

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING
OCEANSIDE CITY CODE, CHAPTER 29, ESTABLISHING
SEWER USER RATE INCREASES

WHEREAS, the City of Oceanside through its Water Utilities Department Wastewater Division provides essential public health and safety services to its residents;

WHEREAS, on February 11, 2009, the City Council approved Ordinance No. 09-OR0092-1 related to establishing wastewater system monthly wastewater residential, non-residential and Group VII-Industrial/Special User rates;

WHEREAS, wastewater rates are evaluated periodically to maintain an adequate fee structure to recover costs for wastewater services;

WHEREAS, the wastewater rates have been analyzed and found to be insufficient to pay for the costs required to collect, treat and dispose of public wastewater; and

WHEREAS, the City Council has determined that provision for special users is necessary to recover costs for collection and treatment from non-residential wastewater customers discharging high-strength, high-flow effluent into the wastewater collection, treatment and disposal system.

NOW, THEREFORE, the City Council of the City of Oceanside DOES ORDAIN as follows:

2

SECTION 1. Sec. 29.17.1 is hereby amended to read as follows:

“Sec. 29.17.1 Monthly service charge based on meter size.

Effective on the first bill reflecting charges for usage from and after November 21, 2009, all wastewater service customers of the city shall be subject to a monthly service charge hereby imposed as follows:

Meter Size	Monthly Service
5/8"	\$20.63
3/4"	\$20.63
1"	\$45.24
1 1/2"	\$86.27
2"	\$135.51
3"	\$250.39
4"	\$414.51
6"	\$824.83
8"	\$1,317.19
10"	\$1,891.61

SECTION 2. Section 29.18 is hereby amended to read as follows:

“Sec. 29.18 Flow charge.

Residential and non-residential customer flow charges shall be based on the quality and quantity of sewage. Effective on the first bill reflecting charges for usage from and after November 21, 2009, all wastewater service customers, except for special users, of the city shall be subject to a monthly flow charge hereby imposed as follows:

Group I – Residential Customers	Monthly Charge
Single Family – Low Use (0-5 units)	\$11.53
Medium Use (6-10 units)	\$24.85
High Use (11+ units)	\$48.50
Master-Metered Single Family (per residential unit)	\$19.48
Manufactured Homes (per residential unit)	\$13.32
Multi-family – per unit of estimated sewage flow	\$3.14

Non-Residential Customers		Estimated Sewer Flow (per unit)
Group II	Low Strength	\$3.14
Group III	Medium Strength	\$3.55
Group IV	Medium High Strength	\$5.08
Group V	High Strength	\$6.07
Group VI	Churches	\$3.14
	Public Schools	\$3.14
Group VIII	RV Parks	\$3.14
	Hotel/Motel without Restaurant	\$3.14

SECTION 3. Section 29.18 (a) is hereby amended to read as follows:

Sec. 29.18 (a) Special user flow charge.

Each special user shall pay monthly flow charges that shall be determined by a calculation based on actual monitoring data of flow, biochemical oxygen demand, total suspended solids, and ammonia as follows:

Special User Wastewater Flow Charges	
Parameter	Unit Cost
Per unit (748 gallons) discharged	\$1.75
Per pound of Biochemical Oxygen Demand Discharged	\$0.55
Per pound of Total Suspended Solids Discharged	\$0.31
Per pound of Ammonia Discharged	\$0.31

Flow charges will be computed annually for each industrial user at the time of renewal of the pretreatment permit. An overall charge will be calculated using the unit rates and the average concentrations measured for each loading parameter. This new charge will then be in effect for the following year.

SECTION 4. The City Clerk of the City of Oceanside is hereby directed to publish this ordinance, or the title hereof as a summary, pursuant to state statute, once within fifteen (15) days after its passage in the North County Times, a newspaper of general circulation published in the City of Oceanside.

1 SECTION 5. Severability.

2 If any section, sentence, clause or phrase of the Ordinance is for any reason held to be
3 invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision
4 shall not affect the validity of the remaining portions of this Ordinance. The City Council
5 hereby declares that it would have adopted this Ordinance and each section, sentence, clause or
6 phrase thereof, irrespective of the fact that any one or more section, subsections, sentences,
7 clauses or phrases be declared invalid or unconstitutional.

8 INTRODUCED at a regular meeting of the City Council of the City of Oceanside held
9 on the _____ day of _____, 2009, and, thereafter,

10 PASSED, AND ADOPTED by the City Council of the City of Oceanside, California
11 this _____ day of _____, 2009, by the following vote:

12 AYES:
13 NAYS:
14 ABSENT:
15 ABSTAIN:

16 _____
17 MAYOR, CITY OF OCEANSIDE

18 ATTEST:

18 APPROVED AS TO FORM:

19 _____
20 CITY CLERK

19 
20 CITY ATTORNEY

21
22 AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING OCEANSIDE CITY
23 CODE, CHAPTER 29, ESTABLISHING SEWER USER RATE, SEWER SYSTEM
24 BUY-IN FEE INCREASES
25
26
27

MEMORANDUM

DATE: November 4, 2009
TO: Honorable Mayor and Councilmembers
FROM: Patricia Allison, City Manager's Office
SUBJECT: **ITEMS 28 and 29**

The backup included here for Item 28 also applies to Item 29.

Office of the City Attorney

Memorandum

TO: Honorable Mayor and Councilmembers
BY: Barbara L. Hamilton, Assistant City Attorney *BKH*
THROUGH: John P. Mullen City Attorney *JPM*
DATE: October 21, 2009
RE: Water and Sewer Rate Increases

Introduction: Item 29 on City Council's October 14, 2009 meeting was the introduction of ordinances amending Chapters 29 and 37 of the Oceanside City Code to establish water and sewer rate increases. Four options for water rate increases and four options for sewer rate increases were presented for Council's consideration. Notice of the public hearing to consider the proposed increases was provided to rate payers pursuant to Proposition 218; at the time of the hearing there was not a majority protest of the rate increases from affected property owners under Proposition 218. The City Attorney's analysis in the staff report for this item provided in part: "Absent a majority protest pursuant to Proposition 218, water rate and fee increases are authorized by Health and Safety Code Section 5471 upon adoption of an ordinance approved by two-thirds (four councilmembers) of the members of the City Council." On a 3-2 vote, Council approved Option I (the lowest increase, designed to cover minimum debt service only) for both water and sewer rates.

Question Presented: Absent a majority protest under Proposition 218, is a simple majority vote of the City Council sufficient to authorize an increase in the water and sewer rates?

Brief Answer: Yes. Although Health and Safety Code section 5471 requires a supermajority vote and action by ordinance to establish and increase water and sewer rates, it is not the only authority for increasing rates. The rates may be increased by a simple majority vote of Council pursuant to, *inter alia*, the Revenue Bond Law of 1941.

Discussion: Section 5471 of the Health and Safety Code is part of one statutory scheme providing for imposing and increasing water and sewer rates. Section 5471 requires a 2/3 vote and action by ordinance in order to "prescribe, revise and collect" charges in connection with the City's "water, sanitation, storm drainage, or sewerage system." Compliance with Section 5471 is the preferred way for the City to raise rates, because the statutory scheme containing Section 5471 also authorizes the water and sewer bills to be

placed on the tax rolls for collection (Health and Safety Code section 5473), and allows the charges to become a lien against the property (Health and Safety Code section 5473.5). Further, express pay and protest provisions at Health and Safety Code section 5472 provide clear procedures for rate payers to challenge charges imposed on them. If water and sewer rates and rate increases are imposed by ordinance and with a supermajority vote of City Council pursuant to Section 5471, these additional collection methods are available. Conversely, absent action by ordinance or a supermajority vote, the collection methods may not be available.

Rate increases may still be imposed based on a simple majority vote of Council, pursuant to other constitutional and statutory authority. The conclusion that Health and Safety Code section 5471 is not the only way to establish and raise water and sewer fees is supported by the introductory language in Section 5471 itself: “*In addition to the powers granted in the principal act, any entity shall have power, by an ordinance approved by a two-thirds vote of the members of the legislative body thereof, to prescribe, revise, and collect...*” (Emphasis added.)

In *Kennedy v. City of Ukiah* (1977) 69 Cal.App.3d 545 the Court of Appeal for the First District held that sewer and water assessments imposed by resolution by three council members (where two of the five members were absent) were not required to be set by ordinance or by a two-thirds vote as provided by Section 5471. In so holding, the court summarized the “variety of alternative methods for the establishment, maintenance and operation of municipal sewer systems. These include the Municipal Improvement Act of 1913, the Improvement Bond Act of 1915, the Community Facilities Law of 1911, the Revenue Bond Law of 1941, and the Sewer Revenue Bonds provisions of the Health and Safety Code.” With respect to water rates, the court said, “Municipal corporations have the authority and power to establish and operate works for supplying their inhabitants with water. They also have the power to fix the rates to be charged for the sale of the water. [Citations omitted.] The only requirement is that such rates be reasonable.”

