



# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Montgomery and Members of the City Council

**THROUGH:** Geoff Dolan, City Manager

**FROM:** Bruce Moe, Finance Director  
Sharon Koike, Assistant Finance Director

**DATE:** July 15, 2008

**SUBJECT:** Consideration of a Fifteen Percent Rate Increase for the City's Water and Waste Water Utilities Effective September 1, 2008

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**RECOMMENDATION:**

Staff recommends that the City Council: a) conduct a Public Hearing, and b) adopt Resolution No. 6152 approving a fifteen percent (15%) increase for water and waste water service rates effective September 1, 2008.

**FISCAL IMPLICATION:**

During the FY 08-09 budget process, staff informed City Council that the City's cost of imported water will increase by fifteen percent due to an increase from the Metropolitan Water District. This increase has added over \$570,000 in new costs in our water enterprise, and also increased the cost of water we consume as a customer of our water department by \$43,600. Additionally, rising commodity prices coupled with higher labor and service charges have impacted the Water Fund, resulting in reduced net income – a source of funding for future capital needs. Finally, current and future infrastructure needs will place a further strain on this operation. As a result, we are recommending a 15% increase in water rates, effective September 1, 2008.

Like the Water Fund, the Waste Water Fund is realizing higher operating expenses, and future environmental mandates which will require increased funding. Further, future capital improvements will be necessary to maintain the integrity of the utility. Therefore, staff is recommending a 15% increase in waste water rates, effective concurrently with the water charge increase.

The FY 2008-09 adopted budget includes a comprehensive master plan to identify capital infrastructure needs for both utilities, as well as a rate study to adequately fund the maintenance, repairs and capital needs of the utilities. Those studies will most likely result in further recommendations for increased investment in infrastructure, and commensurate rates to support those plans. A tiered rate structure will also be explored to encourage conservation.

**BACKGROUND:**

The FY 2008-2009 Operating Budget includes fifteen percent rate increases in both the Water and Waste Water utility rates, effective September 1, 2008. The proposed increases are subject to Proposition 218 protest vote procedures (see Government Code section 53753.5). This process requires a mailed notice to each prospective rate payer of the proposed rate increase, followed by a public hearing within forty-five days of the mailing. Unless protests are received from a majority of rate payers, the City Council may adopt the rate increases by a majority vote. As of July 10, 2008, only three written protests have been received by the City opposing the rate increases. These requirements have been met.

In addition to the mailed notification (dated June 13, 2008), and in an effort to ensure adequate notice to our residents and rate payers of the proposed changes, a public notice was also placed in July 10, 2008 edition of *The Beach Reporter*.

**DISCUSSION:**

The state is suffering from drought, and our primary supplier of imported water, Metropolitan Water District, has implemented a fifteen percent rate increase to cover increasing costs and encourage conservation. As a result, we included a similar rate increase in the adopted budget to support operations and to keep pace with the known cost increases. The last water rate adjustment to our customers was in May 1998. Since that time, all water rate increases from Metropolitan Water and West Basin Water, which have risen over 32% since then, have been absorbed by the City, with no incremental increases or adjustments in our water rates. With expenses rising, and the need to begin planning for upgrades in infrastructure, a 15% water rate increase is recommended.

The City's waste water (sewer) system collects sewage and transports it to the Los Angeles County Sanitation District's Joint Water Pollution Control Plant for treatment in the city of Carson. The County Sanitation District charges property owners a fee for treating the waste water on their property tax bills. The City's waste water charges, which appear on residents' and business' water utility bills, pay for operations, maintenance and improvements to the waste water system. This includes costs incurred to maintain and clean the City's sewer lines twice a year and to respond to service calls related to the wastewater system. Given future environmental mandates, and necessary capital improvements, a 15% rate increase in the waste water fund is recommended.

The proposed rate increases for water and waste water will result in the typical homeowner<sup>1</sup> realizing an increase of \$4.38 per month for water service, and \$.87 per month for waste water service.

The following tables show a comparison of the proposed rate increases to other cities adopted rates.

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<sup>1</sup> Typical homeowners have either a 3/4" or 5/8" water meter and average 12.5 hundred cubic feet (HCF) of water per month.

Agenda Item #: \_\_\_\_\_

**Monthly Average Water Service Rate Comparison**

Assuming meter size of 5/8" or 3/4" and an average monthly water usage of 12.5 HCF per month.

	Rate Structure	Estimated Monthly Charge
Santa Monica Single Family	tiered rates	\$ 20.63
El Segundo	tiered rates	\$ 22.84
Torrance ( <i>Torrance Water Service</i> )	flat rates	\$ 25.38
Carson ( <i>Cal Water</i> )	tiered rates	\$ 27.49
Torrance ( <i>Cal Water</i> )	tiered rates	\$ 27.49
Hermosa Beach ( <i>Cal Water</i> )	tiered rates	\$ 27.94
Redondo Beach ( <i>Cal Water</i> )	tiered rates	\$ 27.94
Long Beach	tiered rates	\$ 31.34 (a)
Huntington Beach ( <i>Proposed</i> )	flat rates	\$ 31.88
Hawthorne ( <i>Cal Water</i> )	flat rates	\$ 34.22
Ranch Palos Verdes ( <i>Cal Water</i> )	tiered rates	\$ 39.30
Lomita	tiered rates	\$ 39.65
Inglewood	tiered rates	\$ 39.97
Gardena ( <i>Golden State Water</i> )	flat rates	\$ 47.38
Hawthorne ( <i>Golden State Water</i> )	flat rates	\$ 47.38
<b>Average Estimated Monthly Charge</b>		<b>\$ 32.72</b>
Manhattan Beach ( <i>proposed</i> )	flat rates	<u>\$ 33.61</u>

