

CITY OF  
ANDERSON



# AGENDA ITEM

**June 1, 2010 City Council Meeting**

**Approved for Submittal By:**

*Dana Shigley*  
Dana Shigley, City Manager

**To Be Presented By:**

*Liz Cottrell*  
Liz Cottrell, Finance Office Manager

To: Honorable Mayor and Members of the Anderson City Council

Through: Dana Shigley, City Manager  
Telephone 378-6646

From: Liz Cottrell, Finance Office Manager  
Telephone 378-6626

Date: June 1, 2010

## SUBJECT

**Public Hearing - Water and Sewer User Charges.**

## RECOMMENDATION

The Finance Office Manager recommends that the City Council, after considering testimony at the noticed public hearing:

1. **Adopt a resolution increasing water consumption charges by 3% effective October 1, 2010 and again by 2% effective October 1, 2011.**
2. **Adopt a resolution increasing monthly sewer user charges by 2% effective July 1, 2010 and again by 2% effective July 1, 2011.**

## FISCAL IMPACT

This action will increase revenues in the water fund by approximately \$26,000 in FY 2010-2011 and sewer revenues by \$22,000 in Fiscal Year 2010-2011 with similar increases in the fiscal year 2011-2012. These revenue projections are estimates as revenues in the Water and Sewer Enterprise Funds are entirely dependent upon consumption.

## DISCUSSION and BACKGROUND

Consumers of the City's water and sewer services are charged user fees to pay for the costs of maintaining our water and wastewater systems. Each year staff analyzes the revenues and expenditures in the Water and Sewer Enterprise Funds, comparing the costs of providing the service with revenues received from users. In order to keep up with inflationary costs, the City typically imposes small increases in user fees each year. However, no increases were implemented in 2009 and we are recommending small increases for 2010 and 2011. Water and sewer users have received notification of these increases (attachment 1) and tonight's public hearing and were given an opportunity to protest the increase.

### Water

The City of Anderson last increased rates for water consumption by Resolution No. 07-33 adopted May 1, 2007. Under this resolution, both minimum monthly water charges and water consumption charges were increased by approximately 2.5% each year for two years, depending upon meter size and location.

The City Council, recognizing the effect of the recession on the residents of the City, decided in 2009 to retain water consumption rates at their 2008 levels and made no further increases. The City of Anderson was able to absorb increases in operating expenses during this time in order to assist our residents during these difficult economic times.

Unfortunately, continuing increases in operating expenses have made it necessary to once again consider small increases in rates for water consumption. Staff is proposing a modest increase of 3% in 2010 and 2% in 2011. For a typical residential user with a ¾" meter using 1,200 cubic feet a month, the proposed increase would be 36 cents per five week billing cycle, from \$12.00 to \$12.36 effective October 1, 2010, and a proposed increase of 25 cents, from \$12.36 to \$12.61 effective October 1, 2011. See attachment 2 for more details.

Total anticipated operating revenues and expenses for the fund are as follows:

	<b>2009/2010 Estimated</b>	<b>2010/2011 Proposed</b>
Revenues	\$1,233,000	\$1,274,700
Expenses	\$1,350,000	\$1,269,700

The City is currently implementing a project to install automated water meters in portions of the City. The capital cost of this project is funded with existing cash in the water fund and is not a factor in the proposed rate increase. In fact, the automated water meter reading project will *reduce* expenses in the water fund by significantly reducing the amount of staff time needed to read the water meters. Additionally, the new meters may slightly increase revenues over time, as older, less accurate meters are replaced with new state of the art meters. The project is an example of measures the City is taking to keep costs as low as possible for our residents. However, even with implementation of this project, costs for supplies, staffing, chemicals, and equipment maintenance continue to increase slightly every year.

The City of Anderson implements water user rate increases after the peak usage season, generally in the fall. With this in mind staff is recommending the proposed increase be effective October 1, 2010 and October 1, 2011, respectively.