Five years later, in *Pinewood Investors v. City of Oxnard* (1982) 133 Cal.App.3d 1030 the Court of Appeal for the Second District held that the Health and Safety Code required that sewer connection fees be established by ordinance, and that a resolution purportedly increasing sewer connection fees was not authorized either under Government Code section 38900 or the city’s police power under the Constitution. Similarly, in *Cavalier Acres, Inc. v. San Simeon Acres Community Services District* (1984) 151 Cal.App.3d 798, the Court of Appeal concluded that a community services district could impose or increase water charges only by ordinance, according to Health and Safety Code section 5471.

The issue was later resolved in the California Supreme Court decision, *Richmond v. Shasta Community Services Dist.* (2004) 32 Cal.4th 409, where the Court held that a water district could amend its ordinance establishing new connection fees by resolution under the authority of the Mitigation Fee Act. The *Richmond* Court pointed out that the

introductory language of Section 5471 (“In addition to the powers granted in the principal act”) was added by amendment in 1988, demonstrating “the Legislature’s intent that Health and Safety Code section 5471 not be read as limiting the powers conferred on public entities by the laws under which they were organized.” *Richmond*, 32 Cal.4th at 430.

Conclusion: In summary, although increasing water and sewer rates by ordinance with a supermajority vote of City Council pursuant to Health and Safety Code section 5471 affords the City a wider array of collection mechanisms, rate increases imposed by a simple majority of City Council are nonetheless valid and authorized. For example, the Revenue Bond Law of 1941 (Government Code sections 54300 *et seq.*) authorizes a local agency to issue bonds for funds to “acquire, construct, improve or finance an enterprise” and to “prescribe, revise, and collect” charges for water and sewer enterprises. The Revenue Bond Law of 1941 also allows property liens for delinquent charges and penalties.

cc: Peter Weiss, City Manager
Barbara Riegel Wayne, City Clerk
Lonnie Thibodeaux, Water Utilities Director
Teri Ferro, Financial Services Director



Memorandum
FINANCIAL SERVICES DEPARTMENT

TO: Honorable Mayor and City Councilmembers

THROUGH: Peter Weiss, City Manager *W*

FROM: Teri Ferro, Financial Services Director

DATE: October 21, 2009

SUBJECT: Wastewater User Rates – Potential Consequences

This is to advise you that I was contacted by Standard & Poor's rating agency immediately after they read the newspaper accounts of the October 14th City Council vote regarding the wastewater user rates.

They are requesting additional financial information to prove that we have the ability to pay the debt service on the 2008 Revenue Refunding Certificates of Participation (next payment due November 1st). At this time they have not indicated any action on their end regarding our bond rating, but rather they are closely watching to see what action the City Council takes on November 4th.

I have attached a memo and supporting documentation from the Treasury Manager regarding consequences if we are in technical default for not meeting the rate covenant for both the 2003 Certificates of Participation and the 2008 Revenue Refunding Certificates of Participation.

Without remedying the situation via rate increases or expense reductions, we could be liable to pay immediately and in full the principal amount of \$18,620,000. Since the Sewer Fund does not have sufficient reserves to pay this amount, the City would be obligated to fund it from another source such as the General Fund.

Encs.



Memorandum
OFFICE OF THE CITY TREASURER

TO: Teri Ferro, Director of Fiscal Services

FROM: Michele Lund, Treasury Manager
Ext. 3549

DATE: October 19, 2009

SUBJECT: RATE COVENANT DEFAULT CONSEQUENCES

Here are the supporting documents from the 2008 Revenue Refunding COPs Installment Purchase Agreement that describes the rate covenant (115% coverage requirement) and what happens if the City is in technical default for not meeting its rate covenant.

In summary, once the rate covenants are not met, the City has 60 days to remedy the situation (raise rates or cut expenses). Failure to remedy causes the Oceanside Public Finance Authority (the City) to give notice to the City that the bonds are in default. Once the notice is given, the bonds become immediately payable, both principal and accrued interest.

The current outstanding principal amounts on the bonds that would be called are as follows:

2003 Certificates of Participation (Wastewater System Refunding)	\$ 8,205,000
2008 Revenue Refunding Certificates of Participation	<u>\$10,415,000</u>
Total Principal Outstanding	<u>\$18,620,000</u>

INSTALLMENT PURCHASE AGREEMENT

by and between

CITY OF OCEANSIDE

and

OCEANSIDE PUBLIC FINANCING AUTHORITY

Dated as of December 1, 2008

Relating to

\$10,540,000

CITY OF OCEANSIDE

**REVENUE REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2008**

Section 6.13. Amount of Rates and Charges. The City shall fix, prescribe, revise and collect rates, fees and charges for the Sewer Service which will be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred fifteen per cent (115%) of the Debt Service for such Fiscal Year. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

Section 6.14. Collection of Rates and Charges. The City will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Sewer Service to such land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City may discontinue such service from the Sewer System, and such service shall not thereafter be recommenced except in accordance with the City laws or rules and regulations governing such situations of delinquency.

Section 6.15. Eminent Domain Proceeds. If all or any part of the Sewer System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the City files with the Authority and the Trustee a certificate showing (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the City by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Sewer System proposed to be acquired and constructed by the City from such Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the City, on the basis of such certificate filed with the Authority and the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the City to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the City shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the City for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied in part to the prepayment of Series 2008 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Series 2008 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.16. Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

Section 6.17. Enforcement of Contracts. So long as any of the Certificates are outstanding, the City will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into which contracts provide for the collection, treatment or disposal of wastewater

by the City which consent, revision, amendment or other action will reduce the supply of water thereunder (except as provided therein), unless the City Council of the City determines by resolution that such revision or amendment would not materially adversely affect the ability of the City to pay Series 2008 Installment Payments.

Section 6.18. Continuing Disclosure. The City has covenanted and agreed pursuant to the Trust Agreement that it will comply with and carry out all of its obligations under the continuing disclosure agreement to be executed and delivered by the City in connection with the execution and delivery of the Certificates. Notwithstanding any other provision of this Installment Purchase Agreement, failure of the City to comply with the continuing disclosure certificate shall not be considered an Event of Default.

ARTICLE VII

PREPAYMENT OF SERIES 2008 INSTALLMENT PAYMENTS

Section 7.01. Prepayment. (a) The City may or shall, as the case may be, prepay from the Net Proceeds as provided herein the Series 2008 Installment Payments in whole or in part on any date in the order of payment date as directed by the City at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

(b) The City may prepay the Series 2008 Installment Payments as a whole or in part on any date in the order of payment date as directed by the City on and after April 29, 2013, at a prepayment price equal to the principal amount of the Series 2008 Installment Payments to be prepaid plus accrued interest thereon to the date of prepayment.

Notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority).

Section 7.02. Method of Prepayment. Before making any prepayment pursuant to Section 7.01, the City shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given, unless a shorter time period is agreed to by the Authority and the Trustee.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made by the City in the due and punctual payment of any Series 2008 Installment Payment or any Contract or Bond when and as the same shall become due and payable; or

(2) if default shall be made by the City in the performance of any of the other agreements or covenants required herein to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority; or

(3) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

(4) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms;

then and in each and every such case during the continuance of an Event of Default, the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Series 2008 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This Section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2008 Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Series 2008 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2008 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Series 2008 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.02. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.01, all Revenues thereafter received by the City shall be applied in the following order --

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Authority and Trustee, if any, in carrying out the provisions of this article, including reasonable compensation to their respective accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs; and

**City of Oceanside
WATER UTILITIES DEPARTMENT**

MEMORANDUM

DATE: October 22, 2009
TO: Peter A. Weiss, City Manager 
FROM: Lonnie Thibodeaux, Water Utilities Director 
SUBJECT: Water and Wastewater Budget Contingency Plan

On November 4, 2009, the City Council will consider water pass-through charge and wastewater user rate increases at the minimum level presented at the public hearing on October 14, 2009. If these increases are not approved, the Water Utilities Department will have to cut the 2009-2010 Wastewater Fund operating budget by \$2,300,000 to meet debt service coverage requirements and the Water operating budget by \$5 million. Below are the projected shortfalls in each fund:

Wastewater Rate Increase	Revenues	Expenditures	Shortfall
Minimum debt coverage- 115%	\$26,231,597	(\$28,512,507)	\$2,280,909

Water Rate Increase	Revenues	Expenditures	Shortfall
Minimum - pass-throughs	\$41,653,158	(\$46,621,380)	\$5,063,488

Below are the budget reductions in the Wastewater Fund that will be made if the increases are not approved:

Wastewater Fund reductions to meet debt service coverage requirements:	
Field O & M Reduction:	(\$1,140,000)
Administration O & M Reduction:	(\$149,273)
Subtotal O & M Reductions:	(\$1,289,273)
Field Personnel Reductions (13 positions):	(\$1,037,966)
Administrative Personnel (2 positions):	(\$196,690)
Subtotal Personnel Reductions:	(\$1,234,656)
Total Wastewater Reductions:	(\$2,523,929)

These reductions would result in deferred maintenance throughout the entire sewer system causing increased sewer spills and odor complaints. The 35% reduction in personnel (15 positions) would mean deferred maintenance of the system causing increased probability of fines. Also staffing levels would be reduced on the weekend and after regular work hours resulting in slower response to sewer spills. If spills occur, minimum fines and penalties of

\$10.00/gallon or \$10,000/day would be incurred. The 25% reduction in chemicals will lead to increased odor complaints but would be monitored to avoid possible Air Pollution Control District violations.

