



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Public Hearing to Consider Adopting Resolution Setting Pre-Approved Engineering News Record Adjustment Index for Usage-Based and Flat Water Rates for Residential, Commercial and Industrial Customers
MEETING DATE: December 18, 2013
PREPARED BY: Public Works Director

RECOMMENDED ACTION: Public hearing to consider adopting resolution setting pre-approved Engineering News Record adjustment index for usage-based and flat water rates for residential, commercial and industrial customers.

BACKGROUND INFORMATION: The City Council has made numerous water rate decisions over the past few years. The recommended action is to approve a rate increase of 2.5 percent effective January 1, 2014, as presented in Exhibit A. The ENR-based adjustment for the period October 2012 through October 2013 is 3.3 percent. A summary for the past five years of the CPI-based and ENR-based adjustments and the implemented adjustments is provided in Exhibit B. The purpose of this table is to demonstrate past rate increases have frequently been below the programmed adjustments.

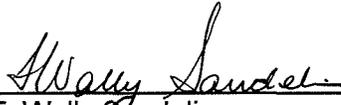
On May 20, 2009, Council waived the Consumer Price Index (CPI) adjustment of water rates based upon a lack of new information supporting neither an increase nor a decrease. On January 6, 2010, Council received advisory usage-based water rates for the purpose of research and customer billing comparisons. On July 21, 2010, Council approved a change to the date for implementing the annual rate adjustment to January 1 for each of the five years (maximum timeframe allowed by Proposition 218) following January 1, 2011. This change was recommended so that rate changes occur at the lowest usage time of the year. Council also changed the water rate adjustment index from the CPI to the Engineering News Record (ENR), effective January 1, 2012, because this index better reflects the combined inflationary effects of personnel, materials and energy costs on the total operations of the utility, as was done for the Wastewater Rates on July 15, 2010.

Council approved a professional services agreement with The Reed Group on August 6, 2008, for the preparation of a water utility financial model. Staff continues to update and use this model to forecast the performance of the utility through FY 2018/19 while incorporating substantial capital investments, including the water meter program, infrastructure replacement program, property owner meter payments and PCE/TCE remediation costs. The recommended rates presented in Exhibit A were developed using this tool.

It is staff's recommendation that the water rate increase be 2.5 percent. For a resident still on the flat rate, the monthly charge for a three-bedroom home will increase from \$43.04 to \$44.12 or \$1.08. A metered resident using 1,500 cubic feet of water per month will see an increase from \$39.88 to \$40.82 or \$0.94.

FISCAL IMPACT: Increased revenues to the water utility are required to keep up with cost of service increases and new mandated costs.

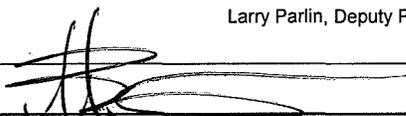
FUNDING AVAILABLE: Not applicable.



F. Wally Sandelin
Public Works Director

Attachments
cc: Steve Mann, Information Systems Manager

Larry Parlin, Deputy Public Works Director – Utilities

APPROVED: 

Konradt Bartlam, City Manager

Exhibit A
City of Lodi -- Water Utility
Current and Proposed Water Rates

	Current		Jan. 2014	
Flat Rates (\$/month)				
Percent Increase				2.5%
Single Family Residential Unit (\$/month)				
1 Bedroom	\$	29.90	\$	30.65
2 Bedroom	\$	35.91	\$	36.81
3 Bedroom	\$	43.04	\$	44.12
4 Bedroom	\$	51.72	\$	53.01
5 Bedroom	\$	62.03	\$	63.58
6 Bedroom	\$	74.44	\$	76.30
7 Bedroom	\$	89.31	\$	91.54
Multi-Family Residential Unit (\$/month)				
1 Bedroom	\$	25.67	\$	26.31
2 Bedroom	\$	30.79	\$	31.56
3 Bedroom	\$	36.94	\$	37.86
Metered Water Rates				
Service Charge (\$/month)				
<i>Single Family Residential</i>				
Up to 3/4" Meter	\$	23.78	\$	24.37
1" Meter	\$	38.60	\$	39.57
1 1/2" Meter	\$	75.42	\$	77.31
2" Meter	\$	119.79	\$	122.78
<i>Multi-Family and Non-Residential</i>				
5/8" Meter	\$	23.78	\$	24.37
3/4" Meter	\$	23.78	\$	24.37
1" Meter	\$	38.60	\$	39.57
1 1/2" Meter	\$	60.24	\$	61.75
2" Meter	\$	75.27	\$	77.15
3" Meter	\$	105.38	\$	108.01
4" Meter	\$	135.51	\$	138.90
6" Meter	\$	195.68	\$	200.57
8" Meter	\$	255.91	\$	262.31
10" Meter	\$	316.10	\$	324.00
Water Usage Rates (\$/CCF)				
<i>Single Family Residential</i>				
Tier 1 - 0 to 10 CCF/month	\$	0.92	\$	0.94
Tier 2 - 11 to 50 CCF/month	\$	1.38	\$	1.41
Tier 3 - Over 50 CCF/month	\$	1.82	\$	1.87
<i>Multi-Family and Non-Residential</i>				
All Water Usage	\$	0.92	\$	0.94

