



City of Brisbane's Frequently Asked Questions (FAQs) for the Water and Wastewater Rate Study

1. Why is the City of Brisbane (City) proposing to adjust the water and sewer rates?

The City's water and sewer rates are proposed to be adjusted to cover the increasing cost of service, simplify the existing rate structures, and better promote equity among customers. Additionally, rate increases are needed so that the City's Utility Fund can retain a positive credit rating by servicing existing debt financing and putting the City in a position to consider financing new capital projects. The City also delayed implementing any rate increases during the COVID-19 pandemic.

The proposed water rate increases are needed to pay for the cost of water purchases, operational costs, and ongoing maintenance and repairs of aging water mains and other infrastructure (see #11 below regarding the Capital Projects Charge). The last water rate study was conducted in 2001, and the last water operational rate increase went into effect in 2012. Since then, the cost to purchase water from the SFPUC has increased by 94%. Water purchases account for over 50% of water utility operating costs, and the City has no control over these costs.

The proposed sewer rate increases are needed to cover sewage treatment and disposal costs passed through from the City of San Francisco, operational costs, and ongoing maintenance and repairs of the collection system and sewer mains (see #11 below regarding the Capital Projects Charge). Current sewer rate revenues are insufficient to fund the costs of operating the sewer system. The last sewer rate study was conducted in 2001, and the last sewer operational rate increase went into effect in 2012. Since then, treatment charges from the City of San Francisco have doubled. Roughly 58% of total sewer operating expenses is comprised of treatment charges, and the City has no control over these costs.

2. What is Proposition 218 and what are the procedures under Proposition 218?

Adopted by the voters in November 1996, Proposition 218 added Article XIID to the State Constitution and governs the process for property-related fee increases. Proposition 218 gives taxpayers the right to vote on all local taxes and requires taxpayer approval of property-related assessments and fees, including water, sewer, and solid waste rates. Under Section 6 of Article XIID, a notice must be sent to all property owners and customers at least *45 days* before a public hearing is held to consider proposed rate increases. Under Proposition 218, persons objecting to the rate increase must file a protest with the City. Protests concerning the rate increase must be in writing, and may be delivered in person, or sent by mail, to the City of Brisbane City Clerk, 50 Park Place, Brisbane, CA 94005. In person protests may also be delivered at the public hearing on April 6, 2023 but all written protests, whether delivered in person or sent by mail, must be received by the City before the close of the public hearing on April 6. At the public hearing, an oral protest, without an accompanying written protest, will not count as a valid protest. No protests will



be accepted if sent via email, text, fax, or other electronic means. If there is no majority protest, the proposed rates may be adopted. There may be only one written protest for each parcel affected by the rate increase.

3. What is a water/sewer utility rate study?

A rate study is a financial review that projects future revenues and expenses typically over a 5 or 10-year period. The objective of a rate study is to determine whether revenues are sufficient to cover a utility's operating, maintenance, and capital expenses, as well as to pay for debt service and reserve funds. Rate studies provide transparency into what the City can expect in future years to ensure that each utility has the financial resources to meet its cost of providing service. Rate studies are typically performed every 3 to 5 years.

4. What costs are recovered from the water and sewer rates?

Water and sewer rates are the primary source of revenue used to pay for the operating expenses of each system. Operating expenses include, but are not limited to, staffing, administration, utilities, equipment, wholesale water purchases, sewer treatment costs, and the repair and maintenance of the aging infrastructure. The City is also responsible for costs related to long-term financial management, including maintaining adequate fund reserves. The City's Utility operating reserve target is to maintain a reserve no less than 25% of annual operating costs.

5. Can revenues from water and sewer rates be used for other projects?

Revenues from water rates can only be used for water expenses, and similarly, revenues from sewer rates can only be used to pay for sewer expenses. The City does not profit from rates paid by customers and can only charge rates equivalent to the cost of providing services. The water and sewer utilities are enterprise funds which means they are self-supported from water and sewer rates and charges. Enterprise funds are separate from the General Fund and do not receive any general tax revenue.

6. Why are the water and sewer rates being increased now?

The operational water and sewer rates have not increased in over 10 years. In the past, the City relied on impact fees paid by new development to supplement rate revenues. However, growth has slowed down which has resulted in a decrease in water and sewer impact fee revenues.

The City began the rate study process in 2021, but delayed a decision on implementing any rate increases during the COVID pandemic. The Utility Fund is now facing operating deficits as water and sewer expenses continue to increase. Since 2012, the cost for the City to purchase water has increased by 94%. Water purchases account for over 50% of water utility operating costs, and the City has no control over these costs. Moreover, the cost for sewer treatment has more than doubled since 2013. Roughly 58% of total sewer operating expenses is comprised of treatment charges, and the City has no control over these costs.



7. Why is the water rate structure changing?

The current water rate structure is comprised of two components: 1) a Fixed Charge (Water Service) and 2) a Consumption Charge (Water Use) based on metered water consumption. The current water rate structure was developed in 2000 and levies different rates based on meter size and customer class. After a review of the water system costs, the City is proposing to simplify the water rate structure and better promote equity among customers by implementing a single water rate structure that applies to all customer classes (residential, commercial, and irrigation).

