

## **Staff Report**

**April 24, 2006**

**TO:** City Council

**FROM:** Bob Weir, Public Works Director  
Sue Gedestad, Operations Administrator

**SUBJECT:** Approval of Utility Rates for Sanitary Sewer, and Sanitation Fees and Davis Waste Removal Contract Amendment

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**Recommendation:**

1. Hold the Public Hearing; and
2. Approve the attached ordinance for sanitary sewer rates and resolution for sanitation rates. These rates would become effective August 1, 2007.
3. Approve the resolution authorizing the City Manager to execute the contract amendment with Davis Waste Removal for contract rates for FY 07/08.

For single family residents the sanitary sewer rate reflects a \$4.02 (11%) monthly increase with rates going from \$35.63 to \$39.65. Sanitation rates will be increased \$0.51 (2%) for curbside collection going from \$27.22 to \$27.73.

Based on a recent California Supreme Court case, Bighorn-Desert View Water Agency v. Verjil, 39 Cal 4th 205 (2006), water rates will follow the Proposition 218 noticing requirements. Last year Council approved a two year ordinance. Because of the court action, the second year of the ordinance was included in the Proposition 218 notice this year and will be part of the public hearing. However, no additional Council action is required for implementation of the second year rates. The second year rates begin on the June 2007 utility bill.

The contract with Davis Waste Removal allows for a yearly CPI adjustment. These rates reflect that rate change.

**Fiscal Impact:**

This action raises fees for all users and generates sufficient revenues to cover yearly expenditures.

Council Goal - This action is in concert with council goal #1, fiscal stability.

**Background and Analysis:**

Attached for reference is the Staff Report to City Council for the Proposition 218 mailing. The report contains sewer rate comparisons with other agencies and information on the Proposition 218 process.

Sanitary Sewer: To continue progress on the wastewater plant upgrade project, the city is recommending an 11 percent rate increase. For single family residences this equates to \$4.02 per month. This year's proposed rates provide partial funding for the design of the plant upgrade as well as a three percent increase in operations. The revenue collected will increase from an estimated \$10.8 million in fiscal year 06/07 to \$11.4 million in fiscal year 07/08. These rates will be effective August 1, 2007.

With prior Council action, staff is working to develop consumption based sewer rates. This analysis will be completed in time for the FY 08/09 rate approval process.

Sanitation: This rate includes trash, recycling and green waste pickup, street sweeping and city recycling programs. This year's proposed increase for single-family residences is \$0.51 per month. This is a two percent increase over current rates. Commercial rate increases vary from two percent to 10 percent depending on level of service. These rate changes are mostly due to CPI adjustments allowed in the Davis Waste Removal contract. These rates will be effective August 1, 2007.

Water: Last year the City Council approved a 2 year rate increase for water services. Since the approval of that 2 year rate change, there was a change in the interpretation of the Proposition 218 law based on a court case. Where last year it was interpreted that water utilities with metered accounts were not required to mail Proposition 218 notices, the court ruled otherwise. Accordingly, we are providing the Proposition 218 protest process for a rate that was enacted last year. The new rate will be effective for water used in March and April and covered in the June billing.

The proposed rate adjustments were primarily for the purpose of investing in and improving water system quality, storage and reliability. There are plans to install three deep replacement wells to compensate for older wells taken out of service. These new replacement wells will improve water quality and provide more reliable service than older wells. Also, additional water storage is planned for the east Davis area to improve system reliability and service. In addition, there are issues such as corrosion control and main replacements that are important to address as it relates to long term maintenance of the water system. These rates do not include additional funding for the surface water project.

**Rate Subsidies**

Staff is recommending that before rate subsidies be considered that the analysis of a consumption based rate be completed. This study will be completed in time for the next year's rate setting process.

With prior Council action, staff is developing a residential sewer rate that incorporates winter water consumption as a rate factor. Currently, winter water consumption is a component in calculating commercial sewer rates. The winter water consumption is used as the best available measure of domestic non-irrigation water use. Both the Natural Resources and Senior commissions have expressed their support for water consumption as a basis for residential customer rates. Commission support is based on improved equity and the ability for customers to influence what their cost would be. Until the rate is actually developed, it is unclear what the effect will be on rate payers.

