

City of Santa Fe, New Mexico

memo

DATE: September 17, 2014

TO: Public Utilities Committee/Finance Committee/City Council

FROM: Bryan Romero, Acting Director, Wastewater Management Division *SJA*

VIA: Nick Schiavo, Public Utilities Department and Water Division Director *NSA*

ITEM AND ISSUE:

Review and approval for publication and public hearing of a Bill relating to sewer service charges – amending rule 8 of exhibit A of Chapter 22 SFCC 1987 to increase the monthly service fee and monthly usage fee for the wholesale rate; relating to extra-strength surcharges – amending Rule 12 of Exhibit A of Chapter 22 SFCC 1987 to increase the mass base charge; and making other such changes as are necessary.

BACKGROUND AND SUMMARY:

On April 2, 2014, a presentation was given to the Public Utilities Committee on the Financial Plan Update for the Wastewater Management Division. At this meeting, MWH, Inc, City’s Utility Financial Consultant, presented the Financial Plan Update that demonstrated that a rate increase is needed for the next five (5) years. Below is an excerpt from the Financial Plan Update Report that summarizes some factors that have translated into the need for an increase to rates.

“In recent years, the Wastewater Division has seen a decrease in retail rate revenues. This loss in revenue has been from decreased billed usage and changes in retail customer structures. Since FY 2010-11, billed usage has decreased by 2.4% annually. In FY 2012-13, the Wastewater Division lost \$0.3 million in effluent revenues due to the loss of Las Campanas. In the same year, 700 retail customers were transferred to Santa Fe County and are no longer considered retail customers. All of these developments, along with the need to meet debt service coverage requirements and increasing CIP costs have created the need for five years of rate adjustments at 4.9%.” (MWH, Consultants, “Water, Wastewater, and Environmental Services Financial Plan Report”, June 2, 2014).

Attached is a Memorandum from MWH, Inc. summarizing the need for the increase, a power presentation and the Financial Plan Update Report presented at the April 2, 2014 meeting that provides detailed information related to the rate increase.

In conclusion, it is imperative that the wastewater rates be adjusted in order to continue operating the Wastewater Treatment Plant and the sanitary sewer system as well as meeting bonding obligations.

ACTION REQUESTED:

Review and approval of the attached bill for publication and public hearing.

Attachment – Financial Impact Report
Sewer Rate Bill
MWH Memorandum date 9-2-14
Power Point Presentation
Financial Plan Update

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CITY OF SANTA FE, NEW MEXICO

BILL NO. 2014-____

INTRODUCED BY:

Councilor Peter Ives

AN ORDINANCE

RELATING TO SEWER SERVICE CHARGES – AMENDING RULE 8 OF EXHIBIT A OF CHAPTER 22 SFCC 1987 TO INCREASE THE MONTHLY SERVICE FEE AND MONTHLY USAGE FEE FOR THE WHOLESALE RATE; RELATING TO EXTRA-STRENGTH SURCHARGES – AMENDING RULE 12 OF EXHIBIT A OF CHAPTER 22 SFCC 1987 TO INCREASE THE MASS BASE CHARGE; AND MAKING SUCH OTHER CHANGES AS ARE NECESSARY.

BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF SANTA FE:

Section 1. Rule 8 A. of Exhibit A of Chapter 22 SFCC 1987 (being Ord. #1997-3, Exhibit A, as amended) is amended to read:

8. Sewer Service Charges.

A. Connected to City Sewer

1. Single Family Residential Sewer Service Fees and Usage Fees.

Single family residential sewer service fees and usage fees shall apply if a sewer customer is served by city water and meets the single family

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service classification for water as set forth in Chapter 25 SFCC 1987. If not served by city water, single family residential sewer service fees and usage fees shall apply where the sewer connection serves only one unit* for normal domestic sewage.

