7%** or 3.2% per year¹
- Wastewater flows decreased by **24%** from 2011 to 2016 (before SMWD flows)
 - › City has a volumetric rate component which needs to be adjusted to reflect the lower flows
- City's full CIP is \$21.9M from FY 2023 to FY 2027 but we propose rate adjustment to only fund \$15.8M
- FY 2018 O&M Budget = \$7.5M, FY 2023 O&M Budget = \$8.2M (1.7% per year)
- City Wastewater reserves have decreased drastically and now stand at \$5M (beginning FY 2023), *2022 LTFP Fiscal Policy recommendation was \$15 million*

¹www.in2013dollars.com

Historic Wastewater Rate Adjustments



Financial Plan



Financial Plan

- Projects revenue and expenses to assess if revenue is sufficient to fund operations (expenses)
- If not, we increase revenue to fund anticipated wastewater collection and treatment costs:
 - › O&M – chemicals, labor, parts, supplies
 - › Capital – large projects
 - › Reserves – O&M and capital reserves

City Wastewater Assets

- City's wastewater collection system is comprised of 180 miles of pipelines and 12 wastewater pump stations to convey wastewater within the City's service area
- The City owns and operates a 7 million gallon per day wastewater treatment plant to treat wastewater prior to either being further treated for reuse as recycled water or for disposal to the Pacific Ocean through the City's Land Outfall and regional Ocean Outfall

Wastewater revenue fund O&M Expenses

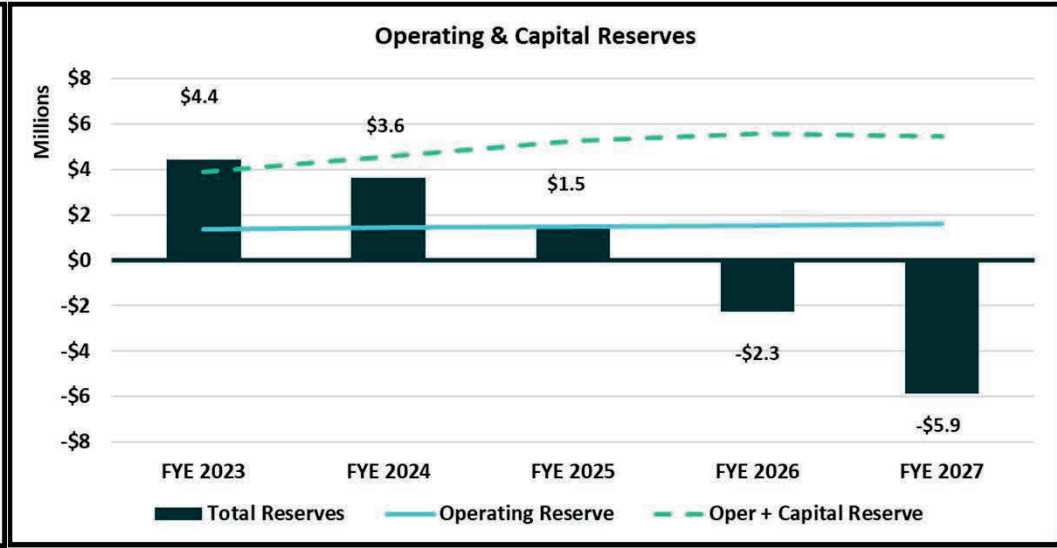
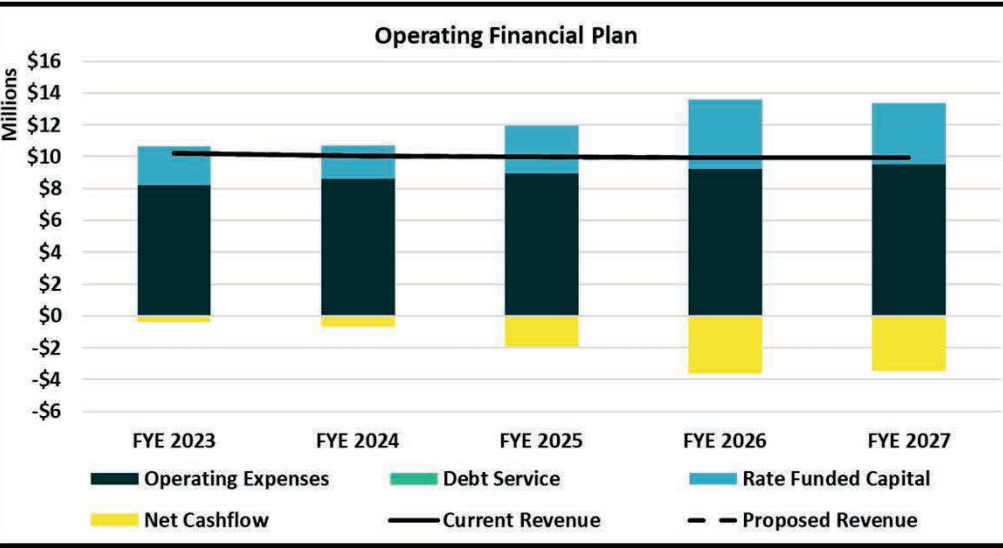
Expense Item	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Administration	\$1,560,470	\$1,651,378	\$1,726,334	\$1,776,335	\$1,827,890
Wastewater Collection	\$2,364,463	\$2,481,822	\$2,585,569	\$2,667,428	\$2,752,100
Wastewater Treatment	\$4,263,395	\$4,477,586	\$4,658,951	\$4,789,684	\$4,924,629
Subtotal - Operating Expenditures	\$8,188,328	\$8,610,786	\$8,970,854	\$9,233,447	\$9,504,619
Percent Difference		5.2%	4.2%	2.9%	2.9%