Attachments: Ordinance Amending Chapter 33 (Sewer)  
Staff Report dated March 6, 2007  
Resolution, Customer Rates for Sanitation Services  
Amendment No. 2 to DWR Agreement  
Resolution Approving Amendment No. 2

**ORDINANCE NO. XXXX**

**AN ORDINANCE OF THE CITY OF DAVIS  
AMENDING CHAPTER 33 OF THE DAVIS MUNICIPAL CODE  
RELATING TO SEWER RATES**

THE CITY COUNCIL OF THE CITY OF DAVIS DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. Section 33.04 of the Davis Municipal Code is hereby amended to read as follows:

SECTION 33.04.050 – SCHEDULE OF CHARGES. On and after August 1, 2007, the schedule of charges for sewer use shall be as follows:

(a) Residential

<u>Premises</u>	Monthly Rate Per Dwelling Unit <u>Rate</u>
For each single-family,	\$ 39.65
For each single family condo	30.80
For each unit in a 2-unit dwelling	29.92
For each unit in a 3-unit dwelling	31.02
For each unit in a 4-unit dwelling	31.33
For each multiple dwelling unit, 5 or more units	21.43
For each mobilehome site unit	21.43

For each group living dwelling, including fraternities, sororities, senior citizen houses, convents, rectories, residence halls, lodgings, and any other dwelling in which five or more unrelated individuals reside, the rate shall be based on the number of dwelling units calculated by dividing the total number of people by five within allowable facility occupancy according to the use permit or building code.

(b) Commercial and Industrial

Basic Rate.

	<u>Per Month</u>
All commercial uses, if serviced by a water meter	\$ 2.60

Variable Rate.

Plus a variable charge per month, based on the average of the previous year's water use for the months of November through February, shall be computed using the following cost per one hundred cubic feet (ccf) of water used:

<u>User Class.</u>	<u>Premises</u>	<u>Per Ccf</u>
C-6	Restaurants, fast food service	\$ 6.54
C-4	Convalescent hospitals	4.39
C-5	Auto repair shops, service stations, auto dealers	4.47
C-2	Laundry and dry cleaning	4.20
C-1	Offices, retail stores	4.12
C-3	Miscellaneous (includes churches, schools, daycare)	4.12
C-7	Industrial	4.65

If no previous experience is available, the variable rate established for a similar business may be used. If more than one user class is supplied by one meter, the highest user class factor will be used to compute the total rate.

INTRODUCED on May 1, 2007 and PASSED AND ADOPTED by the Davis City Council on \_\_\_\_\_, 2007, by the following vote:

AYES:

NOES:

ABSENT:

Sue Greenwald, Mayor

ATTEST:

Margaret Roberts, CMC  
City Clerk

## Staff Report

**March 6, 2007**

**TO:** City Council  
**FROM:** Bob Weir, Public Works Director  
Sue Gedestad, Operations Administrator  
**SUBJECT: Proposition 218 Approval**

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### **Recommendation**

Approve the mailing of the Proposition 218 notice that reflects the following rates:

1. 2% increase in sanitation which equates to a \$0.51 pre month increase for residential customers effective August 1, 2007;
2. 11% increase in sanitary sewer rates equating to a \$4.02 monthly increase for residential customers effective August 1, 2007;
3. Based on a recent California Supreme Court case, Bighorn-Desert View Water Agency v. Verjil, 39 Cal.4th 205 (2006), water rates will follow the Prop 218 noticing requirements. Last year Council approved a two year ordinance. The rates that will be reflected in the notice are the second year rates which take effect April 1, 2007.

### **Background**

#### **Prop 218**

Proposition 218 (Prop 218), was voter approved in 1996, and requires that the city give notification to all property owners of rate increases on most utilities. This notification takes the form of a mailing that includes the proposed rate, reasons for the rate increase, information on the public hearing and instructions for those who wish to protest the rate increase. If the majority of property owners protest the rate increase, then the rate increase could not be implemented.

The public hearing is scheduled for May 1, 2007.

#### **Sanitation**

Staff is recommending a 2% rate increase which equates to an increase monthly fee of 0.51. For residential customers, the rate would go from \$27.22 to \$27.73. Other commercial service would see similar increases.