The City of Anderson strives to maintain our low water rates. The attached table (attachment 3) shows comparable rates of neighboring cities. The City of Anderson's rates for water services is roughly *half* of the average rates charged by the cities of Corning, Red Bluff, Redding, and Shasta Lake City. Our water service remains a tremendous value for our residents. Should the Council agree with this recommendation, the resolution shown in attachment 4 will implement the changes.

Staff would also like to remind our customers the Finance Department is always willing to make arrangements for payment on their water accounts should circumstances arise making full payment difficult.

### **Sewer**

The City Council last increased sewer user charges by Resolution No. 07-34 on May 1, 2007. Similarly to water rates, in 2009 the City Council chose to retain sewer rates at 2008 levels. The Wastewater Fund, similar in nature to the Water Fund, continues to experience increases in operating and capital improvement costs due to increases in power, labor and equipment replacement costs.

As noted above, the City of Anderson believes it is prudent fiscal policy to make small incremental increases to sewer rates rather than larger less frequent increases. The proposed increase is 2% effective July 1, 2010 and 2% effective July 1, 2011. See attachment 2 for more details.

For a typical residential user consuming 800 cubic feet of water per month in the winter, the proposed increase would be 53 cents per month in fiscal year 2010-2011, and 61 cents per month in fiscal year 2011-2012.

The collection and processing of wastewater is highly regulated by the State of California, and every year new state regulations are imposed on the City. These regulations often increase the amount of water quality monitoring, testing and reporting that we must perform, as well as regulate the number and qualifications of staff members. In order to comply with these mandates, costs continue to increase.

Total anticipated operating revenues and expenses for the fund are as follows:

	<b>2009/2010 Estimated</b>	<b>2010/2011 Proposed</b>
Revenues	\$1,420,000	\$1,451,050
Expenses	\$1,488,000	\$1,513,900

Staff continues to search for opportunities to reduce expenses while still maintaining compliance with state regulation. One of the largest expenses at the treatment plant is

electricity to run the many pumps and staff is currently exploring options for reducing utility expenses.

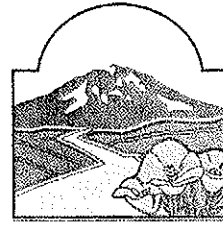
Our rates for sewer services remain among the lowest in the region. The attached table (attachment 3) shows comparable rates of neighboring cities. The City of Anderson's rates for sewer services are roughly 15% lower than the average rates charged by the cities of Corning, Red Bluff, Redding, and Shasta Lake City. Given the very strict regulatory environment faced by the City in managing our wastewater system, our ability to keep rates low is a tremendous benefit to our residents.

Should the Council agree with this recommendation, the resolution shown in attachment 5 will implement the changes.

<b>ATTACHMENTS</b>
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1. Rate Increase Notification Letter
2. Current Rate Structure and Proposed Rate Structure
3. Table of Comparative Water and Sewer Charges for Neighboring Jurisdictions
4. Proposed Resolution Amending Water Consumption Charges
5. Proposed Resolution Amending Sewer User Charges

# City of Anderson



Spring 2010

Dear sewer and water customer:

Like you, the City of Anderson is feeling the pinch of the economic challenges facing all of us this year. Because we understand that most of our residents can not afford any more bills, in 2009 the City Council decided not to raise rates for water and sewer services at all. We hope that this provided a measure of relief to your budgets.

However, our costs to provide you with water and sewer services are increasing and we will no longer be able to provide you with the quality service you have come to expect at our current rates. As a result, I will be proposing that the Anderson City Council approve small increases in water consumption and sewer user charges for the next two years. For water service, charges would increase by 3% in 2010, and an additional 2% in 2011 (see the back of this page for more details). For a typical family that uses less than 1,200 cubic feet of water in five weeks, this would increase your bill by \$0.36 in 2010 and an additional \$0.25 in 2011. For sewer service, charges would increase 2% in 2010 and an additional 2% in 2011. For a typical family that uses 1,000 cubic feet of water per month in the winter, the annual sewer service charge would increase by \$4.64 per year in 2010, then an additional \$4.74 per year in 2011.