**Monthly Average Waste Water Service Rate Comparison**

	Rate Structure	Estimated Charge
Hawthorne	$(\$0.38 \times 65\%) \times \text{hcf}$	\$ 3.09
Gardena	$\$0.25 \times \text{hcf}$	\$ 3.13
Torrance	$\$0.30 \times \text{hcf}$	\$ 3.75
Redondo Beach Single Family	flat rate	\$ 7.00
Long Beach	$(\$0.207 \times \text{hcf}) + \$4.47$	\$ 7.06 (a)
El Segundo Single Family/Duplex	flat rate	\$ 9.26
Huntington Beach Single Family	flat rate	\$ 10.70
Santa Monica Residential	$\$0.30 \times \text{hcf} \times 51\%$	\$ 18.74
<b>Average Estimated Charge</b>		<b>\$ 7.84</b>
Manhattan Beach ( <i>proposed</i> )	$(\$0.40 \times \text{hcf}) + \$1.66$	<u>\$ 6.66</u>

(a) Long Beach is proposing a 15% increase in water and 20% in waste water fees (7/10/08) not reflected in these rates.

(b) Carson, Hermosa Lomita and Rancho Palos Verdes do not have a waste water charge

In the current fiscal year, we will be looking at our utility infrastructure and our impacts on our environment. Our Water and Waste Water infrastructure need to be studied for sustainability and reliability. Additionally, environmental mandates continue, particularly in the areas of Waste Water and Storm Water management. In our effort to ensure a sound water system, we have included a full infrastructure master plan and rate study in this coming year. This will identify our system needs and funding mechanisms with which to pay for those needs. Ultimately we can expect higher water rates, tiered to encourage conservation, yet sufficient to maintain safe and reliable services.

**CONCLUSION:**

Based upon the rate increase implemented by the Metropolitan Water District and to support our efforts to ensure sound water and waste water systems, staff recommends that the City Council conduct a public hearing and adopt Resolution No. 6152 approving an increase in water and waste water service fees, effective September 1, 2008.

Attachments A. Resolution No. 6152

RESOLUTION NO. 6152

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MANHATTAN BEACH, CALIFORNIA, APPROVING INCREASES IN WATER AND WASTEWATER SERVICE CHARGES EFFECTIVE SEPTEMBER 1, 2008

WHEREAS, the City of Manhattan Beach operates its own water and wastewater utilities, and;

WHEREAS, the cost of operating and maintaining these utilities is increasing, and;

WHEREAS, the revenues generated under the current service charge structure are not sufficient to adequately fund these utilities, and;

WHEREAS, water rates were last adjusted in 1998, and;

WHEREAS, wastewater rates were last adjusted in 2004; and

WHEREAS, City Council has determined that it is necessary to increase water and wastewater service charges to mitigate increased imported water costs, to comply with environmental mandates and to plan for future operating and capital needs; and

WHEREAS, a public hearing was held on July 15, 2008, and

WHEREAS, the subject increases are exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines 15061 (b)(3) in that it can be seen with certainty that they do not have the potential for causing a significant effect on the environment; and

WHEREAS, an insufficient number of protests to the increased service charges were received, thereby allowing the City Council to implement the new service charges.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MANHATTAN BEACH, CALIFORNIA, HEREBY RESOLVES AS FOLLOWS:

SECTION 1. The following service charges for the City's water and wastewater utilities shall be effective on September 1, 2008:

Water Service Rate Calculation

Fixed Rate Portion*	+	Variable Rate Portion (Water Usage Rate x Water Usage)	=	Water Rate
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\* Based on water meter size

Fixed Bimonthly Service Charge

Meter Size	Fixed Rate Portion
5/8 or 3/4"	\$ 21.46
1"	\$ 42.92
1 1/2"	\$ 64.38
2"	\$ 85.84
3"	\$ 214.59
4"	\$ 272.52
6"	\$ 409.89
8"	\$ 566.49
10"	\$ 751.07

Variable Water Usage Charge (per hundred cubic feet)

Meter Size	Variable Water Usage Rate (per HCF)
All sizes	\$ 1.83

**Wastewater Rate Calculation**

Fixed Rate Portion*	+	Variable Rate Portion (Wastewater Usage Rate x Water Usage)	=	Wastewater Rate
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\* Based on water meter size

**Fixed Bimonthly Service Charge**

Meter Size	Fixed Rate Portion
5/8 or 3/4"	\$ 3.32
1"	\$ 6.64
1 1/2"	\$ 9.96
2"	\$ 13.27
3"	\$ 33.19
4"	\$ 42.14
6"	\$ 63.38
8"	\$ 87.61
10"	\$ 116.14

Variable Wastewater Usage Charge (per hundred cubic feet)

Meter Size	Variable Water Usage Rate (per HCF)
All sizes	\$ 0.40

\* Meters supplying landscape irrigation only will not be charged a wastewater fee

\*\* No water usage allowance is included in these rates. The wastewater rates exclude storm water related rates

**SECTION 2.** If any subsection, sentence, clause, phrase or word of this Resolution is for any reason held to be invalid by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of the Resolution. The City Council hereby declares that it would have passed and adopted this Resolution and each and all of the provisions thereof irrespective of the fact that any one or more of said provisions may be declared invalid.

**SECTION 3.** This Resolution shall be applied with respect to all billing beginning September 1, 2008.

**SECTION 4.** The City Clerk shall certify to the passage and adoption of this resolution; shall cause the same to be entered among the original resolutions of said City; and shall make a minute of the passage and adoption thereof in the records of the proceedings of the City Council of said City in the minutes of the meeting at which the same is passed and adopted.

PASSED, APPROVED and ADOPTED this 15th day of July, 2008.

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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Mayor, City of Manhattan Beach, California

ATTEST:

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City Clerk