

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, JANUARY 29, 2013**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, January 29, 2013, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Mounce, Mayor Pro Tempore Katzakian, and Mayor Nakanishi

Absent: None

Also Present: City Manager Bartlam, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Receive Information Regarding Future Water Utility Policy Decisions and Rates (PW)

Public Works Director Wally Sandelin provided a PowerPoint presentation regarding the water utility policies and rates. Specific topics of discussion included water service lateral maintenance, lateral installation, utility bill responsibility, lock off water service, basis of analysis, estimated 2013 water rate revenue, metered account data, estimated 2013 metered rate revenue, single-family water usage, single-family tier structure, 2013 water usage rates, monthly services charges, water rate revenue mix, future rate structure adjustments, and vacant utility rates.

In response to Council Member Hansen and Mayor Nakanishi, Mr. Sandelin stated the City's wastewater policy has existed for approximately 30 years. He stated there was no policy on water because the water was only recently disinfected thereby reducing the risk of private contractors performing the job instead of City forces.

In response to Council Member Mounce, Mr. Sandelin stated the water policy will remove discretion and clearly delineate the responsibility of the property owner versus the City with respect to laterals and the main.

In response to Council Member Hansen, Mr. Sandelin stated depending upon the service sometimes the City's fees are higher while at other times the contractors' fees are higher. Mr. Sandelin and Mr. Bartlam stated the contractors' fees with this type of service are generally lower due to scheduling and work flow considerations although the City will continue to monitor the projects for safety.

City Council Members provided general comments regarding their thoughts on billing tenants versus property owners, flat rate assessments with a true-up component, the ability to meter individual units versus single-family homes, and the intent of the water board for long-term metering purposes.

In response to Mayor Pro Tempore Katzakian, Mr. Sandelin and Mr. Bartlam stated abandoned properties and foreclosures for water lock off purposes would be similar to current electric practices for home inspection purposes.

In response to Council Member Mounce, Mr. Sandelin and Mr. Bartlam stated shut offs for electric and water would be handled simultaneously by the same individual and the costs would be split between the two utilities.

A brief discussion ensued between Council Member Hansen and Mr. Bartlam regarding the potential effects of water shut off for foreclosure properties.

Bob Reed, consultant for Reed Group Inc., provided an overview of the status of the metering program in the City for informational purposes.

In response to Council Member Hansen, Mr. Reed stated the flat rate was tracked for historical purposes through meters that were not being charged at the metered rate during the pilot program.

In response to Council Member Mounce, Mr. Reed stated Tier 1 is not based on an individual person count per se and is instead based on winter home usage averages with a bell curve.

In response to Council Member Hansen, Mr. Reed stated most of the non-residential properties are metered and are essentially at Tier 1.

In response to Council Member Mounce, Mr. Reed stated the base charge covers the monthly service charges based on the size of the meter.

A brief discussion ensued amongst the City Council, Mr. Reed, and Mr. Sandelin regarding the typical rate setting models and methodology application for smaller and larger meter sizing while balancing rates for the various customer classes.

In response to Mayor Pro Tempore Katzakian, Mr. Reed stated in his experience reduced water consumption and conservation due to metering is permanent although there could be a swing of up to ten percent based on weather conditions, water availability, economy, and the overall demand. Mr. Reed stated the swing can be addressed through prudent policies and an adequate reserve.

Nancy Watts spoke in regard to the intent of state regulations for metering units and citizens paying for their fair share based on their usage.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:15 a.m.

ATTEST:

Randi Johl  
City Clerk



**CITY OF LODI  
COUNCIL COMMUNICATION**

**AGENDA TITLE:** Receive Information Regarding Future Water Utility Policy Decisions and Rates

**MEETING DATE:** January 29, 2013

**PREPARED BY:** Public Works Director

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**RECOMMENDED ACTION:** Receive information regarding future water utility policy decisions and rates.

**BACKGROUND INFORMATION:** Staff is preparing to conduct a series of public workshops with owners and tenants of multi-family, mobile home and other non-residential property owners. The purpose of this Council Communication is to inform City Council regarding various policy issues expected to be discussed at these meetings. Policy direction will be sought from the City Council following the completion of the public meeting process.

1. Water Service Lateral Maintenance

The City does not have a formal policy establishing the maintenance responsibility for water service laterals. Past practices had City crews performing all maintenance of water service laterals. These maintenance activities included replacement of the water service lateral from the main to the house, replacing faulty valves, installing meter boxes for future meters, and related activities. The work was performed at no cost to the property owners.