Projects will have to be deferred including the replacement of the Buena Vista Lift Station, the Haymar Sewerline, the Land Outfall, and the Oceanside Blvd. Lift Station.

Below are the budget reductions in the Water Fund that will be made if the increases are not approved:

Water Fund reductions to fund imported water cost increases:	
Field O & M Reduction:	(\$750,000)
Administration O & M Reduction:	(\$290,286)
Subtotal O & M Reductions:	(\$1,040,286)
Field Personnel Reductions (8 positions):	(\$674,984)
Administrative Personnel (4 positions):	(\$397,521)
Total Personnel reductions:	(\$1,072,505)
Total Water Budget Reductions:	(\$2,112,791)
Water Reserves Reduction:	(\$3,000,000)

These budget reductions will result in slower response time for waterline, fire hydrant and valve leaks. There will be increased costs to hire contractors to repair waterlines and there will be slow response to customer complaints because 12 positions will be eliminated.

The Weese Water Treatment Plant improvement and the Reclaimed Water Facility expansion projects would have to be deferred.

In summary, both the Water and Wastewater Funds budget reductions would lead to long-term dysfunction in the Water Utilities Department and cause deterioration of the water and wastewater systems. Fines and penalties could be imposed because of deferred maintenance of the infrastructure and reduced responses to waterline breaks and sewer spills.

For more information please contact Lonnie Thibodeaux, Water Utilities Director, at (760) 435-5830.

cc: Teri Ferro, Financial Services Director

STAFF REPORT



~~ITEM NO. 29~~

CITY OF OCEANSIDE

DATE: October 14, 2009

TO: Honorable Mayor and City Councilmembers

FROM: Water Utilities Department

SUBJECT: **INTRODUCTION OF AN ORDINANCE AMENDING CHAPTER 29 OF THE OCEANSIDE CITY CODE BY ESTABLISHING WASTEWATER USER RATE INCREASES AND INTRODUCTION OF AN ORDINANCE AMENDING CHAPTER 37 OF THE OCEANSIDE CITY CODE BY ESTABLISHING WATER USER RATE AND EXTERNAL WATER PROVIDER CHARGE INCREASES**

SYNOPSIS

Staff and the Utilities Commission recommend that the City Council introduce an ordinance amending Chapter 29 of the Oceanside City Code by establishing wastewater user rate increases (Exhibit A); introduce an ordinance amending Chapter 37 of the Oceanside City Code by establishing water user rate and external water provider charge increases (Exhibit B); and direct staff to implement the user rate and external water provider charge increases.

BACKGROUND

The Metropolitan Water District of Southern California (MWD), the San Diego County Water Authority's (Water Authority) largest water supplier, raised its rates effective September 1, 2009. Based on these increases, on June 25, 2009, the Water Authority raised its member agencies' rates (including Oceanside) also to become effective on September 1, 2009. Both MWD's and the Water Authority's rate increases are primarily because of California's water supply challenges, which are significantly increasing the cost of imported water. The new rates also reflect the increased cost of conveying water from MWD and take into account the Water Authority's cost of dry-year water transfers designed to help mitigate the current water shortage and reduced revenues from development fees and lower investment income.

The Water Authority normally adjusts its rates on January 1 of each year but because of the September 1 effective date of this rate increase, Water Utilities staff and the City's rate consultant, FCS Group, performed a water rate analysis to determine if water revenues would be sufficient to meet the higher cost of water. Wastewater rates were analyzed at the same time.

After this in-depth review, it was determined that water and wastewater user rates, and pass-through charges need to be increased for the following reasons:

- Metropolitan Water District and San Diego County Water Authority pass-through increases
- Higher costs to operate and maintain healthy infrastructures;
- Debt service payments and coverage ratios, including the debt service payment of \$2.9 million for the State Revolving Fund loan for the San Luis Rey Wastewater Treatment Plant expansion project

A workshop was held on August 20, 2009, to present the proposed rates to the City Council. Staff was directed to mail notices of an October 14, 2009, public hearing with the maximum rates that Council may consider. Council also requested that another meeting for the public to ask representatives of MWD, the Water Authority and staff questions about the rate increases be scheduled in a different location than the Council Chambers. A Water and Wastewater Rate Increase Community Forum was held on September 29, 2009, in the Civic Center Community Rooms. A Community Forum link was posted on the City's Web site so the public could e-mail questions and receive answers before the meeting. A frequently asked question list was compiled and posted on the Web site.

Proposition 218 requires that all property owners and utility customers receive 45 days notice of a City Council public hearing to consider an increase in water and wastewater user rates. On August 26, 2009, a public hearing notice was mailed to all Oceanside property owners and utility customers listing the current and proposed rates. The public may submit written protests to the proposed rate increases. Proposition 218 prohibits imposition of the proposed increases if written protests are received from a majority of the property owners and utility customers. If a majority protest is not received, the City Council may approve the rate and fee increases at the public hearing scheduled for October 14, 2009. The rates published in the public hearing notice are the maximum that the Council may consider.

ANALYSIS

To comply with Proposition 218 and to continue the existing rate-setting methodology, the proposed user rates were calculated based on the costs of providing service to each type of customer. This approach directly connects the cost of providing service to the end charge applied to the user. The actual rates may vary among users considering the water actually used and the wastewater discharge contributed by each customer class. All revenue generated by the proposed rates and charges will be used to recover the rising costs of wholesale water, operation and maintenance of the systems, and planned projects, and to meet debt coverage required by City bond covenants.

The rates published in the public hearing notice are the highest that were proposed to Council at the August 20 workshop. Three other options were presented to Council as alternatives. Proposition 218 requires that the maximum rate that may be considered be published in the public hearing notice. In all of the rate increase options, the 2009-2010 operations and maintenance budget was not increased from the 2008-2009 budget except for personnel costs.

The four rate increase options from highest to lowest are:

Policy-driven - These rates were developed based on the policies that were approved by City Council upon adoption of the Integrated Water Utilities Financial Plan on July 9, 2008. These policies include maintaining 125 percent debt service coverage, developing and maintaining adequate fund balances, making Fixed Asset Replacement (FAR) contributions and completing infrastructure improvement projects for both the water and wastewater funds.

125 percent Debt Coverage and Infrastructure Improvement Projects – This rate option does not include the costs of maintaining adequate fund balances or making full FAR contributions.

125 percent Debt Coverage Only – This option sets rates to meet only the policy of 125 percent debt coverage. At this level the infrastructure improvement project budget and FAR contributions have been reduced.

115 percent Minimum Debt Coverage – This option sets rates to meet the legal requirement of 115 percent debt coverage. At this level the infrastructure improvement project budget and FAR contributions have been reduced further.

Wastewater and Water Rates

The proposed increases in water and wastewater charges affect both the monthly service charge and the water commodity and sewer flow charges for all customer classes. The increases will provide revenue for the additional costs to fund debt service requirements, operations and maintenance, and replacement projects for both the Wastewater and Water Funds. Exhibits C and D respectively are summaries of the policy-driven Wastewater and Water Funds' financial analyses with budgeted expenditures, projected revenues and planned capital improvement projects for FY 2009-2010. The policy-driven shortfalls in both funds if the rate increases are not implemented are shown in the table below:

Wastewater Rate Options	Revenues	Expenditures	Shortfall	Revenue from Rate Increase
Policy-driven	\$26,231,597	(\$33,041,511)	(\$6,809,914)	\$6,809,914
125% debt coverage & projects	\$26,231,597	(\$29,550,606)	(\$3,319,008)	\$3,319,008
125% debt coverage only	\$26,231,597	(\$29,055,261)	(\$2,823,663)	\$2,823,663
Minimum debt coverage–115%	\$26,231,597	(\$28,512,507)	(\$2,280,909)	\$2,280,909
<hr/>				
Water Rate Options	Revenues	Expenditures	Shortfall	Revenue from Rate Increase
Policy-driven	\$41,653,158	(\$49,294,596)	(\$7,641,438)	\$7,641,438
125% debt coverage & projects	\$41,653,158	(\$47,865,341)	(\$6,212,183)	\$6,212,183
125% debt coverage only	\$41,653,158	(\$46,854,402)	(\$5,201,244)	\$5,201,244
Minimum debt coverage–115%/pass-throughs	\$41,653,158	(\$46,621,380)	(\$4,968,222)	\$5,063,488

The proposed monthly wastewater rate increases for a typical single-family residence are:

Proposed Wastewater Monthly Bills Options				
To meet	Service Charge	Flow Charge (Medium Use)	Total	Increase
Current	\$15.93	\$19.18	\$35.11	N/A
Policy-driven rates	\$22.65	\$27.28	\$49.93	\$14.82
125% debt coverage & projects	\$19.20	\$23.13	\$42.33	\$7.22
125% debt coverage only	\$18.71	\$22.54	\$41.25	\$6.14
Minimum debt coverage-115%	\$18.18	\$21.89	\$40.07	\$4.96

The proposed rate increase would be effective with the first bill after November 21, 2009. The proposed rate schedule for all wastewater customer classes is listed in the attached Exhibit E. Exhibit H is a comparison of single-family residential wastewater rates in San Diego County. Special industrial user rates are calculated on actual monitoring data of flow, biochemical oxygen demand, total suspended solids and ammonia. These rates are calculated annually. The proposed industrial discharger rates are listed in the attached Exhibit E.