Wastewater revenue funds your reserves

Wastewater reserve targets:

- › Operating reserve = 12% of operating expenses (\$1M)
 - An operating reserve of 60 days (16%) is more common (\$1.3M)
- › Capital reserve = 2% of asset value

Projected reserves without revenue increases



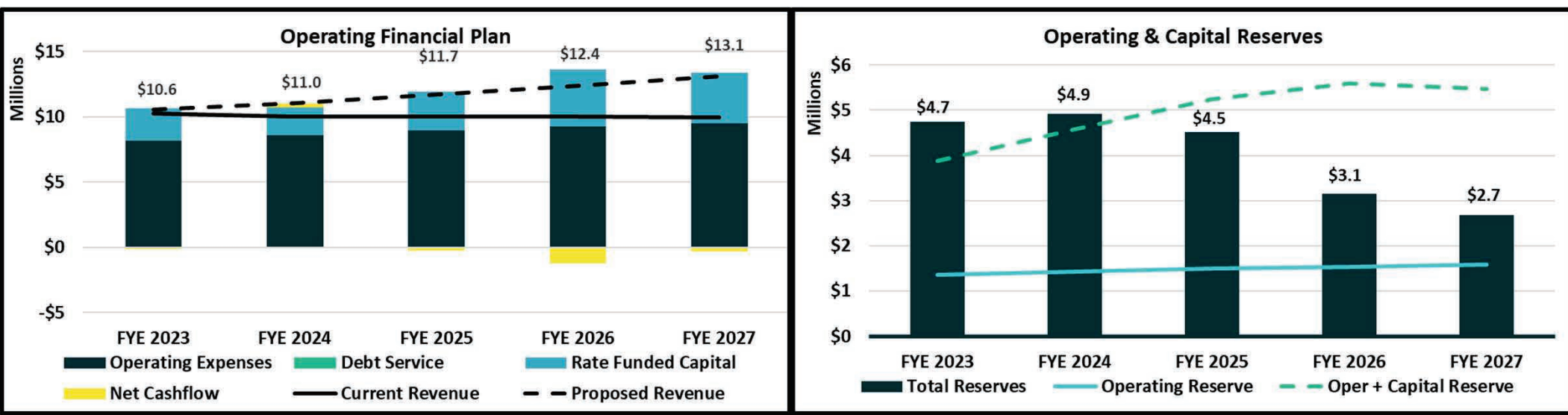
Proposed revenue adjustments

Option 1	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenue adjustment	7.0%	7.0%	7.0%	7.0%	6.0%

Option 2	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenue adjustment	9.5%	6.0%	5.0%	5.0%	4.5%

Projected reserve balances with revenue adjustments

(Option 1 and 2 produce similar reserve balances)