a. *In city limits:*

Effective Date		Monthly Service Fee	Monthly Usage Fee
January 1, 2010	Connected to city water	\$5.85/unit*	\$3.58 per 1000 gallons of water**
July 1, 2012	Not connected to city water	\$5.85/unit*	\$12.88/unit*

b. *Inside presumptive city limits:*

Effective Date		Monthly Service Fee	Monthly Usage Fee
January 1, 2010	Connected to city water	\$5.85/unit*	\$3.84 per 1000 gallons of water**
July 1, 2012	Not connected to city water	\$5.85/unit*	\$13.82/unit*

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c. In city limits and presumptive city limits:

<u>Effective Date</u>		<u>Monthly Service Fee</u>	<u>Monthly Usage Fee</u>
<u>January 1, 2015</u>	<u>Connected to city water</u>	<u>\$6.22/unit*</u>	<u>\$3.82 per 1000 gallons of water**</u>
<u>January 1, 2015</u>	<u>Not connected to city water</u>	<u>\$6.22/unit*</u>	<u>\$13.75/unit*</u>
<u>January 1, 2016</u>	<u>Connected to city water</u>	<u>\$6.52/unit*</u>	<u>\$4.01 per 1000 gallons of water**</u>
<u>January 1, 2016</u>	<u>Not connected to city water</u>	<u>\$6.52/unit*</u>	<u>\$14.43/unit*</u>
<u>January 1, 2017</u>	<u>Connected to city water</u>	<u>\$6.84/unit*</u>	<u>\$4.21 per 1000 gallons of water**</u>
<u>January 1, 2017</u>	<u>Not connected to city water</u>	<u>\$6.84/unit*</u>	<u>\$15.16/unit*</u>
<u>January 1, 2018</u>	<u>Connected to city water</u>	<u>\$7.18/unit*</u>	<u>\$4.42 per 1000 gallons of water**</u>
<u>January 1, 2018</u>	<u>Not connected to city water</u>	<u>\$7.18/unit*</u>	<u>\$15.90/unit*</u>
<u>January 1, 2019</u>	<u>Connected to city water</u>	<u>\$7.53/unit*</u>	<u>\$4.64 per 1000 gallons of water**</u>
<u>January 1, 2019</u>	<u>Not connected to city water</u>	<u>\$7.53/unit*</u>	<u>\$16.70/unit*</u>

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[e]d. *Outside presumptive city limits:*

<i>Customer Wholesale Rate for Santa Fe County</i>			
Effective Date		Monthly Service Fee	Monthly Usage Fee
January 1, 2014	Connected to county water	\$4.29/unit*	\$3.95 per 1000 gallons of water**
January 1, 2014	Not connected to county water	\$4.29/unit*	\$14.22/unit*
<u>January 1, 2015</u>	<u>Connected to county water</u>	<u>\$4.48/unit*</u>	<u>\$3.95 per 1000 gallons of water**</u>
<u>January 1, 2015</u>	<u>Not connected to county water</u>	<u>\$4.48/unit*</u>	<u>\$14.22/unit*</u>
<u>January 1, 2016</u>	<u>Connected to county water</u>	<u>\$4.70/unit*</u>	<u>\$4.14 per 1000 gallons of water**</u>
<u>January 1, 2016</u>	<u>Not connected to county water</u>	<u>\$4.70/unit*</u>	<u>\$14.92/unit*</u>
<u>January 1, 2017</u>	<u>Connected to county water</u>	<u>\$4.93/unit*</u>	<u>\$4.34 per 1000 gallons of water**</u>
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<u>January 1, 2018</u>	<u>Connected to county water</u>	<u>\$5.17/unit*</u>	<u>\$4.55 per 1000 gallons of water**</u>
<u>January 1, 2018</u>	<u>Not connected to county water</u>	<u>\$5.17/unit*</u>	<u>\$16.39/unit*</u>
<u>January 1, 2019</u>	<u>Connected to county water</u>	<u>\$5.42/unit*</u>	<u>\$4.77 per 1000 gallons of water**</u>
<u>January 1, 2019</u>	<u>Not connected to county water</u>	<u>\$5.42/unit*</u>	<u>\$17.17/unit*</u>

