

Proposed Water and Wastewater Rates

City Council Worksession

June 2, 2009



Background

- Water and sewer rates last adjusted in October 2007
- Main factor in water rate adjustment is multi-year increases in wholesale purchase price of water
- Main factor in sewer rate adjustment is repayment of \$54 million State Revolving Fund loan (for Water Pollution Control Facility improvements)



Water Rates

- Two Billing Components
 - Service Charge – based on fixed costs
 - Water Usage Charge – varies based on water consumption
- Rate Structure
 - Increasing tier rates to encourage water conservation



Service Charge

- Fixed fee based on meter size; unrelated to water consumption
- Pays for:
 - meter reading and maintenance
 - billing and accounting services
- No increases proposed in FY 2010 or FY 2011
- Hayward has one of the lowest service fees in the area
- Low service fees provide customers with control over a larger portion of their water bills
- Low service fees also helpful for water conservation



Water Usage Charge

- Based on bi-monthly metered water consumption
- Pays for:
 - Purchase of water from SFPUC
 - Operation and maintenance of water distribution system
 - Water conservation programs
- Tier rate structure implemented in 1990s to encourage conservation
- Increases recommended for FY 2010 and FY 2011



Why is Water Rate Increase Needed?

- Wholesale rate increases from SFPUC - 10% in FY 2009; 15% in FY 2010; and 18% anticipated in FY 2011
- Wholesale increases largely due to regional water system improvements to increase seismic safety and reliability of the water delivery, and to ensure that water quality standards continue to be met
- Modest increases in City cost of providing service
- Reduced water consumption
- Increased water conservation funding needed to manage future water demand



Water Conservation Costs

- Programs include:
 - High efficiency toilet rebates
 - Water efficient clothes washing machine rebates
 - School education program
 - Large landscape water use budgets and surveys
- Conservation targets are increasingly aggressive, e.g., goal for high efficiency toilet rebates in FY 2010 is several times the current year activity
- Number of water efficient washing machine rebate applications is growing each year
- Adequate funding needed to implement effective conservation program



Current Tier Rate Structure

- Current rate structure has three tiers
 - 1 – 10 ccf
 - 11 – 30 ccf
 - >30 ccf

(One ccf = 748 gallons of water)

- Same structure applied to all customers (single-family, multi-family and businesses)
- Businesses and apartments do not have the same rate-based incentive to conserve water as single-family residential customers



Proposed Tier Rate Structure Changes

- Changes recommended to further encourage water conservation and to distribute costs more equitably:
 - Implement two rate structures – one for single-family residential customers and another for multi-family and non-residential customers
 - Adjust consumption thresholds within the single-family rate structure and add a fourth tier for very high use
 - Establish two tiers for multi-family/non-residential use with a higher consumption threshold for first tier water use
- Highest rate for multi-family/non-residential customers would be set lower than the highest rate for single-family customers



Tier Rate Structure Changes (Con't)

- Proposed Single-Family Tier Rate Structure:
 - 1 – 8 ccf
 - 9 – 25 ccf
 - 25 – 60 ccf
 - > 60 ccf
- Proposed Multi-Family and Non-Residential Tier Rate Structure:
 - 1 – 200 ccf
 - >200 ccf



Residential Rate Structures in Other Communities

- Tier rate structures are common among Bay Area Water agencies
 - 4 or more tiers: 10 agencies including Sunnyvale and Redwood City
 - 3 tiers: 6 agencies, including EBMUD and Dublin San Ramon Services District
 - 2 tiers: 5 agencies, including San Francisco and Palo Alto
 - 1 tier: 8 agencies, including ACWD and Santa Clara



Non-Residential Rates in Other Communities

- Separate rate structures are common in service areas with significant commercial activity
- Rates are generally set between the highest and lowest single-family tier rates
- Most agencies that do not have separate rate structures have single tier pricing or are mainly residential
- EBMUD, Dublin San Ramon Services District, Sunnyvale, Mountain View are examples of agencies with separate structures



Proposed Water Rates

- City's recent practice has been to increase rates every other year
- Continued bi-annual increases will result in adjustments of at least 20% this year and in 2011 (FY 2012), due primarily to anticipated double-digit increases in wholesale water costs
- Staff recommends annual adjustments to lessen impact in single year

Proposed Single-Family Residential Water Usage Rates

Tier	Current Rate
1 – 10 ccf	\$2.15
11 – 30 ccf	\$2.53
> 30 ccf	\$3.12

Note: One ccf = 748 gallons

Tier	Proposed FY 2010 Rate	Proposed FY 2011 Rate
1 – 8 ccf	\$2.50	\$2.90
9 – 25 ccf	\$2.90	\$3.40
26 – 60 ccf	\$3.65	\$4.25
> 60 ccf	\$4.00	\$4.65

Proposed Multi-Family and Non-Residential Water Usage Rates

Tier	Current Rate
1 – 10 ccf	\$2.15
11 – 30 ccf	\$2.53
> 30 ccf	\$3.12

Note: One ccf = 748 gallons

Tier	Proposed FY 2010 Rate	Proposed FY 2011 Rate
1 – 200 ccf	\$3.25	\$3.65
> 200 ccf	\$3.65	\$4.20



Impact on Customers

Single-Family

- Average increase of 14%, from \$50.74 to \$58.00 per two-month billing period (based on 18 units) in first year
- Average increase of 14%, from \$58.00 to \$66.20 in second year
- Smaller percent increase for low water using customers
- Average cost of water per household would be less than \$1 per day

Multi-Family and Non-Residential

- Average increases range from 13% to 16% in first year
- Average increases of about 14% in the second year

How Do Hayward Water Rates Compare with Others?