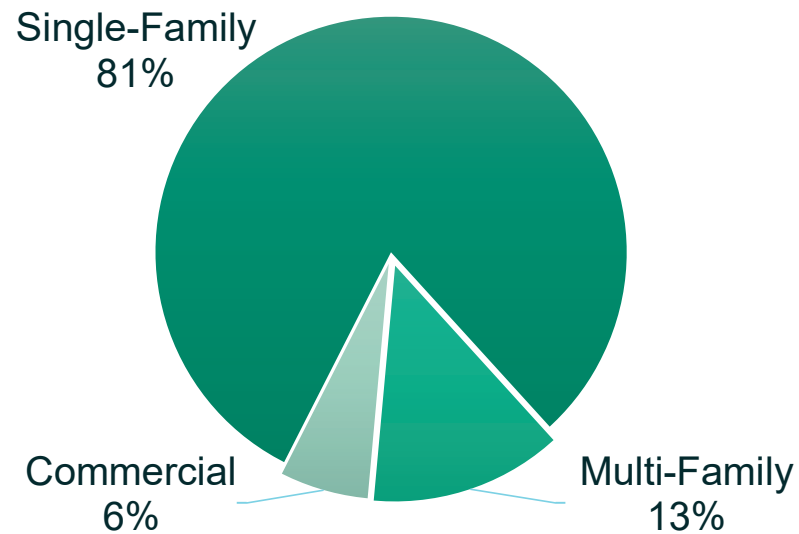


Current & Proposed Rates

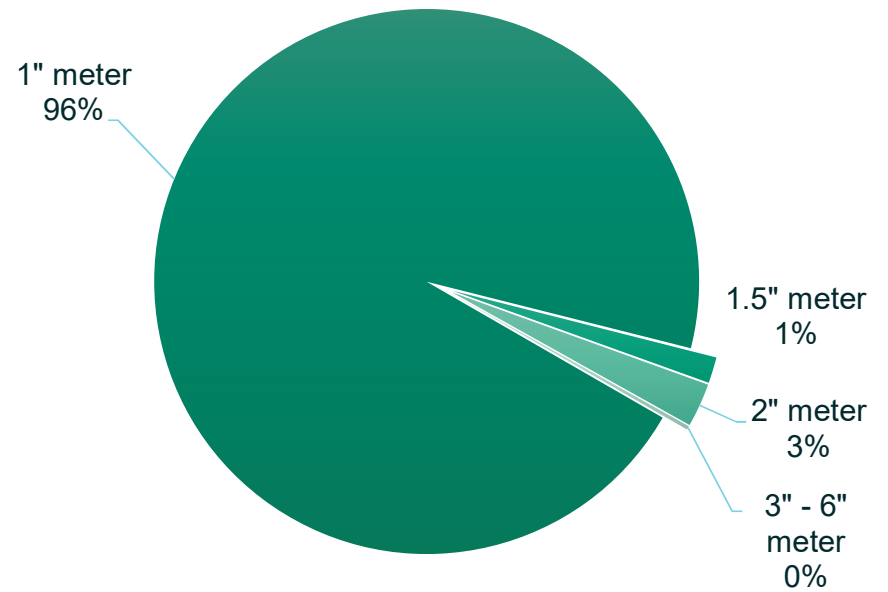


Wastewater Customer Composition

Customer Type



Meter Size



Current Rates

Fixed	
Monthly Service Charges	
Meter Size	Rate
up to 1"	\$23.82
1.5"	\$78.60
2"	\$126.62
3"	\$262.02
4"	\$404.92
6"	\$793.18

Volumetric	
Commodity Rates (\$/hcf ¹)	
Customer Class	Rate
Residential	
Single-Family Residential	\$1.44
Multi-Family Residential	\$1.44
Commercial	
Low Strength	\$1.97
Medium Strength	\$2.58
Medium-High Strength	\$4.57
High Strength	\$6.38
Mixed Use	\$2.61

¹hcf = Hundred cubic feet = 748 gallons

Strength is measured by biochemical oxygen demand and total suspended solids. Higher strength wastewater is more costly to treat than low strength wastewater.

Proposed Changes to Rates and Assumed Sewer Flow

1. Changing the ratios used to calculate the Monthly Service Charges
 - a. City collects a large portion of its revenue (about 57%) through the fixed monthly service charge
 - b. Adjust service charges so that they are proportional to **AWWA hydraulic capacity factors**
 - c. Explains why larger meter (mostly MFR and commercial) bills go down, others go up

Meter Size	Current Ratio	AWWA Hydraulic Capacity Ratio
up to 1"	1.00	1.00
1.5"	3.30	2.00
2"	5.32	3.20
3"	11.00	7.00
4"	17.00	12.60
6"	33.30	26.00

	Proposed Charge - Current Ratio	Proposed Charge - AWWA
up to 1"	\$23.84	\$25.57
1.5"	\$75.31	\$49.68
2"	\$120.42	\$78.62
3"	\$247.62	\$170.23
4"	\$381.87	\$305.25
6"	\$746.63	\$628.32