Staff proposes a policy that mirrors the existing Wastewater Service Lateral Maintenance policy. The proposed policy is provided as Attachment A. It requires the property owner to repair and maintain the water service lateral from the service side of the meter box to the building. The City will repair and maintain the service from the main to the meter box including the meter assembly, radio transponder and the meter box at no cost to the property owner.

2. Installation of New Water Service Laterals

Current policy requires that an authorized City employee make any water service connection (as well as wastewater and electric) to city supply lines. Costs for the installations are paid by the property owner.

Staff proposes a policy that would permit a qualified contractor to install water and wastewater service laterals under an encroachment or building permit with inspection provided by the City. In part, the past policy was in place to protect the water system that was not disinfected with chlorine. Now that the water system is fully chlorinated, the risk of contamination when opening the system is substantially lessened. Private contractors already construct water and sewer service laterals as part of new development permits in subdivisions, commercial centers and industrial sites.

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APPROVED: \_\_\_\_\_

Konrad Bartlam, City Manager

### 3. Utility Bill Responsibility (Water and Wastewater)

Current policy places the responsibility for payment of water, wastewater, electric and refuse services with the customer. The customer can be a property owner or a tenant.

Staff proposes a policy that will require the property owner to make payment for all past due charges for utility services prior to establishing a new account at the same property. The City of Roseville municipal code implements its policy per the following excerpt: "Where a rental property owner has past due charges for utility services, no new account can be established for service at that same property until payment is rendered for those same charges."

As the City completes the water meter installation program in 2017, this policy would affect the following customer classes.

- A. Industrial/commercial/condominium rentals with individual meters
- B. Single family rentals
- C. Duplex/triplex/fourplex rentals with individual meters

### 4. Discontinuance of Water Service

Current policy with respect to non-payment of utility bills, results in the discontinuation of electric service by locking off the electric meter. This does not prevent continued use of the water and wastewater utility services. Currently, non-payment of a utility bill in full results in all utility services recording non-payment proportionally across all segments of the utility bill (ie water, wastewater, electric, and refuse).

Staff proposes a policy that will discontinue both electric and water service by locking both meters as a result of non-payment of utility bills. Charges would be levied for the restoration of water service. The City of Tracy municipal code sets the following charges related to discontinuation/restoration of water service:

- (a) A fee [of] Thirty-five and no/100ths (\$35.00) dollars shall be charged for restoring water service to the same user when it is discontinued for failure to pay a delinquent account.
- (b) In the event it is necessary to lock a water meter because of a delinquency and the lock is subsequently found damaged or cut, a fee of Fifty and no/100ths (\$50.00) dollars shall be charged in addition to the fee set forth in subsection (a) of this section.
- (c) If it is necessary to remove a water meter because of a delinquency, a fee of One hundred and no/100ths (\$100.00) dollars shall be charged in addition to the fee set forth in subsection (a) of this section."

### 5. Future Meter Rates

To begin this topic, a summary of current information is provided for the approximately 6,650 residential customers and 1,200 non-residential customers receiving usage-based water bills. In January 2012, 2,950 customers started receiving bills and, in January 2013, 3,700 customers started receiving bills. The revenue collected from the metered customers is very close to projections, thereby, confirming the revenue neutrality of the rate structure. As reported to the City Council, for the first batch of 2,950 residential customers, 1,900 saw a decrease in the 2011 annual bill and 1,000 saw an increase in the 2011 annual bill. Revenues from the 6,650 residential customers were split 51%/49% for service charges/usage. For all metered customers, revenues were split 55%/45% for service charges/usage that is equal to the forecast of 55%/45% for service charges/usage.

Average monthly water use for the first batch of customers sent usage-based bills (constructed after 1992 and billed starting January 2011) is 18.6 hundred cubic feet per month (13,910 gallons per month). Average monthly water use for the second batch of customers sent usage-based bills (Water Meter Program Phase 1 but not yet billed) is 20.3 hundred cubic feet per month (15,180 gallons per month). The data suggests that 8% conservation has occurred within those homes receiving usage-based water bill.

Service charges consist of fixed cost items like meter reading, billing services, debt service, capital maintenance and fixed maintenance costs. For residential customers, service charges for 5/8, 3/4, 1, and 2 inch meters have been adopted. Refer to Attachment B. For multi-family and non-residential customers, monthly service charges for meters larger than 1 inch may need to be increased in the future in order to be comparable to the residential monthly service charge schedule. The residential monthly service charge is proportional to the square of the diameter (hydraulic capacity) of the meter, whereas, the multi-family and non-residential monthly service charges are approximately proportional to the diameter of the meter. A summary of the present multi-family and non-residential monthly service charges and proposed future capacity-based monthly service charges is provided in Attachment B.