Sanitary Sewer

The recommended utility FY07/08 rates come directly from the recently completed sewer rate study. The rates incorporate an assumed 3% increase in the cost of operations and anticipates \$15M bond sale for design services for the waste water plant improvements.

Customer Class	Current 2006/2007	Recommended 2007/2008	Estimated 2008/2009	Estimated 2009/2010	Estimated 2010/2011
<b>Residential (per month)</b>					
Single Family	35.63	39.65	41.64	44.13	47.66
Duplex	27.46	29.92	31.42	33.30	35.97
Triplex	27.46	31.02	32.57	34.52	37.29
Quadplex	27.46	31.33	32.90	34.87	37.66
Multi-family 5+	24.80	21.43	22.50	23.85	25.76
<b>Commercial (per hcf) *</b>					
Office/Retail (C1)	3.74	4.12	4.33	4.59	4.96
Laundromats (C2)	3.74	4.20	4.41	4.67	5.05
All Other Commercial (C3)	3.74	4.12	4.33	4.59	4.96
Convalescent Hospitals (C4)	3.86	4.39	4.61	4.89	5.28
Auto/Service Stations (C5)	3.90	4.47	4.69	4.97	5.37
Restaurants (C6)	5.20	6.54	6.87	7.28	7.86
Industrial	4.05	4.65	4.88	5.18	5.59

\* All commercial uses, if serviced by a water meter are charged a base rate of \$ 2.21 per month plus a variable charge per month, based on the average of the previous year's water use for the months of November through February.

Water

Last year a two year rate ordinance was approved by the City Council. Because of the change in case law, water rates will be included in the notice and the second year rates will be reflected.

User Classification	Use Tiers	Current Rate	April 1, 2007
		Unit Charge	Unit Charge
Single Family Residential (use per dwelling unit)	Tier 1: 0-36 hcf	\$ 0.91	\$ 1.09
	Tier 2: >36 hcf	\$ 1.19	\$ 1.41
Multifamily Residential (use per dwelling unit)	Tier 1: 0-14 hcf	\$ 0.81	\$ 0.96
	Tier 2: >14 hcf	\$ 1.19	\$ 1.41
Small Commercial/Industrial (use per account)	Tier 1: 0-115 hcf	\$ 0.83	\$ 0.99
	Tier 2: >115 hcf	\$ 1.19	\$ 1.41
Large Commercial/Industrial (use per account)	Tier 1: 0-619 hcf	\$ 0.89	\$ 1.06
	Tier 2: >619 hcf	\$ 1.19	\$ 1.41
Irrigation (use per acre)	Tier 1: 0-363 hcf	\$ 1.07	\$ 1.28
	Tier 2: >363 hcf	\$ 1.19	\$ 1.41

Meter Size	Current Monthly Base Rate	April 1, 2007 Monthly Base Rate Charge
5/8 and 3/4 - inch	\$ 7.00	\$ 8.40
1 - inch	\$ 9.90	\$ 11.80
1 1/2 - inch	\$ 17.10	\$ 20.30
2 - inch	\$ 25.60	\$ 30.50
3 - inch	\$ 48.50	\$ 57.80
4 - inch	\$ 74.30	\$ 88.40
6 - inch	\$145.80	\$173.60
8 - inch	\$231.70	\$275.80

Below is a comparison of current city utility rates and proposed rates.

	Current	Proposed
Sanitary Sewer	35.63	39.65
Sanitation	27.22	28.03
Storm Sewer = 2 components below		
Drainage*	2.79	2.87
Water Quality	1.74	1.74
Water	25.11	30.09
<b>Totals</b>	<b>92.49</b>	<b>102.38</b>

\* Rates are calculated on an average lot size of 7500 S.F.

**RESOLUTION NO. 07-XXX, SERIES 2007**

**CITY OF DAVIS  
CUSTOMER RATES FOR SANITATION SERVICES  
EFFECTIVE AUGUST 1, 2007**

WHEREAS, Section 32-10 of the Davis Municipal Code authorizes the City Council to periodically amend, by resolution, fees for waste management services; and

WHEREAS, an adjustment in sanitation rates is necessary to respond to the increased cost of providing such services; and

WHEREAS, such adjusted sanitation rates provide for quality waste management services to citizens and businesses at a fair market cost.