Proposed Changes to Rates and Assumed Sewer Flow (cont'd)

1. Change the estimated sewer flow from each customer class
 - a. Current wastewater rates are based on historic estimated sewer flows – but flows have decreased
 - b. Wastewater flows are not metered; one way to estimate yearly flow is to annualize water flows during **winter months**; assumes most of that flow goes into the sewer system; can calculate a return to sewer factor (RTS)
 - c. RTS factors are multiplied by water use to estimate *sewer use*
 - d. We truth checked our estimated sewer flows by comparing them to actual wastewater treatment plant flow

Proposed Change to Estimated Billed Flows

- Proposed billed flows are estimated to match the actual plant flow
- Calculated using the return to sewer factor x flow show

Customer Class	Current Billed Flow = RTS % X flow	Proposed Billed Flow = RTS % X flow
Single Family Residential	90% X (Oct through Mar flow, annualized)	75% X (lowest two month flows)
Multi-Family Residential	90% of current month	85% X current month
Low Strength	90% X current month	80% X current month
Medium Strength	90% X current month	85% X current month
Medium-High Strength	90% X current month	85% X current month
High Strength	90% X current month	85% X current month
Mixed Use	90% X current month	85% X current month

Proposed Rates

FY 2023 Proposed Monthly Service Charges		
Meter Size	Option 1	Option 2
up to 1"	\$25.57	\$26.15
1.5"	\$49.68	\$50.78
2"	\$78.62	\$80.35
3"	\$170.23	\$173.97
4"	\$305.25	\$311.93
6"	\$628.32	\$642.05

FY 2023 Proposed Commodity Rates (\$/hcf)		
Customer Class	Option 1	Option 2
Residential		
Single Family Residential	\$2.97	\$3.05
Multi-Family Residential	\$2.97	\$3.04
Commercial		
Low Strength	\$1.25	\$1.28
Medium Strength	\$2.67	\$2.73
Medium-High Strength	\$4.17	\$4.27
High Strength	\$7.00	\$7.17
Mixed Use	\$2.50	\$2.56

Average Single Family Residential (SFR) Bill Impact

- 1" meters are 99.8% of SFR meters
- Single family bill impact will vary with use
- Average current billed sewer use = (90% x annualized Oct thru Mar flow) \approx 9 hcf
- Revised billed sewer use \approx 5 hcf (75% of lowest two months)

Option	Meter Size	Current Bill	Proposed Bill	Dollar Difference
1	1"	\$36.78	\$40.44	\$3.66
2	1"	\$36.78	\$41.38	\$4.60

Proposed bill is comprised of meter charge and volumetric charge

Average Multi-family Residential Bill Impacts for a duplex (1”) and 12 apartment complex (2”)

- 1” MFR meters are 92% of MFR customers; average sewer use = 8 hcf, average of **2 apartments** for a 1” meter
- 2” MFR meters are 4% of MFR customers; average sewer use = 48 hcf, average of **12 apartments** for a 2” meter

Option	Meter Size	Current Bill	Proposed Bill	Dollar	
				Difference	Per Apartment
1	1"	\$35.90	\$45.58	\$9.68	\$4.84
2	1"	\$35.90	\$46.65	\$10.75	\$5.38
1	2"	\$199.37	\$199.14	(\$0.24)	(\$0.02)
2	2"	\$199.37	\$203.83	\$4.46	\$0.37

Average Bill Impacts By Strength & Meter Size

- Assumes average water/sewer use for each class/meter size
- 1" and 2" commercial customers are 87% of all commercial customers
- Commercial customer bills are going down because the fixed charge is now proportional to revised AWWA hydraulic capacity factors

		Option 1		
	Customer Class	Current Bill	Proposed Bill	Dollar Difference
Meter Size				
1"	Low	\$37.74	\$33.42	(\$4.32)
1"	Medium	\$67.74	\$68.43	\$0.69
1"	Med-High	\$93.28	\$85.36	(\$7.92)
1"	High	\$186.13	\$193.67	\$7.54
1"	Mixed Use	\$41.01	\$41.12	\$0.11

		Option 2		
	Customer Class	Current Bill	Proposed Bill	Dollar Difference
Meter Size				
2"	Low	\$179.87	\$108.63	(\$71.23)
2"	Medium	\$248.64	\$197.68	(\$50.96)
2"	Med-High	\$406.08	\$319.16	(\$86.92)
2"	High	\$588.46	\$556.90	(\$31.56)
2"	Mixed Use	\$158.92	\$107.82	(\$51.10)