The proposed water rate increases are for service and commodity charges, MWD's readiness-to-serve charge and the San Diego County Water Authority (Water Authority) pass-through infrastructure access charge and surcharge which were approved by the Water Authority Board on June 25, 2009.

The typical single-family customer using 12 units of water per month would pay one of the four options in a monthly bill listed below beginning with the first bill after November 21, 2009:

Proposed Water Monthly Bills Options					
To meet	Service Charge	Commodity Charge*	Pass-Through Charges	Total	Increase
Current	\$12.97	\$23.40	\$6.05	\$42.42	N/A
Policy-driven rates	\$14.42	\$26.04	\$12.39	\$52.85	\$10.43
125% debt coverage & projects	\$13.62	\$24.60	\$12.39	\$50.61	\$8.19
125% debt coverage only	\$13.05	\$23.64	\$12.39	\$49.08	\$6.66
Minimum debt coverage – 115%/pass-throughs	\$12.97	\$23.40	\$12.39	\$48.76	\$6.34

*Includes the Clean Water Program rate of \$.07 per unit of water.

The proposed rate schedule for all water customer classes is listed in the attached Exhibit F. MWD and Water Authority pass-through charge increases for all customers are listed in Exhibit G. Exhibit I is a comparison of single-family residential water rates in San Diego County. Exhibit J is a comparison of the combined monthly water and wastewater bills in other cities.

The proposed rate increases are exempt from California Environmental Quality Act requirements.

FISCAL IMPACT

Wastewater and Water Rates

The analysis that was performed for the Financial Plan included a determination of the Wastewater and Water Funds' revenue requirement, which is the annual amount of revenue necessary to meet annual expenditures. The user rates and charges are calculated to generate enough revenue to meet expenses and debt obligations and must be increased if they are not sufficient to meet those requirements. Because the Water and Sewer Funds have bonds with rate covenant requirements, it is imperative that rates and fees are set at a sufficient level to pay debt service and provide debt coverage. The Wastewater Fund's FY 2009-2010 revenue requirement is \$33,041,511 and the Water Fund's is \$49,294,596 for costs of operations and maintenance, replacement projects and debt payments. The increase in wastewater and water rates for all customers will provide the revenue to meet the funding requirements for fiscal year 2009-2010.

San Diego County Water Authority and Metropolitan Water District Pass-through Charges

The proposed Authority surcharge will fund the increase of \$139 per acre-foot of treated water and \$92 per acre-foot of untreated water. The surcharge will recover approximately \$5 million in additional water costs. The infrastructure access charge (IAC) is a fixed charge based on the customer's meter size. The Authority's new IAC is \$2.02 for a 5/8-inch meter effective November 2009. The Metropolitan Water District's readiness-to-serve charge is also a fixed charge based on meter size and will increase from \$1.15 to \$1.25 for a 5/8-inch meter.

COMMISSION OR COMMITTEE REPORT

The Budget Committee of the Utilities Commission reviewed and approved staff's recommendation at its meeting on August 11, 2009. The Utilities Commission reviewed staff's recommendation at its meeting on September 15, 2009, but could not vote to approve due to the lack of a quorum.

CITY ATTORNEY'S ANALYSIS

The ordinances have been reviewed by the City Attorney and approved as to form. Absent a majority protest pursuant to Proposition 218, water rate and fee increases are authorized by Health and Safety Code Section 5471 upon adoption of an ordinance approved by two-thirds (four councilmembers) of the members of the City Council.

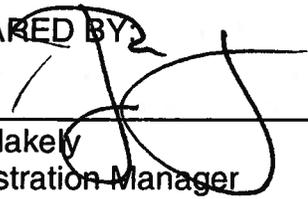
INSURANCE REQUIREMENTS

Does not apply.

RECOMMENDATIONS

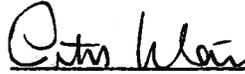
Staff and the Utilities Commission recommend that the City Council introduce an ordinance amending Chapter 29 of the Oceanside City Code by establishing wastewater user rate increases (Exhibit A); introduce an ordinance amending Chapter 37 of the Oceanside City Code by establishing water user rate and external water provider charge increases (Exhibit B); and direct staff to implement the user rate and external water provider charge increases.

PREPARED BY:



Greg Blakely
Administration Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager



Lonnie Thibodeaux, Water Utilities Director

Teri Ferro, Financial Services Director

- Exhibit A: Proposed Ordinance amending Chapter 29
- Exhibit B: Proposed Ordinance amending Chapter 37
- Exhibit C: Proposed Rate Schedules for all Wastewater Customer Classes
- Exhibit D: Proposed Rate Schedules for all Water Customer Classes
- Exhibit E: Proposed Water Authority & MWD Pass-through Charges
- Exhibit F: Wastewater Financial Analysis Summary
- Exhibit G: Water Financial Analysis Summary
- Exhibit H: Monthly Wastewater Bill Comparison
- Exhibit I: Monthly Water Bill Comparison
- Exhibit J: Monthly Combined Bill Comparison

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING
OCEANSIDE CITY CODE, CHAPTER 29, ESTABLISHING
SEWER USER RATE INCREASES

WHEREAS, the City of Oceanside through its Water Utilities Department Wastewater Division provides essential public health and safety services to its residents;

WHEREAS, on February 11, 2009, the City Council approved Ordinance No. 09-OR0092-1 related to establishing wastewater system monthly wastewater residential, non-residential and Group VII-Industrial/Special User rates;

WHEREAS, wastewater rates are evaluated periodically to maintain an adequate fee structure to recover costs for wastewater services;

WHEREAS, the wastewater rates have been analyzed and found to be insufficient to pay for the costs required to collect, treat and dispose of public wastewater; and

WHEREAS, the City Council has determined that provision for special users is necessary to recover costs for collection and treatment from non-residential wastewater customers discharging high-strength, high-flow effluent into the wastewater collection, treatment and disposal system.

NOW, THEREFORE, the City Council of the City of Oceanside DOES ORDAIN as follows:

1 SECTION 1. Sec. 29.17.1 is hereby amended to read as follows:

2 **“Sec. 29.17.1 Monthly service charge based on meter size.**

3 Effective on the first bill reflecting charges for usage from and after November
4 21, 2009, all wastewater service customers of the city shall be subject to a monthly service
5 charge hereby imposed as follows:

6

Meter Size	Monthly Service
5/8"	\$22.65
3/4"	\$22.65
1"	\$49.67
1 ½"	\$94.71
2"	\$148.77
3"	\$274.90
4"	\$455.09
6"	\$905.57
8"	\$1,446.13
10"	\$2,076.79

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16 SECTION 2. Section 29.18 is hereby amended to read as follows:

17 **“Sec. 29.18 Flow charge.**

18 Residential and non-residential customer flow charges shall be based on the
19 quality and quantity of sewage. Effective on the first bill reflecting charges for usage from and
20 after November 21, 2009, all wastewater service customers, except for special users, of the city
21 shall be subject to a monthly flow charge hereby imposed as follows:

22

Group I – Residential Customers	Monthly Charge
Single Family – Low Use (0-5 units)	\$12.66
Medium Use (6-10 units)	\$27.28
High Use (11+ units)	\$53.25
Master-Metered Single Family (per residential unit)	\$21.39
Manufactured Homes (per residential unit)	\$14.62
Multi-family – per unit of estimated sewage flow	\$3.44

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Non-Residential Customers		Estimated Sewer Flow (per unit)
Group II	Low Strength	\$3.44
Group III	Medium Strength	\$3.90
Group IV	Medium High Strength	\$5.58
Group V	High Strength	\$6.66
Group VI	Churches	\$3.44
	Public Schools	\$3.44
Group VIII	RV Parks	\$3.44
	Hotel/Motel without Restaurant	\$3.44

SECTION 3. Section 29.18 (a) is hereby amended to read as follows:

Sec. 29.18 (a) Special user flow charge.

Each special user shall pay monthly flow charges that shall be determined by a calculation based on actual monitoring data of flow, biochemical oxygen demand, total suspended solids, and ammonia as follows:

Special User Wastewater Flow Charges	
Parameter	Unit Cost
Per unit (748 gallons) discharged	\$1.92
Per pound of Biochemical Oxygen Demand Discharged	\$0.60
Per pound of Total Suspended Solids Discharged	\$0.33
Per pound of Ammonia Discharged	\$0.33

Flow charges will be computed annually for each industrial user at the time of renewal of the pretreatment permit. An overall charge will be calculated using the unit rates and the average concentrations measured for each loading parameter. This new charge will then be in effect for the following year.

SECTION 4. The City Clerk of the City of Oceanside is hereby directed to publish this ordinance, or the title hereof as a summary, pursuant to state statute, once within fifteen (15) days after its passage in the North County Times, a newspaper of general circulation published in the City of Oceanside.

1 SECTION 5. Severability.

2 If any section, sentence, clause or phrase of the Ordinance is for any reason held to be
3 invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision
4 shall not affect the validity of the remaining portions of this Ordinance. The City Council
5 hereby declares that it would have adopted this Ordinance and each section, sentence, clause or
6 phrase thereof, irrespective of the fact that any one or more section, subsections, sentences,
7 clauses or phrases be declared invalid or unconstitutional.