A public hearing to consider my recommendation is scheduled for 7 PM on Tuesday June 1, 2010, in the City Council Chambers, which is on the third floor of City Hall located at 1887 Howard Street. If you are the owner of the property receiving one or both of these City services, you may protest the proposed increase in consumption charges by filling out the form below and returning it to City Clerk Juanita Barnett at the above address. If desired, you can include it when you mail in your next water payment. **However, regardless of how you send it to us, it must be received before 7 PM on June 1.**

If you have any questions about this proposal, I may be reached at (530) 378-6646 during normal business hours. A complete copy of the staff report to the City Council will be available on May 28, 2010 on our website at [www.ci.anderson.ca.us](http://www.ci.anderson.ca.us), or a copy of the staff report may be obtained in person at City Hall after that date.

The City of Anderson is committed to providing quality services at a reasonable cost. The City of Anderson water and sewer rates still remain the lowest when compared to our neighboring cities. We continue to meet the strict State standards for water and environmental quality along with providing excellent customer service.

Sincerely,

Dana Shigley  
City Manager

I certify that I am the legal owner of the property receiving City of Anderson sewer and /or water service. I wish to protest the proposed rate increase for the service(s) my property receives as indicated below:

\_\_\_\_\_ My property receives City of Anderson water service, and I protest the proposed water rate increase.

\_\_\_\_\_ My property received City of Anderson sewer service, and I protest the proposed sewer rate increase.

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Property Address

\_\_\_\_\_  
Assessor's Parcel No.

**Current and Proposed Water and Sewer Rates**  
 Current Water Rates Effective October 1, 2008  
 Current Sewer Rates Effective July 1, 2008

Minimum charge for first 1,200 cubic feet of water consumption in a five week billing cycle:

<u>Meter Size</u>	<u>Current Charge</u>	<u>Proposed Minimum Effective 10-1-10</u>	<u>Proposed Minimum Effective 10-1-11</u>
3/4" or 5/8"	\$12.00	\$12.36	\$12.61
1"	14.89	15.34	15.64
1 1/2"	23.63	24.34	24.83
2"	35.33	36.39	37.12
3"	47.03	48.44	49.41
4"	99.72	102.71	104.77
6"	144.05	148.37	151.34
8"	216.69	223.19	227.65

Additional monthly charge for each additional cubic foot of water consumed over 1,200 cubic feet:

<u>Location</u>	<u>Current Charge</u>	<u>Proposed Rate Effective 10-1-10</u>	<u>Proposed Rate Effective 10-1-11</u>
Within City Limits	\$0.0097	\$0.0100	\$0.0102
Outside City Limits	\$0.0100	\$0.0103	\$0.0105

Sewer User Charges:

	<u>Current Charge</u>	<u>Proposed Rate Effective 7-1-10</u>	<u>Proposed Rate Effective 7-1-11</u>
Base Rate Per Month	\$18.44	\$18.81	\$19.18
Additional Charge Per 100 cubic feet	\$1.21	\$1.23	\$1.26

Water Charges per Month  
Comparisons with Nearby Cities for 2010

	Anderson (Proposed 10-1-10)	Corning (Effective 4-1-10)	Red Bluff (Effective 6-1-10)	Redding (Effective 1-1-10)	Shasta Lake (Effective 7-1-10)
Water Charges for ¾" meter	\$12.36 for first 1,200 cu. ft., then \$ .0098 per cu. ft.	\$14.83 for first 4,000 gallons, then \$1.17 per thousand gallons	\$12.40 flat rate plus \$.0074 per cu. ft. to 2,500 cu. ft., then \$.0069 per cu. ft. to 4,000 cu. ft.	\$14.78 flat rate plus \$.0091 per cu. ft.	\$23.53 flat rate plus \$.0101 per cu. ft. up to 1,000, then \$.0117 per cu. ft.
Amount paid for standard 1,200 cu. ft. water use	\$12.36	\$18.34	\$19.80	\$25.70	\$33.63