Option 1: Five -Year Rates

Meter Size - All Customer Classes	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
		1-Jan-24	1-Jan-25	1-Jan-26	1-Jan-27
up to 1"	\$25.57	\$27.36	\$29.28	\$31.33	\$33.21
1.5"	\$49.68	\$53.16	\$56.88	\$60.86	\$64.52
2"	\$78.62	\$84.12	\$90.01	\$96.31	\$102.09
3"	\$170.23	\$182.15	\$194.90	\$208.54	\$221.05
4"	\$305.25	\$326.61	\$349.48	\$373.94	\$396.38
6"	\$628.32	\$672.30	\$719.36	\$769.72	\$815.90

Volumetric Rate (\$/ hcf)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
		1-Jan-24	1-Jan-25	1-Jan-26	1-Jan-27
Residential					
Single Family Residential	\$2.97	\$3.18	\$3.40	\$3.64	\$3.86
Multi-Family Residential	\$2.97	\$3.18	\$3.40	\$3.64	\$3.86
Non-Residential					
Low Strength (Includes Schools)	\$1.25	\$1.34	\$1.43	\$1.53	\$1.62
Medium Strength	\$2.67	\$2.85	\$3.05	\$3.27	\$3.46
Medium-High Strength	\$4.17	\$4.46	\$4.77	\$5.10	\$5.41
High Strength	\$7.00	\$7.49	\$8.01	\$8.57	\$9.08
Mixed Use (Comm & Residential)	\$2.50	\$2.67	\$2.86	\$3.06	\$3.25

Option 2: Five -Year Rates

Meter Size - All Customer Classes	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
		1-Jan-24	1-Jan-25	1-Jan-26	1-Jan-27
up to 1"	\$26.15	\$27.72	\$29.10	\$30.56	\$31.93
1.5"	\$50.78	\$53.83	\$56.52	\$59.35	\$62.02
2"	\$80.35	\$85.17	\$89.43	\$93.90	\$98.12
3"	\$173.97	\$184.40	\$193.62	\$203.31	\$212.45
4"	\$311.93	\$330.64	\$347.18	\$364.54	\$380.94
6"	\$642.05	\$680.58	\$714.61	\$750.34	\$784.10

Volumetric Rate (\$/ hcf)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
		1-Jan-24	1-Jan-25	1-Jan-26	1-Jan-27
Residential					
Single Family Residential	\$3.05	\$3.23	\$3.39	\$3.56	\$3.72
Multi-Family Residential	\$3.04	\$3.23	\$3.39	\$3.56	\$3.72
Non-Residential					
Low Strength (Includes Schools)	\$1.28	\$1.36	\$1.42	\$1.50	\$1.56
Medium Strength	\$2.73	\$2.90	\$3.04	\$3.19	\$3.34
Medium-High Strength	\$4.27	\$4.52	\$4.75	\$4.99	\$5.21
High Strength	\$7.17	\$7.60	\$7.98	\$8.38	\$8.75
Mixed Use (Comm & Residential)	\$2.56	\$2.71	\$2.85	\$2.99	\$3.13

Neighboring Sewer Bill

Based on Single Family average = 7 units of Winter Season Water Use

Rank	Agency	Service Charges (Monthly Fixed)	Commodity Charge (Monthly Variable)	Average Monthly Wastewater Bill
1	Irvine Ranch*	n/a	\$25.50 varies on average of lowest three months Water Use	\$25.50
2	Moulton Niguel*	\$20.10	\$5.36 per capita	\$36.16
3	Trabuco Canyon*	\$39.56	n/a	\$39.56
4-1	San Clemente (Proposed Option 1)	\$25.57	\$2.97 per 75% of lowest two-month water use	\$40.44
4-2	San Clemente (Proposed Option 2)	\$26.15	\$3.05 per 75% of lowest two-month water use	\$41.38
5	El Toro*	\$41.76	n/a	\$41.76
6	Santa Margarita*	\$32.21	\$1.12 per unit of current period Water Use (Max 9 units)	\$42.29
7	Santa Margarita (San Juan Serv Area)	\$25.56	\$2.52 per unit of current period water use	\$48.24
8	Oceanside	\$26.84	\$34.63 varies on Average Winter Quarter Water Use	\$61.47
9	Laguna Beach	\$71.57	n/a	\$71.57
10	South Coast	\$74.94	n/a	\$74.94

* Water district receives property tax

Next Steps

- Approve the rate structure and authorize the completion of the Cost-of Service Study
- Council directs staff to proceed with public hearing notice
- Public hearing planned for July 18th