8 INTRODUCED at a regular meeting of the City Council of the City of Oceanside held
9 on the _____ day of _____, 2009, and, thereafter,

10 PASSED, AND ADOPTED by the City Council of the City of Oceanside, California
11 this _____ day of _____, 2009, by the following vote:

- 12 AYES:
- 13 NAYS:
- 14 ABSENT:
- 15 ABSTAIN:

16 _____
17 MAYOR, CITY OF OCEANSIDE

18 ATTEST:

APPROVED AS TO FORM:

19 _____
20 CITY CLERK

Pauline Jane Otonari, ASST.

CITY ATTORNEY

21
22
23 AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING OCEANSIDE CITY
24 CODE, CHAPTER 29, ESTABLISHING SEWER USER RATE, SEWER SYSTEM
25 BUY-IN FEE INCREASES
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ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING
OCEANSIDE CITY CODE, CHAPTER 37, ESTABLISHING
WATER USER RATE AND EXTERNAL WATER PROVIDER
CHARGE INCREASES

WHEREAS, on February 11, 2009, the City Council adopted Ordinance No. 09-OR0093-1 related to establishing monthly residential, non-residential water rates and external water provider charges;

WHEREAS, these water rates have been analyzed and found to be insufficient to pay for the costs of improving and upgrading necessary public water transmission, treatment storage and distribution facilities;

WHEREAS, at its June 25, 2009 meeting, the Board of Directors of the San Diego County Water Authority ("Authority") approved an increase in the amount of its municipal and industrial water surcharge by \$139 per acre foot for treated water and \$92 per acre foot for untreated water; and

WHEREAS, at its June 25, 2009 meeting, the Board of Directors of the San Diego County Water Authority ("Authority") approved an increase in the amount of its infrastructure access charge and the Metropolitan Water District's readiness-to-serve charge to be levied against each member agency,

NOW, THEREFORE, the City Council of the City of Oceanside DOES ORDAIN as follows:

1 SECTION 1. Section 37.34 is hereby amended to read as follows:

2 **“Sec. 37.34 Monthly service charge.**

3 Effective on the first bill reflecting charges for usage from and after November 21, 2009,
4 all water service customers of the city shall be subject to a monthly service charge hereby
5 imposed as follows:

Meter Size	Monthly Water Service Charge
5/8"	\$14.42
1"	\$31.80
1 ½"	\$60.76
2"	\$95.52
3"	\$176.61
4"	\$292.46
6"	\$582.09
8"	\$929.64
10"	\$1,335.12

14 SECTION 2. Sec. 37.35 is hereby amended to read as follows:

15 **“Sec. 37.35 Monthly consumption charge.**

16 Effective on the first bill reflecting charges for usage from and after November 21, 2009,
17 all water service customers of the city shall be subject to a monthly consumption charge hereby
18 imposed as follows:

Units of Water Used	Monthly Water Consumption Charge (per unit*)
Single-family	
1 st tier (0-13 units)	\$2.17
2 nd tier (14 + units)	\$2.47
Multi-family	
1 st tier (0-7 units)	\$2.01
2 nd tier (8 + units)	\$2.29
Non-residential/Agricultural/Irrigation	\$2.35
Reclaimed water	\$1.91
* A unit of water is equal to seven hundred forty-eight (748) gallons.	

27 The charges listed in the table above include the existing rate of \$0.07/unit of water for the
28 Clean Water Program.”

1 SECTION 3. Sections 37.110, 37.111 and 37.112 are hereby amended to read as
2 follows:

3 **“Sec. 37.110 San Diego County Water Authority Surcharge**

4 Effective on the first bill reflecting charges for usage from and after
5 November 21, 2009, there is hereby established a water surcharge on City of Oceanside water
6 customers in the amount of \$0.76 per unit of water. The City Council, by ordinance, may
7 periodically adjust the surcharge based on the amount of surcharge approved by the San Diego
8 County Water Authority.

9 **Sec. 37.111 San Diego County Water Authority Infrastructure Access**
10 **Charge**

11 Effective on the first bill reflecting charges for usage from and after November
12 21, 2009, there is hereby established an infrastructure access charge on water customers of the
13 City of Oceanside. This charge is established as follows:

14

Meter Size	Meter Equivalent*	Monthly Charge
5/8"	1.00	\$2.02
1"	1.60	\$3.23
1.5"	3.00	\$6.06
2"	5.20	\$10.50
3"	9.60	\$19.39
4"	16.40	\$33.13
6"	30.00	\$60.60
8"	52.00	\$105.04
10"	78.00	\$157.56

21

22 *A meter equivalent is a basic 5/8" water meter used in most single-family homes.

1 **Sec. 37.112. Metropolitan Water District Readiness-to-Serve Charge.**

2 Effective on the first bill reflecting charges for usage from and after November 21, 2009,
3 there is hereby established a readiness-to-serve charge on water customers of the City of
4 Oceanside. This charge is established as follows:

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Meter Size	Monthly Charge
5/8"	\$1.25
1"	\$3.30
1.5"	\$6.60
2"	\$10.56
3"	\$19.79
4"	\$32.98
6"	\$65.95
8"	\$105.52
10"	\$151.70

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14 SECTION 4. The City Clerk of the City of Oceanside is hereby directed to publish this
15 ordinance, or the title hereof as a summary, pursuant to state statute, once within fifteen (15)
16 days after its passage in the North County Times, a newspaper of general circulation published
17 in the City of Oceanside.

18 SECTION 5. Severability.

19 If any section, sentence, clause or phrase of the Ordinance is for any reason held to be
20 invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision
21 shall not affect the validity of the remaining portions of this Ordinance. The City Council
22 hereby declares that it would have adopted this Ordinance and each section, sentence, clause or
23 phrase thereof, irrespective of the fact that any one or more section, subsections, sentences,
24 clauses or phrases be declared invalid or unconstitutional.

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1 INTRODUCTION at a regular meeting of the City Council of the City of Oceanside held
2 on the _____ day of _____, 2009, and, thereafter,

3 PASSED, AND ADOPTED by the City Council of the City of Oceanside, California
4 this _____ day of _____, 2009, by the following vote:

5
6 AYES:
7 NAYS:
8 ABSENT:
9 ABSTAIN:

10 _____
MAYOR, CITY OF OCEANSIDE

11 ATTEST:

APPROVED AS TO FORM:

12 _____
13 CITY CLERK

14 
15 _____
CITY ATTORNEY

16 AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING OCEANSIDE CITY
17 CODE, CHAPTER 37, ESTABLISHING WATER USER RATE AND EXTERNAL
18 WATER PROVIDER CHARGE INCREASES
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CITY OF OCEANSIDE

Exhibit C

**WASTEWATER FINANCIAL ANALYSIS - POLICY DRIVEN RATES
SUMMARY 2009-2010**

Capital Expenditures	FY 2009-2010
FAR / System-Wide Improvements	\$ 3,355,219
Expansion Projects	<u>4,074,482</u>
	\$7,429,701

Available Revenues	FY 2009-2010
Buy-In Fee Revenues & Reserves	\$2,913,677
Use of Capital Reserves	2,197,573
Use of Bond Proceeds	
Rate Funded Capital	2,318,451
Other Revenue	
	\$7,429,701

Revenues	FY 2009-2010
User Service Fees	\$ 24,198,021
Interest Earnings	80,000
Miscellaneous Revenues	1,484,355
Buy-In Fee Revenues (for Debt Service)	
Total Revenues	\$ 26,231,597

Expenditures	FY 2009-2010
<i>Ongoing Operating Expenses</i>	
Sewer Administration and General	\$ 808,244
Interfund Service Charge	4,862,016
Sewer Collection & Transmission	4,659,317
La Salina WWTP	2,925,808
San Luis Rey WWTP	7,126,993
Sewer Laboratory	747,380
Sewer SCADA Program	309,193
Sewer GIS Program	338,181
Other	306,029
Decrease budget to match 08-09 except personnel	\$ (278,545)
<i>Other Operating Expenses</i>	
Debt Service	5,427,538
Replacement Funding (FAR Contributions)	2,318,451
Revenues to Meet Minimum Operating Fund	490,905
Additions Due to Debt Coverage & In Lieu with Increase	<u>3,000,000</u>
Total Expenditures	\$ 33,041,510

Oper. Exp. Surplus (Deficiency) before Rate Increase \$ (6,809,913)

Revenues from Rate Increase \$ 6,809,913

Total Annual Revenue Increase	FY 2009-2010
	42.21%
User rate based on Single Family medium usage	\$49.93
Minimum Fund Balance (45-days)	Yes
Maximum Fund Balance (90-days)	No

DEBT COVERAGE TEST

-Debt Coverage 1.98

Capital Improvement Projects

Fixed Asset Replacement Projects	Budget
Whelan Lake Mitigation	45,240
LaSalina Plant Upgrades	1,709,979
SLR Plant Improvements	150,000
Lift Stations Upgrade	300,000
La Salina Plant Improv	150,000
Misc Sewer Projects	1,000,000
Total FAR Projects:	\$ 3,355,219

