

CITY OF ORLAND

CITY COUNCIL AGENDA ITEM #: 8.2.

MEETING DATE: July 20, 2015

TO: Honorable Mayor and Council
FROM: City Manager and City Engineer
SUBJECT: PUBLIC HEARING: Water and Sewer Rate Adjustments

City Council will consider all protests regarding the proposed rate increases as tabulated by the City Clerk, receive public comment following an introductory staff report, then consider proposed rate increases, and may take action on the proposed rates by way of the referenced Resolution.

BACKGROUND

As explained in the May 18th agenda packet staff report, rates charged to cover the necessary costs of water and sewer services are normally reviewed and adjusted annually, typically using CPI (consumer price index) as the controlling escalation factor. From time to time, additional maintenance needs and improvement projects are identified which must be taken into account for rate setting. Current and projected customer consumption patterns also figure into the utility's ability to meet ongoing and planned expenses through revenue from rates.

DISCUSSION

While most of the City's expenses in providing water and sewer services are fixed and constant, demand for services is dynamic – especially in light of expected reduced customer demand for services. Rates for water and sewer must increase to accomplish deferred but required maintenance, pay for ongoing operations, and meet planned capital expenditure upgrades. Many storm drainage expenses, due to the groundwater recharge nature of our system, are now water utility expenses – an additional expense factor to consider.

Increased rates are intended to produce increased revenue, offset to the extent customers reduce unit consumption of water. To encourage conservation and help cover the revenue lost through reduced consumption, a temporary allotment reduction of 20% is proposed. (Many other water providers instituted a drought offset fee.) Customers can avoid the impact of the reduced allotment by reducing consumption accordingly.

The City Engineer is tasked with evaluating the priority and timing of necessary and planned projects, determining costs and amortization timelines, and calculating resulting rates required. The City Engineer worked with the Public Works Director, Finance Director, and City Manager in preparing the proposed rate structure adjustment, which was approved May 18th as the City's proposed rate structure pending the required Public Hearing and Prop 218-election process.

Note that if approved the proposed rate adjustments, due to the nature of the drought situation, will become effective July 25th. The rates will be reflected in the October 1st billing cycle (for mid-July thru mid-Sept consumption).

Attachments (3):

1. Notice of Public hearing – mailed to all customers May 29
2. Information About Water and Sewer Rate Increases – posted on city website and social media July 15
3. Resolution 2015-XX amending the service charges schedule establishing new water and sewer rates

RECOMMENDATION: Conduct the Public Hearing, review the tabulated protest votes and consider and act to adopt Resolution 2015-XX providing for water and sewer rates adjustments as proposed.

Fiscal Impact of Recommendation: Revenue from rates is expected to increase to match required expenditures, for the Water funds. No General Fund impact.



City of Orland

Notice of Public Hearing

Consideration of Resolution Amending the Service Charges Schedule Establishing New Water and Sewer Rates and Providing for a CPI Adjustment for a Period Thereafter

Notice is hereby given that on **Monday, July 20, 2015 at 7:30 pm** at the City Council Chambers of the City of Orland, Carnegie Center, 912 Third Street, Orland, the City Council of the City of Orland will hold a Public Hearing to consider a resolution entitled "A Resolution of the City Council of the City of Orland Amending the Service Charges Schedule Establishing New Water and Sewer Rates for Fiscal Years 2015-2016, 2016-2017, and 2017-2018, and for Providing a CPI Adjustment."

This resolution would revise the rate of the City's water and sewer charges in response to rising direct costs of water production, ongoing water and sewer system repairs, replacement and upgrade to our capital facilities that are needed to help continue to comply with drinking water and sewer regulations and public health standards, and maintaining reliable water supply.

The resolution and a complete list of the projects needed is available in the Office of the City Clerk located at City Hall Building 815 Fourth St, Orland, CA 95963, or online at www.cityoforland.com.

The City has determined that water and sewer rates must increase in order to cover costs and depreciation. The proposed water and sewer rates are listed below.