NOW, THEREFORE, BE IT RESOLVED by the Davis City Council that sanitation rates shown on the attached Exhibit 1 are incorporated herein by reference, and shall become effective August 1, 2007, and shall be the rates charged by the City for waste management services until amended or appealed; and

BE IT FURTHER RESOLVED that the Davis City Council hereby finds that the rates and rules established by this resolution are for the purpose of maintaining and continuing the provision of the City's utility services and specifically finds that the rates charged herein are for the following purposes:

- (a) Meeting operating expenses, including employee wage rates, fringe benefits and contractor service rates;
- (b) Purchasing or leasing supplies, equipment or materials;
- (c) Meeting financial reserve needs and requirements; and
- (d) Obtaining funds for capital projects necessary to maintain service within existing service areas.

PASSED AND ADOPTED by the Davis City Council this first day of May, 2007, by the following vote:

AYES:

NOES:

ABSENT:

Sue Greenwald  
Mayor

ATTEST:

Margaret Roberts, CMC  
City Clerk

**City of Davis FY 2007-08 Proposed Sanitation Rate Schedule**

A. Individually serviced residents shall pay the following fees per month:

- (1) Curbside collection: \$27.73
- (2) Handicapped service: \$27.73
- (3) No garbage collection (all other sanitation services except actual garbage collection): \$16.56
- (4) An individually serviced residence that is to be vacant for sixty days or more shall be entitled to the “no garbage” rate of subparagraph (4), providing notification is given to the city prior to occurrence of the vacancy.

B. Businesses and communally serviced residences shall pay the following fees:

(1) Commercial cart and bin service, dollar cost per month:

<b>Cart Service</b>											
Level of Service	1x/Week		2x/Week		3x/Week		4x/Week		5x/Week		6x/Week
Cart	Mid-week	Sat	All Md-wk	1x/Wk+Sat	All Md-wk	2x/Wk+Sat	All Md-wk	3x/Wk+Sat	All Md-wk	4x/Wk+Sat	
1	\$51.86	\$55.22	\$93.60	\$98.66	\$140.37	\$145.42	\$188.84	\$195.55	\$237.32	\$249.23	\$268.18
2	\$91.92	\$96.97	\$175.39	\$182.11	\$263.93	\$270.65	\$356.21	\$362.56	\$439.30	\$449.38	\$539.60
3	\$126.94	\$137.01	\$245.45	\$263.93	\$372.35	\$387.47	\$497.57	\$512.71	\$621.13	\$637.92	\$754.73
Per Extra Cart	\$35.48	\$40.51	\$70.53	\$82.29	\$108.90	\$117.29	\$141.84	\$150.63	\$182.29	\$189.00	\$215.62
<b>Bin Service</b>											
Level of Service	1x/Week		2x/Week		3x/Week		4x/Week		5x/Week		6x/Week
Yards	Mid-week	Sat	All Md-wk	1x/Wk+Sat	All Md-wk	2x/Wk+Sat	All Md-wk	3x/Wk+Sat	All Md-wk	4x/Wk+Sat	
1	\$80.67	\$92.49	\$152.96	\$164.73	\$230.30	\$242.05	\$308.75	\$321.22	\$389.97	\$400.03	\$477.38
1.5	\$110.12	\$123.87	\$205.09	\$216.84	\$318.55	\$331.99	\$426.95	\$438.71	\$530.30	\$542.06	\$655.52
2	\$134.48	\$154.65	\$262.24	\$280.69	\$391.64	\$411.82	\$524.41	\$542.91	\$657.20	\$677.39	\$806.86
2.5	\$167.27	\$185.73	\$319.38	\$339.58	\$484.93	\$505.10	\$648.79	\$668.97	\$814.44	\$834.59	\$996.81
3	\$200.04	\$220.21	\$379.90	\$400.04	\$576.56	\$600.04	\$776.64	\$796.80	\$971.57	\$993.44	\$1190.09
4	\$262.24	\$289.12	\$499.23	\$529.48	\$758.11	\$788.39	\$1013.63	\$1042.16	\$1269.11	\$1299.32	\$1611.96
5	\$321.04	\$358.03	\$621.92	\$657.20	\$941.34	\$978.30	\$1258.97	\$1295.98	\$1573.29	\$1608.61	\$1981.74
6	\$383.24	\$426.95	\$742.98	\$781.66	\$1124.55	\$1164.88	\$1501.06	\$1543.05	\$1877.37	\$1919.56	\$2353.26
Per Extra Yard	\$58.38	\$63.41	\$115.02	\$123.46	\$175.09	\$180.11	\$231.74	\$240.15	\$286.73	\$296.80	\$353.49
Ea. Compacted Yd.	\$61.94	\$66.98	\$122.20	\$128.92	\$185.78	\$189.16	\$246.02	\$252.77	\$306.28	\$314.67	\$373.54