Exhibit B

Programmed and Implemented Rate Adjustments

Water

Year	Programmed	Implemented
2009	3.10 ⁽¹⁾	0
2010	0.73 ⁽¹⁾	0
2011	5.98 ⁽²⁾	2
2012	2.53 ⁽³⁾	2.2
2013	2.50 ⁽³⁾	2.5
2014	3.30 ⁽³⁾	2.5

(1) Consumer Price Index change

(2) Consumer Price Index change (December 2008 through December 2010)

(3) Engineering News Record Index change

RESOLUTION NO. 2013-225

A RESOLUTION OF THE LODI CITY COUNCIL
SETTING PRE-APPROVED ENGINEERING NEWS
RECORD ADJUSTMENT INDEX FOR USAGE-BASED
AND FLAT RATE MONTHLY WATER RATES

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WHEREAS, Resolution No. 2010-123 approved annual water rate increases in an amount not to exceed the percentage change in the Engineering News Record (ENR) Twenty Cities Annual Average Index beginning January 2012 through January 2016. A Proposition 218 procedure was conducted that validated this action; and

WHEREAS, staff has regularly updated the Water Utility Financial Plan with the assistance of the The Reed Consulting Group, Inc., of Sacramento; and

WHEREAS, the current water rate adjustment reflects a 2.5 percent increase.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby set pre-approved Engineering News Record adjustment index for usage-based and flat rate monthly water rates as outlined on Exhibit A attached with the effective date of the increase to be January 1, 2014.

Dated: December 18, 2013

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I hereby certify that Resolution No. 2013-225 was passed and adopted by the City Council of the City of Lodi in a regular meeting held December 18, 2013, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Johnson, Mounce, and
Mayor Katzakian

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Nakanishi

ABSTAIN: COUNCIL MEMBERS – None

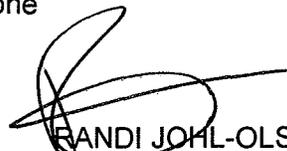

RANDI JOHL-OLSON
City Clerk

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Current and Proposed Water Rates

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Flat Rates (\$/month)		
Percent Increase		2.5%
Single Family Residential Unit (\$/month)		
1 Bedroom	\$ 29.90	\$ 30.65
2 Bedroom	\$ 35.91	\$ 36.81
3 Bedroom	\$ 43.04	\$ 44.12
4 Bedroom	\$ 51.72	\$ 53.01
5 Bedroom	\$ 62.03	\$ 63.58
6 Bedroom	\$ 74.44	\$ 76.30
7 Bedroom	\$ 89.31	\$ 91.54
Multi-Family Residential Unit (\$/month)		
1 Bedroom	\$ 25.67	\$ 26.31
2 Bedroom	\$ 30.79	\$ 31.56
3 Bedroom	\$ 36.94	\$ 37.86
Metered Water Rates		
Service Charge (\$/month)		
<i>Single Family Residential</i>		
Up to 3/4" Meter	\$ 23.78	\$ 24.37
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<i>Multi-Family and Non-Residential</i>		
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3" Meter	\$ 105.38	\$ 108.01
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6" Meter	\$ 195.68	\$ 200.57
8" Meter	\$ 255.91	\$ 262.31
10" Meter	\$ 316.10	\$ 324.00
Water Usage Rates (\$/CCF)		
<i>Single Family Residential</i>		
Tier 1 - 0 to 10 CCF/month	\$ 0.92	\$ 0.94
Tier 2 - 11 to 50 CCF/month	\$ 1.38	\$ 1.41
Tier 3 - Over 50 CCF/month	\$ 1.82	\$ 1.87
<i>Multi-Family and Non-Residential</i>		
All Water Usage	\$ 0.92	\$ 0.94

The City of Lodi
**Public Works
Engineering**



Public Hearing Water Rates

Agenda Item G - 2
December 18, 2013



Water Rate Setting

- July 2010 Council Adopted 5-Year Schedule of Rate Adjustments
- ENR Index Established (No More CPI)
- Proposition 218 Procedure Affirmed Schedule
- Financial Model Used to Analyze Rate Changes



Recommendation

- January 2014 Increase – 2.5%
- Proposition 218 Anticipated Increase – 3.3%
- ENR 2012 Index Change – 3.3%



5-Year Summary

Year	Programmed	Implemented
2009	3.10 ⁽¹⁾	0
2010	0.73 ⁽¹⁾	0
2011	3.86 ⁽²⁾	2
2012	2.53 ⁽³⁾	2.2
2013	2.50 ⁽³⁾	2.5
2014	3.30 ⁽³⁾	2.5

(1) Consumer Price Index change

(2) Consumer Price Index change (December 2008 through December 2010)

