

**ITEM NO. : I-6
RESOLUTION NO. 05-27-2014-01; A
RESOLUTION OF THE CORNING CITY
COUNCIL SETTING SEWER RATES
EFFECTIVE JULY 1, 2014, JULY 1, 2015,
JULY 1, 2016, JULY 1, 2017 AND JULY 1,
2018.**

MAY 27, 2014

TO: MAYOR AND CITYCOUNCILMEMBERS, CORNING CALIFORNIA

**FROM: JOHN L. BREWER, AICP; CITY MANAGER *JLB*
PATRICK WALKER, PUBLIC WORKS DIRECTOR *PW*
ED ANDERSON, CITY ENGINEER**

SUMMARY:

Staff recommends the City Council adopt resolution No. 05-27-2014-01. If adopted, the resolution will implement five separate 3.5% annual increases in the sewer rates charged to City customers.

BACKGROUND:

On April 8, 2014 the City Council directed staff to make the appropriate 45 day notice and schedule a Public Hearing to consider implementing five separate 3.5% annual increases to the sewer rates. Staff published the notice in the newspaper and mailed notices to customers in accordance with state law. This is the Public Hearing for that purpose.

The City last adopted an ordinance to increase sewer rates in 2004. That resolution; No. 04-13-04-07, implemented ten (10) annual increases. The last annual increase imposed by that resolution occurred in April of 2013. It is imperative that the City Sewer Enterprise Fund remain "solvent". In this case, "solvent" means to with sufficient capital to pay maintenance and equipment replacement costs, and debt service costs while providing reserve funds to account for unforeseen emergencies and increases due to inflation, labor costs, and fuel and energy costs.

SPREADSHEETS WITH VARYING INCREASE RATES:

Staff maintains a spreadsheet titled "Sewer Enterprise System". Using that spreadsheet, we're better able to make projections regarding revenues, maintenance costs, inflation, and debt repayment in order to determine the performance of the Enterprise System. Without rate increases, the Annual Net Income of the Sewer Enterprise Fund quickly becomes in deficit.

Staff tested several rate increase options on the spreadsheet. The objective is to generate just enough revenue to keep the fund "revenue neutral" in order to generate just enough "Annual Net Income" to maintain the Net Operating Reserve at or just above the current balance. Copies of three separate spreadsheet scenarios are attached.

We found that a 3% annual rate increase was not sufficient, but that a 4% increase generated extra revenue beyond the needs of the system. We then tested 3.5% and found that the increases would closely mirror the system's revenue needs. See the attached draft Sewer Enterprise System spreadsheet that shows the potential 3.5% annual increases for the next five years. While the bottom line (Annual Net Income) would initially show a loss of \$7,708 in the first year. That changes to a small surplus in year 2 (FY 15-16), and increases in subsequent years.

RATES:

Please see the spreadsheet marked "Proposed Sewer Rates" that is attached to the resolution. If approved, the 3.5% rate increase will mean an increase of \$1.14/month for the typical homeowner; increasing the monthly bill from \$32.50 to \$33.64 beginning July 1, 2014, with similar increases for the subsequent four years.

POTENTIAL ENERGY COST SAVINGS DUE TO SOLAR ARRAY INSTALLATION:

Staff is currently working with Ecoplexus, a Solar Power Company, to compile a solar power purchase agreement that could generate substantial energy costs savings for the Wastewater Treatment Plant, where the arrays would be located, as well as other City facilities and buildings. Of course, any such agreement must be approved by the City Council. It's too early to tell precisely what the cost savings would be, but the earliest projections are about \$10,000 in savings for the WWTP energy costs in the first full year of operation.

We do know that a 3.5% increase in sewer rates amount to about \$57,500 in additional revenue in year 1. So, the energy savings of \$10,000/year are less than a fifth of additional annual revenue needs of the Sewer Enterprise System.

However, assuming the power purchase agreement occurs and the solar equipment is installed, we will be able to track the savings with the monthly energy bills and apply them to the spreadsheet. The accumulated energy costs savings over the course of several years could make implementation of one of the future rate increases un-necessary. If that occurs, the Council could forego one or more increases by adoption of a subsequent resolution.

STAFF RECOMMENDATION:

That the City Council:

- **CONDUCT THE PUBLIC HEARING AND CONSIDER ALL PUBLIC INPUT AND CONCERNS, AND**
- **APPROVE THE SCHEDULE OF SEWER RATE INCREASES BY ADOPTION OF RESOLUTION NO. 05-27-2014-01.**

RESOLUTION NO.: 05-27-2104-01

**A RESOLUTION OF THE CORNING CITY COUNCIL
SETTING SEWER RATES EFFECTIVE JULY 1, 2014, JULY 1, 2015,
JULY 1, 2016, JULY 1, 2017 AND JULY 1, 2018.**

WHEREAS, The City Council of the City of Corning has met and discussed the need for Sewer Rate increases, with public discussion at a Public hearing on May 27, 2014 and,

WHEREAS, THE City Council established the setting of Sewer Rates by Resolution, through adoption of Ordinance 555 pertaining to Section 13.04.320 of Chapter 13.04 (Sewer Service Regulations) of the Corning Municipal Code.

NOW, THEREFORE, BE IT RESOLVED that the City Council does hereby set Sewer rates effective July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2017 and July 1, 2018, which rates are shown on the attached document titled Proposed Sewer Rates-Res. 05-27-2014-01 and incorporated herein by reference.

