

STAFF REPORT



CITY OF OCEANSIDE

DATE: August 20, 2014

TO: Honorable Mayor and City Councilmembers

FROM: Water Utilities Department

SUBJECT: **ADOPTION OF A RESOLUTION TO ADJUST FEES FOR WATER METER AND UTILITY SERVICE, AND ESTABLISH FEES FOR INSPECTION OF SEWER LATERALS**

SYNOPSIS

Staff recommends that the City Council adopt a resolution (Exhibit A) to adjust fees for new meters and their installation; adjust fees for utility services related to door tags and automated phone notification of delinquencies, after-hours service calls, reinstatement of services, broken locks, broken angle stops, illegal use of spacers, customer requested meter exams, Industrial Waste permits, and Fats, Oils, and Grease (FOG) permits; establish a fee for the inspection of sewer laterals; and direct staff to implement the changes.

BACKGROUND

As determined by a recent cost of service analysis conducted by Carollo Engineers, the current fees for new meters and installation do not accurately reflect the costs associated with the equipment and labor. Except for the 8-inch and 10-inch meters, which are seeing reduced costs due to a change in the manufacturer from which they are purchased, the Water Utilities Department is purchasing the meters at a higher rate than the amount that is being charged for them and the labor costs for the existing fee are not sufficient to meet cost of service.

IN addition, various utility service fees need to be adjusted to recover the current cost of labor and equipment.

ANALYSIS

The escalating cost of labor, materials and equipment exceed the revenue from the current fees intended to recover those costs. A cost of service analysis resulted in changes to the labor and equipment fees necessary to ensure sufficient cost recovery for these meter costs and utility services. Exhibit B is a detailed list of the 2014 costs for equipment and labor for each meter size and type.

The personnel services, equipment, and supplies involved with each of these items have been reviewed with close attention to the amount of time required to provide or replace items such that the proposed fees align with actual costs.

Table 1 lists the current and proposed fee schedule for new meters and installation. The fee includes costs for equipment and labor for each meter size and type, including the register, AMI end point, ball valve, meter box, pvc adapter, meter gaskets, and all related labor and equipment.

Table 1

Meter Size	Current Fee	Proposed Fee	Percentage Change
5/8-inch meter	\$366	\$508	38.8%
3/4-inch meter	\$403	\$555	37.7%
1-inch meter	\$482	\$674	39.8%
1½-inch meter	\$1,861	\$2,197	18.1%
2-inch meter	\$2,189	\$2,529	15.5%
3-inch meter	\$2,288	\$2,614	14.2%
4-inch meter	\$3,827	\$4,331	13.2%
6-inch meter	\$6,526	\$7,249	11.1%
8-inch meter	\$15,693	\$11,691	-25.5%
10-inch meter	\$22,845	\$14,998	-34.3%

The fees charged for utility services include those for a door tag, a broken angle stop, reinstatement of service, after-hours service calls, and service transfers/set-up. Also included in the utility services are construction meter set-up and removal, moving the meter at the customer’s request, and a refundable deposit.

A new encroachment fee (sewer lateral inspection) has been established to recover costs associated with private sewer lateral repairs which include the costs to review traffic control plans, provide manhole access and associated inspections. These services are necessary when a private homeowner needs to access the City sewer while performing repairs to their private sewer lateral.

The proposed increase to the utility services fees would recover the current cost of labor and equipment. Exhibit C is a detailed list of the 2014 costs for equipment and labor for each utility service. The proposed updates to the utility service fees would accurately reflect the current cost of labor and equipment. Table 2 lists the current and proposed fees for utility services:

Table 2

Utility Service	Current	Proposed	Percentage Change
Door Tag	\$20	\$30	50.0%
Reinstatement Fee	\$30	\$35	16.7%
Automated Delinquent Notification Fee	\$0.25	\$0.50	100.0%
After Hours Service Call	\$95	\$125	31.6%
Set Up Fee	\$35	\$35	0%
Broken Lock	\$25	\$45	80.0%
Multi-Family Tagging Charge (base fee)	\$40	\$40	0%
Industrial Waste Permit	\$147	\$158	7.5%

Customer Requested In-Field Meter Exam	\$115	\$150	30.4%
Meter Exam (independent contractor)	Invoice actual cost	Invoice actual cost	N/A
Broken Angle Stop	Invoice actual cost	\$280	
Food, Oil and Grease (FOG) Permit	\$147	\$158	7.5%
Recreational Vehicle (RV) Dump Site (per site)	\$100	\$100	0%
Encroachment Fee (Sewer Lateral Inspection)	New	\$50	0%
Spacer	\$91	\$100	9.9%
Construction Meter	\$64	\$64	0%
Construction Meter Move	\$55	\$55	0%
Construction Meter Refundable Deposit	\$1,015	\$1,015	0%

FISCAL IMPACT

The proposed new meter and installation fees would recover the costs associated with providing those services. In FY 2013-14, the Water Utilities Department installed 130 new meters of various sizes and received \$59,067 in revenue. If the same number of new meters were installed in FY 2014-15 at the proposed increased costs, the revenue generated would be \$80,383 for a total gain of \$21,316. Revenues received will be deposited in the Water Operating fund, 711, account 1711.4471.0006. Exhibit B details the calculations.