Expansion Projects	Budget
Buena Vista Lift Station	137,785
Ocean Outfall Analysis	271,593
Haymar Intercptr Sewer	1,264,564
Mesa/Garrison-42" Sewer	1,035,445
<u>469,222</u>	<u>550,000</u>
Myers/Tait St S/L (2)	342,163
Land Outfall	472,932
Total Expansion Projects	\$ 4,074,482

**CITY OF OCEANSIDE
WATER FINANCIAL ANALYSIS - POLICY DRIVEN RATES
Summary 2009-2010**

Exhibit D

CAPITAL IMPROVEMENT PROGRAM

Capital Expenditures ⁽¹⁾	FY 2009-2010
FAR / System-Wide Improvements	\$ 15,939,454
Expansion Projects	<u>6,859,990</u>
(1) Reflects Council approved CIP.	\$ 22,799,444

Available Revenues

Buy-In Fee Revenues & Reserves	\$6,859,990
Use of Capital Reserves	15,939,454
Use of Bond Proceeds	-
Rate Funded Capital	-
Other Revenue	-
	<u>\$ 22,799,444</u>

OPERATIONAL REVENUES & EXPENDITURES

Revenues	FY 2009-2010
User Service Fees	\$ 34,486,510
Interest Earnings	358,388
Miscellaneous Revenues	<u>11,871,749</u>
Total Revenues	\$ 46,716,646

Expenditures

<i>Ongoing Operating Expenses</i>	
Administration	\$4,823,509
Flood Control/Storm Drains	988,101
Water Source of Supply	26,835,178
Hydro-Electric Pumping	4,750
Water Pumping	110,800
Water Treatment	1,540,701
Water Desalting Plant	2,029,251
Water Transportation and Distribution	1,714,958
Water Laboratory	532,599
Water SCADA Program	283,091
Clean Water Program	985,855
Water GIS Program 711	325,552
Water Service Connections	40,000
Water Meter Service	2,745,940
Fiscal Agent Fees	28,493
Decrease budget to match 08-09 except for Personnel	(408,977)
<i>Other Operating Expenses</i>	
Transfer to Risk Management	490,323
Debt Service	3,230,216
Replacement Funding (FAR Contributions)	<u>2,994,255</u>
Total Expenditures	\$ 49,294,596

Oper. Exp. Surplus (Deficiency) before Rate Increase	\$ (2,577,950)
Revenues from rate increase	\$2,577,950
Total Annual Revenue Increase	11.21%
USER RATE ¹	\$52.01

(1) Based on Single Family Residential medium usage.

Capital Improvement Projects

Fixed Asset Replacement Projects	Budget
Osborn 10MGD Res/Lnd Acq	47,501
Weese Treatment Plnt Improv	290,167
Geographic Info System	150,000
Weese Technology Improvements	479,559
Weese Plant Capacity Expansion	4,512,314
Mission SLR Waterline	1,008,123
Peacock Hills Regulator	1,662,223
SCADA Replace & Upgrade	100,000
Desalter Facility Expansion	2,760,699
Mesa Loma @ Lk Blvd Upgrade	120,801
Desalter Facility Minor Improvements	234,743
Pump Station Upgrades	238,955
Reservoir Structural Analysis	500,000
Misc Water Projects	1,000,000
SLR WWTP Water Reclamation	<u>2,834,369</u>
Total FAR Projects	\$15,939,454

Expansion Projects

	Budget
Ocean Outfall Analysis	90,479
Pacific St Bridge W/L	725,864
Desalter Facility Expansion	2,000,000
Strategic Plan	100,000
Technology Improvements	1,050,000
Land Outfall	240,598
Oceanside Ocean Desalter	281,022
Osborn 10 MGD Reservoir&	47,501
Weese Plant Capacity Exp	<u>2,324,526</u>
Total Expansion Projects	\$6,859,990

OPERATIONAL FUND TARGET:

Minimum Fund Balance (45-days)	Yes
Maximum Fund Balance (90-days)	No

DEBT COVERAGE TEST

- Senior Debt 2.30

Wastewater Service Charge Increase Options Effective November 2009 if adopted					
Meter Size	Current Service Charge	115% Debt	125% Debt	125% Debt & Projects	Policy-driven
5/8" & 3/4"	\$15.93	\$18.18	\$18.71	\$19.20	\$22.65
1"	\$34.93	\$39.86	\$41.04	\$42.11	\$49.67
1 1/2"	\$66.60	\$76.02	\$78.26	\$80.30	\$94.71
2"	\$104.61	\$119.41	\$122.92	\$126.14	\$148.77
3"	\$193.30	\$220.63	\$227.14	\$233.07	\$274.90
4"	\$320.00	\$365.25	\$376.02	\$385.84	\$455.09
6"	\$636.76	\$726.80	\$748.23	\$767.78	\$905.57
8"	\$1,016.85	\$1,160.65	\$1,194.86	\$1,226.09	\$1,446.13
10"	\$1,460.30	\$1,666.81	\$1,715.94	\$1,760.78	\$2,076.79

Wastewater Flow Charge Increase Options – Effective November 2009 if adopted					
Consumption Charge	Current Flow Charge	115% Debt	125% Debt	125% Debt & Project	Policy-driven
Residential					
Single Family Low Use (0 – 5 units)	\$8.90	\$10.16	\$10.46	\$10.73	\$12.66
Medium Use (6 – 10 units)	\$19.18	\$21.89	\$22.54	\$23.13	\$27.28
High Use (11+ units)	\$37.44	\$42.74	\$44.00	\$45.15	\$53.25
Master-Metered Single Family (per residential unit)	\$15.04	\$17.17	\$17.67	\$18.14	\$21.39
Manufactured Home (per residential unit)	\$10.28	\$11.74	\$12.08	\$12.40	\$14.62
Multi-Family (per unit of estimated sewer flow)	\$2.42	\$2.76	\$2.85	\$2.92	\$3.44
Non-Residential (per unit of estimated sewer flow)					
Motels/RV Parks/Churches	\$2.42	\$2.76	\$2.85	\$2.92	\$3.44
General Commercial (Low Strength)	\$2.42	\$2.76	\$2.85	\$2.92	\$3.44
Medium Strength	\$2.74	\$3.13	\$3.22	\$3.31	\$3.90
Medium-High Strength	\$3.92	\$4.48	\$4.61	\$4.73	\$5.58
High Strength	\$4.69	\$5.35	\$5.51	\$5.65	\$6.66
Schools	\$2.42	\$2.76	\$2.85	\$2.92	\$3.44

Wastewater Industrial Flow Charge Increase Options Effective November 2009 if adopted					
Parameter	Current	115% Debt	125% Debt	125% Debt & Projects	Policy-driven
Per unit	\$1.35	\$1.54	\$1.59	\$1.63	\$1.92
Per lb. BOD	\$0.42	\$0.48	\$0.50	\$0.51	\$0.60
Per lb. TSS	\$0.24	\$0.27	\$0.28	\$0.28	\$0.33
Per lb. Ammonia	\$0.24	\$0.27	\$0.28	\$0.28	\$0.33

Oceanside Monthly Water Service Charge Increase Options Effective November 2009 if adopted					
Meter Size	Current	115% Debt – No increase	125% Debt	125% Debt & FAR	Policy-driven rates
5/8"	\$12.97	\$12.97	\$13.05	\$13.62	\$14.42
1"	\$28.59	\$28.59	\$28.76	\$30.02	\$31.80
1 1/2"	\$54.63	\$54.63	\$54.96	\$57.36	\$60.76
2"	\$85.89	\$85.89	\$86.40	\$90.18	\$95.52
3"	\$158.81	\$158.81	\$159.76	\$166.74	\$176.61
4"	\$262.98	\$262.98	\$264.55	\$276.12	\$292.46
6"	\$523.42	\$523.42	\$525.54	\$549.58	\$582.09
8"	\$835.93	\$835.93	\$840.92	\$877.70	\$929.64
10"	\$1,200.54	\$1,200.54	\$1,207.70	\$1,260.53	\$1,335.12

Oceanside Water Commodity Charge Increase Options Effective November 2009 if adopted							
			Current	115% Minimum Debt – No Increase	125% Debt Coverage	125% Debt Coverage & Projects	Policy- driven rates
Single Family	1 st Tier	(0-13 units)	\$1.95*	\$1.95*	\$1.97*	\$2.05*	\$2.17*
	2 nd Tier	(14+ units)	\$2.23*	\$2.23*	\$2.24*	\$2.33*	\$2.47*
Multi-Family	1 st Tier	(0-7 units)	\$1.81*	\$1.81*	\$1.82*	\$1.90*	\$2.01*
	2 nd Tier	(8+ units)	\$2.07*	\$2.07*	\$2.08*	\$2.17*	\$2.29*
Non-Residential/Agricultural (per unit)			\$2.12*	\$2.12*	\$2.13*	\$2.22*	\$2.35*
Reclaimed (per unit)			\$1.72*	\$1.72*	\$1.73*	\$1.80*	\$1.91*
*Includes existing rate of \$.07/unit for the Clean Water Program A unit is 748 gallons of water							