End of Presentation





City of San Clemente
Utility Billing Division
910 Calle Negocio
San Clemente, CA 92672

POSTAGE
METER
INFORMATION

OWNER / TENANT
ADDRESS BLOCK
CITY STATE ZIP

NOTICE OF PUBLIC HEARING

July 18, 2023 at 6:00 PM

City Council Chambers, 910 Calle Negocio, San Clemente, CA 92673

NOTICE IS HEREBY GIVEN that the City of San Clemente (the "City") will hold a Public Hearing on July 18, 2023 at 6:00 PM or as soon thereafter as the matter may be heard in the City Council Chambers located at 910 Calle Negocio, 2nd Floor, San Clemente, to consider adjustments to the rates of the City's current sewer service fees.

About the City's Public Sanitary Sewer System

The City of San Clemente owns and maintains the public sanitary sewer system serving the community and is responsible for safely collecting, treating, disposing, and recycling of wastewater (sewage) and industrial waste.

All of the water used in the home that goes down the drains or into the sewage collection system is wastewater. This includes water from baths, showers, sinks, dishwashers, washing machines, and toilets. Small businesses and industries can also contribute large amounts of wastewater to sewage collection systems. The average American contributes 150 gallons of wastewater each day. Wastewater is about 99% water by weight and is generally referred to as influent as it enters the San Clemente Wastewater Reclamation Plant.

Wastewater that comes from homes and business in the City of San Clemente's service area is treated through 5 different processes:

- Preliminary Treatment - Removes grit, rags, and other inorganic heavy debris.
- Primary Settling - Settles the heavier organic solids.
- Aeration (Activated Sludge) - Aerobic bacteria consumes smaller organics called suspended solids (SS) or biological oxygen demand (BOD).
- Secondary Settling - Settles out microorganism in the activated sludge that consumed the suspended solids.
- Tertiary Filtration - Filters out remaining waste particles through sand filtration.

QUESTIONS AND ANSWERS

Why are you receiving this notice?

You have received this notice because the City of San Clemente provides sanitary sewer service to your property. The City is proposing a rate increase in order to pay projected costs needed for the City's collection and treatment system. As a property owner within the City's service area, your monthly sewer service fees will pay for these services. This letter serves as notice that a public hearing will be held on July 18, 2023, at 6:00 p.m., or as soon as the matter may thereafter be heard, in the City Council Chambers located at 910 Calle Negocio, 2nd Floor, San Clemente, to consider adjustments to the rates of the City's current sewer service charges. If approved, rate adjustments will take effect on [EFFECTIVE DATE].

What do sewer rates fund?

The City provides sewer services to 16,700 customers (residential and commercial) within the city limits. Monthly rates paid by users are the primary source of revenue to fund operations. All revenue generated from the sewer portion of your combined monthly utility bill is used to maintain and operate the sewer systems; it is not used for other general governmental purposes. These revenues must meet costs such as electricity, chemicals, maintenance, salaries and benefits for utility enterprise staff.

Why are rate adjustments necessary?

The City is committed to providing the highest quality utility services at the lowest possible rates for our customers. To meet this commitment, in 2019 the City undertook an evaluation of the infrastructure needs, programs, and operations and maintenance costs of the City's sewer services and the rates charged for those services for the next five years. Based on this evaluation, it has been determined that rate increases are necessary for the City's sewer service fees to enable the City to: recover current and projected costs of operations and maintenance; to provide funds to repair and replace existing capital infrastructure, replenish reserves needed based on capital plans to update the City's aging sewer systems; maintain the operational and financial stability of the utilities; comply with State and Federal mandated regulatory requirements; and avoid operational deficits and depletion of reserves.

How do I protest the proposed fees?

Any record owner of a parcel upon which the proposed sewer service charges are to be imposed or any tenant directly responsible for the payment of sewer service fees and charges (i.e., a customer of record who is not a property owner) may submit a written protest to the proposed rate increases for the City's sewer service fees and charges; provided, however, only one protest will be counted per identified parcel. Any written protest must: (1) state the protest is being submitted in opposition to the proposed rate increase; (2) provide the location of the identified parcel (by street address or assessor's parcel number); and (3) include the name and original signature of the property owner or tenant responsible for the payment of the wastewater charges submitting the protest. Written protests may be submitted by mail or in person to the **City Clerk at 910 Calle Negocio, San Clemente, CA 92673**, or at the Public Hearing (date and time noted above). The City Clerk must receive written and signed protests delivered by mail no later than 4:00 p.m. on the date of the Public Hearing, or if delivered in person, prior to the close of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the City Clerk, "**Attn: Public Hearing on Rate Increases.**"