2. Multi-Family Residential Sewer Service:

The following sewer service fees and usage fees shall apply if a sewer customer is served by city water and meets the multi-family residential service classification for water as set forth in Chapter 25 SFCC 1987. If not served by city water, multi-family residential sewer service fees and usage fees shall apply where the sewer connection serves more than one

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unit* for normal domestic sewage.

a. *In city limits:*

Effective Date		Monthly Service Fee	Monthly Usage Fee
January 1, 2010	Connected to city water	\$5.85/unit*	\$3.58 per 1000 gallons of water**
July 1, 2012	Not connected to city water	\$5.85/unit*	\$12.88/unit*

b. *Inside presumptive city limits:*

Effective Date		Monthly Service Fee	Monthly Usage Fee
January 1, 2010	Connected to city water	\$5.85/unit*	\$3.84 per 1000 gallons of water**
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c. In city limits and presumptive city limits:

<u>Effective Date</u>		<u>Monthly Service Fee</u>	<u>Monthly Usage Fee</u>
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[e]d. Outside presumptive city limits:

Customer Wholesale Rate for Santa Fe County

Effective Date		Monthly Service Fee	Monthly Usage Fee
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<u>January 1, 2015</u>	<u>Connected to county water</u>	<u>\$4.48/unit*</u>	<u>\$3.95 per 1000 gallons of water**</u>
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3. Commercial Sewer Service:

The following sewer service fees and usage fees shall apply where the water meter(s) serves a use not classified as single family residential or multi-family residential sewer service set forth above or where service is provided for a combination of residential and commercial services.

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c. In city limits and presumptive city limits:

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1 4. Exceptions to Commercial Sewer Service.

2 Mobile home parks; commercial greenhouses; churches; properties
3 owned by the U.S. government, the state of New Mexico, the city of
4 Santa Fe, the county of Santa Fe and the Santa Fe board of education;
5 and state accredited private elementary and secondary schools and
6 colleges shall not be considered commercial sewer services and shall be
7 considered residential sewer service.

8 **Section 2. Rule 8 B. of Exhibit A of Chapter 22 SFCC 1987 (being Ord. #1997-
9 3, Exhibit A, as amended) is amended to read:**

10 B. Not Connected to City Sewer.

11 1. Accessible to city sewer system

12 (as defined in subsection 22-2.1 SFCC 1987)

Effective Date	Cost per unit*/lot
January 1, 2010	\$5.85 per unit* or if no unit* \$5.85 per lot
January 1, 2015	\$6.22 per unit* or if no unit* \$5.85 per lot
January 1, 2016	\$6.52 per unit* or if no unit* \$5.85 per lot
January 1, 2017	\$6.84 per unit* or if no unit* \$5.85 per lot
January 1, 2018	\$7.18 per unit* or if no unit* \$5.85 per lot
January 1, 2019	\$7.53 per unit* or if no unit* \$5.85 per lot

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19 2. Not accessible to city sewer system No charge.

20 **Section 3. Rule 12. of Exhibit A of Chapter 22 SFCC 1987 (being Ord. #1997-3,
21 Exhibit A, as amended) is amended to read:**

22 **12. Extra-Strength Surcharge. See the definition of COD in subsection 22-2.1 and
23 Section 22-10 for information related to the extra-strength surcharge.**

24 12.1. The Surcharge fee shall be equal to:

25 $0.9 \times (C-D) \times F \times cf \times L$, for users whose discharge has been tested, and

1 0.9 x (M-D) x F x cf x L, for users whose discharge has not been tested.

2 Where:

3 C = COD concentration in the user's discharge stream in milligrams per liter
4 (mg/l)

5 D = Average domestic sewage COD concentration, established at 550
6 milligrams per liter (mg/l).

7 F = Average water use in million gallons per month as shown in the water
8 division records.

9 cf = 8.34. A factor to convert the units of milligrams to pounds per million
10 gallons.

11 L = The mass based cost of providing air to remove the COD in wastewater.

12 The cost has been established at the following costs:

Effective Date	Cost per pound
January 1, 2010	\$0.51
January 1, 2015	\$0.54
January 1, 2016	\$0.56
January 1, 2017	\$0.59
January 1, 2018	\$0.62
January 1, 2019	\$0.65

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19 M = Mean COD concentration in the user's sewage disposal as tested.

