

City Manager's Report
 November 13, 2012 City Council Meeting
 Prepared by: Dave Warren, Director of Finance
 Item #: 12.1



Subject: Adopt a resolution that implements a portion of the previously authorized increase in water rates effective February 16, 2013, and continues all other provisions of the multi-year water rate schedule (Resolution No. 7749) in full force and effect.

Background:

At its regularly scheduled meeting held on October 13, 2009, the City Council adopted new water user rates (please see Resolution No. 7749 attached) that were planned to become effective October 16, 2009, June 16, 2010, June 16, 2011, and June 16, 2012. Resolution No. 7749 also authorized adjustments to the water rates based on the annual change in the California Consumer Price Index-All Urban Consumers as of April of each year beginning in June 16, 2013. The initial rate increase was implemented as authorized on October 16, 2009. However, the second rate increase that would have become effective June 16, 2010, was suspended and alternative rate tiers were adopted by the City Council at its regularly scheduled meeting held on May 25, 2010 (please see Resolution No. 7800 attached) due to public sentiment and the negative impacts of the "Great Recession." Since that time, operating costs have steadily increased, and tonight, staff is recommending the City Council implement a portion of the water rate increase that was originally adopted on October 13, 2009, to become effective on the billing period beginning February 16, 2013, to offset the increased operating costs.

Discussion:

Due to the suspension of the second water rate increase and adoption of alternative rate tiers, the City cut both discretionary capital improvement and operating expenditures including:

- Freezing unfilled positions
- Continuation of the 10% employee pay cut
- Reducing the level of contingency for unforeseen expenditures
- Deferring important water line replacement projects

Since that time, the cost for fuel, personnel, services, supplies, and utilities has increased. For example, El Dorado Irrigation District (EID) increased the water rates the City pays as a municipal ratepayer. EID's multi-year rate increase became effective July 13, 2012, and includes rate increases each year through 2015. Staff forecasts it will cost the City \$95,793 and \$141,941 more to purchase water from EID annually in Fiscal Years 2012/2013 and 2013/2014 respectively as compared to the Fiscal Year 2011/2012 level. Staff is recommending the City Council implement a portion of the previously approved water rates equivalent to a 9.00% rate increase effective February 16, 2013. The 9.00% rate increase would generate approximately \$56,647 and \$153,178 in additional revenues in Fiscal Years 2012/2013 and 2013/2014 respectively that would help offset the increased cost of purchasing water from EID through June 30, 2014.

Analysis:

The current bi-monthly water rates and the proposed rates that would become effective February 16, 2013, are shown below:

Category/Water Use	Current Rates	Proposed Rates
<i>Single-Family Residential</i>		
Base Charge	\$24.38	\$26.57
0 to 1,000 cubic feet	\$2.60 per ccf	\$2.83 per ccf
1,001 to 2,500 cubic feet	\$3.11 per ccf	\$3.39 per ccf
Over 2,500 cubic feet	\$3.37 per ccf	\$3.67 per ccf
<i>Single-Family Residential (Lifeline)</i>		
Base Charge	\$18.29	\$19.94
0 to 1,000 cubic feet	\$1.96 per ccf	\$2.14 per ccf
1,001 to 2,500 cubic feet	\$2.34 per ccf	\$2.55 per ccf
Over 2,500 cubic feet	\$2.53 per ccf	\$2.76 per ccf
<i>Commercial & Multi-Family</i>		
Base Charge	\$24.38	\$26.57
0 to 4,000 cubic feet	\$2.60 per ccf	\$2.83 per ccf
4,001 to 20,000 cubic feet	\$3.11 per ccf	\$3.39 per ccf
Over 20,000 cubic feet	\$3.37 per ccf	\$3.67 per ccf

For example at median consumption (1,800 cubic feet), the bi-monthly water charge for a single-family residence is currently \$75.26 ($\$24.38 + (\$2.60 \times 10) + (\$3.11 \times 8)$). At the same consumption level, the new bi-monthly water charge would be \$81.99 ($\$26.57 + (\$2.83 \times 10) + (\$3.39 \times 8)$), or \$6.73 more every two months which is a 9% increase. If approved, the new rates would be used to calculate the May 10, 2013, utility bills.

It's important to note that the proposed rates are very similar to those that became effective October 16, 2009, as approved by Resolution No. 7749.