Residential capacity charges have a three-tier structure. They are Tier 1, 0–10 CCF (7,480 gallons); Tier 2, 10.001–50 CCF (37,400 gallons); and Tier 3, above 50 CCF. Corresponding revenues received from the three tiers is 45.4% from Tier 1, 50.0% from Tier 2, and 4.6% from Tier 3. Relatively few customers use in excess of 37,400 gallons per month. The assumed average water usage in the 2009 rate model was 15,000 gallons per month per customer.

A series of future rate structure adjustments will be presented at the meeting and the topics are listed below.

- A. Balance water usage rates across customer classes
- B. Adjust service charges to reflect capacity relationship across meter sizes
- C. Gradually increase emphasis on water usage charge revenue to meet requirements of conservation pricing

## 6. Vacant Utility Rate

City Council requested that staff research the concept of setting a vacant utility rate for water and wastewater service. Currently, refuse service can be set to a vacation rate of no charge for a minimum period of 30 continuous days with a maximum of 90 days per calendar year. Otherwise, normal charges are billed to the tenant or property owner. If the unit is a rental and the tenant vacates the unit, the charges are levied against the property owner. Currently, electric service can be terminated upon vacating a unit by a tenant or property owner. Currently, water and wastewater service cannot be reduced when a unit is vacant. Those units on a fixed monthly rate continue to pay the fixed rate. Those units on a metered monthly rate continue to pay the monthly service charge and the usage charge. The monthly usage charge for a vacant unit should be relatively small.

Staff researched the rate structures of regional and Bay Area utilities and found that the City of Sacramento was the only agency with a vacant rate for water and wastewater.

A policy is proposed that would set a vacant utility rate for flat rate customers at the current monthly service charge corresponding to the meter size as presented in Appendix B. For metered customers, there would be no vacant utility rate. Over time, the monthly service charge will reduce as conservation pricing is implemented.

**FISCAL IMPACT:** Not applicable.

**FUNDING AVAILABLE:** Not applicable.

  
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F. Wally Sandelin  
Public Works Director