(2) The following special provisions apply to the above cart and bin rates:

- (a) The above rates are for containers no fuller than level full.
  - (b) Containers located at multiple stations on one occupancy shall be considered separate services, unless the locations and access to the multiple stations expedite waste collection.
  - (c) Containers stored in difficult-to-service locations shall be serviced at a surcharge rate negotiated between subscriber and the City or its fully authorized agent.
  - (d) Containers filled or holding compacted garbage cubes will be charged weight maintenance surcharge per above per month in addition to respective service level rate.
- (3) Commercial no garbage billing (all services except actual garbage collection): \$16.56
- (4) A vacant business or vacant communally serviced residence shall be entitled to the “no garbage” rate, providing notice is given to the City at the start of the vacancy period.

**AMENDMENT NO. 2 TO AGREEMENT  
DATED OCTOBER 1, 2004 BETWEEN  
CITY OF DAVIS AND  
DAVIS WASTE REMOVAL COMPANY, INC.**

**WHEREAS**, the agreement dated October 1, 2004, by and between the City of Davis ("City") and Davis Waste Removal Company, Inc. ("Contractor") provides for periodic adjustments to rates due to changes in the Consumer Price Index; and

**WHEREAS**, the City and Contractor have agreed on an updated Exhibit "A," and the following paragraphs:

**NOW, THEREFORE**, the parties hereto agree that the agreement referred to above shall be amended as follows:

**Section II 3.A) Compensation Rate**

The new base rate exhibit for contractor payments for August 1, 2007 to July 31, 2008 is attached as Exhibit "A."

All prior amendments to this agreement are repealed to the extent they conflict with the terms hereof.

All other terms and covenants contained in said agreement shall remain unchanged and in full force and effect.

**IN WITNESS WHEREOF**, the parties have caused this Amendment No. 2 to be signed on this 1st day of May, 2007.

CITY OF DAVIS

DAVIS WASTE REMOVAL CO., INC.

