



AGENDA REPORT

Department: Engineering
Prepared by: Ricardo Rodriguez, Assistant Engineer-Civil
Meeting Date: Tuesday, June 6, 2023
Approved by: Armando Vergara, Acting City Manager

SUBJECT:

Second Public Hearing and Adoption of an Ordinance to Extend the Wastewater Rates Adopted for Fiscal Years 2022-2023 through Fiscal Years 2024-2025 with No Increase.

RECOMMENDATION:

Hold a Second Public Hearing and Adopt the Ordinance Entitled, “Ordinance of the City Council of the City of National City, California, Amending Ordinance No. 2017-2442 Extending the Wastewater Rates Adopted for Fiscal Years 2022-2023 to Fiscal Years 2023-2024 and 2024-2025 with No Increase.”

BOARD/COMMISSION/COMMITTEE PRIOR ACTION:

City Council unanimously approved the first reading of the ordinance on May 16, 2023.

EXPLANATION:

In December of 2017 the City Council adopted a 5 year wastewater rate study that set rates for Fiscal Years 2019-2023. The Council action did not specifically note that the wastewater rates would continue at that level until a new study was completed. Those rates went through a full proposition 218 notice and were approved. **See table below**

Residential Flat Rates	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
(\$ per month)					
Single Family Residence	\$ 35.23	\$ 38.68	\$ 42.47	\$ 46.61	\$ 51.18
Multi-Family Residence	\$ 27.48	\$ 30.17	\$ 33.13	\$ 36.36	\$ 39.92
Mobile Homes	\$ 21.49	\$ 23.60	\$ 25.91	\$ 28.43	\$ 31.22
Non-Residential Rates	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
(\$ per HCF)					
Suspended Solids/ BOD Solids / BOD Strength Category					
Commercial - Low	\$ 3.61	\$ 3.97	\$ 4.35	\$ 4.78	\$ 5.25
Commercial - Medium Low	\$ 3.89	\$ 4.33	\$ 4.73	\$ 5.13	\$ 5.66
Commercial - Medium	\$ 4.69	\$ 5.37	\$ 5.76	\$ 6.13	\$ 6.80
Commercial - Medium High	\$ 5.48	\$ 6.40	\$ 6.80	\$ 7.12	\$ 7.95
Commercial - High	\$ 6.82	\$ 8.14	\$ 8.55	\$ 8.79	\$ 9.88

The City consultant performed an analysis of the Fiscal Year 2022-2023 rates together with Fiscal Years 2023-2024 & 2024-2025 anticipated system and treatment needs and projected costs. The analysis confirmed that no rate increase would be needed for the next two fiscal years with available reserves. This is shown in Table B in Exhibit A.

The City of National City does not have its own wastewater treatment plant. National City is a member of the Metro Wastewater Joint Powers Association (JPA), a twelve-member agency, which uses the City of San Diego Treatment Facilities, primarily the Point Loma Treatment Plant located in Point Loma, San Diego. The JPA shares the cost of the operation and maintenance of this plant and related infrastructure. The Point Loma Wastewater Treatment Plant is currently undergoing upgrades and the City of San Diego is also implementing the Pure Water Program which also requires some cost sharing for the infrastructure associated with the treatment of the wastewater generated from the JPA. The City has been monitoring the actual impact on our treatment costs as the Pure Water Program costs have become more certain and these charges have allowed the rates to remain stable for two more years.

The costs for wastewater treatment are more than 60% of the costs for the City's operation and maintenance. Those costs include major capital costs for the City of San Diego's Wastewater Treatment Plants and pump stations, conveyance system operation and maintenance system and the Pure Water Program. During the last rate study the City of San Diego was expecting to pay cash for the capital costs of the Pure Water Program and now it is being funded with loans, therefore the costs for the City have flattened and reserves have been able to be reduced.

Because the rates are not being increased and they are only being extended at the current levels, there is no Proposition 218 notification and only this public hearing needs to be held. Therefore the below table is a summary of the service rates being proposed. Staff will be closely monitoring inflation, construction costs and other system needs and costs over the next two years to assess when to complete the next rate study.

National City Server Services Rates for Fiscal Years 2023-2024 and 2024-2025

Residential Flat Rates (per month)	Existing Fiscal Year 2022-2023 Monthly	Fiscal Year 2023-2024 Monthly	Fiscal Year 2024-2025 Monthly
Single Family Residence	\$ 51.18	\$ 51.18	\$ 51.18
Multi-Family Residence	\$ 39.92	\$ 39.92	\$ 39.92
Mobile Homes	\$ 31.22	\$ 31.22	\$ 31.22

Commercial Variables Rates (per HCF)

Strength Category	Suspended Solids/BOD Strength	Existing Fiscal Year 2022-2023	Fiscal Year 2023-2024	Fiscal Year 2024-2025
Commercial – Low	< 200 PPM	\$5.25	\$5.25	\$5.25
Commercial - Medium Low	201 to 280 PPM	\$5.66	\$5.66	\$5.66
Commercial - Medium	281 to 420 PPM	\$6.80	\$6.80	\$6.80
Commercial - Medium High	421 to 600 PPM	\$7.95	\$7.95	\$7.95
Commercial – High	> 600 PPM	\$ 9.88	\$ 9.88	\$ 9.88

FINANCIAL STATEMENT:

Extending the existing sewer fees at the rates previously established for Fiscal Year 2022-2023 for two more fiscal years will generate approximately \$11.9 million in revenues in each of those years. The revenues will cover the cost of maintenance and operations of the system and a portion of the anticipated need for capital improvements. Expenditures for capital improvements will require the use of approximately \$3.0 million in Sewer Fund reserves over the two years, but will not cause the reserves to dip below their target levels as set by City Council Policy #201, Maintenance of Reserve Funds. See Exhibit A for further details.

RELATED CITY COUNCIL 2020-2025 STRATEGIC PLAN GOAL:

Health, Environment, and Sustainability

ENVIRONMENTAL REVIEW:

This is not a project under CEQA and is therefore not subject to environmental review.CCR15378; PRC 21065.

PUBLIC NOTIFICATION:

Agenda Report posted within 72 hours of meeting date and time in accordance with Brown Act. Published in The Star News, on City Website and Posted on Bulletin Boards at City Hall.

ORDINANCE:

Second Reading and Adoption

EXHIBITS:

Exhibit A - Rate Study Memorandum

Exhibit B - Ordinance