FWS/pmf



# CITY OF LODI

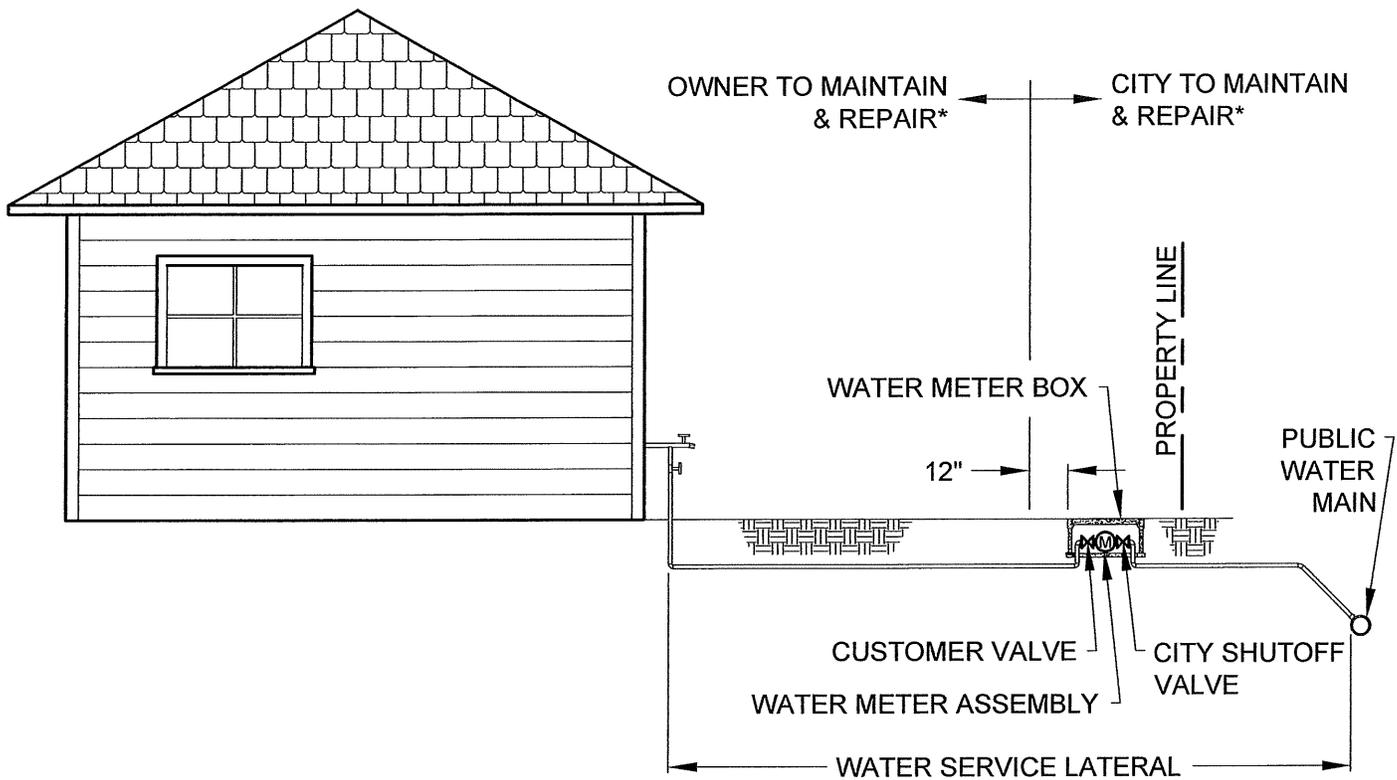
PUBLIC WORKS DEPARTMENT

## POLICIES AND PROCEDURES

WATER - 9

WATER SERVICE LATERAL MAINTENANCE

10/12



Water Service Lateral Maintenance Policy Adopted by City Council \_\_\_\_\_, 2012

1. The property owner is responsible to repair and maintain the water service lateral from the service side of the water meter box to the building as shown above. Maintenance includes repairing broken or leaking water pipes.
2. The City will repair and maintain the lateral from the public water main up to the service side of the water meter box as shown above, including the water meter assembly, radio transponder, and the meter box, at no cost to the property owner.
3. The property owner shall not tamper with the water meter assembly or the city shut off valve inside the water meter box. Any damages caused by the tampering will be repaired at the property owner's expense.
4. The property owner shall not alter the elevation or location of the water meter box and the water meter assembly. No stationary object shall be placed directly on top of the water meter box.
5. For water service problems that do not appear to be property owner's responsibility, call the City Utilities Operation at (209) 368-5735. The City will confirm if it's their problem.

\* In cases where the water main is in a rear/side yard easement, the demarcation will be at the water shut off at the easement line.

F. WALLY SANDELIN, PUBLIC WORKS DIRECTOR

## Attachment B Monthly Water Service Charges

<b>Meter Size (inches)</b>	<b>Residential Service Charge</b>	<b>Multi-Family Service Charge</b>	<b>and Non-Residential Capacity Based Service Charge</b>
5/8	\$23.78	\$23.78	
3/4	\$23.78	\$23.78	
1	\$38.60	\$38.60	\$39.71
1 1/2	\$75.42	\$60.24	\$79.18
2	\$119.79	\$75.27	\$126.75
3	N/A	\$105.38	\$237.80
4	N/A	\$135.51	\$396.41
6	N/A	\$195.68	\$792.59
8	N/A	\$255.91	\$1,268.19
10	N/A	\$316.10	\$1,823.21

