

DATE ISSUED: October 20, 2005 REPORT NO. 05-214
ATTENTION: Natural Resources and Culture Committee
Agenda of October 26, 2005
SUBJECT: WATER DEPARTMENT FEES & CHARGES
REFERENCE: City Manager's Report 05-167

SUMMARY

Issue - Should the Water Department's Fees and Charges be adjusted, effective January 1, 2006 to reflect current costs and allow the City Manager to set certain fees based on individual project estimates?

Manager's Recommendation - Approve the updated schedule of existing Water Department cost recoverable fees and charges and allow the City Manager to set certain fees based on individual project estimates.

Other Recommendation - The Public Utilities Advisory Commission on June 20, 2005 approved the process and methodology used in the development of these fees and charges.

Fiscal Impact - The Water Department would realize an estimated \$0.9 million increase to operations and maintenance cost recoverable revenue per year, resulting in total fee and charge revenue increasing from approximately \$4.5 million to \$5.4 million annually.

BACKGROUND

This report is a follow up to Manager's Report 05-167, which outlined the Water Department's processes, legal mandates and fiscal impact related to reimbursable fees and charges for services performed by department staff. The report attachments included the proposed schedule of updated fees and the list of stakeholder groups that were notified of the pending fee increases. The last increase in the schedule of fees and charges was approved by Council Resolution R-290820 adopted on October 6, 1998 for

all fees related to the water distribution system. In addition, the Water Department also increased, per Council Resolution R-293483 adopted on July 18, 2000, the fees charged for services related to water billing and collection and the Fire Hydrant Meter program.

The Manager reported to the Natural Resources and Culture Committee (NR&C) on August 3, 2005, on the proposed fee increases. The NR&C advised staff to perform a more aggressive outreach program to solicit feedback from stakeholders and report back to the committee at a later date.

DISCUSSION

The Department's outreach program included the following: enclosed a notice of proposed fee increases for services related to water billing and collection in every ratepayer bill; performed community outreach via Town/Community Councils and Community Planning Groups; hosted a forum, inviting many of the original stakeholder groups previously notified, and included any contractor who had acquired Department services during the last ten or more years; provided individual presentations to several industry organizations; and contacted other departments that will be impacted by the increased fees. The groups above were also noticed of the next NR&C hearing on this matter on October 26, 2005 and were encouraged to attend.

When the Department sends out invoices to its ratepayers, a newsletter entitled "The Waterline" is enclosed. Within that newsletter the Department explained the proposed increases in services related to water billing and collection, i.e. the fees charged for the termination and restoration of service due to non payment and illegal connections. The newsletter was sent to nearly 270,000 customers during the billing cycle from mid September through mid October. The newsletter also notified customers that they could make public comment on this matter when it goes before the NR&C on October 26, 2005.

The Department made further efforts to reach out to the community and to solicit feedback by making presentations to the various Town/Community Councils and to the Community Planners Committee. These presentations clarified why rates were going up, what factors contributed to the increases, e.g. labor and material costs and illustrated that the fees charged only reimburse the Department for the expenses incurred for providing each specific service. The Department was afforded the opportunity to make presentations to the following Town/Community Councils: Mira Mesa, Clairemont, La Jolla, Pacific Beach and Paradise Hills, as well as the Community Planners Committee.

The Department also made a separate effort to reach the developer community, the group most directly affected by the proposed increases. Department staff compiled a list of all the contractors who had acquired the Department's services at any time during the last ten or more years. The list consisted of over four hundred individual companies. All were invited to attend a forum hosted by Department staff to clarify the process involved in determining the new rates, as well as answer any questions or concerns. In addition,

most of the original stakeholders notified prior to the August 3, 2005 NR&C meeting were also invited to attend.

Department staff has met individually with the Building Industry Association, Association of General Contractors, San Diego Regional Chamber of Commerce and the Technical Advisory Committee of the City Manager and the Land Use and Housing Committee (TAC).

Based on the questions and feedback from these meetings, the Water Department has agreed to address the following: work with developer organizations to derive better communication; establish performance standards for service expectations and response times; and pursue alternatives regarding the location of backflow devices away from right-of-ways.

An additional concern raised at the TAC meeting dealt with the idea of privatizing these services. It was noted that private contractors can currently elect to perform many of these installations with the exception of those involving the direct connection to the public water supply. Connections or taps to “live” water mains, per industry practice, is typically performed by the water system operators and requires State certification of the workers. Controlling access to the water system is a significant security matter as well as a financial control regarding access and consumption of water. It is also noted that the Water Department is currently under a “Bid to Goal Memorandum of Understanding” with the labor unions through June 30, 2009.

It was noted in previous reporting that these proposed fee increases would result in cost impacts to other City departments totaling approximately \$86,000. Department staff contacted other City departments affected by the fee increases to insure the impact was within current budget allocations.

REVIEW AND IMPLEMENTATION

Department staff, working with staff from the City Auditor’s Office, has received the latest fringe benefit, labor load and overhead rates. Personnel costs have risen, while the Department’s overhead rate has dropped slightly. The net affect on fee and charge rates is a nominal increase of approximately 0.28% in the labor costs for each individual fee. This translates into anywhere from no change to a few dollars depending on the amount of the fee. The new schedule of fees and charges is attached as Attachment I. The Department still recommends that the new fees and charges be implemented as of January 1, 2006.

CONCLUSION

Should the City Council adopt the recommendations made in City Manager’s Report No. 05-167, the anticipated net increased cost recovery to the Water Utility Fund is estimated at \$910,000. This is approximately 20% above Fiscal Year 2005.

ALTERNATIVE

Do not approve the Water Department Schedule of Fees & Charges. The consequence would be that insufficient revenue would be generated to cover all costs associated with the services provided.

Respectfully submitted,

Frank Belock, Jr.
Water Department Director

Approved: Richard Mendes
Deputy City Manager

Attachment: [Revised Schedule of Fees and Charges](#)