Protests

1. Any property owner may submit a written protest to the City Clerk, either by delivery to the office of the City Clerk or by submitting the protest at the public hearing. Protests must be received by the end of the public hearing.
2. Each protest must identify the affected property (by assessor's parcel number or street address) and include the signature of the record property owner. Email protests cannot be accepted. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed charges.
3. If a parcel served by the City is owned by more than a single record owner, each owner may submit a protest, but only one protest will be counted per parcel and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
4. In order to be valid a protest must bear the original signature of the record owner with respect to the property identified on the protest. Protests not bearing the original signature of a record owner shall not be counted.
5. Any person who submits a protest may withdraw it by submitting to the City Clerk a written request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or record customer who submitted both the protest and the request that it be withdrawn.
6. A charge protest proceeding is not an election.
7. To ensure transparency and accountability in the charge protest tabulation, protests shall constitute disclosable public records from and after the time they are received.

Resolution Hearing

The City Council will hear testimony regarding the resolution at the hearing. If you would like to provide written comments, please mail them to the following address: City Clerk, City of Orland City Hall,,815 Fourth St, Orland, CA 95963

In order to be included with the written materials presented to the Council and to the public at the public hearing, such written materials must be received by 4:00 pm on July 13, 2015. Any person interested, including all water and sewer customers of the City, may appear and be heard on any matter relating to the proposed resolution or the charges proposed therein. If you have any questions, feel free to contact us at (530) 865-1600.

Current Rates, Proposed Rates 2015-2016, Proposed Rates 2016-2017, Proposed Rates 2017-2018

Our current rate structure for domestic water is:

	Inside City Limits	Outside City Limits
Fixed Bi-Monthly Charge Rate	\$30.85	\$61.75
Per 1,000 gallons over 15,000 gallons	\$0.78	\$0.78

Proposed for Fiscal Year 2015-2016 (starting July 25, 2015):

	Inside City Limits	Outside City Limits
Fixed Bi-Monthly Charge Rate	\$38.60	\$77.20
Per 1,000 gallons over 12,000 gals	\$1.00	\$2.00

Fiscal Year 2016-2017 (starting July 1, 2016):

	Inside City Limits	Outside City Limits
Fixed Bi-Monthly Charge Rate	\$46.30	\$92.60
Per 1,000 gallons over 12,000* gals	\$1.20	\$2.40

Fiscal Year 2017-2018 (starting July 1, 2017):

	Inside City Limits	Outside City Limits
Fixed Bi-Monthly Charge Rate	\$55.60	\$111.20
Per 1,000 gallons over 12,000* gals	\$1.50	\$3.00

* = restored to 15,000 when more than 183 days of the preceding fiscal year are not under State of California mandated drought restrictions.

Orland current rate structure for sanitary sewer is:

	Inside City Limits	Outside City Limits
Fixed Bi-Monthly Charge Rate	\$32.90	\$65.80
Per 1,000 gallons over 15,000 gallons	\$0.40	\$0.40

Proposed for Fiscal Year 2015-2016 (starting July 25, 2015):

	Inside City Limits	Outside City Limits
Fixed Bi-Monthly Charge Rate	\$39.50	\$79.00
Per 1,000 gallons over 12,000 gallons	\$0.50	\$1.00

Fiscal Year 2016-2017 (starting July 1, 2016):

	Inside City Limits	Outside City Limits
Fixed Bi-Monthly Charge Rate	\$45.40	\$90.80
Per 1,000 gallons over 12,000* gals	\$0.60	\$1.20

Fiscal Year 2017-2018 (starting July 1, 2017):

	Inside City Limits	Outside City Limits
Fixed Bi-Monthly Charge Rate	\$52.20	\$104.40
Per 1,000 gallons over 12,000* gals	\$0.70	\$1.40

The overage charge shown for sewer applies only to commercial customers.

Para mas información en Español por favor llame a 865-1600

Information about Proposed Water & Sewer Rate Increases

to Fund System Repairs and Improvements

July 2015



The mission of the Orland Public Works Department includes providing you a safe, clean and continuous supply of water that meets or exceeds local, State and Federal standards for public health and environmental quality; and reliable sanitary sewer service by collecting waste water and disposing of it properly.

In both functions, the City strives to provide courteous, responsive and efficient service in the most cost-effective way for our customers.