# City of Lodi

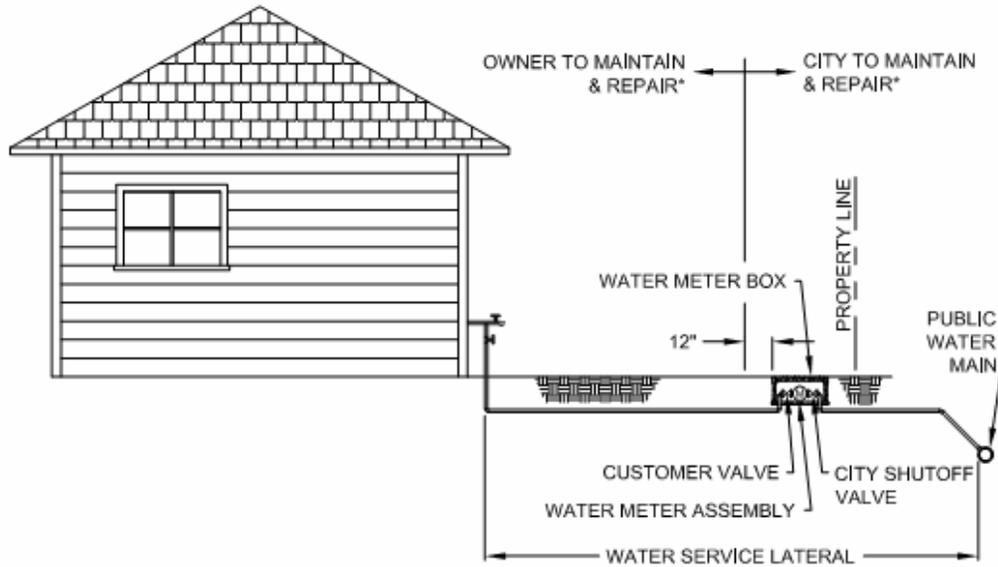
## *Water Utility Policies and Rates*

Shirtsleeve Meeting  
January 29, 2013



# Water Service Lateral Maintenance

- Current practice – utility maintains
- No formal policy like wastewater
- Proposed to be same as wastewater



Water Service Lateral Maintenance Policy Adopted by City Council \_\_\_\_\_, 2012

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# Water Service Lateral Installation

- Current practice - limited to City crews on existing mains
- Proposed policy permits contractors to perform work
  - Qualified Contractor
  - Water meter program does this
  - Cost borne by customer
  - Reduces staff work load
  - Risks reduced with disinfected system

# Utility Bill Responsibility

- Current practice – utility bill is the responsibility of the customer
- Proposed policy makes property owner responsible for utility bill
  - Reduces City losses
  - Readily enforceable
  - Requires changes by property owners/managers

# Lock Off Water Service

- Non-payment of utility bill spread across each utility
- Current practice – lock off electric service
- Proposed policy – lock off water service too
  - Enabled by the city-wide installation of water meters
  - Increases city action for non-payment
  - Might require a deposit schedule like electric

# Discussion Issues

- Summary of water rates and revenues
- Performance of residential metered water rates
- Residential and non-residential water rates and revenues
- Requirements for conservation pricing
- Suggested residential “vacancy” flat rate

# Basis of Analysis

- 2012 water usage data for all metered connections
- 2013 water rate schedules
  - 2.5% increase effective January 2013
- Continued conversion to metered billing for residential customers
  - Nearly 3,700 additional accounts converted to metered billing in January, bringing total to about 6,650 (40% of total single family homes)

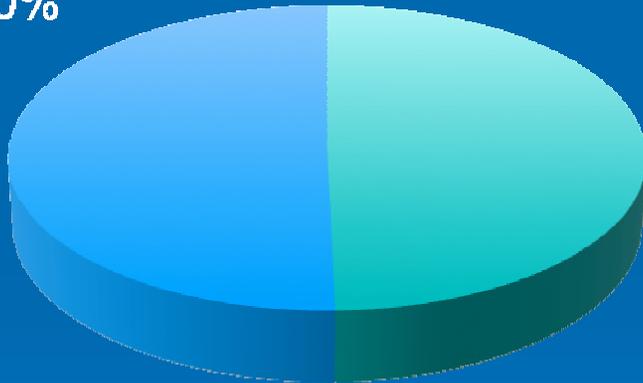
# Est. 2013 Water Rate Revenue

➤ Flat rate revenue	
➤ Residential	\$6,720,000
➤ Non-residential	\$200,000
➤ Metered rate revenue	
➤ Residential	\$3,760,000
➤ Non-residential	<u>\$2,220,000</u>
➤ Total	\$12,900,000

# Metered Account Data

## Water Usage

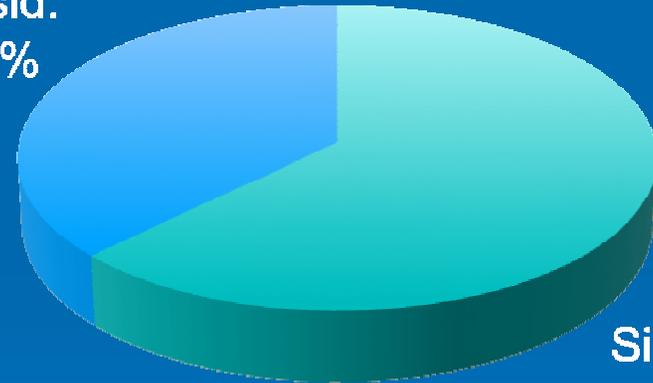
MF &  
Non-  
Resid.  
50%



Single  
Family  
50%

## Rate Revenue

MF &  
Non-  
Resid.  
37%



Single  
Family  
63%

Single family homes make up 85% of metered customer accounts.