The City Council will consider all written protests and hear and consider all oral comments to the proposed rate increases and annual rate adjustments at the Public Hearing. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written and signed protest. Upon the conclusion of the Public Hearing, the City Council will consider adoption of the proposed rate increases for the sewer service fees and charges. If written protests against the proposed rates as outlined above are not presented by a majority of the parcels directly responsible for the payment of sewer service charges of the identified parcels upon which the rates and charges are proposed to be imposed, the City Council will be authorized to impose the rate increases as outlined above. If adopted, the proposed rate increases for wastewater and sewer service charges will take effect beginning [EFFECTIVE DATE].

For any questions you may have regarding the rates or the rates applicable to your property, please contact the City at 949-361-8315 or by email at waterbilling@san-clemente.org.

PROPOSED SEWER SERVICE FEES

The City hired Raftelis Financial Consultants to conduct a cost of service study that determined the City's total costs of providing sewer services and then equitably apportioned those costs to each customer class based on the City's costs of providing sewer services to that class. The cost of service study detailing the basis for the rate calculations is available at [\[INSERT LINK to STUDY\]](#) and can be provided by the City Clerk, upon request by email (CampagnoloL@san-clemente.org) or online at <https://www.san-clemente.org/departments-services/city-clerk-services/all-meetings-information/public-records-request>. The rate structure for the sewer service fees consist of three customer classes—residential, commercial, and mixed use (a property with both commercial and residential uses). Within the commercial customer class, there are subclasses of customers. The subclasses are classified based on the type of commercial activity and constituents that they discharge into the sewer system—low strength, medium strength, medium-high strength, and high strength.

The City's sewer service charges are comprised of two components – a fixed Meter Charge and a variable Commodity Charge. The Meter Charge is a monthly fixed charge calculated on the basis of the size of the water meter serving the property (in inches). The Commodity Charge is a variable charge determined on the basis of a customer's metered water use (in HCF) and assumptions regarding the volume of water returned to the sewer system. The current return to sewer assumptions are based on historic wastewater flows. However, due to a decrease in wastewater flows, these assumptions are also proposed to be updated as shown in the table below. This change will directly affect the calculations for Variable Sewer Commodity Charges.

RETURN TO SEWER ASSUMPTIONS		
CUSTOMER TYPE	CURRENT RATES	PROPOSED RATES
Residential Single Family	90% of average water use during October-March	75% of average water use of lowest two months
Multi-Family	90% of current period water use	85% of current period water use
Commercial		
Low-Strength	90% of current period water use	80% of current period water use
Medium Strength	90% of current period water use	85% of current period water use
Medium-High Strength	90% of current period water use	85% of current period water use
High Strength	90% of current period water use	85% of current period water use
Mixed Use	90% of current period water use	85% of current period water use

The current and proposed rates for the sewer service charges are shown in the tables below. **RATE TABLES - OPTION 2:**

CURRENT AND PROPOSED SEWER SERVICE CHARGES						
FIXED METER CHARGE						
METER SIZE	CURRENT RATES	[EFFECTIVE DATE]	EFFECTIVE JAN 1, 2024	EFFECTIVE JAN 1, 2025	EFFECTIVE JAN 1, 2026	EFFECTIVE JAN 1, 2027
	1" and under	\$23.82	\$26.15	\$27.72	\$29.10	\$30.56
1 1/2"	\$78.60	\$50.78	\$53.83	\$56.52	\$59.35	\$62.02
2"	\$126.24	\$80.35	\$85.17	\$89.43	\$93.90	\$98.12
3"	\$262.02	\$173.97	\$184.40	\$193.62	\$203.31	\$212.45
4"	\$404.92	\$311.93	\$330.64	\$347.18	\$364.54	\$380.94
6"	\$793.18	\$642.05	\$680.58	\$714.61	\$750.34	\$784.10
VARIABLE SEWER COMMODITY CHARGE						
ACCOUNT TYPE	CURRENT RATES	[EFFECTIVE DATE]	EFFECTIVE JAN 1, 2024	EFFECTIVE JAN 1, 2025	EFFECTIVE JAN 1, 2026	EFFECTIVE JAN 1, 2027
	Residential	\$1.44	\$3.05	\$3.23	\$3.39	\$3.56
Multi-Family	\$1.44	\$3.04	\$3.23	\$3.39	\$3.56	\$3.72
Commercial						
Low-Strength	\$1.97	\$1.28	\$1.36	\$1.42	\$1.50	\$1.56
Medium Strength	\$2.58	\$2.73	\$2.90	\$3.04	\$3.19	\$3.34
Med-High Strength	\$4.57	\$4.27	\$4.52	\$4.75	\$4.99	\$5.21
High Strength	\$6.38	\$7.17	\$7.60	\$7.98	\$8.38	\$8.75
Mixed Use	\$2.61	\$2.56	\$2.71	\$2.85	\$2.99	\$3.13