(3) Engineering News Record Index change



Recommended Water Flat Rates

Residential	Current	January 2013
1 Bedroom	\$29.90	\$30.65
2 Bedroom	\$35.91	\$36.81
3 Bedroom	\$43.04	\$44.12
4 Bedroom	\$51.72	\$53.01
5 Bedroom	\$62.03	\$63.58
6 Bedroom	\$74.44	\$76.30
7 Bedroom	\$89.31	\$91.54



New Metered Water Rates

- Fixed Monthly Service Charge (3/4 inch) \$24.37
- Metered charges:
 - Tier 1 (Up to 7,480 gals/month) \$0.00126/gal
 - Tier 2 (7,480-37,400 gals/month) \$0.00190/gal
 - Tier 3 (>37,400 gals/month) \$0.00250/gal



Rate Comparisons - Local

Agency	Average Bill
City of Galt	\$24.31
City of Lodi	\$45.05
City of Stockton	\$49.95
City of Manteca	\$44.64
City of Lathrop	\$65.56
City of Tracy	\$29.70

Based on 1,800 cubic feet per month



Rate Comparisons - Regional

Agency	Average Bill
City of Sacramento	\$38.48
City of Lodi	\$45.05
City of Modesto	\$40.23
City of Brentwood	\$61.32
City of Oakland	\$65.05
City of San Mateo	\$99.60
City of Burlingame	\$121.04

Based on 1,8000 cubic feet per month



Questions

Public
Hearing



Please immediately confirm receipt of this fax by calling 333-6702

CITY OF LODI
P. O. BOX 3006
LODI, CALIFORNIA 95241-1910

ADVERTISING INSTRUCTIONS

SUBJECT: PUBLIC HEARING TO CONSIDER ADOPTION OF RESOLUTION SETTING PRE-APPROVED ENGINEERING NEWS RECORD ADJUSTMENT INDEX FOR USAGE-BASED AND FLAT WATER RATES FOR RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL CUSTOMERS

PUBLISH DATE: SATURDAY, NOVEMBER 9, 2013

LEGAL AD

TEAR SHEETS WANTED: One (1) please

SEND AFFIDAVIT AND BILL TO: RANDI JOHL-OLSON, CITY CLERK
LNS ACCT. #0510052 City of Lodi
P.O. Box 3006
Lodi, CA 95241-1910

DATED: THURSDAY, NOVEMBER 7, 2013

ORDERED BY: RANDI JOHL-OLSON
CITY CLERK


JENNIFER M. ROBISON, CMC
ASSISTANT CITY CLERK

MARIA DITMORE
ADMINISTRATIVE CLERK

Verify Appearance of this Legal in the Newspaper – Copy to File

LNS Faxed to the Sentinel at 369-1084 at _____(time) on _____(date) _____(pages)
Phoned to confirm receipt of all pages at _____(time) _____MD _____JMR (initials)



DECLARATION OF POSTING

PUBLIC HEARING TO CONSIDER ADOPTION OF RESOLUTION SETTING PRE-APPROVED ENGINEERING NEWS RECORD ADJUSTMENT INDEX FOR USAGE-BASED AND FLAT WATER RATES FOR RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL CUSTOMERS

On Thursday, November 7, 2013, in the City of Lodi, San Joaquin County, California, a Notice of Public Hearing to consider adoption of resolution setting pre-approved Engineering News Record adjustment index for usage-based and flat water rates for residential, commercial, and industrial customers (attached and marked as Exhibit A) was posted at the following locations:

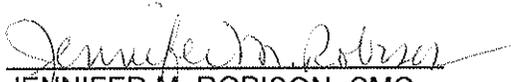
Lodi City Clerk's Office
Lodi City Hall Lobby
Lodi Carnegie Forum

I declare under penalty of perjury that the foregoing is true and correct.

Executed on November 7, 2013, at Lodi, California.

ORDERED BY:

**RANDI JOHL-OLSON
CITY CLERK**


JENNIFER M. ROBISON, CMC
ASSISTANT CITY CLERK

MARIA DITMORE
ADMINISTRATIVE CLERK



CITY OF LODI

Carnegie Forum
305 West Pine Street, Lodi

NOTICE OF PUBLIC HEARING

Date: December 18, 2013

Time: 7:00 p.m.

For information regarding this notice please contact:

Randi Johl-Olson
City Clerk
Telephone: (209) 333-6702

EXHIBIT A

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on **Wednesday, December 18, 2013**, at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a public hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the following matter:

- a) **Adoption of resolution setting pre-approved Engineering News Record adjustment index for usage-based and flat water rates for residential, commercial, and industrial customers (as identified on the attached Exhibit A).**

Information regarding this item may be obtained in the Public Works Department, 221 West Pine Street, Lodi, (209) 333-6706. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk, City Hall, 221 W. Pine Street, 2nd Floor, Lodi, 95240, at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk at, or prior to, the public hearing.

By Order of the Lodi City Council:

Randi Johl-Olson
City Clerk

Dated: November 6, 2013

Approved as to form:

D. Stephen Schwabauer
City Attorney

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