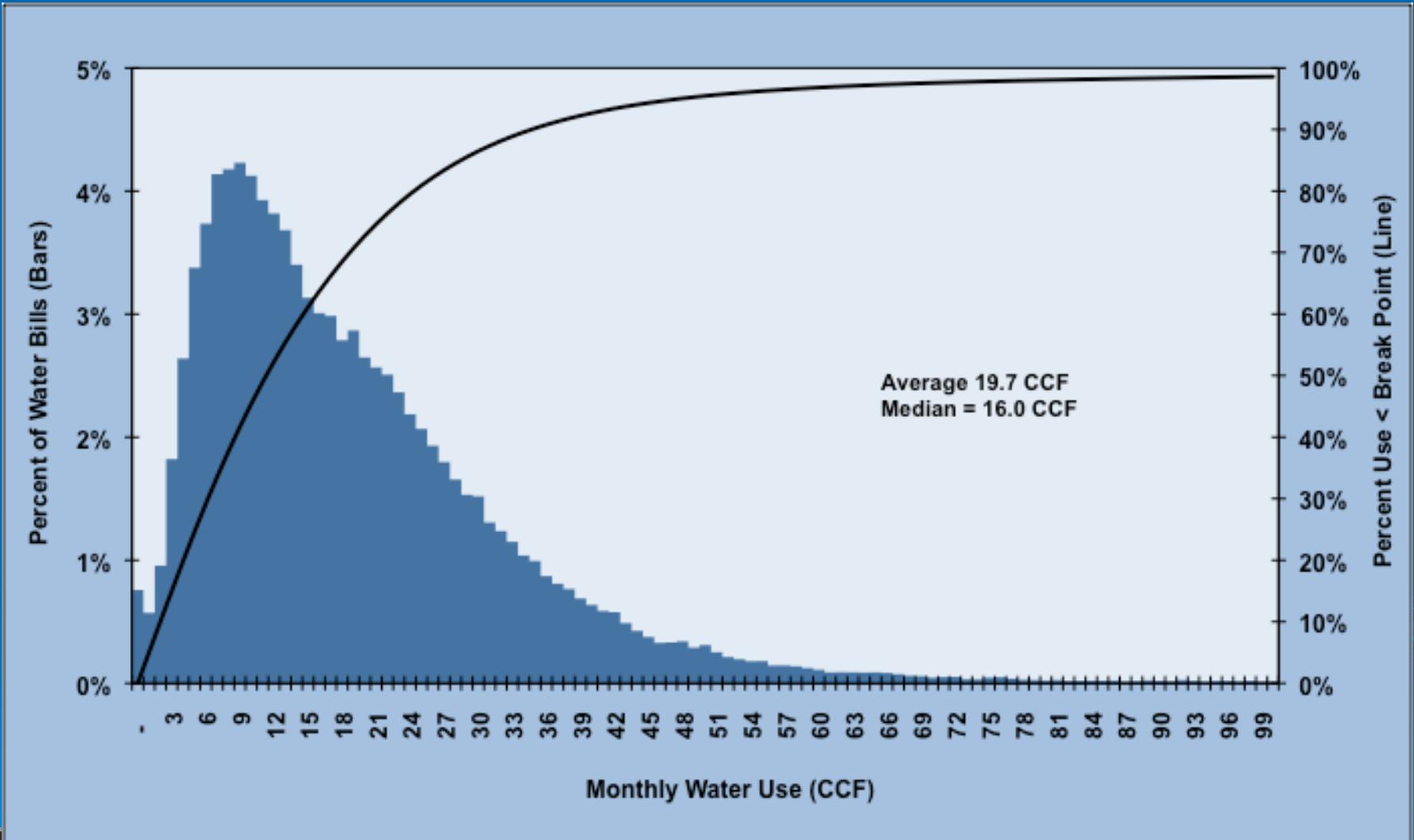
# Est. 2013 Metered Rate Revenue

➤ Single family residential	
➤ Service charges	\$1,890,000
➤ Usage charges	\$1,860,000
➤ Multi-family and non-residential	
➤ Service charges	\$780,000
➤ Usage charges	<u>\$1,450,000</u>
➤ Total	\$5,980,000

# Single Family Water Usage

- Flat rate customers (2009)
  - Avg. usage = 22 CCF/month
- Flat rate customers (2012)
  - Avg. usage = 20.3 CCF/month
- Metered rate customers (2012)
  - Avg. usage = 18.6 CCF/month

