

Lompoc City Council Agenda Item



City Council Meeting Date: June 7, 2016

TO: Patrick Wiemiller, City Manager

FROM: Melinda Wall, Financial Services Manager
m_wall@ci.lompoc.ca.us

SUBJECT: Adoption of Resolution No. 6052(16) Approving the Suspension of a Portion of the Fiscal Year 2016-2017 Increase in the Monthly Water Service Charges

Recommendation:

Staff recommends the City Council:

- 1) Adopt Resolution No. 6052(16) (attached), suspending the portion of the Fiscal Year (FY) 2016-2017 increase in monthly water service charges related to water consumption only, which was previously approved by Resolution No. 5859(13) and discontinuing the suspension of half of the 15% increase in Meter charges as established by Resolution No. 5985(15) commencing July 1, 2016; or
- 2) Provide alternate direction.

Background:

On August 6, 2013, the then City Council adopted Resolution No. 5859(13) establishing fees and charges for the City's Water System. The Resolution provided for adjustments in the water service charges based on meter size and for water consumption based upon customer class with annual increases effective September 5, 2013, July 1, 2014, July 1, 2015, July 1, 2016, and July 1, 2017.

Resolution No. 5859(13) was adopted in accordance with Proposition 218, which was passed in 1996 by a majority of voters. The process included a review performed by an independent external consultant which produced a rate study that can be reviewed at

http://www1.cityoflompoc.com/ManagementServices/Finance/DraftLompocWaterRateAnalysis2013_06-13-13.pdf.

Resolution No. 5985(15) adopted on May 19, 2015, suspended the collection of 50% of the 15% increase in the monthly water service and use charges in consideration of the rate payers' economic situation.

Discussion:

On May 17, 2016, the City Council provided direction to suspend a portion of the adopted fees and charges in consideration of providing a non-variable component for an increase in water revenues. The suspension provides for no changes to the volumetric charges, leaving the hundred cubic feet (HCF) charges as adopted in Resolution No. 5985(15) and reinstating the 50% reduction in the approved 15% increase effective July 1, 2015, and the 15% increase effective July 1, 2016, for meter charges.

The following schedule provides a comparison of the current charges for the Water System’s meter charges and consumption class charges approved per Resolution No. 5985(15) and the proposed charges based on the suspension of the HCF increase and the increase:

Per Resolution No. 5985(15)

Service Charge Category	Effective 7/1/2015	Effective 7/1/2016
<u>Meter Size</u>		
5/8"	\$29.32	\$36.06
3/4"	38.32	47.15
1"	56.34	69.31
1.5"	101.38	124.72
2"	155.43	191.22
3"	281.55	346.37
4"	461.72	568.02
6"	912.14	1,122.15
8"	1,452.65	1,787.09
10"	2,083.23	2,562.87
<u>Single-Family Residential</u>		
Tier 1 (0-1 HCF)	\$4.33	\$4.33
Tier 2 (10.1-20 HCF)	4.63	4.63
Tier 3 (20.1+ HCF)	5.53	5.53
<u>Multi-Family Residential</u>		
Uniform (all consumption)	\$4.33	\$4.33
<u>Commercial</u>		
Uniform (all consumption)	\$4.45	\$4.45
<u>Institutional/Landscape</u>		
Uniform (all consumption)	\$4.80	\$4.80
<u>Industrial</u>		
Uniform (all consumption)	\$4.33	\$4.33

Fiscal Impact:

The 2013 Water Rate Study projected annual additional revenues from the FY 2016-2017 rate adjustment of \$1,857,900 based on the consultant's recommended rate adjustments. The estimation of the suspension of the approved volumetric rate increase will likely reduce the actual revenue compared with the projected revenues by approximately \$808,530 from the prior year and \$1.7 Million for the past two years of reductions. As this is the fourth rate adjustment of five planned annual adjustments, actual results have superseded the assumptions from the study for the first three years, which will have an effect on the actual reduction due to this suspension.

Until actual results are known for FY 2015-2016, the actual incremental increases in revenues attributable to the rate adjustments are unknown. Financial information will be available upon completion of the City's annual financial statements in or around October 2016.

The adjustments required to the utility billing system to reflect the volumetric suspension will utilize existing resources, but will not result in any direct incremental additional costs.

Conclusion:

Adoption of the proposed resolution is consistent with the City Council's direction related to implementation of the approved meter charges for July 1, 2016, as adopted in Resolution No. 5859(13) and the suspension of the volumetric charge to the amounts approved in Resolution No. 5985(15) for the City's Water System effective July 1, 2016.

Respectfully submitted,

Melinda Wall, Financial Services Manager

APPROVED FOR SUBMITTAL TO THE CITY MANAGER:

Brad Wilkie, Management Services Director/Finance Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Patrick Wiemiller, City Manager

Attachment: [Resolution No. 6052\(16\)](#)