The foregoing Resolution was adopted at a regular meeting of the City Council of the City of Corning held on May, 27, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

Gary R. Strack, Mayor

ATTEST:

Lisa M. Linnet, City Clerk

PROPOSED SEWER RATES
RES. 05-27-2014-01

USER GROUP	UNITS	CURRENT	3.5%	3.5%	3.5%	3.5%	3.5%
		AS OF 4/1/2013	INCREASE 7/1/2014	INCREASE 7/1/2015	INCREASE 7/1/2016	INCREASE 7/1/2017	INCREASE 7/1/2018
SINGLE FAMILY RESIDENCE	\$/USER	\$32.50	\$33.64	\$34.81	\$36.03	\$37.29	\$38.60
MULTIPLE FAMILY RESIDENCE	\$/USER	\$32.50	\$33.64	\$34.81	\$36.03	\$37.29	\$38.60
MOBILE HOMES	\$/USER	\$32.50	\$33.64	\$34.81	\$36.03	\$37.29	\$38.60
ELEMENTARY SCHOOLS	\$/STUDENT	\$1.14	\$1.18	\$1.22	\$1.26	\$1.31	\$1.35
HIGH SCHOOL	\$/STUDENT	\$2.22	\$2.30	\$2.38	\$2.46	\$2.55	\$2.64
HOSPITALS	\$/PER USER	\$32.50	\$33.64	\$34.81	\$36.03	\$37.29	\$38.60
	\$/PER BED	\$27.47	\$28.43	\$29.42	\$30.45	\$31.52	\$32.62
REST HOMES	\$/GUEST ROOM	\$12.90	\$13.35	\$13.82	\$14.30	\$14.80	\$15.32
RESTAURANTS	\$/1000 GALLONS	\$6.19	\$6.41	\$6.63	\$6.86	\$7.10	\$7.35
BAKERIES & DELI'S	\$/1000 GALLONS	\$8.01	\$8.29	\$8.58	\$8.88	\$9.19	\$9.51
TRUCK STOPS	\$/1000 GALLONS	\$5.55	\$5.74	\$5.94	\$6.15	\$6.37	\$6.59
MOTEL WITHOUT KITCHENS	\$/ROOM	\$7.73	\$8.01	\$8.29	\$8.58	\$8.88	\$9.19
MOTELS WITH KITCHENS	\$/ROOM	\$11.74	\$12.15	\$12.58	\$13.02	\$13.47	\$13.94
GASOLINE STATIONS	\$/USER	\$54.18	\$56.08	\$58.04	\$60.07	\$62.17	\$64.35
MARKET/GAS	\$/USER	\$65.79	\$68.09	\$70.48	\$72.94	\$75.50	\$78.14
BEAUTY/BARBER SHOP	\$/TO 3 CHAIRS	\$32.50	\$33.64	\$34.81	\$36.03	\$37.29	\$38.60
	EA. ADD. CHAIR	\$10.82	\$11.20	\$11.59	\$12.00	\$12.42	\$12.85
THEATER	\$/USER	\$100.60	\$104.13	\$107.77	\$111.54	\$115.45	\$119.49
BOWLING ALLEY	\$/USER	\$78.03	\$80.76	\$83.58	\$86.51	\$89.54	\$92.67
SHOPS/OFFICES	\$/USER	\$32.50	\$33.64	\$34.81	\$36.03	\$37.29	\$38.60
DRY CLEANERS	\$/1000 GALLONS	\$7.09	\$7.34	\$7.60	\$7.86	\$8.14	\$8.42
LAUNDROMATS	\$/MACHINE	\$14.20	\$14.70	\$15.21	\$15.75	\$16.30	\$16.87
MORTUARY	\$/USER	\$184.71	\$191.18	\$197.87	\$204.79	\$211.96	\$219.38
BARS	\$/USER	\$78.69	\$81.44	\$84.29	\$87.24	\$90.30	\$93.46
FLORISTS	\$/1000 GALLONS	\$4.39	\$4.54	\$4.70	\$4.87	\$5.04	\$5.22
NURSERY (PLANT)	\$/USER	\$121.26	\$125.50	\$129.89	\$134.44	\$139.14	\$144.01
MARKETS	\$/1000 GALLONS	\$5.55	\$5.74	\$5.94	\$6.15	\$6.37	\$6.59
CHURCHES	\$/USER	\$32.50	\$33.64	\$34.81	\$36.03	\$37.29	\$38.60
VETERAN'S HALL	\$/USER	\$57.39	\$59.40	\$61.48	\$63.63	\$65.86	\$68.17
CIVIC BUILDINGS	\$/USER	\$32.50	\$33.64	\$34.81	\$36.03	\$37.29	\$38.60
VETERINARY CLINIC	\$/USER	\$86.44	\$89.47	\$92.60	\$95.84	\$99.19	\$102.66
RV PARKS	\$/USR	\$32.50	\$33.64	\$34.81	\$36.03	\$37.29	\$38.60
	\$/PER SPACE	\$7.73	\$8.01	\$8.29	\$8.58	\$8.88	\$9.19
INDUSTRY	\$/USER	\$26,067.76	\$26,980.13	\$27,924.43	\$28,901.79	\$29,913.35	\$30,960.32
	\$/1000,000.	\$928.70	\$961.21	\$994.85	\$1,029.67	\$1,065.71	\$1,103.01
	GALLONS OF FLOW						
	\$/1,000. POUNDS						
	B.O.D.	\$155.06	\$160.49	\$166.10	\$171.92	\$177.93	\$184.16
	\$/1,000. POUNDS						
	SUSPENDED SOLIDS	\$10.84	\$11.22	\$11.61	\$12.02	\$12.44	\$12.87