IMPACT ON YOUR BILL

For a typical single-family home that uses an average of 10 units of water during winter months, the monthly sewer bill will increase from \$36.78 to \$41.38. The typical single-family residential combined monthly utility bill will increase from \$118.25 to \$123.57.

The water bill for a typical commercial account, which uses 40 units of water per month, the monthly sewer bill will change from \$197.16 to \$121.31. The typical commercial account combined monthly utility bill will change from \$497.25 to \$421.40. Commercial customer bills are going down because the fixed charge is now proportional to revised AWWA hydraulic capacity factors.

You are hereby notified, pursuant to Government Code Section 53759, there is a 120-day statute of limitations for challenging any new, increased, or extended wastewater fee, rate, or charge. As such, any judicial action or proceeding to attack, review, set aside, void, validate, or annul the City's adoption of the proposed wastewater rates must be commenced within 120 days of the effective date or of the date of the final passage, adoption, or approval of the ordinance or resolution adopting the wastewater rates.

What's Next: Comprehensive Cost-of-Service Study - Water Rates

The City will be starting a Cost-of-Service Study for the Water system in Fiscal Year 2024. This study will determine the cost recovery approach the Water utility will utilize as the basis for water rates for the next five to ten-year timeframe. The Study, which will include public workshops to solicit stakeholder input, will:

- determine the current and projected costs of providing water service;
- review the existing water rate structure, customer classifications, and tier widths;
- consider alternative pricing methodologies and review industry standards within California;
- model the impact of the current and/or future droughts on system operations and rates; and
- develop a rate model for use over the next five to ten-year timeframe.

Recommendations, including possible rate increases or adjustments, from the Study will be presented at a future Public Hearing for consideration, deliberation, and adoption by City Council.

RESOLUTION NO. 23-28

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE,
CALIFORNIA, DIRECTING CITY STAFF TO SEND A NOTICE OF PUBLIC HEARING
PURSUANT TO PROPOSITION 218 AND SCHEDULING A PUBLIC HEARING ON
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, an updated sewer model forecasting five-years of operating revenues and expenses has been prepared by Raftelis Financial Consultants to determine rate modifications to ensure a neutral operating position and fund future capital activities; and

WHEREAS, the City Council has determined the sewer rates charged for sewer services should be modified to recover current and projected costs and to fund capital infrastructure improvements and repairs; and

WHEREAS, the City Council has been provided with two options to adjust rates as part of the Cost of Service Study; and

WHEREAS, staff received direction as to the rate option to be implemented; and

NOW, THEREFORE, the City Council of the City of San Clemente does hereby resolve as follows:

Section 1. Option 2 shall be used for the sewer rate schedule. City Council directs staff to revise and finalize the Cost of Service Study using Option 2 and post it on the City's website.

Section 2. A public hearing on the adjustment of sewer rates is hereby set for July 18, 2023. City Council directs staff to send written notification to property owners and utility customers and post notice for such public hearing in compliance with applicable law.

Section 3. The City Manager and his authorized designees are hereby authorized and directed to take such actions as shall be necessary to effectuate the purposes of this Resolution.

Section 4. This Resolution shall supersede all other previous city resolutions and ordinances that may conflict with, or be contrary to, this Resolution, and shall take effect

immediately upon its adoption.

Section 5. The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED this _____ day of _____, _____.

ATTEST:

City Clerk of the City of
San Clemente, California

Mayor of the City of San
Clemente, California

STATE OF CALIFORNIA)
COUNTY OF ORANGE) §
CITY OF SAN CLEMENTE)

I, LAURA CAMPAGNOLO, City Clerk of the City of San Clemente, California, do hereby certify that Resolution No. _____ was adopted at a regular meeting of the City Council of the City of San Clemente held on the _____ day of _____, _____, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Clemente, California, this _____ day of _____, _____.

CITY CLERK of the City of
San Clemente, California

Approved as to form:

Elizabeth A. Mitchell, City Attorney