20 0.9 = Represents ninety percent of the water used through a water meter as
21 being discharged into the sanitary sewer.

22 Or:

23 Monthly water usage x 0.00337*L = Amount of monthly surcharge fee.

24 12.2 The resampling fee shall be equal to: \$75.00 and shall not be sampled more
25 than once per calendar year.

1 APPROVED AS TO FORM:

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KELLEY A. BRENNAN, CITY ATTORNEY

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Melissa/Bills 2014/Sewer Rates Increase

**City of Santa Fe
Fiscal Impact Report (FIR)**

This Fiscal Impact Report (FIR) shall be completed for each proposed bill or resolution as to its direct impact upon the City's operating budget and is intended for use by any of the standing committees of and the Governing Body of the City of Santa Fe. Bills or resolutions with no fiscal impact still require a completed FIR. Bills or resolutions with a fiscal impact must be reviewed by the Finance Committee. Bills or resolutions without a fiscal impact generally do not require review by the Finance Committee unless the subject of the bill or resolution is financial in nature.

Section A. General Information

(Check) Bill: X Resolution: _____

(A single FIR may be used for related bills and/or resolutions)

Short Title(s): **AN ORDINANCE RELATING TO SEWER SERVICE CHARGES – AMENDING RULE 8 OF EXHIBIT A OF CHAPTER 22 SFCC 1987 TO INCREASE THE MONTHLY SERVICE FEE AND MONTHLY USAGE FEE FOR THE WHOLESALE RATE; RELATING TO EXTRA-STRENGTH SURCHARGES – AMENDING RULE 12 OF EXHIBIT A OF CHAPTER 22 SFCC 1987 TO INCREASE THE MASS BASE CHARGE; AND MAKING SUCH OTHER CHANGES AS ARE NECESSARY.**

Sponsor(s): Councilor Ives

Reviewing Department(s): Public Utilities Department / Wastewater Management

Persons Completing FIR: Bryan Romero / Fernando Aranda Date: 9/17/14 Phone: 955-4623

Reviewed by City Attorney: *Kelley A. Brennan* Date: 9/22/14
(Signature)

Reviewed by Finance Director: *SB* Date: 09/22/2014
(Signature) FM TERESA GARCIA

Section B. Summary

The Bill amends Exhibit A in Chapter 22 to include an average rate increase of 5.6 % effective January 1, 2015, thereafter increasing rates 4.9 % per year for four (4) years starting January 1, 2016.

Section C. Fiscal Impact

Note: Financial information on this FIR does not directly translate into a City of Santa Fe budget increase. For a budget increase, the following are required:

- a. The item must be on the agenda at the Finance Committee and City Council as a "Request for Approval of a City of Santa Fe Budget Increase" with a definitive funding source (could be same item and same time as bill/resolution)
- b. Detailed budget information must be attached as to fund, business units, and line item, amounts, and explanations (similar to annual requests for budget)
- c. Detailed personnel forms must be attached as to range, salary, and benefit allocation and signed by Human Resource Department for each new position(s) requested (prorated for period to be employed by fiscal year)*

1. Projected Expenditures:

- a. Indicate Fiscal Year(s) affected – usually current fiscal year and following fiscal year (i.e., FY 03/04 and FY 04/05)
- b. Indicate: "A" if current budget and level of staffing will absorb the costs
"N" if new, additional, or increased budget or staffing will be required
- c. Indicate: "R" – if recurring annual costs
"NR" if one-time, non-recurring costs, such as start-up, contract or equipment costs
- d. Attach additional projection schedules if two years does not adequately project revenue and cost patterns
- e. Costs may be netted or shown as an offset if some cost savings are projected (explain in Section 3 Narrative)

Finance Director: _____

_____ Check here if no fiscal impact

Column #:	1	2	3	4	5	6	7	8
	Expenditure Classification	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs - Recurring or "NR" Non-recurring	Fund Affected

Personnel*	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Fringe**	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Capital Outlay	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Land/ Building	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Professional Services	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
All Other Operating Costs	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Total:	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____

* Any indication that additional staffing would be required must be reviewed and approved in advance by the City Manager by attached memo before release of FIR to committees. **For fringe benefits contact the Finance Dept.