Proposition 218:

The rate increase being requested tonight was authorized by Resolution No. 7749 which was subject to Proposition 218. Proposition 218 notices were provided to ratepayers prior to the adoption of that Resolution. That Resolution was the subject of a public hearing that was held at a regularly scheduled City Council meeting on October 13, 2009. As a result, the City is not required to provide new Proposition 218 notices to ratepayers.

Budget Impact:

If approved, the new water rates will generate approximately \$56,467 in additional revenue in Fiscal Year 2012/2013 which will help offset the \$95,793 increase in EID water rates during the same period.

Recommendation:

Adopt a resolution that implements a portion of the previously authorized increase in water rates effective February 16, 2013, and continues all other provisions of the multi-year water rate schedule (Resolution No. 7749) in full force and effect.



M. Cleve Morris, City Manager



Dave Warren, Director of Finance

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PLACERVILLE
IMPLEMENTING A PORTION OF THE PREVIOUSLY AUTHORIZED WATER RATE
INCREASE EFFECTIVE FEBRUARY 16, 2013

WHEREAS, the City Council adopted a multi-year water rate schedule (Resolution No. 7749) that increased water rates in Fiscal Year 2009/2010, 2010/2011, 2011/2012, and 2012/2013; and

WHEREAS, Resolution No. 7749 also authorized that the water rates be adjusted annually according to the annual change in the California Consumer Price Index-All Urban Consumers as of April of each year beginning June 16, 2013; and

WHEREAS, the City Council suspended the planned 13.5% increase in water rates, authorized in Resolution No. 7749, that would have become effective June 16, 2010, and adopted alternative rate tiers at its regularly scheduled meeting held on May 25, 2010 (Resolution No. 7800) due to public sentiment and the negative impacts of the Great Recession; and

WHEREAS, the City must implement a portion of the previously authorized increase in water rates in order to offset the increased cost of purchasing water, personnel, services and supplies.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of Placerville:

1. Implements a portion of the previously authorized increase in water rates, equivalent to 9.00% as set forth in attachment "A", effective February 16, 2013, and
2. Continues all other provisions of the multi-year water rate schedule (Resolution No. 7749) in full force and effect; and
3. Finds that the aforementioned changes in water rates do not raise said rates for any ratepayer above those rates adopted pursuant to Resolution No. 7749.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Placerville held on November 13, 2012, by Councilmember _____ who moved its adoption. The motion was seconded by Councilmember _____. The motion was passed by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mayor, Mark A. Acuna

ATTEST:

City Clerk, Susan Zito

Attachment "A"

City of Placerville
Water User Rates

Category/Water Use	Rates
<i>Single-Family Residential</i>	
Base Charge	\$26.57
0 to 1,000 cubic feet	\$2.83 per ccf
1,001 to 2,500 cubic feet	\$3.39 per ccf
Over 2,500 cubic feet	\$3.67 per ccf
<i>Single-Family Residential (Lifeline)</i>	
Base Charge	\$19.94
0 to 1,000 cubic feet	\$2.14 per ccf
1,001 to 2,500 cubic feet	\$2.55 per ccf
Over 2,500 cubic feet	\$2.76 per ccf
<i>Commercial & Multi-Family</i>	
Base Charge	\$26.57
0 to 4,000 cubic feet	\$2.83 per ccf
4,001 to 20,000 cubic feet	\$3.39 per ccf
Over 20,000 cubic feet	\$3.67 per ccf

RESOLUTION NO. 7749

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PLACERVILLE
APPROVING WATER RATES

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of Placerville:

1. Approves the bi-monthly water rates as presented in attachment "A" to become effective October 16, 2009; and
2. Authorizes the water rates to be adjusted annually according to the annual change in the California Consumer Price Index-All Urban Consumers as of April of each year beginning June 16, 2013; and

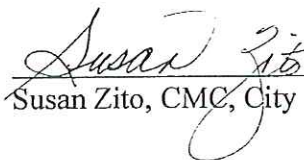
The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Placerville held on October 13, 2009 by Councilmember Hagen who moved its adoption. The motion was seconded by Councilmember Acuna. The motion was passed by the following vote:

AYES: Acuna, Borelli, Hagen, Machado
NOES: None
ABSENT: Rivas
ABSTAIN: None



Mayor Patricia Borelli

ATTEST:



Susan Zito, CMC, City Clerk

Attachment "A"