# Single Family Water Usage



# Single Family Tier Structure

	2009 Rate Study	2012 Actual Results
<b>Tier 1 (0-10 CCF)</b>		
% of water bills	23%	31%
% of water usage	42%	45%
<b>Tier 2 (11-50 CCF)</b>		
% of water bills	73%	66%
% of water usage	54%	50%
<b>Tier 3 (&gt;50 CCF)</b>		
% of water bills	4%	4%
% of water usage	3%	5%

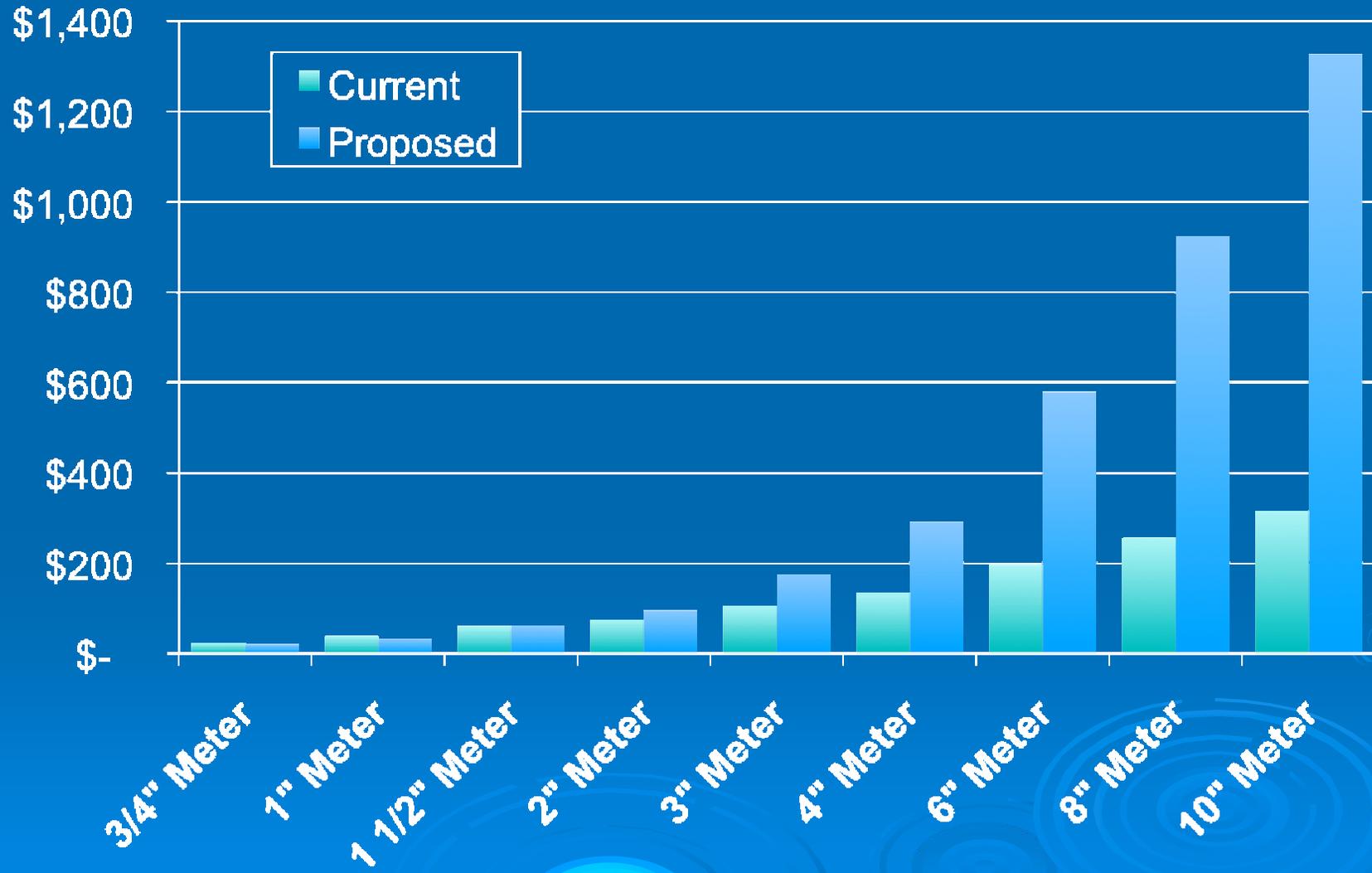


# 2013 Water Usage Rates

- Single family residential
  - Tier 1 = \$0.92 per CCF
  - Tier 2 = \$1.38 per CCF
  - Tier 3 = \$1.82 per CCF
  - Average across tiers = \$1.19 per CCF
- Multi-family and non-residential
  - All usage = \$0.92 per CCF