By: \_\_\_\_\_

**Bill Emlen**  
City Manager

By: \_\_\_\_\_

**Paul E. Hart**  
President

Attachment

# Exhibit A

## LANDFILL AT 36.00/TON + COM REC \*\*\* CONTRACTOR SANITATION COMPENSATION MONTHLY RATES BY TYPE OF SERVICE

INDIVIDUALLY SERVICED RESIDENCES		BUSINESS AND COMMUNALLY SERVICED RESIDENCES (CITY FEES NOT INCLUDED) (@ \$36.00/ton)											
		<u>CART SERVICE</u>											
LEVEL OF SERVICE	PER MONTH	LEVEL OF SERVICE CART	-----1X/WK-----		-----2X/WK-----		-----3X/WK-----		-----4X/WK-----		-----5X/WK-----		--6X/WK--
			MID- WEEK	SAT	ALL MD-WK	1X/WK +SAT	ALL MD-WK	2X/WK +SAT	ALL MD-WK	3X/WK +SAT	ALL MD-WK	4X/WK +SAT	
CURBSIDE	\$25.36	1	\$43.65	\$47.01	\$77.18	\$82.24	\$115.74	\$120.79	\$156.00	\$162.71	\$196.27	\$208.18	\$218.92
		2	\$75.50	\$80.55	\$142.55	\$149.27	\$214.67	\$221.39	\$290.53	\$296.88	\$357.20	\$367.28	\$441.08
		3	\$102.31	\$112.38	\$196.19	\$214.67	\$298.46	\$313.58	\$399.05	\$414.19	\$497.98	\$514.77	\$606.95
HANDICAPPED	\$25.36	EACH ADD'L CART	\$27.27	\$32.30	\$54.11	\$65.87	\$84.27	\$92.66	\$109.00	\$117.79	\$141.24	\$147.95	\$166.36
NO GARBAGE	\$14.19												
		<u>BIN SERVICE</u>											
LEVEL OF SERVICE	PER MONTH	LEVEL OF SERVICE YARDS	-----1X/WK-----		-----2X/WK-----		-----3X/WK-----		-----4X/WK-----		-----5X/WK-----		--6X/WK--
			MID- WEEK	SAT	ALL MD-WK	1X/WK +SAT	ALL MD-WK	2X/WK +SAT	ALL MD-WK	3X/WK +SAT	ALL MD-WK	4X/WK +SAT	
DROP BOX SERVICE		1	\$72.46	\$84.28	\$136.54	\$148.31	\$205.67	\$217.42	\$275.91	\$288.38	\$348.92	\$358.98	\$428.12
		1.5	\$97.81	\$111.55	\$180.46	\$192.21	\$281.60	\$295.04	\$377.69	\$389.45	\$468.73	\$480.49	\$581.63
		2	\$118.06	\$138.23	\$229.40	\$247.85	\$342.38	\$362.56	\$458.73	\$477.23	\$575.10	\$595.29	\$708.34
LEVEL OF SERVICE	PER	2.5	\$146.75	\$165.21	\$278.33	\$298.53	\$423.36	\$443.52	\$566.69	\$586.87	\$711.82	\$731.96	\$873.66
YARDS	PICK UP	3	\$175.41	\$195.58	\$330.64	\$350.78	\$502.67	\$526.15	\$678.12	\$698.28	\$848.42	\$870.29	\$1,042.31
		4	\$229.40	\$256.28	\$433.55	\$463.80	\$659.59	\$689.87	\$882.27	\$910.80	\$1,104.91	\$1,135.12	\$1,414.92
		5	\$279.99	\$316.98	\$539.82	\$575.10	\$818.19	\$855.15	\$1,094.77	\$1,131.78	\$1,368.04	\$1,403.36	\$1,735.44
		6	\$333.98	\$377.69	\$644.46	\$683.14	\$976.77	\$1,017.10	\$1,304.02	\$1,346.01	\$1,631.07	\$1,673.26	\$2,057.70
** DOES NOT INCLUDE LANDFILL FEES **		EACH ADD'L YARD	\$50.17	\$55.20	\$98.60	\$107.04	\$150.46	\$155.48	\$198.90	\$207.31	\$245.68	\$255.75	\$304.23
10 YARDS	\$127.84	ADD SURCHARGE FOR											
20 YARDS	\$127.84	PER COMPACTED YD	\$53.72	\$58.77	\$105.78	\$112.50	\$161.15	\$164.53	\$213.18	\$219.93	\$265.23	\$273.62	\$324.28
30 YARDS	\$157.01												
40 YARDS	\$207.18												
50 YARDS	\$276.03												
CUSTOMER OWNED COMPACTOR	\$185.02												
NO GARBAGE SERVICE													
LEVEL OF SERVICE	PER MONTH												
NONE	\$14.19												

**RESOLUTION NO. 07-XXX, SERIES 2007**

**RESOLUTION AUTHORIZING THE CITY MANAGER TO  
EXECUTE AMENDMENT NO. 2 TO THE AGREEMENT WITH  
DAVIS WASTE REMOVAL COMPANY, INC.  
FOR WASTE REMOVAL SERVICES**

WHEREAS, the City of Davis and Davis Waste Removal Company, Inc. have an agreement dated October 1, 2004; and

WHEREAS, the City of Davis and Davis Waste Removal Company, Inc. are desirous of amending the October 1, 2004 agreement with an amendment dated May 1, 2007, for contractor payments effective August 1, 2007.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Davis hereby authorize the City Manager to execute Amendment No. 2 to the October 1, 2004 agreement.

PASSED AND ADOPTED by the Davis City Council this first day of May 2007, by the following vote:

AYES:

NOES:

ABSENT:

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Sue Greenwald  
Mayor

ATTEST:

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Margaret Roberts, CMC  
City Clerk