Sewer Charges per Month  
Comparisons with Nearby Cities for 2010

	Anderson (Proposed 10-1-10)	Corning (Effective 4-1-10)	Red Bluff (Effective 6-1-10)	Redding (Effective 1-1-10)	Shasta Lake (Effective 7-1-10)
Sewer Charges for single family home consuming average of 800 cubic feet of water in three winter months	\$18.81 fixed rate, then \$1.23 per hundred cu. ft. of average water consumed in previous December January, and February	\$29.74 fixed rate	\$25.00 fixed rate	\$37.95 fixed rate	\$43.78 fixed rate
Amount paid for average 800 cu. ft. winter water use	\$28.65	\$29.74	\$25.00	\$37.95	\$43.78

## RESOLUTION NO. 10-\_\_

**A Resolution of the City Council of the City of Anderson  
Establishing Revised Fees For Water Consumption**

WHEREAS, the City Council of the City of Anderson, after reviewing the recent cash position reductions in the Water Enterprise Fund, together with anticipated increases in water operating expenses, including debt service costs, and anticipated costs of both scheduled and unscheduled water line replacement costs, has determined that a water consumption rate adjustment is needed; and

WHEREAS, the City Council of the City of Anderson wishes to establish revised fees for water consumption charges with the adoption of this resolution.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of Anderson hereby imposes revised water consumption charges, as provided by the Anderson Municipal Code Section 13.68.010, as described below:

*Monthly minimum rate for water consumption*

<u>Meter Size</u>	<u>Minimum Monthly Charge Effective October 1, 2010</u>	<u>Minimum Monthly Charge Effective October 1, 2011</u>
¾" or 5/8"	\$12.36	\$12.61
1"	15.34	15.64
1 ½"	24.34	24.83
2"	36.39	37.12
3"	48.44	49.41
4"	102.71	104.77
6"	148.37	151.34
8"	223.19	227.65

*Additional charge for each additional cubic foot of water consumed over 1,200 cubic feet*

Effective October 1, 2010:	City Charge: \$0.0100	Outside City Charge: \$0.0102
Effective October 1, 2011:	City Charge: \$0.0103	Outside City Charge: \$0.0105

PASSED AND ADOPTED by the City Council of the City of Anderson on this 1st day of June 2010, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Norma Connick, Mayor

ATTEST:

\_\_\_\_\_  
Juanita Barnett, City Clerk

**RESOLUTION NO. 10-\_\_**

**A Resolution of the City Council of the City of Anderson  
Increasing Sewer User Charges**

WHEREAS, the City Council of the City of Anderson, after reviewing the City's Wastewater Enterprise Fund financial statements and the City's adopted 2009-2010 Wastewater Enterprise Fund budget finds that increases in sewer user charges are needed to provide adequate funding for wastewater collection and treatment services; and

WHEREAS, the City Council of the City of Anderson wishes to establish fees for sewer user charges with the adoption of this resolution.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of Anderson hereby imposes sewer user charges, as provided by the Anderson Municipal Code Section 13.76.040(A), as described below:

Effective Date	Fixed Rate per Month	Additional Monthly Charge per 100 Cu. Foot of Water Consumed
July 1, 2010	\$18.81	\$1.23
July 1, 2011	\$19.18	\$1.26

PASSED AND ADOPTED by the City Council of the City of Anderson on this 1st day of June, 2010, by the following vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

\_\_\_\_\_  
Norma Cornick, Mayor

ATTEST:

\_\_\_\_\_  
Juanita Barnett, City Clerk