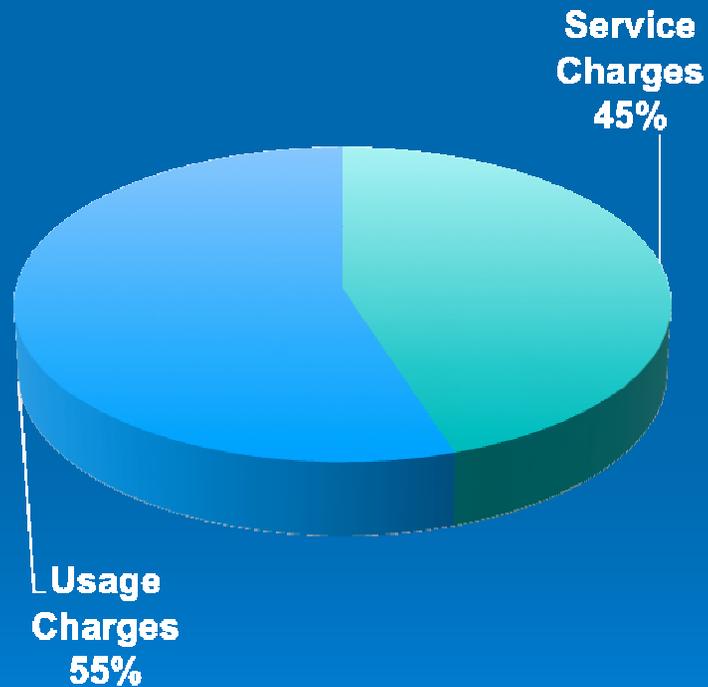


# Monthly Service Charges

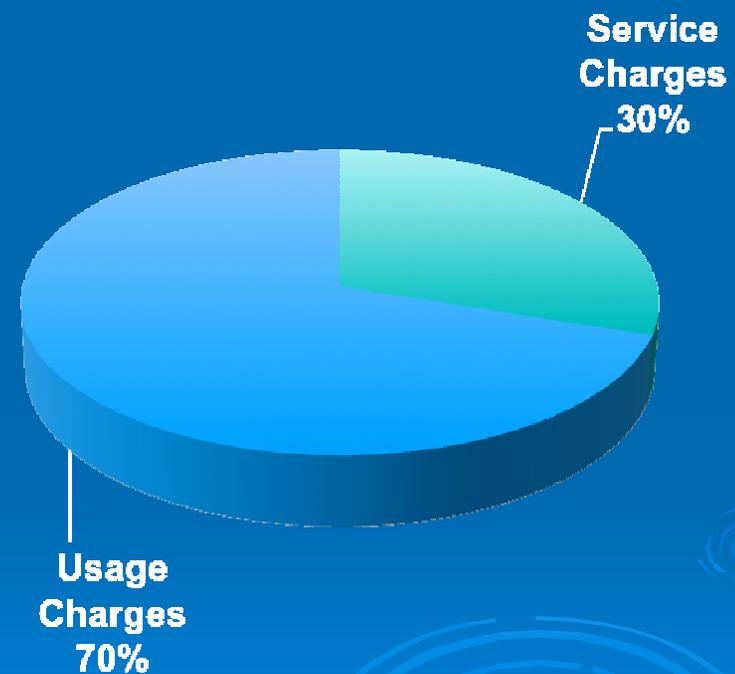


# Water Rate Revenue Mix

## Current Revenue Mix



## Conservation Pricing



# Future Rate Structure Adjustments

- Balance water usage rates across customer classes
- Adjust service charges to reflect capacity relationship across meter sizes
- Gradually increase emphasis on water usage charge revenue to meet requirements of conservation pricing

# Vacant Utility Rate

- Current practice – lower to 1-bedroom rate for vacant single family on limited basis
- Electric Utility offers a low use rate with a minimum \$5/month charge
- Refuse offers a vacation rate for 30 consecutive days maximum 90 days
- No other utilities in the region offer a vacant rate for water and wastewater

# Vacant Utility Rate

## ➤ Proposed policy

- Flat rate residential customers – monthly service charge based upon  $\frac{3}{4}$  inch meter size
- Metered rate residential customers – no vacant utility rate
- Monthly service charge will reduce with conservation pricing

# Questions ?



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