



Sewer Rate Increase Frequently Asked Questions

Why is a sewer rate increase necessary?

The City imposes its sewer service charges to fund the City's costs of operating and maintaining the sewer collection and sewage treatment systems, as well as to pay off the costs of constructing that system. Over the next five years, the City faces increasing operations and capital costs, especially those related to mandated capital projects such as the Equalization Basin. The proposed increases will generate the funding needed to provide wastewater service according to permit requirements and State Water Board mandates. The revised rates will also provide reliable future revenue for financing the City's Capital Improvement Plan. All rates are designed to evenly spread costs among sewer users according to the cost of providing service to that user.

What specific improvements are necessary?

The City's wastewater collection system is subject to infiltration and inflow (I/I) of extraneous groundwater and storm water into the collection system, resulting in high wet weather flows during storm events. As a result, Sanitary Sewer Overflows (SSOs) have occurred at several locations in the system during large storms, such as the big storm in January 2008. Consequently in May 2011, the Regional Water Quality Control Board (RWQCB) issued a Cease and Desist Order (CDO) to the City, and in June 2011, the City entered into a Consent Decree (CD) with Our Children's Earth Foundation. Both the CDO and CD required the City to prepare and adopt a Sewer System Management Plan (SSMP) that include plans and programs for addressing the operation and maintenance of the collection system as well the assessment of collection system's condition and capacity. Therefore, to fulfill the SSMP, the City completed the Collection System Master Plan (Master Plan) in October 2011. The Master Plan developed long-term plan for rehabilitation and replacement of sewer mainlines and recommended sewer mainlines around the City that needed to be upsized. Moreover, the Master Plan also recommended the Wet Weather Equalization Basin as one of the capacity improvements in the collection system and as a key element to mitigate storm-related SSOs in the Lower Linda Mar neighborhood.

How much do these projects cost?

The City has approximately \$52.5 million of Capital Improvement Projects over the next 5 years, which includes the Equalization Basin project. Proposed rates reflect the fact that the Equalization Basin project is a mandatory project and must be completed by the required deadline to avoid extremely heavy fines from the State Water Resources Control Board. The 10-year capital improvement schedule can be found in the wastewater rate study on Pacifica's website.

The City is exploring all funding options including General Fund revenue, grants, and low-interest loans to meet these costs before they are passed onto the rate payer. The Equalization Basin project will be funded through a low-interest bond issuance which has gradually increasing debt service in order to minimize impact on ratepayers.

What happens if we do not raise the rates and do not complete these improvements?

If the City does not raise wastewater rates, it will be unable to complete the Capital Improvement Plan, which includes projects to fix aging infrastructure and meets mandated requirements from the State Water Resources Control Board. If the City's largest project, the Equalization Basin is not completed by January 1, 2019, the City faces a maximum fine of \$82.7 million, which is much higher than the cost of the project. Overall, sewer infrastructure will continue to deteriorate without funding to maintain it. The sewer system may face system failures such as sanitary sewer overflows onto the streets and pollutants into the Pacific Ocean, which will further increase costs for all users.

What is the City doing to minimize the burden on ratepayers?

The City is providing strong financial stewardship by gradually raising the rates over the next five years. This has been achieved by carefully structuring the debt service schedule for the Equalization Basin project bond to include interest-only payments in the first three years followed by a gradual ramp-up of payments in years 4-5.

Does the City offer any relief for senior citizens or those on a fixed income?

The City's most recent sewer rate study explored methods to decrease the cost burden on low users by establishing a lower fixed rate based on meter size, but this would compound the rate increase on the average user since they would now be facing a fixed rate in addition to a rate per unit as opposed to one minimum charge plus charges on any usage over the minimum. Therefore, the City has chosen to keep the current rate structure, which was established many years ago.

How are Sewer bills calculated?

The City's current residential sewer bills are calculated by taking the lowest amount between total annual use and the bimonthly bill in the months of highest rainfall multiplied by six. This is used to discount any water use that does not impact the sewer system, such as irrigation. However, the City has found that this method is complex and difficult to explain to users as it changes every year.

The proposed methodology would instead bill residential users based on 90% of their total annual water use. The City will collect approximately the same amount of revenue from users under the new methodology. There will be very little to no impact on residential bills due to this change.

Commercial users are billed by total use multiplied by a strength factor which corresponds to the estimated flow for their customer class. The City is proposing an increase in the strength factor for restaurants with grease traps from 1.2 to 1.6 to follow State Revenue Guidelines for commercial users. The City is in the process to phase out restaurants without grease traps class by requiring such establishments to install grease traps.

Any billed usage below 48 units of water (the median residential use in Pacifica) is billed the minimum charge. Any use above this amount is billed at a \$/unit cost. The unit rate is based on one hundred cubic foot (hcf), equal to 748 gallons.

What is our current rate? What will it be increased to?

The City's current and future proposed rates are listed below. These rates are the maximum rates that can be implemented in each year. City Council will revisit the proposed rate in each year to determine the appropriate rate based on the current cost of service.

	Current	Maximum Proposed Rate*				
		2017-18	2018-19	2019-20	2020-21	2021-22
Percent Increase		8%	8%	8%	7%	7%
Rate per hcf	\$13.04476	\$14.08834	\$15.21541	\$16.43264	\$17.58293	\$18.81373
Minimum Annual Rate	\$626.14	\$676.24	\$730.34	\$788.76	\$843.98	\$903.06

What will the new charge be for a "typical" household?