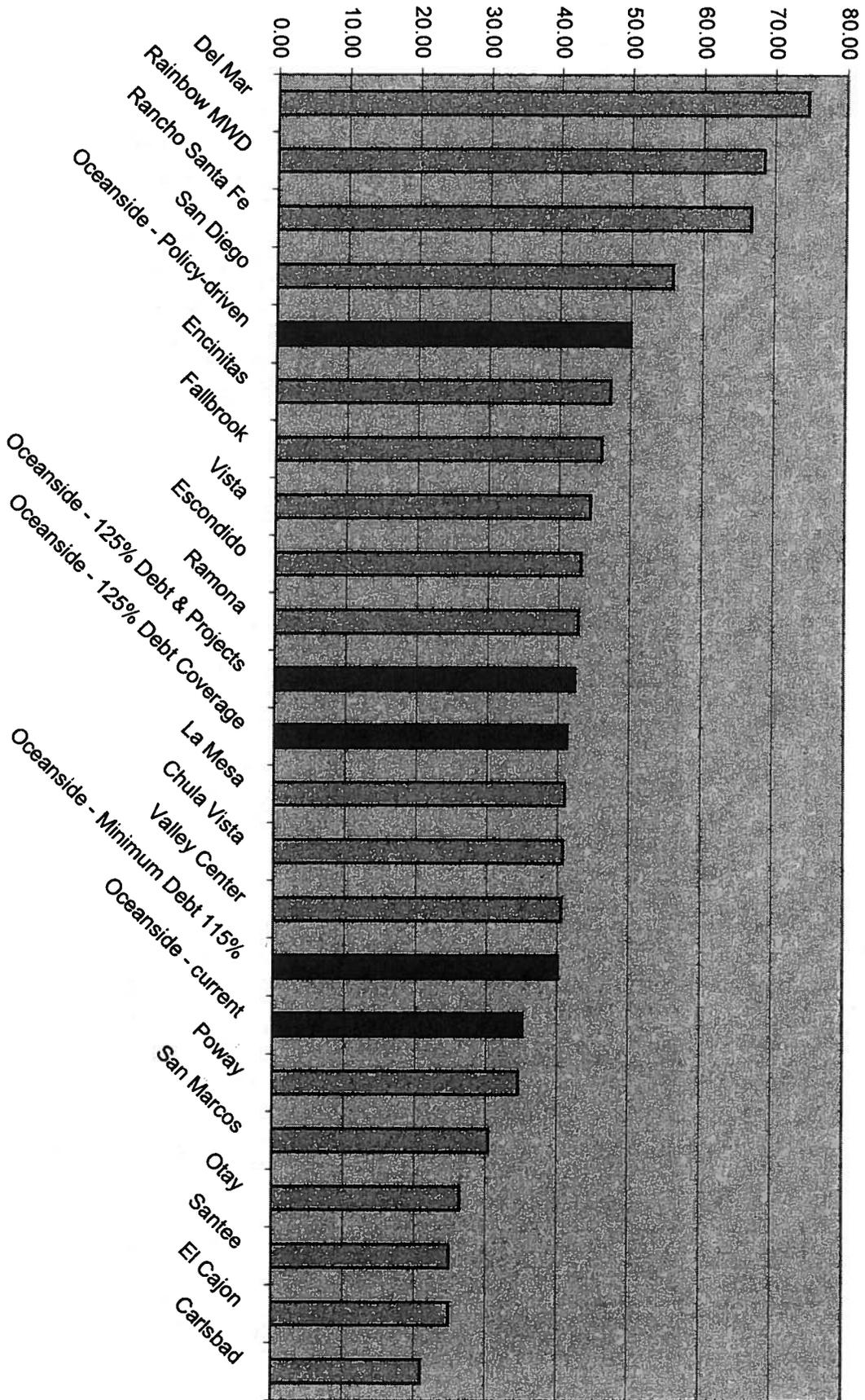
**Current & Recommended Water Pass-through Charges (for all options)
Effective November 2009 if adopted**

SDCWA Water Surcharge (per unit of consumption)	
Current	Proposed
\$0.25/unit	0.76/unit

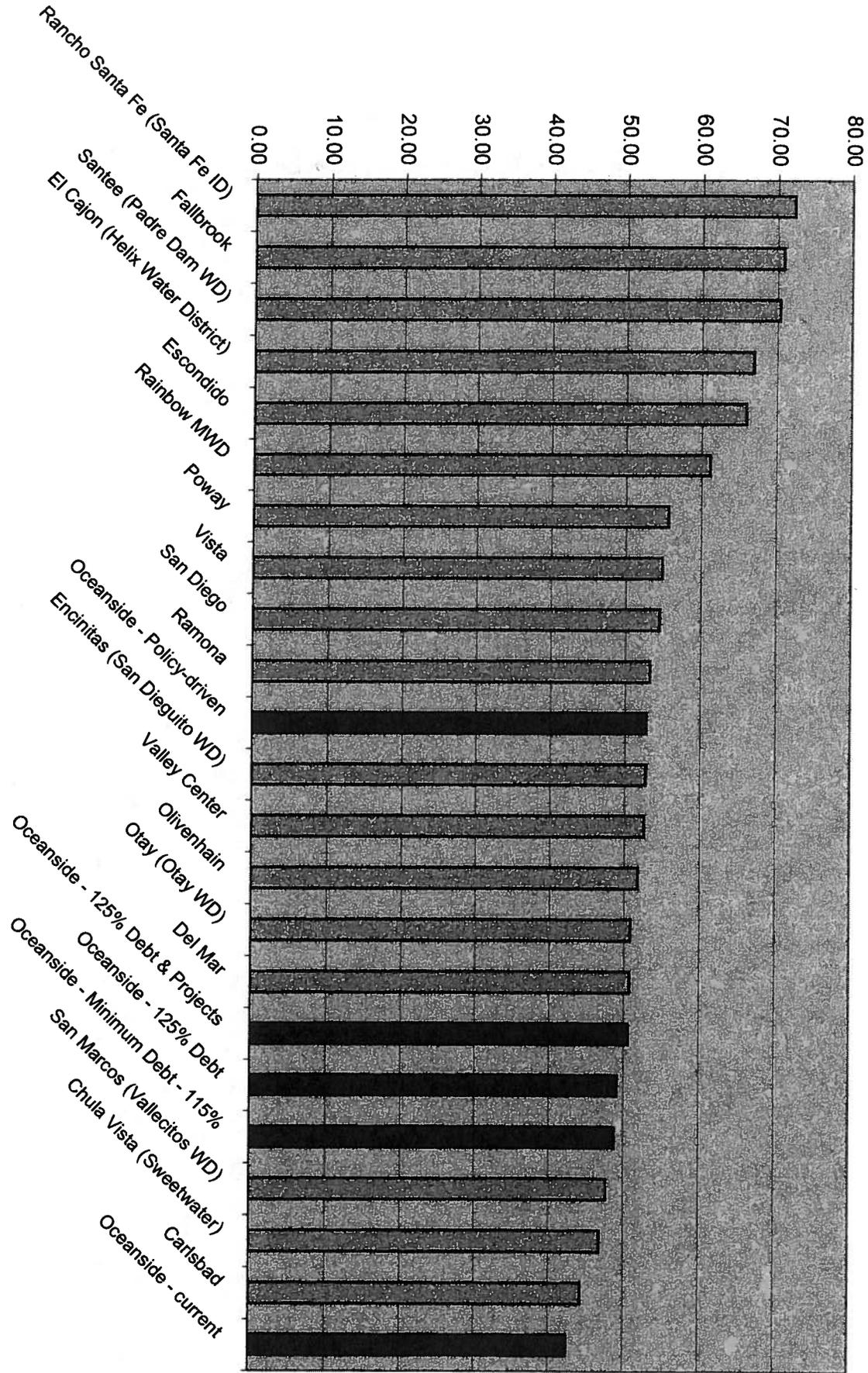
Proposed SDCWA Infrastructure Access Charge		
Meter Size	Current	Proposed
5/8"	\$1.90	\$2.02
1"	\$3.04	\$3.23
1½"	\$5.70	\$6.06
2"	\$9.88	\$10.50
3"	\$18.24	\$19.39
4"	\$31.16	\$33.13
6"	\$57.00	\$60.60
8"	\$98.80	\$105.04
10"	\$148.20	\$157.56

Proposed MWD Readiness to Serve Charge		
Meter Size	Current	Proposed
5/8"	\$1.15	\$1.25
1"	\$2.87	\$3.30
1½"	\$5.74	\$6.60
2"	\$9.18	\$10.56
3"	\$17.21	\$19.79
4"	\$28.68	\$32.98
6"	\$57.35	\$65.95
8"	\$91.76	\$105.52
10"	\$131.91	\$151.70

