

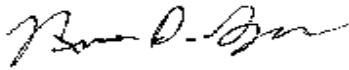
City of Calistoga

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Staff Report

TO: Honorable Mayor and City Council
FROM: Richard Spitler, City Manager
DATE: September 3, 2013
SUBJECT: Public Hearing on Draft Water and Wastewater Rate Studies and to set a public hearing for November 5, 2013 on possible Rate Increases

APPROVAL FOR FORWARDING:



Richard D. Spitler, City Manager

1 **ISSUE:** To Receive Public Comment on Draft Water and Wastewater Rate Studies
2 and to set a public hearing for November 5, 2013 on Possible Rate Increases.
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4 **RECOMMENDATION:** Conduct Public Hearing and Adopt Resolution.
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6 **BACKGROUND:**
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8 The City Council held televised workshops in 2013 on January 22nd, February 6th and
9 August 13th on the status of the Water and Wastewater Enterprise Funds. Consultant
10 David Spilman gave a presentation on these enterprise funds with the recommendation
11 that additional revenues be found to bring these funds into balance. This analysis was
12 based upon the foundational work done by the Water and Wastewater Revenue
13 Advisory Committee in 2009 and 2010. The existing rate structure and assumptions
14 were determined by this group which was largely endorsed by the City Council when it
15 adopted new rates.
16

17 Staff prepared updated analyses with the benefit of this information on the water and
18 wastewater enterprise funds with consideration of the following:
19

- 20 1. Passage of Measure C including development impact fees and capital improvements
21 which would benefit these enterprise funds
22
- 23 2. A financial update related to the FY 13-14 budget
24
- 25 3. The impact of Napa wholesale water rate increases
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27 4. The impact of new private development projects and timing relative to payment of
28 impact fees and becoming new water/wastewater consumers

29
30 5. A revised list of capital improvement projects

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32 The objective is to have these enterprise funds adequately funded to be self-sufficient
33 without general fund subsidy and to have a 20% reserve. As will be indicated, to meet
34 this objective a modest increase in the water and wastewater rates will be required.

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36 **DISCUSSION:**

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38 The analysis by Mr. Spilman shows that under present assumptions over the next four
39 years the Water Enterprises Fund will have a deficit of \$1.645 million and the
40 Wastewater Enterprise Fund will have a deficit of \$1.272 million. If these combined
41 funds are not able to pay their way, the General Fund will have to subsidize them by
42 \$2.918 million. This figure does not address the need to have a 20% reserve fund for
43 each enterprise fund. This is an additional \$922,000 that should be in the combined
44 funds.

45
46 Another way to look at the situation is that without new development connection fee
47 payments it would require a 10% water rate increase and a 9.2% wastewater rate
48 increase for each of the next four years to achieve fund objectives.

49
50 After an exhaustive review of options the City Council at its August 20th meeting
51 determined that \$851,275 of the \$1.168 deficit in the Water Enterprise Fund will be
52 caused by increased charges by the city of Napa for NBA water treatment and wheeling
53 (or pumping) up to Calistoga. The Council expressed the view that this unforeseen
54 expense should be covered by the water rate fees charged to users. However, the
55 difference of \$317,600 over a four year time period (or \$79,400 per year) should be
56 covered by a General Fund subsidy on an annual basis. In accordance with this overall
57 directive the following rate increases for water and wastewater are recommended (and
58 are detailed in the attached draft Water and Wastewater Rate Studies- Attachments 4 &
59 5).

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61 **Water Rate Increases:**

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63 It is recommended for the next four years to FY 16-17 that rate increases range from
64 2.9% to 3.9% for the water service charge (which is based upon meter size) and 4.3%
65 to 5.7% for the volume charge (based upon water use expressed in one hundred cubic
66 feet or 748 gallons - see Table A at the back of the draft Water Rate Study). These
67 increases in water cost are then applied to water demand by type of customer, e.g.,
68 single family, mobile home park, commercial, etc.

69

70 By way of example, for a typical single family home the proposed water rate increase
71 would be initially an additional \$7.80 every two months (in January 2014) and by
72 January 2017 it would be an additional 37.78 every two months (see Attachment 2) .

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76 Wastewater Rate Increases:

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78 The Wastewater rate increases adopted in 2010 provided increases for Fiscal Years 13-
79 14 (3.1% for residential) and 14-15 (1.5% for residential). These would stay in effect
80 with no change. However, it is recommended for FY 15-16 and FY 16-17 that the rates
81 increased by an additional 2% each year to cover inflationary expenses.

82
83 By way of example, for a typical single family home the proposed wastewater rate
84 increase would be initially be an additional \$3.76 every two months (in January 2014)
85 and by January 2017 it would be \$10.62 every two months (relative to the existing rate).

86
87 Combined Water and Wastewater Increase:

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89 Using the single family residential example, a combined water and wastewater bi-
90 monthly billing would increase initially by \$11.56 every two months (in January 2014)
91 and by January 2017 it would be increased \$48.40 every two months (relative to
92 existing rates). This means that the average combined water and wastewater bill that is
93 sent every two months would increase from \$310.20 (the existing rate) to \$358.60 by
94 January 2017.

95
96 The City Council has discussed giving residential customers an option to pay on a
97 monthly basis. If this were done, the monthly cost would be \$155.10 under the existing
98 rate and would increase to \$179.30 in January 2017.

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100 Public Review and Proposition 218 Hearing Requirements:

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102 Under state law any utility rate increase must adhere to a public review of documents
103 that demonstrate the need for the increases. Under a separate agenda item staff is
104 proposing adoption of procedures to comply with the Proposition 218 requirements.

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106 Attached is a schedule of events that would need to take place to meet Proposition 218
107 notification requirements. This would include a formal public hearing on November 5,
108 2013 to hear any protests to the proposed rate increases. The schedule has the City
109 Council introducing the ordinance on November 15th with second reading on December
110 3rd. The ordinance would take effect January 2, 2014.

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113 **Attachments:**

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- 115 1- Draft resolution
- 116 2- Proposed single family water and wastewater rate- bimonthly
- 117 3- Schedule for adoption of rate increases
- 118 4- Draft Water Rate Study
- 119 5- Draft Wastewater Rate Study