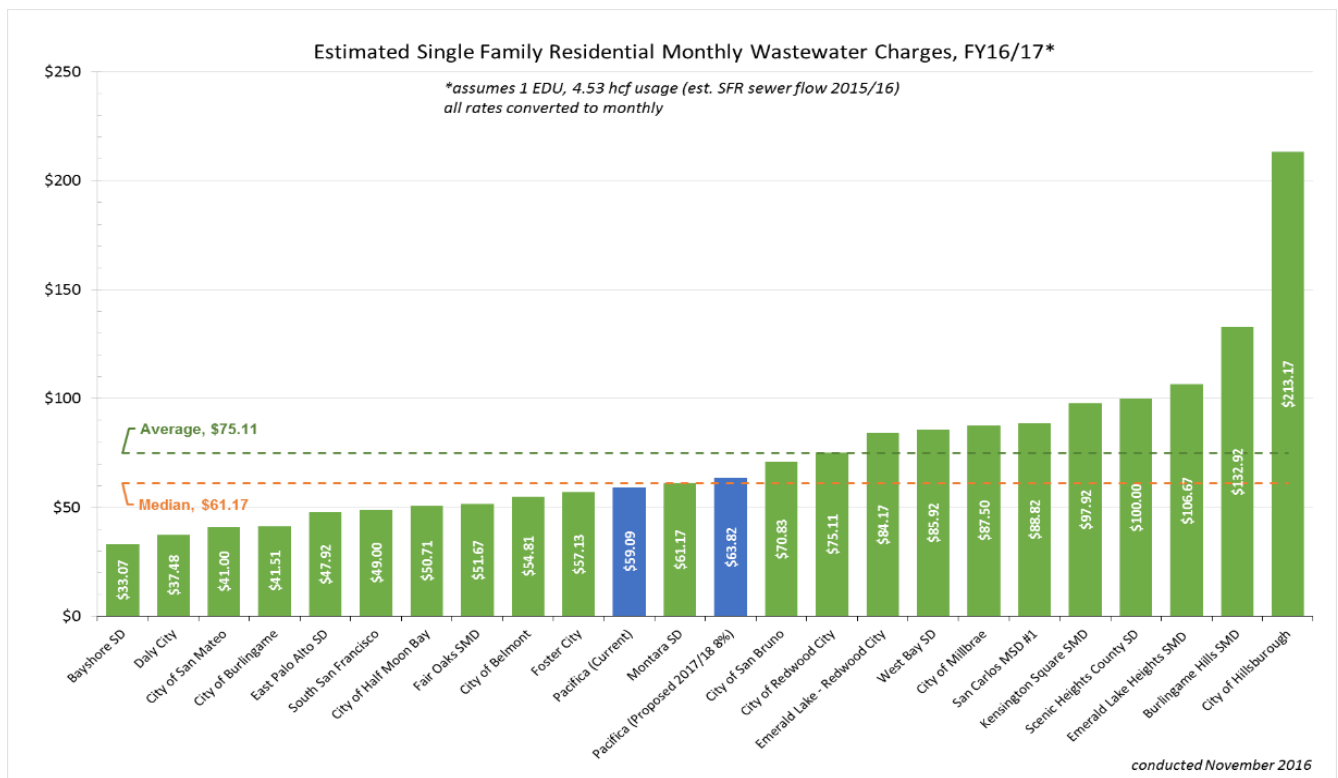
All residential users up to the median user (48 units of billed usage) will receive a minimum annual charge according to the above chart, currently \$626.14 and \$676.24 in 2017/18. This represents an increase of \$50.10, or \$4.18 per month. Bills are placed on the property tax bill and are typically paid by the property owner.

When were rates last raised? What was the percent increase?

From 2014-15 to 2016-17, annual sewer rates have increased 2.9%, 2.94%, and 4.28%, respectively. In 2013-14, there was no change to the sewer rate. As is true of the current proposed rates, each rate increase reflects the change in cost of service for wastewater users in that year.

How do the City's sewer rates compare to other agencies?

Pacifica's rate is below the average rate in the surrounding area, and the new proposed rate in 2017-18 would still be less than average. Below is a survey of neighboring sewer agencies, which can also be found online.



Due to decreased water consumption, increased baseline expenses and continually aging infrastructure, several other sewer agencies on the peninsula are proposing rate increases in FY 2017/18, including:

- San Mateo (36% being considered- new \$400 million treatment plant proposed)
- Foster City (14.25% being considered - will share treatment plant with San Mateo)
- South San Francisco (potential 15%)
- Belmont (7% adopted)
- Millbrae (6.3% adopted)

What is the process for implementing these rates?

In compliance with California law, the City will hold a public hearing on May 8, 2017 to consider the proposed rates. If a majority of property owners submit written protests against the new sewer rate at or before this hearing, the City will not implement the new rate. Otherwise, the new rate will be considered by the City Council and, if approved, placed on the property tax bills issued later in 2017.

What if I don't agree with the proposed rates?

Property owners who do not agree with the proposed rates can submit a written protest to the City at or prior to the May 8th hearing on the rate increase. The guidelines for the submission and tabulation of protests are available on the City's website at www.cityofpacific.org/wwratestudy.

Can renters vote at the public hearing?

Only property owners can submit a valid protest to the proposed rate increase. Therefore, if a renter does submit a protest vote, it will not be counted as part of the majority needed to block the proposed rate increase. However, everyone is invited to present oral or written testimony to the City Council at the public hearing.

Where can I find more information on the proposed rate and cost justification?

The full sewer rate study conducted by Bartle Wells Associates and other related documents can be found on the City's website at www.cityofpacific.org/wwratestudy. If you have any questions about the proposed rates, feel free to contact City Hall at (650) 738-7300.