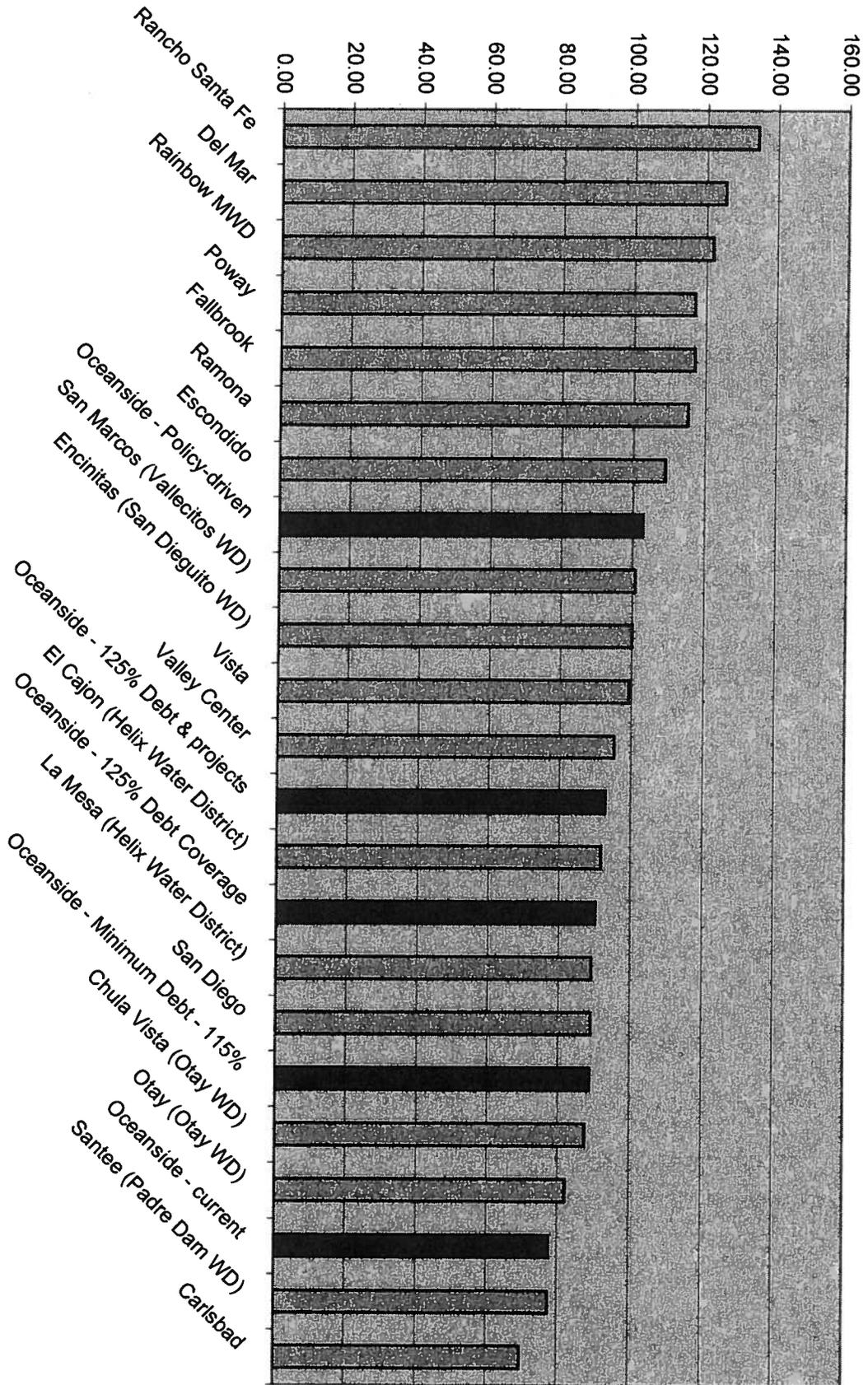
Total Monthly Sewer Bill Comparison



Monthly Residential Water Bill Comparison



Total Monthly Wastewater and Water Bill



ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING
OCEANSIDE CITY CODE, CHAPTER 37, ESTABLISHING
WATER USER RATE AND EXTERNAL WATER PROVIDER
CHARGE INCREASES

WHEREAS, on February 11, 2009, the City Council adopted Ordinance No. 09-OR0093-1 related to establishing monthly residential, non-residential water rates and external water provider charges;

WHEREAS, these water rates have been analyzed and found to be insufficient to pay for the costs of improving and upgrading necessary public water transmission, treatment storage and distribution facilities;

WHEREAS, at its June 25, 2009 meeting, the Board of Directors of the San Diego County Water Authority ("Authority") approved an increase in the amount of its municipal and industrial water surcharge by \$139 per acre foot for treated water and \$92 per acre foot for untreated water; and

WHEREAS, at its June 25, 2009 meeting, the Board of Directors of the San Diego County Water Authority ("Authority") approved an increase in the amount of its infrastructure access charge and the Metropolitan Water District's readiness-to-serve charge to be levied against each member agency,

NOW, THEREFORE, the City Council of the City of Oceanside DOES ORDAIN as follows:

1 SECTION 1. Section 37.34 is hereby amended to read as follows:

2 **“Sec. 37.34 Monthly service charge.**

3 Effective on the first bill reflecting charges for usage from and after December 18, 2009,
4 all water service customers of the city shall be subject to a monthly service charge hereby
5 imposed as follows:

Meter Size	Monthly Water Service Charge
5/8"	\$13.71
1"	\$30.22
1 1/2"	\$57.75
2"	\$90.78
3"	\$167.86
4"	\$277.97
6"	\$553.24
8"	\$883.56
10"	\$1,268.94

13
14 SECTION 2. Sec. 37.35 is hereby amended to read as follows:

15 **“Sec. 37.35 Monthly consumption charge.**

16 Effective on the first bill reflecting charges for usage from and after December 18, 2009,
17 all water service customers of the city shall be subject to a monthly consumption charge hereby
18 imposed as follows:

Units of Water Used	Monthly Water Consumption Charge (per unit*)
Single-family	
1 st tier (0-13 units)	\$2.06
2 nd tier (14 + units)	\$2.35
Multi-family	
1 st tier (0-7 units)	\$1.91
2 nd tier (8 + units)	\$2.18
Non-residential/Agricultural/Irrigation	\$2.23
Reclaimed water	\$1.82
* A unit of water is equal to seven hundred forty-eight (748) gallons.	

27 The charges listed in the table above include the existing rate of \$0.07/unit of water for the
28 Clean Water Program.”

1 SECTION 3. Sections 37.110, 37.111 and 37.112 are hereby amended to read as
2 follows:

3 **“Sec. 37.110 San Diego County Water Authority Surcharge**

4 Effective on the first bill reflecting charges for usage from and after
5 December 18, 2009, there is hereby established a water surcharge on City of Oceanside water
6 customers in the amount of \$0.76 per unit of water. The City Council, by ordinance, may
7 periodically adjust the surcharge based on the amount of surcharge approved by the San Diego
8 County Water Authority.

9 **Sec. 37.111 San Diego County Water Authority Infrastructure Access**
10 **Charge**

11 Effective on the first bill reflecting charges for usage from and after December
12 18, 2009, there is hereby established an infrastructure access charge on water customers of the
13 City of Oceanside. This charge is established as follows:

14
15

Meter Size	Meter Equivalent Factor*	Monthly Charge
5/8"	1.00	\$2.02
1"	1.60	\$3.23
1.5"	3.00	\$6.06
2"	5.20	\$10.50
3"	9.60	\$19.39
4"	16.40	\$33.13
6"	30.00	\$60.60
8"	52.00	\$105.04
10"	78.00	\$157.56

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*A meter equivalent is a basic 5/8" water meter used in most single-family homes. The meter equivalent factor is based on the San Diego County Water Authority's Capacity Charge factor.

1 **Sec. 37.112. Metropolitan Water District Readiness-to-Serve Charge.**

2 Effective on the first bill reflecting charges for usage from and after December 18, 2009,
3 there is hereby established a readiness-to-serve charge on water customers of the City of
4 Oceanside. This charge is established as follows:

5

Meter Size	Hydraulic Capacity	Monthly Charge
5/8"	1.0	\$1.25
1"	2.5	\$3.13
1.5"	5.0	\$6.25
2"	8.0	\$10.00
3"	15.0	\$18.75
4"	25.0	\$31.25
6"	50.0	\$62.50
8"	80.0	\$100.00
10"	115.0	\$143.75

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14 SECTION 4. The City Clerk of the City of Oceanside is hereby directed to publish this
15 ordinance, or the title hereof as a summary, pursuant to state statute, once within fifteen (15)
16 days after its passage in the North County Times, a newspaper of general circulation published
17 in the City of Oceanside.

18 SECTION 5. Severability.

19 If any section, sentence, clause or phrase of the Ordinance is for any reason held to be
20 invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision
21 shall not affect the validity of the remaining portions of this Ordinance. The City Council
22 hereby declares that it would have adopted this Ordinance and each section, sentence, clause or
23 phrase thereof, irrespective of the fact that any one or more section, subsections, sentences,
24 clauses or phrases be declared invalid or unconstitutional.

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1 INTRODUCTION at a regular meeting of the City Council of the City of Oceanside held
2 on the _____ day of _____, 2009, and, thereafter,
3 PASSED, AND ADOPTED by the City Council of the City of Oceanside, California
4 this _____ day of _____, 2009, by the following vote:

5
6 AYES:
7 NAYS:
8 ABSENT:
9 ABSTAIN:

10 _____
MAYOR, CITY OF OCEANSIDE

11 ATTEST:

APPROVED AS TO FORM:

12 _____
13 CITY CLERK

14 
15 _____
16 CITY ATTORNEY

17 AN ORDINANCE OF THE CITY OF OCEANSIDE AMENDING OCEANSIDE CITY
18 CODE, CHAPTER 37, ESTABLISHING WATER USER RATE AND EXTERNAL
19 WATER PROVIDER CHARGE INCREASES
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23 RATES INCREASES 76 surcharge 5.7.doc
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