We serve 2500 customers 24 hours a day, 365 days a year. There hasn't been a lapse in our service in over 100 years. Still, the system is old and not as reliable as it should be.

In recent decades there have been a lot of changes in the process of producing and delivering water, as well as the disposal of wastes. The City has not always kept up with infrastructure replacement schedules, nor with changes in technology. We now face increased repairs and opportunities to leverage the power of new technologies – but all of this costs money. The costs can only be met by all customers sharing the burden. All customers will also share the benefits of more reliable water and sewer systems.



What will the proposed rate increases look like?

Customers currently pay a base water service charge of \$30.85 every two months (\$15.43/mo) for use of up to 15,000 gallons. The City proposes this rate be increased 25% (\$7.75) this year, then 20% each of the next two years. By July of 2017, water rates would be \$55.60 (\$27.80/mo).

Customers also pay \$32.90 every two months (\$16.45/mo) for sewer service. This is proposed to increase 20% (\$6.60) to \$39.50 this year, then 15% each of the next two years. By July 2017, sewer rates would be \$52.20 (\$26.10/mo).

The City is also proposing a reduction in the base water allotment from 15,000 gallons to 12,000 gallons temporarily during the drought, to help offset the reduced revenues as customers conserve water. Most City water system costs are in infrastructure and labor of licensed professionals, so most costs continue when consumption dips.

What will you get for your money?

In the next several years the City needs to invest over \$10 million on water infrastructure to replace aging equipment, construct new facilities, and leverage new technologies. Our objective is that we will eventually have a reliable system that keeps up with State and Federal water quality standards, and enables customers to easily track their own water consumption.

Orland's sewer infrastructure needs immediate attention to its treatment plant and, over the next five years, to its aging waste water collection lines, at a total cost of \$1.7 million dollars.

Primarily because our water and sewer rates are so low compared to most other communities in California, we generally do not qualify for grant funding assistance. The State is loaning us \$1 million to build the new well on Eva Drive this year, but we must pay it back in coming years via customer rate charges.

How Can I Learn More?

More details about our services and these rate changes are available online at www.cityoforland.com, and by contacting City Hall. Any property owner who is a customer of the City water and sewer services can file a written protest. The City Council will hold a Public Hearing about these rate changes on Monday, July 20th, 7:30pm at Carnegie Center.

Top Water & Sewer Projects Planned for 2015-2020

Water: \$10 million

- Repair leaks in main pipe lines
- Construct a new well on Eva Drive
- Add new storage capacity before our 103-year old water tower reaches the end of its useful life
- Replace main lines in the oldest parts of town
- Install water meters at public parks
- Add new technologies to efficiently control wells, automatically read meters, and reduce water loss.

Sewer: \$1.7 million

- Dredge our sewage treatment ponds
- Install a bypass channel at the headworks
- Reconstruct the old line headworks to ponds
- Replace older concrete sewage collection main lines along South Street and CR MM
- Step up main line inspections and cleaning

Based on Master Plans & recent engineering studies. Details @ cityoforland.com

How do Orland Rates Compare to Others?

WATER monthly cost	If you use 5000 gallons	If you use 15,000 gallons	If you use 25,000 gallons
Orland Current	\$ 15.43	\$ 21.35	\$ 29.25
Orland Proposed	\$ 19.30	\$26.80	\$ 36.80
Corning	\$ 18.02	\$ 31.31	\$ 44.41
Red Bluff	\$ 20.32	\$ 33.88	\$ 41.02
Willows (CalWater)	\$ 53.93	\$ 89.14	\$ 123.20
Williams	\$ 23.46	\$ 47.52	\$ 71.59
Colusa	\$ 29.93	\$ 44.52	\$ 70.43

SEWER	monthly cost
Orland Current	\$ 16.45
Orland Proposed	\$ 19.75
Corning	\$ 34.81
Red Bluff	\$ 34.00
Willows	\$ 40.19
Williams	\$ 92.94
Colusa	\$ 70.00+

Rates shown are for most common service, single family residential.