The proposed water rate structure includes a single Fixed Charge rate schedule for all customers. For the Consumption Charges, all customers will be charged according to a two-tiered rate structure. In addition, all customers will receive one unit (1 ccf) of water with their Fixed Charge.

8. Why is the sewer rate structure changing?

The City's current sewer rate structure was developed in 2000 and includes two components: – 1) a Flat Charge, assigned to cover fixed costs associated with maintaining the ability or readiness to serve each connection, and 2) a Variable Charge. The Variable Charge is based on "flow strength." For example, sewage flow strength from a residential customer differs from the flow strength of a commercial customer. Because sewer flow is not metered, water usage is used as an estimate for sewer flow. For residential customers, sewer flow is approximated using winter water consumption for the four-month period between October and January when water usage is at the lowest -- the calculated winter average goes into effect the April after the previous winter. The Variable Charge for commercial customers is billed based on actual monthly consumption.

The proposed sewer rate structure maintains the Flat Charge but eliminates the current tiered Variable Charges. (Tiered rates are typically utilized for water rates to encourage conservation and are less relevant to sewer flow.) Because the proposed Variable Charge will be a single tier that varies based on flow strength, the modification better aligns the sewer rate structure with the cost of providing service for each customer class.

9. When would the proposed rate adjustments take effect?

If approved, the first rate change would take effect on June 15, 2023, with subsequent increases each June 15 through 2027. The June 15th start date will be reflected on the bill issued in late August, with a due date in October. If the rate plan is approved, the City will review its rates and revenues each year. The City can set rates at or below the maximum adopted in the rate plan. If the maximum rate is not needed due to higher than expected revenues or lower than expected costs, the City Council can implement a lower rate than described in the rate plan.



10. What if rate increases are not approved?

If rates are not increased, the City will not be able to afford to provide the same level of reliable water and sewer services. The Utility Fund is anticipated to operate at a deficit this fiscal year, meaning that it will need to use reserves to cover costs. Additionally, it will not have sufficient operating revenues to meet its debt coverage requirement. In 2015, the City issued \$8.3 million in utility revenue bonds to finance capital projects. The bond documents require the City to maintain sufficient annual net revenues in its Utility Fund to be at least 1.25 times the annual debt service. The City believes the proposed new rate structure will satisfy the debt service requirement by 2024/2025 and the operating reserve target by 2027/2028. Failure to meet debt service coverage may hinder the City's ability to qualify for future bond funding.

11. What is the Capital Projects Charge?

The Capital Projects Charge is a separate charge to pay for capital projects by repaying bonds that are funding the projects. Because we have not increased rates, we have not been able to issue bonds for current necessary improvements. The bond issuance schedule will be delayed until our annual revenues can cover corresponding annual operating expenses.

In April of 2014, the City Council approved the first Capital Project Charge to pay for infrastructure projects for the water and sewer systems. The plan was to create a 20-year capital project plan paid for by the Capital Project Charge in which the charge will be increased every 5 years between 2015 and 2035. In October of 2022, the City Council voted to implement the second of four Capital Projects Charges to pay for \$10 million in needed improvements to the City's aging water and wastewater systems. Projects include an Advanced Metering Infrastructure (AMI) system, the Glen Park Pump Station upgrade, and ongoing water and sewer pipeline replacements.

The Capital Project Charge is levied according to a tiered rate system based on springtime usage (mid-February through mid-June) to ensure that lower water users pay less than higher users. Total Capital Project Charge revenue is evenly split between the water and sewer funds. The Capital Project Charge is distinct from water and sewer rates and was not analyzed in the 2022 *Water and Sewer Utility Rate Study*.

12. What is the Drought Contingency Charge?

Approved by the City in 2018, the Drought Contingency Charge is a separate charge to fund a drought reserve fund with the objective of avoiding having to raise rates in times of severe water shortages. In turn, the drought reserve would be used to cover any lost revenues. During droughts, the City experiences a decrease in rate revenues related to consumption due to customers conserving water. Yet, the costs to maintain the water system remain the same and can even increase. The City anticipates that the Drought Reserve will be fully funded by 2025 if a drought does not occur. The Drought Contingency Charge is distinct from water and sewer rates and was not analyzed in the 2022 *Water and Sewer Utility Rate Study*.



13. Does the City have a low-income discount?

The City offers a Low Income Rate Assistance program, or LIRA, for utility bill customers who are enrolled in PG&E's Care Discount Program. The City is proposing to increase the low income discount so that qualifying customers will receive a 25% discount off their total monthly utility bill. Additional information is provided on the City's website at brisbaneca.org/utility-billing or by calling (415) 508-2154.

14. Does the State offer any discounts for utility bill customers?

Yes! The Department of Community Services and Development (CSD) just announced on March 14, 2023 that utilities participating in the Low Income Household Water Assistance Program (LIHWAP) -- which the City of Brisbane does -- have raised the maximum benefit for LIHWAP Arrearage Assistance from \$2,000 to \$15,000. Local Service Providers (LSPs) can now approve applications for assistance with past-due bills that exceed \$2,000. Learn more at csd.ca.gov/waterbill