Agency	Bi-Monthly Residential Water Billing (based on 18 ccf usage)
Contra Costa Water District	\$79.74
City of Redwood City	\$71.70
Dublin San Ramon Services District	\$68.32 ⁽¹⁾
EBMUD	\$65.40 ⁽¹⁾
City of Foster City	\$60.00
ACWD (Fremont, Union City, Newark)	\$58.92
City of Hayward (proposed)	\$58.00
City of Hayward (current)	\$50.74
City of Milpitas	\$49.72
⁽¹⁾ Proposed; not yet adopted	

How Much Does Water Cost?



How much does a gallon of Hayward water cost?

- 15¢
- 10¢
- 5¢
- None of the Above

The average cost of a gallon of Hayward water is $\frac{4}{10}$ of 1¢

Other Water Cost Examples



A typical 8-minute shower: 8¢



Watering the yard for 15 minutes: 15¢



One load of laundry in a high efficiency clothes washer: 10¢



Sewer Service Charge

- Pays for
 - Collection, treatment and disposal of wastewater
 - Maintenance and replacement of all facilities
 - Water Pollution Source Control Program
- Three rates for single-family residential customers, including standard, economy and lifeline tiers (based on water use)
- Lower rates for multi-family and mobile home park homes
- Businesses pay according to metered volume and waste characteristics



Why is Sewer Rate Increase Needed?

- WPCF Improvement Project debt service
- Increased costs of providing service
- Infrastructure maintenance and replacement
- Changes in residential wastewater characteristics
- Changes in industrial wastewater volume and characteristics



Sewer Rate Calculations

- Initial calculated rate increase was 17%
- Staff strived to find a way to lower it
- Decrease in transfers to Water Pollution Control Facility Replacement Fund in next two years is possible
- Temporary reduction in replacement funding possible because Council had approved comparable increased transfers in FY 2007 and FY 2008 due to funding need
- Full replacement funding to be restored in FY 2012
- Lower transfers lower the rate increase to 10%
- Reduced to 5% a year if implemented over two years

Proposed Sewer Service Rates

- Residential increases of 5% proposed in FY 2010 and FY 2011

Customer Type	Current	Proposed Monthly Rate FY 2010	Proposed Monthly Rate FY 2011
Single Family	\$23.31	\$24.48	\$25.70
Multi-Family	\$20.74	\$21.78	\$22.87
Mobile Home	\$16.31	\$17.13	\$17.98
Lifeline	\$6.82	\$7.16	\$7.52
Economy	\$13.65	\$14.33	\$15.05

- Commercial/industrial increases range from 4% to 6% each year, depending on wastewater characteristics

How Do Hayward Sewer Rates Compare with Others?

Agency	Monthly Single-Family Sewer Rate
City of Livermore	\$40.75
City of Pleasanton	\$30.15
Central Contra Costa Sanitary District (Concord, Walnut Creek)	\$26.75 ⁽¹⁾
City of Oakland (City Charge plus EBMUD)	\$26.60 ⁽¹⁾
City of San Leandro	\$26.29
City of Hayward (proposed)	\$24.48
Dublin San Ramon Services District	\$24.34
City of Hayward (current)	\$23.31
Union Sanitary District (Fremont, Union City, Newark)	\$21.60
Castro Valley Sanitary District	\$18.42
Oro Loma Sanitary District (San Lorenzo)	\$14.83
(1) Proposed; not yet adopted	

Impact on Typical Ratepayer's Bimonthly Billing

	Current	Proposed FY 2010	Difference	Proposed FY 2011	Difference
Water Usage (18 ccf)	\$41.74	\$49.00	\$7.26	\$57.20	\$8.20
Service Fee	\$9.00	\$9.00	\$0.00	\$9.00	\$0.00
Sewer Service	\$46.62	\$48.96	\$2.34	\$51.40	\$2.44
Total Bimonthly Bill	\$97.36	\$106.96	\$9.60	\$117.60	\$10.64
Total Monthly Cost	\$48.68	\$53.48	\$4.80	\$58.80	\$5.32



Process and Next Steps

- Public noticing to follow Proposition 218 requirements
 - property owners will receive notice of public hearing, including proposed rates, in early June
- Public hearing scheduled for July 21
- If approved, new rates would be effective October 1, 2009 and October 1, 2010



Questions and Comments