All Orland rates are listed at www.cityoforland.com

RESOLUTION NO. 2015-18

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ORLAND AMENDING THE SERVICE CHARGES SCHEDULE ESTABLISHING NEW WATER AND SEWER RATES FOR FISCAL YEARS 2015-2016, 2016-2017, AND 2017-2018, AND FOR PROVIDING A CPI ADJUSTMENT THEREAFTER

BE IT RESOLVED BY THE CITY OF ORLAND AS FOLLOWS:

WHEREAS, all water and sewer services furnished to customers by the City of Orland shall be charged, paid for and supplied only in accordance with such applicable schedules, rules and regulations as the City Council shall adopt pursuant to the provisions of section 13.04.110 of the Orland Municipal Code; and,

WHEREAS, California Government Code sections 54344 and 54345 authorizes the City Council to collect charges for the water and sewer services;” and,

WHEREAS, Article XIII D of the California Constitution requires that utility customers be given a minimum of 45 days’ notice of any proposed rate increases; and,

WHEREAS, notice of a Public Hearing was mailed to utility customers on June 1, 2015, at least 45 days prior to the Public Hearing; and,

WHEREAS, the notice was sent to 2600+/- customers; and,

WHEREAS, the City Council has reviewed the Water and Sewer Rate Schedule attached and incorporated into this Resolution by reference; and,

WHEREAS, the amounts shown on the Rate Schedule reflect the actual cost to provide water and sewer service; and,

WHEREAS, the City Council has conducted a Public Hearing on Monday, July 20, 2015 at 7:30 pm, at which it reviewed all protests regarding the proposed rate increases.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ORLAND AS FOLLOWS:

1. In accordance with Article XIII D, Section 6(b), of the California Constitution, the City Council finds that:

A. The revenues derived from the water and sewer service charges shall not exceed the funds required to provide water and service, because the rates are calculated to allow the City to recover its costs.

B. The revenues derived from the water and sewer service charges will not be used for any purpose other than that for which the charge is imposed.

C. The amount of the charge does not exceed the proportional cost of the water and sewer service attributable to each parcel.

D. Water and sewer service charges will not be imposed upon parcels for which water and/or sewer service is not available.

E. The water and sewer service charges will be used to enable the City to provide water and sewer service rather than general governmental services.

2. That based on a tabulation of all protests received prior to the close of the Public Hearing, 5 protests were received which do not constitute a majority of affected utility customers.

3. That the Water and Sewer Rate Schedule attached to this Resolution and incorporated by this Resolution by this reference is hereby adopted and shall be effective per section 6 of this Resolution.

4. That, pursuant to California Government Code section 53756(b), effective July 1, 2018, and each July 1 thereafter, the then current water and sewer and rates shall be revised by a percentage equal to the percentage change in the annual Consumer Price Index for all Urban Consumers: U.S. city average, detailed expenditure category-water and sewer and trash collection services.

5. Constitutionality, Severability. If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the Resolution. The City of Orland hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrases(s) or word(s) be delayed invalid.

6. Effective Date. All previously adopted rate schedules, to the extent that they are inconsistent with those contained herein, are superseded by those charges as set forth in the Water and Sewer Rate Schedule herein, beginning on July 25, 2015.

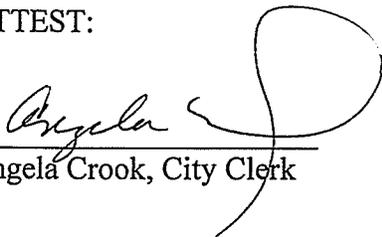
THIS RESOLUTION was passed by the Orland City Council at a regular meeting held on July 20th, 2015, by the following vote:

AYES: Councilmembers Gee, Hoffman, Roundy, Vice Mayor Edwards and Mayor Paschall

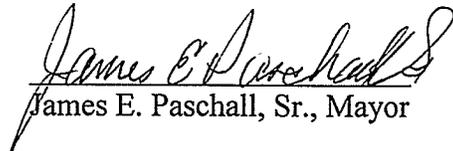
NOES: None

ABSENT OR ABSTAIN: None

ATTEST:



Angela Crook, City Clerk



James E. Paschall, Sr., Mayor