2. Revenue Sources:

- a. To indicate new revenues and/or
- b. Required for costs for which new expenditure budget is proposed above in item 1.

Column #:	1	2	3	4	5	6
	Type of Revenue	FY 14/15	"R" Costs Recurring or "NR" Non-recurring	FY 15/16	"R" Costs - Recurring or "NR" Non-recurring	Fund Affected

Base Rate/Volume Charges	\$10,836,486	_____	\$11,429,393	_____	51450
COD Surcharge	\$361,984	_____	\$379,721	_____	51450
_____	\$ _____	_____	\$ _____	_____	_____
Total:	\$ _____	_____	\$ _____	_____	_____

Column #:	1	2	3	4	5	6
	Type of Revenue	FY 16/17	"R" Costs Recurring or "NR" Non-recurring	FY 17/18	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

	<u>Base Rate/Volume Charges</u>	\$12,054,392	_____	\$12,713,225	_____	51450
	<u>COD Surcharge</u>	\$398,327	_____	\$417,845	_____	51450
	_____	\$ _____	_____	\$ _____	_____	_____
	Total:	\$ _____	_____	\$ _____	_____	_____

Column #:	1	2	3	4	5	6
	Type of Revenue	FY 18/19	"R" Costs Recurring or "NR" Non-recurring	FY 19/20	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

	<u>Base Rate/Volume Charges</u>	\$13,407,726	_____	\$ _____	_____	51450
	<u>COD Surcharge</u>	\$438,320	_____	\$ _____	_____	51450
	_____	\$ _____	_____	\$ _____	_____	_____
	Total:	\$ _____	_____	\$ _____	_____	_____

3. Expenditure/Revenue Narrative:

Explain revenue source(s). Include revenue calculations, grant(s) available, anticipated date of receipt of revenues/grants, etc. Explain expenditures, grant match(s), justify personnel increase(s), detail capital and operating uses, etc. (Attach supplemental page, if necessary.)

Additional base rate, volume, and chemical oxygen demand charges will be generated as a result of the average 5.6% increase beginning January 1, 2015, and the 4.9% percent increase per year for four (4) years starting January 1, 2016.

Section D. General Narrative

1. Conflicts: Does this proposed bill/resolution duplicate/conflict with/companion to/relate to any City code, approved ordinance or resolution, other adopted policies or proposed legislation? Include details of city adopted laws/ordinance/resolutions and dates. Summarize the relationships, conflicts or overlaps.

None that staff are aware of.

2. Consequences of Not Enacting This Bill/Resolution:

Are there consequences of not enacting this bill/resolution? If so, describe.

If the ordinance is not adopted, revenue requirements to meet the needs identified in the financial plan will not be met. Adverse effect to bond rating.

3. Technical Issues:

Are there incorrect citations of law, drafting errors or other problems? Are there any amendments that should be considered? Are there any other alternatives which should be considered? If so, describe.

There are no incorrect citations of law, drafting errors or other problems that staff are aware of. No other alternatives are being presented. To delay the increase beyond January 1, 2015 will result in the need for higher rate increases.

4. Community Impact:

Briefly describe the major positive or negative effects the Bill/Resolution might have on the community including, but not limited to, businesses, neighborhoods, families, children and youth, social service providers and other institutions such as schools, churches, etc.

The Ordinance will implement rate increases to all Wastewater Utility Customers. The Bill amends Exhibit A in Chapter 22 to include an average rate increase of 5.6 % effective January 1, 2015, thereafter increasing rates 4.9 % per year for four (4) years. The increase is needed to pay for increasing costs and capital improvements to serve all customers. The increase will allow for the utility to maintain a sufficient fund balance to meet the minimum debt service coverage required to meet bond obligations.

Form adopted: 01/12/05; revised 8/24/05; revised 4/17/08