The proposed annual utility service fee updates would recover the adjusted costs associated with providing those services. The proposed annual utility service fee increase would generate approximately \$178,191 in additional revenue as well as cover costs to provide the service. The revenues received will be deposited in the Water Operating fund, 711, account 1711.4471.0002, and construction meter deposits will be placed in the Water Expansion fund, 715, account 715.2090.0019. The estimated utility services annual revenue increase is detailed in Exhibit C.

COMMISSION OR COMMITTEE REPORT

The Utilities Commission unanimously approved staff's recommendation at its regularly scheduled meeting on July 15, 2014.

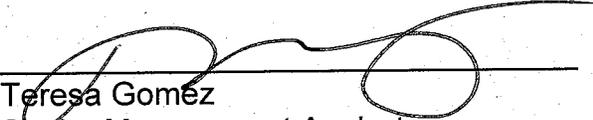
CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATIONS

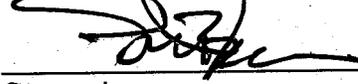
Staff recommends that the City Council adopt a resolution (Exhibit A) to adjust fees for new meters and their installation; adjust fees for utility services related to door tags and automated phone notification of delinquencies, after-hours service calls, reinstatement of services, broken locks, broken angle stops, illegal use of spacers, customer requested meter exams, Industrial Waste permits, and Fats, Oils, and Grease (FOG) permits; establish a fee for the inspection of sewer laterals; and direct staff to implement the changes.

PREPARED BY:



Teresa Gomez
Senior Management Analyst

SUBMITTED BY:



Steve Jepsen
City Manager

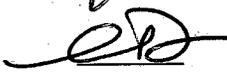
REVIEWED BY:

Michelle Skaggs-Lawrence, Deputy City Manager

James Riley, Financial Services Director

Cari Dale, Water Utilities Director





- Exhibit A: Resolution
- Exhibit B: New Meters Cost Detail
- Exhibit C: Utility Services Cost Detail

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE ADOPTING FEES FOR NEW WATER METER EQUIPMENT AND INSTALLATION AND UTILITY SERVICES AND EQUIPMENT PROVIDED BY THE CITY

WHEREAS, Resolution No. 10-R0703-1 set fees for new water equipment and installation and provided by the City;

WHEREAS, Resolution No. 10-R0703-1 set fees for utility services and equipment provided by the City;

WHEREAS, Resolution No. 10-R0703-1 has not been updated since 2012;

WHEREAS, the City Council wishes to update the fees for new water equipment and installation and utility services and equipment;

WHEREAS, a cost of service analysis has resulted in the adjustments to the labor, materials and equipment fees necessary to ensure sufficient cost recovery for these water meter costs and utility services adopted in Resolution No. 10-R0703-1; and

WHEREAS, these fees are intended to supersede the fee schedules adopted in Resolution No. 10-R0703-1.

NOW, THEREFORE, the City Council of the City of Oceanside does resolve as follows:

SECTION 1. The following fee schedule for all new connections to the city's water system is adopted for the purpose of properly aligning the current cost of recovery for new meter equipment and installation:

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Meter Size	Current Fee	Proposed Fee	Percentage Change
5/8-inch meter	\$366	\$508	38.8%
3/4-inch meter	\$403	\$555	37.7%
1-inch meter	\$482	\$674	39.8%
1½-inch meter	\$1,861	\$2,197	18.1%
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3-inch meter	\$2,288	\$2,614	14.2%
4-inch meter	\$3,827	\$4,331	13.2%
6-inch meter	\$6,526	\$7,249	11.1%
8-inch meter	\$15,693	\$11,691	-25.5%
10-inch meter	\$22,845	\$14,998	-34.3%

SECTION 2. The following fee schedule is adopted for the purpose of properly aligning the current cost of recovery related to providing utility services:

Utility Service	Current Cost	Proposed Cost	Percentage Change
Door Tag	\$20	\$30	50.0%
Automated Delinquent Notification Fee	\$0.25	\$0.50	100.0%
After Hours Service Call	\$95	\$125	31.6%
Set Up Fee	\$35	\$35	0%
Broken Lock	\$25	\$45	80.0%
Multi-Family Tagging Charge (base fee)	\$40	\$40	0%
Industrial Waste Permit	\$147	\$158	7.5%
Customer Requested In-Field Meter Exam	\$115	\$150	30.4%
Meter Exam (independent contractor)	Invoice actual cost	Invoice actual cost	n/a
Broken Angle Stop	Invoice actual cost	\$280	
Food, Oil and Grease (FOG) Permit	\$147	\$158	7.5%
Recreational Vehicle (RV) Dump Site (per site)	\$100	\$100	0%
Encroachment Fee (Sewer Lateral Inspection)	New	\$50	
Spacer	\$91	\$100	9.9%

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1 PASSED AND ADOPTED by the City Council of the City of Oceanside, California,
2 this _____ day of _____, 2014 by the following vote:

- 3 AYES:
- 4 NAYS:
- 5 ABSENT:
- 6 ABSTAIN:

7 _____
8 MAYOR OF THE CITY OF OCEANSIDE

9 ATTEST:
10 _____
11 CITY CLERK

APPROVED AS TO FORM:
Burt Hamilton, 4337
12 CITY ATTORNEY

13 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE ADOPTING FEES FOR NEW
14 WATER METER EQUIPMENT AND INSTALLATION AND UTILITY SERVICES AND EQUIPMENT
15 PROVIDED BY THE CITY
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Meter Size	Current Cost of New Meters	Proposed Cost of New Meters	Change in Amount	FY 2013-14 Meters Sold	Estimated Annual Revenue at Proposed Increase	Revenue at Current Rate	Revenue Gain or (Loss)
5/8"	\$366	\$508	\$142	\$0	\$0	\$0	\$0
3/4"	\$403	\$555	\$152	102	\$56,610	\$41,106	\$15,504
1"	\$482	\$674	\$192	25	\$16,850	\$12,050	\$4,800
1.5"	\$1,861	\$2,197	\$336	2	\$4,394	\$3,722	\$672
2"	\$2,189	\$2,529	\$340	1	\$2,529	\$2,189	\$340
3"	\$2,288	\$2,614	\$326	\$0	\$0	\$0	\$0
4"	\$3,827	\$4,331	\$504	\$0	\$0	\$0	\$0
6"	\$6,526	\$7,249	\$723	\$0	\$0	\$0	\$0
8"	\$15,693	\$11,691	-\$4,002	\$0	\$0	\$0	\$0
10"	\$22,845	\$14,988	-\$7,847	\$0	\$0	\$0	\$0
Total Annual Estimated Revenue Increase				130	\$80,383	\$59,067	\$21,316

Utility Service	Current Cost	Proposed Cost	Amount of Increase	Average annual # of services provided	Revenue at Proposed Rate	Revenue at Current Rate	Revenue Gain
Door Tag	\$20	\$30	\$10	16,410	\$492,300	\$328,200	\$164,100
Reinstatement Fee	\$30	\$35	\$5	1,606	\$56,210	\$48,180	\$8,030
Automated Delinquent Notification Fee	\$0.25	\$0.50	\$0.25	0	\$0	\$0	\$0
After Hours Service Call	\$95	\$125	\$30	108	\$13,500	\$10,260	\$3,240
Set Up Fee	\$35	\$35	\$0	4,722	\$165,270	\$165,270	\$0
Broken Lock	\$25	\$45	\$20	24	\$1,080	\$600	\$480
Multi-Family Tagging Charge (Base Fee)	\$40	\$40	\$0	97	\$3,880	\$3,880	\$0
Industrial Waste Permit	\$147	\$158	\$11	8	\$1,264	\$1,176	\$88
Customer Requested Meter Exam	\$115	\$150	\$35	2	\$300	\$230	\$70
Meter Exam (Independent Contractor)	Actual cost	Actual cost	\$0	0	\$0	\$0	\$0
Broken Angle Stop	Actual cost	\$280	n/a	3	\$840	\$840	\$0
Food, Oil, Grease (FOG) Permit	\$147	\$158	\$11	253	\$39,374	\$37,191	\$2,183
Recreational Vehicle (RV) Dump Site (per site)	\$100	\$100	\$0	0	\$0	\$0	\$0
Encroachment Fee (Sewer Lateral Inspection)	New	\$50	n/a				
Spacer	\$91	\$100	\$9	0	\$0	\$0	\$0
Construction Meter	\$64	\$64	\$0	18	\$1,152	\$1,152	\$0
Construction Meter Move	\$55	\$55	\$0	6	\$330	\$330	\$0
Construction Meter Refundable Deposit	\$1,015	\$1,015	\$0	18	\$18,270	\$18,270	\$0
Total Annual Estimated Revenue Increase					\$793,770	\$615,579	\$178,191