City of Placerville
Water User Rates

Category/Water Use	Effective 10/16/09	Effective 06/16/10	Effective 06/16/11	Effective 06/16/12 [^]
<i>Single-Family Residential</i>				
Base Charge	\$26.56	\$30.14	\$34.21	\$36.60
0 to 2,500 cubic feet	\$2.83 per ccf	\$3.21 per ccf	\$3.65 per ccf	\$3.90 per ccf
2,501 to 20,000 cubic feet	\$3.39 per ccf	\$3.85 per ccf	\$4.37 per ccf	\$4.67 per ccf
Over 20,000 cubic feet	\$3.68 per ccf	\$4.17 per ccf	\$4.73 per ccf	\$5.07 per ccf
<i>Single-Family Residential (Lifeline)</i>				
Base Charge	\$19.92	\$22.61	\$25.66	\$27.46
0 to 2,500 cubic feet	\$2.13 per ccf	\$2.42 per ccf	\$2.74 per ccf	\$2.94 per ccf
2,501 to 20,000 cubic feet	\$2.55 per ccf	\$2.89 per ccf	\$3.28 per ccf	\$3.51 per ccf
Over 20,000 cubic feet	\$2.76 per ccf	\$3.13 per ccf	\$3.56 per ccf	\$3.80 per ccf
<i>Commercial & Multi-Family</i>				
Base Charge	\$26.56	\$30.14	\$34.21	\$36.60
0 to 7,500 cubic feet	\$2.83 per ccf	\$3.21 per ccf	\$3.65 per ccf	\$3.90 per ccf
7,501 to 50,000 cubic feet	\$3.39 per ccf	\$3.85 per ccf	\$4.37 per ccf	\$4.67 per ccf
Over 50,000 cubic feet	\$3.68 per ccf	\$4.17 per ccf	\$4.73 per ccf	\$5.07 per ccf

[^]Water rates shall be adjusted annually according to the annual change in the California Consumer Price Index-All Urban Consumers as of April of each year beginning June 16, 2013.

RESOLUTION NO. 7800

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PLACERVILLE
TEMPORARILY REDUCING WATER RATES EFFECTIVE JUNE 16, 2010

WHEREAS, the City Council adopted a multi-year water rate schedule (Resolution No. 7749) that increased water rates in Fiscal Years 2009/2010, 2010/2011, 2011/2012, and 2012/2013; and

WHEREAS, Resolution No. 7749 also authorized that the water rates be adjusted annually according to the annual change in the California Consumer Price Index-All Urban Consumers as of April of each year beginning June 16, 2013; and

WHEREAS, both ratepayers and the City Council have expressed a desire to temporarily minimize the adopted rate increases for Fiscal Years 2009/2010 and 2010/2011 to help ratepayers cope with the negative affects of the Great Recession; and

WHEREAS, the City Council has revised its budget assumptions for the Water Enterprise Fund to afford a temporary water rate reduction in Fiscal Year 2010/2011.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of Placerville:

1. Suspendsthe planned 13.5% increase in water rates that would have become effective June 16, 2010; and
2. Adopts the water rates effective June 16, 2010, as presented in attachment "A.;"
3. Adopts the rate tiers effective June 16, 2010 as set forth in attachment "A".;
4. Continues in full force and effect all other provisions of the multi-year water rate schedule (Resolution 7749) otherwise not modified herein;.
5. Finds that the aforementioned changes in water rates do not raise said rates for any ratepayer above those rates adopted pursuant to Resolution 7749.

The foregoing Resolution was introduced at a regular meeting of the City Council of the City of Placerville held on May 25, 2010 by Councilmember Acuna who moved its adoption. The motion was seconded by Vice-Mayor Machado. The motion was passed by the following vote:

AYES: Acuna, Borelli, Hagen, Machado, Rivas

NOES: None


ABSENT: None

ABSTAIN: None



Mayor Pierre Rivas

ATTEST:



Susan Zito, CMC, City Clerk

Attachment "A"

City of Placerville
Water User Rates

Category/Water Use	Effective 06/16/10
<i>Single-Family Residential</i>	
Base Charge	\$24.38
0 to 1,000 cubic feet	\$2.60 per ccf
1,001 to 2,500 cubic feet	\$3.11 per ccf
Over 2,500 cubic feet	\$3.37 per ccf
<i>Single-Family Residential (Lifeline)</i>	
Base Charge	\$18.29
0 to 1,000 cubic feet	\$1.96 per ccf
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